

# DNCA INVEST EUROSE

FLEXIBLE ASSET



## Investment objective

The Sub-Fund seeks to outperform the 20% Eurostoxx 50 + 80% FTSE MTS Global composite index calculated with dividends reinvested, over the recommended investment period. Investors' attention is drawn to the fact that the management style is discretionary and integrates environmental, social / societal and governance (ESG) criteria.

To achieve its investment objective, the investment strategy is based on active discretionary management.

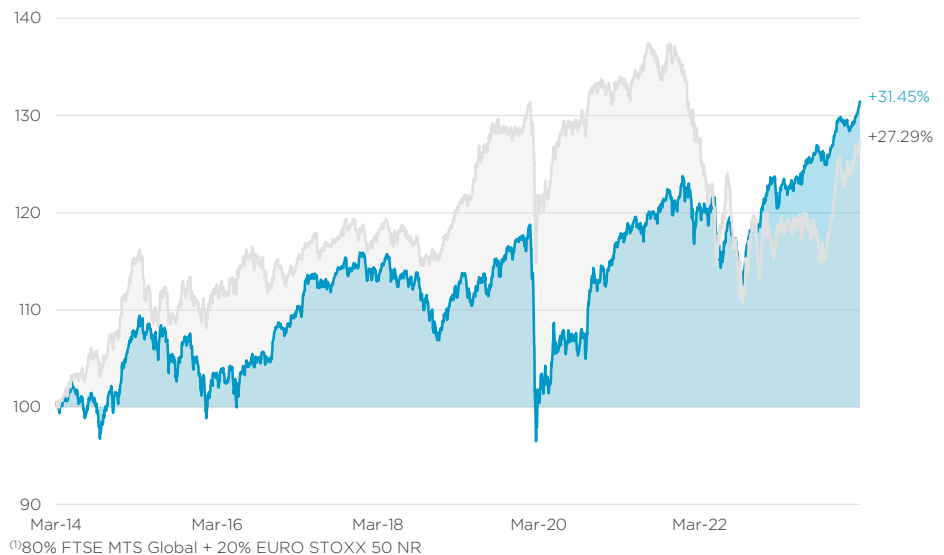
## Financial characteristics

|  |        |
|--|--------|
| NAV (€)                                  | 199.83 |
| Net assets (€M)                          | 2,403  |
| Number of equities holdings              | 24     |
| Gross equity exposure                    | 26.1%  |
| Net equity exposure                      | 18.4%  |
| Price to Earning Ratio 2024 <sup>e</sup> | 10.2x  |
| Price to Book 2023                       | 1.1x   |
| EV/EBITDA 2024 <sup>e</sup>              | 5.6x   |
| ND/EBITDA 2023                           | 1.1x   |
| Free Cash Flow yield 2024 <sup>e</sup>   | 7.13%  |
| Dividend yield 2023 <sup>e</sup>         | 4.25%  |
| Number of issuers                        | 180    |
| Average modified duration                | 2.27   |
| Net modified duration                    | 2.27   |
| Average maturity (years)                 | 2.68   |
| Average yield                            | 4.17%  |
| Average rating                           | BBB-   |

## Performance (from 31/03/2014 to 28/03/2024)

Past performance is not a guarantee of future performance

↗ DNCA INVEST EUROSE (I Share) Cumulative performance ↗ Reference Index<sup>(1)</sup>



## Annualised performances and volatilities (%)

|                              | 1 year | 2 years | 5 years | 10 years | Since inception |
|------------------------------|--------|---------|---------|----------|-----------------|
| I Share                      | +7.59  | +4.46   | +3.31   | +2.77    | +4.21           |
| Reference Index              | +7.22  | -0.09   | +1.09   | +2.44    | +3.28           |
| I Share - volatility         | 2.75   | 4.32    | 6.20    | 5.55     | 4.83            |
| Reference Index - volatility | 5.67   | 7.68    | 6.61    | 5.73     | 5.76            |

## Cumulative performances (%)

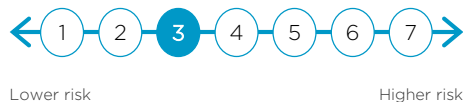
|                 | 1 month | YTD   | 1 year | 2 years | 5 years | 10 years |
|-----------------|---------|-------|--------|---------|---------|----------|
| I Share         | +1.82   | +1.42 | +7.59  | +9.10   | +17.69  | +31.45   |
| Reference Index | +1.68   | +1.99 | +7.22  | -0.18   | +5.56   | +27.29   |

## Calendar year performances (%)

|                 | 2023   | 2022   | 2021  | 2020  | 2019   | 2018  | 2017  | 2016  | 2015  | 2014   |
|-----------------|--------|--------|-------|-------|--------|-------|-------|-------|-------|--------|
| I Share         | +9.35  | -2.53  | +7.81 | -3.59 | +8.62  | -5.75 | +5.49 | +3.22 | +3.59 | +4.98  |
| Reference Index | +10.25 | -16.32 | +1.57 | +4.15 | +10.77 | -1.76 | +2.22 | +3.64 | +3.06 | +11.66 |

## Risk indicator

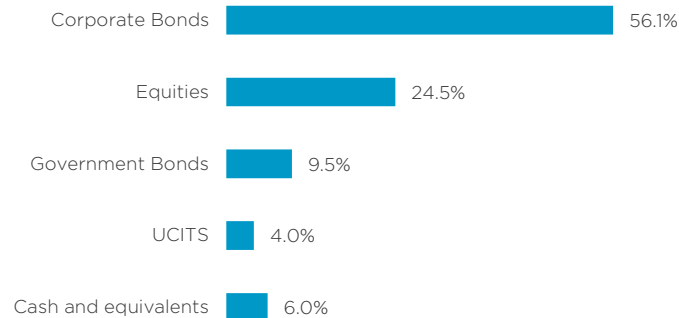
|                         | 1 year | 3 years | 5 years | 10 years |
|-------------------------|--------|---------|---------|----------|
| Tracking error          | 5.03%  | 6.29%   | 5.84%   | 4.77%    |
| Correlation coefficient | 0.46   | 0.45    | 0.59    | 0.64     |
| Beta                    | 0.22   | 0.30    | 0.55    | 0.62     |



Synthetic risk indicator according to PRIIPS. 1 corresponds to the lowest level and 7 to the highest level.

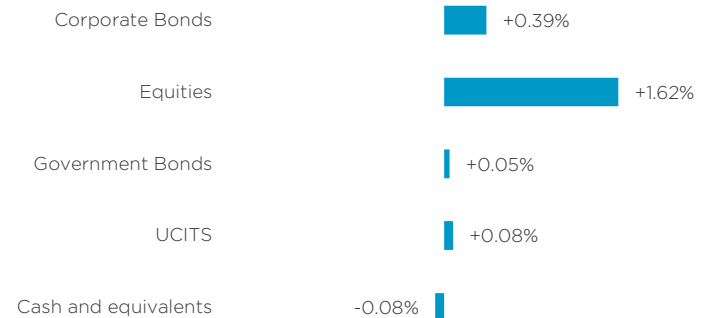
**Main risks:** interest-rate risk, credit risk, equity risk, risk of capital loss, risk of investing in derivative instruments as well as instruments embedding derivatives, specific Risk linked to ABS and MBS, distressed securities risk, risk of investing in speculative grade bonds, specific risks of investing in contingent convertible bonds (Cocos), specific risks associated with OTC derivative transactions, ESG risk, sustainability risk, risk related to exchange rate, risk relating to investments in derivative products

### Asset class breakdown



### Monthly performance contributions

Past performance is not a guarantee of future performance



### Sector breakdown (ICB)

|                                 | Fund  | Index |
|---------------------------------|-------|-------|
| Banks                           | 21.8% | 2.3%  |
| Govies                          | 9.5%  | 80.0% |
| Industrial Goods and Services   | 8.7%  | 2.9%  |
| Construction and Materials      | 6.9%  | 0.6%  |
| Automobiles and Parts           | 5.5%  | 1.3%  |
| Telecommunications              | 5.1%  | 0.5%  |
| Health Care                     | 4.9%  | 1.1%  |
| Consumer Products and Services  | 4.5%  | 2.6%  |
| Energy                          | 4.5%  | 1.0%  |
| Utilities                       | 3.9%  | 0.6%  |
| Technology                      | 3.2%  | 3.4%  |
| Financial Services              | 2.4%  | 0.2%  |
| Chemicals                       | 2.3%  | 0.8%  |
| Media                           | 1.9%  | 0.2%  |
| Basic Resources                 | 1.6%  | -     |
| Insurance                       | 1.1%  | 1.3%  |
| Food, Beverage and Tobacco      | 0.9%  | 0.7%  |
| Retail                          | 0.6%  | 0.3%  |
| Travel and Leisure              | 0.4%  | -     |
| Personal Care, Drug and Grocery | 0.3%  | 0.1%  |
| Real Estate                     | 0.1%  | -     |
| UCITS                           | 4.0%  | N/A   |
| Cash and equivalents            | 6.0%  | N/A   |

### Country breakdown

|                      | Fund  | Index |
|----------------------|-------|-------|
| France               | 41.1% | 27.2% |
| Spain                | 11.9% | 13.5% |
| Italy                | 11.0% | 19.2% |
| Netherlands          | 5.2%  | 7.6%  |
| Germany              | 4.6%  | 20.4% |
| USA                  | 4.0%  | -     |
| Belgium              | 1.6%  | 4.7%  |
| Switzerland          | 1.4%  | -     |
| United Kingdom       | 1.4%  | -     |
| Denmark              | 1.3%  | -     |
| Sweden               | 1.2%  | 0.2%  |
| Czech Republic       | 1.2%  | -     |
| Norway               | 1.1%  | -     |
| Ireland              | 0.9%  | -     |
| Israel               | 0.5%  | -     |
| Finland              | 0.4%  | 1.4%  |
| Austria              | 0.3%  | 3.0%  |
| Portugal             | 0.2%  | 1.7%  |
| Greece               | 0.2%  | -     |
| Luxembourg           | 0.1%  | -     |
| Slovenia             | 0.1%  | -     |
| Poland               | 0.1%  | -     |
| Other Countries      | -     | 1.3%  |
| UCITS                | 4.0%  | N/A   |
| Cash and equivalents | 6.0%  | N/A   |

### Bonds portfolio composition and indicators

|                        | Weight        | Maturity (yrs) | Modified duration | Yield        | Number of lines |
|------------------------|---------------|----------------|-------------------|--------------|-----------------|
| Fixed rate bonds       | 50.14%        | 2.85           | 2.41              | 4.18%        | 267             |
| Inflation-linked bonds | 8.08%         | 2.69           | 2.52              | 3.22%        | 7               |
| Hybrid bonds           | 4.07%         | 1.00           | 0.99              | 5.13%        | 23              |
| Convertible bonds      | 1.88%         | 2.61           | 2.02              | 6.27%        | 11              |
| Floating-rate bonds    | 1.42%         | 1.63           | 0.08              | 3.65%        | 7               |
| <b>Total</b>           | <b>65.59%</b> | <b>2.68</b>    | <b>2.27</b>       | <b>4.17%</b> | <b>315</b>      |

### Changes to portfolio holdings\*

**In:** Air Lease Corp 3.7% 2030, Banco de Sabadell SA 4.25% 2030 (5.5), CaixaBank SA PERP (5.5), Cellnex Finance Co SA 1% 2027 (6.3), Cellnex Telecom SA 0.75% 2031 CV (6.3), E.ON SE 3.75% 2028 (5.8), Elis SA 3.75% 2030 (5.8), Faurecia SE 5.5% 2029 (5.5), Fnac Darty SA 6% 2028 (5.4), Intesa Sanpaolo SpA 1.75% 2028 (7.2), Italy I/L 2029, LeasePlan Corp NV PERP (4.6), Morgan Stanley 2027 FRN, Orano SA 4% 2030 (4.4), RCI Banque SA 4.13% 2031 (4.3), Solvay SA 3.88% 2028 (5.3), SpareBank 1 SR-Bank ASA 3.63% 2029, Traton Finance Luxembourg SA 3.75% 2030 (3.6), Unicaja Banco SA 2.88% 2029 (3) and UniCredit SpA 0.8% 2029 (5)

**Out:** Banco Bilbao Vizcaya Argentaria SA PERP (6.4), CHARGEURS SA (5.7), EDP - Energias de Portugal SA PERP (5.5), Faurecia SE 2.63% 2025 (5.5), FCA Bank SpA/Ireland 4.25% 2024 (6.2), Fnac Darty SA 1.88% 2024 (5.4), Iberdrola International BV PERP (6.8), LeasePlan Corp NV 3.5% 2025 (4.6), Nexans SA 2.75% 2024 (5.7), Societe Generale SA 1.13% 2026 (3.5), Telefonica Europe BV PERP (4.6) and TotalEnergies SE PERP (4.1)

\*The figure between brackets represents the issuer's 'responsibility' score. Please refer to the Internal Extra-financial analysis page for the analysis methodology.

## Equity portfolio (24.5%)

### Main positions<sup>+</sup>

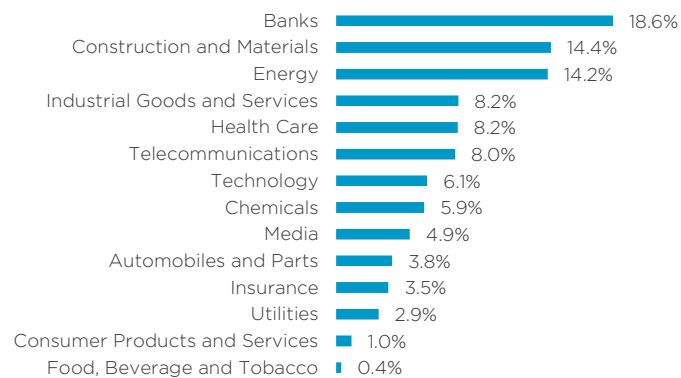
|                                 | Weight |
|---------------------------------|--------|
| TOTALENERGIES SE (4.1)          | 3.38%  |
| BNP PARIBAS (3.9)               | 2.03%  |
| SANOFI (5.2)                    | 1.82%  |
| COMPAGNIE DE SAINT GOBAIN (5.7) | 1.78%  |
| BOUYGUES SA (5.3)               | 1.75%  |

### Monthly performance contributions

Past performance is not a guarantee of future performance

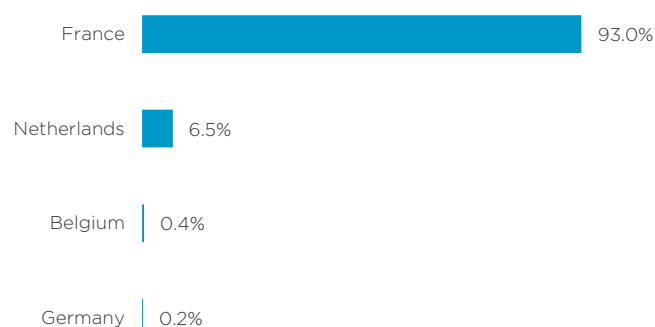
| Best                  | Weight | Contribution |
|-----------------------|--------|--------------|
| BNP PARIBAS           | 2.03%  | +0.33%       |
| TOTALENERGIES SE      | 3.38%  | +0.29%       |
| THALES SA             | 1.09%  | +0.15%       |
| SOCIETE GENERALE SA   | 1.43%  | +0.14%       |
| CREDIT AGRICOLE SA    | 1.08%  | +0.10%       |
| Worst                 | Weight | Contribution |
| STMICROELECTRONICS NV | 1.49%  | -0.07%       |
| CHARGEURS SA          | Out    | +0.00%       |
| CGG SA                | 0.10%  | +0.00%       |
| SIXT SE - PRFD        | 0.05%  | +0.00%       |
| CORBION NV            | 0.09%  | +0.01%       |

### Sector breakdown (ICB)



Equity portfolio (base 100)

### Country breakdown



Equity portfolio (base 100)

## Bond portfolio (65.6%)

### Main positions<sup>+</sup>

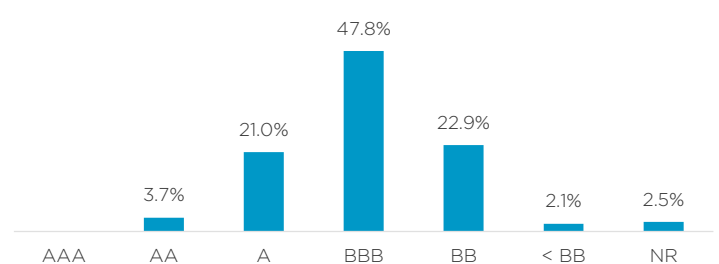
|   | Weight |
|---|--------|
| Italy I/L 2024                              | 2.21%  |
| Spain I/L 2027                              | 2.03%  |
| Italy I/L 2026                              | 1.40%  |
| Italy I/L 2028                              | 0.87%  |
| French Republic Government Bond OAT 1% 2025 | 0.81%  |

### Monthly performance contributions

Past performance is not a guarantee of future performance

| Best                  | Weight | Contribution |
|-----------------------|--------|--------------|
| SPIEFP 2 01/17/28     | 0.12%  | +0.01%       |
| SPGBEI 0.65 11/30/27  | 2.03%  | +0.01%       |
| BTPS 2.35 09/15/24    | 2.21%  | +0.01%       |
| BTPS 1.6 11/22/28     | 0.87%  | +0.01%       |
| COFCHD 5 3/4 11/28/33 | 0.15%  | +0.01%       |
| Worst                 | Weight | Contribution |
| GRFSM 3 7/8 10/15/28  | 0.15%  | -0.01%       |
| AMPBEV 3 09/01/29     | 0.21%  | -0.01%       |
| GRFSM 2 1/4 11/15/27  | 0.13%  | +0.00%       |
| NEXIIM 0 02/24/28     | 0.25%  | +0.00%       |
| GRFSM 1 5/8 02/15/25  | 0.18%  | +0.00%       |

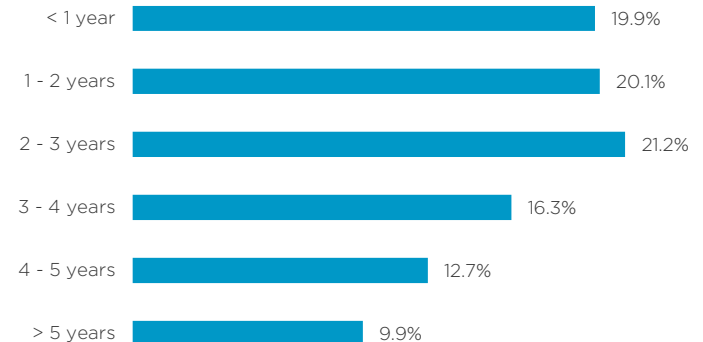
### Rating breakdown



Bonds portfolio (base 100)

These data are provided for guidance purposes only. The management company does not systematically and automatically use ratings issued by credit rating agencies and carry out its own credit analysis.

### Maturity breakdown



Bonds portfolio (base 100)

\*The figure between brackets represents the issuer's 'responsibility' score. Please refer to the Internal Extra-financial analysis page for the analysis methodology.

## Portfolio managers comments

The positive momentum that began at the end of last year continued into March. The key rate cuts by the US and European central banks are getting closer, and when they deviate from expectations, the economic and inflation figures do so mainly in a favourable direction. Rates are relatively stable, and optimism continues to reign. All markets rose over the month: sovereign rates (+1.0%), credit (Investment grade +1.2%, high yield +0.4%) and equities (EURO STOXX 50 NR +4.4%). And +0.5% for aggregate short-term bonds (1-3 years).

DNCA Invest Eurose rebounds (1.82% over the month), bringing its performance since the start of the year to 1.42%.

Equities made a positive contribution over the month. The selection benefited from the rebound in the banking sector (BNP Paribas, Crédit Agricole and Société Générale) and the monthly performance of ALD, D'Ieteren, Eutelsat and Thales, which exceeded 15%. Over the course of the month, the fund's main holdings were ALD, BNP Paribas, Crédit Agricole, Sanofi and STMicroelectronics. Shares in the French group Chargeurs were tendered to the offer led by the Columbus holding companies controlled by Chargeurs CEO Michaël Fribourg at a price of €12. At the end of March, the fund's net exposure to equities was 18.4%, and the portfolio's main holdings were TotalEnergies (3.4%), BNP Paribas (2.0%), Sanofi (1.8%), Saint-Gobain (1.8%) and Bouygues (1.8%). Hedging accounted for 7.6% (EURO STOXX 50 and CAC 40 futures). The financial characteristics of the portfolio show a P/E for 2024 of 10.2x (EURO STOXX 50 at 14.9x); the dividend yield for 2024 is estimated at 4.2% (EURO STOXX 50 at 3.0%).

On the bond side, Iberdrola, KBC and Telefonica redeemed their respective subordinated bonds early, as expected. Forvia is refinancing part of its 2025 and 2026 debt - in portfolio - in advance by issuing a new 2031 bond, in which we are participating. Our increased exposure to Spain's Cellnex ahead of the presentation of its new strategic plan paid off, as S&P upgraded its credit rating to investment grade, thanks in particular to a more reasonable debt target. We are bolstering EDF amid the volatility caused by the announcement of a marginal nuclear weapons business in France. Four new issuers join the portfolio: E.ON, a major German energy distribution company; Air Lease, a US aircraft leasing specialist; SR-Bank (a Norwegian bank); and Morgan Stanley. The last three were acquired on the primary market, as were new purchases of Elis (6 years), Orano (7 years), RCI Banque (7 years), Solvay (4 years), Traton (6 years), Fnac Darty (5 years) and Sabadell (6.5 years, senior non preferred). Finally, after an exceptional performance, French industrialist Spie's 2028 convertible has been largely reduced - at a negative yield - in favour of its 2026 bond, which offers an attractive yield.

The extra-financial characteristics of the portfolio show a responsibility performance of 4.99 and an exposure to sustainable transition of 84.86%.

Still considered a foregone conclusion a few weeks ago, the first rate cut in the United States is beginning to be called into question by the markets after the very resilient economic statistics. In the eurozone, on the other hand, both the downward trend in inflation and the confirmed sluggishness of the economy point to a rate cut in June. In view of these factors, the trend and, above all, the valuation of the bond and equity markets, there is no reason to change the fund's positioning in terms of equity allocation, bond sensitivity or credit risk. The 4.2% yield offered by each of the two parts of the portfolio remains as attractive as ever.

Text completed on 08/04/2024.



Jean-Charles  
Meriaux



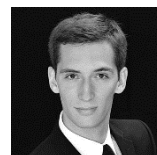
Romain  
Grandis, CFA



Damien  
Lanternier, CFA



Adrien  
Le Clainche



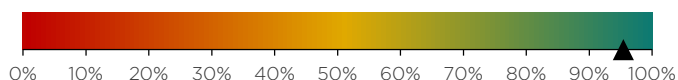
Baptiste  
Planchard, CFA



Emilie  
Brunet-Manardo

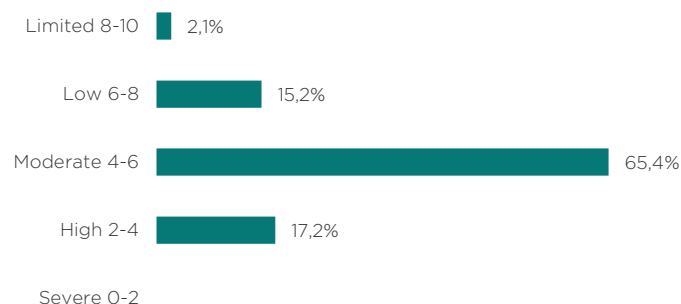
## Internal extra-financial analysis

### ABA coverage rate<sup>+</sup> (95.4%)



### Average Responsibility Score: 5.0/10

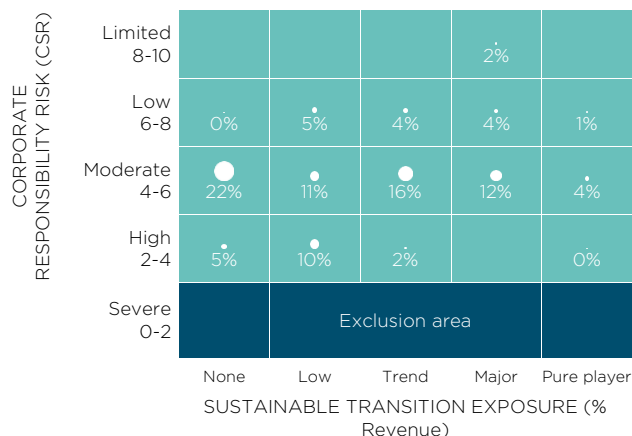
## Responsibility risk breakdown<sup>(1)</sup>



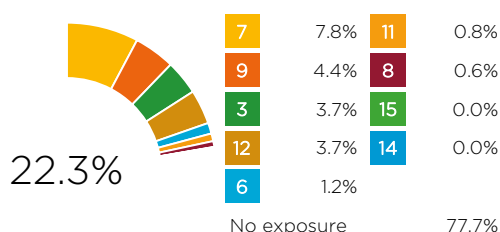
## Selectivity universe exclusion rate



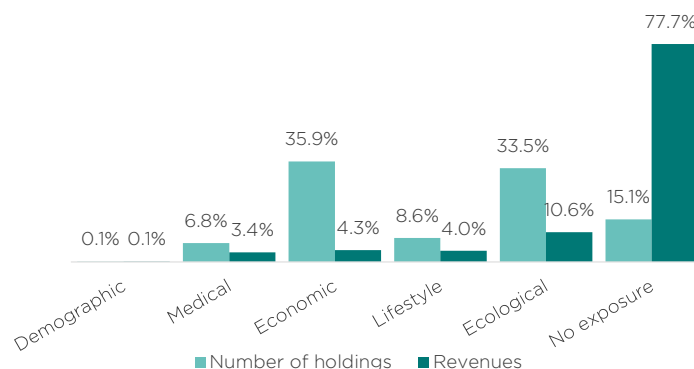
## Transition/CSR exposure<sup>(2)</sup>



## SDG's exposure<sup>(3)</sup> (% of revenues)



## Sustainable transitions exposure<sup>(4)</sup>



## Analysis methodology

We develop proprietary models based on our expertise and conviction to add tangible value in the selection of portfolio securities. DNCA's ESG analysis model, Above & Beyond Analysis (ABA), respects this principle and offers a rating that we control the entire construction. Information from companies is the main input to our rating. The methodologies for calculating ESG indicators and our responsible investor and engagement policy are available on our website [by clicking here](#).

<sup>(1)</sup> The rating out of 10 integrates 4 risks of responsibility: shareholder, environmental, social and societal. Whatever their sector of activity, 24 indicators are evaluated, such as social climate, accounting risks, suppliers, business ethics, energy policy, quality of management.

<sup>(2)</sup> The ABA Matrix combines the Responsibility Risk and the Sustainable Transition exposure of the portfolio. It allows us to map companies to be mapped using a risk/opportunity approach.

<sup>(3)</sup> 1 No poverty. 2 Zero hunger. 3 Good health and well-being. 4 Quality education. 5 Gender equality. 6 Clean water and sanitation. 7 Clean and affordable energy. 8 Decent work and economic growth. 9 Industry, innovation and infrastructure. 10 Reduced inequalities. 11 Sustainable cities and communities. 12 Sustainable consumption and production. 13 Tackling climate change. 14 Aquatic life. 15 Terrestrial life. 16 Peace, justice and effective institutions. 17 Partnerships to achieve the goals.

<sup>(4)</sup> 5 transitions based on a long-term perspective of the financing of the economy allow the identification of activities with a positive contribution to sustainable development and to measure the exposure of companies in terms of turnover as well as exposure to the UN Sustainable Development Goals.

\*The coverage rate measures the proportion of issuers (equities and corporate bonds) taken into account in the calculation of the extra-financial indicators. This measure is calculated as a % of the fund's net assets adjusted for cash, money market instruments, derivatives and any vehicle outside the scope of "listed equities and corporate bonds".

## Principal Adverse Impacts

| PAI  | Unit                                    | Fund     |           | Ref. Index |           |
|--|---|----------|-----------|------------|-----------|
|  |   | Coverage | Value     | Coverage   | Value     |
| PAI Corpo 1_1 - Tier 1 GHG emissions   | T CO <sub>2</sub>                       | 83%      | 110,327   | 100%       | 74,975    |
| PAI Corpo 1_2 - Tier 2 GHG emissions   | T CO <sub>2</sub>                       | 83%      | 29,572    | 100%       | 26,212    |
| PAI Corpo 1_3 - Tier 3 GHG emissions   | T CO <sub>2</sub>                       | 83%      | 936,684   | 100%       | 1,017,995 |
| PAI Corpo 1T - Total GHG emissions   | T CO <sub>2</sub>                       | 83%      | 1,061,051 | 100%       | 1,119,581 |
| PAI Corpo 2 - Carbon footprint   | T CO <sub>2</sub> /EUR million invested | 83%      | 461       | 100%       | 102       |
| PAI Corpo 3 - GHG intensity  | T CO <sub>2</sub> /EUR million sales    | 91%      | 921       | 100%       | 981       |
| PAI Corpo 4 - Share of investments in companies active in the fossil fuel sector         |   | 10%      | 6%        | 10%        | 2%        |
| PAI Corpo 5 - Share of non-renewable energy consumption and production                   |   | 86%      | 70%       | 100%       | 57%       |
| PAI Corpo 6_TOTAL - Energy consumption intensity by sector with high climate impact NACE | GWh / EUR million sales                 | 87%      | 0.4       | 100%       | 0.4       |
| PAI Corpo 7 - Activities with a negative impact on biodiversity-sensitive areas          |   | 4%       | 0%        | 1%         | 0%        |
| PAI Corpo 8 - Water discharges   | T Water Emissions                       | 5%       | 75        | 4%         | 3,110     |
| PAI Corpo 9 - Hazardous or radioactive waste ratio                                       | T Hazardous Waste                       | 44%      | 768,291   | 65%        | 127,159   |
| PAI Corpo 10 - Violations of UNGC and OECD principles                                    |   | 89%      | 0%        | 100%       | 0%        |
| PAI Corpo 11 - Lack of UNGC and OECD compliance processes and mechanisms                 |   | 89%      | 13%       | 100%       | 1%        |
| PAI Corpo 12 - Unadjusted gender pay gap   |   | 40%      | 14%       | 32%        | 12%       |
| PAI Corpo 13 - Gender diversity in governance bodies                                     |   | 89%      | 41%       | 100%       | 42%       |
| PAI Corpo 14 - Exposure to controversial weapons   |   | 89%      | 0%        | 100%       | 0%        |
| PAI Corpo OPT_1 - Water use  | m <sup>3</sup> /EUR mln sales           | 9%       | 10        | 13%        | 1         |
| PAI Corpo OPT_2 - Water recycling  |   | 6%       | 0%        | 12%        | 0%        |
| PAI Corpo OPT_3 - Number of days lost due to injury, accident, death or illness          |   | 42%      | 978       | 40%        | 91        |

Source : MSCI

## Administrative information

**Name:** DNCA INVEST Eurose  
**ISIN code (Share I):** LU0284394151  
**SFDR classification:** Art.8  
**Inception date:** 21/06/2007  
**Investment horizon:** Minimum 3 years  
**Currency:** Euro  
**Country of domicile:** Luxembourg  
**Legal form:** SICAV  
**Reference Index:** 80% FTSE MTS Global + 20% EURO STOXX 50 NR  
**Valuation frequency:** Daily  
**Management company:** DNCA Finance

### Portfolio Managers:

Jean-Charles MERIAUX  
Romain GRANDIS, CFA  
Damien LANTERNIER, CFA  
Adrien LE CLAINCHE  
Baptiste PLANCHARD, CFA  
Emilie BRUNET-MANARDO

**Minimum investment:** 200,000 EUR  
**Subscription fees:** 1% max  
**Redemption fees:** -  
**Management fees:** 0.70%  
**Ongoing charges as of 30/12/2022:** 0.72%  
**Performance fees:** -

**Custodian:** BNP Paribas - Luxembourg Branch

**Settlement:** T+2

**Cut off:** 12:00 Luxembourg time

## Legal information

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This product promotes environmental or social characteristics, but does not have as its objective a sustainable investment. It might invest partially in assets that have a sustainable objective, for instance qualified as sustainable according to the EU classification.

This product is subject to sustainability risks as defined in the Regulation 2019/2088 (article 2(22)) by environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

If the portfolio investment process can incorporate ESG approach, the portfolio's investment objective is not primarily to mitigate this risk. The sustainability risk management policy is available on the website of the Management Company.

The reference benchmark as defined in the Regulation 2019/2088 (article 2(22)) does not intend to be consistent with the environmental or social characteristics promoted by the fund.

## Glossary

**Beta.** Measures the average extent to which a fund moves relative to the broader market. The beta of a market is 1. A fund with a beta of more than 1 moves on average to a greater extent than the market. A fund with a beta of less than 1 moves on average to a lesser extent. If beta is a minus number, it is likely that the stock and the market move in opposite directions.

**Convertible Bond.** Hybrid securities that have both bond and equity characteristics. Convertible bonds make periodic interest payments like a bond, but bondholders also get an option to exchange their bonds for a specified number of shares of common stock. Convertible bonds typically carry lower coupon rates, thus reducing the corporation's cost of borrowing.

**Correlation coefficient.** The correlation coefficient is a measure of correlation. It is used to determine the relationship between two assets over a given period. A positive coefficient means that the two assets move in the same direction. Conversely, a negative coefficient means that the assets move in the opposite direction. The correlation or decorrelation can be more or less strong and varies between -1 and 1.

**Delta.** The delta of a position expresses the change in the price of an option when its underlying asset price varies. It corresponds to the derivative of the theoretical value of the option relating to the price of the underlying asset.

**Maturity.** The time when a bond or other debt instrument is due to for redemption (is due to mature); or the length of time between the issue of such an instrument and the date it is due for redemption (the maturity date).

**Sensitivity.** The sensitivity of a bond measures the change in its percentage value induced by a given change in interest rates.

**Sharpe Ratio.** A way of measuring the historical risk-adjusted return on an investment. It is the average previous return minus the risk-free return, divided by the standard deviation (a measure of risk that looks at the diversion of actual returns from expected returns).

**Sharpe Ratio.** The Sharpe ratio measures the excess return over the risk-free money rate of an asset portfolio divided by the standard deviation of that return. It is therefore a measure of the marginal return per unit of risk. It is used to measure the performance of managers with different risk policies.

**Tracking error.** Tracking Error is a measure of how closely an investment portfolio follows the index against which it is benchmarked. It is the difference in the return earned by a portfolio and the return earned by the benchmark against which the portfolio is constructed. For example, if a bond portfolio earns a return of 5.15% during a period when the portfolio's benchmark (say, for example, the Lehman Brothers Index) produces a return of 5.06%, the tracking error is .09%, or 9 basis points.



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