

# DNCA INVEST EVOLUTIF

FLEXIBLE



## Investment objective

The Sub-Fund seeks to outperform the 25% MSCI World NR EUR + 25 MSCI Europe NR EUR + 50% Bloomberg Euro Govt Inflation Linked 1-10 years composite index calculated dividends reinvested, over the recommended investment period, while protecting the capital during adverse periods through opportunistic management and flexible asset allocation. Investors' attention is drawn to the fact that the management style is discretionary and integrates environmental, social / societal and governance (ESG) criteria.

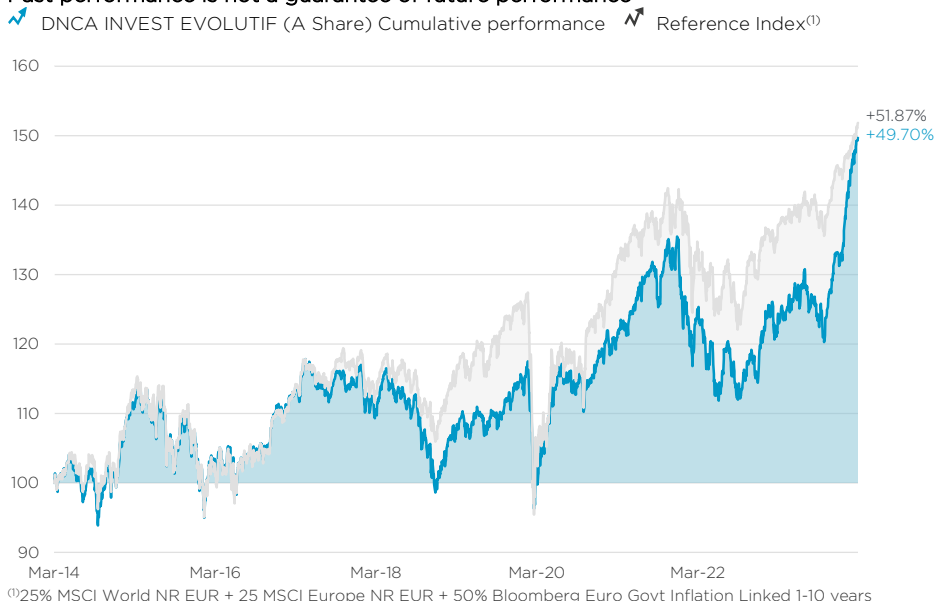
To achieve its investment objective, the investment strategy is based on active discretionary management.

## Financial characteristics

NAV (€)	207.52
Net assets (€M)	681
Number of equities holdings	37
Price to Earning Ratio 2024 <sup>e</sup>	17.1x
Price to Book 2023	3.3x
EV/EBITDA 2024 <sup>e</sup>	11.1x
ND/EBITDA 2023	0.2x
Free Cash Flow yield 2024 <sup>e</sup>	4.26%
Dividend yield 2023 <sup>e</sup>	1.81%
Number of issuers	38
Average modified duration	3.53
Average maturity (years)	4.17
Average yield	4.04%
Average rating	BBB+

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

Past performance is not a guarantee of future performance



## Annualised performances and volatilities (%)

	1 year	2 years	5 years	10 years	Since inception
A Share	+20.33	+9.79	+6.95	+4.12	+4.58
Reference Index	+10.73	+6.99	+5.70	+4.27	+3.82
A Share - volatility	8.12	9.32	9.94	9.75	10.67
Reference Index - volatility	5.20	7.74	11.89	11.25	12.83

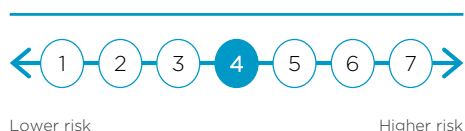
## Cumulative performances (%)

	1 month	YTD	1 year	2 years	5 years	10 years
A Share	+2.94	+12.53	+20.33	+20.48	+39.93	+49.70
Reference Index	+2.22	+4.44	+10.73	+14.43	+31.97	+51.88

## Calendar year performances (%)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A Share	+16.24	-15.05	+14.77	+3.43	+12.98	-11.74	+3.41	+2.99	+5.71	+3.97
Reference Index	+12.45	-7.91	+13.41	-0.80	+16.29	-7.31	+5.37	+2.87	+4.69	+4.19

## Risk indicator

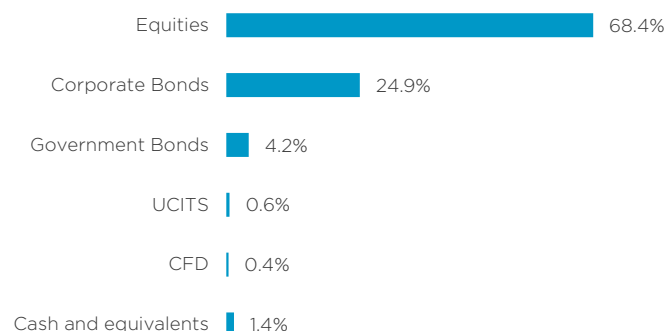


Synthetic risk indicator according to PRIIPS. 1 corresponds to the lowest level and 7 to the highest level.

	1 year	3 years	5 years	10 years
Tracking error	4.51%	5.48%	6.87%	5.41%
Correlation coefficient	0.86	0.83	0.82	0.88
Beta	1.34	0.84	0.68	0.76

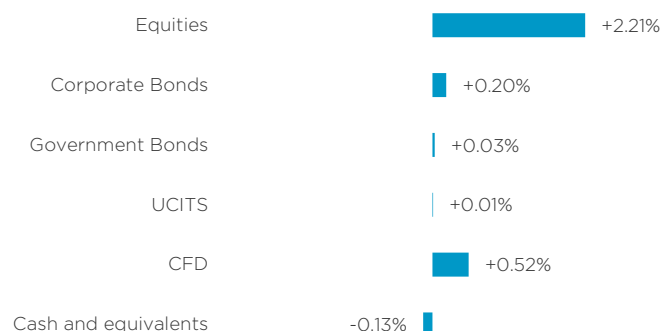
**Main risks:** equity risk, interest-rate risk, credit risk, specific Risks linked to Convertible, Exchangeable and Mandatory Convertible Bonds, counterparty risk, risk related to exchange rate, risk related to investments in emerging markets, risk of capital loss, risk of investing in derivative instruments as well as instruments embedding derivatives, risk of investing in Contingent Convertible Bonds and/or Exchangeable Bonds, distressed securities risk, sustainability risk, ESG risk

## Asset class breakdown



## Monthly performance contributions

Past performance is not a guarantee of future performance



## Sector breakdown (ICB)

	Fund	Index
Banks	15.7%	3.6%
Industrial Goods and Services	15.6%	6.5%
Technology	11.5%	8.9%
Consumer Products and Services	9.7%	2.4%
Automobiles and Parts	8.8%	1.3%
Construction and Materials	7.2%	1.2%
Health Care	5.9%	6.9%
Chemicals	5.1%	1.1%
Govies	4.2%	50.0%
Energy	3.2%	2.6%
Media	2.5%	0.8%
Retail	2.1%	1.7%
Travel and Leisure	1.6%	0.7%
Basic Resources	1.2%	0.9%
Insurance	1.0%	2.2%
Financial Services	0.9%	2.0%
Food, Beverage and Tobacco	0.8%	2.5%
Telecommunications	0.8%	1.2%
Personal Care, Drug and Grocery	-	1.1%
Real Estate	-	0.8%
Utilities	-	1.6%
UCITS	0.6%	N/A
Cash and equivalents	1.4%	N/A

## Country breakdown

	Fund	Index
USA	32.1%	17.7%
France	29.3%	25.8%
Netherlands	12.3%	2.9%
Italy	8.5%	14.5%
Denmark	4.6%	1.6%
Germany	3.3%	11.8%
Spain	2.6%	9.2%
Belgium	1.9%	0.4%
Hungary	1.0%	-
Austria	0.7%	0.1%
Greece	0.7%	-
Finland	0.5%	0.3%
Sweden	0.4%	1.5%
Ireland	0.1%	0.3%
Japan	0.1%	1.5%
United Kingdom	0.0%	6.2%
Switzerland	0.0%	4.4%
Other Countries	-	1.9%
UCITS	0.6%	N/A
Cash and equivalents	1.4%	N/A

## Bonds portfolio composition and indicators

	Weight	Maturity (yrs)	Modified duration	Yield	Number of lines
Fixed rate bonds	22.25%	4.26	3.82	4.01%	34
Floating-rate bonds	6.82%	3.88	2.58	4.14%	7
<b>Total</b>	<b>29.07%</b>	<b>4.17</b>	<b>3.53</b>	<b>4.04%</b>	<b>41</b>

## Changes to portfolio holdings\*

**In:** Athene Global Funding 1.13% 2025 (5), CFD BANCO BILBAO VIZCAYA ARGENTA - Societe Generale SA (3.5), CFD TOYOTA MOTOR CORP - Goldman Sachs International, EATON CORP PLC, Elis SA 3.75% 2030 (5.8), Fnac Darty SA 6% 2028 (5.4), Hungary Government International Bond 4% 2029, Orano SA 4% 2030 (4.4), RALPH LAUREN CORP and THALES SA (5.4)

**Out:** Assa Abloy AB 3.88% 2030 (5.7), CFD - DHL GROUP - SOCIETE GENERALE (3.5), CFD SIEMENS AG - Société Générale SA (3.5), Italy Buoni Poliennali Del Tesoro 4.75% 2028, Reckitt Benckiser Treasury Services PLC 3.63% 2028 (5.2) and Spain Government Inflation Linked Bond 0.65% 2027

\*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 (68.4%)

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

	Weight
NOVO NORDISK A/S-B (6.3)	3.99%
STELLANTIS NV (3.1)	3.94%
MICROSOFT CORP (4.8)	3.77%
AIR LIQUIDE SA (8.3)	3.68%
LVMH MOET HENNESSY LOUIS VUI (4.7)	3.58%

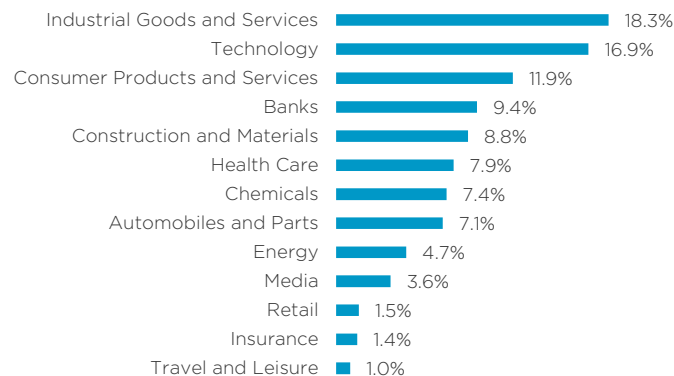
### Monthly performance contributions

Past performance is not a guarantee of future performance

Best	Weight	Contribution
STELLANTIS NV	3.94%	+0.29%
NOVO NORDISK A/S-B	3.99%	+0.27%
AIRBUS SE	2.50%	+0.21%
DEERE & CO	2.23%	+0.20%
WALT DISNEY CO/THE	2.49%	+0.18%

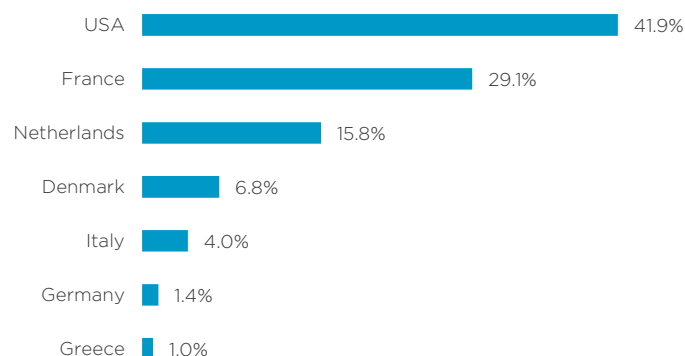
Worst	Weight	Contribution
GAZTRANSPORT ET TECHNIGA SA	1.46%	-0.06%
STMICROELECTRONICS NV	1.46%	-0.06%
UBER TECHNOLOGIES INC	2.09%	-0.06%
LVMH MOET HENNESSY LOUIS VUI	3.58%	-0.03%
VISA INC-CLASS A SHARES	2.28%	-0.02%

### Sector breakdown (ICB)



Equity portfolio (base 100)

### Country breakdown



Equity portfolio (base 100)

## Bond portfolio (29.1%)

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

	Weight
Teleperformance 5.25% 2028 (3.0)	1.46%
KBC Group NV 2026 FRN (5.6)	1.33%
RCI Banque SA 4.88% 2029 (4.3)	1.24%
Societe Generale SA 2029 FRN (3.5)	1.22%
Intesa Sanpaolo SpA 0.63% 2026 (7.2)	1.12%

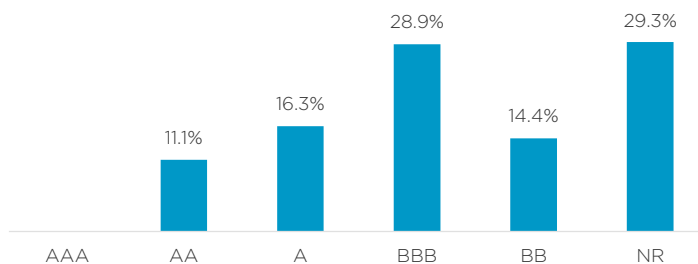
### Monthly performance contributions

Past performance is not a guarantee of future performance

Best	Weight	Contribution
RCFFP 5 1/4 11/22/28	1.46%	+0.02%
SOCGEN 4 3/4 09/28/29	1.22%	+0.02%
RENAUL 4 7/8 10/02/29	1.24%	+0.01%
FRFP 5 7/8 04/12/29	0.92%	+0.01%
FNACFP 6 04/01/29	1.03%	+0.01%

Worst	Weight	Contribution
ELISGP 3 3/4 03/21/30	0.38%	+0.00%
RKTLN 3 5/8 09/14/28	Out	+0.00%
NEXFP 5 1/2 04/05/28	0.34%	+0.00%
GM 3.9 01/12/28	0.18%	+0.00%
NEXIIM 1 5/8 04/30/26	0.56%	+0.00%

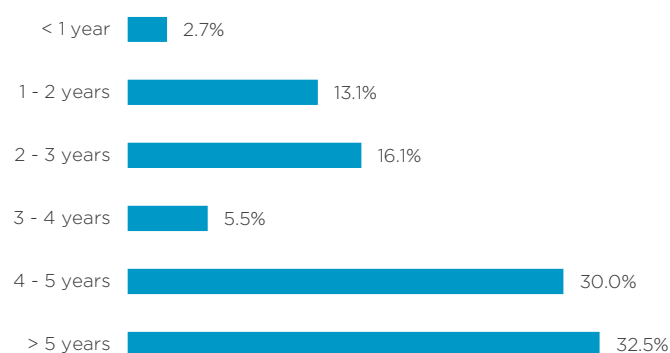
### Rating breakdown



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 bullish momentum of the markets continued, with monthly gains of +4.09% for the Eurostoxx 50, +3.64% for the S&P500 and +2.13% for the Nasdaq.

March's performance was mainly attributable to the rebound in value sectors, with MSCI Value Europe up 4.27%.

This was fuelled by the banking sector (+9.06% against a backdrop of rising bond yields and the announcement of a €1.055 billion share buyback by BNP Paribas), the oil and gas sector (+6.26% due to geopolitical tensions in the Middle East).

Lagging sectors such as property (+7.42%), retail (+14.17%) and basic resources (+5.72%) were positive contributors, unlike technology (+0.63%) and consumer goods (-0.29%, weighed down by profit warnings from Kering and Hugo Boss, as well as mixed releases from Nike and Lululemon in the US).

Lastly, Siemens' profit warning, due in particular to destocking in China in its Digital Industries segment, had an impact on part of the industrial sector.

On the macroeconomic front, indicators remained robust in the United States, validating the recent upward revision of 2024 GDP growth expectations to 2.4% (from 1.4%).

With regard to central banks, J. Powell stated that the scenario of 3 rate cuts in 2024 was broadly unchanged, despite the latest high inflation figures, which surprised on the upside for the second month running (headline CPI up from 3.1% to 3.2%, core CPI down slightly from 3.9% to 3.8%).

In the eurozone, the ECB has again revised down its forecasts for inflation (to 2.3% in 2024, 2% in 2025 and 9% for 2026) and GDP growth (0.6% this year, compared with 0.8%). Recovery is still expected in 2025 and 2026, driven by a recovery in investment and household consumption.

Against a backdrop still favourable to risky assets, DNCA Invest Evolutif recorded an increase of +2.94% compared with +2.22% for its benchmark index.

We increased our exposure to financials from 11.50% to 14% through purchases of BBVA, BNP Paribas and JPMorgan and increases in our insurers (Axa, Allianz).

We also took advantage of the placement of Engie's GTT shares at €137 to initiate a position.

These purchases were mainly financed by sales of LVMH, L'Oréal, Siemens and Schneider.

Net exposure to equities remains stable at 64%, of which 52% quality-growth and 48% value-cyclical.

Our short position in Eurostoxx50 and Nasdaq futures stands at 16% of outstandings and we will take advantage of the next phases of market consolidation to reduce this position.

On the bond side, European corporate credit indices posted positive performances, with spreads tightening by around -1.3bp for the Main index (IG) and -10bp for the Crossover index (HY).

We participated in 3 primary issues: Orano 4% 2031 (BBB- rating) Elis 3.75% 2030 (BBB-) and Fnac 6%2029 (BB+), enabling us to maintain the portfolio's sensitivity at around 3.50.

We also took advantage of renewed volatility in Teleperformance shares to strengthen our position in the 2028 issue, which pays around 4.75% for an IG rating (BBB).

The bond portfolio, which is overwhelmingly exposed to European corporate credit, offers a stable yield to maturity of around 3.90% for a rating of 82% IG and 18% HY.

Text completed on 08/04/2024.



Alexis  
Albert



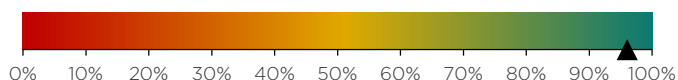
Augustin  
Picquendar



Valérie  
Hanna

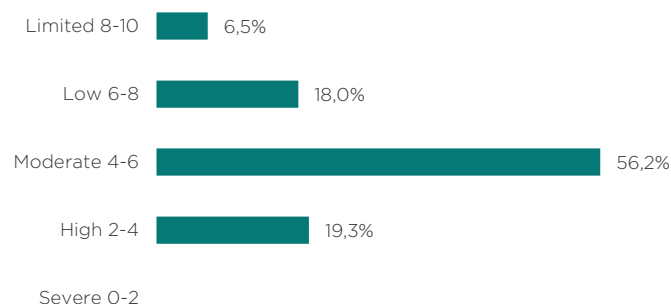
## Internal extra-financial analysis

### ABA coverage rate<sup>+</sup> (96.0%)

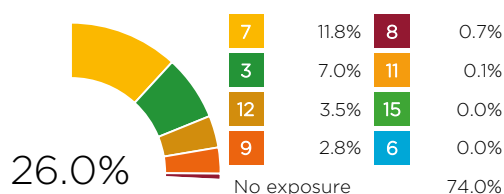


### Average Responsibility Score: 5.2/10

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



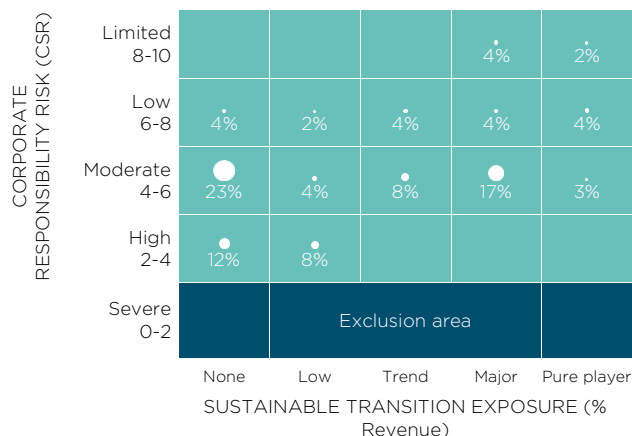
## SDG's exposure<sup>(3)</sup> (% of revenues)



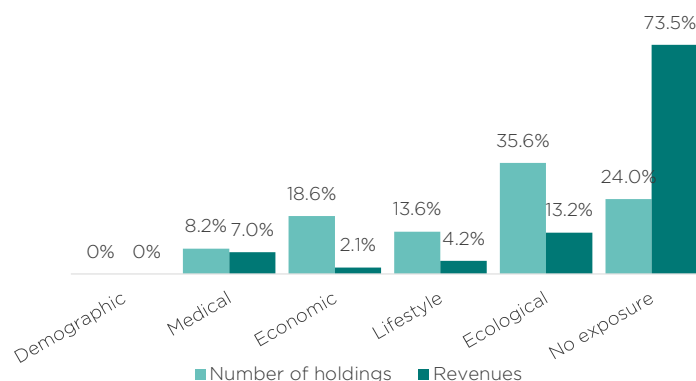
## Selectivity universe exclusion rate



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



## 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>	94%	19,073	100%	35,884
PAI Corpo 1_2 - Tier 2 GHG emissions	T CO <sub>2</sub>	94%	11,483	100%	7,524
PAI Corpo 1_3 - Tier 3 GHG emissions	T CO <sub>2</sub>	94%	347,332	100%	327,309
PAI Corpo 1T - Total GHG emissions	T CO <sub>2</sub>	94%	376,984	100%	369,971
PAI Corpo 2 - Carbon footprint	T CO <sub>2</sub> /EUR million invested	94%	554	100%	245
PAI Corpo 3 - GHG intensity	T CO <sub>2</sub> /EUR million sales	98%	1,076	100%	890
PAI Corpo 4 - Share of investments in companies active in the fossil fuel sector		4%	3%	11%	5%
PAI Corpo 5 - Share of non-renewable energy consumption and production		96%	67%	94%	62%
PAI Corpo 6_TOTAL - Energy consumption intensity by sector with high climate impact NACE	GWh / EUR million sales	96%	0.4	96%	0.4
PAI Corpo 7 - Activities with a negative impact on biodiversity-sensitive areas		1%	0%	0%	0%
PAI Corpo 8 - Water discharges	T Water Emissions	6%	308	2%	7,337
PAI Corpo 9 - Hazardous or radioactive waste ratio	T Hazardous Waste	54%	316,227	49%	2,717,815
PAI Corpo 10 - Violations of UNGC and OECD principles		97%	0%	100%	0%
PAI Corpo 11 - Lack of UNGC and OECD compliance processes and mechanisms		97%	23%	100%	17%
PAI Corpo 12 - Unadjusted gender pay gap		24%	8%	37%	13%
PAI Corpo 13 - Gender diversity in governance bodies		97%	40%	100%	38%
PAI Corpo 14 - Exposure to controversial weapons		97%	0%	100%	0%
PAI Corpo OPT_1 - Water use	m <sup>3</sup> /EUR mln sales	11%	1	10%	2
PAI Corpo OPT_2 - Water recycling		6%	0%	9%	0%
PAI Corpo OPT_3 - Number of days lost due to injury, accident, death or illness		35%	62	24%	18

Source : MSCI

## Administrative information

**Name:** DNCA INVEST Evolutif  
**ISIN code (Share A):** LU0284394664  
**SFDR classification:** Art.8  
**Inception date:** 13/12/2007  
**Investment horizon:** Minimum 5 years  
**Currency:** Euro  
**Country of domicile:** Luxembourg  
**Legal form:** SICAV  
**Reference Index:** 25% MSCI World NR EUR + 25 MSCI Europe NR EUR + 50% Bloomberg Euro Govt Inflation Linked 1-10 years  
**Valuation frequency:** Daily  
**Management company:** DNCA Finance  
**Portfolio Managers:**  
 Alexis ALBERT  
 Augustin PICQUENDAR  
 Valérie HANNA

**Minimum investment:** 2,500 EUR  
**Subscription fees:** 2% max  
**Redemption fees:** -  
**Management fees:** 2%  
**Ongoing charges as of 30/12/2022:** 2.07%  
**Performance fees:** 20% of the positive performance net of any fees above the index: 25% MSCI World NR EUR + 25 MSCI Europe NR EUR + 50% Bloomberg Euro Govt Inflation Linked 1-10 years with High Water Mark

**Custodian:** BNP Paribas - Luxembourg Branch  
**Settlement:** T+2  
**Cut off:** 12:00 Luxembourg time

## Legal information

**This is an advertising communication. Please refer to the Fund's Prospectus and Key Information Document before making any final investment decision.** This document is a promotional document for use by non-professional clients within the meaning of the MIFID II Directive. This document is a simplified presentation tool and does not constitute an offer to subscribe or investment advice. The information presented in this document is the property of DNCA Finance. It may not be distributed to third parties without the prior consent of DNCA Finance. The tax treatment depends on the situation of each, is the responsibility of the investor and remains at his expense. The Document d'Informations Clés and the Prospectus must be given to the investor, who must read them prior to any subscription. All the regulatory documents of the sub-fund are available free of charge on the website of the management company [www.dnca-investments.com](http://www.dnca-investments.com) or on written request to [dnca@dnca-investments.com](mailto:dnca@dnca-investments.com) or directly to the registered office of the company 19, Place Vendôme - 75001 Paris. Investments in the sub-fund entail risks, in particular the risk of loss of capital resulting in the loss of all or part of the amount initially invested. DNCA Finance may receive or pay a fee or retrocession in relation to the sub-fund(s) presented. DNCA Finance shall in no event be liable to any person for any direct, indirect or consequential loss or damage of any kind whatsoever resulting from any decision made on the basis of information contained in this document. This information is provided for information purposes only, in a simplified manner and may change over time or be modified at any time without notice.

Past performance is not a reliable indicator of future performance.

The award of this label to a compartment does not mean that it meets your own sustainability objectives or that the label corresponds to the requirements of future national or European regulations. For more information on this subject, please visit : [www.llelabelisr.fr](http://www.llelabelisr.fr) and [www.llelabelisr.fr/comment-investir/fonds-labelises](http://www.llelabelisr.fr/comment-investir/fonds-labelises)

Sub-fund of DNCA INVEST Investment company with variable capital (SICAV) under Luxembourg law in the form of a Société Anonyme - domiciled at 60 Av. J.F. Kennedy - L-1855 Luxembourg. It is authorised by the Commission de Surveillance du Secteur Financier (CSSF) and subject to the provisions of Chapter 15 of the Law of 17 December 2010.

DNCA Finance is a limited partnership (Société en Commandite Simple) approved by the Autorité des Marchés Financiers (AMF) as a portfolio management company under number GP00-030 and governed by the AMF's General Regulations, its doctrine and the Monetary and Financial Code. DNCA Finance is also a Non-Independent Investment Advisor within the meaning of the MIFID II Directive. DNCA Finance - 19 Place Vendôme-75001 Paris - e-mail: [dnca@dnca-investments.com](mailto:dnca@dnca-investments.com) - tel: +33 (0)1 58 62 55 00 - website: [www.dnca-investments.com](http://www.dnca-investments.com)

Any complaint may be addressed, free of charge, either to your usual contact (within DNCA Finance or within a delegate of DNCA Finance), or directly to the Head of Compliance and Internal Control (RCCI) of DNCA Finance by writing to the company's head office (19 Place Vendôme, 75001 Paris, France). In the event of persistent disagreement, you may have access to mediation. The list of out-of-court dispute resolution bodies and their contact details according to your country and/or that of the service provider concerned can be freely consulted by following the link [https://finance.ec.europa.eu/consumer-finance-and-payments/retail-financial-services/financial-dispute-resolution-network-fin-net/members-fin-net-country\\_fr](https://finance.ec.europa.eu/consumer-finance-and-payments/retail-financial-services/financial-dispute-resolution-network-fin-net/members-fin-net-country_fr).

A summary of investors' rights is available in English at the following link: <https://www.dnca-investments.com/en/regulatory-information>

This Fund is being marketed as a public offering in Luxembourg. You can contact the DNCA Finance branch:

DNCA Finance Luxembourg Branch - 1 Place d'Armes - L-1136 Luxembourg

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.