

DNCA CONVERTIBLES EURO

Investment objective

The objective of the UCITS is to achieve, over the minimum recommended investment period of 4 years, a performance greater than the ECI Euro. The ECI Euro index is representative of the convertible bond market in the euro zone.

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

Financial characteristics

NAV (€)	3,414.34
Net assets (€M)	219
Delta	47%
Average yield	-3.37%
Average premium	47.09%
Average modified duration	3.32
Average maturity (years)	3.37
Number of lines	50
Average rating	BBB

Performance (from 30/04/2012 to 29/04/2022)

Past performance is not a guarantee of future performance

↗ DNCA CONVERTIBLES EURO (R Share) Cumulative performance ↗ Reference Index⁽¹⁾



Annualised performances and volatilities (%)

	1 year	3 years	5 years	10 years	Since inception
R Share	-12.65	-2.65	-1.84	+1.88	+3.17
Reference Index	-9.62	-0.50	+0.36	+3.26	+2.47
R Share - volatility	8.35	7.44	6.48	6.55	6.78
Reference Index - volatility	6.99	6.21	5.44	5.45	7.43

Cumulative performances (%)

	1 month	YTD	1 year	3 years	5 years	10 years
R Share	-1.78	-10.72	-12.65	-7.73	-8.86	+20.49
Reference Index	-1.61	-9.06	-9.62	-1.49	+1.81	+37.84

Calendar year performances (%)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
R Share	-2.59	+5.03	+6.08	-7.92	+5.01	-0.87	+5.96	+2.90	+9.34	+16.17
Reference Index	-0.25	+6.06	+7.57	-5.18	+6.99	-0.21	+6.08	+3.06	+9.81	+18.19

Risk and reward profile

Lower risk Higher risk



The risk level of this fund is due to exposure to equity and/or fixed income markets

	1 year	3 years	5 years
Sharpe Ratio	-1.48	-0.30	-0.22
Tracking error	2.02%	2.99%	2.48%
Correlation coefficient	0.98	0.92	0.93
Information Ratio	-1.51	-0.72	-0.89
Beta	1.17	1.10	1.11

Main risks: Risk of capital loss, counterparty risk, credit risk, equity risk, exposure risk, foreign-exchange risk, impacts of management techniques, in particular Forward Financial Instruments, interest-rate risk, liquidity risk, risk relating to discretionary management, risks associated with temporary acquisitions and disposals of securities and the management of financial guarantees, sustainability risk

Main positions⁺

	Weight
Electricite de France SA 0% 2024 CV	5.02%
Safran SA 0.88% 2027 CV	4.62%
Deutsche Post AG 0.05% 2025 CV	4.59%
Atos SE 0% 2024 CV	4.25%
RAG-Stiftung 0% 2026 CV	4.18%
Amadeus IT Group SA 1.5% 2025 CV	4.01%
Nexi SpA 1.75% 2027 CV	3.34%
Iberdrola International BV 0% 2022 CV	3.33%
Accor SA 0.7% 2027 CV	2.98%
Veolia Environnement SA 0% 2025 CV	2.91%
	39.23%

Country breakdown

	Fund	Index
France	42.7%	37.2%
Germany	21.3%	30.4%
Italy	10.7%	9.7%
Spain	9.1%	8.3%
Netherlands	8.7%	6.9%
Luxembourg	4.0%	3.6%
United Kingdom	1.0%	-
Ireland	0.7%	0.8%
Belgium	0.7%	3.2%
Switzerland	0.6%	-
Sweden	0.6%	-

Maturity breakdown

	Weight (%)		Modified duration	
	Fund	Index	Fund	Index
0 - 6 months	2.1%	1.7%	0.0	0.0
6 - 12 months	5.7%	4.5%	0.0	0.0
1 - 2 years	8.9%	10.3%	0.1	0.2
2 - 3 years	20.3%	17.8%	0.5	0.5
3 - 4 years	25.6%	24.1%	0.9	0.8
4 - 5 years	14.7%	11.4%	0.7	0.5
> 5 years	16.9%	20.7%	0.9	1.1

Rating breakdown

	Fund	Index
A	21.7%	19.3%
BBB	22.8%	23.6%
BB	9.1%	7.4%
< BB	-	1.3%
NR	40.6%	48.4%

Sector breakdown (ICB)

	Fund	Index
Technology	19.4%	15.1%
Industrial Goods and Services	17.5%	21.7%
Utilities	14.8%	12.1%
Travel and Leisure	8.1%	6.2%
Financial Services	7.8%	7.7%
Retail	4.9%	4.6%
Energy	4.3%	4.9%
Consumer Products and Services	4.2%	8.1%
Telecommunications	4.2%	5.1%
Automobiles and Parts	2.9%	1.6%
Real Estate	2.7%	4.4%
Health Care	1.6%	5.4%
Banks	1.5%	0.7%
Food, Beverage and Tobacco	1.0%	0.8%
Personal Care, Drug and Grocery	0.7%	-
Chemicals	0.6%	1.6%
Construction and Materials	0.6%	-
Cash and equivalents	3.2%	N/A

Changes to portfolio holdings*

In: None

Out: Zalando SE 0.63% 2027 CV (4.6)

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

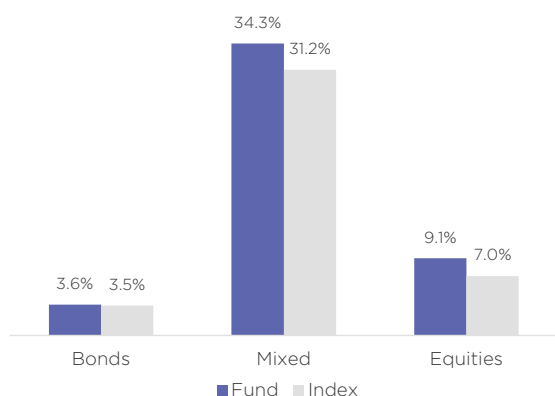
Delta

	Fund	Index
Delta	46.9%	41.7%
Effective delta	36.1%	29.8%
Input spread	145.4	176.9
Implicite spread	94.1	107.1

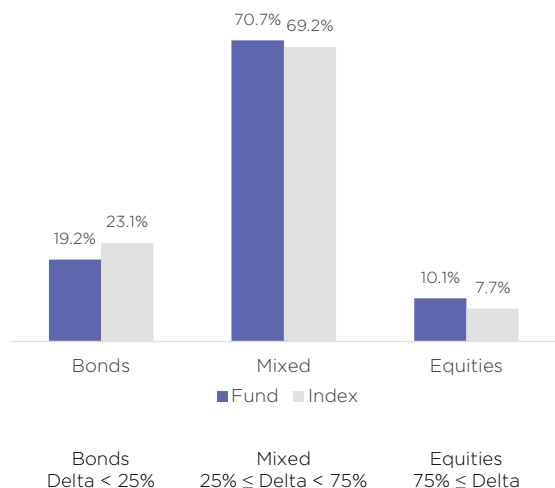
Main deltas

	%
Remy Cointreau SA 0% 2026 CV	100.0%
Engie SA 0% 2024 CV	96.8%
Cellnex Telecom SA 1.5% 2026 CV	95.0%
Iberdrola International BV 0% 2022 CV	91.8%
Sika AG 0.15% 2025 CV	88.1%
Archer Obligations SA 0% 2023 CV	77.6%
BE Semiconductor Industries NV 0.75% 2027 CV	70.5%
SOITEC 0% 2025 CV	66.8%
Lagfin SCA 2% 2025 CV	66.1%
Basic-Fit NV 1.5% 2028 CV	64.2%

Profile breakdown (delta contribution)



Profile breakdown (weight)



Delta contribution per country

	Delta		Effective delta	
	Fund	Index	Fund	Index
France	18.8%	14.9%	14.5%	11.1%
Germany	7.4%	9.5%	5.0%	5.5%
Spain	6.0%	5.1%	5.2%	4.4%
Netherlands	5.3%	4.4%	4.7%	3.5%
Italy	4.3%	4.3%	2.7%	2.7%
Luxembourg	1.9%	1.9%	1.6%	1.6%
UCITS	1.3%	-	1.0%	-
United Kingdom	0.6%	-	0.4%	-
Switzerland	0.5%	-	0.5%	-
Ireland	0.3%	0.4%	0.2%	0.3%
Sweden	0.2%	-	0.2%	-
Belgium	0.2%	1.1%	0.2%	0.8%

Delta contribution per sector

	Delta		Effective delta	
	Fund	Index	Fund	Index
Utilities	8.8%	7.5%	7.8%	6.7%
Technology	8.6%	6.7%	6.5%	4.5%
Industrial Goods and Services	7.4%	7.7%	4.9%	4.8%
Financial Services	4.5%	4.1%	3.8%	3.5%
Travel and Leisure	4.2%	3.1%	2.6%	1.9%
Telecommunications	3.2%	3.1%	2.8%	2.6%
Energy	2.4%	1.8%	1.9%	1.4%
UCITS	1.3%	-	1.0%	-
Automobiles and Parts	1.2%	0.7%	1.0%	0.5%
Retail	1.2%	1.5%	0.7%	0.7%
Real Estate	0.9%	1.2%	0.7%	0.9%
Consumer Products and Services	0.8%	2.0%	0.4%	0.8%
Food, Beverage and Tobacco	0.6%	0.4%	0.5%	0.3%
Banks	0.6%	0.3%	0.5%	0.2%
Construction and Materials	0.5%	-	0.5%	-
Personal Care, Drug and Grocery Stores	0.4%	-	0.3%	-
Chemicals	0.2%	0.6%	0.2%	0.4%
Health Care	0.1%	1.1%	0.0%	0.6%

*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 main equity indices continue to fall, torn between a geopolitical situation that is still delicate around the conflict in Ukraine, which is getting bogged down, and inflation that is taking hold on both sides of the Atlantic. The CPI indices have risen sharply and are expected to peak in the coming weeks. On the health front, China continues its relentless fight against COVID with a strict policy that is hurting global growth and further straining production lines. In this context, the outlook of the main economic agencies is now more cautious with a risk of material stagflation in certain areas. The main central banks are forced to accelerate their normalisation path by taking stronger decisions than anticipated. The IMF, for its part, is concerned about the effects of a rapid rise in interest rates on a higher overall debt situation. And this at a time when fiscal policies are supposed to take over from less accommodating monetary policies. The foreign exchange market is also more volatile with an orderly movement in favour of the US currency (safe haven, rate hike). These adjustments unbalance the trade balances to which central banks are very attentive. The next meetings are thus highly anticipated and will be closely followed by market operators.

As in the credit sector, convertible bonds have seen almost no primary activity since the beginning of the year. We note a €375m exchangeable bond issued by JP Morgan in Deutsche Telecom 2025. This "synthetic" bond offers no discount despite its structure.

On the bond front, in addition to the rise in rates, convertible assets faced a rise in spreads in April. The CDS X-Over index rose by almost 90bp to 428 points. These elements are weighing on the convertible asset which remains supported by valuations. The implied volatility of convertibles is stable at 32%, while short volatility is slightly up at 31% (V2X on Europe).

Equity market valuations are once again a concern, as illustrated by the stock market reactions to this sequence of earnings releases. Indeed, there is a worrying asymmetry in the movement of stocks according to the quality of the results published.

In this context, we mainly de-risked the fund against equities. To do this, we sold securities whose underlying assets had performed well. Thus the positions in Iberdrola and Rémy Cointreau, two high delta bonds, were reduced on the strong rebound of the share. Similarly, we sold the Atos/Worldline 2024 bond in the wake of Worldline's good results. On the other hand, we reduced idiosyncratic risks by lightening Safran and Zalando, whose weights were too high in view of their volatility.

At the end of April, the DNCA Convertibles Euro fund had a delta 5 points higher than the benchmark at 47%. The gamma is 0.57 against 0.55 for the benchmark.

The European convertible market now displays more defensive characteristics with the return of a performance driver that has been absent for several years: yield. This configuration makes it possible to build a portfolio with, on the one hand, an equity driver that is still present at lower valuation levels and, on the other, a largely positive actuarial yield on part of the segment, sometimes with large discounts to the credit market.

Text completed on 06/05/2022.



Denis
Passot



Philippe
Garnier



Jean-Paul
Ing



Félix
Haron

Administrative information

Name: DNCA Convertibles Euro
ISIN code (Share R): FR0010660142
SFDR classification: Art.6
Inception date: 15/09/2008
Investment horizon: Minimum 4 years
Currency: Euro
Country of domicile: France
Legal form: FCP
Reference Index: Exane Eurozone Convertible Bond
Valuation frequency: Daily
Management company: DNCA Finance

Portfolio Managers:

Denis PASSOT
 Philippe GARNIER
 Jean-Paul ING
 Félix HARON

Minimum investment: 0 EUR
Subscription fees: - max
Redemption fees: -
Management fees: 1.60%
Ongoing charges as of 31/12/2021: 1.60%
Performance fees: -

Custodian: CACEIS Bank
Settlement: T+2
Cut off: 12:30 Paris time

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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