INVESTMENT OBJECTIVE

The Sub-Fund seeks to provide capital appreciation with low volatility by investing in convertible bonds. As part of a discretionary management approach, the portfolio composition will not attempt to replicate the composition of a benchmark index from a geographical or sectoral perspective. Even so, the Exane Euro Convertibles Index may be used as ex-post benchmark indicator over the recommended investment duration (5 years).

PORTFOLIO MANAGERS COMMENTS

The international equity markets have been consolidating as a result of less upbeat macroeconomic surprises and further health measures. In Europe in particular, PMI are correcting and showing a deep gulf between manufacturing and services. Political uncertainty also remain (Brexit, US elections) and warrant renewed volatility along with a surge in the dollar. Meanwhile the fixed income markets – steered by the central banks – continue to benefit from steady demand and inflation still failing to stage a rebound. Investors are now waiting for the start of the quarterly earnings reporting season to see if the post-lockdown recovery has filtered through to companies. Against this backdrop, the convertible primary bond market remained active with four issues for a total of close to €3.5bn.

DNCA Invest Convertibles posted a showing of -0.6% vs. -0.45% for the benchmark, Exane ECI. We invested in two green convertible bonds on offer from two energy providers (EDF and Falck Renewables) on maturities of respectively 2024 and 2025. These positions ramp up and diversify the fund’s exposure to this theme. We also bought into the Soitec 2025 primary issue, upping our exposure to the investment case with a more mixed-profile bond. There are still several catalysts (5G, IoT, SiC, etc.), lending credence to the hypothesis of amortization of the 45% premium in the medium term. We financed these moves by tactically reducing our positions on some investment cases that have posted astounding showings i.e. HelloFresh 2025, Iberdrola 2022 and Soitec 2023. We also partly sold holdings on small- and mid-caps that have benefited from the rebound and renewed liquidity i.e. Maisons du Monde 2023, ELIS 2023, Econocom 2023, Indra 2023.

Convertible bonds are an attractive asset class in a volatile macroeconomic context, particularly as their technical valuation currently displays an attractive discount on part of the universe, whether credit or equity. Credit profiles still harbor substantial scope for rebound – with the fund heavily exposed to this portion – and carry excessive discounts compared to equivalent bonds on similar signatures. Fundamentals will remain the center of investment decisions over the months ahead and the fund will use the 3Q earnings reporting season to focus on investments with real upside only. The portfolio displays defensive delta and yield of 37% and 0.3% as compared with respectively 41% and -2.18% for the benchmark.

Text completed on 06/10/2020.

Félix HUNON - Jean-Charles MERAUX

RISK AND REWARD PROFILE

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

IN

ColtneX Telecom SA 0.5% 2023 CV

Electricité de France SA 0% 2024 CV

Électricité De France S a 0% 2024 Cv

Myrtilles 0% 2024 CV

Worldline S.A. 0% 2025 CV

Vinor 0% 2024 CV

Worldline SA 0% 2025 CV

Veolia Environnement SA 0% 2025 CV

YMCA

OUT

None

None

Main holdings

NAV

€168 811

Net assets

€168 811

Delta

36.5%

Average yield

0.32%

Average modified duration

2.35

109.48%

Average maturity (years)

7.10

Number of lines

53

Tracking Error(1)

2.8

1) Tracking error is a measure of the risk, with which the performance of a fund is diverging from its index. Delta: The delta measures the sensitivity of a convertible bond to changes in the underlying share.
**PERFORMANCE (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>December</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>3.55%</td>
<td>-2.4%</td>
<td>1.62%</td>
<td>0.37%</td>
<td>-0.76%</td>
<td>-2.22%</td>
<td>0.95%</td>
<td>-2.45%</td>
<td>-1.48%</td>
<td>3.10%</td>
<td>-0.37%</td>
<td>-1.82%</td>
<td>5.22%</td>
</tr>
<tr>
<td>2016</td>
<td>-2.17%</td>
<td>-1.35%</td>
<td>1.92%</td>
<td>0.06%</td>
<td>-0.76%</td>
<td>-2.41%</td>
<td>2.62%</td>
<td>0.40%</td>
<td>0.36%</td>
<td>1.00%</td>
<td>-0.99%</td>
<td>1.54%</td>
<td>1.54%</td>
</tr>
<tr>
<td>2017</td>
<td>0.01%</td>
<td>1.24%</td>
<td>0.90%</td>
<td>1.70%</td>
<td>0.91%</td>
<td>-0.73%</td>
<td>0.45%</td>
<td>0.05%</td>
<td>1.36%</td>
<td>1.13%</td>
<td>-0.67%</td>
<td>0.36%</td>
<td>6.88%</td>
</tr>
<tr>
<td>2018</td>
<td>0.38%</td>
<td>-1.03%</td>
<td>-0.55%</td>
<td>0.95%</td>
<td>-1.20%</td>
<td>-0.92%</td>
<td>-0.24%</td>
<td>-0.60%</td>
<td>0.14%</td>
<td>-2.04%</td>
<td>-2.05%</td>
<td>-1.94%</td>
<td>-8.79%</td>
</tr>
<tr>
<td>2019</td>
<td>1.58%</td>
<td>1.62%</td>
<td>1.10%</td>
<td>1.58%</td>
<td>-2.62%</td>
<td>1.57%</td>
<td>1.21%</td>
<td>0.50%</td>
<td>-0.09%</td>
<td>0.02%</td>
<td>0.36%</td>
<td>0.95%</td>
<td>7.98%</td>
</tr>
<tr>
<td>2020</td>
<td>0.94%</td>
<td>-1.20%</td>
<td>-9.60%</td>
<td>1.82%</td>
<td>-0.28%</td>
<td>2.43%</td>
<td>-0.02%</td>
<td>1.75%</td>
<td>-0.60%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-5.96%</td>
</tr>
</tbody>
</table>

Past performance is not a guarantee of future performance.

**PORTFOLIO DATAS - CONVERTIBLE BONDS**

**MAIN COUNTRIES**

- France: 49.8%
- Spain: 34.1%
- Germany: 14.0%
- Netherlands: 8.7%
- Italy: 5.9%
- Austria: 2.8%
- Luxembourg: 2.0%
- Belgium: 1.9%
- Switzerland: 1.3%

**BREAKDOWN BY PROFILE**

- Fixed-income profile: 77.3%
- Mixed profile: 12.5%
- Equities profile: 1.8%
- Corporate bonds/TTP/FCP: 7.7%
- Cash and equivalents: 0.7%

**BREAKDOWN BY MATURITY**

- < 1 year: 0.5%
- 1 - 2 years: 7.6%
- 2 - 3 years: 10.5%
- 3 - 4 years: 24.9%
- 4 - 5 years: 21.1%
- > 5 years: 24.7%

**BREAKDOWN BY SECTOR**

- Industrial Goods and Services: 19.8%
- Technology: 19.6%
- Utilities: 12.2%
- Retail: 8.6%
- Travel and Leisure: 7.9%
- Personal and Household Goods: 6.4%
- Telecommunications: 5.3%
- Health Care: 4.1%
- Real Estate: 3.8%
- Automobiles and Parts: 3.4%
- Construction and Materials: 3.3%
- Food and Beverage: 2.6%
- Oil and Gas: 1.3%
- Financial Services: 1.1%
- Cash and equivalents: 0.6%

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.

**RATING BREAKDOWN**

- A: 17.5%
- BBB: 37.3%
- BB: 7.6%
- NR: 37.6%