MARCH GREEN TRANSITION BOND

Monthly Reporting | November 2024

Investment objective:

Globally diversified, multi-sector bond portfolio that supports environmental-friendly solutions and aspirations while seeking to minimize exposure to risks related to environmental pollution and climate change.

RISK AND REWARD PROFILE

← Typically lower rewards — Typically higher rewards →
← Typically lower risk — Typically higher risk →

1	2	**3**	4	5	6	7

The portfolio combines three segments (asset classes) from within the sustainable fixed income universe

• Finances initiatives that promote the "green" economy according to a taxonomy of eligible projects. • Transparency in the allocation of proceeds. Verifiable metrics.	• Identifies companies with credible decarbonisation pathways, leaders in the way towards net zero. • Supports bond issuers in their greenhouse gas reduction strategies.	• Seeks opportunities in emerging economies that are transforming themselves, by implementing a model for sustainable growth. • Avoids those sovereigns that are reluctant to change and with a poor ESG performance.

Fund Details

Name	**March International – March Green Transition Bond**
Management Company	FundRock Management Company, S.A
Investment Manager	March Asset Management SGIIC, S.A.U
Custodian Bank	CACEIS Investor Services Bank S.A.
Launch Date	14/12/2021
Benchmark	The sub-fund is actively managed without reference to a benchmark**
EU SFDR[1] Category	Article 8
% of the portfolio invested in the Master fund[2] by month end	90,96
AUM (USD)	29.183.882,35

Portfolio Characteristics

Yield (YTW) in USD	4.39% (YTW excl. cash & deriv.)
Rating	BBB+
Duration	6.57
# of issues	173

Shareclass Information***

Name	A EUR Hedged ACC	A USD ACC
ISIN	LU2389760575	LU2389760658
Type	Retail	Retail
Distribution Policy	Accumulation	Accumulation
Currency	EUR	USD
Management Fee	0.52%	0.52%
TER[3]	1.25%	1.25%

* SBTi: Science-based Target initiative.

** For further information on the Master Fund´s benchmarks, Allianz Green Transition Bond Fund, managed by Allianz Global Investors GmbH, you can check the Prospectus which you can find on: https://lu.allianzgi.com/documents/UF-LU1997244873-VPE-EN-AGIFENVPSVVS-31122021

*** Other share classes available. Please check the Prospectus.

[1] SFDR: EU Sustainable Finance Disclosure Regulation. Information accurate at time of publishing.

[2] The Master Fund is Allianz Green Transition Bond Fund, managed by Allianz Global Investors GmbH.

[3] TER generally: Total cost (except transaction costs) charged to the fund during the last financial year. TER for funds-of-funds: The costs incurred by the fund itself (except transaction costs). Since the fund held other investment units ("target funds") in the reporting period, further costs, charges and fees may have been incurred at the level of the target fund.

Allianz Global Investors

BancaMarch CRECER JUNTOS

Portfolio structure

Sectors

Government	41.24%
Utilities	19.10%
Financial	10.89%
Industrial	9.62%
Consumer Non-Cyclical	7.31%
Communications	3.48%
Basic Materials	1.78%
Consumer Cyclical	1.49%
Technology	1.41%
Energy	0.92%
Cash & Other	2.76%

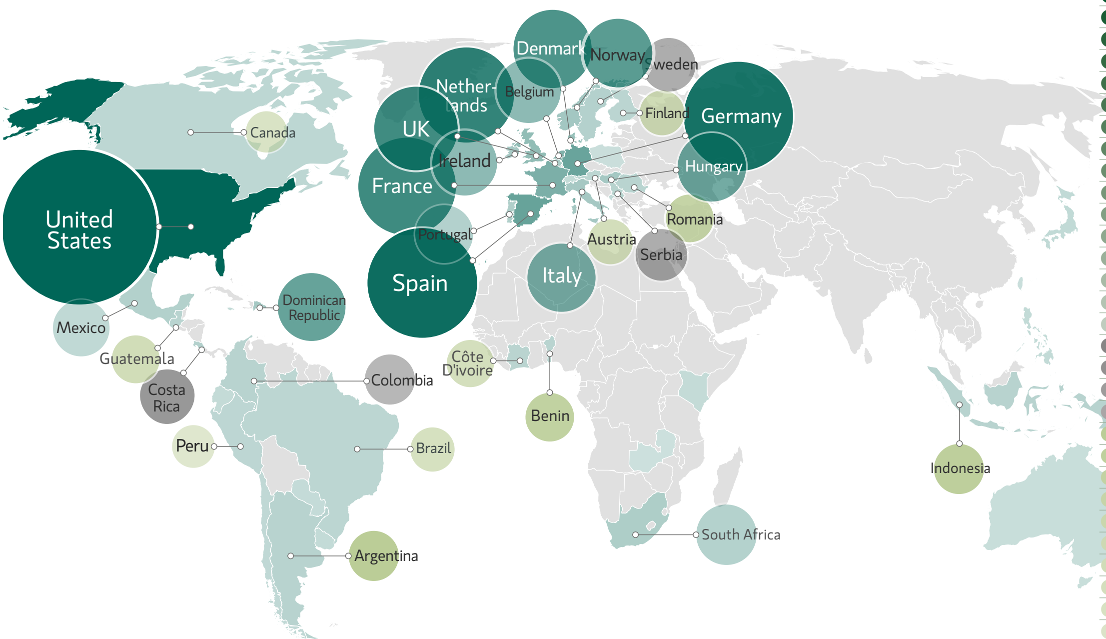
Rating breakdown (%)

Rating	%
AAA	6.21%
AA+	1.10%
AA	1.10%
AA-	3.57%
A+	2.83%
A	3.93%
A-	8.95%
BBB+	14.52%
BBB	19.72%
BBB-	8.82%
BB+	5.61%
BB	4.94%
BB-	7.27%
B+	2.13%
B	0.00%
B-	0.67%
CCC+	0.82%
CCC	1.45%
CCC-	0.00%
D	0.00%
NR	0.00%
A-1+	3.60%
Cash & Other	2.76%

Top Holdings by bucket

Global Green Bonds	Weight	SBTi Corporate	Weight	EM Government Bonds	Weight
DS Smith Plc Emtn Fix 4.500% 27.07.2030	1.24%	Schneider Electric SE Emtn Fix 3.125% 13.10.2029	0.79%	Dominican Republic Regs Fix 4.875% 23.09.2032	2.69%
Statkraft AS Emtn Fix 3.125% 13.12.2026	1.20%	Imerys SA Emtn Fix 1.875% 31.03.2028	0.75%	United Mexican States Fix 2.659% 24.05.2031	1.81%
ADIF Alta Velocidad Emtn Fix 3.500% 30.07.2029	1.20%	Givaudan Fin Europe Fix 1.625% 22.04.2032	0.71%	Treasury Bill Zero 03.04.2025	1.79%
Ireland Government Bond Fix 1.350% 18.03.2031	1.10%	Kellanova Fix 3.400% 15.11.2027	0.70%	Republic of Serbia Regs Fix 6.500% 26.09.2033	1.53%
Scottish Hydro Electric Emtn Fix 1.500% 24.03.2028	0.84%	Pernod Ric Intl Fin LLC 144A Fix 1.625% 01.04.2031	0.45%	Treasury Bill Zero 12.12.2024	1.45%
Total	5.58%	Total	3.39%	Total	9.27%

Country/Location



United States	13.37%
Spain	6.69%
Germany	6.58%
France	5.30%
Netherlands	5.05%
United Kingdom	3.94%
Denmark	3.50%
Norway	2.78%
Dominican Rep.	2.69%
Hungary	2.68%
Italy	2.67%
Ireland	2.59%
Belgium	2.43%
South Africa	2.12%
Portugal	1.93%
Mexico	1.81%
Costa Rica	1.70%
Sweden	1.69%
Serbia	1.53%
Colombia	1.47%
Argentina	1.45%
Indonesia	1.44%
Benin	1.37%
Romania	1.34%
Guatemala	1.32%
Côte D'ivoire	1.30%
Finland	1.18%
Austria	1.16%
Brazil	1.12%
Peru	1.07%
Canada	1.00%
Cash & Other	13.71%

Monthly commentary

Market Review

It was a volatile month for global bonds as Donald Trump's decisive win raised fears that rate cuts may be scaled back if higher tariffs reignite inflation. The yield on the 10-year US Treasury bond touched a four-month high of 4.5% in the aftermath of the election result but closed the month at 4.2%, slightly lower than the level at the end of October, as the president-elect's choice of Treasury Secretary reassured investors. The US Federal Reserve cut rates by 25 basis points (bps), slowing the pace of its easing after September's 50-bps reduction. Minutes of the meeting revealed that policymakers are considering scaling back future rate cuts if inflation fails to be tamed. While jobs growth was far weaker than expected in October, elsewhere the US economy appears solid.

In contrast, the growth outlook darkened in Europe, ramping up pressure on the European Central Bank to cut rates further. The 10-year German Bund yield briefly approached 2.5% on news of Donald Trump's decisive election win but subsequently fell, closing the month at a two-month low of 2.1%, marking a decrease of around 30 basis points (bps) over November. French bonds underperformed German debt amid rising political fears after Prime Minister Michel Barnier's minority government struggled to gain sufficient support for a budget that contained tax increases and spending cuts. The sell-off meant French borrowing costs briefly rose above those of Greece for the first time on record, while the gap between French and German 10-year yields touched 90 bps, a level last seen in the 2012 euro-zone crisis.

Corporate bonds delivered positive return, largely triggered a significant rally in rates bonds, which bolstered the valuation. On credit fundamentals, On credit fundamentals, some new profit warnings emerged from the industrial and technology sectors, highlighting signs of weakness in some consumption-related areas in developed economies. Activity on the primary market was relatively high and transactions as a whole were well supported by continuous strong positive flows to the asset class.

Emerging market debt (EMD) returns were mixed in November. US dollar-denominated debt rose, helped by a slight decline in US Treasury yields and tighter credit spreads. For domestic investors, local currency bond returns were also positive, but a strong appreciation in the US dollar meant returns in USD terms were mostly negative.

Performance Review and Portfolio Activities

In November, Allianz Green Transition Bond underperperformed the benchmark[1] on a gross-of-fee basis.

Our issuer selection (within Electric, Capital Goods and Communications) was the largest detractor of the fund's relative performance while sector allocation effect was muted. On the other hand, our term structure positioning (slightly long duration) contributed positively to the fund's relative return, amid decline in interest rates over the month. On a single-name basis, our top contributors (spread return in a relative sense) was France (no exposure), EIB, Societe Du Grand Paris, Orsted, and ADIF Alta Velocidad. Conversely, our relative positions on Telefonica, EDP, Iberdrola, Terna, and Saint Gobain came at a minor cost against the benchmark.

In terms of new issuances, we participated in the following new issues on the green bond bucket:

- **EnBW**, the German utility, which finances investments in renewable energy generation facilities to continue to increase the share of renewable in the overall generation capacity.
- **Equinix**, a US-based technology company, issuing green bonds to invest mainly in the improvement of existing buildings into ones with higher environmental standards, other energy efficiency projects, renewable energy facilities, or clean transportation projects.
- **Iberdrola**, the Spanish utility, among the best European players in renewable energy generation, which continues to invest in the development of renewable energy generation capacity.
- **DNB Bank**, which refinances, through the issuance of their green bond, loans to SMEs and households mainly focused on energy efficiency investments.

On the SBTI bucket, we participated in two new issuances:

- **Otis**, the capital goods company, which has targets set in the SBTi in line with a 1.5°C scenario.
- **Booking**, the online travel company, which has targets set in the SBTi in line with a 1.5°C scenario.

On the secondary market, we reduced our exposure to Bertelsmann, Merck, and OP Bank which were not interesting anymore from a relative value perspective. We also reduce our exposure to LVMH and Pernod Ricard as consumption from China may be negatively affected by the overall macroeconomic environment and could weigh negatively on groups with a relatively high exposure to the country.

Monthly commentary

The EM sleeve of the Green Transition Bond fund underperformed its benchmark over November, therefore weighing on the overall return of the portfolio. All regions performed positively over the month with Latin America and Africa performing the best whilst the Middle East performed the least. Therefore, our overweight in Latin America added to relative returns whilst our zero exposure in the Middle East slightly detracted from alpha. In Latin America, our overweight in Argentina proved the biggest contributor to relative returns as Argentine hard currency bonds continued their rally. Over in Africa, our overweight in South Africa, Ivory Coast and Kenya all added alpha. In Europe, our zero weight in Turkey detracted from relative returns. Turkish bonds were among the strongest performers, with 10-year bond yields falling around 100bp over the month. Turkish inflation eased to 48.58% in October, the lowest level since July 2023. While the central bank maintained its key rate at 50% in November, it noted that the underlying inflation trend has improved. Additionally, S&P Global upgraded Turkey's long-term sovereign credit rating to "BB-" with a stable outlook – its second upgrade this year. In addition, our zero weight in Ukraine detracted from relative returns. Ukrainian bonds continue to perform well despite the recent escalation of the war. As part of the recent debt restructuring, Ukraine issued some bonds, whose principal increases should GDP surpass certain thresholds. Markets are anticipating a swift end to the war once Trump takes office and then a resumption of growth driven by a reconstruction effort. We are less optimistic that the war will end so swiftly/easily and therefore continue to avoid Ukrainian bonds. Over to the Middle East, our zero weight in the region, and particularly our zero holding in Saudi Arabia, detracted from relative returns over November as the region performed positively albeit lagged behind other regions. We remain underweight in the region as part of the SRI-driven exclusions applied to the strategy.

In regards to new issuance, South Africa came to the market earlier last month with a 12-year and a 30-year bond. The Treasury had indicated in its last London roadshow in September that they were planning a $2bn issue before year end largely to cover the money they are expecting from donors for climate transition projects (background is $8bn pledged by US/EU/UK at COP 3 years ago; projects have been identified but money still to be delivered). We decided to participate in the fund on the back of the ESG aspect (Just Transition) and attractive valuations in addition to the positive economic and political story.

Outlook

Looking ahead, companies will have to carefully navigate increasingly disrupted global trade dynamics and the potential for less predictable US policymaking ahead. The political instability in France and Germany will also drive uncertainty and would eventually push up spreads volatility. On the other hand, if the anticipated change in fiscal policy in China shows signs of convincing success, it could improve the outlook for consumption-dependent sectors. As more profit warnings emerge beyond the automotive sector, other segments may also become vulnerable as signs of weakness increase. Geopolitical tensions in the Middle East and the consequences of Trump's foreign policy on the Ukrainian conflict, along with the potential impacts on defence spending for European countries, are also areas of concern that could affect sentiment. On a positive note, default rate expectations remain below the historical average, and most sectors are still in healthy condition. Technical factors are also very supportive, as demand for yield is high alongside with the normalization of the yield curve. Based on current benign default assumptions, valuations remain fair in spread terms. In this context, we maintain decent risk exposure in order to benefit from carry while focusing on issuer selection to avoid negative idiosyncratic credit events. Primary supply is likely to calm down the end of year, and liquidity should also fade in the weeks to come as market makers are cleaning their books to prepare next year.

We see the period ahead as one where we may have to navigate some volatility but there will also be opportunities to generate alpha. In the short term, investors are likely to take cues from Mr Trump's nominees in the new government to gauge the policy direction his administration will take. This could lead to continued uncertainty for a while. However, as more clarity emerges, we think investors are likely to approach opportunities in EM selectively, to take advantage of alpha opportunities in an increasingly fragmented and differentiated world.

Monthly commentary

Opportunities

+ Interest income from bonds, capital gains opportunities on declining market yields
+ Enhanced return potential through addition of emerging markets and high-yield bonds
+ Prospect of positive impact on the environment through the Green Transition Strategy
+ Currency gains possible in unhedged share classes
+ Broad diversification across numerous securities
+ Potential additional returns from security analysis and active management

Risks

– Interest rates vary, bonds suffer price declines on rising market yields
– Increased risk of price fluctuations, market illiquidity and losses of emerging markets and high-yield bonds
– Positive impact on the environment through the Green Transition Strategy not guaranteed, this approach additionally narrows the investment universe.
– Currency losses possible in unhedged share classes
– Limited participation in the potential of individual securities
– Success of single security analysis and active management not guaranteed

[1] Benchmark: 1/3 JP Morgan J-ESG EMBI Global Diversified USD, 1/3 Bloomberg MSCI Global Corporate Sustainability Index USD Hedged, 1/3 Bloomberg MSCI Global Green Bond Index USD Hedged

Source: IDS, PICO, Bloomberg