

## **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.



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

Global green bonds Bonds from SBTi\* corporate issuers Government bonds in emerging markets

- 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 SFDR¹ Category	Article 8
% of the portfolio invested in the Master fund² by month end	91.37
AUM (USD)	27.414.893,79

#### **Portfolio Characteristics**

Yield (YTW) in USD	4.42% (YTW excl. cash & derivatives)
Rating	BBB+
Duration	6.52
# of issues	163

#### Shareclass Information\*\*\*

Name	A EUR Hedged ACC	A USD ACC
ISIN	LU2389760575	LU2389760658
Туре	Retail	Retail
Distribution Policy	Accumulation	Accumulation
Currency	EUR	USD
Management Fee	0.52%	0.52%
TER <sup>3</sup>	1.25%	1.25%

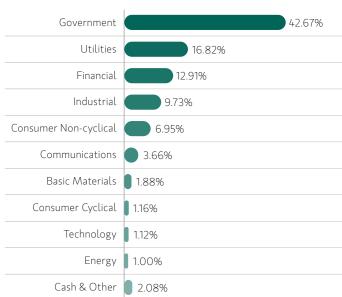
- \* SBTi: Science-based Target initiative.
- \*\* For further information on the Master Fund's benchmarks, Allianz Green Transition Bond Fund, managed by Allianz Global Investors GmbH, you can check the Prospectus which you can find on: https://lu.allianzgi.com/documents/UF-LU1997244873-VPE-EN-AGIFENVPSVVS-31122021
- \*\*\* Other share classes available. Please check the Prospectus.
- SFDR: EU Sustainable Finance Disclosure Regulation. Information accurate at time of publishing.
- The Master Fund is Allianz Green Transition Bond Fund, managed by Allianz Global Investors GmbH.
- 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.



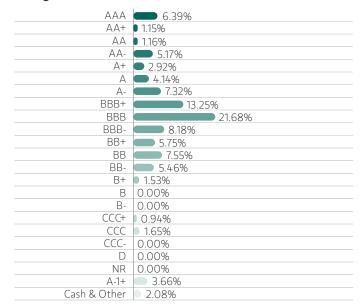


## **Portfolio structure**

#### **Sectors**



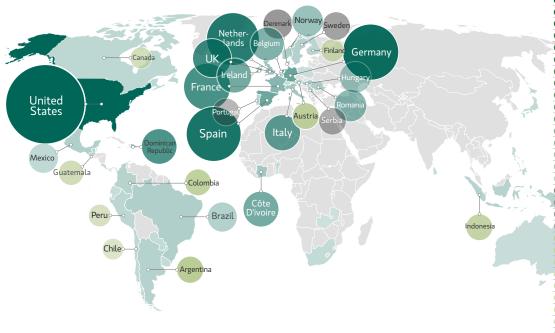
### Rating breakdown (%)



### 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	1.32%	Schneider Electric SE Emtn Fix 3.125% 13.10.2029	0.83%	Dominican Republic Regs Fix 4.875% 23.09.2032	2.90%
ADIF Alta Velocidad Emtn Fix 3.500% 30.07.2029	1.26%	Imerys SA Emtn Fix 1.875% 31.03.2028	0.80%	Ivory Coast Regs Fix 7.625% 30.01.2033	2.88%
Ireland Government Bond Fix 1.350% 18.03.2031	1.16%	Kellanova Fix 3.400% 15.11.2027	0.76%	Fed Republic of Brazil Fix 6.250% 18.03.2031	2.02%
Scottish Hydro Electric Emtn Fix 1.500% 24.03.2028	0.91%	Givaudan Fin Europe Fix 1.625% 22.04.2032	0.75%	United Mexican States Fix 2.659% 24.05.2031	1.96%
lberdrola Finanzas Sau Emtn Fix 3.625% 13.07.2033	0.86%	Pernod Ric Intl Fin LLC 144A Fix 1.625% 01.04.2031	0.48%	Republic of Serbia Regs Fix 6.500% 26.09.2033	1.66%
Total	5.51%	Total	3.62%	Total	11.42%





<ul> <li>United States</li> <li>Germany</li> <li>Spain</li> <li>6.62%</li> <li>Netherlands</li> <li>6.12%</li> <li>France</li> <li>4.82%</li> <li>United Kingdom</li> <li>3.36%</li> <li>Dominican Rep.</li> <li>2.90%</li> <li>Côte D'ivoire</li> <li>2.88%</li> <li>Italy</li> <li>2.88%</li> <li>Ireland</li> <li>2.74%</li> <li>Belgium</li> <li>2.53%</li> <li>Romania</li> <li>2.39%</li> <li>Norway</li> <li>2.29%</li> <li>Hungary</li> <li>2.21%</li> <li>Brazil</li> <li>2.02%</li> <li>Mexico</li> <li>1.96%</li> <li>Sweden</li> <li>1.80%</li> <li>Serbia</li> <li>1.66%</li> <li>Portugal</li> <li>1.66%</li> <li>Argentina</li> <li>1.65%</li> <li>Austria</li> <li>1.62%</li> <li>Colombia</li> <li>1.53%</li> <li>Indonesia</li> <li>1.53%</li> <li>Guatemala</li> <li>1.39%</li> <li>Finland</li> <li>1.22%</li> <li>Canada</li> <li>1.00%</li> <li>Cash &amp; Other</li> <li>14.13%</li> </ul>			
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		Cash & Other	14.13%

# Monthly commentary

## **Market Review**

Global bonds delivered positive returns driven by strong rally of sovereign bonds, reflecting growing concerns that trade tariffs and lower government spending may hurt the growth outlook. US Treasuries were among the strongest performers, with the yield on the 10-year US Treasury bond closed the month 33bps lower at 4.21%, the lowest level since mid-October. European government bonds also rose but lagged their US counterparts in anticipation that higher European defence commitments will likely cause government spending to balloon across the continent. The yield on the 10-year Bund closed the month 5bps lower at 2.41%. Investment Grade (IG) credit posted a total-return gain (+0.61% for EUR IG and +2.03% for US IG), mainly driven by rates rally and robust carry, while spreads move was flat (EUR IG) to negative (US IG).

Minutes from January's FOMC meeting revealed policymakers wanted to see further progress on inflation before making any further rate cuts, with US Federal Reserve Chair Jay Powell saying he was in "no hurry" to cut rates. The European Central Bank continued to signal that further rate cuts were likely.

Emerging markets (EM) bonds were mixed over February. Hard currency bonds advanced, while local currency bonds sold off slightly. From a regional perspective, there was little difference in regional returns of hard currency bonds, while Latin America was the strongest sector among local currency debt. European local currency bond returns were also positive, but Asian local currency bond returns were negative.



### **Performance Review and Portfolio Activities**

In February, Allianz Green Transition Bond underperperformed the benchmark<sup>1</sup> on a gross-of-fee basis.

The DM sleeve of the Green Transition Bond outperformed its benchmark in February. Our term structure positioning (initially neutral but moved to slight overweight during the month) and issuer selection, particularly within the Electric Utility, were the main contributors to the sleeve's outperformance over the month. Our credit beta positioning (modest credit overweight) also had a minor positive contribution. On a single-name basis, our top contributor (spread return in a relative sense) was Equinix, followed by EDP, Saint Gobain, Iberdrola, and Redeia. In contrast, our relative positions in ADIF Alta Velocidad, Deutsche Bahn, Société des Grands Projets (no exposure), Cisco, and France (no exposure) came at a minor cost against the benchmark.

The fund participated in the following primary issuances on the green bond market:

• **ABN Amro**, the bank from the Netherlands with specific use of proceeds towards green buildings, energy efficiency and renewable energy projects.

On the secondary market, we reduced our exposure to Terna and made an arbitrage on Nordea by selling a 2035 maturity and rebalancing it on a 2031 maturity.

The EM sleeve of the Green Transition Bond fund underperformed its benchmark in February, detracting from the fund's overall return. All regions performed positively over the month, with Europe and Asia performing the best. In Latin America, our overweight in the Dominican Republic and Guatemala contributed the most to relative returns, whilst our zero weight in Panama cost some alpha. Some investors believe that Panama can maintain its IG (Investment Grade) status in the near term. We retain a contrasting view given Moody's Baa3 negative outlook and the lack of progress on meaningful fiscal or pension reform, even before accounting for discussions about the canal. As previously mentioned, Panama has recently been downgraded by all three rating agencies. Following these downgrades and as spreads underperformed, our zero holding in Panama had boosted alpha, but lately, Panama benefited from a relief rally, causing some underperformance during the month. Furthermore, our zero weight in Ukraine was one of the largest detractors from relative returns. Ukrainian bonds have been volatile of late, driven by news flow around a possible ceasefire and ultimate end to the war. YTD, the Ukrainian sub-component of the J.P. Morgan EMBI USD bond index was up 9% (but falling 3% over the past few days). While the ceasefire news seems mostly in the price whether a lasting peace can be achieved will drive asset prices from here. The recent bond restructuring gave bondholders two types of instruments; a) regular bonds with a 1.75% coupon and four maturities ranging from 2029 to 2035, and b) contingent bonds which pay no coupon but pay back an additional 12% of the principal should GDP reach certain thresholds. It is the latter one that has performed exceptionally well on expectations



## Monthly commentary

that an end to the war will lead to a massive reconstruction effort and associated boost to GDP. Given huge uncertainty around negotiations and seemingly opposing positions on where a new border will be drawn, security guarantees, UK and European troops on the ground, etc., we are sceptical of a swift resolution and hence remain uninvested in Ukraine. Over in Eastern Europe, Poland was among the strongest markets and therefore our underweight in Poland cost some alpha. Nonetheless, our overweight in Romania and Serbia added to relative returns.

On new issuance, Paraguay brought a new dual tranche deal last month. In line with the strategy of developing local markets for international participation, they issued their second PYG (Paraguayan Guarani) linked global note - this time a 10-year maturity. This is a local currency bond so not suitable for this portfolio, however, we decided to participate in the USD tranche for the portfolio which is Paraguay's first long-end new issue since 2019. We still view the credit as an improving story, Moody's has already upgraded them to Investment Grade and we see potential for additional IG rating upgrades in the near future. Kenya also came to the market with a new Kenya \$2036s issue. We thought the deal could perform well given the demand for high-yield credits in the current market environment, but final pricing left little concession in our view and we were priced out. On the positive side, Kenya demonstrated that the Eurobond market remains open for African credits to refinance upcoming maturities. Uzbekistan also tapped the new issue market with two new Uzbekistan issues, a USD 7.25-year Eurobond and a EUR 4-year SDG bond (Sustainable Development Goal). We could not participate in this portfolio as we do not invest in "Not Free" countries according to the Freedom House Index.

## Outlook

We maintain our modest credit overweight positioning based on strong fundamentals and very strong technical anchored by attractive all-in yields. Nevertheless, given heightened macro uncertainties and growing dispersion in published results, we remain selective on issuer selection to avoid negative idiosyncratic credit events. Valuations are not particularly cheap. Nonetheless, the current environment features low default expectations and solid fundamentals across most sectors. These factors, along with strong technical, make the current valuation seem still reasonable.

Looking ahead, companies will have to carefully navigate increasingly disrupted global trade dynamics and less predictable US policymaking. Since the inauguration, President Trump has generated significant discussion regarding his tariff policies and geopolitical positions. This continuous news flow has become a key short-term driver for all risky assets. In particular, market participants will closely scrutinize how much pressure Mr Trump might exert on the Federal Reserve to adopt a more accommodative approach in its monetary policy moving forward. On the microeconomic front, investors will be closely watching upcoming corporate publications to evaluate the performance of different sectors amid an increasingly uncertain macroeconomic environment. Additionally, future European defence spending programs could bring additional volatility in interest rates, as they could impact the debt burdens of European economies. Given heightened macro uncertainties and growing dispersion in corporate earnings results, we stay nimble and agile, focusing on security selection with a tendency to move up in quality.

As for emerging market debt, we see the period ahead as one where we may have to navigate some volatility but where alpha-generating opportunities are there for the taking. As the new US administration settles in the White House, some uncertainty persists over its policy agenda. This has challenged the "US exceptionalism" consensus view that investors kicked off 2025 with. 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
- 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

Breakdowns are computed on portfolio weights adjusted, excluding cash and derivatives

Source: IDS, PICO, Bloomberg

#### THIS IS A MARKETING COMMUNICATION

Past performance is not a reliable indicator of future results. If the currency in which the past performance is displayed differs from the currency of the country in which the investor resides, then the investor should be aware that due to the exchange rate fluctuations the performance shown may be higher or lower if converted into the investor's local currency.

Please refer to the prospectus of the UCITS and to the KIID before making any final investment decisions, available at https://www.march-am.com/. The sub-fund is currently registered in Spain for public distribution and KIID is available in spanish. The investments described may carry a number of risks described in the prospectus and the fund's KIID. For more information about our sustainable and responsible investment criteria, please access https://www.march-am.com/quienes-somos/inversion-sostenible-y-responsable/. For more information about the Master Fund and Allianz Global Investors sustainable policies, please access https://www.allianzgi.com/en/our-firm/esg/documents#keypolicydocumentsandreports.

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