

MARCH GREEN TRANSITION BOND

Monthly Reporting | September 2022

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 SGIC, S.A.U
Custodian Bank	RBC 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	96.32
AUM (USD)	18.671.311,65

Portfolio Characteristics

Yield (YTW) in USD	5.95%
Rating	BBB+
Duration	6.89
# of issues	147

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-LU1997244-873-VPE-EN-AGIFENVPSVVS-31122021>

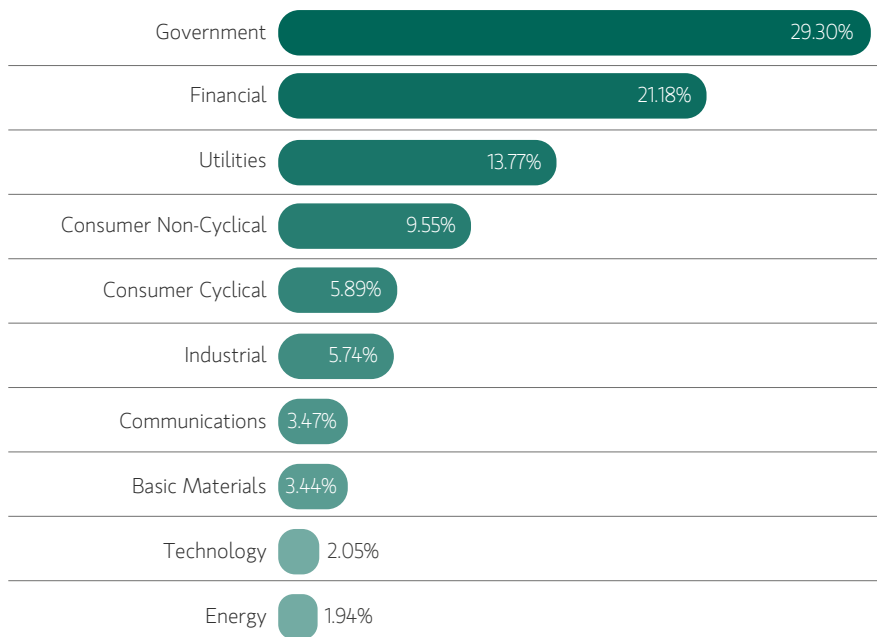
¹ SFDR: EU Sustainable Finance Disclosure Regulation. Information accurate at time of publishing.

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

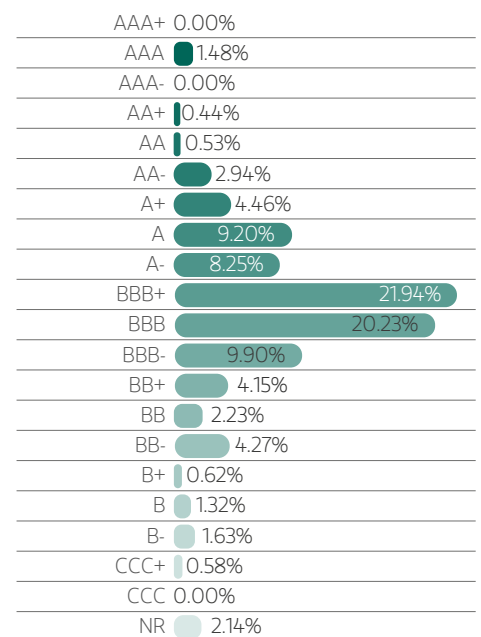
³ TER generally: Total cost (except transaction costs) charged to the fund during the last financial year. TER for funds-of-funds: The costs incurred by the fund itself (except transaction costs). Since the fund held other investment units (“target funds”) in the reporting period, further costs, charges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

Portfolio structure

Sectors



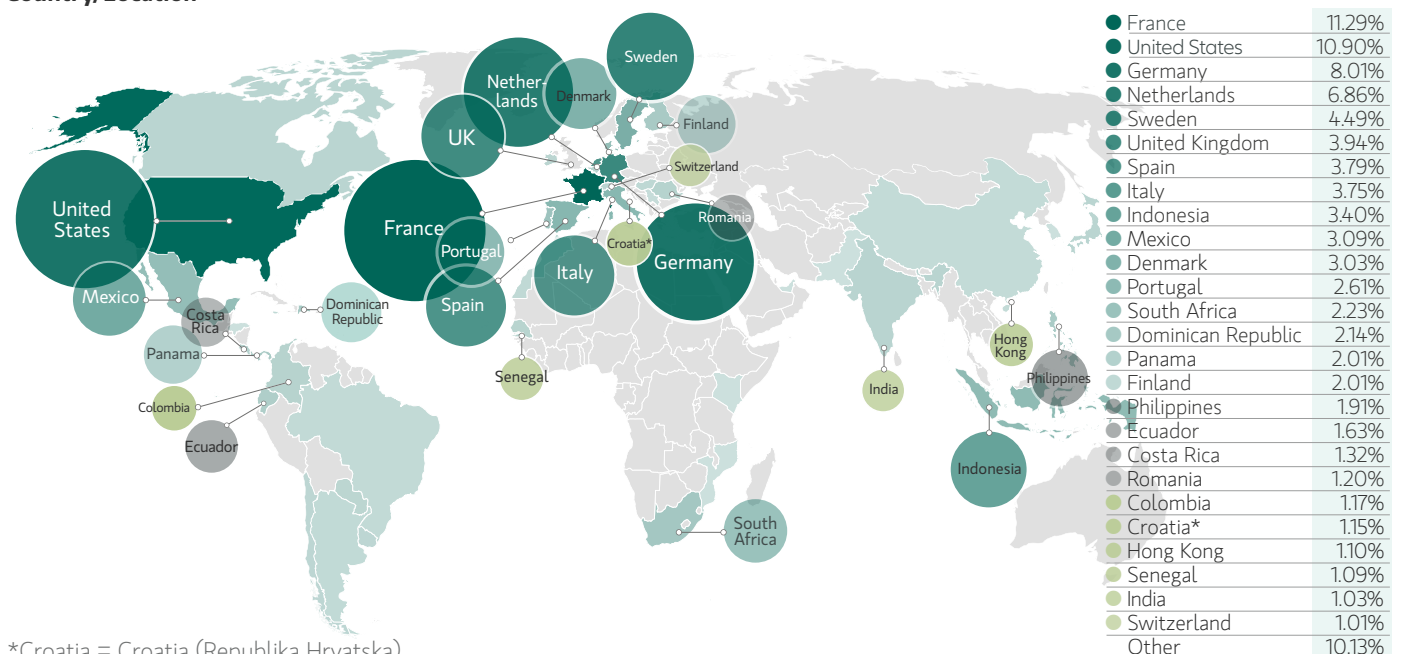
Rating breakdown (%)



Top Holdings (%)

Global Green Bonds	%	SBTi Corporate	%	EM Government Bonds	%
Landbk Hessen-Thueringen Emtn Fix 2.625% 24.08.2027	1.04%	EDP Finance BV 144A Fix 3.625% 15.07.2024	1.10%	Republic of Indonesia Fix 2.850% 14.02.2030	3.40%
Renew Power PVT Ltd Regs Fix 5.875% 05.03.2027	1.03%	Burberry Group Plc Fix 1.125% 21.09.2025	1.09%	United Mexican States Fix 2.659% 24.05.2031	3.09%
Skandinaviska Enskilda Emtn Fix 0.750% 09.08.2027	0.96%	Enel Finance Intl NV Emtn Fix 3.875% 09.03.2029	0.80%	Republic of South Africa Fix 5.875% 22.06.2030	2.23%
Canadian Government Fix 2.250% 01.12.2029	0.94%	Enel Finance Intl NV Emtn Fix 2.875% 11.04.2029	0.76%	Dominican Republic Regs Fix 4.875% 23.09.2032	2.14%
Sumitomo Mitsui Finl Grp Fix 2.472% 14.01.2029	0.93%	SSE Plc Perp Fix to Float 4.000% 21.04.2198	0.75%	Republic of Panama Fix 2.252% 29.09.2032	2.01%
TOTAL	4.92%	TOTAL	4.50%	TOTAL	12.87%

Country/Location



*Croatia = Croatia (Republika Hrvatska)

Monthly commentary

Market environment

Global bonds fell over September. Hawkish statements from US policymakers following stronger-than-expected inflation data prompted an initial sell-off and strengthened the US dollar. The weak trend picked up speed when the war in Ukraine entered a more dangerous phase as, following significant territory gains by the Ukrainian army, Vladimir Putin mobilised 300,000 Russian citizens, annexed four Ukrainian provinces following sham referendums, and threatened to use nuclear weapons. The UK also sent jitters through financial markets when the new government abandoned years of fiscal prudence as it sought to kick start economic growth.

Economic activity continued to weaken. In the US, inflation data topped expectations, with consumer prices rising at an annual rate of 8.3% in August. The flash estimate of the S&P Global euro-zone composite purchasing managers' index fell to 48.2 in September, the lowest reading since January 2021, with both services and manufacturing activity well into contraction territory. Euro-zone inflation continued to accelerate, reaching a fresh high of 10.0% in September.

Therefore, interest rates were hiked across the developed and developing world. Among G7 economies, the Federal Reserve, European Central Bank and Bank of Canada each raised rates by 75 bps, while the Bank of England implemented a 50-bps increase.

In the US, the 10-year Treasury yield reached a 12-and-a-half year high of 4.0% in late-September, while the 10-year German Bund yield rose around 100 basis points (bps) to trade above 2.2% for the first time since late-2011. UK bond yields jumped sharply, topping 4.5% for the first time since late-2008, as the new UK government ramped up spending, raising fears over the sustainability of UK debt levels.

Hard currency bonds fell the most across EM, undermined by a sharp rise in US Treasury yields and wider credit spreads given the risk-off environment.



Performance analysis

Within this context, the strategy underperformed its benchmark by -0,45% on a net basis and posted a -5.42% total return (vs -4.97% for the benchmark).

The Green Bond and SBTi bucket contributed negatively to the relative performance.

During the month of September, we benefited from an underweight on sovereign issuers (mainly due to our lack of French and UK government green bonds), from an underweight on the banking sector and on supranationals (no investments on the European Union or EIB for example). Our most important sectorial overweights were on Consumer non-cyclical (exposure to Philips, Pernod Ricard or General Mills), Electric issuers (overweight on Enel and EDP) and on Basic Industry (Akzo Nobel, Stora Enso, Symrise). Those were detractors to the performance of the fund during this month due to spreads widening and interest rates increasing.

The primary market came and went through waves during the month of September, driven by the market conditions. We participated selectively to new issues offering new issue premium, interesting sustainability stories and reasonable exposure to uncertainties (Italian elections, gaz prices...). We participated to new issues on the green bond side: on sovereign issues as the Kingdom of Belgium and on corporates (Amprion, SKF, Orsted and Alliander). On the SBTi bucket, we participated to Essity (well-below 2° target), National Grid (1.5°), Volvo (1.5°C/Well-below 2°) and Enel Finance (1.5°).

The EM sleeve of the Green Transition Bond fund underperformed its benchmark and contributed negatively to overall portfolio performance during the month of September.

Across regions, last month saw all EM regions posting negative returns across the board with Latin American bonds amongst the worst performers alongside African bonds. Within Latin America, our overweight in Mexico hurt performance the most followed by our overweight in Panama, Ecuador, Paraguay and Dominican Republic. In Mexico, Mexico's central bank raised rates by 75 basis points as the country's inflation rate rose to 8.7% in August, the highest reading since December 2000. Panama has been a consistent underperformer of late following civil unrest in July, which was a surprise given the historical political stability of the country and relatively high degree of development. After a research trip to the region in August, we remain comfortable with our exposure to Panama, which is a fast-growing country which benefits from proximity to the USA and key strategic assets. The investment grade rating still seems safe, barring a severe negative growth shock, and strong IMF support provides comfort to sovereign bond investors. Nonetheless, lingering risks remain due to the country's low tax base; much needed pension reform; and potential political developments ahead of the 2024 elections. Meanwhile, in the high yield space, our overweight in Morocco, Senegal and South Africa weighed on returns. However, a positive contributor to performance was our avoidance of weaker credits such as Ghana (fiscal and external vulnerabilities have deepened despite the recent request for an IMF programme, with increasing discussions



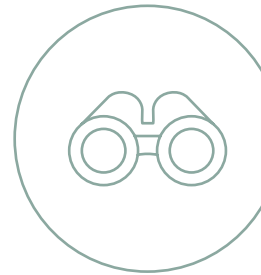
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around a likely Deb restructuring), Kenya (among the most vulnerable to rising food prices), Zambia (Challenging prospects for meaningful debt relief and valuations) as well as Egypt boosted relative returns last month. Meanwhile, our underweight in the Middle East, and in particular, our avoidance of Oman, Qatar, Saudi Arabia as well as our underweight in UAE contributed the most to last month's relative returns. Finally, our overweight duration positioning hurt returns in September as US government bond yields rose over the month.

Outlook

The market environment is likely to remain very volatile as uncertainty is very high and still growing. Growth and recession indicators will remain the main drivers of risk sentiment. The unexpected intervention by the Bank of England reminded market participants that Central Banks can still intervene to support markets when they feel it is appropriate. We remain cautious for the coming period of Q3 results, especially on names with risk linked to the energy crisis.

We continue to monitor the hawkish environment and inflation pressures globally as bond volatility is likely to remain as well as developments in China where, although August activity data beat expectations, credit conditions are still challenged. Finally, we expect EM primary issues to restart after a long hiatus albeit. New issuances were still muted last month as markets waited for directions from the US Federal Reserve.



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.

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