MARCH GREEN TRANSITION BOND

Monthly Reporting | July 2023

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

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	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	98.52
AUM (USD)	44.614.806,34

Portfolio Characteristics

Yield (YTW) in USD	4.83% (YTW excl. cash & deriv.)
Rating	A-
Duration	6.50 (Eff. Duration incl. cash & deriv.)
# of issues	230

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

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.

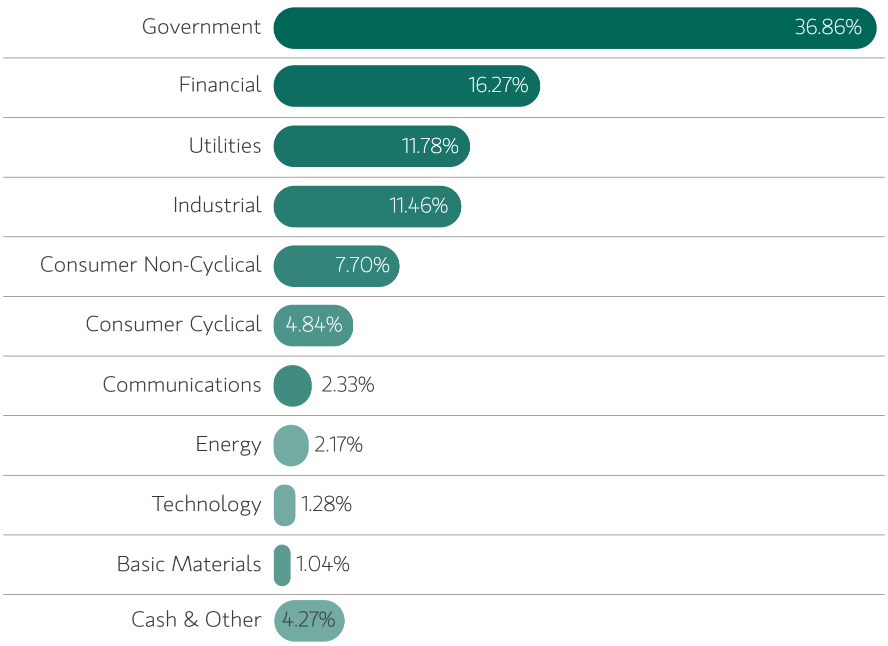
3 TER generally: Total cost (except transaction costs) charged to the fund during the last financial year. TER for funds-of-funds: The costs incurred by the fund itself (except transaction costs). Since the fund held other investment units ("target funds") in the reporting period, further costs, charges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

Allianz Global Investors

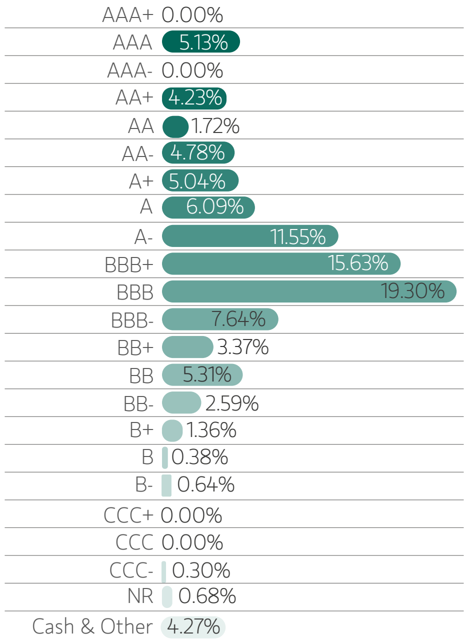
BancaMarch CRECER JUNTOS

Portfolio structure

Sectors



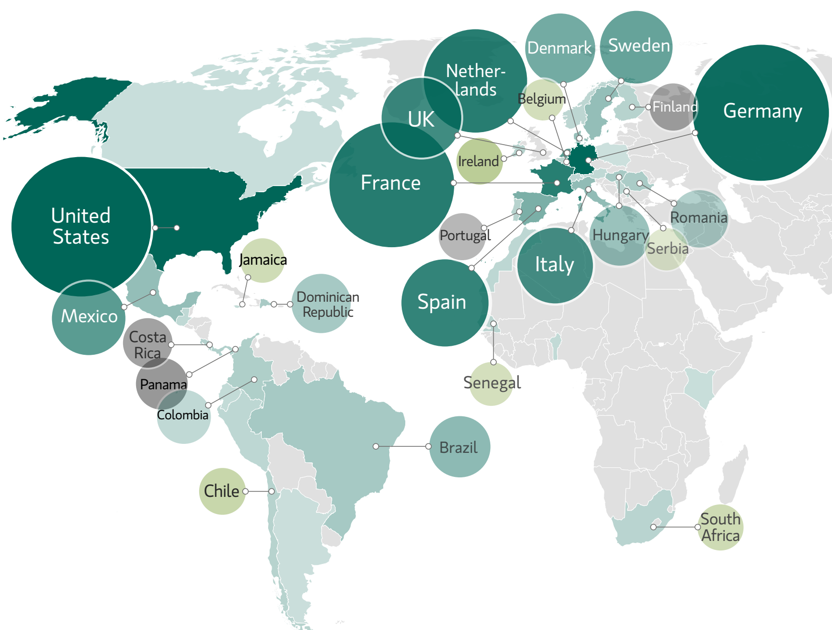
Rating breakdown (%)



Top Holdings by bucket

Global Green Bonds	Weight	SBTi Corporate	Weight	EM Government Bonds	Weight
KFW Emtn Fix 2.750% 15.05.2030	1.06%	La Banque Postale Emtn Fix 4.000% 03.05.2028	1.21%	Republic of Indonesia Fix 2.850% 14.02.2030	2.75%
Mercedes-Benz Int Fince Emtn Fix 3.500% 30.05.2026	0.96%	LVMH Moet Hennessy Vuitt Fix 3.375% 21.10.2025	0.72%	United Mexican States Fix 2.659% 24.05.2031	2.72%
Ferrovie Dello Stato Emtn Fix 4.125% 23.05.2029	0.96%	Siemens Financieringsmat Emtn Fix 3.375% 24.08.2031	0.72%	Treasury Bill Zero 01.08.2023	2.60%
Mercedes-Benz Int Fince Emtn Fix 3.700% 30.05.2031	0.72%	Merck Fin Services GMBH Emtn Fix 1.875% 15.06.2026	0.69%	Dominican Republic Regs Fix 4.875% 23.09.2032	2.11%
Iberdrola Finanzas Sau Emtn Fix 3.625% 13.07.2033	0.72%	Enel Finance Intl NV Emtn Fix 2.875% 11.04.2029	0.60%	Fed Republic of Brazil Fix 3.750% 12.09.2031	2.02%
Total	4.42%	Total	3.93%	Total	12.20%

Country/Location



United States	11.10%
Germany	10.86%
France	8.86%
Netherlands	6.16%
Spain	4.49%
United Kingdom	3.65%
Italy	3.36%
Mexico	3.17%
Sweden	3.17%
Denmark	2.98%
Indonesia	2.75%
Brazil	2.24%
Hungary	2.15%
Dominican Rep.	2.11%
Romania	1.97%
Colombia	1.73%
Panama	1.60%
Costa Rica	1.45%
Finland	1.33%
Portugal	1.31%
Ireland	1.31%
Chile	1.31%
South Africa	1.18%
Senegal	1.13%
Japan	1.06%
Serbia	1.06%
Belgium	1.03%
Cash & Others	17.22%

Monthly commentary

Market Review

Global bonds saw a mixed performance in July. Corporate bond returns were positive, but government bonds struggled with yields in many markets moving modestly higher as a resilient US economy underpinned expectations that rates would stay higher for longer. US activity data continued to come in above expectations, but concerns about the growth outlook in China and Europe began to rise. As expected, the US Federal Reserve hiked rates by 25bp, taking the target range for the Fed funds rate to 5.25-5.50% and signalled that policy going forward is data dependent, but with a tightening bias. Similarly, the European Central Bank hiked rates by 25bp, taking the deposit rate to 3.75%, and also turned more data dependent, as growth prospects weakened and the transmission of past monetary policy tightening began to feed through the real economy – as also signalled by the ongoing tightening in bank lending conditions in the region. 10-year US Treasury yields traded in a wide band, between 4.07% and 3.75%, ending the month 12bp higher at 3.96%, while 10-year Bund yields rose 10bp in July, to end the month at 2.49%.

Emerging market bonds rallied over July, outperforming developed market bonds amid growing hopes that central banks in some regions are closer to starting to cut rates. Both hard currency and local currency bonds advanced, with currency appreciation versus the US dollar further lifting the returns of local currency bonds in USD terms.

Performance Review and Portfolio Activities

Over the month Allianz Green Transition Bond outperformed its benchmark by 0.10% on a net basis and posted a total return of 1.00% (Net, WT6 USD share class) vs 0.90% for the benchmark.

During July, the Green Bond and the SBTi bucket benefitted from our overweight on government-owned (no guarantee) issuers (overweight on La Banque Postale, Orsted, and Ferrovie dello Stato), our overweight on the electric sector (overweight on SSE, Iberdrola, and Enel) and consumer non-cyclical (overweight on Carlsberg, Merck, and Heineken). Our main sectorial detractors were our underweight on Banks (lack of exposure to UBS, Bank of America, or HSBC), our lack of exposure to mortgage assets (Berlin Hyp, Societe Generale SFH, or SpareBank 1 Boligkreditt), and our underweight on government-guaranteed (underweight on KFW and lack of exposure to Landwirtsch Rentenbank).

We participated in the following new issues on the green bond bucket:

- Two tranches from DS Smith, that will be used to finance the development of waste collection and recycling facilities, as well as the procurement of responsibly sourced raw materials (including wood, pulp, and paper).
- One bond from Iberdrola financing the construction of renewable energy generation infrastructure, energy efficiency projects for customers as well as the implementation of smart grid solutions in their transmission networks.

We did not participate in any new issues on the SBTi bucket. However, it is worth noting that both DS Smith and Iberdrola have targets set aligned with a 1.5°C scenario in the SBTi. Moreover, DS Smith is committed to Net Zero (NZ) in the SBTi and Iberdrola has a validated NZ target for 2039.

The EM sleeve of the fund performed in line with its benchmark over July, and therefore proved neutral for the overall return of the portfolio. Across regions, last month saw again Africa performing the best benefitting from its higher beta status, followed by Europe. Our overall overweight in Africa added to relative returns and in particular our overweight in Benin, Senegal, and South Africa. South African bonds were among the strongest performers last month. South Africa's annual inflation rate fell more than expected to 5.4% in June, the lowest in 19 months, and the South African Reserve Bank paused its monetary tightening cycle after ten consecutive rate hikes. However, no exposure in Egypt detracted from relative returns. A more mixed picture in Europe where our overweights to Hungary and Serbia added to relative returns whereas no exposure to Ukraine and Turkey weighed on relative returns. Turkish hard currency bonds rallied as sentiment was lifted by the Turkish government's shift toward more orthodox fiscal and monetary policies. Over to Latin America, our overweight proved neutral as the region performed close to the overall market over the month. Our overweight to

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Colombia and the Dominican Republic particularly added to relative returns whereas our overweight to Ecuador proved one of the largest detractors from relative performance over July. We had decided to add exposure to Ecuador in mid-July as on the political front, the outlook for elections has recently turned more constructive, as a centre-right candidate has gained ground according to the latest polls, while extreme-left candidates are failing to gather momentum. In terms of valuations, Ecuador bonds have lagged the rally seen recently by peers in the Sovereign single-B rated credit space, and bond ranges offer an upside from current levels.

In regards to new issuance, last month we saw an uptick in local currency issuance with Uruguay, Mexico, and Panama all coming into the market with local currency bonds. However, new issuance in hard currency bonds proved rather light, therefore we have not added any new issues to the portfolio over July.

Outlook

The divergence between the robustness of the US economy and the softness of the European economy is getting more pronounced and the impact of monetary tightening is starting to be felt. Central banks started to adopt a more dovish and cautious tone while hiking interest rates moderately in July. As a result, the future path of monetary policy seems very uncertain and will be very data dependent. In this context, valuation for risky assets seems a little bit rich and fragile. The differentiation in credit spreads is notable and will continue to be monitored closely. In such a context, credit selection and sector allocation remain key. The primary activity will likely remain muted during summer. After a decent rally in July, liquidity is expected to deteriorate and this could leave the market vulnerable if there is a volatility spike. Our outlook continues to favour defensive positioning with a focus on quality.

Following the uncertainty that characterised the beginning of this year, we have seen emerging market assets performing well and closing July still on the positive, as US activity data continued to come in above expectations whilst the market sees some emerging market countries closer to cutting interest rates. Against this background, we continue to expect EM to offer an attractive yield in 2H23 and in turn entice investors back into the still-under-owned asset class.

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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