MARCH GREEN TRANSITION BOND

Monthly Reporting | February 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	97.82
AUM (USD)	25.551.672,5

Portfolio Characteristics

Yield (YTW) in USD	5.00%
Rating	BBB+
Duration	6.58
# of issues	183

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.

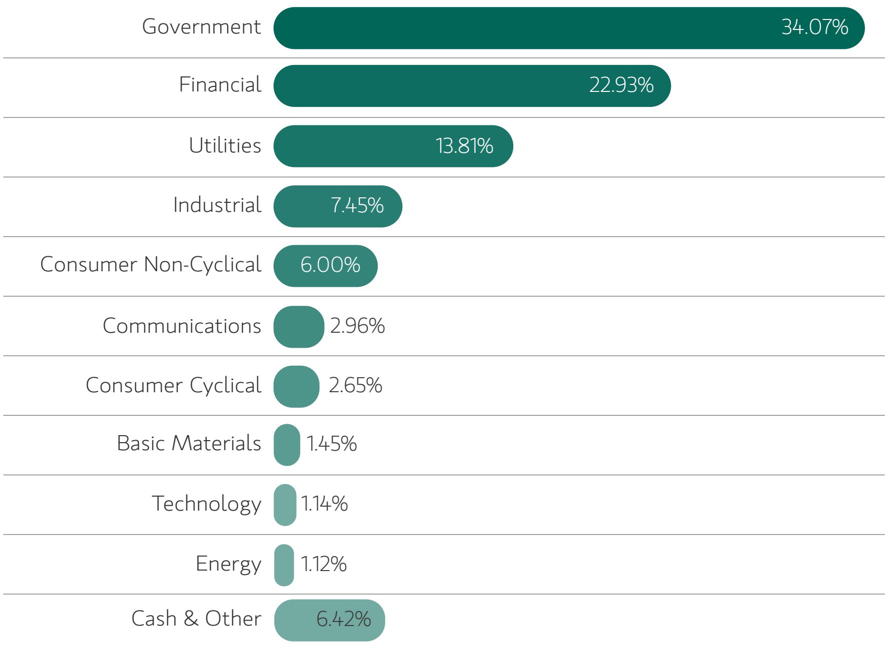
[3] TER generally: Total cost (except transaction costs) charged to the fund during the last financial year. TER for funds-of-funds: The costs incurred by the fund itself (except transaction costs). Since the fund held other investment units ("target funds") in the reporting period, further costs, charges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

Allianz Global Investors

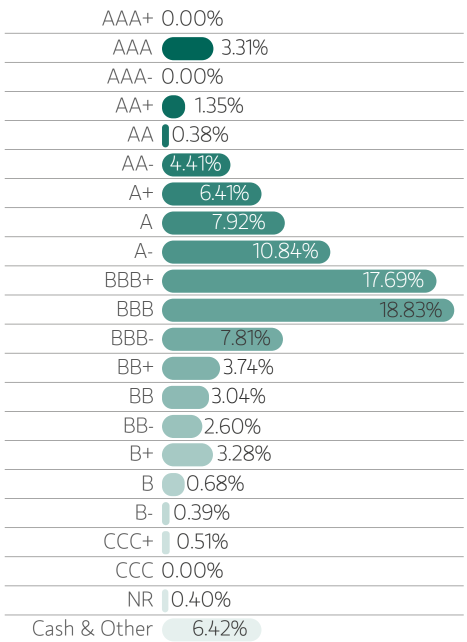
BancaMarch
CRECER JUNTOS

Portfolio structure

Sectors



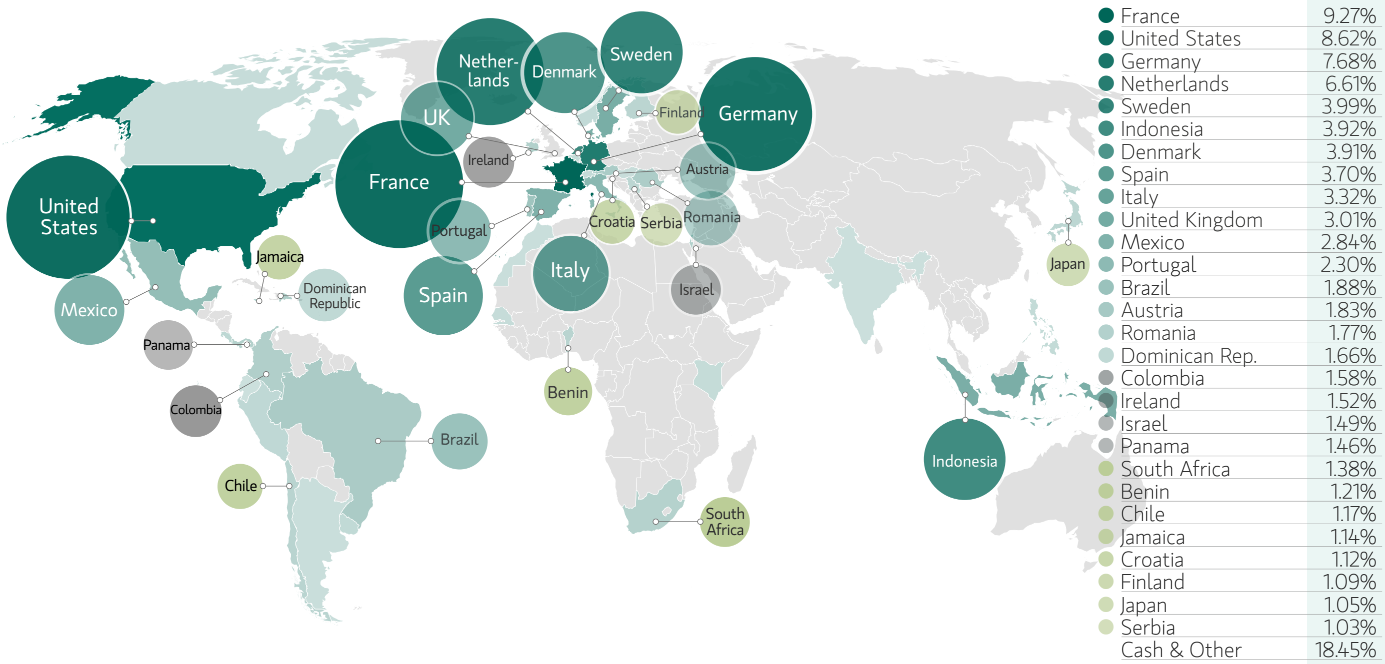
Rating breakdown (%)



Top Holdings by bucket

Global Green Bonds	Weight	SBTi Corporate	Weight	EM Government Bonds	Weight
ABN Amro Bank NV Emtn Fix 4.250% 21.02.2030	0.81%	Burberry Group Plc Fix 1.125% 21.09.2025	0.85%	United Mexican States Fix 2.659% 24.05.2031	2.84%
Sparebank 1 Sr Bank Asa Emtn Fix 3.750% 23.11.2027	0.80%	Siemens Financieringsmat Emtn Fix 3.375% 24.08.2031	0.80%	Republic of Indonesia Fix 2.850% 14.02.2030	2.40%
Hypo Noe Lb Noe Wien AG Emtn Fix 4.000% 01.02.2027	0.80%	La Banque Postale Emtn Fix 4.375% 17.01.2030	0.80%	Dominican Republic Regs Fix 4.875% 23.09.2032	1.66%
European Union NGEU Fix 2.750% 04.02.2033	0.79%	EDP Finance BV 144A Fix 3.625% 15.07.2024	0.75%	Republic of Indonesia Fix 4.850% 11.01.2033	1.52%
Skandinaviska Enskilda Emtn Fix 0.750% 09.08.2027	0.71%	Enel Finance Intl NV Emtn Fix 2.875% 11.04.2029	0.62%	Fed Republic of Brazil Fix 3.750% 12.09.2031	1.49%
Total	3.91%	Total	3.83%	Total	9.91%

Country/Location



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Market environment

February was a volatile month for fixed income markets as economic activity data in a number of G10 economies came in higher than expected, while core inflation measures also remained "sticky", resulting in a re-pricing higher in terminal policy rate expectations; rate cut expectations for end-2023 were also largely priced-out. Market pricing for the terminal Fed funds rate rose to 5.4% by mid-year, with expectations that it remains around this level through 2023.

As a consequence, there was a renewed back up in interest rates globally, with the 10-year US Treasury yield rising in February by 41bp to 3.92% - around three-month highs. The repricing in the front end of the Treasury curve also caused a flattening and further inversion of US yield curves; the US 2s10s and 5s30s curves ended the month at -90bp and -27bp, respectively. Meanwhile, 10-year German yields also rose to their highest levels since 2011, rising 37bp in February to 2.65%, as better than expected growth in the region also resulted in a re-pricing higher for the ECB terminal policy rate (towards 4% in this cycle). Given the re-pricing in front-end US rates, the US dollar was once again in the ascendency, on a trade weighted basis rising back to its highest level since the start of 2023; the AUD, JPY and NZD were the main underperformers versus the USD during the month.

Emerging market bonds fell in February, mirroring the sell-off in developed market debt. Both hard currency and local currency bonds declined amid rising concerns that interest rates would need to stay higher for longer to tame inflation. A stronger tone to the US dollar also weighed on local currency bond returns in USD terms.

Performance analysis

In February Allianz Green Transition Bond slightly outperformed its benchmark by 0.10% on a net basis and posted a total return of -2.18% (Net, WT6 USD share class) vs -2.29% for the benchmark.

During the month of February, we benefitted from our underweight on treasuries (lack of exposure to France, Germany, or UK sovereign green bonds), on Supranationals (underweight on EIB and EU), and from our lack of exposure to Government Guaranteed issuers (mainly KFW). Our main sectorial detractors were on government-owned (no guarantee) issuers (overweight on La Banque Postale, Deutsche Bahn, Orsted and Tennet), capital goods issuers (overweight on Schneider and Siemens), and banking (overweight on SEB, ABN or Sparebank).

As for primary market activities, we participated in the following new issues: On the green bond bucket, we participated, among others, in the new issue from VF Corporation, whose proceeds are earmarked for financing the renovation of buildings in line with international energy efficiency standards and the deployment of energy consumption monitoring equipment across the issuer's facilities. We also invested in three new issues from Orstead, whose proceeds are for financing the construction of wind and solar renewable energy infrastructure. On the SBTi bucket, we participated in two tranches from Siemens, the German Electrical Equipment and Machinery company, which has set a 1.5°C target by 2030. The company aims to reach this target by reducing absolute scope 1 and 2 GHG emissions by 50% by 2030 from a 2019 base year and reducing absolute scope 3 GHG emissions by 15% by 2030 from a 2019 base year.

The EM sleeve of the Green Transition Bond fund finished the month virtually flat its benchmark. Across regions, last month saw all regions performing negatively with Latin America and Africa performing the worst, whereas Europe performed relatively better. In this context, our overweight in Latin America as well as our overweight in Africa both detracted from returns. In Latin America, our market weight holding in Ecuador and our overweight in Mexico were the largest detractors whereas our underweight in Peru, Uruguay, and Chile added to relative returns. Our overweight in the Dominican Republic also boosted returns. In Ecuador, headlines about the potential impeachment against President Guillermo Lasso dominated the news towards the end of the month. The base case is for this to fade as it is just an opposition effort to use unproven allegations to remove the president, we, therefore, maintain our position. In Africa, our zero holding in Egypt was one of the main contributors to returns whereas our overweight in South Africa and Benin detracted from relative returns. South Africa suffered despite a positive budget announcement. While the medium-term fiscal trajectory was confirmed, the inclusion of additional support for state utility, Eskom, adds to the sovereign's debt burden in the context of ongoing electricity blackouts that impact economic growth. Finally, our underweights in the Middle East, such as in the United Arab Emirates and Qatar proved one of the largest contributors to returns over the month. Over to Eastern

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Europe, our overweight in Serbia detracted from returns but our zero allocation to Ukraine added to relative returns over the month.

In regard to EM new issuance, after a record EM sovereign issuance in January (c.a. USD 44bn), primary markets quietened down in February with USD 9.5bn supply, which is close to the 10y average. The slowdown in primary momentum was expected as EM IG issuers had front-loaded their borrowing needs in January while borrowing costs remained relatively high for many EM HY sovereigns, which stayed out of the primary market. As such, new issuance was light over February and therefore our participation. Meanwhile, towards the end of the month, we took the opportunity offered by higher spreads to add some risk to the portfolio by topping up some of our positions in Latin America (Mexico, Peru) as well as in Croatia and Romania in Europe. In regard to rates, we took advantage of the further inversion of the US yield curve on the back of stronger US Economic data and we added a 5s30s steepener to the portfolio, buying 5yr and selling 30yr futures.

Outlook

A shifting outlook for inflation, interest rates, and economic growth is creating a complex market environment. We believe that interest rates are likely to have to stay higher for longer to tame sticky inflation. Fundamentals are a lot better than heading into previous periods of economic slowdown, but there's still uncertainty over terminal policy rates and the fallout for growth. Our outlook continues to favour defensive positioning with room to add risk gradually through higher-quality debt sold by higher-quality issuers.

As for EM, while the markets gave up most of the January gains in February, it was largely driven by rates repricing as opposed to spread widening. We continue to expect EM to offer an attractive yield in 2023 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

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