MARCH GREEN TRANSITION BOND

Monthly Reporting | December 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 lower risk						Typically higher rewards → 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	89.36
AUM (USD)	24.587.699,2

Portfolio Characteristics

Yield (YTW) in USD	5.29%
Rating	BBB+
Duration	6.67
# of issues	162

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.

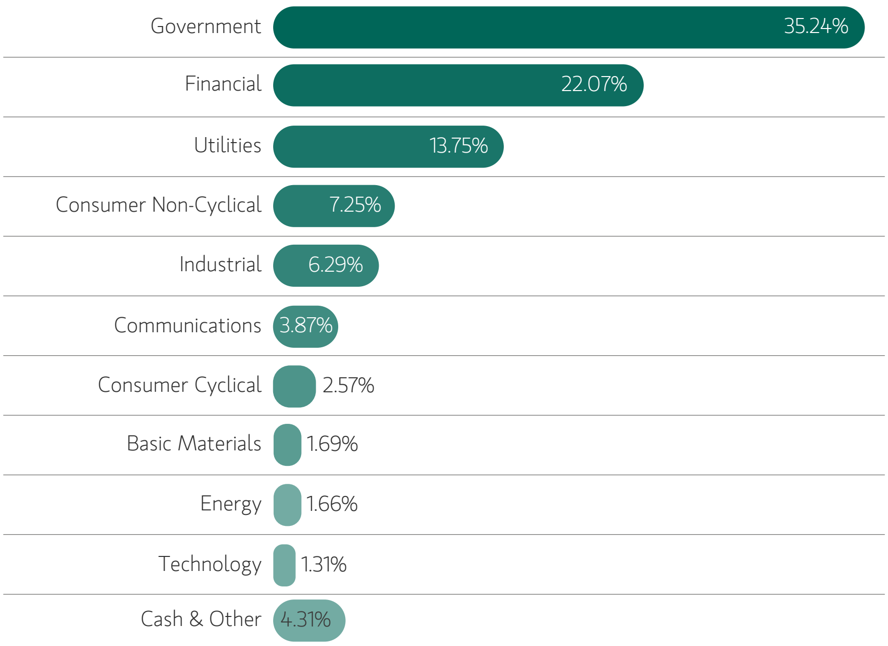
[3] TER generally: Total cost (except transaction costs) charged to the fund during the last financial year. TER for funds-of-funds: The costs incurred by the fund itself (except transaction costs). Since the fund held other investment units (“target funds”) in the reporting period, further costs, charges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

Allianz Global Investors

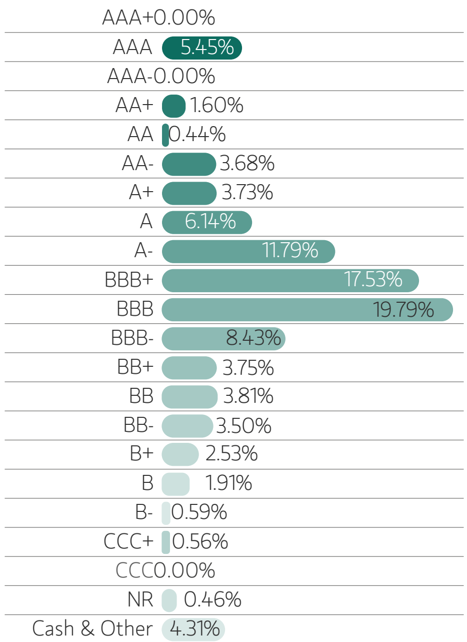
BancaMarch CRECER JUNTOS

Portfolio structure

Sectors



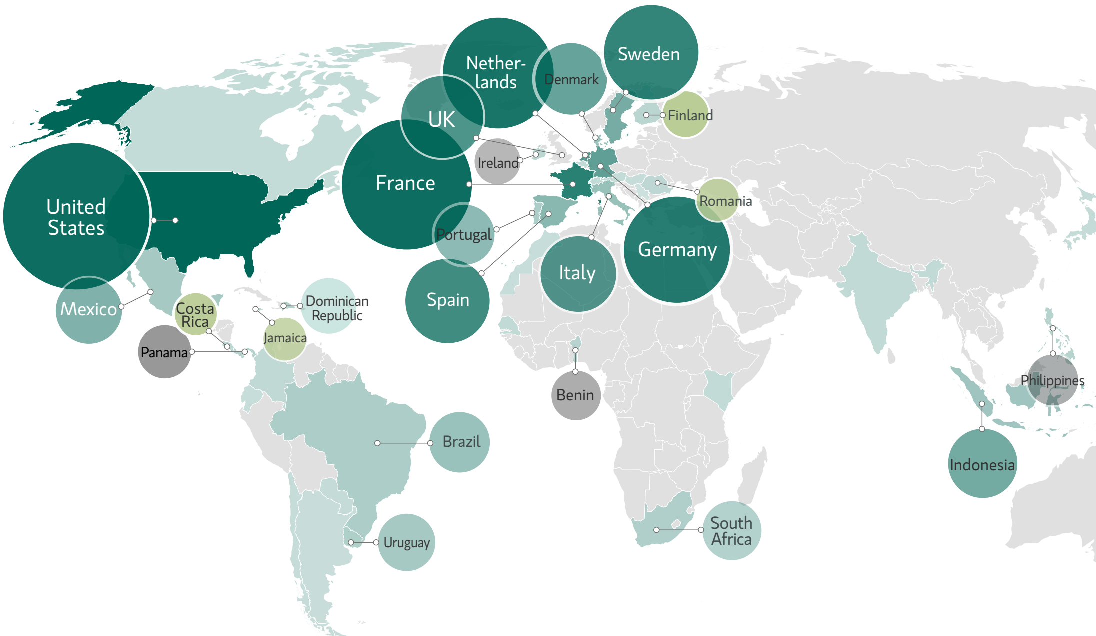
Rating breakdown (%)



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	0.94%	Burberry Group Plc Fix 1.125% 21.09.2025	0.95%	Treasury Bill Zero 16.02.2023	2.87%
European Union NGEU Fix 2.750% 04.02.2033	0.91%	EDP Finance BV 144A Fix 3.625% 15.07.2024	0.87%	Republic of Indonesia Fix 2.850% 14.02.2030	2.84%
Renew Power Pvt Ltd Regs Fix 5.875% 05.03.2027	0.88%	Vattenfall AB Emtn Fix 3.250% 18.04.2024	0.71%	United Mexican States Fix 2.659% 24.05.2031	2.53%
Skandinaviska Enskilda Emtn Fix 0.750% 09.08.2027	0.83%	Enel Finance Intl NV Emtn Fix 2.875% 11.04.2029	0.70%	Dominican Republic Regs Fix 4.875% 23.09.2032	1.89%
Sumitomo Mitsui Finl Grp Fix 2.472% 14.01.2029	0.76%	SSE PLC Perp Fix to Float 4.000% 21.04.2198	0.67%	Fed Republic of Brazil Fix 3.750% 12.09.2031	1.70%
Total	4.32%	Total	3.91%	Total	11.83%

Country/Location



United States	12.22%
France	9.63%
Netherlands	7.11%
Germany	6.57%
Sweden	5.33%
Spain	4.23%
United Kingdom	3.90%
Italy	3.34%
Denmark	3.09%
Indonesia	2.84%
Mexico	2.53%
Portugal	2.17%
Brazil	2.16%
Uruguay	1.98%
South Africa	1.93%
Dominican Republic	1.89%
Panama	1.66%
Philippines	1.56%
Benin	1.46%
Ireland	1.26%
Finland	1.25%
Costa Rica	1.11%
Jamaica	1.07%
Romania	1.05%
Other	18.68%

Monthly commentary

Market environment

Global bonds weakened in December. Despite a decline in headline inflation rates, investor sentiment was knocked by a series of hawkish statements from central banks which implied terminal rates may be higher than the markets had priced in.

Economic data painted a mixed picture of US economic health. Non-farm payrolls rose by a stronger-than-expected 263,000 in November. However, the flash estimate of S&P Global's US composite purchasing managers' index (PMI) dropped to 44.6 in December. Retail sales also disappointed, falling 0.6% over November as holiday season spending was dampened by high inflation and interest rates. The US headline inflation continued to ease, with the consumer prices index easing to a year-on-year rate of 7.1% in November, the lowest level since the end of 2021. In Europe, economic data indicated that the outlook for the euro-zone economy may be improving. The flash estimate of the S&P Global euro-zone composite purchasing managers' index (PMI) rose to 48.8 in December, the highest level in four months, helped by improving supply conditions, lower price pressures, and an uplift in business confidence.

In December, the Fed scaled back the pace at which it raised rates, implementing a 50-bps hike after four consecutive 75-bps increases, but policymakers indicated they expected rates to continue to rise in 2023, with a terminal rate of at least 5% expected, compared to the current federal funds rate range of 4.25-4.5%. In Europe, the ECB raised rates by 50 basis points (bps), a slowdown from the 75-bps hikes implemented at its two previous meetings. However, ECB president Christine Lagarde promised at least two more 50-basis-point increases in the first quarter of 2023, saying the central bank had "more ground to cover, we have longer to go".

Against this backdrop, the yield on the 10-year Treasury bond rose 13 basis points (bps) to just under 3.9%, while the yield on the two-year note also inched higher to close at just above 4.4%. The yield on the 10-year German Bund traded back above 2.5%, an increase of more than 60 basis points (bps) over the month. Overall EM bonds delivered positive returns in December ending 2022, outperforming DM bonds which were sold off. While major central banks continued to issue hawkish statements, despite further signs that inflation was easing from its historic highs, central banks in many emerging markets are nearing the end of the rate-hiking cycle, with several having kept rates on hold recently. Additionally, a retreat in the value of the US dollar was positive for emerging market bond returns, particularly for local currency bonds in USD terms.

Performance analysis

Allianz Green Transition Bond outperformed its benchmark by 0.23% on a net basis and posted a total return of -0.87% (Net, WT6 USD share class) vs -1.10% for the benchmark.

The Green Bond and SBTi bucket of the Green Transition Bond fund fared slightly better than its benchmark in December. During the month, we benefitted from our positioning on sovereign bonds (lack of exposure to France, Italy, and the UK green bonds), on government-owned issuers (lack of exposure to Sociéte du grand Paris, overweight on Tennet and Vattenfall), and in the banking sector (overweight on Skandinaviska Enskilda and Jyske Bank). Our main sectorial detractors were transportation (overweight on Ferrovial) and our lack of exposure to any mortgage assets and natural gas companies. As usual, the primary market was very quiet in December and we did not participate in any primary issues.

The EM sleeve of the Green Transition Bond fund performed in line with its benchmark, leading to a flat contribution to overall portfolio performance during December. Across regions, last month saw the Middle East and Asia outperforming the index, with Africa the main underperformer. In this context, our overweight in Latin America offset our overweight in Africa and underweight in the Middle East. In Africa, our avoidance of the more problematic countries such as Ghana and Zambia added to returns. However, our exposure in Kenya and South Africa weighed on returns over the month. Ghana suspended interest payments on its external debt later in the month, catching bondholders by surprise ahead of restructuring talks aimed at unlocking an International Monetary Fund bailout. South Africa hit the headlines earlier in the month on the back of fears of a potential impeachment against President Ramaphosa. However, later in the month news came out that an impeachment inquiry will not be started, after a majority of MPs in mid-December voted against it along party lines. We remain overweight in South Africa versus the index. In Latin America, our overweight in Ecuador, Paraguay, and Uruguay boosted returns as they all rallied.

Monthly commentary

Additionally, our underweight in Brazil added to return, as Lula's appointment of the two Workers Party (PT) figures - Fernando Haddad as Finance Minister and Aloizio Mercadante as head of BNDES (Brazil's development bank) - disappointed investors hoping for more market-friendly figures and led Brazilian assets to underperform. In Asia, our underweight weighed on returns instead. However, our holding of green bond NWDEVL, a Hong Kong conglomerate focusing on property development and landlord business, was one of the main contributors to returns last month. NWDEVL has been under pressure due to the spillover effect from the worsening sell-off in China property space, given around 30% of its earnings come from China (from both property development and retail leasing). We engaged with company management and via other channels, which indicated that the company should have set aside resources to meet debt obligations and that they have recently closed a few transactions to dispose of non-core assets to shore up liquidity further. As such, we maintained our view that a credit event was unlikely despite the weak earnings outlook and kept our position, which was beneficial for return in December as it rebounded sharply last month. Finally, our underweights in the Middle East, such as UAE, Bahrain, and Oman weighed on returns as these countries outperformed. New issuance remained relatively muted in December, which is not unusual in December ahead of the year-end holiday period.

Outlook

The market environment is likely to remain volatile as the new year starts. Uncertainty is still high from a macroeconomic perspective with exogenous factors such as the situation in Ukraine and the unknown evolution of the Chinese economy. Lurking recession indicators and inflation figures will remain the main drivers of risk sentiment, as those will still drive the pace of central banks' monetary tightening policies. Despite the growing probability of recession, spreads still offer some premium versus the expected probability of defaults. In this context, fundamental analysis will be key in order to avoid credit events in 2023. Market liquidity is expected to resume into the new year even if market makers are expected to keep a steady risk stance. We continue to seek attractive opportunities to selectively add risk to the portfolio.

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