

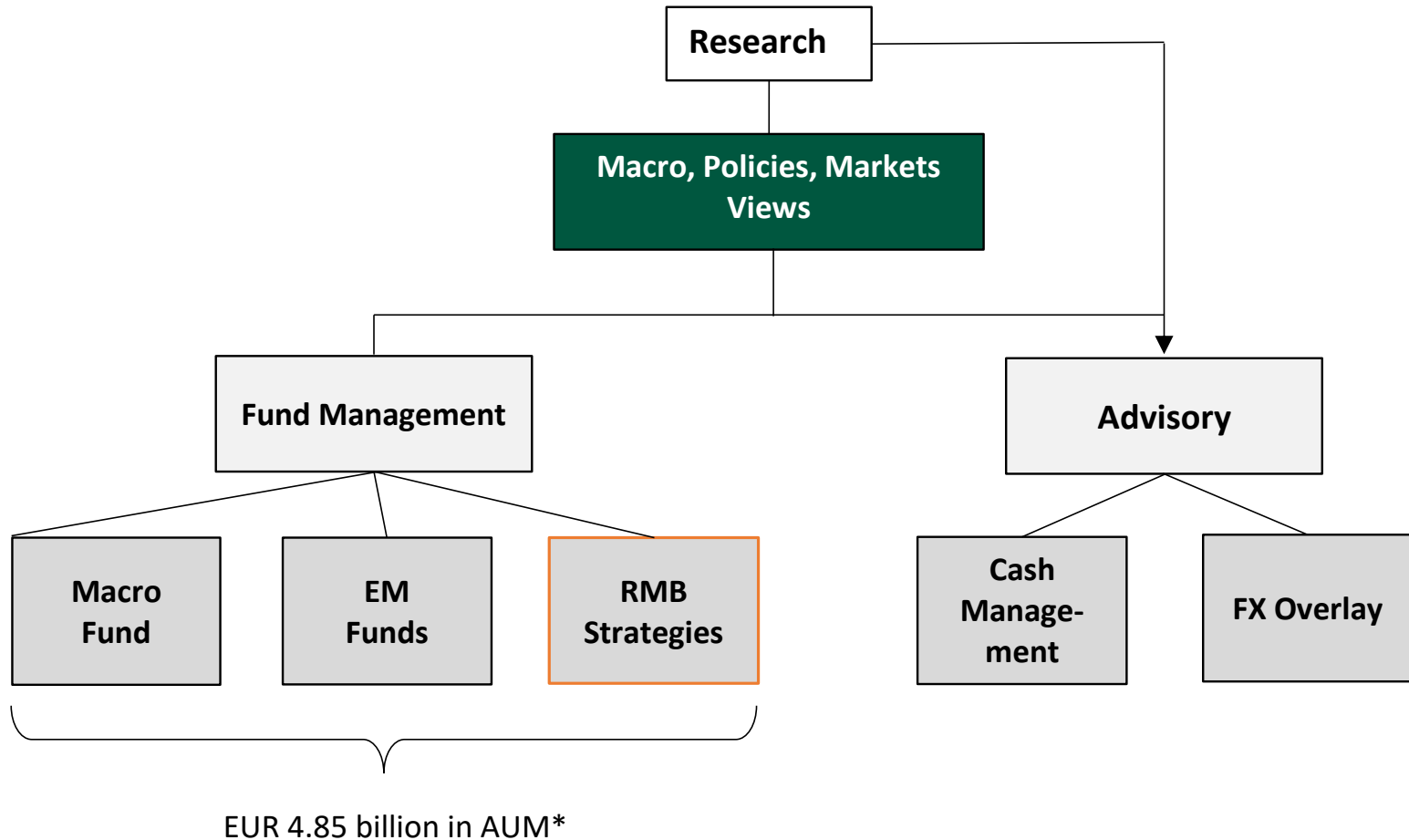


# Eurizon Fund Bond Aggregate RMB

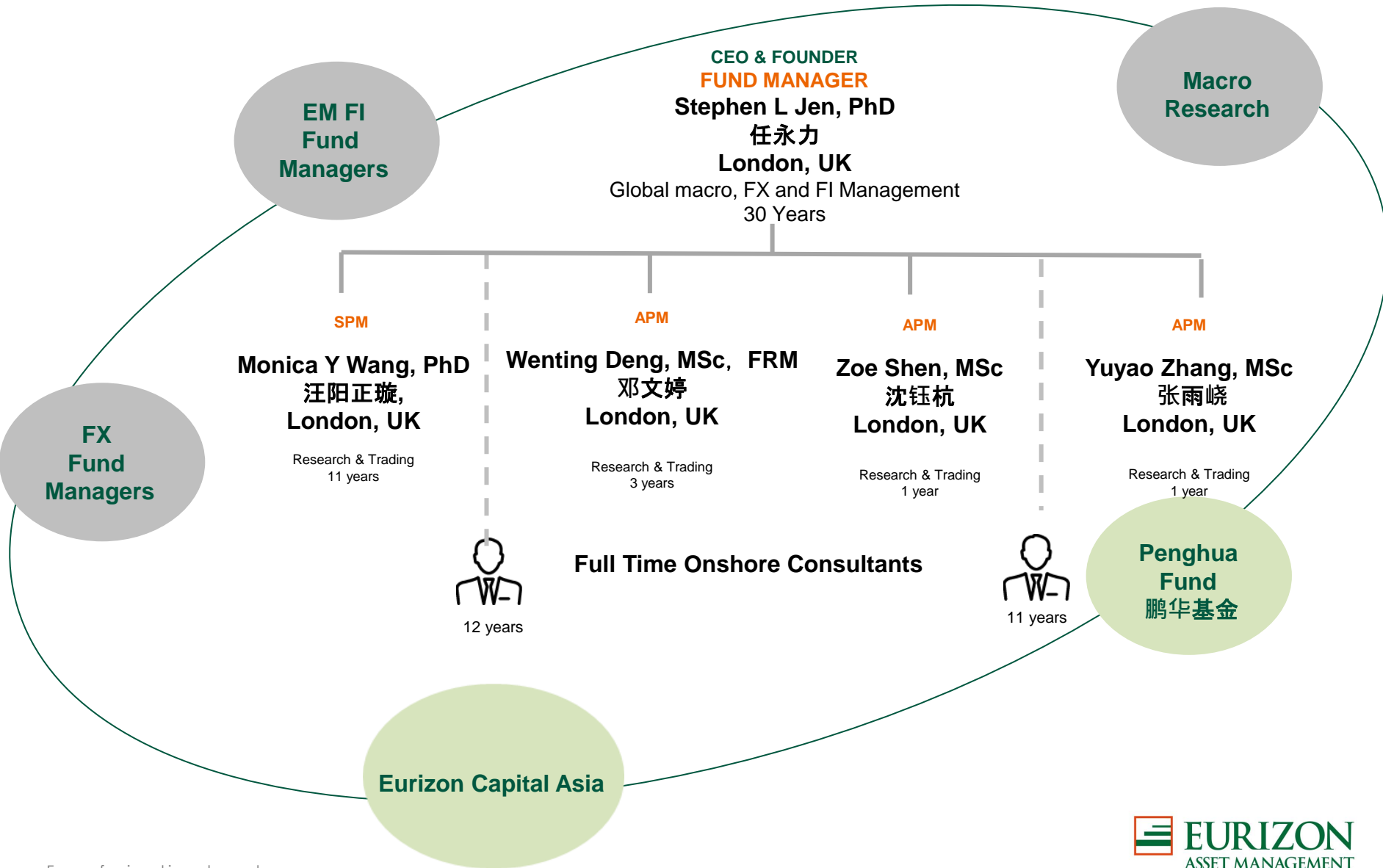
June 2022

# Eurizon SLJ Capital Limited

## Business structure and investment process



# A Chinese team in a global setting

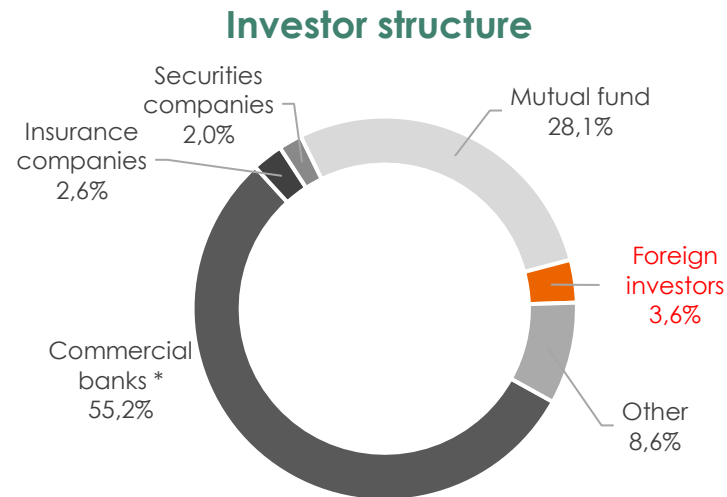
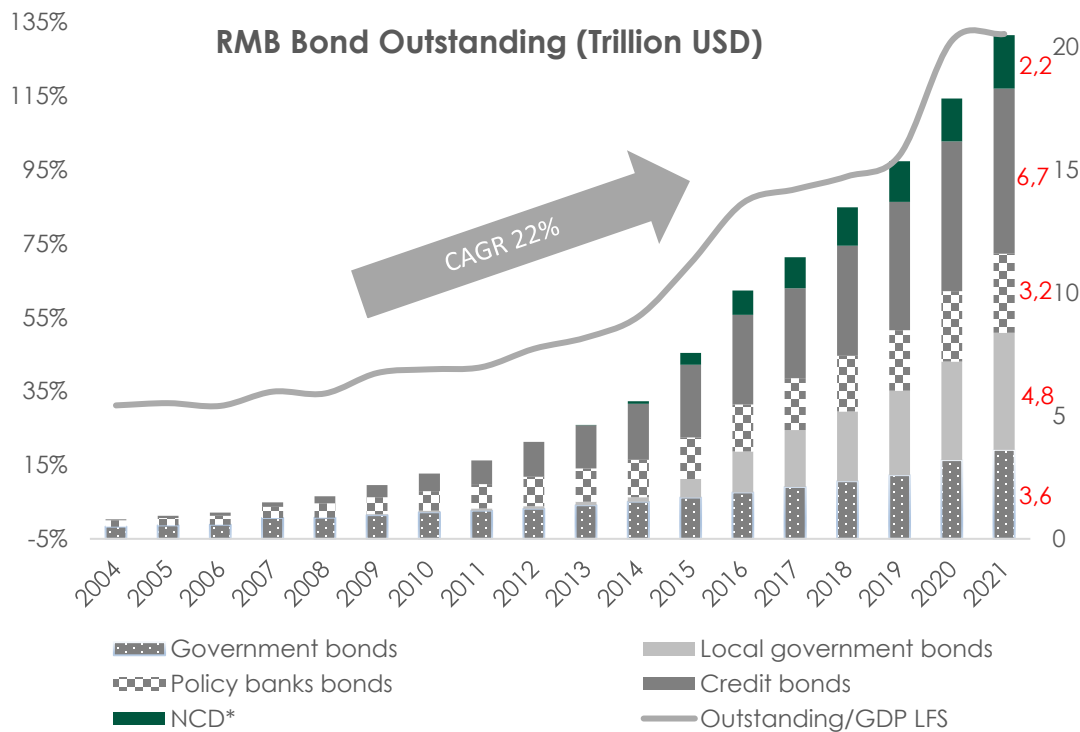


# 1. Opening of the RMB bond market

## 2. RMB bonds offer precious beta

## 3. ESLJ's investment process

# The RMB Onshore Bond Market Structure: supply and demand



\* Includes credit cooperative

**20.3  
Trillion  
USD**

**The 2nd  
Biggest**

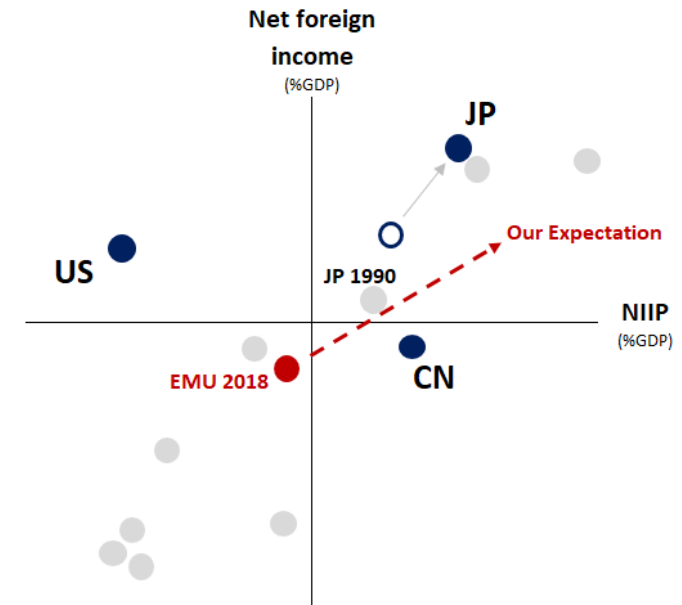
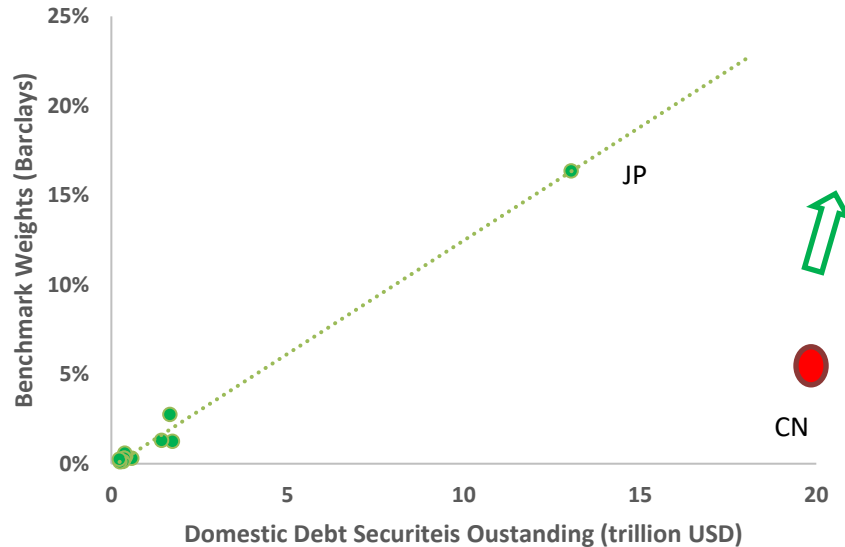
**66,406  
Bonds**

**3 Policy  
Banks**

**3.6%  
Foreign  
Investors**

\* NCD: (interbank) negotiable certificates of deposit  
 Source: Wind, Eurizon SLJ Capital. Data as of 31/05/2022  
 For professional investors only

# USD 2 trillion in inflows in five years



- Foreign ownership of onshore RMB bonds is too low
- RMB bonds are 1.5 times the aggregate of all of the existing EM bonds. Crowding out is certain.

- Impending capital outflows from Europe
- Capital outflows could overwhelm Europe's CA surplus
- EM and China could be the biggest beneficiaries.

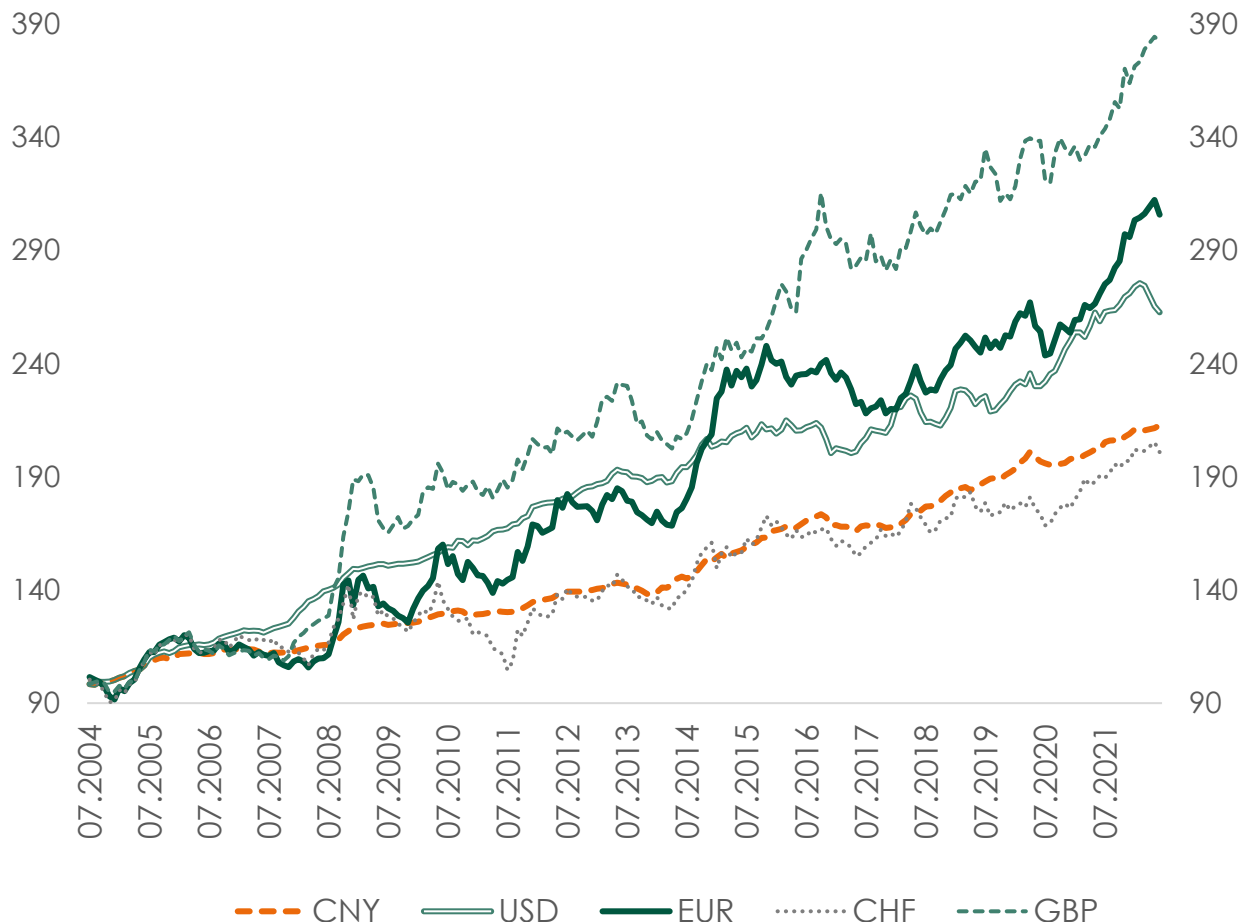
**1. Opening of the RMB bond market**

**2. RMB bonds offer precious beta**

**3. ESLJ's investment process**

# RMB bonds have generated robust returns

## China Benchmark Index (unhedged)



**Cumulative Return:**  
**2004-2022 May**  
**EUR Index: 206%**  
 USD Index: 163%  
 CHF Index: 101%  
 GBP Index: 282%  
 Local Index: 113%

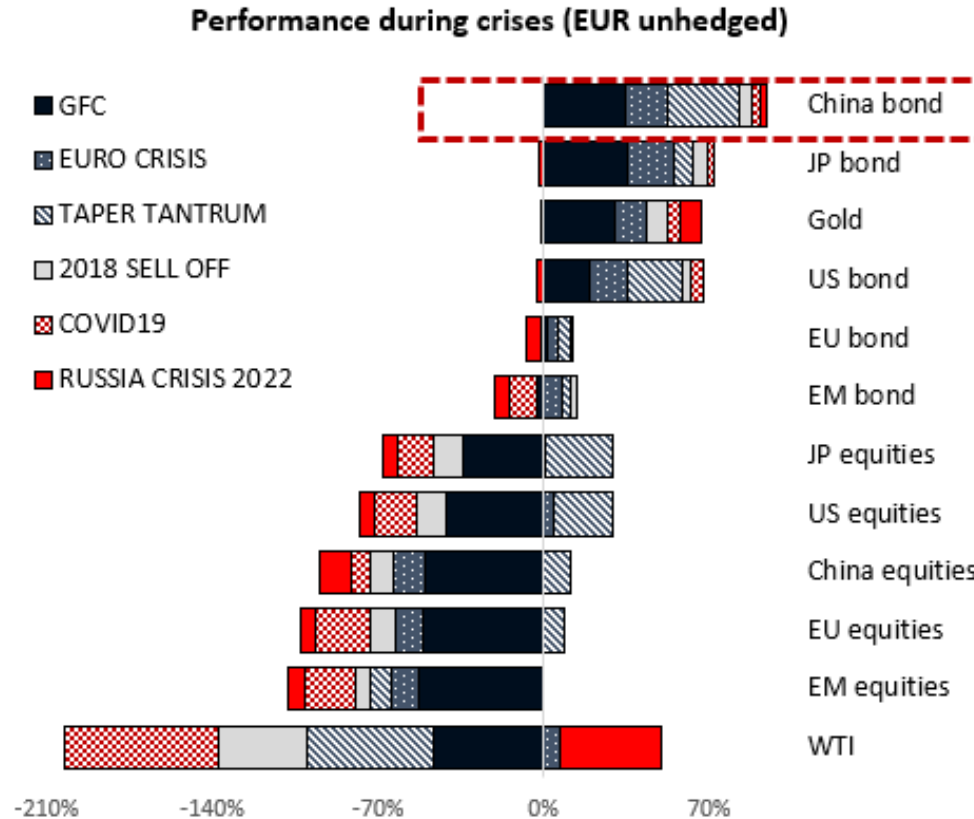
**Annualized Return:**  
**2004-2022 May**  
**EUR Index: 6.3%**  
 USD Index: 5.4%  
 CHF Index: 3.9%  
 GBP Index: 7.6%  
 Local Index: 4.2%

China Benchmark Index refers to Bloomberg Barclays China Aggregate Total Return Index  
 Past performance is no guarantee of future returns  
 Sources: Bloomberg and Eurizon SLJ Capital Ltd, as of 31/05/2022

For professional investors only



# RMB bonds have superior yields & are a great safe haven



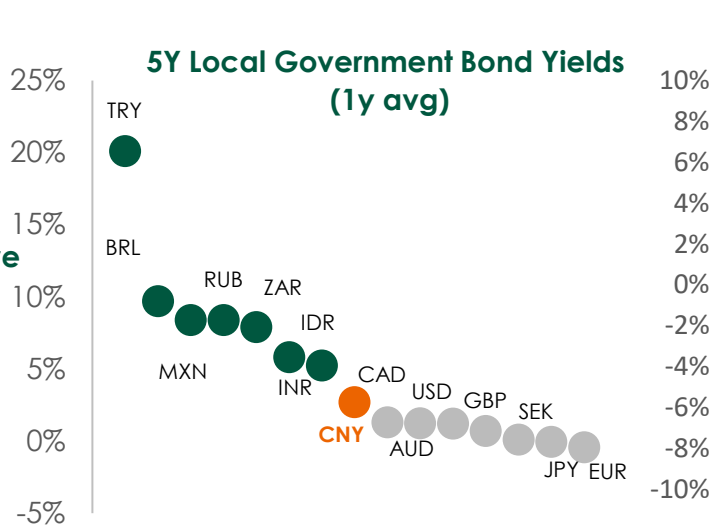
Performance as Euro unhedged

Sources: Datastream, Bloomberg and Eurizon SLJ Capital Ltd, as of 31/03/2022

Marketing material for Professional Clients only as per MiFID in EU/EEA or Qualified Investors in Switzerland only. It is not intended for U.S. Persons or retail investors. This document is for information only and does not constitute an investment or tax advice. You must read the prospectus and KIIDs before making any investment decision

For professional investors only.

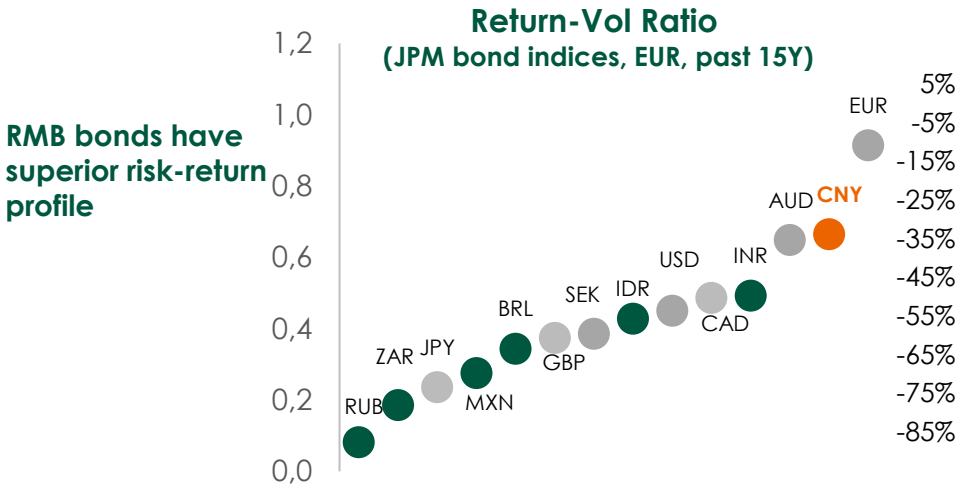
# Why China? EM-like returns but DM-like risks (EUR unhedged)



RMB bonds have EM-like returns



Particularly high historical returns in EURs



RMB bonds have superior risk-return profile



RMB bonds have DM-like risks

Past performance is no guarantee of future returns

Sources: Datastream, Bloomberg and Eurizon SLJ Capital Ltd, as of 31/03/2022

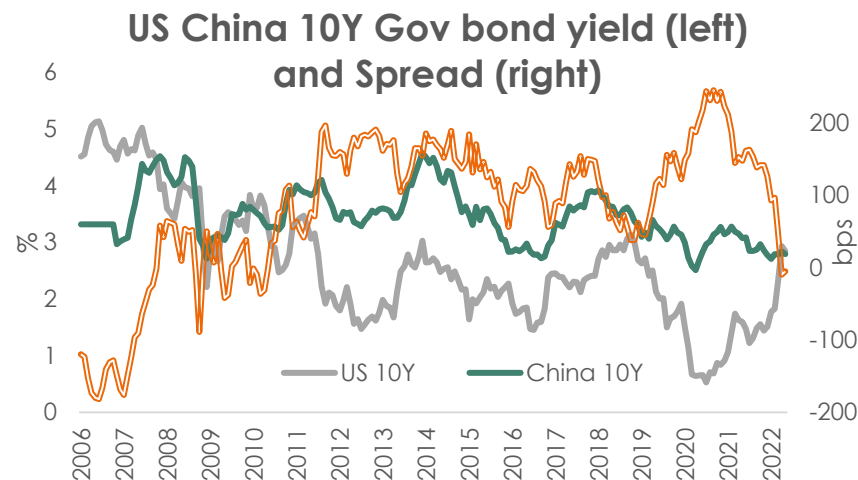
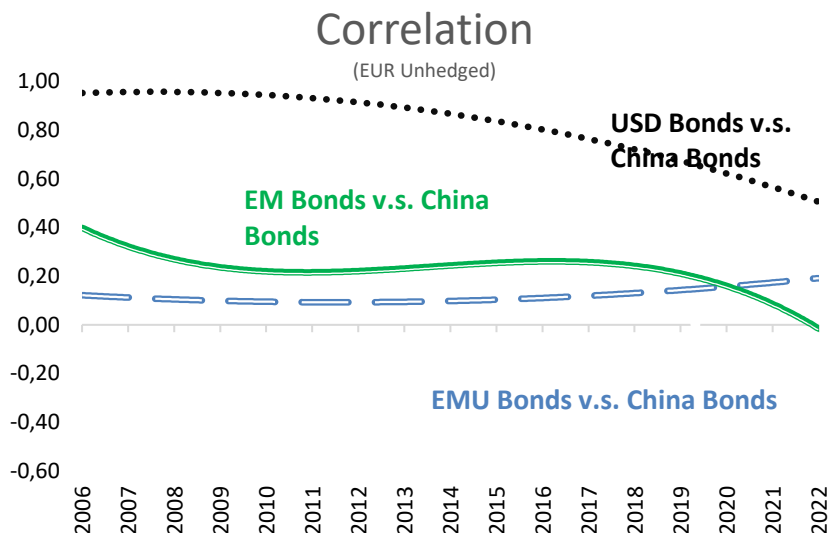
For professional investors only

# Why China? Diversification & superior Risk/Reward (EUR unhedged)

- Low or negative correlation with alternative strategies and other bond markets.

Correlation		US Bonds (local)	GlobalEM (local)	US GOVT Bond (USD)	GlobalEM (USD)	GlobalHY (USD)	US Bonds (USD)	MSCI Global Equity	Macro/CTA	European Equity
10Y	China Local	0.15	0.17	0.16				-0.17	-0.08	-0.15
	China USD				0.18	0.35	0.75	-0.51	-0.09	-0.30

- In our view, it improves the risk profile of a global bond portfolio.



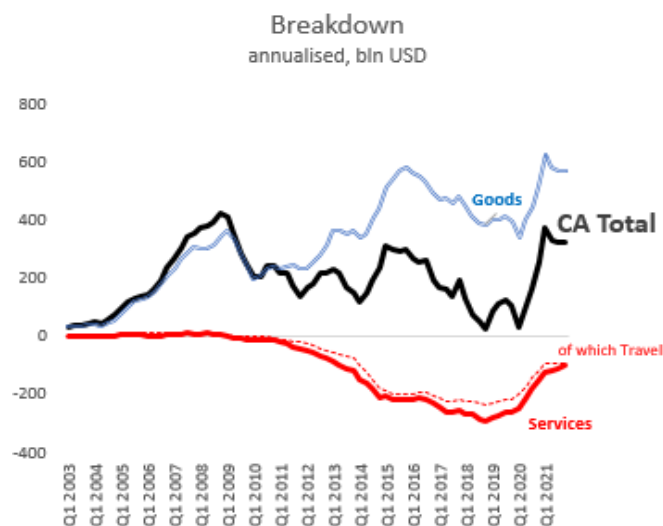
Past performance is no guarantee of future returns

Source: Bloomberg and Eurizon SLJ Capital Ltd, as of 31/05/2022

The global fixed income portfolio is proxied by Bloomberg Barclays global aggregate total return index (LEGATRUU Index) and it is converted back to EUR. It has more than 22 thousand constituencies from 24 DM and EM local currency markets, including treasury, government related corporate and securitized bonds. The RMB bond portfolio is proxied by Bloomberg Barclays China aggregate total return index (LACHTRUU Index) and it is converted back to EUR. It has more than 2 thousand constituencies that are listed on the China interbank market, including treasury, government-related (including policy banks) and corporate securities.

# RMB weakness: likely modest and temporary

1. **Exports tracking USD600 billion a year.** Still very fat trade and CA surpluses, which will add to the cumulative USD deposits in China.



2. **Portfolio flows have indeed turned negative**, but FDI flows have accelerated.
3. **Overall balance of payments is still very positive**, on the order of USD400 billion annualised.

China Net Capital Flows				
<i>bln USD</i>	Bond	Equity	FDI	Total
Q1 2022	-19 *	-4 *	65	42
<i>if annualised</i>	-116 **	-102 **	260	42
2021	54	-3	205	256
2020	154	-67	103	191
2019	42	16	59	117
2018	64	43	107	214
2017	11	-4	66	74

\* Flows of foreign investment in China, only; Chinese investment abroad data for Q1 has not yet been published

\*\* Assuming that Chinese investments abroad are maintained at 2021 levels

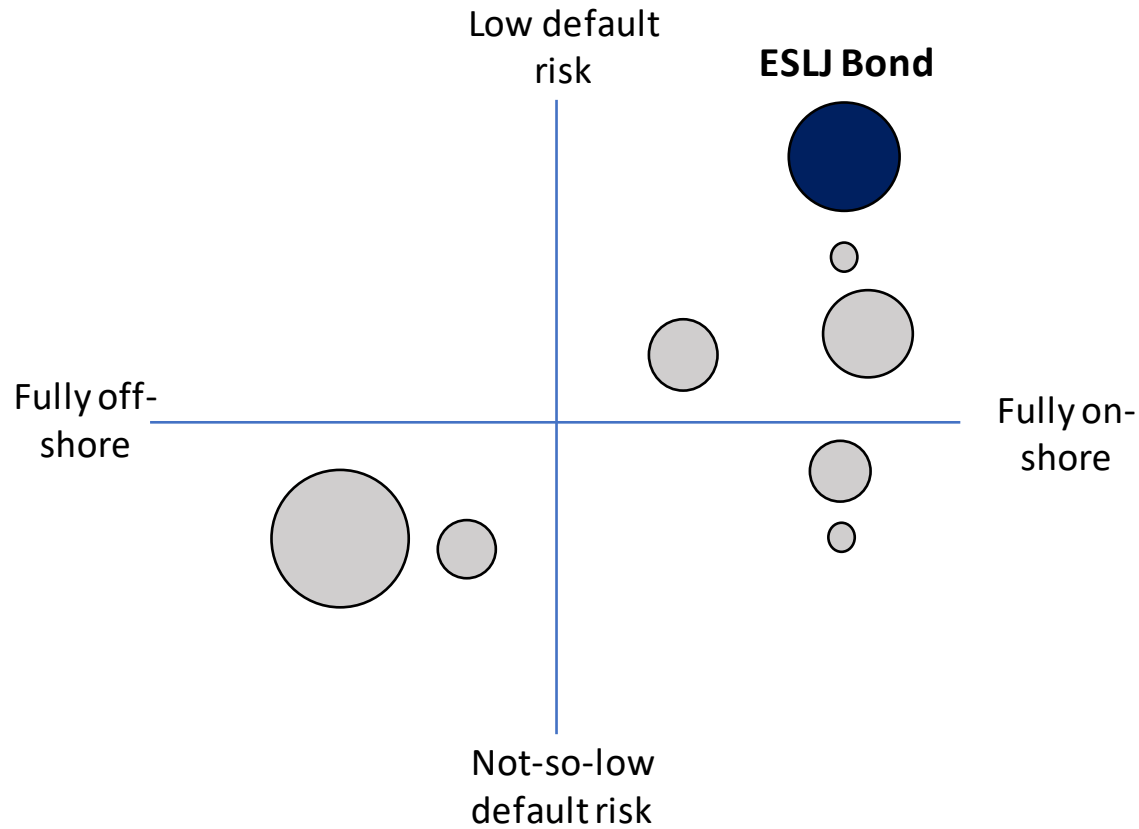
Sources: Datastream, Wind, Bloomberg and Eurizon SLJ Capital Ltd, as of 29/04/2022

**1. Opening of the RMB bond market**

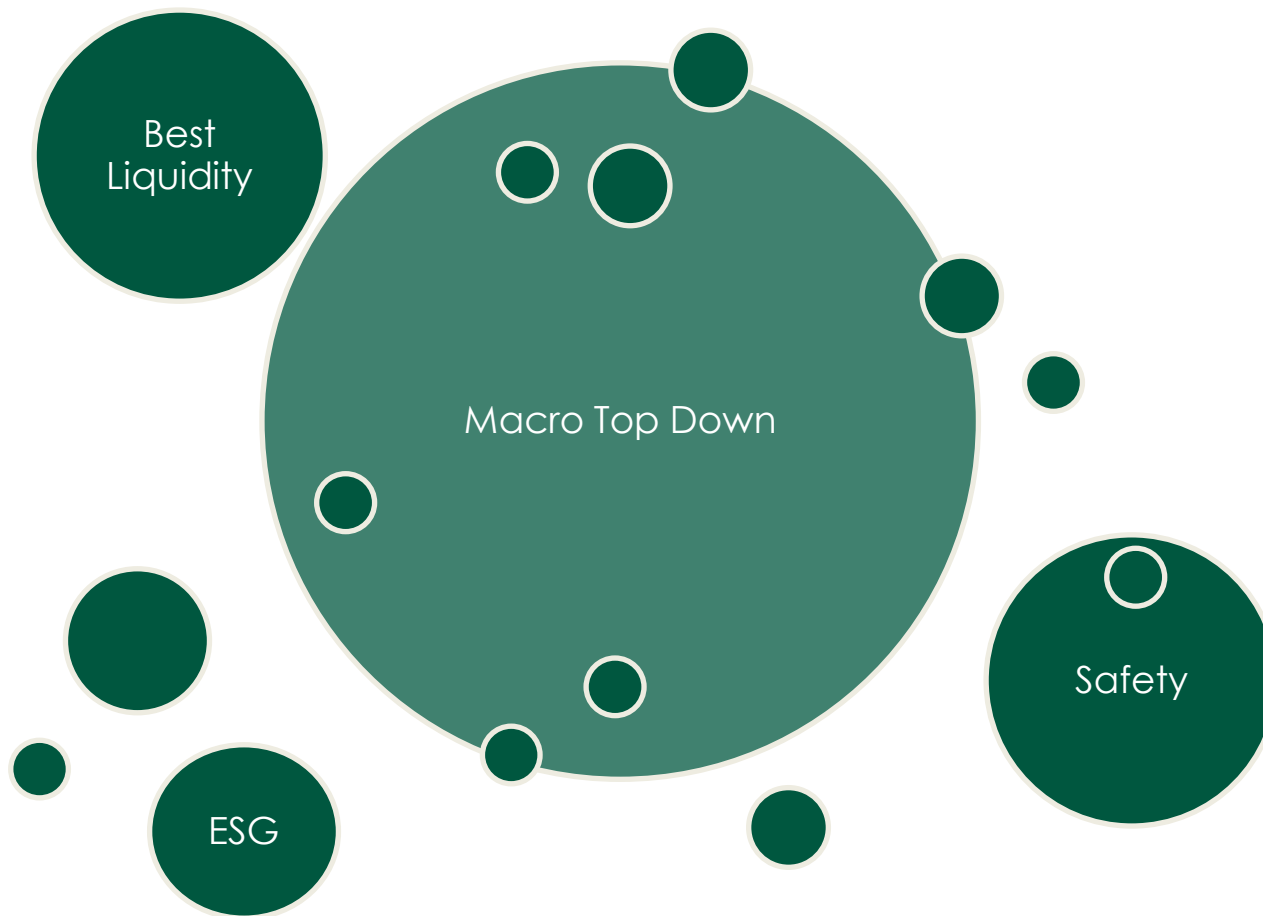
**2. RMB bonds offer precious beta**

**3. ESLJ's investment process**

# RMB Bond Fund

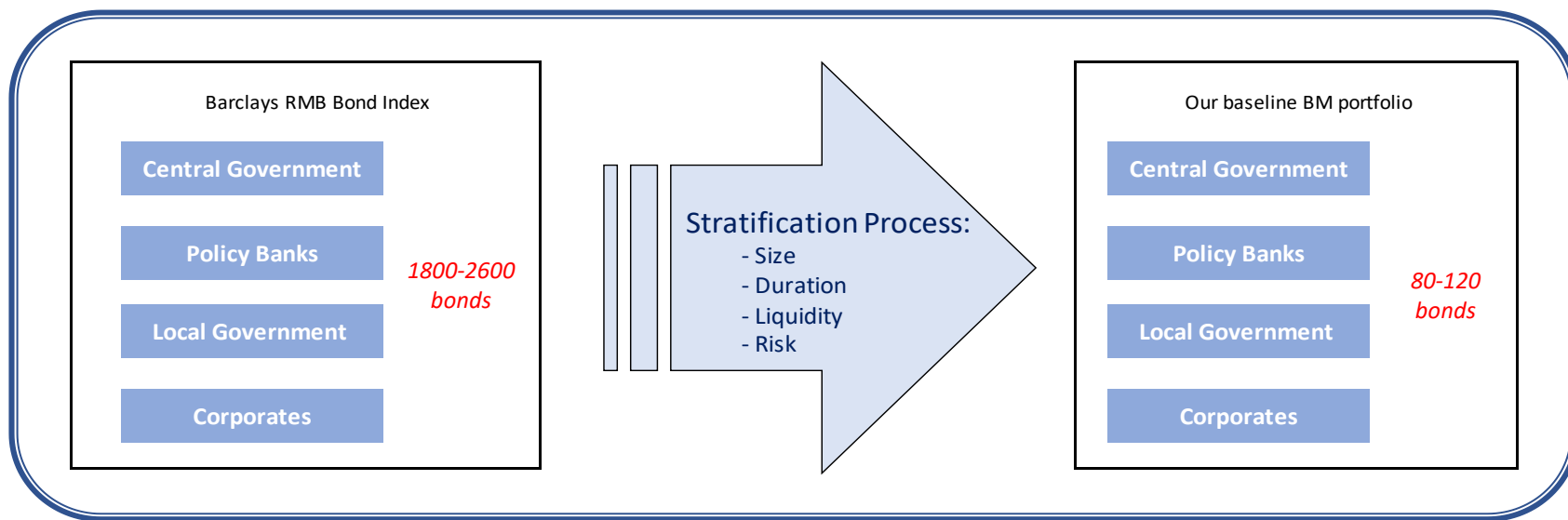


# Portfolio Philosophy



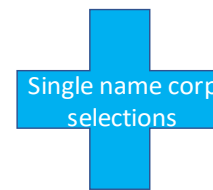
# Portfolio Construction

STEP  
1



STEP  
2

*Discretionary macro views are formed to add alpha*

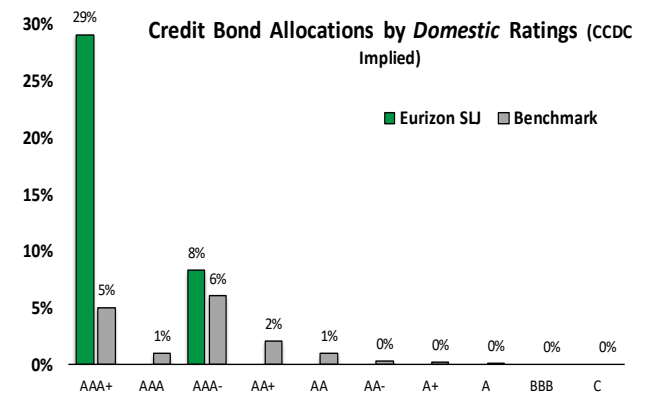




	Benchmark	Eurizon SLJ
<b>Duration</b>	5.59	<b>5.70</b>
<b>Average Yield</b>	2.79%	<b>2.83%</b>
<b>Coupon (%)</b>	3.53%	<b>3.30%</b>
<b>Number of Lines</b>	1943	<b>94</b>
<b>Total Bond Weights</b>	100%	<b>97%</b>

		Benchmark		Eurizon SLJ	
		Weight	Yield	Weight	Yield
Rates	Central Government	32%	2.6%	13%	2.9%
	Policy Banks	34%	2.8%	47%	2.9%
	Local Government	20%	2.7%	0%	0.0%
Credit	Corporates	15%	3.3%	37%	3.0%
<b>Average CCDC Implied Rating</b>		AAA-		AAA+	
<b>Average International Rating</b>		A+		A+	

- Overweight most liquid sectors
- Overweight AAA+ credit issuers

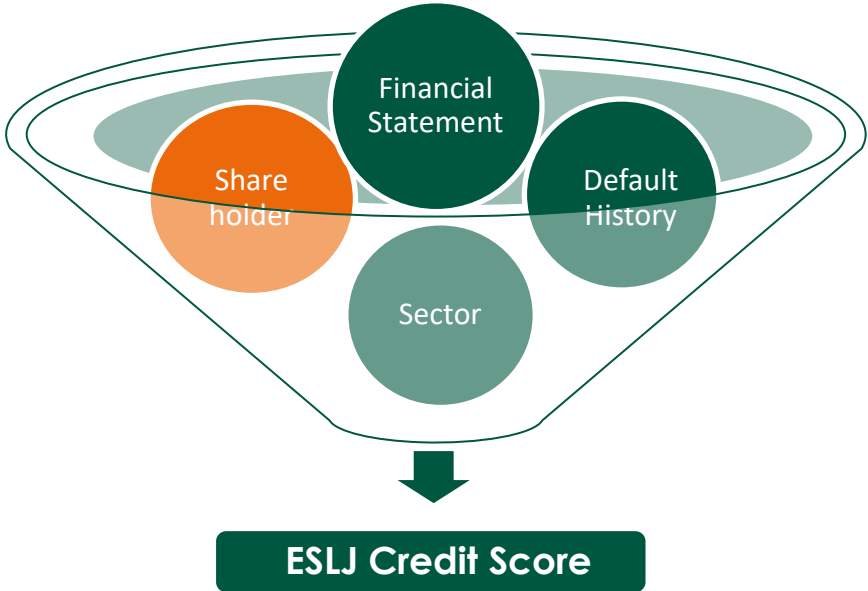


Past performance is no guarantee of future returns

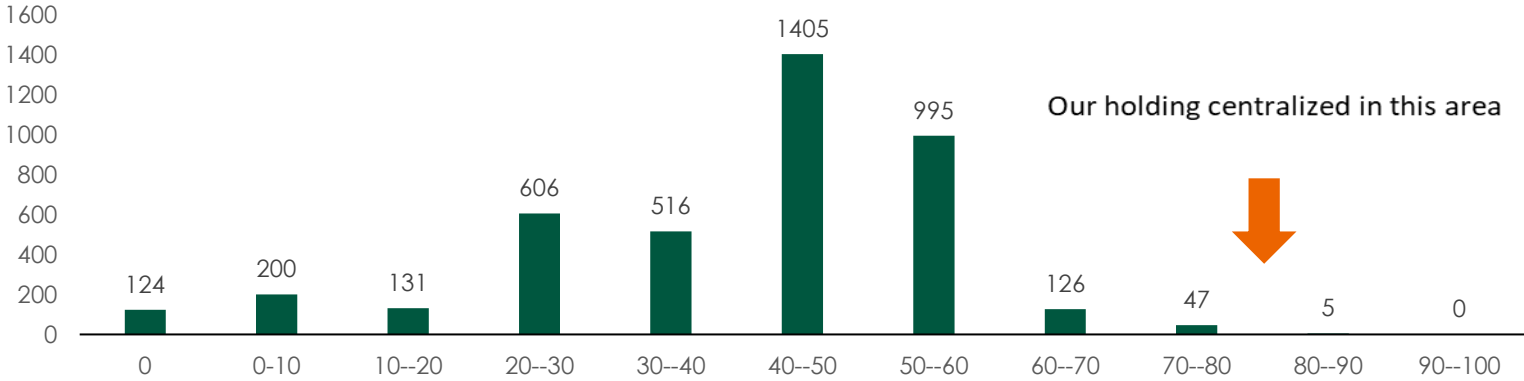
Benchmark Index refers to Bloomberg Barclays China Aggregate Total Return Index

Sources: Eurizon SLJ Capital Ltd, as of 29/04/2022. Front office data.

# Credit selection Methodology



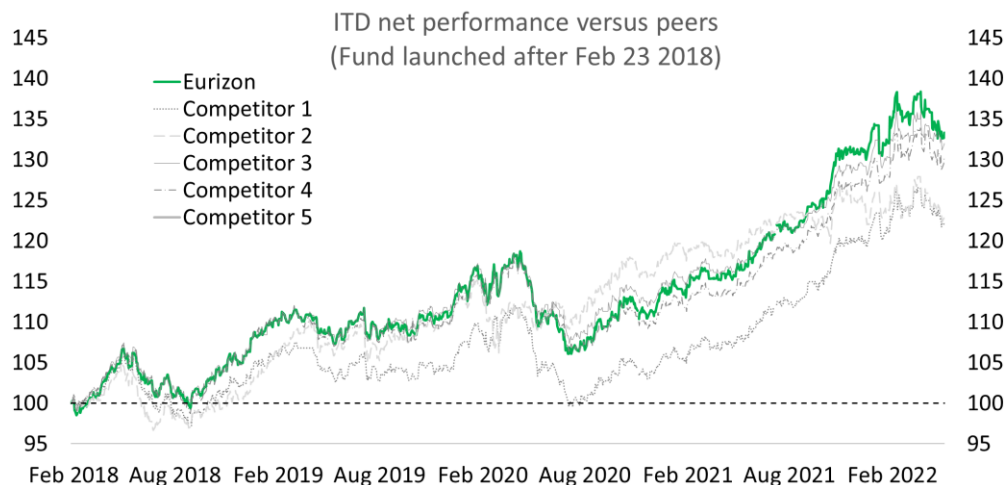
Total score distribution with 35% weight on ownership



Source: Eurizon SLJ Capital , as of 30/04/2021

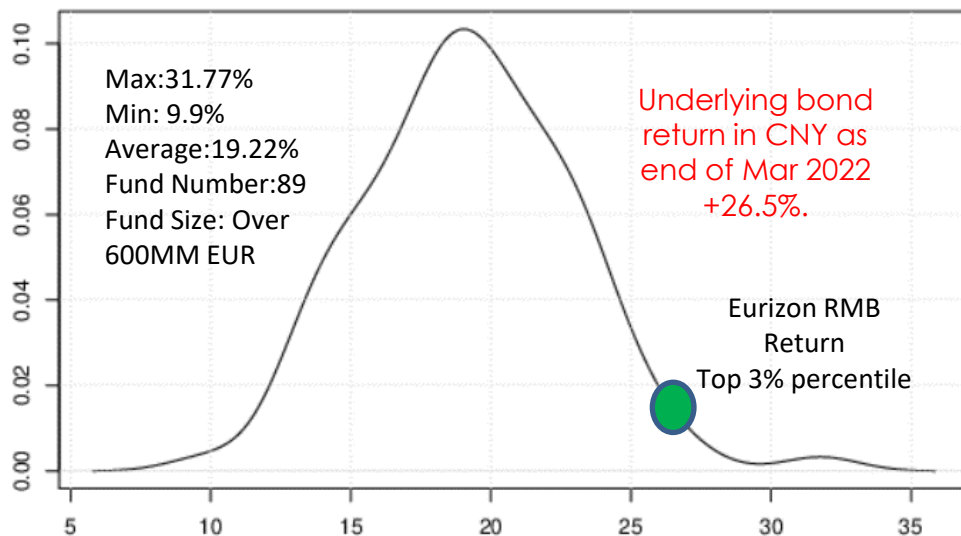
For professional investors only

# Eurizon Bond Aggregate RMB Fund: Top-tier performance



	Return	Total Net	Bond
ITD		33.31%	27.94%
YTD		2.06%	1.52%
2021		17.43%	6.19%
2020		0.45%	4.16%
2019		4.64%	5.00%
2018		5.82%	8.51%

as of 31<sup>st</sup> May, 2022



- The AUM was 2965 **MM EUR** as of 31<sup>st</sup> May 2022, one of the largest EUR-denominated RMB bond funds managed in Europe.
- Since inception, the Fund has generated impressive performance among the Euro-denominated cohorts.
- As of Q12022, the bond performance for the Fund ranks in Top 3% percentile among all onshore funds over 600MM EUR.

Onshore Bond Fund Return 23/02/2018-31/03/2022(%)

Past performance is no guarantee of future returns  
 For professional investors only

# Bottom Line

This event is the most consequential change in the global financial markets since the introduction of the EUR in 1999.

**1. Opening of the RMB bond market**

**EM-like return, DM-like risks.**

**2. RMB bonds offer precious beta**

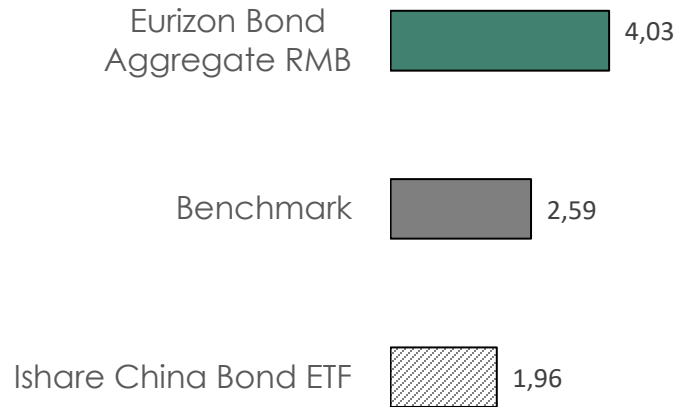
**One of the largest outside China.**

**3. ESLJ's investment process**

# ESG Scorecard

ESLJ has better ESG Quality comparing with the benchmark across all five categories.

## Rating Comparison



	ESLJ	Benchmark
Positive trend	12.88%	3.20%
Negative trend	0.00%	0.37%
Laggard	13.70%	28.24%
Unrated	19.30%	25.20%

- MSCI China Coverage is limited, and few China funds qualified for a score
- More institutions will increase China ESG coverage in the future.

## MSCI VALUES ALIGNMENT EXPOSURE

<b>Controversial Weapons</b>	0%
<b>Tobacco</b>	0%
<b>Civilian Firearms</b>	0%
<b>Nuclear Power</b>	0%
<b>Direct Predatory Lending</b>	0%

<b>Global Compact Compliance Violation</b>	0%
<b>Gambling</b>	0%
<b>Human Rights Norms Violation</b>	0%
<b>Labour Norms</b>	0%
<b>Religious values Non-compliant</b>	0%

# Characteristics



## Manager in charge

Eurizon SLJ Capital Limited

## Benchmark

Bloomberg Barclays China Aggregate TR Index (I08271EU Index)

## Inception date

23/2/2018

## NAV calculation

Daily

## Fees

Management: **0.40%** (Class Z) – **0.50%** (Class X) - **1.30%** (Class R and S)

Distribution: **0.30%** Class S

Performance: **20%** of extra return vs. Bloomberg Barclays China Aggregate Bond Index (except Class X)

## ISIN

**LU1529955392** (Class Z – Institutional)

**LU2200112832** (Class ZH – Institutional)

**LU1559924920** (Class X - Institutional)

**LU1529955046** (Class R – Retail)

**LU1529955129** (Class S – Retail)

**LU1958214295** (Class Z CHF – Institutional)

**LU1958213727** (Class R CHF – Retail)

**LU2191343396** (Class Z2 USD - Institutional)

## Risk limits

TEV: **5%**

# Disclaimer

## The content of this document is for information purposes only and is targeted solely to institutional investors.

To the best of the knowledge, information and belief of Eurizon Capital SGR S.p.A., all information contained herein is accurate as at the date of publication and is provided on an "AS IS" basis and without any warranties of any kind, either expressed or implied. However, neither Eurizon Capital SGR nor its affiliates nor any directors or employees can or does warrant, guarantee or represent, either expressly or by implication, the accuracy, validity or completeness of such information.

Under no circumstances may the information contained herein, or any part thereof, be copied, reproduced or redistributed without the express permission of Eurizon Capital SGR S.p.A.. Neither Eurizon Capital SGR S.p.A. nor its affiliates, or any directors or employees shall be liable for any damage arising from any person's reliance on such information and shall not be liable for any errors or omissions (including but not limited to errors or omissions made by third parties) in such information. Past performance is no guarantee of future results.

The information provided herein is subject to change without further notice.

Copyright 2016, Standard & Poor's Financial Services LLC. Reproduction of S&P Credit Ratings in any form is prohibited except with the prior written permission of Standard & Poor's Financial Services LLC (together with its affiliates, S&P). S&P does not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and is not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of ratings. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. S&P shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs or losses caused by negligence) in connection with any use of Ratings. S&P's ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the market value of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

### Sede Legale

Piazzetta Giordano Dell'Amore, 3  
20121 Milano - Italia  
Tel. +39 02 8810.1  
Fax +39 02 8810.6500

### Eurizon Capital SGR S.p.A.

Capitale Sociale € 99.000.000,00 i.v. • Codice Fiscale e n. Iscrizione Registro Imprese di Milano 04550250015  
Partita IVA n. 12914730150 • Iscritta all'Albo delle SGR, al n. 3 nella Sezione Gestori di OICVM e al n. 2 nella  
Sezione Gestori di FIA • Società soggetta all'attività di direzione e coordinamento di **Intesa Sanpaolo S.p.A.**  
ed appartenente al Gruppo Bancario Intesa Sanpaolo, iscritto all'Albo dei Gruppi Bancari Socio Unico: **Intesa  
Sanpaolo S.p.A.** • Aderente al Fondo Nazionale di Garanzia

Società del gruppo  **INTESA SANPAOLO**