



# M CONVERTIBLES

Eurozone Convertible Bonds



AC share class

31 OCTOBER 2018



NAV (AC)	154,93
Fund Total Assets	568,7M€

## Presentation

The objective of **M Convertibles** fund, which is based on European bond and equity markets, is to outperform the Exane Eurozone Convertible Bond index over the medium term, through discretionary investment management.

The **M Convertibles** fund aims to capture equity market upside, whilst benefiting from the defensive aspect provided by the bond component of its investments, which mitigates downside market risk.

The **M Convertibles** fund's investments are managed on a discretionary basis. The portfolio managers apply a multi-criteria stock picking approach, combining equity upside potential, credit risk and the technical profile's analysis of convertible bonds.

**M Convertibles** investment process integrating ESG criteria, focus on **pure Euro zone Convertibles Bonds**.

The **M Convertibles** portfolio construction process is based on **five key tenets** :



## Investment universe

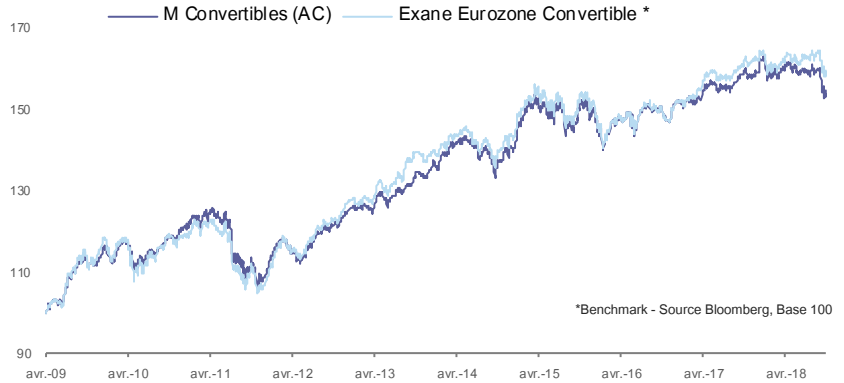
M Convertibles invests in « pure » convertible or exchangeable bonds in Euro.

## Risk / Return Profile



**Risk associated with discretionary investment management** • Risk of loss of capital • **Convertible bonds risk** • **Equity risk** • Volatility risk • **Interest rate risk** • **Credit risk** • Derivatives market risk • Foreign exchange market risk • High-yield market risk • Default risk • Liquidity risk • Risks on subordinated securities.

## Evolution



## Performances & Risk Indicators

	M Convertibles (AC)	Exane ECI Euro
Perf. Inception (a)	54,7%	59,7%
Perf. 2014	4,1%	3,1%
Perf. 2015	6,7%	6,1%
Perf. 2016	1,1%	-0,2%
Perf. 2017	4,9%	7,0%
Perf. YTD - 2018	-2,9%	-1,7%
Perf. 5 years	15,0%	14,5%
Volatility 5 years	5,5%	5,5%
Volatilité 1 year	5,4%	4,9%
Tracking Error*	1,4	

	M Convertibles
Equity Sensitivity **	35,2
Modified Duration	3,5
YTM	-7,3%
Current Yield	0,5%
Premium	43,4%
Credit Spread (bp)	107,6
Rho	-2,6
Vega	0,4

Source Bloomberg-Montpensier / (a) 04/29/2009

\* vs benchmark. / Performance calculation : rolling month-end NAV / Volatility calculation : Friday NAV, rolling weekly steps Friday NAV, rolling weekly steps / \*\* measuring the variation of convertible bond price related to a variation of 1% of the underlying stock price / **Past performance is not indicative of current or future results. The fund undertakes risks that may lead to a loss of capital**

## Sector Breakdown (Underlying stocks)

	Port.	Index
Industrial Goods & S.	24,3%	24,3%
Real Estate	13,7%	18,7%
Chemicals	10,9%	11,6%
Health Care	10,3%	5,9%
Telecommunications	6,6%	13,4%
Retail	5,8%	3,6%
Basic Resources	5,7%	1,0%
Oil & Gas	5,3%	5,1%
Personal & Household C	5,1%	4,4%
Technology	4,6%	1,8%
Food & Beverage	2,9%	1,2%
Utilities	2,5%	5,9%
Financial Services	1,3%	1,3%
Automobiles & Parts	1,1%	0,0%
Construction & Material	0,0%	1,9%

## Country Breakdown (Underlying stocks)

	Port.	Index
Germany	40,2%	39,6%
France	27,6%	28,8%
Italy	8,7%	12,1%
Spain	3,3%	6,6%
Austria	2,9%	2,8%
Netherlands	2,9%	6,1%
United Kingdom	2,4%	1,9%
Denmark	1,9%	0,0%
Others	10,2%	2,1%

Source Montpensier Finance / Exane / Bloomberg

## Main Holdings

Airbus (Dassault Aviation) - 0% - 06/2021	4,7%
Deutsche Post - 0.05% - 06/2025	4,6%
Archer (Kering) - 0% - 03/2023	4,2%
Telecom Italia - 1.125% - 03/2022	4,1%
Safran - 0% - 06/2023	4,0%
Safran - 0% - 12/2020	3,5%
Bayer (Covestro) - 0.05% - 06/2020	3,5%
Fresenius - 0% - 09/2019	3,4%
Adidas AG - 0.05% - 09/2023	3,2%
Deutsche Wohnen - 0.325% - 07/2024	2,8%

Source Montpensier Finance

BEFORE ANY INVESTMENT, PLEASE CAREFULLY READ THE KIID AND PROSPECTUS OF THE UCIT

Presented performance refer to AC share class. See full disclaimer overleaf

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## Portfolio

Despite a rally during the last trading session of the month, financial markets were weighed down in October by geopolitical concerns (Italy/ the Khashoggi affair / trade war) and economic factors, with a discernible slowdown in Europe and in Asia. In Europe, the CAC40 index returned -7.3%, the EuroStoxx -6.7% and the Dax -6.5%. Western central banks showed further signs of tightening their monetary policies, underpinned by US and eurozone inflation data.

US 10-year bond yields steepened to 3.26%, while German 10-year yields eased from 0.47% to 0.38%. Corporate bond spreads (Xover index) widened during October from 275bps to 302bps. The oil price fell heavily from \$73.3 to \$66 per barrel. The Exane ECI Euro index returned -2.5 % on the month.

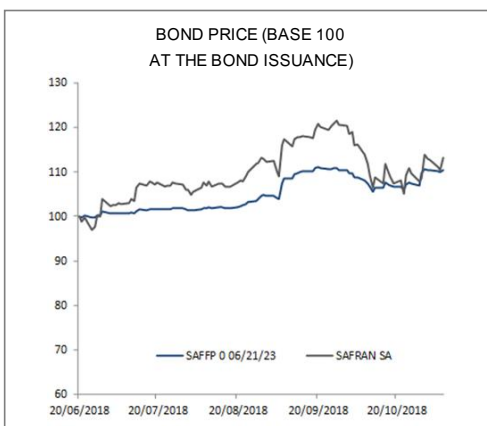
We capitalised on market weakness to increase our exposure to real-estate securities (Beni Stabili 2021, Deutsche Wöhhnen 2024 and Leg immo 2025) and we tendered our Hustho / Richter 2019 exchangeable bonds and our Safran 2020 convertibles to the redemption offers initiated by the issuers.

## Focus : Aerospace Sector

The aerospace sector is strongly represented in the European convertibles investment universe, with the manufacturing groups Airbus and Dassault Aviation, along with the engine equipment suppliers Safran and MTU Aero Engines. Both engine equipment suppliers published Q3 sales figures at the end of October and confirmed excellent short and medium-term outlook in their maintenance businesses and also regarding the roll-out of their respective latest-generation engines. Investors can gain exposure through the MTU Aero Engines 05/2023 convertible (premium 5% delta 80%) or the new Safran 06/2023 convertible issued in June (premium 37% delta 51%). After the underlying equity recorded a strong year-to-date performance, the Safran 2020 convertible (issued in 2016) was redeemed by the issuer at the end of October.

SAFFP 0 06/21/23	
Current bond price	154,60
Currency	EUR
Credit quality	Sr Unsecured
Amount issued	700
Yield	N/A
Delta	51%
Premium	37,09
Conv. bond price	140,10
Spread*	85
Bond Floor	132,80
Next puttable date	NS
Yield to put	N/A

\* Theoretical spread



Source : Bloomberg / Montpensier Finance 7 november 2018

## Fund data

Legal Status	SICAV UCITS V
Inception date of the FCP M Convertibles	28th December 1990
Inception date of the SICAV from the FCP merger	11th February 2016
Currency	EUR
Approved for public distribution in	France, Belgium Luxembourg, Switzerland, Germany
Management fee	IC : 0.80% ID : 0.80% AC : 1.20% AD : 1.20%
Performance fee	none
Isin	IC : FR0013084357 ID : FR0013084365 AC : FR0013083680 AD : FR0013084340
Bloomberg	IC : MFMCVIC FP ID : MFMCVID FP AC : MFMCVAC FP AD : MFMCVAD FP
Asset Management Company	Montpensier Finance
Custodian	CACEIS Bank
Valuation	Daily (Caceis)
Cut-off	11:00 AM CET
Investment horizon	3 years minimum

Approved for public distribution in: FR BE LU CH GE

Principles for Responsible Investment Montpensier Finance is a signatory to the PRI (Principles for Responsible Investment)

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