

GENERALI INVESTMENTS SICAV

Total Return Euro High Yield



Fund Factsheet as at 31/12/2017 - ZX Accumulation Shares

Investment objective and policy

The objective of the Fund is to preserve the invested capital and maximize the total investment return through an exposure to Euro denominated high yield debt securities. The Fund shall mainly invest in Euro denominated high yield debt and debt-related securities of any kind. The Investment Manager may temporarily increase the credit quality of the portfolio to counteract an increase in market volatility when it believes such conditions require defensive actions. Investments in contingent convertible bonds ("CoCos") are allowed up to 10% of the Fund's net assets. The Fund may hold equities following the conversion up to 5% of its net asset. The Fund may also invest in bank deposits, Money Market Instruments, high yield debt and debt-related securities denominated in non-Euro currencies. The Fund may use financial instruments and derivatives for hedging purposes, for efficient portfolio management purposes and for investment purposes.

Category and Risk profile

Category: Bond fund



Key data

Mgmt. co.: Generali Investments Luxembourg S.A.
Investment manager: Generali Investments Europe S.p.A. Società di gestione del risparmio
Sub-fund manager(s): Stefano Perin
Benchmark: n.a.
Fund type: SICAV
Domicile: Luxembourg
Launch of sub-fund: 30/06/2003
Launch of share class: 07/06/2017
First NAV date after dormant period: no dormant period
Currency: EUR
Custodian: BNP Paribas Securities Services S.C.A.
ISIN: LU1489756988
Bloomberg code: GENHYEX LX

Valuation

AuM: 204.66 mil EUR
NAV per share: 100.33 EUR
Highest NAV over the last 12 months: 100.53 EUR
Lowest NAV over the last 12 months: 99.83 EUR

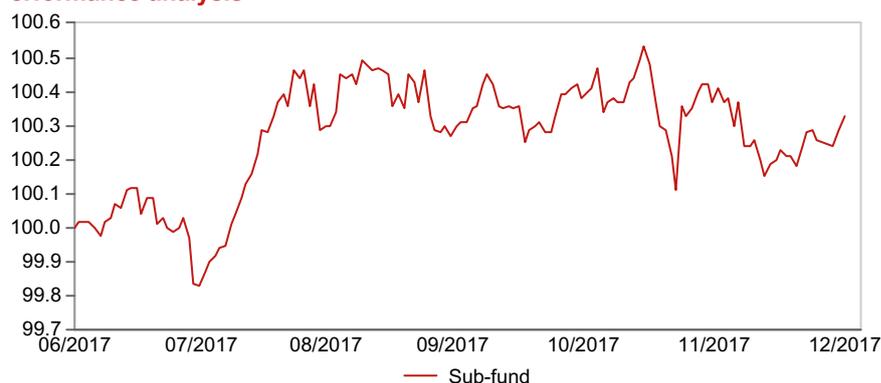
Fees

Subscription fee: max. 5%
Management fee: 0.00%
Conversion fee: max. 5%
Redemption fee: max. 1%
Performance fee: n.a.
Ongoing charges: 0.16%

Dealing details for professional investors

Cut off time: T at 1 pm (T being the dealing day)
Settlement: T+3
Valuation: Daily
NAV Calculation: T end of day close
NAV Publication: T+1

Performance analysis



Performance

	1 month	3 months	YTD	1 year	3 years	5 years	3 years p.a.	5 years p.a.
Sub-fund	0.03 %	-0.02 %	-	-	-	-	-	-

	Since inception	2017	2016	2015	2014	2013
Sub-fund	0.33 %	-	-	-	-	-

	Q04/2016- Q04/2017	Q04/2015- Q04/2016	Q04/2014- Q04/2015	Q04/2013- Q04/2014	Q04/2012- Q04/2013
Sub-fund	-	-	-	-	-

Bond Analysis

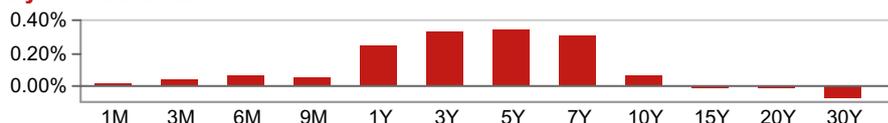
	Sub-fund
Effective Duration	1.37
Yield to Maturity	3.56
Option Adjusted Spread	218.28
Equity Delta	0.01
Average maturity	1.47
Average rating (bonds)	BB
% of non-investment grade bonds	75.53

Statistics

Annualized Standard Deviation*	0.74
Annualized Tracking Error*	-
Sharpe Ratio*	1.23
Information ratio*	-
Value at Risk (20 days, 99%)	0.40

*calculated over a 1-year period

Key rate durations



Key features

- Consistent risk controlled returns across a market cycle with a lower volatility than traditional fund
- Target risk level: 5% VaR across the market cycle
- The Fund combines at the same time a high conviction approach (through stock selection and single stock CDS) and overlay strategies against market risk (macroeconomic, correlation between asset classes, etc.)
- Geographical portfolio diversification to optimize asset allocation
- Exposure to non-European issues but denominated in Euro
- A transparent (UCITS IV), dynamic and flexible investment solution

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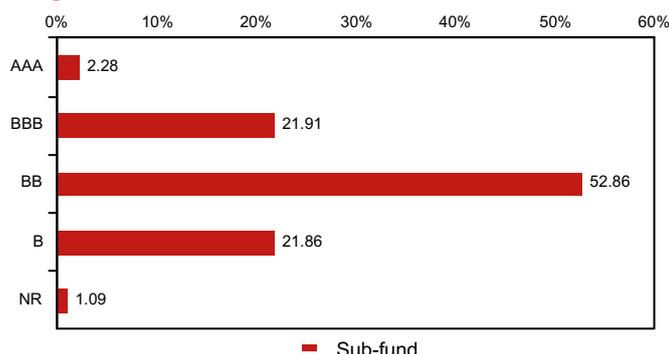


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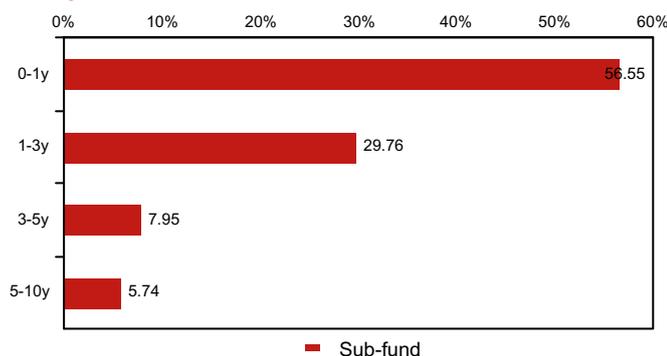
Breakdown by asset class

Asset class	Sub-fund
Corporates	64.11 %
Sovereign	20.92 %
Cash	13.97 %
Unassigned	0.99 %

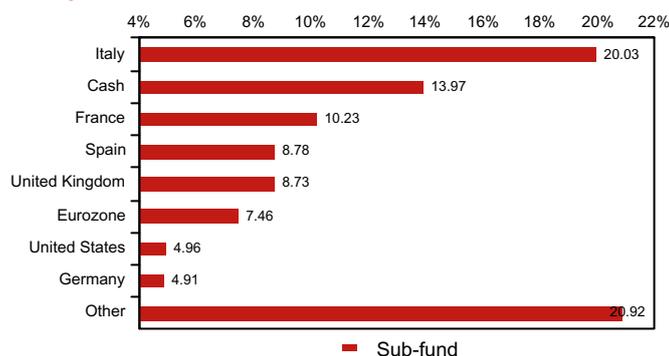
Rating breakdown



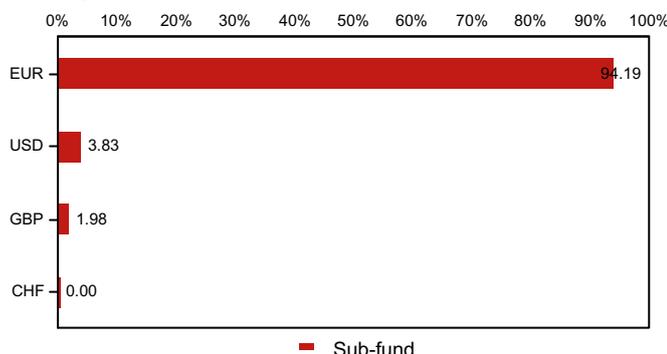
Maturity breakdown



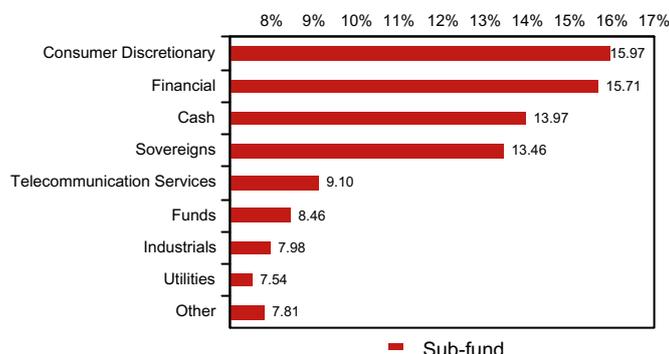
Country breakdown



Currency breakdown



Sector breakdown



Top 10 holdings (absolute weights)

GENERALI TRESORERIE(GENTRSR FP)	Sector	Weight %	Rating
Government Of Italy 0.0% 28-dec-2018	Funds	7.47	NA
Government Of Italy 0.0% 28-mar-2018	Sovereigns	4.90	BBB
Government Of Italy 0.0% 28-mar-2018	Sovereigns	4.89	BBB
Fiat Chrysler Finance Europe Sa 7.375% 09-jul-2018	Consumer Discretionary	2.09	BB
Veolia Environnement Sa 4.45% Perp	Utilities	2.04	BB+
Banco Popolare Societa Cooperativa Scrl 1.471% 27-feb-2018	Financial	1.96	BB
Peugeot Sa 6.5% 18-jan-2019	Consumer Discretionary	1.93	BB+
Government Of Croatia 5.875% 09-jul-2018	Sovereigns	1.91	BB
Royal Kpn Nv 6.125% Perp	Telecommunication Services	1.91	BB
Telefonica Europe Bv 6.5% Perp	Telecommunication Services	1.81	BB+

www.generali-invest.com

Source: Generali Investments Europe S.p.A. Società di gestione del risparmio. The fund here presented is a subfund of Generali Investments SICAV (an investment company qualifying as a "société d'investissement à capital variable" with multiple subfunds under the laws of the Grand Duchy of Luxembourg) managed by Generali Investments Europe S.p.A. Società di gestione del risparmio. The information contained in this document is only for general information on products and services provided by Generali Investments Europe S.p.A. Società di gestione del risparmio. It shall under no circumstance constitute an offer, recommendation or solicitation to subscribe units/shares of undertakings for collective investment in transferable securities or application for an offer of investments services. It is not linked to or it is not intended to be the foundation of any contract or commitment. It shall not be considered as an explicit or implicit recommendation of investment strategy or as investment advice. Before subscribing an offer of investment services, each potential client shall be given every document provided by the regulations in force from time to time, documents to be carefully read by the client before making any investment choice. Generali Investments Europe S.p.A. Società di gestione del risparmio, periodically updating the contents of this document, relieves itself from any responsibility concerning mistakes or omissions and shall not be considered responsible in case of possible damages or losses related to the improper use of the information herein provided. Past performance is not a guarantee of future performance and the fund present a risk of loss of capital. No assurance is released with regard to the approximate correspondence of the future performances with the ones above mentioned. It is recommended to look over the regulation, available on our website www.generali-invest.com. The client shall carefully read the KIID, which must be delivered before subscribing the investment, and the prospectus which are available on our website (www.generali-invest.com), on Generali Investments Luxembourg S.A. (Management Company of Generali Investments SICAV) website (www.generali-investments-luxembourg.com), and by distributors. If no assets are invested in the fund share class for a certain period of time ("Dormant Period"), the wording "performance data since inception" shall be read as "performance calculated as of the first date of NAV calculation after the Dormant Period". Generali Investments is part of the Generali Group which was established in 1831 in Trieste as Assicurazioni Generali Austro-Italiane. Generali Investments is a commercial brand of Generali Investments Europe S.p.A. Società di gestione del risparmio.

Fund Manager Comment

Portfolio Activity

In December the Euro High Yield market was relatively flat. After the significant move in November, spreads remained largely sidelined on waning demand from investors. Price return performance was slightly negative at -0.40% while offset by income return. Primary market was active at the beginning of the month with some deals not negligible in size being priced. Holidays lull kicked in thereafter. After the huge repricing in single-B risk (>100 bps widening since the lows at the beginning of November) some selective opportunities arose specifically in the sterling segment. We created two new positions: i) on a high-end carmaker who is close the peak of capital spending and that is expected to free up cash over the coming years and ii) on the second online retailers in UK after Amazon which is also a consumer credit originator. A new position was also created in a large Spanish engineering & construction name which in our opinion has the potential to generate double digit total return over a short period term by refinancing its entire capital structure after a credit-positive asset disposal. We've been active in investing on the front-end of the curve at positive yields in order to have an even distribution cash flows in order to better absorb volatility shocks and take advantage of valuable opportunities. In terms of overlays we rolled over our systematic strategy on getting downside protection through a positive carry trade on options.

Outlook

We're now in a better shape compared to previous default cycles: during TMT crisis market was heavily concentrated and overinvested, during GFC companies were ill-prepared to crisis and the aftermath of Sovereign crisis mostly hit specific sectors (e.g. E&C). In the current cycle there's a risk of releveraging in corporate balance sheets as managers might be tempted by robust EZ growth to start debt-funded initiatives such as capital spending on external acquisitions and dividend recap (Lbo and private businesses)/share-buy-backs (fallen angels). Valuations-wise, average spread adjusted for leverage in Bs is only slightly above BBs and the spread per turn of leverage offered by Bs is the lowest since 2011 making a strong relative value case. Conversely Financials look stronger as economy improves, with NPLs clean up, better net interest margins, small/mid banks stabilizing and re-entering primary market. The challenges of selecting credit in call-constrained world is that negative convexity hides the real risk and bonds trading on a yield-to-call basis might be subject to sharp repricing while offering little or no price upside and small carry. The key to generate positive risk-adjusted returns in 2018 is a mix of fundamental selection, increasing diversification and careful market timing. We see very little probabilities that 2018 will see the same suppressed volatility as in the recent months.