

# OFI Fund Euro Breakeven Inflation

BONDS • EUROZONE • INFLATION

OFI Fund Euro Breakeven Inflation is invested in **inflation-linked bonds issued by member countries of the Eurozone**. The fund's strategy consists of only seeking exposure to changes in inflation expectations (breakeven inflation). In this way, it aims to capitalise on the potential offered by a rise in implied inflation without placing any directional bets on the change in the real interest rates of the country issuing the linked bond. The fund's objective is to outperform its benchmark index, the Markit iBoxx Eur Breakeven 7-15Y<sup>(1)</sup>, over a 3-year horizon.

As the financial markets do not allow direct exposure to breakeven inflation, the management team takes a synthetic position through:

- A long real interest rate position: buy of inflation-linked bonds;
- A short nominal interest rate position: sale of issuer country interest rate futures.

The portfolio managers are focused on maturities of between 5 and 20 years, producing a structurally high sensitivity to the breakeven inflation rate (between 7 and 11). This conscious choice of a high sensitivity partially hedges a position in a conventional bond portfolio.

<sup>(1)</sup>Find out more at: [www.markit.com](http://www.markit.com)

## Breakeven inflation rate

A position in the breakeven inflation rate allows you to bet on a rise in inflation expectations and receive (through the coupon) the "surprise inflation" consisting of the difference between expected inflation and effectively realised inflation.

	Coupon flow	Change in marked-to-market value
<b>NOMINAL BONDS</b>	The bond's nominal interest rate	Sensitivity to nominal interest rates (real interest rates + inflation)
<b>INFLATION-LINKED BONDS</b>	Real interest rate + realised inflation	Sensitivity to real interest rates
<b>BREAKEVEN INFLATION STRATEGIES</b>	Money-market rate + (actual inflation - expected inflation)	Sensitivity to implied inflation at maturity

## Characteristics

### ISIN CODES

XL-share: LU0648430014 • I-share: LU0648429354

### LEGAL FORM

Sub-fund of OFI Fund, a UCITS V compliant Luxembourg SICAV

### AMF CLASSIFICATION

None

### INCEPTION DATE

12 July 2011 • Investment management reorientation 13 juillet 2017, regulated by CSSF

### CURRENCY

Euro

### VALUATION FREQUENCY

Daily

### ASSET MANAGEMENT COMPANY

OFI Lux • Delegation to OFI AM

### DISTRIBUTION POLICY

Capitalisation

### ENTRY / EXIT CHARGES

XL-share: 5% max. / None • I-share: 1% max / None

### ONGOING CHARGES

XL-share: 0.67% • I-share: 1.02% (previous year, ended in December 2018)

### OUTPERFORMANCE FEES

20% of returns over the benchmark

### MINIMUM SUBSCRIPTION AMOUNT

XL-share: 10 000 000 €

I-share: 100 000 €

### SRRI \*



## Management team



**Yannick LOPEZ**  
Head of Fixed Income



**Kévin LIBERT**  
Portfolio Manager - Analyst



**Eric BERTRAND**  
Head of Fixed Income, Multi Asset and Quantitative Strategies

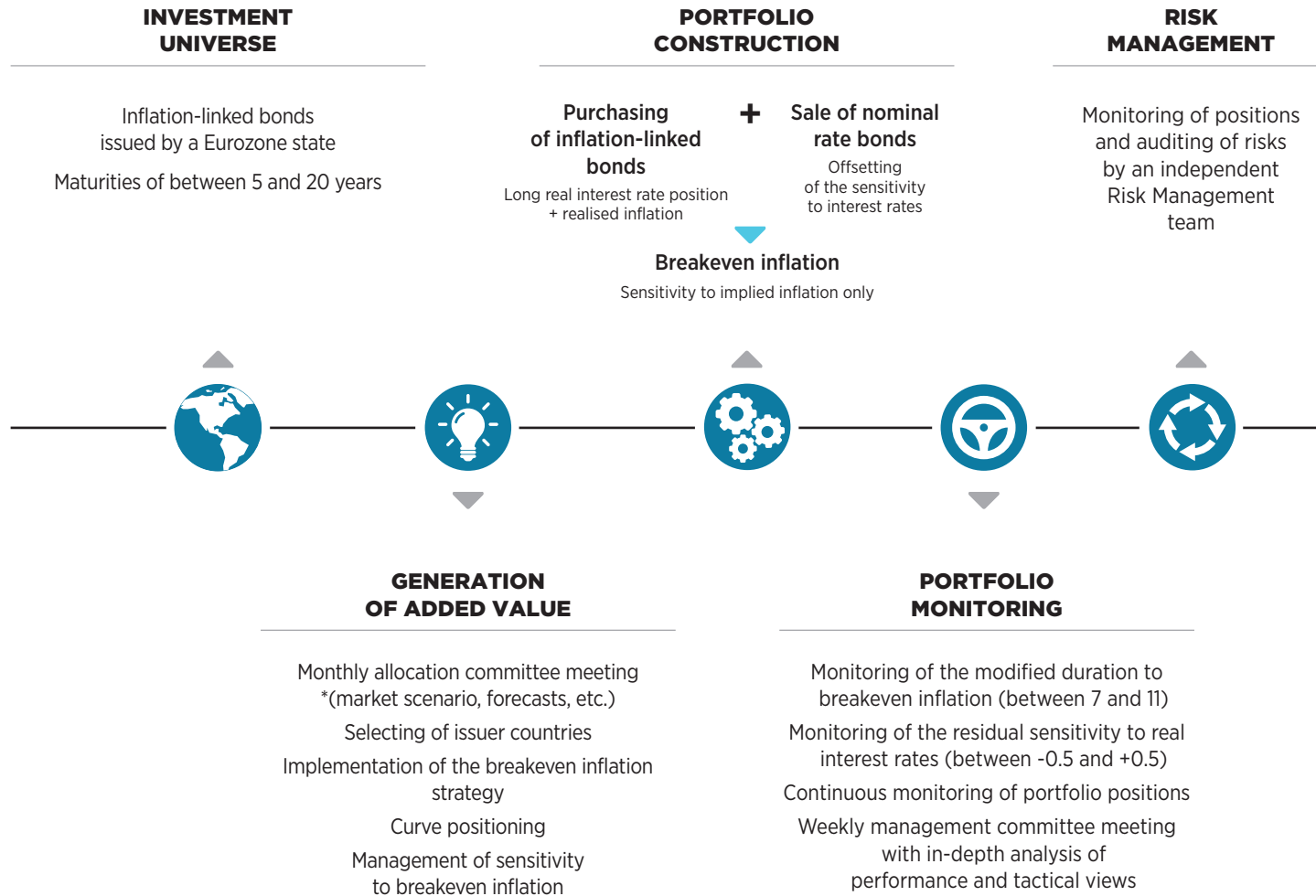
## Advantages

- A 100% Eurozone Breakeven Inflation strategy with no sovereign risk
- A potential considered to be attractive given the ECB's inflation target
- A positioning that aims to capitalise on an increase in inflation expectations without exposure to a rise in real interest rates
- High responsiveness to fluctuations in inflation expectations

## Risks

- Capital loss
- Fixed income markets
- Counterparty
- Discretionary management

Current investment team, subject to change. For more information, visit [www.ofi-am.fr](http://www.ofi-am.fr) • \*Synthetic risk and reward indicator (SRRI) is an indicator going from 1 to 7 and corresponding to increasing risk levels. Risk and performance category indicated in this document is subject to change. This category is determined by the application of a regulatory methodology. For more details about this methodology, please refer to the Key investor information document (KIID).



## INSTRUCTIONAL EXAMPLE\*

**10-year bonds, Modified duration 8.  
Nominal interest rate 2% (1% real interest rate and 1% implied inflation at  $T_0$ ).**

### 100 bp rise in the nominal interest rate to 3%

- Scenario A:  
100 bp coming from the real interest rate
- Scenario B:  
100 bp coming from implied inflation
- Scenario C:  
50 bp coming from the real interest rate + 50 bp coming from implied inflation

### Immediate impact on marked-to-market value

- Scenario A:  
Nominal bond: -8%  
Unhedged inflation-linked bond: -8%  
Breakeven inflation strategy: 0%
- Scenario B:  
Nominal bond: -8%  
Unhedged inflation-linked bond: 0%  
Breakeven inflation strategy: +8%
- Scenario C:  
Nominal bond: -8%  
Unhedged inflation-linked bond: -4%  
Breakeven inflation strategy: +4%

*\*Simplified example of a calculation for a better understanding of the strategy mechanism.*



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