

# OFI EURO HIGH YIELD GR

Monthly Factsheet - Fixed Income - may 2019



## Investment policy :

OFI Euro High Yield is mainly invested in euro-denominated high yield bonds issued by companies based in countries members of the OECD. The investment team may also use CDS or CDS indices. Exposure to other euro-denominated corporate bonds is capped at 20%.

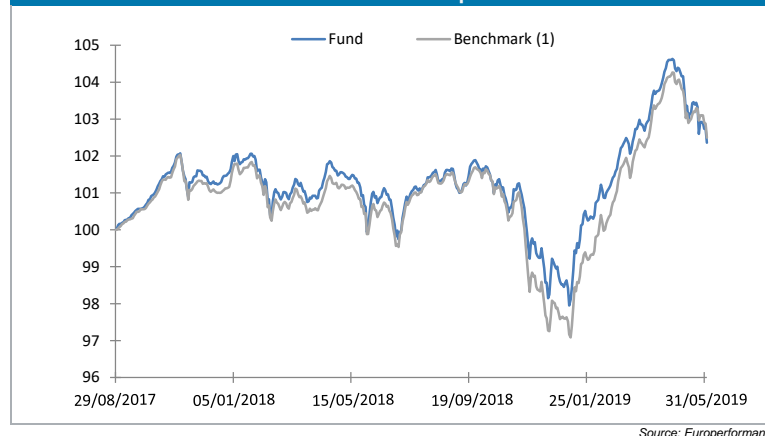
## Key figures as of 31/05/2019

Net Asset Value (EUR):	102,36
Net Assets of the unit (EUR):	102,36
Total Net Assets (EUR M):	142,24
Number of users	75
Investment rate:	104,13%

## Characteristics

ISIN Code:	FR0013274974
Ticker:	OFICEGR FP Equity
AMF Classification:	Bonds and other debt securities in EUR
Europerformance Classification:	High Yield bonds
Benchmark <sup>(1)</sup> :	BofA Merrill Lynch Euro Non-Financial Fixed & Floating Rate High Yield (EUR)
Main risks:	Capital and performance Market risk: credit, fixed income, high yield, volatility, emerging
Management company:	OFI ASSET MANAGEMENT
Fund manager(s):	Maud BERT - Boubakar KABORE
Legal form:	French FCP (Mutual Fund, UCITS IV)
Distribution policy:	Capitalisation
Currency:	EUR
Inception Date:	29/08/2017
Recommended investment horizon:	Over 3 years
Valuation:	Daily
Subscription cut-off:	D - 1 at 12h
Redemption cut-off:	D - 1 at 12h
Settlement:	D+2
Subscription fees:	None
Redemption fees:	None
Outperformance fees:	None
Ongoing charge:	0,57%
Custodian:	SOCIETE GENERALE PARIS
Administrator:	SOCIETE GENERALE SECURITIES SERVICES

## Return since inception



## Risk Profile (SRRI)

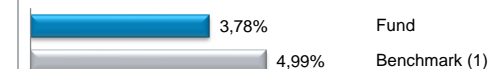
Level:

1 2 3 4 5 6 7

## Monthly return



## YTD return



## Return & Volatility

	Since inception		5 years (cum.)		3 years (cum.)		1 year (cum.)		YTD		6 months	3 months
	Return	Volat.	Return	Volat.	Return	Volat.	Return	Volat.	Return	Volat.	Return	Return
OFI EURO HIGH YIELD GR	2,36%	3,02%	-	-	-	-	1,92%	3,58%	3,78%	3,84%	3,14%	0,10%
Benchmark <sup>(1)</sup>	2,50%	3,22%	-	-	-	-	2,36%	3,86%	4,99%	3,80%	4,24%	0,77%

Source: Europerformance

## Monthly returns

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Year	Benchmark
2017								0,13%*	0,55%	1,13%	-0,33%	0,07%	1,55%	1,16%
2018	0,08%	-0,60%	-0,10%	0,63%	-1,11%	-0,45%	1,29%	-0,02%	0,28%	-0,79%	-1,48%	-0,61%	-2,88%	-3,49%
2019	2,13%	1,52%	0,89%	1,16%	-1,93%								3,78%	4,99%

\* Return from 28/08/2017 to 31/08/2017

Source: Europerformance

(1) Benchmark: Bank of America Merrill Lynch Euro Non-Financial Fixed & Floating Rate High Yield

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## Top 10 holdings (Cash and UCITS excluded)

Name	Weight	Country	Coupon	Maturity	Composite <sup>(1)</sup>
LEONARDO 4.500 2021_01	1,52%	Italy	4,500%	19/01/2021	BBB-
ORANO 4.375 2019_11	1,46%	France	4,375%	06/11/2019	BB-
ALTICE LUX 7.250 2022_05	1,46%	Luxembourg	7,250%	15/05/2022	CCC+
TESCO TREASURY 2.125 2020_11	1,46%	United Kingdom	2,125%	12/11/2020	BB+
IQVIA INC 2.875 2025_09	1,44%	United States	2,875%	15/09/2025	BB-
DOMETIC GROUP 3.000 2026_05	1,38%	Sweden	3,000%	08/05/2026	BB+
TELEFONICA EUROPE 3.000 PERP	1,26%	Spain	3,000%	12/07/2051	BB+
CROWN EUROPEAN HLDG 4.000 2022_07	1,17%	France	4,000%	15/07/2022	BB
INTER GAME TECH 4.750 2023_02	1,16%	United Kingdom	4,750%	15/02/2023	BB+
TELECOM ITALIA 4.500 2021_01	1,14%	Italy	4,500%	25/01/2021	BB+
<b>TOTAL</b>	<b>13,45%</b>				

Source: OFI AM

## Statistical indicators (compared to the benchmark on a 1 year rolling basis)

Tracking Error	Sharpe Ratio <sup>(2)</sup>	Frequency of profit	Worst draw down
0,88%	0,55	53,85%	-3,71%

Source: Europereformance

## Maturity, Spread and Modified duration

Average maturity	Average spread	Average rating	YTM	YTW	Modified duration	Credit sensitivity
8,87 year(s)	301,46	BB-	4,22%	3,80%	2,45	3,73

Source: OFI AM

## Main movements of the month

Buy / Increase		
Name	Weight M-1	Weight M
PAPREC HLDG 4.000 2025_03	Buy	0,66%
REKEEP SPA 9.000 2022_06	Buy	0,35%

Source: OFI AM

Sell / Decrease		
Name	Weight M-1	Weight M
MERLIN ENTERTAINMENTS 2.750 2022_03	1,01%	Sell
BAUSCH HEALTH COS 4.500 2023_05	0,85%	Sell
CHEMOURS 4.000 2026_05	0,73%	Sell
CASINO 4.048 2026_08	0,64%	Sell
LA FINAC ATALIAN 4.000 2024_05	0,53%	Sell

Source: OFI AM

## Asset management strategy

The fund lost 1.93% in May, compared with a 1.51% fall in the benchmark over the same period. This monthly underperformance was mostly due to an adverse selection effect, notably on the fund's overweights in Lecta (costing 20 bps) and the Casino Guichard/Rallye universe (costing 30 bps). Rallye went into a safeguard procedure to freeze liabilities to its creditors, with its capital structure weakened by the devaluation of its assets (including its shareholding in Casino Guichard). This puts Rallye in a position to seek a way to restructure its debt (€3bn). Given the complexity of its capital structure, the multitude of involved parties, and divergent interests that are bound to emerge between the Group's various companies, negotiations could last two years. However, the fund benefited from its lack of exposure to Thomas Cook (+17 bps) and Diversey (+4 bps) and its underweight in Teva (+13 bps). Furthermore, macro off-index exposures cost 35 bps of monthly performance.

A breakdown of monthly performance in the HY market is as follows: (i) BB: down 1.0%, comfortably outperforming B-rated debt (down 2.3%), helped by risk aversion and an increase in specific risks (Thomas Cook, Lecta, Aldesa, Atalian, CMA CGM, etc.); (ii) corporate hybrids: down 0.9% – the best monthly performance in the asset class – despite the decline on equity markets. More generally, disappointing company results and rating downgrades also fuelled the market downturn, with Casino Guichard downgraded from BB- to B\*- and from Ba3 to B1, both with negative outlook, after Rallye SA went into a safeguard procedure, and Thomas Cook downgraded from B- to CCC+ and from B3 to Caa2 after the group issued a profit warning. At sector level, the main contributors to the market decline were transport (down 4%), healthcare (down 3%) and retail (down 3%). By country, monthly performance was also hurt by Israel (down 10%, affected by Teva Pharma and its legal disputes), the United Kingdom (down 3%) and France (down 2%).

The primary market had a very busy month in March (c. €7 billion), marked in particular by (i) the refinancing of bonds issued by Altice Luxembourg (€1.4 billion), United Group (€550 million) and the Schaeffler AG PIK note (€1.3 billion) and (ii) a few first-time issues added to the investment universe (EG Global, Novem Group, Consus Real Estate, etc.). The fund maintained a selective approach, participating in the Altice 8% 2027 and Dometic 3% 2026 issues, which offered attractive risk/reward ratios. On the demand side, euro and US dollar HY funds recorded monthly net outflows of €2 billion and \$5 billion respectively. This brings total net inflows in the year to date to €5.3 billion in Europe and \$10 billion in the US.

Against this backdrop, we gradually lowered the fund's exposure to names that had outperformed in the downturn, including in particular Merlin Entertainments, Chemours, Bausch Healthcare and Kronos. We also cut exposure to Atalian after its results were delayed and to Casino Guichard after it rallied on news of parent company Rallye going into a safeguard procedure. New positions were added in Paprec 4% 2025 and Rekeep 9% 2022. The fund's overall positioning remains unchanged, with a yield to maturity of 4.22% and a duration of 2.45, comparable to its benchmark.

Against this backdrop of stretched credit market valuations, the increase in idiosyncratic risk and specific themes (trade war, elections and emerging currencies) mean investors need to be extremely selective in choosing which companies to invest in.

Maud BERT - Boubakar KABORE - Fund manager(s)

(1) OFI composite rating (methodology available on demand)

(2) Risk free rate: compounded EONIA

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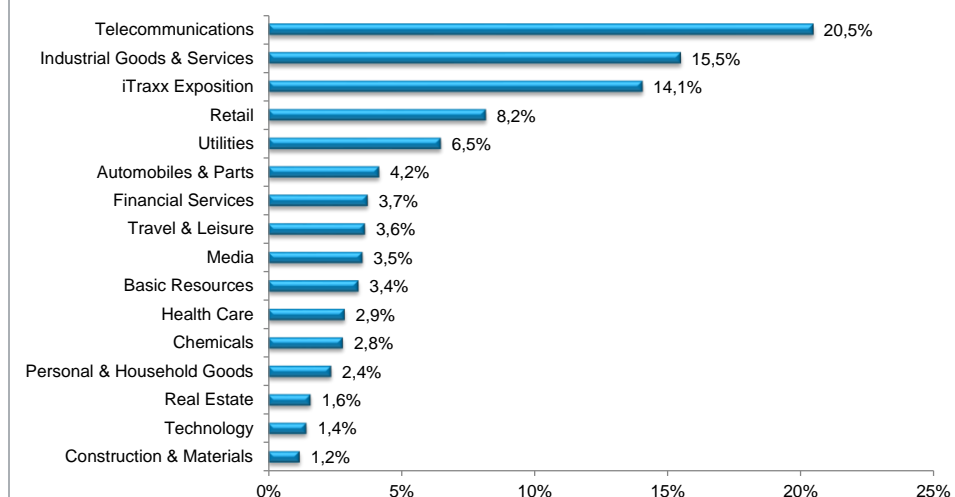


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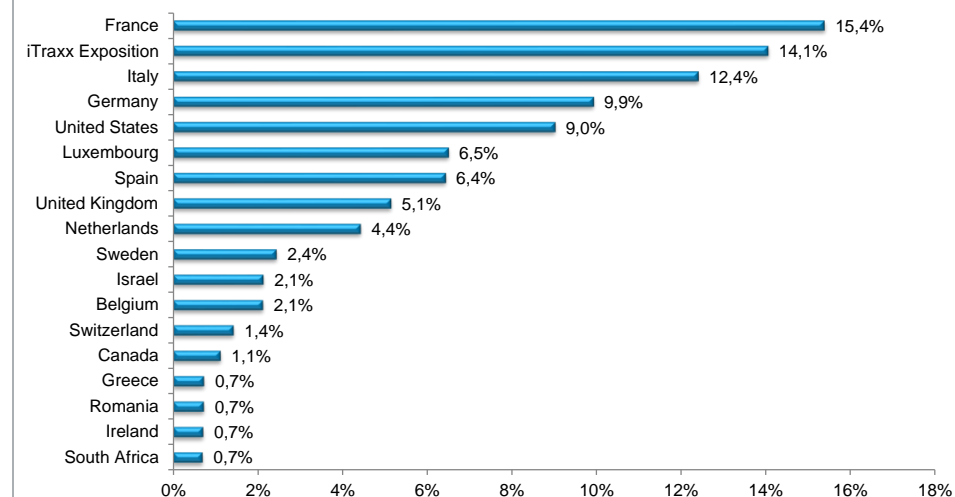


**Sector breakdown** (Other funds and cash excluded)



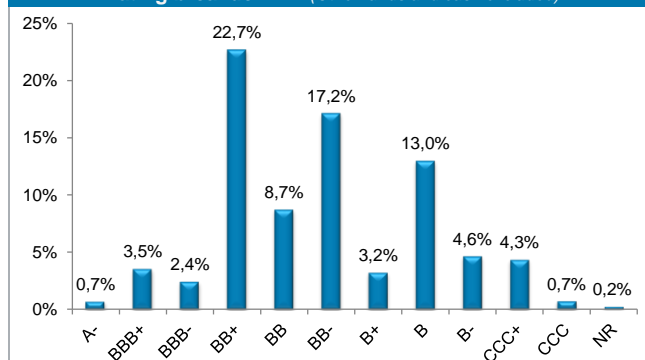
Source: OFI AM (ICB classification - Level 2)

**Geographical breakdown** (Other funds and cash excluded)



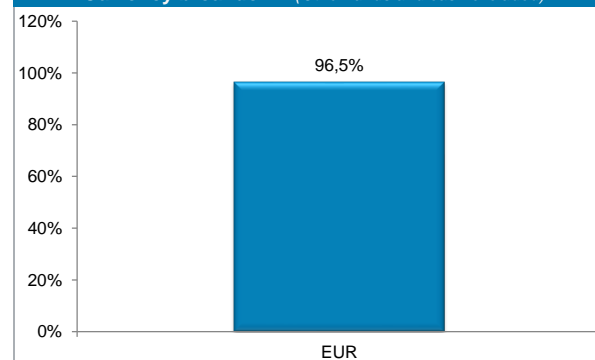
Source: OFI AM

**Rating breakdown** <sup>(1)</sup> (Other funds and cash excluded)



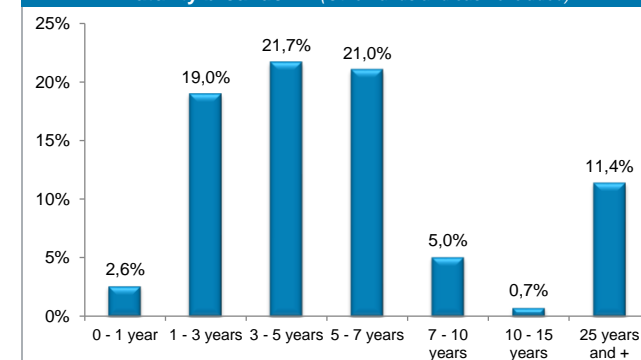
Source: OFI AM

**Currency breakdown** (Other funds and cash excluded)



Source: OFI AM

**Maturity breakdown** (Other funds and cash excluded)



Source: OFI AM

(1) OFI composite rating (methodology available on demand)

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