OTP Meta Derivative Global Bond Fund

Introduction (A series)

The name of the fund:	OTP Meta Derivative Global Bond Fund
Kind, type:	open-ended, public, bond
Name of fund manager:	OTP Fund Management
Start of the fund:	05/15/2020
Benchmark:	100% ICE BofaML US Treasury Bill Index (G0BA)
ISIN:	HU0000724604
Bloomberg:	OTMEGBA HB Equity

Portfolio managers

József Gyula Szabó
Investment director

Mátyás Sárvári
Portfolio manager

Investment policy

Through active global fixed income and currency management the fund aims to provide attractive risk adjusted return in USD above that of the risk-free US dollar rate. Employing derivatives it looks at a global macro opportunity set, combining a top-down approach with bottom-up idea assessment. Built on a core portfolio of dominantly 2-5 year maturity sovereign risk bonds in hard and local currency, augmented with flexible interest rate exposure it aims to provide the portfolio diversification benefits of fixed income while targeting a return significantly above cash on a 1-3 year horizon.

Monthly Statement

Macro environment:

The fund's rise in price is due to the fall in dollar and euro yields. President Trump might have deliberated on "Liberation Day" but the market reaction was anything but liberating. The tariff policy announcements led to a rapid deterioration in growth expectations and resulted in renewed rate cut expectations. At the same time, yields on longer maturity dollar bonds have climbed higher due to the expected inflationary effects of tariffs, thus the US yield curve has become steeper, favouring our position expecting an increase in the 2-10 year yield differential. Tariff measures were announced against allies in the West (Canada, EU) as well, which brought a new wave of the market questioning to the dominance of the US economy and the US dollar. The dollar weakened by more than 5% against both the euro and the Japanese yen in April, bringing the rate of decpreciation to over 10% in the first four months of the year. The movements in the US bond market indicated the status of US government securities as a final investment safe haven shaken in the eyes of investors. Risky assets, including stock markets, have also suffered a severe blow, which may also have contributed to the government's postponement of the introduction of some of the tariff measures. Credit risk premia, including emerging market and corporate bond yield spreads, have also jumped sharply. In contrast to the previous month, the rise in spreads was more or less offset by the fall in government bond yields, so bond prices eventually did not fall much in the month as a whole after recovering from the strong fluctuations in the middle of the month. The fund benefited from its long position in the Japanese yen during the month. With question marks over the risk-free status of the dollar and US government bonds, investors are looking for new assets for risk diversification, the main winners of which may be the yen, the euro and the Swiss franc, but demand for other developed market currencies may also increase. Among emerging market positions, the Indian rupee and the Brazilian real also continued to strengthen. After OPEC's decision to increase production, the Norwegian krone, which generally moves strongly in tandem with the oil market, plummeted, and we are also sticking to our long position for the above currency diversification reasons.

Changes in the fund:

We purchased US inflation-indexed bonds with a maturity of 20 years and longer, partially hedging their interest rate risk. In the turbulence of the government securities market, the fall in nominal yields coincided with the real yield on long-term bonds rising above 2.50%. This move, in contradiction to the inflation-increasing effects of tariffs, would indicate a moderation in inflation expectations, not making much economic sense. We tried to take advantage of this market mispricing, expecting the so-called breakeven inflation to rise. In addition, in our opinion, the upheaval of the institutional system and the weakening of the dominant role of dollar assets worsen the long-term growth prospects of the US economy, which is around 2% at most; thus we saw a good entry level in real yields above 2.5%.

In the turbulence after the tariff announcement, we increased our position in Romanian euro bonds, and later, in a calmer market environment at the end of the month, we sold a short Icelandic bank bond. We have not changed our currency positions. We have added to the long position in Norwegian krone against the Swedish krona. We bought Australian dollars against New Zealand dollars as a new position. The cross rate of the two open economies has approached the bottom of the market range, and we are expecting a change in the relative interest rate policies of the two central banks supporting the relative appreciation of the Australian dollar.

OTP Meta Derivative Global Bond Fund

Net asset value & price

	Currency	Amount
Net Asset Value*	USD	32 363 034
Price**	USD	1,036045

*Total net asset value of the different investment fund series.
**Net asset value per unit.

Risk level:

1 2 3 4 5 6 7

Recommended investment time frame: 2 years

Annualized past performances

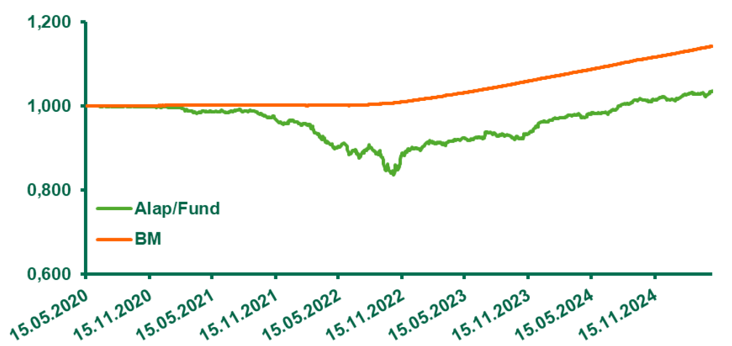
Annual returns*	1Y	3Y	5Y	10Y	From launch
Fund	6,44%	4,76%	n.a	n.a	0,59%
Benchmark	5,32%	4,48%	n.a	n.a	2,67%
Relative return	1,13%	0,29%	n.a	n.a	-2,08%

*Net returns based on net asset value. For periods longer than 1 year, net returns are annualized (compound interest, 1 year = 365 days).

Risk indicators

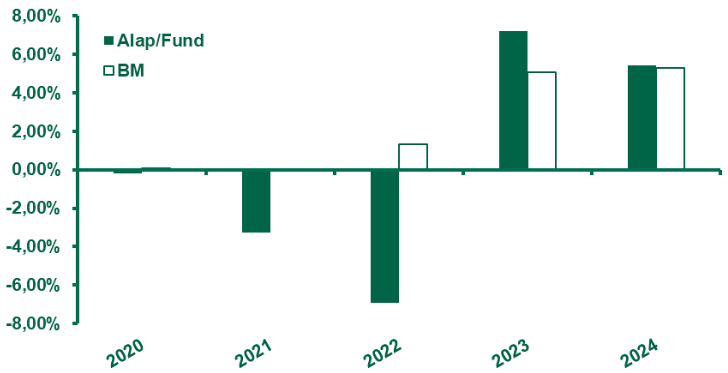
Risk indicators	1Y	3Y	5Y	10Y	From launch
Deviation	1,97%	3,40%	n.a	n.a	2,95%
Max. drawdown	-1,00%	-8,24%	n.a	n.a	-16,33%

Performance chart



The chart shows the periode: from launch to last banking day of the month.

Calendar years performance



Total net risk exposure*

225,98%

*Risk indicator involving risk of derivative transactions. Figures above 100 indicate leverage, therefore the rate of the fund may vary beyond the market.

Assets above 10%

None

Asset composition

Asset	Ratio
Deposits	1,3%
T-bills	0,0%
Government bonds	55,6%
Mortgage bonds	0,0%
Other bonds	38,5%
Equities	0,0%
Investment fund units	3,9%
Other	0,8%

Time to maturity (years)

Time to maturity	Ratio
0 to 1	39,39%
1 to 3	17,94%
3 to 5	14,95%
5 to 10	13,81%
10 +	10,01%
Other	3,91%

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Effective duration

Effective duration	4,03

Distribution

Distributor	OTP Bank Nyrt.

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