

OTP Palette Derivative Mixed Fund

Introduction (A series)

Name:	OTP Palette Derivative Mixed Fund
Kind, type:	open-ended, public, mixed
Name of fund manager:	OTP Fund Management
Start of the fund:	11/17/1997
Benchmark:	15% CETOP + 12,5% MSCI EMU ND + 12,5% MSCI EM ND + 5% MSCI World ND + 55% hozamkorlát (6%)
ISIN	HU0000702881
Bloomberg	OTPPAOE HB Equity

Portfolio managers



Levente Boér
Investment director



Eszter Lokietek
Senior portfolio manager



Máté Kovács-Kvotidián
Portfolio manager



Olivér Csáti
Portfolio manager



Investment policy

The Fund aims to outperform its balanced benchmark which consists of balanced portfolio, with a net equity exposure typically between 30%-60%. The Fund has a value based global investment strategy and it does not have any regional and sectorial constraints, but has an EMEA regional bias where the portfolio managers have the most expertise. The diversified portfolio, the low average position size and the long/short equity positions help to maintain the risk and the price volatility at a relatively low level.

Monthly statement

Macro environment:

Equity market sentiment continued to improve in May, supported by news of progress in negotiations between the US and its trading partners and a season of mostly pleasant surprises in the earnings season. The market is taking the US president's tough statements less and less seriously, preferring to see them as a negotiating technique. Interestingly, the rise in equity markets is taking place in a rising yield environment. Tariffs are generating higher inflation, fuelled by a pick-up in public spending, but the latter is also contributing to economic growth and reduces recession fears. The European equity market continues to be a buzz among investors, with hopes of fiscal stimulus continuing to attract many investors to the region, with several indices flying to new highs. In the first half of the month, the Chinese market was supported by the agreement on mutual tariff cuts with the US, but the country remains economically distressed, while geopolitical tensions have not abated, and the second half of the month saw a renewed downward trend. The Turkish market has stabilised and favourable conditions (a strong central bank and economic policy, falling inflation, well-managed companies and valuations) could underpin a strong Turkish rally, but political tensions are keeping many investors away like scarecrows.

Changes in the fund:

The Fund closed May with a rise. We bought euro-denominated Romanian government bonds in the first half of the month, as we thought it was worth taking advantage of the euro interest rate of around 7.4%-7.8%, despite the political risks. We realized a profit on part of the position in the second half of the month. As the chances of peace between Russia and Ukraine have diminished, we also took some profit in Raiffeisen Bank, which is particularly sensitive to war developments due to its large Russian exposure and "stuck" assets. In the Benefit Systems share issue in April, we made a profit on part of our stake bought at a significant discount, but retained most of the position, as the company is well valued and its growth prospects are optimal thanks to its expansion in Turkey. We have increased our stake in IT company Teamviewer after we believe it was more grounded than warranted following its first quarter earnings report. At the end of last year, they acquired a company called 1E, which develops software that addresses IT problems in real time. This will give Teamviewer a much higher quality user experience, which we believe is not priced in the market. We bought Koc Holding in Turkey after we saw a slowdown in the Turkish market. The holding company, which is considered to be "best in class", is at a significant discount compared to buying the companies in it separately, which are cheap anyway. We participated in the accelerated bookbuilding of real estate developer Murapol, where we were able to buy the Polish real estate developer's paper at a significant discount to the market price from the large venture capital fund. We realised a gain in Inpost shares, which we bought at a lower level in April after it had produced a nice rally. We also took advantage of the calm and reduced volatility in the market to buy protection in the form of options on the German and US equity markets, in preparation for the possibility of another period of turbulence. The Fund had 43.9% equity-like exposure at the end of May.

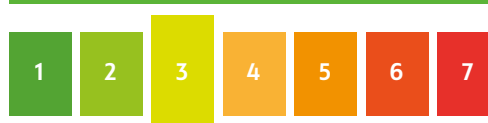
Net asset value & price

	Currency	Amount
Net Asset Value*	HUF	45 488 517 508
Price**	HUF	7,631461

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

**Net asset value per unit.

Risk level:



Recommended investment time frame: 3 years

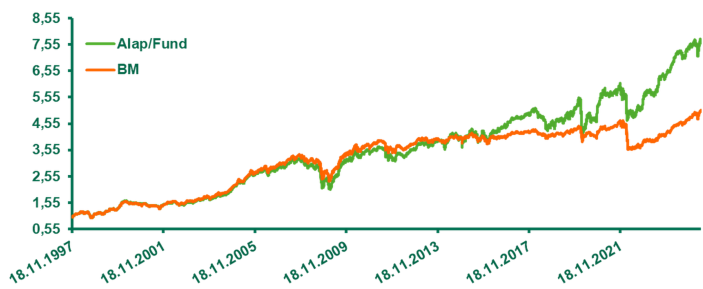
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Annualized past performances

Annual returns*	1Y	3Y	5Y	10Y	From launch**
Fund	5,40%	14,90%	10,39%	5,94%	6,72%
Benchmark	11,71%	11,29%	3,92%	2,00%	2,78%
Relative return	-6,31%	3,61%	6,48%	3,94%	3,94%

*Net returns based on net asset value. For periods longer than 1 year, net returns are annualized (compound interest, 1 year = 365 days).
**From new strategy: 30.12.2011.

Performance chart



The chart shows the periode: from the new strategy (30.12.2011) to last banking day of the month.

Total net risk exposure*

131,99%

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

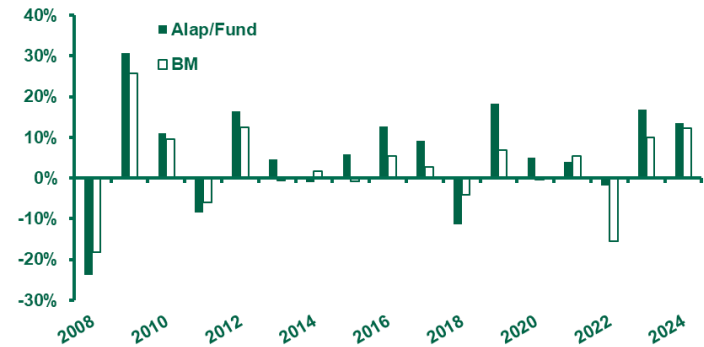
Asset composition

Asset	Ratio
Deposits	8,7%
T-bills	20,5%
Government bonds	14,7%
Mortgage bonds	0,0%
Other bonds	6,0%
Equities	40,8%
Investment fund units	8,5%
Other	0,8%

Risk indicators

Risk indicators	1Y	3Y	5Y	10Y	From launch**
Deviation	7,74%	8,39%	11,28%	10,94%	10,22%
Tracking error	3,52%	3,80%	6,98%	6,23%	5,77%
Information ratio	-1,79	0,95	0,93	0,63	0,68
Beta	1,0442	1,1367	0,9422	1,1407	1,1428
Alfa	-6,56%	3,30%	6,37%	4,08%	4,02%
Max. drawdown	-8,15%	-8,15%	-23,09%	-28,95%	-28,95%

Calendar years performance



Assets above 10%

None

Currency composition

Currency	Ratio
Hungarian Forint	44,64%
Euro	28,60%
Turkish Lira	7,03%
Polish Zloty	6,91%
Kazakhstani Tenge	3,62%
US Dollar	3,27%
Hong Kong Dollar	2,92%
South African Rand	1,12%
Indian Rupee	0,54%
Other	1,35%

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Country composition

Country	Ratio
Hungary	31,02%
Cash	9,97%
Poland	7,60%
Turkey	7,01%
Romania	5,40%
United States	5,40%
Fund/ETF	5,23%
France	5,14%
Germany	4,13%
Other	19,10%

Industry composition

Industry	Ratio
Financials	20,96%
Consumer Discretionary	11,31%
Cash	9,97%
Industrials	8,62%
Energy	4,95%
Information Technology	4,34%
Real Estate	2,29%
Communication Services	1,20%
Health Care	0,19%
Other	36,18%

Portfolio

Positions above 10% of the NAV
EUR Long *, USD Long *, HUNGARY T-BILLS
Positions above 50% of the NAV
HUF Short *
Positions above 100% of the NAV
None

Distribution

Distributor	OTP Bank Nyrt.
Distributing partners	Concorde Értékpapír Zrt., Raiffeisen Bank Zrt., Erste Befektetési Zrt., MBH Bank Nxrt., MBH Befektetési Bank Zrt., SPB Befektetési Zrt., Unicredit Bank Hungary Zrt.

Disclaimer

This document is a marketing issue. Past performances don't guarantee future performances. Calculations of past performances, returns, risk indicators, net asset value, price and composition of portfolio are based on the last banking day of the month. Sources of past performances: Bloomberg (benchmark) and OTP Alapkezelő (funds). No information, opinions or data in this document constitute either investment advice or contract proposal. For detailed information on the fund's investment policy and potential investment risks, please see the key information documents, official prospectus, and fund rules available at the fund's distribution place. Expenses related to the marketing of the investment fund (purchasing, holding, selling) are available in the fund rules and at the distribution sites. Website: otpalap.hu