

OTP Strategic EUR Bond Fund

Introduction (A series)

Name:	OTP Strategic EUR Bond Fund
Kind, type:	open-ended, public, bond
Name of fund manager:	OTP Fund Management
Start of the fund:	11/29/2023
ISIN	HU0000733472
Bloomberg	OTPSEBA HB Equity

Portfolio managers



István Tóth
Senior portfolio
manager



Katalin Dóra
Tombácz
Portfolio manger



Investment policy

The fund's objective is to achieve return above the set minimum return target, while keeping volatility at modest levels. The fund aims to provide access to the euro hard currency fixed income universe; thus, the predominant risk exposure is the European Union. The fund is actively managed and its advantage is an unconstrained strategy to asset allocation, which enables the execution of an all-weather approach within the fixed income universe. The fund can take on leverage and may apply derivative positions.

Monthly statement

Macro environment:

In March, interest rate movements were dominated by the announcement of a €500bn German spending package on infrastructure and defence, which, in addition to the amendment of the debt ceiling, will provide a significant fiscal stimulus to the economic performance of the European region. With Germany and the rest of Europe showing a commitment to increase military spending, this could mark the start of a significant long trend, replacing a period of conservative low spending in Germany. This has been good for our euro long position against the dollar in the fund. The 10-year German government bond yield rose 50 basis points earlier in the month on the news, setting a daily movement record not seen since the German unification. It had recovered almost a third of this by the end of the month due to the potential extension of the time horizon for realisation and the uncertainty and flight from risk assets around the announcement of the impending US tariffs. Short yields were not significantly changed, with the market pricing in a two and a half cut, which would imply a base rate below 2% by the end of 2025. The European yield curve has steepened across long end on the back of more spending driven by optimistic expectations of higher future growth and greater output pressures. In the US, the focus has shifted from inflation fears to growth fears. Tariffs could slow the US economy and conflicting news and figures have triggered choppy trading this month. The FED continued to hold off on cutting rates, but by the end of the month three 25bp rate cuts were fully priced in, and the market expects the year-end rate to be close to 3.5% by the end of March. This repricing had more of an impact on shorter yields and caused the yield curve to steepen. For most of the month, 10-year yields tended to creep slightly upwards, but the strengthening of recession fears eventually pushed yields back to levels seen at the beginning of the month. As corporate and emerging market bond spreads continued to widen during the month, uncertainty around tariffs brought recessionary fears.

Changes in the fund:

We saw good entry levels in the rising yield environment and therefore increased duration to around 3.3 years. In addition to buying short bonds during the month, we also participated in new issues such as a 10-year dollar issue by the Armenian government, a 7-year Montenegrin euro government bond, a dollar bond issued by Kazakh financial company Kaspi and a Lithuanian bank bond. In the secondary market, we have built a larger position in a 2036 inflation-linked Polish government bond, which offers a nice carry yield when hedged to euros due to the high real interest rate. We further increased our EURUSD long position and HUF interest rate exposure through the purchase of 41/A government bonds. We also added EUR-denominated paper from the Hungarian state-guaranteed Exim to the portfolio.

OTP Strategic EUR Bond Fund

Net asset value & price

	Currency	Amount
Net Asset Value*	HUF	80 785 193 647
Price**	EUR	1,068469

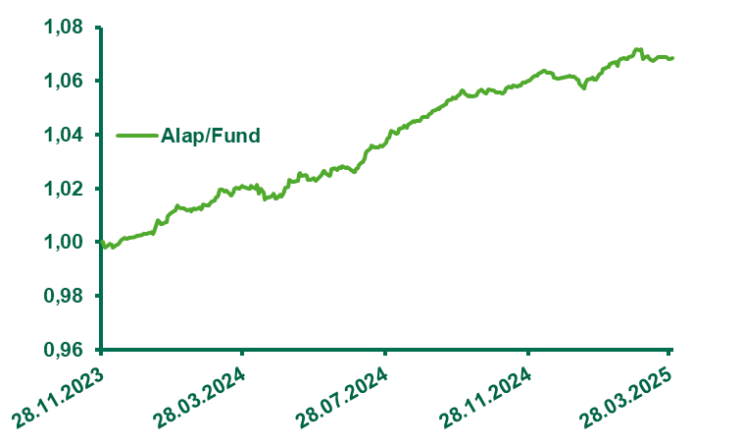
*Total net asset value of the different investment fund series.
**Net asset value per unit.

Annualized past performances

Annual returns*	1Y	3Y	5Y	10Y	From launch
Fund	4,68%	n.a	n.a	n.a	5,08%

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

Performance chart



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

Total net risk exposure*

109,43%

*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	0,1%
T-bills	8,9%
Government bonds	37,3%
Mortgage bonds	0,0%
Other bonds	47,6%
Equities	0,0%
Investment fund units	0,0%
Other	6,1%

Effective duration

Effective duration	3,37
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Risk level:

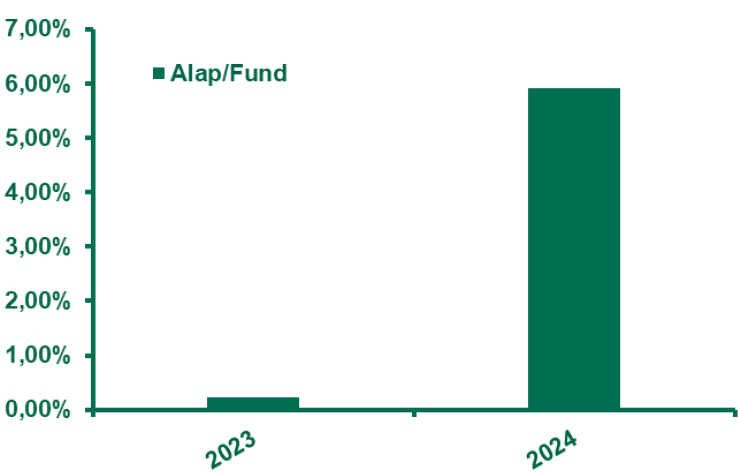


Recommended investment time frame: 3 years

Risk indicators

Risk indicators	1Y	3Y	5Y	10Y	From launch
Deviation	1,17%	n.a	n.a	n.a	1,19%
Max. drawdown	-0,62%	n.a	n.a	n.a	-0,62%

Calendar years performance



Assets above 10%

None

Time to maturity (years)

Time to maturity	Ratio
0 to 1	39,70%
1 to 3	8,95%
3 to 5	17,89%
5 to 10	19,47%
10 +	13,99%
Other	

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Distribution

Distributor	OTP Bank Nyrt.
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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