GENERALI INVESTMENTS

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PLENISFER DESTINATION DYNAMIC INCOME

A NEW UNCONSTRAINED FIXED INCOME FUND TO CAPTURE THE BEST OF RISING YIELDS

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Mauro Ratto introduces the new Plenisfer Destination Dynamic Income fund and explains why now is a good time to capitalise on short- to medium-dated government bonds, combined with compelling corporate bonds for yield enhancement.

Bond investors are facing a critical juncture. We are nearing the end of the interest rate hike cycle, as signposted by the US Federal Reserve, which has suggested that we are likely at the peak. In my view, we will not return to the era of negative interest rates, and at Plenisfer we believe that inflation will be a rather resilient phenomenon, reinforced by higher energy prices and labor costs over the next few years. Higher inflation, and therefore higher interest rates, present opportunities for bond investors but require careful research and selection given we do not yet know at what equilibrium will settle at over the next five years.

For active managers like us, an uncertain environment such as this presents good hunting ground. We believe that now is an excellent time to invest selectively in the attractive yields offered by short- to medium- dated government bonds, combined with yield enhancement opportunities presented by compelling corporate bond spreads, particularly those in Europe.

This rare window of opportunity is why we have launched the new Plenisfer Destination Dynamic Income fund. The fund is a high-conviction, unconstrained, go-anywhere bond fund, providing us with the flexibility we need to search for 'best-idea' fixed income investments while navigating volatility. We aim to provide investors with a diversified portfolio that targets both income and growth, aiming for 4% average annualized returns[1] over a typical market cycle.

In this fund, that looks like investing according to three strategies:

1. **Income**: Investing in investment grade debt, high yield, hybrid bonds, contingent convertibles and convertible bonds;
2. **Macro Opportunities**: Top-down investments that reflect our view of the world in terms of interest rates, currencies and sovereign spreads;
3. **Special Situations**: Specific and uncorrelated investments generated by specific factors in stressed and distressed debt.

In this way, we aim to manage fund performance anti-cyclically, analysing individual risk premia across various types of credit and guided by the evolution of the economic cycle, rates and currencies.

Combing the globe for the best investment opportunities

While the European Central Bank's stance on whether we are at the peak of the rate hiking cycle remains slightly more uncertain than the Federal Reserve, we believe European corporate bonds offer significant advantages compared to other regions. Leverage in European corporates is low, especially within investment grade. At the same time, European investment grade bonds spreads are at historically high levels, given the impact of recent market dislocations.

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Specifically, following the Credit Suisse crisis, European banks spreads widened to compensate investors with higher yields. It is possible to invest across the entire capital structure of banks, taking

MILESTONES

This month, we are proud to announce that Plenisfer Investments celebrates two key milestones:

- The **3-YEAR ANNIVERSARY** of the multi-strategy Plenisfer Destination Value Total Return fund (download the factsheet here)
- The **LAUNCH of the new Plenisfer Destination Dynamic Income fund**

KEY TAKEAWAYS

- The new Plensifer Destination Dynamic Income fund is a high-conviction, unconstrained, go-anywhere bond fund, that seeks to find 'best-idea' fixed income investments while navigating volatility.
- The fund invests according to three strategies: Income, Macro Opportunities and Special Situations.
- The manager believes that now is a good time to invest in the attractive yields offered by short- to medium-dated government bonds, combined with compelling corporate bond yields.

[1] This is an internal expected target return and not a promise on performance as this target return is not guaranteed. The investment objective may not be reached and you may not get back your initial investment amount.

varying degrees of risk while achieving substantial returns, which we believe is an extremely interesting opportunity.

We see substantial risk associated with the real estate sector, particularly in the Nordic countries. However, by carefully selecting companies with quality assets and low loan-to-value ratios, it is still possible to achieve returns ranging from 5 to 6%. In terms of government bonds, we view Italian BTPs, specifically the 2-5 year part of the curve, as attractive.

> We believe that inflation will be a rather resilient phenomenon ”

Looking further afield, we see plenty of opportunities in Latin America. Given the complexity of the region, it is harder to access for investors, requiring specialized expertise, skills, and knowledge. We are also interested in Southeast Asia where Indonesia offers interesting USD returns. Emerging markets as a whole offer opportunities to enhance portfolio yields, and we like economies with strong fundamentals. After the strong recent performance in local currencies by Brazil, Mexico and Indonesia, we favor the risk-adjusted returns offered by USD bonds, both in the corporate and sovereign space.

In terms of duration, given the current inversion of the US 2-10 year Treasury rate, we hold a steepening stance in the portfolio. We expect the normalization of the yield curve to generate strong returns.

Outlook: Stay flexible

Looking at the recent market events, we think that the fragility of the financial system imposes a ‘pause for reflection’ on central banks, stuck in the dilemma between managing system stability and fighting inflation. In the short term, the risk of recession is growing stronger, although a possible cyclical return of inflation cannot be excluded. That’s why we favour a cautious approach that balances short-dated government bonds with higher carry offered by quality crossover names and selective special situations. Given the uncertainty surrounding monetary policies and the slowdown in the economic cycle, we believe a flexible, unconstrained bond fund such as ours is well-placed to capitalise on the fixed income opportunities this environment presents.

Plenisfer INVESTMENTS

Based in Italy, Plenisfer Investments SGR are goal-based investors, offering unconstrained, total return, multi-asset strategies.

Their ‘New Active’ investment philosophy allocates to strategies rather than asset classes. They focus on identifying idiosyncratic opportunities across a global opportunity set, and do not differentiate between traditional and alternative asset classes. This holistic approach allows the team to build outcome-oriented portfolios.

Plenisfer Investments is part of the Generali Investments platform.

KEY FACTS as at May 2023

Fund Manager	Plenisfer Investments team	**SFDR Classification** [3]	Article 8
ISIN (IX, EUR, Cap)	LU2597958938	**Entry / Exit charge (%)**	0% / 0%
Inception Date	11 May 2023	**Management fee** [4]	0.77%
Investment objective [2]	The objective of this Fund is to achieve an attractive risk adjusted total return through medium-term capital appreciation and income generation	**Performance fee** [5]	15%
		Investment Manager	Plenisfer Investments
Currency	EUR	**Management Company**	Generali Investments Luxembourg
Domicile	Luxembourg		

[2] The Fund is not a guaranteed product. There is no guarantee that the investment objective will be reached or that investors will reach a return on capital. Investors may risk losing part or all their initial investment (risk of capital loss). [3] SFDR DISCLOSURES The Fund is categorised as one that promotes environmental or social characteristics pursuant to Article 8 of EU Regulation 2019 2088 on sustainability related disclosures in the financial services sector (and does not have a “sustainable investment” objective as defined by SFDR. [4] Include management fees and other administrative or operating costs. [5] The performance fee is calculated in accordance with the “High Water Mark with Performance Fee Benchmark” mechanism with a Performance Fee Rate of 15.00% per annum of the positive return above the “€STR Index”. The actual amount will vary depending on how well your investment performs.

RISK AND REWARD PROFILE

Lower risk | Higher risk

1	2	3	4	5	6	7

Potentially lower rewards | Potentially higher rewards

Main risks (non-exhaustive list): Interest rate risk, Credit risk, Equity risk, Emerging markets risk (including China), Frontier markets risk, Foreign exchange risk, Volatility risk, Liquidity risk, Derivative risks: when using derivatives, the use of leverage may increase the potential risk of loss or the potential return, Short exposure risk, Distressed debt securities risk, Securitized debt risk, Contingent capital securities ("CoCos") risk.

The summary risk indicator: 3 (medium-low risk class). The risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the market or because we are not able to pay you. The lowest risk category does not mean "risk free". Beside the risks included in the risk indicator, other risks may affect the fund performance, please refer to the fund prospectus.

For more information on the risks of the Fund, please refer to the relevant section of the prospectus.

IMPORTANT INFORMATION