OTP EMEA Derivative Bond Fund

Introduction (A series)

Name:	OTP EMEA Bond Fund
Kind, type:	open-ended, public, bond
Name of fund manager:	OTP Fund Management
Start of the fund:	12/15/2011
Benchmark:	80% ICE BofA BBB&Lower EMEA Sovereign EUR External Debt + 20% ZMAX
ISIN	HU0000711015
Bloomberg	OTPEMBD HB Equity

Portfolio managers

András Büki, CFA
Investment director

Mátyás Sárvári
Portfolio manager

Prizes

2015 PRIVÁTBANKÁR.HU JUNIOR KLASSZIS
AZ ÉV LEGÍGÉRETESEBB SZABAD KÖTVÉNY ALAPJA

ALAPKEZELŐ klasszis 2025
LEGJOBB SZABAD KÖTVÉNY ALAP
OTP EMEA ALAP
1. HELYEZETT

Investment policy

The Fund is actively managed aiming to outperform its benchmark following a rather unconstrained, total return investment strategy. The Fund aims to provide access to the emerging economies' higher return potential and may have concentrated positions in emerging market currencies and bonds from time to time. Bonds in these countries tend to be more volatile than bonds of advanced economies and carry excess liquidity risk. Even though the Fund's predominant investment region is the EMEA region, it does not necessarily track the performance of the region closely. The investment rationale is based on fundamental macro analysis looking to identify long-term price misalignments in the market.

Monthly Statement

Macro environment:
The risk-seeking mood persisted on bond markets in the new year. In contrast to the sideways movement of developed market bonds (US, EU), the yields of riskier securities fell again. Investors forced to buy due to abundant liquidity rushed to emerging market issues. We expect interest rate cuts to continue in most markets in 2026. The market is currently pricing in two cuts in the US, while no change is expected in the eurozone. In most emerging countries, relatively higher real interest rates still provide sufficient ammunition for monetary easing. Our inflation and fiscal expectations, which have a greater impact on the long end of the yield curve, are pessimistic overall, so we are only selectively buying long bonds in cheaper segments where fundamentals are strong (e.g., Norway) or the risk-return potential is attractive (Brazil, Mexico, Austria). In addition, we consider active trading and taking tactical positions to be a rewarding strategy. Yield spreads are approaching their 2007 lows, which we have long considered to be overly optimistic. We expect yields to widen during the year, so we are drastically underweighting the benchmark in the Fund's composition and instead holding securities that we believe offer more attractive risk-return potential.

Changes in the Fund:
In January, the Fund outperformed the benchmark thanks to the outperformance of non-benchmark securities and currency positions.
We sold the 2028 Senegalese hard currency government bond purchased in December with a profit of 6-9%, and realized a profit on the 2033 issue. Later, with the correction of exchange rates, we purchased a 2031 bond. Later, with the correction of exchange rates, we bought 2031 securities. We traded the 2052 inflation-indexed US government bond in a range and further increased our position in long-term supranational bonds denominated in Mexican pesos. On the currency front, we used the strengthening forint exchange rate to increase our short position with EURHUF purchases. The position is currently 45%. In the medium term, we expect a significant depreciation of the US dollar. Following the inauguration of the US administration last year, there has been a sharp shift in foreign policy. The spectacular change in rhetoric and the constant threats of tariff policy, even against countries considered friends, have begun to undermine confidence in the federal system and the dollar. This will further erode the USD's role as a reserve currency, although this will be a slow process due to its dominant role in the financial system. In addition, a new Fed chair will take office in the spring, and the government has high expectations for a rapid resumption of the interest rate reduction cycle, regardless of economic developments. In the shadow of the midterm elections, we do not expect any significant improvement in the loose fiscal situation. As a result, we opened a 33% short position through EURUSD purchases. We actively traded the Norwegian krone against the euro and the Swedish krona. Overall, we closed the EURNOK short position with the correction of the exchange rate, so only NOKSEK long remains in the Fund. The Japanese yen and Korean won have weakened significantly in recent times, despite the soaring stock markets in these countries. The low interest rate environment has kept both currencies under pressure, and their real exchange rates have fallen to remarkably low levels.

OTP EMEA Derivative Bond Fund

Net asset value & price

	Currency	Amount
Net Asset Value*	HUF	22 767 621 660
Price**	HUF	2,157608

*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: 3 years

Annualized past performances

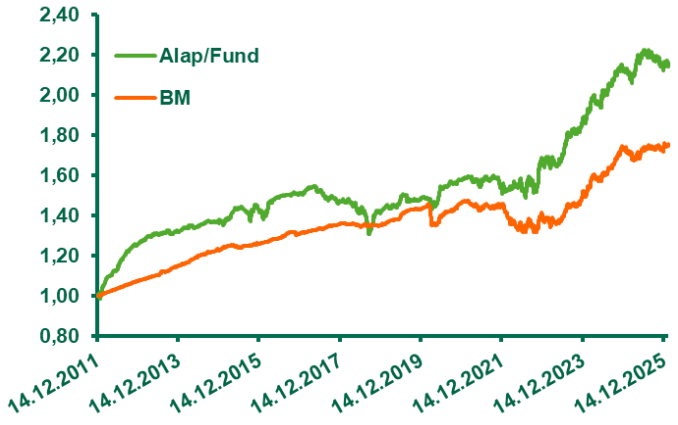
Annual returns*	1Y	3Y	5Y	10Y	From launch
Fund	2,39%	8,80%	6,37%	4,37%	5,59%
Performance index**	2,29%	8,42%	3,63%	3,31%	4,06%
Relative return	0,10%	0,38%	2,74%	1,06%	1,53%

*Net returns based on net asset value. For periods longer than 1 year, net returns are annualized (compound interest, 1 year = 365 days).
**Performance index is used only for success fee calculation.

Risk indicators

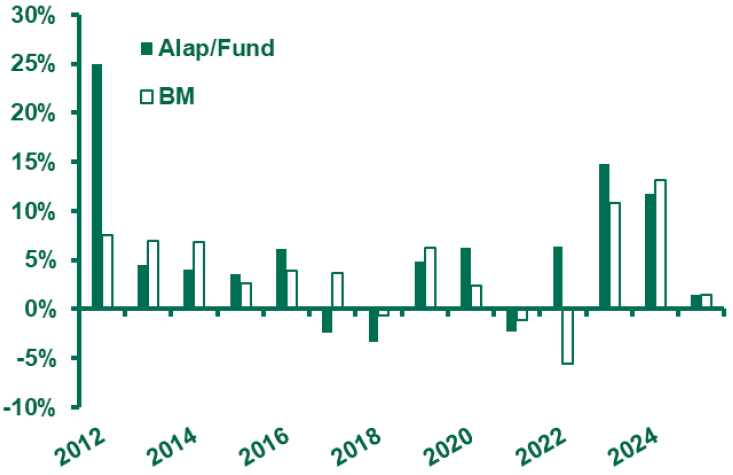
Risk indicators	1Y	3Y	5Y	10Y	From launch
Deviation	6,35%	5,70%	5,92%	4,96%	4,54%
Max. drawdown	-4,64%	-4,64%	-6,81%	-15,45%	-15,45%

Performance chart



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

Calendar years performance



Total net risk exposure*

262,89%

*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%

NGB 3 08/15/2033

Asset composition

Asset	Ratio
Deposits	2,3%
T-bills	0,0%
Government bonds	83,7%
Mortgage bonds	0,0%
Other bonds	16,2%
Equities	0,0%
Investment fund units	0,0%
Other	-2,2%

Portfolio

Positions above 10% of the NAV
NOK Long, SEK Short, USD Short, FRENCH DISCOUNT T-BILL, EU BILL, NORWAY GOVERNMENT BOND
Positions above 50% of the NAV
None
Positions above 100% of the NAV
EUR Long, HUF Short

OTP EMEA Derivative Bond Fund

Effective duration

Effective duration	5,45

Time to maturity (years)

Time to maturity	Ratio
0 to 1	54,99%
1 to 3	3,73%
3 to 5	0,06%
5 to 10	20,76%
10 +	19,90%
Other	0,57%

Distribution

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