otp Fund Management

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, CFA
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:

US yields rose by 8-10 basis points throughout the month, while European yields fell marginally. The US Department of Justice launched a criminal investigation into Fed Chairman Powell over the $2.5 billion renovation costs of the Fed headquarters. This time, Powell took up the gauntlet and, in a firm statement, clearly assessed the unprecedented move as pressure from President Trump to force interest rate cuts – which, incidentally, had no major market impact. At its meeting at the end of the month, the Fed acted in line with expectations, highlighting developments that justified a wait-and-see approach in its statement: the labor market appears to be stabilizing and economic growth is solid. There were two supporters of the 25bp cut, one of whom, Waller from Dallas, expressed his dissenting opinion in a separate statement, arguing that interest rates above the long-term level of 3% would curb economic activity and that, given the underlying trends in the labor market, monetary policy should move closer to neutral, also taking into account that the inflationary effects of the tariffs introduced fell short of expectations. At the end of the month, President Trump nominated Kevin Warsh as his candidate for the position of Fed chairman, who, based on his previous statements, supports lower interest rates and a reduction in the Fed's balance sheet. Among geopolitical developments, the year began with the capture of Venezuelan President Maduro and his transfer to the US, followed by Trump once again putting the acquisition of Greenland on the agenda, in a much more aggressive manner than before. The issue also stirred up emotions within NATO and threatened to escalate into a trade war with the exchange of tariff threats between the US and the EU. At the Davos forum, however, NATO Secretary General Rutte softened the US president's stance by promising military cooperation and allowing US access to the island's mineral resources. In addition, in response to the ongoing protests in Iran, the US deployed significant naval and air forces to the Persian Gulf in the middle of the month. Oil prices did not react strongly to developments in Venezuela, but rather fell in response to increased supply. However, news from Iran pushed Brent crude prices from around $60 to $70, dragging the Norwegian krone with it. The announcement of early lower house elections in Japan caused greater movement in the market. Prime Minister Takaichi is trying to use his personal popularity to secure a majority behind his growth-supporting budget plans. Japanese bond yields jumped to new highs and the yen weakened to 159 against the dollar. In response, US Treasury Secretary Bessent emphasized that some Asian currencies are not following fundamentals. The Fed then publicly approached US banks with "exchange rate concerns," causing the USDJPY to plummet from 159 to 153 and the KRW to fluctuate. Mirroring the yen's strength, the dollar also weakened significantly, breaking through the upper band of 1.18 against the euro and turning back above the 1.20 level. The Turkish lira continued its sliding depreciation, which lagged behind its interest rate, supporting the fund's overall performance, while the Indian rupee sank to a new low despite the central bank's restrained intervention. The Brazilian real strengthened significantly during the month.

Changes in the fund:

With rising yields and a steeper yield curve, we closed our long-term bond futures shorts, thereby extending the fund's dollar duration. We continued to reduce our credit risk exposure by selling below-investment-grade corporate bonds. We purchased 5-year euro bonds from the Romanian subsidiary of Raiffeisen. In sovereign issuances, we purchased 4- and 8-year euro bonds from North Macedonia. We realized profits in several stages on the Norwegian krone, which began to strengthen in response to the surge in oil prices. The strengthening was also supported by the fact that the latest Norwegian inflation data remained above expectations and targets, prompting the central bank to signal that it would maintain its benchmark interest rate at 4%, the highest among developed markets. We opened a short position in the forint at an exchange rate of EURHUF 381 for tactical purposes. We closed our long positions in GBP and SEK with a profit amid the wave of dollar weakness.

OTP Meta Derivative Global Bond Fund

Net asset value & price

	Currency	Amount
Net Asset Value*	USD	60 287 154
Price**	USD	1,065447

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

Risk level:

Recommended investment time frame: 2 years

Annualized past performances

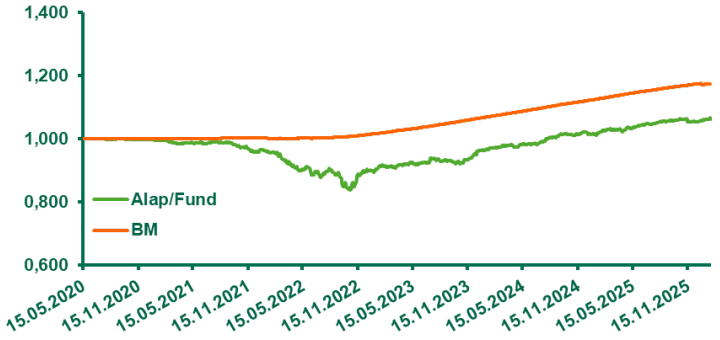
Annual returns*	1Y	3Y	5Y	10Y	From launch
Fund	4,21%	5,37%	1,37%	n.a	1,11%
Benchmark	4,21%	4,87%	3,24%	n.a	2,85%
Relative return	0,00%	0,49%	-1,87%	n.a	-1,73%

*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

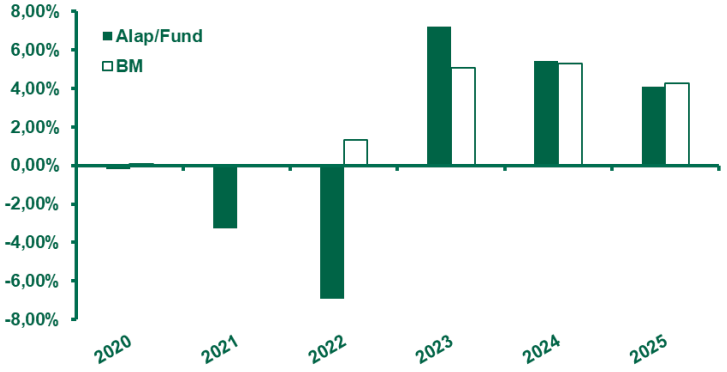
Risk indicators	1Y	3Y	5Y	10Y	From launch
Deviation	1,73%	2,12%	3,00%	n.a	2,81%
Max. drawdown	-0,97%	-1,88%	-15,96%	n.a	-16,33%

Performance chart



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

Calendar years performance



Total net risk exposure*

129,98%

*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	1,2%
T-bills	0,0%
Government bonds	64,9%
Mortgage bonds	0,0%
Other bonds	26,9%
Equities	0,0%
Investment fund units	4,4%
Other	2,6%

Time to maturity (years)

Time to maturity	Ratio
0 to 1	37,54%
1 to 3	12,96%
3 to 5	13,82%
5 to 10	24,56%
10 +	6,73%
Other	4,40%

Effective duration

Effective duration	2,80

OTP Meta Derivative Global Bond Fund

Distribution

Distributor	OTP Bank Nyrt.

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