

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 (GOBA)
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:

The fund's monthly return was 0,27%. The reduction in US nominal yields was bigger than in real yields, causing our duration-neutral strategic inflation-indexed bond position to underperform this month. The yield curve also flattened as long-term yields continued to decline. Due to the US government shutdown, most statistics were not published, but privately sourced data did not show any significant economic slowdown. Although numerous events could have shaken risky assets, neither the new developments in the US-China tariff war focusing on rare earth metals, nor the fading prospects for a Russian-American summit, nor the by now becoming permanent French domestic political crisis had a major impact on investor confidence. Despite growing skepticism about AI-led growth, equity markets climbed to new highs, while risk premiums on emerging market debt tightened to new lows. The strengthening of the dollar was driven on the one hand by the weakening of the yen due to developments in Japanese domestic politics promising both loose monetary and fiscal policies, and on the other hand by what appears to be a return of the narrative of American exceptionalism in the capital markets. We view this turnaround as fragile due to the overheating of tech stocks, so we are trying to approach it cautiously and build our portfolio on investment stories based on individual fundamental considerations rather than on market sentiment.

Changes in the fund:

We received another large capital inflow relative to the size of the fund. We long preferred the Norwegian krone. Reflecting this strategic view we traded the EURNOK currency pair, which followed the mid-month fluctuation in oil prices around the edges of the 11.80-11.60 range within the month, with a profit. We realized profits on the outperforming British bond market. Fearing another turn in the dollar story, we closed our bond currency hedge, thereby opening a long British pound position. However, the UK bond market continued to outperform after the September inflation print came well below expectations. Two of the nine members of the interest rate-setting committee had already voted for an interest rate cut before, and the better-than-expected inflation data generated even stronger expectations of further interest rate cuts, causing the pound to weaken against the already strengthening dollar. Given the volatile expectations that have characterized the year so far, we cannot rule out a return of the dollar's weakening trend. This would be reinforced by the fact that positions have shifted in favor of the dollar in the meantime. In addition, with inflation remaining above target, the market may have gotten ahead of itself in pricing in further aggressive rate cuts from the Bank of England – the pound would also benefit from any correction. In primary issuance we purchased 4-year bonds from Lithuania's Artea Bank and 5-year bonds from Uzbekistan's Ipoteka Bank. We also participated in the Romanian national gas company's 6-year euro issuance and purchased 2.5-year Swedish dollar bonds. Among corporate bonds, we purchased five-year dollar bonds issued by a Norwegian shipping company and 4.5-year euro bonds issued by a French packaging specialist. We purchased Citibank's 5-year euro bonds and Goldman Sachs' 4-year dollar bonds on the secondary market. In addition, we increased our exposure to the Swedish krona bonds of a startup producing environmentally friendly fertilizers and realized profits on the euro bonds of a Swedish camping service provider. We hedged the interest rate risk of the purchases by selling seven-year US government bonds, so our overall interest rate risk remained largely unchanged, apart from the impact from the UK bond position.

OTP Meta Derivative Global Bond Fund

Net asset value & price

	Currency	Amount
Net Asset Value*	USD	57 843 326
Price**	USD	1,060645

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

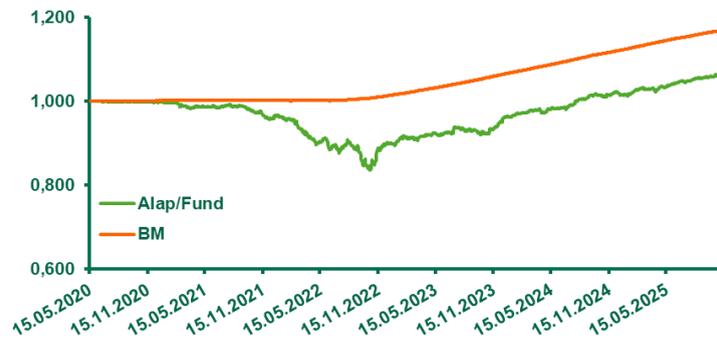
**Net asset value per unit.

Annualized past performances

Annual returns*	1Y	3Y	5Y	10Y	From launch
Fund	4,97%	7,36%	1,22%	n.a	1,08%
Benchmark	4,42%	4,90%	3,05%	n.a	2,80%
Relative return	0,55%	2,46%	-1,83%	n.a	-1,72%

*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*

133,05%

*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	2,0%
T-bills	0,0%
Government bonds	68,0%
Mortgage bonds	0,0%
Other bonds	32,6%
Equities	0,0%
Investment fund units	2,3%
Other	-4,9%

Effective duration

Effective duration	1,40
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Risk level:

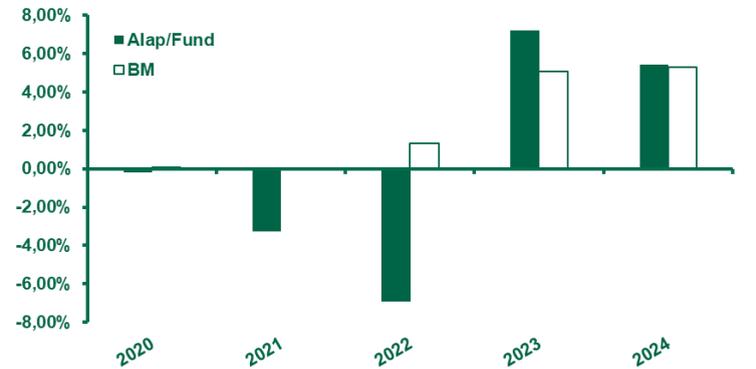


Recommended investment time frame: 2 years

Risk indicators

Risk indicators	1Y	3Y	5Y	10Y	From launch
Deviation	1,78%	2,54%	2,97%	n.a	2,84%
Max. drawdown	-1,00%	-1,88%	-16,18%	n.a	-16,33%

Calendar years performance



Assets above 10%

None

Time to maturity (years)

Time to maturity	Ratio
0 to 1	39,73%
1 to 3	10,52%
3 to 5	20,57%
5 to 10	23,95%
10 +	2,96%
Other	2,26%

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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