

OTP Palette Derivative Mixed Fund

Introduction (A series)

Name:	OTP Palette Derivative Mixed Fund
Kind, type:	open-ended, public, mixed
Name of fund manager:	OTP Fund Management
Start of the fund:	11/17/1997
Benchmark:	15% CETOP + 12,5% MSCI EMU ND + 12,5% MSCI EM ND + 5% MSCI World ND + 55% hozamkorlát (6%)
ISIN	HU0000702881
Bloomberg	OTPPAOE HB Equity

Portfolio managers



Levente Boér,
CFA
Investment
director



Eszter Lokietek,
CFA
Senior
portfolio
manager



Máté Kovács-
Kvotidián, CFA
Portfolio
manager



Olivér Csáti
Portfolio
manager

Investment policy

The Fund aims to outperform its balanced benchmark which consists of balanced portfolio, with a net equity exposure typically between 30%-60%. The Fund has a value based global investment strategy and it does not have any regional and sectorial constraints, but has an EMEA regional bias where the portfolio managers have the most expertise. The diversified portfolio, the low average position size and the long/short equity positions help to maintain the risk and the price volatility at a relatively low level.

Monthly statement

Macro environment:

Global stock markets ended the month on a positive note despite a bumpy ride. US-China relations appeared to sour again in October, but geopolitical tensions eased towards the end of the period. As expected, the Fed cut interest rates by 25 basis points, but Fed Chairman Powell did not commit to another cut in December, as expected by the market, which partly cooled sentiment. The AI rally gained momentum during the month, with industry players announcing increasingly creative investment programs (combined with equity purchases, outsourcing to subsidiaries, and supported by infrastructure investors and loans). These developments continue to urge us to caution, recalling the manias that have repeatedly appeared in the history of capital markets, so while we recognize the pioneering nature of the technology, we continue to avoid the segment of the market that is priced for perfection. European stock markets performed well despite the French government formation "cabaret," with the base rate remaining unchanged. The forint strengthened and fell to a new local low against the euro due to the interest rate differential and the favorable international environment. The period ahead of us is usually seasonally strong, but excessive optimism/positioning can be a counterindicator, and the third-quarter reporting season also promises to be a busy period.

Changes in the fund:

During the month, we increased our exposure to the German real estate market through LEG shares, as we believe it has been underperforming compared to developed market yields. Industry fundamentals are favorable: the decline in real estate prices has stopped, there is a structural shortage in the German residential real estate market due to high construction costs and net immigration, while landlords can only enforce rent increases on existing tenants over time, which suggests predictable revenue growth. It has portfolios in the region with the highest yields and has weathered the recent years of higher interest rates in good shape, which it used to purchase a residential portfolio at a bargain price from a struggling industry player. We have once again taken a position in Verallia, one of the world's largest glass manufacturers, which we had previously held in the Fund, but at the beginning of the year a takeover bid was made for it, and we sold the stock at a premium to the market price at the time of the announcement. After the end of the offer period, the share price fell to early-year levels (-25%), which we again took advantage of to buy. Industry trends have been weak in recent quarters (unfavorable sales mix, lower margins), but valuations have fallen to favorable levels and there are prospects for a significant improvement in margins as the cycle turns. In the technology sector, we took advantage of our favorable position in the market and sold our shares in Austrian microelectronics company AT&S (+44% in October) and Dutch chip machine manufacturer ASML (+11%), and bought put options on the US technology Nasdaq stock index, taking advantage of the optimism surrounding the sector (high valuations, relatively low priced volatility). We sold our 2030 Argentine bond (+18%) after President Milei "escaped" the election and managed to win more seats in the lower house and senate than expected, to which the peso and Argentine assets responded with a sharp rise. The Fund had 53.3% equity-like exposure at the end of October.

OTP Palette Derivative Mixed Fund

Net asset value & price

	Currency	Amount
Net Asset Value*	HUF	47 743 980 330
Price**	HUF	7,924562

*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	7,52%	15,72%	11,42%	6,74%	6,80%
Benchmark	12,52%	12,22%	5,71%	2,80%	3,03%
Relative return	-5,00%	3,50%	5,71%	3,94%	3,77%

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

**From new strategy: 30.12.2011.

Performance chart



The chart shows the periode: from the new strategy (30.12.2011) to last banking day of the month.

Total net risk exposure*

137,23%

*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	9,5%
T-bills	13,1%
Government bonds	9,4%
Mortgage bonds	0,0%
Other bonds	4,7%
Equities	49,6%
Investment fund units	10,6%
Other	3,1%

Risk level:

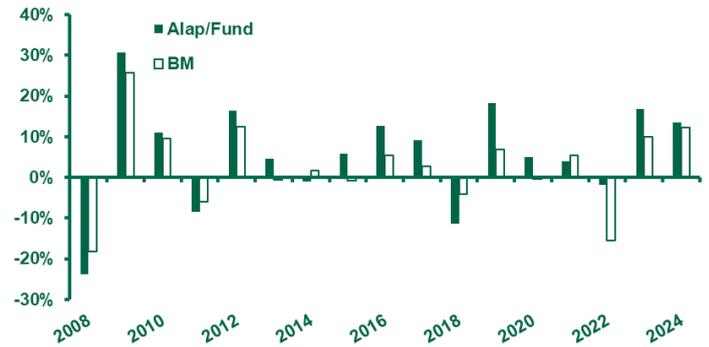


Recommended investment time frame: 3 years

Risk indicators

Risk indicators	1Y	3Y	5Y	10Y	From launch**
Deviation	7,29%	7,51%	10,90%	10,75%	10,11%
Tracking error	3,90%	3,60%	6,77%	6,19%	5,72%
Information ratio	-1,28	0,97	0,84	0,64	0,66
Beta	1,0131	1,1086	0,9165	1,1277	1,1420
Alfa	-5,09%	3,14%	5,67%	4,00%	3,82%
Max. drawdown	-8,15%	-8,15%	-23,09%	-28,95%	-28,95%

Calendar years performance



Assets above 10%

None

Currency composition

Currency	Ratio
Hungarian Forint	44,40%
Euro	26,65%
Polish Zloty	7,28%
Turkish Lira	6,84%
US Dollar	3,92%
Kazakhstani Tenge	3,43%
Hong Kong Dollar	3,13%
South African Rand	1,22%
Chinese Yuan	0,95%
Other	2,16%

OTP Palette Derivative Mixed Fund

Country composition

Country	Ratio
Hungary	25,84%
Cash	12,73%
Poland	8,07%
Turkey	6,82%
Fund/ETF	6,48%
Germany	6,00%
United States	5,27%
Austria	3,76%
France	3,74%
Other	21,29%

Industry composition

Industry	Ratio
Financials	22,20%
Consumer Discretionary	13,37%
Cash	12,73%
Industrials	10,28%
Energy	5,57%
Information Technology	5,16%
Real Estate	2,72%
Communication Services	0,97%
Materials	0,82%
Other	26,17%

Portfolio

Positions above 10% of the NAV

EUR Long *, USD Long *

Positions above 50% of the NAV

HUF Short *

Positions above 100% of the NAV

None

Distribution

Distributor

OTP Bank Nyrt.

Distributing partners

Concorde Értékpapír Zrt., Raiffeisen Bank Zrt., Erste Befektetési Zrt., MBH Bank Nxrt., MBH Befektetési Bank Zrt., SPB Befektetési Zrt., Unicredit Bank Hungary 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