

OTP Strategic EUR Bond Fund

Introduction (A series)

Name:	OTP Strategic EUR Bond Fund
Kind, type:	open-ended, public, bond
Name of fund manager:	OTP Fund Management
Start of the fund:	11/29/2023
ISIN	HU0000733472
Bloomberg	OTPSEBA HB Equity

Portfolio managers



István Tóth, CFA
Senior portfolio
manager



Katalin Dóra
Tombácz
Portfolio
manger

Investment policy

The fund's objective is to achieve return above the set minimum return target, while keeping volatility at modest levels. The fund aims to provide access to the euro hard currency fixed income universe; thus, the predominant risk exposure is the European Union. The fund is actively managed and its advantage is an unconstrained strategy to asset allocation, which enables the execution of an all-weather approach within the fixed income universe. The fund can take on leverage and may apply derivative positions.

Monthly statement

Macro environment:

In October, the ECB left its key interest rate unchanged, as inflation hovered near target (HICP ~2%) and the eurozone economy showed resilience amid global uncertainties. This marked the third consecutive decision with no rate change. President Lagarde emphasized that there is no pre-committed rate path; decisions will remain data-dependent. Rate cuts have been priced out for this year, and markets now expect a terminal rate around 1.80%.

While the euro area remains broadly stable, France's fiscal challenges persist, and Germany faces concerns over stalled fiscal reforms and economic stagnation. The yield curve flattened slightly, with long-term German government bond yields falling by 8 basis points.

Credit markets remained broadly unchanged: spreads in both Euro IG and HY segments moved only marginally and ended the month at similar levels.

In contrast, the U.S. Federal Reserve continued its rate-cutting cycle, delivering a 25 basis point cut at the end of October despite the lack of economic data due to a government shutdown. Additionally, the Fed announced it will conclude its balance sheet runoff in early December, signaling a shift toward a more accommodative stance. Rate path uncertainty increased following hawkish Fed communication, partially pricing out the previously expected year-end cut. Long-term yields traded in a 20 basis point range and closed 10 basis points lower.

Markets were shaken by renewed U.S.-China trade tensions early in the month, initially triggering a correction. However, as escalation was avoided, sentiment stabilized. The dollar and U.S. assets began to regain their safe-haven status, with the dollar strengthening against the euro throughout the month. Markets appear less concerned about long-term consequences of trade war threats.

Changes in the fund:

The fund's euro-denominated series rose by 0.39% in October, while the HUF-denominated class gained 0.67%. Duration was maintained around 3 years.

We participated in new issuance, purchasing Uzbek som-denominated bonds from Ipoteka Bank, a subsidiary of OTP Bank. On the secondary market, we acquired 2-year Romanian euro-denominated government bonds and built a position in Bulgarian 2045 euro-denominated sovereigns. Expecting a spread tightening versus eurozone peers, we hedged this position with a short in 10-year German Bund futures. We anticipate that Bulgaria's planned eurozone accession in January 2026 could lead to a 40-50 basis point spread compression, similar to Croatia's experience.

We rotated our euro-denominated position in the Polish development bank (with state guarantee) into Polish sovereign bonds, as the narrowing spread justified holding higher-quality government paper.

We added to our short position in U.S. 10-year Treasury futures, which began to perform later in the month.

Additionally, we purchased structured products from JP Morgan and Morgan Stanley, offering HUF-denominated coupons around 9-10%, contingent on 6-month BUBOR remaining below a specified threshold.

OTP Strategic EUR Bond Fund

Net asset value & price

	Currency	Amount
Net Asset Value*	HUF	118 889 984 732
Price**	EUR	1,100000

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

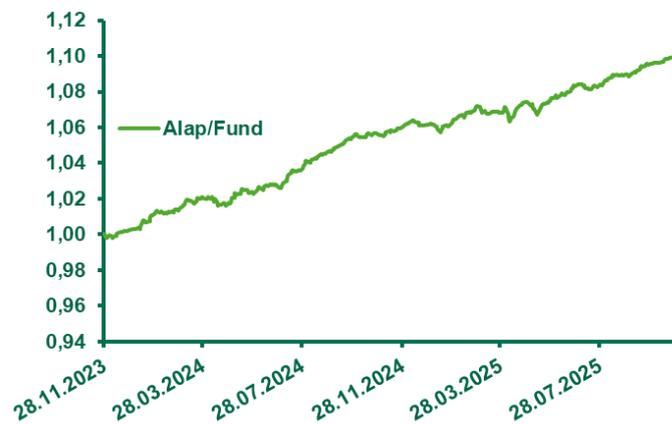
**Net asset value per unit.

Annualized past performances

Annual returns*	1Y	3Y	5Y	10Y	From launch
Fund	4,20%	n.a	n.a	n.a	5,08%

*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*

116,70%

*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	9,2%
T-bills	0,0%
Government bonds	42,2%
Mortgage bonds	0,0%
Other bonds	47,9%
Equities	0,0%
Investment fund units	0,0%
Other	0,7%

Risk level:

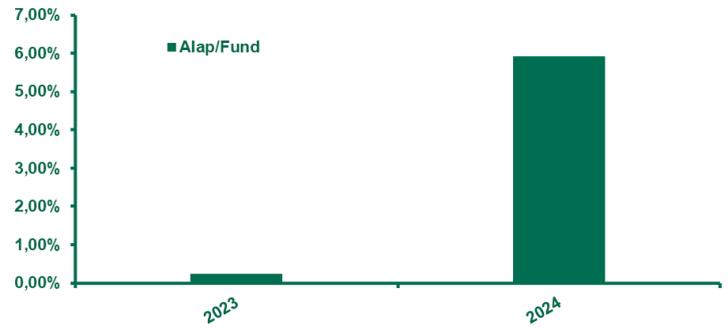


Recommended investment time frame: 3 years

Risk indicators

Risk indicators	1Y	3Y	5Y	10Y	From launch
Deviation	1,15%	n.a	n.a	n.a	1,21%
Max. drawdown	-0,79%	n.a	n.a	n.a	-0,79%

Calendar years performance



Assets above 10%

None

Time to maturity (years)

Time to maturity	Ratio
0 to 1	33,58%
1 to 3	14,86%
3 to 5	15,87%
5 to 10	18,27%
10 +	17,42%
Other	

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Effective duration

Effective duration	2,88
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TOP 10 instruments

Instrument	Weight
BGARIA 4.125 07/18/2045	3,72%
A410425A20	3,18%
POLGB 2 08/25/2036 INFL LINKED	2,99%
BTF 0 11/19/2025	2,94%
ROMANI 5 09/27/2026	2,91%
POLGB 1.75 08/25/2031 INFL LINKED	2,31%
MAGYAR 4.375 06/27/2030	2,19%
MT NA ECP 09/04/25-11/04/25 2.3 EUR	1,96%
A381027A18	1,74%
MAEXIM 4.5 11/27/2031	1,74%

Distribution

Distributor	OTP Bank Nyrt.
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Disclaimer

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