

# AMUNDI FUNDS ABSOLUTE VOLATILITY WORLD EQUITIES - FU

MONTHLY  
REPORT

31/01/2017

## ABSOLUTE PERFORMANCE

### Key information (source : Amundi)

Net Asset Value (NAV) : 76.55 ( USD )  
NAV and AUM as at : 31/01/2017  
Assets Under Management (AUM) :  
980.13 ( million USD )  
ISIN code : LU0557872800  
Bloomberg code : AVWEFUC LX  
Benchmark : None

### Investment Objective

The sub-fund aims to achieve a positive return in any type of market condition (absolute return strategy). Specifically, the sub-fund seeks to outperform (after applicable fees) the USD LIBOR 1-month index + 3% a year over any given 3- year period, while offering controlled risk exposure.

### Risk & Reward Profile (SRII)



Lower risk, potentially lower rewards

Higher risk, potentially higher rewards

The SRII represents the risk and return profile as presented in the Key Investor Information Document (KIID). The lowest category does not imply that there is no risk. The SRII is not guaranteed and may change over time.

### Returns

#### Performance evolution (rebased to 100) \* from 06/07/2011 to 31/01/2017



#### Cumulative returns \*

	YTD	1 month	3 months	1 year	3 years	5 years	Since
Since	30/12/2016	30/12/2016	31/10/2016	29/01/2016	31/01/2014	31/01/2012	06/07/2011
Portfolio	-2.95%	-2.95%	-4.37%	-7.10%	-12.17%	-27.38%	-23.66%

#### Calendar year performance \*

	2016	2015	2014	2013	2012
Portfolio	-1.99%	-3.09%	-3.88%	-13.28%	-5.46%

#### Monthly performance \*

	January	February	March	April	May	June	July	August	September	October	November	December	Year
2017	-2.95%	-	-	-	-	-	-	-	-	-	-	-	-2.95%
2016	2.39%	1.08%	-2.83%	0.99%	-1.30%	2.36%	-1.89%	-0.26%	-0.93%	0%	-0.80%	-0.67%	-1.99%
2015	-0.05%	-2.78%	0.94%	-0.79%	-2.15%	0.62%	-1.87%	3.57%	1.66%	-2.26%	-0.46%	0.63%	-3.09%
2014	0.88%	-1.68%	-0.62%	-1.30%	-1.50%	-1.73%	1.60%	-2.09%	0.56%	0.21%	-0.01%	1.84%	-3.88%
2013	-4.57%	-0.26%	-0.45%	-1.35%	0.13%	0.86%	-2.97%	1.99%	-2.43%	-2.41%	-1.00%	-1.53%	-13.28%
2012	0.03%	-0.52%	-1.91%	0.26%	2.73%	-1.71%	-0.83%	0.02%	-3.05%	-1.31%	-0.94%	1.77%	-5.46%
2011	-	-	-	-	-	-	-0.07%	1.94%	-0.33%	1.39%	0.82%	1.26%	5.09%

\* Source : Amundi. The above results pertain to full 12-month period per calendar year. All performances are calculated net income reinvested and net of all charges taken by the Sub-Fund and expressed with the round-off superior. Past performance is not a reliable indicator of future performance. The value of investments may vary upwards or downwards according to market conditions.

#### Exposure grid (Vega)

Implied volatility 1 Year	Vega*
>35%	-1 with +/-1
30%-35%	-0.5 with +/-1
25%-30%	0 with +/-1
20%-25%	+1 with +/-1
15%-20%	+2 with +/-1
<15%	+3 with +/-1

The Exposure grid is indicative. Fund managers have a +/-1 discretion to the exposure grid. The grid may be reviewed from time to time depending on changes in the environment.

\* Vega exposure: measures sensitivity of the fund for every 1% change in implied volatility

#### Risk analysis (rolling)

	1 year	3 years	5 years
Portfolio volatility	5.37%	5.75%	5.82%
Sharpe ratio	-1.37	-0.76	-1.08

#### Performance analytics

	Inception to date
Maximum drawdown	-28.80%
Worst month	01/2013
Lowest return	-4.57%
Best month	08/2015
Highest return	3.57%



**Gilbert Keskin**  
Co-Head of Volatility & Convertible Bonds

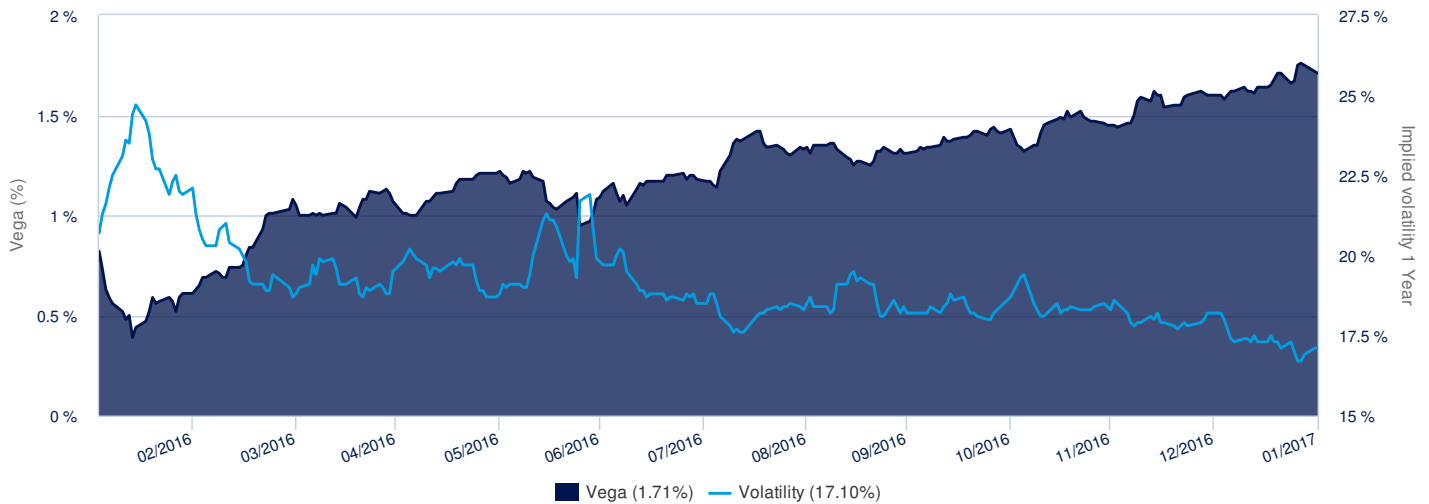


**Eric Hermitte**  
Co-Head of Volatility & Convertible Bonds

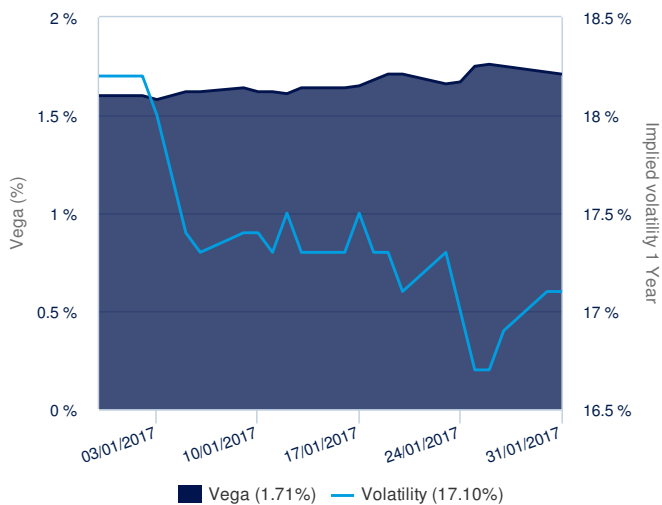
**Management commentary**

Equity markets were largely trendless and barely volatile in January. The European index Euro Stoxx 50 was down 1.7% whereas the US market reached new highs (S&P 500 +1.9%) and Japan is almost flat (Nikkei 225 -0.4%). The strong dispersion of sector performances led to very low realised volatility of major indices this start of the year (S&P 500 at 6.1%, Euro Stoxx 50 at 10.2% and 16.4% for the Nikkei 225 in January). In this context, implied volatilities were down for all indices and across the entire maturity range. The VSTOXX ends down 0.7 points at 17.4% despite the market being down, while the VIX, for the US, sheds over 2 points at 12%. The 1-year implied volatility of our global basket dropped 1.1 points (S&P 500 -1.2% ; Euro Stoxx 50 -1.1% ; Nikkei 225 -0.7% ; HSI -1.6% ; HSCEI -1.95%) and reached near a 2 year low at 17.1%. Medium term volatilities remained resilient at the end of last year, sustained by strong demand, which came from investors massively seeking upside exposure via call options and from hedging activity in connection to maturing structured products. The start of the year showed the flipside, with the retracement of volatility significantly hurting the portfolio. The directional engine contributed negatively (-1.83%) due to our average Vega exposure of 1.66 over the month. The second engine ("active management") did not allow to offset the costs of being long volatility and thus increased the loss over the month. Indeed, the downward move of volatility was fairly regular and did not provide opportunities for active trading. Furthermore, replication costs rose due to extremely low realised volatility (high cost of carry) and due to the steepening of the term structure throughout the 4th quarter of 2016, which led to costs of roll (i.e. cost of maintaining a 1-year average maturity) penalising again performance. We took advantage of the rising risk appetite to increase slightly our volatility exposure at attractive levels. At the end of January the Vega stands at 1.71 after reaching 1.76 during the month. The geographic allocation did not change much this month, with Asia overweight at the expense of the US (37% US ; 34% Europe ; 29% Asia). Within Asia, we increased the weight of China to 9%, with a higher exposure to the HSCEI than the HSI. Indeed the former reached very attractive volatility levels from a historic perspective. So far markets do not seem wary of upcoming events in both Europe and the US. Nevertheless some investors seize the current low volatility levels to protect their equity portfolios. Rising uncertainties surround in particular the implementation of Trump's economic programme and the outcome of upcoming elections in various European countries. This reinforces our belief that markets are currently too complacent and that turmoil lies ahead, potentially in the coming weeks.

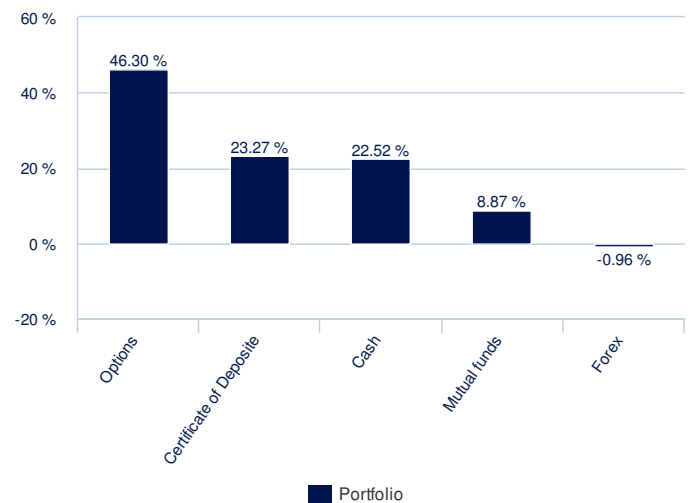
**Vega and implied volatility evolution during the last 12 months**



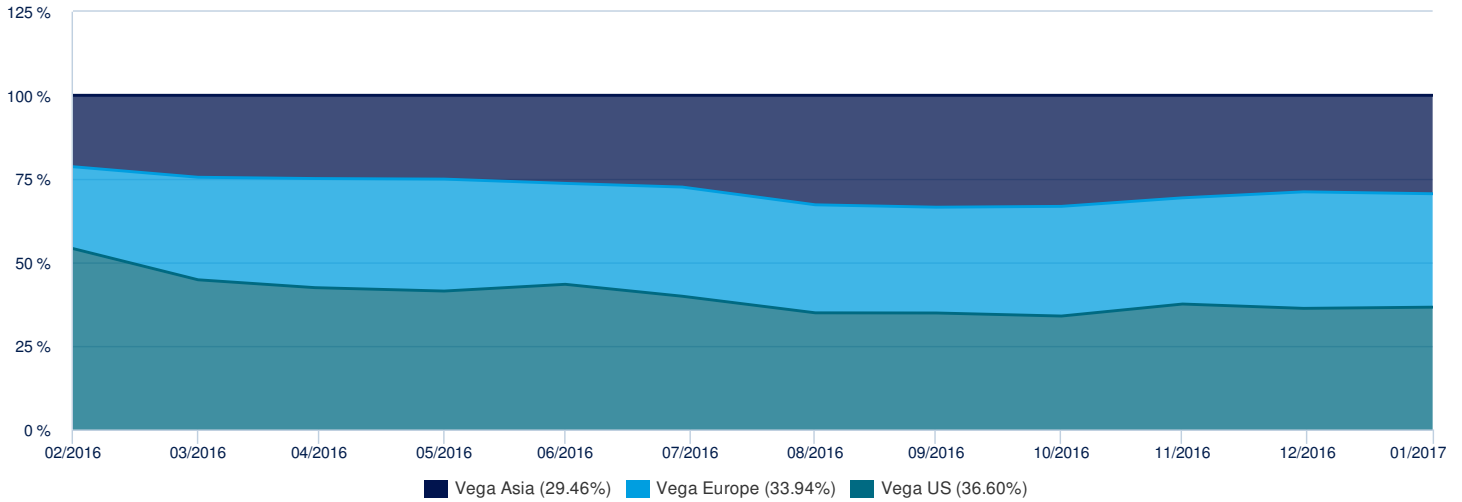
**Vega and volatility evolution during the month**



**Breakdown by instrument type**



Geographical breakdown



Performance contribution

	Performance	1 yr Implied volatility			Gross Performance Contribution			
		Start	End	Average Vega	Engine 1 : Directional <sup>1</sup>	Engine 2 : Vol of vol <sup>2</sup>	Engine 3: Geo <sup>3</sup>	
YTD 2017	-2.95%	YTD 2017	18.20%	17.10%	1.66%	-1.83%	-0.87%	-0.07%
January 2017	-2.95%	Jan-2017	18.20%	17.10%	1.66%	-1.83%	-0.87%	-0.07%
December 2016	-0.67%	Dec-2016	18.30%	18.20%	1.55%	-0.16%	-0.37%	0.05%
November 2016	-0.80%	Nov-2016	18.70%	18.30%	1.44%	-0.58%	-0.28%	0.24%
2016	-1.99%	2016	19.10%	18.20%	1.15%	-1.04%	0.60%	0.67%
2015	-3.09%	2015	19.10%	19.10%	1.35%	0.78%	-1.98%	0.17%
2014	-3.88%	2014	17.40%	19.10%	1.59%	3.15%	-5.50%	0.85%
2013	-13.28%	2013	20.20%	17.40%	1.24%	-3.40%	-6.89%	-1.01%
2012	-5.46%	2012	24.70%	20.20%	1.01%	-2.10%	-2.01%	0.74%
		2011	22.10%	24.70%	0.52%	-0.06%	4.85%	1.64%
		2010	23.50%	22.10%	0.47%	1.05%	4.51%	0.19%
		2009	36.90%	23.50%	-0.13%	2.80%	5.07%	1.33%
		2008	21.70%	36.90%	0.50%	2.05%	19.20%	5.36%

<sup>1</sup> Directional 1: Calculated monthly as follows: (Implied Volatility End – Implied Volatility Start) \* Average Vega  
<sup>2</sup> Vol of Vol 2: Calculated monthly as follows: Gross Return – Other Engines. Includes replication and carry costs.  
<sup>3</sup> Geo 3: Calculated monthly separately against a weighted-average using internal model

## Information

Fund structure	UCITS
Applicable law	under Luxembourg law
Fund Manager	Amundi Luxembourg SA
Delegated Management Company	Amundi Asset Management
Sub-delegated Management Company	Amundi Japan Ltd
Custodian	CACEIS Bank, Luxembourg Branch
Share-class inception date	22/11/2010
Share-class reference currency	USD
Type of shares	Accumulation
ISIN code	LU0557872800
Minimum first subscription / subsequent	1 thousandth(s) of (a) share(s) / 1 thousandth(s) of (a) share(s)
Frequency of NAV calculation	Daily
Dealing times	Orders received each day D day before 14:00
Entry charge (maximum)	0%
Maximum direct annual management fees including taxes	1.50% IAT
Maximum indirect annual management fees including taxes	-
Performance fees	Yes
Maximum performance fees rate (% per year)	20 %
Performance fees details	USD LIBOR 1-month + 3%
Exit charge (maximum)	0%
Ongoing charge	2.33% ( realized ) - 25/10/2016
Minimum recommended investment period	3 years
Benchmark index performance record	15/11/2007: None

This document is designed exclusively for institutional, professional, qualified or sophisticated investors and distributors. It is not meant for the general public or private clients of any jurisdiction or those qualified as 'US Persons'. Approved investors in regard to the European Union are those which are defined as "Professional" investors in Directive 2004/39/EC of 21 April 2004 "MiFID" or, as the case may be, as defined under each local legislation and, insofar as the offer in Switzerland is concerned, "qualified investors" as set forth in the federal Law on Collective Investments (LPCC), the Ordinance on collective investments of 22 November 2006 (OPCC) and the FINMA 08/8 Circular regarding the legislation on collective investments of 20 November 2008. This document shall not, under any circumstance, be sent within the European Union to non "Professional" investors as defined by the MFI or under each local legislation, or in Switzerland to those investors which are not defined as "qualified investors" in the applicable law and regulations.

## Legal information

This document is provided for information purposes only and does not constitute a recommendation, a solicitation, an offer, advice or an invitation to purchase or sell any units or shares of the fund (FCP), collective employee fund (FCPE), SICAV, SICAV sub-fund or SICAV investing primarily in real estate (SPPICAV) (collectively, "the Funds") described herein and should in no case be interpreted as such. This document is not a contract or commitment of any form. Information contained in this document may be altered without notice. The management company accepts no liability whatsoever, whether direct or indirect, that may arise from the use of information contained in this document. The management company can in no way be held responsible for any decision or investment made on the basis of information contained in this document. The information contained in this document is disclosed to you on a confidential basis and shall not be copied, reproduced, modified, translated or distributed without the prior written approval of the management company, to any third person or entity in any country or jurisdiction which would subject the management company or any of the funds, to any registration requirements within these jurisdictions or where it might be considered as unlawful. Not all of the funds are systematically registered in all jurisdictions of all investors. Investment involves risk. The past performances shown in this document, and simulations based on these, do not guarantee future results, nor are they reliable indicators of future performance. The value of an investment in units or shares of the funds may fluctuate according to market conditions and cause the value of an investment to go up or down. As a result, fund investors may lose all or part of the capital originally invested. All potential investors in the funds are advised to ascertain whether such an investment is compatible with the laws to which they are subject and the tax implications of such an investment prior to investing, and to familiarise themselves with the legal documents in force for each fund. Unless stated otherwise, the management company is the source of the data in this document. Unless stated otherwise, the data in this document are correct as at the date specified under MONTHLY REPORT at the beginning of this document.