MAINFIRST

MARKET COMMENTARY

April 2022

MainFirst Top European Ideas Fund &
MainFirst Germany Fund

MainFirst Absolute Return Multi Asset,
MainFirst Global Equities Fund &
MainFirst Global Equities Unconstrained Fund
MainFirst Megatrends Asia

MainFirst Global Dividend Stars &
MainFirst Euro Value Stars

MainFirst Emerging Markets Corporate Bond Fund Balanced &
MainFirst Emerging Markets Credit Opportunities Fund

Marketing communication

MAINFIRST TOP EUROPEAN IDEAS FUND & MAINFIRST GERMANY FUND

Olgerd Eichler, Alexander Dominicus, Evy Bellet, Alexander Lippert

MAINFIRST TOP EUROPEAN IDEAS FUND

A PERSISTENTLY DIFFICULT BACKDROP

The themes of recent weeks have ranged from the subdued global growth outlook, through expectations of more aggressive rate hikes from the Fed, to supply chain issues and the reporting season. Investors were reassured by the fact that companies have to date coped successfully with the economic challenges. Geopolitical tensions and persistent inflation worries will nevertheless continue to dog markets. Although the low valuations of European equities are attractive, there are still plenty of causes for concern. Dominant issues include rising interest rates, sparked by persistently high inflation due to geopolitical developments and the pandemic. The ECB is pursuing a significantly more restrained approach than its US counterpart, which has signalled a major tightening of monetary policy. China's strict management of the Covid-19 pandemic continues to exacerbate supply chain issues. In April alone, yields on 10-year government bonds in the US rose from 2.4% to 2.9%; in Germany, meanwhile, they were up from 0.5% to over 0.9%. The sharp rise in interest rates since the start of the year depressed tech and growth stocks in particular. The euro closed at a five-year low, having fallen below USD 1.05 in the course of the week. Although it came as a relief, the outcome of the French presidential election had very little impact.

The European market trended weaker in April, with the STOXX Europe 600 TR retreating by 0.6%. MainFirst Top European Ideas Fund again struggled, losing around 1.7%.

Tech stocks were extremely weak in general - including in the US. That was also the case for the share price of key fund constituent Atoss Software, which was down 22% in April. Even though the company delivered fundamentally strong results, the share price was buffeted by high expectations as well as profit-taking. Atoss sales were up 13% in the first quarter of 2022, with revenues from cloud solutions up a whopping 77% year-on-year and the proportion of recurring sales climbing to 58% of the total. At 23%, however, the EBIT margin was "weaker" than normal; this was down to the time lag between the strong growth in cloud revenues and a resulting impact on earnings. Results reported by Befesa (-17% in April) were more or less in line with the market consensus; however, the recent sharp fall in the price of some commodities led to profit-taking following a strong run for the steel recycling firm's share price. Amadeus Fire likewise delivered decent results, yet the share price fell by 8% in April.

Glass packaging firm Verallia benefited from exceptionally strong demand and was able to pass on substantial price hikes in order to neutralise the impact of soaring costs. More rounds of price increases are set to follow. The company announced excellent first-quarter results that beat all expectations. Energy and commodity price hedging is proving effective, while competitors will probably report much poorer margins. The share price recovered by 22% in April. Customers are loyal, the risk of imports from other countries is limited, and there remains an undersupply of glass in the market. Customers are demanding more products than Verallia is able to deliver. The company's debt level is also continuing to fall, creating scope for takeovers and further share buybacks. With a 2022 PER of approximately 10x and a dividend yield of around

4%, the shares remain attractively valued in view of the prospect of double-digit sales growth. In addition, Verallia's glass production operations form part of the vital food supply chain and due to their systemic importance are likely to remain up-and-running in the event of any European energy rationing - as was the case during the COVID-19 pandemic. Furthermore, Deutsche Pfandbriefbank (+9%) and Bawag (+6%) performed well on the back of their recent results announcements. The share price of Aareal Bank (+14%) advanced, since there is now a new takeover bid on the table - one that has a much greater likelihood of coming to fruition due to the new, improved terms. ASR Nederland (+2%) reached new all-time highs in this difficult month, bringing its total return to over 200% since its June 2016 IPO.

MAINFIRST GERMANY FUND

PERSISTENTLY HIGH VOLATILITY

Given the current challenges, it is no surprise that equity market volatility remained at a high level in April. Though a human tragedy, the war in Ukraine is no longer the biggest challenge facing capital markets. Crucial factors over the next 12 months will be the extent to which high levels of inflation persist and - coupled with rate hikes - inflict increasing damage on consumer sentiment. From our discussions with companies we have learned that supply chain disruptions and high volatility in cost items such as raw materials and energy - rather than sluggish demand - are the main problem. Assuming that remains the case, these difficulties are temporary and will lead to extensive catch-up potential in the second half of the year.

We continue to use stock picking to provide the appropriate response to these challenges. We are therefore focused on companies with sound management that are able to adapt to overall conditions. Furthermore, our emphasis is on firms that are in a position to show better structural growth than the overall market, and make market share or efficiency gains.

Although sector allocation made a negative contribution last month, we were more than able to offset this effect through stock picking. The winners included not only Deutsche Pfandbriefbank, which advanced by 9%, but also a number of second-tier firms such as Cenit (+16%) and Gesco (+3%).

Even though the factors of uncertainty remain considerable, our meetings with companies provided overwhelmingly positive feedback on the demand situation. Stretched supply chains and higher costs in the short term may mean a weaker quarter for one or two companies, but in many cases, this is likely to be a temporary problem. We therefore remain optimistic for German companies and are particularly pleased with how the reporting season has gone thus far for the stocks in our portfolio.

MAINFIRST ABSOLUTE RETURN MULTI ASSET, MAINFIRST GLOBAL EQUITIES FUND & MAINFIRST GLOBAL EQUITIES UNCON-STRAINED FUND MAINFIRST MEGATRENDS ASIA

Frank Schwarz, Adrian Daniel, Jan-Christoph Herbst, Johannes Schweinebraden

MAINFIRST ABSOLUTE RETURN MULTI ASSET

Markets were weak in April against a backdrop of high inflation and fading growth prospects. Expectations of interest-rate hikes led the Bloomberg Global-Aggregate bond index to shed around 5% in April alone. Rate increases of 50 bps a time are now anticipated at upcoming Fed meetings. The outlook for economic growth is becoming increasingly subdued due to high inflation, and there is now widespread concern about potential stagflation. In the case of the US economy, GDP is already reported to have fallen by 1.4% in the first quarter; meanwhile, the IMF has cut its forecast for global growth in 2022 from 4.4% to 3.6%.

This has unsettled equity markets which have continued to fall over the course of the year so far. With a drop of 13.5%, the Nasdaq index experienced its biggest monthly loss since the 2008 financial crisis.

In view of the deterioration in the market's technical and fundamental situation, the net equity exposure of MainFirst Absolute Return Multi Asset was reduced to 13% in April. Owing to tactical considerations, the fund has a slightly higher cash component at 5%. In addition, the gold exposure was raised to 9% in response to inflation risks.

As for equities, tech firms Nvidia, Amazon, Upstart and Inmode were especially weak. BYD, China Tourism Group and Soitec were the only stocks able to escape the general malaise.

As was the case in the fourth quarter of 2021, the current reporting season for the first quarter of 2022 is delivering very impressive results. Around a third of our companies have already published their numbers, with average organic sales growth of over 40%. This fundamental picture is also likely to be reflected in equity prices in the medium term. Specifically, the exposures in cloud computing, e-mobility and semiconductors delivered solid data points,

with cloud and cloud security players boasting a steady rise in data volumes. The cloud solutions of leading providers Microsoft Azure, Amazon AWS and Google Cloud each saw growth of more than 40%. There are no signs that this is set to slow over the coming years, either. We are therefore sticking with Amazon despite declining e-commerce business.

While total European car sales slumped by 19% in March, manufacturers of electric cars - together with their suppliers - once again achieved record sales. Examples include BYD, Ganfeng Lithium, Tesla and CATL.

Weakness in the Activision share price in March provided a buying opportunity, as the fund management team decided there was minimal risk of the takeover by Microsoft failing for antitrust reasons. The takeover bid of USD 95 per share in cash now represents upside potential of over 20%.

Bond markets were overshadowed by the presidential elections in France. However, confirmation of Emmanuel Macron's return to power led to a stabilisation of interest rate spreads for EU periphery bonds for now at least. The fund's exposure to French and Spanish sovereign bonds currently stands at around 6%. We maintained the basic structure of the bond segment, with a duration of 3.9 and an average rating of AA-. In view of inflationary trends, we continued to increase holdings of gold at a price of nearly USD 1,900 per troy ounce.

At 27%, net exposure to unhedged foreign currency positions is close to the 30% limit, with such positions held primarily for diversification purposes. The Swiss franc and US dollar are once again among the strongest unhedged currencies.

MAINFIRST GLOBAL EQUITIES FUND

The surge in inflation and interest-rate fears led to a further sell-off for rapidly growing companies and detracted from overall performance. With non-cyclical consumer goods and energy the only sectors holding their ground, the global equity market (MSCI World in EUR) shed more than 3% in April.

In view of the deterioration in the market's technical situation, the net equity exposure of MainFirst Global Equities Fund was reduced from 54% to 22% in April. Hedging made a positive contribution to performance of around 3.5%, thus bringing significant stability to the fund price.

Higher commodity prices are one of the key factors driving the current inflationary market backdrop. The "resources" investment theme - with a current portfolio weighting of 14% - is designed to ensure additional stability for the fund. Here we are invested in gold and copper mines, a lithium producer, as well as a manufacturer of fertilisers.

Valuation levels of many sustainable growth business models are extremely low at the moment. Many of the companies that are in great shape in operating terms have recently been the subject of significantly overdone downside moves on the capital market; consequently, the next few weeks and months will likely present the best opportunity to invest in many thematically burgeoning sectors for the next 10 years.

As was the case in the fourth quarter of 2021, the current reporting season for the first quarter of 2022 is delivering very impressive results. Around a third of our companies have already published their numbers, with average organic sales growth of over 40%. This trend is likely to be reflected in the fund price, too, in the medium term. The heavily weighted themes within the fund are delivering particularly solid data points.

While total European car sales slumped by 19% in March, manufacturers of electric cars - together with their suppliers - once again achieved record sales. Examples include BYD, Ganfeng Lithium, Tesla and CATL.

The shortage of semiconductors seems to be continuing and will probably still be an issue in 2023. Smaller chip architecture is causing an exponential increase in testing work for semiconductor production; consequently, we are adding Japanese semiconductor test equipment firm Advantest to the portfolio for the first time. We are impressed by its business model, with organic sales growth of 29% and long-term structural growth opportunities, as well as an extremely attractive PER of 14.

The cloud and cloud security investment themes are continuing to gain ground due to the steady rise in data volumes. The cloud solutions of leading providers Microsoft Azure, Amazon AWS and Google Cloud each saw growth of more than 40%. There are no signs that this is set to slow over the coming years, either.

The growing trend of deglobalisation is leading to a more local economic focus in production, supply chains and energy supply. The sustainability theme is currently enjoying an additional fillip. With its spotlight on automation, robotics, e-mobility, semiconductors, cloud and consumer demand in Asia, the fund offers structural growth opportunities at a global level despite our subdued long-term economic outlook.

MAINFIRST GLOBAL EQUITIES UNCONSTRAINED FUND

The surge in inflation and interest-rate fears led to a further sell-off for rapidly growing companies and detracted from overall performance. With non-cyclical consumer goods and energy the only sectors holding their ground, the global equity market (MSCI World in EUR) shed more than 3% in April.

Higher commodity prices are one of the key factors driving the current inflationary market backdrop. The "resources" investment theme - with a current portfolio weighting of 14% - is designed to ensure additional stability for MainFirst Global Equities Unconstrained Fund. Here we are invested in gold and copper mines, a lithium producer, as well as a manufacturer of fertilisers.

Valuation levels of many sustainable growth business models are extremely low at the moment. Many of the companies that are in great shape in operating terms have recently been the subject of significantly overdone downside moves on the capital market; consequently, the next few weeks and months will likely present the best opportunity to invest in many thematically burgeoning sectors for the next 10 years.

As was the case in the fourth quarter of 2021, the current reporting season for the first quarter of 2022 is delivering impressive results. Around a third of our companies have already published their numbers, with average organic sales growth of over 40%. This trend is likely to be reflected in the fund price, too, in the medium term. The heavily weighted themes within the fund are delivering particularly solid data points.

While total European car sales slumped by 19% in March, manufacturers of electric cars - together with their suppliers - once again achieved record sales. Examples include BYD, Ganfeng Lithium, Tesla and CATL.

The shortage of semiconductors seems to be continuing and will probably still be an issue in 2023. Smaller chip architecture is causing an exponential increase in testing work for semiconductor production; consequently, we are adding Japanese semiconductor test equipment firm Advantest to the portfolio for the first time. We are impressed by its business model, with organic sales growth of 29% and long-term structural growth opportunities, as well as an extremely attractive PER of 14.

The cloud and cloud security investment themes are continuing to gain ground due to the steady rise in data volumes. The cloud solutions of leading providers Microsoft Azure, Amazon AWS and Google Cloud each saw growth of more than 40%. There are no signs that this is set to slow over the coming years, either.

The growing trend of deglobalisation is leading to a more local economic focus in production, supply chains and energy supply. The sustainability theme is currently enjoying an additional fillip. With its spotlight on automation, robotics, e-mobility, semiconductors, cloud and consumer demand in Asia, the fund offers structural growth opportunities at a global level despite our subdued long-term economic outlook.

MAINFIRST MEGATRENDS ASIA

The fund again lost ground in April following ongoing lockdowns in major Chinese cities and economic uncertainty.

However, in the months ahead, Asia is likely to enjoy the biggest tailwind in fiscal and monetary policy terms. Interest rate cuts by the PBOC, coupled with greater clarity on regulatory matters, are providing support on this front.

Shares in Sungrow, CATL Shimano and Tokyo Electron hampered fund performance.

The investment themes of semiconductors, robotics/automation and alternative energy had a weaker showing in April.

The travel and beauty product themes, on the other hand, were stable. Thus the share prices of Proya, China Tourism Group and BYD were able to decouple from the general negative trend on stock markets.

Valuation levels of many sustainable growth business models are extremely low at the moment. Many of the companies that are in great shape in operating terms have recently been the subject of significantly overdone downside moves on the capital market; consequently, the next few weeks and months will likely present the best opportunity to invest in many thematically burgeoning sectors for the next 10 years.

A large proportion of the companies in the fund have already reported their figures for the first quarter, with average organic sales growth amounting to over 50%. This trend is likely to be reflected in the fund price, too, in the medium term.

The growing trend of deglobalisation is leading to a more local economic focus in production, supply chains and energy supply. The sustainability theme is currently enjoying an additional fillip. With its thematic focus, MainFirst Megatrends Asia offers long-term structural growth opportunities. The key investment themes are semiconductors (26%), AI/robotics/automation (17%), consumer demand in Asia (17%) and "car of the future" (14%).

MAINFIRST GLOBAL DIVIDEND STARS & MAINFIRST EURO VALUE STARS

Thomas Meier, Christos Sitounis

MAINFIRST GLOBAL DIVIDEND STARS

EVERYTHING'S GETTING MORE EXPENSIVE

April was a stormy month for capital markets. Inflation is surging due to the war in Ukraine, the pandemic and renewed supply-chain upheavals in China, and high energy and commodity costs. April also saw the start of the reporting season, and here too inflation is creating headwinds for profitability. The S&P 500 and the DAX lost a total of 8.8% and 2.2%, respectively, in April.

The war in Ukraine has either interrupted or slowed the effects of the post-pandemic recovery. Although the world's economy continues to show positive growth, the pace has slowed considerably. Given Europe's high level of dependency, the war is having a major impact on the continent's energy and commodity costs. In addition, China's current zero-Covid strategy is leading to renewed supply-chain upheavals. The European and US central banks are under pressure to significantly tighten their monetary stance, with rate hikes already well under way in the case of the US. The shock waves from global supply shortfalls are fuelling levels of inflation that were thought to have been consigned to the history books. End-consumers are consequently facing real cuts in living standards.

At the same time, interest rates on 10-year benchmark bonds are rising at record speed and central bank responses are already priced in. April saw the yield on 10-year US and German government bonds rise by 111 and 40 basis points, respectively, to 2.94% and 0.94%. Energy and commodity costs are showing similar price momentum. Europe's announcement that it was imposing a ban on Russian oil pushed the price of Brent up 4.4% to USD 109 per barrel.

These headwinds are already reflected in GDP growth rates. On an extrapolated basis, the US economy shrank by 1.41% in the first quarter. By contrast, European gross domestic product rose by 0.3% in the same period notwithstanding all the region's problems. Furthermore, the current reporting season for European companies is turning out better than market participants had expected.

In China, the Communist Party has announced measures to support the economy. Following strict lockdowns across large swathes of the country, the 5.5% GDP growth target is looking distinctly shaky. In Japan, the central bank is sticking to its more relaxed monetary stance. This led to a significant fall in the value of the yen versus the US dollar and the euro. The Japanese currency is down 13% against the greenback this year, at JPY 130 to the dollar - its lowest level in nearly 20 years.

Defensive sectors have again outperformed their cyclical counterparts in relative terms. Market participants remain cautious on account of the unclear macroeconomic trend. Relative winners included food and beverage manufacturers, consumer goods producers and energy firms. The financial sector, tech firms and real estate stocks were among the losers in relative terms.

No changes were made to the MainFirst Global Dividend Stars portfolio in April.

MAINFIRST EURO VALUE STARS

EVERYTHING’S GETTING MORE EXPENSIVE

April was a stormy month for capital markets. Inflation is surging due to the war in Ukraine, the pandemic and renewed supply-chain upheavals in China, as well as high energy and commodity costs. April also saw the start of the reporting season, and here too inflation is creating headwinds for profitability. The STOXX 600 and the DAX lost 1.2% and 2.2%, respectively, in April.

The war in Ukraine has either interrupted or slowed the effects of the post-pandemic recovery. Although the world’s economy continues to show positive growth, the pace has slowed considerably. Given Europe’s high level of dependency, the war is having a major impact on the continent’s energy and commodity costs. In addition, China’s current zero-Covid strategy is leading to renewed supply-chain upheavals. The European and US central banks are under pressure to significantly tighten their monetary stance, with rate hikes already well under way in the case of the US. The shock waves from global supply shortfalls are fuelling levels of inflation that were thought to have been consigned to the history books. German inflation rose to 7.4% in April – the fastest rate of increase in 41 years! End-consumers are consequently facing real cuts in living standards.

At the same time, interest rates on 10-year benchmark bonds are rising at record speed and central bank responses are already priced in. April saw the yield on 10-year US and German government bonds rise by 111 and 40 basis points, respectively, to 2.94% and 0.94%. Energy and commodity costs are showing similar price momentum. Europe’s announcement that it was imposing a ban on Russian oil pushed the price of Brent up 4.4% to USD 109 per barrel.

These headwinds are already reflected in GDP growth rates. On an extrapolated basis, the US economy shrank by 1.41% in the first quarter. By contrast, European gross domestic product rose by 0.3% in the same period notwithstanding all the region’s problems. Furthermore, the current reporting season for European companies is turning out better than market participants had expected.

In China, the Communist Party has announced measures to support the economy. Following strict lockdowns across large swathes of the country, the 5.5% GDP growth target is looking distinctly shaky.

Defensive sectors have again outperformed their cyclical counterparts in relative terms. Market participants remain cautious on account of the unclear macroeconomic trend. Relative winners included food and beverage manufacturers, consumer goods producers and energy firms. The financial sector, tech firms and real estate stocks were among the losers in relative terms.

No new positions were added to MainFirst Euro Value Stars in April. We made major additions to our Intercos position, while scaling back our holding in Piovan.

MAINFIRST EMERGING MARKETS CORPORATE BOND FUND BALANCED & MAINFIRST EMERGING MARKETS CREDIT OPPORTUNITIES FUND

Andranik Safaryan, Cornel Bruhin, Roman Kostal, Carloalberto Fraccaro

MAINFIRST EMERGING MARKETS CORPORATE BOND FUND BALANCED

MARKET REVIEW

In April, markets focused primarily on inflation and the resulting tightening of US monetary policy, as well as on the reintroduction of lockdowns in key parts of China. Given these headwinds, the performance of risk assets was negative over the month. The S&P 500 was down by 8.7%, while European and emerging market equities fell by 7% and 5.6%, respectively. Although bonds also posted negative returns, these were smaller than those of equities. In particular, CEMBI BD returns were down by 2.1% in April. The investment grade (IG) portion of the index lost 2.6%, while the high-yield (HY) segment, supported by higher coupons, posted a negative return of 1.3%. Although spreads remained largely unchanged, total returns were driven by the negative impact of rising US interest rates. The yield on 10-year US Treasuries increased by 60 bps on the back of persistently high inflation, with Fed Chair Jerome Powell anticipating the potential for a further interest rate hike of 50 bps in May. From a regional perspective, after outperforming all other regions in March, LATAM took a breather in April and lost 3.2%, making it the worst performer of the month. Europe took the top spot, followed by the Middle East, Asia and Africa. In contrast to other developed markets, US bonds underperformed their emerging market counterparts, with US IG bonds and HY bonds down 3.8% and 3.6%, respectively, in April. The conflict in Ukraine continues to rage, with Russia now focusing on the eastern section of the country.

FUND PERFORMANCE

The MainFirst Emerging Markets Corporate Bond Fund Balanced rose during the first four days of April, before falling again as a result of negative news relating to the Shanghai lockdowns, as well as increased focus on inflation and its impact on the Fed’s monetary policy. In April, the fund fell by 2.3%. Our overweight in Mexico made a positive contribution, as some non-bank financials experienced a recovery. Another positive catalyst was our underweight in Macao, where companies in the gaming industry were hit by the restrictions in China and the resulting slowdown in tourism. On the other hand, our overweights in China and Russia depressed relative performance. To recap, JP Morgan has removed all Russian bonds from its indices. Despite this overweight, our exposure to Russian assets is very low at just 1.2% and is limited to issuers that are not on the sanctions list and where we see upside potential.

OUTLOOK

Overall, we remain positive for the asset class, given strong corporate fundamentals (with the exception of idiosyncratic stories in Russia, Ukraine and the Chinese property sector) and attractive valuations. In addition, we continue to see persistent tailwinds from high commodity prices, where market fundamentals remain very supportive. We also expect further fiscal and monetary stimulus from China where, at the end of April, the Politburo committed to stimulating economic growth to offset the economic slowdown from the increasing spread of lockdowns. Together with the measures already taken in recent months, such as the easing of restrictions on property sales in many cities, this should help cushion any further downside.

While default rates are expected to rise, driven mainly by Russia/Ukraine and the Chinese property sector, we believe that the bad news is already largely factored into valuations. With spreads trading above the 90th historical percentile and prices below 30 cents in the dollar, any further downside could be limited and short-lived.

Finally, although the rise in US interest rates has been a drag on performance, expectations for future rate hikes have increased sharply recently, with the swap market already pricing in 10 hikes by the end of the year. While interest rates may still have a negative impact on total returns, we expect the combination of tightening spreads and the high coupon offered by the asset class will more than offset this impact, leading to positive returns. As expectations for future interest rate hikes have jumped recently, the potential for negative surprises seems limited.

MAINFIRST EMERGING MARKETS CREDIT OPPORTUNITIES FUND

MARKET REVIEW

In April, markets focused primarily on inflation and the resulting tightening of US monetary policy, as well as on the reintroduction of lockdowns in key parts of China. Given these headwinds, the performance of risk assets was negative over the month. The S&P 500 was down by 8.7%, while European and emerging market equities fell by 7% and 5.6%, respectively. Although bonds also posted negative returns, these were smaller than those of equities. In particular, CEMBI BD returns were down by 2.1% in April. The investment grade (IG) portion of the index lost 2.6%, while the high yield (HY) segment, supported by higher coupons, posted a negative return of 1.3%. Although spreads remained largely unchanged, total returns were driven by the negative impact of rising US interest rates. The yield on 10-year US Treasuries increased by 60 bps on the back of persistently high inflation, with Fed Chair Jerome Powell anticipating the potential for a further interest rate hike of 50 bps in May. From a regional perspective, after outperforming all other regions in March, LATAM took a breather in April and lost 3.2%, making it the worst performer of the month. Europe took the top spot, followed by the Middle East, Asia and Africa. In contrast to other developed markets, US bonds underperformed their emerging market counterparts, with US IG bonds and HY bonds down 3.8% and 3.6%, respectively, in April. The conflict in Ukraine continues to rage, with Russia now focusing on the eastern section of the country.

FUND PERFORMANCE

In April, the MainFirst Emerging Markets Credit Opportunities Fund fell by 1.1%. In comparison, the CEMBI BD high yield (HY) index lost 1.3%. Our overweight position in Mexico made a positive contribution, driven by the recovery in some non-bank financials. Although our underweight in Turkey made a slight negative contribution, we managed to more than offset this by our choice of issuers. On the other hand, our exposure to both Ghana and Ukraine made a negative contribution in April.

OUTLOOK

Overall, we remain positive for the asset class, given strong corporate fundamentals (with the exception of idiosyncratic stories in Russia, Ukraine and the Chinese property sector) and attractive valuations. In addition, we continue to see persistent tailwinds from high commodity prices, where market fundamentals remain very supportive. We also expect further fiscal and monetary stimulus from China where, at the end of April, the Politburo committed to stimulating economic growth to offset the economic slowdown from the increasing spread of lockdowns. Together with the measures already taken in recent months, such as the easing of restrictions on property sales in many cities, this should help cushion any further downside.

While default rates are expected to rise, driven mainly by Russia/Ukraine and the Chinese property sector, we believe that the bad news is already largely factored into valuations. With spreads trading above the 90th historical percentile and prices below 30 cents in the dollar, any further downside could be limited and short-lived.

Finally, although the rise in US interest rates has been a drag on performance, expectations for future rate hikes have increased sharply, with the swap market already pricing in 10 hikes by the end of the year. While interest rate hikes may still have a negative impact on total returns, we expect the combination of tightening spreads and the high coupon offered by the asset class will more than offset this impact, leading to positive returns. As expectations for future interest rate hikes have jumped recently, the potential for a negative surprise seems limited.

DISCLAIMER:

This is a marketing communication.

This document is marketing material and it is for product information purposes only and is not a mandatory statutory or regulatory document.
The information contained in this document does not constitute a solicitation, offer or recommendation to buy or sell units in the fund or to engage in any other transaction. It is intended solely to provide the reader with an understanding of the key features of the fund, such as the investment process, and is not deemed, either in whole or in part, to be an investment recommendation. The information provided is not a substitute for the reader's own deliberations or for any other legal, tax or financial information and advice. Neither the investment company nor its employees or Directors can be held liable for losses incurred directly or indirectly through the use of the contents of this document or in any other connection with this document. The currently valid sales documents in German (sales prospectus, KIIDs and, in addition, the semi-annual and annual reports), which provide detailed information about the purchase of units in the fund and the associated opportunities and risks, form the sole legal basis for the purchase of units. The aforementioned sales documents in German (as well as in unofficial translations in other languages) can be found at www.mainfirst.com and are available free of charge from the investment company MainFirst Affiliated Fund Managers S.A. and the custodian bank, as well as from the respective national paying or information agents and from the representative in Switzerland. These are:

Austria: Raiffeisen Bank International, Am Stadtpark 9, A-1030 Wien, Österreich; Belgium: ABN AMRO, Kortijksesteenweg 302, 9000 Gent, Belgium; Finland: Skandinaviska Enskilda Banken P.O. Box 630, FI-00101 Helsinki, Finland; France: Société Générale Securities Services, Société anonyme, 29 boulevard Haussmann, 75009 Paris, France; Germany: MainFirst Affiliated Fund Managers (Deutschland) GmbH, Kennedyallee 76, D-60596 Frankfurt am Main, Deutschland; Italy: Allfunds Bank Milan, Via Bocchetto, 6, 20123 Milano MI, Italy; Lichtenstein: Bendura Bank AG, Schaaner Strasse 27, 9487 Gamprin-Bendern, Lichtenstein; Luxembourg: DZ PRIVATBANK S.A., 4, rue Thomas Edison, L-1445 Strassen; Portugal: BEST - Banco Eletronico de Servico Toal S.A., Praca Marques de Pombal, 3A,3,Lisbon; Spain: Societe Generale Sucursal en Espana, Plaza Pablo Ruiz Picasso, 1, 9th floor, 28020 Madrid, Spain; Sweden: MFEX Mutual Funds Exchange AB, Grev Turegatan 19, Box 5378, SE-102 49, Stockholm, Sweden; Switzerland: Representative: IPConcept (Schweiz) AG, Münsterhof 12, Postfach, CH-8022 Zürich, Paying Agent: DZ PRIVATBANK (Schweiz) AG, Münsterhof 12, CH-8022 Zürich; UK: Société Générale Securities Services, Société Anonyme (UK Branch), 5 Devonshire Square, Cutlers Gardens, London EC2M 4TL, United Kingdom.

The investment company may terminate existing distribution agreements with third parties or withdraw distribution licences for strategic or statutory reasons, subject to compliance with any deadlines. Investors can obtain information about their rights from the website www.mainfirst.com and from the sales prospectus. The information is available in both German and English, as well as in other languages in individual cases. Producer: MainFirst Affiliated Fund Managers S.A.. Distribution of this document to persons domiciled in countries in which the fund is not authorised for distribution, or in which authorisation for distribution is required, is prohibited. Units may only be offered to persons in such countries if this offer is in accordance with the applicable legal provisions and it is ensured that the distribution and publication of this document, as well as an offer or sale of units, is not subject to any restrictions in the respective jurisdiction. In particular, the fund is not offered in the United States of America or to US persons (within the meaning of Rule 902 of Regulation S of the U.S. Securities Act of 1933, in its current version) or persons acting on their behalf, on their account or for the benefit of a US person. Past performance should not be taken as an indication or guarantee of future performance. Fluctuations in the value of the underlying financial instruments or their returns, as well as changes in interest rates and currency exchange rates, mean that the value of units in a fund, as well as the returns derived from them, may fall as well as rise and are not guaranteed. The valuations contained herein are based on a number of factors, including, but not limited to, current prices, estimates of the value of the underlying assets and market liquidity, as well as other assumptions and publicly available information. In principle, prices, values, and returns can both rise and fall, up to and including the total loss of the capital invested, and assumptions and information are subject to change without prior notice. The value of the invested capital or the price of fund units, as well as the resulting returns and distribution amounts, are subject to fluctuations or may cease altogether. Positive performance in the past is therefore no guarantee of positive performance in the future. In particular, the preservation of the invested capital cannot be guaranteed; there is therefore no warranty given that the value of the invested capital or the fund units held will correspond to the originally invested capital in the event of a sale or redemption. Investments in foreign currencies are subject to additional exchange rate fluctuations or currency risks, i.e. the performance of such investments also depends on the volatility of the foreign currency, which may have a negative impact on the value of the invested capital. Holdings and allocations are subject to change. The management and custodian fees, as well as all other costs charged to the fund in accordance with the contractual provisions, are included in the calculation. The performance calculation is based on the BVI (German federal association for investment and asset management) method, i.e. an issuing charge, transaction costs (such as order fees and brokerage fees), as well as custodian and other management fees are not included in the calculation. The investment performance would be lower if the issuing surcharge were taken into account. No guarantee can be given that the market forecasts will be achieved. Any discussion of risks in this publication should not be considered a disclosure of all risks or a conclusive handling of the risks mentioned. Explicit reference is made to the detailed risk descriptions in the sales prospectus. No guarantee can be given that the information is correct, complete or up to date. The content and information are subject to copyright