Providing capital security and delivering stable returns

Amundi provides solutions to navigate today's volatile & low interest rate environment

We live in unusual times.

Stock valuations are relatively stretched and global markets continue to grapple with slow economic expansion. The Federal Reserve is entering a less accommodative phase, and while the Trump administration has announced an aggressive growth agenda, questions remain about the timing and the extent of its execution. Interest rates have been anticipated to rise but the pace has been slow and aggregate global debt – sovereign, corporate, and personal – is now higher than it was ten years ago.

Unprecedented events in the global economy and financial markets

Life after Quantitative Easing (QE)

The transitional period between the end of QE and the return to a more ‘normal' economic environment will inevitably throw up challenges. Markets may experience constrained growth and spikes in volatility that will be influenced by a number of key drivers such as:

- Outlook for the global economy
- Divergent central bank policies
- Disruptive populist pressures
- China’s transition to a more open economy with growing global influence

As market conditions change, so do the needs and desires of asset owners

Asset owners recognise that a crisis is not necessarily imminent and are aware of how important it is to remain invested, especially given low interest rates. And as asset owners become more sophisticated, they search for more dynamic investment strategies with a more efficient approach to asset allocation. They understand how quickly investments can fall in value – and how long it can take to recover these losses. Hence, they want an investment strategy that targets returns while also preserving capital against significant drawdowns.

Interesting times call for innovative solutions

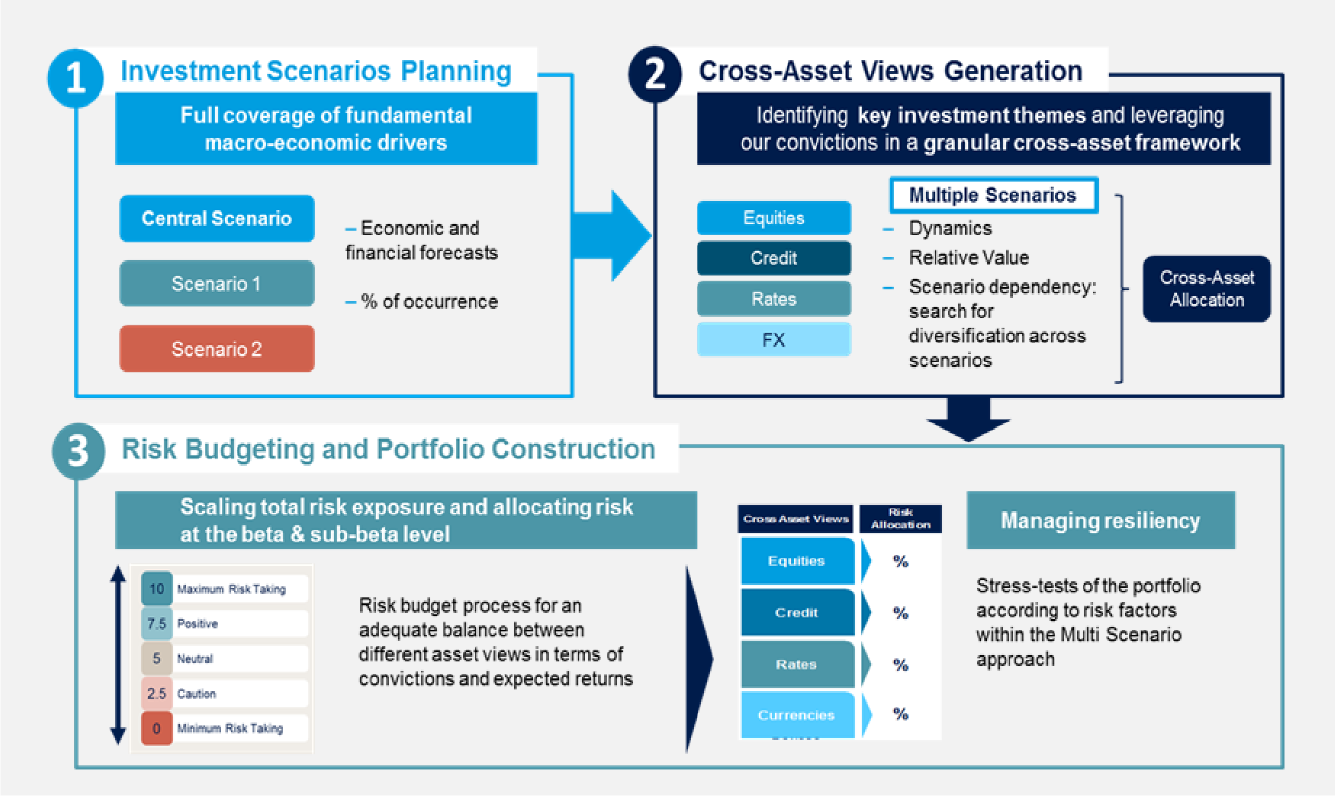
Amid all these changes in the landscape, it is crucial that Amundi understands our clients and stays one step ahead to deliver innovative solutions to meet their needs.

An ideal solution would be a strategy that not only takes advantage of potential returns from a diversified base of alpha sources, but also has the **assurance of a capital guarantee** to ensure portfolio protection in the case of extreme market volatility.

At Amundi, we are doing exactly that with our work in multi-asset and guaranteed solutions. We address the challenges posed by market uncertainty and unexpected events, to develop strategies that deliver what asset owners want. Judicious risk management and proper diversification – key cornerstones of a successful approach to investing in markets – form an essential part of our investment philosophy.

Navigating the complex markets

Our investment strategy is an active combination of top-down and bottom-up analysis with robust risk management backed by our deep understanding of market dynamics.



1 Investment Scenarios Planning

We begin the investment process by establishing a central investment scenario – how we believe the global economy will behave over the next six to twelve months. Simultaneously, we prepare for any market surprises by defining a set of alternative scenarios.

These projections are comprehensively reviewed regularly, allowing us to:

- Test the validity of our central scenario
- Adapt our strategy should market conditions change rapidly
- Adjust the degree of diversification of our asset-class exposures

2 Cross-Asset Views Generation

With the investment scenarios in place, we then generate our cross-asset views.

We seek the best opportunities from a broad range of asset classes – equities, government bonds, corporate bonds, REITs/trusts, high-yield issues, and currencies – from developed and emerging markets across the globe. From the outset, our focus is on the valuation of assets and investment themes relative to each scenario, assessing upside potential versus downside risk.

Finally, we combine all of these views and weigh investment factors across all the scenarios. We blend fundamental views with multi-scenario analysis, which ensures a high degree of diversification within a portfolio.

Correlations and market volatility are regularly monitored and reviewed. If our managers decide that conditions merit a change in direction, they will swiftly realign a portfolio's asset allocation.

3 Risk Budgeting and Portfolio Construction

Risk budgeting is an integral part of our investment approach. We use *proprietary risk-monitoring tools* to determine overall portfolio volatility and VaR (value at risk). The key is to achieve an optimum risk-return profile for the portfolio.

Our risk management measures focus on:

- **Active risk budgeting**

The risk-level target is a reflection of an in-depth analysis of market conditions, with particular attention paid to levels of volatility.

- **Stress Testing and Hedging Positions**

The impact of alternative scenarios is assessed. Suitable hedges and asymmetric positions are then implemented to mitigate losses should those situations arise.

Portfolios are then constructed using the most efficient investment vehicles for the various asset classes. We target a dynamic use of risk budget, and our investment universe is sufficiently far-reaching to take advantage of correlations between countries, sectors, styles, and sources of alpha, thereby avoiding portfolio concentration and achieving diversification.

Strategies are monitored on a regular basis to ensure that the underlying assets faithfully reflect our managers' overall market view. Leveraging on deep manager experience and understanding of market dynamics, our team of investment managers are nimble and opportunistic, increasing our exposure to risk assets when conditions are favourable, and reducing it when volatility picks up.

Capital Guaranteed Strategy

By carefully listening to what investors want, we have developed a robust solution.

The Capital Guaranteed Strategy (CGS) is available to investors who are prepared to stay invested for a minimum four-year period to achieve potential excess returns, while benefiting from the safety feature of a 100% capital guarantee at maturity.

Our clients also have the peace of mind that comes from knowing that their investment is fully protected and backed by the explicit and unconditional guarantee of a financially strong parent, Credit Agricole S.A.

- **Capital is 100% guaranteed over a minimum four-year term**
- **Targets a return exceeding 12-month SIBOR +1.5%**
- **Has a consistent track record of more than 15 years**
- **Benefits from a dynamic asset allocation investment process**
- **Managed by our stable and experienced team who provides local insights supported by global resources**

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