Amundi Fixed Income Investor Workshop
London, Friday 15 December 2023
– Transcript –

Cyril Meilland: Good morning. I'm Cyril Meilland and I'm Head of Investor Relations. It is a real pleasure to welcome you today in our Amundi's UK office here in London. Thank you for being here with us this early, in what I know is a very festive season for the City of London. Welcome also to those of you joining us online via Zoom.

Vincent Mortier, our Group Chief Investment Officer, and the Fixed Income Teams are delighted to be here today to discuss a key Amundi strength, a key Amundi expertise and a very topical subject in the current markets, that is fixed income.

We also have the pleasure of having Aurélia Lecourtier here, our new CFO. She won't be a speaker today but she will be available for a chat or a proper introduction during the cocktail lunch.

At the end of the workshop, we shall take questions from those in the room and, if you are attending via Zoom, please use the Q&A section to ask your questions and we will relay it to the speakers.

Before we get started, unfortunately I have to give you a short disclaimer. As you know, in our financial communication we split out business by client segments, not by asset classes. The reason is that, in terms of profitability, this approach, the client segment approach, is more relevant. As a consequence, we will not have any revenue or profitability targets or indications today. It will just be about AuMs and net inflows. Obviously, this particularity about profitability is very true for the fixed income asset class, which includes active and passive solutions, long and very short-term investments, open-ended but also mandates or target maturity solutions, public and private assets. As you can see, and as you will see, it is a very diverse asset class.

Furthermore, we shall not give any additional objectives beyond the strategic targets we set in June last year, when we presented our 2025 Ambitions Plan, so no specific target for fixed income. If there are any questions, obviously, we will not answer on this.

Agenda

Now, back to the party, if I may say. As you can see on the slide that I am showing you now, it will be in three parts. First, Vincent, with the help of Monica, the Head of our Amundi Investment Institute, will present an overview of Amundi's fixed income platform and its many strengths, as well as the favourable environment for this asset class.

Then, we shall look at how we address different client needs when it comes to fixed income, and the growth potential of these solutions.

Finally, we will hear from two client feedbacks about how our comprehensive fixed income offering is building strong client relationships.

Without further ado, let's kick off. Vincent, the floor is yours. [*Applause*]

Vincent Mortier
Group Chief Investment Officer

Good morning to all, and thank you very much, Cyril. Thank you very much for being with us today, on a Friday morning – before the holidays, probably, for most of you.

As Cyril said, I am the Group Chief Investment Officer and today I will show you the strengths of Amundi in the fixed income space and I will convince you that Amundi is indeed a fixed income powerhouse.

It relies on solid foundations. First, we have a very large and diversified franchise; second, it is managed by experienced and high-performing teams – and you will see some of them today. Third, it is supported by efficient and scalable tools, and so this large, powerful and diversified platform is poised for further growth. This is why we think that fixed income is important for you – equity analysts and investors – to assess the position of Amundi on top of other asset classes.

Speakers

We have put together a dream team of Amundi experts to convey this message, you will have the occasion to see them physically or by video – all of them today.

We will start with a general overview of our fixed income platform and I will be joined by Monica, our Head of the Amundi Investment Institute. She will explain how the unique assembly of brains at the Amundi Institute supports both our investment process and how we advise all of our clients. She will also tell you how we see the world and the capital markets, confirming that fixed income is a very attractive asset class – today, and for the foreseeable future.

Together, we will take you through our unique process and the common tools we use to deliver superior performance and solutions.

Then Swaha, our colleague also from the Institute, will moderate a panel of our fixed income experts, to discuss how we address the needs of our clients.

Now that we have set the scene and introduced the various speakers, let's get started.

Amundi, Your Fixed Income Powerhouse

First, we are very large, as you can see, with more than €1 trillion of assets, and very well diversified by clients and geographies. Our comprehensive platform covers the whole spectrum of client needs, with senior investment teams located very close to our clients and, as well, very close to the assets that we manage.

These teams follow a reliable and effective investment process, with fully ESG embedded research. They also use best-in-class tools, on which I will elaborate later, such as ALTO, which stands for Amundi Leading Technologies and Operations, for example.

Thanks to this approach, our fixed income teams have been able to deploy agile and scalable solutions. We have been able to quickly adapt to this major regime shift we have seen in the market place over the last two years and the resulting changes in client needs and, in particular, the rise in risk aversion .

Today, we shall give you examples of the successful solutions we have designed, built and successfully sold to thousands of different clients in all countries. This includes – just to mention a few – structured products, Buy & Watch – which Amaury prefers calling Target Maturity Funds but which is the same at the end of the day –, fixed income ETFs and, of course, liquidity solutions. All these recent successes demonstrate that Amundi is well-positioned to take advantage of key structural trends in the industry, especially those applicable to fixed income.

Namely, to start with – and it is a deep conviction that has been further strengthened by the market evolution – **active management is still alive**, so there is a future in active management. Our investment teams have a long track record of delivering alpha, and I will show you this later on, which makes actively managed solutions pretty attractive.

In parallel, **passive fixed income solutions** are scaling up. Here, Amundi's size and set-up gives us a competitive edge, and Laurent will talk to you later on about that as well.

Private debt is increasingly used by our clients as a source of additional yield and diversification. For Amundi, this growth is further boosted by the strategic emphasis we put on real assets, as you have seen in our 2015 plan.

Finally, as a common thread, **sustainability** is gaining ground in fixed income. Govies, ETFs and emerging market debt, are all areas where Amundi has built solutions that complement its more mainstream responsible products.

These are the key messages and topics we shall discuss today, and develop.

Amundi, the #1 European Asset Manager

As you already know, because you cover Amundi and Amundi stock, Amundi is the No. 1 asset manager and we are also the only European and in fact the only non-US asset manager in the top 10 worldwide, with close to €2 trillion in asset management – evolving also, depending on market effects.

This large asset base is very well diversified by clients, asset classes and geographies, as you can see here, of course. More than half of this €2 trillion in fact relates to fixed income, so let’s see more details in the next slide.

Full Fixed Income Coverage, with a Large Asset Base

Our fixed income asset base here includes **active bond expertise**, covering global bonds, global credits, euros, the US, Japan, the rest of Asia, emerging markets.

Then **liquidity solutions**, which includes money market funds but also some ultra-short term bond strategies, up to one year in maturity, mainly in euros but also in US dollars.

We then have **fixed income passive instruments**, so ETFs, and also mandates. These have grown pretty fast and now they represent 5% of the fixed income total.

Then **structured products**, for which, as you may know, Amundi is a market leader, we have been seeing lately a growing interest in fixed income structured products, on top of the traditional equity ones.

Private debt, which I mentioned before, is an important part of Amundi’s real asset offer and, finally, our Asian minority joint ventures, for which fixed income is also a large part of the assets they manage.

This breakdown does not include the **fixed income part of multi-asset products**. If you were to include this part, it would add around €200 billion.

Indeed, today, we focus the presentation on pure fixed income products, not multi-asset, because investment needs and objectives of pure fixed income products and of a multi-asset one are indeed different, even though naturally fixed income accounts for the majority of the exposures in multi-asset strategies.

To sum up our expertise, we cover the whole yield curve, from ultra-short-term to very long-term bonds, across all the regions and currencies, either in developed, as well as in emerging markets, in active as well as in passive management. That is why we are talking about being a powerhouse, because we cover it all.

Focus on Crédit Agricole and Société Générale insurers

On this slide, I am sure you are also aware that one-third of our fixed income assets are in fact managed on behalf of two insurers, Crédit Agricole's and Société Générale's. This enables very specific expertise, so let's take a deeper look at it.

Crédit Agricole and Société Générale, as you know, were the founding partners of Amundi back in 2010 and they continue to be our two distributing Partner Networks in France and, more generally, in Europe. They are very large insurers, especially in life insurance, which in France is the most popular savings product – thanks, essentially, of course, to tax advantages. It is mainly distributed through banking networks, which have around 70% market share in life insurance distribution. Crédit Agricole Assurance is by far the No. 1 French life insurer.

For Crédit Agricole and Société Générale insurers, we manage all the underlying assets of **both types of wrappers**. First, the **traditional life insurance**, which is called euro contract, which offers a capital guarantee and a yield coming from a portfolio of investments, which is mostly made of bonds. Both Crédit Agricole and Société Générale insurers delegate the vast majority of the management of these portfolios to Amundi, through mandates. This business is included in the institutional client segment in our financial communication reporting.

The other wrapper is the **unit-linked business**, in which retail clients buy shares directly in mutual funds that they can also buy directly outside life insurance contracts. So only the wrapper is changing, and therefore this business is part of the retail client segment.

Let's focus on the former, the institutional mandate. Because the capital is guaranteed, the vast majority of the assets are fixed income: €360 billion out of the €406 billion, so meaning close to 90% of the assets. It must be in euros: the actively managed euro bonds account for 93% of the mandates' fixed income compartment. If you add up liquidity solutions, in

the money market especially, you add another 5%, so together 98% of the assets in fixed income are euro denominated, short- and long-term.

There is also some diversification to enhance the yield: we also manage smaller amounts in other asset classes, including some private debt mandates. The management of these mandates is under **very strict constraints set by the insurers**, including of course the asset allocation, even though we advise them on this.

Thus, given the style and the size, **the average management fee is low** – similar to all the big insurance mandates we may have elsewhere. We are talking about 3.7bp per year. However, we need to keep in mind that these mandates are very large, so we have a very significant scale effect. They are very stable, with longstanding relationships we have created with both partners.

Florence Barjou, the CIO of Crédit Agricole Assurances, will tell you more about this later, through a video. As well, thanks to this partnership, our teams gain a great deal of experience and skills from these mandates and they are also a source of innovation, given our proximity.

However, in the current market environment, the traditional life business is struggling in France, because returns still reflect essentially the investment which has been made over the past decade, in a low-yielding environment. As a result, these mandates have been showing regular outflows in the last two years. This is a trend in the whole industry and is not particularly a trend specific to Amundi, and it does not reflect our own performance or the quality of the products. Therefore, when we look at inflows into fixed income, we have restated for the outflows from Crédit Agricole and Société Générale insurance mandates, so that we can better understand the true underlying trends.

Strong Inflows in the New Market Environment

This is what you see on this slide. We have also excluded our minority joint ventures and liquidity solutions, which are volatile and seasonal in nature, but we will come back to that.

So, looking at our inflows over one year to September, we have enjoyed +€24 billion of positive inflows. As you see on the chart, inflows have accelerated in the last two quarters, reaching more than +€10 billion in the third quarter. This was mainly thanks to the successful launch of products adapted to the current environment, both in active and passive as well as, to an extent, to private debt. The teams will elaborate further on these successful strategies later on.

We have not included liquidity solutions in the chart, but I would like to stress that the long-term results are also very good in this business. If we look at the past four quarters, our liquidity solutions business had inflows of around +€30 billion. This inflow performance puts us in a very good position in Europe and even worldwide, and we will see this on the next slide.

Market Share Gains in Active Bond Open-Ended Funds

According to Broadridge, a source you probably know, total inflows in open-ended bond funds in Europe in the year to September have totalled more than +€111 billion, of which +€17 billion in active. We rank No. 3 in this market, both in terms of asset base and inflows, but we rank No. 1 in the most dynamic segment, which are the Target Maturity Funds. We launched 37 funds during the period, sometimes allocated to single clients, and collected +€11 billion from this strategy, giving us a market share of 14% in Europe. Amaury will tell you more about our strong expertise in this area in the second part of this workshop.

Amundi Fixed Income Expertise: High-performing & Highly Rated

These strong inflows are the result of our ability to rapidly and successfully adapt to new market conditions and the changing client needs but it is also due to the continued strong performance of our investment teams. Over one, three or five years, more than two-thirds of our fixed income funds, in terms of assets, are in the first or second quartile, and thus outperforming their peers, because normally it would be half, so we are at two-thirds.

In particular, I would like to stress that we have 82 Amundi fixed income funds which are rated by Morningstar at four or five stars, giving our sales teams, wherever they are, plenty of high-performing products to offer to clients, and covering a wide range of client needs.

Finally, 92% of our funds have outperformed their benchmark in terms of gross performance, before fees. This is thanks to a combination of expertise and sound investment governance, that we will cover now.

Global Fixed Income Expertise

First, let's have a look at our teams. Of course, our teams are the best asset of our franchise. We have around 400 investment professionals directly involved in the management of fixed income portfolios. This includes, naturally, portfolio managers, but also credit research analysts to ensure research, investment specialists who are to promote the expertise to sales, as well as our Amundi Investment Institute colleagues, our macro research strategy, Quant, and the ESG analysts.

Our fixed income professionals are split across each and every one of Amundi's six global investment hubs that you have on the map, with as well some professionals located close to more local markets and client bases, which are the other dots you can see on the map. This number of people does not include the fixed income teams in our minority joint ventures.

All these teams include very senior investment professionals, who have experienced various cycles, including all the major crises we have known in the past decade - and, as you know, experience is extremely important to have when you manage portfolios. Our investment performance is also the result of the governance that we have put in place for investments, so let's have a look at it on the next slide.

Effective Investment Governance to Deliver Superior Performance

The keystone of our investment management governance is the Global Investment Committee. I have the privilege to chair it once a month, or more frequently when there are exceptional events, so we discuss together at exceptional investment Committees. Key investment heads participate in this committee, including all the senior members of the Amundi Investment Institute, plus each and every head of all investment platforms, including passive management and real assets.

The GIC, the Global Investment Committee, is the place where we discuss and review the macro environment, the strategy, and we discuss of course the market's past and coming action. We agree on shared and common top-down views and scenarios and these are then shared through Amundi, to all the investment staff.

For passive management sales teams, they also provide an opportunity to have meaningful discussions with their clients and to recommend products that are adapted to our views. For active portfolio managers, it is a valuable input that they must use to support their investment decisions, even though of course, another day, they have final accountability for their investment decisions. No pressure on them, but at least it's a shared frame that is known by everyone.

We have talked about our teams and presented the Global Investment Committee, so let's go into a bit more detail on our investment process, starting with Amundi Investment Institute. Monica, you are the Head of the Amundi Investment Institute, so you will explain how you are organised and how we position ourselves in this new environment, and in particular in the fixed income space, because it is a topic of today.

Monica Defend
Head of Amundi Investment Institute

Thank you and good morning.

Amundi Investment Institute: Close to Investment

So, why an institute? We decided two years ago to consolidate the top-down research capabilities out of Amundi. That is why we have an Investment Institute, because we strongly believe that being close to the investment flow, to the portfolio managers, is a key success factor.

What does it mean to be close to them? First of all, we sit together on the floor on a day-by-day interaction which allows us to really engineer from scratch, from the first moment, the investment ideas. Second, we really want our people from the Institute to skin the game, to own the recommendations we are reporting to the investment floor, with the point that, for some of them, we really track the recommendations into a paper portfolio. There is this cultural and mindset of people coming out of research getting into the final investment course.

The way we have been organising the Institute, if you look at the slide, the various teams, is really mirroring the way the investment flow is working. We have the developed market strategy, fixed income, and equities, multi-asset emerging markets and we tried also to facilitate this proximity via the geographical locations of the team. For example, our fixed income experts are primarily based out of Paris, this is where my team is, on the fixed income and the equity; London, emerging markets; so we are really trying to get closer on a day-by-day activity.

What do we do? We do top-down research, macro and markets. We do partnerships with academies and main organisations. This is really allowing us to be on the edge of thought leadership. It is true that we are close to the investment floor, but we are also client-oriented, and this is allowing us to face the arena with all our client spectrum.

We do advisory because what we learn over time is that what we were doing with the PMs is actually what our clients are asking for, so there is this knowledge transfer, we are partnering with the Outsources CIO team in order to get closer to our clients, answering their needs.

Then, publications. We have an entire team - and today we have Swaha here representing them – dedicated to some flagship publications which you can find in the Research Centre, that goes from my cases to macro to topical studies, and part of them will be distributed in the coffee room outside.

What is specific to the team is that it is a model-driven, disciplined investment process that we have been building. The talent of the people in the Institute is the one of adapting and finding

the right technique to finalise the macro or the strategy. It is hoped this is clear as to how the Institute is working, and I will move to the big story for 2024 and beyond.

A Regime Shift for Fixed Income Investors

For those who have been following us over the years, we have in mind this new global disorder idea that the pandemic, the war, the last four years, have been pushing forward, so eventually there are many transitions that are taking place on the economic, on the policy, on the geopolitical and the technological front. This transition is taking place all at the same moment, and the policy answers that we will get will define the work and the society we are going to live in, in the decades to come.

Fixed income makes no exception. You might be familiar with these two charts where we see the rush, the fast hiking cycle, the Central Banks have been pushing it, in the advanced economies and as well as in the emerging markets, and the returns that have been delivered from the market. Actually, this was quite a busy week on the Central Banks front, and eventually we really think that the Central Banks in the advanced economies are going to pause, and this is upheaval for the rates, that from there will go lower. It is an opportunity that we are going to see on the markets.

2024 Outlook: Soft and Fragmented Growth

Going into the base scenarios, our story for 2024 really crosses this more long term, new global disorder convention. The combination of growth, inflation and monetary policy is still very important.

On the economic front, we are seeing the global economy progressively slowing down. This is not only in the advanced economies, we have this call with the US entering a mild recession in the first half, but China is slowing down, and it is slowing down for the right reasons. They want to rebalance growth, they want to engineer an economic model that is less oriented to real estate, more keen to push on the progress on electric vehicles, on super-power computing, so we really expect China to run at a lower gear in the medium term between 3-4%.

Inflation: we made a call that inflation was not as temporary as the Central Banks were seeing it, but we were leading into a different inflationary regime, and it will be the case again for 2024, where we see inflation progressively moderating above the Central Banks' target. So final destination, the Central Bank target won't be a story for 2024, more likely, 2025, but definitely, it won't be a linear journey. Central Banks still are the centre of the game. We hope to get some fiscal but governments don't have the money as we see from the vulnerabilities on the debt

overhang, but we see some asynchrony between the emerging markets that are already in a more advanced stage of their path. Some of them have already started to cut, but the Fed and the CB are ready to do that.

Honestly, we are more cautious than the market consensus. We don't believe that this will be a story for the first quarter. It will come later in the second quarter. The reason is that the battle over inflation is not over yet, and when it goes to the euro area, for example, we still expect two readings on the uptick, mainly because of the base effect, but the wage by gaining is still on, and it will be completed by April. It will be unlikely for the ECB to move in advance, having in mind that the ECB is much more concerned about inflation than growth, when compared to the Federal reserve.

On the vulnerabilities, I would just mention two. One is more short-term and relates to the progressive tightening of financing and financial conditions that will eventually start to bite the consumers and the corporate sector. Think about the US consumer – it is true that recently, we are seeing financial conditions getting easier, but this was mostly due to lower volatility. Mortgage rates remain extremely high. This is where we think the recession will be coming in the United States, and the debt overhang.

Over the years, governments have been piling up ?tonnes of that, that will need to be repaid, and this makes the call for interest rates to remain under a controlled level. Our main hypothesis is that, while the US might engineer some productivity gains, this is helpful to maintain and control the debt to GDP ratio, but the rates call has to be for rates to move progressively down.

What If Scenario Analysis

This is the base scenario, but the alternative scenarios are equally important. What we learn over time is that you don't have to have all your eggs in one basket, but there might be opportunities to be exploited on the downside, or on the upside. This is why, when discussing at the GIC, we present the base scenario but all the alternatives that allow us to fine-tune the core allocation, but also to put in place some satellite if not proper hedges to the portfolio.

Another thing for 2024 is that all the scenarios that we have been elaborating, one way or the other, are going to see fixed income as an important layer in the portfolio construction. Think about if we are completely wrong and we get a stronger growth in the developing market and inflation pressures being back, well, Core Govies, if not high yield, might really help in diversifying

the portfolio construction. Or, if we get into a deep recession, so things really get worse, then again, the first income can offer good diversification opportunity.

There will be another big change next year where correlation eventually between equity and bonds will get back to negative, allowing a nice and easier portfolio diversification.

This drives me to the last slide I wanted to share with you because, to me, it came out as a surprise when I saw the plot into the slide.

The Return of Great Bonds

Look at the last three years performance, of the balanced portfolio we have two examples, the US, which is more risky than the euro-dominated one, but it is astonishing how the performance that a balanced portfolio in the euro area record over the last three years is negative. The long-term is the last 25 years time sample, so really, it has been an outlier. It goes with the stories of mirrorable markets that we have seen in this new global disorder, but it is trying to find an equilibrium.

But this is telling us something more. It is not only fixed income per se that will be an important contributor to performance, but once the diversification subject comes into play in a multi-asset portfolio, again, fixed income can be a positive contributor.

This is it for me. I hope that you get a clear understanding of what we do and how we see the world, and I hand over to Vincent again.

Vincent Mortier: Thank you so much, Monica.

Indeed, a much better environment for bonds and higher returns. This is emphasising certain points that we work with from a top-down point of view.

In order to deliver full value to our clients, we add the bottom-up approach, naturally, and the actual implementation of these ideas into solutions to create a full investment process.

What makes Amundi unique is the successful combination of very efficient components of this evolution, so let's have a look at this in the next slide.

Effective Value Chain

First, it is important to stress that Amundi is in control of the whole value chain for all asset classes, but of course fixed income as well. From the macro ideas as described by Monica, to

reporting, client servicing, Amundi has built a very effective and scalable process with experienced professionals using mutualised tools which are quite optimal.

The ultimate goal for us is to build the best value proposal for our clients, whoever they are and whatever their needs. In fact, the tools we have created are so efficient that we sell some of them to other asset managers, our competitors, and also to clients in the investment value chain.

This is a case for ALTO, which I have mentioned before, and as well for the trading platform, but also for the engine and links to the data provider in the ESG space.

ESG Fully Integrated into Amundi Fixed Income Strategies

In this slide I will take you through our ESG approach in a simple way. Amundi is recognised as a leader in this area, and ESG has been fully integrated into our processes, in particular our fiscal strategies for many years. We cover 18,000 issuers with our proprietary rating system, which ranges from A, the best, to G, which means when you are G-rated, you are excluded from all portfolios.

We also put together a limited number of sectoral exclusions that I already mentioned today, covering thermal coal, unconventional fossil fuel development, tobacco, non-conventional weapons, biodiversity-harming activities and, finally, serious human rights abuse.

More generally, beyond these exclusions, our philosophy has always been to focus on what is called a best-in-class approach, so by industry, with a strong engagement policy, so that when we have voting rights, for example, we should push companies to improve their credentials in the trajectory. Voting, of course, is possible only if you are a shareholder, but owning a debt can also strength our position with issuers in the dialogue because cost of capital is something that is also very important, naturally, for issuers.

Thanks to our proprietary research and the very large coverage we have with a combination between ESG analysts, as well as external data and the portfolio managers and analysts, we are offering a very wide range of solutions in the responsible space with various shades, as you can see, of green, from the very light to the very dark, so depending naturally on the objectives of the clients.

We are also working on other dimensions, like social – which you can see in the blue box. Social bonds are developing fast, and we have launched multiple open-ended funds in this space which are successful, and some mandates as well. All are open on those funds, and also fixed

income funds, and must have weighted ESG average rating better than their benchmark. It is what we call ‘beat the benchmark’.

These constraints, which are for all funds, are monitored into the ALTO system in real time, both by the portfolio manager and the Risk department.

Then we offer a very wide range of responsible investment strategies, so from best-in-class, which we call mainstream, to some deeper Article 9 funds, active and passive, as well as wider in the world, net zero strategies.

Fixed income strategies, as you can see, are well represented in each of these categories and as well in terms of strategies, also we cover the yield curve, issuer types and credit seniority or quality through all shades of ESG intensity.

As I mentioned, we even now try to go beyond the pure traditional green or social, and we want to go a step further and it is an just transition for clients with a reasonable combination of green and social.

All this is achieved, thanks to a very close cooperation between ESG research and the credit analyst and research teams.

Integrated ESG & Financial Research

Altogether, we rely on 100 analysts to generate research on single issuers.

This organisation allows us to fully integrate the ESG and credit fundamental approaches and build optimised portfolios, combining the two components. Both ESG and credit research are made available to all portfolio managements via ALTO, so there is ALTO research and ALTO sustainability, so you can combine these.

I will tell you more about ALTO on the next slide.

ALTO, a Technology Platform for the Entire Value Chain

ALTO is a suite of IT solutions which is sold, as I mentioned, to external clients by Amundi Technology. It is a commercial success with external clients, but we tend to forget that the first and real benefits is for Amundi’s own investment team, so for ourselves.

It helps manage all Amundi assets, including fixed income strategies. On fixed income strategies, we have 1,300 portfolios in ALTO. It covers the full value chain, for the integration of research, both financial and ESG, to the middle office, reporting and client servicing. It is also the tool to route orders to the trading desks, it also analyses portfolios in terms of risk and performance, and simulates how prospective trades can impact in terms of risk and ESG, the portfolios. We also have lots of metrics to play with in the tool.

What is also the beauty of it is that is does this for multiple portfolios at the same time, in an aggregated view if need be, so it’s a very efficient way to manage portfolios. It is also very customisable to the needs and preferences of each and every portfolio manager. It is a very user-friendly tool.

For me, it’s a very valuable productivity tool. It is flexible, adaptable and thanks to this, we can have a short time to market. As well, it is quite cost efficient and of course the more we get to influence, the more cost efficient it gets.

Once a trade is booked by the portfolio manager in ALTO, it goes directly to the dealing room, which is another key feature we are offering.

Amundi Intermediation: Added Value

Amundi Intermediation, which is the name of the trading desk, regroups all the teams in charge of executing the orders of the Amundi portfolio managers, but also more and more of external clients who have delegated to us the execution of their orders, of course in a fully segregated manner.

Amundi Intermediation offers round the clock trading capabilities, with experienced traders, very good algorithms and access to the full market. Given our size, we have access to all brokers, naturally, all banks, which are active in all types and segments of the capital markets.

We have 26 traders dedicated to fixed income assets, and on average, they have been in the market for more than 10 years. Fourteen of these 26 are credit experts, covering all kinds of regions and all seniority and quality of credit.

As a result of the assets that we manage, the trading platform at Intermediation is very large and very active. Last year, they traded more than €100 billion in investment grade credit, just to mention one figure, with, given this kind of size, an access to primary markets, which is unparallelled, and, as well, the liquidity in the secondary markets. This provides our portfolio

managers and strategies with very low and competitive execution prices. We execute much better than mid-prices, and very often it's a bit ?risky, so it's providing performance to the portfolios.

Like ALTO, Amundi Intermediation is flexible and cost efficient, so clearly it gives a competitive edge for all the funds we are managing.

It is also very important to have a big, well organised trading desk, to ensure the proper management of the key parameter, in my mind, for fixed income which is liquidity. Liquidity is something that we have focused on for many years. It is one of the key factors for us, and on the next slide we will talk a bit more about it.

Amundi's Global Approach to Risks

Liquidity management is one key part of the process, and the final step of the investment process. As you see here, we have a centralised and big risk department which is able to consolidate all exposures in the portfolios, by issuer or sector, whatever the angle.

There are more than 260 people in the risk department, of course not just on fixed income. It is by nature independent. The department is headed by Eric Vandamme, who is a member of the Joint Management Committee and reports directly to the Deputy CEO.

Of course, risk managers don't manage the portfolio, but they are very powerful, the second line of defence for the operational teams, and as I have told you, the Internal Audit.

The monitoring of risks on a real-time basis is very important. It's not overnight in batches, thanks to ALTO, and it is in charge of making sure that each and every portfolio fulfils the mandate we get from clients and of course all the rules we get from regulators in particular, and as well as some rules we can define ourselves.

As I said, fixed income, the key focus is on liquidity. Many strategies involve investments that are made in long term assets that will not be repaid for many years, for a long time naturally but investors that buy open-ended funds must be able to cash out at any time. Most of the time, credit markets are okay, but sometimes they are not as liquid as equity markets. Sometimes, liquidity just disappears; remember April 2020, during Covid.

Even short term liquidity solutions, with very short-term assets, must be managed in a way that we are always able to meet redemptions with very limited costs.

Via the partnership with the Risk department, we have put together a big set of rules in order to have a framework around it. Just to mention a few tools, the first one, we have defined some cash buffers or cash equivalent, in particular our money market. The money market for

some strategies can go up to more than 20% cash or equivalent, whilst the EU regulations put a minimum bar at 7.5%.

In each of our funds we have had a swing pricing mechanism in place for many years, meaning that under certain circumstances, for big inflows, outflows, the exit price or entry price might be a bit different from the mark-to-market price, taking into account the cost of liquidity resulting from this specific order.

In very extreme cases, our funds can also have a gate mechanism. Of course, it is the last thing we want to implement, but it exists in the toolbox.

To conclude this part, our process is entirely under our control – that's very important. Every step is efficient and scalable, so we can grow a lot with our current set up, and we are ready to adapt to new client needs. This is precisely what we have been doing in the new regime shift that Monica described. The next section of this workshop will give you a concrete illustration of this.

We will now take a short, well deserved, break, and after that our experts will tell you how we address the various client needs when it comes to fixed income.

Thank you very much for your attention, enjoy your coffee, and see you back in five or six minutes.

Cyril Meilland: We will take a short break, about five minutes, so we will be back around 10.35, just to make sure people stay tuned online. Definitely we will have some very interesting business cases and a very interesting panel afterwards, so stay tuned. Thank you.

[*Break*]

Swaha Pattanaik: Welcome back. I'm Swaha Pattanaik, Head of Publishing at the Amundi Investment Institute and, as promised, in this segment of the workshop, we're going to be going into a little more detail about how client needs are evolving in light of the changing interest rate environment that Vincent and Monica have just described. We're going to especially go into our fixed income capabilities and how they are meeting these client demands.

To do this it's a pleasure to welcome with me on stage, Amaury d'Orsay, who's sitting in the middle and is the CIO for Fixed Income and Liquidity Solutions. Welcome Amaury. Next to me is Sergei Strigo, the Head of our Emerging Market Fixed Income Franchise and on the far side is Laurent Trottier, the CIO of our Passive Management business, which includes a sizeable portion of Fixed Income instruments. We're going to also show you a couple of very short videos from Jon Duensing, Head of US Fixed Income and Thierry Vallière, the Head of Private Debt. The two of them were unfortunately unable to make it to London, their loss, given the weather, but have some interesting views and case studies to share.

Our discussion, in the second part of this workshop, is going to focus on the four main reasons why clients turn to fixed income. There's Yield & Earning an Income, there's Capital Protection, Diversification, which Monica mentioned earlier is really important, and what we like to call 'Yield with Impact', which is responsible investment in the fixed income space. Let's turn first to Yield & Income.

The rise in market interest rates that we've seen over the past year has taken us a long way from the sub-zero bond yields that were so widespread not that long ago. As a result, fixed income is actually finally delivering on the income bit of its name. What are considered core strategies are therefore very much back in vogue? Amaury, I'm going to kick off with you and ask you what sort of core strategies are clients really looking for right now?

Amaury d'Orsay: Good morning. Our investors are looking at many core strategies, government bonds, investment bonds, high yields in the dollar that Jon will describe afterwards, in euro, in sterling, in yen or in global, where you can take opportunities for the still divergent economic cycles around the world. It is really at the heart of our assets and our management. We manage €550 billion on credit, aggregates and Buy & Maintain strategies.

Today investors look mostly at safe assets, government bonds, investment grade credit because they fear potential recession. What has been striking this year, outside of the cost strategy, is the massive success for strategies that are looking for capital preservation. Why? Investors have been badly hit in 2022, on their mark to market, so they don't want any more losses or negative mark to market and they'll be looking for strategies, looking for capital preservation. Our convention is that after a year of stabilisation of the rate market, investors will look, more and more, for core strategies in 2024. Amundi is very well positioned for that trend.

Swaha Pattanaik: Good to hear. Laurent, what are you seeing in the passive space?

Laurent Trottier: Thank you, Swaha. Good morning all. One of the major trends that we have seen this year is the acceleration of the addition of indexed investments within the fixed income space. As illustration, we can have a look at the UCITS ETF flows and on the three first quarters of the year fixed income ETFs were representing 46% of the totality of flows, whereas they are representing 26% of the total AuM, so it's a sharp increase in the share of fixed income within the ETF total asset mix.

We expect 2023 to be the best year ever in terms of net new assets in the fixed income ETF space and these are straightforward implications for Amundi. You may have noticed in the previous slide presented by Vincent, the one on the breakdown of the quarterly flows of Amundi, that ETF and indexing fixed income have positively contributed to each and every quarter to Amundi's net new assets.

Swaha Pattanaik: Thank you Laurent. Sergei, over to you for the Emerging Market area.

Sergei Strigo: Sure. Emerging markets in general represent a very attractive yield enhancement opportunity for our clients. When you look at the level of yields, or the level of spreads on EM bonds versus traditional developed market fixed income for similar duration exposure, clearly the levels are very compelling. If you look at the overall yields that the Emerging Market offers, it's around 6.5-8.5% depending on the local currency or hard currency. That's quite a significant yield with regards to EM space.

If we look at the performance overall year to date and obviously, after the very dovish Fed we've seen, it's been enhanced even further but we are hitting double digit returns this year, both in the local currency and hard currency in the local space. It's over 11% year to date and we are very optimistic for next year. We think that the market in EM bonds will deliver as good returns as we have in 2023 but, of course, we believe that navigating idiosyncratic and geopolitical risks within EM space is very important and there you need a dedicated Emerging Market debt specialist, like Amundi is within that space of course.

We are benefiting from very significant inhouse resources, having a dedicated platform combining EM debt and EM equity within one roof and having a 360° view when it comes to the Emerging Market fixed income space. A very well-resourced platform, 79 investment professionals with 25 portfolio managers on the fixed income space managing over €27 billion in dedicated Emerging Market debt portfolios and obviously benefiting from very significant, as

Monica said earlier, in-house resources and research on the EM macro and corporate credit as well.

Overall we've had I would say, a very stable asset base and overall with a healthy mix of institutional and retail clients. Over the past two years we had small inflows in EM fixed income portfolio but it's in very sharp contrast to what we have seen in the market in general, where there has been more than -$100 billion of outflows from Emerging Market funds overall. Again, as I said earlier, we are very optimistic having a better macro-economic backdrop, more dovish interest rate policy for the inflows to really pick up into 2024.

Swaha Pattanaik: Thank you Sergei. You just mentioned the Fed. I'd like to turn at this point to the video we have of Jon Duensing, our Head of US Fixed Income and he is going to explain a little bit more.

[*Video*]

Jonathan Duensing
Head of US Fixed Income

The US investment platform is very representative of Amundi's global fixed income capabilities. For global asset owners both institutional and retail, our team of investment professionals manages and advises our US-focused fixed income solutions across a wide range of market sectors, credit quality and duration.

Our portfolio management and investment research professionals average more than 20 years of industry experience. We have established strong and long-tenured performance records across broad, multi-sector and targeted single asset strategies. With more than $50bn in assets or approximately half of the assets managed in the US, the fixed income platform offers a unique combination of scale and flexibility that is very effective in meeting domestic and global client needs.

I would like to highlight a business case that illustrates these points as well as the benefits of global organisational coordination.

A few years ago, a leading European bank desired to enhance its Delegated Portfolio Management or DPM offering for clients. As part of this service, the bank launched an advisory platform which offered local clients global market exposures. For selected market segments where the bank did not have internal expertise, they contacted asset managers such as Amundi.

This enquiry led to an advisory partnership with the bank in the launch of a dedicated US core fixed income strategy. Our US fixed income expertise, as well as a strong local relationship with the client and our firm-wide capability to build bespoke client solutions, all played vital roles in the strategy's successful creation and launch.

This solution has been a very positive experience for both the bank and its clients. The strategy has enjoyed a six-fold increase in assets since inception and the partnership has offered a gateway for other global opportunities with the bank.

This example serves as a template for global coordination within Amundi Group, where regional investment management expertise is leveraged with local sales and client service knowledge, to satisfy a global investor's specific need.

[*Ends*]

Swaha Pattanaik: As Jon explained, it's a really interesting example of a core US strategy being imported to Europe and being sold to clients who may not have perhaps thought of such strategies before. Let me turn back to our panel now.

Amaury, you name checked earlier, and Vincent as well I remember, 'Buy & Maintain' and just as a word of explanation, the aim of 'Buy & Maintain' funds is to achieve relatively consistent yields over quite long periods. At the same time, default risk is being really carefully monitored and bonds are being sold, if credit profiles are deteriorating significantly. Amaury, can you outline the sort of inflows we've seen on this and why, also how we are managing to reach new clients?

Amaury d'Orsay: Yes. 'Buy & Maintain' is really the core of the core. We manage €375 billion in Buy & Maintain and we have done that over the last 30 years. It's a multi-decade expertise that we acquired, thanks to our group insurer, Crédit Agricole Assurances and Société Générale Insurance as has been highlighted by Vincent but this expertise benefits our other external clients, other insurers or pension funds.

Thanks to these trends we are No. 1 in Europe. We have a very wide access to the market, we are the No. 1 client for all euro insurers and investment banks in Europe. We have a strong credit analysis on a very wide environment, universe of investment and we have efficient tools to match the cash flows and to optimise solvency capital requirements. We have built a Net Zero Buy & Maintain capability for Net Zero asset owners' clients. We are able today to construct portfolios between 3.5% and 4.25%, in terms of yield on the euro market and that has to be compared to 0.5% two years ago.

In the past year, as has been outlined, we have seen outflows on our group insurers' business but we have seen inflows on external clients, thanks to new client acquisition. We are quite positive, in terms of flows for 2024, because we will see some insurers to still close some duration gaps and we will see more and more institutional clients to allocate to fixed income. As an example, we have just onboarded a long term bond portfolio on 30 year bonds, quite a complex portfolio with many currencies to hedge, for pension funds of our euro corporate clients. This is quite complex but sticky money for 30 years, so we are pretty convinced that in 2024, after a year of stabilisation and behind the peak, as Monica has said, we will see inflow on our Buy & Maintain strategies.

Swaha Pattanaik: Great. Let me turn now to the second of the reasons investors may choose fixed income, which is capital protection. As Monica pointed out, it was a really tough year in 2022 and you mentioned this as well Amaury, when bond and equity prices were both falling. This led to a real boom in Target Maturity Funds and Amundi is a clear leader in this segment. Perhaps you could talk us through, Amaury, on what exactly these funds aim to achieve and what Amundi's been doing to meet this upsurge in demand for them?

Amaury d'Orsay: Yes, indeed, we have seen a boom in Target Maturity Funds. It's answering two needs; one, a predefined income and second, capital preservation. With Target Maturity Funds we meet a portfolio that are able to deliver a coupon between 4.5%-5% depending on the market competition, with 80% of investment gain and 20% of high yield. This is the income. Then, a predefined maturity between one and five years.

Most of the funds that we have beaten are five year maturities, so it means no constant duration like most open funds and it decreases over time and then it closes. We select the names very thoroughly. It's very important to avoid any defaults on these funds because you need to deliver the promise to the client, you need to be sure that the capital will be fully reimbursed.

What differentiates us versus the competition is, first, we have a very wide access to the credit universe, thanks to our credit research. We have a very conservative approach, which means that we are not trying to maximise the coupon but really to deliver the promise to the clients. Actually, we have set up a buffer to absorb the losses, if any. It is essential, in the planning proposal, which means that we are able, with this buffer, to sell credit deterioration, if there is any, and to replace them with another credit quality. That's why it's an actively managed portfolio and this is quite unique as a setup in the market.

Thanks to all these features we have been able to distribute, with our key partners, UniCredit, Sabadell, Crédit Agricole Italia and with our third party distribution clients. Thanks to that, indeed we are No. 1 in the world and we have taken 17% of market share in 2023. The momentum is still positive and we are working currently on thematic Target Maturity Funds and also on Target Maturity Funds in dollars for our Asian customers.

Swaha Pattanaik: Interesting. One of the things I should flag at this point is that the Target Maturity Fund portfolios are constructed in a way - as Amaury has pointed out, there is great care taken to protect capital but they don't offer any formal absolute guarantee that this will be the case. That's in contrast with structured products which, therefore, may be more appealing to investors who really need to insure this capital preservation.

This is probably the right juncture therefore to turn to our second video, which features Yann Lhuissier, the Deputy Head of Retail Distribution at LCL. He'll explain how Amundi has been able to help and partner on this front and also the close partnerships in the distribution network that we build and why that helps make a success of these sorts of products.

[*Video*]

Yann Lhuissier
LCL Deputy CEO

Good morning all. The partnership between LCL and Amundi is a long-standing one. We have been working together on structured products for more than ten years and have been very successful over this period in terms of inflows as well as performance for our clients.

Amundi is a precious partner that helps us identify the needs of our clients with effective solutions and supports the network in their sales efforts. The massive increase in interest rates in 2022, provided the opportunity to steer the structured investment solutions to fixed income. This asset class had been somewhat forgotten by retail investors for many years because of the low or even negative yields.

Since the summer of 2022, the responsiveness and the excellent collaboration between Amundi and LCL teams made it possible to quickly roll out a new offering of structured notes, meeting the clients' needs for guaranteed capital and an attractive yield. To be successful, we had to overcome two challenges.

First, we had to make the solutions sufficiently attractive in terms of return and maturity. To achieve this, Amundi was able to adapt its proposals either in plain vanilla structuration or even in autocall form, to improve the promise to clients in a significant way.

The second challenge was training our advisors on an asset class that was complex and new to them. Our commercial staff, to a large extent young and junior, had only experienced a low rate environment. With Amundi and its marketing teams, we have designed a bespoke programme to develop their skills and accompany the advisors in the marketing of these new products.

The last point, which was key for us in the design of these solutions, the structured notes transfer 100% of the cash to LCL's balance sheet. For us, it becomes a true liquidity management tool and a source of funding for the development of our financing activities.

To conclude, the structured notes have met a huge success with close to €4bn collected since 2022, a source of pride for both LCL and Amundi teams.

[*Ends*]

Swaha Pattanaik: We're talking about capital preservation. I guess the ultimate - on that front, albeit not in inflation adjusted terms - is cash. There was a roaring business in 'home safes' in Germany I believe, when the ECB was cutting interest rates further and further below zero. Thankfully, there are a lot better alternatives out there now, given the sharp monetary tightening and also the general change in the yield environment.

Amaury, what sort of growth have we seen in so-called liquidity solutions which allow clients, who have cash to invest, to avoid the mark to market volatility you flagged earlier, protect their capital and access their cash as and when they want?

Amaury d'Orsay: Yes, the growth has been massive since the ECB started to hike rates in the summer of 2022. There is a strong appetite for this product, thanks to the high level of short term rates and the inversion of the curve. Good, because we are No. 1 in euro markets. We manage more than €200 billion on those products and we have done that for 30 years. Our clients are very diverse. Two thirds are institutional corporate insurer pension funds and one third is retail, key partner networks and one third, distribution.

What matters on this strategy is really the stability of the performance. It is the liquidity; access to cash whenever you want. Over the last 30 years we have always delivered a stable

performance. Our clients have always been able to access their cash on a daily basis, even during the great financial crisis in March 2020. How do we do this? The first thing is, as Vincent said, we have a very high buffer of liquidity, between 20-25%, way above the regulatory requirement of 7.5%.

The second thing is that we have a very thorough analysis of our credit universe and invest only in safe investment-grade bonds. The third thing is that we have a deep analysis as well of the cash flows and the trajectory of our assets on one side and our liabilities on the other side. The fourth point is that we have a very diversified portfolio.

With all this we have a strong continuum of liquidity solutions for short term Govies Money Market Funds, Short Term AAA Money Market Funds, Standard Money Market Funds and Six Month and 12 Month, Ultra Short Term Bond Funds. We have the biggest funds in the market in Europe. Our Amundi Liquidity ISR fund is above €50 billion. We have as well a desk, who originates vis-à-vis and is the contact point for all euro insurers and for all investment banks. It gathers the interest from our Portfolio Managers and therefore allowing us to have big bargaining power and to maximise the new issue premium. It's a unique set up in the market. Fourth, we have a strong sustainability footprint. All of our funds are ESG levered, so with all that we collected €30 billion in the past year.

Swaha Pattanaik: That's really impressive. I'd like to ask a follow up question on that, in light of what Monica said earlier about the turn in the monetary policy cycle and the expectations in the market and at the Amundi Investment Institute, of rate cuts to come. Do you still see growth coming for the segment?

Amaury d'Orsay: Yes, I still see a scope for growth. Rates indeed, most likely, have peaked as Monica said, but let's be clear, we went from -0.5% to 4% in a matter of 18 months. Even if it has peaked, and our forecast for the end of 2024 is 2.75%, we still have massive positive rates versus historic and our strategy is about the economic cycle, so cautiousness from our clients. Yes, still a strong appetite from our clients on these products.

Beyond this market environment, which I think will stay positive for Amundi, there are some specific trends within Amundi which is; one, we want to develop further our US dollar market share. Second, on the corporate side, we see more and more corporate clients, traditionally covered by banks, who want to diversify their risk and invest in our money market funds. We have new client acquisitions on the corporate side every week. Third, there is a white-labelling activity that is developing. We see clients who want to refer this service to their clients but who do not

have the critical mass to get this service, so they turn to us and want us to deliver this service to these clients and we do that through white-labelling activity. Yes, scope for growth in 2024 in liquidity solutions.

Swaha Pattanaik: That's a positive. Let me move now onto the third area we mentioned, which was diversification, which allows risks to be mitigated but not completely eliminated in the way we've been talking for capital preservation. Here we're going to look at some of the opportunities that fixed income offers, to pick up a bit of additional return with limited additional risk and also explain a little bit about how Amundi has been coming up with ideas for clients to make the most of market moves on this front.

Amaury mentioned the inverted yield curve earlier. Laurent, you have an interesting idea that takes advantage of this inverted yield curve at the treasuries. It was one of the most extreme inversions in about half a century, so I don't think any of us have seen it before. Could you explain what Amundi came up with to allow clients to take advantage of this moment?

Laurent Trottier: Yes, sure. The range of ETF is made of both core building blocks that are here to address the main challenge of our clients, in terms of strategic diversification, as well as products that are designed to cope with specific market situations and those ETFs are here to enlarge the toolbox of the investor to implement their tactical views.

You're right in how difficult the year has been; the extreme level of inversion of the US government bond yield curve and we had to find a way for investors to benefit from this historical discrepancy. As an ETF provider, we wanted to provide a plug and play solution, a systematic strategy that had transforming theoretical yield differential into an investable ETF. The ETF we have designed is offering, basically, long exposure to a basket of two years US Treasuries on one side and the short exposure to a basket of 10 years US Treasuries, on the other side.

The two baskets have been calibrated in order to be neutral, in terms of duration. This calibration has helped as well to magnify the impact of curve steepening on the performance of ETF, to make it simpler for each basis point of curve steepening, ETF is adding 7bps of performance. It's a very simple cost-efficient way to benefit from a specific market condition and we have attracted €1.5 billion of net new money on the first quarter of the year, coming mostly from wealth management. It's worth mentioning that in this segment we have nearly no competition and we seem to gather more money than the traditional curve players only.

Swaha Pattanaik: Good to hear. Sergei, let me turn to you. We've been hearing about one way in which current market conditions lend themselves to diversification but Emerging

Markets are almost a structural way of diversifying. Would you perhaps talk us through why that is and how you see it?

Sergei Strigo: Yes, absolutely. Emerging Markets obviously provide diversification as a diversifying factor for global asset allocators and let's not forget that EM fixed income represents 30% of total global debt of $26 trillion of investable assets. It's a very significant number. It has a compelling historic risk return profile, with very low diversification with some other developed market asset classes and, of course, when you look at the Emerging Market fixed income universe we have diversification across currencies, having access to hard currencies, euros, dollars, 20 local currency markets and then geographical diversification is obviously enormous.

We invest in over 75 countries within the Emerging Market space. On top of that, we have access to over 700 Emerging Market corporate credits, so it's a very significant pool of assets. Overall, as Monica was saying, the macroeconomic cycle, the interest rate cycle, monetary policy inflation, is divergent and different in each of these countries so it's always useful to have exposure in targeted regions or countries in EM fixed income, in any global portfolio as a diversifying factor.

Swaha Pattanaik: Thank you Sergei. Another way to get a bit of extra return with very limited risk, is back in developed markets and in private debt. We're going to hear now from Thierry Vallière, our Head of Private Debt, who's going to explain why it's an attractive proposition in the current environment.

[*Video*]

Thierry Vallière
Global Head of Private Debt

I believe it is a great time to be a lender, perhaps even an extraordinary one in the context of what many credit investors have seen over the course of their careers, for many reasons.

First of all, total returns in private credit markets are extremely attractive, especially compared to equities on a risk-adjusted basis due to, among others, first and then second, economic. Today opening spreads, upfront fees and original issue discounts are above their five and ten years' average.

Second, you have more conservative capital structures, lower leverage, at least one term, lower LTVs, 5%-15%, and higher equity cushions above 40%.

Third, you have improved documentation terms with better core protection, stringent financial governance, better undertakings and limitation and reduced EBITDA adjustment. And finally, you benefit from the senior position in the capital structure.

An illustration of that is the real estate financing that we closed two weeks ago in the German hospitality sector. Due to higher rates, valuation of the building has reduced by 12% over the last 18 months. The content of debt provided was also reduced, leading to a conservative LTV below 50% and finally, to underwrite the transaction, we secured higher upfront fees and better margin.

The second reason it is a great time to be a lender is that in this environment, we expect private debt to continue taking market shares from both banks and public markets for several reasons. As usual, during difficult times, banks are retrenching from the markets and have reduced their underwriting.

Suddenly, ongoing market volatility in public markets creates uncertainty of execution and increased discretion for pricing, and this is likely to continue several times more as limited supplies contributes to fuel volatility.

Third, sponsors have secured historical high levels of the product that needs to be invested wisely. There is three times more capital than what is available in the private debt space. An illustration of that is the very important deep flow we have in our corporate and direct lending activity, notably with our impact fund strategies. Year-to-date, we have sourced 29% more opportunity than last year. This allows us to remain extremely selective which is critical in this industry, if you want to build diversified and resilient portfolios.

To conclude, I will say that we are convinced that there are solutions across corporate credit, direct lending, asset backed finance and bespoke capital solutions that will benefit from these trends.

[*Ends*]

Swaha Pattanaik: So let me now to turn to the last of our four topics, Yield with Impact. As Vincent has underscored earlier, Amundi prides itself on the responsible investment innovations and commitments that it makes. We therefore wanted to give you a flavour of the sort

of client trends and demand that we are seeing, as well as some of the ways in which we are helping to grow this segment of the fixed income market.

Given the importance of helping emerging and lower income countries finance the green transition, as we have seen just now in COP, we are just coming out of it, it's been great to see an absolute explosion in green bond issuance from these countries in the last few years and there is huge appetite for such debt as well.

Sergei, let me turn to you to ask you to talk us through some of the trends and also some of partnerships that Amundi has with multilateral institutions, say the like the one with the IFC, which is part of the World Bank Group.

Sergei Strigo: Indeed we have seen a very significant growth in sustainable finance within the Emerging Markets space. We are a market leader when it comes to label bonds, green bonds and managing the largest emerging market green bond fund, which is $1.4 billion in assets.

We see our mission as an asset manager to provide our clients with innovative investment solutions and really to give them access to a market which is not necessarily very easy to get. We are able to do that because we have a very high level of ESG integration and the ability to customise various products, whether it's ESG, or de-risking of credit risk, but overall, as you said, absolutely we see our main role within blended finance initiatives, where we combine our public money supplied by the multilateral development banks and private money from pension funds and insurance companies. Indeed, we have a number of very large partnerships with multilateral development banks, the IFC, AIIB, EBRD and EIB as well.

We are launching more sustainable strategies, for example recently we launched a $400 million fund on the EM Social Fund. Our mission as well is to really address both the demand side and the supply side, so by launching new strategies we are creating the demand for green and social and sustainable finance within the EM space, but also we see our role as an asset manager, to really help the market to grow, to generate green and social sustainable finance with the EM space. Here, our participation and technical assistance programme, with the multiple multilateral development banks is really, really important. So we will continue to work with MDBs to definitely grow the market and to provide our clients with innovative investments solutions, whether on the label bond side, or in net zero initiatives and Paris-aligned type of strategies.

Swaha Pattanaik: Amaury let me turn to you, what about the developed markets?

Amaury d'Orsay: Demand from retail institutions is on impact funds and on net zero strategies. On impact funds, green is taking the lead. It is good because we are a leader, we invest €30 billion in green bonds and our impact green bond fund, our flagship, has increased its AuM by 30% this year. Thanks to ALTO sustainability powered by Amundi technology, we are able to monitor in real time our carbon footprint, or carbon intensity and the temperature of all our issuers in our portfolio and the whole portfolio, this is a key differentiator.

Since 2022 we have increased and we have seen inflows of €4 billion in those green strategies. On net zero, we support our institutional clients who want to transform their portfolio into net zero and be aligned with the Paris Agreement. So a lot of growing opportunities especially in this net zero space, with our clients.

Swaha Pattanaik: Okay, great. Laurent, I noticed you had something you wanted to chip in with there?

Laurent Trottier: On the ETF side we have development a comprehensive range of fixed income ESG ETF, in the corporate bond space. However, responsible investment in the sovereign space is more challenging. Indeed, sovereign issuers are more complex to assess from a sustainable standpoint and the traditional techniques on ESG integration like filters, exclusions, re-weightings, are no more viable to build a sovereign sustainable portfolio.

So we have to think differently. The challenge for us is to shift the core building block toward sustainability without distortion of standard risk metrics, duration, country and location. Fortunately, there is a more comprehensive approach I would say of sustainable investments in the fixed income space, thanks to the green bond markets. The green bond markets as a pure play is convenient for investors that are strongly committed to act on climate, that do not add any major risk limits. The solution has been the creation of a new SDFR Article 8 Euro Government Bond ETF, which includes 30% of green bonds issued by sovereign issuers, that are selected to match the main risk characteristics of a standard euro government bond index. It is quite an efficient way to add a climate dimension into our core building blocks and we succeed in attracting more than €700 million of net new assets on the three first months of the launch and this week, all products have reached the €2 billion AuM threshold.

Swaha Pattanaik: Thank you. Let me throw this open to Amaury and you, Sergei. How is supply and demand for green bonds being affected by say the regulatory flux that we are seeing, a dearth of global standards and perhaps some data issues. Could you also perhaps talk us through how Amundi is trying to find solutions and help the way out of this?

Amaury d'Orsay: We are very involved in the development of the green bond markets with issuers, with investors and with data providers. As a matter of fact, our Head of Responsible Investment for Fixed Income, Alban de Fay, is the Vice Chairman of the Executive Committee of the Green Bond Principles by ICMA, the International Capital Market Association, which is there to set up the standard and the best practices of the green bond market.

Swaha Pattanaik: Thank you Amaury and this is really important for emerging as well Sergei.

Sergei Strigo: Absolutely, as I mentioned earlier, with our role and our participation in the technical assistance programmes, run by the various multilateral development banks, who are really the forefront of setting these standards for label bonds within emerging markets it is extremely important. We have seen, as you said, multiple standards across the EM space, across developed markets space, some of the taxonomy, for example we believe are very, very good, for example the EU taxonomy, clearly the development of the emerging market standards is somewhat slower, but we see instead a convergence towards a good global standards such as EU taxonomy going forward.

Swaha Pattanaik: Fantastic. We've been talking about green bonds, but responsible investing encompasses so much more. Vincent mentioned social bonds earlier and, Sergei, you touched on it as well, as one of the issues we have been involved in, what are the trends – Amaury, perhaps I could ask you - on social bonds and how do you see this segment of the market developing?

Amaury d'Orsay: First of all, I want to say that at Amundi we believe that the energy transition will be successful, only if it's socially just. So yes, social bonds is a key strategy amongst our impact funds. We have launched as well very early, one of the first social bond firms in 2020 and it has attracted very good money into these funds.

What we see as well as a trend, is our investors are looking more and more at mixing green, social and sustainable bonds together into what is called GSS strategies and we see very, very good traction on this strategy.

Swaha Pattanaik: Fantastic, unfortunately we are nearly out time. I am going to end with a very quick-fire round of questions, the same question to all of you. What is the fixed income trend, or strategy, that you're most excited about in say a one or two year horizon. Laurent, I am going to put you on the spot first, go for it.

Laurent Trottier: I will start the answer with the whole range of ESG. Probably excitement is much more on the euro green bond products that I just mentioned, because we are seeing a very strong momentum in terms of influence. Additionally, I am convinced that the government bond pool of assets is the largest one that still needs to be transitioned towards climate friendly solutions, so there is plenty of room for further growth on such innovative products.

Swaha Pattanaik: Sergei what about you?

Sergei Strigo: I am very constructive actually across a number of strategies in the EM space, both in the hard currency and local currency, really due to the significant turnaround in macro-economic backdrop and interest rates, certainly in the developed markets with the Fed pivot.

If I had to choose one for next year, Monica mentioned that we probably are going to have very significant monetary policy easing across a number of emerging market economies, especially Latin America and central and eastern Europe, which I think will provide very significant upward returns in the local currency strategy for 2024.

Swaha Pattanaik: Thank you, Amaury you get the last word.

Amaury d'Orsay: After a strong re-pricing of 2022, we advised our clients to allocate more and more into fixed income, that is what we call, 'bond is back'. In 2023, they mostly went for short term solutions because of the volatility of market, we had treasuries tenure ranging from 3.3%-5%, because of the inversion of the curve.

In 2024 we believe that we are entering a new monetary phase and that tightening cycle is being reversed, so we think that now our clients need to go for capital gains, need to go for duration because we will see the rates going down in 2024 and we will see as well a pretty uncertain economic environment, so a slightly cautious approach.

So in this context I will go for global aggregate strategies that are run actually downstairs with our team, global aggregate strategies because five year duration, one because it's a very wide universal investment, still able to let's say take opportunities of the various credit and monetary cycles around the world and it is naturally skewed towards high grade investments, safe investments and as well as the flexibility to navigate between risk-on and risk-off strategies, given the universe of investments. So yes, my pick would be global aggregate strategies.

Swaha Pattanaik: Thank you, Amaury, and thank you to all three of you for your insights. Sergei, Amaury and Laurent will be available to take your questions in the Q&A section

that is coming up shortly, or of course for those of you in the room, over lunch. I am going to hand over back to Cyril now, who will talk you through.

Cyril Meilland: Thank you to our panel, Amaury, Sergei, Laurent and Swaha of course. I hope that you are convinced now that we have been able to seize the many opportunities we have seen in the fixed income markets in the past 18 months and that we are very prospective and a very attractive outlook for the coming years.

Just to wrap up the series of presentations about specific strategies and specific products, or specific expertise, it was good to have a group view, an overall view of what we can provide to clients and especially one in institutional space and one as a group of clients in one given country. We will have Florence Barjou the Chief Investment Officer of Crédit Agricole Assurances, who is, as you saw with Amaury, a very large client in the institutional space and in Spain where we have been expanding quite significantly in the past years, with Marta Marin Romano, who is the Head of Amundi Iberia, we can start with a video.

[*Video*]

Florence Barjou
Chief Investment Officer
Crédit Agricole Assurances

Good morning. Crédit Agricole Assurances and Amundi are sister companies within the Crédit Agricole Group and they have been very close partners since the creation of Predica in the mid-eighties. Our partnership is built on the successful combination of complementary skills and both companies have become leaders in their respective industries in Europe.

For us, this means that Amundi has a unique understanding of the needs of a large, all-purpose insurer like Crédit Agricole Assurances and that Amundi is able to dedicate very useful resources to meet our needs.

For example, Amundi has provided Crédit Agricole Assurances in both Italy and in France with solutions, to protect life portfolios against rising rates. Amundi has mobilised key resources to build these solutions and to adapt them to our portfolios.

Furthermore, Amundi is a key advisor in our investment process. In the current highly volatile rate markets, executing our annual investment plan has been challenging. We need to be able to select the right asset classes to maximise performance going from Govies and covered bonds to credit, ABS but also obviously within the liquid and private

space. Being advised on such a breadth of asset classes offering sometimes entry and sometimes exit points, has brought a welcome and much needed agility to the whole exercise.

Last but not least, Crédit Agricole Assurances is a proud member of the net zero asset owner alliance since 2002. The targets for 2025 are in sight but we now need to get prepared for 2030. We need also to think about Scope 3 emissions and we are also considering integrating biodiversity in our framework.

Being seconded in that approach by an innovative partner like Amundi, who is a member of the Net Zero Asset Management Alliance and at the forefront of responsible investments, has certainly proven invaluable to us.

To conclude, we value Amundi as a key partner with a holistic approach to all our investment needs, from market insights to a comprehensive range of investment skills and strategies, active, passive, private and obviously also ESG.

For us, the relationship with Amundi is a very successful partnership and it is further enhanced by very friendly relationships. I am looking forward to our next interaction which is going to be very soon.

Marta Marin Romano
CEO
Amundi Iberia

Hello. I am Marta Marin, CEO of Amundi Iberia and I am very happy to share with you the success achieved by Amundi in fixed income among Spanish institutional clients and third party distributors, be they private banks, asset managers, corporates, insurance companies or pension funds.

Historically, money market and bond solutions have represented a strategic part of our business in Spain. The capability of our product range allows us to offer solutions adapted to every client in every market context. Investors can generally fine tune their allocation in terms of duration, risk, credit segments, ESG criteria and regions, be it Europe, the US or emerging markets, and in active or passive strategies. This is a true asset, especially in a country with a very conservative investment profile.

For example, given current interest rate levels, clients are massively looking for money market and long-term, short-term bond solutions to capture yield and performance in euros or US dollars. It is worth noting that, even private banks, that until today were not a cross segment for such solutions, are now fond of our range, looking for attractive yields, low volatility, diversification and liquidity.

Other conservative solutions, namely Buy & Watch funds, were quite popular over 2023, especially with private banks and with their clients, since such vehicles aim to lock yield. Amundi has a long track record for target maturity funds and we have built tailor-made Buy & Watch for our Spanish clients.

Amundi teams also have a state-of-the-art ability to create dedicated solutions, building a unique partnership approach with clients and delivering full support throughout the life of the product. We built, for instance, a euro credit mandate, a global credit mandate or a fund of fixed income ETFs, for a client who was looking for a very conservative product at low cost.

Responsible fixed income has become a major request. Amundi has the commitment and resources to enable us to meet our clients' convictions, benefiting from our strong footprint on the GSS bond market.

For example, we are providing an advisory on an ESG model portfolio for a Spanish client. Thanks to this comprehensive offering of strategies and services, I am confident that we are best positioned in the Spanish market to seize the multiple growth opportunities that the current environment provides with all our clients.

[*Ends*]

Vincent Mortier: We are reaching the end for the Q&A and the buffet lunch, with some liquid as well. That is important on a Friday!

Amundi, Your Fixed Income Powerhouse

Just a small conclusion before our Q&A, first thank you for panel, it was very interesting and it was a good illustration of what we can offer to clients and the video as well, where we confirm the breadth of expertise that we have in our hands.

This is the key message I want you to take away from this workshop. First, communication is at the heart of our reputation, so Amundi is very large on fixed income, is very well diversified,

with some very effective platforms. Also and more importantly maybe, these platforms cover all the needs of our clients and seize the growth opportunities as soon as they arise, so we get them to market.

As you have seen through this morning, our size is not an impediment to our agility. Or the contrary, it helps us to design competitive strategies with a high degree of efficiency and again, a short time to market. Target Maturity Funds is a good example of that.

Amundi is well positioned in our mind to make the most of the tail winds that fixed income is enjoying and will enjoy, in the short run but also in the longer term. With that I will let Cyril introduce the Q&A session and it will close our session.

Q&A Session

Cyril Meilland: Thank you Vincent, we will start the Q&A session indeed, so obviously we will take all the questions you have. You might have questions that are not directly related to the workshop, we perfectly understand that, but obviously the purpose of the day is fixed incomes, so if you could at least focus on this, that would be helpful. We have allowed a lot of time for questions, so do not hesitate to raise them, we will start with questions from the room, but I will also look at the questions we get from the Zoom webinar and I will also relay the questions to the speakers. First question from Hubert, if you could introduce yourself and your company, that you would helpful.

Hubert Lam (Bank of America Merrill Lynch): I have three questions, firstly on euro contracts, I know that they have seen big outflows over the last years because of QE, lower yields, but now we have yields stabilising at higher rates, do you see a potential rotation back into euro contracts, or is it just a little more structural in terms of the switch over euro contracts and then into the many products that we talked about today. That is the first question.

Cyril Meilland: Maybe we can answer as we go.

Vincent Mortier: On the euro contract, it’s a question of stock and flows, so indeed today the interest rate which is paid to clients on this contract, is ranging from 1%-2%, sometimes 3%. When rates start to go down, and rates have started to go down actually, the value of the bond portfolio will increase, as the stock increases, and therefore the payment to clients will probably increase, because the alternatives for clients will be less attractive.

So today, the reason we have outflows from these contracts, is because clients are going to the money market to term deposits, to target maturity which are offering 4% or 5% yield, so it's a kind of arbitration, which is in a way logical. It is not very high scale because our first euro contracts are long term projects, meaning you cannot exit without losing your tax advantage before seven years. It is only for clients who have these contracts for more than seven years, they can arbitrate without losing the tax advantage. So I would say the next period should be more in favour of your contract compared to others because of the lowering of yields in the marketplace.

Hubert Lam: A second question is on fee margin. For fixed income, I am just wondering how are the trends on the fee margins over the last years? I guess with lower yields there is a little more compression on the margin because of the lower spreads, but now with yields stabilising at higher rates, do you expect less pressure on fee margins going forward and maybe even the possibility of raising fee margins on fixed income.

Vincent Mortier: Naturally, when you have higher expected returns you are able to charge higher fees, but you are in a competitive market, so it's a question of being even. We have raised on some products the level of fees in the past two years, in particular on the money market. The money market, when you come from -50bsp to 4bps, of course it's not the same context and again, it's part of the prospect so we increased significantly our fees on the money market.

On other products, the increase in fees will come from the product mix than for given products, our ability to really increase the fees, but with those trends I don't have the feeling that we have seen or had more pressure on fees, even more I think on average, we are seeing a slight uptick in fees.

Cyril Meilland: As a reminder, obviously we have seen overall a stabilisation of our fee margin for the group, but as we said, it was more due to the client mix than anything else. As has been very well described, we have seen some outflows in the low margin Credit Crédit Agricole and Société Générale insurance business and low revenue margin doesn't mean that we are not profitable in this business. As a counterpart, you see growth in the retail segments, where the margins are obviously higher. So that has been the driver for the fee evolution in the past years, keeping in mind that obviously as Vincent mentioned, there is still ongoing competitive pressure on a product-by-product basis.

Vincent Mortier: When I comment on this, it is totally public information, with new implementation and regulation of performance fees. Naturally we know that structurally the

capacity to generate performance fees is reduced, so it is baked into our plans, it is something we have known for several years, but we are seeing year-after-year the effect of this new regulation, so the bar is higher to generate performance fees. I am not surprised, but it is part of the equation. A long time ago, performance fees could have been a big driver for P&L, maybe 10 years ago, but it is less so the case today.

Cyril Meilland: In financial communication, performance is excluded from revenue margins that we calculate, but we indeed said that over time, over a five year period, there might be a reduction by about 30% of our performance fees, with the new regulation. Everything else being equal, of course.

Hubert Lam: One last question on private debt, obviously a hot place to be, currently it's about 1% of your fixed income assets, €8 billion, is that a key area of focus in terms of growth in the future, what kind of capabilities are you planning to add there? Additional distribution maybe through the retail wealth channel. Also medium term, how much of the pie do you think that can grow to?

Vincent Mortier: On private debt, Thierry Vallière uses rewarding, which for me is very adaptive, which is selectivity, it is a very fashionable high growing space, which is fine, competing with the high yield or public markets and bank loans. It is fair to say that with this very sharp growth there can be some excess, we don't want to be caught into this excess, we are selective in terms of strategies of type of loans, we don't target the lower part of the credit of the market, so as a result we won't promise to clients a 15% return with no risk. We are more in the single digit space, but with high level of liquidity buffer, and we also put the focus more on countries or markets we know well, so Europe - France particularly - and semantic approaches, and we have some initiatives typically on energy transition financing.

It is selective growth, it is growth, but we are seeing the market become more rational and are aware there will be more opportunities to catch later on, organically or non-organically, potentially. It is either too late or too early, depending on how you see it, to make very large investments in this space, we need to wait a little bit I think.

Cyril Meilland: As reminder real assets including private debt of course if one of the key strategy pillars we presented in June 2022, it is also one of the areas where we might be considering M&A, if it was to accelerate and announce the organic growth that we are enjoying, but I hope that Thierry convinced you that we are already enjoying quite significant organic growth. Jacques Henri was first.

Jacques Henri Gaulard (Kepler Cheuvreux): Thank you very much, the panel was spectacular, particularly all the products. The question is on the cost base. I'm not going to ask a question on the P&L scale, but on that great slide 19 that you have derived afterwards. How did your cost per AuM evolve over the years, knowing that you have all these products on top of it that added, one after the other? I'm thinking about the expertise which is needed versus the fact that you have all those tools, so it's a question of how did it evolve and how do you see that evolve generally? Then if we assume on the back of the chart that we had which is well-known, that we had 40 years of rates going down, and that we're probably going to have another 30 years of rates going up or staying high, how scalable is your platform?

Then maybe a third question – all of them are linked. How does your platform integrate acquisitions?

Vincent Mortier: Overall, I will start with the last part of the question, because the Pioneer acquisition has been a very interesting US case, because we integrated Pioneer Investment back in 2018, and on the fixed income space, it was in full duplication. At the end of the day, Amaury was not yet here, but out of the payer teams we synergised all the teams, except two people. So we kept the assets, and we managed to operate and to manage these assets with the same line-up, except for two people.

Fixed income is particularly synergetic, shall we say, because to manage a global bond fund of €1 billion or €10 billion needs the same effort. We have capacity to increase in scale. Over the last years – and maybe to the despair of Amaury and the teams – we did not increase our staff in the Fixed Income teams, or very marginally, while indeed taking care of more mandates, more funds, shutting down as well some non-performing or not functionable, for instance, so we need to have this active management of the range, but overall, I think the last 3-4 years are a very good illustration of our capacity to manage on an industrial basis because of the tools, there are some size effects or initiatives as well, of course.

In terms of research, the number of people in research is not dependent upon assets. It's a constant line-up, and we have some portfolio managers who were able to manage new platforms, 80 portfolios for one PM; different portfolios with different trends because of the tools that we can manage 'in battery', in a very systematic manner. I would say we are in lots of spaces. We can clearly continue to grow without increasing the costs.

In some areas there are new businesses, and of course we need to reinforce the teams, but I would say that normally the coming roles should be accretive in quite a lot of them.

Cyril Meilland: As a follow-up, which I'm sure Jacques Henri was about to make, speaking of acquisition, on Lyxor, Laurent, maybe you can also comment on the impact of the acquisition as well as, obviously, the very strong growth we've enjoyed in fixed income, ETFs and what it means in terms of new resources.

Laurent Trottier: Yes, the recent acquisition of Lyxor was a good moment for us to challenge all processes to change our tools. To reinforce what Vincent was saying, we are lucky to be fit from the ALTO system, which really gives us a very efficient way to effectively build efficiently, simulate new portfolios and monitor risks in the portfolio. This was reinforced, I would say, in the comparison of Lyxor and with the tools in this space, and basically all the portfolios and all the portfolios of Lyxor quickly shifted into these ALTO systems, which help us to manage the full range with limited portfolio managers.

Maybe one word to add to Vincent, the fact as well that there has been a huge evolution in terms of execution on the fixed income part, in particular through algorithms and electric trading for fixed income, and for index portfolio managers, that tends to trade a large number of bonds per portfolio, the capacity to negotiate the baskets and not all line per line has been a great acceleration for us, enlarging the capacity of the Amundi organisation to face our needs.

Vincent Mortier: That's a very important point, because the Amundi organisation put together a team of five, two years ago, who were very, very smart people – much smarter than us! - who really did something incredible to utilise, to design the algorithms with banks, to execute and to predict as well the best execution route for credit. It used to be for equities in the past, and now it is for credit, and the market share taken by systematic with no human intervention execution has been very, very fast. It also brings efficiency, better prices, so it is a trend that is also a positive, and for this, you need to have some scale. Trading is changing a lot.

Cyril Meilland: As Vincent mentioned in his presentation, Amundi Intermediation is also a service we sell to external asset managers and wealth managers.

Angeliki Bairaktari (JP Morgan): First of all, in your conversations that you're having with institutional investors, do you get a sense that institutional investors are now reconsidering their target allocations to traditional liquid fixed income, and are they going to

increase and reposition more towards the asset class, as I think over the past few years, given where the interest rates were, we had seen them position more towards equities.

How does their allocation interplay between liquid fixed income and private debt?

Then, with regards to the retail clients, in 2023, so far, we have seen some competition from time deposits that banks are selling, and also some government bonds, for example, in Italy. What kind of products can you design to compete with these time deposits and government bonds?

The third question with regards to passive, is it a winner-takes-all market? Obviously in Europe we know that BlackRock has a massive market share. You are the No. 2 player there. How is the competition progressing, and do you see competition on passive fixed income, ETF pricing as well? Thank you.

Laurent Trottier: The competition is fierce on the ETF side, and it will continue. We believe that the adoption of ESG is a changing the cards in play, with all the European rules, and by having a long ESG story, we are able to bring to clients specific solutions and specific services, and in this capability to promote ETF is changing the situation a bit.

Regarding the question on fee, yes, the pressure on the ETF market is basically everywhere and there is no exception to the fixed income space.

Vincent Mortier: On your question on client allocation and competition, I will start with retail. In some countries, our biggest competition has not been other asset managers; it has been banks and governments, in Italy, in particular. It is something we need to take into account and naturally, I would say, depending on the country, we try to target – depending on each and every situation – in France, for example, the answer has been to push lots of products which have been offering a higher yield than time deposits, with full capital protection. In Italy, it has been target maturity funds, it's billions and billions of euros that we manage to sell to all kinds of clients, not only UniCredit. Because the target yield was more attractive than BTP for the same maturity, the position is that BTP was pushed by the authorities and has been selling to tax advantage, so naturally when you have this kind of headwind it is more difficult, but nevertheless we managed not to lose many assets because we were able to propose new products.

For private banks, it will be more around ease of short term solutions, or higher risks, or typically emerging market data, or making a comeback, for good reasons. In our investment outlook, you will see it's one of our key aims, to have a higher yield and prospects of capital authorisation.

Each and every country and bank has a different context so that's why, to be able to navigate through various kinds of products is a plus, because we are not doing only one kind of product.

For institutional clients, it also depends on their profile, their objectives, their liquid ALM, because some clients are clearly receiving regular inflows for the long-term. Some are in a declining phase, it depends. What is sure in the last discussions I had is many clients are putting back bonds at the heart of the allocation because of the return or the yield. Those who were already invested and who lost money in mark-to-market are coming back because there is also a perverse effect, because they lost 15-20% mark-to-market on their co-bonds. The size of their private assets have gone to an extent that is sometimes too high, so they want to rebalance because they are also aware of the liquidity profile, and so for the clients, it is important to keep some flexibility. One of the topics they are working on today is the stress-testing of liquidity in order to rebalance, and we've seen some of this in the UK big time, after the gilt mini-crisis, the Liz Truss mini budget, loss of pensions, they revisited their stress-test on allocation because they realised that the only assets they could sell was the gilts, and as such, they have just reinforced the panic.

Again, here, it really depends on starting points, objectives, etc. Some years ago, it was difficult to talk about bonds because the majority of the market was negatively linked, so the real proposition was questionable, but now, for sure, when you have good credit at 5-6%, it's a totally different story.

On a relative basis, depending on how you get it, bonds have an even better risk profile than equities, in many aspects. It's a better environment I would say to invest in because in the past it was difficult to advise.

Cyril Meilland: We have a follow-up question from the webinar, which is in fact to follow-up on what Laurent said regarding the good flows in ESG/TFs. The question is, could you give us some colour regarding ESG performance in 2022 and 2023, and your client appetite with this class of fixed income assets?

I think we have partially answered this question, but maybe Vincent or Amaury, do you want to comment on this?

Amaury d'Orsay: First of all, in terms of performance, it really depends on the type of products, meaning that if I take, for instance, impact, green bond funds, it has a duration

that is, I would say, longer than the average duration of similar funds because of the nature of the issuer, so by definition, impact funds had not as good a performance as other funds, but not because of the quality or the underlying or the yield to maturity, all those underlying, but because of the construction of the portfolio which is different.

Overall, I would say that in terms of relative performance between, let's say, ESG products, and non-ESG products, in 2022/23 it has been quite similar if you correct, I would say, from the bias of the universe of investment when it is the case.

Vincent Mortier: The equity behaviour and performance has nothing to do with the bond part. Of course, a bond is a duration, credit quality, and then there are some ESG features but the first drivers of performance of a bond is duration and credit.

Armaury d'Orsay: Absolutely.

Benoit Valleaux (Oddo BHF): A few questions if I may. The first one, coming back maybe on performance fees, I understand you say it is hardly quizzing, but can you share with us what is the amount of AuM eligible to performance fees, or what is the share of AuM eligible to performance fees, and what is the trend from customer demand? You believe there is less demand from such products or not?

Maybe a second question related to alternative strategies, if I may. What is your view or potential ambition regarding ABS, CLO, maybe ILS, I don't know. If you can comment anything on that front.

And maybe the third question, coming back on insurance mandate, you mentioned outflows on your delimited products, but do you have some figures regarding inflows on your Croissance product because it's a new, ongoing product, you can say that. My curiosity, such products of regarded maturity, so it allows to have a different asset allocation between fixed income, equities and on, but within fixed income, do they also have another asset allocation by being, for example, more credit risky or not.

Cyril Meilland: Regarding your question about performance fees and the share of assets in performance fees, we said that overall for the whole of Amundi it's €300 billion. We do not give the split by asset class, so I'm sorry but we won't be answering this one.

Amaury d'Orsay: I can start on the question on ABS, CLO, ILS. By ILS, I guess you mean bonds?

Benoit Valleaux: Insurance-linked securities.

Amaury d'Orsay: Ah, insurance-linked securities sorry. Just on ABS and CLO, what I can say is, overall, it is a strategy that has performed pretty well over the last year. It has been, I would say, a little more successful than previously because we were on variable rates, and as I said, a lot of customers have been looking for, let's say, less duration but still fixed income, so it was answering those needs.

In terms of credit environments, I would say it is quite interesting these days, because what we see in the current economic environments, there are some question marks on the growth, but we see still a very low unemployment level, and you see that on ABS to loans to hedging some mortgage bonds. Clearly there is, let's say, a tilt towards the population and the credit universe of the population, more than towards the corporate environments, and therefore, by going into this product, you have access to a different credit universe than the classical investment high yield, and some of our clients are interested in getting assets to this credit risk which is quite diversifying versus the other credit risks, and therefore we see some traction.

Yes, over the last year or so, we have increased our asset management in to our ABS funds and our CLOs.

Vincent Mortier: On ILS we have a small expertise in Boston for all US clients, $1.5 billion. It's a very niche market that we don't intend to expand globally. There is big security expertise in the US as well on all kinds of securitisation.

For the relativities, meaning global macro, this kind of stuff, it is something we have thought about and we could develop. It's a tough market. In particular, when you go into the money market at such a level, to justify going into such strategies, you need to extract in reality performance of 8-10%, which for a market-neutral approach, is very challenging. That's why, when short-term rates were negative, it's a paradox, it was easier to make such kind of changes.

We are not convinced it's a space where we can really be credible, I would say.

Cyril Meilland: Just to follow up on what Amaury was saying on securitisation, when we were preparing the panel for this workshop overall, we did prepare for securitisation and you have a slide in your slide deck which is discussing capabilities in securitisation, except that for lack of time, we decided not to comment on it. You have already had a wealth of business cases, so we didn't want to overload you with too many!

Vincent Mortier: There was a life question. I don't have all the figures, but the outflows we had on the euro contract were partly pure outflows, meaning people dying and the inheritance, people wanting to have the cash. That's life, it happens, but mainly it was the reallocation to unit links, in particular social products. At the end of the day, the cash remained within the life insurer and with Amundi, and even with the returns, we tried to convince them to reinvest as well, but the cash is not lost. We have not yet seen a real pick-up on unit links in credit or equities, it is more social products, some have money market weight, so the next push and something I am discussing with them, is to have an aggressive strategy of pushing more diversification to credit and equities, which is the only real diversification to the euro contract in my mind, if you go to money markets, but it's nice to wait, but it cannot be a long-term solution.

Cyril Meilland: And this shift from euro contract to unit linked is very much part of a client mix improvement we have been describing for quite a few quarters in our financial communications.

I have another question from the webinar, two actually. One is a follow-up on fees: Amundi's retail management fees margin is about 37bsp, how does the margin in retail fixed income compare to this? Is it materially lower? Unfortunately, we won't be answering this one – I refer to the disclaimer we started the workshop with.

Regarding emerging market debts – for Sergei, who is here. How is an Amundi-related fund performance here, the product area has had a big risk aversion recently. Are you seeing signs of an appetite from institutional investors turning around? I think you started to reply to it.

Sergei Strigo: What we are seeing from our clients, the drag has been the same for the past several years. The institutional clients are extremely sticky, so the funds of a continuous growth on our side of institutional mandates, and this is partly due to, as I highlighted, our ability to provide extremely high levels of customisation across all our products, whether it is with regards to ESG or de-risking certain types of strategies, or any other type of, I would say, customisation.

On the retail side, of course retail is a little bit more, I would say, dynamic, with regards to the asset allocation, and that really depends on the market conditions. The past returns are one of the key drivers and what we've seen this year, as I've said - and today is 15 December - hopefully the market will not crash in the next two weeks - we have double digit returns in emerging markets, just looking at the benchmarks.

On our side, obviously, we are here to generate alpha. We have been very successful this year with alpha generation capabilities in emerging market fixed income, so we are confident then we will see retail clients coming back to the market. Whereas the institutional flows in my view probably will continue to be a steady addition. We have to remember that, in my presentation, I said that EM does represent 30% of total debt, so for an asset allocated to be agnostic about their fixed income exposure, they should have 30%. I don't know many clients personally, institutional clients, that have 30% in emerging markets, so I think we can safely say it's a fairly low allocation, so there is definitely significant potential for that to go up, maybe not 30% but certainly larger numbers than we currently have.

Oliver Carruthers (Goldman Sachs): I guess you won't comment specifically on the fee rates within fixed income as you made clear, but if in 2024, the key fixed income theme is duration extension, which has been mentioned by this panel on numerous occasions, are there any kind of blended makeshift fee rate effects we should be thinking about into next year on your trillion AuM? Thank you.

Vincent Mortier: In answer to your question, the longer you are in duration, the more you can take fees?

Oliver Carruthers: - fees to make cash?

Vincent Mortier: To be very frank, there are some money market funds where we earn more money than passive mandates, or even fixed income mandates, and the other way round. There is no general rule or correlation to say that one solution is to better than another – it really depends on the client segment, which are not priced the same between institutional, super institutional, retail, so even for a given fund, you can have multiple layers of fees which are different, and depending on the client base, average level of the fees of the fund can vary.

The gut feeling would be that fixed income average is lower than equities. It is not always the case, it depends, to be clear. On ETF - that is public information on the fees - the level of fees on a fixed income ETF is probably sometimes better than the fees on the equity index because when you look at some big equity indices, the fees are very low, whereas in fixed income it can be better.

Laurent Trottier: And the difference is not that much in terms of duration. It is much more in terms of some of the classes, so Govies tend to be a bit cheaper than in corporate, they tend to be a bit cheaper and negate basically.

Cyril Meilland: I think it's a good illustration of what we said and the decision we made at the time of the IPO which, definitely, if you look at an asset class, it's difficult to have a very broad message about fees, whereas when it comes to client segments, the stability is significantly better and obviously, when we mention different fees by asset classes, the underlying reason is obviously that the level of advice, or level of, let's say service, we provide to a distributor for retail clients is not the same, and the size also of the end client are not the same. Obviously that's the reason why we have differences.

Oliver Carruthers: Got it! Then a second question, a follow-up again on private credit, if I look at your €8 billion AuM exposure today. I guess it's umbrella-ed across the BSL markets, CRE lending, and corporate direct lending. You have alluded to potential meaningful medium term growth here, although the shape and the pathway, Vincent, you said is not 100% clear to you. When you think about these three quite different segments of private credit, and also the non-sponsored-backed private credit or direct lending market, what is it that excites you most over the medium term, and where is it that you're targeting your either organic or inorganic focuses towards?

Vincent Mortier: Where we really want to focus is where we believe we can add value, and we can leverage on our strengths, meaning essentially Europe, to start with, so we don't expect organically to create, or to launch private credit in the US or Asia. It won't be reasonable. They are very specific markets, we don't have credibility, so Europe, continental Europe, I don't believe with Philippe we will launch a private credit fund in the UK market organically, so continental Europe, France, Italy, Germany, Spain – these are the main countries – and the Netherlands to a certain extent.

Then our strength is to generate the credit, so direct lending is a good space for us. Second, is everything that is leading to energy transition at large, so infrastructure, we have Amundi Energy Transition which is a subsidiary dedicated to this topic. Today, it is mainly only private equities, but the debt part we can also expand. This is around the notion of impact and climate.

We've got knowhow, we have clients who are interested in it. It is more difficult I believe to make a big foray into CLO. We have a small CLO, but we never managed to make it really grow. We need to wait a bit for the leverage space, for markets to become better priced.

We discussed as well whether we should launch some private debt on emerging, but we need to find the right angle because it's a very complex and wide market.

Cyril Meilland: A question regarding emerging markets coming from the webinar. Regarding the emerging markets, do you have currently and for the foreseeable future any areas of preference? I guess by region or maybe type of product.

Sergei Strigo: Type of product as I mentioned, I'm positive on both hard currency and local currency, that's a bit too long a duration for the products, and obviously we all hopefully communicated that we lack duration currently with this turnaround in interest rates. From the local currency side, clearly it is really regional allocations which are quite pronounced, and this is really driven by the underlying inflationary trends that we have seen over the past several years in certain countries and regions in EM and here, Latin America and Central and Eastern Europe do stand out as countries and regions where central banks in these regions do have capability to cut rates much more aggressively, just because also from the nominal level of rates they are significantly high, and in a number of countries they are still double digits, so there is significant room for them to come down. That would obviously be very positive for local currency space.

But, in general, from the business perspective, what we're seeing is significant interest from clients, as I said, indeed on the sustainable fee. That is also linked partly to our discussions on the private debt within the emerging market space in green infrastructure that will develop from the enquiries we have seen from our clients which we are currently analysing.

Vincent Mortier: Any other questions from the room? [*No further questions*]

Again, I want to thank you on my behalf, on behalf of the Investor Relations team as well as the team, the whole Fixed Income team, that have been presenting to you in this workshop, for your attendance and your questions.

Q&A

Maybe we can go back to the previous slide – sorry, I forgot one specific thing. You probably noticed a small dinosaur on the right of the slide, it's also a QR code, so if you could be so kind as to make the extra effort, I know we are at 15 December, and coming here today was not exactly in the mood of Christmas and the festive season. However, if you could just take a few minutes, there are five questions, and in fact it's in your best interests because we're asking you what is the next topic you would like us to address in the next workshop. So not tomorrow, not the beginning of 2024, thank you very much, but definitely in the near future.

Thank you again, and go back safely to your offices, your families and friends, and have a very, very good Christmas and a Happy New Year! Thank you. [*Applause*]

[*Ends*]