

DESTINATION DYNAMIC INCOME TOTAL RETURN FUND COMMENTARY | AUGUST 2024

MARKETS UPDATE

In August, **global rates** had a mixed performance. The Bund 10-year opened and closed at the same level of 2.3%, while UST 10-year rates fell by 13 basis points ('bps'), from 4.03% to 3.9%.

Within the **credit** landscape, **Investment Grade CDS spreads** in both Europe and the US tightened marginally from 55 to 52.5 and 52 to 49, respectively. Meanwhile, **High-Yield CDS spreads** tightened from 295 to 288 in Europe and from 331 to 321 in the US.

August was a month that started with data releases for the month of July that indicated a softening macro-economic situation in the US causing a sharp 'risk-off' but for the rest of the month, the market was presented with more encouraging data and a big rebound in equity markets and High Yield spreads occurred.

We wrote in the July Commentary that we have been focussed on US rates, given they had much further to come down than EUR rates and the US was where we felt the **macro-economic data** was possibly inflecting. During August some of this played out, with the UST 10 year falling 13 bps, while the 10 year Bund rates, remained unchanged.




PORTFOLIO RETURNS AND ACTIVITY

The portfolio generated a return in the **month** of **+1.02%** net, taking the Fund's **inception** to the end of August performance to **+12.38%** net.

US rates have remained low through this period. The fact that they keep returning to lower levels, even after we get 'mixed' macro-economic data i.e. not clearly bearish, does imply that the rates markets signal underlying concerns about a significant slowdown in the **US economy**. This is also firmly reflected in the path for Fed rate cuts priced into markets, which, at the time of writing - 12th September 2024 - imply 106 bps of cuts in 2024 and another 147 in 2025. This total of 253 bps of cuts between now and end of 2025, suggests a terminal rate close to 2.8% while most US banks are forecasting a terminal rate closer to 3.25%.

During August, we have maintained generally long **duration** positioning, steepeners on the US rates curve and a substantially high-quality portfolio in terms of risk profile. The portfolio exhibits a tendency towards Investment Grade debt, high grade issuer hybrids and strongly positioned short-dated calls on junior subordinated debt in financials.

STRATEGIES' PERFORMANCE

<p>Macro +0.34%</p>		<p>The Strategy had another good month, generating a return of 0.34% (gross), of which 0.29% was in the Long Duration sub-strategy as a result of falling US rates and 0.05% was from our curve-steepening trades.</p>
<p>Income +0.84%</p>		<p>The Strategy generated a return of +0.84% (gross), of which +0.28% was from carry. The main industry sector contributors in August were Financials, Energy and Autos. Credits which performed well in August were BNP Fortis, Axa, Barclays & Var Energi.</p>
<p>Special Situations +0.08%</p>		<p>The Strategy generated a return of +0.08% (gross), of which +0.08% was from carry. The price action of the credits in this strategy during the month, was mixed and the net effect of prices was flat.</p>

Disclaimer Destination Dynamic Income TR Fund

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Investment objective: the objective of the Sub-Fund is to achieve an attractive risk adjusted total return through medium- term capital appreciation and income generation. The Sub-Fund is actively managed and does not make its investments in reference to any benchmark, meaning individual positions are actively selected based on specific research and valuation assessments. While the Sub-Fund is actively managed and does not use a benchmark for portfolio allocation, the Sub-Fund references the €STR Index for performance fee's calculation purposes. There is no guarantee that an investment objective will be achieved or that a return on capital will be obtained. The sub-fund does not benefit from any guarantee to protect the capital.

RISKS

Summary Risk Indicator The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 3 out of 7, which is a medium-low risk class. This rates the potential losses from future performance at a medium-low level, and poor market conditions are unlikely to impact the capacity of Generali Investments Luxembourg S.A. to pay you.



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The performance fee and the management fee are calculated and, where applicable, accrued separately for each share class within a sub-fund on each valuation day. The costs may increase or decrease as a result of currency and exchange rate fluctuations.

This is not an exhaustive list of the costs. Other costs apply and differ per share class. Before making any investment decision, please read the Prospectus and the Key Information Document (KID), in particular the risks and costs sections.

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Main risks: interest rate risk, credit risk, emerging market risk (including China). There is no pre-determined limitation on exposure to emerging markets. Emerging markets risk may therefore sometimes be high, frontier markets risk, currency risk, volatility risk, liquidity risk, derivatives risk, short exposure risk, securities risk distressed debt, securitized debt risk, contingent equity risk ("CoCos"), Rule 144A / Regulation S Securities, Equity Risk, Commodity Risk The use of leverage may increase the risk of potential losses or increase return potential. Considering the investment strategies characterising the Sub-fund, the expected level of leverage of this Sub-fund may vary up to 350%, excluding the portfolio's total net value. Considering the investment strategies characterising the Sub-fund, the expected level of leverage of this Sub-fund may vary up to 350%, excluding the portfolio's total net value. The use of leverage may increase the risk of potential losses.

Before making any investment decision, please read the Prospectus and the Key Information Document (KID), in particular the risks section and costs. (#) Based on the latest KID - May 2024.

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