

# Amundi Funds II – European Equity Value<sup>1</sup>

## A Distinctive Approach to Value Investing



## Our Philosophy

Amundi Funds II - European Equity Value offers investors a distinctive approach to value investing. Unlike many others, our focus goes far beyond optical cheapness in terms of relative price multiples but instead we focus on intrinsic value. Our approach is conservative whereby we apply a strong margin of safety principle (minimum 20% discount to intrinsic value and often more) before a name enters the portfolio. Why do we do this? The corner stone of our investment philosophy is the avoidance of the permanent impairment of capital. To grow capital we need to protect capital and to do this we seek to buy viable (quality) business models which are trading at a significant discount to their real value<sup>2</sup>.

## A More Holistic Approach to Value Investing

Value investing has been a popular investment style amongst investors since the early-1900s. However, with the passage of time its definition has evolved and changed. One of the prevailing opinions within the market today is to identify Value investing with the “Value Factor”. Investing in the value factor simply means investing in companies which present the characteristics of “cheapness” typically through a multiples-based approach. For us, in order to deliver on our objective of strong adjusted performance, we need to look far beyond price-based multiples.

**We look at intrinsic value, not price based multiples**

### VALUE VS. PRICE

Many investors focus primarily on stocks that appear cheap



Focus on price

<b>Price</b>	<b>Price</b>	<b>Price</b>	Dividend
Book Value	Earnings	Cash Flow	<b>Price</b>

<sup>1</sup>Prior to 16 February 2018, Pioneer Funds - European Equity Value.

<sup>2</sup>This sub-fund does not offer capital protection or a guarantee of capital or performance.

1 For Professional Clients Only.

**Our process is built on the belief that the real risk facing investors is not volatility, but instead the permanent impairment of their capital.**

In our view, the relative price driven approach does not sufficiently reflect what are for us the two key pillars of value investing:

1. Identifying the true value of a business – **Intrinsic Value**
2. Applying a conservative discount before investing – **Margin of Safety**

Within Amundi Funds II – European Equity Value, we look only for viable companies with a price significantly below their intrinsic value (i.e. we apply a strong margin of safety). This is the backbone of our conservatism, remember, our process is built on our belief that the real risk facing investors is not volatility, but instead the permanent impairment of their capital. Volatility for us represents opportunity to add attractive investment cases at greater discount to their intrinsic value<sup>3</sup>.

## VALUE INVESTING AT AMUNDI

Our Distinctive Approach to Value



Intrinsic Value



Margin of Safety

## The Business Model Matters!

Within Amundi Funds II – European Equity Value our fundamental and conservative approach to assessing a company's intrinsic value remains consistent irrespective of the business. What is more dynamic is of course the Margin of Safety, i.e. the amount of discount we demand before we invest.

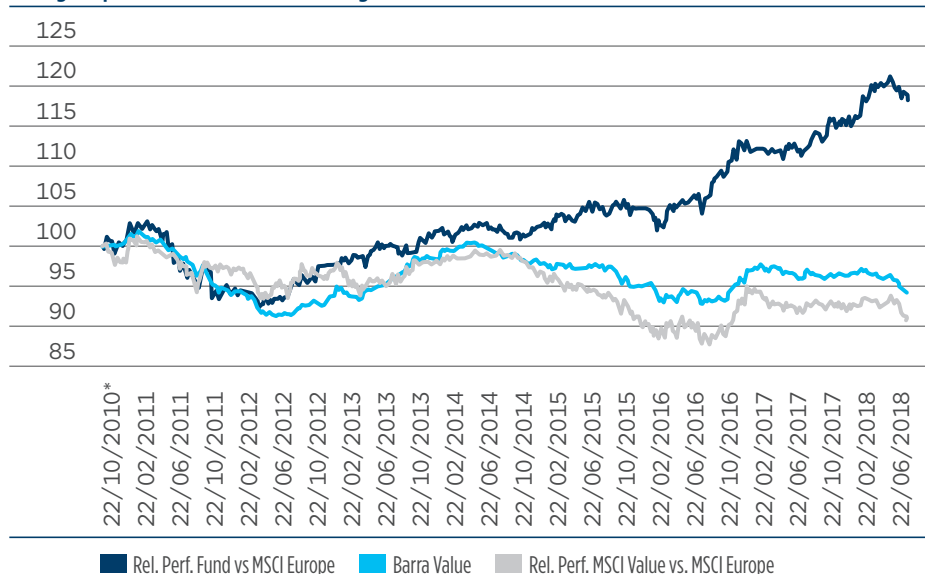
Within the portfolio we have identified two distinct business models. Firstly, **Consistent Earners**. These are high quality, typically franchise businesses, with a strong competitive advantage allowing them to protect earnings power over time. Reflecting the quality of these names, our demands in terms of margin of safety are lower – minimum 20% discount to intrinsic value. The second type of business model we hold are classified as **Basic Value**. These are typically commoditised businesses, where earnings power is more vulnerable to external forces. Here, before we invest, we demand more aggressive margin of safety, minimum 30%, and often more.

This is not a new process. This conservative investment philosophy with a focus on intrinsic value and the application of an appropriate margin of safety has been in place since the launch on the Fund in May 2008. Andreas Wosol, Lead Portfolio Manager, has been managing the Fund since inception.

<sup>3</sup>Based on our estimate of intrinsic value

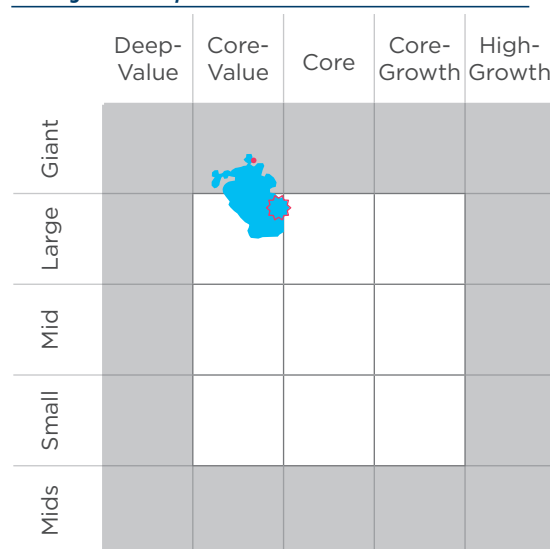
# The Proof: Performance has Stood the Test of Time

## Strong Outperformance While Remaining True to Our “Value” Ethos



Source: Amundi Asset Management as at end-June 2018. Data refers to Class I Euro ND. **Past performance does not guarantee and is not indicative of future results.** Data provided refers to Class I Euro Non-Distributing only, and is based upon NAV net of fees. Class I of the Sub-Fund is reserved to institutional investors and is subject to an initial subscription of EUR 10 million or more (or the equivalent in another currency). \*Since inception of Class I of Amundi Funds II – European Equity Value. The purpose of this chart is to show that the performance of the portfolio is not dependant on the “style” factor of value. In the equity world there are 2 main ways of measuring the “Value” factor. 1) is the BARRA factor of Value (which is shown of the chart), the other is the “Value” factor as defined by MSCI which is basically the performance differential between the MSCI Europe and the MSCI Europe Value (again shown on the chart). Again the purpose of this chart is not to show outperformance versus its benchmark, it is to show outperformance versus Value. By definition, this shows outperformance of versus the benchmark, but in a much more informative way.

## Holdings-Based Style Trail



Source: Morningstar direct as at 31 July 2018. Small red dot signifies positioning at the start of the 5year period. Red outline signifies positing as of 31 July 2018.

As the above chart demonstrates, over the long term, an investment in optically cheap European equities (based on a multiples approach) would have clearly been very detrimental to returns. This can be seen by both

**We continue to use bouts of market volatility to actively seek those viable business models that, as a result of a market move, are offering ever increasing margins of safety.**

the light blue line which represents the “Value” factor as defined by the MSCI Index, and also by the grey line which represents the Barra factor “Value”.

Instead, owning companies selected according to our definition of Value investing (identifying the intrinsic value and bought with a pre-determined margin of safety) has produced strong outperformance. Importantly, the outperformance has been delivered both versus the MSCI Europe Value benchmark (the official performance benchmark for the fund) but also against the broader European equity market (as represented by the MSCI Europe Index).

Lastly, this stellar outperformance has been achieved with the portfolio remaining firmly in the Core-Value style – i.e. remaining true to our Value investing mantra.

Adding all this together, we are constructive in our outlook for equity markets. However, volatility and market rotations appear to be returning. This is encouraging for active stock pickers like us. We continue to use bouts of market volatility to actively seek those viable business models that, as a result of a market move, are offering ever increasing margins of safety. We are patient, and we believe that is the key in this environment.

To quote Warren Buffet “The stock market is a device for transferring money from the impatient to the patient” and that philosophy is the very backbone of our approach to value investing within Amundi Funds II – European Equity Value.

### Why Amundi Funds II – European Equity Value

- Offers a Different Approach to Value Investing
- Strict Focus on “Margin of Safety” in Every Investment
- Combining Quality and Value
- Unconstrained Approach - Equally Weighted Portfolio
- Longer-Term Investment Horizon

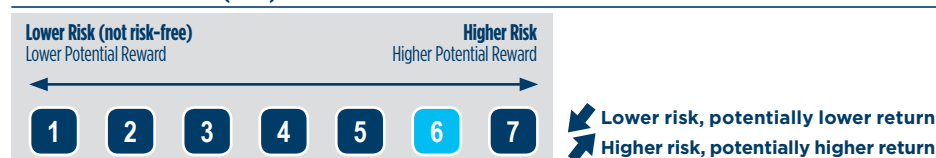


Source: Morningstar as at 30/06/2018. Refers to Amundi Funds II – European Equity Value Class I Euro ND.

Net Performance	Annualised Returns		
	1 year	3 years	5 years
Fund	8,13%	5,21%	10,48%
Benchmark	4,61%	1,47%	7,08%
Relative	3,53%	3,74%	3,40%

Source: Amundi Asset Management as at 31.07.2018. The benchmark is MSCI Europe Value. Please see MSCI disclaimer in the Additional Notes. Past performance does not guarantee and is not indicative of future results. \*21/10/2010 (inception date of the I share class). Performance data provided refers to Class I Euro Non-Distributing, and is based upon NAV net of fees. For details of other Unit Classes available, please refer to the prospectus

## Risk and Reward Profile (SRRI)



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

The Sub-Fund risk category reflects the fact that as an asset class, equities tend to be more volatile than money market securities or bonds. For un-hedged currency classes, exchange rate movements may affect the risk indicator where the currency of the underlying investments differs from the currency of the unit class.

### Additional Key Risks:

The risk indicator reflects market conditions of recent years and may not adequately capture the following additional key risks of the Sub-Fund: Operational risk and Derivatives risk. Full details are available on the KIID.

## Legal Characteristics

	Class I EUR Non-Distributing Units
Management company	Amundi Luxembourg S.A.
Investment manager	Amundi Asset Management
Custodian	Société Générale Bank & Trust
ISIN Code	LU0313648254
Base	EUR
Performance currency	EUR
Frequency of NAV calculation	Daily
Entry Charge (Max)	0.00%
Maximum annual management fee	0.70%
Ongoing Charges (as at 31/12/2016)	0.79%
Recommended Holding Period (Yrs)	6

\*An additional conversion fee of up to 1% may apply when unitholders switch between sub-funds.

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