Amundi Multi-Sector Fixed Income Strategy

Performance Update and Market Commentary | February 28, 2025

Amundi Investment Solutions

Trust must be earned

Investment Philosophy

Amundi Multi-Sector Fixed Income Strategy is an active, value-driven strategy that invests across a broad range of global fixed income asset classes. This approach can produce higher potential returns than a US core investment grade strategy while working to limit volatility, due to the potential diversification1 benefits of less correlated non-investment grade and global fixed income sectors. Asset allocation and security selection are primary alpha sources, with contributions from interest rate and currency factors.

[1]Diversification does not assure a profit or protect against loss.

Performance Review

	1-Month	3-Month	Year-to-Date	1-Year	3-Year	5-Year	10-Year	Since Inception[2]
Amundi Multi-Sector Fixed Income Strategy (Gross USD Composite)	2.39%	1.94%	3.43%	9.29%	5.41%	2.86%	3.75%	6.58%
Amundi Multi-Sector Fixed Income Strategy (Net USD Composite)	2.36%	1.84%	3.36%	8.86%	2.00%	2.45%	3.33%	6.18%
Bloomberg US Universal Index	2.07%	1.13%	2.68%	6.30%	0.11%	-0.07%	1.87%	4.24%

[2]Performance inception is July 1, 1999

Gross of fee returns are presented before management and custodial fees, but after all transaction costs. Net of fee returns are net of model fees and calculated in the same manner as gross of fee returns using the Time Weighted Rate of Return method.

On July 3, 2017, Amundi Asset Management acquired Pioneer Investments (the "prior firm", now Amundi US). Performance prior to July 3, 2017 occurred while members of the portfolio management team were affiliated with the prior firm. Such members of the portfolio management team were responsible for investment decisions at the prior firm and the decision-making process has remained intact.

Please refer to the GIPS Report for additional information.

Past performance is no guarantee of future results.

Market Review

— Financial markets were in risk-off mode in February 2025, as investors lowered economic growth expectations and curtailed risk appetites. Though the action was headlined by sharply lower US Treasury yields, it also included the usual mix of softer equity prices and wider credit spreads. The optimistic economic outlook that US consumers and businesses had carried since after last November 2024's elections diminished in the face of heightened uncertainty, surrounding White House tariff implementation and headline-grabbing government efficiency activities.

— Key consumer and small business optimism indices released during February 2025 registered notable month-over-month declines, while the signal from business activity surveys was more nuanced. For example, service focused businesses reported a pullback in activity, but manufacturing sector activity advanced. As the month progressed, hard economic data, or the data used to calculate US gross domestic product, such as retail sales and personal consumption, surprised to the downside and better aligned with the slower activity already signaled by survey measures.

— Monthly inflation data provided some better news for consumers, with the year-on-year rate of core personal consumption expenditures inflation declining from 2.8% to 2.6%. However, inflation remains well above the Federal Reserve's 2.0% target, and near-term expectations point to little future progress on year-over-year measures. Consequently, Federal Reserve officials continue to suggest that they can be patient before implementing further interest rate cuts.

— In this environment, the Bloomberg US Aggregate Index returned 2.20%, though its return lagged that of comparable-duration Treasuries by 0.10%, as credit spreads widened.

— The Bloomberg US Corporate Investment Grade Index underperformed Treasuries by 0.55%, the worst monthly underperformance since June 2024, as the index spread widened from 79 to 87 basis points over Treasuries.

— Meanwhile, the Bloomberg US MBS Index outperformed Treasuries by 0.16%, while the securitized credit sectors were roughly flat to comparable Treasuries.

— All of the plus sectors posted positive total returns, but lagged the returns on comparable duration Treasuries:

- Bloomberg US High Yield Index +0.67%
  - Morningstar LSTA US Leveraged Loan Index +0.11%
  - Bloomberg Emerging Markets USD Sovereign Index +1.49%
  - Bloomberg Emerging Markets USD Corporates Index +1.76%
- The US dollar lagged major global currencies (DXY index -0.7%), while domestic oil prices declined 3.8% to close below $70 per barrel for the first time in 2025.

Performance Attribution

- Amundi Multi-Sector Fixed Income Strategy had a gross USD return of 2.39% for the month, and a net return of 2.36%, compared to the Bloomberg US Universal Index return of 2.07%. Year-to-date, the Strategy has a gross USD return of 3.43%, and a net return of 3.36%, compared to benchmark performance of 2.68%.
- The Portfolio's 0.81-year relative long duration, versus the benchmark, was the largest contributor to performance, given the notable rally in Treasuries that occurred during the latter part of February 2025.
- Yield curve positioning, notably our overweight to the 5- and 10-year key rate durations, aided relative returns.
- The 10% overweight to industrials and the 9% overweight to financials detracted, as both sub-sectors underperformed comparable Treasuries.

Market Outlook and Positioning

- Investors have recently downgraded their domestic growth view, which now aligns more closely with our year-end forecast that tariffs and immigration curbs could weigh on economic performance in the first half of 2025. As we have also noted, promised tax cuts and lighter regulation should boost growth, but those are not likely to be implemented for several months. The near-term growth outlook is extremely uncertain, largely hinging on:
  - Whether US tariff increases are retracted or lead to retaliatory trade wars
  - If US consumers and businesses can look beyond elevated policy uncertainty and resume spending and investing
- Concurrently, the domestic labor market appears to be in a precarious position. With businesses generally hesitant to add staff, any uptick in layoffs could disproportionately, and negatively, affect unemployment levels.
- As excess savings have been largely exhausted among many low- and middle-income households, a slowdown in the labor market would directly influence consumer spending patterns.
- In light of the heightened economic and policy uncertainty, and limited compensation for credit risk, we continue to favor higher quality and short-to-intermediate maturity credit exposures. Although corporate credit spread levels widened in February 2028, both investment grade and high yield spread levels are still well inside long-term averages. We continue to be selectively involved in areas of investment grade where more meaningful repricing has occurred, and for which we can take advantage of new issue concessions in the primary market.
- Agency mortgage-backed securities continue to be relatively appealing, versus corporate credit, alongside select out-of-benchmark opportunities in securitized credit.
- We have been managing duration more tactically, given higher volatility in rates, responding to changes in the absolute level of US Treasury yields. We currently find the belly of the yield curve attractive, while holding an underweight to the longer end. While duration exposure is appealing as a hedge against downside risk to economic growth, it is relatively less attractive than it was last month, following the most recent decline in Treasury yields.

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Composite Name: Multi-Sector Fixed Income

Benchmark: BLOOMBERG US UNIVERSAL

Reporting Period:	*1 January 2014 to 31 December 2023*	**Composite Creation Date:**	*30 June 1999*
Reporting Currency:	*USD*	**Composite Inception Date:**	*1 July 1999*

Period	Composite Gross Return (%)	Composite Net Actual Fee Return (%)	Composite Net Model Fee Return (%) **	Benchmark Return (%)	Composite 3-Yr Standard Deviation (%)	Benchmark 3-Yr Standard Deviation (%)	Number of Portfolios	Internal Dispersion (%)	Composite Assets (Millions)	Firm Assets (Millions)
2023	8.73	8.25	8.29	6.17	7.22	7.15	6	0.56	6,555	1,345,186
2022	-12.07	-12.68	-12.42	-12.99	10.04	5.98	6	0.38	6,782	1,191,419
2021	3.03	2.23	2.62	-1.10	8.78	3.48	6	0.35	8,875	1,264,636
2020	8.73	7.89	8.30	7.58	8.83	3.45	7	0.65	9,464	1,255,960
2019	11.23	N/A	10.78	9.29	2.13	2.66	7	N/A	9,590	1,104,104
2018	-0.94	N/A	-1.33	-0.25	2.68	2.71	10	0.11	7,239	1,051,994
2017	6.23	N/A	5.81	4.09	2.85	2.68	8	0.16	9,634	911,366
2016	8.28	N/A	7.85	3.91	3.03	2.90	7	0.58	9,654	706,043
2015	-0.62	N/A	-1.02	0.43	3.06	2.86	9	0.51	11,525	610,461
2014	5.41	N/A	4.99	5.56	3.27	2.69	8	0.32	12,396	654,151

** Composite Net Model Fee Returns are presented as supplemental information, effective 1 January 2020 on a prospective basis. See the Performance Calculation disclosure for more information.

Compliance Statement: Amundi claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Amundi has been independently verified for the periods 1 January 1994 to 31 December 2022. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Firm: For the purpose of GIPS® compliance, effective 1 January 2021, the Firm is defined as "Amundi" and includes the following: Amundi Asset Management, Société Générale Gestion, Amundi (UK) Ltd, Amundi Ireland Limited, Amundi SGR SpA, Amundi Deutschland GmbH, Amundi Austria GmbH, Amundi Japan Ltd, Amundi Hong Kong Ltd, Amundi Singapore Ltd, Amundi Malaysia Sdn Bhd, and Amundi Asset Management US, Inc. With respect to the Amundi firm history, on 1 October 2013, Amundi Asset Management acquired Smith Breeden Associates, Inc. and renamed it Amundi Smith Breeden LLC. On 1 January 2014, the Firm was expanded to include Amundi Japan Ltd and Amundi Singapore Ltd. On 3 July 2017, Amundi Asset Management acquired Pioneer Investments and renamed it Amundi Pioneer. Following the acquisition, on 1 January 2018, the Firm was redefined to include Amundi Pioneer. Amundi Smith Breeden LLC merged with and into Amundi Pioneer Institutional Asset Management, Inc. with the latter entity surviving the merger. The Firm expanded to include Amundi SGR SpA, Amundi Deutschland GmbH, and Amundi Austria GmbH. On 1 January 2021, Pioneer Investment Management, Inc. merged with and into its affiliate, Amundi Pioneer Asset Management. Inc. and the surviving entity changed its name to Amundi Asset Management US, Inc. With respect to the Pioneer Investments firm history, between 1 January 2010 and 31 December 2015, Pioneer Investments was redefined to only include assets managed exclusively by Pioneer Investment Management, Inc., Pioneer Institutional Asset Management, Inc., and Pioneer Investment Management Limited, and on 1 January 2016 reintegrated the assets of Pioneer Investment Management Sgr p.A. On 1 January 2022, Lyxor Asset Management merged with Amundi Asset Management with the latter entity surviving the merger.

Composite Description: The Strategy seeks to its index through actively managing a portfolio consisting of a broad range of global fixed income securities. The portfolio may invest up to 60% in non-investment grade issues. Important risks materially relevant to strategy include Market risk: risk of price fluctuation in the investment portfolios due to variations in market parameters: interest rates, exchange rates, securities prices, credit spreads, etc. Liquidity risk: in case of low trading volume on financial markets, any buy or sell trade on these markets may lead to important market variations/fluctuations that may impact your portfolio valuation. Counterparty risk: risk of default of a market participant to fulfil its contractual obligations vis-à-vis your portfolio. Operational risk: risk of default or error within the different service providers involved in managing and valuing your portfolio. Emerging Markets risk: Some of the countries invested in may carry higher political, legal, economic and liquidity risks than investments in more developed countries.
On 3 July 2017, Amundi Asset Management acquired Pioneer Investments ("the Prior Firm") and renamed it Amundi Pioneer. Following the acquisition, on 1 January 2018, the Firm was redefined to include the former Amundi Pioneer (now Amundi US, a legal entity within "the Firm"). Performance prior to January 2018 occurred while members of the portfolio management team were affiliated with the Prior Firm. Such members of the portfolio management team were responsible for investment decisions at the Prior Firm and the decision making process has remained intact within the Firm. Performance results presented from 2011 to 2017 occurred while these assets were not part of the Firm. In the Firm's opinion, such performance track record conforms to the GIPS standards with respect to the portability of investment performance results. Performance records of the Prior Firm are available upon request.

Minimum Account Size: There is no minimum asset level for inclusion in this composite.

Performance Calculation: Gross-of-fees returns are presented before management and custodial fees but after all transaction costs. Composite Net Actual Returns are net of actual fees, starting from composite gross returns, by subtracting fixed and variable management fees of all of the underlying portfolios. Composite Net Model Returns are net of model fees and are calculated, starting from composite gross returns, by geometrically subtracting the highest tier model fee for institutional segregated accounts. The Composite Net Model Returns are presented as supplemental information.
Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

Fee Schedule: The current standard annual investment management fee schedule for institutional separate accounts is 0.40% on the first 50 million; 0.35% on the next 50 million; 0.30% on the next 100 million; 0.20% thereafter. The investment management fee schedule for both the Collective Investment Trust (CIT) and Limited Liability Company (LLC), which are included in the composite, is 0.35% on the first 50 million; 0.30% on the next 50 million; 0.25% on the next 100 million; 0.20% thereafter; and the total expense ratio is 0.43%.

Internal Dispersion: Dispersion is defined as the standard deviation of the annual gross returns of all portfolios that were included in the composite for the entire year. For those years when five or fewer portfolios were included in the composite for the full year, no dispersion measure is presented.

Three-Year Annualized Standard Deviation: The Three-year Annualized Ex-Post Standard Deviation measures the volatility of gross returns for the composite and benchmark over the preceding 36-month period, and is not applicable for performance periods with less than 36 months of returns based on the composite's performance inception date.

Benchmark Description: The benchmark of the composite is BLOOMBERG US UNIVERSAL.

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Past performance is not indicative of future results.