



## GIS Euro Bond: How tactical, active duration management pays off

January 2025



**Mauro VALLE, CFA**

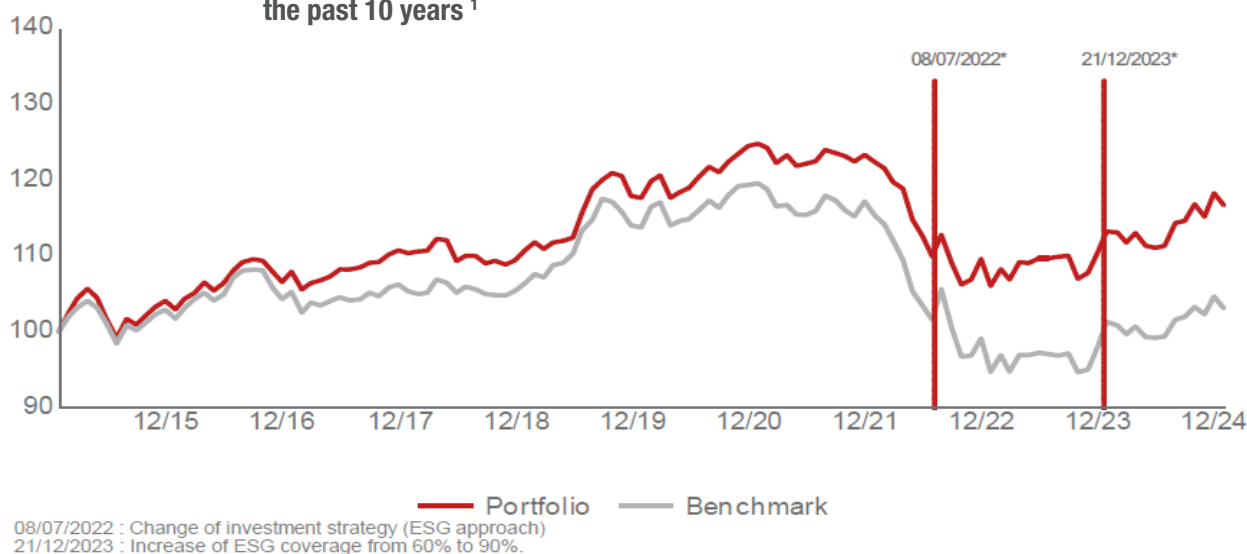
Head of Active Fixed Income and Fund Manager of the GIS Euro Bond range 25 years of experience

In a year that saw volatility return to bond markets and rate cutting cycles commence, the GIS Euro Bond fund outperformed its benchmark. Mauro Valle, Head of Active Fixed Income at Generali Asset Management explains how he managed the portfolio's duration and peripheral bond exposure during a pivotal year, and why he expects disinflation to be a steady trend in 2025.

We are pleased to say that the GIS Euro Bond fund return was 3.07% (class B), outperforming its benchmark (JP Morgan EMU Government All Maturities Index) in 2024, delivering an additional +129 bps.

The fund's overweight in government bonds from Italy, Spain and Greece benefited from tightening spreads versus Bunds and higher investor demand. As ever, we prioritized highly active, tactical duration management, seeking capital preservation with additional yield pick-up.

**Figure 1: GIS Euro Bond - evolution of cumulative performance over the past 10 years <sup>1</sup>**



### Q1 2024: INCREASED DURATION ANTICIPATING LOWER INFLATION\*

We increased duration in the fund from -1.4 years at the start of the year to neutral by the end of January. In February and over the quarter we moved duration to be 1 year overweight. The fund's long exposure to 2-5 year maturities was slightly increased in February, while the short exposure to 30 year maturities remained unchanged. The fund's exposure to peripheral European bonds was consistently overweight during the period.

In the first quarter, the fund outperformed its benchmark by around 48 basis points (B shares), with the key positive drivers being:

- Short relative duration in January when Bund rates moved from around 2.0% to 2.3%.
- Long BTP exposure since the beginning of the year.

### Q2 2024: FRENCH POLITICAL TURMOIL PRESENTED A BUYING OPPORTUNITY FOR PERIPHERAL BONDS\*

We maintained relative duration in the fund between +1.2 and +1.6 years during the second quarter. Yield curve exposure was broadly unchanged, with a long position in the 2-5 year maturity bucket and a short relative position in the 20-30 year bucket.

The fund's BTP exposure relative to the benchmark was around +1.8 years in April and May, which we reduced to +1.5 years in June. OAT exposure was permanently negative over the period, -1.0 years vs. benchmark. Bund exposure was positive, rising from +0.3 years to +0.6 years in June. The fund's overweight in Spain and Greece unchanged.

In the second quarter of the year, the fund underperformed its benchmark by 33 basis points as at 28 June. The main drags on performance were:

- Long relative duration in the second quarter, around +1.2 years on average versus the index, when Bund rates rose from 2.3% to 2.5%.

<sup>1</sup> Source: GIS Euro Bond factsheet as at the 31<sup>st</sup> December 2024.

Past performance of the funds or their benchmark is not indicative of future results. There is no guarantee that an investment objective will be achieved or that a return on capital will be obtained.



- Long BTP exposure: the BTP/Bund spread widened from 130 bps to 157 bps in June after the political crisis in France triggered by Macron's unexpected dissolution of parliament.

Positive contribution came from long 2-5 year maturities versus short 30 year maturities, as the 30-2 year spread narrowed by 25 bps.

### Q3 2024: LONG DURATION PAYS OFF AS BUND RATES RISE AMID AUGUST VOLATILITY AND SLOWER GROWTH

We maintained a relative duration in the fund of around +0.7 years in July and August, which we reduced to 0.2 years at the end of September. The fund's yield curve exposure was broadly unchanged, with a long position in the 2-5 year bucket and a short relative position in the 20-30 year bucket. The fund's BTP relative exposure was around +1.1 years in July and August and increased to +1.8 years in September. French OAT exposure was negative over the period, -1.1 years vs. benchmark. Bund exposure was overweight over the summer (+0.6 years) and we turned this slightly negative in September. The fund's Spain and Greece exposure remained overweight.

The fund outperformed its benchmark by 104 basis points in the third quarter. The key positive drivers were:

- The long relative duration that we kept in Q2 throughout the turmoil and volatility, which was around +0.6 years on average versus the index, as Bund rates rose from 2.5% to 2.2%.
- Long BTP exposure: the BTP/Bund spread narrowed from 157 bps to 132 bps.

**Euro area growth forecasts are likely to be moderately positive (...) and we expect a steady disinflation trend**



### Q4 2024: STAYING NEUTRAL AMID POLITICAL SHIFTS

We maintained neutral duration in the fund in October, before increasing it again as Bund rates moved above 2.3% at the end of the month. We moved back to neutral in the second half of November, following the market rally in the wake of Trump's election victory in the US. The fund's yield curve exposure was broadly unchanged, with a long position in the 2-5 year bucket and a short relative position in the 20-30 year bucket. Relative BTP exposure remained long over the quarter (around +2 years) and French OAT exposure was negative, -1.3 years vs. benchmark. The overweight in Spain and Greece was unchanged.

The fund outperformed its benchmark by 6 basis points in the fourth quarter. The main positive driver were:

- Long BTP exposure, as the BTP/Bund spread narrowed from 132 bps to 115 bps.
- Long 2 year versus 30 year, as the curve steepened from 39 bps to 51 bps.

The moderate duration overweight made a negative contribution over the period, given the strong upward movement in yields, with Bund yields rising from 2.12% at the end of September to 2.37% at the end of the year.

### OUTLOOK AND POSITIONING: DISINFLATION TREND TO CONTINUE, SUPPORTING EUROPEAN GOVERNMENT BONDS

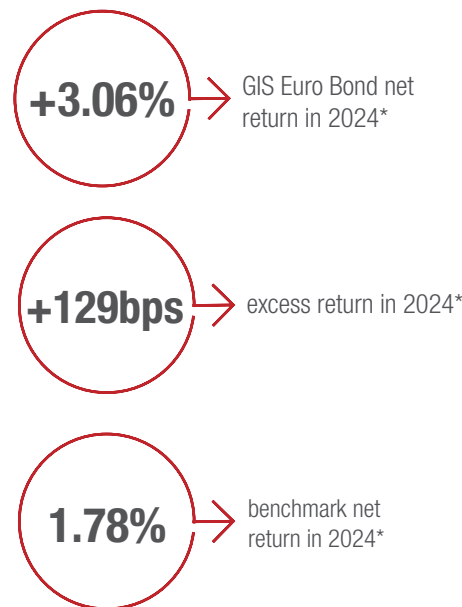
Euro area growth forecasts are likely to be moderately positive over the next few quarters (the Generali Asset Management research team is expecting +0.8%) and we expect a steady disinflation trend. December's economic data confirmed a stagnant manufacturing activity scenario and a small rebound of headline inflation, due to energy prices, with core inflation confirmed stable at 2.7%. Markets now expect around 4 cuts by ECB in 2025, looking at 2% as the probable terminal rate.

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Italy's outlook is relatively stable, with BTP spreads supported by a compliant budget and acceptable level of deficit. Growth will likely mirror EU averages despite Germany's slowdown. Spain continues to outperform, fuelled by over 3% growth and fiscal leeway, positioning its bonds to maintain strength.

The portfolio is therefore tactically quite long relative duration, around 7.6 years (+0.8 year vs benchmark). It remains overexposed to short-medium maturities, and underexposed to 20-30 year maturities. It remains long Italian BTPs vs benchmark, short French Oats: net long exposure (BTP + OAT) is around +0.6 years. Finally, it remains long Spain and Greece, and long EU bonds.





**Figure 2: GIS Euro Bond annualized & cumulative performance (%) <sup>2</sup>**

	1M	YTQ	YTD	1YR	3YR	5YR	3YR P.A.	5YR P.A.	10YR	10YR P.A.	Since Inception	Since Inception P.A
Portfolio	-1.36	-0.10	3.07	3.07	-4.68	-0.84	-1.59	-0.17	16.71	1.56	120.73	3.54
Benchmark	-1.43	-0.16	1.78	1.78	-10.64	-9.37	-3.68	-1.95	3.12	0.31	107.09	3.25
Excess return	0.07	0.06	1.29	1.29	5.96	8.53	2.09	1.78	13.59	1.25	13.64	0.29

**Figure 3: GIS Euro Bond calendar year performance (%) <sup>3</sup>**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Portfolio	3.07	6.78	-13.39	-1.91	6.06	6.26	0.37	2.25	4.81	2.97
Benchmark	1.78	7.00	-17.94	-3.54	5.15	6.94	1.00	0.07	3.48	1.73
Excess return	1.29	-0.22	4.55	1.63	0.91	-0.68	-0.62	2.19	1.32	1.24

### WHY SHOULD AN INVESTOR CHOOSE THE GIS EURO BOND FUND?

For investors seeking diversification and a hedge against volatility and equity exposure, euro government bonds can be considered an active, risk-adjusted investment in the euro interest rates space, over a medium- to long-term horizon. To optimize risk-return, the Euro Bonds strategy has active duration management and a dynamic allocation between countries, together with an active positioning on yield curve exposure.

The active diversification through peripheral European bond exposure and the nimbleness of the strategy to change as the facts change have enabled the sub-funds to consistently outperform their benchmarks with low volatility throughout the negative-yielding and volatile environment of the past few years.

The manager leverages three key investment pillars to actively manage the portfolios: carry, country allocation and curve allocation. We believe this combination, plus ESG integration and a macro overlay strategy via euro bond listed futures, allows the fund to gain a critical edge over the market.

<sup>2</sup>Source: GIS Euro Bond factsheet as at the 31<sup>st</sup> December 2024.

<sup>3</sup>Source: GIS Euro Bond factsheet as at the 31<sup>st</sup> December 2024.



## GIS EURO BOND FUNDS RANGE<sup>4</sup>

### Generali Investments SICAV (GIS)

### GIS Euro Bond [\[factsheet\]](#)

### GIS Euro Bond 1-3 Years [\[factsheet\]](#)

### GIS Euro Short Term Bond [\[factsheet\]](#)

**Fund manager**

Mauro Valle

Mauro Valle

Mauro Valle

**ISIN (Eur B Acc.)**

LU0145476148

LU0396183112

LU0145484910

**AUM**

€ 2,612.89M as of 31/12/2024

€ 1,220.78M as of 31/12/2024

€ 673.45M as of 31/12/2024

**Inception date**

2 April 2002

5 November 2008

2 April 2002

**Benchmark**

JPM EMU GOVERNMENT

JPM EMU GOVERNMENT 1-3Y (TR)

€STR

**Funds currency**

Euro

Euro

Euro

**Domicile**

Luxembourg

Luxembourg

Luxembourg

**Entry / exit charge**

Not Applied

Not Applied

Not Applied

**Ongoing charge**

0.60%

0.35%

0.27%

**Management fees**

0.40%

0.15%

0.15%

**Performance fees**

Not applied

Not applied

Not applied

**Management company**Generali Investments  
Luxembourg S.A.Generali Investments  
Luxembourg S.A.Generali Investments  
Luxembourg S.A.**Investment manager**Generali Asset Management  
Società di gestione del risparmioGenerali Asset Management  
Società di gestione del risparmioGenerali Asset Management  
Società di gestione del risparmio**Risk level SRI**

3/7 [Other significant risks not taken into consideration in this indicator include the following: Credit risk, Liquidity risk.

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**SFDR<sup>5</sup>**

Article 8

Article 8

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## FUND DETAILS

The objective of Euro Bond is to outperform its Benchmark investing in quality debt securities denominated in Euro. The Fund shall invest at least 70% of its net assets in debt securities denominated in Euro with Investment Grade Credit Rating. Investment Grade Credit Rating is credit rating from AAA to BBB- for Standard & Poors or from Aaa to Baa3 for Moody's or from AAA to BBB for Fitch or an equivalent credit rating by a recognised credit rating agency or an equivalent credit rating as deemed by the Investment Manager. Benchmark: J. P. Morgan EMU Index. Costs as per KID dated: 01/01/2024 - Entry costs: There is no entry fee for this product. Exit costs: There is no exit fee for this product. Management fees and other administrative or operating costs: 0.6% of the value of your investment per year. This is an estimate based on actual costs over the last year. Transaction costs: 0.1% per year of the value of your investment. This is an estimate of the costs incurred when we buy and sell the underlying investments for the product. Performance fees: There is no performance fee for this product.

The objective of Euro Bond 1-3 years is to outperform its Benchmark investing in quality debt securities denominated in Euro resulting in a weighted average portfolio maturity ranging from 1 to 3 years. The Fund shall invest at least 70% of its net assets in debt securities denominated in Euro with Investment Grade Credit Rating. Investment Grade Credit Rating is credit rating from AAA to BBB- for Standard & Poors or from Aaa to Baa3 for Moody's or from AAA to BBB for Fitch or an equivalent credit rating by a recognised credit rating agency or an equivalent credit rating as deemed by the Investment Manager. Benchmark: J.P. Morgan EMU 1-3 Years Index. Investors may risk losing part or all of their initial investment. Costs as per KID dated: 01/01/2024 - Entry costs: There is no entry fee for this product. Exit costs: There is no exit fee for this product. Management fees and other administrative or operating costs: 0.3% of the value of your investment per year. This is an estimate based on actual costs over the last year. Transaction costs: 0.1% per year of the value of your investment. This is an estimate of the costs incurred when we buy and sell the underlying investments for the product. Performance fees: There is no performance fee for this product.

The objective of Euro Short Term Bond is to outperform its Benchmark investing in quality short term debt securities denominated in Euro. The Fund shall invest at least 70% of its net assets in in debt securities and money market instruments denominated in Euro. The Fund shall invest at least 70% of its net assets in in money market instruments, floating rate notes and fixed income securities (including at least 60% of its net assets in government bonds) having Investment Grade Credit Rating. Benchmark: Euro short-term rate Index (€STR Index). Costs as per KID dated - 01/01/2024. Entry costs: There is no entry fee for this product. Exit costs: There is no exit fee for this product. Management fees and other administrative or operating costs: 0.6% of the value of your investment per year. This is an estimate based on actual costs over the last year. Transaction costs: 0.1% per year of the value of your investment. This is an estimate of the costs incurred when we buy and sell the underlying investments for the product. Performance fees: There is no performance fee for this product.

Countries of registration of the Funds: AT, CH (registered with the FINMA), CZ, DE, ES, FR, GB (recognized scheme), IT, LU, NL, PT, SK, SG (Only for Euro Bond). The Funds are actively managed and reference their Benchmarks by seeking to outperform it. Risks of the Funds (non-exhaustive list): Credit risk, Derivatives risk, Sustainable finance risk, the product may invest in securities rated below investment grade, which present greater risk of loss to principal and interest than higher-quality securities, Risk related to capital loss: this is not a guaranteed product. Investors may risk losing part or all of their initial investment. Valuation of the Net Asset Value (NAV): Daily.

## IMPORTANT INFORMATION

Marketing communication related to Generali Investments SICAV, a Luxembourg UCITS-SICAV, and its Sub-funds Euro Bond, Euro Bond 1-3 Years and Euro Short Term Bond ("the Funds"). Only intended for professional investors in AT, CH, CZ, DE, ES, FR, GB, IT, LU, NL, PT and SK where the Funds are registered for distribution - Not for U.S. Persons. The future performance is subject to taxation, which depends on the personal situation of each investor and which may change in the future. Before making any investment decision, please consider all characteristics, objectives, risks and costs in the Key Information Document (KID) available in one of the official languages of your country and the Prospectus available in English upon request free of charge to the Management Company, Generali Investments Luxembourg S.A., 4 Rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg, e-mail address: GILfundInfo@generali-invest.com or at [www.generali-investments.lu](http://www.generali-investments.lu), where you can also find a summary of your investor rights (in English or in an authorized language). The Management Company may decide to terminate the agreements made for the marketing of the Fund in your country. Generali Investments Luxembourg S.A., Luxembourg UCITS Management Company of the Fund and Generali Asset Management S.p.A. Società di gestione del risparmio, Italian asset management company, appointed as marketing promoter of the Fund in the EU/EEA countries (Via Niccolò Machiavelli 4, Trieste, 34132, Italia).