

# DNCA INVEST BEYOND ALTEROSA

FLEXIBLE ASSET SRI



## Investment objective

The Sub-Fund seeks to outperform the 30% MSCI World All Countries World Net Return + 70% Bloomberg Barclays Pan European Corporate Euro Hedged Index, calculated with dividends reinvested, over the recommended period. Investors' attention is drawn to the fact that the management style is discretionary and integrates environmental, social / societal and governance (ESG) criteria. The Sub-Fund is managed taking into consideration Responsible and Sustainable principles and has as its objective sustainable investment within the meaning of Article 9 of SFDR. The Sub-Fund is managed taking into consideration responsible and sustainable principles and aims to be target issuers with a significantly exposure of percentage or their revenues to the 17 Sustainable Development Goals of the United Nations.


To achieve its investment objective, the investment strategy is based on active discretionary management.

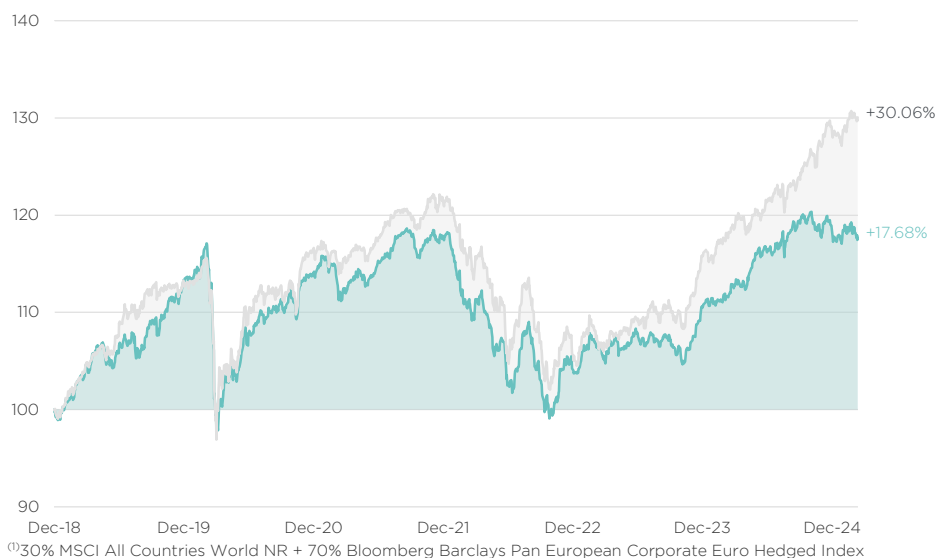
## Financial characteristics

NAV (€)	117.68
Net assets (€M)	248
Number of equities holdings	39
Price to Earning Ratio 2025 <sup>e</sup>	23.8x
Price to Book 2024	4.8x
EV/EBITDA 2025 <sup>e</sup>	14.6x
ND/EBITDA 2024	1.6x
Free Cash Flow yield 2025 <sup>e</sup>	3.01%
Dividend yield 2024 <sup>e</sup>	1.20%
Number of issuers	64
Average modified duration	3.56
Net modified duration	3.56
Average maturity (years)	4.86
Average yield	3.59%
Average rating	BB+

## Performance (from 17/12/2018 to 28/02/2025)

Past performance is not a guarantee of future performance

DNCA INVEST BEYOND ALTEROSA (N Share) Cumulative performance  Reference Index<sup>(1)</sup>



## Annualised performances and volatilities (%)

	1 year	3 years	5 years	Since inception
N Share	+5.48	+1.87	+1.15	+2.66
Reference Index	+10.24	+3.98	+3.23	+4.33
N Share - volatility	4.19	4.82	5.75	5.72
Reference Index - volatility	4.29	5.70	6.63	6.31

## Cumulative performances (%)

	1 month	3 months	YTD	1 year	3 years	5 years
N Share	-0.92	-1.48	+0.31	+5.48	+5.73	+5.87
Reference Index	+0.20	+1.04	+1.45	+10.24	+12.42	+17.23

## Calendar year performances (%)

	2024	2023	2022	2021	2020	2019
N Share	+5.40	+7.31	-12.20	+3.13	+1.17	+13.76
Reference Index	+10.23	+11.21	-13.87	+4.22	+3.59	+12.89

The performances are calculated net of any fees by DNCA FINANCE.

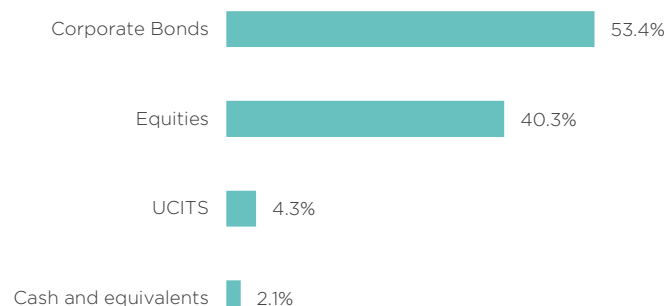
## Risk indicator



Synthetic risk indicator according to PRIIPS. 1 corresponds to the lowest level and 7 to the highest level.

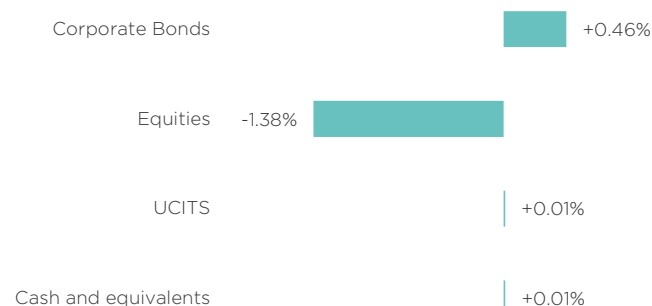
**Main risks:** interest-rate risk, credit risk, equity risk, risk related to investments in emerging markets, risk of capital loss, risk of investing in derivative instruments as well as instruments embedding derivatives, specific Risk linked to ABS and MBS, distressed securities risk, ESG risk, risk related to exchange rate, specific Risks linked to Convertible, Exchangeable and Mandatory Convertible Bonds, specific risks of investing in contingent convertible bonds (Cocos), sustainability risk, bond risk 144A

## Asset class breakdown



## Monthly performance contributions

Past performance is not a guarantee of future performance



## Sector breakdown (ICB)

	Fund	Index
Industrial Goods and Services	22.8%	9.4%
Health Care	22.2%	7.1%
Utilities	14.6%	6.7%
Technology	10.1%	9.7%
Banks	6.6%	22.6%
Construction and Materials	4.8%	1.7%
Chemicals	3.1%	1.6%
Media	2.0%	1.2%
Telecommunications	2.0%	4.6%
Basic Resources	1.7%	1.0%
Consumer Products and Services	1.5%	2.5%
Real Estate	1.0%	4.9%
Energy	0.7%	3.9%
Automobiles and Parts	0.5%	4.1%
Financial Services	-	5.6%
Food, Beverage and Tobacco	-	4.4%
Govies	-	0.0%
Retail	-	2.0%
Personal Care, Drug and Grocery	-	1.5%
Insurance	-	4.0%
Travel and Leisure	-	1.5%
UCITS	4.3%	N/A
Cash and equivalents	2.1%	0%

## Country breakdown

	Fund	Index
USA	28.5%	31.7%
France	17.7%	13.5%
Italy	9.7%	3.7%
United Kingdom	9.1%	11.2%
Germany	4.5%	9.2%
Netherlands	4.1%	4.8%
Spain	3.4%	4.1%
India	3.0%	0.5%
Japan	2.9%	2.5%
Belgium	2.1%	1.2%
Taiwan	1.7%	0.6%
Denmark	1.3%	1.3%
Finland	1.1%	0.6%
Israel	1.0%	0.1%
Sweden	0.9%	2.4%
Australia	0.8%	1.7%
Ireland	0.8%	0.7%
Switzerland	0.8%	3.0%
Luxembourg	0.4%	0.9%
Other Countries	-	6.4%
UCITS	4.3%	N/A
Cash and equivalents	2.1%	0%

## Bonds portfolio composition and indicators

	Weight	Maturity (yrs)	Modified duration	Yield	Number of lines
Fixed rate bonds	39.74%	5.26	3.75	3.43%	55
Hybrid bonds	12.20%	3.59	3.27	4.07%	15
Floating-rate bonds	1.03%	5.44	0.08	4.05%	2
Convertible bonds	0.44%	2.99	2.88	3.34%	1
<b>Total</b>	<b>53.40%</b>	<b>4.86</b>	<b>3.56</b>	<b>3.59%</b>	<b>73</b>

## Changes to portfolio holdings\*

**In:** COMPAGNIE DE SAINT GOBAIN (6), Italgas SpA 2.88% 2030, JOHNSON CONTROLS INTERNATIONAL (4.4), RELX PLC (6), SIEMENS AG-REG (5) and Terna - Rete Elettrica Nazionale 3.13% 2032 (6.8)

**Out:** ams-OSRAM AG 0% 2025 CV (4.3), Enel SpA PERP (7.1), OI European Group BV 5.25% 2029 (6.4) and Snam SpA PERP (7.2)

\*The figure between brackets represents the issuer's 'responsibility' score. Please refer to the Internal Extra-financial analysis page for the analysis methodology.

### Equity portfolio (40.3%)

#### Main positions<sup>+</sup>

	Weight
AIR LIQUIDE SA (8.1)	1.76%
TAIWAN SEMICONDUCTOR MANUFAC (8.4)	1.72%
ASTRAZENECA PLC (4.6)	1.68%
ZOETIS INC (4.5)	1.65%
SCHNEIDER ELECTRIC SE (8.4)	1.50%

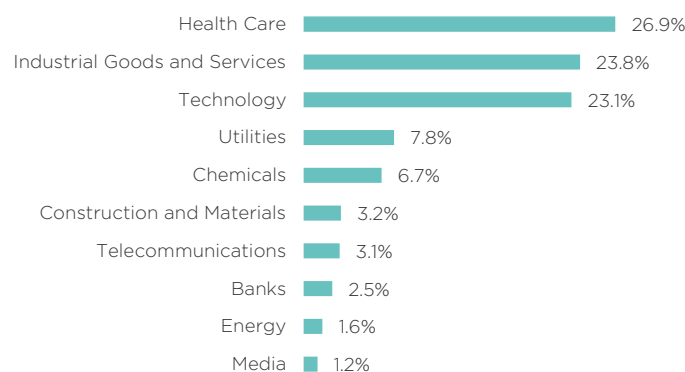
#### Monthly performance contributions

Past performance is not a guarantee of future performance

Best	Weight	Contribution
ASTRAZENECA PLC	1.68%	+0.11%
ELI LILLY & CO	0.89%	+0.11%
KNORR-BREMSE AG	1.02%	+0.08%
AIR LIQUIDE SA	1.76%	+0.08%
NOVO NORDISK A/S-B	1.28%	+0.07%

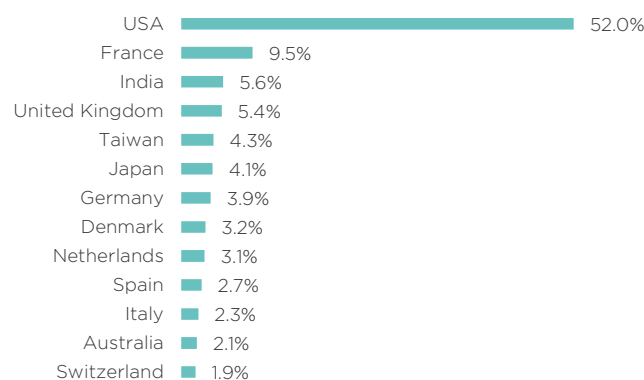
Worst	Weight	Contribution
VERTIV HOLDINGS CO-A	0.94%	-0.21%
TAIWAN SEMICONDUCTOR MANUFAC	1.72%	-0.19%
SYNOPSYS INC	1.24%	-0.18%
THERMO FISHER SCIENTIFIC INC	1.23%	-0.16%
PRYSMIAN SPA	0.92%	-0.16%

### Sector breakdown (ICB)



Equity portfolio (base 100)

### Country breakdown



Equity portfolio (base 100)

### Bond portfolio (53.4%)

#### Main positions<sup>+</sup>

	Weight
Enel SpA PERP (7.1)	1.62%
Alstom SA PERP (4.7)	1.31%
Sartorius Finance BV 4.38% 2029 (5.5)	1.29%
Veolia Environnement SA PERP (6.0)	1.27%
IQVIA Inc 6.5% 2030 (5.2)	1.21%

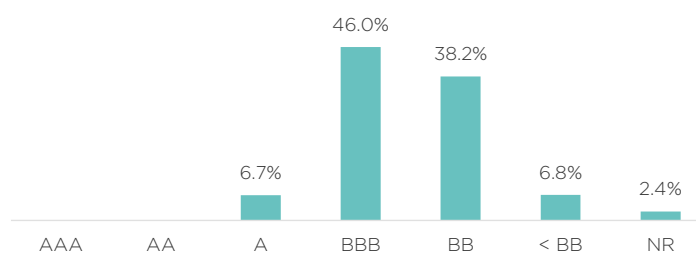
#### Monthly performance contributions

Past performance is not a guarantee of future performance

Best	Weight	Contribution
GRAANU 4 5/8 10/15/26	0.39%	+0.03%
KIELN 9 02/15/29	0.52%	+0.02%
PRGO 6 1/8 09/30/32	0.79%	+0.02%
SW 5.438 04/03/34	0.80%	+0.02%
OGN 6 3/4 05/15/34	1.20%	+0.02%

Worst	Weight	Contribution
VRLAFP 3 7/8 11/04/32	1.02%	+0.00%
IGIM 2 7/8 03/06/30	0.64%	0%
EDPPL 5.943 04/23/2083	0.67%	+0.00%
AMPIM 11/8 02/13/27	0.39%	+0.00%
GETFP 3 1/2 10/30/25	0.32%	+0.00%

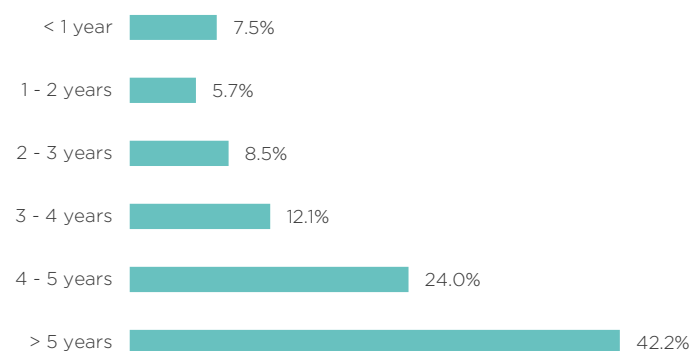
### Rating breakdown



Bonds portfolio (base 100)

These data are provided for guidance purposes only. The management company does not systematically and automatically use ratings issued by credit rating agencies and carry out its own credit analysis.

### Maturity breakdown



Bonds portfolio (base 100)

\*The figure between brackets represents the issuer's 'responsibility' score. Please refer to the Internal Extra-financial analysis page for the analysis methodology.

## Portfolio managers comments

### Macro/markets

European equity markets continued their upward trend in February: Stoxx 600 +3.3%, EuroStoxx +3.5%. Indexes were buoyed mainly by the multiple truce negotiations in Ukraine, the marked improvement in economic indicators, the German elections, and the publication of annual results. Geopolitics was once again a central theme this month. The end of the Ukrainian conflict could reduce the currently high risk premium on European equities. On the economic front, the preliminary manufacturing PMI rebounded to 47.3 in February. Eurozone inflation rose slightly in January to 2.5% yoy vs. +2.4% in December. The results of the German elections are favorable for the markets, as a two-party coalition between the CDU/CSU and the SPD should rapidly facilitate the formation of a government and the launch of a stimulus plan. On the microeconomic front, annual results are in good shape, with European companies on the whole making encouraging statements about their growth prospects. The outperformance of European indices was accentuated in relation to their American peers, which were down this month: S&P500 -1.4%, Nasdaq -2.8%. US technology stocks suffered from increased competition from Chinese AI models. Donald Trump's announcement of tariffs rekindled the risk of escalating global trade tensions. The US consumer confidence index fell sharply in February, with inflation expectations rising significantly. The Trump administration's initial measures on tariffs and budget cuts, with the dismissal of many civil servants, are raising doubts about US growth. The rebalancing that began at the start of the year could therefore continue over the coming months, to the benefit of the European markets. On the economic front, the German engine is currently the main source of hope. The German coalition is proposing a major stimulus plan, mainly involving increased spending on defense (a theme not invested in the portfolio) and infrastructure. In terms of risks, and despite the recent downturn, inflation (and its impact on monetary policy) should continue to be the focus of attention at the start of the year, as should the US administration's initial decisions.

In February, against a backdrop of growing uncertainty, volatility increased, but the credit market proved resilient. In Europe, spreads tightened and ratings compressed. Investment grade performed +0.6%, while high yield gained +0.9%. In the United States, although spreads widened, performance remained solid due to rate movements: investment grade gained 2%, while high yield advanced by 0.7%.

Technical factors play a key role in this dynamic. Massive inflows were recorded on the European market, with 4.2 billion euros for investment grade and 1.2 billion for high yield. This strong demand enabled companies to refinance at an attractive rate. 81 billion euros were issued on the investment grade market, twice the historical average for the month of February. The high yield market remained quieter, with 5.4 billion euros issued, mainly by banks.

### Allowance

Alterosa's December performance was -0.92%, compared with 0.2% for its benchmark.

At the end of the month, the portfolio's equities portfolio comprised 39 stocks, for an exposure of 40.3%. The portfolio's main convictions are thus based around the following stocks: AstraZeneca (Medical Transition, 1.7%), TSMC (Ecological and Lifestyle Transition, 1.7%), Zoetis (Ecological Transition, 1.6%), Schneider Electric (Ecological Transition, 1.5%) and Microsoft (Lifestyle and Economic Transition, 1.5%).

We initiated a eurostoxx 50 hedge position for 3% of the portfolio, bringing net equity exposure to 37.3%.

At the end of February, bond investments represented 54%, a yield in euros of 4.2% and a duration of 3.4.

### Equity portfolio

On equities, the main relative outperformers in February were : AstraZeneca (Medical Transition, +10 bps, active weight +1.4%), Knorr-Bremse (Lifestyle Transition, +8 bps, active weight +1.0%), Eli Lilly (Medical Transition, +7 bps, active weight +0.6%), Air Liquide (Ecological and Medical Transition, +7 bps, active weight +1.6%) and Novo Nordisk (Medical Transition, +6 bps, active weight 1.1%). Conversely, the worst relative performers are : Vertiv (Ecological Transition, -21 bps, active weight +0.9%), Synopsys (Economic Transition, -18 bps, active weight +1.3%), TSMC (Ecological Transition and Lifestyle, -17 bps, active weight +1.4%), Prysmian (Ecological Transition, -16 bps, active weight +1.0%) and Thermo Fisher Scientific (Medical Transition, -15 bps, active weight +1.1%).

Among the main moves, we initiated a line in Saint Gobain (Building Materials) and Siemens (Industrials), and strengthened our positions in Vertiv (IT Infrastructure), Microsoft (Software) and RelX (Publishing). These moves were financed by reductions in Palo Alto (Cybersecurity), TSMC (Semiconductors) and Agilent (Healthcare).

### Bond portfolio

The Alterosa fund's bond portfolio made a positive contribution to performance over the month. In particular, investments in dollars and sterling contributed to performance. BBB and BB ratings were the best performers.

The sectors that contribute most to performance are healthcare, utilities, capital goods, basic industries and banking. Those that contribute least are media, transport, real estate, telecoms and automotive.

In terms of issuers, the biggest contributors were Graanul (basic industry, ecological transition) after a reassuring conference on its prospects, USD investments in AstraZeneca (healthcare, medical transition) and Takeda (healthcare, medical transition), Perrigo (consumer goods, medical transition) and Smurfit Kappa (capital goods, lifestyle transition). The weakest contributors were Verallia (capital goods, lifestyle transition) after disappointing results, OI European group (capital goods, lifestyle transition), Amplifon (healthcare, medical transition), Getlink (transport, ecological and lifestyle transition) and Rexel (capital goods, ecological transition).

During the month, we participated in two primary issues in the utilities sector: Italgas (ecological transition) and Terna rete Elettrica (ecological transition). We cut our investment in OI European Group before the results. Our Enel bond (utilities, green transition) was recalled by the company and we cut our investment in Snam (utilities, green transition).

We remain confident about the credit market. In the current uncertain environment, this asset class represents an attractive investment zone offering a solid carry and limited volatility. Inflows could therefore continue in the face of an opportunistic primary market. Corporate earnings are broadly in line, but some sectors (chemicals, automotive) are still lamenting a lack of visibility.

Text completed on 11/03/2025.



Léa  
Dunand-Chatellet



David  
Tissandier



Nolwenn  
Le Roux, CFA



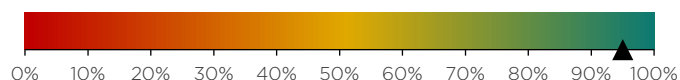
Romain  
Avice



Matthieu  
Belondrade, CFA

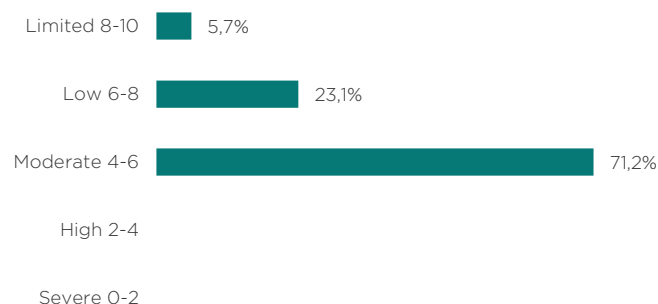
## Internal extra-financial analysis

### ABA coverage rate<sup>+</sup> (95.0%)



Average Responsibility Score: 5.6/10

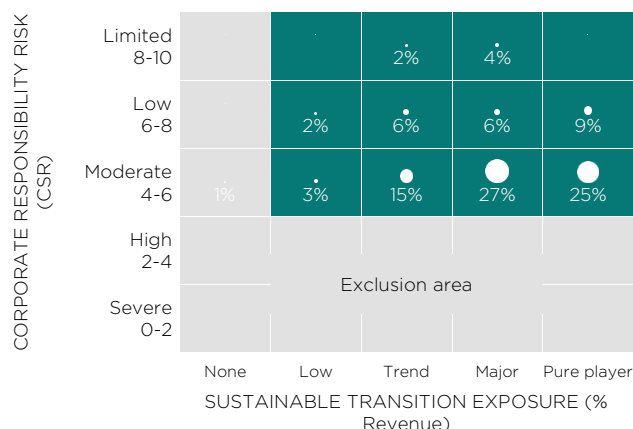
### Responsibility risk breakdown<sup>(1)</sup>



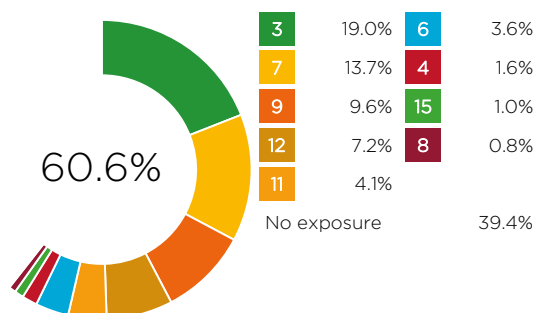
### Selectivity universe exclusion rate



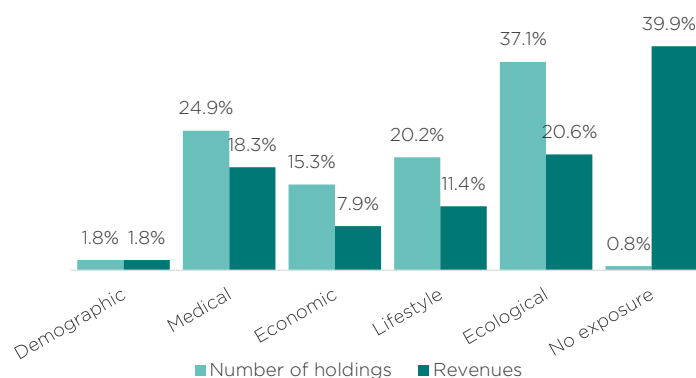
### Transition/CSR exposure<sup>(2)</sup>



### SDG's exposure<sup>(3)</sup> (% of revenues)



### Sustainable transitions exposure<sup>(4)</sup>



## Analysis methodology

We develop proprietary models based on our expertise and conviction to add tangible value in the selection of portfolio securities. DNCA's ESG analysis model, Above & Beyond Analysis (ABA), respects this principle and offers a rating that we control the entire construction. Information from companies is the main input to our rating. The methodologies for calculating ESG indicators and our responsible investor and engagement policy are available on our website [by clicking here](#).

<sup>(1)</sup> The rating out of 10 integrates 4 risks of responsibility: shareholder, environmental, social and societal. Whatever their sector of activity, 24 indicators are evaluated, such as social climate, accounting risks, suppliers, business ethics, energy policy, quality of management.

<sup>(2)</sup> The ABA Matrix combines the Responsibility Risk and the Sustainable Transition exposure of the portfolio. It allows us to map companies to be mapped using a risk/opportunity approach.

<sup>(3)</sup> 1 No poverty. 2 Zero hunger. 3 Good health and well-being. 4 Quality education. 5 Gender equality. 6 Clean water and sanitation. 7 Clean and affordable energy. 8 Decent work and economic growth. 9 Industry, innovation and infrastructure. 10 Reduced inequalities. 11 Sustainable cities and communities. 12 Sustainable consumption and production. 13 Tackling climate change. 14 Aquatic life. 15 Terrestrial life. 16 Peace, justice and effective institutions. 17 Partnerships to achieve the goals.

<sup>(4)</sup> 5 transitions based on a long-term perspective of the financing of the economy allow the identification of activities with a positive contribution to sustainable development and to measure the exposure of companies in terms of turnover as well as exposure to the UN Sustainable Development Goals.

\*The coverage rate measures the proportion of issuers (equities and corporate bonds) taken into account in the calculation of the extra-financial indicators. This measure is calculated as a % of the net assets adjusted for cash, money market instruments, derivatives and any vehicle outside the scope of "listed equities and corporate bonds".

### Principal Adverse Impacts

PAI	Unit	Fund		Ref. Index	
		Coverage	Value	Coverage	Value
PAI Corpo 1_1 - Tier 1 GHG emissions	T CO <sub>2</sub>	94%	8,890		
		31/12/2024	93%	14,458	
		29/12/2023	86%	7,663	56,926
PAI Corpo 1_2 - Tier 2 GHG emissions	T CO <sub>2</sub>	94%	3,278		
		31/12/2024	93%	4,280	
		29/12/2023	86%	2,499	11,301
PAI Corpo 1_3 - Tier 3 GHG emissions	T CO <sub>2</sub>	95%	53,268		
		31/12/2024	95%	74,045	
		29/12/2023	86%	40,564	421,229
PAI Corpo 1T - Total GHG emissions	T CO <sub>2</sub>	95%	65,422		
		31/12/2024	95%	87,572	
		29/12/2023	86%	50,236	483,274
PAI Corpo 1T_SC12 - Total GHG emissions (Scope 1+2)	T CO <sub>2</sub>	95%	12,169		
		31/12/2024	95%	18,738	
PAI Corpo 2 - Carbon footprint	T CO <sub>2</sub> /EUR M invested	94%	279	99%	412
		31/12/2024	93%	321	411
		29/12/2023	86%	298	420
PAI Corpo 3 - GHG intensity	T CO <sub>2</sub> /EUR M sales	95%	749	98%	778
		31/12/2024	94%	776	782
		29/12/2023	92%	726	857
PAI Corpo 4 - Share of investments in companies active in the fossil fuel sector		94%	0%	98%	0%
		31/12/2024	94%	0%	0%
		29/12/2023	7%	0%	0%
PAI Corpo 5_1 - Share of non-renewable energy consumption		0%	0.0%	0%	0.0%
		31/12/2024	77%	72.5%	64.8%
PAI Corpo 5_2 - Share of non-renewable energy production		0%	0.0%	0%	0.0%
		31/12/2024	7%	52.5%	74.7%
PAI Corpo 6 - Energy consumption intensity by sector with high climate impact	GWh/EUR M sales	93%	0.9	98%	0.7
		31/12/2024	92%	1.0	0.7
PAI Corpo 7 - Activities with a negative impact on biodiversity-sensitive areas		94%	0.1%	98%	0.1%
		31/12/2024	94%	0.2%	0.1%
		29/12/2023	0%	0.0%	0.0%
PAI Corpo 8 - Water discharges	T Water Emissions	2%	0	2%	0
		31/12/2024	3%	0	0
		29/12/2023	0%	1%	92,258
PAI Corpo 9 - Hazardous or radioactive waste ratio	T Hazardous Waste/EUR M invested	91%	0.4	94%	2.3
		31/12/2024	89%	0.5	2.4
		29/12/2023	53%	0.8	2.6
PAI Corpo 10 - Violations of UNGC and OECD principles		97%	0.0%	99%	0.0%
		31/12/2024	97%	0.0%	0.0%
		29/12/2023	90%	0.0%	0.0%
PAI Corpo 11 - Lack of UNGC and OECD compliance processes and mechanisms		95%	0.0%	98%	0.0%
		31/12/2024	94%	0.0%	0.0%
		29/12/2023	90%	0.2%	0.3%
PAI Corpo 12 - Unadjusted gender pay gap		68%	10.5%	72%	13.7%
		31/12/2024	72%	11.8%	14.0%
		29/12/2023	25%	8.6%	15.2%
PAI Corpo 13 - Gender diversity in governance bodies		95%	38.9%	98%	38.4%
		31/12/2024	94%	38.1%	38.4%
		29/12/2023	90%	37.9%	36.8%
PAI Corpo 14 - Exposure to controversial weapons		97%	0.0%	99%	0.0%
		31/12/2024	97%	0.0%	0.0%
		29/12/2023	90%	0.0%	0.0%
PAI Corpo OPT_1 - Water use	m <sup>3</sup> /EUR M sales	0%	0	0%	0
		31/12/2024	62%	456	12,942
		29/12/2023	5%	0	2
PAI Corpo OPT_2 - Water recycling		7%	0.4%	3%	0.4%
		31/12/2024	6%	0.4%	0.4%
		29/12/2023	5%	0.0%	0.0%
PAI Corpo OPT_3 - Investments in companies with no policy for preventing accidents at work		95%	0.0%	98%	0.0%
		31/12/2024	94%	0.0%	0.0%
		29/12/2023	27%	0.7%	0.5%

Source : MSCI

It should be noted that DNCA Finance changed its non-financial data provider in October 2023 from monitoring negative externalities by the Scope Rating provider to monitoring performance indicators (PAI) by the MSCI provider.

This change of supplier and indicator typology prevents DNCA Finance from producing a 3-year ESG performance comparison. DNCA Finance Committed to produce this historical data from the data available in December 2023.



## Administrative information

**Name:** DNCA INVEST Beyond Alterosa  
**ISIN code (Share N):** LU1907594821  
**SFDR classification:** Art.9  
**Inception date:** 17/12/2018  
**Investment horizon:** Minimum 3 years  
**Currency:** Euro  
**Country of domicile:** Luxembourg  
**Legal form:** SICAV  
**Reference Index:** 30% MSCI All Countries World NR + 70% Bloomberg Barclays Pan European Corporate Euro Hedged Index  
**Valuation frequency:** Daily  
**Management company:** DNCA Finance

**Portfolio Managers:**  
Léa DUNAND-CHATELLET  
David TISSANDIER  
Nolwenn LE ROUX, CFA  
Romain AVICE  
Matthieu BELONDRAGE, CFA

**Minimum investment:** None  
**Subscription fees:** 1% max  
**Redemption fees:** -  
**Management fees:** 0.90%  
**Ongoing charges as of 31/12/2023:** 1.04%  
**Performance fees:** 20% of the positive performance net of any fees above the index: 30% MSCI All Countries World NR + 70% Bloomberg Barclays Pan European Corporate Euro Hedged Index

**Custodian:** BNP Paribas - Luxembourg Branch

**Settlement:** T+2

**Cut off:** 12:00 Luxembourg time

## Legal information

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The Sub-Fund has as its objective sustainable investment within the meaning of Article 9 of SFDR. The Sub-Fund is managed taking into consideration responsible and sustainable principles and aims to be target issuers with a significantly exposure of percentage or their revenues to the 17 Sustainable Development Goals of the United Nations.

This product is subject to sustainability risks as defined in the Regulation 2019/2088 (article 2(22)) by environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

If the portfolio investment process can incorporate ESG approach, the portfolio's investment objective is not primarily to mitigate this risk. The sustainability risk management policy is available on the website of the Management Company.

The reference benchmark as defined in the Regulation 2019/2088 (article 2(22)) does not intend to be consistent with the environmental or social characteristics promoted by the fund.



## Glossary

**Beta.** Measures the average extent to which a fund moves relative to the broader market. The beta of a market is 1. A fund with a beta of more than 1 moves on average to a greater extent than the market. A fund with a beta of less than 1 moves on average to a lesser extent. If beta is a minus number, it is likely that the stock and the market move in opposite directions.

**Convertible Bond.** Hybrid securities that have both bond and equity characteristics. Convertible bonds make periodic interest payments like a bond, but bondholders also get an option to exchange their bonds for a specified number of shares of common stock. Convertible bonds typically carry lower coupon rates, thus reducing the corporation's cost of borrowing.

**Correlation coefficient.** The correlation coefficient is a measure of correlation. It is used to determine the relationship between two assets over a given period. A positive coefficient means that the two assets move in the same direction. Conversely, a negative coefficient means that the assets move in the opposite direction. The correlation or decorrelation can be more or less strong and varies between -1 and 1.

**Delta.** The delta of a position expresses the change in the price of an option when its underlying asset price varies. It corresponds to the derivative of the theoretical value of the option relating to the price of the underlying asset.

**Maturity.** The time when a bond or other debt instrument is due to for redemption (is due to mature); or the length of time between the issue of such an instrument and the date it is due for redemption (the maturity date).

**Sensitivity.** The sensitivity of a bond measures the change in its percentage value induced by a given change in interest rates.

**Sharpe Ratio.** A way of measuring the historical risk-adjusted return on an investment. It is the average previous return minus the risk-free return, divided by the standard deviation (a measure of risk that looks at the diversion of actual returns from expected returns).

**Sharpe Ratio.** The Sharpe ratio measures the excess return over the risk-free money rate of an asset portfolio divided by the standard deviation of that return. It is therefore a measure of the marginal return per unit of risk. It is used to measure the performance of managers with different risk policies.

**Tracking error.** Tracking Error is a measure of how closely an investment portfolio follows the index against which it is benchmarked. It is the difference in the return earned by a portfolio and the return earned by the benchmark against which the portfolio is constructed. For example, if a bond portfolio earns a return of 5.15% during a period when the portfolio's benchmark (say, for example, the Lehman Brothers Index) produces a return of 5.06%, the tracking error is .09%, or 9 basis points.

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