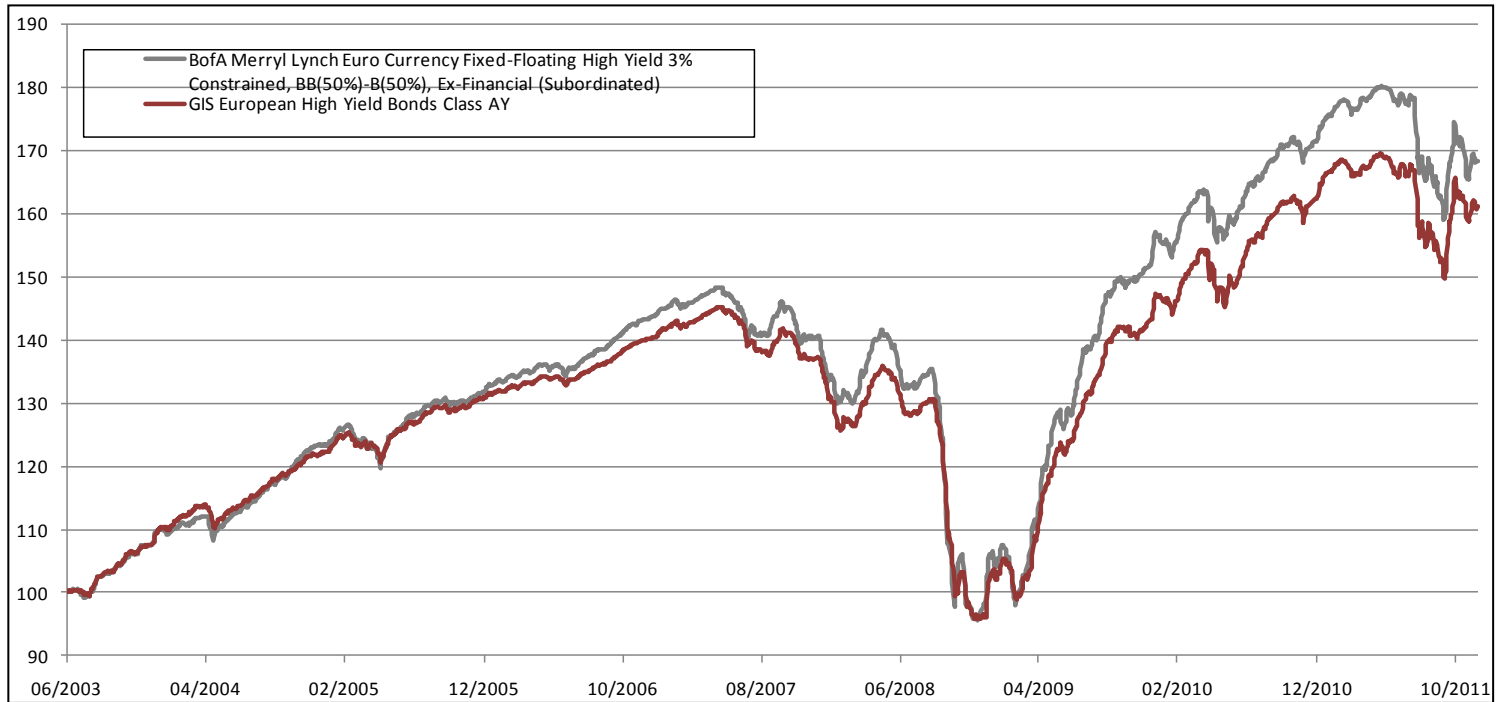


# Generali IS European High Yield Bonds

## Monthly report

### Performance analysis vs Benchmark A share since launch (July 2003)

Data as at 16 December 2011



Fund AUM: € 121,30 m

### Performance overview – A share

	1M	3M	YTD	1Y	5Y	SI
Fund	-0,98	3,82	-1,2	-0,58	14,83	30,06
Bmk	-1,47	1,99	-1,97	-1,37	17,47	35,38

	Volatility	Downside Deviation	Tracking Error
Fund	6,24	5,63	
Bmk	6,26	6,03	1,81

### Portfolio composition – A share

Risk	Dur	Conv	Ytw	Price	Cpn	Cur Yield	Sprd
Funded Ptf	3,14	0,03	9,04	94,06	6,68	7,10	659
Benchmark	3,23	0,07	10,26	91,94	6,87	7,47	715
Difference	-0,09	-0,04	-1,22	2,11	-0,19	-0,37	-55,4

Data as at 30 November 2011

RATING	Ptf %	Bmk %	Delta %	Delta Sprd
A3	1,4%		1,4%	(1,96)
BB1	4,9%	20,5%	-15,6%	(73,11)
BB2	18,8%	19,0%	-0,2%	7,13
BB3	14,9%	10,9%	4,0%	27,90
B1	19,5%	15,9%	3,6%	34,49
B2	13,3%	17,2%	-4,0%	(36,02)
B3	13,4%	15,7%	-2,3%	(17,36)
NR	0,7%		0,7%	3,53
D	1,1%		1,1%	-
CASH	12,1%	0,7%	11,3%	-
Grand Total	100%	100%	0,0%	(55,40)

Source: Generali Investments. Performance data are net of fees and gross of tax. Past performance is not a guide to future performance and no guarantee is given on the latter.

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### Portfolio composition

November 2011

Bucket	Ptf %	Bmk %	Delta %	Delta Sprd
Less 1Y	13,92%	0,72%	13,20%	(1,58)
1Y - 3Y	15,45%	27,20%	-11,76%	(43,84)
3Y - 5Y	13,26%	20,68%	-7,43%	(45,40)
5Y - 7Y	43,68%	39,11%	4,57%	42,78
7Y - 10Y	12,40%	10,32%	2,08%	3,26
10+	1,31%	1,97%	-0,67%	(10,62)
<b>Grand Total</b>	<b>100,00%</b>	<b>100,00%</b>	<b>0,00%</b>	<b>(55,40)</b>

COUNTRY	Ptf %	Bmk %	Delta %	Delta Sprd
AE	1,65%	0,88%	0,76%	5,15
AT	0,00%	0,76%	-0,76%	(6,58)
AU	0,00%	0,98%	-0,98%	(4,46)
BE	0,00%	1,59%	-1,59%	(14,06)
CA	0,80%	1,10%	-0,30%	1,06
CASH	12,05%	0,72%	11,34%	-
CH	2,57%	1,04%	1,53%	13,61
CZ	1,15%	1,30%	-0,15%	(3,00)
DE	12,11%	19,18%	-7,07%	(22,15)
DK	1,48%	1,67%	-0,19%	(0,41)
ES	5,30%	5,63%	-0,33%	(1,28)
FI	0,00%	1,49%	-1,49%	(3,89)
FR	7,08%	14,56%	-7,48%	(51,17)
GB	10,33%	7,13%	3,21%	17,01
HR	1,65%	0,88%	0,77%	8,01
HU	0,34%	1,30%	-0,96%	(7,91)
IE	2,58%	2,01%	0,57%	(4,32)
IT	7,80%	8,19%	-0,39%	4,62
JP	0,00%	0,75%	-0,75%	(5,40)
KZ	0,00%	0,47%	-0,47%	(4,96)
LU	9,03%	7,42%	1,62%	16,21
MX	0,00%	0,45%	-0,45%	(6,86)
NL	9,92%	7,40%	2,52%	21,13
NZ	0,00%	0,33%	-0,33%	(2,27)
PL	3,48%	1,91%	1,57%	8,91
SE	0,00%	0,37%	-0,37%	(3,81)
US	6,71%	7,24%	-0,54%	(1,63)
ZA	3,96%	3,25%	0,71%	(6,95)
<b>Grand Total</b>	<b>100,00%</b>	<b>100,00%</b>	<b>0,00%</b>	<b>(55,40)</b>

Top 10 holdings	Currency	Rating	Weight
UNITYMEDIA	EUR	B1	2,46%
EDCON PROPRIET	EUR	B2	2,32%
SUNRISE COMM HLD	EUR	B3	2,13%
CONTI-GUMMI FIN	EUR	BB3	2,13%
FIAT FIN & TRADE	EUR	BB2	2,03%
TVN FIN CORP II	EUR	B1	2,02%
WIND ACQUISITION	EUR	BB2	1,93%
FORD CRED EUROPE	EUR	BB1	1,83%
FIAT IND FIN	EUR	BB2	1,80%
NARA CABLE FUNDI	EUR	B1	1,68%

Unfunded	Adj	Ptf*	Bmk	Diff
duration	-	3,1	3,23	-0,09
spread	39,7	699	715	-16

Monthly TR	Fnd-Bmk
in	0,78%
out	-0,03%
Diff	0,75%

Source: Generali Investments

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### Fund manager comment

December 2011

Short-term we expect buying opportunities to build up through 2012 due to the spreads widening and the volatility spikes, hence we will maintain a defensive stance and leverage on opportunities when they arise.

Long-term investors should already take exposure to the market, keeping some firepower to increase their allocation should valuations cheapen.

Indeed, the long-term return outlook for European High Yield bonds is brighter.

Stressing the investment universe under the worst historical scenario of 5-years cumulative default rates (32%) and the worst cohort of recovery rates, holding the portfolio to maturity would yield an annualized return of about +5%.

In a low-growth/low-yield world where carry is valuable, high yield is the relative winner but a spillover effect from Sovereigns into European Corporates is likely in 2012: this would lead to a deterioration of operating performances.

Moreover, we expect tighter lending conditions to put pressure on refinancing.

Compared to 2007/2008, the late part of the cycle did not see a significant increase in corporate debt, capital requirements are lower and the maturity wall is less steep, as issuers successfully termed-out their maturities in recent years.

The European credit market is still quite intermediated by banks, if compared to US. As regulatory and cyclical forces are putting pressure on banks' balance sheets, moving along the path of disintermediation will return a larger and deeper credit market over the next cycle as loans will decrease and bonds will be largely issued. In this respect, European High Yield is likely to approach a market capitalization worth of 200 bio.

Source: Generali Investments

# Generali IS European High Yield Bonds

## Monthly report

### Key fund features

<b>Investment policy</b>	<p>The Sub-fund aims at capital appreciation and a low risk/return ratio through investments in fixed income and floating rate securities, mainly issued by companies domiciled in Europe. It invests at least 2/3 of its total assets in securities with a rating below investment grade and up to 1/3 in securities with investment grade rating. The investment grade approach is based on analysis of issuers and single securities. The risk is controlled through a wide portfolio diversification and disciplined investment concentration limits.</p> <p>Benchmark: BofA Merrill Lynch Euro Currency Fixed-Floating High Yield 3% Constrained, BB(50%) - B(50%), Ex-Financial (Subordinated)</p>
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<b>Key features</b>	
Fund manager	Stefano Perin
Fund type	UCITS III Sicav
Domicile	Luxembourg
Fund launch date	30 June 2003
Base currency	Euro
Depository Bank	Caceis Bank Luxembourg

<b>Dealing details for professional investors</b>	
Order cut-off time	T-1 at 2pm (T being NAV date)
Settlement	T+3
Valuation	Daily
NAV calculation	T (T-1 end of day close)
NAV publication	T

Fees and Codes				
	B shares	C shares	D shares	E shares
Launch date	16 oct 05	29 may 08	18 jul 03	26 nov 03
Management fee	0,50%	0,70%	1,30%	1,50%
ISIN	LU0169274064	LU0169274494	LU0169274734	LU0169274734
Bloomberg	GENEHBX LX	GENHYBX LX	GENHYDX LX	GENHYEX LX

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