

Market developments per 2019-05-31

In May, the spread on the iBoxx Euro Corporate Index widened by 22 basis points to 144 basis points above the government bond curve. The index earned an absolute return of -0.14%. German 10-year government bond yields closed May at -0.20%, a decrease of 21 basis points compared to the end of April.

The sharp decline in government bond yields represented a clear reversal in risk appetite amongst investors compared to last month. Whilst the release of economic data pointing to a further slowing of growth in developed and emerging markets was a contributor, the primary culprit appeared to be an escalation in the United States and China's trade dispute. The ratcheting up of rhetoric by President Trump and other US administrative officials on the long-term geopolitical strategic threats posed by China, suggests an amicable resolution in tackling concerns about market reciprocity, intellectual property rights, and state-funded exports may no longer be feasible in the near- to medium-term.

Markets took additional fright near the end of the month when President Trump indicated he would implement import tariffs on Mexico, starting at 5% in June, and increasing at a similar magnitude each month until 25%, if the US's southern neighbour did not take sufficient action to halt the flow of immigrants coming from Central America. Given that shortly before, the US had in fact lifted barriers to the import of aluminium and steel from Canada in order to facilitate the signing of a revised North American Free trade agreement, the potential tariffs on Mexico raised fears that the trade policy of the US was becoming completely unpredictable. As US and European corporations have invested billions of dollars in Mexico as part of efforts to optimise their North American supply chains, concerns are rising about the potential for stranded assets and lower levels of corporate profitability going forward.

The unpredictable nature of US trade policy may result in a decline in business confidence and their desire and willingness to invest. Investors are now pricing in multiple interest rate cuts by the US Federal Reserve in the coming 12-18 months, given expectations for a material slowdown in economic growth and accompanying diminished inflationary risks.

On the corporate news front, UK-based telecom company Vodafone became the latest example of a large benchmark constituent to emphasise bondholder interests over shareholder interests. The company announced that it would cut its dividend by 40% and sell its New Zealand operations for an estimated EUR 2.1 billion to defend its investment grade credit ratings. Elsewhere, merger discussions between Deutsche Bank and Commerzbank to create a German banking national champion ended without an agreement. Pressure on Deutsche Bank management to forcefully address its struggling investment banking operations and, thereby, enhance the overall group's returns on equity continues to gather pace.

During May, subordinated bonds issued by insurance companies, as well as senior unsecured bonds issued by companies operating in cyclical sectors such as the automotive and basic resources sectors, performed poorly. By contrast, senior unsecured bonds issued by insurers, and from companies operating in the media sector outperformed the broader market.

The supply of new bonds was EUR 41 billion in May. This represented an increase of about 8% compared to April, but a more limited increase of about 3% compared to the year-earlier period. Non-financial sector companies issued EUR 29 billion in new bonds last month, while financial sector companies issued EUR 12 billion in new bonds. New bonds totalling EUR 225 billion were issued in the first five months of this year, representing an increase of 11% compared to the same period last year.

Portfolio developments per 2019-05-31

During the month the portfolio's sensitivity to market trends varied between 96% and 102%. The portfolio therefore held a relatively neutral to slight underweight positioning in terms of market risk.

Our positioning in the banks, health care and technology sectors performed relatively well in May. In contrast, our positioning in the industrial goods & services, telecom and non-bank financial services sectors contributed negatively. Our liquidity position (in the form of cash and government bonds) had a positive impact.

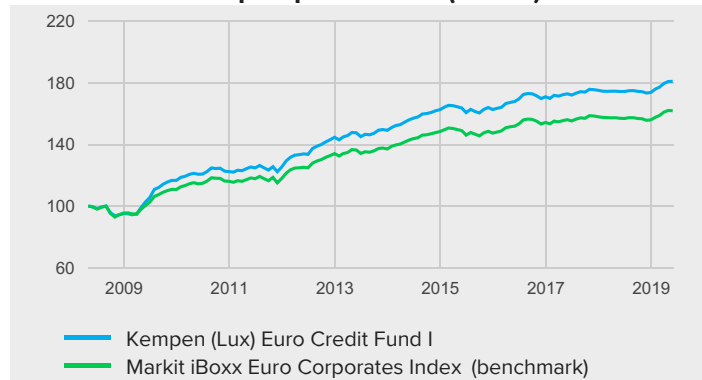
At individual company level, positive contributions came from the overweights in Fidelity National Information Services, Argenta Spaarbank, Symrise, Becton Dickinson and Morgan Stanley, as well as from our underweights in Daimler, Banco Santander, Credit Mutuel and ENI. In contrast, the overweights in Engie, AB Inbev, Unibail-Rodamco, Credit Agricole Assurances and CNH Industrial contributed negatively to the return.

In May, the Fund participated in new bond issues by BP, Fidelity National Information Services, KKR, Euronet, Enel, Vesteda, Natwest Markets (RBS), Commerzbank, Allied Irish Banks, Symrise, Total and Becton Dickinson.

Outlook

Despite the significant widening in spreads during the month of May, we will maintain our defensive positioning. This is primarily driven by our more negative view on global economic growth, as well as our concerns about the US administration's trade policies, the Italian government's commitment to fiscal rectitude and the increased risks of a hard Brexit.

Performance since inception per 2019-05-31 (rebased)



Dividends

Distributing	No
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Share class details

Share class	I
Investor type	Institutional
Distributing	No
Benchmark	Markit iBoxx Euro Corporates Index
Duration hedged	No
Investment category	Credits
Universum	Credits denominated in euro
Inception date	2011-07-01
Domicile	Luxembourg
May be offered to professional investors only in	Belgium, Finland, France, Germany, Italy, Luxembourg, Sweden, Switzerland, The Netherlands, United Kingdom
UCITS status	Yes
Status	Open-end
Base currency	EUR
Share class currency	EUR
Management company	Kempen Capital Management N.V.
Depositary and custodian	J.P. Morgan Bank Luxembourg S.A.
Morningstar rating™	★★★★★
Morningstar Analyst rating	Gold

Ongoing charges

Management fee	0.32 %
Service fee	0.10 %
Taxe d'abonnement	0.01 % +
Expected ongoing charges	0,43 %

Other costs

Upward swing factor	0.20 %
Downward swing factor	0.20 %

The swingfactor is applicable if the sum of in and outflow (end trading day) is more than a pre defined percentage (the so called 'threshold') of the fund size. The level of the threshold 1%. As of 1 January 2018 the swing factor has been adjusted from 0.25%/0.25% to 0.20%/0.20%.

Fund characteristics per 2019-05-31

	Fund	Benchmark
Number of holdings	288	2510
Duration	5.2	5.0
Yield to maturity	0.9 %	1.0 %

Performance per 2019-05-31

	Fund	Benchmark
1 month	0.1 %	-0.1 %
3 months	2.2 %	2.0 %
This year	4.2 %	3.8 %
2016	5.1 %	4.7 %
2017	2.4 %	2.4 %
2018	-0.8 %	-1.3 %
1 year (on annual basis)	3.8 %	3.1 %
3 years (on annual basis)	2.5 %	2.2 %
5 years (on annual basis)	3.0 %	2.5 %
Since inception (on annual basis)	5.5 %	4.4 %

On 20 June 2013, Kempen Euro Credit Fund (KECF) was merged with Kempen (Lux) Euro Credit Fund (the Fund). Up to July 2011 (start of the Fund class I) the performance graph and performance table show the performance of KECF. The average annual TER for the period of April 2008 till June 2013 is 0.92%. Performance is shown after deduction of ongoing charges. The value of your investments may fluctuate. Past performance provides no guarantee for the future.

Management team

Alain van der Heijden, Rik den Hartog, Harold van Acht, Sipke Moes, Luuk Cummins, Pim van Mourik Broekman, Quirijn Landman, Marco Zanotto

[More information about the team and the strategy](#)

Key figures

Total fund size	EUR 1,667.81 M	2019-05-31
Share class size	EUR 742.88 M	2019-05-31
Number of shares	512,173	2019-05-31
Net Asset Value	EUR 1,450.45	2019-05-31

Profile

Kempen International Funds SICAV - Kempen (Lux) Euro Credit Fund (the Fund) invests primarily in credits that have an investment grade rating (of minimal BBB-) and are denominated in Euros. The Fund may invest a small part in credits that are not included in the benchmark. The benchmark, the Markit iBoxx Euro Corporates Index, only includes bonds with an investment grade rating.

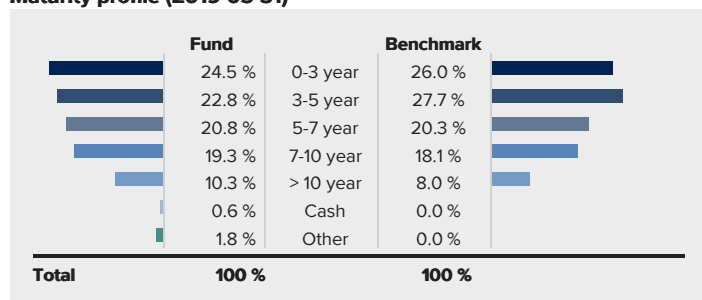
The Fund aims to earn a higher total long term return than the benchmark by implementing an active investment policy. In order to achieve this, a diversified portfolio is constructed and investment risks are continuously monitored. Investments are selected on the basis of extensive analysis of the terms and conditions of the bond issues.

In the interest of the shareholders it has been decided to soft open the Fund as per 28 June 2018. As per June 2018 the Fund will continue to accept daily inflow below EUR 10 million from all investors. For investments greater than EUR 10 million please contact the Fund's relationship manager. Redemptions will still be possible. More information about the soft open can be found in the Notice to shareholders in the tab Documents.

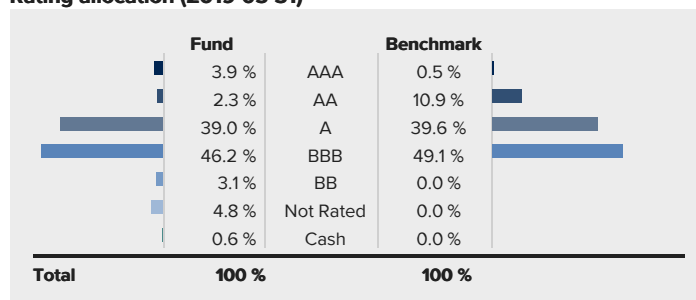
Tradability

Minimum subscription	Initial subscription: €50,000, additional subscriptions: €10,000
Listed	no
Subscription/Redemption Frequency	Daily
ISIN	LU0630255346

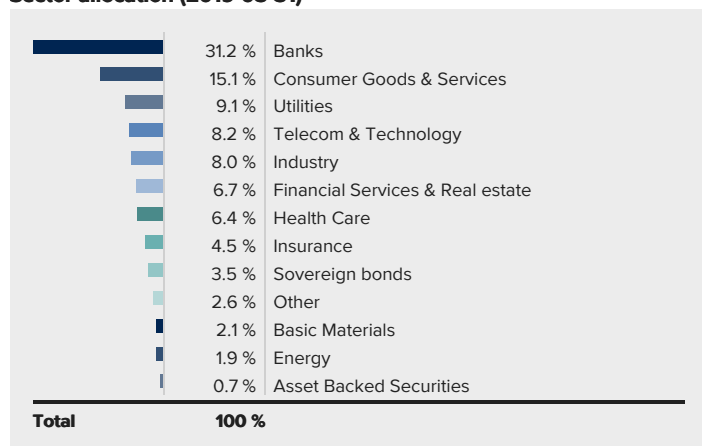
Portfolio
Maturity profile (2019-05-31)



Rating allocation (2019-05-31)

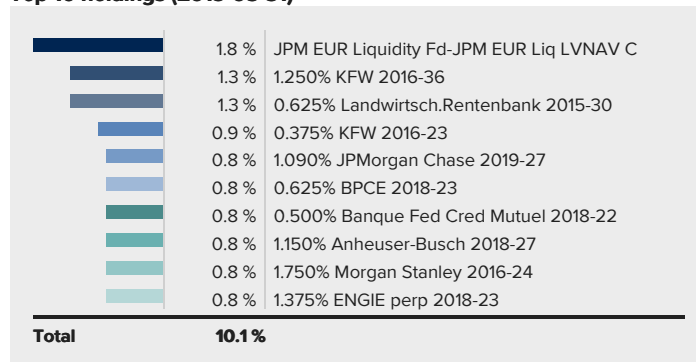


Sector allocation (2019-05-31)



The rating allocation of the Fund is based on the Bloomberg Composite method. The rating allocation of the benchmark is based on the rating allocation used by provider Markit iBoxx.

Top 10 holdings (2019-05-31)



The cash position is included in 'Other'.

Kempen (Lux) Euro Credit Fund (the "Sub-Fund") is a sub-fund of Kempen International Funds SICAV (the "Fund"), domiciled in Luxembourg. This Fund is authorised in Luxembourg and is regulated by the Commission de Surveillance du Secteur Financier. Kempen Capital Management N.V. (KCM) is the management company of the Fund. KCM is authorised as management company and regulated by The Netherlands Authority for the Financial Markets.

Paying agent and representative in Switzerland is RBC Investor Services Bank S.A., Bleicherweg 7, CH-8027 Zurich, Switzerland. The Sub-Fund is registered with The Netherlands Authority for the Financial Markets under the license of the Fund.

The information in this document provides insufficient information for an investment decision. Please read the Key Investor Document and the prospectus. These documents as well as annual report, semi-annual report and the articles of incorporation of the Fund are available free of charge at the registered office of the Fund located at 6H, route de Trèves, L-2633 Senningerberg, Luxembourg, at the offices of the representative in Switzerland and on the website of KCM (www.kempen.com/investmentfunds).

The Sub-Fund is registered for offering in a limited number of countries. The countries where the Sub-Fund is registered can be found on the website. The value of your investment may fluctuate. Past performance provides no guarantee for the future. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units.