



Overview

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.

MANAGEMENT TEAM

Alain van der Heijden, Joost de Graaf, Bart aan den Toorn, Harold van Acht, Lizelle du Plessis, Kim Lubbers, Tetiana Khartamova, Arif Bagasrawalla

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

KEY FIGURES

Total fund size	EUR 795.10 M	2022-06-30
Share class size	EUR 628.17 M	2022-06-30
Number of shares	466,499	2022-06-30
Net Asset Value	EUR 1,346.56	2022-06-30

The turnover rate figure is per the end of the financial year of the fund and will be updated once a year.

TOP 10 HOLDINGS

0.050% Sparebank 1 Boligkredit 2021-28	1.6 %
0.750% RCI Banque 2019-23	1.0 %
1.000% Cheung Kong Infra 2017-24	0.9 %
0.010% Banque Fed Cred Mutuel 2021-26	0.9 %
0.375% Enel 2019-27	0.9 %
1.125% European Union 2016-36	0.8 %
0.125% Volkswagen Fin Serv 2021-27	0.8 %
0.625% KFW 2017-27	0.8 %
0.000% Novartis 2020-28	0.8 %
2.500% Danaher 2020-30	0.8 %

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	Austria, Belgium, Finland, France, Germany, Italy, Luxembourg, Spain, 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.
Depository and custodian	BNP Paribas Securities Services S.C.A., Luxembourg branch
Morningstar rating™	★★★★★
Morningstar Analyst rating	null

TRADABILITY

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

FUND CHARACTERISTICS PER 2022-06-30

	FUND	BENCHMARK
Number of holdings	350	3457
Duration	5.0	4.9
Yield to maturity	3.2 %	
Weighted rating	A-	BBB+

ONGOING CHARGES

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

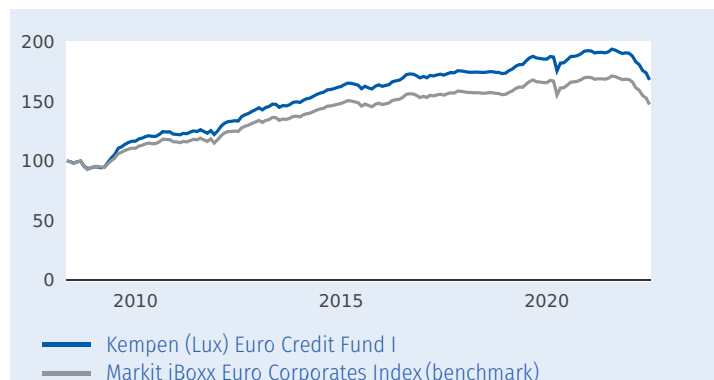


Performance

PERFORMANCE PER 2022-06-30

	FUND	BENCHMARK
1 month	-3.4 %	-3.6 %
3 months	-7.1 %	-7.5 %
This year	-11.8 %	-12.4 %
2019	6.7 %	6.3 %
2020	3.9 %	2.7 %
2021	-1.1 %	-1.1 %
1 year (on annual basis)	-12.3 %	-12.9 %
3 years (on annual basis)	-3.0 %	-3.6 %
5 years (on annual basis)	-0.5 %	-1.0 %
Since inception (on annual basis)	3.7 %	2.8 %

PERFORMANCE SINCE INCEPTION PER 2022-06-30 (REBASED)

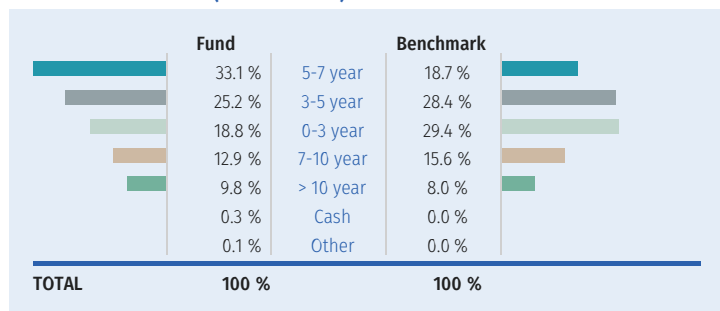


On 20 June 2013, Kempen Euro Credit Fund (KECF) was merged with Kempen (Lux) Euro Credit Fund (the Fund). Up to July 2011 (start of the Fund class I) the performance graph and performance table show the performance of KECF. The average annual TER for the period of April 2008 till June 2013 is 0.92%.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

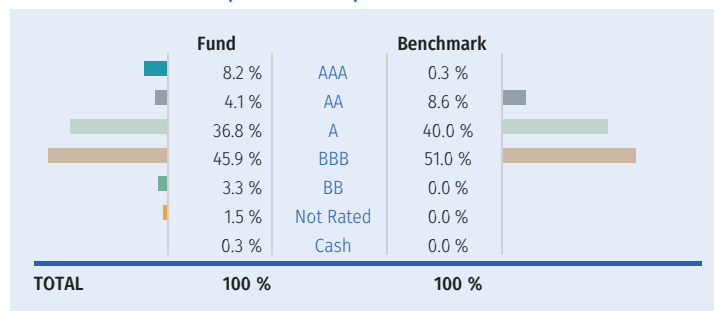


Portfolio

MATURITY PROFILE (2022-06-30)

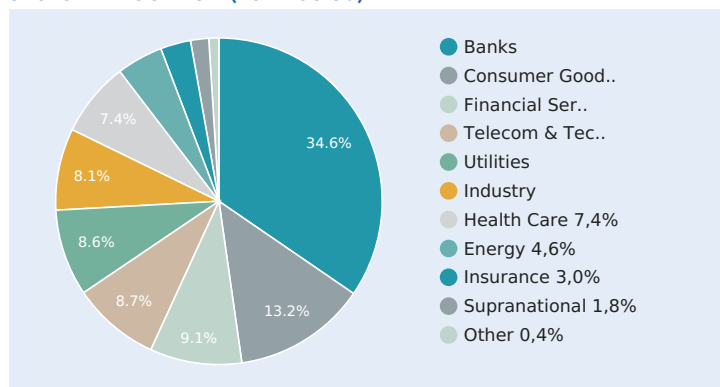


RATING ALLOCATION (2022-06-30)



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.

SECTOR ALLOCATION (2022-06-30)



The cash position is included in 'Other'.



Developments

DEVELOPMENTS PER 2022-06-30

In June, the spread of the iBoxx Euro Corporates Index widened by 47 basis points to a level of 151 basis points over the swap curve. This is equivalent to approximately 220 basis points over the government bond curve. The index earned a total return of -3.57%. German 10-year government bond yields closed June at +1.33%, representing an increase of 21 basis points compared to the end of May 2022.

June turned out to be toughest month for Euro credit investors in the year to date, in what was already not an easy year to begin with. The index widening of 47 bps was massive, the more so as the index spread stood at only 57 bps at the beginning of the year. Rate volatility was also very high as the German 10-year government bond yield widened materially during the first three weeks of the month (+65 bps to 1.77%) after which a flight to safety saw the yield decline by 43 bps again.

European credit spreads widened more strongly than US credit spreads. Russia has reduced gas supplies to Europe which has caused the gas price to significantly increase again. As a result several European states started to prepare for / or implement gas rationing strategies. Russia has officially stated that the reductions are related to maintenance activity but the market is clearly not buying this and fears a further reduction. In such a situation, gas supply would be significantly curtailed which could see Germany's economy contract. As a result, recession fears have increased and credit spreads have widened on the back of this.

Furthermore, recent economic data releases pointed to a cooling economy, also in the US. The efforts of the world's central banks to tighten financial conditions already seem to have the required effect. Housing markets are slowing in the US, Canada, New Zealand and Sweden amongst others. Consumer confidence is also declining. To be fair, US economic activity remains on balance robust and the labour market remains very tight. The ISM Manufacturing even improved in May. However, the strong economic data points are overshadowed by inflation figures that are higher than expected and the fear that the economy will deteriorate quickly. In fact, the US May CPI print hit a new 40 year high of 8.6%.

As a result, yields and spreads increased significantly. Yields in IG have hit levels last seen at the tail end of the Greek crisis 10 years ago. This has impacted the sector that is most dependent on financing the hardest. The Real Estate sector saw spread on average increase by 95 bps, roughly double the overall index spread increase. Higher swap and credit spreads are expected to impact the sector's free cash flow over time. Other sectors were impacted as well, with the insurance sector seeing spreads increase by over 65 bps and the basic materials sector saw spreads on average increase by 81 bps. Commodity prices outside of Oil & Gas have declined now that a significant economic slowdown becomes more likely. Despite the hefty spread moves, the sell-off has been quite orderly. Market liquidity did decline but we didn't see any day in June when trading was not possible. Also, the larger credit ETFs didn't trade at big discounts to NAV.

As mentioned above, the US inflation rate hit a new 40 year high. US inflation is also much broader than in Europe with a much smaller difference between the core (+6% YoY) and broad inflation rate (+8.6%). In the eurozone core CPI was 3.8% in May (YoY) while the headline inflation rate was 8.6% YoY for a 5 percent point difference vs 2.6% in the US. This indicates that inflation in the US is stickier than in the eurozone and explains why the FED is aggressively raising short term rates. Does this warrant the ECBs relatively slow and cautious approach to tightening monetary policy?

In our opinion this is a risky path to take as high headline inflation numbers eventually seep into core inflation. This is more or less what we saw in the US over the past 12 to 18 months. The ECB's political constellation seems to prevent faster decision making.

We started the month slightly underweight risk from a beta perspective and kept this position largely unchanged during the month. The massive spread widening did increase dispersion in the market further which opened up many interesting relative value switches.

Issuance in June fell back to €34.5billion on a gross basis. This is the lowest level in June since 2016. A large part of this took place in the beginning of the month, the subsequent round of deterioration in market conditions slowed down issuance considerably. In the last week of June we saw some (pending) deals being postponed. The split between Financials and Non-Financials was €19.1billion and €15.3billion, a 56/44 split. Net supply was negative at €7.8billion. New issuance premiums (NIPs) were relatively high, averaging 25bps and frequently repriced secondary curves.

Demand for credit was weak. According to JP Morgan, cumulative weekly outflows for June aggregated to €4.0billion (2.0% of AUM). Year to date, cumulative outflows increased to €16.7billion, equivalent to 6.2% of AUM. June CSPP purchases were close to €3billion. After low volumes in the first two weeks, purchases picked up towards the end of June. Net purchases have ended with effect from the 1st of July; the ECB will only reinvest maturing bonds. This removes an important technical support factor, with primary markets expected to be under pressure going forward.

The portfolio delivered a return of -3.35 % (gross). This was 22 basis points above the benchmark return of -3.57%. During the month, the portfolio's sensitivity to market trends varied between 96% and 98% in beta terms. The portfolio is still underweight spread duration, mainly in the longer end of the credit spectrum where credit curves are too flat. Besides that the portfolio is invested in defensive off benchmark segments such as covered bonds, agencies and supranationals. The portfolio continues to have a large underweight in BBBs, a reflection of tight valuations at an issuer level given the uncertainty surrounding the market and economy.

With spreads wider over the month our exposure to defensive off benchmark segments [in covered bonds, agencies, supranationals and cash] contributed positively to the outperformance as did our underweight in corporate hybrids. Our positioning in healthcare, banks and utilities also had a positive contribution, while the infrastructure, telecoms and the food & beverage sector contributed negatively this month. On an individual issuer level the strategy saw a positive contribution from our underweight in Atos and our overweights in short dated bonds from Italgas and Enel. Our overweight in Balder and Total Hybrids had a negative impact on performance.

In June, the Fund participated in new deals from Manpower, BasF, Renault, Nederlandse Gasunie and Eurofins Scientific amongst others. On the financials side, we participated in UBS, HSBC, KBC, Arval and ALD amongst others. NIPs were at times very attractive. Several bonds were placed with NIPs above 50 bps.

Outlook

Although credit spreads have widened quite a bit in June and are clearly above the wides seen in March, we remain on the cautious side. We see more risks on

the horizon, including a prolonged Russian invasion, uncertainty regarding European energy supply and security, weaker global growth, stubbornly high inflation and renewed Covid fears and associated lock downs in Asia. We are still moderately bearish and think spreads could move wider from here. The main reasons being, a weaker macro-economic environment, aggressive hiking by central banks and the start of QT globally. Q1 2022 company results were solid but we fear that higher rates and a potential recession in both Europe and the US over the next 18 months are not adequately reflected in earnings and profit guidance at present. Although spreads have backed up from all-time lows they are not yet high enough to fully compensate for the risks that we have identified. The technical backdrop is not supportive with supply expected to increase from mid-August onwards as many issuers are quite behind in their 2022 funding plans. For 2022, we expect spreads between rating categories to decompress. We are strongly underweight the BBB segment as a result. Lastly we are also underweight the long end of the credit curve due to the expected impact of rising rates on longer dated maturities and the relative flatness of curves in general.

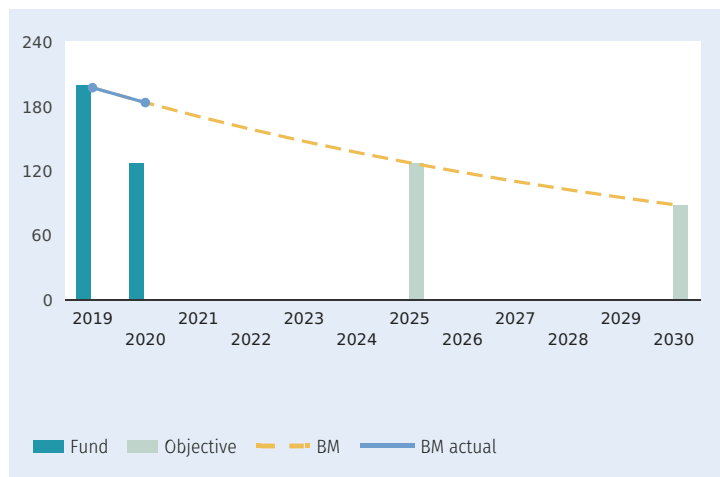


ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS PROMOTED

The Kempen Euro Credit Fund, Kempen Euro Credit Fund Plus and Kempen Euro High Yield Fund (the “Funds”) fall under the scope of article 8 of the SFDR which means that the Funds promote environmental and/or social characteristics. This Funds will invest in a broad range of companies, of which some will have sustainability objectives.

The Fund commits to the goals of the Paris Agreement. This encompasses short-term objectives (2025), a mid-term ambition (2030) and a long-term commitment to be a net zero investor by 2050. By 2025, we aim to be aligned with a path to achieving the Paris Agreement and Dutch Klimaatakkoord. We follow the market reduction, which assumes a pathway in line with the EU Benchmarks.

FUND CARBON EMISSION TARGETS



MORNINGSTAR SUSTAINABILITY RATING



ESG INVESTMENT PROCESS

The promotion of environmental and/or social characteristics is achieved through the consistent implementation of the Funds ESG policy. The ESG policy is fully implemented in our strategy’s investment process across the three relevant pillars of: Exclusion, ESG integration and Active ownership.

In the investment process we assess the ESG profile of a company. We look at each company on a case-by-case basis, taking into account material risks in a given industry in combination with the company’s respective risk exposure, practices and disclosure. This includes an assessment of good governance practices. The investee companies are rated for governance aspects using external research as well as making internal assessments. Furthermore, we look into the company’s exposure to past controversies and future ESG opportunities. Based on the fundamental ESG analysis we form an opinion on the quality of a company’s ESG profile.

EXCLUSION

The Fund applies exclusion criteria. These take into account international standards, such as UN Global Compact Framework, the OECD Guidelines for Multinational Enterprises, UN Guiding Principles for Business and Human Rights, and our Principles for Responsible Investment commitments. The Funds apply additional exclusion criteria based on product involvement and business conduct.

KEY FIGURES

	KEMPEN CRITERIA	ADDITIONAL CRITERIA
BUSINESS CONDUCT		
Human Rights	Green	
Labour	Green	
Environment	Green	
Anti Corruption	Green	
PRODUCT INVOLVEMENT		
Controversial Weapons	Green	
Tobacco	Green	
Thermal Coal	Green	
Tar Sands	Green	
Adult Entertainment		
Alcohol		
Animal Welfare & GMO		
Gambling		
Power Generation Nuclear		
Power Generation Carbon Intensi...		
(Un)conventional Oil & Gas Extra...		
Weaponry		

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 Dutch Authority for the Financial Markets (AFM).

Paying agent and representative in Switzerland is RBC Investor Services Bank S.A., Esch-sur-Alzette, Zurich Branch, Bleicherweg 7, CH-8027 Zurich. The Sub-Fund is registered with the Dutch Authority for the Financial Markets (AFM) under the license of the Fund.

The information in this document provides insufficient information for an investment decision. Please read the Key Investor Document (available in Dutch, English and several other languages, see website) and the prospectus (available in English). 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 60, avenue J.F. Kennedy, L-1855, Luxembourg, at the offices of the representative in Switzerland and on the website of KCM (www.kempen.com/en/asset-management). The information on the website is (partly) available in Dutch and English.

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.