

REPORT ON COMPLIANCE WITH THE CODE OF CONDUCT FOR TEMPORARY INVESTMENTS

In their meetings of 20 October 2019, the governing bodies of the Association approved the Code of Conduct for Temporary Investments in order to comply and adapt the 20 February 2019 Agreement of the Board of the Spanish Stock Market Commission that approved the Code of Conduct for Temporary Investments in financial markets by non-profit organizations.

According to the Code of Conduct, the Board of Directors prepared this annual report on the degree of compliance with the principles and recommendations contained in the Code of Conduct and the regulations in force. The Report was submitted and approved, together with the Annual Accounts, by the 22 March 2023 General Assembly. The Report will be made available to Members and the general public, and will be published on the Association's website.

Evolution of the portfolio during 2022

In order to reassess its investment strategy, Club de Madrid liquidated its portfolio in June 2021, once its value had reached the level needed to recover the initial investment. After this process of reassessment was concluded the decision was made in February 2002 to invest 1,300,000 euros in two managed portfolios operated by Caixabank (*Cartera Master Tranquilidad* and *Cartera Master Patrimonio*) and in a fund investing in floating rate notes.

During 2022 both managed portfolios had a negative evolution as both the fixed income and the equity components of the portfolios registered losses in value, although the fixed income portion behaved better than the market, given the length of the investment. This negative trend is explained by the generalised rise of prices and high inflation levels, a scenario exacerbated by the war in Ukraine, and the subsequent tightening of monetary policies and interest rate increases, after more than 8 years of negative interest rates in Europe.

As a result of the above mentioned rise in interest rates, fixed income (bonds...) markets registered their biggest decline in 40 years. 2022 was also a bad year for equity (stock) markets. The most important stock exchanges closed the year in the red. Losses were especially relevant for small and "growth" companies.

All the same, in the last part of the year both the fixed income and the equity components recovered part of the losses incurred during the first three quarters.

Throughout the year the *Master Tranquilidad* managed portfolio decreased its exposure to equity investments to 12% and reduced the duration of the fixed income portfolio, succeeding in limiting losses below market average. At present it maintains an exposure below the 15% reference, although it is close to that level.

The *Master Patrimonio* managed portfolio also decreased its exposure to equity investments, to 38%, reducing the duration of the fixed income component, and lost less than the market average. Its current exposure is still below the reference level.

As to the DWS Floating Rate Notes fund, which invests in fixed income assets with coupons updated every 3, 6 or 12 months referenced to Euribor or inflation, it started to take advantage in October of the fact that the yield curve is again positive at all terms.



During this period, the requirements regarding volatility were fulfilled, with volatility at 3/7 SRRI, %, within the limit required by the Code of Conduct, that establishes that “The investments shall have at any given time a maximum synthetic risk and reward indicator (SRRI) of 3 on a scale to 7 for the whole portfolio”. A SRRI of 3 corresponds to a volatility of 2% to 5%.

The requirement of maintaining a “maximum SRRI of 4 for each of the investment funds that constituted the portfolio” was also fulfilled. The SRRI for the different funds were the following:

	ISIN	SRRI
DWS FLOATING RATE NOTES LC	LU0034353002	2/7
Master Tranquilidad	N/A	3/7
Master Patrimonio	N/A	4/7

Composition of the portfolio as of December 31, 2022

NAME OF THE FUND/MANAGED PORTFOLIO	INITIAL INVESTMENT	REASONABLE VALUE AS OF 31-12-22
FUND DWS FLOATING RATE	200,000	198,465.96
PORTFOLIO MÁSTER TRANQUILIDAD	600,000 (1)	564,921.14
PORTFOLIO MÁSTER PATRIMONIO	500,000 (1)	462,304.33

(1) discounting the 3% incentive to investment

Conclusions and perspectives

After the regression of 2022 we expect a partial recovery of losses in 2023. In fact, as of the date of this report, the Floating rate fund has surpassed the level it had when the investment started, and has an IRR of 4.5%. It has recovered value in this first part of the year and we expect a positive evolution during 2023. The managed portfolios have also reduced their losses and are expected to recover value as the fixed income assets in their portfolios get closer to maturity, although they have greater exposure to changes in the markets and to general economic perspectives.