Alken Asset Management
Attractive income throughout the cycle
Lisbon, November 2019
Independent asset manager founded in 2006, based in London

Bottom-up, high conviction stock pickers with a pragmatic approach based on fundamentals

USD3.5bn AUM across funds and segregated mandates

More than 50% of our staff* are dedicated to research and investment management

* Four of which are employees of AFFM S.A.
Organisational structure

Nicolas Walewski
Founder & CEO of Alken AM

Portfolio Managers
- Nicolas Walewski
  Head of Equities
  Portfolio Manager
- Antony Vallée
  Head of Fixed Income
  Portfolio Manager

Analysts
- Marc Festa
- Raif Abillama
- Nicolas Descoqs
- Salim Alaoui
- Michael Aubourg
- Reda Karkar
- Aymeric de Tappie
- Nicolas Dubourg
- Vincent Rech

Traders
- Gilles Stuttgen
- Constantine Papanicolaou
- Antoine Marmoiton

Operations
- Divesh Patel
- Stephanie Davison

Office Managers
- Gabrielle Hasdell
- Adiam Yemane Tewelde

Compliance and ESG
- Emmanuelle Haack

IT engineers
- Paul Faisant
- Swathi Upadhyaya

Sales & Product Specialists
- Isabel Ortega*

Americas, Italy, Spain, Nordics
- Jaime Mesia*

Lux, Netherlands, DACH
- Teresa del Alcazar

UK Middle East and Asia
- Alisdair Bell

France, IFAs
- Marie Fournier*

HNWI

Product Marketing
- Patricia Tomas*

As at 31st October 2019 | (*) Employed by AFFM.
Agenda

- Alken Fixed Income
- Opportunities throughout the cycle
- Alken Income Opportunities
Experienced team with significant resources

Fixed Income Investment Team

Antony Vallee, CFA
Head of Fixed Income
22 years’ experience

Robin Dunmall, CFA
Portfolio Manager
11 years’ experience

Nicolas Dubourg, CFA
Head of Research
11 years’ experience

Aymeric de Tappie
Strategist
18 years’ experience

Antoine Marmoiton
Trader/Analyst
22 years’ experience

Long-term track record

- Managers have worked together for a decade
- Previously at J.P. Morgan Asset Management
- Total assets under management was USD 8bn¹
- Focus on bottom-up, corporate strategies
- Managed USD 2bn in income strategies²
- Proprietary portfolio management tools
- Contracts with the same data providers

Alken Sector Specialists

Raif Abillama
Chemicals, Insurance

Salim Alaoui
Pharma, Cap. Goods

Michael Aubourg
Staples, Construction

Nicolas Descoqs
Energy, Mining, Defence

Marc Festa
Autos

Reda Karkar
Food, Luxury, Utilities, Media

Vincent Rech
Tech hardware

Emmanuelle Haack
ESG

¹ Asset under management refers to approximate team assets at the time the team left J.P. Morgan Asset Management. This represents a combination of mutual funds, segregated mandates, and sleeves managed for multi-asset products.
² This is also a combination of mutual funds, segregated mandates, and sleeves managed for multi-asset products.
Strategies cater to a range of objectives

<table>
<thead>
<tr>
<th>Fund name</th>
<th>Income</th>
<th>Capital Growth</th>
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</thead>
<tbody>
<tr>
<td>Alken Fund – Income Opportunities</td>
<td>Attractive yield with low volatility</td>
<td>Alken Fund – Global Convertible</td>
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<tr>
<td></td>
<td></td>
<td>Defensive capital growth</td>
</tr>
<tr>
<td>Currency</td>
<td>Fully currency hedged</td>
<td>Fully currency hedged</td>
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<tr>
<td></td>
<td>Global</td>
<td>Global</td>
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<tr>
<td>Regional focus</td>
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<td>Launch date</td>
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<td>USD 44MM</td>
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<td>AUM</td>
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Track record

Source: Alken AM | November 2019

Opportunities throughout the cycle

- Alken Fixed Income
- Opportunities throughout the cycle
- Alken Income Opportunities
Late cycle and valuations are stretched – investors face a dilemma

Valuations look extended across traditional asset classes – on aggregate

Standard Deviations away from 5-year average

Valuations look extended across traditional asset classes – on aggregate

Global Corp. (Long)  Global Corp. (Short)  US Invest. Grade  Europe Invest. Grade  Asia Invest. Grade  US High Yield  Europe High Yield  Global Converts  Equities (Dev.)  Equities (Emerging)

Rich

Cheap

5-Yr Range  + Current

November 2019 | Sources: Markit, Nomura, Bloomberg

“Global Corp” series refer to Bloomberg Barclays Global Corporate indices; “Invest. Grade” (Investment Grade) and High Yield series refer to CDS spreads (iTraxx and CDX); “Converts” refers to the difference between market pricing and theoretical valuations derived using option pricing (series provided by Nomura); Equity refers to Cyclically Adjusted Price/Earnings ratios based on 10-year average real earnings per share.
Top-down allocators are pushed to take greater risks

❖ Yields – and spreads – are currently low relative to recent history

Yield (%)

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<thead>
<tr>
<th>Year</th>
<th>5Y</th>
<th>10Y</th>
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<td>2010</td>
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<tr>
<td>Now</td>
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November 2019 | Sources: Markit, Nomura, Bloomberg
Analysis performed on USD US Corporate securities with the indicated credit rating, with the exception of 'Treasury', which refers to generic US Government securities of the maturity indicated (5 year and 10 year). Yearly data is taken as the final business day of June for each year. “Now” refers to 31st October 2019.
Our approach:

- Builds from the BOTTOM UP
- Focuses on QUALITY
- Emphasises LIQUIDITY
- Keeps things SIMPLE

Opportunities always exist

Yield (%)

Duration (Years)

As at 31st October 2019. Bonds represented are the corporate constituents of the Bloomberg Barclays Multiverse index with a rating of BBB- or equivalent by one of S&P, Moody’s, and Fitch. This analysis is not a reliable indicator of future performance and should not be relied upon as a basis for an investment decision.
Liquidity is a key priority – for investors and ourselves

- Disciplined approach to ensure portfolio liquidity

- Issue sizes greater than USD 100m
- Holding ratio below 10% of outstanding
- Focus on listed corporates
- Instrument liquidity reflected in position sizing
- Rigorous liquidity analysis and stress testing
**Focus on traditional instruments**

- **Risk/return drivers are kept straightforward**

| Straight/Callable Bonds | Predictable income  
Valuation opportunities in investment grade  
Improving business fundamentals in high yield |
|-------------------------|------------------------------------------------|
| Hybrids                 | Issuers with strong credit ratings  
Greater yield than straight/callable bond |
| Convertible Bonds       | Selective opportunities in bond-like convertibles  
Total return opportunity |

**Primary exception:** Bank-issued contingent convertibles (‘CoCos’) are not considered

*Issuers represented have been held historically within Alken Fund Income Opportunities; they may not be current holdings.*
Bond-like convertibles – an example (I)

Valeo Yield Curve as of February 25th, 2019

Yield (%) vs. Duration

Source: Alken AM, Bloomberg
Bond-like convertibles – an example (II)

Valeo Yield Curve as of May 2019

Yield (%)

Duration

Source: Alken AM, Bloomberg
Alken Income Opportunities

- Alken Fixed Income
- Opportunities throughout the cycle
- Alken Income Opportunities
Two primary objectives that contribute to a compelling risk/return profile

Seek to provide a flexible and **ATTRACTIVE YIELD**

Alongside **LOW VOLATILITY**

Differentiated from alternatives that may be more exposed to beta

Selection process driven from the **BOTTOM UP**

Concentrated portfolio with a **FOCUS ON ALPHA**

Diversified source of returns through traditional corporate fixed income instruments

Focus on fundamentals leads naturally to a **LOW DURATION**

Potential equity participation provides **UPSIDE OPPORTUNITY**
Portfolio characteristics

Significant yield pick-up relative to credit/duration profile

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<th>Yield (USD)</th>
<th>Duration</th>
<th>Average Rating</th>
<th>Number of holdings</th>
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<tr>
<td>4.1%</td>
<td>2.7</td>
<td>BB+</td>
<td>65</td>
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Data as at 31st October 2019
Portfolio positioning

All positions contribute towards the portfolio’s objectives – no ‘barbelling’

Yield (USD)

| Yields are converted into USD by subtracting the local currency 3-month forward rate and adding the USD 3-month rate in order to proxy the impact of currency hedging | Ratings incorporate ratings that are assigned internally by Alken.

Data as at 31st October 2019
Portfolio remains diversified across traditional metrics

Rating breakdown:
- IG: 20%
- HY: 40%
- NR: 100%

Regional breakdown:
- Europe: 34%
- Asia: 15%
- North America: 45%

Yield breakdown:
- 0-2%: 7.7%
- 2-4%: 57.0%
- 4-6%: 20.5%
- 6%+: 9.0%

Sector breakdown:
- Communication Services: 12.6%
- Consumer Discretionary: 21.1%
- Consumer Staples: 2.7%
- Consumer Staples: 2.7%
- Energy: 0.7%
- Financials: 8.5%
- Health Care: 3.9%
- Industrials: 16.9%
- Information Technology: 12.5%
- Materials: 4.0%
- Real Estate: 7.8%
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Conclusion
Fixed income with the ‘Alken DNA’

 défini

Portfolio management track record

Income

Capital Growth

Competitive advantages

Proven track record

Highly experienced management team

Extensive resources

Detailed in-house fundamental research on corporates

Diversification through selective convertible exposure

Investment process

Idea generation: genuine bottom-up process

Business analysis: finding an edge over the market

Intrinsic valuation: valuation is absolute not relative

Portfolio construction: concentrated best ideas portfolio

Active management: daily portfolio optimisation

Source: Alken AM  |  (1) Net Asset Value (NAV) total return, hedged in GBP and net of fees, from inception (11 June 2013) to date of Antony Vallee’s resignation from J.P. Morgan (Feb 2nd, 2018)  |  (2) Institutional Share Class Hedged USD net of fees, from inception (1 Mar 2007) to date of Antony Vallee’s resignation from J.P. Morgan (Feb 2nd, 2018)
Appendix 1: Global Convertible
Convertible Bond Fund: Unconstrained

Objective

- Capital Growth
- Low volatility

Description

- Global Convertible Bonds
- Flexible USD - Fully Hedged

Characteristics

- Unconstrained portfolio
  Benchmark free

- High Convictions
  Top 5 up to 25%

- Intensity of Research
  Focus on Earnings Dynamics

- Convertibles: Similar Equity Return with Half Volatility (1)

Launched Date

- 9th November 2018
- USD 81.3m

An all Weather Strategy

+6.23% YTD*

November 2019 | Past performance is not an indication for future performance
(1) At a glance, it is not possible to distinguish the Thomson Reuters Global Convertible Hedged Index (USD) vs MSCI World Net Total Return Hedged Index (USD)
Unconstrained and High Conviction Portfolio

**Our strengths**

An **extensive** and **competitive research** providing an **advantage** in a **high conviction** strategy

Investments **across the profile** spectrum: **no** convertible bond profile **constraint**

**Total return** investment approach on each individual exposure

Specific Focus on:
- **High quality companies** or
- **Strong conviction turnarounds**

**Portfolio characteristics**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Equity Sensitivity</td>
<td>35%</td>
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<tr>
<td>Rating&lt;sup&gt;1&lt;/sup&gt;</td>
<td>BBB-</td>
</tr>
<tr>
<td>Yield (USD)&lt;sup&gt;2&lt;/sup&gt;</td>
<td>1.1%</td>
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<tr>
<td>Duration (years)</td>
<td>2.2</td>
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<tr>
<td>Number of Holdings</td>
<td>64</td>
</tr>
<tr>
<td>Active Share</td>
<td>76%</td>
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</tbody>
</table>

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<sup>1</sup> Alken internal rating for non-rated securities or issuers & cash assumed with a AAA rating equivalent

<sup>2</sup> Yield is calculated as the higher of yield to maturity/put and income yield. Local currency yields are converted into USD equivalent by adjusting for differences
A ‘Quality’ Company Bias

Portfolio average rating: BBB

Global Exposure

Sector Agnostic

Portfolio Benchmark

Technology
Industrials
Health Care
Media
Real Estate
Cons. Disc.
Financials
Energy
Cons. Staples
Utilities
Materials

Region

Portfolio
Benchmark

Europe
Americas
Asia
Japan
Other & Cash

Rating

Fund
Benchmark

0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%

NR
HY
IG

November 2019 | Source: Alken AM; Thomson Reuters | Benchmark: Thomson Reuters Global Focus Convertible Index (USD Hedged) | Official Rating or Alken AM internal rating either on the convertible security, the issuer, the parent company or the guarantor from 6 rating agencies; “NR”: Non-Rated; “HY”: High Yield; “IG”: Investment Grade
Performance of the strategy

Alken Fund – Global Convertible

- Year-to-date performance: +6.23%
- Volatility 252d: 4.2%

Source: Alken AM  |  November 2019  |  Past performance is not an indication for future performance

Fund Strategy Composite:
- (*) JP Morgan Global Convertible Institutional Share Class Hedged USD net of fees, from 1 Mar 2007 (inception) to 31 Jan 2018
- (**) UBS Thomson Reuters Global Focus Hedged Convertible Bond Index (USD), from 01 Feb 2018 until 08 Nov 2018
- (***) Total Return (net of fees) of the Net Asset Value of the Alken Fund – Global Convertible SUS share class, from 09 Nov 2018 (inception) until 30 Sep 2019

Fund Benchmark Composite:
- (*) & (**) & (***) UBS Thomson Reuters Global Focus Hedged Convertible Bond Index (USD), from 01 Mar 2007
Convertible Bonds provide consistency of returns over the long run

<table>
<thead>
<tr>
<th>Year</th>
<th>CB</th>
<th>Stock</th>
<th>IG</th>
<th>HY</th>
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<td>2007</td>
<td>+8.2</td>
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Convertible Bonds
10 out of 13 consecutive years ranked in the middle of annual performances
Range Bound Returns & Compounding Effect
An Investment Universe made of Growth and World Leaders
Appendix 2: Investment Process
## Robust investment process ensures consistency of approach

<table>
<thead>
<tr>
<th>Investment Universe</th>
<th>We consider all listed companies with a developed capital structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential Opportunities</td>
<td>Potential opportunities are systematically identified</td>
</tr>
<tr>
<td>Fundamental Analysis</td>
<td>Deep fundamental analysis to size and substantiate the opportunity</td>
</tr>
<tr>
<td>Capital Structure</td>
<td>Assessment of the issuer’s capital structure to determine optimal exposure</td>
</tr>
<tr>
<td>Credit Analysis</td>
<td>Detailed credit analysis to validate official ratings and assign internal ratings</td>
</tr>
<tr>
<td>Position Sizing</td>
<td>Positions are sized consistently and reflect fundamental views and instrument liquidity</td>
</tr>
<tr>
<td>Portfolio Monitoring</td>
<td>Portfolios are continually monitored and positions reassessed</td>
</tr>
</tbody>
</table>
Consistent framework to unearth attractive opportunities

- Potential opportunities are identified through a systematic assessment of:
  - Business fundamentals
  - Credit quality
  - ESG scoring
  - Capital structure valuations

- Deeper analysis is performed to build an investment case and identify catalysts
  - Companies are assessed within traditional, innovative, and ESG-tailored frameworks
Assessment considers the broad fixed income capital structure

Fundamental views are used to compare opportunities across the capital structure

<table>
<thead>
<tr>
<th></th>
<th>Corporate Straight/Callable Bonds</th>
<th>Corporate Hybrids</th>
<th>Corporate Convertible Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary drivers of return</strong></td>
<td>Credit spreads</td>
<td>Credit spreads</td>
<td>Equity Credit spreads</td>
</tr>
<tr>
<td></td>
<td>Duration</td>
<td>Duration</td>
<td></td>
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<tr>
<td><strong>Typical seniority</strong></td>
<td>Senior unsecured</td>
<td>Subordinated</td>
<td>Senior unsecured</td>
</tr>
<tr>
<td><strong>Typical maturity</strong></td>
<td>4-6 years</td>
<td>Callable in 3-5 years</td>
<td>3-5 years</td>
</tr>
<tr>
<td><strong>Average coupon</strong></td>
<td>Driven by credit rating at issue</td>
<td>Higher than equivalent straight</td>
<td>Lower than equivalent straight</td>
</tr>
<tr>
<td><strong>Potential for capital gains</strong></td>
<td>Spread tightening Reduction in rates</td>
<td>Spread tightening Reduction in rates</td>
<td>Equity upside Valuation opportunities</td>
</tr>
<tr>
<td></td>
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<tr>
<td><strong>Advantages for portfolios</strong></td>
<td>Predictable income</td>
<td>Higher yield Stable companies</td>
<td>Diversification of returns Widens opportunity set</td>
</tr>
<tr>
<td></td>
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<tr>
<td><strong>Risks to consider</strong></td>
<td>Returns are asymmetrically skewed to the downside</td>
<td>Potential for coupons to be deferred/maturity extended</td>
<td>Greater mark-to-market exposure to equity returns</td>
</tr>
</tbody>
</table>

Primary exception: Bank-issued contingent convertibles (‘CoCos’) are not considered
Credit analysis is performed on all prospective investments

- Credit analysis validates official ratings and provides shadow ratings when none exist
- Team adopt the S&P rating criteria to ensure consistency with standardised frameworks

**Corporate Criteria Framework**

- **Country Risk**
- **Industry Risk**
- **Competitive Position**

**Cash Flow / Leverage**

**Business Risk Profile**

**Financial Risk Profile**

**Anchor**

**Diversification/portfolio effect**
- Capital structure
- Financial policy
- Liquidity
- Management/governance

**Comparative ratings analysis**

**Stand-alone Credit Profile**

**Group or government influence**

**Issuer Credit Rating**

**Example: BE Semiconductor Industries**

<table>
<thead>
<tr>
<th>Vulnerability to default:</th>
<th>NR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country Risk:</td>
<td>Very Low Risk</td>
</tr>
<tr>
<td>Industry Risk:</td>
<td>Moderately High Risk</td>
</tr>
<tr>
<td>Corporate Industry &amp; Company Risk Assessment (CIRCA):</td>
<td>4</td>
</tr>
<tr>
<td>Competitive position:</td>
<td>Satisfactory</td>
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<tr>
<td>Business Risk Profile:</td>
<td>Satisfactory</td>
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<tr>
<td>Financial Sponsor Assessment:</td>
<td>N/A</td>
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<tr>
<td>Financial Risk Profile:</td>
<td>Intermediate</td>
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<td>Anchor:</td>
<td>bbb-</td>
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<tr>
<td>Diversification/portfolio effect:</td>
<td>N/A</td>
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<tr>
<td>Capital structure:</td>
<td>Neutral</td>
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<tr>
<td>Financial policy:</td>
<td>Neutral</td>
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<tr>
<td>Liquidity:</td>
<td>Adequate</td>
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<tr>
<td>Management and governance:</td>
<td>Satisfactory</td>
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<tr>
<td>Modified Anchor:</td>
<td>bbb-</td>
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<tr>
<td>Comparable ratings analysis:</td>
<td>Negative</td>
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<tr>
<td>Stand-Alone Credit Profile:</td>
<td>BB+</td>
</tr>
<tr>
<td>Likelihood of group/government support:</td>
<td>N/A</td>
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<tr>
<td>Issuer Credit Rating:</td>
<td>BB+</td>
</tr>
<tr>
<td>Instrument Credit Rating:</td>
<td>BB+</td>
</tr>
</tbody>
</table>

*Source: S&P Global Ratings*
Positions are sized in accordance with risk/return characteristics

Views are sized and expressed consistently through our position classification framework

- Investment rationale is summarised by identification of key aspect of investment thesis: credit or equity risk
- Target weighting is determined through ‘ABC’ ranking methodology and incorporates a review of liquidity

All changes to investment views are recorded and challenged through this framework

- Provides discipline to take profit when weight drifts higher than target or key risk of the instrument changes

Proprietary tools track position classifications over time

- Ensures that decisions are never made in isolation – always viewed relative to the portfolio and history

Example: Takeaway.com 2.25% 25th January 2024

- Changes to classification are tracked over time
- Rationales are recorded whenever classification is changed
- Weight is monitored against implied target
- Framework ensures consistency of style
Portfolios are monitored on an ongoing basis

- Regular meeting cycle ensures consistency in monitoring of portfolios
  - Daily meeting with sector specialists to review newsflow and changes to investment rationales
  - Weekly Investment Committee assessment of macroeconomic drivers and portfolio review

- Portfolios are monitored using proprietary tools and customised third-party analytical software
  - Tools are purpose-built and fully integrate with the team’s investment approach (e.g. ABC classifications)

- Independent risk management platform complements proprietary analysis
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