



EDMOND DE ROTHSCHILD FUND EMERGING CREDIT

MAY 2021 - MONTHLY REVIEW

KEY INDICATORS	Fund	CEMBI Broad
Assets under management	\$909m	
Average Rating	BB-	BBB-
Yield to Worst (USD)	5.6%	4.4%
Modified Duration	4.3	4.9
Credit Premium	448	251
Currency Exposure	USD: 100%	

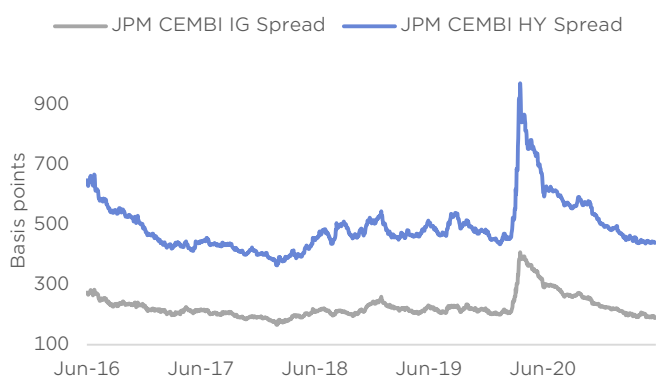
KEY STATISTICS	I-USD	CEMBI Broad	Rel. Perf
MTD	1.2%	0.6%	0.5%
YTD	1.0%	-0.2%	1.2%
2020	3.8%	7.4%	-3.6%
1-Year	18.2%	9.2%	9.0%
3-Years Cumul.	18.6%	22.9%	-4.2%
5-Years Cumul.	46.0%	34.8%	11.3%

Edmond de Rothschild Fund Emerging Credit is a sub-fund of the Luxembourg SICAV fund authorised by the CSSF. Edmond de Rothschild Asset Management data at 31.05.2021

MARKET & FUND REVIEW

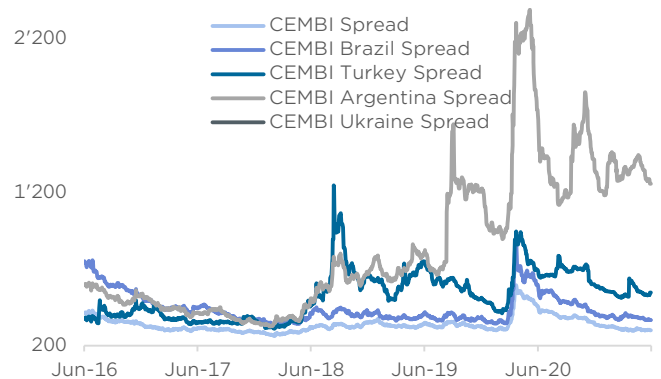
- ▶ Emerging corporate bond markets continued its positive trend in May. Market movements were mainly due to domestic political tensions in certain countries. After the recent tensions between Ukrainians and Russians, volatility was observed in the Andean region with civil unrest in Colombia and fears of a victory for the radical left candidate in Peru ahead of runoff election. Otherwise, the global environment remained positive with stable long term interest rates, a weak dollar and a globally positive trend on commodity markets. In this environment, the CEMBI Index posted a small gain over the month of 0.6%. It is worth noting that the High Yield segment (+0.9%) outperformed its counterpart Investment Grade (+0.4%). In this context, EdRF Emerging Credit posted a strong return (+1.2%) and again outperformed in May, supported by its exposure to high yield. Flows towards the asset class and the fund were positive over the month.
- ▶ Overall, all sectors posted positive returns. The Financial sector (0.2%) still lagged, impacted by the negative news flow around Chinese names. The Pulp and Paper and Oil & Gas sectors slightly outperformed.
- ▶ All regions also posted positive returns. The regions dominated by investment grade names (Asia, Middle-East) underperformed. Meanwhile, Latin America, Europe and Africa outperformed.
- ▶ Companies in most geographies delivered broadly positive performances in May with the exception of Colombia. Argentina outperformed significantly (+4.7%) along with the Ukraine (+2.5%) and Brazil (+1.5%). For the other countries, the performances ranged between 0.2% and 0.8%.
- ▶ Emerging corporate bond yields remained stable around 4.5% in May, as it was for US Treasury yields, such that spreads did not move too much. As of end-May, spreads stood at 300 bps for the CEMBI Broad Index, 466 for the CEMBI High-Yield Index, 191 for the CEMBI Investment-Grade Index and at 448 bps for EdRF EM Credit.

CEMBI IG SPREAD VS. CEMBI HY SPREAD



Source: Bloomberg, data as at 31.05.2021

SPREAD TRENDS: CEMBI, UKRAINE, TURKEY, ARGENTINA AND BRAZIL



EDMOND DE ROTHSCHILD

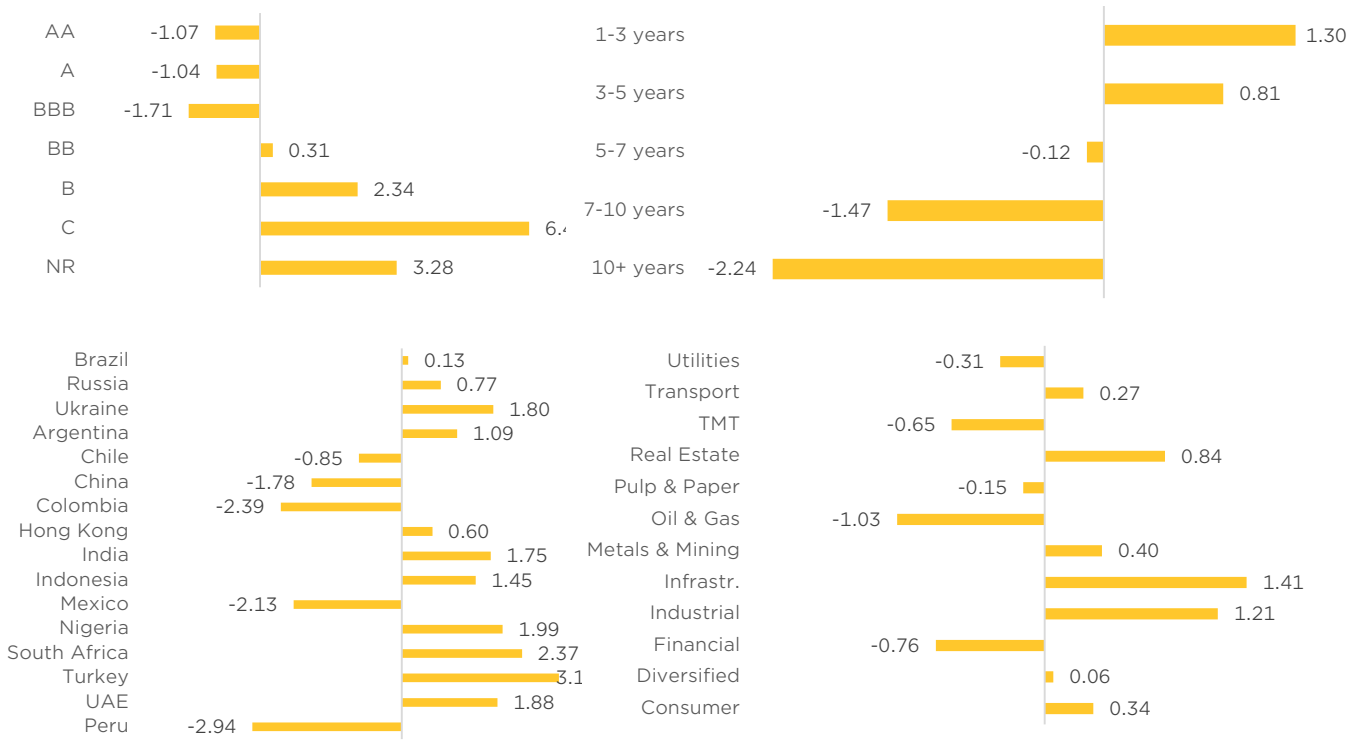
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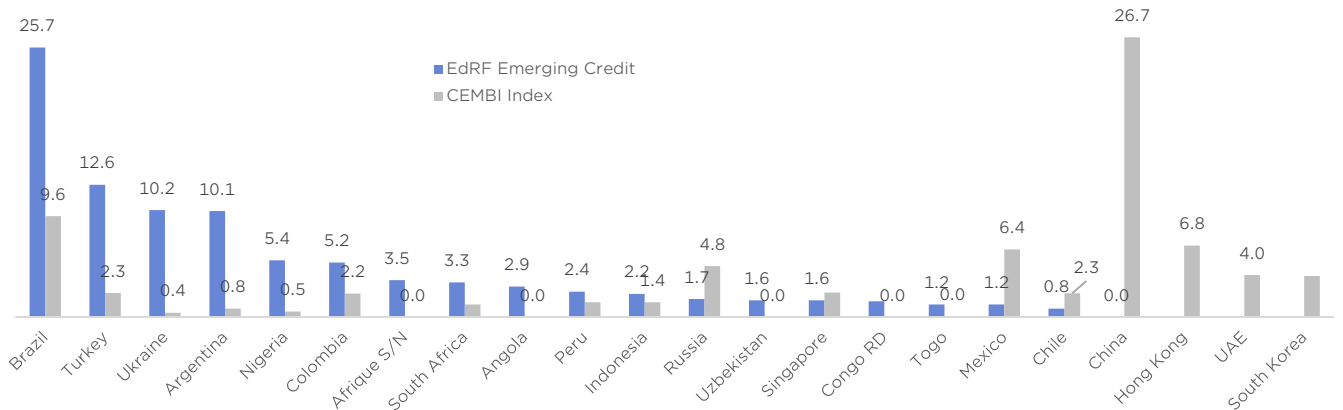
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YTD PERFORMANCE: JPM CEMBI INDEX BY RATING, MATURITY, SECTOR, COUNTRY (%) (31.05.2021)



COUNTRY ALLOCATION: EDR F EMERGING CREDIT VS. JPM CEMBI INDEX (%)



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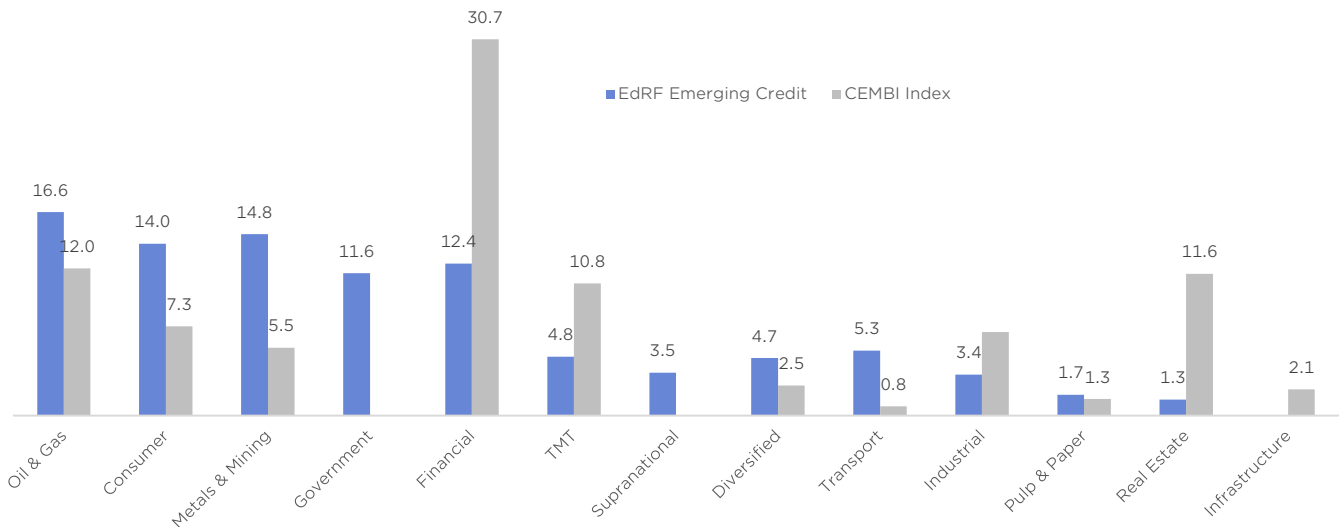
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MAY 2021 - MONTHLY REVIEW

FUND PERFORMANCE ANALYSIS

- ▶ In May, all the regions in which we are mainly allocated to posted good performances: Europe (+1.0%) was supported by the performance of Turkey and the Ukraine, two of our core convictions. The Ukraine (+2.5%) continued its recovery trend and was a main contributor to the positive performance this month. The high yield segment in Latin America performed well (+1.3%) supported by the strong performance of Argentina (+4.7%) and Brazil (+1.5%) - contributing positively to performance. South Africa was also a positive contributor (+0.9%).
- ▶ Sector-wise, our allocation to commodity-related sectors continues to pay off: Oil & Gas (+1.1%), Pulp and Paper (+1.1%) and Metals & Mining (+0.8%) sectors outperformed. Consumer was neutral (+0.7%) and Financials underperformed (0.2%).
- ▶ Credit quality was again one of the performance drivers last month: high yield beta names, (from BB to CCC segments) outperformed and extended last month's positive performance in May.
- ▶ AUM increased to USD 909 million as at the end of May. The fund has recorded net inflows of more than USD 91 million since the beginning of the year.

SECTOR ALLOCATION: EDR F EMERGING CREDIT VS. JPM CEMBI INDEX (%)



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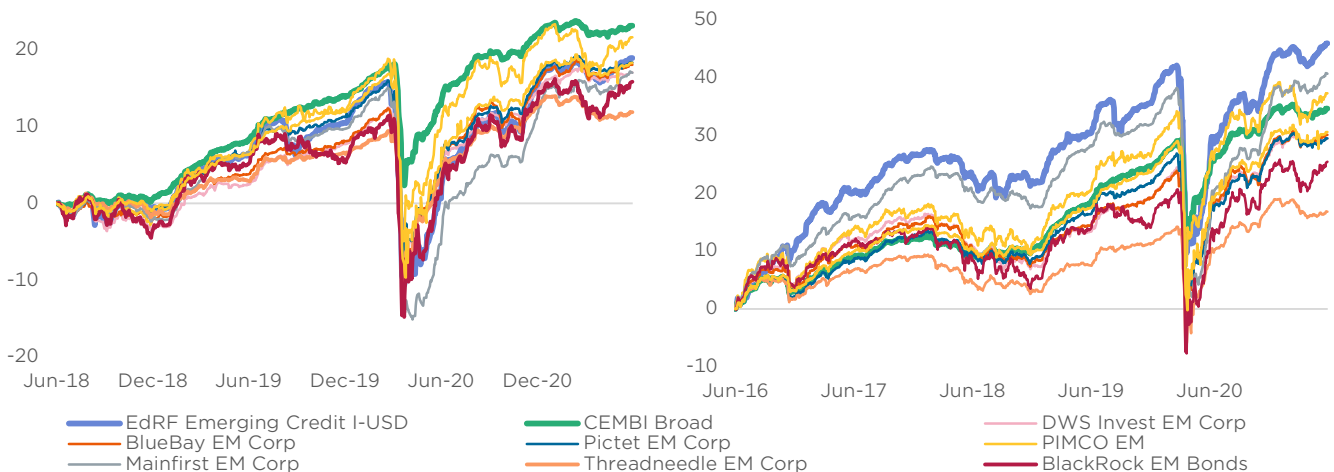
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CONCLUSION & OUTLOOK

- ▶ After a constructive start to the year, we continue to believe that the asset class has a lot of potential. Vaccine deployments, the recovery in global economic activity and solid credit metrics still support emerging corporate debt. The uptrend in US Treasuries should however remain limited which should encourage investors in their search-for-yield attitude.
- ▶ Other factors that should support the asset class are the following:
 - ▶ High commodity prices should strongly support emerging corporates. We expect most base metal prices (iron ore, copper, and zinc) to remain at high levels, led by a recovery in demand in China, the US and Europe, among others. Oil prices should also continue to be positively oriented in 2021.
 - ▶ The dollar is expected to remain on a soft tone on the back of still accommodative Fed monetary policy, supporting sentiment toward emerging debt assets.
 - ▶ Most emerging-market central banks are expected to remain dovish in 2021. While some of them could slightly adapt their key interest rates higher, like the Central Bank of Brazil.
- ▶ Bearing these elements in mind, we expect the fund to perform well in 2021, especially given our overweight in the High Yield segment of the market, which should outperform the Investment-grade segment - in contrast with 2020 - and due to its lower duration exposure than its counterpart. We believe there is still a high catch-up potential in selected high-beta markets, notably Argentina, Ukraine, and Turkey, which are still undervalued in our view and are trading at attractive levels relative to their credit metrics. We remain confident in this allocation. Sector-wise, we expect cyclical sectors to outperform this year, with Metals & Mining, Energy, Transportation and Infrastructure (especially in Africa) sectors in the lead. Respectively, the fund is well positioned.
- ▶ In addition, the fund has a moderate duration that offers protection against a steepening of the yield curve, which has been observed since the beginning of the year.

3-YEAR AND 5-YEAR PERFORMANCES VS. COMPETITORS



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TERMS & CONDITIONS	A Class	B Class	I Class	K Class
ISIN code	USD - LU1080015420 EUR - LU1080015693	USD - LU1080015776 EUR - LU1080015859	USD - LU1080015933 EUR - LU1080016071	USD - LU1564424452
Bloomberg symbol	USD - ERECAAU LX EUR - ERECAAE LX	USD - ERECBIU LX EUR - ERECBIE LX	USD - ERECIU LX EUR - ERECAE LX	USD - ERECKUA LX
Currency	USD, EUR (H), CHF (H)	USD, EUR (H), CHF (H)	USD, GBP (H), EUR (H), CHF (H)	USD, GBP (H), EUR (H)
Accumulation/Income	Accumulation	Distribution	Accumulation	Accumulation
Subscription tax rates	0.05%	0.05%	0.01%	
Subscription fee	Max. 1%	Max. 1%	N/A	N/A
Overall management fees	Max. 1.00%	Max. 1.00%	Max. 0.40%	Max. 0.70%
Outperformance fee	15% (HWM)	15% (HWM)	15% (HWM)	N/A
Eligible investors	Individual investors	Individual investors	Institutional investors	Institutional investors
Minimum initial subscription amount	1 share	1 share	I-EUR (H): €500,000 I-GBP(H): £500,000 I-USD: \$500,000	I-EUR (H): €500,000 I-GBP(H): £500,000 I-USD: \$500,000
Date of inception of the fund	25/05/2009			

DISCLAIMER

May 2021

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REPRESENTATIVE AND PAYING AGENT IN SWITZERLAND: Edmond de Rothschild (Suisse) S.A.; rue de Hesse 18 ; 1204 Geneva