



# EDMOND DE ROTHSCHILD FUND EMERGING CREDIT

## JUNE 2021 - MONTHLY REVIEW

KEY INDICATORS	Fund	CEMBI Broad
Assets under management	\$913m	
Average Rating	BB-	BBB-
Yield to Worst (USD)	5.5%	4.4%
Modified Duration	4.3	4.9
Credit Premium	435	249
Currency Exposure	USD: 100%	

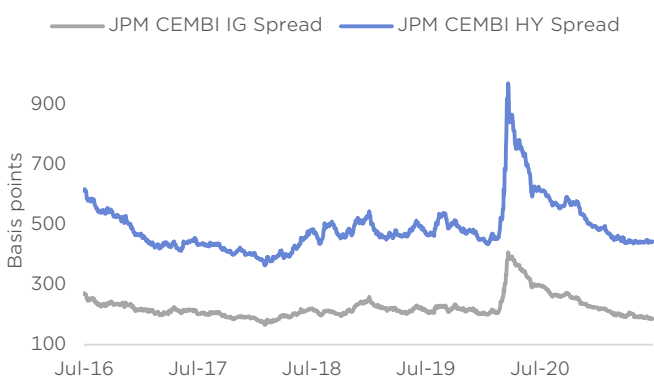
KEY STATISTICS	I-USD	CEMBI Broad	Rel. Perf
MTD	1.5%	0.7%	0.8%
YTD	2.5%	0.5%	2.0%
2020	3.8%	7.4%	-3.6%
1-Year	14.1%	7.3%	6.8%
3-Years Cumul.	22.5%	24.2%	-1.7%
5-Years Cumul.	45.2%	33.0%	12.2%

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 30.06.2021

### MARKET & FUND REVIEW

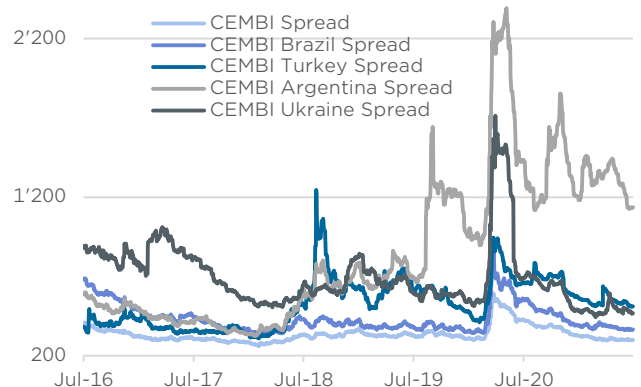
- ▶ Emerging corporate bond markets continued with a constructive and positive bias in June. A calmer market has returned after political noise in some countries had heightened volatility in recent months. The global environment remained positive with long term interest rates moving in a range from 1.4% to 1.6%, a stable dollar and a globally positive trend on the commodity markets. In this environment, the CEMBI Index posted a small gain over the month of 0.7%. It is worth noting that, for once, the High Yield segment (+0.5%) slightly underperformed its counterpart Investment Grade (0.9%). In this context, EdRF Emerging Credit posted a strong return (+1.5%) and outperformed again in June, supported by its exposure to the high yield segment in Latin America (Argentina) and in the Ukraine. Flows towards the asset class and the fund were positive over the month.
- ▶ Overall, all sectors posted positive returns at the exception on Real Estate (-0.8%) impacted by the negative news flow around Chinese names. The Oil & Gas (+1.6%), Telecom (+1.4%), Pulp and Paper (+1.3%) and Metals & Mining (+1.0%) sectors outperformed.
- ▶ All regions also posted positive returns. Latin America (+1.3%) outperformed. Europe, Africa and Middle East were neutral (+0.7%) and Asia underperformed slightly (0.5%).
- ▶ Companies in most geographies delivered broadly positive performances in June. Argentina strongly outperformed once again (+4.9%) along with Mexico (+1.9%), Ukraine (+1.6%) and Peru (+1.6%) which recovered after two difficult months linked to political uncertainty. China underperformed along with the UAE and India (all three at +0.4%). Brazil (+1.0%) and Indonesia (+0.8%) were broadly neutral.
- ▶ Emerging corporate bond yields decreased 10 basis points to around 4.35% in June, as did US Treasury yields and spreads remained stable. As of end-June, spreads stood at 301 bps for the CEMBI Broad Index, 473 for the CEMBI High-Yield Index, 188 for the CEMBI Investment-Grade Index and at 435 bps for EdRF EM Credit.

### CEMBI IG SPREAD VS. CEMBI HY SPREAD



Source: Bloomberg, data as at 30.06.2021

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



EDMOND DE ROTHSCHILD

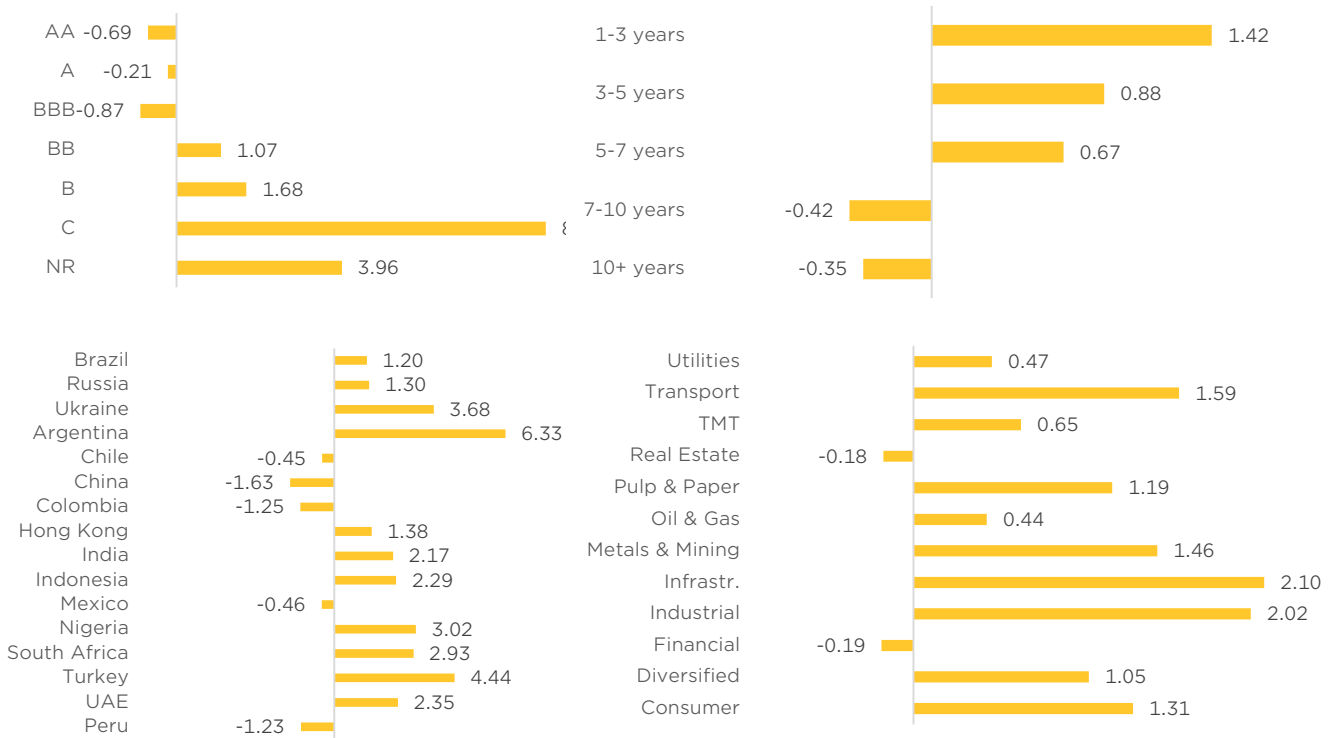
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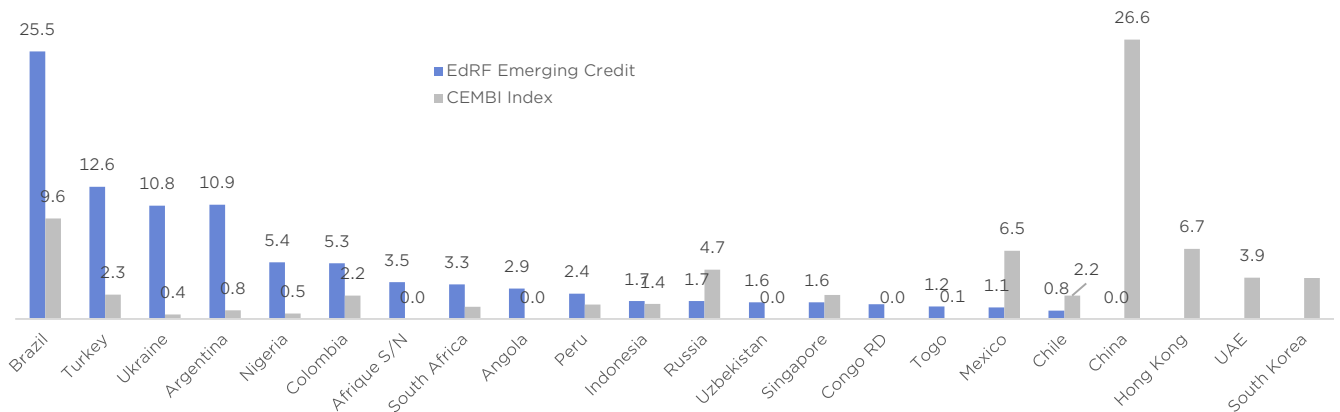
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## JUNE 2021 - MONTHLY REVIEW

### YTD PERFORMANCE: JPM CEMBI INDEX BY RATING, MATURITY, SECTOR, COUNTRY (%) (30.06.2021)



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



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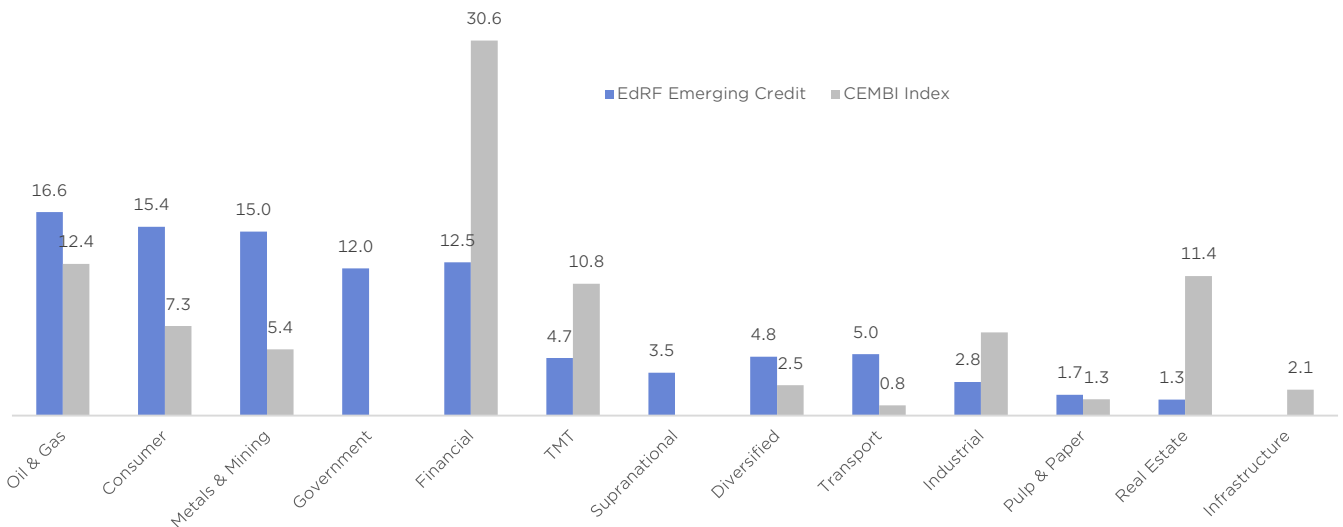
# EDMOND DE ROTHSCHILD FUND EMERGING CREDIT

## JUNE 2021 - MONTHLY REVIEW

### FUND PERFORMANCE ANALYSIS

- ▶ In June, all the regions in which we are mainly allocated to posted good performances: The high yield segment of Latin America performed well (+1.2%) supported by the strong performance of Argentina once again (+4.9%), Peru (+1.6%) and Brazil (+1.0%). Europe (+0.7%) was supported by the performance of the Ukraine (+1.6%) and Turkey (+1.1%), two of our core convictions.
- ▶ Argentina continued its recovery trend and was among the main contributors to the positive performance this month along with the Ukraine.
- ▶ Sector-wise, our allocation to commodity-related sectors continues to pay off: Oil & Gas (+1.6%), Pulp and Paper (+1.3%) and Metals & Mining (+1.0%) sectors outperformed. Telco also did well (+1.4%) while Consumer (+0.9%) and Financials (+0.6%) were neutral.
- ▶ Regarding credit quality, the performance of the high yield segment was split between the “B-BB” bucket underperforming and the “CCC” exposure outperforming.
- ▶ AUM increased to USD 913 million as at the end of June. The fund has recorded net inflows of more than USD 93 million since the beginning of the year.

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



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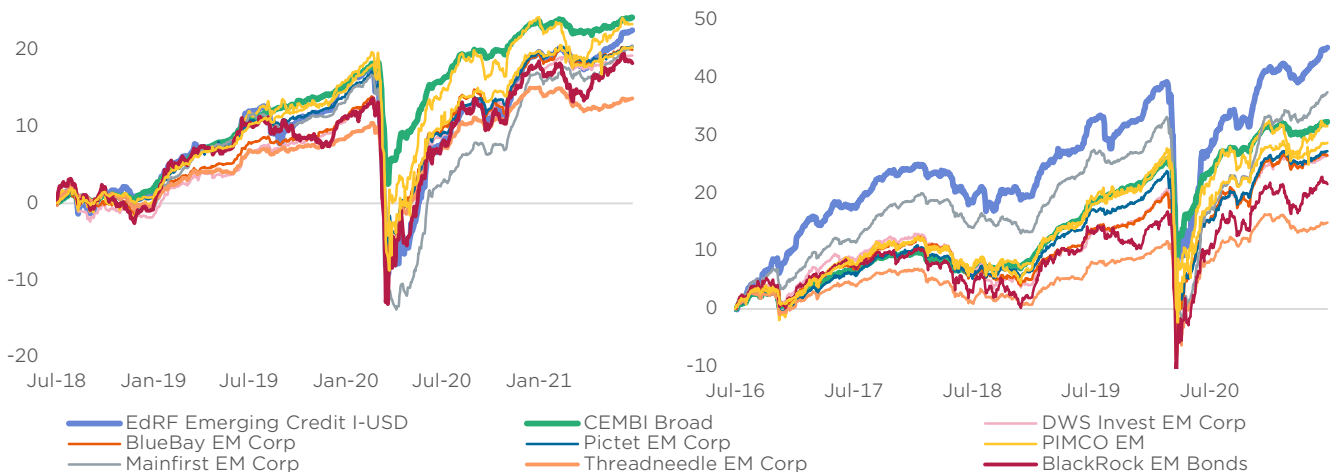
# EDMOND DE ROTHSCHILD FUND EMERGING CREDIT

## JUNE 2021 - MONTHLY REVIEW

### CONCLUSION & OUTLOOK

- ▶ After a positive first half of 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 are supportive for emerging corporate debt. US Treasuries are still trading within a range and should not cause any specific concerns for the asset class. The search-for-yield theme should stay valid.
- ▶ Other factors that should support the asset class include:
  - › High commodity prices that 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 stay well oriented in the coming months
  - › The dollar, which is expected to remain on a soft note on the back of still accommodative Fed monetary policy – supporting sentiment toward emerging debt assets.
  - › Central Bank policies where most emerging market central banks are expected to remain dovish in 2021. That said, some may slightly adapt their key interest rates higher like the Central Bank of Brazil.
- ▶ Bearing these elements in mind, we expect the fund to continue to perform well in 2H 2021, especially given our overweight in the High Yield segment of the market. High Yield should outperform the Investment-grade segment due to its lower duration exposure. We believe there is still a significant catch-up potential in selected high-beta markets, notably Argentina and the Ukraine, 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 continue to outperform the remaining year, with the Metals & Mining, Energy, Transportation and Infrastructure (especially in Africa) sectors in the lead. As such, the fund is well positioned and should continue to build on the outperformance generated in 1H21 of +2.5% versus +0.5% for its benchmark.
- ▶ 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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## JUNE 2021 - MONTHLY REVIEW

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 - ERECAIU LX EUR - ERECAIE 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			

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July 2021

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