

August 2021

AUM
€ 2.69bn
as of 31/8/2021

EDMOND DE ROTHSCHILD FUND BOND ALLOCATION

MARKETS COMMENT

- › The tone set by China to impose more regulations continued to weigh on the Chinese market, and on the European luxury sector in particular. The fears generated by this change in doctrine also had an impact on commodity prices, but on the whole these fears remained rather limited to China. At the geo-political level, the withdrawal of US troops from Afghanistan is significant and will likely have repercussions on the international scene.
- › Thus, the equity markets continued to rise, notably supported by strong Q2 earnings and guidance, posting a seventh consecutive month of gains in August.
- › Regarding economic data, while still good in the United States, the reduction in momentum continues as the Q2 annualized GDP at +6.6% quarter-on-quarter, was below the consensus. On the employment front, the numbers continue to be very volatile with July NFP at +943k jobs (vs. +870k est.). In the Eurozone, inflation came in at +3.0% in August, which was above expectations, Q2 preliminary GDP came out at +2.0% which was in line with expectations.
- › In a troubled context with the rise of the Delta variant, the geo-political situation and the context in China, while an inflection of the economic dynamics in the US is confirmed, we have nevertheless witnessed a rise in 10-year rates of 8 and 9 bps in Germany and the US. It is therefore the speeches of central bankers that have guided investors. Indeed, overall the speeches were more hawkish from the ECB members, which opened the door to a reduction in ECB securities purchases in the near future. The same was true of several Regional Fed members, especially at Jackson Hole symposium (see focus of the month). Credit spreads logically benefited from the supportive environment with a tightening of -2bps on the Main and -8bps on the Xover index.
- › Finally the dollar was quite volatile, starting the month on its highest level for 1 year vs EUR, it quickly weakened on the more hawkish tone of the ECB while Fed Powell maintained a more dovish position.

FOCUS OF THE MONTH

If numerous FED members delivered hawkish comments at the Jackson Hole symposium, Jerome Powell's speech came in strong contrast, striking a definitely more dovish than expected tone.

First of all, if the probability of a tapering by the end of the year was reinforced because the criterion of "substantial further progress" (condition defined by the FOMC to start tapering) has already been reached for inflation, it is not yet the case on the maximum employment target even if "clear progress" has been made. The dovish inclination was evident in Jerome Powell's clarification that there was no mechanical link between the end of securities purchases and the beginning of rate hikes. He further emphasized that in order for the Fed to start rate hikes a "different, more stringent test" was needed.

Finally, he reiterated that the FOMC's central scenario was that of a transitory rise in inflation, although he indicated that the Committee would react if inflationary pressures proved to be more sustainable than expected.



Performance of Fixed Income Indices

			MTD	YTD
Aggregate	Global Agg	BarCap Global Agg EUR hedged	-0.3%	-1.0%
Govt	EMU ex Periph.	JPM GBI EMU ex Periph.	-0.6%	-2.4%
	EMU Periph.	JPM GBI Periph.	-0.5%	-1.2%
	US Treasury	Bloomberg US Treasury	-0.2%	-1.4%
	UK Sov.	Bloomberg UK Sov.	-0.9%	-3.9%
Credit	IG EUR	ML Euro Corporate	-0.4%	0.3%
	HY EUR	ML Euro High Yield	0.3%	3.3%
	IG USD	ML US Corporate	-0.2%	-0.1%
	HY USD	ML US High Yield	0.5%	4.6%
Diversification	EMU	Barclays Euro ILB	-0.3%	4.2%
	Convertible Bonds	Exane Europe Convertibles	0.4%	3.0%
	Hard Currency	JPM EMBI	0.9%	0.4%
	Local Currency	JPM GBI EM unhedged USD	0.6%	-0.9%

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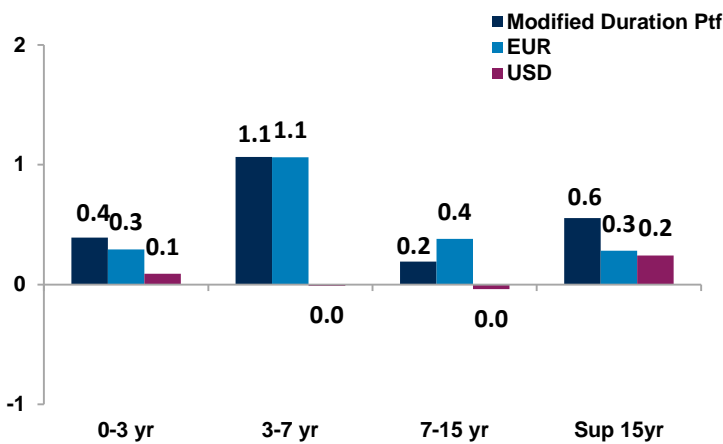
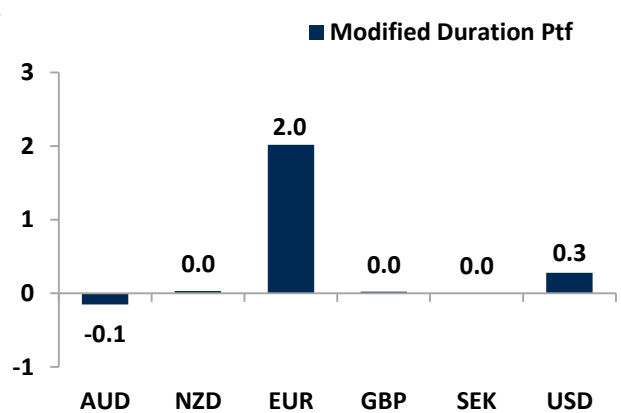
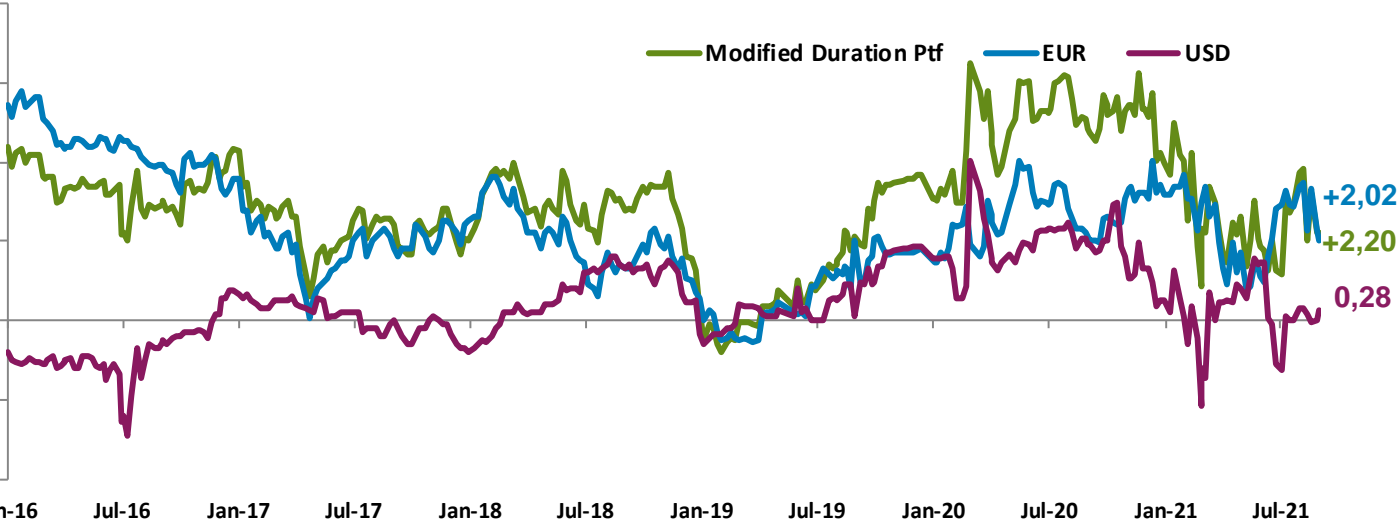

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FUND POSITIONING - MODIFIED DURATION

- Over the month, the portfolio's modified duration fell slightly from 3.8 to 2.2 years. More precisely, during the month, it first evolved at the top end of the range we have had since the beginning of the year (between 1 and 4 years), at 3.8yr before falling back down towards 2.2yr at the end of the month. The high point of duration was seen on rising risk aversion, delta variant fears and maximum net negative supply of government bonds. As delta fears receded, more hawkish ECB comments were released and in expectation of higher bonds supply in September, we decreased duration.
- At the end of the period, the 2.2 years of modified duration that make up the portfolio are almost entirely on the EUR curve, as well as a slight short on the AUD curve.

Breakdown by maturity

Breakdown by yield curve

Geographical Allocation - Modified Duration Breakdown by Yield Curve




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FUND POSITIONING - ALLOCATION

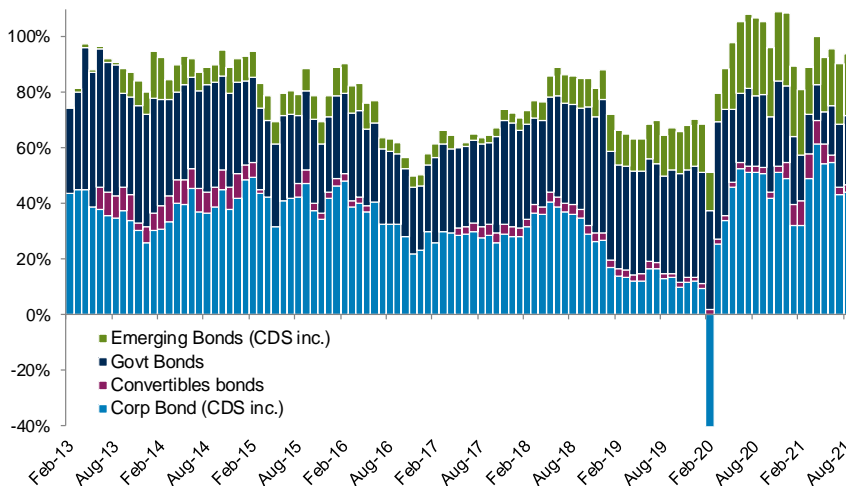
	Investment	CDS (*) TRS (*)	Exposure
Cash / short term papers	8.6%		8.6%
Government Bonds	17.4%		17.4%
Sub Fin	14.6%		14.6%
High Yield Corp	13.5%	-0.4%	13.0%
Corp Investment Grade	14.5%	2.1%	16.6%
Inflation Linked Bonds	7.4%		7.4%
Emerging Sovereigns	18.7%		18.7%
Emerging Corp	3.6%		3.6%
Convertibles bonds	2.6%		2.6%
Macro hedge			

(*) : CDS : Credit Default Swaps, TRS : Total Return Swaps

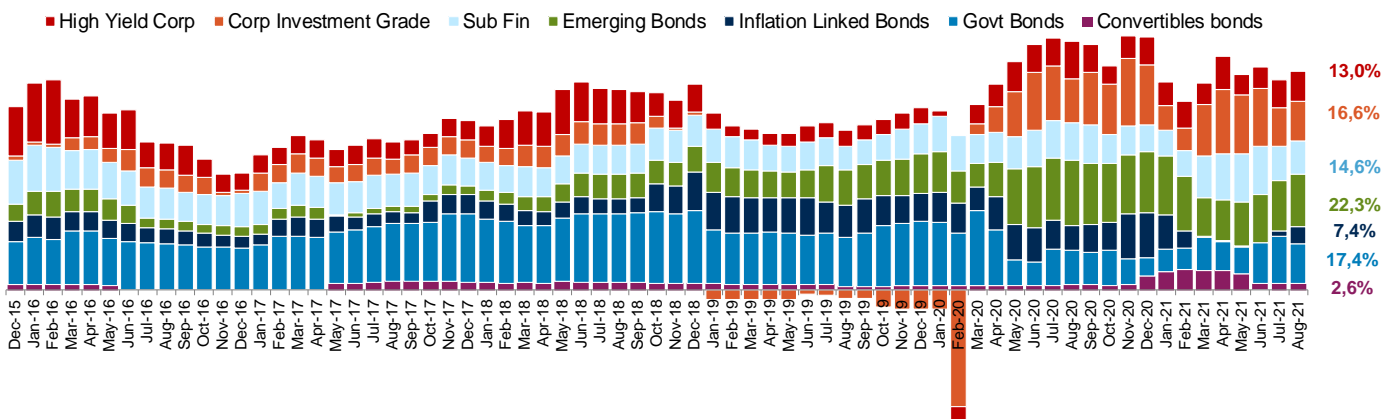
› Over the month, the allocation to the Fixed Income sectors changed little, the main movements being: buying some EM Sovereign names in hard currency, which have cheapened over the last few months, as well as the strengthening of our long position on EUR inflation breakeven exposure, on expectations of higher European inflation prints in the coming months.

› Tactically, in the middle of the period we bought some protection, via CDS indices, considering that the situation in China could potentially spread to other markets. As we observed that the risk remained segregated to China, these protections were quickly removed.

Evolution of the exposure since strategy overhaul



Evolution of the exposure since 2016



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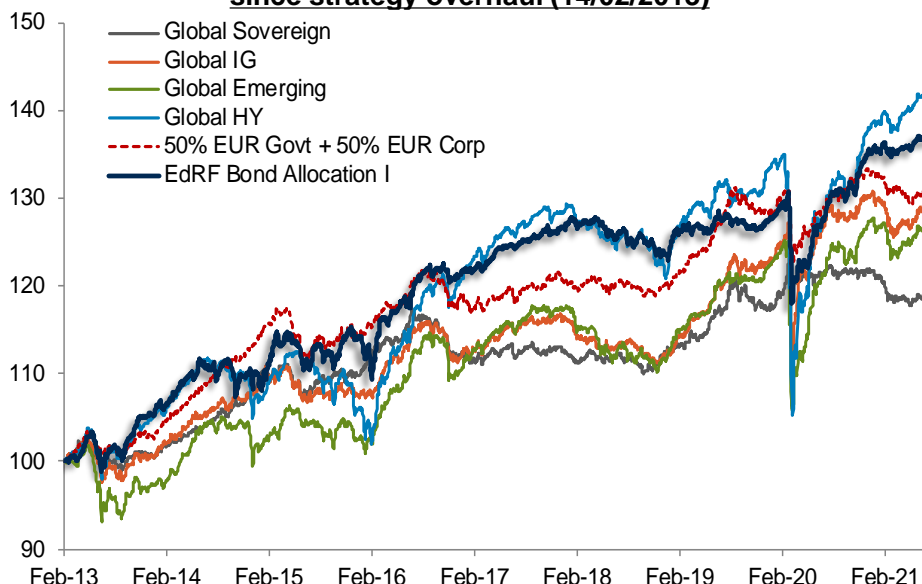
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EDMOND DE ROTHSCHILD FUND BOND ALLOCATION

PERFORMANCE ANALYSIS

Performance vs fixed-income indices since strategy overhaul (14/02/2013)



Performance for class I (EUR)	
1 month	0.05%
3 months	0.46%
YTD	1.03%
1 year	4.92%
2 years *	3.65%
3 years *	3.21%
4 years *	2.23%
Since inception (14/02/13) *	3.74%

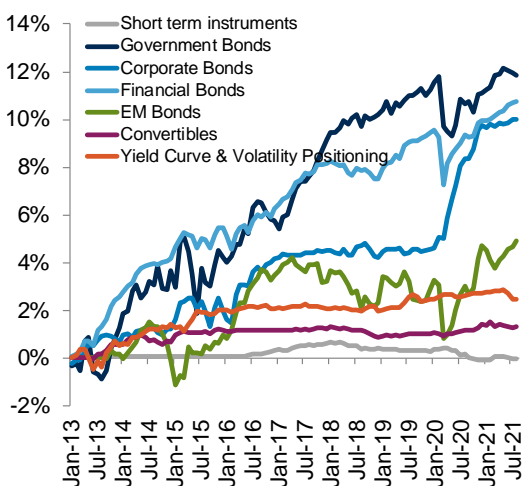
Risk indicators of class I (EUR)	
Volatility 1 year	1.95%
Volatility 3 years	3.76%
Sharpe Ratio since 14/02/13	1.1
Max draw down	-9.7%
Period	from 03/09/2020 to 03/19/2020
Recovery	121 business days

* Annualized performance

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Annual
2013		0.14%	0.00%	2.16%	0.07%	-2.22%	1.23%	-0.15%	1.36%	1.95%	0.55%	0.13%	5.28%
2014	0.79%	1.05%	1.17%	1.10%	0.24%	0.64%	0.54%	-0.37%	0.01%	-0.91%	0.02%	0.09%	4.42%
2015	-0.53%	3.53%	0.22%	0.87%	-1.14%	-2.22%	2.37%	-0.79%	-1.47%	2.59%	1.25%	-0.77%	3.80%
2016	-0.87%	-0.33%	2.96%	0.86%	0.85%	0.25%	2.29%	0.73%	0.02%	-0.19%	-0.63%	0.57%	6.64%
2017	0.15%	0.63%	0.00%	1.06%	0.40%	0.03%	0.36%	0.34%	0.25%	0.88%	-0.52%	0.31%	3.94%
2018	0.75%	-0.28%	0.05%	0.28%	-1.29%	-0.36%	0.81%	-1.52%	1.13%	-0.94%	-0.67%	-0.19%	-2.25%
2019	2.15%	0.46%	-0.68%	0.53%	-0.44%	1.35%	0.30%	-0.64%	-0.11%	-0.33%	-0.14%	0.69%	3.15%
2020	0.97%	0.14%	-6.36%	1.73%	1.46%	1.65%	2.33%	0.64%	-0.23%	0.13%	2.96%	0.97%	6.23%
2021	-0.25%	-0.11%	0.12%	0.54%	0.27%	0.43%	-0.02%	0.05%					1.03%

Performance contribution (gross of fees)

Evolution of performance contributors



Contribution over the month

Government Bonds	-0.12%
Financial Bonds	0.08%
Corporate Bonds	-0.02%
EM Bonds	0.24%
Yield Curve & Volatility Positioning	0.00%
Convertibles	0.03%
Short Term instruments & FX Hedging	0.00%

Main Performance drivers in

August 2021

The environment, which remained supportive for credit spreads, allowed our high beta position to generate performance. On the corporate side, if the IG side contributed negatively, the HY and financial bonds side made a positive contribution.

We note the good behavior of EM debt, which was initially carried on Ukraine by Fitch deciding to upgrade the outlook from stable to positive supported by government credible macroeconomic policy framework. And also more globally via a return of investors where flows have been positive at the end of the month after 5 weeks of negative flows.

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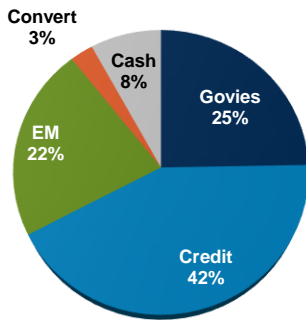
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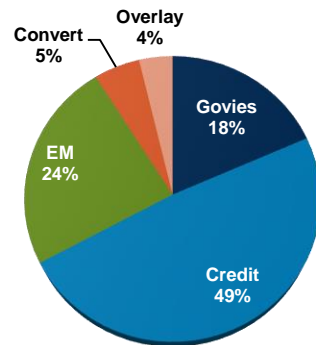
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RISK ANALYSIS

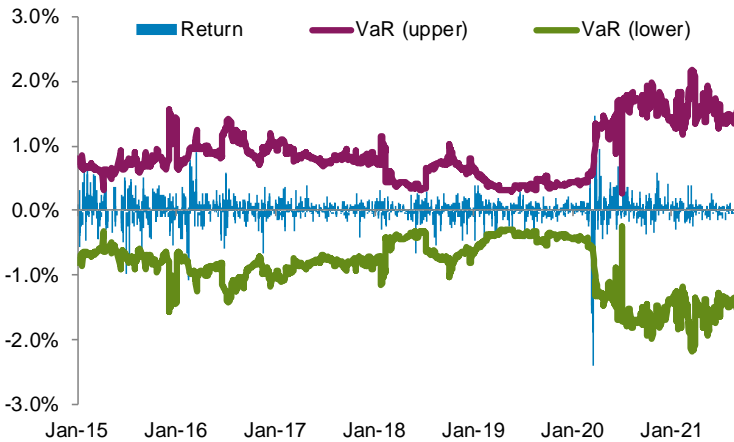
Cash exposure



Risk exposure

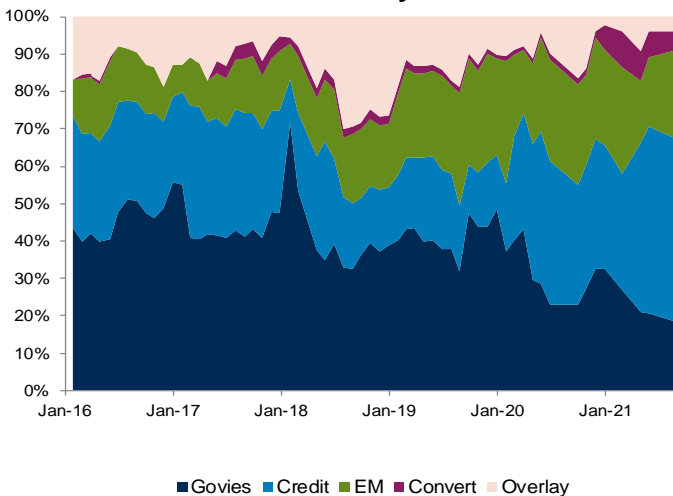


Returns vs VaR 99% 1d

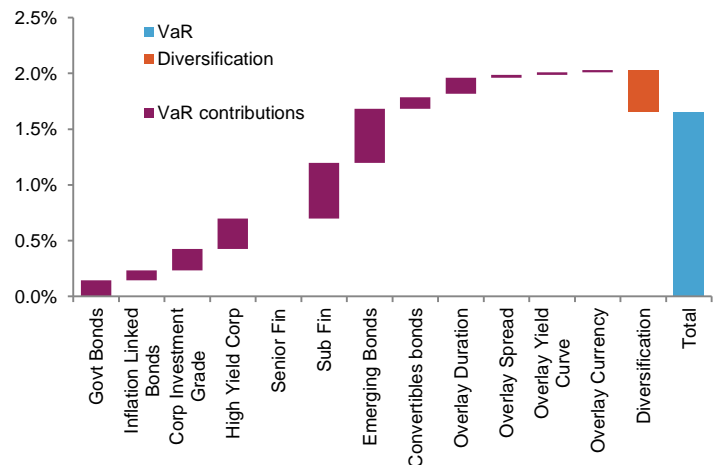


- › The Value at Risk_(99%,1 day) of the portfolio slightly increased to 1.65% (vs. 1.49% the previous month).
- › The increase in risk is mainly the result of a less diversified effect.

VaR breakdown by asset class



Diversification effect



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TERMS & CONDITIONS

	Class I	Class J	Class K	Class N
Sub-classes	CHF (H) EUR USD (H)	USD (H)	EUR	EUR
ISIN Code	I-CHF (H) LU1426149875 I-EUR LU1161526816 I-USD (H) LU1426149792	J-USD (H) LU1426150295	K-EUR LU1161526659	N-EUR LU1426150964
Eligible investors	Institutional Investors			
Minimum holding requirement	500 000 EUR	500 000 EUR	500 000 EUR	20 000 000 EUR
Payout / Accumulate	Accumulation	Distribution	Accumulation	Accumulation
Subscription fee	-	-	-	-
Redemption fee	-	-	-	-
Global management fee	0,4%	0,4%	0,6%	0,4%
Performance fee	15%	15%	-	-
Benchmark	% BarCap Euro-Aggregate Corporates (EUR) + 50% BarCap Euro-Aggregate Treasury (EUR)			

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