



May 2021

EDMOND DE ROTHSCHILD FUND BOND ALLOCATION

AUM
€ 2.61bn

as of 31/5/2021

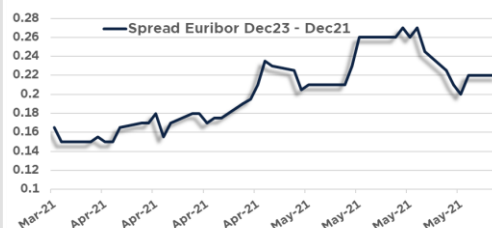
MARKETS COMMENT

- ▶ The month of May was marked with strong upside surprises in the various activity indicators, particularly in the services components. The flash PMIs in the euro zone surprised positively, with the composite PMI rising to 56.9 after 53.8 in April (against 55.1 expected). This upward surprise was mainly caused by services (55.1 after 50.5, against 52.5 expected). In Germany, the IFO survey rose to 99.2 in May, after 96.6 in April, returning to its highest level since April 2019. The largest increases were in services (+16.7pts) and trade (+8.9pts). In the UK, retail sales jumped by 9.2% month-on-month in April (vs. 4.5% expected). And, in the US, the services PMI rose by +5bps to 70 (the highest level since the series began in 2009).
- ▶ The re-opening of economies and the progress of vaccination programs are the cause of this good set of data and they also fuel consumer confidence. These re-opened economies have continued to feed inflation, especially as comparable fundamentals are weak and there is pressure on basic materials and energy (Brent and Crude nearing \$70). This is reflected in the US CPI at 4.2% in April (3.6% expected) and in the Eurozone with the Harmonized Index of Consumer Prices at 1.6% (after 1.3% in March).
- ▶ Only job creation was disappointing, with only 266,000 jobs created (against 1M expected), which allowed FOMC members to postpone expectations of Tapering discussions.
- ▶ More globally on central banks, the FED and the ECB will have maintained their Dovish bias (even if at the beginning of the month its tone was more Hawkish in the Eurozone, see Focus Of The Month).
- ▶ In this environment, rates have regained volatility, like the German 10-year which, although only up 2bps to -0.19% on the month, touched -0.07% by mid-month. The environment remained very Risk On with equity markets continuing to rise and credit spreads continuing to tighten. In the Eurozone, the Main index decreased by 5bps and the XOVER approached 245bps, also on its lows.

FOCUS OF THE MONTH

Earlier this month, the more hawkish comments of some ECB members gave way to expectations of a faster than expected reduction in the PEPP buying pace at the June ECB meeting. This caused a rise in rates led by Germany as well as a widening of peripheral spreads (Italy 10-year spread vs. Germany went back above 120bps). We also observed a repricing of rate hikes expectations by 2023. In the middle of the month, Mrs Lagarde and other key ECB members reminded the market that the ECB wanted to remain very accommodative, which reversed the rates rise move.

Mid-May, judging that market rates hike expectations for the next few years were too high, we initiated a Euribor flattener trade, and took profit after the re-assuring ECB comments.



Sources: EdR, Bloomberg, as of 05/31/21

Performance of Fixed Income Indices

			MTD	YTD
Aggregate	Global Agg	BarCap Global Agg EUR hedged	0.2%	-2.4%
Govt	EMU ex Periph	JPM GBI EMU ex périph	-0.1%	-4.1%
	EMU Periph	JPM GBI periph	0.1%	-2.7%
	US Treasury	Bloomberg US Treasury	0.3%	-3.2%
	UK Sov	Bloomberg UK Sov	0.5%	-6.5%
Credit	IG EUR	ML Euro Corporate	-0.1%	-0.9%
	HY EUR	ML Euro High Yield	0.2%	2.0%
	IG USD	ML US Corporate	0.7%	-2.7%
	HY USD	ML US High Yield	0.3%	2.3%
Diversification	EMU	Barclays Euro ILB	0.7%	1.4%
	Convertible Bonds	Exane Europe Convertibles	-0.1%	1.0%
	Hard Currency	JPM EMBI	1.1%	-1.9%
	Local Currency	JPM GBI EM unhedged USD	2.6%	-0.5%

Past performance and volatility is no guarantee of future performance and volatility which may change over time, and can be separately affected by fluctuating exchange rates. Performance data does not take into account the fees and charges received when issuing and redeeming units. Source : Edmond de Rothschild Asset Management (France). Portfolio data as of 31/05/2021



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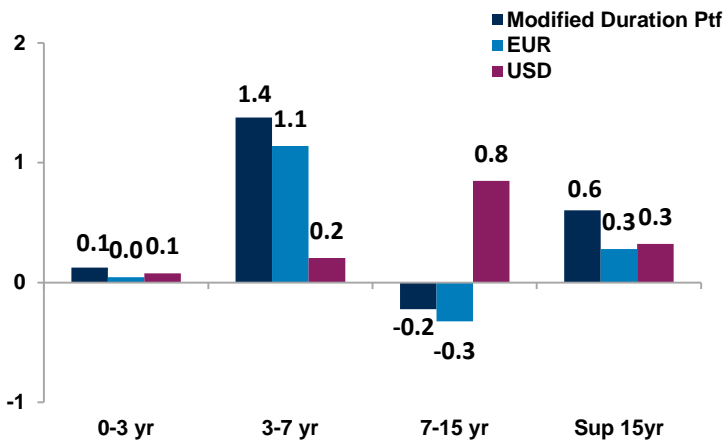
EDMOND DE ROTHSCHILD FUND BOND ALLOCATION



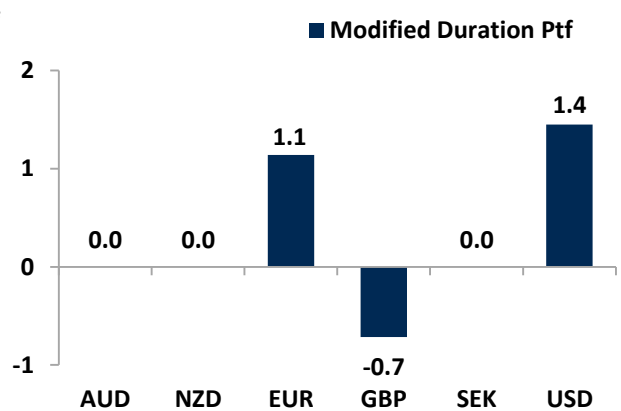
FUND POSITIONING - MODIFIED DURATION

- > We have been active on our level of Modified Duration. In the first part of the month, we increased our level as rates rose. We have been focusing on the 10 year to increase our Modified Duration, especially in USD. It reached c.4 years mid-month.
- > In the second half of the month, we took some profits and ended up at 1.88 years.
- > We also put a short on sterling rates following a more hawkish BoE stance and fast improving UK macro data.

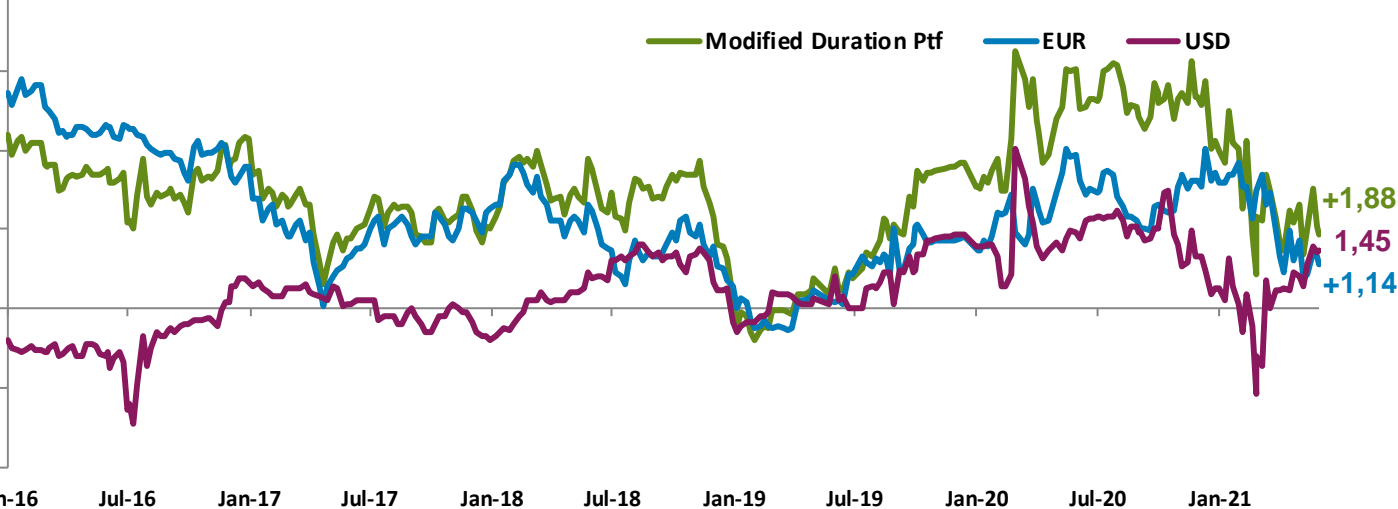
Breakdown by maturity



Breakdown by yield curve



Geographical Allocation - Modified Duration Breakdown by Yield Curve



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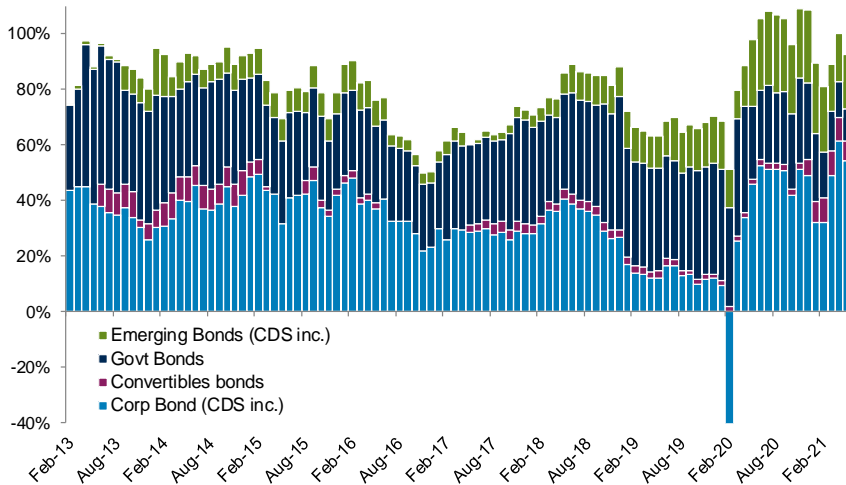
FUND POSITIONING - ALLOCATION

	Investment	CDS (*) TRS (*)	Exposure
Cash / short term papers	10.4%		10.4%
Government Bonds	11.4%		11.4%
Sub Fin	20.3%		20.3%
High Yield Corp	9.4%	-0.7%	8.7%
Corp Investment Grade	22.7%	2.9%	25.6%
Inflation Linked Bonds	0.5%		0.5%
Emerging Sovereigns	15.5%		15.5%
Emerging Corp	3.8%		3.8%
Convertibles bonds	6.8%		6.8%
Macro hedge		-0.8%	-0.8%

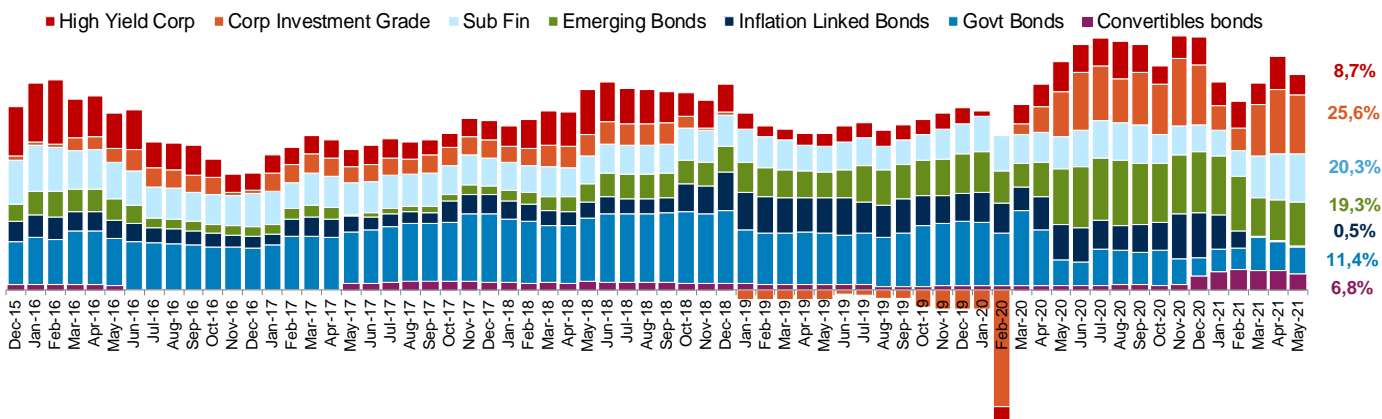
(*) : CDS : Credit Default Swaps, TRS : Total Return Swaps

- Overall, our positioning remains very similar to that of the previous month. We end the period with a Spread Duration of 5.1 years. This is about 0.6 years less than a month ago.
- The reduction is mainly due to our continued profit taking on break-even inflation, which is now only 35% of what it was 2 months ago.
- We have been quite tactical on our position on the peripherals, initially reduced at the beginning of the month, we will have reinforced Italy at the end of the month following its recent widening.
- Finally, part of our position in euro high yield was reduced, and we also reduced by 2% our position on global convertibles bonds.
- We increased Subordinated Financials allocation by 1%.

Evolution of the exposure since strategy overhaul



Evolution of the exposure since 2016



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PERFORMANCE ANALYSIS

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



Performance for class I (EUR)	
1 month	0.27%
3 months	0.93%
YTD	0.57%
1 year	9.33%
2 years *	3.93%
3 years *	2.68%
4 years *	2.29%
Since inception (14/02/13) *	3.80%

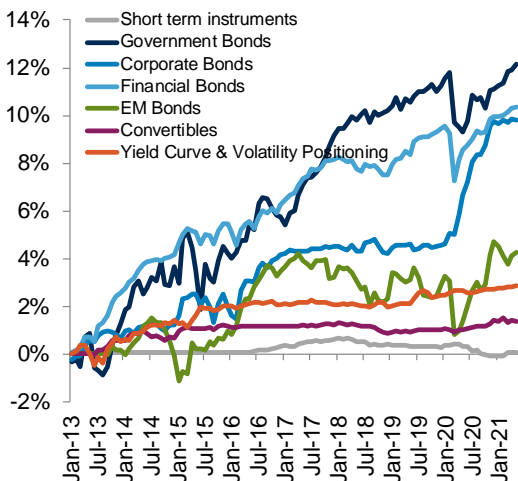
Risk indicators of class I (EUR)	
Volatility 1 year	2.38%
Volatility 3 years	3.86%
Sharpe Ratio since 14/02/13	1.1
Max draw down	-9.7%
Period	from 03/09/2020 to 03/19/2020
Recovery	121 business days

* 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%								0.57%

Performance contribution (gross of fees)

Evolution of performance contributors



Contribution over the month

Government Bonds	0.25%
Financial Bonds	0.05%
Corporate Bonds	-0.06%
EM Bonds	0.17%
Yield Curve & Volatility Positioning	0.04%
Convertibles	-0.06%
Short Term instruments & FX Hedging	0.01%

Main Performance drivers in May 2021

The dynamic management of our Modified duration allowed us to benefit from the volatility on rates, even if, over a month, levels are broadly unchanged.

Overall, our portfolio has also benefited from the Risk On environment as credit spreads continue to tighten.

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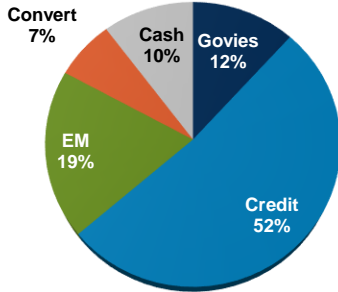
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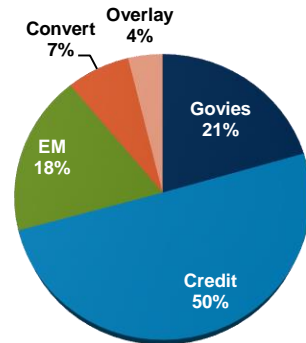
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RISK ANALYSIS

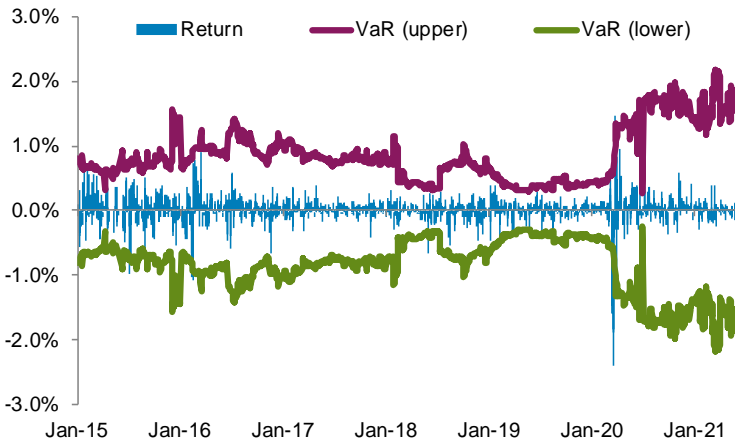
Cash exposure



Risk exposure

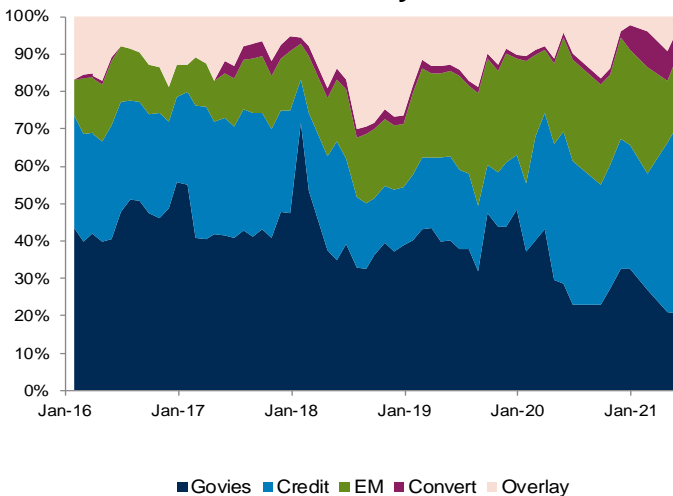


Returns vs VaR 99% 1d

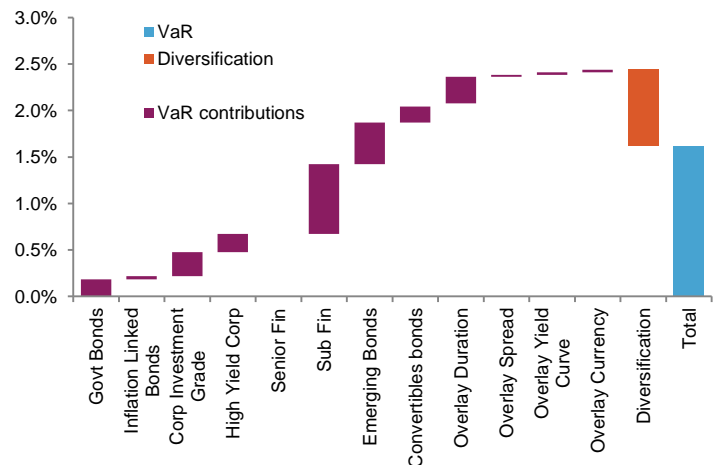


- › The Value at Risk^(99%,1 day) of the portfolio remained stable to 1.62% (vs. 1.60% the previous month).
- › No change over the month. Sub-Fin remained our strongest contributor to VaR, followed by EM debt.

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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