EdR Fund Bond Allocation

As of : *5-Nov-21*
Assets (euros) : *2 711 241 727 €*

EDMOND DE ROTHSCHILD

Modified duration	3,78
Spread Duration	3,74
Yield	1,43%
Average Rating *	BBB-

as of 05/11/2021	EdR Fund Bond Allocation (I share)	Reference Index[4]
MtD[1]	+0,42%	+0,91%
YtD[2]	+0,76%	-1,42%
1 Year	+3,44%	-1,02%
3 Years[3]	+2,92%	+3,12%
5 Years[3]	+2,30%	+1,84%

Past performance and past volatility are not reliable indicators for future performance and

1: Month to Date - 2: Year to Date - 3: Annualized performance - 4:50% Barclays EuroAggregate Treasury TR + 50% Barclays EuroAggregate Corporate TR

Market comments

BOE governor Bailey like his predecessor Mark Carney might have earned the nickname of "unreliable boyfriend" as he gave the impression of an imminent rate hike coming up during his recent speeches but in the end the BOE delivered a dovish outcome with no hike at all. Indeed, the BOE MPC did not hike rates like many market participants expected, in a 7-2 vote to keep bank rate at 0,1% and a 6-3 vote to continue QE. They upgraded their inflation forecast to 5% in April 2022 and indicated nevertheless that in line with their projections it would "be necessary over the coming months to increase bank rate".
To continue on central banking, FED announced Taper this Wednesday after a two-day meeting that did not surprised much. Bond purchases will be reduced by 15bn a month in November and December. The pace of reduction after that is subject to the state of the economy. Chair Powell was willing to keep all options on the table whether an increase or decrease in pace should be necessary. Optionality was also evident in the treatment of Inflation by noting that interest rates increase is a viable option if inflation were threatening to move persistently above the FED's goal. But the overall tone was not overly hawkish keeping the view that inflation was not expected to remain persistent.
To finish on more "dovish" central banks comments, Mrs Lagarde indicated that the three conditions to raise rates in 2022 "are very unlikely to be satisfied next year".
Generally these neutral or dovish reactions from central banks led to a quite strong rally in interest rates and a very decent job report in the US this afternoon: +531k vs +450ke and positive revisions did not derail this week's tone.

Rates are 9bps lower for the US 10yr and 17bps lower for the German bund. Credit spreads are broadly flat for cash bonds and 16 bps tighter for Xover. Peripheral bonds have retraced tighter some of their recent weakness and are 12bps tighter for Italy/Bund 10yr.

Allocation by strategy

	Investment	CDS (*)	TRS (*)	Exposure	Weekly change
Cash / short term papers	10,0%			10,0%	
Government Bonds	19,1%			19,1%	
Sub Fin	16,4%			16,4%	
High Yield Corp	15,3%	-4,0%		11,3%	
Corp Investment Grade	13,6%	-9,5%		4,1%	
Inflation Linked Bonds	2,4%			2,4%	
Emerging Sovereigns	17,7%	-1,4%		16,2%	
Emerging Corp	3,5%			3,5%	
Convertibles bonds	2,6%			2,6%	
Macro hedge					

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

Government Bonds Strategy: Main positions

1 - excluding derivatives
2 - including derivatives

		Exposure[2]			Exposure[2]
	Weight[1]	1-7 yr	Sup 7 yr	Expo	Inf 1 yr
Italy	8,6%	5,74%	-0,8%	4,9%	
EMU	3,7%	80,11%	1,4%	81,5%	-80,2%
Germany	3,3%	-1,14%	16,9%	15,7%	
Cyprus	1,6%	1,63%		1,6%	
France	1,0%	0,02%	-0,4%	-0,4%	
Greece	0,4%		0,4%	0,4%	
Portugal	0,3%		0,3%	0,3%	
Spain	0,2%	0,01%	0,2%	0,2%	
Iceland	0,1%	0,10%		0,1%	
					1,8%
					1,8%

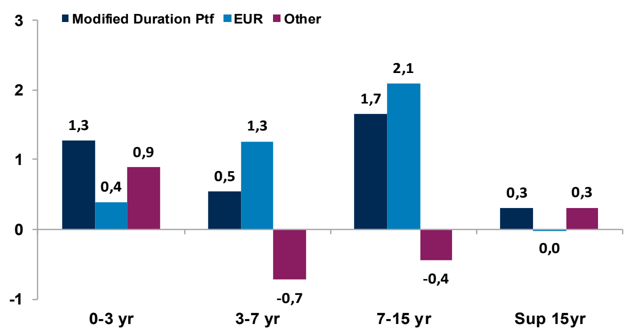
Main movements

In this context, here are the changes that we have made in EdRF Bond Allocation:

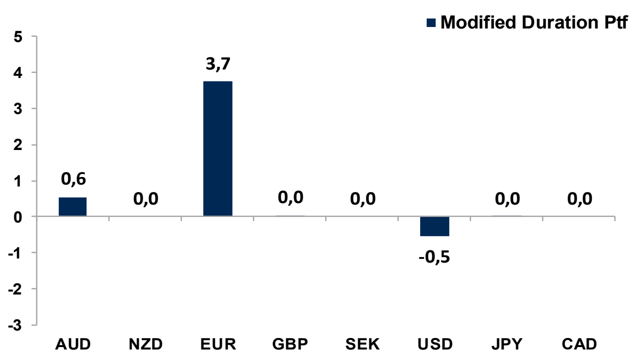
- Duration is still around 4 yrs and enabled the fund to perform decently this week.
- Following RBA meeting we entered some AUD rates position.
- We took further profit on EUR breakevens early in the week.
- Tactically bought protection on US HY Credit.

Modified duration allocation :

By maturity :



By currency exposure (FX hedged):



*: Rating source: Second best (S&P, Moody's,Fitch) long term rating

Edmond de Rothschild Fund Bond Allocation is a sub fund of the Luxembourg-regulated SICAV which is approved by the CSSF and approved for marketing in France, Luxembourg, Switzerland, Austria, Germany, Spain and Italy.

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Significants Risks

The subfund is classified in category 3 (A, B and I shares) in line with the nature of securities and geographical zones in the "objectives and investment policy" section of the key investor information document (KIID).
Capital loss risk: as the subfund does not have any guarantee or protection, the capital initially invested might not be restituted in full even if subscribers hold their shares over the recommended investment horizon.
Credit risk: the main risk is issuer payment default on interest payments and/or on reimbursement of the capital. Credit risk also concerns issuer downgrades. Subscribers are warned that the subfund's net asset value could fall should a total loss be incurred on a transaction due to counterparty default. Any private company debt held directly by the portfolio or through mutual subfunds exposes the subfund to changes in the issuing company's credit rating.
Credit risk from investing in speculative securities: the subfund may invest in government and corporate rated as non investment grade by a rating agency (i.e. rated below BBB- by Standards and Poor's or an equivalent rating from another independent agency) or considered as equivalent by our investment company. These issues are so-called speculative debt securities with a higher risk of issuer default. The subfund must be viewed as partly speculative and concerns in particular investors who are aware of the risks inherent in these securities. Consequently, investing in high yield securities (speculative securities which have a higher default risk) may entail a bigger fall in the subfund's net asset value.
Interest rate risk: exposure to bond instruments, whether debt securities or money market instruments, means the subfund is sensitive to interest rate fluctuations. Interest rate risk might entail a capital loss from yield curve movements and therefore a fall in the subfund's net asset value.
Risks from emerging market investments: the subfund may be exposed to emerging markets. In addition to stock-specific risks, there is a risk from external factors, especially on these markets. Investors should also note that operating conditions and supervisory standards on these markets may differ from those on major international stock markets. As a result, holding these securities may increase the portfolio's risk. As market falls in emerging markets may be more pronounced and faster than in developed countries, the subfund's NAV may also suffer larger and faster declines.
Risk from participation in financial contracts and counterparty risk: the use of financial contracts may mean a sharper and faster fall in the subfund's net asset value than that of the markets in which the subfund is invested. Counterparty risk stems from the subfund's use of OTC financial contracts and/or temporary acquisitions and disposals of securities. These transactions may expose the subfund to counterparty default risk and therefore a fall in the subfund's net asset value.

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