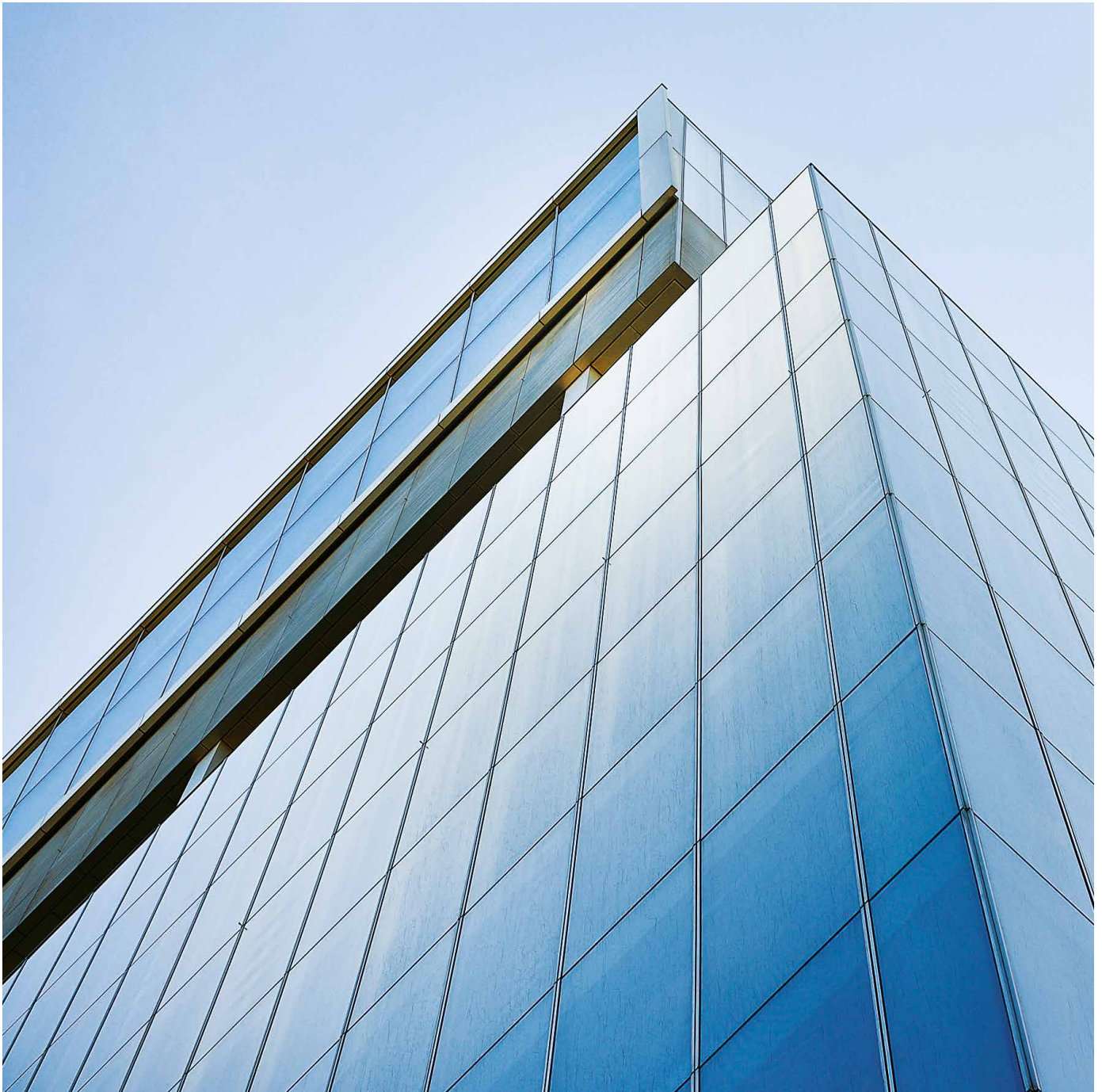


2020 Review & 2021 Outlook

4Change Expertise



December 2020



■ 4Change Expertise



It is difficult to establish a direct connection between the health crisis we are now enduring and global warming. However, it is clear that climate change, the destruction of biodiversity, but also the changes in our lifestyles, with the increase in the movement of people and goods and urban growth, favour the emergence of infectious diseases. Overall, everything in our lives seems to bring us back to the issue of global warming and, for many of us, not a day goes by without it having an impact on our daily lives or occupying our minds.

Update on our Climate funds

Based on this observation and the significance of the issue, we took a step forward in 2019 and created a range of funds implementing a proactive management of carbon intensity within the portfolio. We launched R-co 4Change Climate Equity Europe and R-co 4Change Climate Credit Euro, with the ambition of using carbon trajectory as a stock selection tool. These two funds obtained the

SRI⁽¹⁾ label in 2019. They are managed with a view to steering the carbon intensity of the portfolios, by having each company monitoring its

direct (scope 1) and indirect (scope 2, related to the energy consumption necessary for production) greenhouse gas emissions.

4Change combine our funds that strive to combine financial performance, enhanced selection on extra-financial criteria and impact as central elements of their strategies. Above all, our approach seeks sustainable investment opportunities, both from an energy and social transition perspective.

Our management philosophy is based on the idea that, to bring about change, it is worth investing in players that today have strong emissions, but who show a real ambition to reduce them, rather than

(1) Created in 2016 by the French Ministry of the Economy and Finance, the label ISR promotes French investment funds that comply with the principles of socially responsible investment (SRI).

focusing on players and sectors that are already low emitting. The commitment that we are thus making through these funds is to reduce the carbon intensity of our portfolios by an average of 5% per annum by 2030. In order to ensure that this reduction will come from the most emitting players, we are committed to holding a minimum portfolio weighting in the 5 most polluting sectors.

The idea is to promote players who are betting on a real carbon transition in their activity, via a credible

reduction programme, hoping that these good practices will be welcomed by other investors or even replicated by their competitors.

This aim is ambitious because 2021 will be a test year, after such a rare and unprecedented 2020 where carbon emissions fell significantly in G20 countries by around 7.5%, following the periods of lockdown.

Update on R-co 4Change Human Values

The health crisis has also taught us a social lesson. The virus is hitting the working class harder, and working conditions are radically changing in companies. This social aspect is the other theme of our 4Change range, via the R-co 4Change Human Values fund.

Created on 27 February 2015, this fund seeks to select companies with good social practices, appreciated by their employees, suppliers and customers. Our attention focuses primarily on the social pillar of company management, but also covers governance (harassment alert systems, anti-corruption, etc.) and the environment (waste

management, toxic emissions, etc.). This fund also obtained the SRI label in 2019.

Companies with responsible behaviour and concern for their human capital run a lower risk of incident, exploitation or reputation, detrimental to their valuation. Their management style focused on the long-term also makes them relatively immune to market turbulence. To select companies aiming for sustainable growth that respect all stakeholders, the fund has developed a thorough extra-financial screening process, with continuous monitoring of any controversy.

Update on R-co 4Change Green Bonds

Now, for many borrowers, the issue of the impact of their activity on the environment is also becoming increasingly important. In order to finance sustainable projects or initiatives, the latter (companies, governments or any other supranational institution), can opt for the issuance of "Green Bonds", a market now in full expansion.

The issuer undertakes to comply with strict "specifications". Thus, the proceeds of the issue must be exclusively dedicated to the financing of environmental projects and fall within a reference framework (CBI, ICMA⁽²⁾, etc.). This financing is intended to enable issuers to change their economic

model towards greater environmental sustainability and to contribute to the energy and ecological transition.

To support this approach, Rothschild & Co Asset Management Europe launched R-co 4Change Green Bonds in July, a fixed-income fund 75% to 100% invested in Green Bonds that comply with ICMA principles. By focusing on the issue of ecological and energy transition, this investment solution complements our "Climate" range, dedicated to the theme of climate change and the reduction of greenhouse gas emissions. ■

Completed writing on 26 November 2020

(2) Climate Bonds Initiative and International Capital Market Association. These are two non-profit organisations of finance professionals who have determined a strict framework to define Green Bonds.

■ Risk profiles and disclaimer



R-co 4change Climate Equity Europe

Recommended investment period: 5 years

The level of risk of the UCITS is 6 (volatility of between 15% and 25%) and primarily its positioning on the European equity market. The historical data used to calculate this synthetic indicator may not be a reliable indicator of the UCITS' future risk profile. The risk category associated with the UCITS is not guaranteed and may shift upwards or downwards over time. A rating of 1 does not mean that the investment

is "risk-free". The capital invested in the UCITS is not guaranteed. Other important risk factors, not adequately taken into account by the indicator: credit risk, impact of techniques such as derivatives. The occurrence of one of these risks may result in a decrease in the UCI's net asset value. For more information about the risk profile and its main contributors, please refer to the prospectus.



R-co 4change Climate Credit Euro

Recommended investment period: 3 years

This fund is rated in category 3 (volatility between 2% and 5%) reflecting primarily its positioning on private debt securities, while maintaining a modified duration in a range between 0 and +8. Historical data used to calculate the synthetic risk and reward indicator may not be a reliable indication of the future risk profile of the fund. The risk category of this fund is not guarantee and may go down as well as up. The lowest category

does not mean risk free. The Fund is not guaranteed capital. Significant risks not taken into account in this indicator: credit risk, counterparty risk. The occurrence of one of these risks may result in a fall of the net asset value of the fund. For more detailed information about risk profile, you may be found under the "Fees and Expenses" heading in the prospectus.



R-co 4change Human Value

Recommended investment period: 5 years

The level of risk of the UCITS is 6 (volatility of between 15% and 25%) and primarily its positioning on the European equity market. The historical data used to calculate this synthetic indicator may not be a reliable indicator of the UCITS' future risk profile. The risk category associated with the UCITS is not guaranteed and may shift upwards or downwards over time. A rating of 1 does not mean that the investment

is "risk-free". The capital invested in the UCITS is not guaranteed. Other important risk factors, not adequately taken into account by the indicator: counterparty risk. The occurrence of one of these risks may result in a decrease in the UCI's net asset value. For more information about the risk profile and its main contributors, please refer to the prospectus.



R-co 4change Green Bond

Recommended investment period: 3 years

This fund is rated in category 3 (volatility between 2% and 5%) reflecting primarily its positioning on private debt securities on denominated in international currencies, while maintaining a modified duration in a range between 0 and +8. Historical data used to calculate the synthetic risk and reward indicator may not be a reliable indication of the future risk profile of the fund. The risk category of this fund is not guarantee and may go down as well as up. The lowest category does not mean risk

free. The Fund is not guaranteed capital. Significant risks not taken into account in this indicator: credit risk, liquidity risk, impact of techniques such as derivatives. The occurrence of one of these risks may result in a fall of the net asset value of the fund. For more detailed information about risk profile, you may be found under the "Fees and Expenses" heading in the prospectus.

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