



R-co Conviction Credit Euro



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Fund positioning

In December, the Euro Investment Grade Corporate Bond market posted a slightly negative performance. As a result, 2021 performance was -1.08%, close to the lowest point of the year, the peak to through performance was close to 2%, from August to the end of the year.

In December, interest rates increase had a -74bps negative contribution, but spreads tightening largely compensated with a +66bps positive contribution. Over the year, both ratings and spreads made a negative contribution, -130bps and -66bps respectively, while carry made a positive contribution of 54bps.

In this context, thanks to its defensive positioning on rates, and despite its over-exposure on credit, R-co Conviction Credit Euro posted a significant outperformance, mainly built during the first half of the year, and slightly improved at the year end. As a result of 2021 moves, the Investment Grade market start the year with a 0.48% yield and a modified duration of 5.25, compared with 0.17% and 5.29 one year ago, respectively.

We had a good rally on credit in December, as mentioned above, as Investment Grade and High Yield tightened by 12bps and 33bps, respectively, bringing Investment Grade to widen by 10bps for 2021. The curve has significantly steepened, which amplified the move of rates. Regarding rating, once again we can see a correlation with rates, as better ratings underperformed lower ratings: AA widened 19bps and BBB only 6bps. Across sectors, difference is less clear between them, except a clear gap between cyclical sectors (Industrials, Chemicals, Auto), which showed a better resilience than other sectors. Within financials, higher betas⁽¹⁾ also outperformed, just like subordinated banks and insurance, and the high beta real estate sector.

In December, the main contributor to the outperformance was the interest rates positioning. Credit positioning was slightly positive, but Alpha⁽²⁾ not. Under the rating angle, the High Yield/Non Rated diversification was a strong contributor, but also over-allocation on BBB ratings (and underweight in better ratings), and bond picking in the overall Investment Grade space. As a result, globally all bets worked under the rating angle. Only the hedge with Xover cost 18bps.

(1) Beta is a measure of the volatility—or systematic risk—of a security or portfolio compared to the market as a whole.

(2) Alpha is a term used in investing to describe an investment strategy's ability to beat the market, or its "edge."

Note: The above data and performance are from Bloomberg, as of 31/12/2021

The figures quoted relate to the past months. Past performance is not a reliable indicator of future performance and is not constant over time.

Performance calculated in € and net of dividends reinvested.

Key figures

- Modified duration: 3.69
- DTS⁽³⁾: 134%
- Yield: 1.34%

Key points of the strategy

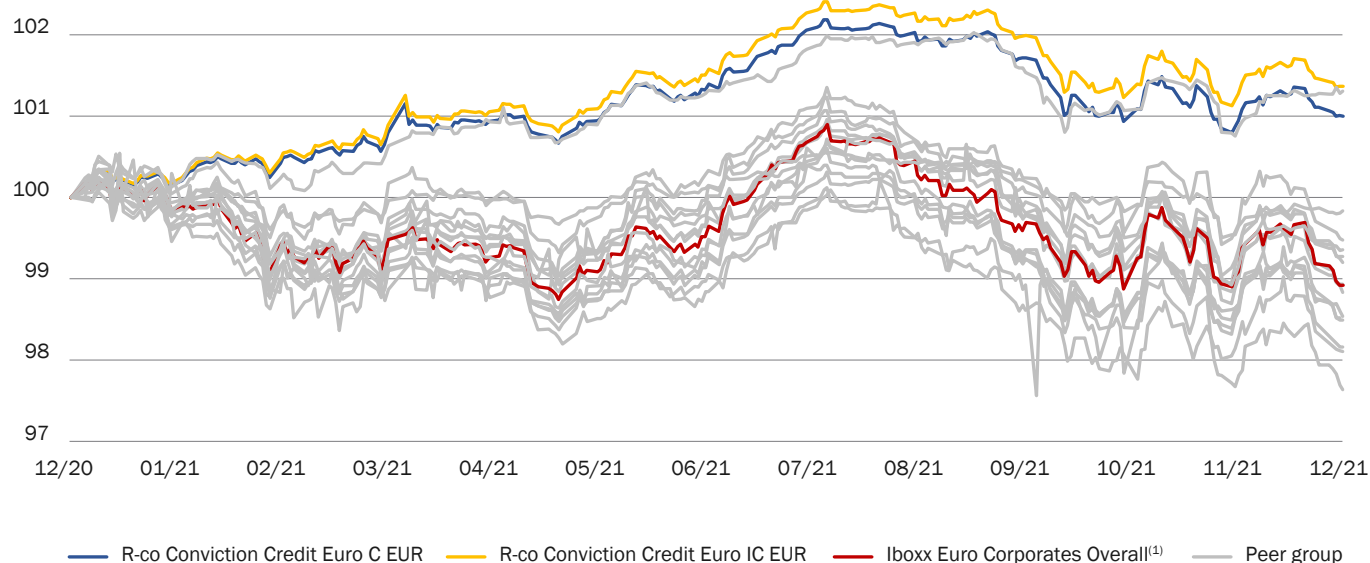
- One of the largest credit funds managed from Paris.
- A diversified client base in France and abroad, from Wealth management to Institutional clients.
- A very good track-record along the full cycle.

- A conviction management allowing to do strong bets in order to outperform the benchmark.
- An opportunistic management over the last years:
 - To catch spreads when risk premiums were high and a progressive reduction of the risk over the recent period.
 - To sustain of a low modified duration to avoid the volatility risk of an underlying expensive asset.

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(3) DTS : Duration Time Spread

R-co Conviction Credit Euro vs. Peer group : 2021 performances



(1) R-co Conviction Credit Euro benchmark

Sources: Bloomberg, Rothschild & Co Asset Management Europe, 31/12/2021.

Please note that there are many methods of forming peer groups. Here we use comparable funds with the same risk level. The presentation of information relating to the competitive sample cannot be dissociated from the presentation of the general characteristics of the UCITS. Investors must refer to the investment objectives, costs and risks associated with the product.



The risk level of this sub-fund is 3 (volatility between 2% and 5%) and mainly reflects its positioning on private debt products while having a sensitivity between 0 and +8. The historical data used to calculate this synthetic indicator may not be a

reliable indication of the sub-fund's future risk profile. The risk category associated with the sub-fund is not guaranteed and may change over time, either upwards or downwards.

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