

September 2022 | Rothschild & Co Asset Management Europe



R-co Valor Bond Opportunities, 3 years of flexible and opportunistic bond management



Emmanuel Petit
Head of Fixed Income

Launched in August 2019, R-co Valor Bond Opportunities is bond fund that puts a flexible and opportunistic strategy into play on the international fixed-income markets. The fund consists of a core corporate bond portfolio, along with satellite strategies, mainly in interest rates and inflation. The management team, consisting of Emmanuel Petit, Head of Fixed Income, and Julien Boy, Bond Manager, possess broad discretion in terms of allocation (credit risk, rate sensitivity, geographical regions) and in terms of management tools (futures, swaps and CDS)⁽¹⁾.



Julien Boy
Fixed Income manager

Through our Valor fund range's discretionary approach, R-co Valor Bond Opportunities has, over the past three years, demonstrated its ability to get through rough market phases while achieving satisfactory performances and meeting its objective of controlling volatility.

2019-2020 – A promising launch

The corporate bond allocation, consisting of both financial and non-financial⁽²⁾ issuers, was the main source of fund performance, driven in part by bond-picking. Timely expansion of exposures and tactical use of CDS, even during the Covid-19 crisis, proved to be beneficial to performance. Meanwhile, fund volatility was kept in check during a very rough 2020 with directional bets on nominal or real interest rates and inflation expectations, as well as with relative value interest-rate strategies between developed countries.

(1) Futures are a firm commitment to buy or sell an agreed quantity of an asset at an agreed price on an agreed date.

A swap is a contract by which counterparties (generally banks or other financial institutions) agree to trade one financial flow for another within an agreed timeframe and under specific pre-determined terms. Credit default swaps (CDS) are derivatives that act as insurance against the non-repayment of a debt.

(2) Private company bonds.

Source: Bloomberg, Rothschild & Co Asset Management Europe, 29/08/2022.

Management teams are subject to change.

References to past rankings and awards are not a guide to future rankings or awards.

The above information does not constitute investment advice or a recommendation to invest.

The figures quoted relate to past years. Past performance is not a reliable indicator of future performance, and is not consistent over time. The performance is calculated in €, net of management fees and reinvested dividends. The investor is exposed to a risk of capital loss. For more details on the risks, the investor can refer to the prospectus, section "Risk profile" of this UCI's prospectus.



2021 – Early optimism was not misplaced

In 2021, corporate bonds continued to serve as a spearhead of performance, making a positive contribution despite deliberately more conservative overall positioning. Partial portfolio hedging via CDS was kept in place throughout the year.

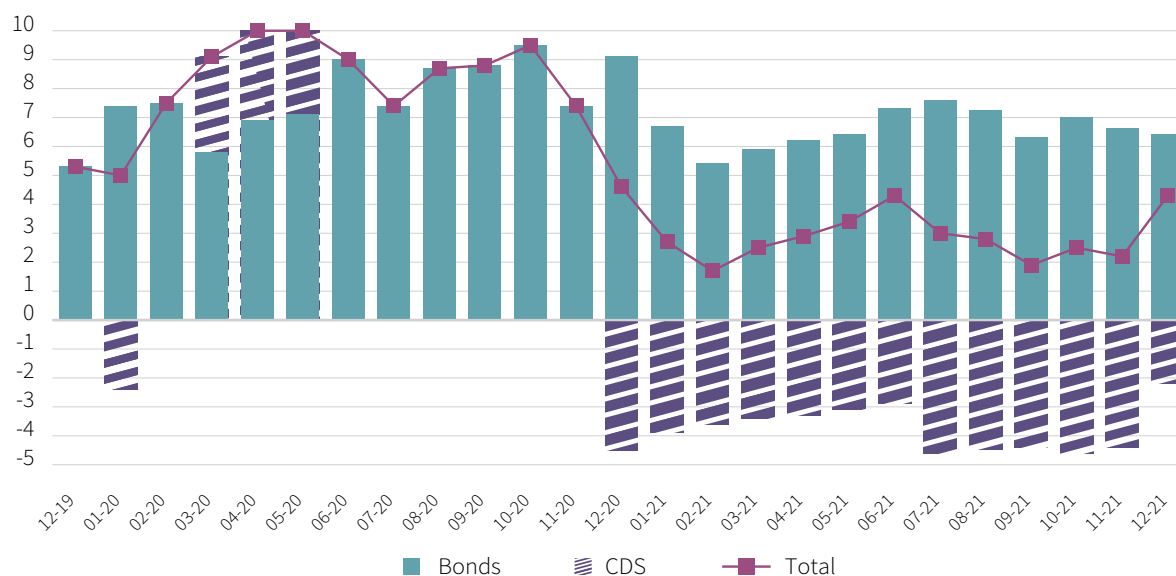
The portfolio's various satellite strategies, such as increased inflation expectations, the dollar's appreciation vs. the euro, and relative value positions all generated returns.



R-co Valor Bond Opportunities' potential was soon recognised at the Globes de la Gestion 2021 awards in the category "Best Newcomer" category.

The prize recognised the expertise of the bond team, whose opportunistic investment philosophy is based on fundamentals, combined with broad flexibility.

Credit risk evolution⁽³⁾ – 2020-2021



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

(3) Credit risk (or adjusted DV01): A measure of bond risk that estimates its change in price in euros for each basis point change in its yield. It is calculated at the overall portfolio level and may be expressed in basis points. "Adjusted" means that we consider a 1-basis point change in investment grade to be, historically, equivalent to 3.5 basis points in high yield.

Source: Bloomberg, Rothschild & Co Asset Management Europe, August 2022.

The above information does not constitute investment advice or a recommendation to invest.

The figures quoted relate to past years. Past performance is not a reliable indicator of future performance and is not constant over time. The performance is calculated in €, net of management fees and reinvested dividends. The investor is exposed to a risk of capital loss. For more details on the risks, the investor can refer to the prospectus, section "Risk profile" of this UCI's prospectus.

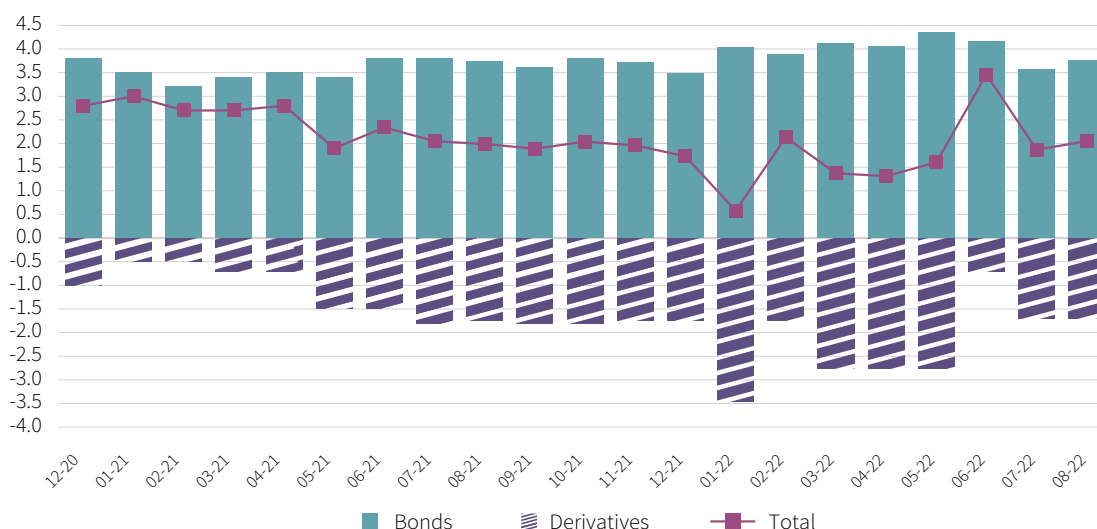


2022 – A highly volatile market but one offering opportunities

So far this year, higher rates, combined with a spike in inflation has produced a challenging environment on the fixed-income markets, particularly for corporate bonds, but while also offering attractive opportunities. In investment grade(4), yields are once again attractive after sinking to extremely low levels for years. In high yield(5), there are bonds out there with credit trajectories that are positive or at least resilient.

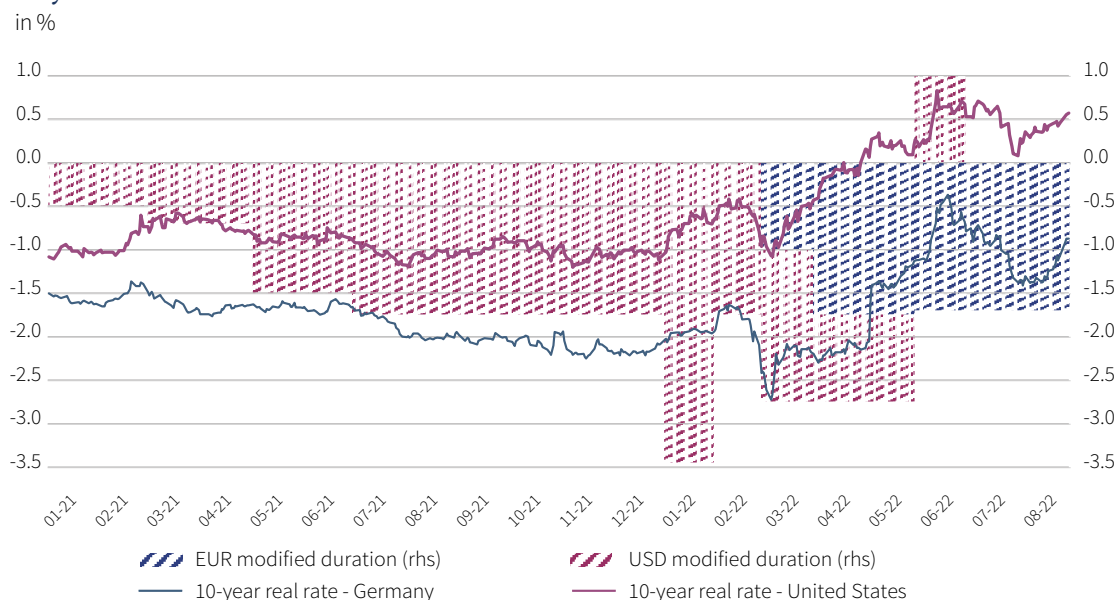
From summer 2021, in anticipation of rising interest rates, we opted for negative sensitivity to real rates, first in the US and then in Europe. This helped us cushion the fall on the credit market. Different countries are situated at different points in the economic cycle, and that creates significant spreads between them, thus offering relative value opportunities.

Modified duration evolution – 2021-2022



Source: Rothschild & Co Asset Management Europe, 31/08/2022.

10-year real rates vs. Derivatives modified duration



Sources: Bloomberg, Rothschild & Co Asset Management Europe, 31/08/2022.

(4) A debt security issued by a company or a government rated between AAA and BBB- on the Standard & Poor's scale.

(5) High yield bonds are issued by companies or governments having a high credit risk. They are rated below BBB- on the Standard & Poor's scale.

Source: Bloomberg, Rothschild & Co Asset Management Europe, August 2022.

The above information does not constitute investment advice or a recommendation to invest.

The figures quoted relate to past years. Past performance is not a reliable indicator of future performance and is not constant over time. The performance is calculated in €, net of management fees and reinvested dividends. The investor is exposed to a risk of capital loss. For more details on the risks, the investor can refer to the prospectus, section "Risk profile" of the prospectus of this UCI.



A positive showing in a chaotic environment

In just three years of existence, R-co Valor Bond Opportunities has faced an especially shaky macroeconomic environment marked by the Covid-19 crisis, the sudden resurgence of inflation, and the tightening of central bank monetary policies.

By being very responsive in its allocation choices, the management team has taken advantage of the fund's flexibility with thoroughness and discipline, while seizing opportunities on the bond market.

Performances	YTD	2021	2020	Since inception ⁽¹⁾	1 year volatility
R-co Valor Bond Opportunities I EUR	-7.73%	4.14%	7.01%	4.33%	4.61%
ESTER capitalised + 3.035%	1.98%	2.95%	2.96%	9.17%	0.05%

(1) Inception date: 28/08/2019.

Source: Rothschild & Co Asset Management Europe. 31 August 2022.

Performances are stated in euros. after management fees and with dividends reinvested.



The risk level of this sub-fund is 3 (volatility between 2% and 5%) and mainly reflects a discretionary management policy that exposes the portfolio to the interest rate markets in a diversified manner over the medium term. 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. The lowest risk category does not mean that the fund is risk free. The sub-fund is not capital protected. Other important risk factors not adequately taken into account by the indicator are: credit risk, counterparty risk, liquidity risk, impact of techniques such as derivatives. The occurrence of any of these risks may cause the net asset value of the sub-fund to fall. For more information on the risk profile and its main contributors, please refer to the prospectus.

Before investing, it is essential to read the Fund's SIP and prospectus carefully, and in particular the section on risks and fees, as well as the section on the investment policy, section on risks and fees, available on the Rothschild & Co Asset Management Europe website: am.eu.rothschildandco.com

Source: Bloomberg, Rothschild & Co Asset Management Europe, August 2022.

The above information does not constitute investment advice or a recommendation to invest.

The figures quoted relate to past years. Past performance is not a reliable indicator of future performance and is not constant over time. The performance is calculated in €, net of management fees and reinvested dividends. The investor is exposed to a risk of capital loss. For more details on the risks, the investor can refer to the prospectus, section "Risk profile" of the prospectus of this UCI.



Disclaimer

This is a simplified, non-contractual advertising document. The information, comments and analyses contained in this document are provided for information purposes only and should not be considered as investment advice, tax advice, a recommendation or investment advice from Rothschild & Co Asset Management Europe. The information/opinions/data contained in this document, considered legitimate and correct on the day of its publication, in accordance with the economic and financial environment in place on that date, are subject to change at any time. Although this document has been prepared with the utmost care from sources deemed reliable by Rothschild & Co Asset Management Europe, it does not guarantee the accuracy or completeness of the information and assessments it contains, which are for guidance only and are subject to change without notice. Rothschild & Co Asset Management Europe has not independently verified the information contained in this document and therefore assumes no responsibility for any errors or omissions, nor for the interpretation of the information contained herein. All data has been prepared on the basis of accounting or market information. Not all accounting data has been audited by an auditor.

Furthermore, given the subjective nature of certain analyses, it should be stressed that the information, projections, estimates, expectations, assumptions and/or opinions are not necessarily put into practice by the management teams of Rothschild & Co Asset Management Europe or its affiliates, who act according to their own convictions. Certain forward-looking statements are prepared on the basis of certain assumptions, which may differ either partially or totally from reality. Any hypothetical estimate is, by its nature, speculative and it is possible that some, if not all, of the assumptions relating to these hypothetical illustrations may not materialise or may differ significantly from current determinations. This analysis is valid only at the time of writing.

R-co Valor Bond Opportunities is a sub-fund of the French Société d'Investissement à Capital Variable "R-co", whose registered office is at 29, avenue de Messine - 75008 Paris, registered under number 844 443 390 RCS PARIS. The information does not presume the suitability of the fund presented to the profile and experience of each individual investor. Rothschild & Co Asset Management Europe shall not be held liable for any decision taken on the basis of or inspired by the information contained in this document. In case of doubt, we recommend that you contact your financial or tax advisor before making any investment decision. The Undertaking for Collective Investment (UCI) presented above is organised under French law and regulated by the Autorité des marchés financiers (AMF).

About Rothschild & Co Asset Management Europe

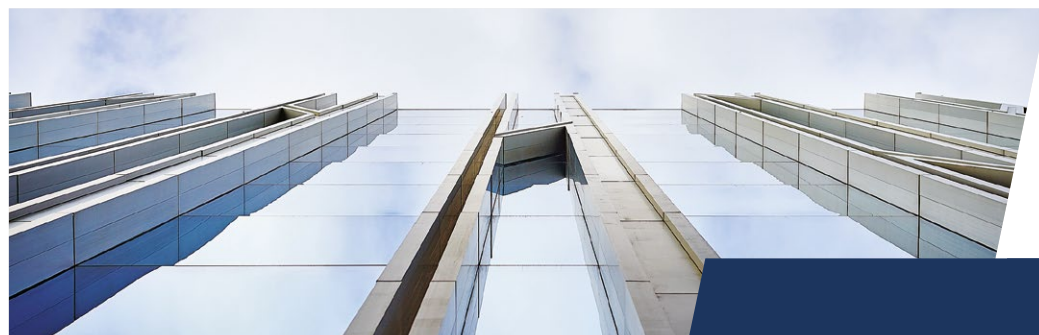
As a specialist asset management division of the Rothschild & Co group, we offer personalised management services to a wide range of institutional investors, financial intermediaries and distributors. Our development is based on a range of open-ended funds, marketed under four strong brands: Conviction, Valor, Thematic and 4Change, and benefiting from our long-term expertise in active and conviction management as well as in delegated management. Headquartered in Paris and operating in 9 European countries, we manage over €23 billion and employ nearly 160 people. More information on: am.eu.rothschildandco.com

Investing in units or shares of any UCI is not without risk. Before investing, it is imperative to read carefully the DICI and prospectus of the fund, and more particularly its section on risks. Each investor should also check the jurisdictions in which the units or shares of the UCI are registered. The complete DICI/prospectus is available on our website: am.eu.rothschildandco.com. The net asset value (NAV) / net asset value (NAV) is available on our website. The information presented is not intended for distribution and does not constitute an invitation to US persons or their agents. The units or shares of the UCI presented in this document have not been and will not be registered in the United States under the U.S. Securities Act of 1933, as amended ("Securities Act 1933") or admitted to trading under any U.S. law. These units or shares may not be offered, sold or transferred in the United States (including its territories and possessions) nor may they benefit, directly or indirectly, a "U.S. Person" (within the meaning of Regulation S of the Securities Act of 1933) and assimilated persons (as referred to in the U.S. "HIRE" law of 18/03/2010 and in the FATCA system).

Please note that past performance is not a reliable indicator of future performance and is not constant over time. The value of investments and the income derived from them may go down as well as up and is not guaranteed. You may not get back the amount originally invested. Changes in exchange rates may increase or decrease the value of investments and the income derived from them when the reference currency of the Fund is different from the currency of your country of residence. Funds with an investment policy that focuses on specialist markets or sectors (such as emerging markets) tend to be more volatile than more generalist and diversified allocation funds. For a volatile fund, fluctuations can be particularly large, and the value of the investment may therefore fall sharply. The performance figures presented do not take into account any fees and commissions charged on the subscription and redemption of units or shares of the fund concerned. The portfolios, products or securities presented are subject to market fluctuations and no guarantee can be given as to their future evolution. The tax treatment depends on the individual situation of each investor and may be subject to change.

Published by Rothschild & Co Asset Management Europe, a portfolio management company with capital of €1,818,181.89, 29, avenue de Messine - 75008 Paris. AMF approval no. GP 17000014, RCS Paris 824 540 173.

No part of this document may be reproduced without the prior permission of Rothschild & Co Asset Management Europe, under penalty of prosecution.



Join us on
LinkedIn 

For further information
am.eu.rothschildandco.com

 **Rothschild & Co**
Asset Management