



EDR SICAV EUROPEAN SMALLER COMPANIES:

Leverage Fresh Economic Momentum in Europe

INTERVIEW



**Caroline
GAUTHIER**

Europe is entering a new phase of massive investment supported by the historic rearming and infrastructure spending plans announced recently by Germany and the European commission. This major turnaround is part of broader efforts to support reindustrialisation, technological innovation, and economic sovereignty.

It also offers a highly attractive environment for Europe's small and mid-sized companies, particularly as their cyclical and domestic profile should allow them to fully reap the benefits these investment plans will generate for the Eurozone's economy.



**Benjamin
ROUSSEAU**

Launched in December 2022, EdR SICAV European Smaller Companies enables investors to capture the potential of this asset class, by identifying and backing Europe's future champions through active management and conviction-driven stock picking.



**Ariane
HAYATE**

Portfolio Managers - European Equities, Edmond de Rothschild Asset Management (France)

THE SPECIFICITIES OF EUROPEAN SMALLER COMPANIES¹: GROWTH, AGILITY AND INNOVATION

European smaller companies have pride of place in any equity diversification strategy on account of the many advantages they offer, including superior earnings momentum.

Flexible and innovative, these smaller companies tend to operate in niche markets, at the cutting edge of the transformations playing out in our economies. They also play a valuable and fundamental role in the real economy, as they supply two thirds of European jobs. For these reasons, European Small caps clearly stand to benefit from the investment policies supporting industry and digitalisation across the continent.

1. Small Caps are companies with a small market capitalization, unlike Large Caps.

A PORTFOLIO ALIGNED WITH THE NEW CHALLENGES FACING EUROPE

EdR SICAV European Smaller Companies targets European small and mid-caps with market capitalisations ranging between 50 million and 10 billion euros, with a particular focus on companies below 5 billion euros. Europe offers abundant opportunities within this segment: 2,500 companies² operate within this space.

The fund's investment philosophy³ builds on three fundamental pillars:

- **Thorough stock selection** - based on fundamental analysis and a field approach
- **Active and nimble investment approach** - benchmark agnostic but with strict risk management
- **A long-term investment horizon** - to fully capture the scaling up of our investee companies.

Stock picking draws on a thorough selection process that focuses on:

- **Stocks displaying robust fundamentals and profitability**, dynamic growth, and a sound balance sheet
- **Businesses operating in attractive areas or themes**
- **Companies that create employment** and are best positioned to **bolster the ecosystem for European smid caps**.

The fund therefore aims to select companies displaying robust business models as well as convincing and durable growth strategies. These are the companies best poised to reap rewards from the European investment plans. In this environment, and with sovereignty issues prompting Europe to reinforce its industrial and technological fabric - notably in its most strategic sectors - several of the companies already held in the portfolio will continue to play a determining role over the next few years. The fund is exposed to GTT and Maire in the energy space, to Exosens and Renk in defence, and to the Wienerberger and Bilfinger⁴ groups which should benefit from the German infrastructure plan.

A PORTFOLIO STRUCTURED TO UNLOCK VALUE

The EdR SICAV European Smaller Companies fund invests in around 70 stocks⁵. The key criteria of the selection process is the quality of corporate fundamentals⁶.

The portfolio displays average financial metrics that

are considerably superior to those of the index, the MSCI EMU Small Caps, notably in terms of sales growth, operating margins and return on capital employed (ROCE⁷). Finally, the average debt of our investee companies is much lower than the index, with approximately 40% of the portfolio invested in businesses with net positive cashflow in 2024.

Furthermore, the portfolio invests a large share of its assets in companies that lead their respective markets and are family-owned or entrepreneurial businesses. Examples in France include Vusion Group (the world's leading electronic shelf-label specialist) and ID Logistics (leading contract logistics player, currently expanding internationally); elsewhere, Do & Co (Austrian company, leader in premium catering for airlines) and Raysearch Laboratories (Swedish software provider for cancer treatment) also rank among the investment team's strong convictions.

EXPOSURE TO FIVE KEY THEMATICS

While the fund's investment approach is primarily driven by stock picking, three structural trends do stand out in the portfolio: technology, the environment, and demographics & society. These three pillars can be subdivided into 5 themes - or megatrends: economic and social digitalisation, the shift to a low-carbon economy enabled by the energy transition and the circular economy, urbanisation and the development of new infrastructure, population ageing, and finally, premiumisation.

Some of these key investment areas are already priorities for Europe - notably digitalisation, the low-carbon economy, or the much-needed modernisation of critical infrastructure.

Now that Europe is ramping up its economic and strategic repositioning, EdR SICAV Smaller Companies is an attractive solution for investors seeking to diversify their portfolios while benefiting from the new growth and investment momentum currently sweeping across the continent.

2. Source: Bloomberg.

3. The investment process described above incorporates various internal management constraints implemented by the management team. This is the current process, which may change over time.

4. The information on companies should not be considered as an opinion of the Edmond de Rothschild Group on the foreseeable evolution of these securities and, if applicable, on the foreseeable evolution of the price of the financial instruments they issue. This information does not constitute a recommendation to buy or sell these securities.

5. Source: Edmond de Rothschild Asset Management as at 28.03.2025.

6. The investment process described in this document incorporates various internal management constraints put in place by the management team. This reflects the current investment process, which may change over time.

7. ROCE: Return on Capital Employed: the return on invested capital measures a company's profitability based on the capital invested.

EdR SICAV European Smaller Companies is a sub-fund of the French SICAV authorised by the AMF and authorised for marketing in Austria, Switzerland, Luxembourg, Italy, Germany, Spain, and France.

Main investment risks

Risk indicator:

1	2	3	4	5	6	7
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The risk indicator rates this fund on a scale of 1 to 7. This indicator is used to assess the level of risk of this product in comparison to other funds and a category 1 rating does not mean that the investment is risk free. In addition, it indicates the likelihood that this product will incur losses in the event of market movements or our inability to pay you. This indicator assumes that you hold the product until the end of the recommended holding period of this fund. The actual risk may be very different if you choose to exit before the end of the recommended holding period of this Fund.

The risks described below are not exhaustive.

Risk of capital loss: The UCITS does not guarantee or protect the capital invested; investors may therefore not get back the full amount of their initial capital invested even if they hold their units for the recommended investment period.

Equity risk: The value of a stock may change depending

on factors specific to the issuer but also on exogenous, political or economic factors. The SICAV may be exposed to the equity markets either via direct investments in equities and/or via financial contracts and/or UCITS. Fluctuations of the equity markets may lead to substantial variations in the net assets which may have a negative impact on the performance of the SICAV. Performance will depend on companies picked by the investment company.

Risk related to small and mid-cap companies: On these markets, the volume of listed securities is lower; therefore, market trends are more pronounced, both upwards and downwards, and more rapid than for large caps. Net asset value can therefore fluctuate rapidly and significantly.

Liquidity risk: The markets in which the UCITS trades may occasionally be affected by a lack of liquidity. These market conditions may affect the prices at which the Sub-fund may have to liquidate, initiate, or modify positions.

Fund characteristics

Investment Objective: EdR SICAV European Smaller Companies is a European equity fund that aims, over the recommended investment horizon, to outperform its benchmark, the MSCI EMU Small Cap (NR). The fund is mainly exposed to European small and mid caps.

Inception date: 08/12/2022

Fund Currency: EUR

ISIN Codes: A Share: FR0014009Z77 / I Share: FR0014009ZC8

Subscription fee: A Share: Max 3% / I Share: None

Minimum initial subscription: A Share: 1 share / I Share: € 500 000

Maximum management fees: A Share: 1.90% incl. tax / I Share: 0.95% incl. tax

Variable management fees: 15% of outperformance above the MSCI EMU Small Cap (NR)

Redemption charges: None

Benchmark: MSCI EMU Small Cap (NR)

Recommended investment horizon: > 5 years

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