# EDMOND DE ROTHSCHILD SICAV CORPORATE HYBRID BONDS

*Seeking a high yield return profile for investment grade default risk*

Detail, bank lounge, Paris

MARKETING COMMUNICATION: This is a marketing communication. Please refer to the UCITS prospectus and the Key Information Documents before making any final investment decision. EdR SICAV Corporate Hybrid Bonds is a sub-fund of the French SICAV authorised by the AMF and authorised for marketing in Austria, Switzerland, Germany, Spain, France, Luxembourg, Italy and Portugal.

EDMOND DE ROTHSCHILD

# Key highlights of our strategy in 2024

Edmond de Rothschild Asset Management has firmly established itself as a pioneer in Corporate Hybrid Bonds, having successfully raised over €700 million since the strategy's inception three years ago. This achievement highlights our status as a major player in Europe in the field of non-financial subordinated debt. EdR SICAV Corporate Hybrid Bonds is now one of the largest funds dedicated to "pure play" corporate hybrid strategy.

Recently, Vianney Hocquet joined our Fixed Income team in Paris. He now manages the fund alongside Marc Lacraz and Daniela Savoia. With almost 15 years of experience in the European bond markets, Vianney brings an invaluable expertise from his previous senior roles, enhancing the expertise of our team.

**A pioneer**

Edmond de Rothschild is a pioneer in the corporate hybrid segment and is one of the fastest growing asset managers in the space.

**A growing asset class**

A future building block for fixed income allocations

**+777 M€ AuM**

Throughout 2024, the strategy's assets under management have doubled to reach 777 million euros[1].

# 3 portfolio managers

**one of the only investment teams dedicated to corporate hybrid bonds**

**Marc LACRAZ**

Portfolio Manager
Corporate Hybrid Debt

**Vianney HOCQUET**

Portfolio Manager
Corporate Hybrid Debt

**Daniela SAVOIA**

Portfolio Manager
Corporate Hybrid Debt

The fund managers presented in this document may change over the course of the fund's life. Daniel Savoia and Marc Lacraz are managing part of the portfolio for non-Eurozone bonds.

1. Assets under management as at 31/12/2024 (open funds + dedicated funds).

# Our convictions on the asset class

Corporate Hybrid Bonds, which represent a market of €250 bn[2], are subordinated debt instruments[3] issued by non-financial companies, usually to support their credit ratings.

Considered as half equity and half debt, Corporate Hybrid Bonds serves as an attractive financing vehicle for capital-intensive sectors. Their tax benefits and reduced sensitivity to interest rates enable companies to fund capital expenditures without compromising their credit ratings.

These bonds offer a particularly attractive risk/return trade-off, and with low interest-rate risk due to their relatively short duration[4] (coupons reset every five years on average), they are increasingly considered by our clients as an integral part of their bond allocation.

**Our fund capitalizes on these advantages to deliver a yield to call[5] of 5.5%[6].**

# Dynamic Portfolio Management

Actively and discretionarily managed, our fund is predominantly invested in corporate hybrid debt securities issued by companies from various geographic regions.

**While our holdings remain largely European (including the United Kingdom), new opportunities have arisen with the recent adoption of revised accounting methodologies for hybrid bonds in the United States.** Indeed, 2024 was a record year across the Atlantic for hybrid corporate bond issues, with a total amount reached of $24 billion, five times the amount issued the previous year[7]. Thanks to our global approach, our strategy will be able to take advantage of these new opportunities to further diversify the portfolio.

| | **Fund** | **Benchmark** |
|---|---|---|
| Number of Issuers | **58** | **42** |
| YTW[8] | **4,40%** | **4,20%** |
| Modified Duration | **3** | **3,1** |
| Average Rating[9] | **BBB-** | **BBB** |

# 2025 Performance and Outlook

Since 2022, the Corporate Hybrid Bond segment had been underperforming, due to the market's poor assessment of extension risk, i.e. the risk that the bond will not be redeemed early on the date set by the issuer. This led to a spread differential[10] with BB high-yield bonds, which has been partially normalized this year.

With the recent normalization of spreads and central banks easing rates, investors have regained confidence in issuers' abilities to refinance and redeem bonds at the first call date. We believe this revaluation trend, particularly notable in real estate, telecommunications, and among semi-public issuers, is ongoing and will likely support the asset class's performance in the coming 12 months.

2. Source: Edmond de Rothschild Asset Management, data as of 30 november 2024.
3. Subordinated debt instruments are a type of debt security that ranks below other types of debt in terms of claims on a company's assets or earnings. In the event of a liquidation or bankruptcy, subordinated debt holders are paid after senior debt holders but before equity holders.
4. Short duration refers to bonds or debt securities that have a relatively low duration. Duration is a measure of a bond's sensitivity to changes in interest rates; it represents the weighted average time it takes to receive all cash flows (interest and principal payments) from the bond.
5. Yield to call is the yield of a bond or note if you were to buy and hold the security until the call date.
6. The performance/return objective is based on the achievement of market assumptions made by the Edmond de Rothschild Group and does not constitute a promise of growth/performance/return.
7. Source: Edmond de Rothschild Asset Management, Data as of 30/11/2024.
8. Yield to worst is a measure that helps investors assess the minimum yield they can expect from a bond with an early retirement provision.
9. Source: Edmond de Rothschild Asset Management, Data as of 30/11/2024.
10. Spread differential is the difference between market interest rates achieved by two parties who enter an interest rate swap.

Source: Edmond de Rothschild Asset Management (France), Front Office data at 12/31/2024. The above companies/securities are presented for illustrative purposes only. The information on the securities should not be construed as an opinion of Edmond de Rothschild Asset Management (France) on the foreseeable development of the said securities and, where applicable, on the foreseeable development of the price of the financial instruments they issue. This information is not to be considered as a recommendation to buy or sell these securities.

# Main investment risks

RISK INDICATOR: 1 **2** 3 4 5 6 7

**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. **Credit risk:** The main risk is that of the issuer defaulting on payment, failing to pay the interest and/or repay the capital. Credit risk also relates to the downgrading of an issuer. Investors' attention is drawn to the fact that the Fund's net asset value may drop in the event of a total loss being recorded on an operation following a counterparty default. The presence of corporate bonds in the portfolio – either directly or through UCITS – exposes the Fund to the effects of changes in credit quality. **Hybrid and Subordinated Securities Risk:** The Fund may be exposed to hybrid or subordinated debt. Hybrid or subordinated debt is subject to specific risks of non-payment of coupons and loss of capital under certain circumstances. For non-financial bonds, hybrid debt is deeply subordinated debt, which implies a low recovery rate in case of default of the issuer. **Risks related to contingent convertible bonds (Cocos):** Cocos are subordinated debt securities issued by credit institutions or insurance or reinsurance companies, eligible in their regulatory capital and which have the specificity of being convertible into shares, or whose nominal value can be reduced (a so-called "write down" mechanism) in the event of the occurrence of a "trigger", previously defined in the prospectus. A Coco includes an option to convert into shares at the issuer's initiative in the event of a deterioration of its financial situation. In addition to the credit and interest rate risk inherent in the bonds, the activation of the conversion option may result in a decrease in the value of the Coco above that of the issuer's other conventional bonds. Depending on the terms of the relevant Coco, certain triggering events may result in a permanent write-down to zero of the principal investment and/or accrued interest or a conversion of the bond into equity.

# Fund characteristics*

**Investment Objective:** to outperform the benchmark over the recommended investment period through a portfolio invested mainly in hybrid debt securities of companies from any geographical region. These bond-type securities are issued by non-financial companies with the following characteristics: Subordinated payment rank and issued with a «perpetual» maturity or more than 50 years at issuance.
**Inception date:** 09/12/2021
**Fund currency:** EUR
**ISIN Codes:** A Share: FR00140059A7 / I Share: FR0014005930
**Minimum initial subscription:** A Share: 1 share / I Share: € 500 000

**Subscription fee:** A Share: Max 1% / I Share: None
**Management fees:** A Share: max. 1.15% / I Share: max. 0.55%.
**Variable management fees:** 15% of performance compared with the benchmark
**Redemption charges:** None
**Benchmark:** ICE BofA Global Hybrid Non-Financial 5% Constrained Corporate Index
**Recommended investment horizon:** > 3 years

* Shares described herein are the main euro-denominated shares. The fund also has shares in USD and CHF. Please ask you sales contact for any further information.



MANAGEMENT COMPANY AND GLOBAL DISTRIBUTOR
**EDMOND DE ROTHSCHILD ASSET MANAGEMENT (FRANCE)**
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