



EDMOND
DE ROTHSCHILD

EDMOND DE ROTHSCHILD SICAV EUROPEAN SMALLER COMPANIES

Fundamental and “fieldwork” approach



**CAROLINE
GAUTHIER**

WHAT ARE THE MAIN FEATURES OF THE EDR SICAV EUROPEAN SMALLER COMPANIES FUND?

Launched in December 2022 to strengthen our range, this PEA¹-eligible and SRI-labelled fund invests in small and mid-sized companies within the European Union or the European Economic Area (EEA). The fund's investment philosophy is based on three pillars: stock selection - driven by fundamental analysis including a fieldwork approach; benchmark-agnostic investment combined with thorough risk management; and finally, a long-term vision to support over time the companies we invest in as they expand.



**BENJAMIN
ROUSSEAU**

WHAT IS THE BREADTH OF YOUR INVESTMENT UNIVERSE?

We invest in small and mid-caps, i.e. companies with market capitalisations above 50 million euros and under 10 billion. This universe comprises around 2,500 stocks in Europe. The fund invests primarily in companies with market caps below 5 billion euros. We specifically target companies displaying quality fundamentals (robust profitability, convincing growth outlook and sound balance sheets), run by managers we appreciate for their short-term execution capabilities and long-term vision. The companies must also meet our environmental, social and governance (ESG) standards.



**ARIANE
HAYATE**

WHAT MAKES THESE STOCKS SPECIAL?

Smaller companies are often innovative leaders in fast-growing niche areas and tend to be already profitable, with growing margins. They combine potential for high earnings growth with an attractive risk/return and in our view, should be part of any asset allocation strategy. These companies are also the lifeblood of the European economy as they employ two thirds of the workers across the continent.² We therefore invest in companies which we believe create employment opportunities over cycles of 3 to 5 years.

HOW IS THE INVESTMENT TEAM STRUCTURED?

Our investment team includes 3 small-cap specialists with an average 20 years' investment experience. We operate as part of Edmond de Rothschild Asset Management's equity investment platform which includes 20 fund

*Portfolio Managers
EdR SICAV European Smaller
Companies*

*The identity of the managers presented in this document may change during the life of the product.

MARKETING COMMUNICATION: This is a marketing communication. Please refer to the UCITS prospectus and the Key Information Documents before making any final investment decision.

manager-analysts, meaning we benefit from the expertise of the firm's regional specialists (Europe, US, China, emerging markets) and thematic experts (Big Data, Healthcare, Green Economy, Human Capital etc). We also draw from the extensive SRI research resources deployed in-house since 2011.

DO YOU GO OUT AND MEET THE COMPANIES YOU INVEST IN?

Yes, and this is a core aspect of our approach. Each of us meets 200 companies every year on average. We travel throughout Europe to visit companies and meet their managers. We also conduct multiple on-site visits every year to meet the operational leaders and gain a deeper knowledge of these companies and the challenges they face.

YOU USE THE "4-C" COMPASS WHICH HELPS YOU NAVIGATE THE INVESTMENT UNIVERSE. HOW DOES THIS WORK?

This compass is a specific approach built around 4 key investment criteria (Growth, Value Creation, Competitive Advantage and « Chief »). These enable us to identify companies displaying the right characteristics for inclusion in the portfolio. We focus on companies offering a dynamic **Growth** momentum or superior visibility owing to secular trends or a favourable regulatory framework. These companies must also benefit from a substantial **Competitive Advantage**: high barriers to entry, pricing power, innovation or high added value, efficient cost management. As far as **Value Creation** is concerned, we ensure that the return on capital employed (ROCE) and free cash flow generation are both elevated.

AND THE FOURTH CRITERION?

« **Chief** » refers to the quality of management. We appreciate stable management teams, as these are conducive to the effective deployment of the company's strategy. Quality management should also combine a long-term strategic vision and shorter-term execution capabilities. We are also vigilant on the transparency of corporate communications and the frequency at which these teams reach out to their investors.

WHAT IS THE FINANCIAL PROFILE OF YOUR INVESTEE COMPANIES?

The portfolio invests in 60 to 80 stocks. At present, the fund's average ROCE³ in 2024 is close to 15%, compared

to 11% for the fund's benchmark (MSCI EMU Small Cap (NR)). Average turnover and earnings growth stand at +13.7% and +25.8% respectively for 2024, compared to -2.7% and +8.2% for the benchmark. Finally, investee companies have an average debt to EBITDA⁴ ratio of 0.4x, versus 1.8x for the benchmark – bearing in mind that around 50% of our portfolio companies display positive cash flows in 2024⁵.

ENTREPRENEURIAL AND FAMILY- OWNED BUSINESSES ACCOUNT FOR ALMOST HALF OF THE PORTFOLIO. WHY IS THIS?⁶

These companies create employment, and their specific business model combines a proactive development strategy and a focus on preserving capital. As long-term investors, we ensure that companies of this type are largely represented within our portfolio.

Examples include Do&Co, ID Logistics and Lu-Ve, all quality growth companies. Do&Co is an Austrian company specialising in airline and international event catering. Its premium positioning has enabled the company to gain market share over its rivals, doubling its sales in 5 years (despite the disruptions caused by the pandemic). Do&Co was founded in 1981 by M. Dogudan, who owns 31% of the capital and runs the company with his son. ID Logistics, France's leading provider of outsourced logistics services, was founded in 2001 by two entrepreneurs: Eric Hémar, who remains the company's CEO and main shareholder with a 50% stake, and Christophe Satin. The group, which today boasts some 400 warehouses worldwide, was recently chosen by Amazon to manage several of its US logistics sites.

Lu-Ve, one of the world's leading manufacturers of heat exchangers, was founded in 1985 by Iginio Liberali; in 2024, his son Matteo still leads the family group as Chairman and CEO.

WHAT MAJOR THEMES ARE INCORPORATED INTO THE PORTFOLIO?

Our investment strategy is based on pure stock picking. However, in hindsight, three key pillars do stand out within the portfolio, reflecting deep trends that are secular tailwinds for these companies: technology, environment, and demographics & society. These three pillars can be subdivided into 5 themes – or megatrends: digitalisation of the economy, the decarbonisation enabled by the energy transition and the circular economy, urbanisation and the development of new infrastructure, population ageing, and finally, premiumisation – or a company's ability to elevate their brand by focusing on high-end, premium products.

1. The tax treatment depends on the individual situation of each client and is subject to change at a later stage.

2. Source: International Labour Organization (2023).

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

4. Earnings before interest, tax, depreciation and amortization refers to a company's earnings before deducting interest, corporate tax, depreciations and amortization expenses.

5. Source: EdRAM/Factset, August 2024.

6. The information and opinions contained in this article were written up by Edmond de Rothschild Asset Management (France). While Edmond de Rothschild Asset Management (France) considers the information to be reliable and obtained from public sources believed to be reliable, such as corporate reports, no warranty expressed or implied is made regarding the accuracy and completeness of any information or opinion contained in this document.

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*

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.

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

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

The SRI label is a tool for choosing responsible and sustainable investments. Created and supported by the French Ministry of Finance, the label aims to make socially responsible investment (SRI) products more visible for savers in France and Europe.



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Any investment involves specific risks. Investors are therefore advised to ensure that any investment is suitable for their personal circumstances by seeking independent advice where appropriate. In addition, investors should read the Key Information Documents (KID) and/or any other document required by local regulations, which is provided prior to any subscription and is available in French and in English on the website www.edmond-de-rothschild.com under the "Fund Center" tab or free of charge on request. A summary of investors' rights in French and in English can be obtained at the following link: https://www.edmond-de-rothschild.com/SiteCollectionDocuments/LegalWebPartSiteDocument/France/_documents-reglementaires/EdRAM-France/EDRAM-FR-Principaux-droits-des-investisseurs.pdf. Edmond de Rothschild Asset Management (France) may decide to cease marketing this Fund in accordance with Article 93a of Directive 2009/65/EC and Article 32a of Directive 2011/61/EU. "Edmond de Rothschild Asset Management" or "EdRAM" is the trade name of the asset management entities of the Edmond de Rothschild Group. Source of information: unless otherwise indicated, the sources used in this document are those of the Edmond de Rothschild Group. Edmond de Rothschild SICAV European Smaller Companies is registered at the CNMV under n° 1801. Copyright Edmond de Rothschild. All rights reserved.

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Public limited company with a Management Board and Supervisory Board and a capital of 11,033,769 € - AMF approval number GP 04000015 - 332.652.536 R.C.S. Paris
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