



EDMOND
DE ROTHSCHILD

THE RIGHT TIME, THE RIGHT PLACE FOR CORPORATE HYBRIDS



**ALEXANDER
EVENTON**
*Fund Manager
Corporate Hybrid
Bonds*



MARC LACRAZ
*Fund Manager
Corporate Hybrid
Bonds*

► With the rate-hike cycle close to ending, fixed income markets offer excellent prospects in our view. Corporate hybrids offer an attractive risk/return profile and compare favourably to other fixed income segments.

WHAT ARE THE MAIN CHARACTERISTICS OF CORPORATE HYBRID BONDS? CAN WE EXPECT A HIGH YIELD RETURN FOR AN INVESTMENT GRADE DEFAULT RISK?

Corporate Hybrids are subordinated instruments issued by non-financial corporates, usually to support credit ratings.

The Corporate Hybrid universe continues to evolve and grow, with a market capitalisation that is now above €200bn, from almost zero a little more than 10 years ago. The segment is no longer a “niche” – the universe is now broadly equivalent in size to the EUR HY (BB) corporate space and the Additional Tier 1 Bank segment.

The issuer profiles are typically that of high quality companies in capex intensive but cash generative industries – the average issuer quality in our fund is BBB+. Yet, interestingly, corporate hybrid yields are typically equivalent to that of BB

High Yield¹ corporates – the current yield to call² of the fund, excluding real estate issuers, is above 7.5%³.

IN A FEW WORDS, WHAT ARE THE STRENGTHS OF THE ASSET CLASS IN THE CURRENT CONTEXT?

Corporate hybrids can be viewed as a defensive source of carry/credit exposure, as we take subordination in high quality issuers, instead of additional credit risk, to generate an additional spread⁴.

We believe these high-quality corporate hybrid issuers have a major advantage in that they can prove resilient in several scenarios, notably higher refinancing costs (higher for longer) or turbulent markets (hard landing).

The segment is growing fast and diversification prospects are improving as new issuers expand the geographical and sectoral reach.

*The fund managers featured in this document may change during the product's life.

1. High Yield: corporate bonds with a higher default risk than investment grade bonds but which pay out higher coupons. Investment Grade: bonds rated as high quality by rating agencies.

2. The term “yield to call” refers to the return a bondholder receives if the security is held until the call (early repayment option) date, prior to its date of maturity.

3. Source: Edmond de Rothschild Asset Management. Data as at 15/11/2023. This is not a guarantee.

4. The spread is the difference between the actuarial rate of return on a bond and the rate of return on a risk-free loan with the same maturity.

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

WHY INVEST IN CORPORATE HYBRID BONDS AT EDMOND DE ROTHSCHILD?

Edmond de Rothschild is a pioneer in the corporate hybrid segment and is one of the fastest growing asset managers in the space, with one of the only investment teams dedicated to corporate hybrid bonds. While the asset class is now over €200bn, there are only a handful of managers offering “pure play” corporate hybrid funds and even fewer with €150m or more under management.

Our flagship fund, Edmond de Rothschild SICAV Corporate Hybrid Bonds, celebrates its second anniversary in December with the €300M milestone

reached thanks to the trust placed in us by existing and new clients who share our enthusiasm for corporate hybrids.

We consider the segment to be a future building block for fixed income allocations. In absolute terms, the very attractive risk/reward is drawing new investors to the segment, while the relative value entry point presented by underperformance versus leveraged asset classes, is driving switches from other areas of fixed income and beyond.

MAIN INVESTMENT RISKS

RISK INDICATOR:



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.

Interest rate risk: By holding debt securities and money market instruments, funds are exposed to changes in interest rates. This risk is defined as a rise on interest rates causes a decline in bonds valuation and therefore a fall in of the fund's NAV.

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 your sales contact for any further information.

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A summary of investors' rights in French and English can be obtained at the following link: <https://www.edmond-de-rothschild.com/SiteCollectionDocuments/LegalWebPartSiteDocument/France/documents-reglementaires/EdRAM-France/EDRAM-EN-Main-rights-of-investors.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. Copyright Edmond de Rothschild. All rights reserved.

EdR SICAV Corporate Hybrid Bonds is registered at the CNMV under n.o 1801.



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EDMOND DE ROTHSCHILD ASSET MANAGEMENT
(FRANCE)

47 rue du Faubourg Saint-Honoré / FR - 75401 Paris Cedex 08
Société anonyme governed by an executive board and a supervisory board
with capital of 11,033,769 euros.

AMF Registration No. GP 04000015 - 332.652.536 R.C.S. Paris

INVESTMENT ADVISOR
EDMOND DE ROTHSCHILD (SUISSE) S.A.

18 rue de Hesse / CH - 1204 Geneva

www.edmond-de-rothschild.com