EDMOND
DE ROTHSCHILD

ALPHA IN EM DEBT

Workshop at the Assets & Liabilities Convention 2021 in Essen

SEPTEMBER 2021

EDMOND DE ROTHSCHILD ASSET MANAGEMENT (France)

EDMOND DE ROTHSCHILD, BOLD BUILDERS OF THE FUTURE.

RATING PERTINENCE…

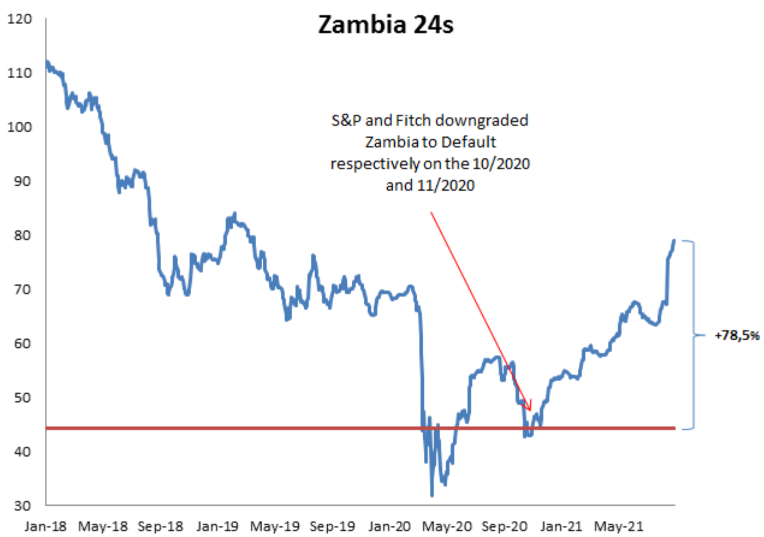
► Too much divergence between rating & valuation

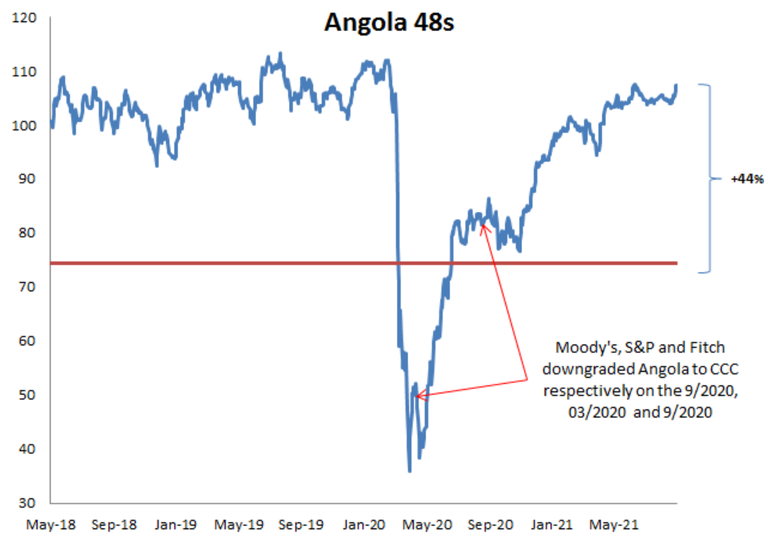
	JPM EMBI	Greece
Rating	BBB-	BB
Spread	313bp	147bp

	Petroperu 47s	Petrobras 43s
Rating	BBB	BB-
Spread	333bp	305bp

	Angola 48s	Nigeria 47s
Rating	B-	B-
Spread	670bp	556bp

► Rating agencies are most of the time backward looking





Source : Edmond de Rothschild Asset Management (Switzerland), Bloomberg as of 10/09/2021
Past performance and past volatility are not reliable indicators for future performance and future volatility. They may vary over time.

BEING CONTRARIAN IS KEY TO CREATE ALPHA

Next outperformers are often among the current underperformers

Worst in 2011		2012 return	
Belize	-23,44%	-22,69%	EMBI +18,54%
Argentina	-12,41%	8,17%	
Egypt	-10,95%	19,66%	
Pakistan	-9,38%	34,79%	

Worst in 2012		2013 return	
Belize	-22,69%	48,95%	EMBI -6,58%
Jamaica	4,47%	7,42%	
Lebanon	5,00%	3,75%	
Jordan	7,93%	6,94%	

Worst in 2013		2014 return	
Uruguay	-14,50%	16,48%	EMBI 5,53%
Turkey	-12,61%	19,84%	
Venezuela	-12,34%	-28,74%	
Indonesia	-11,83%	16,04%	

Worst in 2014		2015 return	
Ukraine	-29,77%	41,79%	EMBI 1,23%
Venezuela	-28,74%	16,95%	
Russia	-10,16%	21,11%	
Ecuador	-9,07%	-2,98%	

Worst in 2015		2016 return	
Zambia	-19,50%	35,76%	EMBI 10,19%
Iraq	-13,56%	32,89%	
Brazil	-13,39%	20,56%	
Gabon	-10,64%	26,55%	

Worst in 2016		2017 return	
Belize	-36,30%	57,13%	EMBI 9,32%
Mozambique	-11,02%	21,14%	
Turkey	-1,01%	11,90%	
India	2,00%	4,93%	

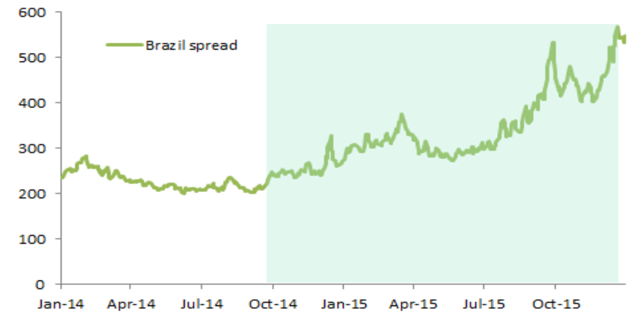
Worst in 2017		2018 return	
Venezuela	-34,43%	-20,29%	EMBI -4,61%
Bolivia	0,47%	-5,64%	
Latvia	2,16%	DM	
Slovakia	3,41%	-0,12%	

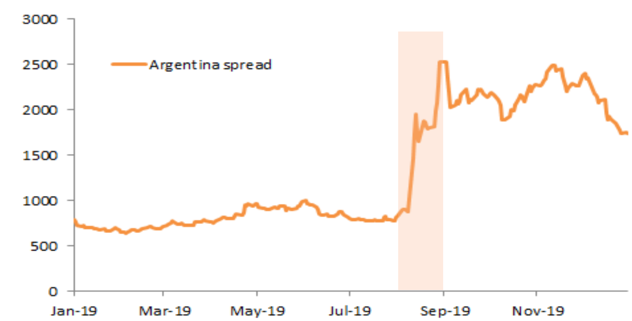
Worst in 2018		2019 return	
Zambia	-24,79%	3,49%	EMBI 14,42%
Argentina	-22,22%	-23,58%	
Nigeria	-10,73%	22,57%	
Senegal	-10,63%	28,13%	

Worst in 2019		2020 return	
Lebanon	-36,48%	-74,61%	EMBI 5,88%
Argentina	-23,58%	-23,80%	
Tajikistan	0,48%	14,86%	
Bahrain	0,00%	4,94%	

Worst in 2020		2021 return	
Lebanon	-74,61%	-31,57%	EMBI 0,33%
Ecuador	-50,00%	30,99%	
Sri Lanka	-31,30%	16,98%	
Argentina	-23,80%	-3,67%	
Zambia	-17,55%	47,43%	

Always paying attention to the market positioning





Source : Edmond de Rothschild Asset Management (Switzerland), JP Morgan as of 30/08/2021

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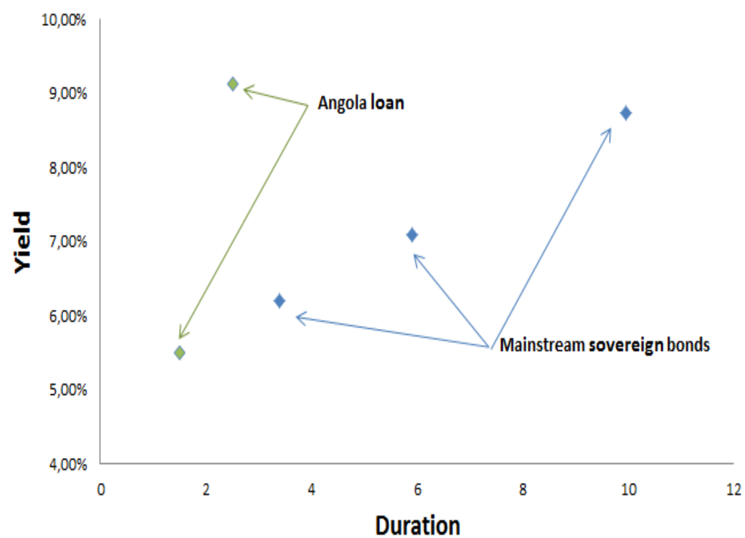
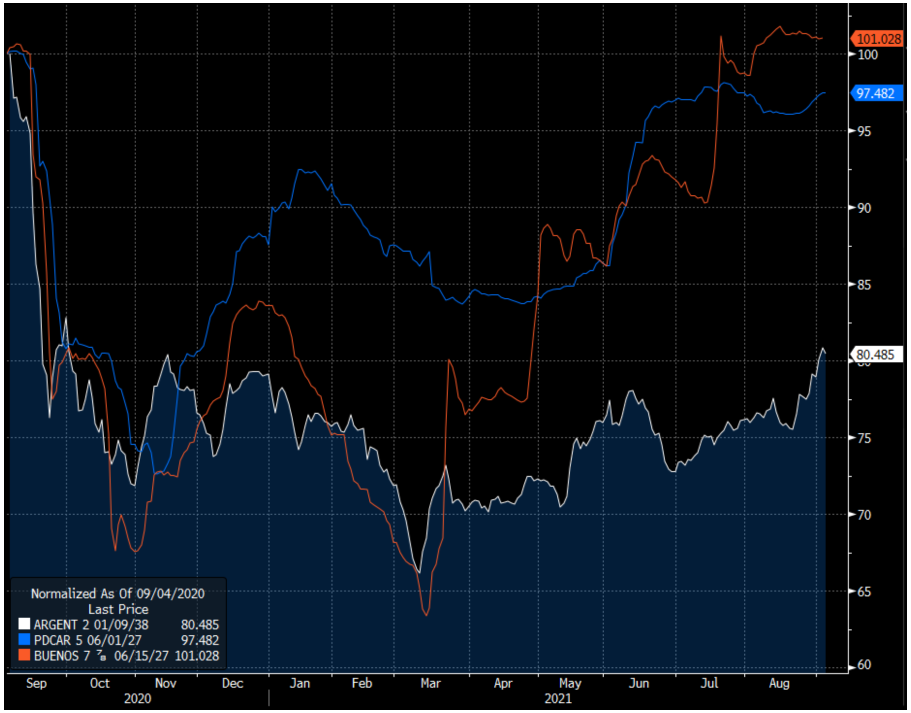
THINKING OUT OF THE BOX

Angola : Think beyond traditional bonds



Argentina : Provinces are offering a better risk adjusted profile



Source : Edmond de Rothschild Asset Management (Switzerland), Bloomberg as of 10/09/2021

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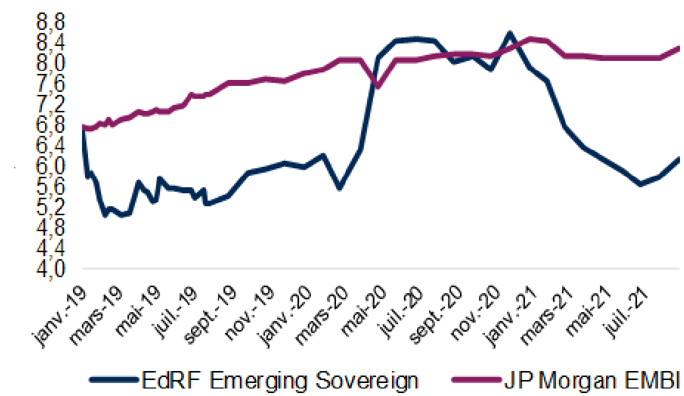
USING THE ALL EM UNIVERSE AND BEING FLEXIBLE

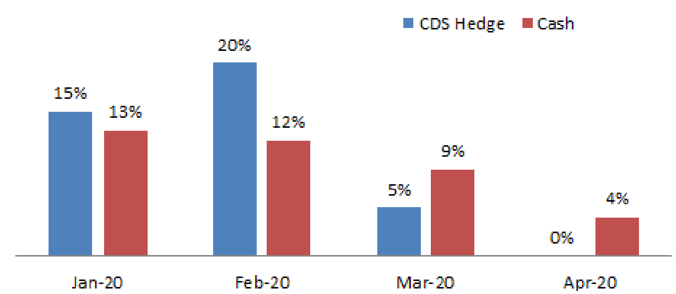
EM universe is large enough to find attractive opportunities

Flexibility is key to generate alpha

Duration evolution over time



CDS Hedge & Cash (% of NAV)



Source : Edmond de Rothschild Asset Management (France)

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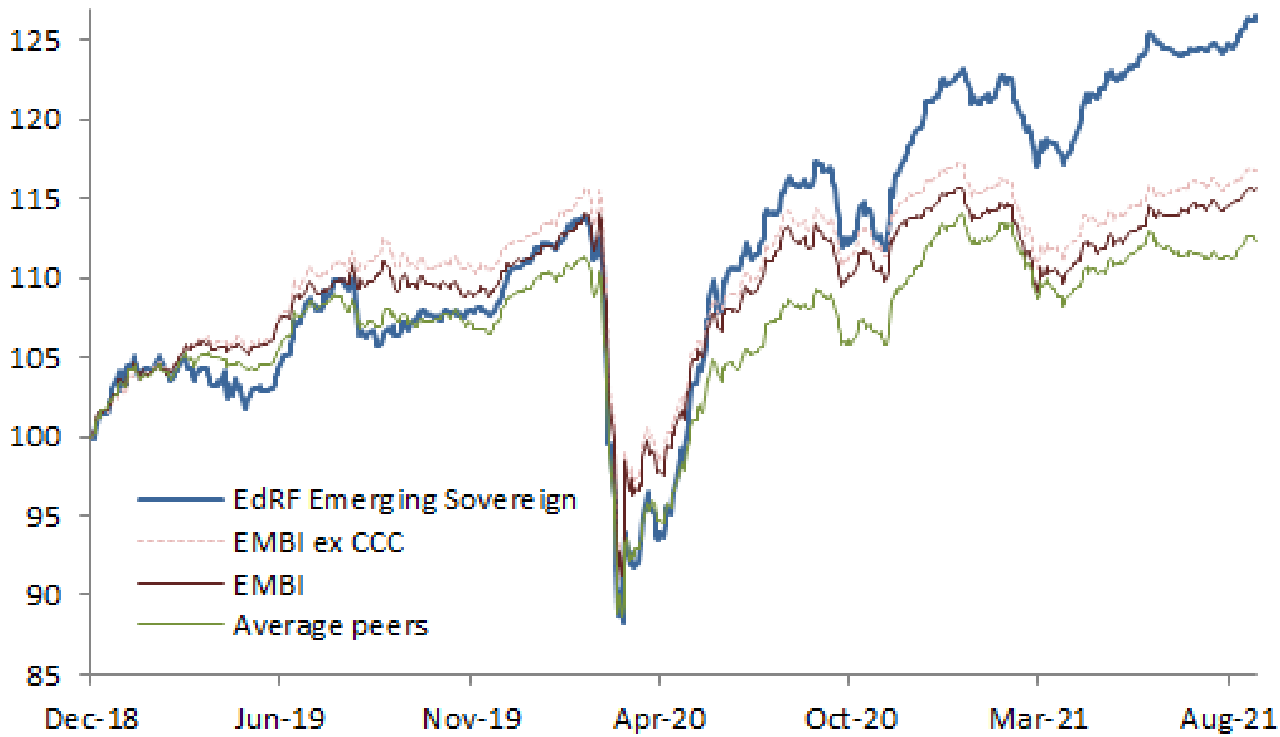
BE A LONG-TERM INVESTOR



	Perf / Vol	Perf / MDD
EdRF Emerging Sovereign (I€ share)	**1,04**	**0,4**
JP Morgan EMBI Global Diversified (EUR hedged)	0,7	0,27
JP Morgan EMBI Global Diversified ex CCC Index (EUR hedged)	0,75	0,28
Average Peers	0,67	0,21

Source : Edmond de Rothschild Asset Management (Switzerland) as of 10/09/2021

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OUTLOOK

DECORRELATION SHOULD BE THE KEY OVER THE NEXT YEARS

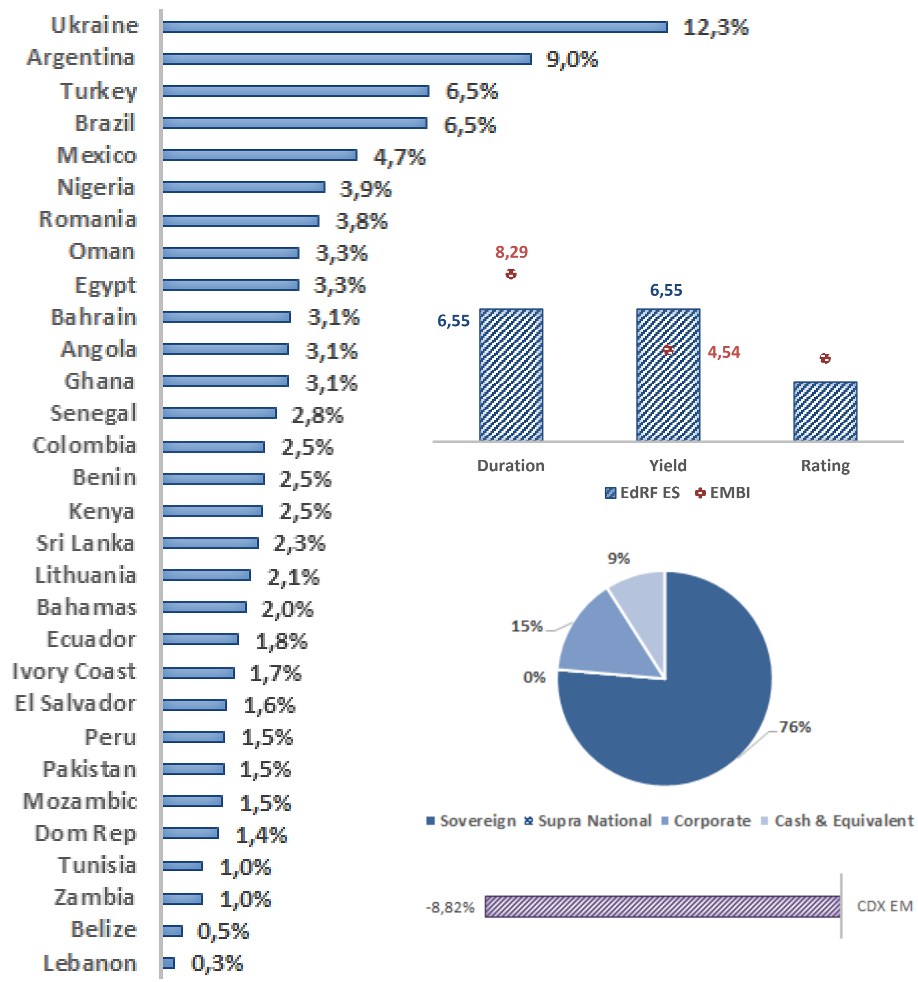
Global Macro

- Rates should continue to be volatile with an upside trend and global liquidity should decrease over the next years
- Overall better fundamentals and strong IMF/G20 financial support
- Valuation in EM debt remains attractive in relative basis to DM especially the HY segment…
- …but overall EM spreads are rich

Country Focus

- Remain exposed to idiosyncratic names where we can calibrate the risk like Belize, Zambia, Mozambique, Sri Lanka, Lebanon…
- HY beta names like Ukraine, Egypt or Turkey are offering attractive upside potential
- On IG space, Peru and Colombia start to be interesting

Country Allocation (% of NAV)



Source : Edmond de Rothschild Asset Management (Switzerland) as of 10/09/2021

EDRF EMERGING SOVEREIGN

MAIN RISKS (1/2)

The risks described below are not exhaustive. It is the responsibility of investors to analyse each investment's risk and to come to their own opinion.

► Risk of capital loss:

- The fund is not guaranteed, nor does it offer capital protection. There is some risk that the capital initially invested in the fund will not be fully recovered. Shareholders are hereby notified that the investment objective is provided for information purposes only. Under no circumstances can it be considered as a performance obligation for the asset management company.

► Discretionary management risk:

- Discretionary portfolio management is based on the anticipation of trends in different markets. There is some risk that the fund may not be invested at all times in the most lucrative markets or financial instruments.

► Interest rate risk:

- Interest rate risk is the risk linked to a rise in yields on the bond markets, which causes bond prices to fall and thus leads to a decrease in the fund's net asset value. A rise in yields can adversely impact performance over an undefined period; similarly, in the event of negative interest rate sensitivity, a decrease in yields can adversely impact performance over an undefined period, causing the fund's net asset value to decline as a result. The fund's interest rate sensitivity may fluctuate within a range of 0 to 15. Interest rate risk may cause the fund's net asset value to decline.

► Credit risk:

- In the event of a credit event (e.g. significant widening of the spread between a given issuer and a government bond with the same maturity), or the default or downgrading of a bond issuer (e.g. downgraded credit rating), the value of the debt securities in which the fund is invested may decrease and, in turn, cause the fund's net asset value to decline. The use of High Yield bonds, within the limit of 100% of the fund's net assets, may increase the risk of a decrease in NAV, as these securities generate increased default risk. This fund should be considered as speculative and is specifically designed for investors aware of the inherent risks of investing in securities issued by companies with low or non-existent ratings.

► Foreign exchange risk:

- The fund may invest directly in currencies either for exposure or hedging purposes. Foreign exchange risk can impact up to 100% of the fund's net assets.

► Non-transferability risk:

- This risk is associated with the impossibility of transferring a foreign currency from an account located in a given country to an account outside that country, or of transferring the domestic currency between two accounts domiciled in the country in question, or in favour of a person not residing in the country.

► Risks linked to investing in emerging markets:

- The fund may be exposed to some securities incurring a higher degree of risk than that usually associated with investments on the main financial markets, due in large part to local political and/or regulatory factors. The legal framework of some countries in which the underlying UCITS and investment funds might invest may not offer investors the same guarantees in terms of protection or information as those usually offered by the main financial markets. The securities issued on some emerging markets may be significantly less liquid and more volatile than those issued on more mature markets. In this respect, the liquidity of emerging country securities is more restricted than developed country securities; as a result, holding such securities may increase the portfolio's level of risk. Market declines can be more sudden and more pronounced than in developed countries, potentially causing the fund's NAV to fall faster and more significantly.

EDRF EMERGING SOVEREIGN

MAIN RISKS (2/2)

Risk associated with financial contract commitments and counterparty risk:

- The fund is exposed to risks inherent to derivative products. Risks inherent to the use of futures, options and swaps include, but are not limited to:
  - downward and upward fluctuations in the prices of options, warrants, swaps and futures, due to changes in the prices of their underlying instruments;
  - gaps between the prices of derivatives and the value of their underlying instruments;
  - the occasionally limited liquidity of such instruments on the secondary market.
- The use of financial derivative instruments (FDIs) will result in the creation of leverage. The level of leverage is not expected to be in excess of 500% of the net asset value of the Sub-Fund under normal circumstances, but investors should note that higher levels of leverage are possible.
- Entering into derivative contracts on the OTC market exposes the fund to potential counterparty risk. In the event the counterparty to a derivative defaults, the fund is liable to incur a financial loss. Use of derivative products may therefore generate risks of specific losses for the fund, which it would not have been exposed to if such strategies were not implemented.

Risk linked to hybrid products (convertible bonds):

- As convertible bonds can be converted into shares, they introduce equity risk into bond portfolios. They also expose the portfolio to equity market volatility, which is stronger than bond market volatility.

Foreign exchange risk:

- Foreign exchange risk is the risk linked to fluctuations of the currency in which some or all of the assets are invested, which may affect the investment return for an investor whose reference currency is a different currency. Investments in securities issued in foreign currencies are limited to 20% and are hedged against foreign exchange risk. However, unitholders could be exposed to a residual degree of foreign exchange risk.

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