EDMOND DE ROTHSCHILD

EDMOND DE ROTHSCHILD FUND EMERGING BONDS

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*Emerging Debt and Currency Manager**

Emerging debt: many opportunities

► **Edmond de Rothschild Fund Emerging Bonds aims to outperform the euro-hedged JP Morgan EMBI Global, with its exposure to all emerging bonds markets (sovereign and corporate).**

KEY POINTS

A booming asset class offering a more attractive risk/return combination than the sovereign bonds of some developed countries

A diversification vehicle offering global exposure to emerging debt

Opportunistic management combining several sources of performance

Emerging markets may be more volatile and less liquid than developed markets

The fund's currency risk exposure may be as high as 100%

The fund managers may change during the product's life.

Edmond de Rothschild Fund Emerging Bonds is a sub fund of the Luxembourg-regulated SICAV which is approved by the CSSF and approved for marketing in France, Luxembourg, Spain, Austria, Switzerland, Germany, Finland, United-Kingdom, Italy, Netherland and Taïwan.

ACTIVE AND FLEXIBLE MANAGEMENT BASED ON SEVERAL SOURCES OF PERFORMANCE

The manager uses a discretionary approach to **express his convictions** through a flexible and opportunistic allocation.

He thus has the option of deviating widely from his benchmark index to **seek out performance in countries and on instruments that reflect his investment convictions**.

The fund is managed actively in all emerging debt segments and can gain exposure to **"hard currency" debt, local-currency debt** (from Investment Grade to High Yield) and emerging currencies. The currency risk exposure may be as high as 100%.

EMERGING DEBT: A HIGH-VALUE MARKET

Emerging debt is a booming asset class and is **increasingly diversified**. It encompasses quite varied geographical regions and fundamentals making it possible to invest in multiple themes. Even so, it is still quite small, at only about 12% of the global debt market, while demand is constantly growing. This scarcity effect is a source of value for the asset class.

Moreover, **emerging sovereign bonds' risk/return profiles have improved considerably** in recent years. While fundamentals of mature economies have worsened, particularly in Europe, growth momentum and debt/GDP ratios are especially low, given the still-attractive yields of their issues.

In exchange for these high returns, the level of risk (volatility and liquidity) in emerging markets is still, on the whole, higher than in developed markets. Selectiveness is therefore imperative.

GLOSSARY

► **"Hard currency" debt** refers to bonds denominated in benchmark currencies traded on a global basis on currency markets. These are mainly the US dollar and the euro.

► In contrast, **local-currency debt** refers to bonds denominated in the domestic currency of the issuing entity.

► ***High Yield*** refers to corporate bonds having a higher default risk than ***Investment Grade*** bonds and that, in exchange, offer a higher coupon.

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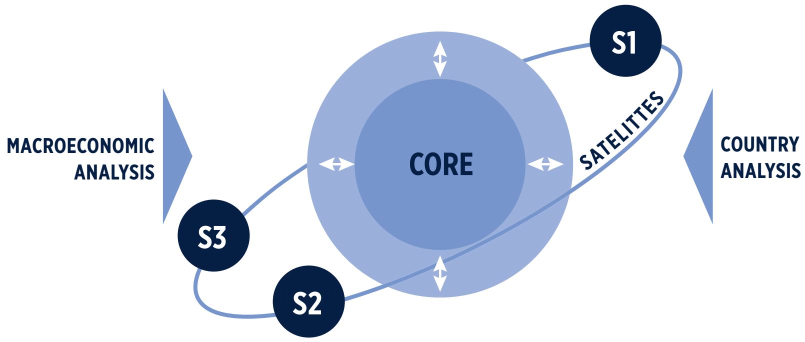
A DYNAMIC "CORE-SATELLITE" APPROACH THAT EXPRESSES THE STRONGEST MANAGEMENT CONVICTIONS

The fund is managed on the basis of a cross-referenced analysis grid, **combining macroeconomic forecasts and country-by-country analyses**. The management team then undertakes a core-satellite allocation. The core is similar to the benchmark, while satellites represent the manager's strongest convictions, whether overweighting positions in the index or selecting bonds from outside the index.

The fund's **great flexibility** allows it to position itself on all market segments, all types of issuers (sovereigns, quasi-sovereigns, companies) and throughout the rating spectrum (from Investment Grade to High Yield). The portfolio's final exposure and level of risk are then adjusted. The manager also ensures that at all times **its main positions are highly liquid**, notably by selecting the most heavily traded securities.

MANAGEMENT PROCESS



Source: Edmond de Rothschild Asset Management (France). The above investment process comprises various internal investment constraints set up by the investment team. The process may change over time.

FUND INFORMATION*

Inception Date: 29/04/1998

ISIN codes
A share : LU1160351208
I share : LU1160352354

Maximum fixed management fees
A share: 1,20% TTC / I share: 0.60% TTC

Variable management fees
10% of performance in excess of the benchmark

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

Front load charge: A share : 1% max
B share : 3% max / I share : None

Redemption charges: None

Benchmark: JPM EMBI Global Index in euro

Recommended investment horizon
> 3 years

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

MAIN POTENTIAL INVESTMENT RISKS

The subfund is classified in category 5 (A EUR & I EUR shares) in line with the nature of securities and geographical zones in the "objectives and investment policy" section of the key investor information document (KIID).

Risk of capital loss: The subfund is not guaranteed, nor does it offer capital protection. There is some risk that the capital initially invested in the subfund 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 subfund 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 subfund'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 subfund's net asset value to decline as a result.The subfund's interest rate sensitivity may fluctuate within a range of 0 to 15.Interest rate risk may cause the subfund'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 subfund is invested may decrease and, in turn, cause the subfund's net asset value to decline. The use of High Yield bonds, within the limit of 100% of the subfund'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 subfund may invest directly in currencies either for exposure or hedging purposes. Foreign exchange risk can impact up to 100% of the subfund's net assets.

Risks linked to investing in emerging markets: The subfund 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 subfunds 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 subfund's NAV to fall faster and more significantly.

Risk associated with financial contract commitments and counterparty risk: The subfund 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.

Entering into derivative contracts on the OTC market exposes the subfund to potential counterparty risk. In the event the counterparty to a derivative defaults, the subfund is liable to incur a financial loss. Use of derivative products may therefore generate risks of specific losses for the subfund, which it would not have been exposed to if such strategies were not implemented.

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