EDMOND DE ROTHSCHILD

ASSET MANAGEMENT

EDMOND DE ROTHSCHILD
TRICOLORE RENDEMENT

A fund with **the colours of a bright future**

THE FUND MANAGERS

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KEY POINTS

- An equity fund investing primarily in French and Eurozone companies*
- Two complementary performance drivers: dividends and value
- A proven track record of 15 years
- An engagement policy of positive and constructive dialogue fostering closer proximity between fund managers and companies.
- Carries the risk of capital loss on equity markets

In working towards the fund's performance target over the recommended investment horizon of 5 years or more, the fund managers apply a strategy which combines:

A high yield approach, focusing on growing and durable dividends:

- When selecting stocks, the fund managers demonstrate a marked preference for established dividends, accepting lower, but growing dividend pay-outs. They also look at future dividends – stocks where the yield is set to grow considerably over the coming years following recent capital expenditure.
- As our yield expectations became increasingly strict, we naturally chose to widen our investment universe, particularly where dividends were concerned. We therefore allow the fund to invest up to 25% of its assets outside of France*.

A value approach, designed to manage cyclical risk:

- Undervalued restructuring stocks. We select companies offering specific recovery characteristics and that are therefore less dependent on the economic cycle: new management teams, changes to the business or improvements to balance sheets.
- Quality stocks selected from a group of industrial and financial cyclicals. We deliberately avoid those that carry excessive risk (fragile balance sheets, weakening business models) and keep a very close eye on the magnitude of the discount - a driving factor in our selling discipline.

The active management of cash within the portfolio is determined according to the valuation of the market; this also contributes to optimising the fund's risk-return combination.

PERFORMANCE DRIVERS FOR EDMOND DE ROTHSCHILD TRICOLORE RENDEMENT

Value

- "Value" has outperformed "Growth" 5 years out of 6 between 2007 and 2012
- The current market environment is more favorable to Value** equities: systemic risk is fading and Eurozone indicators are stabilising at low levels
- Current market valuations have not factored in a cyclical recovery

Yield

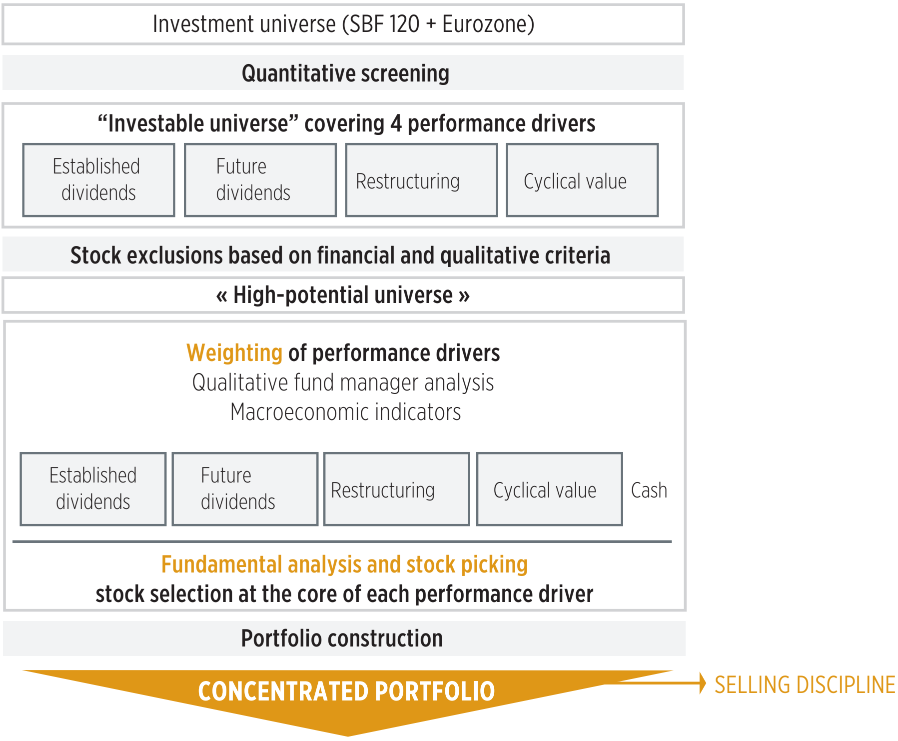
- High yielding stocks are increasingly sought after as an alternative to bonds
- The yield within the portfolio is robust: the investment process aims to identify stocks delivering durable, growing dividends and potential shareholder returns (including dividend pay-outs, share buy-backs...)

France

- The French market has the potential to catch up with its North European counterparts without taking too much peripheral risk (Southern Europe).
- French companies are benefiting from their global expansion.

*Equity investments outside of French shall not exceed 25% of net assets. The fund's exposure to equities outside of the Eurozone shall not exceed 10% of net assets. ** Undervalued stocks.

INVESTMENT PROCESS



FUND INFORMATION

Legal form
Fonds commun de placement under french law

AMF Classification
Euro zone equity Euro

Inception date
12/04/1998

ISIN Codes
'C' share : FR0010588343
'I' share : FR0010594325

Management fees
'C' share : 2,0% Maximum
'I' share : 1,0% maximum

Variable management fees
None

Minimum initial subscription
'C' share : 1 part
'I' share : 500 000 €

Subscription fee
4,5% maximum

Redemption fee
None

Benchmark
SBF 120, net dividends reinvested

Redemption charges
None

Recommended investment horizon
> 5 years

PRINCIPAL INVESTMENT RISKS

This UCITS is rated in category 6, in line with the type of securities and geographic regions detailed under the heading "Objectives and investment policy", as well as the currency of the unit.

Capital risk: The UCITS does not guarantee or protect the capital invested, so investors may not recover the full amount of their initial capital invested even if they retain the units for the recommended investment period.

Equity risk: The value of a share may vary as a result of factors related to the issuing entity but also as a result of external, political or economic factors. Fluctuations in the equity and convertible bond markets, whose performance is partly correlated with that of the underlying equities, may lead to substantial variations in net assets, which could have a negative impact on the net asset value performance of the UCITS.

Interest rate risk: Exposure to interest rate products (debt securities and money market instruments) makes the UCITS sensitive to interest rate fluctuations. Interest rate risk might result in a fall in the value of the security and, therefore, the NAV of the UCITS in the event of a change in the yield curve.

Credit risk: The main risk is that of default by the issuer, involving either the non-payment of interest and/or the non-repayment of capital. Credit risk is also linked to the downgrading of an issuer. Unitholders are reminded that the net asset value of the UCITS is likely to drop if a total loss is recorded on a transaction following default by a counterparty. The inclusion of private corporate debt in the portfolio, whether directly or through UCIs, exposes the UCITS to the effects of variations in credit quality.

Currency risk: The capital may be exposed to currency risk when the securities or investments of which it is composed are denominated in a currency other than that of the UCITS. Currency risk corresponds to the risk of a fall in the exchange rate for the listing currency of financial instruments in the portfolio against the UCITS'reference currency, the euro, which may lead to a fall in the net asset value.

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