



# Fund Manager Interview



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## QUADRIM 8, the all-terrain fund designed to capture market performance

**Edmond de Rothschild Investment Managers is expanding its all-terrain product range with the addition of QUADRIM 8, an opportunistic fund targeting an annual return of 6% and a limited annual volatility of 8%. Read on for more information about this new conviction-based fund.**

### You have recently launched a new fund, QUADRIM 8. What management strategy is it based on?

We have combined two complementary aspects of our expertise: absolute performance management and directional management, which we characterise as a flexible-beta strategy. The objective of the first expertise is to generate a positive return, even in adverse market environments; the downside, however, is that it can only partially capitalise on upward market trends. Directional strategies on the other hand enable fund managers to exploit market upturns, yet they can also expose the portfolio to declines.

The efficiency of both management styles depends on the market environment: in 2008, for example, when absolute performance funds were delivering good returns, directional strategies were hit extremely hard by

the crisis. In 2009, however, the latter generated impressive performances. We therefore believe that a portfolio's risk/return ratio can be optimised by combining absolute performance strategies with flexible-beta strategies. This is why we are offering investors the opportunity to invest in a single fund that makes use of both these management styles: QUADRIM 8.

### How is QUADRIM 8 different from the other fund in this range, RFS QUAD 4?

RFS QUAD 4, launched in May 2007, is an absolute performance fund involving no directional bias whatsoever, whereas QUADRIM 8 is managed according to a hybrid approach. While QUADRIM 8 can implement similar strategies to those used by RFS QUAD 4, it has the possibility of weighting them differently thanks to less stringent management restrictions and a higher risk budget. QUADRIM 8 also has a broader investment universe; not only can the fund invest in the equity, bond and currency markets but it can also participate in the convertible bond and commodity markets, allowing it to exploit a wide spectrum of opportunities.

In addition, QUADRIM 8 has the capacity to short sell a given asset class. This strategy is not intended to be

implemented spontaneously in bullish markets but can be used to protect the portfolio's net asset value in unfavourable market environments. QUADRIM 8 also differs from RFS QUAD 4 in that it is not a pure arbitrage fund. It can make use of directional strategies in order to take advantage of market trends.

### How do you decide how to weight these two strategies?

Our objective is to maintain, in terms of the risk budget, a relatively equal balance between absolute performance and directional strategies. That said, the portion of the risk budget allocated to each of these two return drivers is not set in stone but rather varies according to market conditions and the management team's expectations. Our aim is to optimise returns by efficiently weighting the two strategies and also, first and foremost, to create a portfolio that is permanently diversified.

### In concrete terms, how is the fund invested?

QUADRIM 8 is invested on a discretionary and opportunistic basis, spanning a broad range of asset classes: equities, bonds, currencies, convertible bonds and commodities. The fund does



not invest directly in securities but rather creates exposure to these markets through derivatives, with the emphasis on liquidity and responsiveness.

The two management approaches are implemented via three complementary strategy types: value strategies, whereby we primarily seek out undervalued stocks; macroeconomic strategies, which are based on identifying major trends; and technical strategies, which can prove highly effective in periods of severe volatility.

### What restrictions have you put in place when it comes to constructing the portfolio?

The construction of the portfolio is based on different investment principles, the first being the combination of directional and absolute performance strategies, although, as we have already mentioned, the weighting of these two strategies within the portfolio may vary, in particular in response to market fluctuations.

The diversification of the portfolio is also high on the list of the management team's priorities. Diversification is carried out on three different levels – the asset classes invested in, the geographic zones explored and the strategies implemented – with the objective being to decorrelate the portfolio.

### What risk control procedures are in place?

The management team has set itself various restrictions in terms of risk control. In this respect, QUADRIM 8 is subject to a daily VaR calculation and has a VaR limit of 0.8% (with a confidence level of 95%). Stop losses are also put in place in order to optimise the portfolio's risk management.

In addition to the checks performed by the management team, ex-post controls are carried out in order to ensure that the portfolio respects the specific investment rules that we have set for ourselves as well as the restrictions laid down by the regulatory authorities. These checks are carried out internally by two teams which are independent of the management team and subject to verification by the LCF Rothschild Group as well as by the valuation agent and the custodian.

### How does the use of quantitative tools tie in with the discretionary approach?

QUADRIM 8 is not a systematic fund in the strictest sense of the term. The managers carry out their own market analysis and never implement a strategy that they believe is doomed to fail in light of their predictions. That said, they attach great importance to the results of the different quantitative models as they are based on an objective approach rather than consensus forecasts and the latest fads. The quantitative approach also facilitates the implementation of different management styles, thereby encoura-

ging strategy diversification.

### What type of investor is this fund designed for?

This fund is intended for all kinds of investors. QUADRIM 8 is first and foremost a highly-diversified, opportunistic, conviction-based fund that combines directional and absolute performance strategies so as to achieve the highest level of decorrelation possible vis-à-vis the markets. It provides a concrete solution to investors wishing to multiply their sources of return in an unstable environment.

QUADRIM 8 - CHARACTERISTICS			
	C share	I share	S share
<b>ISIN code</b>	FR0010793711	FR0010827568	FR0010827576
<b>Income attribution</b>	Capitalisation		
<b>Net asset value</b>	Daily		
<b>Terms of subscription and redemption</b>	Everyday before 11 a.m.		
<b>Subscription fee (not attributed to fund)</b>	3% maximum	None	
<b>Redemption fee</b>	None		
<b>Management fee (fixed)</b>	Max. 1.50% incl. VAT	Max. 0,85% incl. VAT	Max. 0,50% incl. VAT
<b>Performance fee</b>	20% above annual performance of 6%		
<b>Minimum initial subscription</b>	1.000 €	500.000 €	5.000.000 €

#### Disclaimer and Risks

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Principal risks in QUADRIM 8 : capital loss risks, model risk, discretionary management risk, arbitrage strategy risk, equity market risk, risks associated with small and mid capitalisations, risks associated with hybrid products (convertibles), interest rate risk, foreign exchange risk, emerging market investment risk, Risque liés aux matières premières, credit risk, risk associated with hedge funds, risk associated with financial futures. The main risks for the fund are listed in its full prospectus.