Rothschild & Co
Asset Management



R-co Conviction Credit Euro – Conviction-based fixed income management in a higher-for-longer rate environment



Emmanuel Petit
General Partner, Head of Fixed Income



Philippe Lomné
Fixed Income Portfolio Manager
Specialisation: IG Credit IG & Crossover

In a fixed income environment still marked by volatility, R-co Conviction Credit Euro illustrates the ability of a high-conviction management to combine carry, risk discipline and allocation flexibility.

The solidity of the fund since the beginning of the year is based all on a high bond carry, that is to say on attractive coupons, combined with controlled sensitivity, which has made it possible to mitigate the impact of market movements. At the beginning of the year, the focus placed on high-quality issuers, with a portfolio mainly invested in Investment Grade[1] bonds, strengthened the overall robustness. This construction was complemented by strong diversification and by tactical hedges of credit risk, notably via the iTraxx Main CDS[2], in order to cushion shocks when this proved necessary.

This management logic remains intact today: to build the portfolio in an opportunistic and flexible way, without renouncing prudence when markets become more demanding. The rise in rates and risk premia first led the management team to increase the portfolio duration as well as the exposure to the most remunerative credit, with the idea of capturing yield over a longer period. More recently, with spreads having returned to tight levels, the strategy consists more in preserving the yield embedded in the portfolio in order to benefit from the positive momentum that could accompany a possible resolution

of certain geopolitical tensions, while reinstating hedges that had been partially removed during phases of volatility. This sequence clearly reflects the philosophy of the fund: to remain invested when a return potential still exists, but to continuously adjust the protection of the portfolio to the evolution of the environment.

One of the most differentiating characteristics of R-co Conviction Credit Euro lies in its level of diversification and its selection discipline. Where some credit funds adopt more directional positioning or concentrate their convictions, the fund favors a very broad investment universe, composed of hundreds of carefully selected issuers. This diversification makes it possible to dilute idiosyncratic risk and to seek a more regular performance across different market regimes. Issuer selection remains central, with constant attention paid to credit quality, visibility of cash flows and the level of risk remuneration. It is this combination of diversification and selectivity that allows the fund to maintain a readable and robust management profile in a credit universe that is sometimes more unstable than it may appear.

In the current environment, the euro Investment Grade segment appears as the most attractive in view of the risk/return profile. It benefits both from the rise in rates, which has improved carry, and from relatively limited credit risk. In addition, certain short-duration High Yield[3] bonds may provide an additional yield with contained interest rate risk, provided they are approached with a high degree of selectivity. As for corporate hybrid bonds, they offer more significant spread premia, but with higher sensitivity; they are therefore treated sparingly and only on solid issuers. This hierarchy of market segments reflects a pragmatic reading of the environment: opportunities still exist, but they must be sought with method rather than with a logic of indiscriminate exposure to risk.

More broadly, the market now seems to be incorporating the idea of a durably higher interest rate regime. Geopolitical tensions, the more persistent nature of inflation and the high level of public deficits are leading investors to revise their expectations. Where a monetary easing over the medium term still seemed conceivable a few months ago, the consensus now incorporates more the idea of a higher-for-longer rates plateau. In the euro area, market expectations have thus adjusted to a more restrictive scenario, and this reassessment could persist as long as inflation does not decelerate markedly and geopolitical uncertainties remain. For an active bond strategy, this new environment profoundly modifies trade-offs: the ability to capture yield without excessively degrading the risk profile once again becomes central.

Within a portfolio allocation, R-co Conviction Credit Euro is precisely intended to play this role of “core” bond holding. Its high carry, resulting from an Investment Grade credit that has become attractive again, and its historically controlled volatility make it at the same time a carry fund, a bond diversification tool and a defensive allocation in an environment that remains uncertain. The objective is not only to seek regular income thanks to coupons, but also to mitigate market fluctuations through prudent management, high portfolio quality and an allocation capable of evolving according to the cycle. In a phase where investors are rediscovering the importance of the bond risk/return profile, this value proposition finds a particularly natural place within allocations.

R-co Conviction Credit Euro - SRI : 2/7.

We have classified this product as risk class 2 out of 7, which is a low riskclass and mainly

reflects its positioning on private debt products while having a sensitivity between 0 and +8. In other words, the potential losses associated with the future performance of the product are at a low level and, should market conditions deteriorate, it is very unlikely that our ability to pay you would be affected. The risk indicator assumes that you hold the product for 3 years, otherwise the actual risk may be very differentand you may get less in return.

Learn more about the fund(s)

R-co Conviction Credit Euro

Check this document on our website

(1) Debt security issued by companies or governments rated between AAA and BBB- by Standard & Poor's.
(2) Credit Default Swaps (CDS) are derivatives used to insure against the risk of non-payment of government or corporate debt. This hedge is applied to the crossover portion of the portfolio, i.e. securities rated between BB and BBB on the Standard & Poor's scale.
(3) High-yield bonds are issued by companies or governments with a high credit risk. They are rated below BBB- by Standard & Poor's.

Disclaimer

Advertising communication. The information, comments and analysis contained in this document are for illustrative purposes only and should not be considered investment advice, tax advice, recommendation or investment advice by Rothschild & Co Asset Management. The information/opinions/data contained herein which are considered legitimate and correct on the date of publication in accordance with the economic and financial environment in place on that date are subject to change at any time. Although this document has been prepared with the utmost care from sources deemed to be reliable by Rothschild & Co Asset Management, it provides no guarantee as to the accuracy and completeness of the information and assessment it contains, which are only indicative and are subject to change without notice. Rothschild & Co Asset Management has not independently verified the information contained in this document and therefore will not be responsible for any errors, omissions or interpretations of the information contained in this document. All such data has been prepared on the basis of accounting or market information. Not all accounting data were audited by an auditor. Furthermore, given the subjective nature of some analyses, it should be emphasised that any information, projections, estimates, forecasts, assumptions and/or opinions are not necessarily put into practise by the management teams of Rothschild & Co Asset Management or its affiliates, who act on the basis of their own convictions. Certain forward looking statements are prepared on the basis of certain assumptions, which are likely to differ either partially or in full from reality. Any hypothetical estimate is, by its nature, speculative and it is possible that some, if not all, assumptions relating to these hypothetical illustrations do not materialize or significantly differ from the current determinations. This analysis is not valid unless at the time of drafting this report. Any partial or total reproduction of this document is prohibited, without the prior authorisation of Rothschild & Co Asset Management, on pain of prosecution. It should not be considered investment advice, tax advice, recommendation or investment advice by Rothschild & Co Asset Management. The figures quoted relate to past years. Past performance is not a reliable indicator of future performance and is not constant over time. The information/opinions/data contained herein, which are considered legitimate and correct on the date of publication in accordance with the economic and financial environment in place at that date, are subject to change at any time. Although this document has been prepared with the utmost care from sources deemed to be reliable by Rothschild & Co Asset Management, it provides no guarantee as to the accuracy and completeness of the information and assessment it contains, which are only indicative and are subject to change without notice. Rothschild & Co Asset Management has not independently verified the information contained in this document and therefore will not be responsible for any errors, omissions or interpretations of the information contained in this document. Furthermore, given the subjective nature of some analyses, it should be emphasised that any information, projections, estimates, forecasts, assumptions and/or opinions are not necessarily put into practise by the management teams of Rothschild & Co Asset Management or its affiliates, who act on the basis of their own convictions. Certain forward looking statements are prepared on the basis of certain assumptions, which are likely to differ either partially or in full from reality. Any hypothetical estimate is, by its nature, speculative and it is possible that some, if not all, assumptions relating to these hypothetical illustrations do not materialize or significantly differ from the current determinations. [Where applicable: In addition, the development of these assumptions was not necessarily carried out taking into account, in a comprehensive manner, all the events and conditions applicable. The information does not presume the suitability of the presented UCI for the profile and experience of each individual investor. Rothschild & Co Asset Management will not be held liable for any decision taken on the basis of the information contained in or inspired by this document. In case of doubt, and before any decision to invest, we recommend that you contact your financial or tax advisor.

About the Asset Management's division of Rothschild & Co

As the specialised asset management division of the Rothschild & Co group, we offer personalised asset management services to a broad client base of institutional investors, financial intermediaries and distributors. Our development is focused on a range of open-ended funds leveraging our long-term expertise in active management with conviction as well as in delegated management. Based in Paris and operating in 10 European countries, we manage more than 50 billion euros and employ nearly 200 people(1).
More information at: www.am.eu.rothschildandco.com

(1) Source: Rothschild & Co Asset Management, 31/07/2026.

France

29, Avenue de Messine
75008 Paris
+33 1 40 74 40 74

Belgium – Netherlands – Luxembourg

Rue de la Régence 52
1000 Bruxelles
+32 2 627 77 30

Switzerland

Rothschild & Co Bank AG
Rue de la Corraterie 6
1204 Genève
+41 22 818 59 00

Italy

Passaggio Centrale 3
20 123 Milano
+39 02 7244 31

Germany - Austria

Börsenstraße 2 - 4
Frankfurt am Main 60313
+49 69 299 8840

Spain

Paseo de la Castellana 40 bis
28046 Madrid
+39 02 7244 31

Visit our internet site

Follow us on LinkedIn