Rothschild & Co
Asset Management



R-co Target 2029 HY – A selective approach to high yield with a defined horizon



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In a euro High Yield[1] market deeply transformed by the tightening of spreads observed in recent months, R-co Target 2029 HY advocates a defined-maturity yield approach based not on the search for the highest coupon at any cost, but on a selective and disciplined compensation of risk. The fund's current exposure to sectors such as consumer discretionary and industrials primarily reflects the result of a selection process, as well as the specific characteristics of the euro high yield universe, in which certain sectors continue to offer interesting opportunities in terms of valuation and visibility. The sector positioning of the portfolio is therefore not the result of a uniform top-down bet, but the coherent consequence of a portfolio construction based on the companies deemed most relevant at the time considered.

It is true that the market has clearly tightened and that risk premia have become more limited. Nevertheless, high yield continues to offer windows of opportunity, notably during phases of tension or within certain sector cycles, as could recently be observed in the automotive or chemicals sectors. In this environment, carry remains an essential source of performance and portfolio yields remain attractive. But this attractiveness does not justify blind risk-taking. The management of the fund has therefore become more cautious, with a clear intention to avoid the most fragile issuers, in particular those likely to encounter refinancing difficulties in the coming years.

This prudence is based on significant diversification and on an exposure mainly oriented towards BB-rated names, which allow the preservation of an absorption capacity in case of a return of volatility. In euro high yield, overall exposure to the most fragile credits also remains relatively limited, notably due to a reduced weight of CCC ratings and increased

vigilance on the B- segment. The signal sent by the market on this latter segment is clear: the average risk premium on B- is close to the highest levels observed since 2023, proof that investors remain attentive to the risk of downgrade towards CCC or to that of more complex refinancing. In this context, selectivity does not constitute an additional layer of prudence; it is at the heart of the management process.

The fund relies on this through a rigorous selection of issuers, carried out with the support of a team of five analysts. The objective is not to maximize the yield to maturity, but to offer good visibility on the performance of the portfolio over the recommended investment horizon. This implies excluding companies presenting a high default risk, low visibility on their ability to refinance, or an economic profile too vulnerable to a more marked slowdown. In a universe where the dispersion of credit situations can be very high, this analytical discipline constitutes a determining element of the fund's value proposition.

The differentiation of R-co Target 2029 HY also rests on its ability to actively adapt the compensation of risk to the market environment. When spreads were higher, the fund could position itself on more risky profiles. Today, in a tighter universe, it favors a slightly lower level of yield, but with a better-controlled risk profile, while remaining ready to reposition itself if new opportunities arise. To this active management are added clear structural choices: absence of perpetual bonds, construction consistent with the dated nature of the product, exclusively bond exposure and heightened vigilance as the end of the portfolio's life approaches in order to avoid unpleasant surprises during the liquidation or monetization phase. The team's long experience in this category of funds contributes to offering better readability and increased transparency on the risks of this asset class.

In an asset allocation, a dated high yield fund such as R-co Target 2029 HY can fulfill several complementary functions. It first constitutes a yield engine, thanks to the carry offered by the high yield segment. It also plays a role of bond diversification, by complementing investment grade exposures with a more remunerative pocket. Finally, it represents a medium-term carry solution, particularly relevant for investors seeking visibility over a defined horizon. It is precisely the combination of these three dimensions — yield, diversification and horizon — that gives the fund its relevance in the current environment.

Learn more about the fund(s)

R-co Target 2029 HY

Check this document on our website

(1) High-yield bonds are issued by companies or governments with high credit risk. They are rated below BBB- by Standard & Poor's.

Investments in high-yield bonds carry a risk of capital loss and issuer default, among other risks.

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Before making any investment, it is essential to carefully read the PRIIPS Key Information Document (KID) and the fund prospectus, which detail the product’s characteristics, including costs, fees, and the section on risks, available on our website at the following link: Rothschild & Co | Our Funds.

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More information at: www.am.eu.rothschildandco.com

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

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