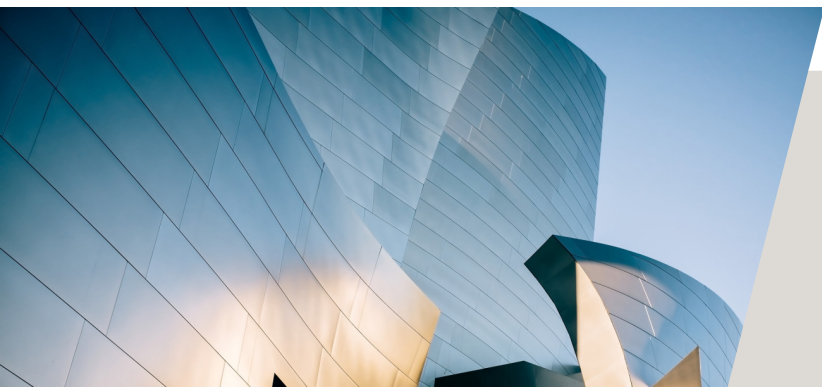




Between seeking alpha and controlling risk: the advantage of flexible fixed income management



Julien Boy

Fixed Income Portfolio Manager
 Specialisation: Govies & Inflation

Julien Boy and Samuel Gruen, managers of the R-co Valor Bond Opportunities fund, share their view of the current environment and explain how their flexible and opportunistic approach allows them to seize opportunities while adapting to rapid market changes.

How do you analyze the current market environment?

The prospect of a broad-based rate-cutting cycle has collided with a more complex reality. Geopolitical tensions, particularly in trade, and the resilience of the U.S. labor market continue to exert inflationary pressure on short-term rates, while long-term rates are rising due to growing concerns about the government's fiscal trajectory. Although some leading indicators suggest a slowdown in the labor market, the Federal Reserve remains cautious despite political pressure. Rate cut expectations for 2025 have been revised down from four to just two. At the same time, the U.S. budget deficit and quantitative tightening are increasing the supply of government debt, nearly 30% of which will need to be refinanced in 2025¹. The downgrade of the sovereign rating and the gradual withdrawal of foreign investors, particularly from China, are adding pressure on long-term rates and the dollar. In Europe, the ECB is nearing the end of its rate-cutting cycle amid slowing inflation and fiscal support through German and EU recovery plans. Economic momentum remains modest but stable, and rising financing needs are contributing to curve steepening. In this environment, investors are turning to credit. Companies show solid fundamentals, capable of absorbing rate volatility. The still-high level of interest rates, combined with the credit premium, offers a more attractive risk-adjusted return than sovereign debt.



Samuel Gruen

Fixed Income Portfolio Manager
 Specialisation: Relative Value

What sets R-co Valor Bond Opportunities apart in this landscape?

Designed as a discretionary global bond solution, R-co Valor Bond Opportunities stands out through its flexible and opportunistic Total Return approach. The core portfolio is complemented by Relative Value and Overlay strategies to optimize the risk/return profile. This management philosophy allows the fund to avoid structural biases inherent in bond indices and allocate capital more efficiently based on market conditions. The approach is built around four main pillars: directional and carry strategies, relative value, and overlay. Directional strategies provide exposure to major macroeconomic trends, notably through positions on yield curves or credit spreads. Carry strategies ensure steady income generation, especially in more stable market phases, while remaining mindful of liquidity risk. Relative value strategies aim to exploit inefficiencies between segments, geographies, or maturities, based on valuation gaps or technical dynamics. Finally, overlay strategies allow for rapid and precise risk and volatility management across the different strategies.

How is this flexibility managed within the fund?

The fund's flexibility is reflected in broad leeway across key allocation levers: interest rate sensitivity ranging from -3 to +8¹, credit exposure up to 50% in High Yield or unrated bonds¹, geographic exposure up to 20% outside the OECD¹ (including emerging markets), and currency exposure up to 30% outside the euro¹. These parameters allow the portfolio to be adjusted based on market expectations, regional dynamics, and specific opportunities.

What about your international exposure?

Our flexible approach enables us to capture opportunities across major global bond markets. The fund is currently exposed to U.S. and U.K. interest rates, reflecting our intent to benefit from differentiated dynamics across economic zones. This geographic positioning helps diversify performance sources while managing overall portfolio risk.

How does your approach translate into performance and risk?

The fund targets an annualized performance above capitalized ESTER +2% for the I EUR share class¹, with a target volatility below 5% over a three-year horizon¹. This positioning reflects a clear objective: to offer risk-adjusted performance with a focus on diversification and stability. Rated 2 out of 7 on the SRI risk scale¹, it presents a risk profile suitable for cautious or diversified portfolios.

In summary, what makes this fund attractive to investors today?

In an environment of falling policy rates and steepening yield curves, investors are seeking solutions that allocate risk where opportunities lie. R-co Valor Bond Opportunities meets this need by offering flexible bond management, free from benchmark constraints, with a “blank slate” philosophy and active exposure to international rate markets. This positioning aims to capture differentiated risk premiums across bond assets and/or economic zones while managing volatility. The fund thus serves as a relevant alternative to traditional money market strategies or as a global allocation tool for investors looking to delegate management in an uncertain context.

Learn more about the fund(s)

R-co Valor Bond Opportunities



Check this document on our website



[1] Source: Rothschild & Co Asset Management, June 2025.

SRI 2/7 risk.

We have classified this product in risk class 2 out of 7, which is a low risk class and mainly reflects a discretionary management policy that exposes the portfolio to interest rate markets in a diversified manner over the medium term. In other words, the potential losses linked to the future performance of the product are low and, if the situation were to deteriorate on the markets, 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; if you do not, the actual risk may be very different, and you may get less in return. Before investing, each investor should check the jurisdictions in which the units or shares of the UCI are registered. The full PRIIPS DIC/prospectus is available on our website: www.am.eu.rothschildandco.com. The net asset value (NAV) is available on our website.

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

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