Rothschild & Co
Asset Management



High Yield Short Duration: how to innovate to optimize the risk/return ratio?



Emmanuel Petit
General Partner, Head of Fixed Income

A market segment with unique characteristics, short-term High-Yield[I] bonds offer particularly attractive intrinsic qualities that can complement an allocation. Emmanuel Petit invites us to explore this asset class and explains how the R-co Conviction High Yield SD Euro fund stands out in this universe thanks to its innovative approach.

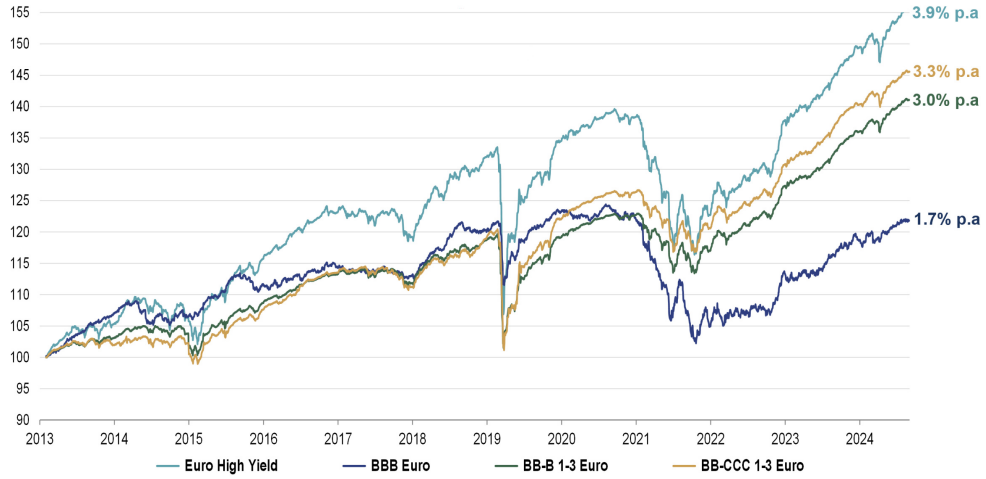
Why focus on the short-term high-yield segment in euros?

Emmanuel Petit: The 1-3 year high-yield[1] segment in euros currently offers a particularly attractive profile for investors seeking returns while controlling volatility. Over the long term, this segment has delivered an annualized return of 3.15%, with volatility of 2.7%[2], one of the best Sharpe ratios[3] in the European credit universe. This means that market risk is better rewarded at this short end of the curve, and that drawdowns[4] are historically more limited than in other credit segments.

What specific features of the current environment make this segment particularly attractive?

E.P: Given that the Sharpe ratio for 1-3 year high yield bonds denominated in euros is one of the best in the European credit universe, this makes it an attractive asset class in all circumstances. In the current environment, marked by lower risk premiums and a highly selective market, this characteristic becomes even more valuable. Even when spreads tighten, the short end of the curve continues to offer effective risk compensation, with controlled volatility.

Cumulative performance on the Euro credit universe (rebased to 100)



Source : Rothschild & Co Asset Management, december 2025

How is the R-co Conviction High Yield SD Euro fund positioned to take advantage of this environment?

E.P: Our management philosophy is based on building an agile and flexible portfolio that can adapt to different phases of the credit cycle. We combine a rigorous carry approach, precise calibration of our convictions, and strict risk management. We prioritize the quality of exposure, with extensive diversification and allocation that evolves according to risk premium levels. What sets us apart is our ability to innovate: we use credit derivatives[5], particularly tranches on iTraxx CDS indices, to substitute the default risk of the most fragile issuers with market risk. This approach optimizes the risk/return ratio and strengthens the portfolio's resilience.

What are the fund's main differentiating strengths?

E.P: Our management team has over 20 years of expertise in the high-yield market, with complementary profiles and strong synergies with other divisions of Rothschild & Co Asset Management. Our tactical management aims to optimize the balance between defensive

bias and risk-taking, and to deliver robust performance over the long term, while controlling volatility and risks specific to the short-term high-yield segment.

A final word for investors?

E.P: High yield 1-3 years in euros offers an attractive return with controlled market risk. Its volatility remains contained and, in the event of a correction, the return to better fortunes is generally rapid. Our R-co Conviction High Yield SD Euro fund stands out in particular for a relevant innovation: we do not take binary risks and we reduce exposure to credit risk. This makes it an attractive allocation component, regardless of market conditions, and especially when valuations are high.

To find out more, watch our video “Innovative management - R-co Conviction High Yield SD Euro”:



Learn more about the fund(s)

R-co Conviction High Yield SD Euro

Check this document on our website

(1) High-yield bonds are issued by companies or governments with high credit risk. Their credit rating is below BBB- on Standard & Poor's scale.
(2) Source: Rothschild & Co Asset Management, December 2025.
(3) Measure of the performance gap between a portfolio of financial assets and the rate of return on a risk-free investment, divided by the standard deviation of its profitability as defined by its volatility.
(4) Decline in the value of an investment or fund.
(5) Financial instrument that allows investors to gain exposure to the credit market without having to directly own the underlying asset.

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.

Disclaimers

Marketing communication. The information, comments, and analyses contained in this document are provided for informational purposes only and should not be considered as investment advice, tax advice, a recommendation, or investment guidance from Rothschild & Co Asset Management. The information/opinions/data included in this document, considered legitimate and correct at the time of publication, are based on prevailing economic and financial conditions and are subject to change at any time. While this document has been prepared with the utmost care based on reliable sources, Rothschild & Co Asset Management makes no guarantee as to the accuracy or completeness of the information contained herein, which is purely indicative and subject to change without notice. Rothschild & Co Asset Management has not independently verified the information in this document and, therefore, cannot be held responsible for any errors or omissions, nor for the interpretation of the information contained herein. All data has been compiled using accounting or market information. Not all accounting data has been audited by an independent auditor.

Furthermore, given the subjective nature of certain analyses, it should be emphasized that the information, projections, estimates, expectations, assumptions, and/or opinions expressed do not necessarily reflect the views of Rothschild & Co Asset Management or its affiliates, which act according to their own convictions. Some forward-looking statements are based on assumptions that may differ partially or entirely from actual outcomes. Any hypothetical estimates are inherently speculative, and some or all assumptions underlying these hypothetical illustrations may not materialize or may differ significantly from current expectations. This analysis is valid only at the time of drafting this report. Allocations and sector/geographic distributions are not fixed and may evolve over time within the limits set by the fund's prospectus.

R-co Conviction High Yield SD Euro is a sub-fund of the French SICAV *R-Co*, registered at 29, avenue de Messine – 75008 Paris, under number 844 443 390 RCS Paris. The information presented does not presume the suitability of the investment fund for individual investor profiles and experiences. Rothschild & Co Asset Management cannot be held responsible for any investment decisions based on the contents of this document. In case of doubt, we recommend consulting a financial or tax advisor before making any investment decisions. The investment fund mentioned above is organized under French law and regulated by the *Autorité des Marchés Financiers* (AMF).

Investing in any investment fund is not risk-free. Before making any investment, it is crucial to carefully read the PRIIPS KID and prospectus, especially the risk section. Each investor should also ensure the legal registration of the fund's shares or units in their respective jurisdictions. The full PRIIPS KID/prospectus is available on our website: www.am.eu.rothschildandco.com. The NAV is also accessible on our website.

This document is not intended for dissemination in the U.S. and does not constitute an offer to U.S. persons. The fund's shares or units are not and will not be registered under the *U.S. Securities Act of 1933* or any other U.S. law and may not be offered, sold, or transferred in the U.S.

Past performance is not a reliable indicator of future results and is not constant over time. Investment values and returns may fluctuate and are not guaranteed. Currency fluctuations can also impact investment values. Investments in specialized markets (such as emerging markets) tend to be more volatile.

Unauthorized reproduction of this document is prohibited without prior consent from Rothschild & Co Asset Management.

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