



Fixed Income Quarterly Strategy — April 2025



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While the gradual normalization of monetary policies was well underway, the trade war initiated by Donald Trump has reinforced expectations of rate cuts, against a backdrop of growing fears of an economic slowdown in the US.



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From desynchronization to convergence

Since last year, on both sides of the Atlantic, the normalization of monetary policies had been quietly underway before being disrupted by a resurgence of geopolitical and trade tensions, with Donald Trump's recent announcement of new tariffs. These protectionist measures rekindled market volatility and uncertainty about the trajectory of global growth.

In Europe, the beginning of the year was marked by a rise in yields, particularly on the long end of the curve, triggered by the announcement of fiscal stimulus measures in Germany and the increase in European defense budgets. The 10-year rate thus rose to 2.90%, i.e. +53 basis points (bps), while at the same time the 2-year rate remained stable¹, giving rise to a steepening movement². Conversely, since the start of the year, yields across the Atlantic have been on a downward trend, with the US 10-year at 4.21%¹, as markets have turned their attention more to geopolitical and trade developments, in particular the new US tariffs.



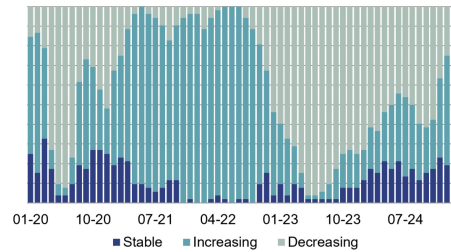
Samuel Gruen

Investors are concerned about the impact of these measures on growth and inflation in the US and Europe. In this climate of uncertainty, monetary policy expectations have been revised. As of April 11, the market now anticipates just over three further rate cuts by the

ECB and the Fed in 2025, which would bring deposit rates down to 1.50% - 1.75% and 3.50% - 3.75% respectively by the end of 2025³.

World - Change in global inflation

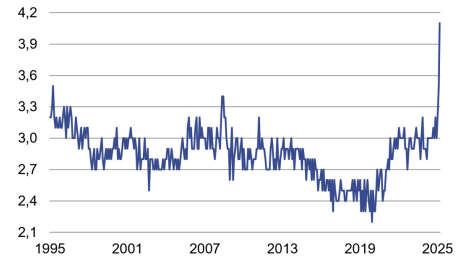
% of countries, 3m/3m



Source : OECD, Rothschild & Co Asset Management, April 2025

United States - LT inflation expectations

in %, University of Michigan survey



Source : Macrobond, Rothschild & Co Asset Management, April 2025

Caution prevails in the face of US slowdown

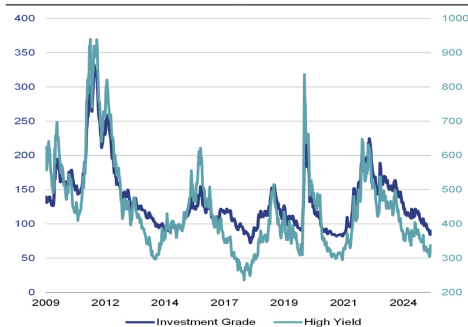
The current market configuration, marked by a return to less risky assets, has resulted in credit spreads⁴ widening. At the same time, European yields are easing, particularly on German bonds, whose 10-year yield has fallen to close to 2.50%¹.

In this environment, Investment Grade⁵ bonds logically outperformed the High Yield⁶ segment, with the former gaining +0.48% versus -0.86% for the latter, for yields of 3.4% and 6% respectively. From a sector point of view, cyclical stocks such as the automotive sector underperformed, while the financial and real estate sectors, which are more oriented towards domestic markets, posted better performances.

Despite this volatile backdrop, European credit continues to demonstrate a certain resilience, underpinned by solid fundamentals overall. Carry trade remains an attractive driver, with yields still high compared with the last ten years.

Spreads Investment Grade and High Yield

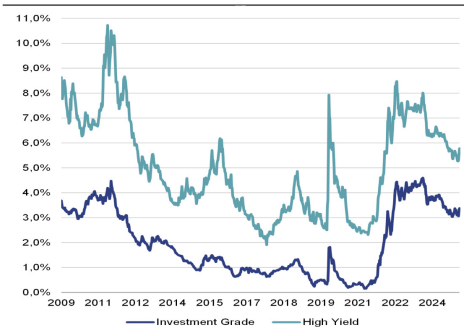
in basis point



Source: Bloomberg, Rothschild & Co Asset Management – 14/03/2025

Investment Grade and High Yield returns

in %



Source: Bloomberg, Rothschild & Co Asset Management – 14/03/2025

Our positioning in the credit market

Widening spreads and uncertainties about global growth call for caution, but they should not prevent us from managing with conviction, flexibility and opportunism. Adjusting duration and rigorously selecting issuers, with particular attention to credit quality, will be key over the coming months. In this context, financial subordinated bonds, despite their recent volatility, continue to offer attractive entry points. Similarly, maturity funds remain attractive for investors seeking visibility in a turbulent environment.

Our new generation of Maturity Funds is now available!

Discover R-co Target 2029 HY, a credit fund based on a bond-to-maturity strategy invested in High Yield bonds, and R-co Target 2030 IG, a similar strategy invested exclusively in the Investment Grade segment. These investment solutions are open for subscription until December 31, 2025. With over 15 years' experience, we are pioneers in the distribution of maturity funds. Over the years, we have managed more than €5 billion through this expertise. We offer only pure strategies, invested exclusively in High Yield or Investment Grade segments, and not including any perpetual bonds.

Before making any investment, it is essential to carefully read the PRIIPS KID and prospectus of the OPC, particularly the section on risks and fees, available on Rothschild & Co Asset Management's website: am.eu.rothschildandco.com.

R-co Conviction Credit Euro

SRI: 2/7

The risk indicator assumes you keep the product for 3 years. The actual risk can be significantly different if you choose to exit before maturity, and you may get back less. The synthetic risk indicator provides an assessment of the level of risk of this product compared to others. It indicates the likelihood of this product incurring losses in the event of market movements or if we are unable to pay you. We have classified this product as being in risk category 2 out of 7, which is a low risk class. This reflects primarily its positioning on private debt products while maintaining a sensitivity between 0 and +8. In other words, the potential losses from the product's future performance are low, and if markets were to deteriorate, it is very unlikely that our ability to pay you would be affected. This product does not include any protection from future market performance or a capital guarantee, so you could lose some or all of your investment.

R-co Target 2029 HY

SRI: 3/7

The risk indicator assumes you keep the product until December 31, 2029. The actual risk can be significantly different if you choose to exit before maturity, and you may get back less. The synthetic

risk indicator provides an assessment of the level of risk of this product compared to others. It indicates the likelihood of this product incurring losses in the event of market movements or if we are unable to pay you. We have classified this product as being in risk category 3 out of 7, which corresponds to a low to medium risk level. This reflects primarily its positioning on credit risk and fixed-income products with a maximum residual maturity of December 31, 2029. In other words, the potential losses from the product's future performance are low to medium, and if markets were to deteriorate, it is unlikely that our ability to pay you would be affected. This product does not include any protection from future market performance or a capital guarantee, so you could lose some or all of your investment.

R-co Target 2030 IG

SRI: 2/7

The risk indicator assumes you keep the product until December 31, 2030. The actual risk can be significantly different if you choose to exit before maturity, and you may get back less. The synthetic risk indicator provides an assessment of the level of risk of this product compared to others. It indicates the likelihood of this product incurring losses in the event of market movements or if we are unable to pay you. We have classified this product as being in risk category 2 out of 7, which is a low risk class. This reflects primarily its positioning on credit risk and fixed-income products with a maximum residual maturity of December 31, 2030. In other words, the potential losses from the product's future performance are low, and if markets were to deteriorate, it is very unlikely that our ability to pay you would be affected.

R-co Valor Bond Opportunities

SRI: 2/7

The synthetic risk indicator provides an assessment of the level of risk of this product compared to others. It indicates the likelihood of this product incurring losses in the event of market movements or if we are unable to pay you. The risk indicator assumes you keep the product for 3 years. The actual risk can be significantly different if you choose to exit before maturity, and you may get back less. We have classified this product as being in risk category 2 out of 7, which is a low risk class. This reflects primarily a discretionary management approach that diversifies exposure to fixed-income markets over the medium term. In other words, the potential losses from the product's future performance are low, and if markets were to deteriorate, it is very unlikely that our ability to pay you would be affected. This product does not include any protection from future market performance or a capital guarantee, so you could lose some or all of your investment.

Main risks: Discretionary management risk, interest rate risk, credit risk, high-yield ("speculative") credit risk, counterparty risk, performance risk, capital loss risk, risks related to the use of derivatives, specific risk associated with the use of complex subordinated bonds (so-called "CoCos"), currency risk, equity risk, risk related to exposure to non-OECD countries (including emerging markets). Before making any investment, it is essential to read the PRIIPs KID and the fund prospectus carefully—particularly the sections on risks and fees—available on the Rothschild & Co Asset Management website: am.eu.rothschildandco.com.

Ulteriori informazioni sui fondi

R-co Valor Bond Opportunities



R-co Target 2030 IG



R-co Conviction Credit Euro



R-co Target 2029 HY



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(1) Source: Bloomberg, 03/31/2025

(2) Phenomenon occurring when creditors demand higher risk premiums to lend on long maturities.

(3) Source: Consensus, April 2025.

(4) Yield differential between a bond and a loan of equivalent maturity considered “risk-free”.

(5) Debt securities issued by companies or governments rated between AAA and BBB- by Standard & Poor's.

(6) High-yield bonds are issued by companies or governments with a high credit risk. Their financial rating is below BBB- on the Standard & Poor's scale.

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Dedicated asset management division of the Rothschild & Co Group, we offer personalised management services to a broad client base of institutional investors, financial intermediaries and distributors. We focus our development on a range of open ended funds marketed under four strong brands: Conviction, Valour, Thematic and 4Change, and benefiting from our long term expertise in active and conviction based management as well as delegated management. Based in Paris and based in 9 countries in Europe, we manage more than 31 billion euros and bring together nearly 160 employees. More information at www.am.eu.rothschildandco.com

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Come divisione specializzata nella gestione patrimoniale del gruppo Rothschild & Co, offriamo servizi di gestione personalizzati a un'ampia clientela di investitori istituzionali, intermediari finanziari e distributori.

Il nostro sviluppo si basa su una gamma di fondi aperti commercializzati con quattro marchi forti: Conviction, Valor, Thematic e 4Change, e che beneficiano della nostra esperienza di lungo periodo nella gestione attiva e di convinzione, nonché nella gestione delegata. Con sede a Parigi e uffici in 9 paesi europei, gestiamo oltre 38 miliardi di euro e impieghiamo quasi 170 persone.

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