



EDR FUND EURO LONG DURATION GOVT BONDS I-EUR

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EUROZONE GOVERNMENT BONDS SICAV

EDMOND DE ROTHSCHILD ASSET MANAGEMENT

ASSET ALLOCATION AND SOVEREIGN DEBT

Fund size : EUR 29,90 mil.

GENERAL INFORMATION

Investment objective

The objective is to outperform the Barclays Euro Treasury AA-AAA 10+Yr Index on the recommended investment period.

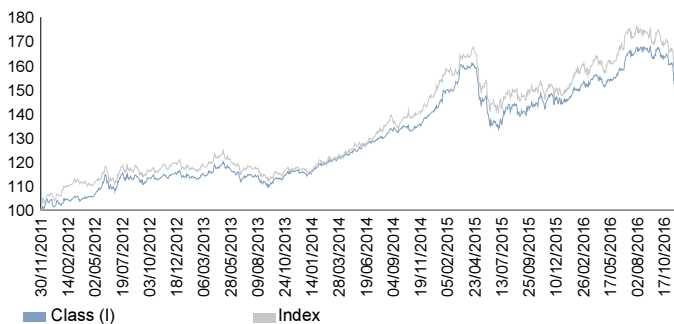
Monthly comment

Sovereign bond markets reacted violently to Donald Trump's election on November 8. The unexpected result caused a sudden large hike in interest rates on the US yield curve and, in particular, on its longer-term segment. The yield on a US 10-year bond went from 1.8% to nearly 2.4% over the month, to reach this year's highs. This is largely the result of Trump's determined programme of infrastructure policy and tax cuts, which are expected to raise the US debt burden massively. Moreover, this surprise at the polls, which, contrary to expectations, triggered an equity market rebound, has convinced the US Federal Reserve that December would be an auspicious moment for a rate hike. Markets are also anticipating two further rate hikes in 2017, as well. In Europe, there was some rate-hike contagion, but to a lesser extent. For example, yields on the German 10-year bund rose from 16 bps to 30 bps on expectations of rising inflation and concern at a possible slowdown in ECB monetary policy. However, the vital key for European markets remains the Italian referendum on December 4. Sovereign spreads are already anticipating a negative result that could lead to Prime Minister Matteo Renzi's resignation. This was reflected in the yield spread between Italy and Germany, climbing from 150 bps to 188 bps, the highest seen in November. Political risk was also illustrated by French spreads, where the differential with Germany doubled over the month from 30 bps to nearly 60 bps. The fund took advantage of these movements to arbitrage between bonds in Ireland and Slovenia (Ireland having been much more heavily impacted by the US elections), and partly to cash in on our short positions on US bonds and the exposure to US inflation; with the fund increasing duration overall and refocusing on bonds closer to 10 years, rather than 30 years.

PERFORMANCES

Benchmark (Index) : Barclays EuroTreasury AAA-AA 10+Yr TRI Value Hedge (EUR)

Performance chart (from 30/11/11 to 30/11/16)



Cumulative performances (Net of fees) (Rolling periods)

	Class (I)	Benchmark
1 month	-3,96	-3,31
3 months	-7,20	-7,22
YTD	7,01	8,63
1 year	4,41	6,09
2 years	11,48	11,32
3 years	32,24	36,21
5 years	54,17	60,44
Since inception	61,63	59,64

Net performance

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Annual
2012	-1,00	2,11	0,28	0,91	6,59	-4,89	5,99	-0,55	-0,34	-0,32	1,38	1,55	11,80
2013	-2,08	0,52	0,91	3,25	-2,76	-2,61	1,13	-2,40	1,70	2,21	0,54	-1,70	-1,53
2014	4,04	0,71	1,43	1,45	1,70	2,00	1,62	2,44	0,79	0,15	2,69	2,17	23,30
2015	5,74	2,50	4,05	-3,24	-4,51	-8,09	6,31	-3,13	2,50	2,75	0,62	-2,42	1,97
2016	4,17	2,09	1,48	-2,60	2,39	5,77	2,08	-0,76	0,39	-3,75	-3,96		

PORTFOLIO

Actuarial data (weighted averages)

Yield (1)	Spread	Maturity (2)	Duration	Mod. Dur.	Rating (2/3)	Interest
1,20	50,04	16,66	14,63	14,42	A+	1,93

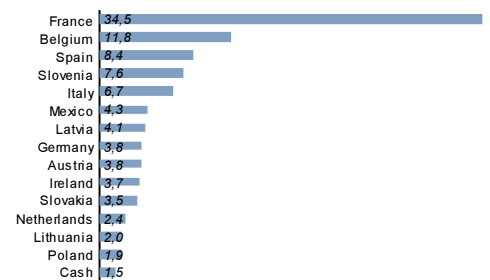
(1) The lowest of the two actuarial rates (call and maturity)

(2) Analyses calculated excluding derivatives on the scope of interest rate instruments

(3) Calculated excluding unrated securities - Rating source: Second best (S&P, Moody's, Fitch) LT rating

Geographical breakdown (excluding derivatives)

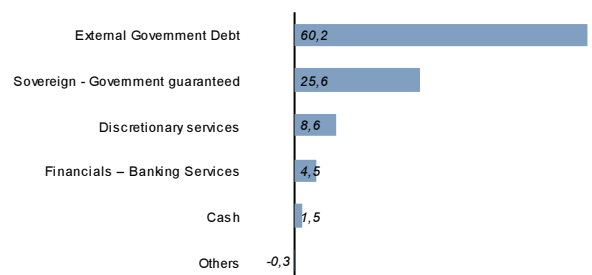
% of Net Assets



Fund

Sector breakdown (derivatives included)

% of Net Assets



Fund



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STATISTICS & PERFORMANCE ANALYSIS

Statistics (Rolling periods)

	Volatility		Tracking error		Sharpe ratio	
	52 weeks	3 years	52 weeks	3 years	52 weeks	3 years
Class (I)	8,47	11,01	3,30	3,74	0,91	0,89
Index	9,99	11,31	-	-	0,95	0,97

Performance Analysis

	Since inception (month. perf.)	
	Class (I)	Benchmark
% of positive performances	66,67	62,32
Minimum yield	-8,09	-6,68
Maximum yield	6,59	7,38
Payback period	119 day(s)	212 day(s)

PORTFOLIO DETAILS

Table of maturities to next call ranked by ratings

Rating	< 3 months	6 months - 1 year	1 - 3 years	3 - 5 years	5 - 7 years	7 - 10 years	> 10 years	Total
AAA	0,79%	0,84%		1,03%		2,40%	-0,54%	4,51%
AA					1,73%	4,26%	44,73%	50,71%
A				2,35%		5,40%	17,15%	24,91%
BBB		0,68%	1,81%	1,97%		6,34%	8,92%	19,72%
Total	0,79%	1,52%	1,81%	5,34%	1,73%	18,40%	70,25%	99,80%

Rating source : Issuer rating from S&P, Moody's or Fitch.

Main transactions

	Purchases (EUR)	Sell (EUR)
IRISH 1 05/15/26 (Republic of Ireland)	453 679,33	
SLOREP 5 1/8 03/30/26 (Republic of Slovenia)		-600 867,91
TII 0 1/8 07/15/26 (United States of America)		-385 706,32
EIBKOR 2 04/30/20 (Export-Import BK Korea)		-376 482,98

5 main issuers (ex. money market)

5 Main issuers (Total number of issuers: 28 - Number of holdings: 46)

	% of Net Assets
FRENCH REPUBLIC	14,4
KINGDOM OF BELGIUM	9,8
REPUBLIC OF SLOVENIA	7,6
RESEAU FERRE DE FRANCE	6,6
KINGDOM OF SPAIN	5,0
Total	43,4

Bond Instruments breakdown

	Cash	Derivatives	Fixed rates	Mutual funds	IRF
EUR	0,38%	12,26%	110,70%	0,67%	
USD	0,41%	-13,72%			-219,96%
Total	0,79%	-1,46%	110,70%	0,67%	-219,96%

FUND CHARACTERISTICS

Share characteristics

Net asset value (EUR) :	16 163,27
Share issue date :	04/03/2011
ISIN code :	LU1160371578
Bloomberg code :	EDRELDI LX
Lipper code :	68320347
Telekurs code :	26427308
Distribution :	Accumulation
Latest coupon :	-
Subscribers Type :	Institutional investors

Fund Managers

François RAYNAUD, Eliezer BEN ZIMRA

Fund characteristics

Legal status	
Fund inception date : 27/02/1991	
Fund domicile : Luxembourg	Recommended investment period : > 5 years
Administrative Information	
Management Company : Edmond de Rothschild Asset Management (Luxembourg)	
Delegated management Company : Edmond de Rothschild Asset Management (France)	
Administration : Edmond de Rothschild Asset Management (Luxembourg)	Valuation : Daily
Depositary : Edmond de Rothschild (Europe)	Decimalised : 3 decimals
Subscription & redemption conditions : Daily before 12.30 pm C.E.T. on day's net asset value	Initial minimum subscription : 500 000 EUR
Management Subscription/Redemption fees	
Actual management fees : 0,3%	Subscription fees Max./Real : no / 3%
Performance fees : no	Redemption fees Max./Real : no / no



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SUBSCRIBERS TYPE

Marketing country	Investors involved in marketing
Switzerland Spain France Luxembourg Netherlands	All
Germany Italy	Restricted

PRODUCT RISKS AND DISCLAIMERS

The information used to value the assets of this UCITS is taken primarily from various pricing sources available on the market and/or from information provided by brokers, prime brokers or external custodians, administrative agents/managers of target funds or other products, specialists duly authorised for this purpose by this UCITS and/or its management company (where applicable), and/or directly from this UCITS and/or its management company (where applicable). With regard to index levels and compositions, the main sources used are data distributors.

Please note that the main risks of this UCITS are as follows:

- Risk linked to financial and counterparty contracts
- Credit risk
- Risk linked to derivatives
- Discretionary management risk
- Interest rate risk

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DEFINITIONS

The **PERFORMANCE**, often expressed as a % makes it possible to measure the capital gain or loss of an investment over a period (10% = gain of 10 units for every 100 invested). Performance can also be expressed per annum. This is equivalent to extrapolating the performance of a fund over any period to a one-year period. In either case, a loss is indicated by a negative percentage and a gain by a positive percentage.

The **VOLATILITY** of a security is the difference between performance and average performance and therefore makes it possible to gauge the consistency of performance obtained. It comprises a measure of risk. If this is zero, the individual performances are identical. The higher it is, the greater the difference between individual performances.

The **TRACKING ERROR** shows the volatility of a fund's relative performance against that of its benchmark. It shows the difference between performances and their average and so makes it possible to gauge the consistency of relative performance. The lower the tracking error, the closer the fund's performance is to that of its benchmark.

The **INFORMATION RATIO** represents the relative performance obtained by the fund manager for each agreed volatility point in comparison with the benchmark. To some degree, it is this measurement that makes it possible to establish whether the additional risk taken by the fund manager is, in comparison with the benchmark, rewarding or otherwise.

The **ALPHA** corresponds to the fund's average performance. More specifically, it measures the fund managers' added value while cancelling out market influence, which cannot be controlled. This measure is expressed as a percentage.

The **SHARPE RATIO** shows the fund's outperformance against a zero-risk interest rate (the Eonia, in this case), adjusted for fund volatility.

The **BETA** measures the market's influence (represented by a benchmark) on the performance of a fund. It shows the average variation of the fund's NAV, for each variation of 1% in the benchmark. If beta is 0.8, this means that for each 1% movement in the benchmark, the fund moves 0.8%.

The **CORRELATION COEFFICIENT** defines the direction and degree of dependence between two variables. It ranges from -1 to +1. Positive correlation means that the benchmark and the fund move in the same direction, negative correlation means that they move in opposite directions. When correlation is close to zero, the benchmark's influence on the fund is very low.

The **R2** or the **DETERMINATION COEFFICIENT** measures to what extent variations in fund performance are explained by variations in the benchmark. Mathematically, it is the square of the correlation coefficient. It always has a value of between 0 and 1.

The **GAIN FREQUENCY** represents the percentage of positive returns for a defined frequency.

The **MAX GAIN** represents the maximum return recorded from a series of periodic return payments.

The **MAX DRAWDOWN** is the maximum loss recorded over a series of periodic returns.

The **PAYBACK PERIOD** measures the time required to recover the maximum drawdown. It is often expressed in days or months. Payback begins with the return paid following the maximum loss.

DURATION: the duration of a bond corresponds to the period after which its profitability is not affected by interest rate fluctuations. The duration appears as an average lifespan updated with all flows (interest and capital) and expressed in years.

SENSITIVITY: Bond sensitivity measures the percentage change in a bond's value arising from any downward movement in the interest rates. Mathematically, it is equal to the absolute value of the derivative of the bond's value with regards to the interest rate, divided by the value of the bond itself. It is expressed as a percentage.

SPREAD: the actuarial margin, or spread, of a bond (or of a loan) is the difference between the actuarial rate of return of the bond and that of a zero-risk loan with an identical duration. Naturally, the better the issuer is rated, the lower the spread.

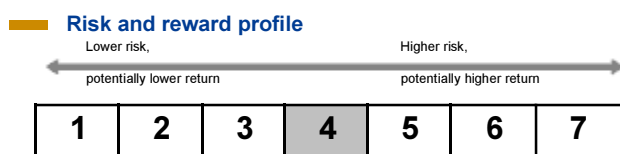
ACTUARIAL RATE: by convention, an actuarial rate is a rate of an investment which has a duration of one year and for which interest is received or paid after one year. Since there are so many rates and interest payment terms, it is difficult to compare them directly. They are therefore converted using a common basis, the actuarial rate, in order to make direct comparisons.

MATURITY: A bond's final or call maturity corresponds to the period remaining until the bond may be redeemed or until its next call date. It is therefore equal to the length of time between the date upon which the calculation is performed and the issue's redemption date or next call date, and is often expressed in numbers of years.

DELTA OF A CONVERTIBLE BOND ISSUE: the delta of a convertible issue measures the sensitivity of the price of the convertible bond to a change in the conversion ratio [(equity price * conversion ratio)/nominal amount]. Its value is always between 0 and 100.

EQUITY SENSITIVITY FOR CONVERTIBLE BOND ISSUES: The equity sensitivity of a convertible bond issue measures the sensitivity of the convertible bond's value to a 1% fluctuation in the value of the (underlying) share. It will always be between 0% to 100%. The closer the equity sensitivity is to 100%, the closer the fluctuation in the convertible bond's price will match that of the share price and vice versa. Accordingly, when equity sensitivity is in the range of 80 to 100, the convertible bond is considered to perform like a share; between 20 to 80, the convertible bond is said to be mixed and is influenced by both the share price and interest rates; between 0 and 20, the convertible bond performs like a bond.

RISK SCALE



Synthetic risk/return indicator ranks the fund on a scale from 1 to 7 (1 being the less risky ranking, 7 being the most risky ranking). This rating system is based on average fluctuations in the fund's net asset value over the past five years, i.e. the scale of changes in the index securities, both up and down. If the net asset value is less than 5 years old, the rating is determined by other regulatory calculation methods. Historic data such as those used to calculate the synthetic indicator may not be a reliable indication of the future risk profile. The current category is neither a guarantee nor an objective. Category 1 does not signify a risk free investment. For more details on the methodology of the ranking, please consult the key investor information document (KIID) of the fund.

This fund is rated in category 4, in accordance with the type of shares and geographical zones presented in the "objectives and investment policy" section.