EDMOND DE ROTHSCHILD BOND ALLOCATION (C) / (D)

EdR Bond Allocation (C) / (D)

BOND ALLOCATION FUND

EDMOND DE ROTHSCHILD ASSET MANAGEMENT | **ASSET ALLOCATION AND SOVEREIGN DEBT**

MORNINGSTAR™ Ranking as of 30/09/2016 in the category EUR Flexible Bond : ★★★

Fund size : EUR 691,59 mil.

GENERAL INFORMATION

Investment objective

The fund seeks to offer an annualised return over the recommended investment period that outperforms the composite index, 50% of which is represented by the Barclays Capital Euro Aggregate Corporate Total Return index and 50% by the Barclays Capital Euro Aggregate Treasury Total Return.

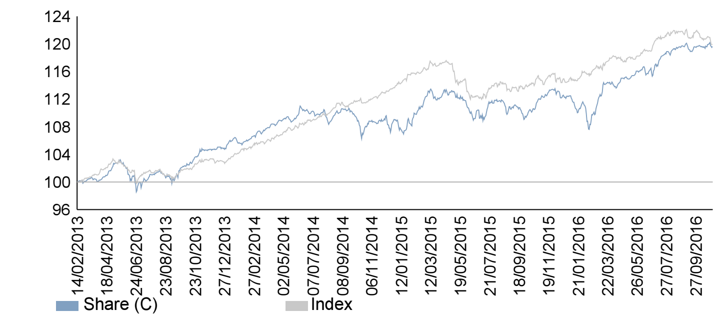
Monthly comment

Sovereign bond markets suffered from fresh concerns in October over a possible end to the ECB's QE programme, and better macroeconomic numbers, particularly from Britain. Over the month, German and French sovereign bonds lost more than 2%, with the correction impacting the longer term gradient of the yield curve in particular. In this sector, European government bonds lost nearly 5%. This correction was also apparent in peripheral debt, with Italy sharply underperforming Spain. This was due to uncertainty ahead of the Italian referendum on constitutional changes that could, in the event of a popular rejection, lead to Prime Minister Matteo Renzi's resignation. In Spain, on the contrary, the crisis has begun to unwind with Mariano Rajoy being reappointed Prime Minister, at the head of a minority government. It is most interesting to note that during this episode of volatility, the bonds that were hardest hit were those that had performed best since the beginning of the year, and in particular UK government debt, which fell over 4% in October. Meanwhile, their American counterparts lost only 1%. This suggests that it's more of a European development than fear over a future rate hike by the US Federal Reserve. What's more, we note that the credit markets have not experienced this downtrend in sovereign debt: European high yields, for example, climbed almost 1% in October. It shows that the correction is rather an episode of volatility, and not a paradigm shift. Given this situation, EdR Bond Allocation has held a high level of cash, and made only a slight change to its overall sensitivity.

PERFORMANCES

Benchmark (Index) : 50% Barclays Capital Euro Aggregate Treasuries (EUR) + 50% Barclays Capital Euro Aggregate Corporate (EUR)

Performance chart (from 14/02/13 to 31/10/16)



The performance start date of this graph corresponds to the date of implementation of the new management strategy currently in force.

Cumulative performances (Net of fees) (Rolling periods)

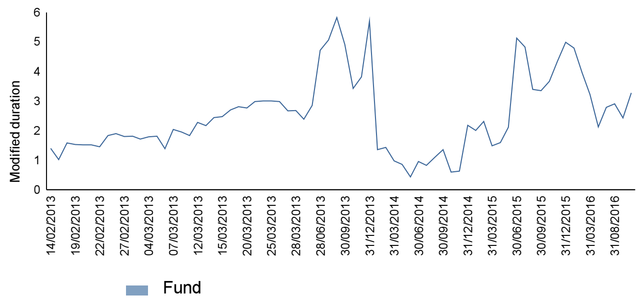
	Share (C)	Benchmark
1 month	-0,03	-1,43
3 months	0,63	-1,40
6 months	3,93	2,15
YTD	6,46	4,70
1 year	6,86	4,32
2 years	9,91	7,17
3 years	14,80	16,33
5 years	24,72	34,55
10 years	33,40	53,87
Since 14/02/2013	19,61	19,93
Since inception	42,09	60,83

Net performance

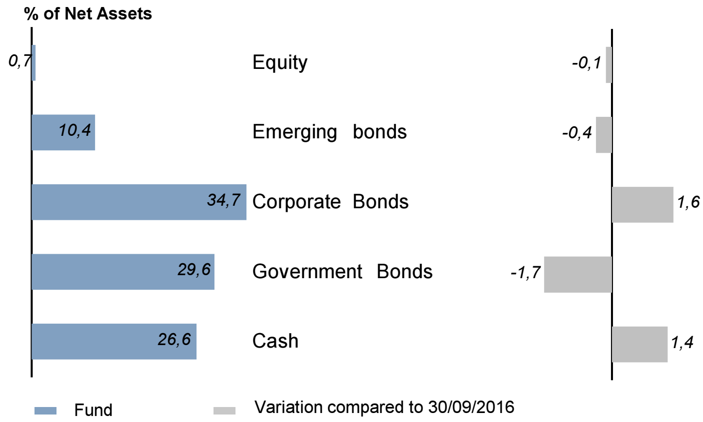
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Annual
2012	0,54	1,54	0,19	-0,13	-0,53	-0,62	1,44	0,54	-0,17	0,26	1,79	0,37	5,31
2013	-0,30	0,47	-0,04	2,10	0,08	-2,33	1,23	-0,17	1,32	1,91	0,51	0,09	4,90
2014	0,75	1,01	1,12	1,06	0,20	0,59	0,49	-0,42	-0,04	-0,97	-0,03	0,03	3,84
2015	-0,57	3,48	0,16	0,83	-1,18	-2,26	2,37	-0,82	-1,58	2,55	1,20	-0,81	3,23
2016	-0,87	-0,38	2,87	0,83	0,80	0,21	2,24	0,68	-0,02	-0,03			

PORTFOLIO

Modified duration trend (from 14/02/13 to 31/10/16)



Breakdown by main bond segments (excluding derivatives)*



* Carried out after breaking down the underlying Edmond de Rothschild group funds.

Actuarial data (weighted averages)

Yield (1)	Spread	Maturity (2)	Duration	Mod. Dur.	Rating (2/3)	Interest
2,96	201,87	5,20	3,31	3,29	BBB-	3,82

(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

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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
Share (C)	5,05	4,28	4,52	4,05	1,37	1,12
Index	3,12	3,30	-	-	1,77	1,59

Performance Analysis

Since 14/02/2013 (month. perf.)

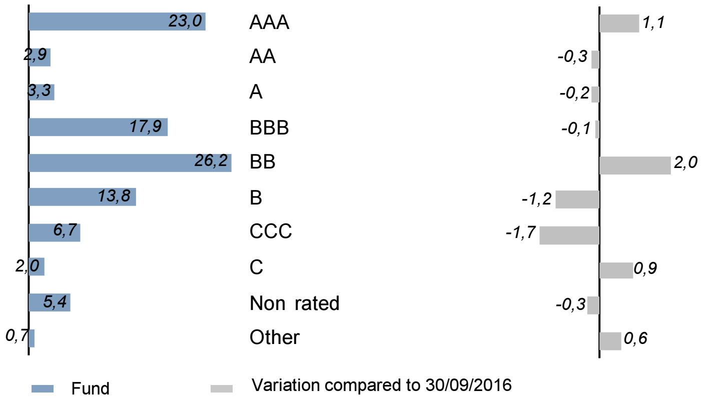
	Share (C)	Benchmark
% of positive performances	62,22	73,33
Maximum return	3,48	1,96
Maximum drawdown	-5,20	-4,78
Payback period	28 day(s)	288 day(s)

Modified duration contribution by maturity and by currency

Currency/Maturity	0 -3 years	3 - 5 years	5 - 10 years	> 10 years	Total
EUR	0,48	0,42	2,26	0,72	3,88
USD	-1,22	-0,33	1,60	-0,28	-0,22
Others	0,03	0,00	-0,40	0,00	-0,37
Total	-0,71	0,09	3,46	0,45	3,29

Rating breakdown (excluding derivatives)*

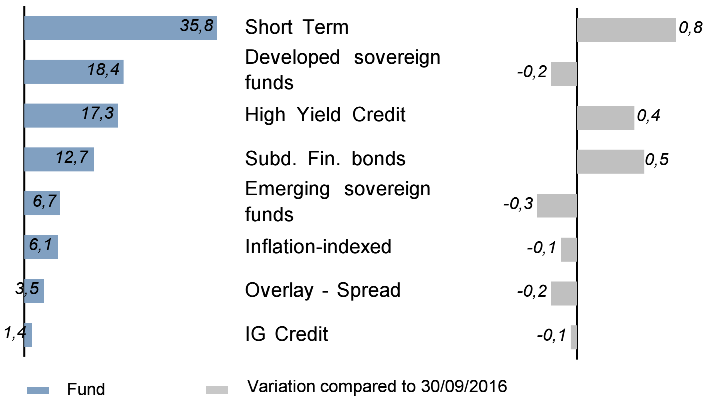
% of Net Assets



* Carried out after breaking down the underlying Edmond de Rothschild group funds.
Rating source: Second best (S&P, Moody's, Fitch) LT rating

Breakdown by Fixed Income asset classes (excluding derivatives)*

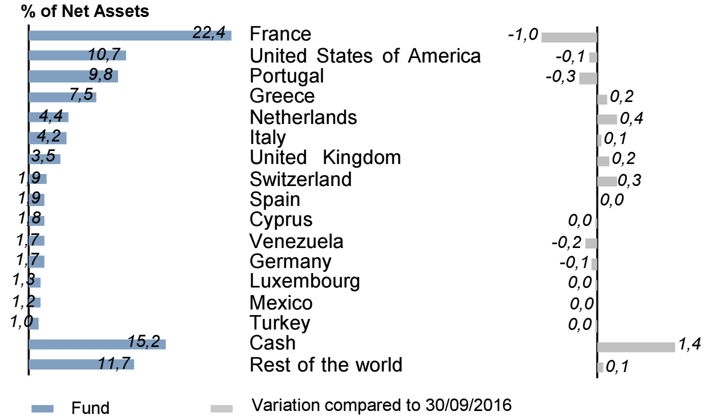
% of Net Assets



* Carried out after breaking down the underlying Edmond de Rothschild group funds.

Geographical breakdown (excluding derivatives)*

% of Net Assets



* Carried out after breaking down the underlying Edmond de Rothschild group funds.

Investment Grade main issuers (except monetary assets) (rating >= BBB-)

	% of Net Assets
UNITED STATES OF AMERICA	7,8
RESEAU FERRE DE FRANCE	2,0
REPUBLIC OF ITALY	1,8
UNITED MEXICAN STATES	1,0
FRENCH REPUBLIC	0,9
Total	**13,4**

High Yield main issuers (except monetary assets) (rating < BBB-)

	% of Net Assets
PORTUGUESE REPUBLIC	6,3
HELLENIC REPUBLIC	3,1
REPUBLIC OF CYPRUS	1,8
REPUBLIC OF TURKEY	1,0
REPUBLIC OF VENEZUELA	0,9
Total	**13,1**

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FUND CHARACTERISTICS

Share characteristics

	C Share	D Share
Net asset value (EUR) :	213,14	152,48
Share issue date :	30/12/2004	30/12/2004
ISIN code :	FR0010144675	FR0010156596
Bloomberg code :	STHOBOC FP	STHOBOD FP
Lipper code :	60100280	60100281
Telekurs code :	2034475	2042002
Distribution :	Accumulation	Distribution
Latest coupon :	-	-

Subscribers Type : All investors

Fund Managers

Guillaume RIGEADE, Eliezer BEN ZIMRA, Raphaël CHEMLA

Fund characteristics

Legal status

Fund inception date : 30/12/2004
AMF classification : Euro bond
Fund domicile : France
Recommended investment period : > 3 years

Administrative Information

Management Company : Edmond de Rothschild Asset Management (France)
Valuation : Daily
Administration : CACEIS Fund Admin.
Decimalised : 3 decimals
Custodian : Edmond de Rothschild (France)
Initial minimum subscription : 1 Share
Subscription & redemption conditions : Daily before 12.30 pm C.E.T. on day's net asset value

Management Subscription/Redemption fees

Actual management fees : 1%
Subscription fees : 3% maximum
Performance fees : yes (cf.Prospectus)
Redemption fees : no

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SUBSCRIBERS TYPE

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

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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:

- Risks associated with small and mid caps
- Interest rate risk
- Liquidity risk
- Risk linked to investing in emerging markets
- Capital risk
- Discretionary management risk
- Currency risk
- Equity risk
- Risk linked to commodities
- Risk linked to financial and counterparty contracts
- Credit risk

Details on the target subscribers provisions and on applicable Risks of this UCITS is found in the full prospectus or in the partial prospectus for those subfunds authorised for distribution in Switzerland of this UCITS. The regulation, the full prospectus, the partial prospectus for subfunds authorised for distribution in Switzerland, the key investor information document (where applicable) and the annual, semi-annual and quarterly reports are available upon request from Edmond de Rothschild Asset Management (France), its distributors and/or representatives and/or the following correspondents:

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France	:	*Edmond de Rothschild Asset Management (France)*	*47, Rue du Faubourg St-Honoré*	*Cedex 08 Paris 75401*	*France*
Germany	:	*Caceis Bank Deutschland GmbH*	*Lilienthalallee 34 - 36D*	*80939 Munich*	*Germany*
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Italy	:	*State Street Bank GmbH, Succursale Italia*	*Via Ferrante Aporti 10*	*Milan*	*Italy*
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Switzerland (Legal Representative)	:	*Edmond de Rothschild Asset Management (Suisse) S.A.*	*8, rue de l'Arquebuse*	*1204 Genève*	*Switzerland*
Switzerland (Paying agent)	:	*Edmond de Rothschild (Suisse) S.A.*	*18, rue de Hesse*	*1204 Genève*	*Switzerland*

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In accordance with current local regulations, the UCI, or the class of the UCI, have received marketing authorization to specific institutional investors, or more broadly to qualified or professionals investors in the following country(ies): **Chile**

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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

Risk and reward profile

Lower risk, Higher risk,

potentially lower return potentially higher return

1	2	3	4	5	6	7

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 3, in accordance with the type of shares and geographical zones presented in the "objectives and investment policy" section.

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HISTORICAL DATA

Coupons distributed in Euro

	Date	Amount
Coupon	18/12/2015	6,41
Coupon	19/12/2014	2,54
Coupon	19/12/2013	4,91
Coupon	19/12/2012	4,55
Coupon	23/12/2011	4,57
Coupon	21/12/2010	4,04
Coupon	07/12/2009	3,21
Coupon	30/01/2009	5,40
Coupon	13/12/2007	5,03
Coupon	13/12/2006	5,09