



HEDGING AGAINST EUROPEAN EQUITY MARKET TURMOIL



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EQUITY EUROPE SOLVE

INTERVIEW

ARE EUROPEAN EQUITIES STILL ATTRACTIVE?

In today's low interest rate, low yield environment, there is a real need to include performance drivers in a portfolio and equities are better at this game than other asset classes. After six years of non-stop rises for European equity markets, Europe still has catch-up potential with the US, but risk factors have been increasing and now represent a real risk management challenge.

This is pushing institutional investors towards strategies which hedge equity risk, solutions which have both a structural and cyclical interest. They are all the more necessary as volatility looks set to last. Investors have numerous concerns including US protectionist moves and political risk in Italy.

WHAT MOTIVATED THE LAUNCH OF EDMOND DE ROTHSCHILD EQUITY EUROPE SOLVE?

In recent years, there has been an increase in the number of unexpected events - the renminbi devaluation in August 2015, the oil price collapse in 2016 and various political risks, for example - while the benefits of diversification began to wane due to moves towards monetary normalisation.

When we launched Edmond de Rothschild Equity Europe Solve in December 2015, we felt that a new approach was needed for our institutional investors, and more broadly for investors subject to equity volatility constraints. The idea was to find a solution that would enable us to tap into European equity upside through conviction-driven investing while minimising the cost of capital by limiting drawdown and overall volatility.

Our solution was primarily designed to meet the capital requirements of European institutionals subject to the Solvency 2 directive like insurance groups and healthcare mutuals. However, the fund rapidly proved that its construction offered all investors a real opportunity. In a situation where interest rates are still low and where traditional stock selection approaches do not necessarily mean reduced risk, it is essential to limit equity risk by cushioning any possible shocks. In short, Edmond de Rothschild Equity Europe Solve is a European equity fund whose overall market exposure is actively managed.

Our strategy combines three of the group's core strengths: (i) our know-how in managing European equities and stock picking, (ii) our experience in ring fencing and actively managing risk with derivative products and (iii) our financial engineering expertise.

FUND INFORMATION

Inception date

R share: 07/12/2015

C share: 14/12/2016

ISIN Code

C share: FR0013219243

R share: FR0013062668

Front load charge

C share: 3 % max.

R share: None

Minimum initial subscription

C share: 1 share

R share: €500,000

Max management fees.

C share: 1.75% max.

R share: 1.10% max.

Variable management fees

C share: 15% of returns above the benchmark index

R share: none

Redemption charges

None

Benchmark index

56% MSCI Europe (NR) (EUR) + 44% capitalised Eonia (EUR)

Recommended investment horizon

3 years

* Shares described herein are the main euro-denominated shares.

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