The rigour of quantitative investing to address hidden index risks

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Faced with increasingly concentrated equity markets – which are sometimes subject to excessive valuations, sudden shifts in market conditions and growing macroeconomic complexity – Edmond de Rothschild Asset Management is deploying a new, cutting-edge expertise. Combining algorithmic rigour, artificial intelligence and human oversight, this range of solutions offers active and systematic management that seeks superior risk control compared to passive solutions.

Why choose quantitative investing today?

We are operating in an unprecedented market environment, dominated by latent uncertainty and a historic concentration within equity indices. In this context, the disconnect between fundamental value and market dynamics calls for diversified, disciplined and structured investment approaches.

The launch of our quantitative management expertise addresses this challenge: bringing mathematical discipline to portfolio construction, whilst delivering value creation compared to passive management.

This approach is fully in line with our firm's DNA. It involves harnessing the power of data to support our convictions, integrating artificial intelligence and machine learning at the core of our processes to refine stock selection and optimise risk management.

Beyond standard mathematical models, what is the added value of our quantitative management?

Quantitative management has entered a new era. We have moved on from traditional statistical tools to the widespread use of investment signals generated by sophisticated algorithms and advanced predictive modelling. Our approach is characterised by three fundamental pillars:

— **An active strategy seeking stable outperformance[1],** based on advanced mathematical models and algorithmic methodologies, which rely in particular on statistical arbitrage, trend analysis and the identification of market inefficiencies.

— **Multidimensional risk management** integrated right from the model's design stage. We aim for maximum diversification through rigorous multi-factor analysis of each security, in order to neutralise unwanted sectoral or macroeconomic biases, gain exposure to remunerative risk factors and optimise the investor's risk budget.

— **Systematic but never purely automated management**, which remains under the constant supervision of experienced fund managers capable of deciphering market anomalies and incorporating forward-looking factors.

What are the ambitions of the Quartz range and how does it address the risk of market concentration?

Designed to complement the Group's actively managed funds, our new Quartz range aims to meet clients' needs through defensive equity solutions, multi-factor equity solutions, 3D climate solutions[2] and long/short strategies[3].

The first three funds in the range were launched at the end of the second quarter of 2026:

— **EdR Fund Quartz Core EMU Equity** and **EdR Fund Quartz Core US Equity** are Core Multi-Factor Equity strategies. Fully invested, they aim to maintain a relatively limited tracking error[4], the target level of which will depend on the regions and market conditions.

1. All investments carry a risk of capital loss.

2. 3D Climate Equity Strategies: portfolio construction aimed at simultaneously optimising three dimensions: performance generation, risk management and the integration of climate objectives.

3. Scheduled for launch in 2027, subject to regulatory approval.

4. Standard deviation of the fund's relative performance compared with its benchmark index.

Both strategies are broadly diversified across various equity factors (Value, Momentum, Quality[5], etc.) with the aim of generating the highest possible level of alpha[6] for a given relative risk budget. Artificial intelligence techniques are integrated into the investment process to further enhance the portfolio's diversification and responsiveness. The investment strategy continuously adapts to changes in the market environment, with the aim of delivering 'full-cycle' performance[7].

— **EdR Fund Quartz Defensive Global Equity** is an equity fund designed to offer lower volatility and more limited drawdowns than traditional equity indices. Without resorting to market timing[8], the fund remains fully invested in equities and aims for a Sharpe ratio[9] higher than its benchmark universe, seeking to adjust overall risk according to market conditions whilst maintaining a defensive profile.

In an environment where investing via a simple sectoral or broad-based index exposes portfolios to major hidden risks (overvaluation, excessive sectoral concentration, structural weaknesses), Edmond de Rothschild Asset Management's quantitative investment solutions aim to capture returns that we consider more sustainable and resilient over time[10].

5. The investment factors Value, Momentum and Quality refer respectively to strategies targeting shares that are undervalued by the market (Value), have outperformed recently (*Momentum*) or have solid fundamentals and sustainable profitability (*Quality*).

6. Alpha is a measure used to calculate the performance of an investment portfolio relative to a benchmark, usually a stock market index.

7. The investment process described incorporates various internal management constraints put in place by the management team. This is the process currently in place, although it may evolve over time. All investments involve a risk of capital loss.

8. *Market timing* involves attempting to anticipate market movements in order to decide when to invest or exit an investment.

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10. Quantitative models involve risks, in particular the risk of financial losses or inappropriate decisions, where they are based on inappropriate assumptions, data or parameters, or where they are used outside their intended framework.

Key investment risks

RISK INDICATOR: 1 2 3 **4** 5 6 7

The risk indicator for Class A and Class I units of the funds presented is rated Category 4. The risk indicator rates this UCITS on a scale of 1 to 7. This indicator enables you to assess the level of risk associated with this product compared with other UCITS, and a category 1 rating does not mean that the investment is risk-free. Furthermore, it indicates the likelihood that this product may incur losses in the event of market movements or should we be unable to make payments to you. This indicator is based on the assumption that you hold the product until the end of the recommended holding period for this UCITS. The actual risk may be very different if you choose to exit before the end of the recommended holding period for this UCITS. The risks described below are not exhaustive. Please refer to the prospectus for a comprehensive list of risks:

Risk of capital loss: The sub-fund is not covered by any guarantee or protection; therefore, the capital initially invested may not be fully recovered even if investors hold the shares for the recommended investment period. The sub-fund's performance may therefore fall short of the management objective, and a fall in its net asset value may result in a negative return.

Equity risk: The value of a share may fluctuate depending on factors specific to the issuing company, as well as on external, political or economic factors. Fluctuations in the equity markets, as well as fluctuations in the convertible bond markets – the performance of which is partly correlated with that of the underlying shares – may lead to significant fluctuations in net assets, which could have a negative impact on the performance of the sub-fund's net asset value.

Risk associated with quantitative models: The risk of financial losses, inappropriate decisions or regulatory non-compliance resulting from the inadequate design, development, implementation or use of quantitative models (e.g. valuation, risk, asset allocation or performance models). This includes, in particular, methodological or coding errors, inappropriate assumptions or data, insufficient governance of the models, and their use outside their scope or validity limits.

Derivatives risk: The sub-fund may use forward financial instruments (derivatives). The use of financial contracts may give rise to a risk of a more significant and rapid fall in the net asset value than that of the markets in which the sub-fund is invested.

Currency risk: The capital may be exposed to currency risks where the securities or investments comprising it are denominated in a currency other than that of the sub-fund. Currency risk corresponds to the risk of a fall in the exchange rate of the currency in which the financial instruments in the portfolio are denominated, relative to the sub-fund's reference currency, the euro, which may result in a fall in the net asset value.

Disclaimer

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- **Edmond de Rothschild Fund Quartz Core EMU Equity** is a sub-fund of Luxembourg SICAV Edmond de Rothschild Fund, which is authorised by the CSSF and approved for sale in Austria, Belgium, Germany, Spain, France, Switzerland, Italy, Portugal, Luxembourg and Ireland.
- **Edmond de Rothschild Fund Quartz Core US Equity** is a sub-fund of a Luxembourg-incorporated SICAV authorized by the CSSF and approved for distribution in Austria, Belgium, Germany, Spain, France, Switzerland, Italy, Portugal, Luxembourg, and Ireland.
- **Edmond de Rothschild Fund Quartz Defensive Global Equity** is a sub-fund of the Luxembourg SICAV authorised by the CSSF and authorised for marketing in Austria, Belgium, Germany, Denmark, Spain, Finland, France, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland, Luxembourg and Ireland.

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— **EdR Fund Quartz Core US Equity**

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— **EdR Fund Quartz Defensive Global Equity and EdR Fund Quartz Core EMU Equity**

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