

Short-duration credit: a defensive approach to optimize the return/risk ratio

First of all, what is short-duration credit?

Short-duration credit refers to investments in corporate bonds with short maturities, generally between one and three years. As these securities are close to their maturity date, they naturally offer greater visibility on their expected performance (coupons to be collected, credit risk over a limited time horizon, etc.).

In terms of risk/return, what are the main advantages² of a short duration strategy?

The first advantage is reduced modified duration to interest rates and credit spreads. Short duration³ bonds have a limited residual life: the shorter the duration, the less the bond price reacts to movements in interest rates or spreads⁴.

By way of comparison, the average modified duration to rates and spreads is around 5 years for investment grade⁵ bonds and close to 3 years for high-yield bonds. A short-duration bond index has a significantly lower modified duration, generally between 1.5 and 2 years⁶. In concrete terms, for the same market shock, short duration bonds will experience smaller price fluctuations than longer maturity bonds.

1. The identity of the portfolio managers presented in this document may change during the life of the product.

2. Short-term bonds carry credit risk. The main risk is issuer default, i.e., failure to pay interest and/or repay principal. Credit risk is also linked to an issuer's credit rating downgrade. Investors should note that the net asset value of a mutual fund may fall in the event of a total loss on a transaction following the default of a counterparty.

3. The duration of a bond, or any other fixed-rate financial instrument, is a measure of the sensitivity of its price to a change in interest rates

4. The spread refers to the difference between the actuarial yield on a bond and that on a risk-free loan with the same maturity.

5. Investment Grade: bonds rated as high quality by rating agencies.

6. Source: Edmond de Rothschild AM, data as of 31/01/2026.



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On the other hand, in a buoyant bond market (sharp fall in rates, marked tightening of spreads), their upside potential is more limited. Nevertheless, their main advantage lies in their defensive nature, as they allow investors to capture the carry⁷ of the asset class (coupons and credit risk premium) while cushioning much of the volatility associated with movements in interest rates and spreads.

Which investor profiles is this approach primarily aimed at?

A short-duration bond strategy is particularly well suited to investors with a conservative risk profile in the fixed income segment, as well as to those seeking an alternative to short-term investments that offers a higher level of risk but also greater potential returns.

EdR SICAV Short Duration Credit: What are the characteristics of your fund and how does it stand out?

The strategy was designed to take advantage of the defensive features of short-duration credit, while maintaining an attractive carry level.

The portfolio is managed using a ladder structure, in which the various maturity pockets are equally weighted, resulting in an overall stable duration over time, generally between 1.5 and 2.5 years⁸. This approach limits the portfolio's modified duration to changes in interest rates and credit spreads, while maintaining significant exposure to credit carry. At the same time, approximately 2% of the portfolio is automatically reinvested each month, in line with prevailing market conditions, in order to smooth both the performance and volatility profile over time.

Finally, how do you manage credit risk in the fund?

The portfolio combines investment grade (IG) and high yield⁹ (HY) bonds, with a particular focus on refinancing risk. In practice, this translates into a bias towards issuers rated around BBB–BB¹⁰, which are deemed capable of refinancing their debt on attractive terms.

7. The carry of a bond refers to its yield over a given holding period.

8. The investment process described above incorporates various internal management constraints put in place by the management team. This is the process currently in place, but it is subject to change over time.

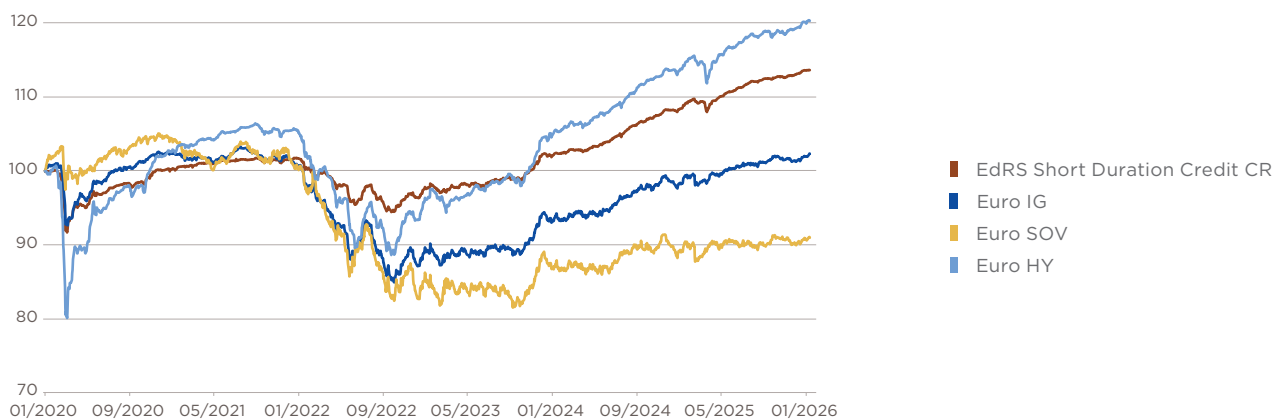
9. High Yield are corporate bonds with a higher default risk than investment grade bonds but which pay out higher coupons.

10. Financial ratings between AAA and BBB– on Standard & Poor's scale correspond to Investment Grade bonds, while those strictly below BBB– are classified as High Yield bonds.

SHORT-DURATION CREDIT: A DEFENSIVE APPROACH TO OPTIMIZE THE RETURN/RISK RATIO



Track since inception compared to Euro Sov, Euro IG, Euro Corpo as of the end of January 2026



Source: Edmond de Rothschild Asset Management, Factset. Index ER00 EG00 HE00 Data at 31/01/2026. Past performance and volatility is no guarantee of future performance and volatility which may change over time, and can be separately affected by fluctuating exchange rates.

Another key decision concerns the dynamic allocation between the two segments based on our position in the economic cycle. At the beginning of the cycle, when the environment is favorable for credit, the HY portion may be increased, with an allocation of around 30% IG/70% HY. During a recession or sharp slowdown, the management team adopts a more defensive stance, upgrading the overall quality of the portfolio to an allocation closer to 70% IG/30% HY. This flexible approach allows the fund's risk/return profile to be adjusted according to market conditions.

Key points

- Controlled exposure to credit risk through a selection of solid issuers (BBB-BB).
- An important IG base, with a minimum exposure of 30%, which helps structure the risk profile.
- A ladder-style maturity structure, with around 20% of the portfolio maturing each year between the first and fifth years, in order to maintain liquidity and the ability to reposition throughout the cycle.

Disclaimer

This is a marketing communication. Please refer to the UCITS prospectus and the Key Information Documents before making any final investment decision. EdR SICAV Short Duration Credit is a sub-fund of the French SICAV approved by the AMF and authorized for marketing in Belgium, Switzerland, Germany, Spain, France, Italy and Luxembourg.

Main investment risks

RISK INDICATOR:

1	2	3	4	5	6	7
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The risk indicator rates this fund on a scale of 1 to 7. This indicator is used to assess the level of risk of this product in comparison to other funds and a category 1 rating does not mean that the investment is risk free. In addition, it indicates the likelihood that this product will incur losses in the event of market movements or our inability to pay you. This indicator assumes that you hold the product until the end of the recommended holding period of this fund. The actual risk may be very different if you choose to exit before the end of the recommended holding period of this Fund. The risks outlined below are not exhaustive. Please refer to the prospectus for information on other risks. **Risk of capital loss:** The UCITS does not guarantee or protect the capital invested; investors may therefore not get back the full amount of their initial capital invested even if they hold their units for the recommended investment period. **Credit risk linked to investments in speculative securities:** The UCITS may invest in issues from countries or companies rated, at the time of purchase, as “non-investment grade” by a rating agency (rating of less than BBB- according to Standard & Poor’s or any other equivalent rating assigned by an independent agency that has an equivalent internal rating issued by the Management Company) or

which are considered equivalent by the Management Company. These issues are securities deemed speculative and present a higher risk of issuer default. This UCITS should be considered partly speculative and aimed specifically at investors who are aware of the risks inherent in investing in these securities. Thus, the use of “high yield” securities (speculative securities presenting a greater risk of issuer default) may result in a greater risk of falling NAV. **Credit risk:** The main risk linked to debt securities and/or money market instruments such as treasury bills (BTFs and BTANs) or short-term negotiable securities is that of issuer default, due either to the non-payment of interest and/or the non repayment of capital. Credit risk is also associated with the downgrading of an issuer. Shareholders are reminded that the net asset value of the Sub-fund is likely to fall if a total loss is recorded on a financial instrument following default by an issuer. The inclusion of debt securities in the portfolio, whether directly or through UCIs, exposes the Sub-fund to the effects of variations in credit quality. **Interest rate risk:** By holding debt securities and money market instruments, funds are exposed to changes in interest rates. This risk is defined as a rise on interest rates causes a decline in bonds valuation and therefore a fall in of the fund’s NAV.

Fund characteristics*

Investment Objective: The fund aims to outperform its benchmark by investing in corporate bonds over the recommended investment period, net of fees. To achieve this objective, additional return will be targeted through active management of interest rate and credit risks.

ISIN Codes: Share A: FR0013460920 / Share I: FR0013461571

Inception date: 20/01/2020

Maximum management fees: Share A: 0.70% incl. tax / Share I: 0.35% incl. tax

Minimum initial subscription: Share A: 1 share / Share I: €500 000

Subscription fee: Share A: 1% maximum / Share I: None

Redemption charges: None

Variable management fees Shares A & I: 15% of outperformance above the benchmark

Administrative fees external to the management company: max. 0.15% incl. tax **Benchmark:** 50% de ICE BofA 1-5 Year A-BBB Euro Corporate Index, coupons reinvested & 50% ICE BofA BBCCC 1-3 Year Euro Developed Markets High Yield Constrained index, coupons reinvested

Recommended investment horizon: > 2 years

*Shares described herein are the main euro-denominated shares. The fund also has shares in other currencies. Please ask you sales contact for any further information. Please note that not all costs and share classes are disclosed in this documents. Please refer to the KID/prospectus for further details.

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Public limited company with a Management Board and Supervisory Board and a capital of 11,033,769 euros

AMF approval number GP 04000015 - 332.652.536 R.C.S. Paris

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