



ODDO BHF
ASSET MANAGEMENT



Fund Insight

ODDO BHF POLARIS FUNDS RANGE

APRIL 2023

THE FIGURE OF THE MONTH

3.5

Key interest rates continue to rise, on 16 March the ECB increased the rate at which it lends to banks to 3.5%

Assets under management

€ 4,102 M

PORTFOLIO SNAPSHOT

Access to the latest performance and factsheets	Morningstar rating ¹	Risk profile ²
ODDO BHF POLARIS <i>Moderate</i> VIEW	★★★★★ ³	①②③④⑤⑥⑦
ODDO BHF POLARIS <i>Balanced*</i> VIEW	★★★★★ ⁴	①②③④⑤⑥⑦
ODDO BHF POLARIS <i>Dynamic*</i> VIEW	★★★★★ ⁵	①②③④⑤⑥⑦
ODDO BHF POLARIS <i>Flexible</i> VIEW	★★★★★ ⁶	①②③④⑤⑥⑦

Past performance is not an indication of future results. Performance may vary over time.

Countries in which the fund is authorized for marketing to clients: Austria, Germany, France, Italy, Luxembourg, Spain, Switzerland and Sweden.

*ODDO BHF Exklusiv: Polaris Balanced and ODDO BHF Exklusiv: Polaris Dynamic are sub-funds of the umbrella (FCP) ODDO BHF Exklusiv | ¹ Morningstar™ rating as of 31/03/2023 | ² Risk/return scale in a range from 1 (lowest risk) to 7 (highest risk). This indicator is not constant and is updated if the risk/reward profile of the fund changes over time. The lowest category does not mean a risk-free investment. Historical data, such as is used to calculate the risk/return ratio, may not be a reliable indication of the future risk profile of the Fund. There is no guarantee that the management objectives in terms of risk and return will actually be met. | Morningstar category: ³ ODDO BHF Polaris Moderate (EUR Cautious Allocation), ⁴ ODDO BHF Exklusiv Polaris Balanced (EUR Moderate Allocation - Global), ⁵ ODDO BHF Exklusiv Polaris Dynamic (EUR Aggressive Allocation), ⁶ ODDO BHF Polaris Flexible (EUR Flexible Allocation - Global)
Data as of 31/03/2023 | Source: ODDO BHF AM

Story OF THE MONTH

In 2023, the central banks' fight against inflation and market interest rates will continue to be the focus of interest for many investors. Key interest rates have risen globally and have not yet peaked, while at the same time the impact on the banking system is becoming more visible. Therefore, in this Fund Insight we would like to look at how much equity market valuations depend on the interest rate level.

LOW VS. HIGH MARKET INTEREST RATES

From a financial perspective, equities are the promise of future distributions, usually financed by the cash flows generated by the company. Since investors have safe alternatives, e.g. government bonds, at their disposal, the interest rates that can be earned on them (in addition to a risk premium) must be taken into account when valuing equities. Typically, these calculations are made by analysts in a "discounted cash flow" model (DCF model). The interest rate is in the denominator, i.e. higher interest rates result in a lower share value - and vice versa. The exact mathematical effect of rising interest rates depends on the starting level, but one can roughly assume a 20 % lower share value if interest rates rise by 1 percentage point, for example from 2 % to 3 %.

FROM THEORY TO PRACTICE: INTEREST RATES AS A CRISIS BAROMETER.

So if we look at the interest rate effect on shares in isolation, rising interest rates should lead to falling stock markets and falling interest rates to rising share prices. So should shareholders always hope for lower interest rates and tremble at the spectre of rising ones? In practice, we not infrequently see the opposite. Time and again, falling market and central bank interest rates and falling stock markets have occurred together. For that is when the risk premium on interest rates mentioned above in the DCF model comes into play. Falling interest rates are often a sign of worsening economic prospects or harbingers of crises. This can affect companies' earnings prospects (in the

numerator of the DCF model) and the risk premium on interest rates (in the denominator), to the chagrin of shareholders.

On the other hand, a higher interest rate level should also not necessarily serve as an argument against investing in shares. If higher interest rates are an expression of an improved economic environment and companies can compensate well for higher inflation, profits rise faster than in the low-interest phase, so the numerator in the DCF model rises faster. Another question: Were the ultra-low, partly negative interest rates that prevailed until 2021 ever fully priced into the stock market? If this was not the case, the effect of interest rate normalization is also not so negative for expected stock returns.

CONCLUSION:

For many market participants, the current question is whether the transition to higher interest rates is negative for equities, and one should therefore reduce them in portfolios. As shown, the answer is complex and the exact implications for the equity markets are ambivalent. A focus on another factor, which in the long run even dominates, seems at least as important: corporate earnings growth. Here the numerator is considered in the DCF model. Structurally and steadily growing quality companies benefit from this tailwind, which dominates the mathematical effect of interest rates in the denominator over the long term and should lead to above-average performance. With a focus on quality companies, one is therefore on the safe side in the long term even with a higher interest rate level.

**None of the aforementioned companies constitutes an investment recommendation.
Past performance is not a reliable indication of future return and is not constant over time.**

Why invest

IN ODDO BHF POLARIS FUNDS RANGE

FOUR GLOBAL DIVERSIFIED FUNDS TO INVEST ACCORDING TO YOUR RISK PROFILE, YOUR INVESTMENT OBJECTIVES AND YOUR MARKET SENTIMENT. MODERATE, BALANCED, FLEXIBLE OR DYNAMIC, each Polaris fund gathers the same scrutiny in term of company's selection and risk management

ROBUST TRACK-RECORD AND INVESTMENT PHILOSOPHY with the first fund **LAUNCHED IN 2005** (with the innovation of ODDO BHF Polaris Moderate)

The 4 funds went through **VARIOUS CRISIS** (Subprime crisis, Euro Sovereign crisis, Trade War tensions, Corona Virus) with a potentially **STRONG ABILITY TO REBOUND**

DIVERSIFIED, CONVICTION-DRIVEN AND LONG-TERM INVESTMENT MANAGEMENT approach with a selection of companies which operate all around the world

EQUITY SELECTIVITY AND QUALITY AT THE HEART OF THE ALPHA CREATION: portfolios focused on companies with strong fundamentals, financial and extra-financial sustainability, competitive edges and real ability to go through all the phases of the economic cycle

LONG-TERM GROWTH POTENTIAL OF THE FUNDS WITH THE IDENTIFICATION OF SECULAR TRENDS such as digitalization of the economy, new consumer & worker trends, growing middle class and ageing population

The 4 funds integrate **ESG CRITERIA** into their investment process. We strongly believe the explicit integration of ESG criteria striving to select **WELL-MANAGED COMPANIES** with responsible practices has a **POSITIVE INFLUENCE** on the long term performance for investors

DEFENSIVE FIXED INCOME BUCKET WHICH AIMS TO LIMIT DRAWDOWN (min 90% Investment Grade names)

A TEAM OF WELL-EXPERIENCED PORTFOLIO MANAGER AND INVESTMENT SPECIALISTS, BASED IN FRANKFURT, dedicated to the selection and review of the companies in portfolio

INVESTMENT TEAM



PROF. DR. JAN VIEBIG, CFA
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ODDO BHF SE



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ODDO BHF Polaris Balanced
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JACQUELINE BLOMENDAHL
Investment Specialist
ODDO BHF TRUST



JONAS EISCH
Investment Specialist
ODDO BHF TRUST

● Year of experience within ODDO BHF Group

● Year of investment experience

RISKS

The fund is exposed to the following risks: risk of capital loss, equity risk, risk linked to the holding of small and midcaps, interest-rate risk, credit risk, volatility risk, modelling risk, portfolio concentration risk, foreign-exchange risk, risks linked to discretionary management, liquidity risk of underlying assets, risk incurred from excess exposure, counterparty risk, risk associated with commitments on forward financial instruments, risks related to securities financing and collateral management, risk relating to investment in high-yield speculative securities and, in an incidental manner emerging market risk.

ISIN codes of the fund

ODDO BHF Polaris Moderate	ODDO BHF Exklusiv Polaris Balanced	ODDO BHF Exklusiv Polaris Dynamic	ODDO BHF Polaris Flexible
DRW-EUR Share Class DE000A0D95Q0	DRW-EUR Share Class LU0319574272	DRW-EUR Share Class LU0319577374	DRW-EUR Share Class LU0319572730
CR-EUR Share Class DE000A2JJ1W5	CRW-EUR Share Class LU1864504425	CR-EUR Share Class LU1849528234	DNW-EUR Share Class LU1807158784
CI-EUR Share Class DE000A2JJ1S3	CR-EUR Share Class LU1849527939	DNW-EUR Share Class LU1781770794	CR-EUR Share Class DE000A2JJ1S3

DISCLAIMER

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ODDO BHF Polaris Moderate: The Key Information Document (English, French, German, Italian, Portuguese, Spanish and Swedish) and the prospectus (English, French and German) are available free of charge from ODDO BHF ASSET MANAGEMENT GmbH or at am.oddo-bhf.com or at authorized distributors.

ODDO BHF Exklusiv Polaris Balanced and ODDO BHF Exklusiv Polaris Dynamic: The Key Information Document in English, German, French, Italian, Portuguese, Spanish and the prospectus in German, English, French are available free of charge from ODDO BHF Asset Management GmbH or at am.oddo-bhf.com or at authorized distributors.

ODDO BHF Polaris Flexible: The Key Information Document in English, French, German, Italian, Spanish and the prospectus in German are available free of charge from ODDO BHF Asset Management GmbH or at am.oddo-bhf.com or at authorized distributors.

The annual and interim reports are available free of charge from ODDO BHF Asset Management GmbH or on its internet site am.oddo-bhf.com.

If the fund is licensed for sale in Switzerland, the representative there is ACOLIN Fund Services AG, Leutschenbachstrasse 50 - 8050 Zurich, Switzerland. Paying agent is ODDO BHF (Switzerland) Ltd., Schulhausstrasse 6, 8027 Zurich, Switzerland. Further useful information regarding the fund, the Sales Prospectus including the Fund Rules, the Key Investor Information Document as well as the annual and half-yearly reports will also be available there free of charge and in the German language.

ODDO BHF ASSET MANAGEMENT GMBH (GERMANY)

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