



Quarterly Strategy

R-co Valor and R-co Valor Balanced

The second quarter of 2019 was characterized by profit taking and reducing risk within the portfolio. As a result, its current equity allocation is at its lowest level in 10 years.

During the quarter, rail transport was the sector most affected by the risk reduction. We gradually reduced our exposure to Canadian Pacific Railway and fully liquidated our position on Canadian National Railway. The valuation levels of the sector no longer seem justified, in particular given the dynamic of rail traffic over the past two months.

Other reductions include LVMH in the luxury sector, and Capgemini following the announcement of a takeover bid on Altran. Among more marginal trims, still with a profit-taking mindset, we continued to decrease our positions in Honeywell, in Apple because of its exposure to the China-US trade war, as well as in Facebook given the rebound in the stock and uncertainties weighing on the environment in which the company operates.

The main shift, which occurred between late April and early May, was the implementation of hedges within the portfolio via S&P 500 futures contracts, representing approximately 10% of our equity allocation. These transactions carried out in two stages in a relatively short period of time, were based on the willingness to adopt a more defensive and reactive stance towards equity markets.

On the other hand, we finished building our position on Agnico-Eagle in the gold mining sector in early May, benefitting from the subsequent gold price appreciation. The last significant shift at the end of June was directly linked to the liquidation of Canadian National Railway, whose proceeds were reinvested in Citigroup, Capital One and Morgan Stanley shortly before the stress tests. Finally, we slightly strengthened Canadian National Resources in the energy sector. These movements increased our allocation to the financial sector while decreasing our exposure to the more cyclical ones.

R-co Valor

Taking advantage of a diversified allocation as part of its “Carte Blanche” investment approach, R-co Valor offers a flexible exposure to all asset classes, without any sectoral or style bias, nor any geographical constraints or reference to a benchmark. This fund provides access to innovative and cross-functional investment themes through high-conviction investments. The core of the portfolio consists of long-term structural themes around which a more opportunistic stock selection is based. The portfolio managers seek to optimize the fund’s risk-return profile through a concentrated portfolio, founded on a combination of “top down” and “bottom up” analysis.

Given the current valuation levels of equities, the situation is proving complex to assess. Equities are still trending higher, supported by Central Banks easing monetary policies, despite several signals of economic growth slowing down and rather negative earnings forecasts for the second quarter, combined with a very defensive positioning from investors.

“The main shift in the portfolio was the implementation of hedges via S&P 500 futures contracts...”



Yoann Ignatiew
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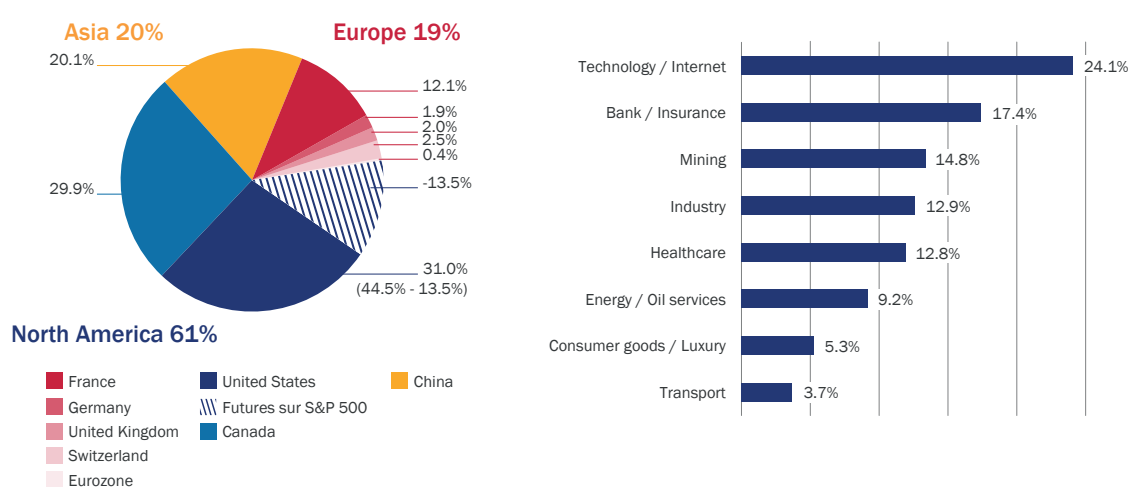
Emmanuel Petit
Co-fund manager
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At the end of June, our equity exposure stood at 71.5% net of futures contracts, the balance being invested in cash. Considering our aggressive equity allocation at the end of 2018, the lack of visibility coupled with the rise in valuations over the past six months is pushing us to limit our risk exposure and explains our lowest allocation to the asset class in 10 years.

“Equities are still trending higher despite several signals of economic growth slowing down...”

Completed writing on 12 July 2019

R-co Valor: Portfolio's geographical and thematic breakdown as of June 2019



Source: Rothschild & Co Asset Management Europe, 28/06/2019

R-co Valor: Portfolio's top 10 holdings as of June 2019

Stocks	Weight	Number of line	42
Ping An Insurance	3.2%	Average weight	1.9%
Facebook	3.1%	Top 10 weight	28.2%
Morgan Stanley	3.1%	Top 5 weight	15.3%
Manulife Financial	2.9%		
Alphabet	2.9%		
Teck Resources	2.8%		
Alibaba	2.7%		
Tencent	2.5%		
LVMH	2.5%		
Citigroup	2.4%		

Source: Rothschild & Co Asset Management Europe, 28/06/2019

The features of the portfolio are not fixed and may vary over time.

R-co Valor Balanced *Co-managed by Yoann Ignatiew and Emmanuel Petit*

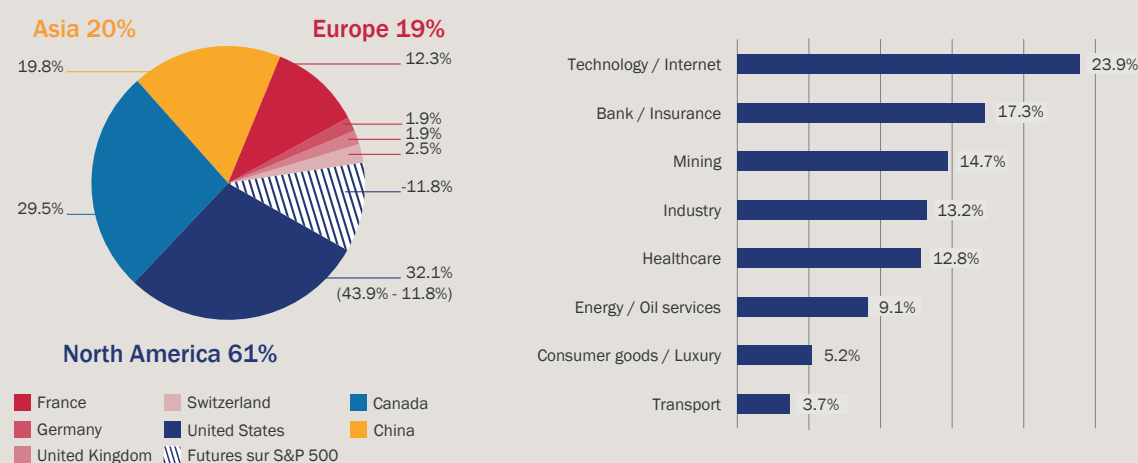
As a diversified allocation fund, R-co Valor Balanced seeks to generate long-term performance while reducing its volatility through a diversified portfolio and the decorrelation stemming from investing across different asset classes. This investment solution is founded on two sub-strategies. The first one is managed using a “carte blanche” approach, investing in global equities and fixed income, while the second one focuses on fixed income, with a majority being Investment Grade. Each sub-strategy is managed on a discretionary basis, founded on both “top-down” and fundamental analysis to identify securities while providing ample flexibility in accordance with the portfolio management teams’ convictions. Each sub-strategy seeks to generate performance, including the fixed income pocket which is not solely managed to lower the overall portfolio’s risk.

Portfolio Allocation

Currently, the equity pocket represents just over 35% of the allocation while fixed income represents about 44%. The balance is in cash.

The equity allocation is intended to be relatively similar to that of R-co Valor thus with a bias to North America, China and finally Europe. From a sectoral perspective, it is mainly invested in growth stocks across technology, financial and raw material firms, along with ones in the industrial, healthcare and energy.

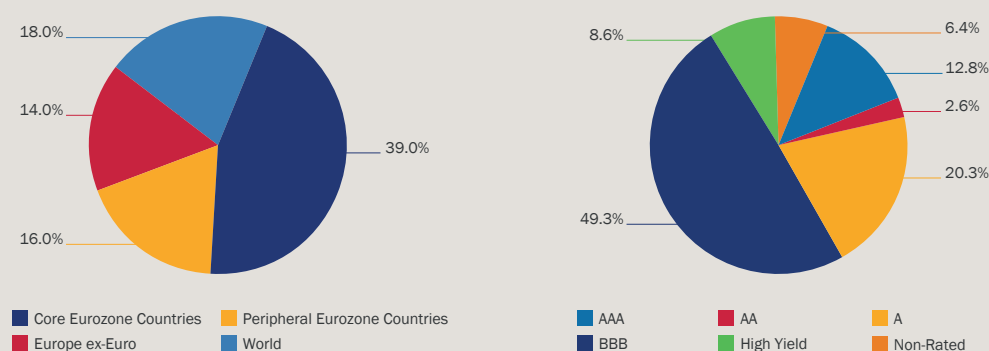
R-co Valor Balanced: Geographical and thematic breakdown of the Equity pocket as of June 2019



Source: Rothschild & Co Asset Management Europe, 28/06/2019

The fixed income pocket consists of euro denominated securities mainly with intermediate maturities. Almost half of the allocation is invested in Investment Grade bonds rated BBB. To optimize its yield, approximately 9% of the fixed income portfolio is invested in High Yield securities and 6% in non-rated bonds. The fixed income pocket currently counts 136 positions to remain highly diversified.

R-co Valor Balanced: Geographical and by rating breakdown of the fixed income pocket as of June 2019



Source: Rothschild & Co Asset Management Europe, 28/06/2019

The features of the portfolio are not fixed and may vary over time.

	2019	2018	2017	2016	2015	2014	5 years	1 year volatility
R-co Valor C EUR	20,71%	-13,17%	9,54%	19,92%	4,55%	15,68%	49,97%	14,95%

Source: Rothschild & Co Asset Management Europe, 28/06/2019

The figures quoted relate to previous years, past performance is not a reliable indicator of future results



Recommended investment period: 5 years

The level of risk of the UCITS is 6 (volatility of between 10% and 15%) and primarily reflects a discretionary management policy on equities and fixed income markets. The historical data used to calculate this synthetic indicator may not be a reliable indicator of the UCITS' future risk profile. The risk category associated with the UCITS is not guaranteed and may shift upwards or downwards over time. A rating of 1 does not mean that the

investment is "risk-free". The capital invested in the UCITS is not guaranteed. Other important risk factors, not adequately taken into account by the indicator: credit risk, liquidity risk, impact of techniques such as derivatives. The occurrence of one of these risks may result in a decrease in the UCI's net asset value. For more information about the risk profile and its main contributors, please refer to the prospectus.

R-co Valor Balanced



Recommended investment period: 3-5 years

The level of risk of the UCITS is 4 (volatility of between 5% and 10%) and primarily reflects a discretionary management policy on equities and fixed income markets with a risk-balanced profile. The historical data used to calculate this synthetic indicator may not be a reliable indicator of the UCITS' future risk profile. The risk category associated with the UCITS is not guaranteed and may shift upwards or downwards over time. A rating of 1 does

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