Quarterly Strategy Q1 2024 – R-co Valor & R-co Valor Balanced

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The markets closed the quarter significantly positive for international equities. The **MSCI World All Country gained +10.7%[1] over the period**, driven mainly by hopes for a meaningful pivot in central bank policies. Both Europe and the United States performed well, gaining, respectively, +12.4% and +12.9%[1]. **However, some economic disparity between the two regions is starting to emerge, with weakness in the old continent**. Growth forecasts for 2024 are +2.1% for the US[2] and +0.9% for the euro zone[2]. Similarly, while inflation seems to be converging towards 2% for the latter, it remains above 3% in the United States[1]. **This could ultimately lead to divergence in monetary policies between the two regions**. In China, the Communist Party is still having a hard time convincing its people and foreign investors that it is able to support robust structural growth. And yet, something of a shift does seem to be materialising, with growth figures above forecasts, at an annualised +5.3% in the first three months[1]. Industry drove activity, with the PMI[3] Caixin manufacturing index coming in at 51.1 in March, a high since February 2023. Against this backdrop the Hang Seng dipped by -0.8% on the quarter[1].

R-co Valor

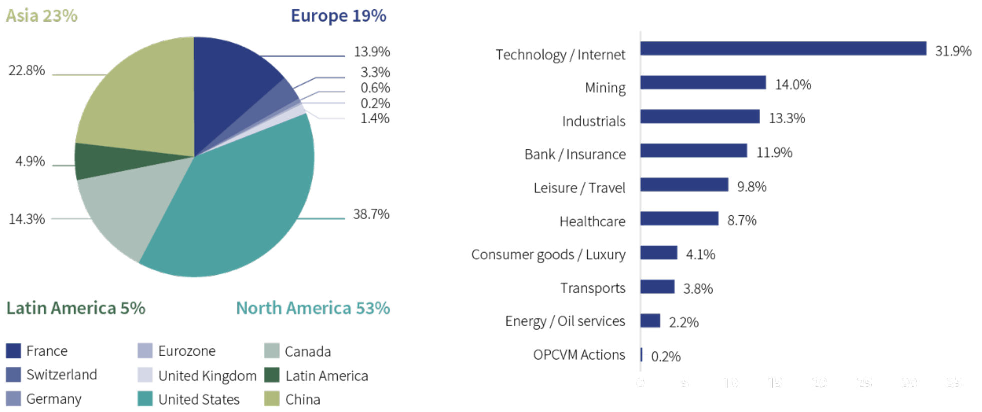
Within R-co Valor, we have kept our equity exposure relatively unchanged since the start of the year, at about 68%[1]. Even so, we did make some transactions, at all times with the goal of **lowering the weighting of the portfolio's most cyclical portion and raising the weighting of its more defensive companies**. For example, we completely sold off our exposure to the Swiss industrial group ABB, the insurance company Manulife, and the diversified mining group Teck Resources. Meanwhile we raised our goldmining exposure, via Newmont.

The recent spike in gold, hitting a record of more than 2300 dollars per ounce, stands in stark contrast with the goldmining sector's disappointing showing. Goldmining companies' extraction costs have been driven up in particular by inputs such as diesel, and machinery, but also by higher labour costs. These escalating costs have cut into producers' profit margins. This trend appears to be moving back to normal in part, and we believe that our goldmining stocks should be able to make up lost ground as long as their underlying asset stays at high levels. Regarding diversified mining groups, we added two new copper projects to the portfolio, with NGEx Minerals and Filo Corp. We also added to the portfolio's more defensive portion via healthcare stocks. Historically, healthcare stocks tend to underperform during election campaigns, when investors anticipate a reform, and then recover once the actual policy has been implemented. Even so, no major healthcare proposal has so far been mentioned in campaign platforms. Moreover, President Joe Biden has already successfully put through, in 2022, a law allowing the government to negotiate prices of certain drugs under Medicare. We are accordingly taking advantage of the sector's discount to add to our exposure in a setting that is structurally buoyant, with an ageing population (by 2050 one person out of six worldwide will be 65 or older), and particularly innovative. **In technology, we took some profits by selling down companies that had posted strong gains recently, such as Facebook and Uber**, and switching to Match Group. We believe that dating apps still offer strong growth potential, in terms of both use and monetisation. And lastly, **early in the year we added to our Chinese exposure in order to keep it from being diluted within the portfolio**.

The fund gained +7.5% in the first three months of the year[4] (C units). Healthcare was the worst contributor during the quarter for the the above-mentioned reasons. Technology, the fund's top sector, was also its best contributor, led by Meta, which gained +37%. Most of the gains occurred on 2 February, the day after it reported 39 billion dollars in net profit for 2023 and announced that it would pay out its first-ever dividend. Uber, the fund's second-best contributor, reported net profit of 1.9 billion dollars for last year, demonstrating its ability to continue generating robust and profitable growth.

At 68%, our equity exposure is historically low; over the past 10 years it had averaged 83%[4]. The concentration of inflows into certain regions and sectors, geopolitical and electoral tensions, the reduction of liquidity caused by central banks' shrinking of their balance sheets, and ballooning government debt are among the factors making us relatively conservative. We remain disciplined in our management strategies and are taking advantage of the current lull to take some profits and build up our supply of "dry powder". By the way, **the fund's "Money-market and similar" allocation should not be seen as a fallback option**. French Treasury Bonds maturing in less than one year are yielding on average 3.75% after spending a decade in negative territory, and our fund's flexibility allows us to reposition ourselves on this asset class, pending an opportunity to return to equities.

R-co Valor: Portfolio's geographical and thematic breakdown of the equity pocket

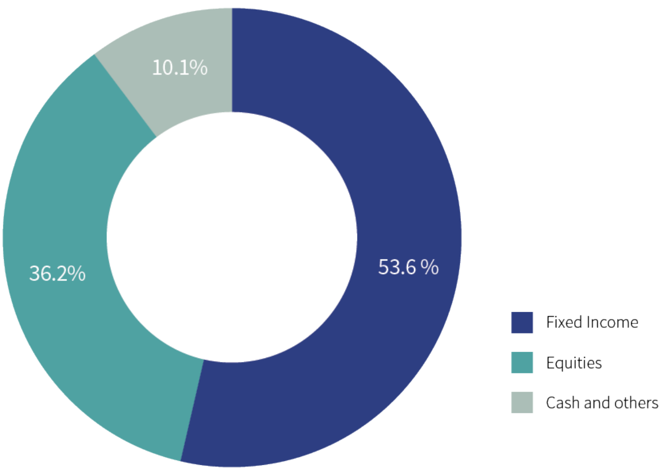


Source: Rothschild & Co Asset Management, 28/03/2024.

R-co Valor Balanced

As of the end of March, **R-co Valor Balanced was 36% exposed to equities and 54% to bonds**, with the rest being invested in money-market and similar investments[4]. **The fund gained +4.5% on the quarter[4]**. Its equity allocation was the main contributor to performance, driven mainly by tech stocks. The bond allocation also made a positive marginal contribution, although rising interest rates have impacted investment grade bonds[5] so far this year.

R-co Valor Balanced: Breakdown by asset classes

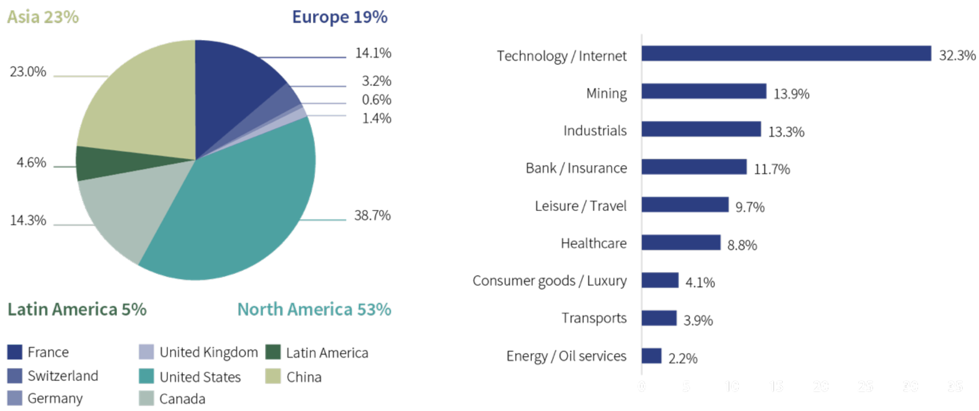


Source: Rothschild & Co Asset Management, 28/03/2024.

Equity Pocket

R-co Valor Balanced equity allocation replicates that of R-co Valor.
Both funds have the same exposures and are subject to the same modifications.

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



Source: Rothschild & Co Asset Management, 28/03/2024.

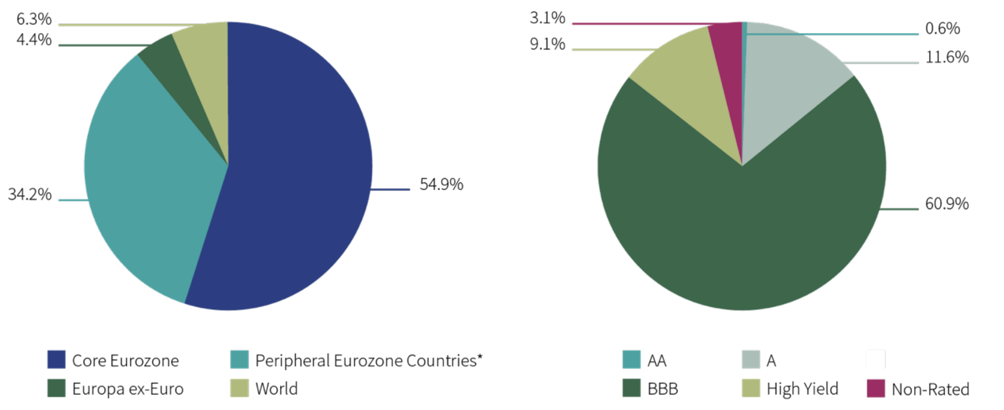
Fixed Income Pocket

Ten-year US and German yields rose, respectively, by 27 basis points (bps) to 4.2% and by 23 bps to 2.3%[1]. Central banks, the Fed in particular, reiterated their desire not to rush into easing financing conditions, in light of the latest inflation numbers. Among corporate bonds, investment grade gained +0.4% on the quarter, and high yield[6], +1.7%[1]. **The primary market was busy in the first quarter, as issuers took advantage of receding bond yields in late 2023 to refinance, while investors showed a marked appetite**, confirming that there is lots of cash on the sidelines, ready to be deployed. In investment grade, investors also showed lots of appetite, compressing issue premiums, which were also pushed by a lack of opportunities on the secondary market.

In the fund's bond allocation, we took profits in high beta, hybrid and AT1 paper. On the buying side, we took part in primary market issues, mainly in investment grade. In general, **we continue to overweight companies with low debt levels and the ability to maintain high cash flows.. We remain cautious about lower-rated corporate sectors**. Furthermore, we maintain our hedge through CDS on the Main, accounting for approximately 20% of our bond portfolio[4].

The bond allocation's sensitivity stood at 3.7 as of the end of March; its yield was 4.5%[1].

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



Source : Rothschild & Co Asset Management, 28/03/2024.
Others Eurozone, Italy and Spain.

ISIN: FR0011253624

Performances	Year to date	2023	2022	2021	2020	5 years	1 year volatility
R-co Valor C EUR	7.5%	13.0%	-8.1%	12.7%	6.7%	46.7%	9.4%

Source: Rothschild & Co Asset Management, 29/09/2024.
The figures quoted relate to previous years. Past performance is not a reliable indicator of future performance and is not constant over time.
They take into account all fund-related costs and expenses (e.g. management fees) but do not take into account fees charged to the client (e.g. issuance costs, deposit fees).

ISIN: FR0013367265

Performances	Year to date	2023	2022	2021	2020	5 ans	Volatilité 1 an
R-co Valor Balanced C EUR	4.5%	11.3%	-11.8%	6.7%	5.0%	22.0%	5.7%

Source: Rothschild & Co Asset Management, 28/03/2024.
The figures quoted relate to previous years. Past performance is not a reliable indicator of future performance and is not constant over time.
They take into account all fund-related costs and expenses (e.g. management fees) but do not take into account fees charged to the client (e.g. issuance costs, deposit fees).

Learn more about the fund(s)

R-co Valor

R-co Valor Balanced

Check this document on our website

(1) Source : Bloomberg, Eurostoxx & S&P500, 28/03/2024
(2) Source : IMF
(3) Purchasing Managers' Index, an indicator reflecting the confidence of purchasing managers in a sector of activity. Above 50, it indicates an expansion in activity, below 50, a contraction.
(4) Source : Rothschild & Co Asset Management, 28/03/2024 The figures quoted relate to the past months. Past performance is not a reliable indicator of future performance and is not constant over time. The management team is subject to change. The characteristics/objectives/strategies mentioned above are indicative and subject to change without notice. This analysis is only valid at the time of writing. The geographical and sector allocations and distributions are not fixed and may change over time within the limits of the SICAV fund's prospectus.
(5)Investment Grade bonds are issued by companies or governments rated by Standard & Poor's at between AAA and BBB-.
(6) High yield bonds are issued by companies or governments having a high credit risk. They are rated below BBB- by Standard & Poor's.
(7) Credit default swaps (CDS) are derivatives that act in an insurance role, offering protection against non-payment of a bond issued by a government or company. This coverage is applied to the portfolio's crossover section, i.e., bonds rated by Standard & Poor's at between BB and BBB.
(8) Investment Grade Index

R-co Valor
Recommended investment period: 5 years
Risk SRI 4/7. he synthetic risk indicator shows the level of risk of this product compared to others. It indicates the likelihood of this product incurring losses in the event of market movements or our inability to pay you. We have classified this product in risk class 4 out of 7, which is a medium risk class and mainly reflects a discretionary management policy on equity markets and fixed income products. This means that the potential losses from the future performance of the product are at a medium level and, should the markets deteriorate, it is possible that our ability to pay you will be affected. The risk indicator assumes that you hold the product for 5 years, otherwise the actual risk may be very different and you may get less in return.
Main risks: Risk of capital loss, Risk associated with discretio- nary management, Market risk, Credit risk, Interest rate risk, Foreign exchange risk, Counterparty risk, Risk associated with the use of derivatives. This list is not exhaustive. Please refer to the "Risk profile" section of the Fund's prospectus.
R-co Valor Balanced
Recommended investment period: 3-5 years
Risk SRI 4/7. The synthetic risk indicator shows the level of risk of this product compared to others. It indicates the likelihood of this product incurring losses in the event of market movements or our inability to pay you. We have classified this product in risk class 3 out of 7, which is a low to medium risk class and mainly reflects a discretionary management policy on equity markets and fixed income products. This means that the potential losses from the future performance of the product are low to medium and, should the markets deteriorate, it is possible that our ability to pay you will be affected. The risk indicator assumes that you hold the product for 5 years, otherwise the actual risk may be very different and you may get less in return.
Main risks: Risk of capital loss, Risk associated with discretionary management, Market risk, Credit risk, Interest rate risk, Foreign exchange risk, Counterparty risk, Risk associated with the use of derivatives. This list is not exhaustive. Please refer to the "Risk profile" section of the Fund's prospectus.

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As the specialised asset management division of the Rothschild & Co group, we offer personalised asset management services to a broad client base of institutional investors, financial intermediaries and distributors. Our development is focused on a range of open-ended funds, marketed under five strong brands: Conviction, Valor, Thematic, 4Change and OPAL, leveraging our long-term expertise in active management with conviction as well as in delegated management. Based in Paris and established in 9 European countries, we manage more than 31billion euros and employ nearly 160 people.
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