Quarterly Strategy Q2 2024 – R-co Valor & R-co Valor Balanced

Yoann Ignatiew
General Partner, Global Equities Portfolio Manager

Charles-Edouard Bilbault
Global Equities Portfolio Manager

Emmanuel Petit
General Partner, Head of Fixed Income

Philippe Lomné
Fixed Income Portfolio Manager
Specialisation: IG Credit IG & Crossover

Global equity markets ended the second quarter in positive territory. On the back of the rally in China, emerging markets stood out, with the MSCI Emerging Markets gaining +4.8% and the MSCI World up by +2.9%[1]. Some disparity emerged among Western indices, with the S&P 500, driven by tech stocks, gained +4.7%, while the EuroStoxx 50 declined by -3.7%[1].

R-co Valor

R-co Valor gained +0.5% on the period, raising its year-to-date performance to +8%[2]. The portfolio's exposure to Eurozone equities drove down its performance in the past three months. The ECB was able to lower its interest rates in early June, due to sluggish economic momentum and a slower pace of inflation. This decision had already been priced in, but as services inflation was more persistent than expected, Christine Lagarde stressed that any normalisation of monetary policy would remain closely data-dependent. Despite this key rate cut, government bond yields rose and the equity markets fell on fallout from European parliamentary elections and the announcement of snap elections in France. Our exposures to China and North America contributed nicely to the portfolio's performance. **In China, first of all, official measures to support the economy boosted the equity markets during the second quarter, allowing the Hang Seng to close the quarter up by +8.2%[1]**. The government announced new measures to support the real-estate sector – the first national property buying programme since the crisis began in 2021. This plan included lowering the minimum down-payment for a first-time purchase to 15% and a 39 billion euro programme,[3] allowing state entities to buy up vacant properties. **In North America, there were two main contributors to performance: mining companies and tech stocks**. Tech stocks were driven by investor enthusiasm for companies reporting solid results and guidance, such as Alphabet. Mining stocks, driven by both copper and gold, were the top contributors in the second quarter.

Within R-co Valor, we have kept the equity exposure relatively unchanged so far this year, at about 68%[2]. Even so, we made some transactions particularly for the purpose of reducing the portfolio’s most cyclical exposure and adding to its most defensive companies. For example, we completely sold off our position in Teck Resources, a diversified mining company, and took some profits on Ivanhoe Mines. Meanwhile, we increased our healthcare exposure through companies like AstraZeneca and Medtronic. In Asia, we took some profits on the online travel agency Trip.com, which is up by +30% year-to-date[1]. We diversified our exposure to consumer stocks in emerging markets by investing in Grab, a Singapore company operating in the Asia-Pacific region and specialising in passenger transport and meal delivery. Finally, we reinforced certain stocks on weakness across several sectors; in South America with MercadoLibre and Stone, and in Europe with Alstom and Airbus[2].

We hold five French stocks, accounting for a total of 8.5% of the fund[2], namely Air Liquide, Alstom, Airbus, Capgemini and LVMH. We have no exposure to the most pressured sectors, such as banks, utilities and telecommunications. Moreover, France represents a small share of these companies' revenues (around 10%). We are nevertheless adopting a cautious approach for the moment and will consider reinforcing certain positions on a case-by-case basis if significant corrections offer interesting opportunities, similar to the move we made on Airbus recently.

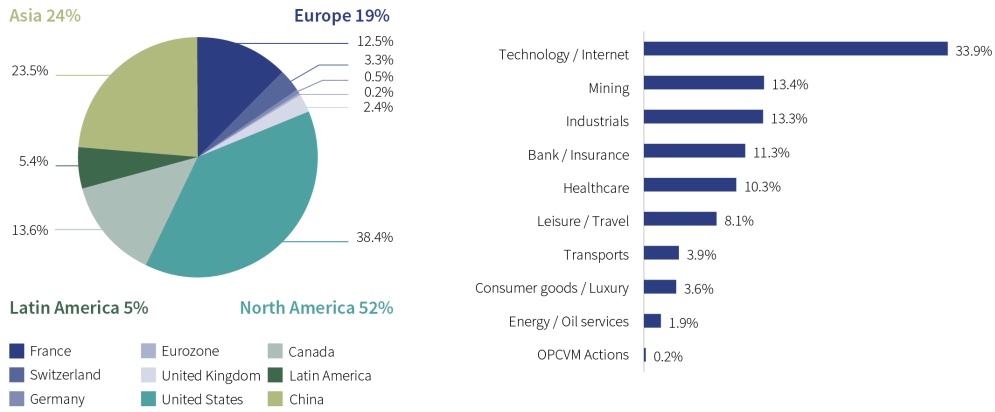
In the United States, the high expectations for earnings growth, reflect investors' confidence in companies' ability to deliver in the coming months. Given the concentration of flows in certain AI-themed stocks, a more muted outlook from these companies could create significant market stress. However, share buybacks for S&P 500 companies should provide solid market support, with 2024 expected to be particularly dynamic and forecasts close to 1000 billion dollars[4].

We remain confident in our exposure to Chinese consumption, although it is still struggling to recover. The Chinese Communist Party appears more committed than ever to supporting the economy, and we are positioned in such a way as to tap ingo a resurgence of consumer spending. China, has the additional advantage of being disconnected from the inflationary environment of Western countries, and the Chinese central bank possesses greater leeway.

In the current environment, we have no intention to take on additional risk and remain at historically low equity allocation levels. The concentration of flows in certain areas/sectors, geopolitical and electoral tensions, and rising governmental debt all push us towards relative caution. In this context, we continue to seek out stocks with "atypical" profiles. This includes overlooked stocks, such as those in the healthcare or gold mining sectors. We are also exploring opportunities in China, where the economic recovery still seems hampered by the gloomy confidence of households and businesses despite government support measures. Finally, we focus on specific themes that we believe have long-term potential, such as copper mining projects in South America. Our **money-**

market & similar exposure, at 32% of the fund, should not be regarded as a default option. French treasury bonds maturing in less than one year are now yielding about 3.6%[1] after a decate in negative territory, and our fund is flexible enough for us to take on exposure to this asset class, pending opportunities for a return to equities.

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

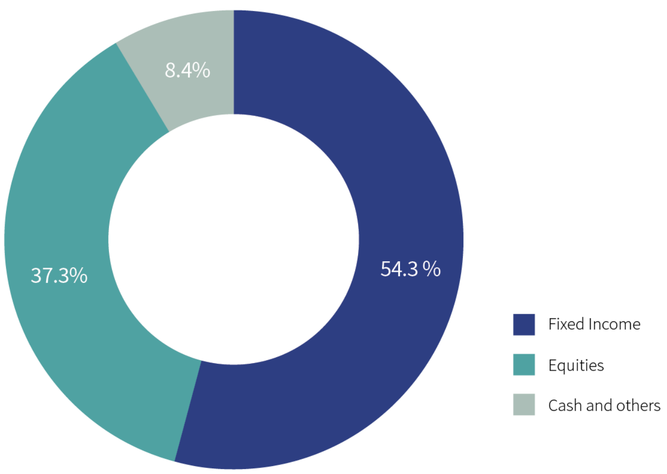


Source: Rothschild & Co Asset Management, 28/06/2024.

R-co Valor Balanced

As of the end of June, R-co Valor Balanced shows an equity exposure of 37% with the bond segment representing 54%, and the remainder in cash and equivalents. **The fund increased by +0.5% over the quarter, bringing its year-to-date performance to +5%**[2].

R-co Valor Balanced: Breakdown by asset classes

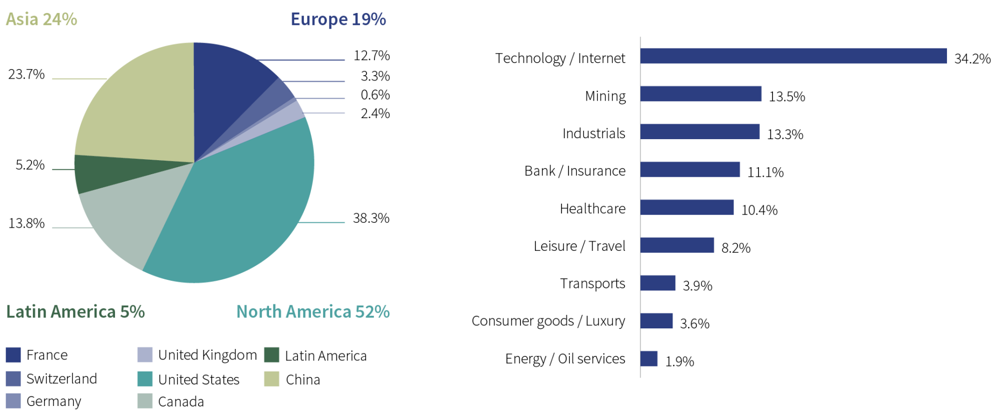


Source: Rothschild & Co Asset Management, 28/06/2024.

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, 28/06/2024.

Fixed Income Pocket

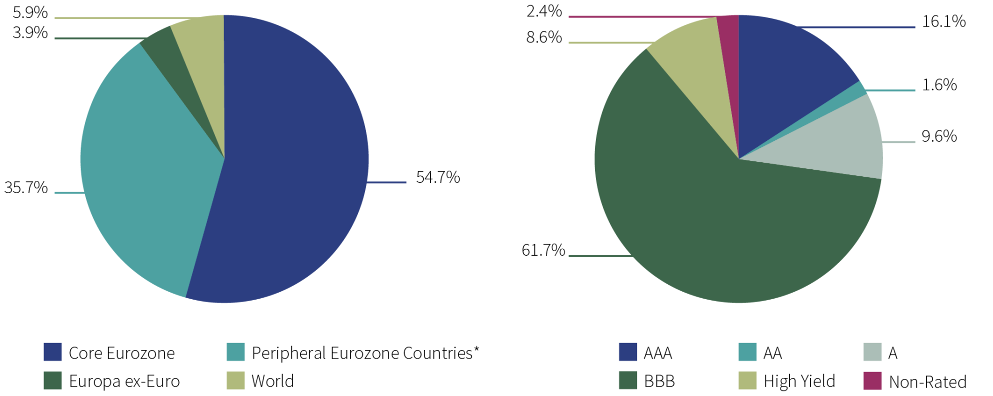
As the ECB announced its first rate cut at the beginning of June, volatility persisted in Europe against a backdrop of political risk aversion following the dissolution of the French National Assembly. Ten-year bond yields rose by 20 basis points (bps) on the quarter in Germany and the US, to 2.5% and 4.4% respectively, at quarter end[1]. Following the announcement of the dissolution, the spread between 10-year French and German sovereign yields (a measure of the premium demanded by investors for the additional risk of holding French bonds) hit 85 bps, its highest level since 2012[1]. This spread narrowed after the first round of legislative elections, as the prospect of an extreme scenario receded. In the US, declining inflation and early signs of economic slowdown suggested to investors the possibility of the Fed's first rate cut in September.

The second quarter was active in the euro primary market, with issuers taking advantage of favorable conditions to refinance their debt, while investors showed strong appetite, confirming the presence of significant dry powder. The quarterly performance of euro corporate bonds remained positive. Investment grade[5], which is more closely correlated to sovereign yields, was up by +0.07%, vs. 1.35% for high yield[6].

In this context, within the portfolio, we continue to favor companies with low debt and the ability to maintain high cash flows. We remain cautious about the lower-rated corporate segment. Additionally, **we have gradually increased the portfolio's sensitivity by buying 10-year German bonds**, as well as 5-year futures[7] for about 20% of our fixed-income allocation[2]. And, lastly, **we maintained our hedge via CDS[8] on the Main iTraxx, covering about 20% of our fixed-income portfolio[2]. These instruments, designed to protect us against systemic risk, proved to be especially useful late in the quarter**.

Within the portfolio's equity allocation, we made the same changes as in R-co Valor (detailed above).

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



Source : Rothschild & Co Asset Management, 28/06/2024.
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	8.0%	13.0%	-8.1%	12.7%	6.7%	43.8%	9.5%

Source: Rothschild & Co Asset Management, 28/06/2024.
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 years	1 year volatility
R-co Valor Balanced C EUR	5.0%	11.3%	-11.8%	6.7%	5.0%	20.0%	5.8%

Source: Rothschild & Co Asset Management, 28/06/2024.
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, 28/06/2024
(2) Source: Rothschild & Co Asset Management, 28 June 2024. Part C. Geographical and sectorial allocations and breakdowns are not fixed and are subject to change over time within the limits stated in the fund's prospectus. Figures cited cover past months. Past performances are not a reliable indicator of future performances and are not constant over time. Performances are calculated in euros with net dividends reinvested. Information contained in this document is not to be construed as investment advice or a recommendation by Rothschild & Co Asset Management.
(3) Source: Reuters, May 2024.
(4) Source: Goldman Sachs, 28 June 2024. Estimates for the S&P 500.
(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) A firm commitment to buy or sell an agreed amount of an asset at an agreed price on a future agreed date.
(8) 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.

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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More information at: www.am.eu.rothschildandco.com

France

29, Avenue de Messine
75008 Paris
+33 1 40 74 40 74

Belgium – Netherlands – Luxembourg

Avenue Louise 166
1050 Bruxelles
+32 2 627 77 30

Switzerland

Rothschild & Co Bank AG
Rue de la Corraterie 6
1204 Genève
+41 22 818 59 00

Italy

Passaggio Centrale 3
20 123 Milano
+39 02 7244 31

Germany - Austria

Börsenstraße 2 - 4
Frankfurt am Main 60313
+49 69 299 8840

Spain

Paseo de la Castellana 40 bis
28046 Madrid
+39 02 7244 31

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