



Quarterly Strategy

R-co Valor

Portfolio allocation changed marginally during the quarter, mainly through intra-sector arbitrages. As a result, our exposure to equity markets remained essentially unchanged throughout the summer period, at around 72%.

The third quarter of 2019 was marked by the return of a multitude of uncertainties and a slowdown in the global economy, prompting Central banks to implement particularly accommodating monetary policy once again. Against this backdrop, investors are not currently expecting a short-term economic recovery at all but rather anticipating further rate cuts. This hypothesis is supported by the sluggishness of leading economic indicators. In the long run, this scenario could prove favourable to equity markets, but only if there is more visibility on the political and economic fronts. In addition, stock market indices are still at high levels, but a phenomenon of sector rotation in favour of defensive stocks tends to occur in a context in which the dollar keeps on strengthening.

Based on this analysis, we are adopting a relatively cautious approach with a rather defensive stance in terms of allocation while voluntarily maintaining exposure to certain specific sectoral risks. Our overall allocation is well below the levels reached at the beginning of the year or even below its historical average, due to profit taking in sectors that have performed well. However, we are still maintaining an equity exposure comparable to the previous quarter, around 72%, and continuing to initiate positions when we feel it is appropriate.

This near-stability has not prevented some changes within the portfolio. For instance, the industrial company Bombardier was introduced in July, then reinforced throughout the summer. At the end of August, profits were generated from gold mines through reductions in Barrick Gold and Pretium Resources, following the very good performance posted by the sector in recent months. Gold prices rose sharply from \$1,300 to \$1,500 per ounce, reflecting macroeconomic uncertainties

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.

and developments related to the trade war. The cash that was freed up was subsequently reinvested in two copper mining companies, Teck Resources and Ivanhoe Mines.

The quarter was also marked by the gradual introduction of the biotechnology company Biomarin, taking advantage of the reduction in Celgene, in line with the trades made

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Yoann Ignatiew

Co-Fund Manager
Rothschild & Co
Asset Management Europe



Charles-Edouard Bilbault

Co-Fund Manager
Rothschild & Co
Asset Management Europe



Emmanuel Petit

Co-fund manager
and Head of fixed-income
Rothschild & Co
Asset Management Europe

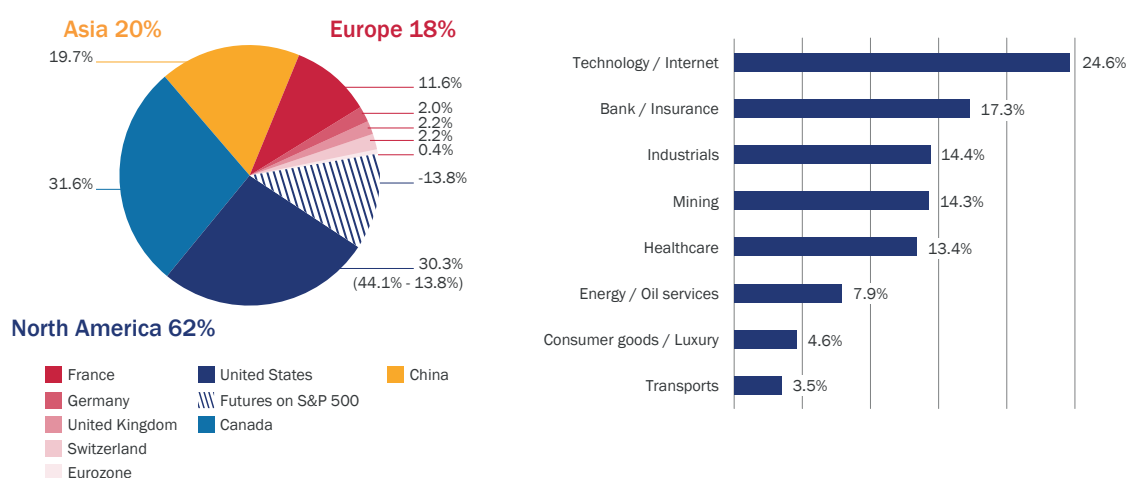
on the stock following the M&A transaction led by Bristol-Myers Squibb, which it has been the subject of since the beginning of the year. Again, in the healthcare sector, we also slightly increased Fresenius at the beginning of September. We are nevertheless aware that this sector remains under pressure as US elections approach and with the recurrent debate on drug prices, currently exacerbated by the Democratic primaries. However, our outlook is based on a long-term vision and on structural issues, such as the ageing of the population, but also on the sector's capacity for innovation.

As all these changes are the result of arbitrages within the portfolio, the fund's exposure to equities remained stable at the end of the quarter.

We therefore retain a significant amount of flexibility to be able to react and adjust our allocation if necessary. In addition, the next quarterly corporate results will be released in mid-October. While publications had surprised during the previous campaign, given the low or even negative expectations, forecasts for the upcoming season are not much more optimistic. This sentiment is exacerbated by a clear economic slowdown and reinforced by a series of political, geopolitical and macroeconomic risks. This uncertain environment warrants some caution and compels us to be patient until we have better visibility.

Completed writing on 10 October 2019

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



Source: Rothschild & Co Asset Management Europe, 30/09/2019

R-co Valor: Portfolio's top 10 holdings as of September 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, 30/09/2019

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

R-co Valor C EUR	2019	2018	2017	2016	2015	2014	5 years	1 year volatility
Performance	21.0%	-13.2%	9.5%	19.9%	4.5%	15.7%	8.1%	17.5%

Source: Rothschild & Co Asset Management Europe, 30/09/2019

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



Recommended investment period: 5 years

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Rothschild & Co Asset Management Europe - 29 avenue de Messine - 75008 Paris Société de gestion agréée par l'AMF n° GP-17000014

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