



Quarterly Strategy

R-co Valor and R-co Valor Balanced

The latest developments in the Sino-US trade war have partially allayed the risk of a recession that emerged at the end of 2018, and the slowdown in growth is gradually beginning to show signs of a reversal, particularly in China.

Going into this year, China, the driving force of global growth, is benefiting from the solid performance of its economy combined with the initial impact of the stimulus measures initiated by the authorities in early 2019. Although this still needs to be confirmed, macroeconomic indicators point to a more favourable situation than expected, especially with regard to the rest of the world. In the United States, the race for the Democratic nomination is underway and the polls are already being closely monitored by market operators. Finally, at a global level, the dichotomy between the manufacturing and services confidence indices persist.

In Q4 2019, the technology sector was the main contributor to the fund's performance, primarily driven by stocks such as Vipshop and Alibaba. Overall, Internet-linked Chinese stocks listed in the United States showed a remarkable performance following, in particular, the dissipation of some of the uncertainties generated by the Sino-US trade war. The share of e-commerce continues to grow in China and sales set new records in the latest promotional periods.

In the United States, the recent drop in the polls of Elizabeth Warren, the Democratic candidate who is particularly critical of the monopolistic status of large American "tech" companies, has been beneficial to Facebook and Alphabet. These two stocks pursued their progression that started right from the beginning of the year. In this context, our main shifts concerned the sale of Apple, as well as several reductions in Vipshop, in order to reduce the risks linked to these positions and to take profits on stocks that had substantially contributed.

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.

US financials also delivered strong gains in the quarter. The less favourable polls for candidate Warren, and above all, the slight steepening of the yield curve, were particularly beneficial to them. Indeed, after three consecutive rate cuts, the Fed is expected to maintain the *status quo*. Moreover, the election period offers more visibility as these circumstances impose a certain neutrality, which is beneficial situation to the industry.

In addition, household consumption remains buoyant. Commercial events at the end of the year (Black Friday, Thanksgiving) resulted in a 7% increase in sales compared to the previous year. At the same time, credit card activities remain



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healthy with overall stable default rates. In this context, Citigroup, Capital One and Morgan Stanley were major contributors to the fund's performance and we took advantage of this trend to take some profit.

Also benefiting from the easing of certain political risks, the healthcare sector posted a noteworthy performance over the period. We continued to strengthen our position in BioMarin. A profitable choice given the performance of the stock, particularly during the last fortnight of December. Other sub-sectors, such as pharmaceutical companies (AstraZeneca, Pfizer) and MedTech companies (Medtronic) benefited from similar dynamics.

As fears of recession risks subsided, the industrial sector emerged as a significant contributor to the SICAV's performance over the quarter. The only shift made was a small top-up to Bombardier, benefitting from various market opportunities. For this highly volatile stock which is currently subject to a restructuring, 2020 will be a pivotal year, particularly in terms of free cash flow generation.

We were ultimately most active in the transport sector during the quarter. We consolidated Canadian Pacific Railway and Union Pacific Railway quite significantly to reach about 2% of the equity

“We were ultimately most active in the transport sector during the quarter...”

allocation for each position. Both of these stocks outperformed the rest of the sector overall, benefiting from an increase in transported volumes, the trade war's improved outlook and the anticipated change in trade for 2020.

During the summer, the rise in value of the gold mining positions prompted us to take some of the profits, namely on Barrick Gold and Pretium Resources, before reinvesting in the latter at the end of the year. We aim to maintain a relatively stable exposure to this sector and the transactions carried out have only been very marginal. We are still positive about the gold market's fundamentals. Outside of gold, Teck Resources suffered from the significant drop in coking coal prices during 2019, despite a recovery in copper prices. Ivanhoe Mines also benefited from higher palladium and platinum prices. We made no changes in this segment.

During this first quarter of 2020, we will continue paying particular attention to the negotiations between China and the United States around trade.

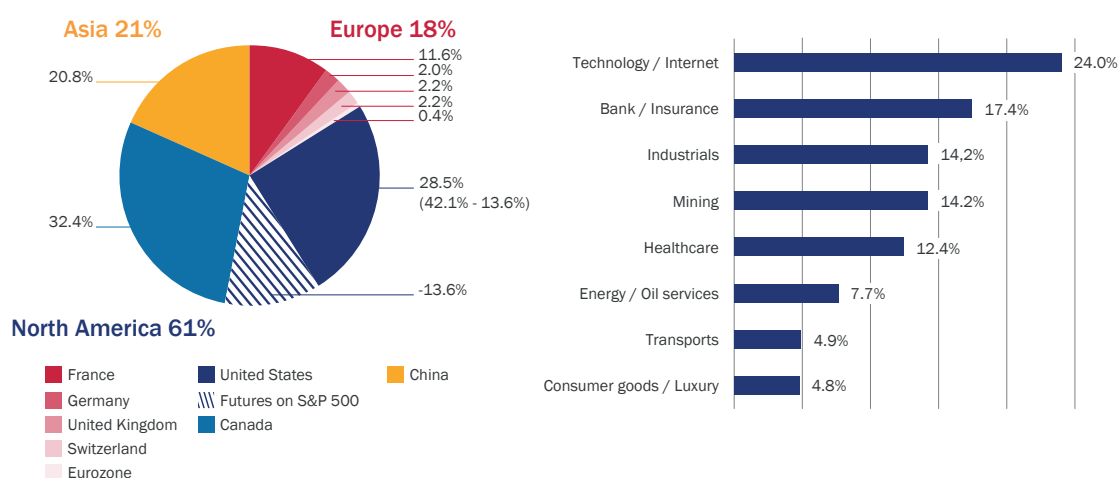
“Phase 1” of a more comprehensive agreement has just been signed and we will be closely watching as “Phase 2” negotiations are launched. However, this first step has been widely anticipated by the markets in recent weeks and current valuation levels are proving to be particularly high over historical comparables. In an environment where interest rates remain lower than in previous economic cycles, equity risk premium remain particularly high, in turn inciting us to maintain our position in equity markets.

We will be closely monitoring the American elections, especially during the Democratic primaries. Once this first stage is over, the race for the White House is likely to shake up

a number of sectors, and we will be careful to limit our risk exposure in such circumstances. Finally, we are closely monitoring Q4 2019 corporate earnings and management guidance for 2020. With an equity allocation slightly reduced during the quarter and currently adding up to approximately 70% of the portfolio’s net assets, we believe our positioning to be very reasonable given the environment in which we are operating, while providing us the flexibility to react opportunistically.

Completed writing on January 21, 2020

R-co Valor: Portfolio's geographical and thematic breakdown



Source: Rothschild & Co Asset Management Europe, 31/12/2019

R-co Valor: Portfolio's top 10 holdings

Stocks	Weight	Number of line	41
Alphabet	3,3%	Average weight	1,9%
Alibaba	3,1%	Top 10 weight	28,9%
Morgan Stanley	3,1%	Top 5 weight	15,5%
Facebook	3,0%		
Manulife Financial	3,0%		
Vipshop	2,9%		
Ping An Insurance	2,9%		
Tencent	2,7%		
Citigroup	2,5%		
Agnico Eagle Mines	2,4%		

Source: Rothschild & Co Asset Management Europe, 31/12/2019

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

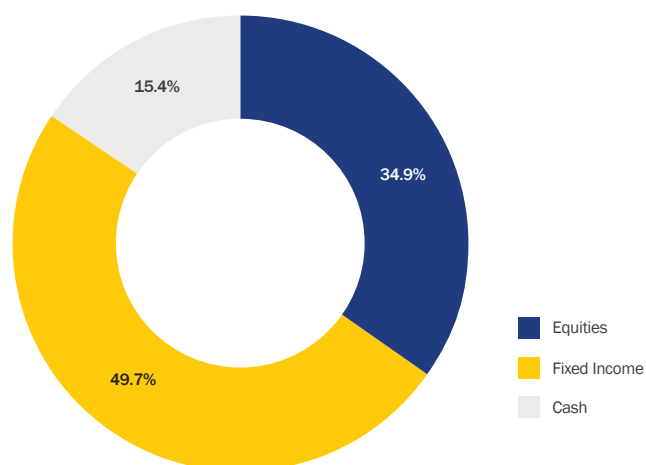
R-co Valor Balanced

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

Asset allocation

R-co Valor Balanced’s equity exposure remained broadly similar to the previous quarter’s, at around 35%. The fixed income component has been strengthened and now accounts for almost 50% of the SICAV’s net assets. The balance reflects the available cash.

R-co Valor Balanced: Breakdown by asset classes



Number of lines of the equity pocket	41
Average weight	1,0%
Top 10 weight	14,0%
Top 5 weight	7,7%

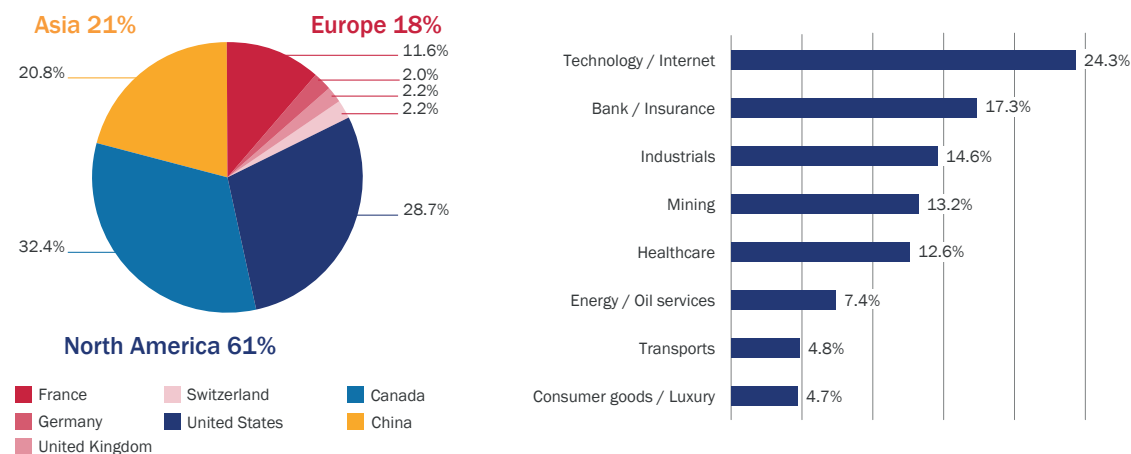
Number of lines of the fixed income pocket	186
Average maturity	3,5
Modified duration	3,0
Gross yield	0,9%

Source: Rothschild & Co Asset Management Europe, 31/12/2019.
The features of the portfolio are not fixed and may vary over time.

Equity component

The sector allocation of R-co Valor Balanced's equity pocket remained relatively stable throughout the quarter. Technology, financials and industrials are the three largest sectors. Geographically, the exposure to North America decreased slightly in favour of Asia (21%), but still accounts for more than 60%. Europe is the lowest exposure with 18%. There are currently 41 stocks in the portfolio.

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

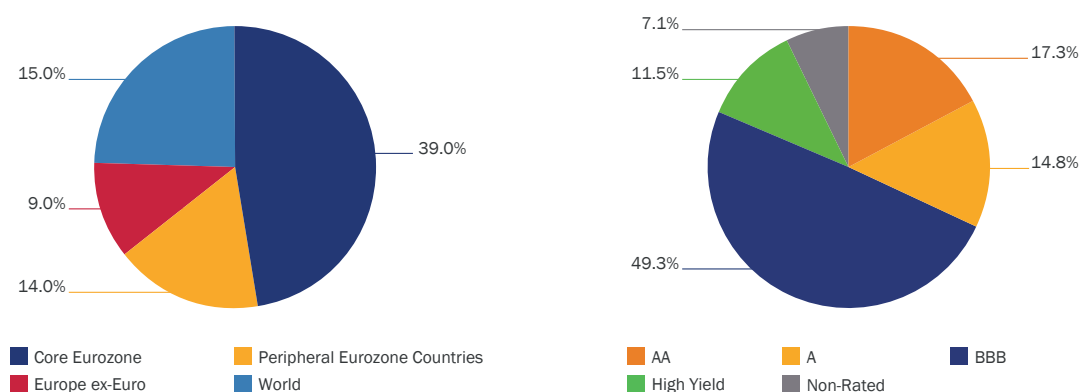


Source: Rothschild & Co Asset Management Europe, 31/12/2019

Fixed income component

Abated fears concerning global growth linked in particular to trade tensions, and fading uncertainties regarding "Brexit" led to a rise in inflation expectations, enabling nominal rates to move higher. The Bund thus ended the year at -0.18%. 2019 was an exceptional year for the credit markets, despite macroeconomic and political uncertainties. Tighter credit spreads and the sharp fall in interest rates enabled fixed income markets to perform very well. We continue to favour BBB and BB rated names to capture yield without exposing ourselves to undue risk. Overall, we prefer financial debt and more specifically, subordinated debt. In addition, we selectively pick a few High Yield securities for which we have strong convictions at attractive valuation levels.

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



Source: Rothschild & Co Asset Management Europe, 31/12/2019

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	28.63%	-13.17%	9.54%	19.92%	4.55%	15.68%	53.40%	11.60%

Source: Rothschild & Co Asset Management Europe, 31/12/2019

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 15% and 25%) 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

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	2019	2018	2017	2016	2015	2014	Since inception ⁽¹⁾	1 year volatility
R-co Valor Balanced C EUR	15.64%	-	-	-	-	-	10.91%	5.84%

(1) Creation date : 24/10/2018

Source: Rothschild & Co Asset Management Europe, 31/12/2019

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



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 tprofile. 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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