



Quarterly Strategy

R-co Valor

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



Yoann Ignatiew
Co-Fund Manager
Rothschild & Co
Asset Management Europe



Charles-Edouard Bilbault
Co-Fund Manager
Rothschild & Co
Asset Management Europe



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.

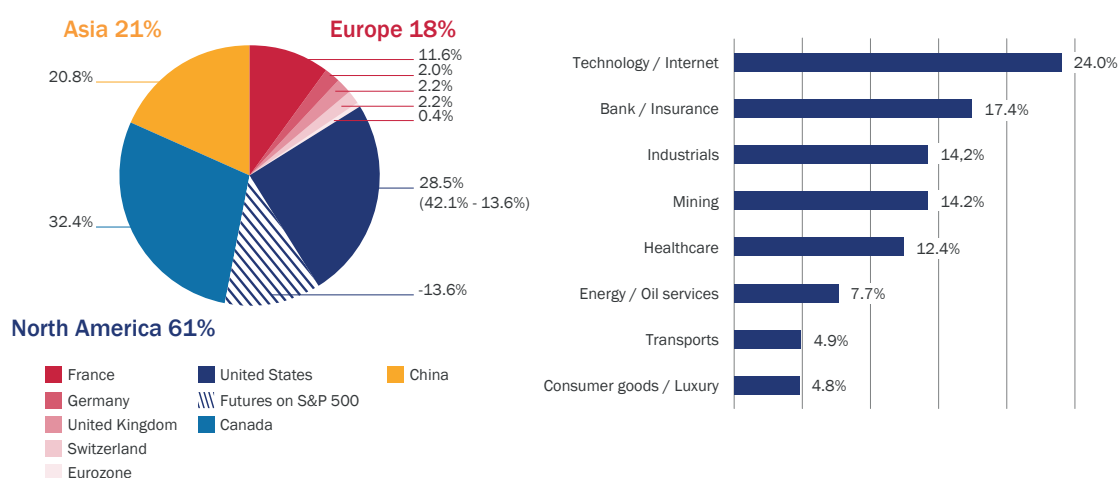
“Phase 1” of a more comprehensive agreement has just been signed and we will be closely watching as “Phase 2” negotiations are launched. However, this first step has been widely anticipated by the markets in recent weeks and current valuation levels are proving to be particularly high over historical 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.

	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

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.

Disclaimer

The comments and analyses in this document are provided purely for information purposes and do not constitute any investment recommendation or advice. Rothschild & Co Asset Management Europe cannot be held responsible for any decisions taken on the basis of the elements contained in this document or inspired by them (total or partial reproduction is prohibited without prior agreement of Rothschild & Co Asset Management Europe). Insofar that external data is used to establish terms of this document, these data are from reliable sources but whose accuracy or completeness is not guaranteed. Rothschild & Co Asset Management Europe has not independently verified the information contained in this document and cannot be held responsible for any errors, omissions or interpretations of the information contained in this document. This analysis is only valid at the time of writing of this report.

Due to the subjective nature of these analysis and opinions, these data, projections, forecasts, anticipations, hypotheses and/or opinions are not necessarily used or followed by Rothschild & Co Asset Management Europe management teams who may act based on their own opinions and as independent departments within the Company. Some forward-looking statements are based on certain assumptions that may be likely differ partially or fully from reality. Any hypothetical estimate is inherently speculative, and it is conceivable that some, if not all, assumptions about these hypothetical illustrations do not materialise or differ significantly from the current determinations. Rothschild & Co Asset Management Europe cannot be held liable for the information contained in this document and in particular for any decision taken on the basis of this information.

The Undertaking(s) for Collective Investment (UCI) presented above is (are) organised according to French law and regulated by the French financial markets authority (AMF). As the UCIs may be registered abroad for their active marketing, it is up to each investor to ensure the jurisdictions in which the UCIs are actually registered. For each jurisdiction concerned, investors are urged to refer to the characteristics specific to each country, indicated in the “administrative characteristics” section. The issuer of this document is Rothschild & Co Asset Management Europe, which is an investment management company authorised and regulated by the French Financial Markets Authority (www.amf-france.org) under number GP-17000014. The presented information is not intended to be disseminated and does not in any case constitute an invitation for US persons or their agents. The units or shares of the UCIs presented in this document are not and will not be registered in the United States pursuant to the US Securities Act of 1933, as amended (hereinafter the “Securities Act”), or admitted under any law of the United States. The units or shares of the said UCIs must not be offered or sold in or transferred to the United States, including its territories and possessions, or directly or indirectly benefit a “US Person”, within the meaning of Regulation S of the Securities Act, and equivalent persons, as referred to in the US “HIRE” Act of 18 March 2010 and in the FATCA provisions. The information contained in this document does not constitute investment advice, an investment recommendation, or tax advice. The information does not presume the suitability of the presented UCIs for the needs, profile, and experience of each individual investor. In case of doubts as to the presented information or the suitability of the UCIs as to the personal needs, and before any decision to invest, we recommend that you contact your financial or tax advisor. Investment in units or shares of any UCI is not risk-free. Before any subscription in an UCI, please read the prospectus carefully, especially its section relating to risks, and the key investor information document (KIID). The net asset value (NAV)/net inventory value (NIV) is available at www.am.eu.rothschildandco.com.

Please note that the past performance of UCIs presented in this document is not a guarantee of future performance and may be misleading. Performance is not constant over time. The value of the investments and the income derived therefrom may vary up or down and is not guaranteed. It is therefore possible that you will not recover the amount originally invested. Variations in exchange rates may increase or decrease the value of the investments and the income derived therefrom, if the reference currency of the UCI is different from the currency of your country of residence. UCIs whose investment policy especially targets specialised markets or sectors (like emerging markets) are generally more volatile than more general and balanced funds. For a volatile UCI, the fluctuations can be particularly significant, and the value of the investment may therefore drop sharply and significantly. The presented performance figures do not take int.

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

About the Asset Management's division of Rothschild & Co

As the Asset Management's division of Rothschild & Co, we deliver bespoke investment solutions to institutional clients, financial intermediaries and third-party distributors. We aim to develop complementary expertise in active high-conviction management and open architecture investment solutions. Based in Paris with offices in 10 European countries, Asset Management's division of Rothschild & Co has around 170 employees and over 21 billion euros under management. For more information: www.am.eu.rothschildandco.com