



## Quarterly Strategy

### R-co Valor

The exceptional support measures implemented by governments and central banks put in place since March have enabled the third quarter to show signs of recovery. The euphoric summer months were tempered by a sluggish month of September. The upcoming US presidential elections, coupled with the threat of a second wave of contamination, have weighed heavily on the markets. Solid macroeconomic figures and the prospect of a vaccine in the short term, both of which were driving forces in the first part of the quarter, were not sufficient to offset the political and pandemic-related uncertainties of the back-to-school period.

The world's economies are getting going again at varying speeds, with China leading the way. In addition to having virtually no new cases of Covid-19 since mid-August, it is the only major economy that is in a position to forecast positive growth over the year (+1.9% according to the IMF). The only cloud in the sky, however, comes from household consumption. Although it is picking up slightly, it remains anaemic. In the US, despite the rather encouraging macroeconomic figures (unemployment down sharply, at 7.9%, PMI composite index<sup>(1)</sup> at 55.4) and an extremely accommodating Federal Reserve, political risks are weighing on investor sentiment. The US elections are currently taking centre stage in the debates. Besides the issue of who is going to be in the White House for the next four years, the majority that the Republicans currently enjoy in the Senate is also up for grabs. A "Blue wave"<sup>(2)</sup> would allow Joe Biden to raise taxes as per his manifesto, but also to pass a substantial plan to support the US economy. In Europe, fears around the risk of a second wave of coronavirus crystallised, driving some countries to put parts of their territory back under lockdown.

The macroeconomic figures are a mixed bag, with weaker growth in the PMIs on the one hand (50.4 in September as against 51.9 in August) but, on the other, the investor sentiment index (ZEW) reaching its highest point in September since the start of the millennium.

### 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 in-depth analysis.

### Main risks<sup>(1)</sup> :

- 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

(1) This list is not exhaustive. Please refer to the "Risk profile" section of the Fund's prospectus.



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(1) The Purchasing Managers' Index, an indicator that measures the level of trust purchasing managers have in a given sector. Above 50, it shows that the sector is expanding, and below 50, the sector is contracting. The composite index includes the industrial and services sectors.

(2) A scenario that would see the Democrats taking the White House and the Senate.

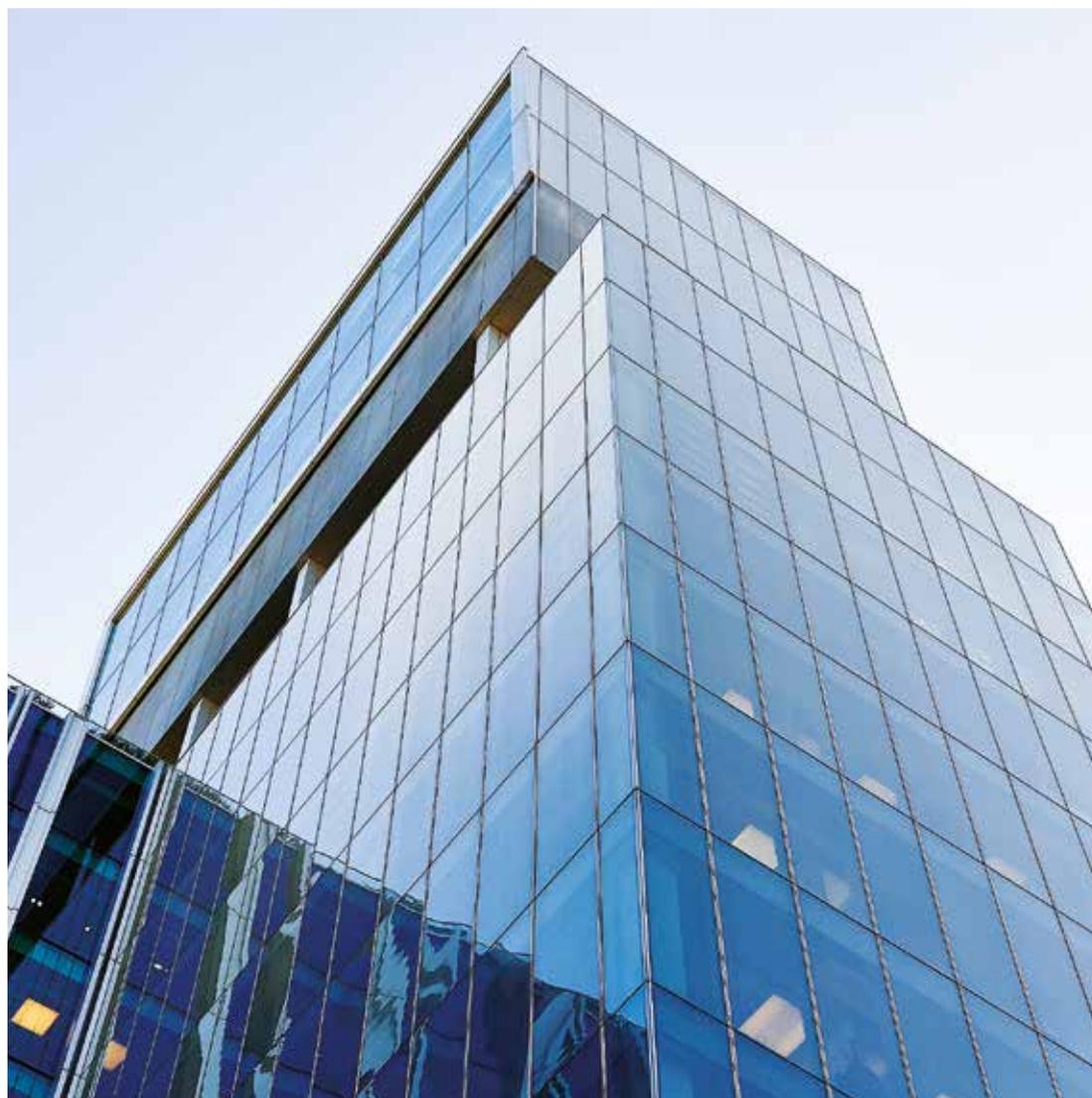
The management team may change.

Within the R-co Valor portfolio, exposure to equities has marginally increased since the end of June, from 82% to 83% at the end of September. Tactical reinforcements were made, primarily on cyclical<sup>(3)</sup> and healthcare stocks. The latter, under pressure, have under-performed in recent weeks with the US elections around the corner. Purchasing opportunities presented themselves with regard to stocks like Biomarin or AstraZeneca. Our positions on cyclical stocks such as The Walt Disney Company were also strengthened. The Group is gradually making its mark as a mover and shaker in the on-demand video sector, and now has over 100 million customers on its streaming platforms worldwide. At the same time, within the portfolio, a profit-taking strategy was implemented throughout the rally of the indices during the

***“A profit-taking strategy was implemented throughout the upturn of the indices...”***

summer months. Technology stocks like Alphabet and Tencent were trimmed following the Nasdaq’s spectacular performance, at 31% over the year at the end of August. Mining stocks (Ivanhoe Mines and Agnico Eagle Mines) were trimmed, in order to limit their weight in the fund after they increased sharply.

(3) Cyclical stocks are highly correlated to economic cycles. They therefore benefit strongly from periods of recovery and expansion but are also the first to be affected by an economic downturn.



The characteristics/objectives/strategies mentioned above are indicative and may change without notice

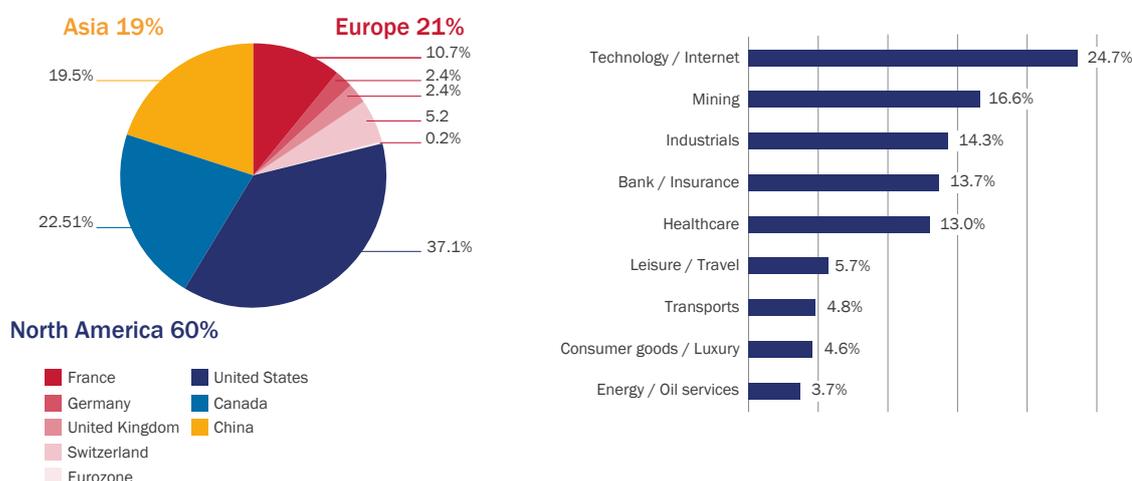
Volatility will remain high in the markets in the run-up to the US elections. The risk that Donald Trump might challenge the results, under cover of potential fraud linked to postal votes, must not be overlooked. This is particularly relevant given that Trump refused to commit to a transfer of power in the event that he is declared defeated after the elections. The level of the VIX index<sup>(4)</sup> nevertheless appears to indicate that investors have already - at least partly - integrated this possibility. In the event of a “Blue Wave”, we think that the

likelihood of Joe Biden immediately implementing a significant tax increase is limited, as the risk of slowing the country’s economic recovery is too great. Moreover, a vaccine against Covid-19, expected to arrive in early 2021, would serve to support the markets, and more specifically cyclical stocks, which were the main focus of the investments made in R-co Valor throughout the second quarter.

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(4) Indicator of the volatility in the US financial market.

## R-co Valor: Portfolio’s geographical and thematic breakdown



Source : Rothschild & Co Asset Management Europe, 30/09/2020.

## R-co Valor: Portfolio’s top 10 holdings

| Stocks             | Weight | Number of line | 44    |
|--------------------|--------|----------------|-------|
| Alibaba            | 3.8%   | Average weight | 1.9%  |
| Agnico Eagle Mines | 3.1%   | Top 10 weight  | 30.2% |
| Teck Resources     | 3.1%   | Top 5 weight   | 16.2% |
| Facebook           | 3.1%   |                |       |
| Morgan Stanley     | 3.0%   |                |       |
| Tencent            | 2.9%   |                |       |
| ABB                | 2.9%   |                |       |
| Alphabet           | 2.9%   |                |       |
| Pretium Resources  | 2.7%   |                |       |
| Ping An Insurance  | 2.7%   |                |       |

Source: Rothschild & Co Asset Management Europe, 30/09/2020.

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

|                  | 2020   | 2019   | 2018    | 2017  | 2016   | 2015  | 5 years | 1 year volatility |
|------------------|--------|--------|---------|-------|--------|-------|---------|-------------------|
| R-co Valor C EUR | -4.30% | 28,63% | -13.17% | 9.54% | 19.92% | 4.55% | 52.14%  | 22.71%            |

Source: Rothschild & Co Asset Management Europe, 30/09/2020.  
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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