R-co Valor Balanced's 2 year anniversary

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Driven by strong demand from investors wishing to benefit from the dynamics of international equity markets but with manageable volatility levels, R-co Valor Balanced was created on 24 October 2018. The fund combines two of Rothschild & Co Asset Management Europe's historical strategies: the fixed income expertise led by Emmanuel Petit and the Valor expertise led by Yoann Ignatiew.

A resolutely "carte blanche" approach

The "carte blanche" approach offers the possibility to invest in all asset classes, across all geographies, and without any style biases. The fund's lack of a benchmark allows for opportunistic positioning, having already proven itself across different market cycles. R-Co Valor Balanced stands out for its agility and ability to quickly act, while staying within the predetermined investment guidelines. The two teams work together and exchange views regularly in Investment Committees. Particular attention is paid to the liquidity(1) of the portfolio and, for the bond allocation, a broad diversification of issuers aims to limit concentration risk.

2020, a particular year full of opportunities

During 2020, equity exposure varied from a low of 35% at the beginning of the year to a high of 45%. Investments were gradually made in favour of cyclicals(2), European industrials and US financials, which are well positioned for an economic recovery. Positions were also initiated within the travel sector expecting a recovery in tourism. Chinese technology as well as mining stocks contributed strongly to the fund's performance this year.

R-co Valor Balanced asset allocation limits

Equities 0% - 50%

Fixed Income 45% - 100%

Money Market Instruments & Cash 0% - 55%

Bonds contributed to around 25% of the overall performance. The portfolio's exposure to bonds was gradually strengthened in the first part of the year, taking advantage of a particularly active market, to reach 50% in May. The health crisis created numerous opportunities, particularly when the primary market reopened, enabling the team to invest in issues(3) with attractive premiums. The intention was to favour Investment Grade(4) issues in Euro, with a resilient profile.

(1) An asset is considered liquid when it can be bought or sold quickly without having a significant impact on its price. This notion therefore reflects the ease with which an asset can be exchanged.

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

(3) An operation that aimed to create a new bond.

(4) An asset is considered liquid when it can be bought or sold quickly without having a significant impact on its price. This notion therefore reflects the ease with which an asset can be exchanged.

An annualised performance of 6.85% since its creation

In terms of assets under management, the fund exceeded €100 million in May 2019, reaching €460 million at the end of 2020. Buoyed by volatility over the last two years, the opportunistic approach of the portfolio managers and their ability to adapt to different market situations enabled the fund to generate an annualised performance since inception of 6.85% at the end of November. This performance should be seen against a backdrop of low returns for bonds in Europe and negative returns on money market instruments.

Completed writting on December 2, 2020

Recommended investment period: 3-5 years

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