2020 Review & 2021 Outlook

Thematic Expertise

December 2020

Rothschild & Co
Asset Management

Thematic Expertise

During 2020, an unprecedented year on the financial markets, thematic management demonstrated continued interest and obtained great results in the Silver Economy segment, with R-co Thematic Silver Plus, or in the family owned companies universe, with R-co Thematic Families Businesses, which marks the return of the small and mid-cap stocks performance vis-à-vis the large ones. Conversely, R-co Thematic Real Estate had a much more difficult time, after several successful years in the listed real estate segment. The outlook for 2021 on these long-term themes still remains promising, beyond the vagaries of the economy, amplified by the volatility of the financial markets.

The Silver Economy

The health crisis has heavily impacted the segments of the Silver Economy, exposed to the "discretionary" spending of seniors and highlighted the lack of resources in most healthcare systems. However, the crisis has uncovered its resilience and its high level of innovation, with the development and supply of equipment intended for emergencies and the pharmaceutical industry, the design of diagnostic tests, or even vaccines based on breakthrough technologies in record time. Digitalisation, already at work in the Silver Economy, has also experienced incredible acceleration (telemedicine, remote monitoring, electronic medical records, etc.). The outcome of the US election turned out to be quite favourable for the pharmaceutical sector. In this context, the management of R-co Thematic Silver Plus exploited these trends proactively, reducing its exposure to the most cyclical segments (leisure, asset management/insurance, etc.), and strengthening its exposure to healthcare, in particular in medical equipment suppliers, testing, pharmacy or even dedicated technology.

Thematic covers funds invested in promising themes which offer attractive long-term potential, such as real estate, the ageing population or gold mines. Those funds invest in equities and fixed income.

The outlook for the Silver Economy is still very positive, against the backdrop of global demographic ageing. Healthcare systems, with weaknesses that have been brought to the fore, are expected to benefit from sustained investment. The introduction of vaccines, associated with testing campaigns, should allow for a gradual return to normal, especially for the most cyclical companies in the segment that have seen their valuations drop.

At the same time, pharmaceutical groups should reap the fruits of their Research & Development efforts in 2021, in the absence of a noticeable "patent cliff". As for seniors, a number of habits acquired during the epidemic should continue, resulting in new attractive investment opportunities for our portfolio management (home automation, digital, etc.).

European listed real estate

The consequences of the health crisis over real estate markets have been more or less noticeable, depending on the asset class. On one end of the spectrum, we find hotels and retail businesses that have paid the heaviest price and, on the other, the residential, logistics and healthcare assets that have had very little impact. Offices are between these two extremes. This polarisation has resulted in very high valuation differences on the stock market, depending on the type of property and high volatility.

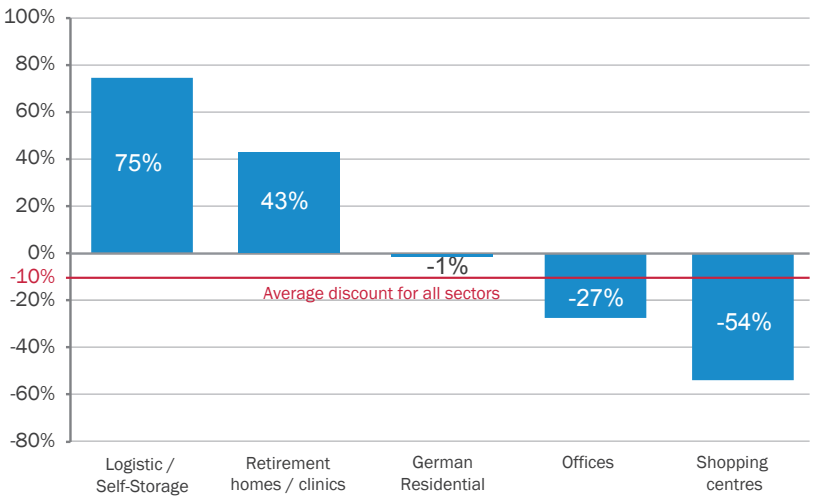
The gradual disappearance of the health crisis in 2021, following the announced arrival of vaccines, will naturally benefit the entire sector (which, moreover, still attracts investors in a context of low-interest rates), but it should above all allow to mitigate this polarisation phenomenon. The question is in what proportion.

Indeed, beyond the health crisis, structural changes are underway (e-commerce, teleworking, etc.) and the Covid-19 crisis could well only be a catalyst. In this context, it is particularly difficult to estimate the "new structural valuation" of asset classes, which depends on many factors (amplitude of the low point, investments required to reposition assets, the potential for future growth, etc.).

The 2021 positioning of R-co Thematic Real Estate should make it possible to benefit from the expected rebalancing between asset classes (40% of the fund is now exposed to sectors likely to experience an increase in value, against 20% at its lowest), while maintaining a conservative bias. ■

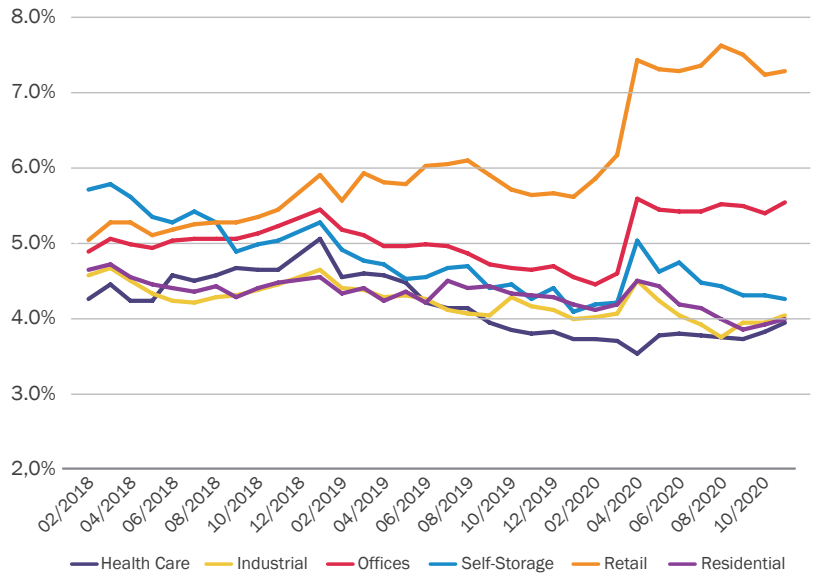
Completed writing on 27 November 2020

Premium/Discount by asset type



Sources: Companies, Rothschild & Co Asset Management Europe, November 2020.

Net yield rates by sector (higher returns reflect lower prices)



Source: GreenStreet, November 2020.

Risk profiles and disclaimer

R-co Thematic Silver Plus

Recommended investment period: 5 years
The level of risk of the UCITS is 6 (volatility of between 15% and 25%). 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: 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.

R-co Thematic Real Estate

Recommended investment period: 5 years
The level of risk of the UCITS is 6 (volatility of between 15% and 25%) and primarily its positioning on French real estate and European property company equity 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, 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.

R-co Thematic Family Businesses

Recommended investment period: 5 years
The level of risk of the UCITS is 6 (volatility of between 15% and 25%) and primarily reflects its positioning in the European Union small and mid-cap equity market. 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: liquidity risk. 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.

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