



Quarterly Strategy

R-co Valor and R-co Valor Balanced

The last quarter of the year was influenced by a succession of market-friendly announcements: the end of electoral uncertainty in the United States, the development of effective vaccines against Covid-19, the conclusion of the “Brexit” saga, etc. In the process, some equity indices have reached record highs, such as the S&P 500, which returned nearly 12% in the quarter⁽¹⁾.

The macroeconomic picture remains mixed. The recovery that began in the third quarter was prematurely slowed down by the resurgence of infections, leading to additional restrictive measures in Europe and the United States. Symptoms of this dichotomy can be identified in the Manufacturing PMI⁽²⁾ in Europe which expanded to 55, while the PMI for the service sector PMI fell significantly to 46.

In the United States, the declining unemployment rate, currently at 6.7%⁽³⁾, actually hides large disparities within the population. It also excludes from the statistics any individual no longer actively seeking employment. For its part, China seems to be emerging from this pandemic standing tall, showing GDP growth of 6.5% in the fourth quarter and a trade balance reaching a record global surplus of 535 billion dollars⁽⁴⁾.

Driven by a procyclical reallocation of equity markets, R-co Valor benefited from the performance of its industrial, financial and commodity allocations in the fourth quarter. Exposure to equities increased marginally since the end of September, from 83% to 84% at the end of December.

Profits were taken strategically as equity markets recovered. Some cyclical stocks were trimmed and the allocation to the automotive sector was completely sold with the exits of equipment manufacturer Magna International and Chinese manufacturer Great Wall Motor, some cyclical stocks were trimmed and the allocation to the automotive sector was completely sold. In parallel, stocks with a more defensive profile, in particular those in the health and gold mining sectors, were reinforced. We also added some stocks in the tech sector at the margin following

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: 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. This list is not exhaustive. Please refer to the “Risk profile” section of the Fund’s prospectus

a correction at the end of the year, providing attractive entry points. French rail group Alstom was initiated over the period within industrials, which is a key player in sustainable mobility. Geographic exposure shifted slightly in favour of Europe, reaching a 25% weight within the equity portfolio at the end of December. North America and China represented 58% and 17%, respectively.



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(1) Source: Bloomberg, 21/12/2021.

(2) The Purchasing Managers’ Index is an indicator that measures the level of trust purchasing managers have in a given sector. If it is above 50, it shows that the sector is expanding, and below 50, that the sector is contracting.

(3) Source: Bureau of Labor Statistics, December 2020.

(4) Brèves hebdomadaires du SER de Pékin, 01/02/2021.



Markets seem to be moving along, supported by rather buoyant macroeconomic figures, particularly accommodating central banks, and significant stimulus plans. Three situations could however become headwinds:

- (1) A very short-term reconnection to the global health situation, as the virus seems far from being under control despite the start of the vaccination campaign.
- (2) A reversal of the market's particularly complacent long positioning.
- (3) The apparition of transitory inflation, which could turn into core inflation, particularly in the United States.

“The horizon has brightened up at the end of the year, fuelling hopes for a return to normality in 2021...”

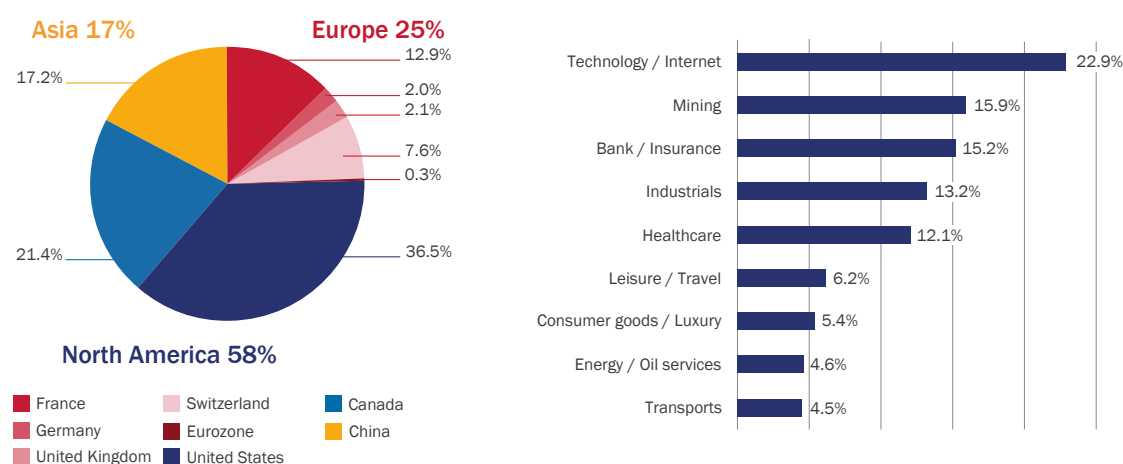
The horizon has nevertheless brightened up at the end of the year, fuelling hopes for a return to normality in 2021. With the pandemic under control and pent-up demand built over a year, the economic recovery could prove solid in the coming months.

Completed writing on February 3, 2021



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

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



Source : Rothschild & Co Asset Management Europe, 31/12/2020.

R-co Valor: Portfolio's top 10 holdings

Stocks	Weight	Number of line	43
Teck Resources	3.5%	Average weight	1.9%
Morgan Stanley	3.3%	Top 10 weight	29.8%
Alibaba	3.3%	Top 5 weight	16.1%
Alphabet	3.3%		
Ivanhoe	3.0%		
Facebook	2.8%		
Ping An Insurance	2.8%		
Tencent	2.8%		
Abb	2.7%		
Agnico Eagle Mines	2.7%		

Source: Rothschild & Co Asset Management Europe, 31/12/2020.

The features of the portfolio are not fixed and may vary over time within the limits provided in the fund prospectus.

R-co Valor Balanced

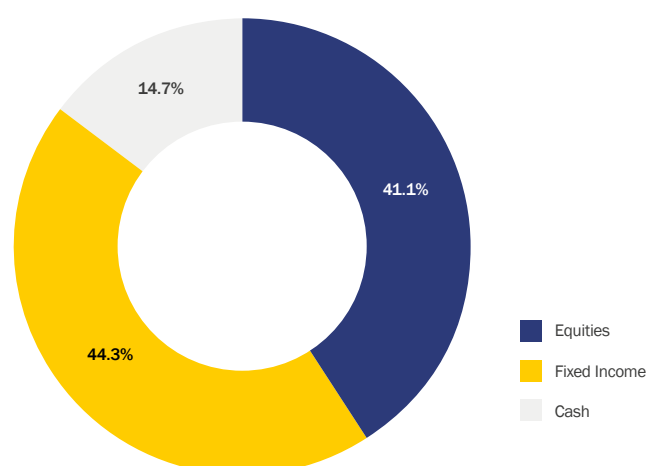
As a diversified allocation fund, R-co Valor Balanced seeks to generate long-term performance while reducing its volatility through a diversified portfolio and the decorrelation stemming from investing across different asset classes. This investment solution is founded on two sub-strategies. The first one is managed using a “carte blanche” approach, i.e. invested in all asset classes, without any sectoral or geographical constraints, 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.

Main risks(1): 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. This list is not exhaustive. Please refer to the “Risk profile” section of the Fund’s prospectus.

Portfolio Allocation

During the fourth quarter, equity exposure increased marginally to 41%. The fixed income pocket was significantly reduced, from 50% to 44%, between the end of September and the end of December.

R-co Valor Balanced: Breakdown by asset classes



Number of lines of the equity pocket	43
Average weight	0.6%
Top 10 weight	13.2%
Top 5 weight	7.5%

Number of lines of the fixed income pocket	229
Average maturity	4.9
Modified duration	3.7
Gross yield	0.96%

Source: Rothschild & Co Asset Management Europe, 31/12/2020.

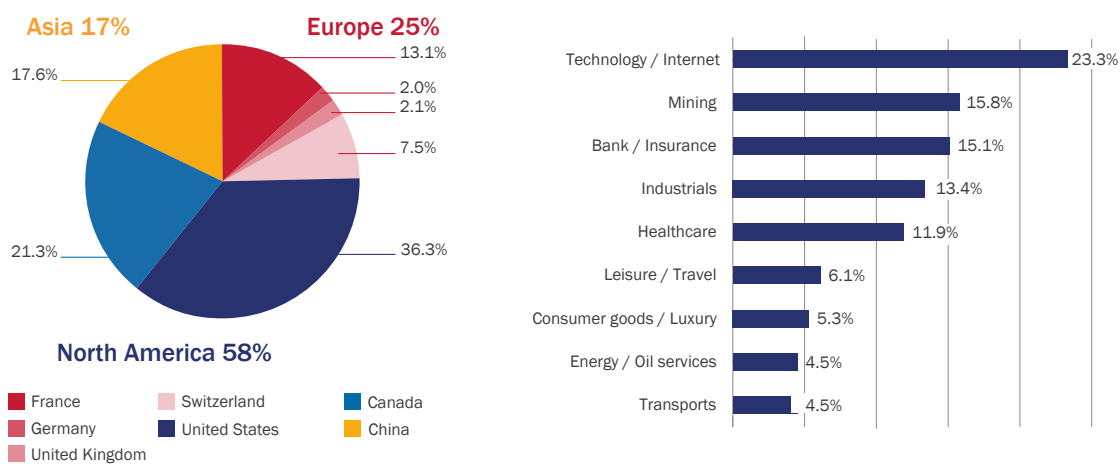
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Equity component

The equity pocket of R-co Valor Balanced replicates that of R-co Valor. The movements executed, as well as the positioning, are thus identical. Technology is the largest sector allocation, similarly to last quarter. The mining allocation comes second, while financials moved up to third place.

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



Source: Rothschild & Co Asset Management Europe, 31/12/2020.

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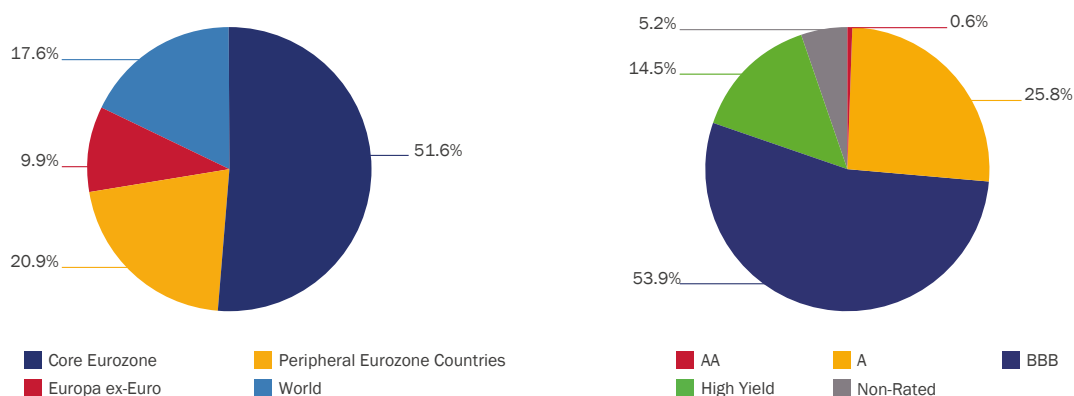


Fixed income component

The “Brexit” agreement, the ECB announcements, and the hopes for another US stimulus package have all supported the market as investors continued to increase their exposure to the riskier segment of the asset class. The primary market was particularly dynamic in Europe during the year, with EUR 382 billion⁽¹⁾ issued in Investment Grade⁽²⁾. Volumes should naturally decline over the next few months following a record year in 2020. Issuers currently benefit from extremely favourable financing conditions. The yield on Investment Grade came close to 0%, while High Yield⁽³⁾ almost came back to its level at the start of the year. In this context, it had become essential to create some room for manoeuvre by reducing exposure. Withing the fixed income pocket, we not only sold positions that were very dependent on the economic cycle or linked to changes in the health situation, which performed particularly well during the last weeks of the year (Carnival 2029, Novafives 2025, Sarens 2027...), but also low-yield short-maturity securities, or even certain High Yield positions. On the other hand, we invested in securities with a resilient profile mainly within the primary market. This repositioning should provide us with the flexibility to act quickly if a paradigm shift occurs In addition, a hedge has been implemented to partially cover the High Yield exposure.

Completed writing on February 3, 2021

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



Source: Rothschild & Co Asset Management Europe, 31/12/2020.

(1) Source: Morgan Stanley, December 2020.

(2) Debt security issued by companies or States with a rating between AAA and BBB- on the Standard & Poor scale.

(3) High yield bonds are issued by companies or States with a high credit risk. Their credit rating is below BBB- on the Standard & Poor scale.

The features of the portfolio are not fixed and may vary over time within the limits provided in the fund prospectus.

	2020	2019	2018	2017	2016	2015	5 years	1 year volatility
R-co Valor C EUR	6.72%	28.63%	-13.17%	9.54%	19.92%	4.55%	56.59%	23.25%

Source: Rothschild & Co Asset Management Europe, 31/12/2020.

The figures quoted relate to previous years. Past performance is not a reliable indicator of future performance and is not constant over time.



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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	2020	2019	2018	2017	2016	2015	Since inception ⁽¹⁾	1 year volatility
R-co Valor Balanced C EUR	4.98%	15.64%	-	-	-	-	16.43%	15.51%

(1) Date de création : 24/10/2018.

Source: Rothschild & Co Asset Management Europe, 31/12/2020.

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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

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, counterparty 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.

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