Quarterly Strategy
R-co Valor

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].

Yoann Ignatiew
Co-Fund Manager of R-co Valor and R-co Valor Balanced
Rothschild & Co
Asset Management Europe

Charles-Edouard Bilbault
Co-Fund Manager of R-co Valor
Rothschild & Co
Asset Management Europe

Emmanuel Petit
Co-Fund Manager
of R-co Valor Balanced
and Head of fixed-income
Rothschild & Co
Asset Management Europe

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 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.

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

(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 heath 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.

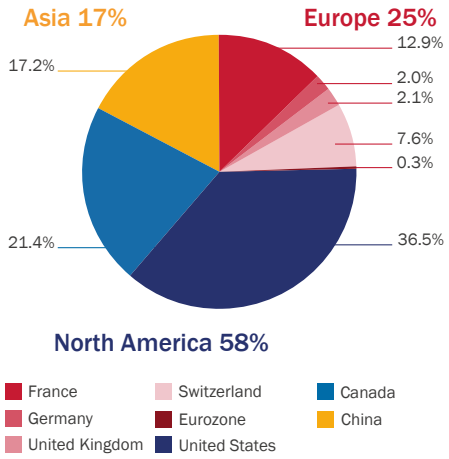
"The horizon has brightened up at the end of the year, fuelling hopes for a return to normality in 2021..."

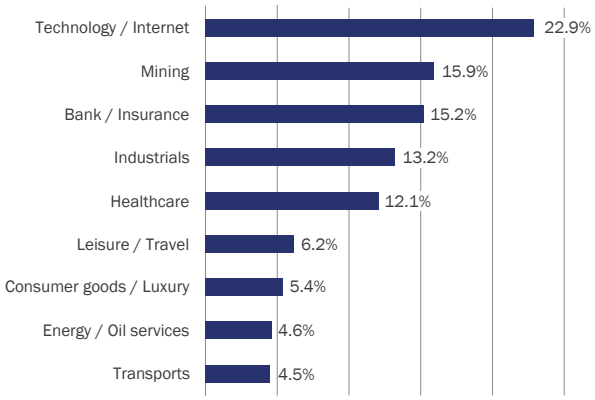
The horizon has nevertheless brightened up at the end of the year, fuelling hopes for a return to normality in 2021. With the pandemic under control and pent-up demand built over a year, the economic recovery could prove solid in the coming months.

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
Teck Resources	3.5%
Morgan Stanley	3.3%
Alibaba	3.3%
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%

Number of line	43
Average weight	1.9%
Top 10 weight	29.8%
Top 5 weight	16.1%

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.

	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

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Contacts

France - United Kingdom

Paris
29, Avenue de Messine
75008 Paris
+33 1 40 74 40 74

Switzerland

Geneva
Equitas SA
Rue de la Corraterie 6
1204 Geneva
+41 22 818 59 00

Germany - Austria

Frankfurt
Börsenstraße 2 - 4
Frankfurt am Main 60313
+49 69 299 8840

Belgium - Netherlands - Luxembourg

Brussels
Avenue Louise 166
1050 Bruxelles
+32 2 627 77 30

Italy - Spain

Milan
Via Santa Radegonda 8
Milano 20121
+39 02 7244 31

For further information
am.eu.rothschildandco.com

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