



Management Strategy

R-co Valor

It has been a year since the pandemic led to a global and unpredictable collapse in economic activity, but the situation appears to now be normalizing. The Stakhanovism approach of central banks, which pushed governments to be widely involved in supporting their economies, seems to have paid off.

Violent collapse of stock markets was quickly followed by a spectacular bounce back. At the end of March, the S&P 500 was +75%⁽¹⁾ higher than its trough in 2020, beyond its all-time high. Europe posted a more modest jump of about 65%⁽¹⁾ as France's CAC 40 exceeded its last peak reached in 2007. The sector rotation caused by the "Pfizer day" holds ground as investors continue favouring cyclical stocks⁽²⁾ at the expense of those that remained resilient at the height of the crisis.

The "normalization" is however gradual and uneven. China was first hit by the pandemic and is already starting to tighten its monetary policy, while the United States and European economies still appear to be heavily dependent on monetary and fiscal support. In Europe, Christine Lagarde announced the ramp-up of asset purchases in the coming quarter to avoid tighter financing conditions. Many are calling for more decisive action by both the ECB and the European governments. In the United States, several plans are being rolled out: the "Relief Package", the "Rescue Plan", the "Build Back Better Plan" and questions around how these are to be funded are starting to arise. The money poured into the US economy is not only expected to support the country's growth, but also benefit its trade partners. The anticipation of a quicker than expected economic recovery led to a stunning rise in US sovereign rates, taking the 10-year US rate to 1.74%⁽¹⁾, before falling back to around 1.62% at the end of April.

The global vaccination campaign is underway, although at a bumpy pace considering its dependency on the distribution capacity of laboratories and the authorisations of qualified agencies. While Israel is leading the way

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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

and has already vaccinated 62%⁽³⁾ of its population with at least one dose, the European Union appears to be behind schedule with a partial vaccination rate of only 24%⁽³⁾. The next challenge lies in vaccinating populations in the poorest countries, which suffer from an incredibly inequitable delivery of doses to date. Africa only accounts for 1.64% of the doses administered, while the continent represents approximately 17% of the world's population⁽³⁾.



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(1) Source: Bloomberg, 30/04/2021.

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

(3) Source: <https://ourworldindata.org>, April 2021.



R-co Valor ended April with a net equity exposure of 83.7%. The sector rotation that began in November after “Pfizer Day” held its ground during the first months of the year as the sectors that suffered the most at the height of the crisis were favored by investors at the start of the year. The reinforcements on cyclical stocks made last year significantly contributed to the fund’s performance in the first months of 2021. The financial sector stood out, benefiting from the steepening of the yield curve⁽⁴⁾. Commodities and “energy” stocks in particular also stood out, benefiting from a significant rebound in investor demand. Nevertheless, the technology sector also emerged as a significant contributor to performance over the quarter. Some of the GAFAM⁽⁵⁾ have remained attractive, unlike unprofitable stocks in the sector. Chinese stocks such as VipShop or Tencent have also performed particularly well, despite tighter regulations. Profits were taken in the first quarter on the theme, via partial or total sales. Following the strong bounce back of cyclical stocks, we also trimmed some positions in the commodities sector to lock some profits. We took advantage of this sector rotation to make tactical reinforcements in stocks with more defensive profiles in the healthcare and gold mining sectors. Certain Chinese securities that were impacted after coming higher scrutiny by the authorities were also reinforced.

“The reinforcements on cyclical stocks made last year significantly contributed to the fund’s performance in the first quarter of 2021...”

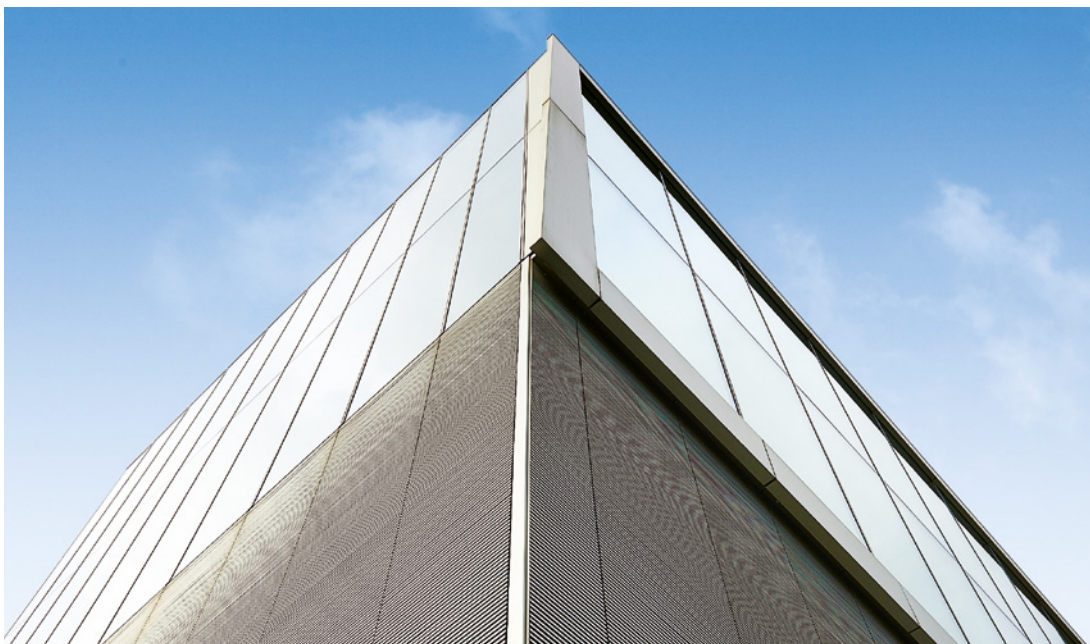
What can we expect for the rest of the year? We are keeping our exposure to cyclical stocks, while opportunistically trimming certain positions when deemed appropriate. As long as central banks maintain accommodative policies and some slack remains in the labour market normalized yet, we believe that holding some exposure to these stocks remains appropriate. We are confident that the global economy will gradually recover but that some of the good news is already priced in by the market. The threat of widely higher than anticipated inflation could force central banks to tighten policies sooner than expected and spark jitters. In addition, anxiety around tax hikes to fund the US’ stimulus plans could materialise and reduce risk appetite from investors. With this in mind, we purchased put⁽⁶⁾ options on the S&P 500 to hedge part of the portfolio from a significant market correction.

Completed writing on May 19, 2021

(4) Chart of bond yields according to their various maturities. In a stable economic environment, free from inflationary pressure and excessive debt, interest rates rise with the maturity of bonds.

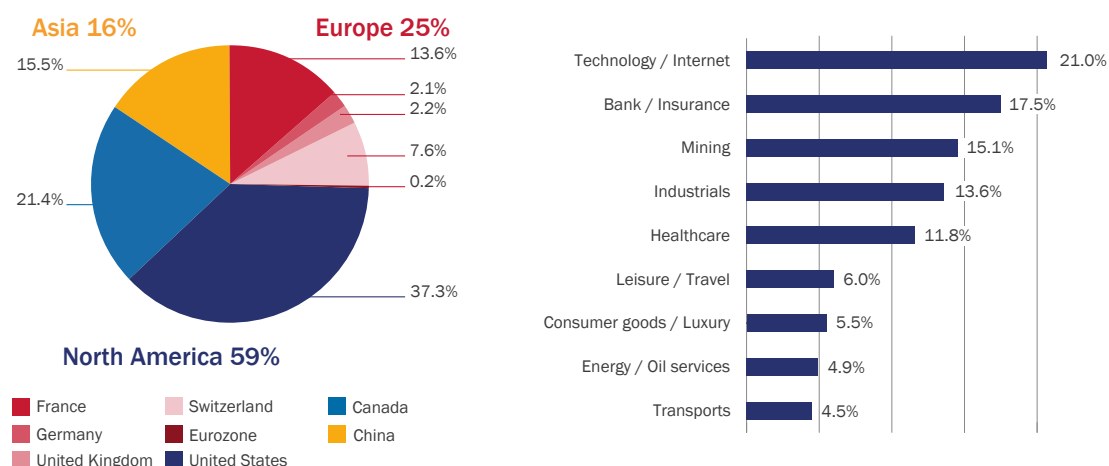
(5) Google, Apple, Facebook, Amazon, Microsoft.

(6) Option to sell an underlying asset, at an agreed date and price.



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, 30/04/2021.

R-co Valor: Portfolio's top 10 holdings

Stocks	Weight	Number of line ⁽¹⁾	45
Morgan Stanley	3.5%	Average weight	1.9%
Ivanhoe	3.5%	Top 10 weight	30.0%
Alphabet	3.5%	Top 5 weight	16.4%
Teck Resources	3.0%		
Facebook	2.9%		
Manulife Financial Corp	2.8%		
Alibaba	2.8%		
Capital One Financial Corp	2.7%		
Airbus Se	2.7%		
Abb	2.7%		

Source: Rothschild & Co Asset Management Europe, 30/04/2021.

(1) Stocks only

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

The above information does not constitute investment advice or a recommendation to invest.

Performance	Since the beginning of 2021	2020	2019	2018	2017	2016	5 years	1 year volatility
R-co Valor C EUR	10.85%	6.72%	28.63%	-13.17%	9.54%	19.92%	74.68%	14.59%

Source: Rothschild & Co Asset Management Europe, 30/04/2021.

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

They take into account all fund-related costs and expenses (e.g. management fees) but do not take into account fees charged to the client (e.g. issuance costs, deposit fees).



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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