Quarterly Letter

R-co Valor and R-co Valor Balanced

September, true to form, wiped out all the catch-up momentum accumulated in July and August. Thus, the Euro Stoxx 50 posted a slight decline of -0.40% in euros over the third quarter, while the S&P 500 and the Nasdaq ended the year at +0.23% and -0.38% respectively, both in dollars. Over the period, China corrected sharply (-14.75% for the Hang Seng index in Hong Kong dollars), impacted by a succession of anxiety-ridden events for investors: the hardening tone of the Chinese Communist Party, Evergrande's collapse, energy price surge...

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In this context, central banks are continuing their balancing act as they begin the process of monetary policy normalisation. While the United States are ahead of Europe, the Fed seems to be positioning itself for the start of tapering[1] by the end of the year, with an announcement expected in November. The topic of rate hikes, which is fundamentally a source of anxiety for financial markets, seems for the time being to be decoupled from this first stage. Nevertheless, Fed members are now forecasting a hike sooner than a few months ago, with a rise expected by the end of 2022[2]. In Europe, Christine Lagarde confirmed the ECB's support by reiterating her position on the "temporary" nature of inflation due to structural factors related to supply chains issues and rising energy prices.

Europe seems to be standing out for the sturdiness of its recovery. Business confidence in the Eurozone was thus notable for its resilience in September, as the OECD revised its growth forecast for 2022 upwards to 4.6%[3]. However, in Germany, following the elections, long negotiations are expected to lead to a stable coalition. The FDP coming to power could make budgetary discussions more complex at the European level.

On the other side of the Atlantic, political tensions are tempering the optimism of market participants. Although an agreement avoiding a shutdown seems to have been reached, raising the debt ceiling, scheduled for October 18th, remains the next deadline. At the same time, the battle continues in Congress over the various investment plans proposed by the US government. Disagreements remain, both between Democrats and Republicans, but also within the Majority Party itself.

In China, the situation is becoming more complex. Fears surrounding the possible collapse of Evergrande, a sprawling group known

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) Tapering refers to the gradual reduction of monetary easing by central banks.
(2) Source: Fed "dot plots", September 2021. Dots plots are graphs with points that represent estimates of the evolution of interest rates.
(3) Source: Organisation for Economic Co-operation and Development (OECD), September 2021.

The features of the portfolio are not fixed and may vary over time within the limits provided in the fund prospectus. The management team is subject to change.

Figures provided relate to previous years. Past performance is not a reliable indicator of future performance and is not constant over time. .

for its real estate business, have been compounded by nationwide power cuts. The Coal price surge, which currently accounts for 60% of the country's electricity production, coupled with President Xi Jinping's ambition to achieve carbon neutrality goal of carbon neutrality by 2060, indiscriminately impacting individuals and companies, thus partially crippling the country's manufacturing activity.

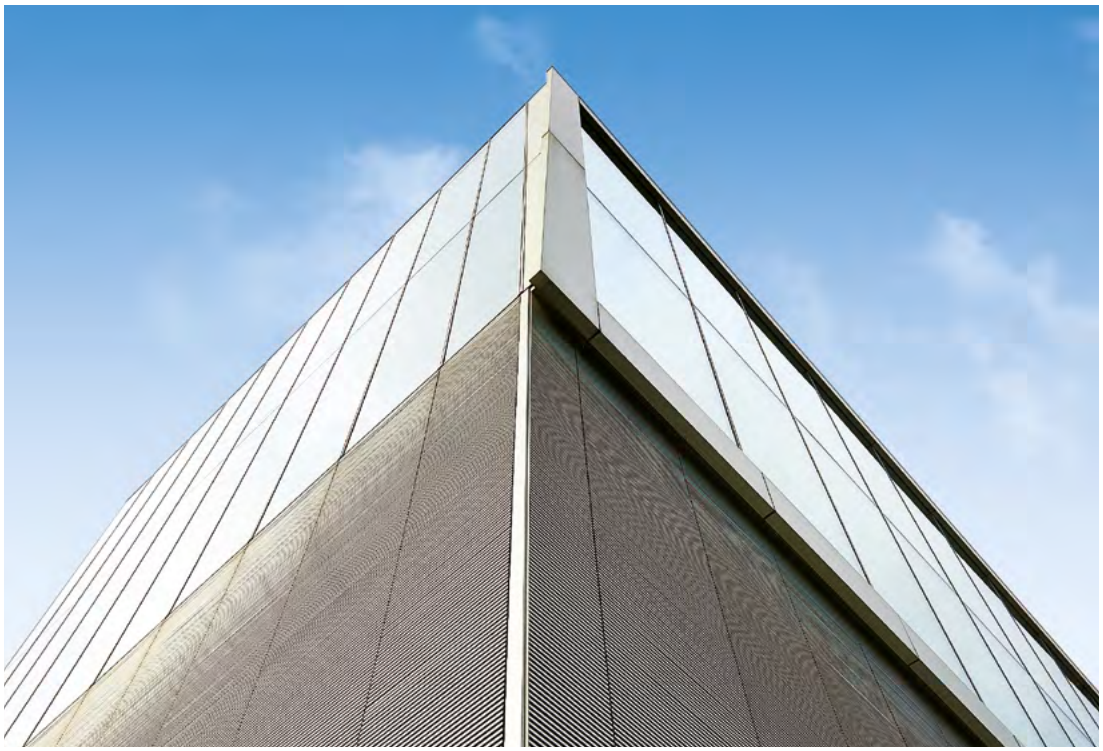
By the end of this eventful quarter, R-co Valor had a net equity exposure of 86% at the end of September. During the third quarter, the best contributors to performance were the industrial and energy sectors. The latter benefited from the surge in oil prices, supported by an OPEC+[4] that is not willing to significantly increase its production quotas for the time being. The significant rise in US interest rates has impacted the technology sector, which is the worst contributor to performance alongside leisure/services sector. Chinese stocks within these two themes heavily weighed on performance over the period.

In terms of portfolio movements, the growth and defensive parts were strengthened while the more cyclical part was trimmed. Profit taking was carried out on some stocks, notably from the commodity sector (Ivanhoe Mines), industrials (Bombardier) and financials (Morgan Stanley)[5]. Positions were strengthened on stocks with a more defensive profile, particularly in the healthcare sector (Biomarin), but also on specific technology companies currently suffering from sector rotation but which still have outstanding growth prospects (Facebook following a reduction in Google, Vipshop).

"Europe seems to be standing out for the sturdiness of its recovery..."

What can we expect over the next few months? Concerns include emerging markets outlook, as some of them have limited flexibility to support their economies. Inflation has already forced several central banks to raise their key rates to stabilise expectations. This is the case for Brazil, Russia and Mexico. Furthermore, co-dependency between many of these countries and China can play against them. In the US, the political situation, fears over inflation and the Fed's tightening monetary policy are weighing on investor sentiment. Despite these factors, we remain

(4) Organisation of Petroleum Exporting Countries plus its partner countries.
(5) The comments and analyses in this document are provided purely for information purposes and do not constitute any investment recommendation or advice.



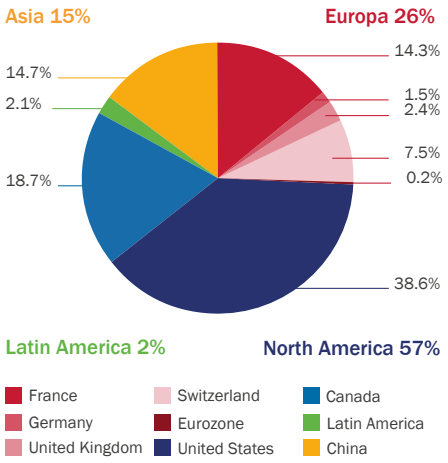
The characteristics/objectives/strategies mentioned above are indicative and may change without notice.

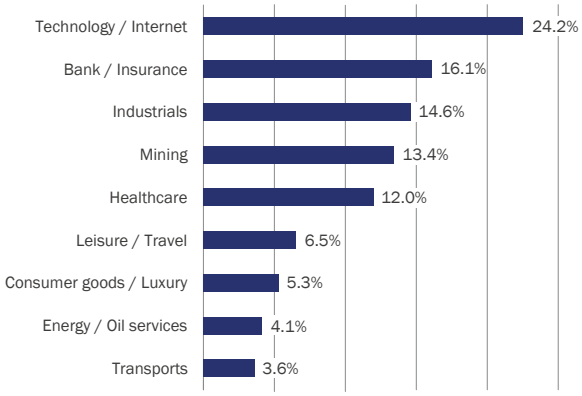
confident and are keeping our equity exposure relatively stable at 86%. Our exposure to Europe, which is at a 10-year high, seems appropriate due to strong growth expectations over the next few years, particularly low company valuations and a momentum of buoyant flows. In the US, Jerome Powell seems to have the normalisation calendar under control for the time being and should gently lead the country towards monetary tightening. As for the investment plans, although they will probably not be voted on as they stand, they should prove to be solid supports for the economy, even if the amounts are revised downwards.

In China, although the situation does not seem to have stabilised yet, the sharp market correction has enabled us to strengthen certain lines at extremely attractive prices. The repositioning of the Party guideline, although causing high short-term volatility, does not, in our opinion, call into question the structural trend and the country's positioning as an essential driver of the global economy.

Completed writing on October 7, 2021

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





Source : Rothschild & Co Asset Management Europe, 30/09/2021.

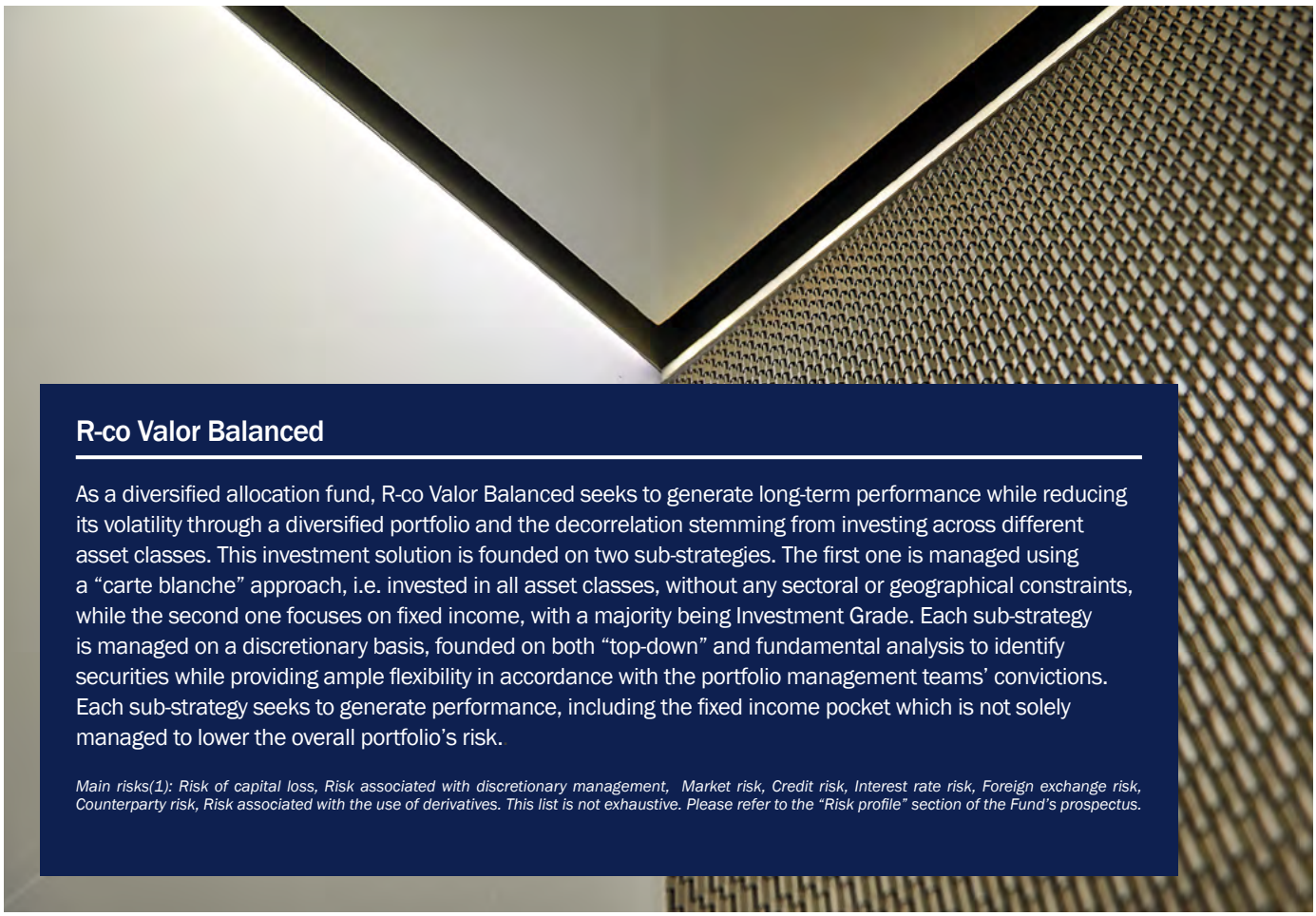
R-co Valor: Portfolio's top 10 holdings

Stocks	Weight
Morgan Stanley	4.0%
Ivanhoe	3.5%
Alphabet	3.4%
Teck Resources	3.4%
Facebook	3.1%
Manulife Financial Corp	3.0%
Alibaba	2.9%
Capital One Financial Corp	2.6%
Airbus Se	2.5%
Abb	2.5%

Number of line	52
Average weight	2.0%
Top 10 weight	30.7%
Top 5 weight	17.3%

Source: Rothschild & Co Asset Management Europe, 30/09/2021.

The allocations and breakdowns, both geographical and sectoral, are not fixed and are subject to change over time, within the limits of the prospectus. The above information does not constitute investment advice or a recommendation to invest.



R-co Valor Balanced

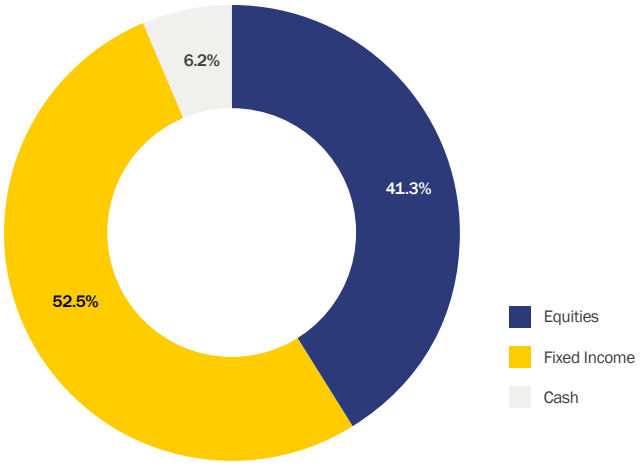
As a diversified allocation fund, R-co Valor Balanced seeks to generate long-term performance while reducing its volatility through a diversified portfolio and the decorrelation stemming from investing across different asset classes. This investment solution is founded on two sub-strategies. The first 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 first quarter, the fund's equity exposure remained stable at 41%.
At the end of September, the bond component stood at 52%.

R-co Valor Balanced: Breakdown by asset classes



Number of lines of the equity pocket	52
Average weight(1)	2.3%
Top 10 weight	34.7%
Top 5 weight	19.7%

Number of lines of the fixed income pocket	212
Average maturity	4.4
Modified duration	4.5
Gross yield	1.2%

Source: Rothschild & Co Asset Management Europe, 30/09/2021.

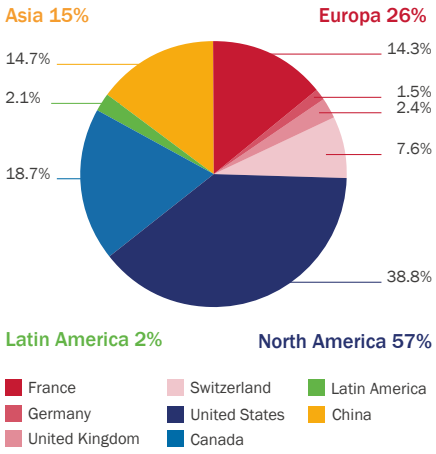
(1) Weight rebased on the equity portfolio.

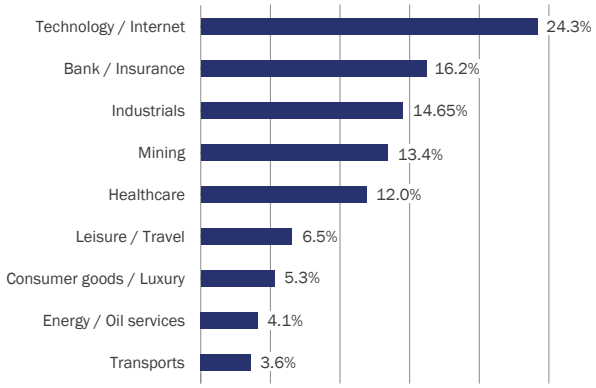
The features of the portfolio are not fixed and may vary over time within the limits provided in the fund prospectus.

Equity component

The equity portfolio of R-co Valor Balanced replicates that of R-co Valor.
The movements implemented, and the positioning are identical.

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





Source: Rothschild & Co Asset Management Europe, 30/09/2021.

The allocations and breakdowns, both geographical and sectoral, are not fixed and are subject to change over time, within the limits of the prospectus.

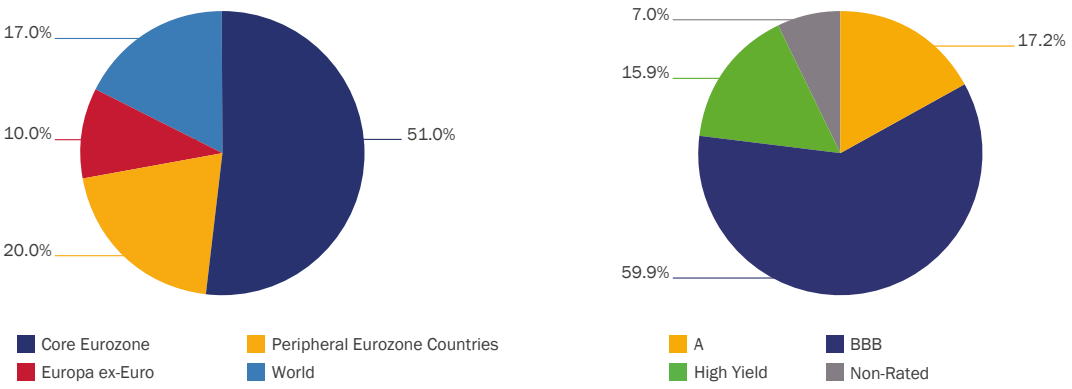
Fixed income component

The third quarter was shaped by high interest rate volatility, renewed concerns over inflation and weaker macroeconomic figures. In Europe, the German Bund rose to a two-month high of -0.20 at the end of September[1] following more hawkish comments[2] of certain ECB members. Credit continued to outperform, notably benefiting from substantial inflows over the last few weeks. While 2021 is expected to be a record year for High Yield credit[3] in the euro primary market, a number of issuers are beginning to enter their blackout periods[4], which should naturally reduce issuance volumes.

Within the fixed income component, due to the lower relative attractiveness of the market and the limited potential for tighter risk premiums, we are gradually reducing the portfolio's credit risk exposure. Half of the High Yield and non-rated exposure is hedged via the purchase of Xover CDS[5]. We are trimming a few lines on this part, preferably long-dated bonds that have a high beta[6]. We are also reducing some Investment Grade[7] positions on the long side, which are quite sensitive to rate changes. The objective is to reduce the overall sensitivity of the portfolio to interest rate risk.

Completed writing on Octber 7, 2021

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



Source: Rothschild & Co Asset Management Europe, 30/09/2021.

(1) Source: Bloomberg, 30/09/2021.
(2) Positioning in favour of a less accommodative monetary policy to tackle rising inflation.
(3) High-yield bonds are issued by companies or governments with a high credit risk. Their financial rating is below BBB- on the Standard & Poor scale.
(4) Forced discretionary period before the publication of quarterly results.
(5) A Credit Default Swap (CDS) is a derivative product that makes it possible to insure against the risk of non-payment of a debt issued by a government or company. This hedge is applied to the crossover part of the portfolio, i.e. securities rated between BB and BBB on the Standard & Poor scale.
(6) A measure of the volatility risk of a stock relative to the market as a whole. The market beta is 1.00. Any security with a beta greater than 1 is considered to be more volatile than the market, and therefore riskier.
(7) Debt securities issued by companies or governments rated between AAA and BBB- on the Standard & Poor scale.

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Performance	Since the beginning of 2021	2020	2019	2018	2017	2016	5 years	1 year volatility
R-co Valor C EUR	8.1%	6.7%	28.6%	-13.2%	9.5%	19.9%	54.5%	12.8%

Source: Rothschild & Co Asset Management Europe, 30/09/2021.
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 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, 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.

Performance	Since the beginning of 2021	2020	2019	2018	2017	2016	Since inception(1)	1 year volatility
R-co Valor Balanced C EUR	4.8%	5.0%	15.6%	-	-	-	22.0%	6.9%

(1) Date de création : 24/10/2018.
Source: Rothschild & Co Asset Management Europe, 30/09/2021.
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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: 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 profile. 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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