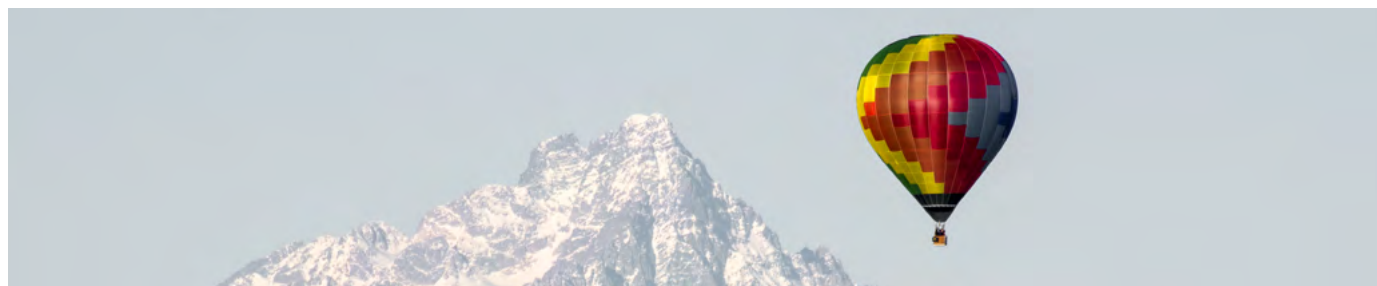




R-co Valor Balanced: a three-year assessment



Yoann Ignatiew
Co-Fund Manager
of R-co Valor Balanced



Emmanuel Petit
Co-Fund Manager
of R-co Valor Balanced

Since its 2018 launch in the midst of heightened trade tensions, R-co Valor Balanced has, over the past three years, demonstrated its ability to weather some rough patches while achieving its goal of controlled volatility.

R-co Valor Balanced was created with the goal of allowing investors to tap into growth on international markets while keeping volatility under control. The fund combines two flagship capabilities of Rothschild & Co Asset Management Europe. Two experienced professionals – Yoann Ignatiew, manager of R-co Valor, and Emmanuel Petit, head of bond management – head up this diversified allocation fund, using their know-how to manage it actively by seeking out opportunities and targeting portfolio diversification. With their complementary approaches and their 13 years of combined experience, they conduct a dynamic management strategy that seeks to make each subfund a performance driver in its own right and to limit the fund's volatility through decorrelation between asset classes. Three years later, they appear to have succeeded. R-co Valor Balanced has achieved an annualised return of 7.4% since inception and 1-year volatility of 6.8% and has now exceeded 500 million euros in AuM⁽¹⁾.

Baptism by fire

On 24 October 2018, the day on which R-co Valor Balanced was launched, Sino-US trade tensions were at their peak. China and the US were going blow-for-blow, paralysing global economic growth while casting a pall of uncertainty over their trade partners. By the end of December, the MSCI World had corrected by -13.7% in three months (and by -10.4% year-on-year)⁽²⁾. Paradoxically, this turned out to be fertile ground for the emergence of opportunities, and that encouraged the management team to raise the portfolio's exposure to risky assets in both its equity and fixed-income allocations.

2019: on the launch pad

This turned out to be a winning bet, as the shift in Fed and ECB monetary policies in reaction to the dip in the global economy, and the US government's determination to support the markets triggered a robust rally in the first quarter of 2019.

(1) Source: Rothschild & Co Asset Management, 31 October 2021.

(2) Source: Bloomberg, 31 December 2018.

The management team is subject to change.

Past performance is not a reliable indicator of future performance and is not constant over time. Performance is calculated in the basis of dividends reinvested and take into account all costs incurred at the level of the UCI but do not take into account the costs borne by the investor.

The fund gradually sold into the rally to take some profits in its equity allocation, bringing it to as low as 35%⁽³⁾ of the fund's total allocation as the second half of the year began. The managers remained determined to limit risks to the portfolio, and kept their exposure relatively stable until the end of the year.

2019, on the whole, was an outstanding year on the credit market. The narrowing of spreads⁽⁴⁾ and the steep drop in interest rates sent the markets up accordingly. Bonds rated BBB and BB were overweighted in order to capture yield, without excessive risk exposure, by focusing on financial debt and subordinated debt in particular. This allocation was supplemented by some attractively priced high-yield⁽⁵⁾ bonds. Few changes were made to the breakdown of the bond allocation during the period. However, early in the fourth quarter, the proportion of money-market investments was reduced sharply, with the proceeds reinvested mainly in investment grade bonds⁽⁶⁾, as spreads widened and interest rates began to rise.

2020: lockdowns and recession

Optimism reigned on the markets as 2020 began, but then came the unprecedented shock of the Covid-19 crisis. This triggered a brutal collapse in the equity markets in an extremely short period of time. Flush with their experience from 2008, governments and central banks reacted promptly and massively to limit the damage after a global lockdown triggered one of history's most rapid recessions.

The markets took advantage of this extensive support, and by June they had made up most of the ground they had lost. From a reduced equity exposure base in late 2019, the fund managers decided to gradually reload on risk throughout the correction. They raised their equity holdings to 43% by the end of March, confident that the asset class would be driven up by the economic recovery. They then sold into the rally in the indices to take some profits, while adding very selectively to their exposure to companies hit hard by the pandemic.

The Covid-19 environment also caused an unprecedented shock on the bond markets. Risk premiums, particularly in high yield, hit levels not seen since 2008, and in record time. Departing from their rather defensive stance of January, the managers aimed for opportunities to re-expose the portfolio by investing in both high-yield and investment-grade secondary

markets. In mid-year, they then began to seize similar opportunities on the primary investment grade market, which got much busier as the economic environment improved. Meanwhile, they began to scale down risk in their fixed-income allocation by taking profits on credit derivatives and selling or reducing some high yield positions.

However, momentum began to run out of steam late in the third quarter due to fears of a second lockdown in Europe, to the run-up to US presidential elections, and to a multi-track global economic recovery. These concerns faded in part with the announcement of the first effective Covid-19 vaccine, Joe Biden's election to the White House, and the ending of the long-running Brexit saga. In this persistently weak environment, and as a sector rotation began, the managers stuck with their strategy of taking profits and reducing the portfolio's risk exposure until yearend.

2021: a multi-stage recovery

As economies steadily reopened against a backdrop of very gradual vaccination campaigns, initial signs began to emerge in early 2021 of a "return to normal". China, the first country hit by the pandemic, soon began to tighten its monetary policy, but the United States and Europe remained heavily dependent on assistance from their respective governments and central banks. The sector rotation continued into cyclicals and out of stocks that had held up well even at the peak of the pandemic. To exploit this trend, and in accordance with their ongoing profit-taking strategies, the managers sold down their equity holdings, thus freeing up cash to tactically build up positions having more defensive profiles.

The 10-year US yield rose in anticipation of the global economic recovery, quickly disrupting the bond markets as it reached its high since the start of the pandemic. Yields then shifted downward during the second quarter. In Europe the opposite occurred, reflecting the market's expectations of an upturn in growth and inflation. Meanwhile, after a very busy period early in the year, the investment grade primary market paused for breath, due to the lack of sufficient issue premiums. High yield, however, kept on surging. After significantly reducing its high-yield exposure, the fund raised it again in mid-year through a few, highly selective purchases.

(3) Source: Rothschild and Co Asset Management, 31/12/2019.

(4) "Spread" means the gap in yields between one bond and another bond having an equivalent maturity and considered to be "risk-free".

(5) High-yield bonds are bonds issued by companies or governments having a high credit risk. They are rated below BBB- by Standard & Poor's.

(6) Debt securities issued by companies or governments that are rated between AAA and BBB- by Standard & Poor's.

The equity markets then broke new records, as the various government stimulus plans played their role perfectly in backing the recovery. Central banks, meanwhile, began to mention their process of normalisation as inflation entered the debate more and more, pulling the spectre of a potential rate hike in its wake. Momentum broke off in September, as China, which had already been at a slowdown since the tightening in its monetary policy and the tougher Communist Party line, was hit head-on by a series of worrisome events.

Against this backdrop, the fund took some profits on cyclicals that had rallied the most, while adding to its exposure to growth and defensives. Credit risk was gradually lowered in a third quarter that featured strong interest-rate volatility and concerns over weaker macroeconomic figures. This was done by trimming some exposure to long-dated, high-beta⁽⁷⁾ or high-sensitivity bonds, in order to reduce the portfolio's overall sensitivity to interest-rate risk.

A strong track record in a chaotic environment

In just three years of existence, R-co Valor Balanced has faced an especially chaotic environment on both the equity and bond markets.

Thanks to its quick responsiveness in its allocation choices and in its strategic direction, the management team was able to exploit the fund's flexibility with thoroughness and discipline. The equity allocation has thus oscillated between 35% and more than 43% by seizing market opportunities. The bond allocation has been the fund's true performance driver, with an annualised growth return of 4.2% since inception⁽⁸⁾, as its sole function is not to limit volatility. There have been very few changes to the bond allocation since the fund was launched.

Completed writing on November 8, 2021

(7) As measure of the risk of volatility of a share compared to the market as a whole. The market's beta coefficient is 1.00. Any stock with a beta greater than 1 is considered to be more volatile than the market and, hence, riskier.

(8) Source: Rothschild & Co Asset Management Europe, 29 October 2021.

Performance	Since the beginning of 2021	2020	2019	2018	2017	2016	Since inception ⁽¹⁾	1 year volatility
R-co Valor Balanced C EUR	6,34%	4,98%	15,64%	-	-	-	23,55%	6,84%

(1) Date de création : 24/10/2018.

Source: Rothschild & Co Asset Management Europe, 29/10/2021.

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: 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.

Before any investment, please imperatively read the key investor information document (KIID) and prospectus of the UCI carefully, especially its section relating to risks, available on the Rothschild & Co Asset Management Europe website Rothschild & Co Asset Management Europe website: am.eu.rothschildandco.com

The SRRI indicator defines the risk/return profile of a UCITS on a scale ranging from +1, the lowest risk level and lowest expected return, to +7, the highest risk level and highest expected return.

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