

July 2022 | Rothschild & Co Asset Management Europe

Quarterly newsletter R-co Valor & R-co Valor Balanced



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

Equity markets ended the year's second quarter in negative territory, impacted by ever higher inflation figures, central banks reacting to rising prices, and deteriorating macroeconomic forecasts. At the end of the Quarter, the MSCI All Country World Index recorded a performance of -20.9%⁽¹⁾ affected indiscriminately by the United States (S&P 500 at -20.6%⁽¹⁾) and Europe (Euro Stoxx 50 at -19.6%⁽¹⁾). China stood out, buoyed by gradually-lifted lockdown measures of the region and the recovery of its economy, allowing Shanghai Shenzhen CSI 300 Index to post a performance of -9.2%⁽¹⁾ at the end of June.



Charles-Edouard Bilbault
Co-Fund Manager
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Although unemployment figures remain remarkably low in the United States, consumer confidence has fallen drastically⁽²⁾. The real estate market has also tightened, and the rise in the average 30-year mortgage rate to around 6%⁽³⁾ is adding further pressure on households with variable rate mortgages. Finally, the Fed's determination to fight inflation at all costs raises fears of a policy of rapid rate hikes, to the detriment of growth and employment.

In Europe, consumer confidence is also down. In addition to inflationary pressures, fears of a possible cut in gas supplies from Russia are clouding the outlook. The ECB, despite a policy that has so far been more permissive than its American counterpart has also changed its tune, and several rate hikes are expected by the end of the year. Christine Lagarde has nonetheless declared her willingness to fight against financial fragmentation in response to the dramatic widening of spreads⁽⁴⁾ on peripheral Eurozone government bonds.

Following a start to the year marked by the Covid-19, China shows a positive equity market in the second quarter⁽⁵⁾. The area seems to be gradually coming out of lockdown and reopening its territory, lowering the quarantine period on arrival from 21 days to 7 days. The country, insulated

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.



Emmanuel Petit
Co-Fund Manager
of R-co Valor Balanced
and Head of fixed-income

(1) Source: Bloomberg, 30/06/2022.

(2) Source: University of Michigan Consumer Sentiment Index – June 2022.

(3) Source: Bloomberg - July 2022.

(4) The spread refers to the difference in yield between a bond and a loan considered as "risk free", of equivalent maturity.

(5) Source: Shanghai Shenzhen in local currency – June 2022.

The figures quoted relate to the past months. Past performance is not a reliable indicator of future performance and is not constant over time. The management team is subject to change.



from inflation for the moment, gives the Chinese central bank valuable leeway to support its economy. The Chinese Communist Party also seems particularly committed to achieving its 5.5% growth target, with the latest rumours indicating that the Chinese Ministry of Finance is considering allowing local governments to sell up to RMB1,500 billion (\$220 billion) of special bonds in the second half of the year to accelerate infrastructure financing⁽⁶⁾.

“The Fed determination to fight inflation at all costs raises fears of a policy of rapid rate hikes, to the detriment of growth and employment...”

R-co Valor posts a year-to-date performance of -10.4%⁽⁷⁾. While the relative resilience of the fund over the first three months of the year was largely due to the positive contribution of the commodity sector in the portfolio, mining stocks were the worst contributors in the second quarter, despite our significant profit-taking in recent months. Fears of a global recession have hit commodity prices, which supply tensions had so far protected. Conversely, in line with the first three months of the year, the healthcare sector contributed positively to the fund's performance during the quarter. Our Chinese stocks, buoyed by the recovery in the region, also performed well over the period.

The fund's equity exposure increased marginally over the second quarter, from 82% at the end of March to 83.4% at the end of June. This risk increase took place in two ways. Firstly, we reallocated 2% of cash across the portfolio and, in parallel, we made opportunistic purchases, mainly on Growth stocks, with particularly attractive valuations on some companies. Reinforcements were made in the technology, travel & leisure, and industrial sectors. A new position was also initiated in the US banking sector. We continued our profit-taking strategy, exiting certain energy-related stocks and significantly reducing our exposure to diversified miners.

(6) Source: Chinese Communist Party - June 2022.

(7) Source: Rothschild & Co Asset Management Europe, 30/06/2022.

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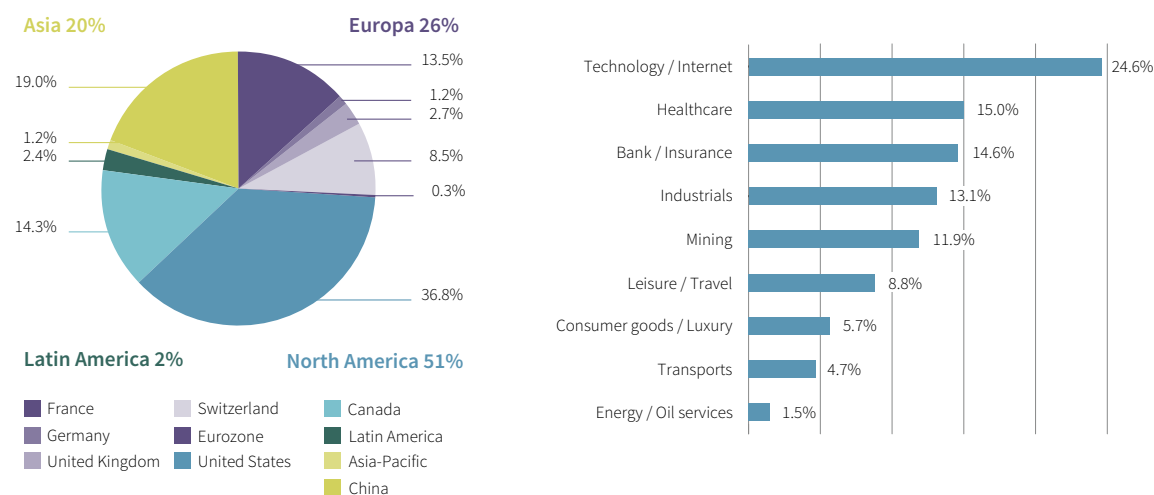


The “hawkish” stance of central bankers to fight rising prices weighed on the confidence of market participants during the second quarter. Nevertheless, following the deterioration of the economic situation, an easing in the pace of rate increases could be expected by the end of the year. On inflation, we believe we are not far from the peak if it is not already behind us. But more than the absolute level, the pace of decline is to be monitored, as it will determine the intensity of the response of central bankers. Companies’ margins for the upcoming earnings season and their guidance⁽⁸⁾ will set the tone for the coming weeks.

The population’s propensity to consume, particularly in the United States, should also support growth, despite a rather sluggish environment. While a deep recession by the end of the year is not our central scenario, we suffer, as does the market, from excessive and sometimes generalised movements in a sector, regardless of the quality of the companies. Nevertheless, we remain convinced that stock picking⁽⁹⁾ remains crucial, as in the case of Seagen, a US biotech that has performed well in recent weeks following rumours of a purchase by Merck.

Completed on 11 July 2022

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



Source: Rothschild & Co Asset Management Europe, 30/06/2022.

R-co Valor: Portfolio’s top 10 holdings

Stocks	Weight	Number of lines	48
Morgan Stanley	3.2%	Average weight	1.9%
Alibaba Group Holding	3.0%	Top 10 weight	27.2%
Alphabet	2.9%	Top 5 weight	14.5%
Capgemini Se	2.8%		
Ivanhoe Mines	2.6%		
Trip.com Group	2.6%		
Abb Ltd	2.6%		
Richemont	2.5%		
Airbus Se	2.5%		
Biomarin Pharmaceutical	2.5%		

Source: Rothschild & Co Asset Management Europe, 30/06/2022.

(8) A company’s public estimates of its current and future earnings prospects.

(9) Stock selection.

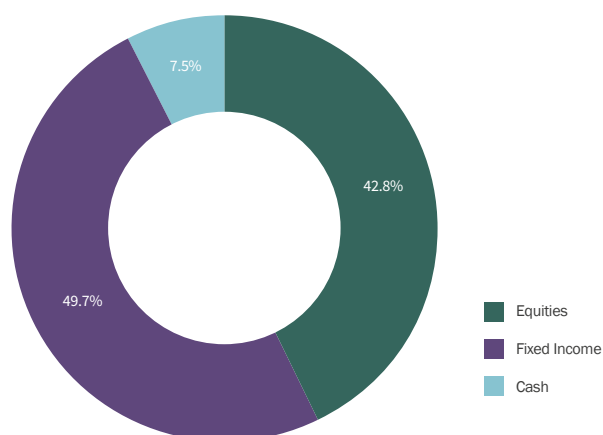
The characteristics/objectives/strategies mentioned above are indicative and subject to change without notice. This analysis is only valid at the time of writing. The geographical and sector allocations and distributions are not fixed and may change over time within the limits of the SICAV fund’s prospectus.



Portfolio Allocation

At the end of June, the fund's equity exposure stood at 43%.
The bond portfolio was increased to 50%.

R-co Valor Balanced: Breakdown by asset classes



Number of lines of the equity pocket	48
Average weight ⁽¹⁾	0.9%
Top 10 weight	14.0%
Top 5 weight	7.5%

Number of lines of the fixed income pocket	177
Average maturity	8.2
Modified duration	3.7
Gross yield	5.2%

Source: Rothschild & Co Asset Management Europe, 30/06/2022.

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: 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.

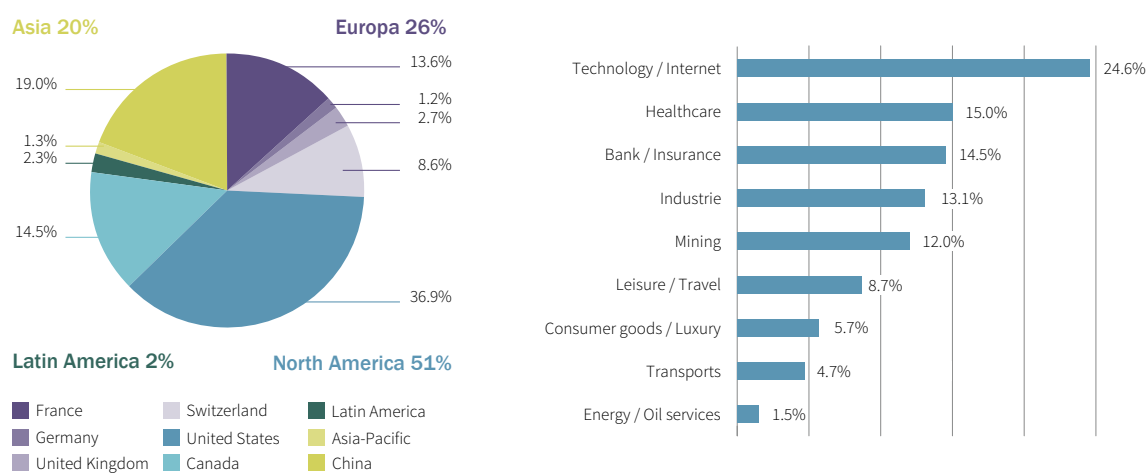
(1) Weight rebased on the equity portfolio.
The features of the portfolio are not fixed and may vary over time within the limits provided in the fund prospectus.



Equity allocation

The equity portfolio of R-co Valor Balanced replicates that of R-co Valor.
The movements executed, as well as the positioning, are identical.

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



Source: Rothschild & Co Asset Management Europe, 30/06/2022.



Fixed income component

The upward movement in interest rates, which began at the beginning of the year, continued on both sides of the Atlantic. The German 10-year rate thus ended up 79 basis points (bps) over the quarter, at 1.33%⁽¹⁾. The US 10-year yield also rose significantly by 67 bps to 3.08%⁽¹⁾. Central banks in both zones have tightened their rhetoric in response to accelerating inflation, which has exceeded 8%⁽²⁾. In the United States, the Fed raised its key interest rates by 75 bps in June, the largest increase since 1994. In Europe, the ECB enacted a 25 bp increase for the month of July, a move not seen for over 10 years⁽¹⁾.

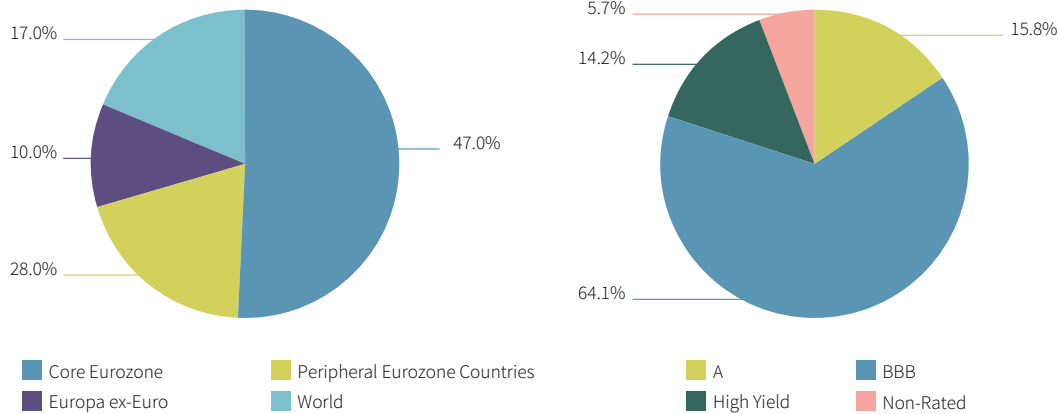
Credit has suffered in Europe since the beginning of the year, impacted by both the rise in interest rates and the widening of spreads. Investment Grade⁽³⁾ has fallen by -7.5%, and High Yield⁽⁴⁾ has corrected by -10.6% over the quarter. June saw a sharp acceleration in the widening of credit spreads, with the Investment Grade segment under pressure by more

than 50 basis points⁽¹⁾. While High Yield has been resilient until now, it seems to have integrated a stronger risk of recession and is seeing its risk premiums tighten by 200 basis points. In terms of dynamics, there are still significant outflows in the asset class, and primary volumes are poor or non-existent for the riskiest debt segments.

The portfolio suffered during the quarter, as did the euro credit market, impacted by the repricing⁽⁵⁾ from central bank investors who were even less accommodating than expected. We reduced the risk in the fixed income portfolio, lowering the High Yield exposure from 19% to 14% over the quarter. On the buy side, we have mainly positioned ourselves in Investment Grade issues offering increasingly attractive yields. We continue to favour investments in the Investment Grade universe, offering good visibility in this difficult environment.

Completed on 11 July 2022

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



Source: Rothschild & Co Asset Management Europe, 30/06/2022.

(1) Source: Source: Bloomberg - June 2022.

(2) Source: Bloomberg, U.S. Bureau of Labor Statistics - June 2022.

(3) Debt securities issued by companies or governments rated between AAA and BBB- on the Standard & Poor's scale.

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

(5) The change in the price of bonds when they are available for sale.

The geographical and sector allocations and distributions are not fixed and may change over time within the limits of the fund's prospectus.

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ISIN: FR0011253624

Performance	Year to date	2021	2020	2019	2018	2017	5 years	1 year volatility
R-co Valor C EUR	-10,4%	12,7%	6,7%	28,6%	-13,2%	9,5%	28,1%	14,0%

Source: Rothschild & Co Asset Management Europe, 30/06/2022.

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.

Any investment is always subject to risk. Before investing, each investor must ensure the jurisdictions in which the UCI is registered. The KIID, the full prospectus as well as the net asset value (NAV)/net inventory value (NIV) are available on our website: am.eu.rothschildandco.com

ISIN: FR0013367265

Performance	Year to date	2021	2020	2019	2018	2017	Since inception ⁽¹⁾	1 year volatility
R-co Valor Balanced C EUR	-12,3%	6,7%	5,0%	15,6%	-	-	8,9%	8,1%

(1) Inception date: 24/10/2018.

Source: Rothschild & Co Asset Management Europe, 30/06/2022.

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

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



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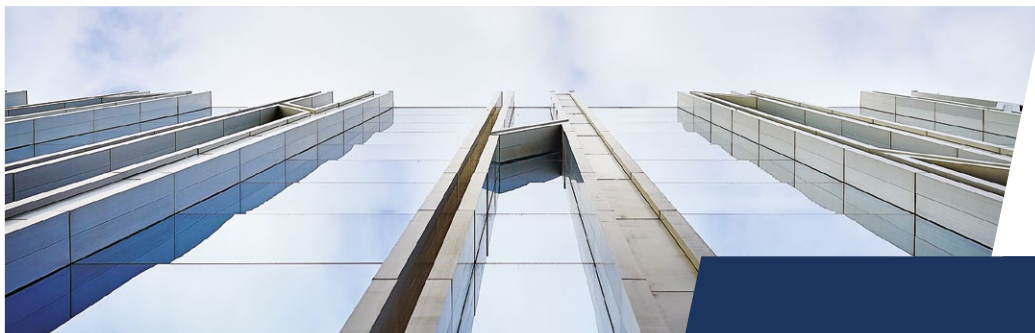
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