Rothschild & Co
Asset Management

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Quarterly newsletter

R-co Valor & R-co Valor Balanced

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Co-Fund Manager
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The markets ended the third quarter in negative territory, down by 3.8%[1] regarding global equities (as measured by the MSCI World All Country index). The surge in interest rates, paired with central bankers' hawkish language ultimately carried the day over the obstinate optimism that investors had maintained on the year to date. As a result, over the past three months, Europe has lost 5.1%[1] (Euro Stoxx 50), the United States by 3.7%[1] (S&P 500), China by 5.9%[1] (Hang Seng Index).

Charles-Edouard Bilbault
Co-Fund Manager
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Co-Fund Manager
of R-co Valor Balanced
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By sector, tech stocks, which drove the markets in the first half of the year, lost 4.1%[1] (Nasdaq 100) in the third quarter. Within the fund, our stock pick on the thematic paid off, with an overall performance of +3.9% during the review period[2]. The tech sector led the way, driven mainly by North and South American stocks in the portfolio, such as Alphabet (+9.3%)[3], Uber (+6.5%)[3] and Mercado Libre (+7%)[3]. We also sole into the rally by some shares to take some profits by selling down stocks such as Uber and Vipshop. The worst contributors – industrials, which are more cyclical – were hit by the gradual worsening in the macroeconomic environment, paired with stubbornly high inflation.

In China, at the meeting of the Politburo Standing Committee, the party's decision-making body pledged to support the recovery in the economy, which it acknowledged was "tortuous". Moralising rhetoric on the real estate sector was softened, mention was made of local governments' debt burden, and the Politburo confirmed its determination to make Chinese households a strong driver of growth. A set of measures meant to restart the economy was announced, including an easing of terms for home purchases, lower mortgage lending and bank reserve

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 discretio- nary 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, 29 September 2023, in local currencies.
(2) Source: Rothschild & Co Asset Management, 29 September 2023
(3) Source: Bloomberg, 29 September 2023
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. 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.

rates, tax breaks for small businesses, support for the acquisition of electric vehicles, and so on. Retail sales on the month of August turned back up by 4.6% year-on-year, but the real-estate sector, which accounts for 30% of China's GDP(4), is a major obstacle to a significant recovery in its growth. Within the fund, we limited dilution to China by strengthening portfolio positions, such as Ping An, Kingdee and Tencent. We picked some stocks exposing us to Chinese consumption including the technology and also Leisure/Travel. Chinese households' savings rate is historically high (at about 2 000 billion dollars over the past 12 months) and even a limited deployment of these accumulated savings could offer significant support to a robust recovery.

"We stuck to our risk-reduction strategy during the latest quarter…"

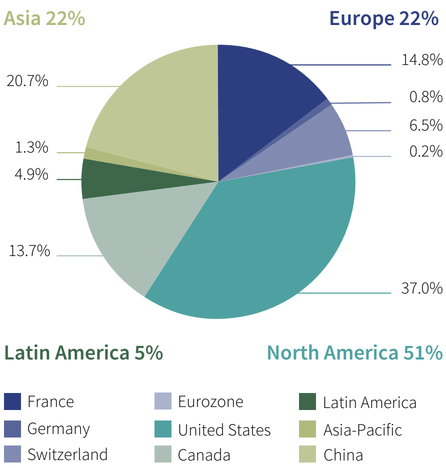
R-co Valor was positioned rather conservatively as of the end of September, and we stuck to our risk-reduction strategy during the latest quarter: 1/ by lowering our equity allocation from 85% in November 2022 to 69%(5), a 15-year low; 2/ then, along the lines of efforts made in recent months, we repositioned the fund towards stocks that are more defensive by selling down cyclicals such as financials and diversified mining companies and adding to the more defensive sectors of healthcare and goldmines. In addition to equities, we are maintaining a significant allocation (31%)(5) in money-market products and cash. We continue to invest in French government bonds maturing in less than one year. The yield on offer is now approaching 4%(4), and we believe that, in addition to being a good place to park cash, given the yield attached, these also features appreciable liquidity.

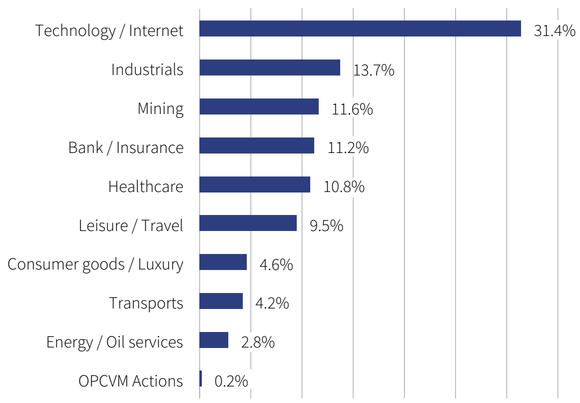
(4) Source: Bloomberg, 29 September 2023, This is not an exact indicator and will depend on market trends and the length of time the investment is held.
(5) Source: Rothschild & Co Asset Management, 29 September 2023
The figures quoted relate to the past months. Past performance is not a reliable indicator of future performance and is not constant over time. The management team is subject to change. 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.

The slowdown in global economic growth, the shrinking of the equity risk premium, and the reduction in liquidity orchestrated by the central banks, on top of tougher access to credit, are all factors that are making us more cautious. Central banks appear to be more "data-dependent" than ever and will steer their monetary policies along the lines of inflation figures. These figures are more resilient than expected and do not justify significant cuts in interest rates anytime soon. The US tech sector's rather surprising outperformance in an especially hawkish rate environment suggests that the markets are nervous and are seeking safe havens outside of traditional defensive sectors.

Completed on 12 October 2023

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





Source: Rothschild & Co Asset Management, 29/09/2023.

R-co Valor: Portfolio's top 10 holdings

Stocks	Weight
Uber Technologies Inc	3.1
Meta Platforms Inc-class A	3.0
Ivanhoe Mines Ltd	2.8
Mercadolibre Inc	2.8
Alphabet	2.7
Trip.com Group Ltd-adr	2.6
Capgemini Se	2.4
Alibaba Group Holding Ltd	2.4
Airbus Se	2.3
Morgan Stanley	2.2

Number of lines	45
Average weight	1.5%
Top 10 weight	26.3%
Top 5 weight	14.4%

Source: Rothschild & Co Asset Management, 29/09/2023.

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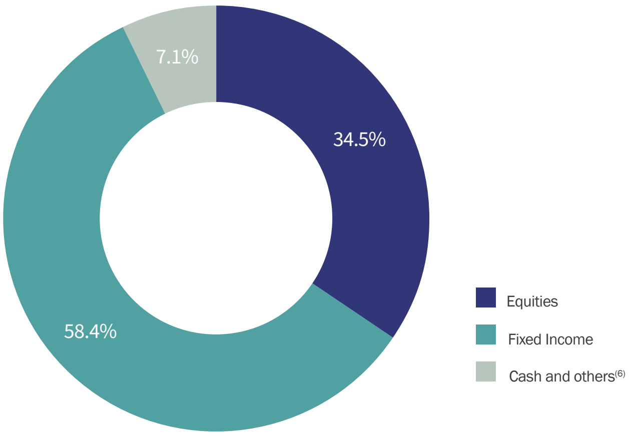
Portfolio Allocation

As of end-September, R-co Valor Balanced's equity exposure was 34.5% and its bond allocation, 58.4%, with the rest being in money-market and cash[(6)].

R-co Valor Balanced: Breakdown by asset classes



Source: Rothschild & Co Asset Management, 29/09/2023.

Number of lines of the equity pocket	45
Average weight	0.8%
Top 10 weight	13.2%
Top 5 weight	7.2%

Number of lines of the fixed income pocket	169
Modified duration	4.5%
Gross yield	6.8%

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.

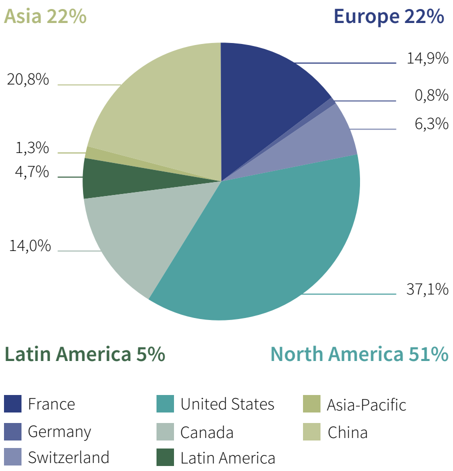
Main risks: Risk of capital loss, Risk associated with discretionary management, Market risk, Credit risk, Interest rate risk, Foreign exchange risk, Counterparty risk, Risk associated with the use of derivatives. This list is not exhaustive. Please refer to the "Risk profile" section of the Fund's prospectus.

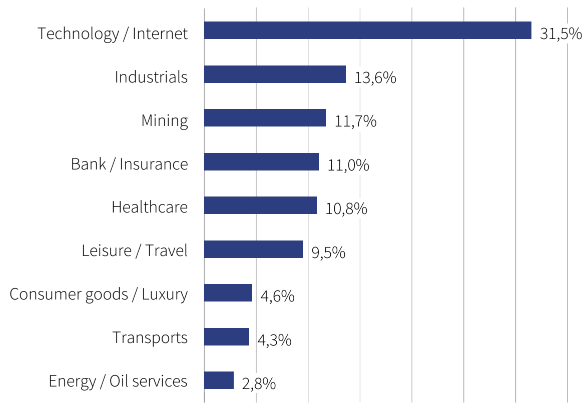
(6) Source: Rothschild & Co Asset Management, 29 September 2023. Note: the Cash & Others allocation including restatement of Cash Derivatives & Others = money-market funds, OATs maturing in less than 1 year and cash.
The features of the portfolio are not fixed and may vary over time within the limits provided in the fund prospectus.

Equity allocation

R-co Valor Balanced equity allocation replicates that of R-co Valor.
Both funds have the same exposures and are subject to the same modifications.

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





Source: Rothschild & Co Asset Management, 29/09/2023.

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

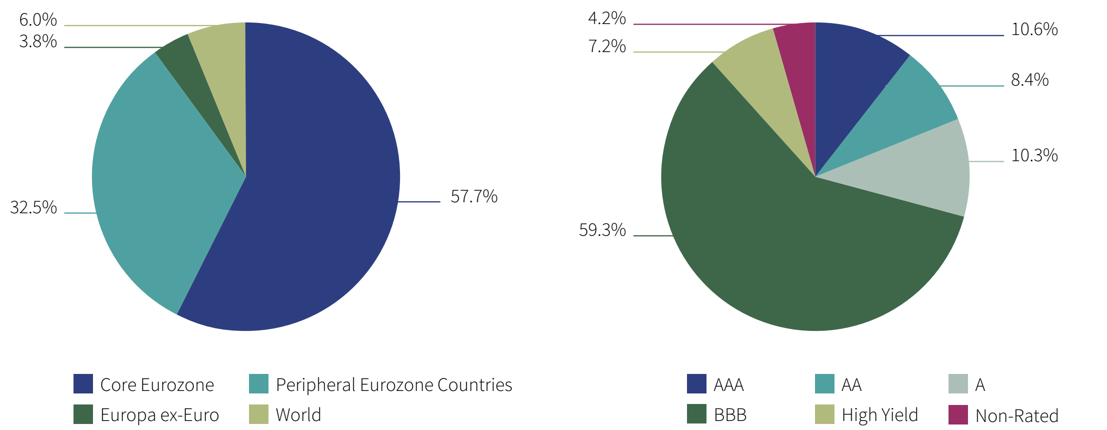
Fixed income allocation

After a relative lull in the first part of the year, interest rates took off again on both sides of the Atlantic. 10-year US and German yields rose, respectively, by 74 basis points (bps) to 4.6% and by 45 bps to 2.8%[7]. The credit market was especially resilient despite uncertainty on interest rates. Within euro corporate bonds[8], High Yield[9] outperformed Investment Grade[10] (which is more vulnerable to shifts in interest rates) with respective performances of +1.8% and +0.3%[11]. September, which is historically busy on the primary market after the summer break, came in below expectations, with just 35 billion euros in issuance. This relative dearth is one reason for the secondary market's strong showing.

The fund gained +0.22% on the quarter and is up by 6.4% on the year to date[7]. The credit allocation offset the underperformance of the equity allocation and allowed the fund to end the quarter in positive territory. Within the bond allocation, in an environment of end-of-cycle monetary tightening and with the aim of increasing sensitivity while keeping risk levels moderate, we bought some 10-year Bunds. The sensitivity of the bond portfolio is now 4.5, close to the level of the index[7]. Meanwhile, in corporate bonds we continue to overweight Investment Grade and continue to use CDS[12] to hedge about 5% of our High Yield exposure. We also gradually lowered our exposure to the lowest-rated bonds, to get the jump on the refinancing problems expected for 2024-2025. All in all, as of the end of the quarter, R-co Valor Balanced is positioned rather conservatively, with its equity exposure at an all-time low. We have chosen to lower our risk exposure through our asset allocation but also within each of them, favoring the less risky part of the bond exposure and overweighting equities with a more defensive profile.

Completed on 12 October 2023.

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



Source: Rothschild & Co Asset Management, 29/09/2023.

(7) Source: Rothschild & Co Asset Management, 29 September 2023
(8) A corporate bond is a debt security issued by a private-sector company or by an association in order to meet its financing needs.
(9) High yield bonds are issued by companies or governments having a high credit risk. They are rated below BBB- by Standard & Poor's.
(10) A debt security issued by companies or governments rated between AAA and BBB- by Standard & Poor's.
(11) Bloomberg, 29 September 2023
(12) Credit default swaps (CDS) are derivatives that act in an insurance role, offering protection against non-payment of a debt.
The geographical and sector allocations and distributions are not fixed and may change over time within the limits of the fund's prospectus.
The figures quoted relate to the past months. Past performance is not a reliable indicator of future performance and is not constant over time.

ISIN: FR0011253624

Performance	Year to date	2022	2021	2020	2019	2018	5 years	1 year volatility
R-co Valor C EUR	8.3%	-8.1%	12.7%	6.7%	28.6%	-13.2%	34.4%	13.8%

Source: Rothschild & Co Asset Management, 29/09/2023.

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

SRI risk 4/7. The synthetic risk indicator shows the level of risk of this product compared to others. It indicates the likelihood of this product incurring losses in the event of market movements or our inability to pay you. We have classified this product in risk class 4 out of 7, which is a medium risk class and mainly reflects a discretionary management policy on equity markets and fixed income products. This means that the potential losses from the future performance of the product are at a medium level and, should the markets deteriorate, it is possible that our ability to pay you will be affected. The risk indicator assumes that you hold the product for 5 years, otherwise the actual risk may be very different and you may get less in return.

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	2022	2021	2020	2019	2018	Since inception(1)	1 year volatility
R-co Valor Balanced C EUR	6.4%	-11.8%	6.7%	5.0%	15.6%	-	16.5%	7.7%

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

Source: Rothschild & Co Asset Management, 29/09/2023.

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

SRI risk 3/7. The synthetic risk indicator shows the level of risk of this product compared to others. It indicates the likelihood of this product incurring losses in the event of market movements or our inability to pay you. We have classified this product in risk class 3 out of 7, which is a low to medium risk class and mainly reflects a discretionary management policy on equity markets and fixed income products. This means that the potential losses from the future performance of the product are low to medium and, should the markets deteriorate, it is possible that our ability to pay you will be affected. The risk indicator assumes that you hold the product for 5 years, otherwise the actual risk may be very different and you may get less in return.

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

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.

Disclaimer

About the Asset Management’s division of Rothschild & Co

As the specialised asset management division of the Rothschild & Co group, we offer personalised asset management services to a broad client base of institutional investors, financial intermediaries and distributors. Our development is focused on a range of open-ended funds, marketed under five strong brands: Conviction, Valor, Thematic, 4Change and OPAL, leveraging our long-term expertise in active management with conviction as well as in delegated management. Based in Paris and established in 9 European countries, we manage more than 27 billion euros and employ nearly 160 people. More information at: www.am.eu.rothschildandco.com

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