July 2023 | Rothschild & Co Asset Management

Quarterly newsletter

R-co Valor & R-co Valor Balanced

International equity markets ended the quarter in positive territory. The MSCI World All Country gained 5.6%[1], driven mainly by hopes for a shift soon in central bank policies.

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While the Fed stuck with the status quo at its latest meeting, leaving its rates unchanged in a range between 5% and 5.25%, the Australian and Canadian central banks unexpectedly raised theirs, to 11- and 20-year highs, respectively. In Europe, a 25 bps hike is expected for July, which would raise key rates there to between 3.75% and 4.50%[2]. While total inflation has receded significantly, core inflation has been more resilient, and the job market appears for the moment to be retaining its strength. Household and business confidence in the economic environment varies by geographical region. For example, US household confidence was surprisingly robust at 79.3, a high since January 2022. However, 69% of persons surveyed still expect a recession in the next 12 months[3]. In Europe, the IFO[4] business climate index came in under expectations, in line with the latest German manufacturing PMI figure, which was far into contraction territory, at 41[5].

China had an especially heavy impact on general sentiment, with macro figures that remain mixed. Regarding domestic consumption, while travel by the general public was up by 19% compared to 2019, individual tourist expenditure fell by 10%[6]. More broadly, the manufacturing PMI fell into contraction territory at 48.8. Services, while still in expansion phase at 53.9, seemed to be showing some signs of slowing in June[7]. Despite a glum environment, we still think this is a good time for exposure to China. The government seems to have broken off its reforming rhetoric to focus on the country's growth. Meanwhile, from a more micro point of view, Chinese equity valuations are especially attractive. More than mere blanket exposure to China, we are particularly positioned in its consumer stocks, as its reserve of savings is considerable. That's why we limited our dilution during the quarter by investing marginally in stocks such as Ping An, Alibaba, Trip.com of Country

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, 30 June 2023. In local currencies.
(2) Source: Eurostat, July 2023.
(3) Source: Conference Board consumer confidence Index, July 2023.
(4) The IFO is an index that assesses the business climate in Germany at a given moment and measures expectations for the coming six months, July 2023.
(5) Purchasing managers index, an indicator reflecting their confidence in a given economic sector. Above 50, it points to an expansion in activity; below 50, to a contraction.
(6) Source: Ministry of Culture and Tourism Chine, May 2023.
(7) Source: Bloomberg, 30/06/2023.

Garden Services. Unemployment, particularly among young people, the global economic slowdown, persistent geopolitical tensions, and local governments' public deficits remain major challenges for prolonging the recovery in China. Nevertheless, the resumption of dialogue with the US, the leeway allowed by non-existent inflation, and the government's determination to support the economy are all factor making China more attractive.

"Within R-co Valor, we lowered our equity exposure to 73% in late June, along the lines of what we had been doing since late 2022..."

During the second quarter of 2023, the tech sector was the main contributor to fund performance, thanks mainly to stocks such as Meta Platforms and Uber. Share prices of US tech megacaps soared, driven by strong inflows, as investors turned increasingly towards companies with solid earnings. Moreover, margins have improved through cost-cutting over the past few months and greater budgetary discipline. The sector has also been supported by the artificial intelligence story, with a market rewarding, somethings exuberantly so, companies positioned there. We joined the ride, with the sole exception in the sector being a marginal reduction in our Meta Platforms holding.

Industrial companies, mainly European ones, also fared very well on the quarter, even though the manufacturing PMI plunged into contraction territory. Their ability to hold onto their margins in an inflationary environment, their solid order books, and some catching-up after an especially rough 2022 all drove the sector's rebound during the quarter. Against this backdrop, a significant portion of our reduced weightings were in stocks such as Airbus, Abb and Air Liquide. Our goal was to reduce our exposure to cyclical stocks and to take some profits on others that had performed well on the year to date. Along the same lines, we reduced our commodities exposure by selling down Teck Resources, a mining stock.

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.

Investors' enthusiasm for certain tech stocks has come at the expense of sectors that are more defensive, such as healthcare, which was one of the weakest contributors to fund performance on the quarter. Our exposure to the leisure and services sector also took a hit, impacted by our holding in Walt Disney, which has been challenged on its VOD profitability.

Within R-co Valor, we lowered our equity exposure to 73% in late June, along the lines of what we had been doing since late 2022. The rest of the allocation, 27%, is invested in money-market funds, French government paper maturing in less than one year, and, marginally, in cash[8].

In reaction to the gradual slowdown of economies worldwide, the unstable geopolitical environment, tougher access to credit, and the for-now-shaky recovery in China, we are sticking to our relatively conservative stance. The equity risk premium is shrinking, particularly in the US. If second quarter 2023 reporting season turns out to be of the same quality as the first quarter, equity markets could continue to move up. In this scenario, we are sticking to our profit-taking strategy by selling down our positions amidst a slowdown in the macroeconomic environment. Meanwhile, the money market looks like a suitable waiting room, with remunerations exceeding 3%[9] – which is attractive in absolute terms but also when compared to short-dated corporate bonds.

Completed on 7 July 2023

(8) Source: Rothschild & Co Asset Management, 30 June 2023.
(9) Source: Bloomberg, 30/06/2023.

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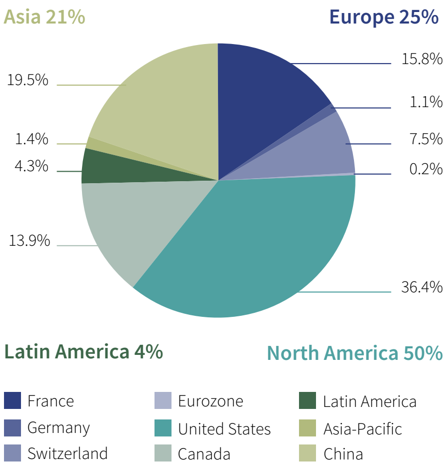
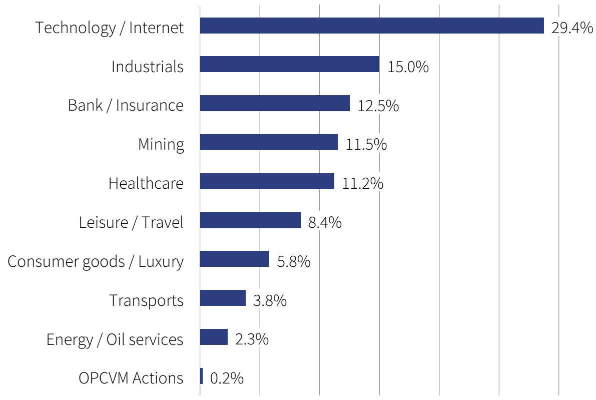
R-co Valor: Portfolio's geographical and thematic breakdown





Source: Rothschild & Co Asset Management, 30/06/2023.

R-co Valor: Portfolio's top 10 holdings

Stocks	Weight
Uber Technologies Inc	3.3%
Ivanhoe Mines Ltd-cl A	3.2%
Meta Platforms Inc-class A	2.9%
Trip.com Group Ltd-adr	2.6%
Airbus Se	2.5%
Alphabet	2.5%
Seagen Inc	2.4%
Capgemini Se	2.4%
LVMH	2.4%
Alstrom	2.4%

Number of lines	47
Average weight	1.5%
Top 10 weight	26.6%
Top 5 weight	14.5%

Source: Rothschild & Co Asset Management, 30/06/2023.

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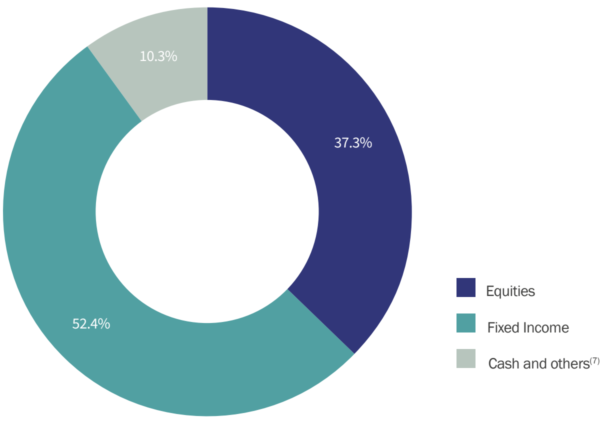
Portfolio Allocation

The fund had an equity exposure of 37% and a bond exposure of 52% as of the end of June, with the rest being invested in money-market and the cash[6].

R-co Valor Balanced: Breakdown by asset classes



Number of lines of the equity pocket	47
Average weight	0.8%
Top 10 weight	13.5%
Top 5 weight	7.4%

Number of lines of the fixed income pocket	172
Modified duration	3.7
Gross yield	6.5%

Source: Rothschild & Co Asset Management, 30/06/2023.

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.

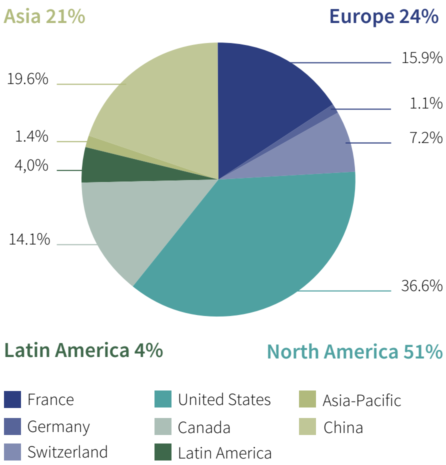
(6) Source: Rothschild & Co Asset Management, 31/03/2023
(7) Cash and others : Money market funds, OATs under 1 year and cash.

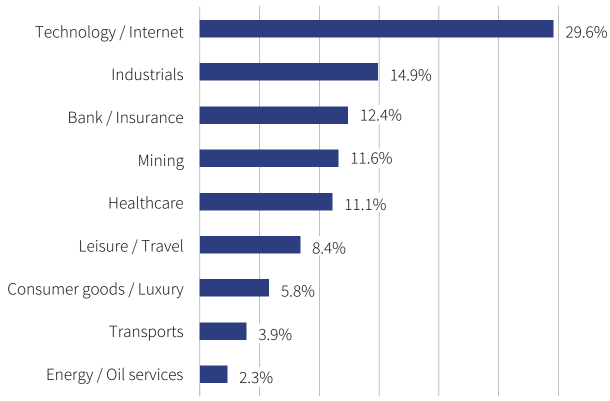
The features of the portfolio are not fixed and may vary over time within the limits provided in the fund prospectus.

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, 30/06/2023.

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

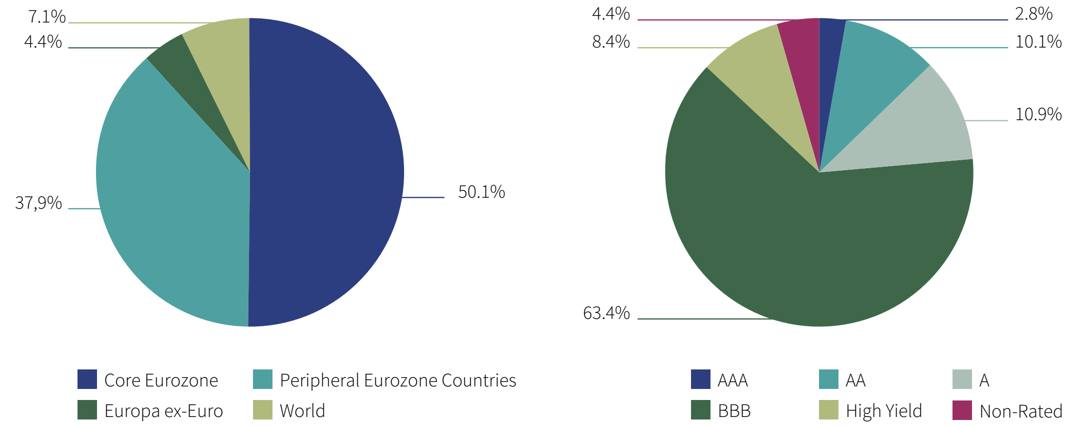
Fixed income allocation

After a relative lull in the first half of the year, interest rates took off again on both sides of the Atlantic. Ten-year US and German yields rose, respectively, by 30 points de base (bps) to 3.8% and by 10 bps to 2.4%[7]. In corporate bonds, investment grade[8] gained +0.44% on the quarter, and high yield[9] +1.84%[10]. The fund gained 1.52% on the quarter. Based on an analysis by asset class, equities contributed about 60% to total performance, thanks mainly to exposure to the tech and industrial sectors. Corporate bonds played its driver role to the hilt, contributing 40% of the performance on the period[11].

After an especially rough year in 2022, the bond markets continue to offer a real opportunity. We are taking advantage of solid resiliency in high yield to gradually sell down this segment in the run-up to the refinancing problems expected for 2024-2025. We have gradually raised the fund's sensitivity to 3,7 amidst the end soon to the cycle of rising interest rates. We are accordingly taking on exposure to the 20-year Bund and overweighting investment grade bonds, which have maturities a little longer than previously and attractive yields, such as in senior financials.

Completed on 7 July 2023.

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



Source: Rothschild & Co Asset Management, 30/06/2023.

(7) Source: Bloomberg, 30 June 2023.
(8) A debt security issued by companies or governments, which is rated by Standard & Poor's at between AAA and BBB-.
(9) High yield bonds are issued by companies and governments having a high credit risk. They are rated by Standard & Poor's at below BBB-.
(10) Source: Bloomberg, 30 June 2023.
(11) Source: Rothschild & Co Asset Management, 30 June 2023.

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	2022	2021	2020	2019	2018	5 years	1 year volatility
R-co Valor C EUR	9.0%	-8.1%	12.7%	6.7%	28.6%	-13.2%	35.8%	15.1%

Source: Rothschild & Co Asset Management, 30/06/2023.

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	6.1%	-11.8%	6.7%	5.0%	15.6%	-	16.3%	9.0%

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

Source: Rothschild & Co Asset Management, 30/06/2023.

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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

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.

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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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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 23 billion euros and employ nearly 160 people. More information at: www.am.eu.rothschildandco.com

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