Rothschild & Co
Asset Management

Quarterly Strategy Q1 2025 - R-co Valor & R-co Valor Balanced

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The first quarter of 2025 was characterised by heightened volatility in financial markets, fuelled by uncertainty surrounding tariff measures, which led to a reassessment of both US and global growth prospects.

In this context, there was a marked divergence in performance across the world's major markets. The S&P 500 declined by -4.4%, weighed down by the "Magnificent 7"[1], which corrected by -14.8%[2]. A rotation into cyclical stocks, coupled with optimism stemming from fiscal measures advocated in Germany, buoyed the Euro Stoxx 50, which posted a return of 7.5%[2]. Signals of openness towards the private sector from the Chinese government, along with advances in artificial intelligence, propelled the Hang Seng index, which rose by 16.1% in the first quarter of 2025[2].

R-co Valor

R-co Valor ended the first quarter up by 0.2%[3]. Exposure to Chinese equities stood out as the main performance contributor, followed to a lesser extent by Europe and Latin America.

China's key governmental meetings concluded in March, sending encouraging signals to the market on three fronts:

1/ accommodative fiscal policy, with a targeted deficit of 4% of GDP—an historically high level;
2/ growth expectations around 5% for the current year;
3/ a commitment to support urban employment and control the unemployment rate,

essential to bolstering domestic consumption.

These signals, coupled with the publication of solid earnings results, buoyed investor sentiment towards the country. Renewed interest was further reinforced by President Xi Jinping's meetings with executives of the country's leading private enterprises, demonstrating the government's willingness to cooperate with and support their development. The emergence of new language models in China, such as Deepseek and Alibaba's Tongyi Qianwen, shook markets in the first quarter. The country has indeed reclaimed its rightful place in the global race to develop artificial intelligence, and its companies are expected to benefit from the resulting productivity gains. The purported costs associated with developing such models also led to a questioning of the investment needs in the United States. The winds of change brought by Germany's new coalition government in March were welcomed by European markets and rewarded our positioning in the region, which had been rigorously reinforced since last year.

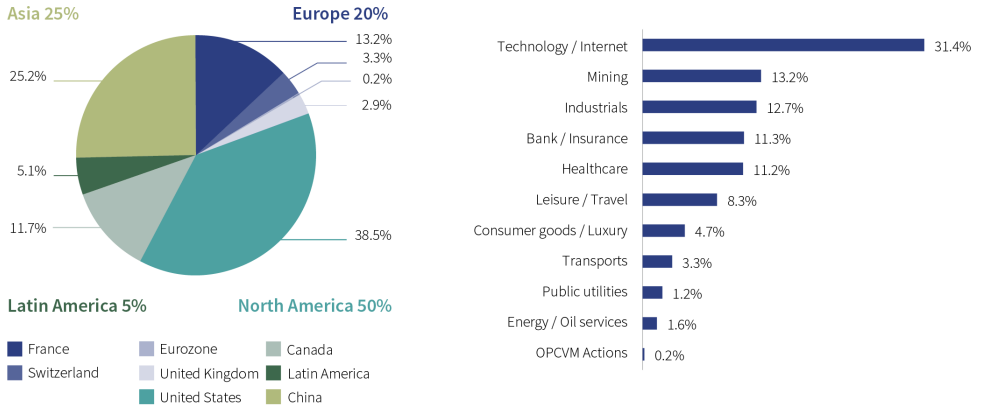
From a sector perspective, US financial stocks were the main detractors from performance, alongside certain names closely tied to discretionary spending forecasts, such as LVMH and Walt Disney.

Within R-co Valor, equity exposure stood at 70% at end-March[4]. In January and February, we carried out tactical profit-taking on Alibaba, Meta Platforms and our US financials, whose valuations reflected an overly optimistic scenario. However, we have been broad buyers during the quarters. The tariff measures proposed by the new US administration sparked fears around inflation dynamics and growth in the United States, exacerbated by the new Administration's U-turns. In this environment, the VIX5 reached its highest level since August 2024, presenting several opportunities for strengthening positions. We therefore increased our holdings in stocks that were excessively penalised by tariff-related concerns, such as Bombardier and LVMH, as well as those affected by uncertainty over US growth, including Canadian Pacific and regional bank Huntington Bancshares. We also added to positions whose valuations did not fully reflect the resilience of their fundamentals, such as Coinbase, AES, CG Services and Capgemini.

During the quarter, we completed the divestment of our holding in Fresenius Medical Care and introduced two new positions: Freeport-McMoRan, a copper group with the largest mining operations in the US and a likely beneficiary of the tariff measures; and Thermo Fisher, the global leader in products and services for pharmaceutical companies' R&D departments, positioned to benefit from the sector's new wave of investment. At the end of the quarter, we began to increase portfolio risk by launching the fund's first broad-based buying programme in over eighteen months, representing 2.5% of the fund[4].

In the current environment, we are maintaining a highly selective approach to investment opportunities, as valuations do not yet fully reflect the persistent impact of tariffs over time. Our historically high cash exposure—around 30%[4] of the fund—enables us to contain a portion of market volatility and seize the opportunities it presents.

R-co Valor: Portfolio's geographical and thematic breakdown of the equity pocket

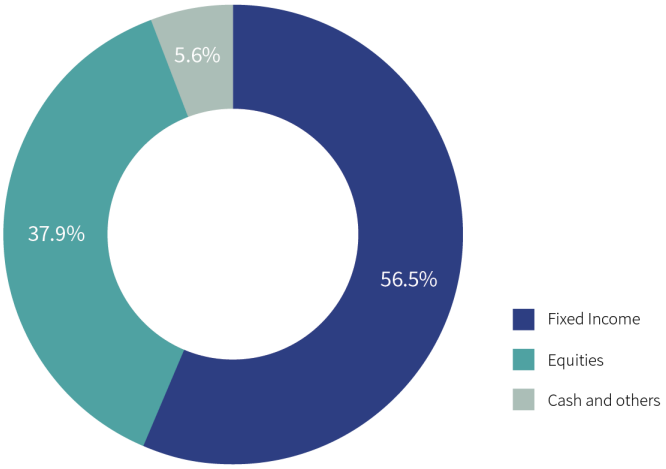


Source: Rothschild & Co Asset Management, 31/03/2025.

R-co Valor Balanced

R-co Valor Balanced maintains an equity exposure of 38%, with the bond component accounting for 56%, and the remainder invested in cash and equivalents[4]. **The fund posted a flat performance over the quarter.**

R-co Valor Balanced: Breakdown by asset classes

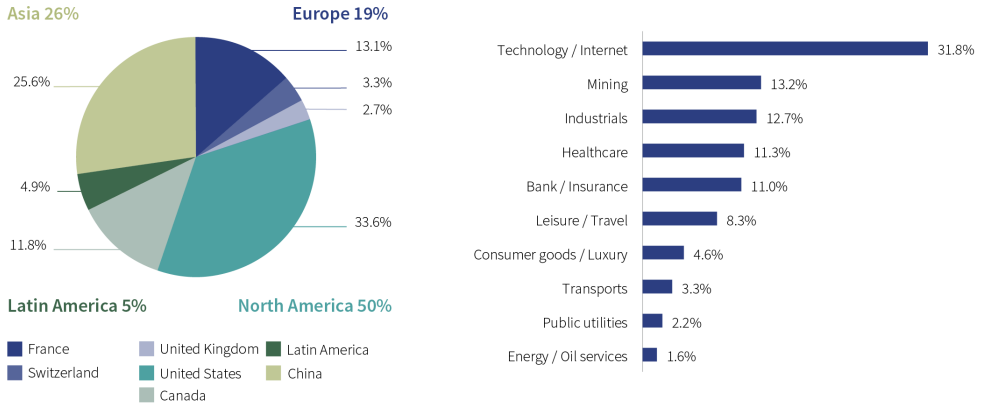


Source: Rothschild & Co Asset Management, 31/03/2025.

Equity Pocket

The equity allocation of R-co Valor Balanced mirrors that of R-co Valor. The transactions carried out and the positioning are identical.

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



Source: Rothschild & Co Asset Management, 31/03/2025.

Fixed Income pocket

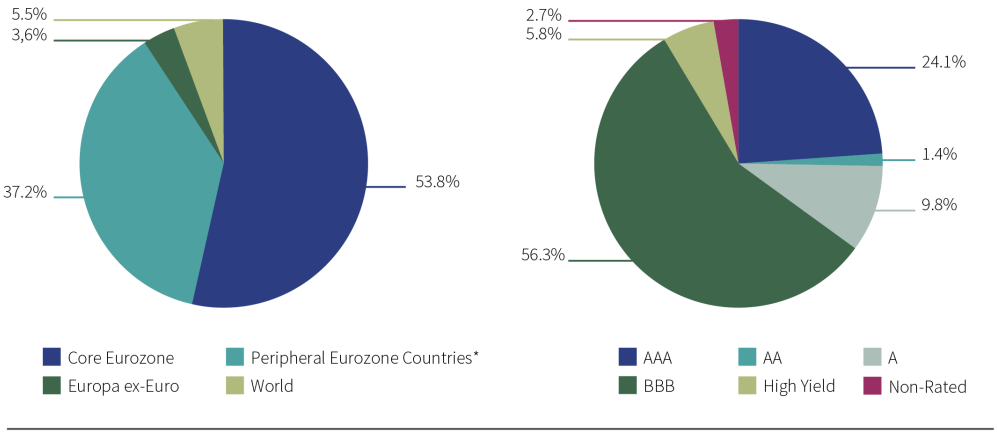
In the first quarter, we observed a desynchronisation in the actions of Western central banks. **The Federal Reserve maintained a wait-and-see stance, keeping its benchmark interest rates unchanged within the 4.25%–4.5% range.** Jerome Powell emphasised the need for greater clarity on the effects of tariff measures on both inflation and growth before making any monetary policy adjustments. In March, the Federal Reserve raised its inflation expectations (up 30 basis points to 2.8%) and lowered its US GDP growth forecasts (down 40 basis points to 1.7%) for the current year. As expected, **the ECB continued its rate-cutting cycle, reducing its deposit facility rate by 50 basis points in the first quarter, down to 2.5%.** However, in March, the European Central Bank's official communication evolved, now describing monetary policy as "significantly less restrictive" and hinting at a possible slowdown in future cuts. Against this backdrop, 2-year and 10-year US Treasury yields fell by approximately 40 basis points to 3.9% and 4.2%, respectively[6]. Reflecting the paradigm shift in fiscal policy advocated by Germany's new coalition government, the 10-year German Bund yield rose by around 40 basis points over the quarter, leading to a steepening of the yield curve.

The primary market was particularly active during the quarter, with companies taking advantage of issuance windows to refinance their maturities. The tightening of new issue premiums—particularly within the Investment Grade[7] segment—and high subscription rates reflected strong investor appetite for such issues. Euro-denominated corporate bonds delivered positive performance over the quarter, with the Investment Grade and High Yield[8] indices returning 0.1% and 1.1%, respectively[6].

In this context, the portfolio management team maintained a cautious stance, taking into account valuation levels and credit risk premiums that appear incompatible with an economically uncertain environment. Within the fund's fixed income component, we increased duration, accompanying the steepening of the yield curve through the purchase of 10-year German Bunds. Our risk appetite for credit remained low throughout the quarter, reflected in the purchase of select defensive Investment Grade bonds and the continued use of CDS[9] on the iTraxx Main index as a hedge. We maintain a preference for

financial issuers, supported by solid results and a consolidation wave from which we recently benefited with the acquisition of German bank OLB by Crédit Mutuel. The hedging instrument serves as protection against potential systemic risk and shields us from a widening of European credit spreads similar in magnitude to what was observed in the United States in March. As a result, the fixed income portfolio's duration was raised to 4.4 by end-March, with a yield of 3.5%. (Recommended investment horizon: 3–5 years)[10].

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



Source : Rothschild & Co Asset Management, 31/03/2025.
Others Eurozone, Italy and Spain.

ISIN : FR0011253624

Performance	Year to date	2024	2023	2022	2021	5 years	1 year volatility
R-co Valor C EUR	0.23%	16.7%	13.0%	-8.1%	12.7%	83.1%	10.6%

Source: Rothschild & Co Asset Management, 31/03/2025.
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).

ISIN : FR0013367265

Performance	Year to date	2024	2023	2022	2021	5 years	1 year volatility
R-co Valor Balanced C EUR	0.01%	11.6%	11.4%	-11.8%	6.7%	44.8%	6.0%

Source: Rothschild & Co Asset Management, 31/03/2025.
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).

Weitere Infos zu den Fonds

R-co Valor

R-co Valor Balanced

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[1] The “Magnificent 7” refers to seven major US technology stocks: Microsoft, Nvidia, Tesla, Meta, Apple, Alphabet, and Amazon.
[2] Source: Bloomberg, 31/03/2025. Performance calculated in local currencies, dividends reinvested.
[3] Source: Rothschild & Co Asset Management, 31/03/2025. Share class C EUR.
[4] Source: Rothschild & Co Asset Management, 31/03/2025.
[5] Indicator measuring the level of volatility in the US financial markets through the S&P 500 index. It is also known as the “fear index”.
[6] Source: Bloomberg, 31/03/2025.
[7] Debt securities issued by companies or governments with a credit rating ranging from AAA to BBB- according to the Standard & Poor’s scale.
[8] “High Yield” bonds are issued by companies or governments with a high credit risk. Their financial rating is below BBB- according to the Standard & Poor’s scale.
[9] A Credit Default Swap (CDS) is a derivative product used to insure against the risk of default on debt issued by a state or company. This hedge is applied to the crossover segment of the portfolio, i.e. securities rated between BB and BBB according to the Standard & Poor’s scale.
[10] Source: Rothschild & Co Asset Management, 31/03/2025.

Past performance is not a reliable indicator of future performance and is not constant over time. Performance takes into account all costs charged to the fund and dividends reinvested, but does not take into account costs borne by the investor

R-co Valor Performance for 10 years : 115 %
Annual Performance: 2024 : 16,7% | 2023 : 13% | 2022 : -8.1% | 2021 : 12.7% | 2020 : 6.7% | 2019 : 28.6% | 2018 : -13.2% | 2017 : 9.5% | 2016 : 19.9% | 2015 : 4.55%

Recommended investment period: 5 years

R-co Valor SRI 4/7
The synthetic risk indicator shows the level of risk of this product compared with others. It indicates the probability that this product will incur losses in the event of market movements or our inability to pay you. The risk indicator assumes that you hold the product for 5 years. The real risk may be very different if you opt to exit before maturity, and you may get less in return. 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. In other words, the potential losses linked to the product's future results are at an average level, and if market conditions were to deteriorate, our ability to pay you could be affected. As this product does not provide protection against market fluctuations or a capital guarantee, you could lose all or part of your investment. The geographical and sector allocations and distributions are not fixed and may change over time, within the limits of the SICAV's prospectus. The figures cited relate to past months. Past performance is not a reliable indicator of future performance and is not consistent over time. Performance is calculated in euros and net of reinvested dividends. The information contained in this document does not constitute investment advice, tax advice, a recommendation, or investment advice from Rothschild & Co Asset Management.

R-co Valor Balanced Performance since inception (24/10/2018[MC1]) : 29,67% Annual Performance: 2023 : 11,3% | 2022 : -11,8% | 2021 : 6,7% | 2020 : 5% | 2019 : 15,7%

Recommended investment period: 3-5 years

R-co Valor Balanced SRI 3/7
Risk indicator The synthetic risk indicator shows the level of risk of this product compared with others. It indicates the probability that this product will incur losses in the event of market movements or our inability to pay you. The risk indicator assumes that you hold the product for 5 years. The real risk may be very different if you opt to exit before maturity, and you may get less in return. We have classified this product in risk class 3 out of 7, which is between low and medium risk and mainly reflects a discretionary management policy exposing the portfolio to equity and fixed-income markets with a balanced profile. In other words, potential losses linked to the product's future performance are between low and medium, and should market conditions deteriorate, it is unlikely that our ability to pay you will be affected. As this product does not provide market protection or a capital guarantee, you could lose all or part of your investment.

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(1) Quelle: Rothschild & Co Asset Management, 31/07/2026.

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