Rothschild & Co
Asset Management

Dealing with Donald Trump's new trade war

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For the next four years, the 47th President of the United States' propensity for permanent power struggles will fuel the uncertainties surrounding global economic dynamics. With its international allocation, R-co Valor is necessarily exposed to these upheavals. How should we approach this new environment and deal with the new trade war declared by Donald Trump?

Following President Donald Trump's announcement of new 25% tariffs on imports from Canada and Mexico, a one-month moratorium was immediately introduced to allow room for negotiations. Meanwhile, discussions between Washington and Beijing failed to reach an agreement, to the imposition of a 10% tariff on Chinese imports. In response, China swiftly retaliated with a series of countermeasures, further escalating trade tensions.

Among the key decisions, Beijing imposed additional tariffs ranging from 10% to 15% on on select U.S. goods and tighter controls on tungsten-based product exports, a strategic resource. Moreover, several American companies were added to the list of unreliable entities, restricting their business operations in China. In a fresh retaliatory move, Beijing also launched an antitrust investigation into Google, increasing pressure on the U.S. tech sector. More broadly, in 2024, imports from Mexico, Canada, and China collectively accounted for approximately 42% of total U.S. imports[1]. We believe that at case-by-case adjustments are likely, as it had been the case during Trump’s first term.

Although the newly elected President’s long-anticipated tariff increases were not a surprise, R-co Valor’s portfolio remains partially exposed to potential further hikes. This exposure primarily affects our investments in the railway sector and certain industrial stocks. Regarding our positions in China, it is important to highlight that most of our investments focus on companies catering to local consumption, with limited reliance on exports. Finally, the appreciation of the U.S. dollar against other currencies is working in our favour, as our (unhedged) exposure to the currency represents approximately 36%[2] of the portfolio.

More than ever, our investment approach is rooted in identifying long-term trends rather than reacting to headlines. Over the past several months, we have repositioned the fund towards a more defensive profile to mitigate the impact of market fluctuations. However, we remain both vigilant and opportunistic, ready to seize opportunities when market corrections excessively penalize stocks whose business model resilience we fully appreciate. Furthermore, we hold over 30%[2] in cash and equivalents. This allocation allows us to limit our equity market exposure while benefiting from an attractive yield, providing us with significant agility to re-deploy should market conditions shift.

Learn more about the fund(s)

R-co Valor

Check this document on our website

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[1] Bloomberg, 31/01/2025
[2] Rothschild & Co Asset Management, 31/01/2025

R-co Valor SRI 4/7
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