Fund Update : R-co Conviction Equity Value Euro — April 2025

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March proved an extremely turbulent month for global equity markets. In the United States, the climate of uncertainty fuelled by President Trump's erratic statements ultimately weighed on business sentiment and consumer confidence, sending the S&P 500 down by -9.3% and the MSCI World by -8.1% over the month[1]. **The US military withdrawal from NATO pushed Europe into action. On one hand, Germany implemented a major reform, abandoning its policy of debt and deficit limitations** through two substantial stimulus plans: a €500 billion infrastructure plan over 10 years, and a €100 billion annual defence spending programme. **On the other, the European Commission launched the €800 billion "ReArm" European defence plan**. While these announcements initially supported the Eurostoxx, the index, after reaching its high point on 19 March, succumbed to growing doubts about the US economic cycle, ending the month down by -2.9%[1]. Ultimately, markets adopted a decidedly defensive stance during the month, with Utilities (+6.9%) and Insurance (+5.5%) leading, while cyclical sectors suffered heavily (Autos -10.9%, Specialised Retail -11.5%, Leisure & Travel -13.2%, Consumer Goods -13.5%)[1].

This environment once again favoured the Value12 investment style, which rose by +0.7%[1], while the Growth style declined by -7.0%[1], **bringing the Value style's outperformance relative to Growth[3] to +13.8% year-to-date in the Eurozone[1].** Consequently, the Growth valuation premium relative to Value fell in March from 105% to 93%[1]. Nevertheless, it remains significantly above pre-Covid levels (around 65%). In our view, the announced stimulus plans in Europe and the steepening yield curve should contribute to normalising this premium in the medium term through economic revitalisation (favourable to cyclical sectors) and a continued supportive environment for financial sectors.

R-co Conviction Equity Value Euro outperformed the Eurostoxx by +1.3% in March

(YTD performance of +9.9% vs benchmark +7.6%)[1]. This outperformance was primarily driven by our allocation effect, notably our underweight positioning in growth sectors such as technology (-8.5% over the month) and consumer goods (-13.4%)[1]. The resilience of financial sectors (Insurance +5.5% and Banks +1.1%) also positively contributed to our allocation effect. Stock selection was broadly neutral, mainly reflecting our sector convictions, as the largest positive contributors were ASML (-10.7%) and LVMH (-17.8%), growth stocks notably absent from our portfolio. Among negative contributions, our holding in Vonovia (-16.7%) suffered from rising Bund yields[1].

During the month, we trimmed positions in the banking sector, capitalising on substantial gains since the start of the year in Société Générale (+53% YTD) and Intesa (+23% YTD)[1]. However, with an overweight exposure maintained above 5%[4], banks remain the portfolio's primary conviction. ArcelorMittal's strong rally (+33% between 31 January and 6 March) led us to reduce our holding by one-third. The stock's P/E briefly exceeded 8x, surpassing historical valuation highs, suggesting it had already priced in a significant portion of Europe's stimulus plans. This reasoning also guided our reduction in BASF. **These adjustments allowed us to gain increased exposure to the revitalisation of the European economy and potential Ukrainian reconstruction efforts by initiating a position in Wienerberger.** Moreover, given yields reached new highs following the historic surge in Bund yields after Chancellor Merz's announcements, **we reinforced our holding in Vonovia, whose fundamentals remain solid and which should also benefit from improving macroeconomic conditions in Germany.** Finally, given prevailing uncertainties and ahead of tariff decisions, we prudently increased the portfolio's cash position to just over 2%[4].

Thus, **in March, Europe appeared to grasp the magnitude of challenges posed by the "Trump-era" geopolitical environment.** Benefiting from Germany's years of prudent fiscal policy and accumulated savings, the continent has the capacity for fiscal stimulus and border protection. The announced structural measures constitute excellent medium- and long-term news for the Eurozone and could encourage capital flows back to its equity markets, which have been largely neglected since Russia's invasion of Ukraine. In the short term, following the significant rally since the beginning of the year, European markets must now navigate uncertainties surrounding the US economic cycle. **Our portfolio is positioned to benefit from Europe's recovery and long-term measures, though given current uncertainties, we have recently opted for greater caution by strengthening our defensive pillar.**

Learn more about the fund(s)

R-co Conviction Equity Value Euro

Check this document on our website

R-co Conviction Equity Value Euro performance over the last 10 years: 41.91
Annual performance: 2023: 19.1% | 2022 : -9,6% | 2021 : 26,3% | 2020 : -9,85% | 2019 : 17,6% | 2018 : -12.7% | 2017 : 12.5% | 2016 : 4.15% | 2015 : 10.3% | 2014 : 4.1%

[1] Source: Bloomberg, 01/04/2025, total return performance in €

[2] A "value" strategy refers to investors seeking companies undervalued by the market at a given moment, meaning companies whose market valuation is lower than it should be based on earnings and asset values. Value investors select stocks with low price-to-book ratios or high dividend yields.

[3] Investors favouring a "growth" style primarily focus on the earnings growth potential of companies, expecting sales and earnings growth to be superior to that of their sector or the market average.

[4] Source: Rothschild & Co Asset Management, 01/04/2025

Completed writing on December 5, 2024.

The risk indicator assumes that you hold the product for 5 years. The actual 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 5 out of 7, which is between medium and high risk and mainly reflects its positioning on the Eurozone equity market. In other words, the potential losses linked to the product's future results are between medium and high, and if the situation were to deteriorate on the markets, it is likely that our ability to pay you would 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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