Rothschild & Co
Asset Management

A highly volatile environment favourable to strengthening R-co Valor’s equity allocation

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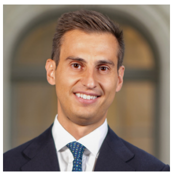

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In the space of three weeks, R-co Valor's equity allocation, which stood at 70% at the end of March, its lowest level since 2008, has been increased to 79%[1].

Following the market movement at the end of March, three buyback programmes were launched, for a total of 2.5% of R-co Valor. Against this backdrop of high volatility, several tactical reinforcements were also undertaken. Nearly 15% of the cash position was invested during the period, with the markets finally valuing a risk premium more consistent with a highly uncertain environment.

The luxury, industrial, healthcare, technology and railroad transportation sectors, without geographical discrimination, have been reinforced. Precisely, we have favored stocks that have responded disproportionately to tariff measures, or have been unfairly dragged into the stock market turmoil. We also recalibrated our allocation to mining subsectors, redeploying some of the profits taken on the Agnico Eagle gold mine in favor of Freeport McMoRan and Ivanhoe, two copper producers.

The Liberation Day triggered a surge in volatility, high tension in long-term yields and an increase in the equity risk premium. The correction in valuations was made on a sharp deterioration in market sentiment towards the US economy, which could be heading into recession from the introduction of charges in custom duties. The 90 day truce to allow countries to negotiate an alternative deal, has given the markets a new lease of life. However, uncertainty remains and could lead to a new bout of volatility in the months ahead.

In this context, the IMF reduced its global growth forecasts by 50 basis points (bps) to 2.8%, the slowest pace since the 2008 financial crisis, excluding the pandemic, as well as by 30 bps for the United States, to 2.3%. However, indices returned to levels close to pre-announcements, optimistic about the results of the negotiations and less concerned about the effects of prudent households and business on the economy.

We remain selective at these market levels, and still have a monetary allocation to contain a further market correction and to remain opportunistic in the context of spiking volatility.

In the short term, the earnings season and the potential announcement of trade deals could give rise to market indices. Indeed, the publication of good results in the United States is a testament to the resilience of the companies that have published so far. However, these quarterly reports also show the high uncertainty in the operating environment, which has pushed several of them to reduce or abandon their targets for the current year.

In Europe, markets hailed Eurozone GDP growth in the first quarter, as well as the resilience of earnings from companies that started the earnings' release season. The decision to retaliate with a first 25% tariff salve on a selection of goods should open the door to a more balanced negotiation. We remain selective on investment opportunities in Europe, favouring companies with broad pricing power.

China posted first quarter GDP growth of 5.4%[2], above the government's 5% target. However, rising tensions with the United States are prompting the government to study more substantial fiscal measures to further stimulate domestic consumption and avoid a slowdown. Our exposure to China, which is focused on services stocks focused on domestic consumption, should benefit from these measures as the earnings season has also begun in China with good results.

Learn more about the fund(s)

R-co Valor

Check this document on our website

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[1] Source : Rothschild & Co Asset Management, 30/04/2025
[2] Source: National Bureau of Statistics of China, April 2025

Recommended investment period: 5 years

R-co Valor SRI 4/7
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