Rothschild & Co
Asset Management

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

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In May, the equity markets were once again influenced by Donald Trump's announcements. Investors particularly welcomed the clear lull in tariff tensions between the United States and China, which helped to dispel concerns about a possible recession. This calmer climate has been reinforced by **a season of better-than-expected corporate results on both sides of the Atlantic**, as well as inflation data which, for the time being, does not seem to be affected by the trade tensions. Against this favourable backdrop, the MSCI World index rose by +6.0%[1] over the month, boosted in particular by the +6.4% rise in the S&P 500[1], while the Eurostoxx appreciated by +5.7%[1].

This reassuring economic backdrop largely benefited the cyclical and financial sectors. In the eurozone, banks (+11.1%), industrial goods (+10.8%)[1] and leisure and travel (+10.8%) performed particularly well[1]. The technology sector also rebounded strongly, with a notable increase of +8.8%[1]. On the other side of the spectrum, the health sector (-1.7%) was penalised by its defensive nature and by the US President's new declarations of intent against it[1]. The consumer goods sector (+0.7%) did not benefit from the market's pro-cyclical bias, penalised by disappointing publications and the slowdown in consumption in the United States and China[1].

In terms of management style, Growth[2] outperformed the market with an increase of +6.0%, while Value[3] gained +4.8%[1]. Since the start of the year, however, Value has outperformed Growth by a substantial 14.4 points[1]. The valuation premium of Growth over Value was maintained at 93% from April to May[1], but remains well above its pre-Covid levels (around 65%). We expect this premium to continue to normalise, supported in the short and medium term by the gradual steepening of the yield curve - favourable to the financial sectors - and, in the longer term, by the recovery in economic activity in the eurozone, driven by investment plans, particularly in the cyclical and industrial sectors.

In line with the Value style, the R-co Conviction Equity Value Euro fund gained 5.0% over the month, slightly underperforming its benchmark[4]. While the allocation effect was almost neutral over the month, the stock selection effect explained the slight underperformance over the month. The main negative contribution came from Sanofi, the portfolio's largest holding, whose share price fell by -4.8%[1]. This was due to the failure of a promising treatment for chronic bronchitis in Phase III clinical trials. Despite this disappointment, we remain confident in the Group's potential: its research and development pipeline, historically considered a weak point, still has encouraging prospects.

During the month, we strengthened our position in Alstom. Although the annual results were in line with the targets announced by the group, the uncertainties surrounding cash generation over the next six months caused concern in the markets, causing the share price to fall by -6.2% over the month[1]. Nevertheless, in view of the progress made over the last two years, and management's optimistic outlook, we increased our position in this stock, which is particularly well positioned to benefit from investment in infrastructure modernisation in the eurozone. **This strengthening was partly financed by profit-taking on Technip Energies**, another of our strong convictions. While we remain confident in the share's fundamentals, we feel that its stock market performance could be affected by a downturn in oil prices. **The prospect of a surplus oil market**, fuelled by rising production within an increasingly fragmented OPEC, has led us to reduce our exposure. Finally, we decided to sell our position in Carrefour, whose business continues to face intense competition. Internal levers for improvement now seem limited, which reduces the share's potential for recovery in the short term.

We remain convinced that the momentum in favour of the eurozone relative to the United States could continue, especially as the US economy faces growing challenges in terms of financing and the sustainability of its public debt. Against this backdrop, Europe's still-attractive valuations, combined with more visible macroeconomic support, could attract more international flows, reinforcing this trend. **Our portfolio is positioned to take advantage of this trend, with targeted exposure to the key sectors of the European recovery.**

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: 35,8%
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, 03/06/2025 - Total return performance in €.
[2] Growth investors focus primarily on the earnings growth potential of companies, hoping that their sales and earnings growth will outstrip that of their sector or the market average.
[3] A value strategy is one in which the investor seeks out companies that are undervalued by the market at a given time, i.e. whose stock market valuation is lower than it should be in view of the company's results and asset value. Value investors select stocks with low price-to-book ratios or high dividend yields.
[4] Source: Rothschild & Co Asset Management, 30/05/2025

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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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 38billion euros and employ nearly 170 people.

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