Rothschild & Co
Asset Management

R-co Valor: after a calm summer, caution is needed

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During the summer, major equity indices reached new all-time highs, while in Europe, leading stock markets came close to—or even surpassed—the levels seen prior to the emergence of trade tensions.

In the United States, recent data releases (GDP, core PCE, household consumption, etc.) confirmed the robust momentum of the American economy. Moreover, markets interpreted the signals from Jackson Hole as a prelude to a shift in the Federal Reserve's policy stance. Chairman Jerome Powell highlighted the growing risks to employment, placing inflation concerns on the back burner. This shift reinforced market expectations of monetary easing as early as the upcoming September 17 meeting.

Equity markets welcomed this outlook and appeared unconcerned by threats to the independence of U.S. institutions. In August, Donald Trump attempted to dismiss Fed Governor Lisa Cook, accusing her of mortgage fraud. Replacing Ms. Cook would allow the U.S. President to secure a majority on the Board of Governors—a decisive step toward tighter control of the institution. Additionally, President Trump dismissed Erika McEntarfer, head of the Bureau of Labor Statistics, accusing her of manipulating employment figures to benefit the Biden administration, without providing any evidence.

Meanwhile, the Q2 earnings season ended on a generally positive note, with S&P 500 companies posting resilient earnings-per-share growth of 11% (versus a consensus of 5%)[1]. While the technology and communication sectors were the main drivers of positive surprises, the performance gap between the "Magnificent 7" and the rest of the index narrowed, thanks to strong results from sectors such as financials.

In Europe, earnings growth was flat but exceeded expectations of a 7% decline[1]. However,

this average conceals significant sector disparities: excluding financials, earnings fell by 8%, and only 36% of cyclical companies beat expectations[1]—a historic low. On both continents, companies adopted a cautious tone regarding the impact of tariff measures, while discussing strategies such as cost reduction, logistics optimization, or… price increases.

The earnings season also progressed in China, where tech giants stood out with strong earnings-per-share growth, supported by robust revenue contributions from artificial intelligence. Foreign flows into Chinese equities remain subdued, but domestic market activity shows renewed interest: trading volumes exceeded 1 trillion yuan for the 63rd consecutive trading day[2], reflecting strong participation from both institutional and retail investors. The period also saw the effective implementation of new tariffs on U.S. imports. However, President Trump extended the tariff truce with Beijing by 90 days.

In this environment, R-co Valor ended August up 2.1%, bringing its year-to-date performance to 8.9%[3]. The mining sector was the main performance driver for the month, led by gold mining companies. Chinese online travel agency Trip.com was also a significant contributor to the fund's performance, with its strong results benefiting from the positive momentum in Chinese tourism. We also benefited from Brazil's rebound thanks to our exposure to financial companies.

From a sector perspective, healthcare—strengthened in previous months—was among the positive contributors to the fund's performance. Conversely, Coinbase was the main detractor, penalized by earnings that fell short of expectations. Similarly, Chinese software provider Kingdee saw profit-taking in August, also contributing negatively to the fund's monthly performance.

As of the end of August, the fund's equity allocation stood at 75%[3], reflecting a more cautious stance toward valuation levels and elevated uncertainty. We continued to take profits on stocks that had risen sharply over the summer and increased positions in select names based on the quality of their quarterly results or opportunistically, taking advantage of attractive entry points.

Learn more about the fund(s)

R-co Valor

Check this document on our website

[1] Source: Bloomberg, August 2025
[2] Source: National Bureau of Statistics of China, August 2025.
[3] Source: Rothschild & Co Asset Management, 08/29/2025

Recommended investment period: 5 years

R-co Valor SRI 4/7
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(1) Source: Rothschild & Co Asset Management, 31/07/2026.

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