Rothschild & Co
Asset Management

Fund Update : R-co Conviction Equity Value Euro — January 2026

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The final month of 2025 was marked by the widely anticipated Fed rate cut, persistent concerns over AI-related valuations, and renewed hopes for a resolution of the Russia-Ukraine conflict. In this context, the MSCI World stagnated at +0.1%, the S&P 500 declined by -0.5%, and the Eurozone outperformed with a gain of +2.5%[1].

Geopolitical optimism on the Old Continent triggered a pro-cyclical movement that particularly favored banking stocks (+8.2%)[1] and commodities (+4.1%). However, the retail sector (+15.2%)[1] led the way, supported by Inditex's strong earnings release and upbeat outlook (+16.8% for the month). Real estate (-2.1%) suffered from a still-resilient rate environment, while Healthcare (-2.6%) ended at the bottom of the rankings due to its defensive nature and the sharp drop in EssilorLuxottica (-12.6%)[2].

From a style perspective, December once again favored Value, which rose by +3.7%, while Growth[3] gained only +1.0%[1]. This brought Value's outperformance over Growth to more than 23 points since the start of the year. The valuation premium of Growth versus Value continued to decline from 78% to 74%[1] during the month, following the normalization trend that began in October 2022. We remain optimistic about the continuation of this normalization given i) the high-rate environment expected to persist, and ii) the revitalization of the European economy, which should benefit financial and industrial sectors.

The R-co Conviction Equity Value Euro fund benefited from this style bias (+3.7%)[4], outperforming its benchmark (Euro Stoxx) by 120 basis points for the month. This outperformance was mainly driven by stock selection, with Société Générale and Forvia continuing their strong performance (+14.7% for the month and +161.6% for the year for Société Générale; +12.6% for the month and +56.9% for the year for Forvia), as well as the rebound of STMicroElectronics (+13.8%) and the solid performance of Alstom (+11.7%)[1].

During the month, we introduced Banco Monte Paschi into our portfolio. The stock appears attractive due to potential balance sheet optimization and synergies from its tie-up with Mediobanca. Moreover, the environment remains highly favorable for Eurozone banks, with a healthy macroeconomic backdrop, persistently high rates, and a steeper yield curve. Given the valuation level, which remains attractive at 10.3x PE[5] despite its re-rating, the banking bet remains the portfolio's main conviction. We also made partial adjustments to trim positions that had recently outperformed (EDPR, Alstom) and reinforced certain convictions on temporary weaknesses (Technip Energies, Saint-Gobain).

The Eurozone offers an attractive diversification opportunity within equity markets. It benefits from a much lower concentration level than the U.S., still very reasonable valuations, and natural protection against a potential dollar weakening. Investments linked to infrastructure projects in Germany and European rearmament should enable the region in 2026 to move from a resilient macroeconomic environment to a revitalization phase, creating a virtuous cycle for the entire area. Our portfolio is structured to capitalize on these favorable factors and support this revitalization phase.

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: 55,97%
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 05/01/2026 total return in €.
[2] Source: Bloomberg 05/01/2026
[3] A “value” strategy is when an investor looks for companies that are undervalued by the market at a given moment, i.e. whose market capitalisation is lower than it should be in view of the company’s results and asset value. Value investors select stocks with low price/book ratios or high dividend yields.

[4] Investors favouring the ‘growth’ style focus primarily on the potential for growth in company earnings, hoping that revenue and earnings growth will exceed that of their sector or the market average.

[5] Source: Rothschild & Co Asset Management, 31/12/2025

[6] Price-earnings ratio: Ratio between the share price and net earnings per share.

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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More information at: www.am.eu.rothschildandco.com

(1) Source: Rothschild & Co Asset Management, 31/07/2026.

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