Rothschild & Co
Asset Management



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



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Against a backdrop of tightening financial conditions and renewed tensions in the Middle East, global equity markets delivered mixed performances in September. Geopolitical escalation and disruptions to oil flows pushed crude prices to their highest level since May, rekindling inflationary pressures. Sovereign bond yields rose sharply: the 10-year US Treasury yield increased by 53 basis points to 5.23%[8], while its German equivalent rose by 35 basis points to 3.58%[8]. Despite this shock, economic activity remained robust, as evidenced by improving composite PMIs in the euro area, the United States and China, reinforcing central banks' restrictive stance. The MSCI World rose by 1.1% in euro terms, supported by the S&P 500 (+2.1%) and, above all, the Nasdaq 100 (+5.8%), which benefited from a rebound in semiconductor stocks and renewed enthusiasm for artificial intelligence[8]. By contrast, the Euro Stoxx fell by 2.1%, weighed down by automotive stocks (-4.6%), consumer goods (-4.7%) and real estate (-7.1%), which are particularly sensitive to rising inflation and interest rates. The strong performance of the technology sector (+5.1%) was insufficient to offset these declines[8].

In the euro area, Growth[9] proved more resilient in September, declining by 0.8%, compared with a 3.0% fall for Value [10]. This gap was primarily attributable to the significant outperformance of the technology sector, supported by semiconductor stocks such as ASML (+10.0%)[8]. Further upward revisions to the sector's earnings outlook helped keep Growth's valuation premium elevated at 63%, compared with 65% the previous month. However, we believe this premium remains difficult to justify fully in the interest rate environment prevailing since 2022. Substantial investment needs and persistently high fiscal deficits should keep interest rates sustainably above the levels seen in the previous decade. This environment should support the continued rebalancing of valuations between Growth and Value, which began in late 2022, and provide a favourable backdrop for Value.

R-co Conviction Equity Value Euro fell by 4.6% over the month[11]. Half of the underperformance relative to its benchmark was attributable to our underweight position in technology and our lack of exposure to semiconductors. Our overweight positions in construction and telecommunications accounted for the remainder. In construction, rising interest rates and macroeconomic concerns weighed on this cyclical sector. Telecommunications, meanwhile, suffered from concerns surrounding the rise of artificial intelligence agents. By making it easier to compare offers and switch providers, these tools could reduce the friction that has traditionally encouraged customer inertia.

In terms of portfolio changes, we reduced our underweight position in energy by rebuilding a holding in TotalEnergies. With a swift resolution to the conflict appearing less likely as the US midterm elections approach, visibility in the sector deteriorated. We therefore preferred to adopt a more neutral position, despite our structurally bearish outlook for energy prices**. We also initiated three new positions: Deutsche Bank,** to benefit from an attractive valuation and the recovery in the German economy; **Leonardo**, for its exposure to defence equipment and electronic solutions; and **Bayer**, where the investment thesis rests on reduced litigation risk, the quality of its pipelines and continued deleveraging. These investments were funded by the **sale of Stellantis**, against a backdrop of necessary restructuring in the European automotive industry given weak market momentum and increasing Chinese competition, **as well as the sale of Pernod Ricard**, which has been affected by deteriorating consumption trends in both Western markets and China. **Finally, we reduced our exposure to Société Générale** (despite a very convincing Capital Markets Day) to continue lowering our exposure to French equities. We now have an underweight position of approximately 2% in French equities, and our exposure to French domestically focused stocks is now limited to Orange (1.3% of the portfolio) and Société Générale (2.7% of the portfolio).

Although it continues to face significant political and geopolitical challenges, the European economy is showing increasingly tangible signs of renewed momentum, as illustrated by improving PMIs, particularly in manufacturing. The positive trend in corporate earnings also reinforces our conviction that a new European industrial cycle is taking shape. **Against this backdrop, the portfolio remains positioned to benefit from this gradual recovery**, supported by the ramp-up of investment plans across the region.

Annualised performance as of 30/09/2026
in %

	3 years	5 years	10 years
R-co Conviction Equity Value Euro C EUR	12,67	8,48	7,72
Euro Stoxx ® NR	17,20	10,45	9,83
Relative Difference	-4,52	-1,98	-2,11

Source: Rothschild & Co Asset Management, 30/09/2026.
Past performance is not a reliable indicator of future performance.

Learn more about the fund(s)

R-co Conviction Equity Value Euro

Check this document on our website

[1] Source : Bloomberg, 30/09/2026, returns in local currencies, with dividends reinvested
[2] Source : Fed, september 2026
[3] Source : Bloomberg, 30/09/2026
[4] Source : Rothschild & Co Asset Management, 30/09/2026
[5] Debt securities issued by companies or governments with ratings ranging from AAA to BBB- on the Standard & Poor's scale.
[6] A Credit Default Swap (CDS) is a derivative that provides protection against the risk of non-payment of debt issued by a government or company. This hedge is applied to the crossover segment of the portfolio, comprising securities rated between BB and BBB on the Standard & Poor's scale.
[7] Le Credit Default Swap (CDS) est un produit dérivé qui permet de s'assurer contre le risque de non-paiement d'une dette émise par un État ou une entreprise. Cette couverture est appliquée sur la partie crossover du portefeuille, c'est-à-dire, les titres notés entre BB et BBB selon l'échelle de Standard & Poor's.
[8] Source : Bloomberg, 30/09/2026
[9] The term "value strategy" refers to an investment approach whereby investors seek companies that are undervalued by the market at a given point in time; in other words, companies whose stock market valuation is lower than what would be justified by their earnings and the value of their assets. Value investors typically select stocks with low price-to-book ratios or high dividend yields.
[10]Investors pursuing a "growth" style focus primarily on companies' earnings growth potential, anticipating that revenue and profit growth will exceed that of their sector or the broader market average.
[11] Source : Rothschild & Co Asset Management, 30/09/2026

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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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