Rothschild & Co
Asset Management

Quarterly Strategy Q3 2024 – R-co Valor & R-co Valor Balanced

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The third quarter of 2024 was marked by heightened volatility in financial markets, driven by persistent geopolitical tensions, major monetary adjustments and growing recession fears.

Despite this uncertainty, some asset classes posted notable performances, supported by more accommodative monetary policies and surprise stimulus measures. China's rebound allowed emerging markets to stand out, MSCI Emerging Markets was up 7.8 %[1], while MSCI World was up 6 %[1]. A certain disparity emerged among the Western indices: The S&P 500, driven, once not customary, by the momentum of the 493 , posted a gain of 5.5%[1]; while the Euro Stoxx 50 increased more modestly by 2.2 %[1].

R-co Valor

R-co Valor rose by 6.5% over the period[3], bringing its YTD performance to +15 %[3]. Exposure to Chinese equities appeared as the main contributor to performance, both in the third quarter and year to date. The Communist Party surprised markets by unveiling a series of unprecedented measures aimed at reviving a troubled economy. Several components were mentioned: A decrease in the policy rate by 20 basis points (a first since 2020) and a decrease in the mandatory reserve rate (RRR) of banks by 50 points. The reduction of the latter, which determines the share of deposits that banks must keep, should allow commercial banks to lend more to companies to support the real economy. China will also cut interest rates on existing real estate loans, reaching over 150 million people[4]. The decline is aimed at boosting consumption and investment. Finally, in order to

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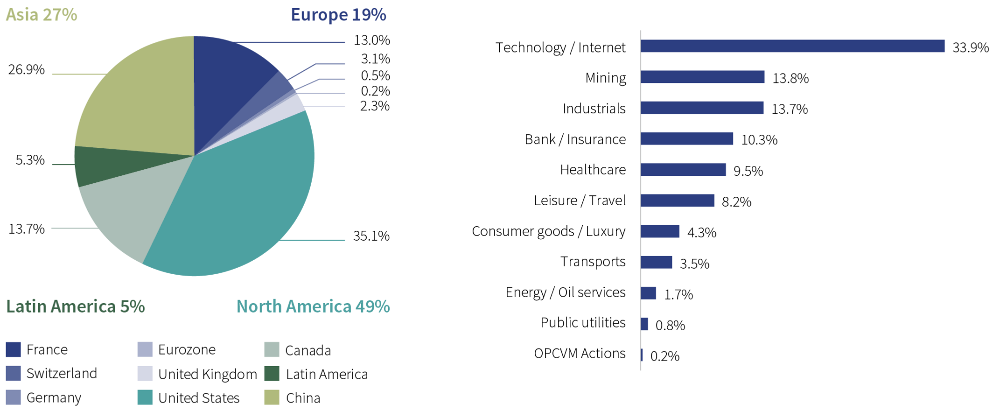
stop the fall in real estate prices, restrictions on access to property in many major cities have been lifted, such as Canton, Shenzhen and Shanghai. Apart from China, a sector analysis reveals that the energy sector - which represents 2% of the equity allocation with Schlumberger as the only stock - was the main negative contributor, penalized by the 17% drop in oil prices amid growing fears of a recession[1].

In R-co Valor, equity exposure was 70% at the end of September[3]. The quarter was marked by two distinct phases: An opportunistic buying movement in August, followed by significant profit taking in September. Equity markets experienced a spike in volatility in early August as fears of a more pronounced than expected US economic slowdown increased. This movement was also amplified by financial flows, the rise of the yen against other currencies leading to a massive unwinding of speculative positions. Thus, the VIX[5] reached levels that we had not seen since the Covid and the markets corrected by almost 7% in three days[1]. Against this backdrop, in R-co Valor we opportunistically bought stocks that we thought were unfairly sanctioned, for about 2% of the fund[3]. Particularly affected stocks such as Walt Disney, LVMH, CATL, Schlumberger and Grab were strengthened. The second stage came in September, following China's impressive rebound (+35% in less than a month on the Hang Seng[1]). We remained disciplined and made profits by slashing many Chinese stocks in the portfolio: Alibaba, CATL, Tencent, Vipshop, Trip.com. For a total, taking into account orders placed at the beginning of October, reduce our weight in zone by 2.5%[3]. Despite the recent rally, supported in particular by the liquidation of international investors' short positions, we still expect more concrete government measures likely to stimulate domestic consumption. More generally, we remain opportunistic and continue to look for stocks with an ‘atypical’ profile. This includes stocks that have been neglected, such as those in the healthcare sector that are currently suffering from their more defensive profile. We are also a position on AES, as the public services sector should benefit from a rate cut context.

In the current environment, we have no intention of resuming risk and remain in historically low areas of equity allocation. Our historically high monetary exposure of around 30 %[3] offers us a twofold advantage: 1) that we do not experience the full volatility of the markets 2) the necessary latitude to buy when it seems appropriate, like what we were able to do at least August. Persistent inflation and strong labor markets, particularly in the US, are seriously complicating the Fed's task[6], making the committed rate cutting exercise even more dangerous. On the other hand, the high levels of earnings growth expectations for 2025, the presidential elections at the end of the year, geopolitical instability, and the increase in the budget deficit of the major global powers are all factors pushing us to maintain a relatively cautious positioning.

R-co Valor: Portfolio's geographical and thematic breakdown of the equity pocket

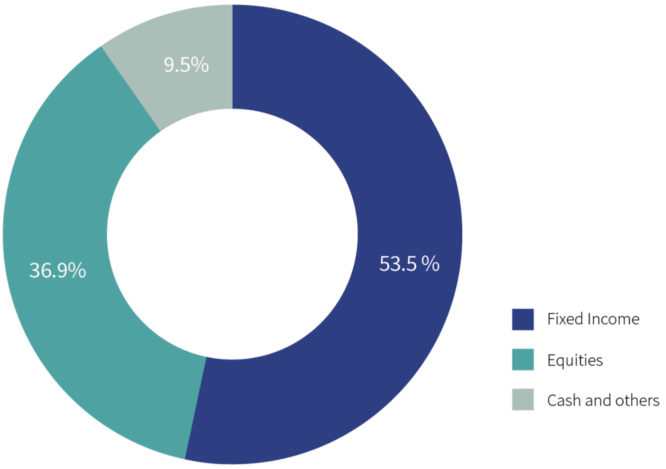


Source: Rothschild & Co Asset Management, 30/09/2024.

R-co Valor Balanced

R-co Valor Balanced has an equity exposure of 37%, the fixed income component accounts for 54%, the rest being invested in money market and similar[3]. **The fund gained +5.1% over the quarter, bringing its YTD performance to +10.4 %**[3].

R-co Valor Balanced: Breakdown by asset classes

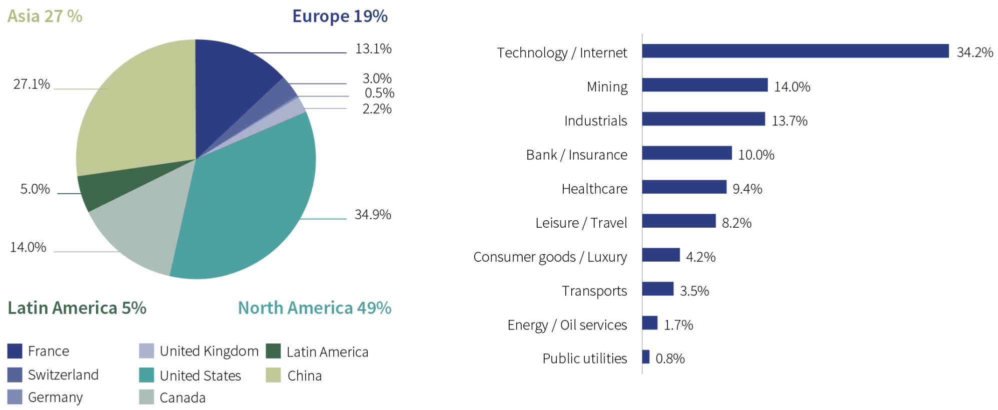


Source: Rothschild & Co Asset Management, 30/09/2024.

Equity Pocket

Within the equity bucket of the fund the movements were the same as those observed within the R-co Valor fund.

R-co Valor Balanced: Geographical and thematic breakdown of the Equity pocket



Source: Rothschild & Co Asset Management, 30/09/2024.

Fixed Income pocket

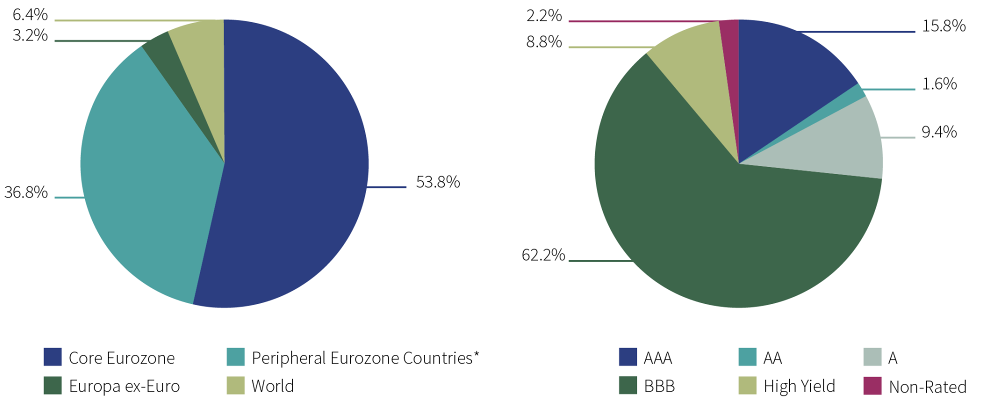
On September 18, the US Federal Reserve announced a half point cut in its key rates, the first since 2020. Interest rates had previously been raised to stem the price boom and had been between 5.25% and 5.50% since July 2023[7] their highest level in more than 20 years. Jerome Powell reaffirmed in his speech the institution's dual mandate: To promote full employment and maintain price stability. **In this environment, 10 year US Treasury yields fell again, briefly reaching an annual low of 3.6% to end the quarter at 3.8 %[7].** The US yield curve 'reversed' over the period as yields on shorter term bonds fell more sharply than those on longer term bonds. In Europe, the European Central Bank (ECB) cut its key interest rates ahead of the Fed, by two successive 25 basis point cuts, bringing them to 3.50% at the end of September[9]. The German 10 year bond market was down 40 points to 2.1% over the period[8]. **The third quarter was active on the primary euro bond market, issuers seized the opportunity of favorable conditions to refinance their debts, while investors showed a strong appetite.** The quarterly performance of euro corporate bonds remained positive. Investment Grade[10] and High Yield[11] indices posted the same performance up 3.3% over the quarter[8].

Against this backdrop, **within the fund, as part of the fixed income pocket, we continue to favour companies with low leverage and the ability to maintain high cash flow**. In corporate investment grade bonds, which represents about 90% of the allocation[3], we favour the middle of the curve and and continue to improve the overall credit quality of the portfolio. In addition, **approximately 16% are German government bonds[3]** which allowed us to extend the duration of the portfolio without adding credit risk. Finally, **we**

increased our coverage via CDS[12] on the Main iTraxx Index[13], representing about 20% of our bond portfolio at the end of September[3]. As a reminder, these instruments are designed to best protect us against systemic risk

The modified duration of the Fixed income pocket at the end of September was 3.9 ; the yield is 3.7 %[3].

R-co Valor Balanced: Geographical and by rating breakdown of the fixed income pocket



Source : Rothschild & Co Asset Management, 30/09/2024.
Others Eurozone, Italy and Spain.

ISIN : FR0011253624

Performance	Year to date	2023	2022	2021	2020	5 years	1 year volatility
R-co Valor C EUR	15.0%	13.0%	-8.1%	12.7%	6.7%	52.8%	10.2%

Source: Rothschild & Co Asset Management, 30/09/2024.
The figures quoted relate to previous years. Past performance is not a reliable indicator of future performance and is not constant over time.
They take into account all fund-related costs and expenses (e.g. management fees) but do not take into account fees charged to the client (e.g. issuance costs, deposit fees).

ISIN : FR0013367265

Performance	Year to date	2023	2022	2021	2020	5 years	1 year volatility
R-co Valor Balanced C EUR	10.4%	11.3%	-11.8%	6.7%	5.0%	25.4%	5.9%

Source: Rothschild & Co Asset Management, 30/09/2024.
The figures quoted relate to previous years. Past performance is not a reliable indicator of future performance and is not constant over time.
They take into account all fund-related costs and expenses (e.g. management fees) but do not take into account fees charged to the client (e.g. issuance costs, deposit fees).

Learn more about the fund(s)

R-co Valor

R-co Valor Balanced

Check this document on our website

(1) Source: Bloomberg, 30/09/2024. Performance expressed in local currencies.
(2) 493 other S&P 500 stocks, excluding the Magnificent Seven
The figures quoted relate to past months. Past performance is not a reliable indicator of future performance and is not constant over time. Performance calculated in euros and net of dividends reinvested. The management team is subject to change. Geographic and sector allocations and breakdowns are not fixed and may change over time, within the limits of the sub-fund's prospectus. The above information does not constitute investment advice or a recommendation.
(3) Source: Rothschild & Co Asset Management, 30/09/2024
(4) Source: National Bureau of Statistics of China, September 2024.
(5) Indicator measuring the level of volatility in the US financial market through the S&P 500 index, also known as the 'fear index'.
(6) US Federal Reserve
(7) Source: Fed, 07/2023
(8) Source: Bloomberg, 30/09/2024
(9) Source: Eurostat, September 2024
(10) Debt securities issued by companies or governments rated between AAA and BBB- by Standard & Poor's.
(11) High yield bonds are issued by companies or governments with a high credit risk. Their financial rating is below BBB- on the Standard & Poor's scale.
(12) The Credit Default Swap (CDS) is a derivative product used to insure against the risk of non-payment of a debt issued by a government or a company. This hedge is applied to the crossover part of the portfolio, i.e. securities rated between BB and BBB on the Standard & Poor's scale.
(13) The Main iTraxx index is a benchmark index for the Credit Default Swaps (CDS) market in Europe. It comprises a set of CDS representing the bonds of various investment grade companies, enabling investors to hedge against the risk of default by these companies or to speculate on their credit quality.

Performance R-co Valor since 10 years : 118,9%
Annual Performances : 2023 : 13% | 2022 : -8.1% | 2021 : 12.7% | 2020 : 6.7% | 2019 : 28.6% | 2018 : -13.2% | 2017 : 9.5% | 2016 : 19.9% | 2015 : 4.55% | 2014 : 15.7%
Performance R-co Valor Balanced since inception (24/10/2018) : 29,67%
Annual Performance : 2023 : 11,3% | 2022 : -11,8% | 2021 : 6,7% | 2020 : 5% | 2019 : 15,7%

R-co Valor
Recommended investment period: 5 years
Risk SRI 4/7. he synthetic risk indicator shows the level of risk of this product compared to others. It indicates the likelihood of this product incurring losses in the event of market movements or our inability to pay you. We have classified this product in risk class 4 out of 7, which is a medium risk class and mainly reflects a discretionary management policy on equity markets and fixed income products. This means that the potential losses from the future performance of the product are at a medium level and, should the markets deteriorate, it is possible that our ability to pay you will be affected. The risk indicator assumes that you hold the product for 5 years, otherwise the actual risk may be very different and you may get less in return.
Main risks: Risk of capital loss, Risk associated with discretio- nary management, Market risk, Credit risk, Interest rate risk, Foreign exchange risk, Counterparty risk, Risk associated with the use of derivatives. This list is not exhaustive. Please refer to the “Risk profile” section of the Fund’s prospectus.

R-co Valor Balanced
Recommended investment period: 3-5 years
Risk SRI 4/7. The synthetic risk indicator shows the level of risk of this product compared to others. It indicates the likelihood of this product incurring losses in the event of market movements or our inability to pay you. We have classified this product in risk class 3 out of 7, which is a low to medium risk class and mainly reflects a discretionary management policy on equity markets and fixed income products. This means that the potential losses from the future performance of the product are low to medium and, should the markets deteriorate, it is possible that our ability to pay you will be affected. The risk indicator assumes that you hold the product for 5 years, otherwise the actual risk may be very different and you may get less in return.
Main risks: Risk of capital loss, Risk associated with discretionary management, Market risk, Credit risk, Interest rate risk, Foreign exchange risk, Counterparty risk, Risk associated with the use of derivatives. This list is not exhaustive. Please refer to the “Risk profile” section of the Fund’s prospectus.

About the Asset Management's division of Rothschild & Co

As the specialised asset management division of the Rothschild & Co group, we offer personalised asset management services to a broad client base of institutional investors, financial intermediaries and distributors.

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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