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

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The year 2025 began with a rally on equity markets across all major regions. January was marked by Donald Trump's inauguration and the first announcements of his new term. Initially, markets benefited from a combination of positive factors, including the announcement of the massive AI infrastructure investment plan "Stargate" and hopes of less severe trade tariffs than anticipated. However, in a second phase, the emergence of the Chinese AI model Deepseek casted doubt on the future profitability of large-scale investments in AI technology. As a result, the MSCI World rose by +2.9% in January, while the S&P 500 gained +2.1%[1]. Europe outperformed, with the Eurostoxx index rising by +7.3%[1]. While economic growth figures in the region remained sluggish, PMI indicators[2] suggested a potential inflexion point, particularly in the manufacturing sectors in France and Germany. European markets benefited primarily from the ECB's dovish stance, following a 25-basis-point rate cut, whereas the Fed paused its monetary easing. Sovereign yields remained under pressure throughout the month, which benefited banks (+10.9%) but weighed on highly levered sectors such as Food & Beverages (+0.9%) and Utilities (+3.0%)[1]. Healthcare (+9.7%) and Consumer Goods (+9.6%) also outperformed, driven by strong earnings releases, such as Sartorius (+30.1%) and Richemont (+28.4%)[1].

Growth[3] and *Value*[4] styles followed a similar trajectory, posting gains of +7.8% and +7.4%, respectively[1]. With a P/E[5] ratio of 22.6x for Growth vs. 10.6x for Value[1], the valuation premium of *Growth* over *Value* maintained itself over the month (from 115% to 114%)[1]. This premium remains near historical highs, and we continue to believe it is likely to normalize, both through a de-rating of Growth sectors (similar to the luxury downturn in 2024) and a re-rating of certain Value sectors (as observed in financials, particularly banks, in recent months).

R-co Conviction Equity Value Euro gained +5.9% in January[1]. This performance was supported by strong gains in some of our key holdings, including Forvia (+16.8%), Société Générale (+15.1%), and Sanofi (+11.4%)[1]. However, the fund underperformed its benchmark by -1.4%, mainly due to stock selection in the Technology sector. Notably, STMicroelectronics fell by -10.5%[1] after its Q4 earnings release, struggling to reassure the market despite some signs suggesting a bottoming-out in its inventory levels. Allocation effects were slightly negative, impacted by tariff-related uncertainties, which particularly weighed on the Food & Beverages sector.

During the month, we fully exited our position in Amundi. The stock had rebounded +64% since its October 2022 lows[1] and demonstrated resilience among French equities in 2024. However, the group's margin profile may face headwinds from ETF dilution, and uncertainties surrounding the renewal of the Unicredit distribution agreement could challenge its growth outlook. We reinvested part of the proceeds into BASF, increasing our exposure to the chemicals sector. After a prolonged inventory de-stocking cycle, the German company is expected to benefit from a recovery in end-market demand. Additionally, we believe natural gas prices, a key input cost for German chemicals, are currently at elevated levels and are likely to decline in the coming months. We also marginally increased our position in AB-InBev, which suffered from tariff-related concerns in the sector. However, the company could benefit from price increases by competitors in the U.S. market.

We remain overweight in the banking sector, as we believe the ongoing re-rating is still in its early stages, supported by a recovery in profitability and attractive cash returns to shareholders. Our portfolio is also positioned to benefit from interest rate cuts, which we view as more likely in Europe than in the U.S. This is reflected in our overweight positions in Real Estate, Food & Beverages, Telecoms, and Utilities. Our largest underweight remains in Technology, where valuations and EPS[6] growth expectations leave no room for doubt, as illustrated by the Deepseek episode

Más información sobre los fondos

R-co Conviction Equity Value Euro

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R-co Conviction Equity Value Euro performance over the last 10 years: 41.91
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: 31/01/2025

[2] Purchasing Managers' Index, an indicator reflecting the confidence of purchasing managers in a sector of activity. Above 50, it indicates an expansion in activity, below 50, a contraction.

[3] Growth investors focus primarily on the earnings growth potential of companies, hoping that their sales and earnings growth will outperform their sector or the market average.

[4] 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.

[5] PE : Price Earning : price/earnings ratio.

[6] Earnings per share

Completed writing on December 5, 2024.

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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