



Caution prevails as Trump administration prepares to shake up international markets



Yoann Ignatiew
 General Partner, Head of
 International Equity and Diversified



Charles-Edouard Bilbault
 Global Equities Portfolio Manager

R-co Valor, our flagship fund, enters 2025 with a resolutely cautious stance, with no intention of significantly re-exposing it to the equity markets, given the current macroeconomic and geopolitical environment.

The repercussions of the past global electoral year, coupled with Donald Trump's second term, amplify uncertainties around inflation, growth, and trade relations. Simultaneously, investors must navigate a landscape marked by new geopolitical realities, supply chain evolutions, and the rapid rise of artificial intelligence. We thus identify numerous factors likely to influence the markets in 2025.

While the Fed may maintain high interest rates to curb inflation driven by Trump's policies, the ECB could adopt even more accommodative measures to support sluggish growth, accentuating transatlantic monetary divergences. The new American president's first 100 days in the White House will be crucial. Markets are closely monitoring the potential implications of Trump's yet unclear program. Fiscal easing, including tax cuts and potential deregulation, could stimulate growth, but heightened protectionism risks slowing the economy and exacerbating short-term inflation. Furthermore, the prospect of a protectionist economic policy could lead to an appreciation of the greenback, making US exports less competitive and weighing on emerging economies indebted in dollars.

Also in the United States, the budget deficit reached 6.3% of GDP in 2024, amounting to \$1.83 trillion¹. Trump's announced tax cuts could worsen this situation. Without a policy shift, the deficit is unlikely to shrink due to rising healthcare costs and interest expenses

on debt. This trend is worldwide: according to the IMF's latest Fiscal Monitor report, global debt will pass the historic threshold of \$100,000 billion in 2024, or 93% of world GDP, and could exceed 100% before the end of the decade.

Moreover, Equity market concentration remains high, with the top 10 stocks in the S&P 500 accounting for 38% of the index², close to historical peaks. The overperformance of tech giants has increasingly relied on AI-related hopes since 2022. A significant correction could occur if the AI theme disappoints. Additionally, AI's development could strain the global energy system (a ChatGPT search consumes about 6 to 10 times more energy than a traditional Google search). Lastly, China, faced with stricter international trade conditions, it is crucial for Beijing to stimulate domestic consumption to reduce its reliance on exports and ensure more resilient economic growth.

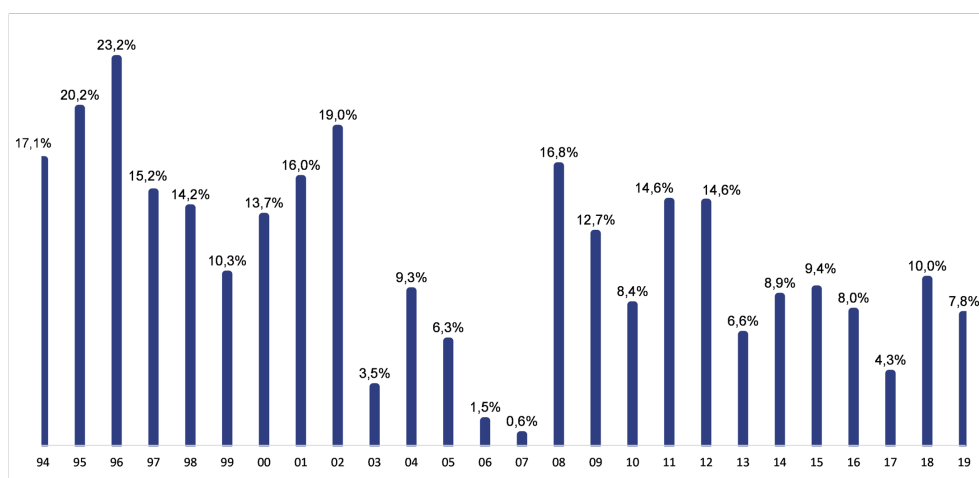
Despite these challenges, opportunities may arise in the coming months. We maintain our positions in the U.S. equity market remains one of the world's most attractive, supported by robust economic growth, strong corporate earnings growth, a deeply rooted culture of innovation, and high productivity. While market concentration poses risks, opportunities exist outside the "Magnificent 7"³. Additionally, banking stocks may benefit from deregulation promised by the president.

In Europe, high energy costs, political instability, and stagnant productivity are growth impediments. Nevertheless, opportunities exist in sectors such as healthcare, industrials, and luxury goods. These sectors feature companies with few equivalents in the U.S. or with more attractive valuations. Our European exposure focuses on internationally oriented companies that can partially sidestep the domestic gloom.

About emerging markets, they are too diverse to be treated as a homogeneous block. However, overall, growth has shown notable resilience, and inflation has significantly receded since the peaks of 2022. In China, despite significant stimulus measures, the government struggles to boost domestic demand. November's monetary easing announcements were disappointing, but the government retains room to increase its deficit. Trump's reelection and potential new tariffs may pressure Beijing to prioritize domestic consumption over exports. We aim to maintain exposure to local consumption in China and more broadly in Asia and Latin America.

R-co Valor's current equity exposure is 68%⁴. We begin 2025 with a "Monetary and Equivalent" allocation exceeding 30%⁴. This allocation includes investments in money market funds and about 20% in French Treasury bills with an average maturity of 3 months, offering high liquidity⁴. This strategy allows us to limit equity market exposure while benefiting from attractive yields and maintaining agility for potential reallocation.

Focus on a 5-year investment in R-co Valor (C EUR Share Class)



Source: Rothschild & Co Asset Management, 31/12/2024. Figures quoted relate to past months. Past performance are not a reliable indicator of future performance and are not constant over time.

The blue bars represent the annualized performance of an investment in R-co Valor after 5 years (C EUR Share Class), by considering the first and last available NAV of each year. As an example, the graph below shows that an investment at 30/11/1994 would have generated a return of 17.1% at 31/12/1999⁴. Over 5 years, R-co Valor's most buoyant period began on 31/12/1996 and ended on 31/12/2001, with an annualized performance of 23.2%⁴. Still over 5 years, the most difficult period was between 31/12/2007 and 31/12/2012, with an annualized performance of just 0.6%⁴. Please note that this analysis was carried out on an annual basis, so it's possible that better or worse entry points may have occurred in any given year. Subject to this observation, R-co Valor's 5-year performance has never been negative.

Cumulative performance and risk indicator

1 month	2024	1 year	3 years	10 years	Volatility 1 year
-0,81%	16,71%	16,71%	21,24%	45,85%	10,26%

Annual performance

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2,55%	19,9%	9,5%	-13,2%	28,6%	6,7%	12,7%	-8,1%	13,0%	16,7%

Source: Rothschild & Co Asset Management, 12/31/2024. Figures refer to past months. Past

performance is not a reliable indicator of future performance, and is not constant over time.

R-co Valor SRI 4/7

The synthetic risk indicator shows the level of risk of this product compared with others. It indicates the probability that this product will incur losses in the event of market movements or our inability to pay you. The risk indicator assumes that you hold the product for 5 years. The real 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 4 out of 7, which is a medium risk class and mainly reflects a discretionary management policy on equity markets and fixed-income products. In other words, the potential losses linked to the product's future results are at an average level, and if market conditions were to deteriorate, our ability to pay you could be affected. As this product does not provide protection against market fluctuations or a capital guarantee, you could lose all or part of your investment. The geographical and sector allocations and distributions are not fixed and may change over time, within the limits of the SICAV's prospectus. The figures cited relate to past months. Past performance is not a reliable indicator of future performance and is not consistent over time. Performance is calculated in euros and net of reinvested dividends. The information contained in this document does not constitute investment advice, tax advice, a recommendation, or investment advice from Rothschild & Co Asset Management.

Más información sobre los fondos

R-co Valor



Consulte este documento en nuestro sitio web



[1] Source: Bureau of Economic Analysis - U.S. Department of Commerce, December 2024.

[2] Source: Bloomberg, 12/31/2024.

[3] The magnificent 7 include seven US technology stocks: Microsoft, Nvidia, Tesla, Meta, Apple, Alphabet and Amazon.

[4] Source: Rothschild & Co Asset Management, 12/31/2024.

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.

Advertising communication. The information, comments and analyses in this document are provided for information purposes only and should not be construed as an investment or tax advice, or as an investment recommendation from Rothschild & Co Asset Management Europe. The information/opinions/data mentioned in this document considered legitimate and correct on the day of publication, in accordance with the economic and financial environment in place at that date, are subject to change at any time. Although this document has been prepared with the greatest care from sources that Rothschild & Co Asset Management believed to be reliable and in good faith, no representation or warranty, express or implied, is made as to information accuracy or completeness, which are indicative only and are subject to change without notice. Rothschild & Co Asset Management Europe has not independently verified the information contained in this document and cannot be held responsible for any errors, omissions or interpretations of the information contained in this document. This analysis is only valid at the time of writing of this report.

Furthermore, given the subjective nature of certain analyses, we draw your attention to the fact that any information, projections, estimates, anticipations, assumptions and/or opinions are not necessarily put into practice by the management teams of Rothschild & Co Asset Management, or its affiliates, who act according to their own convictions. Certain forward-looking statements are prepared on the basis of certain assumptions, which are likely to differ either partially or totally from reality. Any hypothetical estimates are, by their nature, speculative and it is possible that some, if not all, of the assumptions relating to these hypothetical illustrations may not materialise or may differ significantly from current determinations. The information does not presume the suitability of the UCI presented to the profile and experience of each individual investor. Rothschild & Co Asset Management Europe shall not be liable for any decision taken on the basis of or inspired by the information contained

The UCIs presented above are organised according to French law and regulated by the French financial markets authority (AMF). Any investment is always subject to risk. Before any investment, please imperatively read the key investor information document (PRIIPs KID) and prospectus of the UCIs carefully, especially its section relating to risks. Each investor must also ensure the jurisdictions in which the UCI is registered. The PRIIPs KID, the full prospectus as well as the net asset value (NAV) / net inventory value (NIV) are available on our website: am.eu.rothschildandco.com. The information presented is not intended to be disseminated and does not constitute in any way an invitation for US nationals or their agents. The units or shares of the UCIs presented in this document are not and will not be registered in the United States pursuant to the U.S. Securities Act of 1933 as amended ("Securities Act 1933") or admitted under any law of the United States. These units or shares may neither be offered, sold in or transferred to the United States (including in its territories and possessions), nor directly or indirectly benefit to a "US Person" (within the meaning of Regulation S of the Securities Act of 1933) and equivalent persons (as referred to in the US "HIRE" Act of 18 March 2010 and in the FATCA provisions).

Figures provided relate to previous years. Past performance is not a reliable indicator of future performance and is not constant over time. The value of investments and the income derived from them may vary both upwards and downwards, and is not guaranteed. The value of investments and the income derived from them may vary both upwards and downwards, and is not guaranteed. It is therefore possible that you may not recover the amount originally invested. Exchange rates variation may increase or decrease the value of the investments and the resulting income when the reference currency of the UCI is different from the currency of your country of residence. UCIs whose investment policy is aimed more specifically at specialised markets or sectors (such as emerging markets) are generally more volatile than common and diversified allocation funds. For a volatile mutual fund, the fluctuations may be particularly large, and the value of the investment may therefore fall sharply. The performances presented do not take into account any fees and commissions received on the subscription and redemption of units or shares of the UCI herein. The portfolios, products or securities presented are subject to market fluctuations and no guarantee can be given as to their future development. The tax treatment depends on the individual situation of each investor and may be subject to change.

Although Rothschild & Co Asset Management information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or other damages (including lost profits), even if advised of the possibility of such damages.

No part of this document may be reproduced, in whole or in part, without the prior written permission of Rothschild & Co Asset Management, under pain of legal proceedings.

Acerca de la división de gestión de activos de Rothschild & Co

La división especializada en gestión de activos del grupo Rothschild & Co ofrece servicios personalizados de gestión a una amplia clientela de inversores institucionales, intermediarios financieros y distribuidores. Articulamos nuestro desarrollo alrededor de una gama de fondos abiertos aprovechando nuestras aptitudes y competencias de gran recorrido en gestión activa y convicción, así como en gestión delegada. Con sede en París y delegaciones en 10 países de Europa, gestionamos más de 50 mil millones de euros y contamos con un equipo de 200 colaboradores⁽¹⁾.

Más información en: www.am.eu.rothschildandco.com

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

France

29, Avenue de Messine
75008 Paris
+33 1 40 74 40 74

Bélgica – Países Bajos – Luxemburgo

Rue de la Régence 52
1000 Bruxelles
+32 2 627 77 30

Suiza

Rothschild & Co Bank AG
Rue de la Corraterie 6
1204 Genève
+41 22 818 59 00

Italia

Passaggio Centrale 3
20 123 Milano
+39 02 7244 31

Alemania – Austria

Börsenstraße 2 - 4
Frankfurt am Main 60313
+49 69 299 8840

España

Paseo de la Castellana 40 bis
28046 Madrid
+39 02 7244 31

