Rothschild & Co
Asset Management



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



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In July, the equity markets took a breather following their strong rebound in the first half of the year, in a context of renewed geopolitical tensions in the Middle East. The questioning of the framework agreement reached in June between the United States and Iran led to a return of traffic through the Strait of Hormuz to pre-agreement levels, causing a temporary spike in Brent crude prices to above $90 a barrel[1]. The month was also marked by a significant correction in the artificial intelligence sector, particularly in semiconductors, following a first half of the year characterised by strong gains. This profit-taking was fuelled by high valuations, questions over the profitability of the hyperscalers' massive investments, and the advances made by Chinese players in certain segments of the semiconductor value chain. The half-yearly earnings season proved favourable, both in Europe and the United States. Against this backdrop, the Euro Stoxx (-0.2%) held up better than the S&P 500 (-1.0%). At sector level in the eurozone, Materials (+10.4%) continued their rebound following June's correction, whilst the rotation away from the AI theme weighed on Technology (-11.8%). The rise in energy prices also weighed on the Leisure and Travel sectors (-7.0%)[1].

This sharp sector rotation clearly benefited the Value[2] style, which rose by +3.4% over the month, whilst the Growth[3] style fell by -4.5%[1]. This trend helped to narrow the valuation premium of the Growth style relative to the Value style, which fell from 73 % to 62 %, thereby extending the normalisation trend observed since the shift in interest rate policy. In an environment characterised by significant investment needs and persistently high public deficits in developed economies, we believe that interest rates are likely to remain at high levels for some time to come ('higher for longer'). This context should continue to favour a convergence in valuations between the Growth and Value styles, to the benefit of the latter.

The R-co Conviction Equity Value Euro fund rose by +4.2% in July[4], outperforming its benchmark by nearly 440 basis points. This performance was mainly driven by stock selection against a backdrop of significant rotation centred on the theme of artificial intelligence. Whilst the lack of exposure to semiconductors provided significant support, the fund also benefited from its positioning in several stocks that we describe as 'contrarian AI' plays, such as SAP (+17.7 %), Capgemini (+16.5 %), Wolters Kluwer (+20.3 %) and Publicis (+11.9 %)[1]. As we indicated in our previous updates, we had gradually built up these positions over recent months. At the time, the market believed – in our view, mistakenly – that these companies risked seeing their business adversely affected by the rise of artificial intelligence. However, the evolution of their fundamentals and their recent earnings reports continue to demonstrate their ability to integrate these innovations whilst maintaining the momentum of their businesses. Regarding portfolio movements, we have continued to increase our holdings in several stocks that we regard as 'AI contrarians'. We have also taken advantage of the pullback in certain shares whose fundamentals and competitive positioning we still consider to be solid. This was particularly the case for Ryanair, which was hit by rising oil prices, and for Technip Energies, which was affected by operational cost overruns on certain projects in the Middle East, as tensions in the region remained elevated.These increases in positions were financed by partial profit-taking on our banking and commodities positions.

Our base-case scenario remains that of a broadly stable geopolitical environment in the run-up to the US mid-term elections. At the same time, the fall in energy prices should help to ease inflationary pressures and the rise in interest rates. **In our view, this environment remains favourable for European equity markets, which still have upside potential.** For the second half of 2026, we continue to favour the scenario of a gradual recovery in the industrial cycle in Europe, driven by the major investment programmes being rolled out across the region and by a gradual improvement in macroeconomic indicators, following a second quarter marked by a sharp decline in economic confidence.

Ulteriori informazioni sui fondi

R-co Conviction Equity Value Euro

Consulta questo documento sul nostro sito web

[1] Source: Bloomberg, 31/07/2026
[2] A “value” strategy refers to an investment approach whereby the investor seeks companies that are undervalued by the market at a given point in time, meaning that their stock market valuation is lower than what would be justified by the company’s earnings and asset value. Value investors select securities with low price-to-book ratios or high dividend yields.
[3] Investors following a “growth” style focus primarily on companies’ earnings growth potential, expecting revenue and earnings growth to exceed that of their sector or the broader market average.
[4] Source: Rothschild & Co Asset Management, 31/07/2026

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Ulteriori informazioni su : www.am.eu.rothschildandco.com

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

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