



Fund Update : R-co Conviction Equity Value Euro — May 2024



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After the strong progression in the first quarter of 2024, the equity markets consolidated in April. The MSCI World recorded a decline of 2.6% and the S&P 500 of 3.0%¹. The decrease in the Eurostoxx was of a more limited extent at -1.9%. This decline in the indices reflects both the market's consideration of a less aggressive scenario regarding future interest rate cuts and the return of geopolitical tensions. This configuration benefited the oil sector (+4.8%), with Brent reaching a year-to-date high of \$91 per barrel before dropping back below \$88 by the end of the month¹. The banking sector (+3.5%) benefited from the rebound in interest rates¹⁵. Retailing (-6.3%) and autos (-5.8%) were the most affected, mainly due to disappointing earnings reports¹.

The resurgence in US inflation led investors to revise the number of rate cuts they expect this year (now just one), confirming the Fed's "higher for longer"² interest rate scenario. This has led to continued outperformance of the value style³, which began in March. In April, in the Eurozone, the value style indeed outperformed the growth style⁴ by +4.3%, reducing its underperformance since the beginning of the year to -2.2%⁵. Despite this reversal of trend over the past two months, the valuation gap between the two styles remains significant: 9.5x in P/E⁶ for value (close to its all-time lows) and 21.6x for growth (close to its all-time highs despite the rebound in interest rates)⁷.

R-co Conviction Equity Value Euro limited its decline to -0.5% for the month, outperforming its benchmark by nearly 140 basis points⁸. This outperformance is largely explained by the fund's overexposure to the energy and banking sectors and its underexposure to the technology sector, which suffered from rising interest rates. To a lesser extent, the fund also benefited from a favorable selection of securities in the media (Prosieben) and healthcare (Sanofi) sectors, partially offset by the disappointing performance of ArcelorMittal in the commodities sector for the month.

In terms of movements, we continued to strengthen our position in Forvia early in the

month, convinced that the Group's operational improvement was not reflected in its valuation. We also continued to build our position in Technip Energies within the oil sector. The growth dynamics remain very favorable for the Group, and furthermore, oilfield service companies seem to offer more appreciation potential at present. At the same time, we took profits on two stocks that have significantly outperformed in recent months: Inditex and Wienerberger.

The strong rotation in favor of the growth style at the beginning of the year has reversed over the past two months. The value style has benefited from interest rates higher than investors' expectations and macroeconomic data confirming the inflection point in growth in Europe. This scenario has renewed attraction to the Old Continent, particularly to cyclical value sectors whose valuations do not reflect this recovery scenario. This situation has allowed the banking and oil sectors, in which we remain overweight, to be drivers of this rebound. However, we continue to steer clear of growth sectors, which remain richly valued, a stance we find incompatible with the current level of real interest rates and a negative trend in earnings revisions for these sectors, unlike the value sectors.

Ulteriori informazioni sui fondi

R-co Conviction Equity Value Euro



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- (1) Source: Bloomberg, 30 April 2024. Performances in euros, calculated with dividends reinvested.
(2) Higher for longer.
(3) The value style consists in investing in discounted companies, i.e., those whose share prices at a given moment are below what they should be on the basis of their results and the values of the companies' assets. Value investors select stocks with low price/book ratios or high dividend yields.
(4) Growth investors focus mainly on companies' growth potential, hoping that revenues and earnings will increase more than the sector's or the market average.
(5) Source : Bloomberg, 30/04/2024.
(6) Price earnings ratio.
(7) Sources: FactSet, Goldman Sachs Investment Research, Bloomberg, 3 May 2024.
(8) Sources: Bloomberg, Rothschild & Co Asset Management, 3 May 2024.

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

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