Rothschild & Co
Asset Management

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

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American inflation remains resilient, leading the Fed to adopt a more hawkish tone[1], seemingly depriving equity markets of their traditional "Christmas rally."[2] The MSCI World Index declined by -0.7% in December, and the S&P 500 fell by -0.3%. However, these indices posted excellent performances for the year 2024 (+26.7% and +33.6%, respectively)[3]. In Europe, despite persistently weak PMI[4] data and political instability, the Eurostoxx benefited from hopes of a Chinese recovery and from the ECB's more accommodative stance. The European index outperformed the global index in December with a +1.3% gain (up +9.3% over 2024)[3]. Hopes of a Chinese recovery boosted consumer goods in December (+6.6%)[3] and revitalized the automotive sector (+4.0% for the month and -12.1% for the year)[3]. The increase in European sovereign yields, following the U.S. trend, benefited banks (+4.9%)[3] and negatively impacted highly leveraged sectors such as telecom (-3.9%) and real estate (-5.8%)[3].

This market context favored the Growth[5] style, which rose by +2.4%[3], while the Value style[6] gained only +1.1%[3]. For the year 2024 in the Eurozone, Growth outperformed the market with an +11.0% gain (versus +8.4% for Value)[3]. With a PE[7] ratio of 21.3x for Growth compared to 9.9x for Value, the valuation premium of Growth over Value slightly decreased during the month (from 119% to 115%)[8]. This premium remains near historical highs, and we continue to believe it will normalize through both a de-rating of Growth sectors (similar to what the luxury sector's experienced in 2024) and a re-rating of certain Value sectors (notably financials, as observed recently).

R-co Conviction Equity Value Euro gained +0.9% in December and +2.4% for the year 2024[9]. The allocation effect was unfavorable due to the outperformance of Growth sectors (luxury and, to a lesser extent, technology) and the underperformance of real estate. This was partially offset by strong performances from some of our top convictions, such as TechnipEnergies (+10.5%), Société Générale (+8.2%), and KBC Group (+9.2%)[10].

During the month, we continued to increase our position in TechnipEnergies, which has become one of the portfolio's strongest convictions. This engineering, design, and infrastructure construction company in the oil and gas services sector is expected to benefit from secular trends in the necessary transformation of the global energy system. In the short term, it could capitalize on the lifting of the U.S. LNG moratorium by the new Trump administration. **We also made adjustments in the Utilities sector, selling our position in Engie.** The French energy provider has so far been relatively unaffected by political disruptions in France despite its significant domestic exposure (~45% of revenues)[11]. **This sale allowed us to strengthen our positions in RWE and EDP,** which had been adversely affected by U.S. election-related fears of a potential rollback of the IRA on renewables. We remain relatively confident on this issue due to the growing demand for electricity in the U.S. Finally, these two companies are exposed to electricity and gas prices in Europe, and we maintain our constructive view adopted over a year ago regarding the ongoing reorganization of gas markets on the continent.

Ulteriori informazioni sui fondi

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] Favorable positioning for a less accommodative monetary policy to combat inflation.
[2] The Christmas rally is a historically strong period for equities at the year's end.
[3] Bloomberg 02/01/2025, total return performances in €.
[4] The Purchasing Managers' Index, it reflects the confidence of purchasing managers in a sector. Above 50 indicates activity expansion; below 50, contraction.
[5] Growth investors focus primarily on the potential earnings growth of companies, hoping revenue and earnings growth exceed their sector or market average.
[6] A "value" strategy seeks undervalued companies in the market, i.e., those with a market valuation lower than their earnings and asset value. Value investors select stocks with low price/book value ratios or high dividend yields.
[7] The price-to-earnings ratio evaluates the market price of a financial security relative to its net earnings per share.
[8] Bloomberg 03/01/2025, MSCI Europe Value and MSCI Europe Growth, blended forward 12-month PE.
[9] Rothschild & Co Asset Management, 31/12/2024.
[10] Bloomberg 03/01/2025
[11] Exane Revenue 2023

Completed writing on December 5, 2024.

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

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