



Between the easing of monetary policies, geopolitical tensions and the new American situation, how can you make the most of the situation?



Elsa Fernandez
Product specialist

In a complex and evolving economic environment, R-co Valor Balanced stands out as a suitable solution for investors seeking a balance between performance and risk management, while delegating asset allocation decisions to experts who monitor the markets daily. Product Specialist Elsa Fernandez answers our questions:

How would you describe the current macroeconomic context and its impact on the financial markets?

Elsa Fernandez: Following Donald Trump's landslide victory in the US elections, equity markets reacted positively, particularly in the US where the S&P 500 jumped 5.7% in November¹. At the same time, interest rates rose, with the US 10-year reaching 4.5%¹ on expectations of more sustained inflation in the region. The foreign exchange market also reacted strongly, with the dollar strengthening significantly against other currencies.

Elsewhere in the world, Europe is facing an uncertain economic environment, characterised by moderate growth and mixed indicators. China, for its part, is navigating between the threat of higher tariffs imposed by the United States and hopes of a significant stimulus plan from the Communist Party. At the same time, the cycle of global monetary easing continued, with central banks in both developed and emerging economies cutting interest rates. However, President-elect Donald Trump has promised to raise tariffs, which could lead to reciprocal trade tensions. This could have a potentially inflationary effect, limiting the Fed's scope for future rate cuts. In Europe, the European Central Bank (ECB) is facing heightened expectations of a significant easing of its monetary policy, with the aim of countering the slowdown in economic momentum. In fact, as anticipated by the market, it cut interest rates by 0.25 basis points for the third time in a row.

Why are you talking to us about R-co Valor Balanced in this context?

E.F : R-co Valor Balanced combines two of our core areas of expertise: Valor's international equity expertise and our credit bond expertise. Since its creation in 2018, this fund has weathered several unprecedented market environments, including 2022, a particularly difficult year for euro-denominated corporate bonds. Despite this environment, it has posted an annualised² performance of 12.24%³ since the start of the year, with volatility of 5.6%². By partly replicating the equity exposure of R-co Valor while adding a bond component, in particular Investment Grade⁴ bonds in euros, this fund enables investors to benefit from the performance of equities and bonds while limiting volatility.

Can you tell us more about the strategic moves within the fund?

E.F.: Over the last few months, we have been constantly reducing our exposure to risk, both in terms of the allocation between the different asset classes and within them. At the end of November, our allocation consisted of 37% in equities², 54% in bonds² and the remainder in money market instruments, illustrating our relatively cautious approach. Our proactive approach was also reflected in the equity component, where we took profits on some Chinese stocks as soon as they rebounded in early October, reflecting our active and vigilant management. On the bond side, we increased our exposure via primary issues of mainly Investment Grade bonds. At the same time, we maintained hedging instruments such as CDS⁵ on the Main iTraxx index, which represent around 20% of our bond portfolio², to protect the fund against any systemic risk. Thanks to this balanced management, the fund posted a performance of 2.22%² in November, taking its year-to-date performance to +12.24%².

What are the specific advantages of R-co Valor Balanced in the current economic climate?

E.F : R-co Valor Balanced has a number of key strengths that enable it to adapt effectively to the current economic climate. Firstly, the responsiveness of the team is a key element. It is capable of rapidly adapting its allocation in line with increasingly rapid and volatile market movements, which is a decisive advantage when it comes to seizing opportunities. Secondly, the fund relies on robust diversification, spreading its investments across different asset classes, each with its own performance drivers. This approach ensures greater resilience in the face of market ups and downs, and optimises returns under different economic conditions. Finally, the carte blanche approach, with no style bias or benchmark constraints, allows the fund to seek performance wherever it is found in different sectors and geographical areas. This freedom of allocation is essential if we are to take full advantage of opportunities in a constantly changing environment. With a bond sensitivity of 3.93² and a current yield of 3.5%², R-co Valor Balanced offers a balanced exposure between equities and bonds. This makes it possible to capture the potential of the equity markets while limiting volatility thanks to the bond component, which itself has its own performance driver.

What are the potential risks to be taken into account and how is the fund preparing for them?

E.F : The current environment is characterised by a multitude of risks: geopolitical tensions, political uncertainties, fluctuating monetary policies, inflationary pressures and high expectations for earnings growth. These factors, which are often interdependent, make it particularly tricky to assess their impact on the markets, fuelling a climate of uncertainty. In this environment, it is crucial to maintain a rational approach and not be influenced by the surrounding noise. R-co Valor Balanced is ideally positioned in this context. It is a real toolbox that offers several levers for adjusting to the context. The fund benefits from flexible risk exposure, allowing the allocation between different asset classes to be adjusted according to opportunities. It also has the option of modulating the sensitivity of the bond portfolio and taking advantage of international exposure in the equity portfolio. In a complex and changing environment, R-co Valor Balanced stands out as a solution for investors seeking a balance between performance and risk control, who wish to delegate arbitrage between different asset classes to experts who monitor the markets on a daily basis.

(1) Source: Bloomberg, 30/11/2024.

(2) C share - Please note that past performance is not a reliable indicator of future performance, and is not constant over time.

(3) Source: Rothschild & Co Asset Management, 30/11/2024.

(4) Debt securities issued by companies or governments rated between AAA and BBB- by Standard & Poor's.

(5) Credit Default Swaps: derivatives used to insure against the default of a debt issuer. They are traded for arbitrage, hedging or speculative purposes.

(6) Benchmark index.

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R-co Valor Balanced

Recommended Investment Horizon: 3-5 years

SRI Risk: 3/7

The synthetic risk indicator allows for an assessment of this product's risk level compared to others. It indicates the likelihood of this product incurring losses due to market movements or our inability to pay you. We have classified this product in risk class 3 out of 7, which represents a low to medium risk level. This classification primarily reflects a discretionary management policy that exposes the portfolio to equity and bond markets with a balanced profile. In other words, the potential losses linked to the product's future performance are at a low to medium level, and in the event of adverse market conditions, it is unlikely that our ability to pay you would be affected. This risk indicator assumes you hold the product for 5 years; otherwise, the actual risk may vary significantly, and you could receive less in return. Main Risks: Capital Loss Risk - Discretionary Management Risk - Market Risk - Credit Risk - Interest Rate Risk - Currency Risk - Counterparty Risk - Risk Related to the Use of Derivative Instruments. This is a non-exhaustive list. Please refer to the "Risk Profile" section of the SICAV's prospectus for more details. Geographic and sectoral allocations and distributions are not fixed and may change over time within the limits of the compartment's prospectus. The above information does not constitute investment advice or a recommendation to invest.

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Meer informatie op: www.am.eu.rothschildandco.com

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

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