



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



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Donald Trump's full victory in the US election was, of course, the major event for the markets in November. While this victory made the US market euphoric (S&P 500 + 8.8%)¹, and driven by the same global indices (MSCI World +7.5%)¹, it left European markets in doubt and worried about the future evolution of world trade. The Eurostoxx therefore underperformed the US market (Eurostoxx +0.0% over the month)², especially since the two largest economies of the old continent had contrasting activity data during the month, and suffered from growing political instability.



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Manager

The US election naturally boosted the fortunes of the technology sector, which ended up better at +4.0%, especially via its heavy goods vehicles (ASML +6.0%, SAP +4.7%)². It also favoured idiosyncratic stories with high US domestic exposure such as Deutsche Telekom +8.8% or Aged Delaize +7.7 %², which explains **the good performances of telecom (+3.4%) and food distribution (+3.3%)², whose defensive character was also sought in the European market. The food and beverage (-4.9%), chemicals (-4.5%) and automotive (-4.2%)² sectors were penalised** by the threat of higher tariffs and largely underperformed the European market.

This context was therefore largely in favour of the Growth style³ which gained +1.4 %² over the month while Value⁴ was down -2.6 %², thus reducing the performance of the two styles since the beginning of the year close to that of the Eurostoxx. The valuation premium of the growth style relative to the value style therefore increased slightly over the month, reaching a level of 121% (21.4x the PER⁵ for growth against 9.7x the PER for value)⁶, still close to its historical highs. **We continue to believe that this premium is expected to normalise, both through a de rating of growth sectors** (as the luxury sector has begun

to do) **and by a re rating of certain Value sectors** (such as financials, which are no longer suffering the effects of a continued decline in interest rates as in the pre Covid decade).

The R-co Conviction Equity Value Euro fund limited its underperformance over the month against the Value style and recorded a decrease of -1.7 %⁷. This underperformance is mainly due to unfavorable stock picking, which was explained either by the US election (Sanofi -5.2% due to the appointment of Robert F. Kennedy Jr.), or by French political concerns (BNP -9.7%) and Société Générale (-4.9%)². The allocation effect was also unfavourable due to the outperformance of technology.

During the month, we decided to **reduce our exposure to the energy sector by selling our position on TotalEnergies**. The election of Donald Trump should in our view encourage US oil production and accentuate the surplus supply that was already expected for 2025, putting the price of a barrel under pressure. **However, it should favor US LNG projects, which could notably favor TechnipEnergies**. The sale of TotalEnergies allowed us to reinvest in part in this mid-cap⁸, which the Capital Market Day supported us on its prospects and its position as a key player in the transformation of the global energy system.

Meer informatie over de fondsen

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] Source: Bloomberg, 30/11/2024 - total return performance in €.

[2] Source: Bloomberg, 30/11/2024.

[3] Growth investors focus primarily on the earnings growth potential of companies, hoping that their sales and earnings growth will outstrip that of their sector or the market average.

[4] A 'value' strategy is one in which the investor seeks out companies that are undervalued by the market at a given time, i.e. whose stock market valuation is lower than it should be in view of the company's results and asset value. Value investors select stocks with low price-to-book ratios or high dividend yields.

[5] Price Earning Ratio: Ratio between the share price and net earnings per share, used to assess the value of a financial security.

[7] Source : Rothschild & Co Asset Management, 30/11/ 2024.

[8] Mid-caps are companies with a market capitalisation of between 2 and 10 billion dollars.

Completed writing on December 5, 2024.

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

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