



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



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Equity markets slowed their pace of growth in July, marked by **rather mixed macroeconomic data**, the **outcome of elections** in France and the United Kingdom, and **events surrounding the forthcoming US elections** (assassination attempt on Donald Trump, withdrawal of Joe Biden's candidacy in favour of Kamala Harris). In the end, **the MSCI World and the S&P 500 progressed by +0.9% and +0.4% respectively¹**. Note that the US market was driven by a rotation in favor of small and mid-caps with the Russell 2000 index up by 9.2%¹. Similar to the US indices, **the EuroStoxx was also up by a measured +0.6% over the month¹, in a climate of macroeconomic and microeconomic (mixed first-half results) uncertainty**, as well as political instability. Healthcare (+6.9%), construction (+6.4%) and banks (+5.8%) outperformed the market while technology (-6.4%), consumer goods (-5.7%) and commodities (-7.9%) ended up at the bottom¹.

The Value style² benefited from sector rotation and posted a performance of +3.1%¹, compared to a decline of -2.5%¹ for the Growth style³. **The performance gap between the two styles had significantly narrowed over the month, from +6.7% at the end of June to +0.6% at the end of July¹**. The outperformance of the Value style over the month can be explained both by the strong underperformance of growth sectors (consumer goods and technology), and by the good performance of Value sectors (banks +5.8%, telecommunications +4.1%, utilities +5.3%)¹. **These movements have begun reducing the valuation gaps between the styles:** the relative valuation premium of the Growth style and the Value stood at 127% at the end of July (compared to 138% at the end of June)⁴. However, this premium remains at a historically high level. At the end of July, the Growth style was valued at 22.0x PE, compared to 9.7x for the Value style⁴.

In July, R-co Conviction Equity Value Euro gained 2.9% and outperformed its benchmark by 2.3%⁵. This outperformance was due, first, by the fund's underexposure to

the growth sectors mentioned above. Secondly, the selection effect was beneficial to the fund, in particular because of Sanofi, our largest position in the portfolio. The stock was up +6.0% over the month¹ after good half year results: the pharmaceutical company benefited from growing divisions, a brighter outlook and an improved pipeline. The non-holding of ASML, which fell by -11.7%¹ due to US threats of trade restrictions, also contributed positively to the selection effect. There were, however, negative contributions from cyclical stocks that published figures deemed disappointing by investors (Ryanair and STMicroelectronics).

Within the portfolio, taking advantage of Sanofi's outperformance, we trimmed the stock to marginally strengthen positions that we felt had been excessively penalized by the market: namely Ryanair, STMicroelectronics and Stellantis. Although their publications were disappointing, we felt that their performance drop of -17.1%, -13.7% and 8.7%¹ were excessive given their solid fundamentals. These companies remain leaders in some of their markets, and their long-term growth potential is not in doubt.

Recent doubts have highlighted the fact that some flagship Growth style companies seem to have incorporated a 'no landing'⁶ scenario into their valuations. These companies are therefore very sensitive to macroeconomic disappointments, while expectations were increasingly high for them. **Despite the market concerns, the scenario of weak but positive growth in Europe remains relevant, with inflation continuing to decline and central banks ready to begin their rate-cutting cycles.** The elements needed for a positive momentum in equities therefore remain in place. Unlike the Growth style, the Value style has for several months been incorporating a slowdown in the economy. **The rebalancing scenario between styles should continue as activity normalises, with the slowdown simply reflecting the monetary tightening cycle of recent months.**

Completed writing on August 5, 2024.

The risk indicator assumes that you hold the product for 5 years. The actual risk may be very different if you opt to exit before maturity, and you may get less in return. We have classified this product in risk class 5 out of 7, which is between medium and high risk and mainly reflects its positioning on the Eurozone equity market. In other words, the potential losses linked to the product's future results are between medium and high, and if the situation were to deteriorate on the markets, it is likely that our ability to pay you would be affected. As this product does not provide market protection or a capital guarantee, you could lose all or part of your investment.

Meer informatie over de fondsen

R-co Conviction Equity Value Euro



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[1] Source: Bloomberg, 31/07/2024.

[2] A "value" strategy refers to when investors seek out companies undervalued by the market at a given time, meaning their market valuation is lower than it should be based on the company's earnings and asset value. Value investors select securities with low price-to-book ratios or high dividend yields.

[3] Investors favoring the "growth" style focus mainly on the earnings growth potential of companies, hoping that revenue and profit growth will exceed that of their sector or the market average.

[4] Sources: Factset, Goldman Sachs Investment Research, 02/08/2024.

[5] Sources: Bloomberg, Rothschild & Co Asset Management, 31/07/2024. C EUR share vs. Euro Stoxx NR index.

Performance R-co Conviction Equity Value Euro since 10 years: 47,6%

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%

[6] Scenario in which growth remains strong, encouraging central banks to keep interest rates high and inflation one or two points above the 2% target.

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

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