Rothschild & Co
Asset Management

Fund Update : R-co Conviction Equity Value Euro — July 2026

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In June, equity markets continued their rebound, buoyed by the easing of geopolitical tensions in the Middle East following the announcement of a framework agreement between the United States and Iran. The prospect of a return to normal oil flows led to a sharp decline in Brent crude, which fell by more than 20% over the month. The macroeconomic environment, however, remained marked by persistent inflationary pressures, leading the Fed and the ECB to maintain a cautious monetary stance. In this environment, the MSCI World (+1.4%) and the S&P 500 (+1.3%) rose, driven both by the geopolitical easing and the continued momentum of the artificial intelligence theme. The Euro Stoxx (+3.7%)[1] benefited more from falling energy prices and the easing of geopolitical risks. The Technology sector (+10.5%) significantly outperformed, driven by semiconductors, while Energy (-4.3%) and Materials (-10.5%) suffered from a less favorable pricing environment.[1] Finally, Telecommunications (-10.5%) saw profit-taking, as investors remained concerned about certain risks specific to companies in the sector[1].

The continued strong performance of semiconductors continued to support the Growth style, which rose by +4.5%[1], while the Value style slightly outperformed the index with a gain of +3.9%[1]. In this context, the growth-to-value premium remained high, at 73%[1] at the end of the month. In our view, the gradual normalization of this premium—which began with the shift in the interest rate paradigm, in an environment characterized by persistently higher rates—is likely to continue, given the significant investment needs and high levels of government deficits in developed economies.

The R-co Conviction Equity Value Euro fund rose by +0.8% in June. The allocation effect was broadly neutral: underweight exposure to Technology acted as a drag, offset by

the overweight position in banking—with eurozone banks rising by +7.5% over the month—as well as by the underweight position in Energy, a sector that fell by -4.3%[1]. The stock-picking effect, however, weighed on performance. The sharp rise in ASML (+24%), given its significant weight in the Euro Stoxx—now at 8.6%[1]—accounted for more than half of this negative impact. The remainder is mainly attributable to the weak performance of some of our key holdings, notably Deutsche Telekom (-17.4%) and Heidelberg Materials (-12.5%)[1]. We view these movements, however, as one-off events that do not call into question our long-term investment thesis. We therefore took advantage of these pullbacks to increase our holdings in these stocks.

During the month of June, we initiated a position in SAP to take advantage of a valuation that we now consider attractive, given the strength of its business model, the breadth of its customer base, and its ability to capitalize on the development of artificial intelligence rather than suffer its disruptive effects. Following the same contrarian approach, we also increased our positions in Capgemini and Publicis. These moves were financed in particular by partial profit-taking on banking stocks, as well as on BASF, for which the tailwinds related to the risks of a closure of the Strait of Hormuz now seem less pronounced to us. We also reduced our position in Siemens following the stock's strong performance over the past three months (+37.7%)[1].

Our base-case scenario assumes that relative geopolitical stability will hold as the U.S. midterm elections approach, while easing energy prices should help alleviate inflationary pressures. In this environment, we believe European equity markets still have upside potential. Looking ahead to the second half of 2026, we therefore continue to favor a scenario of a gradual recovery in the European industrial cycle, supported by investment plans underway in the region and by a gradual improvement in macroeconomic indicators, following a second quarter that weighed on economic confidence.

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

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