

Our investment approach





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Staircase at the Rothschild & Co
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Management

Foreword

We believe it is important to ensure you have a clear understanding of why we focus on preserving and growing your wealth, what can be expected from us and how our different investment approaches can meet your objectives.

As our clients come from all over the world, they need investment solutions that are internationally focused and flexible. To answer this call we have created two investment approaches to better address clients' needs: one offering a market-orientated "Top-down" investment strategy (Mosaïque); the other a company-focused "Bottom-up" approach (New Court) both focused on preserving the real value of your wealth.

On the following pages we take you through our thinking and commitment we apply to each of these approaches when managing your wealth.

Our aim is to provide you with a smooth investment journey – one which is important to your investment needs and building together a long-term partnership.



Laurent Gagnebin

CEO, Rothschild & Co Bank AG

Wealth preservation and growth

We understand that reaching our clients' goals is as important as the journey itself.

We invest and advise in a clear, composed and conscientious manner. We understand that reaching our clients' goals is as important as the journey itself. Our investment approach is about explaining what we aim to achieve with our clients and how we go about it.

Our goal is to preserve and grow the real value of our clients' wealth. This involves several related things: outpacing inflation, achieving prudent growth and avoiding large losses, all while focusing on our clients' income and capital needs.

To begin with, if we are to increase our clients' purchasing power in the real world we must produce investment returns that keep ahead of inflation. We achieve this by investing in assets that grow in value over time, withstanding the markets' highs and lows. That part is relatively straightforward. The challenge comes when positioning portfolios against a fast-changing investment backdrop filled with noise and clutter.

To deliver this, we need to separate fact from opinion, cut through complexity and provide clear and easy-to-explain portfolios which embrace prudent growth and stand the test of time. Most importantly, we need to do so in a way that is meaningful and relevant to our clients, aware that no one approach will work for all.

Wealth preservation may sound easy; the hard part comes when actually delivering the above, consistently and well, through thick and thin.

“It takes a great deal of boldness and a great deal of caution to make a great fortune; and when you have got it, it requires ten times as much wit to keep it.”

**Nathan Mayer Rothschild
(1777–1836)**

One destination, two ways

Our clients are global and require a global set of investment offerings to match their needs and preferences. Whether entrepreneurs or owners of family-run businesses, we understand that many clients have worked hard to build their wealth and are looking to us to preserve and grow this wealth.

Some clients will be concerned with the global economy, politics and central banks. They will want to understand the effect these have on financial markets and their portfolios.

Other clients will be less sensitive to these issues and more interested in the individual assets they hold in their portfolios. They will want to obtain a much deeper understanding of the businesses they invest in and what makes them special.

We have created two different investment approaches to better address these preferences. The next pages explain these two approaches and how we use them to achieve our end goal.

Our investment approaches

	Mosaique Approach (Top-down)	New Court Approach (Bottom-up)
Objective	To preserve and grow the real value of our clients' wealth over the long term	To preserve and grow the real value of our clients' wealth over the long term
Style	<ul style="list-style-type: none"> Investing from the top down Identifying high-performing sectors, industries and companies on a 12- to 18-month view 	<ul style="list-style-type: none"> Investing from the bottom up Long-term buy and hold strategies
Starting point	Analysing markets, valuations, economies and public policy	Analysing individual equities and funds
Portfolio structure	Multiple categories: portfolios structured by conventional asset classes	Two categories: return assets for growth; diversifying assets for protection
Performance pattern	Performance should correlate to benchmarks and be closer to the overall market and peers	Performance may be very different from the overall market and peers
Mandate types	Discretionary and Advisory	Discretionary

Our Mosaïque approach: Starting “from the top”

For the first group of clients described above, we have created an investment approach where we “start from the top”.

The name Mosaïque makes reference to art made from the assemblage of small pieces that create an image that is best seen as a whole. The beauty of the overall piece is the focus but every single element is carefully selected to create that image. The name also makes reference to the rhododendrons cultivated by Lionel de Rothschild in the Exbury Gardens in the first part of the 20th century.

Our Mosaïque approach creates portfolios which can capture returns by harnessing and outperforming market and macroeconomic trends. This requires us to build liquid and well-diversified portfolios across asset classes, regions and sectors. We do this through a tactical view of the world today, tomorrow and the next 12 to 18 months: our asset allocation views.

Key to this approach is our analysis and interpretation of historic and forecast data to assess market behaviour, valuations and economic activity.

We then use equities, fixed income, cash and alternative strategies to build portfolios, remembering that each position must correspond to the big picture set by our asset allocation views.

Performance for Mosaïque portfolios will be measured against a strategic benchmark. This is based on comparative industry standards and our views will then seek to generate returns above and beyond that benchmark.

To monitor our performance, we tailor benchmarks to each client’s reference currency and risk profile. This allows us to track performance and position portfolios based on clients’ specific investment needs.

We also use our Mosaïque approach to provide clients with advisory services. This allows us to give clients our asset allocation views, so that individual transactions can work towards a clear, holistic investment picture, just as when creating a mosaic.

The Mosaïque approach offers our clients a clear, market-orientated investment approach which is connected to but not dictated by daily, monthly and annual economic and market trends.

To conclude, the Mosaïque approach offers our clients a clear, market-orientated investment approach, one which is connected to but not dictated by daily, monthly and annual economic and market trends. It is popular with wealth management clients but it is not the only way to preserve and grow the real value of wealth.

That is where our New Court approach comes into play.

Our New Court approach: Starting “from the bottom”

In 1809, N.M. Rothschild established his premises at New Court, St. Swithin's Lane London. Over two centuries, Rothschild & Co's London headquarters has stood the test of time, reflecting the family's long-term approach to wealth management.

Our New Court offering gives our clients access to a bottom-up investment approach. Returns are sought over a long-term investment horizon through the selection of assets whose fair value is higher than their current market price.

Return assets

To meet our objective, we invest in assets that increase in value over time. These we call return assets, which occupy the “growth” side of our portfolios and consist primarily of shares in individual companies or specialist equity-related funds. Their returns – and, crucially, their pattern of risks – all tend to be linked to the stock market.

Diversifying assets

To protect the portfolios against risks, we hold what we call diversifying assets on the other side of the portfolios. These typically include cash, bonds and currencies as well as what we call portfolio protection and alternative strategies.

With our long-term approach and commitment to patient investing, we are happy to own unpopular assets. At times when others are cautious, we may be confident. In addition, when others are chasing opportunities, we may be focused on managing risks.

Our goal is to focus on a long-term investment target of inflation plus return. The rest, we view as noise.

The New Court approach offers clients a bottom-up investment strategy based on a fundamental analysis of assets' current versus intrinsic value. This gives private clients a company-focused investment approach, one which seeks long-term inflation beating returns, separate from market and macroeconomic trends.

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What we know

We could pretend to be the best in the world in every area, with mastery of every market and asset class and a monopoly on good ideas and investment expertise. We think it is much wiser, however, to know our limitations, stick to our above competencies and focus on what we do best.

This we achieve through our two investment approaches which fulfil our end goal: to preserve and grow the real value of your wealth.

Notes

At Rothschild & Co Wealth Management we offer an objective long-term perspective on investing, structuring and safeguarding assets, to preserve and grow our clients' wealth.

We provide a comprehensive range of services to some of the world's wealthiest and most successful families, entrepreneurs, foundations and charities.

In an environment where short-term thinking often dominates, our long-term perspective sets us apart. We believe preservation first is the right approach to managing wealth.

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