

LO Funds

Europe High Conviction

Newsletter

Regional Equities • Equities

31 August 2024

PERFORMANCE COMMENT

LO Funds–Europe High Conviction underperformed the market by -54 bps net of fees (EUR P share class) in August. The Fund was up +1.08% (P class), while its benchmark, the MSCI Europe Index, was up +1.62%. Year-to-date (YTD), the Fund has underperformed the benchmark by -1157 bps net of fees (P class) for a total performance of +0.53% (P class), compared to the benchmark's gain of +12.11%. N class shares underperformed the market by -47 bps in August and underperformed by -1100 bps YTD for a return of +1.11%. Since the new team updated the strategy at the end of June 2024, incorporating new risk parameters, the Fund has performed broadly in line with the market on the P class (-3 bps) and slightly outperformed on the N class (+12 bps), versus the market up +2.81%.

The Fund's performance in August was driven by small negative effects from both stock selection and market factors. Our companies continued to deliver on results, with 85% of those that reported results in August either beating estimates or delivering in line. However, Spirax Group's disappointing results (discussed below) were the standout drag on performance (-33 bps gross).

The best-performing sectors last month were Real Estate (+4.2%) and Healthcare (+4.1%), while the bottom performers were Energy (-3.1%) and Information Technology (-1.4%). Taken together, our stocks in these sectors had a slightly negative effect on performance (-8 bps gross).

STOCK PERFORMANCE: TOP CONTRIBUTORS AND DETRACTORS

CONTRIBUTORS

The top-three contributors to the Fund's performance in August were Adyen, ALK-Abello and Bunzl.

Adyen: The payments company reported results slightly above market expectations in August. Top-line growth, at +24%, reassured investors of the company's growth trajectory, along with the all-important take rate, which was in line with expectations, alleviating past concerns of price competition. The stock was up +18% in EUR last month.

ALK-Abello: The healthcare company reported results that were a big beat relative to market expectations. Management increased its guidance for FY24 for the third time since setting the growth and margin outlook earlier in the year, as confidence grew around market developments. The stock was up +15%.

Bunzl: The distributor reported results that reassured the market of its margin trajectory. While revenues were broadly in line with expectations, strong margins seemed to reassure the market regarding the sustainability of recent margin gains in the business. The stock was up +9%.

DETRACTORS

The three positions that detracted most from the Fund's performance last month were Spirax Group, Trainline and Ringkjøbing Landbobank.

Spirax Group: The industrial purveyor reported weaker-than-expected results, led by a slowdown in its main segment, Steam, as China showed a significant deceleration. Its biopharma and semiconductor exposures continue to show no pickup from recent lows. While the company's short-term trajectory has proven more uncertain than expected, we continue to see it as one of our high-quality growers, buttressed by solid recurring revenues in the core business and generating meaningful upside. The stock was down -15% in EUR last month.

Trainline: We did not see much news on the online platform last month. The UK Train Drivers' Union (ASLEF) appear to have reached an agreement with the new UK government, which should provide relief on strikes that have dogged the market over the past few years. The stock

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was down -12%.

Ringkjøbing: The Danish bank reported stronger-than-expected results,

and management increased its profit guidance for the year. We did not see any other news on the name that could justify the stock's underperformance last month. The stock was down -10%.

PERFORMANCE

31.08.2024	INCEPTION	AUM	MONTH -TO- DATE	YEAR- TO-DATE	SINCE MANAGEMENT CHANGE [6]	2023	2022	2021	2020	2019
LOF – Europe High Conviction PA [1]	19 December 1997	EUR 204 mn	1.08%	0.53%	164.69%	10.54%	-21.07%	18.60%	4.42%	25.02%
LOF – Europe High Conviction MA [2]			1.14%	0.99%	181.77%	11.28%	-20.54%	19.40%	4.70%	25.87%
LOF – Europe High Conviction NA [3]			1.15%	1.11%	190.59%	11.48%	-20.40%	19.61%	4.88%	26.09%
LOF – Europe High Conviction IA [4]			1.16%	1.14%	190.38%	11.52%	-20.37%	19.66%	4.95%	26.14%
Benchmark [5]			1.62%	12.11%	175.93%	15.84%	-9.49%	25.13%	-3.32%	26.04%

Past performance is not a guarantee of future results. Performance is presented net of fees.

[1] Dividend accumulated retail client share class, net performance in EUR.

[2] Dividend accumulated clean retail client share class, net performance in EUR.

[3] Dividend accumulated clean large retail client share class, net performance in EUR.

[4] Dividend accumulated institutional share class, net performance in EUR.

[5] MSCI Europe ND since 30 June 2005, previously MSCI Europe and FT Europe.

[6] Strategy change 15 November 2010.

Note: new team introduced 13 May 2024

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Before taking any investment decision, please read the latest version of the prospectus, the articles of incorporation, the Key Information Documents (KIDs) and the latest annual report and semi-annual report. Please pay attention to the Appendix B "Risk Factors Annex" of the prospectus.

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