

LO Funds

Europe High Conviction

Newsletter

Regional Equities • Equities

30 September 2024

PERFORMANCE COMMENT

Since updated Strategy (end June 2024):

Since the new team updated the strategy at the end of June 2024, incorporating new risk parameters, LO Funds–Europe High Conviction has underperformed the market by -89 bps on the P class for a total return of +1.47% versus the market up +2.35%. N class shares were -66 bps versus the market.

Over the period, the top three best performing positions minus the bottom three had a neutral (-1 bp) impact on performance (gross). Materials, where we have a small overweight, was the best performing sector (+38 bps contribution), but was more than offset by Industrials (-56 bps), which we are underweight and also, in part, was hampered by selection. Combined, these two sectors detracted -20 bps, over half of (gross) performance.

The Fund is well positioned to offer broad exposure across sectors and underlying drivers. Over time, the portfolio construction should allow for the delivery of our objectives: solid alpha generation from high-conviction positions based on proprietary, fundamental analysis, coupled with strict risk management to protect from sizeable relative drawdowns.

September 2024:

The Fund underperformed the market by -84 bps net of fees (EUR P share class) in September, and was down -1.28% (P class), while its benchmark, the MSCI Europe Index, was down -0.44%. Year-to-date (YTD), the Fund has underperformed the benchmark by -1236 bps net of fees (P class) for a total performance of -0.75% (P class), compared to the benchmark's gain of +11.61%. N class shares underperformed the market by -77 bps in September and by -1172 bps YTD for a return of -0.11%.

The Fund's performance in September was driven mostly by stock selection, with a smaller negative impact from market factors. Our

performance was negatively impacted by a couple of outsized losers (Rentokil c. -32 bps, Novo Nordisk c. -21 bps), and these losses were only partially offset by some meaningful winners, discussed below. Our top three positions minus our bottom three positions had a net -25bps impact last month – a bit over a third of our (gross) performance.

The best-performing sectors last month were Materials (+5.1%) – driven by Basic Resources (+8.7%) – and Real Estate (+4.7%), while the bottom performers were Energy (-6.9%) and Healthcare (-6.9%). Taken together, our stocks in these sectors had a slightly positive effect on performance (+3 bps gross). The sector with the most significant impact on performance was Industrials, which was more impacted by negative selection.

STOCK PERFORMANCE: TOP CONTRIBUTORS AND DETRACTORS

CONTRIBUTORS

The top three contributors to the Fund's performance in September were Scout 24, Eurofins and Whitbread.

Scout 24: The German real estate classifieds company announced a small share buyback last month. There was also renewed interest in the space, as Australian peer REA Group made four different approaches to potentially acquire UK peer Rightmove, all rejected by Rightmove's board as they were considered to undervalue the firm. The stock was up +12% in EUR last month.

Eurofins: The French lab company's stock continued to recover from a short report issued in June, as management communicated its confidence in the outcome of the independent cash audit, soon to be released. Fitch reaffirmed its investment-grade rating on the company's debt. The stock was up +10%.

Whitbread: We saw little news on the budget hotel operator in

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September. The Travel and Leisure sector was the third best performing subsector last month (+5%), which we believe helped drive the stock. The stock was up +10%.

DETRACTORS

The three positions that detracted most from the Fund’s performance last month were Rentokil, Novo Nordisk and Elis.

Rentokil: The pest-control firm issued a profit warning last month as growth in its North American business was slower than expected during the summer season. Concerns mounted that the integration of Terminix has been subpar, hurting the operations, and activist investor Trian appointed a member to the company’s board. We maintain a reduced position in the stock as we believe this is a sector with good intrinsic dynamics and the stock is undervalued, and we continue to carefully monitor the short-term operational performance. The stock was down -24% in EUR last month.

Novo Nordisk: There were a few bits of short-term negative news on the drug provider last month. Early in the month, management highlighted further supply constraints on lower strengths of its diabetes drug Ozempic. In addition, the company faced US congressional questions over industry pricing of weight-loss drugs. We believe both concerns will be short lived, and the company remains a high-quality growth asset. The stock was down -16%.

Elis: The uniform and linen rental firm’s stock was hit last month as it announced a surprising approach to acquire US-based peer Vestis. While entry into the US market had been seen as a long-term potential for the company, the timing and size of the move surprised investors, who expected the company to focus on deleveraging. Management commented that the approach was still in preliminary stages, and that it remains committed to its M&A and leverage metrics. We believe the reaction is overdone, given Elis’ solid M&A track record. The stock was down -16%.

PERFORMANCE

30.09.2024	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 190 mn	-1.28%	-0.75%	161.31%	10.54%	-21.07%	18.60%	4.42%	25.02%
LOF – Europe High Conviction MA [2]			-1.22%	-0.24%	178.33%	11.28%	-20.54%	19.40%	4.70%	25.87%
LOF – Europe High Conviction NA [3]			-1.21%	-0.11%	187.09%	11.48%	-20.40%	19.61%	4.88%	26.09%
LOF – Europe High Conviction IA [4]			-1.20%	-0.08%	186.89%	11.52%	-20.37%	19.66%	4.95%	26.14%
Benchmark [5]			-0.44%	11.61%	174.71%	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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The following risks may be materially relevant but may not always be adequately captured by the synthetic risk indicator and may cause additional loss:

Operational risk and risks related to asset safekeeping: In specific circumstances, there may be a material risk of loss resulting from human error, inadequate or failed internal systems, processes or controls, or from external events.

Concentration risk: To the extent that the fund's investments are concentrated in a particular country, market, industry, sector or asset class, the fund may be susceptible to loss due to adverse occurrences affecting that country, market, industry, sector or asset class.

Financial, economic, regulatory and political risks: Financial instruments are impacted by various factors, including, without being exhaustive, the development of the financial market, the economic development of issuers who are themselves affected by the general world economic situation, and economic, regulatory and political conditions prevailing in the relevant country.

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.

Incorporation of extra-financial risks into the investment decision process may result in underweighting of profitable investments from the sub-fund's investment universe and may also lead the management of the sub-fund to underweight investments that will continue to perform. Sustainability risks may lead to a significant deterioration in the financial profile, profitability or reputation of an underlying investment and may therefore have a significant impact on its market price or liquidity.

The Fund has been classified as a financial product subject to Article 8 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector (the "SFDR"). The Fund promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

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The articles of association, the prospectus, the Key Information Document ("PRIIPS/KIDs"), and the subscription form are the only official Offering Documents of the Fund's shares (the "Offering Documents"). No party is authorised to provide information or make assurances that are not contained in the Offering Documents.

Access to documents in country of registrations:

The PRIIPS/KIDs are available in one of the official languages of your country and a Prospectus is available in English, French, German and

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France. Representative: CACEIS Bank, Rue Gabriel Péri 89-91, 92120 Montrouge, Supervisory Authority: Autorité des marchés financiers (AMF).

Germany. Representative: DekaBank Deutsche Girozentrale, Mainzer Landstraße 16, D-60325 Frankfurt am Main, Supervisory Authority: Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

Finland. Finanssivalvonta (Fiva) - Financial Supervisory Authority (FIN-FSA), Snellmaninkatu 6, P.O. Box 103, FI – 00101 Helsinki, Finland; Website: <http://www.finanssivalvonta.fi>.

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