

LO Funds

Swiss Equity

Newsletter

Regional Equities • Equities

31 October 2024

PERFORMANCE COMMENT

LO Funds–Swiss Equity's institutional share class finished October with a return of -3.36%, which represents an underperformance of 9 bps compared to its benchmark, the Swiss Performance Index (SPI TR).

As a reminder, the Fund reports performance net of withholding tax on dividends versus gross of withholding tax for the benchmark (35% withholding tax). The headwind equals 85-105 bps annually (assuming a dividend yield of 2.5-3.0%), most of which comes in March-May.

Our overweights in Burckhardt Compression and BKW, as well as not owning Straumann, were the top contributors to relative performance in the month. At the same time, the overweights in Comet, VAT Group and Swiss Re detracted from relative performance. In the SPI, no sector finished up on the month, but Financials and Real Estate were down the least, while Information Technology, Materials and Consumer Discretionary fared the worst.

MARKET REVIEW

The Swiss market, as measured by the Swiss Performance Index (SPI), lost 3.27% in October. This compares to a 1.98% loss for the MSCI World Index (NDDUWI). The Swiss small & mid cap index (SPIEX) slipped 3.96% by comparison.

The highlight of October was the upward move in interest rates. The US 2-year Treasury yield rose from 3.64% to 4.17%, and the 10-year from 3.78% to 4.28%. The greater likelihood of a Donald Trump victory in the US election seemed to drive these movements as his policies, e.g. tariffs, are considered reflationary. Volatility in both the equity and bond markets climbed. The VIX index rose from 16.7 to 23.2 and the MOVE index from 94.6 to 135.2. The global Citi Economic Surprise Index (CESIGL) improved from -16.1 to +6.1.

By style, cyclicals outperformed defensives globally, but not in Switzerland, and large caps fared better than small caps. Value

underperformed growth globally but outperformed in Europe and Switzerland. Quality lagged the broader market in all major regions.

PORTFOLIO ACTIVITY

During the month, we liquidated our holding in Kühne + Nagel, while adding positions in Geberit, Georg Fischer and Schindler.

STOCK OF THE MONTH

Sandoz's share price appreciated 11.6% in October. Its third-quarter sales beat consensus expectations by 2%, driven by a 7% outperformance in biosimilars and in-line generics. Since biosimilars carry higher margins, it provides some comfort that the full-year 20% EBITDA margin target can be reached. On the back of the outperformance, management raised full-year sales growth guidance from mid- to high-single digit to high-single digit. We remain overweight, even after taking some profits following a 50% year-to-date gain, as we expect continued strong earnings growth in the years to come. When Sandoz spun off from Novartis a year ago, it had as many as 1,500 different software platforms and 700 manufacturing partners. There is clearly room for operational improvement, as evidenced by the 2028 EBITDA margin target of 24-26%. We also like Sandoz from a sustainability and political point of view. Generics and biosimilars lower the cost of medicines, making them affordable for more patients. If healthcare costs come under further pressure from governments, Sandoz's products could become part of the solution.

QUARTERLY OUTLOOK

At the beginning of November, Donald Trump won the White House and the Republicans took the Senate. While the House had not yet been called, a Republican sweep looked likely. The clarity of the results and lack of contest drove the markets higher over the next few days. We think equity markets could continue to trade higher into year end, as

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investors seem to have derisked into the US elections and positioning was therefore not full. At the same time, third quarter corporate earnings have been decent and central banks look set to continue cutting interest rates. MSCI Switzerland looks fairly valued at 17.5x, trading only at a 2.5% premium versus its 10-year average multiple of

17.0x.

Sincerely

LO Funds–Swiss Equity investment team

PERFORMANCE

31.10.2024	INCEPTION	AUM	MONTH- TO-DATE	YEAR- TO-DATE	INCEPTION- TO-DATE	2023	2022	2021	2020	2019
LO Funds – Swiss Equity PA [1]	29 August 2014	CHF 215 mn	-3.43%	7.86%	71.33%	2.54%	-21.81%	23.30%	4.29%	28.19%
LO Funds – Swiss Equity NA [2]			-3.36%	8.63%	87.00%	3.41%	-21.14%	24.35%	5.18%	29.28%
Benchmark [3]			-3.27%	7.83%	83.41%	6.09%	-16.48%	23.38%	3.82%	30.59%

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

[1] Dividend accumulated private client share class, net performance in CHF.

[2] Dividend accumulated institutional client share class, net performance in CHF.

[3] SPI TR.

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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:

Liquidity risk: Where a significant level of investment is made in financial instruments that may under certain circumstances have a relatively low level of liquidity, there is a material risk that the fund will not be able to transact at advantageous times or prices. This could reduce the fund's returns.

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.

Before taking any investment decision, please read the latest version of the

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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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Liechtenstein. Representative, LGT Bank AG Herrengasse 12, 9490 Vaduz, Supervisory Authority: Finanzmarktaufsicht Liechtenstein ("FMA").

Luxembourg. Commission de Surveillance du Secteur Financier (CSSF), 291, route d'Arlon, L-1150 Luxembourg; www.cssf.lu.

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