LOMBARD ODIER
INVESTMENT MANAGERS

LO Funds
Swiss Equity
Newsletter

Regional Equities • Equities 31 December 2024

PERFORMANCE COMMENT

LO Funds–Swiss Equity's institutional share class ended December with a return of -1.16%, which represents an outperformance of 12 bps compared to its benchmark, the Swiss Performance Index (SPI TR). For the year 2024 as a whole, the Fund's institutional share class returned +8.49%, representing an outperformance of 231 bps.

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

Our overweights in Temenos and Galderma, as well as the UCITS-induced underweight in Novartis, were the best contributors to relative performance in the month. At the same time, the overweights in Sunrise Communications and Partners Group, alongside not owning Logitech, detracted. In the SPI, Consumer Discretionary, Real Estate and IT were the only sectors to end December up for the month, while Communication Services and Consumer Staples fared worst.

MARKET REVIEW

The Swiss market, as measured by the Swiss Performance Index (SPI), lost 1.28% in December. This compares with a 2.61% loss for the MSCI World Index (NDDUWI). The Swiss small & mid cap index (SPIEX) lost 0.83% by comparison.

For the full year 2024, the Swiss Performance Index gained 6.18%, the Swiss Performance Extra Index +3.83%, the MSCI Europe Index +5.75%, the MSCI USA Index +24.58% and the MSCI World Index +18.67%. The difference in performance can be explained by better-than-expected economic growth in the US as well as the strong performance of US mega-cap technology stocks.

The FOMC press conference on 18 December was the highlight of the month. While the FOMC cut the federal funds rate by 25 bps, its outlook statement proved more hawkish than expected. The dot plot changed from four to two cuts in 2025. As a result, the two-year US Treasury rate increased from 4.15% to 4.24% and the 10-year rate from 4.17% to 4.57%, which led to a 2.50% fall in the S&P 500 index. The US Dollar index gained 2.26%.

On the economic front, there were no significant surprises. The global Citi Economic Surprise Index (CESIGL) fell slightly from -1.5 in November to -5.8 in December. The global manufacturing PMI moderated from 50.0 to 49.6, but both the Eurozone and US were relatively stable, with the former moving from 45.2 to 45.1 and the latter from 49.7 to 49.4. The annual inflation rate in the US (CPI) in November was 2.7% and the US personal consumption expenditure (PCE) index, the Fed's preferred inflation gauge, came in slightly below expectations at a 2.4% annualised rate. Volatility in the equity market, as measured by the VIX index, spiked from 13.5 to 17.4.

By style, cyclicals outperformed defensives globally, in the US, Europe and Switzerland. Growth outperformed value globally, in the US and Switzerland, but not in Europe. Quality lagged the broader market in all regions. Small caps underperformed large caps everywhere.

PORTFOLIO ACTIVITY

During the month, we added a position in Swissquote.

STOCK OF THE MONTH

Galderma returned 11.5% in December for a YTD return since the IPO in March of 57.3%. We attribute the strong monthly return to passive buying on index re-weightings in response to a higher free float and positive regulatory decisions. The US FDA approved Nemluvio (nemolizumab) in its second, larger indication for atopic dermatitis and the CHMP recommended the drug for approval in the European Union. Additionally, UBS upgraded the stock to buy on the back of a positive US

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aesthetics survey. When Galderma IPO'd, it was valued at a circa 35% discount to L'Oréal. Since then, management has executed well, delivering on targets. We continue to like the company's sales growth prospects and EBITDA margin expansion opportunity.

QUARTERLY OUTLOOK

We expect the positive economic backdrop to continue into 2025, with ongoing disinflation and lower interest rates. In equities, the outlook for earnings growth looks robust, but some valuations are high. The MSCI USA trades on a 12-month forward P/E of 21.7x, which represents a 22% premium to the 10-year median. Meanwhile, MSCI Switzerland trades on 15.9x, a 7% discount to its 10-year historical level. The difference is partly explained by diverging regional outlooks. In the US, deregulation, lower taxes and rising infrastructure spending may extend the economic and equity market exceptionalism, while trade tariffs could weigh on growth elsewhere. Most Swiss companies we invest in are not domestic but multi-national and will, as such, also benefit from their US presence.

Sincerely

LO Funds–Swiss Equity investment team

PERFORMANCE

31.12.2024	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 219 mn	-1.23%	7.57%	70.88%	2.54%	-21.81%	23.30%	4.29%	28.19%
LO Funds – Swiss Equity NA [2]			-1.16%	8.49%	86.76%	3.41%	-21.14%	24.35%	5.18%	29.28%
Benchmark [3]			-1.28%	6.18%	80.62%	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.

RISK AND REWARD PROFILE

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Lower Risk — Higher Risk

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 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.

IMPORTANT INFORMATION

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Investments are subject to a variety of risks: The investments mentioned in this document may carry risks that are difficult to quantify and integrate into an investment assessment. In general, products such as equities, bonds, forex, or money market instruments bear risks, which are higher in the case of derivative, structured, and private equity products; these are aimed solely at investors who are able to understand their nature and characteristics and to bear their associated risks. On request, LOIM will be pleased to provide investors with more detailed information concerning risks associated with given instruments. The liquidity of an investment is subject to supply and demand. Some products may not have a well-established secondary market or in extreme market conditions may be difficult to value, resulting in price volatility and making it difficult to obtain a price to dispose of the asset.

Where the Fund is denominated in a currency other than an investor's base currency, changes in the rate of exchange may have an adverse effect on price and income. All performance figures reflect the reinvestment of interest and dividends and do not take account the commissions and costs incurred on the issue and redemption of shares/units; performance figures are estimated and unaudited. Net performance shows the performance net of fees and expenses for the relevant fund/share class over the reference period. This document does not contain personalised recommendations or advice and is not intended to substitute any professional advice on investment in financial products. Neither this marketing communication nor this document nor any part of it shall form the basis of, or be relied on in connection with, any contract to purchase or subscription to the Fund. Not all costs are listed in this document and the investor is recommended to refer to the Offering documents for more information.

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

Italian . The PRIIPS/KIDs and the Prospectus together with the Articles of Incorporation and the last annual and semi-annual financial report are available on www.loim.com or can be requested free of charge at the registered office of the Fund or of the Management Company, from the distributors of the Fund or from the local representatives as mentioned below. These Offering Documents are provided for information and illustration and is not a contractually binding document or an information required by any legislative provisions and is not sufficient to take an investment decision.

Please refer to the prospectus and the PRIIPS/KIDs before making any final investment decisions. Before making an investment in the Fund, an investor should read the entire Offering Documents, and in particular the risk factors pertaining to an investment in the Fund, consider carefully the suitability of such investment to his/her particular circumstances and, where necessary, obtain independent professional advice in respect of **risks**, as well as any **legal, regulatory, credit, tax,** and **accounting consequences**.

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This Fund is classified as Article 8 under the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on Sustainability-Related Disclosures in the Financial Services Sector ("SFDR"). A Summary of the sustainable website product disclosure is available in English in the "Sustainability-related Disclosure" section of the website fund page on "www loim com". Methodological limits: Assessment of sustainability risks is complex and may be based on ESG data which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that these data will be correctly assessed.

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Germany. Representative: DekaBank Deutsche Girozentrale, Mainzer Landstraße 16, D-60325 Frankfurt am Main, Supervisory Authority: Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).
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Netherlands. Representative: Lombard Odier Funds (Europe) S.A. – Dutch Branch, Parklaan 26, 3016 BC Rotterdam, Supervisory Authority: Autoriteit Financiële Markten (AFM).
Norway. Supervisory Authority: Finanstilsynet (The Financial Supervisory Authority of Norway), P.O. Box 1187 Sentrum, Revierstredet 3, Oslo, Norway, NO - 0107; Website : http://www.finanstilsynet.no/en/.
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