

LO Funds

Swiss Equity

Newsletter

Regional Equities • Equities

30 September 2024

PERFORMANCE COMMENT

LO Funds–Swiss Equity's institutional share class finished September with a return of -1.54%, which represents an outperformance of 5.0 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 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 Partners Group and PSP Swiss Property were the best contributors to relative performance in the month, while the UCITS-imposed underweight in Nestle, Novartis and Roche also helped. At the same time, the overweight in BKW and Swiss Prime Site detracted from relative performance, as did not owning Straumann. In the SPI, Materials, Communication Services and Consumer Discretionary performed best, while Consumer Staples, Utilities and Healthcare lagged.

MARKET REVIEW

The Swiss market, as measured by the SPI, lost 1.59% in September. This compares to a 1.83% gain for the MSCI World Index (NDDUWI). The Swiss small & midcap index (SPIEX) gained 0.58% by comparison.

The two highlights of September were the Federal Reserve's cutting of the federal funds rate by 50 bps and China's monetary and fiscal stimulus. Market participants seemed to believe Chairman Jerome Powell when he said that the Fed has not fallen behind the curve and the US is on track for a soft landing. The data supported his claim: CPI was in line with consensus expectations of 2.5% YoY, while core PCE increased by only 0.1% MoM, less than consensus expectations for 0.2%. US retail sales and industrial production surprised positively and US manufacturing ISM remained unchanged at 47.2. The US Citi Economic Surprise Index (CESIUSD) improved from -24.2 to -0.8. The

Fed's cut was followed by monetary easing by the PBOC, as well as fiscal stimulus by the Politburo. China's government signalled its intent to reflate the economy and global equity markets responded favourably, especially sectors such as luxury, metals & mining and semiconductors. Investors remain sceptical though as to what the impact on the real economy might be.

By style, cyclicals outperformed defensives, which marks a reversal compared to the prior two months. Small caps lagged large caps in the US, but outperformed in Europe and Switzerland. Growth beat value, while quality lagged the broader market.

PORTFOLIO ACTIVITY

During the month, we liquidated smaller holdings in Georg Fischer, Inficon and Swisscom.

STOCK OF THE MONTH

Partners Group finished September +4.0% despite initially trading -9.2%, when PG reported H1 2024 results on the second day of the month. Its year-to-date performance lags that of European peers EQT, CVC and ICG. We believe we are getting closer to a normalisation in the exit environment for private market players' portfolio holdings. The start of the rate cutting cycle in the US has been followed by several exit announcements from the likes of EQT and CVC, while PG made headlines with the announcement of the upcoming IPO of KinderCare, exiting the Victorias Arant windfarm and selling the majority stake in Techem. An improved exit environment should eventually translate into a recovery in performance fees. Lastly, PG announced a partnership with Blackrock in mid-month, which could lead to substantial inflows in the coming years.

QUARTERLY OUTLOOK

Quarterly earnings, US elections, central banks' interest rate cuts,

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Newsletter · LO Funds - Swiss Equity · Data as at 30 September 2024

China’s stimulus and Middle East geopolitical tensions are the puts and takes that we believe will determine the fourth quarter’s outcome. Earnings revisions have been negative as of late, but the Federal Reserve has shifted its focus from inflation to employment and is now easing. Markets have historically been a bit weak into US elections, but they recover thereafter. If China’s authorities were to provide more stimulus, that could help, but the main risk is an escalation of the conflict between Israel and Iran. All of this provides for an uncertain

outlook, against which we simply try to construct a portfolio with our highest conviction names, which represent a combination of value and growth and cyclicals and defensives.

Sincerely

LO Funds–Swiss Equity investment team

PERFORMANCE

30.09.2024	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 223 mn	-1.61%	11.68%	77.41%	2.54%	-21.81%	23.30%	4.29%	28.19%
LO Funds – Swiss Equity NA [2]			-1.54%	12.40%	93.49%	3.41%	-21.14%	24.35%	5.18%	29.28%
Benchmark [3]			-1.59%	11.47%	89.60%	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.

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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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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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