

## LO Funds – Event Driven Newsletter

Alternatives • Event Driven

30 September 2024

Dear Investor,

Please find below the net performance for the LO Funds – Event Driven.

### PERFORMANCE<sup>1</sup>

Third Quarter	+3.39%
YTD	+6.13%
SRI <sup>2</sup>	2

Following a solid performance in H1 2024, the HY market managed to navigate through geopolitical uncertainties in Europe and in the Middle East as well as significant volatility driven by the unwind of FX carry trades during the summertime. The more robust than feared macroeconomic data in the US, the clear support globally from Central Banks by cutting policy rates and an increasing money supply (M2) pushed equity valuation close to all time high and spreads tighter in Q3 2024.

In this context, our positioning skewed towards sectors with positive correlation to global growth and in single names prone to consolidation worked very well. In terms of sector allocation, financials remain a key source of performance for the fund in Q3 2024 with multiple catalysts (ongoing consolidation talk in European markets, IPOs, rating upgrades, early refinancing of subordinated debts). Nevertheless considering the compressed market valuation picture, we expect significant sector dispersion between defensives

and cyclicals in the near future and we intend to position the fund accordingly. We see IG cyclicals as offering the best convexity to hedge our overall positive view on credit market.

In this environment with low risk premiums and high demand for all-in yields, we also took advantage of a buoyant primary market with many HY and Financials issuers refinancing early their capital stack.

Going forward the technical picture remains rosy but credit valuation is less exciting in particular if the rate cutting cycle keeps being pushed back. We favour HY over IG with a defensive positioning into secured B spreads and large equity cushion over BB, due to its lower duration and renewed M&A activity in this rating cohort. We will keep our hedging strategy intact as the room for error is limited in case of unforeseen circumstances such as a major war.

Finally it comes as no surprise to us that there has been a slight pick-up in M&A activity both in terms of \$ volume and number of transactions in Q3 and we expect this trend to continue as long as the cost of financing cheapens. We are seeing increased hostile and unsolicited activity, especially in Asia and to a lesser extent in Europe. We have started to build our M&A book to take advantage of these opportunities. So far, based on early outcomes, the strategy is paying off.

**Georges Gedeon & Christophe Akel**

<sup>1</sup> Performance for the Share Class N A USD as of 30 September 2024, net of fees, including the reinvestment of earnings, capital gains, interest and dividends. Fund inception date 11 January 2019.

<sup>2</sup> SRI: Summary Risk Indicator. 1: lowest risk ; 7: highest risk.

### **Past performance is not a guarantee of future results.**

Holdings/allocations are subject to change. The data shown is of a representative account, is for informational purposes only and is not indicative of future portfolio characteristics/returns. Actual results may vary for each client due to specific client guidelines and other factors.

**GROSS PERFORMANCE CONTRIBUTION<sup>1</sup>**

STRATEGY	Jul-24	Aug-24	Sep-24	Q3-2024
<b>Credit</b>	<b>1.48%</b>	<b>1.02%</b>	<b>1.47%</b>	<b>4.03%</b>
Event	1.44%	1.01%	1.45%	3.96%
Relative Value	0.04%	0.01%	0.01%	0.07%
<b>Equity</b>	<b>0.13%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.13%</b>
Event	0.06%	-0.01%	-0.01%	0.04%
Relative Value	0.07%	0.01%	0.01%	0.09%
<b>Other</b>	<b>0.01%</b>	<b>0.35%</b>	<b>0.13%</b>	<b>0.49%</b>
<b>Total</b>	<b>1.62%</b>	<b>1.36%</b>	<b>1.59%</b>	<b>4.64%</b>

**PORTFOLIO EXPOSURE<sup>2</sup>**

STRATEGY	NMV	GMV
<b>Credit</b>	<b>75.6%</b>	<b>206.2%</b>
Event	73.5%	188.7%
Relative Value	2.0%	17.5%
<b>Equity</b>	<b>1.9%</b>	<b>12.4%</b>
Event	1.8%	2.2%
Relative Value	0.1%	10.2%
<b>Fund</b>	<b>77.4%</b>	<b>218.6%</b>

**PORTFOLIO RISK<sup>3</sup>**

FUND RISK METRICS	Sep-24
1-Day % VaR (95%)	0.38%
1-Month % VaR (95%)	1.59%
Theta	-0.01%
Gamma	2.11%
Vega	0.02%
CS01 (x100)	-2.39%
DV01 (x100)	-3.52%
Duration (in years)	2.73

**RISK AND REWARD PROFILE**

1	2	3	4	5	6	7
Low				High		

This summary risk indicator (SRI) is a guide to the level of risk of this product compared to other products. Where there are less than 5 years worth of data, missing returns are simulated using an appropriate benchmark. The SRI may change over time and should not be used as an indicator of future risk of returns. Even the lowest risk classification does not imply that the Sub-Fund is risk-free or that capital is necessarily guaranteed or protected.

**Model Risk:** Models may be misspecified, badly implemented or may become inoperative when significant changes take place in the financial markets or in the organization. Such a model could unduly influence portfolio management and expose to losses.

**Risks linked to the use of derivatives and financial techniques:**

Derivatives and other financial techniques used substantially to obtain, increase or reduce exposure to assets may be difficult to value, may generate leverage, and may not yield the anticipated results. All of this could be detrimental to fund performance. Please also pay attention to the inherent risks of this Sub-Fund, such as: **Financial, economic, regulatory and political risks; Risks related to Equities; Risks related to Fixed-Income Securities; and Concentration Risks.**

<sup>1</sup> Estimated performance contribution based on gross returns (gross of management and performance fee only). Other including system adjustments and fund level fees. See performance table above for net returns.

<sup>2</sup> Exposures are calculated based on notional amounts. Delta adjusted exposures are used for options and equity equivalent portion of convertible bonds.

<sup>3</sup> 1-Day % VaR (95%) and 1-Month % VaR (99%), Historical Simulation approach using 1-year history.

**Past performance is not a guarantee of future results.**

**Holdings/allocations are subject to change. The information herein is intended for the recipient only and is not intended for onward distribution.** The data shown is of a representative account, is for informational purposes only and is not indicative of future portfolio characteristics/returns. Actual results may vary for each client due to specific client guidelines and other factors. We are pleased to provide additional portfolio information to all investors, upon their request, including return stream history, total fund, security type and geographic exposures, as well as additional portfolio details. Contact us if you would like to receive the same.

## FUND OVERVIEW

LO Funds – Event Driven is an actively managed UCITS portfolio. The strategy invests opportunistically across equities and credit throughout the investment cycle. The investment universe is truly global with a focus on Europe and Asia. The strategy seeks to structure positive convexity and to maximize risk-adjusted returns by investing in catalysts or relative value situations. The portfolio managers balance portfolio risks through position selection, sizing, and explicit downside hedging. Risk management is further

enhanced by the oversight of LOIM's dedicated risk management team. The Portfolio Managers, Georges Gedeon and Christophe Akel, bring 20+ years each of expertise identifying asymmetric ideas across various event types, sectors, and asset classes. The Fund has been implementing the Event Driven strategy under the lead of Georges Gedeon since 1 April 2023 and co-managed with Christophe Akel since March 2024.

## FUND DETAILS

<b>Portfolio Manager</b>	Georges Gedeon		
<b>AUM<sup>1</sup></b>	USD 97 million		
<b>Inception date</b>	16 January 2019		
<b>Fund domicile</b>	Luxembourg SICAV – UCITS Compliant		
<b>Investment Manager</b>	Lombard Odier Asset Management (USA) Corp		
<b>Administrator</b>	CACEIS Bank Luxembourg		
<b>Auditor</b>	Pricewaterhouse Coopers		
<b>Legal Advisors</b>	Linklaters LLP, Luxembourg		
<b>INVESTMENT TERMS<sup>2</sup></b>	<b>CLASS N</b>	<b>CLASS M</b>	<b>CLASS P</b>
<b>Share currencies</b>	USD, EUR, CHF, GBP	USD, EUR, CHF, GBP	USD, EUR, CHF, GBP
<b>Minimum investment</b>	USD 1 million (or equivalent)	USD 3,000 (or equivalent)	USD 3,000 (or equivalent)
<b>Valuation</b>	Daily	Daily	Daily
<b>Subscription/redemption</b>	Weekly, Cut-off T – 3, 3p.m. Luxembourg Time (Friday of the previous week)		
<b>Payment date</b>	T+2	T+2	T+2
<b>Redemption penalties</b>	None	None	None
<b>Management fee</b>	1.50%	1.60%	1.50%
<b>Distribution fee</b>	None	None	0.50%
<b>Performance fee</b>	20% above High Water Mark	20% above High Water Mark	20% above High Water Mark
<b>Status</b>	Open	Open	Open

<sup>1</sup> AUM figure as at 1 October 2024. No offer to invest in any investment product or Fund is made herein.

<sup>2</sup> For detailed information please consult the relevant Offering Memorandum.

## INVESTOR RELATIONS

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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 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 [Investment Funds | Lombard Odier](#) 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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The shares issued for this Fund may only be publicly offered or sold in countries in which such a public offer or sale is permitted. Therefore, unless the Management Company or representatives of the Management Company have filed an application with the local supervisory authorities and permission has been granted by the local supervisory authorities, and as long as no such application has been filed or no such permission granted by the supervisory authorities, this Fund does not represent an offer to buy investment shares.

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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)

**Italy.** Paying Agents: Société Générale Securities Services S.p.A., Via Benigno Crespi, 19/A-MAC 2, 20159 Milano, State Street Bank International GmbH – Succursale Italia, Via Ferrante Aporti, 10, 20125 Milano, Banca Sella Holding S.p.A., Piazza Gaudenzio Sella, 1, 13900 Biella, All funds Bank, S.A.U., Milan Branch, Via Bocchetto 6, 20123 Milano, CACEIS Bank S.A., Italy Branch, Piazza Cavour 2, 20121 – Milano, Supervisory Authority: Banca d'Italia (BOI)/ConSob

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

**Netherlands.** Representative: Lombard Odier Funds (Europe) S.A. – Dutch

Branch, Parklaan 26, 3016 BC Rotterdam, Supervisory Authority: Autoriteit Financiële Markten (AFM)

**Spain.** Representative: All funds Bank, S.A.U. C/de los Padres Dominicos, 7, 28050, Madrid, Supervisory Authority: Comisión Nacional del Mercado de Valores (CNMV)

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