
LO Funds

TargetNetZero Global Equity

Newsletter

Sustainable Equities • Equities

30 November 2024

MARKET REVIEW

The global economic landscape was significantly influenced by the US presidential election. Markets are anticipating that the incoming Trump administration will introduce pro-growth measures, including tax cuts, deregulation, and potential tariffs, which could result in more persistent inflation. This expectation has led to a positive market response, particularly in US equities. While the global economy continues to face slowing growth and low inflation, recent developments have raised the probability of an economic soft landing.

The Fund ended November with a positive absolute performance, underperforming its benchmark, the MSCI World ND index.

PERFORMANCE COMMENT

The key driver of the market's performance included the Consumer discretionary sector that showed the largest performance (9.33%), followed by Financials (7.96%) while Materials was negative (-0.91%).

The Fund's performance ended November below its benchmark which can be fully explained by the implementation of its climate strategy, that we breakdown into three components:

- Net Zero Target: The primary objective of aligning with net zero targets resulted in a negative contribution of -0.04% to excess returns.
- Carbon Reduction vs. Benchmark: Efforts to reduce the carbon footprint relative to the benchmark contributed negatively to the excess return by -0.07%.
- Exclusions: The exclusions from LOIM Sustainability Investment Policy was neutral to the excess return.

When comparing sector allocation to stock selection contribution, this month's negative excess return was driven both by the stock selection and sector allocation.

In terms of sector allocation, the overweight of Utilities and Materials was negative while the slight underweight of Health Care helped to offset part of effect.

After several months of strong stock selection, the momentum slowed down in November. We ended the month with a negative contribution mainly due to our positioning within Utilities and Consumer Staples. However, being selective in Industrials based on their decarbonization potential has been beneficial again this month, notably thanks to the overweight of Howmet Aerospace that all operating in carbon-intensive industries but demonstrating strong and credible decarbonization potential.

The fund continues to generate positive excess return year to date, benefiting from our positioning in transitioning companies within carbon intensive but key sectors of the economy.

CLIMATE OUTLOOK

Momentum in Climate Transition: A Promising Yet Complex Path

Last month, significant developments highlighted the momentum and complexities in the global transition to net zero. At the COP29 climate summit, negotiators achieved a breakthrough by agreeing on rules for a United Nations-administered global carbon market. This market, governed by the newly established Article 6.4, aims to set the gold standard for emissions trading, potentially unlocking billions in finance for emissions mitigation projects in developing countries. The agreement marks a critical step forward, despite ongoing debates about the integrity and verification of emissions reductions. The establishment of a robust global carbon market could significantly lower the costs of implementing nationally determined contributions (NDCs), thereby accelerating global climate goals. However, challenges remain, particularly around transparency and governance, as highlighted by climate groups.

Simultaneously, optimism is growing in China, where experts believe the nation may peak carbon emissions years ahead of its 2030 target. This shift is driven by a surge in clean energy projects and reduced output in energy-intensive industries like cement and steel. Nevertheless, China's rapid energy consumption growth poses a challenge, necessitating either an accelerated deployment of renewables or a shift towards less energy-intensive economic development.

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Newsletter · LO Funds - TargetNetZero Global Equity · Data as at 30 November 2024

PERFORMANCE

30.11.2024	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	INCEPTION-TO-DATE
LO Funds – TargetNetZero Global Equity PA [1]	26.04.2021	USD 390 mn	4.40%	21.66%	32.26%
LO Funds – TargetNetZero Global Equity NA [2]			4.43%	22.05%	33.93%
Benchmark [3]			4.59%	21.85%	36.21%

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 USD.
 [2] Dividend accumulated institutional client share class, net performance in USD.
 [3] MSCI World ND USD

RISK AND REWARD PROFILE



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.

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.

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.

KEY METRICS

	LO Funds - TargetNetZero Global Equity	MSCI World
Temperature (°C)	2.0	2.5
Carbon footprint reduction vs benchmark [1]	-33%	0%
Self carbon reduction in 2050 [1]	-33%	-20%
ESG rating	69.9	69.0
Tracking error [2]	0.76%	
Style bias contribution to total risk	6.25%	
Number of stocks	815	1'402

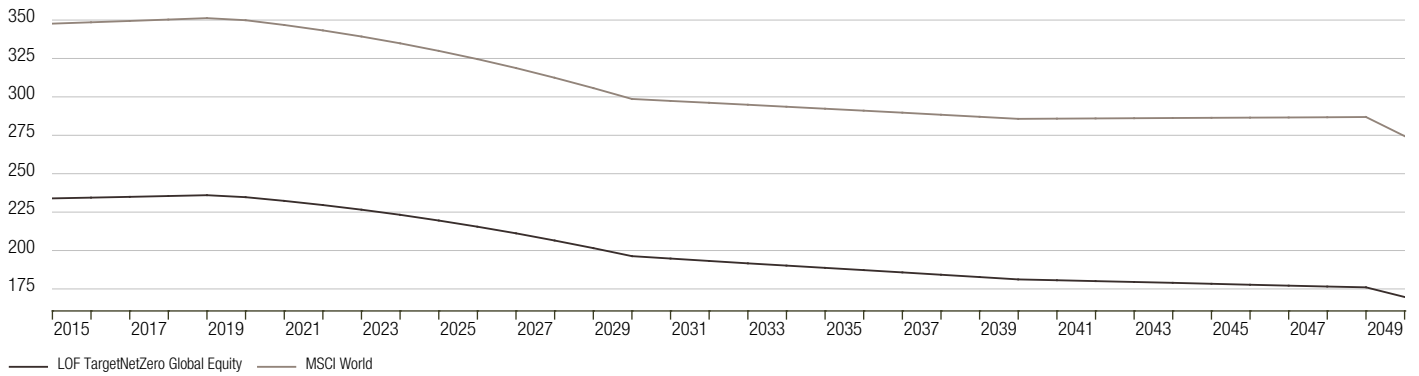
[1] Scope 1, 2 and 3 carbon emissions per unit of enterprise value.
 [2] Tracking error ex-ante.
 Source: LOIM

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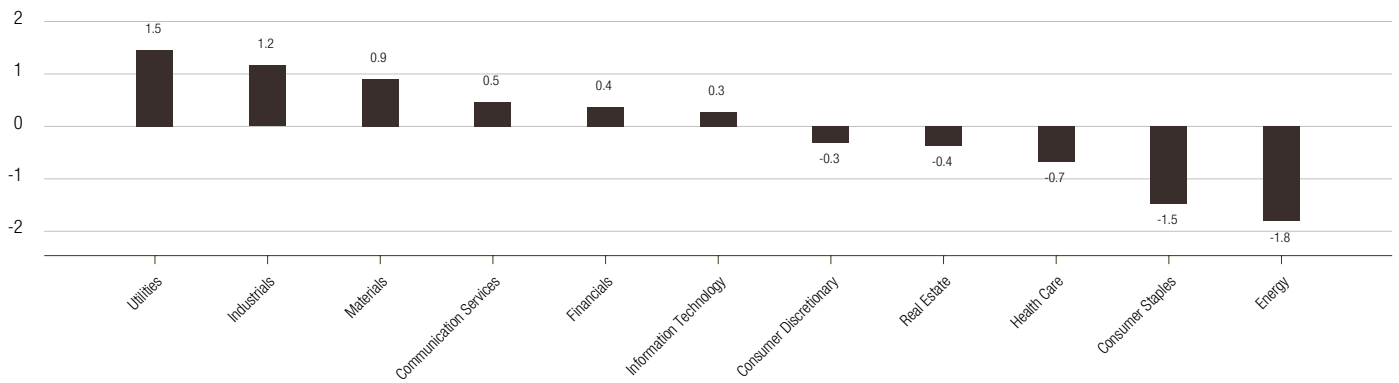
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Carbon trajectory



Source: LOIM

Sector active weight



Source: LOIM

STRATEGY PHILOSOPHY

The TargetNetZero Fund is a core equity strategy that leverages the LOIM net-zero transition process.

The strategy aims to capture opportunities and reduce risks by increasing exposure to companies with CO2 trajectories declining towards 2050 net-zero targets, while reducing exposure to companies with high CO2 emissions that cannot achieve this. Key features include:

- Targeting a lower temperature scenario and enabling capital flows to companies aligned with the Paris Agreement
- Reducing carbon footprint relative to benchmarks by at least 30%
- Controlled factor/style, sector and country bias
- Enhanced passive approach with target ex-ante tracking error of 0.5-1%

IMPORTANT INFORMATION

This document is a **Marketing Communication** relating to **Lombard Odier Funds** and its **Sub-Fund ("LO Funds - TargetNetZero Global Equity")** (altogether referred to as the "Fund"). This document is intended only for **Professional Investors** in the EU/EEA countries where the Fund is registered for distribution, within the meaning of the Markets in Financial Instruments Directive 2014/65/EU (MiFID) and is not intended for retail investors, nor for U.S. Persons as defined under Regulation S of the United States Securities Act of 1933, as amended.

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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

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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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A summary of investor's rights relating to regarding complaints and litigation is available in English on <https://am.lombardodier.com/home/asset-management-regulatory-disc.html>.

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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Belgium. Financial services Provider: CACEIS Belgium S.A., Avenue du Port 86 C, b 320, 1000 Brussels, Supervisory Authority: Autorité des services et marchés financiers (FSMA).

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>.

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").

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

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/>.

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).

Sweden. Representative: SKANDINAVISKA ENSKILDA BANKEN AB (publ), Kungsträdgårdsgatan, SE-10640 Stockholm, Supervisory Authority: Finans Inspektionen (FI).

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