LOMBARD ODIER
INVESTMENT MANAGERS

LO Funds
World Brands
Newsletter

Thematic Equities • Equities

30 September 2024

PERFORMANCE COMMENT

In September 2024 the LO Funds-World Brands EUR P was up +1.13% while the MSCI World EUR was up +0.79%. The outperformance came from sector allocation, with stock selection a headwind. Country allocation was a small positive for the month. From a sector allocation standpoint, positive contributions came from our overweights in Consumer Discretionary and our underweights in Energy and Healthcare. Our underweight stance in Consumer Staples, Industrials and Materials were negatives. The top 5 individual stock contributors were Meituan, RH, Oracle Corp, Bilibili and Meta Platforms. The bottom 5 detractors on a securities level were Novo Nordisk, elf Beauty, Ferrari,Ely Lilly & Co and Samsung Electronics.

The fund allocation to North America was higher at 67.96% and the allocation to Europe was lower at 18.89%. The fund's allocation to Japan was at 1.79%, while the allocation to Emerging Markets was higher with Greater China at 9.52% and South Korea at 1.84% as of 30th September 2024.

MARKET REVIEW

Global equity markets declined in the first week of September but rebounded thereafter, replaying the price action witnessed the prior month. The Nasdaq Composite Index rose +2.68% and the S&P 500 Index was up +2.02%. The Russell 2000 was up more modestly +0.56%. The Euro Stoxx 50 Index was up +1.75% in USD. The Nikkei 225 inched out a +0.25% gain in USD. The Chinese CSI 300 Index posted a monstrous +22.24% gain in USD while the Hong Kong Hang Seng Index (HSI) was up an incredible +17.90% in USD.

In the month of September 2024, the MSCI World Communication Services Index was up +4.14%% in USD and the MSCI World Information Technology Index was up +2.15% in USD. The MSCI World Consumer Discretionary Index raced up +5.09% while the MSCI World Consumer Staples Index rose +0.75% in USD. The MSCI World Financials Index was also up +0.98% in USD.

THEMATIC OVERVIEW

While the month of September is generally light on individual company earnings reports, there was no shortage of news flow on the macro front. Capturing the global spotlight in September was China. In the last week of September China announced a combination of easing measures (a 20bp repo rate cut and a 50bp RRR cut, a 50bp reduction to rates on outstanding mortgages), and lending measures to support the equity market. The message from the Chinese top leadership that week also triggered a reassessment by the market of government policy position with the reiterating of easing signals with fiscal measures.

From their lows the China H-shares rose more than 20% (China A-shares rose 19%) in that week, making it one of the best weeks that the China stock market has witnessed since 2008. We believe that the moves in Chinese shares has been exacerbated by low investor ownership of the Chinese market. The World Brands fund had a greater China exposure of near-10% at the end of September, and the fund continues to manage the positions actively given the high volatility. Between now and March 2025 we expect China to communicate more details on the budget and stimulus package.

In addition to the monetary and fiscal stimulus developments out of China, global markets were also buoyed by inflation shortfalls in Europe and the US, and resilient economic growth in the US.

At a company level we heard updates from portfolio holdings Oracle Corporation and RH, as well as some sector news pertaining to the fund's holding in Royal Caribbean Cruises.

Oracle's fiscal Q1 results topped analyst forecasts with revenues growing 8% at constant currency, boosted by Cloud revenues up 22% on the same basis. Margins were also strong at42.9%. However the main support for the stock came in the form of management guiding to full year revenue growth to accelerate into the double digits, and a day

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later the company also laid out bullish medium and long-term sales forecasts (exceeding $66 billion in 2026 and exceeding $104 billion in 2029).

On the consumer side RH topped market expectations with its Q2 results, and indicated that consumer demand was accelerating through the months of July and August. With expectations low and investors wary of consumer discretionary spend the shares responded positively.

Another reassuring consumer-related report came late in September when Carnival Cruise Corporation unveiled its quarterly results. The World Brands fund owns shares in Royal Caribbean Cruises, which will report its quarter at the end of October. The insight provided by peer Carnival Cruise, was reassuring. Carnival's results we ahead of market expectations regarding profitability, with Carnival benefiting from both tighter cost management and better demand (notably close-in bookings and onboard spend). Looking ahead the company reiterated its yield guidance (c.5%) and noted a better booked position for 2025 (c.50% booked) with both occupancy and pricing higher. Both the quarter and the commentary for outlook augur well for RCL when it reports in a few weeks.

FUND ACTIVITY

The fund has 3 overweight stances from a GICS sector perspective globally (1) brands in Consumer Discretionary, (2) brands in Information Technology; and (3) brands in Communication Services. From a regional perspective, in North America, we kept our large overweight to US Digital and AI Technology brands like Meta Platforms, Alphabet, Amazon, Microsoft and Oracle. The allocation to Digital brands globally in the strategy now totals 45% of the fund, mainly in the sectors of Information Technology and Communication Services. The fund keeps the overweight in brands in the Consumer Discretionary sector but more diversified from a regional perspective now across North America, Europe and Asia. We focus on quality growth within Consumer Discretionary and have a large part invested in internet names like Amazon. We have only selected positions in European luxury like Ferrari and Hermès as we are waiting for a better entry point in the luxury space. In the US, we favor leisure-oriented names like Royal Caribbean Cruises and Hilton Hotels. With inflation moderating and wages increases coming into place, consumer confidence should find a bottom and stabilize. In September the fund sold out of positions in LVMH, Disco Corp and BE Semiconductor Industries, while adding new positions in Procter & Gamble, Haidilao International Holdings, Alibaba Group Holding, MakeMyTrip and Wuliangye Yibin Co.

QUARTERLY OUTLOOK

The LOF – World Brands fund owns a high conviction diversified portfolio of businesses around the world that are structural winners. We classify all our investments in 3 categories: Digital Brands, Upcoming Brands and Global Brands. Currently the fund holds 45% in Digital Brands, 10% in Upcoming brands and 45% in Global Brands. Looking forwards over the next 2 years (CAGR), the fund's holdings have very strong financial metrics which significantly exceed the MSCI World benchmark. The expected revenue growth of the fund's holdings is 13.7%, almost 3x the growth of the MSCI World (4.7%). The expected EPS growth is 20.3% for the fund versus 11.6% for the MSCI World on a 2-year CAGR basis. The ROE of the holdings in the fund stands at 42.7% compared with the MSCI World at 14.4%. The portfolio is trading at a 19.7x forward 2-year Price to Earnings multiple vs MSCI World 16.9x (the fund forward PE is 22.9x vs. MSCI World 18.9x) which continues to represent a very attractive level since we started to manage the fund in 2009. The forward P/E of the fund reached a peak of 35x in February 2021. On a PEG ratio (P/E ratio to earnings growth) the fund is very attractively valued compared to the broader market's PEG ratio (MSCI World).

PERFORMANCE

30.09.2024	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	INCEPTION-TO-DATE	2023	2022	2021	2020	2019
LO Funds – World Brands PA [1]	25.06.2018	EUR 809 mn	1.25%	12.70%	585.29%	23.21%	-24.93%	17.36%	30.62%	34.11%
LO Funds – World Brands NA [2]			1.33%	13.56%	669.37%	24.46%	-24.17%	18.55%	31.95%	35.47%
Benchmark [3]			1.00%	17.64%	484.75%	19.60%	-12.78%	31.07%	6.33%	30.02%

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 EUR.
[2] Dividend accumulated institutional client share class, net performance in EUR.
[3] MSCI World in EUR ND
Performance of the fund reflects the performance of CS (Lux) Global Prestige Equity Fund, which was managed by Credit Suisse Asset Management. The CS fund was formerly known as Clariden Leu (Lux) Luxury Goods Equity Fund (21.08.2009-01.04.2012) prior to the integration of Clariden Leu AG into Credit Suisse. The fund was transferred to LO Funds - Global Prestige and managed by LOIM on 25 June 2018. On 25 May 2020, LO Funds - Global Prestige was renamed LO Funds - World Brands.

RISK AND REWARD PROFILE

1	2	3	**4**	5	6	7

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:
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.
Emerging market risk: Significant investment in emerging markets may expose to difficulties when buying and selling investments. Emerging markets are also more likely to experience political uncertainty and investments held in these countries may not have the same protection as those held in more developed countries.
Active management risk: Active management relies on anticipating various market developments and/or security selection. There is a risk at any given time that the fund may not be invested in the highest-performing markets or securities. The fund's net asset value may also decline.

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.

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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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