

# LO Funds

## Europe All Cap Leaders

### Newsletter

Regional Equities • Equities

31 August 2024

#### PERFORMANCE COMMENTS

LO Funds–Europe All Cap Leaders (EUR NA share) returned 1.7% in August versus 1.6% for its benchmark, the MSCI Europe Index, bringing its performance YTD to 10.3% versus 12.1% for the benchmark. The Fund's EUR PA share returned 1.6% in July and 9.6% YTD, compared to 1.6% and 12.1%, respectively, for the benchmark.

August was a turbulent month for global financial markets, or at least that was how it started. European equity markets shared the bumpy ride, falling more than 5% in the first week. However, a bounce followed and the MSCI Europe ended the month up 1.6%. Large-caps outperformed Small and Mid-caps, with the MSCI Europe Large-Cap finishing up 1.5% versus 0.5% for the MSCI Europe Small and Mid-Cap. The sell-off that occurred during the first week was triggered by a lukewarm US employment report, with investors fearing an imminent recession in the US. During his speech at the Jackson Hole Symposium, Fed Chair Jerome Powell reassured financial markets, hinting at a rate cut at the next FOMC meeting on 18 September. Investors remained cautious and favoured defensive sectors or those inversely correlated with interest rates. Accordingly, Real Estate and Health Care were the best-performing sectors during the month, up 3.9% each, while the worst performers were Energy (-3.7%, in line with the Brent price) and Information Technology (-1.4%).

#### STOCK SELECTION – MAIN CONTRIBUTORS

The top contributors to the Fund's performance in August were Galderma, Biomérieux and Nexi.

Galderma (Health Care, Switzerland, 1.4% weight, +20.8% return, +23 bps contribution) is a dermatology company. Galderma operates in injectable aesthetics, dermo-cosmetics and therapeutic dermatology. In August, L'Oréal and Galderma announced a research and development partnership and L'Oréal bought a 10% stake in Galderma.

Biomérieux (Health Care, France, 2.9% weight, +7.2% return, +16 bps contribution) is a leader in in-vitro diagnostics. The group benefited from a bullish note from a sell-side analyst after the uplift to FY2024 guidance in July.

Nexi (Financial Services, Italy, 0.9% weight, +11.2% return, +13 bps contribution) is one of Europe's largest players in the field of digital payments. The share price rose after the company reported a solid second quarter and reiterated its full-year guidance while accelerating its share buyback programme.

#### STOCK SELECTION – MAIN DETRACTORS

The positions that detracted most from the Fund's performance in August were Kingspan, ASML and Unicredit.

Kingspan (Building Materials, Ireland, 1.5% weight, -8.9% return, -15 bps contribution) is a global manufacturer of insulation products and building envelope materials. Kingspan reported first-half profit slightly below expectations and previous guidance, but reaffirmed that the outlook will be better in the second part of the year.

ASML (Semiconductors, Netherlands, 4.5% weight, -4.5% return, -10 bps contribution) is a semiconductor equipment company and a leader in lithography. Semiconductor companies fell amid weak sentiment across the sector after Intel revised down its capex plan for 2024.

Unicredit (Banks, Italy, 3.0% weight, -1.5% return, -7 bps contribution) is a pan-European Commercial Bank with activities in Italy, Germany, Central and Eastern Europe. Unicredit's share price fell in sympathy with the sector, with the MSCI Europe Banks Index ending the month down 2%.

#### PORTFOLIO ACTIVITY

During the month, we entered Thales and exited Nexi, among others. At the end of August, the Fund held 43 positions.

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