

LO Funds

Swiss Small & Mid Caps

Newsletter

Regional Equities • Equities

31 August 2024

PERFORMANCE COMMENT

LO Funds–Swiss Small & Mid Caps' institutional share class finished August with a return of 1.53%, which represents an outperformance of 96 bps relative to its benchmark, the SPI Extra TR. As a reminder, the Fund reports performance net of withholding tax on dividends vs. gross of withholding tax for the benchmark (35% withholding tax). Not owning Tecan Group and the overweight exposure to Huber + Suhner and Swissquote contributed most to relative performance in the month, while the overweights in VAT Group and Temenos and the underweight in Straumann detracted. In the SPI Extra, Real Estate, Health Care and Financials performed best in August, while Information Technology, Communication Services and Consumer Discretionary fared worst.

MARKET REVIEW

The Swiss market, as measured by the Swiss Performance Index (SPI), gained 0.90% in August. This compares with a 2.64% gain for the MSCI World Index (NDDUWI). The Swiss small & mid cap index (SPIEX) gained 0.57% by comparison.

At the end of July, the Federal Reserve held interest rates steady but hinted at a September cut. When the US ISM manufacturing PMI (falling from 48.5 to 46.8) and non-farm payrolls (coming in at 114,000 vs consensus of 175,000) both missed expectations on the subsequent two days, equity markets sold off sharply, with mounting fears that the Federal Reserve would move too late. The MSCI World Index lost 6.40% on the first two trading days of August. Volatility, as per the VIX index, skyrocketed to 65.7 intra-day and 38.6 at the end of the day on 5 August. This triggered technical and systematic selling. Volatility-targeting hedge funds reduce exposure when volatility spikes and vice versa. Movements were exacerbated by the Bank of Japan raising interest rates at the end of July. By 5 August, the JPY had lost 11% vs the USD a month prior, which led to the unwinding of a popular carry trade.

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Despite a sceptical start to the month, equity indices recovered to post a gain by month-end. The VIX index subsided to 15.0 by the end of August, which led to renewed buying by technical and systematic funds. Economic data weakened slightly, with the global manufacturing PMI falling from 49.7 to 49.5 and the global Citi Economic Surprise Index (CESIGL) falling from -14.0 to -18.3. US CPI fell from 3.0% to 2.9%, supporting the view that inflation is moderating. At the Jackson Hole Symposium, Chairman Powell confirmed that the “time has come” for the Federal Reserve to start reducing interest rates.

By style, value outperformed growth globally, in the US and in Switzerland, while Europe was the exception. Defensives outperformed cyclicals in all regions. Quality and low volatility beat momentum.

PORTFOLIO ACTIVITY

During the month, we liquidated our holding in Arbonia.

STOCK OF THE MONTH

Belimo finished August with a share price gain of 7.0% and thus advanced by +25.2% year-to-date to the end of August. The company reported a strong set of results towards the end of July, with a 2% beat on sales and 9% beat on EBIT while reiterating guidance for 2024. The solid results were driven by strong demand for its products from data centres, which represent about 10% of sales and contributed 3 ppts to the group's 9.7% local currency sales growth in H1 2024. At the beginning of September, Belimo held its 2024 Capital Markets Day at the University of Zurich, highlighting the strategic opportunities ahead, with continued strong demand for data centre cooling applications and retrofit opportunities driven by energy efficiency needs.

QUARTERLY OUTLOOK

August was volatile, and we would not be surprised to see this persist in the near term. Over the last decade, September has, on average, been

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a down month. This year, we have a US election, the projected outcome of which could cause further fluctuations. Candidates Kamala Harris and Donald Trump will debate each other on 10 September, while at the 17-18 September FOMC meeting, the Fed is expected to cut the federal funds rate. Against this somewhat uncertain backdrop, we like our

portfolio holdings.

Sincerely

LO Funds–Swiss Small & Mid Caps investment team

PERFORMANCE

31.08.2024	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	INCEPTION-TO-DATE	2023	2022	2021	2020	2019
LO Funds – Swiss Small and Mid Caps PA [1]	02 October 2019	CHF 28 mn	1.46%	10.24%	18.72%	3.29%	-28.44%	23.60%	8.26%	8.88%
LO Funds – Swiss Small and Mid Caps NA [2]			1.53%	10.87%	23.78%	4.17%	-27.83%	24.65%	8.19%	9.10%
Benchmark [3]			0.57%	8.62%	28.05%	6.53%	-24.02%	22.19%	8.07%	10.28%

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 Extra TR.

89 bps of negative relative performance pertains to 2 October 2019, the Fund’s first day of subscriptions. The SPI Extra TR traded -1.95% on that day but its performance is only counted from the end of the day. Meanwhile, the Fund traded -0.89% on that day and that performance is reflected in the table above.

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:

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.

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.

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

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

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 www.loim.com 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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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.

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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/>.

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