LOMBARD ODIER
INVESTMENT MANAGERS

LO Funds
Planetary Transition
Newsletter

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MARKET REVIEW

In Q3 2024, global equity markets experienced a dynamic mix of progress on inflation, monetary policy shifts, and rising volatility. Early in the quarter, US inflation data surprised positively as housing costs decelerated, marking a return to pre-pandemic levels. This development, coupled with dovish comments from the Federal Reserve, fuelled expectations for upcoming rate cuts. US growth remained resilient, with strong retail sales and robust capacity utilisation, while the eurozone economy stagnated due to weak manufacturing, particularly in Germany. In China, disappointing outcomes from the Politburo meeting hinted at the need for more substantial stimulus, but only moderate policy adjustments were made by the central bank. August was particularly volatile for equity markets. A sharp early-month selloff, driven by concerns over AI monetisation, weakening US economic data, and a surprise rate hike by the Bank of Japan, rattled investors. However, the market quickly recovered by mid-month, supported by a strong corporate earnings season, where US companies largely beat earnings expectations, despite weaker sales numbers from mega-cap tech firms like Alphabet and Tesla. Concerns about US-China tensions over chip export controls added to the uncertainty, but volatility subsided as the month progressed. September marked a pivotal moment as the Federal Reserve initiated a larger-than-expected 50 basis point rate cut, signalling a shift in focus from inflation control to labour market support. This was followed by further easing from European central banks, while China announced a coordinated package of stimulus measures aimed at stabilising its economy, supporting its housing market and boosting liquidity. These accommodative moves across major economies provided a tailwind for risk assets, leading to a broad rally in global equities by the end of the quarter.

PERFORMANCE COMMENT

In the month of September, the Planetary Transition Fund’s performance was aligned with the MSCI World ND. While we registered a very slight negative allocation effect, primarily in Healthcare and Communication Services, positive stock picking largely offset it. At the stock level, the key performers were AIA (developing market-focussed insurer +27%, benefitting from increasing confidence in China’s economic recovery), AES (renewable developer +17%, showing strong exposure to powering data centres), and BYD (EV and battery manufacturer +18%, continuing to roll out a compelling product set). Detractors included Samsung (memory and electronics producer -15%, suffering from cyclical rather than structural memory pricing), Novo Nordisk (drug manufacturer with a leading obesity treatment product -15%, over concerns on pricing in the US), and Wheaton Precious Metals (providing exposure to silver, which is crucial to the solar supply chain -1.2%, giving back on a strong performance). From a quarterly perspective, the strategy outperformed the index and delivered a solid return despite a moderately negative allocation in Technology. From a stock perspective, in addition to AIA (which delivered strongly in the quarter, as above), Resmed (underappreciated play on obesity treatments +27%) and Yakult (innovative probiotic provider +30%) also performed strongly. On the negative side, both Samsung and Novo Nordisk detracted strongly in the quarter, down 22% and 18%, respectively. Apple, despite not being part of the fund's allocation, also contributed to the drag on performance.

PORTFOLIO POSITIONING

In the month of September, two names were added to the Planetary Transition Fund. The first is PayPal, a leading digital payments company that has played a significant role in promoting financial inclusion and providing financial services to underbanked populations around the world. One of PayPal's key contributions to social inclusion is its focus on enabling access to digital financial services for individuals and small businesses who may have limited or no access to traditional banking. PayPal's digital wallet and payment processing platform allow people to send and receive money, make purchases, and accept payments without the need for a traditional bank account. While the brand has deeply underperformed in recent years, we believe the valuation now

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embeds a lot of risk and the company's new strategy is progressing well. Second, we added Zoetis, which operates in the livestock and veterinary health field. Maintaining the health and productivity of livestock is essential for reducing carbon emissions. Healthy animals require less feed, produce less waste, and are more efficient at converting resources into food. This is an extremely high-quality, high-return business, where we believe a unique entry point has opened up. To fund these moves, we exited Novo Nordisk, as we have concerns over the pricing environment for its Ozempic product, and Baidu, where we have lost conviction following updates from management.

OUTLOOK FOR THE STRATEGY

In 2023, contrary to many forecasts, economic activity exceeded expectations. Many forecasts expected a recession as major DM central banks raised interest rates to combat inflation. However, economies demonstrated resilience, and inflation subsided. However, equity market performance was highly concentrated on a few mega-caps that were perceived as defensive in the context of recession concerns. In 2024, as the inflation battle seems over, monetary policies in countries have now swung toward a more accommodative stance with rate cuts across key economies, apart from Japan. The narrative for an economic soft landing is starting to take shape, potentially favouring a broadening of the equity market performance in the second part of 2024 and into 2025.

Many of our themes were left behind and encountered cyclical headwinds, such as clean energy-related themes, which saw a decline of nearly 20%. Despite these cyclical headwinds, we believe the structural trends that we focus on are firmly established. Looking ahead at the rest of 2024 and into 2025, we identify several attractive opportunities that were unduly overlooked and could regain investors' attention.

Overall, our portfolio adheres to the principles of strong quality growth while maintaining disciplined valuation. With our dedicated sustainability research team, encompassing system changes across sectors, we are confident that Planetary Transition is well-positioned to navigate broad environmental challenges, not just in the energy sector, but also in agriculture and material use economies, as well as capture other beneficiaries of a society transitioning to Net Zero. This provides investors with a diverse range of growth opportunities.

FUND STRATEGY

At Lombard Odier, we firmly believe that the current global economic model is unsustainable, and we recognise the ongoing transition towards a circular, lean, inclusive and clean economic model. This transition is driving fundamental changes in material systems across value chains and industries. These changes will accelerate through market inflection points, where the adoption of sustainable products and services will rapidly increase, shifting from niche to mass market. As a result, new and evolving profit pools will emerge within and across sectors.

Our investment approach to the Planetary Transition strategy is guided by a systems-change framework. We understand that these systems are interconnected with planetary boundaries. This strategy serves as the overarching approach for LOIM's holistiQ investment philosophy, focusing on various sustainable themes within key systems such as circular materials, lean consumer, inclusive society (health, finances) and clean energy. These system changes are driving the sustainability transition towards a CLIC economy that contributes to a society that values planetary boundaries.

The strategy encompasses key themes, including green sources of power, electrification of demand (in areas such as mobility, buildings and industry), the bio-economy, new food systems, resource efficiency, circularity, zero waste, and enabling solutions across multiple systems.

PERFORMANCE

30.09.2024	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	INCEPTION-TO-DATE	2023	2022	2021
LO Funds – Planetary Transition PA [1]	16 March 2020	USD 402 mn	1.68%	12.71%	79.89%	7.58%	-19.42%	14.67%
LO Funds – Planetary Transition NA [2]			1.75%	13.43%	86.97%	8.49%	-18.74%	15.64%
Benchmark [3]			1.83%	18.86%	134.75%	23.79%	-18.14%	21.82%

Past performance is not a guarantee of future results. Performance is presented net of fees.
[1] Dividend accumulated private client share, net performance in USD.
[2] Dividend accumulated institutional client share, net performance in USD.
[3] MSCI World ND USD

RISK AND REWARD PROFILE

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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

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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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).
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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/.
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