LOMBARD ODIER
INVESTMENT MANAGERS

LO Funds
Circular Economy
Newsletter

Sustainable Equities • Equities

31 December 2024

MARKET REVIEW

2024 was once again a special year. Firstly, the fight against inflation has been won, with elevated rates not leading to a recession, but deeply inverted yield curves and other traditional indicators have been poor – worrying signals for investors. Secondly, inflation fell without a material slowdown in growth, allowing for the initiation of a rate normalisation process, in turn supporting activity levels. Thirdly, economic divergences have increased – while the US has been powering ahead against expectations, China has faced ongoing challenges in relaunching its growth trajectory and dealing with its real estate and domestic demand issues; Europe is being cyclically pulled down by Germany and France, while the so-called PIGS are in great relative shape; and, finally, Japan is emerging from a decades-long economic torpor.

As the final quarter of 2024 began, the stock market bounced back from a late-summer dip and continued to reach new record highs. However, in late December, equity markets experienced a brief setback when the Federal Reserve indicated fewer rate cuts for 2025. Despite this, stocks still ended the year on a strong note overall.

On the equity front, it was again a tough year for active managers. Investors, fearful of recession, continued to focus mostly on a narrower set of large-cap companies with an a-cyclical dynamic and continued earnings growth powered by digitalisation. Interestingly, the MSCI World SMID Cap Index, the strategy's reference index, outperformed the MSCI World EqualWeight Index, illustrating the disproportionate attraction of flows towards mega-caps.

PERFORMANCE COMMENT

Despite outperforming in December, the Circular Economy strategy lagged behind its reference index (MSCI World SMID) in 2024. Approximately half of this underperformance was due to our thematic biases. For instance, we are structurally absent from Financials, the strongest sector since launch, and traditional Energy, while being structurally biased towards certain types of Materials, Industrials and Utilities. Additionally, negative stock selection within our thematic universe contributed to the rest of the underperformance. The headwinds were spread across multiple sub-themes and stocks, as cyclical concerns impacted share price performances.

Among the worst performers were our semiconductor holdings (BE Semi and SOITEC), which suffered from the prolonged electronics downturn. SEB, a leading circular domestic appliance brand, faced headwinds with Chinese and European consumers and in certain segments (e.g., professional coffee). Stora Enso's share price declined due to an extended negative cycle in demand for pulp, mainly due to weak consumption in China coupled with growing global supply. The largest detractor, Darling Ingredients, a US producer of biodiesel from waste, suffered mostly from concerns about green policies under the Trump administration. These detractors were not sufficiently offset by positive contributors, despite strong performances from companies like Heidelberg, which benefited from structural tailwinds in sustainable cement; Smurfit Westrock, which saw a re-rating post-merger towards an appropriate valuation as a sustainable packaging provider; and Republic Services, which benefited from the shift in the US from waste disposal to resource recovery.

Zooming in on Q4 2024, the Fund's relative performance was particularly weak, entirely driven by our thematic focus. Our biases towards Industrials, Materials and Utilities were impacted by rebounding US long-term rates, which benefited Financials, a sector from which we are absent. In Q4 2024, our main detractors were Advanced Drainage Systems, a leading US company in stormwater infrastructure solutions using recycled plastics; Andritz, an industrial manufacturer of equipment for the Pulp & Paper and Environment and Energy sectors; and Tetra Tech, a leading water solutions company. Our top contributors were Heidelberg Materials, Smurfit Westrock, Cadence Design, a provider of software for efficient electronic system design, and Descartes System, an inter-enterprise software provider for supply-chain management.

INVESTMENT TEAM

LONDON	Alina Donets	+44 20 3206 6107
LONDON	Conor Walsh	+44 20 3206 6253

PRODUCT SPECIALISTS

GENEVA	Pascal Menges	+41 22 709 9519
GENEVA	Edouard de Cournon	+41 22 709 9588

Despite lagging the market, we retained conviction in our investments, recognising the short duration of the sentiment pressures. With most of the stock-specific challenges occurring over the summer, the last quarter of the year particularly reflected our views, as the impact of thematic biases created headwinds that were offset by positive stock selection within the investable arena.

FUND ACTIVITY

During the year, we made several changes to our positions. We reshaped our Technology exposure by shifting towards strong trends in digitalising supply chains (Descartes, Kinaxis, Trimble, Daifuku) and fostering AI adoption (Cognex, BE Semiconductor). We concentrated our Materials exposure towards lower cyclicality by exiting Alcoa and Norsk Hydro, and strengthened our exposure to water technologies with new positions in Veralto, Ecolab, Kurita Water, and Beijing Enterprises. These changes reflect the accelerating innovation in circularity and resource efficiency solutions, often financed by relatively lower-conviction positions.

In the Q4 2024, we added positions in Trimble for digitalising industries, Brambles for circular distribution solutions, Guangdong for efficient water management, and Elis, a European leader in the shared economy for workwear. These additions were partially financed by exiting John Bean Tech, an animal processing equipment maker, and Weyerhauser, a forestry operator.

Our positioning aims to balance strong quality in defensive businesses with structural tailwinds for specific names or industries, alongside more cyclical exposures with well-defined secular catalysts.

OUTLOOK

In 2024, as the inflation battle seemed over, countries' monetary policies have now moved towards a more accommodative stance, with rate cuts across key economies, with the exception of Japan. The narrative of a soft landing is starting to take shape, potentially favouring a broadening of the equity market performance into 2025, following performance having been concentrated in a narrow set of companies since 2023 and the flight away from smid-caps (i.e. the strategy's battleground). We continue to observe attractive market anomalies. Looking ahead, we anticipate that a broader equity market performance would particularly benefit stocks that lagged in 2023-24, with a specific focus on small and mid-cap companies.

In this environment, we aim to complement our portfolio's barbell approach, which balances high-quality value and growth, with idiosyncratic opportunities driven by company-specific catalysts. We have observed a growing interest and understanding among investors in circular-economy solutions, which is supportive of growth and asset valuations. Currently, our areas of focus include performance and bio-based materials, advanced manufacturing and exposure to enhanced infrastructure that promotes a sustainable future, spanning from waste and recycling to water management and environmental integrity. Both the regulatory environment and economic factors are unveiling new business models within various dimensions of our Fund's universe.

FUND STRATEGY

The Circular Economy strategy aims to capitalise on investment opportunities arising from the shift in economic models from linear to circular. This transition is centred on two main priorities: harnessing the power of nature and safeguarding natural capital.

The strategy's primary investment themes are closely tied to opportunities identified within four key revolutions associated with this transition: the circular bio-economy, resource efficiency, an outcome-oriented economy and zero waste. Across these four revolutions, the thematic investment universe encompasses over 250 companies, carefully mapped across regions and sectors. As a result, it presents a well-diversified investment universe that offers ample depth and breadth for our stock selection process.

PERFORMANCE

31.12.2024	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	INCEPTION-TO-DATE	2023	2022	2021
LO Funds – Circular Economy PA [1]	16.11.2020	USD 288 mn	-5.43%	-4.48%	8.30%	8.49%	-22.12%	28.42%
LO Funds – Circular Economy NA [2]			-5.36%	-3.66%	12.16%	9.41%	-21.45%	29.51%
Benchmark [3]			-5.82%	9.56%	29.36%	15.62%	-18.93%	16.74%

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 SMID Cap USD ND

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.

IMPORTANT INFORMATION

This document is a **Marketing Communication** relating to **Lombard Odier Funds** and its **Sub-Fund ("LO Funds - Circular Economy")** (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.

This document is issued by **Lombard Odier Funds (Europe) S.A** (hereinafter the "Management Company"). The Management Company is authorised and regulated by the Commission de Surveillance du Secteur (the "CSSF") within the meaning of EU Directive 2009/65/EC and has its registered office at 291, Route d'Arlon, L-1150 Luxembourg. The Management Company is clustered within the Lombard Odier Investment Management Division ("LOIM") of Lombard Odier Group. LOIM is a trade name. The LOIM entities support in the preparation of this document and LOIM is a trade name. The Fund is authorized and regulated by the CSSF as a UCITS within the meaning of EU Directive 2009/65/EC, as amended.n
This document is the property of LOIM, is provided for information purposes only and is addressed for the recipient exclusively for its personal use. It may not be reproduced (in whole or in part), transmitted, modified, or used for any other purpose without the prior written permission of LOIM. It is not intended for distribution, publication, or used for any other purpose without the prior written permission of LOIM.

The contents of this document has not been reviewed by any regulatory authority in any jurisdictions and does not constitute an offer or a recommendation to subscribe for any securities or other financial instruments or products described herein.

It contains opinions of LOIM, as at the date of issue. These opinions and information contained herein in this document does not take into account all the specific circumstances of the addressee. Therefore, no representation is made that the investment strategies presented in this document are suitable or appropriate to the individual circumstances of any investors. Tax treatment depends on the individual circumstance of the investor and may be subject to change in the future. LOIM does not provide tax advice. Consequently, you must verify the above and all information provided in this document with the legal documents issued for the Fund or otherwise review it with your external tax advisors.

The information and analysis contained herein are based on sources believed to be reliable. While LOIM uses its best efforts to ensure that the content is created in good faith, with greatest care and with accuracy, it does not guarantee the timeliness, validity, reliability or completeness of the information contained in this document, neither does it warrant that the information is free from errors and omission not does it accept any liability for any loss or damage resulting from its use. All information and opinions as well as the prices indicated may change without notice. Particular contents of third parties are marked as such. LOIM assumes no liability for any indirect, incidental or consequential damages that are caused by or in connection with the use of such content.

The Source of the data has been mentioned wherever it was available. Unless otherwise stated, the data is prepared by LOIM.

An investment in the Fund is not suitable for all investors. The ownership of any investment decision(s) shall exclusively vest with the investor. Investment must be done after analysing all possible risk factors and by exercising of independent discretion. The investor must particularly ensure the suitability of an investment as regards with his/her financial situation, risk profile and investment objectives investing. **There can be no assurance that the Fund's investment objective will be achieved or that there will be a return on capital. Past or estimated performance is not necessarily indicative of future results and no assurance can be made that profits will be achieved, or that substantial losses will not be incurred.** The investor bears the risk of losses in connection with any investment. The information contained in this document does not constitute any form of advice on any investment or related consequences of making any particular investment decision in any particular investment decision in any Fund. Each investor shall make his/her own appraisal of risk, goals, liquidity, taxes and other financial merit of his/her investment decisions. Views, opinions and estimates may change without notice and are based on a number of assumptions which may or may not eventuate or prove to be accurate. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product.

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**.

LOIM recognises that conflicts of interest may exist as a consequence of the distribution of the Fund issued or managed by entities within the Lombard Odier Group. LOIM has a Conflict of Interests policy to identify and manage such conflicts of interest and a copy of this policy is available on https://am.lombardodier.com/home/asset-management-regulatory-disc.html.
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.

A summary of the sustainable website entity level disclosure is available in English in the "Regulatory and voluntary" section of the website fund page on Regulatory Disclosures - Asset Management - Lombard Odier.

Limitation on Sale: The shares issued for this Fund may only be publicly offered or sold in countries in which such a public offer or sale is permitted. Therefore, unless the Management Company or representatives of the Management Company have filed an application with the local supervisory authorities and permission has been granted by the local supervisory authorities, and as long as no such application has been filed or no such permission granted by the supervisory authorities, this Fund does not represent an offer to buy investment shares.

Not for US Person: The Fund has not been registered pursuant to the 1933 United States Securities Act. This document is not intended for any "U.S. Person" as defined in Regulation S of the Act, as amended or pursuant to the 1940 United States Investment Company Act as amended and will not be registered pursuant to the 1940 United States Investment Company Act as amended, or pursuant to other US federal laws. Therefore, the shares will not be publicly offered or sold in the United States. Neither this document nor any copy thereof may be sent, taken into, or distributed in the United States of America, any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a United States Person For this purpose, the term "United States Person" shall mean any citizen, national or resident of the United States of America, partnership organized or existing in any state, territory or possession of the United States of America, a corporation organized under the laws of the United States or of any state, territory or possession thereof, or any estate or trust that is subject to United States Federal income tax regardless of the source of its income.

The Fund is currently notified for marketing into a number of jurisdictions. The Management Company may decide to terminate the arrangements made for the marketing of the Fund at any time using the process contained in Article 93a of the UCITS Directive.

When the Fund is registered in the following jurisdictions, it is represented by the following Representatives:

Austria. Representative: Erste Bank der österreichischen Sparkassen AG, Am Belvedere 1, 1100 Vienna, Supervisory Authority: Finanzmarktaufsicht (FMA).
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 Authoriy: Finans Inspektionen (FI).
Switzerland. The Fund is intended for Professional Investors only and has not been approved by the Swiss Financial Market Supervisory Authority FINMA (Autorité fédérale de surveillance des marchés financiers) for distribution in or from Switzerland to non-qualified investors pursuant to Article 120 of the Swiss Collective Investment Scheme Act of 23 June 2023 (the "CISA") . This is an advertising

document. Representative: Lombard Odier Asset Management (Switzerland) SA, 6 av. Des Morgines, 1213 Petit-Lancy; Paying agent: Bank Lombard Odier & Co Ltd, 11 rue de la Corraterie, CH-1204 Geneva, Switzerland.
United Kingdom. Representative: Lombard Odier Asset Management (Europe) Limited, Queensberry House,3 Old Burlington Street, London W1S3AB, Supervisory Authority: Financial Conduct Authority (FCA).

NOTICE TO RESIDENTS OF THE UNITED KINGDOM In the United Kingdom: This document is a financial promotion and has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000, by Lombard Odier Asset Management (Europe) Limited (FCA Firm number: 515393) at the date of the publishing. The Fund is a Recognised Scheme in the United Kingdom under the Financial Services & Markets Act 2000. Potential investors in the United Kingdom are advised that none of the protections afforded by the United Kingdom regulatory system will apply to an investment in the Fund and that compensation will not generally be available under the Financial Services Compensation Scheme. This document does not itself constitute an offer to provide discretionary or non-discretionary investment management or advisory services, otherwise than pursuant to an agreement in compliance with applicable laws, rules and regulations.

UK regulation for the protection of retail clients in the UK and the compensation available under the UK Financial Services Compensation scheme does not apply in respect of any investment or services provided by an overseas person. The taxation position affecting UK investors is outlines in the Prospectus.

Important Information on Fund awards:
Morningstar: Morningstar Category: Morningstar assigns ratings based on comparisons of all funds within a specific Morningstar Category, rather than all funds in a broad asset class. The information contained herein is proprietary to Morningstar and/or its providers, may not be copied or distributed and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are not responsible for any damages or losses arising from any use of this information. For more information about the Morningstar Category:

https://www.morningstar.com/content/dam/marketing/shared/research/methodology/771945_Morningstar_Rating_for_Funds_Methodology.pdf and http://www.morningstar.com

Morningstar stars: The star rating is based on risk-adjusted performance. A fund must have a record of more than three years. Star ratings are graded on a curve: the top 10% of funds receive five stars, the next 22.5% receive four stars, the middle 35% receive three stars, the next 22.5% receive two stars and the bottom 10% get one star.
A rating alone is an insufficient basis for an investment decision. A rating is drawn for illustration purposes only and is subject to change. It is not a recommendation to invest in the Fund. It does not predict future performance of the Fund. There is no guarantee that the investment objective of the Fund will be reached.

For details regarding the star rating method:

https://www.morningstar.com/content/dam/marketing/shared/research/methodology/771945_Morningstar_Rating_for_Funds_Methodology.pdf and www.morningstar.com. Morningstar is not responsible for any damages or losses arising from any use of this information.

Data Protection: You may be receiving this Communication because you have provided us your contact details. If this is the case, note that we may process your personal data for direct marketing purposes. For more information on Lombard Odier's data protection policy, please refer to www.lombardodier.com/privacy-policy