
LO Funds

New Food Systems

Newsletter

Sustainable Equities • Equities

31 October 2024

MARKET REVIEW

In October, the US constructive narrative continued amid solid economic growth and a resilient labour market. Most economic data released added support to the soft-landing narrative, or even a no-landing one, helping to push back against recession fears. It is worth noting that the stronger-than-expected US job data led to a sharp uplift in US yields and the USD versus most major currencies. The economic backdrop in the EU stands in stark contrast to that of the US, with recent weak Eurozone data, including contracting PMIs, softening inflation figures (below ECB target) and deteriorating consumer sentiment. In China, the various announcements in October were perceived as insufficient and fell short of the major stimulus expected from previous months' indications. In parallel, China-EU tensions escalated as China imposed anti-dumping measures on imports of brandy in a tit-for-tat response to the EU duty tax imposed on Chinese EV vehicles.

On the corporate front, the quarterly reporting season started. In terms of earnings surprises, Communication Services (driven by Alphabet), Financials (driven by diversified Banks) and Healthcare (driven by large traditional pharmaceuticals) were the strongest sectors. The Information Technology sector was, in general, "just" in line with expectations due to soft figures from semiconductor and IT hardware companies. Among the top 10 companies in the equity market (c. 25% weight), while Amazon and Alphabet were strong, Microsoft was under pressure as it forecast slower growth in its cloud business. Meta shares slid after it indicated "significant" growth in capital expenditure next year.

PERFORMANCE COMMENT

Following a strong period of outperformance, the Fund gave back some of its gains in October vs the reference index. Sector allocation effects produced relative lag for the entirety of the month, in particular due to our structural exposure to Consumer Staples and Materials, due to our food focus, and our lack of exposure to Financials, for instance. However, our stock selection has been strong and offset a significant portion of this sector allocation effect. Our stock selection was particularly strong within Materials and Consumer Discretionary.

Among our top performers during the month was John Bean Tech, a

food equipment company, which saw a robust start to the second half of the year. A key highlight was its automated equipment business (10% of sales) growing 30% and already adding 3% to the top line. Smurfit Westrock, a paper and packaging business, continued to drive performance and is now the second largest contributor since we launched the Fund.

Our second largest detractor in the month was not owning Nvidia, while our top detractor was Atacadao, a cash-and-carry business. Atacadao, based in Brazil, was caught up in the negative sentiment surrounding the macro environment.

FUND ACTIVITY

Following a period of volatility that resulted in heightened activity, October was a quiet month for the Fund. Our largest position changes were to 1) increase exposure to Novo Nordisk (now our third largest position) following a period of weak share price performance combined with no change to our long-term thesis, and 2) reduce our position in Zebra Tech as valuation approached our price target. This was also the largest change from a sector and region perspective, i.e., recycling profits from US tech (Zebra) into European healthcare (Novo Nordisk). Cash also increased slightly from 2% to 3%.

OUTLOOK FOR THE STRATEGY

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 the second part of 2024 and 2025, following performance having been concentrated in a narrow set of companies since 2023.

Many of our themes were left behind and encountered cyclical headwinds due, in part, to inflationary pressure, such as food-related themes. Despite these cyclical headwinds, we believe that the structural trends we focus on are firmly established. Looking ahead into the rest of 2024 and 2025, we identify several attractive opportunities that were unduly overlooked and could regain investors' attention,

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Last year saw a tremendous surge of interest in our themes. For instance, food took centre stage at COP28: the number of agribusiness lobbyists more than doubled, there were 3x as many delegates from the meat and dairy sectors, 160 delegates signed a declaration to include food and agriculture in their climate plans, and the FAO unveiled its roadmap for aligning the food system with climate goals – a significant step akin to what the IEA outlined for the energy transition several years ago. Our portfolio of companies is well-positioned to benefit from systemic changes across the entire value chain. From the enactment of new regulations to the development of obesity medications that alleviate pressure on the system, our holdings are strategically positioned to capitalise on this unstoppable force that continues to gain momentum.

FUND STRATEGY

Currently, food systems are contributing to the violation of various

planetary boundaries, including biodiversity loss, deforestation, agrochemical pollution, excessive water usage and waste generation. In order for food systems to be sustainable in the medium to long term, significant transformations are necessary. These paradigm shifts will disrupt profit pools, altering opportunities in existing markets and creating new ones while also posing risks and unlocking potential upside for financial market investors.

Our strategy is specifically designed to capture the potential opportunities associated with the transformation of food systems. We aim to invest across the entire food value chain, from sustainable food production (such as ingredients, fertilisers and aquaculture) to food consumption (including manufacturing and canteens), as well as enabling technologies (such as life sciences, packaging, and logistics). Our goal is to align with the shift towards a food system model that can nourish the planet while operating within, or contributing to, the restoration of planetary boundaries.

PERFORMANCE

31.10.2024	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	INCEPTION-TO-DATE	2023
LO Funds – New Food Systems PA [1]	16.07.2022	USD 27 mn	-3.10%	10.10%	11.33%	2.40%
LO Funds – New Food Systems NA [2]			-3.03%	10.88%	13.51%	3.27%
Benchmark [3]			-2.24%	16.00%	42.25%	22.20%

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 All Countries World USD ND

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:

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.

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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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Finland. Finanssivalvonta (Fiva) - Financial Supervisory Authority (FIN-FSA), Snellmaninkatu 6, P.O. Box 103, FI – 00101 Helsinki, Finland; Website: <http://www.finanssivalvonta.fi>.

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