

LO Funds

Continental Europe Small & Mid Leaders

Newsletter

Regional Equities • Equities

31 October 2024

PERFORMANCE COMMENTS

LO Funds-Continental Europe Small & Mid Leaders (EUR NA share) returned -4.2% in October compared to -3.8% for its benchmark, the Stoxx Europe ex-UK Small ND Index. This brings its YTD performance to -0.3% versus 2.5% for the benchmark. The Fund's EUR PA share returned -4.3% in October and -1.1% YTD, compared to -3.8% and 2.5% YTD for the benchmark.

European equities fell by 3.2% in October (EUR terms) as government bond yields rose: the 10Y Bund yield reached 2.4%, up 27 bps during the month, and the French 10Y yield rose 21 bps to 3.1%. The European equity market was weak in October, impacted by heightened geopolitical risk in the Middle East after direct attacks between Israel and Iran, uncertainty around the US presidential outcome following tight poll surveys, and concerns over China's economic recovery. The VIX index moved from 17 to 23 in one month, reflecting the general nervousness in equity markets. Among the 11 GICS sectors of the MSCI Europe, only Energy ended in the green (+0.2%), while all other sectors were down, with Information Technology recording the worst decline at -7.2%. In that context, small and mid-caps underperformed large caps by c. 60 bps and Value outperformed Growth by 258 bps.

STOCK SELECTION – CONTRIBUTORS

The top contributors to the Fund's performance in October were Elis, Smurfit Westrock and Bakkafrost.

Elis (business services, France, 2.2% weight, +11.0% return, +29 bps contribution) is a French linen and workwear cleaning and rental services. Elis announced during the month that it had terminated all discussions with Vestis and Unifirst around a potential acquisition. This news was a relief to investors who were concerned about the impact of a deal on Elis' leverage and EPS for the coming years.

Smurfit Westrock (packaging, United Kingdom, 2.4% weight, +5.9%

return, +24 bps contribution) is a global leader in packaging, with a product portfolio ranging from corrugated and consumer packaging to bag-in-box packaging and point-of-sales displays. The company is enjoying some tailwinds, with energy and old corrugated container prices falling.

Bakkafrost (food, Faroe Islands, 2.4% weight, +6.7% return, +23 bps contribution) is a salmon producer with operations in the Faroe Islands and Scotland. The company reported harvest volumes for the third quarter above expectations, driving the share price up.

STOCK SELECTION – DETRACTORS

The positions that detracted most from the Fund's performance in October were Alten, Elia and ASM International.

Alten (engineering services, France, 1.3% weight, -22.4% return, -25 bps contribution) is a European leader in engineering and technology consulting. The company reported its third-quarter results showing a continuous slowdown in activity due to the macroeconomic environment and cost reduction constraints, especially in automotive and aerospace. Alten reduced its guidance for the full year 2024 in terms of revenues and operating margin.

Elia (utilities, Belgium, 2.0% weight, -15.0% return, -24 bps contribution) is an operator of electricity transmission in Germany and Belgium. The company hosted an analyst day during which management mentioned lower risk-free rates in Germany and Belgium compared to European peers, weighing on Elia's return on equity.

ASM International (semiconductors, Netherlands, 1.8% weight, -13.1% return, -18 bps contribution) manufactures some of the most advanced deposition machines. The share price declined after ASML's Q3 results in mid-October, before recovering partially after posting strong Q3 results with orders above expectations.

PORTFOLIO ACTIVITY

INVESTMENT TEAM

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In October, we exited Bechtle (Germany, IT services) and entered Reply (Italy, IT services); we also exited Siegfried (Switzerland, pharma) and

entered Rovi (Spain, pharma).

PERFORMANCE

31.10.2024	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	INCEPTION-TO-DATE	2023	2022	2021	2020	2019
LO Funds – Continental Europe Small & Mid Leaders PA [1]	22 June 2006	EUR 35 mn	-4.29%	-1.12%	365.15%	1.76%	-28.18%	19.27%	12.35%	28.30%
LO Funds – Continental Europe Small & Mid Leaders NA [2]			-4.21%	-0.29%	446.88%	2.78%	-27.46%	20.47%	13.48%	29.59%
Benchmark [3]			-3.81%	2.46%	471.26%	12.84%	-23.01%	23.10%	11.47%	26.28%

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 EUR.

[2] Dividend accumulated institutional share class, net performance in EUR.

[3] Stoxx ex-UK Small Return ND Index EUR

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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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

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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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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>.

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Liechtenstein. Representative, LGT Bank AG Herrengasse 12, 9490 Vaduz, Supervisory Authority: Finanzmarktaufsicht Liechtenstein ("FMA").

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