

LO Funds

China High Conviction

Newsletter

Regional Equities • Equities

30 November 2024

PERFORMANCE COMMENT

Chinese and Hong Kong markets experienced further corrections in November, retreating from their October highs. This was largely driven by disappointing updates from the highly anticipated National People's Congress (NPC) meeting and ongoing concerns over tariffs. Despite these headwinds, markets remained above the levels seen prior to September's policy pivot. Sector performance was mixed, with Healthcare and Communication Services showing resilience, while Real Estate and Consumer Discretionary lagged significantly.

LO Funds–China High Conviction underperformed its benchmark in November. Stock selection in Communication Services and Consumer Staples contributed positively to performance, while the Fund's underweight exposure to A-share stocks detracted.

MACRO REVIEW

The Standing Committee of China's NPC convened in early November, unveiling a much-anticipated fiscal initiative aimed at converting off-balance-sheet "hidden" local government debts into on-balance-sheet liabilities over the next five years, totalling RMB 10 trillion. This plan includes: 1) raising the cap on outstanding local government special-purpose bonds (LGSBs) by RMB 6 trillion, and 2) utilising the existing RMB 4 trillion LGSB quotas to swap hidden debts from 2024 to 2028. While this aligns with our base-case expectations, some bullish investors who anticipated a consumption stimulus package may have felt let down. Notably, we observed extended "trade-in" programmes for home appliances and consumer electronics in early December across Jiangsu and Guizhou provinces, indicating the government's commitment to rolling out supportive policies in the coming months. We maintain our belief that September's policy pivot is genuine and we will continue to assess its effectiveness. In addition to domestic developments, the market is closely monitoring geopolitical shifts, particularly following the US presidential election and the appointments

of various government officials. We believe that Donald Trump's remarks regarding a potential additional 10% tariff have been factored into market expectations, at least in part. While we cannot dismiss the possibility of further tariff increases, we contend that the global landscape has been adjusting to a new bipolar order since the onset of the 2019 trade war, making this situation less surprising. The Trump administration will likely seek a balance between the interests of US enterprises, consumers and onshoring objectives. Consequently, we are cautious in our stock selection, avoiding companies that are embroiled in tariff controversies.

PORTFOLIO ACTIVITY

The Fund added a few new positions in November, mainly in the Consumer spaces. We initiated a new position at Gambol Pet and Giant Biogene. Gambol Pet, the domestic pet food leader, is well positioned to capitalise on China's expanding pet economy, with strong growth potential driven by increasing pet ownership, premiumisation trends in pet food, and its integrated supply-chain advantages. Giant Biogene is a leading player in China's fast-growing biomedical beauty market, supported by its strong R&D capabilities in collagen-based products and rising consumer demand for premium skincare and medical aesthetics.

Our strategy remains focused on mid- and large-cap growth companies at reasonable valuations, which we still believe is the best way to generate alpha. We continue to like the quality of our portfolio, with a good balance of large caps and mid-caps with bottom-up, growth-related names that are less affected by regulation and policies.

TOP PERFORMANCE CONTRIBUTORS/DETRACTORS

The top contributors for the month were Pop Mart, Jiangsu Hengrui and Netease. Popmart continued to outperform after delivering another set of excellent results, with exceptional revenue growth driven by both domestic and overseas markets. Jiangsu Hengrui outperformed due to

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the improving regulatory environment for pharmaceuticals in China. Meanwhile, Netease shares rallied after Q3 earnings exceeded expectations, alleviating fears about the performance of its gaming business.

The top detractors were Xuji Electric, Alibaba and TAL Education. Xuji underperformed due to weaker-than-expected order growth linked to delays in infrastructure spending and grid upgrades. Baba's share price came under pressure due to intense domestic competition despite a

return to record-low valuations. TAL Education's share price fell as the market remained cautious about the recovery potential of the private education sector amid regulatory uncertainty and intensifying competition.

Thank you for your continued support.

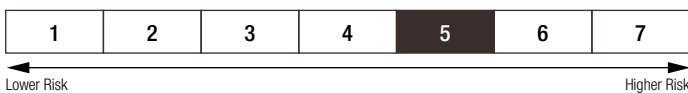
LOIM ASIA/EMERGING EQUITIES TEAM

PERFORMANCE

30.11.2024	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	INCEPTION-TO-DATE	2023	2022	2021	2020
LO Funds - China High Conviction PA [1]	03.08.2020	USD 19 mn	-4.53%	12.90%	-38.10%	-12.50%	-32.89%	-19.44%	15.91%
LO Funds - China High Conviction NA [2]			-4.47%	13.79%	-35.76%	-11.75%	-32.31%	-18.75%	16.31%
Benchmark [3]			-3.23%	14.66%	-23.43%	-11.53%	-23.61%	-12.91%	13.45%

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 USD.
 [2] Dividend accumulated institutional share class, net performance in USD.
 [3] MSCI China All Share, ND performance in USD.

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.

Model Risk: Models may be misspecified, badly implemented or may become inoperative when significant changes take place in the financial markets or in the organization. Such a model could unduly influence portfolio management and expose to losses.

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

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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>.

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).

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