

LO Funds

China High Conviction

Newsletter

Regional Equities • Equities

30 September 2024

PERFORMANCE COMMENT

The MSCI China All Shares Net Total Return Index rose by 23.2% in September, with the majority of gains occurring in the final trading days of September. This surge was driven by the early arrival of a stronger-than-expected policy pivot by China's government. It marked one of the most dramatic rallies, with all major Chinese equity indices climbing over 20% in just a few days. The Real Estate and Consumer Discretionary sectors led the rally, while the Energy and Utilities sectors lagged behind.

LO Funds—China High Conviction outperformed its benchmark materially during this period, driven mainly by successful sector allocation.

MACRO REVIEW

The Federal Reserve initiated its easing cycle, cutting rates by 50 basis points. In doing so, the Fed defied economists' expectations but aligned with the views of a majority of market participants. This cut was described as a "recalibration", and Fed Chair Jerome Powell emphasised that a 50 basis point adjustment would not set a new precedent for future rate changes.

In China, towards the end of the month, we saw the most significant stimulus package since the pandemic, one which we believe is decisive, coordinated, and led by the country's highest leaders. On 24 September, the PBoC unleashed a series of powerful policy announcements targeted at boosting lending with interest rate and RRR cuts, in order to enhance support for the property market and revive the stock market. This was swiftly followed by a Politburo meeting on 26 September to address the demand issue facing the economy as a prelude to more aggressive fiscal stimulus policies on the horizon. We believe the key reason for the very strong market reaction and optimism is that the stimulus package is top-down driven and well-coordinated, initiated by the country's top leaders. President Xi Jinping chaired the Politburo meeting on the economy himself. This is highly unusual, as the

September Politburo meeting has historically been about non-economic topics (economic topics are usually discussed at the April, July, and December meetings). On the same day, PBoC Governor Pan Gongsheng delivered a nationwide televised state address, which included many statements indicating that more measures can and will be undertaken in the future, if needed. There was a clear sense of urgency, given the unusual timing of the Politburo meeting (earlier than usual) and the cautious tone on the economic situation (versus the previous complacent note). Unlike previous piecemeal policies, concrete measures are being introduced simultaneously, indicating greater policy coordination and communication. There was also a clear direction on property market and equity market support. We saw sweeping actions to stabilise property, including lower mortgage rates, further relaxation on home purchase curbs, and others. The PBoC also rolled out lending facilities to encourage share investment and buybacks.

PORTFOLIO ACTIVITY

The Fund exited some defensive SOE stocks, such as banks and utilities, which have outperformed YTD, and initiated a position in JD.com, which is trading at distressed valuations. The Fund also added to domestic consumption-related exposures. We believe the strong policy pivot should help improve market sentiment and suggests potential upside for near-term economic growth, as well as the possibility of supporting structural growth over the longer term.

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

TOP PERFORMANCE CONTRIBUTORS/DETRACTORS

The top contributors for the month were the Internet/Services platform

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leaders, including Meituan, TAL, Alibaba, and FUTU. These platform leaders were trading at relatively distressed valuations compared to their historical levels, while we believe their fundamentals remain robust. Common attributes of these companies include dominant market leadership, strong free cash flow yields, and enhanced shareholder returns. The policy pivot in China has boosted market sentiment, making these quality growth companies favoured among investors seeking to increase their exposure to China.

Top detractors included defensive high yielders such as Anhui Express Railways and ICBC-A. These stocks have done well YTD amid macroeconomic headwinds and benefited less from the policy pivot.

Thank you for your continued support.

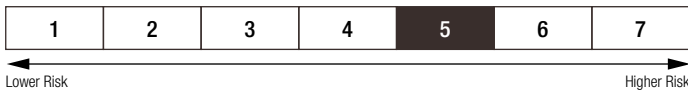
LOIM ASIA/EMERGING EQUITIES TEAM

PERFORMANCE

30.09.2024	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 23 mn	25.27%	25.77%	-31.04%	-12.50%	-32.89%	-19.44%	15.91%
LO Funds - China High Conviction NA [2]			25.36%	26.59%	-28.53%	-11.75%	-32.31%	-18.75%	16.31%
Benchmark [3]			23.19%	25.09%	-16.47%	-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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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).

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").

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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