LOMBARD ODIER
INVESTMENT MANAGERS

LO Funds
Planetary Transition
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 companies with an a-cyclical dynamic and ongoing earnings growth powered by digitalisation. Artificial intelligence has therefore remained a major market driver. In 2024, only 30% of stocks outperformed the MSCI World, two standard deviations below the last three-decade average.

PERFORMANCE COMMENT

In 2024, the Planetary Transition Fund lagged its reference index, with the performance difference coming from a mix of allocation and selection effects in a market driven by a few mega-caps stocks (53% of S&P500 returns came from the Magnificent 7). The Fund's top performers included NVIDIA, which achieved a return of 183%, significantly boosting the portfolio's performance. Taiwan Semiconductor and Tesla also contributed positively, with returns of about 70% each. The AI trade remained in full swing, which benefited all of our key contributors, even down to some industrial assets such as Schneider Electric (+32%), which play a key role in datacentre rollouts. On the negative side, Enphase (solar inverter market weakness) and Samsung Electronics (memory-focused semiconductors which missed Nvidia's first generation of AI chips) were among the largest detractors, with returns of -47.0% and -40.5%, respectively.

To zoom in on the last quarter, the Fund experienced a decline while the performance of its reference index was mostly flat, with the environment-focused portion of the portfolio suffering. Despite the overall decline, several securities delivered strong returns. Tesla delivered 62.5%, contributing significantly to the portfolio on hopes that deregulation will aid its Robotaxi efforts. Amazon and Visa also performed well, with returns of 19.5% and 15.9%, respectively. The Fund faced challenges from Enphase (highlighted above) and AES in particular, with returns of -38.5% and -34.8%, respectively, on expectations of a tough environment for clean technology in light of the upcoming US political regime change. However, we believe the market has overreacted to this environment, with the names owned actually beneficiaries of the expected focus on domestic production.

PORTFOLIO POSITIONING

Throughout 2024, we worked to reduce the portfolio's sensitivity to the unwinding trends observed in key clean technology markets targeted by the strategy. Simultaneously, we strategically increased allocations to businesses we identified as essential enablers (a "picks-and-shovels" approach) of the AI trade. From an AI perspective, we focused on key enablers such as Siemens, Schneider Electric and semiconductor players, all of which are instrumental in supporting the rollout of power-intensive computing capacity.

In the mobility segment, we actively increased our exposure to Tesla

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mid-year and conducted extensive research on the autonomous driving opportunity, which led to an increased position in Baidu. To diversify across system-changes-driven opportunities, we introduced additional consumer exposure, targeting brands aligned with trends like healthy eating. For instance, we added Yakult, benefiting from its probiotics focus, and BellRing Brands, an emerging protein company in the US.

In the latter part of the year, our analysis of financial technologies and attractive valuations in the sector resulted in the addition of names such as PayPal and Global Payments to the portfolio. On the information services side, we added MSCI and Verisk, drawn to their resilient cash flow profiles and robust outlooks for 2025.

Lastly, we intensified our focus on healthcare system transformation, benefiting directly from the obesity treatment boom through investments in Novo Nordisk and Eli Lilly, and indirectly through ResMed, which we identified as an underappreciated beneficiary of these trends.

OUTLOOK FOR THE STRATEGY

In 2024, as the inflation battle seemed over, countries began to move towards more accommodative monetary policies, 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, after having been concentrated in a narrow set of stocks since 2023.

Many of our themes were left behind and encountered cyclical headwinds, such as clean-energy-related themes, which have seen a decline of over 20% for two years in a row. Despite these cyclical headwinds, we believe that the structural trends we focus on are firmly established. Looking ahead into 2025, we identify several attractive opportunities that are unduly overlooked and could regain investors' attention.

Overall, our portfolio adheres to the principles of strong quality growth while maintaining disciplined valuation. With our dedicated sustainability research team encompassing system changes across sectors, we are confident that the Planetary Transition strategy is well-positioned to capture investment opportunities arising from a society transitioning to net zero, becoming more nature-positive and socially equitable. This provides investors with a diverse range of growth opportunities.

FUND STRATEGY

At Lombard Odier, we firmly believe that the current global economic model is unsustainable, and we recognise the ongoing transition towards a circular, lean, inclusive and clean economic model. This transition is driving fundamental changes in material systems across value chains and industries. These changes will accelerate through market inflection points, where the adoption of sustainable products and services will rapidly increase, shifting from niche to mass market. As a result, new and evolving profit pools will emerge within and across sectors.

Our investment approach for the Planetary Transition strategy is guided by a systems-change framework. We understand that these systems are interconnected with planetary boundaries. This strategy serves as the overarching approach for LOIM's holistiQ investment philosophy, focusing on various sustainable themes within key systems such as industrials, consumers, materials or energy. Additionally, we identify other opportunities for system changes that contribute to a society that values planetary boundaries and aligns with the sustainability transition.

The strategy encompasses key themes, including green sources of power, electrification of demand (in areas such as mobility, buildings and industry), the bio-economy, new food systems, resource efficiency, circularity, zero waste, preventive case, new consumers and enabling technology solutions across multiple systems.

PERFORMANCE

31.12.2024	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	INCEPTION-TO-DATE	2023	2022	2021
LO Funds – Planetary Transition PA [1]	16 March 2020	USD 326 mn	-3.89%	6.34%	69.74%	7.58%	-19.42%	14.67%
LO Funds – Planetary Transition NA [2]			-3.82%	7.25%	76.79%	8.49%	-18.74%	15.64%
Benchmark [3]			-2.61%	18.67%	134.38%	23.79%	-18.14%	21.82%

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 ND USD

RISK AND REWARD PROFILE

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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.

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

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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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Germany. Representative: DekaBank Deutsche Girozentrale, Mainzer Landstraße 16, D-60325 Frankfurt am Main, Supervisory Authority: Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).
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