LOMBARD ODIER
INVESTMENT MANAGERS

LO Funds
Generation Global
Newsletter

Sustainable Equities • Equities

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MARKET OVERVIEW

November was marked by the US presidential election. The outcome has delivered a clear Republican victory, giving US voters a path to unimpeded “America first” policies. Republicans are now expected to take control of all four levers of US authority—the White House, both chambers of Congress, and the already-conservative Supreme Court. This shift is likely to usher in policies that focus on deregulating key industries, lowering personal and corporate taxes, and introducing tariffs likely detrimental to China, Europe or Mexico. Domestically, this may lead to higher US nominal growth, inflation and interest rates, albeit gradually normalising from current elevated levels. For example, increased tariffs could encourage domestic US production, especially if combined with potential reductions in corporate tax rates from 21% to 15% for companies producing domestically. This policy direction aligns with the continuation of the “reshoring” theme and restoring critical supply chains to the US. Overall, while specifics are yet to be detailed, market dynamics have aligned with this initial perception. US equities, in particular US small caps, drove the global equity market strongly higher, while European and emerging equities ended November effectively down. US Consumer Discretionary, boosted by Tesla and Retail, and Financials, boosted by the perception of more favourable regulation and a steepening yield curve, were all key outliers globally over the month.

INVESTMENT THESIS

Decarbonising the built environment is a key challenge in solving the climate crisis. CBRE and JLL are a critical part of the solution and together account for 6% of the portfolio.

According to Generation, buildings are responsible for greenhouse-gas emissions in two ways. Emissions associated with the construction and de-construction processes are known as ‘embodied carbon.’ These include the emissions from the manufacture of carbon-intensive materials like steel and cement. In their use-phase, buildings are responsible for emissions from the consumption of fossil fuels on premises – for heating as an example – and from electricity consumption. It is hard to put a definitive number on the share of global emissions for which buildings are responsible, but it is typically cited as close to 40%. The building sector is not currently on track to help meet the world’s climate goals.

Many of the companies in the portfolio are providing solutions to this challenge and contributing to the reduction of emissions from the built environment. Sika’s products lower the carbon footprint of construction materials like cement. Trane Technologies’ heat pumps provide electrified, highly efficient heating and cooling. Schneider Electric’s connected products and energy management software reduce power consumption. In total, around 15% of Global Equity Focus List companies have a significant focus on goods and services enhancing built environment sustainability.

CBRE and JLL, the two largest commercial real-estate (CRE) services companies in the world by market share, are at the forefront of this. Both provide a wide range of services including leasing, capital markets, loan servicing, asset management, project management, facilities management and strategic outsourcing. CBRE is also one of the largest CRE developers in the United States. Together, they operate in over 100 countries, are major players in most types of CRE from offices to data centres, and work with clients across every major industry.

Generation first invested in JLL in February 2008 and they have held the stock ever since. Their diligence highlighted several sustainable long-term industry tailwinds. These included increasing institutional ownership driving industry professionalisation and transaction velocity, growing occupier demand for outsourcing and more sophisticated services that only the largest players could provide, and finally, globalisation and industry consolidation. Uniquely, JLL had also shown early leadership in sustainability.

JLL has been on a journey from a siloed organisation built through a series of acquisitions into a unified global firm with centralised systems, functions and controls. Generation has engaged with the business to move the company from a singular focus on revenue growth to cash flow per share with a more robust capital allocation framework, supported by appropriate alignment and incentives. They are pleased that the company has made tremendous strides, but there is still room for improvement and the difficulty of managing talented brokers in their high margin transactional brokerage businesses remains an ongoing challenge.

Thanks to Generation’s increasing conviction on the industry tailwinds and sustainability case, in 2019 they doubled down on the sector by adding CBRE to the portfolio. In the intervening period, CBRE has closed the gap on sustainability with JLL. For example, CBRE has forged an important partnership with Altus Power, the largest owner of commercial-scale solar in the United States, and has also diversified into green infrastructure. Arguably, CBRE has even more ability to influence key decisions on building efficiency than JLL due to its larger size, particularly its much larger outsourcing business and development business.

CBRE had also learned from past mistakes and put in place a robust capital allocation framework. This has allowed it to use industry cycles to its advantage. The company entered the recent industry downturn with no leverage, enabling it to deploy USD 8 billion at highly advantageous terms into acquisitions, buybacks and development business co-investments over the past three years.

SUSTAINABILITY

Generation has excellent dialogue with both CBRE and JLL on sustainability. Both companies have set a target of reaching net-zero emissions across Scopes 1, 2 and 3 by 2040, in line with Generation’s net-zero goal for the portfolio. Both have near-term science-based emissions reduction targets validated by the Science Based Targets initiative (SBTi). JLL also has a net-zero target validated by SBTi, and CBRE has committed to set a net-zero target with SBTi.

After commitment, of course, comes the much trickier implementation phase. Both companies are deep in the process of developing their strategies for transition, which principally means attacking the indirect Scope 3 emissions associated with the buildings they develop and manage for clients. From Generation’s dialogue with the companies, they know that they are working hard to understand, in detail, where they can have the greatest influence with their clients on emissions reductions.

This is not easy work and there are many obstacles. Sometimes national real-estate regulations are too weak on sustainability. Sometimes low-carbon solutions come with a price premium: green steel, for example. Sometimes clients do not join the dots between their organisational climate goals and their property procurement processes.

The decarbonisation of CRE, and overcoming these obstacles, will require new behaviours from CBRE and JLL and relentless innovation of how they deliver their services. Generation knows both of the companies’ Chief Sustainability Officers well, and they know that this is their and the firms’ mission. The task facing CBRE and JLL is not merely to remain the two largest CRE services companies in the world. It is also to become the two largest service partners for global business in the decarbonisation of commercial real estate. This is a huge task. It is also a business and impact opportunity that the Generation team find hard to parallel.

PERFORMANCE REVIEW

Generation's process is underpinned by a bottom-up approach to stock selection, the manager refers to the stock attribution attached for the drivers of performance during the month of November.

As long-term investors that integrate a sustainability lens into their analysis, Generation is focused on their long-term outlook for the companies in the portfolio and whether their thesis remains intact, despite any near-term headwinds and share price movements.

The top performers during the month included Charles Schwab, Trimble and Amazon. The bottom performers included Becton Dickinson, Vestas Wind Systems and Legrand. Whilst these companies are experiencing short-term headwinds, the Generation team retains his conviction in the long-term thesis on these names and others in the portfolio.

Generation is focused on strong execution of its process and has made adjustments on areas the manager identified for improvement.

PERFORMANCE

30.11.2024	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	INCEPTION-TO-DATE	5 Year Ann. Return	10 Year Ann. Return
LO Funds - Generation Global, (USD) PA	30.11.2007	USD 1817 mn	2.20%	11.69%	305.30%	7.92%	10.37%
LO Funds - Generation Global, (USD) NA			2.25%	12.30%	338.57%	8.55%	10.86%
MSCI World ND USD			4.59%	21.85%	227.71%	12.36%	10.01%

Past performance is not a guarantee of future results. Performance is presented net of fees. AUM as of the date of the table.

PERFORMANCE REVIEW

Category	Description	Portfolio Weight	Benchmark Avg Weight	Portfolio Total Return	Benchmark Total Return	Security Allocation	Security Selection	Total Security Effect
LO Funds - Generation Global	Total Fund Gross Fees	100.00	100.00	2.35	4.59	-1.85	-0.01	-1.86
SCHWAB CHARLES CORP COM NEW	United States	3.97	0.17	16.99	17.12	0.41	0.00	0.41
TRIMBLE INC COM TRIMBLE INC	United States	2.77	0.02	20.51	20.61	0.37	0.00	0.37
AMAZON COM INC COM	United States	7.41	2.71	11.54	11.53	0.34	0.00	0.34
TWILIO INC CL A CL A	United States	1.56	0.02	29.58	29.62	0.32	0.00	0.32
KINGSPAN GROUP ORD EUR0.13	Ireland	1.90	0.02	-14.35	-14.11	-0.32	-0.01	-0.32
LEGRAND SA EUR4	France	2.78	0.04	-10.89	-10.90	-0.37	0.00	-0.37
VESTAS WIND SYSTEM DKK0.20	Denmark	1.94	0.02	-17.32	-17.33	-0.45	0.00	-0.45
BECTON DICKINSON & CO COM	United States	5.01	0.09	-5.07	-5.00	-0.48	0.00	-0.48

Benchmark is MSCI World ND USD.
Past performance is not a guarantee of future results.
Holdings and/or allocations are subject to change.

RISK AND REWARD PROFILE

1	2	3	4	5	6	7

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:

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.

Financial, economic, regulatory and political risks: Financial instruments are impacted by various factors, including, without being exhaustive, the development of the financial market, the economic development of issuers who are themselves affected by the general world economic situation, and economic, regulatory and political conditions prevailing in the relevant country.

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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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/.
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