LOMBARD ODIER
INVESTMENT MANAGERS

LO Funds
Euro BBB-BB Fundamental
Newsletter

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OVERVIEW OF THE FIXED INCOME MARKET

After a sharp risk off drawdown to begin the month, fixed income recovered markedly to record a second successive month of strong performance in August. Return drivers varied across geographies, with high yield outperforming in Europe, whereas US saw more upside from duration, albeit also alongside compressing spreads. However this differential between regions was actually driven by EUR HY real estate, which saw massive outperformance. Outside of this, performance across regions in the credit space was more comparable.Markets were violently jolted at the start of the month as a brutal carry unwind saw risk on carry positive positions upended. The exact trigger is debatable but the sell off was initially started following the Bank of Japan's hawkish rate hike, and then sent into overdrive by a very weak US labour market report. The latter saw a sharp increase in pricing of the speed and magnitude of the impending cutting cycle by the Federal Reserve, at one point pricing as much as 75bps of cuts by the September meeting, including an emergency cut. The sharp move rocked the popular USD vs JPY carry trade, spilling over into wider carry positive trades as unwinding accelerated. A natural loser of the carry unwind was short volatility positions, exemplified by the VIX which suffered a record intraday increase.However, this carry unwind induced risk off episode was ultimately extremely short lived, with risk assets reversing intraday around a stronger than expected ISM services report, which reintroduced some perspective that the US economy wasn't dropping off of a cliff edge. This ultimately began a reversal in risk markets which was almost as swift as the initial shock. Credit spreads recovered entirely within a matter of days and continued to cyclical tights. Rates however largely held their gains despite some repricing of very front-end expectations after the overshoot. The diversifying nature of rates against credit was a welcome reminder to focus on the macro picture through such nature and that with growth now more in focus than inflation, duration has the potential to once again play an important role in portfolios as cuts progress.On the macro picture, it was ultimately a continuation again of the recent trend, inflation continues to lose steam and return to target levels led by goods disinflation, but also slowing services. On the other hand, growth is trending lower but remaining robust, whilst labour markets are correcting to more natural levels. The triggering of the Sahm rule in the US labour market was a key focus of concern for recession signaling, but in reality, the move higher in the unemployment rate has come from increased labour supply rate than layoffs. Whilst this trend continues, marginally higher unemployment cannot be taken as an imminent recession signal.This broad picture was affirmed by Fed chair Powell when speaking on the back of the Jackson Hole summit, confirming that he now sees it as time to lower rates, and that the speed and magnitude will spend on incoming data. His clear emphasis on the labour market now being the number one priority for the Federal reserve marks a clear shift in focus and should mean inflation data can take somewhat of a backseat in coming months, assuming no sudden sharp exogenous shock.

PORFOLIO ACTIVITY

We participated in the following new issues: We participated in the new T2 bond of Volksbank Wien AG which came at an attractive yield of 5.5%. Volksbank is a member of Austria's cooperative banking sector where each member has a mutual support obligation which strengthens the overall structure. The business is diversified regionally across Austria and concentration risk is quite low. CET1 at 16.94% is one of the key strengths as well as its strong funding, liquidity and large depositor base which comfortably offset some of the risks such as the increased problem loans in commercial real estate.We added or increased positions on:Enstar is a US based global leader in non-life run-off insurance books management. The announcement of a take-private transaction by PE consortium provoked a sharp selloff driven by concerns around the potential new ownership structure. We felt the sell-off was overdone, especially as both Fitch and S&P had affirmed the ratings at BBB+ with a stable outlook post transaction and took the opportunity to invest in the bonds at attractive levels.Patterson-UTI has a firm position as one of the top three oilfield services firms in the US. The firm maintains a conservative debt profile, and a large fleet of 192 rigs

PRODUCT SPECIALISTS

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as of Q2 2024. Over the last several quarters, there has been a reduction in demand for drilling rigs overall as oil and gas prices have retreated from their covid peaks, meaning drilling activities conducted by oil and gas producers have reduced. Despite the weakness in operating conditions, Patterson-UTI should comfortably continue to maintain its investment grade rating. The recent market downturn moved Patterson-UTI to trade at levels more appropriate for a high yield name, which we believe was an overreaction, so we added this position.Talos is an oil & gas producer operating primarily in the Gulf of Mexico. Talos is a small player in the global O&G exploration and production sector however the firm has extensive experience in managing operations in the region, maintains high margins and has an experienced management team. The firm is currently conducting an acquisition of another operator in the area, QuarterNorth, which will increase scale sufficiently to lead to a rating upgrade by Fitch from B+ to BB-. We took advantage of the recent market downturn to add this position expecting a positive price reaction upon the rating upgrade that has been strongly indicated by Fitch.We reduced positions in or exited:Natwest Group, BBVA, Bank of Ireland and Nykredit Realkredit

PERFORMANCE AND CHARACTERISTICS

In August the fund outperformed the benchmark. Our structural overweight to BB rated names contributed positively. Outperformance this month was driven by subordinated bonds in the Real Estate and Banking sectors. The new issue market has been active but challenging, with new issues often pricing in line or through fair value. We have maintained pricing discipline, only participating where we see value.Performance this year has been very strong with the fund outperforming the benchmark materially driven mostly by security selection. The fund's structural overweight in BBs contributed positively. Within security selection, our positions in the Real Estate and Banking sectors drove the outperformance while the remaining sectors contributed smaller positive returns. Top single name contributors to performance include CPI Property, Aroundtown and Heimstaden Bostad, all European Real Estate firms. The largest detractor from performance remains Atos, a struggling French Technology firm that we exited in Q1.

OUTLOOK

The events of the month reinforced rather than questioned our stance on fixed income, with a preference for duration remaining intact. We acknowledge increasing risks from diverging monetary policy backdrop and increased political uncertainty, but also take comfort in the swift recovery in credit markets following the carry unwind, underlining the appetite for credit remains strong and real money participants have sufficient cash to deploy to take advantage of buying opportunities. We remain focused on core fundamental trends, which as of now show slowing, but not collapsing demand, with earnings continuing to come in robust, albeit at slower growth rates the previous quarters.

PERFORMANCE

30.08.2024	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	INCEPTION-TO-DATE	5 Year Ann. Return	10 Year Ann. Return
LO Funds Euro BBBBB Fundamental EUR NA	01.12.2010	EUR 478 mn	0.78%	4.69%	44.64%	-0.09%	1.37%
Bloomberg Euro-Aggregate: Corporates - 500MM EUR			0.29%	2.54%	39.55%	-0.77%	1.04%

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

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:

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.

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.

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

Italian . The PRIIPS/KIDs and the Prospectus together with the Articles of Incorporation and the last annual and semi-annual financial report are available on www.loim.com or can be requested free of charge at the registered office of the Fund or of the Management Company, from the distributors of the Fund or from the local representatives as mentioned below. These Offering Documents are provided for information and illustration and is not a contractually binding document or an information required by any legislative provisions and is not sufficient to take an investment decision.

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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Belgium. Financial services Provider: CACEIS Belgium S.A., Avenue du Port 86 C, b 320, 1000 Brussels, Supervisory Authority: Autorité des services et marchés financiers (FSMA).
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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