

LO Funds (CH)

Swiss Franc Bond

Newsletter

Regional Fixed Income • Fixed Income

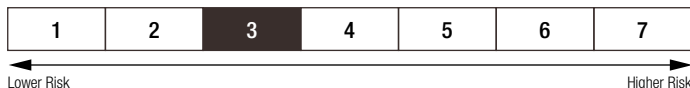
30 November 2024

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 (CH) - Swiss Franc Bond ID | 02.06.2008 | CHF 613 mn | 1.48% | 7.40% | 51.40% | 0.36% | 1.04% |
| LO Funds (CH) - Swiss Franc Bond PD | | | 1.45% | 7.10% | 46.08% | 0.06% | 0.77% |
| SBI Total AAA-BBB® | | | 1.48% | 5.57% | 39.49% | -0.47% | 0.58% |

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



The following risks may be materially relevant but may not always be adequately captured by the synthetic risk indicator and may cause additional loss:

Credit risk: A significant level of investment in debt securities or risky securities implies that the risk of, or actual, default may have a material impact on performance. The likelihood of this depends on the credit-worthiness of the issuers.

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.

Risks linked to the use of derivatives and financial techniques: Derivatives and other financial techniques used substantially to obtain, increase or reduce exposure to assets may be difficult to value, may generate leverage, and may not yield the anticipated results. All of this could be detrimental to fund

performance.

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.

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.

MARKET REVIEW

After a turbulent October, and through a month filled with political headlines, fixed income posted robust performance at an aggregate level in November. There was however marked differentiation between EUR and USD markets, with EUR markets outperforming in the government bond space but underperforming in credit as spreads moved wider toward month end. Sectoral trends were also driven by the US election result, with industrials and autos leading the tightening in

the US at the expense of EUR counterparts, with EUR autos continuing to suffer after experiencing some reprieve October. The US election headlined a busy macro month, with Donald Trump and the Republican party securing a "red sweep" across the presidency, house and senate. While Trump had the edge in betting markets heading into the vote, the scale of the Republican wave was quite unexpected. In the lead up to voting day, markets had moved to price towards this result with higher yields and rallying risk assets domestically, on the assumption of a mix

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of expansionary fiscal policy with disregard of fiscal deficits and increased trade tariffs. However, post-election, the selection of cabinet nominees who have voiced support for more fiscally prudent policies, particularly Scott Bessent Treasury Secretary, has been taken positively by markets, and saw rates move lower alongside continued strength in US risk assets. However, the news flow on trade tariffs remained volatile post-election in a reminder of the headline risk that came with Trump's first term. The use of trade tariff threats as a negotiation tactic will very much continue to be part of Trump presidency, and rhetoric since his victory has highlighted Mexico, Canada and China to be at threat, with concerns also spilling over into European risk assets. European assets additionally had its own bout of political headlines as German chancellor Scholz called a snap election for February. Whilst the ultimate outcome might bring some much-needed coherency to Germany's political front, it freezes any chance of policy advancement at a time when the economy continues to stumble as their fiscal business model is suffering. France also faced a fresh bout of political headwinds towards month end, with a rejection of the proposed budget possibly resulting in presidential elections next year. Politics aside, macroeconomic developments also supported duration following the pre-election sell off, with the Fed delivering another 25bp cut after a soft labour market report (albeit weather and strike affected). Growth data also showed signs of weakening in the US after a post summer rebound, whilst inflation continued a short-term uptick but maintained a longer-term downtrend. If anything, the months events should act as a reminder that the future path of inflation will be driven by both fiscal developments as well as the longevity of underlying growth momentum. Eurozone economic data continued to come in weak but has perhaps showed signs of bottoming in its weakest areas. Geopolitical risk spiked higher in the Ukraine-Russia conflict, with Ukraine's use of US-supplied longer-range missiles to target Russian territory after receiving clearance from Washington. The use of western supplied missiles to hit Russian occupied territory has been touted as a red line by Putin, and as a response the Russian president signed a decree lowering the threshold to trigger use of the country's nuclear arsenal. Whilst this appears to be a deterrent rather than an imminent escalation threat, the events saw a spike in volatility, so headline risk from the conflict remains. In Switzerland, speculation of a 50bp December cut by the SNB increased with somewhat softer than expected inflation and activity data over the course of the month. The wedge between manufacturing and services remains clearly visible and with an external environment in Europe seeing risks mounting, the Swiss economy has some areas of exposure. As a result, both options, a 25bp or 50bp cut are valid in our opinion. With rates actually lower now than pre-election despite the perceived 'worst-case scenario' for rates of a 'red sweep' materializing, we continue to favor duration heavy assets. But without seeing an imminent risk to spreads, despite being at tight levels, we prefer to access

duration via high quality credit to collect extra carry to compensate for flat/inverted rate curves. We maintain a neutral allocation to high yield but emphasise a continued focus on selecting quality, particularly in Europe which faces ongoing growth and refinancing risks.

PORTFOLIO ACTIVITY

In the CHF primary market, we did not participate in any new issue for alpha purposes. In the CHF secondary market, we bought Deutsche Bank (DB), Inselspital Bern (INSBER), Barry Callebaut (BARY) and Heathrow (HTHROW). We sold Axpo (AXPOSW), Aarekraftwerk Klingnau (AAREKW), Alpiq (ALPHNSW), Sulzer (SUNSW), Allreal (ALLNSW), Muenchener Hypothekenbank (MUNHYP) and Corp Andina de Fomento (CAF). In the foreign currency primary market, we did not participate in any new issues. In the foreign currency secondary market, we bought Fosun (FOSUNI), QVC (QVCN), CPI Property (CPIPGR) and Kohl's (KSS). In terms of sector allocation, we are overweight mainly in Real Estate, Financials and Utilities while underweight mainly in Treasuries, Local Authorities and Covered bonds. In terms of duration, we are broadly in line with the benchmark.

PERFORMANCE COMMENTS

In November, Confederation bond yields continued to fall significantly across all maturities in a bull steepener. During the same period, CHF credit spreads tightened across most ratings (-1 bp), with BBB spreads remaining flat. At the sector level, financials widened slightly (+2 bp), underperforming both utilities and industrials, which tightened by 1 bp. In this environment, the total return for both the LOF (CH) - Swiss Franc Bond and its benchmark, the SBI® AAA-BBB, were positive. As has been the case on a monthly basis since the beginning of the year, the Fund's relative performance (gross of fees) was once again positive. Positive contributions came from yield curve positioning and good security selection. At sector level, there was no significant positive contributor. Year-to-date total return and excess return of the Fund are both strongly positive.

OUTLOOK

Interest rates are likely to stay volatile in light of political woes and uncertainty with regards to the economic trajectory, but the return of more negative correlation between rates and credit is smoothing returns for credit investors. Our constructive view on the segment remains intact especially as fundamentals are deteriorating only gently and compensated for by all-in yields. Within credit, we favour to stay in the upper part from a quality standpoint and as we expect interest rate curves to steepen as rate cuts materialize, the appeal of good quality credit should increase further from a relative standpoint.

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Characteristics

| 30.11.2024 | Portfolio | Index |
|------------------------------------|-----------|-------|
| Number of instruments | 1238 | 1854 |
| Number of issuers | 356 | 353 |
| Coupon (%) | 1.78 | 1.18 |
| Yield to Worst (years) | 1.05 | 0.66 |
| Maturity (years) | 7.74 | 7.84 |
| Option Adjusted Duration (years) | 7.48 | 7.23 |
| Option Adjusted Spread (bps) | 96.29 | 47.61 |
| Alternatives (%) | 3.28% | 0 |
| Out of the investment universe (%) | 10.41% | 0 |
| Credit rating | A | AA |
| Active share (%) | 34.55% | 0 |

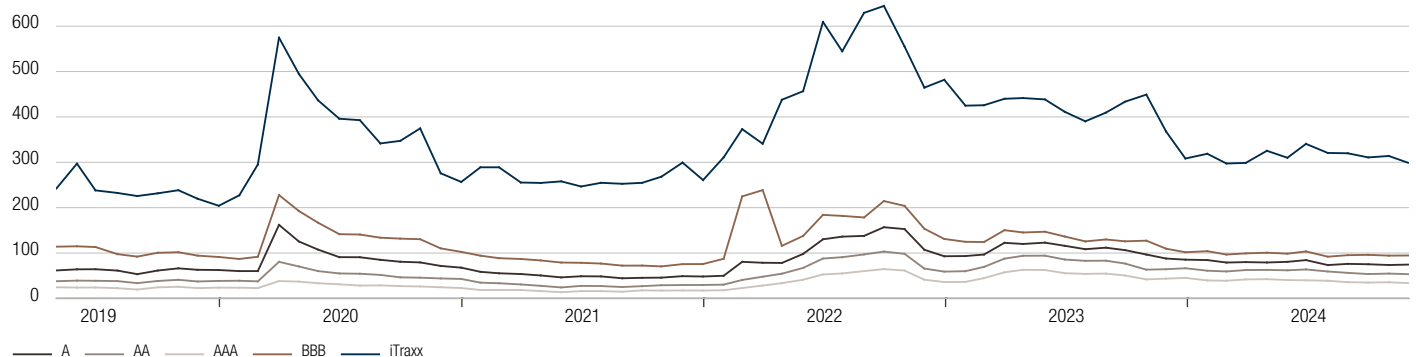
Market Statistics

| | | Credit Spreads (bps) | | | | Credit Spreads (bps) | | | | Interest rates (%) | | Bid-Ask Spreads (%) | | |
|--------------|------------|----------------------|----|----|-----|----------------------|------------|-------------|----------|--------------------|----------------------|---------------------|---------|------|
| | | AAA | AA | A | BBB | Covered | Financials | Industrials | Agencies | Utilities | 10yr Swiss Govt rate | AAA-BBB | AAA-AAA | BBB |
| Start Period | 2024-10-31 | 36 | 55 | 74 | 94 | 49 | 77 | 73 | 50 | 86 | 0.41 | 0.78 | 0.86 | 0.49 |
| End Period | 2024-11-29 | 34 | 53 | 75 | 95 | 47 | 78 | 73 | 50 | 84 | 0.25 | 0.7 | 0.75 | 0.53 |
| Delta | | -2 | -1 | 1 | 0 | -2 | 2 | -1 | 0 | -2 | -0.17 | -0.08 | -0.12 | 0.04 |

Swiss Government Bond Curve (%)

| | 30.11.2024 | 31.10.2024 | 31.12.2023 |
|----------|------------|------------|------------|
| 1 Year | 0.2 | 0.41 | 1.16 |
| 2 Years | 0.11 | 0.33 | 0.98 |
| 3 Years | 0.09 | 0.31 | 0.86 |
| 4 Years | 0.08 | 0.32 | 0.77 |
| 5 Years | 0.09 | 0.33 | 0.72 |
| 6 Years | 0.11 | 0.33 | 0.69 |
| 7 Years | 0.14 | 0.34 | 0.68 |
| 8 Years | 0.17 | 0.36 | 0.68 |
| 9 Years | 0.19 | 0.37 | 0.66 |
| 10 Years | 0.21 | 0.38 | 0.65 |
| 15 Years | 0.29 | 0.44 | 0.63 |
| 20 Years | 0.29 | 0.45 | 0.61 |
| 30 Years | 0.23 | 0.38 | 0.5 |

Credit Spreads vs Swiss Government Bonds - Ratings (bps)



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The PRIIPS/KIDs are available in one of the official languages of your country and a Prospectus is available in English and French. 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

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