

LO Funds (CH)

Swiss Leaders

Newsletter

Regional Equities • Equities

31 December 2024

PERFORMANCE COMMENT

LO Funds (CH)–Swiss Leaders' institutional share class ended December with a return of -1.26%, which represents an outperformance of 2 bps compared to its benchmark, the Swiss Performance Index (SPI TR). For 2024 as a whole, the Fund's institutional share class returned +6.65%, representing an outperformance of 47 bps.

Our overweights in Temenos, Galderma and Swiss Re were the best contributors to relative performance in the month. At the same time, the overweights in Sunrise Communications and Partners Group, as well as not owning Logitech, detracted from relative performance. In the SPI, Consumer Discretionary, Real Estate and IT were the only sectors to end December up for the month, while Communication Services and Consumer Staples fared worst.

MARKET REVIEW

The Swiss market, as measured by the Swiss Performance Index (SPI), lost 1.28% in December. This compares with a 2.61% loss for the MSCI World Index (NDDUWI). The Swiss small & mid cap index (SPIEX) lost 0.83% by comparison.

For the full year 2024, the Swiss Performance Index gained 6.18%, the Swiss Performance Extra Index +3.83%, the MSCI Europe Index +5.75%, the MSCI USA Index +24.58% and the MSCI World Index +18.67%. The difference in performance can be explained by better-than-expected economic growth in the US as well as the strong performance of US mega-cap technology stocks.

The FOMC press conference on 18 December was the highlight of the month. While the FOMC cut the federal funds rate by 25 bps, its outlook statement proved more hawkish than expected. The dot plot changed from four to two cuts in 2025. As a result, the two-year US Treasury rate increased from 4.15% to 4.24% and the 10-year rate from 4.17% to 4.57%, which led to a 2.50% fall in the S&P 500 index. The US

Dollar index gained 2.26%.

On the economic front, there were no significant surprises. The global Citi Economic Surprise Index (CESIGL) fell slightly from -1.5 in November to -5.8 in December. The global manufacturing PMI moderated from 50.0 to 49.6, but both the Eurozone and US were relatively stable, with the former moving from 45.2 to 45.1 and the latter from 49.7 to 49.4. The annual inflation rate in the US (CPI) in November was 2.7% and the US personal consumption expenditure (PCE) index, the Fed's preferred inflation gauge, came in slightly below expectations at a 2.4% annualised rate. Volatility in the equity market, as measured by the VIX index, spiked from 13.5 to 17.4.

By style, cyclicals outperformed defensives globally, in the US, Europe and Switzerland. Growth outperformed value globally, in the US and Switzerland, but not in Europe. Quality lagged the broader market in all regions. Small caps underperformed large caps everywhere.

PORTFOLIO ACTIVITY

During the month, we neither liquidated nor added a position.

STOCK OF THE MONTH

Galderma returned 11.5% in December for a YTD return since the IPO in March of 57.3%. We attribute the strong monthly return to passive buying on index re-weightings in response to a higher free float and positive regulatory decisions. The US FDA approved Nemluvio (nemolizumab) in its second, larger indication for atopic dermatitis and the CHMP recommended the drug for approval in the European Union. Additionally, UBS upgraded the stock to buy on the back of a positive US aesthetics survey. When Galderma IPO'd, it was valued at a circa 35% discount to L'Oréal. Since then, management has executed well, delivering on targets. We continue to like the company's sales growth prospects and EBITDA margin expansion opportunity.

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QUARTERLY OUTLOOK

We expect the positive economic backdrop to continue into 2025, with ongoing disinflation and lower interest rates. In equities, the outlook for earnings growth looks robust, but some valuations are high. The MSCI USA trades on a 12-month forward P/E of 21.7x, which represents a 22% premium to the 10-year median. Meanwhile, MSCI Switzerland trades on 15.9x, a 7% discount to its 10-year historical level. The difference is partly explained by diverging regional outlooks. In the US,

deregulation, lower taxes and rising infrastructure spending may extend the economic and equity market exceptionalism, while trade tariffs could weigh on growth elsewhere. Most Swiss companies we invest in are not domestic but multi-national and will, as such, also benefit from their US presence.

Sincerely,

LO Funds (CH)–Swiss Leaders investment team

PERFORMANCE

31.12.2024	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	INCEPTION-TO-DATE	2023	2022	2021	2020	2019
LO Funds (CH) – Swiss Leaders PD [1]	21 February 2001	CHF 73 mn	-1.32%	5.85%	146.18%	3.67%	-19.18%	23.29%	2.63%	28.62%
LO Funds (CH) – Swiss Leaders ID [2]			-1.26%	6.65%	185.54%	4.45%	-18.57%	24.22%	3.40%	29.59%
Benchmark [3]			-1.28%	6.18%	191.73%	6.09%	-16.48%	23.38%	3.82%	30.59%

Past performance is not a guarantee of future results. Performance is provided net of fees.

[1] Dividend distributed private client share class, net performance in CHF.

[2] Dividend distributed institutional client share, net performance in CHF.

[3] SPI; ND performance in CHF.

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:

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.

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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 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 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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