

LO Funds (CH)

Swiss Leaders

Newsletter

High Conviction • Equities

31 August 2024

PERFORMANCE COMMENT

LO Funds (CH)–Swiss Leaders' institutional share class finished August with a return of 0.92%, which represents an outperformance of 2 bps compared to its benchmark, the Swiss Performance Index (SPI TR). Our overweights in Galderma, Swissquote and Sonova were the best contributors to relative performance in the month. At the same time, the overweights in Lonza Group and VAT Group detracted from relative performance, as did not owning Straumann. In the SPI, Real Estate, Consumer Staples and Health Care performed best, while Information Technology, Industrials and Communication Services lagged.

MARKET REVIEW

The Swiss market, as measured by the Swiss Performance Index (SPI), gained 0.90% in August. This compares with a 2.64% gain for the MSCI World Index (NDDUWI). The Swiss small & mid cap index (SPIEX) gained 0.57% by comparison.

At the end of July, the Federal Reserve held interest rates steady but hinted at a September cut. When the US ISM manufacturing PMI (falling from 48.5 to 46.8) and non-farm payrolls (coming in at 114,000 vs consensus of 175,000) both missed expectations on the subsequent two days, equity markets sold off sharply, with mounting fears that the Federal Reserve would move too late. The MSCI World Index lost 6.40% on the first two trading days of August. Volatility, as per the VIX index, skyrocketed to 65.7 intra-day and 38.6 at the end of the day on 5 August. This triggered technical and systematic selling. Volatility-targeting hedge funds reduce exposure when volatility spikes and vice versa. Movements were exacerbated by the Bank of Japan raising interest rates at the end of July. By 5 August, the JPY had lost 11% vs the USD a month prior, which led to the unwinding of a popular carry trade.

Despite a sceptical start to the month, equity indices recovered to post a gain by month-end. The VIX index subsided to 15.0 by the end of

August, which led to renewed buying by technical and systematic funds. Economic data weakened slightly, with the global manufacturing PMI falling from 49.7 to 49.5 and the global Citi Economic Surprise Index (CESIGL) falling from -14.0 to -18.3. US CPI fell from 3.0% to 2.9%, supporting the view that inflation is moderating. At the Jackson Hole Symposium, Chairman Powell confirmed that the "time has come" for the Federal Reserve to start reducing interest rates.

By style, value outperformed growth globally, in the US and in Switzerland, while Europe was the exception. Defensives outperformed cyclicals in all regions. Quality and low volatility beat momentum.

PORTFOLIO ACTIVITY

During the month, we added holdings in Belimo and BKW, while liquidating the position in Schindler.

STOCK OF THE MONTH

Belimo finished August with a share price gain of 7.0% and thus advanced by +25.2% year-to-date to the end of August. The company reported a strong set of results towards the end of July, with a 2% beat on sales and 9% beat on EBIT while reiterating guidance for 2024. The solid results were driven by strong demand for its products from data centres, which represent about 10% of sales and contributed 3 ppts to the group's 9.7% local currency sales growth in H1 2024. At the beginning of September, Belimo held its 2024 Capital Markets Day at the University of Zurich, highlighting the strategic opportunities ahead, with continued strong demand for data centre cooling applications and retrofit opportunities driven by energy efficiency needs.

QUARTERLY OUTLOOK

August was volatile, and we would not be surprised to see this persist in the near term. Over the last decade, September has, on average, been a down month. This year, we have a US election, the projected outcome

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of which could cause further fluctuations. Candidates Kamala Harris and Donald Trump will debate each other on 10 September, while at the 17-18 September FOMC meeting, the Fed is expected to cut the federal funds rate. Against this somewhat uncertain backdrop, we like our portfolio holdings.

Sincerely,
LO Funds (CH)–Swiss Leaders investment team

PERFORMANCE

31.08.2024	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 79 mn	0.86%	12.85%	162.45%	3.67%	-19.18%	23.29%	2.63%	28.62%
LO Funds (CH) – Swiss Leaders ID [2]			0.92%	13.42%	203.66%	4.45%	-18.57%	24.22%	3.40%	29.59%
Benchmark [3]			0.90%	13.27%	211.19%	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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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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