

LO Funds (CH)

Swiss Leaders

Newsletter

Regional Equities • Equities

31 October 2024

PERFORMANCE COMMENT

LO Funds (CH)–Swiss Leaders' institutional share class finished October with a return of -3.32%, which represents an underperformance of 6 bps compared to its benchmark, the Swiss Performance Index (SPI TR). Our overweight in Burckhardt Compression, as well as not owning Straumann or SoftwareOne, were the main contributors to relative performance in the month. At the same time, the overweights in Comet, VAT Group and Partners Group detracted from relative performance. In the SPI, no sector finished up on the month, but Financials and Real Estate were down the least, while Information Technology, Materials and Consumer Discretionary fared the worst.

MARKET REVIEW

The Swiss market, as measured by the Swiss Performance Index (SPI), lost 3.27% in October. This compares with a 1.98% loss for the MSCI World Index (NDDUWI). The Swiss small & mid cap index (SPIX) lost 3.96% by comparison.

The highlight of October was the upward move in interest rates. The US 2-year Treasury yield rose from 3.64% to 4.17% and the 10-year from 3.78% to 4.28%. The greater likelihood of a victory for Donald Trump in the US election seemed to drive these movements as his policies, e.g. tariffs, are considered reflationary. Volatility in both the equity and bond markets increased. The VIX index rose from 16.7 to 23.2 and the MOVE index from 94.6 to 135.2. The global Citi Economic Surprise Index (CESIGL) improved from -16.1 to +6.1.

By style, cyclicals outperformed defensives globally, but not in Switzerland, and large caps fared better than small caps. Value underperformed growth globally but outperformed in Europe and Switzerland. Quality lagged the broader market in all major regions.

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PORTFOLIO ACTIVITY

During the month, we liquidated our holding in Kühne + Nagel, while adding positions in Geberit and Schindler.

STOCK OF THE MONTH

Sandoz's share price appreciated 11.6% in October. Its third-quarter sales beat consensus expectations by 2%, driven by a 7% outperformance in biosimilars and in-line generics. Since biosimilars carry higher margins, it provides some comfort that the full-year 20% EBITDA margin target can be reached. On the back of the outperformance, management raised full-year sales growth guidance from mid- to high-single digit to high-single digit. We remain overweight, even after taking some profits following a 50% year-to-date gain, as we expect continued strong earnings growth in the years to come. When Sandoz spun off from Novartis a year ago, it had as many as 1,500 different software platforms and 700 manufacturing partners. There is clearly room for operational improvement, as evidenced by the 2028 EBITDA margin target of 24-26%. We also like Sandoz from a sustainability and political point of view. Generics and biosimilars lower the cost of medicines, making them affordable for more patients. If healthcare costs come under further pressure from governments, Sandoz's products could become part of the solution.

QUARTERLY OUTLOOK

At the beginning of November, Donald Trump won the White House and the Republicans took the Senate. While the House had not yet been called, a Republican sweep looked likely. The clarity of the results and lack of contest drove the markets higher over the next few days. We think equity markets could continue to trade higher into year end, as investors seem to have derisked into the US elections and positioning was therefore not full. At the same time, third quarter corporate earnings have been decent and central banks look set to continue

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cutting interest rates. MSCI Switzerland looks fairly valued at 17.5x, trading only at a 2.5% premium versus its 10-year average multiple of 17.0x.

Sincerely,

LO Funds (CH)–Swiss Leaders investment team

PERFORMANCE

31.10.2024	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	-3.38%	6.90%	148.61%	3.67%	-19.18%	23.29%	2.63%	28.62%
LO Funds (CH) – Swiss Leaders ID [2]			-3.32%	7.57%	188.00%	4.45%	-18.57%	24.22%	3.40%	29.59%
Benchmark [3]			-3.27%	7.83%	196.24%	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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