

LO Funds (CH)

Swiss Leaders

Newsletter

High Conviction • Equities

30 September 2024

PERFORMANCE COMMENT

The LO Funds (CH)–Swiss Leaders' institutional share class finished September with a return of -1.90%, which represents an underperformance of 31 bps compared to its benchmark, the Swiss Performance Index (SPI TR). Our overweights in Partners Group and PSP Swiss Property, and an underweight in Nestle, were the best contributors to relative performance in the month. At the same time, our overweights in Swiss Prime Site and VAT Group detracted from relative performance, as did not owning Straumann. In the SPI, Materials, Communication Services and Consumer Discretionary performed best, while Consumer Staples, Utilities and Healthcare lagged.

MARKET REVIEW

The Swiss market, as measured by the SPI, lost 1.59% in September. This compares to a 1.83% gain for the MSCI World Index (NDDUWI). The Swiss small & midcap index (SPIEX) gained 0.58% by comparison.

The two highlights of September were the Federal Reserve's cutting of the federal funds rate by 50 bps and China's monetary and fiscal stimulus. Market participants seemed to believe Chairman Jerome Powell when he said that the Fed has not fallen behind the curve and the US is on track for a soft landing. The data supported his claim: CPI was in line with consensus expectations of 2.5% YoY, while core PCE increased by only 0.1% MoM, less than consensus expectations for 0.2%. US retail sales and industrial production surprised positively and US manufacturing ISM remained unchanged at 47.2. The US Citi Economic Surprise Index (CESIUSD) improved from -24.2 to -0.8. The Fed's cut was followed by monetary easing by the PBOC, as well as fiscal stimulus by the Politburo. China's government signalled its intent to reflate the economy and global equity markets responded favourably, especially sectors such as luxury, metals & mining and semiconductors. Investors remain sceptical though as to what the impact on the real economy might be.

By style, cyclicals outperformed defensives, which marks a reversal compared to the prior two months. Small caps lagged large caps in the US, but outperformed in Europe and Switzerland. Growth beat value, while quality lagged the broader market.

PORTFOLIO ACTIVITY

During the month, we liquidated small positions in Inficon and Swisscom.

STOCK OF THE MONTH

Partners Group finished September +4.0% despite initially trading -9.2%, when PG reported H1 2024 results on the second day of the month. Its year-to-date performance lags that of European peers EQT, CVC and ICG. We believe we are getting closer to a normalisation in the exit environment for private market players' portfolio holdings. The start of the rate cutting cycle in the US has been followed by several exit announcements from the likes of EQT and CVC, while PG made headlines with the announcement of the upcoming IPO of KinderCare, exiting the Victorias Arart windfarm and selling the majority stake in Techem. An improved exit environment should eventually translate into a recovery in performance fees. Lastly, PG announced a partnership with Blackrock in mid-month, which could lead to substantial inflows in the coming years.

QUARTERLY OUTLOOK

Quarterly earnings, US elections, central banks' interest rate cuts, China's stimulus and Middle East geopolitical tensions are the puts and takes that we believe will determine the fourth quarter's outcome. Earnings revisions have been negative as of late, but the Federal Reserve has shifted its focus from inflation to employment and is now easing. Markets have historically been a bit weak into US elections, but they recover thereafter. If China's authorities were to provide more

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Newsletter · LO Funds (CH) - Swiss Leaders · Data as at 30 September 2024

stimulus, that could help, but the main risk is an escalation of the conflict between Israel and Iran. All of this provides for an uncertain outlook, against which we simply try to construct a portfolio with our highest conviction names, which represent a combination of value and growth and cyclicals and defensives.

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

PERFORMANCE

30.09.2024	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 76 mn	-1.96%	10.64%	157.32%	3.67%	-19.18%	23.29%	2.63%	28.62%
LO Funds (CH) – Swiss Leaders ID [2]			-1.90%	11.27%	197.90%	4.45%	-18.57%	24.22%	3.40%	29.59%
Benchmark [3]			-1.59%	11.47%	206.24%	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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For details regarding the star rating method:

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