LOMBARD ODIER
INVESTMENT MANAGERS

LO Funds
Golden Age
Newsletter

High Conviction • Equities

31 March 2022

PERFORMANCE

31.03.2022	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	SINCE MANAGEMENT CHANGE [4]	2021	2020	2019	2018	2017	2016
LO Funds – Golden Age PA [1]	29 February 2012	USD 1,1 bn	-2.44%	-12.79%	151.07%	14.55%	20.36%	22.03%	-5.32%	26.12%	-7.61%
LO Funds – Golden Age NA [2]			-2.37%	-12.61%	17.41%	15.52%	21.39%	23.07%	-4.51%	27.20%	-6.79%
Benchmark [3]			2.74%	-5.15%	183.31%	21.82%	15.90%	27.67%	-8.71%	22.40%	7.51%

Past performance is not a guarantee of future results. Performance is presented net of fees.
[1] Dividend accumulated private client share class, net performance in USD.
[2] Dividend accumulated institutional client share class, net performance in USD.
[3] MSCI World; ND performance in USD (hedged between 31 May 2012 and 30 September 2015).
[4] Since management change, which took place on 1 March 2012.

MARKET REVIEW

In March, equity markets seemed disconnected from news headlines. One might have expected the combination of the Russia-Ukraine war, rapidly rising commodity prices, crashing bond markets across the world and more supply disruptions due to lockdowns in China to at least lead to a mild equity market correction. On the contrary, the MSCI World increased by almost 3% in March. Why? Aside from the argument that stocks are better investments than bonds if yields are rising, capital has never been as cheap as it is today. Real rates in the entire western world have never been this negative, with US bond yields at 2.5% and inflation close to 8%. Meaning that if companies can grow their revenue in line or slightly above inflation, capital markets are actually willing to pay them more than 5% to finance their growth. However surreal this may sound, it also shows us how far behind the curve central banks are by keeping interest rates and bond yields so low. It seems that the Fed has recognised the bubble blowing proportions of the problem and changed its language, raised the Fed funds rate and stopped further balance sheet expansion. The European Central Bank (ECB) is not there yet, but we believe that it’s only a matter of time. This has refocused investors away from the question of whether current inflation is temporary or structural and towards the question: “can we avoid stagflation?”. Slowing growth seems almost inevitable given all the problems on the global economy’s plate, although optimists would argue that this could all be resolved when peace is reached with Russia and China’s zero-covid policy is relaxed so that commodities moderate and inflation shrinks to 4%. This would still give companies and governments very cheap capital, albeit not as cheap as it is today.

For our more conservative and quality-based LO Funds–Golden Age, March provided the perfect storm and we were unable to keep up with the bullish MSCI World index. Profit warnings based on worsening supply problems, large regional differences across equity markets and renewed Chinese lockdowns led to a negative performance of -2.3%. On top of that, the Fund had no exposure to the best sectors within the world index, Energy and Materials, while the worst performers, Consumer and Financial stocks, account for more than half the Fund. Our underlying trend – a rapidly ageing society – leads us to be optimistic about, and therefore invest in, luxury goods, leisure and life insurance, all of which were among the hardest hit ,especially the ones outside the megacaps. In other words, our focus on cheaper, smaller companies that benefit from the growing number of retirees with a large bias to Europe and China was clearly the wrong one in March. Although we reduced our biases slightly during the month, we remain convinced that our exposure to high-quality companies with slightly better growth and at relatively attractive valuations will provide us with outperformance going forward.

INVESTMENT TEAM

ROTTERDAM Henk Grootveld +31 10 799 9611
GENEVA Jérôme Berton +41 22 709 17 09
ROTTERDAM Christian Vondenbusch +31 10 799 9612

PRODUCT SPECIALISTS

GENEVA Edouard de Cournon +41 22 709 9588
GENEVA Leslie Leigh +41 22 709 3093

PERFORMANCE

All four underlying trends in our strategy lagged the index during March, with eHealth the best (+2.6%) and Baby Boomer Brands the worst (-8.3%). Healthy Ageing contributed 1.2% and Pension Providers showed a return of -3.5%, mostly due to our European life insurance and asset managers.

The three stocks that contributed most to the Fund's performance in March were US home health company LHC Group, Dexom and AstraZeneca. LHC Group's management received a cash offer from United Health to join its Optum value-based care unit which they have accepted and will put forward to shareholders. The stocks rose 23% in March. Our newly bought eHealth company Dexcom has already returned 20% as it was approved by the European authorities to launch its new connected care device for diabetes patients. AstraZeneca, which we bought during the month, was also one of the outperformers, returning 17%. Investors like both the defensive nature of AstraZeneca's income stream and its growth profile, as it rolls out its existing drug portfolio to more cancer treatments.

The largest detractors during the month were GoodRx (-29%), NN Group (-17%) and Fineco (-18%). The prescription comparison site GoodRx lowered its growth outlook, announced an acquisition and started a share buyback programme during its Q4 2021 earnings report. It now expects to grow its top line by 23% this year, with a 31% margin, which is below its long-term goal of growing more than 20% at a 40% margin. Life insurance and pension company NN Group was still under pressure during the first weeks of March as bond yields declined and investors grew increasingly worried about the impact on the Polish pension business. Italian asset manager Fineco continued to suffer from the uncertainty around the Russian invasion of Ukraine and the impact it might have on their customers' investments. During the month, we decided to sell our positions in NN Group and Fineco and thus reduce our exposure to European pension providers.

THEMATIC INSIGHT

For the last 40 years, we have seen declining bond yields and interest rates spurred by low inflation. Both bond and equity markets flourished and GDP growth was firm in most western countries and in China. The growing working population and the wave of globalisation were both fundamental drivers of this high-growth, low-inflation environment. Unfortunately, our economic prosperity had two nasty side effects: the gap between the haves and the have-nots has grown and eroded the middle class and, on top of that, we have polluted the environment with greenhouse gasses and microplastics, while decreasing biodiversity. We expect the coming decades to be fundamentally different from the previous four. Workforces are now shrinking and we need to care for an ageing instead of youthful population. Additionally, globalisation has peaked as China and Eastern Europe are also ageing rapidly. Politically, we have entered a new cold war, this time between China and the US, dividing the world into regions aiming to be self-sufficient. We expect the inequality gap to narrow in the coming decades through higher wages and more capital taxation, sponsoring the middle class. Through the energy transition to renewables, sped up by Russia's aggression, pollution will finally be priced and hopefully decreased. These mega shifts seem inevitable to us and all point to one fundamental difference versus the previous four decades: higher inflation.

PORTFOLIO ACTIVITY

During the month, we reduced some of our Pension Providers positions in Europe and reinvested the proceeds into the Healthy Ageing and eHealth trends with companies from the US and UK. We sold the remaining positions in Allfunds and Fineco Bank, after halving them in February, and also sold NN Group and St James Place. We bought new positions in the pharmaceutical companies AstraZeneca and Bristol-Myers and bought back a position in the eHealth company Dexcom that we owned in 2020 but sold for valuation reasons. With the mutations, we have narrowed the underweight in North America and reduced the overweight in Europe, while increasing the defensive nature of the Fund by reducing some of our Financials exposure in favour of more Healthcare.

OUTLOOK

In an uncertain world with high inflation and slowing growth, we expect that reliable 10% sales growth will become a scarcity again, especially growth sustained with a debt-free balance sheet and strong FCF generation. LO Funds–Golden Age seeks to invest in these types of quality companies that can continue to grow as they benefit from ageing populations in the world's leading economies, preferably at reasonable valuations. The Fund has a beta of below one, with large exposures to Healthcare, Financials and Consumer companies. It has no exposure to the large Technology platforms.

SINCERELY,

LO Funds–Golden Age investment team+B2

IMPORTANT INFORMATION

RISK AND REWARD PROFILE

SRRI score: 6 (1 : Lower risk - potentially lower rewards; 7 : Higher risk - potentially higher rewards)

For professional investor use only.

This marketing document is issued by Lombard Odier Funds (Europe) S.A. a Luxembourg based public limited company (SA), having its registered office at 291, route d'Arlon, 1150 Luxembourg, authorised and regulated by the CSSF as a Management Company within the meaning of EU Directive 2009/65/EC, as amended; and within the meaning of the EU Directive 2011/61/EU on Alternative Investment Fund Managers (AIFMD). The purpose of the Management Company is the creation, promotion, administration, management and the marketing of Luxembourg and foreign UCITS, alternative investment funds ("AIFs") and other regulated funds, collective investment vehicles or other investment vehicles, as well as the offering of portfolio management and investment advisory services. Lombard Odier Investment Managers ("LOIM") is a trade name.

The Fund is authorised and regulated by the Luxembourg Supervisory Authority of the Financial Sector (CSSF) as a UCITS within the meaning of EU Directive 2009/65/EC, as amended. The management company of the Fund is Lombard Odier Funds (Europe) S.A. (hereinafter the "Management Company"), a Luxembourg based public limited company (Société Anonyme SA), having its registered office at 291, route d'Arlon, L-1150 Luxembourg, authorised and regulated by the CSSF as a Management Company within the meaning of EU Directive 2009/65/EC, as amended. The Fund is only registered for public offering in certain jurisdictions. The management company of the fund may decide to terminate the arrangements made for the marketing of the Fund. The articles of association, the prospectus, the Key Investor Information Document, and the subscription form are the only official offering documents of the Fund's shares (the "Offering Documents"). They are available on http//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.

Austria. Supervisory Authority: Finanzmarktaufsicht (FMA), Representative: Erste Bank der österreichischen Sparkassen AG, Am Belvedere 1, 1100 Vienna – **Belgium.** Financial services Provider: CACEIS Belgium S.A., Avenue du Port 86C, b320, 1000 Brussels – **France.** Supervisory Authority: Autorité des marchés financiers (AMF), Representative: CACEIS Bank, place Valhubert 1-3, F-75013 Paris – **Germany.** Supervisory Authority: Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Representative: DekaBank Deutsche Girozentrale, Mainzer Landstraße 16, D-60325 Frankfurt am Main – **Ireland.** Supervisory Authority: Central Bank of Ireland (CBI), Facilities Agent: CACEIS Ireland, One Custom House Plaza, International Financial Services Centre, Dublin 1, Ireland - **Italy.** Supervisory Authority: Banca d'Italia (BOI)/ConSob, Paying Agents: Société Générale Securities Services S.p.A., Via Benigno Crespi, 19/A – MAC 2, 20159 Milano, State Street Bank International GmbH – Succursale Italia, Via Ferrante Aporti, 10, 20125 Milano, Banca Sella Holding S.p.A., Piazza Gaudenzio Sella, 1, 13900 Biella, Allfunds Bank S.A.U., Milan Branch,Via Bocchetto 6, 20123 Milano, BNP Paribas Securities Services, With its registered office in Paris, rue d'Antin, 3, and operating via its Milan subsidiary at Piazza Lina Bo Bardi, 3, 20124 Milan – **Liechtenstein.** Supervisory Authority: Finanzmarktaufsicht Liechtenstein ("FMA"), Representative, LGT Bank AG Herrengasse 12, 9490 Vaduz – **Netherlands.** Supervisory Authority: Autoriteit Financiële Markten (AFM). Representative: Lombard Odier Funds (Europe) S.A. – Dutch Branch, Gustav Mahlerlaan, 1081 LA Amsterdam – **Spain.** Supervisory Authority: Comisión Nacional del Mercado de Valores (CNMV), Representative: Allfunds Bank, S.A.U. C/de los Padres Dominicos, 7, 28050, Madrid – **Sweden.** Supervisory Authoriy: Finans Inspektionen (FI). Representative: SKANDINAVISKA ENSKILDA BANKEN AB (publ), Kungsträdgårdsgatan, SE-106 40 Stockholm – **Switzerland.** Supervisory Authority: FINMA (Autorité fédérale de surveillance des marchés financiers), Representative: Lombard Odier Asset Management (Switzerland) SA, 6 av. des Morgines, 1213 Petit-Lancy; Paying agent: Bank Lombard Odier & Co Ltd, 11 rue de la Corraterie, CH-1204 Geneva. **UK.** Supervisory Authority: Financial Conduct Authority (FCA), Representative: Lombard Odier Asset Management (Europe) Limited, Queensberry House, 3 Old Burlington Street, London W1S3AB.

A summary of investor rights is available on https://am.lombardodier.com/home/asset-management-regulatory-disc.html.

Notice to residents of the United Kingdom: The Fund is a Recognised Scheme in the United Kingdom under the Financial Services & Markets Act 2000. Potential investors in the United Kingdom are advised that none of the protections afforded by the United Kingdom regulatory system will apply to an investment in LO Funds and that compensation will not generally be available under the Financial Services Compensation Scheme. This document does not itself constitute an offer to provide discretionary or non-discretionary investment management or advisory services, otherwise than pursuant to an agreement in compliance with applicable laws, rules and regulations.

Singapore: This marketing communication has been approved for use by Lombard Odier (Singapore) Ltd for the general information of accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the Securities and Futures Act (Chapter 289). Recipients in Singapore should contact Lombard Odier (Singapore) Ltd, an exempt financial adviser under the Financial Advisers Act (Chapter 110) and a merchant bank regulated and supervised by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with this marketing communication. The recipients of this marketing communication represent and warrant that they are accredited investors and other persons as defined in the Securities and Futures Act (Chapter 289). This advertisement has not been reviewed by the Monetary Authority of Singapore.

Hong Kong: This marketing communication has been approved for use by Lombard Odier (Hong Kong) Limited, a licensed entity regulated and supervised by the Securities and Futures Commission in Hong Kong for the general information of professional investors and other persons in accordance with the Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong.

An investment in the Fund is not suitable for all investors. There can be no assurance that the Fund's investment objective will be achieved or that there will be a return on capital. Past or estimated performance is not necessarily indicative of future results and no assurance can be made that profits will be achieved or that substantial losses will not be incurred. Where the fund is denominated in a currency other than an investor's base currency, changes in the rate of exchange may have an adverse effect on price and income. All performance figures reflect the reinvestment of interest and dividends and do not take account the commissions and costs incurred on the issue and redemption of shares/units; performance figures are estimated and unaudited. Netxperformance shows the performance net of fees and expenses for the relevant fund/share class over the reference period.

This document does not contain personalised recommendations or advice and is not intended to substitute any professional advice on investment in financial products. 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. This document is the property of LOIM and is addressed to its recipient exclusively for their personal use. It may not be reproduced (in whole or in part), transmitted, modified, or used for any other purpose without the prior written permission of LOIM. It is not intended for distribution, publication, or use in any jurisdiction where such distribution, publication, or use would be unlawful. This document contains the opinions of LOIM, as at the date of issue. The information and analysis contained herein are based on sources believed to be reliable. However, LOIM does not guarantee the timeliness, accuracy, or completeness of the information contained in this document, nor does it accept any liability for any loss or damage resulting from its use. All information and opinions as well as the prices indicated may change without notice. Neither this document nor any copy thereof may be sent, taken into, or distributed in the United States of America, any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a United States Person. For this purpose, the term “United States Person” shall mean any citizen, national or resident of the United States of America, partnership organised or existing in any state, territory or possession of the United States of America, a corporation organised under the laws of the United States or of any state, territory or possession thereof, or any estate or trust that is subject to United States Federal income tax regardless of the source of its income.

Important information on performance: Past performance is not a guarantee of future results. Where the fund is denominated in a currency other than an investor’s base currency, changes in the rate of exchange may have an adverse effect on price and income. All performance figures reflect the reinvestment of interest and dividends and do not take account the commissions and costs incurred on the issue and redemption of shares/units; performance figures are estimated and unaudited. Net performance shows the performance net of fees and expenses for the relevant fund/share class over the reference period. Source of the figures: Unless otherwise stated, figures are prepared by LOIM.

Important information on benchmarks: Any benchmarks/indices cited herein are provided for information purposes only. No benchmark/index is directly comparable to the investment objectives, strategy or universe of a fund. The performance of a benchmark shall not be indicative of past or future performance of any fund. It should not be assumed that the relevant fund will invest in any specific securities that comprise any index, nor should it be understood to mean that there is a correlation between such fund’s returns and any index returns.

Important information on target performance/risk: Target performance/risk represents a portfolio construction goal. It does not represent past performance/risk and may not be representative of actual future performance/risk.

Important information on portfolio composition: The portfolio information provided in this document is for illustrative purposes only and does not purport to be a recommendation of an investment in, or a comprehensive statement of all of the factors or considerations which may be relevant to an investment in, the referenced securities. They illustrate the investment process undertaken by the manager in respect of a certain type of investment, but may not be representative of the Fund’s past or future portfolio of investments as a whole and it should be understood that they will not of themselves be sufficient to give a clear and balanced view of the investment process undertaken by the manager or of the composition of the investment portfolio of the Fund. As the case may be, further information regarding the calculation methodology and the contribution of each holding in the representative account to the overall account’s performance can be obtained by the Fund or the Management Company.

Although certain information has been obtained from public sources believed to be reliable, without independent verification, we cannot guarantee its accuracy or the completeness of all information available from public sources.

No part of this material may be (i) copied, photocopied or duplicated in any form, by any means, or (ii) distributed to any person that is not an employee, officer, director, or authorised agent of the recipient, without Lombard Odier Funds (Europe) S.A. prior consent. In Luxembourg, this material is a marketing material and has been approved by Lombard Odier Funds (Europe) S.A. which is authorised and regulated by the CSSF.