

Fund manager(s)



**John Surplice**  
Fund Manager



**Tim Marshall**  
Fund Manager



**James Rutland**  
Fund Manager

## Investment Risks

For complete information on risks, refer to the legal documents.

The value of investments and any income will fluctuate (this may partly be the result of exchange-rate fluctuations) and investors may not get back the full amount invested.

## Monthly Report June 2024 (covering May)

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### Summary of fund objective

The Fund is actively managed. The Fund aims to provide long-term capital growth by investing in a portfolio of equity or equity related instruments of European companies with an emphasis on larger companies. The investment concerns the acquisition of units in a fund and not in a given underlying asset.

### Fund Performance

At a sector level, the most notable drag was industrials, while energy and financials were also weaker. Utilities and healthcare exposures proved more favourable for relative returns. At the stock level, shares in Finnish refiner Neste were hit after the company posted a big downward revision of its renewable products sales margin guidance. Cap Gemini shares underperformed initially on the back of US peer Salesforce giving a weak outlook, followed by broker downgrades citing a delayed recovery in demand for IT services companies. Other detractors included UK names EasyJet (lower revenue per seat than previously forecast), Anglo American (rejected BHP request for more time to commit to a takeover offer) and Whitbread (broker cited slower execution of strategic plans). Elsewhere, weaker oil prices weighed on TotalEnergies and BP, disappointing earnings continued to weigh on Stellantis, while BBVA fell post announcing the terms of a potential merger with its smaller Spanish rival Sabadell. Conversely, shares in German healthcare name Merck were buoyed by expectation-beating earnings, Infineon shares climbed after the chipmaker signalled a cyclical trough in demand for semiconductors used in autos, news which also took Soitec shares higher in the same sector, while shares in water and energy management company Veolia outperformed after delivering a robust set of numbers ahead of expectations. Paper and pulp holdings Smurfit Kappa (earnings beat) and UPM Kymmene, along with not owning luxury name LVMH were also positive for relative returns.

### Fund Positioning

In terms of positioning, we remain well diversified across a broad range of sectors and continue to believe in the market-wide themes such as decarbonisation, digitalisation, improving the efficiency and security of supply. These structural tailwinds that were not present during the last cycle require a great deal of capital investment and will continue to support employment levels, wages and the wider economy. Weaker power prices have hindered utilities holdings so far this year, however we believe they are well-positioned to deliver sustainable earnings despite the power price backdrop. Within financials, we retain exposure to both banks - where share buybacks are now widespread and names we own include leading franchises with strong capital positions on single-digit PE's - and also insurance companies where sustainable earnings and good dividends remain prevalent. We retain exposure to more cyclical areas too, as here stocks appear to have a recessionary scenario already priced in. As far as technology exposure is concerned, we are obviously extremely aware of the growth in the semi-conductor industry, and we expect the cycle to turn later in 2024. We do have selected exposure to this theme via names where there are interesting internal improvement stories too. The focus within semiconductors thus far has solely rested on those companies who have perceived exposure to AI, while we think the market is missing an opportunity within analogue names which trade at a steep discount now. Elsewhere, we maintain balance within our portfolio by having some defensive exposures in areas such as telecoms, pharmaceuticals, food retail and utilities. Finally, long duration assets, which benefitted in a low inflation/low interest rate environment, appear more challenged in a regime of higher inflation and higher rates. As such, we maintain an underweight position in those long duration areas of the market which, in our opinion, still feel expensive.

### Outlook

European equity markets during the early part of 2024 witnessed momentum and concentration to such a large extent, that we believe many exciting opportunities are presenting themselves. The momentum in some of the mega-cap names we have seen so far this year has been the very antithesis of our investment approach - we are looking for companies that are undergoing positive change that have been overlooked by the market. Narrow leadership in the markets is rarely a healthy sign as eventually this will crack and, as investors reconnect with the reality of interest rate cuts being pushed out further into 2024 and with an increasing number of indicators suggesting that economies may be bottoming, it is quite possible that this could be to the benefit of more cyclical areas where we believe there is meaningful opportunity for positive change and where valuations are at extreme lows. The share price performance and re-rated valuations of the highly concentrated group of names which have led the market higher so far this year feels extremely stretched and increasingly dislocated from fundamentals - we have trimmed positions and taken some profits in positions exposed to this momentum. On the other hand, there are many other areas where we see improving fundamentals in the medium/long-term that are looking extremely attractive in terms of both earnings prospects and valuation, and so where we see considerable share price upside - we have tactically increased positions in-line with this conviction. In conclusion, we expect the market focus to broaden out as equity markets reconnect with fundamentals and therefore remain extremely optimistic around the prospects for our portfolio.

Fund Facts	
Z-share ISIN	LU1625225310
Bloomberg	INVPEZA LX
Domicile	Luxembourg
AuM	1.47bn EUR
Launch Date	02 Jan 1991
Reference Index**	MSCI Europe Index (Net Total Return)

Fund Managers\*\*\* John Surplice, Tim Marshall and James Rutland

\*\* The benchmark index is shown for performance comparison purposes only. The fund does not track the index.

\*\*\* John Surplice since July 2003 and Tim Marshall since June 2020

### Fund Characteristics

(Annualised Data)

	3Y	5Y
Alpha (statistical)	1.25	-0.99
Batting Average	55.56	56.67
Gain/Loss Ratio	1.68	1.61
Information Ratio	0.16	0.03
Sharpe Ratio	0.53	0.47
Tracking Error	6.14	6.88

### Awards & Gradings



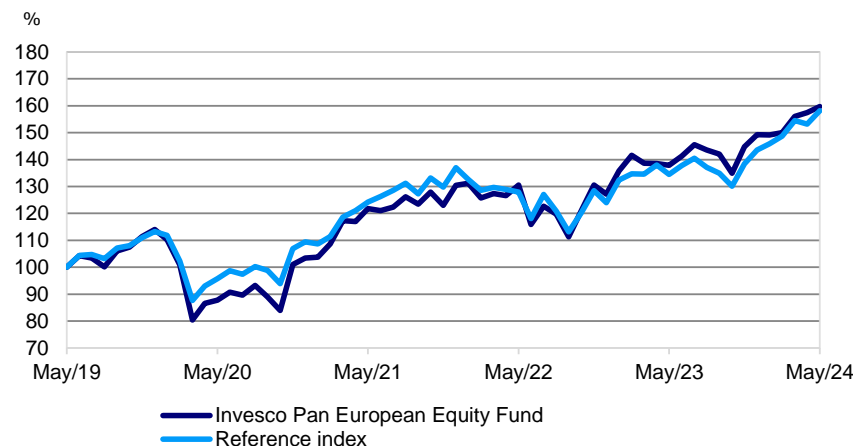
Morningstar Rating 31.05.24

Any reference to a ranking, a rating or an award provides no guarantee for future performance results and is not constant over time.

Past performance does not predict future returns.

### Performance (EUR) <sup>1</sup>

#### 5 Year Active Return



Cumulative	YTD	YTD	1M	1Y	3Y	5Y
Fund (Z-shares)	7.00	4.55	1.44	15.87	31.15	59.70
Reference Index	10.14	7.63	3.26	17.56	27.37	58.16
Active return	-3.14	-3.08	-1.82	-1.69	3.78	1.54

Calendar Year	2019	2020	2021	2022	2023
Fund (Z-shares)	18.88	-9.26	26.04	-2.48	17.37
Reference Index	26.05	-3.32	25.13	-9.49	15.83

Rolling 12 Months	31.05.14	31.05.15	31.05.16	31.05.17	31.05.18
	31.05.15	31.05.16	31.05.17	31.05.18	31.05.19
Fund (Z-shares)	19.87	-17.73	15.83	4.09	-12.70
Reference Index	18.46	-11.31	15.83	0.99	-0.66
Peer Group	15.90	-12.02	15.74	0.50	-6.98

	31.05.19	31.05.20	31.05.21	31.05.22	31.05.23
	31.05.20	31.05.21	31.05.22	31.05.23	31.05.24
Fund (Z-shares)	-12.28	38.82	7.17	5.62	15.87
Reference Index	-4.24	29.67	3.01	5.18	17.56
Peer Group	-11.18	34.72	2.32	1.52	19.06

Source fund/sector: Morningstar as of 31 May 2024

Source index: RIMES as at 31 May 2024, on a total return basis in EUR

Peer Group: Morningstar Category EAA Fund Europe Large-Cap Value Equity

<sup>1</sup>Fund returns are inclusive of gross income re-invested and net of the ongoing charge and portfolio transaction costs, cumulative, in fund currency. The figures do not reflect the entry charge payable by individual investors. Returns may increase or decrease as a result of currency fluctuations.

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EMEA 3642565