

BL-EQUITIES EUROPE

August 2015

Management Report

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European markets were down 8.2% in August, as measured by the Stoxx 600 Total Return index. The downward spiral of share prices that started in April gathered pace following the Chinese authorities' three separate interventions on the foreign exchange market to devalue the yuan. As China's industrial investment cycle matures and runs out of steam, concern is looming over the extent of the weakness in the Chinese economy. In addition, investor nerves probably also stem from the general economic malaise, especially in Europe despite an accommodative monetary policy, and from high stock market valuations which have risen faster than company profits.

The NAV of BL Equities Europe was also down 8.2% over the month. The portfolio was well positioned to cushion the markets' contraction, as intended by our strategy, but the correction of two positions offset some of the outperformance that would have been gained. Syngenta suffered from the withdrawal of Monsanto's takeover bid, which had just been raised to CHF 470. The bid seems to have been dropped because of the failure of discussions between the two companies and pressure from Monsanto's own shareholders. As previously indicated, we think that Monsanto's withdrawal will encourage Syngenta's board of directors and management to take measures to overhaul the company's profile and realise the potential of a strategy that has been slow to deliver. As a result, and given its attractive valuation now that the share has reverted to its pre-bid price, we are keeping Syngenta in the portfolio and looking forward to hearing the measures the company is likely to announce at its upcoming investor day. The second poor performer in the month was Gemalto after its results came in below expectations. Gemalto signalled a heavier-than-expected impact on its margin following the end of the contract with Softcard. Softcard, a joint-venture between US telecoms operators, was a high-added-value SIM-card customer for Gemalto, but has now been acquired by Google.

On the plus side of the fund's performance were Wirecard, Pandora, Halma, Sage and Aryzta, mainly due to good results. The earnings season came to an end in August. Apart from the disappointment over Gemalto, the results announced by companies in the portfolio were either in line with or even better than the consensus expectations. The performance of three of the portfolio's significant positions stand out – Hugo Boss, Novo Nordisk and Pandora, confirming our investment theses. At the same time, Kion, Wirecard, Spirax Sarco and Intertek have also been encouraging.

Following the widespread drop in valuations, we have not carried out any major transactions although we took advantage of Pandora's dip to top up our holding.

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Current Portfolio

New Holdings

Additions to investments	
	Croda International
	Spectris
	Pandora
	Kion
	Linde
	Intertek

Investments sold

Investments reduced	

Sector Allocation

Energy	0,0%
Materials	17,7%
Industrials	16,2%
Consumer Discretionary	21,8%
Consumer Staples	8,3%
Health Care	20,2%
Financials	0,0%
Information Technology	12,6%
Telecommunication Services	0,0%
Utilities	0,0%
Cash	3,2%

Market Capitalizations

Large Caps	(> EUR 10 billion)	53,4%
Medium Caps	(EUR 1-10 billion)	43,5%
Small Caps	(< EUR 1 billion)	0,0%

Top Holdings

Hugo Boss	4,7%
Dufry	4,4%
Roche Holding	4,3%
Bayer	4,2%
Novo Nordisk	3,7%
Gemalto	3,5%
Linde	3,3%
DCC	3,3%
Novartis	3,3%
LVMH	3,0%
Weight of Top 10	37,5%
Number of holdings	40

Geographic Allocation

United Kingdom	15,4%
Germany	23,6%
Switzerland	21,7%
France	10,7%
Netherlands	7,9%
Denmark	6,6%
Spain	2,8%
Sweden	4,8%
Denmark	6,6%
Ireland	3,3%
Cash	3,2%

Performance¹

	Since 31/12/2014	2014	2013	2012	2011	2010
Fund (B shares)	8,6%	9,2%	17,0%	21,0%	-3,8%	19,5%
DJ Stoxx Europe 600	8,2%	7,2%	20,8%	18,2%	-8,6%	11,6%
Quartile	2	1	3	1	1	1

	1 month	3 months	6 months	1 year	3 years	5 years
Fund (B shares)	-8,2%	-9,1%	-5,6%	11,5%	44,9%	87,7%
DJ Stoxx Europe 600	-8,2%	-8,8%	-5,7%	8,9%	48,0%	66,9%
Quartile	3	3	3	2	2	1

General Information

Total Assets (EUR)	EUR 811,5 mn
Turnover 2014*	19%
TER 2014 (class B shares)	1,09%
ISIN Code (class B shares)	LU0093570330
ISIN Code (class I shares)	LU0439765321

* min (purchases, sales) / average of net assets

Statistical Data¹

	1 year	3 years
Correlation	0,98	0,95
Beta	0,87	0,85
Information ratio	0,43	-0,13
Tracking Error*	5,42	5,11

*annualized

¹ Source : Lipper