

BL-EQUITIES EUROPE

November 2015

Management Report

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The European markets continued their upward trend in November, extending October's strong rebound. The Stoxx 600 Total Return closed the month with a gain of 2.8%. During the month, the euro fell further against the dollar, edging closer to its 1.06 low of March 2015. Worse-than-expected growth figures in the eurozone have fuelled prospects of the ECB introducing additional support measures at its meeting in early December. In this context, some cyclical sectors such as industry, automotive and construction performed particularly well. The technology and insurance sectors also stood out. At the other end of the spectrum, with raw materials and oil trapped in a downward spiral, the commodities and utilities sectors trailed. Some consumer and tourism stocks were hit by the terrorist attacks in Paris on 13 November.

Over the month, BL-Equities Europe's net asset value gained 4.2%. Good results combined with encouraging prospects boosted Henkel and DCC. Through rigorous management of its development, Henkel managed to post a sharp increase in margins in both its divisions as well as very comfortable organic growth in its laundry and household cleaning product division. DCC benefited from its unique position in energy product distribution to pursue bigger acquisitions. This will generate significant leverage and, given the company's excellent operational management, does not raise any concerns for return on capital. At the same time, the management delivered a 15% year-on-year dividend increase. Lonza continued to benefit from the optimism generated by the good business outlook it reported in October. Kion is continuing to post record highs following the group's encouraging message on demand in Europe and profit forecasts. Elsewhere, fresh rumours on consolidation in the agrichemicals sector revived interest in Syngenta which was an additional boost to the portfolio. Finally, benefiting from the sector rebound, our two strong bets in the construction sector, Assa Abloy and Legrand, gained 10%.

Meanwhile, the portfolio's consumer goods segment is trailing, dragged down by LVMH and Hugo Boss in the wake of the terrorist attacks in Paris. Hugo Boss also announced a disappointing trading update, damaged by the American market where the group is continuing to battle against the big stores' policy of clothing price sales, which Hugo Boss wants to avoid for its premium brand Boss.

In our fund operations, we reduced Hugo Boss at the start of the month and sold three other positions in their entirety. The position in Aryzta was sold off due to a lack of visibility on the group's future return on capital as it is suffering from loss of customers in the United States and needs to maintain its programme of acquisitions to ratchet up its portfolio. Meda, representing 0.5% of the portfolio's assets, was sold as we are not fully persuaded of the value of building the position above this level. And lastly, we sold Hella; with its high exposure to VW and a sluggish vehicle market, we do not see any pointers to better prospects other than those already factored into its price. Following these sales, the number of investments in the portfolio has been reduced to 37 positions.

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Current Portfolio

New Holdings

no transactions	no transactions

Investments sold

Hella	Hugo Boss
Aryzta	Novo Nordisk
Meda	Pandora
	Kion

Additions to investments

Investments reduced

Top Holdings

Bayer	4,4%
Roche Holding	4,4%
DCC	4,2%
Dufry	4,2%
Linde	3,5%
Grifols	3,4%
Gemalto	3,3%
Syngenta	3,2%
Novo Nordisk	3,2%
LVMH	3,1%
Weight of Top 10	36,9%
Number of holdings	37

Sector Allocation

Energy	0,0%
Materials	19,4%
Industrials	18,0%
Consumer Discretionary	17,4%
Consumer Staples	7,9%
Health Care	20,3%
Financials	0,0%
Information Technology	14,1%
Telecommunication Services	0,0%
Utilities	0,0%
Cash	3,0%

Geographic Allocation

United Kingdom	17,1%
Germany	21,7%
Switzerland	20,7%
France	11,4%
Netherlands	8,3%
Denmark	5,7%
Sweden	4,5%
Ireland	4,2%
Spain	3,4%
Cash	3,0%

Market Capitalizations

Large Caps	(> EUR 10 billion)	56,7%
Medium Caps	(EUR 1-10 billion)	40,3%
Small Caps	(< EUR 1 billion)	0,0%

Performance¹

	Since 31/12/2014	2014	2013	2012	2011	2010
Fund (B shares)	15,4%	9,2%	17,0%	21,0%	-3,8%	19,5%
DJ Stoxx Europe 600	15,4%	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)	4,2%	6,3%	-3,4%	15,0%	48,4%	81,7%
DJ Stoxx Europe 600	2,8%	6,6%	-2,8%	13,9%	51,6%	70,1%
Quartile	1	2	3	2	2	1

General Information

Total Assets (EUR)	EUR 814,1 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	0,88	0,86
Information ratio	0,10	-0,15
Tracking Error*	5,56	5,17

*annualized

¹ Source : Lipper