

**Fund Fact Sheet**

31/12/2018

**Asset Class**

Equities Europe, all Caps

**Fund Characteristics**

|                                   |  |
|-----------------------------------|--|
| AUM                               | € 1087,0 mn  |
| Launch date                       | 28/09/1990   |
| Oldest share class (B)            | LU0093570330   |
| Turnover (2018) *                 | 9%   |
| Reference currency                | EUR  |
| Hedged share classes available in | USD / CHF  |
| Legal structure                   | SICAV, UCITS   |
| Domicile                          | Luxembourg   |
| European Passport                 | Yes  |
| Countries of registration         | AT, BE, DK, FI, FR, DE, ES, IT, LU, NL, NO, SG, SE, CH, GB |

**Representative Market Index**

MSCI Europe NR (EUR)

**Team**



**Ivan Bouillot** has managed the fund since 2004. He joined BLI in 2000.



**Tom Michels** joined BLI in 2014 as analyst for European equities.

**Management Company**

BLI - Banque de Luxembourg Investments S.A.  
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**Dealing & Administrator Details**

European Fund Administration (EFA)  
Tel +352 48 48 80 582  
Fax +352 48 65 61 8002  
Dealing frequency daily\*\*  
Cut-off time 12:00 CET  
Front-load fee max. 5%  
Redemption fee none  
NAV calculation daily\*\*  
NAV publication [www.fundinfo.com](http://www.fundinfo.com)

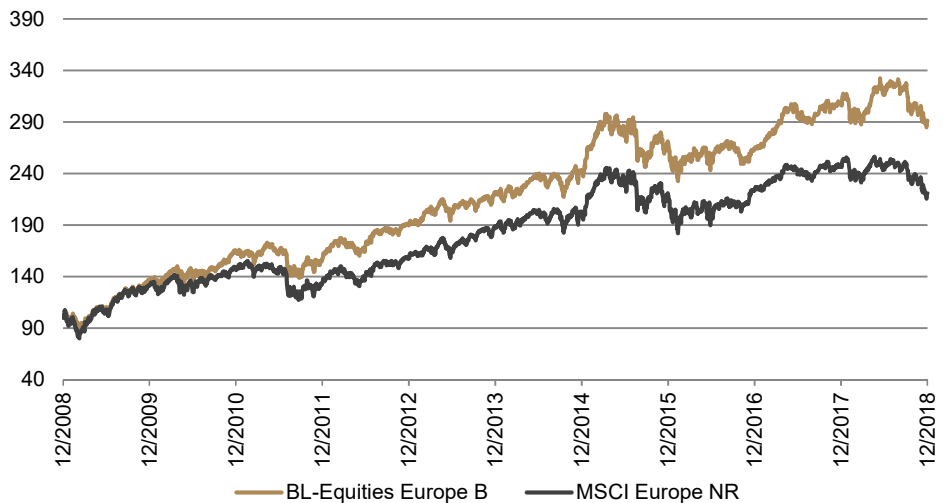
**Investment Objective**

The objective of the fund is to achieve long-term capital gains by investing in high-quality European companies benefiting from a sustainable competitive advantage. It aims to outperform its relevant benchmark return with a lower volatility.

The fund manager implements an active investment strategy based on strong convictions with a long term investment horizon.

**Key Facts**

- Concentrated portfolio of 35 to 40 companies.
- Fundamental stock picking methodology.
- Investments in quality business models.
- Monitoring of company and average portfolio valuation.
- Portfolio with structural deviations from the relevant market index.
- Diversification according to the companies' underlying earnings drivers.
- Through the cycle perspective.
- Low turnover.



| Performance     | 2018   | 2017  | 2016  | 2015  | 2014 |
|-----------------|--------|-------|-------|-------|------|
| Fund (B shares) | -5,4%  | 16,8% | -1,8% | 10,7% | 9,2% |
| MSCI Europe NR  | -10,6% | 10,2% | 2,6%  | 8,2%  | 6,8% |

| Performance     | 1 month | 3 months | 6 months | 1 year | 3 years | 5 years | 10 years |
|-----------------|---------|----------|----------|--------|---------|---------|----------|
| Fund (B shares) | -3,7%   | -10,1%   | -8,8%    | -5,4%  | 8,5%    | 31,1%   | 191,3%   |
| MSCI Europe NR  | -5,5%   | -11,3%   | -10,1%   | -10,6% | 1,1%    | 16,9%   | 120,8%   |

| Annualised Performance | 1 year | 3 years | 5 years | 10 years |
|------------------------|--------|---------|---------|----------|
| Fund (B shares)        | -5,4%  | 2,7%    | 5,6%    | 11,3%    |
| MSCI Europe NR         | -10,6% | 0,4%    | 3,2%    | 8,2%     |

| Annualised Volatility | 1 year | 3 years | 5 years | 10 years |
|-----------------------|--------|---------|---------|----------|
| Fund (B shares)       | 13,6%  | 13,1%   | 15,0%   | 15,2%    |
| MSCI Europe NR        | 13,2%  | 14,1%   | 16,5%   | 17,8%    |

The market index (MSCI Europe NR) is shown in the performance chart as well as in the performance tables above for performance measurement purposes only and it should under no circumstances be considered as an indication of a specific investment style or strategy. Investors are also invited to consult the performance chart disclosed in the key investor information document of the sub-fund.

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

\*\* Luxembourg banking business day

**Current Portfolio**

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**Top Holdings**

|                           |              |
|---------------------------|--------------|
| Unilever                  | 5,6%         |
| SAP                       | 5,5%         |
| Sika                      | 4,5%         |
| Danone                    | 4,4%         |
| Henkel                    | 4,2%         |
| Pernod Ricard             | 3,8%         |
| LVMH                      | 3,8%         |
| Air Liquide               | 3,7%         |
| Reckitt Benckiser         | 3,7%         |
| Essity                    | 3,6%         |
| <b>Weight of Top 10</b>   | <b>42,9%</b> |
| <b>Number of holdings</b> | <b>33</b>    |

**New Investments in December**

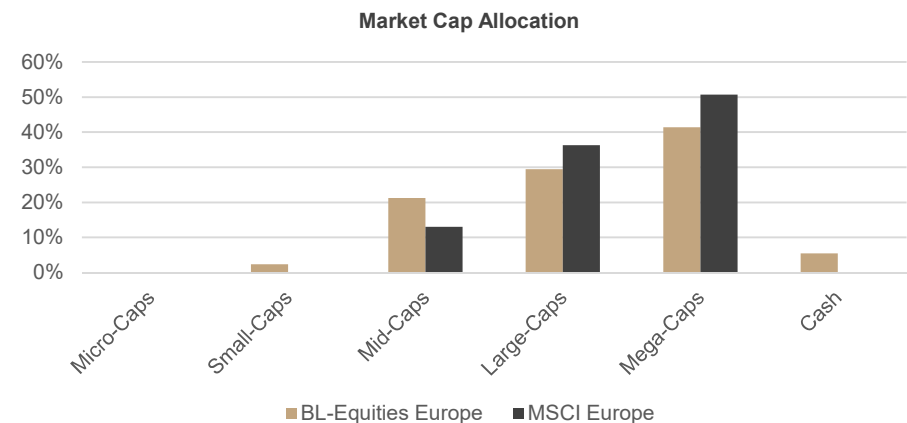
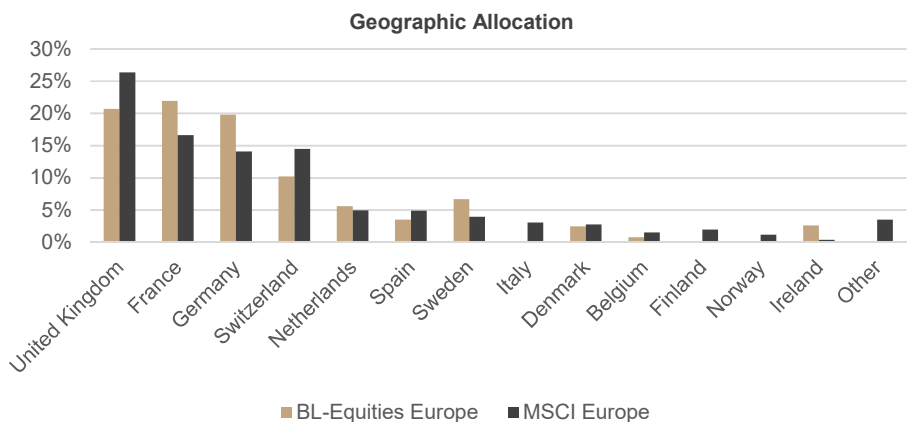
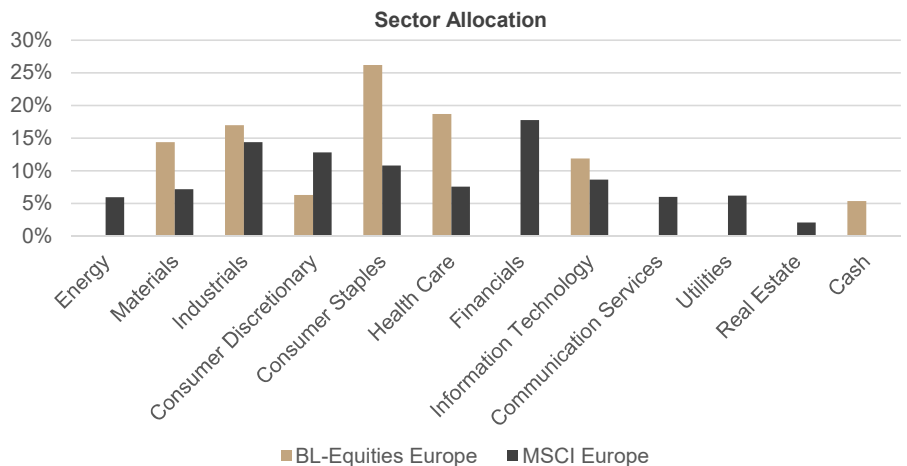
no transactions

**Investments sold in December**

no transactions

**Currency Allocation**

|      |       |
|------|-------|
| EUR  | 53,8% |
| GBP  | 21,3% |
| CHF  | 10,2% |
| SEK  | 6,7%  |
| DKK  | 2,5%  |
| Cash | 5,4%  |



Market capitalisation classifies stocks based on their position in the cumulative capitalisation of their market region. Mega-cap stocks account for the top 40% of the market capitalisation of the market region, large-cap stocks represent the next 30%, mid-cap stocks the next 20%, small-cap stocks the next 7% and micro-cap stocks the remaining 3%.

| Investor Type | Clean Share | Eligibility Restrictions | Share class          | Currency | Currency Hedging | Income | Mgmt fee | On-going Charges | SRRI | ISIN         | Bloomberg Ticker |
|---------------|-------------|--------------------------|----------------------|----------|------------------|--------|----------|------------------|------|--------------|------------------|
| Retail        | No          | No                       | <b>A</b>             | EUR      | No               | Dis    | 1,25%    | 1,41%            | 5    | LU0439765081 | BLEQEUA LX       |
| Retail        | No          | No                       | <b>B</b>             | EUR      | No               | Cap    | 1,25%    | 1,40%            | 5    | LU0093570330 | BLE4725 LX       |
| Retail        | No          | No                       | <b>B CHF Hedged</b>  | CHF      | Yes              | Cap    | 1,25%    | 1,41%            | 5    | LU1305477884 | BLEQBCH LX       |
| Retail        | No          | No                       | <b>B USD Hedged</b>  | USD      | Yes              | Cap    | 1,25%    | 1,41%            | 5    | LU1273297371 | BLEQEUC LX       |
| Retail        | Yes         | Yes                      | <b>AM</b>            | EUR      | No               | Dis    | 0,85%    | 1,00%            | 5    | LU1484141491 | BLEQAMD LX       |
| Retail        | Yes         | Yes                      | <b>BM</b>            | EUR      | No               | Cap    | 0,85%    | 1,01%            | 5    | LU1484141574 | BLEQEBM LX       |
| Retail        | Yes         | Yes                      | <b>BM CHF Hedged</b> | CHF      | Yes              | Cap    | 0,85%    | 1,01%            | 5    | LU1484141657 | BLEQBMC LX       |
| Retail        | Yes         | Yes                      | <b>BM USD Hedged</b> | USD      | Yes              | Cap    | 0,85%    | 1,01%            | 5    | LU1484141731 | BLEQBMU LX       |
| Institutional | No          | Yes                      | <b>BI</b>            | EUR      | No               | Cap    | 0,60%    | 0,71%            | 5    | LU0439765321 | BLEQEIC LX       |

## Management Report

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European equity markets fell in December. Market sentiment was impacted by more pessimistic messages from the central banks, the French economy starting to feel the impact of the “yellow vest” movement’s social unrest, and lack of progress in US budget negotiations. The announcement that the European Union and Italy had reached a budget agreement was unable to stem the downward trend. The best-performing sectors over the month were utilities, commodities and technology. The poorest performers were financials, property and healthcare.

The benchmark index (MSCI Europe Net TR EUR) was down 5.53% over the month. BL-Equities Europe (retail accumulation share net of fees) was down 3.52%. The portfolio benefited from the more defensive profile it had built up during the year.

The main contributions to performance came from LVMH, Air Liquide, Pernod Ricard, Sage and Sika. Paradoxically, the portfolio was undermined by some of its more defensive positions like Fresenius, Reckitt Benckiser, Danone, Dufry and Grifols.

In terms of transactions, we reinvested part of the cash held in the portfolio in the second half of the month, focusing on rebalancing by topping up some of the portfolio’s existing positions.

## Investment Approach

### Investment Principles

#### **Limit investment losses**

The value of an investment that has lost 50% must double to recover incurred losses  
*Avoiding losses is more important than generating extraordinary gains*

#### **Control company specific risk**

Risks arise when the parameters of an investment are not properly understood  
*We avoid investing in companies we do not fully understand*

#### **Valuation monitoring**

The price paid for an investment determines its potential return  
*We monitor the margin of safety to minimize the likelihood of suffering losses on our investments*

#### **Consideration of an entire market cycle**

Foregoing part of potential gains in strongly rising markets pays dividends in falling markets  
*Our objective is to outperform the relevant benchmark through an entire market cycle.*

#### **Benchmark agnostic**

The market reference is solely used for performance measurement principles  
*Owing to the active investment approach of our portfolio management, the portfolio structure deviates strongly from that of the benchmark.*

### Equity Investment Approach: Business-Like Investing

We consider an equity investment as a long-term participation in a business. The companies we target enjoy a sustainable competitive advantage that differentiates them from their competitors. They need to show an attractive return profile and generate high and consistent levels of free cash-flow.

#### **Quality**

In the first step of our investment process, we perform an in-depth review of the targeted company's business model in order to identify its competitive advantage. Differentiation through a competitive advantage creates entry barriers against competitors and enables a company to better execute its strategy. In the second step we analyse whether the competitive advantage translates into high ROCE and whether the company generates consistent cash-flow. We analyse the maintenance capex requirements of the targeted companies to make sure that the generated cash-flow is not absorbed by investments needs to sustain its current business operations. We emphasize the analysis of the balance sheet and look for companies with a low level of gearing through the cycle. In the third step, we analyse how the targeted company has used and will use its capital. The company's management faces the following options: investment in current business activities, development of new activities, takeovers, dividend payments, stock buybacks or debt repayments. Only companies that meet our investment criteria are considered for inclusion into our portfolios, which may lead to significant deviations from the market benchmarks.

#### **Valuation**

Investments may lead to important capital losses if the price paid for the investment is too high. To avoid this pitfall, we derive a fair value for each targeted company prior to investing. This fair value is based on the company's normalised free cash-flow and serves as reference point for our buy and sell discipline. We invest in a company, when its stock price offers the most attractive margin of safety, taking into account its development prospects.

### Portfolio characteristics

BL-Equities Europe invests in a focused selection of European companies. Targeted companies are typically among the top-3 in their respective markets and offer favourable development prospects. We construct a concentrated portfolio of approximately 35 positions, which allows us to have a good handle of each individual investment, to express our convictions and to minimise errors. Our investment process singles out companies that stand out against their competitors - through an added value product or service, through a good corporate strategy and production process, which underscores high levels of profitability and a healthy financial situation. Portfolio candidates need to enjoy favourable sales growth and / or margin progression prospects.

Our investment choices lead to significant and structural deviations from the fund's relevant market (MSCI Europe NR). We do not invest in all sectors that are represented in the market index. We identify most investment opportunities in the consumer, industrial, health care, chemical and technology sectors. Conversely, there are sectors like financials, utilities or telecom, where we find few - if any - companies that meet our investment criteria. The fund's geographical focus is biased towards Switzerland, Germany, France, Sweden, Denmark and the UK. In terms of market capitalisations, 3/4 of the portfolio are usually invested in companies with a market cap between € 2 and 50 bn.

Our investment strategy has a long-term orientation: our investment cases are constructed with a 3 to 5-year investment horizon. When implementing our bottom-up investment strategy, we do not consider any short term macroeconomic views. Owing to this approach, portfolio turnover rate is low: 25% annual turnover rate is to be expected on average. When making an investment, we are wary of valuation levels of each individual company: at investment, the market price needs to offer a discount against the company's fair value (margin of safety). The average valuation level of the portfolio is also closely monitored.

Portfolio construction rests on three main pillars: the stable core portfolio consists of well-established companies. It is complemented by pockets consisting of growth franchises (focus on growth prospects) and of special situations (focus on turnaround of fundamentals). The portfolio structure is the outcome of individual bottom-up investment opportunities without consideration of the fund's relevant benchmark structure. The weight given to each security in the portfolio is a function of their valuation level, stock liquidity and our level of conviction in the investment thesis. We are mindful of a sound diversification of the portfolio in terms of the earnings drivers of each company.

We don't implement market or currency hedging strategies in the portfolio and the portfolio is fully invested.

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