# BL-Global Flexible EUR
## a sub-fund of SICAV BL

BANQUE DE LUXEMBOURG INVESTMENTS

## Fund Fact Sheet

31/07/2020

### Asset Class
Mixed Asset Global Flexible

### Fund Characteristics

| | |
|---|---|
| AUM | € 1573,1 mn |
| Launch date | 06/04/2005 |
| Oldest share class (B) | LU0211340665 |
| Turnover (2019) * | 57% |
| Reference currency | EUR |
| 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 |

### Fund Manager
**Guy Wagner** has been managing BL-Global Flexible EUR since launch.
An economics graduate from the Université Libre de Bruxelles, he joined Banque de Luxembourg in 1986 and headed the Financial Analysis and Asset Management departments. He was appointed Managing Director of BLI – Banque de Luxembourg Investments in 2005.

### Management Company
BLI - Banque de Luxembourg Investments S.A.
16, boulevard Royal
L-2449 Luxembourg
Tel: (+352) 26 26 99 - 1
www.bli.lu

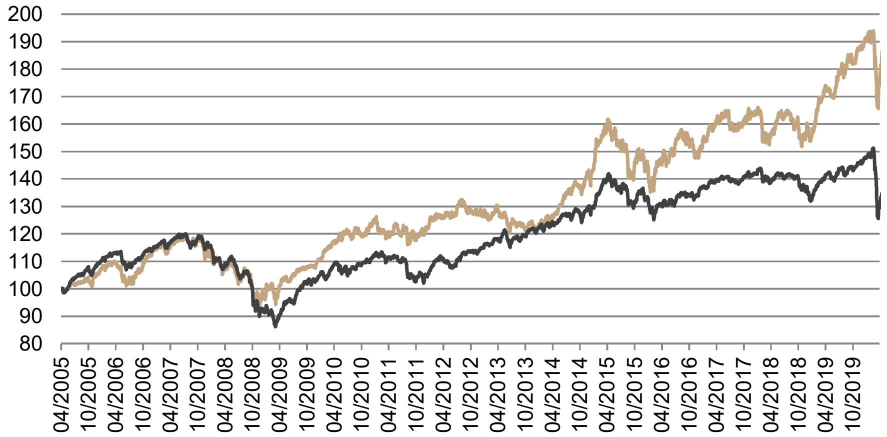
### Dealing & Administrator Details
European Fund Administration (EFA)

| | |
|---|---|
| Tel | +352 48 48 80 582 |
| Fax | +352 48 65 61 8002 |
| Dealing frequency | daily** |
| Cut-off time | 17:00 CET |
| Front-load fee | max. 5% |
| Redemption fee | none |
| NAV calculation | daily** |
| NAV publication | www.fundinfo.com |

* min (purchases, sales) / average of net assets
** Luxembourg banking business day
*** Lipper Global Mixed Asset Balanced

### Investment Objective
The fund aims to achieve positive returns from an actively managed portfolio of decorrelated asset classes, including equities, bonds, money market instruments and gold. The weighting of these asset classes depends on their valuations and the portfolio manager's view on their relative attractiveness in a given environment.
Pervading the investment objective is a fundamental philosophy of long-term capital preservation. There is however no guarantee that a positive return will be delivered over any one or a number of 12-month periods.

### Key Facts
- Flexible balanced wealth management fund.
- Global equity portfolio of quality companies.
- Bond portfolio consisting essentially of government bonds.
- Exposure to gold through gold companies.




| Performance | YTD | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Fund (B shares) | 0,0% | 22,5% | -4,9% | 8,2% | 3,9% | 1,5% |
| Lipper Peergroup*** | -4,0% | 11,5% | -6,6% | 3,7% | 2,4% | 2,8% |

| Performance | 1 month | 3 months | 6 months | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|---|---|---|
| Fund (B shares) | 0,47% | 0,9% | 0,4% | 6,2% | 21,1% | 25,7% | 61,4% |
| Lipper Peergroup*** | 0,7% | 3,7% | -4,2% | -1,5% | 1,8% | 3,3% | 32,1% |

| Volatility | 3 months | 6 months | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|---|---|
| Fund (B shares) | 7,0% | 17,4% | 12,7% | 9,6% | 9,4% | 8,3% |
| Lipper Peergroup*** | 6,5% | 16,0% | 11,5% | 7,6% | 6,8% | 6,1% |

The index (Lipper Global Mixed Asset EUR Balanced) 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.

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BANQUE DE LUXEMBOURG INVESTMENTS

## Current Portfolio

**31/07/2020**

| **Top Holdings Equity Portfolio** | |
|---|---|
| Roche Holding | 3,7% |
| Franco Nevada | 3,7% |
| Agnico Eagle Mines | 2,6% |
| Newmont Mining | 2,3% |
| Nestle | 1,9% |
| **# holdings equity portfolio** | **98** |

| **Top Holdings Bond Portfolio** | |
|---|---|
| US 1,25% 15-5-2050 | 0,5% |
| **# holdings bond portfolio** | **1** |

| **Bond Portfolio Technicals** | |
|---|---|
| average modified duration | 24,6 |
| average maturity | 29,8 years |
| average yield to maturity | 1,2% |

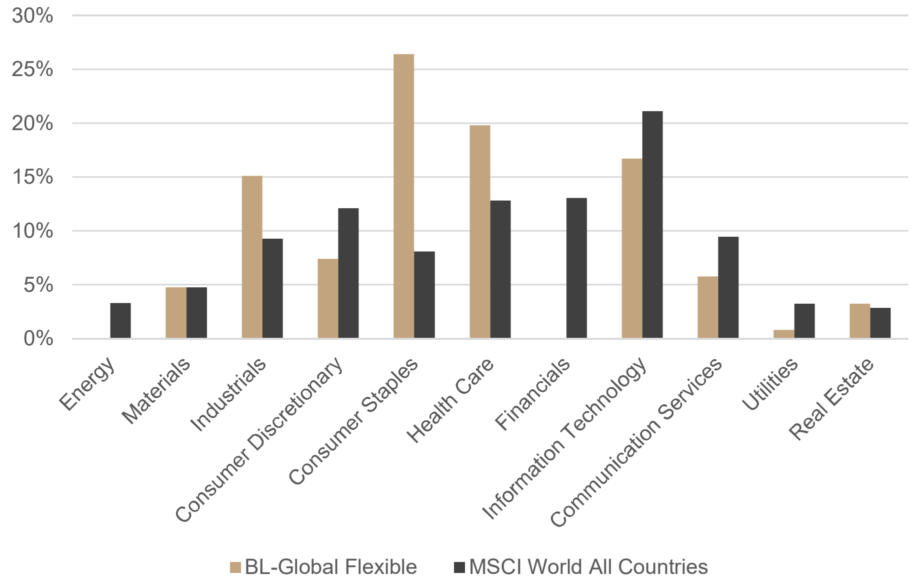
**New Investments in July (Equities)**

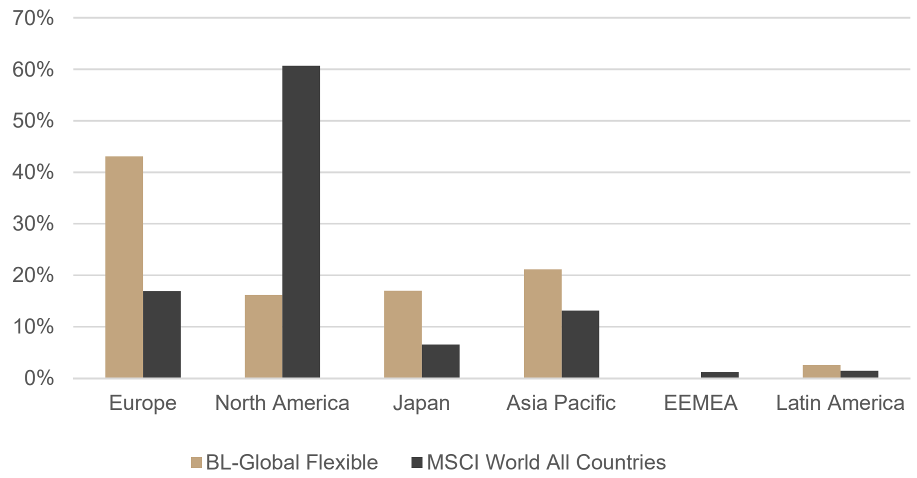
Croda International
Essity
Square Enix Holdings
Henkel
Paychex

**Investments sold in July (Equities)**

Berkeley Group
Denso Corp
Davide Campari

| **Currency allocation** | **before hedging** | **after hedging** |
|---|---|---|
| EUR | 23,1% | 33,3% |
| JPY | 11,2% | 11,2% |
| CAD | 11,2% | 11,2% |
| CHF | 9,5% | 9,5% |
| USD | 19,0% | 8,7% |
| HKD | 5,1% | 5,1% |
| GBp | 4,9% | 4,9% |
| NOK | 4,8% | 4,8% |
| DKK | 2,2% | 2,2% |
| SGD | 2,0% | 2,0% |
| TWD | 1,8% | 1,8% |
| MXN | 1,2% | 1,2% |
| SEK | 1,1% | 1,1% |
| KRW | 1,0% | 1,0% |
| VND | 0,8% | 0,8% |
| THB | 0,7% | 0,7% |
| CNY | 0,6% | 0,6% |




**Asset Allocation July 2020**

| | Gross | Hedging | Net |
|---|---|---|---|
| Equity | 65,7% | 23,5% | 42,2% |
| Bonds | 0,5% | | 0,5% |
| Precious Metals Related Stocks | 15,3% | | 15,3% |
| Cash & Cash Equivalents | 18,5% | | 18,5% |
| **Total** | **100,0%** | | |

| Investor Type | Clean Share | Elegibility restrictions | Share Class | Currency | Currency Hedging | Income | Mgmt Fees | On-going Charges | SRRI | ISIN | Bloomberg Ticker |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Retail | No | No | **A** | EUR | No | Dis | 1,25% | 1,41% | 4 | LU0211339816 | BLGLFLX LX |
| Retail | No | No | **B** | EUR | No | Cap | 1,25% | 1,40% | 4 | LU0211340665 | BLGLFLC LX |
| Retail | No | No | **B CHF Hedged** | CHF | Yes | Cap | 1,25% | 1,40% | 4 | LU1305478262 | BLGLFBCH LX |
| Retail | Yes | Yes | **AM** | EUR | No | Dis | 0,85% | 1,01% | 4 | LU1484143513 | BLGLFAM LX |
| Retail | Yes | Yes | **BM** | EUR | No | Cap | 0,85% | 1,00% | 4 | LU1484143604 | BLGLFBM LX |
| Retail | Yes | Yes | **BM CHF Hedged** | CHF | Yes | Cap | 0,85% | 1,02% | 4 | LU1484143786 | BLGFBMC LX |
| Institutional | No | Yes | **BI** | EUR | No | Cap | 0,60% | 0,71% | 4 | LU0379366346 | BLGLFLI LX |

BANQUE DE LUXEMBOURG INVESTMENTS

# Management Report

31/07/2020

**Macroeconomic environment**

GDP growth figures for the second quarter confirm the historic scale of the collapse of the global economy. In the United States, GDP fell by 9.5% year-on-year and by 32.9% on an annualised basis compared to the first quarter, which is the biggest slump since the Great Depression in the 1930s. In the eurozone, the decline in activity was even greater, with GDP for the euro area as a whole contracting at an annualised rate of 12.1%. The European country most severely affected by the pandemic was Spain, where GDP fell by 18.5% year-on-year. In Germany, Italy and France, the decline in activity was 10.1%, 12.4% and 13.8% respectively. In Japan, second-quarter GDP has not yet been published, but the very slender rebound in the purchasing managers' index in May and June does not suggest that the statistics will be any more resilient. In China, GDP grew by 3.2% in the second quarter, ahead of the rest of the world, having reached the peak of the crisis in the first three months of the year. Although, to a greater or lesser degree, most countries have shown signs of improvement since April, the global economic situation remains highly uncertain, with the development of a major second wave of infections being the most feared risk at present.
The weakness of the economy is keeping inflation low. In the United States, headline inflation increased from 0.1% to 0.6% in June; excluding energy and food, inflation was unchanged at 1.2%. The Federal Reserve's preferred inflation indicator, the PCE (personal consumption expenditures) deflator excluding energy and food, was marginally down, from 1.0% to 0.9%. In the eurozone, headline inflation increased from 0.3% to 0.4% in July, while inflation excluding energy and food rose a little more, from 0.8% to 1.2%.
Apart from extending the credit facilities that were introduced in March at the outbreak of the pandemic to at least the end of the year, the US Federal Reserve left its monetary policy unchanged for the second time in a row. Federal Reserve Chairman Jerome Powell said that the health of the economy will continue to be tied to whether the coronavirus can be kept in check and that continued strong fiscal and monetary support remained absolutely essential. In Europe, the ECB left its monetary policy unchanged in light of recent signs of economic improvement, offering hope that the worst of the crisis is over.

**Financial markets**

The main outcome of unconventional monetary policy has been the inflation of financial and real estate assets.
After the renewed increase in mul¬tiples in 2019, the valuation of most mar¬kets is high, especially as company profit margins are well above average. Two factors have marked the upturn in equity prices since 2009. First, the rise in equity prices has been much higher than the increase in earnings, gen¬erating an expansion in valuation multiples. Second, the increase in earnings has itself been considerably higher than the increase in sales revenues, reflecting an increase in company profit margins.
Even though valuations are quite high, the low level of interest rates, high corporate profitability and decent corporate earnings growth continue to speak in favor of equities. The weakness of corporate spending also enables companies to devote a significant portion of their cash flow to buying back their shares and increasing their dividend. It also stimulates M&A activity which gives a further boost to stock prices.
The factors that led to an increase in multiples over the last decades could slowly begin to revert: the potential for interest rates to increase seems exhausted, the return to policies promoting the national interest over international cooperation is introducing economic and geopolitical risks, and the demographic structure of the population has reached a stage where it threatens to negatively impact available savings. Over the long term, valuation mul¬tiples therefore have a strong chance of declining and it will be all the more difficult to generate high returns from equities.
Even in difficult markets, it is nevertheless possible to invest intelligently in equities, provided one has a rigorous stock selection process. This obviously needs an active approach.
Low bond yields mean that quality debt can no longer play its shock-absorbing role in a diversified portfolio. However, long-term US government debt still offers some useful appreciation potential if economic activity in the United States should slow.
The investment case for precious metals remains valid. Gold is an investment in monetary and financial disorder as well as a hedge against inflation. Gold-mining companies offer significant leverage to the gold price.

**Monthly comment July**

The central banks' asset purchase programmes are continuing to support government bond markets, whose yields fell further in July despite the absence of a correction in risk assets. In the United States, the yield on the 10-year Treasury note declined from 0.66% to 0.53% over the month. In the eurozone, the 10-year government bond yield fell from -0.46% to -0.53% in Germany, from -0.11% to -0.19% in France, from 1.26% to 1.01% in Italy, and from 0.46% to 0.34% in Spain.
After their spectacular rebound in the second quarter, equity markets flatlined in July, with the MSCI All Country World Index Net Total Return expressed in euros remaining unchanged over the month. Increased volatility on the foreign exchange markets led to sharp divergences in regional performance expressed in local currencies. The S&P 500 in the US and the MSCI Emerging Markets rose by 5.5% and 8.4% respectively in USD, while the Stoxx 600 in Europe declined by 1.1% in EUR and the Topix in Japan by 4% in JPY. On a sector basis, the majority of the tech giants were the big winners yet again after publishing breathtaking second-quarter results. In contrast, the energy and financial sectors suffered another difficult month on the equity markets.
The dollar fell sharply against the euro, with the euro/dollar exchange rate surging from 1.12 to 1.18 during the month. The dollar suffered from the sharp increase in new Covid-19 infections in the United States while the health situation seems to be under much better control in Europe. The dollar's weakness propelled gold to a new all-time high, with the price per ounce rising from USD 1,781 at the end of June to USD 1,976 at the end of July, up 10.9%. In the wake of the yellow metal's upward trend, silver in turn appreciated sharply, with the price per ounce rising from USD 18.2 to USD 24.4, an increase of 34%.
5 positions were added to the portfolio in July: Henkel, Croda International, Smith & Nephew, Paychex and Endeavour Mining (gold portfolio). 2 positions were sold: Berkeley Group and Denso.

**Henkel** operates in laundry and home care, cosmetics/toiletries, consumer, industrial and engineering adhesives, and surface technologies. The impact on industrial production and on the Adhesive Technologies business from COVID-19, and movement restrictions on the professional hair care unit, result in near-term uncertainty to the top line and margins. However, the weak outlook is now reflected in the share price and the company's balance sheet is strong.
**Croda** is a speciality chemicals company active in personal care, crop care, excipients and industrial speciality chemicals. The company has consistently generated returns and profitability in excess of its peers in the industrial and consumer chemicals universe. Growth opportunities in Life Science remain attractive and recent acquisitions in Healthcare appear well-founded to support mid-term growth.
**Smith & Nephew** specialises in advanced wound management and surgical devices for orthopaedic reconstruction, sports medicine and trauma. The company has a well-diversified portfolio that operates in attractive markets characterised by sustainable, volume-driven growth.
**Paychex** competes in the payroll outsourcing industry. It is the second-largest player in terms of revenue and focuses on providing this service to small and midsize businesses. Labor regulation should continue to drive demand for HR services.
**Endeavour Mining** is an intermediate gold mining, exploration and development company focused on West Africa. It has six operating mines located in Côte d'Ivoire and Burkina Faso. The company's strategic focus on West Africa is rooted in management's deeper understanding of the region, as well as the highly prospective regional greenstone belt.

BL-Global Flexible's gold as well as its U.S. and Emerging Markets equity holdings contributed positively to the performance in July, whilst the European and Japanese equity holdings and the currency allocation had a negative impact. Within the equity portfolio, the main positive contributors were Taiwan Semiconductor, Xilinx, Check Point Software and SAP, the major negative contributors Roche, Burberry, KOSE and CK Asset Holdings .

# Investment Approach

## Investment Principles

***Avoid 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.*

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

***Valuation / margin of safety***
The price paid for an investment determines its potential return.
*> We invest with a margin of safety in order to minimize the likelihood of suffering losses on our investments.*

***Consideration of an entire business cycle***
Foregoing part of potential gains in strongly rising markets pays dividends in falling markets.
*> Our objective is to outperform the relevant benchmarks over an entire business cycle by limiting the drawdown in challenging markets.*

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

## Asset Allocation

The weighting of the different asset classes depends on the portfolio manager’s view on the relative attractiveness of these asset classes in a given environment. The fund may use derivatives for hedging purposes.

## Equity Investment Approach: Business-Like Investing

We consider an equity investment as a long-term participation in a quality business. As a consequence, we need to make sure that the companies we invest in are able to compete successfully within their line of business and remain profitable for the years to come.

***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 tangible competitive advantage. A competitive advantage differentiates the company from its competitors and creates barriers to entry, adding value for its investors.
In the **second step** we analyse whether the competitive advantage translates into recurrent cash-flow. We place a special emphasis on the analysis of the maintenance capex requirements of the targeted companies to make sure that the generated cash-flow is not absorbed by excessive investment needs to remain in business. This is an issue in capital-intensive business models.
How the targeted company uses its capital is analysed in the **third step** of our investment process. 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 comply with our bottom-up quality criteria are considered for inclusion into our portfolios, which may lead to significant deviations from the traditional equity benchmarks.

***Valuation***
Even quality investments may lead to significant capital losses if the price that was paid for the investment proves too high. To avoid this pitfall, we derive a fair value for each targeted company prior to investing. This fair value is derived from the company's normalised free cash-flow (i.e. after maintenance capex) and gives us a reference point for our buy and sell discipline.

## Bond Investment Approach

The bond portfolio invests essentially in bonds issued by governments or supranational entities from developed and emerging countries. The objective of the bond portfolio is to stabilise the portfolio in difficult market phases.
Key investment decisions in the bond portfolio concern the duration positioning and the allocation to EM bonds.

## Gold

In order to hedge against various risks, the fund may hold between 10% and 15% in gold.

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The prospectus, the articles of incorporation, the annual and semi-annual reports of BL as well as the key investor information document (KIID) of the sub-fund are available on www.bli.lu or upon request from BLI. The KIIDs are available in French, English and in any other official language of registration of BL.

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The SICAV has appointed Banque CIC (Suisse) SA, Marktplatz 13, CH-4001 Bâle, Switzerland to act as paying agent for Switzerland.
The present document may be distributed to Swiss qualified investors.

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