# BL-Global Flexible EUR

## a sub-fund of SICAV BL

BANQUE DE LUXEMBOURG INVESTMENTS

## Fund Fact Sheet

**30/09/2021**

### Asset Class

Mixed Asset Global Flexible

### Fund Characteristics

| | |
|---|---|
| AUM | € 1725,3 mn |
| Launch date | 06/04/2005 |
| Oldest share class (B) | LU0211340665 |
| Turnover (2020)¹ | 57% |
| Reference currency | EUR |
| Legal structure | SICAV, UCITS |
| Domicile | Luxembourg |
| European passport | Yes |
| Countries of registration | AT, BE, CH, DE, DK, ES, FI, FR, GB, IT, LU, NL, NO, SE, SG, PT |

### Fund Manager

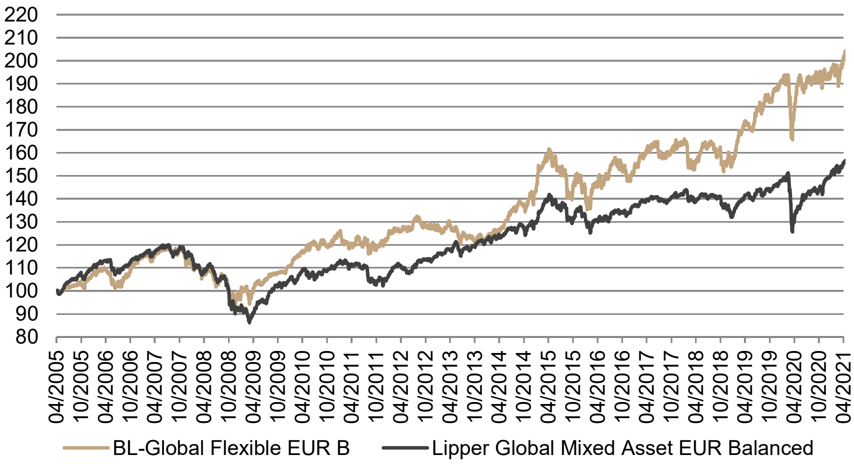
**Guy Wagner** has been managing BL-Global Flexible EUR since launch.
An economics graduate from the Université Libre de Bruxelles, he joined Banque de Luxembourg in 1986 and headed the Financial Analysis and Asset Management departments. He was appointed Managing Director of BLI – Banque de Luxembourg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

### 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.




### Management Company

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

| Performance | YTD | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Fund (B shares) | 5,5% | 1,9% | 22,5% | -4,9% | 8,2% | 3,9% |
| Lipper Peergroup*** | 6,1% | 1,8% | 11,5% | -6,6% | 3,7% | 2,4% |

| Performance | 1 month | 3 months | 6 months | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|---|---|---|
| Fund (B shares) | -3,46% | -2,1% | 3,3% | 6,8% | 27,1% | 32,6% | 73,6% |
| Lipper Peergroup*** | -1,4% | 0,3% | 3,1% | 11,4% | 13,1% | 18,7% | 54,4% |

| Volatility | 3 months | 6 months | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|---|---|
| Fund (B shares) | 5,7% | 6,7% | 8,2% | 9,4% | 8,4% | 8,1% |
| Lipper Peergroup*** | 3,0% | 2,9% | 4,3% | 7,7% | 6,3% | 5,9% |

### 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 |

¹ min (purchases, sales) / average of net assets
² Luxembourg banking business day
³ Lipper Global Mixed Asset Balanced

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.

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

BLI BANQUE DE LUXEMBOURG INVESTMENTS

## Current Portfolio

**30/09/2021**

| Top Holdings Equity Portfolio | |
|---|---|
| Roche Holding | 4,6% |
| Franco Nevada | 3,3% |
| Nestle | 3,3% |
| Reckitt Benckiser | 2,1% |
| Newmont Mining | 2,0% |
| **# holdings equity portfolio** | **78** |

| Top Holdings Bond Portfolio | |
|---|---|
| US 1,25% 15-5-2050 | 3,5% |
| US TIPS 15-02-2050 | 2,2% |
| **# holdings bond portfolio** | **2** |

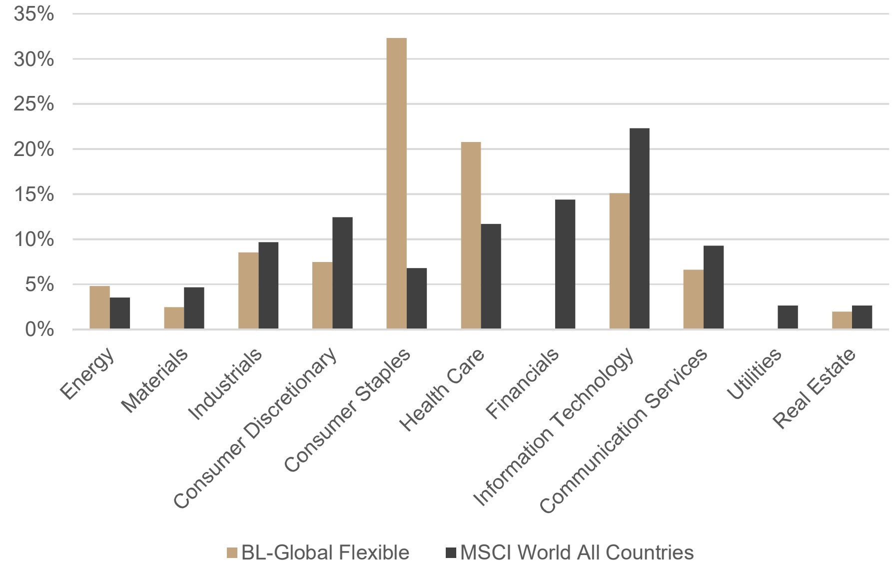
| Bond Portfolio Technicals | |
|---|---|
| average modified duration | 19,5 |
| average maturity | 28,5 years |
| average yield to maturity | 1,2% |

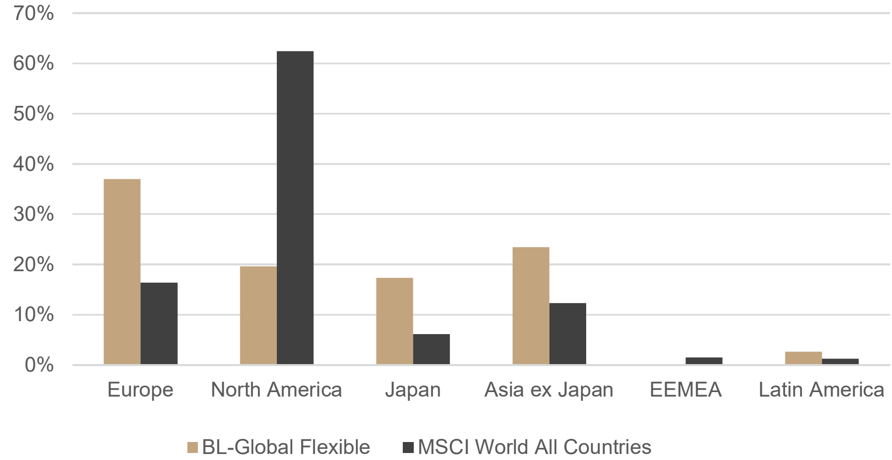
**New Investments in September (Equities)**

Yum China Holdings
Jardine Matheson Holdings

**Investments sold in September (Equities)**

no transactions




| Currency allocation | before hedging | after hedging |
|---|---|---|
| EUR | 15,3% | 32,6% |
| JPY | 13,4% | 13,4% |
| CAD | 10,1% | 10,1% |
| CHF | 10,0% | 10,0% |
| HKD | 7,2% | 7,2% |
| USD | 23,8% | 6,5% |
| GBp | 6,0% | 6,0% |
| KRW | 2,6% | 2,6% |
| DKK | 2,1% | 2,1% |
| SGD | 2,0% | 2,0% |
| SEK | 2,0% | 2,0% |
| MXN | 1,9% | 1,9% |
| VND | 1,5% | 1,5% |
| TWD | 1,2% | 1,2% |
| THB | 0,9% | 0,9% |

**Asset Allocation September 2021**

| | Gross | Hedging | Net |
|---|---|---|---|
| Equity | 70,35% | 0,0% | 70,35% |
| Bonds | 5,70% | | 5,70% |
| Precious Metals Related Stocks | 13,32% | | 13,32% |
| Cash & Cash Equivalents | 10,63% | | 10,63% |
| **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% | 1,40% | 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% | 1,00% | 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% | 1,00% | 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

30/09/2021

**Macroeconomic environment**

The first signs of a moderation in global economic growth are on the horizon. Although most activity indicators are holding up, they appear to be starting to drop back from the very high levels of previous months. In the United States, for example, the manufacturing activity index fell for the second consecutive month after 15 months in a row of almost uninterrupted growth. Nevertheless, the moderation in activity seems to be more the result of the ongoing disruptions in supply chains than any major weakening of demand. In services, the activity index was also down slightly due to the rise in coronavirus infections, although this should prove temporary. The trends appear similar in Europe, with activity remaining robust but possibly at a turning point. In China, the pace of growth has continued to moderate in recent months due to the simultaneous effect of strict restrictions to curb the epidemic, tighter regulatory measures in almost all economic sectors, a shortage of electricity, and the financial difficulties of China Evergrande, the country's second biggest property developer. In Japan, exports continue to be the most dynamic segment, showing no signs of weakening.

After accelerating in previous months, inflation rates remain high. In the United States, headline inflation dipped from 5.4% in July to 5.3% in August. Excluding energy and food, inflation fell a little, from 4.3% to 4.0%. The Federal Reserve's preferred inflation indicator, the PCE (personal consumption expenditures) deflator excluding energy and food, remained at 3.6%, its highest level since December 1991. In the eurozone, inflationary pressures are still on the rise. From August to September, the headline inflation rate rose from 3.0% to 3.4%, the highest since October 2008. Excluding energy and food, it increased from 1.6% to 1.9%.

The FOMC (the Federal Reserve's monetary policy committee) left its monetary policy unchanged at its September meeting. Nevertheless, Fed Chair Jerome Powell signalled that it would start tapering asset purchases, from the next meeting in November through to mid-2022. On the subject of the future level of interest rates, Powell reiterated that the end of asset purchases did not mean a simultaneous rise in interest rates. Opinion in the FOMC seems to be divided on this subject since half its members are expecting a first interest rate hike in 2022. In Europe, in view of the economic improvement and the surge in prices, the ECB announced a slight readjustment of asset purchases under the pandemic emergency purchase programme to a level slightly below that of the previous two quarters. At the December meeting, the monetary authorities expect to give more details on the monetary policy outlook for 2022.

**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 September**

Government bond yields rose slightly in September, reflecting investors' doubts about the transitory nature of current inflationary pressures. The yield on the 10-year US Treasury note rose from 1.31% to 1.49% over the month. In the eurozone, the benchmark 10-year government bond yield rose from -0.38% to -0.20% in Germany, from -0.03% to 0.15% in France, from 0.71% to 0.86% in Italy, and from 0.34% to 0.46% in Spain.

Having risen almost every month since the beginning of the year, equity markets were more volatile in September. This was reflected in the MSCI All Country World Index Net Total Return expressed in euros declining by 2.4%. Uncertainty surrounding the financial difficulties of property developer China Evergrande and the rise in long-term interest rates weighed on share prices. The S&P 500 in the United States, the Stoxx 600 in Europe, and the MSCI Emerging Markets gave up 4.8% (in USD), 3.4% (in EUR), and 4.3% (in USD) respectively. The Topix in Japan was alone in rising by 3.5% (in JPY), partially making up for the accumulated lag of previous months. In terms of sectors, energy stocks stood out with a sharp increase in their share price on the back of rising oil and gas prices.

The prospect of the Federal Reserve's reduction in asset purchases had a positive impact on the dollar, with the euro/dollar exchange rate dropping from 1.18 to 1.16 during the month. Conversely, precious metals came under pressure. The gold price fell 3.1%, from $1,814 per ounce to $1,757. Silver depreciated even more sharply, with the price per ounce falling 7.2%, from $23.9 to $22.2.

3 new positions were established in the equity portfolio during the month.

China Feihe is the largest and most profitable infant milk formula (IMF) company in China, with 14.8% of market share in 2020. Its star product Astrobaby was launched in 2010 and contributes 51% of sales in 2019. In addition to IMF, Feihe also produces and sells other dairy products and nutritional supplements. The company was listed on the Hong Kong Stock Exchange in November 2019.

Another important driver is the aftermath of the 2008 milk formula melamine scandal. The food safety tragedy led to weak trust in local milk formula. Consumers also equate cheap products with low quality. Since then, more expensive international brands have been well sought after, as consumers perceive a high price tag as an assurance for product safety. Even in lower income families, parents are wary of risk from choosing cheaper products.

YUM China is the leading fast food chain operator in China operating under various brands, such as KFC and Pizza Hut representing 70% and 21% of total revenue respectively. Initially, YUM China was a subsidiary of YUM! Brands, before it announced the separation into two independent, publicly traded companies in 2016. Since then, YUM China pays a 3% annual license fee to YUM! Brands (100 years renewal frequency). In 2020, there were a total of 10.506 restaurants, out of which 68% were KFCs and 22% were Pizza Hut's. Moreover, YUM China partly leverages its expansion on the basis of franchises, which amounts to ≈8% of total KFC and PH restaurant units (percentage to be constant in the long term). The company plans to open 1000 new restaurants per year. The average payback period for KFC's is 2 years and 3-4 years for Pizza Hut. 60% of total sales are made through the company's digital membership base which counts around 350mn users. Overall, the digitalization allows the company to enhance its cost efficiency (less labor, inventory improvement, sales forecasting…) and improve its customer experience (privilege members, targeted promotions…).

Regarding the delivery channel, YUM China uses a "hybrid" model, whereby 40% of KFC's total deliveries are made through exclusive third-party riders (not on payroll) and 60% through delivery aggregators. The rationale behind using intern deliverers is to ensure customer experience, as well as to keep some bargaining power against aggregators. The company has over 800 independent suppliers (mostly China-based) where most of the food and paper products are centrally purchased (including for franchises) which allows for economies of scale and quality control.

Jardine Matheson offers broad-based exposure to Asian economies with its subsidiaries such as Hongkong Land, Jardine Cycle & Carriage, Mandarin Oriental and Dairy Farm. The company adds value by being very "hands on" with any important decisions at its subsidiaries. There is also plenty of room for capital management at the holding company level. Most importantly, the limited free float of its subsidiaries makes Jardine Matheson an easier investment vehicle for investors wanting a broad asset exposure.

BL-Global Flexible's Emerging Markets, European and U.S. equity holdings as well as its bond and gold holdings contributed negatively to the performance in September, whilst the Japanese equity holdings and currency allocation had a positive impact. Within the equity portfolio, the main positive contributors were Reckitt Benckiser, Sony, Want Want China, Travelsky Technology and Pernod Ricard, the main negative contributors Roche, Alibaba, Check Point Software, CK Asset Holdings and Pigeon.

# 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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