

### Fund Fact Sheet

30/09/2021

#### Asset Class

Equities Europe, all Caps

#### Fund Characteristics

AUM	€ 161,1 mn
Launch date	07/12/2016
Oldest share class (B)	LU1305479153
Turnover (2020) <sup>1</sup>	21%
Reference currency	EUR
Hedged share classes available in	USD
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

#### Representative Market Indices

MSCI Europe NR  
MSCI Europe SMID NR

#### Fund Manager

Following two years as portfolio manager and investment advisor at Banque Degroof Luxembourg, Ivan Bouillot joined Banque de Luxembourg in 2000 as a financial analyst, and was appointed head of European equity investments for the Bank's fund range in 2004. Ivan has a degree in Business and Finance from the ICHEC University in Brussels. In 2000, he obtained his CEFA (Certified EFFAS Financial Analyst) diploma and he has been a CFA (chartered financial analyst) charter holder since 2006.

#### Management Company

BLI - Banque de Luxembourg Investments  
16, boulevard Royal  
L-2449 Luxembourg  
Tel: (+352) 26 26 99 - 1  
[www.bli.lu](http://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<sup>2</sup>  
Cut-off time 12:00 CET  
Front-load fee max. 5%  
Redemption fee none  
NAV calculation daily<sup>2</sup>  
NAV publication [www.fundinfo.com](http://www.fundinfo.com)

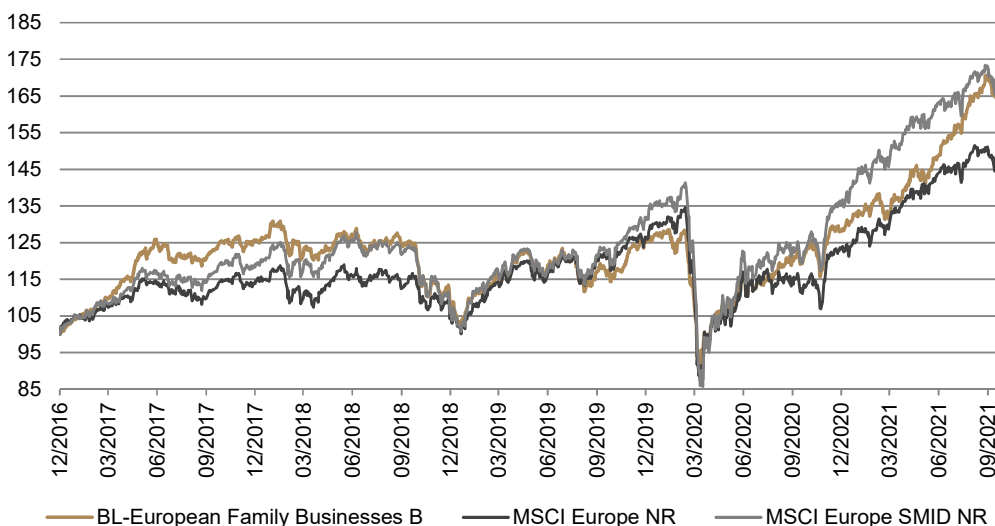
#### Investment Objective

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

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

#### Key Facts

- Investment in quality family businesses.
- Founder / heir generation / family acquirer with
  - > 25% of voting rights or
  - 20-25% of voting rights, but with controlling family providing CEO and Chairman
- Focus on "Familiness", owner mindset and corporate vision.
- Portfolio of ~ 80 companies.
- Fundamental stock picking methodology.
- Monitoring of company and average portfolio valuation.
- Portfolio with structural deviations from the relevant market index.
- Diversification according to the companies' underlying earnings drivers.
- Low turnover.



Performance	YTD	2020	2019	2018	2017
Fund (B shares)	20,8%	4,4%	21,2%	-17,4%	22,3%
MSCI Europe NR	16,2%	-3,3%	26,0%	-10,6%	10,2%
MSCI Europe SMID NR	16,2%	4,4%	30,6%	-14,3%	16,4%

Performance	1 month	3 months	6 months	1 year	3 years	since launch
Fund (B shares)	-4,8%	4,3%	16,4%	31,0%	29,2%	60,0%
MSCI Europe NR	-3,0%	0,7%	7,2%	28,8%	25,6%	45,2%
MSCI Europe SMID NR	-4,3%	1,2%	7,4%	33,6%	33,4%	64,0%

Annualised Volatility	3 months	6 months	1 year	3 years	since launch
Fund (B shares)	15,8%	12,6%	13,5%	18,4%	15,4%
MSCI Europe NR	9,3%	7,5%	12,7%	21,3%	17,6%
MSCI Europe SMID NR	11,0%	8,6%	13,3%	24,1%	19,7%

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.

<sup>1</sup> min (purchases, sales) / average of net assets

<sup>2</sup> Luxembourg banking business day

### Current Portfolio

30/09/2021

#### Top Holdings

Virbac	4,1%
Bossard	3,9%
Stroeer SE	3,5%
Eurofins Scientific	3,3%
EssilorLuxottica	3,2%
Replay	3,2%
Warehouses De Pauw	3,1%
SOMFY	3,1%
Grifols	3,0%
Fluidra	3,0%

#### Summary Statistics

Weight of Top 10	33,3%
Number of holdings	43
Active Share vs MSCI Europe	92,5%

#### New Investments in September

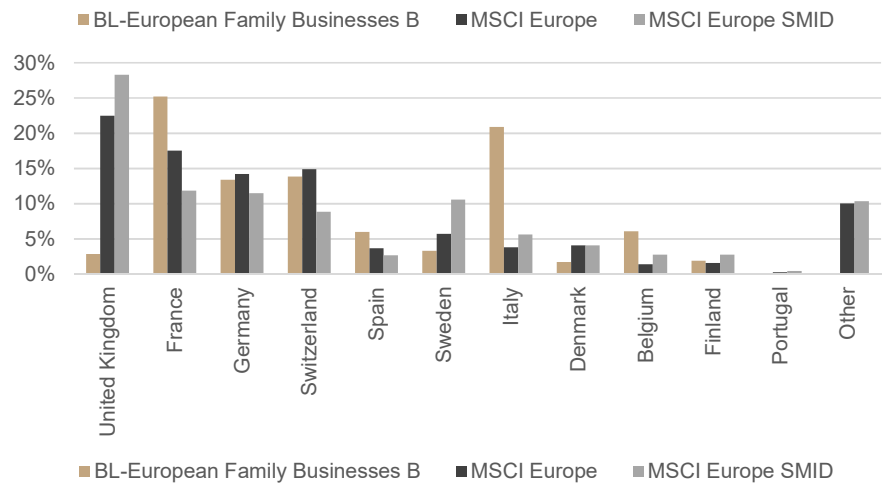
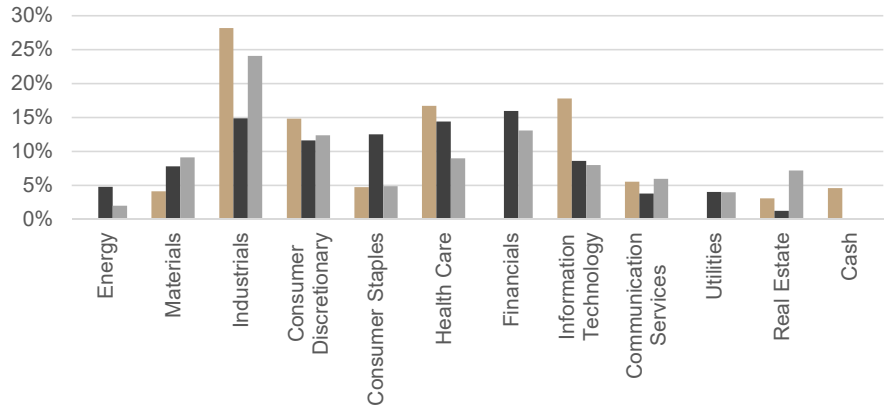
no transactions

#### Investments sold in September

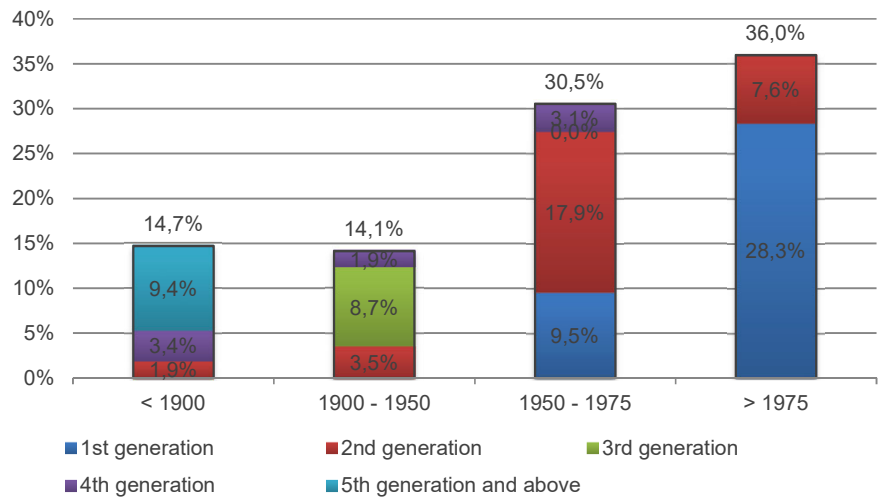
no transactions

#### Family Dimension

Family provides Chairman	74,2%
Family provides CEO	46,5%
Family provides Chairman & CEO	39,9%
Family control of voting rights	43,9%



#### Family dimension / company creation



Investor Type	Clean Share	Eligibility Restrictions	Share class	Currency	Currency Hedging	Income	Mgmt fee	On-going Charges	SRRI	ISIN	Bloomberg Ticker
Retail	No	No	A	EUR	No	Dis	1,25%	1,57%	6	LU1305479070	BLEFBAE LX
Retail	No	No	B	EUR	No	Cap	1,25%	1,58%	6	LU1305479153	BLEFBBE LX
Retail	No	No	B USD Hedged	USD	Yes	Cap	1,25%	1,59%	6	LU1305479237	BLEFBBU LX
Retail	Yes	Yes	AM	EUR	No	Dis	0,85%	1,17%	6	LU1484145302	BLEFBAM LX
Retail	Yes	Yes	BM	EUR	No	Cap	0,85%	1,18%	6	LU1484145484	BLEFBME LX
Retail	Yes	Yes	BM USD Hedged	USD	Yes	Cap	0,85%	1,19%	6	LU1484145567	BLEFBBM LX
Inst.	No	Yes	BI	EUR	No	Cap	0,60%	0,90%	6	LU1484145641	BLEFBBI LX

# BL-European Family Businesses

## a sub-fund of SICAV BL

### Management Report

30/09/2021

European small and mid-cap shares tumbled in September, with the fund's benchmark index, the MSCI Europe SMID Cap Net Return, falling 4.3%. There were increasing signs of the global economy slowing down due to supply problems, labour availability and soaring energy prices. Rising commodity prices and inflation drove bond yields higher and penalised companies with already high valuations as well as cyclical companies facing rising costs. In an already depressed environment in China due to the resurgence of the virus and regulatory tightening, the debt crisis facing property developer Evergrande raised concerns about the stability of the property market. At the same time, the European Central Bank announced a downward adjustment of its asset purchase programme following the Federal Reserve's tapering announcements. During the month, BL European Family Businesses (B share EUR) declined by 4.76%.

The main contributors to the month's performance were Kinopolis, Nemetschek, Stroeer, Virbac and Belimo. Kinopolis rose after Disney announced that its films would be shown exclusively in cinemas for the rest of the year. As the pandemic restrictions ease, confidence in the business continues to improve. Nemetschek has continued to make good progress since raising its full-year outlook in the second quarter. Its strong position as a provider of architecture, engineering and construction software and the accelerating recovery in design, construction and management activities has kept the share price buoyant. Stroeer, which has already returned to its 2019 business levels, advanced in anticipation of its Capital Market Day in early October, when the company is expected to unveil more details about its future strategy.

The main detractors from performance during the month were SoftwareOne, De'Longhi, Datalogic, Warehouses de Pauw and Rational. SoftwareOne's share price fell after the private equity group KKR sold its entire stake in the company. The partnership with KKR had begun in 2015, when the group acquired shares in the company to help it expand. Similarly, De'Longhi fell after its founders and chairman sold shares following its very strong run during the pandemic. Datalogic suffered from the sector rotation that penalised growth stocks in the technology sector, despite its business enjoying very good growth since the beginning of the year. Warehouses de Pauw also suffered from sector rotation after making significant progress in recent months. Rational is facing temporary difficulties over the supply of electronic components and the stock was hit by profit-taking during the sector rotation.

No major transactions were conducted in the portfolio during the month.

## 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*

#### **Long-term thinking**

Over the long term market prices reflect economic fundamentals.  
*Anticipating the market's short-term variations is a vain exercise.*

#### **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*

#### **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.*

### Family Businesses

Family Businesses represent the predominant business form of European companies. 70 to 80% of European businesses (17 million companies) are family businesses meeting the definition of the European Commission. They account for 40-60% of jobs, representing 100 million employees.

As opposed to preconceived ideas (creeping decline after the first two generations, corporate governance issues, lack of dynamics), high quality family businesses recurrently deliver high profitability and displayed strong resilience in recent crises. Their "familiness" – the set of resources arising from the interactions between the family, the family members and the business – may be the source of a stable competitive advantage.

### 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-European Family Businesses invests in a thoroughly selected portfolio of European family companies developing an operational activity. In targeted companies, the founder / the heir generation or a family acquirer either hold at least 25% of voting rights or provide the CEO and chairman.

We construct a diversified portfolio of approximately 80 holdings, which we select according to our Business-Like Investment approach. 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. In addition to purely financial criteria, we consider "soft" criteria concerning the "familiness" of targeted companies - the set of resources arising from the interactions between the family, the family members and the business can constitute a competitive advantage.

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 attractive investment opportunities in the consumer, industrial, health care, distribution, media, 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 France, Belgium, Germany, Switzerland, Italy, Spain and Sweden. There are few or no candidates in the UK, the Netherlands, Norway or Portugal. The portfolio has no restrictions in terms of market capitalisation.

Our investment strategy is to be invested for the long term and participate in the development of the business. 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: on average, annual turnover rate is expected to be below 25%. 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.

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 dictated by visibility on corporate fundamentals, stock liquidity, the valuation level and the portfolio manager's sentiment about the company. 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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