

Fund Investment Report



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Fund information

Investment objective

The Investment objective of the Fund is to achieve long-term capital appreciation.

Investment policy

The Fund will seek to achieve its objective by investing primarily in a diversified portfolio of equity securities and/or equity-related securities of, or relating to, companies in, or companies that derive a large proportion of their revenues from, the developed and emerging European market region (including Russia and Turkey). These companies will be listed and/or traded on a Regulated Market worldwide.

Approach to ESG integration and stewardship

ESG integration and stewardship are integral to delivering sustainable returns. Through quantitative data and fundamental bottom-up research, we assess the absolute and change in ESG performance of companies. Engagement allows us to understand the effectiveness of their approach, the management of strategic issues and to exert positive influence.

Fund information

Fund inception date	15 January 2010
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Fund value	EUR132.00m
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Benchmark	MSCI Europe Net
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Lead Fund Manager	James Rutherford
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Co-Fund Manager	Martin Todd
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Base currency	Euro
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Market and Performance Review

European Equity markets continued to increase in June as the easing of lockdown measures in the region continued and were supported by the abundance of liquidity and lower for longer interest rates that make it difficult to find an attractive investment alternative. The Fund underperformed the MSCI Europe in June. The largest contributions came from our overweight in Information Technology, underweight in Consumer Staples and selection in Health Care. These were outweighed by detractions from selection in Information Technology, Industrials and Consumer Discretionary and our overweight in Health Care.

ASML, Deutsche Boerse and Prudential contributed the most to relative returns. ASML displayed continued strong momentum due to positive trends in the semiconductor market. Deutsche Boerse continues to benefit from strong trading volumes. Prudential rebounded after weakness throughout May that was related to the unrest in Hong Kong. In addition, Athene took an 11% stake in Prudential's US business, Jackson National Life Insurance.

Wirecard, Aena and Inditex were the largest individual detractors. Wirecard fell after Ernst & Young failed to sign off its annual report, citing €1.9bn worth of cash it could not account for. The news was deeply disappointing and called into question the company's future existence. As a result, we sold out of our position in the firm. Aena retraced after a strong run in the second half of May, although there was little specific news. Inditex reported below-consensus revenues and earnings, although online sales have accelerated strongly. In addition, like-for-like sales in reopening markets like China, Japan and South Korea have recovered very well.

Activity

Aside from the sale of Wirecard, we also closed the position in DS Smith. The company faces headwinds caused by a combination of weaker demand and robust supply, which has put pressure on paper and box pricing and has skewed risk to the downside.

Outlook

Despite the strong market rally since the end of March, there are reasons to believe that markets are well supported. European equities are still substantially lower than at the start of the year, while low interest rates and a lack of attractive alternatives continue to provide a boost. The recovery has, in many ways, followed a normal pattern: Growth has retraced the most, while Value has lagged – both of which are understandable given the uncertainty.

However, companies whose earnings have been decimated will undoubtedly see a return to growth in the next year or so. This recovery will vary, and we expect cyclical companies that have a structural or thematic exposure to growth to benefit the most.

Meanwhile, it is notable that European equities outperformed their US counterparts in recent weeks – a trend that has the potential to continue. The region has managed the pandemic much better than the US, while there is more constructive talk about the trajectory of the Euro. As a rule of thumb, a positive view on the currency tends to boost the region's assets – something that could stand European equities in good stead in the months ahead.

Fund breakdown

Top 10 relative Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Deutsche Boerse	Germany	5.09	-	5.09
Lonza Group	Switzerland	5.33	0.48	4.85
ASML	Netherlands	6.33	1.91	4.42
Adidas	Germany	4.62	0.61	4.01
Wolters Kluwer	Netherlands	3.97	0.26	3.71
Bayer	Germany	4.43	0.89	3.54
Siemens Gamesa	Spain	3.51	0.05	3.45
Novo Nordisk	Denmark	4.53	1.40	3.13
Merck	Germany	3.20	0.18	3.02
ConvaTec	United Kingdom	2.95	-	2.95

Top 10 absolute Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
ASML	Netherlands	6.33	1.91	4.42
Lonza Group	Switzerland	5.33	0.48	4.85
Deutsche Boerse	Germany	5.09	-	5.09
Adidas	Germany	4.62	0.61	4.01
Novo Nordisk	Denmark	4.53	1.40	3.13
Bayer	Germany	4.43	0.89	3.54
SAP	Germany	4.29	1.78	2.51
Wolters Kluwer	Netherlands	3.97	0.26	3.71
Siemens Gamesa	Spain	3.51	0.05	3.45
Sika	Switzerland	3.22	0.33	2.89

Performance attribution - 1 month

Top 10 contributors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
ASML	Netherlands	6.33	1.91	11.59	0.33
Deutsche Boerse	Germany	5.09	-	8.89	0.27
Prudential	United Kingdom	3.02	0.48	15.20	0.26
Legrand	France	3.08	0.25	12.65	0.24
Sika	Switzerland	3.22	0.33	11.31	0.21
Bayer	Germany	4.43	0.89	8.35	0.16
Lonza Group	Switzerland	5.33	0.48	6.52	0.16
Nokia	Finland	3.14	0.30	9.06	0.15
SAP	Germany	4.29	1.78	9.53	0.15
Roche	Switzerland	-	2.98	-	0.12

Top 10 detractors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Wirecard	Germany	-	-	-49.28	-1.36
Aena	Spain	2.88	0.11	-7.41	-0.31
Inditex	Spain	3.07	0.35	-5.91	-0.26
ConvaTec	United Kingdom	2.95	-	-4.53	-0.23
Wolters Kluwer	Netherlands	3.97	0.26	-3.01	-0.22
Adidas	Germany	4.62	0.61	-1.52	-0.18
Novo Nordisk	Denmark	4.53	1.40	-1.57	-0.14
DNB	Norway	1.83	0.15	-4.06	-0.12
Amadeus IT	Spain	2.89	0.27	-1.19	-0.12
DS Smith	United Kingdom	-	-	-4.50	-0.11

Top 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Prudential	United Kingdom	3.02	0.48	15.20	0.26
Legrand	France	3.08	0.25	12.65	0.24
ASML	Netherlands	6.33	1.91	11.59	0.33
Sika	Switzerland	3.22	0.33	11.31	0.21
SAP	Germany	4.29	1.78	9.53	0.15
Nokia	Finland	3.14	0.30	9.06	0.15
Deutsche Boerse	Germany	5.09	-	8.89	0.27
Bayer	Germany	4.43	0.89	8.35	0.16
Pandora	Denmark	2.19	0.07	7.98	0.09
ING Groep	Netherlands	1.57	0.33	6.75	0.04

Bottom 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Wirecard	Germany	-	-	-49.28	-1.36
Aena	Spain	2.88	0.11	-7.41	-0.31
Inditex	Spain	3.07	0.35	-5.91	-0.26
Grifols	Spain	1.20	-	-4.99	-0.10
ConvaTec	United Kingdom	2.95	-	-4.53	-0.23
DS Smith	United Kingdom	-	-	-4.50	-0.11
DNB	Norway	1.83	0.15	-4.06	-0.12
Equinor	Norway	1.54	0.17	-3.43	-0.09
Wolters Kluwer	Netherlands	3.97	0.26	-3.01	-0.22
Novo Nordisk	Denmark	4.53	1.40	-1.57	-0.14

Performance attribution - 1 month

Sector level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Health Care	24.64	16.51	8.13	2.62	0.01	-0.27	0.61	0.35
Consumer Staples	2.59	14.77	-12.18	0.64	-0.02	0.27	0.07	0.32
Real Estate	-	1.40	-1.40	-	0.00	0.01	-	0.01
Communication Services	-	4.21	-4.21	-	0.00	-0.01	-	0.00
Materials	3.22	7.59	-4.37	2.85	0.04	-0.07	0.01	-0.02
Financials	13.20	15.14	-1.94	0.34	-0.01	-0.07	0.05	-0.03
Energy	3.73	4.68	-0.95	-2.28	0.02	0.03	-0.12	-0.06
Utilities	-	4.96	-4.96	-	0.00	-0.11	-	-0.11
Consumer Discretionary	15.56	9.86	5.70	-2.12	0.00	-0.06	-0.33	-0.40
Industrials	14.91	13.42	1.49	-4.00	0.00	0.03	-0.60	-0.57
Information Technology	19.45	7.45	12.01	-5.74	0.02	0.31	-1.23	-0.91
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.69	-	2.69	-	0.01	0.68	-	0.69

Country level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Switzerland	8.56	16.52	-7.96	6.08	-0.05	0.13	0.49	0.57
United Kingdom	11.88	22.58	-10.70	1.15	0.11	0.19	0.12	0.41
Finland	3.14	1.62	1.52	8.83	0.00	-0.04	0.25	0.22
Netherlands	11.86	6.92	4.94	-0.41	0.01	0.13	-0.04	0.09
Ireland	-	1.03	-1.03	-	0.00	0.01	-	0.01
Portugal	-	0.27	-0.27	-	0.00	0.01	-	0.01
Austria	-	0.27	-0.27	-	0.00	0.00	-	0.00
Belgium	-	1.48	-1.48	-	0.00	-0.01	-	-0.01
Denmark	6.72	3.75	2.96	0.19	0.01	-0.06	0.01	-0.04
France	9.73	17.47	-7.73	0.92	-0.01	-0.13	0.09	-0.05
Sweden	3.88	4.89	-1.01	-2.31	0.00	0.01	-0.09	-0.09
Italy	-	3.66	-3.66	-	-0.01	-0.12	-	-0.13
Norway	3.37	0.83	2.54	-1.39	0.00	-0.14	-0.05	-0.19
Spain	13.55	3.87	9.68	-5.80	0.02	0.02	-0.83	-0.80
Germany	24.63	14.83	9.80	-6.06	0.02	0.21	-1.63	-1.41
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.69	-	2.69	-	0.01	0.68	-	0.69

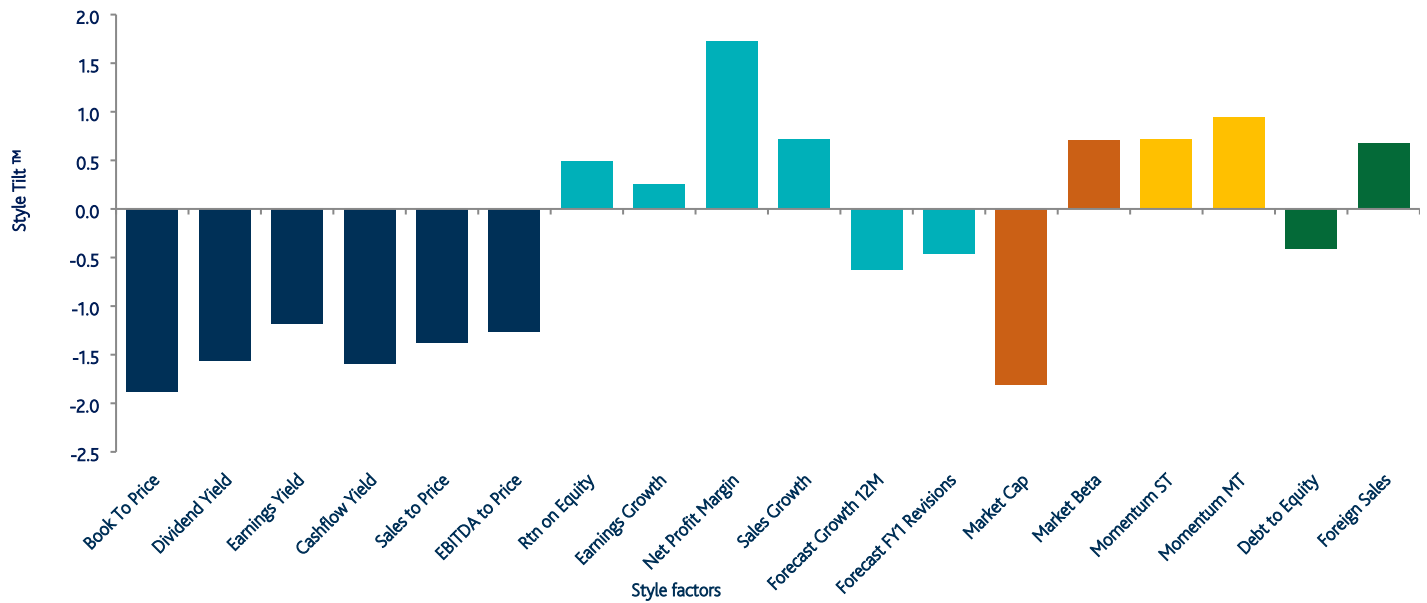
Market capitalisation

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
0 - 2B	3.00	-	3.00	-	0.00	-5.99	6.38	0.01
2B - 5B	6.34	2.01	4.33	4.58	-0.02	-0.33	0.29	-0.06
5B - 10B	10.68	11.43	-0.75	-0.90	0.03	0.00	-0.11	-0.09
10B - 25B	30.97	24.08	6.90	-5.24	0.05	0.00	-1.80	-1.76
25B - 50B	21.08	22.76	-1.67	-0.03	-0.01	-0.02	0.01	-0.02
50B +	25.23	39.72	-14.49	2.02	0.03	0.02	0.46	0.50
Unclassified	-	-	-	-	-	-	-	-
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	2.69	-	2.69	-	0.01	0.68	-	0.69

Fund characteristics

Top 10 concentration (%)*	Active share (%)**	Dividend yield (%)***	Market cap (millions)***	Earnings yield (%)***
45.31	87.03	2.33	43,974.01	7.19

Fund Style Skyline™



Source: *Northern Trust. ** Barra. ***Style Research, Market Cap is the Portfolio Weighted Average.

Risk analysis

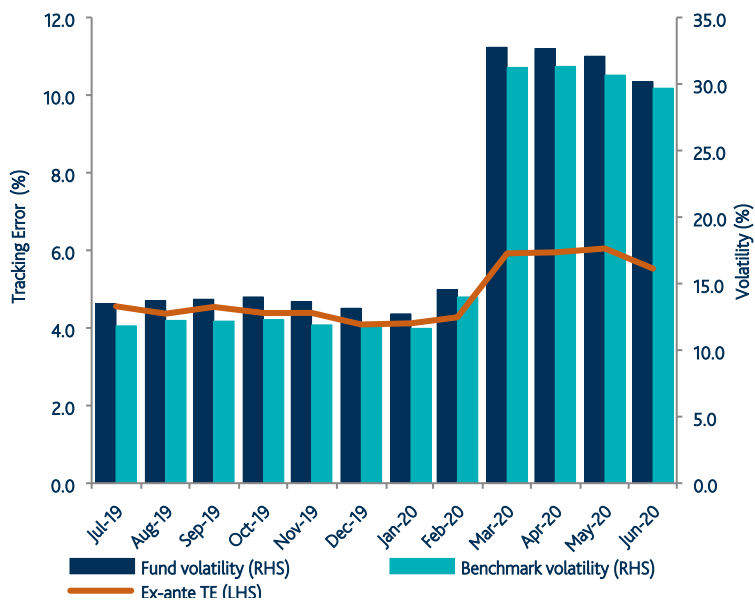
Top 10 contributors to risk (ex-ante)

	Country of incorporation	Tracking error (%)
ASML	Netherlands	8.78
Siemens Gamesa	Spain	7.76
Lonza Group	Switzerland	6.45
Deutsche Börse	Germany	5.75
Adidas	Germany	5.57
Pandora	Denmark	5.19
ConvaTec	United Kingdom	5.02
Nokia	Finland	4.36
Bayer	Germany	3.87
Fresenius	Germany	3.10

Risk attribution

	Tracking error (%)	Fund beta	Fund volatility (%)	Benchmark volatility (%)	Information ratio	Sharpe ratio
Ex-ante	5.53	1.00	30.17	29.69	-	-
Ex-post	4.83	1.02	15.44	14.40	0.14	0.15

Tracking error (TE) and volatility history (ex-ante)



Fund statistics

Number of stocks (Fund)	32
Number of stocks (Benchmark)	436
Upside market capture ratio	103.77
Downside market capture ratio	100.43

Contact us

If you have any general questions concerning your investment, or specifically related to the content of this Fund investment report, please let us know using the contact details below.

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