

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	EUR352.24m
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Benchmark	FTSE All World Europe
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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

The FTSE All World Europe Index increased by 0.47% in July. During this time, investors preferred higher multiple areas of the market, which led to a widening of the performance spread between Growth and Value. From a sector viewpoint, this was reflected in the outperformance of Consumer Goods (particularly Staples) and Oil & Gas, while Basic Materials, Health Care and Financials all lagged. Against this backdrop, the Fund outperformed its benchmark index. The excess return was driven by stock selection in Technology, Consumer Goods and Industrials, which offset detractors from selection in Health Care and Oil & Gas.

Worldpay, Nokia and Adidas were the largest individual contributors. FIS Worldpay increased ahead of its acquisition by Fidelity National Information Services. Meanwhile, European Union regulators also granted the merger the required regulatory approval. Nokia reported consensus-beating earnings, driven by improved network sales, and strong orders in its software IP routing & Optical divisions. Adidas rose ahead of its results announcement.

The largest individual detractors to our performance were Siemens Gamesa, Sika and Aena, while not owning Nestle also proved to be a significant detractor. Siemens Gamesa reported disappointing results, reducing its margin guidance due to pricing pressure and logistical issues in Northern Europe and India. Sika fell after reporting results that were below expectations, which led to a bout of profit taking following a strong run. Aena reported revenues that were slightly ahead of expectations, but earnings and net income disappointed as cost pressures in Spain offset strong results in its retail division and better-than-expected cash generation.

Fund activity was limited to the active management of existing positions in July. We topped up Barratt Developments, a recent addition to the Fund, and trimmed our positions in Legrand and Novo Nordisk. Both Legrand and Novo had performed well, but we felt near-term risks were building amid a more challenging macro environment for Legrand and US drug-pricing threats for Novo Nordisk.

Outlook

The valuation gap between quality growth and cyclical value is at extreme levels due to a cocktail of synchronised monetary easing and the ongoing global trade tensions. However, focus has now shifted to Q2 earnings, where we have seen aggregate downgrades: Cyclical sectors have experienced the worst downgrades, while defensive, quality growth sectors have held up much better. Although this was largely expected, it has meant that the style dichotomy has continued apace.

We typically focus on a three-to-five-year view, but we are cognisant that in the near-term the continued outperformance of the quality growth area of the market leaves some of these stocks vulnerable to even a slight disappointment. Our focus, therefore, will be on managing existing positions to reflect the increasing risk this poses.

Fund breakdown
Top 10 relative Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Fidelity National Information Services	United States	4.63	-	4.63
Adidas	Germany	5.23	0.68	4.54
Lonza Group	Switzerland	4.77	0.28	4.49
Deutsche Boerse	Germany	4.17	-	4.17
Wirecard	Germany	4.37	0.21	4.16
Amadeus IT	Spain	4.13	0.35	3.78
Nokia	Finland	3.70	0.33	3.37
Wolters Kluwer	Netherlands	3.48	0.22	3.27
Qiagen	Germany	3.18	0.09	3.09
Siemens Gamesa	Spain	2.82	0.03	2.79

Top 10 absolute Fund positions

	Country	Fund weight (%)	Benchmark weight (%)	Relative weight (%)
Adidas	Germany	5.23	0.68	4.54
Lonza Group	Switzerland	4.77	0.28	4.49
Fidelity National Information Services	United States	4.63	-	4.63
Wirecard	Germany	4.37	0.21	4.16
Deutsche Boerse	Germany	4.17	-	4.17
Amadeus IT	Spain	4.13	0.35	3.78
Nokia	Finland	3.70	0.33	3.37
ASML	Netherlands	3.65	0.97	2.69
Wolters Kluwer	Netherlands	3.48	0.22	3.27
Prudential	United Kingdom	3.37	0.59	2.79

Performance attribution - 1 month

Top 10 contributors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Worldpay	United Kingdom	0.41	-	12.43	0.54
Nokia	Finland	3.70	0.33	12.96	0.37
Adidas	Germany	5.23	0.68	6.62	0.26
ASML	Netherlands	3.65	0.97	10.38	0.24
Lonza Group	Switzerland	4.77	0.28	4.41	0.17
Lundin Petroleum	Sweden	2.72	0.06	6.02	0.14
Pandora	Denmark	1.43	0.04	11.24	0.13
Barratt Developments	United Kingdom	1.65	0.09	9.53	0.11
SAP SE	Germany	-	1.31	-	0.11
Amadeus IT	Spain	4.13	0.35	3.20	0.10

Top 10 detractors to relative return

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Siemens Gamesa	Spain	2.82	0.03	-13.31	-0.44
Sika	Switzerland	2.29	0.22	-12.95	-0.32
Aena	Spain	2.55	0.14	-5.87	-0.16
Nestlé	Switzerland	-	3.45	-	-0.16
Fresenius	Germany	2.88	0.22	-4.50	-0.14
Qiagen	Germany	3.18	0.09	-3.40	-0.12
Anheuser-Busch	Belgium	-	0.85	-	-0.12
Equinor	Norway	1.85	0.19	-6.34	-0.12
Swedbank	Sweden	1.71	0.15	-6.19	-0.11
Bayer	Germany	3.23	0.66	-3.56	-0.11

Top 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Nokia	Finland	3.70	0.33	12.96	0.37
Worldpay	United Kingdom	0.41	-	12.43	0.54
Pandora	Denmark	1.43	0.04	11.24	0.13
ASML	Netherlands	3.65	0.97	10.38	0.24
Barratt Developments	United Kingdom	1.65	0.09	9.53	0.11
Adidas	Germany	5.23	0.68	6.62	0.26
Lundin Petroleum	Sweden	2.72	0.06	6.02	0.14
ConvaTec	United Kingdom	2.18	0.03	5.40	0.10
Lonza Group	Switzerland	4.77	0.28	4.41	0.17
Amadeus IT	Spain	4.13	0.35	3.20	0.10

Bottom 10 absolute returns

Holding	Country	Fund weight (%)	Benchmark weight (%)	Fund perf (%)	Total effect (%)
Siemens Gamesa	Spain	2.82	0.03	-13.31	-0.44
Sika	Switzerland	2.29	0.22	-12.95	-0.32
Equinor	Norway	1.85	0.19	-6.34	-0.12
Swedbank	Sweden	1.71	0.15	-6.19	-0.11
Aena	Spain	2.55	0.14	-5.87	-0.16
Johnson Matthey	United Kingdom	0.99	0.08	-5.46	-0.06
Fresenius	Germany	2.88	0.22	-4.50	-0.14
Bayer	Germany	3.23	0.66	-3.56	-0.11
Qiagen	Germany	3.18	0.09	-3.40	-0.12
DS Smith	United Kingdom	1.64	0.06	-3.13	-0.06

Performance attribution - 1 month

Sector level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative Return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
Technology	11.49	4.88	6.60	7.86	0.03	0.00	0.82	0.84
Consumer Goods	11.86	18.88	-7.02	2.82	-0.03	-0.14	0.35	0.18
Basic Materials	0.99	6.30	-5.31	-2.86	0.00	0.16	-0.02	0.14
Industrials	21.35	13.86	7.49	0.61	-0.05	-0.05	0.19	0.08
Financials	13.98	19.96	-5.99	-0.19	-0.04	0.10	0.01	0.07
Consumer Services	10.07	6.07	3.99	0.32	0.04	0.05	-0.03	0.07
Telecommunications	-	3.13	-3.13	-	0.00	-0.02	-	-0.02
Utilities	-	4.16	-4.16	-	0.00	-0.02	-	-0.03
Oil & Gas	7.39	9.27	-1.88	-4.92	-0.01	0.01	-0.36	-0.37
Health Care	22.08	13.48	8.60	-2.60	0.03	0.11	-0.60	-0.46
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	0.80	-	0.80	-	0.00	-0.01	-	0.00
Cash	0.59	-	0.59	-	0.00	-0.02	-	-0.02

Country level

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
United Kingdom	12.72	26.33	-13.61	3.11	0.09	-0.14	0.55	0.49
Finland	3.70	1.85	1.85	13.04	0.01	-0.02	0.43	0.42
Germany	25.73	13.28	12.45	1.75	0.04	-0.24	0.45	0.25
Netherlands	9.50	5.40	4.10	1.63	0.01	0.07	0.15	0.24
Sweden	4.43	4.01	0.41	2.58	0.00	-0.01	0.12	0.11
Denmark	4.60	2.60	2.00	1.27	0.01	-0.03	0.06	0.04
Ireland	-	0.37	-0.37	-	0.00	0.03	-	0.02
France	10.12	16.49	-6.37	0.20	-0.02	0.04	0.00	0.02
Poland	-	0.54	-0.54	-	0.00	0.00	-	0.01
Czech Republic	-	0.10	-0.10	-	0.00	0.00	-	0.00
United States	4.63	-	4.63	-	-	-	-	-
Hungary	-	0.18	-0.18	-	0.00	0.00	-	0.00
Austria	-	0.35	-0.35	-	0.00	0.00	-	0.00
Portugal	-	0.24	-0.24	-	0.00	0.00	-	0.00
Greece	-	0.19	-0.19	-	0.00	0.00	-	-0.01
Italy	-	3.83	-3.83	-	-0.01	0.00	-	-0.01
Turkey	-	0.41	-0.41	-	-0.03	-0.02	-	-0.05
Russia	-	2.43	-2.43	-	-0.06	-0.01	-	-0.07
Belgium	-	1.64	-1.64	-	-0.01	-0.11	-	-0.12
Norway	4.21	1.10	3.10	-2.44	-0.01	-0.03	-0.11	-0.15
Switzerland	7.06	14.12	-7.07	-3.37	-0.07	0.00	-0.24	-0.31
Spain	12.50	4.50	8.00	-1.34	0.03	-0.22	-0.16	-0.35
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	0.80	-	0.80	-	0.00	-0.01	-	0.00

Market capitalisation

	Fund weight (%)	B'mark weight (%)	Relative weight (%)	Relative return (%)	Currency effect (%)	Allocation effect (%)	Selection effect (%)	Total effect (%)
0 - 2B	-	0.21	-0.21	-	-0.01	0.00	-	-0.01
2B - 5B	4.58	4.54	0.04	6.37	-0.04	0.00	0.32	0.28
5B - 10B	15.05	11.95	3.10	-2.87	-0.02	0.00	-0.42	-0.44
10B - 25B	38.11	22.71	15.40	0.22	0.17	0.04	-0.09	0.11
25B - 50B	16.29	16.96	-0.67	0.40	-0.07	0.01	0.25	0.19
50B +	24.76	43.64	-18.88	1.31	0.04	0.01	0.23	0.28
Unclassified	0.41	-	0.41	-	-0.08	0.19	-	0.11
Foreign Exchange	0.00	-	0.00	-	-	-	-	-
Cash	0.80	-	0.80	-	0.00	-0.01	-	0.00

Fund characteristics

Top 10 concentration (%)*	Active share (%)**	Dividend yield (%)***	Market cap (millions)***	Earnings yield (%)***
41.52	91.67	2.58	30,609.97	6.73

Fund Style Skyline™



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

Risk analysis

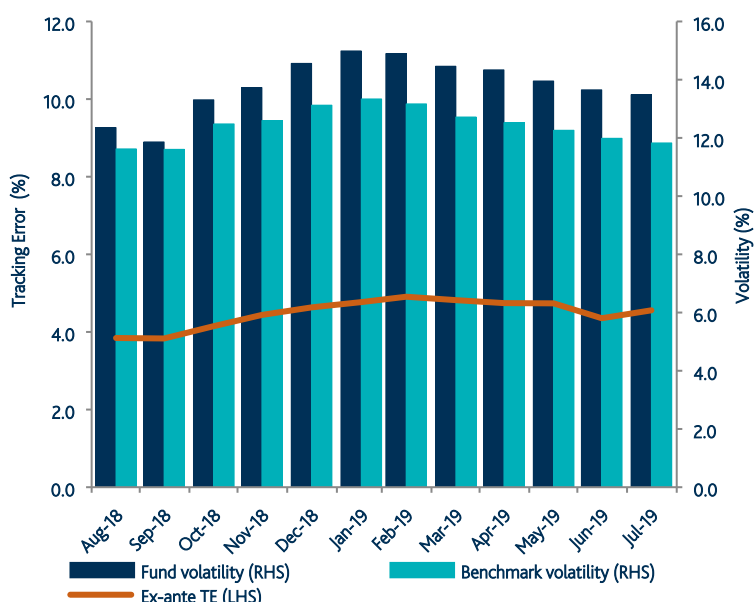
Top 10 contributors to risk (ex-ante)

	Country of incorporation	Tracking error (%)
Wirecard	Germany	15.46
Lonza Group	Switzerland	7.41
Adidas	Germany	6.43
Siemens Gamesa	Spain	5.62
ASML	Netherlands	4.95
Amadeus IT	Spain	4.85
Nokia	Finland	4.43
Valeo SA	France	3.80
Bayer	Germany	3.74
Fresenius	Germany	3.50

Risk attribution

	Tracking error (%)	Fund beta	Fund volatility (%)	Benchmark volatility (%)	Information ratio	Sharpe ratio
Ex-ante	4.56	1.08	13.49	11.83	-	-
Ex-post	4.49	1.06	11.63	10.19	-0.47	0.52

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



Fund statistics

Number of stocks (Fund)	36
Number of stocks (Benchmark)	665
Upside market capture ratio	96.96
Downside market capture ratio	114.71

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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