THEMATIC EQUITIES

SYCOMORE SHARED GROWTH

PM COMMENT
2020 Q1

PERFORMANCE (I Share)

2020 Q1
-14.0% Sycomore Shared Growth
-24.7% EURO STOXX TR

5 years
-9.0% Sycomore Shared Growth
-9.6% EURO STOXX TR

Inception (24.06.2002)
+165.9% Sycomore Shared Growth
+86.8% EURO STOXX TR

INVESTMENT TEAM

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MARKET ENVIRONMENT

After rallying in 2019, markets began 2020 with a sell-off triggered by investors' fears over the economic consequences of Covid-19 which was spreading in Asia, tensions between Iran and the United States, and uncertainty over the US elections as the Democrat primaries got underway. Nevertheless, macroeconomic data continued to improve and overall, 2019 earnings came in better than expected (admittedly after downward revisions). The signing of a Phase I trade agreement between China and the United States, which included an increase in Chinese imports, had also reassured investors and enabled markets to post strong gains until mid-February, when most indices hit new record highs.

The fast spread of the virus and the rising number of infection clusters outside of China then clouded visibility and precipitated a sharp market sell-off that began at the end of February: during the last week of the month, equity markets posted their worst weekly drawdown since the Great Financial Crisis in 2008/2009, and in March, their worst monthly correction since the same crisis (with most indices plunging 30% in the first half the month, before enjoying a strong rebound at the end of the period) amid particularly high volatility (VIX peaking at 85 and averaging 58 during the month). The Covid-19 pandemic and the lockdown measures that followed have caused the world economy to enter its eighth recession of the past hundred years, with the largest decline in global GDP since WW2.

However, the size and the speed of the response from central banks, including quantitative easing programs and even direct intervention from the Bank of England, which will lend to the British State, but also from governments in the form of relief and fiscal stimulus plans, are exceptional. These measures, both larger in scale and implemented faster than during the 2008/2009 crisis, helped to stabilise markets in the final week of March. Nevertheless, while these massive packages are easing the strain on liquidity and supporting the economy over the short-term, they do raise issues over the sustainability of ballooning government debt in the longer run.

Uncertainty over the impact of the current health crisis on corporate accounts remains very high. Many companies have already given up on their estimates, but without issuing new guidance for the moment; however, any visibility on the depth and duration of the pandemic and on the recession that will unfold (particularly with regards to corporate balance sheets and liquidity) is still very limited.

SECTOR MIX CONTRIBUTION: +5.7% — PERFORMANCE ANALYSIS

	Fund weighting vs indice	Impact Q1 2020
Healthcare Perf. -12.5%	**Overweight** 33.0% vs 6.5% for the Eurostoxx TR	**+3.6%**
Financials Perf. -35.4%	**Underweight** 1.2% vs 18.7% for the Eurostoxx TR	**+2.4%**
Industrials Perf. -29.5%	**Underweight** 7.7% vs 17.3% for the Eurostoxx TR	**+0.6%**

Over the quarter, Sycomore Shared Growth's sector mix contributed positively to performance (+5.7% of outperformance).

The fund notably benefited from its overweight position in Healthcare (which posted the smallest decline during 2020Q1: -12.5%) as well as from its under exposure to Financials (worst 2020Q1 negative return: -35.4%) and Industrials which posted the second worst decline in 2020Q1, particularly affected by the lockdowns.

STOCK PICKING CONTRIBUTION : +4.2% — PERFORMANCE ANALYSIS AND OUTLOOK

	Sycomore Shared Growth			EURO STOXX TR *			
Valeurs	Average Weight	Return	Contribution	Average Weight	Return	Contribution	Total Attribution
Sanofi	7.8%	-10.6%	-0.8%	2.3%	-10.6%	-0.2%	1.0%
Kerry Group	3.5%	-5.3%	-0.3%	0.4%	-5.3%	0.0%	0.7%
Airbus	-	-	-	1.5%	-54.5%	-1.0%	0.6%
Rhön-Klinikum	1.6%	1.8%	0.1%	-	-	-	0.6%
Air Liquide	4.4%	-7.6%	-0.4%	1.4%	-7.6%	-0.1%	0.6%
AstraZeneca	3.0%	-7.3%	-0.3%	-	-	-	0.6%
TeamViewer AG	1.1%	14.1%	0.3%	0.0%	19.4%	0.0%	0.5%
Grifols	4.0%	-12.7%	-0.5%	-	-	-	0.5%
Shop Apotheke	1.2%	16.8%	0.2%	-	-	-	0.5%
RIB Software	0.6%	26.4%	0.3%	-	-	-	0.5%
F.I.L.A.	0.5%	-52.1%	-0.3%	-	-	-	-0.2%
Enel	-	-	-	1.4%	-9.0%	-0.1%	-0.2%
LVMH	-	-	-	2.4%	-18.3%	-0.3%	-0.2%
Elior	0.8%	-54.1%	-0.4%	-	-	-	-0.3%
L'Oréal	-	-	-	1.5%	-9.5%	-0.1%	-0.3%
Linde	-	-	-	2.3%	-15.4%	-0.3%	-0.3%
Norma	0.7%	-55.3%	-0.5%	-	-	-	-0.3%
Iberdrola	-	-	-	1.4%	-0.6%	-0.1%	-0.3%
Ipsen	2.3%	-40.3%	-0.9%	0.1%	-40.3%	0.0%	-0.4%
ASML	0.0%	10.8%	0.1%	2.6%	-8.1%	-0.1%	-0.5%
Cash	15.3%		-0.1%	-		0.0%	7.3%
Net performance			-14.0%			-24.7%	0.0%

Sycomore Shared Growth is a European long only equity growth fund which invests in companies offering visibility and quality, but with a unique focus on valuation. We also assess the sustainability of a company's growth based on its positive societal impact.

Because of these selection criteria, our management favors sectors such as healthcare, food & beverages (mainly health nutrition), security, digitalization, communication (i.e. sectors that are deemed essential by the governments). As such, those sectors are suffering less than others from the current lockdown and even boosting their potential growth.

For example, if we look beyond the need for a specific vaccine to counter Covid-19, we expect a rise in demand. Due to the outbreak, China, which did not particularly encourage flu vaccination, is a country in which the flu vaccine will become increasingly important in years to come. A pharmaceutical company such as Sanofi, the leader in flu vaccines, owns 75% of the global market share and should benefit from this new trend. It is one of the largest positions within the fund. It also the case for diagnosis companies such as Qiagen, and companies producing ventilators and monitoring instruments such as Draegerwerk or Philips (demand is peaking today, but there is clear visibility on new investments in this industry and products), Air Liquide, but also online pharmacies, such as Shop Apotheke or Zur Rose, which are selling large volumes of over the counter and prescription drugs and have been able to gain many new customers – a process that would otherwise have taken years and huge marketing expenses.

Other sectors which are not suffering from the Covid-19 crisis include communications (stocks such as Orange or Vodafone), "smart-working" companies such as TeamViewer or Cancom (cloud based solutions for small and midsized companies in the DACH region) or Nexi (leader in digital payments in Italy): after the crisis debt levels will increase substantially, particularly in Italy, and we believe the government will not be able to make considerable rises in tax rate. It is likely the focus will be on improving tax collection and here, digitalization should be key (the digitalization rate in Italy is very low today compared to other European countries). We aim to identify current societal needs and imagine the world post Covid-19.

We cannot copy and paste past crises, and the world is bound to change in the coming years. However, we believe that health issues will be people's main preoccupation and prove to be a prerequisite. Hence, nutrition and natural foods should also benefit from stronger demand. Ingredient companies such as Simrise, DSM, Corbion or Kerry Group will see their growth potential increase.

All of these companies provide solutions to essential societal issues and are therefore particularly resilient in challenging times. In addition, these companies benefit from the low interest rate environment that the Central Banks are anchoring for the long term.

More than ever, we are highly selective over the strength of corporate balance sheets and the room for manoeuver left by financial levers. The quality stocks that we seek should be better able to withstand crises and, above all, emerge stronger in relative terms as they should gain market share over their weaker competitors, who are more concerned with their survival than preparing for their post-crisis growth.

THEMATIC EQUITIES

SYCOMORE SHARED GROWTH

COMMENTAIRE DE GESTION
T1 2020

Key principles that drive our selection process:

In these difficult times, we are even more disciplined on the following principles:

Liquidity: the fund has no constraint in terms of market capitalization but we are currently focusing on companies within the mid/large caps segment, with no liquidity issues and companies that are benefiting from this Covid-19 related crisis.

Quality: we invest in companies that are proving resilient in tough times and more importantly, that we believe will emerge even stronger during the recovery. We prefer companies with solid balance sheets that will be able to support their supplier network and their clients, small retailers for example. This will enable them to protect their ecosystems and be ready to better recover after the crisis, along with their stakeholders. Holding quality names is a valid strategy in challenging times, but also during the recovery.

Valuation: We are looking for attractive entry points, but the valuations of many stocks are still too high (i.e. Biomerieux, L'Oréal, Tomra, Orsted…). If the market is going to test new low points (as we believe it will), these stocks might decrease further (as in every bear market) at which point it would worth building up positions. This is why we are keeping cash reserves (15% of the portfolio) to seize these opportunities. The earnings season will start next week in the US and we are expecting downward revisions from companies and from the consensus for 2020 and 2021. We do not play technical rebounds; our objective is to position the fund for the mid-term on quality companies with visible earnings growth for 2020 and 2021, at the right price (with an upside potential that will probably increase during the downturn). We remain in line with the fund's strategy, investing in companies that provide solutions to the most urgent and important societal needs (35/40% of the portfolio is invested in the healthcare sector), but at a reasonable price in order to enjoy some upside potential without betting on the scale of the recovery.

MAIN PORTFOLIO MOVEMENTS 2020 Q1

POSITIONS REDUCED	POSITIONS SOLD	POSITIONS INCREASED	POSITIONS ADDED
KORIAN MEDICA	PUBLICIS	SAP	VEOLIA ENVIRONNEMENT
AIR LIQUIDE	ILIAD	UNILEVER	DRAEGERWERK
SANOFI-AVENTIS	SALVATORE FERRAGAMO	IPSEN	AMPLIFON

FUND PROFILE

Sycomore Shared Growth overweights companies that offer solutions to the major global societal challenges and integrate this quest for a positive impact into their strategy, in order to deliver profitable and sustainable growth. The fund aims to outperform the Euro Stoxx Total Return through a socially responsible investment process. The investment universe consists of all listed stocks in continental Europe with no company size constraints.

RISK PROFILE

The chart hereafter reflects the FCP's variable and discretionary exposure to the portfolio's eligible assets. The FCP's risk category is not guaranteed and may change over time. The lowest category does not mean "risk free". Historic data used to calculate the synthetic indicator may not represent a reliable indication of the fund's future risk.

Synthetic risk and return indicator

Data as of 31.03.2020. *TR: reinvested dividends. Past performance is no guarantee of future returns.
The fund offers no yield or performance guarantees and comes with a risk of capital loss. The performance of the fund is partly driven by the ESG indicators of the stocks held on the portfolio, though these are not the only determining factor. Before investing, please read the KIID for the fund available on our website: www.sycomore-am.com.