

Marketing Communication for Professional Investors in Austria, Switzerland, Germany, France, Spain, Italy, Luxembourg, and Portugal.

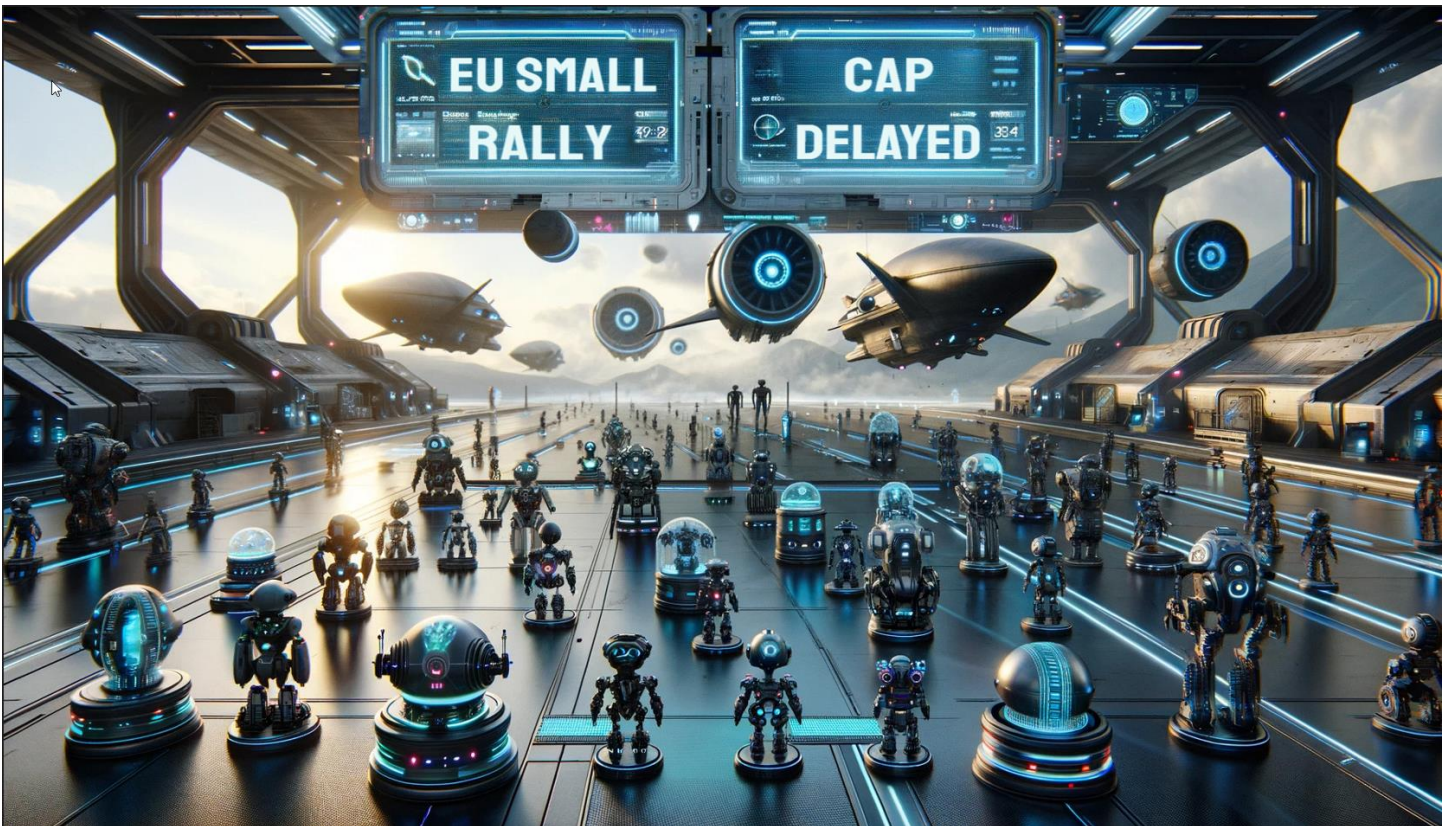
*Dear Clients and Investors,*

*In this quarter's investment letter, we explore the dynamic interplay between Europe's proactive monetary policies and the exploding demand for computational power, setting the stage for what we believe to be a uniquely attractive investment landscape. With the Swiss National Bank leading a hopeful march towards a soft landing, and visionaries like Sam Altman forecasting an unprecedented need for compute across sectors, we're at the brink of a technological leap where European innovation stands at the forefront.*

*This era of transformation, highlighted by significant investments in AI and infrastructure, including in the small cap domain, underscores a pivotal moment for investors. As we navigate through these shifts, our strategy is clear: leverage Europe's burgeoning role in global technological advancement to capture growth, driven by a blend of strategic foresight and market insight.*

*Despite small caps not sustaining their robust performance from the end of 2023 and once again falling behind large caps in Q1, our conviction stands firm: the conditions for a sustained rally are progressively aligning. The uptick in M&A activity we're witnessing in our view serves as a compelling indicator of this momentum.*

## The Tarmac Pause: Small Caps Preparing to Climb



Source: Midjourney.

## Performance<sup>1</sup>

### RETURNS AS OF MARCH 31, 2024 (% , net of fees)

	Q1 2024	2023	2022	Since Inception
Fund <sup>2</sup>	6.78	8.35	-22.83	-3.54
Benchmark <sup>3</sup>	3.48	12.74	-22.50	-3.12
Relative Performance	3.30	-4.39	-0.33	-0.42

*Past performance is not a reliable indicator of future performance and can be misleading. Since Inception figures are annualized. Annual past performance related to ISIN LU2403399608. Performance is net of all fees except entry and exit fees (where applicable). Dividend reinvested for accumulative classes. Past performance is calculated in EUR.*

### Rate cuts, intraday pops and AI bubbles?

European equities (as indicated by the MSCI Europe Daily Net TR EUR Index) enjoyed a robust 7.6% uptick this quarter, holding their own in a global context with the Dow Jones Industrial Average climbing 6.1% and the S&P 500 making a solid 10.6% gain. Amidst this buoyant atmosphere, the narrative of a soft landing was further bolstered by the accommodating stance of Central Banks, while AI continued to take on the world.

**The Federal Reserve maintained its market friendly stance** even as market expectations shifted during the quarter from anticipating five rate cuts down to less than three by the end of 2024. This adjustment, alongside a 30 basis point lift in the US 10-year yield over the quarter, hardly dampened market spirits. Solid job growth and controlled inflation provided a stable backdrop, despite Chairman Jerome Powell's warnings of a challenging journey toward the 2% inflation goal.

On the international front, the **Swiss National Bank** proactively cut its official rate by 25 basis points to 1.5% and **became the first G10 country to start reversing its post pandemic tightening**. Meanwhile, the Bank of Japan moved away from its negative interest rate policy, but maintained an accommodative posture as reflected in a 17.3% YTD increase in the TOPIX.

The cryptocurrency arena witnessed extraordinary momentum, with **Bitcoin's price surging by 66.3%**, propelled by January's launch of spot BTC ETFs and speculation around its forthcoming halving. These ETFs garnered \$26 billion in total gross inflows YTD (excluding Grayscale), underscoring the escalating interest from both institutional and retail sectors. Notably, Blackrock's Bitcoin ETF (IBIT US) attracted \$13.5 billion in inflows YTD, ranking it among the most popular ETFs in the US this year.

<sup>1</sup> Past performance does not predict future returns. Where the reference currency of the fund differs than yours, returns and costs may increase or decrease as a result of currency and exchange rate fluctuations. This is not an exhaustive list of the costs. Other costs apply and differ per share class.

<sup>2</sup> The Fund = The Aperture Small Cap Innovation Fund (ticker APSCIYI LX). Share Class Inception Date = 12/21/2021.

<sup>3</sup> Benchmark = the Fund's Benchmark, MSCI Europe Small Cap Net Total Return EUR Index (ticker M7EUSC Index). Indices are unmanaged and do not include the effect of fees. One cannot invest directly in an index. The performance of the Benchmark does not predict future performances of that Benchmark and of the performance of the Fund. The Fund is actively managed and references the Benchmark only for the purpose of performance fee calculation. Investment Manager has full discretion over the composition of the Fund's portfolio and therefore its composition may deviate substantially from the Benchmark so as to take advantage of specific investment opportunities.





## How did we do this quarter?

The Aperture Small Cap Innovation Fund (Ticker: APSCIYI LX) closed the quarter at **+6.78%**, or **+3.30%** ahead of its benchmark MSCI Small Cap Europe Net Total Return Index. During the quarter, the outperformance of the fund was generated in January and February (+1.67% and +2.59% relative), more than offsetting a -1.13% relative underperformance in March.

## Single stock commentary

### Stocks that helped and detracted

During the quarter, the top contributors to the performance of the portfolio were **Zealand Pharma** (ZEAL DC), **Gaztransport & Technigaz** (GTT FP), **Intermediate Capital Group** (ICP LN), **Maire Tecnimont** (MAIRE IM) and **SOL** (SOL IM).

**Zealand Pharma**, a Danish pharmaceutical company, saw its stock price increase by 83% in Q1 as market enthusiasm around its obesity treatment continued and the company is increasingly being viewed as a potential target for large pharma companies. In addition, the stock rose 36% on February 26 after announcing positive top-line data from the Phase 2 trial of Survodutide in NASH/MASH with no worsening of liver fibrosis. **Gaztransport & Technigaz**, a French engineering firm, delivered a 16% increase in its stock price during the quarter on a combination of strong orders for LNG container systems, better than expected FY23 results and FY24 guidance, and another increase of its long-term order outlook. The stock price of **Intermediate Capital Group**, a UK-based alternative asset manager, rose by 24% during the period after a strong trading statement in January (fees and fundraising above expectations) and a positive market reaction to a company-hosted seminar on the build out of new strategies and associated returns. **Maire Tecnimont**, an Italian engineering company focusing on Oil & Gas, Petrochemicals & Fertilizers plants construction, added 48% to its stock price after it published Q4 results and 2024 guidance well above expectations, while unveiling a new 2024-33 strategic plan which combined ambitious financial targets and a sharp acceleration in the group's positioning in the Energy transition. The stock price of **SOL**, an Italian producer of Industrial & Medical gases and distributor of Home Care supplies, rose by 19% during the quarter, benefiting from positive Management roadshows and after delivering FY23 results where margins above expectations once again demonstrated the group's ability to defend pricing even in a deflationary environment.

The key detractors to performance this quarter were **Aixtron** (AIXA GY), **Greenergy Renovables** (GRE SM), **Temenos** (TEMN SW), **Bytes Technology** (BYIT LN) and **SeSa** (SES IM).

The stock price of **Aixtron**, a German-based provider of deposition equipment for the compound semiconductor industry, lost 37% during the quarter. The stock suffered from negative newsflow including i/ bearish broker initiations, ii/ a more cautious view from the market around SiC adoption due to stagnating sales of Electric Vehicles, iii/ A disappointing FY24 guidance, leading to a 19pct drop in the share price on February 29. Spanish renewable energy producer **Greenergy Renovables'** stock price also lost 29pct in the quarter. Most of the drop was in sympathy with its peers, as the sector suffered from rising bond yields and falling power prices in a rather undifferentiated manner. Swiss banking software company **Temenos** saw its stock price lose 28% on February 15, following the publication of a bearish report from a short seller questioning the quality of its accounting policies and of its products. UK based software reseller **Bytes Technology** saw its stock price fall by 11% on February 21 due to the surprise resignation of its CEO for failing to disclose over 100 personal transactions on the stock, though without apparent gains. The Italian-based IT service provider & distributor **SeSa** faced a 11% drop of its share price in March, due to a slow-down in its distribution division during its calendar Q3, and despite reiterating its FY23/24 earnings guidance.

**What have we done?**

We have entered 2024 with a low exposure to Value. This is because our innovation stock picking pointed us more towards companies with much stronger pricing power, typically exhibiting higher quality traits and trading at higher price multiples, such as BE Semiconductor and VAT Group. During the quarter we have also added companies such as Atoss Software, which is a German based provider of Workforce Management Solutions software with an impeccable track record in delivering earnings growth, and where we see scope for more positive surprises on earnings.

We seized the opportunity presented by Engie's placement of its remaining stake in Gaztransport & Technigaz to bolster our position. In the value spectrum, we initiated a stake in the Dutch geo-data specialist Fugro, which is capitalizing on its recent restructuring amid accelerating cycles in both Offshore Renewable and Offshore Oil & Gas sectors.

**How do we think about the outlook?**

As we navigate through the second quarter in the ever-evolving landscape of European and global markets, our gaze firmly rests on the horizon of innovation, seeking opportunities amidst the challenges. The outlook for the coming period is shaped by several critical developments, both on the monetary policy front and within the realms of technological advancements, where Europe stands out as a fertile ground for growth and innovation.

**Gentle Landing Ahead**

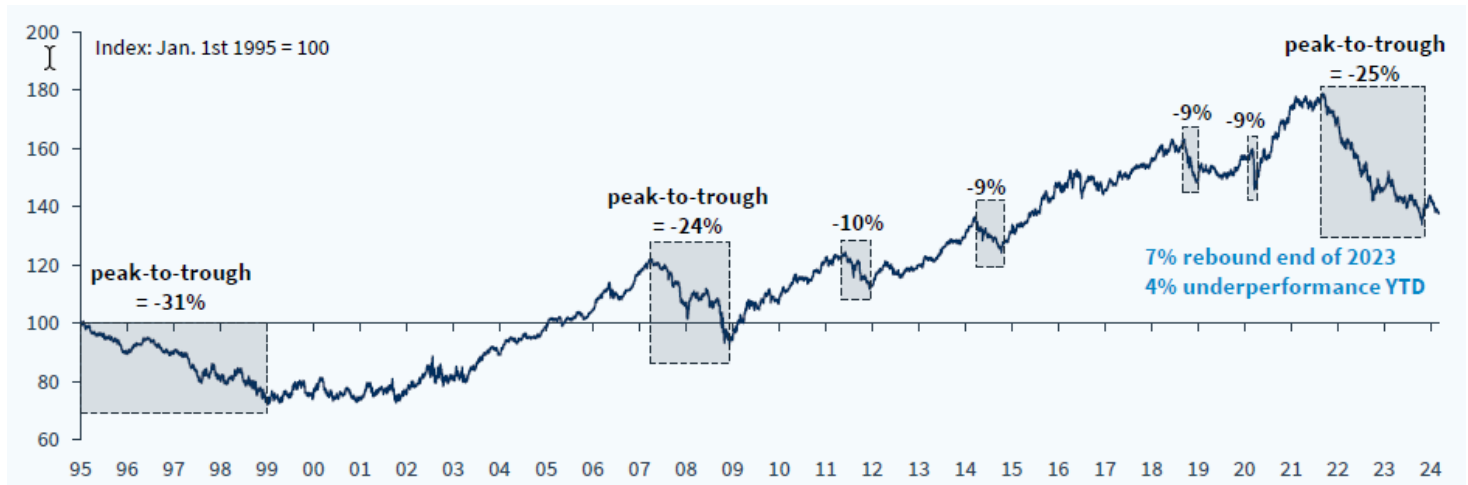
Recent actions by the Swiss National Bank, signalling a proactive stance in managing economic headwinds, inspire a renewed optimism for a 'soft landing' scenario. This pivotal shift towards stabilizing growth while keeping inflationary pressures in check reflects a broader trend among central banks in Europe, fostering a benign environment for equities. The concept of a soft landing, previously a cautious hope, now forms the central narrative of our investment strategy, buoyed by prudent monetary policies that aim to mitigate the risks of recession while sustaining economic expansion.

**The Insatiable Demand for Compute: A Catalyst for Innovation**

Echoing the sentiments of Sam Altman, we recognize the sustained demand for computational resources as a cornerstone of future innovation. The challenges outlined by Sam —ranging from energy constraints to supply chain complexities— underscore the vast potential for growth in sectors dedicated to overcoming these hurdles. European companies, both in the large and small cap domain, are uniquely positioned to contribute to this early and sustained demand, offering innovative solutions that are critical to the global AI factories and infrastructure build up.

**The strengthening case for a small cap rally**

Our conviction in the European large and small cap ecosystem is further bolstered by its crucial role in providing the enabling infrastructure for AI dissemination. The recent announcement by the Dutch government to invest EUR2.5 billion in the Eindhoven region's infrastructure exemplifies the strategic initiatives aimed at nurturing technological advancements within Europe. This investment not only secures the region's attractiveness to global tech giants like ASML but also highlights the commitment to fostering an environment conducive to innovation and growth.

**Exhibit 1: Relative performance of MSCI Europe SMID vs Large**


Sources: Kepler Cheuvreux (as of 3/29/24)

In our recent investment letters, we've highlighted the significant underperformance of small caps relative to large caps since 2021—a disparity that has reached unparalleled levels. Despite small caps rallying strongly at the end of 2023, the start of this year has been more restrained, with a 4.15% lag behind large caps in Q1 (M7EUSC vs. M7EU).

- The valuation disparity has now plummeted to new depths, even beyond those reached during the Global Financial Crisis. Small caps are trading at a 5% discount based on 12-month forward P/E compared to large caps (contrasted with a historical average premium of 19% since 2006), and a 27% discount on price-to-book value (P/BV) (versus an average premium of 3% since 2006).
- This valuation anomaly seems increasingly incongruent, especially in light of recent trends in earnings revisions, which have actually favoured small caps so far this year. The consensus now anticipates that European SMIDs will achieve approximately 11% EPS growth in FY24-25e, roughly double that of large caps. Despite a common perception of higher risk, the financial health of these companies is often robust, with 20% of M7EUSC constituents boasting a net cash balance sheet.
- The widening valuation gap is drawing attention from management teams, private equity funds, and strategic buyers alike. M&A activity in this sector has significantly accelerated since the beginning of the year, with over 15 announcements of takeovers or delistings of Small & Midcap companies across multiple sectors, such as Believe (Communication services), Encavis (Renewables), Clasquin (Logistics), Visiativ (IT Services), and Tod's (Retail).

As we look towards the latter half of the year, our attention will inevitably turn to the US elections, a variable that may introduce volatility into the markets. However, in the interim, **the prevailing risk-on environment, coupled with a soft landing and a benign central bank landscape, we feel positions Europe—and particularly its innovation and small cap segments—as attractive avenues for investment. While European equities present value, it is the proposition of European innovation — offering**

**Europe's Value Proposition**

Current Year P/E Ratio



**potential for Nasdaq-like growth at S&P 500 valuations<sup>5</sup>—that truly captivates our investment philosophy!**

Anis Lahlou

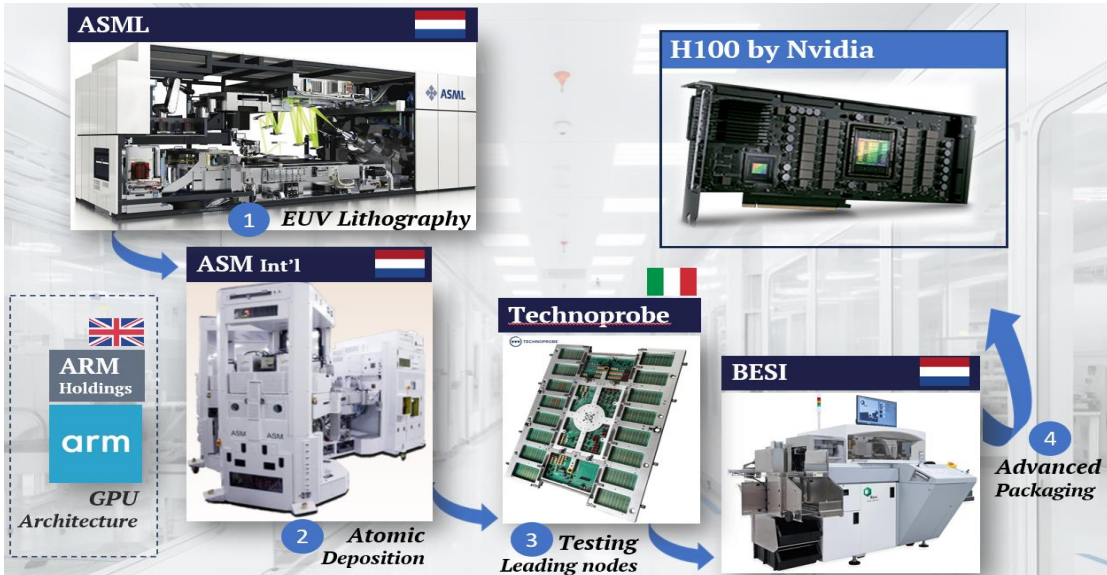
CIO, European Equities

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<sup>5</sup> Reference to current P/E ratio for Nasdaq Composite of 35.3x and S&P 500 of 23.5x, compared with the Fund at 22.7x and Stoxx 600 at 14.1x. Source: Bloomberg as of 28-Mar-24

# Appendices

Exhibit 6: Europe's Leadership in Leading Edge Semiconductor Ecosystem

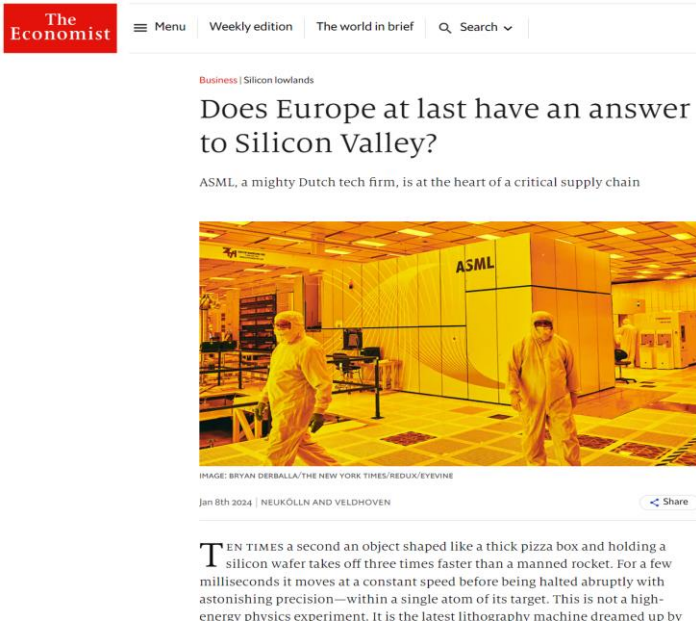


Source: Company websites. For illustrative purposes only.

This does not constitute investment advice to buy or sell the securities of the companies shown.

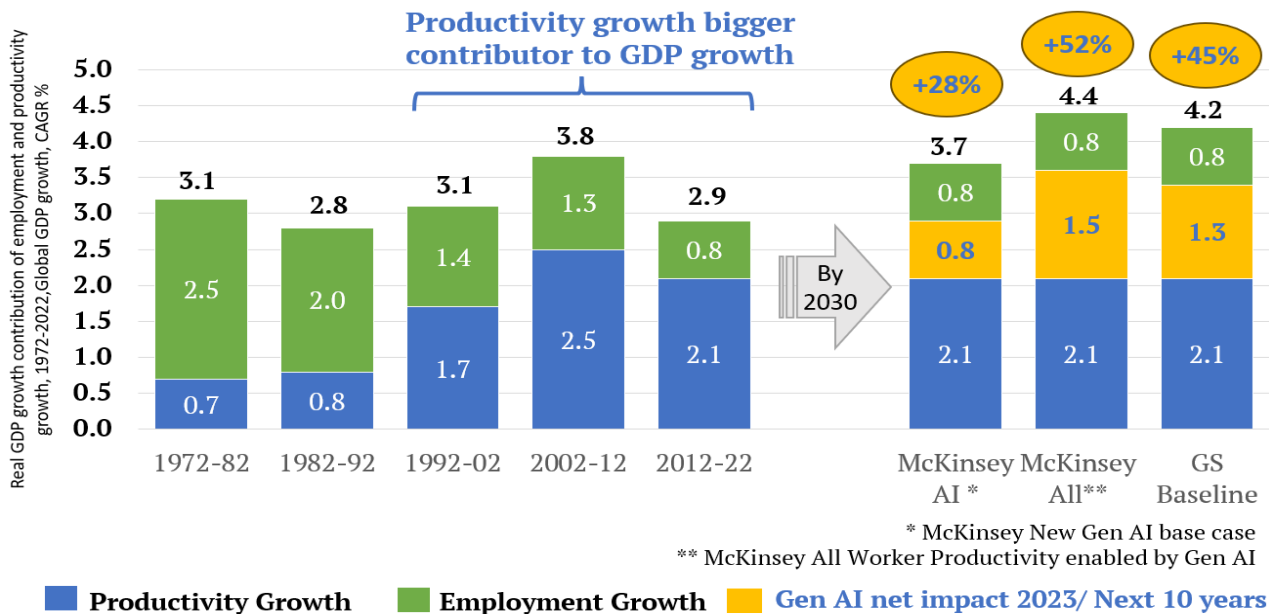


**Exhibit 7: Does Europe at last have an answer to Silicon Valley**



Source : <https://www.economist.com/business/2024/01/08/does-europe-at-last-have-an-answer-to-silicon-valley>

**Exhibit 8: “Productivity isn’t everything, but in the long run, it’s almost everything” Paul Krugman. McKinsey estimates +28+52% jump in GDP by 2030.**



Sources:

<https://www.brookings.edu/articles/machines-of-mind-the-case-for-an-ai-powered-productivity-boom/>

<https://www.ft.com/content/50b15701-855a-4788-9a4b-5a0a9ee10561>

<https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/the-economic-potential-of-generative-ai-the-next-productivity-frontier>

**Exhibit 9: Relative performance of MSCI Europe Small Caps (ticker: M7EUSC) vs MSCI Europe (ticker: M7EUM)**

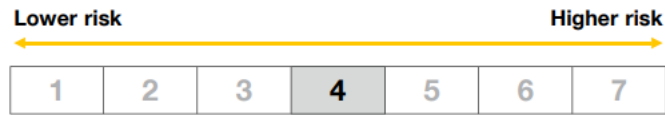


Sources: Kepler Cheuvreux (as of 01/30/24)

**Exhibit 10: MSCI Europe Small Caps (ticker: M7EUSC) vs MSCI Europe (ticker: M7EUM) Relative 12m trailing P/BV**



Sources: Kepler Cheuvreux (as of 12/29/23)

**Risk Profile of Small Cap Innovation Fund**

The risk indicator assumes you keep the product for 5 years.

*The summary risk indicator (“SRI”) level, as calculated under the PRIIPS methodology, is 4 (which is a medium risk class). Investments involve risks. Past performance does not predict future return.*

*The inherent main risks of the sub-fund (non-exhaustive list): Sustainable finance risk, Market risk, Volatility risk. Due to the exposure of the Sub-fund to financial derivative instruments the volatility can at times be magnified, Equity, Investment in smaller companies, foreign exchange, Short exposure risk, Derivatives, OTC financial derivative instruments, Rule 144A and/or Regulation S securities.*

**IMPORTANT INFORMATION**

Investments involve risks. Past performance does not predict future return. There can be no assurance that an investment objective will be achieved or that there will be a return on capital. You may not get back the amount initially invested. Before making any investment decision, investors must read the Prospectus, and particularly the Risk Factors, as well as the Key Information Document (KID).

Costs: (illustrative class: ISIN LU2403399608 – registered in Switzerland, Spain, France, Italy, Luxembourg, and Portugal): Entry charge: up to 3% max, Exit charge: none, Ongoing charge: 1.36% per year. Performance fee: For its services to the Sub-fund, the Investment Manager is entitled to a variable management fee (the “VMF”), which is calculated and accrued daily, at a rate of 3.25% (the “VMF Midpoint”). The VMF Minimum portion of the VMF will be calculated and accrued daily based on the Sub-fund’s NAV. The rest of the VMF amount, if any, will be calculated and accrued daily based on the Sub-fund’s daily Modified Net Assets, adjusted upward or downward by a performance adjustment (the “Performance Adjustment”) that depends on whether, and to what extent, the performance of the Sub-fund exceeds, or is exceeded by, the performance of the Benchmark plus 7.5% (750 basis points) (the “VMF Midpoint Hurdle”) over the Performance Period. For a full description of the VMF please see the applicable section in Appendix A contained in the Prospectus.

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Please also consider all the ESG characteristics, approach, binding elements of the selection process and methodological limits contained in the SFDR Pre-contractual annex of the prospectus, as well as the Summary of the Website Product Disclosure, available in the “Sustainability-related Disclosure” section of the website fund page at: [www.generali-investments.lu](http://www.generali-investments.lu). Before making any investment decision, please read the **PRIIPs Key Information Document (PRIIPs KID)** and the **Prospectus**. The PRIIPs KIDs are available in one of the official languages of the EU/EEA country, where the Fund is registered for distribution, and the Prospectus is available in English (not in French), as well as the annual and semi-annual reports at [www.generali-investments.lu](http://www.generali-investments.lu) or upon request free of charge to Generali Investments Luxembourg SA, 4 Rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg, e-mail address: [GILfundInfo@generali-invest.com](mailto:GILfundInfo@generali-invest.com). The Management Company may decide to terminate the agreements made for the marketing of the Fund. For a summary of **your investor rights** in respect of an individual complaint or collective action for a dispute relating to a financial product at the European level and at the level of your EU country of residence, please consult the information document contained in the “About Us” section at the following link: [www.generali-investments.com](http://www.generali-investments.com) and [www.generali-investments.lu](http://www.generali-investments.lu). The summary is available in English or in a language authorized in your country of residence.

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Equity Risk: The strategy will be affected by changes in the stock markets and changes in the value of individual portfolio securities. At times, stock markets and individual securities can be volatile, and prices can change substantially in short periods of time. The equity securities of smaller companies are more sensitive to these changes than those of larger companies. This risk will affect the value of the strategy, which will fluctuate as the value of the underlying equity securities fluctuates.

Investment in Smaller Companies Risk: Investment in smaller companies may involve greater risks and thus may be considered speculative. Many small company stocks trade less frequently and in smaller volumes and may be subject to more abrupt or erratic price movements than stocks of larger companies. The securities of small companies may also be more sensitive to market changes than securities in large companies.

Short Exposure Risk: The strategy may proceed with short-term sales of their investment via the use of derivatives. The short exposure risk results from short sales achieved through the use of derivatives and includes the potential for losses exceeding the cost of the investment, as well as the risk that the third party to the short sale will not fulfil its contractual obligations.

Derivatives Risk: The strategy may use derivative instruments, such as options, futures and swap contracts and enter into forward foreign exchange transactions. The ability to use these strategies may be limited by market conditions and regulatory limits and there can be no assurance that the objective sought to be attained from the use of these strategies will be achieved. Participation in the options or futures markets, in swap contracts and in foreign exchange transactions involves investment risks and transaction costs to which the strategy would not be subject if it did not use these strategies. If Aperture's predictions of movements in the direction of the securities, foreign currency and interest rate markets are inaccurate, the adverse consequences to the strategy may leave the strategy in a less favorable position than if such strategies were not used. Risks inherent in the use of options, foreign currency, swaps and futures contracts and options on futures contracts include, but are not limited to (a) dependence on the Aperture's ability to predict correctly movements in the direction of interest rates, securities prices and currency markets; (b) imperfect correlation between the price of options and futures contracts and options thereon and movements in the prices of the securities or currencies being hedged; (c) the fact that skills needed to use these strategies are different from those needed to select portfolio securities; (d) the possible absence of a liquid secondary market for any particular instrument at any time; and (e) the possible inability of the strategy to purchase or sell a portfolio security at a time that otherwise would be favorable for it to do so, or the possible need for the strategy to sell a portfolio security at a disadvantageous time. Where the strategy enters into swap transactions it is exposed to a potential counterparty risk. In case of insolvency or default of the swap counterparty, such event would affect the assets of the strategy.

Rule 144A and Regulation S Risk: SEC Rule 144A provides a safe harbor exemption from the registration requirements of the US Securities Act of 1933 for resale of restricted securities to qualified institutional buyers, as defined in the rule. Regulation S provides an exclusion from registration requirements of the US Securities Act of 1933 for offerings made outside the United States by both US and foreign issuers. A securities offering, whether private or public, made by an issuer outside of the United States in reliance on Regulation S need not be registered. The advantage for investors may be higher returns due to lower administration charges. However, dissemination of secondary market transactions is limited and might increase the volatility of the security prices and, in extreme conditions, decrease the liquidity of a particular security.

IPO Risk: The market value of shares issued in an IPO may fluctuate considerably due to factors such as the absence of a prior public market, unseasoned trading, the small number of shares available for trading and limited information about a company's business model, quality of management, earnings growth potential, and other criteria used to evaluate its investment prospects. Accordingly, investments in IPO shares involve greater risks than investments in shares of companies that have traded publicly on an exchange for extended periods of time. Investments in IPO shares may also involve high transaction costs, and are subject to market risk and liquidity risk, which are described elsewhere in this section.

For further information on risks related to the Fund please see the Prospectus.

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