

## BL-AMERICAN SMALLER COMPANIES

July 2019

### Management Report

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Fund Manager



After an exceptionally strong start to the year, financial markets paused for breath in July, with most asset classes delivering muted returns. The Federal Reserve lowered US interest rates for the first time in 11 years, and the European Central Bank (ECB) gave strong hints that an easing package is on the way.

In this environment, the BL-American Smaller Companies Fund (retail share class capitalization net of fees in USD) underperformed its Benchmark, the MSCI US Small + Mid Cap NR USD Index, by 1,5%. In absolute terms, the fund showed a negative performance of 0,18%.

During the month, we sold our entire position in Healthcare Services Group. The company once more published results that came in below our expectations. In the second quarter, there were an unusually high number of new facility operators, with whom the company were unable to come to agreeable terms and ultimately exited. This contrasts with previous management comments that current customer issues are consistent with cycles and costs and margins are expected to return to historical levels in 2019. Similarly, management alluded to operator transition and retention as current priority versus new business growth. We think 2019 will be a year of retrenchment for Healthcare Services Group. In our view, there is more operational issues to be corrected and it's likely to continue at some level throughout at least the rest of the year. Some relief could emerge with new Medicare reimbursement model being implemented this fall, though unlikely to see quick "snap back" with broader market challenges still an overhang on company growth potential (and profitability). Absent improved customer visibility, we remain cautious, as lower growth expectations likely trigger continued multiple reset.

On the other hand, we didn't buy a new company. We added some exposure to Lamb Weston, Jack Henry, Littelfuse, Lancaster Colony, Align Technology, Checkpoint Software and LKQ.

The top 5 contributors in the month were Manhattan Associates, Chemed, Resmed, Clorox and Lamb Weston. The top 5 detractors were Align Technology, Healthcare Services Group, IPG Photonics, Dominos Pizza and Cognex.

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### Current Portfolio

#### New Holdings

no transactions

#### Investments sold

Healthcare Services Group

#### Sector Allocation

Energy	0,0%
Materials	7,4%
Industrials	12,6%
Consumer Discretionary	15,3%
Consumer Staples	14,3%
Health Care	20,9%
Financials	0,0%
Information Technology	25,1%
Communication Services	0,0%
Utilities	0,0%
Real Estate	0,0%
Cash	4,4%

#### Market Capitalizations

< USD 1 bn.	0,0%
USD 1 - 5 bn.	10,4%
USD 5 - 20 bn.	74,1%
USD > 20 bn.	11,2%
Cash	4,4%

#### Top Holdings

Resmed	3,7%
Lamb Weston Holdings	2,9%
Check Point Software Technologies	2,8%
Clorox	2,7%
Church + Dwight	2,7%
Cdw Corp	2,7%
Constellation Software	2,5%
Mccormick & Co	2,5%
Ulta	2,5%
Intl. Flavors + Fragrances	2,5%
Weight of Top 10	27,5%
Number of holdings	48

#### Geographic Allocation

United States	93,1%
Canada	2,5%
Cash	4,4%

#### Performance<sup>1</sup>

	Since 31/12/2018	1 month	3 months	6 months	1 year	since launch <sup>3</sup>
Fund (B shares)	19,3%	-0,2%	0,1%	11,4%	10,9%	58,2%
MSCI US Small + Mid Cap	21,3%	1,3%	0,9%	9,3%	2,3%	46,9%
Quartile	3	4	3	2	1	1

#### Volatility<sup>2</sup>

	3 months	6 months	1 year	since launch <sup>3</sup>
Fund (B shares)	13,5%	11,3%	15,9%	11,9%
MSCI US Small + Mid Cap	13,2%	11,4%	17,4%	14,1%
Quartile	3	2	2	1

#### General Information

Total Assets (USD)	USD 267,2 mio
Turnover 2018 <sup>4</sup>	33%
TER 2018 (class B shares)	1,48%
ISIN Code (class B shares)	LU1305478775
ISIN Code (class B Eur hedged shares)	LU1305478932

<sup>1</sup> Source : Lipper, in USD

<sup>2</sup> Source: Lipper, annualised, in USD

<sup>3</sup> 16/11/2015

<sup>4</sup> min (purchases, sales) / average of net assets

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