

BL-SUSTAINABLE HORIZON

July 2019

Management Report

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In July, new positions were opened in **Essity** and **SGS**.

Essity is a Swedish hygiene and health company created in June 2017 from the spin-off of the hygiene businesses of Svenska Cellulosa Aktiebolaget (SCA). The company has three areas of activity: personal care (38% of sales), consumer tissue (38%) and professional hygiene (24%). Essity's products cover the categories of baby care, feminine care, toilet paper, tissues, wet wipes, as well as soap, hand sanitisers and dispensers for institutional clients. Its most well-known brands include Tork, Lotus, Libresse, Zewa, Tempo, Demak'Up and Tena. Essity generates the majority of its revenues in Europe. Its main growth area is in emerging markets (37% of sales).

Essity has been awarded excellent ratings by MSCI for corporate social responsibility. Regarding environmental performance, its cellulose supply sources are almost entirely traceable and FSC and PEFC certified. Around 40% of all fibres used in the company's tissue products come from recycled paper and it is working towards 100%-recyclable packaging with 85% created from recycled materials by 2025. It regularly beats its water-reduction targets and tries to ensure that the waste produced can be reused (especially in construction). The recovery rate was 60% in 2018 and the target is 100% by 2030. Essity scores highly as an employer. 63% of its workforce are members of a trade union. In emerging markets, the company organises training to raise people's awareness about hygiene products.

The Swiss company SGS is one of the oldest and largest companies in the testing, inspection and certification sector. Its main business is testing products and materials, inspecting industrial sites and equipment, and certifying products and systems to guarantee compliance with international standards. SGS operates in numerous industries, including agriculture, food, life sciences, chemicals, construction, automotive, oil, logistics and the public sector. The company was first listed in 1981 and has over 96,000 employees worldwide.

SGS is favourably rated by MSCI for corporate social responsibility. Given the nature of its business, its environmental impact is minimal. The company is aiming to use 100% renewable energy by 2020. SGS relies on high-calibre staff and offers valued financial rewards and training.

At the end of July, the fund was 83% invested in equities and 17% in cash. The sale of S&P 500 index futures totalling 3.5% of the value of the portfolio took net exposure to equities to 79.5%. The breakdown by currency was as follows: 44% in EUR, 23.5% in USD, 8% in JPY, 8% in GBP, 5% in CHF, 4.5% in DKK, 3.5% in CAD, 2.5% in SEK and 1% in HKD.

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Current Portfolio

Sector Allocation

	Fund
Energy	0,0%
Materials	3,6%
Industrials	14,8%
Consumer Discretionary	7,6%
Consumer Staples	34,6%
Health Care	13,5%
Financials	0,0%
Information Technology	8,7%
Communication Services	0,0%
Utilities	0,0%
Real Estate	0,0%
Cash	17,2%

New Investments

Investments sold

Market Capitalizations

Large caps	(> EUR 10 billion)	74,8%
Medium Caps	(EUR 1-10 billion)	1,5%
Small Caps	(< EUR 1 billion)	6,6%

Performance ⁵

	Since 31/12/18	2018	2017	2016	2015	2014
Fund (B shares)	16,0%	0,9%	2,3%	5,2%	15,2%	9,7%
Index	19,7%	-4,8%	8,9%	11,1%	8,8%	18,6%
Quartile	3	1	4	3	1	3

	Since 31/12/18	1 month	6 months	1 year	3 years	5 years
Fund (B shares)	16,0%	2,0%	14,1%	13,4%	18,3%	55,6%
Index	19,7%	2,6%	11,3%	8,2%	34,3%	64,5%
Quartile	3	3	1	1	3	2

General Information

Total Assets	EUR 41,4 Mn
Turnover 2018*	4%
TER 2018	1,76%
ISIN Code	LU0093570173

* min (purchases, sales) / average of net assets

Top Holdings

Unilever	7,3%
Danone	7,3%
Kimberly-Clark	5,6%
Microsoft	4,9%
Adidas	4,4%
Henkel	4,0%
Becton Dickinson	4,0%
Smith & Nephew	3,9%
SAP	3,8%
Novo Nordisk	3,8%
Top Ten	49,0%
Number of positions	2400,0%

Geographic Breakdown

United States	22,9%
France	15,6%
United Kingdom	15,2%
Germany	12,2%
Denmark	3,8%
Canada	3,2%
Sweden	2,6%
Finland	2,5%
Switzerland	2,2%
Japan	1,9%
Hong Kong	0,7%
CASH	17,2%
Total	100,0%

Company Profiles

Consistent Earners 1	71,2%
Growing franchises 2	8,2%
Value Opportunities 3	3,4%

Statistical Data ⁵

	1 year	3 years
Correlation	0,68	0,69
Beta	0,44	0,46
Alpha*	9,57	1,43
Tracking Error*	9,29	7,98

*annualized

¹ Company is well-known and enjoys strong market share acquired over a long period through the expert management of its competitive advantage. It is very profitable, has a solid financial structure and low levels of debt. Shareholder payouts and/or maintaining a high level of ROE are important criteria in the management of the company.

² Company specialised in a market niche that it has either created or in which it has established itself as a key player. Its revenue growth is outpacing the market average. The structure of the income statement is still rather flexible, but the return on investments is starting to stabilise or exhibit a rising trend.

³ Company with strong assets embarking on restructuring to refocus the business or move up the value chain to achieve more structurally sound profitability. No significant financial imbalance.

⁴ Estimation of the fund's intrinsic value calculated using normalised data according to the Banque de Luxembourg Fund Research & Asset Management internal valuation model.

⁵ Source: Lipper. Benchmark: MSCI World Net Total Return in EUR