



LMM Europe Equity Select Fund

LMM Europe Equity Select UCITS Fund

Quarterly Fund Review Q4 2021

Investment Approach

- The Fund invests in equities listed on European exchanges.
 - The Fund deploys a systematic screening of fundamental company specific data and general market data.
 - We are keeping the Fund well diversified at all times according to the UCITS rules.
 - We are benchmark agnostic and build a true bottom-up portfolio based on individual company qualifications.
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Quarterly Review

Coming to the end of the 4th quarter in yet another interesting year, albeit not with such extreme events like 2020, it is time to look back and see what panned out. We are not in the habit of predicting the stock market as we have found out that computer models are so much better in handling this on a day-to-day basis.

However, it is important to understand in which general economic environment we are operating in.

At the start of last year, we mentioned in the Q1 Fund Review that we expected rising interest rates, steeper curves, sustained inflation in 3 waves, consumers to spend excess savings, strong GDP growth and a mild impact of Central banks starting to taper.

Most of these scenarios materialized with Bund trading 50 bp higher, curve being 35 bp steeper, inflation certainly not being a transitory base-effect from the 2020 lockdown, consumption growth at elevated levels and a taper announcement from Fed which did not spook the market too much.

Hence, we are now in a quite different economic world than last year. We are likely to experience the first rate hikes from a major central bank since 2018. The swap market is currently pricing in 3 hikes from the Fed. This could probably happen as early as March. Normally this leads to a reprising of long duration assets as their discounted future cash flow will be worth less.

A slowdown of Chinese growth is also likely this year as the fallout from the crumbling over leveraged real estate and construction sectors proliferate through the economy. Some kind of credit crunch is likely as a result of this, which normally means falling loan growth and economic activity.

In general, this environment we are entering into, with rising interest rates, would create headwinds for the “rally of everything” that we have witnessed over the last years where central banks around the world have flooded the financial system.

As liquidity will become scarcer, investors will likely perform a more thorough analysis of where to put cash to work. This is indeed something we as stock-pickers welcome. It should mean that broad market index will be less buoyant, and the performance of individual stocks will probably diverge more.

Performance review

Q4 started out a bit nervous, after the September correction, but the market soon found its footing and started to climb mid-October. Then a month later the market topped and headed south again before the Christmas rally began December 20.

The Fund fared rather well in this volatile market, and delivered an outperformance of 702 bp over benchmark for the quarter. The return for the fund was +12,98% relative the market's +5,96%. The fund's standard deviation was slightly above the market with 16,33 compared to 13,82 during Q4.

So, on a risk adjusted basis the fund had an almost double Sharp ratio over the period compared with the market with 3,69 relative to 1,72.

The 3 stocks that dragged down performance this quarter was Royal Unibrew with -4%, Airbus with -4% as well, and the UK engineering firm Reinshaw with -9%.

The 3 stocks that contributed the most to the quarterly performance was the Swedish food retailer ICA with +33%, semiconductor group Elmos with +34% and Tomra Systems in Norway with +39%.



Graph 1. The fund delivered a return of +12.98% over the quarter while the benchmark rose 5.96%

Source: FactSet, RBC



Graph 2. The Fund delivered a return of +39,70% during 2021 while benchmark rose 21,65%.

Source: FactSet, RBC

Measures	Stoxx Europe 600	LMM Europe Equity Select Class X
Annualised Return	N/A	N/A
Stdev	13.82%	16.33%
Beta	1	0.61
Period Return	5.96%	12.98%
Risk Free Rate	2.00%	2.00%
Sharpe Ratio	1.72	3.69
Portfolio Alpha	0	7.02

Table 1. Fund statistics Q4 2021, compared to benchmark, Stoxx Europe 600.

Measures	Stoxx Europe 600	LMM Europe Equity Select Class X
Annualised Return	21.65%	39.70%
Stdev	12.25%	13.82%
Beta	1	0.68
Period Return	21.65%	39.70%
Risk Free Rate	2.00%	2.00%
Sharpe Ratio	1.60	2.73
Portfolio Alpha	0	18.05

Table 2. Fund statistics for 2021, compared to benchmark, Stoxx Europe 600.

If we look at the whole year 2021, the market was up 21,65% and the Fund delivered a return of 39,70%. The standard deviation of the market was 12,25 which was in line with the fund's standard deviation of 13,82.

Hence, the risk adjusted return for the fund was considerable better than the market with a sharp ratio of 2,73 relative 1,60 for Stoxx Europe 600.

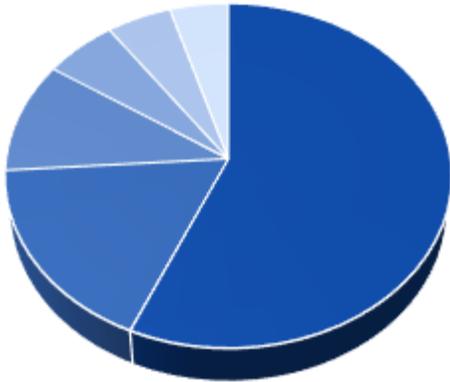
Measures	Stoxx Europe 600	LMM Europe Equity Select Class X
Annualised Return	8.04%	19.36%
Stdev	21.31%	20.63%
Beta	1	0.88
Period Return	16.73%	42.48%
Risk Free Rate	2.00%	2.00%
Sharpe Ratio	0.28	0.84
Portfolio Alpha	0	25.74

Table 3. Fund statistics since inception (January 2020), compared to benchmark, Stoxx Europe 600.

ISINs

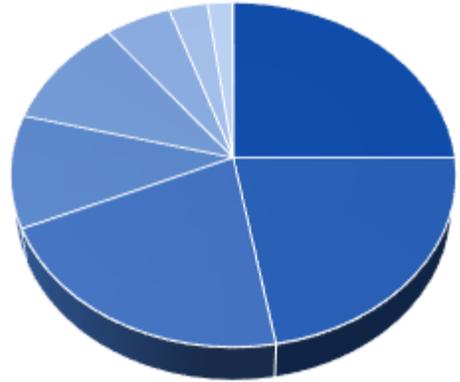
Class A	LU1972727835
Class B	LU1972727918
Class I	LU1972728213
Class X	LU1972728304

Currency



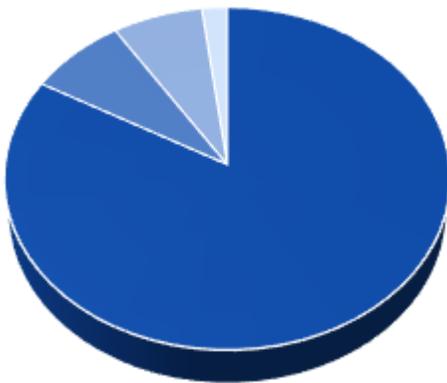
- 56.59% - EUR
- 17.35% - CHF
- 10.45% - GBP
- 5.81% - SEK
- 5.16% - NOK
- 4.65% - DKK

Sector



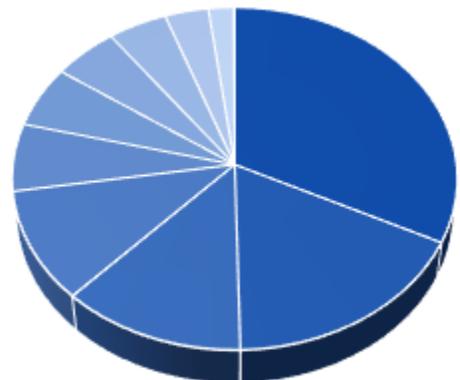
- 25.00% - Healthcare
- 22.22% - Industrials
- 21.22% - Technology
- 10.59% - Financial Services
- 10.53% - Consumer Defensive
- 5.30% - Communication Services
- 3.07% - Energy
- 1.99% - Cash
- 0.08% - Consumer Cyclical

Market Cap



- 83.23% - Large
- 7.73% - Mega
- 7.06% - Mid
- 1.99% - Cash

Country



- 32.29% - Germany
- 17.35% - Switzerland
- 12.44% - Belgium
- 10.45% - UK
- 6.38% - Netherlands
- 5.81% - Sweden
- 5.16% - Norway
- 4.65% - Denmark
- 3.42% - Italy
- 1.99% - Cash
- 0.08% - Spain

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