

Strategy Update – Status as of 10/03

BLI manages its portfolio through an active and long-term oriented investment approach. Therefore, we usually do not comment on short-term performances. However, in the current market environment and exceptional situation, we think it is crucial to communicate on the performance of our strategies and the key drivers behind.

European equities strategies

BL-Equities Europe

	Performance YTD (EUR) 31/12/2019 To 10/03/2020	Performance since 19/02 (EUR) 19/02/2020 To 10/03/2020
BL Equities Europe B Cap	-14.5	-18.2
MSCI Europe NR EUR	-19.2	-22.4
Lipper Global Equity Europe	-17.2	-20.3

- Globally, the European markets have been down with all sectors being impacted.
- Positive relative performance of the portfolio since the start of the market correction compared to the market (MSCI Europe NR) and competitors (Lipper peer group).

Positives

- Defensive profile of the portfolio: sector allocation and focus on valuation
- Sector allocation: no banks, overweight of consumer-related sectors that show better defensive characteristics.
- Best contributors:
 - *NovoNordisk* (Health Care), *Novozymes* (Materials), *Symrise* (Materials), *Halma* (IT) and *Roche* (Health Care).
 - While *NovoNordisk* has probably benefited from its position as a producer of life-saving drugs and thus maintained demand, and *Symrise* has recently published excellent results enabling it to withstand the downturn, there are no specific factors explaining the better performance of those companies.

Negatives

- Biggest detractors:
 - *SAP* (IT) has been hit by a slowdown of companies' investments
 - *LVMH* (Consumer Discretionary) penalised by a sharp drop in demand for luxury goods in China and now also Europe.
 - *Danone*, *Fresenius* and *Essilor* also suffered with no specific reasons.

BL-European Smaller Companies

	Performance YTD (EUR) 31/12/2019 To 10/03/2020	Performance since 19/02 (EUR) 19/02/2020 To 10/03/2020
BL European Smaller Companies B Cap	-18.4	-19.8
MSCI Europe Small Cap NR EUR	-19.7	-22.9
Lipper Global Equity Europe Sm&Mid Cap	-16.2	-19.2

- On a YTD basis, the Fund has suffered in January from profit warnings issued by some companies in the portfolio. However, end of February and beginning of March, other companies published a set of good results that allow the Fund to regain part of the ground it lost previously.
- the Fund has proved to be able to limit the losses since the beginning of the market correction

Positives

- Defensive profile of the portfolio: sector allocation and focus on valuation
- Positive impact of our investments in two defensive Consumer Staples companies *Emmi* (swiss producer of dairy products) and *Viscofan* (world leader supplier of casings for meat products)

Negatives

- Higher exposure to Industrials has penalised its relative performance vs. our all cap strategy, BL-Equities Europe
- Negative contribution of Italian company *Amplifon* (world's largest hearing aid retailer) that suffers from the slowdown of activity in Italy, country representing 20% of its activity.

Portfolio changes

- During the market sell-off, The Fund Manager profited to initiate 3 new lines, mostly due to interesting valuations. These companies have strong business models and share prices were slashed down in the market turmoil:
 - Logitech*: Computer peripherals, booming e-Gaming sector, Videoconferences, in constant growth,
 - Rationale*: Gold standard in combi steamers for professional kitchens,
 - Bruno Cucinelli*: high luxury, good results despite challenging markets, attractive valuation.

US equities strategies

BL-Equities America

	Performance YTD (USD) 31/12/2019 To 10/03/2020	Performance since 19/02 (USD) 19/02/2020 To 10/03/2020
BL Equities America B Cap	-10.0	-15.4
MSCI USA NR EUR	-12.9	-17.4
Lipper Global Equity US	-14.6	-18.2

- Fund outperforms the market and its Lipper peer group since the beginning of the market correction
- Globally, on the US market, the sell-off has particularly affected high beta, low quality, low growth and lowly valued companies while low beta and profitable companies have better resisted

Positives

- Strong presence in the portfolio of low beta, high quality and profitable companies
- Best contributors:
 - *Microsoft* : large part of their recurrent revenues coming from subscription-based services for physical products like PCs and cloud activities. In an environment in which companies are promoting home-working, the need for cloud solutions is increasing),
 - *Amazon*: e-commerce is increasing , Amazon Web Services is benefiting from increasing needs of cloud solutions for home-working).

Negatives

Among the stocks that held up less well in the downtrend performance we can cite:

- *Fedex*: main logistic company for the exchange of products between Asia and the US. Production stoppages and slowdown in trade have a direct impact on the volumes transported),
- *Booking Holdings*: as the leading online travel agency, travel bans and people's reluctance to travel are impacting the business of the company. Over the long-term, the business-model is not affected as people should resume with their travel habits once the crisis is over).

BL-American Smaller Companies

	Performance YTD (USD) 31/12/2019 To 10/03/2020	Performance since 19/02 (USD) 19/02/2020 To 10/03/2020
BL American Smaller Companies B USD cap	-13.2	-16.2
MSCI USA Small Cap TR USD	-27.1	-28.5
MSCI USA Mid Cap NR	-20.4	-23.6
Lipper Global Equity US Sm&Mid Cap	-24.9	-26.4

- Fund has managed to better resist compared to the market and its competitors (Lipper peer group).
- Globally, on the US market, the sell-off has particularly affected high beta, low quality, low growth and lowly valued companies while low beta and profitable companies have better resisted

Positives

- Strong presence in the portfolio of low beta, high quality and profitable companies
- Sector allocation favouring non-cyclical consumption companies classified in the “consistent earners” category that tend to reduce the volatility of the overall portfolio.
- Best contributors are to be found in the consumption sectors with two emblematic cases of the current situation with Coronavirus:
 - *Clorox*: the company produces cleaning and disinfection products for which the demand has risen sharply in recent weeks.
 - The same goes for *Campbell Soup* that produces canned food.
- Overweight of mid cap that, up to now, have been more resilient than the small-cap segment.

SRI global equities

BL-Sustainable Horizon

	31/12/2019 To 10/03/2020	19/02/2020 To 10/03/2020
BL Sustainable Horizon B Cap	-8.6	-12.5
MSCI World NR USD	-13.7	-19.6
MSCI AC World NR USD	-13.7	-19.3
Lipper Global Equity Global	-14.2	-18.5

- The Fund is clearly outperforming the market in the current market correction.

Positives

- Conservative profile with an exposure to equity market of only 80% during most part of the downturn
- Sector positioning with
 - an overweight of Consumer-related sector (approx. 40% of the Fund at end of February) and
 - No investments in Banks and oil-related companies
- Best contributors were: *Kimberly Clarck* and *Essity*. Both companies show a highly defensive profile and produce hygiene products (paper tissues...) that are in high demand in the current situation; they are thus benefiting from an short-term increase in demand.

Negatives

- More cyclical companies tend to suffer more than the market
- Worst contributor is *Adidas* which is highly exposed to the Chinese market that has already been largely impacted while the negative impact on European demand is also starting. If the impact is not quantified yet, the 1st semester will probably be highly affected.

Portfolio changes

- As at March 12th, The Fund Manager increased the net equity exposure to approximately 86% by taking off the hedging on the portfolio.

Global Equities Dividend

	Performance YTD (EUR) 31/12/2019 To 10/03/2020	Performance since 19/02 (EUR) 19/02/2020 To 10/03/2020
BL Equities Dividend B Cap	-7.5	-13.2
MSCI ACWI High Dividend Yield NR	-15.4	-17.4
MSCI AC World NR USD	-13.7	-19.3
Lipper Global Equity Global Income	-16.0	-19.0
Lipper Global Equity Global	-14.2	-18.5

- From 19/02/20 (YTD peak) to 11/03/20 (last available data), BL-Equities Dividend (retail accumulation share in euros, net of fees) was down 14.2% outperforming the MSCI AC World Index.
- Given the asymmetry between losses and gains and most people's risk aversion, we think that it is more important to resist better in difficult markets than to capture the entirety of the upside in periods of euphoria
- We stick to our disciplined investment process looking for quality companies paying attractive, sustainable and growing dividends

Positives

- The relative performance of BL-Equities Dividend versus this index can be explained by sector exposure, stock selection and cash held.
- Sector exposure:
 - Overweight of Consumer Staples
 - No direct exposure to Financials and Energy
 - Positive stock selection in each sector
- Best contributors:
 - Gilead* was the only stock in the portfolio to post a positive performance as there was hope that its drug (Remdesivir) could secure approval to treat COVID-19.
 - Guangdong Investment* (water concession), *Kimberly-Clark* (hygiene products) were also among the top relative contributors

Negatives

- Regional exposure penalised the Fund's relative performance
 - Overweight of Europe
 - Individual stock selection was positive within each region
- Main detractors: logically *Safran* (aerospace equipment) and *Union Pacific* (rail freight) were the poorest drivers, as well as *Agua Andinas* (water concession)

Japanese Equities

BL-Equities Japan

	Performance YTD (JPY) 31/12/2019 To 10/03/2020	Performance since 19/02 (JPY) 19/02/2020 To 10/03/2020
BL Equities Japan B Cap	-14.6	-10.2
MSCI Japan NR JPY	-15.9	-14.2
Lipper Global Equity Japan	-18.1	-15.4

- (Slightly) positive relative performance since the start of the market correction
- Bad relative performance in the first leg of the correction (until 24/02).
 - The fund had a long period of outperformance (every year for 6 years). Many stocks had very good returns, resulting in selling pressure on those stocks where investors could take profits.
 - In the first leg of such a correction the market often does not differentiate between companies and styles
- Good relative performance over the last couple of weeks (since 24/02)
- Defensive bias of the portfolio and overweight position in Consumer Staples and Health Care, that should outperform during longer term correction phases

Positives

- Positive effects on relative performance:
 - The Fund has a more defensive bias than the market (lower beta stocks on average).
 - The Fund has higher exposure to consumer staples and health care stocks than the indices, two sectors that tend to outperform in market corrections.
 - No exposure to financials.
 - Cash position of 3.5% (average)
- Positive effects on absolute performance (individual stocks):
 - Good (less bad) performance of defensive stocks in Consumer sectors, potential beneficiaries of (or less impacted by) the corona crisis, e.g. drugstores, stay-at-home consumption, companies selling detergents and soaps (*Tsuruha Holdings, Shimano, Kao, Meiji Holdings, Ship Healthcare, Asahi Intecc, Unicharm*)

Negatives

- Negative effects on relative performance:
 - Underperformance of mid-caps compared to large caps. The Fund has higher exposure to mid-caps than the MSCI Japan.
 - No exposure to Utilities and Telecom sectors (considered defensive) due to our investment methodology. These sectors were among the three best performing sectors in the correction (together with Consumer Staples).
 - Compared to other regions, no beneficiary effect of the structural underweight position in Energy stocks as this sector is not relevant in Japan (less than 1 % index weight).

- Negative effects on absolute performance (individual stocks):
 - Companies strongly exposed to cyclical consumption, especially domestic retailers and restaurants. Impact due to reduction in travels and reduced discretionary spending (*United Arrows, Ryohin Keikaku, Sushiro Global, ABC-Mart, Asahi Group*)
 - Cyclical companies with strong exposure to the domestic economy, e.g. staffing companies (*Recruit Holdings, TechnoPro, Persol Holdings*).
 - Cyclical companies with strong exposure to the Global economy, e.g. industrials, electronics parts (*Alps Alpine, Toray Industries, Nabtesco, Hitachi, Fanuc*).

Portfolio changes

- Working hypothesis
 - The current crisis could have a significantly economic impact and it is too early to call a market bottom.
 - It is difficult to estimate the impact of the coronavirus on most exposed sectors
 - Don't ignore the more attractive valuation on cyclical stocks in the industrial sectors compared to defensives and quality growth stocks
- - Portfolio management decisions
 - Buying companies with attractive long-term growth prospects, less exposed to the current crisis and with a discount to their fair-value.
 - Bought *Nintendo, GMO Internet* (internet infrastructure, online ads and payment) and *Tsumura* (Traditional Chinese medicine)
 - Adding to defensive positions
 - Additional purchase of *Calbee, Meiji Holdings, Rohto Pharmaceutical, Shimano, ...*
 - Adding to quality cyclicals because of attractive valuation
 - Additional purchase of *Kuraray, Komatsu, JGC*
 - Selling of some lower quality companies that are very exposed to the current crisis and where the portfolio offers better quality alternatives
 - Sold *United Arrows* (apparel retailer) and *Pola Orbis* (cosmetics)
 - Reduced *ABC-Mart, Ryohin Keikaku*
 - Selling of some stock specific turnaround situations in the Established Value category, as the market will at some time offer alternatives without stock specific issues
 - Sold *Konica Minolta* and *Fujitec*

Emerging equities

BL-Emerging Markets

	Performance YTD (EUR) 31/12/2019 To 10/03/2020	Performance since 19/02 (EUR) 19/02/2020 To 10/03/2020
BL Emerging Markets B Cap	-12.5	-13.6
MSCI EM (Emerging Markets) NR USD	-14.2	-16.8
Lipper Global Equity Emerging Mkts Global	-15.0	-17.1

- Flexible strategy allocating from 60% to 100% of the net assets to equities
- Outperformance of the strategy compared to the MSCI Emerging Markets
- Globally, stocks involved in in-house/on line activities resisted better than out-of-home stocks but even some Consumer Staples names, like breweries, that usually tend to show defensive characteristics in downturn markets, were heavily hit by the correction.

Positives

- Main factors allowing the outperformance during the correction is the reduced allocation to equities (79.1% as at 19/02).
- Absence of position in Energy, Materials and Financials that were heavily impacted

Negatives

- Structural bias towards mid- and small-caps as those segments were more impacted than large caps (mainly mega caps and giant companies like *Alibaba*, *Tencent*, *TSMC* or even *Samsung* that held relatively better).

Portfolio changes

- The Fund Manager has taken advantage of the market correction to increase its exposure to equity markets (81.9% as at 10/03) by adding to some positions in which he has a strong conviction.

Flexible strategies

BL-Global Flexible EUR

	Performance YTD (EUR) 31/12/2019 To 10/03/2020	Performance since 19/02 (EUR) 19/02/2020 To 10/03/2020
BL Global Flexible EUR B Cap	-7.1	-8.7
Lipper Global Mixed Asset EUR Flex - Global	-7.4	-9.6

- On a YTD Basis, the strategy declined by -8.5%.

Portfolio positioning

- Prior to the decline, the Fund's net exposure to equities was 53% (excluding gold securities), with no hedging in place.
- During the various phases of the downturn, the manager gradually put hedging strategies in place (via futures on indices) to reach a net exposure of 40%.
- At the same time, the manager set price limits on various stocks that he considered attractive, in order to be able to buy in the event of a sharp fall of their stock price.
- In Europe, the United States and Asia, many of these limits were reached between yesterday (12 March) and last night. Thus, at present, the net exposure to equities is 48%; this weighting should change further in the coming hours depending on the closing of the various orders that are still in progress. Positions in index futures remain in place.
- Gold is still around 12% of the portfolio.
- Last Friday (March 6) and this Monday (March 9), the manager liquidated his investments in 30-year US Treasuries; after having played their protective role, their upside potential had been exhausted.

BL-Global Flexible USD

	Performance YTD (USD) 31/12/2019 To 10/03/2020	Performance since 19/02 (USD) 19/02/2020 To 10/03/2020
BL Global Flexible USD B Cap	-3.8	-6.8
Lipper Global Mixed Asset USD Flex - Global	-10.8	-11.8

- The Fund shows a good resistance to the current market correction

Positives

- Net exposure to equities with on average on a YTD basis around 55%
- Part of the US exposure being hedged through futures on indices
- Fixed income segment also played its role of portfolio stabilisation

Negatives

- Equity pocket despite its defensive profile contributed negatively on an absolute basis.

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Portfolio positioning

- On 12/03: gross exposure to equity markets is of 81%, net exposure is of 59.6%
- Fixed Income segment exhibits a long duration of 14 years
- No exposure to gold
- At stock level, portfolio is composed of a selection of the strongest convictions of the portfolio managers of the regional portfolios.

Profiled strategies

	Performance YTD (EUR) 31/12/2019 To 10/03/2020	Performance since 19/02 (EUR) 19/02/2020 To 10/03/2020
BL Global 75 B Cap	-5.0	-9.7
Lipper Global Mixed Asset EUR Agg - Global	-10.3	-13.3
BL Global 50 B Cap	-2.7	-6.8
Lipper Global Mixed Asset EUR Bal - Global	-6.6	-8.8
BL Global 30 B Cap	0.3	-3.0
Lipper Global Mixed Asset EUR Cons - Global	-3.7	-5.2

BL-Global 30/50/75

Those 3 strategies proved to be resilient in the market downturn in line with their conservative profile.

Positives

- Exposure to Gold (20% in Global 30, 21% in Global 50 and 18% in Global 75). If gold did not appreciate but it resisted well.
- Underweight exposure to equities compared to reference allocation
- Overweight of Food & Beverages and no exposure to Financials and oil-related companies
- Within the Bond segment, the German government bonds played their role of protection and enabled a stabilisation of the portfolio.

Portfolio changes

- On Thursday 12/03, the Fund Manager increased the allocation to equities of the three funds: 21.5% for Global 30, 41% for Global 50 and 64,6% for Global 75.

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