Strategy Update – status as of 25/03/2020

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 25/03/2020	Performance since 19/02 (EUR) 19/02/2020 To 25/03/2020
BL Equities Europe B Cap	-17,4	-21,0
Lipper Global Equity Europe	-25,0	-27,8
MSCI Europe NR EUR	-24,1	-27,2

- Despite a strong rebound in the recent days (18-25/03), European markets are still largely in negative territory since Mid-February.
- BL-Equities Europe did not participate to the full recent market rebound but still manages to outperform strongly its universe on a YTD basis and since the beginning of the market correction.

Market environment
- During last week, the spread of COVID-19 continued and notably at a rapid pace in the US.
- The magnitude of the economic downturn is difficult to anticipate but recent economic indicators point towards a major slowdown.
- Monetary and budgetary measures have been announced globally to support the system and more fragile economic players.
- Against this gloomy backdrop, and after a month of uninterrupted decline, stock markets have experienced a technical rebound. European stock markets thus rose by more than 10%. Cyclical and less defensive stocks drove the market.

Positives
- During the recent rebound, in line with what globally happened in the market, the Fund benefited from its position in more cycle-sensitive companies, among others: *LVMH*, *Sika*, *Fresenius*, *SAP* and *Smith & Nephew*.

Negatives
- Reversely, this technical rebound penalised the more defensive positions of the portfolio such as *Danone*, *Grifols*, *Unilever*, *Reckitt Benckiser* and *CHR Hansen*.
- *Fresenius* has suffered a major downturn since the beginning of the market decline. This bad performance is due to its division Helios, the leading hospital operator in Germany and a major hospital group in Spain. The normal activity of hospitals is being disrupted by the rapid spread of Covid-19 affecting their profitability and financing capabilities. Indeed,

hospitals are putting their "normal" activities on hold in order to take care of patients infected by coronavirus. Germany has committed to support hospitals but the means, the amount and the timing of the funding measures are still unclear. On a short-term basis, the margins and the cash-flow generation potential of *Fresenius* will be negatively impacted. However, the Fund Manager is not excessively worried about the capacity of the Group to resist to the crisis. The current rather low valuation of the stock level therefore represents an interesting window of opportunity to strengthen the position.

Portfolio positioning and recent changes

- The portfolio management approach will remain prudent. A better appreciation of the economic and financial impact of the epidemic and a reduction in its spread seem necessary to stabilise the markets.
- Existing positions have been reinforced: *CHR Hansen, Geberit, Avast, Adidas, Pernod Ricard, Halma, Dassaukt Systèmes, SGS* and *Fresenius*.
- These operations were financed by cash held in the portfolio and by the partial sale of the investment in *Danone*.

BL-European Smaller Companies

	Performance YTD (EUR) 31/12/2019 To 25/03/2020	Performance since 19/02 (EUR) 19/02/2020 To 25/03/2020
BL European Smaller Companies B Cap	-24,9	-26,1
Lipper Global Equity Europe Sm&Mid Cap	-28,0	-30,6
MSCI Europe Small Cap NR EUR	-31,7	-34,5

- With no surprise taking in account its more defensive profile, during the recent technical rebound, the Fund lagged the market but over the full market correction, it is still able to maintain a significant outperformance.

Market environment

- Since the last update (published on 20/03), the markets remain fully under the control of the COVID-19 epidemic.
- The market reacted positively after the announcement of major measures taken globally to support economies.
- Globally, it is still too early to properly assess the effects of the current crisis on the economy; similarly, economist do not agree on the shape that the economic recovery will take once it happens. Some of them speak of a V-shape rebound (rapid rebound after the end of the health crisis); others predict a U-shaped rebound (i.e. with an off-peak period after the end of the crisis).

Positives

- The allocation to Consumer Staples helps the portfolio to better resist in periods of market downturn.

Negatives

- During the rebound that occurred in the recent days, the stocks we have in the portfolio tend not to follow the amplitude of the rise. This is the flipside of the coin of the defensive profile of the portfolio that helped the relative performance of the Fund since the beginning of the market downturn.

Portfolio positioning and recent changes (since last update)

- At company level, the majority of companies do not comment on the forecasts for the year. The effects of COVID-19 on their results are generally still unknown.
- The portfolio keeps a more defensive orientation than the market. As no one knows how long this situation will last, the Fund Manager prefers not to take too much risk at this stage. The cash position remains stable.
- The Fund manager initiated a new position in *Nemetschek* (Germany, software for the construction industry): Valuation has become interesting and the construction sector is still at the very beginning of digitalization.

US equities strategies

BL-Equities America

	Performance YTD (USD) 31/12/2019 To 25/03/2020	Performance since 19/02 (USD) 19/02/2020 To 25/03/2020
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

- Since the beginning of the market correction, the Fund has registered a slight outperformance compared to the market and its peer group (Lipper).
- The focus on high-quality companies able to resist to a recession period remains the cornerstone of the implemented strategy.

Market environment

- The month of March 2020 will probably be the worst month for the US stock markets since the big depression of 1932.
- The announcement by the US Congress, on March 24th, of budgetary measures for a total amount of USD 2 000bn served as a trigger for a technical major market rebound of the US equities indices.
- A major economic slowdown is now inevitable in the US; we still need to assess how long it will last.

Positives

- Strong presence in the portfolio of low beta, high quality and profitable companies.

Portfolio changes (March)

- New position in *Adobe*. The company has all the quality features the Fund Manager is looking for, including a strong competitive advantage in digital media and dominates content creation software with its flagship applications Photoshop and Illustrator.
- The manager has used the incoming flows to strengthen certain existing positions in which he has a strong conviction, including :
    - *Constellation Brands*: the world's most profitable brewer, which is also benefiting from a change in demographic trends in the United States (growth in the Hispanic population and millennials).
    - *Fiserv*: provider of IT and data processing services for the financial sector in the United States. Operating in a market segment with few competitors and a high

customer retention rate, the company has enjoyed continuous earnings per share growth for 34 years.
  - *Microsoft* still benefits from multi-year growth drivers that ensure margin expansion and strong free cash flow generation.
  - *Nike* continues to strengthen its leadership position in several areas (athletic footwear, apparel and casual wear) while the brand should, over the longer term, be able to gain market share in both mature and emerging markets.
  - *Roper Technologies*: since its IPO in 1992, the company has grown revenue, EBITDA and earnings per share by more than 20% per year. The company's strategy of diversifying its application areas is a major focus to ensure solid growth and margins throughout the business cycle.
  - *TJX* is the undisputed leader in the sale of low price products; the company has long experience in different market environments.
- In addition, the manager has reduced its exposure in the following stocks:
  - *Brown Forman* (Whisky producer, notably Jack Daniels) for reasons of relative valuation compared to other players in the sector.
  - *Oracle*: the company has significantly lower organic growth rates than other players in the sector that, after the correction, seem attractive in terms of valuation.

BL-American Smaller Companies

	Performance YTD (USD) 31/12/2019 To 25/03/2020	Performance since 19/02 (USD) 19/02/2020 To 25/03/2020
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

- The Fund is clearly outperforming the market and its Lipper peer group since the beginning of the market correction.

Market environment

- Coronavirus is the only major headline that matters right now as it is affecting every sector and industry in the U.S.
- Since the last update, markets have been under further pressure before finally rebounding strong.
- With the anticipation for fiscal stimulus continuing to heighten, lower-quality cyclicals led the overall market rebound, a noticeable reversal from the week before. First indications of portfolio rotations into beaten-down companies with sizable fiscal and monetary backstops coming into play.

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.

Negatives

- Companies related to the restaurant and retail sectors have been hit the hardest in the Fund since the market correction. This trend has been intensifying once governments started to shut down more and more restaurants, bars, shops around the world and of the fear that many could follow.
- Biggest detractors:
    - *Welbilt*: A global manufacturer of foodservice equipment. Major served markets include restaurants, travel & leisure, retail, and institutional.
    - *Ulta Beauty*: A leading U.S. retailer of beauty products, offering a uniquely broad range of mass, prestige, and salon brands.
    - *Burlington Stores*: An U.S. off-price retailer at prices ~20-70% below traditional retailers.
    - *Lamb Weston*: A manufacturer of branded and private-label frozen potatoes primarily for foodservice customers.
- Small-cap companies are the once underperforming the most, as the market fears that due to the magnitude of the crisis, many smaller cap companies could face liquidity issues.

Portfolio positioning and recent changes

- The Fund Manager believes that the recent bounce of speculative/cyclical companies will be short lived and that the high-quality companies will do best in a recovery.
- The Fund Manager sold the remaining shares of *Sally Beauty*, even though valuation looks even more compelling now. The company, classified in the "value opportunity" category of the Fund, unfortunately did not perform as expected. Management has not been able to turn around the business and got hit hard by the forced store closures caused by COVID-19. The Fund Manager believes e-commerce will take even faster market share from retail stores during these unprecedented conditions and a future potential turnaround will get even harder. He further thinks the company will be a value trap.
- On the other hand, the Fund Manager continued to increase high-quality names like *MSCI*, *Verisk* (both added the week before), *Aptargroup, Idexx Laboratories, Lamb Weston, Resmed, Pool, Masimo, Constellation Software* and *Waters*.

BANQUE DE LUXEMBOURG INVESTMENTS

SRI global equities

BL-Sustainable Horizon

	Performance YTD (EUR) 31/12/2019 To 25/03/2020	Performance since 19/02 (EUR) 19/02/2020 To 25/03/2020
BL Sustainable Horizon B Cap	-13,3	-17,0
Lipper Global Equity Global	-23,0	-26,8
MSCI World NR USD	-21,2	-26,6
MSCI AC World NR USD	-21,3	-26,4

- The Fund continued on the same path and clearly outperformed the market in the current market turmoil.

Positives
- Conservative profile with reduced equity exposure.
- Sector positioning (overweight of Consumer-related sectors and no exposure to Banks and Energy).

Negatives
- More cyclical companies tend to suffer more than the market.

Portfolio positioning and recent changes
- Taking into account the risk of recession, the Fund Manager maintains the defensive profile of the portfolio with:
    - A cash bucket of 15% (equity allocation remains thus stable at 85%).
    - Biggest individual positions (weight of 5% and more) are all from the Consumer Staples sector.
- The Fund Manager took benefit from the recent market volatility to initiate 2 new positions in high-quality companies benefiting from solid competitive advantages and from a superior ESG profile (their name will be published in the monthly reporting).

BANQUE DE LUXEMBOURG INVESTMENTS

Global Equities Dividend

BL-Equities Dividend

	Performance YTD (EUR) 31/12/2019 To 25/03/2020	Performance since 19/02 (EUR) 19/02/2020 To 25/03/2020
BL Equities Dividend B Cap	-13,7	-19,0
Lipper Global Equity Global Income	-25,1	-27,7
Lipper Global Equity Global	-23,0	-26,8
MSCI ACWI High Dividend Yield NR	-23,3	-25,2
MSCI AC World NR USD	-21,3	-26,4

- From 19/02/20 (YTD peak) to 25/03/20 (last available data), BL-Equities Dividend (retail accumulation share in euros, net of fees) was down 19%, outperforming the MSCI AC World Index (down -26.4%).
- We stick to our disciplined investment process focusing on high-quality companies protected by strong competitive advantages, with solid balance sheets and paying attractive, sustainable and growing dividends.
- 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.

Positives
- The relative performance of BL-Equities Dividend versus this index can mainly be explained by stock selection and sector exposure.
- Stock selection added value in each sector and region.
- Sector exposure is also a major contributor thanks to over-exposure to Consumer Staples, and the absence of direct exposure to Financials and Energy.
- Best contributors:
    - *Gilead Sciences* (biotechnology) was the only stock in the portfolio to post a positive total return, as there was hope that its drug (Remdesivir) could secure approval to treat COVID-19.
    - *Givaudan* (flavours and fragrances).
    - *Hengan* (sanitary napkins, tissue papers, baby and adult diapers).

Negatives
- Currency exposure had the main negative impact.
- The absence of exposure to Japan also penalised the Fund’s relative performance.
- Main detractors since the peak:
    - *Life Healthcare* (hospitals).
    - *Safran* (aerospace equipment) was sold.
    - *Intertek* (test, inspection, certification).

Portfolio changes
- We sold *SATS*, as the company provides airport services and food solutions in Singapore, Japan and other Asian countries. It is a sticky and profitable business that we bought in 2011, but we think the activity will be hit very hard.

➔ The fact that we are long-term investors (on average, companies currently in the fund are held for more than 5 years), does not mean we are not able adapt to exceptional situations.

Japanese Equities

BL-Equities Japan

	Performance YTD (JPY) 31/12/2019 To 25/03/2020	Performance since 19/02 (JPY) 19/02/2020 To 25/03/2020
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

- Since the last strategy update on March 19th, the Japanese market continued to rebound. While defensives and smaller-size companies mainly drove the first part of the rebound, this week saw an impressive rebound in the very concentrated and large-cap orientated Nikkei 225 index.
- Large caps, cyclicals and lower quality companies were especially in demand. Technical reasons after the recent sell-off explain most of these performances. The big differences in performance between the two major indices, Topix and Nikkei, are driven by flows in ETFs and index futures.
- These last few days have been much less favourable for the Fund, as it has a lower exposure to large caps and cyclicals, and is, in general, positioned more defensively.
- As a result, while the absolute performance continues to improve, the YTD relative performance has turned negative again. Besides the very recent evolution, this is also due to the bad relative performance in the first leg of the correction (until 24/02), due to the selling pressure on stocks that had performed very well before and where market actors did not differentiate between companies and styles.
- While we refrain from forecasting short-term market movements, we see the recent recovery as fragile and see the potential for heavy economic disruptions. In this environment, the Fund will keep higher individual weightings in defensives and less cyclical stocks.

Positives
- Compared to most Global markets, the Japanese market has been holding up significantly better since the start of the year.
- Since the start of the market correction, defensive companies and companies in the Consumer Staples and Health Care sectors have been holding up best.
- No exposure to Financials and cash position of around 3.5% on average.
- Among the companies included in the portfolio since the start of the year, the biggest contributors to performance (YTD) are *Unicharm, Meiji Holdings* and *Sysmex*.
- During the previous two of weeks, defensive companies (Consumption, Health Care) have been outperforming significantly in our portfolio. This week has been characterised by a return in favour of Cyclicals, Industrials and Technology stocks.
- Major contributors to performance include *Disco, Fanuc, Denso, Nihon M&A Center, Komatsu, Murata Manufacturing, Alps Apline* and *JGC*, stocks that were declining very heavily before.

Negatives

- Since the start of the market correction, cyclical Industrial companies in the portfolio have declined very sharply. Companies with strong exposure to the domestic economy (staffing companies, discretionary spending) and companies with strong exposure to the Global economy (Industrials, electronics parts) have had a severe drag on performance.
- The major detractors (YTD) are *Ryohin Keikaku, JGC Holdings* and *Alps Alpine*.
- No exposure to Communication Services and Utilities, the two best performing sectors on a YTD basis in the MSCI Japan index.
- Return of the underperformance of mid-caps compared to large caps after the recent rally. The fund has higher exposure to mid-caps than the MSCI Japan.

Portfolio positioning

- The current working hypothesis is to consider the coronavirus outbreak as a significant event with the potential for severe economic consequences and a continuation of the bear market. In that context, all management operations are executed with the following guidelines:
    - Focus on companies with less short-term and potentially long-term headwinds from the current crisis.
    - Focus on defensive quality and balance sheet strength ("recession-proof" companies).
    - Keep exposure to quality cyclicals with strong balance sheets, as valuations are depressed (companies that can emerge from a recession stronger than their competitors).
    - Focus on stocks with depressed valuations rather than stock specific situations in the Established Value category.
- In terms of portfolio transactions, further details will be given in the monthly report. The situation we face is exceptional and, although we are long-term investors, we have to adapt our approach to these significant changes. As a result and based on the above guidelines, more portfolio transactions have been operated than usual.
- Since the last update last week, we have been increasing existing positions and taking two new positions in companies that looked particularly oversold, while currently using the recent rebound to sell-off positions in lower conviction names.
- Currently, the cash position is maintained around 5%, which is at the high end of the self-imposed limits of cash exposure. Due to current uncertainties, low visibility and the fact that quality / high growth companies (candidates and portfolio holdings) do not yet price in a severe recession and cannot even be considered cheap based on our valuation model, we will maintain these levels of cash until we see more investment opportunities with sufficiently high margins of safety.

Emerging equities

	Performance YTD (EUR) 31/12/2019 To 25/03/2020	Performance since 19/02 (EUR) 19/02/2020 To 25/03/2020
BL Emerging Markets B Cap	-18,9	-20,0
Lipper Global Equity Emerging Mkts Global	-24,6	-26,5
MSCI EM (Emerging Markets) NR USD	-22,0	-24,3

- Flexible strategy allocating from 60% to 100% of the net assets to equities.
- Outperformance of the strategy compared to the MSCI Emerging Markets since launch in 2007. This trend is still valid in the current market correction.
- In the recent correction:
  - Consumer companies involved in in-house/online activities resisted better than out-of-home consumption related stocks.
  - Large caps resisted better than smaller market capitalisations (mega caps and index heavyweights like *Tencent*, *Alibaba* or *TSMC* outperformed the index by more than 10%)
  - Worst sectors were Energy, Materials and Financials.
  - Best sectors were Communications Services, Health Care and Information Technology.
  - From a regional perspective, Latin America suffered the most (also due to their currency weakness). Latin America corrected by twice as much as Asia ex Japan. The EEMEA region performed in-between.

Positives

- Cash allocation. Not being fully invested (equity allocation stood at 79.1% as of 19/02/2020).
- Underweight in Energy, Materials and Financials.

Negatives

- Overweight in Latin America.
- Structural bias towards small- and medium-sized companies.

Portfolio positioning and recent changes

- The Fund Manager has taken advantage of the market correction to further increase its exposure to equity markets (from 79.1% at the beginning of the correction to 84.5% as of 25/03/2020) by re-allocating cash into existing holdings.
- The Fund Manager sold two positions:
  - *Hy-Lok* (South Korea): the company produces industrial equipment for a large number of clients across a broad spectrum of industries – such as oil, aeronautics, semi-conductors, shipbuilding, construction, nuclear and rail. The company produces high-added-value instruments such as tube fittings, valves and a variety of fluid and gas control systems. The fund manager sold the position as the company's client base will suffer. Furthermore, the position has become relatively illiquid.
  - *Embotelladora Andina* is the Coca-Cola's main bottler in Chile. The position was very small and the liquidity limited.

- Two new positions entered the portfolio:
  - *Osotspa* (Thailand): OSP is a non-alcohol beverage and personal care manufacturer. It leads the domestic energy drink market with a total market share of more than 50%, with its flagship M-150 brand holding more than 35% share.
  - *Godrej Consumer Products*: largest home-grown home and personal care company in India. The company is present in 3 segments namely hair care (32% of revenues), household insecticides (29%) and personal wash (27%).
- Going forward, should markets continue to correct, so will the equity allocation gradually move up. The Fund Manager has been managing the Fund this way since 2007 and will stick to that approach as valuations become more attractive.

Flexible strategies

BL-Global Flexible EUR

	Performance YTD (EUR) 31/12/2019 To 25/03/2020	Performance since 19/02 (EUR) 19/02/2020 To 25/03/2020
BL Global Flexible EUR B Cap	-8,9	-10,4
Lipper Global Mixed Asset EUR Flex - Global	-14,2	-16,2

- On a YTD Basis, the strategy declined by -9%, holding up compared to Global equity markets.

Working assumptions (unchanged):
We avoid to be dogmatic and might change these assumptions on a short notice according to how the situation evolves.

- Bear market is not over (how could it when it is only 22 days since the markets peaked and when the leaders from the last bull market are still up by more than 20% on a 12 months basis?). End-of-quarter rebalancing of asset allocators might give some support in the days to come. However, markets will bottom only when solutions to problems are found.
- Bear market more advanced in some areas than in others
- Sharp rallies possible, especially in oversold cyclicals.
- Recession will be severe; question is about the longevity of that recession. Nobody has a clue about that.
- Solvency and liquidity risks.

Overall strategy (unchanged):
- Stick with quality, 'recession-proof' companies.
- Add to certain positions on days when markets are very weak (through orders with price limits).
- Increase equity hedge on days when markets rally (maybe).

Portfolio activity in March:
- On March 4, 5 and 11 we sold futures on the Euro Stoxx 50 index, the SMI index and the S&P 500 index. As of March 25, some 17% of the equity exposure of the Fund was hedged.
- At the same time, we took advantage of the increase in volatility to raise our gross equity exposure during days of extreme weakness. As of March 25, the gross equity exposure of the Fund stood at 66 %. BL-Global Flexible EUR is not invested in Utilities, Energy,

Financials, Auto producers, Airlines and other sectors who have suffered the most from the crisis.
- Balance sheet strength of the companies that we are invested is very high.
- Gold companies have not acted as a hedge against the equity risk in this environment. The gold price is down YTD but the main reason for the weakness in gold companies seems to be heavy flows out of leveraged ETFs and commodity funds. At the same time, the long-term investment case for gold has only gotten stronger. We have slightly added to our gold positions during days when the golds sector was very weak. As of March 25, the gold position stood at 14%.
- The remaining positions in long-dated US Treasuries were sold on March 6 and 9. The Fund currently holds no longer any bonds. As of March 25, the cash position (including short-term bonds) stood at 20%. We thus still have a lot of ammunition to increase our equity exposure (as long as we do not get a lot of outflows).

Performance contribution (as of March 25)
- In terms of asset allocation
  - Positive contribution : Bonds/Gold
  - Negative contribution : Equities/Currency allocation,
- Best individual performers are:
  - *Franco Nevada*
  - *Wheaton Precious*
  - *Newmont*
  - *Amorepacific*
  - *Barrick Gold*
  - *Kirkland Lake Gold*
  - *Nintendo*
  - *Kose*
  - *KAO*
  - *SECOM*
- Worst individual performers are:
  - *CK Hutchison* (position increased)
  - *CK Asset Holdings* (position increased)
  - *Jardine Strategic* (position increased)
  - *Fresenius* (position increased)
  - *Lowe's* (position sold)
  - *Toray Industries* (position sold)
  - *Accenture* (position increased)
  - *Alphabet (position increased)*
  - *Novozymes* (position increased)
  - *Unilever* (position increased)

Changes since last update:
- No major changes in the asset allocation.
- We continued with a strategy of tactically increasing our positions/initiating new positions in quality companies on weak days.
- We thus increased some positions on March 20 and 23 and started to initiate a new position in *Mastercard*.

BANQUE DE LUXEMBOURG INVESTMENTS

FFG Global Flexible Sustainable

	Performance YTD (EUR) 31/12/2019 To 25/03/2020	Performance since 19/02 (EUR) 19/02/2020 To 25/03/2020
FFG Global Flexible Sustainable S Acc	-8,2	-10,1
Lipper Global Mixed Asset EUR Flex - Global	-14,2	-16,2

- The strategy combines a flexible asset allocation between equities, fixed income, gold and cash, an ESG investment policy and an impact generation through Funds for Good Foundation.
- On a YTD Basis, the strategy declined by -12.1%

Working assumptions (unchanged):
We avoid to be dogmatic and might change these assumptions on a short notice according to how the situation evolves.

- Bear market is not over (how could it when it is only 22 days since the markets peaked and when the leaders from the last bull market are still up by more than 20 % on a 12 months basis?). End-of-quarter rebalancing of asset allocators might give some support in the days to come. However, markets will bottom only when solutions to problems are found.
- Bear market more advanced in some areas than in others.
- Sharp rallies possible, especially in oversold cyclicals.
- Recession will be severe; question is about the longevity of that recession. Nobody has a clue about that.
- Solvency and liquidity risks.

Overall strategy (unchanged):
- Stick with quality, ‘recession-proof’ companies.
- Add to certain positions on days when markets are very weak (through orders with price limits).
- Increase equity hedge on days when markets rally (maybe).

Portfolio activity in March:
- On March 4, 5 and 11, we sold futures on the Euro Stoxx 50 index, the SMI index and the S&P 500 index. As of March 19, some 13% of the equity exposure of the Fund was hedged.
- At the same time, we took advantage of the increase in volatility to raise our gross equity exposure during days of extreme weakness. As of March 25, the gross equity exposure of the Fund stood at 61.5 %. FFG - Global Flexible Sustainable is not invested in Utilities, Energy, Financials, Auto producers, Airlines and other sectors who have suffered the most from the crisis.
- Balance sheet strength of the companies that we are invested is very high.
- Gold companies have not acted as a hedge against the equity risk in this environment. The gold price is down YTD but the main reason for the weakness in gold companies seems to be heavy flows out of leveraged ETFs and commodity funds. At the same time, the long-term investment case for gold has only gotten stronger. We have slightly added to our gold positions during days when the golds sector was very weak. As of March 25, the gold position stood at 13.5%.
- As of March 25, the position in long-dated US Treasuries stood at 5%. The cash position (including short-term bonds) stood at 19.5%. We thus still have a lot of ammunition to increase our equity exposure (as long as we do not get many outflows).

- **Performance contribution (as of March 25)**

- In terms of asset allocation
  - Positive contribution : Bonds/Gold
  - Negative contribution : Equities/Currency allocation,
- Best individual performers are:
  - *Franco Nevada*
  - *Wheaton Precious*
  - *Newmont*
  - *Nintendo*
  - *L'Oréal*
  - *SECOM*
  - *Santen Pharmaceutical*
  - *Sysmex*
  - *Unicharm*
  - *Hermes*
- Worst individual performers are:
  - *Kalbe Farma* (position increased)
  - *JC Decaux* (position increased)
  - *Lowe's* (position sold)
  - *SATS* (position increased)
  - *Henkel* (position increased)
  - *DCC* (position sold)
  - *Berkeley Group* (position increased)
  - *Novozymes* (position increased)
  - *CK Asset Holdings* (position increased)
  - *Unilever* (position increased)

Changes since last update:
- No major changes in the asset allocation.
- We continued with a strategy of tactically increasing our positions/initiating new positions in quality companies on weak days.

BL-Global Flexible USD

	Performance YTD (USD) 31/12/2019 To 25/03/2020	Performance since 19/02 (USD) 19/02/2020 To 25/03/2020
BL Global Flexible USD B Cap	-9,1	-12,0
Lipper Global Mixed Asset USD Flex - Global	-15,3	-16,3

- The Fund showed a good resistance in this challenging environment.

Positives
- Net exposure to equities.
- 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.

Portfolio positioning and recent changes
- Current asset allocation is as follows
  - Equity investments: 83% with a net exposure of 55%
  - Fixed Income: 13%
  - Cash: 4%
- Following the market weakness, the Fund Manager initiated a new position in Adobe.
- Similarly, the weightings in *Apple, Fiserv, Lowes, Mastercard, PepsiCo, UnitedHealth Group, Verisk Analytics* and *Visa* have been increased by reducing the cash level in the portfolio.

BANQUE DE LUXEMBOURG INVESTMENTS

Profiled strategies

	Performance YTD (EUR) 31/12/2019 To 25/03/2020	Performance since 19/02 (EUR) 19/02/2020 To 25/03/2020
BL Global 75 B Cap	-8,0	-12,6
Lipper Global Mixed Asset EUR Agg - Global	-18,0	-20,7
BL Global 50 B Cap	-4,8	-8,9
Lipper Global Mixed Asset EUR Bal - Global	-13,1	-15,2
BL Global 30 B Cap	-1,7	-4,9
Lipper Global Mixed Asset EUR Cons - Global	-9,2	-10,7

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. 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 positioning and recent changes

- The current allocation of the 3 funds are very similar to the ones that were effective at the beginning of the market correction in February.
  - Equity exposure is at 19.9% in Global 30, 39.77% in Global 50 and 62.35% in Global 75.
  - Gold exposure is at 20.89% in Global 30, 22.20% in Global 50 and 20.12% in Global 75 (18/03)
- In short, the decrease of the equity allocation that would have resulted from the market decline have been compensated by 6 new positions.
- 2 positions were sold last week with the objective of increase the overall quality of the companies included in the portfolio as the Fund Manager anticipates a major recession.
- Currently, the Fund Manager does not wish to increase the portfolios' exposure to equity risk; the recession to come and its probable consequences (company's failures, fragile banking system) leads him to maintain a defensive approach.

Legal Disclaimer

This document is issued by BLI – Banque de Luxembourg Investments S.A. ("BLI"), with the greatest of care and to the best of its knowledge and belief. However, no guarantee is provided with regard to its content and completeness and BLI does not accept any liability for any losses which might arise from making use of the information contained herein. The opinions expressed in this document are those of BLI at the time of writing and are subject to change at any time without notice. If nothing is indicated to the contrary, all figures are unaudited.
The product description contained herein is for information purposes only and is for the exclusive use of the recipient. Nothing in this document should be construed as an offer and is therefore not a recommendation to purchase or sell shares, neither a legal or fiscal advice. It does not release the recipient from exercising his own judgement. This description is solely aimed at institutional and professional investors.
The securities and financial instruments described in this document may generate considerable losses and are not therefore suitable for all investors. Among other risks presented in detail in the prospectus, investing in securities and financial instruments described in this document exposes the investors to market risks, currency fluctuation risks, credit or payment default risks, liquidity risks and interest rate risks. BLI cannot guarantee that the securities and financial instruments will achieve the intended investment objectives. Each investor must ensure that he is aware of the risks and the consequent legal, tax, accounting and commercial aspects related to these securities and financial instruments.
The accuracy of the data, the evaluation, opinions and estimates of which are included in this document, has been very carefully checked. Any statements made in this document may be subject to change without prior warning.
References to past performances of financial instruments should not be interpreted as a guarantee of future returns.
The recipient is recommended in particular to check that the information provided is in line with his own circumstances with regard to any legal, regulatory, tax or other consequences, if necessary with the help of a professional advisor. It is expressly not intended for persons who, due to their nationality or place of residence, are not permitted access to such information under local law. Neither this document nor any copy thereof may be sent, taken into or distributed in the United States or to any U.S. person as defined in the fund's prospectus. This material is not for distribution to the general public. It is intended for the recipient personally, and it may be used solely by the person to whom it was presented. It does not constitute and may not be used for or in connection with a public offer in Luxembourg of the products referred to herein.
The prospectus, the articles of incorporation, the annual and semi-annual reports of BL as well as the key investor information document (KIID) of the sub-fund are available on www.bli.lu or upon request from BLI. The KIIDs are available in French, English and in any other official language of registration of BL.
This document may not be reproduced either in part or in full without the prior written consent of BLI.

Specific Information concerning MSCI Data:
All MSCI data is provided "as is". Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the result to be obtained by the use thereof) and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

Specific Information concerning GICS Data:
The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard and Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed to use by Banque de Luxembourg S.A.. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classification have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if noticed of the possibility of such damages.