

SHINING A LIGHT ON THE..... LO Funds Natural Capital Fund

AT A GLANCE

Investment Objective
The Fund is actively managed. The MSCI World SMID Cap TR ND index is used for performance comparison as well as internal risk monitoring purposes, without implying any particular constraints to the Fund's investments. Securities targeted by the Sub-Fund can be similar to those of the index to an extent that varies overtime but their weighting is expected to differ materially. The performance of the Fund may deviate materially from that of the index.

Inception Date	16 th November 2020
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0000169HR

Management	
Manager Name	Start Date
Alina Donets	16 th November 2020

FUND PERFORMANCE

Performance from 16th November 2020 to 30th April 2022:

	2020	2021	2022
LO Funds Natural Capital Fund	0.88%	31.25%	-10.24%
MSCI World SMID	5.78%	17.82%	-7.09%

Performance over 12 months, and since launch:

	1 year	Since launch
LO Funds Natural Capital Fund	6.13%	18.85%
MSCI World SMID	-0.90%	15.79%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
-	99.73	-	-	-	-	-	Blend/Mid

Volatility Measurements	
3-Yr Std Dev (volatility)	-
3-Yr Mean Return (average)	-

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Investment Style Details	
Giant	0.00%
Large	24.04%
Medium	60.34%
Small	12.07%
Micro	0.00%

Top 5 Holdings – 54 Equity Holdings		
Tesco PLC	Consumer Defensive	3.02%
Veolia Environnement SA	Industrials	2.98%
Alcoa Corp	Basic Materials	2.83%
Dick's Sporting Goods Inc	Consumer Cyclical	2.79%
Tractor Supply Co	Consumer Cyclical	2.79%

Top 5 Sectors	
Industrials	32.78%
Consumer Cyclical	17.42%
Basic Materials	10.97%
Consumer Defensive	10.46%
Technology	9.74%

Top 5 Regions	
United States	53.66%
Eurozone	26.59%
United Kingdom	8.59%
Europe ex Euro	3.78%
Canada	2.86%

UPDATE....

Natural capital is about how we use nature's resources, whether it is soil, air or water, as all of these are important to our existence. The drive to net-zero is about preserving what we have and once we understand what this means then we start to understand how the changes needed impact every area across industries and sectors. Lombard Odier have built this strategy with this in mind and have a team that is very different to that of a normal investment house.

The team covers policy and thematics, geospatial analysts, engineering, data science, financial analysis, ESG specialists, economists, stewardship, and engagement.

We live in a world that takes stuff, makes stuff, then we don't use much of what we make and then we waste. This is called WILD:

Wasteful
Idle
Lopsided
Dirty

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We are effectively damaging the world's resources on the way in and out. This is no longer sustainable and must change. The world is set by planetary boundaries – climate change, ocean acidification, ozone layer, forest degradation, agrochemical pollution, freshwater overuse, biodiversity loss, air pollution and toxic waste. Half of the world's GDP relies on natural capital, and this is being challenged.

We need to move to a CLIC Economy:

Circular
Lean
Inclusive
Clean

Change is happening across policy and regulation, consumer demand, market forces and investors.

Rather than relying on ESG scores from external rating agencies they try to understand how the company operates. For example, TetraTech is a consulting and engineering company in water infrastructure and has expanded into other areas.

A surprise holding is Tesco. They are covered under zero waste and reduction of food waste. Tesco is looking at its inventory management systems and processes so that they can be more efficient in distributing food and reducing food waste. Other areas they are working on include more use of recycled materials and making plant-based materials affordable, especially to low income families.

The strategy only invests in proven business models and those that are economically viable. It looks to seek out investments across zero waste, dematerialisation, regenerative nature, resource efficiency and zero emissions.

In summary, this strategy looks to invest in those companies that focus on the CLIC economy rather than WILD. It is more focused on mid-cap names which are proven business models, have strong cash flows and are not overpriced.

In terms of the holdings some investors might be uncomfortable with the likes of Tesco and therefore careful consideration will need to be given as to whether this is the right strategy. This will offer something different within the global space and is aiming to do something impactful and positive.

The source of information in this note has been provided by LO and is correct as of May 2022. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.