Oriflex BP Regeling
Oriflex Europa
Stichting Pensioenfonds Atos Origin
Tweede Kwartaal 2024

BLACKROCK

Omvang fonds

Waarde begin van de periode	€ 3,255,156
Waarde eind van de periode	€ 2,979,728

Rendement

%	Kwartaal	Jaar tot op heden	3-Jaars Ann.	5-Jaars Ann.	10-Jaars Ann.
Fonds	0.42%	13.60%	3.84%	12.10%	8.34%
Benchmark	1.42%	13.79%	7.77%	8.64%	7.54%

Investment Review

The fund underperformed its benchmark over the quarter.

After a strong Q1'24, where the portfolio's cyclical positioning was a benefit to active returns, the Fund experienced a performance pull back in April and May. During this period, market leadership changed as a repricing of interest rate expectations led defensives to outperform cyclicals and value to outperform growth. This settled somewhat through June as inflation data tempered, although signs of a potential cyclical air-pocket, especially within US consumption, rose. Meanwhile, European politics – particularly in France - took center stage driving market level volatility into quarter end. We note that while poor for near-term sentiment, the political headlines had limited impact on the Fund given low exposure to French stocks and even more so to French domestic businesses.

We continue to see a fundamentally strong position from a bottom-up economic view with no significant leverage across the household or corporate sectors, combined with strong existing cash flow. In that context any economic weakness is likely short lived and unlikely to cause pro-longed market weakness given that it, along with expectations for lower inflation, would provide central banks a clear path to begin a rate cutting cycle

Attribution

The Fund returned +0.4% in Q2'24 (EUR, primary share class, net of fees), trailing the MSCI Europe Index's +1.3% return (EUR).

A market repricing of interest rate expectations was felt at the stock level with shares trading on higher relative P/E multiples being sold early in Q2'24 as rates edged higher and expectations for central bank rate cuts were pushed out. This was felt in the portfolio's quality-growth holdings, such as Straumann, LVMH, Hermes, and Ferrari contributing to negative attribution. In some cases, this exacerbated the reaction to company updates through Q1'24 reporting.

Straumann released Q1'24 results and while the overall organic growth result beat consensus expectations, the underlying geographic mix was concerning in that growth was led by Asia while North America continues to be lackluster with 2 of the last 3 quarters showing growth rates below a 7-8% consensus expectation.

The portfolio's holding in LVMH detracted on suggestions of modestly weaker trading. We had noted risks versus near-term consensus expectations for LVMH through the alternative data we track and began to reduce our active weight from April. We've also had an eye on recent management changes with the latest coming in the role overseeing their fashion group. Overall, nothing has changed in our long-term view of this business, which we believe to be one of the best companies in the market, and expect shares to respond favourably to any sign of improved trading through the year.

A position in speciality chemicals distributor, IMCD, detracted in the quarter. Shares had moved higher earlier this year on the back of a company update suggesting Q4'23 could be the trough in destocking trends amongst customers. However, their Q1'24 update showed the recovery has yet to materialize while operating profit also fell. There was no full year guidance given, with management citing market dynamics making it difficult to predict, though the comparable base gets easier from Q2'24 making it easier to grow into what we've expected to be an H2 weighted cycle upturn.

A position in Melrose detracted in the quarter with shares down on negative industry comments in June, coming from Airbus which delayed plane deliveries citing constraints in the supply chain.

A position in Novo Nordisk was the top contributor to active returns in the quarter with the investment case continuing to progress positively. Q1'24 sales results were ahead of consensus estimates and the company nudged top-line guidance higher. A string of positive headlines in the quarter also helped to support shares: Wegovy prescription data in the US has been strong, the company announced plans for an additional fill and finish site which continues to build significant capacity growth from 2026, and Wegovy was approved as an obesity treatment in China.

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Attribution (continued)

The portfolio's WFE semiconductor businesses – ASMI, BE Semiconductor, and ASML – all contributed positively as the outlook for orders continues to grow while we believe we are still in the early stages of what should be a very strong and extended up-cycle for semis. ASM International raised its revenue guidance for Q2'24, attributing it to stronger-than-anticipated demand from China and increased sales in advanced logic and memory sectors, BE Semiconductor hosted a CMD where their CEO reiterated a target model of over EUR 1bn sales over time (growing from EUR 580mn in 2023) and upgraded gross and operating margins, and excitement also grew for ASML orders after headlines suggesting TSMC – a key client that was missing in Q1 orders - is preparing their next EUV orders as they invest towards 2 nanometer chip production.

A new position in Q2, alternatives asset manager CVC which has a strong flagship private equity offering, also aided relative returns. The company came to market on an attractive valuation (c. 13.5x FY'25 P/E) relative to the likes of Partners Group and the industry average overall. Shares began to re-rate higher post IPO (c. 16.5x FY'25 P/E) yet continue to show value sitting below peers.

Portfolio positioning and changes

Reflecting the incremental risk of a near-term cyclical air pocket, we added some defensive ballast via a top up to RELX and retained a slightly higher cash balance at quarter end. We also modestly trimmed some of the portfolio's more cyclical assets showing risks versus expectations. This included reducing an overweight to the consumer via a trim in LVMH and JD Sports, exiting a position in DSV after deeming recent developments around leadership change and deals as a break in our investment thesis on the company, and a trim in Ashtead after disappointing results that suggested a weakening outlook and potential for earnings downgrades to persist.

In a review of the portfolio's European bank holdings, we made the decision to concentrate positioning where we have the highest conviction in the ability for strong total shareholder returns and multiple re-rating. This led us to exit a position in Caixabank and KBC with proceeds used to top-up UniCredit and AIB.

Partners Group was trimmed to fund participation in the IPO of CVC, another alternatives asset manager with a strong flagship private equity offering. The company came to market on an attractive valuation relative to the likes of Partners Group and the industry average overall. They've been growing AUM at a +20% CAGR since 2015 and maintain catalysts for further expansion through increasing current client commitments, cross-selling strategies, new client acquisition, and expanding into new alternative asset channels.

MTU was trimmed to fund the addition of Melrose Industries. Melrose is also involved in aerospace engines, supplying parts used in production. The business has been improving through 'self-help' driving margin expansion which we expect to continue for years to come.

A new position in ABB was added to the portfolio. We see this as a well-run electrification and automation business in a strong position, showing improved execution and profitability in recent years, with exposure to long-term structural themes such as the build out of data centres, upgrades to power grid, and decarbonisation capex. Recent messaging from management also points to near-term earnings upgrades coming from their short-cycle segments where they've begun to flag bottoming and incremental inflection.

ASML and BE Semiconductor were both topped up on our belief we are in the early stages of what will be a very strong semiconductor cycle with European WFE's well positioned to see orders ramp up from here.
Our review of position sizes across luxury holdings, as noted above, also led to some additions including a top-up of Richemont where we see a more attractive valuation and diverging trends in near-term trading strength relative to peers. Hermes was also topped up after shares have seen a relative set back of 15%, giving us a rare opportunity to add to arguably the most resilient business within luxury.

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Portfolio positioning and changes (continued)

At the end of the quarter, our bottom-up convictions resulted in the fund's largest overweight positioning to Industrials, Technology, and Consumer Discretionary. The biggest underweight positioning was in Consumer Staples, Energy and Financials.

Outlook

While there have been some indications of a near-term cyclical air pocket – particularly within consumer end-markets – we believe any market weakness would be short lived as central banks step in to adjust monetary policy. Considering this, the portfolio has been adjusted with defensive ballast at the margin while retaining an overall cyclical overweight. Ultimately, we continue to see a broad opportunity set in Europe and generally expect company messaging to be more positive on the 6-18 month view.

We are searching for signs of incremental change in businesses that gives us opportunity to own shares where, in time, consensus estimates can be proven as too conservative. As more and more of these signs emerge, a broader market risk appetite should be supportive for the portfolio which is positioned to benefit from areas showing they are at or near the bottom of their cycle (e.g. construction, semiconductors, and luxury); industrials that can continue to prove their transformation into higher quality duration assets; areas of undemanding valuations such as European banks; and where we can see clear growth catalysts for businesses with resilience through cycle. We also maintain ample long-term opportunity from the portfolio's exposure to end-markets supported by structural spending streams such as funding digitalisation, capex renaissance, and low-carbon transition.

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