

Oriflex BP Regeling

Oriflex Europa

Stichting Pensioenfonds Atos Origin

Vierde Kwartaal 2024

BLACKROCK

Investment Review

The fund underperformed its benchmark over the quarter.

Volatility in European equities continued through the fourth quarter driven by a combination of corporate reporting disappointments and drags on sentiment from macro and political headlines. The third quarter earnings season confirmed broad trends we had begun to see across different sectors starting in Q2. In summary, corporate reporting showed autos remained weak, luxury polarised, and industrial short-cycles waiting for demand to pick up while long-duration capex exposed businesses continue to flourish.

The European Central Bank (ECB) lowered interest rates by 25bps for the fourth time in 2024 as the ECB noted that the disinflation process is on track. While easing monetary policy is supportive, it comes against a backdrop of continued weakness in indicators such as PMIs and other measures of cyclical activity. On the political stage, the French government was replaced due to budget disputes, having only been elected in June. Meanwhile in Germany, we witnessed the expected no-confidence vote against Chancellor Scholz which paved the way for new elections in February 2025. Following the US elections in November, markets were driven by expectations for what President-elect Donald Trump is likely to implement. In particular, European-listed USD-earners benefitted from post-election optimism and strong investor sentiment while sectors such as health care suffered with the proposed appointment of Robert F. Kennedy JR to lead the Health and Human Services department.

Attribution

The Fund returned -3.1% in Q4'24 (EUR, primary share class, net of fees), behind the MSCI Europe Index's -2.7% return (EUR).

A combination of idiosyncratic and industry issues weighed on two of the portfolios core holdings, Novo Nordisk and ASML. These are long-duration ideas which we believe can compound strong returns over the long-term. These companies can have a cyclical element, but typically outgrow the market in earnings, and thus often also share price terms, over the cycle.

- Owning Novo Nordisk was the largest detractor in the quarter with shares falling sharply on the day of long-anticipated Cagrisema Phase III trial results. The trial, called REDEFINE-1, was successful but the 22.7% weight loss achieved was below the 25% end point expected. Though the aggregate trial weight loss was below expectations, the result remains market leading for weight loss drugs, which likely supports consensus earnings estimates. The lower than expected result was driven by how the trial itself was set up with flexibility for patients to stop at any dose they choose. In spite of this, 40% of trial participants achieved 25% or higher weight loss, suggesting efficacy and tolerance of the drug should be favourable. Historically, these types of events have offered good buying opportunities however we are not without uncertainties at this juncture. Whilst we believe earnings are likely underpinned in the near to mid-term, we hope to get more detail with Novo Nordisk's Q4 update, and further trial read outs to come in 2025.
- A position in ASML detracted as the company reduced their 2025 revenue guidance meaningfully, driven by a reduction in the assumptions for EUV tool shipments (from 70 to 51) and a significant hair cut to expected sales into China. With regards to the former, a slower recovery in end demand (ex AI) and customers facing transition difficulties in the move to the next node lower has driven pessimism, however, we view the missing EUV tools as delayed, not cancelled, and thus expect them to be added to the order backlog for 2026 and beyond. Whilst we may find customers have issues with technology transition, in the long-run this should only result in market share shifts between winners and losers, and ultimately the same number of wafers still processed globally. With respect to assumptions on China, we'd note ASML's own estimates are more aggressive than competitors with China exposure that subsequently reported their own earnings and guidance. This may be a factor of ASML overselling in China in recent years and so seeing a sharper re-set, or potentially an overly conservative estimate. We have trimmed the position and will be looking to ASML's Capital Markets Day to understand their expectations for 2030.

Positions in JD Sports and Kingspan also detracted over the quarter on disappointing trading updates pointing to weaker end-market demand. Kingspan shares were also weakened with large sellers in the market around the time we began to see capital flowing to the US from Europe where Kingspan has higher exposure.

Omvang fonds

Waarde begin van de periode € 2,849,690

Waarde eind van de periode € 2,589,750

Rendement

%	Kwartaal	Jaar tot op heden	3-Jaars Ann.	5-Jaars Ann.	10-Jaars Ann.
Fonds	-3.10%	6.75%	-1.04%	8.82%	7.79%
Benchmark	-2.87%	7.84%	4.65%	6.98%	7.44%

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Attribution (continued)

The portfolio benefited in Q4'24 from stock selection across a wide breadth of end-markets including aerospace, semiconductors, financials, and consumer discretionary:

MTU contributed positively to returns. News of their CEO's plan to depart, and a related delay to a planned CMD, were digested well. In lieu of the CMD, the company put out 2025 guidance suggesting low to mid-teens EBIT growth. It was encouraging to see the expectation for strong development into 2025 following on from a strong 2024 base driven by positive mix effects. Management also tend to guide conservatively, making this a good starting point with upside potential.

Whilst BE Semiconductor (BESI) delivered weaker than expected Q3 results and guidance, shares recovered towards the end of the period, driven by potential for increased hybrid bonding uptake, spurred by news that Apple might experiment with 3D stacking for its M5 processor in late 2025, possibly using BESI's hybrid bonding technology.

Listed private asset manager, CVC, was additive with shares benefiting from positive sentiment towards relaxed regulation and increased deal making following the US presidential election. The company also reported in the period and although performance fees were nudged down, they beat on fundraising and exits, showing strong underlying operations. London Stock Exchange also added to returns with shares supported on a market trend that saw buying in US Dollar earners.

A new position in Pandora added to outperformance. Shares have been strong following a series of solid quarterly results, with the latest showing double digit organic sales growth and another upgrade to full year guidance. The business model continues to demonstrate great resilience and the brand is taking share in a volatile consumer environment. Previous worries around silver input costs also abated as the silver price came down from recent highs, into a range where headwinds to the company are likely to significantly abate. Our alternative data tracking also suggests the company traded well through key periods of Black Friday and Christmas.

Portfolio positioning and changes

A position in Adyen was topped up as we believe growth is well set to accelerate into next year. The investments made into the new salesforce over the last 18 months should start to pay off, as this is the time required for new sales people to become productive. We expect Adyen to keep delivering on organic sales growth from here which can come with good margins owing to their clean technology offering.

In the consumer space, a marginal position in L'Oreal was exited as the near-term outlook for the skincare industry remains challenging and further downgrades are expected in 2025. We also reduced Straumann as the North Americas business continues to struggle and shares are trading on a high valuation while yields in the US have been rising. After reducing the fund's luxury goods exposure considerably over summer, the holding in LVMH was further trimmed early in the quarter due to the limited visibility of a near-term recovery. In December, we added to our active weight in Richemont and initiated a new position in Pandora. Recent improvement in US jewellery demand, and a stabilisation in China, should support their respective Q4 earnings report. Both companies are benefiting from strong brand momentum. The Pandora CEO was recently quoted speaking about his ambitions to take the company to the next level, saying, "we can maybe triple or quadruple the size of Pandora [] over time".

Within industrials and materials, we added to our position in DSV as we took part in their equity raise to fund an acquisition of DB Schenker. The high demand for the raise indicated strong investor interest in being part of this M&A story. A new position was initiated in CRH which is involved in infrastructure, residential and non-residential construction. Though shares have already done well this year, the company remains very well positioned to benefit from attractive growth and pricing in North America with the US making up c. 60% of EBITDA at group level. Shares also continue to trade at a discount to US listed peers. We funded the new position in part through exiting Sika where valuation looks full while the downgrade cycle is at risk of persisting.

We used weakness in the shares of Nemetschek to begin building a position in the construction and design software business. Similarly, we bought more Safran after conservative guidance given at their CMD weighed on shares.

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Portfolio positioning and changes (Continued)

The purchases were funded via trims to RELX and LSEG where we took profits after share prices re-rated. We also trimmed ASML given the amount of variables that are contributing to uncertainty following the profit warning issued in recent months.

A new position was added in the NatWest Bank. The UK bank structure is different to the rest of Europe which resulted in less immediate Net Interest Income benefits as rates moved higher in recent years. However, the hedges that limited NII are now rolling through to the banks' benefit in the years to come, where UK rates are also likely to remain higher than in Europe. We see NatWest as one of the higher quality UK banks with an attractive ROTE.

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

Outlook

With sentiment poor, European equity positioning low, and earnings expectations pushed down following the last quarterly reporting period, we believe much of the cyclical concern has already been priced into shares. The consensus trade heading into 2025 still favours US over Europe equity, yet, it's important to consider where underlying trends are getting better or worse, focusing on the rate of change. There are many areas in Europe – both at a macro and company level – where those trends are either already, or appear near to, inflecting in the right direction. Monetary easing in Europe is progressing at a faster pace than the US, real wage growth remains positive, the ECB's loan demand survey has started to pick up, and a weaker Euro, as well as stabilisation in China, is supportive for Europe's export businesses. At a sector level, European banks continue to offer good shareholder returns, we see green shoots in European construction, we expect a recovery in luxury driven by US consumer spending, and within semiconductors we expect hyperscaler's AI investments and a PC replacement cycle from H2'25 to be supportive.

Indeed, we've begun to see European cyclical leadership reassert itself in recent months. Though near-term uncertainty has created a degree of volatility in Europe, we see an interesting set up ahead where political and policy clarity leads to increased confidence and business activity through 2025. Ultimately, we continue to see a broad opportunity set in Europe and maintain 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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