

Oriflex BP Regeling

Oriflex Europa

Stichting Pensioenfonds Atos Origin

Tweede Kwartaal 2022

BLACKROCK

Investment Review

The fund underperformed its benchmark over the quarter.

Market Summary

The last quarter has seen a significant risk-off environment, with sharp market declines in the face of persistent inflation, increasing expectations for central bank rate hikes, pressure on energy and food commodity supply from Russia invading Ukraine, and further supply chain disruptions from China's COVID Zero policy. Russia's Gazprom limiting the Nord Stream 1 gas pipeline supply into Europe has revealed a step-change in the chances for a recession in Europe. With the market pricing in greater chances of recession, evidence suggests we have moved from an 'inflation scare' into a 'growth scare' driven by European energy supply issues, tightening financing conditions and inflation.

With these market conditions, the MSCI Europe Index fell -9.0% (in EUR) during the quarter, with the lowest market returns coming from real estate and information technology (both in the -20% region). Only the energy sector produced a positive market return of 2.5%.

Performance

The fund underperformed the benchmark by -9.9%, returning -18.9% (A2 share class, in EUR). Roughly 2/3 of this performance is attributable to security selection, with the remaining third pertaining to sector allocation.

The most notable headwinds, in terms of sector, emanated from the overweight stance in the IT sector, followed by the overweight in industrials. On the other hand, the lack of holdings in the real estate sector was the largest contributor to the fund.

Semiconductor positions detracted from active returns, with the largest being the position in BE Semi. The company reported weak Q1 orders and Q2 guidance despite a 3% beat on sales and 5% beat on EBIT. This report, alongside lack of improvement since their 35% YoY decline reported at their last earnings release, has been attributed to two main factors: lower bookings from high end mobile following significant new product introductions in late 2021 and a slowdown from China. Later in the quarter, BE Semi, alongside other semiconductor positions (ASML) came under pressure with signs of end-market weakness expanding from smartphones to PCs. However, these positions continue to be incrementally more positive on the longer-term outlook. BE Semi are raising guidance on revenues as well as gross and net margins, on the back of opportunity in hybrid bonding adoption. Similarly, ASMi's CEO confirmed strength in the near term with H2'22 sales expected to be higher than H1'22 and reassured on WFE with their customers investing on a multi-year horizon where they remain confident in the long-term demand for semis. Therefore, despite near-term pressure, leading us to be pragmatic with portfolio weights, we still see significant opportunity for higher earnings on a 2-3 year basis.

Kingspan detracted from the fund after their earnings pre-close pointed to a weaker operating environment ahead. Their warning that order intake patterns have slowed significantly with the mood softening across most end-markets over the past two months impacted their return despite the expectation that they would post a record H1 trading profit. Although Kingspan remains well positioned for the medium to long-term, this warning is one of the first in the market showing potential cracks in the near-term construction cycle.

With the market focused on expectations of what's coming next, the portfolio saw derating in companies thought of as more cyclical and with perceived expensive valuations. Sika, DSV and Adyen all fell into this category, detracting from relative returns despite the absence of fundamental updates.

Novo Nordisk was the largest contributor to the fund, starting the quarter with a strong Q1 pre-release with sales 7% ahead of consensus and operating profit 12% ahead. Their revenue guidance was moved to 10-14%, up from 6-10%, and operating profit guidance moved to 9-13%, up from 4-8%. Performance over the quarter has been driven largely by the strong pipelines in obesity and diabetes treatments. We continue to see this as a best in class, value creating and resilient business. Other pharmaceutical companies further contributed to the fund including AstraZeneca, a new addition in May.

Despite initial weakness this year, driven by concerns around input costs, Royal Unibrew shares began to recover in June, becoming one of the largest contributors due to their M&A opportunities and defensive business model.

Finally, the fund benefited from not holding industrial cyclical names such as Siemen and Infineon, which performed poorly over the quarter.

Omvang fonds

| | |
|-----------------------------|------------|
| Waarde begin van de periode | €3,575,099 |
| Waarde eind van de periode | €2,903,364 |

Rendement

| % | Kwartaal | Jaar tot op heden | 3-Jaars Ann. | 5-Jaars Ann. | 10-Jaars Ann. |
|-----------|----------|-------------------|--------------|--------------|---------------|
| Fonds | -18.18% | -27.63% | 8.06% | 5.85% | 8.27% |
| Benchmark | -8.32% | -12.98% | 4.37% | 4.33% | 8.36% |

Outlook

With fears of inflation that have dominated the market over the quarter being replaced by fears of recession or at least a growth scare, the market outlook has shifted slightly. This potential recession does not appear to have been caused by a build up of imbalances in the corporate or consumer economy, with an overextension of cashflows or significant leverage, but instead perhaps characterised as a natural slowdown compounded by political decision making. Most acutely, the action to withhold Russian gas to Europe that we've witnessed towards the end of Q2 has significant ramifications, and a ricochet of effects we may feel for years to come. However, many businesses believe they are more resilient than in prior crises, and the consumer, whilst facing inflation has not limited spending to a great degree.

We are incrementally more cautious on the environment but see opportunities for attractive returns in select areas. Large amounts of fiscal spending via the Recovery fund, Green Deal and the REPowerEU plan in Europe can drive demand for years to come, for example in areas such as infrastructure, automation, the shift to electric vehicles, digitisation, renewables or the refurbishment of building stock. We believe the portfolio is well aligned to many of these spending streams.