

PROTEA BAM EUROPEAN EQUITIES

AUGUST 2020



PORTFOLIO REVIEW

August was a positive month for all major equity indices. The S&P 500 led the way with a 7.19% gain, followed by the MSCI World, up 6.79% mainly due to its exposure to the US market. European markets rose a lesser 3.08% for the Stoxx 600 and 2.03% for the Swiss Performance Index.

The BAM European Equity fund outperformed the Stoxx 600 NT by 1.23%, thanks to a 1.27% relative contribution from the Information Technology. The semiconductor industry, after losing ground in July, had a great month – as part of the general shift towards cyclical sectors. As such, our underweight of Industrials was the main detractor to performance (costing 0.76% in relative terms).

We decided to reduce exposure to the financial sector, in order to invest in Kardex and Neste Oyj. With those two new holdings, the fund is more exposed to Industrials and Energy, two sectors that have strong catch up potential in our view.

Going forward, we intend to continue this switch towards cyclical sectors, and probably reduce exposure to the Information Technology and Financial sectors, in order to participate in the sector rotation.

MARKET OUTLOOK

After the US, the Europe is now facing a second wave of Covid-19. In Italy, Germany, Switzerland and UK, daily new infections are rising but remain well below the peaks seen during the first wave. The poor performers this time round are Spain and France, whose daily counts well exceed the crest of the first wave – and are rising. That said, the situation is very different to the first wave in that there are almost no new deaths. This is due to three factors: expanded testing, the younger age of the persons infected and now well prepared and equipped hospitals (note that the same can be said of the US). As a result, full nationwide shutdowns, as were imposed during the first wave, are no longer expected. This is a relief from an economic and investment perspective, in that the ongoing recovery will not be aborted.

The European economy has been recovering strongly since the April trough, even though the August data was a little softer than July's. The EU manufacturing PMI stood at 51.6, more or less in line with July's 51.8. The number of European countries with a manufacturing PMI above 50 remained unchanged at 67%.

Over a period of five months, unprecedented central bank (a 1.35 trillion pandemic program for the ECB) and fiscal measures have been implemented to boost the economy. With crisis also comes innovation, the latest development being, in French President Emmanuel Macron's words, "the most important moment in the life of our Europe".

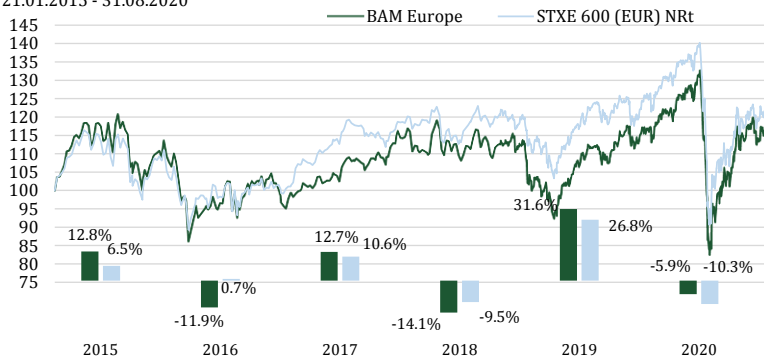
Indeed, on 21 July, after three months of negotiation and with the approval of all 27 member states, a EUR 750 billion Coronavirus Recovery Fund was adopted. This rescue plan is unique in that it is the first time that the Eurozone shows clear unity and solidarity. It is made up of EUR 390 billion of grants and EUR 360 billion of low interest loans. The EU financial commission (AAA-rated) will issue debt to fund the plan, at very attractive interest rates. Southern countries (Italy first and foremost) will be the biggest beneficiaries, with all 27 member states contributing to repayment.

The second-quarter earnings seasons is over and has proved significantly better than expected. A 45% drop in the European Stoxx 600 quarterly EPS was forecast but its decline finally stands at "only" 26%. This surprise is also apparent in the US (-33% vs -45% expected) and Asia. Two thirds of European companies have beaten EPS estimates (more than 80% in the US). While we still lack visibility, this is a positive development and a growing number of companies are upping their guidance. The earnings recovery should continue to materialise during the final two quarters of 2020.

All told, provided we do not experience a major second wave of contagion, involving strict lockdowns, the recovery should proceed during the latter half of 2020. The unprecedented monetary and government support should prevent systemic risks and put a floor under markets. The EUR 750 billion Coronavirus Recovery Fund is a significant positive shift in Eurozone politics and can be expected to be a very useful new tool to support the economy. On a long-term perspective, we remain positive on equities.

NET PERFORMANCE AND ANNUAL PERFORMANCE IN EUR

21.01.2015 - 31.08.2020



	Fund	Bench.	+/-
1 Month	4.3%	3.1%	1.2%
3 Months	6.5%	5.2%	1.3%
YTD	-5.9%	-10.3%	4.4%
Since Inception	17.1%	20.4%	-3.2%

INVESTMENT OBJECTIVE

To achieve capital appreciation on an absolute and relative basis over the medium to long-term horizon through investment in European equity markets in a concentrated but diversified portfolio, with high liquidity.

RISK & REWARD



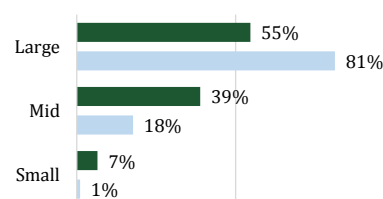
FUND FACTS

Domicile	Luxembourg/UCITS IV
Inception date	21 January 2015
Currency	EUR
Fund Managers	Florian Marini, CFA Anick Baud
Fund size	EUR 29.9 Millions
Liquidity (sub./red.)	Daily
Min. Investment	Retail: 1000 EUR Instit.: 1 million EUR
Management fees	0.8%-1.2%
Performance fees	20%
High Water Mark	Yes
Benchmark	SXXR Index
ISIN	Retail: LU1118008553 Instit.: LU1118008397
Bloomberg	Retail: PROBEER LX Instit.: PROBEEI LX
NAV	Retail: 114.29 Instit: 117.15

STATISTICS

	Fund	Bench
Leading PE	22.2	#N/A
EV/EBITDA	17.6	#N/A
P/Book	6.0	#N/A
Dividend Yield	2.0%	#N/A
ROE	20.0%	#N/A
Debt/Equity	49.9%	#N/A
Interest Coverage	68.4	#N/A
Beta	0.94	1.00
Volatility	27.7%	27.4%

ALLOCATION BY MARKET CAP

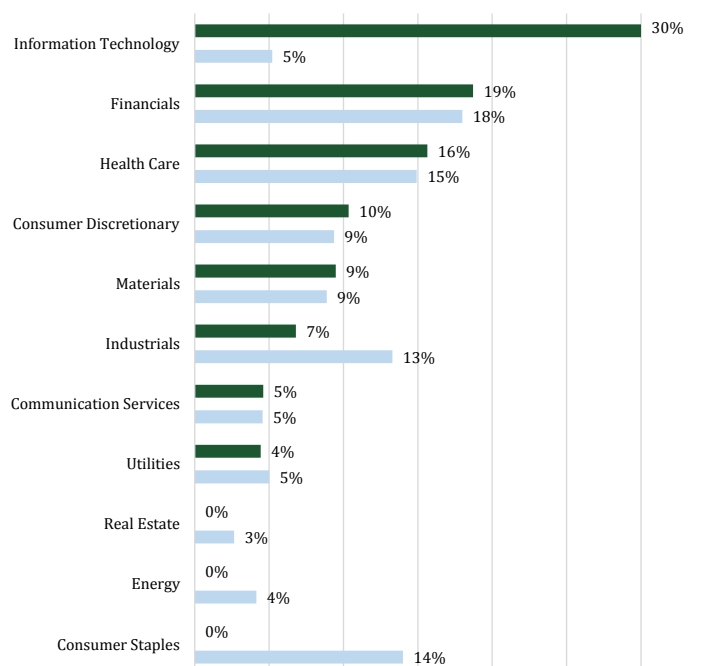


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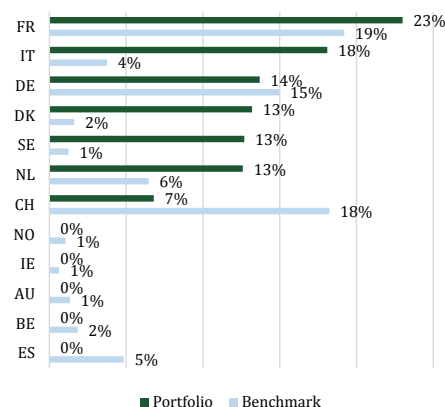
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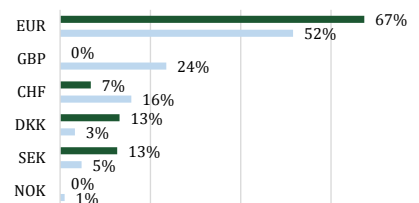
BREAKDOWN BY SECTOR



BREAKDOWN BY REGION



BREAKDOWN BY CURRENCY



TOP 10 HOLDINGS

	Sector	Country	Weight
BE SEMICONDUCTOR INDUSTRIES	Information Technology	DK	6.5%
ASML HOLDING NV	Information Technology	DE	6.1%
PANDORA A/S	Consumer Discretionary	FR	5.8%
SAP SE	Information Technology	NL	5.1%
DASSAULT SYSTEMES SA	Information Technology	NL	5.1%
MEDIOBANCA SPA	Financials	DE	4.6%
UBISOFT ENTERTAINMENT	Communication Services	FR	4.6%
BNP PARIBAS	Financials	FR	4.6%
ADIDAS AG	Consumer Discretionary	IT	4.5%
BIOMERIEUX	Health Care	IT	4.5%
Total			51.4%
Number of holdings			25

ADDITIONAL INFORMATION

Administrator	Fund Partner Solutions SA
Representative in Switzerland	FundPartner Solutions (Suisse) SA
Investment Manager	Bruellan SA
Custodian	Pictet & Cie (Europe) SA
Paying agent in Switzerland	Banque Pictet & Cie SA
Auditor	Deloitte Audit SARL

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