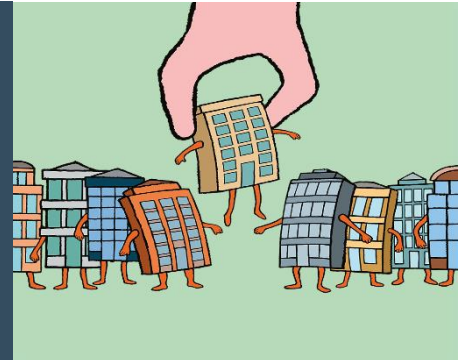


EUROPEAN FOCUS FUND

(Formerly the MidCap Fund)

Investment Commentary

Q3 2024



Market review

Smaller companies enjoyed a strong third quarter in Europe. MidCap outperformed its LargeCap peer by 3.5% and is now ahead since the beginning of the year.

For those of us dedicated to Smaller Companies, it's been a challenging period. However, we see opportunity in this underappreciated sector— less attention heightens the chance of discovering a “hidden gem” and we are keenly searching for them, knowing they hold the potential to become tomorrow's LargeCaps.

The summer months were punctuated by periods of market volatility, particularly in August. This was the result of weaker than expected US economic data, an interest rate hike from the Bank of Japan; and seasonally low liquidity. Market jitters eased in September as the Federal Reserve finally reduced interest rates, while policy makers in Japan also sought to reassure investors. This activity helped propel the Value segment of the equity market, which outperformed Growth over the quarter.

Portfolio

During the quarter, the NAV of the share class increased by 4.6% in Euro terms, an underperformance of 0.9% versus the Stoxx Europe Mid 200 index.

The strongest contribution during the quarter came from **Loomis**, the provider of cash management services in more than 20 countries, which rose after a strong quarterly report

demonstrated a trend of rising margins and growth. **MTU Aero Engines**, a manufacturer of engine components and provider of MRO services, saw its shares rise in anticipation of positive geared-turbo-fan repair activities and excitement ahead of the November Capital Markets Day. **CTS Eventim**, the leading European ticketing services provider for entertainment, rose following the acquisition of See Tickets in the UK and a strong concert line up in Europe.

The weakest contribution came from **4imprint**, the leading provider of promotional products in the US, which declined as new customer orders slowed down due to macro-economic uncertainty. **Edenred**, a leading provider of Employee Benefit voucher schemes, continued to suffer over concerns of regulatory risks. **BioGaia**, the supplier of probiotics for baby colic, was affected by EQT exiting their last position in their Public Value Fund, which is being closed.

Outlook

Despite the good recent performance for the smaller company sector, we remain in a tough period for the asset class. SMidCap have been overshadowed by the dominance of the Large and MegaCaps “GRANOLAS” in recent years and is on track for a fourth consecutive year of underperformance — the first such occurrence this century.

However, the potential for a resurgence is supported by compelling valuations. SMidCap is trading at valuation discount versus LargeCap gap wider than what was observed during the Global Financial Crisis of 2008. The price-to-book discount has reached 38%, hinting at a significant undervaluation. With analysts projecting double-digit earnings growth for the next year, the outlook for SMidCap in 2025 is increasingly optimistic.

Latest reports

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- [Deep Dive #10: The Built Environment](#)
- [PRI 2023 – Assessment Report](#)
- [Proxy Voting Summary 2023](#)

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