THEMATIC EQUITIES

SYCOMORE HAPPY@ WORK

PM COMMENT
2020 Q1

PERFORMANCE (I Share)

2020
-19.1% Sycomore Happy@Work
-24.7% EURO STOXX TR

3 years
-11.7% Sycomore Happy@Work
-12.9% EURO STOXX TR

Inception (04.11.2015)
+14.4% Sycomore Happy@Work
-3.8% EURO STOXX TR

INVESTMENT TEAM

Cyril Charlot
Founding partner

Jessica Poon
Senior Portfolio Manager

Sabrina Ritossa
ESG Analyst

MARKET ENVIRONMENT

After rallying in 2019, markets began 2020 with a sell-off triggered by investors' fears over the economic consequences of Covid-19 which was spreading in Asia, tensions between Iran and the United States, and uncertainty over the US elections as the Democrat primaries got underway. Nevertheless, macroeconomic data continued to improve and overall, 2019 earnings came in better than expected (admittedly after downward revisions). The signing of a Phase I trade agreement between China and the United States, which included an increase in Chinese imports, had also reassured investors and enabled markets to post strong gains until mid-February, when most indices hit new record highs.

The fast spread of the virus and the rising number of infection clusters outside of China then clouded visibility and precipitated a sharp market sell-off that began at the end of February: during the last week of the month, equity markets posted their worst weekly drawdown since the Great Financial Crisis in 2008/2009, and in March, their worst monthly correction since the same crisis (with most indices plunging 30% in the first half the month, before enjoying a strong rebound at the end of the period) amid particularly high volatility (VIX peaking at 85 and averaging 58 during the month). The Covid-19 pandemic and the lockdown measures that followed have caused the world economy to enter its eighth recession of the past hundred years, with the largest decline in global GDP since WW2.

However, the size and the speed of the response from central banks, including quantitative easing programs and even direct intervention from the Bank of England, which will lend to the British State, but also from governments in the form of relief and fiscal stimulus plans, are exceptional. These measures, both larger in scale and implemented faster than during the 2008/2009 crisis, helped to stabilise markets in the final week of March. Nevertheless, while these massive packages are easing the strain on liquidity and supporting the economy over the short-term, they do raise issues over the sustainability of ballooning government debt in the longer run.

Uncertainty over the impact of the current health crisis on corporate accounts remains very high. Many companies have already given up on their estimates, but without issuing new guidance for the moment; however, any visibility on the depth and duration of the pandemic and on the recession that will unfold (particularly with regards to corporate balance sheets and liquidity) is still very limited.

PERFORMANCE ANALYSIS — SECTORS — CONTRIBUTION: +2.2%

	Fund weighting vs indice	Impact Q1 2020
Technology Perf. -15.3%	**Overweight** 26.5% vs 10.2% pour l'Eurostoxx TR	**+1.9%**
Financials Perf. -35.4%	**Underweight** 9.2% vs 18.7% pour l'Eurostoxx TR	**+1.5%**
Utilities Perf. -13.2%	**Underweight** 1.2% vs 6.7% pour l'Eurostoxx TR	**-0.6%**

The fund's sector exposure (which results from our stock picking), contributed positively to performance. Sycomore Happy@Work benefited in particular from its over-exposure to Technology (which is proving resilient in the current crisis, having posted the third weakest quarterly drawdown, after healthcare and utilities) and from its under-exposure to Financials, which recorded the largest sector decline during the quarter (-35.4%) due to economic uncertainty caused by the health crisis and the lockdown measures.

CONTRIBUTION FROM STOCK PICKING: +2.3% — ANALYSIS AND OUTLOOK

The leading contributors this quarter included companies displaying business models that are proving more resilient to the health crisis and lockdown measures: technology stocks, such as Microsoft, the fund's top contributor this quarter (although PC sales are slightly down in the current crisis, Microsoft is a key player in cloud computing and global IT architecture solutions should enjoy strong growth after the crisis), Ubisoft (video games) and healthcare (BioMérieux). On the other hand, leading detractors included stocks within sectors particularly affected by the health crisis and lockdowns, notably the air travel industry, even if impacted indirectly (Amadeus IT), specialist retailers (FNAC, Maisons du Monde, whose stores are closed) and B2B services (Devoteam). Small and mid-caps suffered particularly during the sell-off, as investors focused on liquidity (this was the case for Spie, the fund's leading detractor during the quarter, as investors expressed their concerns over the company's debt levels).

	Happy At Work			Euro Stoxx			
Valeurs	Average Weight	Return	Contribution	Average Weight	Return	Contribution	Total Attribution
Microsoft Corp.	2.9%	2.5%	0.1%	-	-	-	0.8%
Ubisoft	2.0%	9.1%	0.2%	0.2%	9.1%	0.0%	0.6%
Airbus	-	-	-	1.5%	-54.5%	-1.0%	0.6%
BioMérieux	0.8%	29.3%	0.2%	0.1%	29.3%	0.0%	0.5%
Salesforce.com	3.3%	-9.4%	-0.3%	-	-	-	0.5%
Nexi	2.1%	-4.2%	-0.2%	0.1%	-4.2%	-0.0%	0.4%
Air Liquide	3.7%	-7.6%	-0.2%	1.4%	-7.6%	-0.1%	0.4%
Voltalia	1.2%	12.3%	0.1%	-	-	-	0.4%
BNP Paribas	-	-	-	1.2%	-47.9%	-0.7%	0.4%
Ferrari	2.1%	-4.3%	0.0%	0.5%	-4.3%	0.0%	0.4%
Fnac	0.5%	-55.2%	-0.4%	-	-	-	-0.2%
Linde	-	-	-	2.3%	-15.4%	-0.3%	-0.3%
Maisons du Monde	1.1%	-43.7%	-0.5%	-	-	-	-0.3%
ASML	1.0%	-8.1%	-0.1%	2.6%	-8.1%	-0.1%	-0.3%
Iberdrola	-	-	-	1.4%	-0.6%	-0.1%	-0.3%
Amadeus IT	2.6%	-40.3%	-0.9%	0.7%	-40.3%	-0.3%	-0.3%
Devoteam	1.7%	-37.8%	-0.8%	-	-	-	-0.3%
Sanofi	-	-	-	2.3%	-10.6%	-0.2%	-0.3%
Technogym	2.2%	-48.2%	-0.9%	-	-	-	-0.5%
SPIE	1.6%	-49.6%	-1.1%	0.0%	-49.6%	-0.0%	-0.6%
Cash	5.8%		0.1%	-		-	1.8%
Net performance			-19.1%			-24.7%	0.0%

Data as of 31.03.2020. *TR: reinvested dividends. Past performance is no guarantee of future returns.
The fund offers no yield or performance guarantees and comes with a risk of capital loss. The performance of the fund is partly driven by the ESG indicators of the stocks held on the portfolio, though these are not the only determining factor. Before investing, please read the KIID for the fund available on our website: www.sycomore-am.com.

In February, we have proactively trimmed down our positions in stocks like Shiseido, a Japanese cosmetic company which is highly exposed to Travel Retail and lacking a strong ecommerce platform to offset the impact of the crisis, along with Technogym, an Italian fitness equipment manufacturer and BMW. Instead, we gradually added defensive names such as Costco – a major US grocery retailer – and Progressive – a US auto insurance company - to the portfolio.

During a trip to San Francisco in February, we met with companies in which we have strong positions such as Microsoft, Salesforce, First Republic Bank and Visa in order to understand first-hand how they cope with Covid-19. All are facing different types of challenges and opportunities, but all have strategies in place to deal with the crisis. They have proactively planned for their employees to work remotely and safely, and started cutting expenses. This reinforces our belief that these companies will be able to handle a deep recession, if it occurs, and that we should hold on to our positions.
We also came across companies that we did not own. As we found attractive entry points in March, they were recently added to the portfolio: Paypal (a leading digital wallet) and Intuit (providing tax filing software to individuals and accounting software to companies).

Within this quality/growth segment of our portfolio, we initiated positions in companies like L'Oréal, Estée Lauder, Paypal and AXA as their valuations became attractive in March.

At the same time, the Sycomore Happy@Work portfolio is not only composed of quality companies that are deemed defensive at this very moment, it also holds companies that are oversold with high upside potential.
We kept out-of-favour stocks that are impacted in the short run, but have a strong balance sheet and should rebound significantly when the outbreak is over. A few good examples are Amadeus (a global distribution system of travel products and services), as well as Mastercard and Visa (the largest global payment network). These companies are temporarily impacted by the sharp decline in travel activities. However, their business models are extremely resilient as there is a huge barrier to entry, and they should do well on the long term. Despite holding these out-of-favour stocks, we outperformed the market in March because we have a well-balanced portfolio which is not concentrated on specific sectors.

Our Happy@Work investment philosophy is more relevant now than ever. We deeply believe that companies that take responsible actions to protect their employees and give them a sense of purpose during these difficult times will perform well on the long-run.

Hence, no matter what kind of recovery we shall witness – either U shape, V shape, L shape or W shape, you name it, companies in our portfolio should be able to adapt and position themselves well both during and after the crisis.

MAIN PORTFOLIO MOVEMENTS — 2020 Q1

POSITIONS REDUCED	POSITIONS SOLD	POSITIONS INCREASED	POSITIONS ADDED
BRUNELLO CUCINELLI	ADMIRAL	MICROSOFT	BOUYGUES
CHRISTIAN DIOR	DANONE	PRYSMIAN	L OREAL
TECHNOGYM	TD BANK	ASML	COSTCO

FUND PROFILE

Sycomore Happy@Work is a stock picking fund that pays attention to how companies value human capital, as a key performance driver. Stocks election is driven by thorough fundamental analysis combined with proprietary ESG research with a strong emphasis on social factors. The analysis draws upon the experience and knowledge of field experts, human capital managers and employees, and fund managers also carry out on-site visits. The fund seeks to outperform the EUROSTOXX TR index over 5 years.

RISK PROFILE

The indicator shown below measures the fund's exposure to Eurozone equity markets, across the full market capitalisation spectrum. The fund's risk category comes with no guarantee and may change overtime. The lowest risk category does not imply that the fund carries "no risk".

Synthetic risk and return indicator

À risque plus faible, À risque plus élevé,

1	2	3	4	**5**	6	7

rendement potentiellement plus faible. rendement potentiellement plus élevé.