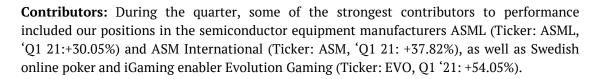


Aperture European Innovation Fund Q1 2021 Commentary

Performance

March was a strong month for European equities with the MSCI Europe, one of the region's key indices and our Fund's benchmark, gaining +6.47% in the month to finish the quarter up +8.35%. The Fund (Ticker: APEIIED LX, Institutional EUR Dis) outperformed its benchmark during the quarter by +0.10%, finishing up +8.45% for Q1 2021. This quarter was particularly characterized by the rising trajectory of government bond yields, especially in the US with 10year yields up from 0.91% at the end of 2020 to 1.74% by the end of the first quarter this year¹. The rise in yields led to rising volatility in longer duration assets and sharp sector and factor rotations.



Both ASML and ASM were buoyed by a very supportive backdrop of semiconductor shortages globally, the need to build more capacity as well as the ongoing US-China decoupling and onshoring of foundry capabilities.

Evolution Gaming reported a strong set of results and unveiled more potential upside from recently acquired NetEnt and their expansion in the US market.

Detractors: Notable detractors for the quarter included positions in Renewable and Energy transition such as EDP Renovaveis (Ticker: EDPR, Q1 '21: -21.04%) and Subsea 7 (Ticker: SUBC, Q1 '21: -2.21%), as well as French digital payment processing company Worldline (Ticker: WLN, Q1 '21: -9.68%).

EDP Renovaveis' stock price was under pressure from the negative ESG ETF flows and their €1.5bn capital increase which was announced in February and subsequently completed in March.

On the other hand, Worldline's stock price declined as we saw continental Europe gradually enter into a third lockdown and technology-related stocks, which were perceived to be relatively expensive, sell off in the market as investors rotated towards cheaper stocks and sectors.

1. Source: Bloomberg Finance L.P., 10-year yields refers to the US Generic Govt 10 Yr (USGG10YR Index) as of 31 March 2021.



- (f) @anisinnovation (f)/AnisInnovation
- (lm) /in/anis-lahlou/
- @ @anisinnovation



Market Review

Beneath the strong market performance and modest outperformance of the Fund during the quarter, there are three highlight events that I believe led to volatility in relative performance.

Firstly, early in the year on January 6th we saw a quick rise in US government yields (with the 10-year up from 0.91% to 1.05%) which led to an intraday sharp value rotation that self-corrected a few days later.

Then, in the last week of January the unwinding of gross exposures related to the retail-induced short squeeze in GameStop (Ticker: GME) and the subsequent rescue of hedge fund Melvin Capital led to another technical, but longer-lived, rotation.

Finally, during the last week of February, US yields continued to rise with the 10-year bond reaching 1.61%. Unabated by the Fed's commentary, we witnessed a sharper rotation towards value, cyclical and less COVID-resistant names. And while technology, secular growth and COVID-resilient names acted as funding for shorts and sold off, we saw additional pressure towards the end of the month in names related to the Archegos Capital unwind.

The first two events created volatility in relative returns but were met by no targeted action on our Fund's portfolio composition. However, the last event, which we deemed less technical than the former two, led us to take profits in some secular, expensive stocks and rotate into more value² ideas, increasing the Fund's exposure to value re-rating opportunities. This resulted in our value exposure rising to 45% from 20-25% earlier in the year. Our active share has dropped marginally from ~90% to closer to 85%.

Outlook and Positioning

Looking ahead, we continue to see 2021 as a year of strong economic recovery with opportunities, we believe, on both sides of growth surprise and value where European equities are well represented. The magnitude in earnings growth in 2021 (consensus expectations in the range of +40% to +50%) is a feat we haven't seen for many years. Typically, with such a high magnitude, there lies more risk to the upside than downside as forecasts tend to underestimate the operational leverage of companies who have permanently reduced parts of their cost base.

In our opinion, the recent surge of a third wave of COVID infections in Europe is simply delaying the recovery but not cancelling it. The successful vaccinations in Israel leading to a collapse in infection numbers, as well as the reopening of the US and UK economies offers an interesting roadmap for what we may expect in the months ahead in Europe and other regions of the world.

In this context, we expect innovation to continue to play a key role in providing operational leverage on the way up and we see upside driven by a) earnings surprise b) valuation dispersion and c) cheap valuations in Europe.

We have therefore positioned the Fund in a way such that we believe it should benefit from both earnings' growth surprise and valuation. The rotation experienced in the month of March we saw as an opportunity to reinforce some of the names that we thought had been sold indiscriminately amongst the technology and COVID-resilient names (e.g. semiconductor equipment manufacturers) while also adding to existing and new positions in the value camp.

2. Value here refers to exposure to names we perceive to be cheaper than the market based on price-to-earnings and free cash flow (FCF) measures.



Outlook and Positioning (cont'd)

We hear the argument that the higher interest rate environment may hurt duration assets and therefore innovation exposed assets. We would caution, however, against such hasty conclusions and blanket generalisations. While higher rates make it incrementally more difficult for higher price-to-earnings (P/E) stocks to outperform lower P/E stocks, we would not be indiscriminately selling all high P/E stocks, but will instead be selective with positioning in the "expensive" category.

Similarly, not all low P/E stocks will outperform at the same time. We have seen, during the March rotation, stocks such as Adyen (Ticker: ADYEN) that are trading above 100x P/E hold up rather well, while some cheaper stocks such as Roche (Ticker: ROG), trading around 15x P/E, continued to underperform. This is one of the reasons we believe it is important to have a balanced portfolio with opportunities on both sides of the growth and value opportunity set and tactically reinforce value exposure when opportunities arise. An example of this in our portfolio took place in November last year, post-Pfizer vaccine announcement, and as a result we have outperformed the MSCI Europe Growth Index (Ticker: MSGEUNTR) by around 7.0% since then.

Finally, the multi-year innovation adoption curves should continue in different parts of the European and global economies across areas such as digitalization, acceleration of electric vehicle adoption and infrastructure, healthcare, renewable energy, the circular economy, industry 4.0 and artificial intelligence and we will aim to continue to position our Fund to benefit from these innovations throughout the year as new opportunity sets emerge in under-appreciated growth, competitive advantage and, of course, valuation re-rating.



Depositary: State Street Bank International GmbH, Luxembourg Branch.

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The Fund offers other share classes for the categories of investors defined in its prospectus.

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Details of the Management Company's up-to-date remuneration policy, including, but not limited to, a description of how remuneration and benefits are calculated and the identity of persons responsible for awarding the remuneration and benefits, including the composition of the remuneration committee, are available at the following website www.generaliinvestments-luxembourg.com and a paper copy of such remuneration policy is available to investors free of charge upon request at the registered office of the Management Company.

The net asset value is available upon simple request from the Management Company and on its website www.generali-investments-luxembourg.com.

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