

# CBL European Leaders Equity Fund



October 2022

## Investment Objective

ELEF investments are concentrated on equities with a long-term growth perspective. The Fund seeks to invest in a diversified portfolio of technically attractive European stocks with desirable fundamental characteristics, including robust earnings growth, strong financial position and profitability.

## Investment Process

- Bottom-up individual stock selection
- Regular portfolio rebalancing
- Daily market monitoring
- Monthly result evaluation
- Country and industry diversification

## Fund Overview

Management Company	CBL Asset Management
Fund Managers	Igor Lahtadir, CFA Andrejs Pilka
Custodian bank	Citadele banka
Inception Date*	24/08/2004
Fund Size	EUR 6.1 mln
Management Fee	1.4% p.a.
Front Load Fee	Up to 1.5%
Issue/redemption	Daily
Distribution Status	Accumulative
Legal Status	UCITS IV, Latvia
ISIN	LV0000400794
Bloomberg Code	CITBSEF LR

\* The data before November 20, 2013 relates to „Citadele Baltic Sea Countries Equity Fund” (ISIN LT0000950008), which was fully transferred at par into newly established “CBL Baltic Sea Equity Fund” (ISIN LV0000400794) with the identical investment strategy. On 1 January, 2020 the Fund’s name was changed to „CBL European Leaders Equity Fund” and the Fund’s investment region was expanded to include all European countries.

## Performance History



## Total Return by Period

	YTD	1M	3M	6M	1Y	2Y	3Y	5Y	SI	2021	2020	2019
Fund	-37.9%	3.5%	-12.2%	-16.4%	-35.5%	-5.9%	-	-	-2.9%	28.0%	15.7%	-

## Top 10 Holdings

	Weight
Novo Nordisk A/S	3.4%
Genmab A/S	3.2%
Hermes International	3.1%
Deutsche Boerse AG	3.1%
Roche Holding AG	3.1%
AIXTRON SE	3.0%
Jeronimo Martins SGPS SA	3.0%
STMicroelectronics NV	2.9%
Diageo PLC	2.9%
Thales SA	2.9%
<b>Total</b>	<b>30.5%</b>

## Portfolio Statistics

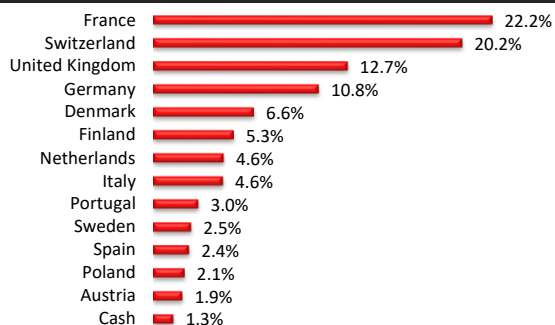
Number of Holdings	39
Average Security Weight	2.5%
Median P/E	25.0
Median P/B	6.3
Weighted Average Dividend Yield	1.7%

## Performance Statistics (3Y)\*\*

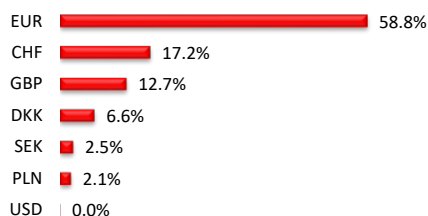
Volatility (St. Dev., %)	22.0%
Sharpe Ratio	0.1
Sortino Ratio	0.0
Value-at-Risk (30d / 95%)	14.1%

\*\* Strategy simulation data is used for calculation.

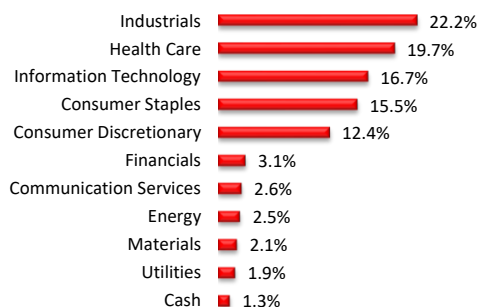
## Country Breakdown



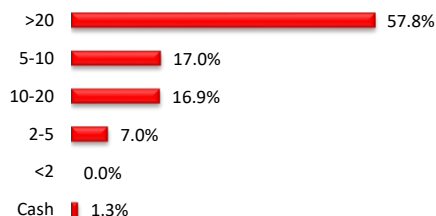
## Currency Breakdown



## Sector Breakdown



## Market Capitalization Breakdown, bn EUR



## Events of the Month

- After a volatile start, global equity markets posted gains in October. Over the month, S&P500 index jumped 8.0% in USD terms and European STOXX600 added 6.3% in EUR. The single European currency remained relatively stable against the US dollar, appreciating by a modest 0.8%.
- In October, appetite for risk improved, as following the September's sell-off some investors started to believe that the markets could have declined sufficiently to price-in the risk of moderate recession, and that a dovish pivot of the monetary might be around the corner. The sentiment was also supported by the beginning of financial reporting season for Q3, which in general has been bringing more positive surprises. However, there have been also prominent earnings disappointments, coming predominantly from the largest Technology and Communication stocks including Amazon, Google, Microsoft and Meta.
- Eurozone's headline CPI accelerated to 10.7% in October, the highest ever monthly reading since formation of the currency block. Not surprisingly, we witnessed a hawkish response from the ECB, which announced another sharp interest rate hike of 75 basis points. Meanwhile, although the monthly inflation in the US has been slowly decelerating – from 8.3% to 8.2% in September, exceptionally strong labor market also triggered a hawkish monetary action. In the beginning of November, the Fed also raised its key interest rate by 75 basis points, and to the markets' disappointment did not rule out big hikes in the future.
- Meanwhile, leading macro indicators continue to reveal that the economic activity has been softening. In Eurozone, the economy is struggling to adapt to surging energy costs. Region's key business activity indicator, flash composite PMI index, registered a fall to 47.1 points in October, implying a possible recession. In the US, similar reading also showed mild contraction of economic activity, albeit at a slower pace.
- The Fund gained 3.5% over the month, lagging the market mainly due to substantially lower relative exposure to surging stocks in the European banking and commodity sectors.

## Contributors and Detractors

+ In October, Industrials and Health Care sectors delivered the largest positive contribution to the Fund's results. Among individual stocks, leaders of the month were Danish biotechnology company Genmab (+18.1%) and French aerospace corporation Airbus (+23.7%).

- On the negative side, Consumer Staples delivered moderately negative contribution. The largest losses were attributed to French branded spirits producer Remy Cointreau (-7.5%) and Norwegian salmon company Salmar (-11.5%).

## Outlook and Strategy

We expect equity markets to remain volatile in the nearest months, as the news flow gets dominated by hawkish actions of the central banks, softer global economic activity, geopolitical risks and energy crisis in Europe. The silver lining is that in general corporate earnings have been proving to be more resilient than widely expected. In addition, market valuations are relatively inexpensive and already seem to price-in the risks of moderate recession, in our view.

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