Global Equities
Harnessing the power of brand prestige in a world of slower growth.

Reasons to invest
LO Funds – Global Prestige

Why invest?

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Global Equities

Publication issued by Lombard Odier Asset Management (Europe) Limited (“LOIM”)

Lombard Odier Funds (“LO Funds”) is a variable capital investment company (SICAV) incorporated in Luxembourg as an Undertaking for Collective Investments in Transferable Securities (UCITS) subject to Luxembourg laws. Global Prestige is a Sub-Fund of LO Funds.

This marketing document is for retail investors located in the countries listed in the Key Facts section. It is not appropriate for Belgian retail investors unless the investment subscription is more than EUR 250,000 and not for Singapore retail or US Person. UCITS have no guaranteed return and past performance does not guarantee the future ones. Please read the important information at the end of the document.

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Harnessing the power of brand prestige in a world of slower growth.

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Product overview

ASSET CLASS
Global Equities.

APPROACH
High Conviction.

Companies with a prestigious brand may enjoy competitive advantages.

A number of long-term trends are reshaping the global landscape, awakening new high profile brands while others may fail to adapt.

In a world of slower growth, this Sub-Fund aims to identify companies with sustainable financials, sustainable business practices, and sustainable business models which can benefit from these long-term trends. We believe these attributes may lead to a sustainable investment opportunity.\(^1\)

\(^1\)There can be no assurance that the objectives of the Sub-Fund will be achieved or that there will be a return on capital or that a substantial loss will not be incurred.
Five forces for brands: competing in a new era

Healthy living
A global market for wellness has emerged, ranging from fitness to organic foods

Leisure
Travel is now one of the largest and fastest growing sectors in the world, outpacing the demand for goods

Emerging middle class
Asia’s expanding middle class is trading up to prestigious brands, driving new phases of consumption

Aspirational consumption
Luxury markets are moving online as they look to target millennials

Disruptive technology
Digitally-driven services, from streaming media to online marketplaces, are replacing traditional channels

Why invest?

A thematic global portfolio of sustainable companies with a prestigious brand or portfolio of brands, aimed at maximising long-term capital growth

Harnessing the power of brand

**Competitive edge:** firms with a prestigious brand potentially enjoy advantages such as pricing and bargaining power.

**Global marketplace:** recognised brands may better capture growing markets or customer segments, such as Asian or millennial spending.

**Secular forces:** in a slower growth world, brands able to cater for changing tastes and to leverage digital innovations are likely to serve their customers better.

**Diversified:** while concentrated in the consumer and technology sectors, well-known brands can be found in many fields, including healthcare, industrials and financials.

**Balanced approach:** we seek to build a resilient portfolio by allocating all potential investments across three distinct categories: best-in-class, growth and corporate events.

**Disciplined:** the team’s bottom-up selection is based on a combination of disciplined and fundamental analysis, and company visits and meetings with industry experts.

Structural trends may help to create new prestigious brands and strengthen others

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1. Source: LOIM.
4. Source: Goldman Sachs Global Investment Research, March 2018. / There can be no assurance that the Sub-Fund’s investment objective will be achieved or that there will be a return on capital or that a substantial loss will not be incurred.

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Healthy living – athleisure

As busy, urban consumers seek a more active lifestyle, “athleisure” footwear (a combination of sports and leisure) saw double-digit growth in 2017 at the expense of “performance” footwear in the US. Established sports brands are responding and new apparel brands have emerged.

China is the world’s largest auto market and the global industry’s main growth engine. In 2022, one out of every two cars sold in China are expected to be sport-utility vehicles (SUV). As with many consumer categories, premium brands are expected to outpace the rest.

From ground coffee to luxury fashion, few brands can ignore the digital race, paving the way for e-commerce solutions. E-concessions are retail agreements with third party online marketplaces and multi-brand platforms – a market expected to hit EUR 6 billion by 2025 for European luxury brands.

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Aspirational consumption – China’s car buyers

Disruptive technology – online distribution

Healthy living – athleisure

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Reasons to invest

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Investment strategy and philosophy

At Lombard Odier Investment Managers, we believe sustainability will drive future return potential

We adopt a three-pillar approach to finding sustainable businesses, looking for those with sustainable financial models, sustainable business practices and sustainable business models.

1. Sustainable financial models
We use disciplined financial analysis with the aim to identify excess economic returns. The team looks at companies’ capital efficiency, cash generation and capital dependency as well as comparing their valuations to the economic returns they generate.

2. Sustainable business practices
The team also considers proprietary extra-financial information (Environmental, Social and Governance) aimed at avoiding the worst corporate practices and controversies which can be damaging both to society and to investment returns.

3. Sustainable business models
We tap into consumer-led structural trends that encompass demographic shifts and the digital revolution. We believe companies that can harness the power of brand and ride those trends have better staying power through economic or market cycles.

The end result
The result is an actively managed portfolio of 30-40 stocks that aims to invest in companies able to generate sustainable economic returns through their brand proposition – which we believe enables strong market positions, high pricing power and promising growth prospects.

“Global e-commerce growth is mind-boggling. From USD 2.3 trillion in 2017, it is expected to reach USD 4.5 trillion in 2021.”

The investment team

Juan Mendoza
Lead Portfolio Manager
22 years’ experience

Jinwen Ouyang
Analyst
11 years’ experience

Juan has run the Global Prestige strategy since 2009. He is a well-recognised expert in the consumer sector. Juan was awarded Lipper Funds Awards in 2011, 2012 and 2013.

The team works closely with the wider Global Equities team to leverage our well-established thematic research capabilities across all geographies and sectors.

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Key facts about LO Funds – Global Prestige

Legal structure
SICAV – UCITS (Luxembourg)

Investment objective
The Sub-Fund aims to generate capital growth by investing mainly in equity securities issued by companies worldwide (including Emerging Markets) with leading / premium brand recognition in the opinion of the Investment Manager and/or offering luxury, premium and prestige products and/or services, or which obtain the majority of their revenues by advising, supplying, manufacturing or financing such activities.

Investor profile
The Sub-Fund may be appropriate for investors who seek long-term capital appreciation and can withstand volatility in the value of their investment. It may not be appropriate for investors unwilling to take on the increased risk associated with Equities investing or for investors who plan to withdraw their money within 5 years.

Custodian bank/administration
CACEIS Bank, Luxembourg Branch

Sub-Fund launch
25 June 2018

Liquidity
Daily

Subscription/redemption details
Subscription deadline: T-1, 15:00 CET; Payment date: Up to T+3

Registered countries/investor type
Registered for distribution to retail investors in: Austria (AT), Finland (FI), France (FR), Germany (DE), Gibraltar (GI), Greece (GR), Italy (IT), Liechtenstein (LI), Luxembourg (LU), Netherlands (NL), Norway (NO), Spain (ES), Sweden (SE), United Kingdom (GB), Switzerland (CH): Registered for distribution to Swiss non-qualified investors with the FINMA. Belgium (BE): Not appropriate for Belgian retail investors unless the investment subscription is more than EUR 250,000. Singapore: Not appropriate for retail investors (restricted schemes). U.S.: Not appropriate for U.S. persons.

Reference currency
EUR

Management fee
0.96%

Conversion fee
Up to 0.50% (of the total amount switched)

Taxation in the EU
Tax treatment depends on the individual circumstances of each client and may be subject to change in the future. Please consult your tax advisor for more details.

Share class
ISIN
SRRI
Entry charge
Ongoing charge
Distribution fee
Min. investment (EUR)
Countries of registration

LO Funds – Global Prestige, (EUR) PA
LU1809976522
5
Up to 5%
2.22%
0.96%
3,000
AT, BE, CH, DE, ES, FI, FR, GB, GI, GR, IT, LI, LU, NL, NO, SE, SG

LO Funds – Global Prestige, (USD) PA
LU1809977843
5
Up to 5%
2.22%
0.96%
3,000
AT, BE, CH, DE, ES, FI, FR, GB, GI, GR, IT, LI, LU, NL, NO, SE, SG

LO Funds – Global Prestige, Syst. NAV Hdg, (CHF) PA
LU1809979898
5
Up to 5%
2.22%
0.96%
3,000
AT, BE, CH, DE, ES, FI, FR, GB, GI, GR, IT, LI, LU, NL, NO, SE, SG

LO Funds – Global Prestige, Syst. NAV Hdg, (SGD) PA
LU1809981878
5
Up to 5%
2.22%
0.96%
3,000
AT, BE, CH, DE, ES, FI, FR, GB, GI, GR, IT, LI, LU, NL, NO, SE, SG

LO Funds – Global Prestige, Syst. NAV Hdg, (USD) PA
LU1809978817
5
Up to 5%
2.22%
0.96%
3,000
AT, BE, CH, DE, ES, FI, FR, GB, GI, GR, IT, LI, LU, NL, NO, SE, SG

The above share classes are for illustrative purposes only. Other share classes may be available in your country. The prospectus, the Key Investor Information Documents (KIID), the articles of incorporation as well as the semi-annual and annual reports are available on www.loim.com and can be requested free of charge at the registered office of the Sub-Fund.

11 Lombard Odier Funds ("LO Funds") is a variable capital investment company (SICAV) incorporated in Luxembourg as an Undertaking for Collective Investments in Transferable Securities (UCITS) subject to Luxembourg laws. Global Prestige is a Sub-Fund of LO Funds. 12 The ongoing charge figure is based on expenses for the 12-month period ending 25 June 2018. This figure may vary from year to year.

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Reasons to invest

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LOIM · LO Funds – Global Prestige · 2018
Understanding the risks and reward profile & Glossary

This indicator (SRRI) represents the annualised historical volatility of the Sub-Fund over a 5-year period. Where there are less than 5 years’ worth of data, missing returns are simulated using an appropriate benchmark. The SRRI may change over time and should not be used as an indicator of future risk or returns. Even the lowest risk classification does not imply that the Sub-Fund is risk-free or that capital is necessarily guaranteed or protected.

The following risks may be materially relevant but may not always be adequately captured by the synthetic risk indicator and may cause additional loss:

**Concentration risk:**
To the extent that the fund’s investments are concentrated in a particular country, market, industry, sector or asset class, the fund may be susceptible to loss due to adverse occurrences affecting that country, market, industry, sector or asset class.

**Emerging market risk:**
Significant investment in emerging markets may expose to difficulties when buying and selling investments. Emerging markets are also more likely to experience political uncertainty and investments held in these countries may not have the same protection as those held in more developed countries.

**Active management risk:**
Active management relies on anticipating various market developments and/or security selection. There is a risk at any given time that the fund may not be invested in the highest performing markets or securities. The fund’s net asset value may also decline.

Please also pay attention to the inherent risks of this Sub-Fund, such as for instance:

- Risks related to Currencies
- Risks related to Small and Medium Sized Capitalisations

Before taking any investment decision, please read the latest version of the Prospectus, the articles of incorporation, the Key Investor Information Documents (KIID) and the latest annual report and semi-annual report. Please pay particular attention to Appendix B “Risk Factors Annex” of the Prospectus.

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**Glossary**

**Diversification**
If the prices of one asset class typically move in the reverse direction to another, this can help mitigate risk on a portfolio. For example, if bond prices rise when equity prices fall, including bonds in a portfolio of equities can help to reduce the volatility in the value (i.e., risk) of that portfolio.

**Fundamental**
Financial analysis about a company such as assessing its sales, profitability and ability to service debt.

**Capital efficiency**
A company’s level of profit generated over capital employed.

**Excess economic returns**
Profits that comfortably exceed a company’s cost of financing.

**Structural**
A condition that changes how an industry or market operates, regardless of cyclical or short-term economic trends.