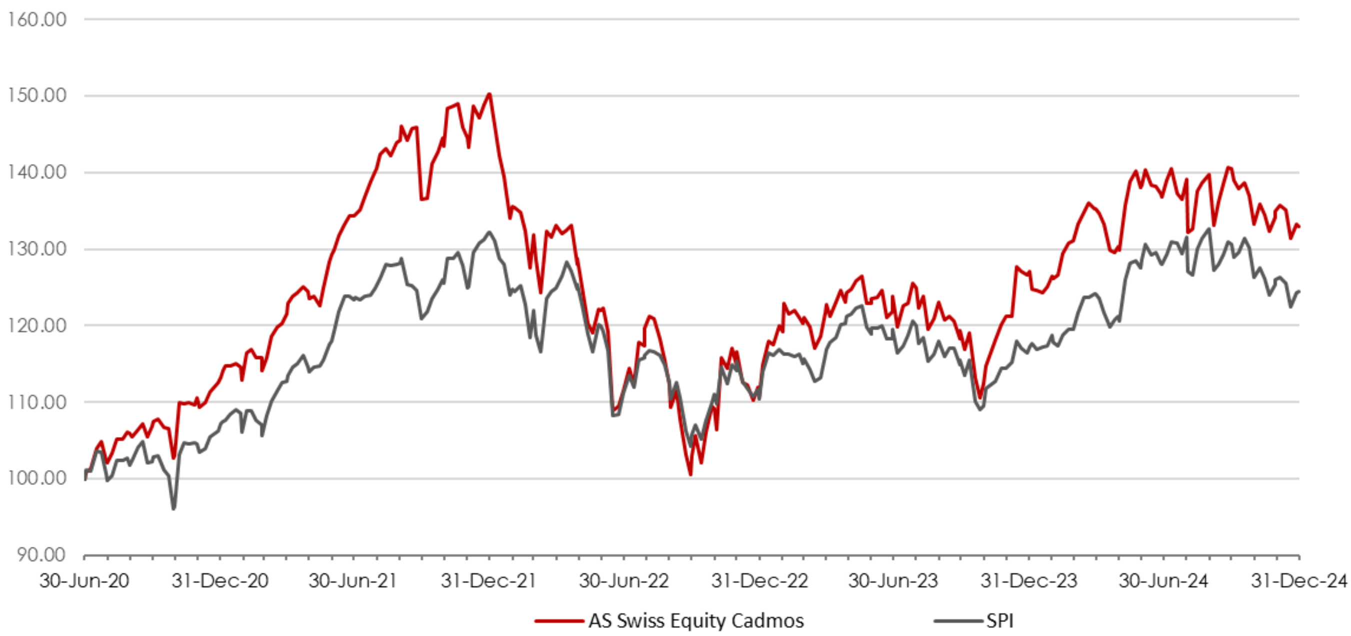
AS Swiss Equity Cadmos Engagement Fund

Financial Report 2024

Investment Philosophy

AS Swiss Equity Cadmos Engagement is a long-only Swiss equity fund. The fund aims for regular long-term capital growth with a lower correlation to the markets. The portfolio management is active, based on alpha generation. The fund offers a combination of investments in value and growth stocks. The ESG aspects are at the heart of the strategy. The fund invests in leading companies that can benefit from paradigm shifts, such as the digital transition, demographic growth and climate changes. Investees companies can improve their competitiveness while having the capacity to generate positive social and environmental externalities. Systematic engagement with selected companies generates tangible additional impact and strengthens investment convictions. This combination should allow to deliver better long term performance with minimized risk.

Performance



Since its launch, from July 1, 2020 to December 31, 2024, the AS Swiss Equity Cadmos Engagement fund (IF class) has recorded a performance of +34.5%, an outperformance of 10% compared to that of its benchmark index, the SPI (Swiss Performance Index) up +24.4%. In 2024, the fund generated a performance of +5.0% (for the IF share), a lower performance than that of its benchmark index, the SPI up +6.2%.

The year 2024 promised to be difficult but the global economy held up better than expected, particularly in the United States where growth continued, partly thanks to the technology sector. The increase in inflation has slowed and central banks have been able to make several rate cuts. However, the year was volatile, influenced by political uncertainties (the US presidential election, the dissolution of the French national assembly, the political crisis in Germany among others), geopolitical tensions (wars in Ukraine and the Middle East), a still tense economic situation in Europe and China as well as inflation difficult to contain in the United States. In Switzerland, the SNB lowered interest rates several times. The Swiss market posted a positive performance in 2024, the SMI index gained +4.2%.

In 2024, the fund recorded an increase of +5.0% for the IF share, +4.8% for the I share, +4.2% for the A share and +5.1% for the J share, lower than that of its benchmark index, the SPI up +6.2%. The difference is explained by the losses of important holdings such as Inficon, Sika, Straumann and VAT, some of which had very strong showing in 2023.

Active Portfolio Management

The fund primarily invests in companies that demonstrate a strong balance sheet, stable and consistent profit growth, high return on invested capital and significant cash generation after investments. Stock selection is based on primary fundamental analysis. The financial strength of a company, its level of debt, its future sales growth, the improvement in its margins, its ability to create value, its returns on investment over the medium term, its resilience to economic cycles, among others are analysed and modelled. For the majority of companies, a financial model is constructed with a minimum of 5-year history and 5-year projections. In order to best refine their projections and their opinions on the companies, the managers base themselves on company publications, attend conferences given by the latter and have regular meetings with members of management (general manager or financial director) and/or or with investor relations several times a year.

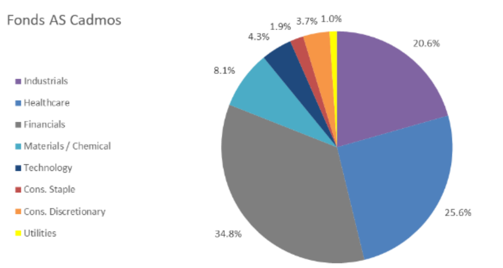
During 2024, the managers had more than 100 meetings with company management to discuss their strategy, results and prospects from a financial point of view. Managers also had engagement meetings with people responsible for corporate sustainability and/or company management and/or investor relations. The goal is to engage with all the companies held in the fund within 3 years and to generate additional positive impacts for the majority of securities in the portfolio within 5 years. During these meetings, social, environmental and governance aspects are discussed. On the basis of these analyses, a rating is determined, a rating which will have a direct impact on the valuation model through the interest rate used in the model for discounting the cash flows generated. A company is bought or sold based on its fair value determined by the discount model applied to cash flows and dividends generated over a five-year period. The objective is to keep the securities in the portfolio over a long period and to have strong convictions in the investments.

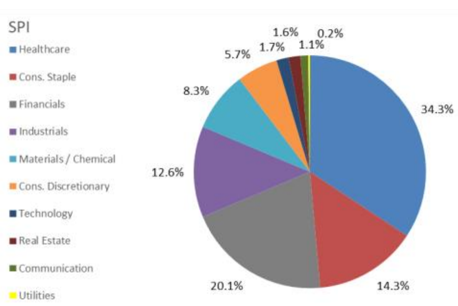
At the end of 2024, the fund's assets under management amounted to CHF 76.1 million compared to CHF 61.9 million at the end of December 2023. This increase is due to the positive performance of the fund and capital inflows (for CHF 11.2 million). The price of the class IF is CHF 132.98, the class I is CHF 132.13, the class A is CHF 129.39 and the class J is CHF 133.43 as of December 31, 2024.

The fund composition

Company shares each represent between 1% and 7% of the fund. The fund is made up of 36 at the end of December 2024. Cash represents less than 1% of the fund.

At sector level the fund has the following composition, which is quite different from that of its benchmark, the SPI.





The 10 main positions of the fund are the following :

Companies	% of the fund	Companies	% of the fund
UBS	7%	Swissquote	4%
ABB	6%	Alcon	4%
Zurich	6%	Givaudan	4%
Swiss Life	6%	Sika	4%
Partners Group	5%	Lonza	4%

In 2024, the fund added three new positions: Galderma, Swissquote and Swiss Re. Galderma, the company specializing in dermatological care and injectable aesthetics which made its IPO this year, benefits from a strong growth market, geographic expansion and the launch of new products. Swissquote, the digital bank, is showing strong growth, partly thanks to the appeal of cryptocurrencies trading and also thanks to its expansion in Switzerland and abroad. In order to increase insurance exposure, Swiss Re was bought. The reinsurance company has strengthened itself financially with the increase of its reserves for its “property & casualty” division. It announced its objectives for 2025, including a net profit of $4.4 billion. It targets a minimum dividend growth of 7% per year over the next three years and to maintain its ROE target above 14%.

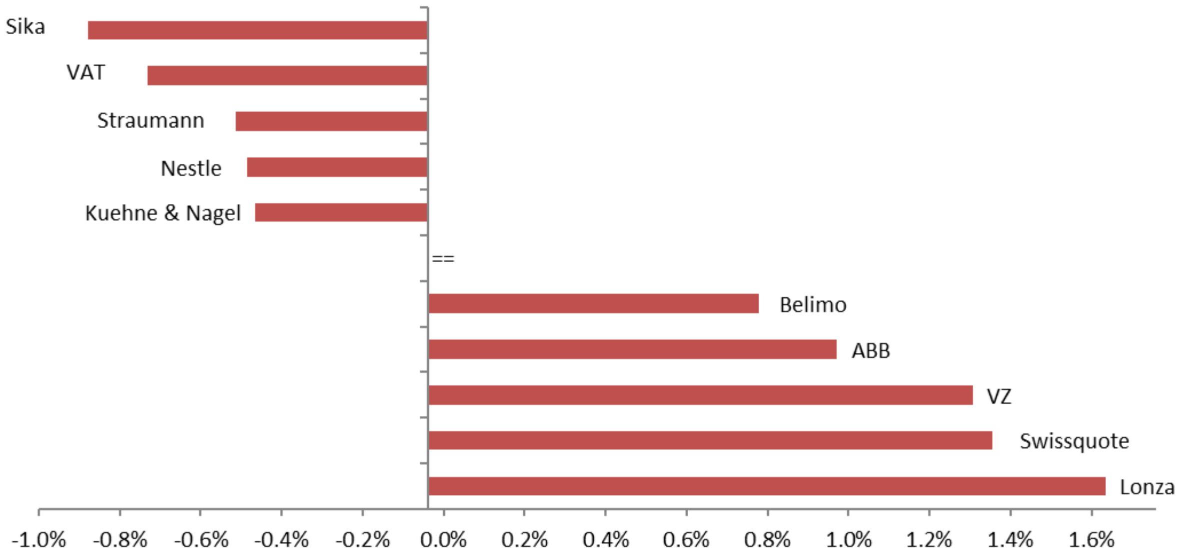
Several securities have been accumulated to invest the fund's new liquidity (ABB, Belimo, Georg Fischer, Givaudan, Inficon, Logitech, Lonza, Partners Group, Siegfried, Sika, Swiss Life, UBS, VAT, VZ Holding, Ypsomed, Zurich).

Four stocks were removed from the portfolio: Also, Emmi, EMS Chemie and SIG Combibloc. Following poor results for the software distributor Also and taking advantage of a rebound in the technology sector, the stock was removed from the portfolio. The drop in US consumption is weighing on sales of Emmi and SIG Combibloc. The automotive sector is slowing down and there is little improvement in sight in the short term, which impacts EMS Chemie's business.

Three positions were reduced: BKW, Lem and Nestlé.

Performance contributions

The main performance contributors in 2024 (ex-dividends)



The satisfactions

The performance of the different positions in the portfolio was very uneven as in 2023. Securities which had suffered significantly in 2023 regained the favor of investors in 2024 and, on the other hand, securities which had experienced strong performance in 2023 fell.

Interest rates' movements have been beneficial for financial companies, particularly insurance companies. Swiss Life published good results throughout the year. When announcing "Swiss Life 2027", it increased its return on equity target to 17-19%, increased its dividend distribution rate and announced a share buyback program. Zurich has also published good results, it has already achieved its 2025 objectives. Its balance sheet is solid, which allows it to pay an attractive dividend. VZ Holding continued to attract new assets under management and posted good results. Swissquote, the digital bank, showed strong growth in its results, partly thanks to trading in cryptocurrencies. UBS has published good results and the integration of Credit Suisse is going well. However, the stock was volatile during the year due to a FINMA report and its "too big to fail" conclusions. It urges UBS to provide more guarantees to deal with a possible crisis and to review its liquidation strategy. However, performance over the year was positive. Partners Group experienced a more modest positive performance than the rest of the sector. The private equity company is expected to record low performance fees in 2024 because the environment is not favorable for completing sales or placing private assets on the market.

Cyclical stocks have experienced contrasting trajectories. ABB is in a positive trend thanks to the increase in electrification needs. Belimo is driven by strong demand from data centers in the United States for its cooling solutions. Despite negative developments in construction and automobiles, Georg Fischer delivered a positive performance thanks to the good integration of Uponor and especially to the announcement of its renewed focus on its Piping activities, with the sale of its Machining division and the expressed desire to sell its Casting division.

In the healthcare sector, the big pharmas, Roche and Novartis held up well and recorded a performance similar to that of the market. Novartis has published good results. Despite future patent losses, the group has revised upwards its average sales growth outlook to 5% for the years 2024-29. In November 2024, Novartis announced the acquisition of Kate Therapeutics, specialized in genetic therapies. Roche published good results and confirmed that it wanted to maintain a high level of margins by favoring internal research. The stock was influenced by hopes in its anti-obesity drugs (following its acquisition in 2023 of Carmot Therapeutics) whose clinical results have raised some questions and whose sales could be lower than expected. Ypsomed, the producer of injectable systems for medicines, has decided to focus solely on its injection systems division and to spin off its Diabete Care business. Driven by the hopes for big volumes coming from anti-obesity drugs the stock continued its sharp rise until October. Despite good results and a forecast of strong growth to come, fears that overall sales of anti-obesity drugs would ultimately be lower than anticipated caused some profit taking in the 4th quarter. Alcon experienced a good performance, slightly hampered by the publication of sales below expectations and a slight downward revision of its results for the year 2024. On the other hand, the group is improving its profitability and numerous launches in 2025 should support its growth for the years to come. Sonova regained ground this year thanks to the launch of its new Infineo hearing aid platform and market share gains. It won a new contract with Costco for hearing aids under its Sennheiser brand, sales of which will initially remain modest.

After a bad year 2023, Lonza regained the investors' favor. Several major events marked the year, firstly the acquisition of Roche's biological products production plant in Vacaville, then the appointment of a new CEO Wolfgang Wienand, then CEO of Siegfried, good results and finally a review of its portfolio with the decision to divest the Capsule & Health Ingredients division whose profitability decreased since its purchase. Despite the departure of its CEO, Siegfried also had a good year. The company published good results, it is increasing its production capacities and making targeted acquisitions to ensure its future growth.

Throughout the year, Givaudan recorded an acceleration of its sales growth coupled with an improved profitability. Despite declining watch sales, due to the drop in Chinese demand, Richemont shares showed a decent increase, thanks to the good resilience of its jewelry division, particularly the Cartier brand.

SGS was supported by the arrival of a new CEO and her desire to simplify the group and implement cost-saving measures in order to increase profitability.

In the energy sector, the fall in electricity prices prompted investors to take profits on BKW. The stock recovered following the presentation of its 2030 strategy with ambitious targets of 1 billion in operating profit and the announcement of a large investment program. BKW wants to participate in the transition towards a more sustainable energy production environment.

The disapointments

The slowdown in the construction sector weighed on the results of Geberit and Sika. Lem suffered the biggest loss in the portfolio, stemming from its heavy dependence on China and the declining automobile sector. The economic situation as well as disruptions on the Suez Canal and the Panama Canal have driven up freight rates in 2024. These disruptions have impacted Kuehne + Nagel. Interroll is suffering from destocking at its customers, new projects are delayed.

Technology stocks VAT, Inficon and Logitech, which jumped in 2023 with the rise of AI, fell sharply this year. Capital spending by semiconductor companies has fallen and the expected rebound has been delayed. However, VAT expects a record year in 2025. Logitech has fluctuated a lot this year despite good results. Pressure from the founder to change CEO as well as fears of increased tariffs from the United States towards China, where part of its production sites are located, weighed on the stock.

Continued high inflation in the United States and a gloomy economic environment in the rest of the world weighed on consumer demand. Nestlé was unable to return to its historic real growth rates, which pushed its CEO to resign after disappointing results. An internal successor has been appointed and has the difficult task of restoring investor confidence.

After a strong performance in 2023, Straumann fell back this year, despite decent results with the exception of the United States where the implant market declined. The group announced the sale of the unprofitable DrSmile in Europe, which allowed it to raise its forecasts. Tecan once again had a very difficult year. Reductions in spending by the biopharmaceutical industry have led to a drop in demand for its research instruments and the weakness of the Chinese market has affected many of its customers.

Bachem and Dottikon were also impacted by lower spending by biotech companies. Bachem suffered an incident on its site under construction and changed some plans causing delays and additional costs. At the end of the year, the disappointing results of Novo Nordisk's new obesity drug also weighed.

Daetwyler is reporting a decline in growth in its healthcare division due to destocking at its customers and lower sales of automotive products. The stock fell sharply.

Outlook

The evolution of the global economy is uncertain for 2025. Interest rates still at high levels in the United States could slow down growth although the outlook currently remains good. The European economy is struggling to recover. In Switzerland, SECO anticipates GDP growth of 1.5% for 2025. If inflation continues to normalize, central banks are expected to make further rate cuts in 2025, which could support the markets. On the other hand, unknowns such as the trade policy implemented by the new American government could weigh on the markets.

The aggregate profits of Swiss companies could increase by 10% in 2025. The Swiss market is trading at 17x expected profits for the year 2025, a level that is still high historically. The ratio between equities earning yields and Swiss government or "corporate" bond yields is around 5% and therefore favorable to stocks. The SNB carried out rate cuts in 2024 for a total of 100bp, the SARON rate went down from 1.7% at the end of December 2023 to 0.45% at the end of December 2024.

Shareholder's engagement

Voting : ASIM is an active shareholder and votes at general meetings of all investee companies. Voting provides portfolio managers with valuable information about the quality of a company's governance. The skill, independence and availability of the board of directors are critical to a company's future. The effect of a capital increase, for example, will be felt immediately. Exercising the right to vote is a financial responsibility. The portfolio managers define their voting positions by studying the analyses of annual general meetings (AGMs) and the voting recommendations supplied by the proxy voting advisory firm.

Dialogs : During 2024, twenty meetings were organized to discuss the environmental, social and governance topics. All the dialogues and engagement meetings are designed to motivate companies not only to give greater consideration to tangible financial risks of inaction, negligence or even unlawful behaviour but essentially to increase the integration of the key material environmental, social and governance topics into their strategy and communication. The most important topics are studied and discussed. The ESG expert make clear progress recommendations based on an assessment of each company's identified gaps. Companies are often aware of their challenges and ready to adjust and follow some advice.

After each dialog, a detailed report is published, available to shareholders of the fund and to the company in question among others. A shareholder report is published every year, including all companies of the portfolio. Those reports are available on request.

For further details on shareholder engagement, voting and dialogues, please refer to the "Shareholder Engagement Report 2024" available on ASIM website or on request.

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