

Fund Fact Sheet

28/02/2018

Asset Class

Equities Europe, Small- and Mid-Caps

Fund Characteristics

AUM	€ 221,2 mn
Launch date	30/11/2012
Oldest share class (B)	LU0832875438
Turnover (2017) *	15%
Reference currency	EUR
Hedged share class available in	USD
Legal structure	SICAV, UCITS
Domicile	Luxembourg
European Passport	Yes
Countries of registration	AT, BE, DK, FI, FR, DE, ES, IT, LU, NL, NO, SG, SE, CH, GB

Representative Market Index

MSCI Europe Small Cap NR EUR

Team



Ivan Bouillot has managed the fund since launch. He joined BLI in 2000.



Tom Michels joined BLI in 2014. He is the co-manager of the fund.

Management Company

BLI - Banque de Luxembourg Investments S.A.
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L-2449 Luxembourg
Tel: (+352) 26 26 99 - 1

Dealing & Administrator Details

European Fund Administration (EFA)	
Tel	+352 48 48 80 582
Fax	+352 48 65 61 8002
Dealing frequency	daily**
Cut-off time	12:00 CET
Front-load fee	max. 5%
Redemption fee	none
NAV publication	www.fundinfo.com

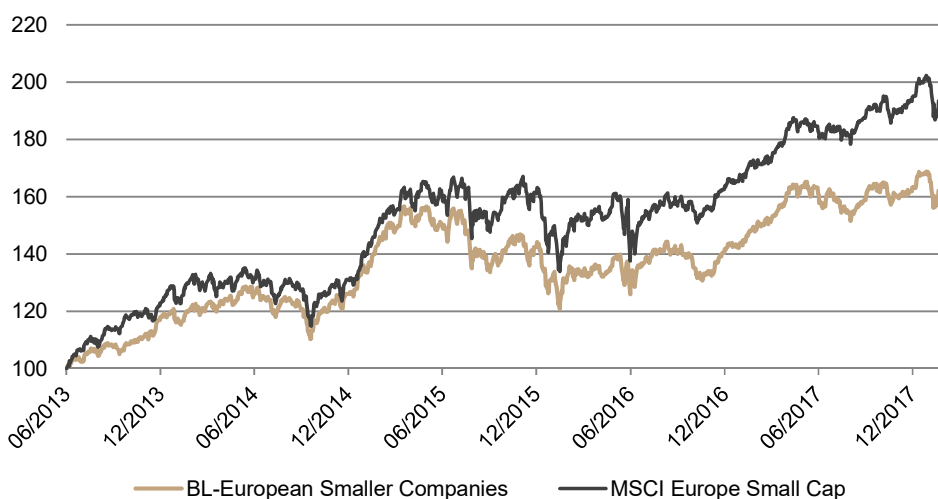
Investment Objective

The objective of the fund is to achieve long-term capital gains by investing in high-quality European small- and mid-cap companies (market cap between € 300 mn. and ~ € 5 bn.) benefiting from a sustainable competitive advantage.

The fund manager implements an active investment strategy based on strong convictions. Since the portfolio structure is the outcome of individual bottom-up investment opportunities, it may deviate significantly from its relevant market index in terms of sector and market cap allocations.

Key Facts

- Concentrated portfolio of 40-50 European small- and mid-cap companies, selected on the basis of their fundamentals.
- Investments in quality business models.
- Monitoring of company-specific and average portfolio valuation.
- Portfolio with structural deviations from the relevant market index.
- Long only and fully invested.



Performance	6 months	1 year	3 years
Fund (B shares)	4,4%	7,5%	9,9%
MSCI Europe Small Cap NR	6,2%	13,1%	26,8%

Volatility	6 months	1 year	3 years
Fund (B shares)	10,8%	10,5%	12,6%
MSCI Europe Small Cap NR	10,2%	8,8%	12,5%

The market index (MSCI Europe Small Cap Net Return) is shown in the performance chart as well as in the performance tables above for performance measurement purposes only and it should under no circumstances be considered as an indication of a specific investment style or strategy.

Investors are also invited to consult the performance chart disclosed in the key investor information document of the sub-fund.

* min (purchases, sales) / average of net assets

** Luxembourg banking business day

Current Portfolio

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Top Holdings

Norma Group Se	4,6%
Carl Zeiss Meditec	3,8%
Viscofan	3,8%
Loomis	3,8%
Rotork	3,6%
Comet	3,5%
Interpump	3,4%
Britvic	3,4%
Amplifon	3,3%
Krones	2,8%
Weight of Top 10	35,9%
Number of holdings	44

New Investments in February

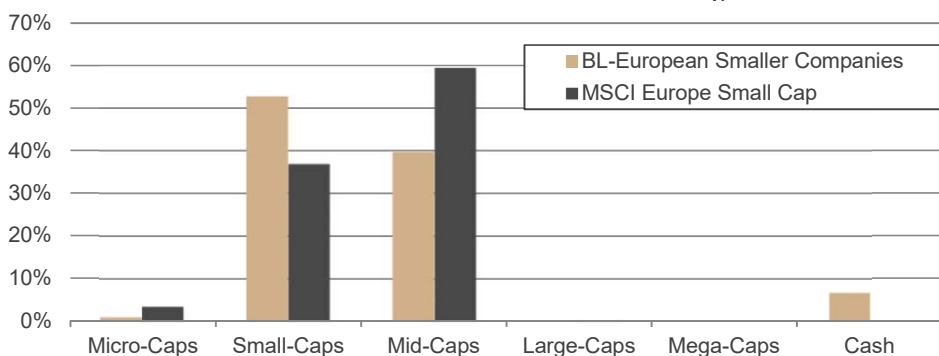
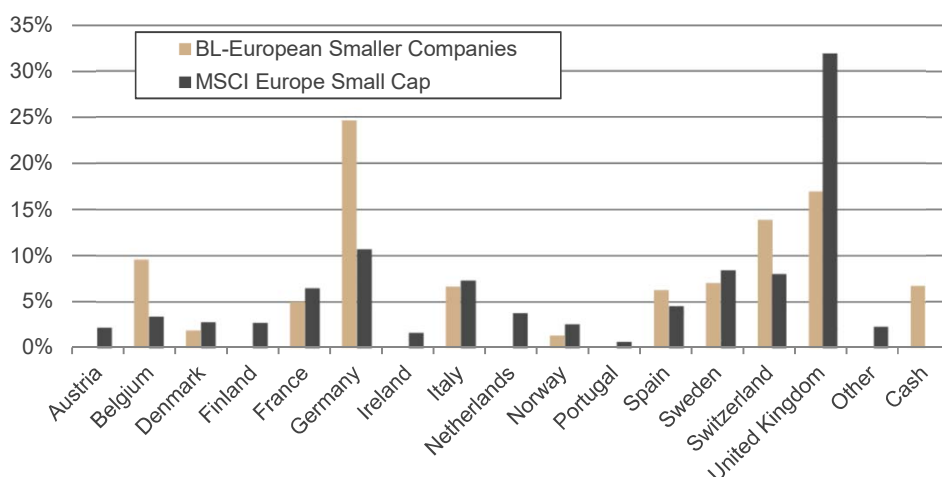
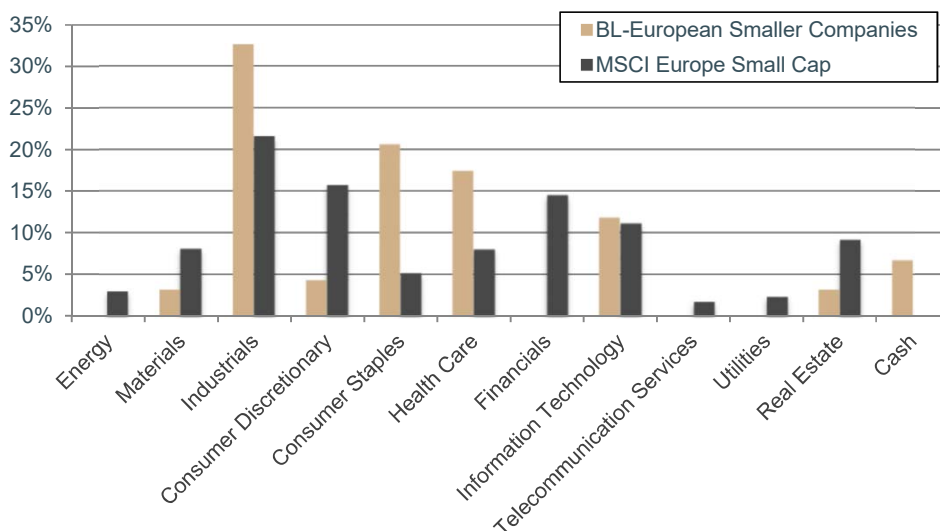
no transactions

Investments sold in February

no transactions

Currencies

EUR	58,9%
GBp	17,0%
CHF	13,9%
SEK	7,0%
DKK	1,9%
NOK	1,3%



Market capitalisation classifies stocks based on their position in the cumulative capitalisation of their market region. Mega-cap stocks account for the top 40% of the market capitalisation of the market region, large-cap stocks represent the next 30%, mid-cap stocks the next 20%, small-cap stocks the next 7% and micro-cap stocks the remaining 3%.

Investor Type	Eligibility Restrictions	Share class	Currency	Currency Hedging	Income	Mgmt Fees	On-going Charges	SRR1	ISIN	Bloomberg Ticker
Retail	No	A	EUR	No	Dis	1,25%	1,48%	5	LU0832875354	BLEUSCB LX
Retail	No	B	EUR	No	Cap	1,25%	1,46%	5	LU0832875438	BLEUSCB LX
Retail	No	B USD Hedged	USD	Yes	Cap	1,25%	1,47%	5	LU1273297298	BLESBUH LX
Retail	Yes	AM	EUR	No	Dis	0,85%	1,05%	5	LU1484144834	BLEUSAM LX
Retail	Yes	BM	EUR	No	Cap	0,85%	1,06%	5	LU1484145054	BLEUSBM LX
Retail	Yes	BM USD Hedged	USD	Yes	Cap	0,85%	1,18%	5	LU1484145138	BLESBMU LX
Institutional	Yes	BI	EUR	No	Cap	0,60%	0,73%	5	LU1484144917	BLEUSBI LX

Management Report

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The equity markets saw high volatility in February. The main trigger was inflationary pressure, prompting a rise in bond yields. Equity markets subsequently suffered a contraction. The small caps index declined by 2.88%. The sectors that suffered the most were property, non-discretionary consumer and healthcare. At the other end of the scale were technology, financial and consumer discretionary. During the period, the NAV of BL-European Smaller Companies gave up 2.92%.

Mycronic was among the positive contributors. The Swedish company reported earnings well above market expectations. According to the company, its industry and semi-conductor markets are in good heart. Demand remains high for Mycronic's solutions, and this is reflected in strong organic growth and much better-than-expected results. The company's outlook is positive for the year ahead, buoyed by the launch of new generations for some of its systems. Another positive contribution was the performance of the Belgian pharmaceutical company Fagron. After two years of restructuring, the company presented encouraging figures, showing that it has taken the right measures: organic growth has accelerated, debt has decreased, and margins are increasing.

In contrast, the fund's NAV was negatively impacted by the share prices of Comet and Gerresheimer. Comet enjoyed excellent growth in 2017 in terms of revenues, the only downside being a smaller increase in profit margins than expected by financial analysts. For Gerresheimer, whereas 2017 beat analysts' expectations, the market was disappointed by its forecasts for 2018. The company is feeling the pressure from its clients in the US generics market. With prices squeezed on its drugs and volumes falling, Gerresheimer is expecting stable margins for 2018.

Within the portfolio, the manager strengthened the following positions: Elior, Grammer, Kronos, Loomis, Nibe and Viscofan.

Investment Approach

Investment Principles

Limit investment losses

- >The value of an investment that has lost 50% must double to recover incurred losses
- >Avoiding losses is more important than generating extraordinary gains

Master company specific risk

- >Risks arise when the parameters of an investment are not properly understood
- >We avoid investing in companies we do not fully understand

Valuation monitoring

- >The price paid for an investment determines its potential return
- >We monitor the margin of safety to minimize the likelihood of suffering losses on our investments

Consideration of an entire market cycle

- >Foregoing part of potential gains in strongly rising markets pays dividends in falling markets
- >Our objective is to outperform the relevant benchmark through an entire market cycle.

Benchmark agnostic

- >The market reference is solely used for performance measurement principles
- >Owing to the active investment approach of our portfolio management, the portfolio structure deviates strongly from that of the benchmark.

Equity Investment Approach: Business-Like Investing

We consider an equity investment as a long-term participation in a business. We focus on companies benefiting from a sustainable competitive advantage, enabling them to generate consistent free cash-flows and to deliver an attractive return profile.

Quality

In the first step of our investment process, we perform an in-depth review of the targeted company's business model in order to identify its competitive advantage. Differentiation through a competitive advantage creates entry barriers against competitors and enables a company to better execute its strategy. In the second step we analyse whether the competitive advantage translates into high ROCE and whether the company generates consistent cash-flow. We analyse the maintenance capex requirements of the targeted companies to make sure that the generated cash-flow is not absorbed by investments needed to sustain its current business operations. We emphasize the analysis of the balance sheet and look for companies with a low level of gearing through the cycle.

In the third step, we analyse how the targeted company has used and will use its capital. The company's management faces the following options: investment in current business activities, development of new activities, takeovers, dividend payments, stock buybacks or debt repayments.

Only companies that meet our investment criteria are considered for inclusion into our portfolios, which may lead to significant deviations from the market benchmarks.

Valuation

Investments may lead to important capital losses if the price paid for the investment is too high. To avoid this pitfall, we derive a fair value for each targeted company prior to investing. This fair value is based on the company's normalised free cash-flow and serves as reference point for our buy and sell discipline. We invest in a company, when its stock price offers an attractive margin of safety, taking into account its development prospects.

Portfolio characteristics

BL-European Smaller Companies invests in a focused selection of small to mid-sized European companies. Targeted companies are typically among the market leaders and offer favourable development prospects. We construct a concentrated portfolio of approximately 40-50 positions, which allows us to have a good handle of each individual investment, to express our convictions and to minimise errors. Our investment process singles out companies that stand out against their competitors - through an added value product or service, through a good corporate strategy and production process, which underscores high levels of profitability and a healthy financial situation. Portfolio candidates need to enjoy favourable sales growth and / or margin progression prospects.

Our investment choices lead to significant and structural deviations from the fund's relevant market (MSCI Europe Small Cap). We do not invest in all sectors that are represented in the market index. Most investment opportunities we single out are in the consumer, industrial, health care, chemical and technology sectors. Conversely, there are sectors like financials, utilities or telecom, where we find few - if any - companies that meet our investment criteria.

Our investment strategy has a mid- to long-term orientation: our investment cases are constructed with a 2 to 5-year investment horizon. When implementing our bottom-up investment strategy, we do not consider any short term macroeconomic views. When making an investment, we are wary of valuation levels of each individual company: at investment, the market price needs to offer a discount against the company's fair value (margin of safety).

The portfolio construction rests on two main pillars: a stable core portfolio consisting of well-established companies, often being one of the leaders in niche markets. The second part of the portfolio consists of companies benefiting from growth prospects. The portfolio structure is the outcome of individual bottom-up investment opportunities without consideration of the fund's relevant benchmark structure. The weight given to each security in the portfolio is a function of their valuation level, stock liquidity and our level of conviction in the investment thesis.

We don't implement market or currency hedging strategies in the portfolio and the portfolio is fully invested.

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