

Lansdowne European Fund

a sub-fund of Lansdowne UCITS ICAV

Quarterly Commentary – Q4 2024

In Q4 2024, the Fund returned -1.62% while the MSCI Europe Net TR Index delivered -2.72%.

Increases

Compass: Strong Q4 and FY24 results and a robust guide for FY25 underpinned the market's ongoing re-assessment of Compass' medium-term growth algorithm. We continue to believe the business can grow organically, expand margins and provide positive returns. With the stock still trading at an attractive multiple of c24x, the shares are likely to be under-valued, suggesting continued market interest in the name.

Essilor Luxottica: Shares continued to perform well following strong feedback from Meta regarding the performance of its RayBan Meta smart glasses. Whilst relatively small as a share of group revenues for Essilor Luxottica (we estimate approximately 1%), the innovation could be seen to be a representation of the medium-term growth strategy for the business. Additionally, share prices rose in Q4 following reports that Meta is seeking to build an approximate 4-5% stake in Essilor Luxottica, confirmation that the partnership with Meta is continuing to perform well.

Leonardo: LDO delivered strong third quarter results with adjusted EBIT 14% ahead of consensus estimates. These results were due to strong growth in the underlying business as well as ahead-of-schedule deliver on their cost efficiency program. If not for a customer issue that was beyond their control, Leonardo confirmed that it would have upgraded FY guidance. The performance in the quarter was underpinned by not only a strong set of results but also increased credibility in the new management team.

Decreases

Sika: Although third-quarter organic sales aligned with market expectations, Sika's profitability fell short as the business looks to invest in its end markets, aiming to capitalize on medium-term growth opportunities as market conditions stabilize and recover. To that end, we have been encouraged to note Sika's organic growth in the US has recovered to approximately 4-5% in 2H 2024 well ahead of end markets. Consequently, lending credence to the idea that these investments are enabling the business to continue to take market share and generate growth, albeit in the context of its end markets. Whilst short-term, recessionary end-markets and continued investments to prioritise medium term growth have kept earnings weak vs expectations, we are encouraged by the business' ongoing market share gains.

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Performance		
	Fund	Benchmark
QTD	-1.62%	-2.72%
YTD	7.29%	8.59%
ITD CAGR	7.14%	10.00%

Fund Details

Fund Size	€240m
Benchmark	MSCI Europe Net TR Index
Fund Inception	13 June 2022
Fund Type	European Equity UCITS
Fund Base Currency	EUR
Domicile	Ireland
SFDR	Article 8

Fund Summary

Concentrated European equity fund with 20-30 holdings in mid to large cap companies. Fundamental analysis of industry capital cycles with the objective to generate alpha whilst minimising exposure to excessive factoral risk.

Investment Objective

To outperform the MSCI Europe Net TR Index by 3% p.a. over the economic cycle.



Please note past performance is not an indication of future performance/returns

Source: Lansdowne analysis. Data as at 31/12/2024

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Continued...

CapGemini: Cap's third quarter results suffered due to another cut in 2024 organic growth guidance. Whilst broader pressures in Europe were well-known, a worse than expected recovery in the US and specific weakness in aerospace sector prompted the latest revision. Peer reporting and commentary from Accenture and the Indian IT majors (such as Infosys and TCS) underpin the view that the weakness in IT services demand has largely been cyclical, with consistent signs of green shoots beginning to emerge in the US. It is market view that Cap will benefit from similar trends in the US business. Heavy European, particularly French, exposure, could delay growth improvement compared to more US-focused peers, in the contrary the cyclical nature of end-market weakness, a resilient operating model (with flat to slightly rising margins during this recession cycle), and attractive valuations (shares trading at ~14x trough earnings), position the business well. As shareholders, we await a recovery in end markets.

Linde: Linde suffered modest earnings downgrades driven by persistent demand weakness in its key end markets as US manufacturing remained in recession throughout 2024. For context, Linde started the year with guidance for +8-11% EPS growth in constant FX, which has since been refined to +9-10%, a minimal downgrade compared to the top-end of the guidance range from the beginning of 2024. However, for a name where the market has become accustomed to consistent "beats-and-raises", it could be seen that this modest downgrade has been enough to cause disappointment for share underperformance, especially in the fourth quarter. At a higher level, Linde remains a business generating double-digit EPS growth at a time when its end markets are in a prolonged and quite severe recession, this could indicate operating model. With shares now de-rated to just 25x PE, the shares under-valued for defensive, consistent, low-risk low double-digit TSR on offer through-cycle. We have used this temporary relative weakness in shares to add to our holding modestly.

Michelin: In the most recent quarter, Michelin reported worse-than-expected volume weakness which catalysed a downgrade to FY24 earnings guidance. Away from the tactical aspect of the change in guidance, there is growing concern that the significant volume de-growth in the business (approximately 18% since 2019) is emblematic of changing competitive dynamics in its end markets (particularly with respect to the inflow of cheaper, low-end tyres from Asia). For such a well-established company, this could be seen to mask Michelin's industry leading price-mix contribution to earnings and hence limits through-cycle earnings growth vs our earlier expectations. Consequently, we have reduced our exposure for now.

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Performance

	Inception Date	NAV Price	MTD Return	QTD Return	YTD Return	ITD CAGR
Lansdowne European Fund UCITS						
European Fund UCITS EUR E Class	13-Jun-22	1193.03	-0.95%	-1.62%	7.29%	7.14%
European Fund UCITS GBP E Class	07-Sep-22	1258.38	-0.84%	-1.32%	8.51%	10.42%
European Fund UCITS GBP F Class	29-Aug-22	1213.95	-0.83%	-1.29%	6.98%	8.61%
European Fund UCITS USD F Class	29-Aug-22	1238.51	-0.77%	-1.22%	7.29%	9.54%

Market Returns

MSCI Europe Net TR Index	13-Jun-22	-0.49%	-2.72%	8.59%	10.00%
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Geographic Exposure

Europe ex UK	58.3%
North America	7.6%
United Kingdom	33.5%
Cash, Cash Equivalents and Accruals	0.6%
Total	100.0%

Industry Exposure

Communications	9.4%
Consumer Discretionary	6.3%
Consumer Staples	2.9%
Energy	4.4%
Financials	16.9%
Health Care	6.2%
Industrials	30.4%
Materials	15.8%
Technology	4.5%
Utilities	2.6%
Cash, Cash Equivalents and Accruals	0.6%
Total	100.0%

Largest Contributors MTD

		% Contribution
KBC GROUP NV	Financials	0.4%
INTESA SANPAOLO	Financials	0.4%
CIE FINANCIERE RICHEMO-A RE	Consumer Discretionary	0.2%
CAPGEMINI SE	Technology	0.1%
RENTOKIL INITIAL PLC	Industrials	0.1%
MICHELIN (CGDE)	Consumer Discretionary	0.1%
WHITBREAD PLC	Consumer Discretionary	0.1%
ESSILOR INTERNATIONAL (FP*)	Health Care	0.1%
ASML HOLDING NV	Technology	0.1%
FERROVIAL SA	Industrials	0.0%
Total		1.6%

Currency Exposure

CHF	5.6%
DKK	2.3%
GBP	33.5%
SEK	6.5%
USD	7.6%
Base Currency: EUR	44.4%
Total	100.0%

Top Positions

SCHNEIDER ELECTRIC SE	Industrials	7.8%
LINDE PLC	Materials	7.1%
INTESA SANPAOLO	Financials	6.5%
RELX PLC (LN*)	Industrials	6.1%
COMPASS GROUP PLC	Industrials	5.5%
KBC GROUP NV	Financials	5.2%
TELE2 AB-B SHS	Communications	4.7%
INFORMA PLC	Communications	4.6%
SHELL PLC	Energy	4.4%
RENTOKIL INITIAL PLC	Industrials	4.2%
Total		56.0%

Largest Detractors MTD

		% Contribution
NOVO NORDISK A/S-B	Health Care	-0.6%
LINDE PLC	Materials	-0.5%
INFORMA PLC	Communications	-0.3%
SIKA AG-REG	Materials	-0.2%
TELE2 AB-B SHS	Communications	-0.2%
RELX PLC (LN*)	Industrials	-0.1%
ASHTREAD GROUP PLC	Industrials	-0.1%
SCHNEIDER ELECTRIC SE	Industrials	-0.1%
SAMPO OYJ-A SHS	Financials	-0.1%
SHELL PLC	Energy	-0.1%
Total		-2.3%

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Lansdowne Partners (UK) LLP	Telephone	+44 (0) 20-7290-5500
65 Curzon Street, London, W1J 8PE	Email:	info@lansdownepartners.com