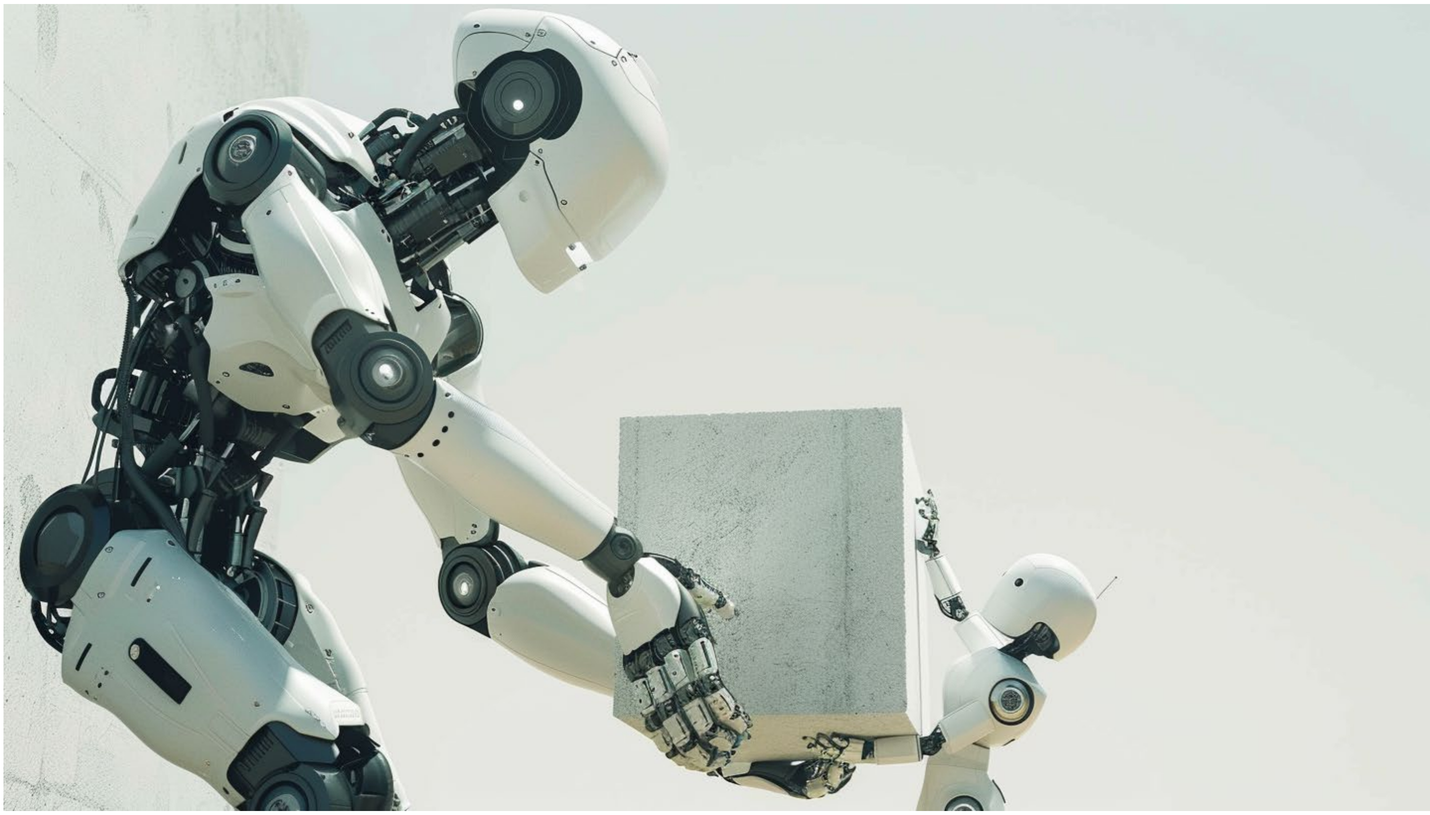
Marketing Communication for Professional Investors in Austria, Switzerland, Germany, France, Spain, Italy, Luxembourg, and Portugal



Courtesy of Midjourney

The AI Agents and Micro-Agents have arrived!

APERTURE SMALL CAP INNOVATION FUND

Q2 2024 MANAGER COMMENTARY

Dear Clients and Investors,

In this quarter's investment note, we examine the resilience of European Small Caps against a backdrop of economic uncertainty and political turbulence. Despite inflation concerns and electoral shocks, the MSCI Europe Small Cap Net Total Return index achieved a modest gain of 1.46%.

We spotlight the unprecedented surge in AI innovation, marked by a flurry of groundbreaking announcements from tech giants and startups alike. Of particular note is the emergence of AI Agents and Micro-Agents, heralding new capabilities in reasoning and planning that is reminiscent of the revolutionary impact of the iPhone's debut.

These rapid advancements are reshaping industries at an accelerating pace, potentially offering significant opportunities for investors.

As we navigate through market volatility, we'll explore key trends, notable performers, and our strategic outlook for capitalising on this transformative wave of innovation. Importantly, we delve into how we consider these technological leaps are set to benefit not just the concentration at the top of the Magnificent Seven in the US but also smaller caps in Europe, positioning some key winners at the forefront of the ongoing AI revolution.

Wishing you a wonderful summer ahead.

Best Regards,

Anis Lahlou
CIO, European Equities

Performance[1]

RETURNS AS OF JUNE 30, 2024 (%, net of fees)						
	MTD	QTD	YTD	2023	2022	Annualised Since Inception
Fund[2]	-1.46	1.58	8.47	8.35	-22.83	-2.60
Benchmark[3]	-3.34	1.46	5.00	12.74	-22.50	-2.26
Relative Performance	1.88	0.11	3.47	-4.39	-0.33	-0.34

Past performance is not a reliable indicator of future performance and can be misleading. ***Since Inception figures are annualised. Annual past performance related to ISIN LU2403399608. Performance is net of all fees except entry and exit fees (where applicable). Dividend reinvested for accumulative classes. Past performance is calculated in EUR.***

Inflation sways, Small Caps weather political storms while AI continues to surge!

The MSCI Europe Small Cap Net Total Return index ended the quarter slightly up 1.46% despite the return of volatility induced by the French elections. June marked the worst relative performance (negative mid-single digits relative) for European equities compared to US stocks since the start of the conflict in Ukraine, dampening the enthusiasm for Europe but not cancelling it in our opinion (see the outlook section). Increased risk aversion weighed on cyclical stocks, with Consumer, Bank, Construction and Automotive underperforming relative to defensive parts of the market. Small Caps performed broadly in line with Large Caps, although with a degree of volatility between May (M7EUSC +2.57 vs M7EU) and June (-2.36 relative). Risk was also visible in crypto with Bitcoin recording a -15% drop from its March highs.

As for inflation, the pendulum of worries about sticky inflation data kept markets on edge early in the quarter, but eventually as per the recent pattern more data showed that the economies soft landing should broadly remain on track: April's worse-than-expected US inflation figures triggered a nearly 3-5% drop in major indices, leading investors to reassess and delay anticipated Fed rate cuts. May brought a sigh of relief with inflation meeting expectations and dovish tones from the ECB, leading to a market rebound. June further solidified the easing rhetoric with US CPI at 0.16% m/m, the lowest in 33 months. The ECB, aligning with global peers like Canada, Sweden, and Switzerland, announced its first rate cut since 2020, lowering the deposit rate by 25bp to 3.75%, aiming to stabilize economic growth and market sentiment.

Finally, and importantly in our view, the AI Boom shows no signs of slowing down, in fact it was quite the opposite: Nvidia led the charge again as its market capitalisation surpassed the $3 trillion mark, fuelled by Q1 revenues well ahead of expectations, growing 262% year-over-year and 18% quarter-over-quarter. The Q2 guidance, which also came above

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[1] Past performance does not predict future returns. Where the reference currency of the fund differs than yours, returns and costs may increase or decrease as a result of currency and exchange rate fluctuations. This is not an exhaustive list of the costs. Other costs apply and differ per share class.
2 The Fund = The Aperture Small Cap Innovation Fund (ticker APSCIYI LX). Share Class Inception Date = 2021-12-19.
3 Benchmark = the Fund's Benchmark, MSCI Europe Small Cap Net Total Return EUR Index (ticker M7EUSC Index). Indices are unmanaged and do not include the effect of fees. One cannot invest directly in an index. The performance of the Benchmark does not predict future performances of that Benchmark and of the performance of the Fund. The Fund is actively managed and references the Benchmark only for the purpose of performance fee calculation. Investment Manager has full discretion over the composition of the Fund's portfolio and therefore its composition may deviate substantially from the Benchmark so as to take advantage of specific investment opportunities.

consensus both on revenue and EPS, pointed to further acceleration in its data centre segment going into H2, firmly pointing to demand exceeding supply well into next year. We have published a note recently explaining how the AI semiconductors ecosystem strength feeds directly into the European semiconductor equipment space, including Small Caps and we discuss this in the outlook section.

Q2 performance map of the MSCI Europe Small Cap (M7EUSC Index)

Source: Bloomberg.

How did we do this quarter?

The Aperture Small Cap Innovation Fund (Ticker: APSCIYI LX) closed the quarter slightly up **+1.58%**, or **+0.11%** ahead of its benchmark, the MSCI Small Cap Europe Net Total Return index, shrugging the volatility mentioned above and driven by Stock Selection effect while Allocation was very marginally negative.

Single stock commentary

AI and Obesity verticals driving Stock Selection once again

Top contributors to portfolio performance included AI exposed semiconductor equipment manufacturers **VAT Group** (VACN SW), **Comet Holding** (COTN SW) and **SUESS MicroTech** (SMHN GY), as well as obesity drug discovery company **Zealand Pharma** (ZEAL DC). Elsewhere in Energy, cheap Norwegian subsea engineering stock **DOF Group** (DOFG NO) was also a top-five contributor.

VAT Group and **Comet Holding,** two Swiss-based technology groups in the semiconductor equipment industry, delivered a 12% and 17% gain, respectively, in their share prices. Both continue to benefit from the positive momentum of the semiconductor equipment space, further boosted by the strong Q1 results from Nvidia on May 22 after which their respective share prices rose 6% and 8%. Both Management teams conveyed confident messages on the outlook during investor conferences in June.

The stock price of **SUESS MicroTec**, a German semiconductor group focusing on back-end equipment, rose by 66% during Q2 helped by the delay in Hybrid Bonding technology in packaging, favouring their Thermocompression bonding technology being adopted more widely in high bandwidth (HBM) memory for AI systems. This translated to strong sales and high order performance in Q1.

Zealand Pharma, the Danish biotech company, saw its stock price increase by 35% since June 20 following the announcement of positive headline data from its highly anticipated Phase 1b trial of the amylin analogue, Petrelintide, for Obesity. Petrelintide showed promising results for both weight reduction and safety/tolerability.

Norwegian integrated offshore service provider **DOF Group** added 34% to its share price during the quarter. DOF Group benefitted from solid order momentum, securing several large contracts, notably with Petrobras in Brazil, giving it visibility into cash flows to de-lever its balance sheet, further highlighting its cheap 6x P/E valuation.

Stocks that detracted

Detractors included stocks that were derated amidst sticky inflation and concerns over higher rates. Such was the case with **Sage Group** (SGE LN) and **Atoss Software** (AOF GY). Detractors also unsurprisingly included stocks in France, such **Sopra Steria** (SOP FP) and **GTT** (GTT FP), that were impacted by the election shockwaves in France and subsequently sold. Finally, **DocMorris** (DOC SW) also contributed to the downside.

French Engineering group **GTT**, saw its stock price lose 11% during the quarter. There was no fundamental news to explain this move; the stock drifted due to a lack of fresh buying interest following Engie's sale of its remaining stake at the end of Q1. Additionally, French small and mid-cap stocks have faced significant pressure since June 9 due to political uncertainty following President Macron's decision to organize new parliamentary elections. French-based IT Service provider **Sopra Steria** also faced challenges from the political landscape in France, along with persistent doubts about whether the H2 acceleration guided by most sector participants will materialise after read-across news and industry data pointed to deterioration: Numeum, the professional association for the digital sector in France, revised its growth forecast for the industry in 2024 to 5.0% down from 5.8% previously.

Sage Group, a leading provider of business management software and services, reported H1 results that met expectations. However, a slight 0.5% downgrade in its organic growth guidance due to slower customer additions in the US led to a 9.5% drop in its share price on earnings day, resulting in a 14% decline over the quarter. **Atoss Software**, a developer of workforce management software solutions, experienced a 19% decline in its share price over the quarter. Rising interest rates in April and May posed a headwind for high-valuation stocks, and soft publications from major US peers (e.g. Workday) in June further impacted the stock.

Swiss-based online pharmaceutical products retailer **DocMorris** suffered a 41% drop in its share price during the quarter, predominantly due to concerns about a mixed start for its proprietary application within the recently opened German e-prescription market.

What have we done?

We had entered 2024 with a relatively low exposure to cheaper stocks (Value). This was because our stock picking pointed us towards companies with much stronger pricing power, typically exhibiting higher quality traits and trading at higher price multiples.

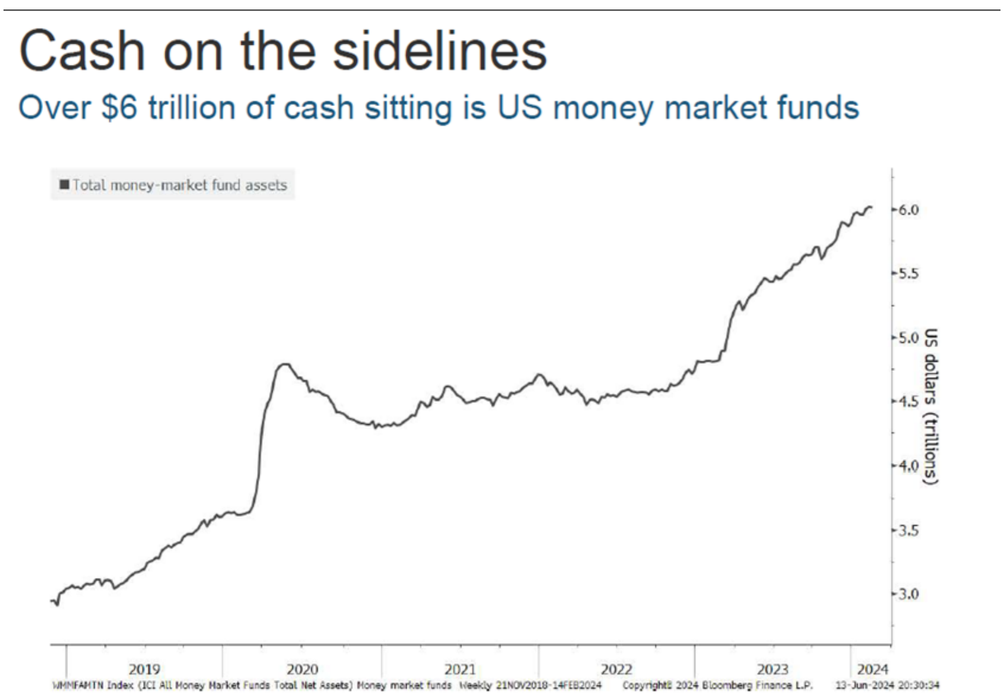
Cheaper names added to the portfolio included **Babcock International**, which remains, in our view, below the radar of many investors because of legacy issues and which should benefit from a structural upcycle in Defence and Civil Nuclear spending. In the value camp, we also added names such as Finnish engineering group **Konecranes,** where we see further upside to earnings estimates. In Tech, we added stocks with various end markets such as **SUESS MicroTec** in advanced packaging for AI, **Nordic Semiconductor** in consumer **IoT** and **Softcat** as we expected IT spending to have troughed.

These purchases were notably funded from profit-taking on some of our largest holdings such as **GTT** and **Sage Group**.

How do we think about the outlook?

Inflation driven macro-volatility and election shock: Noise v. Opportunities

While inflation concerns and French elections caused short-term volatility, we believe these issues will resolve over time, similar to past political shifts in Italy and the Netherlands. The upcoming US election may bring additional turbulence in Q3.



We want to balance our focus to take into consideration large opportunities: the potential from cash deployment as interest rates normalise is massive (chart below).M&A activity in European Small Caps is flourishing again, particularly in the UK. M&A volumes are already tracking 100% higher in H1 compared to FY'2023, with significant premiums highlighting attractive valuations. Recent examples include **Britvic, Hargreaves Lansdown,** and **Keywords Studio.**

Finally, it is our view that the AI revolution (below), presents a potential too significant to ignore amidst short-term market noise.

AI Agents and Micro-Agents Arrive: Unprecedented Innovation Surge in Major Announcements

In this past quarter we have witnessed an extraordinary wave of AI innovation, each individually rivalling the revolutionary impact of the iPhone's debut in magnitude. Tech giants and startups alike have unleashed a flurry of announcements, each pushing AI capabilities to new frontiers.

OpenAI's GPT-4o, Google's Gemini 1.5 Flash and Project Astra, Microsoft's Copilot Plus PCs, Anthropic Claude 3.5 Sonnet and Apple's Intelligence initiative each represent in isolation, leaps in AI technology. These advancements introduce emotion recognition, real-time translation and seamless AI integration into hardware, software ecosystems and daily apps.

Most crucially, they herald new capabilities in reasoning and planning, now referred to as AI Agents and Micro-Agents. In fact, Nvidia's NIMS (Nvidia Inference Micro Services) is democratising a full infrastructure of agents through “Micro Agents”, potentially catalysing widespread AI Agent deployment across industries. We are watching this space closely.

In eCommerce, Amazon is introducing Rufus (named after the company’s mascot, see below) as its new AI Agent/Shopping Assistant. Meta is beta testing AI Agents in its Whatsapp business activity in India and Singapore.

Rufus is an Amazon legend. *He’s an adorable corgi that used to roam the halls of Amazon’s HQ. He was the pet of their principal engineer and was found roaming the halls and chasing tennis balls. Today he is the inspiration of Amazon’s new, generative AI Agent shopping assistant.*

Source: Analyticindex.com

In Healthcare, Color Health's application of GPT-4o is a new AI Agent for cancer treatment planning. Google DeepMind's AlphaFold 3, capable of generating 3D structures of biological molecules, demonstrates AI's profound real-world impact.

AI Acceleration: The New Normal

With equity markets soaring and five major tech companies – Nvidia, Alphabet, Microsoft, Meta, and Amazon – driving performance (with Nvidia alone contributing nearly 30% of this year's gains), the sustainability of this rally is a key debate. However, Nvidia's trajectory so far aligns with its fundamental shift from a gaming GPU company to an AI powerhouse. The $1 trillion data centre market presents a vast opportunity, and Nvidia is poised to capture the lion share.

We anticipate AI innovation to accelerate further. While Moore's Law predicts computing power doubling every two years, the CPU to GPU shift is outpacing this. Model optimisation yields 10-10,000x improvements over a model's lifetime, suggesting potential 10 or 30x capability enhancements in the near future. This may also explain the recent flood of AI announcements and may become the new norm that we have to get used to!

Notably, these model breakthroughs occurred without substantial increases in computational power for individual models. Most new models, including Meta Llama 3, Google Gemini Ultra, and Anthropic's 3.5 Sonnet, operate at roughly the GPT-4 level (2e25 FLOP). The emergence of 2e30 FLOP models suggests significant growth potential in computational capabilities. When adding this to the massive exponential improvement expected from Model Optimisation above, it makes it hard to imagine how we should not expect further AI acceleration.

Small Caps to benefit

We have recently published a paper where we discuss the essential role Small Cap companies play at the heart of innovation, driving the technological and industrial revolutions shaping our world.

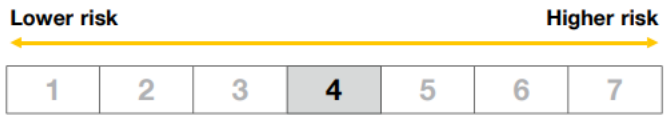
Despite their modest size, we have reviewed many cases where Small Cap powerhouses (including the ones mentioned in our attribution section) punch well above their weight, pioneering breakthroughs in niche markets, forging robust partnerships with Large Caps ecosystems, and leading regional advancements.

Their agility and expert insight allow them to swiftly adapt and effectively meet specific market demands—traits that are indispensable in today's rapidly evolving business terrain.

For our Small Cap-focused innovation equity fund, these developments present compelling opportunities. We're meticulously evaluating Small Cap companies leading in AI, Healthcare, Energy and other verticals, considering both current innovations and potential for sustained leadership.

We aim to capitalise on these transformative adoption curves in our behavioural stock selection approach while maintaining a balanced approach to risk management. We have an optimistic outlook on opportunities ahead.

Risk Profile of Small Cap Innovation Fund



The risk indicator assumes you keep the product for 5 years.

The summary risk indictor ("SRI") level, as calculated under the PRIIPS methodology, is 4 (which is a medium risk class). Investments involve risks. Past performance does not predict future return.

The inherent main risks of the sub-fund (non-exhaustive list): Sustainable finance risk, Market risk, Volatility risk. Due to the exposure of the Sub-fund to financial derivative instruments the volatility can at times be magnified, Equity, Investment in smaller companies, foreign exchange, Short exposure risk, Derivatives, OTC financial derivative instruments, Rule 144A and/or Regulation S securities.

IMPORTANT INFORMATION

Investments involve risks. Past performance does not predict future return. There can be no assurance that an investment objective will be achieved or that there will be a return on capital. You may not get back the amount initially invested. Before making any investment decision, investors must read the Prospectus, and particularly the Risk Factors, as well as the Key Information Document (KID).

Costs: (illustrative class: ISIN LU2403399608 – registered in Switzerland, Spain, France, Italy, Luxembourg, and Portugal): Entry charge: up to 3% max, Exit charge: none, Ongoing charge: 1.36% per year. Performance fee: For its services to the Sub-fund, the Investment Manager is entitled to a variable management fee (the "VMF"), which is calculated and accrued daily, at a rate of 3.25% (the "VMF Midpoint"). The VMF Minimum portion of the VMF will be calculated and accrued daily based on the Sub-fund's NAV. The rest of the VMF amount, if any, will be calculated and accrued daily based on the Sub-fund's daily Modified Net Assets, adjusted upward or downward by a performance adjustment (the "Performance Adjustment") that depends on whether, and to what extent, the performance of the Sub-fund exceeds, or is exceeded by, the performance of the Benchmark plus 7.5% (750 basis points) (the "VMF Midpoint Hurdle") over the Performance Period. For a full description of the VMF please see the applicable section in Appendix A contained in the Prospectus.

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Investors should note the specific risk warnings:

Equity Risk: The strategy will be affected by changes in the stock markets and changes in the value of individual portfolio securities. At times, stock markets and individual securities can be volatile, and prices can change substantially in short periods of time. The equity securities of smaller companies are more sensitive to these changes than those of larger companies. This risk will affect the value of the strategy, which will fluctuate as the value of the underlying equity securities fluctuates.

Investment in Smaller Companies Risk: Investment in smaller companies may involve greater risks and thus may be considered speculative. Many small company stocks trade less frequently and in smaller volumes and may be subject to more abrupt or erratic price movements than stocks of larger companies. The securities of small companies may also be more sensitive to market changes than securities in large companies.

Short Exposure Risk: The strategy may proceed with short-term sales of their investment via the use of derivatives. The short exposure risk results from short sales achieved through the use of derivatives and includes the potential for losses exceeding the cost of the investment, as well as the risk that the third party to the short sale will not fulfil its contractual obligations.

Derivatives Risk: The strategy may use derivative instruments, such as options, futures and swap contracts and enter into forward foreign exchange transactions. The ability to use these strategies may be limited by market conditions and regulatory limits and there can be no assurance that the objective sought to be attained from the use of these strategies will be achieved. Participation in the options or futures markets, in swap contracts and in foreign exchange transactions involves investment risks and transaction costs to which the strategy would not be subject if it did not use these strategies. If Aperture's predictions of movements in the direction of the securities, foreign currency and interest rate markets are inaccurate, the adverse consequences to the strategy may leave the strategy in a less favorable position than if such strategies were not used. Risks inherent in the use of options, foreign currency, swaps and futures contracts and options on futures contracts include, but are not limited to (a) dependence on the Aperture's ability to predict correctly movements in the direction of interest rates, securities prices and currency markets; (b) imperfect correlation between the price of options and futures contracts and options thereon and movements in the prices of the securities or currencies being hedged; (c) the fact that skills needed to use these strategies are different from those needed to select portfolio securities; (d) the possible absence of a liquid secondary market for any particular instrument at any time; and (e) the possible inability of the strategy to purchase or sell a portfolio security at a time that otherwise would be favorable for it to do so, or the possible need for the strategy to sell a portfolio security at a disadvantageous time. Where the strategy enters into swap transactions it is exposed to a potential counterparty risk. In case of insolvency or default of the swap counterparty, such event would affect the assets of the strategy.

Rule 144A and Regulation S Risk: SEC Rule 144A provides a safe harbor exemption from the registration requirements of the US Securities Act of 1933 for resale of restricted securities to qualified institutional buyers, as defined in the rule. Regulation S provides an exclusion from registration requirements of the US Securities Act of 1933 for offerings made outside the United States by both US and foreign issuers. A securities offering, whether private or public, made by an issuer outside of the United States in reliance on Regulation S need not be registered. The advantage for investors may be higher returns due to lower administration charges. However, dissemination of secondary market transactions is limited and might increase the volatility of the security prices and, in extreme conditions, decrease the liquidity of a particular security.

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For further information on risks related to the Fund please see the Prospectus.