

Communication for Professional Investors in Austria, Switzerland, Germany, Spain, United Kingdom, Italy, Luxembourg, the Netherlands, Singapore, and Portugal.



Courtesy of Midjourney

The AI Agents have arrived!

APERTURE EUROPEAN INNOVATION FUND

Q2 2024 | MANAGER QUARTERLY COMMENTARY



Dear Clients and Investors,

In this quarter's investment note, we examine the resilience of Equities against a backdrop of economic uncertainty and political turbulence. Despite inflation concerns and electoral shocks, the MSCI Europe Net Total Return index achieved a modest gain of 1.32%.

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 will explore key trends, notable performers and our strategic outlook for capitalising on this transformative wave of innovation.

Wishing you a wonderful summer ahead.

Best Regards,

**Anis Lahlou
CIO, European Equities**

Performance¹

RETURNS AS OF JUNE 30, 2024 (% , net of fees)								
	MTD	QTD	YTD	2023	2022	2021	2020	Annualised Since Inception
Fund ²	1.10	1.83	15.47	18.90	-16.21	28.73	11.13	11.75
Benchmark ³	-0.98	1.32	9.05	15.83	-9.49	25.13	-3.32	7.46
Relative Performance	2.08	0.51	6.42	3.07	-6.72	3.60	14.45	4.29

** Past performance is not a reliable indicator of future performance and can be misleading. Since Inception figures are annualized. Annual past performance related to ISIN LU2077746936. 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, equities weather election shock while AI continues to surge!

The MSCI Europe Net Total Return index ended the quarter up 1.32%, despite the return of volatility induced by the French elections. June marked the worst relative performance for European equities compared to US stocks since the start of the Ukraine conflict, with mid-single-digit losses. This halted but did not cancel the enthusiasm for European equities, in our opinion (see the outlook section). Increased risk aversion weighed on cyclical stocks, with Consumer, Bank, Construction and Automotive sectors underperforming relative to defensive parts of the market. Small Caps performed broadly in line with Large Caps, though with volatility between May (M7EUSC +2.57% vs M7EU) and June (-2.36%). Risk-off 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. However, as per the recent pattern, later data in the quarter showed that the economy's soft landing should broadly remain on track. As observed, 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. The month of 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 we feel it was quite the opposite: Nvidia led the charge again as its market capitalization 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,

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 European Innovation Fund (ticker APEIIED LX). Share Class Inception Date = 2019-12-17.

³ Benchmark = the Fund's Benchmark, MSCI Europe Net Total Return EUR Index (ticker MSDEE15N 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. The 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.

was also a feature, with our top contributing stocks including both **Zealand Pharma** (ZEAL DC) and **Novo Nordisk** (NOVOB DC).

ASM International, a key player in semiconductor equipment manufacturing, saw its stock price increase by 26% during Q2. This rise was triggered by a strong Q1 performance, with order intake 3-6% above forecasts, driven by high demand for 2nm Gate-All-Around and High Bandwidth Memory technologies.

Similarly, **ASML**, the world-leading supplier of lithography equipment essential for producing both cutting-edge and mature integrated circuits (see more in the outlook section), experienced an 11% stock price increase in June. This was fuelled by optimistic management comments during a group call about potential 2nm-related orders from TSMC. Management also expressed confidence in aiming for the upper end of their 2025 guidance.

SAP's stock price rose by 14% in June, boosted by upbeat comments from Management at its Sapphire event, its major annual conference attended by the SAP ecosystem of integrators and customers. Management highlighted resilient demand but also confidently hinting at accelerating revenue growth and margin expansion between 2025 and 2027. The stock also rose 3.5% on June 12, benefiting from stronger-than-expected bookings reported by its US peer, Oracle.

Nvidia remains a position in the fund albeit outside of our top 10. Nvidia stock price gained 27% in May and 37% over Q2, reporting robust Q1 results with increasing customer demand across enterprise verticals and consumer internet hyperscalers. Data Center revenue exceeded expectations by 6%, driven by strong compute demand and continued strong H100 shipments, alleviating concerns about a potential slowdown in this segment in the transition to Blackwell systems.

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.

Novo Nordisk's stock gained 14% during Q2 as the stock price of the leading Danish GLP1 drug manufacturer continues to find support in strong prescription growth particularly in the US and strong deployment of capacity, which should in our view keep driving positive earnings surprises.

Stocks that detracted.

Detractors included stocks that de-rated amidst sticky inflation and higher rates concerns. Such was the case with payment companies **Adyen** (ADYEN NA) and **Wise** (WISE LN). Detractors also unsurprisingly included stocks in France such as **GTT** (GTT FP), **Capgemini** (CAP FP) and **Sopra Steria** (SOP FP) which indiscriminately came under pressure after the election shockwaves in France.

Adyen saw its shares decrease by 28% in April, erasing its year-to-date gains. Despite reporting robust volume growth in Q1, Adyen's net revenue fell slightly below expectations due to a lower-than-expected take and a negative customer mix effect.

Shares in **Wise**, a UK based provider of software solutions handling international multi-currency money transfers, lost 11% on June 13th after the company issued a medium-term outlook seen below consensus expectations due to anticipated price reductions and increased marketing expenses.

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 faced significant pressure since June 9th due to political uncertainty following President Macron's decision to organize new parliamentary elections.

French based IT Service providers **Capgemini** and **Sopra Steria** also faced challenges from the political news in France, along with persistent doubts about whether the H2 acceleration guided by most sector participants will materialise after a number of 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.

What have we done?

We had entered 2024 with a low exposure to Value. This was because our innovation stock picking pointed us more towards companies with much stronger pricing power, typically exhibiting higher quality traits and trading at higher price multiples. We have been on the look-out for stock picking opportunities in the Value camp last quarter and added stocks in Financials and Energy and we built on these positions to add new stocks such as **Barclays PLC** (BARC LN) and **GALP** (GALP PL).

New additions to the portfolio this quarter were mostly in the quality/compounding camp that, we believe are not too expensive and were funded by more expensive names, marginally improving the fund's Value exposure overall.

New additions included **AstraZeneca** (AZN LN), based on expectations of positive pipeline catalysts in oncology and expectations of a more favourable earnings outlook ahead of its Q1 reporting. We also initiated a position in **Iberdrola** (IBE SM), where we believe the company's medium-term targets are yet to be fully reflected in consensus estimates, with further upside potential from the development of the network business, to which the bulk of the company's capex will be allocated.

These purchases were funded by selling what we considered to be expensive names such as **LVMH** (MC FP), **Adyen** (ADYEN NA) and **Lonza** (LONN SW).

How do we think about the outlook?

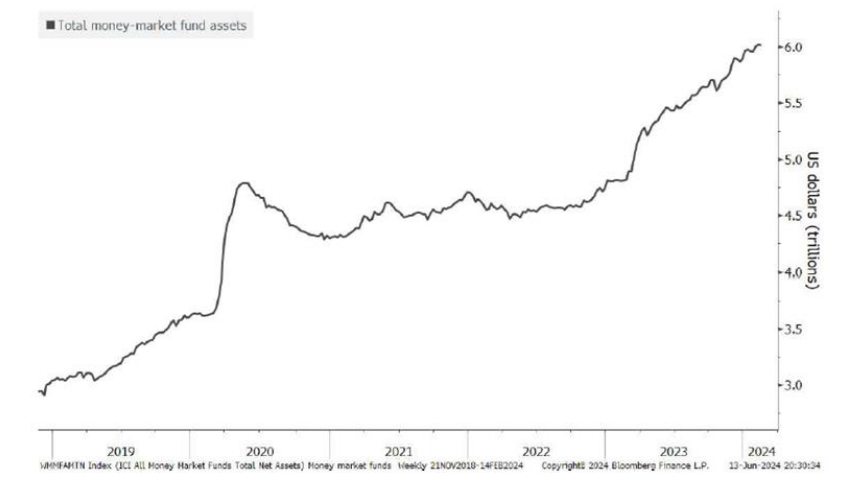
Inflation driven macro-volatility and election shock: Noise v. Opportunities

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).

Cash on the sidelines

Over \$6 trillion of cash sitting in US money market funds



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

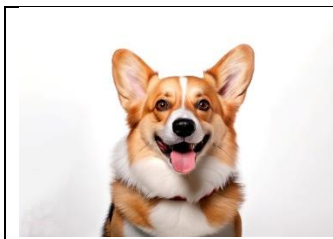
AI Agents have arrived: Unprecedented Innovation Surge in Major Announcements

This past quarter has 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 represent, each and 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 of 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](https://www.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 factory powerhouse. The \$1 trillion datacentre 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 optimization 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 inevitable emergence of 2e30 FLOP models sometime soon and the 10-30x model optimization improvements ahead of us suggest significant growth potential in AI capabilities. This makes it hard to imagine how we should not expect further AI acceleration. This also makes it hard to believe how this growth will only be contained to Nvidia alone or a few Magnificent Stocks in the US.

ASML High NA (watch the video below!): How European Innovation is pioneering the future of Generative AI

ASML's High NA technology (Narrow Aperture – a name we are so glad to share with ASML's leading technology) marks a revolutionary leap in semiconductor manufacturing, pivotal not just for the company but for the broader generative AI landscape. High NA represents the next generation of EUV (extreme ultraviolet) lithography, enabling a dramatic increase in the density and precision of microchip patterning—achieving features sizes 2.9 times denser with enhanced resolution (from 0.33 to 0.55x magnification). This technology allows for greater productivity and overlay accuracy while reducing energy consumption, cycle times, and patterning defects among many other benefits.

Currently in its R&D phase with Intel in Oregon, mass production is slated for 2027. The underlying EUV technology, crucial for crafting AI supercomputer chips, relies on an intricate process where tin droplets are bombarded by lasers in a vacuum—a method essential to prevent light absorption by air. This process is showcased in a recently released ASML video, illustrating the complex engineering required to produce these advanced chips.



Source: ASML on YouTube

Central to ASML's success is its European ecosystem, including specialised suppliers like Switzerland's Inficon and VAT Group, who provide critical components such as vacuum gauges and high-performance valves. These components are integral to maintaining the precise conditions needed for EUV lithography. This network of innovation underscores Europe's crucial role in the AI compute ecosystem, **reinforcing the idea that just as generative AI is unimaginable without Nvidia, it is equally dependent on ASML and its collaborative European infrastructure.**

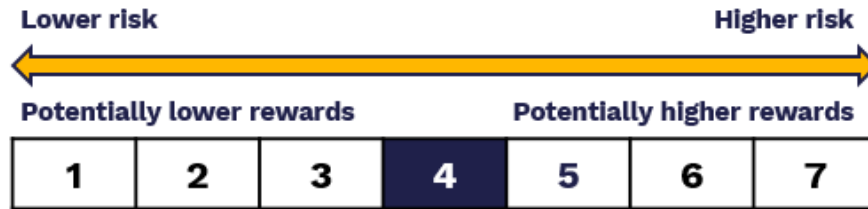
We aim to capitalise on the transformative adoption curves in AI through our behavioural stock selection approach, all while maintaining a balanced approach to risk management. We hold a very optimistic outlook on the opportunities that lie ahead.



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The Risk and Reward profile of this Sub-fund, as reflected in the Summary Risk Indicator ("SRI") required for the PRIIPS KID is 4. The SRI is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. The SRI for this product is 4 out of 7, which is a medium class. Risk 1 does not mean a risk-free investment. This indicator may change over time.

**It should be noted that the calculation of the SRI has been derived from the return history of the Fund in accordance with the prescribed PRIIPS methodology given the sub-fund has over 3 years of historical daily returns data available. In accordance with the associated guidelines for UCITS, the calculation of the Synthetic Risk and Reward Indicator (SRRI) in the KIID has been derived from a representative portfolio model, target asset mix or benchmark given we do not have 5 years of historical returns data for the fund on which to apply the prescribed calculations.*

Inherent risks of the Sub-fund include: Sustainable finance risk, Market risk, Volatility risk, Equity, Investment in smaller companies, Foreign exchange, Short exposure risk, Derivatives, OTC financial derivative instruments, Rule 144A and/or Regulation S securities, Sustainability risk.

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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.

IPO Risk: The market value of shares issued in an IPO may fluctuate considerably due to factors such as the absence of a prior public market, unseasoned trading, the small number of shares available for trading and limited information about a company’s business model, quality of management, earnings growth potential, and other criteria used to evaluate its investment prospects. Accordingly, investments in IPO shares involve greater risks than investments in shares of companies that have traded publicly on an exchange for extended periods of time. Investments in IPO shares may also involve high transaction costs, and are subject to market risk and liquidity risk, which are described elsewhere in this section.

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