MINUTES | JESSICA POON | SYCOMORE HAPPY@WORK | APRIL 2ND 2020

Welcome to the 1st episode of our Webinar on our Sycomore Happy@Work fund.

There has been rising interest for thematic funds in the asset management industry fueled by the desire from both retail and institutional investors to give purpose to their investments and integrate more ESG factors into their asset allocation.

Sycomore has been a pioneer in ESG integration since 2009, following the 2008 crisis, and launched its first thematic fund in 2015, as it found extra-financial criteria were becoming more relevant to assess a companies' ability to outperform its peers.

We launched Sycomore Happy@Work as research proved that companies which put in place advanced and innovative human capital culture could generate better returns.

Just as a reminder, Sycomore Happy@Work invests in companies that consider human capital as a key performance driver. It mainly invests in European quality/growth companies that in our view are able to navigate in all market environments and has no restrictions in terms of sectors. It also seeks investment opportunities in the US and Asia which can make up to 25% of the portfolio.

Jessica Poon – Sycomore Happy@Work Fund Manager alongside Cyril Charlot, co-founder of Sycomore AM, and Sabrina Ritossa Fernandez, ESG specialist

I. Reflecting on the current market

We have seen one of the most volatile markets in history in March as everyone is trying to estimate the humanitarian and economic impact of Covid-19. In this context, the **Sycomore Happy@Work fund outperformed the benchmark by 3.1% in March and 5.6% YTD with less volatility**.

While this is an unchartered territory for the markets, **I personally have gone through a similar experience before during the SARS epidemic in Hong Kong in 2003**. Although the SARS outbreak was much smaller in scale, **this experience has been very helpful in guiding our investment decisions early on**.

In February, we have proactively trimmed down our positions in stocks like Shiseido, a Japanese cosmetic company which is highly exposed to Travel Retail and lacking a strong ecommerce platform to offset the impact of the crisis, along with Technogym, an Italian fitness equipment manufacturer and BMW. Instead, we gradually added defensive names such as Costco – a major US grocery retailer – and Progressive – a US auto insurance company - to the portfolio.

Overall, the **Sycomore Happy@Work fund is proving to be very resilient during this stressful time**, thanks to our philosophy guiding us to **invest in quality companies** with **strong balance sheets.**

Do bear in mind **our investment philosophy** is to invest in companies that **not only focus on human capital as a key performance driver**, **but also have a sustainable and strong business model as a starting point**. This strategy has **proven to be successful in different periods and scenarios**, not only over the last month.

II. Investment strategies and outlook

There is no doubt we feel very unfortunate about this tragic Covid-19 outbreak. At the same time, we must not forget human beings are resilient. In 2003, people in Hong Kong were so pessimistic they were selling everything only to find out the market eventually rebounded.

Not all crisis are the same, and it is difficult to predict the depth and duration of the Covid-19 outbreak which is much wider in scale than SARS, and a potential resurgence of the disease –the second wave – must not be dismissed. At the same, we must keep in mind **the current situation will not last forever.**

We currently have a **list of quality/growth stocks we are prepared to buy as soon as valuations become more attractive.** For example, we **initiated positions in companies like L'Oréal, Estée Lauder, Paypal and AXA as their valuations became attractive last month.**

At the same time, the Sycomore Happy@Work portfolio is not only composed of quality companies that are deemed defensive at this very moment, **it also holds companies that are oversold with high upside potential**.

Strategically, we kept out-of-favour stocks that are impacted in the short run, but have a strong balance sheet and should rebound significantly when the outbreak is over. A few good examples are **Amadeus** (a global distribution system of travel products and services), as well as **Mastercard** and **Visa** (the largest global payment network). These companies are temporarily impacted by the sharp decline in travel activities. However, their business models are extremely resilient as there is a huge barrier to entry, and they should do well on the long term.

I would like to emphasize that **we outperformed the market in March - despite holding these out-of-favour stocks - because we have a well-balanced portfolio** which is not concentrated on specific sectors.

III. Why being Happy@Work is important

Our **Happy@Work investment philosophy is more relevant now than ever**. We deeply believe that companies that take responsible actions to protect their employees and give them a sense of purpose during these difficult times will perform well on the long-run. This led us to **invest in sustainable companies that can weather through a severe downturn while protecting their employees and supporting their clients at the same time.**

For example SAP, Ferrari and Paypal are not planning to lay off their staff. On the contrary, beyond helping their employees perform their work as best they can, they deeply care about them and have taken various measures to protect their health and wellbeing. **They are able to do so because their business models are very defensive by nature. They can temporarily endure a strong hit without compromising their employees' wellbeing**.

In terms of sense of purpose, Air Liquide is ramping up its production of ventilators to 10,000 units within 50 days in France.

Hence, no matter what kind of recovery we shall witness – either U shape, V shape, L shape or W shape, you name it, **companies in our portfolio should be able to adapt** and **position themselves well both during and after the crisis.**

The robustness of the Sycomore Happy@Work fund relies on its unique investment philosophy and due diligence process which is extremely thorough and focused on sustainable business models and management culture.

IV. Fund performance & volatility

Sycomore Happy@Work, an all-weather fund which outperformed in both rising and falling markets:

Performance (I Share) at end March 2020

Period	Performance fund / index	Relative performance
Mars	-13,8% vs -16,9%	+3.1%
2020	-19,1% vs -24,7%	+5.6%
Q4 2019	+6,6% vs +5,3%	+1.3%
1 an	-11% vs -15,3%	+4.3%
3 ans	-11,7% vs -12,9%	+1.2%
Since inception*	+14,4% vs -3,8%	+18.3%

*Data as of 31.03.2020, I share. Past performance is not a reliable indicator of future returns.*The performance shown prior to the 4/11/2015 is the track record of an identical French-domiciled fund (launched on July 6th 2015) that was liquidated on that day; its assets were transferred to the Luxembourg fund.*

V. San Francisco | Company visits | Feedback

Before the global lockdown, I visited many interesting companies in San Francisco and witnessed the US general public and politicians were lacking awareness of Covid-19 compared to Asia and Europe.

As we predicted more bad news to come from the US, we decided not to buy in the first drawdown. We therefore waited before initiating new positions.

I met with **companies in which we have strong positions such as Microsoft, Salesforce, First Republic Bank and Visa** in order to understand first-hand how they cope with Covid-19. All are facing different types of challenges and opportunities, but **all have strategies in place to deal with the crisis**. They have proactively planned for their employees to work remotely and safely, and started cutting expenses. **This reinforces our belief that these companies will be able to handle a deep recession, if it occurs, and that we should hold on to our positions.**

I also came across companies that we did not own. As we found attractive entry points last month, they were recently added to the portfolio: Paypal (a leading digital wallet) and Intuit (providing tax filing software to individuals and accounting software to companies).

Finally, there are several companies we are interested in but are waiting for a lower entry point. For example, ServiceNow and Atlassian are on our radar screen.

Risk/Return Profile

Lower risk, Higher risk,

1	2	3	4	**5**	6	7

potentially lower returns potentially higher returns.

The fund may suffer capital losses.

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