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THEMATIC EQUITIES

CPR INVEST - GLOBAL DISRUPTIVE OPPORTUNITIES: REINVENTION TO IMPROVE PERFORMANCE

The CPR Invest - Global Disruptive Opportunities thematic equity fund has successfully navigated the various market phases since its launch in December 2016, thanks to its broad approach to disruption. Below, its management team comments on an excellent start to 2019.

COULD YOU TELL US ABOUT THE SUCCESS OF CPR INVEST - GLOBAL DISRUPTIVE OPPORTUNITIES SINCE THE START OF THE YEAR?

Wesley: the fund has gained 22% YTD, almost 10% more than the MSCI World. These figures are in line with the previous performance of the fund, which has a total performance of 29% and an outperformance of 14% since its launch at the end of 2016*. This highly respectable track record has naturally brought commercial success: at the end of May, AuM had reached €1.4 billion.

* I Acc share class, net, as of 31.05.2019.

THE LAST FEW MONTHS HAVE BEEN ON THE BUSY SIDE FOR THE DISRUPTIVE UNIVERSE...

Estelle: the thing with disruption is it never stops! The pick-up in M&A transactions and a steady flow of IPOs provided a raft of new investment opportunities in the first few months of 2019. Six of our portfolio securities - Ultimate Software, Ellie Mae, Spark Therapeutics, Worldplay, Total System Services and Zoyo - have been the subject of takeover bids, with high purchase premiums (up to 122% for Spark).

Meanwhile, the "unicorns" that were recently listed - which include some high-profile names such as Pinterest, Uber and its competitor Lyft - illustrate the theme's relevance and dynamism.

DISRUPTORS DO EVERYTHING DIFFERENTLY. DOES THIS ALSO APPLY TO THEIR IPOs?

Wesley: yes, these unicorns all came to the stock market at an advanced stage in their development, having been able to progress their growth thanks to cash flowing in from private equity.

However, the unprecedented valuation levels for these IPOs, with market capitalisations of several billion dollars, do not necessarily reflect the strength of their business models and their ability to become profitable in the medium and long term. As such, we have not rushed into buying these securities, but will take a considered, selective approach.

CAN YOU GIVE US AN EXAMPLE OF ONE THAT YOU LIKE?

Estelle: we selected Zoom Video, a video-conferencing disrupter offering solutions that are more stable, easier to use and much cheaper. It has already reached breakeven, and should consolidate its profitability in the next two or three years. Despite its high valuation, we think it still has significant upside potential.

Although you may not have heard of the company, it has grown exponentially: in terms of market cap, it would already be in the top half of the CAC 40.

WITHIN THIS FAST-MOVING UNIVERSE, WHAT ARE YOUR FAVOURITE SUB-THEMES AT THE MOMENT?

Wesley: we are paying particular attention to data confidentiality and cyber security, a sub-theme that reflects the increased concern over data protection and privacy and has remained topical since Europe adopted GDPR in 2018.

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Estelle: we are also keeping a close eye on the roll-out of 5G and the bright prospects for the Internet of Things, which is being used for a variety of applications in a number of the segments in our universe: in healthcare, for example, with the first remote brain surgery carried out in China, and in the autonomous vehicle sector, with the smart motorway project that China Mobile is working on, which should include the construction of more than 2,000 5G base stations.

SINCE YOU MENTIONED CHINA, WHAT POSITION HAVE YOU ADOPTED ON THE HUAWEI CRISIS?

Estelle: Huawei, which has become a scapegoat for the escalation of trade tensions between China and the USA, is a key player in the deployment of 5G both in China and internationally. We are therefore monitoring its situation closely, and we have reduced our exposure to semiconductors.

We are repositioning around players that - in a worst-case scenario where Huawei pulled out of smartphones - would be unaffected by its disappearance or would have the potential to win market share. This is an opportunity for us to move in on stocks that we have been monitoring for several months, which have posted big falls recently and which would enable us to gain some exposure to the 5G roll-out.

IS THE ABILITY TO REPOSITION YOUR PORTFOLIO YOUR KEY STRENGTH?

Wesley: our multi-sector approach is behind the fund's YTD outperformance and enables it to perform well whatever the market environment.

In 2019, the markets were initially driven by healthcare, then by tech, and then it was robotics and manufacturing that shot up in April; however, our dynamic rotation strategy enables us to harness performance drivers and absorb drawdowns. With this degree of sector dispersion, we are more insulated from volatility than the monothematic strategies of our competitors.

AND WHAT IS YOUR STOCK-PICKING BASED ON?

Estelle: in this environment, in which idiosyncratic ideas are key, we have sought, without making major changes to the allocation between our four main themes (the digital economy, healthcare, Industry 4.0 and the planet), to have the selection effect stand out in the performance.

To achieve this, we have adopted a barbell strategy, choosing some securities with both growth and low volatility/valuation characteristics. This strategy, which was introduced in the last quarter of 2018 and stepped up in our 2019 rotation, has paid off - with both components doing very well.

The portfolio turnover, which reached almost 40% in April, reflects our aim of changing things up to enable us to identify new performance drivers - we are always looking to improve.

IN SHORT, THERE ARE MANY PERFORMANCE DRIVERS AND THEY HAVE BEEN USED SUCCESSFULLY.

Wesley: that's right, the fund's outperformance stems from both the breadth of the universe and a good choice of securities from the four themes. M&A, which Estelle mentioned earlier, is a good illustration of this, and has been a catalyst: the gains on these securities did not take a year to achieve, they were made in a day!

**Net cumulative return since inception
22/12/2016 - 31/05/2019**



Source CPR AM

The SRRI represents the risk and return profile as presented in the Key Investor Information Document (KIID). The lowest category does not imply that there is no risk. The SRRI is not guaranteed and may change over time.

CPR INVEST GLOBAL DISRUPTIVE OPPORTUNITIES - RISK PROFILE*

- Capital loss risk: Yes
- Equity and Market risks (including Small capitalisation and Emerging market related risk): Yes
- Currency risk (including Currency risk related to emerging countries): Yes
- Minimum recommended holding term: Over 5 years



Risk and Reward Profile (SRRI)

- Lower risk, potentially lower rewards
- Higher risk, potentially higher rewards

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