

MIRABAUD

ASSET MANAGEMENT

Unlocking Small & Mid-Cap Potential

October 2024

MARKETING MATERIAL
FOR PROFESSIONAL INVESTORS ONLY



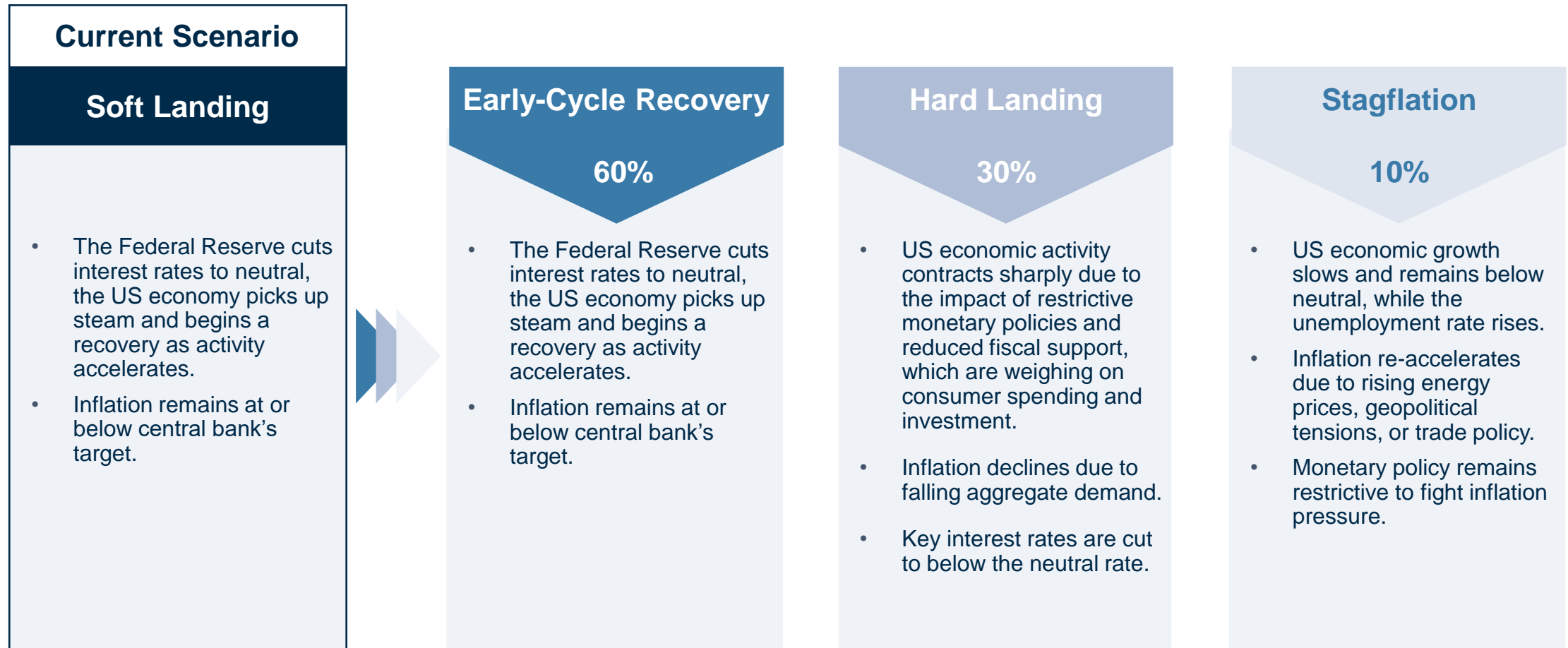
Is this the green light for SMIDs?

Valentin Bissat

Senior Economist & Strategist

Asset allocation scenarios

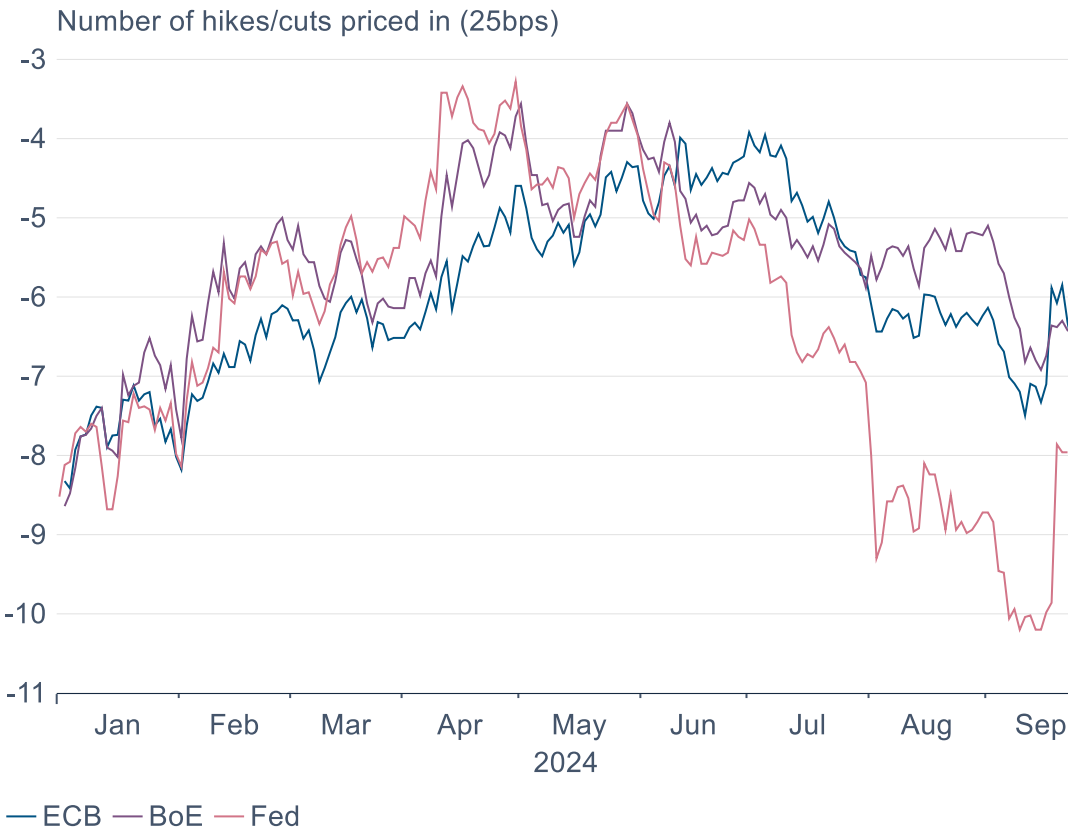
Fed's easing cycle increases the probability of an early-cycle recovery



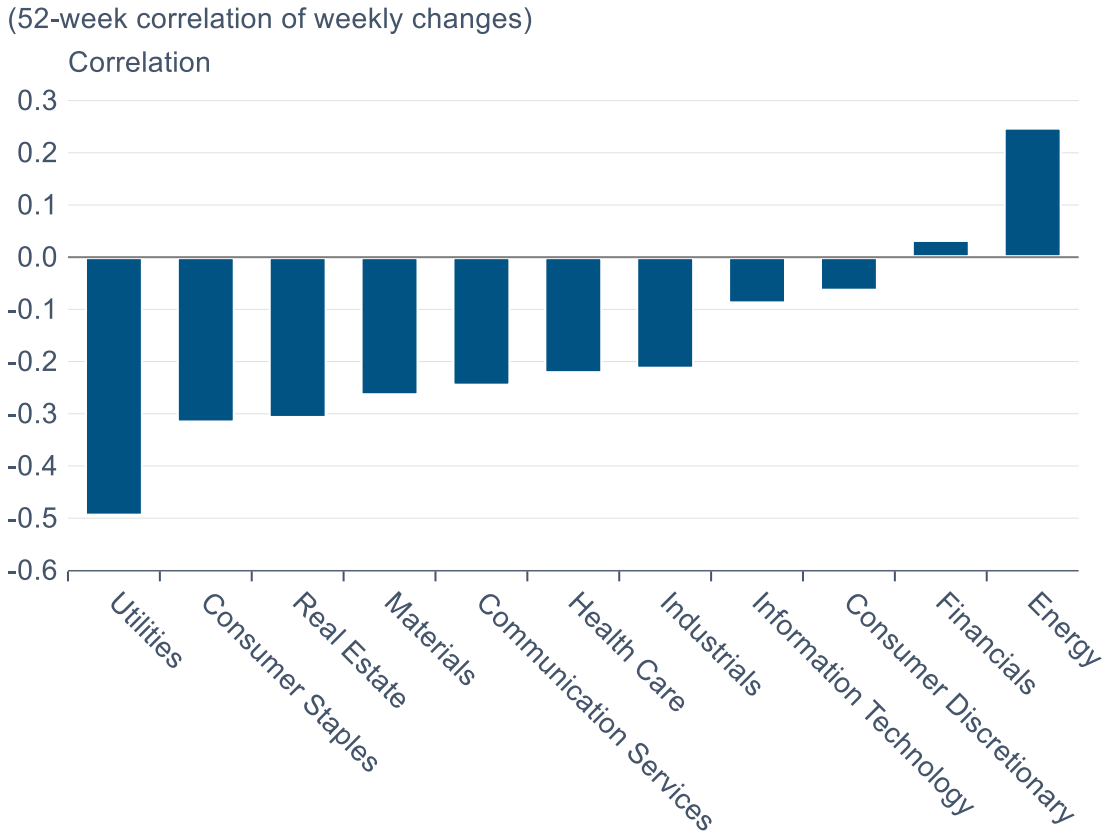
Monetary policy to be neutral in the US next year

Small and mid-cap sectors most exposed to falling interest rates

Investors Expectations for Key Rates in December 2025



MSCI Europe Sectors Correlation to US 10-Year Treasury Yield



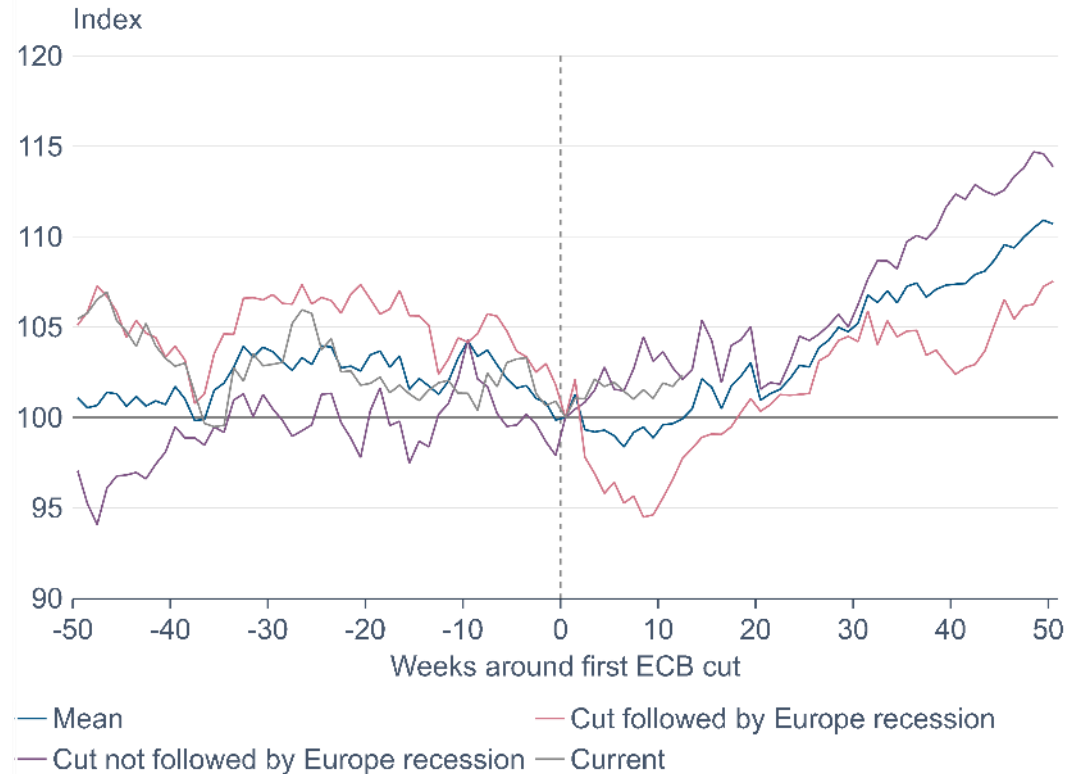
Source: Left chart: ICE, CME Group, Macrobond, Mirabaud Asset Management. Right chart: U.S. Treasury, Macrobond, Mirabaud Asset Management as of 25 September 2024.

The ECB may accelerate its rate cutting cycle

Strong performance in early cycle recovery. Positive seasonality in the fourth quarter

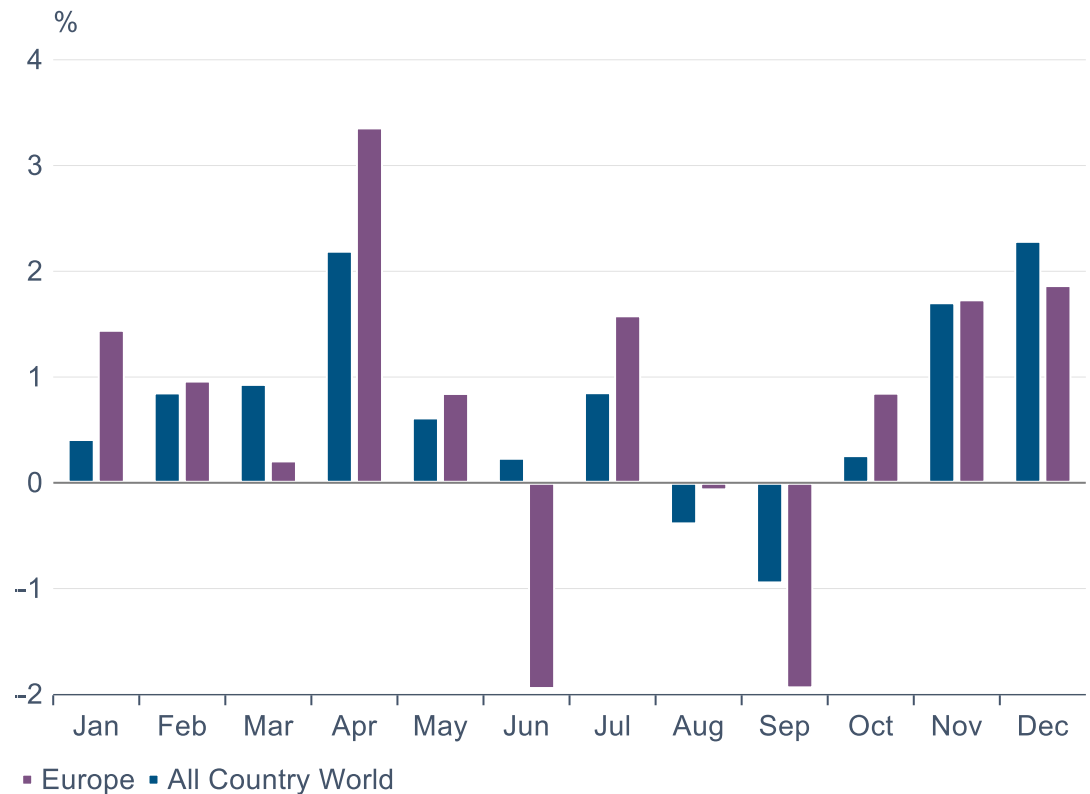
European Small vs Large Cap

(Performances around the first ECB cut, rebased to 100)



MSCI Small-Cap Monthly Historical Performances

(Net total return indices, monthly performances since 1994)



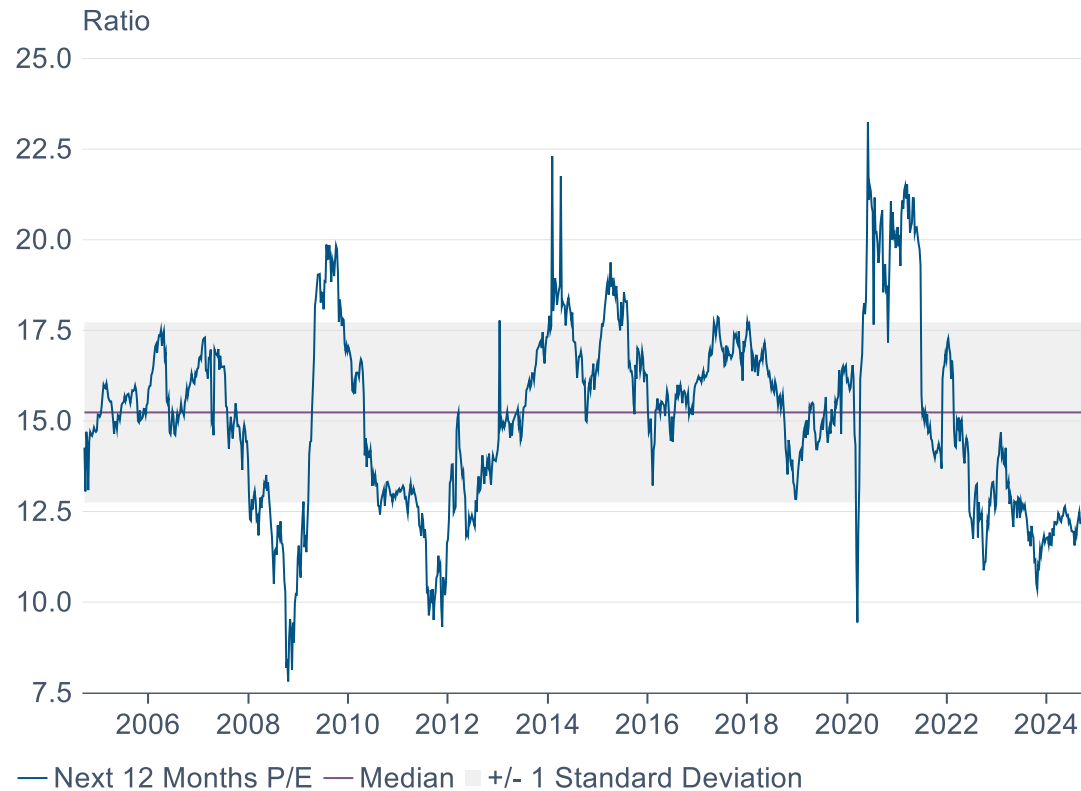
Source: Macrobond, Mirabaud Asset Management as of 25 September 2024.

Attractive valuations for small & mid cap

The near record discount for small and mid cap is not justified by earnings quality

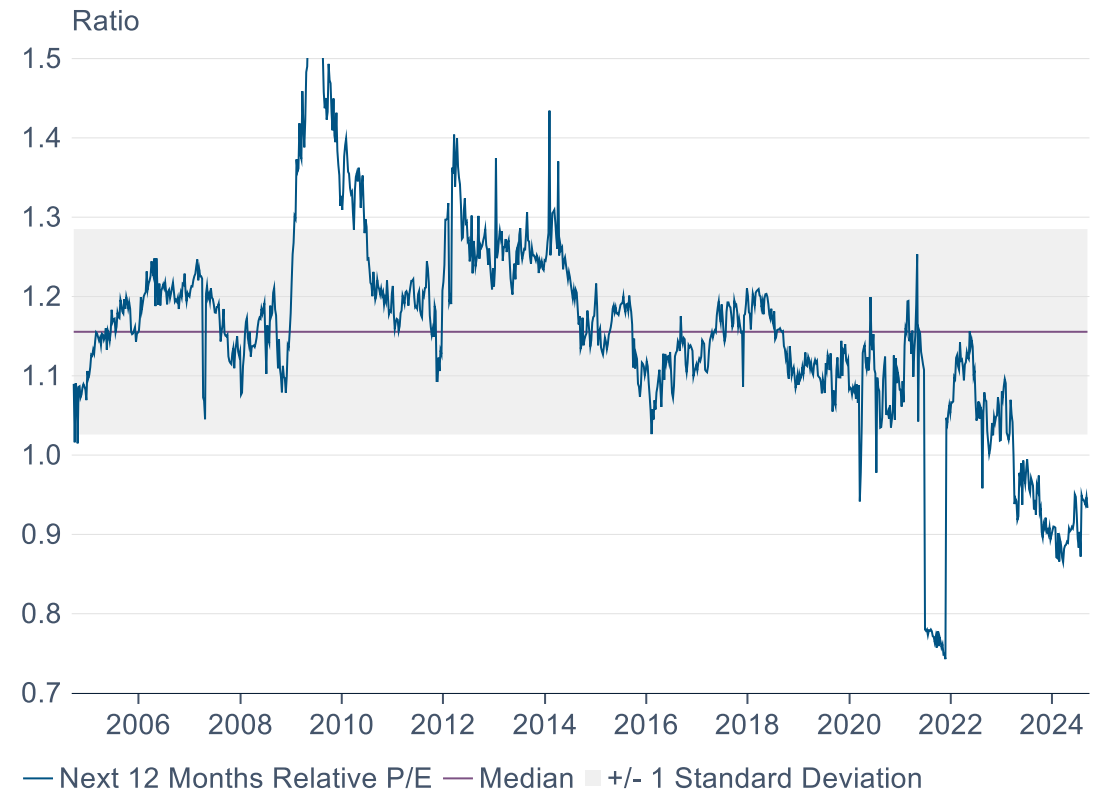
Euro Area Small Cap Valuation

(Next 12 months P/E)



Euro Area Small/Large Cap Relative Valuation

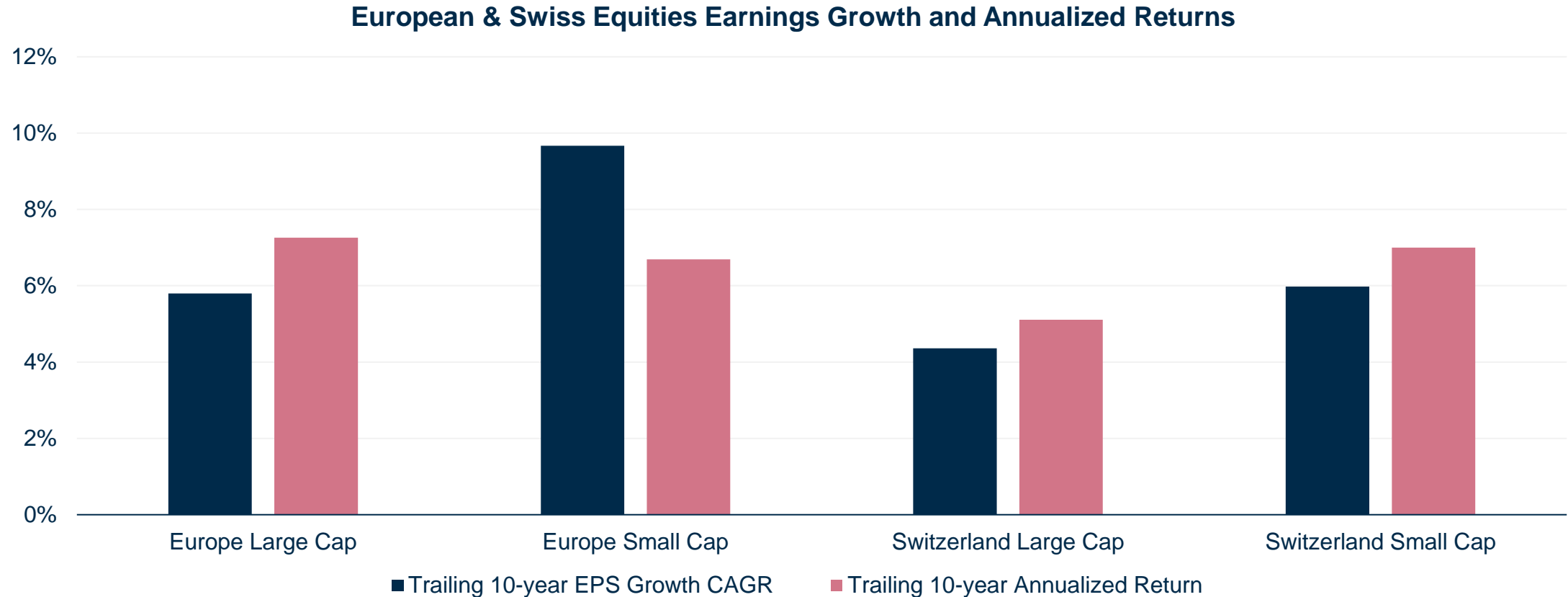
(Next 12 months P/E)



Source: FactSet, Macrobond, Mirabaud Asset Management as of 19 September 2024.

Small-cap have stronger earnings growth than large-cap

Large-cap have recently outperformed due to multiple expansion, small-cap growth is driven by earnings



Source: Mirabaud Asset Management, Macrobond at end of 2023.

Small could be beautiful...

- Small & mid-caps are sensitive to the economic cycle, which will improve in the early cycle recovery
- Ongoing disinflation and falling yields will support small caps, whose debt and borrowing costs are on average higher than those of large caps
- Small & mid-caps have a potential for catching up in terms of valuation after 3 years of underperformance relative to large caps
- Over the short term, small & mid-caps offer diversification from tech-heavy portfolios over the long-term, you could expect an annual excess return for small and mid-caps of 1 percentage point over large caps in Europe and the US



Why small is beautiful

Hywel Franklin

Head of European Equities

What is discovery?

The road less-travelled



Under-researched targets



The right formula for success



Travel to the ends of the map



Rare, not mainstream holdings



Driven by sustainable megatrends

Source: Mirabaud Asset Management as of 1 October 2024.

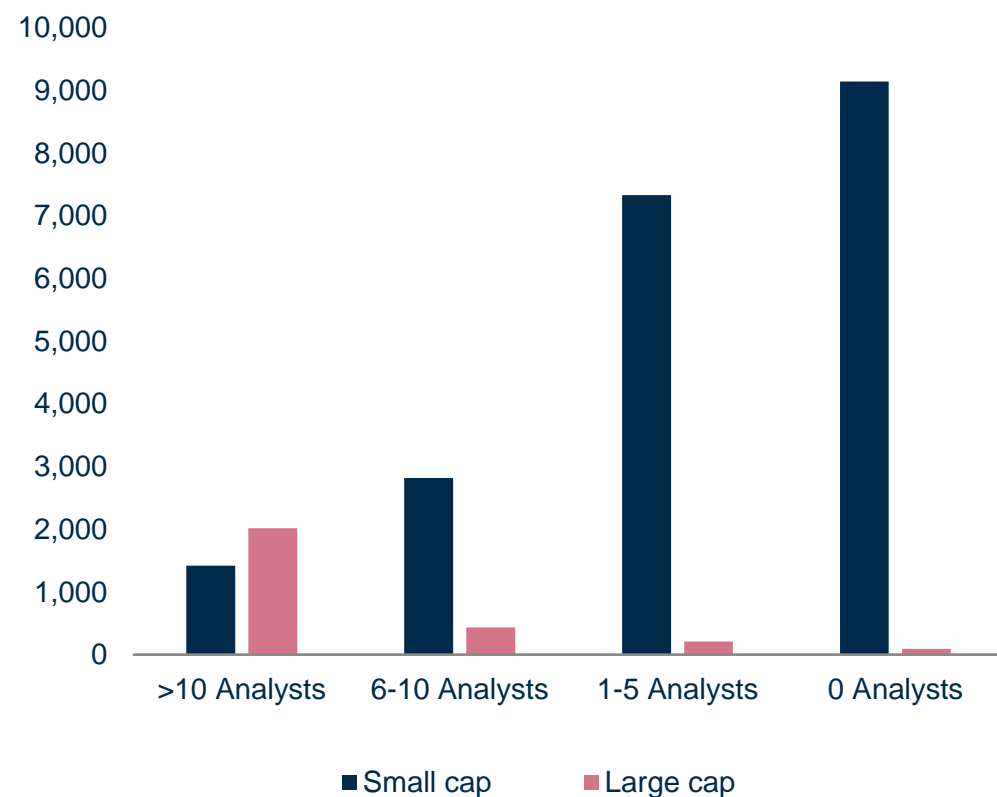


✓ **SFDR Article 8**

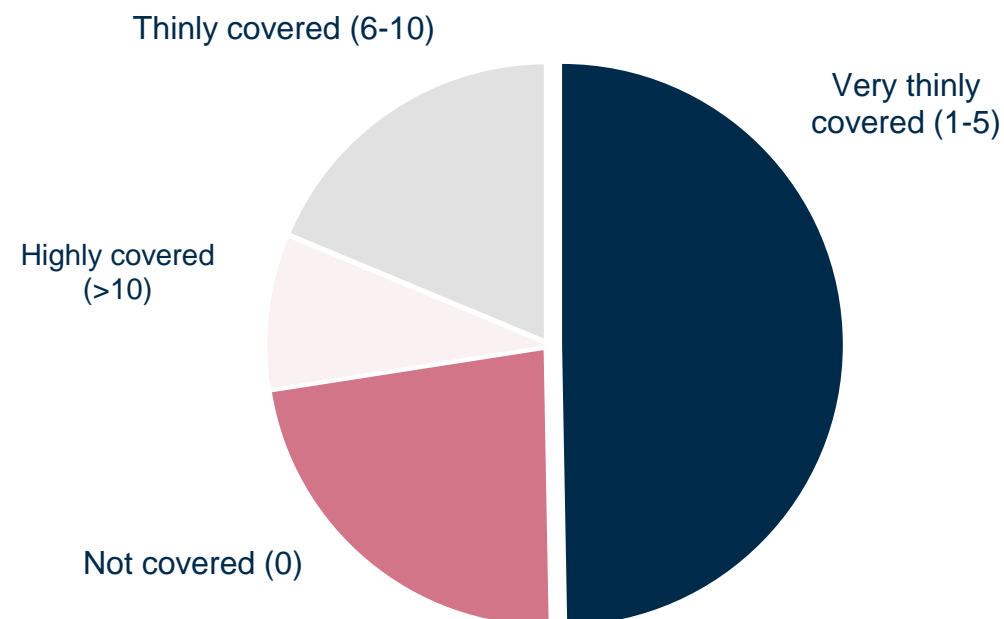
Inefficient market segment

Lower analyst focus

Global equities by coverage (average)



European smaller companies by coverage



Source: Bloomberg Finance L.P., Datastream, Factset and J.P. Morgan, as of 31 April 2024.

Targeting focused alpha

Focused best idea fund



Undiscovered

- Purchases typically **<€2bn** market cap



Active

- **>90%** active share



Conviction

- Top 10 positions **>30%** of portfolio
- Target **25-40** stocks

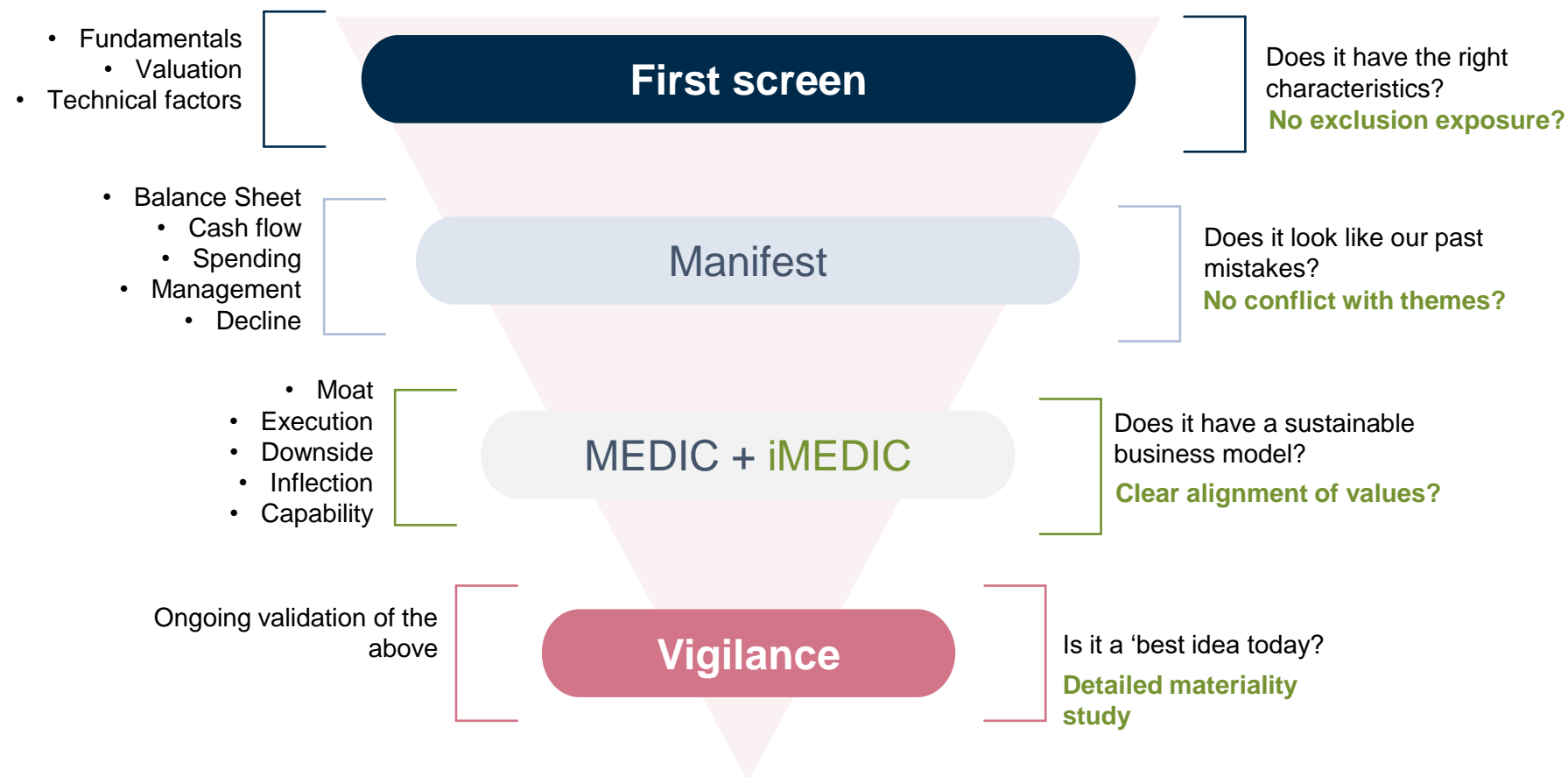


Risk controlled

- Focus on company **cash**, not stock volatility

Integrated workflow

4-step process



Glenveagh Properties

Consumer holding: Homebuilding



M	Leading producer with scale advantages.
E	Well aligned management team.
D	Well funded for future growth.
I	Improving returns with partnership model.
C	Clear supply/demand mismatch

		41	37
i	M	Green homes qualify for cheaper mortgages.	
	E	Management focus on energy efficiency.	
	D	Limited externalities.	
	I	Introducing scale manufacturing to industry.	
	C	Material domestic housing shortfall.	

European markets have de-rated

Valuation of European markets has decoupled from US

Chart 1: US, European and UK equity markets' 12-month forward P/Es



- US markets trade on premiums to history
- European markets have been left behind
- War, growth and technology have driven investor sentiment

Why now?

Attractive entry point

Historic drawdown

- Worst losing streak for smaller companies
- Savage derating from market peak
- Record outflows from European funds

Attractive prices

- 8 in every 10 stocks at a discount to past
- 30%+ of companies below replacement cost
- 4 in 10 companies down 40% from highs

Fading headwinds

- Inflation seemingly reducing
- Interest rates less of a headache
- Freight, wages more benign
- Consumer confidence recovering

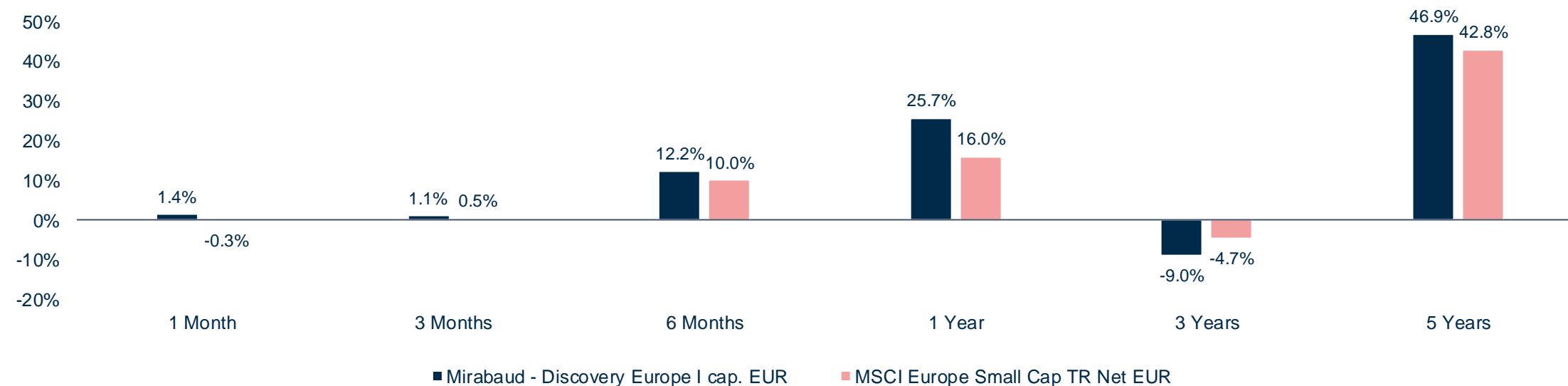
Recovery?

- After covid
- After supply shocks
- After de-stocking
- After surging wages
- After GFC
- After mis-steps

Track record

Total returns (EUR)

Cumulative performance



%	2019	2020	2021	2022	2023	YTD 2024	Since inception*
Mirabaud - Discovery Europe I cap. EUR	25.87	14.03	33.33	-32.39	9.48	16.46	63.92
MSCI Europe Small Cap TR Net EUR	31.44	4.58	23.82	-22.50	12.74	9.12	66.28

Past performance is not indicative or a guarantee of future returns. Indices are not available for direct investment. Performance figures do not take into account subscription and redemption fees and costs. Source: Mirabaud Asset Management 30 August 2024. Mirabaud - Discovery Europe I cap. EUR, net of fees.* Inception date is 16 November 2015. Please see IMPORTANT INFORMATION.



Why are compounders the winners among SMIDs?

Thomas Jäger

Senior Portfolio Manager

Why Switzerland? Unique in the global universe

Some salient features



Global Innovation Index 2022

Ranked number 1 due to high R&D investment and effective academia-industry collaboration



Political Stability

Switzerland's neutrality and peace contribute to a stable political environment



Business Environment

A conducive environment with low inflation, flexible labour market, low tax rate and low costs of capital



World-Class Education

Education system fosters innovation and a skilled workforce, crucial for economic growth



Multicultural Environment

A multilingual and multicultural society that promotes inclusivity and diversity



Quality of Life

High living standards with low unemployment and inflation rates enhance overall well-being



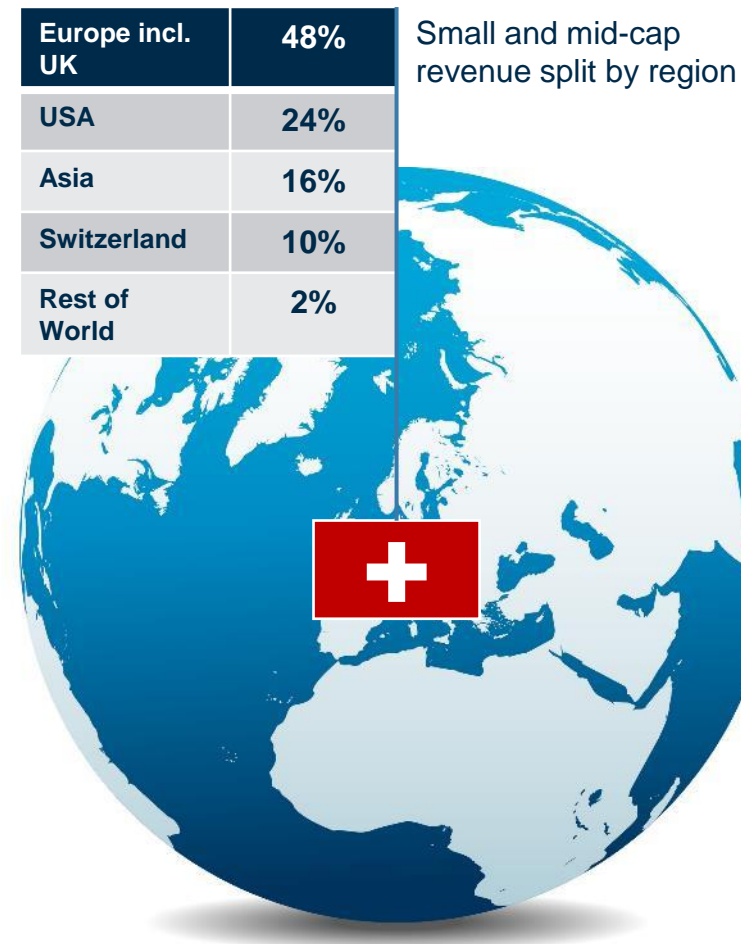
Focus on quality and efficiency

Industrious, organised, clean, focused on quality and efficiency due to strong currency



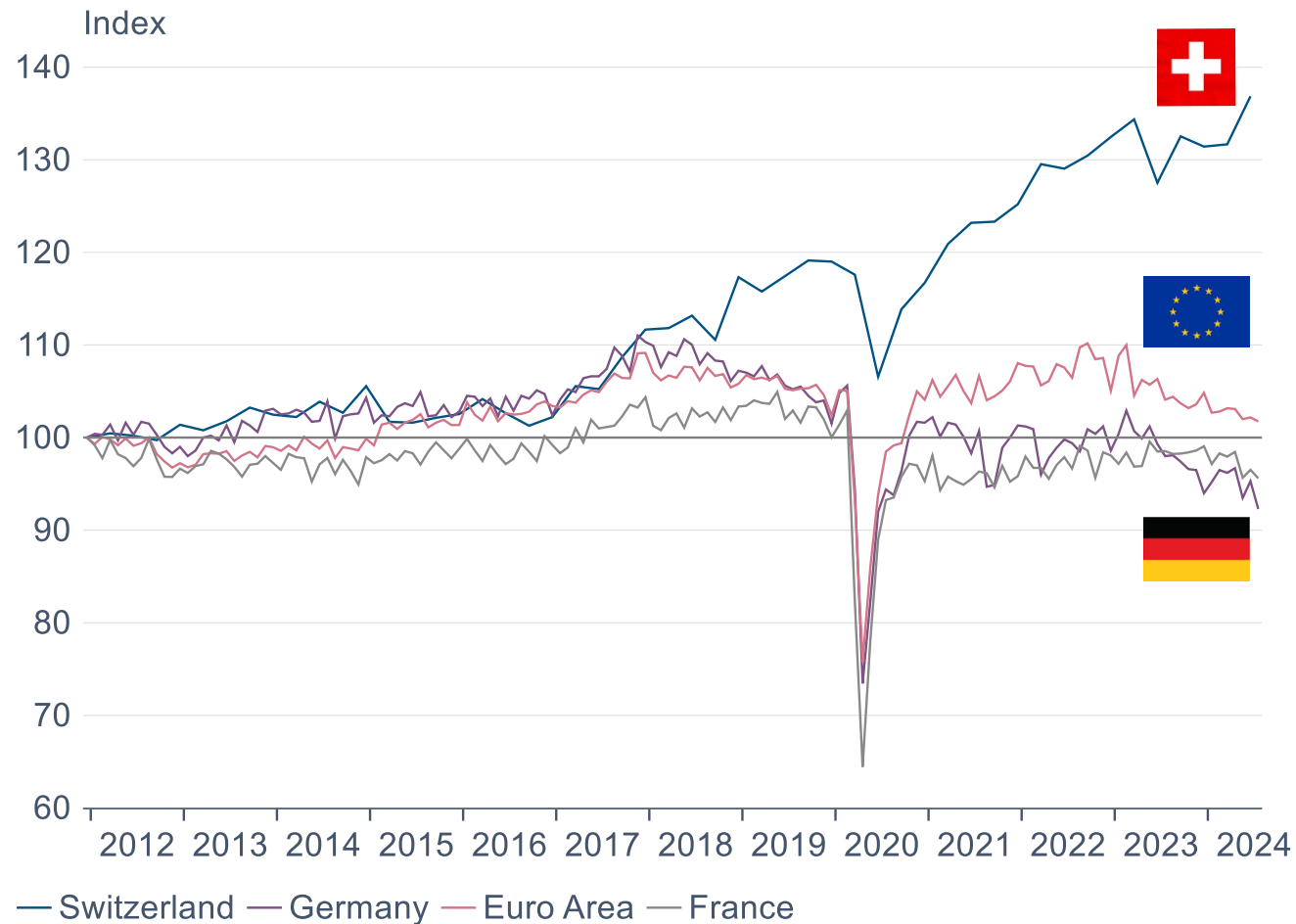
A local market with a global footprint

- **Swissness** – a limited domestic market means Swiss companies must be highly competitive and innovative to succeed internationally
- Strong currency and political stability - efficient market economy
- Swiss companies have geographically diversified revenues. In the small and mid-cap sector, **90% of revenue is generated from outside Switzerland**
- Swiss small and mid-caps (unlike larger companies) relatively less covered by analysts, creating opportunities for active managers to identify potentially mispriced stocks



“Swissness” outperforms

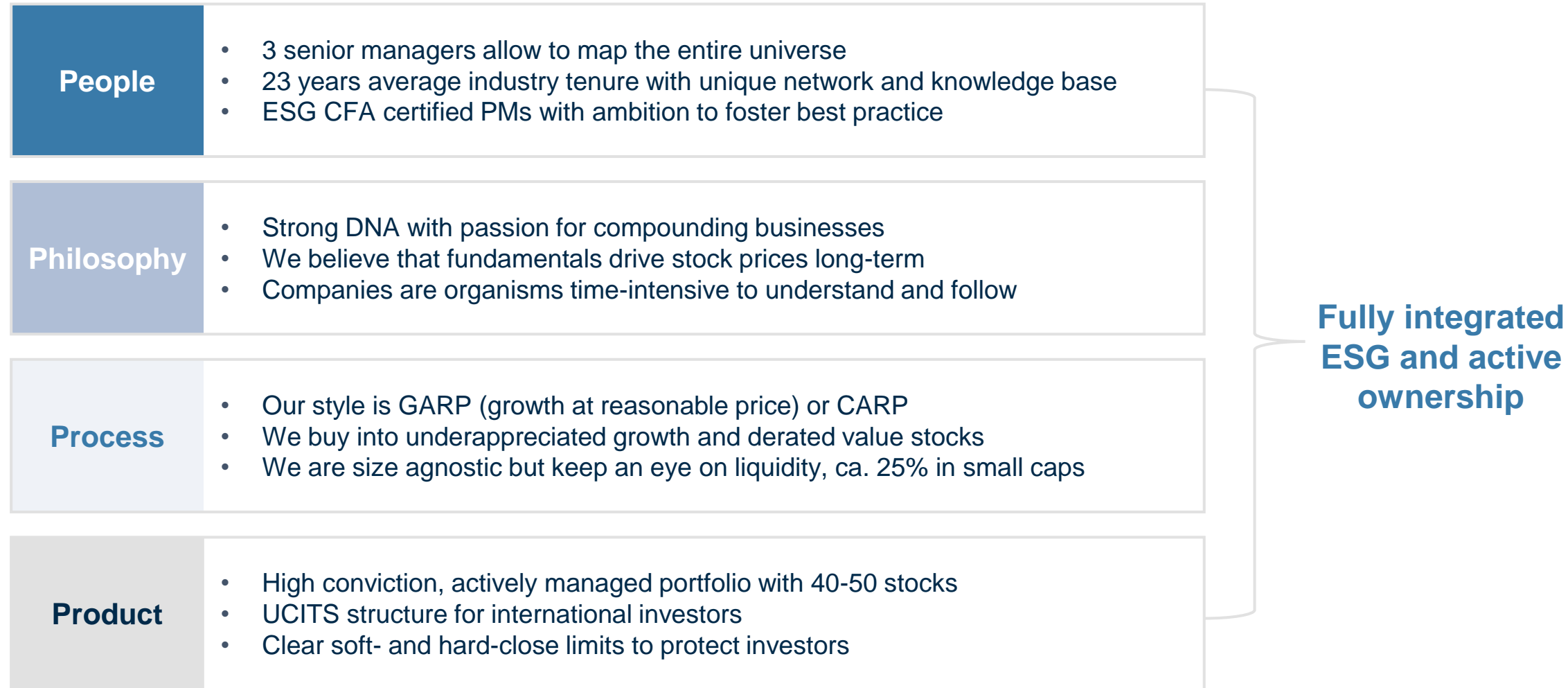
Industrial production (rebased 100 on 31/12/2011)



Source: DESTATIS, FSO, CPB, INSEE, Macrobond, Mirabaud Asset Management



Our approach to Swiss small and mid



Our core beliefs

How we think



Share Price
follows earnings
growth



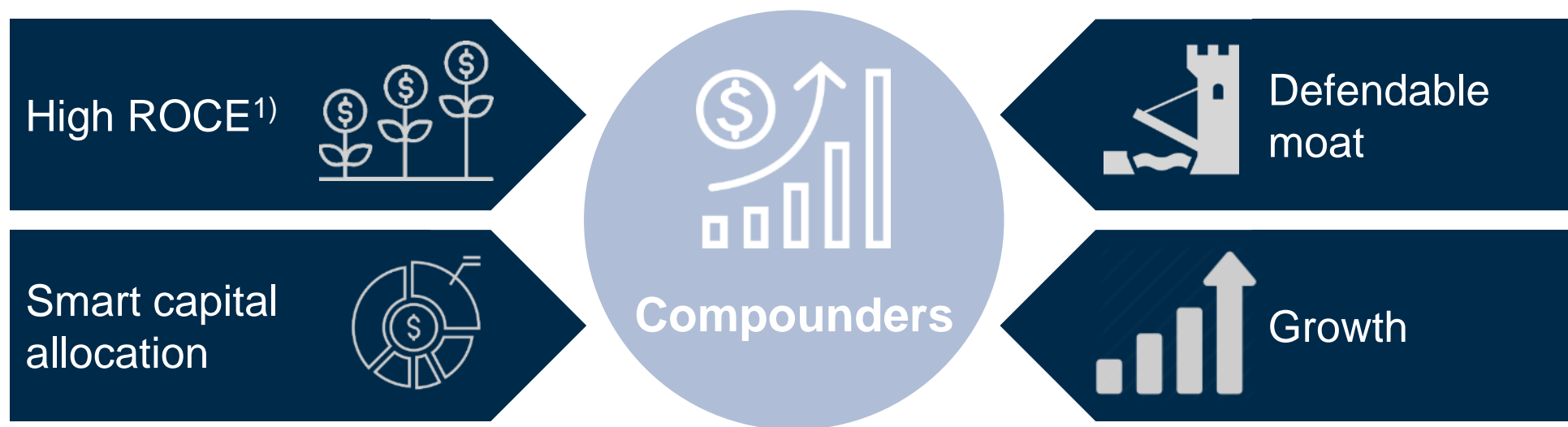
Know the
company



Sustainable
profitable growth
= compound effect

Core belief

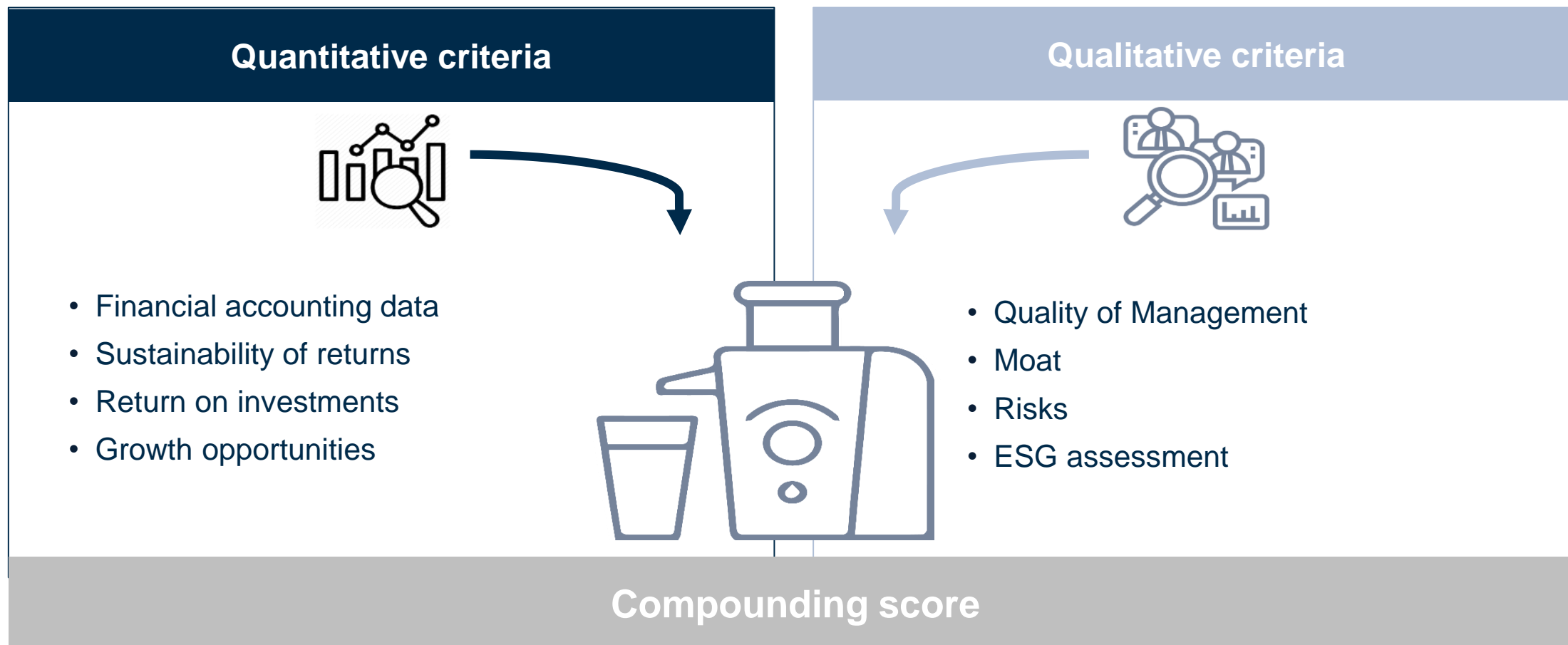
We focus our energy on identifying compounders



¹⁾ ROCE: Return on Capital Employed. Source: Mirabaud Asset Management as of 1 October 2024.

Fundamental analysis

Identifying great companies with proprietary score



Compounder example

Straumann Group AG



Compounder score

- Strong management
- Growth through product innovation
- Smart, inorganic growth
- High Return on Capital Employed



Value driver

- Innovation in product range
- Geographic expansion
- Diversification into related products
- Total offer at all price points
- Margin from operating leverage in growth



Intrinsic value

- Revenue growth ~10% p.a.
- Stable EBITDA-Margin 28-30%
- High return on capital (~25%)
- FCF 5yrs of CHF 2.5 bn, 14% of market cap

Intrinsic value in 5 Years: CHF 186
Upside potential: +70% / 11% p.a.



Leading provider of tooth replacement and orthodontic solutions. Straumann develops, manufactures and markets dental implants, instruments, orthodontic aligners, biomaterials and digital solutions for tooth replacement treatments.

Market cap: CHF 17.5 bn

Past or future performance is not indicative or a guarantee of future returns. Source: Mirabaud Asset Management and Straumann Group, as of 20 June 2024. Provided for illustrative purposes only and is not a recommendation to buy or sell. FCF = free cash flow. NAM = Non-Aligned Movement. WE = Western Europe.

Top 10 holdings

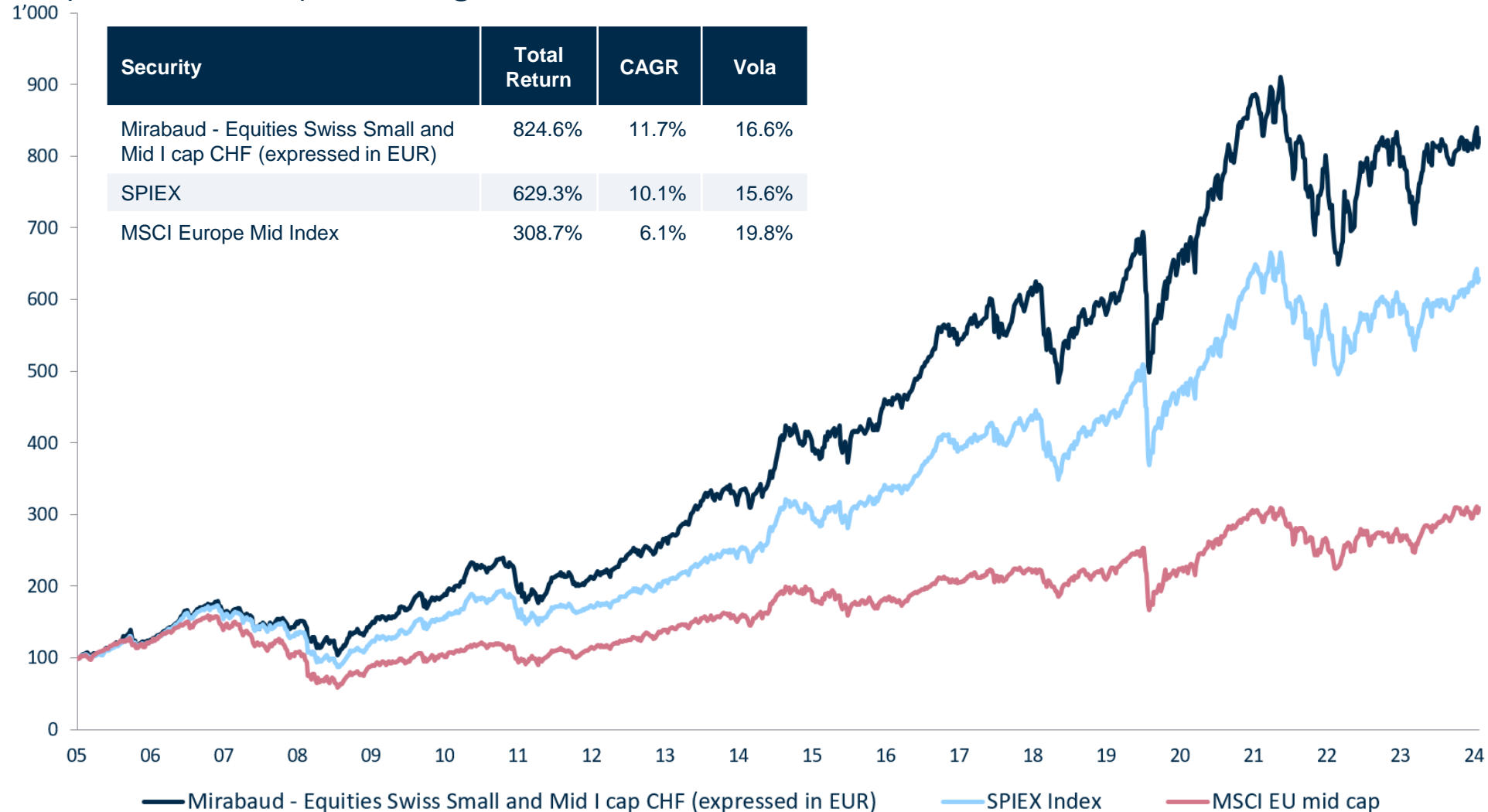
Absolute Top 10	Weight (%)
Schindler Holding AG	9.64
Chocoladefabriken Lindt & Spru	9.29
Straumann Holding AG	7.55
Cembra Money Bank AG	6.37
Julius Baer Group Ltd	5.66
SGS SA	4.76
Temenos AG	4.49
VAT Group AG	4.11
Baloise Holding AG	3.38
Roche Holding AG	2.99

Relative Top 10	Active weight (%)
Cembra Money Bank AG	5.63
Schindler Holding AG	5.13
Temenos AG	3.32
Straumann Holding AG	2.92
Julius Baer Group Ltd	2.47
Implenia AG	1.87
Chocoladefabriken Lindt & Spru	1.72
Swissquote Group Holding SA	1.68
Tecan Group AG	1.67
ALSO Holding AG	1.62

Source: Mirabaud Asset Management and Bloomberg, top 10 aggregated positions as of 30 August 2024. This information is provided for illustrative purposes and is not to be construed as advice or a recommendation to purchase or sell any stocks mentioned. Benchmark is SPI EXTRA.

Performance comparison since 2005

20 years of compounding returns in EUR



Past performance is not indicative or a guarantee of future returns. Source: Mirabaud Asset Management, Bloomberg, as of 31 August 2024.



Thinking outside the box;
how convertible bonds
offer global SMID exposure
with downside protection

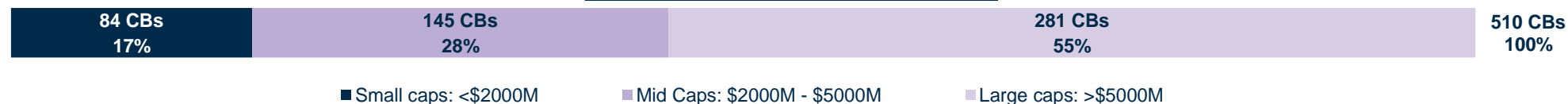
Nicolas Crémieux

Head of Convertible Bonds

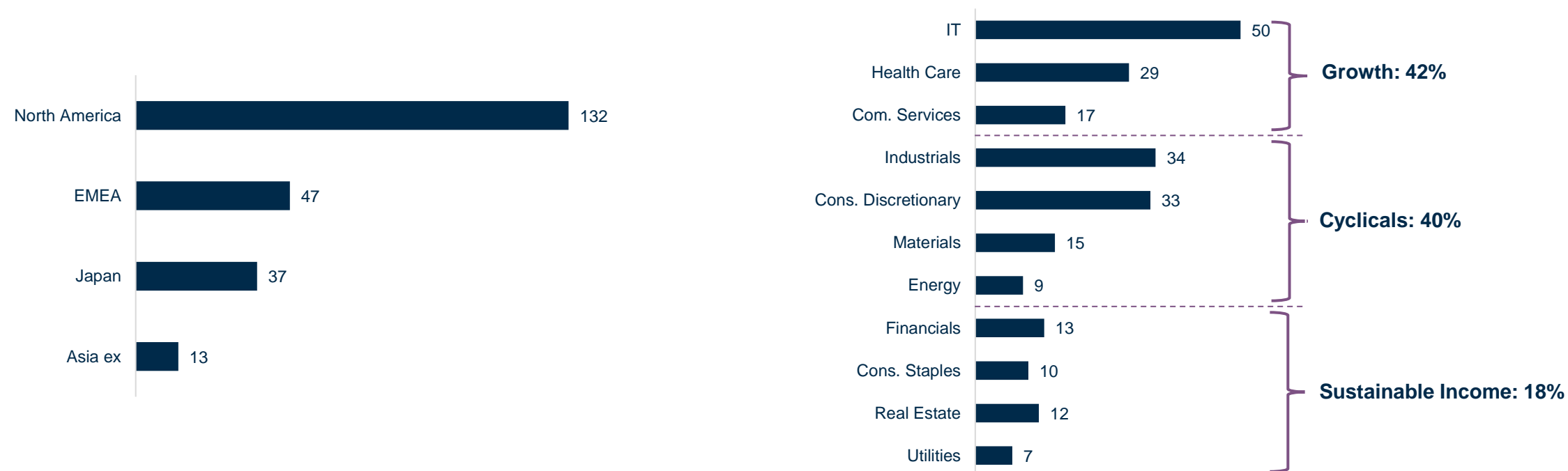
The SMID convertible universe is extensive

45% of the FTSE Global Convertibles Index constituents are SMID caps (market cap <\$5bn)

Global convertibles by market cap



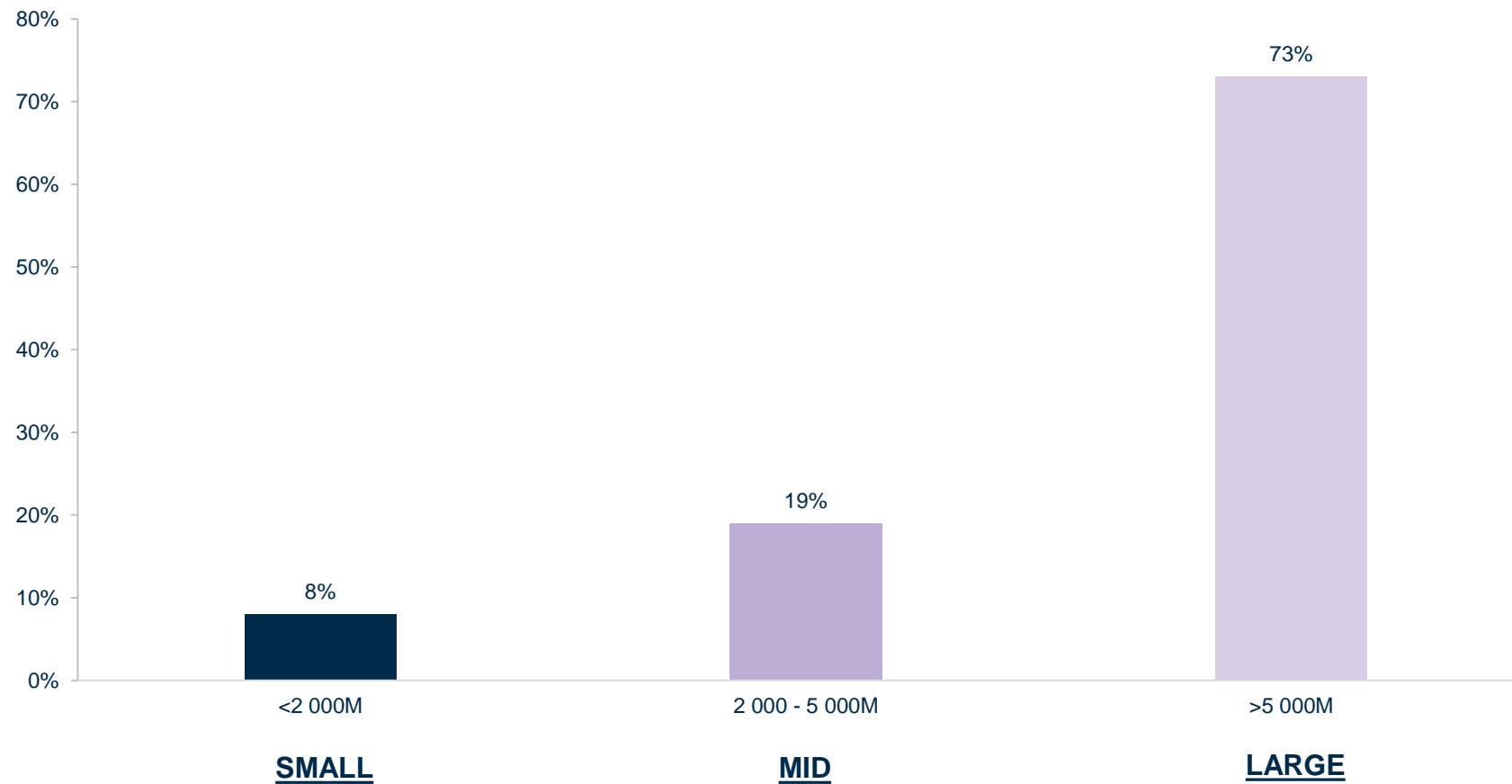
SMID convertible universe by region and sector



Source: FTSE, Mirabaud Asset Management as of 31 August 2024. Asia includes Asia ex and Japan

Having a passive approach ignores SMID convertibles

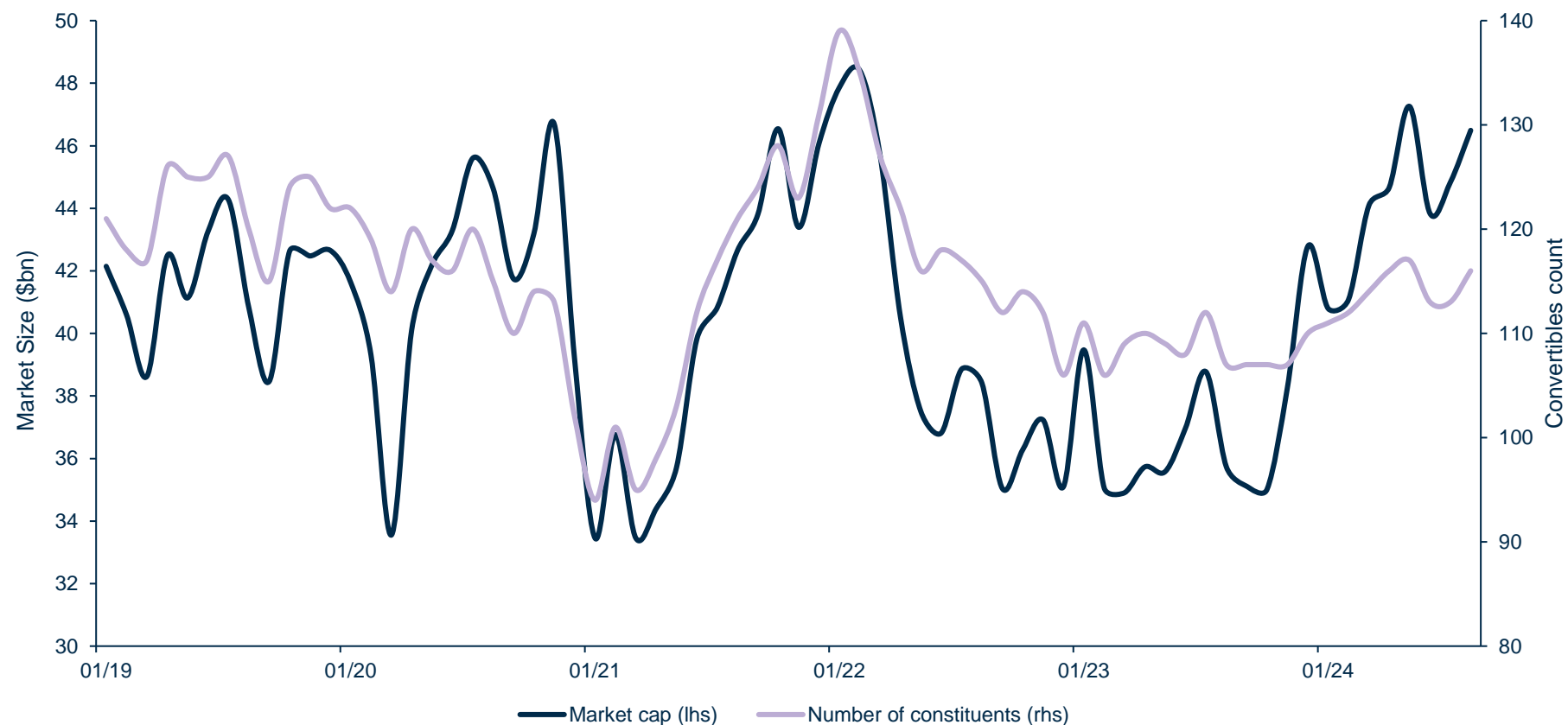
Limited exposure of 27% of the global convertibles universe



Source: FTSE, Mirabaud Asset Management as of 31 August 2024. Index is FTSE Global Convertibles Index.

The SMID investment convertible universe is full of balanced profiles

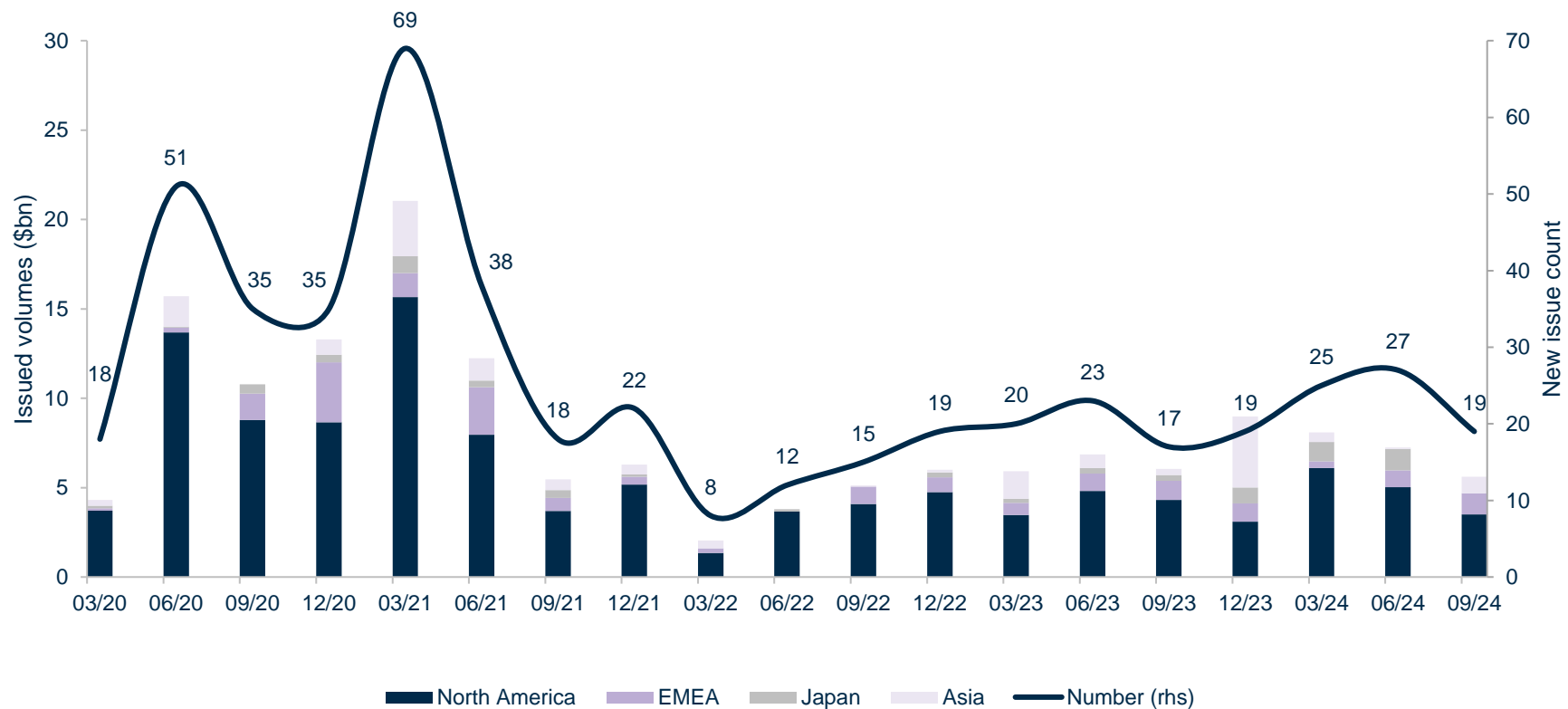
The FTSE SMID Global Focus Convertibles Index has 116 constituents totaling \$46.5bn



Source: FTSE, Mirabaud Asset Management as of 31 August 2024. Index is FTSE All Cap Focus Equity Mid Cap Overlay Hedged (\$)

SMID convertible new issuance is dynamic

152 new issues totaling \$49bn since 2023 ensuring the sustainability and renewal of this universe



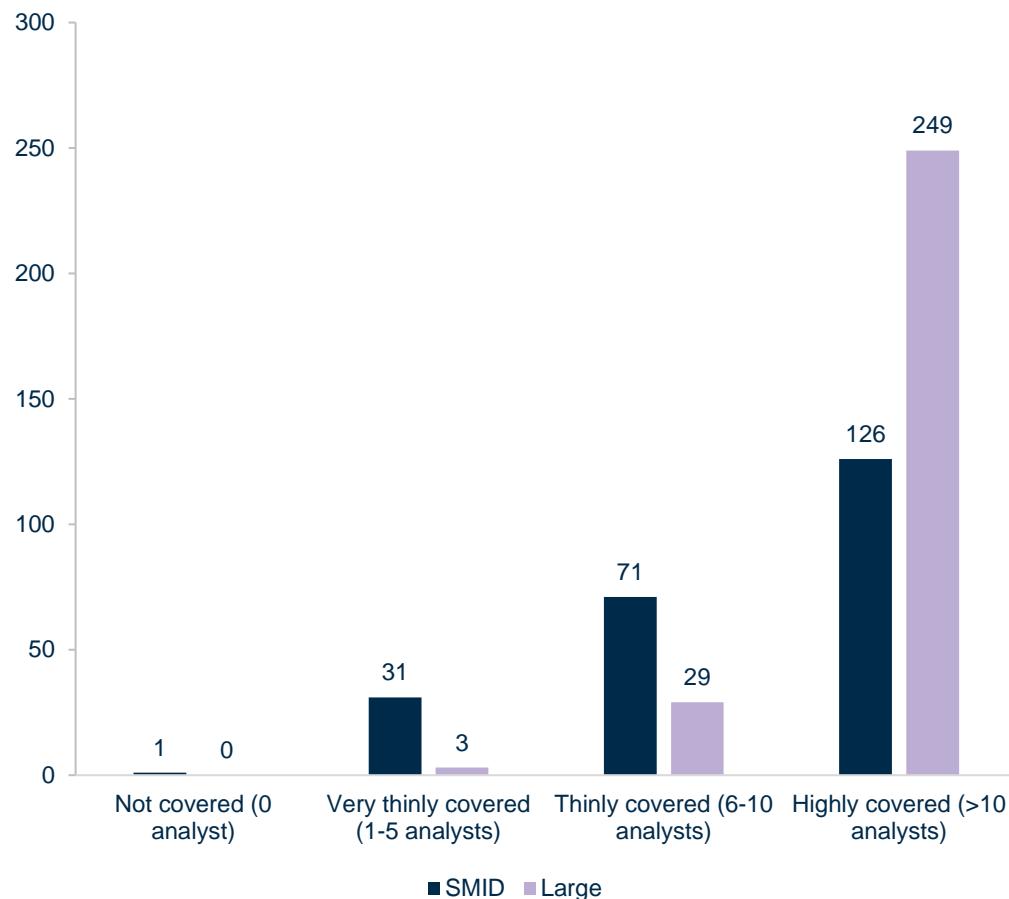
Source: Nomura, Mirabaud Asset Management as of 31 August 2024.

The SMID convertible universe is a pickers' paradise

Fundamental analysis resources are required

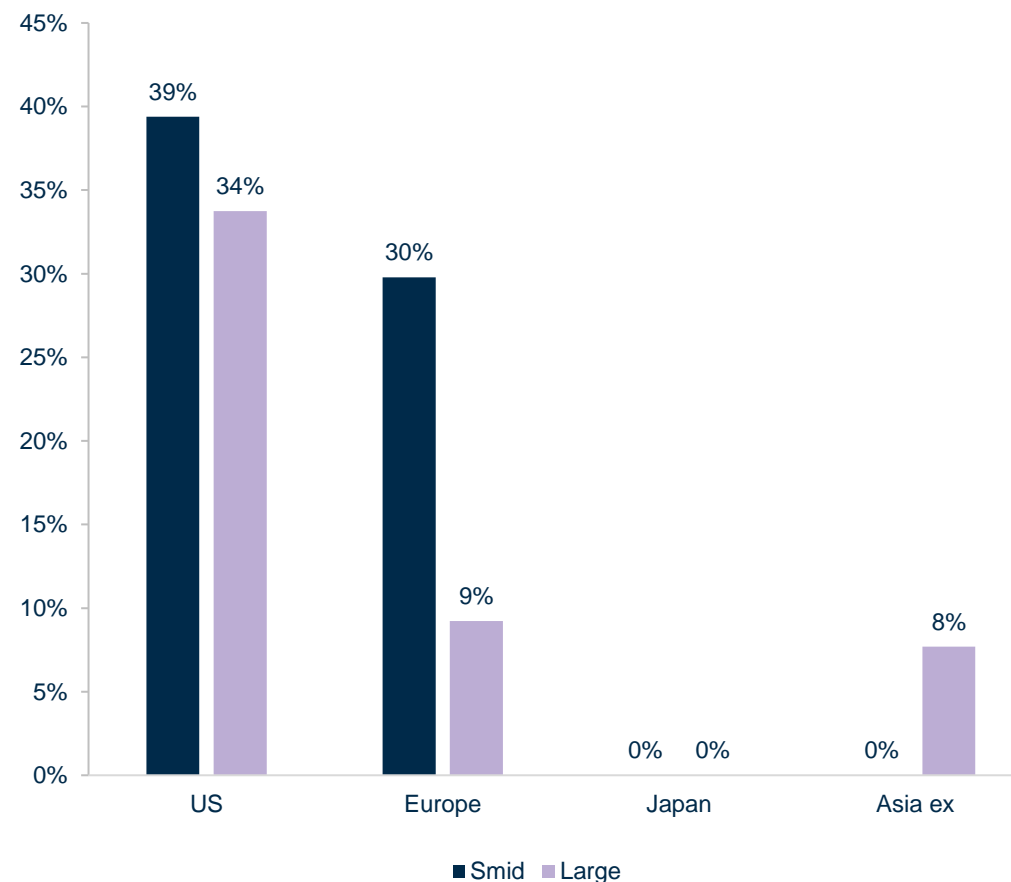
SMID caps are less covered by analysts

Number of issuers



SMID caps are not massively less profitable

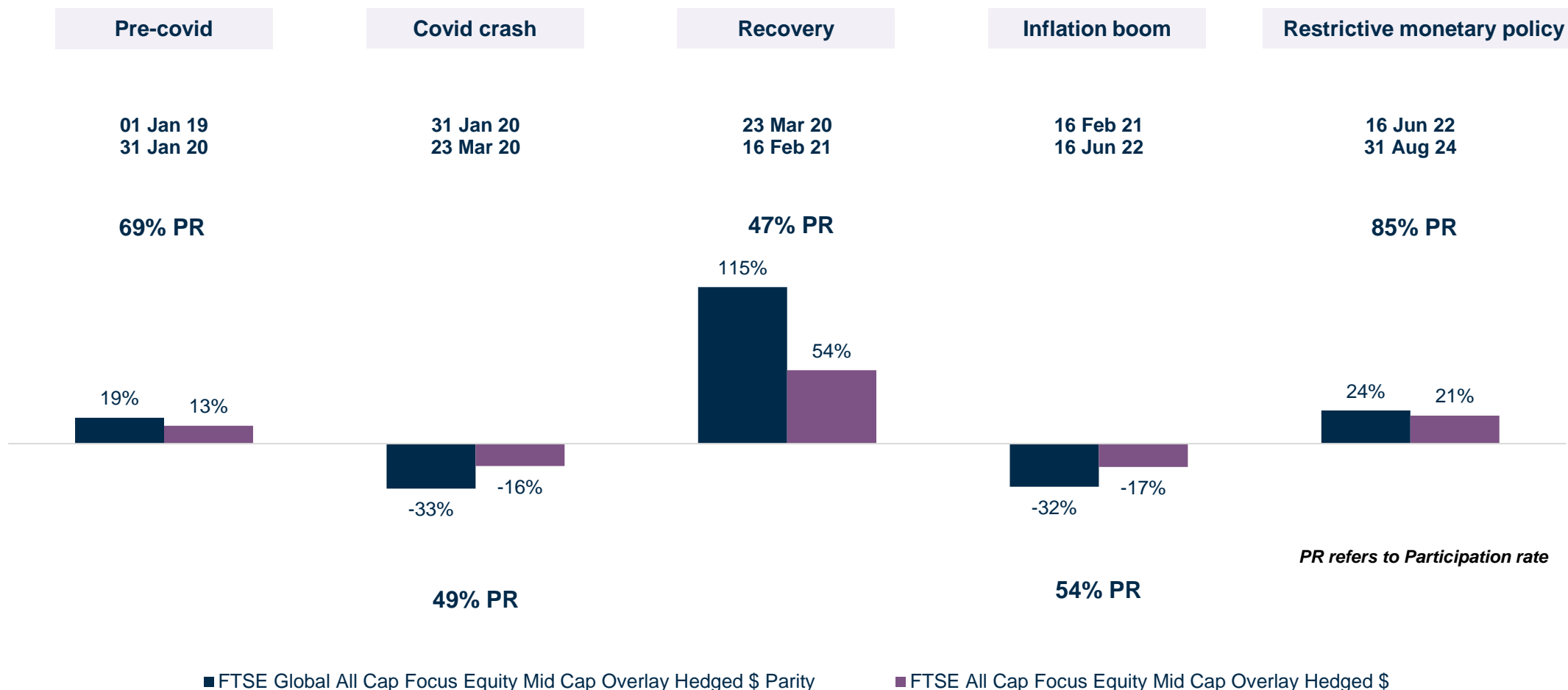
% of non-profitable issuers



Source: FTSE, Bloomberg, Mirabaud Asset Management as of 31 August 2024. Based on FTSE Global Convertible Index.

SMID convertibles delivered consistent performance over the cycle

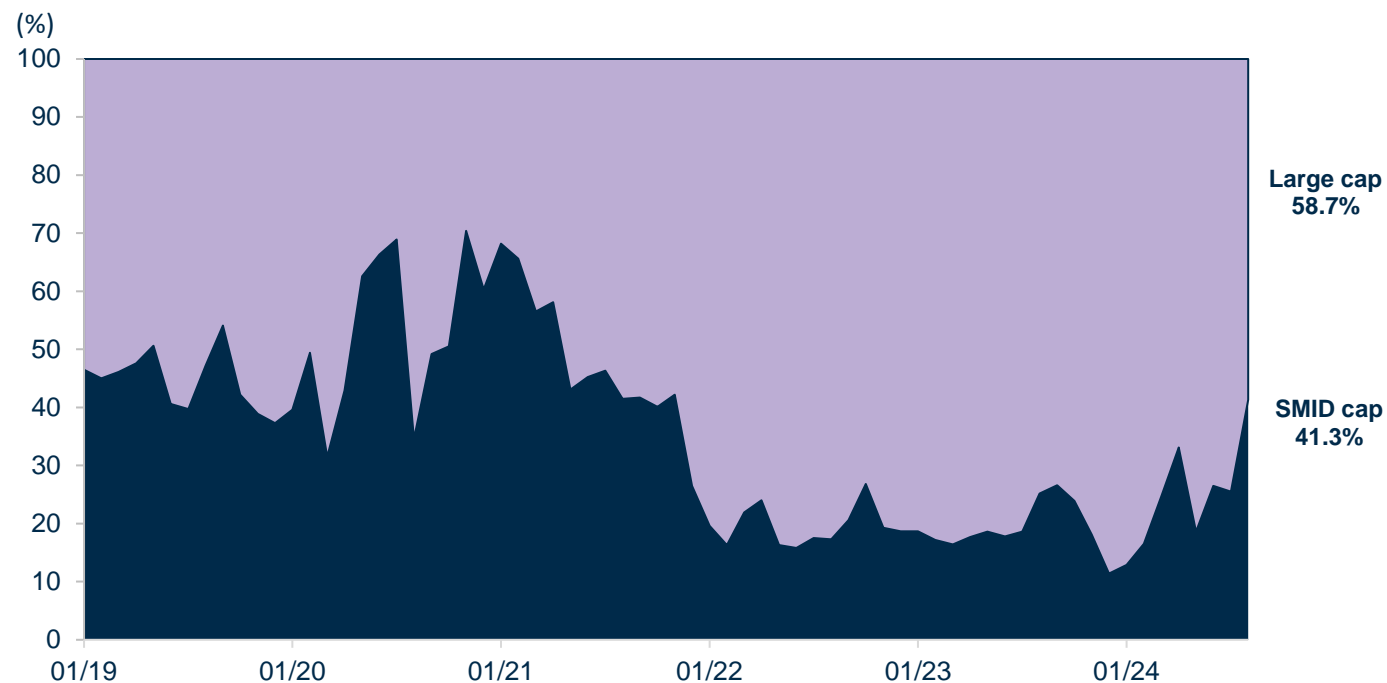
SMID convertibles delivered convexity over the cycle



Past performance is not indicative or a guarantee of future returns. Indices are not available for direct investment. Source: FTSE, Mirabaud Asset Management, as of 31 August 2024.

Our involvement with SMID convertibles is historical

Our flexible approach means we've always been focused on SMID caps

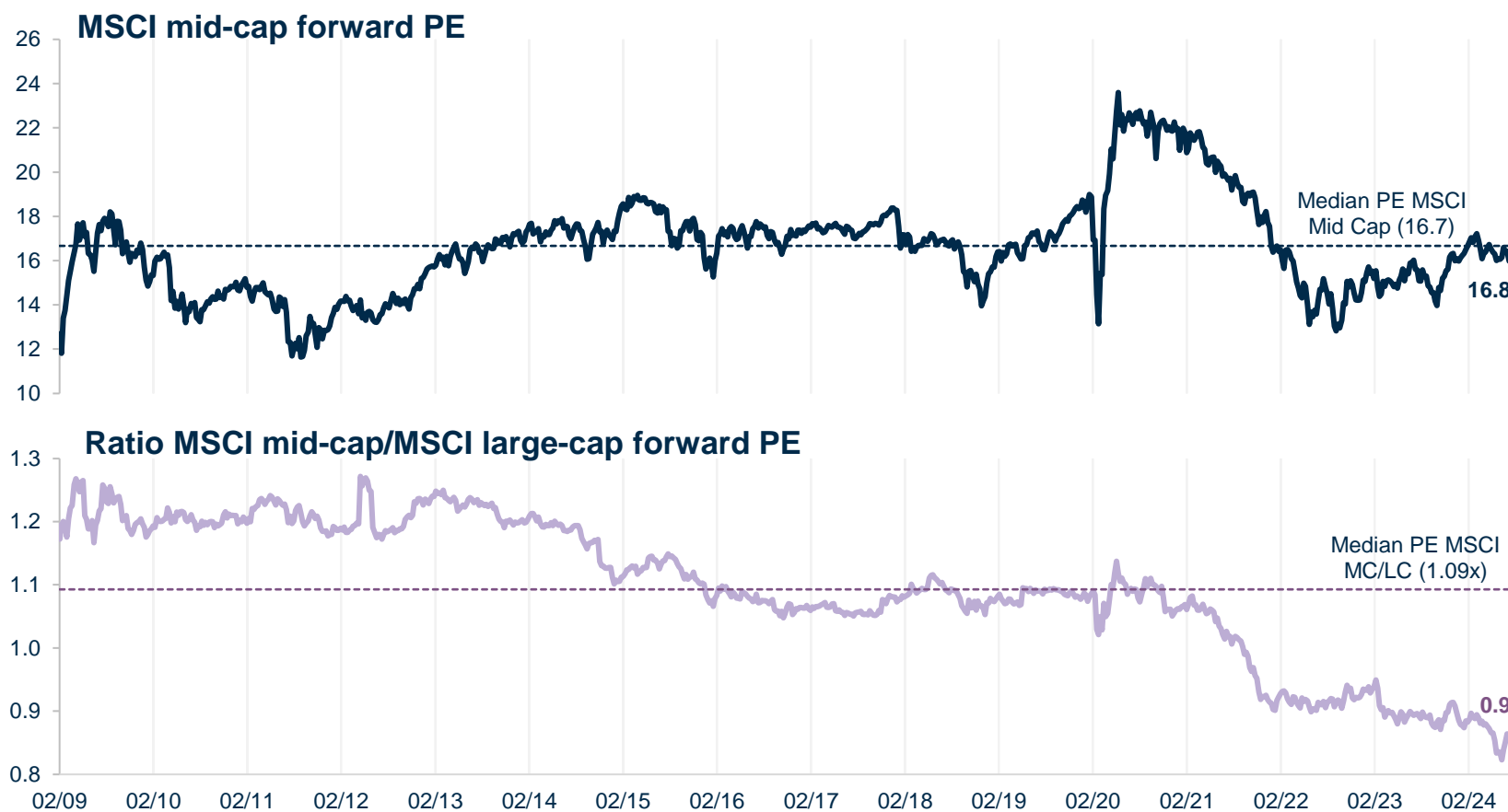


Market cap in USD	MSCG (%)	Benchmark (%)
Large cap	58.7	84.4
>10 000M	40.2	65.2
5 000 - 10 000M	18.5	19.2
SMID cap	41.3	15.6
2 000 - 5 000M	33.0	14.3
100 - 2 000M	8.6	1.3
Cash and other	-0.3	0.0

Source: FTSE, Mirabaud Asset Management as of 31 August 2024. MSCG refers to Mirabaud – Sustainable Convertibles Global - Institutional USD share class. Benchmark is FTSE Global Focus CB hedged USD. Data shown from January 1st 2019 since Nicolas Cremieux was appointed as sole lead portfolio manager.

We believe SMID caps valuations are too cheap to ignore...

... Despite higher EPS growth expectations for the next 3 years! An historical outlier



Median Market Capitalization

MSCI Mid cap	MSCI Large cap
\$12bn	\$180bn

Earnings growth expectations

Year	MSCI Mid cap	MSCI Large cap
2024	+7.5%	+4.4%
2025	+13.5%	+10.7%
2026	+10.5%	+9.3%

Source: Bloomberg, Mirabaud Asset Management as of 31 August 2024.



Closing

Time to allocate



Macro Tailwinds – soft landing and early cycle recovery likely to materialize



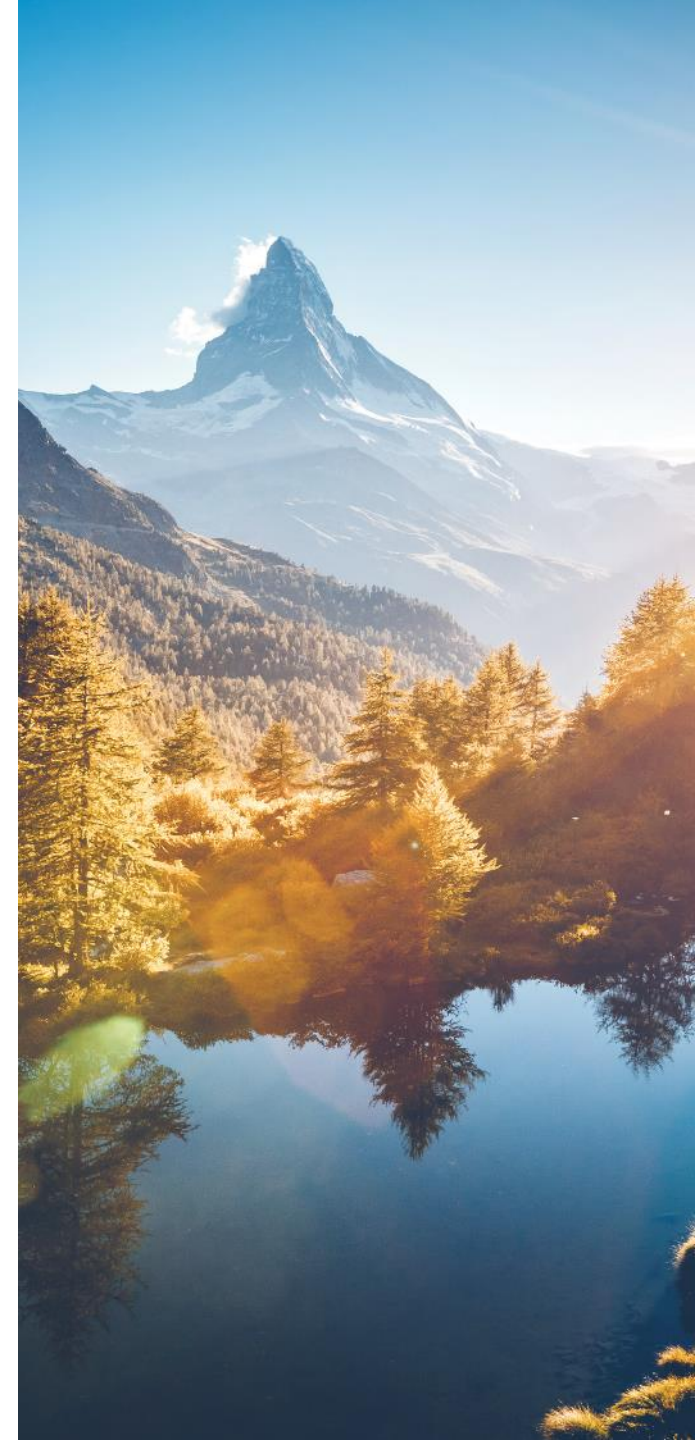
Selectivity and conviction are key to pick the winners – idiosyncratic dynamics



In Europe we favor the smaller segment of the market and in Switzerland, quality is a must



Outside the box: sell global equities – buy back exposure through CB market to get access to SMID rally for extra level of protection/yield



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