

BLS Capital

Global Equity: MSCI ACWI Benchmark

	For the month of:	August	2021		
Manager Performance Calculations				* Annualized returns	
	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
BLS	-0.52%	1.15%	31.67%	17.62%	n.a.
MSCI ACWI	2.50%	4.57%	28.64%	14.34%	n.a.

Performance Attribution & Strategy Comments

The three largest contributors were Novo Nordisk (8.4 pct.), Sampo (7.2 pct.) and Otis Worldwide (3.3 pct.) while Mastercard (-10.3 pct.), Galaxy Entertainment (-5.5 pct.) and Anheuser-Busch InBev (-2.7 pct.) were the largest detractors.

We continue to expect our market leading portfolio companies to emerge stronger with leaner cost structures and improved margins post the pandemic. In markets where the virus is under control consumers are eager and financially equipped to resume old spending habits. Despite adverse effects on our consumption-related companies in areas with resurgence of the virus, recent quarterly reports through August show accelerating topline growth confirming the path towards global recovery for the majority of our portfolio companies. We take special notice of the strong results and guidance upgrades from Novo Nordisk, adidas, Sampo and Boozt, among others. Novo Nordisk stood out in particular as a very promising launch of Wegovy against obesity which we commented on in June has accelerated drastically now running out of stock. During August Novo Nordisk delivered an excellent earnings report, thus upgrading its guidance significantly for the second time this year.

The strategy continues to have a significant operational China exposure – all indirectly through Western corporate governance regulated companies. Our China exposure has been lagging in 2021 because of growing worries amongst investors after recent political signals and regulatory actions. Several of our portfolio companies have experienced stock price declines including LVMH, Kering, Galaxy Entertainment and Sands China. We find the regulatory risk to be low amongst our casinos as these are already heavily regulated, and despite the government expressing concerns about inequality pressuring stock prices among luxury brands, LVMH and Kering are experiencing solid operational momentum. Our long-term optimistic view on the Chinese economy is unchanged, and our exposure to the Chinese economy is a strong long-term tailwind.

Our portfolio companies are well positioned against increasing inflation based on their market leading positions giving them considerable pricing power. Our combined exposure to highest caliber Nordic P&C insurance is close to 11 pct. through the market leaders Tryg and Sampo as we like the automated CPI adjustments to premiums, the consolidated nature of the industry and its improving profitability with consistent returns on equity of +20 pct. Sampo is increasingly overcapitalized currently at 20 pct. of market value and strategic actions underline the continuing focus on simplifying the corporate structure to reduce the holding discount currently at 15 pct.

We added to our position in Kering after the weak stock performance despite solid results. We also added to Anheuser-Busch Inbev and Yum China while trimming our position in Novo Nordisk, Tryg and adidas. The trim in Novo Nordisk was due to the company's weight in the portfolio exceeding 10 pct.

Manager Style Summary

BLS is a "bottom-up" manager, whose process is driven by individual security selection. They invest in quality companies which have the best possibility of creating sustainable value and generating attractive risk adjusted returns to investors in the long term. Country and sector exposures are by-products of the security selection process and are unconstrained by index weights. The portfolio consists of roughly 25-30 securities at a time. It is a concentrated global equity portfolio, and as such, may experience more volatility relative to the market.

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Portfolio Guideline Compliance

Portfolio Guideline:	BLS	Min	Max	Compliance
B3. No more than 10% of the account shall be invested in any one security @ purchase				ok
B4. No more than 2 companies headquartered in Denmark				ok
B5. Number of issues	26	25	30	ok
B6. Normal Regional Exposures (* benchmark +/- min/max):				
North America	34%	35%	50%	check
Japan	0%	0%	0%	ok
Europe ex UK	40%	15%	35%	check
UK	11%	5%	13%	ok
Pacific ex Japan	0%	0%	0%	ok
Emerging Markets	16%	10%	30%	ok
Non-Index Countries	0%	0%	0%	ok
Total	100%			
B7. Normal Global Portfolio Characteristics				
Capitalization (45%-75%)	106	45	75	check
Price/Book Value	12.7	5	9	check
Price/Earnings (current)	25.6	17	23	check
Price/Cash Flow (current)	23.7	19	24	ok
Dividend Yield	1.8%	1.8%	2.8%	check
ROE	46%	31%	37%	check
ROIC	41%	42%	50%	check
FCF Yield	4.2%	3.8%		ok
F2. Brokerage commissions not to exceed \$0.03/share for U.S. equities				Yes
F3. Annual turnover	58%		40%	check
The portfolio is in compliance with all other aspects of the Portfolio Guidelines			<input type="checkbox"/> Yes	<input type="checkbox"/> No

Manager Explanations for Deviations from Portfolio Guidelines

B6. Regional Exposures:	EU/US exposure is above/below the historical range due to our bottom-up approach. We have also seen attractive risk-rewards in higher market-cap holdings.
B7. Price/Book:	Attractive return opportunities in some companies with high P/B ratios. This is not a steering tool. Dividend yield also slightly below historical range.
B7. Price/Earnings:	The FCFY is our primary valuation tool, and the short-term earnings remain impacted by the pandemic.
B7. ROIC:	The realized RoIC is impacted by the pandemic. We see no negative longer-term impairment of the return levels. Current year RoE is above the historic range.
F3. Annual Turnover:	The turnover continues to be elevated during the year, due to the high volatility and dispersions of valuations through parts of 2020.

Total Firm Assets Under Management (\$m) as of: Qtr 2 \$ 6,612

Organizational/Personnel Changes

No changes

Account Turnover

Gained:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
Lost:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
	Reason(s):				