



Your success. Our priority.

# Long-short investing

## Capturing upside and limiting downside

For professional investors only

7 September 2021



## Your presenters today



**Frederic Jeanmaire**  
Portfolio Manager



**Paul Doyle**  
Portfolio Manager



**Francis Ellison**  
Client Portfolio Manager



**Eleonard Buono**  
Distribution, Paris



**Francis Ellison**  
Client Portfolio Manager



Market background



Outlook



**Frederic Jeanmaire**  
Portfolio Manager



**Paul Doyle**  
Portfolio Manager



Threadneedle (Lux) Pan  
European Absolute Alpha



Approach and process



Update on the fund

# Fund characteristics

## Differentiated by resource, approach and structure

### Absolute return advantages

- Low volatility
- Low correlation to MSCI Europe Index
- Focus on capital preservation

### Team resources

- Experienced long/short specialists
- Long/Short specialists backed by global research

### Risk management

- Robust risk framework
- Daily liquidity for investors

## Portfolio characteristics

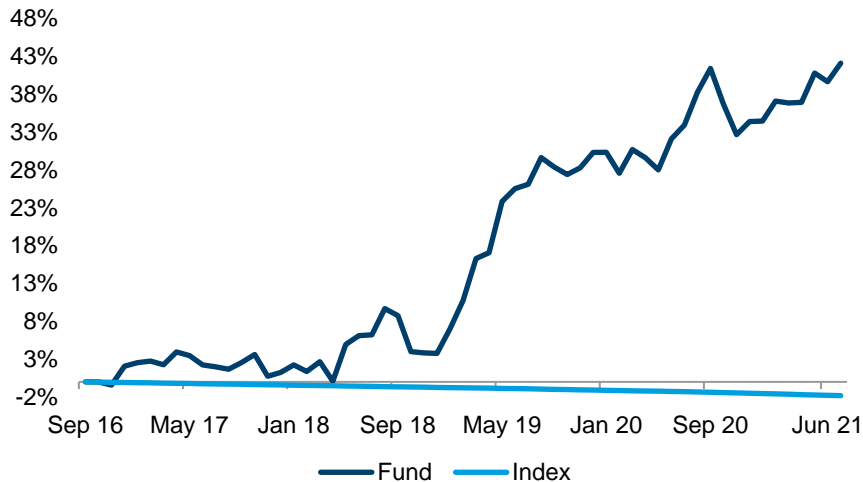
	Guidelines
<b>Fund characteristics</b>	<ul style="list-style-type: none"> <li>■ Pan European equity long / short diversified by market cap and sector</li> <li>■ Aims for a positive return over rolling 12-month periods</li> </ul>
<b>Benchmark*</b>	EURIBOR-3months
<b>Volatility</b>	6-10%
<b>Number of stocks</b>	80-120
<b>Net exposure</b>	0% to 50%
<b>Gross exposure</b>	80% – 180%
<b>Long positions</b>	0.5% – 5.0%
<b>Short positions</b>	0.2% – 2.0%

The fund characteristics described above are internal guidelines (rather than limits and controls). They do not form part of the fund's objective and policy and are subject to change without notice in the future. Please note that the performance target may not be attained. The characteristics are indicative targets only. \*This benchmark is shown to compare the performance of the fund.

# Performance and drawdown record

## Capital preservation plus upside capture

### Cumulative gross performance versus benchmark<sup>1</sup>



Calendar year gross performance (%) <sup>1</sup>							
	2021 YTD	2020	2019	2018	2017	1 year	3 years
<b>Threadneedle (Lux) Pan European Absolute Alpha</b>	5.7	3.1	25.6	2.5	-0.8	6.1	10.2
<b>Index (EURIBOR 3m)</b>	-0.3	-0.4	-0.4	-0.3	-0.3	-0.5	-0.4
<b>Relative return</b>	<b>+6.1</b>	<b>+3.6</b>	<b>+26.0</b>	<b>+2.8</b>	<b>-0.5</b>	<b>+6.7</b>	<b>+10.6</b>

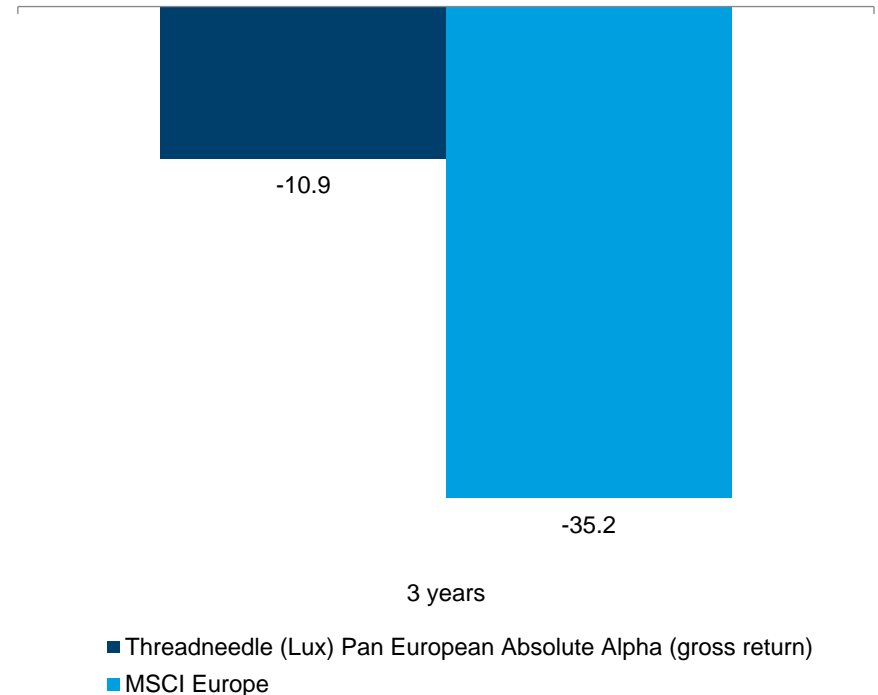
<sup>1</sup> Source: Columbia Threadneedle Investments and FactSet, all data as at 31 July 2021 and in EUR.

Fund returns gross of fees and management expenses for comparison with EURIBOR 3m Index. Gross performance is calculated at total fund level and annualised, using daily global close valuations. Relative return is shown on a geometric basis. Periods greater than one year are annualised. This presentation contains corrected gross performance data for the period 1 January 2017 to 31 December 2020. These inaccuracies were due to incorrect dividend postings in our performance records and have been corrected as at December 2020. This change in gross performance records is not considered material under our Error Correction Policy, however if you require a comparison of corrected returns please contact your relationship manager. The net performance record remains unaffected

<sup>2</sup> Source: Columbia Threadneedle Investments, as at 31 July 2021. Since inception is 21 September 2016.

Past performance is not a guide to future returns.

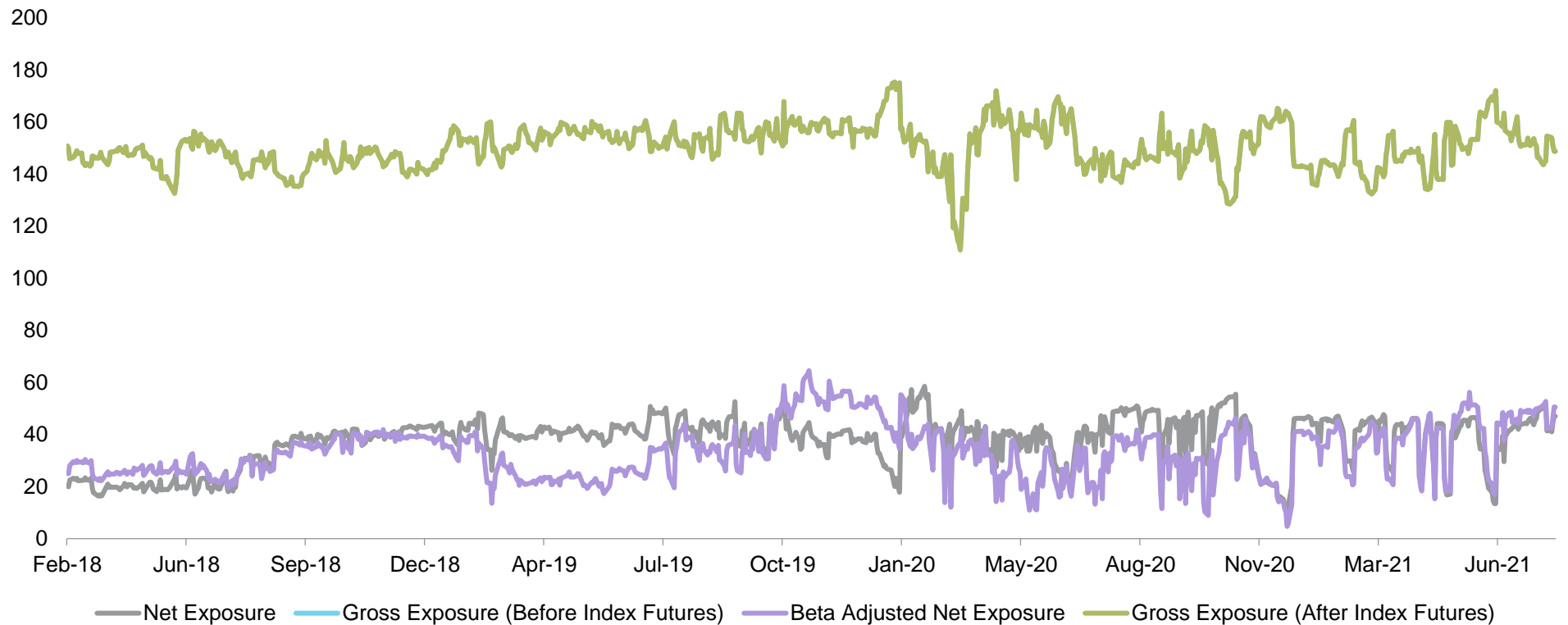
### Max drawdown rolling<sup>2</sup>



# Threadneedle (Lux) Pan European Absolute Alpha

## Historic gross and net exposures

### Gross and net exposures



Source: Columbia Threadneedle Investments, as at 31 July 2021.

# Threadneedle (Lux) Pan European Absolute Alpha

## Stock and sector positioning

Top 5 long holdings <sup>1</sup>	Fund (%)
DSM	5.3
Sika	5.2
Brenntag	5.2
UBS	5.1
Teleperformance	5.1
Top 5 short holdings <sup>2</sup>	
A Consumer Discretionary stock, name withheld	-2.2
A Materials stock, name withheld	-2.0
A Comms. Services stock, name withheld	-2.0
A Industrials stock, name withheld	-2.0
A Consumer Discretionary stock, name withheld	-2.0

Sector positioning <sup>1</sup>	Longs	Shorts	Net (%)
Financials	32.2	-2.2	30.0
Materials	18.3	-3.0	15.2
Industrials	19.9	-9.4	10.5
Consumer Discretionary	16.6	-8.7	7.9
Information Technology	11.5	-3.5	8.0
Energy	0.0	-0.9	-0.9
Utilities	0.0	-1.2	-1.2
Communication Services	0.0	-4.8	-4.8
Consumer Staples	0.0	-7.6	-7.6
Health Care	0.0	-9.8	-9.8
<b>Total</b>	<b>98.5</b>	<b>-51.1</b>	<b>47.3</b>

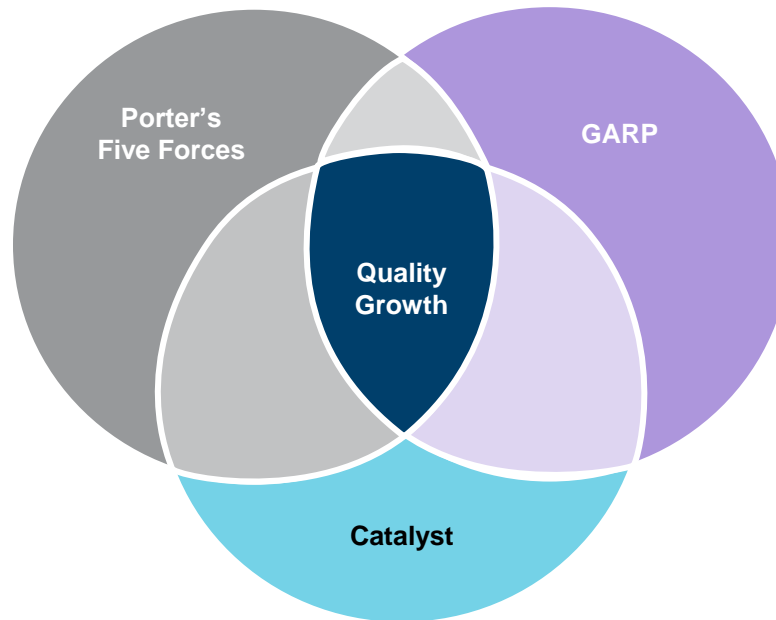
Source: Columbia Threadneedle Investments, as at 31 July 2021. The mention of any specific shares or bonds should not be taken as a recommendation to deal.

1 Shown on a look-through basis. 2 Shown on a non look-through basis.



# What we look for in long positions

- Research process based on Porter's Five Forces
- We buy companies with high P5F scores

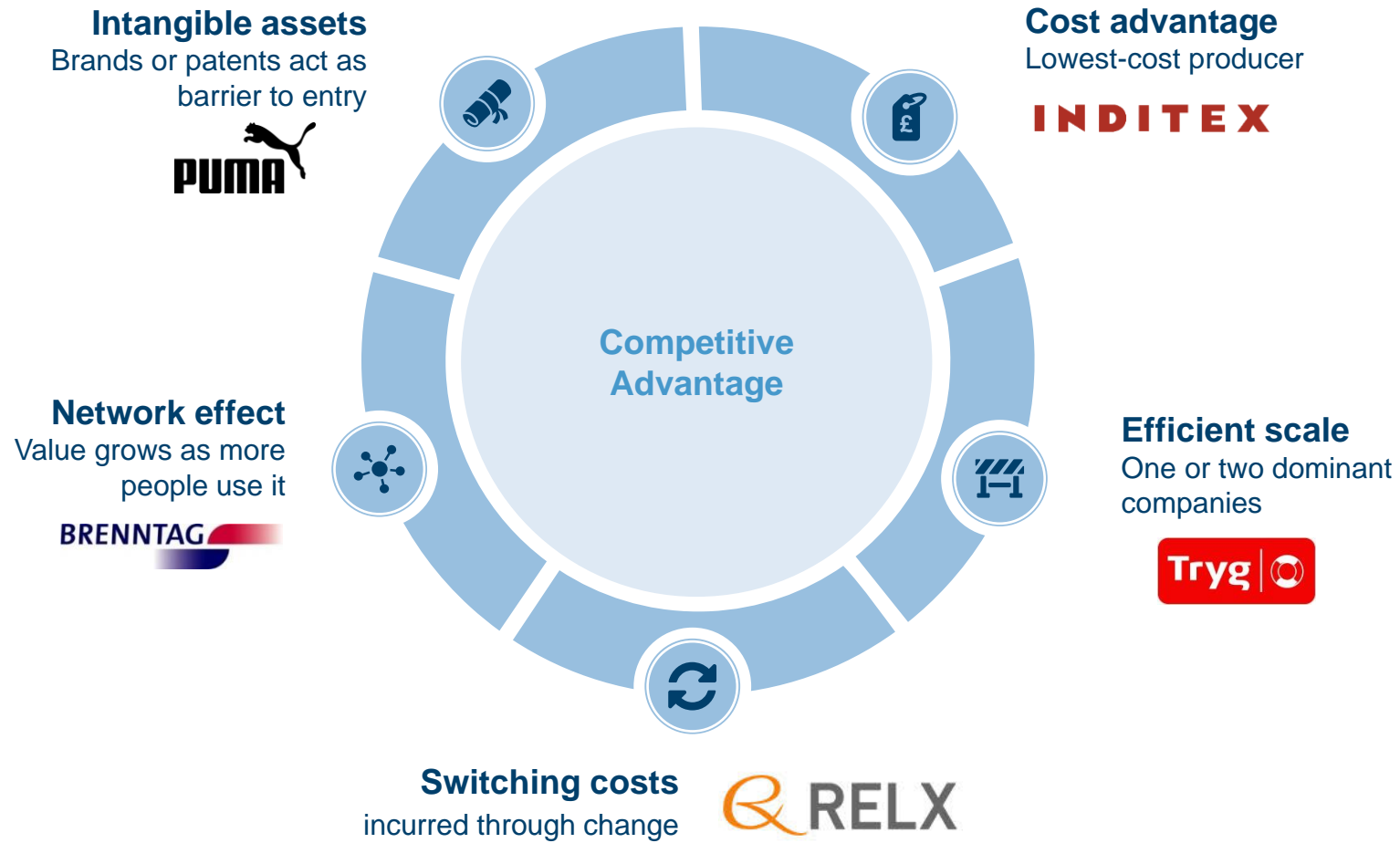


- Free cash flow yield + long term growth = annual return potential
- We buy companies with annual return potential of >10%

- Catalysts can be product, cost-cutting, synergies

# Investment approach for long positions

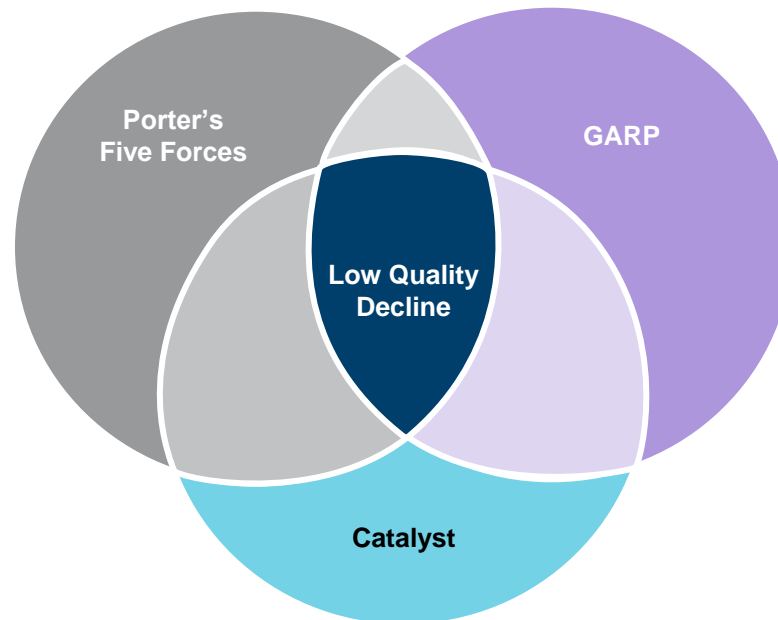
## Economic moats: sustainable competitive advantages



Source: Columbia Threadneedle Investments, Morningstar, 2020. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owner. The mention of any specific shares or bonds should not be taken as a recommendation to deal.

# What we look for in short positions

- Research process based on Porter's Five Forces
- We short companies with low P5F scores

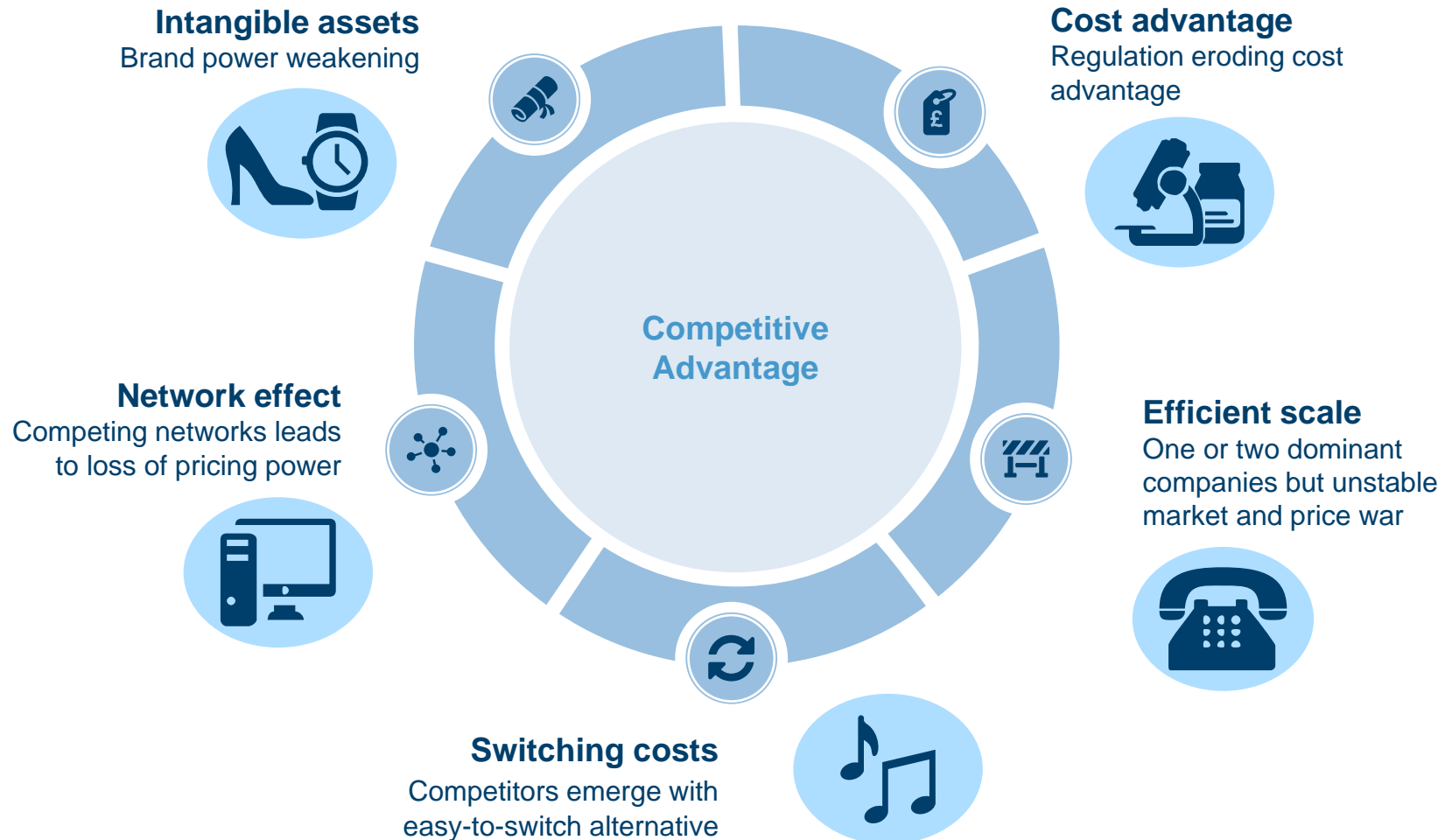


- Free cash flow yield + long-term growth = annual return potential
- We short companies with low annual return potential

- Catalysts can be sales decline, debt refinancing

# Investment approach for short positions

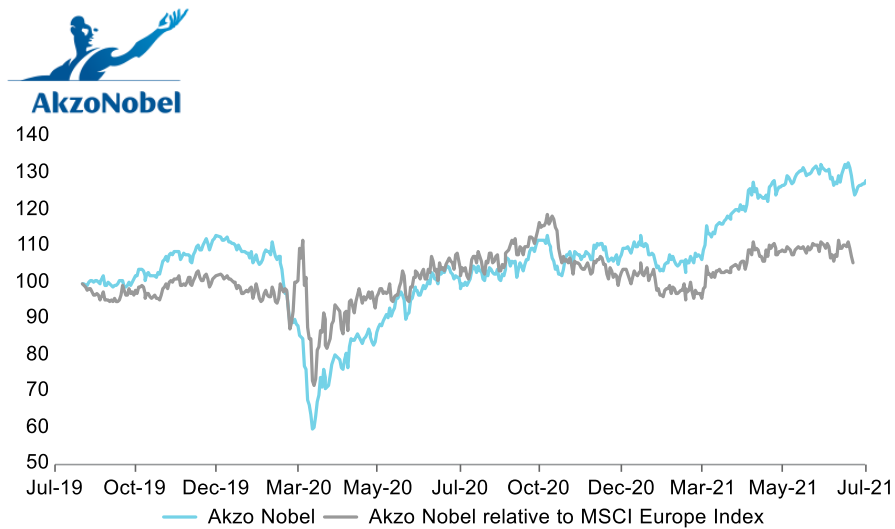
## Economic moats: eroding competitive advantages



Source: Columbia Threadneedle Investments, Morningstar, 2020. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owner. The mention of any specific shares or bonds should not be taken as a recommendation to deal.

# Akzo Nobel

## 2-year absolute and relative performance<sup>1</sup>



Year to December <sup>2</sup>	2021	2022e
P/E	22.1x	19.6x
EV/EBITDA	13.2x	12.2x
RoE	15%	17%

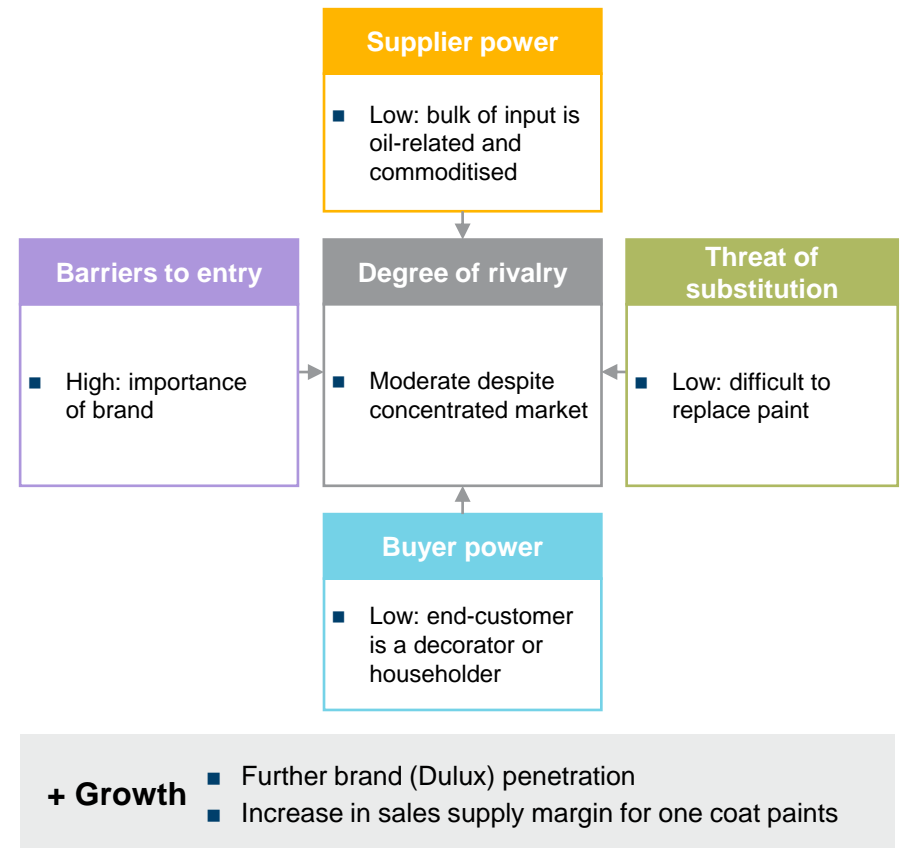
<sup>1</sup> Source: FactSet, as at 31 July 2021, in EUR.

<sup>2</sup> Source: Bloomberg, as at 15 July 2021.

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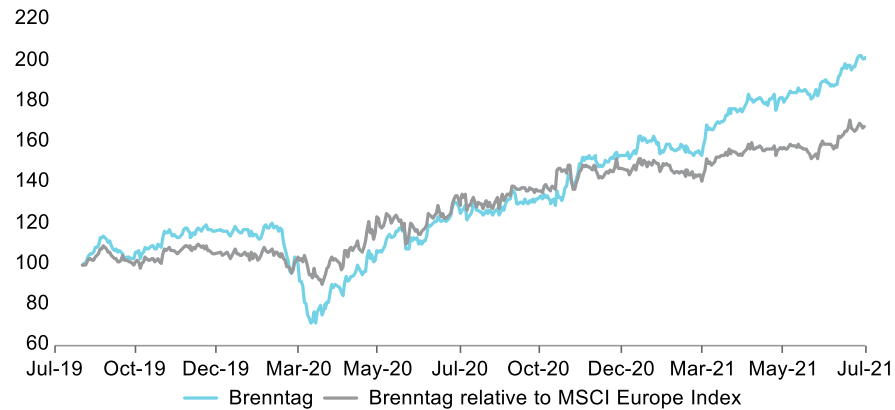
Past performance is not a guide to future returns.

## Porter's Five Forces



# Brenntag

## 2-year absolute and relative performance<sup>1</sup>



Year to December <sup>2</sup>	2021	2022e
P/E	21.1x	19.1x
EV/EBITDA	12.1x	11.3x
RoE	16%	17%

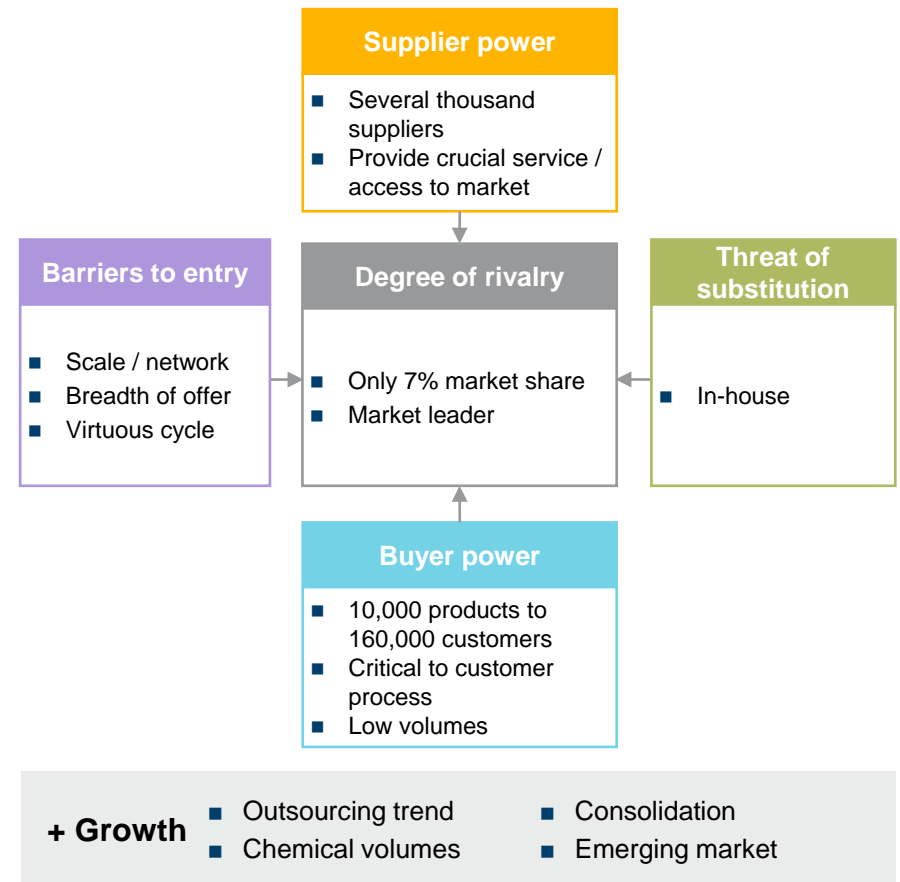
<sup>1</sup> Source: FactSet, as at 31 July 2021, in EUR.

<sup>2</sup> Source: Bloomberg, as at 15 July 2021.

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## Porter's Five Forces



# ASML

## Absolute performance and relative strength 2-year performance<sup>1</sup>

### ASML



Year to December <sup>2</sup>	2021	2022e
P/E	48.0x	39.6x
EV/EBITDA	38.6x	32.6x
RoE	37%	41%

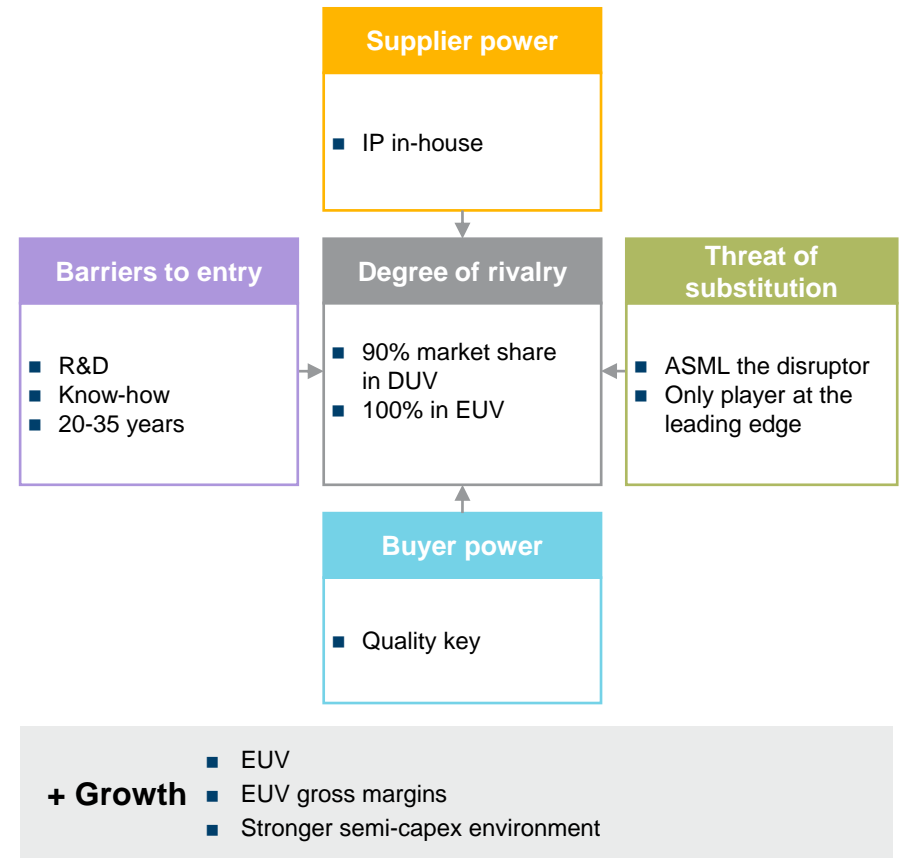
1 Source: FactSet, as at 31 July 2021, in EUR.

2 Source: Bloomberg, as at 15 July 2021.

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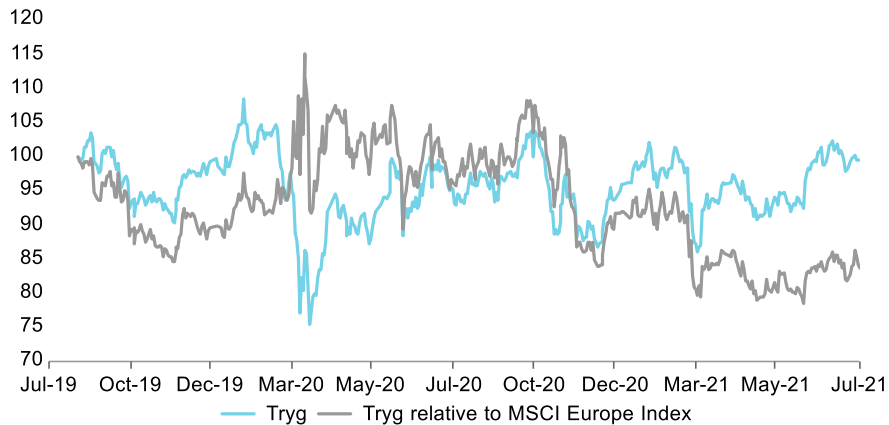
Past performance is not a guide to future returns.

## Porter's Five Forces



# Tryg

## 2-year absolute and relative performance<sup>1</sup>



Year to December <sup>2</sup>	2021	2022e
P/E	29.2x	22.3x
P/B	5.9x	5.8x
RoE	9%	9%

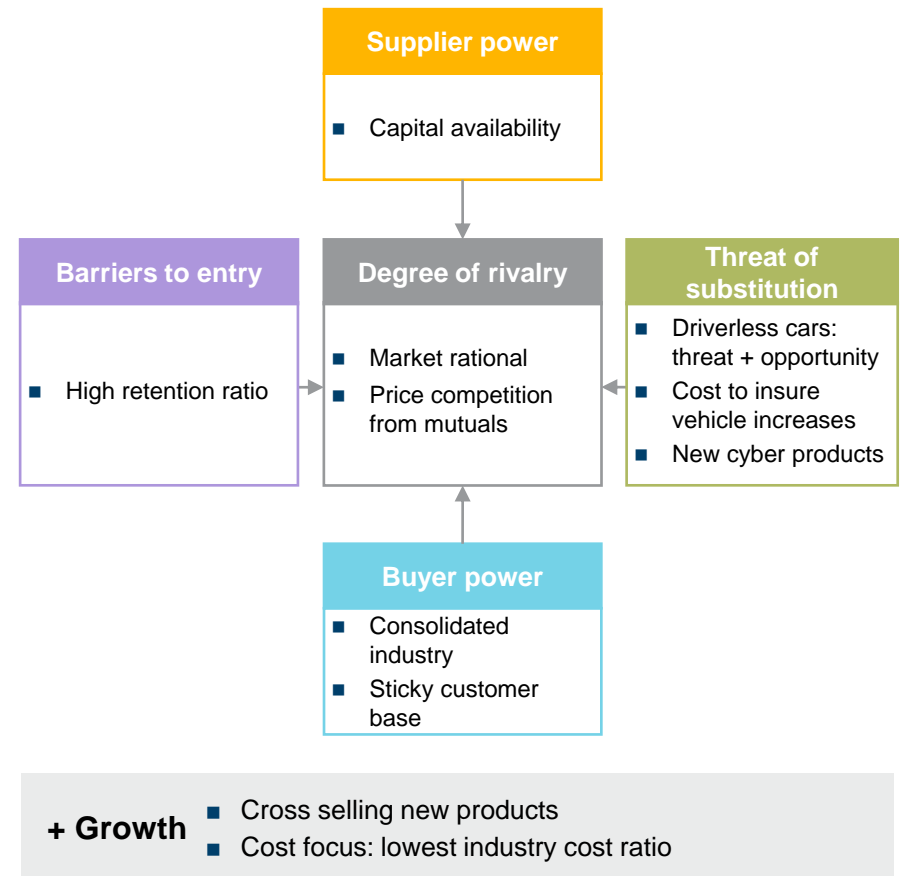
<sup>1</sup> Source: FactSet, as at 31 July 2021, in EUR.

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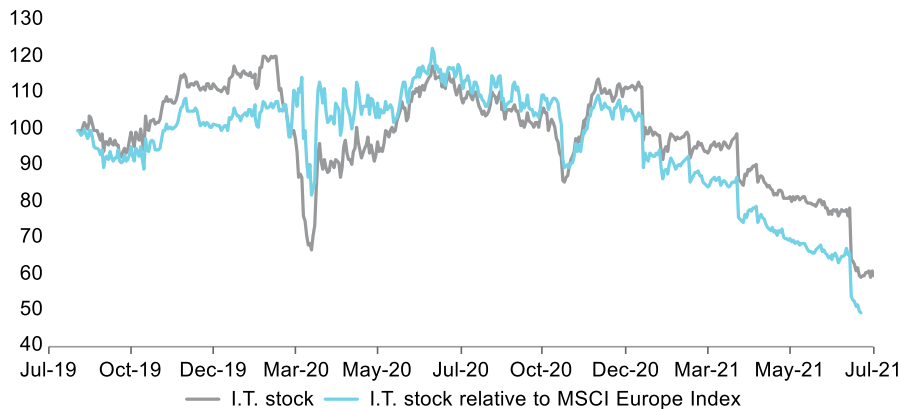
## Porter's Five Forces





# Computers and information technology (Short)

## 2-year absolute and relative performance<sup>1</sup>



Year to December <sup>2</sup>	2021	2022e
P/E	9.1x	7.1x
EV/EBITDA	5.2x	4.6x
RoE	4%	7%

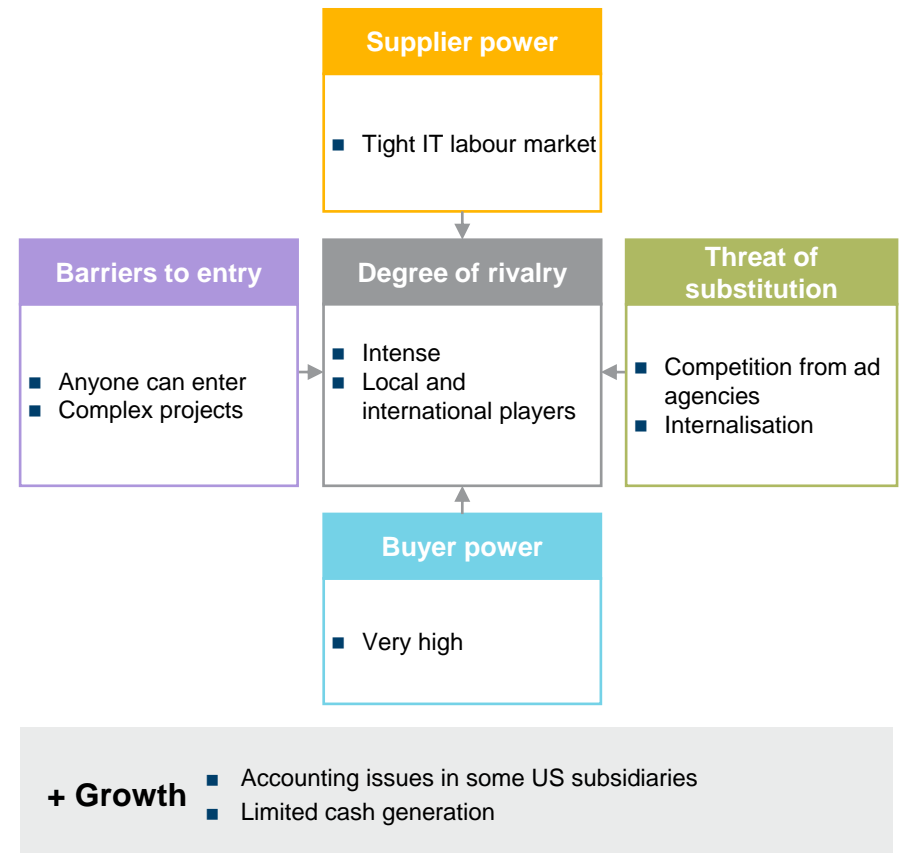
<sup>1</sup> Source: FactSet, as at 31 July 2021, in EUR.

<sup>2</sup> Source: Bloomberg, as at 23 July 2021.

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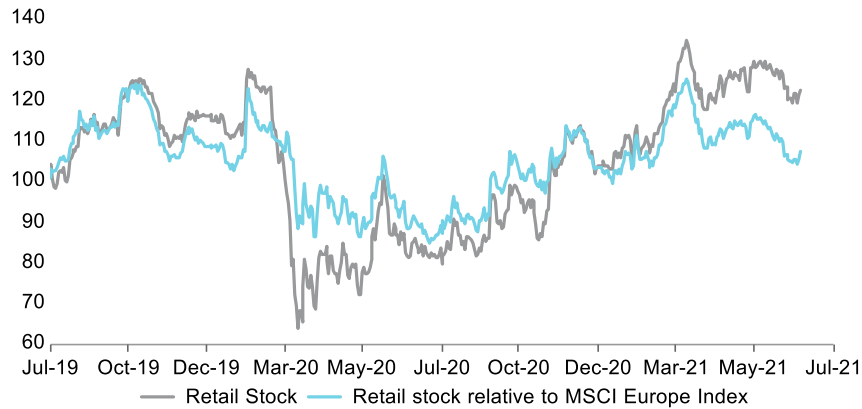
Past performance is not a guide to future returns.

## Porter's Five Forces



# Retail stock (short)

## 2-year absolute and relative performance<sup>1</sup>



Year to December <sup>2</sup>	2021	2022e
P/E	31.6x	21.3x
EV/EBITDA	9.8x	8.3x
RoE	18%	25%

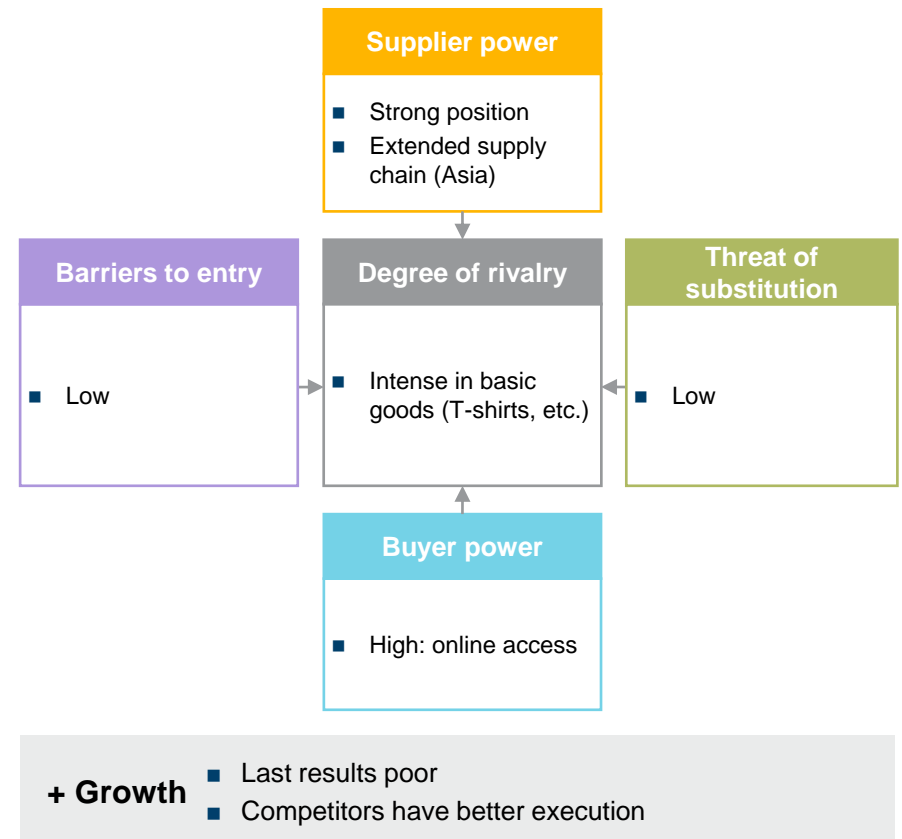
<sup>1</sup> Source: FactSet, as at 31 July 2021, in EUR.

<sup>2</sup> Source: Bloomberg, as at 15 July 2021.

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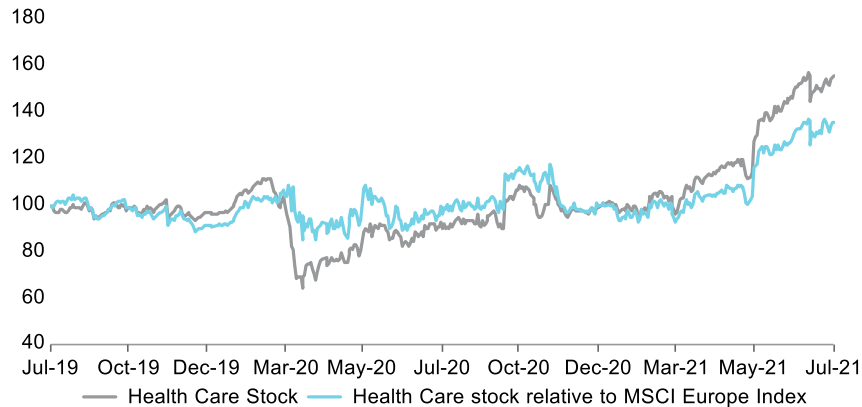
Past performance is not a guide to future returns.

## Porter's Five Forces



# Health Care stock (short)

## 2-year absolute and relative performance<sup>1</sup>



Year to December <sup>2</sup>	2021	2022e
P/E	30.0x	27.1x
EV/EBITDA	22.0x	19.9x
RoE	25%	27%

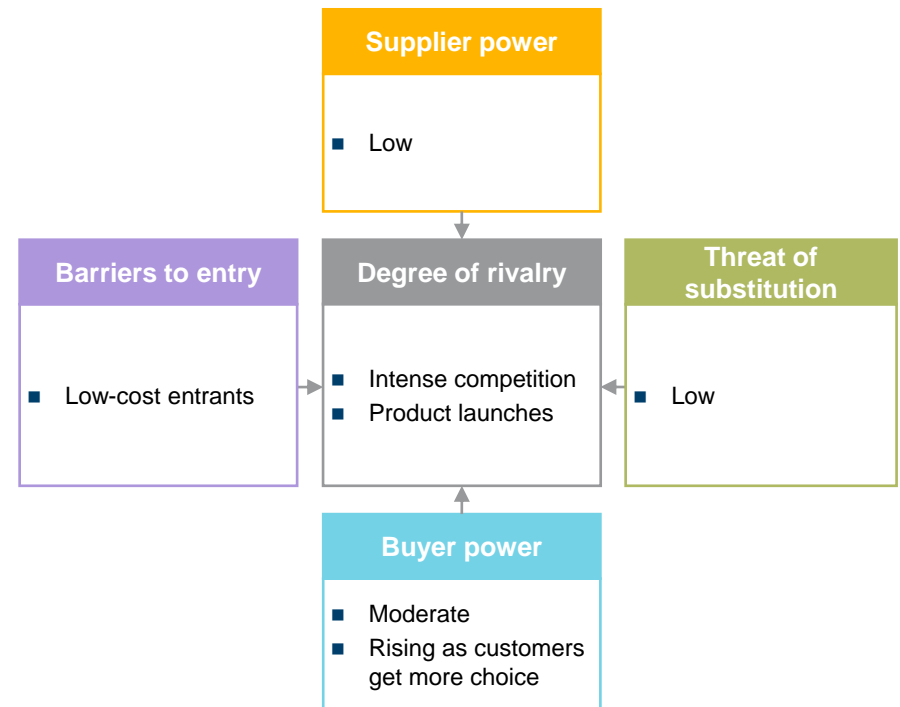
1 Source: FactSet, as at 31 July 2021, in EUR.

2 Source: Bloomberg, as at 15 July 2021.

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## Porter's Five Forces



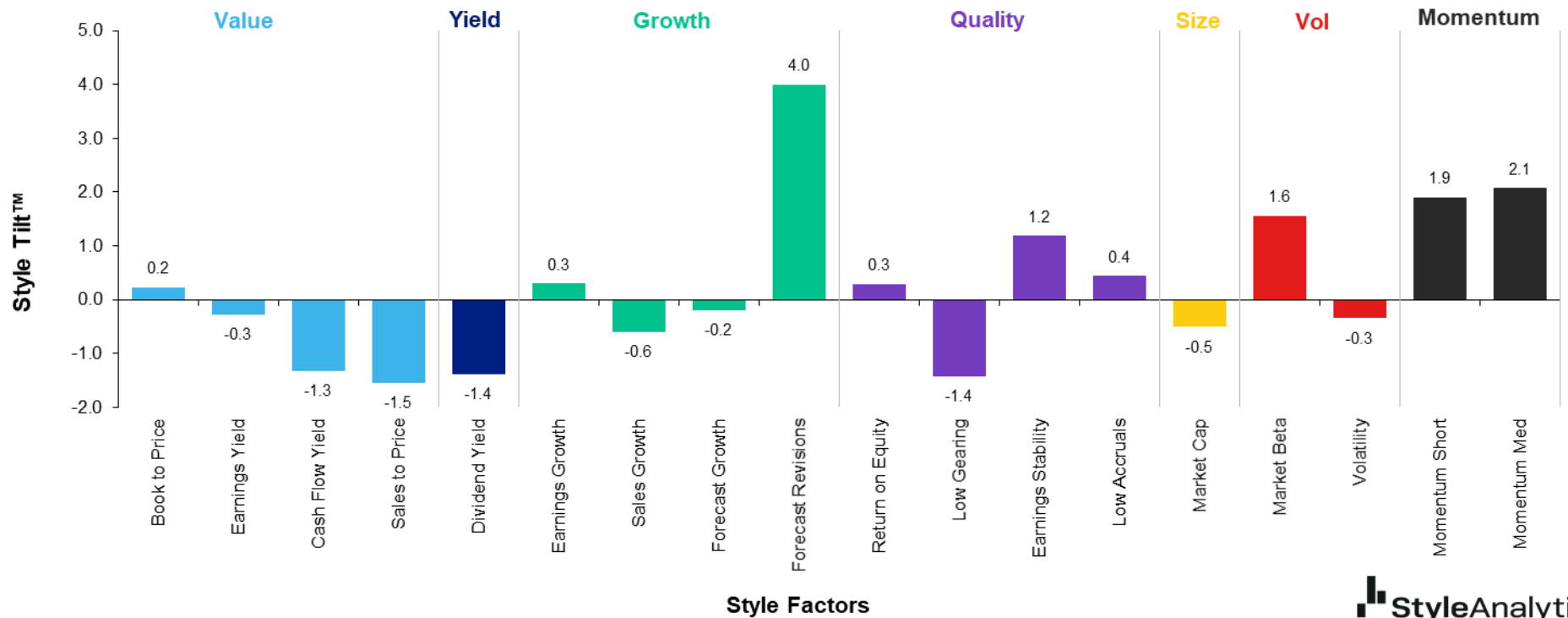
**+ Growth**

- High rating leaves little room for error
- No dividend

# Portfolio style analysis

## Growth and quality bias

### Portfolio Style Skyline™ – Threadneedle (Lux) Pan European Absolute Alpha



Source: Style Research, as at 31 July 2021. Style Skylines™ created with, embodies and/or executes proprietary software and/or data under license from Style Research Ltd. © Style Research Ltd. All Rights Reserved. Must not be redistributed by third parties. Data represents Threadneedle (Lux) Pan European Absolute Alpha against the MSCI Europe, historical range from 31 July 2011. Positive scores represent a tilt towards each style metric. Vertical axis measurement is standard deviation.

# Conclusion

- Focus on capital protection
- Stable, consistent net and gross exposure
- Disciplined use of Porters Five Forces to select both longs and shorts

Where references are made to portfolio features these may be subject to change over time and subject to prevailing market conditions. Actual investment parameters will be agreed and set out in the prospectus or formal investment management agreement.

# Carbon Footprint

## Long book cleaner than the MSCI index

	<b>Carbon Emissions</b> (tons CO <sub>2</sub> e / \$m invested)
<b>Portfolio</b>	<b>16.3</b>
<b>Benchmark</b>	<b>111.8</b>

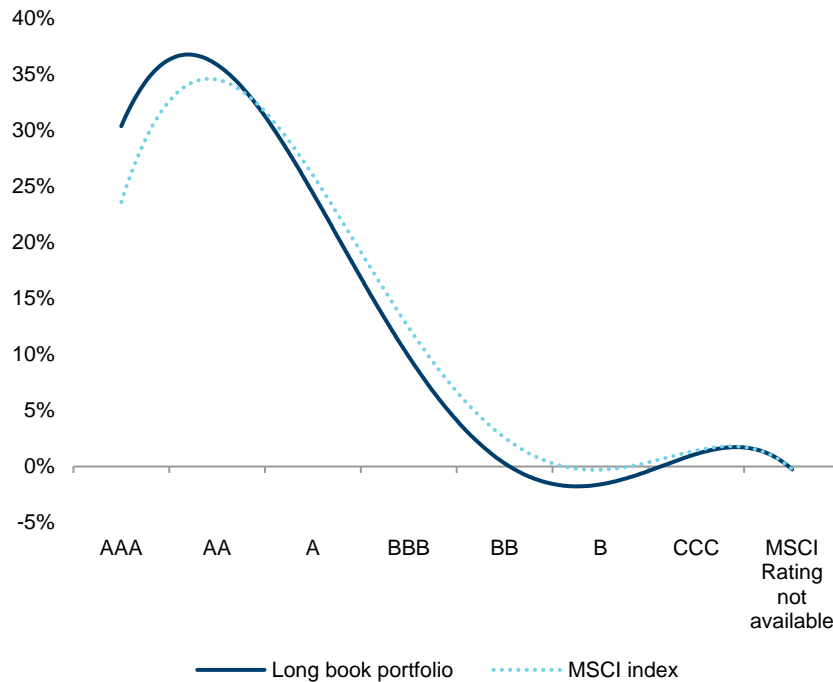
- Long book impact <15% that of MSCI index
- Natural and consistent result of bias towards sustainable business models
- No specific portfolio target for carbon footprint

Coverage is expressed on an asset weighted basis. Portfolio and benchmark weights are expressed on a reweighted basis to eliminate the effect of any allocation to non-corporate issuers or cash. The values shown for Carbon Emissions, Total Carbon Emissions, and Carbon Intensity reflect an investment converting the value of the fund into US dollars. The values shown for Weighted Average Carbon Intensity are independent of the total value of capital invested. Portfolio data covers long only positions. Source: Columbia Threadneedle Investments, as at 30 June 2021. MSCI ESG Research, as at 30 June 2021.

# MSCI ESG Ratings

## Long book scores better than the MSCI index

### MSCI ESG Research



- Integrating ESG research gives bias towards high-rated companies
- Evident in AAA, AA and A ratings, where portfolio has a 91.7% weighting (index 84.8%)
- Natural and consistent result of our approach

Source: Columbia Threadneedle Investments, as at 30 June 2021. MSCI ESG Research, as at 30 June 2021. Portfolio and benchmark weights are expressed on a reweighted basis to eliminate the effect of any allocation to non-corporate issuers or cash. Portfolio data covers long only positions.

How did ...  
When are ...  
Where is ...  
Who is ...  
Can I ...  
Will there ...  
Should we ...  
How can ...  
Tell us ...





# Threadneedle (Lux) Pan European Absolute Alpha

## Key Risks and Objective

**Investment Risk:** The value of investments can fall as well as rise and investors might not get back the sum originally invested.

**Currency Risk:** Where investments are made in assets that are denominated in multiple currencies, changes in exchange rates may affect the value of the investments.

**No Capital Guarantee:** Positive returns are not guaranteed and no form of capital protection applies.

**Counterparty Risk:** The fund may enter into financial transactions with selected counterparties. Any financial difficulties arising at these counterparties could significantly affect the availability and the value of fund assets.

**Political and Financial Risk:** The fund invests in markets where economic and regulatory risk can be significant. These factors can affect liquidity, settlement and asset values. Any such event can have a negative effect on the value of your investment.

**Valuation Risk:** The fund's assets may sometimes be difficult to value objectively and the actual value may not be recognised until assets are sold.

**Short Selling Risk:** Short selling intends to make a profit from falling prices. However if the value of the underlying investment increases, the value of the short position will decrease. The potential losses are unlimited as the prices of the underlying investments can increase very significantly in a short space of time.

**Investment in Derivatives:** The Investment Policy of the fund allows it to invest materially in derivatives.

**Leverage Risk:** Leverage amplifies the effect that a change in the price of an investment has on the fund's value. As such, leverage can enhance returns to investors but can also increase losses, including losses in excess of the amount invested.

**Volatility Risk:** The fund may exhibit significant price volatility.

**Objective** – The aim of the Fund is to make a positive return for you over the longer term, notwithstanding changing market conditions. Positive returns are not guaranteed and no form of capital protection applies. At least two-thirds of the Fund's assets will be in long and short positions in companies in Europe or companies that have significant activity there, and, when appropriate, cash.

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**For marketing purposes.**

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Certain sub-funds of the SICAV are registered in Austria, Belgium, Denmark, France, Finland, Germany, Hong Kong, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Macau, the Netherlands, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UAE and the UK; however, this is subject to applicable jurisdictions and some sub-funds and/or share classes may not be available in all jurisdictions. Shares in the Funds may not be offered to the public in any other country and this document must not be issued, circulated or distributed other than in circumstances which do not constitute an offer to the public and are in accordance with applicable local legislation.

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Het compartiment is op grond van artikel 1:107 van de Wet op het financieel toezicht opgenomen in het register dat wordt gehouden door de Autoriteit Financiële Markten. / Pursuant to article 1:107 of the Act of Financial Supervision, the subfund is included in the register that is kept by the AFM.

Please read the Prospectus before investing.

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- in Austria from Erste Bank, Graben 21 A-1010 Vienna;
- in Belgium from CACEIS Belgium S.A., avenue du Port 86 C b 320, 1000 Brussels
- in France from CACEIS Bank, 1/3 Place Valhubert, 75013 Paris;
- in Germany from JP Morgan AG, Junghofstr. 14, 60311 Frankfurt;
- in Liechtenstein from Liechtensteinische Landesbank AG, Städtle 44, 9490 Vaduz Principality of Liechtenstein;
- in Sweden from Skandinaviska Enskilda Banken AB (publ), Kungsträdgårdsgatan, SE-10640 Stockholm, Sweden;
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