



Your success. Our priority.

Spotlight on European small cap investing – during and after COVID-19

For professional investors only

20 April 2021



Introduction



Philippe Lorent
Head of
French wholesale

Your presenters today



Philip Dicken
Head of
European Equities



Mine Tezgul
Portfolio Manager



Francis Ellison
Client Portfolio Manager



Francis Ellison
Client Portfolio Manager



European equity team



European markets

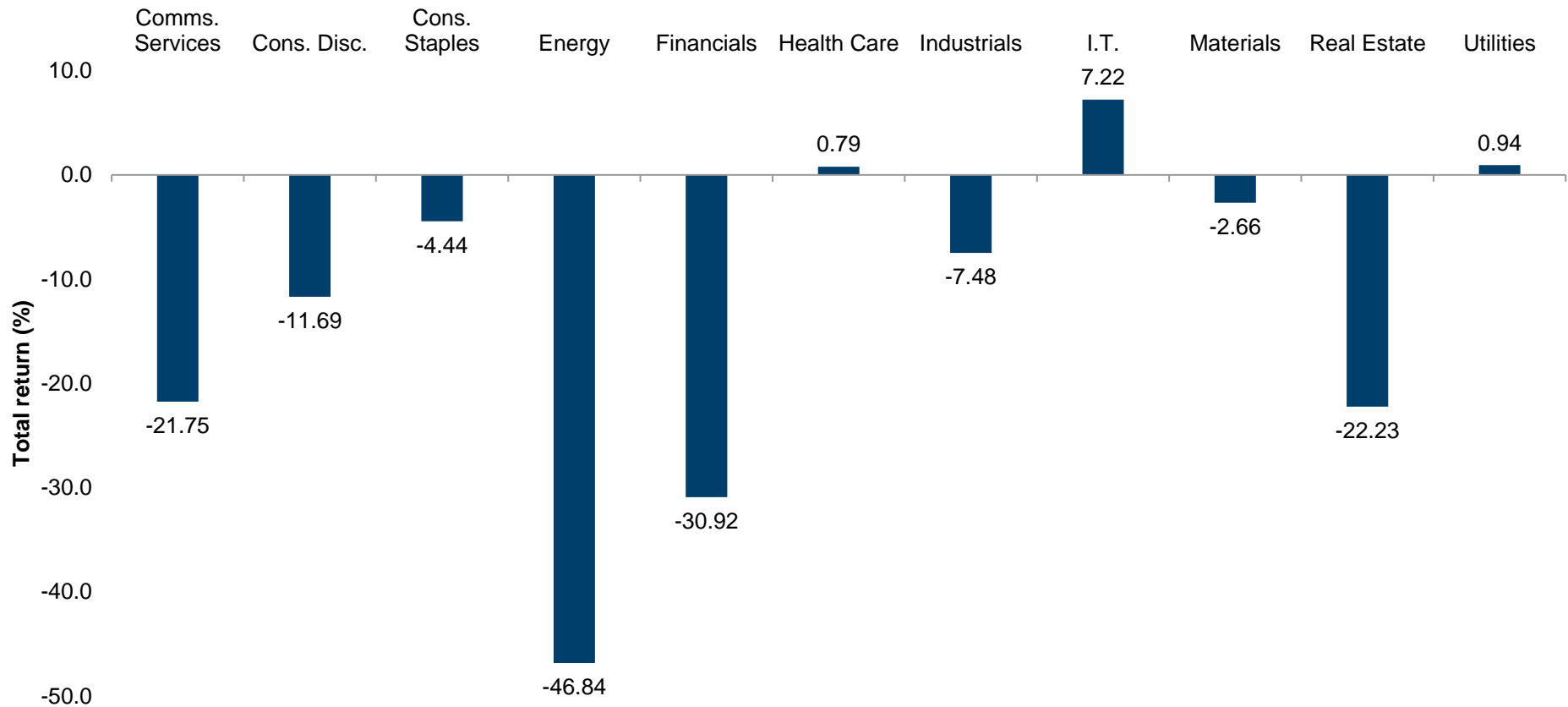
Threadneedle for Europe

- Team are well, working from home with effective technology – but planning a return
- We have been hiring to support our research effort – more hires in the small cap team and in the global analyst team
- The recent value rotation has reduced outperformance, but funds beat benchmarks over longer periods
- A quality bias helped over the long term. Strong business models will survive, the fragile are challenged

European equities as COVID-19 hit

Almost no sector was immune

MSCI Europe Index sector performance –2020 first nine months

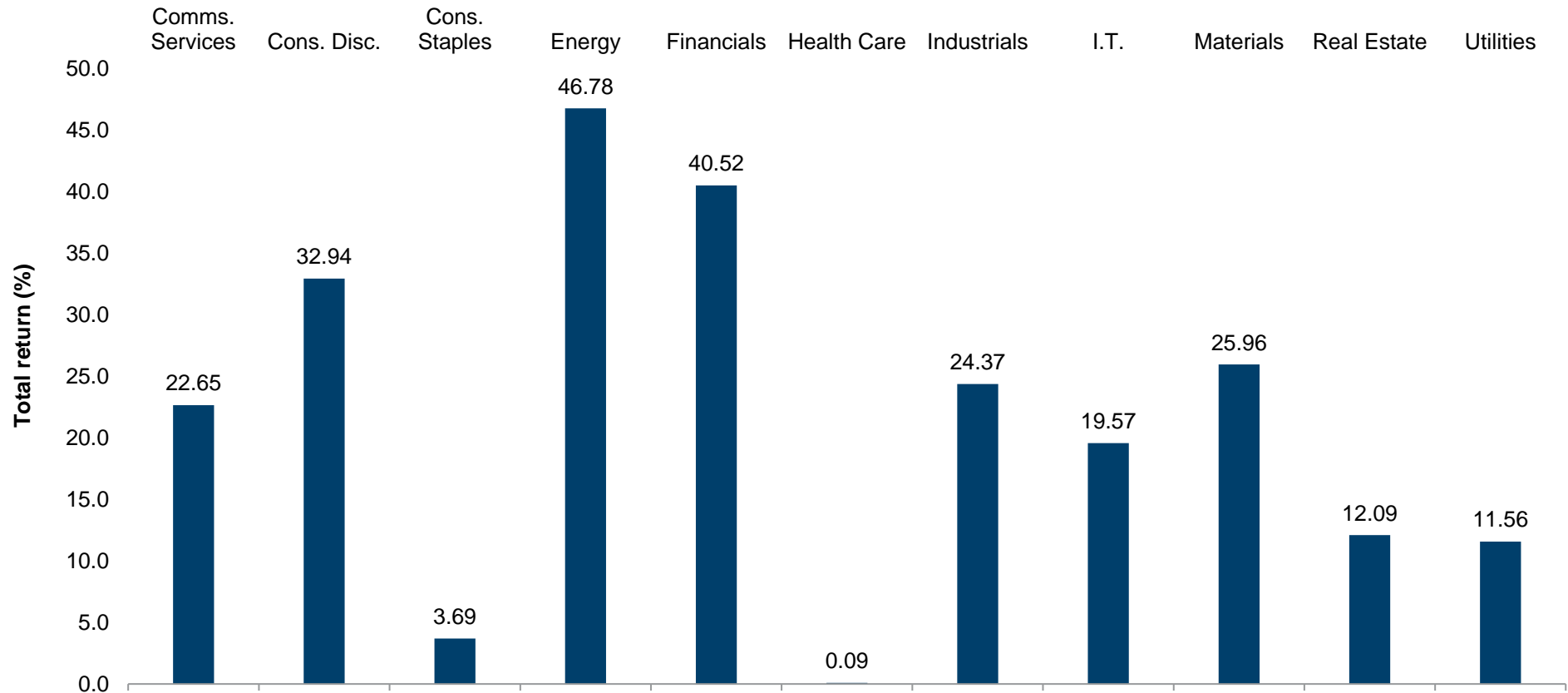


Source: Columbia Threadneedle Investments and FactSet, as at 30 September 2020. Data shown in EUR. Sector performance represented by the corresponding MSCI sector indices.

European equities – the recovery

A sharp rotation ensued...

MSCI Europe Index sector performance – Q4 2020 and Q1 2021



Source: Columbia Threadneedle Investments and FactSet, from 30 September 2020 to 31 March 2021. Data shown in EUR. Sector performance represented by the corresponding MSCI sector indices.

Threadneedle (Lux) Pan European Smaller Companies

Outperformance long and short term

Gross performance (%)	2021 YTD	2020	2019	2018	2017	2016	1 year	3 years	5 years	10 years	Since inception
Threadneedle (Lux) Pan European Smaller Companies	4.9	10.5	39.0	-12.2	25.5	-4.6	53.4	12.8	12.7	13.6	13.2
EMIX Smaller European Companies inc UK Index	9.5	7.8	29.3	-14.1	17.7	2.8	63.0	10.6	11.0	10.4	8.4
Relative return	-4.2	+2.5	+7.5	+2.1	+6.6	-7.2	-5.8	+2.0	+1.6	+3.0	+4.4

Source: Columbia Threadneedle Investments and FactSet, as at 31 March 2021. Fund returns gross of tax and TER for comparison with indices. All data is quoted in EUR. Fund data is quoted on a bid to bid basis with income re-invested at bid. The relative returns shown are calculated on a geometric basis. The Euromoney European Smaller Companies Index was renamed to EMIX Smaller European Companies Inc UK Index on 15 November 2017. Since inception is annualised and is 30 November 2005. Past performance is not a guide to future returns.

Your small cap managers

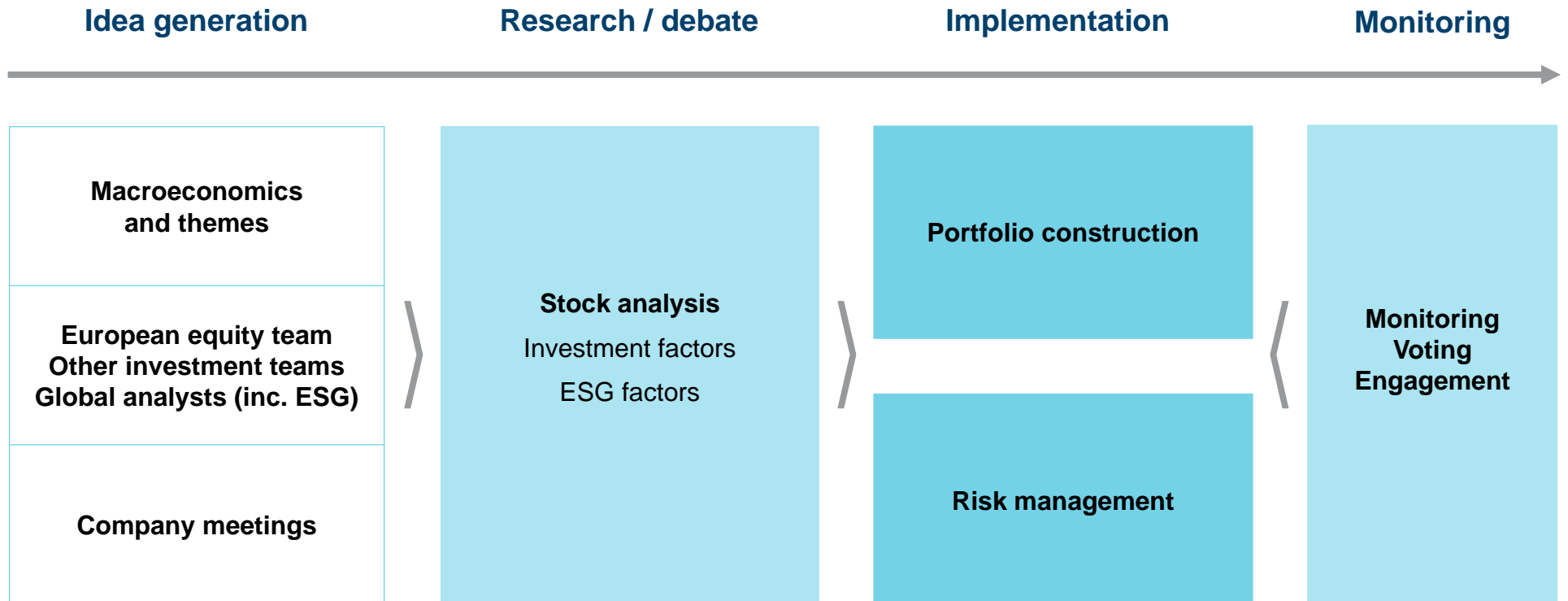


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Head of
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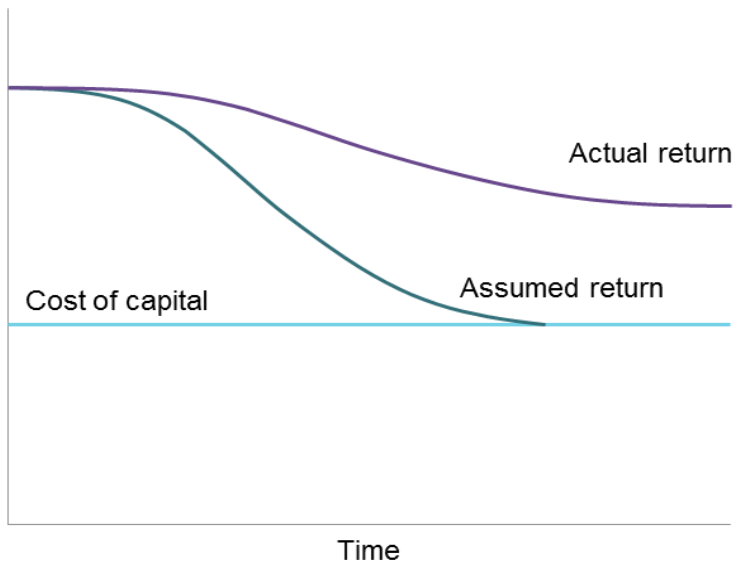
Investment process



What we mean by quality

Sustainable competitive advantage

Good companies sustain high returns for longer than the market assumes

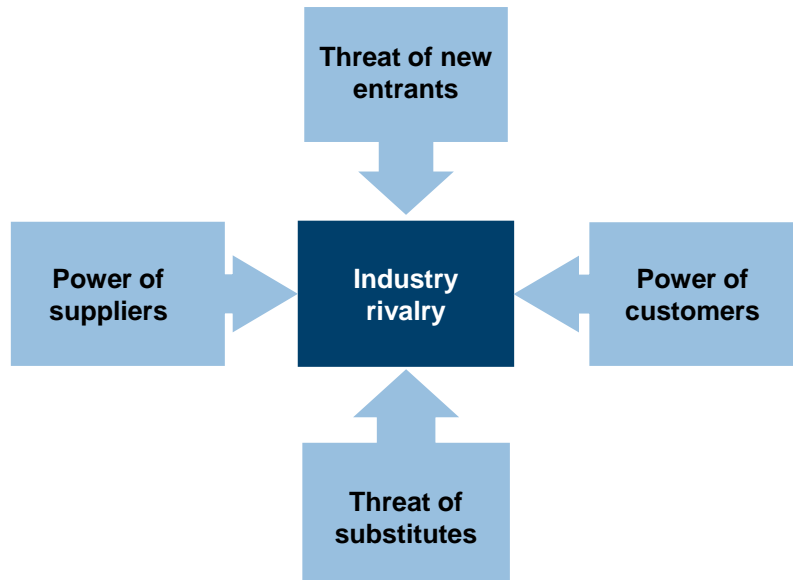


- Competitive advantage means a company can generate high returns
- Can be more sustainable than the market thinks
- Long-term perspective

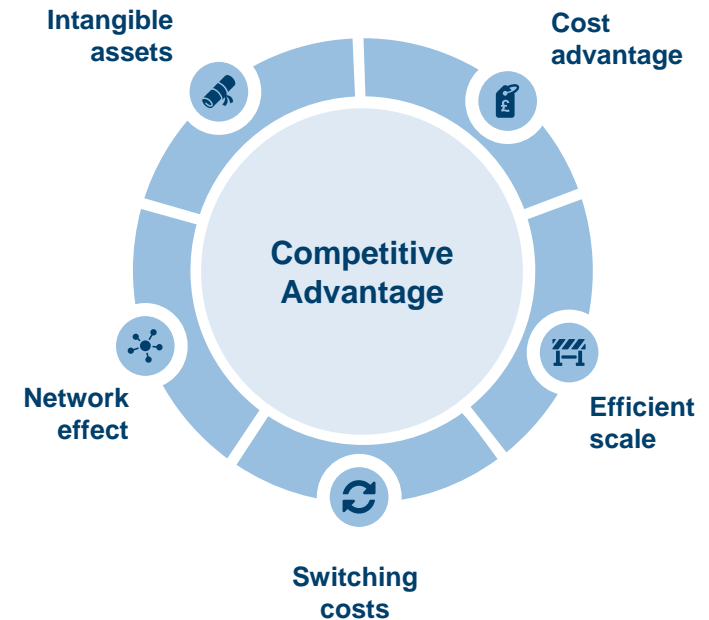
How we identify exceptional businesses

Sustainable competitive advantage

Understanding industry structure



Identifying competitive advantage



VAT

2-year absolute and relative performance¹



Year to Dec ²	2021	2022e
P/E	47.0x	41.4x
EV/EBITDA	32.2x	28.8x
RoE	30%	32%

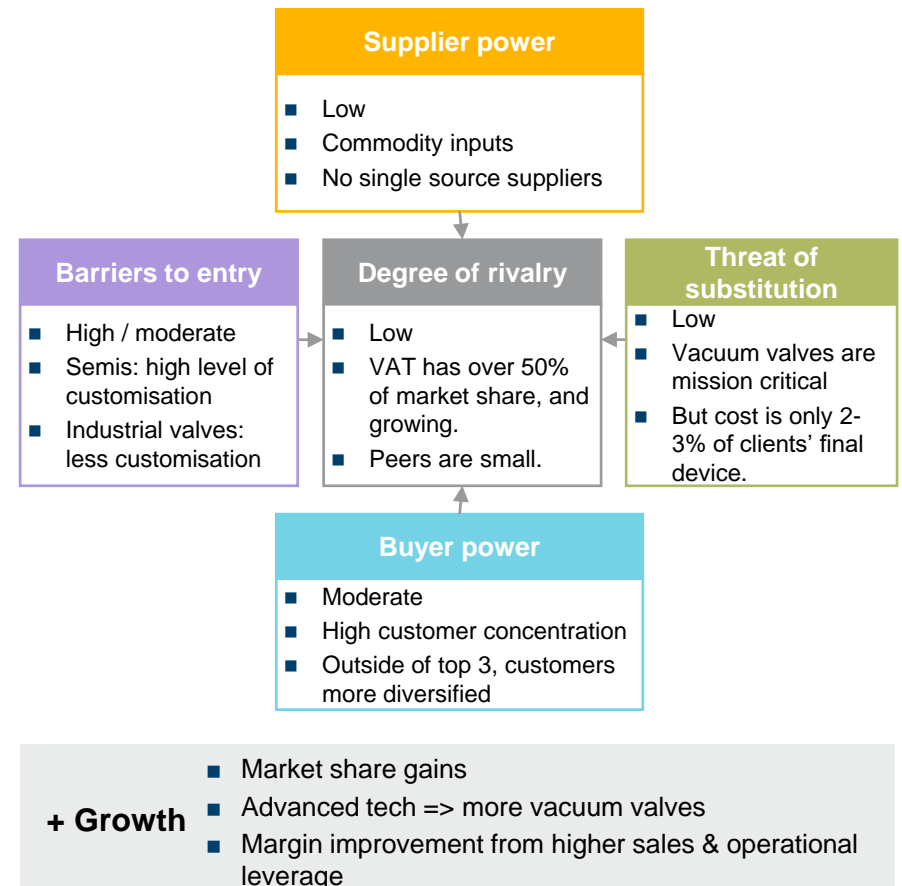
¹ Source: FactSet, as at 31 March 2021, in CHF.

² Source: Bloomberg, as at 1 April 2021.

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Past performance is not a guide to future returns.

Porter's Five Forces



Genus

2-year absolute and relative performance¹



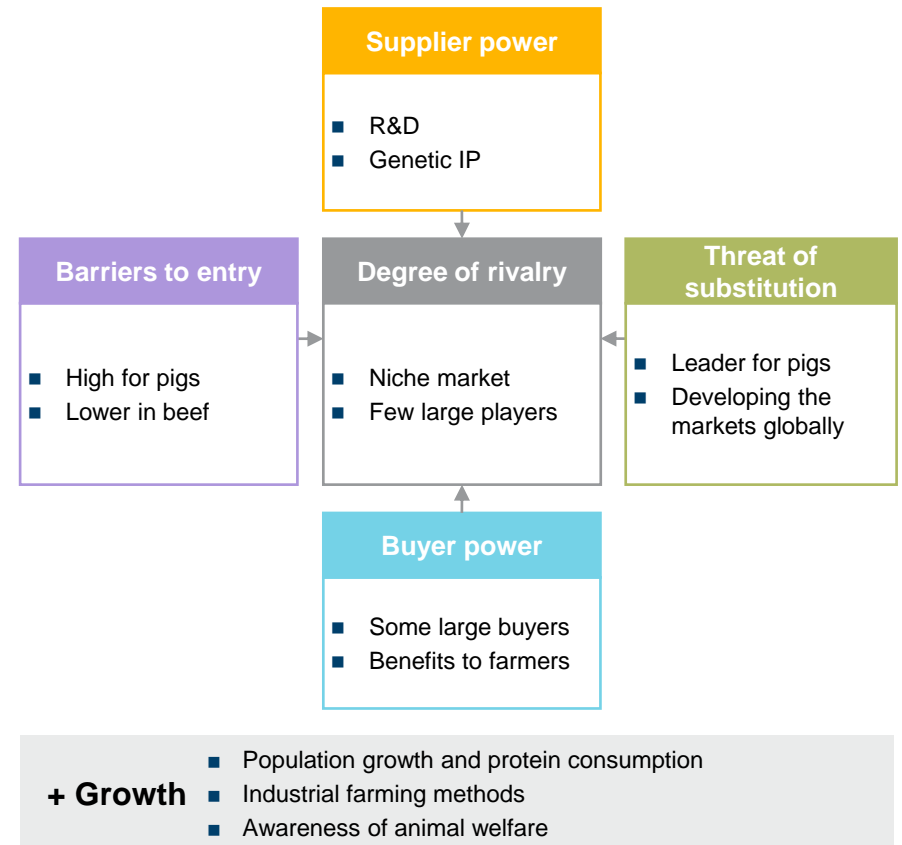
Year to Jun ²	2021	2022e
P/E	49.6x	45.8x
EV/EBITDA	31.1x	29.3x
RoE	13%	12%

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

2 Source: Bloomberg, as at 1 April 2021.

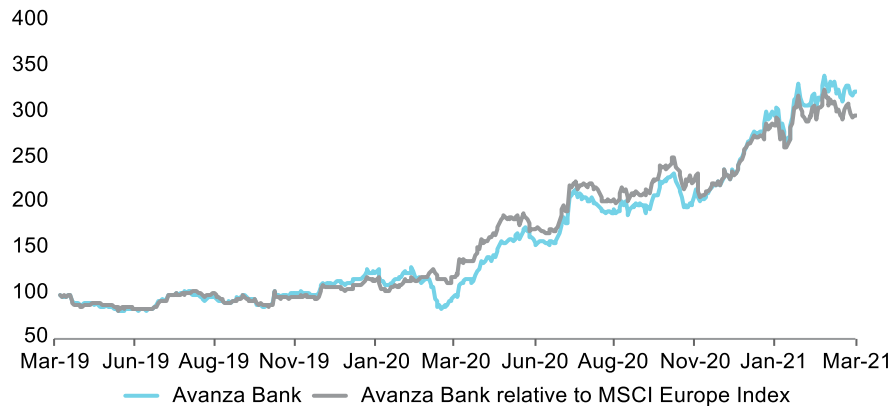
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Porter's Five Forces



Avanza

2-year absolute and relative performance¹



Year to Dec ²	2021	2022e
P/E	26.6x	32.9x
P/B	N/A	N/A
RoE	32%	25%

¹ Source: FactSet, as at 31 March 2021, in Swedish Krona.

² Source: Bloomberg, as at 1 April 2021.

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Porter's Five Forces



SIG

2-year absolute and relative performance¹



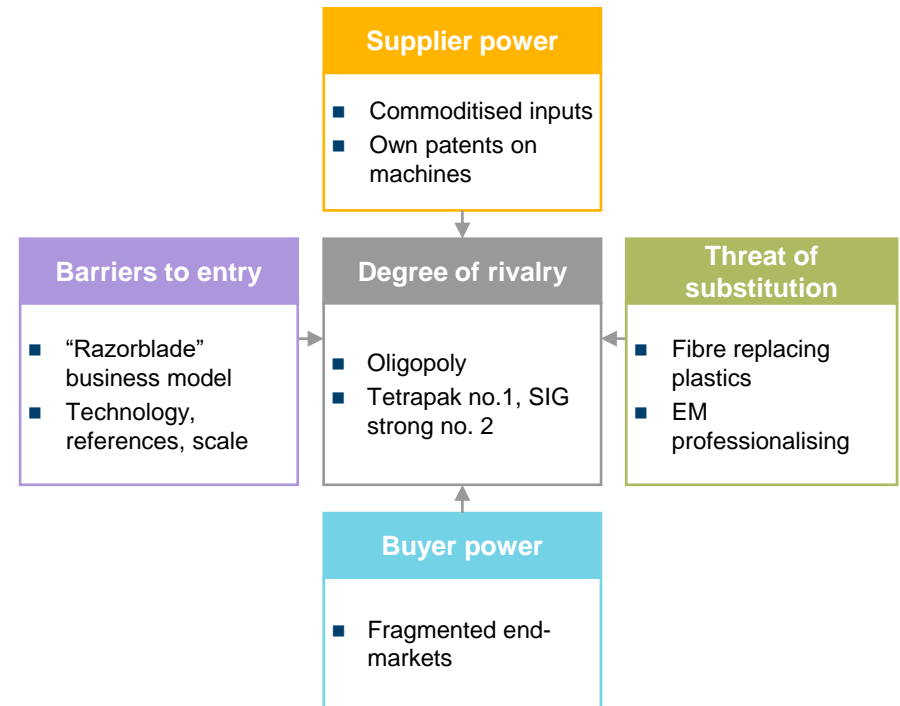
Year to Dec ²	2021	2022e
P/E	26.3x	24.2x
EV/EBITDA	14.5x	13.3x
RoE	13%	13%

¹ Source: FactSet, as at 31 March 2021, in CHF.

² Source: Bloomberg, as at 1 April 2021.

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Porter's Five Forces



- + Growth**
- Emerging markets
 - Market share gains from plastics
 - Innovation / premiumisation

Top 10 holdings

20% of the portfolio

Company	Description	Fund (%)	Index (%) ¹	Active
Genus	Pharmaceuticals Biotechnology & Life Sciences	2.4	0.2	2.2
Avanza Bank	Diversified Financials	2.3	0.2	2.1
CVS	Health Care Equipment & Services	2.2	0.1	2.2
SIG Combibloc	Materials	2.2	0.3	1.9
Fluidra	Capital Goods	2.1	0.2	1.8
Eurofins Scientific	Pharmaceuticals Biotechnology & Life Sciences	2.0	0.0	2.0
IMCD	Capital Goods	2.0	0.3	1.6
St. James's Place	Diversified Financials	1.9	0.0	2.0
CompuGroup Medical	Health Care Equipment & Services	1.9	0.2	1.7
CTS Eventim	Media & Entertainment	1.8	0.2	1.6

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

¹ EMIX Smaller European Companies Inc UK Index.

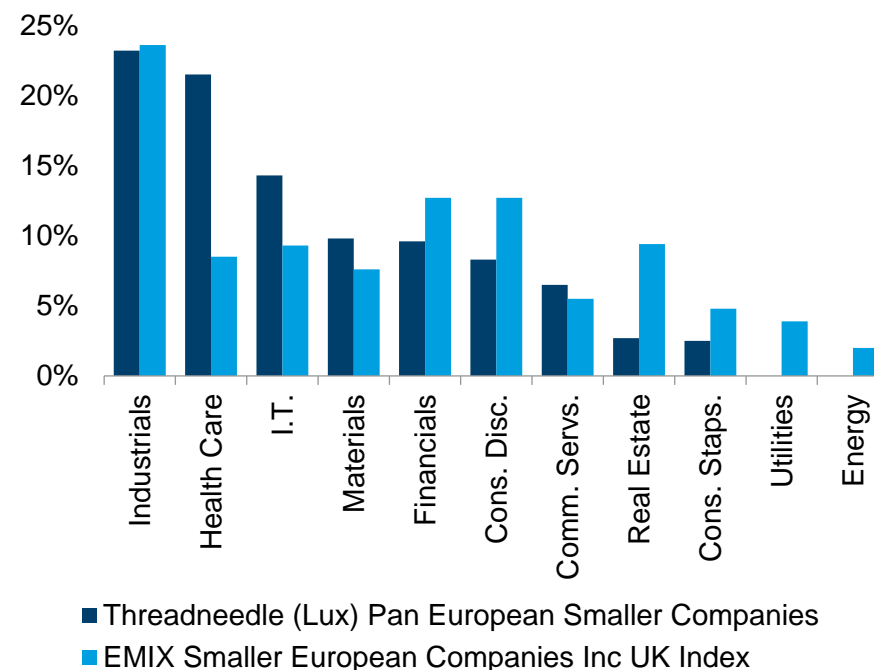
The mention of stocks is not a recommendation to deal.

Sector positioning

We favour asset-light businesses

Sector	Fund (%)	Index (%) ¹
Industrials	23.2	23.6
Health Care	21.5	8.5
Information Technology	14.3	9.3
Materials	9.8	7.6
Financials	9.6	12.7
Consumer Discretionary	8.3	12.7
Communication Services	6.5	5.5
Real Estate	2.7	9.4
Consumer Staples	2.5	4.8
Utilities	0.0	3.9
Energy	0.0	2.0

Threadneedle (Lux) Pan European Smaller Companies



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

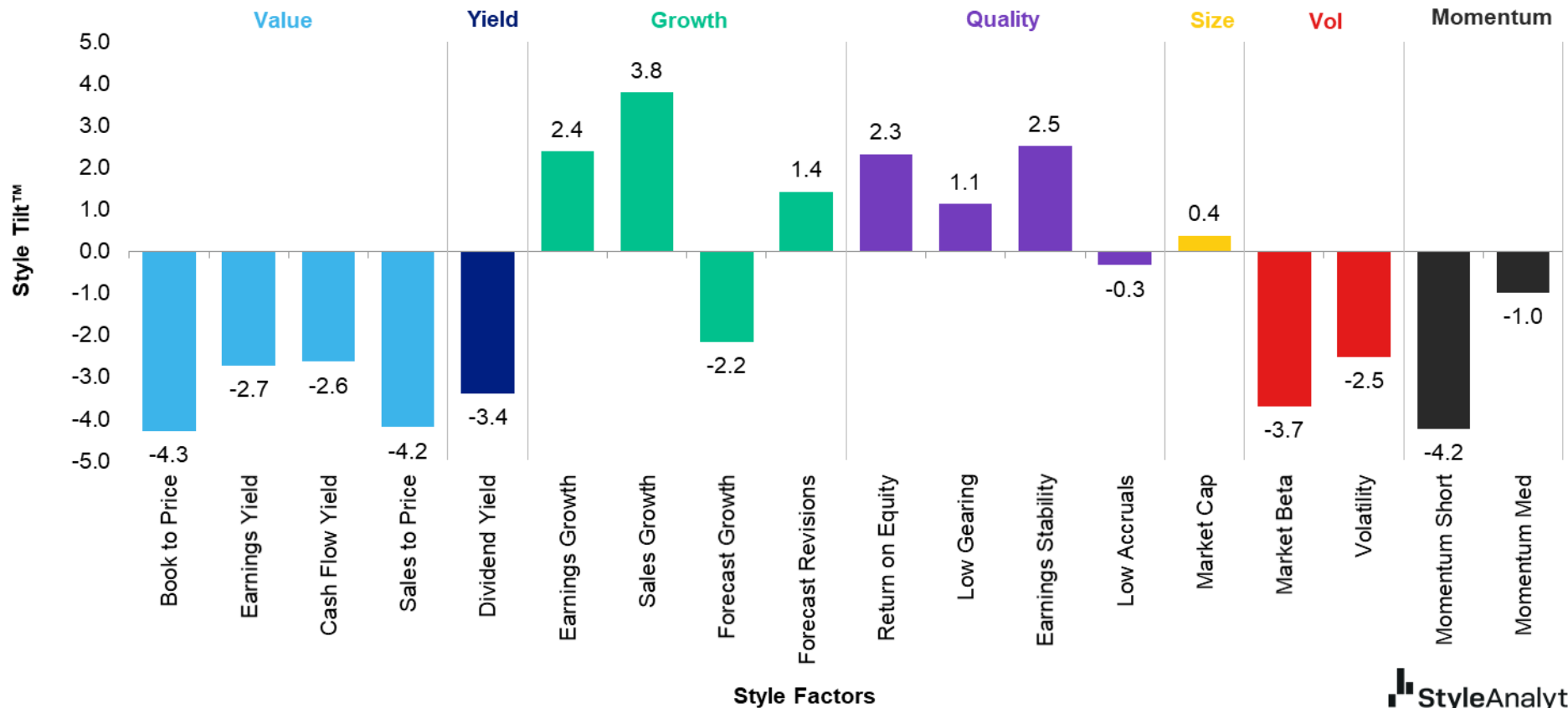
Excludes Cash at 1.6%.

¹ EMIX Smaller European Companies Inc UK Index.

Style analysis

Quality and growth bias

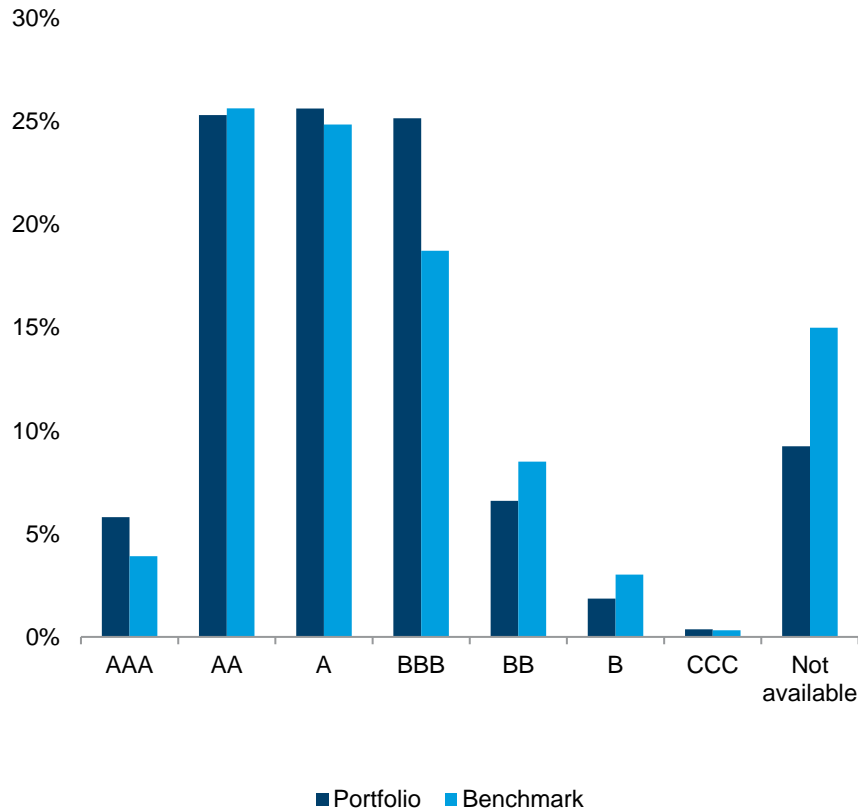
Portfolio Style Skyline™ – Threadneedle (Lux) Pan European Smaller Companies



MSCI ESG Ratings

Portfolio scores better than benchmark

MSCI ESG Research



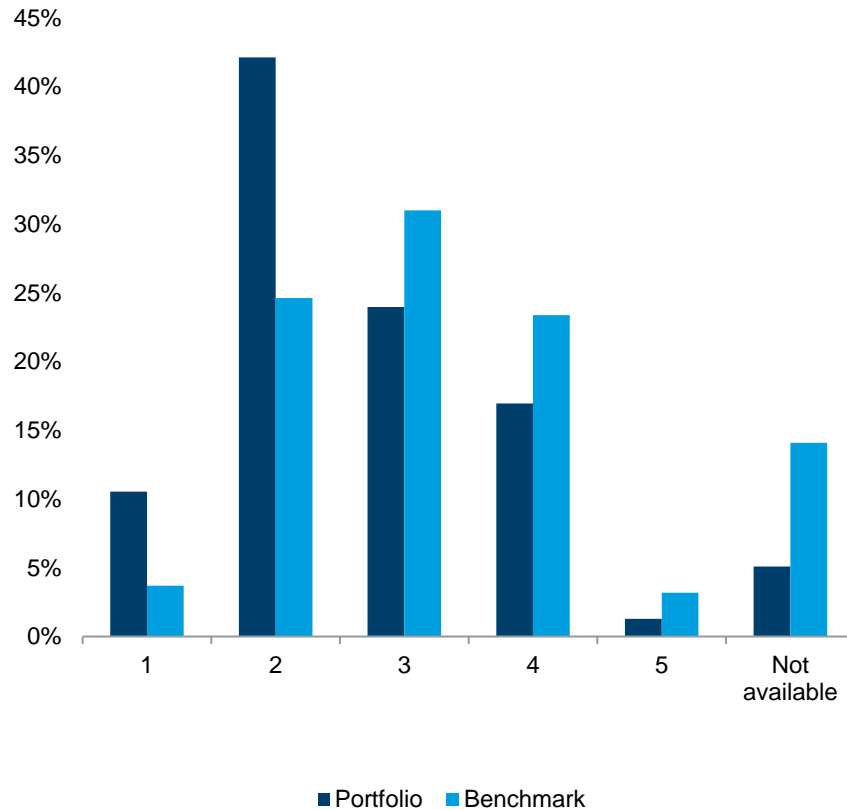
- Integrating ESG research gives bias towards high-rated companies
- Evident in AAA, AA and A ratings, where portfolio has a 56.8% weighting (index 54.4%)
- Natural and consistent result of our approach

Source: Columbia Threadneedle Investments, as at 31 March 2021. MSCI ESG Research, as at 31 March 2021. Portfolio and benchmark weights are expressed on a reweighted basis to eliminate the effect of any allocation to non-corporate issuers or cash.

Columbia Threadneedle ESG Ratings

Portfolio scores much better than benchmark

Columbia Threadneedle Investments

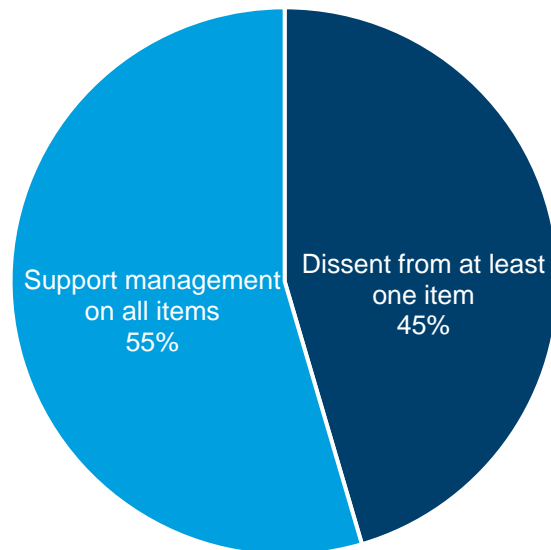


- Integrating ESG research gives bias towards high-rated companies
- Evident in 2 ratings, where portfolio has a 42.1% weighting (index 24.6%)
- Natural and consistent result of our approach

Source: Columbia Threadneedle Investments, as at 31 March 2021. MSCI ESG Research, as at 31 March 2021. Portfolio and benchmark weights are expressed on a reweighted basis to eliminate the effect of any allocation to non-corporate issuers or cash.

Threadneedle (Lux) Pan European Smaller Companies

Active voting



- Active stewardship - aim to vote all shares
- Voting decisions publicly disclosed (7-day lag)
- Voted against management in 45% of meetings over 15 months to 31 March 2021

Threadneedle (Lux) Pan European Smaller Companies

Key Risks and Objective

Objective – To achieve capital growth. The ACD's investment policy is to invest the assets of the Fund mainly in the equities of smaller companies domiciled in Continental Europe and the UK, or, with significant Continental European or UK operations. If the ACD considers it desirable it may further invest in other securities (including fixed interest securities, other equities and money market securities).

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.

Derivatives for EPM / Hedging – The investment policy of the fund allows it to invest in derivatives for the purposes of reducing risk or minimising the cost of transactions.

Liquidity Risk – The fund holds assets which could prove difficult to sell. The fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.

Volatility Risk – The fund may exhibit significant price volatility.

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