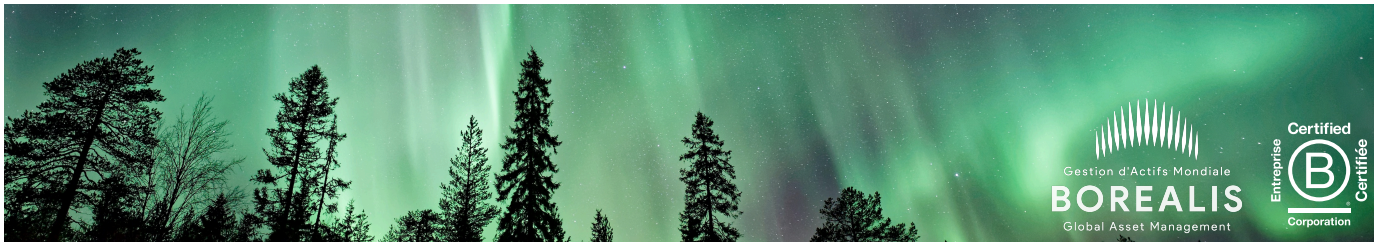


BOREALIS GLOBAL MIDCAP EQUITY STRATEGY



Q4 2024

WAVE OF CHANGE: ROTATION, VOLATILITY, AND THE RECOVERY BET

Rotation and Volatility

The last quarter of 2024 was marked by significant market volatility following the U.S. elections, which gave President Trump a second term with a larger majority than anticipated. U.S. stock markets responded positively to the new administration's promises regarding the reshoring of industrial activities and regulatory simplification.

However, European and Japanese markets were weighed down by fears related to tariff threats. In this context, the growth equity segment of mid-sized companies continued to outperform the value equity segment for the second consecutive year. Mid-cap stock indices outperformed, following a trend observed in large-cap indices as well.

Financial markets seem to anticipate the end of the rate-cutting cycle in the United States, Canada, and Europe, although no significant rate hikes are expected, with the notable exception of Japan. At the same time, inflation levels are converging toward their respective targets. However, the risk of inflationary slippage persists, fueled by tariff pressures as well as structural forces such as reshoring, decarbonization, and wage expectations.

This environment weighs on consumer confidence, which is weakening again, mainly due to job losses and the burden of tariffs. Despite this, U.S. ISM new manufacturing orders show a marked improvement, which should support investment spending and boost economic growth for several quarters.

Market Performance Review

The year 2024 was once again driven by the growth and technology sectors. On a gross return basis in U.S. dollars, the MSCI ACWI Midcap index (developed and emerging markets) declined by -3.36% in the fourth quarter and finished 2024 with a gross return of 10.01%. The MSCI World Midcap index (developed markets only) declined by -2.61% in the fourth quarter and ended 2024 with a gain of +10.68%. In comparison, the MSCI World Large Cap index posted a return of 18.67% for 2024, and the MSCI World Small Cap index delivered a performance of 8.65%. The midcap segment of the global indices.

The performance gap between large-cap and mid-cap indices widened slightly at year-end, and the growth segment of midcaps, like the large-cap indices, significantly outperformed the value segment, especially in the United States, where the MSCI USA Midcap Growth achieved a return of 20.19% compared to +12.94% for the MSCI USA Midcap Value index.

Strategy Performance and Positioning

The outperformance of investments in the healthcare, technology, retail, and commodities sectors helped offset the underperformance of certain stocks in the industrials, utilities, and real estate sectors. Stocks such as Fisher & Paykel Healthcare, Smurfit WestRock, Amadeus, Ryohin, and Globant contributed particularly positively to the portfolio's performance. Conversely, stocks like Alexandria Real Estate, Melexis, and FMC American Water Works had a negative impact on portfolio results.

The geographic reallocation carried out over the past two quarters has helped reduce the portfolio's underexposure to the U.S. and Japanese markets. As of December 31, 2024, the portfolio remains slightly underexposed to the U.S., Japanese, U.K., and Asian markets in general, while it is overweight in the Canadian and Continental European markets.

On a sector basis, the portfolio maintains an overweight position in the healthcare sector, as well as, to a lesser extent, in technology, industrials, and consumer discretionary sectors. It is underweight in the financial sector, except for an overweight position in U.S. regional banks. The portfolio is also underexposed to the consumer staples, telecommunications, and energy sectors, and is neutral in the materials sector. Following the addition of two new holdings, the portfolio now consists of 41 companies. Three holdings subject to purchase offers will be sold over the coming quarters.

In U.S. dollars, the portfolio's average market capitalization stood at \$16.3 billion at the end of the quarter, with a median of \$11.8 billion. The top 10 holdings accounted for 31.5% of the portfolio. The relative concentration of positions remains the primary driver of the portfolio's volatility.

Outlook: Return to growth

The year 2025 begins against a backdrop of rising protectionism and the end of the interest rate cut cycle. China's ongoing difficulties in revitalizing its economy continue to weigh on the global economy, particularly impacting Europe. Economic retaliation measures could fuel inflationary pressures in the years ahead, potentially accelerating layoffs already seen in sectors such as technology, automotive, financial services, and retail.

However, our scenario of a soft landing for the economy has been confirmed. With the uncertainty surrounding elections now behind us and prospects for easing tensions in some regions, we anticipate moderate but positive and more widespread growth in the coming months. This scenario, combined with more attractive valuations and significant underperformance, should favor small- and mid-cap stocks over the next few years.

SOCIAL IMPACT



SUSTAINABILITY PERFORMANCE

	Portfolio	MSCI ACWI
ESG Combined Score (Refinitiv)	67	52
ESG Controversies Score (Refinitiv)	87	41
Corruption Perception Index Score (Transparency Intl)	71	67
Weighted Average Carbon Intensity (tons CO ₂ e/US\$M rev.)	50	132
Carbon Footprint (tons CO ₂ e/US\$M invested)	28	73
Clean Energy Exposure (% of AUM)	15%	27%
Water technology >50% of sales (% of AUM)	15.1%	4.1%
Exposure to controversial sectors (5+coal)	0.0%	7.4%
Board gender diversity (%)	36	32
Community Involvement Score (Refinitiv)	78.2	78.0
Microfinance investing (% of AUM)	6%	4%
SBTI Carbon reduction Near Term Targets	46%	32%
Of which Targets Committed	19%	22%
Of which Targets Set and Validated	81%	78%
SBTI Net Zero target	28%	17%
SBTI Near Term Targets Removed	0%	6%

FIT-FOR-BUSINESS SUSTAINABILITY

BRUNELLO CUCINELLI

REINVENTING CAPITALISM - CRAFTING PROSPERITY WITH HEART AND HERITAGE

This quarter, our attention turns to Brunello Cucinelli, a fashion house based in Solomeo, nestled in the hills of the Umbria region at the heart of Italy. While the story of this house is fairly classic, its success is inseparable from the values that have guided Mr. Cucinelli since the founding of his small knitwear company in 1978. A master craftsman shaped by his father's experience, Mr. Cucinelli is convinced that a business model founded on respect for human values and wealth sharing is the best way to ensure lasting prosperity.

From its beginnings with colorful cashmere pieces, the brand has built a reputation based on exceptional quality, deep respect for craftsmanship, and a positioning that runs counter to fast fashion. Unlike fast fashion, Brunello Cucinelli champions sustainable fashion, with timeless creations made in the Solomeo region, where the company fosters a humane and ethical working environment.

At the core of their mission lies total respect for all their business partners, from staff to suppliers, with an approach centered on dignity, fairness, and human empowerment. The company applies responsible business practices, pays its employees well above textile industry standards, and invests in collective well-being. Brunello Cucinelli embodies a humanistic vision of luxury where attention to each individual is integral to value creation, affirming that economic prosperity must go hand in hand with deep respect for people and the land.

This philosophy, unique in the ready-to-wear world, positions Brunello Cucinelli as a symbol of ethical and sustainable luxury, celebrated as much for its products as for its deeply respectful business model toward both humans and artisanal tradition.

Over the years, Brunello Cucinelli has experienced significant growth in both revenue and international expansion. Since its founding, the company's revenue has steadily increased, reaching several hundred million euros and crossing the billion-euro threshold in recent years, driven by global demand for its timeless, high-quality luxury products.

Regarding its distribution network, Brunello Cucinelli has expanded worldwide with a presence in over 70 countries through approximately 130 directly operated stores and a broad network of multi-brand retailers. This growth in retail points reflects the company's strategy to strengthen its direct distribution while maintaining a strong presence in select luxury stores worldwide.

Moreover, the company's workforce has also grown, now exceeding 1,600 employees, including artisans, designers, sales teams, and store staff. This increase in personnel reflects the expansion of activities and the company's deep commitment to preserving its artisanal know-how while enhancing its capacity for international development.

"Profitability must be the fruit of harmonious and sustainable growth, where respect for people and their human values lies at the heart of every economic decision. For me, true profit is not merely financial but is also social and ethical."

— Brunello Cucinelli

Thus, Brunello Cucinelli combines economic growth, international development, and a social model centered on respect and the flourishing of its employees and its suppliers, contributing to its image as a company that is both modern and responsible.