Cobas LUX SICAV **Palm Harbour Global Value Fund**

PALM HARBOUR

Class F Acc EUR - ISIN LU1935059029
Class F Acc GBP - ISIN LU1935059375
Class F Acc USD - ISIN LU1935059292

The fund gained 2.7% in July, ending the month at €20.98 on 31st of July, after making a new all-time high of €21.06 on 28 July, outperforming European and global benchmarks (the GBP class ended at £11.56 on 31st of July, +2.0% for the month, the USD class ended at $10.65 on 21st of July, +1.1% for the month). Global equity markets navigated a broad sector rotation in July, as headline index stability masked underlying dispersion across styles and regions. There was a shift out of global mega-cap technology into more cyclical market segments. Investor sentiment around the AI theme moved away from excitement around capital spending announcements towards scrutiny of near-term monetization and returns on capital. Overall, the quarter opened with a market backdrop that strongly validated fundamental valuation discipline, favouring companies generating durable free cash flows over high-multiple duration assets.

Youngone was a strong performer for the fund in July. According to Seoul Economic Daily, the South Korean apparel, footwear and outdoor gear producer received a letter from activist investor Quad Asset Management on 30 June[1], demanding corporate value enhancement. The activist reportedly highlights Youngone's excessive cash, internal transactions, and management compensation structure as unsatisfactory. They see significant upside if the company makes appropriate changes. In the near term, we expect decent sales growth but some margin pressure in the second quarter, given still high inventory levels. Vår Energi, the Norwegian oil and gas operator, agreed to merge with BlueNord[2] to form Europe's largest independent producer. The stock-heavy deal, which boosts free float and dividend capacity, lifted both shares more than 5%, helped by solid operating results. Samyung Trading, the South Korean industrial distribution and trading company that also operates a highly profitable Joint Venture with French optical giant EssilorLuxottica, was also a standout performer. Amidst the sell-off in major global tech and semiconductor stocks, and in the absence of company specific news, Samyung Trading benefited from an investor shift towards stable, high yield and low volatility sectors.

The largest detractor was Vitzrocell, the South Korean lithium primary battery producer. It reported strong second quarter sales growth of 35% but suffered a 290-bps EBIT margin decline to 25.6% compared with the prior year, as the quarter included higher one-off expenses for employee benefits[3]. Earlier in the year, Vitzrocell benefitted from a rally tied to defense spending and geopolitical tailwinds, driving the stock to year-to-date highs. Consequently, July saw heavy profit-taking. FNGuide saw a sharp correction as well. The company reported record-breaking second quarter results, with 96% sales growth and 281% EBIT growth. The EBIT margin increased to 52.7% from 27.1% a year earlier[4]. The explosive growth of South Korea's ETF market boosted demand for its financial data and index services. However, when the South Korean market suffered a leverage washout in July triggering liquidations in heavy margin accounts, market anxiety dragged down the broader financial sector, including index and analytics providers. Vivendi was the third largest detractor for the fund. On 8 July, the Paris Court of Appeal ruled that Vincent Bolloré and his holding company do not control Vivendi[5], ending hopes of a mandatory buyout of minority shareholders. A second blow came on the last day of the month when UMG, in which Vivendi holds a major stake, saw its shares slump following a deceleration in its subscription revenue growth.

1 Seoul Economic Daily
2 BlueNord
3 Vitzrocell
4 FNGuide
5 Vivendi

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