LEIA December Monthly Attribution

For the quarter ending December 31, 2022, the portfolio returned 10.85%, versus 17.22% for the custom MSCI EAFE + Canada index.

On an allocation basis, an overweight allocation to Information Technology contributed most to portfolio performance for the month ending December 31, 2022. The overweight allocation to Information Technology sector contributed +13.14 % to portfolio performance, which returned +21.15% for the quarter. The second leading sector contributor was an overweight allocation to healthcare, which contributed +9.30% to portfolio performance. The Health Care sector had a return of 13.16% for the quarter.

The leading sector detractors to performance were an underweight allocation to the Financials sector and an underweight allocation to the materials sector. The overweight allocation to Financials, which returned 7.10%, detracted –10.54% from portfolio performance. The underweight allocation in the Materials sector detracted –7.48 % from portfolio performance, with a 0% return for the quarter.

An overweight allocation to Essilor Luxottica contributed +0.35% to portfolio performance, with a return of +17.14% for the quarter. For the FY22 ended September 31, 2022, Essilor Luxottica reported sales of €6.4b, a growth of 17% y/y. On a constant currency basis revenue is up 8.2% for the month. EBIT margins grew 100 bps in H1 and are expected to rise the same amount for H2. EMEA has increased by 9.2% while North America saw a slow month only growing by 3.4%. Growth in N.A. slightly accelerated versus Q2, growing in both segments. Asia-Pacific revenue increased by 22.7% in Q3 mainly due to mainland China opening back up. As well as this, brick-and-mortar Australia saw strong gains. For Q3, there were no observed slow downs for demand in luxury lenses. Essilor drives a price mix where customers have shown to prefer premium lenses over unbranded ones across all geographies.

An overweight allocation to LVMH contributed to 0.14% to portfolio performance, with a return of 4.36% for the quarter. For the first nine s, recorded revenue was 56.5 billion euros up 28% from the same period in 2021. Organic revenue growth was 20% and 19% for Q3 specifically. Strong growth was seen from Europe, The United States, and Japan with mainland Asia ramping up growth. The wines & spirits business group recorded 23% revenue growth over the first nine s of the year, 14% of which was organic. The fashion and leather goods business grew 31%, 24% being organic growth. A strong outing from Nicolas Ghesquiere enjoyed a tremendous reception in the latest ready to wear fashion show. The Tambour Twenty collector’s watch, embodied by Bradley Cooper, was quickly out of stock. Perfumes and cosmetics enjoyed 19% growth, 12% of which was organic. Perfumes grew strongly due to continued success of Suavage, Miss Dior, J’adore. LVMH’s last segment watches & jewelry recorded 23% revenue growth, 16% of which was organic. LVMH’s strength is its selective investments with consistent focus on authenticity and quality of products. This brand positioning is what is responsible for continued success revenue and profit growth even during uncertain economic times.

An overweight allocation to Wolters Kluwer NV detracted -0.51 % to portfolio performance, with a return of -12.62% for the quarter. Wolters Kluwer in its Q3 earnings call reconfirmed its full year 2022 guidance. For the year, organic revenue is up 6%. This is mostly due to its recurring revenue model which accounts for 81% of revenue. Operating margin displayed strong results as it improved by 50 basis points. Share buy-backs are on pace with 76% completed to date. A key focal point has been the recurring revenue model which has continued to show consistent improvement throughout Nancy McKinstry’s leadership. She highlighted the vulnerable points of the business on the November 2nd earnings call saying, “As expected, organic growth in transactional and other non-recurring revenues slowed in the face of challenging comparable and deteriorating economic conditions”. The company has correctly identified its strengths on the upcoming economic downturn and is correctly pivoting towards them. In early October, Wolters Kluwer’s VitalLaw won a Globee Award in the 2022 CEO World Awards. The award is a testament to the strength and wide moat Wolters Kluwer possesses in the law services industry. Wolters Kluwer has a strong professional product offering which has been complemented well with an astute leadership team.

An overweight allocation to Euronext detracted -0.55% from portfolio performance, with a return of -8.06% for the quarter. Euronext is the leading pan-European market infrastructure operating exchanges in France, Italy, Netherlands, Belgium, Ireland, Norway, and Portugal. As of September 2022, Euronext lists €6.3 trillion in market capitalization which is a €600 billion increase from its September listing. Euronext month three performance displayed stable revenue and income compared to Q3 of 2021. Although listings have decreased, Euronext has been successfully diversifying its revenue streams towards business operations which are non-volume related. 59% of revenue was non-volume related vs 57% in Q3 2021. They remain the number one venue for equity listings and for debt listings worldwide. Euronext recorded 18 new equity listings in Q3 and four new companies have joined the new Euronext Tech Leaders segment. Euronext announced their acquisition of the technology businesses from Nexi’s capital markets activities. The transaction will bolster Euronext’s securities fixed-income trading platform capabilities. On July 6th, Euronext announced the Tech Leaders index which will promote visibility for high-growth and leading tech companies to international investors. In March 2023, Italian and European clients will benefit from the transition of Italian financing markets to Euronext’s proprietary trading platform Optiq. This will add further opportunities onto Europe’s largest financing platform.

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