



Clemens AICHHOLZER

Lombard Odier
Europe Fund Lead Manager
Mandat Europe Full Invested

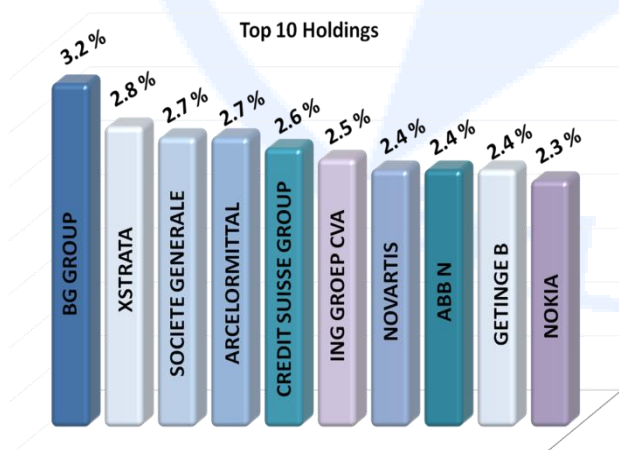
Clemens AICHHOLZER is the lead manager for Lombard Odier's flagship Europe Fund. Clemens joined Lombard Odier in May 2008 as a European Portfolio Manager for Lombard Odier's relative value hedge fund, the 1798 Fundamental Strategies Fund. In August 2008, Clemens was

asked to manage the Europe fund part of the LO Funds SICAV. Prior to joining Lombard Odier, Clemens was a PM at Cycladic Capital in London, where he focused on European companies. Between 1999 and 2006 Clemens worked at Goldman Sachs and Morgan Stanley, where he worked in their European Mergers and Acquisitions department. Clemens received his MBA from Harvard Business School in 2003, and received a Masters degree in Social and Economic Sciences from Vienna University in 1999.

★ Macroeconomics overview

The risk-on/risk-off mentality prevailed in August and September. The market keeps reacting strongly to (macro) news headlines, even though some volatility, in particular with regards to the weekly data, should not be surprising. As anticipated, the low trading volumes during the summer have resulted in more extreme price moves. We still try to ignore the short-term "noise" in the markets and keep focusing on fundamental company analysis and longer-term trends. We are encouraged by a strong 2nd quarter earnings season during which corporate results came in 12% and 5% above consensus expectations in the United States and Europe, respectively, confirming that the (modest) economic recovery continues. Investors and sell-side analysts have been unwilling to read too much into this performance though, as concerns about a 2nd half slowdown are omnipresent. This leaves, in our view, some room for further upside surprises over the coming quarters. A continued slow recovery of the developed economies seems to be the most realistic scenario.

★ Portfolio comment



Holdings that have been performing well over the recent months and where we continue to see significant medium term upside include oil

and gas company BG Group, cruise ship operator Carnival, sporting goods manufacturer Adidas, telecom equipment maker Alcatel as well as diversified miner Xstrata. For example, we expect the market to grow increasingly confident of BG's significant offshore oil reserve potential in Brazil which should drive the shares higher. We like Carnival's market leading position in a consolidated industry, its attractive valuation and gearing to a recovery in consumer sentiment/spending. Although Alcatel faces meaningful challenges and risks, e.g. with regards to intensifying Chinese competition, we believe that the current low valuation offers a meaningful margin of safety.