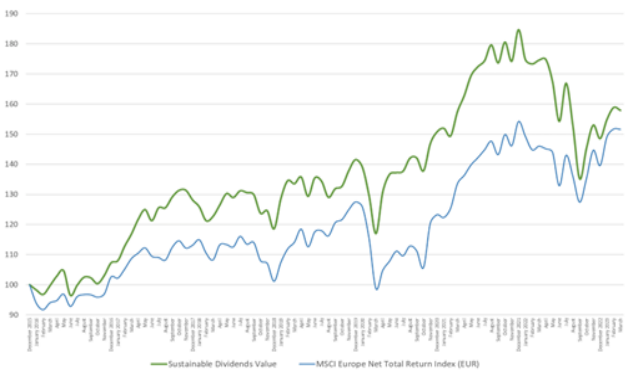
SUSTAINABLE DIVIDENDS VALUE FUND

QUARTERLY REPORT — FIRST QUARTER - 2023

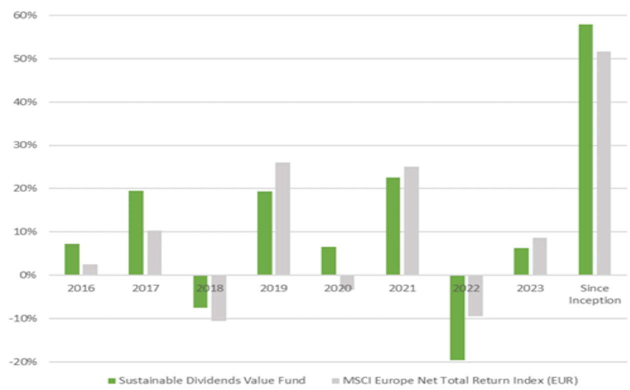
Main data

Current price	123.21
Price last quarter	115.88
Result quarter (net)	+6.3%
Result since inception (net)	+57.9%
ISIN Code	NL0012907976
Inception date	January 2016

Return (net %)



Annual return (net %)



Risk- return characteristics

Total return	57.9%
Average annual return	6.5%
Standarddeviation return	14.4%
Sharpe Ratio	0.49
Total ‘Outperformance’	4.1%
Average annual outperformance	0.6%
Tracking Error	7.5%
Information Ratio	0.08
Correlation Coëfficiënt	0.87
Best month (April 2020)	+11.7%
Worst month (September 2022)	-11.5%
Maximum drawdown	-26.8%

Investment goal

The fund's objective is to grow capital over the long term. The fund is expected to outperform the market over an entire economic cycle, often a period of 5 to 7 years. For a good comparison, it is important to choose a period with both up and down markets.

Fund performance

The fund has had a good start to the new year. With a return of 6.3%, the recovery that started in the fourth quarter of last year has continued. Most of the companies in the fund reported good numbers for 2022 and have been able to increase dividends compared to the previous year. In general, a further increase in turnover and profit is expected for the new year. Despite the nice price increases in the past two quarters, the valuations of the shares in our fund are still very low. On average, less than 7 times the expected cash flow for next year is currently being paid for our sustainable companies. The dividend yield of the shares is still high at over 4%. All in all, this offers good prospects for our investors. A decline in inflation in both the US and Europe caused the share prices of large European companies to rise by an average of 8.6% (MSCI Europe Index). Medium and small European companies saw an average price increase of 8.1% (MSCI Europe Mid Cap Index) and 5.9% (MSCI Europe Small Cap Index) respectively. A further fall in inflation is expected in the coming quarters, so that Central Banks will not have to raise interest rates much further. This will lead to more calmness in the market and increased confidence among investors.

Strategy

We choose 15 to 25 stocks in the fund from companies with a predictable and profitable business model, committed management and regular dividend payments. The balance sheet ratios of the companies in our fund are strong. Most companies have only modest debt, and some even have a net cash position. They therefore have little to fear from rising interest rates. Partly for this reason, despite the difficult stock market year 2022, we look to the future with confidence. Since its inception in 2016, our fund has now returned nearly 58% (+6.5% per year, after fees), versus 52% for the MSCI Europe Index (+5.9% per year).

Focus stock: Alfa Laval

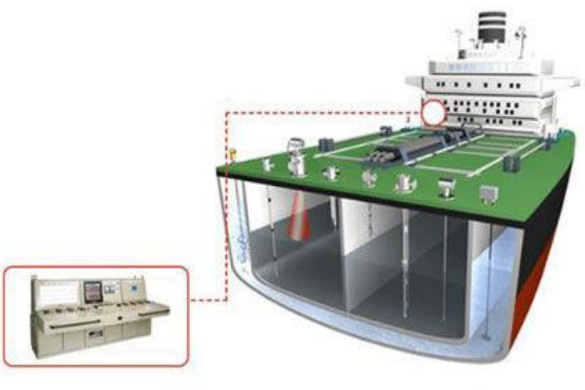
Like every quarter, in this newsletter we discuss one of the stocks in the fund. This time we want to highlight the Swedish Alfa Laval. The company will soon give a presentation at our Investor Day. Here we give you some insight into our investment case. Alfa Laval is a leading supplier of separation technology, heat transfer and fluid handling equipment. The company's systems are used in industrial processes to treat water, reduce emissions, and minimize water and energy consumption, as well as for heating, cooling, separating and transporting foodstuffs. Alfa Laval is the world market leader in heat transfer systems (over 30% of the global market) and centrifuges (25% market share). This ensures that the company is able to realize high margins on turnover.

Sustainable optimization

Alfa Laval helps companies achieve their sustainability goals through process optimization. Alfa Laval machines provide higher efficiency, lower emissions, and less waste. In addition, they help to recover valuable resources and save raw materials, energy and water. The company therefore fits well into our portfolio of companies that play an active role in making our society more sustainable. As a result of the energy transition and the increasing pressure on companies to improve, we expect that Alfa Laval's products will continue to be in high demand in the coming years. This will lead to further growth of the company's sales and cash flow.

A strong balance sheet

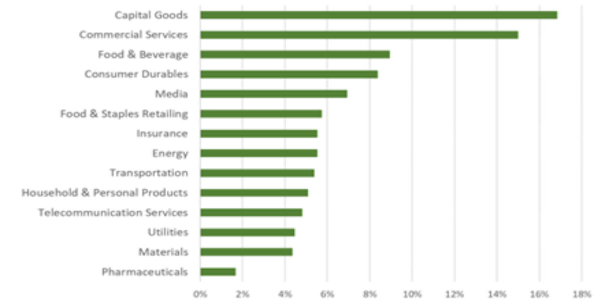
A socially relevant company and expected growing cash flows are good starting points, but more is needed for a good investment case. For example, we also like to see healthy balance sheet ratios. At one and a half times the annual cash flow, the net outstanding debt is well below the conservative maximum set by the company of twice the same cash flow. Next, we look at the dividends. Alfa Laval's policy is to distribute 40 to 50% of annual profits to shareholders. Over the past 20 years, Alfa Laval has increased its dividend by an average of 13% per year. Given the strong growth of the order book and turnover, we expect that the dividend will be further increased in the coming years. The Swedish Rausing family owns 30% of the shares of Alfa Laval and is an outspoken long-term investor. This ensures a stable shareholder structure and long-term vision for the company.



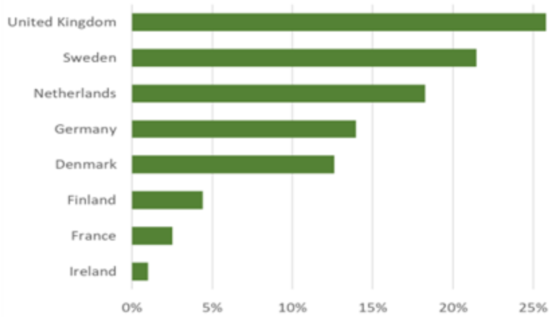
Risks and valuation

No investment case without looking at the risks. Naturally, we also look at the main risks of the investment case at Alfa Laval. For Alfa Laval, a drop in global investment due to economic uncertainty is the biggest risk. At the same time, the company will certainly benefit when corporate sentiment improves. Under the influence of the energy transition, we expect a lot of demand for Alfa Laval products in the coming years. The company has customers in many different industries and geographies. This certainly helps to reduce the risks. Finally, we look at valuation. Alfa Laval is currently being paid more than eleven times the expected cash flow for next year, which is an attractive valuation given the company's growth potential. More information about the company can be found on the website: https://www.alfalaval.com/about-us/our-company. Or watch this short video about Alfa Laval and their products: http://corporate.alfalaval.com/alfa-laval-creating-better

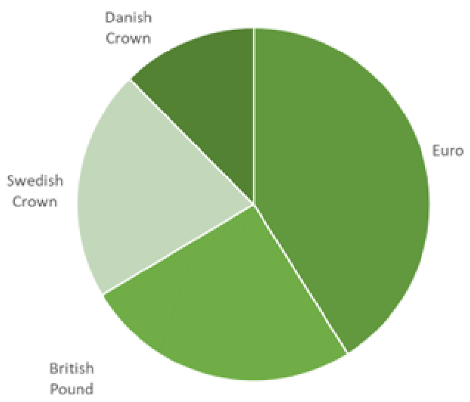
Sector allocation



Geographical allocation



Currency allocation



Fund information

NAV	Monthly
Minimum investment	€ 100.000
Management fee	1%
Administration fee	0,15%
Performance fee	10%
Manager	Sustainable Dividends
Administrator	Asset Care
Custodian	Interactive Brokers/Saxo Bank
Bank	ABN AMRO

Sustainable Dividends

Website: www.sustainabledividends.nl
Email: info@sustainabledividends.com
Telefoon: +31 20 244 3654

Ascenders in the last quarter

The best performing stock in the past quarter was the Swedish SKF with a return of 33%. The market leader in ball bearings for a variety of industrial applications is benefiting from the reopening of the Chinese economy and easing fears of a global recession. Our expectation is that the company will show an improvement in margins in 2023 because price increases have been implemented in almost all contracts, while the costs of energy in particular will fall again. The German Villeroy & Boch also showed a good return. The price of the producer of luxury consumer goods such as bathrooms and dinnerware rose by 30%. Because the production of ceramics requires a lot of gas, the share is sensitive to fluctuations in the gas price. Despite the company having purchased most of its long-term gas needs at much lower prices, the rapid decline in gas prices has brought relief to investors. The low valuation of the share still gives plenty of room for further price appreciation.

Descenders in the last quarter

Despite the good return in the fund, there were a few descenders. The British Treatt disappointed with a return of -6%. The producer of natural flavors and fragrances for the food and beverage industry gave an update showing that the company expects moderate growth for the current year. We estimate that the demand for natural ingredients in our foods will only increase in the coming years. With a new production site, which was commissioned last year, Treatt is ready to account for an important part of this growth. The price of the also British SMS, the installer of smart electricity meters, battery systems and charging points for electric cars, fell by 5%. The company recently reported good annual figures for 2022, with revenue growth of 25% and profit growth of more than 30%. Based on the size of the company's order book, we expect strong further growth in profit and dividend in the coming years. And this will ultimately also lead to an increase in the share price.

What does the fund currently look like?

At present, the Fund is invested - except for a limited cash position - in companies that are expected to generate growing profits and rising dividends in the coming years. The assets are divided over 21 different stocks in 8 European countries. By choosing companies in 14 different sectors, a sufficient degree of risk spread has been ensured. There is a clear preference for sectors that provide stable cash flows. A number of sectors are deliberately not included, or are limited, in the fund. For example, banks are suffering from increased regulation and increasingly strict capital requirements. In addition, fears of write-offs have increased as the likelihood of a recession increases. Despite the decline last year, technology companies often still have a high valuation, and therefore often a low dividend yield. It may be unnecessary to say, but unsustainable companies are excluded from our selection process in advance.

Investor Day Monday May 15th and webinars

On Monday 15 May, we will be organizing our annual Investor Day for participants and interested parties in our fund. The program will begin around 10:00 am and run through lunch. We are pleased to announce that two of our portfolio companies are willing to provide a presentation. The day is dedicated to the energy transition. Alfa Laval and Vopak discuss their role in the sustainable transition and how they can create value for shareholders. We discuss our vision of these companies and enter into a live dialogue with them. Naturally, our audience will also have the opportunity to ask questions to these companies. At this event we would like to tell you more about our strategy, organization, and the companies in which we invest. We hope to share our enthusiasm with you. Meeting details will be shared by email. Please bring someone with you who might be interested in our fund. You are very welcome!

If you are unable to participate in this event, you can also choose to participate online on Thursday April 20 with one of the webinars that we will provide via Teams that day at 10 a.m. and 7:30 p.m. Here you will receive an extensive update of our portfolio in an easily accessible manner. We discuss the latest developments at the companies in which we invest, and the strategic choices we make in the fast-growing sustainable economy. Our companies are at the forefront of this, and our investors will benefit from this in the coming years. You can register for both our Investor Day and the webinars via info@sustainabledividends.com. Of course, we are always available for a personal meeting at our office or at a location that suits you.

Outlook

The stock market year 2023 has started reasonably well and a price recovery has started cautiously. As it turns out, our companies continue to report growing earnings and dividends on balance, which is at odds with last year's share price movements. Now that interest rates are unlikely to rise any further, investors can achieve an attractive risk premium due to the relatively low valuation of the companies in which we invest. Since these companies, which invest in the sustainable transition, still have a lot of future growth ahead of them, the long-term picture looks positive for our investors. We would welcome the opportunity to tell you more about this.

Attention! This investment falls outside AFM supervision.
No license and no prospectus required for this activity.