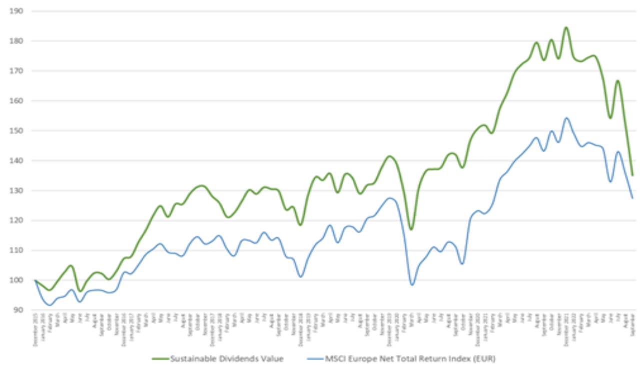
SUSTAINABLE DIVIDENDS VALUE FUND

QUARTERLY REPORT — THIRD QUARTER - 2022

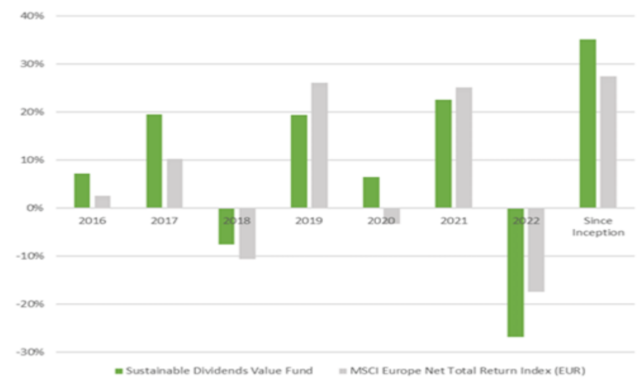
Main Data

Current price	105.45
Price last quarter	120.35
Result quarter (net)	-12.4%
Result since inception (net)	+35.1%
ISIN Code	NL0012907976
Inception date	January 2016

Return (net %)



Annual return (net %)



Risk-return characteristics

Total Return	35.1%
Average annual return	4.6%
Standarddeviation Return	14.4%
Sharpe Ratio	0.35
Total 'Outperformance'	6.1%
Average 'Outperformance' per year	0.9%
Tracking Error	7.6%
Information Ratio	0.12
Correlation Coëfficient	0.86
Best Month (April 2020)	+11.7%
Worst Month (March 2020)	-11.5%
Maximum drawdown	-26.8%

Investment Goal

The objective of the fund 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

We have arrived at a special moment in the nearly seven-year history of the Sustainable Dividends Value Fund. The companies in the fund are all listed on the stock exchange at a much lower price than what these companies are really worth. In the medium term, we see an average price potential for the shares in the fund of almost 100%. Never before has this number been so high. And with an average valuation of less than 7 times expected cash flow, our sustainable businesses have never been cheaper. The dividend yield of the shares is now well above 5% and this also has never happened before. All in all, these are good prospects for those who dare to bite through the sour apple of a temporary dip in stock prices. We ended the third quarter with a return of -12.4%. The sharp rate hikes in almost the entire world, together with the Russian war rhetoric, are creating uncertainty and fear among investors. The prices of major European companies fell by an average of 4.1% (MSCI Europe Index). Mid-sized companies saw a price decline of 7.3% (MSCI Europe Mid Cap Index) and small companies an average of 9.0% (MSCI Europe Small Cap Index).

Strategy

In the fund we choose 15 to 25 stocks of 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. This is one of the reasons why we look to the future with confidence in this difficult year. Since its inception in 2016, our fund has now delivered over 35% (+4.6% pa, after charges), versus 27% for the MSCI Europe (+3.7% pa).

Focus stock: Bravida

As every quarter, we discuss one of the shares in the fund in this newsletter. This time we want to put the Swedish Bravida in the spotlight. This company is the largest supplier and installer of electricity, heating, ventilation and air conditioning systems in Scandinavia. The firm not only works on new buildings, but generates a large part of its turnover from service and maintenance contracts. This ensures a relatively stable and predictable income stream. Bravida's turnover and profits have grown considerably in recent years. Partly due to the energy transition, the demand for Bravida's services is high. New energy-efficient heating systems and electrical installations are in high demand and the current high electricity prices are driving a further increase in the number of orders for the company. They currently serve a wide group of customers with 12,000 employees. By buying up many small competitors and integrating them into its own organization, Bravida has significantly increased its market share in recent years and its turnover has increased by 9% annually. The company is expected to continue with this strategy for many years to come.

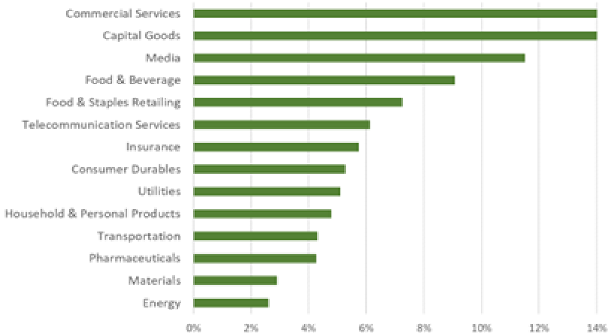
Sustainability and dividend

Bravida's products ensure that their customers have a better and healthier indoor climate in their buildings. In addition, the company ensures the implementation of energy-saving measures. They also ensure that their company uses materials sustainably and emits as little CO_2 as possible. The management has set very clear and verifiable objectives for this. Something that also applies to the financial objectives where management has built up a track record of "under promise and overdeliver". Bravida certainly also has an eye for the shareholders. About half of the profit is paid out in the form of dividend. That benefit has increased by an average of 20% per year over the past six years. The dividend yield is currently 3.5%. Bravida's balance sheet is strong and debt free. This means that the company is not affected by the rising interest rates on the capital market. All in all, Bravida is a company with well-predictable cash flows, a healthy financial situation and a lot of attention for both sustainability and shareholders.

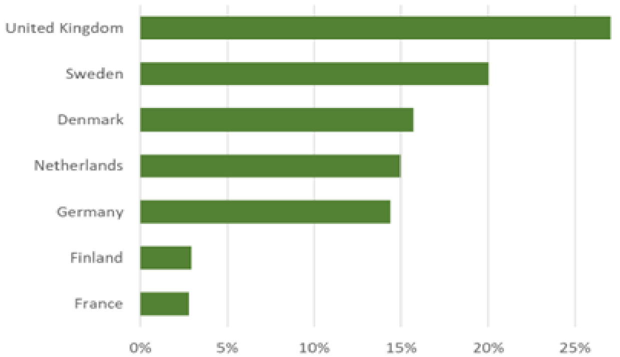
Risks and valuation

No investment case without looking at the risks. With Bravida we also list what could go wrong. An important risk is a decrease in demand for Bravida's services as we enter a serious recession, but this already seems to be taken into account in the recent stock price development. That is why it is good to know that at least half of Bravida's turnover comes from maintenance of existing buildings and infrastructure, which is a lot less prone to recession. At the moment, the scarcity of qualified personnel, materials and parts appears to be a greater risk. The management is well aware and addressing this. The currency risk is also important for Dutch investors. The Bravida share is listed in Swedish krone and its value is regularly subject to limited fluctuations of approximately 5%. Finally, we look at the valuation. Bravida is currently trading at slightly over seven times the expected cash flow. That is low, both in relation to its own history and in relation to what is paid in the market for comparable sustainable companies with an attractive long-term growth perspective.

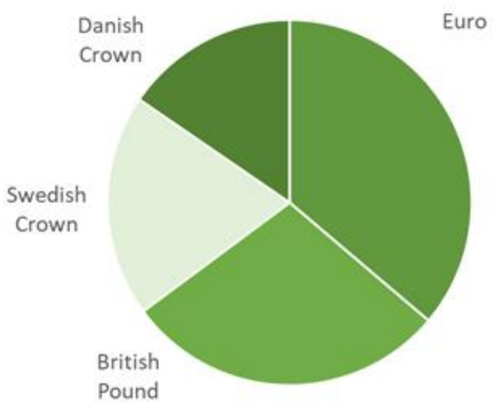
Sector allocation



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/Binckbank
Bank	ABN AMRO

SUSTAINABLE DIVIDENDS
value fund

Ascenders in the portfolio

The Swedish Alfa Laval was the largest climber in the portfolio in the past quarter, with a plus of 12%. This company is the world's leading producer of heat exchangers. These are used in all kinds of applications to save energy and get liquids or gases to the right level of temperature. Alfa Laval presented excellent figures for the first half of the year and a strong increase in the order book. It is expected that the company will also be able to benefit from the large investments in the energy transition in the coming years. In addition, there was a 3% price increase for Ahold Delhaize. Partly due to the strong dollar, the retailer reported better-than-expected figures for the first half of the year. Margins held up and management raised expectations for the full year.

Descenders in the last quarter

It was a difficult quarter for German small caps. The price of Cliq Digital, the German provider of online streaming services, fell by 32%. One possible reason is the delay of the launch of a new platform (Cliq.de) by three months until the end of this year, although this message was only released on the last day of the quarter. When asked, management assured us that the targets that were revised upwards earlier this year in terms of revenue and number of subscribers will be more than achieved. We therefore look forward with confidence to the figures for the third quarter. The share price of Villeroy & Boch, also German, fell by 21% due to fears of gas shortages in the coming winter. This company also released a reassuring message on the last day of the month in which management announced that the energy supply is guaranteed for the coming winter and that the third quarter looks good in anticipation of the quarterly figures.

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 provide growing profits and increasing dividends in the coming years. The assets are diversified over 20 different stocks in 7 European countries. By choosing companies in 14 different sectors, a sufficient degree of risk diversification has been ensured. There is a clear preference for sectors that provide stable cash flows. A number of sectors are deliberately not, or only limited, included in the fund. For example, banks are suffering from low margins due to the slightly higher, but still low, interest rates. In addition, there is increasing regulatory pressure and the fear of write-offs has increased now that the risk of a recession is increasing. Despite the decline this year, technology companies often still have a high valuation, and therefore often a low dividend yield. Needless to say, unsustainable companies are excluded from our selection process in advance.

The short term versus the long term

The year 2050 still seems far away. However, it is just as far away as 2022 was in 1995. When we think back to 1995, the rise of automation, the PC and the Internet was a fact. These have been the driving force behind successful business models and the key to productivity growth for the past 27 years. During that period, the importance of technology companies on the stock market tripled. This was at the expense of other sectors. We firmly believe that the transition to a sustainable economy will play a similar role in the next 27 years. Looking ahead to 2050, the current use of natural resources would require three earths to feed circa 10 billion mouths. Obviously, these are not available, which is why sustainability is necessary. We have a portfolio of companies that will benefit greatly from this. The big themes; energy transition, CO2 emissions, sustainable food, industry, construction, education, financial inclusion and communication are central to our strategy. In combination with our strict financial requirements and quality, this offers a very good investment prospect.

Chart 50: Net % AA Say they are overweight Eurozone Equities
Net% of FMS investors overweight EU equities

Source: BofA Global Fund Manager Survey, Datastream

In the short term, the market seems to be swinging excessively into negative sentiment. European equities have never been so unpopular. See the graph above for this. It was four times since 1990 that investor sentiment has been this bad. In recent history it can only be compared with the credit crisis of 2008-2009. As mentioned earlier, there are good reasons for this situation: rising interest rates due to high inflation and the threat of war. However, investors know this and it is highly discounted in current stock market prices. The driver of higher energy prices and other raw materials is already on the decline. Interest rate increases of up to 4 to 5 percent have been factored in. Just like a 30 to 50% drop in profits in a recession. Not a nice prospect, but stock prices are well ahead of this! A yardstick can be offered that the previous four times a year later each time yielded price gains in a range of +18% to +67% for equities.

Outlook

We invest in reasonably valued companies that are well managed. Profitable dividend payers who have a role to play in the sustainable transition. Relevant companies with a bright future. With more than 7000 European companies, we have a lot to choose from and 20 good companies are enough for us. We have been doing this for over six years now and that has yielded an average of about 5% per year, after costs 1% per year better than the average of European equities. These yielded 4%, less costs. If we look at the valuations and price potential of our portfolio, we mainly see very attractive price levels. Due to the increased uncertainty, our stocks have been valued as if they were not showing growth. That is far from reality and promises a lot of potential in the longer term.