SUSTAINABLE DIVIDENDS VALUE FUND

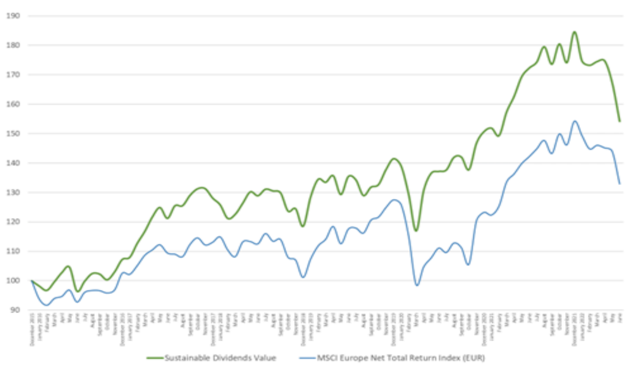
QUARTERLY REPORT

SECOND QUARTER - 2022

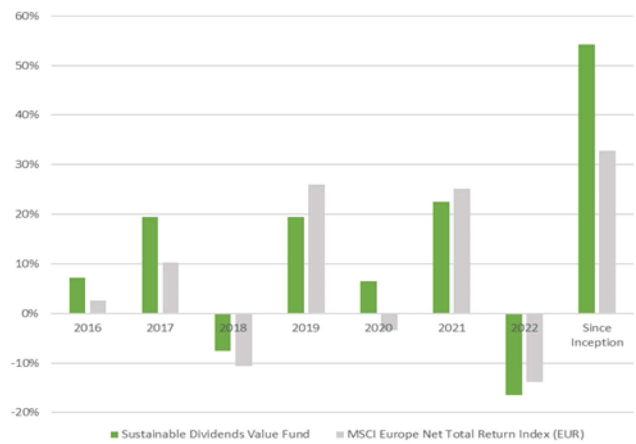
Main Data

Current price	120.35
Price last quarter	136.19
Result quarter (net)	-11.6%
Result since inception (net)	+54.2%
ISIN Code	NL0012907976
Inception date	January 2016

Return (net %)



Annual return (net %)



Risk-return characteristics

Total Return	54.2%
Average annual return	6.9%
Standarddeviation Return	13.1%
Sharpe Ratio	0.56
Total 'Outperformance'	16.1%
Average 'Outperformance' per year	2.3%
Tracking Error	7.3%
Information Ratio	0.32
Correlation Coëfficient	0.85
Best Month (April 2020)	+11.7%
Worst Month (March 2020)	-9.6%
Maximum drawdown	-17.4%

Investment Goal

The investment goal of the fund is long term capital appreciation. Expectations are that the fund will outperform equity markets over a 5 to 7 year economic cycle by 2 to 4% (after fees) annually. The fund manager is of the opinion that an evaluation of the fund performance should be done over the full economic cycle, as otherwise the evaluation period could be defined by rising or declining market circumstances only. The MSCI Europe Index (Net Total Return) is used as a reference index for the fund.

Fund performance

The Sustainable Dividends Value Fund was unable to escape the general malaise in the stock market in the past quarter. The combination of the ongoing war in Ukraine, high inflation, worldwide interest rate hikes, and declining consumer confidence caused the stock market to fall sharply. Together with the not-so-great first quarter, this meant the most difficult start to the stock market year in decades. On average, the prices of the large stocks in Europe (MSCI Europe Index) fell by 9.0% in the second quarter. We underperformed slightly and the fund's price fell by 11.6% to EUR 120.35. And because we invest not only in large, but also in medium-sized and small companies, we also report those results. Mid-sized companies saw a price decline of 13.2% (MSCI Europe Mid Cap Index) and small companies an average 14.9% (MSCI Europe Small Cap Index). It is common in times of fear that risky investments are the first to be sold. As smaller firms are seen as more risky, those prices fall faster. This is also the case in our fund. Since its inception in 2016, our fund has now delivered over 54% (+6.9% annually, after fees), versus 33% for the MSCI Europe (+4.5% annually). It is clear that sustainable investing does not have to come at the expense of returns.

Outlook

At the moment, ripe and green are sold on the market at the same time, without regard for the quality of a company or the latest news. However, none of the stocks in our fund have issued a warning recently. On the contrary, the German Cliq Digital has sharply revised its expectations for the whole of 2022 upwards. And the British Bloomsbury reported strong figures for the recently closed financial year. The balance sheets of the companies in our fund are also strong. Most companies have only modest debt and some even have a net cash position. They therefore have nothing to fear from rising interest rates. That is why we look to the future with confidence, even in this difficult stock market year.

Focus stock: Smart Metering Systems

As every quarter, we discuss one of the shares in the fund in this newsletter. This time we want to highlight the British Smart Metering Systems (SMS). This company installs smart electricity meters, which save electricity companies considerable costs. In addition, they help consumers gain a better understanding of energy consumption, making it easier to save energy. After the meters have been installed, SMS receives an annual fee of 11% of the investment from the energy company. This fee ensures a nice growing income stream. In addition to installing meters, SMS also has other activities. For example, they are installing charging systems for electric cars. And the company also designs and manages battery systems, which are necessary for the energy transition.

Energy transition

Because we use more and more electricity from the wind and the sun, energy is not always generated when it is needed. Large battery systems offer a solution, so that energy can be stored temporarily. SMS will receive a 'stand by' fee for managing these batteries. If energy is actually stored, there is of course an additional fee. And at other times SMS can rent the battery capacity out to electricity traders. SMS launched a share issue at the end of last year, which means that there is now sufficient capital to grow in the coming years. The company has an order book of at least ten major battery projects to support Britain's congested energy network. The first project was completed at the beginning of this year and the second project is expected to follow later this year. The other projects will be carried out and delivered in the coming years. SMS therefore has work on these battery projects up to and including 2025, but they are expected to win even more tenders for similar projects before that time.

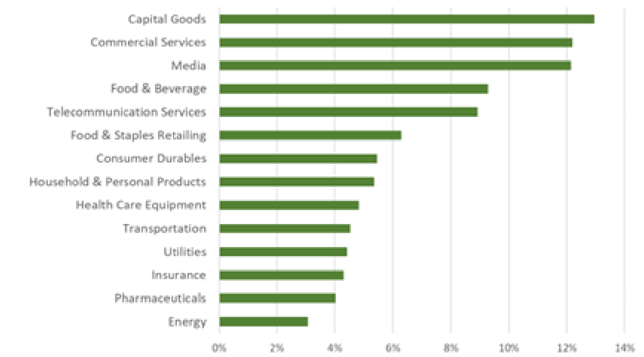
Dividend and sustainability

SMS has been debt-free since the share issue at the end of last year. The strong balance sheet is an advantage when acquiring new orders, but also provides security for shareholders. Then the dividend policy. Dividends are paid by the company every year and management has grown the dividend every year for the past several years, with an average increase of more than 40%. As the company's revenue and cash flow are expected to continue to grow in the coming years, we expect the dividend to grow further as well. The stock's current dividend yield is over 3%. In terms of sustainability, the company fits well into the portfolio. With their products, SMS is an important player in the energy transition and helps consumers save energy. In doing so, the company helps to make society more sustainable.

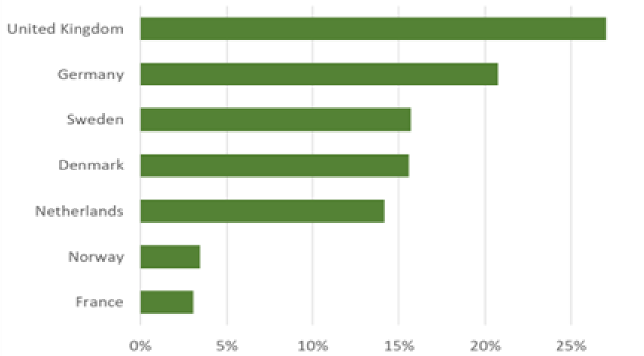
Risks and valuation

No investment case without looking at the risks. We also list what could go wrong with SMS. The company sees a significant risk in not being able to meet the high demand for batteries due to a lack of equipment and qualified personnel. In addition, the maintenance and security of the IT systems are very important and failures or cyber attacks could cause problems. Finally, we look at the valuation. SMS has historically sold part of its portfolio of smart meters to infrastructure investors for a valuation of 16 times cash flow. Taking into account all the projects currently in the pipeline, the stock is now trading at about half of that valuation. This means a potential price increase of about 100% in the longer term

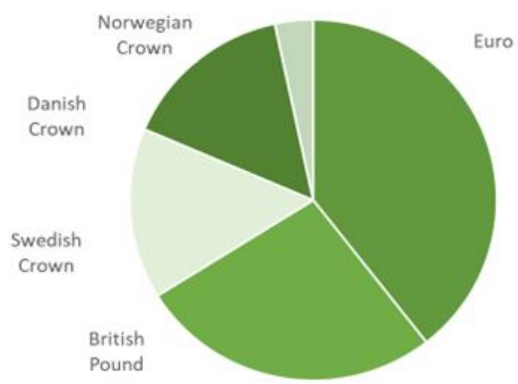
Sector allocation



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

Ascenders in the portfolio

Despite the sharp fall in the stock markets, a number of stocks in the portfolio showed a nice price increase. The Swedish Essity took the cake with a price increase of 16% in the second quarter. The producer of (paper-based) consumer goods has implemented significant price increases for their products, resulting in strong growth in turnover in the first quarter. In all likelihood, the company will also see margins grow again in the coming quarters. Investors are already preparing for this expected good news. Another climber was the Danish Novo Nordisk. The pharmaceutical company is one of the largest manufacturers of drugs for diabetes and obesity. The company's share price rose 5% after excellent quarterly figures. The company has a strong growing turnover and shows increasing margins. Based on the strong start to the year, management has revised its expectations for the full year 2022 upwards.

Descenders in the last quarter

Given the fund's sharp fall in price, it should come as no surprise that most stocks showed negative returns. We would like to mention a few outliers here. The share price of Treatt, the British producer of natural-based flavors and fragrances, fell by 33%. The company achieved record sales for the first six months of fiscal year 2021/2022. However, a lower margin led to a slight decline in profit. Management sees strong growth from March on and expects to report revenue and profit growth for the full year. The share price of the German manufacturer of bathroom and tableware Villeroy & Boch - adjusted for the dividend - fell by 23%. This is the result of increased gas prices and the decline in consumer confidence. However, the company has largely hedged gas prices for this year and expects flat volumes in 2022 and slightly higher sales compared to last year.

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 soaring dividends in the coming years. The assets are spread 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 the still low interest rates and increasing regulatory pressure. Despite the decline this year, technology companies often still have a high valuation, and therefore often a very low dividend yield. It is perhaps needless to say, but non-sustainable companies are of course excluded in advance in our selection process.

SUSTAINABLE DIVIDENDS
value fund

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 7,000 European companies, we have a lot to choose from and 20 good companies are enough for us to invest in. We have been doing this for over six years now and that has yielded an average of about 7% per year, after costs more than 2% better than the average of European equities. These yielded less than 5%, 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 are being valued as if they were not showing any growth. That is far from reality and promises a lot of potential in the longer term.

Annual investor meeting at June 2nd

In June we we organized two meetings. The first one was in the Louwman Museum for existing and new investors. It was a successful day, including a presentation by Willem Schramade, who explained the core of his book "Sustainable Capitalism". And how active investors can demonstrate involvement in the sustainable transition in dialogue with companies. A philosophy to which we feel closely related. Our portfolio company Solar was then given the opportunity to explain how they will benefit from the sustainable transition. If it is up to them, this company will provide every Dutch household with a heat pump in addition to their existing business in energy and electricity systems. The day ended with lunch and a tour of the museum.

Then next week we were then allowed to give a presentation about our fund in collaboration with the Dutch Association for Capital Funds (FIN) in Hotel Karel V. Erik Breen from our Advisory Board once again pointed out various sustainable dilemmas. The discussions with the public showed once again that many people are involved in the theme and that not everyone uses the same criteria. Much remains to be done in the coming years and we hope to play a part in this wherever we can.

We are pleasantly surprised by the great interest in our events. Apparently investors are convinced of the quality of our fund and are not deterred by a few bad stock market months. We would also like to point out here that we have never been able to purchase our portfolio of high-quality European companies so cheaply before. With a valuation of 7 times EV/EBITDA, an expected earnings growth of 15% and a dividend yield of 4% in sustainable, well-run companies, we expect to make good returns in the coming years.

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