SUSTAINABLE DIVIDENDS VALUE FUND

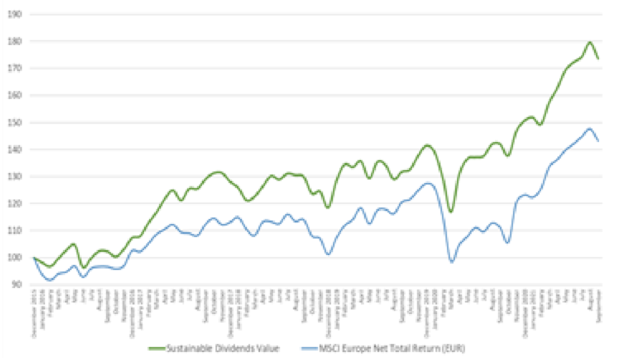
QUARTERLY REPORT

THIRD QUARTER 2021

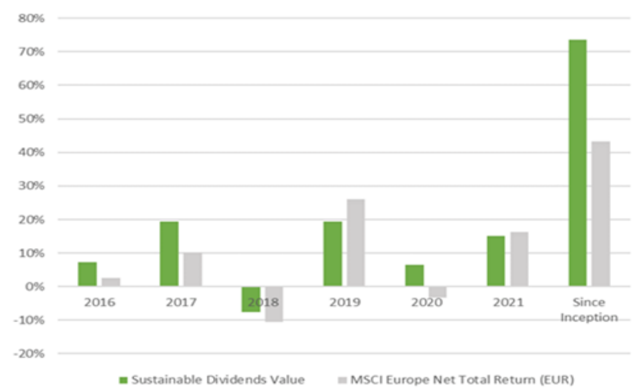
Main details

Current fund price	135,49
Last quarter price	134,46
Result (net)	+0,8%
Result 2021	+15,2%
ISIN Code	NL0012907976
Inception date	January 2016

Return (net %)



Annual return (net %)



Risk – Return characteristics

Total Return	73.6%
Average annual return	10.1%
Standaarddeviation Return	12.6%
Sharpe Ratio	0.80
Total 'Outperformance'	21.2%
Average annual 'Outperformance'	3.4%
Tracking Error	7.5%
Information Ratio	0.46
Correlation Coëfficient	0.84
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 investment cycle. 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 manager uses the MSCI Europe Index (Net Total Return) as a reference index for the fund.

Strategy

Sustainable Dividends invests in European companies, that demonstrate their engagement by making a positive contribution to the sustainability of our society. Stocks of these companies deliver value for both society and investors. They will see their cash flows grow faster and experience increasing interest from investors. We choose 15 to 25 stocks of companies with a predictable and profitable business model, a strong balance sheet, regular dividend payments, and a dedicated management team. We use a disciplined investment process that generates superior returns with below average risks for the investors in the fund.

Fund Performance

The Sustainable Dividends Value Fund has had a reasonable quarter. The investors in the fund achieved a return of 0.8% on their investment. This put us fractionally ahead of the MSCI Europe. On average, the European equity markets showed an increase of 0.7% in the past quarter. Since its inception in 2016, the fund has now delivered 74% returns, compared to 43% for the MSCI Europe. It is clear that sustainable investing does not have to come at the expense of returns. Our strategy has proven itself in good times as well as in difficult times. The fund does not hold shares in companies that have suffered permanent, irreparable damage to their business model as a result of the crisis. Many of our investments were able to benefit from the economic recovery in the past year. In the past quarter we again welcomed several new investors to our fund. Our team will once again do everything it can to live up to the trust placed in us.

Focus Stock: Ahold

As every quarter, we discuss one of the shares in the fund in this newsletter. The Dutch Ahold is known to all of you as the owner of the Albert Heijn supermarkets and the Etos and Gall&Gall specialty stores. A little less known is that the company also owns Delhaize, the largest supermarket chain in Belgium. And also from one of the fastest growing online retailers: Bol.com. But the majority of Ahold's sales are not generated in the Benelux, but in the United States. There, the company owns a large number of supermarket chains along the American East Coast. All in all, these US businesses account for about two-thirds of sales and profits

Business Model

Why are we so enthusiastic about Ahold? First of all, supermarkets offer a predictable business model to investors. Ahold is the market leader among supermarkets in the Netherlands and Belgium and Bol.com has a large market share in on-line retail in the Benelux. In the United States, Ahold may not be the largest in the country, but in the specific states on the East Coast, Ahold does have a very large market share. By the way, the necessary growth is still possible in both the United States and the Benelux through the acquisition of medium-sized supermarket chains such as Deen earlier this year. In the United States, too, about half of the supermarkets are still owned by family businesses that are too small to independently make the transition to omni-retailing (supermarkets and online). Ahold therefore knows how to regularly add such chains to the company. The company has a strong balance sheet and is therefore easily able to finance small and medium-sized acquisitions.

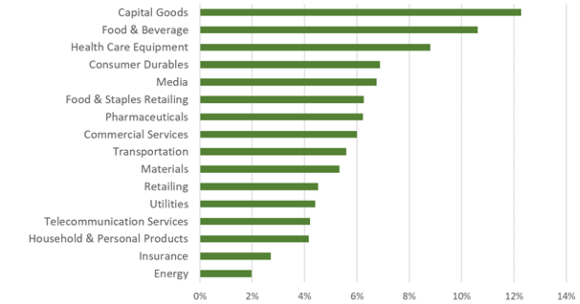
Sustainability

Ahold will continue to increase sales and profits in the coming years through the rapid growth of online and the aforementioned acquisition strategy. In addition, rising inflation is generally favorable for supermarkets. The rising costs are quickly passed on to consumers, while suppliers are often tied to old prices for a while, due to long-term contracts. This ensures that supermarkets often manage to increase their margins in times of increasing inflation. Ahold is an attractive stock for investors due to its friendly shareholder remuneration policy. The dividend has been increased by more than 10% per year for years and the company also has an annual share buyback program. This causes the number of outstanding shares to decrease and earnings per share to increase. In the field of sustainability, Ahold scores on several fronts. There is an active policy to promote healthy food and in some cases to make it cheaper than less healthy alternatives. In addition, operational management is actively working to reduce waste, reduce the amount of plastic packaging and the use of green energy.

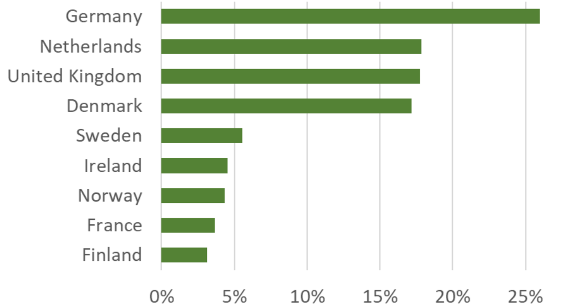
Valuation

No investment case without also looking at the risks of an investment. A decline in economic growth reduces the purchasing power of consumers. On the other hand, an economic downturn often means that consumers eat out less and will therefore do more shopping at Ahold. Then there is the sometimes cutthroat competition between supermarkets and from new emerging on-line only platforms. Ahold's strong market position in its key markets and its online business (Bol.com in the Benelux and Peapod in the United States) puts Ahold in a good position to withstand the competition. Finally, the currency risk is important, because two-thirds of the turnover is generated in US dollars. Then the valuation. Recently, private equity interest in supermarkets has increased. The British WM Morrisson has been acquired by the American private equity house CD&R. The French Carrefour has also discussed a possible acquisition with private equity. It seems that the private sector is willing to pay considerably more than the current valuation of supermarkets on the stock exchange. In addition, the upcoming IPO of Coolblue could lead to a higher appreciation from investors for Ahold subsidiary Bol.com. This will highlight the undervaluation of Ahold's stock even more clearly.

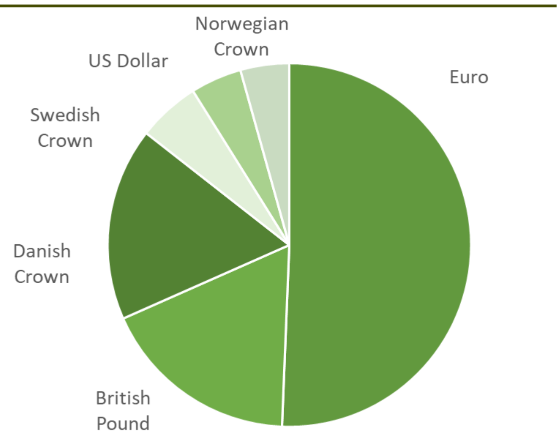
Sector Allocation



Country Allocation



Currency Allocation



Fund Information

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

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Ascenders in the portfolio

The modest price increase of the fund suggests that it was a quiet quarter. However, nothing could be further from the truth, and the price performances of the underlying stocks in our fund show both major pluses and minuses. The biggest increase was shown by the German stock Villeroy & Boch with a return of 30%. This company was described in detail in our report on the fourth quarter of 2020. Villeroy & Boch recently reported excellent figures for the first half of the year and has now revised its expectations for the full year 2021 upwards three times. The Danish developer of diabetes and obesity drugs Novo Nordisk announced it has received approval in the United States for a new drug against obesity. Management raised revenue and earnings expectations for 2021 and the share price rose 18% in the quarter.

Detractors in the last quarter

As every quarter, there are a few stocks with disappointing returns. A notable decliner was the Irish Dole. The share price fell 23% after the company moved its listing from Dublin to New York. Despite the fact that this was accompanied by the publication of a large number of analyst reports, it has not yet attracted more attention from investors. The sharp fall in the price seems unjustified given the good prospects of growing turnover in 2021. The price of the German Fresenius Medical Care fell by 13% due to disappointing half-year figures. The turnover and profit of the specialist in kidney dialysis systems are under pressure this year because relatively many patients of the company have deceased during the Covid crisis.

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 spread over 23 different stocks in 9 European countries. By opting for companies in 16 different sectors, a sufficient degree of risk spreading has been ensured. There is a clear preference for sectors that provide stable cash flows. A large number of companies in our portfolio are able to profit well from the recovery of the economy after the crisis. A number of sectors are deliberately not, or only limited, included in the fund. For example, banks are suffering from low interest rates and ever-increasing regulations, which are generally not in their favour. Technology companies have a very high valuation, especially after the price increase of the past 18 months, 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.

Outlook

With an average return of around 8% per annum over the past 3 years (MSCI Europe Index), European equities have not fared badly in absolute terms, but have still lagged well behind the US markets in particular. Due to the significantly lower valuation of European equities, investors may prefer Europe in the coming quarters. The European economy is expected to pick up considerably this year and next. In our portfolio we choose companies that can benefit from this. However, our preference remains for companies with a strong balance sheet. This has clearly helped us in 2020 and will certainly help us in a possible next crisis.

Organization Update

In September we held our annual Advisory Council (RvA) day. All relevant aspects of our organization were discussed. This includes: our general set-up and team, the implementation of our investment strategy and track record, implementation of sustainability in our portfolio, partnerships and business development. We have more frequent consultations with our RvA, but that happens on separate issues and on an individual basis. Our RvA assists our team with advice and assistance, but bears no formal operational responsibility. We are pleased to announce that we have been able to add two new members in addition to the three sitting RvA members. Namely: Marnix Vriezen and Erik Breen. Marnix has a past as fund manager and CIO of Robeco and has been CEO of the Anthos family office for 12 years. In addition to a strong substantive profile in the field of investing, he also has experience in business development. Erik is a sustainability, governance and investment specialist with a professional background at Robeco and Triodos. He is the MD of his consulting firm Infinus: Integrating Finance and Sustainability.

Investor Event

As you know, in addition to dividends and valuation, sustainability is one of the pillars of our investment strategy. The proper implementation of ESG (Environment, Social and Governance) factors is therefore of great importance to us and we devote a lot of time and attention to this. On 5 November we would like to take you on a tour of this matter. What are the implications of changing laws and regulations? What are the latest developments? How can you approach the problem? How do you interact in this area with the companies in which you invest? Can it be expected that investing in sustainable companies will yield greater returns in the future? How do you combat greenwashing? What does our ESG implementation process look like? These and more questions will be addressed during this event. Erik Breen will give his vision on this subject and will answer your questions. We will then explain how Sustainable Dividends implements the sustainability criteria in our fund. You can register for our event by sending an email to info@sustainabledividends.com

Spread the word!

Our fund has grown strongly over the past year, thanks to the trust our clients place in us. But we are far from fully grown. If you know someone who might be interested in our strategy, please let us know. We are happy to start the conversation.