SUSTAINABLE DIVIDENDS VALUE FUND

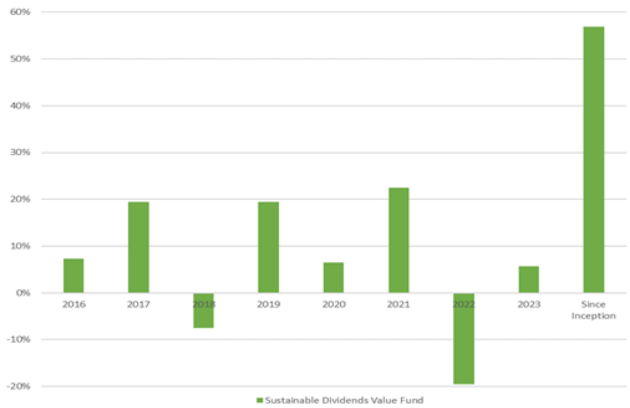
QUARTERLY REPORT FOURTH QUARTER - 2023

Main data

Current price	122.40
Price last quarter	111.59
Result quarter (net)	+9.7%
Result since inception (net)	+56.8%
ISIN Code	NL0012907976
Inception date	January 2016

Return (net %)

Annual return (net %)



Risk - Return characteristics

Total Return	56.8%
Average annual return	5.8%
Standarddeviation return	14.5%
Sharpe Ratio	0.33
Total 'Outperformance'	-3.0%
Average annual outperformance	-0.4%
Tracking Error	7.6%
Information Ratio	-0.05
Correlation Coëfficiënt	0.86
Best month (April 2020)	+11.7%
Worst month (September 2022)	-11.5%
Maximun 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 fourth quarter was by far the best quarter of the year for us and investors in the fund saw the value of their investment increase by 9.7%. By comparison, the MSCI Europe index rose 6.4% in the quarter. The prospects of an interest rate cut in 2024 in both the US and Europe caused a return of investor confidence. This meant price recovery in stock markets and our small and mid-caps in particular managed to benefit. Despite the nice price recovery in Q4, many of our companies are still undervalued. That valuation is often low not only compared to their own history, but also compared to what, for example, private equity investors are willing to pay for such companies. An example of this is KKR's recent bid for SMS plc. The private equity investor announced its intention to delist the company at a price more than 40% higher than the share price at the time of the announcement. Partly because of this, the share price rose over 50% in the past quarter. Naturally, this also made a nice contribution to our fund's return. In 2023, we achieved a return of 5.6%, while the MSCI Europe Index added 15,8% for the year.

Strategy

In the fund, we choose 20 to 25 stocks of companies with a predictable and profitable business model, committed management, regular dividend payments and a strong balance sheet. The selected companies strive to make a positive contribution to making our society more sustainable. Since its inception in 2016, this strategy has generated over 56% return for its investors.

Sustainable Dividends

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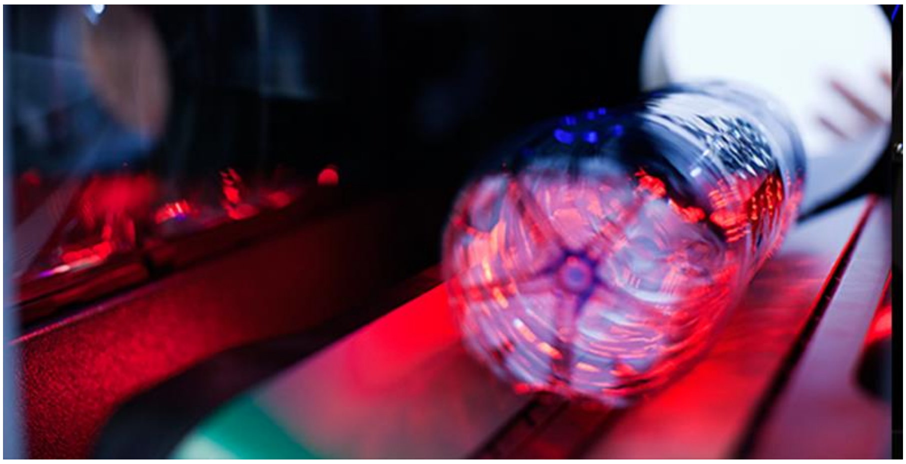
Focus stock: Tomra – market leader in sorting and reverse vending machines



Like every quarter, we discuss one of the stocks in the fund in this newsletter. Norway's Tomra is the world market leader in reverse vending machines and sorting systems. You see these vending machines in supermarkets, for example, when you hand in your empty bottles and cans. Worldwide, the company has installed tens of thousands of these devices. But the industry also uses machines from Tomra on a large scale. The company supplies sorting machines to the food industry, the mining sector and the waste processing industry, among others. Tomra has a global market share of 75% in reverse vending machines and, depending on the type of machine, between 40% and 60% in sorting machines. So, a market leader for good reason.

The Waste Revolution

The Netherlands, Germany and the Nordic countries lead the way when it comes to waste collection and recycling. Driven by the global focus on a better environment, more and more countries will start sorting waste and using collection systems in the coming years. The EU created a hefty subsidy pot for this a few years ago. The European Commission's target of recycling at least 90% of all plastic bottles by 2025 does not seem to be achieved for the time being, but EU countries such as Romania, Hungary, Austria and Poland are working hard on their own collection systems. Outside the EU, such systems are also being rolled out in Australia, Canada, Uruguay and South Africa. Surely this waste revolution is really taking off. And Tomra is benefiting from it!

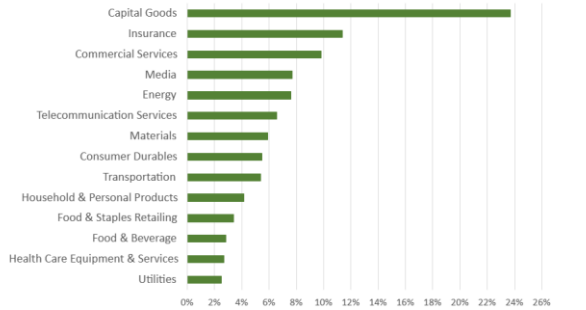
Dividend and sustainability

Tomra's management has set a target of distributing 40-60% of profits to shareholders every year. Over the past 10 years, the dividend has been increased every year and the average dividend increase has been more than 10%. In addition, special dividends have also been paid a few times. These are impressive figures and show that management is very attentive of shareholders' interests. In terms of corporate sustainability, Tomra has its act together. They make products that help us make society more sustainable. And in addition, as a company, they are also continuously reducing their impact on the environment. For example, they have reduced their own CO2 emissions significantly in recent years.

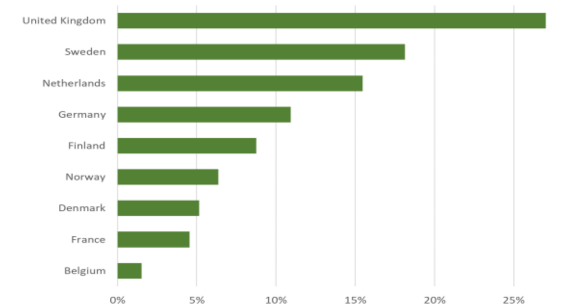
Risks and valuation

No investment case without also looking at the risks of an investment. The biggest risk for Tomra is political risk. For example, if the Netherlands were to decide to abolish the deposit system on empty bottles, far fewer collection machines would be needed in the future. But given the increasing attention to the waste problem, the likelihood of this seems small. Actually, expectations are that more and more countries will introduce such a system as well. In addition, currency risks are also important. Sales are mostly in euros or US dollars, while a large proportion of costs are incurred in Norwegian Krone and New Zealand dollars. A rise in these two currencies will therefore have a dampening effect on profitability. Due to the rise in interest rates in recent years and the low focus on small and mid-caps, the current valuation of Tomra shares is considerably lower than in the past. In the coming years, we expect a further increase in revenue and profit. This will certainly help to increase the share's valuation again.

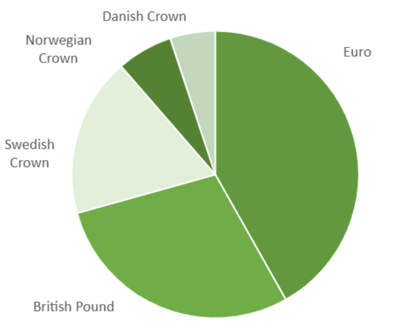
Sector allocation



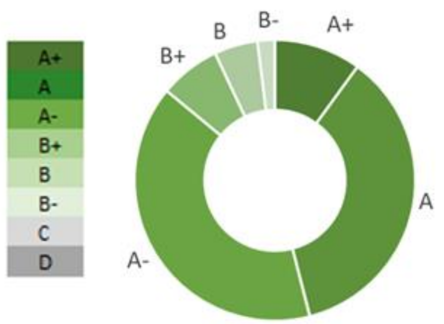
Geographical allocation



Currency allocation



ESG ratings allocation



Fondsinformatie

NAV	Monthly
Minimale investering	€ 100.000
Management fee	1%
Administration fee	0,15%
Performance fee	10%
Manager	Sustainable Dividends
Administrator	AssetCare
Custodian	Interactive Brokers/Saxo Bank
Bank	ABN AMRO

Ascenders in the portfolio

UK-based SMS was the biggest gainer in the portfolio. The smart electricity meter and battery installer's share price rose 51% in the past quarter after private equity investor KKR made an offer for all outstanding shares. Despite the fact that the takeover bid resulted in a nice share price increase, not all shareholders are happy with the amount offered. Led by the company's founder and former CEO, there is now a sizeable group of shareholders calling for a higher takeover price. Either way, the share is likely to be delisted soon. Another well-performing stock in the past quarter was, the also UK-based, Bloomsbury, the focus stock from our Q3 report. In October, the company came out with better-than-expected results for the first half of the 2023/2024 broken financial year. As Christmas sales were also higher than management expected, the company announced an increase in their full year forecast in December. All in all, this made for an 18% return (including the interim dividend paid) in the fourth quarter.

Descenders in the quarter

Like every quarter, there were some decliners in the fund. Dutch Ahold was one of them. The supermarket chain's share price fell 9% due to disappointing third-quarter figures, in which in particular US consumers spent just a little less than expected. Bright spots were online sales, which were on the rise in both Europe and the US. The stock is very low valued, partly due to the share price decline in the past six months. We expect share buyback programmes and growing dividends to restore its share price. Another stock that traded lower was Vopak, also Dutch. The company reported good third-quarter figures and management raised expectations for the whole of 2023. Despite this, its share price fell 6% in the quarter. At Vopak's investor day on 1 November, management announced it would increase the 2023 dividend by at least 17% compared to the previous year. This may be complemented by a special dividend or a share buyback programme. We expect this to provide share price recovery in the coming quarters.

What does the fund currently look like?

Currently, the fund is invested - apart from a limited cash position - in companies, which are expected to provide growing profits and rising dividends in the coming years. The assets are spread across 25 different stocks in nine 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 hardly, included in the fund. For instance, banks are suffering from stricter capital requirements, an increasing regulatory burden and fears of write-downs have increased as the likelihood of a recession increases. Technology companies are often overvalued, especially after the rapid rise in share prices last year. Finally, unsustainable companies drop out a priori in our selection process.

Sustainable Dividends Events

On Friday 15 December, we organised an end-of-year gathering for investors in the Sustainable Dividends Value Fund and other interested parties at the Rosarium in Amsterdam. We started the meeting with a brief explanation of the fund's developments over the past year. For instance, despite the volatile equity markets, assets under management have increased by 60% in 2023. Together with our Belgian partner Fortuna Invest, we added an additional share class for Belgian investors to our fund in Luxembourg. And together with our administrator AssetCare, we opened an online investor portal for investors in the Sustainable Dividends Value Fund.

Then it was the turn of Wouter Weijand - CIO of Providence Capital - to share with us, on a personal note and in his own distinctive way, his outlook for the new year. Wouter did not shy away from making some tantalising predictions for the new year. For instance, he emphatically wondered who will now buy all those Italian government bonds when the ECB will stop doing so. There appeared to be very little enthusiasm for this in the room as well. Besides, it seems that after years of outperformance of economic growth in America, Europe might take over in the new year. Furthermore, Wouter rightly concluded that the bursting of the real estate bubble passed by investors of our fund. All in all, it was an informative meeting.

In March, we will again offer interested investors in the Sustainable Dividends Value Fund the opportunity to get further acquainted with one of the companies in our fund during an Investor Lunch.

We invite one of our investments to comment on the then-published annual figures and after that answer questions on the latest developments at the company. Following the digital consultation with the company, we will serve lunch and there will be an opportunity to speak further with the managers of the Sustainable Dividends Value Fund. The meeting will be held at 'Spaces Westerpark', Haarlemmerweg 331 in Amsterdam. The exact date and time will be announced soon.

We invite interested investors to attend this lunch meeting
Please send an e-mail in order to register to: info@sustainabledividends.com

We look forward to speaking with our investors and other interested parties again in the new year about the stock markets in general and our fund in particular. Please do not hesitate to contact us for an introduction or to catch up again. Hope to see you soon!