SUSTAINABLE DIVIDENDS VALUE FUND

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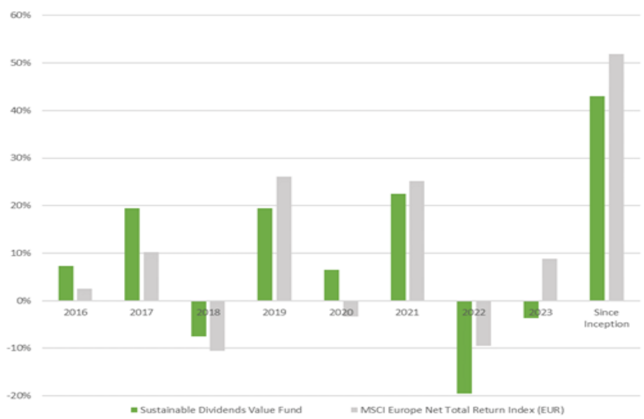
QUARTERLY REPORT THIRD QUARTER - 2023

Main data

Current price	111.59
Price last quarter	120.13
Result quarter (net)	-7.1%
Result since inception (net)	+43.0%
ISIN Code	NL0012907976
Inception date	January 2016

Return (net %)

Annual return (net %)



Risk - Return characteristics

Total Return	43.0%
Average annual return	4.7%
Standarddeviation return	14.3%
Sharpe Ratio	0.26
Total 'Outperformance'	-5.9%
Average annual outperformance	-0.8%
Tracking Error	7.5%
Information Ratio	-0.10
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

Every day, the companies in our fund are busy solving today's important sustainability issues. For example, Alfa Laval, Solar and Bravida are involved in the production of heat pumps to heat or cool your home in an energy-efficient manner. SKF and TKH are involved in generating your energy in a sustainable way with wind turbines. And Vopak and SMS are active in developing and maintaining large batteries that are needed for the temporary storage of sustainably generated energy. Not only are the products of these companies sustainable, but they also ensure that their own production is as energy efficient as possible. All this helps us in the fight against global warming and climate change. However, there are large differences in performance from quarter to quarter, and in recent months it has become clear that several projects in the wind sector are being delayed due to the rapid increase in interest rates. Several companies have indicated that they are affected by this. Partly as a result, the fund's price fell by 7.1% in the third quarter. However, this is a snapshot in the multi-year story of the energy transition. The demand for sustainably generated energy and the products of our companies is growing rapidly, and we are convinced that these companies and their shareholders will sooner or later be rewarded.

Strategy

In the fund, we choose 20 to 25 stocks of companies with a predictable and profitable business model, committed management and regular dividend payments. The selected companies strive to make a positive contribution to making our society more sustainable. Since its inception in 2016, our fund has now generated 43% returns (+4.7% per annum).

Sustainable Dividends

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Focus stock: Bloomsbury

As every quarter, we discuss one of the shares in the fund in this newsletter. This time we look at the British publisher Bloomsbury. Last week the company was in the news as the publisher of Jon Fosse, the Norwegian Nobel Prize winner for Literature 2023. Bloomsbury has been known to a wide audience since 1997 as the publisher of the Harry Potter series. But the company has more irons in the fire, such as the popular 'fantasy' books by Sarah Maas. Or Tom Kerridge's best-selling cookbooks. There is also a division that publishes academic literature, and Bloomsbury is active in textbooks. Traditional hardcopy books are still important, but more and more books are being published digitally. Nearly 30% of turnover in academic literature is now achieved through digital publications. Through the digital platform, customers can gain access to various specialist databases in the fields of books, photography and music, among others. The company plans to grow this digital platform significantly in the coming years. Currently, almost half of Bloomsbury's turnover is achieved in the United States. Furthermore, approximately a quarter of sales comes from the home market, and the rest from fast-growing markets such as China, Australia and India.

Dividend King

A recent trading update shows that Bloomsbury is well on its way to showing good growth again this year. The best performing component is the aforementioned digital platform, which is a good reflection of the transition to digital learning in schools and universities. Management is confident in the future, which is reflected in the regular dividend increases. Bloomsbury belongs to a select group of 'Dividend Kings', British companies that have increased their dividend every year for years. Over the past 18 years, the average increase in dividend paid was almost 7%. In addition to the dividend policy, the financial health of the company is also very important. Bloomsbury has no debt on the balance sheet and is a very strong company financially.

Sustainability

When it comes to sustainability, it is obvious that Bloomsbury is especially committed to 'Sustainable Development Goal' number four: making good quality education accessible to everyone. The databases and textbooks certainly contribute to this. And they also pay attention to sustainability in their own activities. For example, the company has objectives to minimize the impact of its energy consumption and that of customers and suppliers. There are also objectives to reduce water consumption and recycle waste as much as possible. Finally, Bloomsbury also scores very well on 'gender equality'.

Risks and valuation

No investment case without also looking at the risks of an investment. First of all, sales of books to consumers are cyclical, and this can significantly impact Bloomsbury's profitability during recessions. The sale of academic literature and databases is generally much less volatile due to the subscription model, and therefore provides a stable source of income even during economic downturns. Finally, the currency risk is important, because Bloomsbury's share price is quoted in British pounds. At the same time, it is important to realize that most of the turnover is achieved in other currencies, such as the US and Australian dollars. Then the valuation. Other listed publishers quote at least ten, but often fifteen to twenty times the cash flow. Bloomsbury shares are currently trading at little over six times expected cash flow for the current financial year and are severely undervalued in comparison. Part of the undervaluation can be explained by the limited attention paid to this company by analysts. There are currently only two analysts covering Bloomsbury. Our expectation is that this number will increase as the company continues to grow in the coming years. More attention from analysts and investors for Bloomsbury could certainly lead to a higher valuation.

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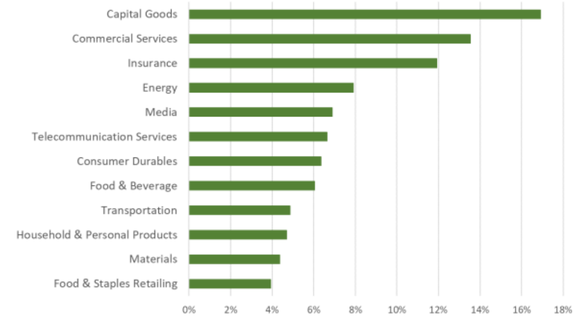
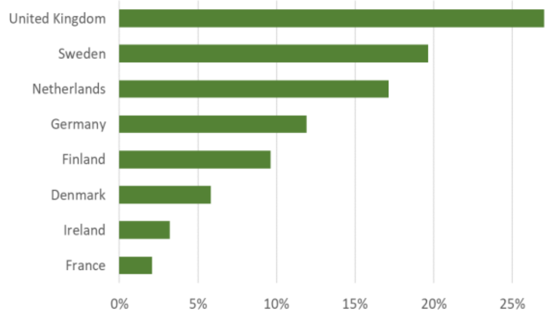
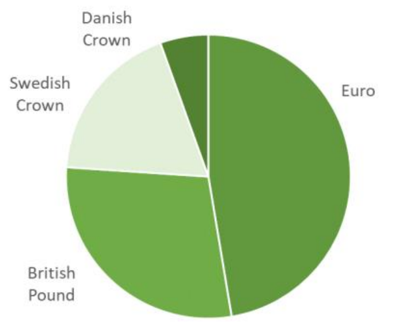
Sector allocation



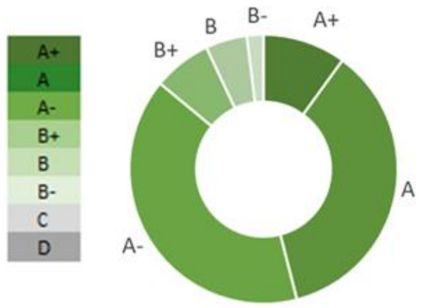
Geographical allocation



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

London-listed Airtel Africa was the biggest gainer in the portfolio in the past quarter. The share price of the mobile telephony and mobile banking provider in 14 African countries rose by 17%. In contrast to many European telecom companies, the company is seeing a rapid increase in the number of customers. In addition, the average revenue per customer continues to increase. We expect good results for the third quarter and investors also responded positively to the new stock exchange listing of subsidiary Airtel Uganda. Another well-performing stock in the past quarter was the British Admiral. Including the interim dividend that has now been paid, the return on the car damage insurer's share was more than 16%. The company published strong figures for the first half of the year. During this period, Admiral saw revenue increase by 20% compared to a year earlier. The average premium increase in the second quarter of 40% for British motorists ensures that Admiral's turnover and profit will increase even further in the coming quarters. Ultimately, this will also lead to higher dividends for shareholders.

Descenders in the quarter

Just like every quarter, there were some decliners in the fund. The Dutch TKH was one of them. The price of the manufacturer of power cables, among other things, fell by 18%. This was the result of investors' fears of a delay in the construction of new offshore wind farms. In both Europe and the United States, high interest rates and increased material costs appear to make new parks unprofitable under current conditions. Governments will have to allow higher energy prices or provide subsidies. Orders for power cables to wind farms are at a somewhat lower level, but TKH has plenty of other activities that are showing growth. Another decliner was Essity, the Swedish manufacturer of paper-based consumer goods. In the first half of the year, the company managed to significantly increase sales by implementing price increases, while volumes fell slightly. It is now expected that the sharp drop in the costs of paper and energy will lead to more competition and price pressure in the second half of the year. As a result, the share price fell by 18%. We expect that the company will be able to maintain margins by selling a number of activities with relatively low margins.

What does the fund currently look like?

The Fund is currently invested - with the exception of 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 21 different shares in 8 European countries. By choosing companies in 12 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 in the fund, or are only included to a limited extent. For example, banks are suffering from stricter capital requirements, increasing regulatory pressure and fear of write-downs has increased as the chance of a recession increases. Technology companies often have too high a valuation, especially after the rapid price rise this year. Finally, non-sustainable companies are excluded from our selection process in advance.

Sustainable Dividends Investor Lunch

On Tuesday, October 31, we offer interested investors in the Sustainable Dividends Value Fund, together with a possible guest, the opportunity to get to know one of the companies in our fund during an Investor Lunch. The Swedish-Finnish Stora Enso will provide an explanation of the published quarterly figures and then answer questions about the most recent developments at the company. After the digital consultation with the company, we will serve lunch and there will be the opportunity to discuss further with the managers of the Sustainable Dividends Value Fund. The meeting will be held from 11 am in 'Spaces Westerpark', Haarlemmerweg 331 in Amsterdam.

For those who are not yet familiar with Stora Enso, here is a brief description of the company. The forestry companies Stora from Sweden and Enso from Finland merged in the late 1990s to become one of the largest paper groups in the world. The Stora Enso combination owns vast forests in Sweden and Finland. Partly due to digitization, the heyday of paper is now behind us. But there are plenty of alternative options to use the wood from the forests in a valuable way. For example, wood fibers and cardboard are increasingly used in the production of packaging materials for all kinds of consumer goods. In supermarkets, for example, plastic is slowly but surely being replaced by paper-based packaging. More and more consumer goods can also be partly made from wood fibres. Think of plates, bowls, cups and other objects in the house. But wood and wood-based products are also taking an increasingly prominent place in construction. This ensures lighter structures, allowing for faster and cheaper construction. The resin from coniferous trees is used for all kinds of chemicals, which are often a good substitute for oil-based liquids. Finally, Stora Enso has developed a hard carbon based on residual material from trees that can serve as a cheap alternative to graphite in batteries.

In recent years, Stora Enso has undergone a transformation. The traditional factories for newsprint, for example, have been divested or converted for the production of cardboard and packaging materials. The European Union recently launched new ambitious targets for reducing the use of plastic. Paper and cardboard packaging is a good and environmentally friendly alternative. Partly because of this, the demand for Stora Enso products will increase significantly in the coming years. The low valuation of the Stora Enso share makes it an interesting share for our fund not only from a sustainability perspective, but also in terms of financial return.

We invite interested investors to joint his meeting on Tuesday October 31st. Please send an e-mail to register to: info@sustainabledividends.com

At a time when stock market returns are mainly determined by technology shares and the progress of Artificial Intelligence dominates the headlines, it is good to note that our portfolio is aligned with the sustainability growth themes for the coming decades. Our undervalued stocks offer great potential to long-term investors.