

SUSTAINABLE DIVIDENDS VALUE FUND

QUARTERLY REPORT

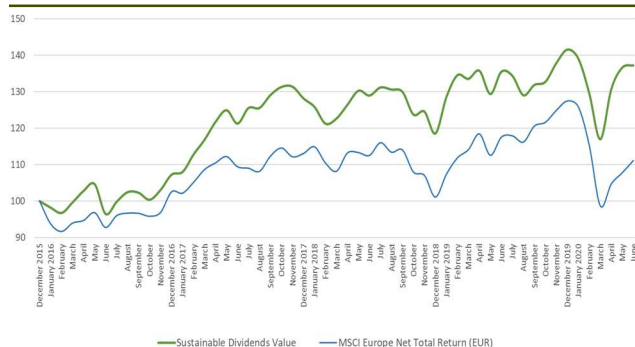
SUSTAINABLE
DIVIDENDS

SECOND QUARTER 2020

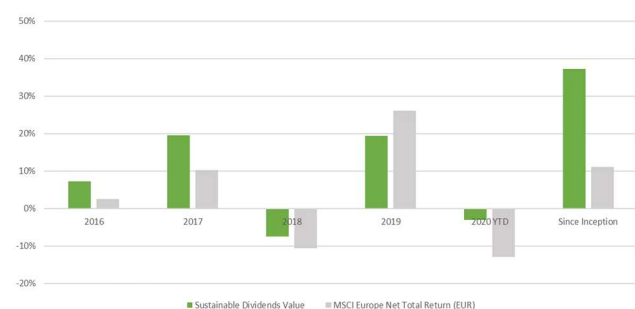
Fund Facts

NAV	107.07
NAV end first quarter	91.28
Return second quarter (net)	+17.3%
Return 2020 to date	-3.1%
ISIN Code	NL0012907976
Inception Date	January 2016

Return (net %)



Annual Returns (net %)



Risk Characteristics

Total Return	37.2%
Average Annual Return	7.3%
Standard Deviation Returns	13.2%
Sharpe Ratio	0.55
Total Outperformance	22.1%
Average Annual Outperformance	4.6%
Tracking Error	7.1%
Information Ratio	0.65
Correlation Coefficient	0.86
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. The manager uses the MSCI Europe Index (Net Total Return) as the benchmark of 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. A disciplined investment process generates superior returns with below average risks for the investors in the fund.

Investment Returns

The Sustainable Dividends Value Fund did have a very good second quarter. As the fund gained 17.3% this was clearly the best quarter since inception in January 2016. At the same time the fund significantly outperformed the MSCI Europe Index. This index returned 12.6% over the same period. Year-to-date investors in the fund made a return of -3.1%. The MSCI Europe Index is down 12.8% over the same period. Since inception the return of the fund is over 37%, versus just 11% for the MSCI Europe Index. It is obvious that sustainable investing does not have a negative impact on financial returns. Clearly our strategy also works in the current difficult economic environment. Especially since the fund does not have any exposure to companies that have experienced lasting damage to their business models.

Looking back and looking ahead

The next three months will be the quarter of the truth. After a quick recovery of the stock markets in the last month, we will have to wait and see what the lasting damage is caused by the corona crisis. Helped by the government most companies were able to stay afloat for now. However, the end of the emergency package is near for many corporates. That means reorganisations and cost cutting programs are around the corner. In some cases governments even request cost cutting in exchange for financial support. Often employers themselves know very well that they have to change their business models. And in general that means less employees. We do not need a crystal ball to predict a tough second half of the year for the airlines and related sectors like travel agencies, hotels and restaurants. Our fund doesn't hold any investments in these sectors.

A huge impact on global trade

Meanwhile the relief in the tensions between the US and China earlier this year has again turned into a full blown trade conflict. The promise by China to lower the trade surplus with the US has so far not materialized. Combined with the devastating consequences of the corona crisis global trade volumes in April fell by more than 12%. The US, Europe and Latin America experienced a 20% drop in trade volumes. The so-called engine of global trade, the automotive industry, did see an unprecedented fall in volumes. In Germany production levels were 75% below the previous year. During the 2008 financial crisis governments learned that cost cutting only deepens the crisis. Therefore this time round we see all across the globe governments increasing their spending.

Europe

In Europe the majority of member states is in favour of EU grants to stimulate to economy. However, a small group of countries, including the Netherlands, prefers the EU to make loans with certain strings attached. The resistance against EU grants is doomed to fail, however, one would hope for an outcome of the negotiations that everybody agrees on. Germany, that holds the rotating EU-presidency till the end of the year, is adamant to get the EU support fund started. Germany will also have to bring its full political weight to bear, in order to make the negotiations with the UK on a new trade agreement post Brexit to a success. Over the last few weeks it has become more clear that both Western and Southern Europe have been hit hard by the corona crisis. In Eastern Europe the consequences are less dire, especially since tourism is less important for the local economies. A positive exception is France. The latest news coming from this country shows a strong rebound of the economy.

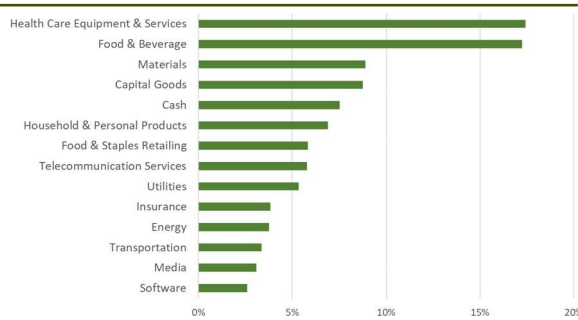
Central Banks coming to the rescue

The European Central Bank has disapproved the criticism of the German Constitutional Court on the support programs. The objections of countries like the Netherlands against the low interest rates have been rejected by simply pointing towards other central banks with similar policies. Thereby ignoring the problems for pension funds resulting from the ultra low interest rate environment. Both the American FED, the Bank of England and the Japanese central bank have taken the same route as the ECB. Ultra low or sometimes even negative interest rates should save us from deflation and increase the purchasing power of consumers and the appetite for investments of companies.

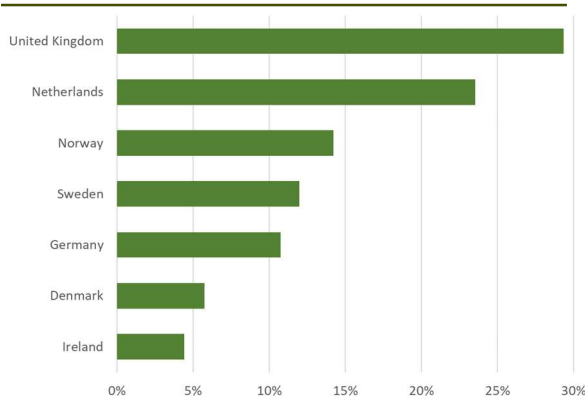
United States and China

The political skirmishes between the US and China will most certainly last till the US elections in November of this year. In order to disguise the unclear anti-corona policies of the US, president Trump insists on China as the source of the corona virus. In his opinion Beijing has in the beginning been negligent in alerting the world and fighting the pandemic. However, the totalitarian character of the Chinese society has helped. New infections are being fought rigorously. Both companies and civilians accept all instructions by the central government That is why the economic production is almost back to pre-corona levels. That is certainly not the case in the US. It is a well-known fact that the free market mechanism does help to exaggerate market movements. That is for sure happening in the US economy. As we see hardly any federal policies to fight corona, the economic damage is correspondingly. Consequently unemployment levels have exploded, and that weighs on the economy. That, together with the uncertainty regarding the presidential elections, lowers the expectations for a quick economic recovery.

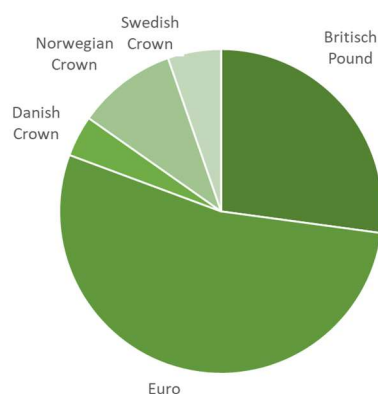
Sector allocation



Geographical allocation



Currency allocation



Fund information

NAV	Monthly
Minimum Investment	€ 100.000
Management fee	1%
Administrative fee	0,15%
Performance fee	10%
Manager	Sustainable Dividends
Administrator	Asset Care
Custodians	Interactive Brokers / De Giro
Bank	ABN AMRO

Sustainable Dividends

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Positive developments in the portfolio

We saw some stocks making huge gains during the last quarter. British RM plc added no less than 70% to its share price, which made the stock the best performer in our fund. The supplier of all kind of teaching material for schools issued a profit warning in March as schools across the United Kingdom had to close down. In the following quarter the share price rebounded quickly as schools opened up again, and the company informed investors about the surge in demand for on-line teaching software. Biotage, de Swedish manufacturer of equipment for laboratories reported strong first quarter results. The share price increased by 40% as the impact of the corona crisis seems to be very limited for this company. The share price of Dutch industrial TKH added 38%. This company is involved in all kinds of innovative products and services to the telecom, constructions and industries sectors. The management updated investors twice about the relative benign impact of the coronacrisis. Finally Medistim also gained 38%. The Norwegian manufacturer of equipment for heart surgery reported strong first quarter results. Management expects both revenues and profits to increase this year.

What didn't work

Like every quarter some stocks disappointed. Bloomsbury was one of them as the share price decreased by 8%. The British publisher suffers more than expected from the crisis. The surge in on-line book sales is not enough to compensate for the negative consequence of the temporary closure of book shops in the UK. However, this mainly involves consumer books. Sales of academic and professional book continues to grow. The share price of Norwegian telecom operator Telenor also lost 8%. Although demand for its services in Europe is fairly stable, the business in Asia is under pressure. Especially in countries like Pakistan and Bangladesh the company loses clients as long as the corona virus is not under control.

What does the fund look like

The fund's assets are invested in companies of which we expect that they will grow profits and dividends in the coming years. We have invested in 20 different companies in seven European countries. By choosing stocks in 13 sectors we have made sure there is enough diversification in the portfolio. We have a clear preference for sectors that generate stable cash flows. Some sectors were on purpose not chosen in the fund. Banks, for example, are suffering from the ever-increasing regulation of the sector and ultra-low interest rates. In general, this is not in their advantage. Pharmaceutical companies are very much depending on the development of new medications. This is hard to predict, making the future cash flows uncertain at best. And most stocks of technology companies seem to be very expensive at the moment. As a result, their dividend returns are often very low. Obviously non-sustainable companies do not qualify for the fund either.

Outlook Statement

With on average less than 1% annual return over the past 3 years (MSCI Europe Index) European stocks are very much lagging other regions like for example the US. As the European economy seems to recover quicker from the corona crisis than the American economy, this difference could become smaller over the next few quarters. The uncertainty coming from the US presidential elections later this year, is another reason why investors could have a preference for Europe. We chose to invest in companies that have limited or no impact from the crisis. Our preference for companies with a strong balance sheet clearly helped us over the past months. During the upcoming results season we will find out how much our stocks have been impacted by the crisis and how some will have profited.

FOCUS STOCK - FRESENIUS MEDICAL CARE - MARKET LEADER IN KIDNEY CARE

In this newsletter we like to discuss on of the stocks in the fund. Today we will focus on German Fresenius Medical Care. This company is the biggest supplier of kidney dialysis services globally. Next to that they manufacture the equipment necessary to perform the dialysis. As more and more patients prefer – if possible – to have the dialysis at home, Fresenius Medical Care last year acquired NxStage Medical. This company is a specialist manufacturer of home dialysis equipment. Fresenius Medical Care expect to grow significantly in this segment over the next few years. Home dialysis means more flexibility and a better quality of life for many patients around the world.



23 years of growing dividends

Fresenius Medical Care has been building its business for quite a few years already. This has resulted in increasing profits and dividends. By now, management has been able to grow dividends to its shareholders for 23 years in a row. As 'just' 30% of profits is paid out to the shareholders, we expect that the regular increases of dividend will continue over the years to come. Apart from the dividend from time to time the company also buys back part of its shares. This is another way of rewarding its shareholders. One of the other criteria we look at before investing in a company is the balance sheet. Fresenius Medical Care does have quite a bit of debt on its balance sheet, however, due to the stable cash flows of the company and the low interest rate this shouldn't be a problem. When looking at the sustainability criteria, there is no doubt that the products and services of Fresenius Medical Care have a positive impact on society. Especially when the dialysis can be taken at home, the quality of life improves considerably for the patient.

Risks and valuation

This wouldn't be a proper investment case without looking at the risks of an investment. Technological innovations by competitors, making the product of Fresenius less attractive, is certainly one of them. Furthermore there is risk coming from government regulation. New laws meant to better control the costs of health care could also impact Fresenius. And there is the risk that the company's patents aren't always well protected in all countries. Finally we'll have a look at the valuation of the company. The stock is currently trading at some 8 times the expected cash flow for next year, which looks cheap versus acquisitions in the past in the same sector. The dividend return is just over 1.5%. More information about Fresenius Medical Care can be found in the annual report:

https://factsandfigures.fmc-ag.com/fileadmin/FME_Annual_Report_2019_EN.pdf

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