SUSTAINABLE DIVIDENDS VALUE FUND

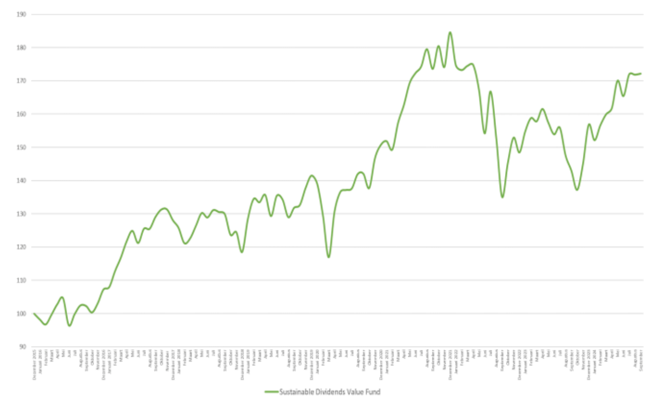
QUARTERLY REPORT THIRD QUARTER-2024

SUSTAINABLE DIVIDENDS value fund

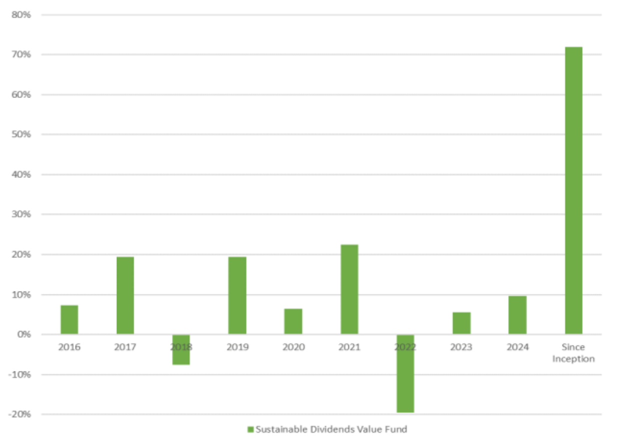
Main data

Current price	134.50
Price last quarter	129.11
Result quarter (net)	+4.2%
Result since inception (net)	+72.3%
ISIN Code	NL0012907976
Inception date	January 2016

Return (net %)



Annual return (net %)



Risk - Return characteristics

Total Return	72.3%
Average annual return	6.4%
Standarddeviation return	14.1%
Sharpe Ratio	0.38
Total 'Outperformance'	-4.5%
Average annual outperformance	-0.5%
Tracking Error	7.6%
Information Ratio	-0.07
Correlation Coëfficiënt	0.85
Best month (April 2020)	+11.7%
Worst month (September 2022)	-11.5%

Fund performance

Well-received half year figures combined with positive macro-economic news made for a nice third quarter in the stock market. Investors in the Sustainable Dividends Value Fund achieved a return of 4.2%. This marks the fourth quarter in a row with a positive result, and a total return of over 20% was achieved in those four quarters. The central banks of Europe and the United States have now actually taken the first steps, and the long-awaited interest rate cut is a reality. Both consumers and businesses will benefit, fuelling economic growth. At the same time, lower interest rates will contribute to analysts assigning a higher present value to companies' future cash flows. This means price targets could go up in the coming quarters. In particular, stocks whose cash flows are further into the future - such as companies active in the energy transition - will benefit. Small and mid-caps, which have lagged sharply behind the stock market in recent years, may also show price recovery as a result of the fall in interest rates. Keeping in mind the prospects of a further interest rate fall in the coming quarters, investors will look for lagging and sometimes severely undervalued stocks. Our small and mid-caps are good examples of this. The valuation of our portfolio is well below that of the market, and we expect to benefit from this in the coming period.

Strategy

The fund's objective is to grow capital over the long term. The fund is expected to beat the market over an entire economic cycle, often a period of 5 to 7 years. We choose 20 to 25 stocks in the fund from 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 our society. This strategy has generated over 72% returns for investors since its launch in 2016.

Sustainable Dividends

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Focus stock: Medistim – Indispensable in bypass surgery

Charly Munger, who died last year at the age of 99, shared many words of wisdom with his large follower base during his long life. One of them reads as follows: ‘It is better to buy a fantastic company at a reasonable price, than a reasonable company at a fantastic price.’ With this wisdom in mind, we look at Medistim. This Norwegian company is the world market leader in specialist probes used in cardiovascular surgery. Medistim measures and visualises patients' blood circulation during surgery. These are very important tools for a cardiac surgeon in bypass surgery in particular. Medistim's probes ensure that patients have a much better chance of surviving the risky surgery. Yet they are far from being used everywhere in the world. The alternative to monitoring the patient is literally a ‘finger on the pulse’ of the surgeon. The company Medistim is growing about 20% a year on average in terms of sales and profits, but its share price has more than halved over the past two years and at the same time the Norwegian krone has also lost more than 10% of its value. The share price fall is due to the rapid rise in interest rates during the period, fears that hospital budgets are under pressure and the disappointing sentiment for small caps in general. For us, this mainly means that the stock is attractively valued.

Sustainability

For our fund, a sustainable business model is very important. The company must make a product that is attractive for many years to come. That certainly seems to be the case with Medistim's product. It provides a proven greater chance of patients surviving hard surgery. Medistim has only one competitor and a global market share of 82%. As the probes are still far from being used in all hospitals, there is plenty of room for further growth in the coming years. For our strategy, there are more selection criteria. For example, the financial health of the company. It is good to know that Medistim has no debt on its balance sheet, but instead has considerable cash available.

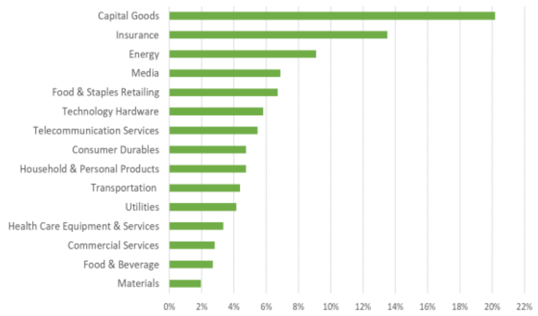
Dividend

Medistim's management has set a target of paying shareholders an annual dividend, to the extent that profits are not needed to fund the company's future growth. Over the past 20 years, the dividend has been increased almost every year. The average annual dividend increase was more than 15%. These are impressive figures and show that management is very mindful of shareholders' interests. Management owns 7% of the outstanding shares in the company, which ensures that the interests of shareholders and management are aligned.

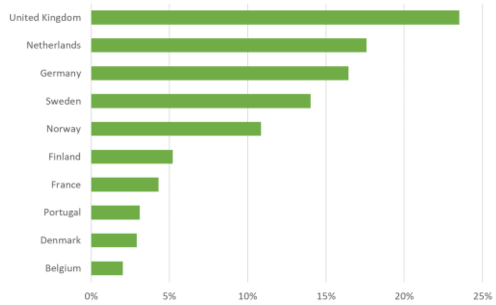
Risks and valuation

As with any investment case, we look at the risks of an investment. Any new competitors could pose a risk to Medistim in the future. Quality control is especially important with medical products. Here, it is good to know that Medistim's product meets all the conditions set for it. In addition, macro-economic factors can affect the available budgets of hospitals and thus Medistim's turnover. Finally, it is important to look at the share valuation. Medistim opened its own sales offices in some key markets such as Canada, China and Sweden last year. This eliminates the need to use an expensive distributor. Of course, the necessary costs were incurred initially to make this possible. But, by doing the sales yourself, margins will be a lot higher in the future. Higher margins and more room in hospital budgets will ensure that Medistim's profits will grow substantially in the coming years. The current valuation of less than 12 times expected cash flow is surprisingly low for this medical technology company.

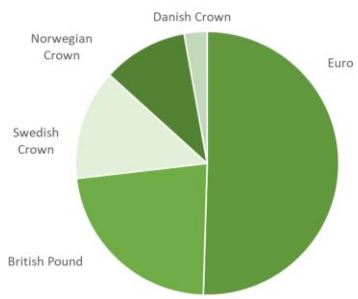
Sector allocation



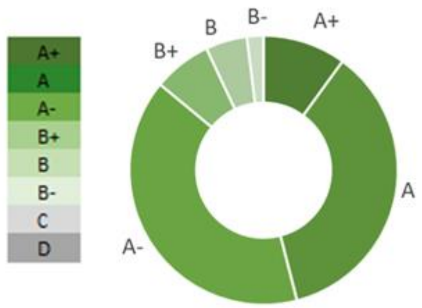
Geographical allocation



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

SUSTAINABLE DIVIDENDS
value fund

Ascenders in the portfolio

Tomra was the biggest gainer last quarter. It is actively contributing to solving our waste problem. The share price of the manufacturer of reverse vending and waste sorting machines rose by as much as 20% after the company reported better-than-expected figures for the second quarter. The transition to automated bottle collection in many European countries is expected to drive strong growth for the company in the coming years. Essity, the Swedish producer of consumer paper-based products was also a significant gainer with a 17% share price gain. The company published fine second-quarter figures. A big margin improvement led to much higher profits. Management announced new, higher margin targets, along with a recurring share buyback programme.

Descenders in the quarter

Fugro's share price plunged 9% despite good half-year results. The company reported an increase in revenue and substantial margin improvement. It is expected that the high margins can also be achieved in the remainder of the year. Eventually, this will lead to higher dividends for shareholders. Cable manufacturer TKH's share price fell 7% after the publication of its first-half figures. Postponing of the construction of new offshore wind farms together with reducing of customer inventories led to disappointing sales. The increase in the order book gives us confidence that the company's turnover and profit will increase again.

What does the fund currently look like?

Apart from a limited cash position, the fund is invested in companies, which are expected to provide growing profits and rising dividends in the coming years. The assets are spread across 24 different stocks in 10 European countries. By choosing companies in 15 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 limitedly, 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. With an average valuation of less than 8 times expected future cash flow and an expected dividend yield of 4%, the shares in our fund are currently very attractively valued!

Attention! This investment falls outside AFM supervision.
No license and no prospectus required for this activity.