SUSTAINABLE DIVIDENDS VALUE FUND

QUARTERLY REPORT FOURTH QUARTER-2024

Main data

Current price	129.03
Price last quarter	134.50
Result quarter (net)	-4.1%
Result since inception (net)	+65.3%
ISIN Code	NL0012907976
Inception date	January 2016

Return (net %)

Annual return (net %)

Risk - Return characteristics

Total Return	65.3%
Average annual return	5.7%
Standard deviation return	14.0%
Sharpe Ratio	0.35
Best month (April 2020)	+11.7%
Worst month (September 2022)	-11.5%

* Returns are calculated excluding dividend tax reclaimable by the participant.

Fund performance

The election of Donald Trump as the new President of the United States caused considerable turmoil on European stock markets. His statements about imposing new import tariffs on products from European manufacturers, in particular, led to stock price declines, especially among exporting companies. Additionally, several of our portfolio companies reported disappointing quarterly earnings. Following four consecutive quarters of positive returns, our investments took a breather in the last quarter of 2024. As a result, the share price of the Sustainable Dividends Value Fund fell by 4.1% in this final quarter. However, for the full year 2024, the fund achieved a return of 5.2% on our European dividend stocks. Since its inception in 2016, the fund's cumulative return now stands at over 65%.

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.

Outlook

The central banks of Europe and the United States have officially taken the first steps, making the long-anticipated interest rate cuts a reality. Both consumers and businesses are expected to benefit, driving increased economic growth. At the same time, lower interest rates will lead analysts to assign a higher present value to companies' future cash flows. This could result in upward revisions to price targets in the coming quarters. Stocks with cash flows projected further into the future—such as companies involved in the energy transition—are likely to benefit the most from this development.

Sustainable Dividends

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Focus stock: Munich Re – Market leader in reinsurances

The German company Munich Re, founded in 1880 and headquartered in Munich, Germany, is one of the largest reinsurance companies in the world. The firm offers a wide range of products, including life and property insurance, and maintains a global presence with operations in over 50 countries. Reinsurers primarily come into play when large-scale natural disasters, such as wildfires or hurricanes, cause damage that exceeds the capacity of local insurers. In such cases, part of the insured amount is reinsured with a global insurer to distribute the risk among multiple parties. The number of major reinsurers worldwide is limited, with a relatively small group of companies handling the vast majority of reinsurance agreements with numerous regional property and life insurers. This concentration grants reinsurers significant negotiating power when setting new pricing agreements with their clients. With its long history, Munich Re has amassed an extensive database of disasters and their associated damages. This allows the company to have a deep understanding of how climate change impacts its business model and to integrate those changes into its premium pricing. This capability provides Munich Re with a competitive edge in accurately assessing the premiums required to cover specific risks. In recent decades, global warming has increased the likelihood of large-scale natural disasters. However, Munich Re's insurance premiums have risen even more rapidly. Last month, the company's management announced a much higher-than-expected profit target for 2025, underscoring its strong position in the market.

Sustainability

A sustainable business model is of paramount importance to our fund. The company must produce a product that remains attractive for many years to come, and Munich Re's insurance offerings certainly meet this criterion. There is no doubt that Munich Re's insurance products contribute to greater safety and provide the assurance that individuals and businesses will be compensated for property damage in the event of natural disasters. In 2023, Munich Re was awarded the German "Sustainability Award" for its contributions to mitigating the effects of climate change. For instance, its German subsidiary, Ergo, offers innovative insurance that protects against insufficient returns from solar panels, demonstrating the company's commitment to addressing sustainability challenges.

Dividend

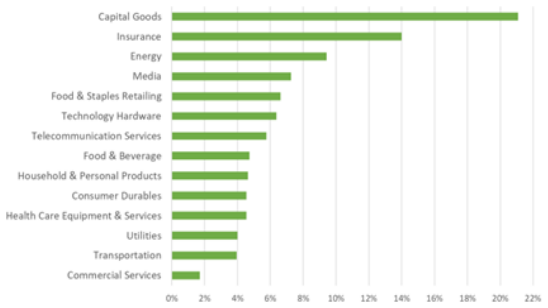
Munich Re's management is committed to paying an annual dividend to shareholders. Over the past 20 years, the dividend has increased almost every year, with an average annual growth rate of more than 15%. These impressive figures highlight the management's strong focus on shareholder interests. Additionally, the company frequently engages in share buybacks, further boosting earnings per share.

Risks and valuation

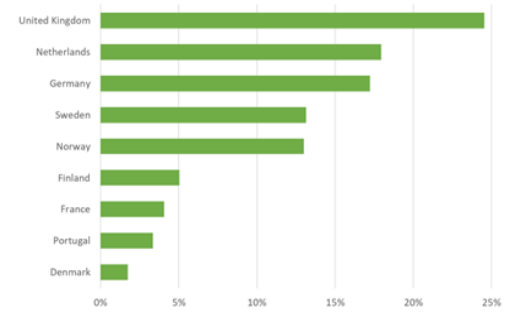
As with any investment case, we also assess the risks associated with this investment. The primary risk, in our view, is that the costs of disasters could significantly exceed initial estimates. Another potential risk is the emergence of new competitors attempting to gain market share by offering lower prices. Additionally, disappointing investment returns or currency risks could also impact performance. Finally, it is essential to consider the stock's valuation. Currently, Munich Re is trading at approximately eight times next year's expected earnings, which is low compared to its historical average as well as the prices at which reinsurers have been sold in the past.

SUSTAINABLE DIVIDENDS
value fund

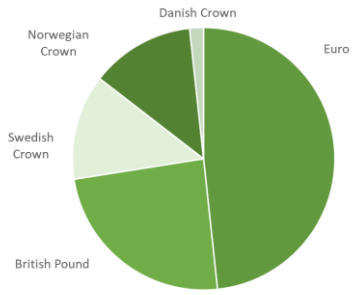
Sector allocation



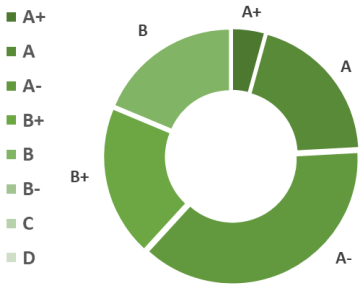
Geographical allocation



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

The Norwegian technology company Norbit was the fund's top performer last quarter, with its share price rising by 16%. The company, a specialist in sonar equipment, benefited from a sharply increased order book, driving revenue and cash flow growth this year. Management expects the company to achieve 80% growth through 2027, with potential confirmation of this trajectory in the upcoming annual earnings report. British company Treatt reported its annual results in December, which were broadly in line with the trading update published in October. A negative broker report in November had caused a significant drop in the stock price. However, during the annual results announcement, the new CEO highlighted improving growth and announced a 5% dividend increase. Overall, the company's share price rose by 9% during the quarter.

Descenders in the quarter

Fugro was one of the companies that reported disappointing quarterly results, leading to an 18% drop in its share price. The global leader in geotechnical surveying reported lower-than-expected growth in the third quarter, primarily due to delays in several projects in both the United States and the Middle East. In the U.S., the presidential elections caused postponements of seabed surveys for new offshore wind farms. In the Middle East, Fugro faced challenges due to a flight ban resulting from regional conflict threats. As discussed during our recent outlook event, we believe the company has significant growth potential in the coming years through projects focused on coastal protection and wind energy. Norwegian company Medistim saw its share price fall by 16% following the release of its third-quarter results. Despite revenue growth, the costs associated with establishing its own distribution network in key markets led to a decline in margins compared to the previous year. Management remains optimistic, expecting margin recovery in the coming quarters.

What does the fund currently look like?

Currently, the fund—apart from a small cash position—is fully invested in companies expected to deliver growing profits and increasing dividends in the coming years. The portfolio is diversified across 23 different stocks in 9 European countries. By selecting companies from 14 different sectors, the fund ensures a sufficient level of risk diversification. There is a clear preference for sectors that generate stable cash flows. With an average valuation of approximately 8 times cash flow and an expected dividend yield of 4%, the stocks in our fund are currently very attractively valued.

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