BL-Equities Dividend
a sub-fund of SICAV BL

BANQUE DE LUXEMBOURG INVESTMENTS

Fund Fact Sheet

31/07/2020

Asset Class
Global Equities - High Dividend Yield

Fund Characteristics

AUM	€ 471,7 mn
Launch date	30/10/2007
Oldest share class (B)	LU0309191657
Turnover (2019)[1]	17%
Reference currency	EUR
Hedged share classes	USD / CHF
Legal structure	SICAV, UCITS
Domicile	Luxembourg
European passport	Yes
Countries of registration	AT, BE, DK, FI, FR, DE, ES, IT, LU, NL, NO, SG, SE, CH, GB

Fund Managers

Jérémie Fastnacht joined BLI in 2016. He has been the lead manager of the fund since November 2017.

Guy Wagner, Managing Director of BLI, is the co-manager of the fund. He joined BLI in 1986.

Management Company
BLI - Banque de Luxembourg Investments S.A.
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L-2449 Luxembourg
Tel: (+352) 26 26 99 - 1
www.bli.lu

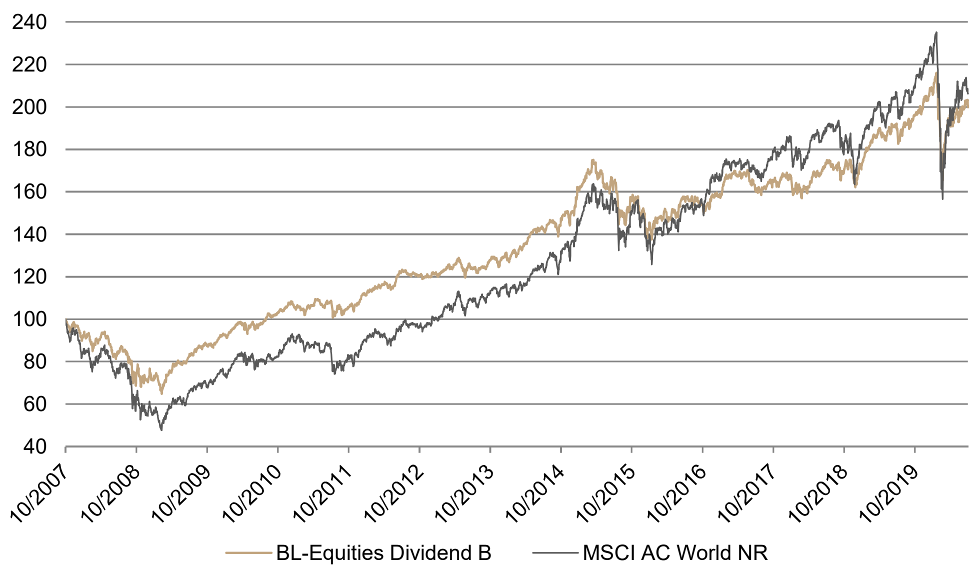
Dealing & Administrator Details
European Fund Administration (EFA)

Tel	+352 48 48 80 582
Fax	+352 48 65 61 8002
Dealing frequency	daily**
Cut-off time	17:00 CET
Front-load fee	max. 5%
Redemption fee	none
NAV calculation	daily[2]
NAV publication	www.fundinfo.com

[1] min (purchases, sales) / average of net assets
[2] Luxembourg banking business day

Investment Objective
BL-Equities Dividend aims to offer better risk-adjusted returns than the global equity markets over complete cycles, through investments in high-quality companies which offer attractive, sustainable and growing dividends. The fund invests with no geographic, monetary or sector limitation.
We look for companies with strong business models protected by sustainable barriers to entry / competitive advantages that allow them to grow while compounding their high cash flows at superior rates of return on capital employed. We then apply our strict dividend filters to pick those which offer attractive, sustainable and growing dividends.

Key Facts
• High-quality companies that offer attractive, sustainable and growing dividends.
• Pure bottom-up approach, no index hugging, no geographic, monetary or sector limitation.
• Long-term investment horizon.
• Conviction portfolio.
• Low turnover.



Performance	YTD	2019	2018	2017	2016	2015
Fund (B shares)	-1,5%	23,7%	-2,1%	6,5%	3,9%	0,3%
MSCI World AC NR	-6,3%	28,9%	-4,8%	8,9%	11,1%	8,8%

Performance	3 months	6 months	1 year	3 years	5 years	10 years	since launch
Fund (B shares)	2,9%	-2,9%	5,6%	24,5%	21,7%	105,3%	99,8%
MSCI World AC NR	5,0%	-6,5%	0,9%	22,1%	33,3%	157,6%	106,2%

Volatility	3 months	6 months	1 year	3 years	5 years	10 years	since launch
Fund (B shares)	10,8%	22,9%	16,8%	12,4%	12,1%	10,4%	11,3%
MSCI World AC NR	18,0%	34,0%	24,7%	17,6%	16,7%	15,2%	17,9%

The index (MSCI World AC) is shown in the performance chart as well as in the performance tables above for performance measurement purposes only and it should under no circumstances be considered as an indication of a specific investment style or strategy.
Investors are also invited to consult the performance chart disclosed in the key investor information document of the sub-fund.

BL-Equities Dividend
a sub-fund of SICAV BL

BANQUE DE LUXEMBOURG INVESTMENTS

Current Portfolio

31/07/2020

Top Holdings	
Unilever	7,1%
PepsiCo	5,9%
Philip Morris International	5,6%
Colgate Palmolive	5,6%
Nestle	4,9%
Reckitt Benckiser	4,9%
Givaudan	4,6%
Swedish Match	4,2%
SGS	3,8%
National Grid	3,5%
Weight of Top 10	**50,2%**
Number of holdings	**33**

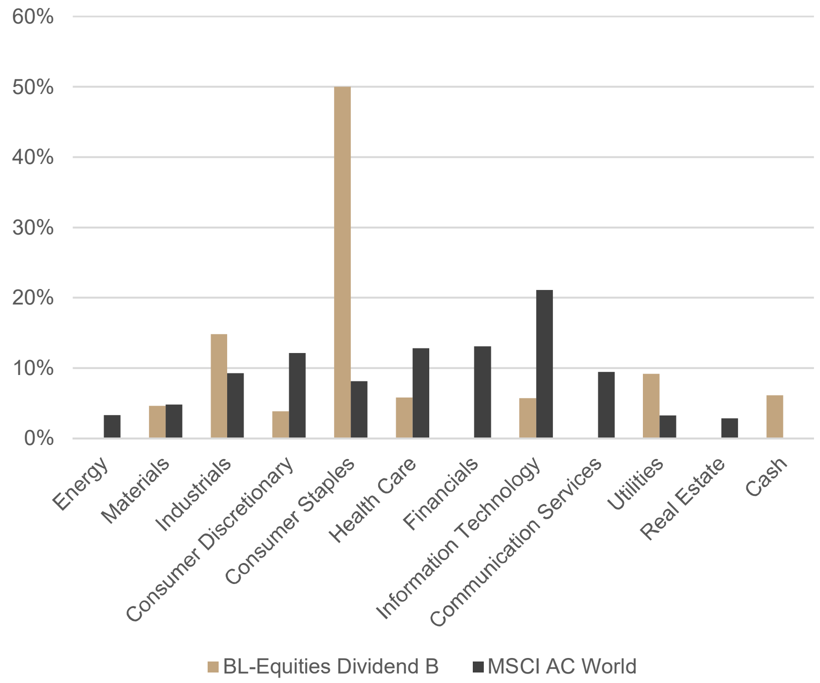
New investments in July

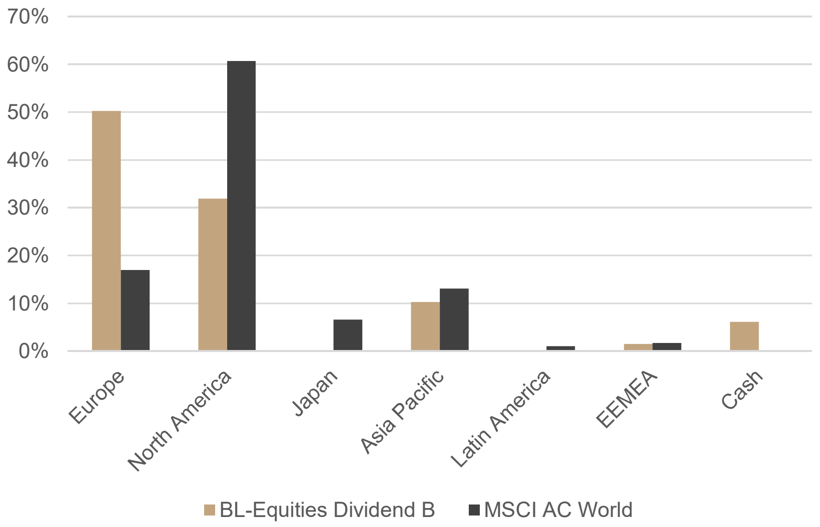
The Hershey Company

Investments sold in July

No transactions

Currency Allocation	
USD	29,5%
GBp	18,0%
EUR	17,4%
CHF	14,6%
HKD	5,0%
SEK	4,2%
CAD	3,5%
AUD	2,6%
ZAR	1,5%
VND	1,4%
TWD	1,2%
DKK	1,0%





Investor type	Clean Share	Eligibility Restrictions	Share Class	Curr.	Income	Hedging	Mgmt fees	On-going Charges	SRRI	ISIN	Bloomberg Ticker
Retail	No	No	**A**	EUR	Dis	No	1,25%	1,46%	5	LU0309191491	BLEQDIA LX
Retail	No	No	**B**	EUR	Cap	No	1,25%	1,46%	5	LU0309191657	BLEQDIB LX
Retail	No	No	**B CHF Hedged**	CHF	Cap	Yes	1,25%	1,47%	5	LU1305477611	BLEDBCH LX
Retail	No	No	**B USD Hedged**	USD	Cap	Yes	1,25%	1,46%	5	LU0751781666	BLEQDH1 LX
Retail	Yes	Yes	**AM**	EUR	Dis	No	0,85%	1,06%	5	LU1484142978	BLEQDAM LX
Retail	Yes	Yes	**BM**	EUR	Cap	No	0,85%	1,06%	5	LU1484143190	BLEQDBM LX
Retail	Yes	Yes	**BM CHF Hedged**	CHF	Cap	Yes	0,85%	1,06%	5	LU1484143356	BLEDBMC LX
Retail	Yes	Yes	**BM USD Hedged**	USD	Cap	Yes	0,85%	1,08%	5	LU1484143430	BLEDBMU LX
Institutional	No	Yes	**AI**	EUR	Dis	No	0,60%	0,77%	5	LU0495663105	BLEQDAI LX
Institutional	No	Yes	**BI**	EUR	Cap	No	0,60%	0,77%	5	LU0439765594	BLEQDVI LX
Institutional	No	Yes	**BI USD Hedged**	USD	Cap	Yes	0,60%	0,77%	5	LU1191324448	BLEBIUH LX

Management Report

31/07/2020

BL Equities Dividend (retail accumulation share net of fees in euros) gained 1.05% in July 2020. Since the start of the year, the fund is down 1.48%.

Specifically, Unilever (home and personal care products, food), TSMC (semi-conductors) and Reckitt Benckiser (branded pharmaceuticals, hygiene and home care products, infant and child nutrition) posted the best contributions to the fund’s monthly performance. At the other end of the spectrum, Guangdong Investment (water supply concession), National Grid (electricity and gas transmission) and GlaxoSmithKline (pharmaceuticals, vaccines and consumer healthcare) were the main detractors.

During the month, we took profits on Swedish Match (smokeless products with and without tobacco) and Reckitt Benckiser for valuation reasons. We also trimmed our holding in Unilever as it had become too big.

At the same time, we started to build a position in The Hershey Company, the undisputed leader in chocolates and sweets in North America, whose profitability figures are as delicious as its products. The company was founded in 1894 and owns some iconic brands: in chocolate, the most famous are Reese’s, Hershey’s and Kisses, as well as licences (in the United States) for Kit Kat and Cadbury; and in sweets, Ice Breakers, Twizzlers and Jolly Rancher, for example. Several of these have a century-old heritage but have become online successes, on amazon.com and walmart.com for example.

We like the fact that the products are consumed at short and regular intervals and represent a small expense in absolute terms, for which end customers care more about the taste and brand than the price. Offering products that meet primary needs, generally through impulse buying, and which are associated with strong brands, confers high pricing power.

Hershey has significant market shares (number 1 with a market share of over 40% in chocolate in the US) in a sector where private label competition is particularly weak.

In addition to these intangible assets, the company has size and cost advantages (marketing, distribution network, raw materials, innovation and brand range), making it a critical partner for retailers.

The group has begun to diversify into the higher growth sector of snacks, with the recent acquisitions of brands like SkinnyPop, ONE Brands and Pirate's Booty.
Hershey is managed with a long-term vision and is a model in terms of ROCE, operating margin and free cash flow margin, all close to 20%.

It has paid a dividend every year since 1930. At the time of our first investment, the gross dividend yield was 2.3%, with the dividend well covered by cash generation.

At the end of the period, BL Equities Dividend offered a gross weighted average dividend yield of 2.9% (cash included). The companies currently held in the fund post an average compound annual growth rate of their gross dividend per share of 9% over the last five years.

Investment Approach

Investment Principles

Limit losses
The value of an investment that has lost 50% must double to recover incurred losses.
> *Avoiding losses is more important than generating extraordinary gains.*

Master investment risks
Risks arise when the parameters of an investment are not properly understood.
> *We avoid investing in assets we do not fully understand.*

Valuation / margin of safety
The price paid for an investment determines its potential return.
> *The objective is to invest with a safety margin to increase the potential return and limit the risk of loss.*

Consideration of an entire business cycle
Our circumspect approach may lead us to forego part of potential performance in soaring markets, but will pay off in falling markets.
> *Our objective is to outperform the relevant markets indices over an entire business cycle, with lower volatility and by limiting the drawdown in challenging markets.*

Active Management
The market reference is solely used for performance measurement principles.
> *Owing to the active investment approach of our portfolio management, the portfolio structure may deviate strongly from that of market indices.*

Equity selection: “Business-Like Investing” approach

We consider an equity investment as a long-term participation in a quality business. As a consequence, we need to make sure that the businesses we invest in are able to compete successfully within their lines of business and remain profitable for the years to come.

Quality
In the first step of our investment process, we perform an in-depth review of the targeted company's business model in order to identify its sustainable competitive advantages. A competitive advantage differentiates the company from its competitors and creates barriers to entry, adding value for its investors.
Secondly, we analyse whether the competitive advantage translates into high return on capital employed and recurrent free cash flows. We put a special emphasis on the analysis of the maintenance capex requirements of the targeted companies to make sure that the cash flow generated is not absorbed by investment needs to sustain the company’s current business operations.
Thirdly, we analyse if the targeted company uses its capital wisely. The company's management faces the following options: investment in current business, development of new activities, takeovers, dividend payments, stock buybacks or debt repayments.
Only companies that comply with our bottom-up quality criteria are considered for inclusion into our portfolios, which may lead to significant deviations from the relevant market indices.

Valuation
Even investments in quality companies may result in significant capital losses if the price that was paid for the investment proves too high. To avoid this pitfall, we determine a fair value for each targeted company prior to investing. This fair value is based on the company's normalised free cash flow and serves as reference point for our buy and sell discipline.

Dividends

In the long term, a significant proportion of the total return from equities comes from dividends. Moreover, empirical studies show that over the long term, the shares of companies with an efficient dividend policy have outperformed the equity markets, with lower volatility. This is even more significant when dividends are reinvested. Also, unlike declared profits dividends represent actual expenses for a company and cannot be manipulated. Dividends can also be an indicator of a company’s future performance, and tend to offer protection against inflation.
In the current environment (historically low interest rates, unconventional monetary policies, generally quite high valuations) the dividend strategy is more attractive than ever.
Furthermore, in the future, shares of companies that pay generous dividends will be more sought after, buoyed by the demand of an ageing global population (as they offer income without the need to sell off capital, and tend to be less volatile).

BLI specifics
First, we select high-quality value-creating companies, then we apply our strict dividend filter to pick those which offer attractive and sustainable yields.
In our view, a portfolio with a shrewd combination of “dividend growers” and “dividend payers” can offer a higher risk-adjusted return than the equity markets.
The term “dividend growers” relates to companies offering a moderate dividend yield but strong potential to increase their dividend. Historically, shares of companies in a position to “grow” their dividend have outperformed those of companies content with a high payout.
“Dividend payers" are companies offering less potential to increase their dividend but a high (and sustainable) yield that could constitute a cushion in hard times.

BANQUE DE LUXEMBOURG INVESTMENTS

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The prospectus, the articles of incorporation, the annual and semi-annual reports of BL as well as the key investor information document (KIID) of the sub-fund are available on www.bli.lu or upon request from BLI. The KIIDs are available in French, English and in any other official language of registration of BL.

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Specific Information for Switzerland:
Legal documentation of the fund may be obtained, free of charge, at the offices of the Swiss representative, CACEIS (Switzerland) S.A.,7-9, Chemin de Précossy, CH-1260 Nyon, Switzerland, in accordance with the provisions of the Swiss Collective Investment Schemes Act of 23 June 2006 (“CISA”).
The SICAV has appointed Banque CIC (Suisse) SA, Marktplatz 13, CH-4001 Bâle, Switzerland to act as paying agent for Switzerland.
The present document may be distributed to Swiss qualified investors.

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