BL-Equities Dividend

a sub-fund of SICAV BL

BANQUE DE LUXEMBOURG INVESTMENTS

Fund Fact Sheet

31/12/2021

Asset Class

Global Equities - High Dividend Yield

Fund Characteristics

AUM	€ 561,9 mn
Launch date	30/10/2007
Oldest share class (B)	LU0309191657
Turnover (2021)[1]	11%
Reference currency	EUR
Hedged share classes	USD / CHF
Legal structure	SICAV, UCITS
Domicile	Luxembourg
European passport	Yes
Countries of registration	AT, BE, CH, DE, DK, ES, FI, FR, GB, IT, LU, NL, NO, SE, SG, PT

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
16, boulevard Royal
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

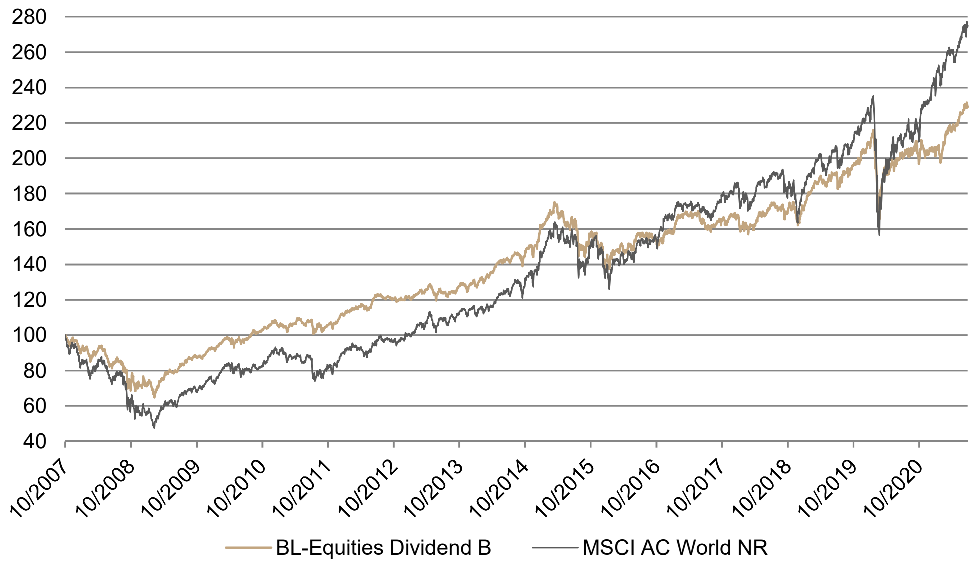
[1] min (purchases, sales) / average of net assets
[2] Luxembourg banking business day

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	2021	2020	2019	2018	2017
Fund (B shares)	21,6%	1,4%	23,7%	-2,1%	6,5%
MSCI World AC NR	27,5%	6,7%	28,9%	-4,8%	8,9%

Performance	3 months	6 months	1 year	3 years	5 years	10 years	since launch
Fund (B shares)	11,4%	10,9%	21,6%	52,5%	59,1%	128,5%	150,1%
MSCI World AC NR	8,7%	10,1%	27,5%	75,4%	81,7%	249,9%	199,4%

Volatility	3 months	6 months	1 year	3 years	5 years	10 years	since launch
Fund (B shares)	7,6%	7,9%	8,5%	12,1%	11,1%	10,5%	11,1%
MSCI World AC NR	10,8%	9,3%	11,0%	17,0%	15,2%	14,6%	17,3%

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

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Current Portfolio

31/12/2021

Top Holdings	
PepsiCo	5,7%
Unilever	5,6%
Nestle	5,3%
Colgate Palmolive	4,6%
Microsoft	4,3%
Givaudan	4,3%
SGS	4,2%
Reckitt Benckiser	4,2%
National Grid	4,1%
Intertek	3,9%
Weight of Top 10	**46,2%**
Number of holdings	**31**

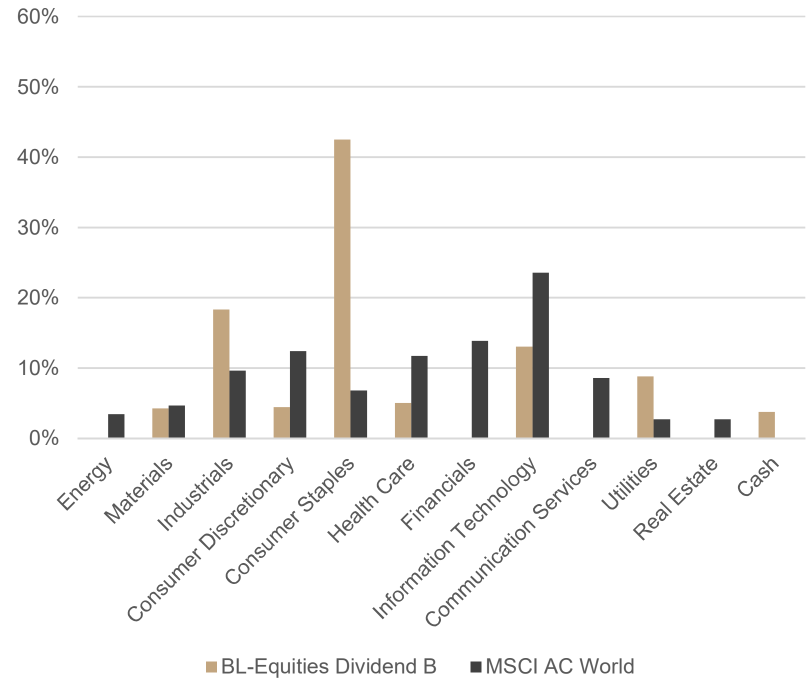
New investments in December

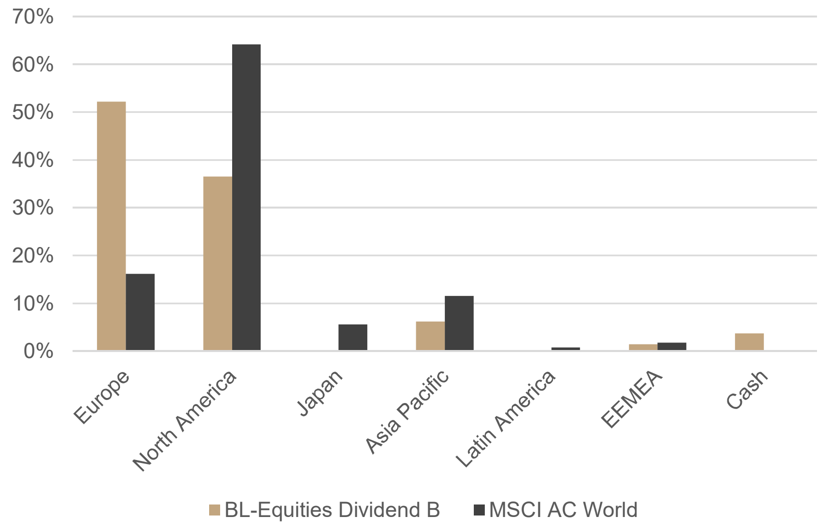
No transactions

Investments sold in December

No transactions

Currency Allocation	
USD	33,8%
GBp	18,0%
EUR	17,3%
CHF	13,8%
SEK	3,6%
CAD	3,5%
DKK	2,4%
TWD	1,7%
AUD	1,7%
HKD	1,5%
ZAR	1,5%
VND	1,2%





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%	1,44%	5	LU0309191491	BLEQDIA LX
Retail	No	No	**B**	EUR	Cap	No	1,25%	1,45%	5	LU0309191657	BLEQDIB LX
Retail	No	No	**B CHF Hedged**	CHF	Cap	Yes	1,25%	1,44%	5	LU1305477611	BLEDBCH LX
Retail	No	No	**B USD Hedged**	USD	Cap	Yes	1,25%	1,45%	5	LU0751781666	BLEQDH1 LX
Retail	Yes	Yes	**AM**	EUR	Dis	No	0,85%	1,05%	5	LU1484142978	BLEQDAM LX
Retail	Yes	Yes	**BM**	EUR	Cap	No	0,85%	1,04%	5	LU1484143190	BLEQDBM LX
Retail	Yes	Yes	**BM CHF Hedged**	CHF	Cap	Yes	0,85%	1,04%	5	LU1484143356	BLEDBMC LX
Retail	Yes	Yes	**BM USD Hedged**	USD	Cap	Yes	0,85%	1,05%	5	LU1484143430	BLEDBMU LX
Institutional	No	Yes	**AI**	EUR	Dis	No	0,60%	0,76%	5	LU0495663105	BLEQDAI LX
Institutional	No	Yes	**BI**	EUR	Cap	No	0,60%	0,75%	5	LU0439765594	BLEQDVI LX
Institutional	No	Yes	**BI USD Hedged**	USD	Cap	Yes	0,60%	0,76%	5	LU1191324448	BLEBIUH LX

BANQUE DE LUXEMBOURG INVESTMENTS

Management Report

31/12/2021

BL Equities Dividend (retail accumulation share net of fees in euros) gained 5.75% in December 2021.
More specifically, Colgate, Accenture and PepsiCo posted the best contributions to the fund's monthly performance.
Conversely, Domino's Pizza Ent., AVI and Canadian National Railway were the main detractors.
During the month, we reduced our holding in Paychex, the leading provider of payroll and HR outsourcing solutions for companies with under 50 employees in the US. Although the position is a recent addition, after a total return of 88% since its entry into the fund in June 2020, its valuation now looks less attractive.
The year-end is an opportunity to thank all the loyal shareholders of BL Equities Dividend, as this stability provides a backdrop for the critical factor of sound long-term management.
Over full-year 2021, the fund's total return net of fees in euros came to 21.64% for the retail share and 22.48% for the institutional share (following increases of 1.37% and 2.07% respectively in 2020).
By way of context, the MSCI ACWI Net Total Return Index, a popular index that is supposed to reflect the global equity market, is up 27.54%, excluding fees (following an increase of 6.65% in 2020).
The MSCI ACWI High Dividend Yield Net Total Return Index, a popular index that is supposed to reflect the global equity market with dividend and quality filters, is up 22.70%, excluding fees (following a 6.56% decline in 2020).
This year, the effect of stock-picking, although positive, could not offset the negative effects of sector and geographic exposures (e.g. MSCI ACWI Energy +46%, MSCI ACWI IT +37%, MSCI ACWI Financials +34%, S&P 500 +38%).
The plain fact is that our fund is not the right vehicle to speculate on a rebound in cyclical stocks or 'deep value', or to benefit from an ultra-euphoric market or a bubble of fashionable companies that generate no cash flow. Nevertheless, very few funds in our category have gone through two major economic crises and present a similar risk/return profile.
As we often say, drawing conclusions over such a short period of time is meaningless, especially without taking into account an extremely important aspect: the risks incurred in achieving this performance. At BL Equities Dividend, the degree of risk is, in our opinion, much lower given the quality and valuation of the companies we hold. However this subject has taken a back seat during a decade-long bull market that now stands at an all-time high...
In March 2020, who would have predicted such increases, especially in 'cyclical sectors'? Once again, this confirms the adage that 'the world is divided into two categories of people: those who can't predict the markets, and those who don't know they can't predict the markets'. What then can we use as a basis? The answer is fundamentals and valuation.
For the four-fifths of companies held by BL Equities Dividend that report organic revenue growth, this averages at around 10% over the first 9 months of 2021. It comes on top of these companies' growth of close to 2% in the first nine months of the turbulent year 2020. They are protected by strong competitive advantages, have strong pricing power to fight inflation (gross margin = 54%), generate strong profitability (ROCE = 18%) and cash flow (FCF margin = 19%), have low debt (net debt/EBITDA = 1.8x) and pay attractive, sustainable and growing dividends.
At the end of the period, BL Equities Dividend offered a gross weighted average dividend yield of 2.5% (cash included). This figure, which at first sight is not extremely high, should be put into perspective after more than a decade of bull markets and compared to the gross yields offered in the current environment (global equity market: 1.7%; US 10 Year Treasury: 1.5%; 10 Year Bund: -0.2%; Barclays Global Aggregate Investment Grade Index: 1.3%).
Dividend sustainability is also a crucial issue. While thousands of companies around the world suspended or even cancelled their dividend in 2020, only two of the 31 companies currently held in BL Equities Dividend simply reduced their dividend.
One final point: our companies offer clear dividend growth – an added bonus, especially in times of sustained inflation. And they show a compound annual growth rate of their gross dividend per share of 8% over the last five years.
Wishing you a happy new year and good health.

(Data source: Bloomberg, company reports)

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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.

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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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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.

Specific Information for France:
The present document may be distributed to French professional investors.