

Fund Fact Sheet

29/12/2023

Asset Class

Global Equities - High Dividend Yield

Fund Characteristics

AUM	€ 741,0 mn
Launch date	30/10/2007
Oldest share class (B)	LU0309191657
Turnover (2023) ¹	9%
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
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Dealing & Administrator Details

UI efa S.A.	
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

Investment policy

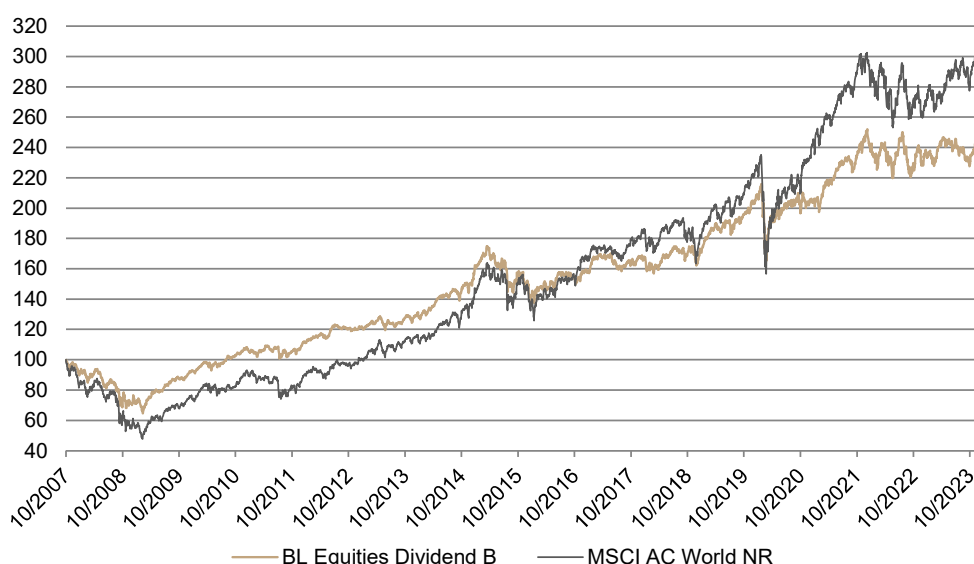
The fund's objective is to generate long-term capital gains by investing in high-quality companies listed on equity markets anywhere in the world. The selected companies have sustainable competitive advantages and offer attractive, sustainable and growing dividends. The fund aims to generate higher risk-adjusted returns than its benchmark universe over a full market cycle.

A minimum of 30% of the fund's assets will be invested in sustainable assets.

The fund manager implements an active, long-term strategy based on solid convictions.

Key Facts

- An active, fundamental, conviction-based and purely bottom-up approach, oriented towards the long term;
- A concentrated portfolio composed solely of high-quality companies offering attractive, sustainable and growing dividends;
- A prudent risk profile to contain the downside during periods of market decline;
- Non-benchmarked management resulting in significant deviations from the initial investment universe;
- Integration of ESG factors at different stages of the investment process (exclusions, analysis, valuation, monitoring of controversies, voting policy and engagement);
- Low turnover.



Performance	2023	2022	2021	2020	2019
Fund (B shares)	7,8%	-8,8%	21,6%	1,4%	23,7%
MSCI World AC NR	18,1%	-13,0%	27,5%	6,7%	28,9%

Performance	3 months	6 months	1 year	3 years	5 years	10 years	since launch
Fund (B shares)	5,4%	0,7%	7,8%	19,6%	49,9%	90,4%	145,8%
MSCI World AC NR	6,4%	5,9%	18,1%	31,0%	80,1%	167,4%	207,5%

Volatility	3 months	6 months	1 year	3 years	5 years	10 years	since launch
Fund (B shares)	8,2%	10,0%	9,0%	11,0%	12,1%	11,4%	11,2%
MSCI World AC NR	12,7%	11,9%	11,0%	13,2%	15,9%	15,2%	17,0%

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 document of the sub-fund.

¹ min (purchases, sales) / average of net assets

² Luxembourg banking business day

Current Portfolio

29/12/2023

Top Holdings

Unilever	5,4%
Nestle	5,2%
Reckitt Benckiser	4,5%
Canadian National Railway Co	4,5%
Colgate Palmolive	4,4%
Givaudan	4,3%
SGS SA	4,2%
Union Pacific	4,2%
LVMH	4,0%
National Grid	3,9%
Weight of Top 10	44,6%
Number of holdings	30

New investments in December

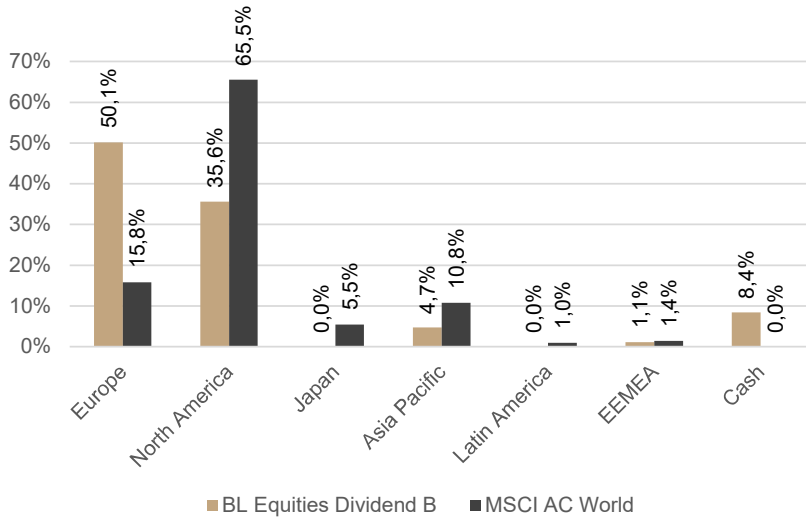
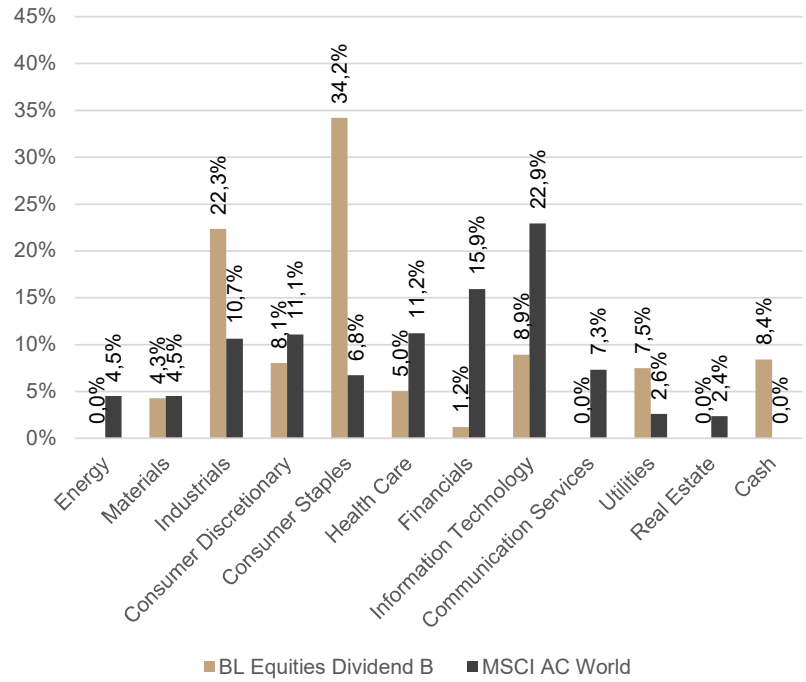
No transactions

Investments sold in December

No transactions

Currency Allocation

USD	31,1%
EUR	26,9%
GBP	14,8%
CHF	13,8%
CAD	4,5%
DKK	3,1%
TWD	2,6%
VND	1,1%
ZAR	1,1%
AUD	1,0%



Investor type	Clean Share	Eligibility Restrictions	Share Class	Curr.	Income	Hedging	Mgmt fees	On-going Charges	SRI	ISIN	Bloomberg Ticker
Retail	No	No	A	EUR	Dis	No	1,25%	1,44%	4	LU0309191491	BLEQDIA LX
Retail	No	No	B	EUR	Cap	No	1,25%	1,44%	4	LU0309191657	BLEQDIB LX
Retail	No	No	B CHF Hedged	CHF	Cap	Yes	1,25%	1,44%	4	LU1305477611	BLEDDBCH LX
Retail	No	No	B USD Hedged	USD	Cap	Yes	1,25%	1,44%	4	LU0751781666	BLEQDH1 LX
Retail	Yes	Yes	AM	EUR	Dis	No	0,85%	1,04%	4	LU1484142978	BLEQDAM LX
Retail	Yes	Yes	BM	EUR	Cap	No	0,85%	1,04%	4	LU1484143190	BLEQDBM LX
Retail	Yes	Yes	BM CHF Hedged	CHF	Cap	Yes	0,85%	1,04%	4	LU1484143356	BLEDDBMC LX
Retail	Yes	Yes	BM USD Hedged	USD	Cap	Yes	0,85%	1,04%	4	LU1484143430	BLEDDBMU LX
Institutional	No	Yes	AI	EUR	Dis	No	0,60%	0,75%	4	LU0495663105	BLEQDAI LX
Institutional	No	Yes	BI	EUR	Cap	No	0,60%	0,75%	4	LU0439765594	BLEQDVI LX
Institutional	No	Yes	BI USD Hedged	USD	Cap	Yes	0,60%	0,75%	4	LU1191324448	BLEBIUH LX

Management Report

29/12/2023

Over the month of December 2023, the NAV of BL Equities Dividend (retail accumulation share net of fees in euros) gained 2.23%.

No transactions were conducted during the month.

At the end of the period, BL Equities Dividend offered a gross weighted average dividend yield of 2.6% (cash included). The companies currently held in the fund post an average compound annual growth rate of their gross dividend per share of 7% over the last five years.

The year end is an opportunity to thank all the loyal shareholders of BL Equities Dividend, as this stability facilitates the critical factor of long-term management.

Over full-year 2023, the fund's total return (accumulation share net of fees in euros) came to 7.78% for the retail share and 8.55% for the institutional share (following declines of -8.81% and -8.17% respectively in 2022).

The main positive contributors to this performance were Microsoft (the cloud continues to drive growth and profitability, euphoria over AI); L'Oréal (organic growth exceeds high expectations); Givaudan (fears over growth and cash flow seem to be receding).

In contrast, the main detractors were SGS (difficult to explain given its solid fundamentals); Kimberly-Clark and PepsiCo (assets likely less sought-after in an environment of rising interest rates, despite significant increases in their organic growth and cash flows).

NB: These are attempts at summary explanations: we do not claim to know the reason behind all short-term stock market movements nor whether they are justified.

For context, the MSCI ACWI Net Total Return Index, a popular index that is deemed to reflect the global equity market, was up 18.06% (following a fall of 13.01% in 2022).

The MSCI ACWI Equal Weighted Net Total Return Index, a similar index but with a quarterly-rebalanced equal weighting of the same stocks, was up by just 5.41% (after a fall of 12.06% in 2022).

What's the reason for this difference? Well, it is mainly due to the fact that, of the 2,946 stocks that make up the MSCI ACWI Net Total Return Index, the seven main constituents (the celebrated 'Magnificent 7') were the top seven positive contributors to the year's performance – and by themselves accounted for around half the index's total return! Bloomberg's Magnificent 7 index quite simply doubled in 2023 (total return in euros of +100%), having lost almost half its value in 2022 (-42%). Anyone with a heart condition, beware.

Of these 'Magnificent 7', four do not pay a dividend and only one offered a minimal dividend yield of 1% at the start of the period. That was Microsoft, which has been held in BL Equities Dividend for over a decade.

In contrast to this euphoria, the MSCI ACWI Consumer Staples index posted a negative total return in euros over the year! Although our approach is based on 'business picking', these extreme amounts nevertheless represent an attraction that is hard to combat in the short term... Meanwhile the companies in the fund classified as consumer staples represent around a third of it. More importantly, the average organic growth of these companies is in excess of 7% and generally their cash flows have risen strongly (over the first three quarters of 2023 for companies that have so far reported).

As we said last year (and in previous years): "As always, we are extremely wary of commenting on and drawing conclusions from simple short-term performance figures, whether or not they seem satisfactory, especially without analysing in detail the risks involved in achieving that performance."

Despite the obsession far too many people in our industry have with short-term performance while ignoring the risks (a severe syndrome), analysing data over a period of 260 (trading) days is more meaningful to a gynaecologist than to an equity investor holding shares in the capital of companies with multi-year strategic and investment plans, whose share prices are subject to the vagaries, algorithms, fashions, effects of announcements, investors' emotions, etc. that have a short-term impact on the financial markets...

As in previous years, we are not venturing to make any forecasts this year about a potential recession, inflation, interest rates, market trends, etc. The only thing we can commit to is the superior quality of the 30 companies in BL Equities Dividend, held for an average of more than seven years. These companies are protected by strong competitive advantages and entry barriers, and they offer high margins, return on capital employed and cash generation, strong prospects for profitable growth, healthy balance sheets, and attractive, sustainable and growing dividends.

On average, the companies in our portfolio were founded in 1913, and have thus withstood numerous recessions, periods of high inflation, crises and wars, and are still dominant and highly profitable today. For example, Hermès and Coloplast now pay dividends that are more than 40 times higher than in 2000. PepsiCo has increased its dividend every year for half a century. L'Oréal and Nestlé have not once reduced their dividends in sixty years. Union Pacific has paid a dividend every year since 1900, Colgate-Palmolive since 1895.

"That which is 'Lindy' is what ages in reverse, i.e. its life expectancy lengthens with time, conditional on survival." Nassim Taleb

Wishing you a Happy New Year and good health!

(Data source: Bloomberg, company reports)

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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