

Fund Fact Sheet

28/02/2022

Asset Class

Global Equities - High Dividend Yield

Fund Characteristics

AUM	€ 539,6 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
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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

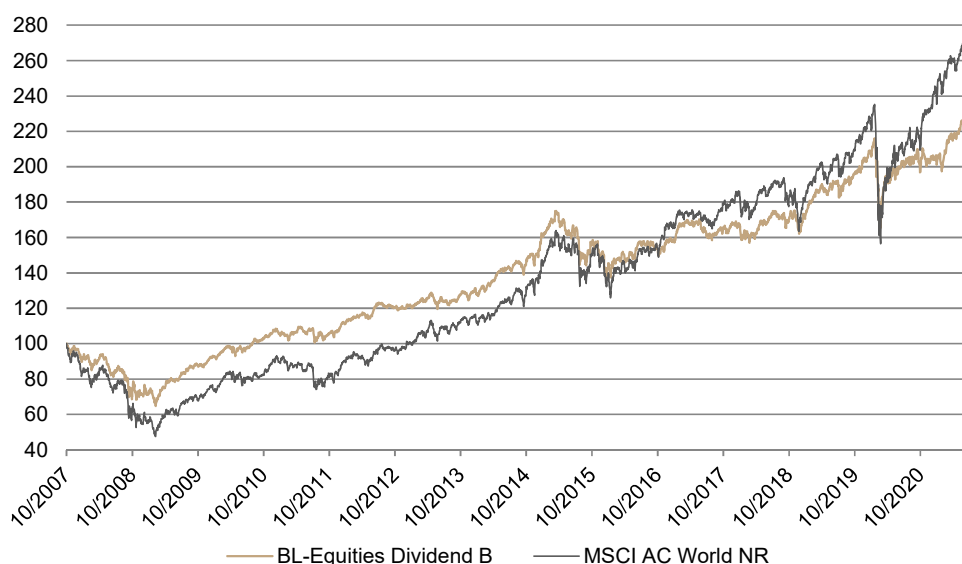
Investment Objective

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	2021	2020	2019	2018	2017
Fund (B shares)	-6,1%	21,6%	1,4%	23,7%	-2,1%	6,5%
MSCI World AC NR	-6,2%	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)	-0,7%	1,1%	18,9%	31,0%	41,4%	107,2%	134,8%
MSCI World AC NR	-3,5%	-0,4%	16,5%	47,9%	62,6%	204,2%	180,8%

Volatility	3 months	6 months	1 year	3 years	5 years	10 years	since launch
Fund (B shares)	10,8%	9,6%	8,2%	13,0%	11,8%	11,3%	12,3%
MSCI World AC NR	16,3%	14,1%	11,4%	18,7%	16,7%	15,8%	18,2%

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.

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

² Luxembourg banking business day

Current Portfolio

28/02/2022

Top Holdings

Unilever	5,6%
Nestle	5,2%
PepsiCo	4,7%
Givaudan	4,6%
National Grid	4,5%
Reckitt Benckiser	4,4%
Colgate Palmolive	4,3%
L'Oreal	4,2%
Microsoft	4,1%
Intertek	3,9%
Weight of Top 10	45,5%
Number of holdings	32

New investments in February

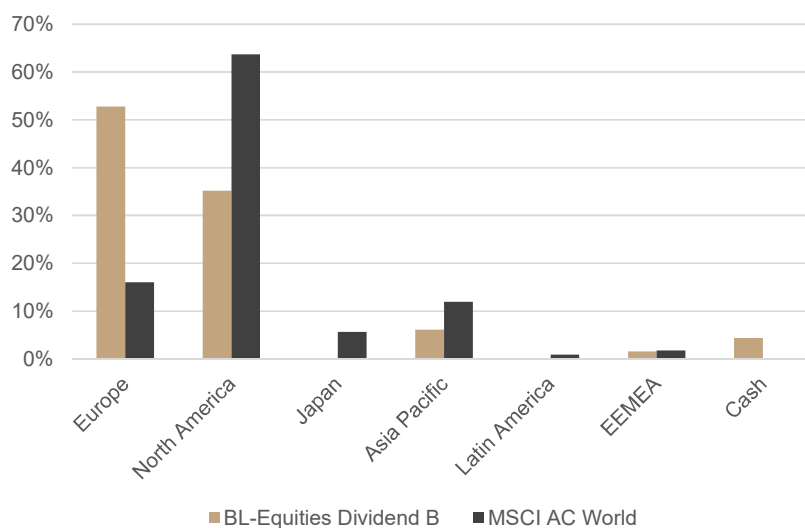
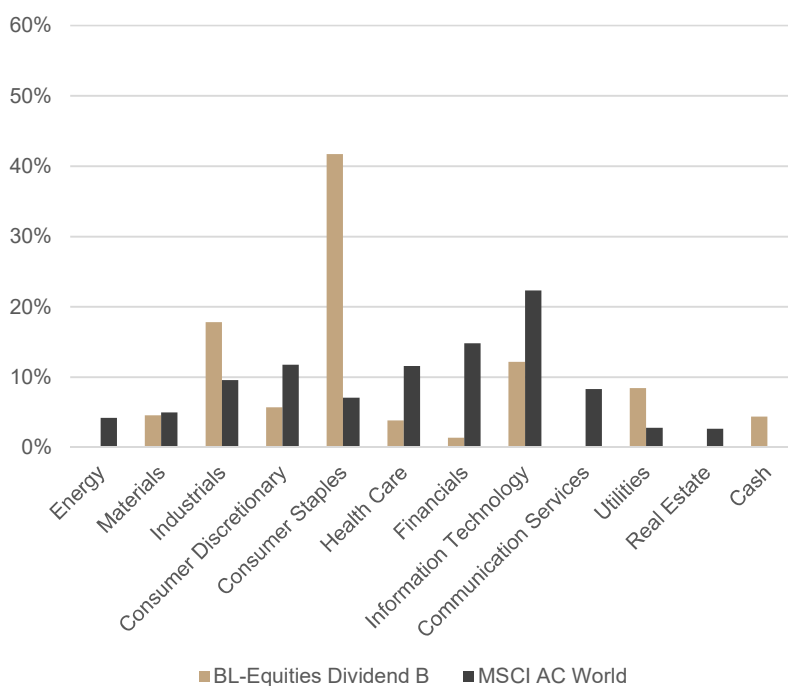
S1P Global
Hermes International

Investments sold in February

Severn Trent

Currency Allocation

USD	33,2%
EUR	19,4%
GBP	16,7%
CHF	13,6%
CAD	3,8%
SEK	3,5%
DKK	2,2%
TWD	1,8%
HKD	1,7%
ZAR	1,5%
VND	1,5%
AUD	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

Management Report

28/02/2022

In February 2022, BL Equities Dividend (retail accumulation share net of fees in euros) declined by 2.48%.

More specifically, Reckitt Benckiser, National Grid and Coloplast posted the best contributions to the fund's monthly performance.

Conversely, Colgate-Palmolive, PepsiCo and LVMH were the main detractors over the month.

During the period, we reduced Hershey and sold Severn Trent for valuation reasons.

In contrast, we strengthened Givaudan, L'Oréal, LVMH and Vinamilk.

In addition, two new companies were added to the portfolio: S&P Global and Hermès. This is a notable event as no new lines had been opened since October 2020.

With an exalted heritage including Henry Poor's American Railroad Manual in 1860, Charles Dow's legendary Dow Jones Industrial Average in 1896, Warren Platt's National Petroleum News in 1909 and the renowned S&P 500 in 1957, today S&P Global is a group of high quality businesses (some three-quarters of which have recurring revenue), protected by strong entry barriers and competitive advantages in the form of intangible assets and network effect. S&P is the global leader and a recognised brand within the oligopoly of credit rating agencies (stable for 100 years...), whose services and data are indispensable to both issuers, investors and index providers (and required by regulators), at a limited cost. This results in strong pricing power and high profitability. In its other businesses (S&P Dow Jones Indices, Platts, IHS Markit, iBoxx, Capital IQ, Compustat, SNL Financial, Sustainable1, ex-SAM ESG Ratings & Benchmarking, Carfax, Trucost, automotiveMastermind, to name a few), S&P Global also plays a leading role in monetising its critical data (equity, debt, macro, oil, gas, electricity, metals, auto, etc.) in the form of fees, commissions, subscriptions and royalties to a diversified client base in various end markets, which also results in substantial recurring revenue, strong pricing power and high profitability. The group has no shortage of growth drivers: pricing power; cross-selling; economic growth; debt issuance, especially in emerging markets (S&P Global is the only totally independent foreign rating agency in China); shifting debt issuance from banks to markets; creation of new indices; increased flows into passive investing; etc. It has a healthy balance sheet and generates extremely high profitability with operating margin, FCF margin and ROCE all above 40%. At the time of our purchase, the share offered a gross dividend yield of 0.8%. Over the last 5 years, the gross dividend per share has enjoyed a compound annual growth rate of 16%, but still has considerable potential given that, over the last 12 months, the free cash flow generated represents more than 4 times the amount of dividends paid. S&P Global has paid a dividend every year since 1937.

Within the luxury sector, Hermès has an exceptional, enviable, high-quality, single-brand niche. Its history began in Paris in 1837, in the harness-making workshop opened by Thierry Hermès, whose creations won awards at the International Exposition of 1867. The story continues today, six generations later (the company is still two-thirds owned by the family), with a wide range of quality products including leather goods (notably the iconic Kelly and Birkin bags (designed in the 1930s and 1984 respectively), ready-to-wear, silk scarves, ties, belts, jewellery, shoes and perfume. The company stands out for its mastery of the art and the creativity of its designers, the excellence of its manual savoir-faire (tanning, weaving), and its control over production volumes (evident in waiting lists, sometimes exceeding 5 years) to create an elite and sought-after brand that goes beyond fashion and boasts an unrivalled heritage, without diluting it in the face of 'insatiable' demand. The company has an integrated business model, giving it better control over the sourcing of raw materials, production (52 workshops and 62% of employees based in France, all bags being handmade in France) and distribution (solely through 306 stores located in 45 countries, each offering a personalised selection of objects). Hermès has enormous pricing power (the price of an entry-level bag has more than doubled in the last decade; Hermès is one of only two luxury brands to have been able to increase its prices during the 2008/2009 crisis; some bags sell for several hundred thousand euros at auction). The company has no debt and generates very high profitability (gross margin 71%, operating margin 39%, ROCE 40%). At the time of our first purchase, the share offered a gross dividend yield of 0.7%. The dividend has just almost doubled, but could even be tripled given the free cash flow generated in 2021. Hermès has maintained or increased its dividend every year since its flotation in 1994 and even pays bonuses in some years.

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 8% over the last five years.

(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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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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