

Market developments per 2020-05-31

Compared to the previous months, May was a relatively quiet month for European equity markets. They continued the upward path after the sharp rebound in April. In many countries the severe lockdown measures are being eased, which should help economies to gradually recover. The Fund booked a positive absolute performance but slightly underperformed the index.

The Fund has so far failed to show its relatively defensive character during the market downturn. The attractive valuation of the portfolio in combination with the solid financial position of the companies we invest in should have provided a safety net. However, the uniqueness of this crisis has prevented the portfolio from showing its defensiveness so far. We see a clear schism in the market; where a large part of the market has been hit hard by the COVID-19 crisis, a significant part of the market (the part that largely pays no dividends) are priced as if they will be unaffected. We are confident however that the portfolio will show attractive risk return characteristics over the next 3 to 5 years, with an attractive and growing dividend income stream. We continue to diligently execute our investment process. As is the case with every crisis, it also offers attractive new opportunities. We have already added a number of new attractive companies to the portfolio and are confident that we will find more.

The most striking fact this year is that the 'Quality Bubble' has become even more extreme. A huge valuation dispersion between quality- and value stocks has been present for some time in the market, which has now reached levels never seen before. This month growth stocks strongly outperformed value stocks again, which was a headwind for the relative performance. You need to go back to the IT-bubble at the start of this century to find comparable valuation dispersions. Going forward, we see this as a huge opportunity when the market will focus more on attractively valued shares.

Portfolio developments per 2020-05-31

Next month, we will implement the quarterly rebalance of the Fund, as a result trading was limited in May.

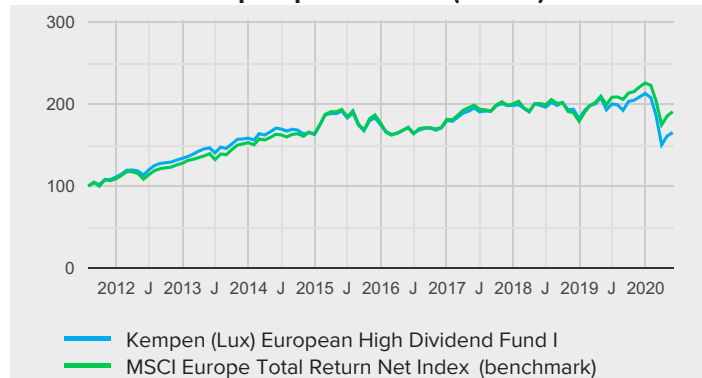
This month, the Fund had both negative sector allocation and slightly positive stock selection. In particular selection within industrials and materials was positive. Sector allocation was negative as we are overweight the financial and energy sector. The energy sector lagged despite the oil price recovering sharply in May.

In our investment process, we spend a large portion of our time understanding where profitability should be on an over the cycle basis, as this is what determines the cash flows we will receive as a long-term shareholder. A firm may appear attractive based on its price to earnings ratio or other headline multiple, but if margins and/or revenue are high, this only gives you limited information about the future returns of an investment. In a diversified portfolio, we are always going to have individual names that disappoint or surprise to the upside. We believe that a value process of bottom up stock picking will lead to more winners than losers, as our long-term track record indicates. We continue to purchase our investments based on intrinsic value, while ensuring a margin of safety when we select our stocks.

After the sharp selloff of the equity market during the year, our return expectations for the broad market have increased. Valuation dispersion between, and within regions and sectors have further increased this year and are now close to the peak of the technology bubble (please see the slide below for the valuation difference of growth versus value). The European Dividend strategy trades at an exceptional discount versus the market. Historically, this has led to a strong relative performance on the medium term. Also, the absolute valuation of the strategy is compelling. In summary, the current environment offers the opportunity to buy a well-diversified portfolio with solid earnings power at an attractive valuation.

Based on our current conservative estimates, we expect a forward dividend yield of around 4%. Obviously, this is indicative and based on a very uncertain outlook and on current figures and estimates.

Performance since inception per 2020-05-31 (rebased)



Dividends

Distributing	No
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Performance per 2020-05-31

	Fund	Benchmark
1 month	2.7 %	3.0 %
3 months	-11.3 %	-6.4 %
This year	-22.4 %	-15.4 %
2017	10.2 %	10.3 %
2018	-8.2 %	-10.6 %
2019	17.0 %	26.0 %
1 year (on annual basis)	-14.3 %	-4.2 %
3 years (on annual basis)	-5.4 %	-1.3 %
5 years (on annual basis)	-2.9 %	-0.3 %
Since inception (on annual basis)	5.9 %	7.6 %

Performance is shown after deduction of ongoing charges. The value of your investments may fluctuate. Past performance provides no guarantee for the future.

Ongoing charges

Management fee	0.70 %	
Service fee	0.20 %	
Taxe d'abonnement	0.01 %	+
Expected ongoing charges	0,91 %	

Share class details

Share class	I
Investor type	Institutional
Distributing	No
Benchmark	MSCI Europe Total Return Net Index
Investment category	High Dividend Equity
Universum	European equities
Inception date	2011-08-25
Domicile	Luxembourg
May be offered to professional investors only in	Belgium, Finland, France, Germany, Italy, Luxembourg, Spain, Sweden, Switzerland, The Netherlands, United Kingdom
UCITS status	Yes
Status	Open-end
Base currency	EUR
Share class currency	EUR
Management company	Kempen Capital Management N.V.
Depository and custodian	J.P. Morgan Bank Luxembourg S.A.
Morningstar rating [™]	★★★
Morningstar Analyst rating	Gold

Portfolio

Top 5 contribution (2020-05-31)

	Contribution	Performance
ALD	0.37 %	18.38 %
Siemens	0.36 %	16.30 %
EDP - Energias de Portugal	0.35 %	15.06 %
SKF AB-B Shares	0.30 %	13.55 %
Vodafone Group	0.30 %	14.62 %

Management team

Jorik van den Bos, Joris Franssen, Joost de Graaf, Dimitri Willems, Luc Plouvier, Marius Bakker

[More information about the team and the strategy](#)

Key figures

Total fund size	EUR 14.34 M	2020-05-31
Share class size	EUR 0.40 M	2020-05-31
Number of shares	240	2020-05-31
Net Asset Value	EUR 1,649.57	2020-05-31

The turnover rate figure is per the end of the financial year of the fund and will be updated once a year.

Profile

Kempen International Funds SICAV - Kempen (Lux) European High Dividend Fund (the Fund) offers a diversified portfolio of European listed companies with an expected dividend yield of minimal 2.75% at the time the company is purchased for the first time. The Fund invests in companies that are listed or do business in geographical Europe including Eastern Europe and Russia. The portfolio contains around 55 investments, which are approximately equally weighted.

The Fund primarily aims to generate a better long-term total return than the MSCI Europe Total Return Index (net dividends reinvested), comprising capital gains or losses plus net dividend.

Tradability

Minimum subscription	Initial subscription: €50.000, additional subscriptions: €10,000
Listed	no
Subscription/Redemption Frequency	Daily
ISIN	LU0427930275

Fund characteristics per 2020-05-31

	Fund	Benchmark
Number of holdings	50	436
Dividend yield	5.70 %	3.71 %
Weighted average market capitalization	EUR 37,171 M	EUR 68,824 M
P/E ratio	14.27	18.47
Active share	81.28 %	

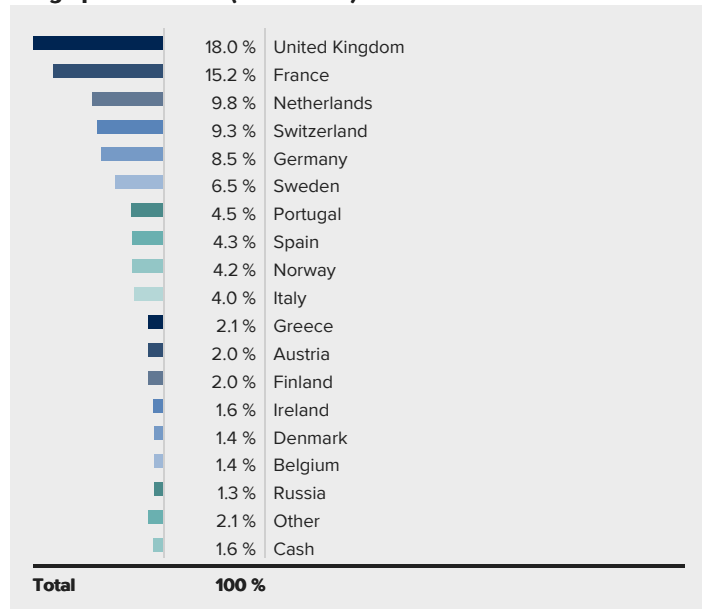
Risk analysis (ex post) per 2020-05-31

	3 years	Since inception
Maximum drawdown	-29.46 %	-29.46 %
Tracking error	4.47 %	3.40 %
Information ratio	-0.91	-0.51
Beta	1.14	

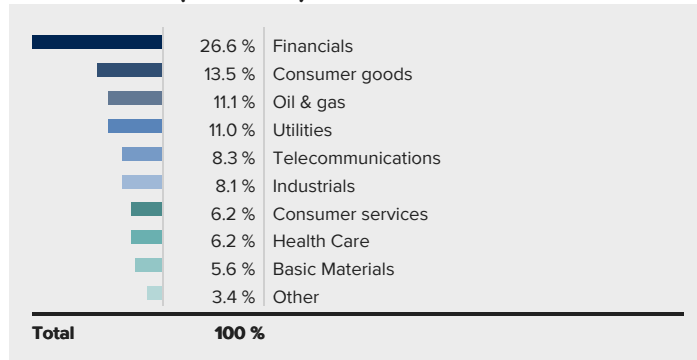
Bottom 5 contribution (2020-05-31)

	Contribution	Performance
AIB Group	-0.39 %	-20.08 %
Baloise	-0.15 %	-6.48 %
Wood Group	-0.13 %	-8.38 %
Royal Dutch Shell	-0.12 %	-7.41 %
Enagas	-0.12 %	-5.10 %

Geographic allocation (2020-05-31)

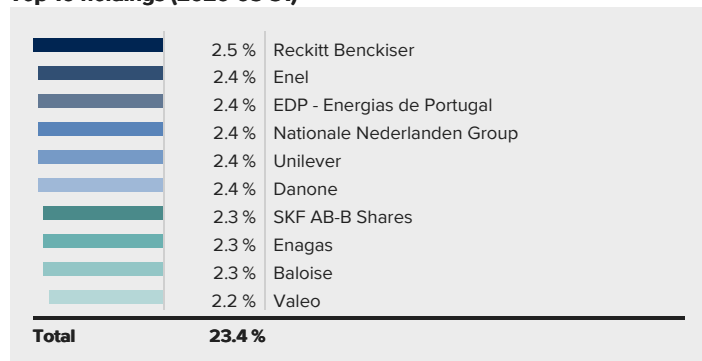


Sector allocation (2020-05-31)



The cash position is included in 'Other'.

Top 10 holdings (2020-05-31)



Kempen (Lux) European High Dividend Fund (the "Sub-Fund") is a sub-fund of Kempen International Funds SICAV (the "Fund"), domiciled in Luxembourg. This Fund is authorised in Luxembourg and is regulated by the Commission de Surveillance du Secteur Financier. Kempen Capital Management N.V. (KCM) is the management company of the Fund. KCM is authorised as management company and regulated by the Dutch Authority for the Financial Markets (AFM). Paying agent and representative in Switzerland is RBC Investor Services Bank S.A., Esch-sur-Alzette, Zurich Branch, Bleicherweg 7, CH-8027 Zurich. The Sub-Fund is registered with the Dutch Authority for the Financial Markets (AFM) under the license of the Fund. The information in this document provides insufficient information for an investment decision. Please read the Key Investor Document (available in Dutch, English and several other languages, see website) and the prospectus (available in English). These documents as well as annual report, semi-annual report and the articles of incorporation of the Fund are available free of charge at the registered office of the Fund located at 6H, route de Trèves, L-2633 Senningerberg, Luxembourg, at the offices of the representative in Switzerland and on the website of KCM (www.kempen.com/en/asset-management). The information on the website is (partly) available in Dutch and English. The Sub-Fund is registered for offering in a limited number of countries. The countries where the Sub-Fund is registered can be found on the website. The value of your investment may fluctuate. Past performance provides no guarantee for the future. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units.