WEISSHORN

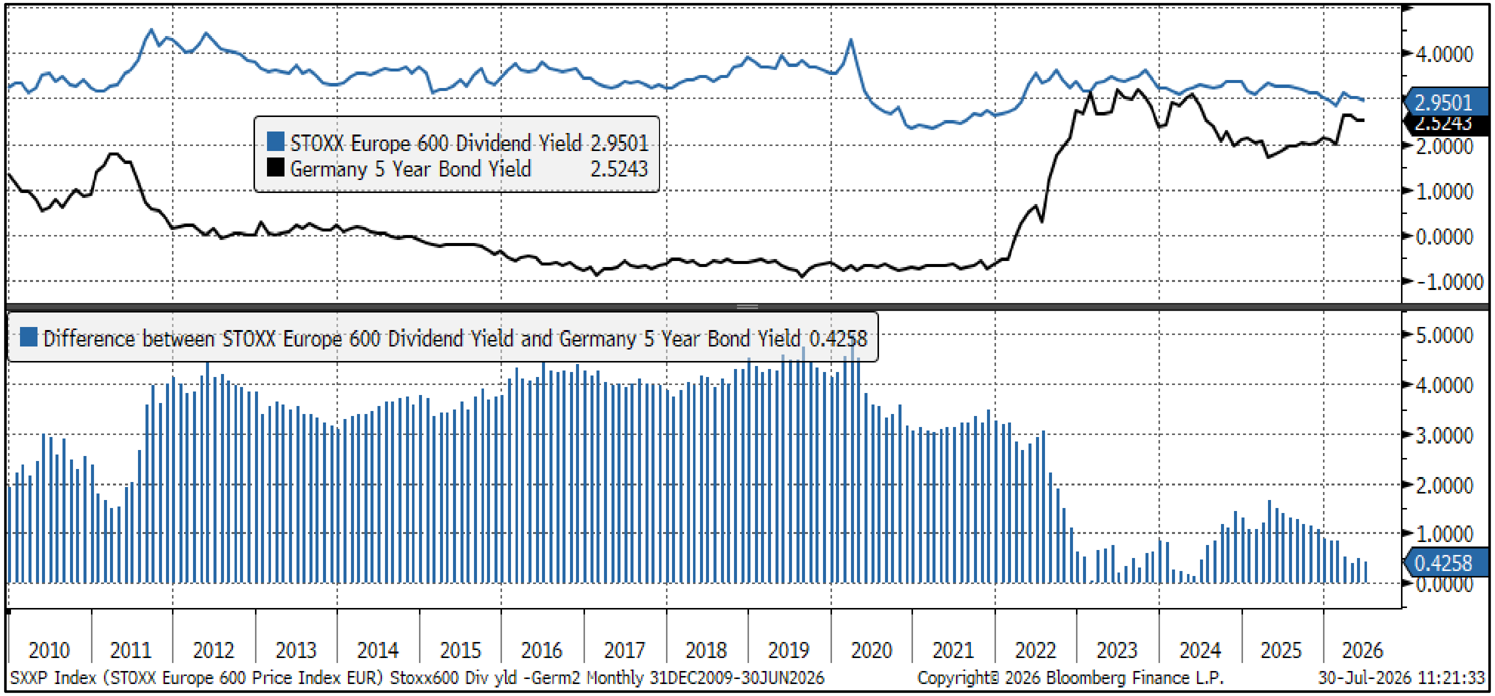
ASSET MANAGEMENT SA

DIVIDEND SELECTION EUROPE UCITS LUX

Current market environment

- Interest rates are below dividend yields and are expected to remain so for the time being.
- For investors looking for income solutions, dividends offer an attractive proposition.
- This comes with higher volatility though and requires an investment horizon of at least five years.

STOXX Europe 600 dividend yield vs German 5-year bond yield

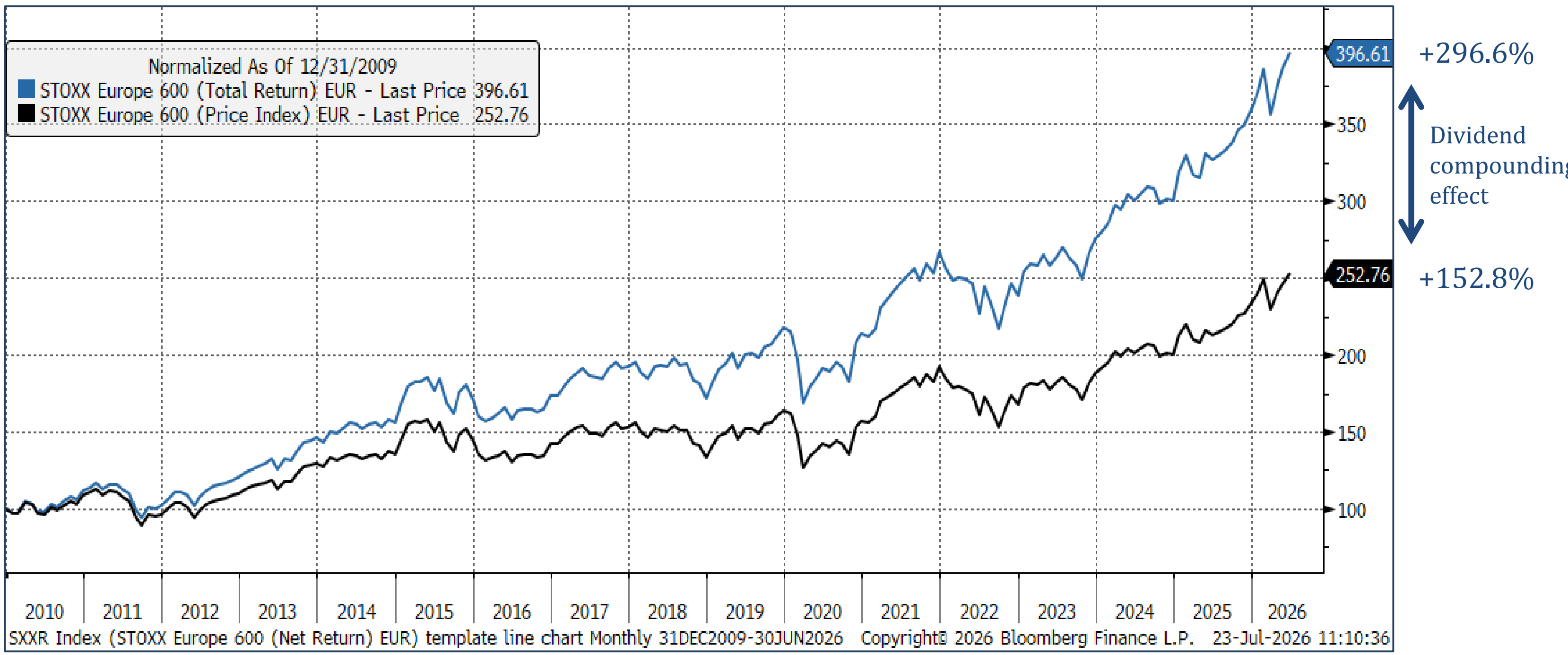


Source: Bloomberg

Compounding effect

- During stock market downturns, dividends provide a cushion.
- Over the long run, the compounding effect is very powerful.
- The chart compares the return of the Euro Stoxx 600 index without dividends (black line) and the Euro Stoxx 600 index including dividends (blue line).

Stoxx Europe 600 (Total Return) vs Stoxx Europe 600 (Price Return)



Source: Bloomberg

Why are dividends a good long-term strategy?

- **Intrinsic value**: dividends generate cash flows, creating inherent value for investors.

- **Drawdown buffer**: dividends can help mitigate drawdowns, as the yield increases when the stock price falls, making the stock more attractive.

- **Indicator of success**: dividends often reflect a successful business model and a company's ability to generate sustainable cash flows through sound financial management.

- **Inflation hedge**: dividends grow in line with nominal cash flows, helping to preserve their purchasing power compared to fixed-income alternatives. As such, dividends can act as a hedge against inflation.

- **Defensive characteristics**: historically, high-dividend stocks have performed well during market downturns, offering a prudent way to add defensive exposure while diversifying equity portfolios

- **Compounding effect: dividends have a powerful compounding effect, which can account for approximately 50% of total long-term shareholder returns.**

Why are dividends a good long-term strategy?

Higher Yield	
12 Months Dividend Yield	
MSCI Europe	2.75%
MSCI Europe Quality Dividend	3.48%

Less Expensive	
12 Months PE	
MSCI Europe	20.0x
MSCI Europe Quality Dividend	18.2x

Less indebted	
Debt/Equity	
MSCI Europe	189.1
MSCI Europe Quality Dividend	92.9

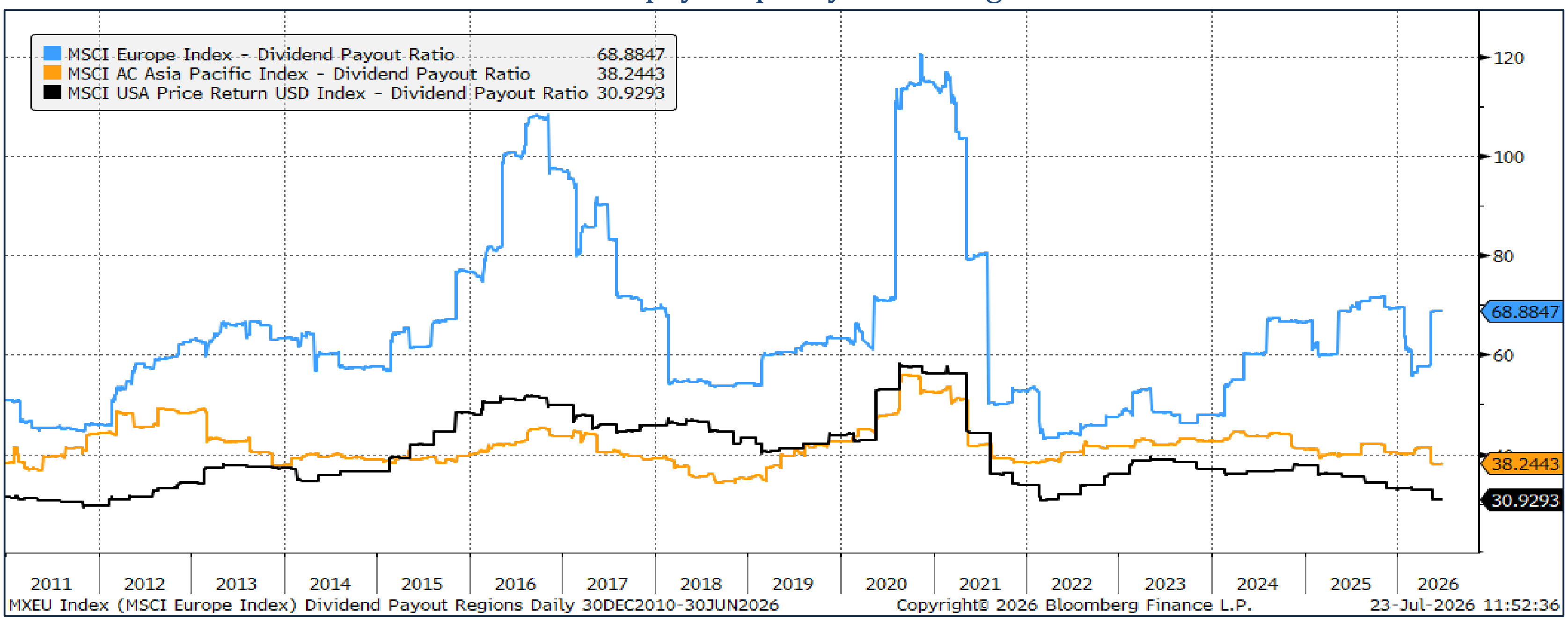
Same Volatility	
3 Years annualized Volatility	
MSCI Europe	14.9
MSCI Europe Quality Dividend	15.6

Source: Bloomberg

What are we looking for?

- Running a dividend strategy demands discipline and commitment in portfolio management:
  - Quality stocks with a long-term dividend track record.
  - Expanding business models with strong balance sheets (growing cash flows, dividend growth potential).
- To sustainably increase dividend payments, companies must achieve consistent growth.
- True sustainability comes from investments that remain profitable over the long run.

Dividend payout policy across regions



Source: Bloomberg

Portfolio engineering

Universe of 1’500 companies	S&P500, EUROSTOXX600, SWISS PERFORMANCE INDEX SPI
Scorecard	QUANTITATIVE SELECTION OF DIVIDEND PAYING COMPANIES
200 companies	UNIVERSE OF SUITABLE DIVIDEND POLICIES
Portfolio construction factors	OUR MACRO VIEWS, SECTOR ALLOCATION
30-40 holdings	RISK MONITORING, PORTFOLIO SELECTION WITH QUANTITATIVE ANALYSIS

Quantitative screening and fundamental analysis

- We integrate the 1’500 stocks from our universe into a scorecard that assigns a rating to each entity based on valuation, solvency, growth, profitability, risk and momentum ratios.
- The 200 stocks with the best scores are then kept for fundamental analysis.
- The final step before adding a stock to the portfolio is a detailed fundamental analysis.

Dividend Policy

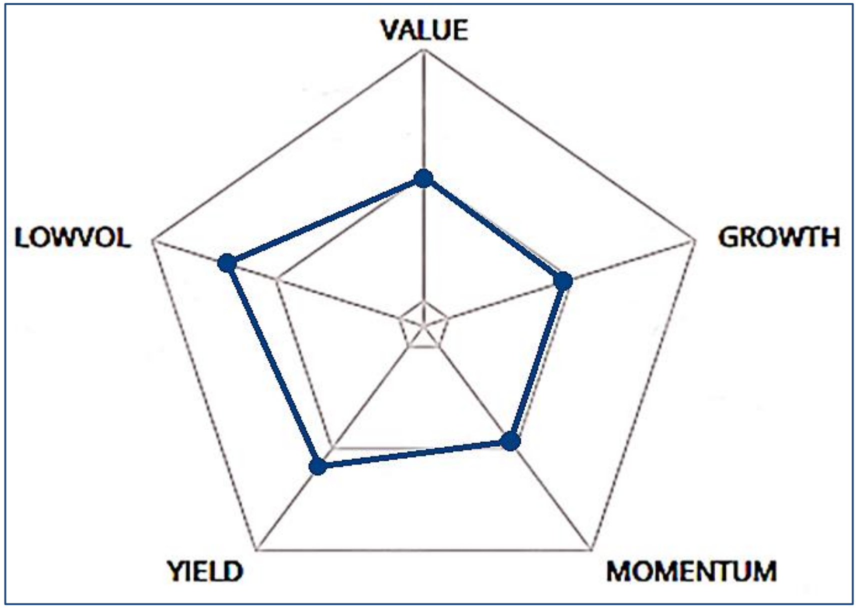
- We look for companies with a stable and growing dividend.
- We look for companies able to pay dividend even during uncertain times.
- The table below shows the years in which dividends were increased (blue), left unchanged (white) or cut (red).

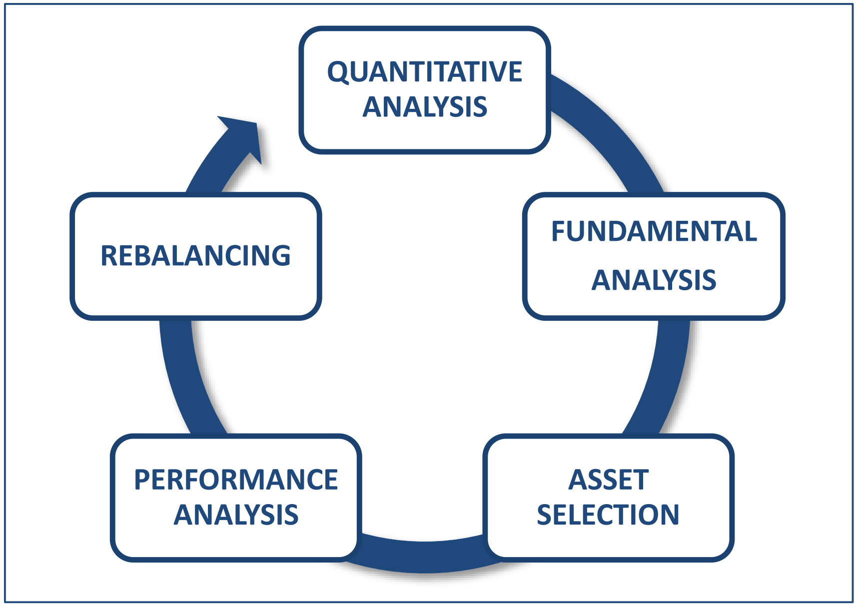
Name	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
ALLIANZ SE-REG	1.5	1.5	1.8	2.0	3.8	5.5	3.5	4.1	4.5	4.5	4.5	5.3	6.9	7.3	7.6	8.0	9.0	9.6	9.6	10.8	11.4	13.8	15.4
AZIMUT HOLDING SPA	0.0	0.0	0.0	0.1	0.2	0.1	0.1	0.0	0.2	0.2	0.5	0.7	0.8	1.5	1.0	1.0	1.2	1.0	1.0	1.3	1.3	1.0	1.8
BRITISH AMERICAN TOBACCO PLC	0.0	39.7	43.2	48.7	58.8	69.7	89.5	104.8	119.1	130.6	137.7	144.9	150.0	155.9	218.2	195.2	203.0	210.4	215.6	217.8	230.9	235.5	240.2
BAWAG GROUP AG	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	2.2	0.0	5.2	3.0	3.7	5.0	5.5
AXA SA	0.3	0.4	0.6	0.8	1.0	1.2	0.4	0.6	0.7	0.7	0.7	0.8	1.0	1.1	1.2	1.3	1.3	0.7	1.4	1.5	1.7	2.0	2.2
DHL GROUP	0.4	0.4	0.5	0.7	0.8	0.9	0.6	0.6	0.7	0.7	0.7	0.8	0.9	0.9	1.1	1.2	1.2	1.2	1.4	1.8	1.9	1.9	1.9
DNB BANK ASA	2.3	2.1	2.4	3.3	3.8	4.3	0.0	1.8	4.0	2.0	2.1	2.7	3.8	4.5	5.7	7.1	8.3	0.0	17.4	9.8	12.5	16.0	16.8
ELISA OYJ	0.0	0.0	0.8	0.7	2.5	1.8	1.0	1.4	1.3	1.3	1.3	1.3	1.3	1.4	1.5	1.7	1.8	1.9	2.0	2.1	2.2	2.3	2.4
BOUYGUES SA	0.4	0.5	5.8	0.9	1.2	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.8	1.8	1.9	2.0
ENEL SPA	0.3	0.6	0.5	0.6	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.5
ENGIE	0.0	0.0	0.5	0.7	1.1	2.1	2.2	1.5	1.5	1.5	1.5	1.2	1.0	1.0	0.9	0.7	0.8	0.0	0.5	0.9	1.4	0.8	1.5
ENI SPA	0.8	0.8	1.4	1.3	1.3	1.4	1.2	1.0	1.0	1.1	1.1	1.1	1.0	0.8	0.8	0.8	0.8	0.6	0.7	0.9	0.9	1.0	1.0
FDJ UNITED	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.9	1.2	1.4	1.8	2.1
GENERALI	0.3	0.3	0.4	0.5	0.7	0.9	0.2	0.4	0.5	0.2	0.2	0.5	0.6	0.7	0.8	0.9	0.9	0.5	1.5	1.1	1.2	1.3	1.4
GETLINK SE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.0	0.1	0.1	0.5	0.6	0.6
ITALGAS SPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4
KONE OYJ-B	0.0	0.0	0.0	0.3	0.3	0.3	0.3	0.7	0.5	1.5	1.5	1.0	1.2	1.4	1.6	1.7	1.7	1.7	2.3	2.1	1.8	1.8	1.8
COCA-COLA FEMSA SAB-SP ADR	0.0	0.2	0.3	0.3	0.4	0.5	0.5	1.1	2.0	1.9	2.3	2.2	1.9	1.8	1.8	1.7	1.8	2.1	2.4	2.6	2.9	2.9	3.5
LOGISTA INTEGRAL SA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.6	0.8	0.9	0.9	1.0	1.0	1.0	1.2	1.6	1.7
MERCEDES-BENZ GROUP AG	1.5	1.5	1.5	1.5	1.5	2.0	0.6	0.0	1.9	2.2	2.2	2.3	2.5	3.3	3.3	3.7	3.3	0.9	1.4	5.0	5.2	5.3	4.3
MICHELIN (CGDE)	0.2	0.2	0.3	0.3	0.4	0.4	0.2	0.2	0.4	0.5	0.6	0.6	0.6	0.7	0.8	0.9	0.9	0.5	0.6	1.1	1.3	1.4	1.4
ALTRIA GROUP INC	2.6	2.8	3.1	3.3	3.1	1.7	1.3	1.5	1.6	1.7	1.8	2.0	2.2	2.4	2.5	3.0	3.3	3.4	3.5	3.7	3.8	4.0	4.2
NESTLE SA-REG	0.7	0.7	0.8	0.9	1.0	1.2	1.4	1.6	1.9	2.0	2.1	2.2	2.2	2.3	2.3	2.4	2.5	2.7	2.8	2.8	3.0	3.0	3.1
NOVARTIS AG-REG	1.0	1.0	1.1	1.2	1.4	1.6	2.0	2.1	2.2	2.3	2.3	2.5	2.6	2.7	2.8	2.8	2.9	3.0	3.0	3.1	3.2	3.3	3.5
PFIZER INC	0.6	0.7	0.8	1.0	1.2	1.3	0.8	0.7	0.8	0.9	1.0	1.0	1.1	1.2	1.3	1.4	1.4	1.5	1.6	1.6	1.6	1.7	1.7
PARTNERS GROUP HOLDING AG	0.0	0.0	0.0	0.0	2.7	4.3	4.3	4.5	5.0	5.5	6.3	7.3	8.5	10.5	15.0	19.0	22.0	25.5	27.5	33.0	37.0	39.0	42.0
REPSOL SA	0.0	0.3	0.4	0.5	0.6	0.8	1.2	0.3	0.9	1.3	0.8	1.5	0.8	0.5	0.7	0.7	0.8	0.6	0.2	0.5	0.6	0.7	0.8
RIO TINTO PLC	0.0	0.5	0.7	1.6	1.0	1.2	0.5	0.9	1.2	1.6	1.7	2.1	2.3	1.5	2.3	3.0	6.3	3.9	9.6	7.3	4.0	4.4	3.7
RAI WAY SPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
REXEL SA	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.4	0.7	0.8	0.8	0.8	0.4	0.4	0.4	0.4	0.0	0.5	0.8	1.2	1.2	1.2
SANOFI	0.8	1.0	1.2	1.5	1.8	2.1	2.2	2.4	2.5	2.7	2.8	2.8	2.9	2.9	3.0	3.0	3.1	3.2	3.2	3.3	3.6	3.8	3.9
SWISS LIFE HOLDING AG-REG	0.0	0.0	4.0	5.0	7.0	17.0	5.0	2.4	4.5	4.5	4.5	5.5	6.5	8.5	11.0	13.5	16.5	20.0	21.0	25.0	30.0	33.0	35.0
UNICREDIT SPA	4.2	4.6	5.5	5.9	6.4	6.9	0.0	1.0	1.0	0.0	0.5	0.5	0.6	0.6	0.0	0.3	0.3	0.0	0.1	0.5	1.0	2.7	2.9
VEOLIA ENVIRONNEMENT	0.5	0.5	0.6	0.8	1.0	1.2	1.2	1.2	1.2	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.9	0.5	0.7	1.0	1.1	1.3	1.4

Source: Bloomberg

Portfolio monitoring

- Sector and country allocation driven by our macro views.
- Monitoring of dividend policy changes.
- Expected dividend growth rate.
- Assessment of earnings quality: high earnings predictability.
- Cash flow statement analysis.





Source: Weisshorn

Pitfalls to avoid

- A high dividend yield does not always translate into high shareholder returns.
- Screening on dividend yield alone is dangerous: a high yield is not always a sign of financial health or of a sustainable business model.
- A high dividend yield could sometimes be a sign of weakness in the business model and upcoming troubles. The market anticipates a future dividend cut and is selling the security ahead of the announcement.
- A high dividend yield may signal a lack of reinvestment opportunities. The company returns money to shareholders because it has a cash surplus and no investment opportunities. If this persists, strong cash generation attracts competitors and margins erode.
- **All of this means active management is essential in a dividend strategy: identify the pitfalls and position for a sustainable long-term approach.**

What we want to avoid

- High dividends are sometimes not sustainable: example Bayer in 2018-2025.
- Bayer acquired Monsanto in 2018; balance-sheet quality deteriorated under the debt raised to fund the deal.
- The company then faced litigation over Monsanto's Roundup and had to book provisions, forcing it to cut the dividend to the bare minimum.

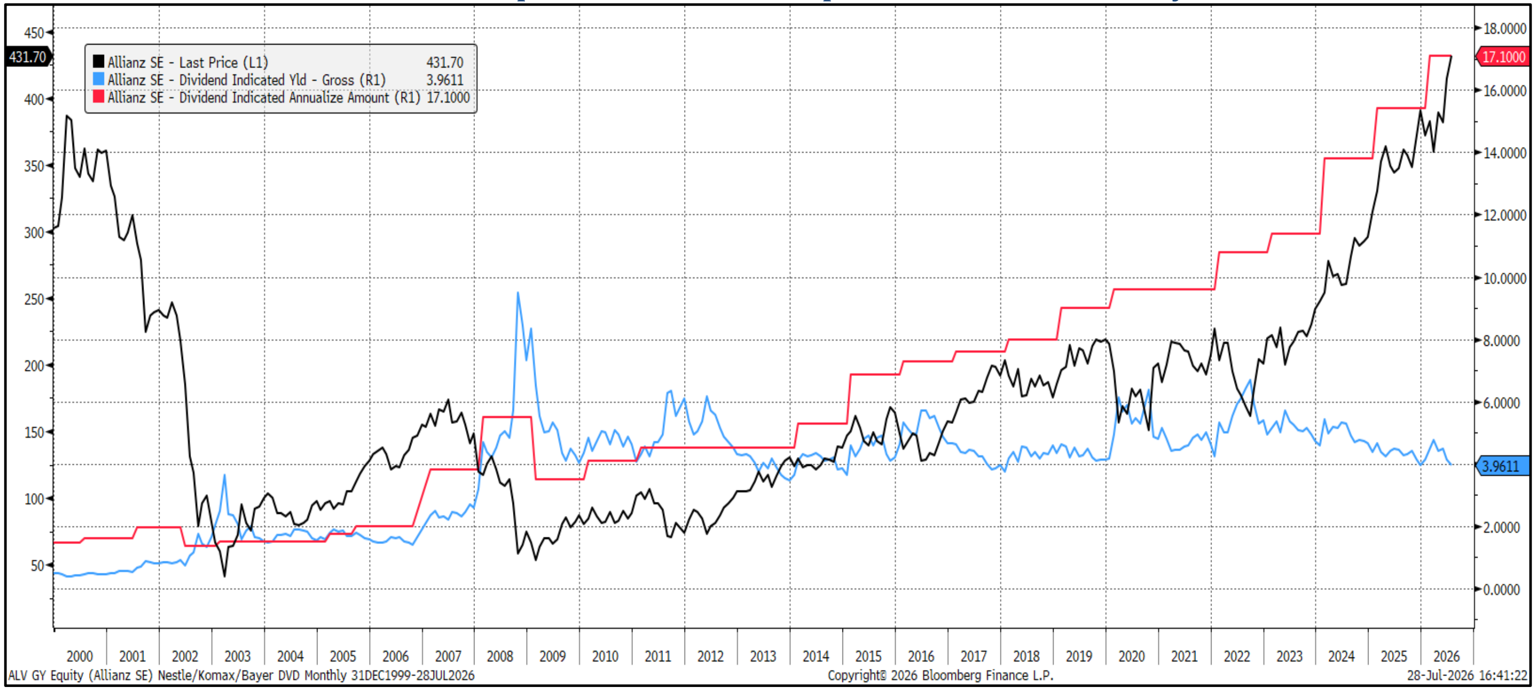
Bayer share price and dividend per share vs dividend yield

Source: Bloomberg

What we like

- Long-term dividend growth: example of Allianz, 2000-2026.
- Dividend per share up from less than EUR 2 to EUR 17.10, an average increase of around 9% per year over the past decade (red line).
- One reset in 2009 in the aftermath of the financial crisis, followed by a full recovery and 15 consecutive years of growth.

Allianz share price and dividend per share vs dividend yield

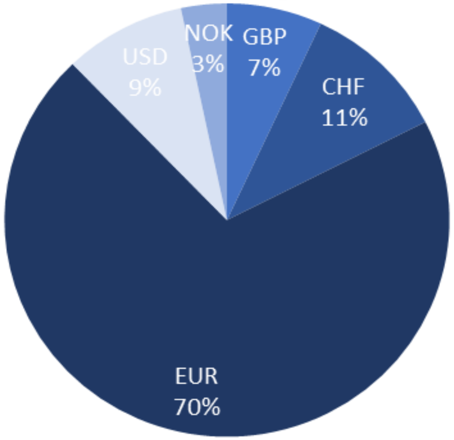


Source: Bloomberg

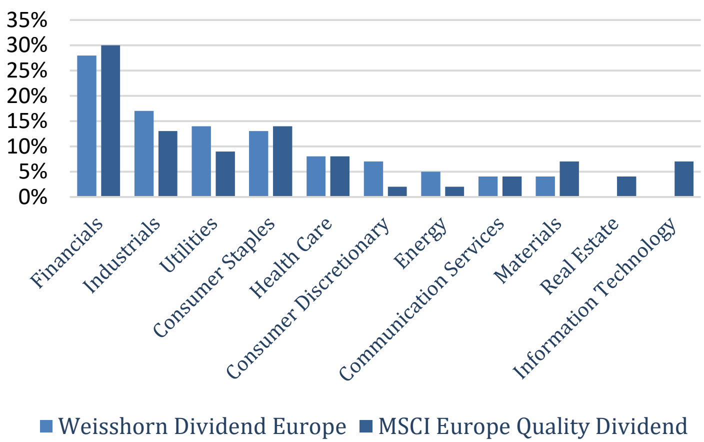
Portfolio details

	Weisshorn Dividend Selection Europe	MSCI Europe Quality Dividend
Average PE	15.71	18.23
Average P/CF	8.69	14.17
Average ROE	14.40	14.69
Dividend Yield - Last 12 Months	**4.59%**	**3.50%**
Dividend Yield - Estimated 12 Months	**5.16%**	**3.88%**
Total Debt / Total Equity	145.24	93.07
Average Market Cap (bn. EUR)	126.00	114.00
Nb of stocks	33	71

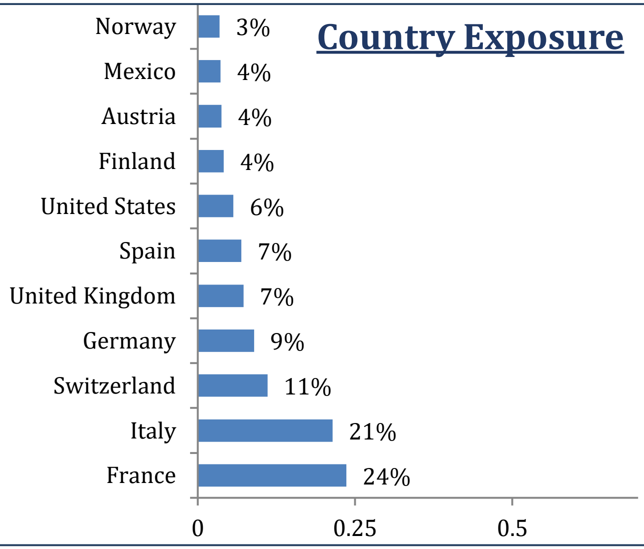
Currency Exposure



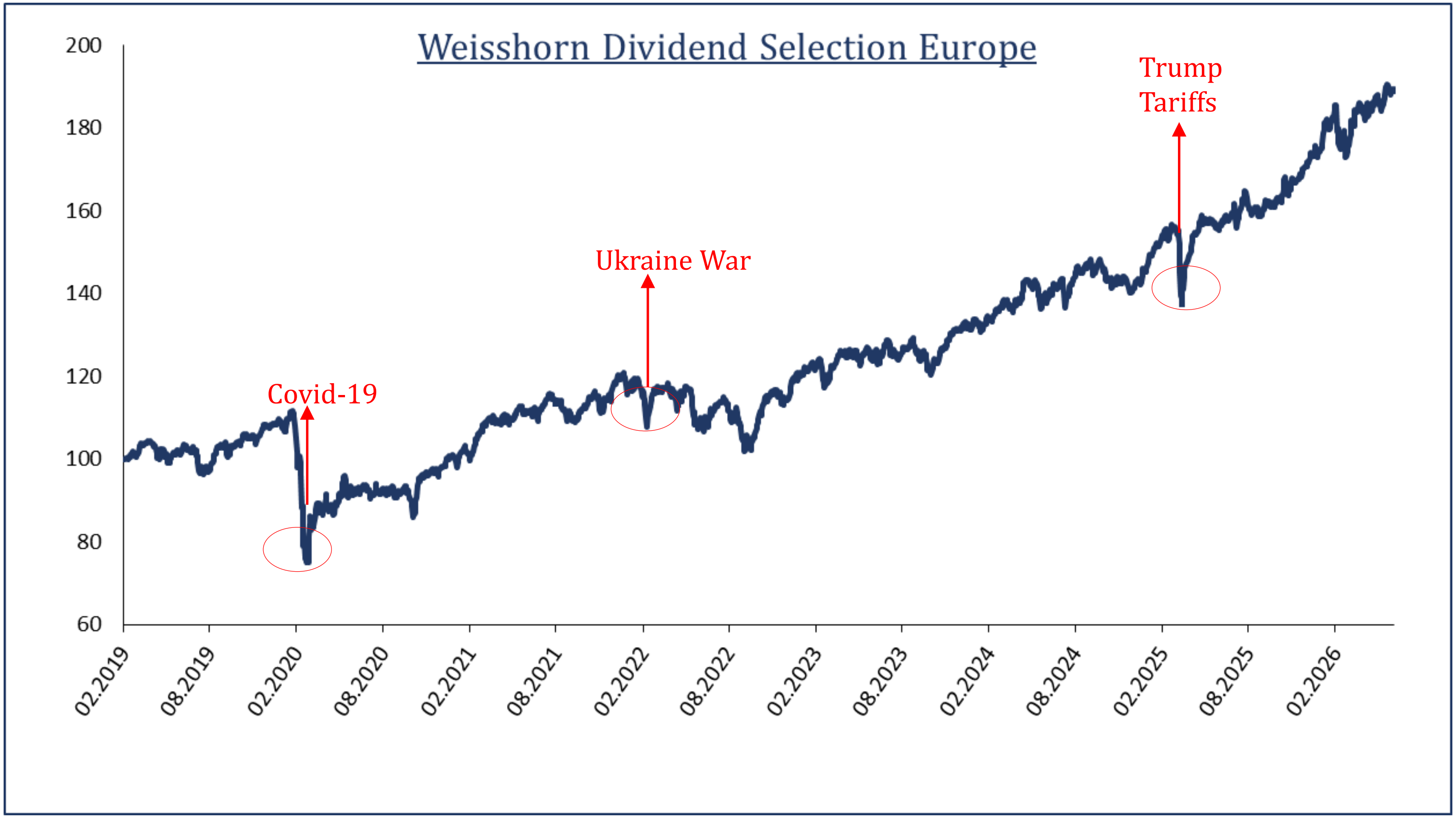
Sector Exposure



Country Exposure



Performance since inception



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