



Danske Invest SICAV  
Europe High Dividend Class A / Class I

OCTOBER 2017

# Fund *focus*



## *An attractive niche in the equity market*

High dividend stocks can potentially offer a much sought after combination of attractive returns and lower risk than the market in general. Danske Invest's SICAV Europe High Dividend Class A / Class I fund focuses on European dividend stocks.

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### KEYWORDS

- High dividend yield
  - Attractive risk profile
  - Experienced portfolio team
  - Proven investment process
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Danske Invest



# Quality equities with robust characteristics

Companies that pay high and stable dividends to shareholders often offer a much sought after combination of attractive returns and less price volatility than the equity market in general. Danske Invest's SICAV Europe High Dividend Class A / Class I fund focuses on dividend stocks from Europe, which is traditionally the region offering the highest dividend payments.

Dividend payments have historically constituted a significant share of the overall return from an investment in equities, and companies with high and growing dividend payments comprise a particularly interesting section of the equity market.

Companies capable of paying high dividends to shareholders year after year are often characterised by stable business models with a high degree of earnings predictability and stable cash flows. In other words, here is where we can find many quality companies that present not only attractive expected long-term returns but also tend to experience less price volatility than the equity market in general, as they offer investors a relatively stable dividend income even when equity prices are falling. This is a much sought after characteristic among many investors.

Peter Nielsen is the chief portfolio manager of Danske Invest Europe High Dividend, an actively managed fund that focuses on European companies with a high dividend yield. His goal is to deliver a combination of excess return and lower risk relative to the market as a whole.

"We invest in a focused portfolio of around 35 high dividend paying European stocks and our target is a long-term excess return of 3 percentage points p.a. before costs with a beta below 1. Our benchmark is MSCI Europe Index," says Peter Nielsen. Along with his colleague in the portfolio team, Asger Lund Nielsen, he has focused on dividend stocks since Danske Invest launched its first fund of this type in 2003, so their investment process is based on many years' experience of stock picking dividend stocks.

## High dividend yield

The portfolio team mainly invests in medium and large companies and always with a long investment horizon.

The fund's most significant exposures at present are in the financial and utility sectors. The overall dividend yield for the equities in the portfolio is currently 4.4% based on expected dividends for 2017. By comparison, the average dividend yield for European equities is 3.2%, while the dividend yield for US equities is typically lower at around 2%.

"Europe has traditionally been the region that offers the highest dividends, while companies in the US are more focused on share buybacks or investing in growth," explains Peter Nielsen.

The portfolio team makes its initial equity selection using a quantitative model that reduces the equity market to ►►

## TEAM BEHIND THE FUND



**Peter Nielsen**  
Chief Portfolio  
Manager



**Asger Lund Nielsen**  
Senior Portfolio  
Manager

## FACTS ABOUT THE FUND

**Name:** Danske Invest SICAV Europe High Dividend Class A / Class I

**Investment focus:** Stocks in European companies that are expected to generate high levels of direct dividends.

**Ongoing charge:** Class A: 1.87%, Class I: 1.03%

**ISIN:** Class A: LU0123484957, Class I: LU0274214740

**Risk indicator (1-7):** 5

**Currency:** Euro

**Read more:** You will find the Factsheet, Prospectus and Key Investor Information document at [danskeinvest.com](http://danskeinvest.com), where you can also read more about the fund and the risks associated with investing.

►► a list comprising the 40% of companies that have the best combination of high dividend yields, low valuations and high and stable returns on equity (ROE).

**How we stock pick**

Individual equities are then picked to the portfolio based on a detailed fundamental analysis together with company visits and meetings with management. During this process the portfolio team focuses not just on a company’s operations but also its growth potential.



*We endeavour to select companies with solid business models and competent management, so we can also expect attractive dividend payments in the future.*

“High dividend payments right now are often a tempting benchmark for investors, but this is no guarantee a company’s long-term business model is sound and sustainable. That is why we endeavour to select companies with solid business models and competent management, so we can also expect attractive dividend payments in the future,” says Peter Nielsen.

**Risks associated with the fund**

While equities with high and stable dividend payments are often less volatile price-wise than the equity market in general, an investment in Danske Invest Europe High Dividend nevertheless entails a significant risk. During equity market downturns dividend stocks can at worst result in major losses, and the

fund’s return also depends on the portfolio team’s ability to stock pick attractive equities for the portfolio. Another significant risk factor is the macroeconomic climate in Europe, as low or nega-

tive growth here can have an adverse impact on the equity market, just as high interest rates can make dividend stocks relatively less desirable.



**HIGH DIVIDEND YIELD FROM EQUITIES RELATIVE TO INTEREST ON GOVERNMENT BONDS**

Previously, government bonds could secure investors a decent regular income in the form of interest (coupon) payments – with the level of interest above the dividend yield from equities. Now, however, the situation has reversed, and the spread between the dividend yield from European equities and the yield on 10-year European government bonds is at a very high level historically speaking.



Source: Factset and Bloomberg as of 29.09.2017.

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