



Overview

Profile

Kempen International Funds SICAV - Kempen (Lux) Euro Credit Fund (the Fund) invests primarily in credits that have an investment grade rating (of minimal BBB-) and are denominated in Euros. The Fund may invest a small part in credits that are not included in the benchmark. The benchmark, the Markit iBoxx Euro Corporates Index, only includes bonds with an investment grade rating. The Fund aims to earn a higher total long term return than the benchmark by implementing an active investment policy. In order to achieve this, a diversified portfolio is constructed and investment risks are continuously monitored. Investments are selected on the basis of extensive analysis of the terms and conditions of the bond issues.

Management Team

Alain van der Heijden, Joost de Graaf, Bart aan den Toorn, Harold van Acht, Lizelle du Plessis, Kim Lubbers, Tetiana Kharlamova, Arif Bagasrawalla

More information about the team and the strategy

Key Figures

Total fund size	EUR 1,060.14 M	2023-12-31
Share class size	EUR 77.43 M	2023-12-31
Number of shares	3,171,931	2023-12-31
Net Asset Value	EUR 24.41	2023-12-31

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

Top 10 Holdings

4.000% Danske Bank 2023-27	0.9%
5.500% Credit Suisse 2023-26	0.9%
4.233% Cooperatieve Rabobank 2023-29	0.8%
4.375% Volkswagen Bank 2023-28	0.8%
1.000% Cheung Kong Infra 2017-24	0.8%
3.500% LVMH Moët Hennessy 2023-33	0.7%
4.656% Morgan Stanley 2023-29	0.7%
4.125% Banque Fed Cred Mutuel 2023-29	0.7%
3.125% DNB Bank 2022-27	0.7%
1.000% La Banque Postale 2022-28	0.7%

Share Class Details

Share class	BN
Investor type	Private
Distributing	Yes
Benchmark	Markit iBoxx Euro Corporates Index
Duration hedged	No
Investment category	Credits
Universe	Credits denominated in euro
Inception date	2013-10-08
Domicile	Luxembourg
May be offered to all investors in	Belgium, Luxembourg, Netherlands, Switzerland, United Kingdom
UCITS status	Yes
Status	Open-end
Base currency	EUR
Share class currency	EUR
Management company	Van Lanschot Kempen Investment Management NV
Depository and custodian	BNP Paribas, Luxembourg Branch
Morningstar rating™	★★★★
Morningstar Analyst rating	null

Tradability

Minimum subscription	Initial subscription €1
Listed	no
Subscription/Redemption Frequency	Daily
ISIN	LU0927664382

Fund Characteristics Per 2023-12-31

	Fund	Benchmark
Number of holdings	374	3736
Duration	4.6	4.5
Yield to maturity	3.6%	3.5%
Weighted rating	A-	A-

Ongoing Charges

Management fee	0.32%
Service fee	0.10%
Taxe d'abonnement	+ 0.05%
Expected ongoing charges	0.47%
Ongoing charges last financial year	0.47%

The ongoing charges figure of the last financial year relates to 2022/2023.

Dividends

Last dividend	EUR 0.48
Ex-date last dividend	2023-07-14
Number of distributions per year	2
Dividend calendar	Open the calendar



Performance

Performance Per 2023-12-31

	Fund	Benchmark
1 month	2.7%	2.8%
3 months	5.7%	5.6%
This year	8.3%	8.2%
2022	-13.6%	-14.2%
2021	-1.2%	-1.1%
2020	3.8%	2.7%
1 year (on annual basis)	8.3%	8.2%
3 years (on annual basis)	-2.6%	-2.8%
5 years (on annual basis)	0.5%	0.1%
Since inception (on annual basis)	3.7%	2.9%

On 8 October 2013, the rebate free class (BN) of Kempen (Lux) Euro Credit Fund was launched. The results shown of the period 20 June 2013 until 8 October 2013 are those of class A of the same fund. The higher management fee of Class A has had an impact on the performance quoted. On 20 June 2013, Kempen Euro Credit Fund (KECF) was merged with Kempen (Lux) Euro Credit Fund. Up to 30 January 2012 (start of the Fund's A class) the performance graph and performance table show the performance of KECF, for the period January 2012 till June 2013 the results of class A of Kempen (Lux) Euro Credit Fund are shown. The average annual TER for the period of April 2008 till June 2013 is 0.91%. Performance is shown after deduction of ongoing charges and including the reinvestment of dividend that has been paid out. The value of your investments may fluctuate. Past performance provides no guarantee for the future.

Performance Since Inception Per 2023-12-31 (Rebased)



- Kempen (Lux) Euro Credit Fund BN
- Markit iBoxx Euro Corporates Index

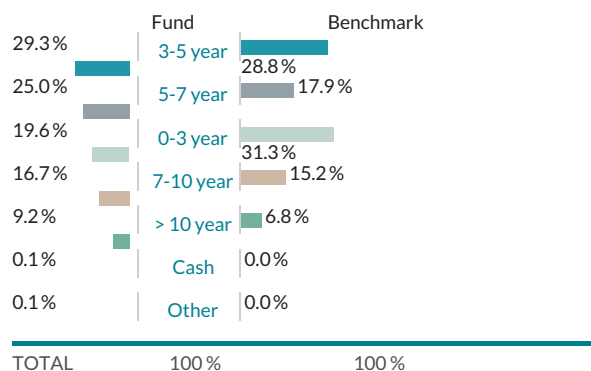
Risk Analysis (Ex Post) Per 2023-12-31

	3 Years	Since Inception
Tracking error	0.34%	0.75%
Volatility	0.06	0.05
Volatility benchmark	0.06	0.05

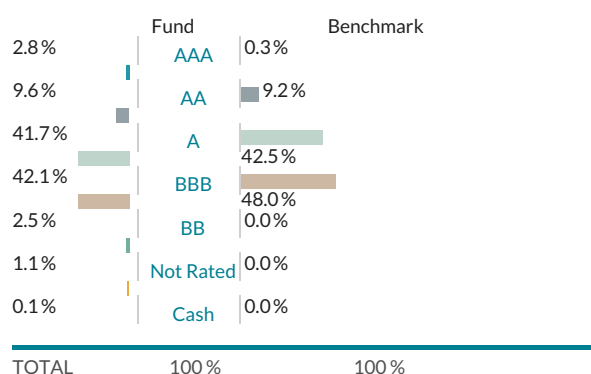


Portfolio

Maturity Profile (2023-12-31)

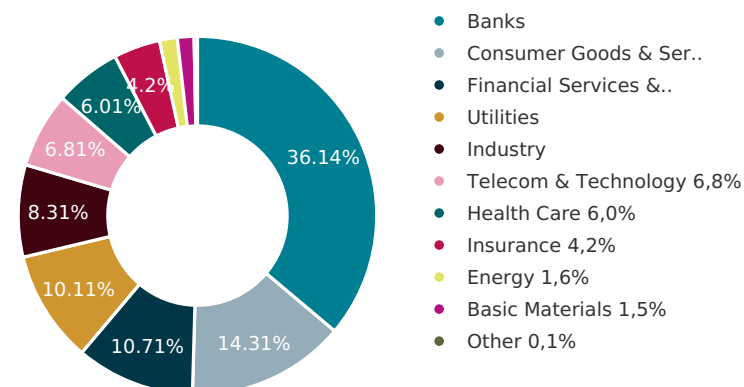


Rating Allocation (2023-12-31)



The rating allocation of the Fund is based on the Bloomberg Composite method. The rating allocation of the benchmark is based on the rating allocation used by provider Markit iBoxx.

Sector Allocation (2023-12-31)



The cash position is included in 'Other'.



Developments Per 2023-12-31

In December, the spread of the iBoxx Euro Corporates Index decreased by 7 basis point to a level of 89 basis points over the swap curve. This is equivalent to approximately 135 basis points over the government bond curve. The index earned a total return of +2.77%. German 10-year government bond yields closed December at +2.02%, representing a decrease of 42 basis points compared to the end of November 2023. The index yield at the end of the month amounted to 3.5%.

After a significant rally in almost all asset classes in November, the market was looking for an additional catalyst to continue the move. The FOMC dot plot projections predicting rate cuts in 2024 supported the rally into year end. In the US the 2, 5 and 10 year yield declined by approximately 50 bps as market participants priced in even more rate cuts. Yields in Europe have followed with the German 10 year government bond yield declining by 42 bps.

During the last FOMC meeting the Fed's chair noted that there had been enough progress on inflation and rates are 'well' within restrictive territory. As expected the rate range remained unchanged at 5.25-5.5%. However, what came as a surprise was the Summary of Economic Projections (SEP) with the FOMC indicating a potential three 25bps rate cuts in 2024 and further rate cuts in 2025. This came on the back of the downward revisions to the core PCE inflation projections with 2023 amended down to 3.2% from 3.7%. For 2024 and 2025 the expectations are around 2.4% and 2.2%, respectively. Market participants took it as a signal that the Fed no longer requires inflation to reach 2% before starting with rate cuts. This was definitely a positive surprise fueling the year-end rally.

On the economic front a strong labour market and cooling inflation were supportive for 3rd quarter US GDP (4.9%) growth. Wages increased YoY and the unemployment rate declined to 3.7% from 3.8% in October. Headline inflation declined to 3.1% YoY from 3.2%, but core inflation remained unchanged at 4%. However leading indicators, especially on the manufacturing side of the economy are still pointing to an economic slowdown. The manufacturing PMI declined to 47.9 from 48.2, and the Services PMI increased 0.1 to 51.4.

In the meantime European PMIs continue to be weak. The December Flash Eurozone Composite PMI print surprised to the downside (falling 0.6pt to 47.0) compared to a slight recovery recorded in November. Also the Services PMI declined by 0.6pt to 48.1 compared to the month of November and the manufacturing PMI remained unchanged at 44.2. A decline in the manufacturing output by 0.5pt to 44.1 illustrated further production weakness. In the Euro area Germany (46.7) and France (43.7) were leading the PMI decline, down by 1.1 and 0.9 respectively. November CPI showed a further 0.5% decline YoY to 2.4%, while the core remained unchanged YoY at 3.6%.

Unlike the Fed's chair, the ECB's president Lagarde was not dovish during the meeting and rate cuts were not even discussed. The ECB kept rates unchanged and announced a tapering of the PEPP reinvestments for 2H24. At the same time, Lagarde highlighted that the ECB didn't want to 'hang on for too long' to the high rates, with new macroeconomic projections showing faster moderation of headline inflation. The ECB now expects Euro area inflation to average 2.7/2.1/1.9% y/y in 2024/25/26, a downward revision from September expectations. This is a result of the lower energy prices. Core inflation is projected to average 2.7/2.3/2.1% y/y in 2024/25/26.

The macro data from China was mixed last month. The deflationary environment was stronger than expected, with CPI falling 0.5% YoY. Retail sales have increased by 10.1% YoY, but this was still 2.5% below expectations. On the other hand both Caixin China Manufacturing (50.7) and Services (51.5) PMIs were better than expected and saw about a one point increase.

Gross new issuance this month slowed down as expected, with gross supply of €9.8bn, of which €6.6bn were in Financials and €3.2bn in Corporates. The net issuance in Europe was negative €16.0bn. New deal issuance decelerated from the second week of the month. However flows into the asset class continued until the end of the year as investors continued to position for a soft landing and central bank pivot. The flows into the asset class have reached around €3.1bn in December, with roughly one third coming from ETFs. The overall YTD inflows are estimated at about €12.4bn.

The portfolio returned +2.81% (gross) this month. This was 4 basis points above the benchmark return of +2.77%. During the month, the portfolio's sensitivity to market trends varied between 101% and 104% in beta terms. We have increased our beta position further from the November levels as the technicals continued to be very strong. The portfolio however remains underweight spread duration, mainly at the longer end of the credit spectrum where we view credit curves still too flat, and continues to have an underweight in BBBs, a reflection of tight valuations at issuer level given economic and market uncertainty.

Our sector positioning in Utilities, Real Estate and Technology had a positive contribution. Our positioning in Banks, Personal & Household Goods and Financial Services sectors had a negative contribution to the relative performance. Additionally, our defensive position in covered and agencies bonds had a negative performance contribution. On an individual issuer level, the strategy saw a positive contribution from our overweight in P3 Group, Roche, Volkswagen, Akelius, McDonald's and Mundys. Our overweight in LVMH, VF Corporation and Morgan Stanley and our underweight in EON, Unibail-Rodamco and Credit Mutuel had a negative impact on performance.

During the month of December, we have participated in new issues of Stryker and a green bond from ASR Nederland.

Outlook

On an index level credit spreads have declined again from decent levels to more neutral levels. We have entered 2024 from a slightly cautious position. In beta terms we are neutral to marginally overweight, while maintaining our credit spread underweight at the long end of the curve and our underweight at the low end of the investment grade universe. We expect the European macro-economic environment to remain slightly weak and expect weakening in the US economy over the coming months. In our view the ECB and the FED are done hiking rates, but we expect the first rate cut to be later than what is priced in by the market.

Depending on market circumstances, we can act quickly to adjust our risk position. The technical picture is likely to be negative in January, with many issuers expected to frontload their 2024 issuance to take advantage of the lower absolute yields. We do however expect that appetite for credit would be solid in a weakening macro-economic environment. The biggest risk we see at the moment is a hiccup in the downward inflation trajectory. This would push spreads wider.



Sustainability-related disclosures

No Sustainable Investment Objective

The Kempen (Lux) Euro Credit Fund ("the Fund") falls under the scope of article 8 of the SFDR, indicating the fund promotes environmental and/or social characteristics. The fund does not have sustainable investment as its objective.

The Fund excludes companies through the application of strict exclusion criteria. These take into account international standards, such as the UN Global Compact framework, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights, and our Principles for Responsible Investment commitments. The Fund applies additional exclusion criteria based on product involvement and business conduct.

Environmental Or Social Characteristics Of The Financial Product

The Fund promotes environmental characteristics related to:

- Climate change mitigation and climate change adaptation in line with the Paris Climate Agreement;
- The protection of biodiversity and ecosystems;
- The transition to a circular economy.

The Fund promotes social characteristics related to:

- Decent work;
- Adequate living standards and wellbeing for end-users;
- Other social topics such as gender equality and broader diversity matters.

The environmental characteristics promoted by the Fund seek to contribute to the achievement of the climate goals of the Paris Agreement and the National Climate Agreement of the Netherlands ('Klimaatakkoord'). This decarbonization pathway encompasses short-term (2025) objectives, a mid-term (2030) ambition and a long-term commitment to be net zero by 2050. Although there has been no index designated as a reference benchmark, by 2025 the Fund aims to have a carbon intensity that is below the 7% reduction pathway. This pathway assumes a carbon intensity that is lower than iBoxx Euro Corporates Index (the "Benchmark") in 2019 with a subsequent 7% annual reduction.

Investment Strategy

The Fund aims to generate a long-term return in excess of the Markit iBoxx Euro Corporates Index (the "Benchmark"), comprising capital growth and income. The Fund complies with strict exclusion and sustainability criteria. Our ESG-policy, described in the ESG Policy & Process document, is aimed at the promotion of environmental and/or social characteristics. This ESG policy is implemented in our strategy's investment process across four pillars: Exclusion, ESG Integration, Active ownership and Positive impact.

Before and after selecting the asset, we apply adequate (ESG) due diligence measures. This can help to enhance long-term risk adjusted returns for investors, in accordance with the investment objectives of the Fund. We look at each company on a case-by-case basis, taking into account both material risks in a given industry and the company's respective risk exposure, practices and disclosure. This includes:

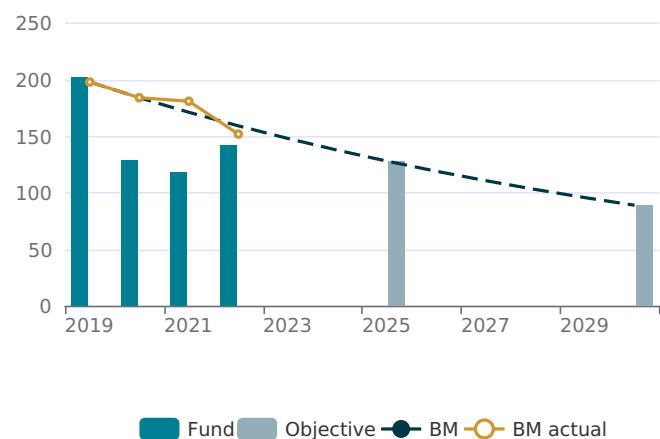
- an assessment of good governance practices. The investee companies are rated for governance aspects using external research and internal assessments.
- the company's exposure to past controversies and future ESG opportunities

Based on fundamental ESG analysis we form an opinion on the quality of a company's ESG profile and award a score (1-5).

Key Figures

	Kempen Criteria	Additional Criteria
Business conduct		
Human Rights		
Labour		
Environment		
Anti Corruption		
Product involvement		
Controversial Weapons		
Tobacco		
Thermal Coal		
Tar Sands		
Adult Entertainment		
Alcohol		
Animal Welfare & GMO		
Gambling		
Power Generation Nuclear		
Power Generation Carbon Intensive		
(Un)conventional Oil & Gas Extraction		
Weaponry		

Fund Carbon Emission Targets



Morningstar Sustainability Rating



Limitations To Methodologies And Data

Externally provided ESG data is far from perfect. Therefore we conduct rigorous due diligence of the data used in our ESG processes to ensure the limitations will not affect the environmental and social characteristics. To ensure data quality we regularly engage with portfolio companies and third party vendors. Limitations include, but are not limited to discrepancies between company reported data and data provided by third parties, inconsistencies across data vendors, market cap bias and modelling assumptions.

Proportion Of Investments

Information about the proportion of investments with environmental or social characteristics is available in the annex II of this product.

Monitoring Of Environmental Or Social Characteristics

The holdings are screened quarterly for compliance with Kempen's ESG criteria. The screening process allows Kempen to monitor the ESG performance of all companies in the fund. It also encourages engagement on potential issues identified. Furthermore, the results of the screening feeds into quarterly challenging sessions between ESG specialists and portfolio managers. These sessions are used to assess whether ESG risks and opportunities are sufficiently reflected in the investment decision making process of Kempen.

Methodologies

Principal Adverse Impact Indicators are monitored at individual holding level and at the portfolio level.

Kempen ESG Score serves as input throughout the investment process (exclusion, integration in the valuation models, engagement). Scores are based on 21 ESG risk factors, which are selected based on their materiality per industry.

Carbon emission intensity is used as the key carbon metric. We calculate carbon intensity based on revenues (weighted average carbon intensity), which we use for our commitment, ambition and objectives.

EU Taxonomy alignment is measured by turnover, for which we use a combination of actual data from investee companies and estimates on EU Taxonomy alignment made by a third party provider.

Engagement Milestones are used in order to measure engagement success. All engagement contacts are recorded and classified: Milestone 1 (company is informed), Milestone 2 (company acknowledges request), Milestone 3 (company commits to improve), up until Milestone 4 (proof of improvement).

Due Diligence

Before a company is invested in, Portfolio Managers perform a due diligence on potential ESG risks and principal adverse impact indicators, opportunities, as well as potential past controversies. ESG due diligence is integrated in the different stages of the investment process (screening of the investable universe, fundamental research & portfolio management). ESG specialists challenge the portfolio managers on the implementation of the ESG process on a quarterly basis.

Data Sources And Processing

External data providers include (but are not limited to)

- Institutional Shareholder Services (ISS), used for proxy voting, governance research, carbon data and Sustainable Development Goals data;
- MSCI ESG Research: used for company ESG Ratings, product involvement data, principal adverse indicators and to assess the degree to which the investments are in environmentally sustainable economic activities under the EU Taxonomy, measured by turnover;
- Sustainalytics: used for ESG Risk Ratings and product involvement data.

Internal as well as external data is collected and processed in several data analytics (including FactSet, PowerBI, Tableau) and internal compliance systems (including ThinkFolio).

Kempen (Lux) Euro Credit 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. Van Lanschot Kempen Investment Management NV is the management company of the Fund. Van Lanschot Kempen Investment Management NV 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 Information 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 60, avenue J.F. Kennedy, L-1855, Luxembourg, at the offices of the representative in Switzerland and on the website of Van Lanschot Kempen Investment Management NV (www.vanlanschotkempen.com/investment-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.