

MeDirect

QUARTERLY REPORT

October - December 2019



We wish you a happy investment year 2020 !



Philippe Delva
CEO MeDirect

For several years now, interest rates on the savings accounts have been low due to the economic context and measurements taken by the central bank. In search for a potential higher return, it is opportune to look for investments on the long term! As discussed in a previous report, economic research proves that it is

better to invest periodically on the long term rather than trying to time the markets by buying and selling on key moments. This is exactly the aim of your investment portfolio "Fully Managed", formerly "wealth management".

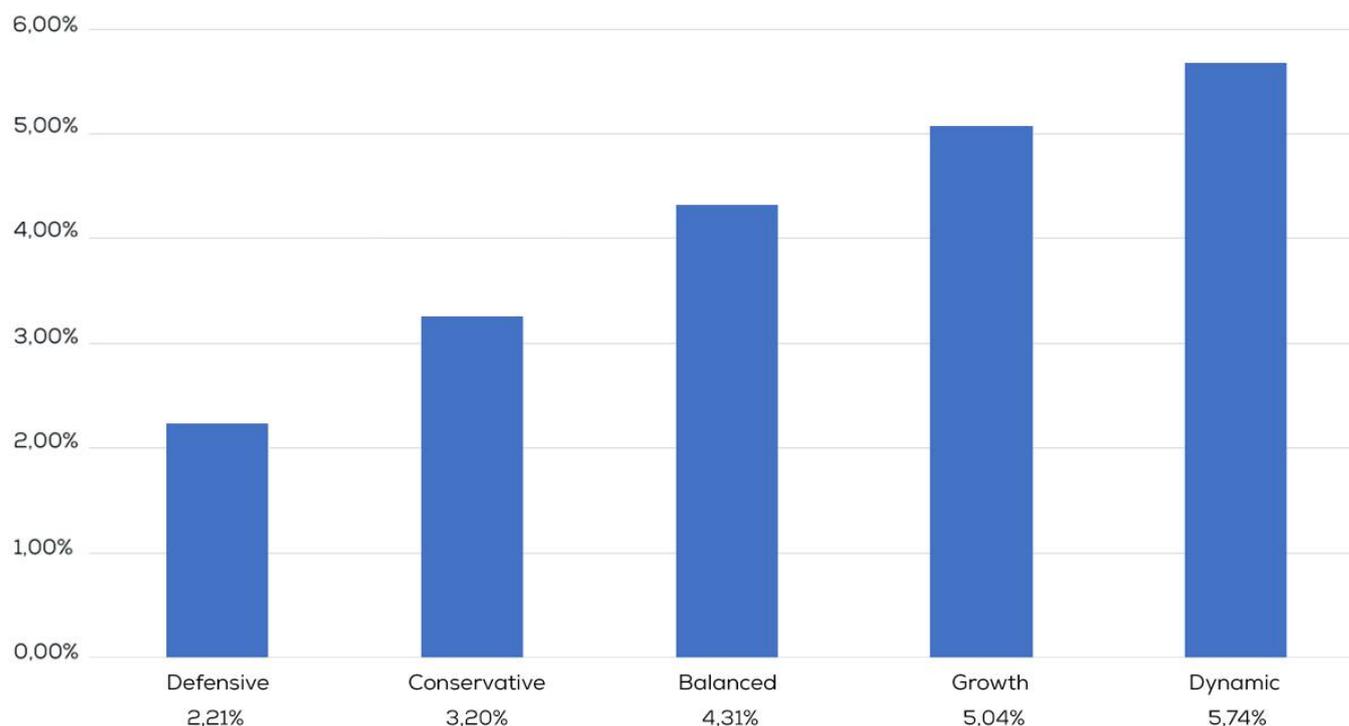
MeDirect, the bank specialised in mutual funds, continues to innovate and offers attractive products to all customers to encourage savings and investments. With the low interest rates at the main banks and the inflation, you can no longer afford to let your money sleep under your mattress! (not sure of this saying in English though)

The recently launched savings account "Monthly Savings Max", offers you a better return and allows to save at your own pace, up to 500 euro per month.

For several years now, sustainability and environment have been at the heart of citizens' concerns. Many efforts are being made by the financial industry to help save the planet. It is in this context that we offer a wide range of sustainable funds on our platform and that we have launched the new sustainable investment portfolio "MeGreen". This portfolio allows you to invest in 5 mutual funds selected in collaboration with NN Investment partners, recognised for its expertise in the field of sustainable investments, in just one click and without entry or exit fees.

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Chart: Returns over 5 years from 30/09/2014 to 31/12/2019


* Les rendements ci-dessus mentionnent les rendements bruts (hors frais de gestion et taxes éventuelles) du 30/09/2014 au 31/12/2019. Les résultats obtenus dans le passé ne présagent évidemment pas des performances futures, mais donnent une idée de la qualité des portefeuilles.

Performance MeDirect Portfolios fourth quarter 2019

In the fourth quarter, our MeDirect Online Wealth Management delivered returns between -0,10% for the Defensive profile and +4,30% for the Dynamic profile.

| Start date End date | 1-Oct-19 31-Dec-19 | Benchmark performances 1-Oct-19 until 31-Dec-19 |
|------------------------|-----------------------|--|
| Defensive | -0,10% | -1,30% |
| Conservative | +0,70% | -0,60% |
| Balanced | +2,00% | +0,90% |
| Growth | +3,30% | +2,40% |
| Dynamic | +4,30% | +4,00% |

The above returns indicate the gross returns (excluding management fee (0,90% and possible taxes) from 01/10/2019 - 31/12/2019.

General remarks:

Shares rallied in late 2019 to cement a strong year of gains across major equity markets around the world. Looking back over one of the stronger years on record, the common catalyst was the influence of central banks, whose support came in response to sluggish growth (both economically and in terms of corporate profitability). That said, counter to earlier signals, the global economy proved more resilient than many expected as the year wound to a close. This coupled with trade fears subsiding and greater clarity regarding a potential Brexit outcome (following Boris Johnson's convincing victory in the U.K. election), sent shares to record highs in many parts of the world.

All equity sectors gained ground, but energy was relatively weak as concerns around oil oversupply tempered gains and healthcare took some heat amid political developments. Booming technology stocks and the internet-oriented names in the communications-services sector underpinned the "growth" style's outperformance of "value" through 2019. Regarding size, larger companies dominated smaller equivalents over the last three quarters of the year, partly buoyed by bigger global weights in technology and financials. Turning to bonds, the Federal Reserve's policy reversal (that has given investors a renewed confidence in the "lower for longer" interest rate outlook) drove strong returns across fixed income markets through 2019, although this ran out of steam as the year came to an end. The broad message was clear, however, with central bank easing, low defaults and manageable inflation expectations helping bond investors. Even the riskier corners of the bond market did well, with high yield bonds and emerging markets debt delivering double-digit gains.

We should not underestimate the significance of the 2019 rally—with both shares and bonds rising quite substantially, fuelling strong portfolio returns. Upon reflection, however, it only seems right to call 2019 the year of contrast. On the one hand, it was a great year for investors. Double-digit returns in share markets will usually put a smile on most faces. But on the other, we've endured one of the more unpredictable periods in history, with low interest rates, heightened geopolitical uncertainty and stretching asset prices dominating question time. Indeed, these returns have been achieved with very little regard for risk.

The Defensive Portfolio

Asset allocation

Portfolio date: 31/12/2019



| | % |
|----------|--------|
| ● Equity | 8.00 |
| ● Bonds | 60.00 |
| ● Cash | 24.00 |
| ● Others | 8.00 |
| Total | 100.00 |

The Defensive portfolio returned -0.1% over the three months to the end of December 2019, outperforming its custom benchmark by 1.2%.

In terms of fund performance, positive returns came from the equity component of the portfolio. *Invesco Pan European Structured Equity* returned 4.4% on an absolute basis but underperformed its benchmark by 1.3% due to the fund's lower beta and more defensive positioning. Similarly, *Man GLG Japan Core Alpha* rose 4.5% but also underperformed its benchmarks due to detrimental stock selection within the Consumer Defensive sector.

Over the quarter, rising yields were detrimental to the fixed income portion of the portfolio. However, on a relative basis, it benefited from its underexposure to duration and hence its lower interest rate sensitivity compared to its benchmark. *Vanguard US Government bond* fell 1.6% due to the rise of US sovereign yields. Similarly, the Euro government bond portion of the portfolio was slightly negative with *BGF Euro Bond* and *Vanguard Eurozone Inflation Linked Bond Index* returning -2.0% and -1.5% on an absolute basis. Positive contribution came from the emerging market holdings as both *Investec GSF EM Local Currency Dynamic Debt* and *Neuberger Berman EM Debt Hard Currency* returned 2.2% over the quarter. *Legg Mason BW Global fixed Income* rose 3.2% and outperformed its benchmark as it benefited from its bias towards emerging market debt.

Relative basis, it benefited from its underexposure to duration and hence its lower interest rate sensitivity compared to its benchmark. *Vanguard US Government bond* fell 1.6% due to the rise of US sovereign yields. Similarly, the *Euro government bond* portion of the portfolio was slightly negative with *BGF Euro Bond* and *Vanguard Eurozone Inflation Linked Bond Index* returning -2.0% and -1.5% on an absolute basis. Positive contribution came from the emerging market holdings as both *Investec GSF EM Local Currency Dynamic Debt* and *Neuberger Berman EM Debt Hard Currency* returned 2.2% over the quarter. *Legg Mason BW Global fixed Income* rose 3.2% and outperformed its benchmark as it benefited from its bias towards emerging market debt.

The Conservative Portfolio

Asset allocation

Portfolio date: 31/12/2019



| | % |
|----------|--------|
| ● Equity | 19,00 |
| ● Bonds | 54,00 |
| ● Cash | 20,00 |
| ● Others | 7,00 |
| Total | 100,00 |

The Conservative portfolio returned 0.7% over the three months to the end of December 2019, outperforming its custom benchmark by 1.3%.

In terms of fund performance, positive returns came from the equity component of the portfolio. *Dodge & Cox Worldwide US Stock* was the top performer returning 7.1% over the quarter outperforming its benchmark by 1.1% thanks to an overweight position in financials and healthcare. *Man GLG Japan Core Alpha* and *Comgest Growth Emerging Markets* gained 4.5% and 5.4% on an absolute basis. Finally, *Invesco Pan European Structured Equity* generated a very healthy return of 4.4%. The fund was slightly behind its benchmark return due to its more defensive positioning and lower beta.

Over the quarter, rising yields were detrimental to the fixed income portion of the portfolio. However, it benefited from its lower duration and therefore was less impacted by interest rate rises compared to its benchmark. *Vanguard US Government bond* fell 1.6% due to the rise of US sovereign yields. Similarly, the Euro government bond portion of the portfolio was slightly negative with *BGF Euro Bond* and *Vanguard Eurozone Inflation Linked Bond Index* returning -2.0% and -1.5% on an absolute basis. Positive contribution came from the emerging market holdings as both *Investec GSF EM Local Currency Dynamic Debt* and *Neuberger Berman EM Debt Hard Currency* returned 2.2% over the quarter. *Legg Mason BW Global fixed Income* rose 3.2% and outperformed its benchmark as it benefited from its bias towards emerging market debt.

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The Balanced Portfolio

Asset allocation

Portfolio date: 31/12/2019



| | % |
|----------|--------|
| ● Equity | 38,00 |
| ● Bonds | 42,00 |
| ● Cash | 15,00 |
| ● Others | 5,00 |
| Total | 100,00 |

The Balanced portfolio returned 2.0% over the three months to the end of December 2019, outperforming its custom benchmark by 1.1%.

In terms of fund performance, positive returns came from the equity component of the portfolio. *Threadneedle (Lux) UK Equity Income* was the top performer returning 11.1% over the quarter and outperforming its benchmark by 2.4% mainly due to the overweight to industrials. *BGF Euro Markets* (+6.2%) outperformed Eurozone equities by 1.1% thanks to good stock selection. *Dodge & Cox Worldwide US Stock* returned 7.1% and outperformed S&P 500 by 1.1% thanks to an overweight to financials and healthcare. *Man GLG Japan Core Alpha* and *Comgest Growth Emerging Markets* gained 4.5% and 5.4%. Finally, *Invesco Pan European Structured Equity* generated a very healthy return of 4.4%. The fund was slightly behind its benchmark return due to its more defensive positioning and lower beta.

The fixed income portion of the portfolio was impacted by rising yield environment. However, the portfolio did better than the fixed income portion of its benchmark as it had a lower duration and hence was less sensitive to changes in interest rates. *Vanguard US Government bond* fell 1.6% as US sovereign yields rose. Similarly, the *Euro government bond* portion of the portfolio was slightly negative: *BGF Euro Bond* and *Vanguard Eurozone Inflation Linked Bond Index* returned -2.0% and -1.5% respectively. On the other hand, positive

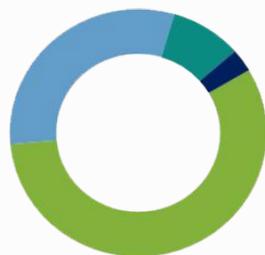
contribution came from the holdings in emerging market debt: *Investec GSF EM Local Currency Dynamic Debt* and *Neuberger Berman EM Debt Hard Currency* both returned 2.2% over the quarter. *Legg Mason BW Global fixed Income* rose 3.2% and outperformed its benchmark as it benefited by its bias towards emerging market debt. positioning and lower beta.

The fixed income portion of the portfolio was impacted by rising yield environment. However, the portfolio did better than the fixed income portion of its benchmark as it had a lower duration and hence was less sensitive to changes in interest rates. *Vanguard US Government bond* fell 1.6% as US sovereign yields rose. Similarly, the Euro government bond portion of the portfolio was slightly negative: *BGF Euro Bond* and *Vanguard Eurozone Inflation Linked Bond Index* returned -2.0% and -1.5% respectively. On the other hand, positive contribution came from the holdings in emerging market debt: *Investec GSF EM Local Currency Dynamic Debt* and *Neuberger Berman EM Debt Hard Currency* both returned 2.2% over the quarter. *Legg Mason BW Global fixed Income* rose 3.2% and outperformed its benchmark as it benefited by its bias towards emerging market debt.

The Growth Portfolio

Asset allocation

Portfolio date: 31/12/2019



| | % |
|----------|--------|
| ● Equity | 57,00 |
| ● Bonds | 31,00 |
| ● Cash | 9,00 |
| ● Others | 3,00 |
| Total | 100,00 |

The Growth portfolio returned 3.3% over the three months to the end of December 2019, outperforming its custom benchmark by 0.9%.

In terms of fund performance, positive returns came from the equity component of the portfolio. *Threadneedle (Lux) UK Equity Income* was the top performer returning 11.1% over the quarter outperforming its benchmark by 2.4% mainly thanks to its overweight exposure to industrials. *BGF Euro Markets* (+6.2%) outperformed Eurozone equities by 1.1% as a result of positive stock selection. *Dodge & Cox Worldwide US Stock* returned 7.1% and outperformed S&P 500 by 1.1% - both its overweight to financials and healthcare were beneficial. *Man GLG Japan Core Alpha* and *Comgest Growth Emerging Markets* contributed positively over the quarter rising by 4.5% and 5.4% respectively. Finally, *Invesco Pan European Structured Equity* generated a very healthy return of 4.4%. The fund was slightly behind its benchmark performance due to its more defensive positioning and lower beta.

The fixed income portion of the portfolio was impacted by rising yield environment. However, the portfolio did better than the fixed income portion of its benchmark as it had a lower duration and hence was less sensitive to changes in interest rates. Vanguard US Government bond fell 1.6% due to the rise of US sovereign yields. Similarly, the Euro government bond portion of the portfolio negatively contributed with BGF Euro Bond returning -2.0%. On the other hand, positive

contribution came from the holdings in emerging market debt: Investec GSF EM Local Currency Dynamic Debt and Neuberger Berman EM Debt Hard Currency both returned 2.2% over the quarter. Legg Mason BW Global fixed Income rose 3.2% and outperformed its benchmark as it benefited by its bias towards emerging market debt.

The Dynamic Portfolio

Asset allocation

Portfolio date: 31/12/2019



| | % |
|----------|--------|
| ● Equity | 76,00 |
| ● Bonds | 17,00 |
| ● Cash | 7,00 |
| ● Others | 0,00 |
| Total | 100,00 |

The Dynamic portfolio returned 4.3% over the three months to the end of December 2019, outperforming its custom benchmark by 0.3%.

In terms of fund performance, positive returns came from the equity component of the portfolio. *Threadneedle (Lux) UK Equity Income* was the top performer returning 11.1% over the quarter outperforming its benchmark by 2.4% mainly thanks to its overweight exposure to industrials. *BGF Euro Markets (+6.2%)* outperformed Eurozone equities by 1.1% as a result of positive stock selection. *Dodge & Cox Worldwide US Stock* returned 7.1% and outperformed S&P 500 by 1.1% - both its overweight to financials and healthcare were beneficial. *Man GLG Japan Core Alpha* and *Comgest Growth Emerging Markets* contributed positively over the quarter rising by 4.5% and 5.4% respectively. Finally, *Invesco Pan European Structured Equity* generated a very healthy return of 4.4%. The fund was slightly behind its benchmark performance due to its more defensive positioning and lower beta.

The fixed income portion of the portfolio was impacted by rising yield environment. However, the portfolio did better than the fixed income portion of its benchmark as it had a lower duration and hence was less sensitive to changes in interest rates. *Vanguard US Government* bond fell 1.6% due to the rise of US sovereign yields. Similarly, the Euro government bond portion of the portfolio negatively contributed with *BGF Euro*

Bond returning -2.0%. On the other hand, positive contribution came from the holdings in emerging market debt: *Investec GSF EM Local Currency Dynamic Debt* and *Neuberger Berman EM Debt Hard Currency* both returned 2.2% over the quarter. *Legg Mason BW Global fixed Income* rose 3.2% and outperformed its benchmark as it benefited by its bias towards emerging market debt.

On the page 11 of this quarterly report you will find an overview of all funds and links to the corresponding fund reports on the website.

The above rates indicate the gross returns (excluding management fees and possible taxes). MeDirect doesn't charge exit- entry or redemption fees. Management fees, administrative fees and other costs taken out of the fund assets have been taken into account, but are already included in the NAV that is calculated by the fund management groups of the underlying funds, and supplied to MeDirect by Morningstar. Funds or ICB's are mutual investments, depending on the investment objective of the ICB. An ICB can invest in stock, fixed income products or property or in a combination of these categories (source: Morningstare.be). The value of these ICB's can fluctuate and the capital is not guaranteed. You must read the KIID and prospectus available on www.medirect.be/mutual-funds/search. Investing in Financial markets and securities involves risk. Past performance is not a guarantee of future results. Investment losses may occur and investors could lose some of their investments in the Fund. The division of Morningstar which supplies the asset allocation, risk tolerance questionnaire and fund selection for the MeDirect Wealth Management solution is Morningstar Investment Management Europe. The following rates of withholding will apply to amounts received in respect of investments in funds: 30% withholding on dividend payments and 30% withholding on capital gains from disposal of units in funds that invest more than 10% of their net asset value in debt securities. Capital gains on such funds will be calculated based on (A) the difference between (i) the net asset value of the units on the date of sale and (ii) the net asset value of such units on the date of purchase multiplied by (B) the percentage of assets of such fund invested in debt securities (asset test).

Historical performance over one, three, five and 10 years

The MeDirect Wealth Management portfolios are designed as medium to long-term investments. By holding the portfolios for the long-term, it helps to avoid price fluctuations that can influence your returns in the short term. Below you can find the returns of our five portfolios (defensive to dynamic).

| | 1 year | 3 year | 5 year | 10 year |
|------------------------|------------------|------------------|------------------|------------------|
| <i>Start date</i> | <i>1-Jan-19</i> | <i>1-Jan-17</i> | <i>1-Jan-15</i> | <i>1-Jan-10</i> |
| <i>End date</i> | <i>31-Dec-19</i> | <i>31-Dec-19</i> | <i>31-Dec-19</i> | <i>31-Dec-19</i> |
| Defensive | 5,06% | 1,82% | 2,21% | 4,50% |
| Benchmark defensive | 7,44% | 2,61% | 2,86% | 4,36% |
| Conservative | 7,29% | 2,66% | 3,20% | 5,74% |
| Benchmark conservative | 9,93% | 3,69% | 4,15% | 5,77% |
| Balanced | 11,20% | 3,54% | 4,31% | 7,16% |
| Benchmark balanced | 14,61% | 5,17% | 5,61% | 7,30% |
| Growth | 15,02% | 4,48% | 5,04% | 8,01% |
| Benchmark growth | 19,44% | 6,67% | 6,86% | 8,44% |
| Dynamic | 18,18% | 5,43% | 5,74% | 8,66% |
| Benchmark dynamic | 23,97% | 7,96% | 7,93% | 9,46% |

MeDirect Portfolios Performance

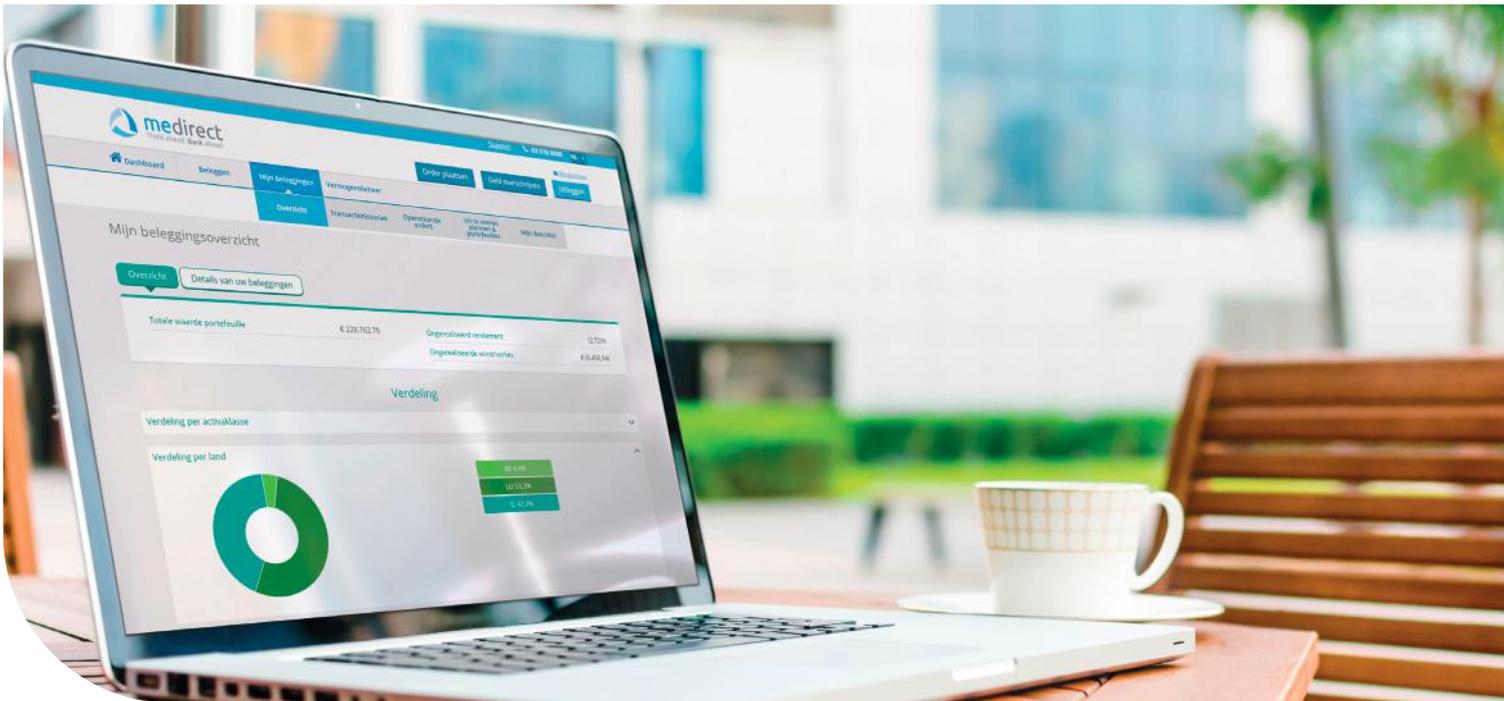
The performance shown is the annualised total return. The MeDirect Portfolios were constructed on 31-03-2014. The performance shown before this date is based on back tested data and is calculated using the weighted average of the current funds in the portfolio (as of 31-03-2014) going back one, three, five and 10 years; for those funds with a shorter history than this, an index was used to complete the annualized return. Fund weights were rebalanced back to their target every quarter. The asset allocation remains static throughout the simulated back test. The

returns are gross of fees except the fees charged by the underlying fund managers. The performance is provided for illustrative purposes only and should not be viewed as actual portfolio results. Past performance is not a guarantee of future results. For the composition of each Custom Benchmark, please visit <https://www.medirect.be/wealth-management/performance-record>

Overview of funds and weightings in the portfolio on 31/12/2019

This content is reserved for customers of MeDirect Wealth Management. Not a customer yet? Do not hesitate to make a simulation on the website and discover your personalised investor profile.

Clear reporting and follow your Portfolio 24/7 online



You don't have to wait for the digital quarterly report. You can always access the most recent details of your Portfolio on our online platform, whenever it suits you. 24 hours a day, 7 days a week. You'll find detailed information such as the composition and the total returns of your portfolio, but also the returns and details of each fund.



CONTACT US

Please contact us with any questions or comments you may have on MeDirect Online Wealth Management. You can reach us at 02 518 00 00 From Monday to Friday 09h00 - 20h00 and on Saturday from 09h00 - 14h00 or send an email via info@medirect.be

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