MeDirect

QUARTERLY REPORT

April- June 2021

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medirect
Think ahead. Bank ahead.

The economic recovery continues

Tim Rooney
CEO MeDirect

Dear clients,

In the previous discretionary report, we already mentioned a recovery in the first quarter that continued at the beginning of the second quarter. And this recovery did indeed continue throughout the second quarter.

The positive stock market climate came about thanks to the rapid roll-out of the vaccination campaign. Central banks also contributed to the recovery by not raising interest rates. Macroeconomic data also supported this trend. For example, the Eurozone PMI (purchasing managers' index) had its highest value since 2006, which is reflected in the confidence of purchasing managers. This is usually a good indicator for the future.

Compared to the first quarter, value and commodity shares are now showing strong results, as are the major tech companies.

This was also accompanied by rising inflation figures due to a robust recovery, increased consumption, and rising commodity prices. This has led some investors to fear that central banks would loosen policy, but so far, they have maintained high inflation rates, also reflecting a strong recovery.

Valuations have naturally risen due to this trend when we look back at the market with attention.
On the other hand, there are few alternatives and macroeconomic indicators still show potential. But periods of volatility cannot be ruled out.

With kind regards,

Tim Rooney
CEO MeDirect

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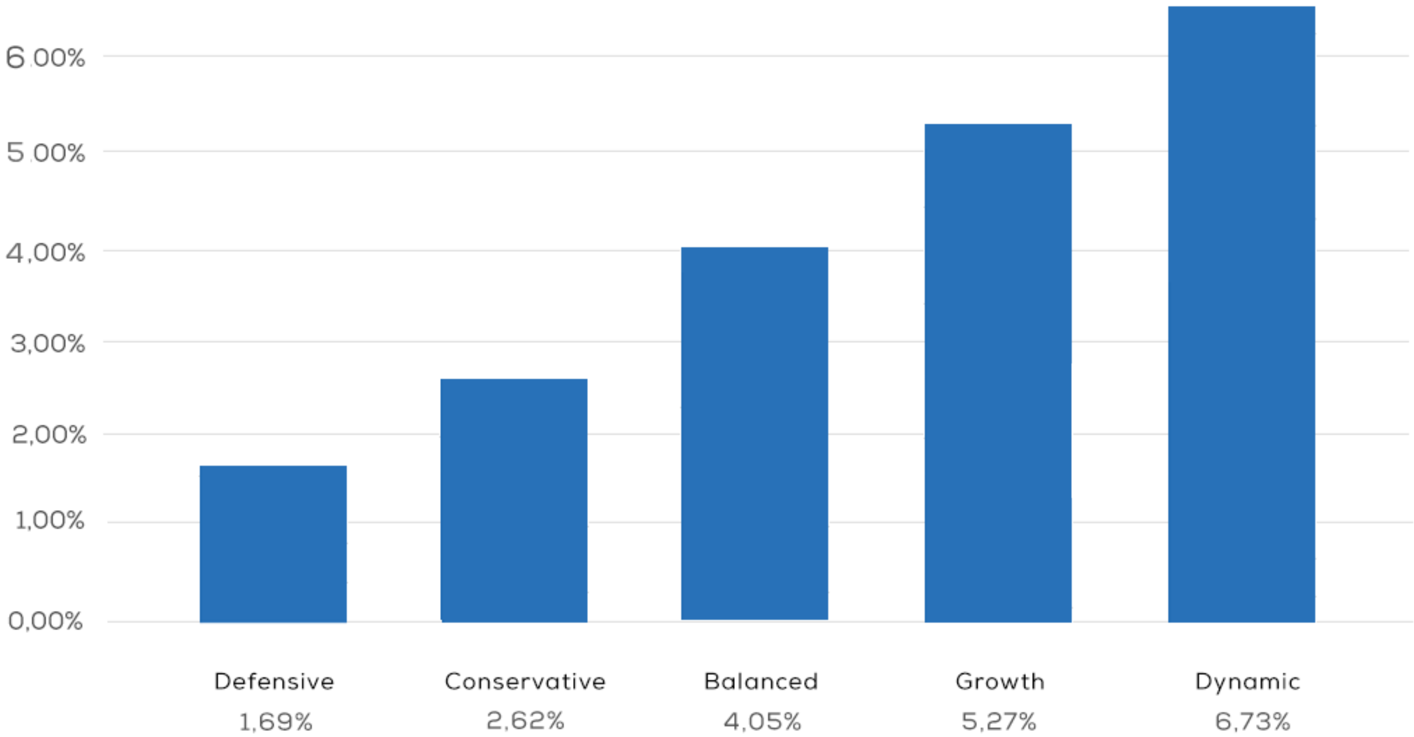
Chart: Returns over 5 years.



** The above returns refer to the gross returns (excluding management fees and any taxes) of the 01/07/2016 tot 30/06/2021. The results obtained in the past obviously do not predict future performance, but give an idea of the quality of the portfolios.*

Performance MeDirect Portfolios second quarter 2021

In the fsecond quarter, our MeDirect Online Wealth Management delivered returns between 0.87% for the Defensive profile and 3.94% for the Dynamic profile.

Start date End date	1-Apr-21 30-Jun-21	Benchmark performances 1-Apr-21 until 30-Jun-21
Defensive	**0.87%**	0.52%
Conservative	**1.56%**	1.17%
Balanced	**2.49%**	2.47%
Growth	**3.18%**	3.74%
Dynamic	**3.94%**	5.03%

The above returns indicate the gross returns (excluding management fee (0,90% and possible taxes) from 01/04/2021 - 30/06/2021.

Market commentary:

Stock and bond markets posted broad gains in the second quarter, and volatility ebbed, as investors navigated the cross-currents of a global economy emerging from the coronavirus pandemic.

Stocks in particular were driven by the dynamics of a recovering economy: the reality of higher inflation, a mixed picture on employment, and continued support from central banks. This shift came as the Federal Reserve indicated in June that it may raise rates somewhat sooner than expected, albeit not likely until 2023.

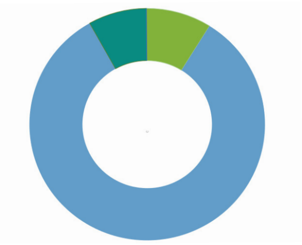
A wide divergence in sector performance during the first quarter narrowed in the second, with all but the utilities sector posting gains. By the end of the second quarter, one of the most dominant trends from late 2020 and the first quarter began to fade: the outperformance of cash-flow producing value stocks over popular growth stocks. Still, with central banks (and especially the Federal Reserve) still injecting enormous stimulus, markets weren't spooked. Some factors stayed constant from earlier developments: resurgent economic activity boosting the price of oil, and in turn, energy stocks.

In the bond market, following a rough first three months of 2021, where prices were hit by fears of rising inflation, investors returned in the second quarter. Updates from central banks influenced bond market participants, with a return of investor interest resulting in a reversal of some of their lost ground—with the U.S. faring better than European equivalents.

The currency market also saw increased volatility, with the U.S. dollar perking up in June after sharply declining for most of the quarter. The Fed's hinting at higher rates and a more aggressive stance on inflation was a telling development here.

The Defensive Portfolio

Portfolio date: 30/06/2021



	%
Equity	9.00
Bonds	83.00
Cash	8,00
Total	100,00

In the last quarter, the Defensive Portfolio performed 0,87% against the 0,52% benchmark.

Whilst global stocks broadly generated strong returns during the period, fixed income assets delivered mixed results. Within risk assets, US equities remained one of the largest contributors although European and UK stocks also did well. Both value and growth stocks had their moments of outperformance during the quarter, demonstrating the importance of a well-diversified equity blend. Japanese equities declined slightly as COVID cases spiked in the country. Meanwhile, growth stocks in emerging markets did poorly as the Chinese government became stricter towards local technology companies. Within fixed income, European government bonds fell as yields rose in the region. On the other hand, holdings of global bonds did well as US Treasuries regained their footing after falling in the first quarter as markets fretted over inflation. Emerging market local currency debt was the highest performing fixed income asset, as investors warmed to the asset class during the quarter.

Over the past 12 months, stocks are meaningfully higher, with some key markets hitting a new record high on the last day of the quarter. To really hammer home the post-pandemic rally, take U.S. stocks for example, which are up 97% from the 2020 low set on March 20, 2020. This is obviously good news for those with a higher risk tolerance who have enjoyed the high returns, but it has also seen the risk appetite and return expectations of many investors rise to worrying levels. Some investor surveys even suggest participants now expect 15%+ returns every year for the next five years, which is extraordinary by historical norms. Like gravity, investors should be reminded that long-term asset prices are inevitably a reflection of the fundamentals beneath it.

From a fixed income perspective, the relative attractiveness of credit has continued to diminish. Spreads collapsed late last year and have continued to grind lower since then. As a result, yield differentials offered by corporates are no longer as compelling. Furthermore, throughout the second quarter we saw high yield bonds outperform corporate issuers, indicating further risk taking in fixed income markets. US Treasury yields declined a little during the quarter, which somewhat diminishes the ability for these bonds to protect during an equity market selloff.

We remain vigilant as we expect markets to continue to show bouts of volatility. We ensure the portfolio remains in line with our desired allocation whilst looking for opportunities that will enhance the future expected returns. In this regard, we are satisfied that the shape of the portfolio should continue to deliver risk-adjusted returns that help investors reach their goals.

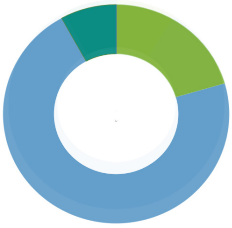
Table of funds that contributed the most to the under / underperformance of the portfolio compared to the index of benchmark for each fund for the Defensive portfolio.

Fund Asset Class	Fund Name	Quarterly Performance	Bechmark Perf.	Difference vs bench-mark	Explanation of the fund's over/underperformance relative to the benchmark
Bonds	Robeco Global Cre-dits FH	2.40%	2.25%	0.15%	The fund delivered positive returns as spreads continued to grind lower over the quarter and the US curve stabilised. The portfolio has a beta below 1 so should be defensive in a selloff, yet added some active return from EM exposure.
Bonds	Ninety One GSF EM Local Currrency Debt	2.81%	2.61%	0.20%	The fund delivered good returns as investors warmed to emerging market local currency debt. With a large exposure to higher yielding bonds the portfolio was able to generate some returns in excess of its benchmark. The fund remains exposed to emerging market currencies which remain cheap vs the euro.
Bonds	Legg Mason BW Gbl Fixed Income EURH	1.74%	0.57%	1.17%	The fund benefited from its low exposure to the euro curve as this region saw yields rise over the quarter. On the other hand, their exposure to US Treasuries netted a small gain. Emerging market bond exposure also proved beneficial during the quarter as investors warmed to the asset class.
Equities	Comgest Growth Japan	-2.53%	-1.65%	-0.88%	The fund delivered negative returns in Q2 as investors worried about Japan's spike in COVID cases. The largest sector weight in the fund - con-sumer discretionary - failed to protect in an environment where investors were worried about COVID restrictions and rising deaths. Looking forward, we feel the fund is well positioned to benefit from the reopening of Asian economies and the resumption of capex and consumption.
Equities	Dodge & Cox World-wide US Stock	7.48%	7.58%	-0.10%	The fund's valuation-driven approach held up in Q2 as markets went through periods of growth-led as well as value-led rallies. Financials and Energy continue to be large positions and have contributed positively this year.

The Conservative Portfolio

Asset allocation

Portfolio date: 30/06/2021



	%
Equity	20.50
Bonds	71.50
Cash	8.00
Total	100.00

Over the quarter, the Conservative Portfolio performed 1.56% against the 1.17% benchmark.

Whilst global stocks broadly generated strong returns during the period, fixed income assets delivered mixed results. Within risk assets, US equities remained one of the largest contributors although the top performing position in the portfolio was our exposure to European stocks. Both value and growth stocks had their moments of outperformance during the quarter, demonstrating the importance of a well-diversified equity blend. Japanese equities declined slightly as COVID cases spiked in the country. Meanwhile, growth stocks in emerging markets did poorly as the Chinese government became stricter towards local technology companies. Within fixed income, European government bonds fell as yields rose in the region. On the other hand, holdings of global bonds did well as US Treasuries regained their footing after falling in the first quarter as markets fretted over inflation. Emerging market local currency debt was the highest performing fixed income asset, as investors warmed to the asset class during the quarter.

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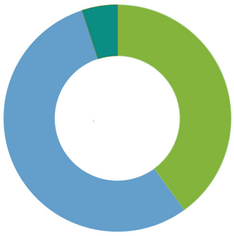
Table of funds that contributed the most to the under / underperformance of the portfolio compared to the index of benchmark for each fund for the Conservative portfolio.

Fund Asset Class	Fund Name	Quarterly Performance	Difference vs benchmark	Reason for over/underperformance	Explanation of the fund's over/underperformance relative to the benchmark
Equities	Comgest Growth Europe	10.52%	6.46%	4.06%	The fund did very well in Q2, reversing its underperformance in the first quarter. The fund has a quality/growth approach and therefore navigated the cross-currents of the value/growth rotations that we saw in the second quarter. The manager points to ASML and Accenture as two of the greatest stock contributors, while an overweight to healthcare also benefited the portfolio in Q2.
Equities	Comgest Growth Emerging Markets	-1.21%	4.11%	-5.32%	The strategy offers a quality growth approach to investing in emerging market equities and will therefore provide more downside protection in falling markets but lag its broad benchmark during market rallies. During the quarter the fund was impacted by its exposure to Chinese equities. The heightened regulatory worries of Chinese tech names, as well as higher factory gate costs for some manufacturers meant that these stocks took a slight tumble in Q2.
Equities	Dodge & Cox Worldwide US Stock	7.48%	7.58%	-0.10%	The fund's valuation-driven approach held up in Q2 as markets went through periods of growth-led as well as value-led rallies. Financials and Energy continue to be large positions and have contributed positively this year.
Bonds	Robeco Global Credits FH	2.40%	2.25%	0.15%	The fund delivered positive returns as spreads continued to grind lower over the quarter and the US curve stabilised. The portfolio has a beta below 1 so should be defensive in a selloff, yet added some active return from EM exposure.
Bonds	Ninety One GSF EM Local Currrency Debt	2.81%	2.61%	0.20%	The fund delivered good returns as investors warmed to emerging market local currency debt. With a large exposure to higher yielding bonds the portfolio was able to generate some returns in excess of its benchmark. The fund remains exposed to emerging market currencies which remain cheap vs the euro.
Bonds	Legg Mason BW Gbl Fixed Income EURH	1.74%	0.57%	1.17%	The fund benefited from its low exposure to the euro curve as this region saw yields rise over the quarter. On the other hand, their exposure to US Treasuries netted a small gain. Emerging market bond exposure also proved beneficial during the quarter as investors warmed to the asset class.
Equities	Comgest Growth Japan	-2.53%	-1.65%	-0.88%	The fund delivered negative returns in Q2 as investors worried about Japan's spike in COVID cases. The largest sector weight in the fund - consumer discretionary - failed to protect in an environment where investors were worried about COVID restrictions and rising deaths. Looking forward, we feel the fund is well positioned to benefit from the reopening of Asian economies and the resumption of capex and consumption.

The Balanced Portfolio

Asset allocation

Portfolio date: 30/06/2021



	%
Equity	40,00
Bonds	55,00
Cash	5,00
Total	100,00

Over the past quarter, the Balanced portfolio achieved a performance of 2.49% against the 2.47% benchmark.

Whilst global stocks broadly generated strong returns during the period, fixed income assets delivered mixed results. Within risk assets, US equities remained one of the largest contributors although the top performing position in the portfolio was our exposure to European stocks. Both value and growth stocks had their moments of outperformance during the quarter, demonstrating the importance of a well-diversified equity blend. Japanese equities declined slightly as COVID cases spiked in the country. Meanwhile, growth stocks in emerging markets did poorly as the Chinese government became stricter towards local technology companies. Within fixed income, European government bonds fell as yields rose in the region. On the other hand, holdings of global bonds did well as US Treasuries regained their footing after falling in the first quarter as markets fretted over inflation. Emerging market local currency debt was the highest performing fixed income asset, as investors warmed to the asset class during the quarter.

Over the past 12 months, stocks are meaningfully higher, with some key markets hitting a new record high on the last day of the quarter. To really hammer home the post-pandemic rally, take U.S. stocks for example, which are up 97% from the 2020 low set on March 20, 2020. This is obviously good news for those with a higher risk tolerance who have enjoyed the high returns, but it has also seen the risk appetite and return expectations of many investors rise to worrying levels. Some investor surveys even suggest participants now expect 15%+ returns every year for the next five years, which is extraordinary by historical norms. Like gravity, investors should be reminded that long-term asset prices are inevitably a reflection of the fundamentals beneath it.

From a fixed income perspective, the relative attractiveness of credit has continued to diminish. Spreads collapsed late last year and have continued to grind lower since then. As a result, yield differentials offered by corporates are no longer as compelling. Furthermore, throughout the second quarter we saw high yield bonds outperform corporate issuers, indicating further risk taking in fixed income markets. US Treasury yields declined a little during the quarter, which somewhat diminishes the ability for these bonds to protect during an equity market selloff.

We remain vigilant as we expect markets to continue to show bouts of volatility. We ensure the portfolio remains in line with our desired allocation whilst looking for opportunities that will enhance the future expected returns. In this regard, we are satisfied that the shape of the portfolio should continue to deliver risk-adjusted returns that help investors reach their goals.

Table of funds that contributed the most to the under / underperformance of the portfolio compared to the index of benchmark for each fund for the Balanced portfolio.

Fund Asset Class	Fund Name	Quarterly Performance	Difference vs benchmark	Reason for over/underperformance	Explanation of the fund's over/underperformance relative to the benchmark
Equities	Comgest Growth Europe	10.52%	6.46%	4.06%	The fund did very well in Q2, reversing its underperformance in the first quarter. The fund has a quality/growth approach and therefore navigated the cross-currents of the value/growth rotations that we saw in the second quarter. The manager points to ASML and Accenture as two of the greatest stock contributors, while an overweight to healthcare also benefited the portfolio in Q2.
Equities	Comgest Growth Emerging Markets	-1.21%	4.11%	-5.32%	The strategy offers a quality growth approach to investing in emerging market equities and will therefore provide more downside protection in falling markets but lag its broad benchmark during market rallies. During the quarter the fund was impacted by its exposure to Chinese equities. The heightened regulatory worries of Chinese tech names, as well as higher factory gate costs for some manufacturers meant that these stocks took a slight tumble in Q2.
Equities	Dodge & Cox Worldwide US Stock	7.48%	7.58%	-0.10%	The fund's valuation-driven approach held up in Q2 as markets went through periods of growth-led as well as value-led rallies. Financials and Energy continue to be large positions and have contributed positively this year.
Bonds	Ninety One GSF EM Local Currrency Debt	2.81%	2.61%	0.20%	The fund delivered good returns as investors warmed to emerging market local currency debt. With a large exposure to higher yielding bonds the portfolio was able to generate some returns in excess of its benchmark. The fund remains exposed to emerging market currencies which remain cheap vs the euro.
Bonds	Robeco Global Credits FH	2.40%	2.25%	0.15%	The fund delivered positive returns as spreads continued to grind lower over the quarter and the US curve stabilised. The portfolio has a beta below 1 so should be defensive in a selloff, yet added some active return from EM exposure.
Equities	Comgest Growth Japan	-2.53%	-1.65%	-0.88%	The fund delivered negative returns in Q2 as investors worried about Japan's spike in COVID cases. The largest sector weight in the fund - consumer discretionary - failed to protect in an environment where investors were worried about COVID restrictions and rising deaths. Looking forward, we feel the fund is well positioned to benefit from the reopening of Asian economies and the resumption of capex and consumption.

The Growth Portfolio

Asset allocation

Portfolio date: 30/06/2021

	%
Equity	60,00
Bonds	38,00
Cash	2,00
Total	100,00

Over the past quarter, the Growth portfolio achieved a performance of 3.18% compared to the 3.74% benchmark.

The portfolio gained 3.18% during the second quarter. Whilst global stocks broadly generated strong returns during the period, fixed income assets delivered mixed results. Within risk assets, US equities remained the top contributor although the top performing position (with a lower weight) in the portfolio was our exposure to European stocks. Both value and growth stocks had their moments of outperformance during the quarter, demonstrating the importance of a well-diversified equity blend. Japanese equities declined slightly as COVID cases spiked in the country. Meanwhile, growth stocks in emerging markets did poorly as the Chinese government became stricter towards local technology companies. Within fixed income, European government bonds fell as yields rose in the region. On the other hand, holdings of global bonds did well as US Treasuries regained their footing after falling in the first quarter as markets fretted over inflation.

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We remain vigilant as we expect markets to continue to show bouts of volatility. We ensure the portfolio remains in line with our desired allocation whilst looking for opportunities that will enhance the future expected returns. In this regard, we are satisfied that the shape of the portfolio should continue to deliver risk-adjusted returns that help investors reach their goals.

Table of funds that contributed the most to the under / underperformance of the portfolio compared to the index of benchmark for each fund for the Growth Portfolio

Fund Asset Class	Fund Name	Quarterly Performance	Difference vs benchmark	Reason for over/un-derperfor-mance	Explanation of the fund's over/underperformance relative to the benchmark
Bonds	Robeco Global Credits FH	2.40%	2.25%	0.15%	The fund delivered positive returns as spreads continued to grind lower over the quarter and the US curve stabilised. The portfolio has a beta below 1 so should be defensive in a selloff, yet added some active return from EM exposure.
Bonds	Legg Mason BW Gbl Fixed Income EURH	1.74%	0.57%	1.17%	The fund benefited from its low exposure to the euro curve as this region saw yields rise over the quarter. On the other hand, their exposure to US Treasuries netted a small gain. Emerging market bond exposure also proved beneficial during the quarter as investors war-med to the asset class.
Equities	BGF European Equity Income	5.47%	6.46%	-0.99%	The fund delivered positive returns but lagged its reference index. The fund's overweight to utilities was a detractor as the sector was the laggard within global equities during the quarter. However, large exposures to Health Care and Financials (two sectors that continue to do well), meant that the fund continued to deliver healthy returns.
Equities	Comgest Growth Europe	10.52%	6.46%	4.06%	The fund did very well in Q2, reversing its underperformance in the first quarter. The fund has a quality/growth approach and therefore navigated the cross-currents of the value/growth rotations that we saw in the second quarter. The manager points to ASML and Accen-ture as two of the greatest stock contributors, while an overweight to healthcare also benefited the portfolio in Q2.
Equities	Comgest Growth Emer-ging Markets	-1.21%	4.11%	-5.32%	The strategy offers a quality growth approach to investing in emer-ging market equities and will therefore provide more downside pro-tection in falling markets but lag its broad benchmark during market rallies. During the quarter the fund was impacted by its exposure to Chinese equities. The heightened regulatory worries of Chinese tech names, as well as higher factory gate costs for some manufacturers meant that these stocks took a slight tumble in Q2.
Equities	Dodge & Cox Worldwide US Stock	7.48%	7.58%	-0.10%	The fund's valuation-driven approach held up in Q2 as markets went through periods of growth-led as well as value-led rallies. Financi-als and Energy continue to be large positions and have contributed positively this year.

The Dynamic Portfolio

Asset allocation

Portfolio date: 30/06/2021

	%
Equity	80,50
Bonds	17,50
Cash	2,00
Total	100,00

Over the past quarter, the Dynamic portfolio achieved a performance of 3.94% against the 5.03% benchmark.

Whilst global stocks broadly generated strong returns during the period, fixed income assets delivered mixed results. Within risk assets, US equities remained the top contributor although the top performing position (with a lower weight) in the portfolio was our exposure to European stocks. Both value and growth stocks had their moments of outperformance during the quarter, demonstrating the importance of a well-diversified equity blend. Japanese equities declined slightly as COVID cases spiked in the country. Meanwhile, growth stocks in emerging markets did poorly as the Chinese government became stricter towards local technology companies. Within fixed income, European government bonds fell as yields rose in the region. On the other hand, holdings of global bonds did well as US Treasuries regained their footing after falling in the first quarter as markets fretted over inflation.

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Equities	BGF European Equity Income	5.47%	6.46%	-0.99%	The fund delivered positive returns but lagged its reference index. The fund's overweight to utilities was a detractor as the sector was the laggard within global equities during the quarter. However, large exposures to Health Care and Financials (two sectors that continue to do well), meant that the fund continued to deliver healthy returns.
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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
Start date *End date*	*1-Jul-20* *30-Jun-21*	*1-Jul-18* *30-Jun-21*	*1-Jul-16* *30-Jun-21*	*1-Jul-11* *30-Jun-21*
Defensive Benchmark defensive	**2.86%** 2.45	**2.01%** 3.00%	**1.69%** 2.02%	**3.87%**
Conservative Benchmark conservative	**5.80%** 5.50%	**2.65%** 4.45%	**2.62%** 3.41%	**5.01%**
Balanced Benchmark balanced	**11.46%** 11.73%	**3.77%** 6.80%	**4.05%** 5.91%	**6.35%**
Growth Benchmark growth	**16.43%** 18.27%	**4.62%** 9.01%	**5.27%** 8.36%	**7.18%**
Dynamic Benchmark dynamic	**22.64%** 25.03%	**5.95%** 10.89%	**6.73%** 10.61%	**7.97%**

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

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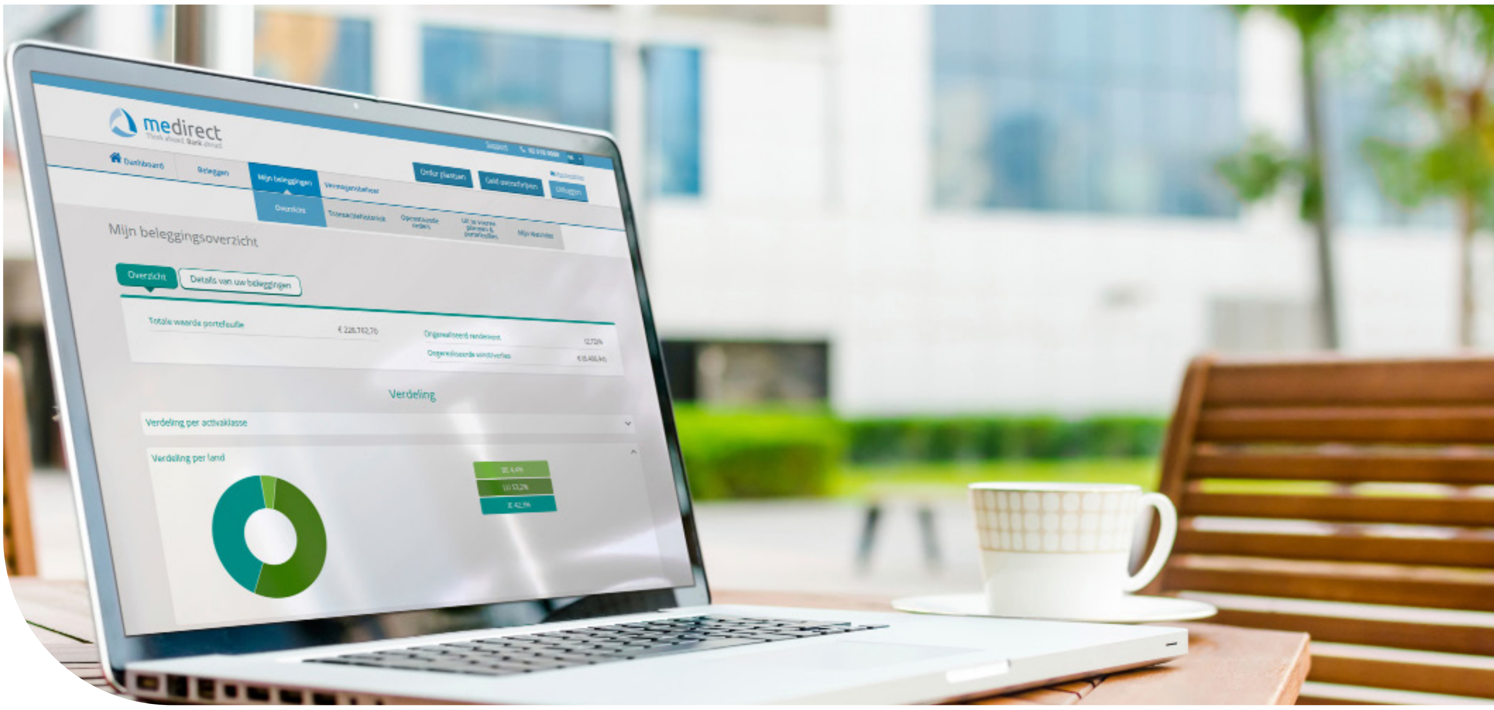

You don't have to wait for the digital quarterly report. You can always access the most recent details of your Portfolio on our online platform, whenever it suits you. 24 hours a day, 7 days a week. You'll find detailed information such as the composition and the total returns of your portfolio, but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