DD Income Fund
Monthly report November 2018

Profile

The DD Income Fund (DDIF) is an actively managed global sustainable fund that strives for a broad and sustainable interpretation of the asset class fixed income. The fund invests globally in government bonds of developed and emerging countries, corporate bonds, high yield, microfinance and other financial instruments with stable income. DDIF pursues an active investment policy and does not use a benchmark. The fund is managed through an independent partnership with the conviction that sustainability makes a positive contribution to the return and risk profile of the portfolio. The fund is listed on Euronext Amsterdam and can be traded on a daily basis.

Return*

DDIF achieved a negative return of 1.57% this month, as a result of which the NAV dropped to EUR 24.42. Quality government bond prices rose, but corporate bonds were under pressure last month due to a sharp rise in risk premium (spread).

Due to the price decline, the expected return on the portfolio has risen to 4.2%, with which bonds slowly begin to form an attractive alternative for other asset classes. The number of bonds in the portfolio has increased to 80 of 66 different issuers and the cash position has dropped from 7.6% to 2.4%, taking advantage of the appealing valuations.

** The value of your investment may fluctuate. Results achieved in the past do not provide any guarantees for the future.*

Fund information

Key facts

Fund size	€ 18.08 mln
# shares outstanding	739.072
Net Asset Value*	€ 24,42
# of positions	80

Costs

Management fee	0.65%
Other costs**	0.30%
Up / down	
Swing factor	0.25%

Overig

Start date	September 2018
Manager	DoubleDividend Management B.V.
Status	Open-end, daily
Exchange	Euronext Amsterdam
ISIN	NL0013025539
Benchmark	Geen
Currency	Euro

Risk monitor

* per share
** estimated

Market developments

The prices of corporate bonds were under considerable pressure last month. The price pressure was not the result of an increase in interest rates but caused by an increase in the risk premium (spread). The increase in risk premium was broadly supported and was reflected in investment-grade and high-yield corporate bonds in both Europe and the US. A mix of factors caused the pressure on prices last month. In the first place, the major central banks buy less bonds in both the US and Europe, which reduces the demand for them. In addition, there are concerns in (particular in the US) about the rising corporate debt level, which means that in the event of disappointing economic developments, they may no longer be able to meet their obligations. The drop in the oil price also had an impact on the corporate bond market, particularly in the US. In the high yield segment many loans are issued to companies affiliated with the oil sector. At a lower oil price they are less profitable and the credit risk therefore increases. Although the DD Income Fund has no interests in the oil sector, it still had a negative effect on the overall sentiment. Finally, there was a considerable outflow of capital with a number of bond funds, including the Swiss asset manager GAM. Since bonds are less easy to sell than shares, a large seller can have a significant effect on prices.

Government bonds in developed countries (+ 0.1%) and emerging countries (+ 0.5%) showed a small increase in value. Long-term US government bonds benefited from a speech by FED chairman Powell, who tempered expectations for the number of future interest rate increases. According to Powell, the current rent level is close to neutral, a level where the economy is neither stimulated nor slowed down. It looks like another rate hike will happen in December, but thereafter interest rate policy will be heavily dependent on the development of the economy.

Table: Main portfolio characteristics DDIF per month end*

# of positions	80	Maturity (years)	12.9
# of institutions	66	Duration (years)	5.5
# of countries	26	Coupon yield	4.1%
Euro denominated	78%	Yield to Maturity	4.1%
Cash	2.4%	Yield to Worst	4.2%
Investment grade & Cash	69.4%	Yield to Worst (ex cash)	4.3%

Source: DoubleDividend/Bloomberg

Portfolio developments

Last month two new positions were added to the portfolio: a loan from the German special chemicals company Evonik with an interest rate of 3.1% and a loan from the German housing fund ADO Properties with an interest rate of 2.6%. A US government bond with a maturity of three months has been repaid and for that amount we reinvested into a new Treasury Bill with the same term at an interest rate of 2.3% on an annual basis. American government bonds offer an attractive return at low risk compared to their European counterparts, but a currency risk must be incurred. In total we have four different US government bonds with different maturities. Together they make up over 6% of the total portfolio. The total number of positions in the portfolio increased to 80 last month. The cash position has been reduced from 7.6% to 2.4%.

Table: portfolio per building block

Building blocks	Range	Weight	Yield-to-worst	Duration
Government bonds developed markets	10-50%	11.6%	2.7%	3.6
Government bonds emerging markets	0-25%	6.7%	4.5%	9.6
Corporate bonds investment grade	10-50%	40.0%	3.8%	5.1
Corporate bonds high yield	0-25%	20.3%	4.6%	4.8
Micro finance	0-25%	5.6%	5.2%	3.8
Other	0-25%	13.3%	5.9%	8.7
Cash	0-25%	2.4%	-0.4%	0.0
Total		100%	4.2%	5.5

Source: DoubleDividend

Table: top 5 movers in porfolio

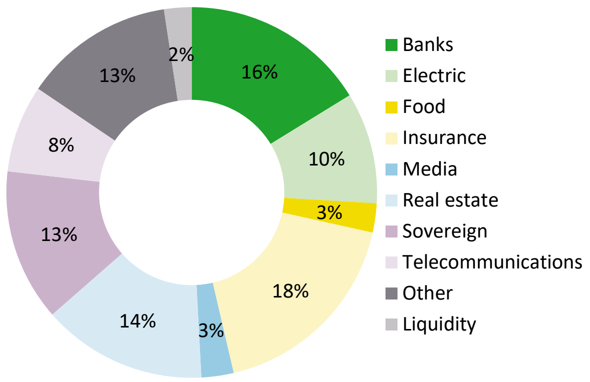
Top 5 gains		Top 5 falls	
	Return		Return
Banco Nacional de Costa Rica 6.25%	1.9%	Aroundtown 2.125%	-7.7%
Akelius Pref	1.6%	Nordex 6.5%	-6.5%
US 10Y 2.875%	1.5%	Vornado 5.25%	-5.4%
Siam Commercial Bank 3.2%	0.8%	ABN 4.75%	-4.5%
Mexico 4%	0.7%	Public Storage 5.05%	-4.5%

Source: DoubleDividend/Bloomberg

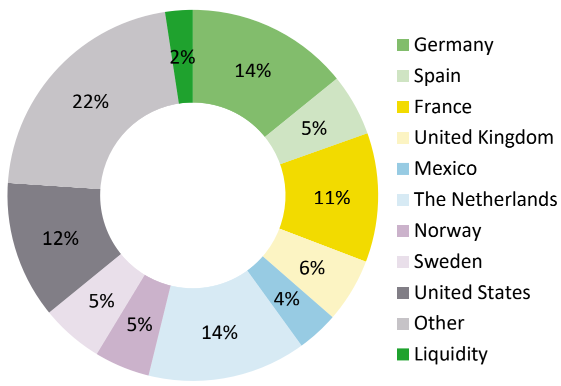
Team DoubleDividend

Appendix: portfolio characteristics

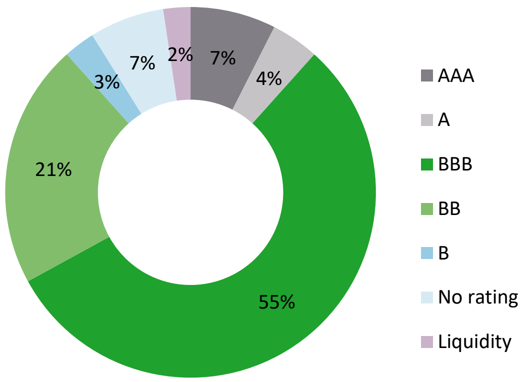
Distribution per sector (GICS)



Distribution per country of origin



Distribution per rating



Distribution per currency