DD Income Fund
Monthly report January 2019

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*

DD Income Fund achieved a return of 2.55% in January, and as a result the net asset value rose to EUR 24.97.

The fall in interest rates that started in the previous months has continued in January, and this helped for the prices of bonds. Besides of this, corporate bonds benefited from a decreasing risk premium. The currency exposure also made a small positive contribution to the result of the fund.

Due to the price gains of the instruments, the expected return on the portfolio (yield to worst) decreased from 4.2% to 3.7%. The portfolio contains 90 bonds from 75 different issuers from 28 countries. Approximately 77% is invested in bonds denominated in euros. The cash position increased slightly from 3.1% to 3.3% mainly as a result of the growth of the fund.

** 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	€ 23.7 m
# shares outstanding	947,610
Net Asset Value*	€ 24.97
# of positions	90

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

Deze informatie biedt onvoldoende basis voor een beleggingsbeslissing. Lees daarom de Essentiële Beleggersinformatie en het prospectus. Deze zijn verkrijgbaar op de website van DoubleDividend Management B.V. (www.doubledividend.nl). DoubleDividend Management B.V. is beheerder van DD Income Fund en heeft een vergunning als beheerder en staat onder toezicht van de Autoriteit Financiële Markten. De intrinsieke waarde is niet door een externe accountant gecontroleerd.

Market developments

The bond markets also benefited from the positive sentiment on the global financial markets. Both interest rates and risk premiums resulted in higher bond prices. On balance, the global index with investment grade bonds (the Barclays Global IG EUR hedged index) rose by 0.8% in January. The high yield (risky) corporate bonds performed even better with an increase of approximately 4%.

FED chairman Powell gave the bond markets an extra push last month with the announcement that the FED will temporarily stop raising interest rates. His message did not come unexpectedly. In November last year he already moderated his tone about the expectations for the number of future interest rate increases. Now that global economic growth is weakening, the trade war with China has not yet been settled and the uncertainty surrounding the Brexit persists, the FED feels it is wise to be patient. Powell considers the current level of interest rates to be in line with the state of the economy and inflation expectations. It is also expected that the European Central Bank (ECB) will not raise interest rates for the time being, especially now that the growth in German industrial production has almost collapsed and Italy's economy has even landed in recession.

It seems that the view of the central banks on the state of the economy differs from the view of the financial markets. Equities rose in value last month and the risk of corporate bond yields declined because the market is less worried about the future. The central banks, on the other hand, are more reluctant with interest rate increases because they are more worried about the future. How is that possible? Apparently, the financial markets have a lot of confidence in the central banks that they can smooth out any economic bumps. In our view it is good that the FED does not work dogmatically and does not continue to increase interest rates now uncertainties are rising. For the ECB, however, the situation is a lot more complicated. In Europe we still have to start raising interest rates while economic growth is already under considerable pressure in a number of countries. Is the ECB not too late? The big question is whether the ECB still has instruments to stimulate the economy now that interest rates are still very low. This question was repeatedly put to Mario Draghi, the President of the ECB during the press conference this month. He assured that the ECB still has sufficient tools available, but a tax incentive seems more appropriate for us.

The yield on the 10 year German government bond declined further and stood only at 0.15% at the end of January. The US 10 year yield fell only slightly, resulting a widening spread of 2.48% between the two major global benchmark rates.

Table: Main portfolio characteristics DDIF per month end

# of positions	90	Maturity (years)	12.8
# of institutions	75	Duration (years)	5.6
# of countries	28	Coupon yield	4.1%
Euro denominated	77%	Yield to Maturity	3.8%
Cash	3.3%	Yield to Worst	3.7%
Investment grade & Cash	71.2.9%	Yield to Worst (ex cash)	3.9%

Source: DoubleDividend/Bloomberg

Portfolio developments

In January the assets under management of the fund increased by € 5.5 million, mainly as a result of new inflow. This allowed us to add a large number of new bonds to the portfolio. For example, we bought issues from Apple, Export-Import Bank of India, Generalitat Catalunya, IBM, Republic of Korea, La Poste, Medtronic, Scotiabank Peru, Unibail and Visa. We have sold the Akelius preferred shares, but we keep the Akelius loan in our portfolio. The number of bonds in the portfolio increased to 90, making us even more diversified.

Table: portfolio per building block

Building blocks	Range	Weight	Yield-to-worst	Duration
Government bonds developed markets	10-50%	11.9%	2.5%	3.8
Government bonds emerging markets	0-25%	6.8%	4.2%	10.2
Corporate bonds investment grade	10-50%	41.9%	3.4%	5.6
Corporate bonds high yield	0-25%	19.3%	4.3%	4.6
Micro finance	0-25%	5.1%	4.6%	3.7
Other	0-25%	11.7%	5.6%	9.0
Cash	0-25%	3.3%	-0.4%	0.0
Total		100%	3.7%	5.6

Source: DoubleDividend

Top movers in the portfolio

The best performers last month were the preferred shares of three American real estate companies: Senior Housing, Vornado Realty and Public Storage. The perpetual bonds of ABN AMRO and Rabobank also recovered from the losses in December. The only decliner among the corporate bonds was Schaeffler, which decreased 1.1%.

Table: top 5 movers in the portfolio

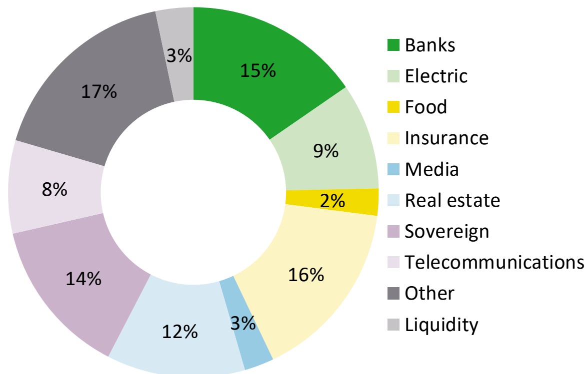
Top 5 best performers		Top 5 worst performers	
	Return		Return
Senior Housing 6.25%	11.4%	Schaeffler 2026 3.75%	-1.1%
Vornado Realty Trust 5.25%	10.2%	United States 2020 2.625%	-0.1%
Public Storage 5.05%	8.4%	Siam 2022 3.2%	0%
South Africa 3.75%	7.5%	United States 2019 0%	0.1%
ABN perp 4.75%	6.3%	IBM 2039 5.6%	0.2%

Source: DoubleDividend/Bloomberg

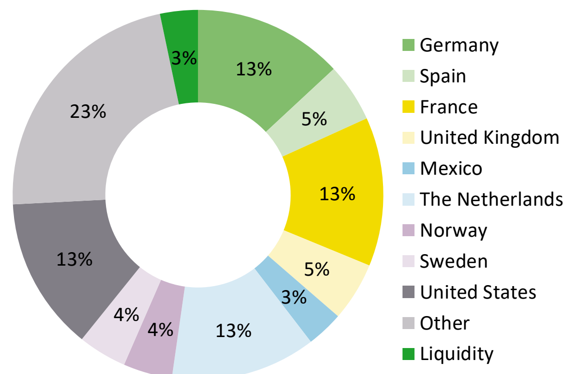
Team DoubleDividend

Appendix: portfolio characteristics

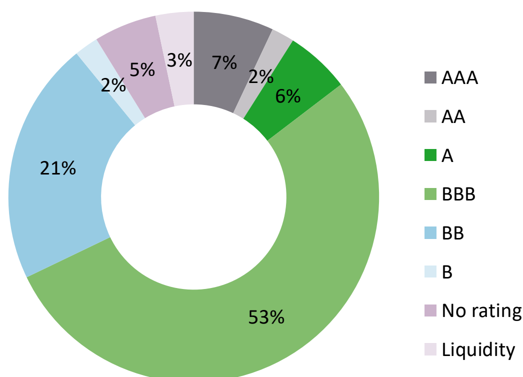
Distribution per sector (GICS)



Distribution per country of origin



Distribution per rating



Distribution per currency