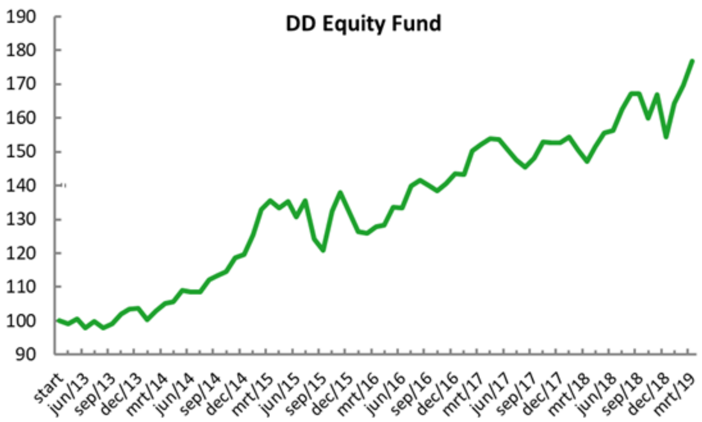
DD Equity Fund
Monthly report March 2019

Profile

DD Equity Fund (DDEF) invests in a globally diversified portfolio of high-quality companies that are at the forefront of sustainability. At DDEF, the analysis on sustainability and financial aspects is fully integrated. The fund aims for a net return of 8%* per year in the long term and has no benchmark. DDEF is managed by an independent partnership with the conviction that sustainability makes a positive contribution to the return and risk profile of an investment portfolio. The partners of DoubleDividend also invest in the fund themselves. The fund is listed on Euronext Amsterdam and can be traded on a daily basis.

Return*

DD Equity Fund achieved a return of 4.19% for the month of March 2019. As a result the net asset value per participation increased to € 176.75. The return for 2019 comes to 14.55%. Since the fund's inception, exactly 6 years ago, the total return has been 76.8%, representing an annual return of 10%.



* 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	€ 47.0 mln
# shares outstanding	266,027
Net asset value*	€ 176.75
# of positions	45
Beta	0.96

Costs

Management fee	0.80%
Other costs**	0.25%
Up/ down Swing factor	0.25%

Other

Start date	April 2013
Manager	DoubleDividend Management B.V.
Status	Open-end, daily
Exchange	Euronext Amsterdam
ISIN	NL0010511002
Benchmark	None
Currency	Euro

Risk monitor

* per share
** estimated

Table: monthly returns in % (net of costs and fees) *

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Okt	Nov	Dec	Total
2013				-0.84	1.37	-2.53	1.95	-2.01	1.31	3.02	1.26	0.35	**3.79**
2014	-3.29	2.58	2.17	0.43	3.26	-0.58	0.09	3.37	1.00	1.09	3.60	0.70	**15.17**
2015	5.01	5.81	2.05	-1.59	1.47	-3.44	3.71	-8.30	-2.70	9.50	4.12	-4.06	**10.66**
2016	-4.52	-0.31	1.46	0.44	4.09	-0.07	4.79	1.18	-0.95	-1.25	1.58	2.03	**8.44**
2017	-0.06	4.86	1.16	1.13	-0.17	-1.75	-2.16	-1.42	1.83	3.12	-0.13	0.10	**6.49**
2018	1.10	-2.62	-2.16	2.92	2.79	0.41	3.97	2.78	0.10	-4.42	4.50	-7.59	**1.01**
2019	6.37	3.36	4.19										**14.55**

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Market Developments

The MSCI World achieved a return of 14.5% in the first quarter of 2019. DD Equity Fund also closed the first quarter strongly with a result of 4.2% for March and 14.6% for the first three months of 2019. The result since the start of the fund, now exactly 6 years ago, comes at 76.8% or 10% on an annual basis. This means that the fund, for the time being, has exceeded the target of an annual return of 8%.

Although we were certainly not negative about the outlook for equities at the start of the year, the strength of the recovery in the first quarter of 2019 after the turbulence at the end of 2018, is a bit of a surprise. At the beginning of 2019, we emphasized that the risks for equities had increased, but that equities were also attractively valued. Three months later, the risks that affected the market at the end of 2018 are still largely present. The trade dispute between the US and China has not yet been resolved, the risk of a hard Brexit remains and economic growth is slowing worldwide. At the same time equities have become more expensive. It could therefore be obvious to be less positive about equities at the moment. The most important change in the first quarter of 2019, however, is the drastic change in the policies of central banks. A rise in interest rates is very unlikely and in some cases the market is even expecting a fall in interest rates. This increases the demand for risky assets like equities.

The changing policy of the central banks has two important consequences for equities. In the first place, lower interest rates make equities relatively attractive compared to bonds. The interest on the German 10-year government bond has recently turned negative again. This means that investors who buy this bond have, after 10 years of waiting, a guaranteed negative return. Not exactly an attractive investment proposition! Secondly, low interest rates also tell us something about the outlook for the economy. The negative interest rate in Germany and the fact that the long-term interest rate in the United States is lower than the short-term rate tell us that the risk of an economic recession is higher than before, which of course is negative for equities.

On balance, the strong equity performance over the past few months can easily be explained, but the risks have not disappeared. The bond market is telling us that the risk of economic headwind has increased. However, it is by no means certain there will be an economic recession soon. History shows that a period of economic growth is regularly interrupted by a temporary dip. The central banks may have intervened just in time, possibly resulting in a growth pick up in the second half of the year.

Nevertheless, we continue to operate cautiously in line with DoubleDividend's investment philosophy. Generally speaking, we have reduced risks by selling more risky positions, reducing the weighting of large individual stock positions and increasing the cash position. The cash position was almost 7% at the end of the month. In view of the risks, the return already achieved, a slightly larger cash position is, in our view, currently putting the right balance in the portfolio. With a further rise in the market, we may therefore be lagging somewhat behind, but with a possible correction we will have cash to be able to benefit from the opportunities in the market.

Biggest positive and negative contribution

The largest positive contribution came from Worldpay last month. Worldpay, active in the field of digital payments, received a takeover bid from Fidelity National Information Services (FIS). As a shareholder of Worldpay, we are pleased with the offer that is largely in FIS shares. In our opinion, the companies are complementary. Worldpay is mainly active in the field of digital payments and is the link between consumer and seller, while FIS mainly supplies technology to the financial sector, including banks. Both activities can reinforce each other.

The largest negative contribution came from ABN AMRO last month. Investors fear that banks' interest margins will come under further pressure now that interest rates have fallen again. In addition, the European financial sector in particular is bothered by money laundering scandals at, among others, Danske bank, Swedbank and ING.

Table: top 5 positive and negative contribution to result (in €)

Top 5 positive			Top 5 negative		
	Return	Contribution		Return	Contribution
Worldpay (US)	20.1%	0.4%	ABN AMRO (Neth)	-5.7%	-0.1%
SAP (Ger)	9.3%	0.3%	CVS Health (US)	-5.4%	-0.1%
Alphabet (US)	6.2%	0.2%	Wirecard (Ger)	-17.8%	-0.1%
Unilever (Neth)	8.9%	0.2%	Essilorluxottica (Fra)	-8.5%	-0.1%
Reckitt Benckiser (UK)	10.0%	0.2%	GrandVision (Neth)	-1.2%	-0.0%

Source: DoubleDividend/Bloomberg

Portfolio changes

On balance, we have sold shares over the past month, which has raised our cash position to around 7%. We have sold equities that have performed relatively strongly (such as Heineken, Johnson Controls, ASML and eBay) and/or shares of companies in which we had a relatively large position (such as Danone, Visa, Alphabet and SAP). The top 10 position has therefore changed somewhat and weightings of the individual shares have come closer to each other. We sold our stake in Wirecard completely. The stock has been under pressure for some time due to ongoing reports in the Financial Times about the company's alleged fraudulent activities in Asia. We have expanded the positions in Essilor, Henry Schein and Adobe.

Table: top 10 Holdings in portfolio per month end

Company & weight in portfolio			
Henkel (Ger)	3.6%	Danone (Fra)	3.0%
eBay (US)	3.4%	ASML (Neth)	2.9%
Alphabet (US)	3.2%	Mastercard (US)	2.8%
SAP (Ger)	3.2%	Microsoft (US)	2.8%
Medtronic (US)	3.0%	Visa (US)	2.8%

Source: DoubleDividend

Team DoubleDividend

Appendix: portfolio characteristics

Table: Performance DDEF*

	Mar 2019	2019	from start (April 2013)
Share price	3.27%	13.25%	63.78%
Currency	0.79%	1.16%	9.13%
Dividend	0.22%	0.44%	12.69%
Other	-0.09%	-0.29%	-8.84%
Total RTN	**4.19%**	**14.55%**	**76.75%**

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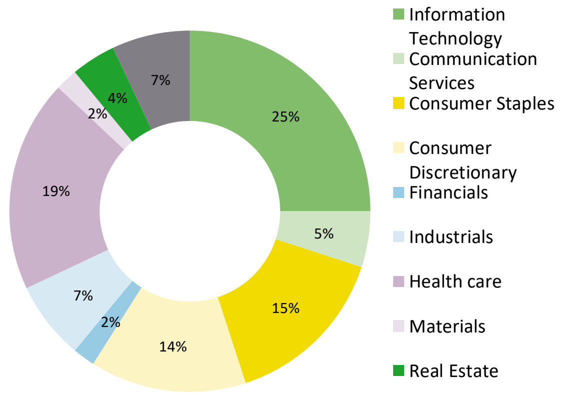
Source: DoubleDividend

Table: Characteristics portfolio DDEF per month end

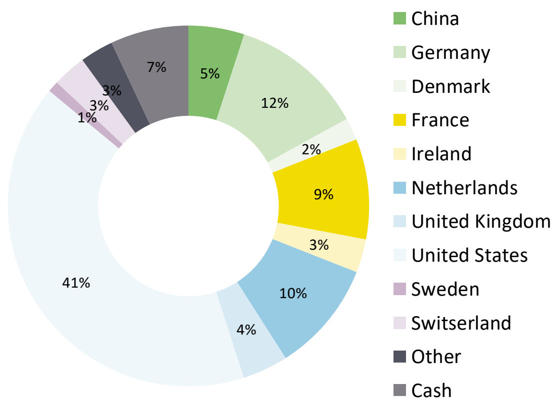
Valuation		Risk	
P/E-ratio	21.1	Bèta (raw)	0.96
P/E-ratio (est)	17.4	Debt/EBITDA	2.9
EV/EBITDA (est)	13.9	VAR (Monte Carlo, 95%, 1 yr)	19.7%
Dividend yield	2.5%	Standard deviation	12.5%
Price/ cashflow (est)	15.3	Tracking error (vs MSCI world)	4.1%

Source: DoubleDividend/Bloomberg

Distribution per sector (GICS)



Distribution per country of origin



Distribution based on revenues