# DD Income Fund
# Monthly report March 2019

## Profile

The DD Income Fund (DDIF) is an actively managed global sustainable bond fund. 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 by 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 1.34% for March 2019, so the intrinsic value per participation increased to € 25.52 at the end of the month. As a result of this and to the 20 cents dividend payment in February, the fund has so far returned 5.66% in 2019.

The expected return on the portfolio (yield-to-worst) fell from 3.4% to 3.2% over the month due to the rising prices of the bonds. After the recent acquisitions, the portfolio contains 93 bonds from 78 different issuers in 27 countries. Approximately 74% is invested in bonds denominated in euros. The cash position decreased from 6.1% to 5.8%.

** 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 | € 28.5 m |
| # shares outstanding | 1,117,070 |
| Net Asset Value* | € 25.52 |
| # of positions | 93 |

### Costs

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

### Other

| | |
|---|---|
| Start date | September 2018 |
| Manager | DoubleDividend Management B.V. |
| Status | Open-end, daily |
| Exchange | Euronext Amsterdam |
| ISIN | NL0013025539 |
| Benchmark | None |
| 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

From a strategic point of view, bond investors have mainly been concerned with rising interest rates in recent years. The prevailing idea was that, given economic growth and the accompanying normalization of the central bank's monetary policy, interest rates would rise further. Interest rates in large parts of the world have risen between 2016 and 2018, but are falling again since the last quarter in 2018. This decline continued in 2019 as a result of the weakening of global economic growth and the U-turn in central bank policy. The FED has stopped raising interest rates and the ECB even never got around to an interest rate rise.

For the first time since 2016, the interest rate on the German 10-year government bond has turned negative again. This makes investing in bonds challenging. After all, if you want to invest in euros without risk, then you have a guaranteed negative return after 10 years. The United States is experiencing an inverse interest curve since last month. The interest rate curve normally slopes upwards. This means that the interest is higher the longer the maturity of a loan. In the case of an inverse yield curve, the opposite is the case, the 3-month interest rate being higher than the 10-year interest rate. In fact, this means the market expects the central bank (in this case the FED) to lower interest rates in the future, which in turn is often a prelude to a recession.

When interest rates fall, the price of bonds goes up. The DD Income Fund has been able to take advantage of this in recent months. The fund achieved a return of 1.34% for the month of March, bringing the result for the first three months of the year to 5.66%. As bond prices have risen, the expected return on the portfolio has fallen to 3.2% (yield to worst) compared to 4.2% at the start of the year.

**Table: Main portfolio characteristics DDIF per month end**

| | | | |
|---|---|---|---|
| # of positions | 93 | Duration (years) | 5.3 |
| # of issuers | 78 | Coupon yield | 3.9% |
| # of countries | 27 | Yield to Maturity | 3.6% |
| Euro exposure | 80.5% | Yield to Worst | 3.2% |
| Cash | 5.7% | Yield to Worst (ex cash) | 3.4% |
| Investment grade & Cash | 73.6% | | |

*Source: DoubleDividend/Bloomberg*

## Portfolio developments

Due to the lower interest rates, bonds have performed exceptionally well in recent months and the expected return on the portfolio has fallen. In recent months, we have mainly added bonds from issuers with a high rating (relatively low risk) to the portfolio. Bonds from these companies offer good protection in the event of a recession.

Last month the new additions to the portfolio were from two large Dutch financial institutions, Rabobank and Aegon, and from the German pharmaceutical company, Merck. We also increased our position in Visa, in the Spanish insurer Mapfre and in the Swedish energy supplier Vattenfall. We sold a government bond from the United States and Uruguay because the yield had become less attractive due to rising prices. We did, however, bought a US government bond with a shorter maturity. This bond offers almost the same interest rate, but has a lower risk due to the shorter duration. Due to the low interest rate on government bonds, corporate bonds are by far the most important part of the portfolio. The cash position was around 6% at the end of the month.

**Table: portfolio per building block**

| Building blocks | Range | Weight | Yield-to-worst | Duration |
|---|---|---|---|---|
| Government bonds developed markets | 10-50% | 12.4% | 2.4% | 2.9 |
| Government bonds emerging markets | 0-25% | 6.2% | 3.9% | 11.9 |
| Corporate bonds investment grade | 10-50% | 42.3% | 3.0% | 5.9 |
| Corporate bonds high yield | 0-25% | 17.9% | 3.7% | 4.3 |
| Micro finance | 0-25% | 4.4% | 4.2% | 3.6 |
| Other | 0-25% | 11.1% | 4.8% | 7.3 |
| **Cash** | 0-25% | 5.7% | -0.4% | 0.0 |
| **Total** | | 100% | 3.2% | 5.3 |

*Source: DoubleDividend*

## Top movers in the portfolio

March was a good month for our longer dated high quality corporate bonds from the United States, and for our emerging market exposure. The Microsoft bond with a maturity in 2055 had the highest return with 7.3%, also helped by the appreciation of the US Dollar. Also, Nordex was among the best performers, thanks to the strong results from the German windmill producer. The subordinated bonds of Nordea and KBC showed the largest declines of the month with -2.1% and -1.4%, respectively.

**Table: top 5 movers in the portfolio**

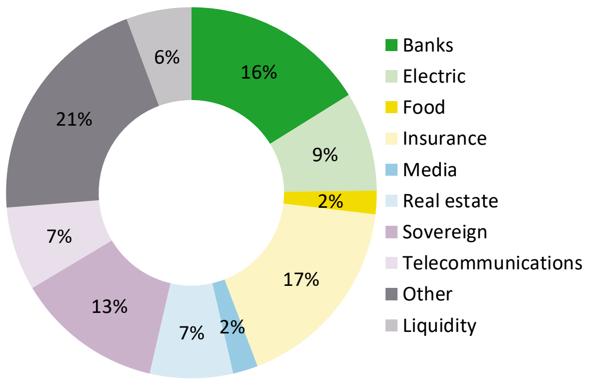
| Top 5 best performers | | Top 5 worst performers | |
|---|---|---|---|
| | Return | | Return |
| Microsoft 2055 4% | 7.3% | Nordea perp 3.5% | -2.1% |
| Apple 2046 4.65% | 6.9% | KBC perp 4.25% | -1.4% |
| Visa 2045 4.3% | 6.8% | Achmea perp 4.25% | -0.6% |
| Medtronic 2035 4.375% | 5.4% | Aegon 2044 4% | -0.5% |
| Nordex 2023 6.5% | 5.0% | Nationwide perp 5.769% | -0.5% |

*Source: DoubleDividend/Bloomberg*

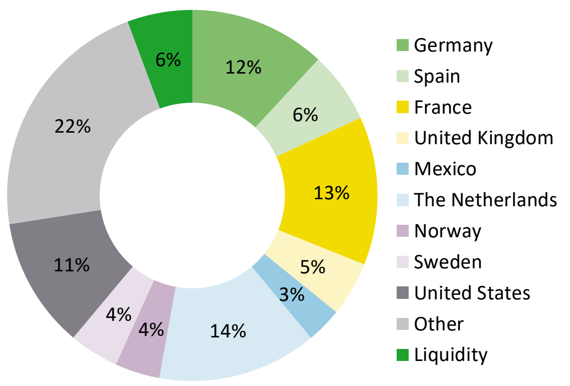
**Team DoubleDividend**

## Appendix: portfolio characteristics

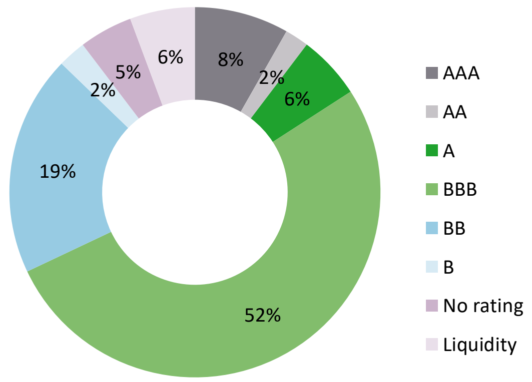
### Distribution per sector (GICS)




### Distribution per country of origin




### Distribution per rating




### Distribution per currency