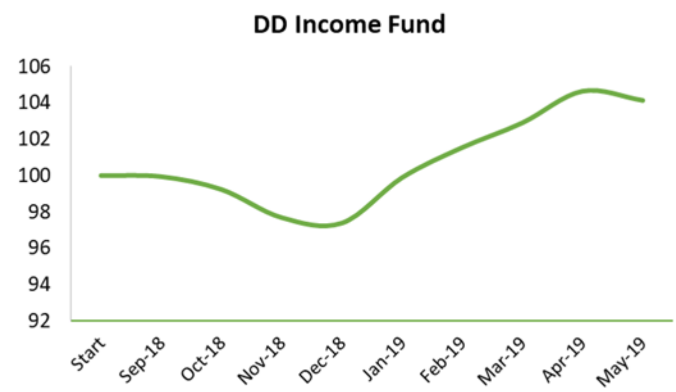
DD Income Fund
Monthly report May 2019

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 -0.48% for May 2019. At the end of May the net asset value per participation was € 25.83. This brings the result for the year, including the dividend payment in February, to 6.93%.



** 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	€ 38.0 m
# shares outstanding	1,473,699
Net Asset Value*	€ 25.83
# of positions	98

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

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

	Jan	Feb	Mar	Apr	Mei	Jun	Jul	Aug	Sep	Okt	Nov	Dec	Totaal
2018									-0.06	-0.71	-1.56	-0.31	**-2.62**
2019	2.57	1.66	1.34	1.69	-0.48								**6.93**

* De waarde van uw belegging kan fluctueren. In het verleden behaalde resultaten bieden geen garantie voor de toekomst.

Market developments

Due to the increasing trade tensions between the US and China, investors purchased government bonds, with rising prices as a result. The yield on a German government bond with a maturity of 10 years fell as a result to -0.20%, the lowest level ever. Interest rates on government bonds from other European countries, with the exception of Italy, also fell. The large gain of Lega Nord during the European elections caused renewed turmoil among investors over the Italian budget, with rising interest rates and falling prices as a result. The Italian budget deficit has continued to rise and was already outside the EU's limits.

Like in Europe, interest on US government bonds also fell. The yield on the 10-year Treasury stood at 2.13% at the end of the month, almost 0.4% lower than a month earlier and the lowest level since September 2017. The fall in interest rates is a result of the increased uncertainty due to the trade war between the US and China and a possible cooling of the economy. The fear that the US will end up in a recession somewhere in the next 12 to 24 months is increasingly likely. The economy has been growing continuously for 10 years, but the latest figures indicate the economy is no longer growing as fast.

DD Income Fund decreased in value by 0.5% in May, which brings the total return for 2019 to 6.9%. Most government bonds and high-quality, long-term corporate bonds made a positive contribution to the result. However, most corporate bonds were under pressure due to an increasing risk premium. The expected return (yield-to-worse) on the portfolio has risen slightly to 3.2% at the end of the month.

Table: Main portfolio characteristics DDIF per month end

# of positions	94
# of issuers	75
Euro exposure	78.9%
Cash	3.5%
Investment grade (incl cash)	73.6%
Expected return (yield-to-worst)	3.0%
Duration (in years)	5.7

Bron: DoubleDividend/Bloomberg

Portfolio developments

As a result of the inflow of new capital into the fund, we expanded the existing positions in Apple, Enel, Telefonica and Vodafone last month. In addition, we have added a new bond from Grand City Properties from Germany with an expected return of 3.4%. The positions in the government bonds from Romania and the US has also increased slightly. Finally, we have added three new bonds, namely CVS Health, Starbucks and Société Générale to the portfolio. As a result, the number of bonds in the portfolio has risen to 98.

The bond of CVS Health has a BBB rating from S&P and an expected return of approximately 5% in US dollars. The reason for the relatively high return has to do with the long duration of almost 30 years.

The Starbucks loan is a so-called green bond with an expected return of 4.4% in dollars. Starbucks will use the 1 billion dollar proceeds to finance "green projects" such as making the stores more sustainable and investing in the Global Farmers Fund. We will only invest in this type of green bonds if the company as a whole is also sustainable and the financial return outweighs the risks. We see unsustainable companies that issue green bonds as a form of greenwashing in a search for cheaper capital as the interest rate on these bonds is generally lower.

The bond of the French bank and insurance company Société Générale is a perpetual loan but is expected to be repaid in 2021. Because it is a subordinated loan, the creditworthiness of the loan is lower (just below investment grade), but the annual return of 3.9% is attractive. Société Générale itself has an A rating, which means that the chance of default is very small. The cash position at the end of the month was 5.1%.

Table: portfolio per building block

Building blocks	Range	Weight	Yield-to-worst	Duration
Government bonds developed markets	10-50%	12.6%	2.2%	2.9
Government bonds emerging markets	0-25%	7.7%	3.7%	12.2
Corporate bonds investment grade	10-50%	40.6%	3.2%	6.8
Corporate bonds high yield	0-25%	20.2%	3.7%	4.9
Microfinance	0-25%	3.3%	3.9%	3.4
Other	0-25%	10.5%	4.8%	6.9
Cash	0-25%	5.1%	-0.4%	0.0
Total		100%	3.2%	5.9

Source: DoubleDividend

Top movers in the portfolio

May was a good month for government bonds from both developed and emerging markets. Corporate bonds with a very high rating, such as Microsoft, Visa, Medtronic and Apple, also had a very strong month. The other corporate bonds and the high-yield segment declined due to an increasing risk premium. The largest decline came from Nationale Nederlanden. The bond of Nationwide also fell by 3%, mainly as a result of the fall in the pound sterling.

Table: top 5 movers in the portfolio

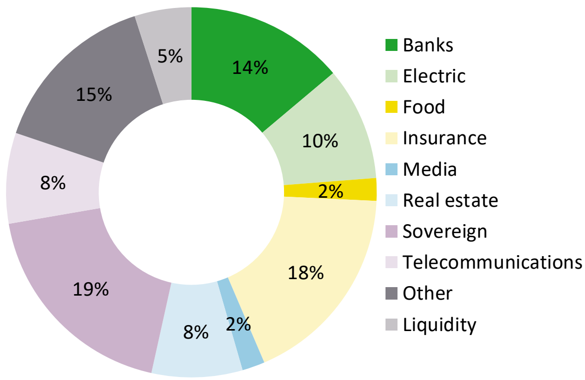
Top 5 best performers		Top 5 worst performers	
	Return		Return
Microsoft (Corp IG)	5.1%	Nationale Nederlanden (Corp IG)	-3.0%
GenCat (Gov DEV)	4.8%	Nationwide (Corp IG)	-3.0%
Visa (Corp IG)	4.8%	Enel (Corp IG)	-3.0%
Medtronic (Corp IG)	3.8%	ASR (Corp IG)	-2.8%
Apple (Corp IG)	3.0%	Schaeffler (Corp HY)	-2.7%

Source: DoubleDividend/Bloomberg

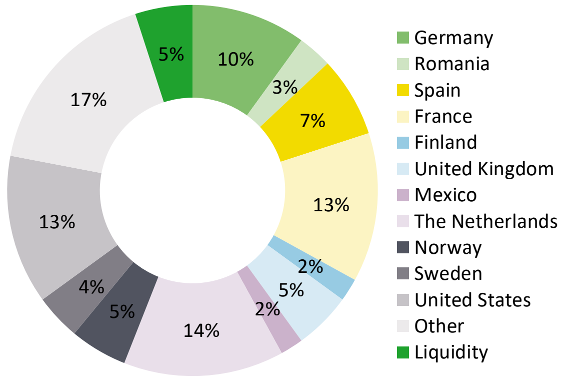
Team DoubleDividend

Appendix: portfolio characteristics

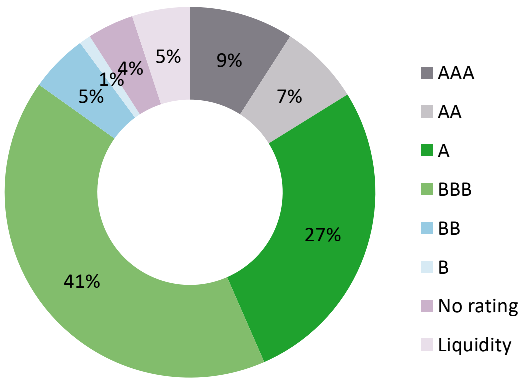
Distribution per sector (GICS)



Distribution per country of origin



Distribution per rating



Distribution per currency