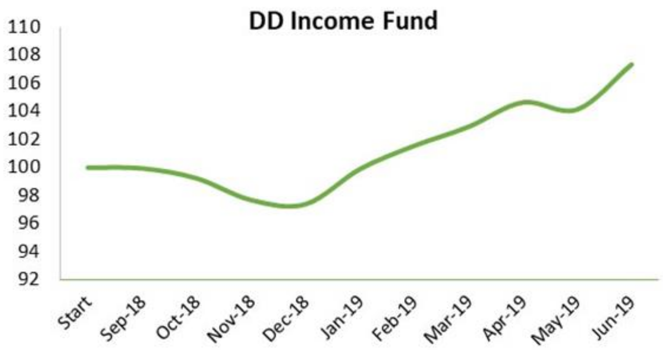
DD Income Fund
Monthly report June 2019

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 3.08% for June 2019. At the end of June the net asset value per participation was € 26.62. This brings the result for the year, including the dividend payment earlier, to 10.22%.



** 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	€ 40.7 m
# shares outstanding	1,529,427
Net Asset Value*	€ 26.62
# 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	3.08							**10.22**

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

Market developments

The global bond markets had a very strong month again. Interest rates on government bonds declined further, causing the prices of bonds to rise. The interest rate on 5 and 10-year German government bonds has fallen to -0.66% and -0.33% respectively, a historic low. With this, European bond investors increasingly end up in a difficult position. Given all the uncertainties in the world, safe bonds are increasingly important in a mixed portfolio. However, to achieve a positive return with bonds, (other) risks must be taken. High yield bonds, for example, offer a positive expected return, but the risk premium has fallen sharply from around 5% last December to around 3% at the end of June. US government bonds also offer a positive yield of around 2%, despite the sharp fall in interest rates, but the yield comes with a currency risk. The dollar fell in value by 2% over the past month, which once again shows that a modest return expectation should come with a modest risk profile.

The yield to maturity of the DD Income Fund is still 2.8% despite the fact that approximately 78% is invested in euros. This expected return can be achieved thanks to a broad mix of risks: currency risks, credit risks and maturity risks. With 98 different bonds from 78 issuers, the portfolio is broadly diversified.

Table: Main portfolio characteristics DDIF per month end

# of positions	98
# of issuers	78
Overall credit rating	BBB
Euro exposure	77.9%
Cash	3.8%
Investment grade (incl cash)	70.7%
Expected return (yield-to-worst)	2.8%
Duration (in years)	6.0

Bron: DoubleDividend/Bloomberg

Portfolio developments

At the moment we find subordinated loans with a high rating from financial institutions interesting. The European financial sector is under pressure due to the low interest rate environment, which affects the profitability of the sector. However, the many measures taken by the regulators have considerably strengthened the capital ratios in recent years. In our opinion, bonds from financial institutions therefore offer an attractive return at an acceptable risk. Last month we further expanded our position in subordinated loans from ABN AMRO, Nationale Nederlanden and Aegon at a yield of 3 to 4.5%.

In our opinion, high-quality American corporate bonds with a long duration are also attractively valued. The long duration brings a higher yield, with the risk of a price drop if interest rates rise (duration risk). Given the changed policy of the central banks, we currently do not consider the risk of a sharp rise in interest rates to be substantial. This month we therefore further expanded our position in a long-term bond from Microsoft with a yield to maturity of 3.6%. The position in out Netflix high yield bond with a yield of 3.5% has also been increased.

Finally, the energy transition still offers attractive investment opportunities for bond investors. Both utilities and specialized investors in solar- and windfarms are looking for capital to finance their substantial investment programs. For example, we have added a bond from the French utility company EDF and European Energy, a Danish investor in wind turbines, to the portfolio.

Table: portfolio per building block

Building blocks	Range	Weight	Yield-to-worst	Duration
Government bonds developed markets	10-50%	11.7%	1.9%	2.9
Government bonds emerging markets	0-25%	8.0%	3.3%	13.5
Corporate bonds investment grade	10-50%	41.7%	2.4%	7.0
Corporate bonds high yield	0-25%	20.1%	3.0%	4.9
Microfinance	0-25%	3.5%	4.2%	3.7
Other	0-25%	11.2%	3.9%	7.1
Cash	0-25%	3.8%	-0.4%	0.0
Total		100%	2.8%	6.0

Source: DoubleDividend

Top movers in the portfolio

June was a good month for more risky bonds in euros. The biggest gainer was a long-term government bond from Romania. The high yield bonds from ASR insurance and the Spanish Telefonica also performed well. The position is Telefonica was sold at the end of the month because, in our view, the expected return of 1.7% no longer outweighed the risks.

Table: top 5 movers in the portfolio

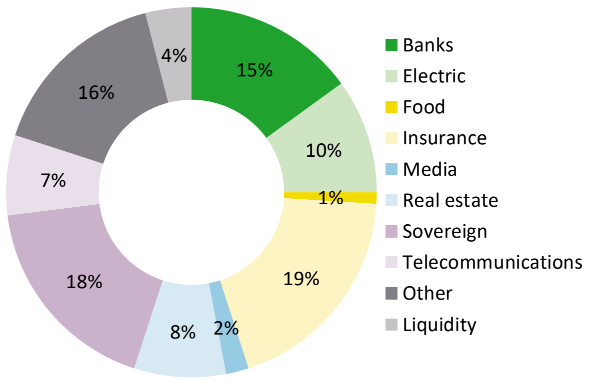
Top 5 best performers		Top 5 worst performers	
	Return		Return
Romania (Gov EM)	9.0%	Banorte (MF)	-1.9%
ASR (Corp HY)	7.7%	Treasuries (Gov Dev)	-1.8%
Telefonica (Corp HY)	7.4%	Banco Santander Mex (MF)	-1.5%
Vodafone (Corp IG)	7.0%	Eurofins (Corp HY)	-1.5%
Enel (Corp IG)	6.3%	Siam Commercial (MF)	-1.3%

Source: DoubleDividend/Bloomberg

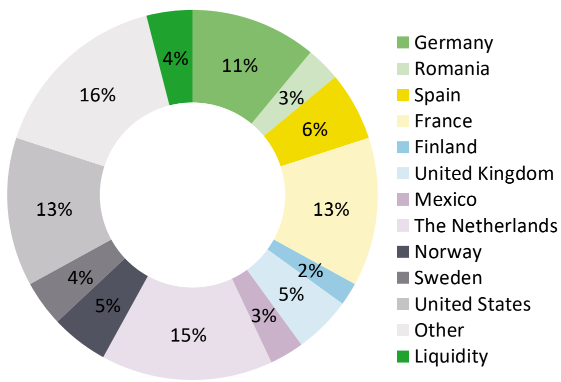
Team DoubleDividend

Appendix: portfolio characteristics

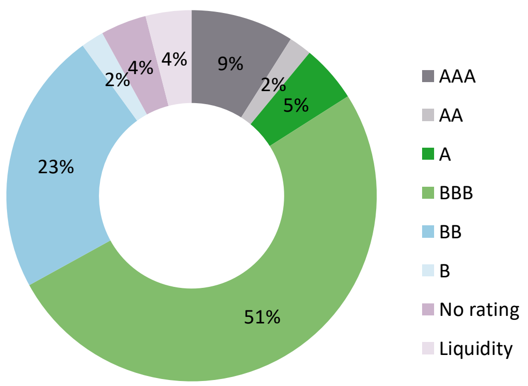
Distribution per sector (GICS)



Distribution per country of origin



Distribution per rating



Distribution per currency