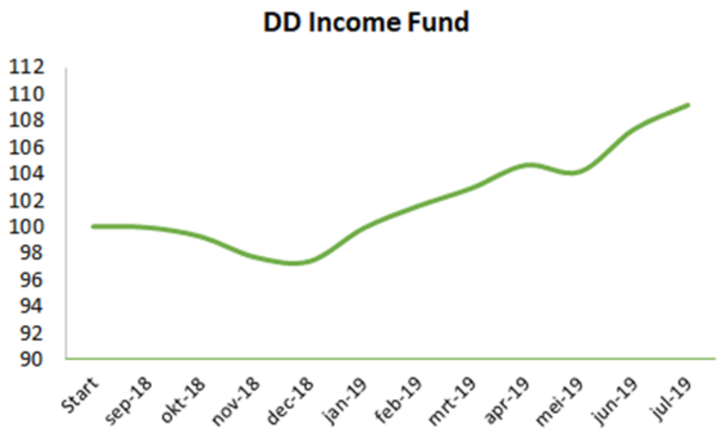
DD Income Fund
Monthly report July 2019

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 1.71% for July 2019. At the end of July, the net asset value per participation amounted to € 27.08. This brings the result for the year, including the dividend payment earlier this year, to 12.10%.



** 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	€ 42.2 m
# shares outstanding	1,559,874
Net Asset Value*	€ 27.08
# 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	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2018									-0.06	-0.71	-1.56	-0.31	**-2.62**
2019	2.57	1.66	1.34	1.69	-0.48	3.08	1.71						**12.10**

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Market developments

The rise in global bond markets continued in July, mainly as a result of the monetary policy of central banks. The US 10-year interest rate remained stable at a level of around 2%, but the German 10-year interest rate fell slightly further to around -0.4%. The Barclays Global Aggregate Bond Index increased by 0.55% and the Barclays Global High Yield Index increased by 0.62%. The DDIF did a lot better with a result of 1.71% for the month of July, bringing the annual result to 12.1%.

This month it was announced that Christine Lagarde will succeed European Central Bank (ECB) president Mario Draghi in October when his term ends. Although her name was mentioned as a possible candidate, her appointment is a bit of a surprise, especially because of her lack of monetary policy experience. Her appointment is not expected to bring a major shift in the ECB's monetary policy. The ECB left its interest rate unchanged this month. Draghi did say in his explanation that the economy needs extra support, but he was not very specific about the ECB's next steps. It is very well possible that there is no agreement within the ECB on which instruments should be used. The FED (American central bank), however, did lower its policy rate by 0.25% on the last day of the month, even though the US economy is still in good shape thanks to robust growth and record low unemployment. With this early move, the FED wants to stretch the current economic cycle, but economists are very divided about the need for the interest rate cut.

Due to the larger share of high rated government bonds in the portfolio at the expense of high yield, the overall rating of the portfolio has risen from BBB to BBB+.

Table: Main portfolio characteristics DDIF per month end

# of positions	98
# of issuers	79
Overall credit rating	BBB+
Euro exposure	76.2%
Cash	2.2%
Investment grade (incl cash)	70.5%
Expected return (yield-to-worst)	2.7%
Duration (in years)	6.3

Bron: DoubleDividend/Bloomberg

Portfolio developments

Despite the low interest rates, we managed to add several attractive bonds to the portfolio last month.

With a Hydro Quebec bond, we have added the first Canadian bond to the portfolio. Hydro Quebec is a 100% subsidiary of the province of Quebec in Canada and therefore is categorized under the building block government bonds developed markets. Hydro Quebec produces sustainable energy with around 60 hydroelectric power stations in the province of Quebec. Hydro Quebec is responsible for 32% of electricity production in Canada, but only for 1% of the CO_2 emissions associated with electricity production. The bond has a very high AA- rating and an expected yield of 2.5% in Canadian dollars.

In addition, we have added a third bond from the World Bank to the portfolio. World Bank bonds, which are mostly listed in dollars, are more attractive than US government bonds. They generally deliver a slightly higher return (despite the AAA rating) and have more added value from a sustainability perspective. The World Bank bonds are used to fund projects with the primary objective of combating poverty. The DDIF now owns 3 bonds from the IBRD. The IBRD (International Bank for Reconstruction and Development) is one of the 5 institutions of the World Bank and was established in 1944 to help Europe with the reconstruction. Now IBRD is the largest development bank in the world and mainly active in Africa, South America, Eastern Europe and Asia.

In our bucket emerging market government bonds, we have added a government bond from Senegal. The bond yields a return of more than 4% in euros, but this is offset by a relatively low B+ rating. Senegal is a relative stable, fast-growing country in western Africa. Senegal performs relatively well on democracy and corruption.

Finally, the positions in the perpetual bonds of Rabobank and EDF were expanded last month. The bonds of Ziggo, Virgin Media and Selecta (all high yield) have been sold, which means that the total number of bonds in the portfolio has remained the same at 98.

Table: portfolio per building block

Building blocks	Range	Weight	Yield-to-worst	Duration
Government bonds developed markets	10-50%	13.3%	2.0%	3.1
Government bonds emerging markets	0-25%	8.7%	3.3%	12.9
Corporate bonds investment grade	10-50%	41.6%	2.3%	7.0
Corporate bonds high yield	0-25%	19.2%	3.0%	5.2
Microfinance	0-25%	3.5%	4.2%	3.7
Other	0-25%	11.5%	3.9%	7.6
Cash	0-25%	2.2%	-0.4%	0.0
Total		100%	2.7%	6.3

Source: DoubleDividend

Top movers in the portfolio

Table: top 5 movers in the portfolio

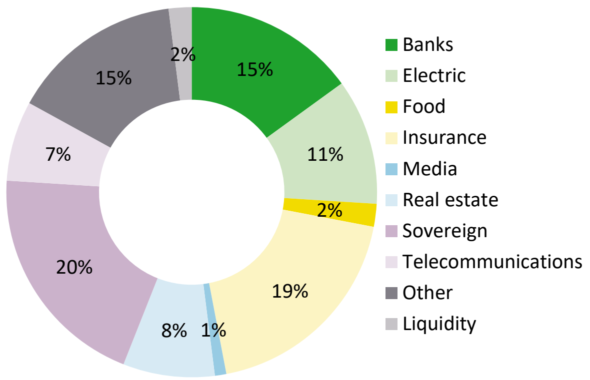
Top 5 best performers		Top 5 worst performers	
	Return		Return
Banco Nat de Costa Rica (Gov EM)	4.7%	Nationwide (Corp IG)	-0.9%
Medtronic (Corp IG)	4.4%	Norwegian Gov (Gov Dev)	-0.7%
CVS Health (Corp IG)	4.2%	Schaeffler (MF)	-0.6%
Peru Gov (Gov EM)	4.1%	Nationwide (Corp HY)	-0.1%
IBM (Corp IG)	3.9%	Danone (Corp IG)	-0.1%

Source: DoubleDividend/Bloomberg

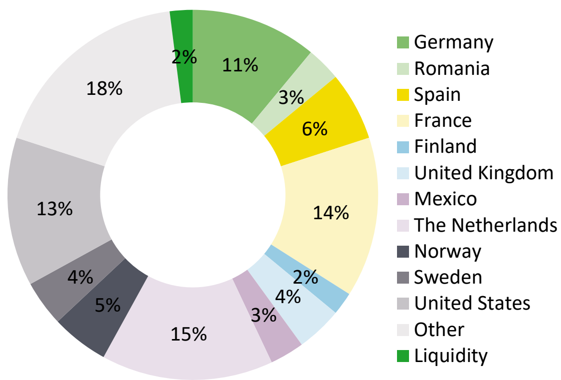
Team DoubleDividend

Appendix: portfolio characteristics

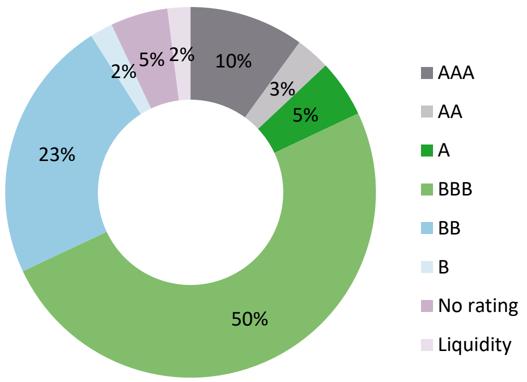
Distribution per sector (GICS)



Distribution per country of origin



Distribution per rating



Distribution per currency