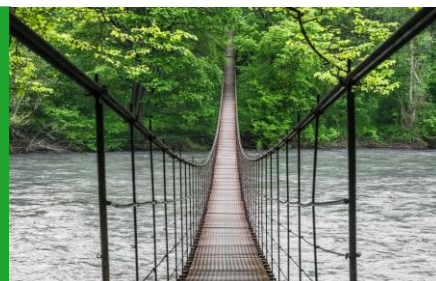


# DD Equity Fund

## Monthly report November 2019

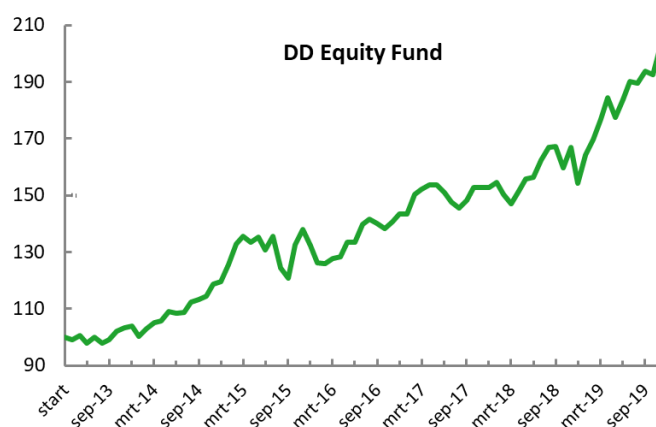


### Profile

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 4,63% over the month of November 2019, as a result of which the net asset value per participation increased to € 201.48. The return for 2019 comes to 30,6%. Since the fund was launched in April 2013, the return has been 101.5%.



\* 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            | € 66.7 mln |
| # shares outstanding | 331,211    |
| Net asset value*     | € 201.48   |
| # of positions       | 47         |
| Beta                 | 0.88       |

#### 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   | Oct   | Nov   | Dec   | Total        |
|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|
| <b>2013</b> |       |       |       | -0.84 | 1.37  | -2.53 | 1.95  | -2.01 | 1.31  | 3.02  | 1.26  | 0.35  | <b>3.79</b>  |
| <b>2014</b> | -3.29 | 2.58  | 2.17  | 0.43  | 3.26  | -0.58 | 0.09  | 3.37  | 1.00  | 1.09  | 3.60  | 0.70  | <b>15.17</b> |
| <b>2015</b> | 5.01  | 5.81  | 2.05  | -1.59 | 1.47  | -3.44 | 3.71  | -8.30 | -2.70 | 9.50  | 4.12  | -4.06 | <b>10.66</b> |
| <b>2016</b> | -4.52 | -0.31 | 1.46  | 0.44  | 4.09  | -0.07 | 4.79  | 1.18  | -0.95 | -1.25 | 1.58  | 2.03  | <b>8.44</b>  |
| <b>2017</b> | -0.06 | 4.86  | 1.16  | 1.13  | -0.17 | -1.75 | -2.16 | -1.42 | 1.83  | 3.12  | -0.13 | 0.10  | <b>6.49</b>  |
| <b>2018</b> | 1.10  | -2.62 | -2.16 | 2.92  | 2.79  | 0.41  | 3.97  | 2.78  | 0.10  | -4.42 | 4.50  | -7.59 | <b>1.01</b>  |
| <b>2019</b> | 6.37  | 3.36  | 4.19  | 4.25  | -3.62 | 3.53  | 3.45  | -0.28 | 2.10  | -0.56 | 4.63  |       | <b>30.57</b> |

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## Market Developments

The stock markets again showed strong results last month. The Eurostoxx 600 and the American S&P 500 increased by 2.9% and 3.6% respectively in November. The positive sentiment was fueled by good company earnings and the hope for a (partial) trade agreement between the US and China. The recent economic figures also seem to indicate that the economy is not heading for a recession, but that economic growth is only slowing. The positive sentiment causes many investors with large cash positions who have been waiting for a dip in the market to become restless and put the money into the market, afraid of missing a possible further rise. The DD Equity Fund benefited from the favourable market conditions and posted a result of 4.6% for the month of November. Despite the lower risk from portfolio measured by beta (the beta of the portfolio was 0.88 versus 1 for the market), the DD Equity Fund is more than able to keep up with the strong market. The price of the fund rose for the first time this month to over 200 euros per share, a doubling since the start of the fund in April 2013. The annualized return since the start of the fund is 11.1%.

The strong results and the improvement in market sentiment in recent months have no impact on how we implement our strategy. We continue to see opportunities in the stock market, but we also continue to operate cautiously. A number of risks (economic cycle, trade tensions, Brexit) have, for the moment, disappeared more into the background, but the chance of a correction in the market remains considerable. Social unrest, the upcoming American elections and the policy of central banks are important issues that will keep the financial markets busy in the coming period.

The global social unrest has found its way to the financial markets recently and has changed the way we look at things like globalization, profit margins, wealth distribution, competitive relationships, sustainability and monetary policy. The increasing realization that too many benefited too little from the growth in wealth and the concept of profit deserves a different definition, leads (under pressure) to policy changes at governments, interest groups and companies. For listed companies, this will have important consequences for the de supply chain, relationships with employees and other stakeholders, profit margins and competitive relationships. Changes do usually not come gradual and will undoubtedly cause some unrest, but we are convinced that only companies that embrace these changes will ultimately be successful.

Rising share prices require a disciplined approach to valuations of individual shares and where necessary we have reduced positions or sold them entirely. As a result, our cash position has risen recently. The best opportunities lie in the technology and health care sectors. Because we do not work with a benchmark, we only need to invest in those sectors and companies where we see opportunities.

## Biggest positive and negative contribution

The largest positive contribution to the result came from Alibaba last month. Alibaba benefited from a successful stock market debut in Hong Kong. The stock was already listed in New York but has now received a second listing in Hong Kong. Baidu, another Chinese technology giant, also made an

important contribution to the result in November. In recent months, we have substantially expanded our position in the Chinese technology sector, partly due to the attractive valuation. CVS Health and Adobe rose in value as a result of good quarterly results and thus also made an important contribution to the monthly result. The largest negative contribution came from ABN AMRO. The financial sector continues to perform poorly due to low interest rates and high investments, which puts margins under pressure.

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

| Top 5 positive  |        |              | Top 5 negative         |        |              |
|-----------------|--------|--------------|------------------------|--------|--------------|
|                 | Return | Contribution |                        | Return | Contribution |
| Alibaba (Chi)   | 14.5%  | 0.4%         | ABN AMRO (Neth)        | -7.2%  | -0.1%        |
| CVS Health (US) | 14.7%  | 0.3%         | Levi Strauss & Co (US) | -4.7%  | -0.1%        |
| Adobe (US)      | 12.7%  | 0.3%         | Lam Research (US)      | -5.7%  | -0.0%        |
| Siemens (Ger)   | 13.3%  | 0.3%         | Klépierre (Fra)        | -2.5%  | -0.0%        |
| Baidu (Chi)     | 17.8%  | 0.3%         | Tokyo Electron (Jap)   | -0.0%  | -0.0%        |

Source: DoubleDividend/Bloomberg

### Portfolio changes

In the past month, quite a few changes have been made to the portfolio. The positions in Nestle, Air Liquide and Thule have been sold in full. The prices of these shares had risen sharply, so that the return perspective had become too poor.

Two new additions to the portfolio are the Japanese company Tokyo Electron and the American LAM Research. Both companies are important suppliers for the chip sector. Just like ASML they develop and sell machines that are used for the production of chips. The global chip sector has had a difficult year, but the introduction of 5G, Artificial Intelligence (AI), self-driving cars and big data is expected to provide an important boost to the demand for advanced chips. Companies such as ASML, Applied Materials, LAM Research and Tokyo Electron will benefit from this because they have unique knowledge and products that are essential for the production of these chips. The technological lead of these companies over the competition is large and the long-term return prospects are therefore very good for these companies. However, investing in the chip sector is not without risks, mainly due to the cyclical nature of the sector. As a result, the prices of these shares can be quite volatile in the short and medium term. From a sustainability perspective, these companies mainly contribute in areas such as climate, safety, science and healthcare. With the addition of LAM research and Tokyo Electron to the portfolio, we have a position in all major suppliers for the production of chips. Applied Materials also came out with excellent quarterly results this month and indicated that the dip in the chip cycle seems to be over.

Other purchases in November were Adobe, Alibaba, Baidu, Cerner, Danone, FIS Global, HDFC Bank, Reckitt Benckiser, Roche, PayPal, Heineken, Visa and Unilever. The positions in Mastercard and Infineon have been somewhat reduced. Portfolio purchases continue to focus on the topics of technology, healthcare, fintech and consumer goods. The cash position in portfolio increased slightly to 12.4% last month.

**Table: top 10 Holdings in portfolio per month end**

| Company & weight in portfolio |      |                |      |
|-------------------------------|------|----------------|------|
| Visa (VS)                     | 2.9% | Medtronic (VS) | 2.6% |
| Alibaba (China)               | 2.9% | Adobe (VS)     | 2.5% |
| Alphabet (VS)                 | 2.9% | Henkel (Dui)   | 2.5% |
| Johnson & Johnson (VS)        | 2.6% | Microsoft (VS) | 2.5% |
| SAP (Dui)                     | 2.6% | Danone (Fra)   | 2.5% |

Source: DoubleDividend

### Team DoubleDividend

## Appendix: portfolio characteristics

**Table: Performance DDEF\***

|                     | Nov 2019     | 2019          | from start (April 2013) |
|---------------------|--------------|---------------|-------------------------|
| Share price         | 3.93%        | 27.67%        | 86.03%                  |
| Currency            | 0.71%        | 2.31%         | 10.92%                  |
| Dividend            | 0.07%        | 1.68%         | 14.60%                  |
| Other               | -0.08%       | -1.08%        | -10.07%                 |
| <b>Total Return</b> | <b>4.63%</b> | <b>30.57%</b> | <b>101.48%</b>          |

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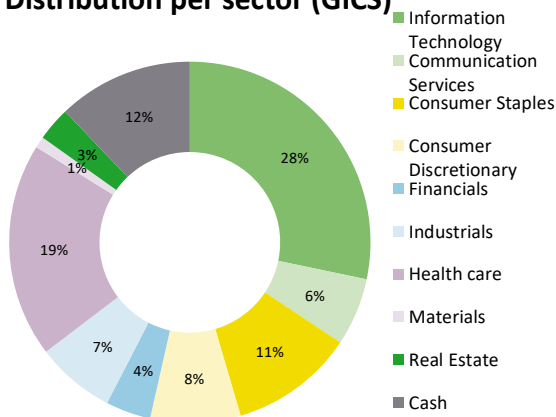
Source: DoubleDividend

**Table: Characteristics portfolio DDEF per month end**

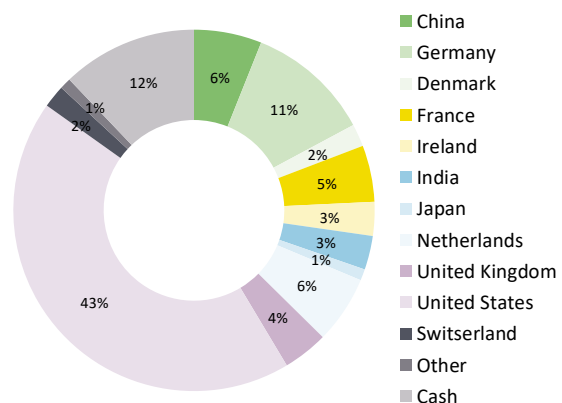
| Valuation             |      | Risk                           |       |
|-----------------------|------|--------------------------------|-------|
| P/E-ratio             | 23.5 | Bèta (raw)                     | 0.88  |
| P/E-ratio (est)       | 18.4 | Debt/EBITDA                    | 3.0   |
| EV/EBITDA (est)       | 14.2 | VAR (Monte Carlo, 95%, 1 yr)   | 17.0% |
| Dividend yield        | 2.2% | Standard deviation             | 11.4% |
| Price/ cashflow (est) | 13.8 | Tracking error (vs MSCI world) | 3.7%  |

Source: DoubleDividend/Bloomberg

### Distribution per sector (GICS)



### Distribution per country of origin



### Distribution based on revenues

