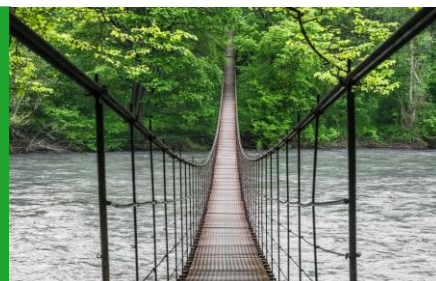


DD Equity Fund

Monthly report February 2020

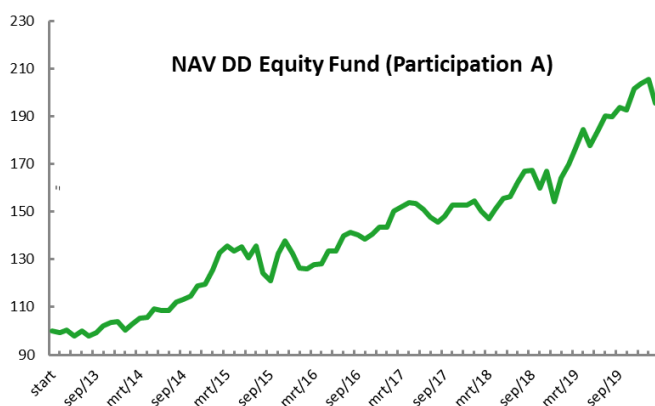


Profile

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 participation A*

DD Equity Fund achieved a return of -4,77% over the month of February 2020, as a result of which the net asset value per participation of participation A decreased to € 195.49. Since the fund was launched in April 2013, the return has been 95.5%.



* 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	€ 74.6 mln
# shares outstanding A	275,164
# shares outstanding B	106,406
Net asset value A*	€ 195,49
Net asset value B*	€ 195,57
# of positions	45
Beta	0.81

Costs

Management fee A	0.80%
Management fee B	0.50%
Other costs**	0.25%
Up/ down Swing factor	0.25%

Other

Start date	Class A: April 2013 Class B: January 2020
Manager	DoubleDividend Management B.V.
Status	Open-end, daily
Exchange	Euronext Amsterdam
ISIN A	NL0010511002
ISIN B	NL0014095127
Benchmark	None
Currency	Euro

Risk monitor



* per share
** estimated

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2013				-0.84	1.37	-2.53	1.95	-2.01	1.31	3.02	1.26	0.35	3.79
2014	-3.29	2.58	2.17	0.43	3.26	-0.58	0.09	3.37	1.00	1.09	3.60	0.70	15.17
2015	5.01	5.81	2.05	-1.59	1.47	-3.44	3.71	-8.30	-2.70	9.50	4.12	-4.06	10.66
2016	-4.52	-0.31	1.46	0.44	4.09	-0.07	4.79	1.18	-0.95	-1.25	1.58	2.03	8.44
2017	-0.06	4.86	1.16	1.13	-0.17	-1.75	-2.16	-1.42	1.83	3.12	-0.13	0.10	6.49
2018	1.10	-2.62	-2.16	2.92	2.79	0.41	3.97	2.78	0.10	-4.42	4.50	-7.59	1.01
2019	6.37	3.36	4.19	4.25	-3.62	3.53	3.45	-0.28	2.10	-0.56	4.63	1.16	32.08
2020	0.73	-4.77											-4.08

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Market Developments

We already predicted last month that the corona virus outbreak is a major risk for the financial markets. In February the stock markets initially showed a sharp rise, but panicked towards the end of the month due to the spread of the virus outside China and the far-reaching economic consequences of the outbreak. Ultimately, the MSCI World Index lost 13.4% in 6 trading days, an unprecedented sharp decline over this short period. The speed of the decline is related to last year's strong market and the elusiveness of the problem. The index stands at a loss of 7% for the year. The Eurostoxx 600 index stands at a 9.4% loss for the year and the US S&P 500 index has lost 8.3% so far. The DD Equity Fund closed the month with a loss of 4.8%, bringing the annual result to -4.1%.

From a medical perspective, the outbreak is considered a major challenge, but there is no panic. The consequences for the financial markets are therefore so big because the outbreak disrupts public life. The authorities are calling for no panic, but they are taking very strong measures. Cities are closed, major events cancelled and in Japan, for example, all schools are closed. This does not contribute to the feeling of safety. A virus outbreak has all the ingredients to scare people; it is invisible, limitless, potentially fatal and everyone is a potential victim. Rightly or wrongly, the virus outbreak has the world in its grip and disrupts daily life in more and more places. The economic effects are therefore a fact

Which sectors are under pressure?

The decline in stock markets is widely supported, but especially sectors that are dependent on consumer spending are under considerable pressure. Tourism is one of the sectors that is hit first and hardest. Share prices of airlines and cruise lines have fallen strongly. For example, the price of Royal Caribbean Cruises (not in portfolio) has fallen by 40% since the outbreak. Air France KLM (also not in portfolio) has fallen by more than 35%. The commodities markets have also been hit hard. The oil price has dropped from \$ 69 in early January to \$ 50 now. As a result, oil companies are under considerable pressure too. Companies like Nike and Adidas also report significantly lower sales in China. Even companies that sell daily consumer supplies such as Danone are under pressure due to the sharp decline in sales, especially in China. Heineken is hit by the fact that people stay more at home, while companies such as Visa and Mastercard are hit by the fact that fewer people buy and travel. This way companies also infect each other. The more countries affected by the virus, the greater the impact on companies' sales and profitability.

In other sectors such as industrial production, companies mainly suffer from the disruption of the production chain. As a result of globalization of production and just-in-time deliveries, disruptions in the production process in China have global consequences. The automotive, pharmaceutical and technology sectors, for example, suffer from this. The good news is that production in China is slowly starting up again, but if the outbreak continues elsewhere in the world, it can lead to new disruptions in production and logistics.

What will the economy do?

Economic growth will be lower worldwide. In China, growth will be considerably lower if we believe the few data points that exist. Recent industrial production figures indicate a huge economic impact. A positive effect is that CO2 emissions and air pollution have decreased drastically. The OECD expects economic growth in the world to be half a percent lower this year as a result of the virus outbreak. This prediction is of course surrounded by a great deal of uncertainty. Much will depend on the time required to get the virus under control. Will there be a temporary economic dip or a recession? The answer to this question is still unclear.

The consequences for the financial markets were largely predictable. Shares are falling, interest rates are also falling and risk premiums are rising. Commodities are under pressure, while the value of gold is rising. The Japanese yen is rising, but the dollar is not. In times of stress, the dollar is often seen as a safe haven, but not this time. This may be due to the sharp fall in interest rates in the US and the unwinding of risky carry trades.

What is the outlook?

Due to the substantial price correction, shares are valued much more attractively on the basis of the price-earnings ratio (P / E). This is the result of a decrease in the P in the P / E ratio. The question now is what will the E do? If it drops, the ratio will increase again. It is still too early to give an exact answer to this, but it is certain that corporate profits will come under pressure. The question is how much and for how long? Central banks are also ready to intervene. It seems almost certain that the American FED will lower interest rates in the short term. The ECB has less room for interest rate cuts, but will nevertheless do something. Other central banks are also likely to take action. In addition, monetary policy may be supported by fiscal policy. Europe does have more options in this area.

In the DD Equity Fund we have substantially reduced the risks in recent weeks. As a result, the cash position rose to 19.3% at the end of February. Thanks to the cash position, we are better protected against a fall, while we can take advantage of the opportunities that the current market offers. In general, we will continue to operate cautiously and only buy when a substantial drop in profit has been priced in.

Biggest positive and negative contribution

The largest negative contribution came from CVS Health, which fell in value by 12%, followed by ABN AMRO, which even fell in value by more than 20%. Stocks that already performed poorly fell the fastest during the market sell-off.

eBay did make a positive contribution to the result of the month. After the sale of Stubhub, other activities may now also be sold. The positions in Air Products and CSX also made a positive contribution to the result because they were sold just before the market correction.

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

Top 5 positive			Top 5 negative		
	Return	Contribution		Return	Contribution
eBay (US)	4.6%	0.1%	CVS Health (VS)	-12.0%	-0.3%
Air Products (US)	9.0%	0.1%	ABN AMRO (NL)	-20.9%	-0.3%
Tencent (China)	4.0%	0.1%	Danone (Fra)	-12.0%	-0.3%
CSX (US)	6.4%	0.1%	Siemens (Dui)	-13.5%	-0.3%
Alibaba (China)	1.6%	0.1%	Medtronic (VS)	-12.0%	-0.3%

Source: DoubleDividend/Bloomberg

Portfolio changes

Last month we sold on balance. The positions in Air Products, Reckitt Benckiser and CSX have been sold entirely. The positions in Microsoft, Adobe, Mastercard, Visa, Unilever and Heineken were substantially reduced during the month. In particular, positions with a relatively high valuation and positions that are vulnerable to the virus outbreak were sold. Merck and Teradyne have been added to the portfolio. Merck is an American pharmaceutical company with a particularly strong position in the field of oncology. With the drug Keytruda (Pembrolizumab), Merck is the market leader in immunotherapy for cancer patients. The drug is used, among other things, in the treatment of skin cancer and lung cancer.

Teradyne makes test equipment, particularly for the chip sector. Teradyne is expected to benefit considerably from the broader application of chips and the rollout of 5G. As chips get more and more applications in, for example, the medical world and traffic, there is a growing need for good chips to be tested before, for example, driving a car or controlling medical equipment.

Table: top 10 Holdings in portfolio per month end

Company & weight in portfolio			
Alibaba (China)	3.2%	Johnson & Johnson (US)	2.8%
Alphabet (US)	3.2%	Danone (France)	2.7%
HDFC Bank (India)	3.0%	eBay (US)	2.6%
Applied Materials (US)	2.8%	SAP (Germany)	2.5%
AIA Group (Hong Kong)	2.8%	FIS (US)	2.5%

Source: DoubleDividend

Team DoubleDividend

Appendix: portfolio characteristics

Table: Performance DDEF, Participation A*

	Feb 2020	2020	from start (April 2013)
Share price	-5.34%	-5.49%	79.33%
Currency	0.48%	1.38%	14.62%
Dividend	0.17%	0.19%	15.10%
Other	-0.08%	-0.17%	-10.55%
Total Return	-4.77%	-4.08%	95.49%

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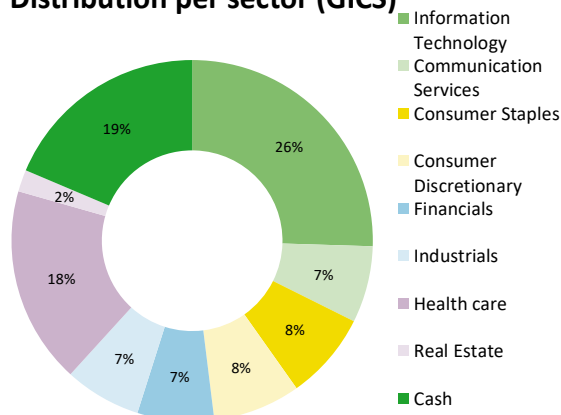
Source: DoubleDividend

Table: Characteristics portfolio DDEF per month end

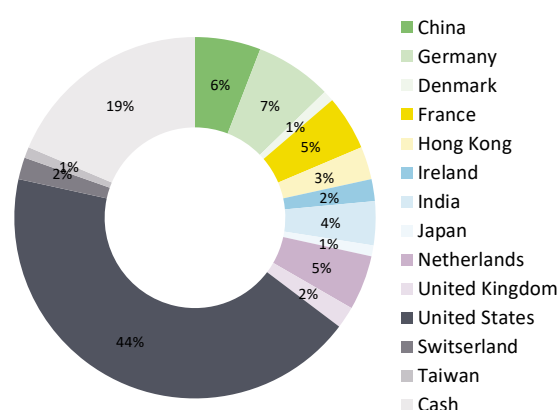
Valuation		Risk	
P/E-ratio	21.3	Bèta (raw)	0.81
P/E-ratio (est)	16.1	Debt/EBITDA	3.0
EV/EBITDA (est)	13.9	VAR (Monte Carlo, 95%, 1 yr)	17.5%
Dividend yield	2.4%	Standard deviation	12.3%
Price/ cashflow (est)	13.0	Tracking error (vs MSCI world)	4.0%

Source: DoubleDividend/Bloomberg

Distribution per sector (GICS)



Distribution per country of origin



Distribution based on revenues

