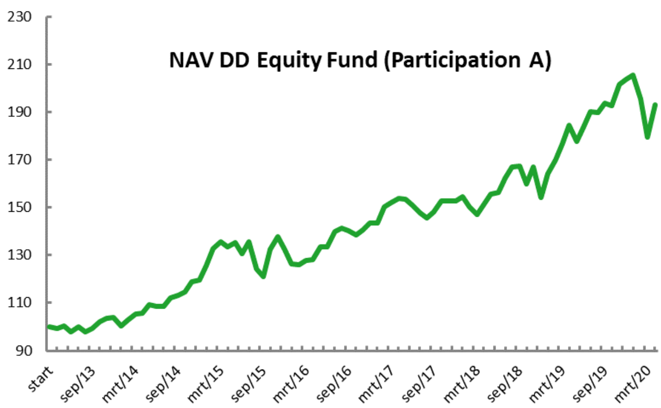
DD Equity Fund
Monthly report April 2020

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 7.4% over the month of April 2020, as a result of which the net asset value per participation of participation A increased to € 192.84. Since the fund was launched in April 2013, the return has been 92.8%.



* 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	€ 77.0 mln
# shares outstanding A	291,217
# shares outstanding B	108,081
Net asset value A*	€ 192.84
Net asset value B*	€ 193.04
# of positions	42
Beta	0.68

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	-8.16	7.40									**-5.38**

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Market Developments

The stock market recovery that started in late March continued in April. US equities, in particular, recovered sharply with a return of 12.8% for the S&P 500 in April. Europe lagged somewhat behind; the Eurostoxx 600 increased by 6.7%. Despite the large cash position, the DD Equity Fund increased in value by 7.4%, bringing the year's result to a minus of 5.4%.

Quarterly figures provide insight

Many companies published quarterly results in April. This allowed investors to make an initial estimate of the impact of the corona crisis on the turnover and results of companies. The picture is highly diverse. Technology companies generally showed strong results. Companies such as Microsoft and Alphabet are benefiting from more people working from home and further digitization of the economy. However, these companies are not completely immune. More services of Alphabet (Google, YouTube) are being used but income from advertising decreased. Ultimately, however, the technology sector will emerge from the crisis more strongly as a result of continued increased traffic on websites and apps and the further digitization of the economy. In general, companies active in the healthcare sector also showed solid results, although some companies (such as Medtronic, which supplies many products for the treatment of chronic diseases) suffer from delays in non Covid healthcare.

The results of consumer staples companies were mixed while consumer discretionary companies were faced with a dramatic drop in demand. The results of these companies provide a good summary of how our lives have changed in a short time. Adidas saw sales drop by a large percentage in no time, but online sales were up 55% in March. Nestle benefited from the fact that we are more at home (including a strong increase in cat food sales). Unilever suffered from our apparently inadequate personal care at home (sales of shaving supplies, shampoo and deodorant fell significantly), while Reckitt Benckiser posted strong sales growth as a result of the sale of cleaning products and hygiene products. In a lockdown world, it seems that we take good care of our home and our pets, but less well of ourselves.

Companies from all sectors are unanimous about the prospects. They are very uncertain. Companies are massively scrapping their revenue and profit expectations for 2020 because they simply don't know. It is clear that the second quarter will be much worse than the first quarter, but what will happen next is highly uncertain.

Economic outlook

According to ECB estimates, the eurozone economy contracted by 3.8% in the first quarter of 2020. The US economy contracted by 4.8% over the same period, according to official figures. The ECB predicted last week that the economic contraction in Europe could be 12% over the whole of 2020, but this figure is also surrounded with much uncertainty. It is too early to draw conclusions from these figures, apart from the fact that we are dealing with a major recession. In any case, the economic contraction will be much greater in the second quarter. Based on some raw data, a fall in economic activity of 20-40% is visible looking at for example energy consumption, freight traffic and payment volumes. For example, Mastercard saw a decline in payment volume in the week of April 14 of 26% in the US and 33% in the rest of the world. However, a small recovery has been visible since the end of April. For example, electricity consumption in Europe increased for the first time in eight weeks last week. May and June will be marked by a gradual relaxation of measures towards a new normal.

What this new normal will look like and what the economic consequences are is still uncertain. Much will depend on the demand side of the economy. In many parts of the world, the economy is currently starting up again slowly, but that is mainly the supply side of the economy. Car manufacturers in France and Spain will start producing again in the next coming weeks but who is buying these cars? Bringing the demand side back to the old level under the new circumstances is very difficult, especially in sectors such as restaurants, retail and the travel. More social distance generally means less sales. In addition, there is likely to be fundamental damage to the economy as a result of bankruptcies, increased debt and rising unemployment. In the US 30 million people lost their job, that is 20% of the workforce.

So for the time being, we assume that economic activity will remain at a lower level until there is a medical solution in the form of a drug or a vaccine. There is certainly hope in this area, but we cannot expect miracles in the short term. For example, last week there was a lot of enthusiasm about Gilead's antiviral drug Remdesivir. NIAID boss Anthony Fauci was “very optmistic”. A more detailed look at the clinical data showed that in this study, patients recovered on average after 11 days instead of 15 days and the mortality rate decreased from 11% to 8%. A decent progress, but not a convincing reason to return to normal life anytime soon. There is certainly also progress in the field of vaccines, but more time and capacity is needed here. For example, the University of Oxford expects to be able to produce a vaccine together with the pharmaceutical company AstraZeneca. This will involve up to 100 million vaccines by the end of the year, much of which will remain in the UK. Here, too, choices will have to be made, both within countries and between countries.

Outlook and Strategy
Based on the above, we will continue the strategy that has been initiated. The three main pillars are limiting risks, focusing on sectors with opportunities and making use of volatility. All three pillars have made a positive contribution to the (relative) performance of the fund in the past period.

We limit the risks by maintaining a large cash position, avoiding cyclical shares and by being extra critical of the cash and balance sheet positions of companies. In addition, as discussed in our previous monthly report, we have selected a number of sectors that are expected to perform relatively well under the current circumstances and in many cases benefit from the likely lasting changes that this crisis entails. These include healthcare & diagnostics, digital payment, daily consumer goods, cloud services, e-commerce and digitization. In addition, the portfolio's focus has shifted more towards Asia. It looks like Asia was better prepared for this crisis and likely to emerge stronger. At the same time, the crisis exposes a number of weaknesses in the US (physical, political, healthcare, social system) and Europe (politics, debt). Finally, the current volatility offers attractive opportunities. Thanks to the substantial cash position, we can make use of this.

Biggest positive and negative contribution
All positions in the portfolio, with the exception of ABN AMRO, made a positive contribution to the result last month. The largest positive contribution came from e-commerce platform eBay, which increased in value by almost 33%. Technology company Alphabet (the parent company of Google and YouTube) and fintech companies PayPal and Mastercard also made an important positive contribution to the result for the month.

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

Top 5 positive	Return	Contribution	Top 5 negative	Return	Contribution
eBay (US)	32.8%	0.6%	ABN AMRO (Neth)	-6.5%	-0.1%
Alphabet (US)	16.4%	0.6%	Baidu (Chi)	0.4%	0.0%
PayPal (US)	28.8%	0.5%	Advantest (Jap)	9.3%	0.0%
Johnson & Johnson (US)	14.7%	0.5%	Nike (US)	2.5%	0.0%
Mastercard (US)	14.3%	0.3%	Klépierre (Fra)	5.0%	0.0%

Source: DoubleDividend/Bloomberg

Portfolio changes

In April we took advantage of the strong market and sold shares on balance, increasing the cash position to 29.2%. Shares that we bought in March were sold at a profit in April. For example, positions in Mastercard, Roche, Thermo Fisher and ASML have been reduced. The positions in Nike, Air Products and Procter & Gamble have been sold completely. Positions in Japan's Tokyo Electron, Alibaba and Tencent (both from China) have increased somewhat. Advantest (Japan) has been newly added to the portfolio. Advantest makes test equipment for the chip sector. Testing chips is a huge growth market due to the rollout of 5G. Because chips with 5G are increasingly used in for example traffic and medical care, testing chips is becoming increasingly important. Advantest is the market leader in this area together with Teradyne (also in portfolio).

Table: top 10 Holdings in portfolio per month end

Company & weight in portfolio			
Alphabet (US)	3.7%	Applied Materials (US)	2.6%
Johnson & Johnson (US)	3.6%	AIA Group (HK)	2.6%
Alibaba (Chi)	3.5%	eBay (US)	2.4%
Danone (Fra)	3.1%	SAP (Ger)	2.4%
Unilever (Neth)	2.9%	PayPal (US)	2.2%

Source: DoubleDividend

Team DoubleDividend

Appendix: portfolio characteristics

Table: Performance DDEF, Participation A*

	Apr 2020	2020	from start (April 2013)
Share price	7.30%	-7.09%	76.07%
Currency	0.13%	1.57%	11.99%
Dividend	0.05%	0.46%	15.63%
Other	-0.08%	-0.31%	-10.85%
Total Return	**7.40%**	**-5.38%**	**92.84%**

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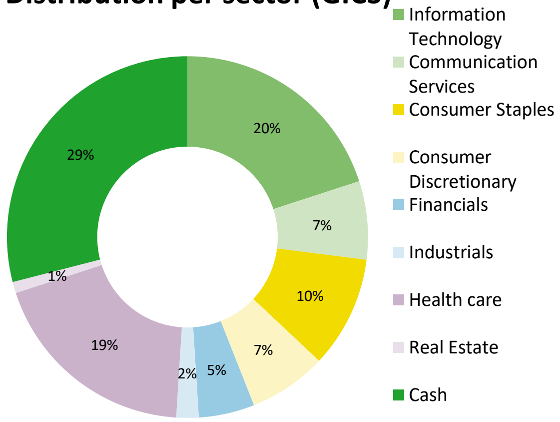
Source: DoubleDividend

Table: Characteristics portfolio DDEF per month end

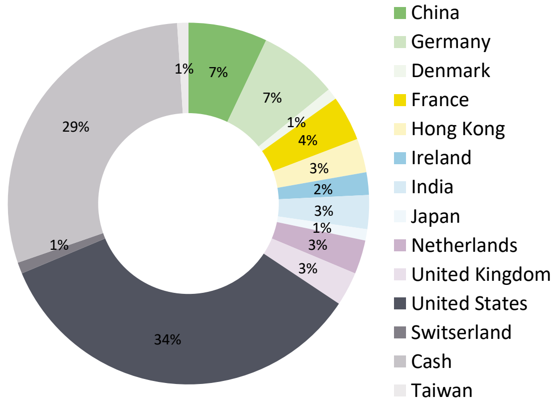
Valuation		Risk	
P/E-ratio	20.3	Bèta (raw)	0.68
P/E-ratio (est)	17.7	Debt/EBITDA	2.8
EV/EBITDA (est)	15.4	VAR (Monte Carlo, 95%, 1 yr)	31.8%
Dividend yield	2.5%	Standard deviation	19.1%
Price/ cashflow (est)	13.8	Tracking error (vs MSCI world)	11.7%

Source: DoubleDividend/Bloomberg

Distribution per sector (GICS)



Distribution per country of origin



Distribution based on revenues