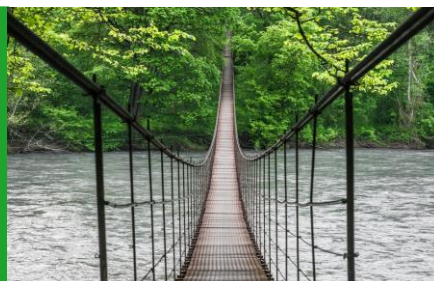


# DD Equity Fund

## Monthly report August 2020

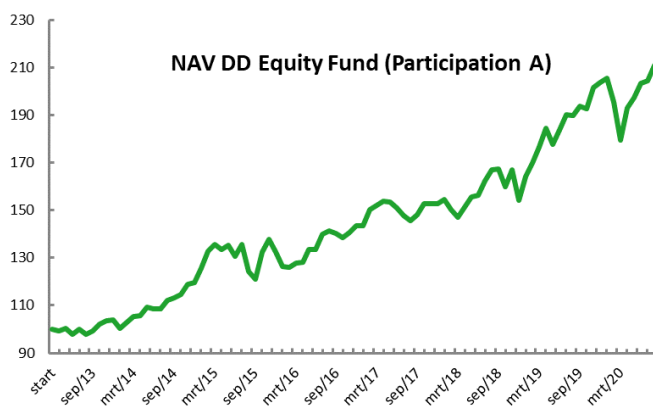


### Profile

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 3.2% over the month of August 2020, as a result of which the net asset value per participation of participation A increased to € 210.93. Since the fund was launched in April 2013, the return has been 110.9%.



\* 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	€ 91.5 mln
# shares outstanding A	312,408
# shares outstanding B	121,081
Net asset value A*	€ 210.93
Net asset value B*	€ 211.36
# of positions	55
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
<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	1.16	<b>32.08</b>
<b>2020</b>	0.73	-4.77	-8.16	7.40	2.32	3.02	0.56	3.19					<b>3.50</b>

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## Market Developments

The stock markets continued the positive trend of recent months. The US stock markets in particular continue to perform strongly; the S&P 500 was up 7.2% in August. The European Eurostoxx 600 lagged somewhat behind the US, but also rose a decent 3.1% last month. On balance, the broad MSCI World rose 5.5% in August. The DD Equity fund lagged somewhat this month with a return of 3.2%, bringing the annual result to 3.5%.

Last month was the strongest August month since 1986 for equities. The S&P 500 index is even at an all-time high. Stock markets are driven by a loose monetary policy, economic recovery, profit growth at (tech) companies and the fall of the dollar is also favourable for US companies. The FED gave the stock markets an extra boost last month by stating that interest rates will remain low even when inflation goes up.

The sharp rise of equity markets is causing concern about valuation. The question is whether the valuation of equities is blind to the state of the economy. Especially in sectors such as technology, e-commerce and (video) communication that are benefiting from structural economic changes, there are examples of stocks that have experienced extreme price rises, resulting in very high valuations.

So there is every reason to operate with caution. We will continue to focus on companies and sectors with good long-term growth prospects, including a large part in technology, but with an eye for valuation.

## Biggest positive and negative contribution

The biggest positive contribution last month came from two Chinese e-commerce companies: Alibaba and JD.com. Both companies published strong quarterly results. For example, sales at Alibaba rose by 34% last quarter. All of Alibaba's activities (e-commerce, digital media, cloud services and digital payments) are benefiting from structural economic changes. JD.com, considered one of Alibaba's main e-commerce competitors, also had good results and was rewarded by investors with a significant price increase. Other big contributors in the portfolio were Salesforce (+ 38%), Meituan Dianping (+ 32%) and NVIDIA (+ 24%)

The largest negative contribution last month came from a number of suppliers to the chip sector, including LAM research, Applied Materials and Tokyo Electron. These companies have good long-term prospects and are attractively valued, but are suffering from the technological and economic tensions between the US and China. The global restrictions imposed by the Trump administration on companies with regard to the export of technology to China make the chip sector particularly vulnerable. Trump argues that technologically advanced products delivered to China should not have any US components.

In the complex chip sector with hundreds of suppliers, this is impossible, which means that Trump in practice shuts down companies such as Huawei from an important part of their suppliers.

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

Top 5 positive			Top 5 negative		
	Return	Contribution		Return	Contribution
Alibaba (Chi)	13.1%	0.6%	LAM Research (US)	-11.8%	-0.3%
JD.com (Chi)	21.9%	0.4%	Applied Materials (US)	-5.0%	-0.1%
Alphabet (US)	9.0%	0.3%	Tokyo Electron (Jap)	-7.1%	-0.1%
AIA Group (HK)	12.7%	0.3%	Heineken (Neth)	-5.7%	-0.1%
NVIDIA (US)	24.6%	0.3%	Illumina (US)	-7.6%	-0.1%

Source: DoubleDividend/Bloomberg

## Portfolio changes

The number of positions in portfolio increased from 52 to 55 last month. The position in Unibail Rodamco was sold due to the further deterioration of the outlook. Daifuku, Tal Education, Hello Fresh and Electronic Arts have been added to the portfolio. The cash position at the end of August was over 14%.

The Japanese **Daifuku** is a developer and manufacturer of material handling systems. Daifuku systems are used in fully automatic distribution and sorting centers, automated factories, libraries and airports, among others. The company is profiting fully from the developments in e-commerce and in the field of robots. In addition to companies active in the electronics and automotive industry, companies such as Alibaba and Amazon are important customers of Daifuku.

**TAL Education** is the largest private education provider in China. The company mainly offers after-school education for children up to 19 years old in subjects such as mathematics, English, physics and biology. Unlike a number of competitors, TAL Education mainly offers physical education instead of online education. TAL does this from around 1,000 different educational centers spread over 50 cities in China. More online education is provided in rural areas. After-school education is a huge growth market in China, growing at more than 30% per year.

**Hello Fresh** is a listed German supplier of meal boxes. Hello Fresh is the market leader in the US and a number of European markets including Germany and the Netherlands. The market for meal boxes has been growing rapidly for many years, but the number of suppliers was too large. Hello Fresh's strong position in a number of large markets allows the company to operate profitably, because scale is essential in this market. The company delivers meal boxes to 4.2 million households every week, of which more than 2 million in the US. Hello Fresh is strongly committed to healthy food, less waste and a sustainable food chain.

**Electronic Arts** is a major developer of Games. The company was founded in the 1980s by a number of Apple employees. Electronic Arts makes games for the Xbox, Nintendo and Playstation, among others. Electronic Arts is particularly strong in the field of e-sports. The company operates under license from the sports federations and has developed popular games such as FIFA and NBA live. The company works with major console manufacturers such as Microsoft, Sony and Nintendo and distributors such as Tencent, Google and Apple. Partly thanks to the corona crisis, the home entertainment market is experiencing strong growth. While this sector was previously mainly associated with shooting games, it is growing into a broad provider of entertainment, partly thanks to the corona crisis: gaming, e-sports, online music and live entertainment.

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

Company & weight in portfolio			
Alibaba (Chi)	4.7%	PayPal (US)	2.8%
Alphabet (US)	3.5%	Danone (Fra)	2.5%
Unilever (Neth)	3.0%	SAP (Ger)	2.5%
Johnson & Johnson (US)	2.8%	Tencent (HK)	2.5%
Applied Materials (US)	2.8%	Medtronic (US)	2.4%

Source: DoubleDividend

## Team DoubleDividend

## Appendix: portfolio characteristics

**Table: Performance DDEF, Participation A\***

	August 2020	2020	from start (April 2013)
Share price	3.92%	6.71%	104.19%
Currency	-0.73%	-3.53%	1.62%
Dividend	0.08%	0.93%	16.61%
Other	-0.08%	-0.63%	-11.49%
<b>Total Return</b>	<b>3.19%</b>	<b>-0.29%</b>	<b>110.93%</b>

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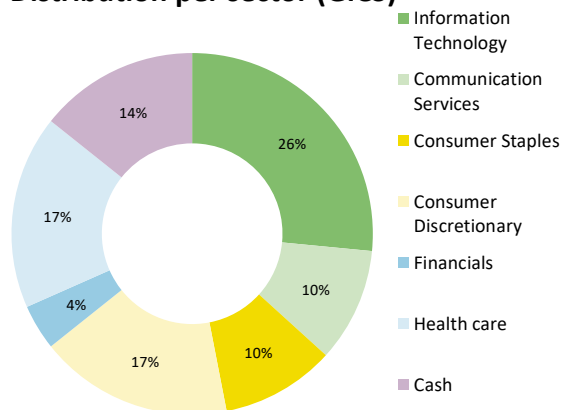
Source: DoubleDividend

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

Valuation		Risk	
P/E-ratio	29.7	Bèta (raw)	0.81
P/E-ratio (est)	21.5	Debt/EBITDA	1.5
EV/EBITDA (est)	18.4	VAR (Monte Carlo, 95%, 1 yr)	31.3%
Dividend yield	1.7%	Standard deviation	18.9%
Price/ cashflow (est)	16.7	Tracking error (vs MSCI world)	11.3%

Source: DoubleDividend/Bloomberg

**Distribution per sector (GICS)**



**Distribution per country of origin**

