DD Income Fund
Monthly report August 2020

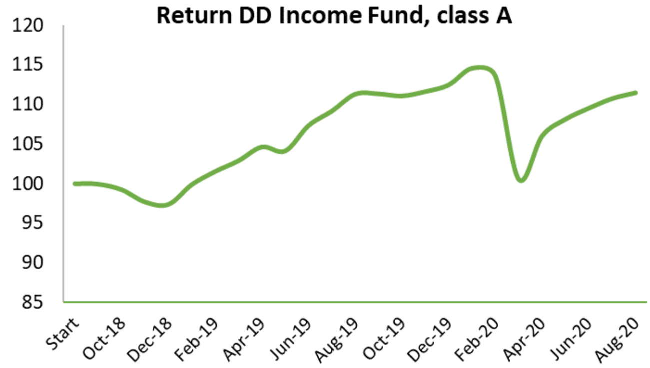
Profile

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 participation A*

DD Income Fund achieved a return of 0,66% for the month of August 2020. This result includes the dividend payment of 20 cents per share. With a pay-out of 40 cents annually, the fund currently offers a dividend yield of approximately 1.5% on an annual basis.

The fund was established on September 1, 2018. Over the past two years, the fund has delivered a return of 11.5%.



** 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	€ 61.3 mln
# shares outstanding A	1,484,312
# shares outstanding B	779,808
Net Asset Value A*	€ 27.05
Net Asset Value B*	€ 27.08
# of positions	104

Costs

Management fee A	0.65%
Management fee B	0.50%
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 %, Class A (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	1.95	0.03	-0.24	0.50	0.76	**15.50**
2020	1.86	-0.85	-11.48	5.43	2.00	1.29	1,11	0.66					**-0.89**

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Market developments

The DD Income Fund achieved a return, including dividend, of 0.66% in August. The fund mainly benefited from the decline in corporate bond risk premiums. High-quality corporate and government bonds, on the other hand, came under some pressure last month. The Bloomberg Barclays Global Aggregate Index lost 0.8% last month, while the Global High Yield index rose 1.3%.

The decline of the broad bond index (with many US government bonds) was the result of a further fall of the dollar against the euro and a rise in long-term interest rates, particularly in the US. The 10-year interest rate rose from 0.53% to 0.70% last month, while the short-term interest rate remained virtually unchanged. Long-term interest rates also rose slightly in Germany last month, although this increase was not as pronounced as in the US.

The rise in long-term interest rates in the US is related to the FED's new view of inflation. The FED will look more at average inflation than at current inflation. In practice, this means that after a period of low inflation (such as today), inflation may temporarily exceed the target of 2%. Under the current circumstances, this means that the FED will wait longer to raise interest rates if inflation rises. This is bad news for bond investors. After all, if inflation rises, they will not, or only later, be compensated by higher interest rates. This reduces the yield on bonds in real terms.

The FED's new view of inflation is in keeping with a world in which central banks are pursuing an increasingly loose monetary policy to please financial markets. This may be good news for the short term but carries risks for the long term. This applies to bond markets, to the stock markets as well as to cash. Normally, real estate would be a good alternative in this scenario, but this sector is hit hard by the corona crisis. Diversification therefore seems to be the best alternative for the time being.

Table: Main portfolio characteristics DDIF per month end*

# of positions	104
# of issuers	92
Overall credit rating	BBB+
Euro exposure	75.0%
Cash	1.0%
Investment grade (incl cash)	73.5%
Expected return (yield-to-worst)	2.9%
Duration (Option Adjusted Duration in years)	7.9

Source: DoubleDividend/Bloomberg

* Yield-to-Worst is the return on the portfolio, including cash, if the ability to repay the loan earlier is taken into account. The actual return may differ because an issuer cannot meet its obligations and due to currency fluctuations. The duration indicates the approximate percentage value change of the portfolio if the interest rate changes by 1%.

Portfolio developments

Over the past month, we added a number of positions to the portfolio. In our high yield portfolio we have added a bond from ADO Properties and a bond from Tennet. ADO Properties is a residential investor in Germany. The company has issued a new loan to finance a number of acquisitions with a yield of 3.25% and a term of five years. The interest is attractive because of the relatively low rating of BB+. However, given the strong outlook for the housing market in Germany, we think the risk is manageable. In addition, ADO Properties has indicated that it is striving for an investment grade rating by lowering leverage. We have also added a loan from Tennet to the portfolio. Tennet is the operator of the Dutch high-voltage and electricity grid and is also active in Germany. Tennet is 100% owned by the Dutch State and plays an important role in the energy transition. Tennet's loan has an expected return of 2%.

We also added a perpetual loan from the Belgian chemical company Solvay to the portfolio. The interest is 2.6% and is revised every 5 years. Solvay is a specialty chemicals company that operates worldwide and has a strong focus on sustainability. Solvay products contribute to the reduction of CO_2 emissions, the circular economy and well-being. For example, Solvay supplies lightweight materials to the automotive industry, raw materials for the production of batteries and ingredients for the production of medicines and prostheses. Solvay has a BBB rating from S&P.

Finally, we added a subordinated perpetual loan from HSBC Bank to the portfolio. The HSBC bank is rated A, but the loan is rated BBB due to its subordinated character. The expected yield is an attractive 4.7% with a term of more than 7 years.

Table: portfolio per building block

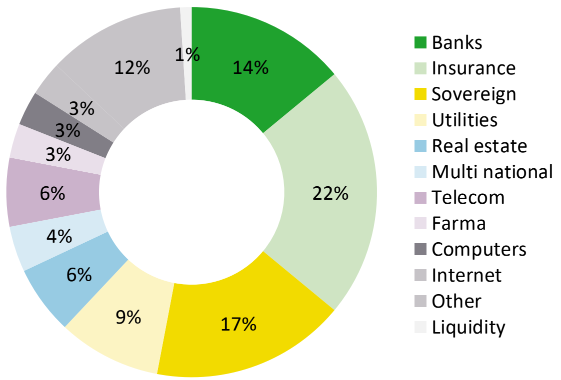
Building blocks	Range	Weight	Yield-to-worst	Duration
Government bonds developed markets	10-50%	14.3%	0.8%	7.4
Government bonds emerging markets	0-25%	8.6%	3.4%	15.1
Corporate bonds investment grade	10-50%	42.0%	2.6%	8.5
Corporate bonds high yield	0-25%	19.1%	3.3%	6.0
Microfinance	0-25%	2.2%	3.2%	3.0
Other	0-25%	12.8%	4.9%	7.0
Cash	0-25%	1.0%	-0.6%	0.0
Total		**100%**	**2.9%**	**7.9**

Source: DoubleDividend

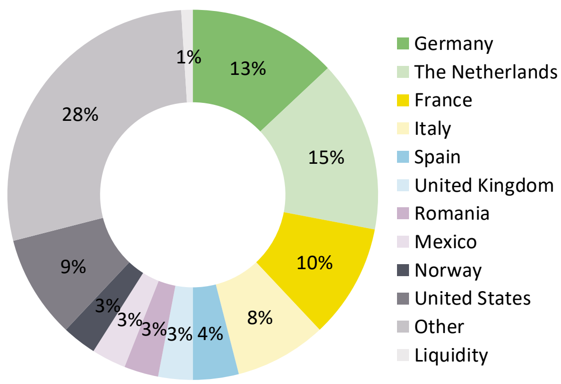
Team DoubleDividend

Appendix: portfolio characteristics

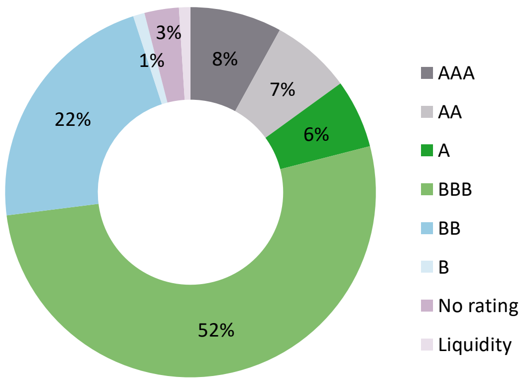
Distribution per sector (GICS)



Distribution per country of origin



Distribution per rating



Distribution per currency