DD EQUITY FUND

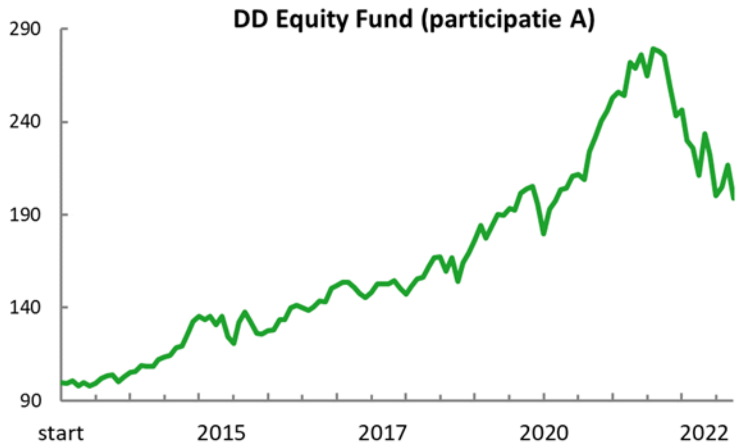
# Monthly report December 2022

## 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 -8.19% in December 2022, as a result of which the net asset value per unit A declined to € 198.98.




* 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 | €179.8 mln |
| # shares outstanding A | 581,757 |
| # shares outstanding B | 209,974 |
| # shares outstanding C | 109,000 |
| Net Asset Value A* | € 198.98 |
| Net Asset Value B* | € 200.65 |
| Net Asset Value C* | € 201.67 |
| # of positions | 85 |
| Beta | 1.2 |

**Costs**

| | |
|---|---|
| Management fee A | 0.80% |
| Management fee B | 0.50% |
| Management fee C | 0.25% |
| Other costs** | 0.20% |
| Up/down Swing factor | 0.25% |

**Other**

| | |
|---|---|
| Start date | Part. A: April 2013 |
| | Part. B: January 2020 |
| | Part. C: January 2021 |
| Manager | DoubleDividend Management B.V. |
| Status | Open-end, daily |
| Exchange | Euronext Amsterdam |
| ISIN (A) | NL0010511002 |
| ISIN (B) | NL0014095127 |
| ISIN (C) | NL0015614603 |
| Benchmark | None |
| Currency | Euro |

**Risk monitor**


* per participation
** expect



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**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 | 2.32 | 3.02 | 0.56 | 3.19 | 0.39 | -1.40 | 7.20 | 3.56 | **13.73** |
| 2021 | 3.83 | 2.21 | 2.87 | 1.10 | -0.64 | 6.97 | -1.07 | 2.71 | -4.20 | 5.57 | -0.56 | -0.76 | **18.94** |
| 2022 | -6.20 | -5.97 | 1.35 | -6.62 | -1.81 | -6.55 | 10.69 | -4.92 | -9.89 | 2.23 | 5.86 | -8.19 | **-27.82** |

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## Market developments

After two positive months, the financial markets took another big step back in December. With this, the markets closed a bad year dominated by high inflation, rising interest rates and the war in Ukraine. Last year, equities showed the biggest fall since the financial crisis of 2008/2009. The DD Equity Fund also had a difficult year, recording its first annual loss since its inception in 2013. The relatively large weighting of growth stocks in the portfolio and the lack of stocks from the fossil energy and raw materials sector also meant that the fund lagged the average from the market.


The graph above shows that the fossil energy sector was a rare place to offer protection last year, while rising interest rates put growth stocks in particular under severe pressure. For example, the broad S&P 500 index fell by 19.4% (measured in dollars) while the NASDAQ, with many growth stocks, lost more than 33%. However, a falling share price does not mean that a company's fundamentals are bad. Supported by trend growth, companies in the portfolio are expected to achieve an average turnover growth of 16% in the current financial year, a multiple of economic growth. Earnings growth is expected to be somewhat lower than revenue growth, partly due to some pressure on margins. It has mainly been the historically rapid rise in interest rates that has seriously affected the valuation of growth and technology stocks, rather than the underlying fundamental developments in these companies. However, some companies and investors have overestimated the growth of technology companies in the post-corona era. The table below shows that the negative contribution to the result of last year came mainly from the technology sector, while a few companies active in the field of healthcare and financial services in emerging countries made a positive contribution to the result.

**Tabel: top 10 positive and negative contribution to the 2022 result (in €)**

| Top 10 bijdrage positief | | | Top 10 bijdrage negatief | | |
|---|---|---|---|---|---|
| | Rendement | Bijdrage | | Rendement | Bijdrage |
| Merck (VS) | 59.3% | 0,7% | PayPal (VS) | -59.7% | -2.1% |
| HDFC Bank (India) | 13.2% | 0.3% | Amazon (VS) | -46.3% | -1.2% |
| Johnson & Johnson (VS) | 13,0% | 0.3% | Salesforce (VS) | -44.3% | -1.1% |
| AIA Group (Hong Kong) | 19,9% | 0.2% | Adobe (VS) | -36.7% | -0,9% |
| Genmab (Den) | 11,8% | 0.2% | Tokyo Electron (Jap) | -43.5% | -0,9% |
| AIR products (VS) | 10.8% | 0.2% | Microsoft (VS) | -23.3% | -0.9% |
| Essilor (FR) | 23.8% | 0.1% | RingCentral (VS) | -79.8% | -0.9% |
| Mastercard (VS) | 3.8% | 0.1% | Alphabet (VS) | -34.6% | -0.8% |
| SolarEdge (VS) | 7.6% | 0.1% | Applied Materials (VS) | -33.4% | -0.8% |
| Visa (VS) | 3.0% | 0.1% | Illumina (VS) | -43.3% | -0.8% |

*Bron: DoubleDividend/Bloomberg*

## Largest positive and negative contribution

The largest positive contribution last month came from a number of stocks from the troubled software sector, including Okta and DocuSign. DocuSign reported strong quarterly results. Sales grew by 18% and investors are also excited about new CEO Alan Thygesen's plans. Tencent from China and AIA Group from Hong Kong also made a positive contribution to the result in December.

The list of negative contributors to earnings is led by Salesforce, where co-CEO Bret Taylor unexpectedly announced his departure. It seems that quirky CEO and founder Marc Benioff has a hard time tolerating anyone next to him. Taylor's departure comes at an unfortunate time as the company wants to focus more on improving margins, something in which Taylor should play an important role. Alphabet, the parent of Google, was under pressure, among other things, due to the successful introduction of OpenAI's AI (artificial intelligence) tool ChatGPT. Investors fear that AI could become a competitor to Google's search engines in the future.

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

| Top 5 Positive | | | Top 5 Negative | | |
|---|---|---|---|---|---|
| | Return | Contri. | | Return | Contri. |
| Tencent (Chi) | 12.3% | 0.2% | Salesforce (US) | -20.1% | -0.5% |
| Okta (US) | 23.7% | 0.1% | Applied Material (US) | -14.2% | -0.4% |
| AIA (HK) | 6.8% | 0.1% | Microsoft (US) | -9.2% | -0.4% |
| Docusign (US) | 13.7% | 0.1% | Samsung (S.Korea) | -18.5% | -0.4% |
| Zalando (Ger) | 11.3% | 0.1% | Alphabet (US) | -15.6% | -0.3% |

*Source: DoubleDividend/Bloomberg*

## Portfolio changes

Positions in AIR Products, Essilor and Merck have been reduced somewhat due to good relative performance. The positions in Alphabet, Amazon, Crowdstrike and DocuSign have expanded somewhat.

**Table: top 10 holdings in portfolio of the month end.**

| Companies & weight in portfolio | | | |
|---|---|---|---|
| Microsoft (US) | 4.0% | Paypal (US) | 2.4% |
| Alphabet (US) | 3.2% | Adobe (US) | 2.3% |
| ThermoFisher (US) | 3.2% | ASML(NL) | 2.3% |
| Applied Materials (US) | 2.6% | Salesforce (US) | 2.2% |
| HDFC (India) | 2.4% | Johnson & Johnson (US) | 2.0% |

*Source: DoubleDividend*

## Team DoubleDividend

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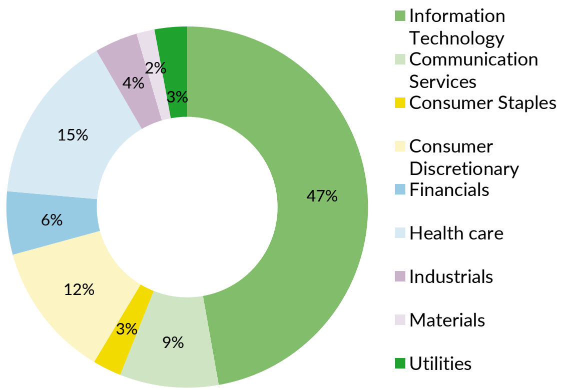
## Appendix: portfolio characteristics

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

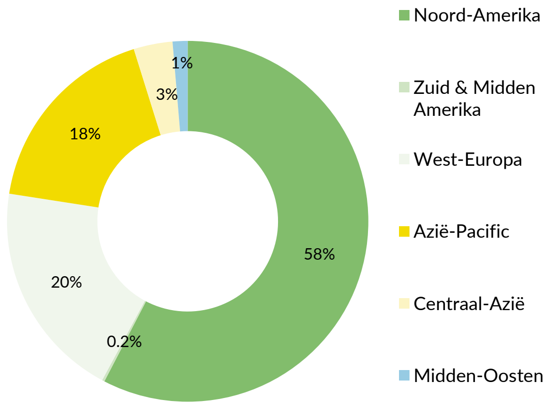
| Valuation | | Risk | |
|---|---|---|---|
| P/E ratio | 29.8 | Bèta (raw) | 1.2 |
| P/E ratio expected | 19.2 | Debt/EBITDA | 2.7 |
| EV/EBITDA expected | 13.4 | VAR (Monte Carlo, 95%, 1 yr) | 33.7% |
| Dividend yield | 1.8% | Standard deviation | 20.7% |
| Price/cashflow expected | 13.8 | Tracking error (vs BBG World) | 7.9% |

*Source: DoubleDividend/Bloomberg*

### Distribution per sector (GICS)




### Distribution per region





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