DD EQUITY FUND

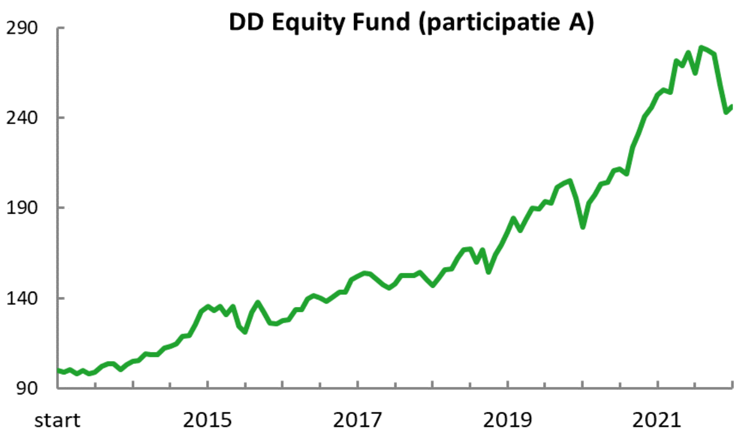
Monthly report March 2022

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 1.35% in March 2022, as a result of which the net asset value per unit A rose to € 246.43.



* 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	€ 217 mln
# shares outstanding A	551,990
# shares outstanding B	217,837
# shares outstanding C	109,000
Net Asset Value A*	€ 246.43
Net Asset Value B*	€ 247.94
Net Asset Value C*	€ 248.72
# of positions	80
Beta	1.07

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

doubledividend
FINANCIAL & SOCIAL RETURNS

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										**-10.61**

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Market developments

Sentiment on the financial markets in the past month was mainly driven by the war in Ukraine. After a significant plunge, equity markets recovered somewhat in the second half of the month, partly on hopes that the talks between Russia and Ukraine will bring peace. The DD Equity Fund also regained some ground and ended the month up 1.4%.

The US central bank, the FED, has raised interest rates by 0.25% in the past month. It was the first increase in an expected series of interest rate hikes. The FED said in a statement that interest rates are likely to be raised at every meeting this year. This would mean that interest rates will be raised six more times this year. The market also expects a number of additional interest rate hikes in 2023 and 2024. The interest rate hike was in line with expectations and therefore had little effect on the financial markets. The FED stressed that the economy is strong enough to absorb the interest rate hikes. The FED also emphasized that it has ample opportunities to curb rising inflation.

Geopolitical developments

The war in Ukraine is causing significant shifts in geopolitical relations, with Russia, the US and China as the main protagonists. We have not seen the unity that the West radiates for a long time (and for a good reason), but this cannot be seen in isolation from the changing geopolitical relations, especially the rise of China. The US presents itself (again) as the moral leader of the world and has been able to strengthen its ties with Europe. After the Trump era, the US again sees the importance of strong ties with other Western countries as a counterweight to the rise of China.

The war in Ukraine has left China in a very difficult situation. The expression of friendship between Putin and Xi during the Olympics in China could not have been timed more badly. China is officially neutral, but does not want to drop friend Putin and also needs the West to keep the economy going. In addition to geopolitical instability, China is also dealing with new corona outbreaks and weakening economic growth. For the Chinese, it is therefore a balancing act, which makes it unlikely that China will choose sides firmly.

The mutual rivalry plays an important role in the attitude of both the US and China towards the war in Ukraine. China opposes to a too dominant position of the US, while the US on the other hand seeks connection with Western allies to counterbalance Russia, but ultimately also China. Besides China, other non-Western, countries (including India, South Africa and Vietnam) are looking with some scepticism at President Biden's attitude since the war in Ukraine. The scepticism about the US is partly due to its recent past in which the US took a very different tone under the Trump presidency and partly because of what these countries believe to be a double standard of moral leadership. For many of these countries, Western values are not universal and these countries are therefore apprehensive of too much Western leadership during this crisis. This further exacerbates geopolitical relations.

The war indirectly also has important consequences for the world economy. BlackRock boss Larry Fink, the world's largest investor, told the Financial Times that the war in Ukraine will permanently change the global economy and claims the end of globalization. Russia is currently largely disconnected from the Western economic system, but the fact is that globalization has been under pressure for some time with Trump's election as a major accelerator. For example, the sanctions that Trump has imposed on China are still largely in effect. Globalization has brought a lot of good, especially in terms of poverty reduction in emerging countries, but the negative effects of globalization on the climate, the ecosystem and the greater inequality in the West, among other things, are becoming increasingly prominent. The war in Ukraine and the accompanying geopolitical tensions are, according to many, the next step in de-globalization. The isolation of Russia, the scepticism about Western leadership in countries such as China and India, but especially the rise of China, is making way for a division of the world into economic power blocs of which the US, Europe and China will be the most important. The way in which the relations between these countries develop in the coming period will be crucial for the functioning of the global economy.

The consequence of the de-globalization or the decoupling of economic superpowers is that supply chains will be organized radically differently. The system changes from *just-in-time* to *just-in-case*. Companies are currently experiencing the risks of the global supply chain and will start producing closer to home. The chip sector is currently the best example of this. In many cases closer to home also means more expensive, which in turn has consequences for profit margins and inflation. Inflation and interest rates, currently dominant themes for the financial markets, will therefore probably remain important for some time to come. The sanctions package imposed on Russia will also ensure further development of alternative economic systems and decoupling. In particular, the freezing of Russia's central bank assets and largely removing Russia from the Swift payment system has also made many other countries think. Like companies, many countries recognize that they are vulnerable as a result of reliance on global systems dominated by the West.

The most significant change in the supply chain will be that of energy supply. The world wants to be less dependent on oil and gas from countries like Russia. The fragility of Europe in particular has become painfully clear in recent weeks and stands in the way of a credible package of measures against Russia. This is good news for making the energy supply more sustainable, because in addition to the climate, an important alternative argument has been added. The focus on sustainability is therefore becoming even more important.

High margin companies are expected to be better protected from the changes in supply chains. For a car manufacturer, the consequences will simply be greater than for a software company with high profit margins. In general, we invest in companies with a less complex supply chain. Companies with a strong market position and a strong brand are also better protected, because these companies can more easily pass on the inflation to the customer.

But there is also a demand side. From that perspective, de-globalization is a risk for all globally operating companies. Many Western multinationals need the emerging markets because local markets are saturated. Companies such as Nike and Adidas, for example, are already experiencing problems, but Apple, for example, is also vulnerable from this perspective. Companies that focus on growth opportunities within their own power block, such as many smaller software companies, but also many Chinese companies, are better shielded. Rising interest rates continue to pose a risk to growth stock valuations, but we believe that significant rises have already been priced in, particularly in the US. Moreover, the effect of rising interest rates on the valuation of shares is often temporary.

Portfolio developments

A large number of companies have now ceased their activities in Russia. Many companies in DDEF's portfolio have also wholly or partially closed their operations in Russia, including Microsoft, Visa, Mastercard, Adidas, Nike, LVMH, Inditex, Netflix, Google and Unilever. Companies give various reasons for stopping operations in Russia, including problems in the supply of goods, restrictions that make financial transactions impossible, ethical reasons or the creation of opposition. Counter-arguments include protection of local workers and consumers, contractual obligations and the Russian threat of nationalization. The weighting of interests strongly depends on the product. Unilever, for example, has stopped selling part of its product range and has discontinued all media campaigns. The company will continue to sell everyday consumer goods in Russia, including food and hygiene products.

For the vast majority of companies, Russia is a limited part of their business operations. At Unilever, for example, this is only 1.3% of turnover. For most other Western companies it is only a few percent at most. The economic impact is mainly visible in inflation numbers. This increases the pressure on central banks to raise interest rates. Given the large number of uncertainties facing the economy, there is a risk that central banks will push the economy into recession. This is a scenario that must increasingly be taken into account.

Largest positive and negative contribution

A number of Chinese companies contributed negatively to last month's result. As described above, the war in Ukraine has made China's position even more complex. The decoupling of economic systems is causing some (mainly American) investors to focus on the home market. These investors prefer the US because of lower risks. On the other hand, with decoupling, economic power blocs are less correlated and diversification therefore makes more sense. In addition, the effects of the war on Russian financial markets have scared many investors in Chinese stocks. As a result, Chinese equities were under considerable pressure at the beginning of the month. However, halfway through the month, sentiment turned after the Chinese government intervened. Deputy Prime Minister Liu He, responsible for economic policy, stressed in a statement the importance of well-functioning capital markets and international investors for China. The Deputy Prime Minister also spoke about the importance of predictable regulations and the listing of Chinese companies in the US. Prices of Chinese stocks rose sharply after the words of Liu He. The statement is significant because all major key investor concerns were addressed at once, and the statement was furthermore supported by an additional statement from Yi Gang, the central bank governor. In fact, the Chinese government is indicating that the poor sentiment in the Chinese stock market is seen as a problem for the stability of the country. It is important that the words of the government are now also supported by concrete actions. Chinese equities can then recover further.

An escalation in China-US relations is a risk, but this risk is not unique to Chinese companies. On the contrary, many Western companies also depend on emerging countries, including China, for their growth. We see an escalation in US-China relations as a possible scenario but not a very likely scenario. The interests are mutually too great for that.

Table: top 10 positive and negative contribution to the monthly result (in €)

Top 5 Positive			Top 5 Negative		
	Return	Contri.		Return	Contri.
Thermo Fisher (US)	9.7%	0.3%	JD (CH)	-18.4%	-0.3%
Amazon (US)	7.2%	0.2%	Tencent (CH)	-11.0%	-0.3%
Johnson & Johnson (US)	8.7%	0.2%	Zalando (GE)	-22.8%	-0.2%
Nvidia (US)	13.0%	0.2%	Baidu (CH)	-12.4%	-0.2%
Tokyo Electron (JP)	9.9%	0.2%	Hellofresh(GE)	-16.2%	-0.1%

Source: DoubleDividend/Bloomberg

Portfolio changes

No new positions were added to the portfolio in the past month. Positions in Johnson & Johnson, Infosys and NovoNordisk have been reduced somewhat. The positions in Okta, Genmab, Salesforce, PayPal, Adyen, DocuSign, Zoom, AMD, Microsoft, Estée Lauder, Oxford Nanopore, Adidas and DrMartens have expanded.

Due to the interest rate rise, the prices of growth stocks in particular are under pressure. Although there is still a lot of uncertainty about the future of interest rates in the shorter term, a descent number of rate hikes have already been priced in, especially in the US. In our view, the ratio between the risk and the expected return of growth stocks is therefore attractive for the long-term investor.

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

Companies & weight in portfolio			
Microsoft (US)	3.9%	Applied Materials (US)	2.5%
Alphabet (US)	3.8%	Adobe(US)	2.4%
Thermo Fisher (US)	3.1%	Visa (US)	2.4%
Amazon (US)	3.0%	Salesforce (US)	2.3%
Paypal (US)	3.0%	ASML (NL)	2.3%

Source: DoubleDividend

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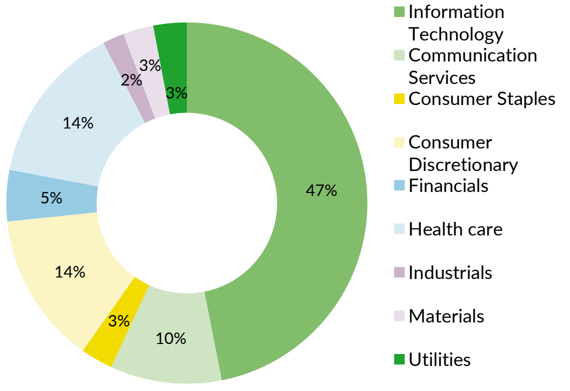
Appendix: portfolio characteristics

Table: Characteristics portfolio DDEF per month end

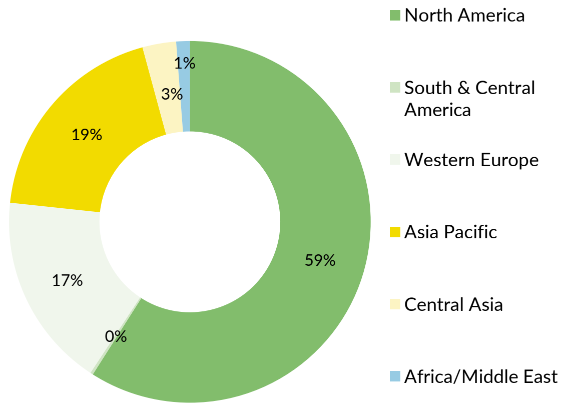
Valuation		Risk	
P/E ratio	34.8	Bèta (raw)	1.07
P/E ratio expected	23.5	Debt/EBITDA	2.2
EV/EBITDA expected	17.3	VAR (Monte Carlo, 95%, 1 yr)	22.1%
Dividend yield	1.3%	Standard deviation	18.7%
Price/cashflow expected	18.7	Tracking error (vs BBG World)	6.2%

Source: DoubleDividend/Bloomberg

Distribution per sector (GICS)



Distribution per region



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