DD EQUITY FUND

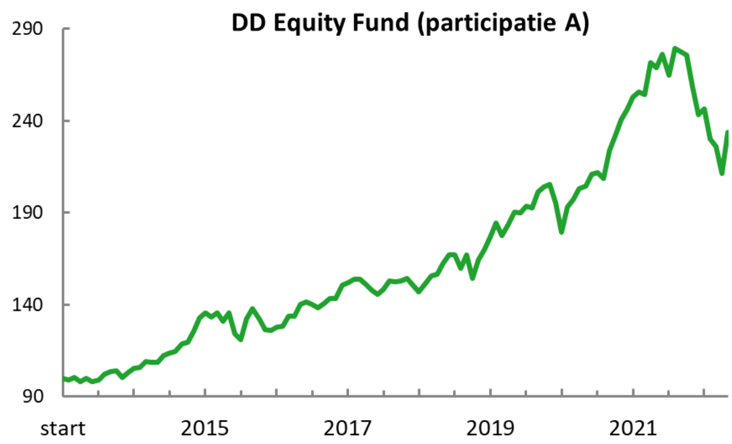
Monthly report July 2022

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 10.69% in July 2022, as a result of which the net asset value per unit A rose to € 233.73.



* 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	€ 213 mln
# shares outstanding A	587,695
# shares outstanding B	214,984
# shares outstanding C	109,000
Net Asset Value A*	€ 233.73
Net Asset Value B*	€ 235.40
Net Asset Value C*	€ 236.34
# of positions	83
Beta	1,1

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	-6.62	-1.81	-6.55	10.69						**-15.22**

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Market developments

Financial markets and the DDEF portfolio showed a strong recovery in July. The recovery was driven by 1.) strong company results 2.). a decline in long term interest rates and 3.) legislation in the US including the "Chips Act" and the "Climate Bill."

The earning season has generally reassured investors. In particular, the major tech companies including Amazon, Google, Apple and Microsoft came out with better than feared results. Overall, there has been some drop in demand due to more cautious consumers and some pressure on margins due to high inflation, but there has not been a large-scale drop in profits yet. Companies active in cloud services continue to perform very strongly. The cloud services of Amazon, Microsoft and Google, among others, are still growing by 30-40% annually. Medical technology companies such as Thermo Fisher and Danaher also continue to perform very well. Companies that depend heavily on consumer spending, such as Adidas and HelloFresh, are struggling. Moreover, the margins of these companies are under pressure due to rising inflation. The increased costs cannot always be passed on to the consumer, who is more critical of spending due to high inflation.

Despite both the ECB and the FED raising interest rates sharply last month, bond markets stabilized. The ECB raised the interest rate for the first time in more than 10 years, immediately by 0.50%, whereas the market had long assumed an increase of 0.25%. The FED even raised the interest rate for the second time in a row with 0.75%. The recent interest rate hikes by central banks mainly affect short-term interest rates (up to 1 year). Long-term interest rates are mainly determined by investors' expectations of future interest rate steps by central banks. In both the US and Europe, long-term interest rates fell on the back of declining economic growth and hopes that inflation has peaked, which may cause central banks to raise interest rates less aggressively. This decline in long-term interest rates contributed to the recovery of equities last month. Weakening economic growth is a fact of life. The US economy contracted for the second quarter in a row, which technically means that we are already in a recession (although the Biden administration, in view of the upcoming elections, does not want to call it that yet). Whether inflation has actually spiked remains to be seen. Further rise in interest rates is still on the table and remains a risk for financial markets.

Finally, share prices were positively influenced by a number of political developments in the US last month. For instance, the Chips & Science Act was passed, which should ensure more production of advanced chips on US soil. In addition, the Biden administration probably has sufficient support for what was once called the Build Back Better Bill and is now called the Inflation Reduction Act. The series of laws provides for major investments in sustainability (Climate Act, USD 369 billion), a reduction in healthcare costs, especially for low-income groups, and a reduction in the government deficit. The expenditure is mainly financed by the introduction of a minimum tax rate of 15% for companies with a profit of more than USD 1 bln.

Largest positive and negative contribution

The biggest positive contribution to the result came last month from Amazon, which rose more than 30% in value. The company benefited from the recovery of technology stocks and strong quarterly results. After a period of tumultuous growth, the company seems to have its costs better under control, while the cloud service of AWS continues to grow steadily at 33%. Besides rising costs, investors were particularly concerned about the growth prospects of the web shop, but the 14% growth in Amazon Prime underlines Amazon's strength.

The passing of the Chips & Science Act ensured a strong performance of shares in the chip sector. With USD 280 billion in support measures, the Act should ensure that more advanced chips are produced on American soil (the most advanced chips are still mainly made in Taiwan and Korea). Similar policies are being developed in Europe and Japan, among other countries. The policy has important implications for a large number of companies in DDEF portfolio. The policy should ensure that more production facilities for advanced chips are built in the US and Europe, among other countries. This is good news for portfolio companies such as ASML, Applied Materials, Tokyo Electron and LAM Research. These companies supply the equipment needed to make chips. But also TSMC, which is the main producer of chips (for e.g. Apple and NVIDIA) can benefit from subsidies and tax advantages if it moves part of the production to the US. TSMC has plans to build a USD 5bn production facility in Texas.

The Chips Act has broad support from both democrats and republicans, but is not without controversy. One might question whether so much tax money should go to an industry that is profitable in its own way. But the chip industry has become politicised. Chips have become an important raw material for virtually all (technological) products and play an important role in becoming more sustainable. Politically, chips have acquired the same status as oil. Without chips, many supply chains will grind to a halt. The fact that almost all advanced chips are produced outside the US and Europe is therefore increasingly a political and economic problem. The fact that precisely Taiwan (with TSMC) is an important player in the production of chips makes the situation even more complex, given the tense relationship with China. The US government in particular is increasingly using chip technology as a weapon to put China at a disadvantage. Although not many chips are physically produced in the US, companies like Applied Materials and Lam Research do supply the technology to make them. Major chip developers such as NVIDIA, AMD and Intel are also American. The export of products and knowledge to China is increasingly subject to restrictions. The US government also puts pressure on foreign governments to limit the export of technology to China. For example, ASML is not granted an export licence for supplying the most advanced EUV machines to China, partly under pressure from the Americans. The Americans mainly refer to the possible military application of chips. However, it is likely that other motives also play a role. Recently, there have been signals that the US is putting pressure on governments and companies to also stop supplying less advanced chips and chip technologies to China. The Chips Act is therefore an important support for the sector, but the increasing political interference also constitutes a risk.

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

Top 5 Positive			Top 5 Negative		
	Return	Contri.		Return	Contri.
Amazon (US)	30.3%	0.8%	China Longyuan (Chi)	-15.1%	-0.2%
PayPal (US)	27.1%	0.6%	Alibaba (Chi)	-17.1%	-0.2%
Microsoft (US)	12.1%	0.5%	Tencent (Chi)	-11.5%	-0.1%
ASML (NL)	21.8%	0.5%	Ping An (Chi)	-11.2%	-0.1%
Applied Material (US)	19.5%	0.5%	AIA (HK)	-4.8%	-0.1%

Source: DoubleDividend/Bloomberg

Other significant risers in the portfolio included Solaredge (+35%), which benefited from the Climate ACT, and Netflix (+32%), which is again expecting growth in its user base. PayPal (+27%) and Block (+27%), both active in digital payments, also performed well.

After a period of recovery, Chinese stocks had to take a step back again last month. There was no direct cause for the decline in prices, but sentiment towards emerging markets and China in particular remains volatile. As far as China is concerned, there remains a lot of uncertainty about economic developments and the consequences of the Corona policy. The continuing tensions between the US and China also play a role.

Portfolio changes

Last month, Kingspan was added to the portfolio, as the third position within the theme of 'sustainable buildings' within the portfolio. The Irish company is a specialist in the field of insulation material and wall facades. 85% of the company's products are related to energy efficiency. Kingspan has a strong market position and builds on a history of strong growth and attractive profit margins. Kingspan's focus on energy efficiency allows the company to benefit from long term growth trends. The Kingspan share has fallen 40% this year, providing an attractive entry point.

Positions in TSMC, ASML, ENEL, Oxford Nanopore DrMartens, Crowdstrike, Okta, Workday, Microsoft, ServiceNOW, NVIDIA and Essilor were increased.

The position in the Italian company Enel was expanded relatively substantially. The company has two main activities. The production and supply of electricity to households and businesses and also the management and expansion of the electricity network. The company is not only active in Italy but also in Spain, Latin America and North America. Enel is currently one of the largest emitters of Co2 in DDEF's portfolio, but this is about to change. Enel is fully committed to the electrification and sustainability of the economy. The company is one of the world's largest investors in sustainable energy supplies. By 2040, all energy produced by the company must come from renewable sources, compared to 60% today. For the period 2021-2030 alone, the company will invest 190 billion in solar energy, wind farms and the expansion of the electricity network. The Enel share has been severely punished in recent months. Due to the high energy prices, the company has made considerably less profit on energy contracts with fixed price agreements. This affect will slowly fade in the coming months. The company also suffered from the political situation in Italy. Last month, Enel confirmed its profit expectations for this year. A stable profit growth is expected for the coming years. The current valuation (9 times earnings, 8% dividend yield) offers an attractive time to expand the position.

The position in Inditex has been sold. The position has been considerably reduced recently. Although the company has a strong policy on sustainability, there are doubts about the negative impact of the fast-fashion industry. In addition, the business risks have increased due to declining consumer confidence and possible pressure on margins as a result of rising inflation. The positions in Unilever, Merck Mastercard and Visa were somewhat reduced due to the relatively good price performance of these companies.

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

Companies & weight in portfolio			
Microsoft (US)	4.2%	PayPal (US)	2.5%
Alphabet (US)	3.6%	Adobe (US)	2.5%
Thermo Fisher (US)	3.1%	ASML (US)	2.4%
Amazon (US)	3.0%	Salesforce (US)	2.2%
Applied Material (US)	2.5%	HDFC (IN)	2.1%

Source: DoubleDividend

Team DoubleDividend

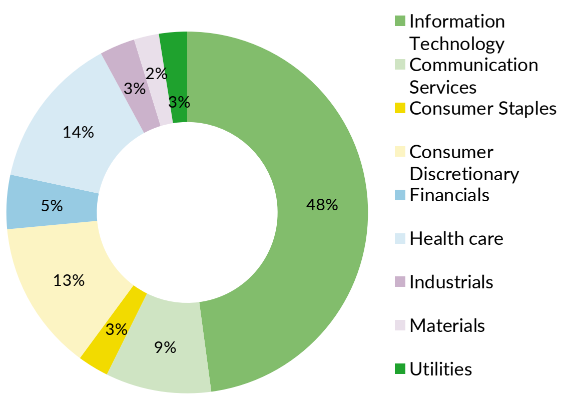
Appendix: portfolio characteristics

Table: Characteristics portfolio DDEF per month end

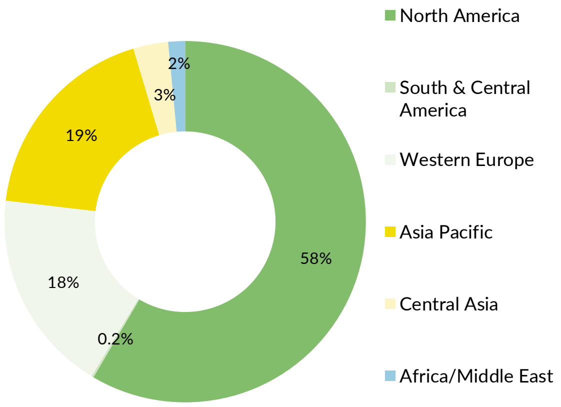
Valuation		Risk	
P/E ratio	13.9	Bèta (raw)	1.1
P/E ratio expected	21.0	Debt/EBITDA	2.2
EV/EBITDA expected	15.5	VAR (Monte Carlo, 95%, 1 yr)	33.8%
Dividend yield	1.5%	Standard deviation	21.1%
Price/cashflow expected	18.3	Tracking error (vs BBG World)	7.0%

Source: DoubleDividend/Bloomberg

Distribution per sector (GICS)



Distribution per region



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