DD EQUITY FUND

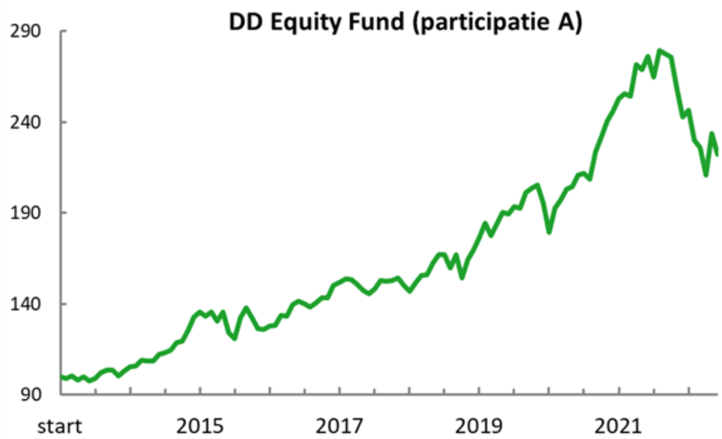
Monthly report August 2022

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 -4.92% in august 2022, as a result of which the net asset value per unit A declined to € 222.23.



* 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	€ 201 mln
# shares outstanding A	579,258
# shares outstanding B	214,983
# shares outstanding C	109,000
Net Asset Value A*	€ 222.23
Net Asset Value B*	€ 223.87
Net Asset Value C*	€ 224.82
# 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	-4.92					**-19.39**

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Market developments

After a positive start, the financial markets had to give up profits during the month and eventually ending in negative territory. Negative sentiment was fueled by the down tone at the annual central bankers' meeting in Jackson Hole (US). Central bankers sounded an exceptionally gloomy tone there. The main message was that inflation is far from being overcome, the market will have to deal with a longer period of high(er) interest rates and this will affect the economy considerably. The will to curb inflation is unconditional. Or as Powell put it, “It's not working for anyone with this level of inflation.” The message was in stark contrast to last year's message, which dismissed inflation as temporary and praised the strength of the economic recovery. In the meantime, central banks have forfeited much of their credit. The central banks initially misjudged the situation and reacted too late, resulting in further inflation, economic damage, financial instability and greater inequality. This misjudgment already speculated in the market but in Jackson Hole, the bankers also gave up on the idea that the economy can support higher interest rates. Fed Chairman Powell spoke of a longer period of below-average economic growth ahead of us. Due to the gloomy tone of the economy, the initial reaction in the financial markets was therefore stronger in the stock market than in the bond market.

The risks for Europe appear to be even greater than for the other economies. Interest rates in Europe are still only 0%, while the euro continues to slide against the dollar. The weak euro is causing imports (including oil and gas) to become more expensive and further fueling inflation. At the same time, the ECB's options to raise interest rates are limited given the high debts that many (Southern European) governments have built up, especially during the corona period.

While central banks have provided a lot of financial stability in recent years, they have now become part of the problem. But the over-extended monetary policy of central banks is not the only the cause of high inflation. Governments also play a role. According to research by Johns Hopkins University, high government spending in the US has contributed to a 4% increase in inflation. Other key factors include energy market shocks and supply chain disruptions caused by Covid and the war in Ukraine. De-globalization and aging are more structural factors contributing to higher inflation. The declining labour participation rate and labour shortages in the West can no longer be so easily absorbed by a large workforce in countries such as China and India.

Despite the bleak outlook, the financial results of most companies are still good. Especially companies with a strong market position are better able to pass on the higher prices to customers. According to the Economist, 75% of the companies in the S&P 500 index have made higher profits than expected during the recent results season. Energy companies in particular posted record profits thanks to high oil and gas prices. Nevertheless, the economic dynamism that is now emerging is visible in the results of companies. In more cyclical sectors, consumer demand is falling and companies are delaying investment decisions, inflation is putting some pressure on profit margins and US companies operating internationally are suffering from the strong dollar, while for many European companies the weak euro is a tailwind.

Based on the above, it is likely that the turmoil in the financial markets will continue for a while. The current economic dynamics are in a "reset" after several decades of loose monetary policy, low inflation, low interest rates, high government spending, strong economic growth and rising profit margins for companies. This reset leads to a lot of friction in the financial system and until a new equilibrium is found, financial markets will have to deal with significant volatility. In the short term, especially companies in more cyclical sectors and companies with high debts are vulnerable. At the same time, this "reset process" clearly demonstrates the need to invest in solutions to structural challenges, which in some cases are partly caused by the economic dynamics of recent decades such as climate change, use of raw materials, protection of the ecosystem, increased inequality, refugee flows, ageing, populism and geopolitical tensions. Otherwise, in Powell's words, it's not going to work for anyone. In the long term, the opportunities (and impact) therefore lie in energy transition, sustainability, digitization, robotization and healthcare/technology.

Largest positive and negative contribution

The biggest positive contribution last month came from PayPal. The fintech company delivered strong results. The company achieved sales growth of more than 10% despite the negative impact of the strong dollar. PayPal also expects profit margin growth as it pays more attention to costs as growth rates have normalized. As a result of revenue growth, margin improvements and share buybacks, earnings per share growth will exceed an expected 15% per year in the coming years. A number of Chinese companies including JD.com, Tencent and Baidu also made a positive contribution to the result, thanks to good results and first signs of an improvement in the situation in China. Companies speak of a cautious recovery in consumer confidence after the lockdowns. In addition, the Chinese government is increasing the number of stimulus measures to meet the growth target of 5.5% this year.

The biggest negative contribution came from SolarEdge. The producer of inverters for solar panels suffered from the strong dollar and margin pressure as a result of high inflation. Although sales increased by 52% compared to a year earlier, the gross profit margin decreased from 34% to 27% as a result of higher costs. Software company Salesforce also had to adjust its revenue forecast downwards due to the strong dollar. Finally, companies in the chip sector (including ASML, Applied Materials and NVIDIA) were under pressure due to the cyclical nature of chips. NVIDIA issued a revenue warning due to a drop in demand and high customer inventories. Due to the drop in consumer confidence, there is less demand for PCs and mobile phones, among other things. There are also concerns about the extension of the technology boycott of China by the US.

The US government is imposing more and more restrictions on companies to supply high-tech products to China. In the chip sector, restrictions initially applied mainly to the most advanced chips (because of possible military applications), but this limit is increasingly being stretched by the US government. Also the US is increasingly using its influence on foreign governments and companies to delay China's technological development. In a period of friction in supply chains, rising inflation and geopolitical instability, this of course does not help

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

Top 5 Positive			Top 5 Negative		
	Return	Contri.		Return	Contri.
PayPal (US)	9.5%	0.2%	SolarEdge (US)	-22.3%	-0.3%
JD (Chi)	8.1%	0.1%	Salesforce (US)	-14.0%	-0.3%
Tencent (Chi)	8.1%	0.1%	ASML (NL)	-12.5%	-0.3%
Baidu (Chi	6.8%	0.1%	Applied Material (US)	-9.8%	-0.3%
DoubleVerify (US)	14.3%	0.1%	NVIDIA (US)	-15.8%	-0.2%

Source: DoubleDividend/Bloomberg

Portfolio changes

Two companies were added to the portfolio in the past month, Palo Alto Networks and Zscaler. Both companies are active in the field of cybersecurity.

The cybersecurity market is a strong growth market. On the one hand because the threat has increased significantly in recent years and on the other because security has become increasingly complex. For many business leaders, cybersecurity is a top priority. In PwC's annual CEO survey, cybersecurity emerged as the top threat for 2022. Last year, the number of threats from cybercriminals increased by 50%. The increased threat comes from both criminal groups and groups of hackers linked to countries such as Russia and North Korea. After the Russian invasion of Ukraine, the threat from that quarter has increased further. The problem for companies and organizations is that the threats are becoming more widespread and ingenious. In some cases, many hundreds of hackers work together to carry out an attack. On the other hand, protection is becoming increasingly complex. Gone are the days when an organization was an easily defensible fortress thanks to its own network. Because we are increasingly working remotely, logging in with different devices and a lot of data and applications are in the cloud, cybersecurity requires a different approach. A network is no longer a closed entity with a port that can be protected by a firewall. Companies such as Zscaler and Crowdstrike (also in portfolio) therefore mainly use Artificial Intelligence (AI) and Machine Learning (ML) to limit cybersecurity threats. Palo Alto Networks, which traditionally has a strong position in firewalls, is also increasingly moving in that direction. By using AI and ML, the entire IT process is constantly monitored with a large number of data and algorithms, and unusual activities can be detected faster. The theme of cybersecurity currently makes up about 4% of the DDEF's portfolio.

The positions in Nestle and Umicore have been sold. The positions in ASML, NVIDIA, Apple and Air Products have been reduced somewhat. The positions in RingCentral, Zoom, Roche, Block and IAA have expanded somewhat.

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

Companies & weight in portfolio			
Microsoft (US)	4.2%	Adobe (US)	2.4%
Alphabet (US)	3.6%	Applied Material (US)	2.4%
Amazon (US)	3.0%	HDFC (India)	2.2%
ThermoFisher (US)	3.0%	Taiwan Semi (Taiwan)	2.0%
PayPal (US)	2.9%	Salesforce (US)	2.0%

Source: DoubleDividend

Team DoubleDividend

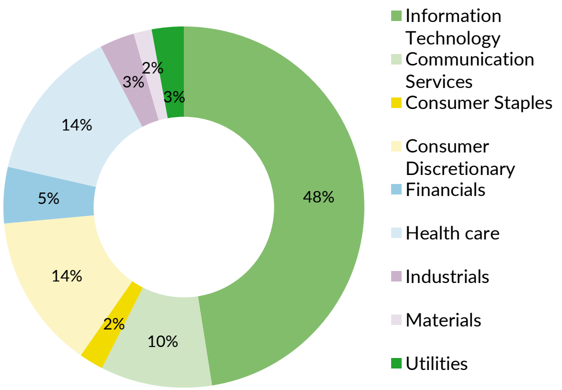
Appendix: portfolio characteristics

Table: Characteristics portfolio DDEF per month end

Valuation		Risk	
P/E ratio	34.7	Bèta (raw)	1.1
P/E ratio expected	20.0	Debt/EBITDA	2.4
EV/EBITDA expected	14.6	VAR (Monte Carlo, 95%, 1 yr)	33.5%
Dividend yield	1.6%	Standard deviation	20.8%
Price/cashflow expected	14.9	Tracking error (vs BBG World)	7.2%

Source: DoubleDividend/Bloomberg

Distribution per sector (GICS)



Distribution per region