DD EQUITY FUND

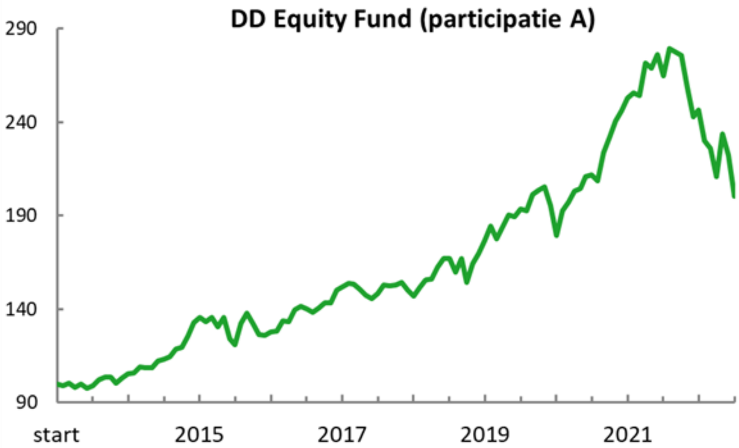
Monthly report September 2022

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 -9.89% in September 2022, as a result of which the net asset value per unit A declined to € 200.30.



* 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	€182 mln
# shares outstanding A	581,944
# shares outstanding B	214,983
# shares outstanding C	109,000
Net Asset Value A*	€ 200.26
Net Asset Value B*	€ 201.79
Net Asset Value C*	€ 202.68
# of positions	84
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

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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	-9.89				**-27.36**

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Market developments

Global financial markets continued to be under significant pressure in September due to continued negative sentiment fueled by the downbeat tone at the annual meeting of central bankers in Jackson Hole (US) in August. 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. Also this month, several central bankers around the world reiterated that the will to curb inflation is unconditional. Both the FED and the ECB have raised interest rates by 0.75% this month. The interest rate in the US is now 3.25% and in Europe the main rate is now 0.75%.

The further escalation of the war in Ukraine as a result of Putin's impending nuclear language and Russia's annexation of several areas also contributed to the turmoil in the financial markets. In addition, completely against the spirit of the times, the new British government announced a series of tax cuts in the hope of stimulating the economy. For the time being, the new plans will only lead to additional unrest in the financial markets. The tax cuts could further increase inflation and further unbalance public finances. Both British government bonds and the British pound made historic plunges last month.

At the same time, inflation figures have not yet shown a leveling off. On the contrary, both in Europe and in the US, inflation figures are breaking records. In the eurozone, inflation rose further in September to 10% from 9.1% in August. The inflation rate in the US was 8.3% last month. Worryingly, “core” inflation is making up an increasing proportion of inflation. Core inflation is inflation adjusted for products such as energy and food (whose prices fluctuate sharply up and down). In general, it can be said that core inflation is more persistent and therefore more difficult to combat.

Continued high inflation is putting additional pressure on central banks to raise interest rates further, making a recession increasingly likely. The ECB has revised economic growth expectations downwards this month, but does not expect (or hope?) a recession. The US FED takes a recession into account more and even seems to see a recession as a solution to the inflation problem. The current speed of rate hikes is unprecedented from a historical perspective. Central banks started too late and now need to catch up. There is a risk that the FED will move too fast and continue to hike interest rates for too long. The economy needs time to absorb interest rate hikes. It is therefore likely that the FED will slow the pace of increases towards the end of the year.

As we reported last month, 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. Growth companies mainly suffer from a lower valuation as a result of higher interest rates. Nevertheless, despite recent inflation records, we expect inflation to stabilize in the coming months and possibly decline. This will also slow down or even stop the pace of interest rate hikes, which is likely to stabilize the financial markets somewhat.

Portfolio developments

The development of the share prices is not in proportion to the profit development of many companies in the portfolio. For the time being, the current macroeconomic developments mainly lead to lower valuations and the pricing of more risks. In other words, inflation, higher interest rates and the risk of a recession have mainly led to a decline in the price-earnings ratio without causing a dip in the profits of the companies. The companies in the portfolio continue to perform well in general, but in some sectors the expectations for the future are being revised downwards by management and analysts. Especially companies that depend on consumer spending such as Nike or Apple or that are active in more cyclical sectors such as NVIDIA are less optimistic. As a recession becomes more likely, earnings expectations may be further revised downwards in the coming months. What this means for the shareprice of companies in these sectors will depend on the depth of a possible recession (and therefore on the extent of the adjustment of earnings expectations) as the valuation of the companies is already well ahead of this.

The negative effects of the macroeconomic developments are offset by the opportunities for margin improvements at many companies. In particular, many growth companies in the technology sector have considerable room for margin improvements. Software companies such as Salesforce, Okta and DocuSign invest a lot in marketing and R&D, which depresses profit margins. In many technology companies, investments go through the profit and loss account and not through the balance sheet as in capital-intensive sectors. Now that the growth of these companies is returning to normal after the turbulent corona period, profit margins are expected to grow strongly despite high inflation. In addition, many of these companies still benefit from trend growth, which is only slightly affected by the economic cycle. The US software company Salesforce, for example, released an update on its growth expectations at an investor and analyst meeting this month. The company foresees an annual sales growth of 17% over the period 2022-2026 and an improvement of the profit margin from 20 to 25% over the same period. As a result, earnings are expected to roughly double in 2026 compared to 2022. At the same time, salesforce's share price has roughly halved over the past year, making the valuation much more attractive without substantially changing the fundamental outlook.

Largest positive and negative contribution

The biggest positive contribution came from Netflix last month. The beleaguered company's new strategy is beginning to take shape, and investors are excited about the prospects for lower-cost Netflix subscriber numbers. The cheaper subscription with advertising can count on 40 million users and move the company into a new growth phase. In the slipstream of the plans of Netflix, but also of, for example, Apple that also wants to advertise, DoubleVerify benefits. The company makes software that measures the effectiveness of online advertising and combats fraud. The online advertising market is still growing strongly and advertisers increasingly need an independent party that measures the effectiveness of online campaigns.

The largest negative contribution last month came from software company Adobe, which was punished for the expensive acquisition of the unlisted software company Figma. Figma makes software for the creative sector and thus competes directly with Adobe's Photoshop. With the acquisition, Adobe wants to further strengthen its strong position in software products for the creative sector. The acquisition is certainly a good strategic fit, but the price of USD 20 billion is high in relation to Figma's limited turnover of USD 400 million.

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

Top 5 Positive			Top 5 Negative		
	Return	Contri.		Return	Contri.
Netflix (US)	8.1%	0.1%	Adobe (US)	-24.4%	-0.6%
Johnson & Johnson (US)	3.9%	0.1%	Microsoft (US)	-8.6%	-0.4%
Merck (US)	4.4%	0.1%	AMD (US)	-23.4%	-0.3%
DoubleVerify (US)	8.6%	0.1%	Taiwan Semi (Taiwan)	-15.1%	-0.3%
Roche (SW)	4.5%	0.03%	JD.com (Chi)	-18.6%	-0.3%

Source: DoubleDividend/Bloomberg

Portfolio changes

Last month, the French company Legrand was added to the portfolio. The company is the next addition to the theme sustainable buildings in the portfolio. Legrand is a specialist in the electrical infrastructure of buildings, both residential and commercial. Legrand is active worldwide and supplies, among other things, cabling, electrical installations and security systems for buildings. Legrand can benefit from a long period of trend growth as existing stock of buildings needs to become more environmental friendly. Legrand expects annual sales growth of 5-10% as a result of organic growth and small acquisitions.

The positions in HDFC Bank and Amazon have been reduced somewhat. The positions in DocuSign, Workday, Palo Alto, Zscaler and Okta have expanded somewhat.

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

Companies & weight in portfolio			
Microsoft (US)	4.2%	Applied Material (US)	2.4%
Alphabet (US)	3.6%	HDFC (India)	2.2%
Thermofisher (US)	3.2%	Johnson & Johnson (US)	2.2%
PayPal (US)	3.0%	Salesforce (US)	2.1%
Amazon(US)	2.8%	Adobe (US)	2.0%

Source: DoubleDividend

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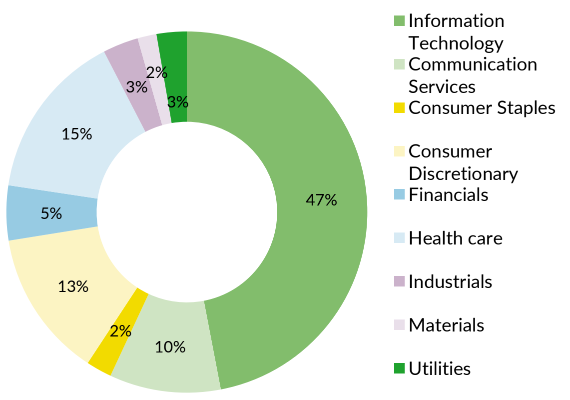
Appendix: portfolio characteristics

Table: Characteristics portfolio DDEF per month end

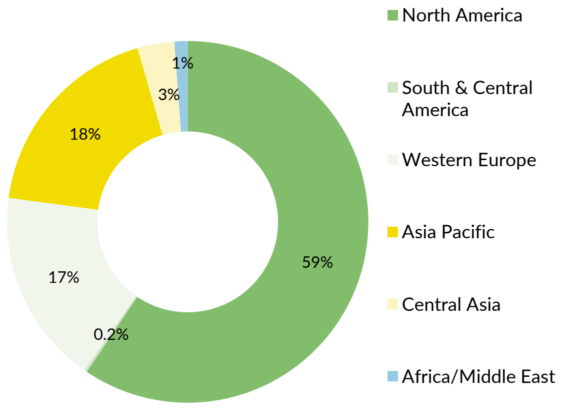
Valuation		Risk	
P/E ratio	29.2	Bèta (raw)	1.1
P/E ratio expected	17.7	Debt/EBITDA	2.6
EV/EBITDA expected	13.0	VAR (Monte Carlo, 95%, 1 yr)	33.4%
Dividend yield	1.9%	Standard deviation	20.6%
Price/cashflow expected	13.0	Tracking error (vs BBG World)	7.0%

Source: DoubleDividend/Bloomberg

Distribution per sector (GICS)



Distribution per region



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