

# DD EQUITY FUND

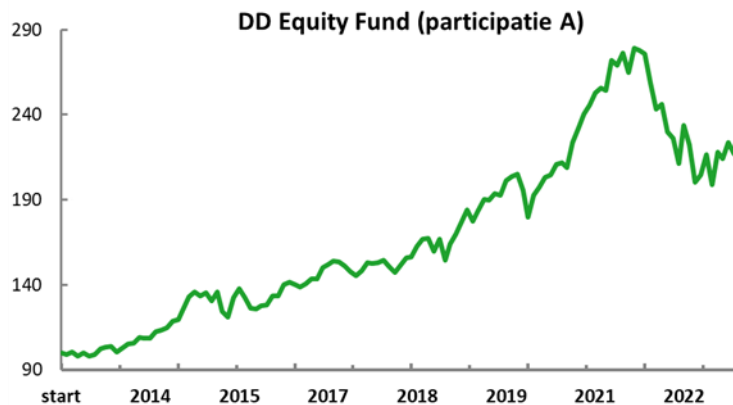
## Monthly report May 2023

### 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 7.46% in May 2023, as a result of which the net asset value per unit A rose to € 233.16.



\* 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              | €203 mln |
| # shares outstanding A | 578,727  |
| # shares outstanding B | 180,832  |
| # shares outstanding C | 108,000  |
| Net Asset Value A*     | € 233.16 |
| Net Asset Value B*     | € 235.43 |
| Net Asset Value C*     | € 236.85 |
| # of positions         | 86       |
| 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<br>Part. B: January 2020<br>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



This information does not provide a sufficient basis for an investment decision. Therefore, read the key investor information and prospectus. These are available on the website of DoubleDividend Management B.V. ([www.doubledividend.nl](http://www.doubledividend.nl)). DoubleDividend Management B.V. is manager of DD Equity Fund and has a license as manager and is supervised by the Netherlands Authority for the Financial Markets. The net asset value has not been audited by an external auditor.

**Table: monthly returns in %, participation A (net of costs and fees) \***

|             | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | Total         |
|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------------|
| <b>2013</b> |       |       |       | -0.84 | 1.37  | -2.53 | 1.95  | -2.01 | 1.31  | 3.02  | 1.26  | 0.35  | <b>3.79</b>   |
| <b>2014</b> | -3.29 | 2.58  | 2.17  | 0.43  | 3.26  | -0.58 | 0.09  | 3.37  | 1.00  | 1.09  | 3.60  | 0.70  | <b>15.17</b>  |
| <b>2015</b> | 5.01  | 5.81  | 2.05  | -1.59 | 1.47  | -3.44 | 3.71  | -8.30 | -2.70 | 9.50  | 4.12  | -4.06 | <b>10.66</b>  |
| <b>2016</b> | -4.52 | -0.31 | 1.46  | 0.44  | 4.09  | -0.07 | 4.79  | 1.18  | -0.95 | -1.25 | 1.58  | 2.03  | <b>8.44</b>   |
| <b>2017</b> | -0.06 | 4.86  | 1.16  | 1.13  | -0.17 | -1.75 | -2.16 | -1.42 | 1.83  | 3.12  | -0.13 | 0.10  | <b>6.49</b>   |
| <b>2018</b> | 1.10  | -2.62 | -2.16 | 2.92  | 2.79  | 0.41  | 3.97  | 2.78  | 0.10  | -4.42 | 4.50  | -7.59 | <b>1.01</b>   |
| <b>2019</b> | 6.37  | 3.36  | 4.19  | 4.25  | -3.62 | 3.53  | 3.45  | -0.28 | 2.10  | -0.56 | 4.63  | 1.16  | <b>32.08</b>  |
| <b>2020</b> | 0.73  | -4.77 | -8.16 | 7.40  | 2.32  | 3.02  | 0.56  | 3.19  | 0.39  | -1.40 | 7.20  | 3.56  | <b>13.73</b>  |
| <b>2021</b> | 3.83  | 2.21  | 2.87  | 1.10  | -0.64 | 6.97  | -1.07 | 2.71  | -4.20 | 5.57  | -0.56 | -0.76 | <b>18.94</b>  |
| <b>2022</b> | -6.20 | -5.97 | 1.35  | -6.62 | -1.81 | -6.55 | 10.69 | -4.92 | -9.89 | 2.23  | 5.86  | -8.19 | <b>-27.82</b> |
| <b>2023</b> | 9.60  | -1.68 | 4.32  | -2.99 | 7.46  |       |       |       |       |       |       |       | <b>17.18</b>  |

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## Market developments

The stock market was generally positive last month despite continued high interest rates, problems in the U.S. banking sector, and economic uncertainties. Towards the end of the month, a political agreement on raising the US debt ceiling provided relief. The DDEF managed to benefit above average from the positive market mood thanks to its position in technology and the chip sector in particular. Technology stocks are making a strong recovery, with the NASDAQ index already up 23.6% this year (in dollars).

## AI pushes chip sector higher

The technology sector got an extra boost last month following figures from chip maker NVIDIA. NVIDIA came out with strong quarterly figures and sharply revised upward its growth expectations for the second quarter. Nvidia now expects revenue of about USD 11 billion (up 64% from a year earlier) while analysts were only expecting USD 7 billion.

The sharply higher revenue forecast has everything to do with the rise of AI (artificial intelligence). Nvidia's higher revenue expectation is the most tangible evidence that the introduction of AI is actually happening. The development of AI models requires a lot of computing power, and NVIDIA provides the chips to realize this computing power. Large technology companies (such as Meta, Amazon, Alphabet and Microsoft) various startups and also large universities are therefore investing tens of billions of dollars in data centers in order to research and develop AI models. NVIDIA's graphics chips (GPUs) are better suited for AI applications than traditional processors (CPUs). Graphics chips, previously used primarily for gaming and crypto mining, are better able to perform multiple tasks simultaneously than ordinary chips, making them well suited for complex generative AI models. As a result, NVIDIA is gaining significant market share from key competitors such as Intel, for example. Especially the Hopper (H100) GPU with price tag of \$40,000 each, is currently in high demand. GPUs make up an estimated 50% of the cost of an AI data center.

Currently, NVIDIA faces competition in the GPU market mainly from the smaller AMD (also in DDEF's portfolio). NVIDIA has a competitive edge (still), but at some point more competition is likely, given the size of demand and the high profit margins NVIDIA realizes. Large technology companies such as Alphabet and Amazon are also developing their own chips.

NVIDIA shares rose sharply in value by 41% this month, bringing the increase for the year to 158%. With this, NVIDIA has become the symbol of the AI boom and the chip sector is becoming even more part of geopolitical developments and social debate.

On the geopolitical front, of course, the sector plays a particularly important role in the relationship between China and the US. More and more companies are concerned about the Biden administration's stance toward China and its reactions from Beijing. NVIDIA CEO Jensen Huang (Taiwanese by birth) warns that further

escalation could hurt U.S. interests and also the rest of the world. US restrictions on companies to export advanced chips and chip technology to China based on possible military applications are less and less credible. Developing an edge in AI seems a more plausible explanation for raising trade barriers given recent developments.

The public debate surrounding AI developments is still in its early stages. Developments in AI are currently moving faster than the debate. As a result, there are calls to slow down developments or even ban AI in some cases. The question is whether that is realistic. After all, AI is already omnipresent (visible and invisible) in the processes of companies and organizations. What has changed, however, is that the success of ChatGPT, among others, has accelerated developments. Between technology companies, economic power blocks, start-ups and academics, a veritable race to gain a position in the field of AI has begun in recent months. The development of AI is thus, as Nvidia's figures also show, a reality. The social debate and regulation surrounding AI have recently been at a sharp disadvantage. This brings risks in several areas, and it is important that these risks remain manageable. That said, AI can contribute positively economically and socially in terms of productivity, improving safety, avoiding mistakes, solving complex problems and improving decisions.

### Largest positive and negative contribution

NVIDIA's results had a positive impact on the entire technology sector and the chip sector in particular. Other chip stocks in portfolio such as Taiwan's TSMC (which produces chips for NVIDIA), ASML, Applied Materials and Tokyo Electron (which in turn supply machines to TSMC), Advantest (which tests chips) and AMD (competitor of NVIDIA) also rose sharply in value. Advantest of Japan's 72% rise was particularly spectacular last month.

Outside the chip sector, software company Salesforce made the biggest positive contribution to earnings. With a 68% rise this year, the stock is on a strong rise. Salesforce is a good example of a company that has begun to focus more on improving profit margins rather than revenue growth after a period of robust growth. The company's latest figures show that the strategy shift is paying off. For the first quarter of this year, profit margin was up to 28% from 18% a year earlier. This, along with revenue growth of 11%, resulted in a 72% increase in earnings per share from a year earlier.

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

| Top 5 Positive        |        |         | Top 5 Negative     |        |         |
|-----------------------|--------|---------|--------------------|--------|---------|
|                       | Return | Contri. |                    | Return | Contri. |
| AMD (US)              | 36.9%  | 0.6%    | PayPal (US)        | -15.6% | -0.4%   |
| Nvidia (US)           | 41.2%  | 0.6%    | Nike (US)          | -14.0% | -0.2%   |
| Advantest(Japan)      | 71.5%  | 0.6%    | Zalando (DE)       | -27.3% | -0.2%   |
| Applied Material (US) | 22.4%  | 0.6%    | Estee Lauder (US)  | -22.5% | -0.1%   |
| Salesforce (US)       | 16.6%  | 0.5%    | Thermo Fisher (US) | -5.1%  | -0.1%   |

Source: DoubleDividend/Bloomberg

PayPal continues to lag significantly this year. PayPal's numbers failed to convince the market this month. Nevertheless, despite increased competition, the company continues to perform very well in our opinion. While revenue growth at 10% is lower than we have been used to in recent years, it is accompanied by a sharp improvement in profitability, just like Salesforce. PayPal expects earnings per share growth of 20% this year. With an expected price-to-earnings ratio of 12.5, the stock is attractively valued.

Companies like Estee Lauder and Nike are suffering from disappointing economic growth figures in China. China's post-Corona recovery is falling short of expectations. Medical technology companies such as Thermo Fisher, Agilent and Danaher are also going through a period of lower growth. We are using the lower prices to expand our positions in this corner.

### Portfolio changes

Japanese company Nidec Corporation has been newly added to the portfolio. The company is a major player in the electric motor market. Within this market, Nidec has specialized in the development and production of

brushless electric motors (BLDC motors). These are brushless electric motors that operate on the basis of magnetic fields and sensors. An important advantage of these motors is that they wear out less quickly (and thus last longer), make less noise, require less maintenance and are more energy efficient. BLDC motors are thus a sustainable alternative to traditional electric motors. Nidec's BLDC motors are now mainly used for electronics (hard disks, telephones), consumer goods (dishwashers, washing machines, AC units) and industrial applications (robots, wind turbines). However, BLDC motors are increasingly seen as a good alternative to combustion engines and are therefore increasingly used in electric vehicles (EVs). The characteristics of BLDC motors (compact, lightweight, long life, energy efficient) make the motors very suitable for the EV market, especially for the smaller models. Here lies a huge growth market for Nidec, which expects to sell 10 million E-axle electric motors for EVs by 2030 (up from about 950 thousand this year). Thanks to a technological lead, Nidec already has a strong market position. Also, the company has already shown healthy growth in the past. Over the period 2017-2023, sales doubled. A recent share price drop provides an attractive entry point.

Merck shares were sold last month. Merck has done relatively well over the past year and we see the growing reliance on the drug Keytruda, which is used to treat various cancers, as a risk.

Positions in Apple, NVIDIA, Microsoft and Alphabet have been reduced due to rising prices. In addition to the purchase of NIDEC, positions in cybersecurity (CrowdStrike, Palo Alto Networks), building sustainability (Enphase energy), medical technology (Edwards Lifesciences, Thermo Fisher, Agilent) and software (ServiceNow, Workday, Ringcentral), among others, were increased.

**Table: top 20 holdings in portfolio of the month end.**

| Companies & weight in portfolio |      |                        |      |
|---------------------------------|------|------------------------|------|
| Salesforce (US)                 | 3.4% | ServiceNow (US)        | 2.0% |
| Alphabet (US)                   | 3.3% | PayPal(US)             | 2.0% |
| Microsoft (US)                  | 3.1% | Nvidia (US)            | 1.9% |
| Applied Materials (US)          | 2.8  | Danahar (US)           | 1.9% |
| Amazon (US)                     | 2.6% | HDFC (India)           | 1.9% |
| Thermo Fisher (US)              | 2.4% | ENEL (Italy)           | 1.7% |
| Adobe (US)                      | 2.3% | Tokyo Electron (Japan) | 1.7% |
| ASML (Netherlands)              | 2.3% | CrowdStrike (US)       | 1.7% |
| AMD (US)                        | 2.2% | Apple (US)             | 1.7% |
| Taiwan Semi (Taiwan)            | 2.1% | Lam Research(US)       | 1.6% |

Source: DoubleDividend

## Team DoubleDividend

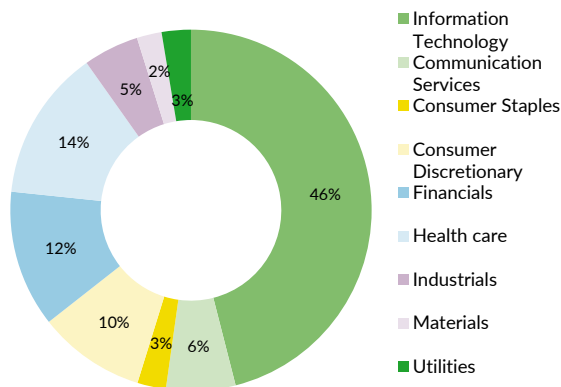
**Appendix: portfolio characteristics**

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

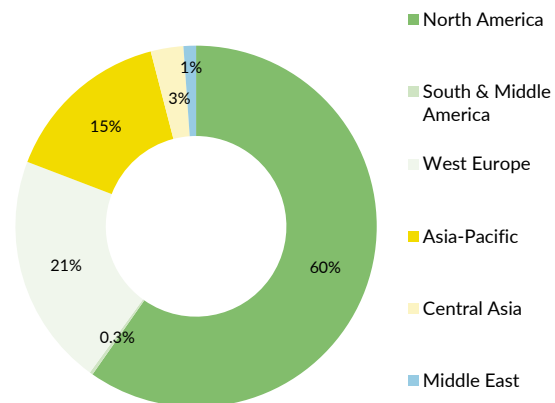
| Valuation               |      | Risk                          |       |
|-------------------------|------|-------------------------------|-------|
| P/E ratio               | 38.2 | Bèta (raw)                    | 1.2   |
| P/E ratio expected      | 21.9 | Debt/EBITDA                   | 2.9   |
| EV/EBITDA expected      | 16.2 | VAR (Monte Carlo, 95%, 1 yr)  | 30.5% |
| Dividend yield          | 1.6% | Standard deviation            | 19.0% |
| Price/cashflow expected | 15.9 | Tracking error (vs BBG World) | 7.1%  |

Source: DoubleDividend/Bloomberg

**Distribution per sector (GICS)**



**Distribution per region**



**Distribution per theme**

