DD EQUITY FUND

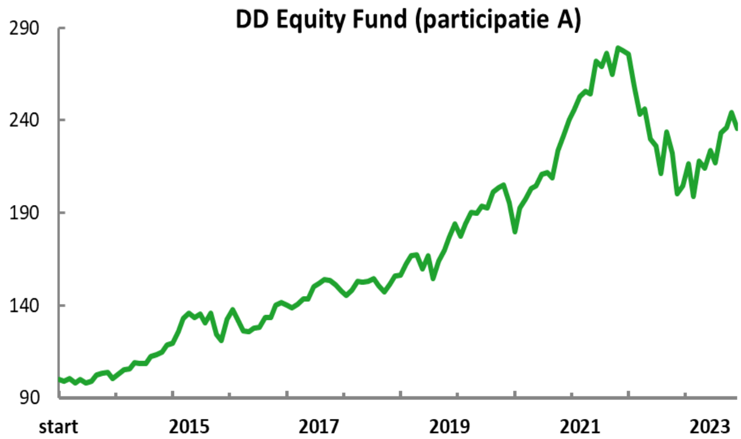
Monthly report August 2023

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 -3.66% in August 2023, as a result of which the net asset value per unit A declined to € 235.56.



* 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	€199.2mln
# shares outstanding A	566,687
# shares outstanding B	170,837
# shares outstanding C	104,500
Net Asset Value A*	€ 235.56
Net Asset Value B*	€ 238.03
Net Asset Value C*	€ 231.86
# of positions	82
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
	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	-9.89	2.23	5.86	-8.19	**-27.82**
2023	9.60	-1.68	4.32	-2.99	7.46	1.33	3.50	-3.66					**18.39**

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Periodic long term return in % (figures are after costs)*

	1 year	3 year	5 year	10 year	Since start**
Total Return	6.3	10.7	43.5	140.7	135.6
Annualized Total Return	6.3	3.5	7.5	9.2	8.6

Source: Bloomberg/DoubleDividend

** April 2013

Market developments

Equities had to take a step back in August after several strong months. The rise in long-term interest rates in particular had a negative effect on share prices. Although inflation is declining, it is still above the desired level of around 2%. In particular, core inflation remains too high in both Europe and the US. This is mainly driven by rising wage costs. As a result, investors are starting to realize that a fall in interest rates is unlikely in the short term. The new narrative is “higher for longer”: the cycle of interest rate hikes has (almost) reached its peak, but interest rates will have to remain high for a longer period of time to push inflation further down to the level desired by central banks. However, at the annual conference of central bankers in Jackson Hole from August 24-26, FED Chairman Powell delivered a balanced speech that calmed markets somewhat towards the end of the month. An interest rate cut is not likely for now, but Powell made it clear that the FED will try to operate cautiously so that the economic damage is limited.

The fact that higher interest rates have been priced in removes a major risk for equity markets. The market is now assuming weakening economic growth and higher interest rates. That creates room for positive news. Key macroeconomic risks remain a stronger-than-expected recession and a setback in the fight against inflation.

In addition to interest and inflation issues, the month of August was mainly dominated by the semi-annual figures. There were two companies that stood out: NVIDIA in a positive sense and Adyen in a negative sense.

NVIDIA, the king of AI

Anticipations for NVIDIA's performance were exceedingly optimistic, yet the company managed to exceed even the most bullish forecasts. The company posted revenue that was 28% above analysts' expectations. NVIDIA is taking full advantage of developments in artificial intelligence (AI). The inventor of graphics chips (GPUs) managed to double its turnover in the past quarter compared to a year earlier and the company also expects an substantial increase in turnover and profit in the third quarter. NVIDIA's graphics chips were initially used mainly for gaming and professional visualization, but GPUs are increasingly more widely used because, unlike traditional chips (the CPUs), they are better able to perform more computational tasks at the same time. In addition, the GPU is much more energy efficient. This makes the GPU chips very useful for training AI models, which require a lot of computing power.

That NVIDIA's GPUs (or graphic processing units) are currently the main building blocks of the new data center infrastructure is clearly reflected in the company's results. The turnover of chips for data centers has increased in one year from 3.8 billion to 10.3 billion dollars (per quarter!). On a turnover of 13.5 billion for the second quarter of 2023, the data center division is now by far the most important division of NVIDIA. For the coming quarters, NVIDIA expects continued growth in demand for chips for data centers. Analysts expect revenues of $50 billion by 2023, up from $10 billion in 2020. NVIDIA's explosive revenue growth is proving that computing technology has entered a new era dominated by artificial intelligence and accelerated computing. In this new era, NVIDIA has become the new standard for digital infrastructure. In particular, the H100 AI chip from NVIDIA with a price tag of several tens of thousands of dollars is hard to get a hold of. Where "Intel Inside" used to be the quality mark, it is now "NVIDIA Inside".

However, NVIDIA's GPUs are not only used in datacentres for their computing power. Energy efficiency also plays an important role. The energy consumption of datacentres is a growing theme. It is estimated that about 1% of global energy consumption is used for datacentres, but this percentage is higher for developed regions (1.8% for the US and 2.7% for Europe). Without measures, this percentage is expected to grow significantly. Datacentres that use GPUs can operate many times more energy efficiently than datacentres that only run on CPUs. And more advanced GPUs are more energy efficient than their predecessors. For example, NVIDIA's H100 GPU is twice as energy efficient as its predecessor, the A100 GPU. The high cost of chips is therefore not only recouped through computing power, but also through energy efficiency.

The fact that a single company benefits so strongly from the development in the field of AI is unique. NVIDIA has a significant lead over the competition. NVIDIA's share price has already risen by about 240% this year. The only company that can follow NVIDIA (at a considerable distance) is AMD (also in portfolio). However, NVIDIA's lead is not based on coincidence. Founder and CEO Jensen Huang has been fully committed to AI very early on and has shown himself to be a visionary. The investments in AI were not only limited to a broader application of the graphics processors, but NVIDIA also invested heavily in software and the entire datacentre ecosystem. It is therefore likely that NVIDIA will still be the main beneficiary of the AI fever and the associated large investments in advanced datacentres for the time being. In the longer term, there may be more competition from companies such as AMD and Intel, but also from large technology companies such as Amazon and Alphabet that are developing their own chips for datacentres.

Adyen under considerable pressure

The share price of the Dutch payment company Adyen took a historic tumble last month after the publication of disappointing half-year results. Adyen is a fintech company that provides payment solutions for enterprises. Global payment traffic is still very fragmented and Adyen offers a solution for this. Adyen is a one-stop-shop for internationally operating companies to handle payment transactions worldwide. For example, internationally operating companies do not have to set up a payment infrastructure in every country in which they are active. Adyen processes payments for large companies such as Uber and Microsoft, but is also increasingly targeting SMEs.

A first look at Adyen's half-year results reveals few problems. The company processed EUR 426 billion in payments, an increase of 23% compared to a year earlier. Turnover increased by 21% to 739 million euros. The company achieved a profit margin (EBITDA) of 43% on this turnover. Most companies can only dream of such figures. Despite this, investors and analysts were very disappointed with results. Both revenue growth and profit margin were well below expectations. These came out lower than the targets the company has set itself. Adyen aims for a turnover growth of 25-30% per year and an (EBITDA) profit margin of 65%.

The company itself is rather light-hearted about not achieving its own objectives. The management of Adyen is following its own course. Against the trend, Adyen is fully invested in expanding the organization. Over the first half of 2023, Adyen has hired 551 new employees, bringing the total to 3,883. The company expects to hire about the same number of people in the second half of the year. The substantial investment in the team causes a (temporary) pressure on profit margins. Adyen says these investments are necessary to get the organization ready for the next phase of growth, taking advantage of the fact that many other companies in the technology sector are laying off staff to improve margins. Adyen sees this as an opportunity. The company says that growth is not linear and that the company in the US is suffering from price fighters and weaker economic conditions.

It is clear that investors were not happy with the explanation of Adyen's management. The share price fell by more than 50% last month. The price drop is partly a result of the classic conflict between the short and long term, which is so often visible in the financial markets (for example, NVIDIA shares halved in 2022). Adyen sees the weaker market conditions as an opportunity to expand and is willing to sacrifice short-term profitability to do so, while many investors would like to see the company to slowdown in times of economic uncertainties. As long-term investors, we are more on the side of the company, but at the same time management should have done more to protect the interests of long-term shareholders. It is clear that Adyen CEO Pieter van der Does has little sympathy for the dynamics of the financial markets and the impatience of investors and analysts. Adyen focuses more on the long term than next quarter's results. The company only publishes results twice a year and only provides a long-term target. The lack of “guidance” has not helped the share price development this year.

However, some analysts also doubt whether the company can achieve its long-term objectives. Increased competition in the US is a particular concern. Adyen faces more competition there from providers such as Worldpay, Stripe and Braintree (part of PayPal) who are willing to provide services at lower prices. However, Adyen is convinced of the quality of its platform; Adyen says it is not the cheapest, but it is the best. As a result, according to management, customers are ultimately better off with Adyen. For example, a better platform ensures that more (international) payments can be approved, which generates extra turnover for customers. It is precisely by hiring extra staff (75% of whom are technicians) that Adyen wants to improve its platform and further expand its quality lead. The fact that Adyen mainly faces competition in the US and much less in Europe and Asia supports Adyen's reading. Payments in Europe and Asia are much more complex with more currencies and jurisdictions, something where the Adyen platform comes into its own.

It can be concluded that Adyen has lost a lot of confidence last month. There are also doubts whether the company can fully achieve its ambitious goals. But the house is not on fire! Adyen is still growing with strong figures and has a strong market position in a market that can rely on trend growth for many years to come. The digitization of payment services still has a long way to go. The long-term focus of the management team is in line with our investment philosophy. In addition, Adyen realizes very attractive profit margins and the company is virtually debt-free. The price correction of more than 50% is exaggerated in our opinion, even if long-term growth is lower than management's objectives. However, since the company will continue to invest in the second half of 2023 and will only release an update in six months' time, a significant price recovery in the short term is unlikely. We will nevertheless take advantage of the price drop by gradually expanding the position in Adyen.

Largest positive and negative contribution

The largest positive and negative contributions came from NVIDIA and Adyen, respectively. Adyen competitor PayPal was also under pressure due to figures that did not appeal to investors. However, with expected revenue growth of 8% and earnings per share growth of 20%, PayPal continues to perform very well. The major cloud infrastructure companies Amazon, Microsoft and Alphabet are benefiting from the demand for datacentres and digital infrastructure. Alphabet in particular is making a strong comeback. While AI was previously seen as a major risk to Google's position as a leading search engine, Alphabet's cloud division is now one of the main winners of AI developments. According to Bloomberg reports, 70% of the larger AI startups use Alphabet's cloud infrastructure. Software companies such as Adobe, Intuit and Salesforce can generate additional revenue by adding AI functionalities to their products and services.

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

Top 5 Positive			Top 5 Negative		
	Return	Contri.		Return	Contri.
Nvidia (US)	7.3%	0.2%	Adyen (NL)	-54.3%	-0.9%
Amazon (US)	4.9%	0.1%	PayPal (US)	-16.3%	-0.4%
Intuit (US)	7.6%	0.1%	SolarEdge (US)	-31.6%	-0.3%
Adobe (US)	4.1%	0.1%	IAS (US)	-30.5%	-0.2%
Danahar (US)	5.6%	0.1%	Ping An (China)	-15.7%	-0.1%

Source: DoubleDividend/Bloomberg

Portfolio changes

There have been no major changes in the portfolio in the past month. The small positions in Lufax and Meituan Dianping have been completely sold. Some of the positions that are at a significant profit this year have been skimmed, including NVIDIA, Tokyo Electron, Applied Materials and Adidas. Some laggards including Adyen, Estée Lauder, SolarEdge, Genmab and Nike have expanded somewhat. The number of positions in the portfolio is 82.

Table: top 20 holdings in portfolio by the month end.

Companies & weight in portfolio			
Alphabet (US)	3.5%	TSMC (Taiwan)	2.0%
Salesforce (US)	3.3%	PayPal (US)	2.0%
Amazon (US)	2.9%	AMD (US)	2.0%
Microsoft (US)	2.8%	Enel (Italy)	1.9%
Thermo Fisher (US)	2.8%	Workday (US)	1.8%
Applied Materials (US)	2.8%	Tokyo Electron (Japan)	1.8%
NVIDIA (US)	2.3%	HDFC Bank (India)	1.8%
Danaher (US)	2.2%	Intuit (US)	1.7%
ServiceNow (US)	2.2%	Apple (US)	1.7%
ASML (NL)	2.1%	Crowdstrike (US)	1.7%

Source: DoubleDividend

Team DoubleDividend

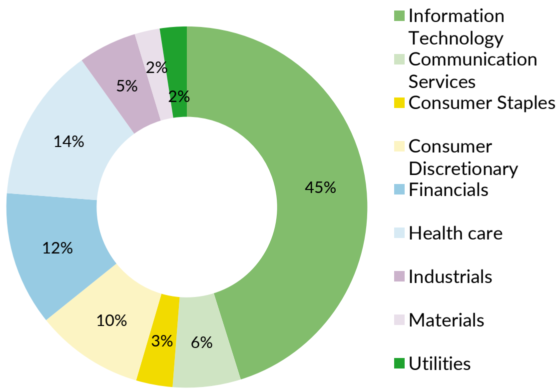
Appendix: portfolio characteristics

Table: Characteristics portfolio DDEF per month end

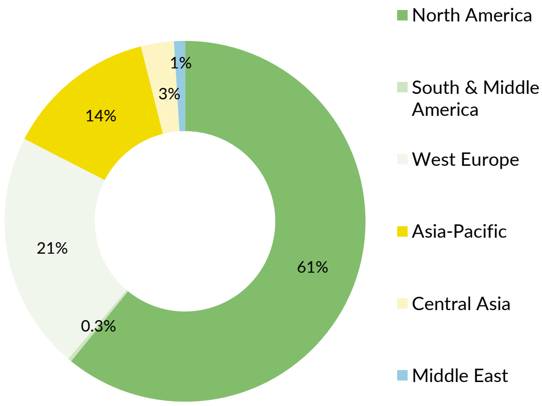
Valuation		Risk	
P/E ratio	33.9	Bèta (raw)	1.2
P/E ratio expected	21.6	Debt/EBITDA	2.8
EV/EBITDA expected	16.1	VAR (Monte Carlo, 95%, 1 yr)	29.0%
Dividend yield	1.6%	Standard deviation	18.2%
Price/cashflow expected	15.9	Tracking error (vs BBG World)	6.8%

Source: DoubleDividend/Bloomberg

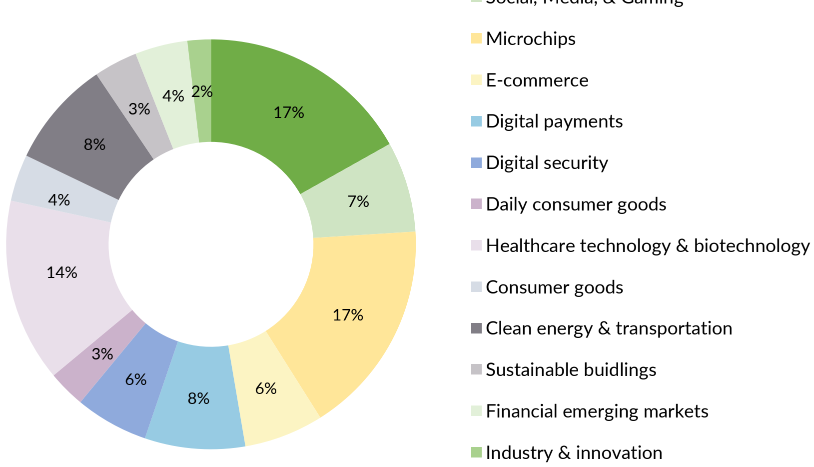
Distribution per sector (GICS)



Distribution per region



Distribution per theme



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