DD INCOME FUND

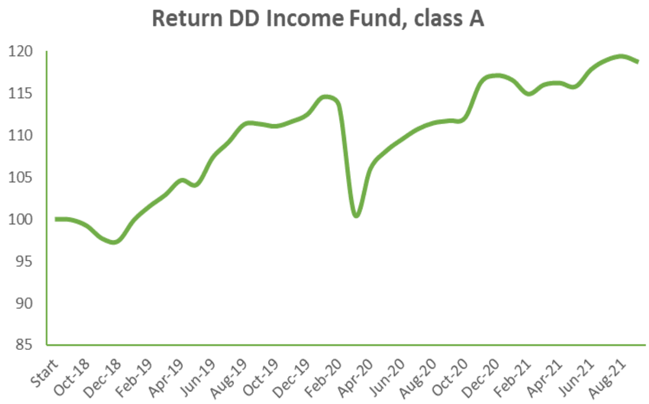
Monthly report September 2021

Profile

The DD Income Fund (DDIF) is an actively managed global sustainable bond fund. The fund invests globally in government bonds of developed and emerging countries, corporate bonds, high yield, microfinance and other financial instruments with stable income. DDIF pursues an active investment policy and does not use a benchmark. The fund is managed by an independent partnership with the conviction that sustainability makes a positive contribution to the return and risk profile of the portfolio. The fund is listed on Euronext Amsterdam and can be traded on a daily basis.

Return participation A*

DD Income Fund achieved a return of -0.57% over the month of September 2021, as a result of which the net asset value per unit A declined to € 28.41. As a result, return for 2021 is 1.36%.



** 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	€ 93.5mln
# shares A	1,835,598
# shares B	557,845
# shares C	893,600
NAV A*	€ 28.41
NAV B*	€ 28.48
NAV C*	€ 28.53
# positions	131

Costs

Management fee A	0.65%
Management fee B	0.50%
Management fee C	0.25%
Other costs**	0.20%
Up/down swingfactor	0.25%

Other

Start date	Part. A: September 2018
	Part. B: January 2020
	Part. C: January 2021
Manager	DoubleDividend Management B.V.
Status	Open-end, daily
Exchange	Euronext Amsterdam
ISIN (A)	NL0013025539
ISIN (B)	NL0014095101
ISIN (C)	NL0015614595
Benchmark	None
Currency	Euro

Risk monitor

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
2018									-0.06	-0.71	-1.56	-0.31	**-2.62**
2019	2.57	1.66	1.34	1.69	-0.48	3.08	1.71	1.95	0.03	-0.24	0,50	0,76	**15,50**
2020	1.86	-0.85	-11.48	5.43	2.00	1.29	1.11	0.66	0.23	0.31	3.76	0.71	**4.14**
2021	-0.47	-1.42	0.95	0.18	-0.36	1.77	0.96	0.35	-0.57				**1.36**

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Market developments

Like stock markets, bond markets experienced significant volatility last month. The turmoil in the fixed income market is being driven by rising interest rates and inflation uncertainty.

The US central bank announced this month that it will quickly start tapering (phasing out the support measures) and an interest rate hike also seems to be getting closer. The market now assumes three rate hikes up to 2023. However, the FED is not the only central bank to start tightening. It seems likely that more central banks will follow suit and that extremely accommodative global monetary policy is slowly coming to an end. The FED states that monetary policy objectives have been achieved; the economy has largely recovered from the corona crisis and inflation has risen. An interest rate hike is then a logical next step. For the time being, the ECB is being somewhat more cautious. The economic situation in Europe is different from the US, but the direction of monetary policy is likely to be similar with some time lag.

However, it is inflation that currently creates the greatest uncertainties. Central banks have long convinced themselves and the financial markets that the recent rise in inflation is “transitionary”, i.e. inflation is temporarily higher as the supply of supply chain restrictions as a result of the economic restart after the corona period. However, more and more economists are now doubting whether this rise in inflation is really temporary. The FED expects inflation in the US to be 3.7% this year and 2.3% in 2022. In Europe too, inflation is at its highest level in years. In Germany inflation rose to 4.1% in September, its highest level in 29 years, while the EU-wide inflation rate is expected to reach 3.3%. Reasons for the continued rise in inflation expectations include rising energy prices, sharp rises in transport costs, continuing problems in the supply of goods, shortages of microchips, among others, and geopolitical tensions. The market ultimately translates these higher inflation expectations into higher interest rate expectations and that is exactly what we have seen in the past period.

Economic growth will continue for the time being, but risks have increased in this area too. Global economic growth seems to be levelling off, and the market fears stagflation (a combination of inflation and stagnant economic growth).

We must therefore take into account the possibility that the rise in inflation is not temporary and that interest rates will continue to rise. This is not a good scenario for bonds. When interest rates rise, the value of bonds, particularly with a longer maturity, falls, while inflation erodes the real yield. The return outlook for bonds therefore remains limited, while risks have increased. Nevertheless, bonds have proven their value again this month in a mixed portfolio.

Table: Characteristics of the DDIF portfolio at the end of the month

# of positions	131
# of issuers	102
Overall credit rating	BBB+
Euro exposure	75%
Cash	1.7%
Investment grade (incl cash)	69%
Expected return (yield-to-worst)	2.5%
Duration (Option Adjusted Duration in years)	7.7

Source: DoubleDividend/Bloomberg

* Yield-to-Worst is the return on the portfolio, including cash, if the ability to repay the loan earlier is taken into account. The actual return may differ because an issuer cannot meet its obligations and due to currency fluctuations. The duration indicates the approximate percentage value change of the portfolio if the interest rate changes by 1%.

Portfolio changes

Few changes have taken place in the portfolio in the past month. The only addition is a euro government bond from Serbia, with a maturity of 13 years and an interest of 2.6%. Serbia hopes to join the EU by 2030. Before that happens, the country will have to implement far-reaching economic and political reforms. When the country reforms successfully, interest rates are expected to move slowly towards the EU level.

Table: portfolio per building block

Building blocks	Range	Weight	Yield-to-worst	Duration
Government bonds developed markets	10-50%	12.1%	1.4%	7.8
Government bonds emerging markets	0-25%	8.8%	3.3%	14.4
Corporate bonds investment grade	10-50%	36.9%	2.2%	8.7
Corporate bonds high yield	0-25%	24.1%	3.2%	5.2
Microfinance	0-25%	1.6%	2.7%	2.2
Other	0-25%	14.7%	3.2%	7.2
Cash	0-25%	1.7%	-0.7%	0.0
Total		100%	2.5%	7.7

Source: DoubleDividend

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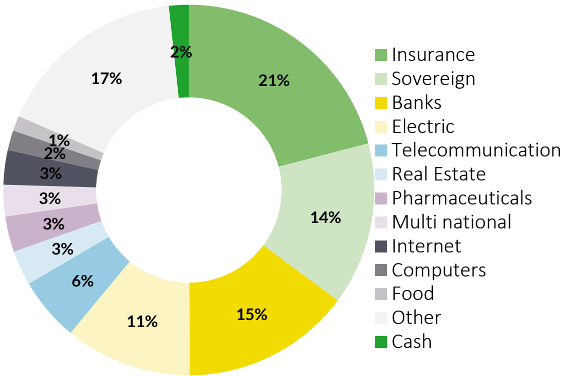
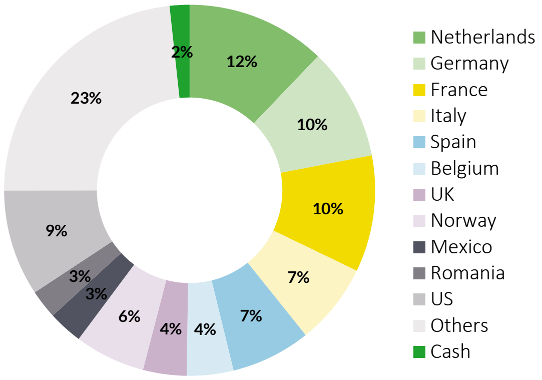
Appendix: portfolio characteristics

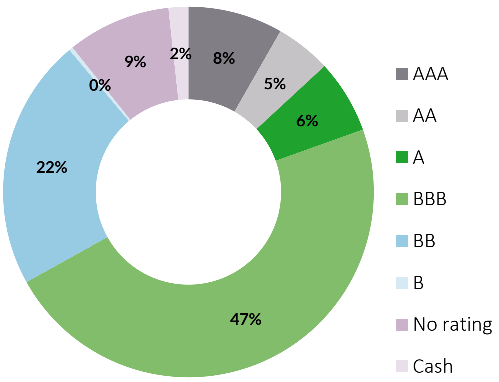
Distribution per sector (GICS)



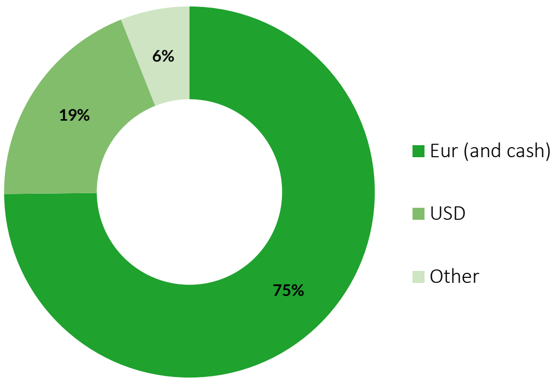
Distribution per country of origin



Distribution per rating



Distribution per currency



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