DD INCOME FUND

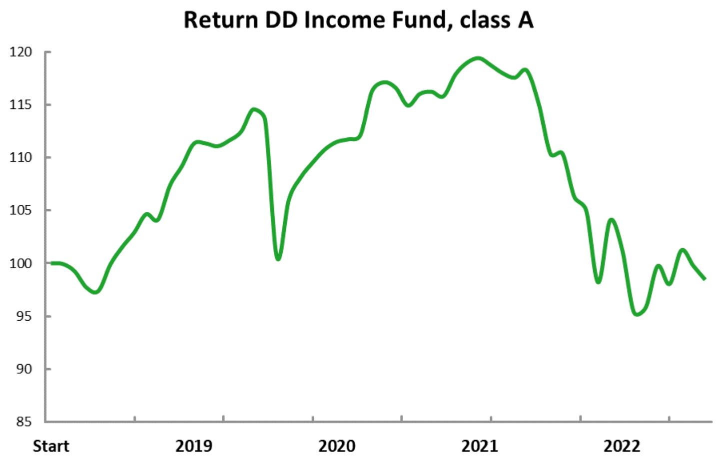
Monthly report March 2023

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 -1.32% in the month of March 2023, as a result of which the net asset value per unit A declined to € 22.98.



** 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	€ 80.43 mln
# shares A	2,120,369
# shares B	491.050
# shares C	876,100
NAV A*	€ 23.98
NAV B*	€ 23.10
NAV C*	€ 23.23
# positions	145

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

* 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
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	-0.64	-0.34	0.57	**0.94**
2022	-2.65	-4.14	0.05	-3.74	-1.21	-6.47	5.96	-2.56	-5.93	0.46	4.09	-1.7	**-17.08**
2023	3.25	-1.45	-1.32										**0.42**

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Market developments

At the beginning of the month, bond markets were dominated by high inflation and central bankers' tough talk about fighting it. As a result, interest rates initially rose, but sentiment turned in the course of the month and the market was largely dominated by the unrest in the banking sector. As a result, interest rates fell again, but the risk premium on corporate bonds rose sharply.

The problems started with a number of regional banks in the US, including the Silicon Valley Bank (SVB). Later in the month, Swiss bank Credit Suisse had to be bailed out. Both banks have had specific problems for some time, but the collapse also exposes a weakness in the system. Due to the rising interest rates, the value of the bankloans decreases. The value of the collateral (including real estate) is also under pressure. This has made the banking system more vulnerable. However, it is the speed of the demise of both banks that has surprised most.

The main question for the bond markets now is where the priorities of the central banks lie. Combating inflation or stability of the financial system. Interest rates in both the US and Europe fell during the month after an initial increase. Markets assume that the turmoil in the financial system has brought the peak of the interest rate cycle closer. The ECB raised interest rates by 0.5% this month, but said nothing about future increases. On balance, therefore, interest rates fell somewhat last month in both Europe and the US. The risk premium on corporate bonds, on the other hand, rose, causing the DDIF to lose some ground over the month. The bonds of banks in particular, but also those of other financial institutions, including insurance companies and real estate companies, were under pressure. It is expected that banks and regulators will want to increase the buffers, making refinancing of existing loans more difficult and more expensive.

Position of AT1 loans

The rescue of the Credit Suisse bank has sparked a discussion about the position of the CoCos (Contingent Convertible Bonds) or Additional Tier 1 (AT1) bonds. These are subordinated loans from banks that serve as an extra buffer. If the banks' buffers are too small, these loans can be converted into shares or in some cases even become worthless. Normally, the shareholders serve as the first buffer to absorb losses. Then come the subordinated bonds and then the "ordinary" bonds. In the case of Credit Suisse, a different order has been applied. The shareholders receive a (limited) compensation through the acquisition of Credit Suisse by UBS, while the subordinated loans have become completely worthless. According to reports, the regulator was able to demand this because there was state aid involved. Credit Suisse had 17 billion worth of CoCos outstanding and they have therefore become worthless.

The Swiss regulator's decision is highly controversial and has put considerable pressure on the global subordinated bank bond market. The last time a CoCo was written off was during the fall of the Spanish bank Banco Popular in 2017, but this happened after the bank's equity had been completely written off. So this is a unique situation that has caused a lot of anxiety among subordinated loan holders, especially in Europe. Nevertheless, this seems to be a specific Swiss situation. The Swiss regulator Finma has more powers in this area than the regulators in the Eurozone. The ECB has emphasized that shareholders should bear losses first and subordinated loan holders second. According to the ECB, the hierarchy will therefore be maintained in Europe. The words of the regulators did reassure the markets, as subordinated bond prices recovered somewhat towards the end of the month.

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

# of positions	145
# of issuers	111
Overall credit rating	BBB+
Euro exposure	76%
Cash	0.9%
Investment grade (incl cash)	72%
Expected return (yield-to-convention*)	7.0%
Duration (Option Adjusted Duration* in years)	5.9

Source: DoubleDividend/Bloomberg

* Yield-to-Convention 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

We are using the rise in interest rates to expand the share of government bonds in the portfolio. Last month, bonds from the Netherlands, Germany and the US were added to the portfolio. Short-term bonds are particularly attractively valued in our view. The portfolio now consists of 23% government bonds. The position in Mexico has been further reduced. Two bonds from the riskier high yield portfolio were also sold.

Table: portfolio per building block

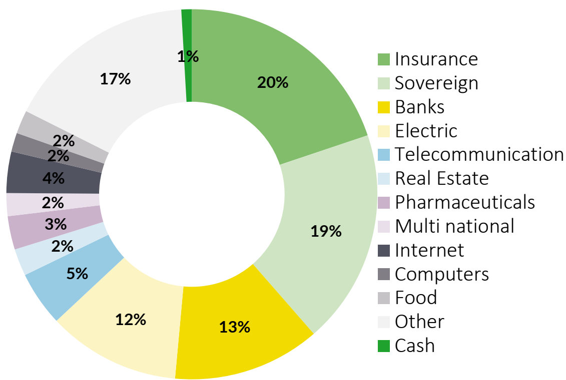
Building blocks	Range	Weight	Yield-to-worst	Duration
Government bonds developed markets	0-50%	15.6%	3.9%	4.7
Government bonds emerging markets	0-25%	7.5%	5.5%	11.1
Corporate bonds investment grade	0-50%	39.7%	6.2%	6.8
Corporate bonds high yield	0-25%	20.5%	10.3%	4.0
Microfinance & supranational bank	0-25%	2.9%	5.6%	4.8
Other	0-25%	13.0%	9.9%	4.9
Cash	0-25%	0.9%	0.3%	0.0
Total		100%	7.0%	5.9

Source: DoubleDividend

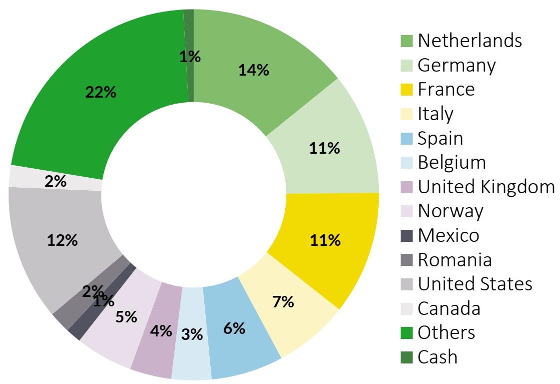
Team DoubleDividend

Appendix: portfolio characteristics

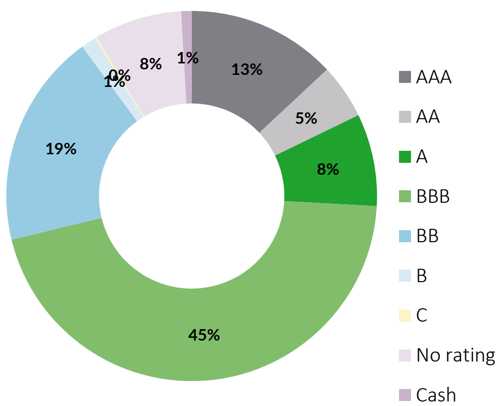
Distribution per sector (GICS)



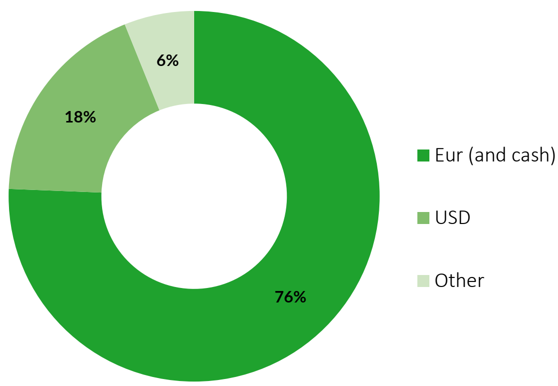
Distribution per country of origin



Distribution per rating



Distribution per currency



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