ASSET MANAGEMENT

Monthly report August 2022

Profile

DoubleDividend Management B.V. (DoubleDividend) is an independent responsible investment specialist. Where asset management is concerned we put together a portfolio tailored to your needs, whilst taking into account the desired risk profile, the investment horizon and the desired sustainability profile of the portfolio. Primary use is made of funds managed by DoubleDividend. Clients include wealthy individuals, associations and foundations. DoubleDividend operates under the full supervision of the AFM and DNB.

Investment philosophy:

- Sustainability makes a positive contribution to the risk-return profile of an investment portfolio.
- Investment is a long-term practice.
- We invest with conviction and only in quality in order to achieve a resilient portfolio.
- We aim to achieve a realistic return, taking risks into account
- Risk refers to the permanent loss of capital in the long term and not short-term volatility.
- We engage with the client and also invest in the funds managed by DoubleDividend.

Performance

The financial markets were under severe pressure in August after FED Chairman Powell's speech in Jackson Hole. If it were up to Powell, interest rates would be raised further and would probably remain high for a longer period of time as long as inflation is (well) above the target of 2%. Equities, bonds and alternatives all ended the month with significant losses. The DD funds also recorded negative returns.

Last month, the returns for the various risk profiles ranged from -3.2% for the most defensive profile to -4.9% for the most offensive profile. The neutral risk profile stands at a loss of 15.7% in 2022.

Market data*	**Aug**	**2022**
Equities		
MSCI World	-2,8%	-7,0%
S&P 500	-2,7%	-5,0%
Euro Stoxx 600	-5,0%	-12,4%
Bonds		
World**	-4,9%	-13,0%
Real Estate		
EPRA Europe	-10.8%	-27.4%
Infrastructure		
Eagle Global Infra	-1.7%	2.3%
Interest rates		
10-yr Germany	1.54%	
10-yr US	3.20%	
Currencies		
EUR/USD	-1.6%	-11.6%
Other (in USD)		
Gold	-3.1%	-6.5%
Oil (Brent)	-12.3%	24.1%

* Total returns in euros, the price changes of gold and oil are calculated in US dollars.
** Barclays Global Aggregate Index

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FINANCIAL & SOCIAL RETURNS

Market developments

The financial markets had hoped that the FED would raise interest rates less aggressively in the coming period, especially now that the economy was clearly cooling and (US) inflation had fallen slightly. During the speech of FED Chairman Powell in Jackson Hole at the end of August, however, this proved to be false hope. Powell made it clear that price stability is prioritized over economic growth or a strong labour market. Investors, according to Powell, should prepare for an extended period of high(er) interest rates to ensure that inflation does not become entrenched in the system, as it was in the 1970s and early 1980s. "Curbing sky-high inflation will hurt American businesses and families. But if it fails to curb price increases, the consequences are even more damaging,' Powell said.

Interest rates will also be raised soon in Europe. From the report of the last ECB meeting in July, two main points can be made: 1) the policy rate is expected to be raised again by 0.50% in September and 2) agreement has yet to be reached on the use of the new crisis management tool, the transmission protection instrument (TPI), which means that its use is far from guaranteed in case of stress in peripheral bond markets such as Italy. Within the ECB, however, there are a number of directors who want to raise interest rates faster. Klaas Knot, president of the Dutch Bank, is one of them. 'The inflation problem in Europe is so big at the moment that I think our task is to raise interest rates every six weeks until the inflation picture stabilizes around two percent,' Knot said. He calls for a minimum increase of 0.50%, but would rather see a step of 0.75%. However, the question is whether the ECB has that many options as the economic risks for Europe seem to be a lot higher than for other economies. The interest rate differential between Europe and the U.S. has widened recently as the Fed has raised interest rates earlier and more frequently. This has caused the euro to fall sharply against the dollar this year. The weak euro is causing imports (including oil and gas) to become more expensive and further fuelling inflation. At the same time, the ECB's ability to raise interest rates is limited given the high debt levels of many southern European countries.

The dominant message from central bankers is clear. As long as inflation is (well) above the 2% target, interest rates will be raised and will probably remain high for a longer period of time in order to avoid any upsurge in inflation. Higher interest rates are bad news for asset classes such as stocks, bonds and real estate. Yet investors need not despair. The markets have already shown a sharp correction and have therefore anticipated higher interest rates. Moreover, the expectation is that although the central banks have started to raise interest rates and reduce monetary support too late, the effect will be visible in a while.

Table: net returns for the various risk profiles*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 till Aug	Average per year*	Total
Defensive	8,8%	1,3%	7,4%	-1,3%	4,7%	2,8%	-4,4%	17,7%	3,9%	5,4%	-14,9%	2,6%	31,9%
Moderately defensive	10,1%	3,2%	10,0%	1,5%	5,4%	3,6%	-3,7%	20,6%	4,2%	8,0%	-15,3%	4,1%	53,4%
Neutral	12,2%	5,7%	11,1%	4,9%	6,4%	4,6%	-2,7%	22,7%	4,5%	11,2%	-15,7%	5,7%	80,1%
Offensive	13,9%	8,3%	14,8%	7,9%	7,3%	5,8%	-1,7%	26,1%	6,4%	14,7%	-16,5%	7,6%	119,0%
Very offensive	15,4%	9,6%	16,7%	10,1%	8,5%	6,4%	-1,1%	29,3%	7,6%	18,6%	-16,9%	9,1%	154,2%

* The returns are based on the tactical asset allocation, after all costs, and with invested capital up to EUR 1 million.
The value of your investments can fluctuate. Past performance is no guarantee for the future.

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Outlook

Due to the negative sentiment and as a result the sharp declines in the stock markets, the long-term return outlook for both equities and bonds has improved. Our quality criteria for investments as reflected in the 'schijf van vijf' ensure that we are well positioned to meet our expected long-term return targets, even under the current uncertain market conditions. Within equities and alternatives, we are invested in sectors that are supported by attractive long-term growth prospects in areas such as digitalization, healthcare and sustainability. Growth in these sectors is less dependent on the business cycle. In addition to companies with good growth prospects, we tend to invest in companies with high profit margins and strong market positions. These companies suffer less from inflation and have more opportunities to pass on higher costs to customers. The strong balance sheet position ensures that these companies are less affected by rising interest rates and can absorb cyclical fluctuations well. Many companies trade well below the average valuation of recent years. However, a very deep recession is not priced in.

The outlook for bonds has improved due to rising interest rates, which has improved the risk return ratio. This is particularly true for corporate bonds and government bonds outside Europe. For high-quality European government bonds, the outlook remains thin due to low interest rates and the fact that the ECB cannot fight inflation as easily by raising interest rates because of the high debt burden of southern European countries. For the market as a whole, the development of inflation, in particular, remains a major risk. Bonds therefore primarily fulfil a role in terms of diversification in a mixed portfolio. In general, bonds are less volatile than equities, and some parts of the bond market have a low or even negative correlation with equities. Bonds thus dampen the volatility of a mixed portfolio, and especially for investors with a shorter investment horizon, they thus fulfil an important role.

Tactical asset allocation

Each investment profile has a strategic allocation with bandwidths to equities, bonds and alternatives. The table below gives an overview of the five different standard investment profiles (without bandwidths). The classifications of risk profiles are motivated by the AFM (the Dutch Authority for the Financial Markets) and mainly based on historical risks and returns.

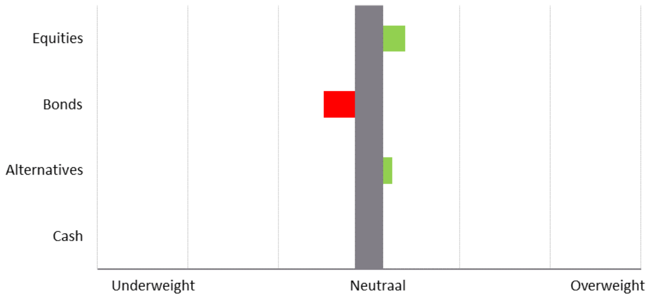
Table: profiles and strategic asset allocation

RISK PROFILES	Defensive	Moderate defensive	Neutral	Offensive	Very offensive
Equities	22%	33%	47%	65%	80%
Bonds	73%	61%	45%	25%	10%
Alternatives	5%	6%	8%	10%	10%
Cash	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%

Source: DoubleDividend Management B.V.

Within the ranges, it is possible to respond to current market conditions. We call this the tactical asset allocation. We currently opt for a slight overweight in equities and, to a lesser extent, alternatives at the expense of bonds. The more offensive the profile, the lower the weight of bonds. In the most offensive profile, we have even chosen not to invest in bonds at all at the moment.

Tactical asset allocation



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