

Monthly report October 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

Financial markets recovered somewhat in October from the sharp losses in August and September. The earnings season is now in full swing. Overall, companies continue to perform well, but uncertainty about future earnings has increased because of persistent inflation, higher interest rates and heightened geopolitical tensions. On the positive side, valuations of both stocks and bonds have become a lot more attractive after the recent price corrections.

Returns for the various risk profiles were between 0.7% for the most defensive profile and 1.7% for the most offensive profile. The neutral risk profile stands at a loss of 22.0% in 2022.

Market data*	Oct	2022
Equities		
MSCI World	6.2%	-8.0%
S&P 500	7.0%	-5.2%
Euro Stoxx 600	6.4%	-12.7%
Bonds		
World**	0.1%	-16.1%
Real Estate		
EPRA Europe	3.7%	-37.2%
Infrastructure		
Eagle Global Infra	3.0%	-4.2%
Interest rates		
10-yr Germany	2.14%	
10-yr US	4.05%	
Currencies		
EUR/USD	0.8%	-13.1%
Other (in USD)		
Gold	-1.6%	-10.7%
Oil (Brent)	7.8%	21.9%

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

** Barclays Global Aggregate Index

Market developments

In addition to start of the earnings season, the Party Congress of the Chinese Communist Party was the most important event in October. In line with expectations, Xi Jinping secured his third term as president of China. Still, the congress provided plenty of surprises due to new appointments at the top of the party. Clearly, Xi Jinping's reappointment does not mean a continuation of the old policies. Policy in China will move more toward the old Chinese tradition and will be less friendly to businesses. For a detailed analysis, see [the section](#) (in Dutch) on geopolitical relations in this newsletter.

Table: net returns for the various risk profiles*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 till Oct	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%	-20,3%	2,0%	23,5%
Moderately defensive	10,1%	3,2%	10,0%	1,5%	5,4%	3,6%	-3,7%	20,6%	4,2%	8,0%	-21,1%	3,3%	42,9%
Neutral	12,2%	5,7%	11,1%	4,9%	6,4%	4,6%	-2,7%	22,7%	4,5%	11,2%	-22,0%	4,8%	66,7%
Offensive	13,9%	8,3%	14,8%	7,9%	7,3%	5,8%	-1,7%	26,1%	6,4%	14,7%	-23,2%	6,7%	101,5%
Very offensive	15,4%	9,6%	16,7%	10,1%	8,5%	6,4%	-1,1%	29,3%	7,6%	18,6%	-24,2%	8,1%	132,1%

* 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.

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

