

Monthly report November 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 recovery in the financial markets continued in November following good quarterly figures and a sharp fall in interest rates as a result of better-than-expected inflation figures and the expectation that central banks will continue to raise interest rates in smaller steps. The DD Funds also ended November with positive returns. Because of the sharp rise in interest rates, we adjusted the tactical asset allocation slightly.

Returns for the various risk profiles were between 4.4% for the most defensive profile and 5.2% for the most offensive profile. The neutral risk profile stands at a loss of 18.3% in 2022.

Market data*	Nov	2022
Equities		
MSCI World	2.7%	-5.6%
S&P 500	1.2%	-4.1%
Euro Stoxx 600	6.9%	-6.8%
Bonds		
World**	2.4%	-14.0%
Real Estate		
EPRA Europe	2.5%	-35.7%
Infrastructure		
Eagle Global Infra	4.5%	0.1%
Interest rates		
10-yr Germany	1.93%	
10-yr US	3.61%	
Currencies		
EUR/USD	5.3%	-8.5%
Other (in USD)		
Gold	8.3%	-3.3%
Oil (Brent)	-9.9%	9.8%

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

** Barclays Global Aggregate Index

This information does not provide sufficient basis for an investment decision. On the website of DoubleDividend Management B.V. (doubledividend.nl) you can find relevant information, including the consumer letter and the Key Investor Information and the prospectus of a fund managed by DoubleDividend. DoubleDividend Management B.V. is supervised by the Netherlands Authority for the Financial Markets. The returns given have not been audited by an accountant.

Market developments

Financial markets recovered further in November. The latest inflation figures in both the U.S. and Europe are fueling hopes that inflation has passed its peak and will (gradually) start to decline from now on. However, inflation is still very high in both the U.S. and Europe and still far from central banks' target. It is therefore expected that both the Fed and the ECB will continue to raise interest rates, but probably at a slower pace and in smaller steps. At the same time, although economic growth is cooling, figures relating to employment and consumption do not yet point to the arrival of a severe recession. On the (geo)political front, there was some relief after a conversation between Biden and Xi at the G20 meeting in Bali. The results of the midterm elections in the U.S., in which Democrats lost less ground than previously expected, also provided relief among investors. Equity markets recovered across a broad front in November, with technology stocks and emerging market equities doing relatively well. Bond markets also had a very good month as a result of lower interest rates and reduced risk spreads.

Table: net returns for the various risk profiles*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 till Nov	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%	-16,9%	2,3%	28,8%
Moderately defensive	10,1%	3,2%	10,0%	1,5%	5,4%	3,6%	-3,7%	20,6%	4,2%	8,0%	-17,5%	3,7%	49,4%
Neutral	12,2%	5,7%	11,1%	4,9%	6,4%	4,6%	-2,7%	22,7%	4,5%	11,2%	-18,3%	5,2%	74,6%
Offensive	13,9%	8,3%	14,8%	7,9%	7,3%	5,8%	-1,7%	26,1%	6,4%	14,7%	-19,3%	7,1%	111,7%
Very offensive	15,4%	9,6%	16,7%	10,1%	8,5%	6,4%	-1,1%	29,3%	7,6%	18,6%	-20,2%	8,5%	144,3%

* 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 with increased interest rates making the risk-return ratio more attractive. This is especially true for corporate bonds and government bonds outside Europe. For high-quality European government bonds, the outlook still remains meagre 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. Therefore, bonds mainly 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 blended portfolio and thus, especially for investors with shorter investment horizons, they 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. In recent years we have opted for a slight overweighting of equities and alternatives at the expense of bonds because of the meagre expected returns for bonds. As of December 2022, we decided to only lightly overweight equities, but to bring alternatives back to the norm weighting. The reason for this is that because of sharply higher interest rates and risk premiums this year, the risk-return ratio for bonds has improved significantly. On the other hand, higher interest rates are bad for capital-intensive alternative sectors such as real estate and, to a lesser extent, sustainable infrastructure. While the valuation of most real estate and sustainable infrastructure companies is (very) attractive, the risk has also increased. This made us decide to bring the weighting of alternatives in each risk profile back to the strategic norm weighting in a number of steps for existing clients from December 2022. Only in the most offensive profile have we chosen not to invest in bonds at all at this time because of the very long investment horizon.

Tactical asset allocation

