ASSET MANAGEMENT

Monthly report December 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

Both equities and bonds were severely under pressure in December due to sharply higher interest rates. With this, the markets ended a bad year dominated by inflation, interest rates and the war in Ukraine. The DD Funds also closed December with negative returns.

The returns for the various risk profiles last month ranged from -3.2% for the most defensive risk profile to -7.6% for the most offensive risk profile. The neutral risk profile achieved a return of -22.5% in 2022.

Market data*	**Dec**	**2022**
Equities		
MSCI World	-7.6%	-12.8%
S&P 500	-9.3%	-13.0%
Euro Stoxx 600	-3.3%	-9.9%
Bonds		
World**	-3.6%	-17.2%
Real Estate		
EPRA Europe	-1.5%	-36.7%
Infrastructure		
Eagle Global Infra	-3.0%	-2.9%
Interest rates		
10-yr Germany	2.57%	
10-yr US	3.88%	
Currencies		
EUR/USD	2.9%	-5.8%
Other (in USD)		
Gold	3.1%	-0.3%
Oil (Brent)	0.6%	10.5%

* 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

Both equities and bonds were under severe pressure in December due to sharply higher interest rates. With this, the markets ended a bad year dominated by inflation, interest rates and the war in Ukraine. Equities showed the biggest decline last year since the 2008/2009 financial crisis, and for bonds it was (according to sources known to us going back to 1928) even the worst year ever!

The sharp price corrections in 2022 made the valuation of both stocks and bonds more attractive. What the coming year will bring is difficult to predict given the large number of uncertainties, but we are optimistic about the long-term return prospects for stocks, bonds and alternatives. In addition to geopolitical tensions, inflation, interest rates and economic growth remain major themes in 2023. It is likely that the decline in inflation from late 2022 will continue into 2023. The major uncertainty is how much inflation falls and what this means for central bank policy in combination with weakening growth. However, a scenario in which inflation softens and interest rates stabilize in combination with a mild recession is not necessarily negative for (equity) markets.

Table: net returns for the various risk profiles*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	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%	-19,6%	2,0%	24,6%
Moderately defensive	10,1%	3,2%	10,0%	1,5%	5,4%	3,6%	-3,7%	20,6%	4,2%	8,0%	-21,0%	3,3%	43,2%
Neutral	12,2%	5,7%	11,1%	4,9%	6,4%	4,6%	-2,7%	22,7%	4,5%	11,2%	-22,5%	4,7%	65,5%
Offensive	13,9%	8,3%	14,8%	7,9%	7,3%	5,8%	-1,7%	26,1%	6,4%	14,7%	-24,5%	6,4%	98,1%
Very offensive	15,4%	9,6%	16,7%	10,1%	8,5%	6,4%	-1,1%	29,3%	7,6%	18,6%	-26,2%	7,7%	125,7%

* 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.

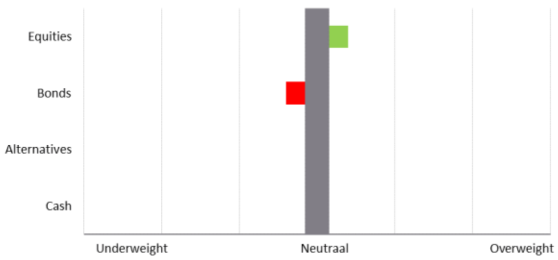
Table: profiles and strategic asset allocation

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



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