ASSET MANAGEMENT

Monthly report March 2023

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 were dominated last month by the turmoil in the banking sector, but there was no panic. Toward the end of the month, stock markets recovered. Investors assume that the turmoil in the financial system has brought the peak of the interest rate cycle closer.

The returns for the various risk profiles last month ranged from -0.2% for the most defensive risk profile to 3.0% for the most offensive risk profile. The neutral risk profile achieved a return of 1.3% in March 2023 bringing the profit for the year to 6.2%.

Market data*	**Mrt**	**2023**
Equities		
MSCI World	0.6%	5.8%
S&P 500	1.2%	5.9%
Euro Stoxx 600	-0.2%	5.6%
Bonds		
World**	2.0%	2.1%
Real Estate		
EPRA Global	-5.2%	-1.0%
Infrastructure		
Eagle Global Infra	2.2%	0.8%
Interest rates		
10-yr Germany	2.29%	
10-yr US	3.47%	
Currencies		
EUR/USD	2.5%	1.3%
Other (in USD)		
Gold	7.8%	8.0%
Oil (Brent)	-4.9%	-7.1%

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

doubledividend
FINANCIAL & SOCIAL RETURNS

Market developments

Early in the month, financial markets were dominated by high inflation and the firm language of central bankers to combat it. As a result, interest rates initially rose, but over the course of the month sentiment turned and the market was largely dominated by turmoil in the banking sector. The problems began at a number of regional banks in the U.S., including Silicon Valey Bank (SVB). Later in the month, Credit Suisse had to be rescued through a takeover by UBS. Regulators, politicians, financial experts and other stakeholders emphasized that both banks were in unique circumstances and that we are not on the eve of a major banking crisis. A crisis like those of 2008 and 2009 is not likely, yet the demise of these banks cannot be completely separated from some degree of instability in the financial system. Rising interest rates are also putting pressure on the value of loans and collateral at banks. Banks facing other problems in addition, such as Credit Suisse and the SVB, are then the first to get into trouble. (Social) media and technology also ensure that when the public loses confidence in a bank, the death warrant is quickly signed. With both Credit Suisse and SVB, it was literally a matter of a few days.

The question is, what next? As mentioned, a major banking crisis is not very likely. Nevertheless, both banks and regulators will want to further strengthen buffers. This means that banks will be very selective about lending new money. This creates risks for capital-intensive sectors and companies with weak balance sheets. After all, refinancing becomes more difficult and more expensive. Incidentally, by doing so, banks are helping central banks with another problem, fighting inflation. Because banks lend less, there is less economic activity, which depresses inflation.

Table: net returns for the various risk profiles*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 till Mar	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%	2,9%	2,2%	28,2%
Moderately defensive	10,1%	3,2%	10,0%	1,5%	5,4%	3,6%	-3,7%	20,6%	4,2%	8,0%	-21,0%	4,4%	3,6%	49,5%
Neutral	12,2%	5,7%	11,1%	4,9%	6,4%	4,6%	-2,7%	22,7%	4,5%	11,2%	-22,5%	6,2%	5,1%	75,7%
Offensive	13,9%	8,3%	14,8%	7,9%	7,3%	5,8%	-1,7%	26,1%	6,4%	14,7%	-24,5%	8,3%	7,0%	114,6%
Very offensive	15,4%	9,6%	16,7%	10,1%	8,5%	6,4%	-1,1%	29,3%	7,6%	18,6%	-26,2%	10,3%	8,4%	149,0%

* 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

The long-term return outlook for both equities and bonds are reasonably good. 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 applies to both corporate bonds and government bonds outside Europe. For high-quality European government bonds, the outlook has also improved considerably and we certainly see opportunities, but for bonds from southern European countries, the risks are still relatively high because of the high debt burden.

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.

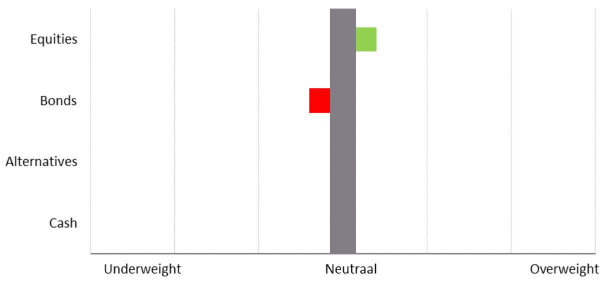
Table: profiles and strategic asset allocation

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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