ASSET MANAGEMENT

Monthly report October 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 under pressure for the third consecutive month due to rising geopolitical tensions and rising interest rates. Yet a recovery appears imminent. Both the Fed and ECB are not expected to raise interest rates further now that inflation its way back. Moreover, the economy continues to perform relatively well, as do corporations.

Returns for the various risk profiles in October ranged from -1.8% for the defensive risk profile to -5.0% for the most offensive risk profile. The neutral risk profile achieved a return of -3.2% in October, reducing its return for the year from 5.8% to 2.8%.

Market data*	**Oct**	**2023**
Equities		
MSCI World	-2.7%	8.9%
S&P 500	-2.1%	12.9%
Euro Stoxx 600	-3.6%	5.3%
Bonds		
World**	0.4%	1.0%
Real Estate		
EPRA Global	-4.6%	-8.1%
Infrastructure		
Renewable Energy	-7.8%	-28.4%
Interest rates		
10-yr Germany	2.80%	
10-yr US	4.93%	
Currencies		
EUR/USD	0.0%	-1.2%
Other (in USD)		
Gold	7.3%	8.8%
Oil (Brent)	-8.3%	1.7%

* 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

After the sharp declines in August and September, financial markets were also under pressure in October. The war between Israel and Hamas added to the existing series of uncertainties. Despite the difficult market conditions, however, we see plenty of bright spots. First, inflation is developing favourably, which has shifted the discussion from how much should interest rates rise further to how long should interest rates remain at this level. For example, according to Eurostat, inflation in the euro area fell further to 2.9% in October from 4.3% in September. Core inflation, that is, excluding price changes in food and energy, also declined further. It is expected that both the Fed and the ECB will not raise interest rates further and inflation will continue its downward trend. Eventually an interest rate cut will follow. At the same time, a sharp recession is less and less likely. While growth in Europe has virtually stalled and China also remains below expectations, the U.S. economy is growing strongly. Unemployment also remains at low levels worldwide. Because of the large number of uncertainties, consumers have been somewhat cautious recently, but many companies expect a recovery during 2024.

As we reported in the September monthly report, because of the fact that higher interest rates have been priced in, an important risk for both the stock and bond markets has been removed. The market now assumes weakening economic growth and continued high interest rates. That creates room for upside. Key macro-economic risks remain a sharper-than-expected recession and a pullback in fighting inflation.

Table: net returns for the various risk profiles*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 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%	-19,6%	1,7%	2,0%	26,7%
Moderately defensive	10,1%	3,2%	10,0%	1,5%	5,4%	3,6%	-3,7%	20,6%	4,2%	8,0%	-21,0%	2,3%	3,3%	46,4%
Neutral	12,2%	5,7%	11,1%	4,9%	6,4%	4,6%	-2,7%	22,7%	4,5%	11,2%	-22,5%	2,8%	4,6%	70,2%
Offensive	13,9%	8,3%	14,8%	7,9%	7,3%	5,8%	-1,7%	26,1%	6,4%	14,7%	-24,5%	3,5%	6,3%	105,0%
Very offensive	15,4%	9,6%	16,7%	10,1%	8,5%	6,4%	-1,1%	29,3%	7,6%	18,6%	-26,2%	3,4%	7,4%	133,5%

* 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 strong growth prospects, we tend to invest in companies with high profit margins and strong market positions. These companies are less sensitive to 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 will dampen the volatility of a diversified portfolio and therefore, 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.

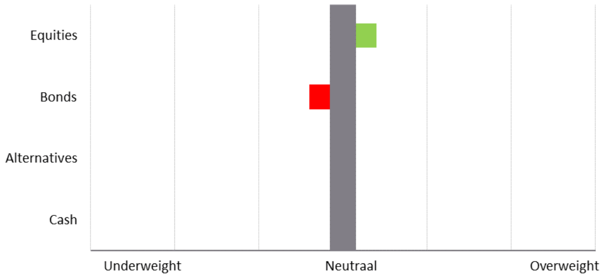
Table: profiles and strategic asset allocation

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. We decided to only lightly overweigh equities, but to bring alternatives back to the norm weight. 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 weight of alternatives in each risk profile back to the strategic norm weighting in a number of steps for existing clients.

Tactical asset allocation



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