ASSET MANAGEMENT

Monthly report January 2024

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 started 2024 well. Equity markets in particular, with technology stocks leading the way, had a strong start to the year. Government bonds took a step back because of slightly increased interest rates but corporate bonds performed well because of strong economic conditions.

Returns for the various risk profiles in January ranged from 1.7% for the defensive risk profile to 3.0% for the most offensive risk profile. The neutral risk profile achieved a return of 2.3% in January 2024.

Market data*	**Jan**	**2024**
Equities		
MSCI World	2.9%	2.9%
S&P 500	3.7%	3.7%
Euro Stoxx 600	1.5%	1.5%
Bonds		
World**	-0.3%	-0.3%
Real Estate		
EPRA Global	-2.5%	-2.5%
Infrastructure		
Renewable Energy	-7.7%	-7.7%
Interest rates		
10-yr Germany	2.17%	
10-yr US	3.91%	
Currencies		
EUR/USD	-2.0%	-2.0%
Other (in USD)		
Gold	-1.1%	-1.1%
Oil (Brent)	6.1%	6.1%

* 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

The financial market in January was dominated by the same themes as 2023: interest rates, inflation, the economy, AI and geopolitics. Both the ECB and the Fed left interest rates unchanged last month. It seems that investors should not count on both the ECB and FED coming up with an interest rate cut in the very near future. Both central banks think inflation is still too high and therefore kept policy rates unchanged in January at 4% (ECB) and 5.25% to 5.5% (FED), respectively. Although inflation is declining, the economy continues to perform relatively well which poses a risk of renewed inflationary pressures. Some caution is therefore warranted. Nevertheless, it is very plausible that interest rates will eventually come down this year as inflation continues to decline and/or the economy begins to sputter. In our baseline scenario for 2024, we assume a further decline in inflation, a cooling economy (but not a sharp recession) and interest rate cuts during 2024. Such a scenario is positive for both stocks and bonds.

Table: net returns for the various risk profiles*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 till Jan	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%	11,3%	1,7%	2,9%	41,1%
Moderately defensive	10,1%	3,2%	10,0%	1,5%	5,4%	3,6%	-3,7%	20,6%	4,2%	8,0%	-21,0%	13,4%	2,0%	4,3%	65,5%
Neutral	12,2%	5,7%	11,1%	4,9%	6,4%	4,6%	-2,7%	22,7%	4,5%	11,2%	-22,5%	15,6%	2,3%	5,7%	95,6%
Offensive	13,9%	8,3%	14,8%	7,9%	7,3%	5,8%	-1,7%	26,1%	6,4%	14,7%	-24,5%	18,3%	2,6%	7,5%	140,5%
Very offensive	15,4%	9,6%	16,7%	10,1%	8,5%	6,4%	-1,1%	29,3%	7,6%	18,6%	-26,2%	20,0%	3,0%	8,9%	178,9%

* 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

We expect financial markets in 2024 to be dominated by broadly the same themes as in 2023. The crucial question is whether the decline in inflation will continue in 2024 and whether central banks will be able to cut interest rates as a result. In addition, the big question is to what extent economic growth will weaken in 2024. Also, with the wars in Ukraine and Gaza and the rivalry between the West and the rest, political and geopolitical developments will continue to play an important role. Finally, elections are taking place in many parts of the world with the most important event, of course, being the U.S. presidential election.

Financial markets will therefore continue to operate in a highly uncertain environment in the coming year, so volatility is expected to continue. Our base case (further decline in inflation, interest rate cuts during 2024, no sharp recession and no substantial deterioration in the relationship between the U.S. and China) is favourable for both equities and bonds. But the uncertainties are, as mentioned, high; a long-term horizon therefore remains essential, especially for the more risky risk profiles.

Our investment quality criteria as reflected in the "schijf van vijf" ensure that we are well positioned to meet our expected long-term return objectives, even under the current uncertain market conditions. Within equities and alternatives, we are invested in sectors supported by attractive long-term growth prospects in areas such as digitalization, healthcare and sustainability, such as the energy transition. Innovation is critical for companies in a rapidly changing world with significant challenges. There is a growing overlap between technology and innovation on the one hand and sustainability and healthcare on the other. New generation chips and data centers, software and cloud services are essential in reducing energy consumption and electrifying the economy and transportation. Healthcare is also leaning increasingly heavily on technology. Examples include surgical robots, the accelerated development of medication using AI, electronic health records and genetic engineering.

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The distinction between our three main themes of technology, healthcare and sustainability is thus becoming increasingly hybrid: the great common denominator is innovation and trend growth.

The outlook for bonds is good due to increased interest rates, making the risk-return ratio attractive again. The cycle of interest rate hikes appears to be over, which removes the risk of sharp price declines. At the same time, bonds offer attractive coupons. Any drop in interest rates is an optional bonus. Main risk for bonds remains a rebound in inflation. A weaker economy is a risk for corporate bonds, as risk premiums can rise. However, government bonds are also not without risk because of high government debt levels. Populist policies are usually not good news for treasuries: governments need to borrow more at higher interest rates. The correlation between bonds and equities remains high in the short term, but is expected to decline over time as inflation normalizes further.

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.

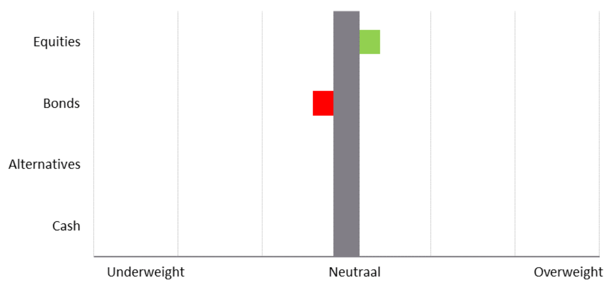
Table: profiles and strategic asset allocation

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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