ASSET MANAGEMENT

Monthly report May 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

Strong quarterly results from NVIDIA created a great mood on the stock market. Bonds, however, did not move; Interest rates in Europe rose a bit and fell a bit in the US. Within alternatives, sustainable infrastructure performed very well. All DD funds ended the month with positive returns.

The returns for the different risk profiles in May ranged from 1.3% for the defensive risk profile to 1.6% for the most offensive risk profile. The neutral risk profile achieved a return of 1.5% in May, increasing the return for the year to 5.2%.

Market data*	May	2024
Equities		
MSCI World	2.9%	11.4%
S&P 500	3.3%	13.5%
Euro Stoxx 600	3.5%	10.8%
Bonds		
World**	0.0%	-1.5%
Real Estate		
EPRA Global	1.7%	-2.0%
Infrastructure		
Renewable Energy	11.4%	-3.0%
Interest rates		
10-yr Germany	2.66%	
10-yr US	4.50%	
Currencies		
EUR/USD	1.7%	-1.7%
Other (in USD)		
Gold	1.8%	12.8%
Oil (Brent)	-7.1%	5.9%

* 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 macroeconomic reports give a mixed picture. Positive and negative inflation and growth figures alternate with corresponding movements on the financial markets. Within the stock market, almost all attention is focused on artificial intelligence, with NVIDIA as the biggest winner. Before the announcement of the quarterly figures in May, the share price was already rising steadily, but after the figures the price shot up further to end the month almost 27% higher. This means that the return for the year has risen to just over 121% after the price also rose by 239% last year.

The bond markets were relatively calm in May. In Europe, interest rates rose slightly, but in the US the 10-year interest rate fell from 4.68% to 4.50%. On balance, the bond markets hardly moved. In June the ECB will decide whether the policy rate will be lowered. A majority of economists and analysts expect the ECB to take the first step in June to cut interest rates, from 4% to 3.75%. The ECB is expected to take another step after that, but the further course will depend mainly on the inflation figures in the coming months and the policy of the FED. It is unlikely that the ECB's policy can deviate much from that of the FED. There is a chance that the euro will fall sharply in value compared to the US dollar, causing inflation to increase again due to higher import costs.

Table: net returns for the various risk profiles*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 till May	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%	3,8%	3,0%	44,0%
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%	4,5%	4,3%	69,5%
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%	5,2%	5,8%	101,3%
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%	6,1%	7,6%	148,7%
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%	6,7%	8,9%	188,9%

* 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

The developments surrounding inflation, interest rates and economic growth, as well as geopolitical developments, will continue to determine the financial markets. The upcoming American presidential elections are also an important event for the financial markets. The rapid developments in artificial intelligence are an important factor for equities. The financial markets operate in a highly uncertain environment, which is why volatility is expected to continue. Our base scenario (further decline in inflation, interest rate declines over the course of 2024, no major recession and no substantial deterioration in the US-China relationship) is favourable for both equities and bonds. But as mentioned, the uncertainties are great; a long-term horizon therefore remains essential, especially for the offensive 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.

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.

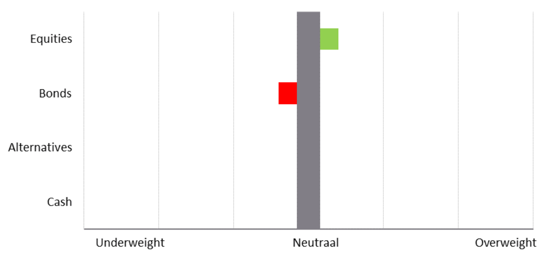
Table: profiles and strategic asset allocation

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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