ASSET MANAGEMENT

Monthly report June 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

The stock markets continued their positive mood in June, with technology shares setting new record highs. The bond markets managed to benefit slightly from lower interest rates in both Europe and the US. Within alternatives, the sustainable infrastructure sector took a step back, but real estate managed to end the month on a positive note.

The returns for the various risk profiles in June ranged from 1.6% for the defensive risk profile to 4.9% for the most offensive risk profile. The neutral risk profile achieved a return of 3.1% in June, increasing the return for the year to 8.5%.

Market data*	**Jun**	**2024**
Equities		
MSCI World	3.4%	15.2%
S&P 500	4.9%	19.0%
Euro Stoxx 600	-1.1%	9.5%
Bonds		
World**	0.3%	-1.2%
Real Estate		
EPRA Global	1.7%	-0.4%
Infrastructure		
Renewable Energy	-5.5%	-8.3%
Interest rates		
10-yr Germany	2.50%	
10-yr US	4.40%	
Currencies		
EUR/USD	-1.2%	-3.0%
Other (in USD)		
Gold	0.0%	12.8%
Oil (Brent)	5.9%	12.2%

* 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 stock market managed to end the month on a positive note, but the gains this month had to come entirely from the US. The European market is once again clearly lagging behind the US this year. However, in the US, the market rise depends on a small number of technology stocks that benefit from AI developments. The question is whether these technology shares have risen too fast or are the opportunities with the other shares? We believe that the rise in technology stocks is indeed supported by strong results, but we also believe that further stock market gains should be supported by a broader range of stocks. Positive developments in inflation, interest rates and the economy offer plenty of opportunities for this, but the political and geopolitical risks in particular remain as great as ever.

Last month, the ECB lowered interest rates for the first time since September 2019. This means we have entered a new era in bonds. After 10 consecutive interest rate increases between 2019 and 2023, the ECB lowered the policy rate from 4% to 3.75% last month. The ECB is expected to make one or two more interest rate cuts this year. This is generally good for bond prices, but the pace of reductions is uncertain and will depend mainly on inflation rates in the coming months. In the US too, one or two interest rate cuts are still expected in 2024, but here too the timing is uncertain.

It was striking that interest rate differences in Europe were increasing again. The German 10-year yield fell in June, while the French yield rose as a result of the uncertainty surrounding the French parliamentary elections in combination with the large government deficit and high debts.

Table: net returns for the various risk profiles*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 till Jun	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%	5.4%	3.1%	46.3%
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%	6.9%	4.5%	73.4%
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%	8.5%	6.0%	107.5%
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%	10.4%	7.9%	158.8%
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%	11.8%	9.3%	203.0%

* 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

In recent years, developments surrounding inflation and interest rates and to a lesser extent economic growth have impacted the financial markets substantially. Now that inflation seems more under control and we are entering a cycle of interest rate cuts, the macro economy will probably be less dominant for the financial markets. Political and geopolitical developments, on the other hand, will remain as important as ever, especially with the American elections around the corner. In a large part of Europe there is fear of a new Trump era, but this fear is mainly ideologically motivated. It is not clear in advance what a possible win by Trump or Biden will mean for financial markets. It is however clear that political choices and geopolitical struggles are gaining more and more control over the financial markets. The recent developments in France or the new protectionist trade policy of the US are examples of this. For equities, in addition to macro economics and politics, the rapid developments surrounding artificial intelligence are a new but lasting theme with unprecedented possibilities.

We expect the financial markets to continue to operate under favorable conditions in the near future thanks to a declining inflation trend and the start of a cycle of interest rate cuts. At the same time, the economy continues to perform reasonably well and technological developments offer plenty of room for further productivity improvements. This is a favorable scenario for all asset classes. However, politics and geopolitics remain an important uncertain factor for developments in both the short and medium term. Rising populism, protectionism and declining budget discipline in a polarizing world are major risks for economic and financial developments.

Our quality criteria for the investments as shown in the 'Schijf van 5' ensure that we are well positioned to meet our expected return targets in the long term. Moreover, the quality of the companies and countries in which we invest makes the investment portfolios resilient. Long-term growth prospects and resilience are the two themes that have received a lot of attention in recent times when designing the portfolios.

Within equities and alternatives, we are invested in sectors that are supported by attractive long-term growth prospects in the areas of digitalization, healthcare and sustainability, such as the energy transition. Innovation is crucial for companies in a rapidly changing world with major challenges. There is a growing overlap between technology and innovation on the one hand and sustainability and healthcare on the other. The new generation of chips and data centers, software and cloud services are essential for reducing energy consumption and electrifying the economy and transport. Healthcare is also increasingly relying on technology. Examples include surgical robots, the accelerated development of medication using AI, electronic patient records and genetic engineering.

The prospects for bonds are good due to the increased interest rates, which makes the risk-return ratio attractive again. We are on the eve of a cycle of interest rate cuts, which removes the risk of significant price falls. At the same time, bonds offer an attractive coupon rate. The main risks for bonds are a revival of inflation, a weak economy that could cause risk premiums to rise and the limited budgetary discipline of many governments.

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.

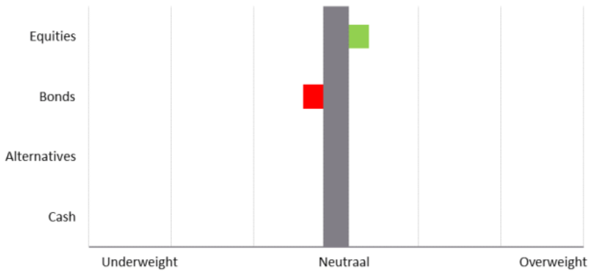
Table: profiles and strategic asset allocation

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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