ASSET MANAGEMENT

Monthly report July 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

There was plenty of commotion on the financial markets: Biden withdrew as a presidential candidate and many companies came up with figures, which were not always well received. The bond markets benefited from lower interest rates worldwide. Within alternatives, real estate did very well.

The returns for the various risk profiles in June ranged from 0.3% for the defensive risk profile to -3.2% for the most offensive risk profile. The neutral risk profile achieved a return of -1.3% in June, bringing the return for the year to 7.1%.

Market data*	**Jul**	**2024**
Equities		
MSCI World	0.8%	16.1%
S&P 500	0.3%	19.4%
Euro Stoxx 600	1.4%	11.0%
Bonds		
World**	2.0%	0.8%
Real Estate		
EPRA Global	4.7%	4.4%
Infrastructure		
Renewable Energy	1.1%	-7.2%
Interest rates		
10-yr Germany	2.30%	
10-yr US	4.03%	
Currencies		
EUR/USD	1.1%	-1.9%
Other (in USD)		
Gold	5.2%	18.6%
Oil (Brent)	-6.6%	4.8%

* 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

Despite the holiday period, it was certainly not a quiet month on the financial markets: Trump narrowly survived an assassination attempt and Biden withdrew as a presidential candidate. In addition, there were many quarterly figures from companies that caused very large share price movements, both positive and negative.

Biden's withdrawal as a presidential candidate was not a big surprise given his dramatic debate with Trump and his shaky health. Trump's rising popularity after the assassination attempt probably provided the final push Biden needed to withdraw his candidacy. It looks like we will now have a duel between Donald Trump and Kamala Harris, at least if Harris is officially chosen as the presidential candidate at the Democratic Party Convention. In the meantime, the financial markets are increasingly taking into account a Trump victory. The economic policy under a new Trump period are slowly becoming clear, including lower taxes, more trade restrictions, more fossil fuels, less sustainability and a pro crypto policy. This is not favourable for sentiment towards the technology sector and sustainability, but the ultimate effect is still very unclear.

Bonds had a strong month as a result of the lower capital market interest rates worldwide. The ECB left the policy rate unchanged last month. The first interest rate cut in June was therefore not followed up, but according to Lagarde a further cut in September is a possibility. A favourable inflation figure caused interest rates in the US to fall further. The US interest rate with a term of 10 years has fallen since April from over 4.6% to just over 4% at the end of the month. Inflation in the US in June was only 0.1% compared to a month earlier and 3.0% compared to a year earlier. This makes a first interest rate cut by the FED in September an increasingly likely scenario.

The quarterly figures of real estate companies indicate that the market is recovering. In almost all real estate sectors we see real estate values bottoming out or even rising slightly in some places as a result of the fall in interest rates in recent months and continued rental growth. The number of transactions is also increasing again. How strong and fast the recovery will ultimately be will depend mainly on the development of the economy and interest rates, but it is clear that there is light at the end of the tunnel.

Table: net returns for the various risk profiles*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 till Jul	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%	5.8%	3.1%	46.8%
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%	6.4%	4.4%	72.7%
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%	7.1%	5.9%	104.8%
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%	7.8%	7.6%	152.7%
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%	8.3%	8.9%	193.3%

* 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 Haris 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 favourable 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 favourable 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.

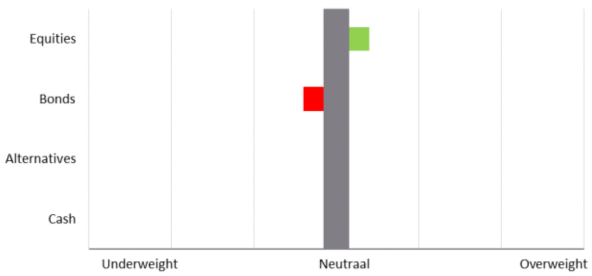
Table: profiles and strategic asset allocation

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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