

ASSET MANAGEMENT

Monthly report August 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

Despite the volatility on the financial markets, the equity markets still managed to end the month of August positively. Bonds and alternatives such as real estate and infrastructure also ended the month with a profit, but the returns were not really exuberant.

There were no differences between the returns for the various risk profiles in August because there were hardly any differences in the returns of the DD Funds. Each profile ended the month with a plus of 0.5%. The return for the neutral risk profile rose to 7.6% for the year as a result.

Market data*	Aug	2024
Equities		
MSCI World	0.3%	16.5%
S&P 500	0.2%	19.7%
Euro Stoxx 600	1.6%	12.7%
Bonds		
World**	0.4%	1.2%
Real Estate		
EPRA Global	3.6%	8.1%
Infrastructure		
Renewable Energy	1.3%	-6.1%
Interest rates		
10-yr Germany	2.30%	
10-yr US	3.90%	
Currencies		
EUR/USD	2.1%	0.1%
Other (in USD)		
Gold	2.3%	21.3%
Oil (Brent)	-2.4%	2.3%

* Total returns in euros, the price changes of gold and oil are calculated in US dollars.

** Barclays Global Aggregate Index

This information does not provide sufficient basis for an investment decision. On the website of DoubleDividend Management B.V. (doubledividend.nl) you can find relevant information, including the consumer letter and the Key Investor Information and the prospectus of a fund managed by DoubleDividend. DoubleDividend Management B.V. is supervised by the Netherlands Authority for the Financial Markets. The returns given have not been audited by an accountant.

Market developments

It was a turbulent month on the global stock markets. At the beginning of August, the MSCI Index fell by as much as 7.7% in two days as a result of a poor unemployment figure in the US and an interest rate hike by the Bank of Japan. However, the recovery followed just as quickly. On balance, the MSCI Index closed the month with a plus of 0.3%. Although the list of uncertainties is long, there are many positives as well. For example, the American economy continues to perform well and consumer confidence is showing an upward trend again. Inflation has also fallen further in both the US and Europe. FED chairman Powell indicated during the annual meeting of central bankers in Jackson Hole that the time has come to change the interest rate policy now that inflation is moving sustainably towards the 2% target. This makes an interest rate cut in September seem imminent. This suddenly brings a fairly favourable scenario for the financial markets into view again: the economy is growing, consumer confidence is increasing, inflation is falling and central banks are on the eve of a series of interest rate cuts.

Table: net returns for the various risk profiles*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Average till 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%	6,4%	3,1%	47,7%
Moderately defensive	10,1%	3,2%	10,0%	1,5%	5,4%	3,6%	-3,7%	20,6%	4,2%	8,0%	-21,0%	13,4%	7,0%	4,5%	73,6%
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%	7,6%	5,9%	105,9%
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%	8,4%	7,6%	154,0%
Very offensive	15,4%	9,6%	16,7%	10,1%	8,5%	6,4%	-1,1%	29,3%	7,6%	18,6%	-26,2%	20,0%	8,8%	8,9%	194,7%

* 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. 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

