ASSET MANAGEMENT

Monthly report September 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 interest rate cuts by both the FED and the ECB had a slightly positive effect on the financial markets on balance. Equities, bonds and alternatives such as real estate and infrastructure ended the month with a profit, but the returns were not really substantial.

The returns for the different risk profiles in September ranged from 1.3% for the most defensive risk profile to 0.8% for the most offensive risk profile. The neutral risk profile achieved a return of 1.1% in September, which increased the return for the year to 8.8%.

Market data*	**Sep**	**2024**
Equities		
MSCI World	1.0%	17.6%
S&P 500	1.2%	21.2%
Euro Stoxx 600	-0.3%	12.5%
Bonds		
World**	1.2%	2.5%
Real Estate		
EPRA Global	2.9%	11.3%
Infrastructure		
Renewable Energy	0.3%	-5.9%
Interest rates		
10-yr Germany	2.12%	
10-yr US	3.78%	
Currencies		
EUR/USD	0.8%	0.9%
Other (in USD)		
Gold	5.2%	27.7%
Oil (Brent)	-8.9%	-6.8%

* 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.

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FINANCIAL & SOCIAL RETURNS

Market developments

All eyes were on the FED in September. Jerome Powell already indicated in August during the annual meeting in Jackson Hole that the has come to change interest rate policy now that inflation is moving sustainably towards the 2% target. The FED kept its word and lowered the federal funds rate in one go by 50 basis points to 4.75% to 5%. This is the first interest rate cut since 2020! The question was not so much whether the interest rate would go down, but by how much. With an initial step of 0.5%, it seems that the FED wants to indicate that this may have been too long a wait. "Reducing restrictive policy too slowly could unnecessarily weaken the labour market and employment," said FED Chairman Powell. It is clear that the weak figures on the labour market prompted the FED to take this larger step, as inflation has only fallen gradually in recent times.

However, interest rates are still at a high level and the question is how quickly they will be lowered to the neutral level: the level at which the economy is neither stimulated nor slowed down. This percentage is now around 3%, much higher than the 2% of a few years ago. How many interest rate cuts we will get and when exactly is difficult to say, but the FED does provide a scenario via the dot plot: a point graph showing the interest rate expectations of all Fed directors for the coming years. This shows that the interest rate is expected to reach 4.4% at the end of this year, 3.4% at the end of 2025 and end at 2.9% in 2026. These expectations are now regularly adjusted, so unfortunately there are no guarantees. In the summer, the FED still assumed a less rapid decline to 3.1% in 2026. Anyway, the direction is clear and interest rates will be a lot lower in a while.

Table: net returns for the various risk profiles*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 till Sep	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%	7,7%	3,2%	49,5%
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%	8,2%	4,5%	75,6%
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%	8,8%	5,9%	108,1%
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%	9,4%	7,7%	156,4%
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%	9,7%	8,9%	197,1%

* 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.

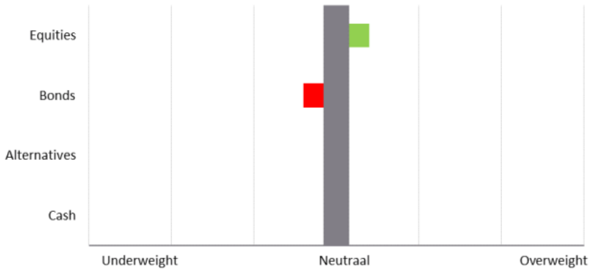
Table: profiles and strategic asset allocation

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



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