ASSET MANAGEMENT

Monthly report October 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 financial markets in October were dominated by the quarterly figures, rising interest rates and the upcoming US presidential elections. Equities ended the month narrowly positive, but bonds were under pressure as a result of the sharply increased interest rates. Alternatives such as real estate and infrastructure also ended the month with a loss.

The returns for the various risk profiles in October ranged from -0.1% for the most defensive risk profile to -0.2% for the most offensive risk profile. The neutral risk profile achieved a return of -0.2% in October, bringing the return for the year to 8.6%.

Market data*	Oct	2024
Equities		
MSCI World	0.8%	18.5%
S&P 500	1.7%	23.2%
Euro Stoxx 600	-3.2%	8.8%
Bonds		
World**	-0.7%	1.7%
Real Estate		
EPRA Global	-2.4%	8.6%
Infrastructure		
Renewable Energy	-6.0%	-11.5%
Interest rates		
10-yr Germany	2.39%	
10-yr US	4.29%	
Currencies		
EUR/USD	-2.3%	-1.4%
Other (in USD)		
Gold	4.2%	33.0%
Oil (Brent)	1.9%	-5.0%

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

doubledividend
FINANCIAL & SOCIAL RETURNS

Market developments

The financial markets were dominated by the upcoming US presidential elections, rising interest rates and many corporate figures last month.

US presidential elections

The effect of the outcome of the US elections on the financial markets is difficult to predict. It is impossible to say in advance whether the win or loss of one candidate will have a positive or negative effect on the financial markets. However, it is likely that if there is no convincing winner, this will have a negative effect on the markets. For the possible consequences for individual companies and sectors, we would like to refer you to the monthly report of the DD Equity Fund.

Interest rate developments

After the substantial interest rate cut by the FED in September, the ECB also cut interest rates again last month. The policy rate was cut for the third time this year and now stands at 3.25%. According to ECB President Lagarde, there is increasing confidence in achieving the inflation target of less than 2%. Despite the interest rate cut, interest rates with a term of more than one year rose. For example, the German 10-year interest rate rose from 2.12% to 2.38% last month, a sharp move. In the US, this move was even sharper. US government bonds even had their worst month in two years. The US 10-year interest rate rose from 3.78% at the end of September to 4.28% at the end of October. Due to the strong economic figures, economists expect the FED to lower interest rates less quickly than previously expected. Other central banks around the world, including the ECB, will have to more or less follow suit to ensure that their currencies do not weaken too much against the dollar.

Corporate figures

The third quarter figures showed a mixed picture. In the technology sector, the figures were generally good to very good, mainly due to the growth of cloud services and AI. Outside the technology sector, companies with significant activities in China in particular reported poor results. The Chinese economy is sputtering as a result of, among other things, a deflating real estate bubble and the trade restrictions imposed by the West. A recently announced stimulus package should give the economy a boost and restore confidence. The US economy, on the other hand, continues to perform strongly. In the third quarter, the US economy grew by 2.8%, thanks to a 3.7% increase in consumer spending.

Table: net returns for the various risk profiles*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 till Oct	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%	7,6%	3,2%	49,4%
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%	8,1%	4,5%	75,5%
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%	8,6%	5,9%	107,8%
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%	9,2%	7,6%	155,8%
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%	9,5%	8,8%	196,5%

* 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.

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Outlook

In recent years, developments in inflation and interest rates and, to a lesser extent, economic growth have been decisive for the financial markets. Now that inflation seems to be more under control and we are entering a cycle of interest rate cuts, the focus on macroeconomics will shift from inflation to economic growth. In a sense, the macroeconomic/monetary balance has been restored. We are emerging from a period of uncertain economic growth, but with high inflation and high interest rates. Now that inflation seems to be under control and interest rates are being cut by central banks, economic growth and monetary policy are more in balance again. If growth disappoints, interest rates will fall (faster) and vice versa. When the economy and monetary policy can function as communicating vessels again, this will benefit the stability of financial markets and equities and bonds will once again be more complementary in a mixed investment portfolio.

Political and geopolitical developments will remain important, especially with the American elections approaching. In a large part of Europe, there is fear of a new Trump era, but this fear seems to be mainly ideologically motivated. It is not obvious in advance what the possible victory of Trump or Harris means for the financial markets. It is now clear that political choices and geopolitical struggle are increasingly gaining a grip on the financial markets. For shares, in addition to the macro economy and politics, the rapid developments around artificial intelligence are a new but permanent theme with unprecedented possibilities.

We expect the financial markets to continue to operate under favourable conditions in the coming period thanks to a downward 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 investment categories. However, politics and geopolitics remain an important uncertain factor for developments in both the short and medium term. Rising populism, protectionism, and declining budgetary discipline in a polarizing world are also important 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.

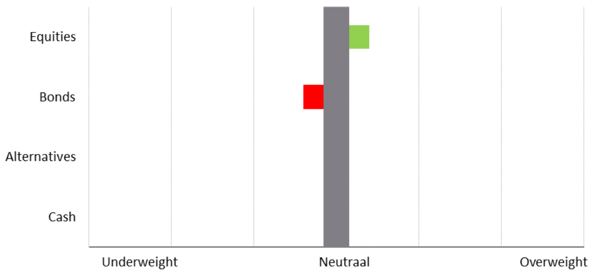
Table: profiles and strategic asset allocation

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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