DD ALTERNATIVE FUND

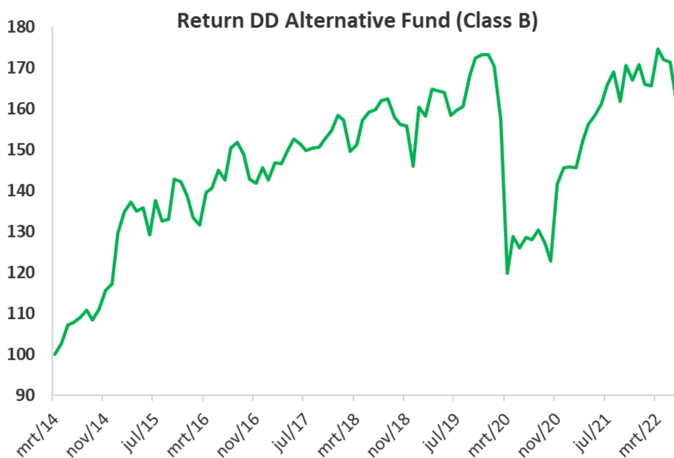
Monthly report June 2022

Profile

DD Alternative Fund N.V. (DDAF or DD Alternative Fund) is a global sustainable equity fund that invests in alternative investment categories, including in particular companies that invest in real estate and infrastructure. DDAF invests in at least twenty companies that meet our quality investment criteria. At DDAF, the analysis on sustainability and financial aspects is fully integrated. The fund aims for a net return of 7%* per year in the long term and has no benchmark. DDAF is listed on Euronext in Amsterdam and can be traded daily.

Return class B*

DD Alternative Fund achieved a return, including the dividend of € 0,38 per share, of -5.77% (class B) for the month of June 2022. At the end of June 2022, the net asset value per share B amounted to € 32.51, bringing the return for 2022 to -5,47%.



Fund information

Key facts

Fund size	€ 40.2 mln
# shares A	327,120
# shares B	630,846
# shares C	288,563
Net asset value A*	€ 31.24
Net asset value B*	€ 32.51
Net asset value C*	€ 32.67
# positions	48

Costs

Management fee A	1.20%
Management fee B	0.70%
Management fee C	0.50%
Overige kosten**	0.45%
Op- en afslag	0.25%

Other

Start date	Class A: May 2005 Class B: January 2015 Class C: January 2020
Manager	DoubleDividend Management B.V.
Status	Open-end, dagelijks
Exchange	Euronext Amsterdam
ISIN (A)	NL0009445915
ISIN (B)	NL0010949350
ISIN (C)	NL0014095119
Benchmark	None
Currency	Euro

Risk monitor

* per share
** estimated

This information does not provide a sufficient basis for an investment decision. Therefore, read the key investor information and prospectus. These are available on the website of DoubleDividend Management B.V. (www.doubledividend.nl). DoubleDividend Management B.V. is manager of DD Alternative Fund N.V. and has a license as manager and is supervised by the Netherlands Authority for the Financial Markets. The net asset value has not been audited by an external auditor.

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FINANCIAL & SOCIAL RETURNS

Table: monthly total return in % (after costs. dividend included) *

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2012	1.53	2.02	4.59	-3.24	-2.34	1.51	3.09	-0.18	1.49	2.56	0.48	-0.02	11.81
2013	0.83	0.72	-1.41	4.38	1.39	-7.59	2.56	-1.31	3.14	2.61	-0.81	-0.67	3.35
2014	-0.47	5.76	-1.86	2.69	4.37	0.54	1.24	1.66	-2.20	2.36	4.13	1.48	21.18
2015	10.58	3.96	1.72	-1.51	0.52	-4.86	6.54	-3.70	0.32	7.37	-0.40	-2.56	18.13
2016	-3.76	-1.28	6.08	0.71	3.13	-1.62	5.37	1.01	-1.97	-4.02	-0.70	2.66	5.13
2017	-2.14	3.02	-0.13	2.01	2.08	-0.83	-1.11	0.45	0.11	1.32	1.34	2.44	8.74
2018	-0.74	-4.78	1.03	3.91	1.37	0.32	1.40	0.29	-2.75	-1.15	-0.21	-6.35	-7.82
2019	9.85	-1.37	4.20	-0.25	-0.27	-3.32	0.67	0.65	4.62	2.61	0.42	0.02	18.63
2020	-1.55	-7.63	-23.87	7.51	-2.27	2.09	-0.42	1.90	-2.56	-3.42	15.36	2.84	-15.88
2021	0.03	-0.08	4.41	2.80	1.41	1.66	2.96	1.82	-4.23	5.47	-2,10	2.28	17.27
2022	-2.82	-0.22	5.37	-1.50	-0.32	-5.77							-5.47

* From 2015 Class B shares returns are used. The value of your investment may fluctuate. Results achieved in the past do not provide any guarantees for the future.

Developments in the market and portfolio

Financial market sentiment did not improve in June due to continued high inflation and fears of a global recession. The DD Alternative Fund ended the month with a loss of 5.77%, especially due to poor return of real estate. In June, the FTSE EPRA Developed Europe Index gave up considerable ground with a return of -15.9%, which means that the sector is already facing a loss of 27.6% this year. Sustainable infrastructure also could not escape the negative stock market sentiment in June, but there were still plenty of companies that ended the month on a positive note. On balance, the Eagle Renewable Index ended the month 5.3% lower.

In just a few months, the real estate equity market has been in a major storm mainly due to rapidly rising interest rates combined with a deteriorating economic outlook. As a result, the interest rates on many outstanding real estate bonds have been rising at a rapid pace and in many cases have even exceeded initial yields. This is particularly a problem for companies that need to refinance in the short term, but ultimately all real estate companies will face higher interest costs. For years, companies benefited from ever-decreasing interest rates and risk premiums, which made the bond market the main source of financing and led to record real estate values. That time seems to be behind us. The reason that the bond market is under extra pressure also has to do with the limited liquidity. Many large investment funds and index trackers have to deal with outflow, which means that the underlying bonds have to be sold. The share prices of many real estate funds are now at a lower level than during the low point in the corona crisis and some even at the lowest point in the last five years.

For now, we do not believe that the real estate market is on the brink of a severe crash. In our view, current bond market rates are not representative of the marginal cost of debt, as companies can still rely on cheaper bank loans and mortgages. Inquiries to analysts and companies reveal that financing at 3-4% is possible for maturities up to 10 years. So financing is still possible, but the cost is higher. Also, the fact that most rents are automatically adjusted for inflation partly offsets the higher financing costs. In addition, many real estate sectors such as housing and logistics are still experiencing high demand and limited supply. It is more of a correction of an overheated market. Only if the economy enters a severe recession or interest rates rise much further can cause a number of real estate companies to run into trouble. That is precisely the reason why we are extra alert to the balance sheet position at this time.

Rising interest rates and financing costs have only a limited impact on the sustainable infrastructure sector. Unlike real estate companies, most sustainable infrastructure companies repay their debts in full over the life of the wind and solar farms, typically 15 to 25 years. Therefore, higher interest rates have no direct impact on cash flows. On the contrary, the current high energy prices ensure higher cash flows if the generated energy is (partly) sold at market prices. A higher interest rate does, however, have a negative impact on the valuation of projects that receive a fixed fee for the generated energy but cannot (fully) pass on inflation. Rising interest rates and high costs can also create challenges for developers.

Last month, the International Energy Agency (IEA) warned in its World Energy Investment 2022 report (again) that more investment in renewable energy is needed to meet the Paris climate goals. According to IEA Director Fatih Birol, the current crisis provides an opportunity to accelerate the energy transition and reduce dependence on expensive (Russian) fossil fuels. To do so, however, the pace of investment needs to increase significantly. Although there is already much more being invested in renewable energy, certainly by companies, this is still insufficient. 'A much faster increase is needed to alleviate the pressure on consumers from high fossil fuel prices, make our energy systems more secure and get the world on track to meet our climate targets,' Birol said.

So Birol's cry for more investment in renewable energy this time is not only because of the climate, but also because of the huge price increases of fossil fuels and dependence on Russia. The price of gas in Europe continues to rise as Putin gradually reduces deliveries of gas to Europe in retaliation for the sanctions imposed. Deliveries to Germany in particular are under pressure. The government in Berlin has therefore now switched to the highest alert phase (the last phase before the emergency phase) in order to secure the gas supply. If the emergency phase is declared, the government can reduce or even stop the supply of gas to industry, causing economic pain. Germany wants to replenish its gas reserves as soon as possible before winter sets in to prevent Russia from putting even more pressure on the country at that time. The fact that in the meantime the coal plants are working overtime to save gas is taken for granted. Alternatively, Germany could decide to keep the nuclear power plants open longer but the question is whether politicians would dare to take this step.

Prologis, the world's largest investor in distribution centers, acquired Duke Realty in June for $26 billion, the industry's largest acquisition ever. Prologis is financing the deal by paying in shares; Duke shareholders will receive 0.475 shares of Prologis stock. Duke has a portfolio of approximately 14 million square meter of high-quality warehousing and distribution facilities in 19 key logistics markets in the U.S. Cost savings and synergy benefits are expected to be approximately $400 million annually. In addition, Prologis further sharpened its sustainability ambition. By 2040, the company wants to be completely carbon neutral. To achieve this, Prologis will invest even more in solar energy. At this moment there are already 325 MW of solar panels on the roofs, but this will be extended to 1 GW in 2025. This would be sufficient to provide 1 million Dutch households with power. All new buildings will also be built in a fully climate-neutral way from 2025.

Aedifica raised €255 million last month to finance the development pipeline and acquisitions. Aedifica invests mainly in senior housing but also in nurseries and care centers. The current portfolio of over €4 billion has no vacancy and the leases have an average term of 20 years. An additional advantage is that the tenants - more than 200 different care providers - are responsible for all additional costs, such as maintenance and insurance. DD Alternative Fund participated in the placement given Aedifica's strong social profile and attractive prospects. In April we sold shares above €116 while we were now able to buy at €87.

Grenery also raised new capital in June to finance the construction of new solar and wind farms. Until recently Grenery was mainly a developer of parks for third parties, but in recent years the Spanish company has also built up its own portfolio. The aim is to grow its own portfolio to 2.5 GW by 2023. Grenery operates in eight countries in Europe and South America. Most new developments are in Chile, Colombia and the UK. The placement of new shares provided an attractive level to expand the position a bit after we sold shares at a sharply higher level last month.

Largest positive and negative contribution

Boralex provided the largest positive contribution. Its share price gained 11.6% in June, bringing its return for the year to 33.1% (in euros). The Canadian company invests mainly in wind farms in Canada and France and benefits from rising energy prices. Companies investing in telecommunication towers, such as China Tower and American Tower, are also benefiting from the current market conditions as almost all contracts are automatically indexed and are therefore a good hedge against inflation.

German residential investors Vonovia and LEG made the largest negative contribution last month (and not for the first time this year). These companies are somewhat more sensitive to rising financing costs due to the low initial yields. Both companies have announced that they will no longer be expanding and that the

focus will shift to optimizing the existing portfolio, with sustainability as a priority. Incidentally, the additional costs for this can be passed on in the rent.

Table: top 5 contribution to result (in €)

Top 5 highest contribution			Top 5 lowest contribution		
Boralex (Can)	11.6%	0.3%	Vonovia (Ger)	-17.1%	-0.9%
China Tower (HK)	12.5%	0.1%	LEG (Ger)	-17.5%	-0.5%
American Tower (US)	2.9%	0.1%	CTP (Neth)	-16.0%	-0.5%
Hysan Development (HK)	4.0%	0.1%	SL Green (US)	-22.9%	-0.4%
Greencoat Renewable (Ire)	2.2%	0.1%	Land Securities (UK)	-12.9%	-0.4%

Source: DoubleDividend/Bloomberg

Portfolio changes

Over the past month, we have slightly reduced the weighting of 7C Solar Parks, American Tower, Atlantica Sustainable, Empiric Student Property, Equinix, Eurocommercial Properties, Greencoat UK Wind, Gore Street Storage, Mitsui Fudosan and Supermarket Income REIT and slightly increased positions in Aedifica, Grenery Renovables and Voltalia. No new positions were added to the portfolio.

Table: top 10 positions in portfolio per end month

Company and weights			
Vonovia (Ger)	4.4%	Atlantica Sustainable (US)	3.1%
Greencoat Renewables (Ire)	3.8%	Care Property (Bel)	2.9%
Boralex (Can)	3.4%	I-RES (Ire)	2.8%
Digital Realty (US)	3.4%	Nortland Power (Can)	2.8%
Innergex Renewable (Can)	3.4%	Eurocommercial Prop (Neth)	2.8%

Source: DoubleDividend

Team DoubleDividend

DoubleDividend Management B.V.
Herengracht 320
1016 CE Amsterdam
Tel. +31 (0)20 520 76 60
contact@doubledividend.nl
www.doubledividend.nl

Annex: portfolio characteristics

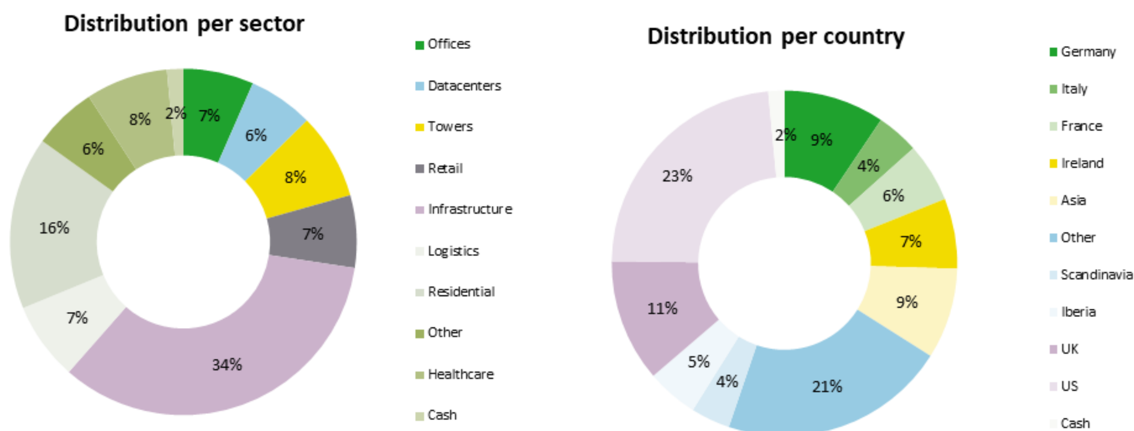
The table below shows the main characteristics of the portfolio. The cash flow yield shows the direct return (the rental income less costs) compared to the current price. Revaluations of the real estate are therefore not included. The price to net asset value indicates whether the portfolio is trading at a premium or a discount in relation to the value of the underlying real estate. If this value is lower than 100%. then there is a discount to net asset value and vice versa. The dividend yield is the dividend yield of the current year divided by the current price (closing price of the month).

The debt ratio is the net debt to the market value of the property. The VAR (Value At Risk) shows the maximum loss of the portfolio on an annual basis with 95% certainty based on Monte Carlo simulation. The standard deviation is a statistical measure for the distribution of the returns around the mean.

Table: Characteristics DDAF per month end

Valuation		Risk	
Cashflow yield, current	6.3%	VAR (Monte Carlo, 95%, 1-year)	23.7%
Dividend yield, current	3.9%	Standard deviation	16.4%

Source: DoubleDividend/Bloomberg



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