DD ALTERNATIVE FUND

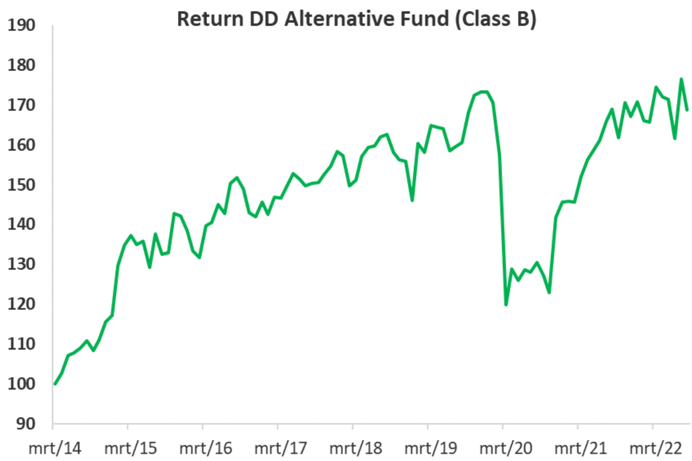
Monthly report August 2022

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 of -4.36% (class B) for the month of August 2022. At the end of August 2022, the net asset value per share B amounted to € 33.97, bringing the return for 2022 to -1.24%.



Fund information

Key facts

Fund size	€ 41.3 mln
# shares A	324,110
# shares B	624,750
# shares C	278,389
Net asset value A*	€ 32.61
Net asset value B*	€ 33.97
Net asset value C*	€ 34.14
# positions	46

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

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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	9.24	-4.36					**-1.24**

* 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

After the spectacular performance in July, the financial markets fell in the second half of August. The DD Alternative Fund also lost almost 4.4%. The reason was the speech of FED Chairman Jerome Powell during the annual meeting of central bankers in Jackson Hole. The main message was that the FED will continue to raise interest rates as long as inflation is (well) above the target of 2%, even if this means that the economy is hit hard. In Europe, too, the expectation is that interest rates will be raised more aggressively. The President of the Dutch Central Bank said: 'The inflation problem in Europe is currently so big that I think it is our job to raise interest rates every six weeks until the inflation picture stabilizes around two percent'. The central bankers' clear wording did not miss its effect on the markets with falling stock and bond prices and rising interest rates. For example, the Dutch 10-year government bond rose from 1.11% to 1.87% in August. It is likely that the turmoil in the financial markets will continue for some time. For more information on this and on the current economic conditions, please refer to the monthly report of the DD Equity Fund.

For a capital-intensive sector like real estate, a rise in interest rates combined with weakening economic growth - or even a recession - is not good news. Consequently, the EPRA Index, a good measure of the performance of European real estate stocks, fell 10.8% in August and was one of the worst performing sectors within the stock market despite many real estate funds presenting better-than-expected numbers. Although most real estate companies have secured financing for a longer period and interest costs are largely fixed, all real estate companies will eventually face higher interest costs. However, it is not that refinancing is not possible (as it was during the financial crisis), just that the costs are higher. On the positive side, the higher borrowing costs are largely offset by higher rents because most rents are automatically adjusted for inflation.

That the borrowing costs for real estate companies have risen sharply this year was proven by Prologis. On the last day of August, Prologis was able to place a seven-year green bond loan of €550 million at an interest rate of almost 3.5%, while in January this was still possible at an interest rate of 1.1%. It is clear that investors have become risk-averse as interest rates rise and the probability of economic contraction has increased, despite Prologis having an A- rating from S&P. Incidentally, Prologis can absorb the higher interest rates just fine. The rents of logistics centers are still rising and the rental value of the portfolio is now more than 40% below the market rent. In the coming years we can therefore expect quite a bit of rent growth as old contracts come to an end.

Last month we reported that Vonovia was planning to sell € 6 to 7 billion of real estate. At the presentation of the half-year figures, the company went a step further. In total, Vonovia wants to sell approximately €13 billion (of the €93 billion!) worth of real estate in the coming years in order to reduce its debt. Although Vonovia presented strong quarterly figures, the demand for rental properties remains high and rents are expected to continue to rise, it is primarily the balance sheet that requires management's attention, especially now that interest rates are rising. The company must refinance loans worth almost €8 billion over the next few years. According to management, this is not a problem, but the costs will be higher. The current average cost of loans is 1.2% but new loans are going at 2.5% (mortgages) to 3.8% (bond loans) with maturities of up to seven years. But if interest rates continue to rise then these costs naturally increase. By selling real estate, the debt decreases and Vonovia hopes to be able to borrow at better conditions. In addition, Vonovia will sell most of the newly developed properties, unload more properties (3,500 instead of 2,500 per year) and possibly offer its services to third parties to generate more income.

Rising interest rates and financing costs have limited impact on the sustainable infrastructure sector. Unlike real estate companies, most sustainable infrastructure companies repay their debts in full over the lifetime of the wind and solar farms. Therefore, a higher interest rate has no direct impact on cash flow. However, a higher interest rate does 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 park developers and builders.

Largest positive and negative contribution

CTP, the largest investor in logistics centers in Central and Eastern Europe, provided the largest contribution to the result in August with a share price increase of almost 10%. The company, led by major shareholder Remon Vos, presented strong quarterly figures. Demand for distribution centers remains strong, resulting in rental growth of 4.3% in the first six months. Sustainable infrastructure companies Northland Power, Boralex and Greencoat UK Wind also again performed strongly. German residential investors Vonovia and LEG were, not for the first time this year, lagging. Despite strong quarterly results and plans by the management of both companies to sell large portfolios of real estate and strengthen the balance sheet, the market still has little confidence that this will actually succeed. More news on the proposed sales is expected in the coming months.

Table: top 5 contribution to result (in €)

Top 5 highest contribution			Top 5 lowest contribution		
CTP (Neth)	9.9%	0.3%	Vonovia (Ger)	-16.9%	-0.8%
Northland Power (Can)	6.5%	0.2%	LEG (Ger)	-15.0%	-0.4%
Boralex (Can)	6.0%	0.1%	Cellnex (Spa)	-11.1%	-0.4%
Greencoat UK Wind (UK)	5.0%	0.1%	Land Securities (UK)	-12.6%	-0.3%
Empiric Student (UK)	4.6%	0.1%	Care Property (Bel)	-11.2%	-0.3%

Source: DoubleDividend/Bloomberg

Portfolio changes

Over the past month, we slightly reduced the weighting of 7C Solarparks, Acciona, American Tower, Boralex, Brookfield Renewables, Hufvudstaden, Northland Power and Shurgard. Positions in EDP Renovavais and EnergieKontor were completely sold after our price targets were reached. Positions in Cellnex, China Longyuan, Douglas Emmett, Healthcare Realty, Inwit, LEG, Scatec, Voltalia and Xior were increased somewhat. No new positions were added to the portfolio. Cash positions were 4% at the end of August.

Table: top 10 positions in portfolio per end month

Company and weights			
Vonovia (Ger)	3.9%	CTP (Neth)	3.0%
Greencoat Renewables (Ire)	3.9%	Cellnex (Spa)	2.9%
Innergex Renewable (Can)	3.3%	Eurocommercial Prop (Neth)	2.8%
Digital Realty (US)	3.3%	I-RES (Ire)	2.8%
Atlantica Sustainable (US)	3.2%	China Longyuan (Chi)	2.7%

Source: DoubleDividend

Team DoubleDividend

Annex: portfolio characteristics

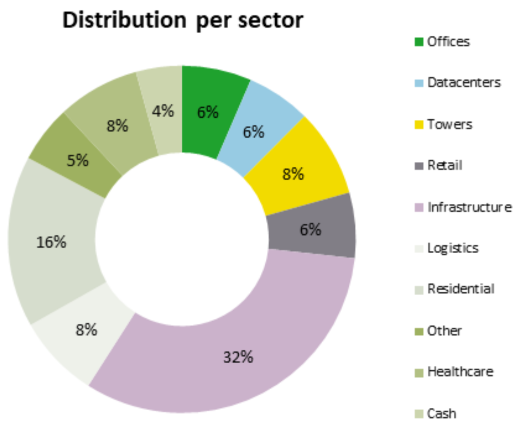
The table below shows the main characteristics of the portfolio. The cash flow yield shows the direct return (the rental income less costs) compared to the current price. Revaluations of the real estate are therefore not included. The price to net asset value indicates whether the portfolio is trading 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).

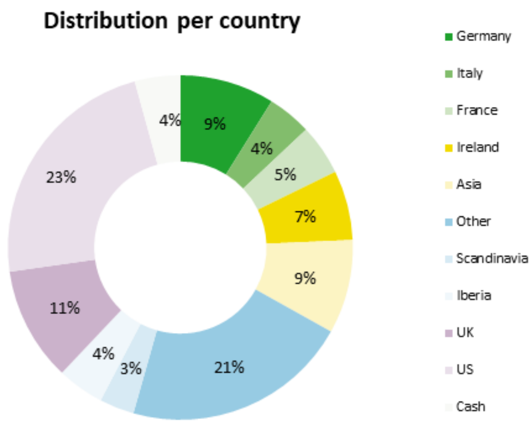
The debt ratio is the net debt to the market value of the property. The VAR (Value At Risk) shows the maximum loss of the portfolio on an annual basis with 95% certainty based on Monte Carlo simulation. The standard deviation is a statistical measure for the distribution of the returns around the mean.

Table: Characteristics DDAF per month end

Valuation		Risk	
Cashflow yield, current	7.2%	VAR (Monte Carlo, 95%, 1-year)	23.4%
Dividend yield, current	4.5%	Standard deviation	16.0%

Source: DoubleDividend/Bloomberg





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