DD ALTERNATIVE FUND

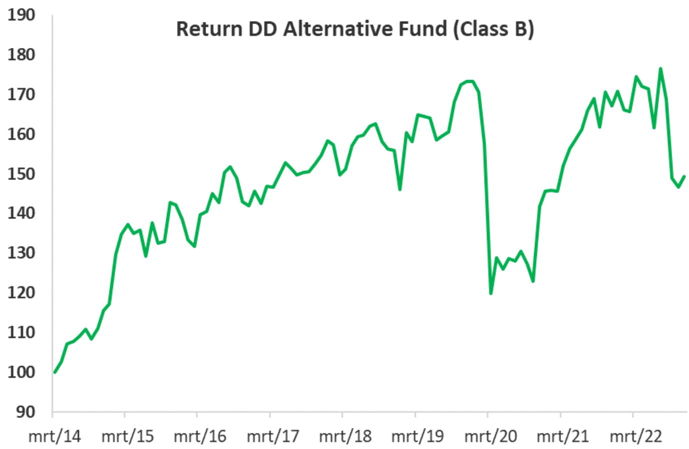
Monthly report November 2022

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 € 0.35 per participation, of 1.8% (class B) for the month of November 2022. At the end of November 2022, the net asset value per share B amounted to € 29.71, bringing the return for 2022 to -12.6%.



Fund information

Key facts

Fund size	€ 35.3 mln
# shares A	314,766
# shares B	628,979
# shares C	255,414
Net asset value A*	€ 28.48
Net asset value B*	€ 29.71
Net asset value C*	€ 29.88
# positions	43

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	-11.79	-1.43	1.80		**-12.59**

* 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

Good quarterly figures, better-than-expected inflation figures and, as a result, falling interest rates pushed up the share prices of both real estate and sustainable infrastructure companies. The DD Alternative Fund also benefited from the recovery in the market and ended the month with a plus of 1.8%. The fund's return could have been even higher, but the decline in the dollar and, to a lesser extent, the Canadian dollar cost the fund about 1.5%. Overall, the fund invested about 50% in euros and the rest in U.S. and Hong Kong dollars (25%), Canadian dollars (13%), British pounds (12%) and some other currencies.

Most sustainable infrastructure companies presented good third-quarter results in November. High energy prices and the fact that many contracts are automatically indexed provide continued tailwinds. However, sharply higher interest rates, rising costs and increased regulation shows that despite the good outlook, the sector is not immune to changing market conditions. For example, France's Grenery Renovables announced that the cost of solar panels has risen by as much as 12% this year and is expected to rise by at least 5% by 2023. The new UK government announced that there will be an additional 45% tax on renewable electricity sold above £75 per megawatt hour. Although the additional tax is slightly more favourable than expected, it will apply until March 2028. For Greencoat UK Wind, the only portfolio company affected by this, it will cause a negative adjustment to net asset value of about 1.5%.

Quarterly earnings of most real estate companies were in line or even better than expected. This is not very surprising. Rents have risen to record highs due to the (still) surprisingly strong economy and automatic indexations, while brokers traditionally lag a bit behind with valuations so property values are still at high levels. Still, many firms, analysts and rating agencies such as Moody's and S&P expect market conditions to become challenging in the coming years because of sharply higher interest rates and a possible recession. It is not inconceivable that interest rates will remain at high levels for the foreseeable future and even may rise slightly. For many real estate sectors, initial yields are now equal to or lower than borrowing costs. This is not an acute problem because most companies have secured long-term financing and rents are still rising (due to indexation), but regardless, cash flows and valuations will come under pressure in the coming years. This will cause a deteriorating balance sheet position that may breach covenants, forcing companies to restructure or, in the worst case, go bankrupt. The question is whether it will ever come to that, but of course you want to avoid this type of situation at all costs.

The good news is that most real estate companies have now realized that market conditions have changed and therefore the focus is on keeping the debt position manageable. So companies have indeed learned from the financial crisis. Companies are taking a variety of measures to strengthen the balance sheet, including: 1) stock issuances, 2) halting new acquisitions, 3) selling real estate or 4) reducing dividends. Some companies such as Germany's Aroundtown (not in portfolio) go a step further. Against convention, Aroundtown decided not to repay a hybrid loan maturing in January 2023. Hybrid loans are halfway between a regular bond and a stock and have the advantage for the borrower of being allowed to skip the redemption (as well as the coupon), such as when a company expects to run out of money. Such a loan is a lot more expensive than an ordinary bond but a company gets flexibility in return. It is very unusual for such a bond not to be redeemed on the first date that it can be redeemed, because then interest costs also tend to rise sharply. In the case of Aroundtown, from 2.75% to 6.3%. So while it is very unusual for this type of loan not to be repaid, S&P expects more companies to follow suit in order to be more flexible with future financial obligations.

We do not expect portfolio real estate companies to run into trouble any time soon, but challenging conditions certainly are. These are especially exciting times for German residential investors LEG and Vonovia. Although the outlook for German housing market is very good (virtually no vacancies, stable rental growth, affordable rents, greater demand than supply and rebuilding values that are a lot higher), the problem lies mainly in the debt ratio combined with real estate portfolios that are on the books at very low initial yields. LEG and Vonovia have therefore decided to invest less in the current portfolio and put large parts of the residential portfolio up for sale. LEG additionally announced to also reduce its dividend, an example that Vonovia may soon follow. By the way, both companies' covenants will only be hit if property values fall by more than 30%. And even the biggest pessimist does not predict that. The next 12 to 18 months should show whether the sale of large parts of the portfolio is possible. If this proves difficult then there is a chance that the capital markets will still be called upon since refinancing via bond issuance is an expensive option. For example, in November Vonovia issued two new loans totalling €1.5 billion on which interest of 4.6% must be paid, while existing loans are still running at 1.2%.

Although market conditions have changed for real estate and, to a lesser extent, sustainable infrastructure, we are not negative about the long-term outlook. While risks have increased, this is offset by attractive valuations. The portfolio's cash flow yield is 9.6% and the dividend, at 5.2%, is much higher than in recent years. Within real estate, we have a good geographical spread and a preference for defensive growth sectors such as data centers, telecom towers, logistics real estate and residential. Within renewable infrastructure, we have a good mix between developers (high margins, higher risk) and independent energy producers (low margin, low risk).

Largest positive and negative contribution

Equinix, the world's largest data center company, made the largest positive contribution with a 17.6% return. Industry peer Digital Realty also had a good month. Both companies reported excellent quarterly results and are positive about the future. Data centers are benefiting from very strong demand, while new construction is lagging behind due to rising construction costs and longer procedures in applying for building permits, causing rents to rise. Aquila European Renewables was another notable riser. The company had taken a stake in a large wind farm in Norway in June 2020 but experienced some construction setbacks. Since November, the farm has been fully operational and will supply renewable wind energy to an Alcoa aluminium plant for the next 30 years.

Largest negative contribution, despite strong quarterly figures, came from Belgian Care Property, which invests in care centers in Belgium, the Netherlands, Ireland and Spain. Care Property, like almost all other Belgian real estate companies, is expected to raise new capital soon to finance new projects. Although the company has drastically adjusted the pace of growth, there are a limited number of commitments that the company cannot avoid. Whether Care Property will actually issue new shares soon remains to be seen. The portfolio is relatively conservatively valued at a net initial yield of 5%, while rents are expected to rise at least 5.5% by 2023, according to management. Therefore, a sharp drop in portfolio value is not to be expected. LEG also had a down month. During its quarterly results, the German housing investor announced that it will reduce the dividend starting next year in order to keep its balance sheet position in order.

Table: top 5 contribution to result (in €)

Top 5 highest contribution			Top 5 lowest contribution		
Equinix (US)	17.6%	0.5%	Care Property (Bel)	-9.9%	-0.2%
Hysan Development (HK)	15.9%	0.4%	LEG (Ger)	-8.2%	-0.2%
Aquila (UK)	12.8%	0.3%	ABRDN Logistics (UK)	-6.9%	-0.2%
Innergex (Can)	8.4%	0.3%	Northland Power (Can)	-6.9%	-0.2%
Digital Realty (US)	7.7%	0.2%	Brookfield Renewable (US)	-6.2%	-0.2%

Source: DoubleDividend/Bloomberg

Portfolio changes

Last month, we slightly increased the weighting in ABRDN Logistics, Acciona Energias Renovables, Boralex, Brookfield Renewables, Gore Street Energy and Northland Power. We slightly reduced positions in Empiric Student Property, Eurocommercial Properties, Equinix, Greencoat Renewables and Vonovia. Shurgard was sold completely due to very limited upside.

Table: top 10 positions in portfolio per end month

Company and weights			
Digital Realty (US)	3.4%	Vonovia (Ger)	3.0%
Greencoat Renewables (Ire)	3.3%	Prologis (US)	2.9%
Cellnex (Spa)	3.1%	I-RES (Ire)	2.9%
Innergex (Can)	3.1%	Eurocommercial Prop (Neth)	2.8%
Atlantica Sustainable (US)	3.1%	Inwit (Ita)	2.7%

Source: DoubleDividend

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Annex: portfolio characteristics

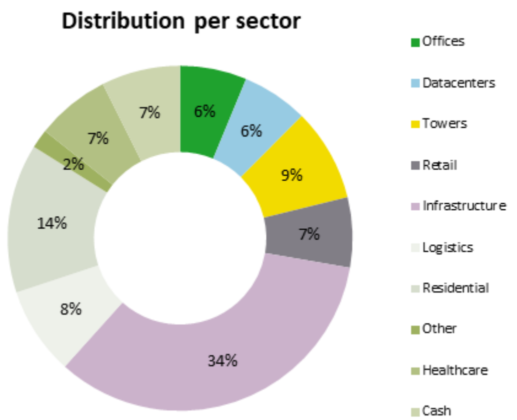
The table below shows the main characteristics of the portfolio. The cash flow yield shows the direct return (the rental income less costs) compared to the current price. Revaluations of the real estate are therefore not included. The price to net asset value indicates whether the portfolio is trading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

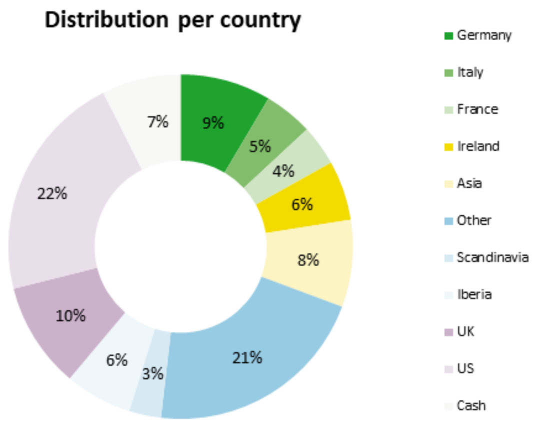
The debt ratio is the net debt to the market value of the property. The VAR (Value At Risk) shows the maximum loss of the portfolio on an annual basis with 95% certainty based on Monte Carlo simulation. The standard deviation is a statistical measure for the distribution of the returns around the mean.

Table: Characteristics DDAF per month end

Valuation		Risk	
Cashflow yield, current	9.6%	VAR (Monte Carlo, 95%, 1-year)	25.3%
Dividend yield, current	5.2%	Standard deviation	16.9%

Source: DoubleDividend/Bloomberg





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