DD ALTERNATIVE FUND

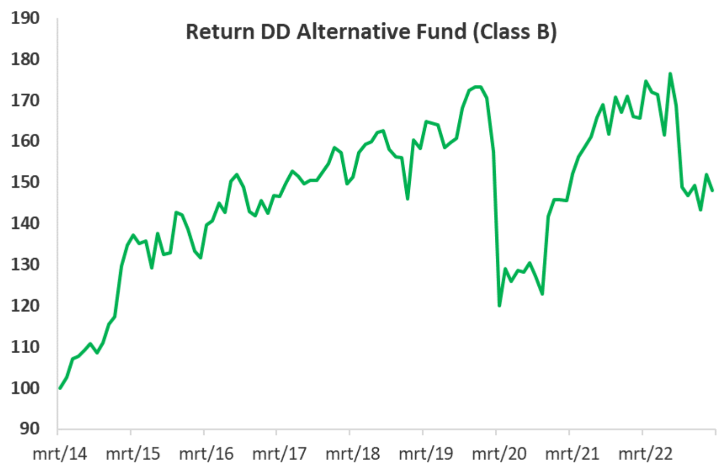
Monthly report February 2023

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 -2.63% (Class B) for the month of February 2023. As a result, the net asset value per share fell to € 29.43.



Fund information

Key facts

Fund size	€ 33.6 mln
# shares A	299,723
# shares B	623,742
# shares C	229,133
Net asset value A*	€ 28.18
Net asset value B*	€ 29.43
Net asset value C*	€ 29.61
# positions	44

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

doubledividend
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	-4.04	**-16.12**
2023	6.02	-2,63											**3.23**

* 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

Early this year, investors were still hoping that inflation would definitely be on the wane and interest rates would peak around summer. That expectation no longer seems realistic after the latest inflation figures in Europe and the U.S. and statements from both the ECB and the Fed. The Fed's minutes, published in late February, underscored concerns about excessive inflation and the need to raise interest rates further. ECB Executive Board member Isabel Schnabel also in clear terms last month that the fight against inflation is not yet over and interest rates must be raised further.

Investors now expect the ECB deposit rate to peak at just below 4% by the end of this year compared to 2.5% currently. The U.S. is seeing a similar movement in the interest rate market. The Fed's policy rate is expected to peak in July this year at around 5.5% before falling slightly again later this year. A decline in European interest rates is not expected this year.

Not surprisingly, for capital-intensive sectors such as real estate and sustainable infrastructure, higher interest rates are not good news. Still, the decline in both the global EPRA index (-2.2%) and the Eagle Renewable Index (-3.6% in dollar terms) was not too bad. Investors have been reckoning with higher interest rates for some time and the valuations of many companies are low. That said, sentiment for capital-intensive sectors is not expected to be too positive in the near future as long as interest rates are on an upward trend. The DD Alternative Fund lost 2.6% in February, reducing its gain for the year to 3.2%.

The impact of higher interest rates is a hot topic when real estate companies present their annual results. Because of the higher interest rates, valuations of most portfolios declined in 2022 and are expected to continue to decline in the coming years. Profits are also expected to decline somewhat in the coming years because of higher financing costs, despite most rents being indexed. This is especially true for companies that will have to do major refinancing in the coming years. According to Bloomberg, some € 390 billion has to be refinanced this year, out of a total estimated € 1,900 billion in outstanding loans. Swedish real estate companies in particular are vulnerable as many loans are short-funded and debt ratios are high. This has significantly increased stress at many companies. The DD Alternative Fund has no exposure to Swedish real estate companies for this reason.

Many companies have decided to sell parts of the portfolio to repay loans and keep the balance sheet in shape. However, it remains uncertain how successful this process will be given the lack of transactions and falling property prices. Investment and expansion plans are also being put on hold or dividends reduced to improve the balance sheet. All this will put pressure on profitability in the coming period.

Merlin's annual figures reflect the changed market conditions. Merlin invests mainly in offices, retail and distribution centers in Madrid and Barcelona. Despite strong rent increases of 7.3% in 2022, the portfolio value fell 1.5% due to rising initial yields. Earnings per share still rose 6.4% last year, but a similar decline is expected again this year. This is partly due to higher interest expenses, but mainly because of a large sale last year. Merlin sold a large portfolio of properties leased to Spanish bank BBVA for €2.1 billion. By the way, this was done at a premium of 17% on the last assessed value! As a result, rental income is decreasing this year, but on the other hand, risk has also been reduced because the debt ratio has fallen from 39.2% to 32.7%, despite a substantial additional dividend payment in 2022. Credit agency S&P's outlook has gone from neutral to positive as a result. Merlin thus reacted in time to the changing market conditions. Incidentally, the focus on the balance sheet position is primarily a European phenomenon. Most American real estate companies such as Prologis, Equinix and American Tower have very strong balance sheets and at most put the brakes on large acquisitions because of increased interest rates, but there is no question of disposing of large portfolios. Earnings per share at these companies are therefore expected to continue to rise.

Most sustainable infrastructure companies have also published their annual results. In general, the figures were slightly disappointing due to lower production (e.g. Innergex, TRIG), delays in the development pipeline (e.g. Brookfield Renewables) or a combination of these (e.g. Scatec, Grenergy Renovables). But fortunately there were also positive outliers such as Acciona, Boralex and Greencoat UK Wind.

Largest positive and negative contribution

Aquila European Renewables provided the largest positive contribution to the result with a return of 11.1%. Aquila announced a share buyback program and immediately started buying back shares. Other notable riser was Atlantica Sustainable Infrastructure which has announced it is looking at strategic options to maximize shareholder value. Citi Bank is advising the company. Algonquin Power & Utilities, Atlantica's largest shareholder with a stake of more than 42%, supports this initiative. Whether it will come to an take-over, merger or partial sale of the portfolio is uncertain, but given the low valuation of the stock, there will certainly be interest.

The largest negative contribution came from Grenergy, which published disappointing annual figures. Profits came in considerably lower, but that is mainly due to the timing of the delivery of new projects. The expectation is that this year's profit will be extra high as a result. Despite the sharp drop in the share price in February, the stock is still up for the year. Innergex and Brookfield Renewable also presented somewhat weaker annual figures, but here too there seems to be a timing issue.

Table: top 5 contribution to result (in €)

Top 5 highest contribution			Top 5 lowest contribution		
Aquila (UK)	11.1%	0.2%	Grenergy (Spa)	-12.1%	-0.4%
ABRDN Logistics (UK)	5.0%	0.1%	Innergex (Can)	-7.8%	-0.3%
Inwit (Ita)	3.7%	0.1%	Brookfield (Can)	-7.9%	-0.3%
Atlantica Sustainable (US)	3..1%	0.1%	Vonovia (Ger)	-7.8%	-0.3%
Voltalia (Fra)	3.0%	0.1%	China Longyan (Chi)	-8.7%	-0.2%

Source: DoubleDividend/Bloomberg

Portfolio changes

Last month we further increased the weighting of 7C Solarparken, Aberdeen Logistics, Aedifica, Boralex, Gore Street Energy, Grenergy Renovables, Innergex, Northland Power and TRIG. We slightly reduced positions in American Tower, Capreit, CTP, Digital Realty, Klépierre and Land Securities. No new positions were added to the portfolio.

Table: top 10 positions in portfolio per end month

Company and weights			
Cellnex (Spa)	3.6%	Boralex (Can)	3.0%
Atlantica Sustainable (US)	3.3%	Innergex Renewables (Can)	3.0%
Greencoat Renewables (Ire)	3.3%	Brookfield Renewables (Can)	3.0%
Inwit (Ita)	3.1%	Eurocommercial Prop (Neth)	3.0%
Brookfield Renewables (Can)	3.1%	Voltalia (Fra)	2.9%

Source: DoubleDividend

Annex: portfolio characteristics

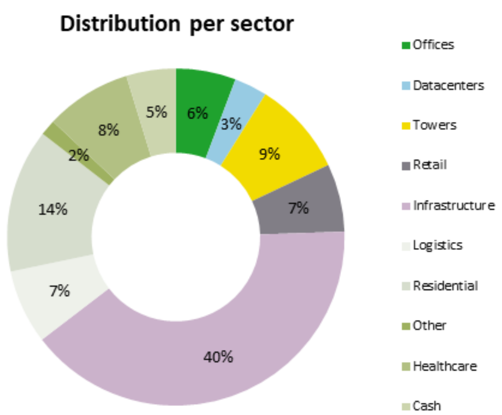
The table below shows the main characteristics of the portfolio. The cash flow yield shows the direct return (the rental income less costs) compared to the current price. Revaluations of the real estate are therefore not included. The price to net asset value indicates whether the portfolio is trading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

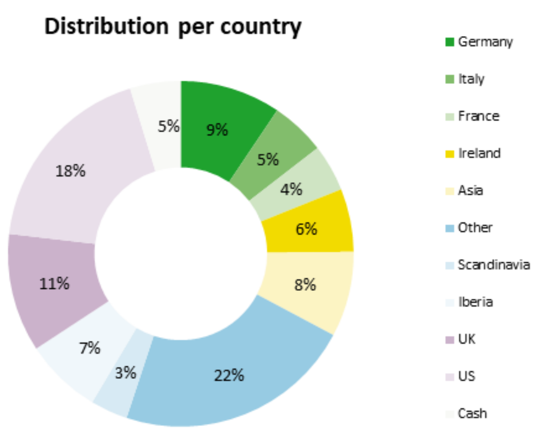
The debt ratio is the net debt to the market value of the property. The VAR (Value At Risk) shows the maximum loss of the portfolio on an annual basis with 95% certainty based on Monte Carlo simulation. The standard deviation is a statistical measure for the distribution of the returns around the mean.

Table: Characteristics DDAF per month end

Valuation		Risk	
Cashflow yield, current	10.0%	VAR (Monte Carlo, 95%, 1-year)	23.5%
Dividend yield, current	5.2%	Standard deviation	15.5%

Source: DoubleDividend/Bloomberg





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