DD ALTERNATIVE FUND

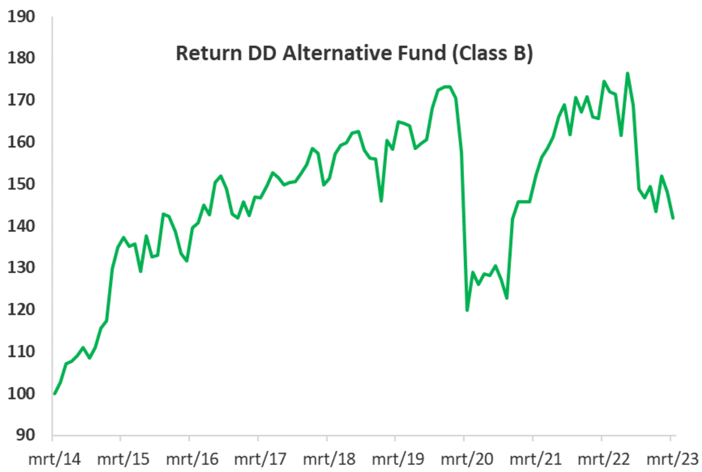
# Monthly report March 2023

## 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 -4.17% (Class B) for the month of March 2023. As a result, the net asset value per share fell to € 28.20. This brings the return for 2023 to -1.07%.




## Fund information

### Key facts

| | |
|---|---|
| Fund size | € 32.1 mln |
| # shares A | 294,861 |
| # shares B | 624,397 |
| # shares C | 230,410 |
| Net asset value A* | € 26.99 |
| Net asset value B* | € 28.20 |
| Net asset value C* | € 28.39 |
| # positions | 45 |

### 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<br>Class B: January 2015<br>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 | -4.17 | | | | | | | | | | **-1.07** |

* 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

The collapse of Silicon Valley Bank and Signature Bank and the near failure of Credit Suisse caused great turmoil among investors. Although we do not think a new banking crisis like during the credit crisis is likely, the problems in the sector do have a major impact on financial markets. For banks, funding costs are rising and regulators will demand even higher buffers to ensure the safety of the financial system. This is not good news for real estate and other capital-intensive sectors. Banks will impose stricter loan terms and raise interest rates. Financing real estate through the bond market had already been a lot tougher for a year, so now the banks are joining in.

The new situation leaves some real estate companies with a difficult choice: sell real estate, issue new shares or do nothing for the time being. However, selling large chunks of real estate is not easy now that real estate prices are under pressure. There are buyers, but they are in no hurry and want a substantial discount. Another option is to issue new shares. But since most listed real estate companies are trading at a big discount to net asset value, this is an expensive option for shareholders. The alternative, doing nothing for now, can only be done if there is no acute refinancing problem.

However, there is also a positive side to the bank turmoil. The fact that banks are expected to provide less credit will slow the economy and lower inflation. This reduces the need for central banks to raise interest rates.

By the way, raising fresh capital to repair balance sheets is mainly a European problem. Most U.S. and Asian real estate companies are better capitalized. There are also exceptions in Europe. For example, CTP, the largest investor in distribution centers in Eastern Europe, is choosing a very different strategy to deal with the changing market conditions. Despite the increased interest rates, CTP has actually decided to focus even more on growth by developing its own projects. The demand for logistics centers is as high as ever, and because CTP already owns the land and construction costs have recently fallen back somewhat, margins are still good. New projects are being developed at an initial yield of 10%, meaning that margins of 50% are achievable.

As mentioned above, the turbulence on stock markets had a particularly strong impact on real estate shares. The European EPRA index lost as much as 11.4% in March. The global EPRA index also lost 5.2%. Remarkably, the high-flyers from the beginning of the year, such as Vonovia, LEG and SL Green, were mercilessly punished in March. Renewable infrastructure did manage to close positively last month. The Eagle Renewable Index closed 2.2% (in euros) higher, mainly thanks to the strong performance of a number of US and Canadian sustainable infrastructure companies. The DD Alternative Fund closed March with a loss of 4.2%, bringing its return for the year to -1.1%.

## Largest positive and negative contribution

Brookfield Renewable provided the highest contribution with a 22.1% return. Although the stock is on a hefty gain this year, the valuation is still attractive. Brookfield management believes earnings per share can grow at least 10% per year over the long term. The biggest contribution comes from its development pipeline, with more than 100GW the largest in the world. Italy's Inwit also did well in March. The stock not only presented very good annual figures, but is also in the interest of private equity party Ardian. Ardian, with an indirect stake of nearly 27%, is already Inwit's second-largest shareholder. Vantage, is the largest shareholder at 33% and may also be interested in the take-over of Inwit.

Residential investors Vonovia and LEG provided the largest negative contribution to earnings. Although both companies presented good operating results, there are concerns about the profitability in the coming years due to rising financing costs and a possible share issue. Both companies want to sell large portfolios of properties to strengthen the balance sheet, but have so far failed to do so. Although there is no acute problem, the market expects that conditions will not improve in the coming years and shareholders may still be approached for a dilutive equity issue.

**Table: top 5 contribution to result (in €)**

| Top 5 highest contribution | | | Top 5 lowest contribution | | |
|---|---|---|---|---|---|
| Brookfield Renewable (US) | 22.1% | 0.7% | Vonovia (Ger) | -27.3% | -0.8% |
| Inwit (Ita) | 16.3% | 0.5% | LEG (Ger) | -26.6% | -0.8% |
| Boralex (Can) | 11.2% | 0.4% | Voltalia (Fra) | -18.4% | -0.6% |
| Atlantica Sustainable (US) | 6.2% | 0.2% | SL Green (US) | -31.8% | -0.4% |
| China Tower (Chi) | 9.1% | 0.1% | I-RES (Ire) | -12.4% | -0.4% |

*Source: DoubleDividend/Bloomberg*

## Portfolio changes

Last month, we slightly increased the weighting of 7C Solarparks, American Tower, Digital Realty and Target Healthcare, and slightly reduced the positions in Atlantica Sustainable and Inwit. Greenvolt Energias Renovavais was newly added to the portfolio.

Greenvolt was spun off from Altri, a Portuguese pulp and forestry company, in 2021. Altri is still the largest shareholder at nearly 17%. Currently, about 90% of Greenvolt's revenue still comes from biomass plants, but this is going to change in the future. Greenvolt focuses on developing solar and wind farms in Europe. Especially in Poland, the company has a large position following its acquisition of V-Ridium, which, like Altri, is also a shareholder. Greenvolt also installs solar panels on rooftops through a subsidiary, but this company is still in its infancy. At the helm of Greenvolt is former CEO of EDP Renovavais, one of Europe's largest sustainable infrastructure companies. Just last year, the company raised €100 million in new capital to fund its plans for the coming years. We have had the stock in our sights for some time, but waited for a good entry point. The recent correction in the stock market has made the share attractively valued.

**Table: top 10 positions in portfolio per end month**

| Company and weights | | | |
|---|---|---|---|
| Brookfield Renewables (US) | 3.8% | Northland Power (Can) | 3.2% |
| Cellnex (Spa) | 3.8% | Innergex Renewables (Can) | 3.1% |
| Boralex (Can) | 3.5% | Inwit (Ita) | 3.0% |
| Greencoat Renewables (Ire) | 3.4% | Grenery Renovables (Spa) | 2.8% |
| Atlantica Sustainable (US) | 3.4% | Eurocommercial Prop. (Neth) | 2.8% |

*Source: DoubleDividend*

## Annex: portfolio characteristics

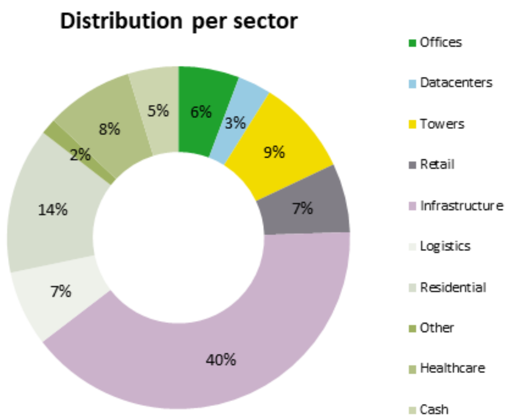
The table below shows the main characteristics of the portfolio. The cash flow yield indicates how much cash a company generates per share, expressed as a percentage. The dividend yield is the dividend yield of the current year divided by the current price (closing price of the month).

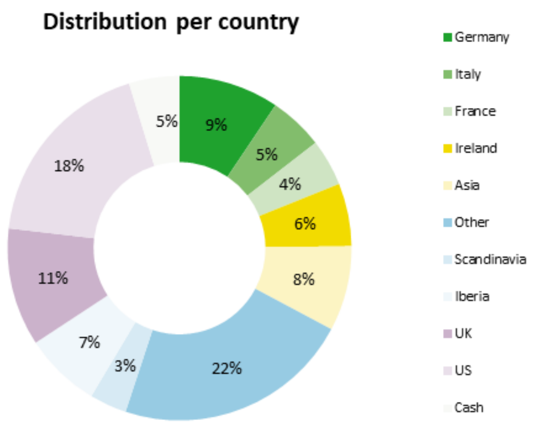
The VAR (Value At Risk) shows the maximum loss of the portfolio on an annual basis with 95% certainty based on Monte Carlo simulation. The standard deviation is a statistical measure for the distribution of the returns around the mean.

Table: Characteristics DDAF per month end

| Valuation | | Risk | |
|---|---|---|---|
| Cashflow yield, current | 10.9% | VAR (Monte Carlo, 95%, 1-year) | 24.1% |
| Dividend yield, current | 5.4% | Standard deviation | 15.7% |

*Source: DoubleDividend/Bloomberg*




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