# DD ALTERNATIVE FUND

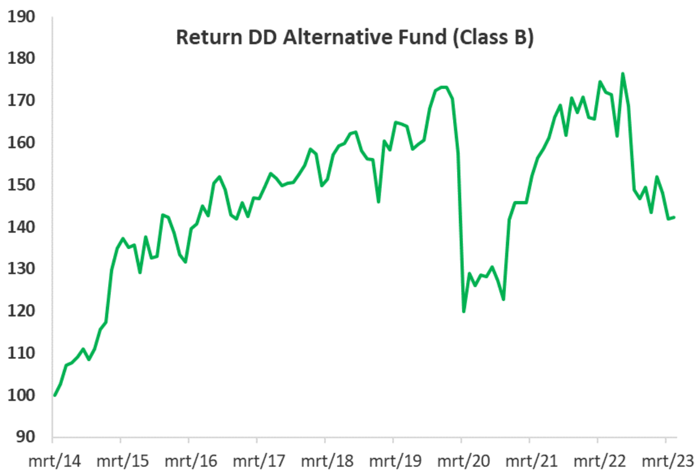
# Monthly report April 2023

## 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 0.34% (Class B) for the month of April 2023. As a result, the net asset value per share rose to € 28.30. This brings the return for 2023 to - 0.74%.




## Fund information

### Key facts

| | |
|---|---|
| Fund size | € 32.2 mln |
| # shares A | 293,858 |
| # shares B | 623,420 |
| # shares C | 230.,410 |
| Net asset value A* | € 27.08 |
| Net asset value B* | € 28.30 |
| Net asset value C* | € 28.49 |
| # 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



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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 | -4.04 | **-16.12** |
| 2023 | 6.02 | -2,63 | -4.17 | 0.34 | | | | | | | | | **-0.74** |

* 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

April was a relatively quiet month. The global real estate equity market (EPRA index) closed the month with a plus of 0.3%, while renewable infrastructure (Renewable Energy Producers Index) lost 2.7%. The DD Alternative Fund rose 0.3% in April.

The economy is clearly cooling and a mild recession at the end of this year seems an obvious scenario. Profit margins are under pressure due to increased interest rates and higher costs, so the focus has shifted from new investments to cost cutting. On the positive side, inflation is likely to continue to ease in the coming months as energy prices fall, labour market tightness has peaked and supply chains improve. Lower inflation expectations combined with a possible recession will most likely deter central banks from raising interest rates much further. Such a scenario will give capital-intensive sectors such as real estate and infrastructure some breathing room again. The real estate market in particular has recently been hit hard by interest rate hikes, resulting in falling values and lower profits.

Operationally things are not bad at all in much of the real estate market. For example, the housing market is benefiting from an imbalance between supply and demand. The demand for (rental) housing remains undiminished due to continuing population growth (partly as a result of the influx of refugees) while the number of new construction projects is declining as a result of sharply increased costs and higher interest rates. We therefore see strong rental growth in most countries. The outlook for logistics real estate also remains good. Demand for warehousing and distribution space remains strong, despite slowing growth for e-commerce. For retail, the outlook is somewhat more mixed. Vacancy rates seem to have bottomed out and rents are keeping reasonably pace with inflation, but declining consumer confidence and retailers' declining margins are a risk.

The office market, on the other hand, is in a "perfect storm. Although rental yields are still rising (slightly) due to automatic indexations, demand for office space is declining due to more working from home and the economic downturn. Many tech companies in particular are laying off many employees right now. Costs are also rising sharply because of higher financing costs and more costs in making buildings more sustainable and modifications needed for the new flex-working. As a result, the valuations of most listed office companies are now lower than during the great financial crisis in 2007/2008.

The long-term outlook for renewable infrastructure remains good, but right now sentiment is somewhat depressed by higher interest rates, falling energy prices and lower production from both wind and solar farms. However, energy prices are still more than twice what they were in early 2022, and both existing and new projects are still profitable. For the portfolio companies, the vast majority of revenues are fixed for a longer period of time and therefore not dependent on market prices.

## Company news

Vonovia has begun selling part of its portfolio to reduce its debt. Private equity investor Apollo is buying a 30% stake in a portfolio consisting of more than 21,000 apartments in Baden-Württemberg for €1 billion. With this sale, Vonovia immediately realizes 50% of its desired free cash flow for all of 2023. The sale price represents a discount of about 5% on the value at the end of 2022. That's not too bad. The sale proceeds will be used to pay off debt, reducing the debt ratio by about 1% to 44%. By the way, Apollo has negotiated certain guarantees and Vonovia has the right to buy back the stake within five years. Although this transaction is not entirely representative because of a variety of conditions, this deal did improve investor sentiment.

Cellnex, the largest investor in telecom towers in Europe, has proposed Marco Patuano as its new CEO. If he is appointed on June 1, it will be a victory for TCI's activist shareholder Chris Hohn who believes Cellnex should seriously look at alternatives such as a partial or full sale of the company in order to undo its undervaluation on the stock market. We too believe Cellnex is undervalued, but we do not immediately welcome a sale. After years of aggressive growth, Cellnex has shifted its focus to reducing debt and further optimizing its portfolio. The prospects for the company are good and if Cellnex implements the new strategy then we assume that the undervaluation on the stock market will also disappear in due course. In any case, speculation about a possible stock market exit caused the stock to rise 6.6% in April.

Irish housing investor IRES is also facing an activist shareholder. Vision Capital has now acquired a nearly 5% stake of IRES. In an open letter, Vision says it believes that IRES as a listed company is an inefficient platform and is better off as a private company to address the housing shortage in Dublin. In addition, Vision is critical of management's plans to sell a large apartment complex to Irish Life, also a major shareholder in IRES. In doing so, Vision suggests that another buyer might be willing to pay a higher price. Vision is particularly critical of the CFO who has taken out too many variable rate loans, an opinion we share. We have met with IRES management twice recently. We believe that IRES' strategy has been well executed in recent years. Under the leadership of the current CEO, the company has become Dublin's largest residential investor specializing in the mid-market segment. The portfolio is of high quality and has a high sustainability score and the long-term outlook is good. While the stock has fallen sharply, so has the entire real estate sector. What will be important is how Capreit, the largest shareholder with a stake of almost 19%, will vote at the shareholder meeting in May.

## Largest positive and negative contribution

IRES was the largest contributor to earnings in April with an 11% gain. Vonovia and LEG were also among the biggest risers with returns of 13.2% and 11.7%, respectively. Among the biggest decliners were only companies focused on sustainable infrastructure. As mentioned, the sector is suffering somewhat from falling energy prices and lower production.

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

| Top 5 highest contribution | | | Top 5 lowest contribution | | |
|---|---|---|---|---|---|
| IRES (Ire) | 11.0% | 0.3% | Atlantica Sustainable (US) | -11.4% | -0.4% |
| Vonovia (Ger) | 13.2% | 0.3% | China Longyuan (Chi) | -10.0% | -0.3% |
| LEG (Ger) | 11.7% | 0.3% | Brookfield Renewable (US) | -5.9% | -0.2% |
| Cellnex (Spa) | 6.6% | 0.3% | Innergex (Can) | -7.0% | -0.2% |
| Target Healthcare (UK) | 10.2% | 0.2% | Boralex (Can) | -5.7% | -0.2% |

*Source: DoubleDividend/Bloomberg*

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## Portfolio changes

Last month, we slightly increased the weighting of Acciona Energias, Atlantica Sustainable, China Longyuan and Greenvolt and reduced the positions in Boralex and Inwit. No new positions were added.

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

| Company and weights | | | |
|---|---|---|---|
| Cellnex (Spa) | 4.0% | IRES (Ire) | 2.9% |
| Brookfield Renewables (US) | 3.6% | Innergex Renewables (Can) | 2.9% |
| Greencoat Renewables (Ire) | 3.4% | Eurocommercial Prop. (Neth) | 2.9% |
| Atlantica Sustainable (US) | 3.2% | Boralex (Can) | 2.9% |
| Northland Power (Can) | 3.1% | ABRDN Logistics (UK) | 2.8% |

*Source: DoubleDividend*

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## Annex: portfolio characteristics

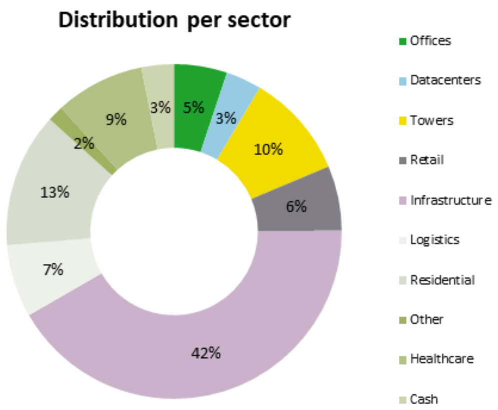
The table below shows the main characteristics of the portfolio. The cash flow yield indicates how much cash a company generates per share, expressed as a percentage. The dividend yield is the dividend yield of the current year divided by the current price (closing price of the month).

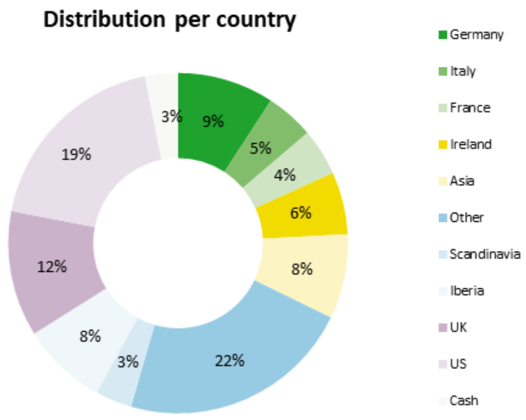
The VAR (Value At Risk) shows the maximum loss of the portfolio on an annual basis with 95% certainty based on Monte Carlo simulation. The standard deviation is a statistical measure for the distribution of the returns around the mean.

Table: Characteristics DDAF per month end

| Valuation | | Risk | |
|---|---|---|---|
| Cashflow yield, current | 10.4% | VAR (Monte Carlo, 95%, 1-year) | 24.9% |
| Dividend yield, current | 4.8% | Standard deviation | 15.5% |

*Source: DoubleDividend/Bloomberg*

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