DD ALTERNATIVE FUND

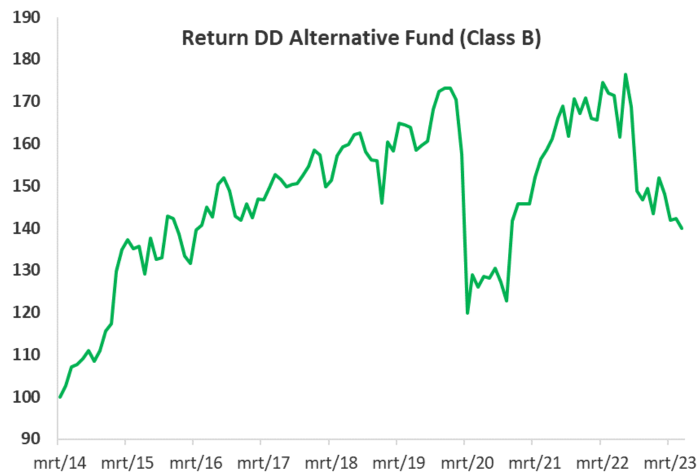
Monthly report May 2023

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 -1.64% (Class B) for the month of May 2023. As a result, the net asset value per share fell to € 27.84. This brings the return for 2023 to -2.37%.



Fund information

Key facts

Fund size	€ 31.4 mln
# shares A	287,538
# shares B	622,921
# shares C	230,410
Net asset value A*	€ 26.62
Net asset value B*	€ 27.84
Net asset value C*	€ 28.03
# 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 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	-4.04	**-16.12**
2023	6.02	-2,63	-4.17	0.34	-1.64								**-2.37**

* 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

As we have addressed several times recently, market conditions for capital-intensive sectors such as real estate and sustainable infrastructure are difficult. Although most companies are doing well operationally, rising interest rates are causing problems. This certainly applies to the European real estate market where sentiment reached a low in May. This was triggered by the downgrading of SBB's credit rating to junk status by S&P after which the share price took a sharp dive. By the end of the month, the share price was down as much as 70%. SBB has become one of the largest real estate investors in Sweden in recent years through an aggressive acquisition strategy. As is customary in Sweden, these acquisitions were mostly financed with short-term loans at variable interest rates. Now that interest rates have risen sharply, the company is in trouble. The real estate company had already sold part of its real estate portfolio in recent months and had also stopped dividend payments, but it proved insufficient to turn the tide. SBB still toyed with the idea of doing a capital increase through a rights issue, but after the sharply declining share price, this was no longer a real option. Meanwhile, the management has opened the door to a full takeover, but it is highly doubtful whether there is any appetite for this. Bankruptcy is therefore a real possibility.

Although the DD Alternative Fund has no exposure to SBB or other Swedish real estate companies, the problems in the Swedish real estate market do have a substantial negative impact on the sector as a whole. As a result, the European EPRA index lost 7.3% in May.

Not all real estate sectors are suffering from the current negative sentiment, by the way. Last month, data centers were a positive exception, in part because of developments in artificial intelligence (AI). Demand for data centers has historically never been higher. Vacancy is at its lowest level ever and developers can barely keep up with demand, resulting in rising rents. Because of rent increases and development gains, higher financing costs are more than offset. The DD Alternative Fund invests in this sector through Digital Realty and Equinix, the two largest in the world. Both companies have strong balance sheets and can continue to grow as a result. Both Digital Realty and Equinix came out with good quarterly earnings last month with Equinix even upgrading its expectations for all of 2023. Equinix expects rents from its existing portfolio to increase by as much as 7% this year. There are also an increasing number of contracts where rents are automatically indexed, something not common in the US. It shows that Equinix's negotiating position is strong.

Sentiment is also not too good for renewable infrastructure this year, despite a good long-term outlook. The Eagle Global Renewables Infrastructure Index lost 2.3% in May. Increased interest rates and rising costs are also creating challenges here. And where the sector was still helped by higher energy tariffs in 2022, we are seeing sharply lower prices this year. On the positive side, lower energy tariffs are good for fighting inflation, which in turn is expected to lead to lower interest rates over time.

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Largest positive and negative contribution

China Longyuan provided the largest contribution to earnings with a return of 11.1%. The stock benefited from expectations that the National Development and Reform Commission (NDRC), the main macroeconomic state agency in China, will further push the use of renewable energy. The stock was still under pressure in April and we extended the position. Voltalia also recovered somewhat from losses in March and April. Other notable riser was Digital Realty which was riding on the growth of AI.

On the other hand, LEG once again fell sharply. Although the quarterly numbers were fine and provided little news, investors remain concerned about portfolio values and refinancing issues. The share prices of Aedifica and Care Property Invest, both active in healthcare real estate, also fell sharply. Operationally, both companies are doing very well, but there are doubts about the financial health of some tenants. Many healthcare institutions are owned by private equity and have high debts. With interest rates rising sharply and operational costs also rising sharply, the question is whether they can still pay the rent. Both Aedifica and Care Property believe that the situation will not be so dire and are convinced that if one care facility goes bankrupt, another will soon take its place.

Table: top 5 contribution to result (in €)

Top 5 highest contribution			Top 5 lowest contribution		
China Longyuan (Chi)	11.1%	0.3%	LEG (Ger)	-14.0%	-0.4%
Voltalia (Fra)	9.1%	0.2%	Aedifica (Bel)	-15.0%	-0.3%
Digital Realty (US)	7.0%	0.2%	Northland Power (Can)	-7.2%	-0.2%
Brookfield Ren. (US)	5.0%	0.2%	Care Property (Bel)	-7.6%	-0.2%
Innergex (Can)	4.5%	0.1%	Grenergy (Spa)	-7.6%	-0.2%

Source: DoubleDividend/Bloomberg

Portfolio changes

Last month we increased the weighting of Northland Power a bit and reduced positions in ABRDN Logistics, Brookfield Renewable Partners, and Capreit. No new positions were added.

Table: top 10 positions in portfolio per end month

Company and weights			
Cellnex (Spa)	4.1%	Brookfield Renewable (US)	3.0%
Greencoat Renewables (Ire)	3.4%	Digital Realty (VU)	2.9%
Northland Power (Can)	3.2%	Eurocommercial Prop. (Neth)	2.9%
Atlantica Sustainable (US)	3.1%	Boralex (Can)	2.9%
Innergex Renewables (Can)	3.1%	I-RES (Ire)	2.8%

Source: DoubleDividend

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Annex: portfolio characteristics

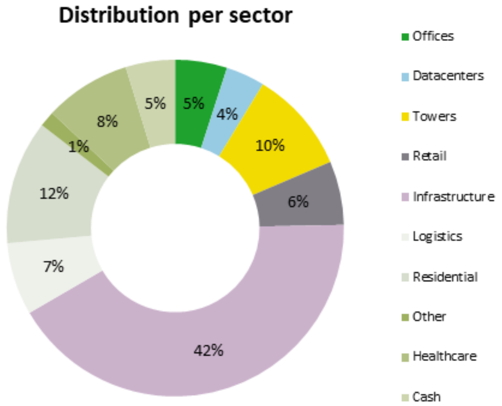
The table below shows the main characteristics of the portfolio. The cash flow yield indicates how much cash a company generates per share, expressed as a percentage. The dividend yield is the dividend yield of the current year divided by the current price (closing price of the month).

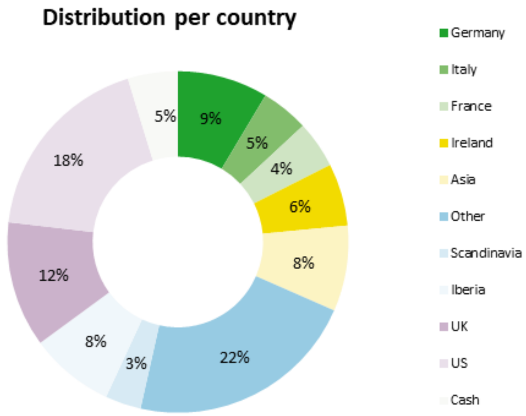
The VAR (Value At Risk) shows the maximum loss of the portfolio on an annual basis with 95% certainty based on Monte Carlo simulation. The standard deviation is a statistical measure for the distribution of the returns around the mean.

Table: Characteristics DDAF per month end

Valuation		Risk	
Cashflow yield, current	11.4%	VAR (Monte Carlo, 95%, 1-year)	24.3%
Dividend yield, current	5.1%	Standard deviation	14.7%

Source: DoubleDividend/Bloomberg





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