DD ALTERNATIVE FUND

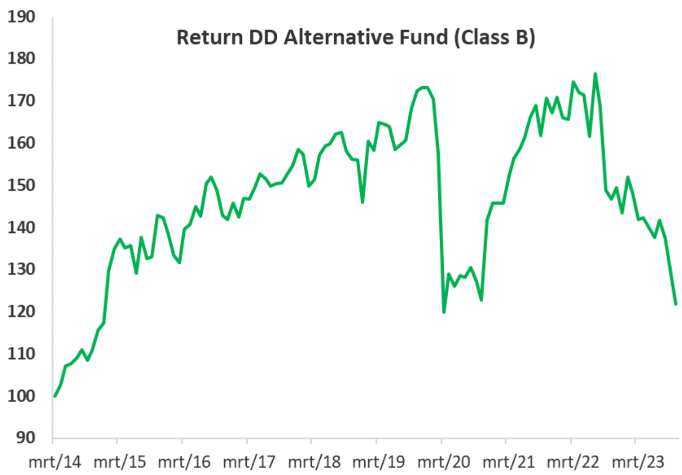
Monthly report October 2023

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 -5.63% (Class B) for the month of October 2023. As a result, the net asset value per share fell to €23.86. This brings the return for 2023 to -15.1%.



Fund information

Key facts

Fund size	€ 26.6 mln
# shares A	268,339
# shares B	625,319
# shares C	230,647
Net asset value A*	€ 22.75
Net asset value B*	€ 23.86
Net asset value C*	€ 24.04
# 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	-1.61	2.95	-2.99	-6.18	-5.63			**-15.06**

* 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

After the sharp decline in September, share prices continued to fall in October. Stock market sentiment has been downright negative since early August. That is especially true for capital intensive sectors such as real estate and (sustainable) infrastructure. Until recently, the focus of investors was mainly on rising interest rates but with the war between Israel and Hamas additional geopolitical tensions are added to the wall of worry. The DD Alternative Fund closed the month of October with a loss of 5.6%, bringing its share price back to corona levels in 2020. The fund is no exception. Both the EPRA Index (real estate) and the Renewable Energy Producers Index (renewable infrastructure) are down from their lows during the corona dip.

Stock market returns contrast sharply with companies' relatively strong operating results. In October, about a quarter of portfolio companies presented quarterly results. Most figures were in line, a single company came out with better-than-expected results, but none performed below expectations. Aedifica, the largest listed investor in care centers and senior housing in Europe, raised its earnings forecast for this year for the second time. Rents of the existing portfolio increased by an average of 5.2% year-on-year while the cost of financing is less than 2% due to the long maturity of loans. Aedifica's portfolio has no vacancies and leases still run for about 19 years on average. Of course, interest costs will increase in the coming years due to increased interest rates, but it seems that Aedifica can absorb this with rental growth and new developments. The biggest risk is that tenants (the healthcare institutions) go bankrupt, but given the large spread of the portfolio, the potential impact of this will be limited. Aedifica is therefore positive about the future. Because of the fall in the share price, Aedifica's dividend yield has risen to 7.3%. Incidentally, the dividend yield of DDAF's total portfolio is 5.8%.

Xior, operator of student housing, also came out with good figures. Xior announced that the rents of the existing portfolio increased by 7%, a record for the company. Furthermore, management indicated its intention to sell more real estate to further reduce the debt ratio. Despite the fact that the number of real estate transactions has fallen sharply, the company still expects these sales to be effected within six months. That the transaction market is not completely at a standstill was also demonstrated by I-RES, which managed to sell nearly €100 million worth of residential properties (representing almost 7% of the portfolio) at current book value. The proceeds have been used to repay more expensive loans, keeping earnings per share stable despite the sales. The debt ratio fell to 42% which is not excessive given the decline in value already factored into this.

That stock market valuations are low is also evidenced by the offer received by Intervest Offices & Warehouses (not in portfolio). TPG is willing to pay € 21 per share, admittedly still a small discount on the intrinsic value of € 22, but a premium of 52% (!) on the stock market price. It shows that there is indeed value in real estate.

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The sustainable infrastructure sector faces a number of other challenges in addition to rising interest rates. As mentioned in the August monthly report, Ørsted (not in portfolio) has serious problems in the US. The largest offshore wind farm developer already took a hit of DKK 5 billion on two offshore projects in the US this summer and indicated at the time that it might have to write off a total of DKK 16 billion. However, it turned out to be a total of DKK 28 billion (about €4 billion)! The company attributes the problems to high interest rates, problems with suppliers and too low power prices. In addition to Ørsted, several other companies have now indicated their intention to stop a number of projects in the US.

Siemens Energy (not in portfolio) also came with bad news. Because of problems at wind turbine subsidiary Siemens Gamesa, the company has appealed to the German government for state support. Siemens Gamesa is facing some serious production problems and sharply increased costs that are causing the company to make a loss. Many wind turbines appear not to be working or not working properly because of problems with the rotor blades and gears, among other things. Siemens Gamesa has therefore decided not to enter into new contracts for certain onshore platforms for the time being and will also start producing fewer wind turbines for the offshore market. Although the problems in the offshore wind industry are temporary, this obviously does not help sentiment.

The bad news comes at a time when the industry actually needs additional support. Indeed, it puts further pressure on the sustainability of energy supplies needed to combat global warming. A bright spot is that the market for large-scale solar projects is on the rise again. Supply problems have all but been resolved and prices for PV modules have dropped about 35% since January, greatly improving the margin for developers.

Outlook

The trend of weakening inflation is expected to continue, eliminating the need for central banks to raise interest rates further. However, central bankers are expected to keep interest rates high for a longer period of time to prevent a rebound in inflation, a scenario that is now priced in. By the way, this seems easier in the U.S. than in Europe. The US economy is still growing robustly, while the economic situation in Europe is becoming increasingly challenging. Just for good reason, the ECB decided not to raise interest rates further last month. We expect that when the rise in interest rates stops (and it really looks like that now), the market will again pay more attention to the low valuations and relatively good operating results of portfolio companies.

Largest positive and negative contribution

Grenergy, a major Spanish developer of solar parks, made the largest positive contribution to earnings. The company announced plans to buy back up to 6.6% of its share capital. Industry peers Acciona, ERG and Greencoat UK Wind also announced a share buyback program indicating that management teams also think the stock price is too low. American Tower also rose sharply after very good quarterly figures and an increase in earnings expectations for this year.

Leading the list of losers was Cellnex, sector peer of American Tower. The stock received a number of downgrades. Analysts expect higher interest rates to put pressure on profitability in the coming years (how surprising!).

Table: top 5 contribution to result (in €)

Top 5 highest contribution			Top 5 lowest contribution		
Grenergy (Spa)	8.5%	0.3%	Cellnex (Spa)	-15.7%	-0.6%
American Tower (US)	9.6%	0.2%	Voltalia (Fra)	-23.1%	-0.5%
Greenvolt (Por)	18.3%	0.2%	Abrdn Logistics (UK)	-18.9%	-0.5%
Digital Realty (US)	2.9%	0.1%	Innergex (Can)	-18.1%	-0.5%
Acciona Energias (Spa)	4.8%	0.1%	Boralex (Can)	-13.7%	-0.4%

Source: DoubleDividend/Bloomberg

Portfolio changes

Last month, we slightly increased the weighting of Brookfield Renewables, ERG, Gore Street Energy, Greencoat Renewables and Greencoat UK Wind. Positions in Digital Realty and Mitsui Fudosan were reduced a bit.

Table: top 10 positions in portfolio per end month

Company and weights			
Cellnex (Spa)	3.5%	I-RES (Ire)	3.1%
Greencoat Renewables (Ire)	3.5%	Greencoat UK Wind (UK)	2.9%
Vonovia (Ger)	3.3%	Brookfield Renewables (US)	2.9%
Eurocommercial Prop. (Neth)	3.2%	Care Property (Bel)	2.8%
Grenergy Renovables (Spa)	3.1%	Atlantica Sustainable (US)	2.8%

Source: DoubleDividend

Team DoubleDividend

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Annex: portfolio characteristics

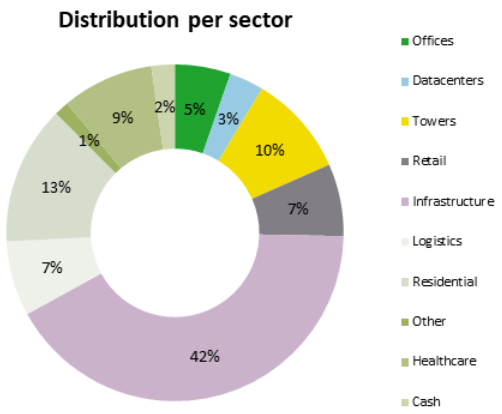
The table below shows the main characteristics of the portfolio. The cash flow yield indicates how much cash a company generates per share, expressed as a percentage. The dividend yield is the dividend yield of the current year divided by the current price (closing price of the month).

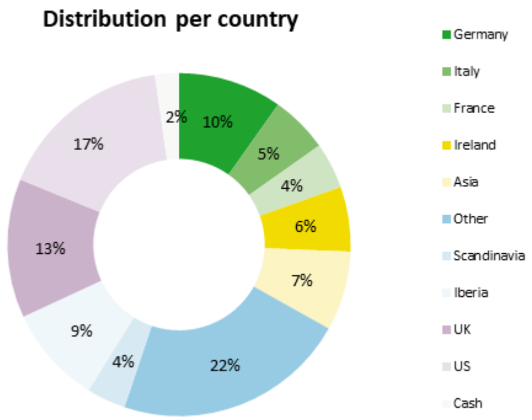
The VAR (Value At Risk) shows the maximum loss of the portfolio on an annual basis with 95% certainty based on Monte Carlo simulation. The standard deviation is a statistical measure for the distribution of the returns around the mean.

Table: Characteristics DDAF per month end

Valuation		Risk	
Cashflow yield, current	12.6%	VAR (Monte Carlo, 95%, 1-year)	27.6%
Dividend yield, current	5.8%	Standard deviation	17.5%

Source: DoubleDividend/Bloomberg





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