DD ALTERNATIVE FUND

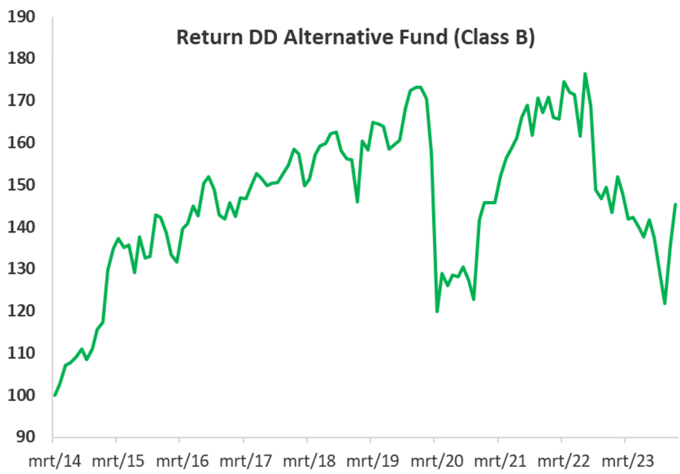
Monthly report December 2023

Profile

DD Alternative Fund N.V. (DDAF or DD Alternative Fund) is an actively managed global 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. The fund is traded daily.

Return class B*

DD Alternative Fund achieved a return of 7.02% (Class B) for the month of December 2023. As a result, the net asset value per share rose to €28.11. This brings the return for 2023 to 1.47%.



Fund information

Key facts

Fund size	€ 30.0 mln
# shares A	246,846
# shares B	599,564
# shares C	230,647
Net asset value A*	€ 26.76
Net asset value B*	€ 28.11
Net asset value C*	€ 28.34
# 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

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	0.34	-1.64	-1.61	2.95	-2.99	-6.18	-5.63	11.63	7.02	**1.47**

* 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

Real estate and renewable infrastructure experienced another excellent month as a result of further declining interest rates. The global EPRA Index (real estate) ended the month 7.9% higher and the Renewable Energy Producers Index climbed 7.7% (measured in euros). The DD Alternative Fund ended the month of December with a gain of 7.0% bringing the year to a positive close.

There was not much corporate news. Prologis held a capital markets day that underlined once again that the outlook for the logistics sector is very good. For the coming years, Prologis expects market rents to grow by 4-6% per year. The management further indicated that it will not only develop new distribution centers, but also fully commit to the development of data centers. Over the next five years, Prologis plans to invest $7-8 billion in new data centers. Remarkably, these data centers will be sold immediately after completion. This is because the profit is mainly in development rather than in keeping data centers. Because of technological developments, data centers are aging rapidly.

ERG has made its first move into the US through a partnership with Apex Clean Energy. The combination, in which ERG has a 75% stake, bought a 224.4 MW onshore wind farm in Iowa and a 92.4 MW solar farm in Illinois. We were able to build the position in ERG in recent months at an attractive valuation. The outlook for the stock is good.

The biggest news in December came from Portugal. Greenvolt, in the portfolio since March of this year, received an offer from private equity investor KKR. Greenvolt was spun off from Altri, a Portuguese pulp and forestry company, in 2021. Although nearly 90% of sales currently still come from biomass plants, Greenvolt is focused on developing solar and wind farms in Europe. The offer is €8.30 per share in cash, a premium of only 11% on the closing price. However, it is a 55% premium to the share price as of the end of September. Like the entire renewable infrastructure sector, Greenvolt's share price has been under pressure all year as future projects are more uncertain due to higher financing costs, permitting and supplier issues and low fees for the power generated. KKR is now taking advantage of the relatively low valuation and uncertainties and already has the commitment of all major shareholders, together accounting for more than 60% of the share capital. KKR is no stranger to Greenvolt. Back in the summer, KKR provided a €200 million convertible loan to Greenvolt to finance its development pipeline. Although we find the offer somewhat low, we decided to sell the position in full and take profits. The share price is almost at the level of the bid and KKR is expected to raise the offer little or not at all. Moreover, all major shareholders have indicated that they accept the bid. Another factor is that while Greenvolt's future projects could provide a substantial jump in profits, they are also risky. The profit on the position in Greenvolt is approximately 23.5% since our purchase earlier this year.

Outlook
The outlook for capital-intensive sectors such as real estate and renewable infrastructure has improved a lot since the recent interest rate declines. In our baseline scenario for 2024, we assume a further decline in inflation, a cooling economy (but not a sharp recession) and interest rate cuts during 2024. We expect investors to regain an eye for the good operating results and low valuations that are expected to allow these sectors to recover further in the coming period.

Real estate
Although many real estate companies are still suffering from write-downs, the main pain seems to have been suffered. Refinancing will be more expensive in the coming years, but this will not be disastrous given current interest rate levels. Bond markets look a lot friendlier again after the recent drop in interest rates and lower risk premiums. As a result, real estate companies are less dependent on banks for refinancing. On a positive note, rents continue to rise in renegotiations. Meanwhile, we are also seeing some recovery in the number of real estate transactions, giving real estate companies the opportunity to sell properties to strengthen their balance sheets. What also is going to help the real estate market is that there will be much less construction in the coming years. Developers have become more cautious because of higher financing costs, higher construction costs and a shortage of staff. As a result, the delivery of new projects has virtually ground to a halt. We can see this in the European housing market, for example, where construction volumes are now 20-30% lower. In the medium term, this will lead to further increasing shortages and expected higher prices and rents.

We are not there yet, but the glass is half full. A weaker macroeconomic environment is a risk, but that is very likely to be offset by lower interest rates. Within real estate, we continue to favour residential, healthcare and distribution centers. The demand for (rental) housing remains high due to continuing population growth (partly as a result of the influx of migrants) while the number of new construction projects is declining, as mentioned above. Demand for healthcare real estate also remains high due to the aging population and the limited supply of high-quality care centers and senior housing. The outlook for logistics real estate also remains good. Demand for warehousing and distribution space remains strong, despite slowing growth for e-commerce. We are cautious about investing in offices because of declining demand due to work from home and mandatory additional sustainability investments. We are also cautious about the retail sector: consumer spending is declining and retailers are struggling with the aftermath of the corona pandemic, staff shortages and rising costs. However, office and retail investors' valuations are low.

Renewable infrastructure
Sentiment around renewable infrastructure was lousy in 2023. The Renewable Energy Producers Index, a measure of the performance of all renewable infrastructure companies worldwide, ended 2023 with a loss of 15.6% in euro terms. The sector faces quite some headwinds: higher financing costs, lower fees for the power generated, problems with the supply of components, higher costs and problems with permits for new projects. Offshore wind projects in particular are suffering.

Despite all this, we are convinced that these problems are temporary. The energy transition has begun and will provide substantial and necessary growth for the sector in the coming decades. This was again evident at the COP28 in Dubai. Although fossil fuels, as expected, will not disappear in the short term, countries did agree to move away from fossil fuels in the energy sector before the end of this decade in order to be net-neutral by 2050. These are not yet very firm agreements, but the direction is clear. This may rightly be seen as a historic breakthrough. It has to be: according to scientists, global emissions must fall by 43% between 2019 and 2030 to keep the 1.5-degree temperature rise target within reach. Global emissions are still rising, so there needs to be a dramatic acceleration in the installation of solar farms, wind turbines and other forms of low-carbon electricity in the coming years to meet the Paris Agreement and keep the earth livable.

Largest positive and negative contribution
Spain's Grenergy was among the biggest risers for the third month in a row. The stock rose just over 17% in December. For all of 2023, Grenergy achieved a return of 23.5% which contributed 0.9% to total earnings. The best performing stock in 2023 was Digital Realty with a return of 35.1%. The stock took full advantage of the demand for (new) data centers due to the AI revolution. CTP (distribution centers) and

Vonovia (German housing) also made major contributions in 2023 with returns of 37.9% and 36.0%, respectively.

Belgium's Xior made the largest negative contribution to December's result with a modest loss. The student housing investor raised €78 million in new capital to finance two developments and to further strengthen its balance sheet. We participated in the placement because the long-term prospects for the sector are very good and the valuation is very attractive.

Table: top 5 contribution to result (in €)

Top 5 highest contribution			Top 5 lowest contribution		
Grenergy (Spa)	17.1%	0.6%	Xior (Bel)	-3.1%	-0.1%
I-RES (Ire)	14.0%	0.5%	Abrdn Logistics (VK)	-2.8%	-0.1%
Prologis (VS)	15.3%	0.4%	Digital Realty (VS)	-3.4%	-0.0%
Northland Power (Can)	11.3%	0.3%	Innergex (Can)	-1.0%	-0.0%
Vonovia (Dui)	11.8%	0.3%	Equinix (VS)	-2.4%	-0.0%

Source: DoubleDividend/Bloomberg

Portfolio changes

Last month, we slightly increased the weighting of Equity Residential, Hysan, Innergex, Inwit, Supermarket Income REIT and XIOR. The positions in American Tower, CTP, Grenergy Renovables, Land Securities, Prologis, Merlin, SL Green and Voltalia, have been reduced somewhat. The position in Greenvolt was sold completely due to KKR's bid.

Table: top 10 positions in portfolio per end month

Company and weights			
Cellnex (Spa)	4.0%	Brookfield Renewables (US)	3.1%
Greencoat Renewables (Ire)	3.7%	Northland Power (Can)	3.0%
I-RES (Ire)	3.3%	Boralex (Can)	3.0%
Grenergy Renovables (Spa)	3.2%	Inwit (Ita)	2.9%
Eurocommercial Properties (NL)	3.1%	Care Property Invest (Bel)	2.9%

Source: DoubleDividend

Team DoubleDividend

Annex: portfolio characteristics

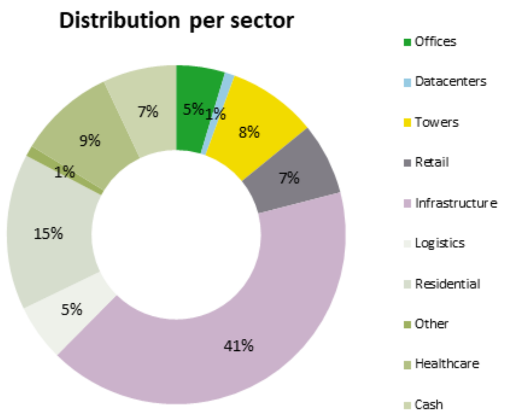
The table below shows the main characteristics of the portfolio. The cash flow yield indicates how much cash a company generates per share, expressed as a percentage. The dividend yield is the dividend yield of the current year divided by the current price (closing price of the month).

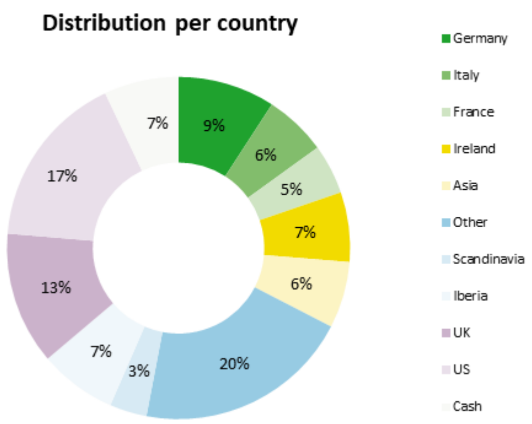
The VAR (Value At Risk) shows the maximum loss of the portfolio on an annual basis with 95% certainty based on Monte Carlo simulation. The standard deviation is a statistical measure for the distribution of the returns around the mean.

Table: Characteristics DDAF per month end

Valuation		Risk	
Cashflow yield, current	11.6%	VAR (Monte Carlo, 95%, 1-year)	29.1%
Dividend yield, current	5.1%	Standard deviation	17.9%

Source: DoubleDividend/Bloomberg





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