DD ALTERNATIVE FUND

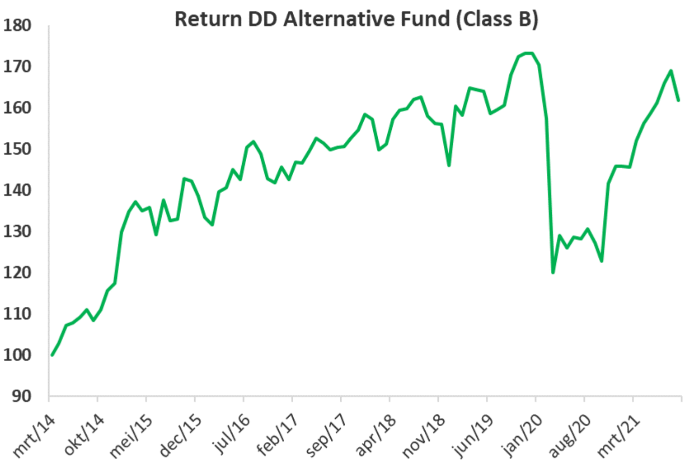
Monthly report September 2021

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 -4.23% (class B) for the month of September 2021. At the end of September 2021, the net asset value per share B amounted to € 33.29. This brings the return for 2021 to 11.04%.



Fund information

Key facts

Fund size	€ 42.6 mln
# shares A	359,652
# shares B	623,134
# shares C	309,584
Net asset value A*	€ 32.14
Net asset value B*	€ 33.29
Net asset value C*	€ 33.41
# positions	48

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
2009	-0.93	-4.09	-1.62	6.58	4.56	-4.94	1.52	9.69	1.91	-1.53	-1.03	0.32	**9.87**
2010	1.46	-0.29	4.57	-1.62	-6.72	1.07	5.14	1.00	5.21	2.46	-3,26	4.08	**12.75**
2011	2.08	2.75	-0.17	1.75	3.52	-2.20	-2.90	-8.16	-4.90	3.69	-5.90	1.26	**-9.62**
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				**11.04**

* 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.

Market developments

Both real estate and renewable infrastructure were under severe pressure in September and were among the worst performing sectors. The EPRA Index fell 8.5% and the Eagle Renewable Energy did not fare much better with a loss of 6.2% (in euros). The DD Alternative Fund also suffered from the negative sentiment in the stock market and closed the month 4.2% lower, reducing its profit for the year to 11.0%.

After months of rising share prices, investors clearly took profits, mainly due to a rise in interest rates. The rise in interest rates is a result of rising inflation (expectation) and the fact that a number of central banks, including the FED and the Bank of England, have announced that they will soon start to reduce their purchase programs now that the economy is running at full speed and there may even be overheating. The possible bankruptcy of Evergrande, the largest real estate developer in China, also caused nervousness among investors. For a detailed analysis of the financial markets, we refer to the monthly report of the DD Equity Fund.

For real estate and sustainable infrastructure, the impact of inflation and the possible rise in interest rates is particularly important. For capital-intensive sectors, a rise in interest rates is in itself not good news, but if this is the result of inflation fuelled by economic growth, the impact is limited as most (rental) contracts are automatically indexed. Moreover, all portfolio companies have strong balance sheets and long-term loans and are largely protected against an increase in interest rates. Although the exact impact differs per company, we are convinced that the effect of an interest rate increase due to higher inflation is limited. For investors in communications towers, data centers, nursing homes and residential properties, it may work out favorably, but for developers of sustainable infrastructure projects, the changing market conditions are more challenging. While the rising price of electricity is beneficial to the sector, rising cost inflation and supply chain disruptions mean that future projects may be less profitable or delayed. Also, further regulation of the sector due to the sharply increased cost of electricity and gas cannot be ruled out. We therefore expect the necessary volatility of stock prices in the coming months.

For German residential investors, the month of September was extra exciting. In addition to the regular national elections in Germany, an advisory referendum was held in Berlin in which residents could indicate whether large home owners should be expropriated. According to the initiators of this referendum, the city of Berlin should buy rental homes from large investors such as Vonovia and Deutsche Wohnen in order to subsequently pursue a moderate rental policy. Although a majority (56%) of the inhabitants voted for this, it is very questionable whether this will translate into regulation. Even if politicians venture into this, there is always the German judge. An earlier rent freeze in 2020 was overturned by the German Supreme Court this year and the proposed expropriation also stands little chance according to legal experts. Even with the results of the national elections, it is not likely that a different course will suddenly be charted. It is clear, however, that large landlords will have to make concessions in the coming years, especially when you consider that approximately 84% of the people in Berlin live in rented accommodation.

Vonovia, as the largest player, is taking the lead in this and has already proposed that rents in the capital increase by only 1% in the coming years and only by inflation in the years thereafter until 2026.

Largest positive and negative contribution

China Longyuan made the largest positive contribution in September. The share price of the largest investor in Chinese wind farms rose by almost 24% last month, increasing its annual profit to almost 164% (in euros). Japan's Mitsui Fudosan also managed to escape the negative sentiment on the stock market. The same could not be said of Adler Group, which lost a third of its value. It is unclear what exactly caused the big drop. Inquiries with the company were inconclusive and no explanation could be found for the outcome of the German elections either. More likely is a margin call by one of the major shareholders because the shares were financed with borrowed money.

Table: top 5 contribution to result (in €)

Top 5 highest contribution			Top 5 lowest contribution		
China Longyuan (Chi)	23.5%	0.4%	Adler Group (Ger)	-34.6%	-0.7%
Mitsui Fudosan (Jap)	6.7%	0.2%	Vonovia (Ger)	-9.2%	-0.5%
SL Green (US)	3.4%	0.1%	Eurocomm. Prop. (Neth)	-6.9%	-0.3%
Innergex Renewable (Can)	3.5%	0.1%	Digital Realty (US)	-9.6%	-0.3%
CTP (Neth)	7.5%	0.1%	Cellnex (Spa)	-8.1%	-0.3%

Source: DoubleDividend/Bloomberg

Portfolio changes

Over the past month, we have slightly increased positions in 7C Solarparks, Aberdeen Logistics, Aquila and IRES. The weightings of American Tower, EDP Renovavais, Equinix, Falck Renewables, Greencoat Renewables, Greencoat UK Wind, Healthcare Trust of America and Red Electrica were reduced somewhat. We completely sold the position in CTP, a specialist in logistics centers, after our price target was reached. Since its IPO in March this year, CTP's share price has done fantastically well, mainly due to its good prospects and a number of large acquisitions. However, we see no more upside and have secured earnings of almost 47%. Furthermore, we added as many as five new positions to the portfolio in August: Acciona, Scatec, Store Capital, Target Healthcare and The Renewable Infrastructure Group. A detailed description can be found below.

Spain's Acciona Energias Renovables (Acciona) develops and invests in sustainable infrastructure in Spain, Mexico, the US, Chile and Australia, among other countries. The current portfolio consists largely of somewhat older subsidized wind farms in Spain, but in the coming years there will be a lot of investments in other countries, which will cause Spain's weight to drop from around 50% to just over 30%. Also, Acciona will invest more in solar energy which will create a better mix and make energy production less volatile. In total, Acciona expects to almost double its production capacity to 20 GW by 2025. This will involve an amount of almost €8 billion. Despite this substantial investment, Acciona does not need to issue new shares since its current balance sheet is strong and the company has ample free cash flow.

Norway's Scatec develops, builds, owns and operates mainly solar parks and hydroelectric power plants in (developing) countries such as Egypt, the Philippines, Malaysia, Uganda and South Africa. Most of Scatec's customers are state-owned utilities, where applicable the political risks are covered by the World Bank or other development banks such as IFC and EBRD. These development banks also provide much of the financing for the projects. The contracts of the current portfolio still have a term of 18 years, ensuring Scatec a stable income stream. Like Acciona, Scatec has an ambitious growth plan that will see it invest close to €10 billion over the next few years. In the short term, however, there are a number of challenges for renewable energy developers, like rising cost inflation and (potentially) rising interest rates.

Store Capital is one of the largest and fastest growing net lease REITs in the United States. Net lease means that the tenant pays all taxes, insurance premiums and maintenance costs on top of the rent. Tenants include restaurants, fitness stores, daycare centers, furniture stores, etc. The ten largest chains account for 18% of revenues and more than 70% of tenants have annual sales of at least $50 million. In total, Store Capital has 41,000 different locations in all fifty US states. Despite the corona crisis, tenants managed to achieve 5% revenue growth in 2020. The current leases still have an average term of 14 years and there is virtually no vacancy. Store is also making steps in the area of sustainability. For example, a plan has been drawn up for each location to reduce energy consumption and Store is installing solar panels and charging stations wherever possible. One of the largest shareholders is Warren Buffett with an interest of 9%.

Target Healthcare focuses on modern care homes in the UK. Most of the buildings are new and have a very high standard of sustainability. The market for healthcare real estate will grow significantly in the coming years as a result of an aging population; the number of people over 85 is expected to double by 2040. As with Store Capital, rents are triple net - meaning no further costs for the landlord - and leases with healthcare providers run for an average of 28 years. Target Healthcare has a very strong balance sheet and aims for a maximum debt ratio of only 30%.

The Renewable Infrastructure Group (TRIG) has a portfolio of 70 onshore and offshore wind farms and solar farms in the UK and Europe. The parks are only six years old on average and have about 30 years left to run. The production capacity is sufficient to supply approximately 1.1 million households with electricity. The wide diversification of the portfolio ensures that TRIG is less dependent on a particular energy market (with specific regulatory frameworks) or local weather patterns. TRIG issued new shares in September creating a good entry point. TRIG is not a developer but buys projects that are already fully operational. This makes the risk low compared to many other players in the market.

Table: top 10 positions in portfolio per end month

Company and weights			
Vonovia (Ger)	5.1%	Boralex (Can)	3.1%
IRES (Ire)	4.0%	Innergex (Can)	3.1%
Eurocommercial Prop. (Neth)	3.6%	Cellnex (US)	3.0%
Mitsui Fudosan (Jap)	3.4%	Atlantica Sustainable (US)	2.9%
Aquila Renewables (UK)	3.3%	Northland Power (Can)	2.7%

Source: DoubleDividend

Team DoubleDividend

Annex: portfolio characteristics

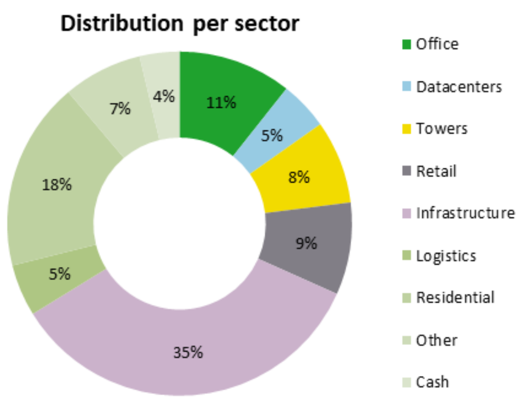
The table below shows the main characteristics of the portfolio. The cash flow yield shows the direct return (the rental income less costs) compared to the current price. Revaluations of the real estate are therefore not included. The price to net asset value indicates whether the portfolio is trading at a premium or a discount in relation to the value of the underlying real estate. If this value is lower than 100%. then there is a discount to net asset value and vice versa. The dividend yield is the dividend yield of the current year divided by the current price (closing price of the month).

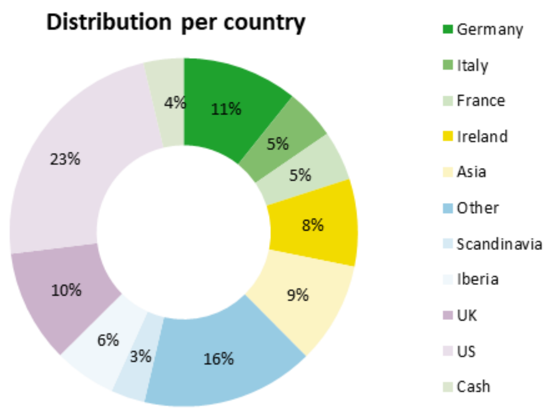
The debt ratio is the net debt to the market value of the property. The VAR (Value At Risk) shows the maximum loss of the portfolio on an annual basis with 95% certainty based on Monte Carlo simulation. The standard deviation is a statistical measure for the distribution of the returns around the mean.

Table: Characteristics DDAF per month end

Valuation		Risk	
Cashflow yield, current	6.0%	VAR (Monte Carlo, 95%, 1-year)	24.0%
Dividend yield, current	3.4%	Standard deviation	17.8%

Source: DoubleDividend/Bloomberg





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