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DD ALTERNATIVE FUND

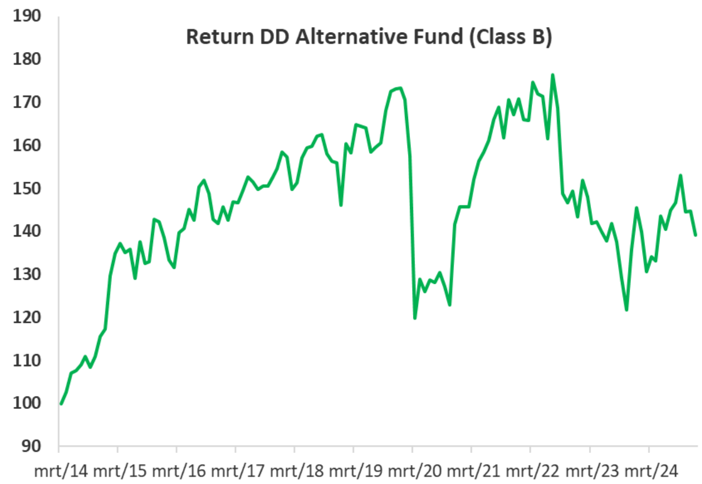
Monthly report December 2024

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 -3.9% (class B) over the month of December 2024. This brings the net asset value per share to €26.09 and the return for the year to -4.3%.



* The value of your investment may fluctuate. Past performance is no guarantee for future results

Fund information

Key facts

Fund size	€ 28.1 mln
# shares A	209,233
# shares B	623,904
# shares C	251,056
Net asset value A*	€ 24.67
Net asset value B*	€ 26.09
Net asset value C*	€ 26.36
# positions	50

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
ISIN (A)	NL0009445915
ISIN (B)	NL0010949350
ISIN (C)	NL0014095119
Benchmark	None
Currency	Euro

Risk monitor

* per share

** estimated

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**
2024	-3.85	-6.62	2.67	-0.74	7.86	-2.19	3.25	1.12	4.35	-5.51	0.18	-3.90	**-4.32**

* The fund was repositioned in 2020 and has since invested in both real estate and (sustainable) infrastructure. 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. As a result, you may lose all or part of your investment. You can read more about the risks in the Fund's Key Information Document and prospectus.

Developments in the market and portfolio

At the start of 2024, we had hoped that capital-intensive companies would perform well, given the solid operating results, low valuations and a series of (expected) interest rate cuts. Although the operating results were good - with a few exceptions - and central banks lowered interest rates as expected, both real estate shares and companies focused on sustainable energy had a difficult year. This was mainly due to the increased long term interest rates. The policy rate (short-term interest rate) set by the central banks did fall, but the long-term interest rate rose in both Europe and the US. For example, the 10-year interest rate in Germany rose from 2.02% to 2.36% in 2024 and that in the US even from 3.88% to 4.57%. The EPRA Index lost 2.9% in 2024 and the Renewable Energy Producers Index closed 16.6% (measured in euros) lower. The DD Alternative Fund achieved a return of -4.3% in 2024.

Largest positive and negative contribution in 2024

The results of the various companies in the portfolio were extremely large in 2024. China Tower made the largest positive contribution to the result last year with a return of almost 55%. The American real estate companies EQR and Douglas Emmett also had a good year with increases of 29% and 43% respectively. The top 5 decliners only consisted of companies focused on the generation of renewable energy. As mentioned, it was a difficult year for the sector as a whole and it did not matter in which country the company was active or listed.

Table: top 5 contribution to result (in €) in 2024

Top 5 highest contribution			Top 5 lowest contribution		
China Tower (Chi)	54.8%	0.6%	7C Solarparken (Ger)	-46.6%	-1.2%
EQR (US)	29.0%	0.6%	Acciona Energias (Spa)	-35.1%	-0.9%
Douglas Emmett (US)	43.4%	0.6%	Gore Street Energy (UK)	-37.5%	-0.9%
China Longyuan (Chi)	20.4%	0.5%	Northland Power (Can)	-23.1%	-0.7%
Brookfield Renewable (US)	8.7%	0.4%	EDP Renovavais (Por)	-32.3%	-0.7%

Source: DoubleDividend/Bloomberg

Outlook

There are plenty of reasons to be optimistic. This applies to both real estate and sustainable infrastructure. Both the ECB and the FED are expected to continue to lower interest rates in 2025. But even if interest rates remain at the same level in 2025, there are enough reasons to be positive. This certainly applies to the European real estate market. In recent years, (too) little has been built due to higher financing costs, higher construction costs, increased uncertainty and a shortage of personnel. The enormous shortage of (rental) housing in countries such as Germany and the Netherlands is an example of this, but other real estate sectors are also now suffering from a limited supply while demand is increasing. This is expected to lead to further rising market rental prices. The fact that wages in Europe have risen more strongly than inflation in recent years is also positive for the real estate sector. Purchasing power has fully recovered since the corona dip and is expected to continue to increase. The outlook for the American real estate market is somewhat less compared to Europe. Although the US economy is performing strongly, a number of real estate sectors, such as the office market, are experiencing oversupply. In addition, financing costs in the US have risen much more sharply since 2022, making refinancing more expensive and limiting value increases.

The valuation of the listed European real estate market is very attractive. Due to the sharp price declines in recent years – the EPRA Index lost 27.8% in the last three years – most real estate companies are trading at a significant discount to their intrinsic value, while the outlook has actually improved. In order to keep lenders happy, many companies have focused on restoring their balance sheets in recent years. Real estate had to be divested, new developments were put on hold and dividends had to be reduced or even scrapped. This is now behind us; the balance sheets are solid and are now enabling many companies to grow again. We continue to prefer residential, healthcare real estate and distribution centers.

The valuation of companies focused on the production and development of sustainable energy is also extremely low, but unlike the real estate market, the sector is indeed facing a number of challenges such as lower (expected) energy prices, lower production and delays in the realization of development projects. Although we do not want to trivialize the problems, a few comments are appropriate. Firstly, we mainly invest in companies with existing projects where the price is fixed for many years via a PPA (Power Purchase Agreement). Typically, only a small part of the energy production is sold at the market price. And although the market price is lower than in recent years, it is still higher than before corona. In addition, the lower energy production is temporary and it is possible that the number of wind and/or sunshine hours will be considerably higher in the coming periods.

We believe it is important to invest in sustainable energy companies in order to contribute to the energy transition, especially now that the risks associated with climate change are increasing. Global emissions are still rising, so the installation of solar parks, wind turbines and other forms of low-carbon electricity will need to accelerate dramatically in the coming years to keep the planet habitable. In addition, geopolitical events in recent years have only increased the need for Europe to become energy independent. The sector's valuation has never been as low as it is now, but we also know that it can take a long time for markets to recover. We are convinced that patience will be rewarded. If valuations remain low for a longer time, companies will automatically become takeover targets. For example, last year KKR bought Encavis for €2.8 billion and Greenvolt for €1.2 billion, Atlantica Sustainable was taken private by Energy Capital Partners for €2.4 billion and Neoen for €6.1 billion by Brookfield.

The biggest risk is a rise in inflation as a result of a trade war. High US import tariffs could hit the global economy and at the same time drive up inflation in the US, forcing the FED to stop lowering interest rates (or even raise them again) and the dollar to rise. A rising dollar would import inflation into Europe. On the other hand, a trade war could also cause, for example, Chinese products to be sold at lower prices in Europe, which would in turn drive down inflation. In any case, trade wars are not good news for the economy.

Portfolio changes

The weightings of American Tower, Cellnex, CSX, EDP Renovavais, EQR and LEG have been increased somewhat. The positions in ABRD Logistics and Grenergy have been reduced somewhat. Ashtead Group has been newly added to the portfolio.

Ashtead Group is one of the largest rental companies in the world with more than 1,500 locations in the United States, the United Kingdom and Canada. Ashtead rents a wide range of equipment such as construction machinery (excavators, bulldozers and aerial work platforms), tools and industrial equipment under its Sunbelt Rentals label. Since its foundation in 1947, the company has grown to become the second player in the US and Canada and the number one in the United Kingdom. With a focus on rental instead of ownership, Ashtead Group is responding to the increasing demand for sustainable, flexible and cost-efficient solutions in the construction and infrastructure sector. Ashtead itself is also active in the trade of second-hand equipment and has a net zero target for 2050.

Main competitor in United Rentals, which with a market share of 15% in the US is slightly larger than Ashtead. Furthermore, the market is very fragmented, which provides additional growth opportunities through acquisitions. Ashtead believes it can grow to a market share of 20% in the US. Early December, Ashtead issued a profit warning, which caused the share to plummet. This created a good entry point, as the medium and long-term prospects remain good. In addition, Ashtead has announced that it will exchange its listing in London for one in New York, with which the company hopes to obtain a higher valuation.

Table: top 10 positions in portfolio per end month

Company and weights			
Cellnex (Spa)	4.1%	Shurgard (Bel)	2.8%
Greencoat Renewables (Ire)	3.5%	Vonovia (Ger)	2.8%
Eurocommercial Prop (Neth)	3.2%	LEG (Ger)	2.7%
Inwit (Ita)	3.2%	Grenergy Renovables (Spa)	2.7%
I-RES (Ire)	2.8%	CSX Corp (US)	2.6%

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	8.3%	VAR (Monte Carlo, 95%, 1-year)	22.3%
Dividend yield, current	4.5%	Standard deviation	13.6%

Source: DoubleDividend/Bloomberg