

DD Property Fund N.V. Monthly report February 2019

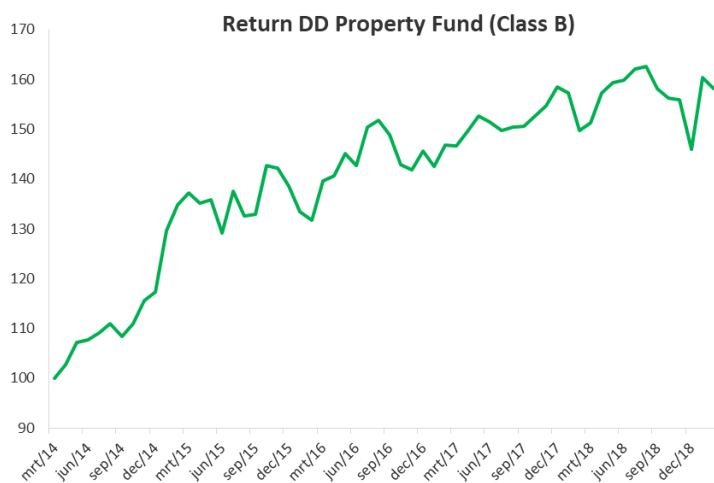


Profile

DD Property Fund N.V. (DDPF or DD Property Fund) is a sustainable real estate equity fund with a focus on Europe. The fund has a net return target of 7%* on average per annum and aims for a consistent slightly growing dividend. DDPF has a focus on the long-term and does not use a benchmark. DDPF invests with the conviction that an integrated analysis of financial and sustainability aspects makes a positive contribution to the fund's risk-return profile. This translates into a portfolio of high-quality real estate companies. DDPF sees it as its fiduciary duty to actively represent the interests of its shareholders in its investments. DD Property Fund is listed on Euronext in Amsterdam and can be traded daily.

Return*

DD Property Fund achieved a return of -1.37% (class B) for the month of February 2019. At the end of February 2019, the net asset value per share B was € 34.86. The return for 2019 is 8.34%.



* The value of your investment may fluctuate. Results achieved in the past do not provide any guarantees for the future.

Fund information

Key facts

| | |
|----------------------|---------|
| Fund size | € 28.3m |
| # shares (A) | 413,566 |
| # shares (B) | 407,164 |
| Net asset value* (A) | € 34.14 |
| Net asset value* (B) | € 34.86 |
| # positions | 19 |

Costs

| | |
|----------------|------------------------|
| Management fee | 1.20% (A) 0.70% (B) |
| Other costs** | 0.50% |

Up/down swing factor 0.25%

Other

| | |
|------------|----------------------------------------|
| Start date | Class A: May 2005 Class B: Jan 2015 |
| Manager | DoubleDividend Management B.V. |
| Status | Open-end, daily |
| Exchange | Euronext Amsterdam |
| ISIN (A) | NL0009445915 |
| ISIN (B) | NL0010949350 |
| Benchmark | None |
| Currency | Euro |

Risk monitor



* per share
** estimated

Table: monthly total return in % (after costs. dividend included) *

| | Jan | Feb | Mar | Apr | Mei | Jun | Jul | Aug | Sep | Okt | 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 | -4.81 | -6.30 |
| 2019 | 9.85 | -1.37 | | | | | | | | | | | 8.34 |

* 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

After the impressive start this year, the listed real estate market took a step back in February. The EPRA Index ended last month with a loss of 1.2%. DD Property Fund also lost some ground (-1.4%). The return for the year is therefore 8.3%.

February was dominated by the publication of the many (annual) results. Residential investors like Essex from the US and the Finnish Kojamo published better than expected results and also for 2019 the expectations were adjusted upwards. Gecina, the largest office investor in Europe, also achieved excellent annual results. The net asset value per share showed an increase of 5.4% and the direct investment result even increased by 9.0%. Gecina is slightly more cautious for the current financial year. Although the Parisian office market is booming, the slowdown in a number of development projects means that profits are expected to rise only slightly.

Unibail-Rodamco-Westfield (Unibail) is even expecting a small profit decline in 2019. However, this is due to the proposed sale of a number of offices and shopping centers. Unibail wants to reduce the debt ratio from the current 37% to around 35%. By doing this, the company creates more room for the financing of future projects without the current credit rating (Unibail has an A-rating of S&P) being negatively affected. However, Unibail expects that earnings per share can grow by 5-7% annually from 2020 onwards.

The results and forecasts show that we can still expect further rent rises in the coming years, while at the same time having to take into account that initial yields will possibly rise slightly. As a result, real estate values will probably only show a limited increase. Retail investors, such as Eurocommercial Properties and Klépierre, already saw the initial yields rise by 0.1% to 0.2% in some countries. Also the Norwegian office specialist Entra expressed the same expectation. However, there is no reason for concern. Interest rates are still very low and the expectation is that interest rates will not rise for the time being, certainly in Europe. The difference between the current initial yields and the interest on the 10-year government bond is at the highest point ever. The balance sheets of the listed real estate companies are also very strong. The companies in the portfolio have an average loan to value of approximately 30%, much lower than during the credit crisis. As a result, real estate companies have the opportunity to make acquisitions, buy their own shares or to finance new developments. Finally, the valuation of the listed real estate sector is attractive. The average discount to the net asset value is around 13% and the dividend yield stands at 4.2%.

Biggest positive and negative contribution

The biggest positive contribution last month came from Foncière Lyonnaise, which rose 5.5% in value after good results and the expectation that the Spanish Colonial, which already owns 81% of Foncière Lyonnaise, may possibly make an offer for the remaining shares. Klépierre and Kojamo were also rewarded by investors for good annual results.

The share price of Unibail was under pressure again. Although Unibail performed in line with expectations in 2018, the market was not impressed by the plans to further strengthen the balance sheet at the expense of profitability. We believe that Unibail takes the right steps to secure value creation in the long term.

Table: top 3 contribution to result (in €)

| Top 3 highest contribution | | | Top 3 lowest contribution | | |
|----------------------------|--------|--------------|------------------------------|--------|--------------|
| | Return | Contribution | | Return | Contribution |
| Foncière Lyonnaise (Fra) | 5.5% | 0.2% | Unibail-Rod.-Westfield (Fra) | -9.7% | -0.9% |
| Klépierre (Fra) | 2.4% | 0.2% | Eurocommercial Prop. (Ned) | -9.3% | -0.7% |
| Kojamo (Fin) | 5.3% | 0.2% | ADO Properties (Dui) | -3.6% | -0.3% |

Source: DoubleDividend/Bloomberg

Portfolio changes

In the past month we have reduced the positions in Hufvudstaden and Link Reit. These real estate companies performed very well recently, making the valuation less attractive. The cash position amounted to almost 8% per month-end.

Table: top 10 positions in portfolio per ultimo month

| Company weights | | | |
|---------------------------------|------|--------------------------|------|
| Unibail-Rodamco-Westfield (Fra) | 9.1% | Vonovia (Ger) | 6.8% |
| Klépierre (Fra) | 8.5% | SL Green (US) | 5.9% |
| Gecina (Fra) | 7.6% | Entra (Nor) | 4.8% |
| ADO Properties (Ger) | 7.1% | Colonial (Spa) | 4.8% |
| Eurocommercial Prop (Neth) | 6.8% | Foncière Lyonnaise (Fra) | 4.4% |

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 DDPF per month end

| Valuation | | Risk | |
|----------------------------------|------|---------------------------------|-------|
| Cashflow yield. current | 6.0% | Debt Ratio | 29% |
| Price / Net Asset Value. current | 87% | VAR (Monte Carlo. 95%. 1-jaars) | 15.5% |
| Dividend yield. current | 4.2% | Standard deviation | 10.3% |

Source: DoubleDividend/Bloomberg

Distribution per country and sector

