

DD Property Fund N.V.

Monthly report April 2019

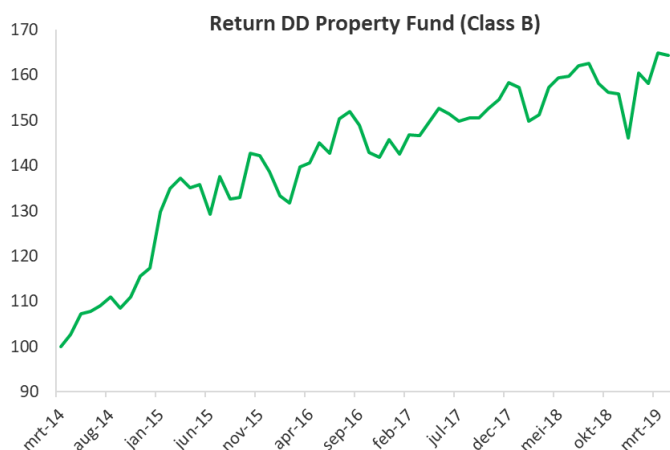


Profile

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 -0.25% (class B) for the month of April 2019. At the end of April 2019, the net asset value (B share) amounted to € 36.23. This brings the result for the year to 12.6%



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

In this monthly report extra attention is paid to Deutsche Wohnen which has been added to the portfolio. Deutsche Wohnen focuses primarily on affordable housing in Berlin and also invests in care centres.

Fund information

Key facts

Fund size	€ 29.8m
# shares (A)	410,865
# shares (B)	419,814
Net asset value* (A)	€ 35.45
Net asset value* (B)	€ 36.23
# positions	21

Costs

Management fee	1.20% (A) 0.70% (B)
Other costs**	0.45%

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	-6.35	-7.82
2019	9.85	-1.37	4.20	-0.25									12.60

* 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

The EPRA Index fell slightly by 1% last month. The DD Property Fund also had to give up a bit with a negative return of 0.25%. The news last month was dominated by quarterly figures and turmoil in the German housing market.

Klépierre came with an update on the first quarter of 2019. Compared to a year earlier, rental growth amounted to 3%, slightly above our own expectation of 2.5%. The cost of the debt fell slightly again last quarter and amounts to only 1.5%. Klépierre maintains the previously announced profit forecast for 2019, which is a positive given the negative sentiment in the retail sector.

Another French company, Gecina, also released a positive quarterly update. The rental growth for the entire portfolio amounted to 2.3% as a result of indexation, renewed rental contracts and a higher occupancy rate. Vacancy in the centre of Paris fell further to 2.2% due to the strong demand for office space. Gecina maintains the previously announced profit forecast for 2019.

Biggest positive and negative contribution

The largest negative contribution to the result of last month came from the German home investors. The share price of ADO Properties and Vonovia was under pressure due to protests in Berlin. The protests focus on the availability and affordability of homes. The German housing market is already highly regulated, but investors fear even more rules as a result of the protests. Unibail-Rodamco-Westfield continued the positive trend of the past months and increased by almost 5%. The Spanish real estate companies Merlin and Colonial also made a positive contribution in April as a result of the substantial increase in property values and rents in Madrid and Barcelona.

Table: top 3 contribution to result (in €)

Top 3 highest contribution			Top 3 lowest contribution		
	Return	Contribution		Return	Contribution
Unibail-Rod.-Westfield (Fra)	4.9%	0.4%	ADO Properties (Fra)	-7.6%	-0.5%
Merlin Properties (Spa)	6.8%	0.2%	Mitsui Fudosan (Jap)	-8.2%	-0.3%
Colonial (Spa)	4.7%	0.2%	Vonovia (Ger)	-3.8%	-0.3%

Source: DoubleDividend/Bloomberg

Portfolio changes

Last month we expanded the positions in ADO Properties, Eurocommercial Properties, Irish Residential Properties and SL Green. We have not made any dispositions. Deutsche Wohnen (DWN) has been added to the portfolio. DWN has a portfolio of more than 164,000 apartments and a

number of care centers with a total value of approximately € 24 billion. The largest share (76%) is invested in Berlin, with which DWN has a market share of around 6% in the city.

Berlin is an attractive housing market due to a lack of (affordable) homes. The demand for housing has risen sharply in recent years due to strong economic growth, immigration and the growth in the number of households. New construction is limited in Berlin due to the high construction costs and relatively low rents. According to DWN, the reconstruction value in Berlin is between 3,500 and 4,000 €/m², while the market value of the portfolio 35% lower. Because an average of only 15,000 homes will be built per annum in the coming years, the shortage of homes is expected to increase to around 200,000 in 2030.

Strong demand for housing has caused rents in Berlin to rise sharply in recent years. Since last year there have been regular protests from tenants who believe that the municipality should intervene to prevent "excessive" rental growth. Some are even calling for expropriation of large homeowners, but we believe this is highly unlikely. Compared to other major European cities, Berlin is still relatively cheap. A Berliner spends on average 24% of his income on housing costs, while the EU average is 28% and in Amsterdam a percentage of 40% is not uncommon. DWN is currently receiving a basic rent of € 440 on average for an apartment of 65 m², while the market rent is around € 575. This means DWN can increase rents in the coming years without reaching "excessive" rent levels.

DWN's strategy is to make medium-sized acquisitions and further improving the portfolio. For example, a program is underway to modernize and make at least 15% of the portfolio sustainable in the coming years.

In recent years, DWN has built up a strong track record under the management of Michael Zahn. Before the financial crisis, DWN had an aggressive growth strategy with many takeovers financed by debt. Today, however, DWN has a very strong balance sheet (the debt ratio is 36%) and an A-credit rating from S&P, which means that the company can borrow very cheaply. The cost of the debt is only 1.3%, the lowest percentage in the sector.

DWN is attractively valued after the recent fall in the share price. The share trades at a discount to the net asset value of approximately 10%. And although the dividend yield is only 2.3%, we do expect substantial growth in the future.

Table: top 10 positions in portfolio per ultimo month

Company weights			
Unibail-Rodamco-Westfield (Fra)	9.3%	Eurocommercial Prop (NL)	6.7%
Klépierre (Fra)	8.5%	SL Green (US)	6.2%
Gecina (Fra)	7.4%	Entra (Nor)	5.0%
Vonovia (Ger)	6.9%	Colonial (Spa)	4.8%
ADO Properties (Ger)	6.8%	Foncière Lyonnaise (Fra)	4.2%

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	5.8%	Debt Ratio	32%
Price / Net Asset Value. current	81%	VAR (Monte Carlo. 95%. 1-jaars)	16.1%
Dividend yield. current	4.2%	Standard deviation	10.5%

Source: DoubleDividend/Bloomberg

Distribution per country and sector

