

# DD Property Fund N.V. Monthly report May 2019

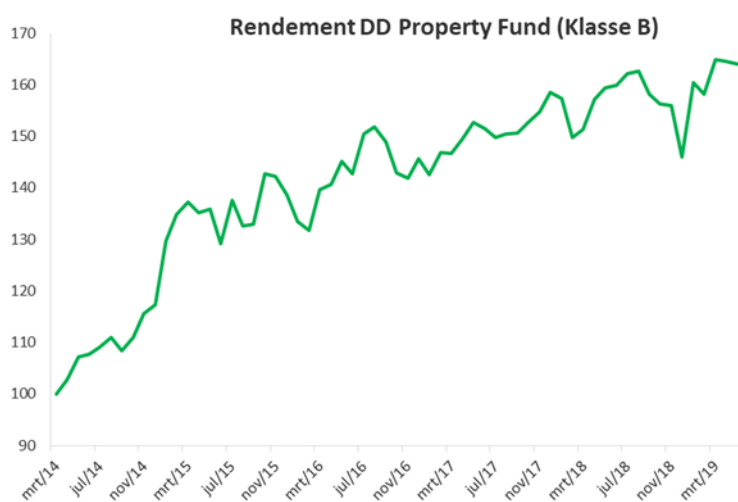


## Profile

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 over the month of May 2019, including the dividend of € 0.54 per participation, of minus 0.27% (class B). At the end of May 2019, the net asset value per share B amounted to € 35.59. This brings the result for the year to 12.3%.



\* 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	€ 29.4m
# shares (A)	409,326
# shares (B)	426,207
Net asset value* (A)	€ 34.81
Net asset value* (B)	€ 35.59
# 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
<b>2009</b>	-0.93	-4.09	-1.62	6.58	4.56	-4.94	1.52	9.69	1.91	-1.53	-1.03	0.32	<b>9.87</b>
<b>2010</b>	1.46	-0.29	4.57	-1.62	-6.72	1.07	5.14	1.00	5.21	2.46	-3.26	4.08	<b>12.75</b>
<b>2011</b>	2.08	2.75	-0.17	1.75	3.52	-2.20	-2.90	-8.16	-4.90	3.69	-5.90	1.26	<b>-9.62</b>
<b>2012</b>	1.53	2.02	4.59	-3.24	-2.34	1.51	3.09	-0.18	1.49	2.56	0.48	-0.02	<b>11.81</b>
<b>2013</b>	0.83	0.72	-1.41	4.38	1.39	-7.59	2.56	-1.31	3.14	2.61	-0.81	-0.67	<b>3.35</b>
<b>2014</b>	-0.47	5.76	-1.86	2.69	4.37	0.54	1.24	1.66	-2.20	2.36	4.13	1.48	<b>21.18</b>
<b>2015</b>	10.58	3.96	1.72	-1.51	0.52	-4.86	6.54	-3.70	0.32	7.37	-0.40	-2.56	<b>18.13</b>
<b>2016</b>	-3.76	-1.28	6.08	0.71	3.13	-1.62	5.37	1.01	-1.97	-4.02	-0.70	2.66	<b>5.13</b>
<b>2017</b>	-2.14	3.02	-0.13	2.01	2.08	-0.83	-1.11	0.45	0.11	1.32	1.34	2.44	<b>8.74</b>
<b>2018</b>	-0.74	-4.78	1.03	3.91	1.37	0.32	1.40	0.29	-2.75	-1.15	-0.21	-6.35	<b>-7.82</b>
<b>2019</b>	9.85	-1.37	4.20	-0.25	-0.27								<b>12.30</b>

\* 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 ended the month with a loss of 0.2%. The DD Property Fund also fell slightly last month (-0.3%). However, the differences in returns between the real estate companies were large. Where the retail investors declined again, the home investors did very well. Over the past year, the weight of the retail sector in the portfolio has fallen from 41% to 35% while the weight of residential investors has risen from 24% to 28%. The increase of the share of residential is mainly due to the new additions like Deutsche Wohnen, Irish Residential and Kojamo. The fact that we still give the retail investors a considerable weight in the current portfolio has to do with the attractive valuation of these companies. Although we see challenges in the retail sector, the quarterly figures from companies like Eurocommercial Properties, Unibail-Rodamco-Westfield and Klépierre shows that high-quality shopping centers are still performing well and the outlook for the coming years is still positive. However, the valuations are a lot lower than during the financial crisis.

Kojamo, Finland's largest home investor, came up with strong quarterly figures and slightly raised expectations for 2019. Kojamo benefits from the demand for smaller apartments and studios in urban areas such as Helsinki, reducing the vacancy rate to 3%. Millennials, in particular, prefer to rent a home over a home for sale. However, the success of the Finnish housing market also has a downside for Kojamo. Competition has intensified in recent years and it is therefore difficult to buy residential property portfolios at attractive prices. Kojamo therefore increasingly focuses on the development of new apartments. The Finnish company is currently building 1,280 homes and Kojamo also expects to be able to develop at least 1,000 homes per year for the coming years.

In Germany we see a similar picture with residential investors Deutsche Wohnen and Vonovia. Both companies also presented good quarterly figures last month and expect a further increase in rental income and a substantial revaluation of the portfolio in 2019. The German housing market is expected to remain very strong in the coming years as a result of a large housing shortage.

The shortage on the German housing market and the substantial investments in the improvement of homes has resulted in a sharp rise in rents in recent years. As we reported in our previous monthly report, there is therefore a lot of discussion in Germany - and especially in Berlin - about the affordability of rental properties. However, rents in Germany are still low, both in absolute terms (on average, a rental home costs € 6.50 per m<sup>2</sup> per month) and in relative terms (a tenant spends on average 24% of his income on housing costs). Nevertheless, Vonovia, the largest player in the sector, has tightened its strategy as a result of criticism from tenants.

In the future, Vonovia will focus even more on renting and building sustainable, affordable and life-proof homes in a safe living environment. This means that Vonovia will invest even more in

improvements to the housing portfolio. This is also crucial in the context of sustainability. Real estate accounts for around 35% of greenhouse gas emissions in Germany and even for 50% in large cities such as Berlin. By making the houses more sustainable, Vonovia makes a major contribution to combating climate change. Although this increases rents, the service costs decrease due to better insulation. In addition, management applies a maximum rent increase of € 2 per m<sup>2</sup> per month for a complete renovation.

### Biggest positive and negative contribution

The largest positive contribution came from Vonovia last month, which appreciated by 8.8%. Kojamo also made a significant contribution to the result with a plus of 14% last month. The stock benefited from strong quarterly figures and positive recommendations from analysts.

The largest negative contribution was from Unibail-Rodamco-Westfield, which fell in value by 11.7% and gave up its annual profit. Eurocommercial Properties also had a bad month.

**Table: top 3 contribution to result (in €)**

Top 3 highest contribution			Top 3 lowest contribution		
	Return	Contribution		Return	Contribution
Vonovia (Ger)	8.8%	0.6%	Unibail-Rod.-Westfield (Fra)	-11.7%	-1.1%
Kojamo (Fin)	14.0%	0.6%	Eurocomm. Properties (Neth)	-9.5%	-0.7%
Mitsui Fudosan (Jap)	5.7%	0.2%	Klépierre (Fra)	-3.8%	-0.3%

Source: DoubleDividend/Bloomberg

### Portfolio changes

Last month we expanded the positions in Irish Residential and SL Green slightly. We reduced the positions in Colonial, Entra, Gecina and Kojamo a bit. We have also slightly reduced the position of Klépierre in favor of peers Eurocommercial Properties and Unibail-Rodamco-Westfield. The cash position at the end of the month was approximately 4%.

**Table: top 10 positions in portfolio per ultimo month**

Company weights			
Unibail-Rodamco-Westfield (Fra)	8.7%	Eurocommercial Prop (Neth)	6.8%
ADO Properties (Ger)	7.4%	Gecina (Fra)	6.6%
SL Green (US)	7.3%	Colonial (Spa)	4.7%
Vonovia (Ger)	7.2%	Foncière Lyonnaise (Fra)	4.4%
Klépierre (Fra)	7.1%	Kojamo (Fin)	4.3%

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	5.9%	Debt Ratio	31%
Price / Net Asset Value. current	83%	VAR (Monte Carlo. 95%. 1-jaars)	18.1%
Dividend yield. current	4.2%	Standard deviation	10.2%

Source: DoubleDividend/Bloomberg

### Distribution per country and sector

