

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

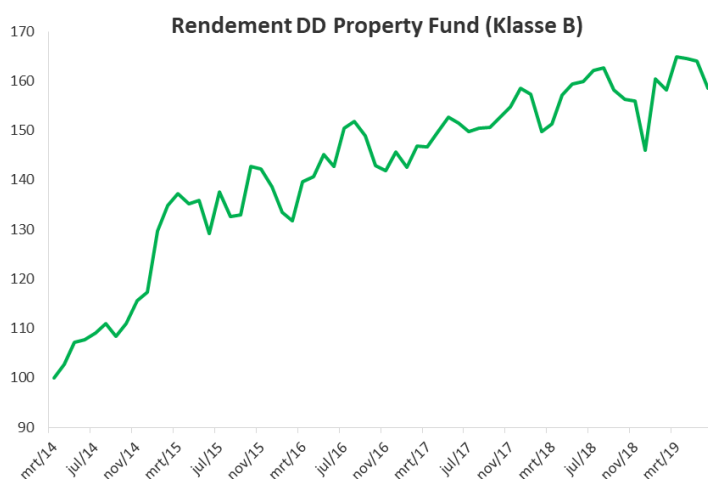


## Profile

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 -3.32% (class B) for the month of June 2019. At the end of June 2019, the net asset value per share B amounted to € 34.41. This brings the return for the year to 8.57%.



\* 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	€ 28.7m
# shares (A)	404.981
# shares (B)	439.258
Net asset value* (A)	€ 33.64
Net asset value* (B)	€ 34.41
# positions	22

### 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	May	Jun	Jul	Aug	Sep	Oct	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	-3.32							<b>8.57</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 real estate stock market did not benefit from the positive sentiment on the financial markets. A combination of a rising stock market and falling interest rates is normally good for real estate shares, but the EPRA index has nevertheless lost almost 3% last month. The DD property Fund also had to give up more a bit over 3%.

The biggest news came from Berlin last month, where the local government made a proposal to freeze rents for houses for a period of five years. The proposal aims to ensure that housing in Berlin remains affordable for low-income groups and that the diversity within the city is guaranteed. Proponents argue that rents in Berlin have risen sharply in recent years, while opponents argue that prices are still low and a freeze on rents is not going to solve the housing problem. They are both right.

The fact is that it is quite a draconian measure. Local politicians are working on a bill that will be voted on by the end of October. At the moment there seems to be sufficient local political support for the proposal, but a legal battle may follow. As a result the share prices of German home investors were under considerable pressure last month. However, the consequences of the proposal for the Berlin home investors are still difficult to quantify. The rent freeze only applies to existing tenants, who already enjoy some protection under current legislation. For new tenants, landlords can probably still increase rents, and renovations also offer opportunities to increase rents, although there will also be more restrictions. Finally, it's a temporary measure. Will there be a catch-up after five years?

We had contact with the management of Deutsche Wohnen, the largest private investor in the Berlin housing market, and they indicate that the financial consequences for the company are not expected to be extremely large. The company will adjust its strategy, however. Investments in renovations and energy efficiency of the homes will be reversed and the sale of individual properties will be given greater priority. It is therefore questionable whether the Berlin tenant will benefit much in the end. Due to the lack of investments the housing stock will not become more sustainable. In our opinion, that is a missed opportunity, because the Berlin housing market is very outdated.

Given the lack of financial details, we are maintaining our current positions in ADO Properties and Deutsche Wohnen. With a fall of 23% and 22% last month, the market has already priced in quite a bit of bad news. The current situation may even offer an interesting opportunity to increase our position. We did, however, reduce our position in Vonovia (even before the fall started). Vonovia has

a more geographically diversified German residential portfolio. However, it is possible that a number of other cities will follow the example of Berlin.

### Biggest positive and negative contribution

The German home players ADO Properties, Vonovia and Deutsche Wohnen did, not surprisingly, make the largest negative contribution to the result. Together they were almost entirely responsible for the fall in the DD Property Fund.

The largest positive contribution came from Kojamo last month, which saw a 8.8% increase in value, bringing the annual profit to 66.8%. Gecina and the recently purchased Irish Residential also made a positive contribution to the result last month.

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

Top 3 highest contribution			Top 3 lowest contribution		
	Return	Contribution		Return	Contribution
Kojamo (Fin)	8.8%	0.4%	ADO Properties (Ger)	-23.1%	-1.7%
Gecina (Fra)	2.8%	0.2%	Deutsche Wohnen (Ger)	-10.6%	-0.6%
Irish Residential (Ire)	5.8%	0.2%	Vonovia (Ger)	-21.7%	-0.6%

Source: DoubleDividend/Bloomberg

### Portfolio changes

Last month we expanded the positions in Eurocommercial Properties and Irish Residential. Empiric Student Property has been added to the portfolio. The English owner of student housing has good prospects and is attractively valued. We have slightly lowered the positions in Essex and Link REIT. We have also considerably reduced the position in Vonovia in order to reduce exposure to the German housing market. The cash position was almost 6% at the end of the month.

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

Company weights			
Unibail-Rodamco-Westfield (Fra)	8.7%	ADO Properties (Ger)	5.7%
Eurocommercial Properties (NL)	7.4%	Kojamo (Fin)	4.8%
Klepierre (Fra)	7.0%	Colonial (Spa)	4.8%
Gecina (Fra)	6.9%	Foncière Lyonnaise (Fra)	4.5%
SL Green (VS)	6.8%	Vonovia (Ger)	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	5.8%	Debt Ratio	34%
Price / Net Asset Value. current	82%	VAR (Monte Carlo. 95%. 1-year)	14.7%
Dividend yield. current	4.3%	Standard deviation	9.9%

Source: DoubleDividend/Bloomberg

### Distribution per country and sector

