

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

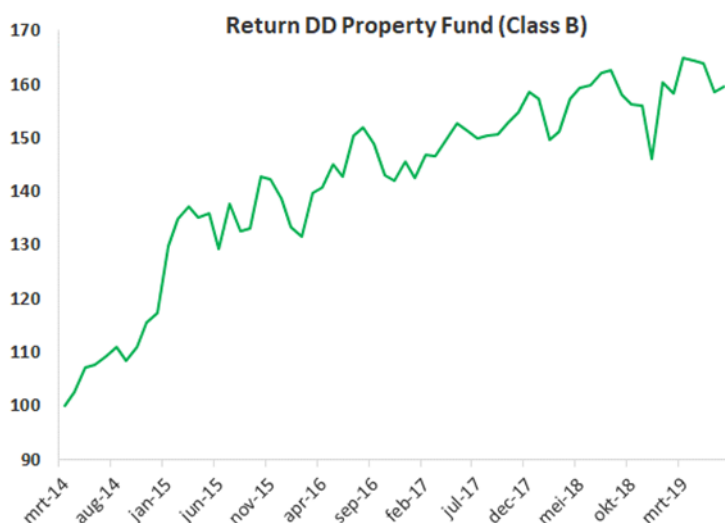


## Profile

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 0.67% (class B) for the month of July 2019. At the end of July 2019, the net asset value per share B amounted to € 34.64. This brings the return for the year to 9.29%.



\* 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	€ 29.9 m
# shares (A)	404.195
# shares (B)	469.885
Net asset value* (A)	€ 33.87
Net asset value* (B)	€ 34.64
# 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	0.67						<b>9.29</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 had a reasonable month. The EPRA index rose by 0.68% in value. DD Property Fund showed an almost identical return with 0.67%. This means that the sector has only moderately benefited from the positive sentiment on the financial markets and low interest rates. The ongoing concerns about the retail sector in particular play an important role in this. Where in the United Kingdom both rental values and valuation of shopping centers are under strong pressure, high-quality continental European shopping centres continue to perform well.

The French company Klépierre published excellent figures for the first half of 2019. The European specialist in shopping centres showed an average rental growth of 3.1%. Spain, the Netherlands and Italy performed strongly with rental growth of 7.0%, 4.2% and 3.4% respectively. The vacancy rate in the portfolio fell slightly from 3.2% to 3.0%. Within the retail market, especially retailers in the sports segment, such as JD, Snipes and Foot Locker, continue to perform very well with a sales increase of 8% on average. Despite rental growth and declining vacancy, the appraisal value of the portfolio fell by 0.9%. Due to increased uncertainties, investors are demanding a higher return. The net initial yield (net rent divided by the market value) on the portfolio of Klépierre increased to 4.9%. The risk premium that investors receive, the gap between the net initial yield and the 10-year interest rate, is currently at a historically high level. Klépierre's dividend yield currently stands at an attractive 7.4%.

Klépierre also made progress in the area of sustainability. Already 83% of the energy in the centres of Klépierre comes from sustainable sources. This means Klépierre is well on its way to achieve its target of 100% sustainable energy in 2022.

Another retail specialist, Dutch Eurocommercial Properties, sold a 50% interest in the Paris shopping center Passage du Havre to AXA Investment Managers (AXA IM) for EUR 203 million. The proceeds will be used to bring down the debt ratio from 46% to 43%. AXA IM is already a partner of Eurocommercial Properties in Geneva. Eurocommercial also indicated that the appraisal value of the portfolio as of June 2019 will be comparable to the appraisal value of June 2018. That is positive, given the large difference between the appraisal value and the price in the stock market. Eurocommercial Properties trades at a discount of more than 40% to the net asset value.

Hammerson from the United Kingdom (not in portfolio) also sold an interest in a French shopping centre to AXA IM, but the sales price was 8.5% below the appraisal value of December 2018.

Gecina, a real estate fund with a focus on offices and residential in Paris, also published strong half-year figures. The value of the portfolio rose by almost 4% in the first half of 2019, due to the strong Paris office market where the vacancy rate is falling, and rents are rising sharply. According to Gecina, rents in central Paris have increased by 8-10% over the last 12 months. As a result, rents in the portfolio of Gecina are also expected to show steady growth. Over the first 6 months, rents in the portfolio have already risen by an average of 2%. Furthermore, Gecina has a substantial development portfolio of more than EUR 3 billion, almost half of which will be delivered in the 2019-2022 period. As a result, rental income and the value of the portfolio are expected to grow considerably in the coming years.

### Biggest positive and negative contribution

The largest positive contribution to the result came from Gecina, which benefited from strong figures. ADO Properties and Vonovia also made a positive contribution thanks to a recovery of the German residential investors. Hysan Development from Hong Kong showed the largest absolute decline in the portfolio due to the continuing political unrest in Hong Kong.

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

Top 3 highest contribution			Top 3 lowest contribution		
	Return	Contribution		Return	Contribution
Gecina (Fra)	7.6%	0.5%	Unibail-Rodamco-Westf (Fra)	-4.3%	-0.3%
ADO Properties (Ger)	7.0%	0.4%	Eurocommercial Prop (Neth)	-3.1%	-0.2%
Vonovia (Ger)	5.4%	0.2%	Hysan (HK)	-5.3%	-0.2%

Source: DoubleDividend/Bloomberg

### Portfolio changes

Last month we reduced the position in Link REIT from Hong Kong. The share price had risen sharply this year and with the unrest in Hong Kong the risks have increased. After the recent share price decline, we have expanded our position in Deutsche Wohnen. The positions in Gecina (France), Merlin (Spain), Mitsui Fudosan (Japan), Unibail-Rodamco-Westfield (France) and Empiric Student Properties (United Kingdom) have also been expanded. The cash position was around 8% at the end of the month.

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

Company weights			
Unibail-Rodamco-Westfield (Fra)	7.9%	ADO Properties (Ger)	5.9%
Gecina (Fra)	7.5%	Colonial (Spa)	4.8%
Eurocommercial Prop (Neth)	6.9%	Kojamo (Fin)	4.5%
SL Green (US)	6.7%	Vonovia (Ger)	4.5%
Klépierre (Fra)	6.4%	Foncière Lyonnaise (Fra)	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	5.8%	Debt Ratio	33%
Price / Net Asset Value. current	85%	VAR (Monte Carlo. 95%. 1-year)	14.3%
Dividend yield. current	4.2%	Standard deviation	9.8%

Source: DoubleDividend/Bloomberg

### Distribution per country and sector

