

DD Property Fund N.V. Monthly report August 2019

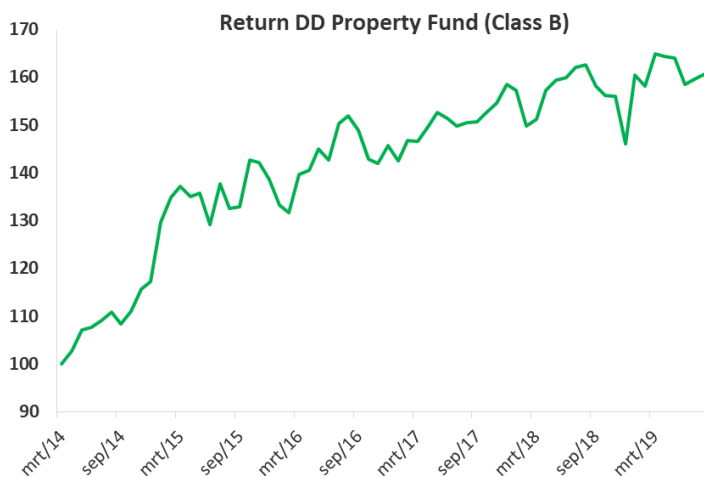


Profile

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 0.65% (class B) for the month of August 2019. At the end of August 2019, the net asset value per share B amounted to € 34.87. This brings the return for the year to 10.02%.



* 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)	399.706
# shares (B)	466.528
Net asset value* (A)	€ 34.08
Net asset value* (B)	€ 34.87
# 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	May	Jun	Jul	Aug	Sep	Oct	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	-0.27	-3.32	0.67	0.65					10.02

* 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

Real estate securities had a strong month as a result of a falling interest rate and strong halfyear results. The EPRA Index increased more than 3% over the month. DD Property Fund (DDPF) lagged somewhat behind with a return of 0.7% due to continuing uncertainty on the German housing market and the negative sentiment in Hong Kong as a result of the political unrest. The 0.7% return for the month brings the return for the year to 10%.

The share prices of Deutsche Wohnen and ADO Properties were again under pressure last month. Both real estate companies have a large housing portfolio in Berlin and, as announced in June this year, the leftwing coalition of the German capital wants to curb the rise in rents. Proponents of strict rent regulation point to the sharp rise of rents in recent years and the housing shortage, while opponents mainly point to the still (relatively) low rents in Berlin compared to other European cities and the need for modernization of the existing housing stock. In addition, a freeze of rents does not seem to be the solution for the housing shortage. There continues to be a lot of uncertainty about the exact details of the legislation and media coverage on this subject varies from day to day. Having said that, it looks like the final law will be less rigid than the initial proposal. The likely solution is a combination of protecting vulnerable groups in society without completely crippling investments in new homes and the existing stock. Rent increases may depend on the income of the tenant. There also appears to be more room for rent increases with modernization and making homes more energy efficient.

Despite the recent uncertainties, we are convinced that German apartments, and Berlin apartments in particular, are a good long-term investment. The apartments of ADO Properties and Deutsche Wohnen are valued at an average price of € 2,300 and €2,500 per square meter respectively, while an apartment of 60 square meters is rented for an average price of less than € 400 per month. Locally there is unrest, but from a European perspective these are not high prices for a major city like Berlin. This, in combination with a persistent shortage of apartments and the fact that the German residential investors trade at a considerable discount to net asset value gives us sufficient comfort for the long term. We therefore take the short-term volatility for granted and have expanded our position in Deutsche Wohnen this month.

Biggest positive and negative contribution

The largest positive contribution to the result came from Kojamo. The Finnish housing market is in good shape and due to the uncertainty elsewhere in Europe (Brexit, retail market, German housing market), Kojamo is a good alternative for many investors. Gecina and Mitsui Fudosan also made a significant positive contribution to the result.

The largest negative contribution came from Hysan, which declined nearly 14% in value as a result of the ongoing protests in Hong Kong. However, unlike Link REIT, Hysan is very attractively valued and we therefore hold on to our position.

Table: top 3 contribution to result (in €)

Top 3 highest contribution			Top 3 lowest contribution		
	Return	Contribution		Return	Contribution
Kojamo (Fin)	8.0%	0.4%	Hysan Properties (HK)	-13.7%	-0.5%
Gecina (Fra)	4.0%	0.3%	ADO Properties (Dui)	-4.2%	-0.3%
Mitsui Fudosan (Jap)	6.5%	0.3%	Simon Property Group (VS)	-5.9%	-0.2%

Source: DoubleDividend/Bloomberg

Portfolio changes

As discussed, we have expanded the position in Deutsche Wohnen. We have also expanded our position in residential investor I-RES (Irish Residential) a bit. The Dublin real estate company announced good quarterly results. Rental growth amounted to 3.8% on an annual basis and management expects similar rental growth for the coming years. The company plans to use its strong balance sheet for investments outside of Dublin. As a result, the portfolio will be better diversified and we can expect a further increase in profits. Finally, we have slightly increased the weightings of Merlin Properties (Spain), SL Green (US) and Simon Property Group (US).

We fully sold our position in Link REIT from Hong Kong. We have had the stock in portfolio for exactly three years. During that period, Link REIT was the best-performing real estate company in our portfolio with a return of 73%. However, due to the increase in the share price, the valuation was no longer attractive. Moreover, the ongoing political unrest in Hong Kong is causing economic damage. The Hong Kong economy shrank by 0.4% last quarter. We also reduced the weightings of Colonial and Hufvudstaden due to valuation. The cash position at the end of the month was approximately 7%.

Table: top 10 positions in portfolio per ultimo month

Company weights			
Unibail-Rodamco-Westfield (Fra)	7.8%	ADO Properties (Dui)	5.7%
Gecina (Fra)	7.8%	Kojamo (Fin)	4.9%
SL Green (VS)	7.1%	I-RES (Ier)	4.8%
Eurocommercial Prop (Ned)	7.1%	Vonovia (Dui)	4.6%
Klépierre (Fra)	6.4%	Merlin Properties (Spa)	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	84%	VAR (Monte Carlo. 95%. 1-year)	14.7%
Dividend yield. current	4.2%	Standard deviation	9.8%

Source: DoubleDividend/Bloomberg

Distribution per country and sector

