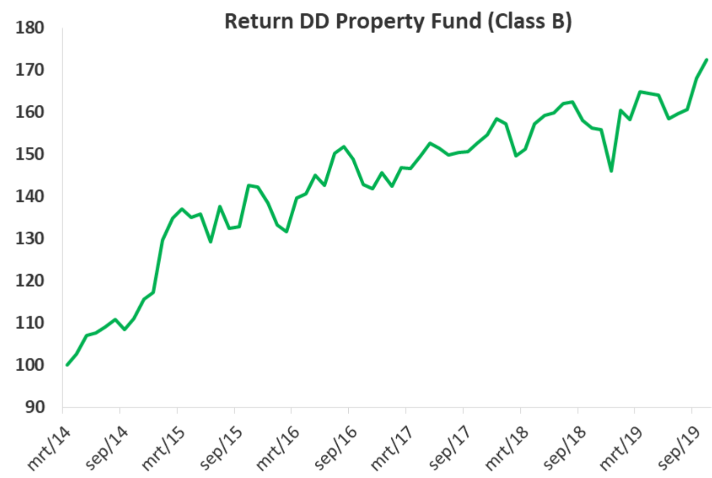
DD Property Fund N.V.
Monthly report October 2019

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 2.61% (class B) for the month of October 2019. At the end of October 2019, the net asset value per share B amounted to € 37.44. This brings the return for the year to 18.11%.



* 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	€ 34.2 m
# shares (A)	399,537
# shares (B)	522,302
Net asset value* (A)	€ 36.55
Net asset value* (B)	€ 37.44
# 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
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	4.62	2.61			**18.11**

* 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 good month with European retail investors and a number of UK real estate companies performing particularly well. The EPRA Index rose with slightly more than 3% in value and the DD Property Fund increased with 2.6%.

The French real estate companies Gecina, Klépierre and Unibail-Rodamco-Westfield (Unibail) published good quarterly figures without exception. Gecina announced rental growth of 2.4% for offices and even 2.8% for its housing portfolio. The shopping centres of Unibail performed slightly above expectations. Both the turnover of the retailers and the number of visitors increased considerably in both Europe and the United States. Unibail also increased the profit forecast for 2019, but that had more to do with the delayed sale of properties.

The proposal to curb rents in Berlin is taking shape and it appears that rents are not only frozen for a five-year period but that after that time a maximum annual rent increase of 1.3% applies. Maximum rental levels are also set depending on the age, the state of maintenance and the level of facilities of the building. How these measures will turn out exactly for German home investors is difficult to estimate, but it is clear that market conditions will deteriorate if the senate actually approves the current proposal. However, the bad news is already largely priced in and the long-term outlook is still good due to the scarcity in Berlin. In addition, residential investors can easily maintain or even improve their cash flows by selling units piece by piece. In addition, the measure is legally challenged by the opposition parties CDU and FDP since, according to several lawyers, the proposal violates the Constitution and curbs the necessary investment in new homes. This legal battle is expected to last for a year or two.

Biggest positive and negative contribution

The largest positive contribution to the result came from Eurocommercial Properties, which recorded a share price increase of almost 12%. Sector colleague Klépierre also managed to maintain the strong momentum. After a series of good quarterly figures, investors seem to regain some confidence in retail sector after a period of constantly declining share prices. Despite the recent rise in share prices, we continue to hold onto our positions. The valuation is still very attractive and the market conditions reasonably good.

The largest negative contribution came from Simon Property Group (SPG), which declined just over 5% after slightly disappointing quarterly figures. The share price of the Norwegian office investor Entra also went down by slightly more than 5% for no immediate reason. Hufvudstaden reported the largest absolute decrease with a drop of 10%. However, the negative contribution was limited as we had considerably reduced the weighting in recent months.

Table: top 3 contribution to result (in €)

Top 3 highest contribution			Top 3 lowest contribution		
	Return	Contribution		Return	Contribution
Eurocommercial Prop. (Neth)	11.9%	0.9%	SPG (US)	-5.4%	-0.2%
Klépierre (Fra)	7.2%	0.5%	Entra (Nor)	-5.2%	-0.2%
Gecina (Fra)	6.7%	0.5%	Hufvudstaden (Swe)	-9.6%	-0.1%

Source: DoubleDividend/Bloomberg

Portfolio changes

Last month we slightly expanded our position in SL Green. We have somewhat reduced the positions in ADO Properties and Deutsche Wohnen in response to the latest developments regarding the proposed rent adjustments in Berlin. We sold the position in Colonial completely after the share had reached our price target. Since our purchase in January 2017, Colonial has delivered a total return of just over 87%.

Land Securities has been added to the portfolio again after an absence of more than three years. In June 2016, just before outcome of the Brexit referendum, we completely sold our position in Land Securities. The share price and the pound sterling have since then fallen sharply and the risk of a hard Brexit has decreased. The English real estate market is an interesting long-term investment due to its size, quality and liquidity, but we remain cautious given the uncertainties about the Brexit and the market outlook. The valuation of Land Securities is attractive with a discount of 25% compared to the net asset value and a dividend yield of 5%. In addition, the largest English real estate company has a strong balance sheet, which means that setbacks can be absorbed and there is room for new acquisitions.

In Ireland we have taken a small position in Hibernia REIT. With a portfolio of € 1.4 billion, Hibernia is one of the largest office investors in Dublin. In addition, Hibernia has a small residential portfolio in the Irish capital. There are many international companies in Dublin (mainly financial institutions and tech companies) because of the language, legal protection, highly educated population and low taxes. The number of office jobs is expected to grow considerably in the coming years from which players like Hibernia can benefit. In recent years, Hibernia has focused on making existing buildings more sustainable and developing new high-quality office buildings with at least a LEED Gold label. The portfolio is therefore relatively new and of high quality. With a debt ratio of less than 16%, Hibernia is very conservatively funded, giving the company ample room to finance acquisitions and its development portfolio. The high vacancy rate is a challenge for Hibernia. Due to the completion of new speculative developments in 2018, the vacancy rate has risen from 3% to 12%. However, management expects to be able to reduce the vacancy rate to 5% within 12 months. Due to this uncertainty, the share price has been under pressure lately, creating an attractive entry point.

Table: top 10 positions in portfolio per ultimo month

Company weights			
Unibail-Rodamco-Westfield (Fra)	8.9%	Vonovia (Ger)	6.2%
Eurocommercial Prop (Neth)	8.1%	Merlin Properties (Spa)	4.9%
Klépierre (Fra)	7.6%	I-RES (Ire)	4.7%
Gecina (Fra)	7.3%	ADO Properties (Ger)	4.3%
SL Green (US)	7.1%	Foncière Lyonnaise (Fra)	4.1%

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	5.6%	Debt Ratio	33%
Price / Net Asset Value. current	81%	VAR (Monte Carlo. 95%. 1-year)	14.3%
Dividend yield. current	4.1%	Standard deviation	9.7%

Source: DoubleDividend/Bloomberg

Distribution per country and sector