

# DD Property Fund N.V.

## Monthly report November 2019

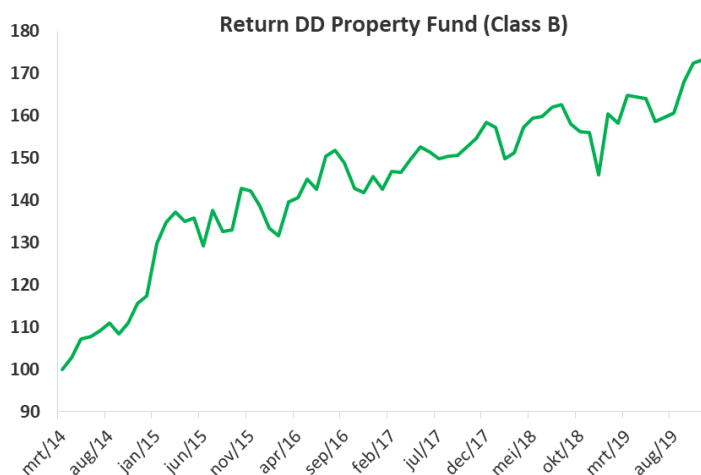


### Profile

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, including the dividend of € 0,54 per share, of 0.42% (class B) for the month of November 2019. At the end of November 2019, the net asset value per share B amounted to € 37.05. This brings the return for the year to 18.61%.



\* The value of your investment may fluctuate. Results achieved in the past do not provide any guarantees for the future.

In this monthly report extra attention is paid to two new names in the portfolio: Digital Realty and Public Storage.

### Fund information

#### Key facts

|                      |          |
|----------------------|----------|
| Fund size            | € 34.7 m |
| # shares (A)         | 399,643  |
| # shares (B)         | 545,237  |
| Net asset value* (A) | € 36.16  |
| Net asset value* (B) | € 37.05  |
| # positions          | 24       |

#### Costs

|                      |                        |
|----------------------|------------------------|
| Management fee       | 1.20% (A)<br>0.70% (B) |
| Other costs**        | 0.45%                  |
| Up/down swing factor | 0.25%                  |

#### Other

|            |  |
|------------|--|
| Start date | Class A: May 2005<br>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  | 0.65  | 4.62  | 2.61  | 0.42  |       | <b>18.61</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 European real estate stock market again had a good month. The EPRA Index rose 2.6% in November. The American and Asian real estate shares, however, took a step back and fell by 1.6% and 2.4% respectively. The DD Property Fund rose for the fifth month in a row, but the gain of 0.4% was limited.

The half-year figures for the recently purchased Land Securities were in line with expectations. The English retail market is under pressure due to the substantial number of bankruptcies, as a result of which rents and values are still falling. However, the London office market is performing much better than expected and real estate focused on leisure activities and hotels is also doing well. Land Securities has also further tightened its sustainability policy. The largest English real estate company wants to be climate neutral by 2030. The share rose 4.2% on balance in November, thereby ensuring a positive contribution to the result.

The Berlin residential investor ADO Properties came with strong figures. Partly due to the sale of 5,900 homes at a price above book value, the net asset value per share rose to € 62.47, well above the closing price of € 35.36. ADO has considerably reduced its debts with the sales proceeds, so that the debt ratio has fallen to 21%. However, the share fell by 3.1% in November because investors are left with a number of questions. For example, it is unclear what the plans are of major shareholder ADO Group that was recently taken over by Adler Real Estate. Also, unlike many industry peers, management does not provide details about the impact of possible rent restrictions in Berlin. These uncertainties currently stand in the way of a recovery of the share price of ADO Properties. However, the stock is cheap and the long-term outlook for the Berlin housing market is good.

## Biggest positive and negative contribution

The largest positive contribution to the result came from SL Green. In November, the New York office investor managed to conclude three major leases for periods between 10 and 15 years. In October, SL Green sold 220 East 22nd Street, better known as The News Building, for \$ 815 million. The proceeds will be used to lower the debt and buy back shares. This strategy makes sense given the enormous discount compared to the net asset value.

The biggest negative contribution came from Klépierre, who had to give up some ground after a period of sharp price rises.

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

| Top 3 highest contribution |        |              | Top 3 lowest contribution |        |              |
|----------------------------|--------|--------------|---------------------------|--------|--------------|
|                            | Return | Contribution |                           | Return | Contribution |
| SL Green (US)              | 3.3%   | 0.2%         | Klépierre (Fra)           | -2.5%  | -0.2%        |
| Unibail (Fra)              | 2.3%   | 0.2%         | ADO Properties (Ger)      | -3.1%  | -0.1%        |
| Land Securities (UK)       | 4.3%   | 0.2%         | Foncière Lyonnaise (Fra)  | -3.0%  | -0.1%        |

Source: DoubleDividend/Bloomberg

### Portfolio changes

In the past month we expanded the positions in Land Securities (UK), Merlin Properties (Spain) and Mitsui Fudosan (Japan). We have slightly reduced the weighting of Gecina.

In November we added two new positions to the portfolio: Digital Realty and Public Storage. Digital Realty (DLR) has a portfolio of around 200 data centres in 12 countries and is one of the largest players in this field. The number of data centres in the portfolio is expected to increase to more than 275 if the acquisition of InterXion succeeds. DLR offers high-quality and sustainable data centres that are suitable for several tenants. Major customers include IBM, Facebook, Oracle and LinkedIn. The growth prospects for data centres are good due to the growth of cloud services, artificial intelligence, internet of things, autonomous driving and augmented reality. The rents grow on average by 2-4% per year. The rent is only a small part of the expenses for tenants and it is expensive for them to switch because of all technological investments. The track record of DLR is very strong, even during the crisis the profit and the dividend did not fall. The biggest risks are technological developments and the power of major providers of cloud services such as Amazon and Microsoft.

With a market share of around 10%, Public Storage (PSA) is the largest investor in storage space in the United States. PSA has more than 2,400 storage facilities in 38 states. In addition, PSA has a 35% interest in Shurgard Europe and a 42% interest in the UK-based PS Business Parks. Scale is important to remain competitive and to be able to invest in technological developments. The storage market is still growing. In 1990, 3% of Americans used storage, but this has now risen to just over 8%. An investment in storage space is fairly recession-proof, but people can easily switch.

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

| Company weights                 |      |                         |      |
|---------------------------------|------|-------------------------|------|
| Unibail-Rodamco-Westfield (Fra) | 9.0% | Merlin Properties (Spa) | 5.1% |
| Klépierre (Fra)                 | 7.3% | I-RES (Ier)             | 4.6% |
| Eurocommercial Prop (Neth)      | 7.2% | Gecina (Fra)            | 4.6% |
| SL Green (US)                   | 7.2% | Mitsui Fudosan (Jap)    | 4.3% |
| Vonovia (Ger)                   | 6.0% | ADO Properties (Ger)    | 4.1% |

Source: DoubleDividend

### Explanation proposal to change conditions as of January 1, 2020

DD Property Fund N.V. will change its investment policy in such a way that from 1 January 2020 it can invest in infrastructure as well as real estate companies. The term infrastructure means: investments in companies that invest in "hard assets" and are expected to have a stable cash flow. Two additional share classes will also be introduced that have a lower management fee but a higher minimum investment. Finally, Stichting Beleggersgiro will terminate its activities. For more information we refer to the new prospectus.

### 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          | 5.7% | Debt Ratio                     | 33%   |
| Price / Net Asset Value. current | 80%  | VAR (Monte Carlo. 95%. 1-year) | 14.0% |
| Dividend yield. current          | 4.3% | Standard deviation             | 9.5%  |

Source: DoubleDividend/Bloomberg

### Distribution per country and sector

