

# DD Property Fund N.V.

## Monthly report January 2020

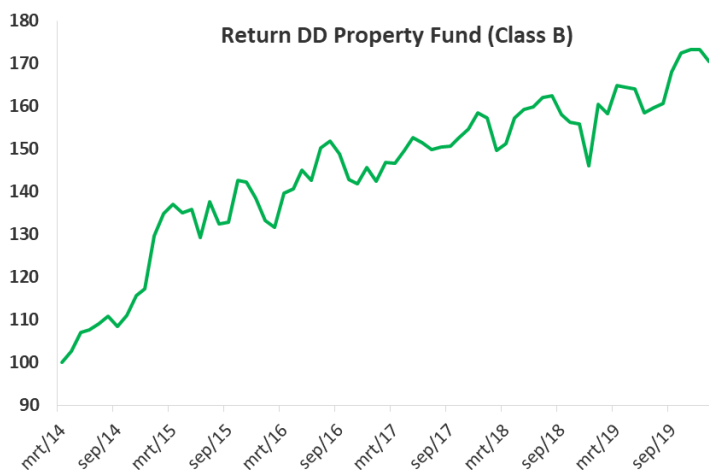


### Profile

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 -1.55% (class B) for the month of January 2020. At the end of January 2020, the net asset value per share B amounted to € 36.48.



\* 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	€ 33.0 m
# shares A	398,180
# shares B	394,436
# shares C	179,748
Net asset value A*	€ 35.58
Net asset value B*	€ 36.48
Net asset value C*	€ 36.49
# positions	24

#### Costs

Management fee A	1.20%
Management fee B	0.70%
Management fee C	0.50%

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	0.65	4.62	2.61	0.42	0.02	<b>18.63</b>
<b>2020</b>	-1.55												<b>-1.55</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 global real estate stock market had a reasonable start to the new year. The EPRA Global REIT Index achieved a return of 0.9% and thus outperformed the DD Property Fund, which declined in value by 1.6%, mainly as a result of poorly performing retail investors in both Europe and the US.

With a weighting of almost 30%, the DD Property Fund is strongly represented in the retail sector with a number of large investors such as Unibail-Rodamco-Westfield (URW), Klépierre, Eurocommercial Properties and SPG. We are not blind to the changes in the retail landscape, but according to our analysis this is primarily a problem for shopping centers at B and C locations and with players who do not have the size, expertise and financial capacity. Kearney and Brown describe this in their report, The Future of Shopping Centers, as follows: "In the future, retail real estate will revolve around environments where people come together, make connections with like-minded people and enter into interactive, personal relationships with brands." We are convinced that the quality players in our portfolio can make this change and will therefore also be profitable in the future. In February, Unibail and Klépierre, among others, will publish annual figures.

The American real estate companies SL Green (offices in New York) and Essex Property Trust (apartments in California) were the first to publish their annual figures. Essex managed to increase its earnings per share (FFO) in 2019 by 7.6%. For 2020 and the years thereafter, growth is expected to be slightly lower because Essex is more cautious with new developments. SL Green also closed 2019 successfully with an FFO increase of 5.7%. At the end of 2020, SL Green's largest development project, One Vanderbilt, will be delivered. This will be the fourth highest tower in Manhattan. Not all floors have been let yet, but given the strong demand in the market, management is optimistic.

## Biggest positive and negative contribution

The largest positive contribution last month came from Mitsui Fudosan (Japan), which ended almost 11% higher in January. The share got an extra push towards the end of the month after management adjusted the profit forecast for 2020 upwards. Vonovia also continues to perform strongly and closed just below the all-time high.

The largest negative contribution came from Unibail-Rodamco-Westfield (URW), which lost 12.8% in value. Also peers Klépierre, Eurocommercial and SPG started the new year badly with declines of 9 to 10%. ADO Properties also does not yet convince investors of the positive contribution of the acquisition of Adler Real Estate and ended the month with a loss of 13.3%.

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

Top 3 highest contribution			Top 3 lowest contribution		
	Return	Contribution		Return	Contribution
Mitsui Fudosan (Jap)	10.7%	0.4%	URW (Fra)	-12.8%	-1.1%
Vonovia (Ger)	7.4%	0.4%	ADO Properties (Ger)	-13.3%	-0.9%
Foncière Lyonnaise (Fra)	6.0%	0.2%	Klépierre (Fra)	-9.2%	-0.7%

Source: DoubleDividend/Bloomberg

## Portfolio changes

In the past month we have expanded the positions in ADO Properties, Essex, I-RES, Hibernia and Mitsui Fudosan. We have reduced the weighting of Digital Realty, Entra and Gecina as a result of valuation.

The American company Douglas Emmett (DEI) was added to the portfolio in January. With a portfolio of just over \$ 11 billion and a market share of around 30%, DEI is the largest real estate investor in Los Angeles (LA). The very high quality portfolio consists of offices (88%) and apartments (12%). LA has the largest port in the US, more technology jobs than Silicon Valley, the highest concentration of universities and nearly 50 million visitors a year. The portfolio is close to highly sought-after residential areas such as Pacific Palisades, Santa Monica, Brentwood, Bel Air and Beverly Hills. In addition, the portfolio can be classified as very sustainable. No less than 95% of the portfolio is among the 25% most sustainable buildings in the US.

DEI focuses primarily on the redevelopment of the existing portfolio and selective acquisitions, as new construction is very difficult due to building restrictions. West LA is seen as a market with the highest barriers to entry in the US, something that is confirmed by renowned Green Street analysts. As a result, LA experienced the highest rental growth in the past 20 years. The management also expects rental growth of 3-5% per year for the coming years.

The DEI management team has been working together for a long time. Founder Dan Emmett has been chairman for 47 years and CEO Jordan Kaplan and COO Kenneth Panzer have been working for DEI for more than 30 years. With a debt ratio of around 33%, the balance sheet can be called conservative, which means that DEI has sufficient reserves to finance (re)developments and acquisitions. In our opinion, DEI is a good addition to the portfolio given the relatively defensive nature of the business model, the contribution to sustainability and the attractive valuation.

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

Company weights			
Unibail-Rodamco-Westfield (Fra)	7.6%	ADO Properties (Ger)	6.0%
SL Green (US)	7.6%	Merlin Properties (Spa)	5.0%
Klépierre (Fra)	6.7%	Mitsui Fudosan (Jap)	4.9%
Vonovia (Ger)	6.4%	I-RES (Ire)	4.8%
Eurocommercial Prop. (Neth)	6.1%	Foncière Lyonnaise (Fra)	4.2%

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	6.0%	Debt Ratio	33%
Price / Net Asset Value. current	81%	VAR (Monte Carlo. 95%. 1-year)	13.7%
Dividend yield. current	4.3%	Standard deviation	9.0%

Source: DoubleDividend/Bloomberg

### Distribution per country and sector

