

DD Property Fund N.V.

Monthly report April 2020

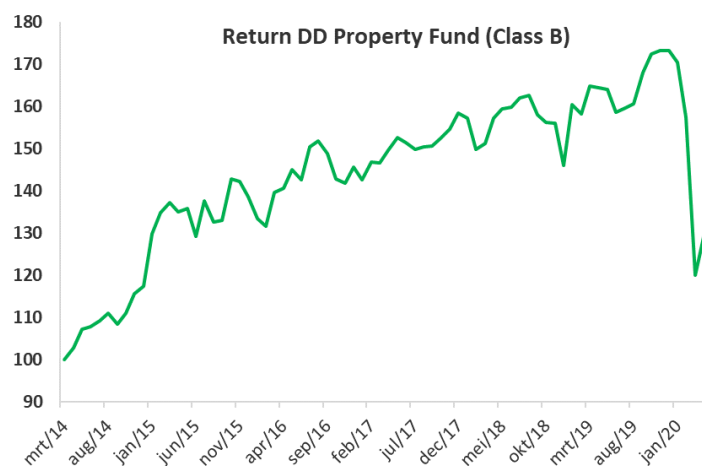


Profile

DD Property Fund N.V. (DDPF or DD Property Fund) is a sustainable real estate equities fund that mainly invests in real estate companies. In addition, DDPF can invest in infrastructure. The DDPF has a focus on Europe, but also invests outside 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 7.51% (class B) for the month of April 2020. At the end of April 2020, the net asset value per share B amounted to € 27.58.



* 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	€ 28.2 mln
# shares A	394,457
# shares B	439,832
# shares C	195,809
Net asset value A*	€ 26.85
Net asset value B*	€ 27.58
Net asset value C*	€ 25.60
# positions	33

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
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	0.42	0.02	18.63
2020	-1.55	-7.63	-23.87	7.51									-25.58

* 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 recovered somewhat from the heavy losses in March. On balance, the EPRA Index rose by 3.7% and the global index even closed the month with a plus of 7.2%. The DD Property Fund also benefited from the recovery in the market and closed the month with a profit of 7.5%.

In the past month, a number of real estate companies published results for the first quarter of 2020. Although the results of Entra, Foncière Lyonnaise, Gecina and Klépierre, among others, were reasonably good, it is difficult to estimate impact of the corona crisis on the rest of the year.

It is clear that 2020 will be a very difficult year for retail investors. Unibail-Rodamco-Westfield (URW) announced that on April 24, only 20% of the rent had been collected. This is in line with a survey conducted by real estate agents Savills and Cushman & Wakefield, who state that approximately 70% of retailers have not paid rent for April. The good news is that in most countries, the shops are open again or will be opening soon. In France, for example, more or less all stores can open again from 11 May and restaurants and bars are allowed to open their doors three weeks later. The big question is to what extent the turnover of the retailers quickly returns to the old level in the distance economy. We expect rents and values to fall in the near future. Although the outlook has deteriorated, the valuation is attractive.

For the time being, the residential sector seems to offer the best protection within the real estate sector. This is especially true for investors in affordable housing such as Vonovia and ADO Properties (the two largest positions in the portfolio). Although more regulation and therefore lower rental growth in the sector is plausible, the sector continues to offer stable (slightly) growing cash flow thanks to a continued demand for affordable apartments.

It is still difficult to estimate how this crisis will ultimately turn out for offices. Of course, lower economic growth is not good for the office sector. More people will (partially) continue to work remotely, which negatively affects the demand for office space. On the other hand, in an economy with more distance, fewer people fit in an office and therefore more space is needed. It is also possible that the concept of flexible workplaces will become less popular, causing the demand to rise. DDPF's offices are mainly located in the centres of cities such as Paris, London, New York, Tokyo, Hong Kong, Madrid and Stockholm. It is expected that buildings at these locations will retain their value in the long term and, moreover, they can often be easily converted from offices to another function, such as residential.

Outlook and Strategy

In view of market developments, we have made a number of changes to the portfolio in the past two months. For example, we increased the number of names in the portfolio from 23 at the end of February to 33 at the end of April. We paid extra attention to a strong balance sheet position. Of the 10 new positions, five are active in (sustainable) infrastructure. Since January, we have had the opportunity to also invest in infrastructure. The recent correction provided a good entry point. We expect to increase the weight for infrastructure in the coming months. We also have a substantial cash position of approximately 10%, so we can benefit from any market volatility.

Biggest positive and negative contribution

The largest positive contribution last month came from ADO Properties, which increased in value by more than 24%. The acquisition of Adler Real Estate has been completed and management believes the impact of the corona virus will be minimal. SL Green also rose sharply after the company announced that it had again rented 10,000 m² in April in One Vanderbilt, their largest development project in New York. The figures also showed that as many as 92% of the tenants had paid the rent for April, which is a real boost given the current circumstances.

Swedish Hufvudstaden did not take advantage of the positive sentiment in April despite the fact that Sweden has no lockdown. Kojamo also fell in April, but is one of the few companies in positive territory this year. Empiric Student Properties also declined slightly after management temporarily suspended payment of the dividend.

Table: top 3 contribution to result (in €)

Top 3 highest contribution			Top 3 lowest contribution		
	Return	Contribution		Return	Contribution
ADO Properties (Ger)	24.3%	1.5%	Hufvudstaden (Swe)	-5.9%	-0.2%
SL Green (US)	24.0%	1.2%	Kojamo (Fin)	-5.1%	-0.2%
Merlin Properties (Spa)	23.1%	0.9%	Empiric Student Prop. (VK)	-3.7%	-0.1%

Source: DoubleDividend/Bloomberg

Portfolio changes

We reduced our positions in Colonial, Douglas Emmett, Essex, Entra, Foncière Lyonnaise, Great Portland, URW and Welltower in early April. With this, we took profit on the shares that we bought at significantly lower levels at the end of March.

Last month, we slightly increased the position in Brookfield Renewables. Furthermore, with the purchase of China Longyuan, EDP Renovavais and Red Electrica, we have further expanded our infrastructure positions. We expect approximately 60MW of renewable energy per year will be added until 2030. It is expected that the large and well capitalized players in particular will benefit from this.

China Longyuan Power Group was the first wind energy company in China and has grown into one of the largest players in the world. China is rapidly switching from fossil (mainly coal) to sustainable sources. Wind energy generation is only 5.5% in China, so there is still a lot of growth potential. China Longyuan has an A rating from S&P and can therefore easily finance this growth. The valuation is attractive, but given the somewhat limited information, we are satisfied with a small position.

EDP Renovavais (EDPR) is also one of the larger players in the field of wind energy. The Portuguese company is part of energy company Energias de Portugal (EDP), which is a majority shareholder with an interest of 82.6%. EDPR already generates two thirds of the turnover from sustainable sources, but the ambition is to bring this to at least 90% within 10 years. EDPR will therefore invest heavily in wind and solar parks in the coming years. For example, there are already plans to add 7 GW of sustainable

capacity to 2022, mainly by investing in onshore wind farms in the US, Europe and Brazil. These investments are financed from the current cash flow and the disposal of projects. The main risk is that planned projects will be postponed due to economic uncertainty.

Red Electrica is the network manager of the electricity and fiber network in Spain. In addition, the Spanish company has infrastructure projects in Peru, Chile and Brazil. Red Electrica benefits from fixed agreements that apply to the use of the network, which makes the cash flow largely predictable. Partly because of this, the company has a high A rating from S&P. Red Electrica has an excellent track record, but sales and profit will hardly grow in the coming years as a result of the new prices for delivery agreements that apply until 2025. However, this has already been discounted in the share price. In addition, we expect Red Electric to make a number of foreign acquisitions that could bolster profits.

Table: top 10 positions in portfolio per ultimo month

Company weights			
Vonovia (Ger)	7.1%	Land Securities (UK)	4.4%
ADO Properties (Ger)	6.9%	Mitsui Fudosan (Jap)	4.3%
SL Green (US)	5.6%	URW (Fra)	4.2%
Klépierre (Fra)	5.1%	Merlin Properties (Spa)	4.1%
I-RES (Ire)	5.1%	Douglas Emmett (US)	3.5%

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	8.8%	VAR (Monte Carlo. 95%. 1-year)	40.6%
Debt Ratio	32%	Standard deviation	35.2%
Dividend yield. current	6.0%		

Source: DoubleDividend/Bloomberg

Distribution per country and sector

