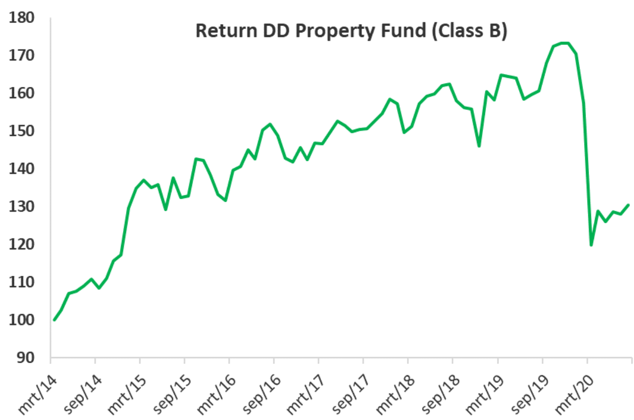
DD Property Fund N.V.
Monthly report August 2020

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 1.9% (class B) for the month of August 2020. At the end of August 2020, the net asset value per share B amounted to € 27.36.



* 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	€ 28.1 mln
# shares A	386,342
# shares B	453,985
# shares C	196,409
Net asset value A*	€ 26.57
Net asset value B*	€ 27.36
Net asset value C*	€ 27.40
# positions	39

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	-2.27	2.09	-0.42	1.90					**-24.65**

* 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 equity market managed to find its way up somewhat in August. The European EPRA Index increased 2.0% and the global EPRA Index rose 1.1%. The DD Property Fund also closed the month with a plus of 1.9%.

In August, a large number of real estate companies presented quarterly figures. The figures were more or less in line with expectations. The relatively good quarterly figures of Eurocommercial Properties (ECP) were striking. This investor in shopping centers in Belgium, France, Italy and Sweden has chosen to negotiate rents with tenants at an early stage. Depending on the tenant, it has been proposed to waive 50-100% of the rent over the period of the lockdown. This amounts to approximately 10% of the annual rent. In the meantime, an agreement has been reached with 83% of the tenants. Only in France are many tenants not yet ready to accept the proposed scheme. ECP has now received almost the entire rent (after adjustment) for the first seven months. It was also striking that new lease contracts were at a 9% higher price level than the expiring contracts. The vacancy rate remains at a stable low level of approximately 1%. The depreciation of the portfolio was also "only" 2.9% and was partly based on the sale of a number of comparable shopping centers. ECP mainly invests in shopping centers that are locally dominant, have a large supermarket and are located in densely populated areas. These shopping centers are better protected against changing market conditions. Still, there are still enough concerns. For example, the number of visitors in July was only 83% and the turnover of the retailers was only 90% compared to last year. A possible new lockdown also creates a lot of uncertainty, although it is expected that it will no longer be national but rather local. However, as with other retail investors, investors are still most concerned about the debt ratio. This has increased to 45.5% due to the decline in value. That is not alarming yet, but it also does not give much scope. ECP has the advantage that the loans are taken out with about twenty banks and are therefore not dependent on the bond market. In contrast to players such as Unibail-Rodamco-Westfield (URW) and Klépierre, who do depend on rating agencies such as Moody’s and S&P.

Biggest positive and negative contribution

The largest positive contribution again came from the German residential players Vonovia and ADO Properties. Both companies came up with excellent half-year figures, with rental growth and value development still showing an upward trend. Rolf Buch, Vonovia's CEO, is also optimistic for the coming years. Despite Covid, he does not expect structural changes in the sector and that the urbanization trend will continue. Mitsui Fudosan also had a good month with a return of 14.9%.

Retail investors URW and Klépierre made the largest negative contribution in August. According to rumours on Bloomberg, URW is considering a capital increase of € 3 billion to further strengthen its balance sheet. Because this will cause enormous dilution for shareholders due to the low share price, the rumour created selling pressure from all retail players. According to the management of URW, the cash position is still substantial at € 12 billion and the focus is on further reducing debt by selling buildings. Despite the fact that the valuation of URW (and other retail investors) is extremely low, we have further reduced the position of URW. Exposure to mall owners has thus decreased further and amounted to approximately 10.6% at the end of August. The sector's valuation is extremely low, but the risk is high.

Table: top 3 contribution to result (in €)

Top 3 highest contribution			Top 3 lowest contribution		
	Return	Contribution		Return	Contribution
Vonovia (Ger)	8.7%	0.8%	URW (Fra)	-12.0%	-0.4%
ADO Properties (Ger)	7.7%	0.7%	Klépierre (Fra)	-5.5%	-0.2%
Mitsui Fudosan (Jap)	14.9%	0.5%	China Longyuan Power (Chi)	-12.9%	-0.2%

Source: DoubleDividend/Bloomberg

Portfolio changes

Last month, we slightly expanded the weighting of American Tower, Brookfield Renewables and Healthcare Trust of America. We have lowered the weighting of Kojamo, URW and Vonovia. We also added a number of new positions to the portfolio: Canadian Apartment Properties, Cellnex, China Tower, Inwit and Prologis.

Canadian Apartment Properties REIT (Capreit) is the largest publicly traded residential investor in Canada. In addition, Capreit holds an interest in the listed investors ERES (apartments in the Netherlands) and I-RES (apartments in Ireland). All portfolios have hardly any vacancy. The Canadian portfolio focuses on fast-growing urban areas and is widely diversified, both geographically and in terms of home type. The majority of the investments are in cities in the states of Ontario and Quebec. The strategy is aimed at growth through acquisitions and its own development pipeline. Capreit has the opportunity to develop approximately 8,800 homes in the coming years, mainly in Vancouver and Toronto. The portfolio is becoming increasingly sustainable by developing new buildings and selling old ones. This is also necessary since landlords in Canada are responsible for energy costs. One risk is that rents in Ontario could be frozen in 2021. However, it is expected that the impact of this will be limited, as rents could only increase with inflation.

Hong Kong-listed China Tower, Spanish Cellnex and Italian Inwit invest in telecom towers. Telecom towers are an interesting investment because of the long, indexed leases. In addition, it is relatively easy to add customers to existing masts, which increases profitability. China Tower is the undisputed market leader in China with two million masts and a market share of 97%. Major shareholders (and also largest customers) are China Mobile, China Unicom, China Telecom and China Reform. Compared to American and European players, China Telecom has a very low valuation and a very strong balance sheet.

Since its listing in 2015, Cellnex has grown into the largest independent player in Europe and is now active in eight countries, including the Netherlands. The management is seen as the best in Europe. The Spanish company also expects to be able to grow rapidly in the coming years. In Europe, 60% of telecom masts are owned by telecom companies. It is expected that these interests will largely be divested in the coming years. This is positive for players such as Cellnex, but also for the telecom companies that use it to free up capital to invest in, for example, 5G or to reduce debts.

Infrastrutture Wireless Italiane S.p.A. (aka Inwit) is the largest investor in telecom masts in Italy. This year, the company doubled in size through a merger with Vodafone Towers. Here too, the largest customers, TIM and Vodafone, are also the largest shareholders, each with a 33% stake. In addition to telecom masts, Inwit invests in smaller networks (lampposts, traffic lights, buildings, stadiums, etc.) in order to guarantee good coverage for 5G.

Finally, with the purchase of Prologis, we have taken the first steps in logistics real estate. Founded in 1983, Prologis has grown to become the largest logistics real estate investor in the world. Largest tenants are Amazon, DHL and FedEx. About 80% of sales are generated in the US, where Prologis is located in all major cities and has a market share of about 5%. About 10% of sales come from Europe and the rest from Asia and South America. While the short-term economic outlook is uncertain, in the long run Prologis will benefit from e-commerce and supply chain adjustments. Prologis' growth comes mainly from its own development pipeline. Prologis expects to develop 2 to 3 billion dollars' worth of new distribution centers per annum with an average margin of 20%. Financing the growth is no problem given the low debt ratio and the A-rating of S&P and Moody's.

Table: top 10 positions in portfolio per ultimo month

Company weights			
ADO Properties (Ger)	8.9%	Mitsui Fudosan (Jap)	3.8%
Vonovia (Ger)	8.5%	Land Securities (UK)	3.7%
I-RES (Ire)	5.5%	Merlin Properties (Spa)	3.6%
SL Green (US)	4.5%	Eurocommercial Prop. (Neth)	3.4%
Brookfield Renewable (US)	3.8%	Hibernia REIT (Ire)	3.4%

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	7.3%	VAR (Monte Carlo. 95%. 1-year)	42.0%
Debt Ratio	33%	Standard deviation	32.3%
Dividend yield. current	5.2%		

Source: DoubleDividend/Bloomberg

Distribution per country and sector