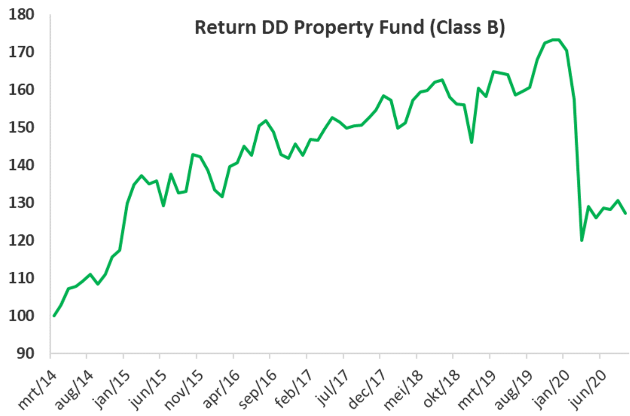
DD Property Fund N.V.
Monthly report September 2020

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 -2.6% (class B) for the month of September 2020. At the end of September 2020, the net asset value per share B amounted to € 26.66.



* 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	€ 27.4 mln
# shares A	384,006
# shares B	456,015
# shares C	197,509
Net asset value A*	€ 25.87
Net asset value B*	€ 26.66
Net asset value C*	€ 26.71
# positions	38

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

Deze informatie biedt onvoldoende basis voor een beleggingsbeslissing. Lees daarom de Essentiële Beleggersinformatie en het prospectus. Deze zijn verkrijgbaar op de website van DoubleDividend Management B.V. (www.doubledividend.nl). DoubleDividend Management B.V. is beheerder van DD Property Fund N.V. en heeft een vergunning als beheerder en staat onder toezicht van de Autoriteit Financiële Markten. De intrinsieke waarde is niet door een externe accountant gecontroleerd.

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	-2.56				**-26.57**

* 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 took another step back in September as a result of the rising number of corona infections in many parts of the world. On balance, the global EPRA Index fell by 2.3% last month. The DD Property Fund also closed the month with a loss of 2.6%.

Various measures are being taken in various countries to prevent the further spread of the virus. This mainly concerns local and regional measures, but the fear is that some countries will revert to a broader lockdown, with all the economic and social consequences that entails. The real estate market also remains vulnerable to the tightening of the rules.

For example, the government in England has called for working from home for at least the next six months. This has especially serious consequences for the City of London, the financial centre of London. The City is more susceptible to the negative effects of working from home, because there are hardly any homes, which means that restaurants, cafes and shops have difficulties to survive. We also see this in cities such as New York and San Francisco. In Paris, 84% of employees are now returning to the office, which means that the consequences are less severe.

The office and retail market is not expected to recover until the corona virus is under control and it is clear what the long-term consequences are. The office market was in good shape before the start of the corona crisis. Vacancy was historically low in most markets and rents and values showed an upward trend. The situation has changed over the last six months. The office market is by nature cyclical and is therefore suffering from the rising unemployment as a result of the corona crisis. But it is mainly the long-term consequences that may have a major impact on the sector. Companies and employees have been forced to work from home. The long-term consequences of this for the office market are still being studied, but the consensus is that the demand for offices will decrease by approximately 10% in the coming years. However, the situation differs largely per city. In cities with many tech companies, such as San Francisco, the outlook is less rosy as employees can work primarily from home and the prices of out-of-town housing are significantly lower. In cities such as Hong Kong and Tokyo, house prices are also high, but working from home is hardly an option due to the lack of space and moving outside the city is difficult. Moreover, vacancy rates in many cities are still historically low and new developments are being postponed, so that the negative impact on rent levels is expected to remain limited.

The DD Property Fund has approximately 21% invested in offices. It mainly concerns offices in world cities such as Paris, New York, Hong Kong, Los Angeles and Tokyo and in a number of smaller markets such as Dublin, Oslo and Stockholm.

We have already written a lot about the consequences of the corona virus on the retail market in recent months. While we expect rents to remain at a permanently lower level, we also expect retailers to continue to prefer dominant shopping centers and stores in metropolitan centers. This view is being confirmed by major players such as Inditex (the parent company of Zara, among others) and H&M. The problem at the moment mainly concerns the financial position of some real estate companies. Many retailers do not pay the rent or pay it too late, while the costs for the real estate companies do continue. This causes financial stress for a number of players. The largest player in Europe, Unibail-Rodamco-Westfield (URW), has therefore indicated that it wants to raise € 3.5 billion in new equity. As the stock market price has fallen to a very low level, this means a huge dilution for shareholders. It would be better to sell real estate, but this is difficult under current market conditions. Also, unlike Klépierre and Eurocommercial Properties, URW has a very large development pipeline that needs to be funded. Moreover, the question is whether the planned capital injection will be sufficient, especially now that the uncertainty about a possible new lockdown has increased. In recent months, we have reduced the weight to shopping centers to lower the risk in the portfolio. The position in URW has even been completely sold. As a result, the exposure to dominant shopping centers decreased further to approximately 8% while the total exposure to shops is approximately 14%.

The composition of the portfolio has changed considerably in recent months in order to respond to changing market conditions. In total, the DD Property Fund has invested approximately 35% in commercial real estate. The remainder of the portfolio consists of residential (32%), infrastructure (18%) and alternative real estate sectors such as data centers and mini-storage (7%). We expect to use the cash position (4%) for further investments in infrastructure.

Biggest positive and negative contribution

The largest positive contribution last month came from Brookfield Renewable Partners, which increased 17.9% in value, accounting for a 0.7% contribution. Inwit (telecom towers in Italy), a new position since August, also made a nice contribution with an increase of 15.6%. Hufvudstaden was the biggest climber among real estate companies. The company announced it would buy back up to SEK 500 million of its own shares.

ADO Properties was the largest negative contributor with a loss of 8.2%. The loss was surprising as the German residential investor announced the sale of 5,000 homes at a price above book value. Hibernia and Land Securities also took a significant step back in September.

Table: top 3 contribution to result (in €)

Top 3 highest contribution			Top 3 lowest contribution		
	Return	Contribution		Return	Contribution
Brookfield Renewable (US)	17.9%	0.7%	ADO Properties (Ger)	-8.2%	-0.8%
Hufvudstaden (Swe)	14.5%	0.3%	Hibernia (Ire)	-16.4%	-0.6%
Inwit (Ita)	15.6%	0.2%	Land Securities (UK)	-11.0%	-0.4%

Source: DoubleDividend/Bloomberg

Portfolio changes

Over the past month, we slightly expanded positions in China Tower, Klépierre and Prologis. We have slightly reduced the weight of Entra, Hufvudstaden, SPG and SL Green. We completely sold the positions in Colonial, URW and Welltower due to a deteriorated outlook. We have also added two new positions to the portfolio: Atlantica Sustainable Infrastructure (Atlantica) and Northland Power. Both companies are benefiting from the energy transition.

Atlantica is a Nasdaq-listed company with investments in renewable energy, energy networks and water treatment plants. Atlantica is assured of very stable cash flows because it has concluded very long-term contracts with utility companies and governments for the supply of the generated energy. The company is active in Canada, the US, Mexico, Peru, Chile, Uruguay, Spain, Algeria and South Africa. For new wind and solar farm projects, Atlantica works together with AAGES, a major developer. Atlantica has a BB rating with a positive outlook from S&P. That is not exactly an investment grade rating, but many projects have a higher rating. For example, all Spanish assets have an A- rating. In addition, the debt associated with the projects is automatically reduced to zero during the life of the project. The risk of non-payment is therefore limited.

Northland Power has been developing, building, owning and operating renewable energy projects since 1987. The company has a 2.5 GW portfolio in Canada, the Netherlands, and Germany and is currently building a 1GW wind farm off the coast of Taiwan. In the Netherlands, Northland Power is known for the development of the Gemini offshore wind farm, one of the largest offshore wind farm projects in Europe, supplying power to 800,000 households. Northland still has a 60% stake in this. The management has a strong track record and holds a 34% interest in the company.

Table: top 10 positions in portfolio per ultimo month

Company weights			
Vonovia (Ger)	8.5%	Mitsui Fudosan (Jap)	3.8%
ADO Properties (Ger)	8.3%	Merlin Properties (Spa)	3.5%
I-RES (Ire)	5.7%	Eurocommercial Prop. (Neth)	3.4%
Brookfield Renewable (US)	4.9%	Land Securities (UK)	3.4%
SL Green (US)	4.2%	Klépierre (Fra)	3.3%

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	7.2%	VAR (Monte Carlo. 95%. 1-year)	38.6%
Dividend yield. current	5.2%	Standard deviation	29.5%

Source: DoubleDividend/Bloomberg

Distribution per country and sector