



Quarterly Review Q3 2024

UB Nordic Property Fund



OBJECTIVES AND STRATEGY

The Fund's assets are invested directly or indirectly in commercial properties located in Finland, Sweden, Norway and Denmark.

The objective of the Fund's investment strategy is to achieve a return equal to the return of the Nordic real estate markets in the long term. The fund is suitable for investors seeking a diversified investment in the Nordic region as well as a stable return on their investment. The objective is a nominal return of 7–9% p.a. to investors under current market conditions.

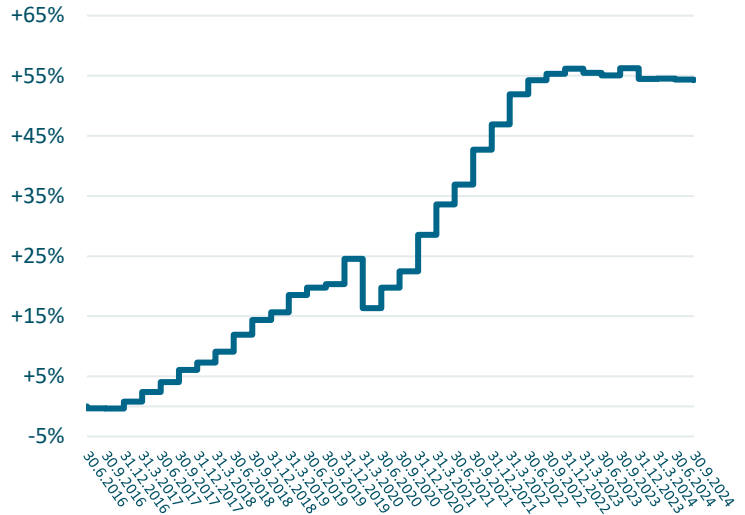
RISC INDICATOR



The risk indicator assumes the investor holds the Fund for a minimum of five years. The actual risk can vary significantly, if the investor redeems their fund units earlier, resulting in returns being lower than anticipated.

FUND RETURN (I-series)

(Cumulative return, dividend adjusted)



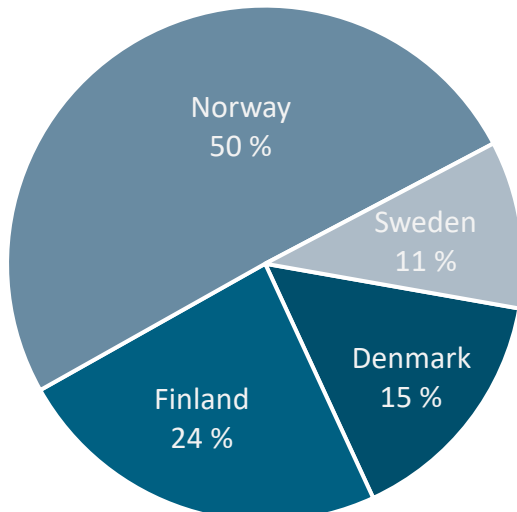
KEY FUND FIGURES

Market Value of Properties Owned	525 MEUR	Initial Yield on Investment Properties*	6.5%
Weighted Average Unexpired Lease Term	7.2 years	Loan to Value (LTV) Ratio of the Fund	49%
Number of Investments	31	Leverage Ratio of Property Portfolio**	49%
Accrued Acquisition Costs (% of NAV)	1.1%		

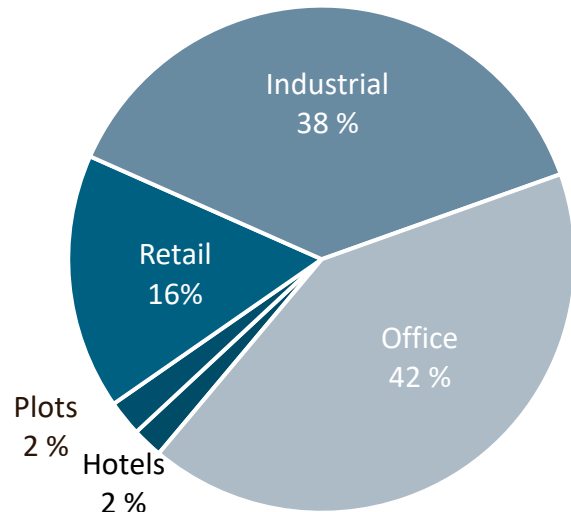
*Includes two real estate development projects that do not generate rental income; initial yield is 7.0% excluding these two real estate development projects.

** Excluding Cash, includes Debt in Minority Holdings

GEOGRAPHICAL DISTRIBUTION (PROPERTY PORTFOLIO)



SECTOR DISTRIBUTION (PROPERTY PORTFOLIO)



The real estate market is bottoming out, but economic uncertainty remains

Among the Nordic countries, only Norway’s central bank has not lowered its key interest rate. Finland’s interest rate policy is guided by the European Central Bank (ECB), which has already lowered its key interest rate three times this year. The decline in inflation has given central banks room to ease monetary policy. In Europe, economic prospects also currently appear weak. The ongoing war in Ukraine, which requires the support of other European countries to resolve, further complicates the situation. Although the decline in interest rates seems to be approaching a reduction in yield requirements in the real estate market, the situation of tenants must be monitored.

Historically, a turn in interest rates has also predicted a turn in the real estate market. This time, the situation is also interesting because construction costs have risen significantly. This means that the purchase prices of properties are currently at an attractive level relative to construction costs. However, construction costs are expected to continue rising due to factors such as the reconstruction of Ukraine, wage inflation, and material shortages and tariffs. Rising interest rates, combined with expensive construction, have led to a significant reduction in new production, as current rental yields are too low. This, in turn, increases demand for existing buildings.

Cost of construction index, Finland



Source: Statistics Finland; Colliers Nordic Property Market Update 10/2024

Transaction volumes remain weak, and it is estimated that they will barely exceed last year’s level. On the other hand, there have already been so many interest rate cuts that the figures for the end of the year may surprise, time will tell. Finland’s economy is known to recover the slowest among the Nordic countries, while Sweden is expected to be the first country to see increased activity.

Fund’s Activities in the Third Quarter

At the beginning of the third quarter, the fund completed tenant investments in the Leppävaara Shopping Centre, and the property is now fully leased. The most significant event for the fund during the quarter was the lease agreement in the Oslo office property, where the Finnish listed company Tietoevry leased about half of the space. The total office area of the property is approximately 25,000 m². This agreement highlights the previously mentioned rise in construction costs. With new production being limited, demand is focused on already constructed spaces.

Jaakko Onali
Portfolio Manager

THE FUND'S RETURNS Q3/2024

Return Components

After significant investments were completed, the fund's rental yield increased to 1.6 percentage points (previous quarter 1.4 percentage points). The rental yield in the fund also includes the interest costs of the properties, so as interest rates fall, the rental yield is expected to continue rising, although the change is slower due to the high loan hedging rate (approx. 70%).

The Norwegian and Swedish crowns have recently been not only weak but also volatile. This time, on the last day of the quarter, the values were weaker than in the previous quarter, which affected the quarterly return by -0.8 percentage points.

Property values developed positively during the quarter, indicating a market turnaround. On the other hand, the positive value development was influenced by the aforementioned lease in the Oslo office property. The value changes had an impact of about 0.3 percentage points, with the lease accounting for about half of this impact.

The impact of loan interest rate hedges (SWAP) on the fund's return was clearly negative, with an impact of about -0.7 percentage points on the quarterly return. This is due to the decline in long-term interest rates in recent months. However, the positive value change due to the decline in property yield requirements should compensate for the negative impact of the interest rate hedges. The actual effects, however, occur with a slight delay, while the interest rate hedges react more quickly.

The return components are outlined below:

RETURN DECOMPOSITION Q3/2024**	
Net Cash Flow	1.6%
Interest Rate Hedges	-0.7%
Currency and Hedging Effects	-0.8%
Realised Profits on Sold Properties	0.0%
Valuation Effects	0.3%
Fund Fees	-0.6%
Total on Average	-0.2%

** Indicative calculation on return components . Assessment based on UB Fund Company and Portfolio Management internal data. Final Return may differ from this assessment.

FUND PERFORMANCE

	3 months	Since Inception p.a.	2021	2022	2023
R-series	-0.41%	5.35%	15.79%	6.49%	-2.67%
A-series	-0.23%	5.52%	16.35%	7.12%	-2.00%
T-series	-0.15%	5.79%	16.59%	7.40%	-1.70%
I-series	-0.06%	6.04%	16.84%	7.69%	-1.41%

FUND INFORMATION

Fund Manager	UB Fund Management Ltd. YT 2118101-5
Domicile	Helsinki, Finland
Fund Inception Date	20.5.2016
Gross Asset Value (GAV) 1.7.2024	447.0 MEUR
Net Asset Value (NAV) 1.7.2024	266 MEUR
Borrowed Capital	180.6 MEUR
Minimum Investments	
R-series	5,000 euros
A-series	100,000 euros
T-series	1,000,000 euros
I-series	5,000,000 euros
NAV per Share	
R-series	99.9845
A-series	106.6324
T-series	108.9556
I-series	111.2586
ISIN codes	
R-series	FI4000242979
A-series	FI4000197793
T-series	FI4000189261
I-series	FI4000197801

FUND FEES

Management Fee	% of GAV
R-series	1.65%
A-series	1.2%
T-series	1.0%
I-series	0.8%
Subscription Fee	
5,000 – 49,999 euros	2%
50,000 – 99,999 euros	1.5%
100,000 – 199,999 euros	1.5%
200,000 euros –	1%
Redemption Fee, Period Held	
< 1 year	5%
> 1 year < 3 years	1%
> 3 years < 5 years	0.5%
> 5 years	0%
Performance Fee	20% of calendar year return exceeding the Fund's reference return of 7%

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