

Fund commentary ODIN Eiendom I



December 2011 and future outlook

2011 was a volatile year for ODIN Eiendom. The volatile development was related to the general macro outlook and lack of policy decisions in Europe. During the autumn it has been obvious that banks have been more restrictive to finance property transactions and developments. Furthermore, bank margins have increased and have reached the high levels seen in 2009.

Actions

In 2011, we have included Fornebu Utvikling in our portfolio, a residential property developer that owns land in Fornebu, the old airport area south of Oslo. Land for residential development close to central Oslo is a rare asset and we believe the company has big opportunities for solid development. Apartment prices are still high in the Oslo area.

On the sell side, we have exited our position in Catena. After sale of a property portfolio the only asset in the company was a building in Solna, north of Stockholm. The share price rallied and it was hard to identify any further upside.

We have also sold our stake in Kungsleden. Reason was worries about refinancing issues in 2012 as a major part of the debt is due to be renegotiated. Furthermore, the company has a tax dispute with Swedish tax authority.

Contributions

2011 gave us notable gains in Catena, share price rallied in beginning of 2011 due to unrealistic expectations regarding value of a building in Solna, north of central Stockholm. We have also had positive contributions from preference shares in Sagax and Corem, as the share prices have been stable due to a fix dividend.

On the other hand, we had notable declines in some of the Norwegian companies, Norwegian Properties and Fornebu Utvikling and the Finnish companies Citycon and Technopolis. In general, the property companies in Norway and Finland has been more affected by the general macro downturn than the Swedish companies. However, we believe there is a big upside among the companies in Norway and Finland.

Outlook

In 2012, we will focus on the refinancing opportunities for the property companies and related to that the margins banks require to finance property transactions and developments. We will also keep an eye on the development of vacancy ratios for the sector. The vacancy ratio increased only 1 percent in the messy period 2009-2011.

Our view is that share prices has fallen too much for the property sector. Lease agreements are normally 3-5 years with a consumer price index link, interest rates are low and repo rates are down. The property sector is one of few that is likely to generate a positive EPS-development in 2012.

Geografisk fördeling



ODIN Eiendom I

Förvaltare

Tomas Ramsälv

Referensindex

Carnegie Sweden Real Estate Index

Årlig förvaltningskostnad:	2%
Etablerad:	06.10.2010
Förvaltad kapital (milj. EUR)	0

Avkastning per 31.12.2011

Senaste månaden	2,39%
Hittills i år	-13,88%
Senaste 12 månaderna	
Senaste 5 åren (p.a.)	
Senaste 10 år (p.a.)	
Sedan start (p.a.)	-5,98%

Geografisk fördeling

Stockholm	55,48%
Oslo	27,38%
Helsinki	13,45%

Övriga 3,69%

10 största innehaven

Diös Fastigheter	8,13%
Olav Thon Eiendomsselskap	8,01%
Balder B	7,54%
Corem Property	7,05%
Norwegian Property	6,73%
Wihlborgs	4,92%
Sponda	4,66%
Technopolis	4,59%
Fabege	4,59%
Hufvudstaden A	4,52%
Övriga	39,26%

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About ODIN Eiendom I (Real Estate I)

The fund invests in companies that are listed on the stock exchange, whose head offices or origins are in the Nordic region. The companies that the fund invests in are primarily engaged in the property market. Dividends that the fund receives from its portfolio companies will be paid to the fund investors on 15 June. The long-term aim of the fund is to give a higher return than the equity market for listed property companies.

We would like to remind you that...

In this report ODIN has referred to sources that are regarded as reliable. ODIN can however not guarantee that the information derived from these sources is either accurate or complete. Statements made in this report reflect ODIN's market view when the report was produced.

Employees in ODIN are entitled to trade on own account in several financial instruments. This implies that employees in ODIN may hold securities in companies mentioned in this report as well as units in ODIN's funds. Employees' own account trading shall comply with ODIN's internal guidelines. These guidelines are prepared in accordance with the Norwegian Act on Securities Trading and business standards issued by the Norwegian Mutual Fund Association.

Past performance is no guarantee for future performance. Future performance will depend, among other things, on movements in the market, the manager's skills, the fund's level of risk and the subscription, management and redemption costs. The value of the fund may decline as a result of a general fall in share prices.

For further information please visit www.odinfundmanagement.com

About ODIN

ODIN is a boutique manager specializing in focused, bottom-up value investing. Our 20 years of experience in asset management have taught us valuable lessons.

Lesson 1: Focus on the horizon

In ODIN, we focus on fundamentals, basing our expectations on competitive advantages, product development, financial viability, leadership and strategic positioning of individual companies. These factors tend to be consistent across short term business cycles. Our confidence in the long term viability of our investments means that we are prepared to stay invested for a long time, and engage actively in corporate governance. Sound and sustainable value creation is a slow and steady process, not a get rich quick-scheme. But we find it is worth the wait.

Lesson 2: Think independently

Unlike passive investors, insights gained through thorough analysis enable us to form an independent view of the fundamental value of a company. This is key in order to identify companies where strong companies are available with compelling value propositions. And in our experience opportunities abound, especially in periods where fear and panic are driving the markets. Under such circumstances many investors fail to maintain focus on the fundamental value of individual companies.

Lesson 3: Stay on target

Strategy drift is an expression used to describe how some asset managers try to adjust their investment process according to what the market currently seems to favour. We do not adjust our philosophy to the latest fads or fashions in the investment industry. We are constantly on alert to avoid letting fear or greed cloud our judgment and steal our attention away from the fundamentals of individual companies.