# ODIN Eiendom NOK 30/06/2024

The fund has share classes: A, B, C, D, D2, F, G, H, I and J

## FUND COMMENTARY

So far this year, ODIN Eiendom has had a flat performance, but the fund has delivered better returns than the benchmark index. ODIN Eiendom and the sector continues to fluctuate with the stock market, where the short-term volatility have been driven by changing interest rate expectations in the market. The strong performance at the end of 2023 (the sector rose more than 40%) was driven by the larger and more liquid names. So far this year, the smaller companies have delivered the best returns in the real estate sector. This is because they "lagged behind" on the way up last year and have gradually caught up this year.

At the beginning of the year, expectations were high for interest rate cuts, which is illustrated by the fact that the market believed in as many as six to seven cuts from the US Federal Reserve. These expectations have been shattered and today one or no cut is expected this year in the US. On the other hand, we have seen several cuts in Europe. The Riksbank in Sweden cut its policy rate in mid-May from 4.0 per cent to 3.75 per cent. At the end of June, they point to two to three further cuts during the year. In June, the European Central Bank also cut its key interest rate from 4.0% to 3.75%. Here, another one to two cuts are expected this year. For ODIN Eiendom, the interest rate level in Sweden is the most important, as 28 of the 31 companies are Swedish and finance themselves in the Swedish market. The larger companies also have financing in euros, while there is minimal dollar financing by our companies.

**Welcome to Prisma Properties**

In June, we were involved as cornerstone investor in the IPO of the Swedish real estate company Prisma Properties. Prisma manages and develops properties in discount retail, grocery retail and fast food concepts. The company has long-term leases with an average term of 9.1 years, where 95 percent of the contracts have triple or double net leases, where the tenant must bear a large part of the property's running costs. The company has a property portfolio valued at SEK 6.4 billion at a property yield of 6.4 percent. The company's value creation takes place primarily through the development of commercial properties in close dialogue with the tenant base. The company has good growth potential as the tenant base is expanding throughout the Nordic region and the company has a large project portfolio. Prisma raised SEK 1.25 billion in the IPO and is thus well capitalized with a net debt to operating profit ratio of 5 times and a net loan-to-value ratio of a low 22%. The company was IPO:ed at a small discount to NAV on P/NAV of 0.9 times.

As a real estate fund, we seek exposure to different segments within Nordic commercial real estate, and Prisma gives us exposure that has not previously been common in the sector. Prisma is one of the few companies that focuses on owning, renting out and developing properties for discount retail. This creates a defensive exposure to economic cycles as their tenant base delivers relatively strong results even in downturns. At the same time, this is a segment with strong growth, and we see good opportunities for Prisma to take part in that with the existing tenant base.

**Is Nordic real estate sector back in good health?**

Over the past two years, we have highlighted out three points that need to be resolved for us to be able to declare the Nordic real estate sector back in good health. These are that the bond market must "reopen" for real estate companies, we must see the peak of the rate hike cycle and activity in the transaction market must pick up.

**Manager:**

Nils Hast

**Why invest in this fund?**

Through the equity fund ODIN Eiendom, you can also participate in the value creation occurring in the Nordic real estate market. The aim is to generate a competitive return relative to the risk in the companies we invest in. General fluctuations on the stock exchange will affect the pricing of the portfolio. As we see it, these fluctuations are often significantly greater than the value of the properties. In such cases, we try to exploit fluctuations to rebalance the portfolio.

**How is the fund positioned?**

ODIN Eiendom invests primarily in commercial real estate, but also in some residential property in the Nordic market. All investments are in listed companies which own different types of property, such as offices, hotels, shopping centres and warehouses. The fund has the most square metres in warehousing/logistics, but offices also account for a significant proportion, and these segments together account for more than half of the portfolio. Retail, housing, hotels and other areas are also represented. Geographically, more than 80 per cent are in Sweden, with more than 10 per cent in Norway and Finland. We try to spread the portfolio within the different countries, and we have exposure everywhere from northern Sweden to Stureplan in Stockholm. We look for companies that have shown good growth and returns on capital over time, combined with low financial risk, good prospects and preferably a low price for the shares in relation to earnings and cash flow.

Read about the ODIN model here >>

First, the bond market has reopened to real estate companies. During the winter and spring, credit spreads in the commercial real estate bond market have fallen sharply. The bond market, which is an important source of financing for several real estate companies, has been unattractive and even closed during the sharp rise in interest rates over the past two years, when credit premiums have been several times higher than premiums for secured bank financing. The bond market has now opened, and credit premiums have shrunk significantly. Today, bond financing is very competitive with bank financing, and for investment grade companies, credit spreads are at the same levels as in the secured bank market. Developments have been very positive in the Swedish bond market but have been more lukewarm in the euro market. However, this may have changed as Sagax issued a bond of EUR 500 million at a fixed interest rate of 4.39 per cent at a maturity of 6 years (credit premium of 1.55 percentage points) in the euro market at the end of May.

Point two has also been ticked off, as we have now probably seen the peak of the interest rate hike cycle and already seen the first interest rate cut in Sweden and the euro zone. This creates visibility for the companies, which can now broaden their focus from just strengthening their balance sheets to also looking at transactions and project development. Overall, companies have fared well through the dramatic rise in interest rates. Interest expense is the largest cost item for a real estate company (34% on average of rental income for our companies) and with an increase in the variable interest rate from close to zero to over 4%, this has really "eaten" up the companies' cash flows.

Finally, we have also seen improved activity in the commercial real estate transaction market. In 2023, the transaction market decreased by 60% compared to the previous year. So far this year, transaction volumes have increased by 22% (total volume €9.3 billion) and although lower than in 2022 and the peak year of 2021, it is a clear improvement compared to last year. Data points come in that show that yield levels are approaching an equilibrium level between buyer and seller expectations. Since the peak in the first quarter of 2022, prime yields have risen by between 1-2 percentage points in the largest Nordic cities.

This means that we have solved two and a half of our three main points, and we are well on tack to being able to tick off all the points during the year.

Prospects

We have a positive outlook on the Nordic real estate sector going forward. All other things being equal, falling interest rates will result in stronger cash flows as early as this year, but also for 2025 and 2026. This means that companies' earnings per share will increase without the companies making large investments. At the same time, falling interest rates and improved financing conditions in the bond market open up opportunities for the start of projects and possible transactions. Project economics are starting to look better, but material costs and raw material prices are still at high levels, putting pressure on project margins.

We are monitoring the underlying segments in the real estate sector and believe that the segments will continue to diverge and envisage that logistics and industrial properties will continue to perform better than other segments. We are more cautious when it comes to office properties, especially with a large proportion of B and C locations in the portfolio.  Statistics show that tenants are reducing their space in the office segment and moving to central locations (prime areas). Office properties in the largest Nordic cities therefore see increasing vacancies in areas outside the city centre (so-called B and C locations) coupled with continued good demand and activity in central locations. 30% of the fund is exposed to office properties and we prefer companies with good locations but who in addition are proactive and work closely with their tenants.

# ODIN Eiendom B EUR pr 28.06.2024

## Fund facts

| | |
|---|---|
| Portfolio Manager | Nils Hast |
| Manager Since | 14.08.2020 |
| Fund inception date | 24.08.2000 |
| B-class inception date | 14.09.2021 |
| Management fee | 1,00 % |
| Annual fee (Last year) | 1,00 % |
| Sub/redemption fee | 0 % |
| Benchmark (Index) | VINX8600NO |
| Fund structure | UCITS |
| Bloomberg Code | ODOEBEO NO |
| Investment profile | Actively managed all-cap fund |
| Minimum subscription | 100 000 EUR |
| Fund Size | 295 mill EUR |

## Risk Statistics (3 Years) EUR

| | Portfolio | Benchmark |
|---|---|---|
| Active Share | 0,43 | |
| Sharpe Ratio | -0,26 | -0,28 |
| Standard Deviation *) | 42,29 | 37,42 |
| Alpha | 0,51 | |
| Beta | 1,12 | |
| Tracking Error | 7,40 | |
| Information Ratio | -0,10 | |
| Risk Level | 6 (of 7) | |

*) Standard Deviation is based upon monthly volatility.

## Market Cap (bn NOK)

| | |
|---|---|
| 100-500 | 7,92 % |
| 20-100 | 44,83 % |
| <20 | 46,68 % |

ODIN Eiendom is an institutional equity fund unit trust that invests in listed companies that are mainly operating on the real estate market. They must originate from or have their head offices in one of the Nordic countries. This fund entails a different risk compared to other unit trusts, as it is exclusively exposed to property.

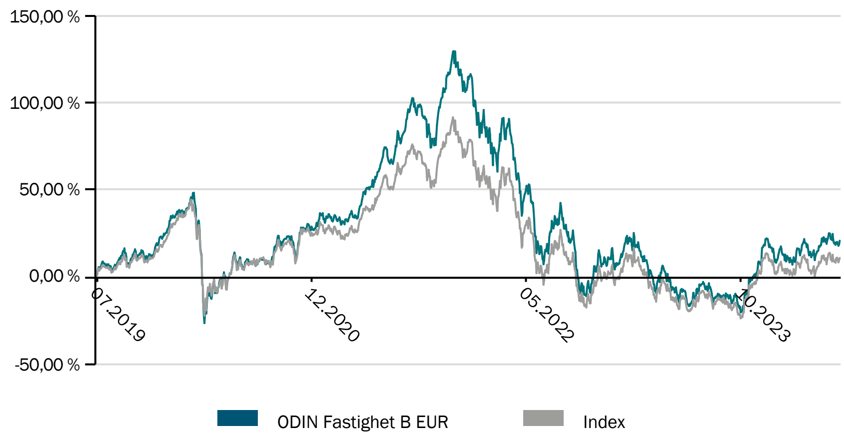
Please note that the historical return is not a guarantee of future returns. The future return will among other things depend on market developments, the manager's skills,the fund's risk level and the costs of buying units and managing the fund. The return may be negative as a result of share losses.

## Historical Return % (EUR)*

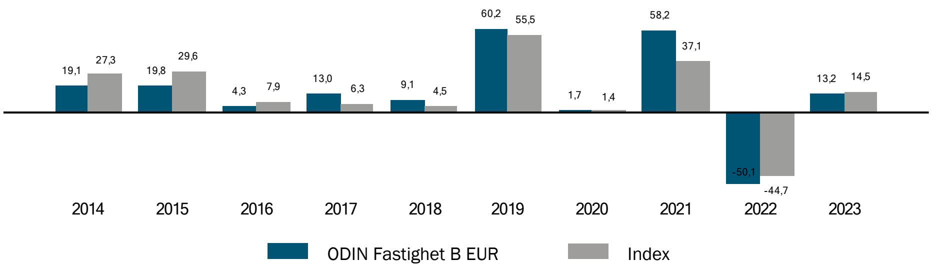
| | MTD | YTD | 1 Y | 3 Y | 5 Y | 10 Y | Since inception |
|---|---|---|---|---|---|---|---|
| Portfolio, annualised | -1,03 | -0,69 | 40,60 | -9,81 | 3,88 | 9,13 | 13,61 |
| Benchmark, annualised | -0,41 | -1,97 | 34,96 | -9,56 | 2,13 | 8,66 | 10,58 |
| Portfolio, accumulated | - | - | - | -26,74 | 21,02 | 139,47 | 1 989,75 |
| Benchmark, accumulated | - | - | - | -26,12 | 11,14 | 129,44 | 998,67 |

* Returns for periods exceeding 12 months are annualized. Accumulated returns are total return for the period. Returns prior to the share class inception date are based on calculations from the fund's oldest share class, taking into account the management fee in each share class.

## Portfolio Return Last 5 Years % (EUR)




## Calender Year Returns % (EUR)




## Top 5 Contributors last month (EUR)

| | |
|---|---|
| Balder B | 0,32 % |
| NP3 Fastigheter | 0,21 % |
| Pandox | 0,11 % |
| Swedish Logistic Property B | 0,08 % |
| K-Fast Holding AB ser. B | 0,05 % |

## Top 5 Contributors YTD (EUR)

| | |
|---|---|
| Pandox | 0,69 % |
| FastPartner A | 0,51 % |
| NP3 Fastigheter | 0,49 % |
| Nyfosa | 0,49 % |
| Nivika Fastigheter B | 0,43 % |

## Bottom 5 Contributors last month (EUR)

| | |
|---|---|
| Fastighets AB Trianon ser. B | -0,33 % |
| K2A Knaust & Andersson B | -0,29 % |
| Nivika Fastigheter B | -0,20 % |
| Nyfosa | -0,18 % |
| Diös Fastigheter | -0,13 % |

## Bottom 5 Contributors YTD (EUR)

| | |
|---|---|
| Castellum | -1,05 % |
| Fabege | -0,85 % |
| K2A Knaust & Andersson B | -0,59 % |
| K-Fast Holding AB ser. B | -0,53 % |
| Wallenstam B | -0,41 % |

## Top 10 holdings 28.06.2024

| | |
|---|---|
| Castellum | 8,54 % |
| Sagax B | 7,92 % |
| Balder B | 7,68 % |
| Nyfosa | 7,31 % |
| Swedish Logistic Property B | 4,74 % |
| NP3 Fastigheter | 4,67 % |
| Stendorren Fastigheter B | 4,32 % |
| Catena | 3,93 % |
| Fastighetsbolaget Emilshus B | 3,75 % |
| Wihlborgs | 3,62 % |

## Geographic Allocation 28.06.2024

| | Portfolio | Index |
|---|---|---|
| Sweden | 96,64 % | 83,93 % |
| Norway | 1,69 % | 6,24 % |
| Finland | 1,11 % | 4,93 % |

## Sector Allocation 28.06.2024

| | Portfolio | Index |
|---|---|---|
| Real estate | 99,44 % | 93,26 % |