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NORAMA
Norama Real Estate Fund
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Norama Real Estate Fund

An independent assessment
By Mike Foster, equity analyst at Hardman & Co

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*For further details, refer to www.norama.se

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The scope of this report

Norama Real Estate Fund (Norama Fund) has commissioned Hardman & Co to review the returns to investors and the strategic composition of the Fund. The structure was created in 2012 and the initial fund raising took place in 2013. The Fund entered its planned liquidation phase in early 2020 and cash distributions to investors were concluded in the summer of 2021.

Performance data has been provided by Norama Fund and all NAV is audited by EY, within the structure of the SICAV-SIF regime. Norama Fund was structured as a Luxembourg SICAV-SIF from 2016.

The performance of Norama Fund is assessed, including strategies employed to achieve the investment objective. We assess criteria that the team employed at point of purchase, through the ownership phase and in the liquidation phase. The expertise of the team is summarised.

We place particular emphasis on the assets under investment from 2016, when the Fund was expanded in size and recapitalised. The NAV growth, however, is shown from instigation, in 2012.

An indication of the types of underlying assets is given through worked examples of the portfolio constituents, with particular reference to the final, post-2016, phase of the Fund, when it was at its greatest quantum of investor funds invested.

Separate to our assessment of Norama Fund, we also provide a brief overview of the Swedish real estate market, with particular reference to quoted equities. This is outside the scope of our commission regarding the Norama Fund. Nonetheless, while quoted equities offer significantly different risk/reward and characteristics compared with unquoted funds, it is important to place the Norama Fund in context. We consider it to be a factor directly influencing the investor environment at the time of end liquidation.

An overview of current investment market

We provide a qualitative analysis of the current real estate investment opportunities available in the Swedish market, with particular reference to the larger quoted real estate specialists in Sweden.

Having considered the track record of the Norama Fund and the current opportunities in the Swedish real estate investor market, we assess the performance (capital and income) and the benefits vs. drawbacks to investors of securing their exposure to Swedish real estate through Norama Fund-types of investments compared with other possible investment routes.

Key summary conclusion

Strong, transparent returns and cash returned to the desired timetable

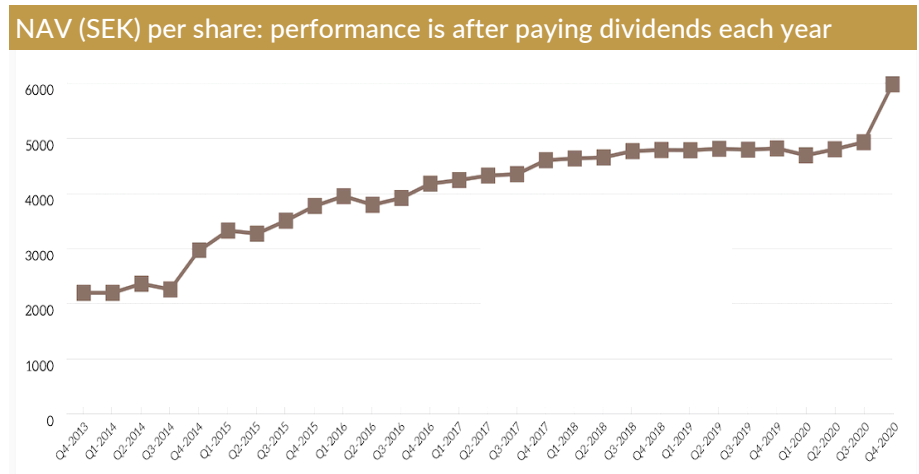
Norama Fund has provided an uplift in fund value to all investors at whatever point they invested. The initial fund raising capital call was in 2013 and the NAV per share, after a slight rise in year one, increased by 29.1% and 22.7%, respectively, in years two and three. Norama Fund exhibited a rapid rise to more than SEK700m assets under management (AUM) by 2014, reaching SEK1bn prior to the next (SICAV-SIV) stage, instigated in 2016. Investor funds have been fully returned within the anticipated timetable, showing strong profitability.

A pre-tax profit registered every quarter

Consistency of returns

Since the 3Q16 major fund raise, a pre-tax profit was registered in every quarter. A 5% p.a. cash dividend was also paid consistently on initial monies invested. 4Q20 saw a 21.2% jump in NAV per share as a result of successful offering of the portfolio for sale in order to liquidate the Norama Fund and return 100% cash to investors.

Note the jump on liquidation and also the payment of dividends throughout



Source: Norama Fund

Gearing was used but to a level that does not seem excessive or out of context for Sweden

The method of calculating NAV remained consistent throughout (see Appendix 3). However, prior to the 2016 reconfiguration as a SICAV-SIF, Norama Fund capital was split 15% equity and 85% shareholder loan (as a “unit” together). This affected the NAV calculation, based as it was on the 15% equity portion alone. LTV (loan to value) ran typically at between 50% and 60%. In the context of the market, jurisdiction and asset background, we consider this to be a normal level of gearing. Some alpha was generated by working up building zoning permits, but this was not a major investment driver, nor was any development undertaken, even pre-let. Instead, the drivers appear to have been purchasing lower-risk asset classes (offices, logistics, convenience food stores, principally) allied to strong tenants with lower-risk covenants.

We understand rental payment during COVID-19 was 98% on contracted schedule and this typifies the successful targeting of the lower-risk-profile assets. The delayed 2% was received in full. Norama Fund also exhibited some geographical concentration to higher-growth conurbations, although this was not exclusive and a pragmatic approach was taken to individual or small-portfolio acquisitions.

Attractive exit premium

An excellent execution of liquidation, generating a portfolio premium cash value

The whole portfolio was sold, to two separate buyers with one JV between them. This generated in itself a rise in NAV of just over 21% in a clean all-cash payment. There is evidence of modest asset disposals in the run-up to the liquidation process, resulting in an efficient, concentrated management footprint.

Swedish quoted real estate stock trades
at a 46% premium

Alternative investment vehicles

The Swedish commercial real estate market is one of the strongest in leading nations, as measured by inward investment as a proportion to GDP. It has shown some non-correlation, or low correlation to many other global real estate markets. This is evidenced not only by performance, but also transaction volumes, which were particularly resilient through the 2011 Eurozone crisis. This has provided a generally stable background to investors and including real estate sector, stock-market-listed corporate entities, which have a track record of rising NAVs. Indeed, the large majority even saw NAV rises in 2020. However, the median top 10 Swedish quoted real estate stock trades at a 46% premium to historical NAV per share.

Norama Fund: key summary conclusions

- ▶ Wise strategic positioning by management – for example, ruling out malls and hotels from the 2012 inception.
- ▶ Good tactics focusing on propitious geographical clusters in strong growth locations.
- ▶ Strong lifetime increase in NAV per share, consistent dividends, trebling seed investors' money.
- ▶ Clean 100% cash exit to investors, with buyers paying a portfolio premium for successful efforts by Norama Fund management to put together a consistent and strong asset set. Indeed, the third-party advisor for the memorandum of sale at the end of the Norama Fund life pointed to the sustainable and robust cashflow of the portfolio.
- ▶ The success of the strategy – backed by deep local knowledge and contacts – would appear to be repeatable as it was created by specific actions, which would be viable also in the near future. By this, we make no comment regarding returns, but do consider the value-adding management inputs to be repeatable.
- ▶ Viable, attractive alternative to other vehicles. For example, most quoted vehicles trade at a fluctuating premium to NAV and private equity funds may not provide appropriate mechanisms for liquidation customised to investor requirements. Direct investment requires specific expertise in transacting and managing assets.
- ▶ The strategy of assembling a lower-risk portfolio, growing rents steadily, buying well and exiting at a portfolio premium would appear to be repeatable. The focus was on strong and sustainable cashflows from tenants.
- ▶ The management team has strong local connections (see page 16).

Executive summary

2012 launch, several follow-on raises, the largest raise being 2016

Investor interest and the successful divestment

Norama Fund was launched in 2012 and secured investor interest in 2013. Subsequent raises were secured. There was the greatest quantum in the 2016 follow-on equity raise. The Fund entered its planned liquidation phase in early 2020 and cash has been returned in full to investors as of summer 2021. The full liquidation was efficiently achieved at a premium to revalued book values, through a series of sub-portfolio disposals, principally to Swedish-based purchasers.

Trebling investor money in under nine years

The performance and the managers' investment approach

Hardman & Co calculates that Norama Fund's NAV uplift at full liquidation was 171% vs. the 2013 launch, and was achieved at an all-time high for Norama Fund NAV. Adding dividends paid out raised the return to an estimated 206%, a more than trebling. The Norama Fund was run in a tax-efficient manner. The acquisitions were undertaken in a careful, controlled way, designed to secure attractive net initial yields and to invest the Fund into assets that produced reliable income and were likely to prove attractive to investment buyers at the exit phase. Significant NAV uplift was achieved through the full liquidation phase. Liquidation returned investor assets fully in the form of cash.

At the outset, the Norama Fund stated it would not invest in retail malls or hotels

There has been a bias in the portfolio to offices and logistics with strong exposure also to local convenience food retail stores. At the outset, the Norama Fund stated it would not invest in retail malls or hotels, a strategy maintained throughout. Residential asset investment was not part of the remit, but we conclude significant asset premium value was achieved at exit. This premium was secured through acquiring yielding assets, which had further opportunities to create value through site redevelopment. Significant elements of this redevelopment would be to residential and these assets were presented to buyers in a manner that tended to facilitate the buyers' subsequent development of the site.

Good quality income streams bought well and, generally, not traded on for quick profit

The importance of local expertise

Most importantly, in our mind, is the demonstrable fact that local connections provided strong assets, with net initial yield as high as 9%, thus demonstrating that they were acquired at attractive, sometimes very attractive, price points. Most acquisitions were off-market. Further, the asset class and the geographical strategy have proven well founded. Management has evidenced a location-based strategy, weighting the portfolio to selections of cities with good growth prospects and with assets available at attractive yields.

Lot size typically under £10m; proper due diligence and acquisition selection requires significant hands-on attention

Norama Fund's management strategy was to acquire office, warehouse, health care and public use real estate assets in southern Sweden. The main areas were Malmö, Helsingborg and Växjö. Management has indicated its investment decisions were based on location, tenants, rent levels, property quality and portfolio efficiency.

The lot size was typically under £10m and many assets had one or two tenants. Such a situation, in terms of acquisition due diligence and in monitoring ongoing tenant requirements and covenant strength, requires significant local expertise. The outcome has proven successful, as judged by NAV growth, regular dividends at around 5% invested funds and the successful investor exit.

Norama Real Estate Fund

Swedish market tends to be resilient, meaning that buyers need to have an extra “edge” and not just rely on market swings through cycles

Swedish quoted equities tend to be expensively rated in a global context, as a result

The Swedish real estate market, equity and lending characteristics

The Swedish market has some points of correlation with international markets but not in all respects. Specifically, at the opening of the Fund, in 2012, Sweden was still being negatively influenced by the Euro debt crisis' peak of 2011. In addition, at the point of expanding the Fund, in 2015, a major domestic Swedish owner-operator of real estate found itself in a position whereby it was attractive to execute sale and lease back transactions with Norama Fund. At that time, the good contacts between Norama Fund and the listed Swedish real estate major, Catena, also provided attractive investment opportunities. Further again, a characteristic of the Swedish banking and bond finance is and was the availability of debt finance at attractive cost to real estate operators, not least “green bonds”, which feature on the balance sheets of the majority of the top 10 quoted Swedish real estate majors.

This situation provides, currently, an attractive background to Swedish real estate investment and nearly all the top 10 quoted Swedish real estate majors' share prices trade at above (in many cases, significantly above) stated NAV. We expand on the relevance of this to Norama Fund in this report and speculate that this may serve to constrain the enthusiasm of some investors, who might seek both to invest at NAV (rather than enter at a premium via quoted shares) and also have a set exit strategy (as did the Norama Fund). The Fund liquidated smoothly, in a timely fashion, with no “tail” of assets dragging on the valuation and it achieved well above stated NAV.

Norama Real Estate Fund

Sweden: a liquid, global real estate market

The Norama Fund remit was exclusively related to Sweden. The Swedish real estate market is well established, liquid and accessible via direct investment or quoted equities. The Greater Copenhagen area (which encompasses Malmö) is ranked tenth globally by JLL for real estate inward investment as a percentage of local GDP. Stockholm ranks thirteenth. This report assesses Sweden's top 10 real estate equities, by market capitalisation.

Regulation, Norama Fund terms, tax

As of 27 July 2016, Norama Real Estate Fund S.C.A (registered AIF) was converted to a regulated SICAV-SIF, authorised by the Commission de Surveillance du Secteur Financier (CSSF) and subject to the Luxembourg Law of 13 February 2007 (SIF Law). The data below, we understand, relate specifically to the 2016 (onwards) formation of the Fund. This is not to say that the data and characteristics did not apply before.

Fund terms, management, advisors and administration

Norama Real Estate Fund, terms and facts

Start date	2012-08-21	NAV (SIF)	Quarterly
Currency	SEK / EUR	Fund Manager	Norama Alternative Investments AB
Minimum investment	1,250,000 SEK	Domicile	Luxembourg
Management fee	0.85% AUM	ISIN code	LU1488479830
Performance fee	20%, 7% Hurdle rate, HWM	Depository bank	TMF Fund Services (Luxembourg) S.A.
Subscription fee	0-3%	External Auditor	EY
Annual coupon	5% (Paid quarterly)	Internal Auditor	PWC
Exit	5-8 years	Regulatory authority	CSSF Luxembourg/FI Sweden

Source: Norama Fund

Authorisation was received from Finansinspektionen on 7 March 2016 for Amenea AB (later named Norama Alternative Investments) to be AIFM. Finansinspektionen is the Swedish financial supervisory authority.

Subscription fee not levied

No subscription fee was charged (see table above, terms provided for a fee of between 0% and 3%).

NAV

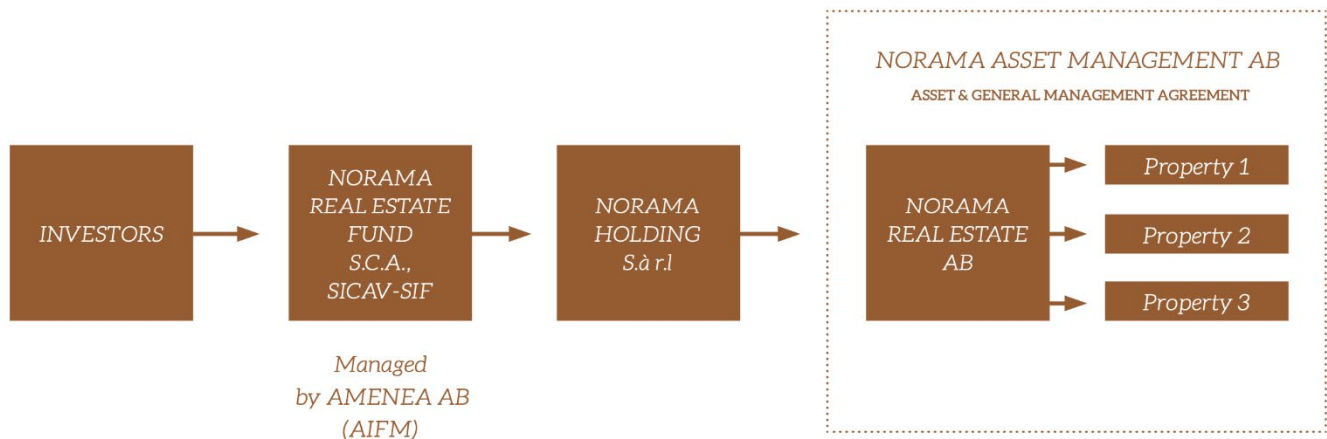
Fund NAV was derived quarterly from independent external valuations and, under the 2016 SICAV-SIF structure, was audited by EY under the regime of Luxembourg SICAV-SIF regulated funds.

Tax

Luxembourg SICAV-SIF.

Below is the structure from 2016 when the Fund became a SICAV-SIF. Prior to 2016, it was structured as an S.C.A.

Norama Fund holding structure



Source: Norama Fund

The main fund, Norama Real Estate Fund S.C.A. SICAV-SIF was additionally invested into by:

- ▶ Norama Fund GP S.a.r.l.; and
- ▶ Norama Alternative Investments AB (see following chart).

Bond holders invest or take collateral into Norama Real Estate AB.

Asset acquisition process

See the section entitled *Norama process*, below, outlining the structures into which acquisitions were placed and the format and checks and balances on the decision.

Investment objective and execution (2012)

Asset class objectives and selection

Hardman & Co's understanding of the positioning of the Norama Fund from its inception was that the decision was taken by management not only to seek strong covenants – we shall return to this point – but also asset classes, which were less exposed to the macroeconomic problems clarified by both the General Financial Crisis of 2008 and the Eurozone crisis subsequently. Therefore, management took the decision to exclude retail, and especially retail malls. Hotels were also avoided, but retail warehouse was more exposed to “staple”-type purchases and was not excluded from the remit. In addition, the team's expertise and network – it appears to us on investigation – were in the office, warehouse, light industry and the residential segment, which gave it an enormous advantage in negotiating deals and financing. Residential is a different type of investment and, certainly, individual or multi-family open market rental was not in the remit.

The importance of the team being experienced in the region, with deep connections in its own right is clear. This is perhaps especially the case as the southern Swedish investment market, while it is liquid, is not the largest of global market regions. A case in point is the coming together of strategy, timing and tactical opportunity. The

team deliberately concentrated on specific geographical areas, favouring those. The philosophy was always to acquire secure income streams in locations tending to have growing populations, but with an added extra, be that additional yield at the entry price or asset management or future development opportunities.

Geography

We provide further detail on these location-related objectives elsewhere. Management has focused on population growth nodes where possible.

An example of off-market portfolio acquisition (2015)

Practical application of strategy and contacts

At the time of liquidation, and for most if not all of the life of the Norama Fund since 2015, the largest tenant was KF Göta (Co-op).

Sometimes, strong income streams can be bought at attractive yields, in this case 9.15%

Convenience food stores provide secure income and, in 2015, the Co-op in Sweden, for operational reasons, was in need to ready finance. A large number of stores in strong locations became available off-market to Norama Fund, which was able to perform to completion, and the Fund acquired several at net initial yields in excess of 9%, a remarkably attractive entry level. Further, rents were set at moderate levels initially.

At fund liquidation, Co-op was the largest tenant. It also benefitted from a WAULT somewhat longer than the 4.0-year average, at 5.3 years (in the portfolio sale memorandum). Comprising 8.4% of total rental income, Co-op is owned by KF Göta, a federation of consumer co-operatives, revenues of which stood at SEK36bn in 2019.



Source: Norama Fund

Norama Fund allowed to select assets from a wider list

This portfolio of grocery stores in the Fund was secured off-market through management contacts with KF Göta (Co-op), via one of the founders. Co-op Sweden had financial issues in 2014. KF Göta is a long-established and large operator. It is the fifth-largest Co-op association in Sweden. In 2014, it chose to review its financing opportunities and came to the conclusion that the most suitable alternative was to dispose of some of its properties. KF Göta emphasised keeping the transaction away from the public domain, as this might have had a reputational impact with its customers. The nature of the transaction gave Norama Fund the possibility to be more aggressive in terms of negotiating the lease agreements and the share purchase agreement at the time of the acquisition, 12-year contracts were signed with a rent well below the market rent for this type of property. Also, Norama

Fund was entitled to select purchase of eight out of a total of 49 properties owned. The initial return for Norama was 9.15% on lowered-rent lease agreements. This closed in 2015.

Naturally, this is only one part – nevertheless, an important and successful element – of the positive financial returns of the Norama Fund. These positive financial lifetime returns were well spread between properties. To put it in context, we list in Appendix 2 the entire portfolio at the point of liquidation.

Stated investment aims (2016)

Same objectives reiterated and emphasising the interest in fast-growing regions in southern Sweden

Norama Fund raised additional capital in 2016 and, in its November 2016 investor presentation, it stated its aims. This ties in with, but is distinct from, the Private placing Memorandums issued and provides investors with an overview. The focus was stated by Norama Fund as being “acquiring and developing commercial real estate assets in strong and fast-growing regions in southern Sweden with remarkable potential.” The managers would “continuously look for opportunities to generate increased cashflows through rental revenues and capital gains from property transactions.” The properties acquired and the statements made accompanying official Norama Fund announcements and presentations highlight income sustainability and lower-risk asset classes and tenants. Hardman & Co concludes that this and other decisions made were designed to enhance the sustainability of the assets’ performance and directly to encourage a “portfolio premium” effect at liquidation.

Overall, in 2016, Norama Fund stated that it expected: ca.40% acquisitions to be bilateral, often bank-driven; 40% strategic seller, maybe intergenerational or private equity; and 20% through intermediaries, not only brokers.

Asset class split

Asset class split 2020	
Asset class	%
Warehouse/industrial	35
Office	28
Retail warehouse	17
Grocery (typically smaller convenience food)	9
Other (e.g. care, residential, restaurant, garage)	11

Source: Hardman & Co Research

The table above illustrates the asset class split in the 2020 portfolio. In our view, it illustrates the strategic decision – taken in 2012 – to focus on lower-risk asset classes. This is interesting in that the investment background in 2012 was immediately post the Euro crisis and it might have seemed attractive to secure exposure to recovery assets or funds. This was not the approach taken. There has been “recovery” positioning through acquisitions, which, at times, were from bank-led vendors seeking cash. Retail in the table above includes zero for retail malls and zero for high-street shops.

Geography-based selection

Malmö 44%, Stockholm nil

Norama Fund’s acquisition focus has been southern Sweden: Malmö rather than Stockholm. There has been a diversification of asset class, as illustrated in the table above. Geographical diversification has not been a feature of Norama Fund. The managers have formed a strong view on location and executed acquisitions on that basis. No assets were located in greater Stockholm. Malmö commercial real estate yields have generally been somewhat higher and it is enjoying strong connectivity to a large and vibrant conglomeration of cities. It is connected to Copenhagen by a bridge-tunnel and the 79 municipalities in greater Copenhagen comprise 4m inhabitants, six commercial airports, 14 universities (source: International Society for

the Performing Arts) with 160,000 students, 47,000 in Malmö itself. The OECD indicates this region – the Øresund, primarily branded as Greater Copenhagen – comprises 27% of Danish and Swedish GDP combined, greater than the 25% combined population and therefore a higher GDP per head. The EU Commission selected the Øresund cross-border region as “a best practice for Euregional cooperation” (source: Matthiessen, Journal of Transport Geography, quoted in Econstor EU). The population is rising at ca.1.2% p.a. (source: World population review).

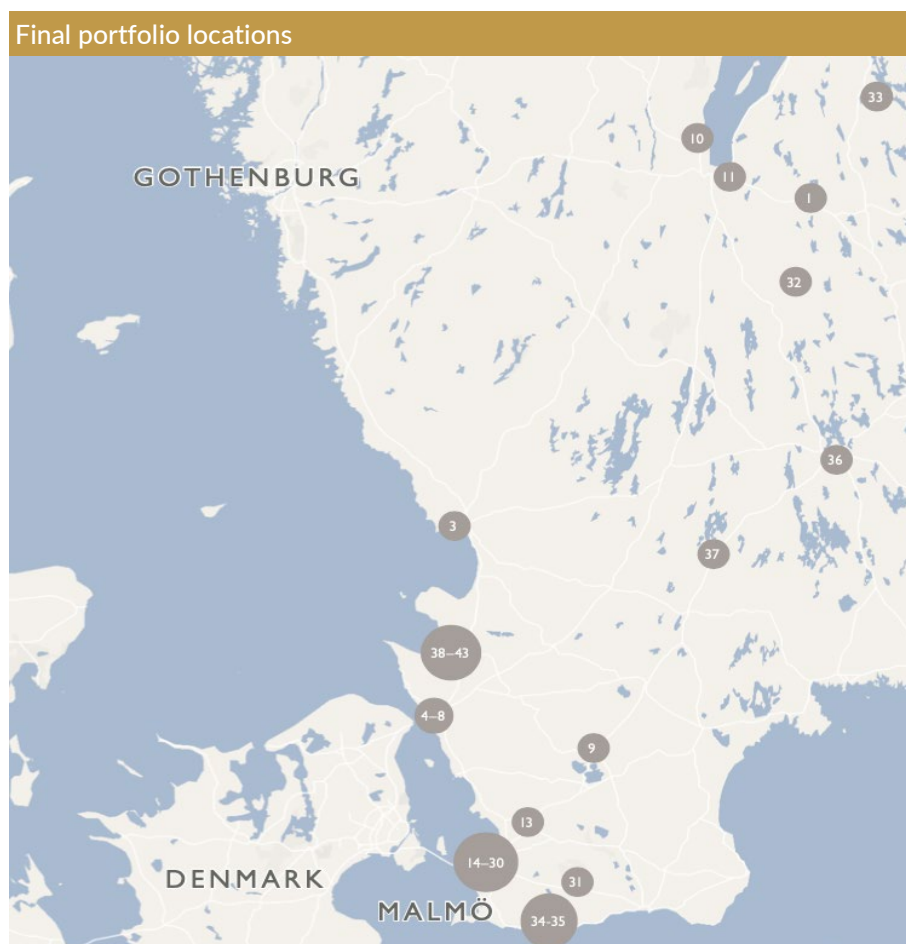
44% of the end-portfolio rental income derived from Malmö assets. The focus was on regions with greater population growth than the Swedish average of 1.0% p.a. The weighted average population growth across the Norama Fund portfolio was 1.2%, although it is notable that this Norama Fund premium results entirely from the higher growth in Malmö.

Helsingborg and Växjö

Helsingborg and Växjö, also in southern Sweden, were similarly identified as target regions. These regions exhibited population growth of 1.7% since 2015 and 1.1% growth from 2010 to 2014 (latest figures), respectively, (sources: Wikipedia and Population.city). Asset class investment was diversified, but, in these two regions, convenience food retail was a core element. Retail (largely food) comprised ca.40% of investment in these regions, with industrial assets not much lighter as a share of the total. In Malmö, the focus was more on industrial, but with still more than half in other categories.

Town-based convenience grocery stores inland

All the inland properties on the map below, bar one, are convenience grocery stores.



Note: In addition, two assets were located in south east Sweden. Source: Norama Fund

Malmö was an important investment decision within this location-driven strategy and there were careful assessments of the best locations for the Fund's life. The opportunity was taken to build a stable portfolio in Malmö, exhibiting stable cashflows. These became a major element in the Fund and other strong assets retained. During the portfolio's final year, some properties were sold. These were located on the outskirts of the geographical area. The geography of the portfolio was an important element of both the ongoing management but also, in a different way, at its liquidation.

For more details on the quarterly performance data since Norama Fund achieved SICAV-SIF status and for more detail on the final portfolio, see the following section.

Building rights potential

We highlight that the main criteria appear to have been:

- ▶ rental income streams sufficient to satisfy the pledge at fund-launch to pay an annual 5% cash dividend;
- ▶ locations and asset classes with sustainable growth; and
- ▶ additional returns from buying well and/or from asset management uplift.

Management uplift derives from the type of standard lease re-gears and covenant-enhancing tenant finding, but also from a further characteristic.

10 (over 20%) sites with building rights

The Investment Memorandum of sale (2019) listed 10 sites with building rights. These totalled 24,700 sq. m., of which the large majority was residential. Management identified 10,500 sq. m. developments on two sites as being "very attractive." In addition to these 10 sites, three additional sites offered significant potential for near-future building rights. Typical site cover by buildings was between 20% and 30%, a level which usually indicates scope for further development.



Source: Norama Fund

The new zoning plan was one of several finalised in 2020.

Liquidation – Fund characteristics

Catella Corporate Finance advised...

Catella Corporate Finance advised in the portfolio disposal, which has now been completed and all warranties extinguished at no cost.

Attributes of Norama Fund at commencement of liquidation process (2019)

The Investment Memorandum produced by Catella highlighted:

...it was able to quote strong characteristics of the portfolio

- ▶ Attractive management volume, creating an attractively sized platform investment to the buyer
- ▶ Sustainable cashflow from the 49 properties
- ▶ Good diversification within the stable income criteria
- ▶ Organic growth potential within existing leases for rent increases
- ▶ Property management efficiency growth potential
- ▶ Importantly, the development potential from existing building rights, many “worked up” by Norama Fund

In order to secure the real value of the assets, Swedish lease agreements are typically linked to an index (generally, a consumer price index). This was also applied to the lease agreements in the portfolio of the Norama Fund.

Conclusion

It is our opinion that the Norama Fund’s strategic positioning, from inception, was designed to add to the attractiveness for ultimate exit, a liquidation that was always envisaged within a set timeframe.

We note the jump in value between the last externally assessed NAV and the ultimate exit price achieved a few months later.

We give further details of this strategic positioning in a following section of this document, but consider it to be a fundamentally important aspect of the management of Norama Fund and one which stemmed directly from management decisions at the time of building the portfolio.

Management

Investment team, Norama Fund

Stefan Axelsson: Director, Norama Alternative Investments. Partner and director of Credelity Capital AB. Partner, MD of several companies, e.g. Prodevo, Fredslyckan AB, St Petri AB. Extensive advisory roles within major Swedish real estate groups. Master of Architecture and Company Leadership Training, Lund University.

Martin Mildner: PM, Norama Alternative Investments. Former MD for Fastighets AB Runstenen and AB Albert Karl. Board member of Mildner Family Office.

Mats Nilstoft: Director and managing director of Sundet Industrier AB. Director at Mustang AB and Laitis Handels AB. Former director of Dagon AB and Midway Holding AB.

Lars Rosvall: Extensive experience from the real estate industry as a property owner, managing director, financial manager and group controller. Former director of Klöver AB (publ.) and Dagon AB (publ.). Director of Backahill AB.

Roger Stjernborg Eriksson: Director, Norama Alternative Investments. Former managing director and CEO for the listed real estate company Dagon AB (publ.) and bank manager/business manager at Sydvästra Skåne, Swedbank. Additional experience as a credit manager at Swedbank.

Stefan Wilhelmson: MD, Norama Alternative Investments. 15 years of experience in private equity and almost 30 years in the financial sector. Former managing director and partner of Auda International and, before that, various management positions with SEB/Enskilda and Unibank/Nordea.

Management and board in Norama Alternative Investments

Stefan Wilhelmson: Managing Director.

Martin Mildner: Portfolio Manager.

Kjell Rudsby: Chief Operating Officer. More than 25 years of experience in the financial sector. Former managing director and board of directors within various Swedish and international security institutes and fund companies.

Petra Ranger: Compliance Officer. 15 years of experience in banking at Sparbanken Öresund, e.g. credit management, business lawyer (Bachelor of Law).

Anders Acebo: Board of directors. Extensive experience as head of Listing and Surveillance at NASDAQ OMX-Stockholm Stock Exchange and, in the course of time, also for NASDAQ OMX's all seven stock exchanges in Scandinavia and the Baltic.

Nils-Ola Omma: Board of directors. Managing Director at AB Borundan Förvaltning and several other entities.

Lars Rosvall: Board of directors.

Roger Stjernborg Eriksson: Board of directors.

Performance

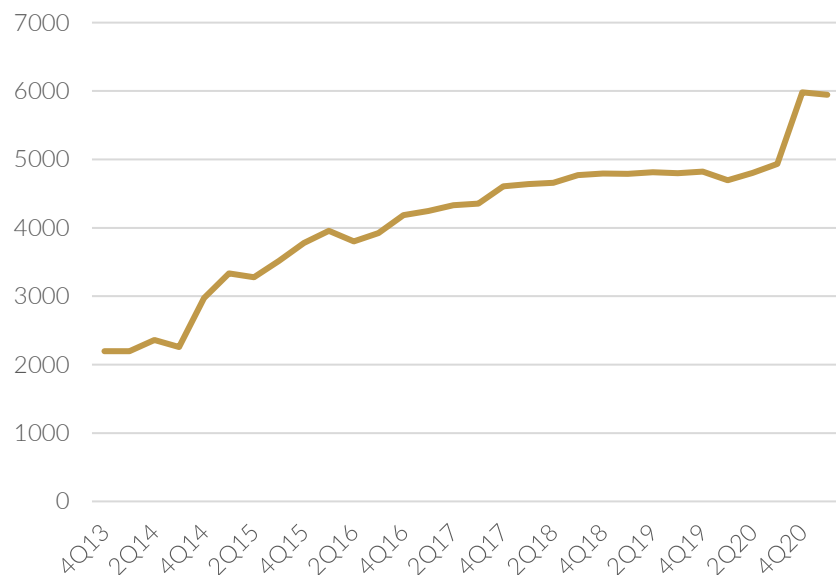
NAV performance

The audited performance of the Norama Fund NAV is set out in the chart below. In addition, a 5% annual coupon on initial monies invested was paid. The rise in 4Q20 reflects the successful process of seeking cash bids for the Fund assets.

21.2% NAV jump in 4Q20 reflects the cash sale price struck

It is important to be aware of the impact of the capital structure on NAV, however. We provide more detail of the mechanism behind the NAV calculation in Appendix 3. In summary, the investor capital prior to the 2016 conversion to a SICAV-SIF was structured as shareholder equity plus shareholder debt. Portfolio valuation uplifts were reflected in the equity portion of the capital.

NAV per share (SEK): performance to 1Q21



Source: Norama Fund 4Q20 interim report

NAV per share returns (not annualised)

NAV per share (including 5% coupon paid)	%
NAV 1Q21 as % 4Q13	270
Coupons received through the whole period	35
Total of above	305
Total investment value per adjusted NAV plus coupons 1Q21 as % 4Q13	258
All figures are including return from cash exit uplift to last external valuation	21

Source: Hardman & Co Research

We provide further background detail to the Fund's progress, but it might be noted that the Norama Fund's AUM rose to SEK998m by 1H16, at which point a further fund raise took place. As a result of that subsequent raise and of performance, the portfolio was sold at SEK2.039bn at the end of 2020.

2012 inception through to 1H16

S.C.A.-registered fund

Norama Fund was an S.C.A.-registered fund from inception in August 2012 through to 2016. The initial purpose of the S.C.A. was to establish a diversified real estate portfolio, owned by the founders and a limited number of other investors and, at a later stage, to convert the portfolio into a SICAV-SIF, which would enable a broader range of investors to be able to invest in the Fund.

The founders were the same individuals who in 2016 and onwards constituted the Fund's investment team.

The main objective of the transformation was to achieve further diversification and to decrease the portfolio's overhead costs per share. It was also to gain in the long term from having a firmer setup regarding legal requirements and operational resources.

Rapid rise to more than SEK700m AUM, reaching SEK1bn prior to the next (SICAV-SIV) stage

Norama Fund raised further capital in 2016 and in its November 2016 investor presentation it stated its historical performance. Its first investments were in January 2013. "Annual return since inception exceeds 20% on invested capital of which 5% per annum is distributed to investors."

Norama Fund pre conversion to SICAV-SIF

Year	AUM period-end (SEKm)	ROI (%)	Leverage (%)	Occupancy ratio (%)
2014	710	29.1	64	97
2015	940	22.7	63	98
1H16	998	14.3	60	98

Source: Norama Fund

Interest cover in 2014 and 2015 stood at 2.9x, rising to 3.5x 1H16.

In the table above, leverage refers to the portfolio LTV.

It should be noted that, at the time of reregistering to SICAV-SIF, investor capital treated as loans was rolled into equity, hence the modest NAV jump in 3Q16 (see the chart page 17). This jump is not a rise in real estate assets under investment.

SICAV-SIF, 2016

In 2016, Norama Real Estate Fund S.C.A., was converted to a SICAV-SIF, managed by a Swedish AIFM (Norama Alternative Investments AB).

With regard the S.C.A. Fund/AIF (pre 2016): the investors subscribed capital as a mix of 15% equity and 85% shareholders' loan.

Early investors secured the returns illustrated in the chart below, from 2013. Significant investor cash inflow took place post 2016, as illustrated below. From 3Q16 to 2Q19, total assets rose 23% as a result of growth in portfolio valuation (post dividend payout) and 65% in total, after investor funds added 34% to the 3Q16 quantum invested. These capital returns were subject to the appropriate rate of tax.

Our contention is that Norama Fund was designed to appeal to the widest range of potential purchasers at its liquidation. This included potential portfolio acquirors prepared to pay a premium to the externally assessed individual asset values. This aim was successfully achieved. See the following section of this research document.

The liquidation process 2019-2021

Catella Corporate Finance advised Norama Fund in the disposal of the portfolio. An RFP (request for proposal) was made to several property advisers and Catella was selected. The decision to run the Norama Fund to achieve an end liquidation was taken at the time the Fund's investor structure was put in place, in 2012. We refer to the detail (RFP) of the process execution, below. The board decision to enter the "Exit Phase" was taken in 2019. Clearly, this was shortly prior to any formal marketing of the portfolio. Timing was driven by the rising, strong market interest in light industrial and warehouse/distribution asset classes.

Selected portfolio constituents

Capital performance of assets held at Fund liquidation (SEKm)

Asset	Booked value	External valuation pre disposal	Agreed price	Due diligence adjustment	Exit price at asset level
Total portfolio	1,386.5	1,716.2	2,039.0	-18.0	2,021.0

Source: Norama Fund

See Appendix 2 for the full property list

The sale process entered into secured firm bids among which the most attractive were taken to final due diligence by the buyers. This was part of the agreed process pre disposal. Those adjustments took a short number of weeks and the legal sale completed post an SEK18.0m deduction.

Net liquidation proceeds

Norama Fund made an RFP to several property advisors to act as the advisor of the disposal. Catella was chosen to act as the advisor. No public announcement for bids on the portfolio took place as Catella approached a large number of potential investors and ultimately was successful in facilitating a sale.

The portfolio value post exit was subject to minor due diligence deductions by the acquirors as part of the structure agreed in the transaction and now fully finalised (see table above). The SEK2,021.0m exit price is at the asset level and pre the deferred tax deduction agreement reached between Norama Fund and the buyers (see below).

Tax

The Swedish real estate investor tax position is that deferred tax is potentially payable. According to Luxembourg GAAP, using the fair value model, a proportion of this is booked (deducted) from the NAV. We emphasise this is a deferred tax and that this tax liability would be payable only in the event the properties were sold individually, not in a portfolio-type structure. In the case of the Norama Fund exit, the assets were, as "propcos", disposed of in portfolios, so no tax was payable. Indeed, about 95% of all property transactions in Sweden are divested in "propcos". As a result, it is common for parties to a portfolio transaction to agree to an abated element of deferred tax to be deducted from the gross amount agreed.

Norama Fund's accounts reflected an allowance – a deduction in asset valuation – for a portion of the deferred tax, which potentially might be liable on the properties in a hypothetical future disposal. We have referred to this: the Luxembourg GAAP fair value model. Generally, a portion of ca.25% is deducted, and this was consistently the case in all Norama Fund accounts and NAV calculations. Note that the deferred tax is calculated as the difference between the agreed property price and the residual tax value of the property (not necessarily pari passu with the book value).

In Norama's case, 25% corresponds to SEK52,3m of the deferred tax that was booked within the Norama Fund accounts, based on the market value pre disposal (i.e. the last external valuation). The discount agreed in the disposal of the Fund's asset was 33% of the deferred tax, a greater discount and hence a negative impact on the transaction price vs. the Norama Fund's proportionate booking of potential deferred tax. Note that this was calculated as the difference between the agreed property price before the SEK18m discount and the residual tax value, total SEK91,8m. In short, the last external total property valuation was SEK1,716.2m. From this, the allowance for 25% of the deferred tax (not a cash tax due, a purely accounting number) was already deducted from the Norama Fund NAV. This can be compared with the agreed price as a result of the liquidation auction successful bidders. However, from this SEK2,039.0m, the SEK18.0m due diligence findings we have referred to were deducted. Also deducted was the SEK91.8m of deferred tax at the 33% rate stipulated by the portfolio buyers, a rate calculated on the uplifted exit price agreed. As ever, this is deferred tax. Now, though, the deduction is a cash-backed deduction, reducing the principal sum payable. Deduction of SEK18.0m and SEK91.8m from the agreed "headline" price of SEK2,039.0m equates to SEK1,929.2m as a cash consideration.

There was a net profit on the "propcos" of SEK265,3m over the last external valuation-based NAV, i.e. SEK1,929.2m-SEK1,663.9m, the latter being the last externally valued property value post the 25% deferred tax, the level used for the Norama Fund NAV calculation.

Looking purely at the uplift cash exit versus last externally valued NAV basis, the property rose 16%, even allowing for the raised deferred tax percentage calculation rate (from 25% to 33%, as part of the exit negotiations). This may be summarised in the table below, which has as a starting point the figure of SEK1,663.9m. This is the total external portfolio valuation of SEK1,716.2m minus the deferred tax portion used ongoing in the Norama Fund NAV calculation. For the breakdown of the SEK1,716.2m figure, see Appendix 2.

Capital performance of assets held at Fund liquidation (SEKm)					
Asset	External valuation post deferred tax (at fund level)	Agreed price	Due diligence adjustment	Tax adjustment agreed	Post tax exit value
Total portfolio	1,663.9	2,039.0	-18.0	-91.8	1,929.2

Source: Norama Fund

The uplift (see table above) from SEK1,663.9m to SEK1,929.2m on NAV was financially geared. The NAV uplift was 21.2%. For the NAV and also the deferred tax treatment within NAV, see Appendix 3.

Liquidation NAV boost: 21.2%

The uplift at liquidation was significant. By this, we refer to the uplift from the last independent external valuation of 3Q20 and the gross price paid for the properties by the end-acquirors.

The Norama Fund assets were marketed as a single investment opportunity but sold in four different packages to three investors. These comprised two separate buyers and one JV. The JV was between the two separate buyers and that portfolio only included the Co-op properties.

Norama Real Estate Fund

Hardman & Co highlights that geography of portfolio was crucial part of successful management strategy

During the portfolio's final year, we understand that management fine-tuned the portfolio by selling off a number of properties, which were located in the outskirts of the geographical area. Again, Hardman & Co highlights that the geography of the portfolio was a crucial part of the successful management strategy. A geographically diversified portfolio provides lower risk during the management period, but a geographically concentrated portfolio renders in higher bids when it is to be sold, as the on-ground property management then will become cheaper and be easier for any third-party to obtain.

In 1Q20, six properties were sold. These assets were divested to trim the portfolio for the planned exit at year-end as part of the strategy referred to above, in order to secure a strong portfolio premium for the remainder and the best total return for the investors.

60 non-disclosure agreements, 20 bids

As stated in the Norama Fund Interim Report for 4Q20, "Catella approached about 100 potential investors of whom 60 signed a Non-Disclosure Agreement, that allowed them to access the data room. On 7 October 2020, 20 bids were received, for either the entire or a part of the portfolio. Three bids made the final cut. Finally, one of the bids was deemed the best all over solution for the total portfolio sale. To acquire the whole portfolio Brinova and SLP, two well-known companies sponsored by some of the leading industrialists within the Nordic real estates made a combined purchase. Signing 14 December 2020; closing 30 December 2020." Catella, the investment boutique, was the sole appointed agent.

Deferred tax is payable

It was stated that the transaction consideration achieved was SEK2.039bn. This gross figure was prior to deduction of deferred tax and cost for the agreed process for managing/addressing the buyers' due diligence findings. Final deductions for deferred tax and costs for findings took the net price to SEK1.929bn. The 21.2% final uplift excludes the carried interest, a non-cash item to shareholders.

Note the Norama Fund start date was 21 August 2012 – with investment taking place in 2013 – and, as of summer 2021, it had been redeemed by its investors to 95% of the Fund's NAV, following the AIFM's instructions. The liquidation of the Fund will take place on 30 December 2021 with no outstanding vendor warranties or other wind-up costs.

Quarterly NAV progression

Each quarter, NAV is stated post dividend payouts, clearly. NAV is based on external valuers (bar the cash-backed exit value) and EY audits the calculation.

As can be seen from the chart on page 17 and data points in Appendix 3, the NAV per share dipped slightly in 2Q16 (see Appendix 1). In 2016, Norama Fund was registered as a SICAV-SIF. This led to minor accounting adjustments in line with the SICAV-SIF regime, particularly with reference to deferred tax. NAV per share also made a dip in 1Q20 of 2.6%. This decrease was due to adjustments in accounting principles, particularly with reference to carried interest, which resulted in an NAV decrease of SEK10m.

The 2Q20 NAV dipped by 3% only (post a dividend payment) and immediately recovered to levels just 1% below the all-time high. The strong implication here is that COVID-19 had no effect on the external valuation for assets.

Cost management and optimisation of structure

Property costs are an important feature of total return and management has an active input to this aspect of investment. The direct property costs totalled ca.26% of gross rental income in the period 2016 to 2020. This may seem slightly high to UK-based investors, but, by reference to typical Swedish comparables, it compares

well. The average LTV over this period was 56% and, given this includes a period when the portfolio was being marketed for disposal, it may be seen as slightly high to UK-based investors. Again, the Swedish market is somewhat different to others, including the UK, and such an LTV is – in our view – quite appropriate for the local market.

COVID-19

Norama Fund evidenced no material NAV downturn

As outlined, NAV per share dipped slightly in 1Q20 as a result of accounting changes. The underlying property value resilience is notable.

Swedish economy contracted 2.8% in 2020 vs. 7.4% Eurozone

Like other countries, Sweden was, and remains, greatly affected by the COVID-19 crisis. However, the government has provided powerful stimulus packages and:

- ▶ since Sweden went into the crisis with low levels of debt, the increasing public debt is manageable;
- ▶ Sweden avoided strict lockdowns;
- ▶ Sweden has among the highest ratios of single-person households in Europe and indeed the world; and
- ▶ in Sweden, the landlord-tenant financial aid system was arranged in a way that, in most cases, 50% of rental discounts were refunded by the government.

The decline in Swedish GDP was 2.8% in 2020 whereas the GDP in the Eurozone fell by 7.4% in the same period. By the first quarter of 2021, the GDP was back to pre-COVID-19 levels in Sweden.

Norama Fund and its tenants

Managers proactively interacted early in the crisis with all tenants. Approximately 10 tenants had their quarterly rental payments changed to monthly payments to assist liquidity and about the same number of companies had the payment for April (and in one case even May) 2020 postponed until September. Very few tenants were granted rental discounts. Some tenants were granted concessions, but, in many cases, such tenants agreed to a longer lease period. This has proven to be a common feature internationally, but it needs local, detailed expertise to execute. Longer lease periods at the exit of the Fund obviously had a positive impact on the liquidation exit price.

We understand from Norama Fund that through COVID-19, generally, 98% of rents were paid on time, compared with 99% under normal conditions.

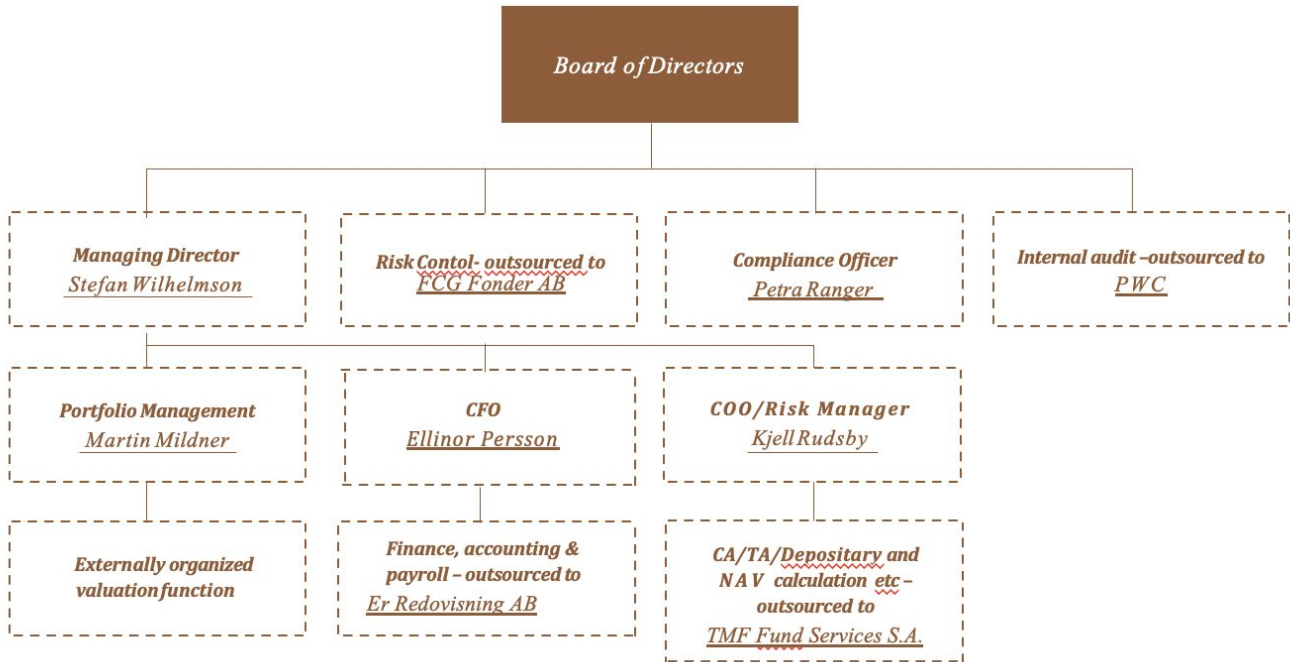
Help from demography and governmental action

We understand 98% rent paid on time during COVID-19 crisis

Norama process

The Fund advisors are as follows.

Norama Alternative Investments AB: Organisational chart

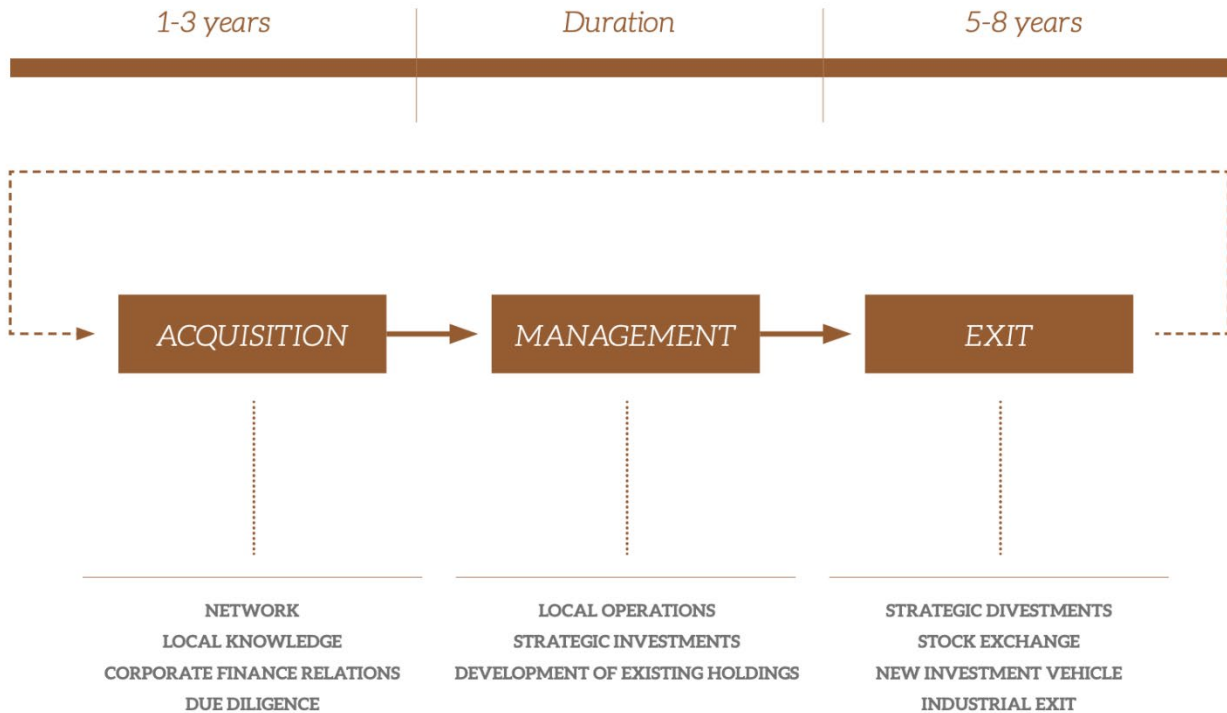


Source: Norama Fund

ESG

Norama Fund did not formally have an ESG policy in place; however, there was an ESG approach towards the businesses, since Norama Alternative Investments had an ESG policy in place. Due diligence at the point of a potential acquisition being identified included environmental issues. In turn, these included remediation costs related to contaminated land. Assessment also encompassed compliance with applicable tax laws. Due diligence also screened for the presence of specific tenants in sectors such as gambling and other excluded types.

Acquisition, management and exit strategy



Source: Norama Fund

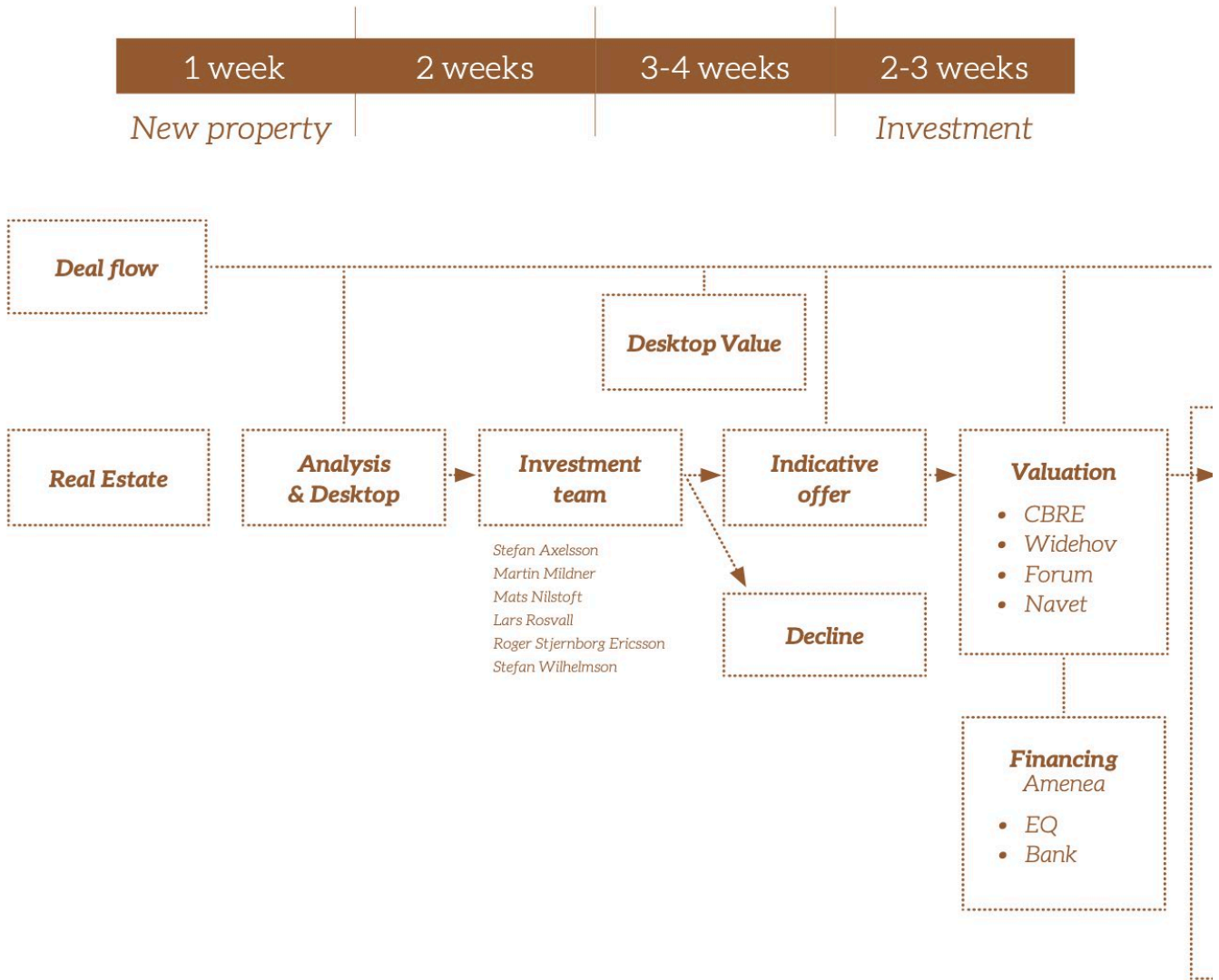
Norama Fund summarised the acquisition process, which we reproduce in the two charts below. The first chart illustrates the journey through the valuation and financing. The second chart links on from that stage through to completion of the transaction.

We consider this to be a robust and well-understood process, which investors will recognise from other well-run real estate funds.

While Norama Fund undertook to acquire assets with development uplift potential, it is not a developer itself.

It is important to recall that the instigation of the Norama Fund saw a strategic commitment to return 5% on investor capital invested in the form of a cash dividend, which we understand was achieved, from 2013 onwards to closure; that is to say during the entire life of the Norama Fund.

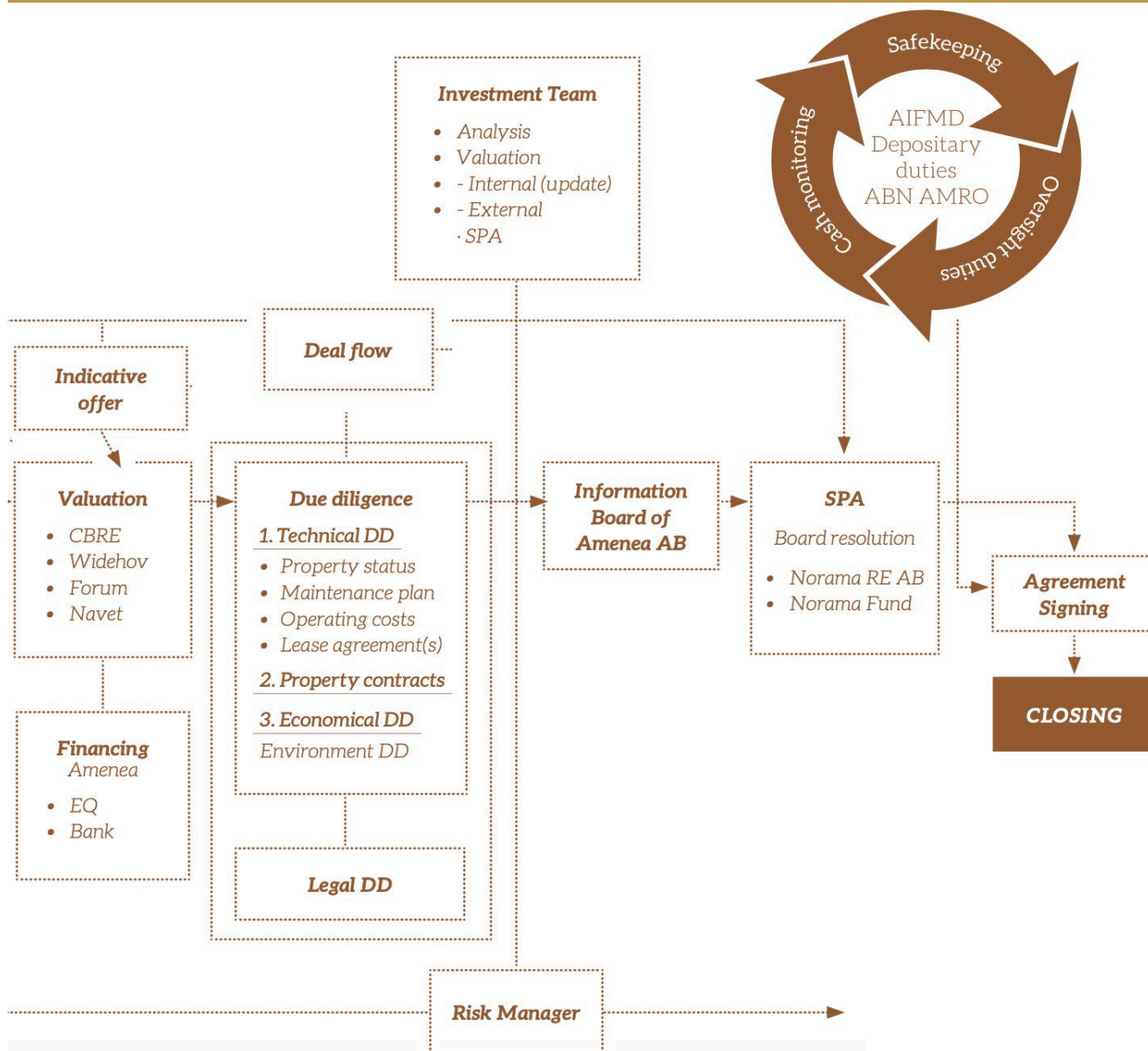
Deal flow process from identification through to valuation and financing



Source: Norama Fund

Norama Real Estate Fund

Transaction process from valuation and financing to closing and safekeeping*



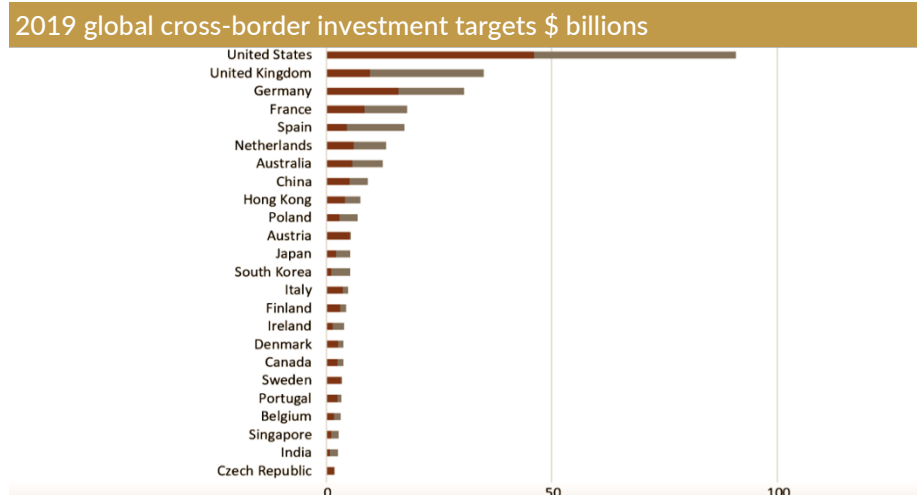
*This chart is to be read in conjunction with the previous chart
 Source: Norama Fund

The Swedish real estate market

Sweden: cross-border investment

A complex picture

The Swedish market is not highly targeted by international funds, being ranked 19th globally in terms of quantum of cross-border funds. Our data is from 2019, the last year to represent a stable market background.



A small cross-border investment quantum...

Data above is divided as Regional and Global by Cushman & Wakefield. Source: Cushman & Wakefield

Sweden ranks higher, at 11th, as a source of global cross-border capital. The 2019 ranking was US, Canada, Germany, Singapore, France, UK, China, Switzerland, Hong Kong, South Korea then Sweden. It seems Sweden is, perhaps marginally, an exporter of real estate capital. We now turn to Swedish cities as a destination of funds, this time calculated as a percentage of their local GDP.



...but a high proportion to GDP for Copenhagen and Stockholm

Source: JLL

JLL categorised Stockholm as a large “New World City” investment destination – GDP ratio based

So, on an absolute basis, Swedish cities are not globally leading real estate markets.

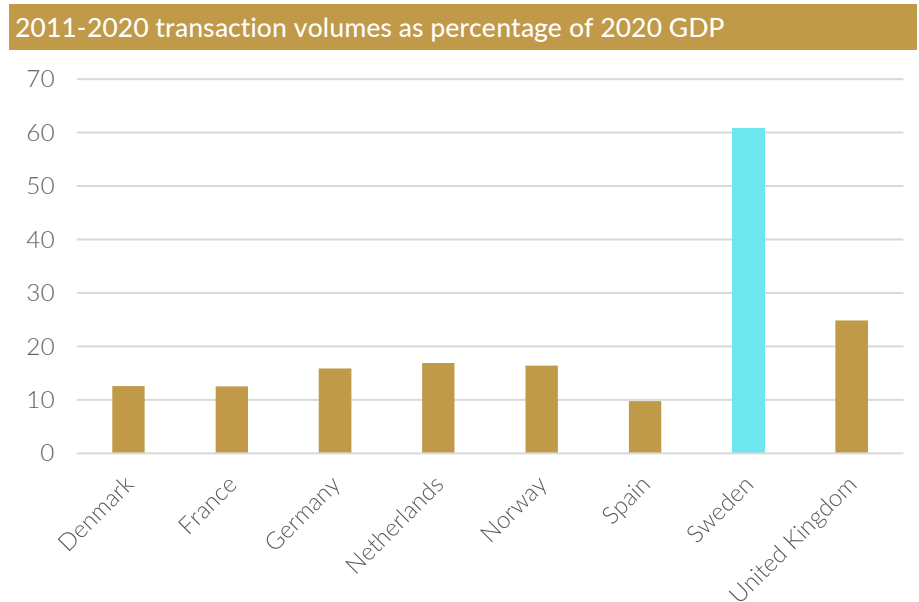
www.us.jll.com/en/newsroom/real-estate-continues-to-see-investment-at-record-levels

On a basis relative to GDP, the story for Sweden reverses, as it is ranked as a leading global real estate market. Stockholm (not a Norama Fund investment target) and Copenhagen rank highly in the global JLL “Intensity Index.” Copenhagen is relevant in the Norama Fund context as Greater Copenhagen, which is cross-border Denmark and Sweden, is an entity recognised with regards to EU funding. Greater Copenhagen includes Malmö.

Transaction volumes in each of the past 10 years support this observation. As this Intensity Index looks at investment vs. GDP, we also look at transaction volumes vs. GDP, country-wide across Europe. Taking the average volume for 2011 to 2020 (see the following graphs), the average volumes can be assessed and measured against GDP. Here, the Swedish liquidity is cast in a starker light, with a high ratio registered. See Appendix 3 for transaction data, regarding market liquidity in the various jurisdictions.

Again, based on GDP, the Swedish experience is strong

Note, the high Swedish ranking is also an outcome of solid transaction volumes in the earlier, more globally depressed period



Source: Cushman & Wakefield and World Bank

Set against this, Cushman & Wakefield, in its July 2021 cross-border report, listed Sweden as ranked only 19th per destination, globally.

www.cushmanwakefield.com.ua/en/global-real-estate-investment-volumes-reach-record-high

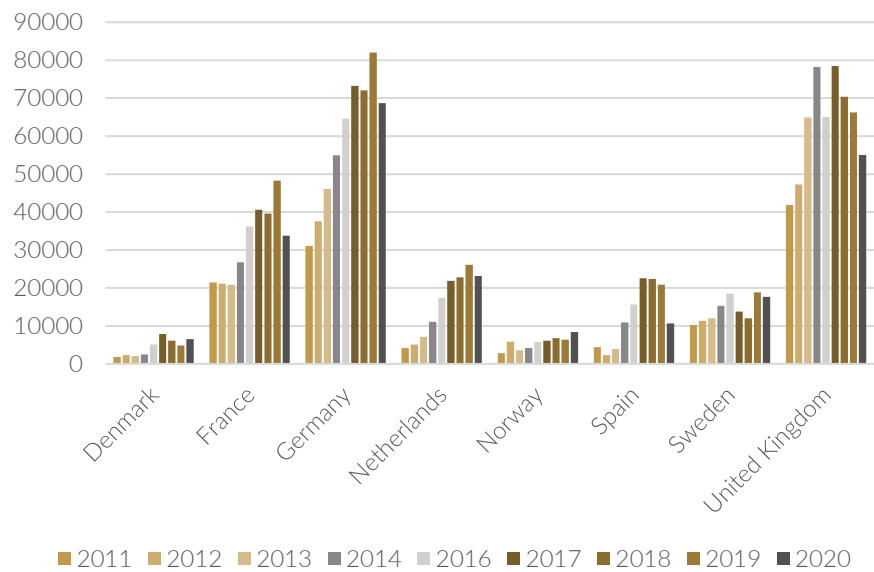
We have pointed out that Malmö is to be considered as part of greater Copenhagen and so Sweden might be considered as having exposure to two cities in the list in the chart above: Stockholm and, indirectly, Copenhagen.

Swedish real estate investment in the global context is a somewhat complex picture. The country as a whole, as per Cushman & Wakefield, is not highly ranked as a quantum. However, the Swedish economy’s GDP is ranked (IMF and World Bank) 23rd nominally and 40th by purchasing power parity. So, as a proportion of the local economy, the inward real estate investment is much higher-ranking.

Turning to the second chart, above, both Stockholm and Copenhagen are among the higher-ranking global cities for inward investment relative to GDP. There are two obvious ways to invest, directly and through quoted real estate sector investment companies. Hardman & Co concludes there is reasonably significant inward investment and much more significant inward investment as a proportion of available assets (or relevant GDP).

Swedish market liquidity

Transaction volumes per country, €m



Note the consistent Swedish strength even in the earlier years of the post-2011 Eurozone crisis period

Source: Cushman & Wakefield

We consider the table above to be very interesting, on a number of bases:

- ▶ Annual volumes in Sweden between 2011 and 2020 are remarkably consistent, certainly far more than in the much larger UK and more consistent than in other European markets bar (resource-rich) Norway.
- ▶ Swedish transaction volumes during the Eurozone crisis in the years immediately post 2011 were notably high as a ratio to more recent years. In that crisis, the graph shows that the Swedish market held up very strongly.
- ▶ Average 2011-2020 transaction volumes in Sweden are roughly the same as for the Netherlands and Spain. The ratios of Netherlands and Spanish populations vs. Swedish are, respectively, 170% and 460%. The Swedish volumes illustrate the strong liquidity given the size of the Swedish population.

Conclusion regarding demand for investment vehicles

In these circumstances, it makes sense that the investor market will be robust in terms of large portfolio acquisition and also in terms of acquisition of large real estate quoted equities.

Swedish real estate equities as a route for investment

The table below comprises the 10 largest Swedish real estate quoted equities, ranked by market capitalisation.

Norama Real Estate Fund

Generally high or very high share price premiums to NAV per share

The most important detail for the purposes of this research report is the ratio between the share price and the NAV per share.

Naturally, the larger premium of NAV to share price will tend to be reflected in higher market capitalisations and this indeed is the case, as illustrated in the chart below.

The important point for the purposes of this research report is that all of the top 10 stocks, bar one, trade at a premium to NAV.

Sweden's larger quoted real estate sector stocks

Quoted company	4 November 2021 market cap. SEKbn	4 November 2021 share price SEK	End-2016 share price	End-2017 share price	End-2018 share price	End-2019 share price	End-2020 share price	Latest NAV SEK/share	Latest share price/NAV
Sagax B	102	336	46	52	77	141	169	74.5	4.51
Castellum	63.3	233	125	140	165	221	209	220	1.06
Wihlborgs Fastigheter	32.1	208	80	98	102	173	185	154	1.36
Atrium Ljungberg B	25.6	197	142	130	152	227	168	227	0.87
Kungsleden	26.5	121	54	60	63	98	90	106	1.14
Fastigheter Partner	27.5	139	n/a	n/a	n/a	96	97	83	1.67
Catena	22.4	538	126	155	216	406	382	270	2.00
Platzer Fastigheter Hld B	14.5	145	46	51	59	111	107	101	1.44
HEBA Fastighets	10.8	144	57	55	64	84	114	97	1.49
ALM Equity	8.8	798	237	176	185	307	695	380	2.10

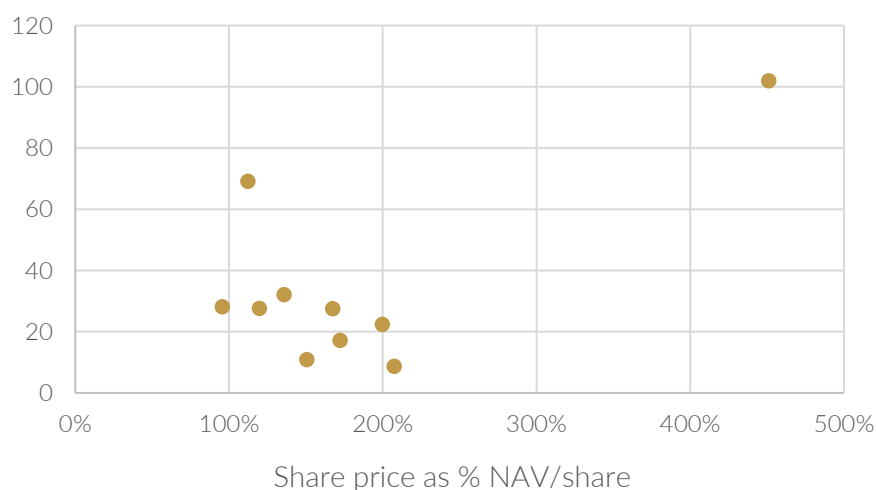
Source: Hardman & Co Research

This is not about equity price analysis – it is about how these impact on possible future fund raises

This report is not analysing Swedish equity prices. It is taking these as evidence of the underlying investor interest in Swedish real estate and in assessing the best routes for various types of investors into Swedish real estate.

In our view, there are two reasons for the share price premia to NAV, as illustrated above. One is the successful positioning and track record of the companies. Exposure to retail is low and to logistics and offices it is high. This – added to the strength of the Swedish economy – has promoted strong NAV growth. The other and – for this report – the more significant is that there is global inward investment to Sweden.

Market capitalisation (SEKbn) vs. share price ratio to NAV



Source: Bloomberg and Company accounts

Snapshot of real estate in Sweden

It is relevant to note that, at the start of 2015, STIBOR turned negative, having been 2.3% at the launch of the Norama Fund in 2012.

Currently, a pretty strong market background in much commercial real estate

M&A

A number of major M&A deals, as well as strong interest for the office, residential and logistics sectors drove record volume in 2019. Naturally, this dipped during 2020. Hardman & Co considers this M&A activity to be a significant factor behind not only real estate market confidence but in the ratings of the major stock-market-listed Swedish real estate entities. All but one trade at a premium to NAV, some at a multiple of NAV. The Stockholm prime office yield fell to 3.2%, and the Stockholm market dominated, as it usually does, with 41% of transaction volume (€8.4bn).

www.realestate.bnpparibas.com/market-research-sweden

“The office leasing market is still active, mostly with sitting tenants prolonging rental contracts. We are noticing tenants reduce their space in new leases, especially in the inner city of Stockholm. The vacancy level is still low and, outside of the city centre, in some areas even decreasing between 3Q20 and 4Q20.” (Source: Cushman & Wakefield, February 2021.)

1Q21 vs. prior year

“The real estate market is, in many senses, business as usual with the transaction figures for 1Q21 reaching SEK 40bn (in line with the strong start of 2020). Investors have a good appetite for new deals. Domestic investors have dominated real estate investment activity during Q1 2021, comprising 75% of the buyers and 90% of the sellers. Active international investors originate from the US, Germany, Norway and Japan. The most popular segments continue to be residential and industrial, together comprising approx. 60% of the total transaction volume.” (Source: Cushman & Wakefield, April 2021.)

Conclusion: Norama Fund as a market conduit

Norama Fund's strategic positioning was attractive to investors – this may well translate to future positioning

It is our opinion that the Norama Fund's strategic positioning was attractive to investors.

- ▶ Norama Fund operated in a market attractive to inward global investment.
- ▶ The Swedish real estate market – especially the quoted stocks and also Norama Fund – is biased towards stronger asset classes, such as logistics and offices.
- ▶ In this regard, as well as its response to COVID-19 social distancing measures, the Swedish market might be seen as different to – and therefore somewhat uncorrelated to – other global markets.
- ▶ Investor vehicles could comprise equities focused on Swedish real estate, but the share prices are generally at notable or significant premia to NAV.
- ▶ Norama Fund offered a (successfully executed) cash exit at a specified forward date.

Appendix 1

Quarterly returns 2016-2020, income account

Norama Fund: quarterly income statements*																		
SEK (m)	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
Rent	46.0	70.9	97.9	32.3	65.3	97.5	130.3	33.3	69.9	105.0	139.1	35.0	70.9	107.7	144.8	34.2	67.3	101.0
Costs 1	29.1	46.5	60.2	10.0	19.1	25.7	34.9	10.2	20.4	28.4	37.4	11.4	21.0	28.8	43.1	9.7	18.5	25.4
NOI	16.9	24.4	37.7	22.3	46.2	71.8	95.4	23.1	49.5	76.6	101.7	23.6	49.9	78.9	101.7	24.5	48.5	75.6
Financial				3.8	7.9	2.7	12.4	1.2	-0.7	4.7	2.0	-7.6	-3.7	-14.8	27.5	-31.1	-16.7	-2.2
PBT				15.6	33.3	44.6	69.2	12.4	21.1	43.0	54.6	3.8	21.8	27.6	81.6	-18.6	10.2	39.5

*Figures cumulate through the year, i.e. 4Q is the total of the four quarters for that year, therefore equating to the whole 12 months.

Source: Norama Fund quarterly fact sheets

.Categories above:

- ▶ **Rent:** This item includes a small amount of other income.
- ▶ **Costs 1:** This item is specifically property costs; except for 2Q16 to 4Q16, where they include all costs. The total for property costs, specifically over the 2016 to 2020 period, is ca.26%.
- ▶ **NOI:** Net operating income.
- ▶ **Financial:** This item comprises revaluations and some other (non-tax) items, including derivatives.
- ▶ **PBT:** Profit before tax. This is recorded after other non-property costs, which are not itemised separately in the table above.

We represent this table graphically, below.

Quarterly returns 2016-2020, capital account

Norama Fund: quarterly statements (Part 1 2Q16-2Q18)									
Capital account items	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Market value properties	998	1,114	1,389	1,402	1,413	1,415	1,489	1,496	1,611
Number of properties	40	42	48	48	48	48	49	49	51
LTV %	60.6	59.1	58.2	58.1	58.1	58.3	56.8	56.3	56.9
NAV	168.5	437.6	461.7	490.3	546.7	549.9	552.8	611.5	645.5
Shares	33,552	111,498	111,498	115,421	126,283	126,283	126,283	131,613	138,593

Source: Norama Fund quarterly fact sheets

In 4Q16, 200+ MSEK properties were acquired, but LTV fell. Norama Fund purchased a large property from Catena, which was taken into possession in 4Q16, but the payment did not take place until 1Q17, when the capital was raised.

Part 2 of the table above continues below, 3Q18 to 3Q20.

Norama Real Estate Fund

Norama Fund: quarterly statements (Part 2 3Q18-3Q20)

Capital account items	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
Market value properties	1,618	1,635	1,651	1,739	1,729	1,813	1,690	1,709	1,722
Number of properties	51	51	51	52	50	51	44	44	44
LTV %	56.4	54.4	53.5	53.6	52	53.6	52.4	52.1	51
NAV	661.4	664.2	718.06	721.9	719.4	759.8	735.3	754.9	777.2
Shares	138,593	138,593	149,967	149,967	149,967	149,967	149,967	149,967	149,967

Source: Norama Fund quarterly fact sheets

Quarterly returns 2016-2020, income account

Below, we represent the income statements as per the first table in this section, graphically. This data represents income per each individual quarter.

Norama Fund: quarterly income statements



Source: Hardman & Co Research

Note that quarters indicated with a P (as 3Q16P) were quarters during which real estate asset purchases were made, thus affecting the income statements as well as balance sheet.

In addition, note that quarters indicated with an S (as 3Q19S) were quarters during which real estate asset sales were made, thus also affecting the income statements as well as balance sheet.

Appendix 2

Properties held at the Norama Fund liquidation

Properties held at Norama Fund liquidation (all data SEK000s)

Asset	Asset class	City	Total market value as at 3Q20	Malmö region %	Helsingborg region %	Växjö region %	Total floor area sq. m.
Norama Industrimannen AB	Office*	Ängelholm	12,000	0	100	0	1,233
Norama Karlslund AB	Office	Ängelholm	14,000	0	100	0	781
Norama Läsidan AB	Warehouse	Helsingborg	30,000	0	100	0	7,590
Norama Fanan AB	Retail*	Halmstad	23,000	0	100	100	1,830
Norama Trivselborgen AB	Office*	Trelleborg	13,000	100	0	0	2,349
Norama Trivselborgen AB	Office	Trelleborg	33,000	100	0	0	2,849
Norama Skomakaren AB	Office	Växjö	11,000	0	0	100	1,823
Norama Mhem 10 AB	Office*	Malmö	12,000	100	0	0	1,273
Norama Mhem 10 AB	Office*	Malmö	47,000	100	0	0	7,075
Norama Hällbo AB	Healthcare	Höör	30,000	100	0	0	1,845
Norama Hällbo AB	Healthcare	Höör	0	100	0	0	0
Norama Attarp AB	Grocery	Bankeryd	28,000	0	0	100	1,869
Norama Framnäs AB	Grocery	Tranås	28,000	0	0	100	1,877
Norama Gullvivan 6 AB	Grocery	Emmaboda	23,000	0	0	100	1,847
Norama Linné 5 AB	Grocery	Älmhult	37,000	0	0	100	2,393
Norama Trumpeten 3 AB	Grocery	Eksjö	27,000	0	0	100	2,286
Norama Häljaryd AB	Grocery	Tenhult	14,000	0	0	100	1,194
Norama Hammaren 1 AB	Grocery	Sävsjö	19,000	0	0	100	1,578
Norama Fosie AB	Office*	Malmö	21,000	100	0	0	2,428
Norama Fosie AB	Office*	Malmö	20,000	100	0	0	1,595
Norama Malmö Stillman AB	Office*	Malmö	79,000	100	0	0	14,032
Norama Örnén AB	Mixed	Ängelholm	107,000	0	100	0	5,546
Norama Förmannen AB	Retail*	Ängelholm	52,000	0	100	0	8,850
Norama Körsbärsträdet 5 AB	Retail**	Ängelholm	29,000	0	100	0	3,602
Norama Körsbärsträdet 6 AB	Retail*	Ängelholm	24,000	0	100	0	3,164
Norama Nylokal AB	Office*	Malmö	64,000	100	0	0	7,273
Norama Nylokal AB	Office	Malmö	20,000	100	0	0	1,859
Norama Nylokal AB	Office*	Malmö	9,000	100	0	0	1,358
Norama Sandryggen AB	Office	Lund	167,000	100	0	0	5,266
Norama Aggregatet AB	Office*	Helsingborg	38,000	0	100	0	4,488
Norama Stridsyxan 2 AB	Retail*	Malmö	91,000	100	0	0	11,440
Norama Stridsyxan 7 AB	Office*	Malmö	34,000	100	0	0	6,429
Norama Stenåldern 6 AB	Office*	Malmö	67,000	100	0	0	4,536
Norama Flygbasen 1 AB	Office*	Malmö	21,500	100	0	0	2,756
Norama Stiggläddret 7 AB	Industry	Malmö	8,700	100	0	0	1,042
Norama Slätthög 5 AB	Healthcare	Malmö	93,000	100	0	0	4,146
Norama Fornlämningen 2 AB	Office*	Malmö	55,000	100	0	0	3,717
Norama Bronsdolken 9 AB	Office*	Malmö	29,000	0	0	0	2,566
Norama Eldkastaren 4 AB	Office*	Helsingborg	49,000	0	100	0	4,890
Norama Karlskrona Hammaren 1 AB	Retail/ Warehouse	Karlskrona	84,000	0	0	100	5,730
Norama Förtennaren AB	Industry	Helsingborg	10,000	0	100	0	1,565
Norama Förtennaren AB	Industry	Helsingborg	19,000	0	100	0	2,975
Norama Paketen AB	Industry	Skurup	74,000	100	0	0	14,871
Norama Grimskafvet AB	Industry	Malmö	50,000	100	0	0	4,230
Total	n/a	n/a	1,716,200	60.5	26.0	13.0	172,046

Notes: The SEK1.716bn value stated in the table is as of the last external valuation, 3Q20; Office* indicates office plus warehouses; Retail* indicates retail with offices; Retail** indicates retail, office and restaurant; Industry includes warehousing.

Source: Norama Fund

Appendix 3

Audited NAV per share. Note: this data is reproduced in chart form, page 17.

14.5% annual average return for original investors over the whole Fund existence

Hardman & Co calculates returns to the original 2013 investors. These are derived from NAV data provided and adjustments provided by Norama Fund regarding the pre-2016 structure.

The table below provides quarterly data, which indicate that over any quarterly period, investors received a positive total return in each and every quarter year. 5% of the original investment put in was distributed as an annual cash “coupon”, which we understand was paid quarterly and deducted from NAV quarterly. By “original investment”, we refer to each individual investor’s acquisition price. They received 5% annually on this figure, not the first NAV of the Norama Fund 2013. This affects the NAV quarter by quarter. It is very important to note that pre 2016, the structure of the investment was 15% equity, 85% shareholder-debt. This impacted NAV calculation as – we understand – the NAV is based on the 15% equity portion.

Quarterly NAV progression

Date	SEK per ordinary share
4Q13	2,195.92
1Q14	2,195.92
2Q14	2,360.86
3Q14	2,257.86
4Q14	2,973.85
1Q15	3,334.47
2Q15	3,278.59
3Q15	3,513.65
4Q15	3,779.56
1Q16	3,956.88
2Q16	3,800.06
3Q16	3,924.38
4Q16	4,183.22
1Q17	4,247.93
2Q17	4,329.16
3Q17	4,354.85
4Q17	4,607.45
1Q18	4,638.40
2Q18	4,657.36
3Q18	4,772.01
4Q18	4,792.17
1Q19	4,787.97
2Q19	4,813.48
3Q19	4,796.80
4Q19	4,820.48
1Q20	4,695.14
2Q20	4,805.02
3Q20	4,932.78
4Q20	5,980.56
1Q21	5,944.63

Source: Hardman & Co Research

Very important to note that, pre 2016, NAV was calculated on the 15% of investor “units” where the unit comprised equity and shareholder loan elements

The 4% fall in 2Q16 was accounting related, see page 21. This data is provided by Norama Fund.

NAV calculation mechanism

All NAVs are audited. EY provided the audit under the period since 2016, when Norama Fund was a SICAV-SIF.

Norama Fund capital assets were structured in two different forms:

- ▶ Inception to 2016, a Swedish fund whose investor capital was 15% equity, 85% debt. This has an important effect on NAV, see below.
- ▶ 2016 onwards, a SICAV-SIF with all investor capital equity.

Over the whole life of the Fund, the Fund itself took on bank debt, as is the norm for property investment.

Structure of capital 2013-2016 was a two-tier “unit”

It is important to be aware of the impact of the capital structure on NAV. Investor capital prior to the 2016 conversion to a SICAV-SIF was structured as shareholder equity plus shareholder debt. This can be seen as a “unit” of capital comprising investor equity plus investor debt, with NAV bearing on the equity element alone. Specifically, portfolio valuation uplifts were reflected in the equity portion of the capital. Therefore, taking in invested capital as a whole, those investors in the pre-2016 structure saw a percentage uplift in capital value (for their “unit”) less than the percentage uplift in NAV. The latter was calculated on the 15% of the investor capital ascribed to equity, 85% of the investor capital was ascribed to investor debt (clearly not bank debt) upon which there was no NAV revaluation.

We then turn from NAV movements to the movement (rise) in investors’ assets.

The impact of this 15/85% split of the capital structure is summarised below, which comprises audited data on NAV and data from Norama Fund as regards the adjusted NAV figure of 258%. It should be kept in mind that the 258% figure is a total return, including income. The calculation of this is simply the 35% of original investment received as income through the seven-year life. Returns are not calculated assuming reinvestment (i.e. accumulation units were not an aspect of this Fund). Time value of the coupon payout is not a factor taken into account within the 258% nor the annualised return calculated below.

NAV outcome 271% i.e. a 171% uplift

NAV per share returns (not annualised)	
NAV per share (including 5% coupon paid)	%
NAV 1Q21 as % 4Q13	271
Coupons received through the whole period	35
Total of above	306
Total investment value per adjusted NAV plus coupons 1Q21 as % 4Q13	258
All figures are including return from cash exit uplift to last external valuation	21

Source: Hardman & Co Research

258% total investor return, i.e. a 158% uplift taking into account the capital structure which (pre 2016) included investor loans

The 258% figure, assuming a seven-year life, equates to an annual return of 14.5%. This is a close approximation to the return achieved by the initial investors as the payout at exit was via a 95%, plus a subsequent 5%, tranche. The weighted investment time period is very close to seven years.

NAV and deferred tax treatment

Within the stated NAV is an allowance for deferred tax. All NAV figures are audited. Hardman & Co understands all NAV figures are stated post 25% of the potential deferred tax payable. A full deduction for this deferred tax accounting item is deemed inappropriate by the auditors, as the deferred tax is deemed unlikely to be payable in full.

We have outlined the tax treatment of the liquidation process, see page 19. The successful bidders for the portfolio successfully sought to apply a factor of 33% of the potential total deferred tax vs. the 25% of potential deferred tax accounted for in the NAV.

Appendix 4

Historical real estate transaction data by selected European jurisdictions.

Real estate transactions (€m)										
Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Denmark	1,851	2,295	2,094	2,530	5,360	5,138	7,868	6,124	4,846	6,521
France	21,478	21,143	20,898	26,784	36,942	36,217	40,574	39,555	48,261	33,769
Germany	31,080	37,602	46,100	54,904	74,949	64,654	73,233	72,018	81,988	68,727
Netherlands	4,208	5,093	7,147	11,093	15,114	17,409	21,861	22,798	26,127	23,124
Norway	2,798	5,857	3,615	4,138	9,627	5,799	6,101	6,809	6,354	8,412
Spain	4,398	2,324	3,937	10,905	11,818	15,611	22,538	22,386	20,852	10,674
Sweden	10,244	11,351	12,037	15,287	15,056	18,493	13,760	11,981	18,832	17,636
UK	41,856	47,234	64,928	78,232	104,866	65,102	78,426	70,409	66,244	55,065

Source: Cushman & Wakefield

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