

NRP  
Anaxo

NRP Anaxo Nordic m2  
12.12.2023

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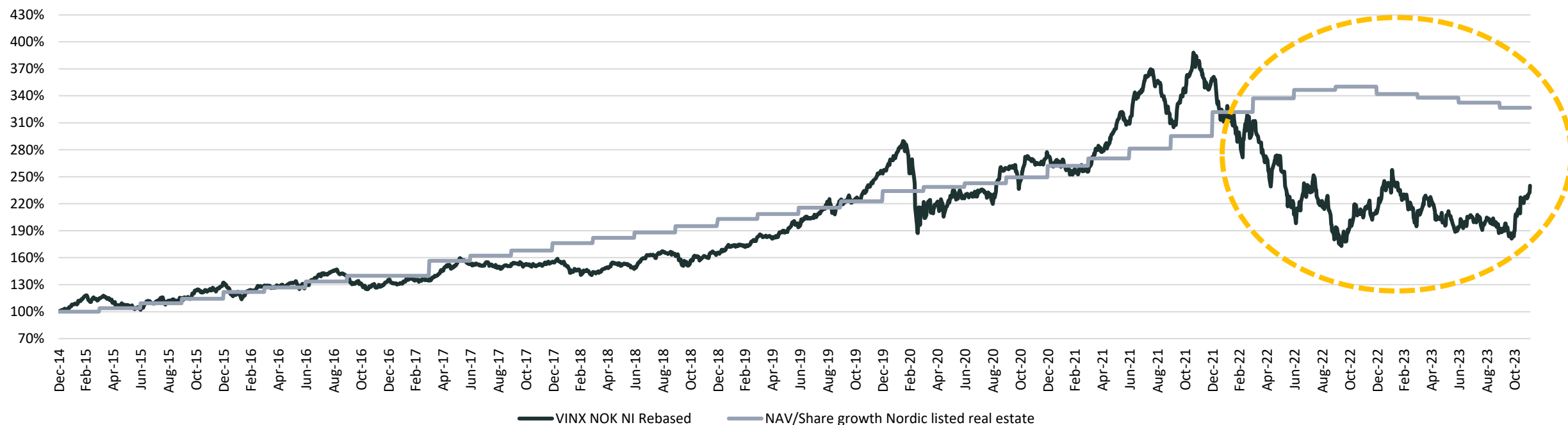
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## LARGE DIFFERENCE BETWEEN STOCK MARKET PRICING AND UNDERLYING ASSET VALUES

- The VINX Nordic Real Estate NOK NI with strong long-term correlation to NAV/share growth but with short-term volatility
- Consistent positive growth in NAV/share regardless of the different macro scenarios the last eight years (1% -7% QoQ) up to Q4 2022
- Big differences in NAV/share growth for companies in the investment universe

VINX NOK NI Vs NAV/share growth<sup>1</sup>



1) The graph shows NAV growth for the median company among the 40 biggest Nordic listed real estate companies. Based on company information and processed by NRP Anaxo Management.  
Data per 05.12.23.

## LOWEST PRICE / BOOK VALUATION LEVELS SINCE THE GREAT FINANCIAL CRISIS

- Last year's decline in real estate stocks pushed valuation down to the lowest level since the financial crisis
- Valuation below historical average
- Large discounts to NAV in the listed real estate universe while the direct transaction market seems relatively stable albeit low volumes

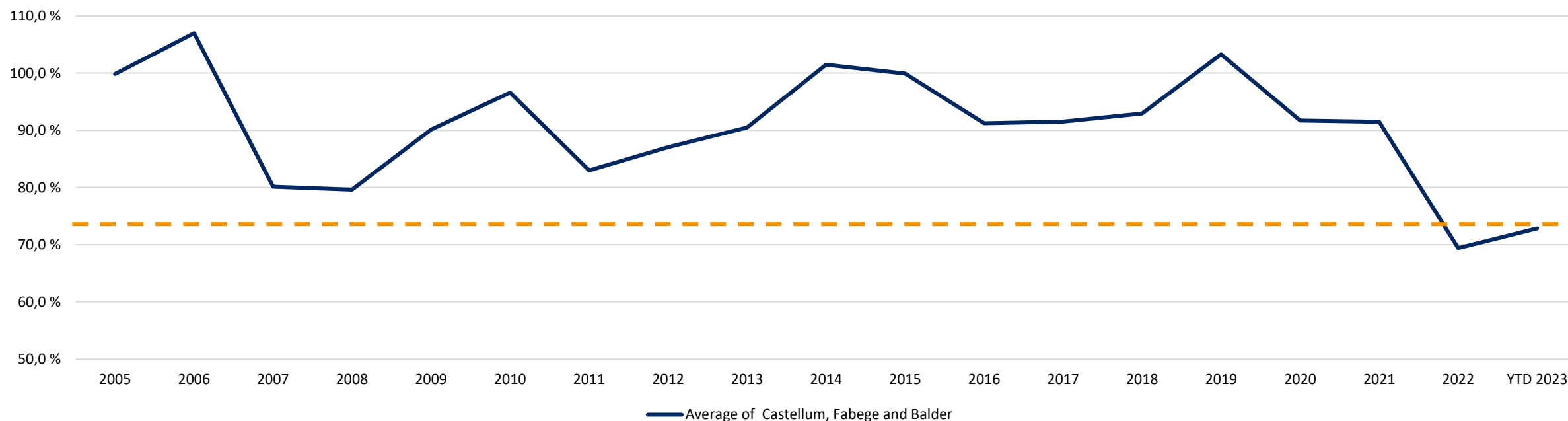
Valuation listed real estate stockprice/book value



## ENTERPRISE VALUE / GROSS ASSET VALUE AT HISTORICAL LOW

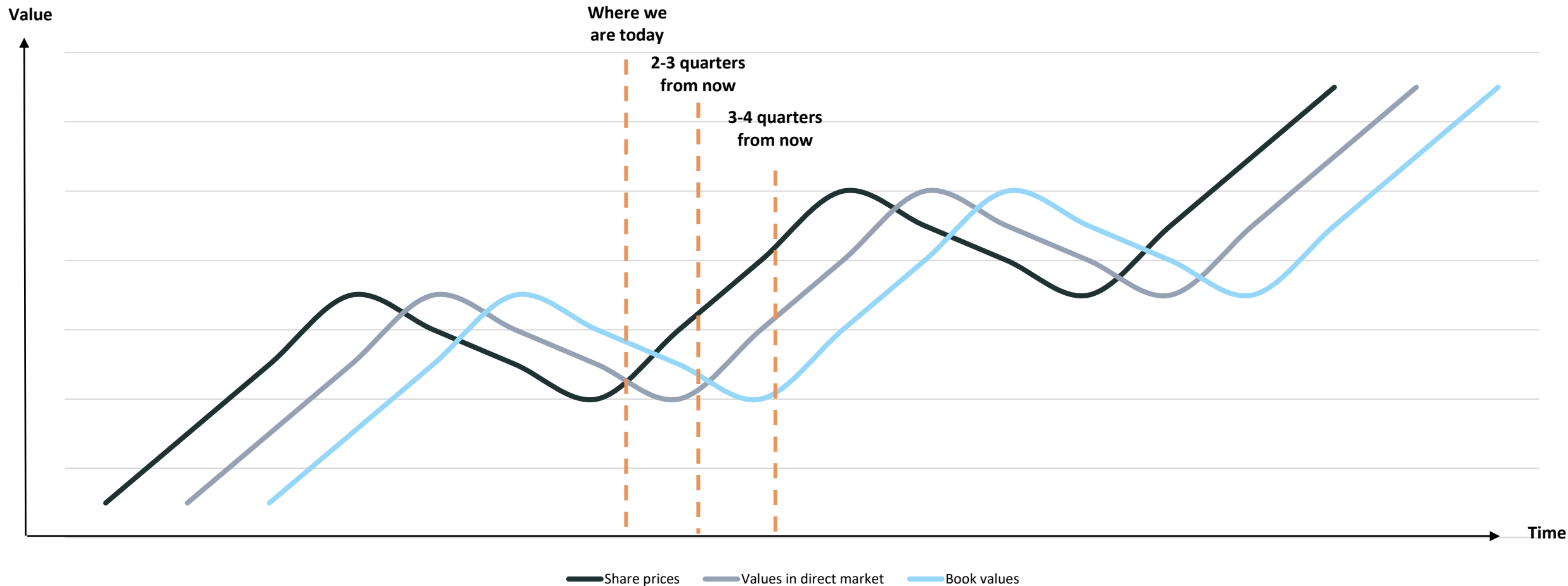
- Adjusted for net debt, the underlying asset values are valued at an historical low point for the listed real estate companies
- Loan to value has decreased gradually for the real estate companies the last 20 years, contributing to the low EV/GAV multiple
- Loan to value from ca. 55% in 2009 to ca. 41% in 2023<sup>1</sup>

Enterprise value/gross asset multiple for sector proxies



# THE REAL ESTATE VALUE CYCLE – THE LISTED SPACE IS FORWARD LOOKING AS USALLY 6-12 MONTHS AHEAD OF THE DIRECT MARKET

## Theoretical example of the relationship between pricing in the stock market, direct market and book values



Note: Only a theoretical example for illustrative purposes



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## AT A GLANCE: NRP ANAXO NORDIC M2

### Key fund characteristics



- NRP Anaxo Nordic m2 – an Alternative Investment Fund and Norwegian Domestic Fund managed by NRP Anaxo Management



- Focus on listed real estate securities and pre-IPOs in the Nordics



- Minimum subscription of NOK/SEK 2 000 000 or NOK/SEK 10 000 000<sup>1</sup>



- The NRP-Anaxo cooperation will create synergies and provide an edge for the investment manager to utilise in future investment decisions

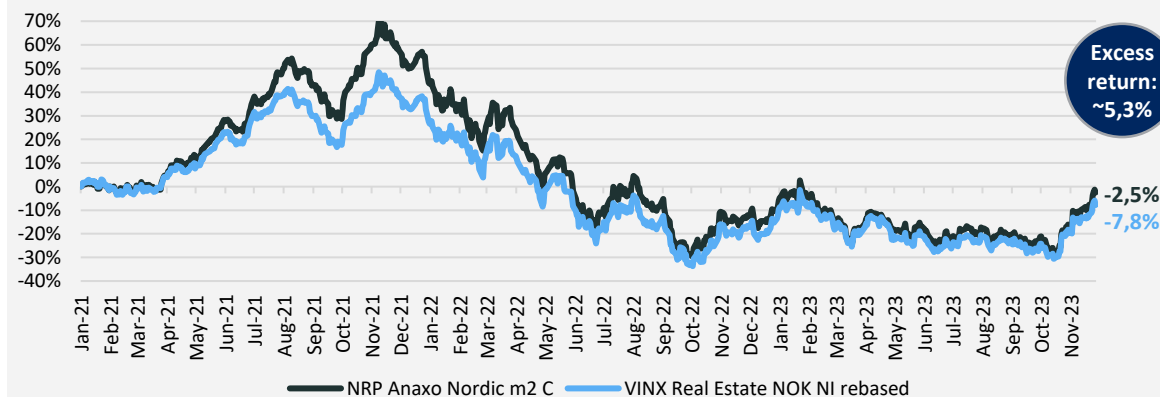


- Article 8 fund with ESG characteristics and an integrated and systematic approach to assess sustainability

### Investment mandate and allocation guidelines

- **Listed real estate securities**
  - Up to 100% of the Fund can be invested in listed Nordic real estate securities
  - Max. 20% of the Fund can be invested in European real estate securities, both listed and non-listed
  - Max. 10% of the Fund can be invested in a single company
  - Max. ownership of 20% of share or voting capital in a single company
- **Pre IPOs**
  - Up to 20% of the Fund can be invested in non-listed real estate companies with firm intentions of going public within 12 months
- **Securities fund units – ETFs, derivatives and deposits in credit institutions**

### Excess return vs benchmark since inception<sup>2</sup>



## Strong composition of real estate and financial expertise



Peter Norhammar

### Investment Manager – NRP Anaxo Management AS

- Mr. Norhammar joined NRP Anaxo Management in November 2020 and is responsible for the management of NRP Anaxo Nordic m2.
- Prior to joining NRP Anaxo Management, he was the responsible manager for **Länsförsäkringar Fastighetsfond (2016-2020)** and **Länsförsäkringar Fastighet Europa (2018-2020)**, ensuring strong performances for both funds. Under Mr. Norhammar's management, Länsförsäkringar Fastighetsfond exceeded its benchmark index with approx. 30%. Länsförsäkringar Fastighet Europa's return was approx. 17% ahead of its relevant benchmark index after 2 years. Combined, the funds had an AUM of ca. SEK 25 bn while Norhammar was manager.
- Mr. Norhammar holds experience from **Alfred Berg Asset Management (2014-2016)** as the Head of Swedish Equities while simultaneously managing **Länsförsäkringar Fastighetsfond (2015-2016)** and being the responsible manager for **Alfred Berg Fastighetsfond Norden (2014-2016)**. Prior to joining Alfred Berg, he worked as the **Chief Investment Officer for Swedish Equities at SEB Investment Management**. While at SEB, he also managed **SEB Fastighetsfond (2000-2006)**, **Ethos Aktiefond (2006-2007)**, **SEB Sverigefond (2007-2013)** and **SEB Swedish Focus Fund (2011-2013)**.
- Norhammar holds a Master of Science in Real Estate Economics from KTH Royal Institute of Technology in Stockholm. Furthermore, he is a Certified European Financial Analyst (CEFA) from the Stockholm School of Economics.

2020



#### Länsförsäkringar Fastighetsfond A

Winner of the Lipper Fund Awards for best performing fund in the "Equity Sector Real Estate Europe" during the past 3, 5 and 10 years

2019



#### Länsförsäkringar Fastighetsfond A

Winner of the Lipper Fund Awards for best performing fund in the "Equity Sector Real Estate Europe" during the past 5 and 10 years

2000 - 2006



#### SEB Fastighetsfond

Awarded with highest rating (five stars) in Morningstar

## JUNIOR INVESTMENT MANAGER



**Jacob Grouff Horn**

### **Junior Investment Manager – NRP Anaxo Management AS**

- Mr. Horn joined NRP Anaxo Management in August 2021 and is responsible for the operations of NRP Anaxo Nordic m2 and supporting the management of the fund.
- Prior to joining NRP Anaxo Management, he worked as an analyst in DNB Markets Investment Banking Division and has broad experience from various sectors, equity capital markets, debt capital markets and M&A. Mr. Horn has also worked in the Norwegian Army as a platoon sergeant.
- Mr. Horn holds a Master of Arts with Honours in Business and Accountancy from The University of Edinburgh Business school, as well as having graduated the Norwegian Army's Non-Commissioned Officer's Academy.

## INVESTMENT PHILOSOPHY

### *Active Management*



- › We **actively** select stocks we believe will outperform benchmark. Company size and its index weight is not important.

### *Long-term Investors*



- › We are patient and **long-term** investors in companies with a positive and sustainable profit development.

### *Predictability*



- › We prioritise companies that have an ability to deliver **inline with or above stated goals**.

### *Value creating companies*



- › We invest in companies with a proven ability to create shareholder value through **profitable growth**.

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## WHY REAL ESTATE?

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### Stable and growing rental income

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Robust rental income in all economic cycles due to long contract durations and diversified tenant base



### Inflation protection

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Built-in inflation hedges in the lease contracts creates real value stability



### Strong macro conditions in the Nordics

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Strong and stable macroeconomic conditions provides the foundation for growth in rental prices



### Attractive supply- demand fundamentals

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Rapid population growth and urbanisation trends increases demand for space

## WHY INVEST IN A LISTED REAL ESTATE FUND?



### Investing in value creating companies

The fund invest in real estate companies. Most of them have a critical size enabling value creation through: Strong market position, project development, M&A, property management and access to favourable financing



### Diversified and large investable universe

The fund can invest across geographies, segments, tenants and business models within the real estate universe



### Liquid exposure to real estate

Liquid exposure to real estate both for the investor in the fund and for the fund itself as it is cheap to change exposure within the space quickly

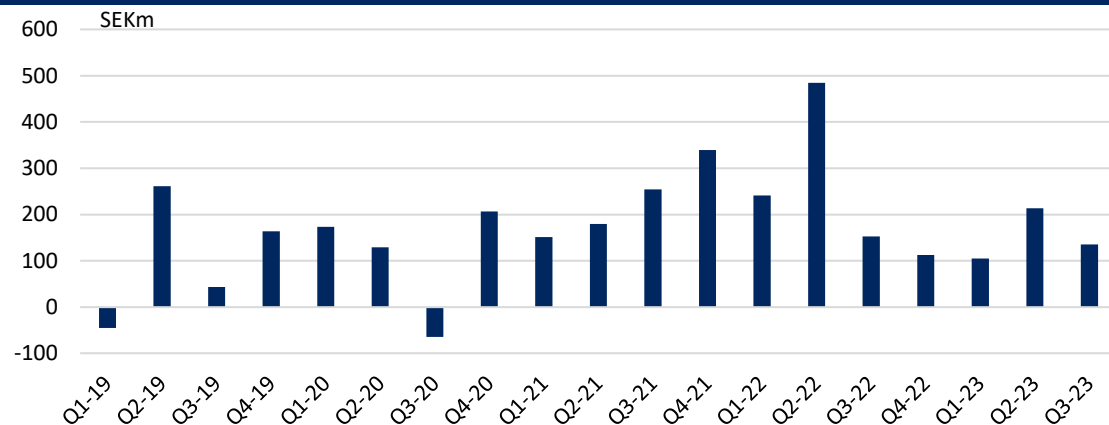


### High transparency and long track-record

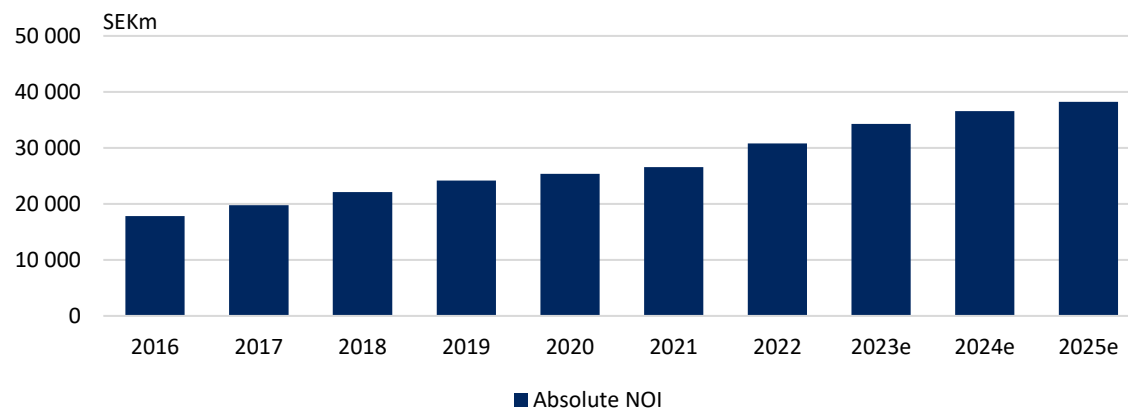
Listed companies comply with regulations ensuring transparency. This ensures comparability, governance and a better foundation for profitable investment decisions

## NO REAL ESTATE CRISIS – STABLE OPERATIONAL PERFORMANCE

### Strong and stable net letting<sup>1</sup>



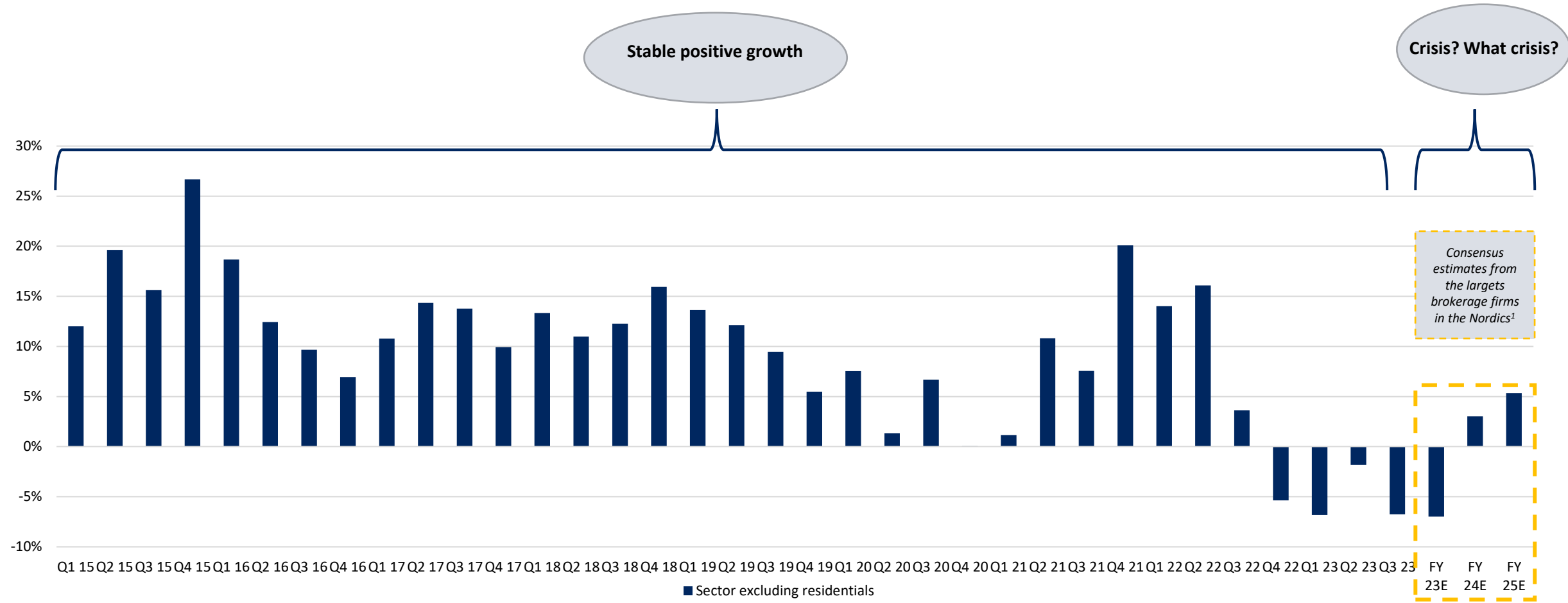
### Growth in operating income<sup>2</sup>



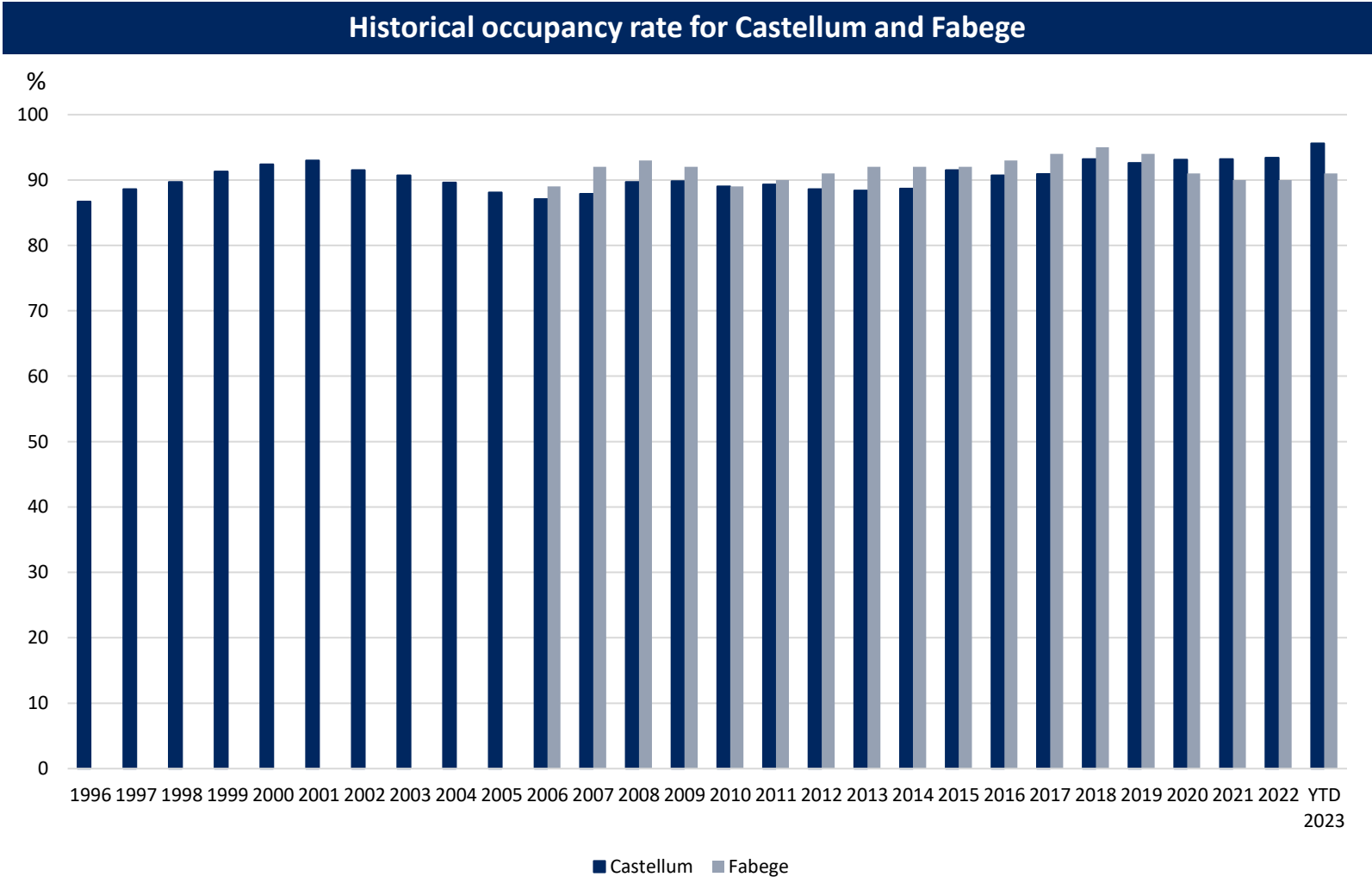
- Continued positive net lettings
- Vacancy rates remains relatively stable at a low level
- Continued growth in operating income will partly compensate for higher interest costs
- CPI-adjustments filter through across all sub-segments and geographies
- The underlying performance indicates that the current difficulties the sector is facing is tied to financing rather than operations and demand for space

ROBUST CASH FLOW GENERATION PROVEN IN THE SECTOR WHEN EXCLUDING RESIDENTIALS

Quarterly YoY growth in income from property management (profit after financials, before value revisions and tax) for the median company in the sector

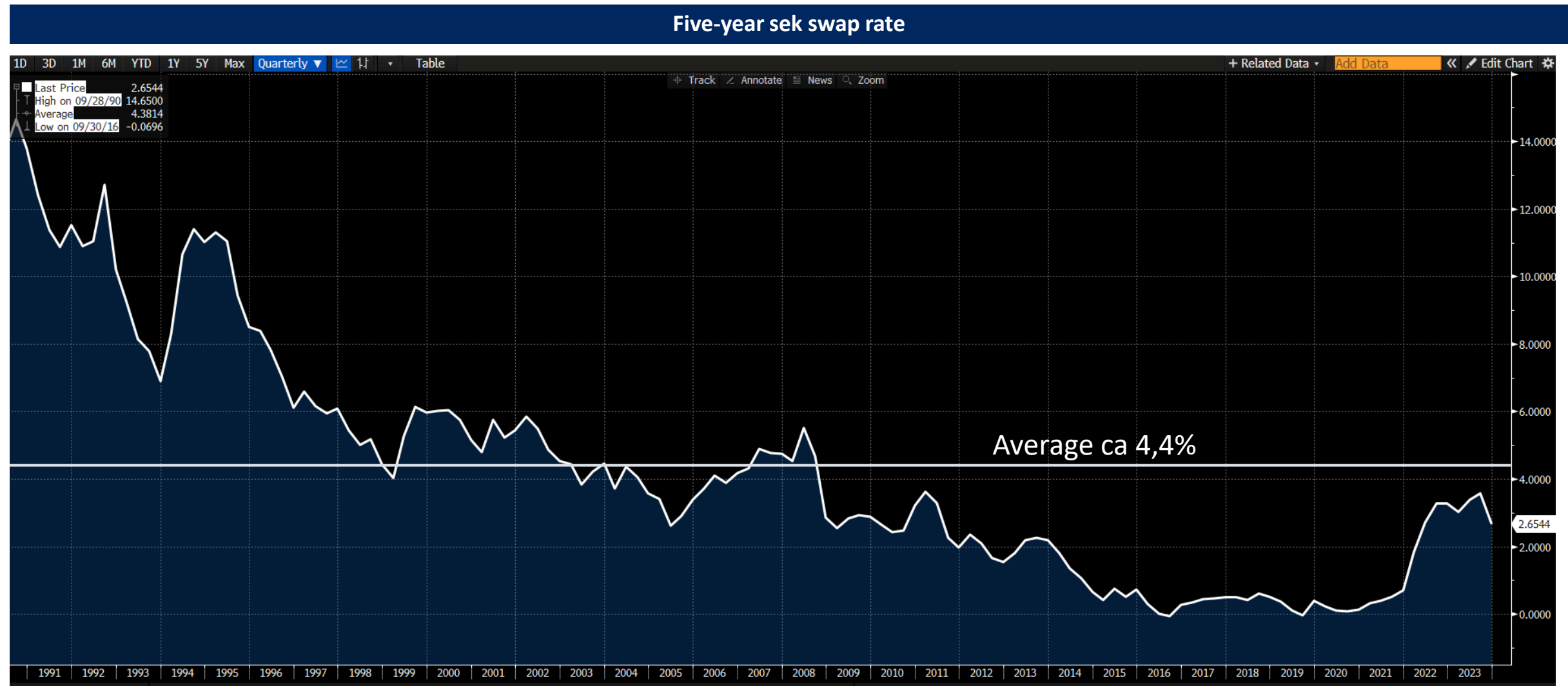


OCCUPANCY RATES HAVE PROVEN STABLE THROUGH ALL ECONOMIC CYCLES



- Occupancy has proven stable the last 20-30 years for Castellum and Fabège, which are proxies for the listed real estate space
- The companies has a wide and diversified tenants base, and are not as prone to individual tenants
- The companies have active management ensuring that space are not vacant for long, either by taking in new tenants or moving existing tenants around
- The stability of occupancy showcases the resilience of income for real estate companies through economic cycles

## FIVE-YEAR SEK SWAP RATE AT UNDRAMATIC LEVEL BELOW LONGTERM AVERAGE



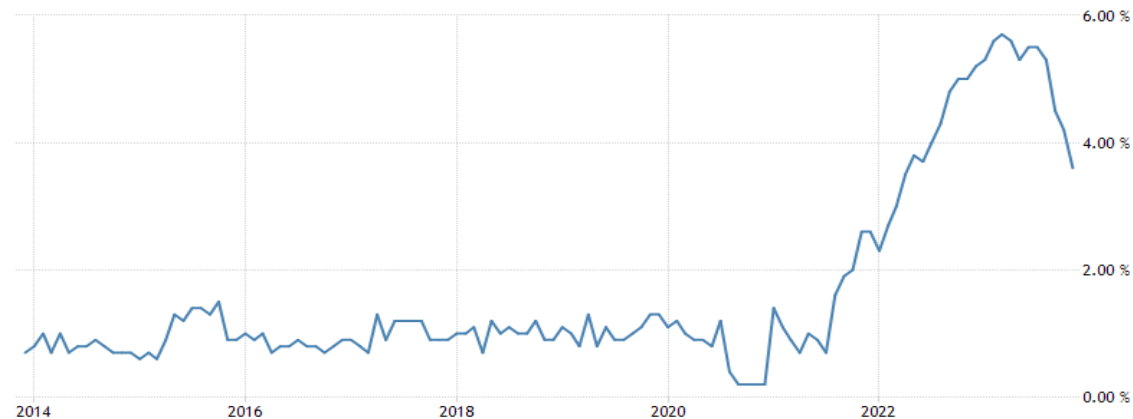


## INFLATION IS TRENDING DOWN

US Core Inflation Rate



Euro Area Core Inflation Rate



Norway Core Inflation Rate



Sweden Core Inflation Rate<sup>1)</sup>



## BOOK VALUES – HOW WRONG ARE THEY?

### Lagging book values are nothing new

- **Book values are always lagging both on the upside and on the downside**
- **Generally, companies are conservative in their accounting to avoid large fluctuations**
  - In 2018 Faberge sold assets in Arenastaden at a yield of ~3,5% while using a yield requirement of 4,2-4,4% in their books
  - In Gothenburg and Malmö, transactions were made at ~4,5% yield , while Whilborgs and Platzer used 5,0-5,5% in their books
  - In 2018-2021 assets were typically sold at premiums vs book value of 10-30%, indicating that book values were “too low”
- **Book values were not maximised going into the high inflation environment and will not be minimised when exiting it**
- **Lagging book values is nothing new for the stock market which acts excessively in both up- and downturns**

## LONG TERM OUTPERFROMANCE TREND FOR LISTED REAL ESTATE

Swedish listed real estate vs stock market						
	Current	2000 -2009	2009 -2022	2000 – 27.11.2023	2009 – 27.11.2023	2022 – 27.11.2023
5-year swap rate (SEK)	~3,1% <sup>3</sup>	~4,5%	~1,2%	~2,6%	~1,4%	2,8%
Swedish listed real estate <sup>1</sup> , annualised total return	-	+11,5%	+21,4%	+13,1%	+14,2%	-24,8%
Stockholm stock exchange <sup>2</sup> , annualised total return	-	-3,0%	+15,8%	+6,5%	+12,7%	-6,7%
Annual outperformance, Swedish listed real estate	-	<b>+14,4%</b>	<b>+5,6%</b>	<b>+6,6%</b>	<b>+1,5%</b>	<b>-18,1%</b>

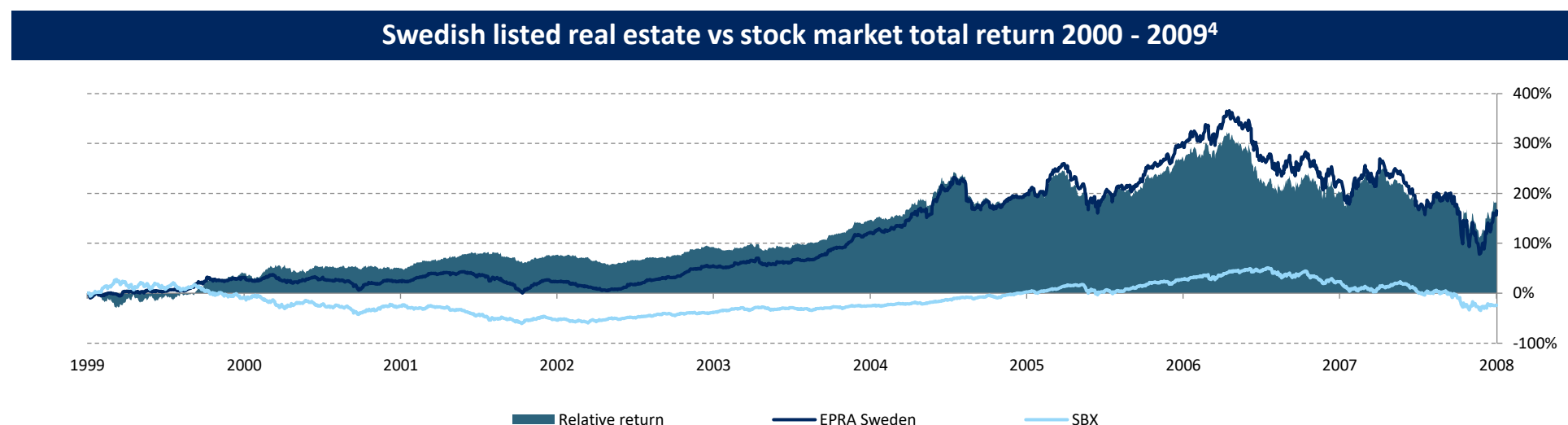
## Take-aways

1) The current interest level is not historically high. The current 5-year SEK swap rate is lower than before 2009

2) Listed real estate has generated positive returns in all periods expect for the periods with rapid interest rate increases

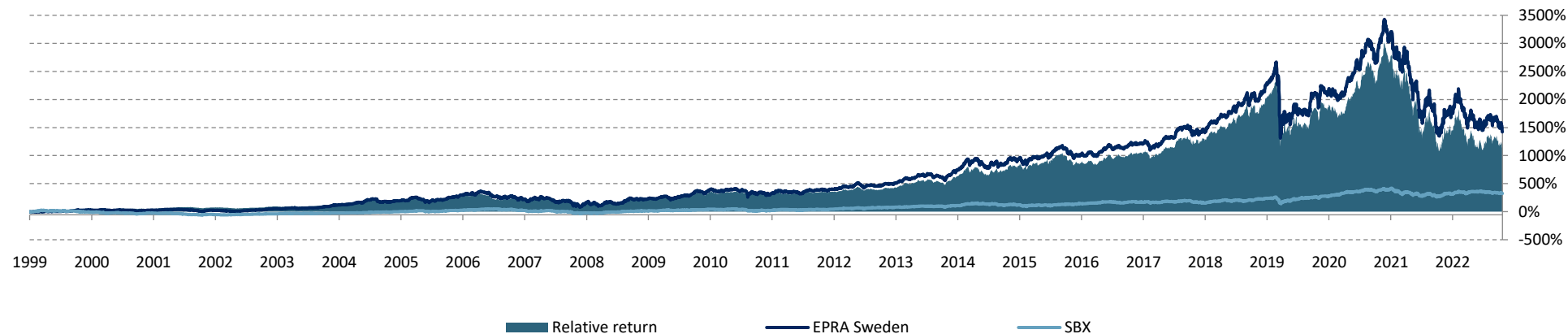
3) Listed real estate has outperformed the general market in all periods expect for the last two years with rapid interest rate increases

4) The period with the strongest outperformance was before quantitative easing started in 2010 and with a 5-year SEK swap rate at ca. 4,5%



## LONG TERM OUTPERFROMANCE TREND FOR LISTED REAL ESTATE

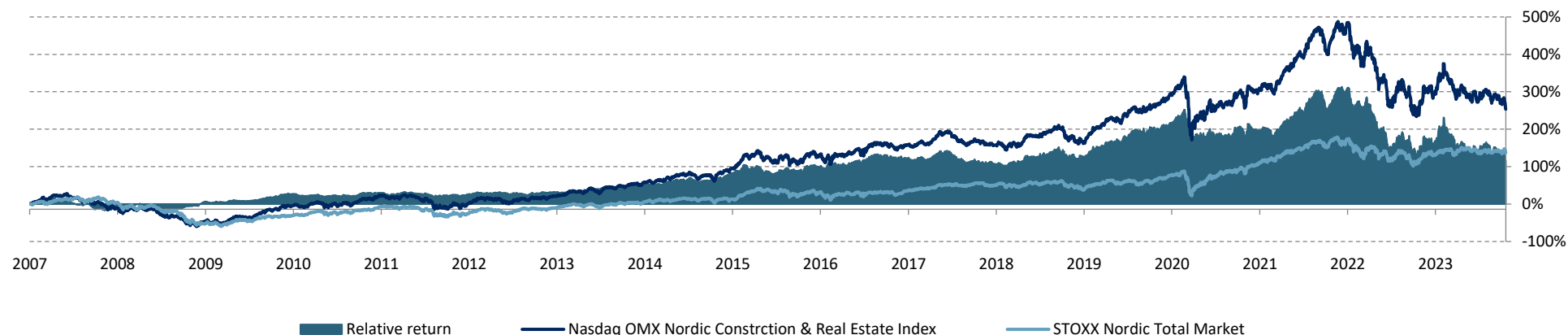
### Swedish listed real estate vs stock market



### Annualised total return

<b>Total period<sup>1)</sup></b>	
Listed real estate	12%
Stock market	6%
<b>Yearly outperformance</b>	<b>6%</b>
<b>1999-2009 (prior to QE)</b>	
Listed real estate	11%
Stock market	-3%
<b>Yearly outperformance</b>	<b>14%</b>

### Nordic listed real estate vs stock market



### Annualised total return

<b>Total period<sup>2)</sup></b>	
Listed real estate	8%
Stock market	5%
<b>Yearly outperformance</b>	<b>3%</b>

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## IMPROVED NEWSFLOW TO COME

Topic	2023		Projection - 12m Fwd <sup>1)</sup>
<b>Macroeconomy</b>			
Core inflation level	High, but trending down	➡	Lower
Interest rate hikes	Many	➡	Fewer
<b>Real estate fundamentals</b>			
Real estate cash flows	Slightly down/stable	➡	Stable
Financing visibility	Low	➡	Better
<b>Sentiment</b>			
Sentiment for real estate	Weak	➡	Better
Valuation multiples	Low	➡	Higher

<sup>1)</sup> Projections by NRP Anaxo Management for illustrative purposes



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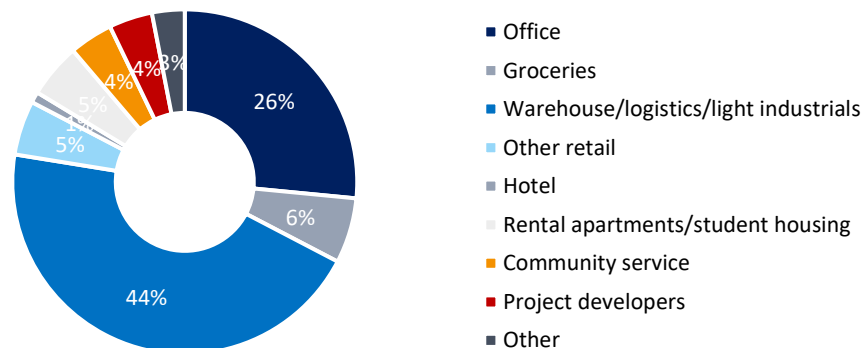
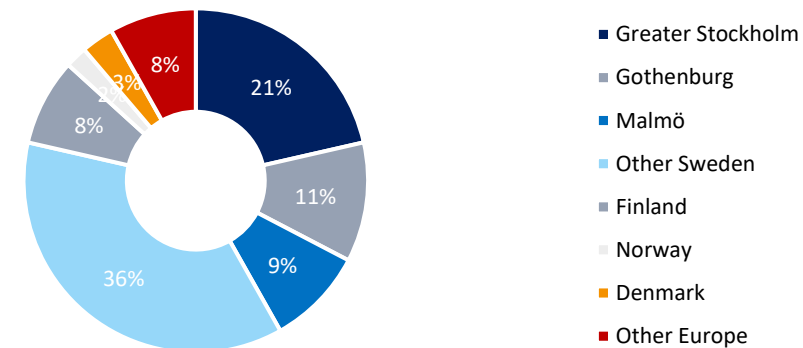
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## PORTFOLIO OVERVIEW

- Seeking exposure to **winning** segments in growing cities
- Avoiding **struggling** segments
- Increased exposure towards the **KPI-adjusted** segments with **~90%** of the rental income KPI-hedged
- We prioritise companies that have an ability to deliver **in line with or above stated goals**.

## Top 5 positions

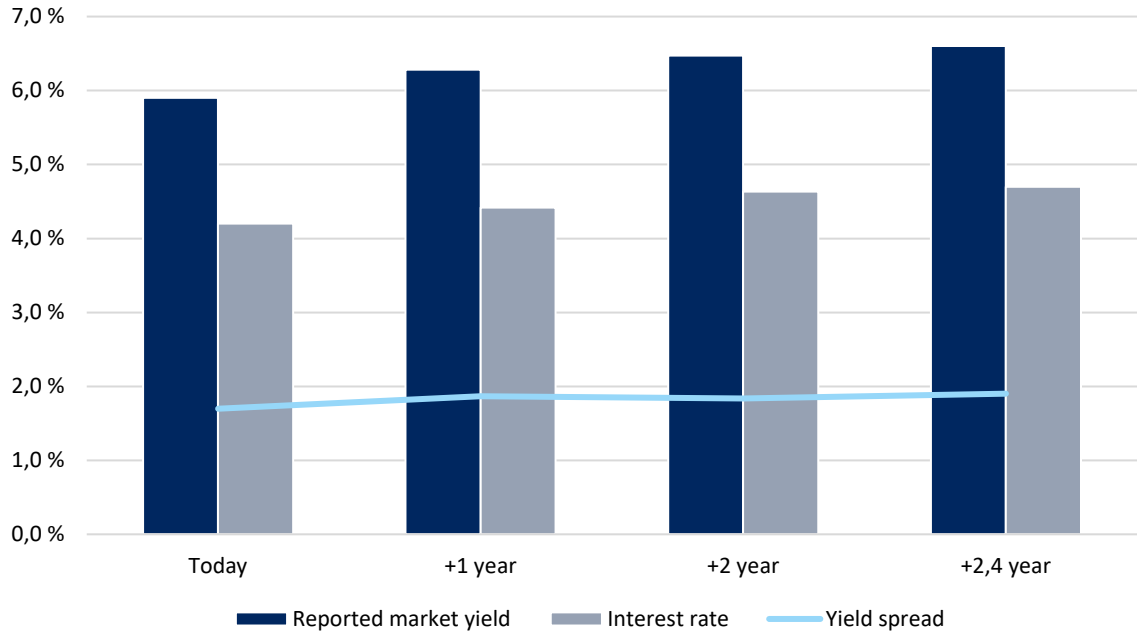
Company	Portfolio weight <sup>1</sup>	Sub-sector	Region	Price/NRV <sup>2</sup>	Price/cash earnings <sup>3</sup>	Yield req.	Implied market yield	Net LTV reported	Avg. interest rate <sup>5</sup>	ICR <sup>5</sup>	Interest maturity (yrs) <sup>5</sup>
Fastighets Balder	9,4 %	Diversified commercials and resi	Nordic	74%	13,7x	4,8%	~5,6%	55%	2,8%	3,4x	3,2
Castellum AB	9,4 %	Diversified commercials	Nordic	81%	15,7x	5,2%	~5,4%	41%	2,9%	3,0x	2,9
Wihlborgs Fastigheter AB	9,2 %	Diversified commercials	Nordic	101%	16,4x	5,1% <sup>4</sup>	~5,1%	50%	4,0%	3,1X	2,5
Sagax AB-B	8,9 %	Logistics/light industrials	Pan-European	233%	22,1x	6,4%	~4,2%	45%	2,0%	6,4x	2,8
Nyfosa AB	7,6 %	Diversified commercials	Nordic	80%	13,3x	6,6%	~6,7%	56%	5,1%	2,0x	0,9
<b>Portfolio median</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>88%</b>	<b>16,1x</b>	<b>~6,0%</b>	<b>~6,2%<sup>6</sup></b>	<b>49%</b>	<b>4,2%</b>	<b>2,3x</b>	<b>2,3</b>

Segment exposure<sup>1</sup>Geographic exposure<sup>1</sup>

YIELD GAP TO REMAIN HIGH EVEN IF INTEREST RATES STAYS ELEVATED FOR LONGER

Theoretical example for the median company in the portfolio

	Per Q3 2023	+1 year (sept 2024)	+2 year (sept 2025)	+2,4 year (Jan 2026)
Reported market yield	6,0 %	6,4 %	6,6 %	6,7 %
Interest rate	4,2 %	4,4 %	4,6 %	4,7 %
Yield spread	1,8 %	2,0 %	1,9 %	2,0 %

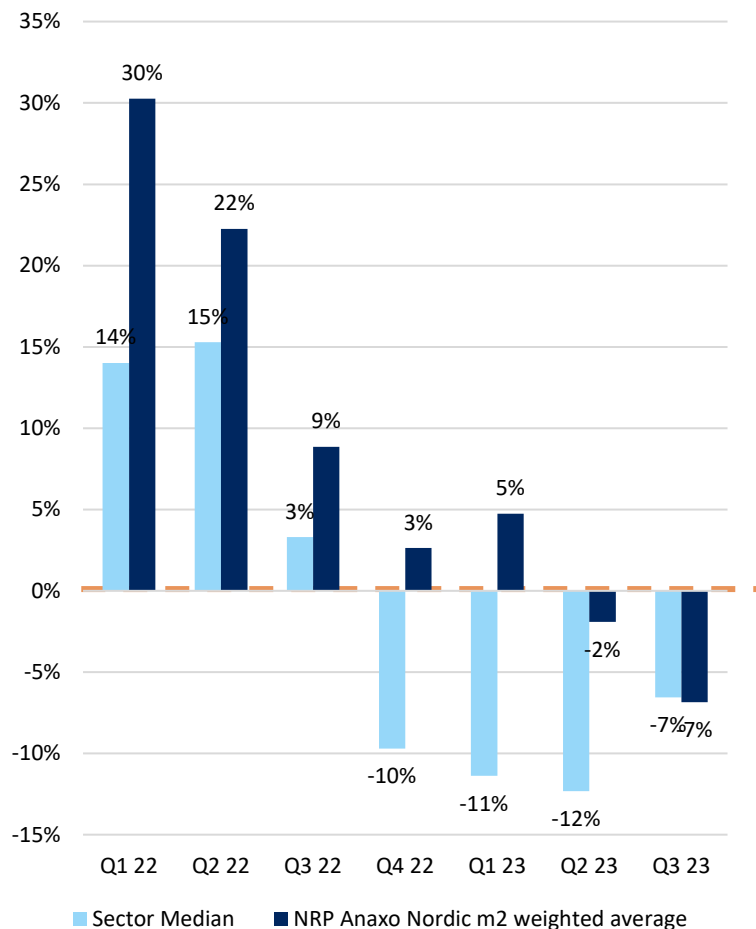


- Positive yield spread throughout the period
- Yield spread shrinks to a normalised level coming from an elevated level
- The positive yield spread will provide stability to asset values

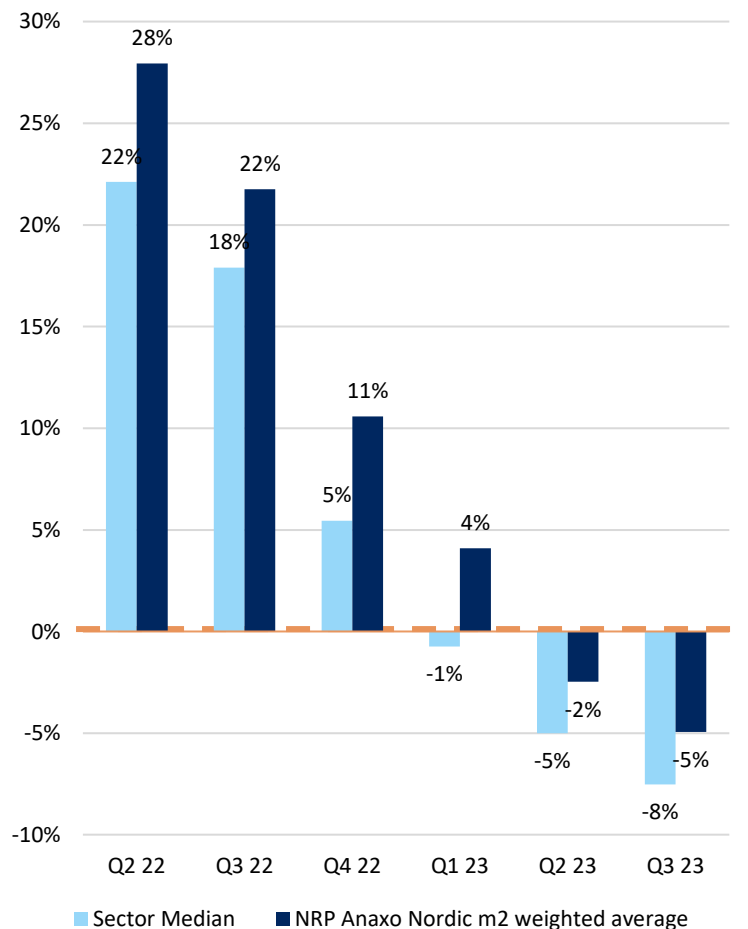
Assumptions:

- Based on the median for our portfolio
- Reported yield set to increase due to CPI-adj. Of 6,5% in +1 yr, 3% in +2, and 2% in +3 yr
- The median company has an interest maturity of 2,3 years, meaning that that it will be fully exposed to the market interest in year 3, all else equal
- Market interest rate at 4,7% is based on current Y SEK Swap at 2,7% + 2% margin
- Assuming a linear interest increase from today's level to market rate

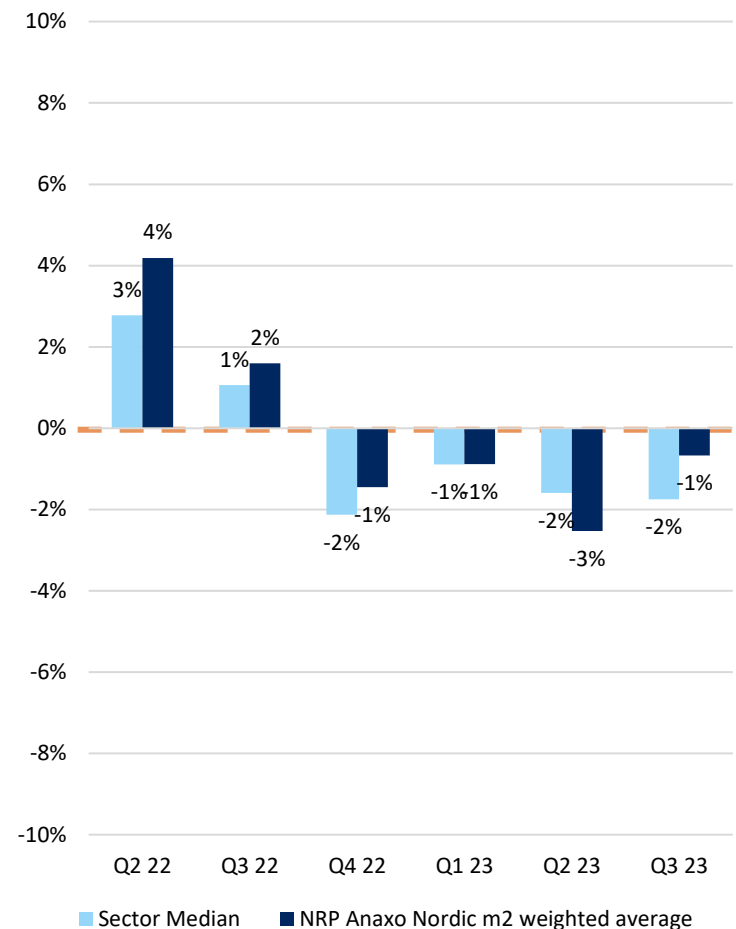
## NRP ANAXO NORDIC M2 UNDERLYING OUTPERFORMING THE SECTOR

Year-over-year IfPM<sup>1</sup> growth

Year-over-year net asset value growth



Quarter-over-quarter Net asset value growth



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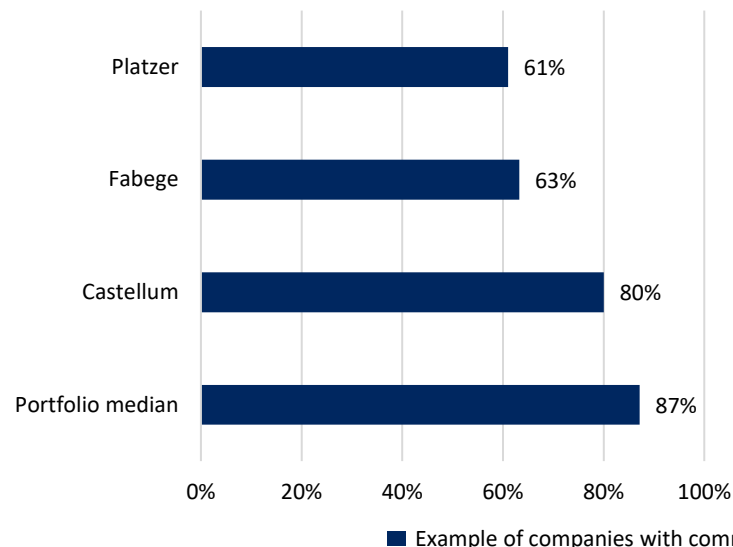
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## KEY FUND TERMS

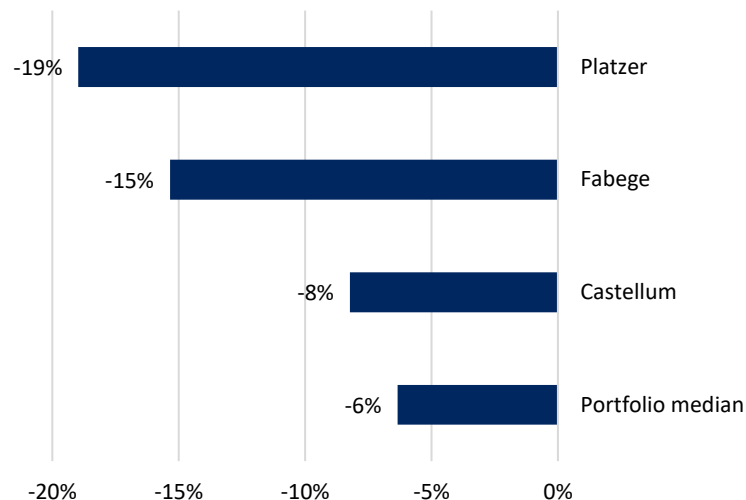
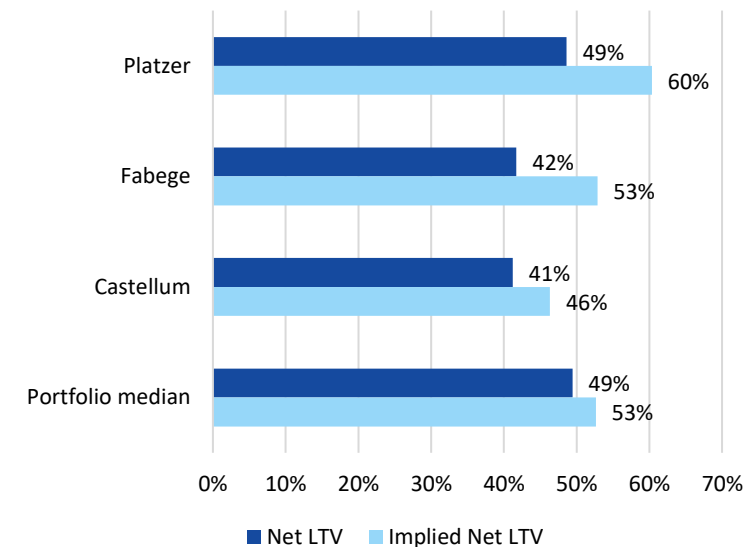
<b>Fund name</b>	NRP Anaxo Nordic m2
<b>Legal structure</b>	Open-ended Alternative Investment Fund (AIF) and Norwegian domestic fund (Nasjonalt fond)
<b>Investment mandate</b>	Listed Nordic real estate shares, pre-IPO investments, deposits in credit institutions, derivatives, securities fund units (ETFs)
<b>Allocation guidelines</b>	<ul style="list-style-type: none"> <li>- Up to 100% in listed Nordic real estate companies</li> <li>- Max. 20% in real estate securities domiciled in other European countries</li> <li>- Up to 20% in non-listed companies with firm intentions of going public within 12 months</li> <li>- Max. 10% of the Fund invested in a single company</li> <li>- Max. ownership of 20% of share or voting capital</li> </ul>
<b>Geographic focus</b>	Nordics, Europe
<b>Target investors</b>	Professional investors in Norway and Sweden, non-professional Norwegian investors
<b>Share classes</b>	4 share classes; A (NOK), B (SEK), C (NOK) and D (SEK)
<b>Currency</b>	Norwegian kroner (NOK), Swedish kroner (SEK)
<b>Hedging</b>	No hedging
<b>Leverage</b>	No leverage
<b>Distributions</b>	No distributions
<b>Minimum subscription</b>	A (NOK) / B (SEK) 2 000 000   C (NOK) / D (SEK) 10 000 000
<b>Subscriptions</b>	Monthly
<b>Subscription fee</b>	None
<b>Annual management fee</b>	Max. 1,50% for A (NOK) and B (SEK)   Max. 1,00% for C (NOK) and D (SEK)
<b>Performance fee</b>	In case of a percentual development in value superior to that of the Index, the Manager will charge 20% of the difference in performance. In case of a percentual development in value inferior to that of the Index, the Manager will calculate a negative performance fee. The negative fee will not be included in the NAV but will be transferred to the next calculation. The Manager must recover performance below the Index before charging a performance fee. Note that a performance fee will be charged even if the NAV decreases, provided that the Fund performance is superior to the Index.
<b>Index</b>	VINX Real Estate NOK NI for A (NOK) and C (NOK). VINX Real Estate SEK NI for B (SEK) and D (SEK). The index is adjusted for dividends.
<b>Redemptions</b>	Monthly
<b>Redemption fee</b>	Redemptions can be made free of charge if made in accordance with the one-month notice period. Redemptions notices given less than 1 month from to the Date of Redemption will be charged 1,0%.
<b>Fund Manager</b>	NRP Anaxo Management AS
<b>Depositary</b>	DNB Bank ASA
<b>Business Manager</b>	NRP Business Management AS
<b>Distributor</b>	NRP Project Finance AS



## CASE STUDY: FEAR FOR FURTHER VALUE DECLINE SEEMS EXAGGERATED

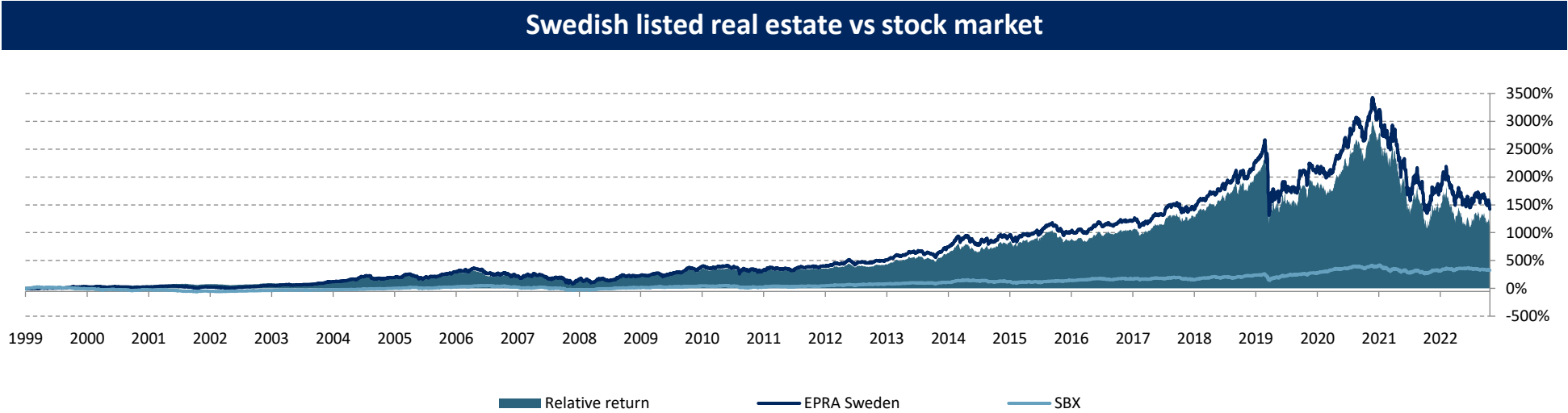
Current P/NRV<sup>1</sup> pricing implies a...

## ...decline in values assuming NRV = share price...

...causing a wide spread in implied LTV<sup>2</sup>

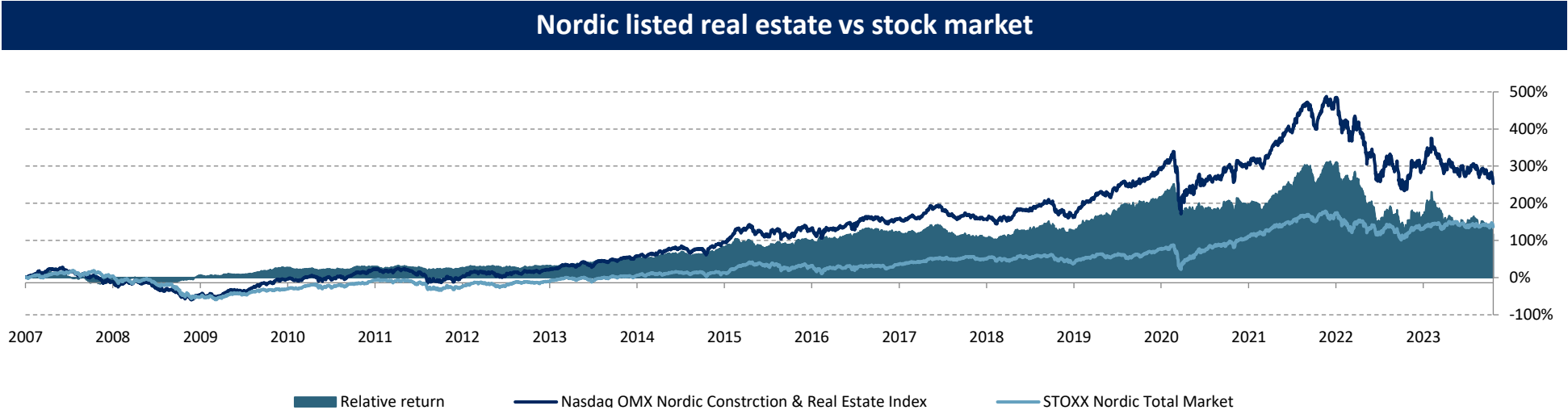
- Since peak valuation in Q2 2022, values has been revised down ca. 6% on average in the sector. Adding on inflation, the value decline in real terms is ca. 15-20%
- Current pricing in the stock market imply a further value decline of 5-35% depending on the company, which seems exaggerated
- All else equal, if NRV = today's share price, the LTV for the median company in our portfolio would increase from 49% to 53%, which is well below covenants and undramatic

LONG TERM OUTPERFROMANCE TREND FOR LISTED REAL ESTATE



Annualised total return

<b>Total period<sup>1)</sup></b>	
Listed real estate	12%
Stock market	6%
<b>Yearly outperformance</b>	<b>6%</b>
<b>1999-2009 (prior to QE)</b>	
Listed real estate	11%
Stock market	-3%
<b>Yearly outperformance</b>	<b>14%</b>



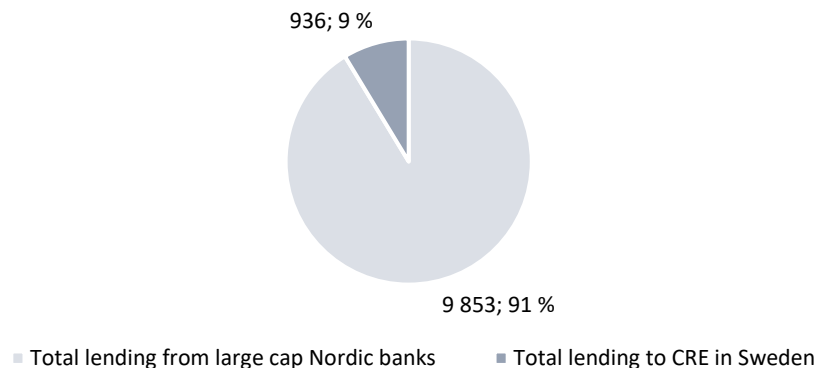
Annualised total return

<b>Total period<sup>2)</sup></b>	
Listed real estate	8%
Stock market	5%
<b>Yearly outperformance</b>	<b>3%</b>

## THE NORDIC BANKING SECTOR WITH PLENTY OF ROOM TO ABSORB BOND MATURITIES

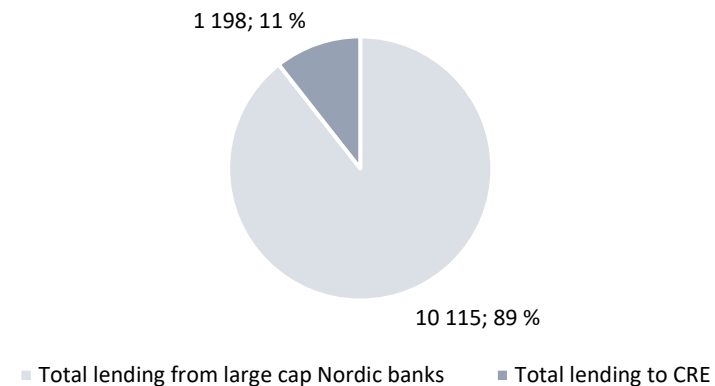
CRE in Sweden accounts for 10% of total lending in large cap Nordic banks<sup>1</sup>

SEKbn

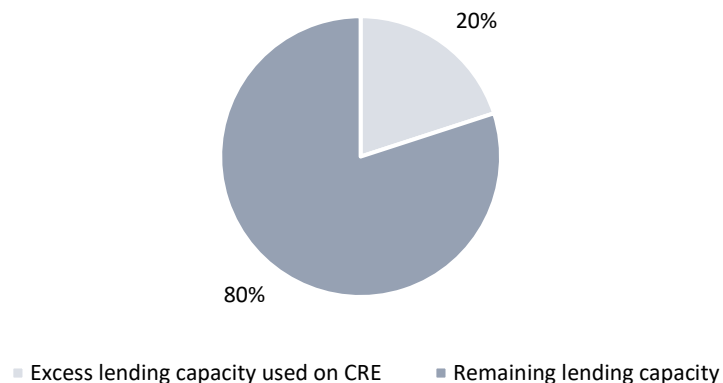


## Total lending to CRE if all bond maturities to 2025 is converted to bank

SEKbn

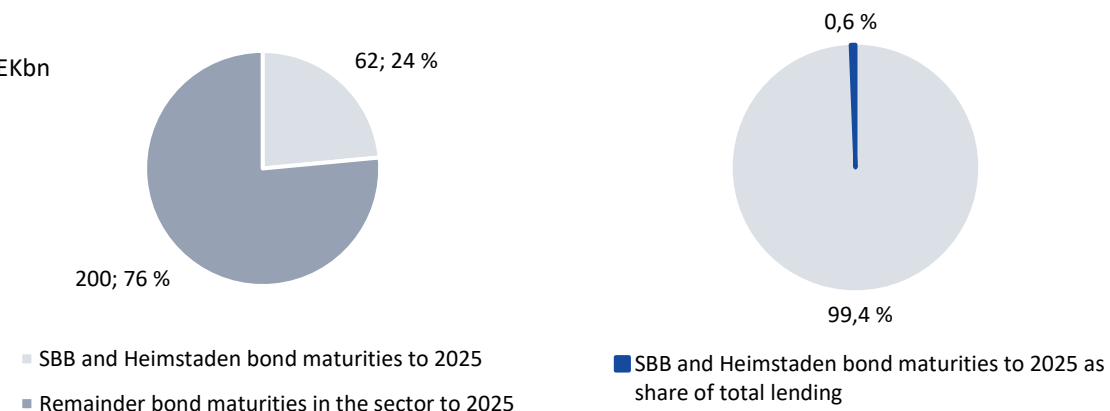


## Excess lending capacity used to convert all CRE bonds to bank



## SBB and Heimstaden bonds is not alarmingly large

SEKbn



## RISK FACTORS (1/2)

Investments in NRP Anaxo Nordic m2, hereinafter referred to as the “Fund,” is associated with various risks. Investments in securities, limited partnerships and financial instruments are also associated with risks. The risks relate to the development and fluctuations in the financial markets in general and the developments and fluctuations in the real estate market in particular. Investors intending to subscribe for shares in the Fund must be aware of the risk of losing part of or the whole invested amount. The value of the investment will fluctuate with the developments in the real estate sector, global economic growth, interest rate levels and currency volatility. Historical returns and past performance should not be considered guarantees for future returns, and NRP Anaxo Management AS (the “Fund Manager”) or any of its affiliates cannot guarantee the value of the investment going forward.

A number of risk factors may adversely affect the Fund. In the following section a selection of the various risk elements that are considered particularly relevant for NRP Anaxo Nordic m2, and the investments in the securities that the Fund will make, hereinafter referred to as the “Investments”, are presented. The description is not exhaustive, and factors not discussed may have an impact on the evaluation of the risks associated with an investment in the Fund. Additional risks not presently known to the Fund or that the Fund deems immaterial may also affect the Fund and/or the Investments.

Prospective investors should carefully consider each of the following risk factors and other information contained in this document and perform a separate evaluation before making an investment decision, including consulting independent advisors with respect to the legal, tax, and other aspects of an investment in the Fund.

The organization and order of risks listed below must not be interpreted as the Fund Manager's measure of importance or severity of the different risk issues. All risks are different both as to the origin of the risk and as to the methods of which the risk may be mitigated. Also, some risks are mitigated by the Fund and the Investments, while other risks rest on the individual investors and must be mitigated by other entities than the Fund and the Investments.

Investments in securities carry certain elements of risks. If you do not understand the underlying risks, we strongly recommend you not to invest in this Fund. If any of the risks materialize, the price of the shares may decline, and investors could lose all or part of their invested capital. The Fund will implement a draft Risk Policy which will be approved by the board and monitored by the Fund Manager's Risk Management function during the Fund's lifetime.

Investing in the Fund may include, but is **not** limited to, the following risks:

**Market risk:** Loss of market values as a result of fluctuations in value. Macroeconomic fluctuations, exchange rate volatility, business cycle developments, interest rate movements, changes in unemployment etc.

**Liquidity risk:** The risk of the Fund not being able to redeem shares within a normal settlement period. The risk of the Fund and the Investors having to accept realization of losses.

**Credit risk:** The value of the Fund may be affected by the creditworthiness of the companies that have issued the securities that the Fund has invested in.

**Operational risk:** The risk of direct or indirect losses due to insufficient or failing internal processes. Risk of the fund closing down ahead of schedule, resulting in realization of losses.

**Management risk:** Risk of fund performance below the index due to deviations from the index weighting and composition. Risk of reduced returns due to ineffective management on the portfolio company or management company level, financial, ethical or otherwise.

**Other risks:** Environmental risk, political risk, legislative and regulatory changes, tax risk, force majeure, counterparty risk.

### Market risk

Market risk is the risk of losses in market values for the portfolio's financial instruments due to fluctuations in value. Market risk comprises macroeconomic fluctuations, such as interest rate movements, exchange rate volatility, business cycle developments and changes in the unemployment rate. Investing in the Fund is associated with such risks, and changes in market conditions can result in adverse price movements which may have a negative impact on the value of the Investments. Investing in the Fund may be particularly affected by exchange rate volatility as a significant share of the investments can be made abroad. Hence, changes in the exchange rates may significantly impact the value of the Fund.

Interest rate risk comprises the risk of the value of interest-bearing securities fluctuating in value as a result of changing interest rates. If the interest rate increases, the value of the investments in interest-bearing securities will decline (and vice versa).

Currency risk comprises the risk of losses due to exchange rate volatility. The degree of currency risk is dependent on the Fund's exposure to securities denominated in another currency than the Norwegian krone, the geographical diversification of the portfolio and hedging exposure.

## RISK FACTORS (2/2)

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### **Liquidity risk**

Liquidity risk comprises the risk of the Fund not being able to redeem shares within a normal settlement period due to reduced share turnover. A normal settlement period for securities funds is 2 -3 days, corresponding to the same settlement period applicable to private investors. Liquidity risk can also be associated with the risk of the Fund declining in value e. g. due to sale of securities as a result of net redemptions in the Fund. Thus, the Manager is unable to sell the securities at the price of their valuation in the Fund's accounts.

Liquidity risk can be observed on the Fund level, on the Investment level and on the Investor level. Regarding liquidity risk on the Fund and Investor level, Investors are advised that the Fund has quarterly redemptions.

### **Credit risk**

Credit risk comprises the risk of the Fund value being affected by the creditworthiness of the companies that have issued the securities that the Fund has invested in, e. g. due to increased risk of bankruptcy for the companies that have issued the securities. Furthermore, the companies' creditors may have unlimited access to increasing the interest rate and margin levels. The Manager cannot leverage the Fund.

### **Operational risk**

Operational risk comprises the risk of direct or indirect losses due to insufficient or failing internal processes, including but not limited to internal errors, breaches, interruption and damages, both intentional and unintentional. Operational risks may be caused by man-made actions, system failure, organizational structure, regulation and legislation etc. and exist on both the Fund level and the Investment level.

If the Fund is shut down ahead of schedule, the capital will be returned to the Investors earlier than expected, which may result in realization of losses. Operational risks can also have an effect on the balance sheet and income statements of the portfolio companies, and thus may affect the overall return on the Investments.

### **Management risk**

Investing in the Fund can be associated with management risk. The Investments made by the investment manager may provide lower returns than the relevant reference index.

Investing in the Fund is also associated with management risk on the portfolio company level. Management in the listed companies may pose a risk (financial, ethical or otherwise) of negatively affecting returns.

### **Other risks**

Other risks and events may affect the value of the Fund and the Investments. These may include, but are not limited to, environmental risk, political risk, legislative and regulatory changes, tax risks, force majeure and risks related to dependence on external counterparties.

Environmental risk and climate change may affect company earnings and portfolio returns over time.

Political risk may impact the Fund, the portfolio companies and the investors. Political decisions, events and conditions can influence profitability and growth.

Tax risk and risk of adjustments to the tax rates applicable to the Fund and the portfolio companies may affect portfolio returns.

Legislative and regulatory risk may impact Fund performance in terms of new legislation affecting the portfolio companies, the Fund itself and the investors.

Risk related to external counterparties comprises the risk of a broker, deposit bank or other fund counterparties going bankrupt or becoming unable to fulfill their contractual obligations. Total potential losses are calculated as the sum of the aggregate exposure towards the relevant counterparty, considering all Group units if this is relevant. The relative counterparty risk will be dependent on whether or not the fund uses derivatives, counterparty credit rating, hedging against counterparty risk, the size of the exposure, OTC trading etc. Furthermore, the fund may be exposed to counterparty risk in markets without DVP.