DNB REIM

# INVESTOR REPORT Q2 - 2024


## DNB SCANDINAVIAN PROPERTY FUND
MARKETING MATERIAL

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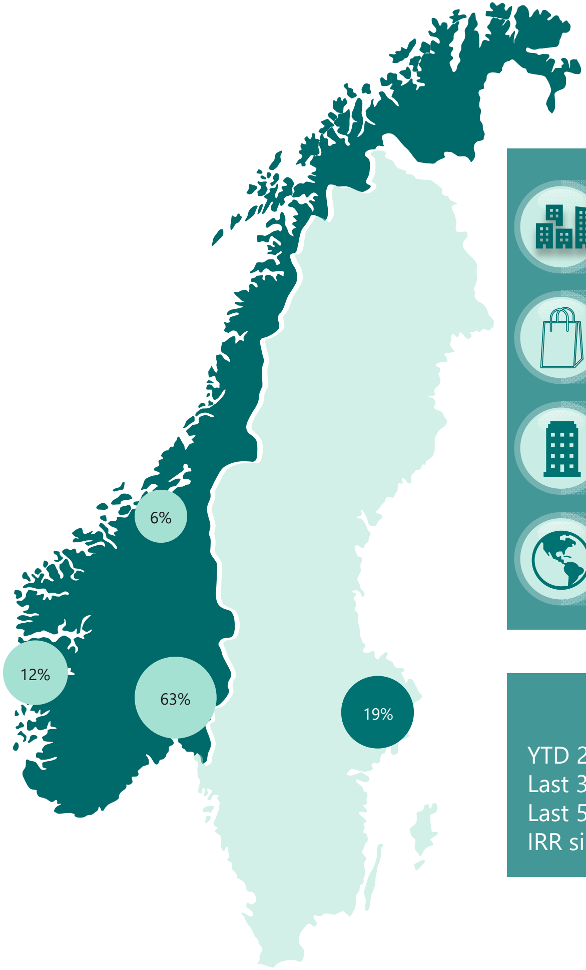
# DNB SCANDINAVIAN PROPERTY FUND




***Office 67%***
*Mandate: 35 - 80%*

***Retail 12%***
*Mandate: 0 - 40%*

***Hotel/other 21%***
*Mandate: 0 - 25%*

***Norway 81%, Sweden 19%***
*Mandate: 0 – 40% in Sweden*

| **Portfolio** | **Q2-24** | **Q2-23** |
|---|---|---|
| Number of properties | 12 | 12 |
| Market value (mNOK) | 9,850 | 10,763 |
| Total leased area (sqm) | 195,783 | 195,851 |
| Annual rental income (mNOK) | 537 | 508 |
| WAULT (years)*** | 5.1 | 5.7 |
| Economic vacancy | 2.7% | 4.0% |
| Value-weighted yield | 5.4% | 4.7% |

**Historical returns**

| | |
|---|---|
| YTD 2024 | 2.9% |
| Last 3 years (p.a.)* | -0.2% |
| Last 5 years (p.a.)** | 1.9% |
| IRR since inception in 2007 | 4.7% |

**Sustainability**

| | |
|---|---|
| SFDR-classification | Article 8 |
| GRESB | ★★★★★ |

(*) Annualized 01.01.21 – 31.12.23

(**) Annualized 01.01.19 – 31.12.23

(***) Value-weighted average

*Historical returns are not a guarantee of future returns*

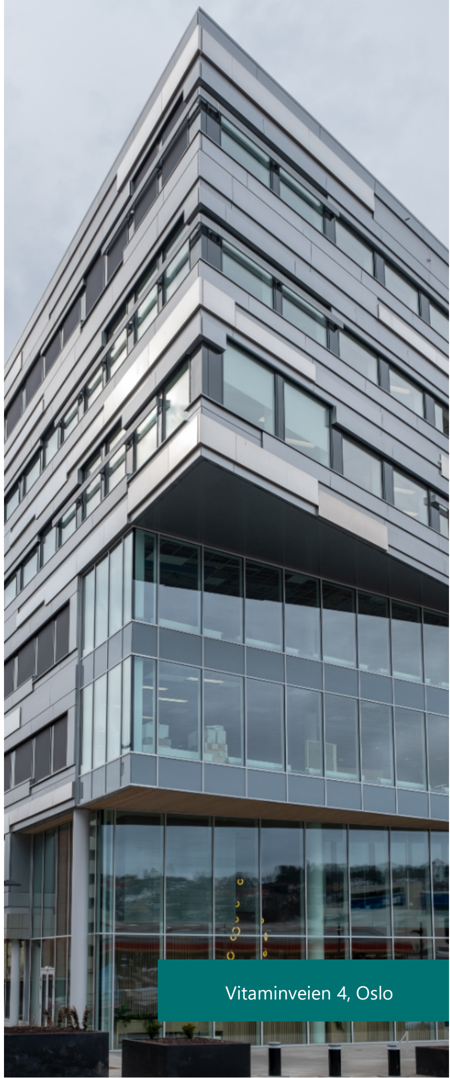
# 1. SUMMARY

Market yields remained stable through the second quarter and transactions in the market underpin a prime yield for offices of 4.75 percent. DNB Scandinavian Property Fund delivered a total return of 1.5 percent in the second quarter, divided into a dividend yield of 1.1 percent and a change in value of 0.4 percent. The return in the first half of the year is 2.9 percent. The portfolio has a market value of NOK 9,850.4 million.

The portfolio has an exposure to offices of 67 percent. The main exposure is located in Bjørvika and Oslo city center. The supply side in these areas is limited, also in the years ahead, and the general picture is a high proportion of renegotiations. Expectations for rental price growth have increased somewhat and are in excess of the expected CPI development for prime offices. A survey was recently conducted among the fund's office tenants, and as many as 93 percent responded that it is likely that they will continue their lease. 96 percent say that they would recommend DNB Næringseiendom as a partner to others.

The Norwegian office market is doing well relative to other cities in Europe and the US. Short travel distances, attractive premises and generally good working conditions contribute positively. Attractive offices have become more important for employees and to increase the number of days spent in the office. Proximity to public transport and an urban offer are important criteria when choosing a location. The fund's office properties in Norway have attractive central locations that underpin the fund's core investment profile.

The office portfolio delivers a return of 1.2 percent so far this year. Yield is unchanged for most of the properties. Higher expected market rents made a positive contribution in the quarter.



Vitaminveien 4, Oslo

# 1. SUMMARY

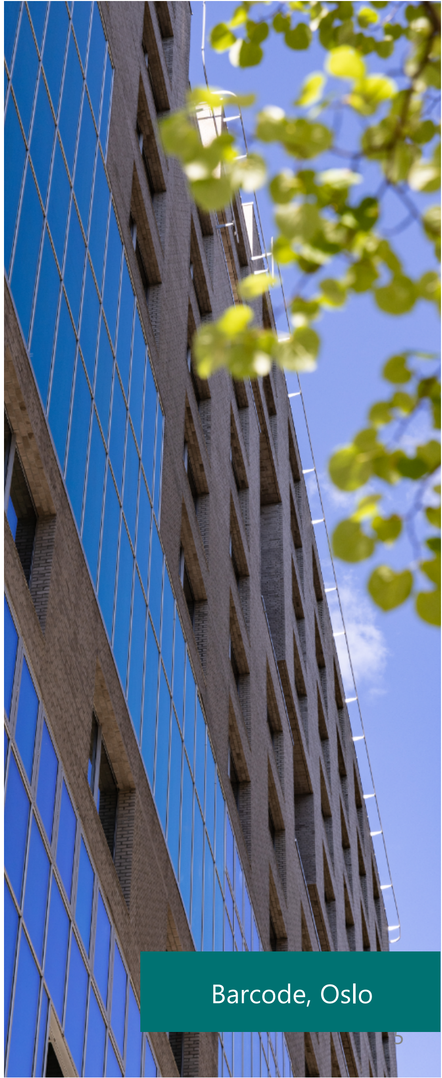
The fund's two hotels continue to have good occupancy rates and competitive RevPAR. Increasing travel with good activity for both Norwegian and foreign tourists. A weak NOK exchange rate and a cooler summer climate have a positive effect on the interest for travelling in the Nordics. International tourists are not quite back to pre-covid levels but are increasing. The Hotels/other segment delivers a strong return of 9.3 percent so far this year.

The shopping centres show good growth in turnover in line with the market picture. Lillestrøm Torv has the largest revenue growth, and we see that the mix of stores and the central location contribute positively. Lillestrøm is experiencing a population growth and there is a good influx of new homes in the city center. Øyrane Torg is also experiencing growth in turnover and has a good position in its local area. High market activity at both centres contributes positively to the number of visitors.  Shopping centres deliver a total return of 2.9 percent so far this year.

The market seems to agree that interest rates have peaked and that current yields are holding up well. However, we expect the required rate of return to be reduced somewhat when Norges Bank's interest rate path bottoms out. The portfolio is actively managed, and an ongoing assessment is made of the potential for the properties in the portfolio. As an unlevered fund with written down property values and a good current cash flow with annual CPI adjustment, the outlook for the future is attractive.

We have recently conducted an investor survey. The results show that the fund's investors are generally very satisfied. The survey covers various areas related to investment strategy, performance, reporting and investor relations, and the feedback provides important input for the Fund in its future work.

In the second quarter, the fund published the sustainability report for 2023. The report documents the fund's sustainability work and KPIs. The report is available on the fund's website, [2023 Sustainability Report DNB SPF](#).



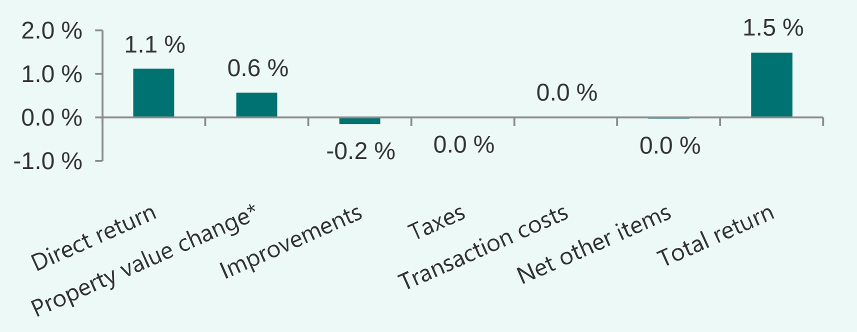
Barcode, Oslo

# 2. MARKET VALUES AND RETURN – CURRENT YEAR

DNB Scandinavian Property Fund had a total return of 1.5 percent in the second quarter and 2.9 percent YTD. The fund's total return is calculated based on the change in net asset value (NAV), adjusted for changes in paid-in capital and dividends paid. The difference between the fund's total return and the portfolio’s property return is mainly due to the fund company’s income, costs and changes in share discount, please see figure 2.2

The Fund's NAV at the end of the second quarter was NOK 9,850.4 million. The NAV calculation considers the properties' market value, latent and deferred tax and net other assets, please see tab 2.1 for main elements as at 30.06.24.

**Fig. 2.1** Return analysis Q2 2024

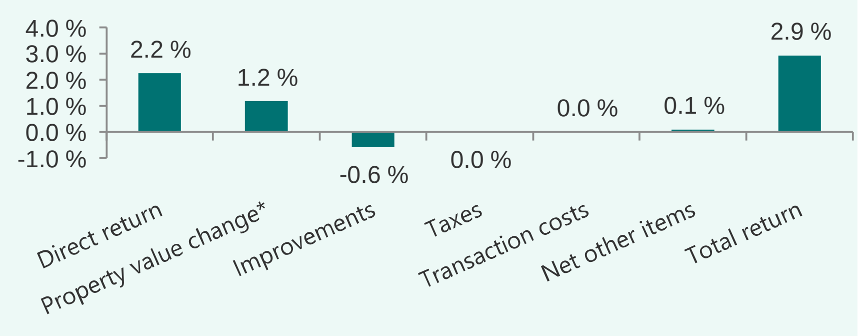



**Tab 2.1** Main elements NAV (NOK million)

| | |
|---|---|
| Property values | 9,552.1 |
| Latent and deferred tax | -323.6 |
| Net other assets* | 621.9 |
| **Total** | **9,850.4** |

** Includes long-term receivable due from buyer of Sandslihaugen 30 AS*

**Fig. 2.2** Return analysis YTD 2024




** Value change properties before improvements*

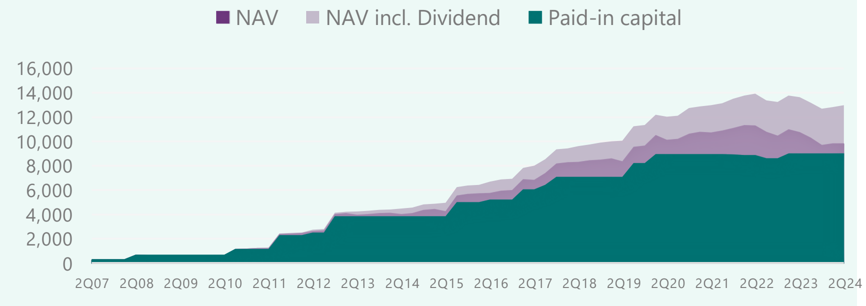
Historical returns are no guarantee of future returns

# 2. MARKET VALUES AND RETURN – SINCE INCEPTION

The development in the annual return on NAV as well as the property portfolio's direct return is set out in figure 2.4. The annualised return in the last 3 years* has been -0.2 percent and in the last 5 years** 1.9 percent. The IRR since the fund was established is 4.7 percent. During the lifetime of the fund to date a total of NOK 3,132.5 million has been paid in dividends from the fund company.

*(*) Annualized return 01.01.21-31.12.23*
*(**) Annualized return 5 years: 01.01.19-31.12.23*

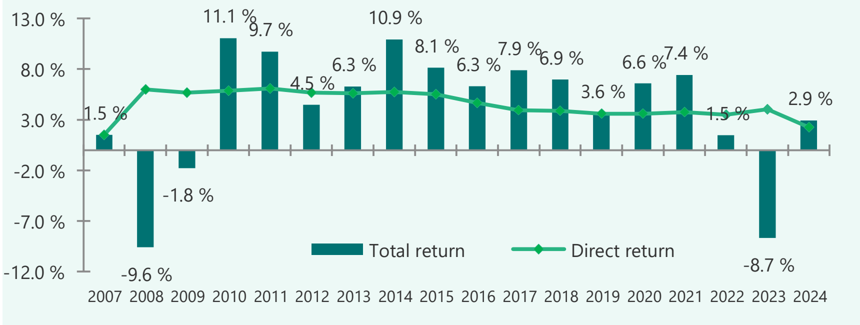
**Fig. 2.3** Development in paid-in capital and NAV (NOK million)




**Tab. 2.2** Breakdown of paid-in capital and NAV (NOK million)

| | Paid-in capital DNB SPF DA | % share of NAV | NAV |
|---|---|---|---|
| DNB Eiendomsinvest KS | 2,303.6 | 28.0% | 2,754.7 |
| DNB Eiendomsinvest 2 AS | 300.4 | 2.8% | 278.7 |
| DNB Scandinavian PropFund 4 KS | 1,126.3 | 13.7% | 1,352.5 |
| DNB Scandinavian PropFund 5 KS | 1,198.4 | 13.0% | 1,276.3 |
| DNB Scandinavian PropFund IS | 882.7 | 9.1% | 894.4 |
| DNB Scandinavian PropFund AS | 1,562.0 | 15.4% | 1,513.7 |
| DNB Propco International 1 AS | 865,0 | 9.6% | 942.6 |
| DNB Propco International 2 AS | 752,1 | 8.5% | 837.5 |
| **Total** | **8,990.5** | **100%** | **9 850,4** |

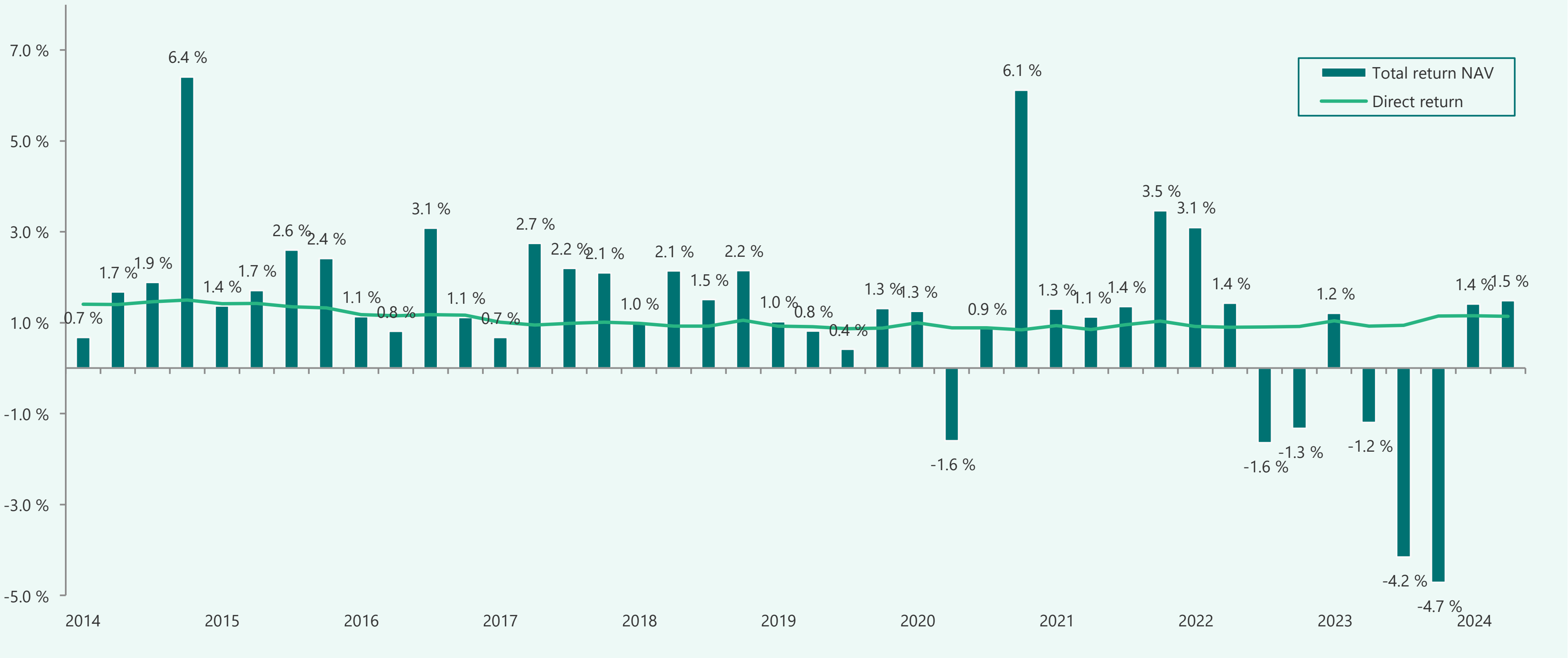
**Fig. 2.4** Annual return on NAV and direct return




Historical returns are no guarantee of future returns

# 2. MARKET VALUES AND RETURN – HISTORICAL

**Fig. 2.5** Quarterly development NAV and direct return




Historical returns are no guarantee of future returns

# 3. THE PROPERTY PORTFOLIO

*A centrally located portfolio*
*with solid tenants and low vacancy*

# 3. PROPERTY PORTFOLIO - OFFICE*

| Portfolio data – Office | |
|---|---|
| **Location** | Oslo \| Trondheim \| Bergen \| Stockholm |
| | Of which 44% in Oslo CBD |
| **Available space** | 103,734 sqm |
| **Avg remaining lease term** | 4.0 |
| **Economic vacancy** | 3.2% |
| **Net asset value (NOK)** | NOK 6,632 million |

**HAGABLUE, SOLNA, STOCKHOLM**
Type of building: Office
Year built: 2002
Purchase date: 30.01.2018
Area: appr. 10,200 sqm
BREEAM In Use: Very Good

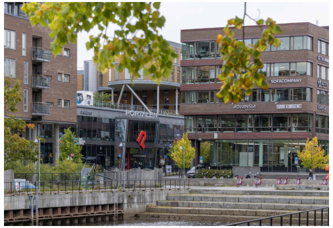
**KRINKELKROKEN 1, BERGEN**
Type of building; Office/retail
Year built: 2000/2017
Purchase date: 13.01.2020
Area: appr. 10,000 sqm
BREEAM In Use: Very Good

**BARCODE 123, DRONNING E. 32, OSLO**
Type of building; Office
Year built: 2012
Purchase date: 01.07.2015
Area: appr. 17,900 sqm
BREEAM In Use: Very Good**

**BARCODE 115, DRONNING E.28, OSLO**
Type of building: Office
Year built: 2012
Purchase date: 20.12.2012
Area: Appr. 12,600 sqm
BREEAM In Use: Very Good**

**AKERSELVA ATRIUM, CHR.KG 16, OSLO**
Type of building: Office/retail
Built year: 2008/2009
Purchase date: 01.10.2010
Area: appr. 17,300 sqm
BREEAM In Use: Very Good**

**VITAMINVEIEN 4, NYDALEN, OSLO**
Type of building: Office/retail
Built year: 2018/2019
Purchase date: 01.07.2019
Area: appr. 24,300 sqm
BREEAM NOR: Excellent



**SIRKELTOMTEN (PORTALEN) TR.HEIM**
Type of building; Office/retail
Year built: 2010
Purchase date: 01.09.2011
Area: appr. 21,200 sqm
BREEAM In Use: Very Good

**Parking area is not included in the data*
***Recertification is in progress*

*All buildings are considered as 100 prosent office when calculating the portfolio data (they have some retail and parking)*

# 3. PROPERTY PORTFOLIO - OTHER*

## Porfolio data – Hotel/Community building

| | |
|---|---|
| **Location hotel** | Oslo \| Stockholm |
| **Location community building** | Bergen |
| **Available space** | App. 26,726 sqm |
| **Avg remaining lease term** | 10.3 |
| **Economic vacancy** | 0.0% |
| **Net asset value (NOK)** | NOK 1,917 million |

## Portfolio data – Retail**

| | |
|---|---|
| **Location** | Lillestrøm \| Bergen |
| **Available space** | 45,875 sqm |
| **Avg remaining lease term** | 3.8 |
| **Economic vacancy** | 2.7% |
| **Net asset value (NOK)** | NOK 1,003 million |

**SANDSLIHAUGEN 36, BERGEN**
Type of building: Community building
Built year: 1986
Purchase date: 30.09.2011
Area: appr. 6,000 sqm
BREEAM In Use: Very Good


**ST.OLAVSGT 26, SMARTHOTEL, OSLO**
Type of building; Hotel
Built year: 2015
Purchase date: 01.07.2016
Area: appr. 6,600 sqm/257 rooms
BREEAM In Use: Good**


**HOTEL C**
Type of building; Hotel
Built year: 1978
Purchase date: 10.01.2023
Area: appr. 14,200 sqm
BEEAM In Use: Good

**ØYRANE TORG, INDRE ARNA, BERGEN**
Type of building; Retail
Built year: 1994
Purchase date: 01.09.2017
Area: appr. 18,000 sqm
BREEAM In Use:  Good

**LILLESTRØM TORV, UTENFOR OSLO**
Type of building: Retail
Built year: 1985/1997
Purchase date: 23.01.2017
Area: appr. 37,700 sqm
BREEAM In Use: Good**

**Parking area is not included in the data*
***Recertification is in progress*

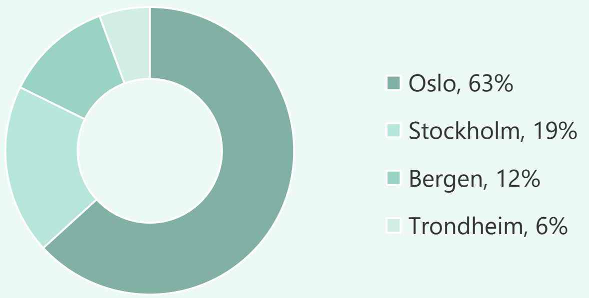
*Retail buildings are considered as 100 percent retail when calculating the portfolio data (they have some office and parking)*

# 3. THE PROPERTY PORTFOLIO – PORTFOLIO STRUCTURE (4 OF 5)

The fund's goal is to have a diversified portfolio of good quality properties, based on active management through purchases, sales, development, leasing and operation. The property portfolio is still in a build-up phase with a goal to reach NOK 12.5 billion. When it reaches this size, it will satisfy the fund's portfolio structure limits.

The fund's strategy is to invest in commercial property in Norway and Sweden. The main part of the portfolio will be in the largest cities in both countries. Investments in Sweden may over time amount to up to 40 percent of the fund – currently the figure is 19 percent.

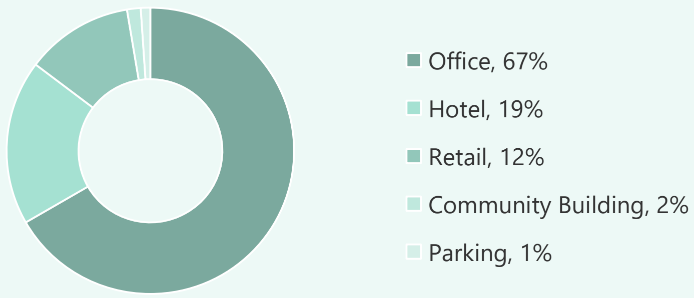
**Fig. 3.1.1** Market values by city




**Tab. 3.1.1** Area breakdown and economic vacancy

| | Let area | Available area | Economic vacancy | Total area |
|---|---|---|---|---|
| Retail | 43,589 | 1,476 | 2.7% | 45,064 |
| Office | 96,869 | 4,602 | 3.2% | 101,471 |
| Hotel | 20,729 | 0 | 0.0% | 20,729 |
| Community building | 5,993 | 0 | 0.0% | 5,993 |
| Parking | 17,609 | 353 | 2.5% | 17,961 |
| Other | 4,127 | 437 | 15,6% | 4,565 |
| **Total** | **188,916** | **6,867** | **2.7%** | **195,783** |

**Fig. 3.1.2** Market values by segment



# 3. THE PROPERTY PORTFOLIO – TENANTS (5 OF 5)

The portfolio has a good and robust tenant mix within a broad spectrum of sectors, see further figure 3.2.1. The tenant mix is characterised by large, solid lessees such as DNB, the Health Directorate, the Health Service National Complaints Agency, Bergen Municipality, Oslo Municipality, the Discrimination Ombudsman in Sweden, and others.

**Fig. 3.2.1** Tenant breakdown by sector on income

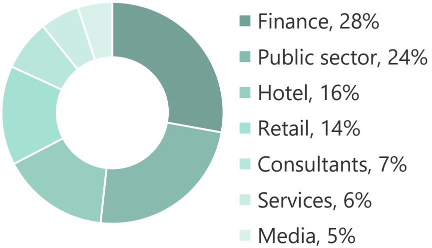
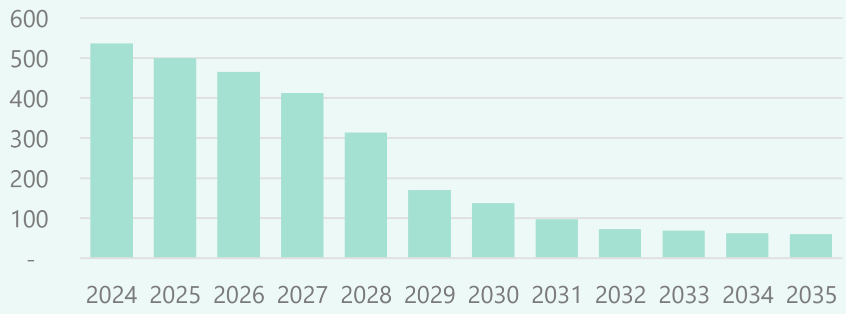



**Fig. 3.2.2** Annual rental income existing leases (NOK million)




**Tab. 3.2.1** Average remaining lease term

| Property | Acquired | City | Country | Area sqm | Avg. remaining lease term |
|---|---|---|---|---|---|
| Akerselva Atrium AS | 01.10.10 | Oslo | Norway | 17,273 | 4.9 |
| Barcode 115 AS | 20.12.12 | Oslo | Norway | 12,616 | 3.5 |
| Barcode 123 AS | 01.07.15 | Oslo | Norway | 17,862 | 4.4 |
| Krinkelkroken 1 AS | 13.01.20 | Bergen | Norway | 9,945 | 3.7 |
| Lillestrøm Torv AS | 23.01.17 | Oslo | Norway | 37,639 | 3.0 |
| Sandslihaugen 36 AS | 01.10.11 | Bergen | Norway | 5,993 | 4.1 |
| Sirkeltomten II AS | 01.09.11 | Trondheim | Norway | 21,212 | 3.0 |
| St. Olavs gate 26 AS | 01.07.16 | Oslo | Norway | 6,586 | 7.0 |
| Vitaminveien 4 AS | 01.07.19 | Oslo | Norway | 24,292 | 4.3 |
| Øyrane Torg AS | 01.09.17 | Bergen | Sweden | 18,044 | 5.1 |
| Pennfäktaren 10 | 10.01.23 | Stockholm | Sweden | 14,147 | 13.1 |
| HagaBlue AB | 30.01.18 | Stockholm | Sweden | 10,173 | 2.6 |
| **Total** | | | | **195,783** | **5.1** |

The average remaining lease term is 4.2 years for the properties in Norway and 9.9 years for the properties in Sweden. The average value-weighted remaining lease term for the entire portfolio is 5.1 years.

# 4. SOCIAL RESPONSIBILITY AND SUSTAINABILITY

**DNB Scandinavian Property Fund provides support to the local community**
For several years, DNB Næringseiendom has contributed expertise and good input through a neighbourly collaboration in the Grønland area, Oslo. In February 2024, the collaboration was formalized through the Greenland-Vaterland cooperation! Together with Eiendomsspar, Galleri Oslo Utvikling, LÉVA Urban Design and Entra, as well as a number of players from the public sector, the residents' association and tenants. They all have one thing in common: A beating heart for Grønland and Vaterland, Oslo with a genuine desire to make a difference for those who live, work and use this part of the city! 💚

"The commitment to the area is great, and it is a fantastic starting point that bodes very well for the future of the Greenland-Vaterland cooperation," says Kristian Føyen, Property Manager at DNB Næringseiendom.

**Contributes to SAFE AND GOOD URBAN SPACES**
Social sustainability is important to manager DNB Næringseiendom, read more here about the unique collaborative project: SAFE AND GOOD URBAN SPACES . With the Greenland-Vaterland cooperation, we want to gather all the good forces that want to contribute to making the area attractive, vibrant and safe!

The collaboration has led to DNB Næringseiendom contacting Fyrlyset in connection with the renovation of the canteen in Chr. Kroghsgt. 16, with a request if Fyrlys needed furniture. DNB Scandinavian Property Fund has happily contributed with beautiful furniture to Frelsesarmeen and arranged for the furniture to be reused. Frelsesarmeen, on the other hand, is very grateful and greatly appreciates the generosity.

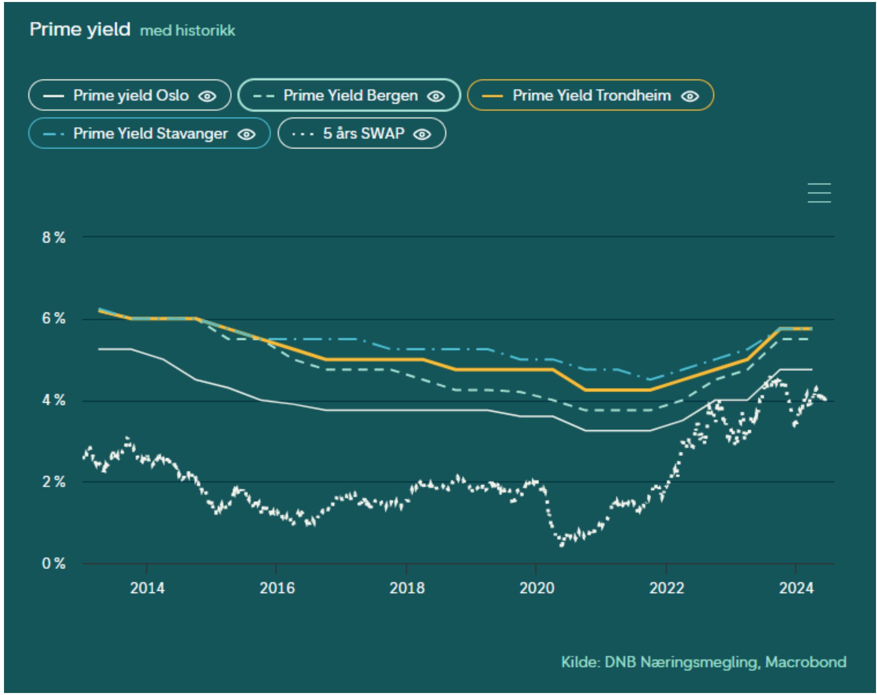
*Frelsesarmeen is a global, Christian movement with extensive social engagement. When you give to the Frelsesarmeen, you support people who need help*

# 5. MARKET COMMENT

**Main macroeconomic features**

After the strong growth in 2022 and the start of 2023, the Norwegian economy has slowed down sharply. Nevertheless, Norway has avoided recession and performed better than the eurozone in the same period. Expected GDP growth for mainland Norway is around 1 percent for 2024. In addition, the labour market has remained surprisingly strong. After continuous interest rate hikes through 2023, the policy rate peak probably ended with a policy rate of 4.5 percent in December 2023. Inflation has fallen steadily through 2024, but in recent months the pace has slowed. This is because the main driver of the fall in inflation has been the rise in prices for imported goods, and this effect has slowed down somewhat. Domestic inflation has also fallen but is still above Norges Bank's inflation target.

Wage growth for Norwegian workers is expected to end at a strong 5 percent for 2024, and this, together with low production, may help to keep domestic inflation high. The consensus has previously been that the policy rate should be lowered towards the end of the year. At the monetary policy meeting in June, the policy rate path was postponed somewhat, and the first cut is not expected to be until 2025. Norges Bank will probably have to see inflation come down somewhat more and that the krone exchange rate remains stable and does not depreciate further against other currencies before reducing the policy rate. Expected growth in core inflation in 2024 is about 4.3 percent, according to Statistics Norway.



# 5. MARKET UPDATE

**The transaction market**

After a very weak transaction market in 2023, 2024 started strongly. Towards the end of 2023, long-term interest rates fell, and this meant that investors once again had an optimistic view of real estate investments. This optimism slowed sharply when interest rate expectations picked up again and much of the fall in interest rates was reversed. Nevertheless, the volume in the first half of the year has been significantly higher than in 2023. Some large individual transactions are the contributors. Despite the fact that the volume is quite similar to 2022 in terms of values, the number of transactions is much lower in 2024.

Yields have been strongly influenced by the increase in interest rates since the value peak in Q2 2022. Now that the expectation is that interest rates have peaked, we have also seen that yields have levelled off. The prime yield for Oslo is expected to be around 4.75 percent. This is also supported by transactions in the market.

**Office**

A strong labor market in the aftermath of the pandemic has been a strong contributor to solid rental price growth in recent years, especially in Oslo. In the first half of 2024, this trend has continued, and rents have risen by approx. 9 percent in the last 12 months, according to Arealstatistikk.

There is a low vacancy rate in Oslo of about 6.5 percent, according to DNB Næringsmegling. Expectations of a continued good labor market and a low supply of new space are contributing to positive sentiment for office properties in Oslo. However, there are large variations between the different districts. In the best office areas, vacancy is as low as 2-4 percent, and in addition, there is virtually no new area addition in the years to come.

**Hotel**

The hotels have had a strong comeback after the closed years during the pandemic. Both in Oslo and nationally, the hotel segment has had a strong increase in both revenues and occupancy. Room prices have increased by over 30 percent after the pandemic and RevPAR for the Norwegian market is around 23 percent above pre-pandemic levels. The weak NOK exchange rate has also contributed to a gradual return to international tourism.

Investors' interest in hotels is very good now, because of the strong growth in the segment. Nevertheless, there are few hotel transactions so far this year and the hotel segment has historically been a small share of the transaction market. Prime yield for hotels is estimated to be around 5.25 percent.

**Stockholm/Sweden**

Sweden experienced a general negative growth in productivity in 2023. This was driven by a decline in housing construction and reduced real income. The expectation for 2024 is that GDP will grow slightly by about 0.2 percent. The Riksbank has also had an even more aggressive interest rate increase than Norway, and inflation in Sweden has come down to the inflation target. As a result, the policy rate was cut for the first time in a long time at the monetary policy meeting in May.

The transaction market in 2023 also stagnated in Sweden and was the weakest since 2013. In the first part of 2024, activity has recovered somewhat, with an increase in volume of approximately 43 percent measured against 2023, according to Savills. Nevertheless, activity is still far behind compared to 2022. Stabilized interest rates and expectations of further interest rate cuts should boost the transaction market further over the course of the year.

# 5. MARKET UPDATE

**Retail**

The retail segment has performed surprisingly well through the period of higher interest rates and higher prices. Turnover is still at pre-pandemic levels, and the number of bankruptcies is no higher than the historical average. Certain product groups, such as "Food and beverages", show high levels of turnover. This has led to rents being maintained. In some segments, such as the high street, rents have risen sharply.

Interest in retail properties was weak in the second half of 2023. According to Malling's investor survey, this interest has now rebounded somewhat, perhaps because of the unexpected resilience of households. The prime yield for retail properties is estimated to be around 5.5 percent.

**Expectations going forward**

We consider larger office properties with a central location close to public transport hubs to be attractive.

We believe that the office market in central Oslo areas will perform well in the future. Vacancy is low, and with expectations of little area supply ahead, this should form a good basis for rents to increase.

Factors such as weaker GDP growth and higher unemployment may pull rents in the opposite direction, but we believe that the probability of this scenario has become significantly lower through 2024. We believe that the office properties in the portfolio have now been adjusted for the increase in required rate of return and appear to be attractive investments with low vacancy rates and expectations of good value growth in the years ahead.

The weak krone exchange rate has also led to increased travel activity from international tourism. This, together with domestic travel becoming entrenched at a higher level than before the pandemic, has led to a real comeback for the hotel segment. We are closely monitoring whether weaker purchasing power and an increased focus on costs from Norwegian companies will result in somewhat lower demand. At present, we do not see any signs of this at the hotels in our portfolio. We believe that centrally located hotels that can compete in both the tourism and business markets will stand the test of time. The expectation has been that weaker household purchasing power will affect the retail segment. So far, we have not seen that this effect has fully taken effect, as there is still good sales growth in our shopping centers. We believe that strong local centers should do well if the store mix is right. Therefore, it is more crucial than before to assess the tenants' ability to meet increased costs in combination with weaker revenue development.

The policy rate increase in December 2023 is expected to be the peak of this cycle. We believe that yields have stabilized and that this, together with bank margins starting to fall again, will lead to a new equilibrium in the market falling into place. We believe that liquidity will pick up when the uncertainty about when the first interest rate cut will come is somewhat reduced. This is expected to happen towards the end of the year or early 2025.

# 6. RISK MANAGEMENT (1 OF 2)

The risk profile of the fund is moderate, and the fund is classified as a "Core" fund according to INREV's definitions.

Investing in property companies is associated with the risk that investors may incur losses, and historical returns are not a guarantee of future returns. The risk of loss or poorer return than expected will depend on a number of factors, such as developments in the macroeconomy, changes in operating parameters, counterparty risk, etc.

DNB REIM has established procedures and systems for identifying, measuring and managing relevant risks to which the fund is exposed. In order to meet the requirements for an independent risk management function that is separate from the manager's operational activities, the risk manager in DNB REIM reports directly to the CEO and to the board of DNB REIM.

**Identified risks**

Set out below is an overview of significant risks when investing in DNB Scandinavian Property Fund. The overview is not exhaustive.

Macro-economy: The property market is affected by developments in the macro-economy and the general economic situation. A market review is prepared half-yearly which forms the basis for recommendations for the investment plan for the fund. The investment plan is revised annually and is presented to the board of DNB Scandinavian Property Fund DA for approval. In this connection recommendations are given, among other things, with respect to the purchase and sale of property.

Portfolio risk**:** In the framework for the fund - “Framework for portfolio structure and investment plan” - limits are specified for the construction of the property portfolio. This framework sets out the overall investment strategy for the fund.

In order to secure an optimal portfolio composition, the fund is dependent, among other things, on good access to investment properties. If the market develops in such a way that the manager and the board of the fund company do not find that projects are sufficiently good, it may take longer to invest the subscribed capital than expected (normally 3–6 months).

This could affect the opportunity to optimize the portfolio structure and thus the annual return.

Currency risk**:** In accordance with the “Framework for portfolio structure and investment plan” the fund has a mandate to make investments in Norway and Sweden. A separate currency strategy has been established for the fund and, in accordance with this, investments outside Norway are currency-hedged, and the degree of hedging as far as practically possible should be 100 percent.

Counterparty risk: When entering into contracts efforts are made to cover the counterparty risk through quality assurance of agreements and through requirements on guarantees, including rent guarantees. When letting premises, as a general rule, a rent guarantee corresponding to 6 months’ rent is required. In the case of purchases of real estate, a due diligence process is normally carried out with assistance from recognized external advisers and negotiation of contracts takes place with support from an external law firm.

Political and regulatory changes: A change in operating parameters may lead to new and changed conditions for investors, including a reduction in the profitability of the fund, and a reduced basis for distributions etc.

# 6. RISK MANAGEMENT

Liquidity risk: "Guidelines for liquidity management" and an associated "Liquidity policy" have been established. DNB Scandinavian Property Fund DA and its feeders are at all times to hold adequate and sufficient liquidity. The liquidity holding is to take account of liquidity requirements as a result of the fund's ongoing ordinary activities, as well as a sufficient liquidity buffer.

Valuation and value changes: Guidelines for independent valuations, together with the fund's valuation policy, are to ensure that correct and independent valuations are made of assets under management belonging to the fund. The value of the properties is assessed quarterly and is set at an average of the valuation by two independent recognized valuers. The value of properties depends on a number of factors including the proportion let, the rent and changes in yield requirements in the market.

Rent adjustment/ change in the CPI: Normally the rent under ongoing leases is adjusted annually by the change in the CPI. When investing in property-owning companies (SPVs) the financial calculations and expected return that are used will be based on the manager's inflation forecasts. If the annual change in CPI is lower than the manager's forecasts, it will weaken liquidity and could involve a lower current return for investors than that expected. Correspondingly liquidity will be strengthened, and investors will receive a higher current return if the annual change in CPI is higher than the manager's forecasts.

Organizational issues relating to the Manager**:** A condition for a satisfactory return includes the fund company's board and manager carrying out their functions in a proper way, which among other things is conditional on sufficient expertise and capacity.

Since several units in the DNB group are involved in the fund, on the ownership side and as manager, conflicts of interest may arise. Conflicts of interest may, for example, arise between DNB Life and the fund on purchases and sales, as well as the letting of property. This is handled through special decision-making mechanisms and through the internal guidelines within the group and for DNB REIM. In addition, separate guidelines have been prepared for the fund, included as an attachment to the company agreement for the fund company.

Sustainability risk: Sustainability risk can be linked to events that are a consequence of climate change, such as damage to buildings as a result of extreme weather, which can lead to losses and costs which in turn can affect the return on investment. Furthermore, there is a risk that buildings that are not considered sustainable may result in lower or lost rental income. Sustainability risk can also include social factors (e.g., inequality, inclusion, working conditions, changes in customer behavior, etc.) or compliance failures by the company.

**Assessment and measurement of risk**

A quarterly review is made of specified risks, based on the fund's risk policy. Some of the risks are quantifiable and this is the case ,for example, for requirements as to the portfolio structure and currency risk. In addition, a simulation is made of the valuation model (stress test) quarterly, in order to demonstrate changes in property values in the event, for example, of a change in yield requirements, increased costs and reduced rental income. In the case of proposed regulatory changes within the tax area, tax forecasts are prepared to assess how this will affect the return to the fund.

# 7. DEVELOPMENT IN UNIT VALUES

The development in value for an individual investor in DNB Scandinavian Property Fund DA will depend on the issue in which it participated. The table below shows the development in value by unit after payment of dividends.

| | 31.12.15 | 31.12.16 | 31.12.17 | 31.12.18 | 31.12.19 | 31.12.20 | 31.12.21 | 31.12.22 | 31.12.23 | 31.03.24 | 30.06.24 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| DNB Scandinavian PropFund 4 KS | 110.96 | 113.31 | 120.87 | 125.18 | 125.59 | 128.79 | 134.62 | 132.23 | 118.38 | 120.03 | 120.09 |
| DNB Scandinavian PropFund 5 KS | 104.03 | 105.81 | 107.54 | 111.38 | 111.75 | 114.37 | 119.35 | 117.45 | 105.18 | 106.64 | 106.69 |
| DNB Scandinavian PropFund HM AS | | 101.70 | 107.11 | 113.11 | 116.48 | 123.73 | 131.88 | 130.86 | 120.52 | 121.85 | 123.00 |
| DNB Scandinavian PropFund IS* | | 102.66 | 107.61 | 111.16 | 111.53 | 113.74 | 118.63 | 116.69 | 104.49 | 105.94 | 106.03 |
| DNB Scandinavian PropFund AS | | | | | 97.02 | 106.62 | 121.45 | 115.12 | 190.18** | 192.39 | 194.92 |
| DNB SIF FCP Unleveraged | 114 816.51 | 115 304.06 | 118 893.12 | 120 802.73 | 119 796.59 | 121 677.39 | 126 089.59 | 123 579.84 | 110 987.99 | 112 237,03 | |
| DNB SIF FCP Leveraged | 121 951.10 | 124 875.58 | 131 245.16 | 133 925.11 | 133 266.38 | 136 742.60 | 143 430.47 | 140 204.34 | 121 618.14 | 123 070.32 | |

** DNB Scandinavian PropFund HM AS, acting for DNB Scandinavian PropFund IS*
*** Unit value change due to capital increase.*

# 8. GENERAL INFORMATION

| | |
|---|---|
| Type of fund | Property fund, ungeared, open |
| Risk profile | Core (INREV) |
| SFDR classification | Article 8 |
| Geography | Norway and Sweden. Minimum 60% Norway. |
| Segment | Offices (min 35%/max 80%), Retail (max 40%), Other/Hotels (max 25%) |
| Development/projects | Max 5% |
| Return target NAV | 5-7% per annum |
| Target for distributions | 3-5% per annum |
| Portfolio target | NOK 12.5 bn. |
| Valuation | Quarterly. Minimum 2 external valuers |
| Exposure to individual lessees | No restrictions |
| Reporting frequency | Quarterly |
| Accounting standard | NGAAP |
| Minimum investment | NOK amount equivalent to Euro 5 million |
| Currency | NOK. Investments in SEK are hedged |
| Liquidity buffer | No restrictions. Ongoing assessment |
| Transferability of units/shares | Freely transferable, but requires the approval of the board of the relevant feeder company |
| Fees | Management fee: 0.5 percent of market value of property portfolio (0.2 percent is charged to the Fund, 0.2 percent to the properties and 0.1 per cent on feeder level).<br>Operating fee: 2 percent of the property portfolio's rental income<br>Transaction fee: 1.0 percent on purchases and 0.5 percent on sales |
| Redemption fee | 1.5 percent accrues to the Fund |
| Redemption | Redemption permitted annually. Minimum amount NOK 5 million.<br>Redemption earliest 18 months after investment. The board may deny the redemption request if this is considered to cause significant damage or disadvantage for other participants. Redemption is automatic if a redemption request is submitted for the third time. |
| Liquidation | The Fund can be liquidated if a minimum of 2/3 of the units vote in favour at a company meeting |

# 8. GENERAL INFORMATION

## Head office
DNB Scandinavian Property Fund DA
Solheimsgaten 7c
5058 Bergen, Norway

## Manager of alternative investment fund (AIFM)
DNB REIM
Solheimsgaten 7c
5058 Bergen, Norway

Responsible portfolio manager: Gro K. Boge
Responsible risk manager: Katrine G. Tvedt

## Portfolio manager, Norway
DNB REIM
Solheimsgaten 7c
5058 Bergen, Norway

## DNB REIM, management
- Gro K. Boge, CEO
- Katrine G. Tvedt, Director, Compliance and Risk Management
- Ole Chr. Knudsen, Director, Investor relations & Portfolio management
- Erlend K. Simonsen, Director, Sustainability & Digitalization
- Lars Kristiansen, Director Property Management
- Tor Arild Bolstad, Director, Finance & Business Support

## Fund team, DNB REIM
- Catrine Gjedebo Director and Fund Manager
- Per Ola Nytun, Investor relations
- Ole Asphjell, Investor relations
- Cesilie Felde, Investor relations
- Rune Sivertsen, CFO

## Auditor
Ernst & Young
Thormøhlens gate 53D
5006 Bergen, Norway

## Custodian
DNB Markets
Dronning Eufemias gate 30
0191 Oslo, Norway

## Valuers
Akershus Eiendom AS
Haakon VIIs gate 5
Postboks 1739, Vika
0121 Oslo, Norway

Cushman & Wakefield Realkapital
Kronprinsesse Märthas plass 1
0125 Oslo, Norway

Savills Sweden AB
Regeringsgatan 48
111 56 Stockholm, Sweden

Cushman & Wakefield
Regjeringsgatan 59
111 39 Stockholm, Sweden

## The board of DNB Scandinavian Property Fund DA
- Torkild Varran, Chairman
- Cathrin Jensen, Board member, Investment Manager, DNB
- Frode Aleksander Skogvoll Veiby, Board member, CIO, Fellesordningen for AFP
- Terje Frafjord, Board member, CEO, Sandnes Municipal Pension fund
- Catriona Allen, Board member, Fund Manager, LaSalle
- Michael Kirnstötter, Board member, Senior Investment Manager, VBV-Pensionskasse AG

## The board of DNB REIM (AIFM)
- Anette Hjertø, Chairman, Investment Director, DNB Life
- Mona Ingebrigtsen, Board member, Sea to Sky
- Jan Terje Aasgaard, Board member, Section Head, DNB Asset Management
- Anders Skjævestad, Board member, Division Director, DNB WM
- Janicke Folgerø, Board member, Controller, DNB REIM
- Renate Iversen, Board member, Property Manager, DNB REIM

NORSK EIENDOM

INREV | MEMBER OF INREV

GRØNN BYGGALLIANSE

GRESB ★★★★★ 2023

# DISCLAIMER

*This investor report has been prepared for use by our clients and potential clients in connection with DNB Scandinavian Property Fund (the Fund).*

*Anyone considering investing in the fund can access the fund's legal documents, including the fund's Offering Document by contacting DNB Næringseiendom AS (DNB REIM). The report has been prepared for marketing purposes and any investment decision should therefore not be made solely on the basis of the information in the report. The content is based on sources that DNB REIM perceives as reliable at the time the report was prepared, but which have not been independently verified. Therefore, no warranty is given as to the accuracy or completeness of the information. The content of the report may be changed retrospectively without further notice. The report must be seen in the context of what is said orally and what is stated in the fund's legal documents.*

*The report should not be construed as an offer or recommendation to buy. Investing in and trading in financial products is associated with the risk of loss, and developments in the value of the Fund can be both positive and negative. Historical developments in value and returns cannot be used as reliable indicators of future developments and returns. Investing in the Fund is associated with the risk that the investor loses part or all of the invested capital. DNB REIM does not provide any guarantees for the result or return, and all trades in the fund are made at the investor's own discretion and risk.*

*If the investor is uncertain about the risks associated with a potential investment in real estate in general or in the Fund in particular, or whether such an investment is suitable for him/the company, the investor should clarify this with his or her adviser before making the investment decision.*

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DNB