

# Aberdeen Property Fund Norway II ASA



This material is intended for use by professional investors.

A property fund designed to invest in a diversified portfolio of commercial properties in Norway.

## Investment objective and strategy

The purpose of the Aberdeen Property Fund Norway II ASA (the "Fund") is to provide investors with exposure to an actively managed and broadly diversified portfolio in Norway.

The Fund employs a core plus/value-added strategy, with a focus on commercial properties with active management or redevelopment potential. The portfolio is diversified in respect to regions, segment risk characteristics, composition of tenants and length of lease contracts.

The investment strategy is in line with the successful strategy executed consistently through Aberdeen Property Investors' other funds, using a structured and research based investment process in respect to allocation, selection and asset management, in order to maximise returns. The Fund's set-up, with its strong on-the-ground platform and local knowledge, reflects our strong belief that property, by its nature, is a local business.

## Fund Manager's comment

Against a backdrop of continued stress in the Norwegian market, the Fund's portfolio continued to operate well in Q4 2009. For the second quarter since December 2007, property values increased. The Fund's relatively high occupancy level, duration of leases and diversified tenant base ensured a stable income stream and cash flow. We have yet to see any significant defaults among our tenants, although the challenging climate puts even more emphasis on API's strong asset management capabilities. We are keeping a very close dialogue with our tenants and continue to actively manage the portfolio.

As at 31 December 2009, the portfolio had a gross asset value of NOK 7.684 million. The portfolio consisted of 22 properties valued at NOK 6.708 million, with a total rentable area of 357,208 square metres, which, as at 1 January 2010, will generate NOK 513 million per year in operating income (including vacant areas). The weighted term of the lease contracts was 5.7 years at quarter end, with an economic vacancy of 2.5 % (NOK 13 million).

## Key highlights for Q4 2009

- The Fund's return for Q4 2009 was 8.0 %. The increase in property values of 1.5 % was the major contributor to the return, although positive contribution from interest rate swaps and operations also added value. The Fund's return for 2009 was -13.0 %
- Cash / bank deposits stood at NOK 379.1 million, as at 31 December 2009. The Fund operates a separate plan / model to ensure a sufficient amount of liquidity is available to meet unexpected cash drains.
- LTV was 81.2%, a reduction of 1.8 percentage points compared to Q3 2009. There are no covenants on the external debt, which totalled NOK 5,606 million.
- 69% of the total debt is covered by rate swaps. The average duration is now 5.6 years.
- Rental contracts for 4,495 square metres were signed, with an annual rent of NOK 9.0 million. The reopening of Torvbyen Shopping Centre in Fredrikstad, following a NOK 41 million refurbishment, was concluded in Q4. Helly Hansen Sport occupied their 2,400 square metre new offices in Munkedamsveien 35 in Oslo. The largest contract signed during the quarter was with BNP Paribas, for 2,000 square metres in Munkedamsveien 35.

## Key information

Legal structure	Public Limited Company
Domicile	Norway
Term	Closed-ended
Investment universe	Norway
Risk profile	Core-plus to value-added
Target size (GAV)	NOK 10 billion
Current size (GAV)	NOK 7.68 billion
Minimum commitment	EUR 10 million
Target returns <sup>A</sup>	12% – 14% IRR net to investors
Target dividend distribution <sup>A</sup>	3% – 5 %
Currency	NOK
Current leverage	81.2%
Maximum leverage	No explicit limit
Liquidity	Secondary market trading facilitated
Launch	Q4 2005
Next closing	TBA

<sup>A</sup> There can be no guarantees that target returns will be achieved.

## Investment universe



## Further information

**Knut Haraldson**, Fund Manager

Phone: +47 90 78 63 37

Email: knut.haraldson@aberdeenpropertyinvestors.com

**Joakim Hagabakken**, Business Development Manager

Phone: +47 91 60 58 22

Email: joakim.hagabakken@aberdeen-asset.com

# Aberdeen Property Fund Norway II ASA

## Investment plan

The allocation of assets is based on in-house forecasts as to which countries, regions and property segments are expected to offer the best return and/or lowest risk. We take into account future supply and demand factors in the rental market, portfolio optimisation models, currency risk and leverage, as well as interest risk and liquidity issues. The top-down investment process is carried out in close co-operation with our research team and is combined with a bottom-up selection process to identify the most attractive investment opportunities. We believe that the top-down/bottom-up approach, combined with active asset management in order to optimise the value of the assets, will deliver superior risk adjusted returns to our investors.

## Investors

The Fund is open for €10 million (or more) issues from institutional investors.

During Q4 2009, there was no equity committed and no new capital drawn. All committed capital has been drawn. Approximately 5.5 million shares (2.25% of the total number of shares) were traded during Q4 2009, the majority between NOK 3.5 to NOK 5.5.

## Leverage

The Fund's target is a leverage of approximately 70%. Due to the fall in property values, the leverage is 81.2 %, as at the end of Q4 2009. There are no LTV clauses in the loan portfolio. The Fund uses both fixed and floating interest rate financing. The Fund operates a separate plan/ model to ensure that a sufficient amount of liquidity is available to meet unexpected cash drains.

## Distribution policy

The intention is to distribute the largest possible amount of the annual net cash flow from operations to investors during the first half of the following year. However, assumptions in the internal contingency plan have to be met prior to distribution. The internal contingency plan is reviewed annually.

### ABERDEEN PROPERTY INVESTORS IN BRIEF

Aberdeen Property Investors is the dedicated property investment division of Aberdeen Asset Management PLC, a global investment management group listed on the London Stock Exchange, which manages €161.8 billion<sup>9</sup> of assets in equities, fixed income and property.

Aberdeen Property Investors manages some €25 billion<sup>9</sup> of property assets in Europe, Asia and North America through property funds and separate account mandates.

Clients are solely third party clients and primarily institutional investors. They are served by some 600 people at offices in 13 European countries, and in Singapore.

We provide domestic and international investment exposure to property by offering a wide range of investment products and services. These are all supported by rigorous investment processes, independent inhouse research and local active management.

[www.aberdeenpropertyinvestors.com](http://www.aberdeenpropertyinvestors.com)

<sup>9</sup> 31 December 2009

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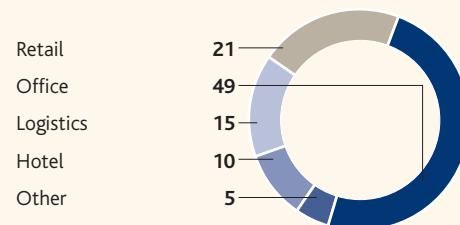
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### UK INVESTOR INFORMATION

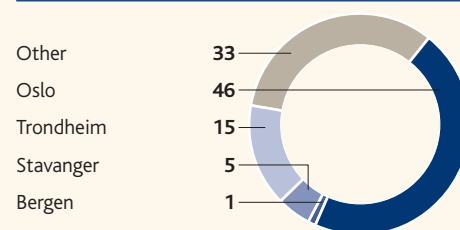
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## Current sector allocation (%)



As at 31 December 2009

## Current geographic allocation (%)



As at 31 December 2009

