Why REITS look compelling now:
A historical view on NAV discounts

During Q1 2020, US Real Estate investment Trusts (REITS) have seen one of the worst drawdowns in recent history. This on the other side means that they are currently trading at a historical discount compared to the price-to-net asset value (NAV). Nordea Asset Management appointed Duff & Phelps Investment Management as sub-advisor of the Nordea 1 – Global Real Estate Fund. We would like to share with you here below the latest insights of the investment team which took the opportunity to have a historical view on NAV discounts.

Executive Summary:
U.S. REITs have historically provided compelling returns when discounts to NAV were greater than 10%.

Not unlike other asset classes, large drawdowns have historically led to higher future return potential. Since 1996 whenever the price-to-net asset value ("NAV") for REITs has been at a discount of greater than 10%, the returns for the FTSE Nareit Equity REITs Index in the following 12-months were positive 33 out of 38 periods.

Setting into perspective: A lookback into recent history

- U.S. REITs were trading at a 30%+ discount to NAV in mid-March, and while the discount narrowed to 19% at quarter-end, it was still larger than during the Global Financial Crisis (GFC) in 2008-09. On average, REITs have historically traded at 100% of their price-to-NAV.

- In Previous crisis lows included a discount to NAV of 22% at the end of the dot.com bubble in December 1999; 17% in the GFC in February 2009; and 15% in the Taper Tantrum of August 2013. Had an investor purchased REITs during these three periods, their 12-month forward returns would have been 16.51%, 85.47%, and 19.35%, respectively.¹

- The median return for the 38 periods measured was 21.07%, compared to the 10.89% return since inception of the FTSE Nareit Equity REITs Index.²

¹ The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested.
² Index inception date is 12/31/1971. Performance data of the FTSE Nareit Equity REITs Index through 3/31/2020. The high and low 12-month returns were both recorded during the GFC, -59.69% and 85.47%.
Why this time could be different to the past

- We do not believe the current market resembles 2008-09. Since then, REITs have strengthened their balance sheets and are better positioned today with lower leverage.

- Less than 10% of REIT’s debt comes due in the next two years, mitigating the need to refinance at a time when credit markets have been disrupted (Source: S&P Global Market Intelligence).

- The world’s major economies have taken decisive action and launched fiscal and monetary stimulus that is without peacetime precedent to support the financial system.

- Active managers like Duff & Phelps have the flexibility to overweight those securities and sectors they deem most attractive and underweight those that are highly impacted in the current environment.

Source: Duff and Phelps and Bloomberg. Period under consideration: 31.12.2018 to 31.03.2020. The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested.
The sub-funds mentioned are part of Nordea 1, SICAV, an open-ended Luxembourg-based investment company (Société d'Investissement à Capital Variable), validly formed and existing in accordance with the laws of Luxembourg and with European Council Directive 2009/65/EC of 13 July 2009. This document is advertising material and does not disclose all relevant information concerning the presented sub-funds. Any investment decision in the sub-funds should be based on the basis of the current prospectus and the Key Investor Information Document (KIID), which are available along with the current annual and semi-annual reports, electronically in English and in the local language of the market where the mentioned SICAV is authorised for distribution, without charge upon request from Nordea Investment Funds S.A., 562, rue de Neuдор, P.O. Box 782, L-2017 Luxembourg, from the local representatives or information agents, or from our distributors. Investments in derivative and foreign exchange transactions may be subject to significant fluctuations which may affect the value of an investment. Investments in Emerging Markets involve a higher element of risk than investments in more developed countries. The value of the sub-funds and the investment policy of the SICAV are subject to varying degrees of management fees and expenses. Investments in equity and debt instruments issued by banks could bear the risk of being subject to the bail-in mechanism (meaning that equity and debt instruments could be written down in order to ensure that most unsecured creditors of an institution bear appropriate losses) as foreseen in EU Directive 2014/59/EU. For further details of investment risks associated with these sub-funds, please refer to the relevant Key Investor Information Document (KIID), available as described above. Nordea Investment Funds S.A. has decided to bear the cost for research, i.e., such costs is covered by existing fee arrangements (Management/Administration-Fee). Nordea Investment Funds S.A. only publishes out-of-pocket-related information which does not make any investment recommendations. Published by Nordea Investment Funds S.A. 562, rue de Neuдор, P.O. Box 782, L-2017 Luxembourg, which is authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. Further information can be obtained from your financial advisor. He/she can advise you independently of Nordea Investment Funds S.A. Please note that all sub funds and share classes might not be available in your country of jurisdiction. Additional information for investors in Switzerland: The Swiss Representative and Paying Agent is BNP Paribas Securities Services, Paris, Succursale de Zurich, Selnaustraβe 16, CH-8002 Zurich, Switzerland. Additional information for investors in Germany: The Information Agent in Germany is Société Générale S.A, Frankfurt Branch, Neue Mainzer Straβe 46-50, DE-60311 Frankfurt am Main, Germany. A hard copy of the above-mentioned fund documentation is available here. Additional information for investors in Austria: The Information and Paying Agent in Austria is Erste Bank der österreichischen Sparkassen AG, Am Belvedere 1, AT-1100 Vienna, Austria. Additional information for investors in the Netherlands: Nordea 1, SICAV is a Luxembourg Undertaking for Collective Investment in Transferable Securities (UCITS) registered in the Netherlands in the register kept by the AFM, and as such is allowed to offer its securities in the Netherlands. The AFM register can be consulted via www.afm.nl/register. Additional information for investors in France: With the authorisation of the AMF the shares of the sub-funds of Nordea 1, SICAV may be distributed in France. Centralising Correspondent in France is CACEIS Bank, located at 1-3, place Valhubert, FR-75206 Paris cedex 13, France. Investors are advised to conduct thorough research before making any investment decision. Additional information for investors in Belgium: The Financial Service Agent in Belgium is BNP Paribas Securities Services S.C.A., Brussels Branch, Rue de Loxum, 25, BE-1050 Brussels. A hard copy of the fund documentation is available free of charge. Additional information for investors in Spain: Nordea 1, SICAV is duly registered in the CNMV official registry of foreign collective investment institutions (entry no. 340) as authorised to be marketed to the public in Spain. The Depositary of the SICAV’s assets is, J.P. Morgan Bank Luxembourg S.A. In Spain, any investment must be made through the authorised distributors and on the basis of the information contained in the mandatory documentation that must be received from the SICAV’s authorised distributor prior to any subscription. The Representative Agent is Allfunds Bank S.A.U. Succursale di Milano, Société Générale Securities Services S.p.A., Banca Sella Hol, 28050 Madrid, Spain. A complete list of the authorised distributors is available in the CNMV’s webpage (www.cnmv.es). Additional information for investors in Portugal: The Management Company of the SICAV, Nordea Investment Funds S.A., and the Depositary of the SICAV’s assets, J.P. Morgan Bank Luxembourg S.A., are validly formed and existing in accordance with the laws of Luxembourg and authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. Our distributor in Portugal is BEST - Banco Electrónico de Servicio Total, S.A., duly incorporated under the laws of Portugal and registered with the CMVM as a financial intermediary. Additional information for investors in Italy: Nordea 1, SICAV is a Luxembourg Undertaking for Collective Investment in Transferable Securities (UCITS) registered in the Netherlands in the register kept by the AFM, and as such is allowed to offer its securities in the Netherlands. The AFM register can be consulted via www.afm.nl/register. Additional information for investors in Norway: The Payment Agent is Nordea Bank Abp, Norwegian Branch, Esbensens gate 7, 7 Postboks 116 Sentrum, NO-0107 Oslo, Norway. The Representative Agent is Nordea Funds Ltd, Norwegian Branch, Esbensens gate 7, Postboks 116 Sentrum, NO-0107 Oslo, Norway. Additional information for investors in Finland: The Payment Agent is Nordea Bank Abp, Swedish Branch, Seuratoimisto Kruununkatu 5, 00100 Helsinki, Finland. Additional information for investors in Latvia: The Representative Agent is Luminor Bank AS, 62 Skanstes iela 12, LV-1013 Riga, Latvia. Additional information for investors in Estonia: The Representative Agent in Estonia is Luminor Bank AS, Liivalaia 45, EE-10145 Tallinn, Estonia. Additional information for investors in Lithuania: The Representative Agent in Lithuania is Luminor Bank AB, Konstitucijos pr 21, LT-03601 Vilnius, Lithuania. Shareholders must evaluate possible investment risks and take this into consideration when making investment decisions. Information for investors in Brazil: This is a strictly privileged and confidential document for the purposes of a potential investment in foreign securities on a one-on-one basis with potential investors with a pre-existing relationship with Nordea Investment Funds S.A. This document contains information addressed only to a specific individual and is not intended for distribution to, or use by, any other person. This document (i) is provided for informational purposes only, (ii) should not be construed in any manner as any solicitation or offer to buy or sell any securities or any related financial instruments, (iii) should not be construed in any manner as a public offer of any securities or any related financial instruments, and (iv) will be addressed to a potential investor with respect to access of information. Nordea 1, SICAV has not been, and will not be, registered with the Brazilian Securities and Futuras Commission (Comissão de Valores Mobiliários, CVM), and must not be offered or sold in Brazil (as the offering of Nordea 1, SICAV is not a public offering of securities in Brazil) or used in connection with any offer for subscription or sale of any securities in Brazil. Investors should consult their own legal advisors in Brazil as to the applicability of these laws and regulations or any exemption there from. Source (unless otherwise stated): Nordea Investment Funds S.A. Unless otherwise stated, all views expressed are those of Nordea Investment Funds S.A. This document may not be reproduced or circulated without prior permission and must not be passed to private investors. This document contains information only intended for professional investors and financial advisers and is not intended for general publication. Reference to companies or other investments mentioned within this document should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.