

PROCESS

Investment Philosophy & Process

Our investment philosophy is based on combining multiple different layers of alternative beta in our portfolios. We structure our portfolios so that they match the returns of respective asset classes but with a lower risk. This approach has led to excellent risk adjusted returns and is a useful tool from a risk budgeting point of view.

We also emphasize diversification over e.g. bottom-up stock picking and we diversify our portfolios as far as possible. Diversification has limits though, it has to be done without compromising the focus of a portfolio.

We are thus more of a quant manager with a top down approach to investing than an active stock picker. A bottom up stock picking approach is of relevance only at the end of our process when selecting the most suitable companies from relevant short lists. The risk/return characteristics of a company is an important criteria when comparing different investment alternatives. We rather select companies with a transparent and safe cash flow than e.g. value or growth stocks. We can therefore not be quantified as neither a value nor a growth investor. We are more close to a low volatility investor than the traditional style investors.

Alternative Beta layers in our REIT investment process.

Fundamental Indexing	Yes	A β
Low Volatility Approach	Yes	A β
Equal Weighting Approach	Yes	A β
Quantitative Screening	Yes	A β
Theme & Focus	Dividends	A β

What is a REIT and what do we look for in REITs as an investor?

REIT (Real Estate Investment Trust) is a company that owns and in most cases manages income-producing real estates. REITs underlying assets are land and buildings, as well as lease contracts with occupying tenants. REITs allow anyone to invest in portfolios of large-scale properties without actually having to go out and buy or finance property.

A REIT structure provides a tax-efficient means of distributing rental income to shareholders, since REITs are not taxed at the corporate level if certain requirements are met. In turn, shareholders pay the income taxes on dividends. REITs are required by law to distribute each year to their shareholders most of their taxable income. In addition, the principal business of the company must be real estate investing.

REITs have over the long term generated double digit returns that match or exceed the returns of the general stock markets. This while having a correlation that over the long term is low leads to the fact that REITs are an excellent way to diversify risk in an equity allocation, in addition to the favorable effects it has in an property allocation. REITs have, according to empirical evidence and academic studies, been the most profitable way to invest into property, all this with stock market level liquidity.

Our REIT investment philosophy is based on overweighting REITs with a high cash flow and dividend yield as well as to look for reasonable valuation from a quantitative perspective. This leads to the fact that our portfolios are more weighted towards mid cap companies with an above average dividend yield. In addition, we aim to add value from mean reversion opportunities in the REIT and listed property segment.

Included in our philosophy is a fundamental indexing approach where we usually cap e.g. stock, sector and country weightings. This, and the fact that we try to avoid high beta and volatility in our portfolios, is why we usually do not invest according to any market cap based benchmark indices. The reason for this is that we would like our REIT portfolios to more resemble the property market risk and return profile than the general stock markets. As a consequence our portfolios can have a significantly lower beta than a typical market cap based listed property portfolio.

Why listed infrastructure?

The listed infrastructure market offers an access to a wide range of premium global infrastructure assets. Investors are increasingly attracted to this sector because of its relatively low volatility and solid returns. The exceptional investment characteristics help all investors in pursuing their target allocations and optimizing their portfolios.

Listed infrastructure companies operate high quality, long-life assets that generate stable cash flows, require relatively minimal maintenance capital expenditures and have high barriers to entry. The importance of Infrastructure assets are underlined by the fact that they are critical in sustainable economic development in any country.

Our infrastructure portfolios consist of utilities that transmit and distribute essential products and services such as electricity, natural gas and water both in developed and developing countries. In the transportation sector the assets are essential infrastructure networks that move freight and passengers. In the energy sector we invest in assets that provide energy transmission, distribution and storage services.

Why invest through a Finnish mutual fund?

Transparency as well as tax neutrality and cost efficiency are key elements when selecting fund platforms for international investment portfolios. The Finnish mutual fund legislation provides these benefits under the European UCITS Directive (where open-ended funds investing in transferable securities are subject to the same regulation in every Member State).

Finnish mutual funds, as tax neutral entities, are for example eligible to tax refunds on dividend taxes according to international tax agreements. The net dividend tax is critical when investing in e.g. the high yielding REIT sector and a fund that is not able to get tax refunds on dividend taxes could lose up to 10 % from the gross dividend cash flow. It is therefore of utmost importance to select dividend focused funds based on their tax status.

A transparent and cost efficient fee structure for the fund investor is also an important benefit of the Finnish mutual fund regulation. A Finnish mutual fund can only collect a pre set and defined fixed fee or performance fee from the fund. No additional fees, except for the normal transaction and brokerage fees paid on the transactions of securities, can be charged from the funds in retrospect (such as corporate action fees, custody fees etc.).

In addition, a diversified direct portfolio of REITs and stocks could be a clear benefit for a long term investor instead of a total return swap portfolio or index (associated with counterparty risk) as in some ETF structures.



UB EM Infra

UB Emerging Markets Infra Fund is a UCITS certified open-end fund incorporated in Finland. The Fund invests in listed companies where the underlying business is largely involved in infrastructure e.g. water, gas, electricity utilities, airport and port services and toll roads. The focus is on regulated businesses and broad diversification based on alternative beta investment process. The fund invests in emerging markets with a focus on Asia.



UB Nordic Property

UB Nordic Property Fund invests mainly in Nordic properties and real estate securities. The aim for the Fund is to achieve a return in line with the return of the Nordic property markets and also strive for long-term growth of the Fund value. The Fund invests primarily in commercial properties. However, investment objects may substantially vary between different types of properties.

The Fund may also invest assets in shares of property development companies and REITs as well as deposits and fixed income instruments. The Fund may use loan financing in order to gain efficiency. From the annual profit of the fiscal year at least 75 % is distributed to the unitholders. Unrealized value changes are not included in the calculation of the fiscal year's profit.



UB Infra

UB Infra Fund is a UCITS certified open-end fund incorporated in Finland. The Fund invests in listed companies where the underlying business is largely involved in infrastructure e.g. water, gas, electricity utilities, airport and port services and toll roads. The focus is in regulated businesses and broad diversification based on alternative beta investment process. The Fund invests in OECD countries. The Fund hedges 50-100 % of its currency exposure.



UB European REIT

UB European REIT Fund is a UCITS certified open-end fund incorporated in Finland. The fund invests in Pan European listed property shares and REITs. The focus is on high dividend yield and broad diversification based on an alternative beta investment process. The allocations are not based on market cap weightings and the fund does not invest according to any benchmark. The fund can hedge all or a part of the currency risk in the main currency exposures.



UB Asia REIT Plus

UB Asia REIT Plus Fund is a UCITS certified open-end fund incorporated in Finland. The fund invests in listed property shares and REITs in emerging markets globally. The main focus is on Asia and the fund prefers to invest in property investors and REITs over property developers, although the fund can invest a significant proportion in other emerging markets and property developers also. The allocations are not based on market cap weightings and the fund does not invest according to any benchmark. The fund can hedge all or a part of the currency risk in selected currency exposures.



UB Global REIT

UB Global REIT Fund is a UCITS certified open-end fund incorporated in Finland. The fund invests in listed property shares and REIT's in OECD countries worldwide. The focus is on high dividend yield and broad diversification based on an alternative beta investment process. The allocations are not based on market cap weightings and the fund does not invest according to any benchmark. The fund can hedge all or a part of the currency risk in the main currency exposures.



UB North America REIT

UB North America REIT Fund is a UCITS certified open-end fund incorporated in Finland. The fund invests in listed property shares and REIT's in North America (USA, Canada and Mexico). The main focus is on high dividend yielding mid cap REITs and a broad diversification based on an alternative beta investment process. The allocations are not based on market cap weightings and the fund does not invest according to any benchmark.



UB Real REIT

UB Real REIT Fund is an open-end non-UCITS mutual fund domiciled in Finland. The fund invests in listed property shares and REIT's. The fund may also invest in other property related stock, debt instruments and derivatives globally. The fund may use leverage. The focus is on high dividend yield and mean reversion trades based on an alternative beta investment process. The allocations are not based on market cap weightings and the fund does not invest according to any benchmark. The fund can hedge all or a part of the currency risk in selected currency exposures.