

1. Introduction

The Asgard Pan-Nordic Property Fund (“The Fund”) is a Friends First unit-linked fund (brought to you by Aviva) invested in a larger underlying fund (“the Portfolio” or “the Aberdeen Portfolio”) managed by Aberdeen Asset Management (“Aberdeen” or the “Property Manager”).

The Fund was launched to policyholders in 2007 as a closed-end geared property fund with a seven year term and a provision for the possibility of further extensions, subject to market conditions. This means that policyholders may not surrender their policy until the liquidation date of the Fund. The Fund holds 2.68% of the underlying Aberdeen Portfolio. The liquidation date is the date on which the investment held by the Fund in the underlying Aberdeen Portfolio has been redeemed (cashed out), which will occur once all of the properties in the Portfolio have been sold, all loans have been repaid and the structure has been fully unwound.

All of the properties in the Portfolio have now been sold following the disposal of the last property in Denmark (in late 2019) and Aberdeen is focused on liquidating the Portfolio.

The Portfolio’s properties were predominantly acquired at what is widely accepted to have been the peak of the market in recent decades. The properties were acquired with the objective of adding value through active management – renewing or restructuring leases, as well as engaging in some select development projects (as outlined in the product brochure). While many leasing initiatives have taken place (albeit at lower rental levels than anticipated), some of the development projects proved to be no longer viable, following the global economic downturn.

2. Fund Performance

The unit price of the Fund for life policyholders is **€0.781** which is a decrease of 3.8% since the last investment report in June 2019 (€0.812). This decrease is primarily as a result of the sale of the last property closing slightly below carrying value and the costs incurred to date in liquidating the Portfolio.

Change in the value of (life) policyholders’ remaining investment in the Fund		
	Total Fund	% Change in remaining equity
	€'m	
Policyholders' initial investment	11.0	
Less unit deductions including coupon payments, death claims etc.	(10.3)	
Remaining equity	0.7	100.0%
Up front & Fund set-up costs	(0.4)	-66.2%
Investment return	0.3	44.3%
Value of remaining equity at 1 June 2020	0.5	78.1%
Number of units	0.7m	
Unit Price at 1 June 2020 (life policyholders)	€ 0.781	
<i>Note: Figures may be affected by rounding.</i>		

This price represents a 21.9% decrease in value of policyholders’ investment since launch, which is explained as follows:

- The sale of 46 properties at 14% below their total cost (in Euro terms), on a blended basis. Total sales proceeds to date were €1,164.4m compared with their previous combined valuation of €1,130.3m and total cost of €1,355.5m (including post-acquisition capital expenditure). The impact of this decrease is further magnified by the impact of gearing in the Portfolio;

Fund Performance cont'd

- The profit from the sale of the empty Swedish investment company.

The negative valuation movement since the global property market downturn has been somewhat offset by positive net rental cashflows from the Portfolio.

3. Life Policyholders

To date, Asgard life policyholders (or their lending bank where the policy is assigned) have been repaid approximately 55.8% of their initial premium amount through three distributions (known as a coupon payments) in October 2015, October 2017, April 2018 and October 2018. The payment to life policyholders (which is not guaranteed, and can only be made when sufficient surplus cash is available) is a repayment of policyholder premium (i.e. returning a portion of their original initial cash invested). At commencement, policyholders received an allocation of investment units in the Fund based on their net premium, after commission. As such, when initial investment is returned to policyholders by way of distribution, units with corresponding value have been cancelled at the prevailing unit price at the time of distribution. 92% of units have been cancelled to date, meaning the remaining 8% of units are valued at the current unit price of €0.781. The actual performance of your investment is the proportion of your initial premium repaid to date plus the value of your remaining premium amount. For life policyholders, this is currently c.€0.62 (see example below) but this is not guaranteed, and will depend on the future performance of the portfolio.

Asgard LIFE Fund - Coupon Example (based on €100,000 investment)			
		Value	Units
Gross investment premium, say		€ 100,000	
Broker commission, say 3%		-€ 3,000	
Net investment premium		<u>€ 97,000</u>	
Initial allocated units			97,000 units allocated
4 Coupon payment paid out as return of your premium		A € 54,165	89,243 units cancelled*
Remaining investment value at 1 June 2020	Unit Price €0.781	B € 6,059	7,757 units remaining
Approximate blended return on investment at 1 June 2020	€0.62	A+B € 60,224	(not guaranteed)
*Units are cancelled at the prevailing unit price, at the time of coupon payments. The effective unit price of total units cancelled was c.€0.61 (i.e. €54,165.07/89,243 units)			

4. Pension Policyholders

Coupon payments for the Fund's pension policyholders are invested in a Friends First cash fund (which can increase and decrease in value) on behalf of pension policyholders. This forms part of the value of the Fund's pension policyholders' investments.

The unit price for pension policyholders is currently €0.64.

5. Portfolio Management

The last property in the Portfolio, an office building in Denmark, sold in late 2019. Aberdeen is now focused on liquidating the Portfolio structure and have already liquidated part of this structure. Aberdeen expects this process to be completed in early H2 2020. At this point they will make a final equity payment to investors such as Aviva, which will facilitate the liquidation of the Fund. We will write to policyholders at this point to advise them of the options available to them.

6. Conclusion

As set out in the product documentation, this is a closed-end fund and policyholders will not be able to withdraw their investment before the liquidation date of the Fund. Aviva monitors the cash level within the Fund and will return remaining premium to life policyholders as soon as possible through the coupon payments process. Coupon payments for the Fund's pension policyholders are invested in a Friends First cash fund, unless switched to another Friends First product.

The information on this document does not constitute investment advice. It does not take into account the investment objectives, financial position or needs of any particular investor. Before making any investment decisions, you should consult suitably qualified and independent investment, taxation and regulatory advisors to discuss your specific situation and investment objectives.

Warning: Past performance is not a reliable guide to future performance.

Warning: The value of your investment may go down as well as up.

Warning: This fund may be affected by changes in currency exchange rates.