
The architect Ulrik Plesner's first extension to Brøndum's Hotel. 1892. Detail. By Johan Peter von Wildenradt, one of the Skagen Painters. This image belongs to the Art Museums of Skagen.

SKAGEN m^2

Statusrapport – april 2017

The art of common sense

SKAGEN

Oppsummering – april 2017

- I april steg fondet 2,7 prosent, mens referanseindeksen var opp 1,0 prosent. Så langt i år er fondet opp 6,4 prosent, mens indeksen har steget 5,1 prosent.

- Hoveddriveren bak den gode utviklingen i april var et sterk eiendomsmarked i Europa, hvor fondet har en overvekt. Ni av de ti største bidragsyterne var europeiske. Noen av våre vekstmarkedsinvesteringer gjorde det også godt. Oberoi Properties, Global Logistic Properties, Irsa og Shangri La er alle kraftig opp så langt I år.

- Rapportsesongen har startet of så langt er resultatene på linje med eller bedre enn forventingene. I motsetning til en del andre sektorer er inntjeningen og kontantstrømmen fortsatt sterk. I tillegg er balansen relativt robust med lite gjeld.

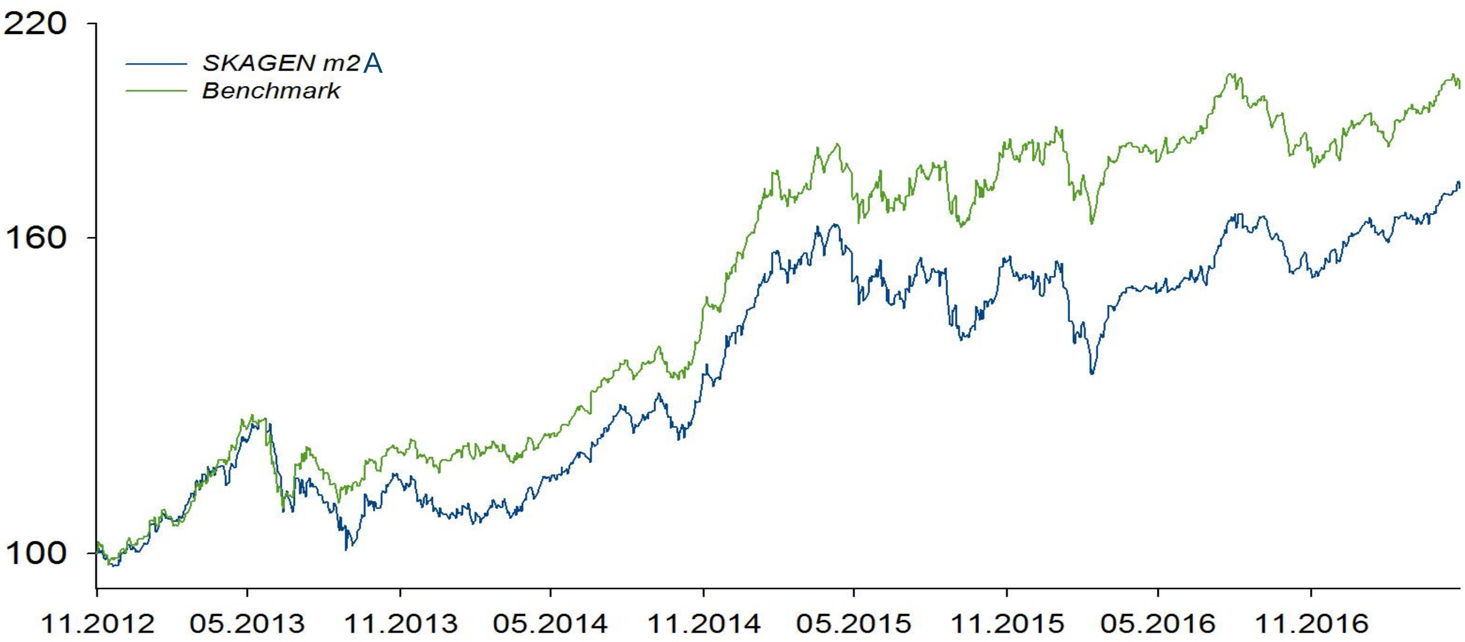
- Den største positive bidragsyteren i april var D. Carnegie som publiserte en god rapport for første kvartal. Vel så viktig var det at selskapet annonserte oppussing av eiendommer, noe som er positivt fordi selskapet har høy leverage i kontantstrøm fra drift og verdiskapning. Den nest største positive bidragsyteren var British Land, som ikke annonserte noe spesielt i løpet av måneden.

- De største negative bidragsyterne i april var GGP og SL Green. GGP har blitt trukket ned av den negative stemningen rundt kjøpesentre etter at mange butikker har måttet stenge i USA de siste 12 månedene. Ved utgangen av måneden annonserte de store kjøpesentrene i USA at de hadde hatt en bedre enn forventet periode. SL Green publiserte en rapport som bekreftet styrken i kontormarkedet på Manhattan. Det var bare små nedganger for fire av våre investeringer i måneden.

- De 10 største postene er 48% av porteføljen. SKAGEN m2 er investert i 35 selskaper og kontantbeholdningen er 6,3 prosent.

* Med mindre annet er oppgitt er alle avkastningstall for fondet i denne rapporten målt i NOK, knyttet til klasse A, og etter fradrag for gebyrer

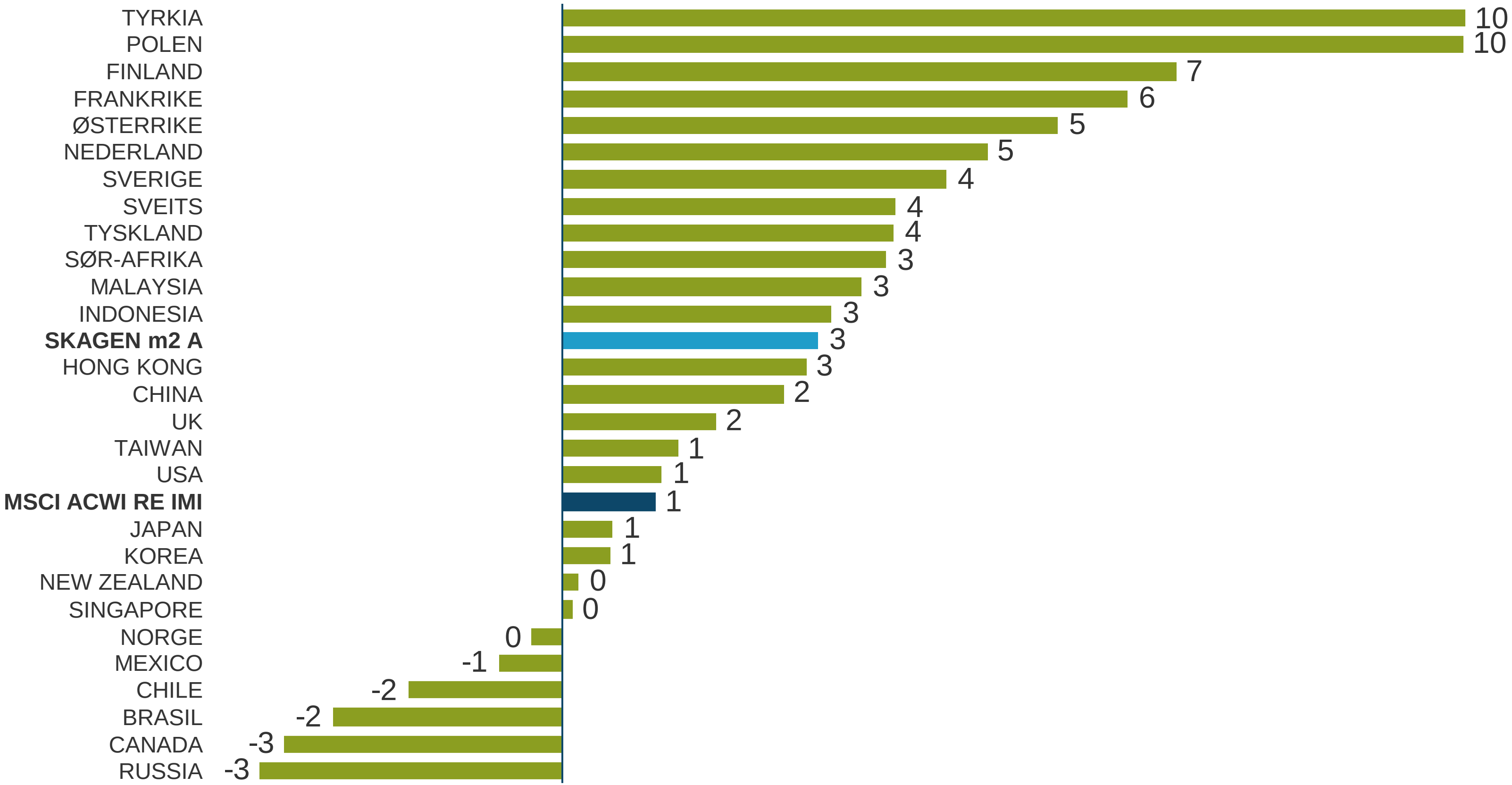
Avkastning april 2017 - NOK



	april	QTD	Hittil i år	1 år	3 år	Siden start*
SKAGEN m2 A	2,7%	2,7%	6,4%	16,9%	15,6%	12,9%
MSCI ACWI Real Estate	1,0%	1,0%	5,1%	11,6%	18,9%	16,6%
Meravkastning	1,7%	1,7%	1,3%	5,3%	-3,3%	-3,8%

*NB: Alle tall over 12 måneder er annualisert (geometrisk avkastning). *Startdato 31. oktober 2012.*

Markedsutvikling i april 2017 i NOK(%)



Viktigste bidragsytere i april 2017

Største positive bidragsytere

Company	*NOK (000)*
D Carnegie & Co	2 704
British Land	2 498
Olav Thon Eiendomsselskap	2 325
Inmobiliaria Colonial	2 171
Immofinanz	2 125
Atrium Ljungberg	1 786
Phoenix Mills	1 716
Big Yellow Group	1 712
Axiare Patrimonio	1 704
Deutsche Wohnen	1 694

Største negative bidragsytere

Company	*NOK (000)*
General Growth Properties	-2 092
SL Green Realty	-747
Shangri-La Asia	-546
Ashford Hospitality Trust	-365

Value Creation MTD (NOK MM): 31

NB: Bidrag til absolutt avkastning

Viktigste bidragsytere hittil i år

Største positive bidragsytere

Company	NOK (000)
Global Logistic Properties	13 308
IRSA	12 033
Shangri-La Asia	6 012
Inmobiliaria Colonial	5 244
Melia Hotels International	4 619
CA Immobilien	3 823
Deutsche Wohnen	3 711
CapitaLand	3 585
Catena	3 327
Oberoi Realty	3 315

Største negative bidragsytere

Company	NOK (000)
CBL & Associates Properties	-6 754
Ashford Hospitality Trust	-4 217
General Growth Properties	-4 153
Mercialys	-3 796
Ashford Hopsitality Prime	-2 772
Mitsui Fudosan Co	-2 521
SL Green Realty	-1 388
Emlak	-501
Nomura Real Estate Master Fund	-232

Value Creation YTD (NOK MM): 66

NB: Bidrag til absolutt avkastning

Viktigste bidragsytere med kommentar, april 2017

Største positive bidragsytere

Company	NOK (000)	
D Carnegie & Co	2 704	Q117 rapport på linje med forventingene, økt oppussing som er positivt
British Land	2 498	Ingen selskapsspesifikke nyheter
Olav Thon Eiendomsselskap	2 325	Ingen selskapsspesifikke nyheter
Inmobiliaria Colonial	2 171	Ingen selskapsspesifikke nyheter
Immofinanz	2 125	Rapport på linje med forventingene. Stor rabatt og mye spekulasjon rundt restrukturering og eierskap
Atrium Ljungberg	1 786	Solid Q117 rapport med økte forventinger
Phoenix Mills	1 716	Canada Pension Plan og Phoenix Mills i pakt. Godt skattereform
Big Yellow Group	1 712	Ingen selskapsspesifikke nyheter
Axiare Patrimonio	1 704	Ingen selskapsspesifikke nyheter
Deutsche Wohnen	1 694	Ingen selskapsspesifikke nyheter

Dårligste bidragsytere med kommentarer april 2017

Største negative bidragsytere

Company	NOK (000)	Comments
General Growth Properties	-2 092	Press på butikkjeder og svak detaljhandel trekker ned kjøpesentre. Sterk rapport for Q117 viste at frykten var overdrevet. Høykvalitetsselskapene gjør det bedre enn de dårligere.
SL Green Realty	-747	Ingen selskapsspesifikke nyheter, mene rapport som bekrefter kontormarkedet på Manhattan
Shangri-La Asia	-546	Ingen selskapsspesifikke nyheter
Ashford Hospitality Trust	-365	Bud på for Canadian Felcor (trukket igjen i begynnelsen på mai)

Viktigste endringer 1. kvartal 2017

Q1 Økte poster

Sponda	(Ny)
Immofinanz	(Ny)
BUWOG	(Ny)
Entra	(Ny)
General Growth Properties	
CA Immobilien	
Beni Stabili	
Deutsche Wohnen	
SL Green Realty	
Ashford Hospitality Trust	
Catena	
Atrium Ljungberg	

Q1 Reduserte poster

Mercialys	(Ut)
CBL & Associates Properties	(Ut)
Nomura RE Master Fund	(Ut)
Emlak	(Ut)
Ashford Inc	(Ut)
Global Logistic Properties	
Ashford Hopsitality Prime	
First RE Investment Trust	
Axiare Patrimonio	
Big Yellow Group	
Grivalia Properties	
IRSA	
Inmobiliaria Colonial	
Melia Hotels International	
CapitaLand	
Olav Thon Eiendomsselskap	
Columbia Property Trust	

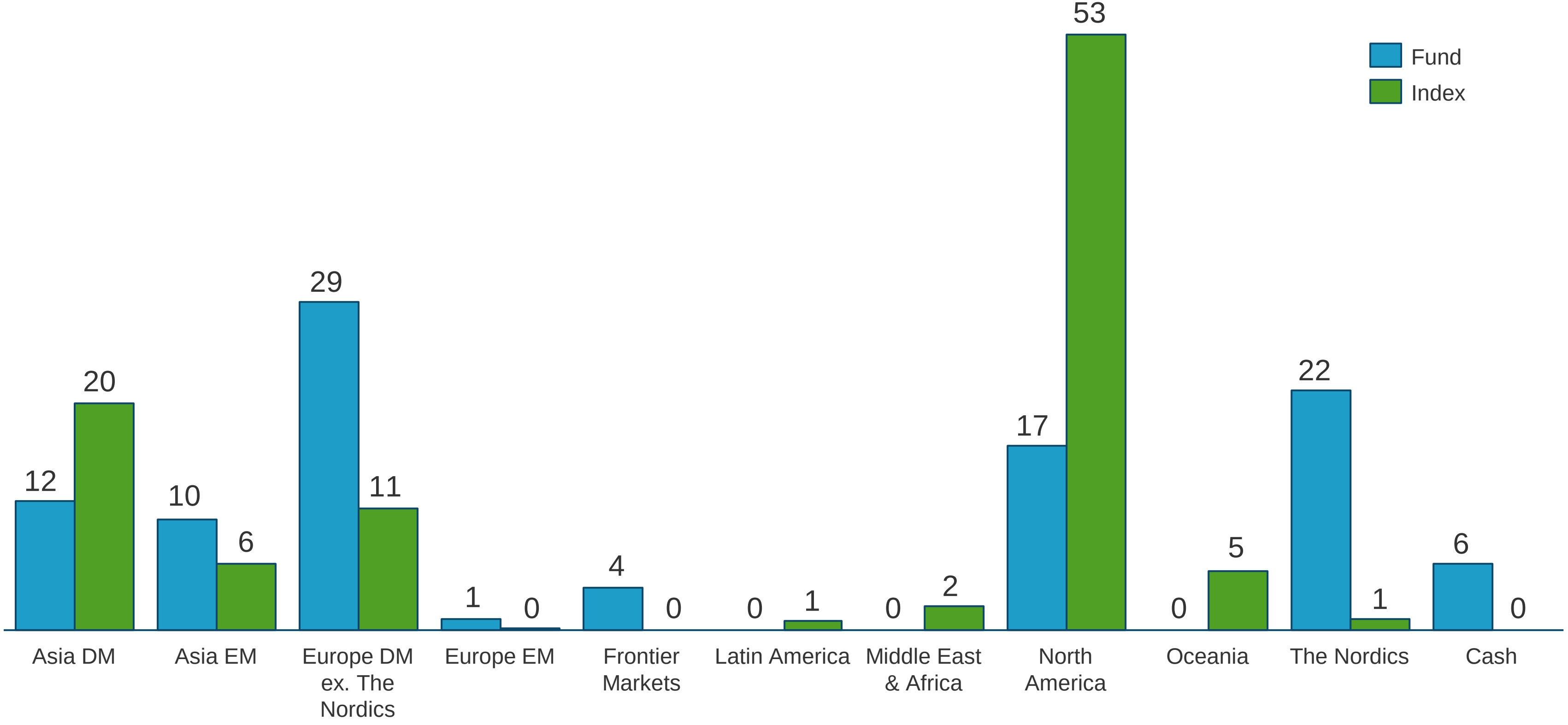
Viktigste endringer 2. kvartal 2017

Q2	Økte poster
	Sponda
	Immofinanz
	Mitsui Fudosan
	Catena

Q2	Reduserte poster
	First RE Investment Trust (Ut)
	IRSA
	Grivalia Properties
	Axiare Patrimonio
	Oberoi Realty

Geografisk fordeling versus referanseindeks i april 2017

Prosent



Største poster ved utgangen av april 2017

	Holding size	Price	P/NAV	Div. Yield 2017e	EBITDA 2017e/EV
D Carnegie	5,5%	107,75	87%	0%	4,0%
Catena	5,4 %	130,5	90%	4,2%	5,9%
Olav Thon	5,4 %	168,5	70%	1,3%	6,5%
Inmobiliaria Colonial	5,2%	7,12	84%	3,2%	3,4%
SL Green	5,2 %	104,6	75%	2,6%	3,5%
Deutsche Wohnen	5,1 %	29,5	107%	2,6%	3,5%
Mitsui Fudosan	4,7 %	2449,5	63%	1,4%	6,7%
GLP	4,2 %	2,88	96%	2,4%	3,3%
Irsa	3,8 %	25,47	64%	0,6%	7,8 %
GGP	3,5 %	21,8	68%	4,1%	6,3%
Weighted top 10	48,0%		81%	2.3%	5.2%
Weighted top 35	93,7 %			3.4%	5.8%
Benchmark				3.5% actual	

Nyheter på engelsk

Key earnings releases and corporate news April 2017

SL Green, US (5.2%)

Report in line with expectations confirms solid Manhattan office fundamentals

Implications for Investment Case: Neutral. There were few surprises in SL Green's Q117 report. Overall the report shows solid fundamental trends demonstrating that the NYC leasing environment is in good shape. The sentiment around NYC office trends has been negative and is one of the reasons why the company is trading at a discount to NAV. Last year SLG improved the balance significantly, reducing debt from USD 12.1bn to 9bn by selling parts of its portfolio and by creating JV. The company was criticised for its high debt level, but has become more in line with the US investor community's "accepted levels" (from 50% to 35%). The debt and preferred equity portfolio are interesting, CRE lending has tightened at the margins (especially for value-add and complicated deals) and should thus open up for more activity for capital sources that can be more creative with structure and flexible about where they can invest in the capital stack. SLG maintains a competitive advantage in the market given its experience, balance sheet, and relationships.

Atrium Ljungberg, Sweden (1.9%)

Raised earnings guidance and increased development pipeline

Implications for Investment Case: Neutral: The Stockholm focused retail and office player Atrium Ljungberg reported solid operations and increased profit guidance (SEK 1135m from SEK 1055m pre value changes) in Q1. Improved guidance is driven by the settlement of an old rental dispute and improvement in income from property management from acquisitions. The project portfolio volumes, raised in this report, are superior to their Nordic peers and look promising with a pipeline of about SEK 13bn of which SEK 1.7bn remains to be invested in ongoing projects. The company and its portfolio appear to be robust and continue to benefit from a strong Swedish real estate market.

Phoenix Mills, India (2.0%)

Canada Pension Plan and Phoenix Mills in pact on India developments

Implications for Investment Case: Positive: Phoenix Mills and CPPIB to form a strategic investment platform called Island Star Mall Developers (ISMD), to develop, own and operate retail-led mixed-use developments across India. CPPIB will initially own 30% with equity commitment of ~INR 7.24bn (CPPIB plans to invest ~INR 16bn, in multiple tranches, to own up to 49% stake). Pre-money enterprise value of ISMD is ~INR 22 bn. ISMD owns Phoenix Market City Bangalore, one of the top performing shopping malls in the country. Phoenix Mills will manage all development and operational assets in the platform. This is positive since they have very deep pockets and it provides Phoenix with growth capital and international knowhow. The next phase of capex is now funded. Another very important point is that this transaction sets a new valuation benchmark in Indian retail transactions. This transaction is estimated at 7.5-8.0% cap rate while the pre-transaction/announcement cap rate on Phoenix Mills is 10%. The mall portfolio is, on average, of a similar vintage to the Bangalore mall and should command a similar cap rate.

Key earnings releases and corporate news April 2017 (cont.)

AIT SP, Singapore (1.3%)

Report in line with expectations confirms solid Manhattan office fundamentals

Implications for Investment Case: *Positive:* Ascendas India trust is a platform offering exposure (via Singapore listing) to income-producing Indian office property, mainly targeting the fast growing IT segment. Another quarter that was positive overall with new buildings and positive rental reversions driving the top line. Operationally, the company is making good progress, with strong NPI and portfolio growth expected in the business over next 2-3 years due to the strong pipeline (high visibility), rental reflation and solid balance sheet (comfortable even including committed pipeline). AIT offers one of the best exposures to office assets in India given falling rates and positive fundamentals for office markets across markets and positive rental reversions in the underlying market. Increased competition for income assets by private investors compressing cap rates further. AIT's underlying volume growth along with new developments, will likely keep NPI growth at double digit levels over the next 2-3 years. Risks include delay in leasing for its upcoming buildings, delay in completion of new developments and significant depreciation of the INR. In April, AIT also announced a potential deal entering a new segment, modern warehousing (totalling 832k sqf near Mumbai), close to India´s main commercial port. We consider this to be positive.

Immofinanz, Austria (2.9%)

Russian assets still a drag but soon to be shifted out

Implications for Investment Case: *Neutral*: The Austrian commercial RE operator reported somewhat distorted numbers for Q316 (abbreviated year 2016). The entire Russian operations were excluded and put under discontinued operations. Russian assets continued to lose value, however the net effect of impairment was acceptable and expected. The Russian assets are a drag for Immofinaz; a disposal or a spin-off would be a big trigger for the company since it would lower the risk profile, but more importantly, enable Immofinaz to merge with CA Immo (subject to approval). According to management there are ongoing discussions with many parties. On the positive side, vacancy reduction continues (from 15.8% to 10.4% YoY) driven by office assets and the cost cutting trend continues. Immofinanz FFO will grow fast over the next year (from low levels) with the full effect probably visible in 2019 and underestimated by the market. FFO growth will come from financial and operational cost savings, the CA Immo FFO, and new assets under development (mainly in Germany) with high level of preleasing. Company will also sell non-core assets before end 2018 valued at ~EUR 700m. This has been a transitional year with lot of distortions aiming to set the stage for the important years to come. This is the beginning of a turnaround with attractive valuation, a lot of negatives are in the price and investors are exhausted. On a standalone basis, Immofinanz is not as attractive as CA Immo, however a combined entity would be very positive in terms of scale benefits and re-rating potential. SKAGEN m2 is positioned on both sides.

Buwog, Germany (0.4%)

A good operational year with rental growth to accelerate from upcoming rent roll revisions

Implications for Investment Case: Revaluation was not expected (very unusual in Q3, normally conducted in FY or H1) and can only be interpreted two ways: either to put pressure on potential bidders or to put up a defence against being acquired. We guess the former is the case. Another key take away was that Buwog once again managed to increase its development pipeline by ~20% to now 10.5k units (inv. value EUR ~3.1bn). Buwog has the longest maturity profile among peers and is well protected against rising interest rates. Company disposed ~500 units during 9m16 at a margin of ~56% on fair value. Selling at >50% BV in addition to the ~20% development margin should continue to drive value. Further yield compression to be expected, but only considered as a bonus. Company has a fully funded pipeline, >50k standing cash flow generating assets, low risk credit line and operationally focused on growth areas with structural undersupply. M&A highly likely. Guidance unchanged.

The largest companies in SKAGEN m2 as of April 2017

D. CARNEGIE & CO.

D. Carnegie & Co is the largest listed residential real estate company in Sweden specialising in residential properties. The company owns and manages over 16k units concentrated in the Stockholm region. Strategy is to refurbish and revitalise apartments and areas in the "miljon program" (residential blocks that were built between 1960-75 in Sweden that became famous for building away the housing shortage in an effective, fast and not very aesthetic way). Current units are expected to be refurbished in 10 years. The company does not clear all buildings, rather refurbishes when each unit is empty avoiding income loss. Total portfolio valuation is SEK 13.6bn. Huge asset revaluation, building rights value and privatisation potential. Apartments are valued in the books at SEK 11 500/sqm. In June 2016 Blackstone acquired a majority of shares, a bid for all shares to come.

CATENA

Catena is a Swedish logistics owner, operator and developer that actively manages portfolio and development projects in Sweden. Company recently acquired Tribona and became leading logistics operator in Sweden. Catena's assets are mainly located in fast growing regions: Stockholm, Gothenburg and Öresund. Portfolio value of approximately SEK 10bn. Strong e-commerce trend driving demand for more and faster logistics, especially city logistics.

OLAV THON GRUPPEN

Olav Thon owns a portfolio of 65 shopping malls and manages an additional 27 malls for external owners. In addition, the company owns office buildings, restaurants and hotels (2 NOT Thon Hotels) located primarily in the Oslo area. 76% of its income is from malls and the rest from commercial real estate (mainly office and retail). Listed on the Oslo Stock Exchange in 1983. Gross (inclusive JV) lettable space: Shopping malls: 1m square metres and commercial estate 263 000 square metres. Diversified into Sweden in Q3 '14 after buying five shopping malls with 122 000 square metres of space for NOK 3bn.

Colonial

Colonial is a leading Spanish prime property company present in Spain (Barcelona and Madrid) and France (Paris). The presence in France is structured through a 53.1% stake in the French listed company Société Fonciere Lyonnaise. Majority of assets are high quality CBD (75%) offices (94%). Colonial is the only liquid Spanish listed Real Estate company that managed to remain listed and successfully navigate through the turbulent waters of the recent economic crisis. The company rebuilt its capital structure in 2014 via a combination of a debt raising and a EUR 1.26bn capital increase. Geographical breakdown by GAV: Paris 48.5%, Madrid 28.1% and Barcelona 23.4%.

SL GREEN REALTY CORP.

SL Green Realty Corp. is a fully integrated, self-administered and self-managed REIT. The company is focused on owning and operating office buildings in Manhattan. It owns equity or debt in 92 properties totalling 41.6m square feet. In addition to Manhattan, they also have interests in Manhattan's surrounding suburban areas. Its Manhattan properties have an occupancy rate of 95.9% compared to 83.5% (Q1'15) for its properties in suburban areas.

The largest companies in SKAGEN m2 as of April 2017 (cont.)

Deutsche Wohnen is one of the leading listed residential companies in Germany with main focus in Berlin. Its operational focus is on managing and developing its residential property portfolio, currently comprises 161k units in total, of which 159k are residential units and 2,200 are commercial properties. Units are situated in core regions like Greater Berlin, Rhine-Main, Rhineland, Dresden, Hanover as well as in medium-sized German cities like Brunswick and Magdeburg.

Established in 1941, Mitsui Fudosan has been an active leader in the Japanese real estate industry, successfully developing new business opportunities and establishing a dominant position. The company is an integrated firm involved in office leasing, commercial facilities, condominium development, investment property development and REITS. 8% of MF's assets are located on other continents. Well-integrated and balanced growth model with development and investment properties diversified among different real estate sub-segments. Management business (car park leasing, property management) provides stable earnings growth over time, and together with other recurring earnings from commercial assets, mitigates the volatility in the development segment.

GLP is Asia's largest provider of modern logistics facilities. The company owns, manages and leases over 700 completed properties spread across 77 cities in China, Japan, Brazil and US, forming an efficient network with assets strategically located in key hubs, industrial zones and urban distribution centres. The USD 27bn property portfolio consists of 28m sqm serving more than 800 customers. The Japan portfolio is mostly completed and stabilised, providing strong operating cash flows to fund the group's growing business in China. The company also set up a China fund at the end of 2013 to enable capital recycling in the Chinese market in line with the Japanese model. This business model leads to a more effective capital structure, recurring income and capital recycling (listing of J-REIT & CLF fund).

Irsa Inversiones y Representaciones S.A.(IRSA) is Argentina`s leading real estate company in terms of total assets. Engaged, directly and indirectly in the acquisition, development and operation of shopping malls, office buildings, residential properties, luxury hotels, undeveloped land reserves for future development or sale, and selected real estate investments outside Argentina.

General Growth Properties (GGP), founded in 1954, is a real estate investment trust (REIT) that owns, leases, manages, and develops shopping centres. The company is the second largest mall operator in the world. The company held interests in 128 malls and retail properties generating an average of USD 600 in tenant sales per square foot (malls).

For more information please visit:

Our latest [Market report]

Information about SKAGEN m2 on our [web pages]

Unless otherwise stated, performance data relates to class A units and is net of fees.

Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skill, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments. KIIDs and prospectuses for all funds can be found on our website.