

Strong absolute and relative performance

The second quarter was once again positive for global real estate, which continued to catch up with the broader equity market. Revised economic growth prospects and falling long-term yields drove the sector higher in the quarter. The US real estate market continues to show strength and, after lagging initially, the European market is benefiting from the continued reopening of the economy and easing of travel restrictions. The spread between the US and European markets will likely close further over the next few quarters if economies normalise. Global real estate continues to benefit from strong growth and low interest rates as it recovers from the pandemic. Inflationary pressure is intensifying, which is mainly positive for real estate that has long been viewed as a partial inflation hedge. Inflating prices can be passed on through rents, while rising property values are also beneficial, giving individual property assets and real estate stocks a critical role in portfolio strategies. Rental growth has historically outpaced inflation, while property values may benefit as higher costs for land, labour and materials raise the economic threshold for new supply. SKAGEN m2 had a very strong quarter both in absolute and relative terms.

Activity and contributors

The fund's best performer in the quarter was the Swedish social infrastructure company Adapteo on the back of a bid from a Goldman Sachs-linked infrastructure fund at a premium of more than fifty percent. Another strong contributor in the period was Swedish warehouse operator Catena as tenant and investor demand remains high globally, also in Scandinavia. Catena also raised capital to source into a ramp-up of their land bank going forward.

Our long-term holding Deutsche Wohnen announced a merger with the German residential giant Vonovia at a decent premium in the quarter. We

switched our investment into Vonovia as the share price came down to interesting levels on the announcement. This a diversification since Vonovia holds rental apartments in several European countries, including Sweden. Despite the political turmoil over the last couple of years, the German residential segment still offers very interesting investment opportunities.

So far this year, there have been five bids for or potential take-outs of companies in our portfolio. This confirms our view that M&A activity is likely to continue to increase thanks to the discounted pricing levels still to be found within listed real estate.

Key buys

Another new position in the fund is the discounted US office operator Paramount Group with assets in San Francisco and New York. Both cities were hard hit by the pandemic but are slowly recovering. We also added the London-focused office operator Great Portland Estates for the same reason. So far, the 'hybrid model' of working remotely and in the office does not seem to have had as large an impact on office space needs as many has feared.

Another new and interesting holding is the Japanese conglomerate Tokyu Fudosan, with upside in the pandemic-hit segments of office, retail and leisure, amongst others. The company also has large developments and holdings within renewable infrastructure such as solar energy plants. Tokyu Fudosan trades at a deep discount to NAV, with the opportunity to recycle assets to crystallise hidden values. The largest detractor in the quarter was Japanese data centre and office operator Keihansin Building, due to a failed bid in the first quarter.



Foto: Shutterstock

Maintaining our approach

SKAGEN m2 continues to focus on investing in resilient companies in trend-driven subsegments, companies that we consider mispriced and which will benefit from a recovery in the economy, and companies that are well-positioned for inflation, such as those with CPI-linked rents. Valuation multiples still seem relatively attractive in some segments or cities, such as office space after the decline in 2020, especially as most multiples have not increased along with broader equity markets. Since the pandemic hit the stock market, global real estate still lags other global sectors, a gap that is likely to narrow as economies normalise.



Foto: Unsplash

Outlook

We continue to monitor and differentiate between temporary versus structural changes – i.e. the impact of Covid-19 versus more secular trends in the real estate landscape. We continue to focus on sustainability issues since these considerations are gaining in importance both in terms of income but also overall as a risk factor. As we have seen in the portfolio, M&A activity is continuing to increase as a result of discounted levels. As listed space valuations have widened away from the private market space, this will push valuations in a positive direction. The long-term prospects are positive given all the economic stimulus and the fact that a continued low interest rate environment in combination with some inflation is beneficial for real assets.

SKAGEN m2 investerer i en aktivt forvaltet og diversifisert portefølje av finansielle instrumenter utstedt av selskaper eller utstedere som har sin virksomhet rettet mot fast eiendom over hele verden. Målet er å gi andelseierne best mulig risikostjert avkastning over tid. Fondet passer for investorer som har minst fem års investeringshorisont.

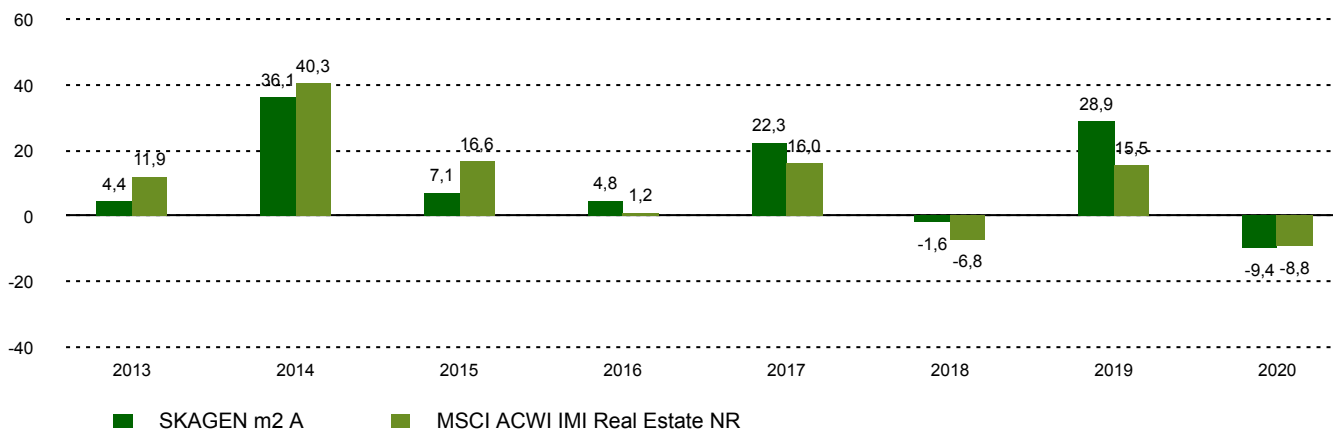
Historisk avkastning

Periode	SKAGEN m2 A	Referanseindeks
Siste måned	3,6%	4,4%
Hittil i kvartal	12,7%	9,2%
Hittil i år	13,1%	14,9%
Siste år	14,9%	15,8%
Siste 3 år	9,6%	5,3%
Siste 5 år	11,1%	5,3%
Siste 10 år	n/a	n/a
Siden start	11,5%	11,1%

Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	31.10.2012
Morningstarkategori	Eiendom, Indirekte - Global
ISIN	NO0010657356
NAV	257,44 NOK
Årlig forvaltningshonorar	1.50%
Totalkostnad (2020)	1.37%
Referanseindeks	MSCI ACWI IMI Real Estate NR
Forvaltningskapital (mill.)	1730,10 NOK
Antall poster	36
Porteføljeforvalter	Michael Gobitschek

Avkastning siste 10 år



I perioden 11.07.2017 – 30.09.2019 var referanseindeksen MSCI ACWI Real Estate IMI ex REITS

Bidragstere i kvartalet



Største positive bidragstere

Navn	Vekt (%)	Bidrag (%)
Adapteo Oyj	3,93	2,58
Catena AB	4,59	0,99
Switch Inc	3,47	0,96
Deutsche Wohnen SE	1,57	0,75
Self Storage Group	5,05	0,63



Største negative bidragstere

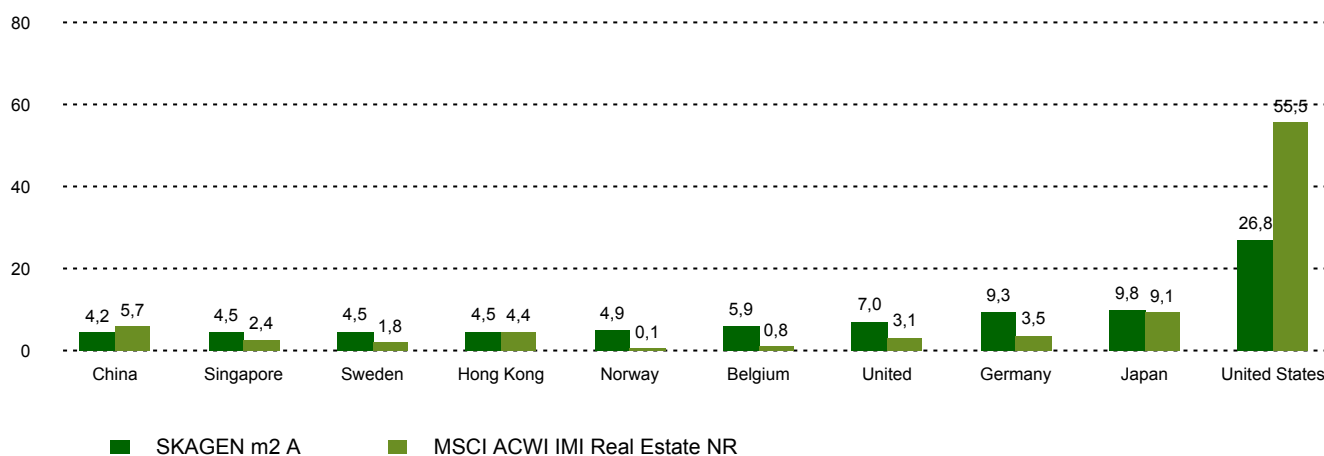
Navn	Vekt (%)	Bidrag (%)
Keihanshin Building Co	2,98	-0,27
China Resources Land Ltd	0,94	-0,14
Ascendas India Trust	2,05	-0,12
Paramount Group Inc	0,52	-0,11
Tokyu Fudosan Holdings	0,45	-0,08

I NOK for alle andelsklasser

10 største investeringer

Navn	Sektor	Land	%
Self Storage Group ASA	Industrials	Norway	4,9
Catena AB	Real Estate	Sweden	4,5
UMH Properties Inc	Real Estate	United States	4,0
Prologis Inc	Real Estate	United States	3,9
KOJAMO OYJ	Real Estate	Finland	3,7
Americold Realty Trust	Real Estate	United States	3,7
Grainger PLC	Real Estate	United Kingdom	3,6
CTP BV	Real Estate	Netherlands	3,6
LEG Immobilien SE	Real Estate	Germany	3,6
Shurgard Self Storage SA	Real Estate	Belgium	3,6
Samlet vekting			39,2

Landeksponering (topp 10)



I perioden 11.07.2017 – 30.09.2019 var referanseindeksen MSCI ACWI Real Estate IMI ex REITS

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Viktig informasjon

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