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Few places left to hide

Global equities declined in June on recession concerns, falling during the month to cap off the worst first half of a calendar year since 1987. Inflation caused central banks to maintain their hawkish stance, with the Federal Reserve delivering its biggest hike since 1994. This was followed by several other central banks hiking rates more than expected. Policy tightening on the one hand and slowing growth on the other put investors in a quandary, driving up volatility across asset classes.

Among the larger real estate markets, Asia fared better than other regions, ending the second quarter on a slightly positive note. Europe was the poorest performer in the quarter with the ongoing war amplifying all other negative economic concerns. There was indiscriminate sell-off across the real estate sector with almost no place to hide (except M&A targets) given the huge shift in government yields, financing costs and bond yields.

The quarter was much about leverage, company debt profiles and worries that property yields will shoot up in the coming months. Leverage is something we always monitor carefully in SKAGEN m2, favouring companies that have strong balance sheets with the cash flow to withstand financial turmoil. Valuations have come down dramatically, however volatility is likely to continue for some time, at least until there is some clarity regarding the inflation and growth trajectory. This provides interesting long-term buying opportunities for us, as the pool of cheap quality stocks increases on an almost daily basis.

Attribution

The best contributor in the quarter was the US data centre operator Switch that was acquired by a consortium after initiating a strategic overhaul last year. We anticipated this, not only because it is a small player in a consolidating market, but also because it is an innovative ESG champion deriving all its power from renewables.



Foto: Shutterstock

Outlook

Rising real rates do damage to values, while higher inflation is benign. That this year's rate spike has been primarily a function of higher real rates explains the weak start to the year. Seldom has the range of economic possibilities been as varied as it is today. Recession odds are up even as interest rates have jumped in reaction to the release of the inflation genie. The spike in yields has clobbered real estate share prices this year, and property prices have begun to drift lower. Looking at the leading global real estate market, the US, interest rate spikes have, on average, been harmful to real estate over the last twenty-five years. Real estate has delivered positive, but lacklustre, returns when rates have jumped, and they have lagged the S&P 500. There is no evidence that rate spikes have impacted property pricing. By contrast, when inflation expectations have been elevated, real estate has performed well. Subsequent returns have been higher than normal and better than equities in general. Property prices have also fared well, as cap rates have almost always declined. The differences in performance may seem discordant, since interest rates and inflation are joined at the hip, but they are not.

The second-best contributor was also US based, namely the cold storage operator Americold. The company has been struggling over the past couple of years with global supply chains hurting both volumes and asset growth. Cold storage is currently a hot investment topic among institutional investors as the trend is slowly reversing to smoother operations.

The Hong Kong based conglomerate Cheung Kong Asset Holding was also a good performer in the quarter thanks to its diversification and strong balance sheet.

On the negative side, the Swedish warehouse operator Catena came out worst. The company delivered only good news during the quarter, but the Swedish real estate market ended the first half of the year as the poorest performer globally after Russia. Catena did well on a relative basis in the Nordic real estate space.

The second largest detractor was also within logistics, namely Brazilian LOG. The company lost some ground after a strong start to the year and negative macro numbers in Brazil also contributed.

Portfolio activity

In the logistics space, our US holding Prologis acquired domestic peer Duke Realty in a USD 26bn transaction, something we consider as good for Prologis with its strong track record in previous acquisitions. The fund initiated a position in the US real estate service operator CBRE. The company is a global leader with scale and diversification and increased institutional ownership in real estate is driving demand in all segments. In a volatile macro environment, CBRE's solid balance sheet allows for capital management initiative and consolidation.



Foto: Shutterstock

Going forward, a slightly elevated level of inflation is not a concern for real estate, rather the opposite. A long-term investment horizon is key for investors in this environment. SKAGEN m2 continues to focus on companies that we consider to be resilient in trend-driven subsegments, with good cash flow generation and balance sheet structure. SKAGEN m2 is well-positioned for most scenarios thanks to our investment philosophy and disciplined stock selection.

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 risikostuert avkastning over tid. Fondet passer for investorer som har minst fem års investeringshorisont. Det tegnes i fondsandeler, og ikke direkte i aksjer eller andre verdipapirer. Fondet har risikoprofil 5. Referanseindeksen reflekterer fondets investeringsmandat. Siden fondet er aktivt forvaltet vil imidlertid porteføljen avvike fra indeksens sammensetning.

Historisk avkastning

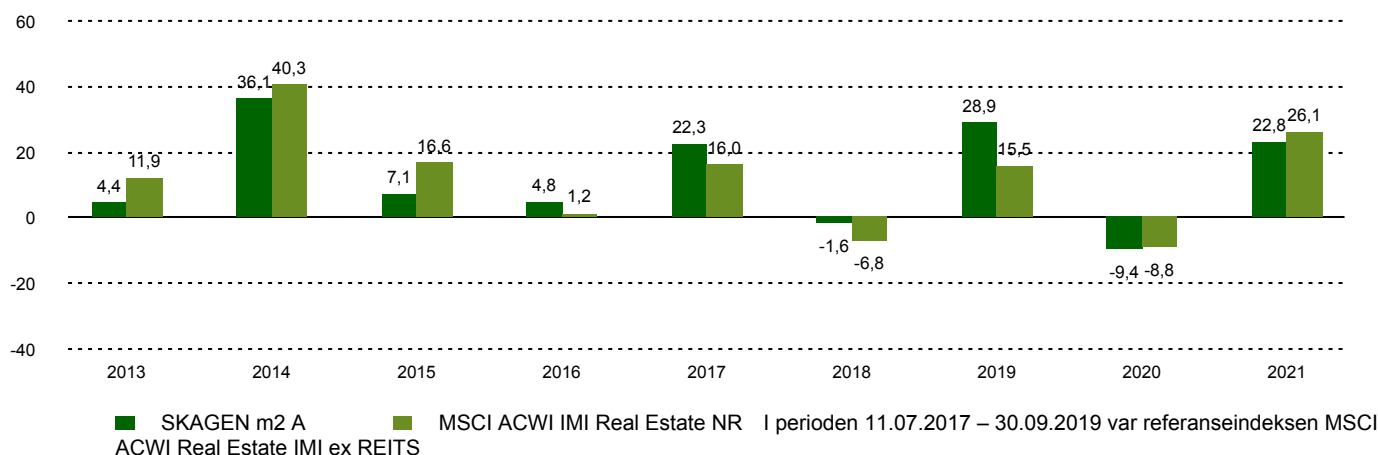
Periode	SKAGEN m2 A	Referanseindeks
Siste måned	-4,4%	-3,4%
Hittil i kvartal	-8,0%	-4,8%
Hittil i år	-11,5%	-10,5%
Siste 12 måneder	-3,9%	-1,7%
Siste 3 år	4,4%	2,3%
Siste 5 år	6,6%	4,0%
Siste 10 år	n/a	n/a
Siden start	9,8%	9,7%

Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	31.10.2012
Morningstarkategori	Eiendom, Indirekte - Global
ISIN	NO0010657356
NAV	247,48 NOK
Årlig forvaltningshonorar	1.50% + resultatavhengig forvaltningsgodtgjørelse*
Totalkostnad (2021)	1.19%
Referanseindeks	MSCI ACWI IMI Real Estate NR
Forvaltningskapital (mill.)	1693,21 NOK
Antall poster	33
Porteføljeforvalter	Michael Gobitschek

*10,00% resultatavhengig forvaltningsgodtgjørelse beregnes daglig og belastes årlig hvis relativ verdiutvikling er bedre enn referanseindeksen. Samlet belastet forvaltningshonorar utgjør maksimalt 3,00 % og minimum 0,75 % p.a. Resultatavhengig forvaltningsgodtgjørelse kan belastes selv om fondets andeler har gått ned i verdi dersom verdiutviklingen er bedre enn referanseindeksen.

Avkastning siste 10 år



Historisk avkastning er ingen garanti for fremtidig avkastning. Fremtidig avkastning vil blant annet avhenge av markedsutviklingen, forvalterens dyktighet, fondets risikoprofil og forvaltningshonorar. Avkastningen kan bli negativ som følge av kurstap. Det er knyttet risiko til investeringer i fondet på grunn av markedsbevegelser, utvikling i valuta, rentenivåer, konjunkturer, bransje- og selskappsspesifikke forhold.

Bidragssytere i kvartalet



Største positive bidragssytere

Navn	Vekt (%)	Bidrag (%)
Switch Inc	2,54	1,05
Americold Realty Trust	3,02	0,64
CK Asset Holdings	2,23	0,42
Mitsui Fudosan	3,45	0,40
Capitaland Investment	3,47	0,29



Største negative bidragssytere

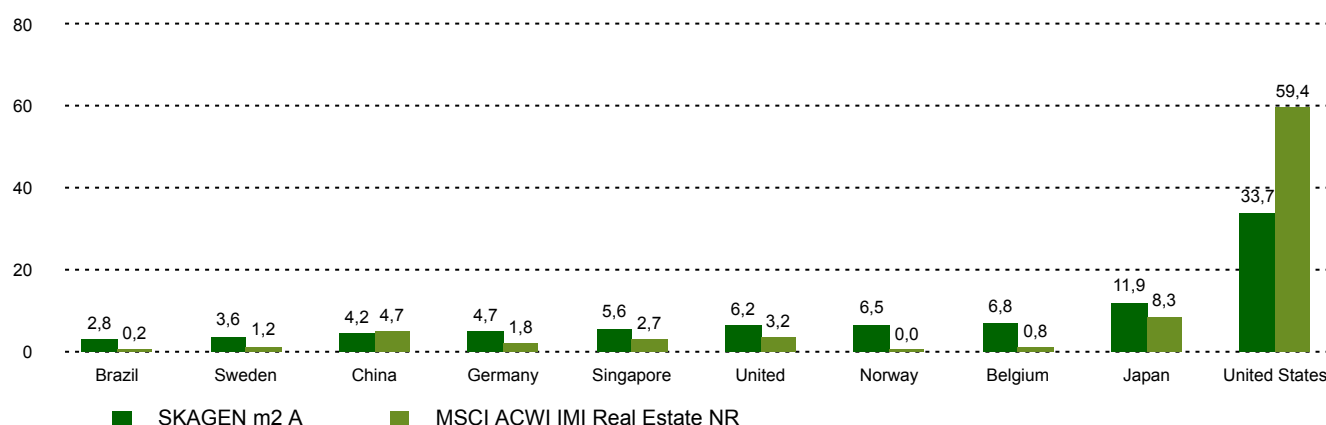
Navn	Vekt (%)	Bidrag (%)
Catena AB	3,84	-1,50
LOG Commercial Properties	3,28	-1,38
UMH Properties	4,72	-0,95
Hudson Pacific Properties	1,77	-0,84
Prologis Inc	4,79	-0,83

Veksten viser gjennomsnittet for perioden. I NOK for alle andelsklasser

10 største investeringer

Navn	Sektor	Land	%
Self Storage Group ASA	Industrials	Norway	6,5
Prologis Inc	Real Estate	United States	5,2
UMH Properties Inc	Real Estate	United States	4,5
Sun Communities Inc	Real Estate	United States	4,4
Grainger PLC	Real Estate	United Kingdom	4,3
ESR Cayman Ltd	Real Estate	China	4,2
Shurgard Self Storage SA	Real Estate	Belgium	4,0
Marcus Corp/The	Communication Services	United States	4,0
Mitsui Fudosan Co Ltd	Real Estate	Japan	3,8
Capitaland Investment Ltd/Singapore	Real Estate	Singapore	3,7
Samlet vekting			44,7

Landeksponering (topp 10)



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

Viktig informasjon

All informasjon er basert på mest oppdaterte tall tilgjengelig. Med mindre noe annet er opplyst, vil avkastningsdata være relatert til andelsklasse A og vises etter fradrag for honorarer. Forvaltningskapital per utgangen av forrige måned. All informasjon er fremstilt av SKAGEN AS (SKAGEN) med mindre noe annet er opplyst. SKAGEN fraskriver seg ethvert ansvar for direkte- og indirekte tap samt utgifter pådratt i forbindelse med bruk av eller forståelsen av innholdet i rapporten. Ansatte i SKAGEN vil kunne eie finansielle instrumenter utstedt av selskaper som er omtalt i rapporten eller som fondene har i sine porteføljer.



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