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A lost year for real estate; favourable environment ahead

The yearend sell-off in December was fuelled by hawkish central banks, which continued to add upward pressure on bond yields, which is typically negative for real assets. 2022 was a challenging year with the invasion of Ukraine, persistently high inflation, rising interest rates and the prospect of recession in many advanced economies. The Federal Reserve and other central banks engaged in some of the most aggressive rate-hiking cycles ever to tackle inflation. In the US this appears to be having the intended effect, if the inflation numbers reported in the quarter are any guidance. Policy tightening on the one hand and slowing growth on the other put investors in a quandary and continued to drive up volatility across assets in the quarter.

During the year, investors have priced in a very negative outlook for listed real estate. We believe it to be too negative and think that we are entering a more favourable environment for listed real estate. Inflation pressure is expected to continue to ebb over the next few months as recession bites and the real economy is affected. This will allow for a more foreseeable monetary policy which will calm some of the market's concerns. Although financing costs are higher and growth will be slower, the listed space enters this recessionary period in a position of relative strength, buoyed by tight supply and healthy cash flows.

All major real estate markets globally ended the year in negative territory, in particular Scandinavia which lost almost half of its listed value on average. Asia was the best performing geography, only slightly down for the year. The year of 2022 highlights the importance of diversification both in terms of geography, but also sub segments. SKAGEN m2 held up well during the year, thanks to its holdings outside of Europe but also due to its focus on resilient and defensive segments and companies.



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Outlook

Listed real estate has historically performed well in environments of lower growth and lower real yields, where we see an end to the rate hiking cycle and the transition to an early cycle environment. During the fourth quarter, markets reacted instantly to lower inflation numbers, discounting a first rate cut and the beginning of a stronger economic cycle. Real estate is well positioned for the above scenario, whenever it comes, as historically all early cycle sectors have benefitted.

Contributors and detractors

The fund's largest contributor in the quarter was Swedish logistics operator Catena which recouped its losses after the long-awaited positive market movements in the Swedish real estate market, but also thanks to a solid report. Catena raised equity during the quarter, taking advantage of the slight premium valuation. The company is now well capitalised and will benefit from any opportunities that arise in this difficult market. The second best performer in the quarter was the UK-based rental operator Grainger which delivered a strong report driven by increased demand and strong rent growth, correlated to wage inflation. Rising mortgage costs are expected to drive rental demand up further, something we think will benefit all the rental operators in the portfolio.

The largest detractor in the quarter was the Brazilian logistics operator and developer LOG. A rather positive year for Brazilian equity markets ended with election-related macro turbulence. Real estate was punished due to elevated uncertainty surrounding the interest rate path in connection with the election.

Portfolio activity

In the quarter we sold out of the German rental residential names LEG and Vonovia to bring down overall risk. The reason for this is lack of visibility around communicated disposals which is a concern as values are expected to decline somewhat. The companies are trading cheaply with a lot of implicit value decline in the stock prices, however not without risk as leverage is high in the current environment. We exited the US-based office operator Hudson Pacific Properties to mitigate some recession risk as the office segment has a strong correlation to economic development. We continued to add to conviction cases during the quarter.

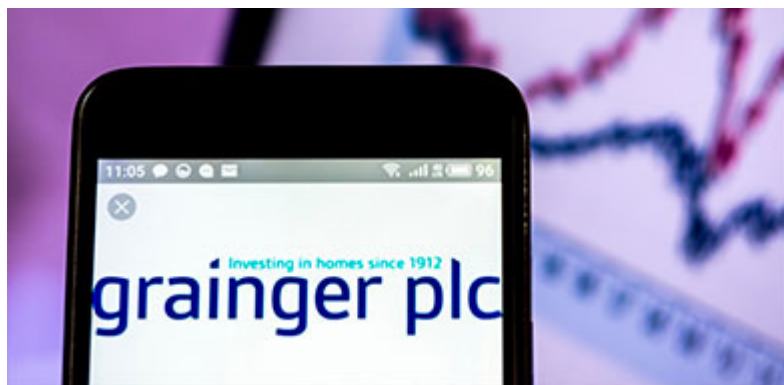


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Having a long-term horizon is key for any investor in environments where the extent of a potential recession is uncertain. Real estate is trading at a deep discount relative to long-term history. Some segments and geographies are trading at a huge, implied value loss that seems very unlikely. It is fair to say that a lot of bad news is already discounted, but things can always get worse before they get better. SKAGEN m2 continues to focus on companies that we consider to be resilient in trend-driven subsegments, with good cash flow generation and solid balance sheet structure. It is more important than ever that our holdings have manageable balance sheets, a high proportion of fixed or hedged debt and inflation-adjusted rent structures. SKAGEN m2 is well positioned for the current scenario thanks to our investment philosophy and disciplined stock selection. These are interesting markets for us, as the pool of cheap stocks broadens almost daily, providing good long-term buying opportunities.

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. 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

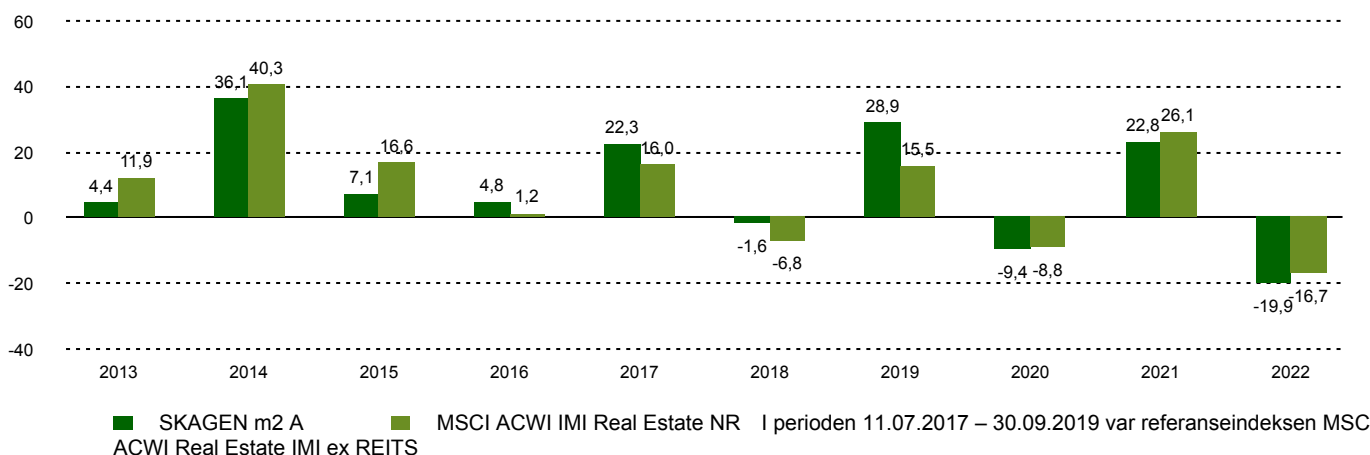
Periode	SKAGEN m2 A	Referanseindeks
Siste måned	-3,3%	-4,3%
Hittil i kvartal	-5,0%	-2,6%
Hittil i år	-19,9%	-16,7%
Siste 12 måneder	-19,9%	-16,7%
Siste 3 år	-3,7%	-1,4%
Siste 5 år	2,5%	0,6%
Siste 10 år	8,2%	8,3%
Siden start	8,3%	8,4%

Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	31.10.2012
Morningstarkategori	Eiendom, Indirekte - Global
ISIN	NO0010657356
NAV	224,09 NOK
Årlig forvaltningshonorar	1.50% + resultatavhengig forvaltningsgodtgjørelse*
Totalkostnad (2021)	1.19%
Referanseindeks	MSCI ACWI IMI Real Estate NR
Forvaltningskapital (mill.)	1522,24 NOK
Antall poster	30
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 selskapsespesifikke forhold.

Bidragstyttere i kvartalet



Største positive bidragstyttere

Navn	Vekt (%)	Bidrag (%)
Catena AB	4,43	0,58
Grainger PLC	4,05	0,35
Americold Realty Trust	3,61	0,18
Big Yellow Group PLC	2,30	0,15
Capitaland Investment Ltd	3,79	0,12



Største negative bidragstyttere

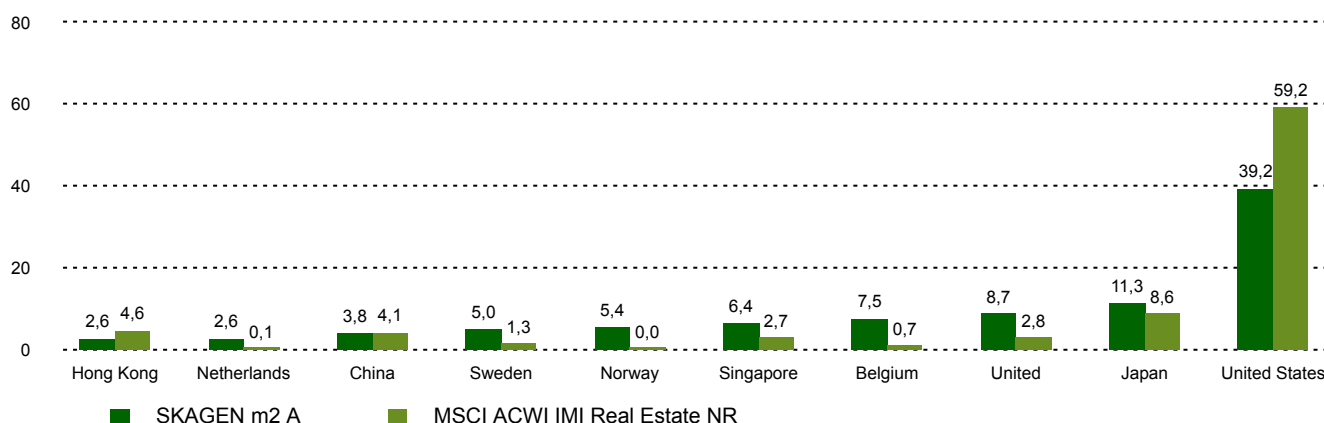
Navn	Vekt (%)	Bidrag (%)
LOG Commercial Properties	3,01	-1,49
ESR Group Ltd	3,90	-1,22
Tokyu Fudosan Holdings	4,20	-0,78
Mitsui Fudosan Co Ltd	3,43	-0,47
UMH Properties Inc	4,57	-0,41

Veksten viser gjennomsnittet for perioden. I NOK for alle andelsklasser

10 største investeringer

Navn	Sektor	Land	%
Prologis Inc	Real Estate	United States	5,4
Self Storage Group ASA	Industrials	Norway	5,4
Catena AB	Real Estate	Sweden	5,0
Shurgard Self Storage SA	Real Estate	Belgium	4,6
Grainger PLC	Real Estate	United Kingdom	4,4
Capitaland Investment Ltd/Singapore	Real Estate	Singapore	4,2
UMH Properties Inc	Real Estate	United States	4,2
Sun Communities Inc	Real Estate	United States	4,1
CBRE Group Inc	Real Estate	United States	4,1
Tokyu Fudosan Holdings Corp	Real Estate	Japan	4,0
Samlet vekting			45,4

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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