

A volatile first quarter

Equity investors experienced the worst quarterly plunge since the financial crisis in the first quarter due to the COVID 19 outbreak. Unprecedented measures have been taken to protect the world, with the US Federal Reserve and its global counterparts making sweeping emergency rate cuts and providing money to help combat the coronavirus pandemic. Policymakers have pre-emptively announced fiscal stimulus of around five percent of global GDP and unlimited monetary easing. The real estate sector was initially hit hard, especially due to the shutdown of shopping malls and the hospitality business amongst others, but also due to the fact that it is a capital-intensive sector. In March many companies released statements describing how the coronavirus is affecting the operational side of their business and tenants, resulting in altered 2020 operational guidance and dividends being cancelled, cut or delayed. At the end of the quarter, the sector rebounded and the best performers were those in the defensive real estate segments. Companies within segments driven by secular trends or those with strong balance sheets also came out as relative winners.

An active quarter

We repositioned the portfolio in the quarter to mitigate the risk of absolute loss and emphasise our strategy of defensive growth. We exited or trimmed all positions in more risk exposed subsegments or which have balance sheets that are too stretched for this uncertain time. We sold out

of positions in segments like shopping mall operators and hotels, including Phoenix Mills and SM Prime, as well as hotel operator Melia and ImmoFinanz which has exposure to shopping malls. Brookdale Senior Living was exited due to the risk of COVID 19 outbreaks in care homes and Colony Capital was sold out due to its overall risk profile. Stendörren was sold out as we brought Adapteo into the portfolio, but also due to higher balance sheet risk. Finally, we sold out of Columbia Property Trust and decreased our position in SL Green to reduce our overall office exposure in the US.

The fund entered four new positions in the quarter, the first of which is the UK health care operator and developer Assura, which mainly holds GP surgery, primary care and community healthcare buildings. The company has a defensive and Brexit-resilient risk profile with long and stable leasing contracts in combination with strong financials. The second new position is the US office operator Equity Commonwealth that has five assets and substantial cash on the balance sheet. The company has an active investment strategy and is focused on distressed opportunities, portfolio repositionings and other complex situations. This position can be looked upon as a cash position with an option. Balance sheets have been easy to ignore in recent years, but they will likely serve as sizable return differentiators going forward. Finally, we initiated a small position in the Asian logistics platform ESR and also bought into Finnish modular housing operator Adapteo in the quarter.



Foto: Shutterstock

Best and worst contributors

As expected, data centres and residential rental operators were the lighthouses in the storm. The top contributors in the quarter were the data centre companies Equinix and KeiHanshin Building. The current crisis amplifies the need for the consumption of data traffic by people working from home. Residential rental operators also performed well with Kojamo and LEG Immobilien being the best contributors. Both companies have a strong recurring income profile. The US company Colony Capital was the largest detractor due to the uncertainty of transitioning its business model and the potential difficulty in selling the hospitality portfolio. Despite its strong balance sheet, the diversified operator Aroundtown faced some headwind due to its hospitality exposure. The New York based office operator SL Green also had a challenging period as the virus outbreak hit New York especially hard at the end of the quarter.



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Into uncharted territory

We are now moving into more uncertain times due to the current crisis. The year ahead will therefore also look different for the real estate sector. The potential long-term prospects are positive, given all the economic stimulus and the fact that both a continued low interest rate environment or an inflationary environment are both beneficial for real estate assets. In the short term, however, real estate will not be immune to challenges like declining cash earnings as funding costs climb and rental income falls amidst a deteriorating macroeconomic environment. Rising vacancies are likely to follow in some segments as unemployment climbs, while tougher capital market conditions may lead to higher yields being demanded to roll over funding. Asset values that have become more difficult to assess will be affected in many cases and even deteriorate, also due to the likelihood of less acquisition-driven earnings growth. As stated before, times like these provide opportunities as well as frustration. SKAGEN m2 closes the quarter with a strong cash position and continues to focus on companies that we consider to be resilient in trend-driven subsegments and with good cash flow generation and balance sheet structure. Regardless of the near-term path, longer term, urbanisation as well as demographic and digital shifts provide a helpful tailwind for global real estate. SKAGEN m2 is well positioned thanks to its 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 risikjustert avkastning over tid.

Fondet passer for investorer som har minst fem års investeringshorisont.

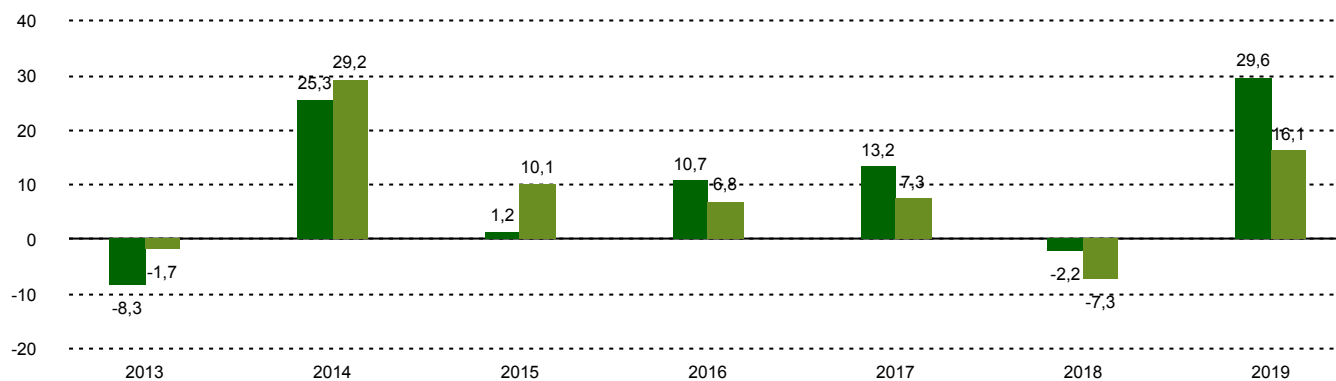
Historisk avkastning

Periode	SKAGEN m2 A	Referanseindeks
Siste måned	-20,0%	-19,7%
Hittil i kvartal	-25,3%	-24,6%
Hittil i år	-25,3%	-24,6%
Siste år	-15,2%	-25,5%
Siste 3 år	1,6%	-5,4%
Siste 5 år	0,4%	-2,8%
Siste 10 år	n/a	n/a
Siden start	4,7%	4,1%

Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	31.10.2012
Morningstarkategori	Eiendom, Indirekte - Global
ISIN	NO0010657356
NAV	142,24 DKK
Årlig forvaltningshonorar	1.50%
Totalkostnad (2019)	2.68%
Referanseindeks	MSCI ACWI IMI Real Estate NR
Forvaltningskapital (mill.)	1190,52 DKK
Antall poster	31
Porteføljeforvalter	Michael Gobitschek

Avkastning siste 10 år



■ SKAGEN m2 A ■ MSCI ACWI IMI Real Estate NR

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 (%)
Equinix Inc	5,56	1,57
Kojamo Oyj	4,19	1,06
LEG Immobilien	3,64	0,52
Keihanshin Building	3,20	0,49
Deutsche Wohnen SE	2,13	0,30



Største negative bidragstere

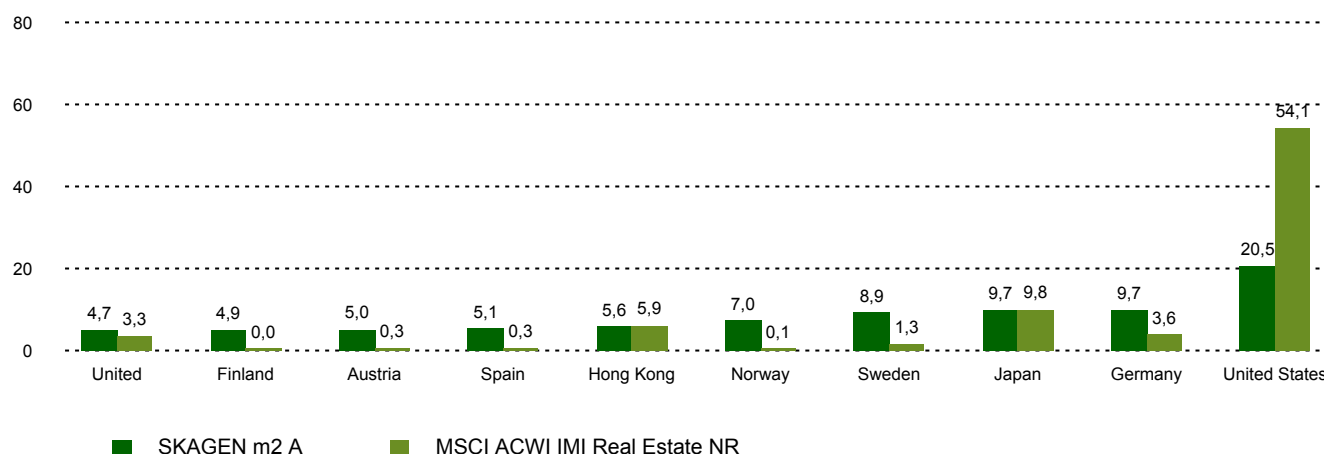
Navn	Vekt (%)	Bidrag (%)
Colony Capital	1,79	-1,42
Aroundtown SA	3,72	-1,37
SL Green Realty Corp	2,71	-1,26
Stendorren Fastigheter	2,32	-1,09
Brookdale Senior Living	0,82	-1,03

I NOK for alle andelsklasser

10 største investeringer

Navn	Sektor	Land	%
EQUINIX INC	Real Estate	United States	7,5
Self Storage Group ASA	Industrials	Norway	5,1
CA Immobilien Anlagen AG	Real Estate	Austria	5,0
KOJAMO OYJ	Real Estate	Finland	4,9
LEG Immobilien AG	Real Estate	Germany	4,3
Mitsui Fudosan Co Ltd	Real Estate	Japan	4,2
Catena AB	Real Estate	Sweden	4,1
Keihanshin Building Co Ltd	Real Estate	Japan	3,9
Healthcare Trust of America Inc	Real Estate	United States	3,8
Shurgard Self Storage SA	Real Estate	Belgium	3,4
Samlet vektning			46,0

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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