

Second quarter offered some relief for real estate

Centrals banks and governments continued to support the economy and companies in the second quarter. This, in combination with a cautious reopening of most economies, fuelled a stock market rally from mid-May until the end of the quarter. Despite this, global real estate continued to lag the broader equity market. During this spring's market distress, the sector did not demonstrate the same resilience as it has done during many previous corrections. The most obvious explanation for this is some of the subsegments' direct exposure to the virus spread (e.g. hotels, gaming, student housing, malls) which suffered from physical shutdowns and a halt in sales for their tenants. This created uncertainty around their viability and willingness to pay their contractual rent. Governments have in many instances provided aid and relief, but the extent of their leniency towards landlords has varied across countries. There are still large disparities between the various subsegments, although the worst affected rebounded during the second quarter.

SKAGEN m2 continues to focus on the more resilient subsegments and companies with strong and growing cash flow generation, driven by strong underlying trends. Real estate occupancies had a strong starting point going into the recession, something that may limit the damage ahead. A continuous global and synchronised recovery and favourable monetary policy will serve the real estate sector well.

Activities during the quarter

The fund invested in one new holding in the quarter, the US based data centre operator Switch. The company has a strong position in its core markets offering high reliability and power density, served by renewable energy. Switch is one of the purest plays to capture the proliferation of the cloud. The current crisis has amplified the need for data traffic leading to huge new investments in IT-infrastructure.

In June, the German residential operator LEG acquired 7500 apartments from another portfolio holding, Deutsche Wohnen, partly financed by an equity raise. The deal was positive and reinforced the growth strategy outside of LEG's core area. The diversified German operator Aroundtown announced a share buy-back programme with a volume of up to EUR

500m to be finalised this year. On a positive note, the company also disposed of many retail assets that came aboard with the TLG acquisition.

Best and worst contributors

The best contributor in the quarter was the Swedish logistics operator Catena, demonstrating the resilience of industrial real estate during this pandemic. The sector was boosted by the strong increase in e-commerce during the crisis. The Brazilian logistics operator LOG Commercial Properties also performed well for the same reasons. Another resilient segment is self-storage and the pan European platform operated by the Belgian company Shurguard was the second best performer in the portfolio during the quarter, helped by its defensive operations and strong balance sheet.

On the negative side, CA Immobilien was the largest detractor mainly due to its exposure to the office segment. This is a much talked about segment at present, with some people assuming that in-office work will decline in favour of the working from home trend, and others assuming that all will return to normal. The truth is probably somewhere in between and some of the lower demand will be offset by the requirement for more space per person due to the new social distancing requirements. However, we also acknowledge the difficulty of taking a clear stance either way while we are in the midst of the crisis in many countries. We reduced our office exposure in the first quarter, mainly due to concerns around economic developments rather than an anticipation of dramatic changes in office usage patterns.

The Hong Kong based Far East Consortium suffered during the period, mainly due to its Hong Kong listing and hotel exposure. It is worth remembering, however, that the majority of the asset's exposure is outside Hong Kong. The US rental housing operator Equity Residential also detracted on fears of negative rental collections due to increasing unemployment numbers and its exposure to New York. Rental collections have so far been close to normal.



Foto: Shutterstock

Strong long-term prospects for real estate

The real estate landscape is constantly evolving, now more than ever with changing consumer patterns, rapid technological developments and the declining need for physical workspace. It is not clear what the final outcome will be, but it is more important than ever to be selective.



Foto: Bloomberg

Outlook

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. The long-term prospects are positive, given all the financial stimulus and the fact that both a continued low interest rate environment and an inflationary environment are beneficial for real estate assets. In the short term, however, real estate will not be immune to challenges caused by the deteriorating macroeconomic environment.

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.

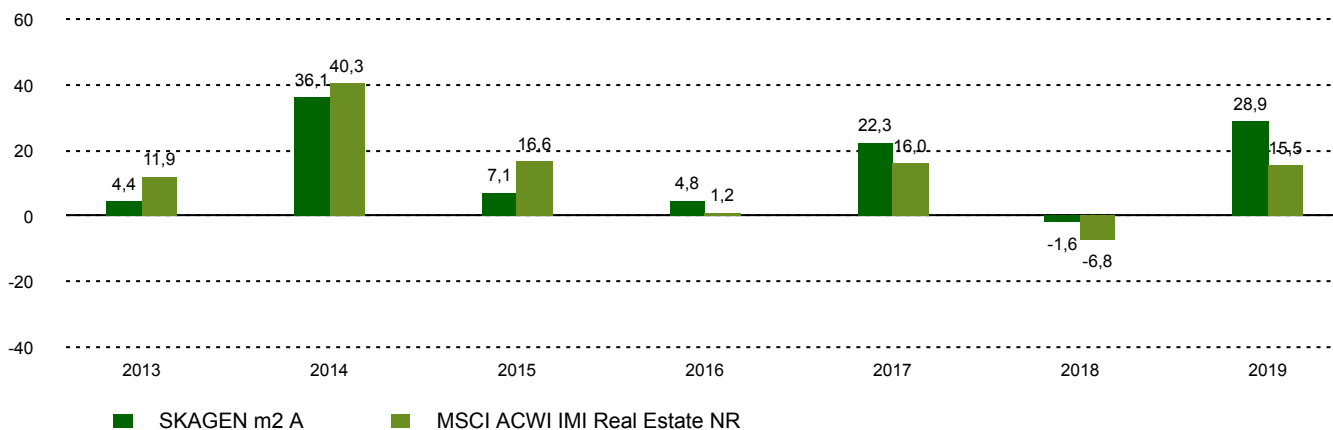
Historisk avkastning

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

Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	31.10.2012
Morningstarkategori	Eiendom, Indirekte - Global
ISIN	NO0010657356
NAV	224,08 NOK
Årlig forvaltningshonorar	1.50%
Totalkostnad (2019)	2.68%
Referanseindeks	MSCI ACWI IMI Real Estate NR
Forvaltningskapital (mill.)	1864,34 NOK
Antall poster	31
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 (%)
Catena AB	4,77	1,10
Shurgard Self Storage SA	3,52	0,62
LOG Commercial Properties e Participacoes SA	1,66	0,51
Deutsche Wohnen SE	2,94	0,28
Equinix Inc	7,51	0,27



Største negative bidragstere

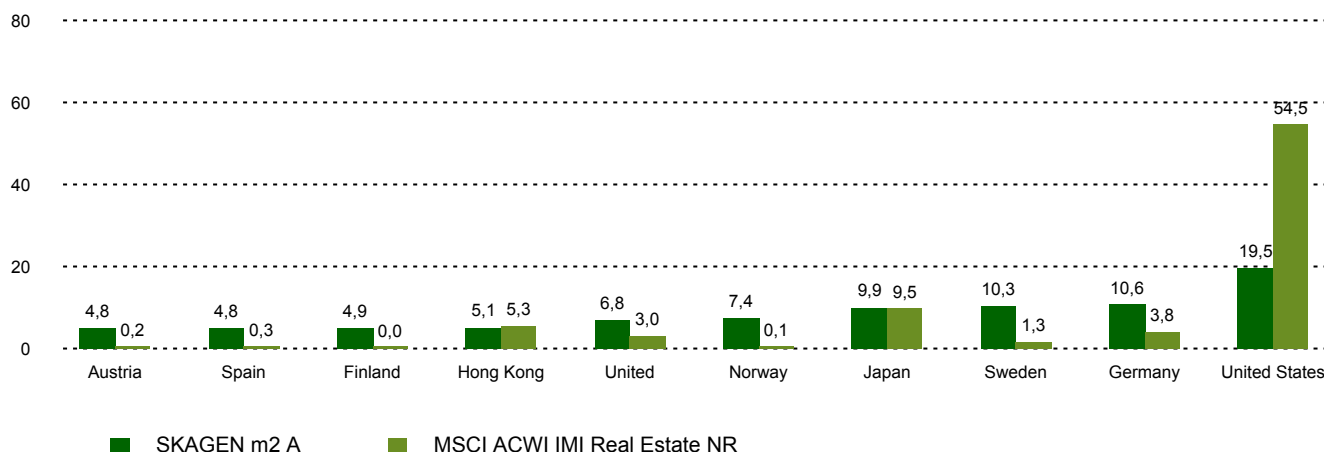
Navn	Vekt (%)	Bidrag (%)
CA Immobilien Anlagen AG	4,82	-0,46
Far East Consortium International Ltd	2,20	-0,43
Equity Residential	3,09	-0,37
Inmobiliaria Colonial Socimi SA	2,25	-0,36
Assura PLC	2,96	-0,29

I NOK for alle andelsklasser

10 største investeringer

Navn	Sektor	Land	%
EQUINIX INC	Real Estate	United States	6,7
Catena AB	Real Estate	Sweden	5,3
Self Storage Group ASA	Industrials	Norway	5,2
KOJAMO OYJ	Real Estate	Finland	4,9
CA Immobilien Anlagen AG	Real Estate	Austria	4,8
LEG Immobilien AG	Real Estate	Germany	4,7
Mitsui Fudosan Co Ltd	Real Estate	Japan	4,2
Shurgard Self Storage SA	Real Estate	Belgium	4,0
Keihanshin Building Co Ltd	Real Estate	Japan	4,0
Healthcare Trust of America Inc	Real Estate	United States	3,7
Samlet vektning			47,6

Landeksponering (topp 10)



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

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