

Growth expectations drive the real estate sector

The first quarter of the year was an eventful one. The US Senate passed an enormous relief bill and Biden announced plans for a vast infrastructure package and hiked taxes to finance it. Vaccination picked up pace, fuelling the recovery race, particularly in subsegments that have lagged during the pandemic. In certain markets, hotel and some retail names are trading at pre-pandemic levels. The US real estate market soared on the tailwinds of a stronger than expected economy and a faster than expected return to normal sentiment. Asia followed with strong performance in the sector. Inflation expectations have been elevated, leading to rising bond yields as a result. Again, a strong economic outlook is more important for the real estate market than inflation fears and the anticipation of higher interest rates. European real estate markets lagged in Q1 due to continued lockdowns and vaccine delays, leading to a postponed recovery for the stock market.

Portfolio activity

The first quarter was a rather active period for the fund with four new positions initiated and four exited. The fund participated in the IPO of the logistics company CTP. This is one of the largest owners and developers of logistics assets in the CEE area, mainly in the Czech Republic, Romania and Slovakia. The company has a clear growth path ahead offering exposure to the growing industrial and logistics sectors in the region, benefitting from growing local consumer markets and strong e-commerce growth. CTP's markets appear set to catch up with the more advanced economies. We also bought into the Brazilian mall operator Iguatemi at a huge discount. The company has the best quality assets in the country, concentrated around the San Paulo area.

The fund also invested in a new segment, namely towers. After mediocre performance in the quarter for some of the winning segments during the pandemic, price tags have come down to more reasonable levels and we took the opportunity to invest in two tower companies. The first is the Spanish operator Cellnex which has operations in several European countries. Cellnex has a clear growth profile and has already been very

active in acquisitions over the last few months. We also bought into the tower giant American Towers, a global leader within the segment.

We sold out of the US holding Equity Commonwealth as our thesis of this cash rich company buying distressed assets did not materialise. We also exited 21 Vianet Group at a profit after very strong performance. We sold out of the Swedish residential company John Mattson to take profit and source the money into new ideas.

In March, a consortium of investors announced an unsolicited bid for the US office operator Columbia Property Trust. The bid is currently pending and the outcome is still unclear. The Singapore-based company CapitaLand also announced a corporate restructuring at a premium well above the stock price. So far this year, four bids have been made for companies in the portfolio.

Contributors

The fund's best contributor was the US manufactured homes operator UMH Properties, lifted by a strong US real estate market driven by strong economic recovery. CA Immo was the second best contributor after the company received a bid from Starwood. We sold out of the position and switched into CTP. Both companies have assets in the CEE but in different segments. The Swedish listed social infrastructure operator Adapteo, the comeback kid so far this year, has performed strongly on the back of a brighter outlook for new public procurements.

The fund's largest detractor was Japanese Keihanshin Building after a failed bid and subsequent sell-out by activist Strategic Capital. On a positive note, at the end of February, the board announced several shareholder-friendly measures including share buybacks. The German residential rental operator LEG Immobilien also performed poorly as Covid winners went out of fashion.



Foto: Unsplash

A barbell approach

SKAGEN m2 continues to follow its barbell approach, either investing in resilient companies in trend-driven subsegments, or companies that we consider mispriced and which will benefit from a recovery in the economy. Valuation multiples continue to appear relatively attractive after the decline in 2020, as most multiples have not increased along with broader equity markets. 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.



Foto: Unsplash

Outlook

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 pick up 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 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.

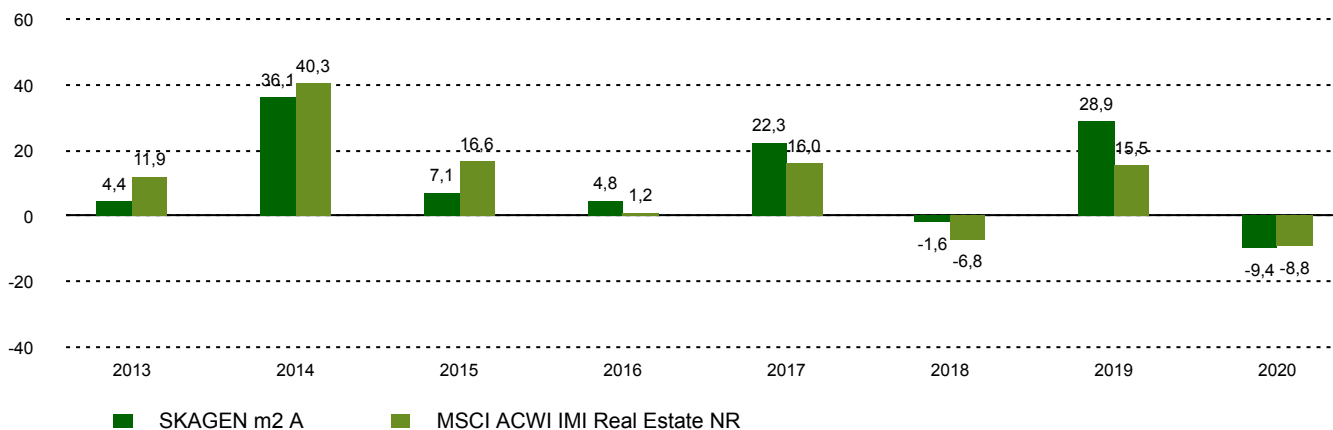
Historisk avkastning

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

Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	31.10.2012
Morningstarkategori	Eiendom, Indirekte - Global
ISIN	NO0010657356
NAV	228,50 NOK
Årlig forvaltningshonorar	1.50%
Totalkostnad (2020)	1.38%
Referanseindeks	MSCI ACWI IMI Real Estate NR
Forvaltningskapital (mill.)	1583,20 NOK
Antall poster	35
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 (%)
UMH Properties Inc	2,43	0,67
CA Immobilien Anlagen	4,59	0,54
CK Asset Holdings Ltd	3,02	0,50
Adapteo Oyj	4,61	0,49
CapitaLand Ltd	2,72	0,34



Største negative bidragstere

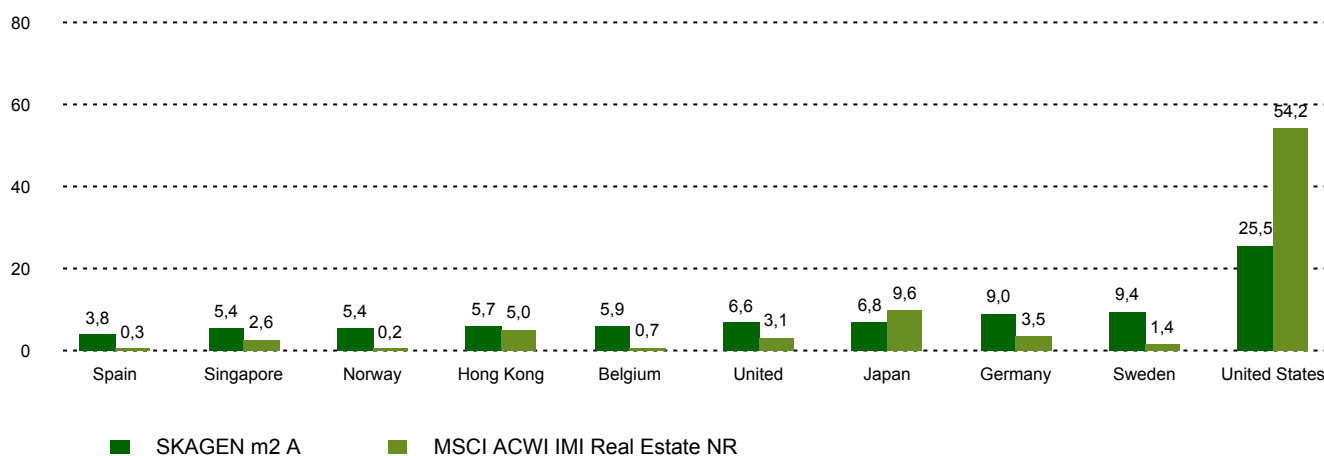
Navn	Vekt (%)	Bidrag (%)
Keihanshin Building Co	3,85	-1,12
LEG Immobilien SE	4,01	-0,69
Self Storage Group ASA	5,71	-0,46
Kojamo Oyj	3,85	-0,43
LOG Commercial Properties	1,60	-0,41

I NOK for alle andelsklasser

10 største investeringer

Navn	Sektor	Land	%
Self Storage Group ASA	Industrials	Norway	5,4
Adapteo Oyj	Industrials	Sweden	5,4
Prologis Inc	Real Estate	United States	4,3
Americold Realty Trust	Real Estate	United States	4,3
Catena AB	Real Estate	Sweden	4,1
Grainger PLC	Real Estate	United Kingdom	3,9
Shurgard Self Storage SA	Real Estate	Belgium	3,9
LEG Immobilien SE	Real Estate	Germany	3,8
KOJAMO OYJ	Real Estate	Finland	3,7
Switch Inc	Information Technology	United States	3,6
Samlet vekting			42,4

Landeksponering (topp 10)



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

Kontakt



+47 51 80 39 00



kundeservice@skagenfondene.no



SKAGEN AS, Postboks 160, 4001 Stavanger

Viktig informasjon

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