Portrait of Holger Drachmann in a Teepee, 1903-07, Detail. By P.S. Krøyer one of the Skagen paintings. This image belongs to the Skagens Museum.

SKAGEN m^2
Status Report – April 2016

The art of common sense

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Summary – April 2016

- April was a good relative month for SKAGEN m2 which gained 1.6% in EUR, while global real estate was down 0.1%. SKAGEN m^2 is now slightly ahead of its benchmark year to date. Brazil and India continued their strong performance, while the US was one of the weakest markets in April.

- The best contributor to the fund was SL Green, after announcing a sale to deleverage the company and stronger guidance after soft guidance following the 4Q results. In addition, we observed strong performance in companies with exposure to EM, including Oberei, India, up 16%, BR Properties, up 15% and Keck Seng, up 13%.

- Ashford Trust was the worst contributor in absolute return terms, down 8% in local currency due to the weakening lodging market in the US and activist attacks on its sister company.

- We did not add any new investments to m2 during April, but sold out of 2 companies: Indonesian Bumi Serpong and French office operator Gecina. Bumi Serpong was sold out after the target price was reached, also in line with the increased concentration and stabilisation focus. Gecina was sold out due to stretched valuation, but also due to its overlap with our new holding Colonial which has a clear focus on office exposure in the central business district of Paris.

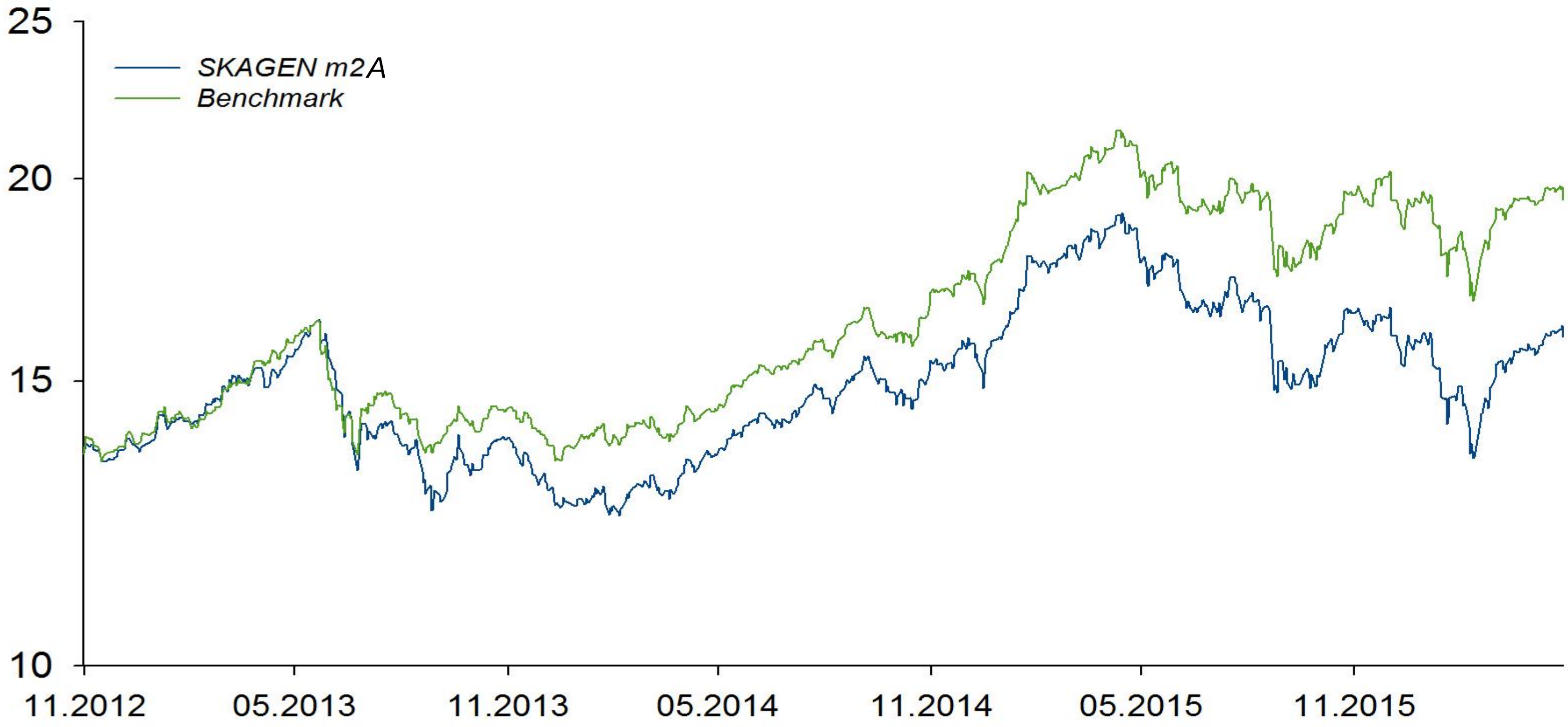
- Unsurprisingly, the ECB decided to keep its monetary policy stance unchanged. The key ECB interest rates remained on hold and are expected to stay at current or even lower levels for an extended period of time.

- The top 10 and 35 positions in the fund constitute 41**%** and 93% of the fund respectively and the fund currently consists of 39 holdings. The fund's cash position is 3%.

Unless otherwise stated, all performance data in this report is in EUR, relates to class A units and is net of fees.

Results, April 2016

EUR, net of fees



	April	QTD	YTD	1 year	3 years	Since inception*
SKAGEN m2 A	1,6%	1,6%	-0,6%	-9,9%	0,9%	4,9%
MSCI ACWI Real Estate	-0,1%	-0,1%	-0,6%	-3,2%	7,0%	10,9%
Excess return	1,7%	1,7%	0,1%	-6,8%	-6,1%	-6,0%

Note: All returns beyond 12 months are annualised (geometric return)
** Inception date: 31 October 2012*

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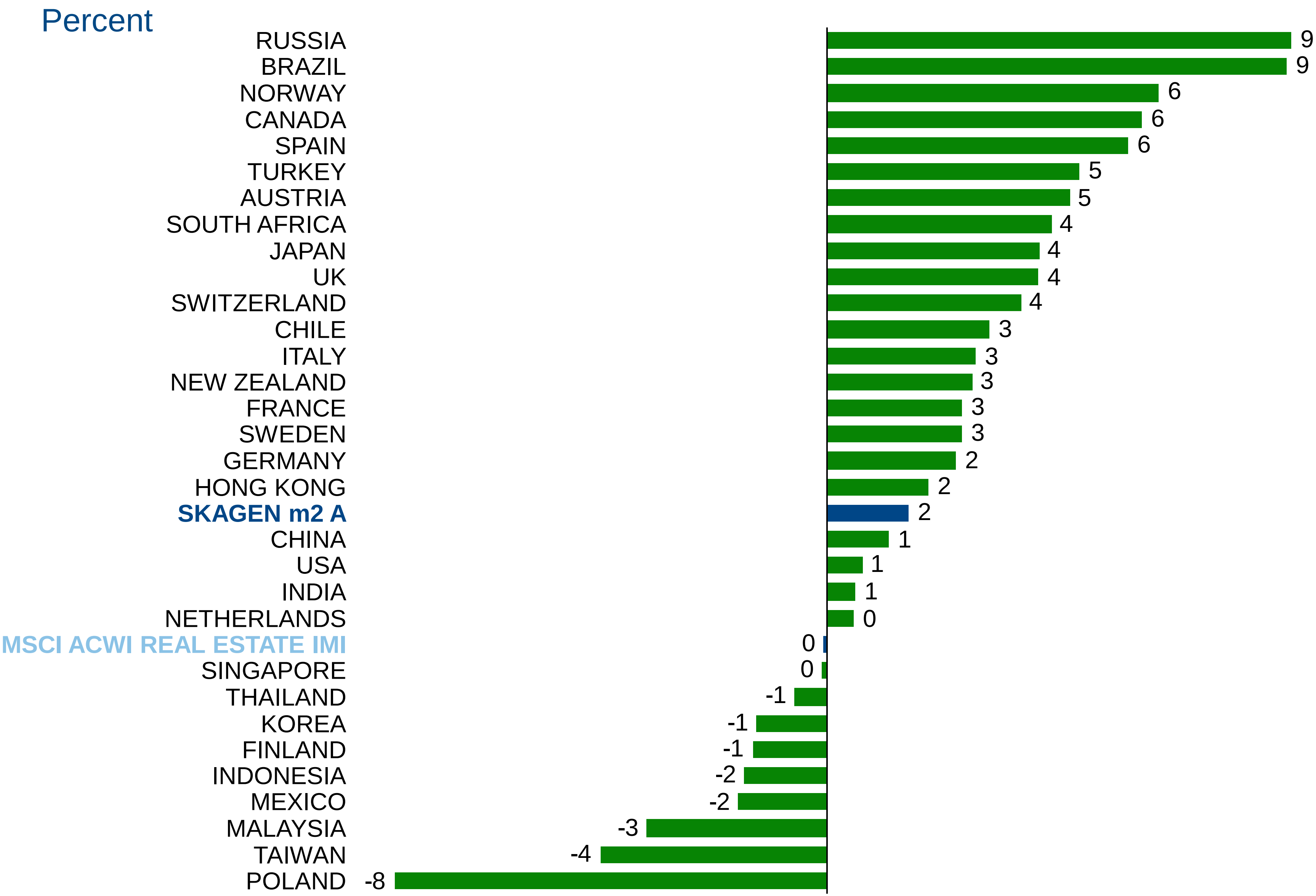
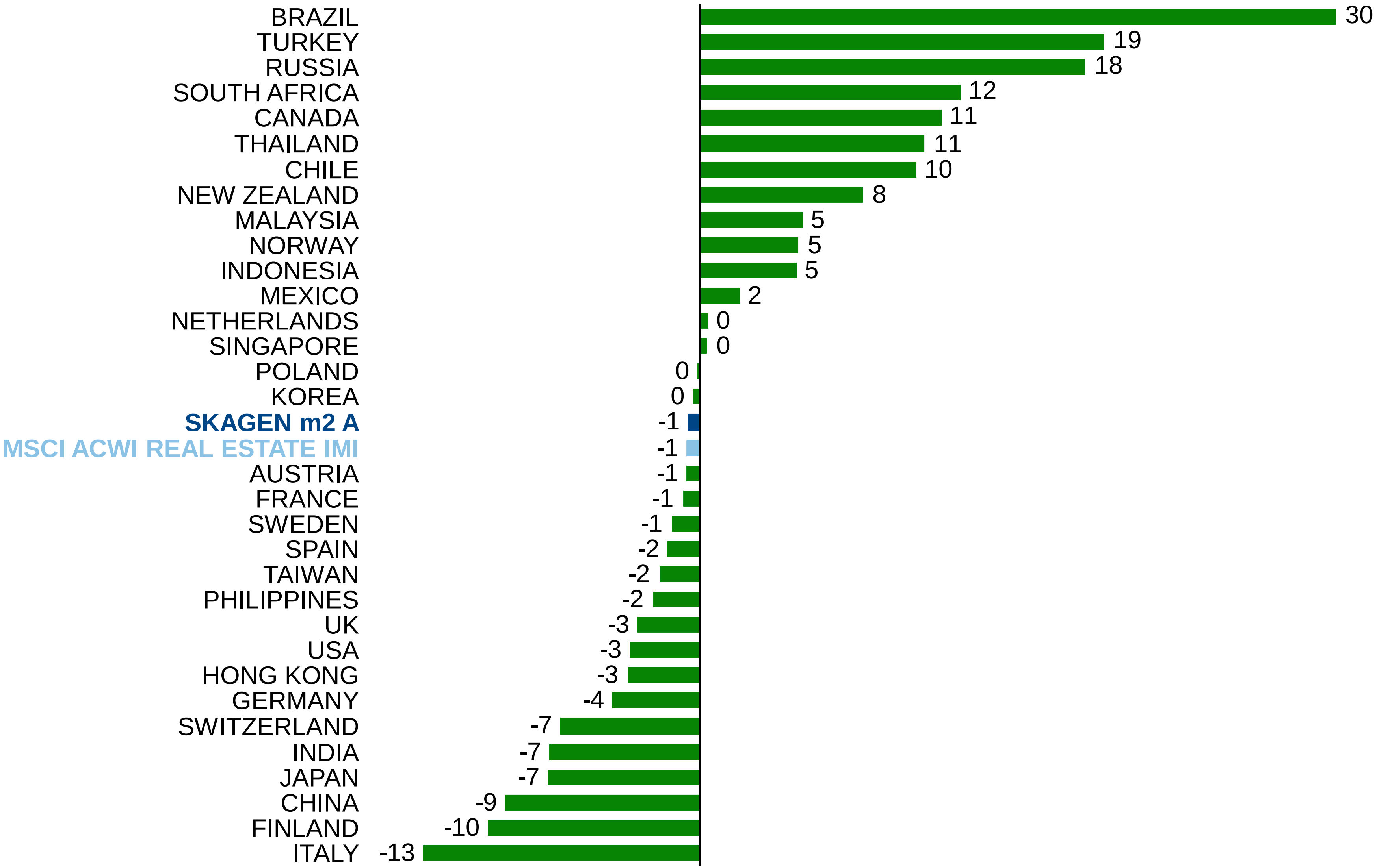
Markets April 2016 in EUR (%)



Markets 2016 YTD in EUR (%)

Percent



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Main contributors, April 2016

Largest positive contributors

Company	NOK (000)
SL Green	2 360
Oberoi Realty	1 257
Brandywine	1 255
BR Properties	985
Keck Seng	956
Shangri-La	894
Melia Hotels	881
Big Yellow	659
Olav Thon Eiendom	640
Nomura Real Estate Fund	621

Largest negative contributors

Company	NOK (000)
Ashford Hospitality Trust	-2 701
General Growth Properties	-2 094
PS Business Parks	-1 637
Mercialys	-1 562
Atrium Ljungberg	-1 357
Global Logistic Properties	-1 350
Dic Asset	-1 170
CA Immobilien	-1 113
CBL Properties	-1 020
Deutsche Wohnen	-798

Value Creation MTD (NOK MM): -3

NB: Contribution to absolute return

Main contributors, April 2016

Largest positive contributors

Company	NOK (000)	Comments
SL Green	2 360	Strong Q1, sales to deleverage and stronger job growth than expected in Manhattan.
Oberoi Realty	1 257	No company specific news, but high expectations around residential launches during the year. Also a rebound for Indian RE stocks during the month.
Brandywine	1 255	Strong recovery after Q1.
BR Properties	985	New and improved bid for the company and some FX gain after oil price recovery.
Keck Seng	956	Strong 2015 result.
Shangri-La	894	Recovery after weak performance.
Melia Hotels	881	No company specific news, but upgraded by analysts
Big Yellow	659	No company specific news
Olav Thon Eiendom	640	No company specific news
Nomura Real Estate Fund	621	Positive earnings revision and subsequent report. Stepping-up asset reshuffle.

Main contributors, April 2016

Largest negative contributors

Company	NOK (000)	
Ashford Hospitality Trust	-2 701	No company-specific news. Hotel sector is weak.
General Growth Properties	-2 094	No company-specific news and loss in USDNOK
PS Business Parks	-1 637	Slower performance after strong performance YTD.
Mercialys	-1 562	No company-specific news.
Atrium Ljungberg	-1 357	Report as expected, sell off after strong performance in March and April
Global Logistic Properties	-1 350	No company-specific news
Dic Asset	-1 170	No company-specific news.
CA Immobilien	-1 113	Biggest shareholder sells to Immofinanz which announced merger. The management of the companies have been fighting for control of each other destroying value of both.
CBL Properties	-1 020	No company-specific news and loss in USDNOK
Deutsche Wohnen	-798	Report as expected, sell off after good performance

Main contributors YTD 2016

Largest positive contributors

Company	NOK (000)
BR Malls	3 722
Inmobiliaria Colonial	3 702
Nomura Real Estate Fund	2 998
D Carnegie	2 957
IRSA	2 758
Shangri-La	2 666
BR Properties	1 559
Emlak	1 423
Gecina	1 042
Mercialys	874

Largest negative contributors

Company	NOK (000)
HCP	-8 224
Global Logistic Properties	-6 785
Columbia Property Trust	-5 977
SL Green	-5 298
Ashford Hospitality Trust	-5 177
Dic Asset	-4 334
Mitsui Fudosan	-4 155
CBL Properties	-3 856
Melia Hotels	-3 046
Apartment Investment & Man	-2 618

Value Creation YTD (NOK MM): -45

NB: Contribution to absolute return

Most important changes Q1 2016

Holdings increased

Q1

Company	
Inmobiliaria Colonial, Spain	(New)
Big Yellow Group, UK	(New)
D Carnegie & Co, Sweden	
SL Green, US	
Ashford Hospitality Prime, US	
Axia Real Estate, Spain	
Catena, Sweden	

Holdings reduced

Q1

Company	
Apartment Investment & Man, US	(Out)
Columbia Property Trust, US	
BR Malls, Brazil	(Out)
Entra ASA, Norway	(Out)
Ananda Development, Thailand	(Out)
PS Business Park, US	
Gecina, France	
Bumi Serpong, Indonesia	
Etalon, Russia	(Out)
Unibail-Rodamco	(Out)
Vista Land, Phillipines	(Out)
Rockwell Land Corp, Phillipines	(Out)
Parque Arauco SA, Chile	(Out)

Most important changes Q2 2016

Holdings increased

Q2

- Catena
- Inmobiliaria Colonial
- Mitsui Fudosan
- D Carnegie
- Ashford Hospitality Prime

Holdings reduced

Q2

- Gecina (Out)
- Bumi Serpong (Out)
- Deutsche Wohnen
- Brandywine Realty Trust
- HCP
- Bekasi
- Melia Hotels
- General Growth Properties
- Ashford Hospitality Trust

Key earnings releases and corporate news

Catena, Sweden (3.5%)

Diluted numbers bring future upside potential
Implications for Investment Case: Catena reported consolidated numbers for the first time after the Tribona acquisition. Decent report but, as expected, diluted by less effective/profitable Tribona assets. This however brings upside in a consolidated company with an active and value-focused management in Catena, working on enhancing both the operational and financial side. Following the Tribona deal, Catena is the biggest logistics player in Sweden with a clear focus on e-commerce and city logistics.

D. Carnegie, Sweden (3.2%)

Good development in refurbishing pace
Implications for Investment Case: Our Stockholm-focused residential operator delivered decent Q116 numbers. NOI numbers were affected in the short term by the higher refurbishing ratio (affecting rental income) than expected, but this will be positive over time. The positive news was that company announced that ~700 apartments will be refurbished by end Q2, out of 1000 guided for the whole year. This will drive higher rental income sooner than expected which also gives an upside of total units refurbished for FY16. EPS growth is related to revaluation gains of SEK 357m with yield requirement at 4.70% from 4.84% in Q4. Value creation is driven by rental growth from refurbishment and revaluation following the asset enhancement. The market has also been contributing through yield compression. In addition the company has future value drivers in selling apartments/blocks, currently only valued at SEK 11.5k/sqm in the books. Pilot for conversion to co-ops soon to come. Peer Akelius' recent Vårberg transactions are SEK 21K sqm (only 22% refurbished) which is an indicator. Value drivers are also to build and/or sell valuable building rights on unproductive land (parking lots, etc.) adjacent to blocks today valued at SEK 1.4k sqm.

Atrium Ljungberg, Sweden (1.8%)

Delivered as expected, continued strong rental market
Implications for Investment Case: Our multi-focused company Atrium Ljungberg reported decent Q1 results without any surprises. The strong rental market is expected to have a positive impact on rental income going forward. Project investments expected at SEK 1bn for 2016 and more than SEK 1bn for the next year to drive earnings and cash flow. Guiding for SEK 925 in profit before value changes for 2016. Company now has a clear focus on the 4 main Swedish cities after divestures and establishment in Gothenburg.

Key earnings releases and corporate news (cont.)

SL Green, US (5.1%)

Very strong Q1 operational results and deleveraging boost share price.
Implications for Investment Case: A very positive report from SL Green. They sold Greenwich with a solid gain, raising expected FFO to above USD 8, showing how cheap this stock was at USD 80. The normalized FFO was raised USD 7. SL Green, which was hard hit after Q4, when they announced that they expected a softer job creation market in 2H16, reported both a strong operational result with releasing spread at 40%! And a sale with significant gains. The company comments that the market misunderstood the Q4 remarks and this created a significant buying opportunity.

Ashford Prime, US (1.2%)

Conclude review, initiate buyback, increase dividend and will sell 4 out of 12 hotels.
Implications for Investment Case: Positive. The company has been under attack from a hedge fund to reduce their termination fee and this pressure may result in this solution, which should remove uncertainty regarding unlocking shareholder value. The board initiated a strategic review in the summer of 2015, including a possible sale of the whole company. The announced solution will reduce the number of hotels to 8, reduce leverage and use the proceeds to fund buybacks and increase the dividend, but there will be no sale of the whole company.

BR Properties, Brazil (0.8%)

Bid raised 10% from BRL10 to BRL11.
Implications for Investment Case: It is positive that they raise the bid, but the bid is still significantly lower than NAV and not a bid for the whole company. GP Investment made an initial bid in December and has since then improved it, lifted conditions and been able to commit sustainable financing for the bid. However, they will not make a bid for the whole company and we voted against them on the last bid.

Brandywine, US (3.2 %)

Q1 in line with expectations. Improved leasing on FMC development lifts share price.
Implications for Investment Case: A positive report from Brandywine confirming the expected outlook for its FMC development project. The share price has had a good run lately and operational performance has been good. Brandywine is a dominant player in the Philadelphia area, developing a project that will transform a significant area of the city. The company has been through a repositioning phase that now seems to be coming to an end, with new developments coming to the market, which will improve cash flow going forward.

Key earnings releases and corporate news (cont.)

PS Business Parks, US (2.4%)

Solid results and continued improvement.
Implications for Investment Case: The result was strong, but fully reflected in the share price. The company has a strong value-add record, but is currently fully priced. We reduced the position due to pricing. SS Net operating income increased 6.2% and non-same store more than 7% due to strong operational cost control. Occupancy increased to 94.1% from 92.1% and rents increased 2.7%. FFO was up 11.5% to USD 1.26/share (5% FFO yield which is high for a debt free company). The company has nearly USD 250m in remaining debt that they plan to pay off to become debt free. However, they have issued USD 920m in preferred equity at 6.0%. This means that the company can improve their per share metrics by issuing some more debt if they want.

Gecina, France (0%, sold out)

Q1 update was strong and showed continued improvement in a strong Paris market.
Implications for Investment Case: The result was as expected, and fully reflected in the share price. The company is fully priced at the moment. We sold out due to pricing, reducing the number of holdings and due to the fact that we have exposure to Paris office space through our new Spanish holding, Colonial.

Colombia Property Trust, US (3.0%)

Results in line with expectations, but significant new leasing on Manhattan and some buybacks.
Implications for Investment Case: Positive. The result was in line with expectations, but the announcement of a 30-year lease with a AA-rated medical firm was applauded by the market. The new lease is triple net, meaning that the renter pays the running costs on the building. It will be possible to monetise the building either through a JV or by sale at a very low cap rate with this new lease in place.
The Q1 results were in line with expectations, with no upgrade of the slightly disappointing Q4 guidance. However, the market may better understand the future potential regarding re-leasing after the announced deal on Manhattan. Cash flow was strong in Q1 due to low capex, but will be slower after disposals going forward before ticking up during the end of 2017.

Key earnings releases and corporate news (cont.)

AIT, Singapore (1.1%)

Strong FY16 report with improved fundamentals in India

Implications for Investment Case: Ascendas India trust is a unique platform offering exposure (via Singapore listing) to income-producing Indian office property. The FY16 report was positive driven by acquisitions, positive rental reversions, higher physical occupancy and lower utilities expenses. Operationally in good progress, with expected strong NPI and portfolio growth in the business over the next 2-3 years due to strong pipeline (high visibility), rental reflation and solid balance sheet (comfortable even including committed pipeline). Falling interest rates, an improving demand/supply gap in most micro markets, resulting in positive rent reflation, and increased competition for income assets by private investors compressing cap rates all point towards an improved fundamental environment for AIT's office assets. Demand growth in India has returned to double-digit levels after almost six years. Risks are delay in leasing for its upcoming buildings and delay in completion of new acquisitions.

Largest holdings as of April 2016

	Holding size	Price	P/NAV	Div. Yield 2016e	EBITDA 2016e/EV
Mitsui Fudosan Co Ltd	5,2 %	2725	69%	1,1%	6,5%
SL Green Realty Corp	5,0 %	103,58	80%	2,8%	5,4%
Olav Thon Eiendomsselskap ASA	4,9 %	139	70%	1,3%	6,4%
Global Logistic Properties Ltd	4,8 %	1,91	67%	3,5%	4,8%
Inmobiliaria Colonial SA	3,9 %	0,67	87%	3,7%	4,0%
Mercialys SA	3,7 %	19,37	95%	6,4%	4,7%
Catena AB	3,5 %	121,5	84%	3,0%	6,9%
HCP Inc	3,4 %	33,42	93%	7,0%	6,0%
Brandywine Realty Trust	3,3 %	14,88	90%	4,0%	6,5%
D Carnegie & Co AB	3,2 %	76,25	96%	0%	4,1%
Weighted top 10	**40.7%**		**81%**	**2.9%**	**5.3%**
Weighted top 35	**93%**			**2.8%**	**6.1%**
Benchmark				**3.7%actual**	

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The largest companies in SKAGEN m² as of April 16

MITSUI FUDOSAN	Established in 1941, Mitsui Fudosan has been an active leader in the Japanese real estate industry, successfully developing new business opportunities and establishing a dominant position. The company is an integrated firm involved in office leasing, commercial facilities, condominium development, investment property development and REITS. 8% of MF's assets are located on other continents. Good integrated and balanced growth model with development and investment properties diversified among different real estate sub-segments. Management business (car park leasing, property management) provides stable earnings growth over time, and together with other recurring earnings from commercial assets, mitigates the volatility in the development segment.
SL GREEN REALTY CORP.	SL Green Realty Corp. is a fully integrated, self-administered and self-managed REIT. The company is focused on owning and operating office buildings in Manhattan. It owns equity or debt in 92 properties totalling 41.6m square feet. In addition to Manhattan, they also have interests in Manhattan's surrounding suburban areas. Its Manhattan properties have an occupancy rate of 95.9% compared to 83.5% (Q115) for its properties in the suburban areas.
OLAV THON GRUPPEN	Olav Thon owns a portfolio of 65 shopping malls and manages an additional 27 malls for external owners. In addition, the company owns office buildings, restaurants and hotels located primarily in the Oslo area. 76% of its income comes from malls and the rest from commercial real estate (mainly office and retail). Listed on the Oslo Stock Exchange in 1983. Gross (inclusive JV) lettable space: Shopping malls: 1m square metres and commercial estate 263 000 square metres. Diversified into Sweden in Q314 after buying five shopping malls with 122 000 square metres of space for NOK 3bn.
Global Logistic Properties 普洛斯	GLP is Asia's largest provider of modern logistics facilities. The company owns, manages and leases over 700 completed properties spread across 77 cities in China, Japan, Brazil and the US, forming an efficient network with assets strategically located in key hubs, industrial zones and urban distribution centres. The USD 27bn property portfolio consists of 28m sqm, serving more than 800 customers. The Japan portfolio is mostly completed and stabilised, providing strong operating cash flow to fund the group's growing business in China. The company also set up a China fund at the end of 2013 to enable capital recycling in the Chinese market in line with the Japanese model. This business model leads to a more effective capital structure, recurring income and capital recycling (listing of J-REIT & CLF fund).
Colonial	Colonial is a leading Spanish prime property company present in Spain (Barcelona and Madrid) and France (Paris). The company's presence in France is structured through a 53.1% stake in the French-listed company Société Fonciere Lyonnaise. Majority of assets is high-quality CBD (75%) offices (94%). Colonial is the only liquid Spanish-listed real estate company that managed to remain listed and successfully navigate the turbulent waters of the recent financial crisis. They rebuilt their capital structure in 2014 via a combination of debt raising and a EUR 1.26bn capital increase. Geographical breakdown by GAV: Paris 48.5%, Madrid 28.1% and Barcelona 23.4%.

The largest companies in SKAGEN m^2 as of April 16 (cont.)

Founded in 2005 by Casino, Mercialys is one of the top real estate companies in France and Europe, specialising in the enhancement, transformation and promotion of shopping centres. Mercialys owns a real estate portfolio of over 50 centres, with more than 800,000 square metres of retail space throughout France. Mercialys is positioned in the convenient range of the shopping centre industry, as well as within the experience malls or destination malls segment. Mercialys is well established in France and has been very skilled in its active management of its assets. Casino is still the majority owner.

Catena is a Swedish logistics owner, operator and developer that actively manages portfolio and development projects in Sweden. The company recently acquired Klövern´s shares in Tribona. Catena's assets are mainly located in the fast-growing regions of Stockholm, Gothenburg and Öresund. Catena is the biggest logistics player in Sweden with a clear focus on e-commerce and city logistics. Portfolio value of approximately SEK 11bn.

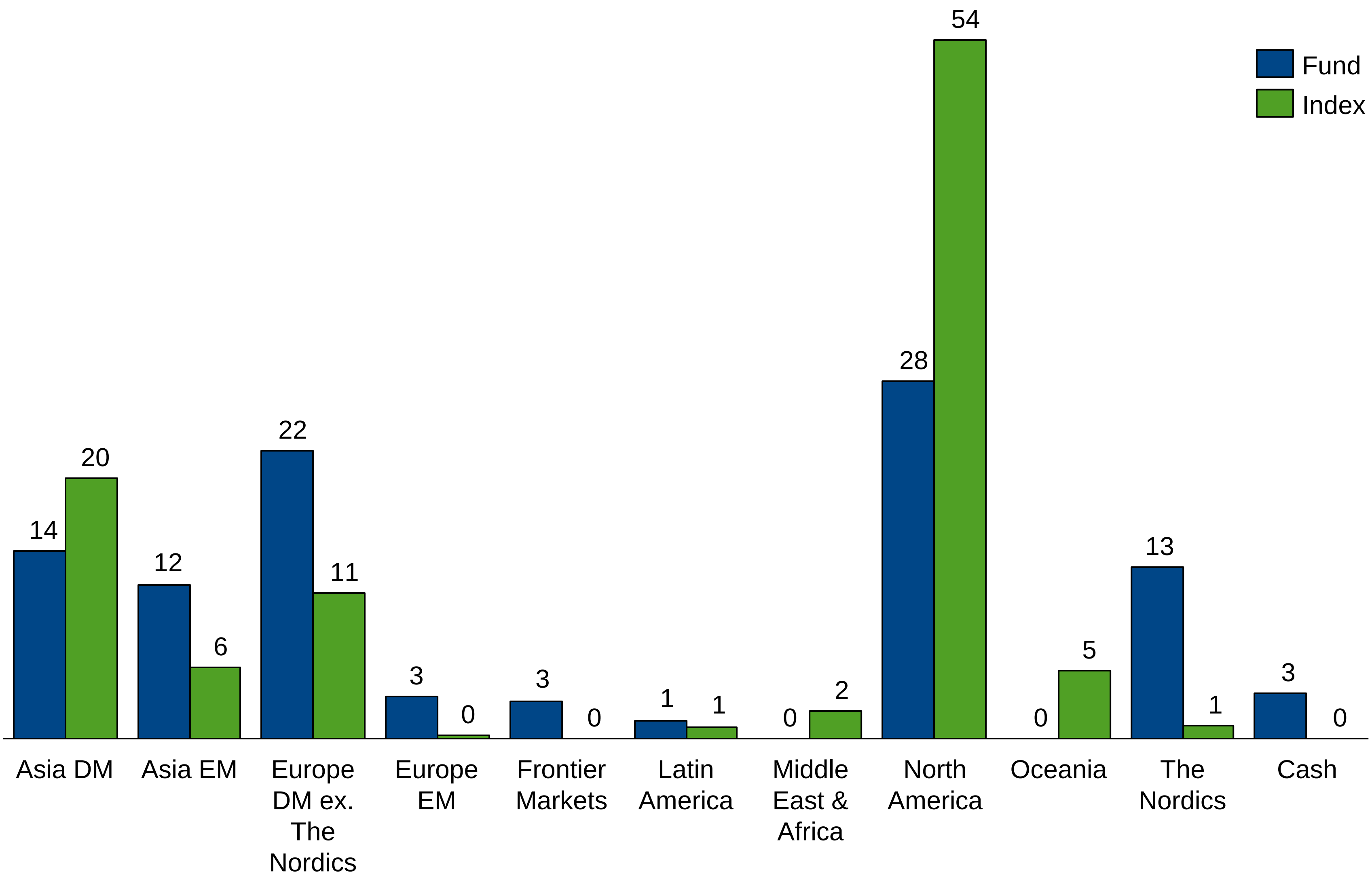
HCP is a fully integrated self-administered real estate investment trust that acquires, manages, and invests in healthcare real estate located in the US and Mexico. HCP is well diversified across healthcare property types: senior housing (35% of NOI), skilled-nursing facilities (31%), medical office (13%), life science/labs (15%), and hospitals (6%). HCP has USD 22bn in AUM and a well-balanced portfolio of 1163 properties. The company has generated ~16% in average compounded return since its IPO in 1985, and has 29 years of consecutive dividend growth.

Brandywine Realty Trust is a self-administered, self-managed and fully integrated real estate investment trust. The company is engaged in the ownership, management, leasing, acquisition, and development of primarily suburban office properties. It also owns an interest in and operates a commercial real estate management services company. 180 buildings of a total of 22.6m sqf (2.1m m2). 155 office properties, 25 industrial/mixed use properties in addition to 6 redevelopment/use properties.

D. Carnegie & Co is the largest listed residential real estate company in Sweden specialising in residential properties. The company owns and manages over 16k units concentrated in the Stockholm region. The strategy is to refurbish and revitalise apartments and areas in the "miljon program" (residential blocks that were built in 1960-75 in Sweden that became famous for building away the housing shortage in an effective, fast and not very aesthetic way). Current units are expected to be refurbished in 10 years. The company does not clear away the buildings, rather refurbishes them when each unit is empty avoiding income loss. Total portfolio valuation is SEK 13.6bn. Huge asset revaluation, building rights value and privatisation potential. Apartments are valued in the books at SEK 11 500/sqm.

Geographical distribution versus benchmark April 2016

Percent



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Our latest Market report

Information about SKAGEN m2 on our web pages

Unless otherwise stated, performance data relates to class A units and is net of fees.

Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skill, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments. KIIDs and prospectuses for all funds can be found on our website.

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