

Performance Commentary

Volatility continued with rising bond yields mainly due to inflation fears and anticipation of quicker rate hikes. As a rational response, company yields came up. Rising interest rates drive capital costs higher, de-rating equity and real estate valuations as investors steer away from sectors they perceive as bond proxies. The real estate sector is more than a bond proxy due to the intrinsic embedded growth rate. This is driven by rental growth which is structurally driven by the inflation rate, the demand-supply imbalance, and the good health of the local economy, in particular employment and easy credit, where the assets are situated.

The best contributor was Melia Hotels delivering a better than expected FY17 report despite headwinds from USD depreciation, hurricanes and Catalonia tensions. The largest detractor was Swedish residential operator D.Carnegie after announcing a SEK 1bn share issue but also suffering from negative sentiment around the Swedish real estate market.

As long as real bond yields remain unchanged and property prices keep rising, fear of rising rates in the sector seems unwarranted in the longer run. SKAGEN m2 continues to focus on fundamentals in companies' ability to increase rents and grow cash flows regardless of the direction of yields.

Historical performance (net of fees)

Period	SKAGEN m2 A	Benchmark index
Last month	-3.0%	-4.4%
Year to date	-2.5%	-1.7%
Last year	6.0%	1.0%
Last 3 years	2.7%	3.4%
Last 5 years	5.7%	8.4%
Last 10 years	n/a	n/a
Since start	7.3%	9.6%

The fund gives access to a normally inaccessible global real estate market. The fund selects low-priced, high-quality real estate companies from around the world.

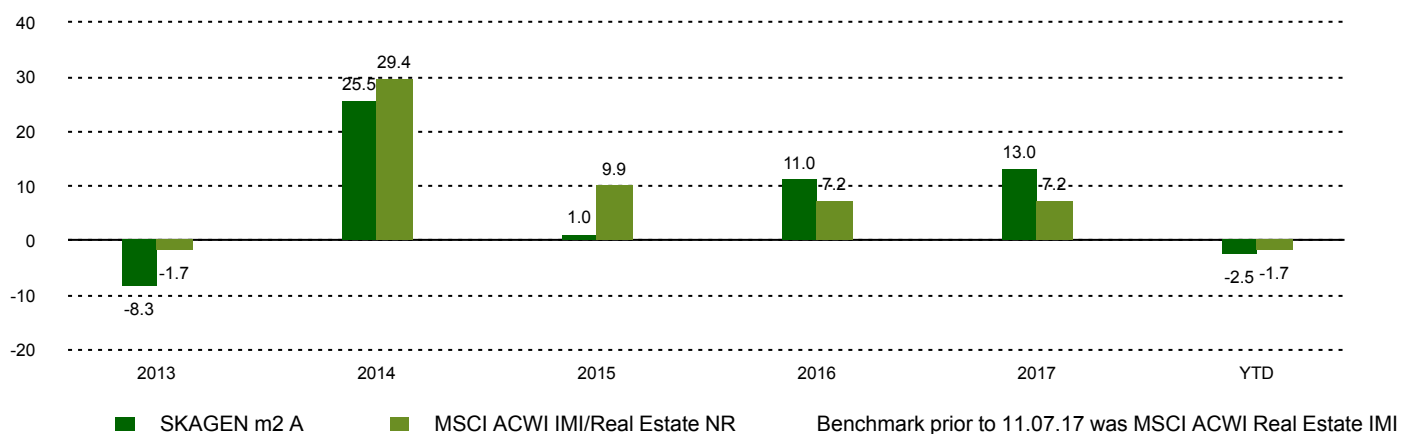
The objective is to provide the best possible risk adjusted return.

The fund is suitable for those with at least a five year investment horizon.

Fund Facts

Type	Equity
Domicile	Norway
Launch date	31.10.2012
Morningstar category	Property - Indirect Global
ISIN	NO0010657356
NAV	19.67 EUR
Fixed management fee	1.50%
Total expense ratio (2017)	2.05%
Benchmark index	MSCI ACWI IMI/Real Estate NR
AUM (mill.)	130.85 EUR
Number of holdings	31
Lead manager	Michael Gobitschek

Performance last ten years



Contributors in the month

Largest contributors

Holding	Weight (%)	Contribution (%)
Melia Hotels International SA	2.77	0.27
DIC Asset AG	2.91	0.19
Oberoi Realty Ltd	0.87	0.02
BUWOG AG	1.99	0.02
Aroundtown SA	1.33	0.02

Absolute contribution based on NOK returns at fund level

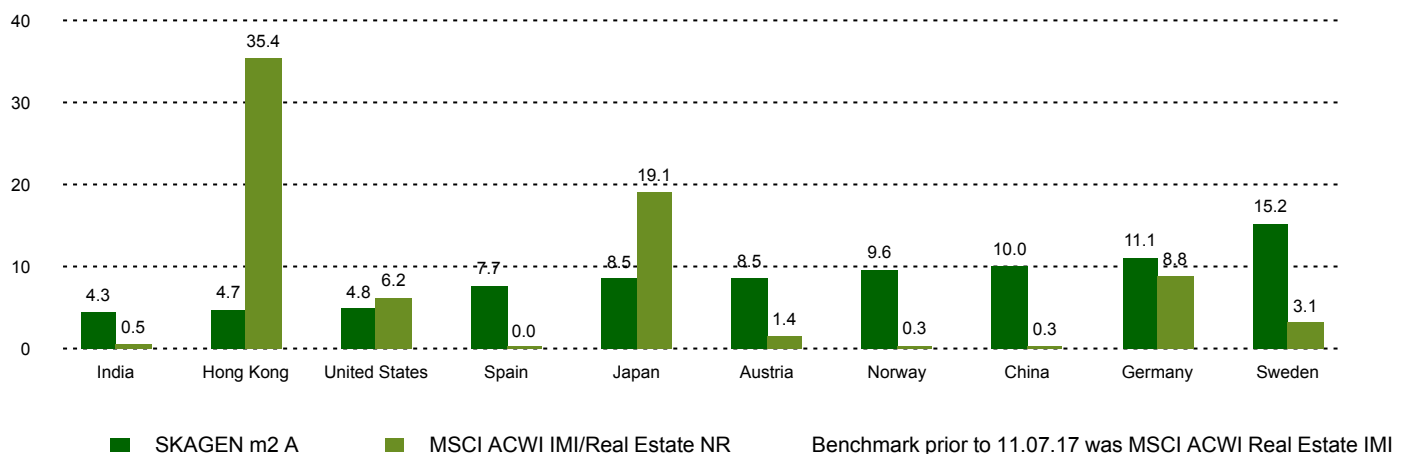
Largest detractors

Holding	Weight (%)	Contribution (%)
D Carnegie & Co AB	6.05	-0.38
Mitsui Fudosan Co Ltd	6.20	-0.34
Deutsche Wohnen SE	6.61	-0.33
CK Asset Holdings Ltd	3.79	-0.29
Phoenix Mills Ltd/The	2.14	-0.26

Top ten investments

Holding	Sector	Country	%
Catena	Real Estate	Sweden	7.0
Deutsche Wohnen	Real Estate	Germany	6.4
Mitsui Fudosan Co	Real Estate	Japan	6.3
D Carnegie & Co	Real Estate	Sweden	5.6
Inmobiliaria Colonial	Real Estate	Spain	4.6
CA Immobilien Anlagen	Real Estate	Austria	4.2
Sun Hung Kai Properties	Real Estate	China	3.8
Olav Thon Eiendomsselskap	Real Estate	Norway	3.8
CK Asset Holdings	Real Estate	Hong Kong	3.6
IRSA	Real Estate	Argentina	3.5
Combined weight of top 10 holdings			49.0

Country Exposure (top ten)



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Important information

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