



SKAGEN m² LUX B EUR

Q1 2022 Quarterly Report

All data in EUR as of 31/03/2022 unless otherwise stated



INVESTMENT OBJECTIVE

SKAGEN m² is a long-only, actively managed equity strategy that seeks to generate long-term capital growth by investing in listed real estate companies from across the globe. A Luxembourg SICAV was launched in 2019.

FUND INFORMATION

Start date	15/10/2019
Benchmark	MSCI ACWI Real Estate IMI
ISIN	LU1932723122
Morningstar Category	Property – Indirect Global
Fixed Management Fee	0.60%
Portfolio Manager	Michael Gobitschek



Michael Gobitschek

- ❖ A rated by Citywire and ranked #1 of 43 portfolio managers over three years in the Property-Global Equity category
- ❖ European winner of 2019 Lipper Awards in Global equity real estate category three years
- ❖ Joined SKAGEN in 2005 with previous experience in M&A advisory
- ❖ Masters in Finance and Economics from Stockholm School of Business

INVESTMENT COMMENTARY

SKAGEN m2 weathered the storm in the quarter

The quarter got off to a good start as the European real estate market embarked on a strong recovery following the post-Covid opening of economies. The positive outlook evaporated overnight, however, when Russia invaded Ukraine. Given their high geopolitical risk, SKAGEN m2 did not own any positions within these two countries. However, we decided to sell down some of our holdings with assets in Eastern Europe to mitigate the risk of a cross-border escalation and increasing risk premiums. The stock markets reacted instantly and have since been volatile. The volatility is set to continue given the increased geopolitical uncertainty, slower economies and higher inflation pressure. Central banks continue their hawkish rhetoric around monetary tightening to manage inflation expectations. However, the likely outcome is that decisions will be in favour of financial stability and in practice there will be less aggressive tightening.

Inflationary pressure continues, which is mainly positive for real estate assets which can be viewed as a partial inflation hedge, as rent growth has historically outpaced inflation. Inflating prices can be passed on through rents, giving real estate assets a critical role in portfolio strategies. Property values may benefit as higher costs for land, labour and materials raise the economic threshold for new supply. Real estate in general is well positioned for this environment, and SKAGEN m2 holds many positions in resilient segments like health care, self-storage and residential housing. The fund was slightly negative at quarter end but outperformed its benchmark index significantly.

Contributors and detractors

The best contributor in the quarter was Brazilian logistics operator LOG, which is recovering from a weak 2021 due to the macro turmoil in Brazil. After last year's M&A bonanza in the portfolio, the US office operator Paramount Group was subject to a bid from a private equity firm. This was something we had anticipated due to its depressed valuation along with more positive signals from the office markets. The bid was later rejected by the board as it did not reflect fair value and the situation is still pending. The Asian real estate investment manager CapitaLand Investment was the third strongest performer in the quarter. CapitaLand got off to a strong start to the year after a restructuring process last year to streamline the company.

The largest detractor in the period was the Dutch-listed logistics operator CTP. The majority of the company's assets are located in Eastern European countries adjacent to the Ukraine and investors sold down on escalation fears. Norwegian Self Storage Group also detracted after a strong end to last year. The company's main shareholder, the private equity firm Centerbridge, increased its majority stake at low levels. The German residential operators LEG and Vonovia also detracted mainly on increasing German bunds lowering the yield spread.

Portfolio activity

During the quarter the fund initiated a position in the US manufactured home operator Sun Communities at good levels. We also bought into the US hospitality name Sunstone Hotel Investors that is lagging its peers and has a strong position in the post-Covid recovery era targeting normalised earnings. We participated in the successful IPO of Swedish Logistic Property but sold out again at very good levels as we consider its peer, our portfolio company Catena, to have a stronger business model and long-term position.

At the end of the quarter, the European logistics company Warehouse de Pau initiated a position in Catena, something we consider as positive given the client synergies and complementary knowhow. We also bought a small position in the US light industrial operator Plymouth Industrial REIT but sold out after question marks arose in connection with the report.

We sold out of our long-term Hong Kong holding Far East Consortium which is struggling with continuing Covid lockdowns. We exited Hospitality Trust of America which reached fair value after activist Elliott took a position last year and initiated a strategic review.

Outlook

The valuation of global real estate is increasingly compelling both geographically and within sub-segments. Last year's relative laggards – Asia and Europe – continue to have attractive price tags in most segments and markets. However, there are big uncertainties for Europe given the ongoing war and its consequences. After last year's record performance for the US real estate sector, valuations were very stretched. The market is now less expensive following pressure from investors calibrating upcoming interest rate hikes and lower growth, however, it is not yet cheap on a general basis. Real estate continues to attract investors' money in the current inflationary environment, something that will have a positive effect on asset valuations. Record dry powder for the sector will drive M&A activity up further and push valuations in a positive direction.

Besides geopolitical risks, the biggest short-term risks for the sector are unexpected and fast-rising real rates, a rapid decline in economic growth or stagflation. We remain positive and conclude after the first quarter that our philosophy is solid and has once again served our clients well in turbulent times. The fund is well positioned for most scenarios thanks to our investment philosophy and disciplined stock selection. SKAGEN m2 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.



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FUND PERFORMANCE¹

	Q1 2022	1-year	Since Start
SKAGEN m² LUX B EUR	-0.6%	22.3%	6.5%
MSCI ACWI Real Estate IMI	-3.1%	16.0%	4.1%
<i>Relative Return</i>	<i>2.5%</i>	<i>6.2%</i>	<i>2.5%</i>



PERFORMANCE ATTRIBUTION²

Largest contributors ↑

Holding	Weight	Contribution
LOG Commercial Properties	2.3%	0.8%
Switch Inc	5.0%	0.6%
CK Asset Holdings Ltd	3.4%	0.3%
Allied Properties Real Estate Investment Trust	3.2%	0.3%
Mitsui Fudosan Co Ltd	2.0%	0.2%

Largest detractors ↓

Holding	Weight	Contribution
CTP NV	3.3%	-0.7%
LEG Immobilien SE	3.6%	-0.6%
Self Storage Group ASA	6.4%	-0.6%
Americold Realty Trust	3.1%	-0.4%
American Tower Corp	2.5%	-0.3%

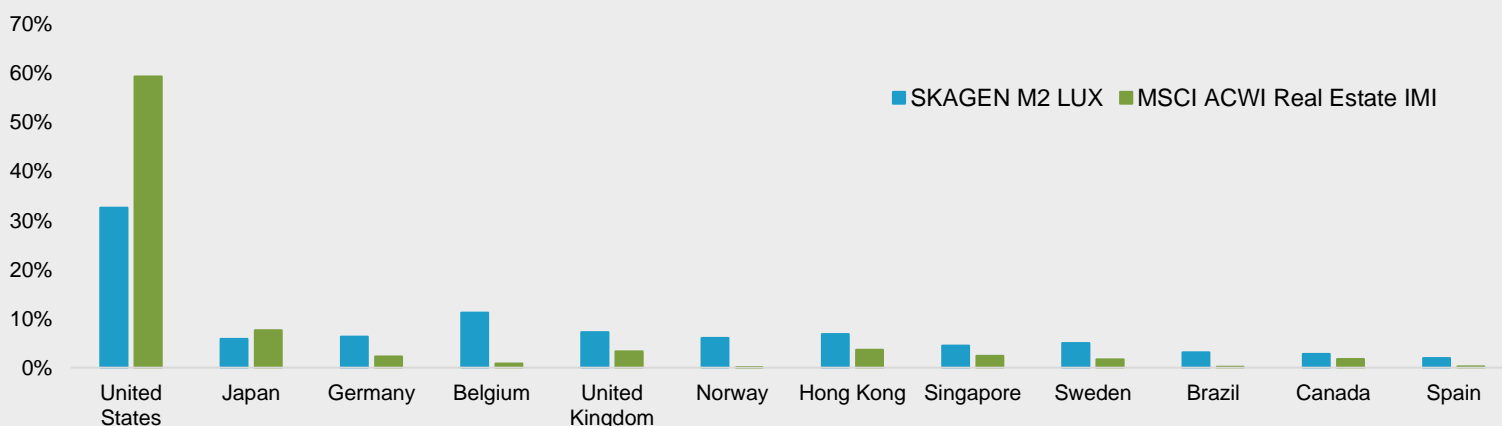
PORTFOLIO STATISTICS

No. of holdings	36
Top 10 weighting	45%
Active Share	86%
Turnover ratio	43%
Investment horizon ³	5 years

TOP TEN HOLDINGS

Holding	Weight
Self Storage Group ASA	7.1%
U M H Pptys Inc Com	4.9%
Switch Inc	4.7%
Prologis Inc	4.6%
Catena AB NPV	4.5%
Shurgard Self Stor NPV	4.4%
Grainger PLC ORD	3.9%
LOG COML Pptys	3.8%
ESR Cayman Limited	3.6%
Marcus Corp Del Com	3.3%
<i>Combined Weight</i>	<i>44.7%</i>

COUNTRY EXPOSURE



¹ As at 31/03/2022 in EUR, net of fees

² Contribution to absolute return year-to-date

³ For guidance purposes only



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IMPORTANT INFORMATION

This is a marketing communication, and this document is intended for professional investors only.

Except otherwise stated, the source of all information is Storebrand Asset Management AS as at 31 March 2022.

Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skills, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments. Statements reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice.

Storebrand SICAV, (RCS Registration Number: B 234106) is an investment company with variable capital (société d'investissement à capital variable) incorporated under the form of a société anonyme in the Grand Duchy of Luxembourg. It qualifies as a UCITS and falls under the supervision of the Luxembourg financial supervisory authority, Commission de Surveillance du Secteur Financier (the "CSSF"). Storebrand SICAV has appointed Fund Rock Management Company S.A. to act as its designated management company and further FundRock has appointed Storebrand and SKAGEN AS as its investment managers. The SICAV has appointed Storebrand Asset Management as SKAGEN Focus Distributor and Storebrand Asset Management has appointed SKAGEN AS as Global Sub-Distributor.

The Storebrand SICAV has appointed SKAGEN AS UK Branch to act as Facility Agent in the UK. SKAGEN's London Office is located at 15 Stratton Street, London, W1J 8LQ. The SKAGEN AS UK Branch is authorised by Finanstilsynet and subject to limited regulation by the Financial Conduct authority. Details about the extent of the authorisation and regulation by the Financial Conduct Authority are available on request. The SKAGEN AS UK Branch has temporary permission from the UK FCA to carry out its authorised activities under the UCITS Directive.

SKAGEN AS is a management company authorised by the Norwegian supervisory authority, Finanstilsynet, for the management of UCITS under the Norwegian Act on Securities Funds Act. SKAGEN AS is part of the Storebrand Group and owned 100% by Storebrand Asset Management AS. Storebrand Group consists of all companies owned directly or indirectly by Storebrand ASA

No offer to purchase shares can be made or accepted prior to receipt by the offeree of the fund's prospectus and KIID and the completion of all appropriate documentation. You can download more information including subscription/redemption forms, full prospectus, Key Investor Information Documents (KIID), General Commercial Terms, Annual Reports and Monthly Reports in English language from Storebrand Asset management AS' UK webpages www.storebrandfunds.co.uk or contact the SKAGEN AS UK Branch (details available at www.skagenfunds.co.uk).

Investors' rights to complain is made available to investors pursuant to our complaints handling policy and procedure. The summary of investor rights in English is available here: www.storebrandfunds.co.uk or <https://www.skagenfunds.lu/contact/investor-rights/>

The Storebrand SICAV may terminate arrangements for marketing under the Cross-border Distribution Directive denotification process.

The SICAV has registered its 6 Sub-Funds (SKAGEN Kon-Tiki Lux, SKAGEN Focus Lux, SKAGEN Global Lux, SKAGEN m2 Lux, Storebrand Global Solutions Lux, Storebrand Global ESG Lux) for public distribution in the UK, the Netherlands, Belgium and Germany.

Important Information for Luxembourg Investors

Storebrand SICAV has appointed Fund Rock Management Company S.A. to act as its designated management company. FundRock Management Company S.A.'s offices are located at: 33, rue de Gasperich, 5826 Hesperange, Grand Duchy of Luxembourg.

Important Information for UK Investors

The Storebrand SICAV has appointed the SKAGEN AS UK Branch to act as Facility Agent in the UK. SKAGEN AS London Office is located at 15 Stratton Street, London W1J 8LQ. The SKAGEN UK Branch is authorized by Finanstilsynet and is subject to limited regulation by the Financial Conduct Authority. Details about the extent of the authorization and regulation by the FCA are available on request. The SKAGEN AS UK Branch has been appointed by the SICAV as the local market representative.

Important Information for German Investors

The Storebrand SICAV has appointed SKAGEN AS Branch Germany to act as Information Agent in Germany. SKAGEN AS's German Office is located in Barckhausstrasse 1, 60325 Frankfurt, Germany. The SKAGEN AS Branch in Germany acts as local market representative.

Important Information for Belgian Investors

The Storebrand SICAV has appointed Caceis Belgium SA/NV to act as the Financial Service Provider for the SICAV. Caceis Belgium SA/NV's offices are located at: Avenue du port 86C B320, 1000 Brussels Belgium.

Important Information for French Investors

The Storebrand SICAV has appointed CACEIS Bank as the Centralizing Correspondent for the SICAV. CACEIS Bank's offices are located at 1-3 Place Valhubert, F-75013 PARIS, France.

Important Information for Austrian Investors

The Storebrand SICAV has appointed Raiffeisen Bank International AG to act as Local Paying, Information and Contact Agent for the SICAV. Raiffeisen Bank International AG's offices are located at Am Stadtpark 9, 1030 Vienna, Austria.