



SKAGEN m² LUX B EUR

Q2 2022 Quarterly Report

All data in EUR as of 30/06/2022 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 Managers | Michael Gobitschek & Anne Line Kristensen |



Michael Gobitschek & Anne Line Kristensen

- ❖ 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

Few places left to hide

Global equities declined in June on recession concerns, falling during the month to cap off the worst first half of a calendar year since 1987. Inflation caused central banks to maintain their hawkish stance, with the Federal Reserve delivering its biggest hike since 1994. This was followed by several other central banks hiking rates more than expected. Policy tightening on the one hand and slowing growth on the other put investors in a quandary, driving up volatility across asset classes. Among the larger real estate markets, Asia fared better than other regions, ending the second quarter on a slightly positive note. Europe was the poorest performer in the quarter with the ongoing war amplifying all other negative economic concerns. There was indiscriminate sell-off across the real estate sector with almost no place to hide (except M&A targets) given the huge shift in government yields, financing costs and bond yields.

The quarter was much about leverage, company debt profiles and worries that property yields will shoot up in the coming months. Leverage is something we always monitor carefully in SKAGEN m2, favouring companies that have strong balance sheets with the cash flow to withstand financial turmoil. Valuations have come down dramatically, however volatility is likely to continue for some time, at least until there is some clarity regarding the inflation and growth trajectory. This provides interesting long-term buying opportunities for us, as the pool of cheap quality stocks increases on an almost daily basis.

Attribution

The best contributor in the quarter was the US data centre operator Switch that was acquired by a consortium after initiating a strategic overhaul last year. We anticipated this, not only because it is a small player in a consolidating market, but also because it is an innovative ESG champion deriving all its power from renewables.

The second-best contributor was also US based, namely the cold storage operator Americold. The company has been struggling over the past couple of years with global supply chains hurting both volumes and asset growth. Cold storage is currently a hot investment topic among institutional investors as the trend is slowly reversing to smoother operations. The Hong Kong based conglomerate Cheung Kong Asset Holding was also a good performer in the quarter thanks to its diversification and strong balance sheet.

On the negative side, the Swedish warehouse operator Catena came out worst. The company delivered only good news during the quarter, but the Swedish real estate market ended the first half of the year as the poorest performer globally after Russia. Catena did well on a relative basis in the Nordic real estate space. The second largest detractor was also within logistics, namely Brazilian LOG. The company lost some ground after a strong start to the year and negative macro numbers in Brazil also contributed.

Portfolio activity

In the logistics space, our US holding Prologis acquired domestic peer Duke Realty in a USD 26bn transaction, something we consider as good for Prologis with its strong track record in previous acquisitions. The fund initiated a position in the US real estate service operator CBRE. The company is a global leader with scale and diversification and increased institutional ownership in real estate is driving demand in all segments. In a volatile macro environment, CBRE's solid balance sheet allows for capital management initiative and consolidation.

Outlook

Rising real rates do damage to values, while higher inflation is benign. That this year's rate spike has been primarily a function of higher real rates explains the weak start to the year. Seldom has the range of economic possibilities been as varied as it is today. Recession odds are up even as interest rates have jumped in reaction to the release of the inflation genie. The spike in yields has clobbered real estate share prices this year, and property prices have begun to drift lower. Looking at the leading global real estate market, the US, interest rate spikes have, on average, been harmful to real estate over the last twenty-five years. Real estate has delivered positive, but lacklustre, returns when rates have jumped, and they have lagged the S&P 500. There is no evidence that rate spikes have impacted property pricing. By contrast, when inflation expectations have been elevated, real estate has performed well. Subsequent returns have been higher than normal and better than equities in general. Property prices have also fared well, as cap rates have almost always declined. The differences in performance may seem discordant, since interest rates and inflation are joined at the hip, but they are not.

Going forward, a slightly elevated level of inflation is not a concern for real estate, rather the opposite. A long-term investment horizon is key for investors in this environment. SKAGEN m2 continues to focus on companies that we consider to be resilient in trend-driven subsegments, with good cash flow generation and balance sheet structure. SKAGEN m2 is well-positioned for most scenarios thanks to our investment philosophy and disciplined stock selection.



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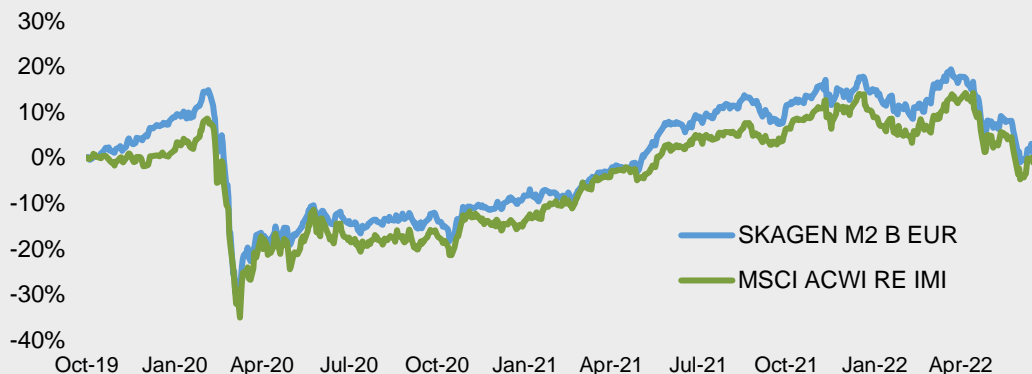
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FUND PERFORMANCE¹

| | Q2 2022 | YTD | 1-year | Since Start |
|---------------------------------------|---------------|---------------|--------------|-------------|
| SKAGEN m² LUX B EUR | -13.6% | -14.1% | -5.0% | 0.4% |
| MSCI ACWI Real Estate IMI | -10.3% | -13.1% | -2.9% | -0.4% |
| <i>Relative Return</i> | <i>-3.2%</i> | <i>-0.9%</i> | <i>-2.1%</i> | <i>0.8%</i> |



PERFORMANCE ATTRIBUTION²

Largest contributors ↑

| Holding | Weight | Contribution |
|----------------------------|--------|--------------|
| Switch Inc | 5.8% | 1.6% |
| CK Asset Holdings Ltd | 3.6% | 0.8% |
| Mitsui Fudosan Co Ltd | 2.0% | 0.3% |
| China Resources Land Ltd | 0.9% | 0.2% |
| Americold Realty Trust Inc | 3.2% | 0.1% |

Largest detractors ↓

| Holding | Weight | Contribution |
|------------------------|--------|--------------|
| Catena AB | 5.0% | -2.1% |
| CTP NV | 3.1% | -1.6% |
| Prologis Inc | 5.5% | -1.5% |
| UMH Properties Inc | 4.3% | -1.4% |
| Self Storage Group ASA | 6.3% | -1.3% |

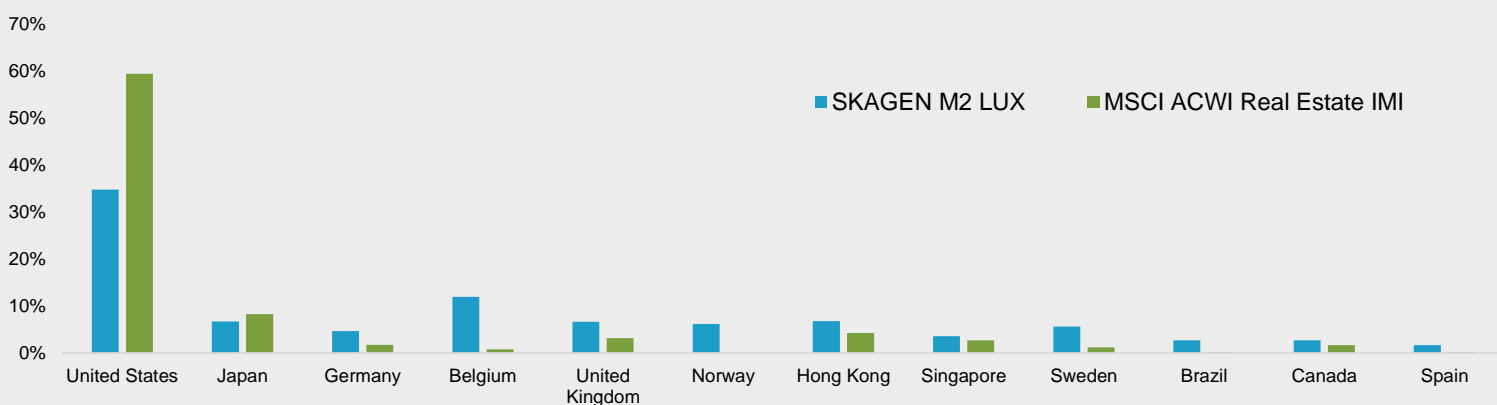
PORTFOLIO STATISTICS

| | |
|---------------------------------|---------|
| 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 | 6.7% |
| Prologis Inc Com | 5.2% |
| UMH Properties | 4.4% |
| Sum Communities Inc | 4.4% |
| Grainger Plc | 4.3% |
| ESR Group Limited | 4.2% |
| Shurgard Self Stor Npv | 4.1% |
| Marcus Corp | 4.0% |
| Mitsui Fudosan Ltd | 3.8% |
| Capitaland Investment Ltd | 3.7% |
| <i>Combined Weight</i> | <i>44.7%</i> |

COUNTRY EXPOSURE



¹ As at 30/06/2022 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 marketing communication and this document is intended for professional investors only.

Except otherwise stated, the source of all information is the Storebrand Luxembourg SICAV as at 30 June 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.

Future fund performance is subject to taxation which depends on the personal situation of each investor, and which may change in the future.

Storebrand SICAV 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.

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 SKAGEN's webpages (details available at <https://www.skagenfunds.com/>)

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: <https://www.skagenfunds.com/>

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

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

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 SKAGEN AS UK Branch to act as Facility Agent and local representative 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.

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.