



# SKAGEN m<sup>2</sup> LUX B EUR

## Q2 2023 Quarterly Report

All data in EUR as of 30/06/2023 unless otherwise stated

This is marketing communication



### INVESTMENT OBJECTIVE

SKAGEN m<sup>2</sup> 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 Fee            | 0.60%  |
| SFDR Category        | Article 8  |
| Portfolio Managers   | Michael Gobitschek & Anne Line Kristensen Larsen |



Michael Gobitschek & Anne Line Kristensen, CFA

#### Michael Gobitschek

- ❖ Joined SKAGEN in 2005 with previous experience in M&A advisory
- ❖ Masters in Finance and Economics from Stockholm School of Business

#### Anne Line Kristensen, CFA

- ❖ Joined SKAGEN in 2016
- ❖ Masters in Finance and International Business from Aarhus University

### INVESTMENT COMMENTARY

#### A rollercoaster first quarter

The optimism evident at the beginning of the year, with investors starting to price in less hawkish central banks and a slightly more positive economic outlook came to an abrupt halt in the quarter. Persistently strong macro numbers and high inflation in the US led to even tougher rhetoric and interest rate hikes. The failures seen in the global banking sector sent shock waves through the financial system. The real estate sector was primarily affected in the form of more restrictive lending. More importantly, the situation may lead to a less tight monetary policy with central banks having second thoughts before hiking interest rates.

Fourth quarter reporting is coming to an end for most of the fund's holdings, and the results have generally been good. However, we are seeing more cautious guidance for 2023, mirroring the market uncertainty. As stated previously, investors with a long investment horizon could take advantage of the correction to carefully increase their real estate exposure before the cycle turns positive again.

A lot of bad news has been absorbed into the prices in the listed real estate sector. This will eventually rewind as valuations will be recalibrated with lower cost of capital expectations. We are not out of the woods yet, especially the most leveraged companies, and selectiveness is key. Another risk is that central banks have been too aggressive with their interest rate hikes, doing too much damage to the economy. The US was the strongest real estate market in the first quarter while Europe was the weakest in local currency terms.

#### Contributors and detractors

The largest contributor to the fund's absolute return was the US hotel and theatre operator Marcus Corporation, which delivered a solid report. The company is heading towards earnings normalisation and approaching pre-pandemic levels, especially in its hotel operations. The logistics operator and developer CTP also performed well in the quarter also after a solid report confirming continued demand-driven growth with sustained development gains. The largest detractor in the quarter was the pan Asian asset manager ESR Cayman despite a solid report.

#### Key buys

During the quarter we reinitiated a position in the Spanish tower operator Cellnex which has an interesting cash flow profile. As a bonus, we think that the company could be a consolidation target given its valuation and geographical presence. Cellnex is indebted and the market has punished the stock in the current interest rate hike environment, allowing us to enter at a good price. Structural demand is high in Europe as digitalisation – mainly 5G – continues to be rolled out at a high pace.

Another newcomer from the same segment is the US based Digital Bridge. This is a company we sold out of at the start of the pandemic as they had numerous disposals to be executed, hence a big risk in that environment. Today the company has made the transition, is well capitalised and is primarily focused on digitalisation real estate. Amongst other things, they acquired last year's portfolio winner, the US data centre company Switch.

We also initiated a position in Swedish Castellum, which is trading very cheaply. It is a diversified company but with a focus on office space in Scandinavia and has a large holding in Norwegian Entra. Castellum is a sustainability champion but has had some difficulties in recent years with governance issues; something that is improving rapidly. Castellum has suffered a lot due to overleveraging, so has halted the dividend and announced a fully guaranteed equity raise in the second quarter which will help.

#### Key sells

We sold out of two office operators Hudson Pacific Properties and Paramount to reduce our overall office exposure in the US where the segment has been struggling, especially in New York and San Francisco. This is unlike the Scandinavian office market, which is in good shape for now.

#### Outlook

Listed real estate has historically performed well in the environments we are now anticipating, with lower growth and lower real yields, the end of the rate hiking cycle and the transition to an early cycle environment. It is worth remembering that a long-term horizon is key for any investor in this environment given the uncertainty around the extent of a potential economic slowdown due to elevated interest rate levels. Real estate is trading at a historically deep discount.

It is fair to say that a lot of bad news has already been discounted, but things can always get worse before they get better. SKAGEN m<sup>2</sup> continues to focus on companies that we consider to be resilient in trend-driven subsegments, with good cash flow generation and solid balance sheet structure. Importantly, our holdings have manageable balance sheets, a high proportion of fixed or hedged debt and inflation-adjusted rent structures. These are interesting markets for us, as the pool of cheap stocks increases almost daily, providing good long-term buying opportunities.



# SKAGEN m<sup>2</sup> LUX B EUR

## Q2 2023 Quarterly Report

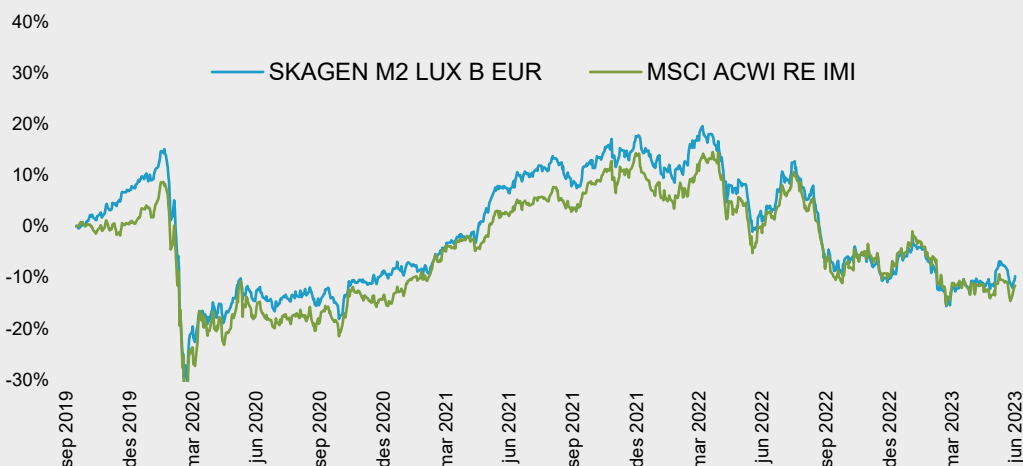
All data in EUR as of 30/06/2023 unless otherwise stated

This is marketing communication



### FUND PERFORMANCE

|                                       | Q2 2023     | 1-Year        | Since Start  |
|---------------------------------------|-------------|---------------|--------------|
| <b>SKAGEN m<sup>2</sup> LUX B EUR</b> | <b>2.4%</b> | <b>-10.6%</b> | <b>-2.7%</b> |
| MSCI ACWI Real Estate IMI             | -0.7%       | -10.5%        | -3.3%        |
| <b>Relative Return</b>                | <b>3.0%</b> | <b>-0.1%</b>  | <b>0.6%</b>  |



As at 30/06/2023 in EUR, 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 management fees. The return may become negative as a result of negative price developments. There is a risk associated with investing in the fund due to market movements, currency developments, interest rate levels, economic, sector and company-specific conditions.

### RISK PROFILE

We have classified this product as 5 out of 7, which is a medium-high risk class. This rates the potential losses from future performance at a medium-high level. Other risks not included in the summary risk indicator but materially relevant: Event risk, liquidity risk, operational risk, counterparty risk, derivatives risk. Be aware of currency risk. You will receive payments in a different currency, so the final return you will get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above. This product does not include any protection from future market performance so you could lose some or all of your investment.

### PORTFOLIO STATISTICS

|                                 |         |
|---------------------------------|---------|
| No. of holdings                 | 36      |
| Top 10 weighting                | 44.3%   |
| Active Share                    | 86%     |
| Turnover ratio                  | 43%     |
| Investment horizon <sup>1</sup> | 5 years |

### PERFORMANCE ATTRIBUTION<sup>2</sup>

#### Largest contributors ▲

| Holding                     | Weight | Contribution |
|-----------------------------|--------|--------------|
| LOG Commercial Properties   | 2.7%   | 1.5%         |
| Equinix Inc                 | 4.5%   | 0.8%         |
| Tokyu Fudosan Holdings Corp | 4.2%   | 0.8%         |
| Prologis Inc                | 5.3%   | 0.5%         |
| DigitalBridge Group Inc     | 1.8%   | 0.4%         |

#### Largest detractors ▼

| Holding                    | Weight | Contribution |
|----------------------------|--------|--------------|
| Self Storage Group ASA     | 4.8%   | -0.7%        |
| ESR Group Ltd              | 3.4%   | -0.7%        |
| Aedifica SA                | 2.8%   | -0.5%        |
| Sun Communities Inc        | 4.0%   | -0.4%        |
| Keihanshin Building Co Ltd | 2.2%   | -0.4%        |

### PORTFOLIO INFORMATION

#### COUNTRY EXPOSURE

|                | Fund   | Benchmark |
|----------------|--------|-----------|
| United States  | 41.0 % | 60.4%     |
| Japan          | 8.0 %  | 8.5%      |
| Belgium        | 7.2 %  | 0.6%      |
| United Kingdom | 7.2 %  | 2.7%      |
| Norway         | 4.0 %  | 0.0%      |
| Hong Kong      | 6.3 %  | 5.8%      |
| Singapore      | 5.6 %  | 2.8%      |
| Sweden         | 7.7 %  | 1.1%      |
| Brazil         | 3.6 %  | 0.3%      |
| Canada         | 1.3 %  | 1.8%      |

#### TOP 10 HOLDINGS

|                              |              |
|------------------------------|--------------|
| Catena Ab                    | 5.1 %        |
| Equinix Inc                  | 5.0 %        |
| American Tower Corp          | 4.7 %        |
| Independence Rlty Tr Inc Com | 4.5 %        |
| Prologis Inc Com             | 4.4 %        |
| Grainger Plc                 | 4.4 %        |
| Shurgard Npv                 | 4.4 %        |
| Self Storage Group           | 4.0 %        |
| CBRE Group Inc               | 4.0 %        |
| Sun Communities Inc Com      | 3.7 %        |
| <b>Combined weight</b>       | <b>44.3%</b> |

<sup>1</sup> For guidance purposes only <sup>2</sup> Contribution to absolute return year-to-date



# SKAGEN m<sup>2</sup> LUX B EUR

## Q2 2023 Quarterly Report

All data in EUR as of 30/06/2023 unless otherwise stated

This is marketing communication



### 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 Luxembourg SICAV as at 30/06/2023.

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.

Future fund performance is subject to taxation which depends on the personal situation of each investor, and which may change in the future. The tax treatment of the gains and losses made by the investor and distributions received by the investor depends on the individual circumstances of each investor and may imply the payment of additional taxes. Before any investment is made in the Sub-fund, investors are urged to consult with their tax advisor for a complete understanding of the tax regime, which is applicable to their individual case.

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 Global Distributor and Storebrand Asset Management has appointed SKAGEN AS as Global Sub-Distributor.

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 Sub-fund's prospectus and PRIIPS KID (for UK: KIID) and the completion of all appropriate documentation. You can download more information including subscription/redemption forms, full prospectus, PRIIPS KID (for UK: KIID), General Commercial Terms, Annual Reports and Monthly Reports in English language from SKAGEN's webpages <https://www.skagenfunds.lu/funds>

Investors' rights to complain and certain information on redress mechanisms are 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.lu/contact/investor-rights/>

Storebrand Asset Management AS or FundRock Management Company S.A. may terminate arrangements for marketing under the Cross-border Distribution Directive denotification process.

The Sub-fund takes sustainability risk and ESG characteristics into account as part of its selection process. In that respect the Sub-fund promotes environmental and/or social characteristics within the meaning of Art 8 of SFDR. For the assessment areas like corporate strategy, corporate governance, transparency and the product and service range of a company are taken into account. Further information about sustainability-related aspects of the Sub-fund, including the sustainability disclosure summary in English, can be found here: <https://www.skagenfunds.lu/sustainability/sustainable-investing/>

The decision to invest in the Sub-fund should take into account all the characteristics or objectives of the Sub-fund as described in its prospectus <https://www.skagenfunds.lu/funds/>

The Storebrand SICAV has registered its 7 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 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.

Investors' rights to complain and certain information on redress mechanisms are 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/contact/investor-rights>

Further information about sustainability-related aspects of the Sub-fund, including the sustainability disclosure summary in English, can be found here: <https://www.skagenfunds.com/sustainability/sustainable-investing/>

#### 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.

Investors' rights to complain and certain information on redress mechanisms are made available to investors pursuant to our complaints handling policy and procedure. The summary of investor rights in German language is available here: <https://www.skagenfunds.de/contact/investor-rights>

Further information about sustainability-related aspects of the Sub-fund, including the sustainability disclosure summary in German language, can be found here: <https://www.skagenfunds.de/sustainability/sustainable-investing>

#### 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.

Investors' rights to complain and certain information on redress mechanisms are 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/contact/investor-rights>

Further information about sustainability-related aspects of the Sub-fund, including the sustainability disclosure summary in English language, can be found here: <https://www.skagenfunds.com/sustainability/sustainable-investing>

#### 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.

Investors' rights to complain and certain information on redress mechanisms are 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.fr/contact/investor-rights>

Further information about sustainability-related aspects of the Sub-fund, including the sustainability disclosure summary in French language, can be found here: <https://www.skagenfunds.fr/sustainability/sustainable-investing>

#### 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.

Investors' rights to complain and certain information on redress mechanisms are made available to investors pursuant to our complaints handling policy and procedure. The summary of investor rights in German language is available here: <https://www.skagenfunds.at/contact/investor-rights>

Further information about sustainability-related aspects of the Sub-fund, including the sustainability disclosure summary in German language, can be found here: <https://www.skagenfunds.at/sustainability/sustainable-investing>