



SKAGEN m² LUX B EUR

Q3 2022 Quarterly Report

All data in EUR as of 30/09/2022 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

Macro news overshadows fundamentals

Central bank and bond market activity dominated headlines in the third quarter, with most regions experiencing outsized rate hikes in September and guidance of further tightening ahead. Policy tightening on the one hand and slowing growth on the other put investors in a quandary, driving up volatility across asset classes. Central banks appear to have collectively decided that a recession is acceptable in order to anchor inflation expectations.

The main driver for equity markets at the end of the quarter was the revision of the interest rate outlook following extremely hawkish policy meetings by the Fed and ECB. Monetary tightening has yet to fully hit the economy, but September saw the first clear signs that it is starting to bite. Global liquidity has started to dry up with surging US mortgage yields, falling house prices and widening credit spreads. In addition, there are signs of stress in the European banking system, the UK bond market had a melt-down after new fiscal plans were announced and Asian currencies declined sharply despite intervention attempts. This is reflected in a renewed tightening of financial conditions globally, which is how policy gets transmitted to the real economy.

In September, there was indiscriminate sell-off across the real estate sector with almost no place to hide given the huge shift in government yields. Again, Asia fared relatively better than other regions in the quarter, which is reflected in the fund's top performers list. Europe was the largest detractor with the ongoing war amplifying all other negative economic concerns. Inflationary pressure is expected to fade over the next few months as recession bites and the real economy is affected. This will allow for a more visible and predictable monetary policy that will allay some of the markets' concerns.

Contributors and detractors

The best contributor in Q3 was the Brazilian warehouse operator and developer LOG, which is executing as planned despite tougher conditions. Brazil is also the top real estate market globally so far this year. Another top performer was American Tower, which is in vogue due to its inflation-adjusted growth profile. Another relatively strong geography has been the Japanese real estate market as inflation has been fairly muted as have interest rates so far. The diversified conglomerate Tokyo Fudosan performed well after delivering better than expected numbers in the quarter.

The worst contributor was Norwegian Self Storage Group, despite having delivered solid results including record occupancy numbers. The UK rental housing operator Grainger also underperformed, mainly due to the unfavourable macro and currency environment in the UK.

Portfolio activity

We bought into the US multifamily operator Independence Realty Trust in the quarter. The company is primarily focused on the US sunbelt areas targeting more resilient B-class tenants. The company has an extensive pipeline with refurbishments that can be financed by the current cash flow generation. Another new holding is the UK self-storage operator, Big Yellow, which is trading at a historically large discount. The sector is typically resilient in declining economical cycles due to its cash flow profile. Finally, we also initiated a position in the UK student housing company Unite. The segment is growing and has a defensive profile as the student population typically grows in recessions. The company also trades at an attractive discount.

We sold out of the UK office operator Great Portland due to the sector's correlation to the economic cycle that we expect to gradually worsen. We also exited the diversified German company Aroundtown due to the company's overall risk profile as well as the Finnish rental residential company Kojamo for the same reason.

Outlook

The long-term horizon is key for investors in the current environment. Real estate is now trading at a historically deep discount. Some segments and geographies are trading at an unwarrantedly high implied value loss, so far unseen in history. A good example of this is the German residential space, which also faces its own challenges. However, the picture is nuanced and there are large discrepancies between segment and geography. 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.

When signs of fading inflation start to appear, the market will likely react instantly and start to price in the first-rate cuts and the beginning of a new stronger economic cycle. Real estate is well positioned for that scenario, whenever it comes, as historically all early cycle sectors have benefited. SKAGEN m² continues to focus on companies that we consider to be resilient in trend-driven subsegments, with good cash flow generation and a solid balance sheet structure. It is more important than ever that our holdings have manageable balance sheets, a high proportion of fixed or hedged debt and inflation-adjusted rental structures. SKAGEN m² is well positioned for the current scenario thanks to our value-based investment philosophy and disciplined stock selection. These are interesting markets for us, as the pool of cheap stocks increases almost daily, providing good long-term buying opportunities.



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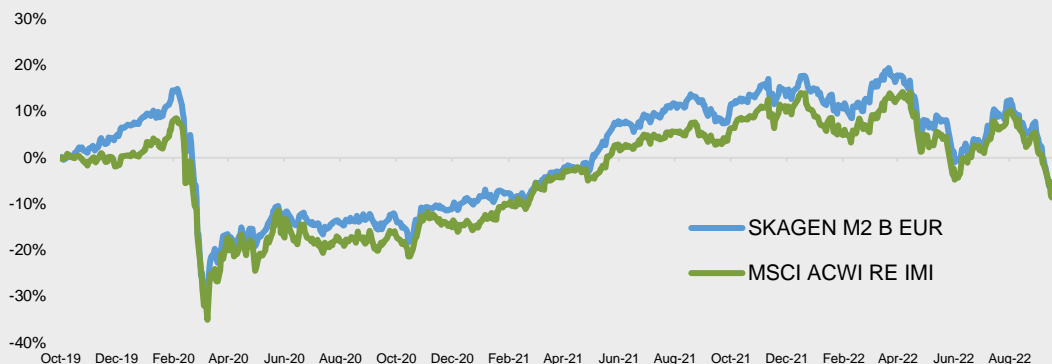
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FUND PERFORMANCE¹

	Q3 2022	YTD	1-year	Since Start
SKAGEN m² LUX B EUR	-7.7%	-20.7%	-13.7%	-2.4%
MSCI ACWI Real Estate IMI	-7.6%	-19.7%	-11.2%	-3.0%
<i>Relative Return</i>	<i>-0.1%</i>	<i>-1.0%</i>	<i>-2.6%</i>	<i>0.6%</i>



PERFORMANCE ATTRIBUTION²

Largest contributors ↑

Holding	Weight	Contribution
Switch Inc	6.5%	2.1%
CK Asset Holdings Ltd	3.8%	0.4%
LOG Commerical Properties	2.3%	0.4%
Mitsui Fudosan Co Ltd	2.1%	0.2%
China Resources Land Ltd	0.9%	0.1%

Largest detractors ↓

Holding	Weight	Contribution
Self Storage Group ASA	6.2%	-2.9%
Catena AB	4.9%	-2.6%
LEG Immobilien SE	3.1%	-1.9%
Prologis Inc	5.5%	-1.9%
Kojamo Oyj	3.9%	-1.7%

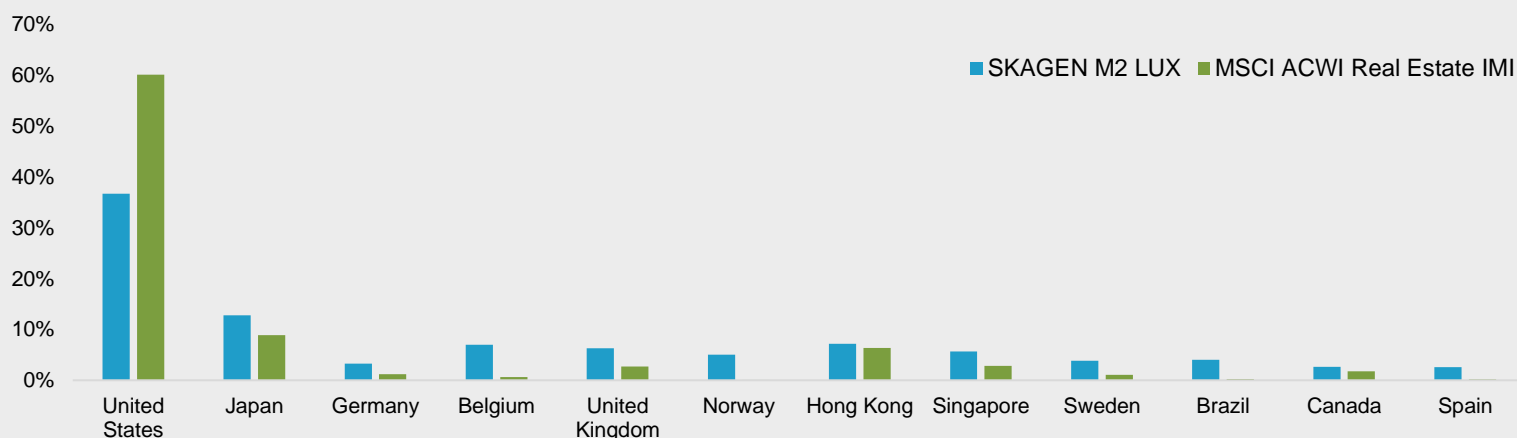
PORTFOLIO STATISTICS

No. of holdings	36
Top 10 weighting	44%
Active Share	86%
Turnover ratio	43%
Investment horizon ³	5 years

TOP TEN HOLDINGS

Holding	Weight
Prologis Inc Com	5.2%
Self Storage Group	4.9%
UMH Properties	4.8%
ESR Group Limited	4.6%
Sun Communities Inc	4.5%
Shurgard Self Stor Npv	4.3%
Tokyu Fudosan Holdings	4.1%
Marcus Corp	4.1%
Log Coml Pptys	3.9%
Grainger Plc	3.8%
<i>Combined Weight</i>	<i>44.2%</i>

COUNTRY EXPOSURE



¹ As at 30/09/2022 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 September 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.