The architect Ulrik Plesner's first extension to Brøndum's Hotel. 1892. Detail. By Johan Peter von Wildenradt, one of the Skagen Painters. This image belongs to the Art Museums of Skagen.

SKAGEN m²

Status Report – August 2016

The art of common sense

SKAGEN

Summary – August 2016

- August was another strong month for SKAGEN m^{2*} particularly in relative terms. The fund gained 2.1% (in EUR), outperforming the index by 3.9% for the month. SKAGEN m^2 has gained 10.6% year to date, while the global Real Estate (RE) equity market is up 8.4%.

- On 31 August, Real Estate became its own sector and was broken out of Financials. This is the first time since the GICS classification was created in 1999 that a new sector (the 11th) has been added. We are positive about the long-terms effect of Real Estate having its own sector as there will be more attention, transparency and coverage as a result.

- For SKAGEN m^2, the best performing market was China, up 9%. We have seen improving performance in Asia and emerging markets generally. However, the worst performing market was Brazil, down 11% last month, after strong performance YTD.

- The largest contributors to the fund's return in NOK terms were CBL Properties, Ashford Trust and SOHO China. CBL was the worst performing stock in the fund at the end of June, but has since outperformed the marked significantly after accusations of manipulated numbers were found to be baseless by the American SEC. The company also provided a strong 2Q report. SOHO China gained on new information about further non core disposals and extra dividends.

- The largest detractor in August was our French/Spanish prime office operator Colonial. There was no negative company-specific news to explain this, however. On the contrary, Colonial delivered a good 1H16 report confirming our investment thesis and SKAGEN m2 has increased the position as a result.

- There were no new investments in SKAGEN m^2 during August. The top 10 and 35 positions constitute 44% and 92% of the fund respectively. SKAGEN m^2 currently consists of 40 holdings and the cash position is 4.9%.

** Unless otherwise stated, all performance data in this report is in EUR, relates to class A units and is net of fees.*

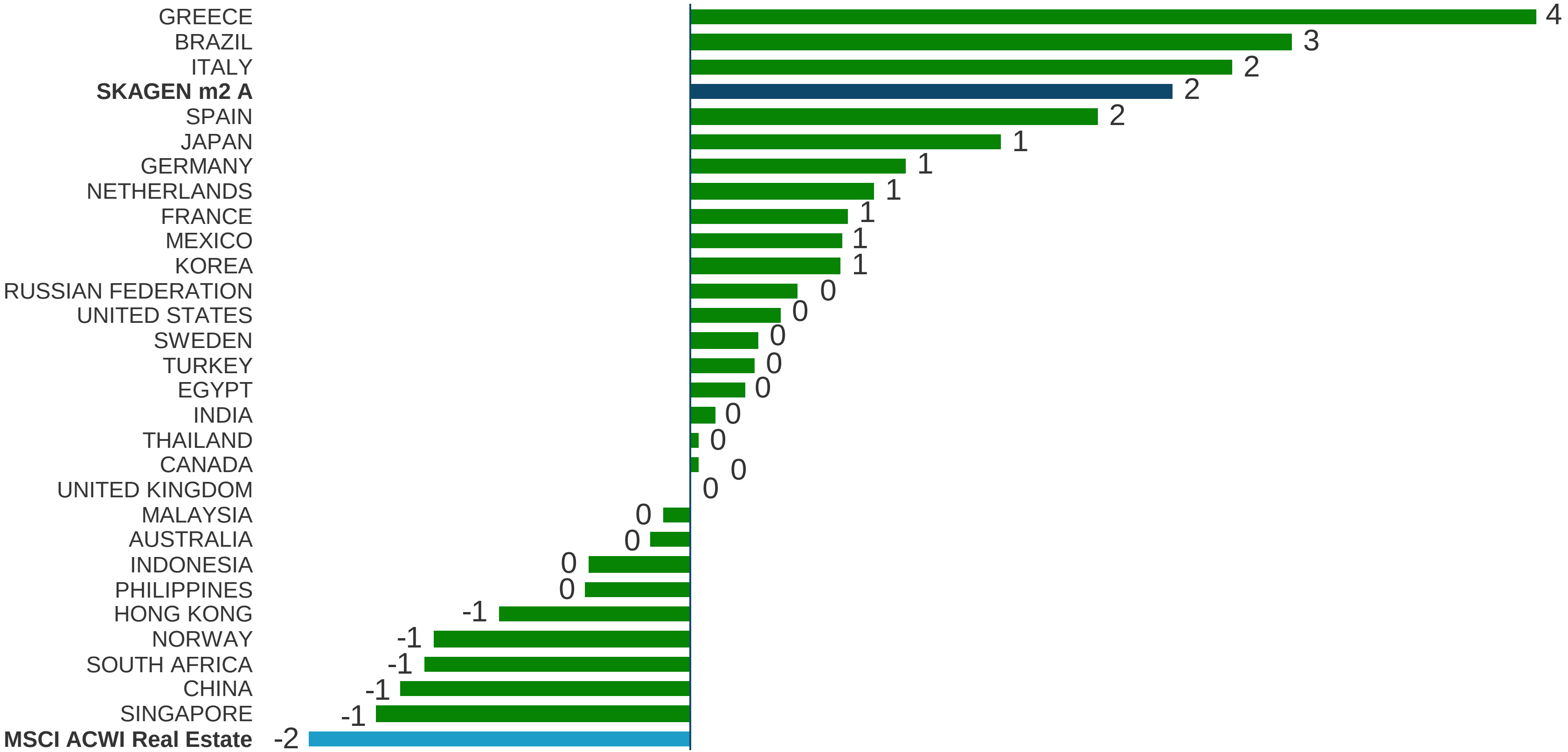
Results, as of August 2016

EUR, net of fees

	August	QTD	YTD	1 year	3 years	Since inception*
SKAGEN m2 A	2,1%	8,5%	10,6%	15,3%	11,5%	7,4%
MSCI ACWI Real Estate	-1,8%	2,5%	8,4%	16,6%	15,6%	12,4%
Excess return	3,9%	6,0%	2,2%	-1,3%	-4,1%	-5,0%

*Note: All returns beyond 12 months are annualised (geometric return), * Inception date: 31 October 2012*

Markets in August 2016 in EUR (%)



Main contributors YTD 2016

Largest positive contributors

Company	NOK (000)
D Carnegie	14 094
IRSA	11 721
Olav Thon	8 603
Deutsche Wohnen	8 443
CBL Properties	6 265
SM Prime Holdings	5 031
Nomura Real Estate	4 754
Brandywine Realty	4 485
PS Business Parks	4 251
Inmobiliaria Colonial	4 219

Largest negative contributors

Company	NOK (000)
Mitsui Fudosan	-10 065
Global Logistic Properties	-6 717
Apartment Investment & Man	-2 627
Columbia Property Trust	-2 524
Axiare Patrimonio	-2 277
Melia Hotels	-2 272
Big Yellow Group	-2 239
Vista Land & Lifescapes	-1 926
Ananda Development	-1 616
Ashford Inc	-1 578

Value Creation YTD (NOK MM): 69

NB: Contribution to absolute return

Main contributors August 2016

Largest positive contributors

Company	NOK (000)
CBL Properties	6 249
Ashford Hospitality Trust	3 980
SOHO China	3 653
Olav Thon	1 989
Catena	1 702
IRSA	1 621
Phoenix Mills	1 421
Emlak Konut	1 167
Atrium Ljungberg	933
Melia Hotels	729

Largest negative contributors

Company	NOK (000)
Inmobiliaria Colonial	-3 370
General Growth Properties	-2 250
Global Logistic Properties	-1 998
Axiare Patrimonio	-1 365
Brandywine Realty	-1 308
Mitsui Fudosan	-1 288
SL Green	-709
CapitaLand	-696
D Carnegie	-600
Ashford Inc	-470

Value Creation (NOK MM): 9

NB: Contribution to absolute return

Main contributors with comments, August 2016

Largest contributors

Company	NOK (000)	Comments
CBL Properties	6 249	Very strong 2Q results and rebound after a lot of bad news.
Ashford Hospitality Trust	3 980	Strong 2Q results and upward guidance.
SOHO China	3 653	Announced further asset disposals and extra dividend.
Olav Thon	1 989	2Q results were in line with or slightly below expectations, but cheap company.
Catena	1 702	Decent 1H16 report, strong occupancy uplift.
IRSA	1 621	Delivered strong 1H16 report.
Phoenix Mills	1 421	Malls continue to deliver steady growth and positive rental renewals to come.
Emlak Konut	1 167	Strong 1H16 report, continuous rebound after geopolitical turmoil.
Atrium Ljungberg	933	Strong 1H16 report with a continued good trend in the operational performance
Melia Hotels	729	2Q in line.

Main contributors with comments, August 2016

Largest detractors

Company	NOK (000)	Comments
Inmobiliaria Colonial	-3 370	No company specific news, good 1H16 report with strong operational performance and capital value growth.
General Growth Properties	-2 250	Pullback after strong July
Global Logistic Properties	-1 998	No company specific news, decent report confirming positive trend in core earnings. Chinese slowdown in development segment still an overhang.
Axiare Patrimonio	-1 365	Slightly disappointing 2Q results.
Brandywine Realty	-1 308	Slightly disappointing 2Q results. We sold some shares.
Mitsui Fudosan	-1 288	No company specific news. Good 1H16 report with strong operational performance. Macro headwind and stimulus speculation continues.
SL Green	-709	Strong 2Q report, but strong performance up front.
CapitaLand	-696	No company specific news. Good 1H16 report with strong operational performance. Macro headwind and stimulus speculation continues.
D Carnegie	-600	No company specific news. Stock price has a floor price of SEK 100 after Blackstone's majority stake acquisition and upcoming mandatory bid.
Ashford Inc	-470	Waiting for the potential sale of Ashford Prime.

Most important changes Q3 2016

Q3 Holdings increased

British Land	(New)
Inmobiliaria Colonial	
Axiare Patrimonio	
Mitsui Fudosan	
CapitaLand	
Big Yellow Group	

Q3 Holdings reduced

BR Properties SA	(Out)
HCP Inc	
Brandywine Realty Trust	
Soho China	
Bekasi Fajar	
Deutsche Wohnen AG	
General Growth Properties Inc	
Ashford Hospitality Trust	
Ashford Hospitality Prime	
Mercialys	
IRSA	

Key earnings releases and corporate news

Ashford Prime, US (1.9 %)

2Q result weak, but raised gross bid to USD 23.55 including termination fee. Continued conflict between bidder and management

Implications for Investment Case: Positive, because of management acceptance of bid. However, the share is still trading at a huge discount to net bid due to uncertainty regarding financing for the bidder and refusal to sign NDA (non-disclosure agreement for due diligence). This is sign of an unknown conflict. The company is externally managed and the management company is entitled to a termination fee. The bid was USD 23.55 gross, and approximately USD 20.50 to shareholders. The refusal to sign NDA is strange and a lot of other interested bidders have been signing. There is still uncertainty regarding whether the bidder has the financial clout to execute the deal. The result was slightly below expectations, but this has so far not moved the share price. The company's assets may be valued at USD 25 freestanding in the real market. The bid is fair given the muted lodging sector in the US.

Catena, Sweden (3.8%)

Strong occupancy increase and trending higher

Implications for Investment Case: Positive. Catena reported 2Q consolidated numbers after Tribona acquisition. Implementation work is progressing faster than expected but numbers are still somewhat distorted after the deal. The good news is that trend is clearly going in the right direction with vacancy declining, a robust rental structure and the progress with the pipeline is most positive. Catena is the biggest logistics player in Sweden with a clear focus on e-commerce and city logistics. Supply of big modern facilities is low and demand is increasing.

Oberoi, India (1.2%)

Presale numbers were a positive surprise. Harvest times ahead

Implications for Investment Case: Positive. Oberoi delivered better than expected earnings numbers due to better than expected inventory sales and the positive launch of super luxury project Worli (USD 6m/unit). Mumbai's residential market is showing signs of steady recovery with FY16 pre-sales up 17% YoY, despite weak overall residential demand. Oberoi has been able (to a certain degree) to bridge this weakness as it has a number of advantages in terms of location, quality, brand, product mix and execution. Oberoi has a strong high-value launch pipeline ahead, after almost four years of slow development. Earnings and cash flows over the next 2 years should see a meaningful scale-up as contribution from these high margin projects reaches revenue recognition. The unrecognised order book is currently INR 45bn (>4x FY16 residential revenues). With its prime location project across Mumbai, strong execution track and strong end-user credentials Oberoi is a beneficiary of a stronger Mumbai property recovery. A strong balance sheet (and cash flow visibility) enables Oberoi to make value accretive transactions, either to strengthen its recurring income portfolio or to buy new land to develop. These are both likely to be triggers.

Key earnings releases and corporate news (cont.)

HCP, US (1.5%)

Q216 FFO beat expectations, positive guidance and spin-off on track

Implications for Investment Case: Positive. HCP reported better than expected revenue and results for 2Q16 (due to one-off transaction). More positively the company provided an upbeat forecast for FY16. The planned spin-off of troubled skilled nursing assets (HCRMC) is on track and will be named “Quality Care Properties”. It is expected to be completed in 4Q16, however details need to be specified (debt, etc.) before any assessments about the transaction can be made. As communicated before, the company is undergoing a strategic transformation and is also in search of a new CEO. We have therefore chosen to reduce the position and await further information about the overall development. Even though the company’s valuation is low, there are still issues that need to be addressed.

Deutsche Wohnen, Germany, (2.8%)

Another strong set of results and guidance. Expansion into nursing home market

Implications for Investment Case: Positive. Another strong quarter for DW which beat most expectations with strong growth in FFO and NAV. Margins are top class in the industry, confirming the business model in terms of efficiency and concentration gains from Berlin focus. The latest reports have confirmed our thesis that DW is better off alone and with a pure geographical focus (re. recent hostile takeover attempt). Strong LFL rental growth will continue to drive cash flow and NAV over time. The Berlin residential fundamentals are still very strong. External growth will be harder to obtain due to previous yield compression. Positively, the focus is now more on internal growth by enhancing the modernisation program, expanding the nursing home business, rent and capital growth. The long-awaited move to further advance into the nursing home market to expand that segment is positive. It is still a largely fragmented market and with this new acquisition DW will become one of the leading providers in this market.

EMLAK,

Turkey (1.4%)

Strong 2Q16 report beating all expectations, sustained NAV growth

Implications for Investment Case: Positive. The Istanbul-focused residential developer Emlak announced very strong 2Q revenue and earnings, also a sustained deferred income and NAV growth. The low capex & working capital requirement allows EMLAK to generate sustainable cash flow even in a volatile macro environment. Emlak has a good risk adjusted income model via its “revenue sharing model” meaning they don´t take on developer risk. High unit sales trend, supported by new project launches and high tender-multiples achieved on new land tenders remain key drivers for earnings and valuation. Emlak’s revenue recognition (at the time of delivery) leads to volatile P&L progression. The bulk of the projects in the pipeline will be launched in 2H. The largest RSM project (Maslak, 9% of NAV) is scheduled to be delivered in 3Q16 and will be the main source of 2016 EPS growth. Pricing continues to be stable on presales, mortgage rates have gradually eased during the year and will probably decline further since the government recently stressed a lower level (by cutting the reserve requirement ratios for banks), which should be positive for pre-sales. Very strong balance sheet at net cash position.

Key earnings releases and corporate news (cont.)

D. Carnegie, Sweden (4.0%)

Strong 1H16 report and Blackstone sees further potential for acquiring majority stake

Implications for Investment Case: Positive. Our Stockholm-focused residential operator delivered a solid 1H16 report with strong value and NOI growth. Company intends to continue with co-op conversions to highlight the value potential and to free up capital. Due to acquisitions, the earnings capacity has increased markedly. Company also announced that Blackstone has made an arrangement with 3 shareholders to acquire part of their shares. Deal is positive in the sense that it confirms the investment case and there is more potential identified. However, in our view, the price offered to the controlling shareholders seems to be somewhat low and does not reflect the full value potential of the company also in respect to the current unique Stockholm housing environment. The bid to the shareholders will be announced before October.

Phoenix Mills, India (1.8%)

Malls continue to deliver steady growth and positive rental renewals to come

Implications for Investment Case: Positive. Our Indian prime mall operator reported a better than expected quarter after strong operational performance primarily in the mall business, confirming our long-term investment thesis. After some years of muted rental growth, the company is now in a position to benefit from upcoming rental renewals over the next 2 years (30% of rents expected to be hiked 10-15%). Slow trend of improved occupancy will also contribute to strengthen overall topline growth. Reasonably new residential development business has been a drag due to low profitability so far, but as segment picks up the development gains, cash flow and earnings will be visible. Progress in residential sales and cash collection is essential to help lower debt short term. However the Mall segment is by far the most important part of the company, as continuous rental growth and increase in occupancy are what will drive stock value. The strategy to acquire controlling stakes across mall SPVs over the past 3 years has been value accretive and a good way to increase ownership without too much cash flow burn and developer risk. Company has completed the stake buying process which frees up cash flows for capex or debt reduction. Phoenix Mall is a clear market leader in terms of locations operations and should over time benefit from that both in higher sales but also valuation. This is a long-term case and the best proxy to Indian retail consumption growth with lowest development risk. Potential REIT listing a trigger as well as monetising mature assets to institutional investors in a lower yielding market.

Atrium Ljungberg Sweden (1.9%)

Strong value increase, positive operational trend and acquisition

Implications for Investment Case: Positive. Swedish retail and office-focused Atrium Ljungberg reported a strong 2Q with strong value uplift (+3.1%) in line with peers. Half of the value uplift came from renegotiated rents and lettings; a positive indication of a continuing strong cycle. More positively, the continued positive trend in the operational performance confirms our investment thesis. Management increased profit guidance slightly for the year. The project portfolio looks promising with a pipeline of about SEK 9bn, however we need patience before it will materialise. Market value of the current project portfolio is roughly SEK 1.3bn, which only represents 4% of the total property portfolio. The company also announced the acquisition of a SEK 1bn office scheme (SEK ~35,000/sqm) close to Stockholm which offers an initial yield of 6.8%. The company and its portfolio appears to be robust and continues to benefit from a strong Swedish real estate market.

Key earnings releases and corporate news (cont.)

Mercialys, France (4.0%)

Solid rental and capital value growth

Implications for Investment Case: Positive. French mall operator Mercialys delivered another strong report with strong growth in both rental and capital values above expectations. Mercialys' guidance for FY seems conservative (FFO +2%) but enough to provide reassurance about future earnings and dividend stability/sustainability. The company continues its diversification strategy of more "high street" assets, buying Monoprix stores, enabling them to increase overall rental growth after redevelopment. Groupe Casino is Mercialys' main shareholder, tenant and main source of deal origination; the relationship is worth monitoring closely. A Casino under pressure might feed in more assets into Mercialys (pricing issue), but so far the transactions have been fair. Mercialys' core operations are performing above expectations and Casino´s French operations are in good shape.

Colonial, Spain (4.6%)

Strong operational performance and capital value growth

Implications for Investment Case: Positive. The Spanish office operator confirmed our thesis of an entry into a rental growth cycle, driven by higher occupancy due to lack of (prime) supply in Spain. The Paris CBD office market is stable and supportive of the case. Report confirmed strong capital value growth mainly from yield compression. However, management expects growth over the coming quarters to be driven mostly by rental growth across all markets. This would be very positive and provide proof of a rental growth trend. Company is on track with delivering guided project pipeline; with the acquisition of Alpha the remaining commitment is EUR 270m. Further (value added tilted) projects will be important for adding capital value and rental growth, the sooner the better to catch the perceived recovery.

Mitsui Fudosan, Japan (4.6%)

Leasing segment strong and positive guidance reiterated

Implications for Investment Case: Neutral. Mitsui delivered another good report, but without surprises, confirming the case of continued momentum in the Tokyo real estate market. The leasing segment continues to show strength, and the property for sale segment is likely to pick up due to timing effects in Q1. Market is still very macro driven and does not pay attention to company fundamentals. Mitsui is currently trading at historically cheap levels. Although highly unlikely, a share buyback program would be a big positive at these discount levels and with the stable cash position. Most of the money is currently allocated to new projects, some of which could be spent on buy-backs, which are less risky than new development projects. It is also positive that the company reiterates their previous guidance of revenue and operating profit growth for FY17. London and NY developments and pre-sales are proceeding according to plan. Recently company the IPOd their logistics segment into a JREIT. The capital gain proceeds strengthen the balance sheet further and will hopefully be used wisely. Moving into more insecure times, it is a strength that this very diversified company can be flexible and relocate capital and effort between all the different segments and markets they are in.

Key earnings releases and corporate news (cont.)

CBL Properties, US (3.7%)

Very strong 2Q report on all metrics and accusation confirmed to be baseless

Implications for Investment Case: Very positive. The investment case is of a turnaround company, too cheap to be ignored for the longer term. A great deal of headwind over the last two years has caused a 50% decline in share price, now up 50+% since bottoming out on 28 June. The results caused the share to jump 12% with another jump when the accusations were confirmed to be baseless by the SEC. CBL Properties is a B/C mall owner. However, they own A malls in B-locations. The company increased guidance for the year and outperformed significantly in 2Q. 2Q FFO was up 9.3% YoY, and expectations were flat. Same-store net operating income (SSNOI) was up 3.4%, and occupancy like-for-like was up 150 bp, demonstrating that the effect of last year's store closing has nearly been solved. The company has started to sell some malls and reduce debt. The tier 1 contribution to NOI has increased from 31 to 43%, meaning that they don't dilute shareholders during their disposition activity. Regarding the SEC investigation; the fraud allegations came from an ex-employee, and have now been confirmed to be baseless. The company was not accused of accounting fraud, but manipulating numbers regarding the occupancy and rental level when refinancing assets. This obviously caused a perfect storm for a company that is operating a most hated B/C mall business.

Soho China, Hong Kong (1.3%)

Further asset disposals and special dividends

Implications for Investment Case: Positive. The Beijing/Shanghai focused office/retail company announced 1H16 numbers, and, as expected, no operational surprises. More interesting was the news about disposals and special dividend. The first piece of good news was about further disposals of non-core assets (3 more projects in Shanghai), and the second was that the expected extra dividend was not due to the recent sale of Shanghai Century Plaza (@ 3.3% yield) rather to the remaining distribution of an earlier disposed asset. This was good news for the market which priced in further special dividends and repayment of debt. For the remaining disposals this could mean an annual ~10% dividend yield over the next 3 years. The disposal strategy is a way to make underlying values visible and bring NAV discount closer to the stock price. However the monetisation is no long-term strategy for serving dividend and cash flow. The question remains whether the rental levels will be sustainable (positively up 60% YoY) and if the "new" business concept of "shared working space" will fly and how fast it will generate substantial earnings. The Soho 3Q concept now has 16k seats occupied and is rolled out on further assets. After the disposals, Soho would still own 1.3m sqm and continues to be the largest listed landlord in mainland China.

Keck Seng, Hong Kong (1.0%)

1H 2016 revenue, slightly higher costs and lower operating income.

Implications for Investment Case: Neutral. The company continues to increase its cash position, reduce debt and build long-term value. The share is illiquid, but more investors will hopefully see the values behind the company. Keck Seng provided 1H2016 results in line with expectations. The result was HKD 0.24 per share (share price HKD 5.82) with high depreciation and negative revaluation, meaning a significant cash flow generation. The book value per share increased to above HKD 10 with excess value. Revpar in San Francisco was up, New York down and Vietnam flat.

Key earnings releases and corporate news (cont.)

Ashford Trust, US (2.6%)

2Q report and RevPar growth significantly above expectations

Implications for Investment Case: Very positive. The share price jumped 14% on the day of the report and has continued upwards, now up more than 40% since the end of June. We have reduced our holding due to corporate governance issues and external management. The result was significantly above expectations, with RevPar up 4.9% compared to the overall market of 3.5%, (Ashford Trust had been expected to deliver in line with market). 2Q FFO (best quarter) come in at 0.60. The company also announced corporate governance improvements. The share price is also pushed up by an improving debt market, which is important due to upcoming debt maturities from 2006 /7 loans.

Ashford Inc, US (0.7%)

2Q result negative before adjustment; awaiting IRS regarding the merger with Remington and bid on Prime

Implications for Investment Case: The results were flat with a substantial salary cost component regarding stocks to management. The result was another non-event, and they confirmed the delay of the merger with Remington due to IRS discussions. The deferred stock based compensation is still a heavy burden on the result, and the company is not still in ordinary operations as they wait for IRS to confirm the merger. If adjusted for non- cash compensation, the income was USD 1.69 per share this quarter, compared to a stock price of USD 47. The company is managing two hotel companies, Ashford Trust and Ashford Prime. There is a bid on Prime that may release a significant amount of cash, but shareholders expect the cash to not be distributed or maybe just a small part of it. USD 6bn under management and a market cap of USD 100m is extremely cheap taking into consideration that AUM is permanent (listed companies). If they receive a termination fee of USD 70m (USD 30/share) for Prime, the company should be able to distribute a lot of capital.

Brandywine, US (2.2%)

2Q in line with expectations, but improved leasing on FMC development project lifts share price

Implications for Investment Case: Slightly negative. The company's share price has had a good run lately and operational developments are positive. However, the 2Q report confirms dilution from a lot of asset sales, and we have reduced the position since 1Q (3.5% to 2.2%). The company has been a turnaround, but may be at the end of cycle. The result was in line with expectations and they confirmed the 2016 outlook. Brandywine is a dominant player in the Philadelphia area, developing a project that will transform a significant part of the city. The company has been through a repositioning phase that now seems to be coming to an end and with new developments coming to the market. The FFO will increase from 2017, but more importantly, the free cash (lower capex) flow will increase significantly. The company is trading at 8% FFO yield at the moment, and is cheap on most metrics before the FMC development has been completed. They recently increased dividend for the first time since 2009.

Key earnings releases and corporate news (cont.)

Capitaland, Singapore (1.1%)

Strong 2Q report with improved sales

Implications for Investment Case: The report was in general strong. Operational result showed a clear improvement, 32% YoY, while profit from one-offs was weaker. Sales in China and Singapore showed continued improvement. The office portfolio in Singapore continues to perform well with slightly increasing rents. Capitaland is one of the biggest Asian real estate companies (MC SGD 13bn). The company operates as a developer, manager and owner of direct real estate and units in managed funds.

DIC Asset, Germany (2.5%)

2Q report confirmed the strong start of the year

Implications for Investment Case: Positive. LTV ratio continues to decline and is significantly reduced from 62.6% to 57.2%. The debt has been reduced by 20% from EUR 1.6bn to 1.3bn in 1H. Management fees from fund management business are increasing and more stable recurring income has been established. The company has undergone positive developments after new management came in. 2Q FFO increased 15% YoY due to some one-offs, but is expected to decline 10% this year. However, they raised the target for AUM slightly and reduced their own disposition guidance slightly. Both these things will increase expected FFO (reduce the decline). The company is disposing of some assets on its own balance sheet to the asset management business and securing future cash flow from disposed assets. Their biggest challenge is to reduce vacancy from today's level of 13%.

General Growth Properties, US (2.3%)

2Q report slightly disappointing due to high expectations and Macy impact

Implications for Investment Case: Negative. The result was slightly below the high expectations (it is loved by analysts). We have reduced the weight from 3% to 2.3% lately and may continue to sell. The company increased the dividend from USD 0.18 to 0.20/Q. The 2Q report was in line with slightly reduced guidance due to expected dispositions. The company continues to see strong demand for A-malls, but occupancy was flat at 96%, meaning full. The releasing spread was the highest in 6 quarters at 13.7%. The company is an A-mall owner with potential for 10% growth in FFO over the next two to three years.

Melia Hotels, Spain (1.9%)

2Q RevPAR up 9.4 %, above expectations. Strong performance in Spain, up 17% YoY.

Implications for Investment Case: Positive. The strong Spanish recovery was confirmed. Melia Hotels is a hotel management and owner company. The company is continuing to become more asset light and has sold some hotels, now owning 18.3k out of 82k in operation. The company has a significant presence in the main cities in Spain (Madrid/Barcelona) and leisure exposure in Asia and the Caribbean. The 2Q report was strong, especially in Spain which seems to be the preferred tourist destination in Europe at the moment. Revpar was up 30% YoY in the Mediterranean. The US was negative, affected by the weather and Zika virus. The company has a significant presence in the Caribbean market and manages 27 hotels in Cuba, representing 6% of Ebitda.

Key earnings releases and corporate news (cont.)

PS Business Parks, US (2.3%)

Solid results, paid off remaining debt and became debtless

Implications for Investment Case: The result was strong, and they paid off their remaining debt. The capital stack is now 80% ordinary equity and 19% preferred equity. 1% outstanding on their credit line is all the remaining debt. The company has 5% FFO yield, and is paying a dividend of 2.7% at today's share price. The company is a safe haven, but also a long-term value creator exceeding 13% p.a. over the last 23 years. Net operating income increased 5.7%, and non-same more than 6%. Occupancy declined some 50bp to 93.6%. FFO was up 13% to USD 1.36/share (5% FFO yield which is high for a debt-free company). The releasing spread was 5.5%, meaning they may be pushing rents on behalf of occupancy. The company is ready to invest if any opportunity arises.

Olav Thon, Norway (5.5%)

Steady state operation mostly in line with 1Q results

Implications for Investment Case: Confirmed the case, but slightly disappointing quarter. However, the market reacted positively and the revised NAV increased 3% QoQ to NOK 214/share. The company continues to grow assets and cash flow without diluting shareholders. Adjusted (no value changes and normalised tax) earnings were in line with 1Q at approximately NOK 2.6 per share, and the market may expect some growth QoQ. However, the result is still up 10% YoY, showing a significant growth even in the short term. Interest level continued to decline to 3.37%, down from 3.51% since 1Q. LTV ratio ended at 45%, which means that they will be self-financing new projects going forward. This is a company with no surprises that should be owned for the long term as long as price is favourable. NAV is based on average yield of 5.44%.

CA Immofinanz, Austria (2.1%)

Solid NAV growth, and improved recurring income (FFO)

Implications for Investment Case: Neutral. The result was in line with expectations and the main issue was the merger discussion with Immofinanz, a company of lower quality, but with exposure to Eastern Europe. This will create a larger company, but also lower the total quality of the portfolio. NAV per share increased to EUR 25, trading at EUR 16, and FFO was EUR 0.24 in 2Q, a clear improvement and on track to meet its 2016 FFO target of EUR 0.90 per share. The results were overshadowed by the merger discussion with Immofinanz, however. Despite a huge discount, no celebrations can be expected before the merger discussion concludes. Immofinanz acquired 26% of CA Immofinanz from Boris Mints O1 group. The proceeds from sales to Boris will most likely be used to acquire Russian assets from Immofinanz in line with traditional Russian corporate governance. The share price will most likely increase, regardless of the conclusion, when the uncertainty around the merger discussion is lifted.

Largest holdings as of August 2016

	Holding size	Price	P/NAV	Div. Yield 2016e	EBITDA 2016e/EV
Olav Thon Eiendomsselskap ASA	5,4 %	166	80%	1,1%	5,8%
SL Green Realty Corp	5,3 %	117,04	85%	2,5%	6,0%
Inmobiliaria Colonial SA	4,8 %	6,6	86%	3,0%	3,5%
Mitsui Fudosan Co Ltd	4,6 %	2228	60%	1,4%	6,7%
CBL & Associates Properties Inc	4,3 %	14,18	55%	7,5%	9,2%
Global Logistic Properties Ltd	4,3 %	1,81	62%	3,7%	3,8%
D Carnegie & Co AB	4,0 %	108,5	128%	0%	3,5%
Mercialys SA	4,0 %	20,9	98%	5,6%	4,5%
Catena AB	3,8 %	137,25	103%	3,6%	5,2%
Irsa Sa ADR	3,3 %	18,8	60%	0%	12%
Weighted top 10	43,9%		82%	2.8%	5.8%
Weighted top 35	92%			3.1%	5.9%
Benchmark				3.6%actual	

The largest companies in SKAGEN m2 as of August 16

OLAV THON GRUPPEN

Olav Thon owns a portfolio of 65 shopping malls and manages an additional 27 malls for external owners. In addition, the company owns office buildings, restaurants and hotels (2 NOT Thon Hotels) located primarily in the Oslo area. 76% of its income is from malls and the rest from commercial real estate (mainly office and retail). Listed on the Oslo Stock Exchange in 1983. Gross (inclusive JV) lettable space: Shopping malls: 1m square metres and commercial estate 263 000 square metres. Diversified into Sweden in Q3 '14 after buying five shopping malls with 122 000 square metres of space for NOK 3bn.

SL GREEN REALTY CORP.

SL Green Realty Corp. is a fully integrated, self-administered and self-managed REIT. The company is focused on owning and operating office buildings in Manhattan. It owns equity or debt in 92 properties totalling 41.6m square feet. In addition to Manhattan, they also have interests in Manhattan's surrounding suburban areas. Its Manhattan properties have an occupancy rate of 95.9% compared to 83.5% (Q1'15) for its properties in suburban areas.

Colonial

Colonial is a leading Spanish prime property company present in Spain (Barcelona and Madrid) and France (Paris). The presence in France is structured through a 53.1% stake in the French listed company Société Fonciere Lyonnaise. Majority of assets are high quality CBD (75%) offices (94%). Colonial is the only liquid Spanish listed Real Estate company that managed to remain listed and successfully navigate through the turbulent waters of the recent economic crisis. The company rebuilt its capital structure in 2014 via a combination of a debt raising and a EUR 1.26bn capital increase. Geographical breakdown by GAV: Paris 48.5%, Madrid 28.1% and Barcelona 23.4%.

MITSUI FUDOSAN

Established in 1941, Mitsui Fudosan has been an active leader in the Japanese real estate industry, successfully developing new business opportunities and establishing a dominant position. The company is an integrated firm involved in office leasing, commercial facilities, condominium development, investment property development and REITS. 8% of MF's assets are located on other continents. Well-integrated and balanced growth model with development and investment properties diversified among different real estate sub-segments. Management business (car park leasing, property management) provides stable earnings growth over time, and together with other recurring earnings from commercial assets, mitigates the volatility in the development segment.

CBL
CBL & ASSOCIATES PROPERTIES, INC.

CBL, founded in 1978 and listed in 1992, is a real estate investment trust (REIT) that owns, leases, manages, and develops shopping centres. The company holds interests in 127 building, including 75 malls plus 24 adjacent associated centre, 5 outlet centres, 10 Community Centres and 13 Office Buildings. CBL also manages 20 properties for 3rd parties.

The largest companies in SKAGEN m2 (cont.)

Asia's largest provider of modern logistics facilities. The company owns, manages and leases over 700 completed properties spread across 77 cities in China, Japan, Brazil and US, forming an efficient network with assets strategically located in key hubs, industrial zones and urban distribution centres. The USD 27bn property portfolio comprises of 28m sqm serving more than 800 customers. The Japan portfolio is mostly completed and stabilized, providing strong operating cash flows to fund the group's growing business in China. The company also set up a China fund at the end of 2013 to enable capital recycling in the Chinese market in line with the Japanese model. This business model leads to a more effective capital structure, recurring income and capital recycling (listing of J-REIT & CLF fund).

D. Carnegie & Co is the largest listed residential real estate company in Sweden specialising in residential properties. The company owns and manages over 16k units concentrated in the Stockholm region. Strategy is to refurbish and revitalise apartments and areas in the “miljon program” (residential blocks that were built between 1960-75 in Sweden that became famous for building away the housing shortage in an effective, fast and not very aesthetic way). Current units are expected to be refurbished in 10 years. The company does not clear all buildings, rather refurbishes when each unit is empty avoiding income loss. Total portfolio valuation is SEK 13.6bn. Huge asset revaluation, building rights value and privatisation potential. Apartments are valued in the books at SEK 11 500/sqm. In June 2016 Blackstone acquired a majority of shares, a bid for all shares to come.

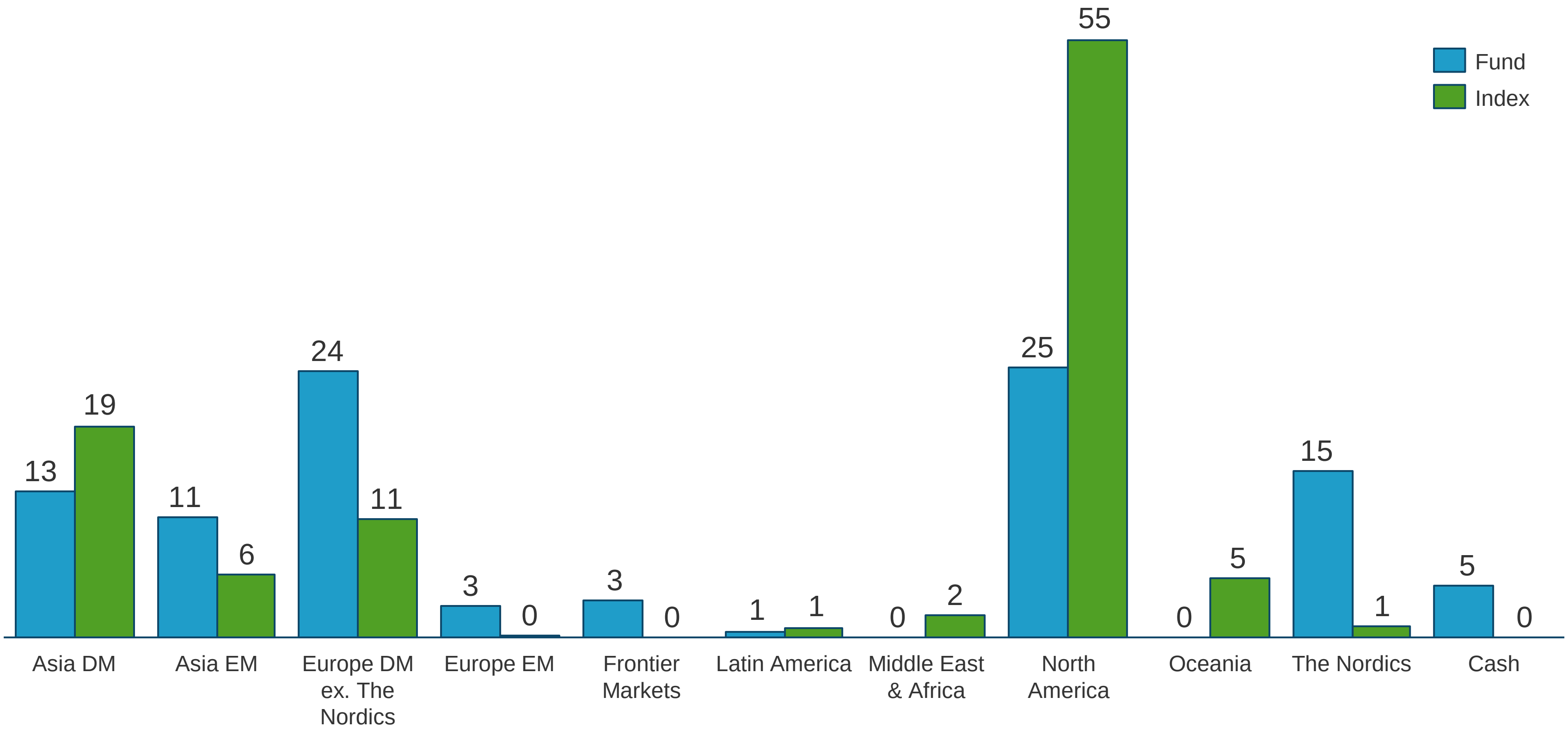
Founded in 2005 by Casino, Mercialys is one of the top real estate companies in France and Europe, specialising in the enhancement, transformation and promotion of shopping centres. Mercialys owns a real estate portfolio of over 50 centres, with more than 800,000 square metres of retail space throughout France. Mercialys is positioned in the convenient range of the shopping centre industry, as well as within the experience malls or destination malls segment. Mercialys is well established in France and has been very skilled in its active management of its assets. Casino is still the majority owner.

Catena is a Swedish logistics owner, operator and developer that actively manages portfolio and development projects in Sweden. Company recently acquired Tribona and became leading logistics operator in Sweden. Catena’s assets are mainly located in fast growing regions: Stockholm, Gothenburg and Öresund. Portfolio value of approximately SEK 10bn. Strong e-commerce trend driving demand for more and faster logistics, especially city logistics.

Irsa Inversiones y Representaciones (IRSA) is Argentina`s leading real estate company in terms of total assets. Engaged, directly and indirectly in the acquisition, development and operation of shopping malls, office buildings, residential properties, luxury hotels, undeveloped land reserves for future development or sale, and selected real estate investments outside Argentina.

Geographical distribution versus benchmark August 2016

Percent



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Unless otherwise stated, performance data relates to class A units and is 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 subscription and management fees. The return may become negative as a result of negative price developments. KIIDs and prospectuses for all funds can be found on our website.

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