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Leaving out Skagen's Sourth Beach, 1893. Detail / Manipulation. By P.S. Krøyer, one of the S
It is insige belongs to The Skagens Museum.

SKAGEN M2 – September 2021

Michael Gobitschek | Lead Portfolio Manager

The art of common sense





Agenda

General real estate observations

Fund update

Q&A

SKAGEN m2 NOK A

Listed real
estate

Global
exposure

36
holdings

Inception date
31.10.12

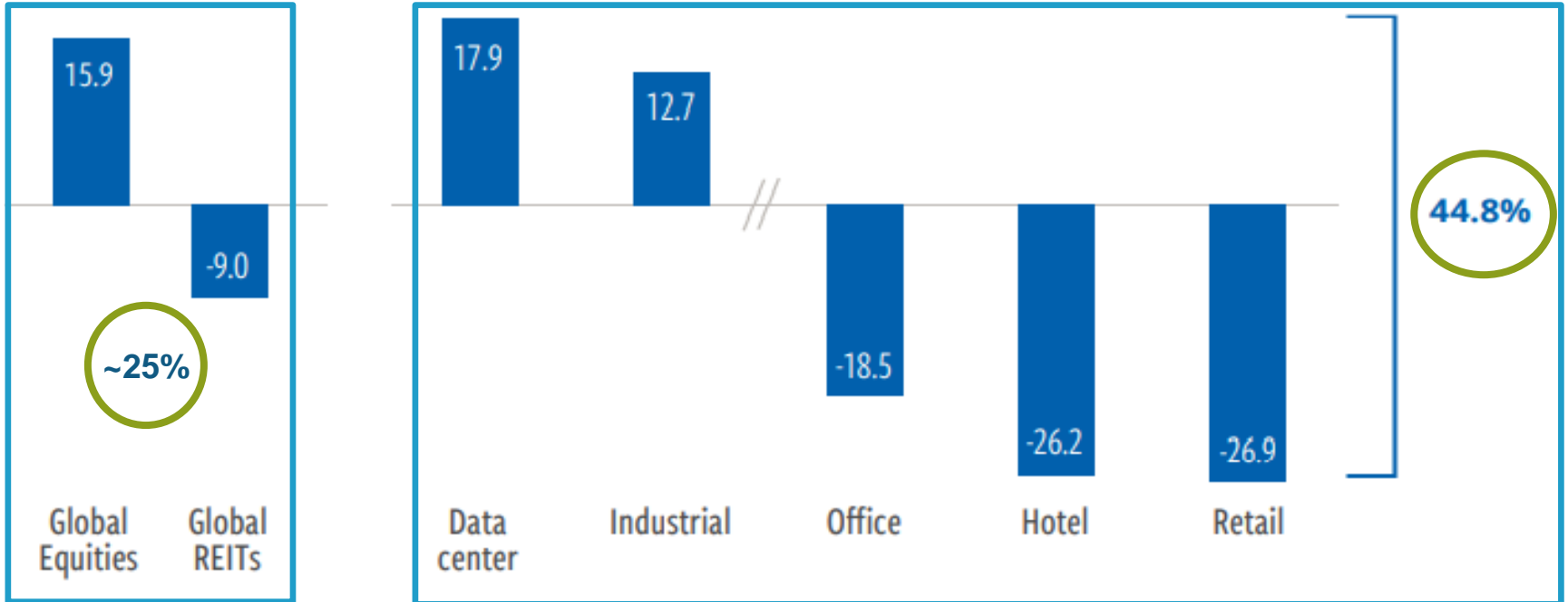
Annualized performance since
inception
~8%*

Daily
liquidity

*Annualized net of fees performance in EUR SKAGEN A, as of Sept.27th 2021

Real estate 2020 a lost year

Real estate significantly underperformed 2020, but with wide dispersion among sectors (%)



At December 31, 2020. Source: Morningstar, Cohen & Steers. Sector returns based on global REIT index.

US listed RE cycles

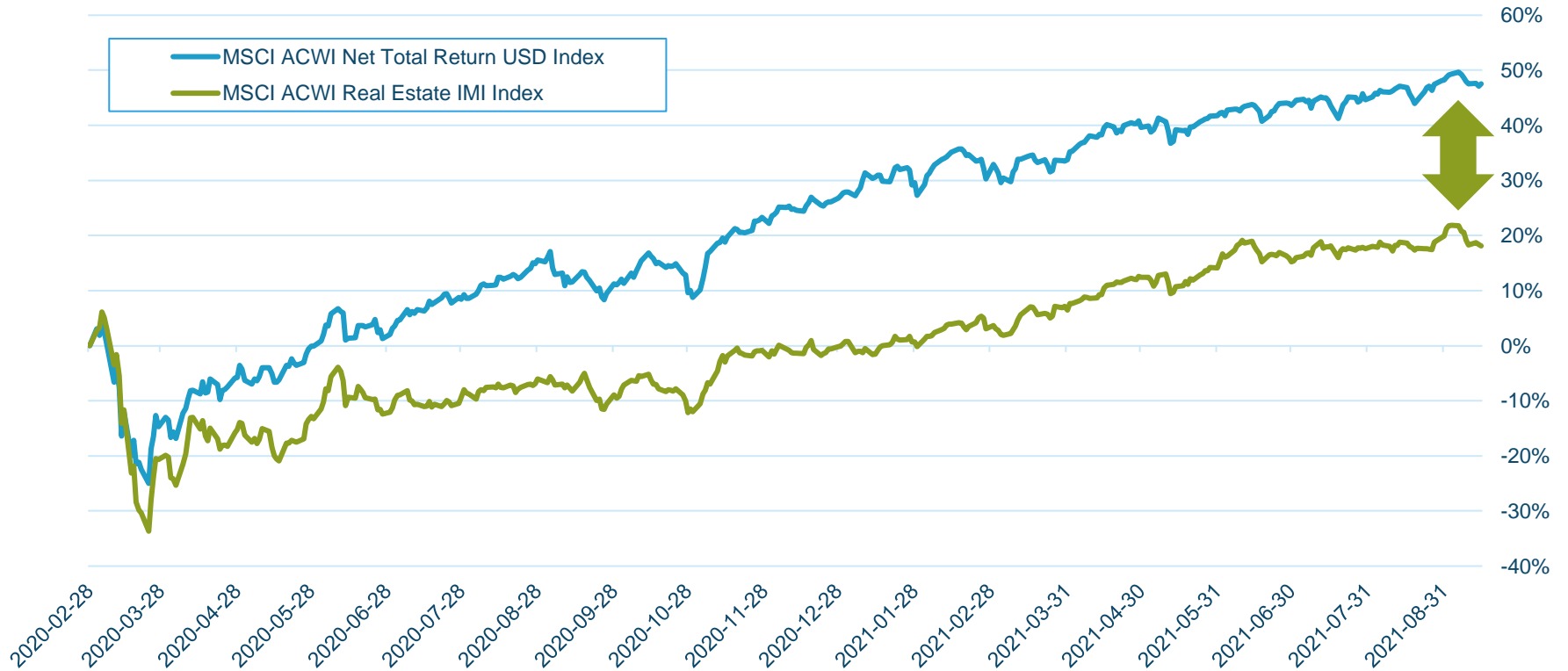
months after start of downturn to recovery



Source: FactSet, Nareit

Source: Nareit, Factset

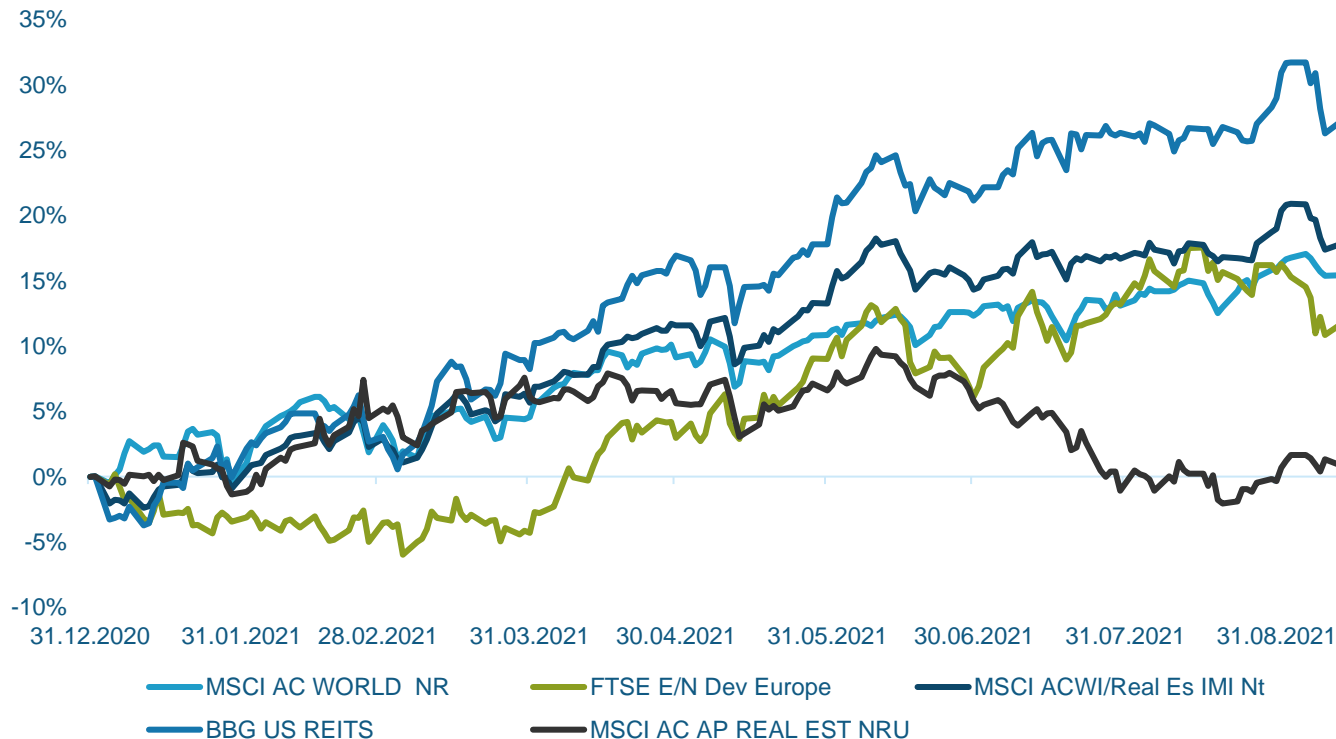
Real Estate still lags general equities after the pandemic (USD)



Source: Bloomberg / SKAGEN, Benchmark index: MSCI All Countries Real Estate
Period: 28.02.20 – 15.09.21

Aggregated geographical performance YTD – US leads the way

Total return (USD)



US RE = +23%

SKAGEN M2 RE = +14%

MSCI ACW RE = +14%

MSCI ACW = +14%

EUR RE = 9%

AP RE = -3%

*As of 27 Sept. 2021. All numbers in USD

Real estate returns compares favourably during inflation

Diverging performance: YTD regional and sector performance



Source: Datastream, UBS as os 31 Dec 2020 to Sept. 7th 2021 in USD

Where do valuations sit now?

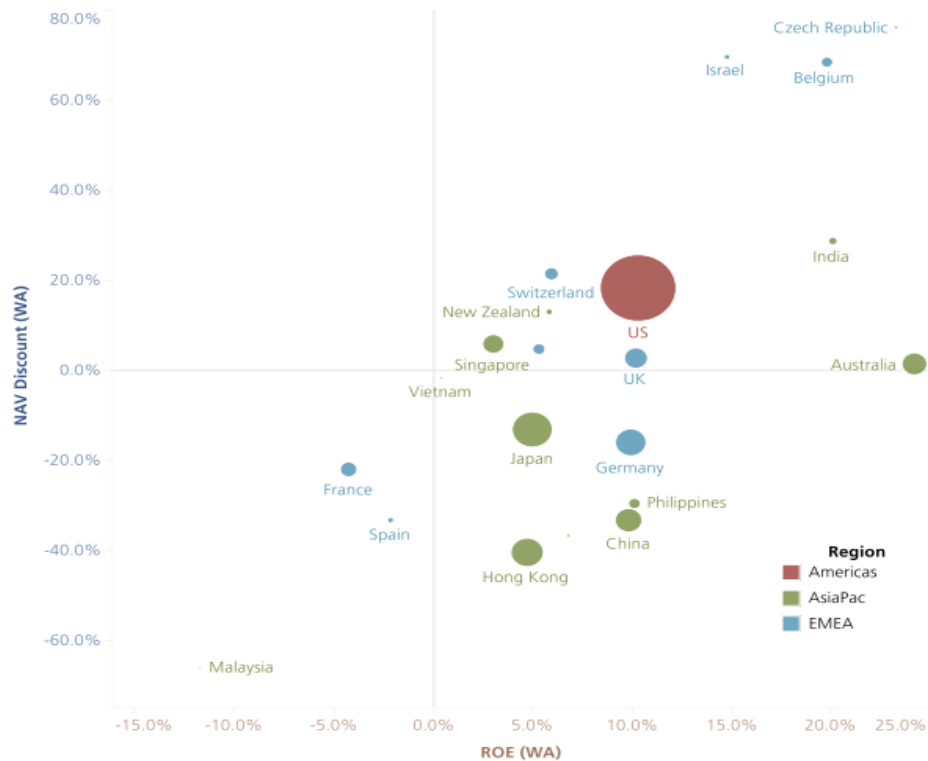
Global listed real estate: NAV discount/premium



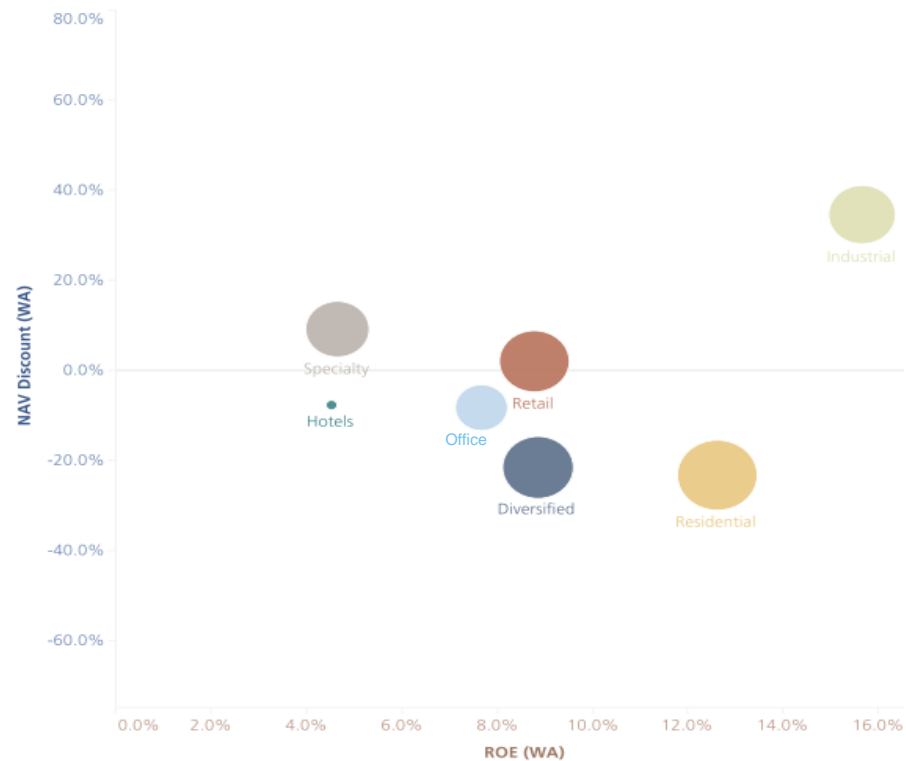
Source: Worldscopt, IBES, Datastream, UBS estimates as of 31 AUG 2021

Valuation metrics across regions and sectors

Regions: (UBSe coverage and estimates)



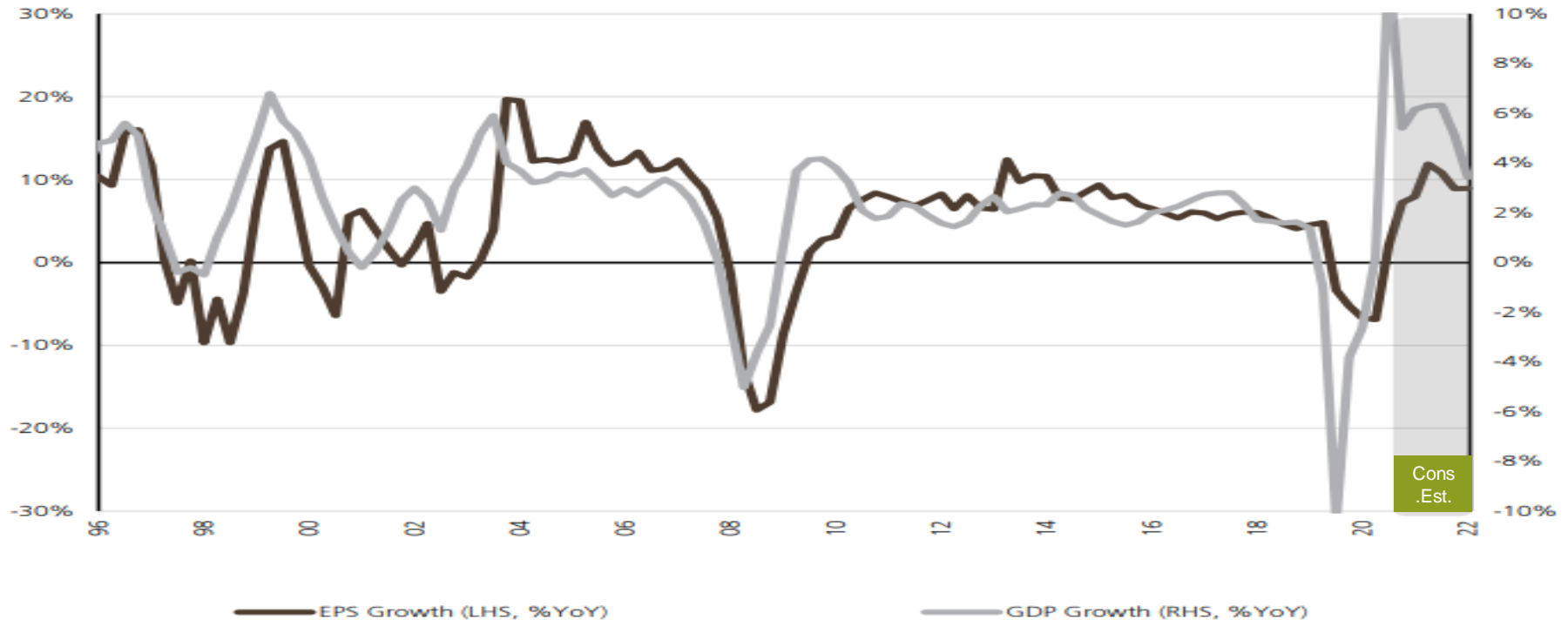
Sectors: (UBSe coverage and estimates)



Source: UBS, EPRA, Datastream. Sector Keys published 27th Sept 2021

Earnings growth strong correlated with GDP growth

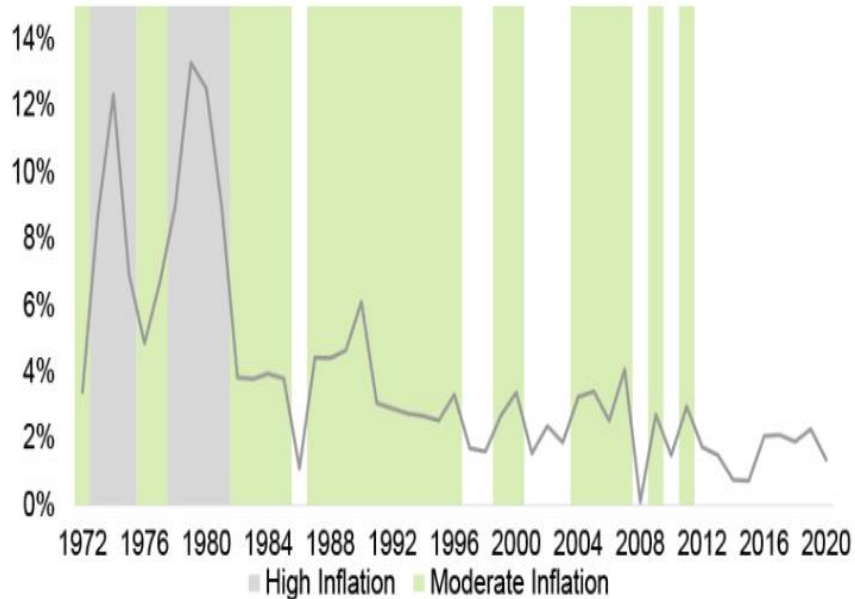
Global (G7): Listed property EPS growth versus GDP growth



Source: (UBS Sector Keys published 27th Sept 2021), IBES, Datastream, UBS estimates. EPS Growth (YoY) versus GDP Growth (YoY). Global GDP growth is average of US, UK, EU, AU, JP, HK and Singapore. Grey shaded area highlights the consensus estimates for EPS growth

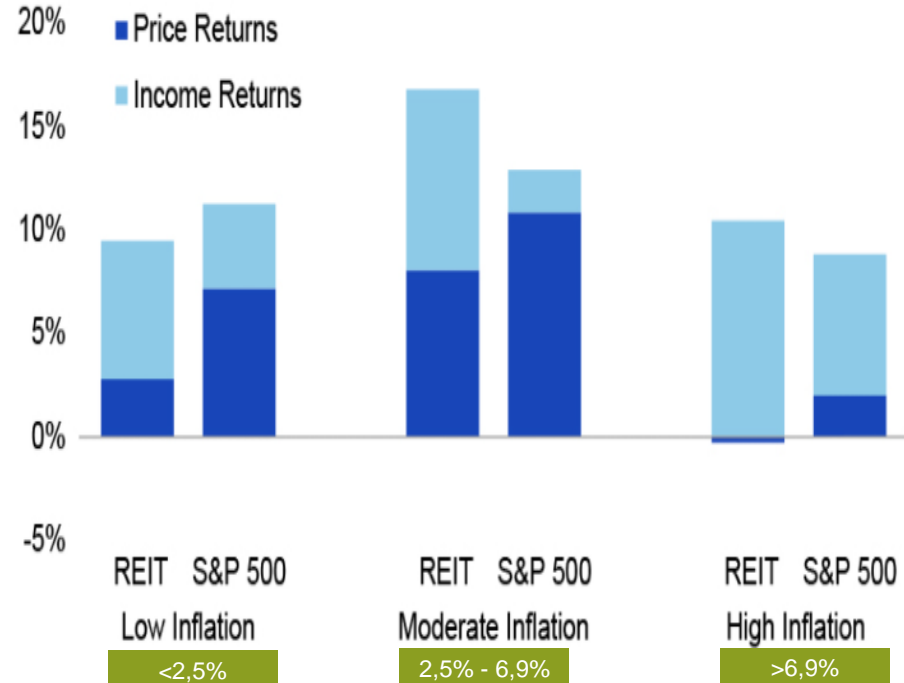
Real estate returns compares favourably during inflation

US inflation 1972-2020



Note: Low inflation includes the years where inflation was 2.5% or lower, moderate inflation is between 2.5% and 6.9% (one standard deviation over the average), and high inflation is for years with inflation of 6.9% and higher.

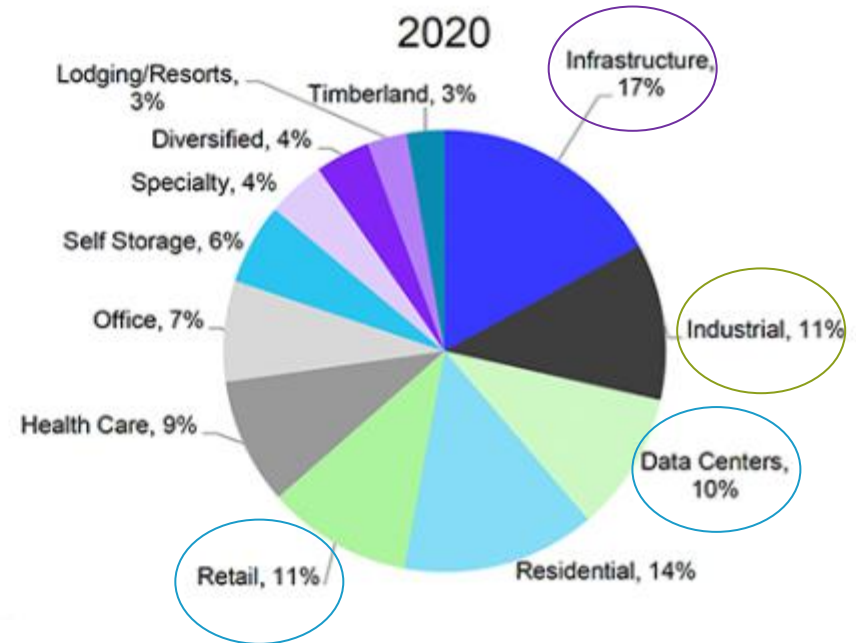
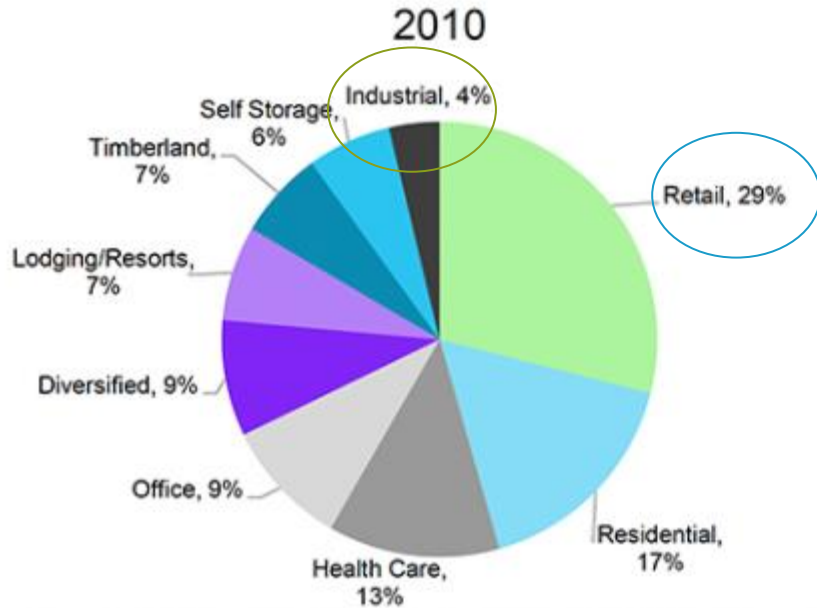
US RE performance during inflation 1972-2020



Source: Nareit analysis of prices for the FTSE Nareit All Equity REIT Index and S&P 500 Index: 1972-2020. Inflation measured for all items, all urban consumers

Listed US real estate: A changing and more diverse landscape

Comparison of sector market capitalization shares 2010-2020



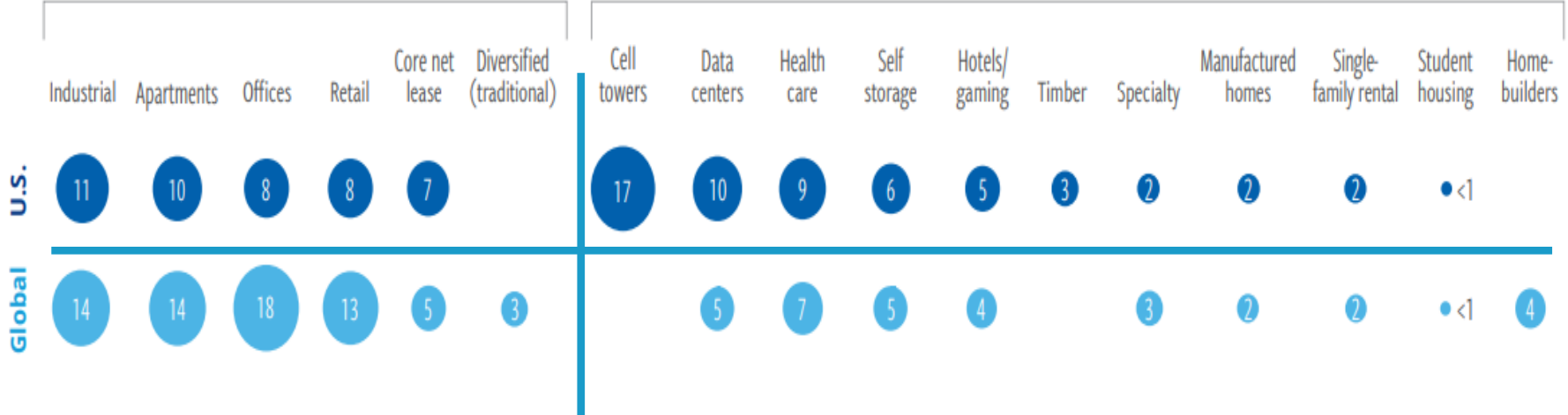
Source: FactSet, Nareit. New sectors includes: cell tower, data center, self storage, timberlands, single family home and farmland REITs. All other includes all Other sectors in the FTSE Nareit All Equity REITs index. Data as of December 31 2020

The new real estate market offers opportunities

Index weights (%)

Traditional sectors
U.S.: 43% | Global: 67%

Alternative sectors
U.S.: 57% | Global: 33%



Source: FTSE Nareit, C&S as of June 30, 2021



Agenda

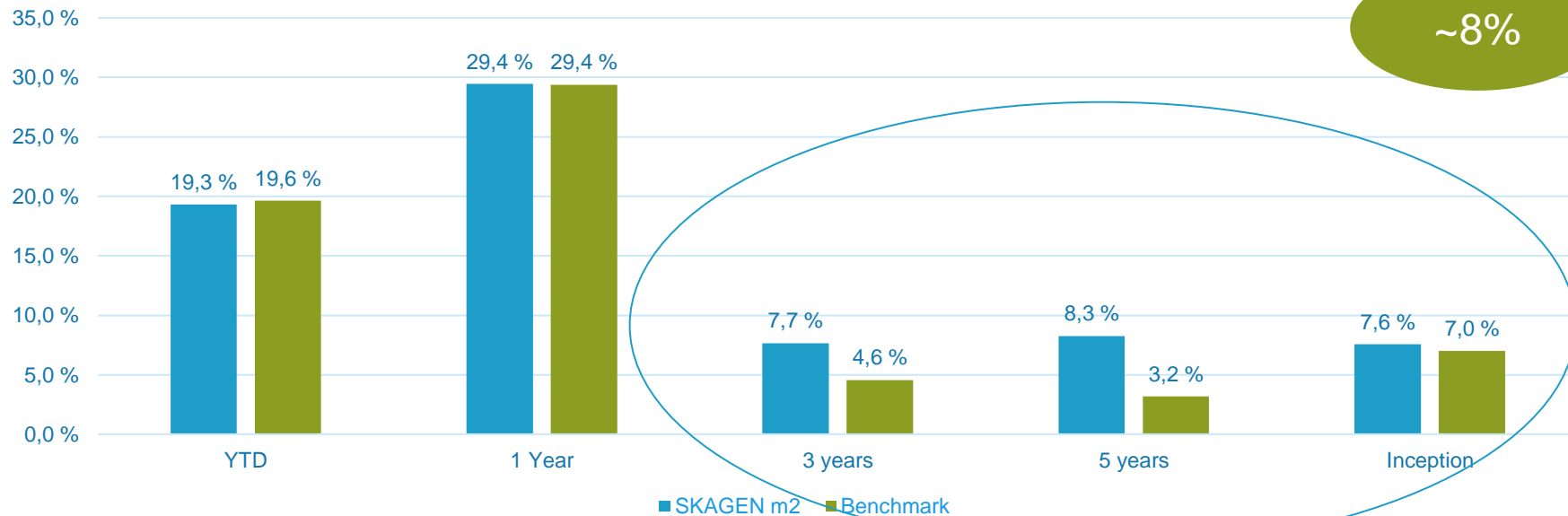
General real estate observations

Fund update

Q&A

Absolute and relative performance (SKAGEN A- EUR)

SKAGEN m2 annual performance



NOK A Class	YTD	1 Year	3 years	5 years	Inception
Relative Return	-0,3%	0,1%	3,1%	5,2%	0,6%

Source: SKAGEN as at **27/9/2021**. Performance net of fees, in EUR share class A. Inception 2012-10-30
 *Benchmark: MSCI ACWI Real Estate IMI Net Total Return USD.

Portfolio activity YTD

New positions (>50bps)

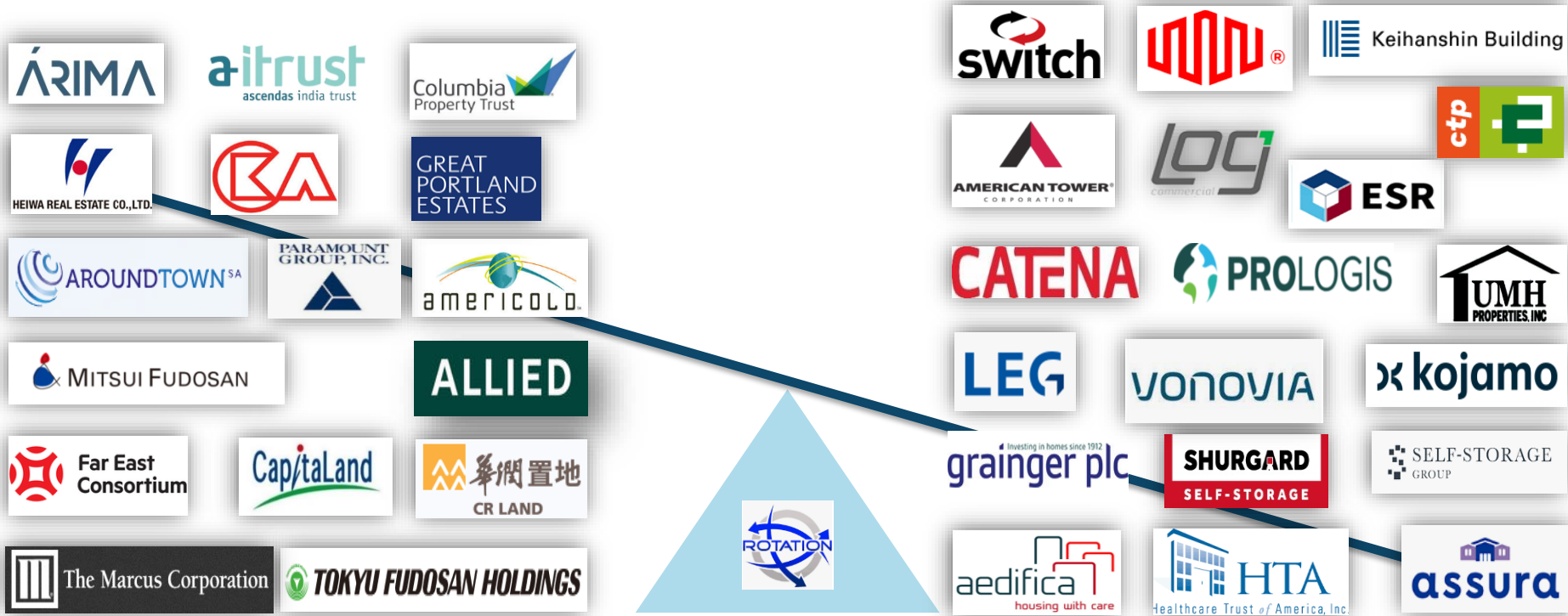
Iguatemi (Mall brazil)
CR Land (Diversified China)
Cellnex (Towers Europe)
American Towers (Towers globally)
CTP (logistics CEE)
Great Portland (Office, UK)
Paramount Group (Office, US)
Tokyu Fudosan Holding (Diversified, Japan)
Vonovia (Rental Residential, Europe)
Icade (Office + Health Care, France)
Marcus Corp (Hotels + Experiential, US)

Sold Out (>50bps)

CA Immo (Take out)
Equity Commonwealth (case change)
21 Vianet (Profit)
John Mattson (Profit)
Adapteo (Take out)
Deutsche Wohnen (pending merger/bid)
Cellnex (profit)
Iguatemi (profit)

Navigating the recovery landscape, one leg left in stability

Portfolio Construction



Pandemic recovery theme:
Office, Retail, Hospitality/F&B, Diversified

~38% / ~62%

Resilient steady earners / Defensive growth:
Data Center; Logistics; Self Storage; Rental Residential; Health Care

Looking beyond real estate fundamentals



Capital management initiatives



Activism



M&A

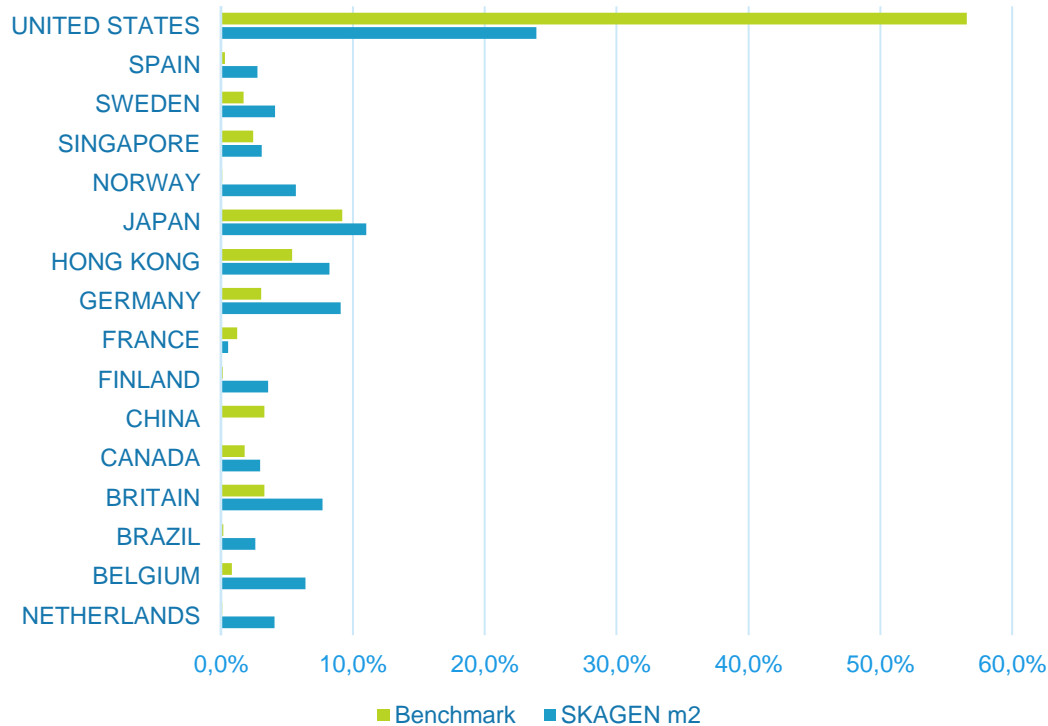


Asset rotation/restructuring

- Share buybacks
- Dividend policy
- Balance sheet
- Minority shareholder rights
- Mergers
- Synergies
- Spin-offs
- Capital recycling
- Special situations
- Value added segment
- Standing assets with growth profile

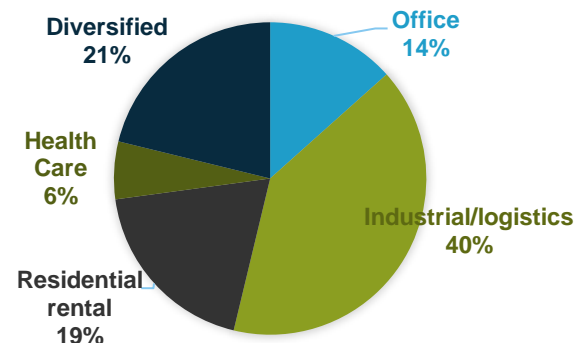
Geographical allocation – active positioning

COUNTRY ALLOCATION

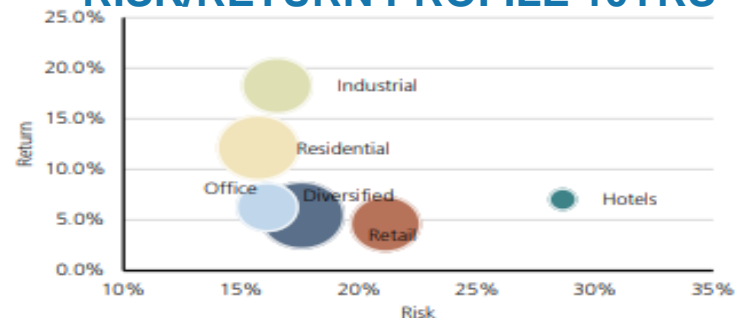


As of 27.9.21

SUB-SEGMENTS



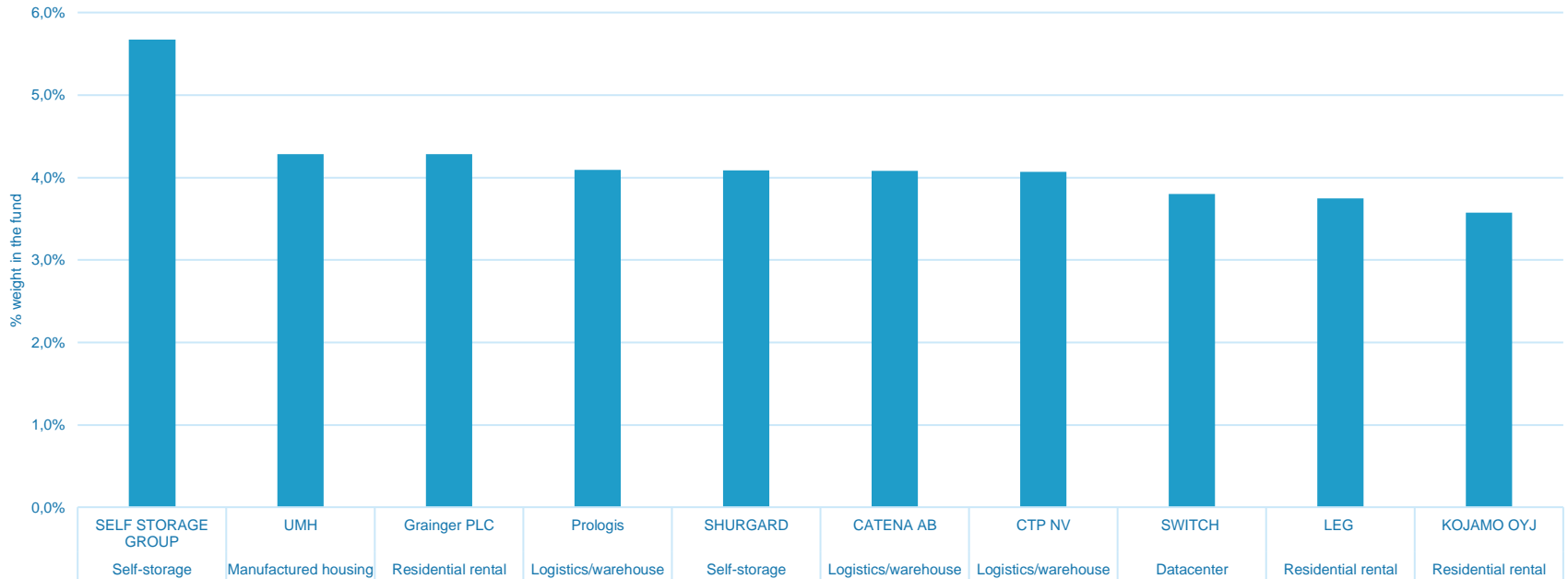
RISK/RETURN PROFILE 10YRS



Source : Datastream, UBS. Note: Monthly data, Risk/return August 2011 to August 2021, USD. Risk = Monthly standard deviation pa. Bubble size denotes the Market cap

Concentrated portfolio focused on defensive growth

Top ten largest positions = 42%

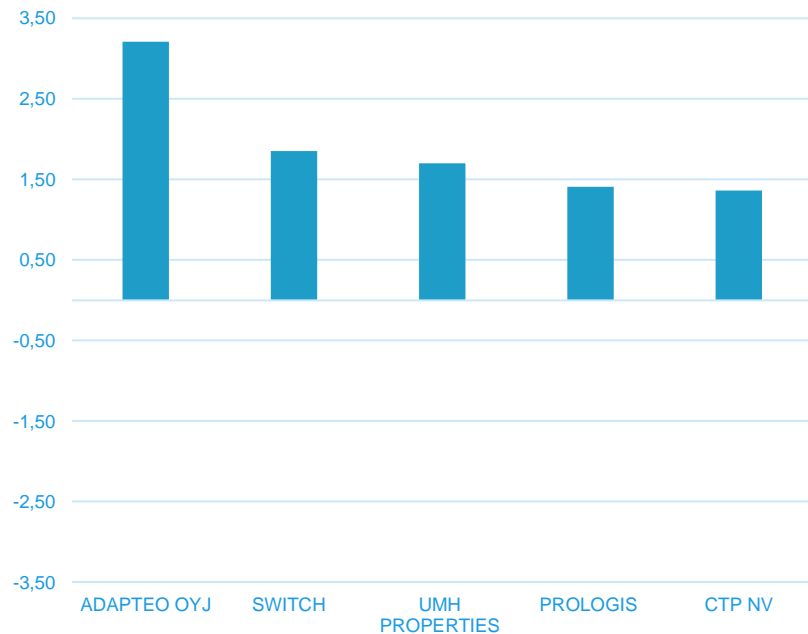


As of 27.9.21

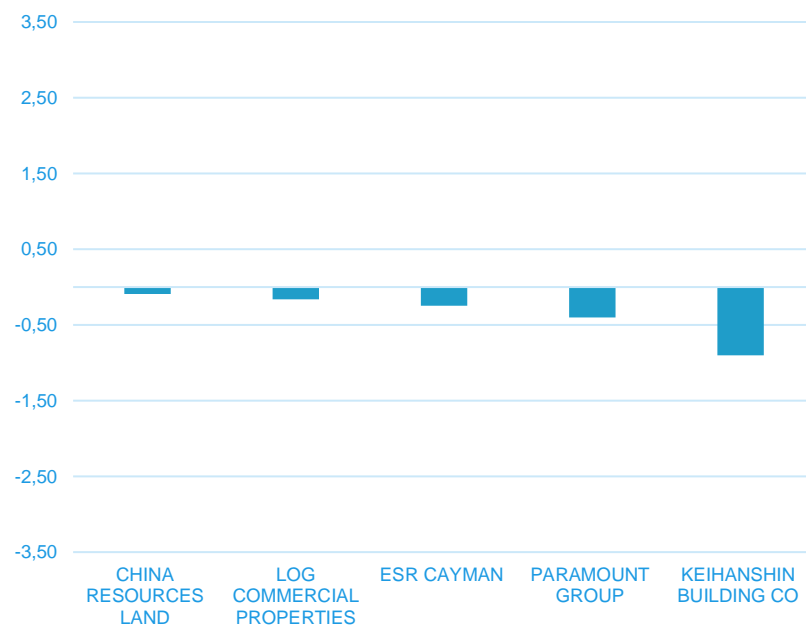


Contribution to absolute return YTD (%)

Top 5 – Contribution to Absolute Return (%)

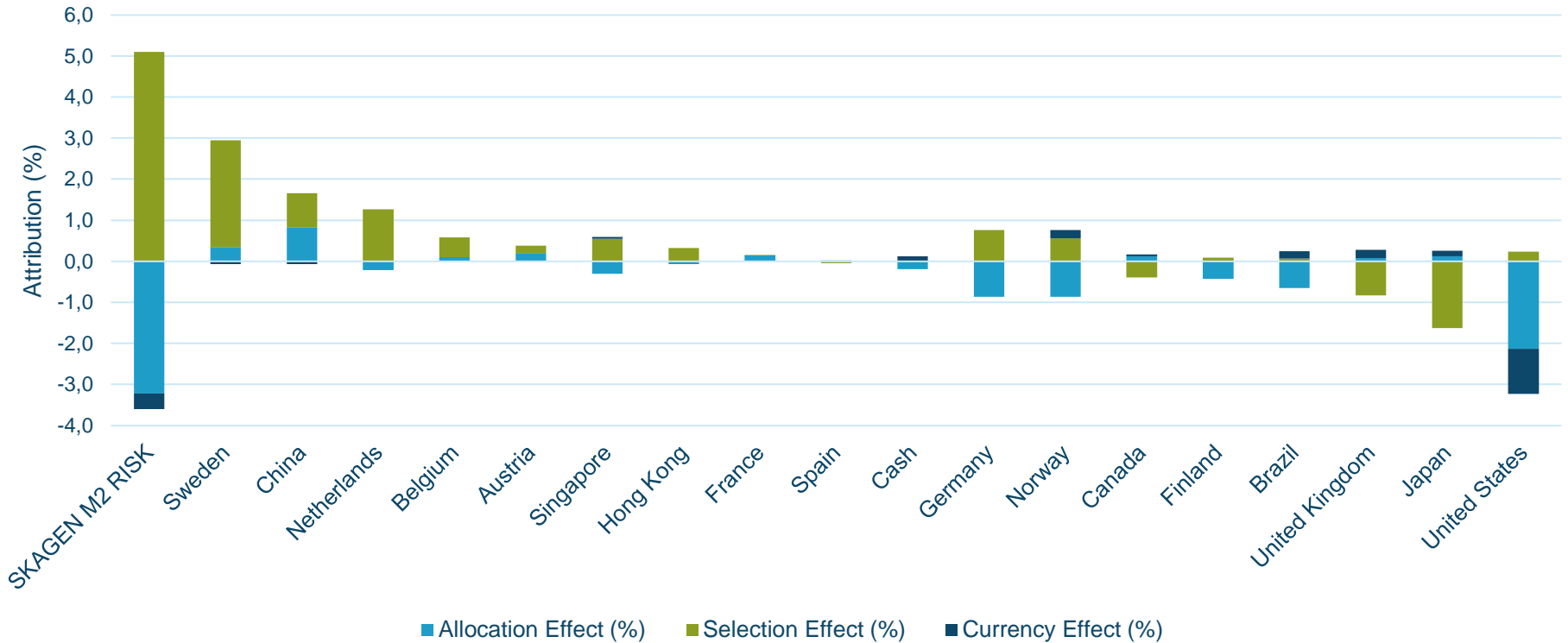


Bottom 5 - Contribution to Absolute Return (%)



Period: 31.12.20 – 15.09.21
Source: Bloomberg / SKAGEN measured in EUR

Relative attribution (EUR) YTD

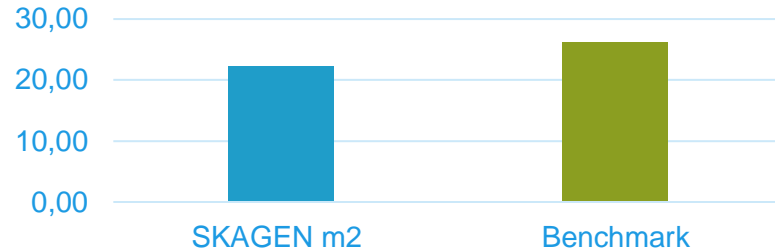


Source: Bloomberg / SKAGEN, Benchmark index: MSCI All Countries Real Estate
 Period: 31.12.20 – 15.09.21

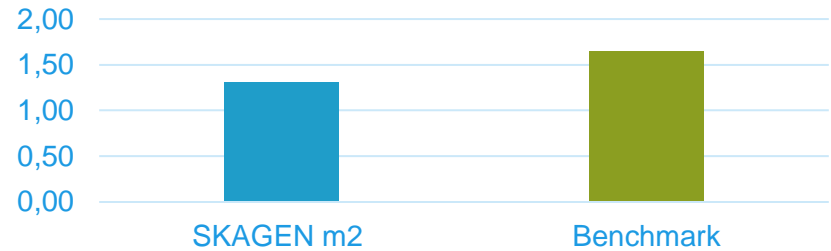
SKAGEN m2:

36 companies, decent earnings yield and attractive valuation

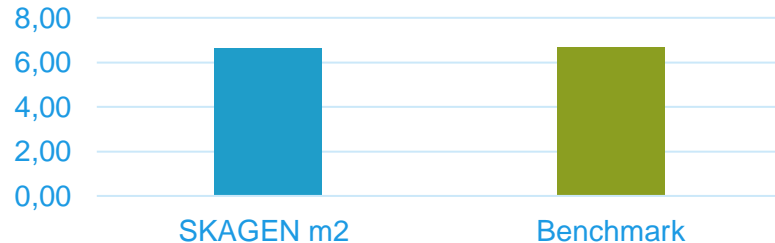
EV/T12M EBITDA



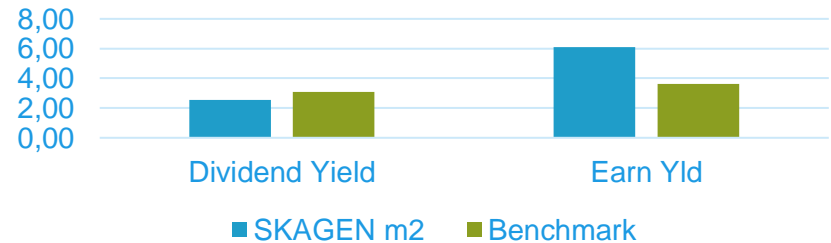
P/B



Net debt/EBITDA




Yield (%)



As of 15.09.21
Source: All figures from Bloomberg, Benchmark: MSCI All Countries Real Estate Index

Recovery in fundamentals should set up a strong year

- 
- Reopening and stimulus **drive recovery** in fundamentals
 - All 3 drivers of RE (**supply, demand, credit**) moving in the right direction
 - **Valuation dispersed** but not to stretched overall
 - Early-stage **expansion phase** historically attractive for RE
 - **Inflation typically beneficiary for real estate**
 - Sub segments likely to continue the **pre-pandemic trends**
 - Lot of money **committed** to the asset class

 - Risks to scenario: Growth, bond yields, unexpected rate hikes, Covid waves

Attractive income, inflation protection and valuation support

Global listed real estate – top 3 performer in 12 of the last 21 years

Asset class returns comparison

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Aug 2021
G-REIT 13.8%	HG Bnd 8.4%	HG Bnd 10.3%	EM 56.3%	G-REIT 38.0%	EM 34.5%	G-REIT 42.4%	EM 39.8%	HG Bnd 5.2%	EM 79.0%	Sm Cap 26.9%	Phy RE 8.9%	G-REIT 28.7%	Sm Cap 38.8%	G-REIT 15.9%	Phy RE 10.7%	Sm Cap 21.3%	EM 37.8%	Phy RE 7.5%	Lg Cap 31.5%	Sm Cap 20.0%	G-REIT 22.2%
HG Bnd 11.6%	Phy RE 7.2%	Phy RE 6.4%	Sm Cap 47.3%	EM 26.0%	G-REIT 15.4%	EM 32.6%	Int'l Stk 11.6%	Cash 1.4%	HY Bnd 57.5%	G-REIT 20.4%	HG Bnd 7.8%	EM 18.6%	Lg Cap 32.4%	Lg Cap 13.7%	Lg Cap 1.4%	HY Bnd 17.5%	Int'l Stk 25.6%	Cash 2.0%	Sm Cap 25.5%	EM 18.7%	Lg Cap 21.6%
Cash 5.8%	HY Bnd 4.5%	G-REIT 2.8%	G-REIT 40.7%	Int'l Stk 20.7%	Phy RE 14.7%	Int'l Stk 26.9%	Phy RE 10.6%	Phy RE -5.5%	G-REIT 38.3%	EM 19.2%	HY Bnd 4.4%	Int'l Stk 17.9%	Int'l Stk 23.3%	Phy RE 9.9%	HG Bnd 0.6%	Lg Cap 12.0%	Lg Cap 21.8%	HG Bnd 0.0%	G-REIT 23.1%	Lg Cap 18.4%	Sm Cap 15.8%
AA 0.5%	Cash 3.4%	Cash 1.6%	Int'l Stk 39.2%	Sm Cap 18.3%	Int'l Stk 14.0%	Sm Cap 18.4%	AA 7.6%	AA -22.4%	Int'l Stk 32.5%	HY Bnd 15.2%	Lg Cap 2.1%	Sm Cap 16.4%	AA 11.5%	AA 6.9%	G-REIT 0.1%	EM 11.6%	Sm Cap 14.7%	HY Bnd -2.3%	Int'l Stk 22.7%	AA 10.2%	Int'l Stk 12.0%
Sm Cap -3.0%	Sm Cap 2.5%	HY Bnd -1.9%	Lg Cap 28.7%	AA 14.1%	AA 8.9%	AA 16.7%	HG Bnd 7.0%	HY Bnd -26.4%	Sm Cap 27.2%	Lg Cap 15.1%	AA 0.3%	Lg Cap 16.0%	Phy RE 8.3%	HG Bnd 6.0%	Cash 0.1%	Phy RE 7.6%	AA 14.6%	Lg Cap -4.4%	EM 18.9%	Int'l Stk 8.3%	AA 9.0%
HY Bnd -5.1%	AA -0.2%	AA -3.8%	HY Bnd 28.2%	Lg Cap 10.9%	Lg Cap 4.9%	Lg Cap 15.8%	Lg Cap 5.5%	Sm Cap -33.8%	Lg Cap 26.5%	AA 13.5%	Cash 0.1%	HY Bnd 15.6%	HY Bnd 7.4%	Sm Cap 4.9%	Int'l Stk -0.4%	AA +7.2%	G-REIT 11.4%	G-REIT -4.7%	AA 18.5%	HY Bnd 7.5%	HY Bnd 4.6%
Lg Cap -9.1%	EM -2.4%	EM -6.0%	AA 25.9%	HY Bnd 10.9%	Sm Cap 4.6%	Phy RE 14.2%	Cash 4.4%	Lg Cap -37.0%	AA 24.6%	Phy RE 8.5%	Sm Cap -4.2%	AA 12.2%	G-REIT 4.4%	HY Bnd 2.5%	AA -1.3%	G-REIT 5.0%	Phy RE 7.9%	AA -5.7%	HY Bnd 14.4%	HG Bnd 6.1%	EM 3.1%
Int'l Stk -14.0%	G-REIT -3.8%	Int'l Stk -15.7%	Phy RE 7.9%	Phy RE 10.5%	Cash 3.2%	HY Bnd 11.8%	HY Bnd 2.2%	Int'l Stk -43.1%	HG Bnd 5.9%	Int'l Stk 8.2%	G-REIT -5.8%	Phy RE 7.0%	Cash 0.1%	Cash 0.0%	Sm Cap -4.4%	HG Bnd 2.7%	HY Bnd 7.5%	Sm Cap -11.0%	HG Bnd 8.7%	Phy RE 2.4%	Cash 0.0%
EM -30.6%	Lg Cap -11.9%	Sm Cap -20.5%	HG Bnd 4.1%	HG Bnd 4.3%	HY Bnd 2.7%	Cash 4.7%	Sm Cap -1.6%	G-REIT -47.7%	Cash 0.2%	HG Bnd 6.5%	Int'l Stk -11.7%	HG Bnd 4.2%	HG Bnd -2.0%	EM -1.8%	HY Bnd -4.6%	Int'l Stk 1.5%	HG Bnd 3.5%	Int'l Stk -13.4%	Phy RE 6.8%	Cash 0.4%	HG Bnd -0.3%
	Int'l Stk -21.2%	Lg Cap -22.1%	Cash 1.0%	Cash 1.4%	HG Bnd 2.4%	HG Bnd 4.3%	G-REIT -7.0%	EM -53.2%	Phy RE -7.8%	Cash 0.2%	EM -18.2%	Cash 0.1%	EM -2.3%	Int'l Stk -4.5%	EM -14.6%	Cash 0.3%	Cash 1.0%	EM -14.2%	Cash 2.1%	G-REIT -8.2%	

Source: Novelinvestor, Datastream, Bloomberg, UBS estimates; <https://novelinvestor.com/asset-class-returns/>; Lg Cap - Large Cap Stocks - S&P 500 index; Sm Cap - Small Cap Stocks - Russel 2000 Index; Int'l Stk - International Developed Stocks - MSCI EAFE Index; EM - Emerging Market Stocks - MSCI Emerging Markets index; G-REIT - FTSE EPRA/NAREIT DEVELOPED \$ - TOT RETURN IND; HG Bond - High Grade Bonds - Barclay's U.S. Aggregate Bond Index; HY Bond - High Yield Bonds - BofAML US High Yield Master II Index; Cash - Cash - 3 Month Treasury Bill Rate; AA - Asset Allocation Portfolio; Phy RE - Global consultative IPD total return all property index. All data as at 31 August 2021. Physical real estate data is available till 31 Dec 2020.



Agenda

Real estate general observations

Fund update

Q&A

SM2 Portfolio implications?



Pressures grow on Evergrande

Share price (Hong Kong dollars)



Source: Refinitiv
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