SKAGEN m²

Status Report – October 2015

The art of common sense

SKAGEN

Summary – October 2015

- October was a very good month for SKAGEN m^2, which gained 9.2%, outperforming Global Real Estate (RE) equity markets by 1.6%. The best performing markets during the month were Indonesia and China, up 17% and 14%, respectively. The weakest market was India, down 1%.

- The largest contributor to performance was Indonesian industrial developer Bekasi Fajar, up 38% in local currency terms primarily on the back of a rebound in Indonesian stocks and the rupiah. The decision to lower capital gains tax also helped Indonesian real estate stocks. SOHO China gained 33% (in HKD) due to the announcement of an extra dividend and the resolution of a land plot dispute. The stock rode the wave of positive sentiment in Chinese real estate after the rate cut by PBOC. Argentinian stocks rallied 12% the day after the general election, and IRSA recovered 27%.

- Only a few portfolio positions incurred losses during the month, and those minor, and none due to company specific reasons. The only exception was FIRST REIT, which dropped 4% on a rumored move from Singapore stock exchange to Jakarta, which the market perceived negatively.

- We sold out of our German residential holding Adler RE, which we received as payment when Westgrund was taken over. High leverage, low quality and poor location of the assets made Adler's risk/reward profile unattractive.

- During the month, the US FED once again took a more hawkish stance about potential rate hikes. Mr. Draghi hinted that the ECB would potentially expand its quantitative easing program in December and cut its deposit rate. PBOC announced another rate cut and Bank of Japan put further stimulus on hold. All of this news created volatility for global listed real estate markets, but was net positive during the month.

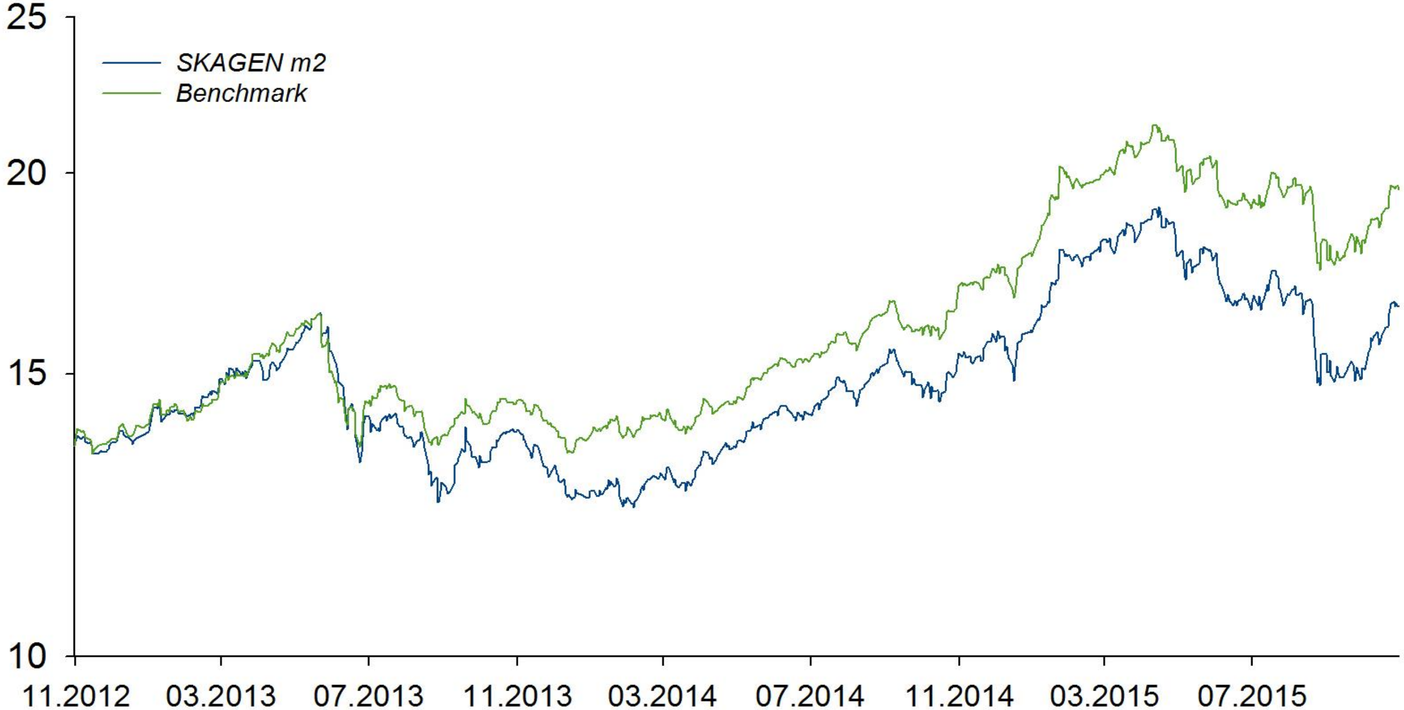
- The top 10 and 35 positions in the fund constitute 40**%** and 87% of the fund, respectively. SKAGEN m^2 currently consists of 46 holdings. The cash position is 4%.

- SKAGEN m2 celebrated its third birthday on 31 October. During the last three years, the fund has given an annualised return of 6.9% in EUR to our shareholders. Thank you for the confidence during these years; we will continue to work hard to deliver the best possible results for our clients.

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

Results, October 2015

EUR, net of fees

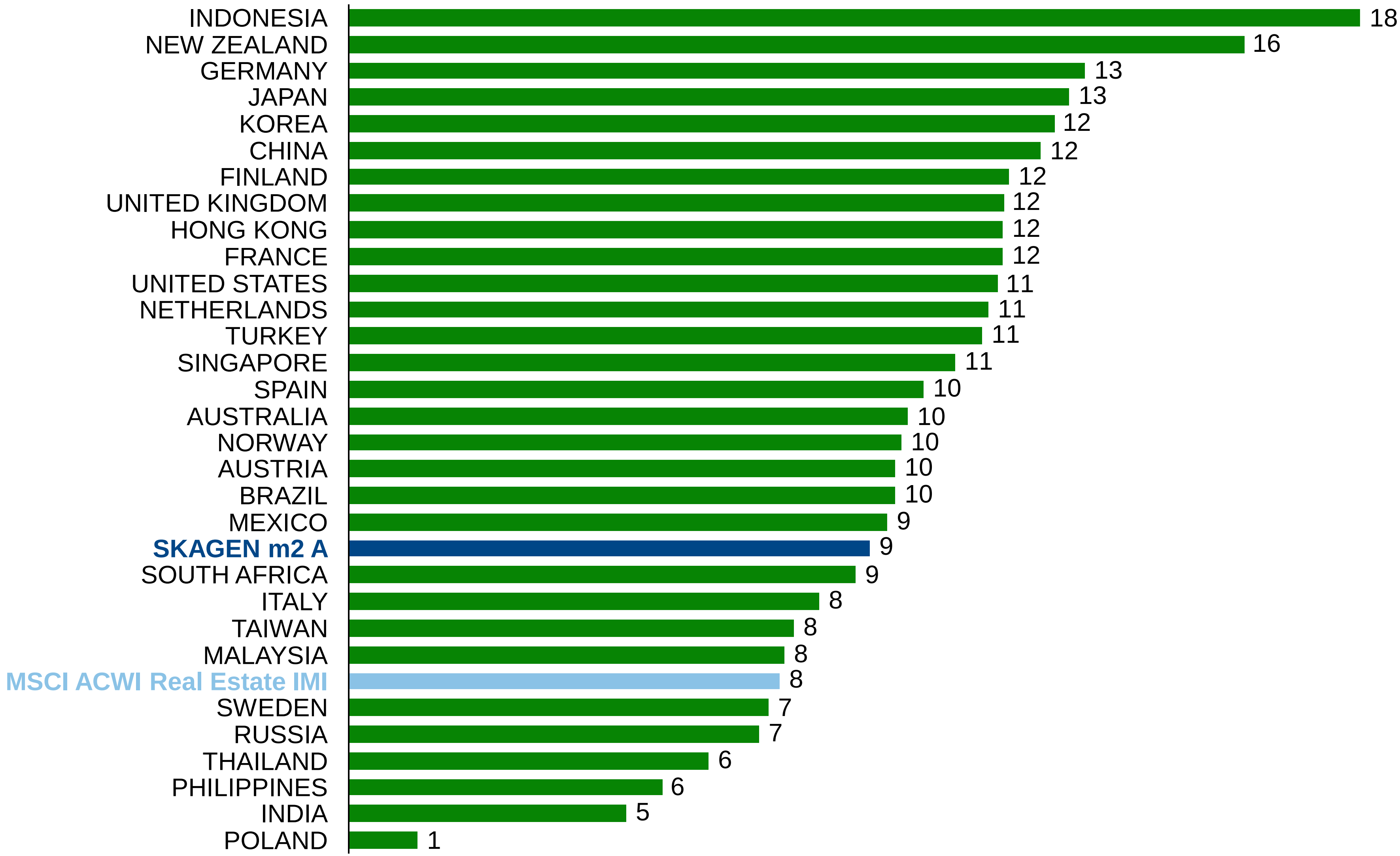


	October	QTD	YTD	Since inception*
SKAGEN m² A	9,2%	9,2%	3,8%	6,9%
MSCI ACWI Real Estate	7,6%	7,6%	9,9%	13,0%
Excess return	1,6%	1,6%	-6,2%	-6,2%

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

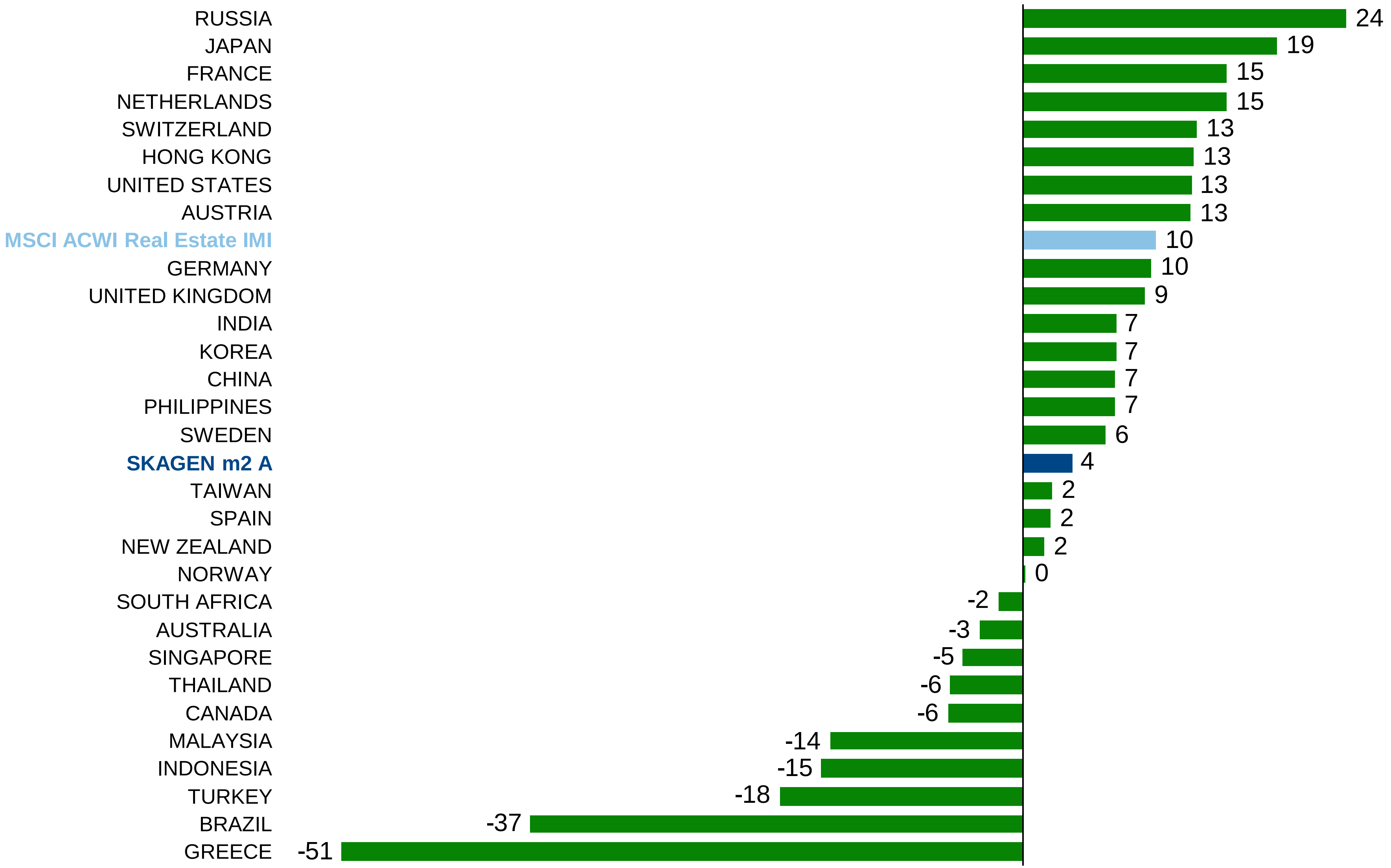
Markets October 2015 in EUR (%)

Percent



Markets 2015 YTD in EUR (%)

Percent



Main contributors YTD 2015

Largest positive contributors

Company	NOK (000)
Melia Hotels International	11 476
Deutsche Wohnen	10 822
Columbia Property Trust	8 109
Mitsui Fudosan	7 456
SM Prime Holdings	7 068
PS Business Parks	6 315
Apartment Investment & Man	6 276
British Land	6 239
Dic Asset	5 452
Mercialys	5 162

Largest negative contributors

Company	NOK (000)
Bekasi Fajar Industrial	-11 134
Ashford Hospitality Trust	-10 048
BR Malls	-7 064
SOHO China	-6 130
Shangri-La Asia	-5 978
CBL Properties	-5 420
Ticon Industrial	-4 390
General Shopping	-4 122
Ashfor	-3 235
Emlak	-2 850

Value Creation YTD (NOK MM): 61

NB: Contribution to absolute return

Main contributors October 2015

Largest positive contributors

Company	NOK (000)
SOHO China	7 380
IRSA	5 449
Bekasi Fajar	5 082
Columbia Property Trust	4 929
Global Logistic Properties	4 898
General Growth Properties	4 300
Ashford Hospitality Trust	3 660
SL Green	3 574
Brandywine Realty Trust	3 254
PS Business Parks	2 649

Largest negative contributors

Company	NOK (000)
HCP	-482
Keck Seng Investments	-309
First Real Estate Investment Trust	-246
Parque Arauco	-245
Rockwell Land	-116
Mitsui Fudosan	-58
ADLER Real Estate	-34

Value Creation MTD (NOK MM): 78

NB: Contribution to absolute return

Main contributors October 2015

Largest positive contributors

Company	NOK (000)	
SOHO China	7 380	Resolved a long-lasting land plot dispute and gained RMB 1bn. Announced an extra dividend, representing a yield of 11.5%. Chinese real estate had a good month and emerging markets in broader terms rebounded, with positive returns from both equity and currency markets.
IRSA	5 449	Recovery after uncertainty ahead of elections resolved.
Bekasi Fajar Industrial Estate	5 082	After a lot of headwind in previous months, Indonesian stocks and the IDR rebounded.
Columbia Property Trust	4 929	Bought back shares.
Global Logistic Properties	4 898	Strength on the back of share buyback, progress in leasing in China and Japan, SG$ appreciation, and the Chinese/ EM rebound.
General Growth Properties	4 300	No company specific news.
Ashford Hospitality Trust	3 660	Bought back shares. Recovery welcome after weak performance earlier in the year.
SL Green	3 574	Strong 3Q performance helped stage a recovery.
Brandywine Realty Trust	3 254	Strong 3Q results and share buy backs.
PS Business Parks	2 649	Strong 3Q results and solid company in general.

Main contributors, October 2015

Largest negative contributors

Company	NOK (000)	
HCP	-482	Tenant HCRMC facing trouble. Hawkish tone from FED on potential rate hike put pressure on Health Care REITS.
Keck Seng Investments	-309	No specific news.
First Real Estate Investment Trust	-246	Rumours of moving listing from Singapore to Indonesian stock exchange perceived negatively.
Parque Arauco	-245	Will issue equity after acquisition.
Rockwell Land	-116	No company specific news
Mitsui Fudosan	-58	No company specific news, BOJ announced no further stimulus at this point in time, which was a negative for Japanese real estate.
ADLER Real Estate	-34	No company specific news, we sold out of the company during the month.

Most important changes 1H 2015

Holdings increased

Q1

- Shangri-La Asia **(New)**
- HCP
- Ashford Hospitality Trust
- SOHO China
- Mitsui Fudosan
- Global Logistic Properties
- Olav Thon

Q2

- Axia Real Estate **(New)**
- Keck Seng Investments **(New)**
- Grivalia Properties **(New)**
- Olav Thon
- CBL Properties
- Deutsche Wohnen

Holdings reduced

Q1

- Keppel Land **(Out)**
- Lexington Realty Trust **(Out)**
- Unibail-Rodamco
- Citycon
- CSI Properties

Q2

- Shimao Property **(Out)**
- China South City **(Out)**
- Citycon **(Out)**
- Hovnanian **(Out)**
- CSI Properties **(Out)**
- Melia Hotels International
- Ticon Industrial
- Mapletree Logistics Trust
- BR Malls

Most important changes 2H 2015

Holdings increased

Q3

- ADLER Real Estate AG (acquired Wesground) **(New)**
- IRSA
- Global Logistic Properties
- Mitsui Fudosan
- Mercialys
- Bumi Serpong
- Unibail-Rodamco
- Ashford Prime (Spinn off)

Q4

- Mitsui Fudosan

Holdings reduced

Q3

- British Land (Out)
- Mapletree Logistics Trust (Out)
- Affine (Out)
- PS Business Parks Inc
- Westgrund AG (acquired by Adler) (Out)
- General Growth Properties
- Brandywine Realty Trust
- Ticon Industrial (Out)
- Summarecon Agung (Out)
- Apartment Investment & Man

Q4

- Adler Real Estate (Out)
- HCP
- General Growth Properties
- Soho China
- Apartment Investment

Holdings increased and decreased, October 2015

Key buys

Mitsui Fudosan

- Bought on correction. Strong momentum in Tokyo RE market currently, Mitsui taking advantage of yield compression, lower vacancy rates and rental growth.

Key sells

Adler Real Estate (Out)

- Sold out of the position we received as payment in a stock/cash takeover of our previous holding Westgrund. Risk in company is elevated due to high leverage level, asset gathering pace, location and quality of assets. All in all we do not find the risk-reward profile attractive enough.

HCP

- Took down exposure to mitigate some of the risk due to the overhangs from a tenant (HCRMC) in trouble. Also the FED’s hawkish stance puts pressure on the stock.

General Growth Properties

- Continued to reduce exposure to US mall business.

Key earnings releases and corporate news

Deutsche Wohnen, Germany (3.2%)

Eat or be eaten. Vonovia announces plan to acquire Deutsche Wohnen, LEG merger canceled

Implications for the investment case: German residential operator DW last month announced a takeover offer for German residential company LEG. Two weeks later a third German residential company Vonovia announced a hostile bid for DW. A week after that DW canceled its takeover offer for LEG. After this DW´s management has been very firm on their views of the Vonovias bid and called it inadequate and a tactical move to kill the LEG deal. DW´s management also commented that Vonovia´s synergies calculations were inadequate and unrealistic both in amount and pace to get them. Further, that bid offers lower growth, cash generation and a potential impact from goodwill impairment. This leaves us with two possible scenarios: 1) DW continues as a stand-alone entity and continues to buy portfolios with its EUR 1 bn war chest, which in our view is the most positive now when the LEG merger is canceled. 2) Vonovia is successful in convincing shareholders that the deal is good, which in our view would be negative since the deal is not accretive enough in relation to the heightened operational and financial risk.

Mercialys, France (3.1%)

Solid operating results with positive trend

Implications for the investment case: Mercialys, the French mall operator, released pre-result numbers for 3Q15. Again, solid numbers with strong operating trend that supports Mercialys' previous earnings guidance hike (announced +3% with the H1 numbers). Mercialys works actively and is skillful and innovative with its assets and disposals etc. Mercialys has a big advantage working closely with its major shareholder and sponsor Casino, both in terms of asset feeding and price, and also development of e-commerce. With new concepts, strong operational trend and cash flow we think the stock can surprise even more positively. The main risks are the asset positioning (smaller staples focused shopping centers and not only in fast growing cities) and the macro environment in France. However, they have handled these very well so far with active management. Their competitive advantage is in positioning themselves as a convenient player, picking a different playing field from the bigger players. The size of the dividend was not disclosed with these numbers, and this will also affect further upside.

SOHO China, China (2.5%)

Special dividend announced

Implications for the investment case: Positive but short term effect as it is likely a one off event (after sale of disputed SH Bund 8-1 project). Better leasing progress and success with new "coworking" platform remains the true value drivers that can move the needle over time. SOHO has been badly hurt late summer from the slower than expected leasing and change in dividend policy, in addition to the general Chinese economic slowdown turmoil. October has been good and the stock has regained much of its previous loss.

Key earnings releases and corporate news (cont.)

AIT, Singapore (1.1%)

Slightly positive on all metrics

Implications for the investment case: AIT is a unique platform offering exposure (via Singapore listing) to income producing Indian office property, mainly targeting the fast growing IT segment. Positive 2Q16 report was driven by acquisition, positive rental reversions, higher physical occupancy and lower utilities expenses. Operationally in good progress, we expect continuous strong portfolio growth in the business over next 2-3 years due to strong pipeline and solid balance sheet. In addition further easing in interest rate environment and receding currency headwinds could be a bonus. Risks are delays in leasing for its upcoming buildings and/or delays in completion of new acquisitions

BR Malls, Brazil (1.0%)

Negative sales trend, but resilient rental levels in a struggling sector

Implications for the investment case: Brazilian mall operator reported 3Q15 numbers. Despite the macro headwinds and the intense negative news flow, operational numbers reported showed that the concerns on the stock may have been a bit exaggerated. Sales are suffering, but rents and occupancy rates continue to hold ground at healthy levels. The macroeconomic scenario is reflected in the declining trend for sales, which is unlikely to be reversed in the very short term. The trend is also reflected in a strong decline for the retail sector. But so far rents have been much more resilient than expected. BRML is well positioned for a turnaround in the Brazilian economy. However, this is probably not something we will experience short term since the retail sector will be likely under pressure. We have decreased the position to 1% earlier this year due to further headwinds from the retail sector, macro and currency. Much of this is priced in and BRML is trading at very low levels, but the big risk is further currency declines, which would increase the burden of servicing the outstanding perpetual USD denominated bond. Another risk is negative asset revaluation.

Atrium Ljungberg, Sweden (1.4%)

FY15 Q3 report, good leasing and expanding project portfolio on the positive side

Implications for the investment case: Swedish office and mall operator reported 3Q15 numbers. Positive signals on rental market and CEO commented on high activity and expected reduced vacancies. Earnings guidance was cut 10m due to disposals, no big deal. After a long period without any significant project start, AL started a SEK 830m investment in Sickla of which ~40% is pre-leased. In the project portfolio, SEK 890m remains to be invested. If AL starts its project portfolio in Hagastaden, Barakaby and Gränby it would be very positive. We think the market is underestimating this potential and timing. The Stockholm office market is currently very strong with CDB cap rate of 4% and rental growth of 5% last 12 months. AL is benefiting from this as secondary locations will be more attractive when CBD is too expensive (London good example). Hagastaden project will get very attractive when Arenastaden is more operational and Mall of Scandinavia is fully operational (opens Nov 15). Atrium also has decent refinancing potential.

Key earnings releases and corporate news (cont.)

FIRST Reit, Singapore (1.6%)

Steady and defensive growth ready for new asset acquisitions
Implications for the investment case: FIRST is a steady income generating hospital REIT with long-dated master leases with rents mainly from Indonesian assets paid in SGD. This 3Q15 report did not deliver any big surprises, and recently acquired assets are now fully incorporated and contributing fully. Interesting that they open up for a higher gearing limit next year (45%, currently they have 33%), which will give them higher financial flexibility and the ability to acquire more assets without raising equity. Main sponsor Lippo Karawachi has a pipeline of 46 hospitals where FIRST has a first right to refusal. FIRST has acquired assets from Lippo @ NPI yields of 9-10%. If future acquisitions will be at similar yields they will be DPU accretive.

Colombia Property Trust, US (5.0%)

Strong 3Q, end of transition process caused a slightly disappointing 2016 guidance
Implications for the investment case: The company guided 2016 FFO of 1.5 which was less than expected, causing a short term decline in share price. However, the company has concluded the transition process. The faster than expected disposition activity can also be smarter in a longer perspective if the real market is weakening. The low leverage and higher quality portfolio means that they should be able to easily grow earnings going forward.

Brandywine Realty Trust, US (3.0%)

Strong 3Q, increase speed of disposition, buyback 2.7 % of outstanding shares
Implications for the investment case: Clearly positive. The company guided increased disposition activity (>20 % of EV) going forward. The 3Q results beat expectations significantly, and the 2016 FFO guidance was positive due to the realisation of expected disposals.

SL Green, US (4.0%)

3Q in line, continued strong performance
Implications for the investment case: The investment case, of partaking in the NY office market by owning the purest play, is intact. The company has experienced strong growth and continues to deliver as promised.

Largest holdings as of October 2015

	Holding size	Price	P/NAV last	Div. Yield 2015e	EBITDA 2015e/EV
Columbia Property Trust Inc	5.0%	25.54	85%	4.9%	6.0%
Mitsui Fudosan Co Ltd	5.0%	3310	104%	0.8%	5.4%
Global Logistic Properties Ltd	4.6%	2.24	90%	2.4%	3.6%
Olav Thon Eiendomsselskap ASA	4.3%	142	80%	1.3%	7.0%
HCP Inc	4.2%	37.4	113%	6.2%	6.5%
SL Green Realty Corp	3.9%	119.51	95%	2.0%	4.6%
General Growth Properties Inc	3.4%	28.98	95%	2.4%	5.1%
Ashford Hospitality Trust	3.3%	6.87	60%	7.0%	9.8%
Deutsche Wohnen AG	3.2%	25.74	124%	2.5%	4.6%
CBL & Associates Properties Inc	3.1%	14.67	65%	7.3%	8.9%
Weighted top 10	**40.0%**		**92%**	**3.5%**	**5.9%**
Weighted top 35	**87%**			**3.3%**	**6.2%**
Benchmark				**3.3% actual**	

The largest companies in SKAGEN m² as of October 15

Columbia Property Trust	Columbia Property Trust, Inc. focuses on the acquisition, development, ownership, leasing, and operation of office properties. Own 59 office buildings, total 16.5m sqf (1.6m m2) valued at $5.1b. The company was listed without any equity issue in oct.13 to provide liquidity for shareholders. Bought back shares during 4q after listing. Core focus is 16 main cities throughout US. 50 % CBD and 50 suburban exposure. Occupancy 92 % Financial, 91 % physical. From external managed to internal management.
Mitsui Fudosan	Established in 1941, Mitsui Fudosan has been an active leader in the Japanese RE industry, successfully developing new business opportunities and establishing an dominant position. The company is an integrated RE firm involved in office leasing, commercial facilities, condominium development, investment property development and REITS. 8% of MF´s assets are located on other continents. Strong balance sheet after capitalization (first in 23 years) in summer 2014. Good integrated and balanced growth model with development and investment properties diversified among different RE sub segments. Management business (car park leasing, property management) provides stable earnings growth over time, in addition to other recurring earnings from commercial assets, to balance the volatility in the development segment.
Global Logistic Properties 普洛斯	GLP is 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 centers. The USD 27bn property portfolio comprises of 28 million sqm serving more than 800 customers. The Japan portfolio is mostly completed and stabilized providing strong operating cash flow to fund the group's growing business in China. The company also set up a China fund at the end of 2013 to enable 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)
Olav Thon Gruppen	Olav Thon owns a portfolio of 65 shopping malls and manage in addition 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 income from malls; 24 % from commercial real estate, mainly office/retail. Listed on Oslo Børs in 1983. Gross (inclusive JV) lettable space: Shopping malls: 1.0''m2 and commercial estate 263'm2. Diversified into Sweden in 3q14 after buying 5 shopping malls of 122'm2 for NOK3b.
HCP	HCP is a fully integrated self- administered real estate investment trust that acquires, manages, and invests in health care (largest sector of the U.S. economy in rel. to GDP) real estate located in the US and Mexico. HCP is well diversified across healthcare property types: senior housing (35% of NOI), skilled-nursing facilities (31%), medical office (13%), life science/labs (15%), and hospitals (6%). HCP has USD 22 bn in AUM, a well balanced portfolio of 1163 properties. Company has generated ~16% compound annual return since IPO 1985, and have 29 years of consecutive dividend growth.

The largest companies in SKAGEN m^2 as of October 15

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 totaling 41.6 m SF, of which it owns equity (~82 %) in 29m SF and the rest is collateral for debt investments. SL Green provides debt financing, in many cases to achieve properties. In addition to Manhattan, they also have interest in suburban areas to Manhattan. (5.3 m SF) Manhattan occ. Of 95.9 % compared to 83.5 % (1q15) in suburban areas.

GGP

General Growth Properties (GGP), founded in 1954, is a real estate investment trust (REIT) that owns, leases, manages and develops shopping centers. The company is the second largest mall operator in the world. The company holds interests in 120 malls, 7 office properties and 6 other properties , generating an average of USD 564 in tenant sales per square foot (malls).

ASHFORD HOSPITALITY TRUST

Ashford Hospitality Trust is a real estate investment trust (REIT) focused on investing opportunistically in the hospitality industry across all segments and at all levels of the capital structure primarily within the United States. Invests opportunistically in the whole capital structure including lending to other hotel owners.
Ashford Hospitality Trust owns 115 hotels (directly and in JV with Prudential).

Deutsche Wohnen

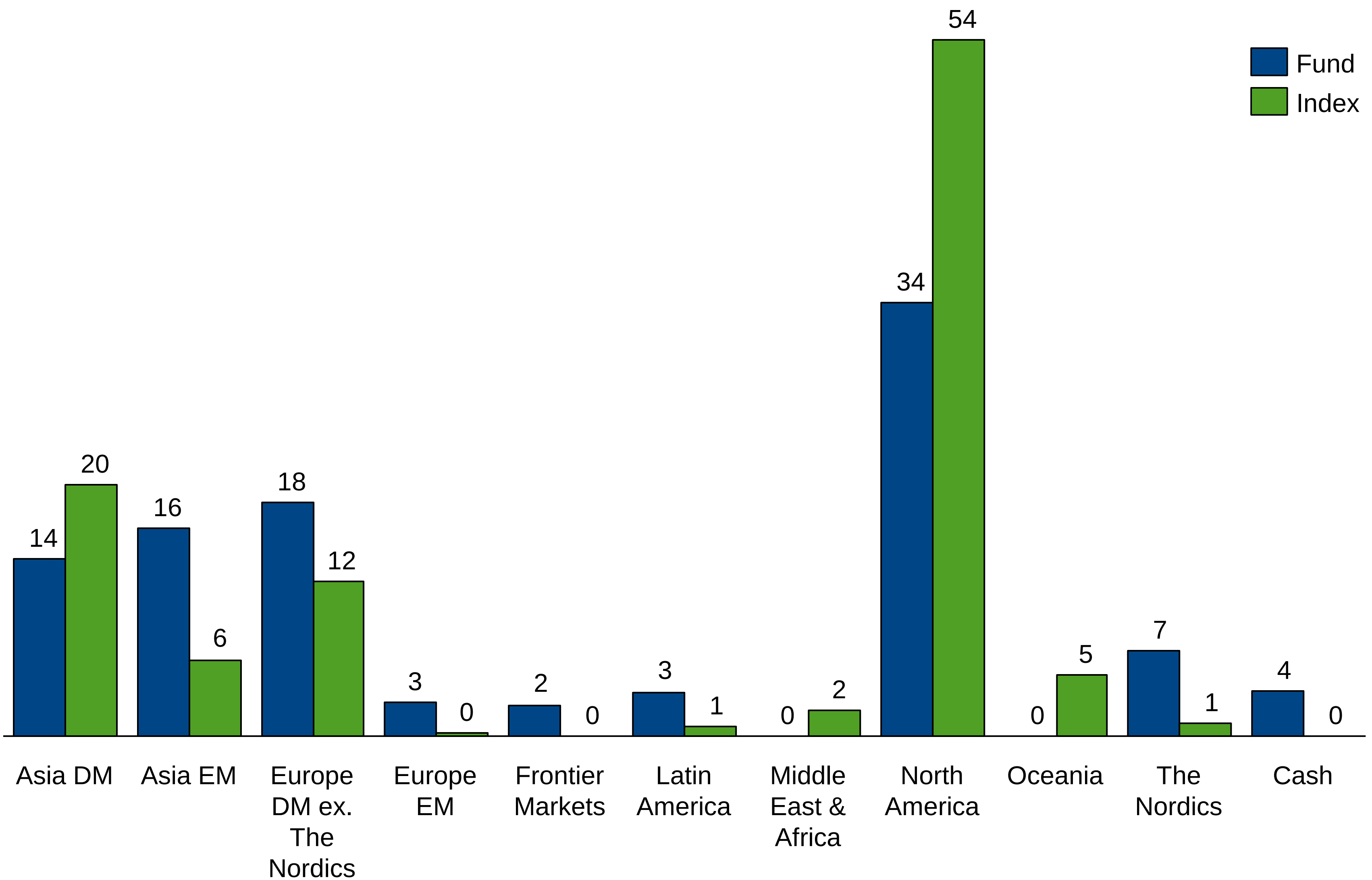
Deutsche Wohnen is one of the leading listed residential companies in Germany with main focus in Berlin. Its operational focus is on managing and developing its residential property portfolio, currently comprises 144,000 units in total, of which 141,900 are residential units and 2,100 are commercial properties. Units are situated in core regions like Greater Berlin, Rhine-Main, Rhineland, Dresden, Hanover as well as in medium-sized German cities like Brunswick and Magdeburg. Deutsche Wohnen has a pending merger with LEG immobilien that is a residential player with most of its assets in North Rhein Westphalia. The combined company will (if merger is accepted) have 250, 000 units in Germany.

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 centers. The company held interests in 147 building, including 89 malls plus 30 adjacent associated center, four outlet centers, 10 community centers and 12 office buildings, generating an average of $360 in tenant sales per square foot (malls).

Geographical distribution versus benchmark October 2015

Percent



SKAGEN

Additional information

Why invest in listed property and SKAGEN m²?

Q. Why invest in listed property?

- **Listed global real estate securities provide exposure to property but with the benefits of <u>liquidity</u>.**
- **Listed global real estate securities offer the ability to invest in property around the world, with the <u>flexibility</u> to gain exposure to opportunities that would otherwise be difficult to access.**
- **Listed global real estate securities enhance <u>diversification</u> effects in your portfolio.**

Q. Why SKAGEN m²?

- **The fund offers a great opportunity have access to global listed real estate and use SKAGEN's unique investment philosophy, finding investments that are <u>unpopular, undervalued and under researched</u>.**

SKAGEN m²

- **Broad mandate:** Daily traded mutual equity fund, investing globally in listed real estate securities, including REITs, REOCs (Real Estate Operating Companies) and developers.

- **Recommended investment horizon:** Minimum 5 years.

- **Dividends:** No dividend payout; fund proceeds are reinvested at the fund level.

- **Benchmark:** MSCI ACWI Real Estate Net Return IMI.

- **Fee model:** Fixed annual fee 1.5 %*, no entry or exit fees.

- **Minimum first subscription:** EUR 150.

- **Launch date:** 31 October 2012.

**Better/worse performance in terms of unit NAV growth relative to benchmark growth is split 90/10 between unit holders and the management company. Maximum annual fee is 3% and minimum fee is 0.75%.*

For more information please visit:

Our latest Market report

Information about SKAGEN m2 on our web pages

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.

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