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

Statusrapport pr august 2016

Kunsten å bruke sunn fornuft

SKAGEN

Oppsummering – August 2016

- August var nok en sterk måned for SKAGEN m^2[*] særlig i relative termer. Fondet steg 0,7% mens indeksen falt -3,1%. Det gir en meravkastning på 3,8 prosentpoeng i august. Hittil i år har fondet steget 6,8%, mens referanseindeksen var opp 4,8%, målt i NOK.

- 31. august ble eiendom klassifisert som en egen sektor etter å ha blitt skilt ut fra Finans. Dette er første gang siden GICS-klassifiseringen ble opprettet i 1999 at en ny sektor ble lagt til (nr. 11). Vi ser positivt på de langsiktige effektene dette vil gi eiendomssektoren, med mer oppmerksomhet, transparens og analysedeksning som resultat.

- For SKAGEN m^2 var Kina det beste markedet, opp 9 prosent. Vi har sett bedre resultater i Asia og vekstmarkedene generelt. Mens det dårligste markedet var Brasil, ned 11 prosent i august etter sterke resultater hittil i år.

- De beste bidragsyterne til fondets avkastning var CBL Properties, Ashford Trust og SOHO China. I slutten av juni var CBL den dårligste bidragsyteren, men har siden slått markedet betydelig, etter at anklagene om å ha manuipulert regnskapene ble tilbakevist av det amerikanske finanstilsynet. Selskapet leverte også en sterk rapport for andre kvartal. SOHO China steg på ny informasjon om at de fortsetter nedskalering i aktiviteter utenfor kjernevirksomheten og ekstra utbytte.

- Den dårligste bidragsyteren i august var den fransk/spanske kontorselskapet Colonial. Ingen negative selskapsnyheter, tvert i mot leverte Colonial en god halvsårsrapport som bekreftet vår investeringstese. SKAGEN m^2 økte posisjonen i selskapet.

- Det var ingen nye investeringer i fondet i august. De 10 og 35 største posisjoner utgjør nå henholdsvis 44 prosent og 92 prosent av fondet. SKAGEN m^2 har totalt 40 investeringer og kontantbeholdningen var på 4,9% ved utgangen av måneden.

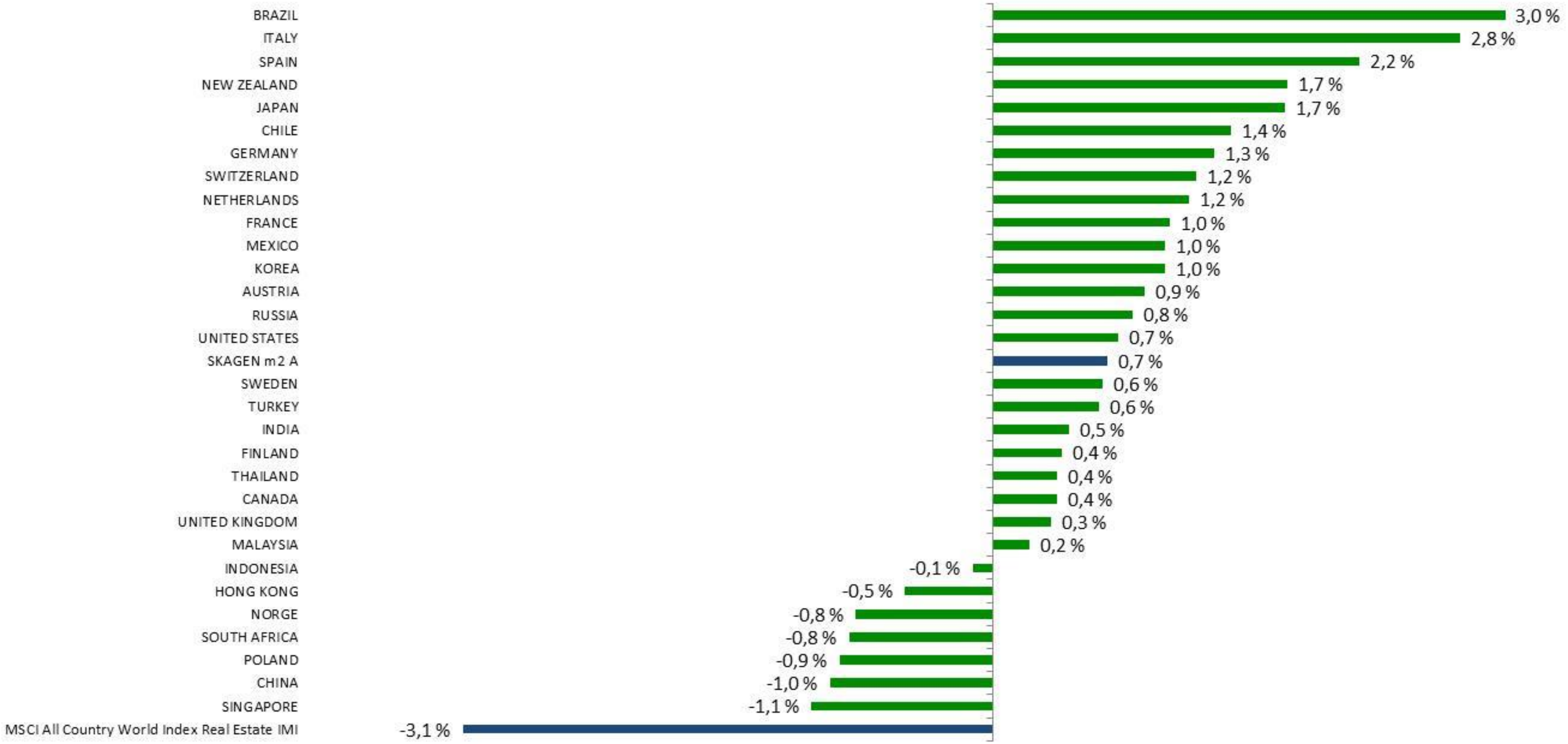
** Med mindre annet er oppgitt er alle avkastningstall for fondet i denne rapporten målt i NOK, knyttet til klasse A, og etter fradrag for gebyrer.*

SKAGEN m^2 A – avkastning pr august 2016 (i NOK)

	August	QTD	YTD	1 år	3 år	Siden start*
SKAGEN m2 A	0,7%	8,4%	6,8%	14,0%	16,8%	14,3%
MSCI ACWI Real Estate	-3,1%	2,5%	4,8%	15,4%	21,1%	19,8%
Meravkastning	3,8%	6,0%	2,1%	-1,4%	-4,3%	-5,5%

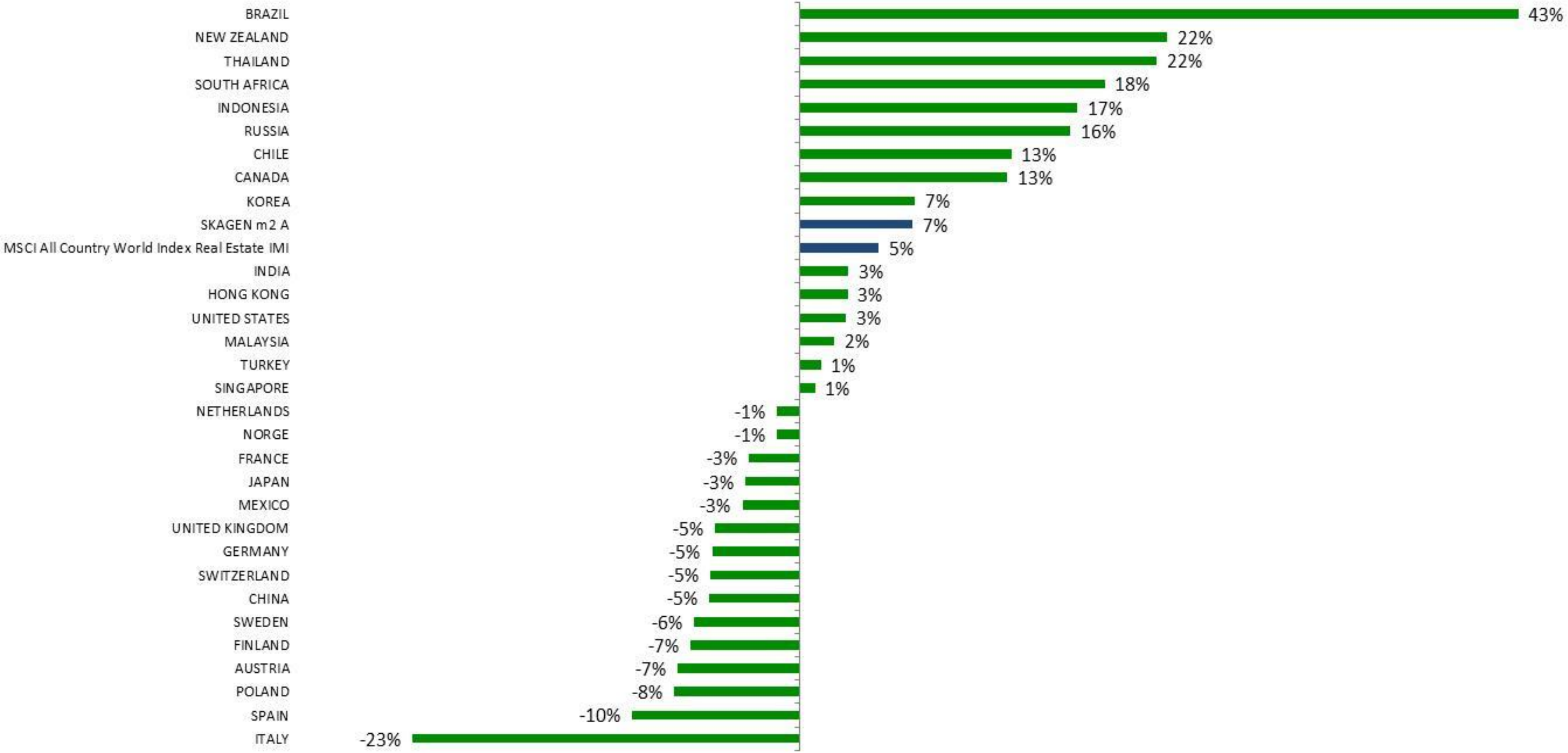
*NB: Alle tall over 12 måneder er annualisert (geometrisk avkastning). *Startdato 31. oktober 2012.*

Markedsutvikling i august 2016 i NOK(%)



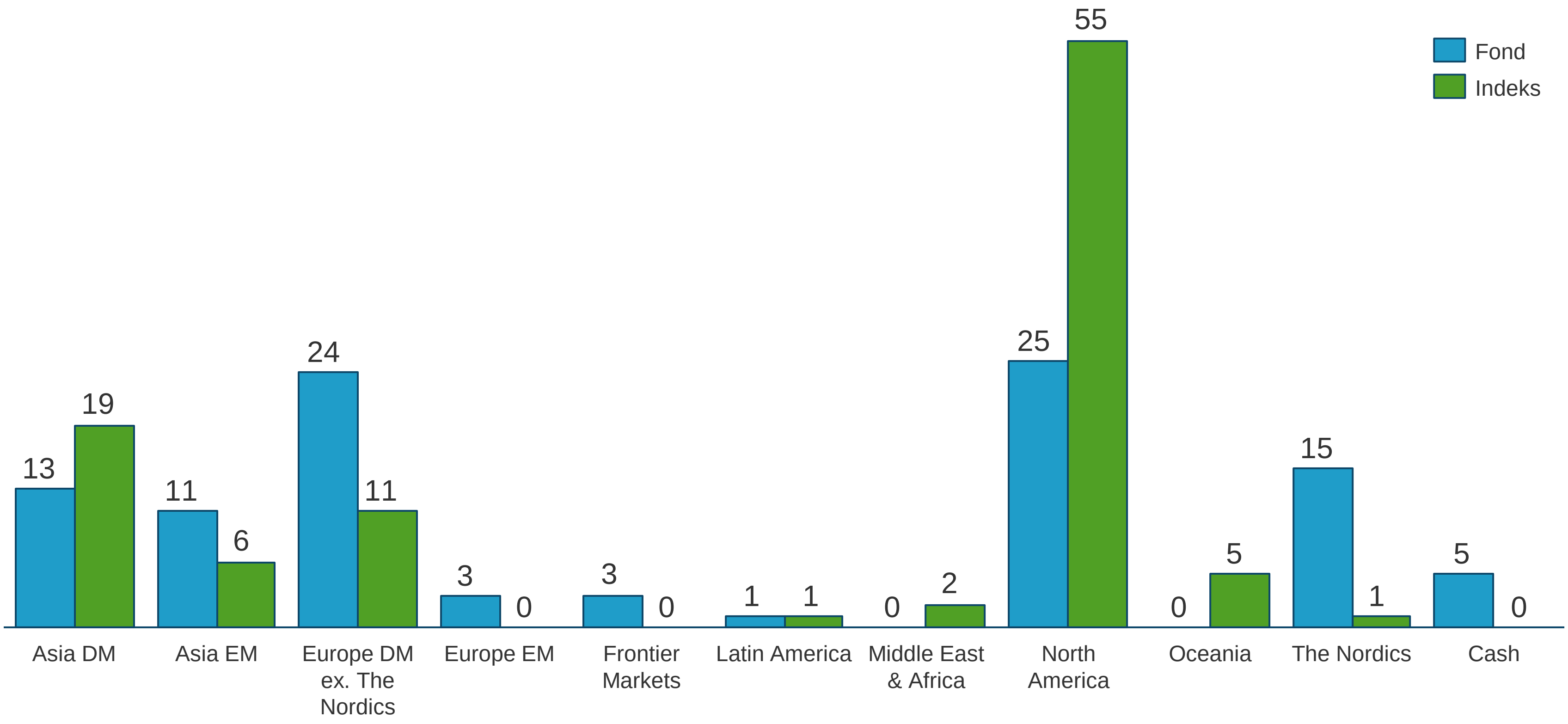
SKAGEN

Markedsutvikling hittil i 2016 i NOK(%)



Geografisk fordeling mot indeks august 2016

Prosent



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Viktigste bidragsytere hittil i år

Største positive bidragsytere

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

Største negative bidragsytere

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

Verdiskapning hittil i år (NOK MM): 69

NB: Bidrag til absolutt avkastning

Viktigste bidragsytere, august 2016

Største positive bidragsytere

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

Største negative bidragsytere

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: Bidrag til absolutt avkastning

Viktigste bidragsytere med kommentarer, august 2016

Beste bidragsytere

Company	NOK (000)	Comments
CBL Properties	6 249	Svært sterkt andre kvartal og rekyl etter mange dårlige nyheter
Ashford Hospitality Trust	3 980	Sterkt andrekvartal og guiding opp
SOHO China	3 653	Kunngjorde nedsalg i aktiva ekstra utbytte.
Olav Thon	1 989	Andre kvartal var på linje med eller rett under forventinger, men billig selskap
Catena	1 702	Tilfredsstillende halvårsrapport, sterk økning i belegg
IRSA	1 621	Leverte sterk 1. halvårsrapport
Phoenix Mills	1 421	Kjøpesentere fortsetter å levere jevn vekst og positive fornyelser i utleieforhold i vente.
Emlak Konut	1 167	Sterk første halvårsrapport og fortsatt oppsving etter geopolitisk uro.
Atrium Ljungberg	933	Sterk første halvårsrapport med fortsatt god trend i driftsresultat
Melia Hotels	729	Andre kvartal som forventet

NB: Bidrag til absolutt avkastning

Viktigste bidragsytere med kommentarer, august 2016

Dårligste bidragsytere

Company	NOK (000)	Comments
Inmobiliaria Colonial	-3 370	Ingen selskapsspesifikke nyheter, god første halvårsrapport med sterkt driftsresultat og god capital value vekst.
General Growth Properties	-2 250	Tilbaketrekking etter sterk juli.
Global Logistic Properties	-1 998	Ingen selskapsspesifikke nyheter, tilfredsstillende rapport som bekreftet positiv trend i kjerneinntjeningen. Fortsatt overheng fra lavere tempo i det kinesiske utviklingssegmentet.
Axiare Patrimonio	-1 365	Noe skuffende andrekvartal.
Brandywine Realty	-1 308	Slightly disappointing 2Noe skuffende andrekvartal. Vi solgte noen aksjer.
Mitsui Fudosan	-1 288	Ingen selskapsspesifikke nyheter, god første halvårsrapport med sterkt driftsresultat. Motvind fra makro og stimulansespekulasjoner fortsetter.
SL Green	-709	Sterkt andrekvartal men sterke resultater i forkant. Strong 2q, but strong performance up front.
CapitaLand	-696	Ingen selskapsspesifikke nyheter, god første halvårsrapport med sterkt driftsresultat. Motvind fra makro og stimulansespekulasjoner fortsetter.
D Carnegie	-600	Ingen selskapsnyheter. Aksjekurs på 100 SEK etter Blackstones majoritetsoppkjøp og kommende pålagte bud.
Ashford Inc	-470	Venter på det potensielle salget av Ashford Prime.

NB: Bidrag til absolutt avkastning

Viktigste endringer 3. kvartal 2016

Q3 Økte poster

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

Q3 Reduserte poster

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	

Nyheter på engelsk

Key earnings releases and corporate news

Ashford Prime,

US (1,9 %)

2q result weak, but raised gross bid to $23.55 including termination fee, still conflict between bidder and management

Implications for Investment Case: Positive, because of management acceptance of bid. However, the share is still trading to a huge discount to net bid due to uncertainty regarding financing for the bidder and refusal of signing NDA (Non-disclosure agreement for due diligence). This is sign of a unknown conflict. The company is external managed and the management company is entitled to a termination fee. The bid was $23.55 gross, and approximately $20.50 to shareholders. The refusal off signing NDA is strange and a lot of other interested bidder have been signing. There are still uncertainty regarding that the bidder has financial muscles to execute the deal. The result was slightly below, but at the moment not moving the share price. The asset of the company may be valued at $25 freestanding in the real market. The bid is fair regarding the muted lodging sector in US.

Catena ,

Sweden (3,8%)

Strong occupancy increase and trending higher

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

Oberoi,

India (1,2%)

Presale numbers was 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 positive launch of super luxury project Worli (+6 MUSD/unit). Mumbai residential market showing signs of steady recovery with FY16 pre-sales up 17% Y-o-Y, despite weak overall residential demand. Oberoi has been able (to 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 next 2 years should see a meaningful scale up as contribution from these high margin projects reach revenue recognition. The unrecognized order book is currently @ Rs 45 B (>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 do value accretive transactions, either to strengthen recurring income portfolio or to buy new land to develop both likely triggers

SKAGEN

Key earnings releases and corporate news

HCP, US (1,5%)

Q216 FFO beat, positive guidance and Spin-off on track

Implications for Investment Case: Positive: HCP reported better than expected revenue and results for 2Q16 (but due to one-off transaction), more positively 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 to be specified (debt etc) before any assessments about the transaction can be made. As communicated before, company is in transformation strategically and also in search of a new CEO, therefor we have previously taken down the position and awaits further information about the overall development. Even though company’s valuation is cheap they have still issues to be addressed.

Deutsche Wohnen, Tyskland, (2,8%)

Another strong results and guidance. Expansion into nursing home market

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

EMLAK,

Turkey (1,4%)

Strong 2q16 report beating all expectations, sustained NAV growth

Implications for Investment Case: Positive, Istanbul focused residential developer Emlak announced very strong 2nd quarter revenue and earnings, also a sustained deferred income and NAV growth. Emlak has a huge existing contracts guarantee of income to be recognized until 2019 (representing ~80% of equity). Low capex & working capital requirement allows the EMLAK to generate sustainable cash flow even in volatile macro environment. Emlak has a good risk adjusted income model via its “revenue sharing model” meaning they don´t take on the 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. Bulk of projects in the pipeline will be launched 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 government recently stressed a lower levels (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

D. Carnegie, Sweden (4,0%)

Strong 1H16 report and Blackstone sees further potential 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 it confirms the investment case and there is more potential identified. However the offered price to the controlling shareholders seems to be at the lower end and does not reflect the full value potential of the company also in respect to the current unique Stockholm housing environment, in our view. 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 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 company is now in position to benefit from upcoming rental renewals over the next 2- years (30% of rents expected hike 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 collections is essential to help lower debt short term. However Mall segment is by far the most important part of the company, continuous rental growth, increase in occupancy is 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 now 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 monetizing 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 2nd quarter with strong value uplift (+3,1%) in line with peers, half of the value uplifts came from renegotiated rents and lettings a positive indication of continuous strong cycle. More positively a continuous good trend in the operational performance confirming 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 materialize. 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%. Company and its portfolio appears to be robust and continuous to benefit from a strong Swedish real estate market.

Key earnings releases and corporate news

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 year seems conservative (FFO +2%) but enough to give comfort in further earnings and dividend stability/sustainability. Company continue 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 is performing above expectations and Casino´s French operations is in good shape

Colonial , Spain (4,6%)

Strong operational performance and capital value growth

Implications for Investment Case: Positive: Spanish office operator confirming our thesis of an entry into a rental growth cycle, driven by higher occupancy due to lack of supply (prime) in Spain. Paris CBD office market stabile and supportive to the case. Report confirmed strong capital value growth mainly coming from yield compression, however management expects growth coming quarters to be driven mostly by rental growth across all markets, this would be very positive and an evidence of rental growth trend is here. Company is in line 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 continuous momentum in Tokyo real estate market. Leasing segment continue to show strength, and property for sale segment is likely to pick up due to timing effects in q1. Market is still very macro driven and do not pay attention to company fundamentals. Mitsui is currently trading on historically cheap levels. Highly unlikely, but a share buyback program would be a big positive on these at this discount levels and stable cash position. Majority of money is today allocated to new projects, a part of that could be spent on buy-backs, besides buying back shares is less risky than new development projects. Positive also that company reiterates their previous guidance of revenue and operating profit growth for FY17 . London and NY developments and pre-sales proceeding according to plan. Recently company IPO:d their logistics segment into a JREIT, capital gain proceeds strengthen 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 different segments and markets they are in.

Key earnings releases and corporate news

CBL Properties, US (3,7%)

Very strong 2q report on all metrics and baseless accusation confirmed.

Implications for Investment Case: Very positive, the investment case is turnaround and too cheap to be ignored for the longer term. A lot of headwinds the last two years have caused a decline in share price of 50 %, now up 50+ % since bottoming 28th of June. The results caused the share to jump 12 % with another jump when accusations were confirmed baseless by SEC. CBL Properties is a B/C mall owner. However, they own A malls in B-location. The company increased guidance for the year and outperformed significantly 2q. 2q FFO was up 9.3 % yoy, expectations was flat. Same store net operating income (SSNOI) was up 3.4 %, some expected negative, and occupancy like for like was up 150 bp, meaning the effect of last years store closing has nearly been solved. The company has started to sell some malls and reduced 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 was from an ex-employee, and are now confirmed to be baseless. The company was not accused of accounting fraud, but manipulating numbers regarding 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: Beijing/Shanghai focused office/retail company announced 1H16 numbers, as expected no operational surprises. More interesting was the news about disposals and special dividend, first good news was about further disposals of non-core assets (3 more projects in Shanghai), second good news was that the expected extra dividend was not due to the recent sale of Shanghai Century Plaza (@ 3,3% yield) rather the remaining distribution of an earlier disposed asset. This was good news for the market pricing 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 . Monetization seems to be a good short term strategy due to the hot Shanghai market and to bride investors impatience waiting for full transition to be concluded (from buy to sell to buy to hold strategy) transition process. The disposal strategy is a way to make underlying values visible and bring NAV discount closer to the stock price. However the monetization is no long-term strategy for serving dividend and cash flow. The Question mark is still if the rental levels will be sustainable (positively up 60% Y-o-Y) and if "new" business concept of "shared working space" will fly and how fast it will generate substantial earnings. 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 continuous to be the largest listed landlord in mainland China.

Keck Seng, Hong Kong (1,0%)

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

Implications for Investment Case: Neutral. The company continues to increase 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 result in line. The result was 0.24 per share (share price 5.82) with high depreciation and negative revaluation, meaning a significant cash flow generation. The book value per share increased to above 10 HKD with excess value. Revpar in San Francisco was up, New York down and Vietnam flat.

Key earnings releases and corporate news

Ashford Trust, US (2,6 %)

2q result and RevPar growth significant above.

Implications for Investment Case: Very Positive. The share jumped 14 % on the day of result and has continued upwards, now up more than 40 % since end of June. We have sold of due to corporate governance issue and external management. However, there has also been improvement in CG and hopefully this may cause a more significant release party. The result was significant above, with RevPar up 4.9 % compared to overall marked of 3.5 %, and Ashford Trust was expected to deliver in line with marked. 2q FFO (best quarter) come in at 0.60. The company also announced corporate governance improvement. The share is also pushed by improving debt marked, which is important due to upcoming debt maturities from 2006 /7 loans.

Ashford Inc, US (0,7 %)

2q result negative before adjustment, waiting for IRS for the merger with Remington and bid on prime.

Implications for Investment Case: The results was flat with a substantial salary cost component regarding stocks to management. The result was another non-event, and they confirmed the delay with merger with Remington due to IRS discussions. The deferred stock based compensation is still a heavy burden to result, and the company is not still in ordinary operation waiting for IRS to confirm the merger. If adjusted for non- cash compensation, the income was $1.69 per share this quarter, compared to a stock price of $47. The company is managing two hotel companies, Ashford Trust and 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. 6b under management and a market cap of $100m is extremely cheap taking into consideration that AUM is permanent. (listed companies). If they receive a termination fee of $70m ($30/share) for prime, the company should be able to distribute a lot of capital.

Brandywine, US (2,2 %)

2q in line, but improved leasing on FMC development project lifts share price.

Implications for Investment Case: Slightly negative. The company has had a good run in share price lately and develop operational in a good way. However 2q confirms the 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, may be at the end of round. The result was in line and they confirmed 2016 outlook. Brandywine is a dominant player in the Philadelphia area developing a project that will transform a significant area of the city. The company has been through a reposition phase that now seems to come to an end and with new development coming to the marked, the FFO will increase from 2017, but more important, 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. The recently increased dividend for first time since 2009.

Key earnings releases and corporate news

Capitaland, Singapore (1.1 %)

Strong 2q with improved sales.

Implications for Investment Case: The result was in general strong. Operational result was a clear improvement, 32 % YoY, while profit from one offs were weaker. The sale 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 s$13b). The company operates as a developer, manager and owner of direct real estate and units in managed funds.

DIC Asset, Germany (2,5 %)

2q confirmed the strong start of the year.

Implications for Investment Case: Positive, LTV continues to decline and are significantly reduced from 62.6 to 57.2. The debt has been reduced by 20 % from 1.6 to 1.3 b in 1h. Management fees from fund management business increases and more stable recurring income is established. The company has been through a significant positive development after new management come into chair. 2qFFO increased 15 % YoY due to some one-offs, but are expected to decline 10 % this year. However, they raised the target for AUM slightly and reduced their own disposition guidance slightly. Both will increase expected FFO (reduce the decline). The company dispose some of the assets on own balance sheet to asset management business and secure future cash flow from disposed assets. Their biggest challenge is to reduce vacancy from todays 13 %.

General Growth Properties, US (2,3 %)

2q slightly disappointing due to high expectations and hurt by Macys.

Implications for Investment Case: Negative, the result was slightly below and with high expectations (loved by analysts) in numbers, the marked does not applauds. We have reduced the weight from 3 % to 2.3 % lately and may continue to sell. The company increased the dividend from 18 to 20c/q. 2q was in line with slightly reduced guidance due to dispositions that were expected. 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 6q at 13.7 %. The company is an A mall owner with potential for 10 % growth in FFO next two-3 years.

Melia Hotels, Spain (1.9 %)

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

Implications for Investment Case: Positive. The strong Spanish recovery was confirmed. The company continues its path to become more asset light. Melia Hotels is an hotel management and owner company. The company will 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 main cities in Spain (Madrid/Barcelona) and leisure exposure in Asia and Caribbean. The 2q was strong, especially in Spain which seems to be a preferable tourist destination in Europe at the moment, Revpar up 30 % YoY in Mediterranean. America was negative affected by weather and Zika. The company has a significant presence in the Caribbean marked, manage 27 hotels on Cuba, representing 6 % of the Ebitda.

Key earnings releases and corporate news

PS Business Parks, US (2,3 %)

Solid results, paid off remaining debt and become debtless.

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

Olav Thon, Norway (5,5%)

Steady state operation mostly in line with 1q

Implications for Investment Case: Confirmed the case, but slightly disappointing this quarter, but the market focus on the future. However, the market reacted is positive and the revised NAV increased 3 % QoQ to 214/share. The company continues to grow asset and cash flow without diluting shareholder. Adjusted (no value changes and normalized tax) earnings was in line with 1q at approximately NOK2.6 per share, and the market may expect some growth QoQ. However, the result is still up 10 % YoY, showing a significant growth even short term. Interest level continue to decline to 3.37 % down from 3.51 %, since 1q. LTV ended at 45 %, which means that they will be self-financing of new projects going forward. This is a company with no surprises that should be owned for the long term as long as price is favorable. 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 and the main issue is the merger discussion with Immofinanz, a company of lower quality, but with exposure to Eastern Europe. This will create a bigger company, but also lower the total quality of the portfolio. NAV per share increased to €25, trading at €16, and FFO was 0.24 cent in 2q, a clear improvement and in above the path to meet its 216 FFO target of €0.90 per share. Results is however, overshadowed by the merger discussion with Immofinanz. Despite a huge discount, no relief party can be expected before the merger discussion concludes. Immofinanz acquired 26 % of CA Immofinanz from Boris Mints O1 group. The proceed from sales to Boris will most likely be used to acquire Russian assets from Immofinanz in line with good traditional Russian Corporate governance. The share price will most likely raise independent of conclusion when the uncertainty regarding the merger discussion ends. (except if a big unfair valuation appears, and there is a small probability that creates uncertainty, that this will happen)

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

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.

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.

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.

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 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).

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%.

The largest companies in SKAGEN m² as of August 16

MERCIALYS

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.

D. CARNEGIE & CO.

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.

CATENA

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.

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 127 building, including 75 malls plus 24 adjacent associated center, 5 outlet centers, 10 Community Centers and 13 Office Buildings. CBL also manage 20 properties for 3rd parties.

IRSA

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.

For mer informasjon, kontakt oss eller ler mer i siste Markedsrapport og om SKAGEN m2 A på våre nettsider

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