SKAGEN m²

Status Report – December 2015

The art of common sense

Summary – December 2015

- December was a good month for SKAGEN m^2, with the fund gaining 2.8%, while the Global Real Estate (RE) equity index only rose 2.0%. The best performing market in December was China, up 6%, while the UK was the worst, down 8%. We currently have no exposure to UK real estate equities.

- The stock that contributed most to the fund's returns was SOHO China, up 19% in local currency terms. The share price recovered during late Autumn from the overhang in Summer linked to the slowdown in the Chinese economy, combined with slower than expected leasing progress. The re-rating was triggered by an extra dividend announcement, a resolved dispute and a better performing Chinese RE market. The second and third best contributors were both Singapore listed, CapitaLand and GLP. Brazilian BR Malls was the largest performance detractor, with the stock down 14% in Brazilian reals, on expected prolonged macro headwinds. Ashford Inc was second worst, losing 14% in USD terms.

- We added a new position this month in Swedish residential (landlord) company, D Carnegie AB. The company owns and manages over 16k units concentrated in the Stockholm region. Strategy is to refurbish and revitalize apartments and areas in the "Million Program", residential blocks that were built in 1960-75. Current units are expected to be refurbished in 10 years, and total portfolio valuation is SEK 13.6bn. The business model is very interesting and the stock is both undervalued and under-researched, a rare thing for a company that size in the Swedish RE market.

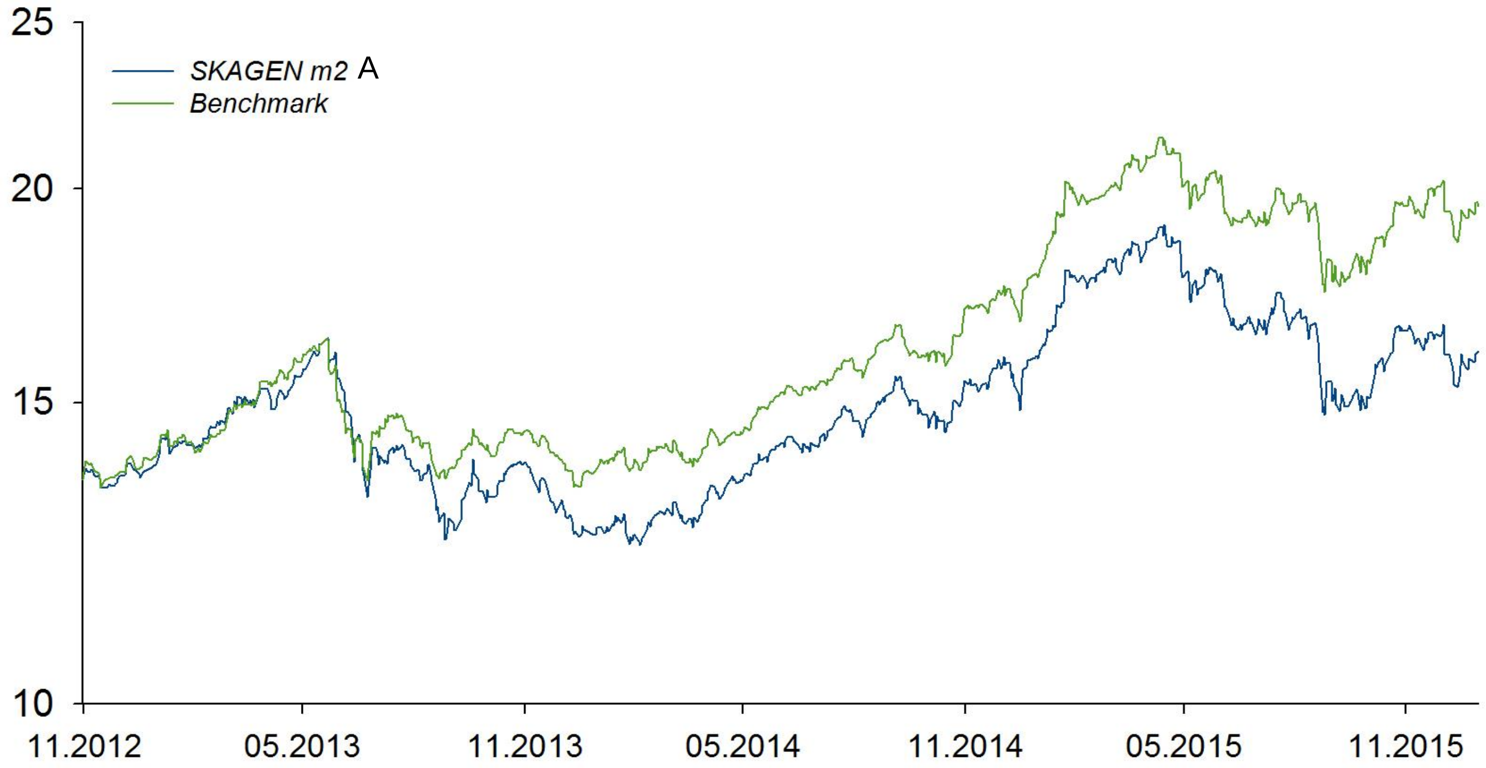
- During the month, the US Fed raised the target range for the Fed funds rate, as anticipated, and accompanied it with a dovish message stressing the gradual pace of future hikes. While this first hike is certainly not enough to cause a serious US slump, it remains highly uncertain as to how much tightening the US can absorb. The neutral rate – the tipping point between policy rates being 'tight' or 'easy' – remains low and will likely only creep up gradually. Almost all real estate stocks (especially most interest rate sensitive ones) rallied on the news. It is worth highlighting that a hiked interest rate is normally a symptom of improved economic circumstances, meaning that real estate companies can hike rents due to better demand to meet higher financial costs.

- The top 10 and 35 positions in the fund constitute 41**%** and 88% of the fund respectively and the fund currently consists of 48 holdings. The fund's cash position is 2%.

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

Results, December 2015

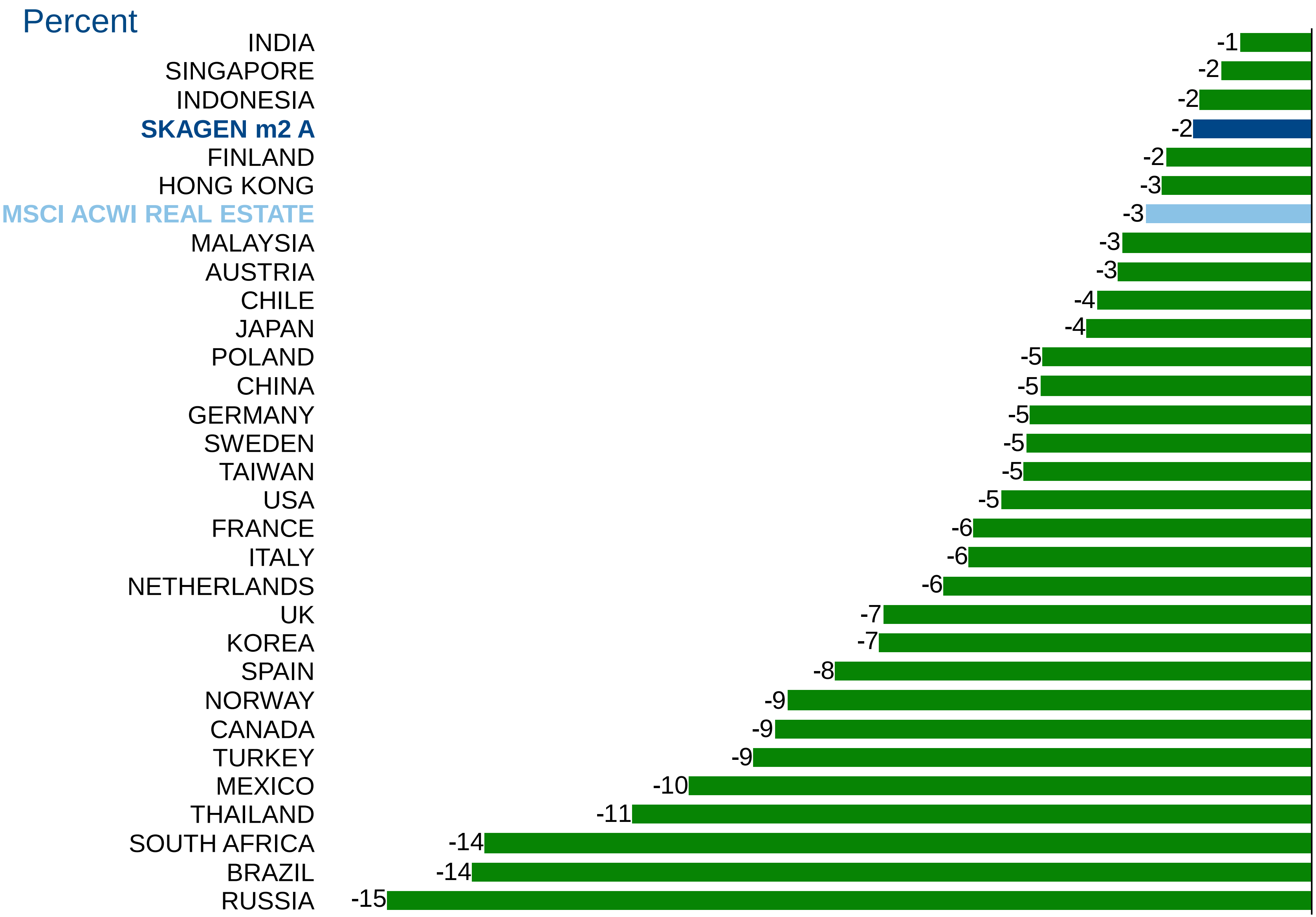
EUR, net of fees



	December	4Q	2015	Since inception*
SKAGEN m² A	-2,0%	6,3%	1,0%	5,6%
MSCI ACWI Real Estate	-2,8%	7,6%	9,9%	12,3%
Excess return	0,8%	-1,3%	-8,9%	-6,7%

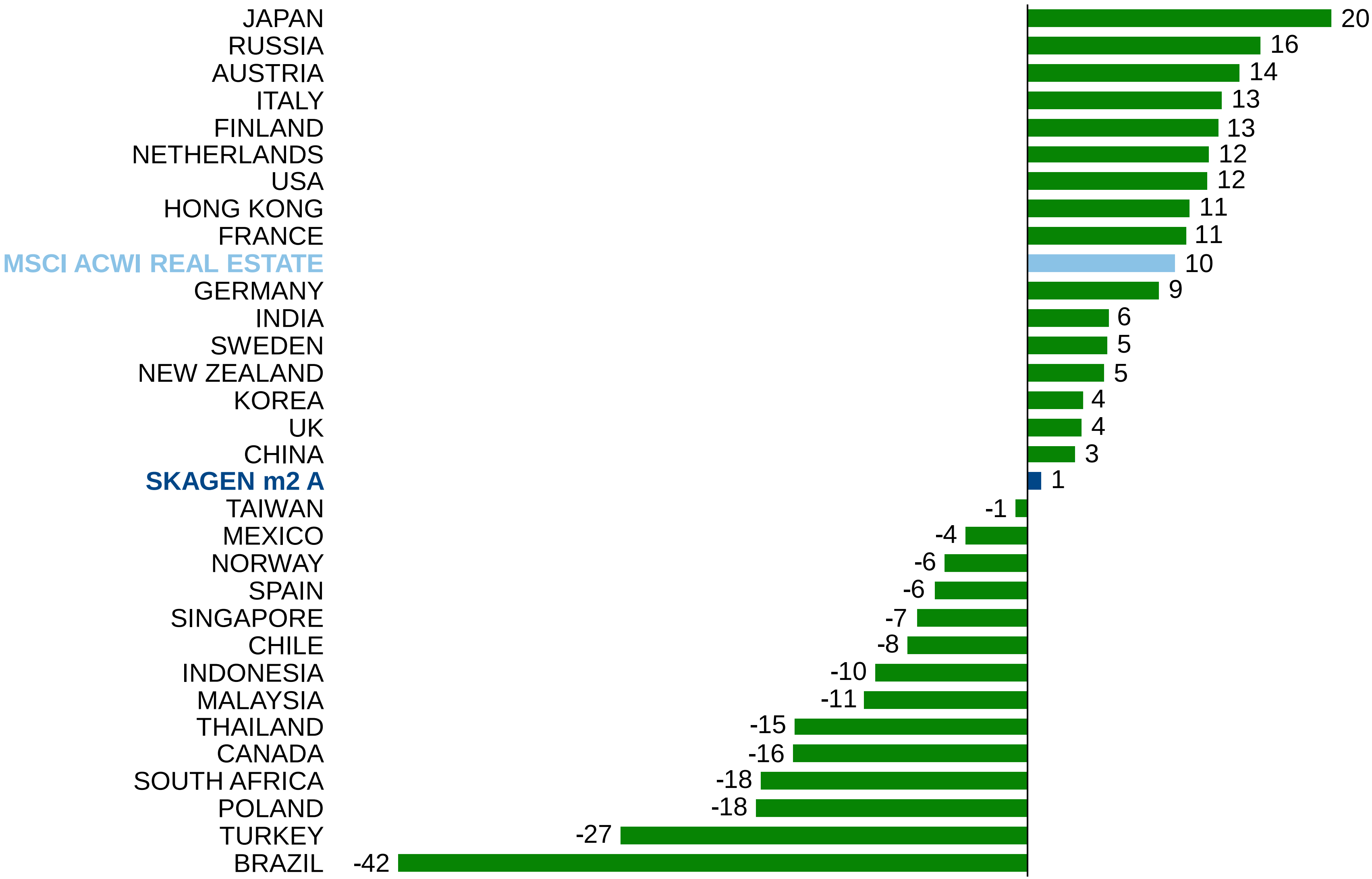
Note: All returns beyond 12 months are annualised (geometric return)
** Inception date: 31 October 2012*

Markets December 2015 in EUR (%)



Markets 2015 YTD in EUR (%)

Percent



Main contributors December 2015

Largest positive contributors

Company	NOK (000)
Global Logistic Properties	4 680
SOHO China	4 087
HCP	3 594
General Growth Properties	2 800
Dic Asset	2 495
Olav Thon Eiendom	2 004
Apartment Investment & Man.	1 753
Mitsui Fudosan	1 439
CapitaLand	1 427
Melia Hotels	1 415

Largest negative contributors

Company	NOK (000)
Columbia Property Trust	-2 809
Ashford Hospitality Trust	-2 415
IRSA	-1 752
BR Malls	-1 344
Ashford Inc	-1 280
SL Green	-1 265
CBL Properties	-1 216
Bekasi Fajar	-648
Emlak	-570
Etalon	-471

Value Creation MTD (NOK MM): 27

NB: Contribution to absolute return

Main contributors YTD 2015

Largest positive contributors

Company	NOK (000)
Deutsche Wohnen	12 002
Melia Hotels	10 403
PS Business Parks	8 385
Apartment Investment & Man.	8 327
SM Prime	8 006
Dic Asset	7 272
Columbia Property Trust	6 620
British Land	6 239
Mitsui Fudosan	5 696
Westgrund	5 460

Largest negative contributors

Company	NOK (000)
Bekasi Fajar	-13 320
Ashford Hospitality Trust	-10 846
CBL Properties	-8 934
BR Malls	-6 670
Ashford Inc	-4 787
Ticon Industrial	-4 390
SOHO China	-4 211
Shangri-La Asia	-4 060
General Shopping	-3 364
Emlak	-3 072

Value Creation YTD (NOK MM): 63

NB: Contribution to absolute return

Main contributors, December 2015

Largest positive contributors

Company	NOK (000)	Comments
Global Logistic Properties	4 680	Strong leasing progress in China, Singapore stock rebound.
SOHO China	4 087	Strong real estate market in China and Hong Kong. Analyst upgrades.
HCP	3 594	Better than expected outcome of Fed hike and more dovish signals for the year to come.
General Growth Properties	2 800	Strong results, and the company bought back shares.
Dic Asset	2 495	Sale of properties to reduce debt.
Olav Thon Eiendom	2 004	Some recovery after sales pressure from large holder
Apartment Investment & Man.	1 753	No company-specific news
Mitsui Fudosan	1 439	Continuous strong numbers from Tokyo real estate market
CapitaLand	1 427	No company-specific news.
Melia Hotels	1 415	No company-specific news.

Main contributors, December 2015

Largest negative contributors

Company	NOK (000)	
Columbia Property Trust	-2 809	Slightly disappointing 2016 guidance.
Ashford Hospitality Trust	-2 415	Weak hotel year.
IRSA	-1 752	Subject to short-selling activist's attack.
BR Malls	-1 344	Weak Brazilian stock market and continuous macro headwind
Ashford Inc	-1 280	No company-specific news.
SL Green	-1 265	No company-specific news.
CBL Properties	-1 216	No company-specific news. B-malls out of favour create extreme discounts to NAV (50 %).
Bekasi Fajar	-648	No company-specific news, analyst downgrade. The company continues to struggle with top-line due to low FDI into Indonesia and weak demand for industrial land.
Emlak	-570	No company-specific news.
Etalon	-471	No company-specific news

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 (Spin off)

Q4

- Catena AB (New)
- D Carnegie (New)
- Grivalia Properties
- Mercialys

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

- Apartment Investment & Man
- Unibail-Rodamco
- HCP
- Soho China
- Adler Real Estate (Out)

Holdings increased and decreased, December 2015

Key buys

D Carnegie & Co

- D. Carneige & Co is a listed real estate company in Sweden specialising in residential properties. 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 in 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, trading below NAV.

Mercialys

- Strong Q3 numbers with higher than peer group rental growth. Strong balance sheet and high dividend yield and actively managed malls. Well positioned within convenience segment and good anchor with Casino as sponsor.

Key sells

Apartment Investment & Management

- We reduced the position after a very strong long-term performance. The management started to sell at our target price and we reduced the position.

HCP

- Top December performer, reduced position to balance weight.

Soho China

- Top December performer, reduced position to balance weight.

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Key earnings releases and corporate news

Mercialys, France (3.3%)

Profitable disposals, acquisition of Casino assets and interim dividend set
Implications for Investment Case: Positive: Mercialys announced that its JV with BNP acquired three additional hypermarkets from Casino for EUR 69m, reflecting a net yield of 5.1%. In addition, Mercialys sold a 49% stake in the Clermont-Ferrand shopping centre to BNP, reflecting a 5.0% net yield (capital gain of EUR 48m). Simultaneously, the new JV bought the hypermarket adjacent to Casino for EUR 39m at a net yield of 4.9%. Between now and 2018 Mercialys will redevelop the hypermarkets to open up space for non-food anchor tenants. Finally, Mercialys announced it will pay an interim DPS of EUR 0.76 on 23 December.

BR Properties, Brazil (0.8%)

Offer to buy shares for BR10/share
Implications for the investment case: GP Investment announced an offer 21% above the previous day's close on our shares in BR Properties. BR Properties has been selling some of their best assets to Brookfield and other players destroying the long-term potential of the company. However, estimated NAV on remaining assets are well above today's share price. The offer will not be commenced without removing poison pills meaning that the market reaction was weak.

ENTRA, Norway (1.0 %)

Acquire 33'300m^2 office in Oslo City (Shopping mall mainly)
Implications for the investment case: Long-term positive. Entra, the leading listed office space company in Norway, acquired Oslo City together with Steen & Strøm (Klipierre, partly owned by Simon Property Group, the world's largest real estate company). Oslo City will be separated into Office and Retail, and Entra will acquire 100% of the Office assets and 50% of the parking places. The price is NOK 1.65bn and gross rent is 95m. Total office space is 33'300m^2, with 170 parking places. Entra acquired at 5.8 % gross yield which seems quite attractive.

DIC Asset, Germany (2.6 %)

SLD Asset to deleverage and increase funds under management
Implications for the investment case: Clearly positive. The company hit its target YE16 to reduce LTV below 60%. DIC Asset announced it was launching its fourth institutional fund with a start-up portfolio of EUR 270m, which were taken from DIC's own portfolio. The selling price was 7% above latest book value (FY14), and allows the company to lower its LTV by approximately 4 percentage points. The fund is already placed amongst German institutional investors. DIC's stake in the fund will be 5% while it will derive revenues from services provided.
Following this transaction, LTV would come out below the YE16 target of 60%, while AuM would come out at EUR 1.1bn exceeding the EUR 1bn target.

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Largest holdings as of December 2015

	Holding size	Price	P/NAV last	Div. Yield 2016e	EBITDA 2016e/EV
Mitsui Fudosan Co Ltd	5,0%	3056	96%	0,9%	5,7%
Columbia Property Trust Inc	4,9%	23,48	80%	5,1%	6,2%
Global Logistic Properties Ltd	4,8%	2,15	79%	2,7%	4,4%
Olav Thon Eiendomsselskap ASA	4,4%	142	70%	1,3%	6,8%
HCP Inc	4,3%	38,24	103%	6,1%	6,2%
SL Green Realty Corp	4,0%	112,98	90%	2,5%	4,6%
Deutsche Wohnen AG	3,6%	25,61	123%	2,5%	4,6%
General Growth Properties Inc	3,4%	27,21	85%	2.8%	5,3%
Ashford Hospitality Trust	3,4%	6,31	60%	7,6%	8,8%
Mercialys SA	3,3%	18,63	96%	6,4%	4,9%
Weighted top 10	**41.1%**		**88%**	**3.6%**	**5.5%**
Weighted top 35	**88%**			**3.6%**	**6.4%**
Benchmark				**3.4%actual**	

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

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 an 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. Good 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.
Columbia Property Trust	Columbia Property Trust, Inc. focuses on the acquisition, development, ownership, leasing, and operation of office properties. It owns 59 office buildings, with a total of 16.5mn square feet of space valued at $5.1bn. The company was listed without any new equity issued in Oct.13 to provide liquidity for shareholders. The trust bought back shares during the quarter after listing. Its core focus is on 16 main cities throughout US and it has an even split between exposures to central business districts and suburban areas. Occupancy rates average 91% and the properties are managed both internally and by external parties.
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 centres. 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 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)
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 are from malls and the rest from commercial real estate (mainly office and retail). Listed on Oslo Børs in 1983. Gross (inclusive JV) lettable space: Shopping malls: 1 million 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.
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 relation 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 22bn in AUM and a well-balanced portfolio of 1163 properties. The company has generated ~16% in average compounded return since its IPO in 1985, and has 29 years of consecutive dividend growth.

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

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 41.6 million 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 the suburban areas.

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 hostile takeover proposition from Vonovia, if successful it will create one of the largest Real Estate companies in Europe.

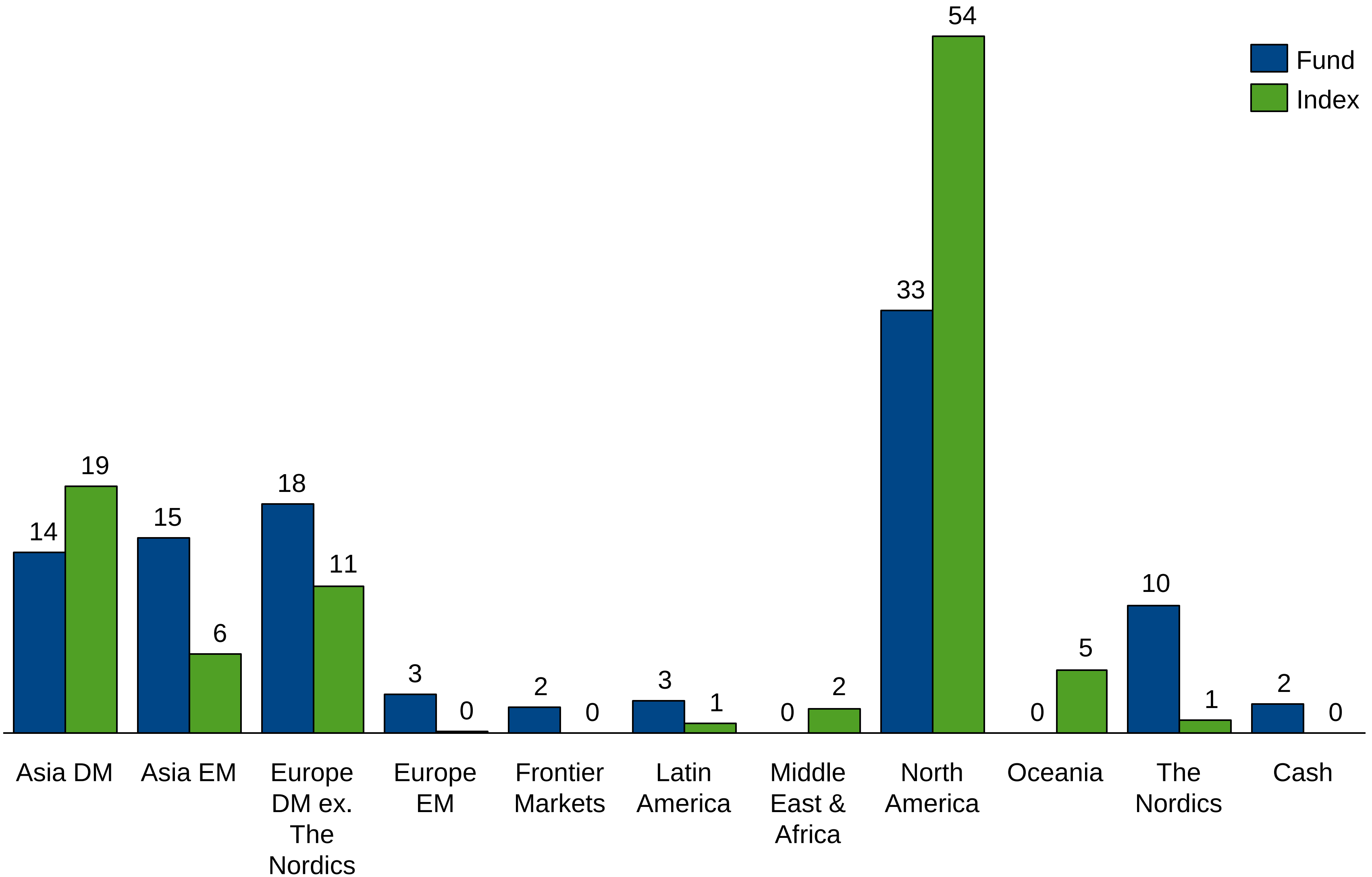
General Growth Properties (GGP), founded in 1954, is a real estate investment trust (REIT) that owns, leases, manages and develops shopping centres. The company is the second largest mall operator in the world. The company holds interests in 120 malls, 7 office properties and 6 other properties, generating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

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

Founded in 2005 by Casino, Mercialys is one of the top real estate companies in France and Europe, specializing 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.

Geographical distribution versus benchmark December 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 properties but with the benefits of liquidity.
- Listed global real estate securities offer the ability to invest in properties around the world, with the flexibility to gain exposure to opportunities that are otherwise difficult to access.
- Listed global real estate securities enhance diversification effects in your portfolio.

Q. Why SKAGEN m²?

- The fund offers a great opportunity to have access to global listed real estate using SKAGEN's unique investment philosophy of finding investments that are unpopular, undervalued and under researched.

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 subscription:** EUR 50.

- **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. KIIDs and prospectuses for all funds can be found on our website.

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