SKAGEN m²

Status Report – March 2016

The art of common sense

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Summary – March 2016

- March was a good month for SKAGEN m2 which gained 5.3%, while global real estate was up 3.6%. SKAGEN m^2 is down 2.9% YTD, while Global Real Estate (RE) equity is down 1.1%. March was a strong month, in which nearly all markets were up, as measured in EUR. Brazil continues its strong performance and was up 26%. The next strongest market was South Africa, up 12%.

- No stock in the fund experienced any significant loss this month, and the biggest loss from one stock was less than 30k euro. The best performing stocks, measured in absolute NOK contribution were our apartment holdings in Sweden and Germany. D. Carnegie announced the repurchase of outstanding convertibles. The transaction was well received by the market as it removes some dilution overhang, reduces costs and increases transparency. The company is also attracting more attention, although only one analyst covers the stock despite its size and specific characteristics. Deutsche Wohnen, which has been the fund's best performer in absolute terms since inception, delivered a very strong FY report confirming earlier strong guidance for FY 16. The best return measured in local percentage came from Phoenix Mills, India, which gained 23% and Shangri-La, China, which was up 20%.

- We did not add any new investments in March, but exited 3 companies; Entra, Ananda Development and Br Malls. Entra was sold to increase Olav Thon and reduce the number of holdings. BR Malls is the best performing stock since year end having gained almost 45% in local currency. The company has shown resilience in rough markets, but will most likely not be able to withstand a suffering retail market and continuous macro headwinds. We took the profit and sold out. We also sold out of Ananda Development as part of our continuous efforts to concentrate and stabilise the portfolio. The company has had decent performance and we were therefore happy sell out, also in light of the increased housing supply in Bangkok.

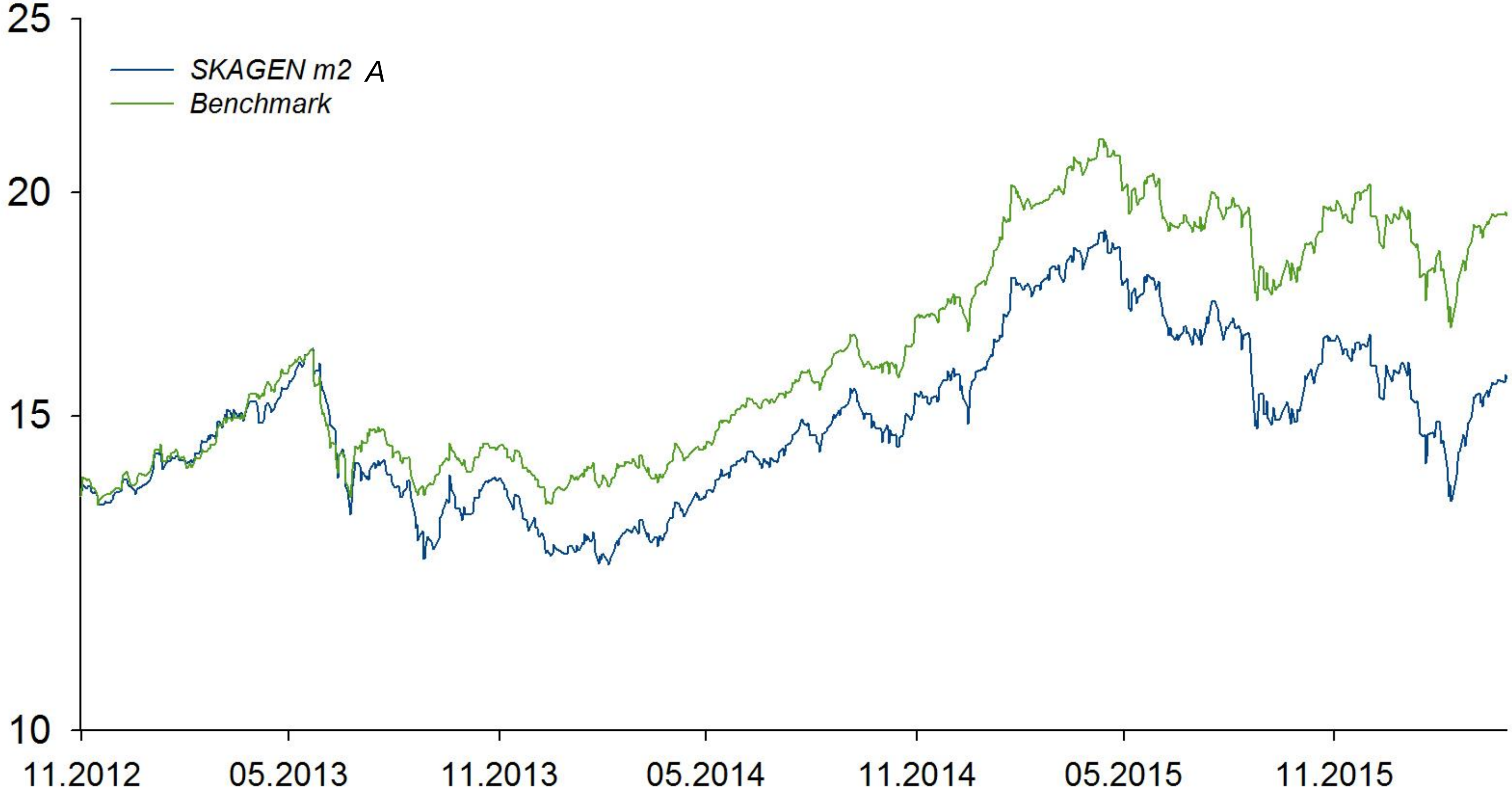
- During the month the ECB announced further stimulus, another rate cut and extended asset purchases, which came as a positive surprise for the market. The Federal Reserve also signalled that they will be cautious about raising interest rates due to heightened economic risks overseas. Both announcements were favourable for the real estate sector.

- The top 10 and 35 positions in the fund constitute 40**%** and 92% of the fund, respectively, and the fund currently consists of 41 holdings. The fund's cash position is 3%.

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

Results, March 2016

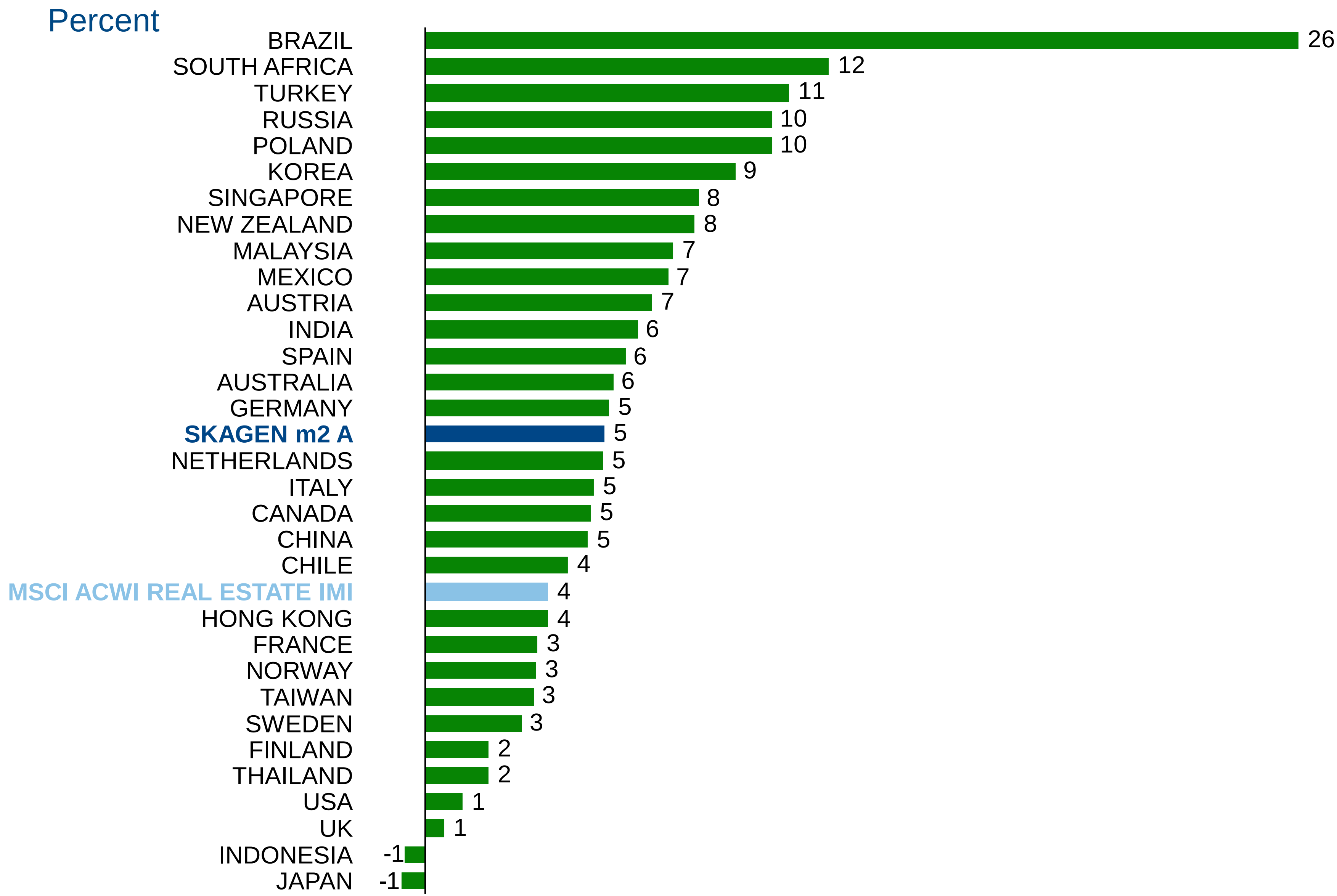
EUR, net of fees



	March	QTD	2015	1 year	3 years	Since inception*
SKAGEN m2 A	5,3%	-2,1%	1,0%	-15,6%	1,0%	4,5%
MSCI ACWI Real Estate	3,6%	-0,5%	9,9%	-7,1%	8,0%	11,2%
Excess return	1,6%	-1,6%	-8,9%	-8,4%	-7,0%	-6,6%

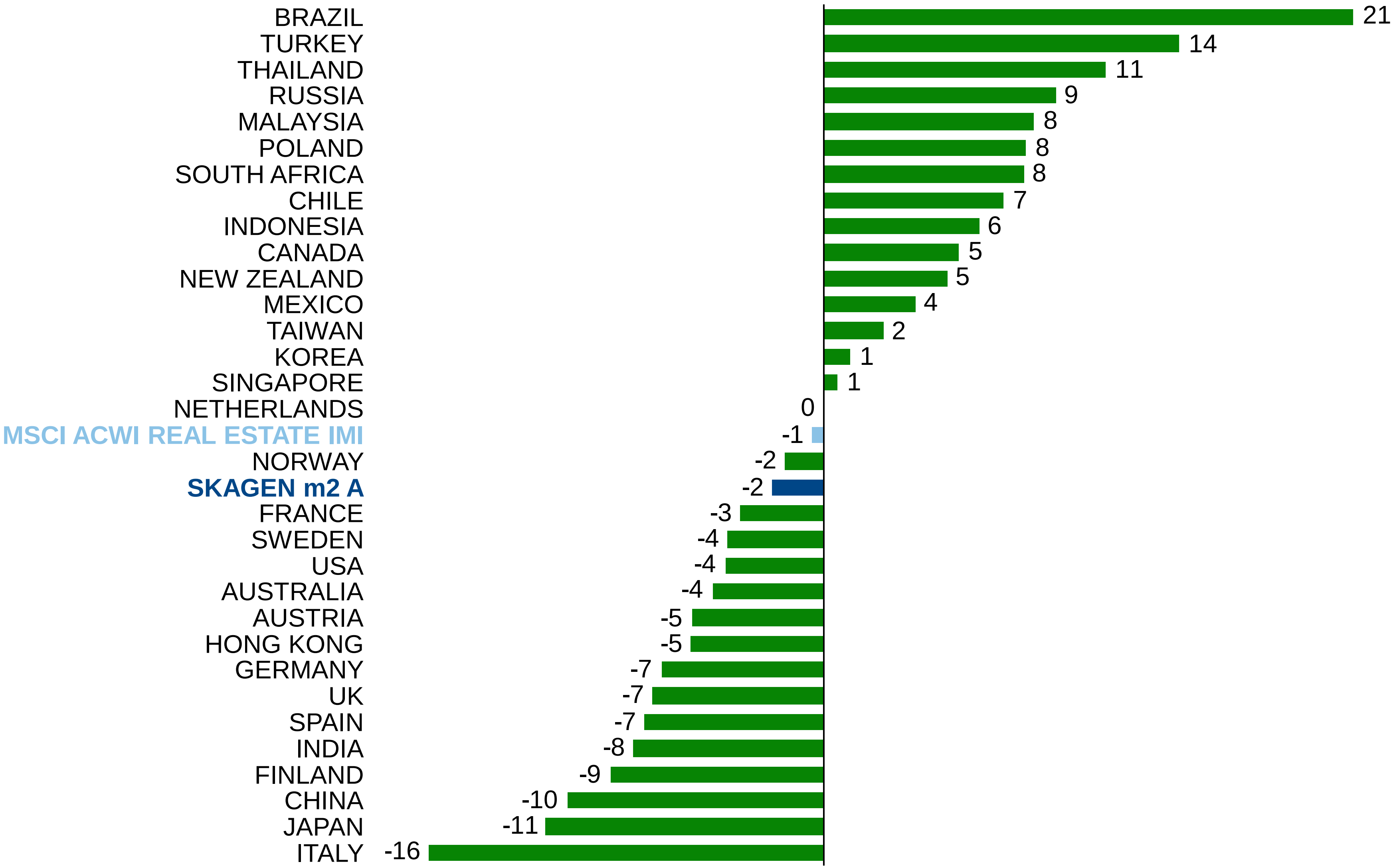
Note: All returns beyond 12 months are annualised (geometric return)
** Inception date: 31 October 2012*

Markets in March 2016 in EUR (%)



Markets 2016 YTD in EUR (%)

Percent



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Main contributors March 2016

Largest positive contributors

Company	NOK (000)
D Carnegie & Co	3 926
Deutsche Wohnen	3 903
Global Logistic Properties	3 491
Axia Real Estate	2 666
Shangri-La Asia	2 571
Olav Thon Eiendom	2 565
Phoenix Mills Ltd	2 444
BR Malls	2 200
Brandywine Realty Trust	2 175
Inmobiliaria Colonial	2 129

Largest negative contributors

Company	NOK (000)
Bekasi	-240
Columbia Property Trust	-229
IRSA	-158
Ascendas India Trust	-147
Ananda Development	-55
Mercialys	-40

Value Creation (NOK MM): 45

NB: Contribution to absolute return

Main contributors, March 2016

Largest positive contributors

Company	NOK (000)	Comments
D Carnegie & Co	3 926	AGM-approved repayment of convertibles removed uncertainty overhang, transaction leads to lower costs, less dilution and higher transparency and liquidity.
Deutsche Wohnen	3 903	German residential operator presented a very strong set of key figures for FY 2015
Global Logistic Properties	3 491	No company specific news.
Axia Real Estate	2 666	No company specific news.
Shangri-La Asia	2 571	Recovery after very weak performance last year.
Olav Thon Eiendom	2 565	Strong company with hangover from big seller.
Phoenix Mills Ltd	2 444	No company specific news
BR Malls	2 200	Strong performance during the month, better than expected report. Retail and tenants are struggling, macro and political turmoil. We sold out position after strong rally.
Brandywine Realty Trust	2 175	Strong 4Q and 2016 guidance.
Inmobiliaria Colonial	2 129	Good performance since inception in February, stock price rebound after low levels. Company and market fundamentals supportive.

Main contributors, March 2016

Largest negative contributors

Company	NOK (000)	
Bekasi	-240	No company-specific news
Columbia Property Trust	-229	Weak guidance.
IRSA	-158	Slower performance after strong performance in February.
Ascendas India Trust	-147	No company-specific news.
Ananda Development	-55	No company-specific news. We sold out position
Mercialys	-40	No company-specific news

Main contributors YTD 2016

Largest positive contributors

Company	NOK (000)
BR Malls	3 722
D Carnegie & Co	3 608
IRSA	3 222
Inmobiliaria Colonial	3 143
Mercialys	2 436
Nomura Real Estate	2 377
PS Business Parks	1 997
Shangri-La	1 772
Deutsche Wohnen	1 651
Catena	1 262

Largest negative contributors

Company	NOK (000)
HCP	-8 578
SL Green	-7 658
Columbia Property Trust	-6 044
Global Logistic Properties	-5 435
Melia Hotels	-3 927
Mitsui Fudosan	-3 921
Dic Asset	-3 163
Phoenix Mills	-2 953
CBL & Associates Properties	-2 836
Apartment Investment & Man	-2 618

Value Creation YTD (NOK MM): -42

NB: Contribution to absolute return

Most important changes Q1 2016

Holdings increased

Q1

Inmobiliaria Colonial, Spain	(New)
Big Yellow Group, UK	(New)
D Carnegie & Co, Sweden	
SL Green, US	
Ashford Hospitality Prime, US	
Axia Real Estate, Spain	
Catena, Sweden	

Holdings reduced

Q1

Apartment Investment & Man, US	(Out)
Columbia Property Trust, US	
BR Malls, Brazil	(Out)
Entra ASA, Norway	(Out)
Ananda Development, Thailand	(Out)
PS Business Park, US	
Gecina, France	
Bumi Serpong, Indonesia	
Etalon, Russia	(Out)
Unibail-Rodamco	(Out)
Vista Land, Philippines	(Out)
Rockwell Land Corp, Philippines	(Out)
Parque Arauco SA, Chile	(Out)

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Key earnings releases and corporate news

Deutsche Wohnen (Germany 4.0%)

Portfolio top performer continues to deliver

Implications for Investment Case: Positive: DW presented a very strong set of key figures for FY 2015, no surprises were delivered as company has announced several key metrics in January in connection with the failed Vonovia attack. Previous guidance remains with a strong growth in FFO, NAV and dividend for 2016. Margins are top class in industry confirming business model in terms of efficiency and concentration gains from Berlin focus. L-F-L rental growth of ~3% will continue to drive cash flow and NAV over time. External growth will be harder to obtain due to previous yield compression, positively focus is now more on internal growth by enhancing modernisation program, rents and capital growth. The positive revaluation pressure could push low LTV further south. This, in connection with the lack of reasonably priced acquisition targets, will likely lead to higher capital allocation to shareholders going forward.

SOHO China (HK, 1.8%)

Another extra dividend announced implying yield of 11%

Implications for Investment Case: Neutral/positive: Announcement of another special dividend was a positive surprise. However, operationally the 4Q15 report did not fully meet expectations due to slow leasing progress and higher costs. Special dividend implies a dividend yield of ~11% (based on closing) and was the same amount as the special dividend announced in Oct 15. Strategy going forward is to remain passive in the market due to elevated and "irrationally high" land prices, hence indicating no need for dry powder for further purchase which might explain another generous dividend. Chairman opened up for further disposals to catch the elevated market price. Focus will remain on lease-up current projects and further expansion on co-working platform SOHO Q3. Positive is the lower refinancing (already among lowest in sector) levels and decrease in foreign denominated debt that has been an overhang. Rental progress has to improve to reach sustainable earnings growth and decent future dividend levels.

BR Malls (Brazil, 1.5%)

Improvements on op. cost but still worries on top line trend and leverage. Sold out

Implications for Investment Case: Neutral: BRML reported 4Q15 results. The macroeconomic scenario is still 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. So far rents have been more resilient than expected. BRML is well positioned for a turnaround in the Brazilian economy, but this is probably nothing we will experience short term since the retail sector is under pressure. Company has high leverage and is exposed to USD debt, which is a risk if the currency drops since it will make it harder to service the outstanding perpetual USD denominated bond. Another risk is further negative asset revaluation as we had in 4Q15. Company is a top performer in the fund with a +40% increase (loc) YTD, but given the current valuation, additional headwinds in the retail sector and macro/political picture we sold out.

Key earnings releases and corporate news (cont.)

Melia Hotel, Spain (2.0 %)

Significant RevPar increases of 15 % YoY helped by strong USD
Implications for Investment Case: Positive. Melia Hotels reported a significant RevPar outperformance of 15% compared to expectations of 11%. The outperformance was strong in Spain, Italy, Germany and resorts in the Caribbean. Melia was named "Best Hotel Chain in Europe in 2015". The company reduced debt and is a mid-sized upcoming hotel brand with significant potential for growth. The stock rebounded significantly after the result.

Ca Immobilien, EE, Austria and Germany (2.4%)

Strong result, higher revaluation gains and growth profile going forward.
Implications for Investment Case: The company provided numbers better or in line with expectations with regard to NAV, recurring FFO and guidance. The company expects at least 10% per annum increased recurring income. NAV is expected to reach (EUR 25) within 2 years due to continued share buybacks (buy below EUR 17, current share price EUR 17) and improved operations.

BR Properties, Brazil (0.8%)

GP Investment signed an agreement with Abu Dhabi regarding funding for offer on shares in BR Properties.
Implications for Investment Case: GP Investment launched a bid in December to buy up to 70% of the company for BRL10 per shares, at that time trading at BRL 8. The bid was not accepted due to financing issues. The uncertainty regarding conditions for the bid seem to be lifted and the bid became a reality.

Keck Seng, Hong Kong (1.0%)

Strong 2015 with solid cash flow and balance sheet.
Implications for Investment Case: Keck Seng provided 2015 results with significant growth (using cash on hand) due to their acquisitions in US hotels in NY and San Francisco. The result was HKD 0.67 per share (share price HKD 5.75) with higher depreciation than revaluation meaning that FFO was closer to HKD 0.85 per share (15% FFO yield). The company distributed 15 cents in total for the year. The book value per share increased to HKD 10.

Largest holdings as of March 2016

	Holding size	Price	P/NAV	Div. Yield 2016e	EBITDA 2016e/EV
Mitsui Fudosan Co Ltd	4,9 %	2808	72%	1,1%	6,8%
Global Logistic Properties Ltd	4,8 %	1,92	66%	3,6%	4,2%
Olav Thon Eiendomsselskap ASA	4,6 %	137	70%	1,3%	6,6%
SL Green Realty Corp	4,6 %	95,64	75%	3,1%	5,1%
Deutsche Wohnen AG	4,0 %	27,29	119%	2,7%	4,5%
Mercialys SA	3,9 %	20,29	99%	6,2%	5,1%
HCP Inc	3,5 %	32,32	90%	6,9%	6,6%
Inmobiliaria Colonial SA	3,4 %	0,65	84%	3,8%	4,2%
Brandywine Realty Trust	3,3 %	13,95	85%	4,3%	6,1%
General Growth Properties Inc	3,2 %	29,65	90%	2,6%	5,1%
Weighted top 10	**40.2%**		**84%**	**3.4%**	**5.4%**
Weighted top 35	**92%**			**3.2%**	**6.0%**
Benchmark				**3.6%actual**	

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The largest companies in SKAGEN m^2 as of March 16

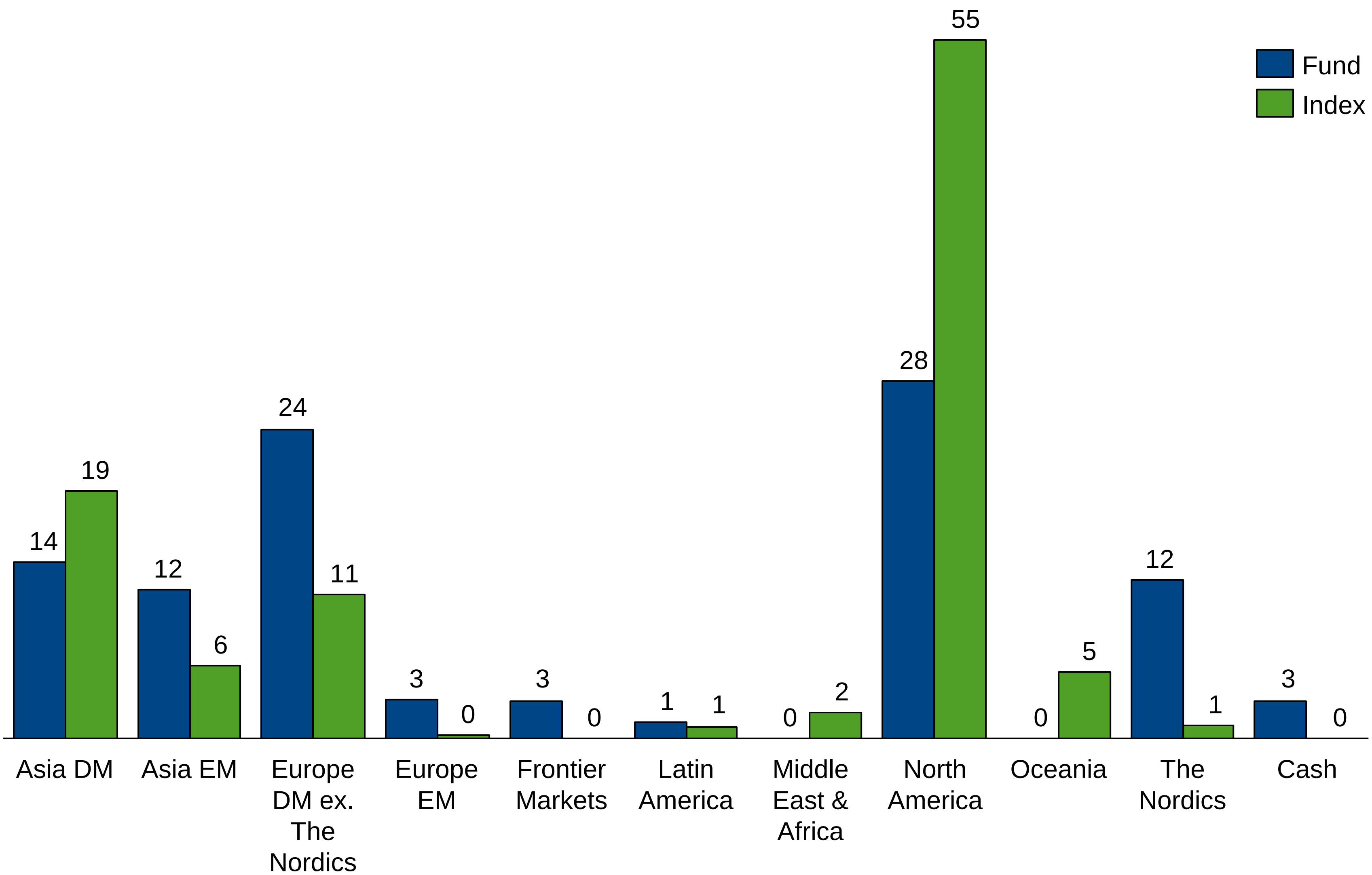
MITSUI FUDOSAN	Established in 1941, Mitsui Fudosan has been an active leader in the Japanese real estate industry, successfully developing new business opportunities and establishing an dominant position. The company is an integrated firm involved in office leasing, commercial facilities, condominium 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.
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.
SL GREEN REALTY CORP.	SL Green Realty Corp. is a fully integrated, self-administered and self-managed REIT. The company is focused on owning and operating office buildings in Manhattan. It owns equity or debt in 92 properties totalling 41.6 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	Deutsche Wohnen is one of the leading listed residential companies in Germany with its main focus in Berlin. Its operational focus is on managing and developing its residential property portfolio, which 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.

The largest companies in SKAGEN m^2 as of March 16

MERCIALYS	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.
HCP	HCP is a fully integrated self-administered real estate investment trust that acquires, manages, and invests in health care (largest sector of the US 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.
Colonial	Colonial is a leading Spanish prime property company present in Spain (Barcelona and Madrid) and France (Paris). The presence in France is structured through a 53.1% stake in the French listed company Société Fonciere Lyonnaise. The 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 throughout the turbulent waters of the recent economic crisis. They rebuilt their 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%.
BrandywineRealtyTrust	Brandywine Realty Trust is a self-administered, self-managed and fully integrated real estate investment trust. The company is engaged in the ownership, management, leasing, acquisition, and development of primarily suburban office properties. It also owns an interest in and operates a commercial real estate management services company. 180 buildings of total 22.6m sqf (2.1m m2). 155 office, 25 industrial/mixed use in addition to 6 redevelopment/use properties.
GGP	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).

Geographical distribution versus benchmark March 2016

Percent



Additional information

Why invest in listed property and SKAGEN m^2?

Q. Why invest in listed property?

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

Q. Why SKAGEN m^2?

- **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 <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 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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