

Performance Commentary

Global real estate markets were unusually unsynchronised in May. The Italian political crisis challenged the European markets at the end of the month while the US markets saw declining bond yields on flight to safety trades. The Chinese real estate market feared a potential credit squeeze and Argentina is undergoing its own mini crisis.

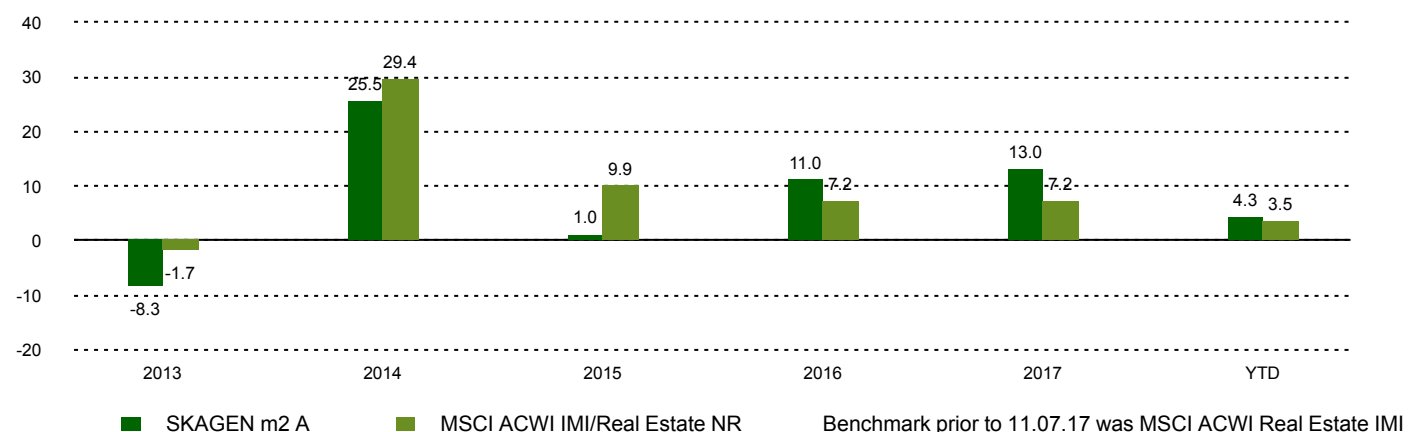
The best contributor in the fund was Swedish D Carnegie, mainly after a bid on peer Victoria Park from German residential operator giant Vonovia. Indian mall operator Phoenix Mills performed well, helped by rental and profit growth and rising consumption. The worst performer was once again Argentinian IRSA, due solely to the crisis going on in the country. However, the outlook does seem slightly brighter.

A new position in the fund is Chinese Vanke, one of the largest developers focusing on tier 1-2 cities. Vanke is trading at a deep discount due to its prudent land banking strategy and the uncertainty in shareholder structure, however it is trending positively. Vanke is slowly building up a recurring rental income business to mitigate volatility risk. The company recently participated in the privatisation of former SKAGEN m2 holding GLP. Vanke will have a central role in consolidating the Chinese residential market.

Historical performance (net of fees)

Period	SKAGEN m2 A	Benchmark index
Last month	2.6%	1.7%
Year to date	4.3%	3.5%
Last year	12.8%	10.0%
Last 3 years	6.0%	4.8%
Last 5 years	6.3%	9.0%
Last 10 years	n/a	n/a
Since start	8.2%	10.2%

Performance last ten years



Contributors in the month

Largest contributors

Holding	Weight (%)	Contribution (%)
D Carnegie & Co AB	6.96	0.73
Phoenix Mills Ltd/The	2.13	0.26
CA Immobilien Anlagen AG	4.73	0.25
Catena AB	7.13	0.23
Aroundtown SA	3.94	0.21

Absolute contribution based on NOK returns at fund level

Largest detractors

Holding	Weight (%)	Contribution (%)
IRSA Inversiones y Representac	2.80	-0.47
Inmobiliaria Colonial Socimi S	4.12	-0.26
MRV Engenharia e Participacoes	1.71	-0.22
Melia Hotels International SA	2.84	-0.19
CapitalLand Ltd	3.50	-0.14

The fund gives access to a normally inaccessible global real estate market. The fund selects low-priced, high-quality real estate companies from around the world.

The objective is to provide the best possible risk adjusted return.

The fund is suitable for those with at least a five year investment horizon.

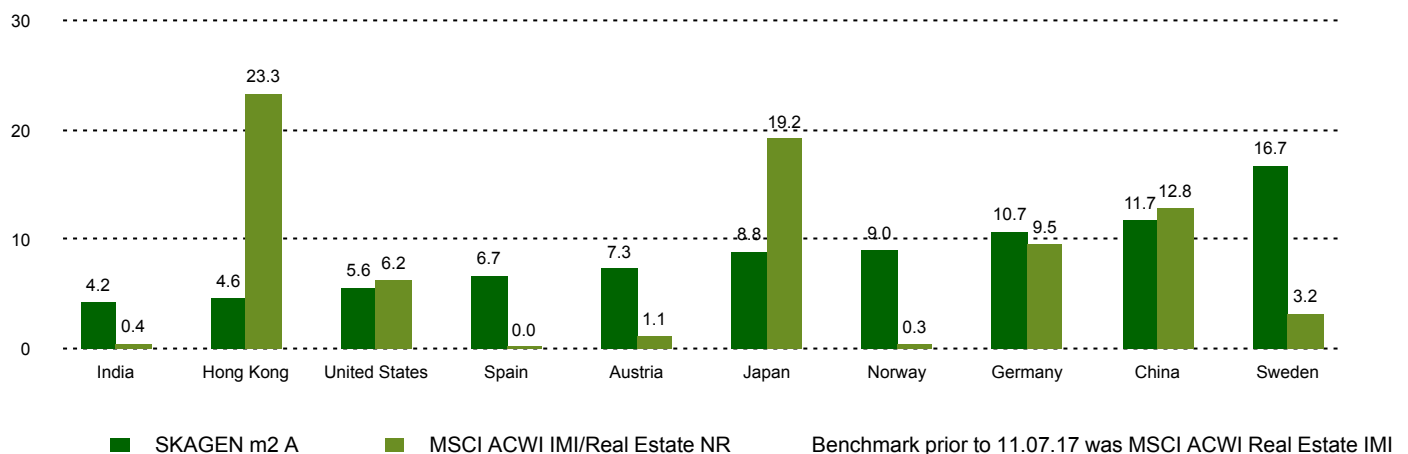
Fund Facts

Type	Equity
Domicile	Norway
Launch date	31.10.2012
Morningstar category	Property - Indirect Global
ISIN	NO0010657356
NAV	21.04 EUR
Fixed management fee	1.50%
Total expense ratio (2017)	2.05%
Benchmark index	MSCI ACWI IMI/Real Estate NR
AUM (mill.)	134.03 EUR
Number of holdings	29
Lead manager	Michael Gobitschek

Top ten investments

Holding	Sector	Country	%
Catena	Real Estate	Sweden	7.0
D Carnegie & Co	Real Estate	Sweden	6.9
Deutsche Wohnen	Real Estate	Germany	6.7
Mitsui Fudosan Co	Real Estate	Japan	6.5
CA Immobilien Anlagen	Real Estate	Austria	4.8
Aroundtown SA	Real Estate	Germany	4.0
Inmobiliaria Colonial	Real Estate	Spain	4.0
Sun Hung Kai Properties	Real Estate	China	3.6
CK Asset Holdings	Real Estate	Hong Kong	3.5
Olav Thon Eiendomsselskap	Real Estate	Norway	3.4
Combined weight of top 10 holdings			50.3

Country Exposure (top ten)



Contact



+47 51 80 37 09



contact@skagenfunds.com



SKAGEN AS, Post Box 160, 4001, Stavanger, Norway

Important information

This report is intended for investment professionals only. The content is not to be viewed by or used with retail investors. Unless otherwise stated, performance data relates to class A units and is net of fees. Except otherwise stated, the source of all information is SKAGEN AS. Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skills, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments. You can download more information including subscription/redemption forms, full prospectus, Key Investor Information Documents (KIID), General Commercial Terms, Annual Reports and Monthly Reports from our local websites or our local representatives. Statements reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice. This report should not be perceived as an offer or recommendation to buy or sell financial instruments. SKAGEN AS does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of this report. Employees of SKAGEN AS may be owners of securities issued by companies that are either referred to in this report or are part of a fund's portfolio. Svenska Handelsbanken AB (publ), Luxembourg Branch, 15, Rue Bender, L-1229 Luxembourg (org.no. B0039099) is the Paying Agent in Luxembourg.