

MARKET REPORT

# SKAGEN



IT'S THE LONG-TERM RESULT THAT COUNTS

OCTOBER 2014 | [www.skagenfunds.com](http://www.skagenfunds.com)

# Hitting the woodwork

An active manager's long-term results can generally be explained by skill – or lack thereof. In the short term, however, a dose of good or bad luck may also play a role.



Or as they say in football jargon, it is all about 'hitting the woodwork'; an outcome that may be decisive for the result of the game, but not where the team ends up on the league table at the end of the season.

For an active manager like ourselves, the season lasts 4-5 years, corresponding to the average time we hold a company in the portfolio.

We do not allow ourselves to be influenced by short-term results. Nevertheless it is never pleasant to lag behind the benchmark index as is the case for our equity funds at the end of the third quarter. This year we have been particularly hurt by our relatively high exposure to Russia; on paper, the cheapest stock market in the world. Our overweight in South Korea has also had a negative impact.

In Russia it is primarily our investment in the conglomerate Sistema that has dragged down the returns of both SKAGEN Global and SKAGEN Kon-Tiki. The arrest of the apparently Putin-friendly oligarch and majority shareholder in the company, Vladimir Yevtushenkov, was a bolt from the blue. The company's share price nosedived on news that authorities may confiscate the oil company, Bashneft, along with several billions of roubles worth of dividends already paid out.

Up to now Sistema has been one of the best contributors to recent years' results for SKAGEN Kon-Tiki. Last year the company contributed around EUR 120 million to the fund.

Due to the poor(er) treatment of shareholders, all of our equity funds except SKAGEN m<sup>2</sup> have been negatively affected by the negative sentiment surrounding Korean companies. When Hyundai Motor Group purchased a prestigious property in Seoul from a government-controlled company, well above market price, investors saw

red. This was money that shareholders had expected to receive in the form of dividend payments.

Since Hyundai Motor first entered into the SKAGEN Kon-Tiki portfolio in the spring of 2009, it has been an extremely good contributor to the fund. Last year alone the contribution amounted to around EUR 300 million.

Sometimes a shot hits the cross-bar and goes in, like last year when SKAGEN Kon-Tiki beat its benchmark index by 13 percentage points. Other times the ball deflects out, like this year.

There will always be uncertainty tied up with investing in the stock market, and in particular selecting individual companies. That is why we are prepared for some of our investments to perform poorly. However, if we have done our job, and are true to our investment philosophy, the poor investments will be outweighed by the good, by a good margin.

Over the past couple of years, large companies with stable earnings and high dividend yield have been the winners on the stock market. In particular US companies. These are stocks which already had a high price tag to begin with and which have become even more expensive as the long-term bond yields have fallen further. We have stayed true to our investment philosophy: to continue to own cheap, undervalued, stocks.

Given these market conditions, SKAGEN Global has not managed to keep up with the benchmark index, over half of which is made up of US stocks. At the end of the third quarter, 28 percent of the SKAGEN Global portfolio was invested in US companies.

Our experience after almost 21 years in the global equity markets has shown that over longer time periods we are better rewarded for owning undervalued compa-

As our funds have grown in number and size over the years, so has our Market Report. With the introduction of SKAGEN Credit, our global corporate bond fund, we have now chosen to focus the content in the Market Report solely on the The Portfolio Managers' Report section. Our theme articles will now be published through our digital media channels.

Analyses based on parameters such as Price/Earnings, Price/Book and Price/Sales substantiate this.

Based on expected earnings for the companies this year, our equity funds are priced at a 30-40 percent discount to their benchmark indexes. In absolute terms this represents a return from the companies' earnings of around 10 percent (E/P). By way of comparison the 10-year government bonds in Germany and the US provide a yield of one and 2.5 percent respectively.

This is a good starting point for succeeding in the long run.

When it comes to our fixed income funds, SKAGEN Tellus is ahead of its benchmark index, both in the long and the short term, while SKAGEN Credit EUR is lagging its benchmark. You can read more about the fixed income funds starting on page 20 of this report.



– Casper Meussen  
Head of International

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Photo: Bloomberg

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**SKAGEN Credit.** Our global corporate bond fund, is now included the Market Report. Pictured: Bharti Airtels flagship store in Mumbai, India. SKAGEN Credits investment in Bharti Airtel is the fifth biggest one in the fund.



Photo: Bloomberg

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**Inflammable cocktail:** A laboratory technician looks at gasoline in the control laboratory of an oil refinery operated by Bashneft in Ufa, Russia. The company is in the midst of the turmoil surrounding the Russian holding company Sistema, a position in both SKAGEN Global and Kon-Tiki

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SKAGEN seeks to the best of its ability to ensure that all information given in this report is correct, however, makes reservations regarding possible errors and omissions. Statements in the report reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice.

The report should not be perceived as an offer or recommendation to buy or sell financial instruments. SKAGEN does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of the report. SKAGEN recommends that anyone wishing to invest in our funds contacts a qualified customer adviser by telephone on +47 51 80 38 58 or by email at [contact@skagenfunds.com](mailto:contact@skagenfunds.com).

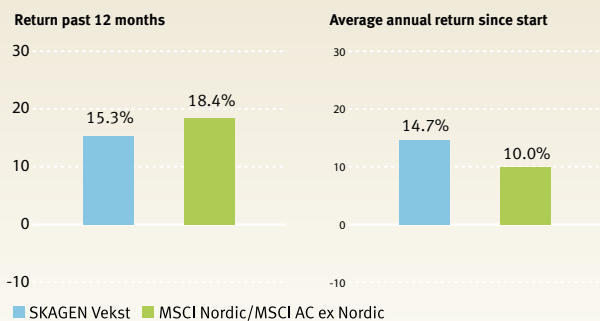
# Returns

The following tables show the returns for SKAGEN's funds versus their respective benchmarks in euro. The figures are updated as of 30.09.2014

Equity Fund      Fixed Income Fund

## SKAGEN VEKST

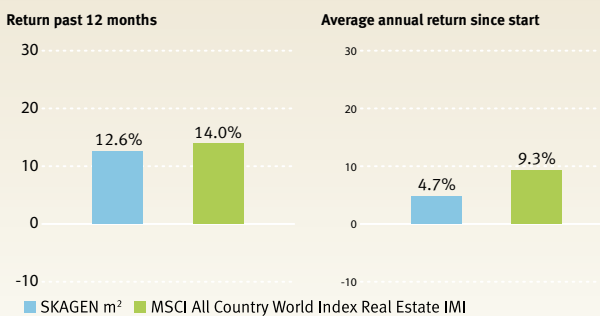
**Managers:** Ole Sæberg and Geir Tjetland    **Start:** 1 December 1993



\* The benchmark index prior to 1/1/2010 was OSEBX and prior to 1/1/2014 it was OSEBX / MSCI AC (50/50).

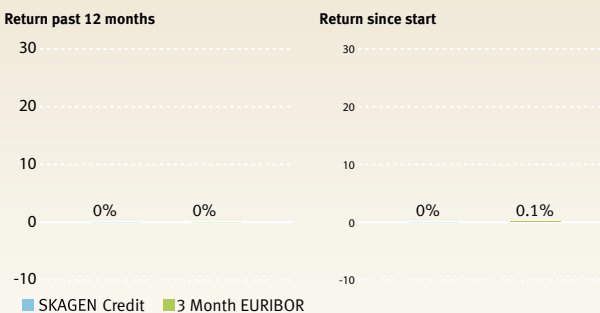
## SKAGEN m<sup>2</sup>

**Managers:** Michael Gobitscheck and Harald Haukås    **Start:** 31 October 2012



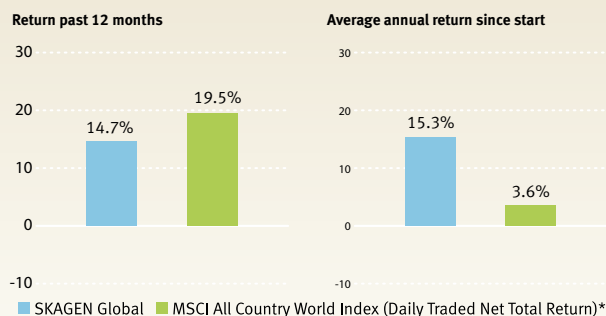
## SKAGEN CREDIT EUR

**Manager:** Ola Sjöstrand    **Start:** 30 May 2014



## SKAGEN GLOBAL

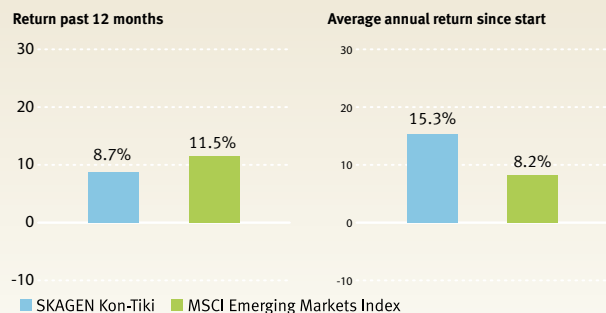
**Manager:** Kristian Falnes    **Start:** 7 August 1997



\* The benchmark index prior to 1/1/2010 was the MSCI World Index

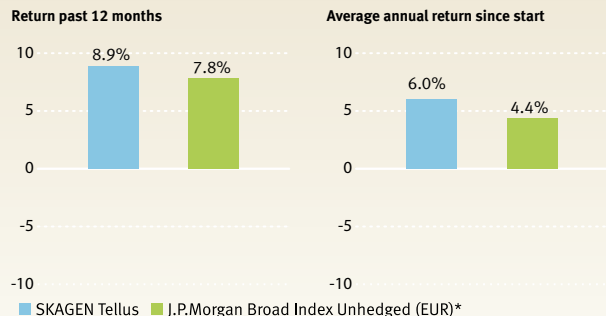
## SKAGEN KON-TIKI

**Manager:** Kristoffer Stensrud    **Start:** 5 April 2002



## SKAGEN TELLUS

**Manager:** Torgeir Høien    **Start:** 29 September 2006



\* The benchmark index prior to 1/1/2013 was Barclay's Capital Global Treasury Index 3-5 years.

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

Unless otherwise stated all figures quoted in this report are in euro, except for the financial statement, which is in Norwegian kroner.

SKAGEN Funds only has authorisation to market its money market funds SKAGEN Høyrente and SKAGEN Høyrente Institusjon in Norway and SKAGEN Krona in Sweden. SKAGEN Avkastning has a limited market area. Information regarding these funds is included in the official accounts but is excluded elsewhere.

The financial statement was originally prepared in Norwegian. The translated version is published with reservations regarding possible errors and omissions as well as erroneous translation. In case of conflict between the Norwegian accounts and the English translation, the former shall prevail. The Norwegian version of the financial statement is available at [www.skagenfondene.no](http://www.skagenfondene.no)



Photo: Bloomberg

**In light of greater scrutiny** Chinese gamblers are laying low, resulting in three consecutive months of declining sales in Macau – still the world’s biggest gambling hub. Pictured: employees at the Bally booth at the Global Gaming Expo (G2E) inside the Venetian Macau resort and casino, May 20, 2014.

## Portfolio Managers’ report Introduction

- › **POCKETS OF OPPORTUNITY** as developments in Russia, Japan, Brazil and India could create long-term rewards for careful stock-pickers
- › **MARIO DRAGHI RUNNING LOW ON AMMUNITION** to revive the Eurozone economy as high yield bond issuance at an all-time high
- › **KOREA DISCOUNT SET TO REMAIN** unless corporations allocate capital more efficiently while Chinese reforms continue to make their mark
- › **SKAGEN PORTFOLIOS REMAIN ATTRACTIVELY VALUED** and well-placed to take advantage of inefficiencies in global market



Photo: Bloomberg

**Brazilian presidential candidate Marina Silva** has done her fair share of hand shaking, but she was narrowly defeated by the incumbent Dilma Rousseff in the first round of the October elections.



Photo: Bloomberg

**Mario Draghi**, president of the European Central Bank (ECB), has a long list of challenges ahead. Pictured: Mr. Draghi at a news conference to announce the bank’s interest rate decision in Naples, Italy, in October 2014.

# What a difference a few months make

If crisis is the mother of all opportunities, then this quarter has been full of opportunities.

During the spring, the media headlines were full of speculation about the demise of the US dollar as a world currency, to be replaced by bitcoin, the digital payment system. Instead, the US dollar strengthened significantly, posting a 7.4 percent appreciation against major world currencies during the third quarter. Bitcoin, on the other hand, lost 58 percent of its value from the high in January this year. Once again, it pays off to question popular beliefs. Equities rose 4.6 percent in emerging markets and 5.6 percent in developed markets during the quarter, as measured in euro.

## Russia – reversion to mean?

At SKAGEN, we support the saying that “a crisis is the mother of all opportunities”. This belief has been tested several times in Russia this year, especially in the third quarter as the Russian market slid 4.4 percent in local currency terms. As with any period of great upheaval, there is no clear path to resolution as daily developments are in constant flux. Similarly, there is no obvious signal that

tells us it is time to get in, or time to get out. This leaves investors confused and prone to overreact, causing asset prices to diverge significantly from their true values. In this environment, it pays to be pragmatic and long-term minded. Priced at only five times next year’s earnings, Russian equities are among the cheapest in the world and reflect the historically negative outlook. While there are risks of further sanctions and asset seizures by the Russian government, chances are greater for a longer-term resolution as global interdependencies prevail. In the meantime, certain Russian equities could provide an asymmetrical payoff opportunity where the upside is greater than the downside risk. Careful company selection and appropriate sizing of positions are key requirements to ensure long-term performance.

## US and Japan developments

In the US, the economy expanded by 4.6 percent in the second quarter, the fastest rate since 2011. Corporate investments continued to climb in August, signalling

increased confidence in the US economy. As assembly lines become busier at US factories and Americans’ outlook becomes more optimistic, Federal Reserve policymakers are debating how much longer to keep interest rates near zero. Much of this will depend on an improving labour market, which lost some momentum in August. Currently, federal funds futures are pricing in a rise in interest rates from June 2015.

The dollar strengthened against most currencies, most notably against the Japanese yen, which hit a six-year low. While recent Japanese economic data has been disappointing, the deflationary threat seems to be less of an issue as land prices have stabilised and corporate balance sheets are generally in good shape. Japanese stock prices have yet to reflect these positive developments, even though their P/E multiples are in line with developed markets. As Japanese companies tend to under-report earnings for tax reasons, their P/E ratios are effectively much lower. Comparatively, Japanese companies trade at around a 15 percent discount on a Price/Cash-flow basis compared to developed markets. We believe Japanese equities have meaningful upside potential based on current valuations.

## Risk-taker of last resort

The ECB President Mario Draghi and his staff are running low on ammunition to revive the Eurozone economy. After acknowledging that conventional monetary policy has been exhausted, unconventional methods including loans and asset swaps have had a negligible effect on inflation and economic activity.

The problem here is not the lack of liquidity, but rather a lack of risk appetite. Both France and Germany recently rejected a proposal to let the ECB buy



Spring predictions of the dollar's demise proved to be premature. The greenback strengthened significantly during the third quarter, as shown in the chart versus a basket of six major currencies.

lower quality asset-backed securities, much like the Federal Reserve did during the first round of Quantitative Easing in the US. There is also the challenge of high nominal wage rates in Europe. Mr. Draghi's gargantuan challenge now is to teach policymakers the importance of deregulating their labour markets. This requires spending precious political capital on controversial steps such as freeing up labour laws, specifically minimum wage legislation.

Meanwhile, European high yield bond issuance is on track for another all-time high with total issuance at EUR 67.4 billion in September versus a total of EUR 70.1 billion in 2013. Spreads in medium credit quality bonds remain the most attractively priced.

#### **The Korea discount**

In July the South Korean Ministry of Finance announced it would seek to prevent corporate cash hoarding by imposing a punitive tax. The goal was to shift cash away from corporate balance sheets and into economic stimulus either through wages, investment or shareholder dividends. This was welcome news especially among foreign investors, who own a third of South Korea's 200 biggest companies predominantly through preference shares, pushing the Kospi index up 3.7 percent (in KRW) during July.

Korea has a dismal dividend track record with the payout ratio of just 21 percent, about half of the global average. However, while stingy on dividends, Korean companies have contributed significantly to SKAGEN's returns over the years. During the 1997 Asian currency crisis, many Korean companies ran dangerously low on funds and some companies went under after sudden capital depletion. The fear of a repeat still permeates management decisions. As a result, low dividend yields is one of the biggest factors behind the low valuations of Korean companies relative to their global peers—in what is known as the Korean discount. However, this discount is unlikely to change much unless corporations choose to allocate capital efficiently and avoid sub-par return projects.

#### **Sleepless in Macau**

Government reforms continue to make their mark in China, including the much-anticipated corporate governance overhaul. Chinese corporations currently rank third from the bottom among Asian nations, only surpassing the Philippines and Indonesia when measured on potential conflicts of interest, transparency and audit quality. Anti-graft reforms are sweeping through both public and private sectors. In light of the greater scrutiny, high rollers are laying low and instead preferring casino sites such as Manila, Australia and Las Vegas. As a result, Macau experienced three straight months of declining sales in the third quarter. Still, Macau remains the world's biggest gambling hub despite the recent declines, generating USD 45.2 billion of casino revenue for the city in 2013, seven times more than the Las Vegas Strip.

The sheer size of the Chinese market is not lost on investors and has fuelled several high-profile technology IPOs during the quarter. Today, there are 618 million internet users in China. By 2015, this number could grow beyond the 850 million mark. The online retail market in China is projected to reach USD 395 billion by 2015, around three times larger than it was in 2011. The strong growth in e-commerce will also benefit infrastructure, mobile payments and logistics providers.

#### **Shaking hands in Brazil**

They say elections are not far off when the candidate can recognise you from across the street. Brazilian presidential candidate Marina Silva has done her fair share of hand shaking, but she was narrowly defeated by the incumbent Dilma Rousseff in the first round of the October elections, which are the most unpredictable in years.

Ms. Silva has a market-friendly reputation and strong environmental ties, which spurred a 1.8 percent increase in Brazilian equities during the third quarter, measured in local currency. However, the election winner will face headwinds from a tepid economy with GDP growth of merely 0.5 percent this year, as reflected in Moody's recent rating shift to Baa2 negative, two notches above junk rating.

Brazil's economy remains vulnerable to swings in commodity prices as the world's second largest iron ore producer behind Australia. Iron ore prices hit a five-month low in September on weaker demand from China coupled with recent capacity increases. Copper prices also declined 4.2 percent (in USD) during the quarter, testing fresh lows in September. The deflationary trends in commodities signal a weaker global economic development, which could keep global interest rates low for some time, boosting equity and bond valuations.

#### **Made in India**

In India, Prime Minister Narendra Modi is working to lift his country up from the lowest living standards among emerging markets. The Indian economy is struggling to restore growth rates in excess of the 7 percent sustained earlier this decade, while battling inflation at above 7 percent. Much of the success will depend on attracting global manufacturing to India, as nearly 300 million Indians, a quarter of the total increase in the global workforce since 2010, will be looking for employment in the three decades to 2040. The government is seeking to boost the share of manufacturing in the USD 1.9 trillion economy to 25 percent from about 15 percent, compared to 32 percent in China. However, India remains a challenging place to do business and the country ranked only 134 of 189 economies in the World Bank's Ease of Doing Business index. Improving conditions will be a key requirement to attract global manufacturers to India as well as a further re-rating of Indian equities.

#### **Margin of safety**

SKAGEN portfolio teams look to achieve a margin of safety when investing. In other words, we look to participate in gains when a stock or bond rises to a greater extent than we participate when it falls. In order to reach this goal, we look for those equities and bonds that are undervalued by the market and give them several years to realise their intrinsic value. In this sense, we have both valuation and time on our side to take advantage of inefficiencies in global markets.

# SKAGEN Vekst

- › Geopolitical climate had a negative effect
- › We continue to reduce exposure to the energy sector
- › The portfolio is trading at a significant discount to the benchmark

## Decent performance at company level

After a good start to the year, SKAGEN Vekst's development was less favourable in the third quarter. Improved operations and a strong focus on costs have been positive drivers for several of our largest holdings, while geopolitical uncertainty and global economic growth concerns have impacted the overall performance of the fund as more risk has been applied to some company valuations.

### End of summer activity

After a warm and fairly quiet summer in Northern Europe, we saw an Indian summer in the market towards the end of the third quarter. There were heightened activity levels in equity markets through increased mergers and acquisitions, and new companies floating on the stock market. Continued low interest rates have created possibilities for companies to continue to refinance at record low levels and for increasingly longer periods, which illustrates that investors' outlook is starting to reflect the central banks' statements of low interest rates for some time to come.

Companies which have been hoarding cash over the past five years also see increased push from investors to use it prudently or return it to shareholders. This focus on capital management has also increased the mergers and acquisitions activity and will most likely test companies' ability to create investment returns and act in the best interests of all share-

holders. Unfortunately, one of our Korean companies has not fully understood how this works.

In the Nordic markets the best performer was Denmark, followed by Sweden and Norway. Finland brought up the rear.

### Geopolitical clouds appearing

The tension between Russia and Ukraine worsened in the third quarter and we have observed that heightened fear and uncertainty have driven up the risk premium on investing in companies exposed not only to Russia, but also to Europe as the situation may impact major parts of the European economy.

Although SKAGEN Vekst's direct exposure to Russia is limited to 1.7% of the fund through our investment in Sberbank, the situation also impacted companies outside Russia which have large parts of their business in the country. These include Raiffeisen International, Carlsberg, Nokian Tyres and Kinnevik.

PERFORMANCE IN EUR	3Q 2014*	YTD 2014*
SKAGEN Vekst	1.1%	9.5%
MSCI Nordic/MSCI AC ex. Nordic	3.5%	11.7%

\* As of 30 September 2014.



### Portfolio Managers

Geir Tjetland, Ole Sjøberg, Erik Bergöö and Alexander Stensrud\*

\* Junior Manager, one year term

### SKAGEN VEKST KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 30-09-2014)

Company	Holding size %	Price	P/E 2014E	P/E 2015E	P/B last	Target price
Royal Caribbean Cruises Ltd	8.2	67.29	19.2	15.0	1.7	85
Samsung Electronics	6.5	898,000	6.0	5.3	0.8	1500000
Norsk Hydro	6.1	35.94	31.3	16.3	1.0	57.5
Teva Pharmaceutical	5.8	53.75	11.2	11.0	1.9	65
Continental AG	4.3	150.17	11.6	10.3	3.1	225
Norwegian Air Shuttle	4.0	224.10	64.0	10.2	2.7	340
Kia Motors	3.1	53,700	5.8	5.5	1.0	90000
Philips	3.7	25.27	11.6	9.0	2.2	40
Danske Bank A/S	3.1	160.20	12.3	10.6	1.1	205
TeliaSonera AB	2.9	49.92	12.3	11.7	1.9	70
<b>Weighted average 10</b>	<b>47.9</b>		<b>11.9</b>	<b>9.5</b>	<b>1.4</b>	<b>46%</b>
<b>Weighted average 35</b>	<b>76.1</b>		<b>9.7</b>	<b>7.7</b>	<b>1.5</b>	
<b>Benchmark index (MSCI Nordic/MSCI AC ex. Nordic)</b>			<b>16.4</b>	<b>13.8</b>	<b>2.1</b>	

P/E may deviate from other sources when based on SKAGEN estimates.





Photo: Bloomberg

Great contributor. Royal Caribbean Cruises, 8.2 percent of the fund, continued to perform in the third quarter. Pictured here: Voyager of the Seas, at Ohi wharf in Tokyo, Japan.

### Declining oil price and cost control

In SKAGEN Vekst we continue to focus on absolute return and the valuation of our investments. Over the past year we have argued that major oil companies will need to see greater returns on their capital invested and during 2014 we have reduced our exposure to the energy sector to 10%. During the third quarter we reduced our position in Statoil, the Norwegian state-controlled oil company, as the share price rose to a level whereby the lower cost base was reflected in the price. As the price was close to our price target we reduced the position and used the proceeds to invest where we see a higher potential for return and less downside risk.

Our Norwegian fleet of supply and sub-sea vessels owned through Solstad, DOF

and Siem (totalling 3.9% of the fund) all had a poor quarter and lost between 15 and 26 percent of their value. Although the companies delivered in line with expectations and have long contracts (limited exposure to spot market), the recent decline in the oil price combined with an increased focus on costs among oil majors seems to have impacted investors' perceptions. There is now a real possibility that the sector continues to develop into a less cyclical industry and consolidation should be discussed within the segments. Solstad Offshore is a clear example of a good company that has continued to transition from a supply ship company to a well-run international sub-sea company with a strong focus on shareholders – unfortunately this was not rewarded by the stock market in

the third quarter.

### Good news for cruise lines and airlines

Royal Caribbean Cruises (8.2% of the fund) has been a great contributor to SKAGEN Vekst this year and its strong performance continued in the third quarter. The cruise line continues to deliver strong results and their second quarter report showed an impressive 9% growth in passengers and strong cost control. During the quarter we saw the share price rise 21.5% and with a 20% hike in the dividend pay-out we see the company being able to service and reduce its debt while at the same time continuing to invest to create shareholder value.

Also within the travel segment we saw Norwegian Air Shuttle (3.9% of the fund) generate strong quarterly performance as the company experienced strong passenger growth and launched a base in Gatwick to better service their customers in the UK for the summer. Many had feared that the impact of starting long-haul routes for the Norwegian low-cost carrier would be dramatically value destructive, but so far the company has delivered reasonable travel figures and been able to fly more people further for lower prices. As the price war in Norway seems to be easing, the company should be able to increase their yield and continue their value-accretive

#### SKAGEN VEKST 3Q 2014 (MILL. NOK)

##### 5 largest contributors

Royal Caribbean Cruises Ltd	161
Norsk Hydro ASA	44
Teva Pharmaceutical-Sp ADR	36
Norwegian Air Shuttle ASA	34
Koninklijke Philips NV	15

##### 5 largest detractors

Samsung Electronics Co Ltd Pref	-97
Continental AG	-58
Sberbank of Russia Pref	-45
DOF ASA	-37
Rec Silicon ASA	-28

##### Largest purchases

TeliaSonera AB	159
Volvo AB	50
Golar LNG Ltd	27
Toto Ltd	22
Nokian Renkaat OY	20

##### Largest sales

Statoil ASA	-159
Royal Caribbean Cruises Ltd	-86
Danske Bank A/S	-53
LG Corp	-41
Avance Gas Holdings Ltd	-38



Photo: Bloomberg

**Normand Flipper, operated by Solstad,** sails out of Aberdeen Harbour. Solstad Offshore is a clear example of a company that has transformed from a supply ship company to an international sub-sea company – so far, this has not been recognized by the markets.

international expansion.

We may not have a magic crystal ball that can tell us what the oil price will be in the future. Nonetheless, we see that in our portfolio 15% of the companies will be positively impacted by lower energy prices, while 10% of our holdings may face further headwinds if the oil price continues to decline.

**Improvements coming through**

Teva, the Israeli-American pharmaceutical company (5.8% of the fund) followed up its strong first quarter figures with continued organic growth in both revenue and profitability. The main driver behind this was the continued successful switch of their

blockbuster one-a-day Copaxone drug to a three-times-a-week version. The original version of the drug saw its patent expire earlier this year, but the new version prolongs Teva’s grip on the market. Furthermore, it is also encouraging to see the new management stating their intention to focus on organic growth to strengthen and develop the generic business. The company is now moving towards a more balanced portfolio of drugs, both specialist and generic.

Although the market was rocky towards the end of September, our portfolio companies continue to deliver strong performance at an individual level. With interest rates currently low and expected to remain so for

the next couple of years, companies should continue to see strong positive development through higher earnings. Based on 2014 earnings estimates, SKAGEN Vekst now trades at a P/E multiple of 9.7x. This compares with a valuation of 16.4x for the benchmark index. The SKAGEN Vekst portfolio also trades at a P/B of 1.4x while the benchmark index trades at P/B 2.1x.

# SKAGEN Global

- › Continued turbulence in Russia
- › The biggest holding – Samsung – lost 15 percent in the quarter
- › Dixons left the portfolio after having quadrupled in value

PERFORMANCE IN EUR	3Q 2014*	YTD 2014*
SKAGEN Global	1.4%	8.3%
MSCI ACWI	6.2%	13.5%

\* As of 30 September 2014.



#### Portfolio Managers

Kristian Falnes, Søren Milo Christensen, Chris-Tommy Simonsen, Johan Swahn and Knut Gezelius

## Unsatisfactory quarter

It was an unsatisfactory quarter for SKAGEN Global due to the weak performance of several of our Russian companies as well as the fund's largest investment, Samsung Electronics.

A further escalation of the tense situation between Russia and the West resulted in the weak performance of the Russian stock exchange and the rouble in the quarter. Measured in euro, the Russian stock exchange fell by 11 percent.

At the end of the quarter 4.8 percent of SKAGEN Global's assets were invested in Russian companies, of which Gazprom was the largest position (1.9% of the fund).

In relative terms, the fund also suffered from the continued strong performance of the US stock market, which gained 10 percent measured in euro. US equities are now priced at well above their historic average, while company margins are at an all-time high.

28 percent of SKAGEN Global's assets are invested in US companies while the equivalent figure for the fund's benchmark, the MSCI All Country Index, is 50 percent.

#### Best contributors

The best contributor in the quarter was the US bank Citigroup, the fund's second largest investment (6.2% of the fund). Measured in US dollars the stock was up 11 percent. The bank reported better results than expected for the second quarter.

The results from the investment banking division were particularly good. It was also reassuring to see that the cost level is going down. Cost cutting is an impor-

tant element in the greater profitability we expect to see from Citigroup in the future.

The Korean industrial conglomerate LG Corp gained 23 percent in local currency. This was primarily due to a reduction of its conglomerate discount. Even after the increase in share price, the discount to the underlying value is still 45 percent.

#### Grossly undervalued

The fund's largest holding, Samsung Electronics (6.7% of the fund), delivered weaker than expected figures for the second quarter and ended the quarter down 15 percent in local currency. A stronger Korean won had a negative effect on the results, but more importantly, the weaker margins for smart phones were poorly received by investors.

Given the weaker profitability within mobile phones we have reduced our annual earnings expectations by 25 percent. In the meantime we expect that the new generation of memory chips will lead to strong earnings growth for this division in the future.

The chairman of Samsung Electronics, Lee Kun-Hee, is seriously ill. As a result the decision about what will be done with the company's considerable cash position has been put on hold. Samsung has previously said that dividends to shareholders will increase in the long term, but we are not

#### SKAGEN GLOBAL 3Q 2014 (MILL. NOK)

5 largest contributors		Largest purchases	
Citigroup Inc	396	Volvo AB	531
LG Corp	216	NN Group NV	495
Microsoft Corp	159	Koninklijke DSM NV	278
Bunge Ltd	96	Deutz AG	137
Teva Pharmaceutical-Sp ADR	85	Gap Inc/The	136
5 largest detractors		Largest sales	
Samsung Electronics Co Ltd Pref	-544	Hannover Rueckversicherung AG	-345
Sistema Jsfc	-252	Vale Sa Spons ADR	-282
Renault SA	-166	China Unicom Hong Kong Ltd	-281
Hyundai Motor Co Pref	-156	Bunge Ltd	-217
OMV AG	-123	Oracle Corp	-212



Photo: Bloomberg

**Citigroup – the second largest position in the portfolio** announced solid earnings and we expect a continued rise in profitability due to cost cutting. Pictured: Pedestrians outside a Citibank branch in New York on 10 July 2014.



Photo: Bloomberg

**Samsung.** The largest in holding in the fund lost 15 percent in the quarter. We have lowered our expectations for this year's results by 25 percent due to profitability concerns related to smart phones. Pictured: Galaxy Note Edge and Galaxy S 5 Active.

entirely convinced. The company now has a net cash position, which constitutes a third of its market value on the stock exchange.

Even after a downwards adjustment of the earnings expectations, our preference shares are priced at around six times this year's earnings. Uncertainty surrounding the development of the mobile division, the dividend policy, the chairman's health and the imminent generational shift means that the Samsung share price is, in our opinion, grossly undervalued.

**House arrest and share price massacre**

The second largest detractor from performance in the third quarter, Sistema, saw its share price fall over 70 percent. This

was prompted by the company's majority owner, Vladimir Yevtushenkov, being put under house arrest, charged with money laundering in connection with the purchase of the oil company Bashneft five years ago.

The market is now pricing in the fact that both Bashneft and the dividends formerly paid by the company will be confiscated. The generally poor sentiment around Russian equities is not helping the situation. Sistema is currently priced at a significant discount to the market value of the company's 53.5 percent ownership of Russia's largest mobile player, MTS.

As a result of the drama surrounding Sistema, the risk premium on Russian shares has risen to historically high levels.

**Largest in trucks**

Swedish Volvo is a newcomer to the portfolio. The company is the world's largest manufacturer of trucks, and also has a solid position within the production of buses and construction machinery.

Volvo's profitability has long been unsatisfactory, but it has now introduced a significant cost cutting program. Together with the introduction of new models, this should lead to greater profitability going forward. Given the costs connected with restructuring, we will have to wait for the 2015 accounts before the profitability will be apparent. In the short term, weakened demand from the building sector in China and the poor market for trucks in Brazil are having a negative impact.

In our opinion, today's low margins and unpopularity make for a good backdrop for investing in a company which will show significantly improved productivity in a couple of years time. Based on expected earnings in 2016/17, we see the potential for a share price increase of 50 percent.

**Dutch life**

The Dutch life insurance company, NN Group, was initiated as a new position in connection with its IPO in July. Efficiency gains and improved capital discipline are important elements in our investment thesis. NN Group is valued at only 0.5 times book value. This corresponds with the company's low return on equity, which is expected to be only five percent in 2015.

The potential for greater profitability is substantial. Having detached itself from the Dutch financial conglomerate ING, NN Group has started significant efficiency programs, which we do not believe are reflected in the current share price. We think that a higher return on equity could be a catalyst for rerating to 0.7 times book value within a two year time frame. Similarly, we expect the share price to increase by 40 percent.

**Quadrupling in Dixons**

The share price of both Oracle and RCL started to approach our target price following strong performance and we chose to exit both positions with a good profit. The share price of Bunge, Goldman Sachs, Microsoft, Cheung Kong, RSA and Hannover Re also increased significantly and we scaled the positions down accordingly. As was the case with Oracle and RCL, we could



Photo: Volvo

have steered the Swedish truck manufacturer Volvo into the fund. The company is unpopular for various reasons and we expect that a number of initiatives could drive the stock upwards by around 50 percent within the 2016/17 time frame.

not adjust our fundamental perception of the companies upwards in line with the share price increase.

Following a quadrupling of our investment in Dixons Retail, we have also substantially reduced our position in the company. Dixons recently merged with Carphone Warehouse in order to be better positioned for the sale of mobile phones and other internet-linked electronics. We believe the merger dilutes the potential we saw of increased profitability in the 'old' Dixons at the same time as we fear that the margins of the 'old' Carphone Warehouse will be pushed further down – from a relatively high level.

#### Vale disappointment

Our investment in the Brazilian mining company Vale has not developed as intended when we first bought the company a little over a year ago. The company's business is concentrated around the sale of iron ore to China. The combination of a significant drop in the price of iron ore due to greater supply and a substantially weaker production of steel in China has had a very negative impact on Vale's bottom line.

It does not appear likely that the signi-

ficant overcapacity of iron ore will be absorbed in the near future. We have therefore accepted the consequences and sold our Vale shares at a loss.

#### Supported by record-low interest rates

Although certain pockets of the stock market are currently priced at relatively high levels, we do not believe that the pricing in general is perilously high seen in a historical context. Based on today's historically low bond yields, it is easy to argue that the global stock market could be priced far higher than it is today.

As always, the SKAGEN Global portfolio is valued far lower than the world index and in our view continues to offer good value for money. Looking at earnings estimates for this year, the 35 largest companies in the portfolio are priced at book value and at only 10 times earnings.

The dividend yield from most of the companies is significantly higher than the yield from government bonds. Although share price fluctuations and market corrections must be expected, SKAGEN Global remains a good investment option for value-oriented, long-term equity investors.

#### SKAGEN GLOBAL KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 30-09-2014)

Company	Holding size %	Price	P/E 2014E	P/E 2015E	P/B last	Price target
SAMSUNG ELECTRONICS	6.7	898,000	6	6.2	0.8	1,300,000
CITIGROUP	6.3	51.8	10.8	9.6	0.8	75
AIG	3.6	54	11.7	10.8	0.7	80
LG CORP	2.5	76,800	13	10.9	1.1	100,000
NORDEA	2.4	93.90	11.8	11	1.4	105
MICROSOFT	2.3	46.40	16.6	14.3	4.3	50
TEVA	2.2	53.80	11	11	1.9	65
ROCHE	1.9	283.10	19.1	17.9	13.8	380
GAZPROM	1.9	7.00	2.8	3	0.3	11
RENAULT	1.9	57.40	8.8	6.3	0.7	80
<b>Weighted average 10</b>	<b>31.5</b>		<b>8.5</b>	<b>8.1</b>	<b>0.9</b>	<b>37%</b>
<b>Weighted average 35</b>	<b>62.5</b>		<b>10.1</b>	<b>9</b>	<b>1</b>	
<b>Benchmark index (MSCI ACWI)</b>			<b>15.3</b>	<b>13.7</b>	<b>2</b>	

P/E may deviate from other sources when based on SKAGEN estimates.

# SKAGEN Kon-Tiki

- › Disappointing developments in Hyundai and Sistema
- › Investments in India contribute positively
- › Corporate earnings are generally doing well in the low interest rate climate

## Extremely disappointing

In September SKAGEN Kon-Tiki was hit by two events which were the main reason for the extremely disappointing results in the third quarter.

We suffered two major blows in succession, only one day apart: the first was with regard to our largest investment, Hyundai Motor, and the other to Russian Sistema. Both events meant a loss of two percentage points each for the fund in the quarter.

### Monument to its own folly

In order to stimulate increased investments, the authorities in South Korea have signalled that they will be introducing a tax on surplus liquidity in Korean companies. Many South Korean companies, including Hyundai Motor and Samsung Electronics in our portfolio, have large cash piles consisting of dead capital. This is money that we as shareholders had expected would be paid out in the form of dividends.

Instead, Hyundai Motor disregarded shareholders' interests by paying well over the estimated market price to purchase a prestigious property in Seoul. This monument to its own folly came at a cost of 10 billion US dollars.

Our investment in Hyundai Motor has primarily been based on good fundamental developments and a low absolute valuation. A central trigger has been that they would slowly but surely improve corporate governance.

The recent fall in share price exceeds

the above-mentioned property investment and Hyundai Motor is currently extremely attractively priced. With new car models in the pipeline, the future also looks bright. Even after the lamentable last quarter, over the past five years, Hyundai Motor has been a key contributor to SKAGEN Kon-Tiki.

In order to prevent the position from becoming too large, we trimmed our Hyundai Motor stake following the sharp drop in share price ahead of the property purchase. Over the past 12 months our holding has been reduced by 25 percent.

As a result of Hyundai Motor's extraordinary purchase, investors now require even higher risk premiums in general for owning Korean stocks. This has meant an additional one percent drop in fund price for us in the third quarter, in both absolute and relative terms.

### Sistema drama

While the events in Hyundai Motor can be characterised as a temporary setback, the situation for our investment in Russian Sistema is more dramatic. This was an investment that we viewed as relatively risk-free – for a Russian stock.

Sistema was not subject to sanctions and was a good example of a player within the private sector that demonstrated good

#### PERFORMANCE IN EUR

3Q 2014\* YTD 2014\*

SKAGEN Kon-Tiki	-2.5%	4.0%
MSCI Emerging Markets	4.6%	11.7%

\* As of 30 September 2014.



#### Portfolio Managers

Kristoffer Stensrud, Knut Harald Nilsson, Cathrine Gether, Erik Landgraff and Hilde Jenssen



Photo: Bloomberg

Sistema experienced a price massacre of over 70 percent, after to the majority shareholder Vladimir Yevtushenkov was accused of money laundering in connection with the purchase of an oil company five years ago. Sistema is now priced at a considerable discount to the market value of the company's ownership of 53.5 percent of Russia's largest mobile operator, MTS.



Photo: Bloomberg

Hyundai Motor Co.'s Chung Mong Koo defies Chaebol-reform with a USD 10 billion dollar deal to buy real estate in the Gangnam district of Seoul – at roughly three times the property's estimated value. Pictured: Leaders of South Korea's two largest automakers Hyundai and Kia at a meeting in Seoul in January 2014.

growth and profitability. The company was also politically neutral, when it came to the reintroduction of tsarist rule in Russia.

During the period from 2005-09 Sistema took part in the privatisation of the Russian oil company, Bashneft, with extremely good results. By the very fact that this occurred under the current regime, we assumed that the process would be politically unproblematic. We did find the price tag for Bashneft to be on the very low side, even though it was determined during the financial crisis.

We were therefore very surprised when Sistema's majority owner, the oligarch Vladimir Yevtushenkov, was put under house arrest on suspicion of money laundering in connection with the purchase of Bashneft. Fears that the company will have to be handed back to the government, and that dividends previously paid will also have to be paid back, have massacred the Sistema share price.

What is happening in Sistema now has set a huge question mark over investing in Russian companies in general. We have been careful about investing in companies where retaliation for the privatisation that took place in the 1990s has posed a fundamental risk.

Prior to the oligarch Yevtushenkov being put under house arrest we had reduced our position in Sistema at a considerable profit. Given the continued high risk associated with Sistema's fate, we have trimmed our position further following the drop in share price, at a 'profit'. At the end of September our position in Sistema constituted 0.7 percent of the fund versus three percent at the start of 2014.

How the Sistema saga will end, only Putin and his closest supporters can say. The episode will clearly have a deep impact on the valuation of Russian shares gener-

ally, which, on paper, are the cheapest in the world.

By trimming our positions in companies that appear to be at risk of sanctions we have reduced our risk in Russia. We have retained positions in companies where the risk of sanctions appears low, as does the price tag, and where growth prospects look good.

For those who like historical parallels, the poor economic development in Russia has unfortunately also had negative spillover effects on our investments in Austria and Hungary.

In traditional SKAGEN fashion, during times of uncertainty we strive to keep our heads clear, our thoughts focused and our hearts and minds open to good investments.

#### The importance of memory chips

Samsung Electronics also participated in the bidding round for the above-mentioned property in Seoul, but – luckily for shareholders – was unsuccessful. A planned investment in a factory for manufacturing memory chips appears to be a far better use of money. The factory has an estimated cost price of 15 billion dollars while Samsung Electronics currently has a cash position of around 40 billion dollars.

With margins and the market share for mobile phones falling, the contribution from memory chips is becoming increasingly important. Here, sales, margins and market share are all pointing upwards.

The recent fall in the Samsung Electronics share price is down to investors' undivided focus on and concern about how bad things can get for the mobile division now that cheap Chinese manufacturers are devouring market share. At the same time Apple is holding its own in the high end segment. The combination of an incre-

ased focus on cheaper smart phones and higher earnings for memory chips may surprise on the upside. There is a lot of negativity priced into the Samsung share price at present.

A couple of themes that we have in the portfolio, namely European companies with a particular focus on global emerging markets and alternative energy have not performed brilliantly either. The former is down to the general scepticism towards the European economy; something that actually makes the cases even better. The latter is due to disappointment that in the first half year China had only attained 20 percent of its annual target for installed solar capacity. Nevertheless, the political measures introduced could quickly rectify this.

#### Upturn for our Indian companies

2014 has been a year in which the political agenda has held a pivotal role in emerging markets. The election results in both India and Indonesia had a clearly positive effect on the stock market. Among our top ten investments, the Indian companies Bharti Airtel (3.6%), Mahindra & Mahindra (3.2%) and State Bank of India (2.9%) have performed exceptionally well on the stock market this year.

The election result in Turkey was neutral and does not pose any obstacle to the future good performance of our investments in the country. At the time of writing, the outcome of the election in Brazil is not yet clear. While the stock market has been volatile, our companies have generally performed well and the valuations are still moderate.

#### From optimism to pessimism

Many people had expected equity markets in the various regions around the world

## SKAGEN KON-TIKI 3Q 2014 (MILL. NOK)

### 5 largest contributors

Bharti Airtel Ltd	359
Mahindra & Mahindra Ltd	306
Banco Do Estado Rio Grande Do Sul SA Pref	154
Lenovo Group Ltd	147
Great Wall Motor Co Ltd	145

### 5 largest detractors

Sistema Jsfc	-1,227
Hyundai Motor Co Pref	-1,113
Samsung Electronics Co Ltd Pref	-598
Raiffeisen Bank International AG	-182
Vale Sa Spons pref ADR	-181

### Largest purchases

Casino Guichard Perrachon SA	836
Golar LNG Ltd	372
Moscow Exchange MICEX-RTS OAO	323
Hindalco Industries Ltd	316
Cosan Ltd	209

### Largest sales

Sistema Jsfc	-245
Exxaro Resources Ltd	-130
Hyundai Motor Co Pref	-99
Lenovo Group Ltd	-79
Royal Unibrew A/S	-69

## SKAGEN KON-TIKI KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 30-09-2014)

Company	Holding size	Price	P/E 2013	P/E 2014E	P/B last	Target price
Hyundai Motor	6.9	118,000	3.6	3.3	0.5	250,000
Samsung Electronics	6.5	898,000	4.4	6.0	0.8	1500000
Bharti Airtel	3.6	405.2	57.7	16.9	2.7	450
Great Wall Motor	3.2	29.65	8.5	7.9	2.5	50
Mahindra & Mahindra	3.2	1,360.80	17.2	15.1	3.4	1500
State Bank of India	2.9	2,445.70	12.0	9.8	1.2	3600
AP Moller-Maersk	2.9	14,000	15.8	12.3	1.3	15000
Heineken	2.6	59.24	25.0	18.0	2.9	66
Sabanci Holding	2.4	9.58	11.3	8.0	1.1	12
ABB	2.3	162.30	20.6	18.0	3.1	190
Richter Gedeon	1.9	3,850	15.4	19.3	1.3	5000
Vale	1.9	23.78	4.2	4.3	0.8	40
<b>Weighted top 12</b>	<b>40.2</b>		<b>7.4</b>	<b>7.1</b>	<b>1.1</b>	<b>49%</b>
<b>Weighted top 35</b>	<b>67.6</b>		<b>9.3</b>	<b>8.7</b>	<b>1.2</b>	
<b>Benchmark index (MSCI EM)</b>			<b>12.0</b>	<b>11.6</b>	<b>1.4</b>	

P/E may deviate from other sources when based on SKAGEN estimates.

to develop more in step this year, mainly because of the growing optimism in China and Europe. After the first nine months of the year, this has not been the case.

Investors' focus has revolved around the real economic situation while the fundamental valuation of companies has come second. This creates good opportunities for active value managers like SKAGEN.

A substantial strengthening of the dollar, as we saw in the third quarter, has historically been synonymous with weak global emerging markets. That was certainly the case last summer. However, this was

more down to the structural rather than economic conditions.

The dollar's ascent this year can, to a large part, be explained by the differences in the rate of economic growth. Some of it can also be linked to compensation for falling commodity prices. As was the case last year, we believe this leads to better competitiveness and lower inflation in emerging markets than we have seen traditionally.

### Paradigm shift

The Chinese economy is moving towards becoming the world's largest. 2014

appears to be the year when the growth model is changing from quantitative physical growth to qualitative growth within services, the environment and greater social security. This is causing significant frictional issues and having an impact on investors' choice of companies.

We are therefore extremely cautious when it comes to investing in the Chinese financial industry, but keep a close watch to see whether concrete initiatives are made to improve corporate governance within state-dominated companies.

We have long been sceptical towards and maintained an underweight in commodities, energy, and, to some extent, the transport of goods. Global emerging markets in general look as though they are heading directly to a more digital and less resource-heavy growth model. The paradigm shift that is taking place means that traditional models for valuing companies are becoming difficult to use.

Larger purchases in the quarter have been Casino Guichard (new retail chain), Massmart (the same), Kerry Logistics (distribution of goods/new trade in goods), Brazilian MRV Engenharia (social house-building), Cosan Ltd (alternative energy), Golar LNG (the same) and Hindalco Industries (recycling).

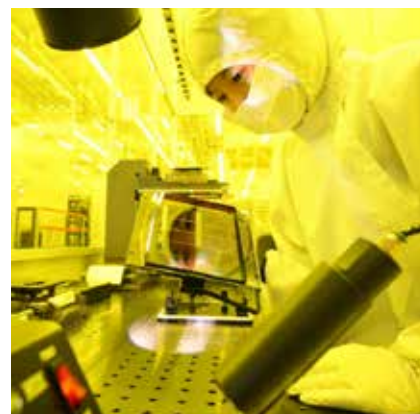
Our largest sales have included Sistema, as mentioned previously, Exarro (commodities) and Hyundai Motors (before the fall in share price). The joint valuation of the portfolio is lower at the end of the previous quarter – naturally enough – but the portfolio composition is likely better.

Photo: Bloomberg



Employees install interior panels and fittings to a Mahindra & Mahindra Ltd. XUV 500 sport-utility vehicle (SUV) at the company's facility in Chakan, Maharashtra, India, on Sept. 12, 2014.

Photo: Samsung Electronics



Samsung will have to rely more on its memory business rather than smart phone sales. Pictured: Samsungs memory facility in Xi'an, China.



# SKAGEN m<sup>2</sup>

- › Risk reduction had a favourable effect on returns
- › The fund made its first investments in Japanese property shares
- › Downturn continues in China

PERFORMANCE IN EUR	3Q 2014*	YTD 2014*
SKAGEN m <sup>2</sup>	4.4%	16.5%
MSCI ACWI Real Estate IMI	5.2%	16.8%

\* As of 30 September 2014.



Portfolio Managers

Michael Gobitschek and Harald Haukås

## Real estate increasingly popular investment

SKAGEN m<sup>2</sup> reached an all time high in the third quarter before the world's stock markets pulled back in September and the upward trend was broken. The fund has had excellent returns so far this year, largely because of heightened global investor interest in real estate.



Photo: Bloomberg

**Investors are willing to pay** increasingly large sums for properties in central locations. An example is the 180-metre high skyscraper in London's financial district, which is popularly known as The Gherkin, which recently came on the market. The building was designed by British architects Foster and Partners and opened in 2004

A current example of this growing enthusiasm for real estate is the Japanese Government Pension Investment Fund (GPIF), which announced in September a plan to invest USD 63 billion in real estate globally over the next years. The initiative will transform the GPIF into the world's largest real estate investor – ahead even of the NBIM, Norges bank investment management which has investments of 'only' USD 60 billion in real estate.

The trend is clear: This growing interest in real estate is driven by a rapidly expanding and aging population with pension commitments that need to generate returns. Real estate is an asset class that, over time, has produced good, stable returns while diversifying risk in the overall portfolio. The historically low interest rate levels are naturally a contributing reason that long-term investors are setting their sights on real estate, which in many cases continues to generate far higher returns than the fixed income market but at a somewhat higher risk. Moreover, there is now a growing wave of new private pensi-

on money from countries like China where the insurance and savings industries are undergoing liberalisation.

### Urban quality properties

Investors are ready to pay a premium for properties in central locations, and in metropolitan areas such as London and New York rates of return have dropped to record lows. A case in point is one of London's most prominent contemporary landmarks, the 40-floor tall The Gherkin. When the building was put up for sale last summer, it received more than 200 bids from 40 countries, compared with 40 bids when it last changed hands in 2006.

This level of interest illustrates the demand for prime assets in central London in what is already a red-hot market. It is a development that benefits SKAGEN m<sup>2</sup> portfolio companies such as British Land, Gecina and SL Green, which have properties in London, Paris, and New York. In some cases, the intense competition where increasing amounts of money are seeking out the same item can also serve to inhibit

growth. For example, for so-called REIT companies (with special tax status), rules for mortgaging and dividends might actually prevent companies from engaging in highly-competitive, loan-financed bidding.

With an increasingly costly primary market, investors are more frequently searching for assets that are not yet valued as highly, e.g., prime assets in geographic secondary locations or secondary assets in prime locations. The only question is how long prices will continue to rise in certain cities before demand-driven price increases change into pure speculation.

**Small positions with major, positive impact**

Thailand has been the top-performing real estate market to date this year as well as over the past quarter. In spite of a military coup in May and political instability, the Thai equity markets have produced a rate of return of 47 percent in the local currency since the beginning of the year. With a rise of 55 percent in the local currency, and in spite of its low weighting in m2’s portfolio, Ananda Development is one of our largest contributors in absolute terms since the beginning of the year and the best performer for the quarter.

Ananda is a clear example of how SKA-

GEN m2 is working with high-risk companies. Such companies can contribute greatly to the portfolio in spite of our cautious weighting, where we reduce the weighting during upturns to maintain acceptable risk levels. Ananda’s sales, profits and increased dividends have exceeded our expectations. In line with other real estate companies, the company has benefitted from pent-up consumer demand and the temporary political stability after the military coup.

Yet another winner company was in Indonesia, which was the second-best market for the year and the quarter. The industrial development company Bekasi Fajar had returns of 39 percent in the local currency for the quarter. This strong performance, which abated in September, was a result of the July election results and a new government promising economic reforms. Bekasi is benefitting from the fact that these reforms, over time, might increase direct foreign investments against the backdrop of the country’s economic difficulties in 2013 and uncertainty about the elections. The positive trend was broken when the opposition finished stronger than expected and gridlocked parts of the decision making process.

The Filipino company SM Prime was

another bright star during the quarter. SM Prime managed to reverse a prolonged downward trend in housing and surprised positively with strong sales and greater margins. Moreover, the company managed to actualise efficiency gains from an earlier consolidation.

**Two German changes**

A portfolio newcomer is the German company Westgrund, which invests in multifamily residential buildings across Germany. Most tenants are low and medium wage earners who live in small-to-medium-sized cities with solid growth. Westgrund has had great success in making inexpensive acquisitions, fixing up properties, and reducing vacancy rates. Westgrund recently acquired a large portfolio of 12,000 flats in Berlin and increased the number of units to 20,000. Its ambition is to double its number of flats over the next years. After the acquisition, the company has an expected net rental income yield of 7.8 percent and a vacancy rate of 8.2 percent with significant potential to reduce the latter.

We doubled our position in the German commercial real estate company DIC Asset for the quarter. The company was our weakest performer for the period but, on the plus side, we purchased the shares at an excellent price. The share price has for a long time been kept down by general dissatisfaction over poor management decisions, high debt levels, and a series of undesirable share issues. The company is still being traded at a substantial discount, which may soon be reduced if the management turn their words into action or if the market improves fundamentally. The German commercial real estate market is most likely facing much needed consolidation which could serve as a catalyst for the entire sector.

**From Manila to Mumbai**

We also purchased Indian Oberoi Realty during the quarter after selling most of its Filipino counterpart Century Properties. Both companies develop high-end housing in the rapidly growing cities of Manila and Mumbai. We pared down our holding in Century Properties to reduce our country exposure to the Philippines, whose real estate shares have performed well this year. Moreover, the local government may increase interest rates to counter high inflation and this typically affects big-ticket items.

The Oberoi brand is very strong locally

SKAGEN M2 3Q 2014 (MILL. NOK)	
<b>5 largest contributors</b>	<b>Largest purchases</b>
Ananda Development PCL-Nvdr 4	Westgrund AG 9
Bekasi Fajar Industrial Estate Tbk PT 2	Dic Asset AG 8
SM Prime Holdings Inc 1	Oberoi Realty Ltd 7
General Growth Properties Inc 1	CSI Properties Ltd 5
Shimao Property Holdings Ltd 1	CBL & Associates Properties Inc 4
<b>5 largest detractors</b>	<b>Largest sales</b>
Dic Asset AG -2	Ananda Development PCL-Nvdr -5
Emlak Konut Gayrimenkul Yatirim -1	Siam Future Development NVDR -3
Hovnanian Enterprises Inc -1	Indiabulls Real Estate Ltd -3
Brandywine Realty Trust -1	Century Properties Group Inc -2
BR Properties SA -1	BR Malls Participacoes SA -2

SKAGEN M2 KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 30-09-2014)					
Company	Holding size	Price	P/NAV last	Div. Yield 2014e	EBITDA 2014e/EV
General Growth Properties Inc	4.0%	23.64	92%	2.7%	5.2%
Brandywine Realty Trust	3.8%	14.24	100%	4.2%	7.5%
HCP Inc	3.4%	40.04	119%	5.5%	6.4%
Ashford Hospitality Trust	3.2%	10.45	80%	4.6%	8.0%
Columbia Property Trust	3.2%	24.10	80%	5.0%	6.4%
PS Business Parks	3.1%	76.27	100%	2.6%	6.0%
Global Logistic Properties	3.0%	2.71	90%	1.7%	4.0%
Mercialys SA	2.9%	17.28	96%	5.2%	5.4%
Deutsche Wohnen AG	2.9%	16.94	138%	2.7%	4.6%
Apartment Investment	2.9%	32.07	100%	3.2%	5.8%
<b>Weighted top 10</b>	<b>32.5%</b>		<b>98%</b>	<b>3.8%</b>	<b>6.0%</b>
<b>Weighted top 35</b>	<b>77.5%</b>			<b>3.9%</b>	<b>6.8%</b>
<b>Benchmark index (MSCI ACWI Real Estate IMI)</b>				<b>3.4%</b>	



Photo: Ananda

The Thai residential developer Ananda Development is the best contributor to SKAGEN m2 both since start and during the third quarter.

and is entirely located in Mumbai and its surroundings. The company owns strategically located land there that is marked for development over the coming years. Oberoi also has a number of commercial properties that generate recurring rental income, which counters cash flow fluctuations. If the Indian government manages to realise its promised economic reforms, the country is likely to face a sharp economic upturn. That growth would benefit companies like Oberoi that cater to the rapidly growing number of affluent middle class consumers. The Mumbai housing market has performed negatively over the past three years—but there are signs of a recovery. The Indian property market along with politically unstable Turkey were the worst performing real estate markets in Q3.

Additionally, a portfolio newcomer is the residential developer CSI Properties in Hong Kong, which also owns rental-generating commercial properties. In recent years, Hong Kong has experienced a robust price trend for properties that prompted the local government to introduce various price-dampening measures about one year ago. Expectations of a price decline resulted in a devaluation of these companies at the turn of last year. The decline was reversed largely due to continued low interest rates and real estate companies rebounded well.

One exception was CSI Properties which we bought at low levels. The company continues to be traded at significant discounts in the shadow of the big players. In September, the uncertainty of how the Chinese

government would handle the democracy protests in Hong Kong triggered a decline in the local markets. Incidentally, this is our only exposure to Hong Kong. During the period, we sold Ticon Property Fund at good levels even though the share was a relative disappointment. We also sold the Thai retail shopping actor Siam Future to reduce our country exposure.

#### **Nervous fixed income market pulled down the United States**

In Q3, the US real estate markets declined measured in the local currency. In September, the decline was prompted by speculation interest-rate hikes earlier than expected in the United States and a strengthening of the dollar. However, our biggest holding in both the United States and the fund generally performed well like many other blue chip companies in the real estate sector.

We also hold a number of smaller companies that are more volatile and that collectively resulted in our US portfolio underperforming relative to the index. The US housing developer Hovnanian was one of the worst contributors for the period. We have decided to maintain our small exposure in spite of a year of poor sales figures, which was partly due to the harsh and long winter earlier this year. We believe that the company will benefit in the long term from the United States' favourable demographic developments and growing need for housing. Our US shares comprise approx. 30 percent of the portfolio, compared to approx. 50 percent of the benchmark index.

#### **Brazil and China weighed heavily on the end of the quarter**

Brazil is currently undergoing economic difficulties and facing general elections. In Brazil, we own the shopping mall company General Shopping, which reported solid numbers and a clear improvement of its business for the quarter. However, high debt levels and substantial investments in new shopping centres continue to produce negative cash flows. Following the report, a number of positive recommendations reduced the rebate and we seized the opportunity to pare down our position to 1 percent. Additionally, we are making good profits on our holding of the company's bond. In September, the Brazilian real estate markets declined sharply after performing well during the spring and summer.

The Chinese real estate market continued its downward slide set off by uncertainty over the country's economy in general, and the condition of its increasingly pressured housing developers in particular. There have been various incentives targeting homebuyers. However, homebuyers have been cautious in anticipation of reaping further discounts and the stimulus has therefore not yet had any great impact. Many companies will have difficulty meeting their volume and price targets for 2014. We have decided to reduce our holding in the residential developer Frashion Properties and increased our holding in Soho China, which develops and owns commercial properties.



## Preach price flexibility, Mr. Draghi

The Eurozone is slouching towards deflation. To combat a further recession with policy rates at rock bottom, the head of the ECB, Mario Draghi, must teach Europeans the necessity of price flexibility. The idea that nominal wages cannot, or should not, fall needs to be cracked. If not, the Eurozone will break its neck under the burden of idle resources.

According to Mr. Draghi the use of conventional monetary policy has now been exhausted. Thus there are no monetary anti-depressants available if the autumn doldrums accelerate. Promising to keep policy rates at their current low level is no substitute for temporary aggressive easing. For, paradoxically, disinflation is the predictable long-term effect of passive “easy money”.

The ECB hopes that monetary contractionism might do the trick. That’s a mirage. Aside from pumping up ECB liquidity, which cuts money market interest rates by a few basis points, central bank-initiated loans and asset swap programs have negligible effects when financial markets are functioning correctly. That has surely been proven since the Bank of Japan invented QE.

What about raising the inflation target in order to shrink real interest rates? The problem is not the targets, but brinkmanship. When the ECB targets 2% but hits 0.3%, why should their score increase if the target is lifted to, say, 4%? But didn’t they talk up inflation in Japan? While Abenomics initially succeeded in hiking inflation, the first arrow is now ben-

ding more than a mishandled iPhone 6 plus. Why? “Credible promising to be irresponsible” – Paul Krugman’s catchphrase for exiting a liquidity trap – is a contradiction in terms. Irresponsible men don’t make credible promises. Also, the type of irresponsibility that might lift inflation needs more than a lunatic at the helm of the ECB. High inflation is a fiscal phenomenon – the road to Weimar was paved with public debt – which requires a mad-cap Chancellor in Berlin and irresponsible Princelings in the other capitals. While there are some aspiring candidates, luckily the electorate has so far kept them in the shadows. For, if they came to power, they would not deliver enough inflation to let the real interest rate track its market-clearing level. Instead, high inflation would wreak havoc on commercial activities and give us a miserable replay of stagflation.

With inflation on the road to extinction, what should Mr. Draghi do? He should prepare Europeans for a bout of deflation. Deflation per se is not harmful. Check Japan’s record. Since its CPI began to slip in 1998, GDP per capita has grown by just 0.3 percentage points less than in France – a difference that evaporates when adjusted for divergent workforce trends. Deflation is only a concern if all prices aren’t able to fall freely. Economists typically assume that wage rates are sticky. In Japan unemployment increased from 3.5% in 1997 to 5.4% in 2002, but then fell back. Part of the explanation was probably that wages initially did not adjust to the onset of deflation.

Mr. Draghi’s herculean task is therefore to explain the need to deregulate labour markets; it’s the combination of unionism, minimum wage legislation and opiates to the unemployed which cause nominal wage rates to be downwardly sticky. This nominal price floor on labour services has to be shattered if the CPI starts to dip. If not, unemployment will soar to new heights.

However, don’t wage decreases risk sending the economy spiralling into a deflationary black hole? Some economists warn against price labour market flexibility out of such a fear. That’s misguided. While there has been plenty of hyperinflation, you won’t find “hyperdeflation” in the dictionary. Why? As prices fall the real value of government debt increases. The lower bound on the price level is hit when people start treating government debt as a hot potato. Then their collective effort to get rid of the debt causes the price level to climb back to its long-term trend. If this sounds academic, look at how the US leapt from its 1921-22 laissez-faire recession.

Inflationary Mario is on his way to Tokyo. He might not realise it yet, but by implication of his own words he is effectively suspended as central bank governor. He’s a carpenter without wood and nails, and inflation, barely afloat at 0.3%, is sailing on its own. Mr. Draghi should spend his vacation mustering intellectual ammunition for the necessity of overall price flexibility. Maybe he will succeed in conceiving an establishment politician. A cold turkey recession with wage rigidity will be nasty, brutish – and probably outlive the Eurozone. With labour market reforms, however, he might discover that despite a bout of deflation, there are more spots of potential prosperity between Nicosia and Helsinki than have ever been dreamt of in the ECB’s Frankfurt tower.



– Torgeir Høien  
Portfolio Manager SKAGEN Tellus

# SKAGEN Tellus

PERFORMANCE IN EUR	3Q 2014*	YTD 2014*
SKAGEN Tellus	2.9%	11.6%
J.P. Morgan GBI Broad Index Unhedged	4.8%	10.9%

\* As of 30 September 2014.



Portfolio Managers

Torgeir Høien and Jane Tvedt



Photo: Bloomberg

**Slovenia is the best contributor to the fund year to date**, having contributed 1.84% in absolute return. A cyclist passes the government and presidential palace building in Ljubljana, Slovenia.

## Three cheers for SKAGEN Tellus

SKAGEN Tellus turned eight on 30 September. We hope that the unit holders who have joined us on the journey so far have been satisfied. We believe that the results the fund has achieved demonstrate SKAGEN's success in investing in international bond markets.

SKAGEN Tellus, which only invests in government bonds, aims to have an excess return of 1.5 percentage points relative to its benchmark index. Over the past eight years, the annual excess return has been 1.6 percentage points. We have achieved this by taking less risk than the market in general. Measured in terms of monthly volatility in the fund price, our risk has been 1.6 percentage points lower than the benchmark index. The fund thus delivers higher and more stable returns than you could get by investing the money in the market.

The fund takes currency risk and the absolute return depends on which currency you measure it in. This is something that we strive to make unit holders aware of from day one. Nevertheless, it is equally important to point out that in the long run the currencies of developed countries tend to keep their conversion ratio fairly in check. Measured in Norwegian kroner,

SKAGEN Tellus has delivered an annual return of 5.7 percent. Measured in euro, the return has been 6 percent. When Norway was weighing up whether to become part of the EU, the head of Norway's central bank at the time, Hermod Skånland, said that either Norway would have to take part or become adept at multiplying by eight. So far the currencies have pretty much stayed in step.

The Norwegian krone may head off in one direction or the other in the short term – much depends on the oil price – but it is worth noting that if one keeps to the recommended investment horizon of three years, the course of the krone has relatively little impact on unit holders' returns in kroner.

As the fund grows over the next few years – and there have been good signs of this so far this year – we will do our best to ensure that unit holders continue to receive good risk adjusted returns on the money they let us manage.

# SKAGEN Credit EUR

PERFORMANCE IN EUR	3Q 2014*	YTD 2014*
SKAGEN Credit EUR A	-0.2%	-0.0%
3 Month EURIBOR	0.0%	0.1%

\* As of 30 September 2014.



Portfolio Managers

Ola Sjöstrand and Thomas Nordbø Middelthon



Photo: Bloomberg

Our corporate bonds in certain regions, including India, saw their prices rise. Pictured here: the flagship store of Bharti Airtel in Mumbai, India. The company's bond is the fifth biggest investment in the fund.

## A tough start

Since the fund was launched at the end of May this year, the market for corporate bonds has been relatively turbulent.

SKAGEN Credit invests in corporate bonds from all around the world and, like the equity funds, is exposed to market fluctuations. We tend to say that SKAGEN Credit is somewhere between having money in the bank and investing in stocks.

As is the case with stocks, the value of the bonds themselves is determined daily by market participants on stock exchanges globally. The price is based on the risk associated with the company's ability to service its debt, but also on the general market outlook, taking into account expected economic growth and the political risk in individual countries amongst other things.

In the first four months since SKAGEN Credit was launched, the interest payments on the bonds have been consumed by price drops.

### Two-year investment horizon

In other words, investors in corporate bonds should expect prices to fluctuate somewhat. Given that SKAGEN Credit is an international fund, a number of factors will influence the fund, both in a positive and negative sense. The main negative contributors in the third quarter were the unrest and conflict in Russia and Ukraine, scepticism that the US economy will be

able to keep up the momentum, the lack of impetus in Europe and a general fear of lower economic growth globally.

When the unrest dies down somewhat, bond prices will head back upwards and gradually recover what they have lost. Periods like the one we have just experienced are bound to take place now and again, so we recommend that unit holders in SKAGEN Credit have a savings horizon of at least two years in order to be rewarded for the risk they take.

Finally it is the companies' performance and ability to service debt which determine the results of our investments. And if this ability is underestimated by the market, then we can make an extra profit.

The SKAGEN Credit portfolio consists of companies that are well diversified across sectors and countries, which deliver good stable results over time. When there is turbulence in the financial markets, however, our companies will also be affected, in the form of higher risk premiums and falling bond prices.

Our Russian investments suffered as a result of the heightened political risk in the third quarter while our corporate bonds in other regions, such as India and Southern Europe, saw their prices rise.

# Return and risk measurements

## Returns in euro (all return figures beyond 12 months are annualised)

As of 30.09.2014	YTD %	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Since Start
SKAGEN Vekst A	9.5%	15.3%	11.4%	14.4%	8.8%	1.1%	10.5%	14.7%
MSCI Nordic/MSCI AC ex. Nordic	11.7%	18.4%	12.4%	18.3%	14.6%	2.3%	11.1%	10.0%
SKAGEN Global A	8.3%	14.7%	13.2%	17.4%	12.7%	4.4%	11.4%	15.3%
MSCI World AC	13.5%	19.5%	15.7%	19.0%	13.3%	3.9%	6.5%	3.6%
SKAGEN Kon-Tiki A	4.0%	8.7%	5.2%	10.3%	8.9%	4.2%	14.4%	15.3%
MSCI Emerging Markets	11.7%	11.5%	3.6%	9.5%	7.5%	1.5%	10.5%	8.2%
SKAGEN m2 A	16.5%	12.6%						4.7%
MSCI All Country World Index Real Estate IMI	16.8%	14.0%						9.3%
SKAGEN Tellus A	11.62%	8.88%	4.12%	7.17%	7.21%	5.86%		6.00%
J.P. Morgan GBI Broad Index Unhedged in EUR	10.90%	7.80%	-1.29%	1.31%	4.29%	5.44%		4.39%

\* The benchmark index prior to 1/1/2010 was OSEBX and prior to 1/1/2014 it was OSEBX / MSCI AC (50/50).

\*\* The benchmark index prior to 1/1/2010 was the MSCI World Index.

## Risk and performance measurements

As of 30.09.2014	SKAGEN Vekst	SKAGEN Global	SKAGEN Kon-Tiki	SKAGEN Tellus	
<b>MEAN VARIANCE ANALYSIS LAST 5 YEARS</b>					
Standard Deviation Fund		14.8%	12.4%	14.6%	5.9%
Standard Deviation Benchmark		13.4%	9.7%	13.9%	8.1%
Sharpe Ratio Fund		0.53	0.92	0.54	1.08
Sharpe Ratio Benchmark		0.98	1.22	0.48	0.44
Tracking Error		5.6%	4.9%	4.8%	5.8%
Information Ratio		-0.93	-0.10	0.26	0.48
Correlation		0.93	0.93	0.94	0.70
Alpha		-5.6%	-2.8%	1.3%	
Beta		1.03	1.18	1.00	
R2		85%	86%	89%	
<b>GAIN LOSS ANALYSIS LAST 5 YEARS</b>					
Relative Gain		94%	110%	104%	99%
Relative Loss		126%	123%	96%	63%
Relative Gain Loss Ratio		0.74	0.89	1.08	1.56
Positive Index Divergence		5.5	6.7	7.0	9.1
Negative Index Divergence		10.6	6.8	5.4	6.2
Index divergence ratio		0.52	0.98	1.29	1.48
Percentage Positive Index Divergence		34%	49%	56%	60%
Percentage Positive Index Divergence Market Up		34%	58%	47%	28%
Percentage Positive Index Divergence Market Down		35%	35%	66%	90%
Consistency		40%	48%	50%	60%
Consistency when market is up		36%	54%	45%	39%
Consistency when market is down		48%	38%	56%	83%
<b>VALUE AT RISK LAST 5 YEAR</b>					
Value at risk: observed, NAV		-7.1%	-5.8%	-7.7%	-1.9%
Value at risk: observed, Benchmark		-6.1%	-3.1%	-6.9%	-3.1%
Relative Value at Risk, observed		-2.9%	-2.6%	-2.5%	-3.3%
<b>SINCE START</b>					
Relative Gain		96%	152%	120%	66%
Relative Loss		79%	105%	99%	69%
Relative Gain Loss Ratio		1.21	1.44	1.22	0.96
Positive Index Divergence		14.07	18.72	12.19	12.33
Negative Index Divergence		9.80	8.29	5.84	14.75
Index divergence ratio		1.44	2.26	2.09	0.84

### RIGHT OF CANCELLATION

When you buy fund units, according to the Right of Cancellation Act (Act no. 105 of 2001-12-12, ref. §22b, litra a), clients have no right of cancellation. However, when subscriptions are sent to us by mail/fax or are carried out via the Investor client at VPS (My Account), you are entitled to information about the fund and the management company immediately after the purchase. The information is available in the fund's product sheet (simplified prospectus) and the general commercial terms. Statutory information is sent to unit holders in the welcome letter immediately after the first subscription. Subsequently, unit holders can find all information on our website [www.skagenfunds.com](http://www.skagenfunds.com) as well as in the annual report.

### NOTICE

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. There are no subscription costs for our funds.

SKAGEN Vekst has a fixed management fee of 1% per annum. Returns exceeding 6% p.a. are shared 90/10 between the unitholders and the management company. A charge of the variable management fee may solely be made if the unit value as at December 31st exceeds the unit value at the previous charge/settlement of the variable management fee (the high watermark).

SKAGEN Global has a fixed management fee of 1% per annum. Better value development measured in percent in the fund's net asset value compared with the MSCI AC World Index (in NOK) is shared 90/10 between the unitholders and the management company.

SKAGEN Kon-Tiki has a fixed management fee of 2% per annum. Better value development measured in percent in the fund's net asset value compared with the MSCI Emerging Markets Index (in NOK) is shared 90/10 between the unit holders and the management company. However, the total annual management fee charged may not exceed 4% of the fund's average annual asset value.

SKAGEN m<sup>2</sup> has a fixed management fee of 1.5% per annum. Better/worse value development measured in percent in the fund's asset value compared with the MSCI ACWI Real Estate IMI (in NOK) is shared 90/10 between the unit holders and the management company. The total management fee charged constitutes a maximum of 3% and a minimum of 0.75% per year.

SKAGEN Global, SKAGEN Kon-Tiki and SKAGEN m<sup>2</sup> may be charged a variable management fee even if the fund's return has been negative, as long as the fund has outperformed the benchmark. Conversely, the fund may have a positive return without being charged a variable management fee, as long as there is no outperformance of the benchmark. The fixed management fees are calculated daily and charged quarterly. The variable management fees are calculated daily and charged annually.

The annual management fee is 0.8% for SKAGEN Tellus. The management fee is calculated daily and charged quarterly.

Please refer to the product sheets and prospectuses for a detailed description of the cost, etc. They are available upon request from SKAGEN Funds or at [www.skagenfunds.com](http://www.skagenfunds.com)



## SKAGEN VEKST

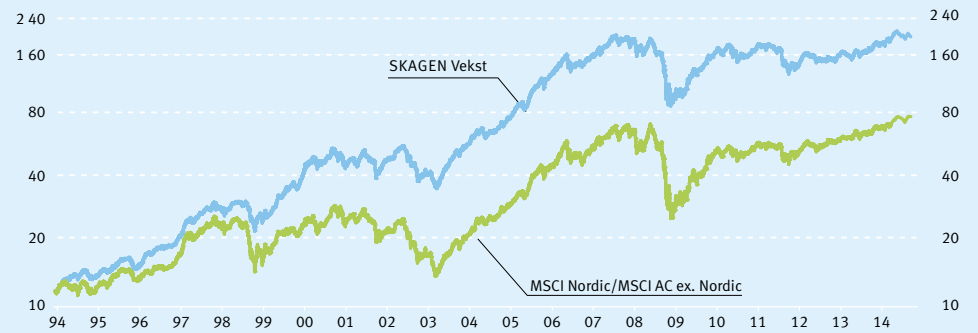
Exploring the narrow path to prosperity\*

A minimum of 50 percent of the assets of the SKAGEN Vekst equity fund will at all times be invested in the Nordics. The rest will be invested in the global equity market. SKAGEN Vekst is suitable for investors who want an equity fund with a good balance between Nordic and global companies. The fund has a broad mandate which gives it the freedom to invest in a number of companies, industries and regions.



Morningstar quantitative rating	★★★★
Fund start date	1 December 1993
Return since start	1655%
Average annual return	14,75%
Assets under management	EUR 1025 million
Number of unitholders	74 184
Subscription fee	0%
Redemption fee	0%
Management fee	1.0% per year + 10% of return exceeding 6% per year
Minimum subscription amount	One-time subscription EUR 50
Authorised for marketing in	Norway, Sweden, Denmark, Finland, Netherlands, Luxembourg, Iceland, UK, Switzerland, Belgium, Ireland and Germany
Benchmark index	MSCI Nordic/ MSCI AC ex Nordic
UCITS	Yes
Portfolio managers	Ole Sæberg Geir Tjetland Erik Bergöö Alexander Stensrud (Junior portfolio manager, one-year term)

### HISTORICAL PRICE DEVELOPMENT SKAGEN VEKST (EUR)



Security	Number	Acquisition value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock-exchange
<b>ENERGY</b>						
Solstad Offshore ASA	1,982,746	99,498	178,447	78,949	2.14%	Oslo Børs
DOF ASA	5,762,213	110,022	132,531	22,509	1.59%	Oslo Børs
Ganger Rolf ASA	1,213,817	124,262	125,630	1,368	1.51%	Oslo Børs
Bonheur ASA	1,192,594	88,117	122,241	34,124	1.47%	Oslo Børs
Statoil ASA	537,489	77,016	94,168	17,152	1.13%	Oslo Børs
Rec Silicon ASA	29,162,486	42,190	75,356	33,166	0.91%	Oslo Børs
GCL-Poly Energy Holdings Ltd	30,000,000	59,320	70,674	11,354	0.85%	Hong Kong
Siem Offshore Inc	8,036,317	68,365	49,423	-18,942	0.59%	Oslo Børs
Lundin Petroleum AB	301,000	35,402	32,558	-2,844	0.39%	Stockholm
Eidesvik Offshore ASA	1,027,641	38,194	29,699	-8,495	0.36%	Oslo Børs
Sevan Drilling ASA	13,252,171	83,460	28,360	-55,101	0.34%	Oslo Børs
REC Solar AS	311,524	6,230	25,296	19,065	0.30%	Oslo Børs
Minor items		68,319	19,980	-48,340	0.24%	
<b>Total Energy</b>		<b>900,396</b>	<b>984,363</b>	<b>83,966</b>	<b>11.83%</b>	
<b>RAW MATERIALS</b>						
Norsk Hydro ASA	14,042,679	355,936	504,694	148,758	6.07%	Oslo Børs
OCI Co Ltd	39,000	33,003	30,796	-2,207	0.37%	Seoul
Minor items		43,238	20,424	-22,814	0.25%	
<b>Total Raw materials</b>		<b>432,176</b>	<b>555,913</b>	<b>123,737</b>	<b>6.68%</b>	
<b>INDUSTRIALS</b>						
Norwegian Air Shuttle ASA	1,488,707	94,140	333,619	239,479	4.01%	Oslo Børs
Koninklijke Philips NV	1,518,075	304,812	310,576	5,764	3.73%	Amsterdam
Kongsberg Gruppen ASA	1,166,746	48,461	170,928	122,467	2.05%	Oslo Børs
Wilh. Wilhelmsen Holding ASA	900,275	64,294	157,548	93,254	1.89%	Oslo Børs
AirAsia Bhd	24,244,100	125,235	119,903	-5,333	1.44%	Kuala Lumpur
Stolt-Nielsen Ltd	781,341	96,892	97,277	385	1.17%	Oslo Børs
ABB Ltd	657,625	83,190	94,747	11,557	1.14%	Stockholm
LG Corp Pref	222,192	25,533	64,782	39,249	0.78%	Seoul
Avance Gas Holdings Ltd	401,974	43,913	59,090	15,177	0.71%	Oslo Børs
FLSmidth & Co A/S	170,000	54,249	52,241	-2,007	0.63%	København
Golar LNG Ltd	75,000	27,542	32,470	4,927	0.39%	NASDAQ
Odjell SE-A	1,219,521	54,595	32,439	-22,156	0.39%	Oslo Børs
Goodtech ASA	2,116,842	48,135	28,683	-19,452	0.34%	Oslo Børs
Minor items		78,964	41,921	-37,043	0.50%	
<b>Total Industrials</b>		<b>1,149,956</b>	<b>1,596,225</b>	<b>446,269</b>	<b>19.19%</b>	
<b>CONSUMER DISCRETIONARY</b>						
Royal Caribbean Cruises Ltd	1,580,982	242,413	683,333	440,920	8.21%	New York
Continental AG	293,500	147,369	358,752	211,383	4.31%	Frankfurt
Kia Motors Corporation	800,000	240,727	260,945	20,218	3.14%	Seoul
Volvo AB	2,050,000	173,095	142,666	-30,429	1.71%	Stockholm
Toshiba Corp	3,300,000	83,962	98,247	14,286	1.18%	Tokyo
Hurtigruten ASA	21,130,567	75,985	78,817	2,832	0.95%	Oslo Børs
Nokian Renkaat OYJ	325,000	74,156	63,066	-11,091	0.76%	Helsinki
Nippon Seiki Co Ltd	230,000	22,272	33,550	11,278	0.40%	Tokyo
Fjord Line AS	3,622,985	33,138	21,738	-11,400	0.26%	Unotert
Toto Ltd	300,000	22,486	21,195	-1,291	0.25%	Tokyo
Minor items		13,262	13,245	-17	0.16%	
<b>Total Consumer Discretionary</b>		<b>1,128,865</b>	<b>1,775,555</b>	<b>646,689</b>	<b>21.34%</b>	



Security	Number	Acquisition value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock-exchange
<b>CONSUMER STAPLES</b>						
Casino Guichard Perrachon SA	191,785	130,604	133,052	2,449	1.60%	Paris
Carlsberg AS-B	182,852	111,490	104,437	-7,054	1.26%	København
Royal Unibrew A/S	95,000	29,419	101,588	72,169	1.22%	København
Sodastream International Ltd	315,000	75,696	59,806	-15,891	0.72%	NASDAQ
Oriflame Cosmetics SA-SDR	462,367	68,397	51,246	-17,151	0.62%	Stockholm
Yazırcılar Holding AS	689,169	23,544	40,030	16,485	0.48%	Istanbul
Småposter		18,929	144	-18,785	0.00%	
<b>Total Consumer Staples</b>		<b>458,079</b>	<b>490,302</b>	<b>32,223</b>	<b>5.89%</b>	
<b>HEALTH CARE</b>						
Teva Pharmaceutical-Sp ADR	1,400,000	370,318	485,417	115,100	5.83%	NASDAQ
Novo Nordisk A/S-B	290,250	62,218	89,099	26,882	1.07%	København
Medi-Stim ASA	1,465,625	18,313	35,028	16,715	0.42%	Oslo Børs
Minor items		43,235	12,604	-30,631	0.15%	
<b>Total Health Care</b>		<b>494,084</b>	<b>622,150</b>	<b>128,066</b>	<b>7.48%</b>	
<b>FINANCIALS</b>						
Danske Bank A/S	1,500,000	153,995	261,511	107,517	3.14%	København
Sberbank of Russia Pref	14,520,000	210,153	135,698	-74,455	1.63%	Moscow
Korean Reinsurance Co	1,466,760	50,035	100,675	50,641	1.21%	Seoul
Tribona AB	2,803,335	92,589	91,442	-1,147	1.10%	Stockholm
Norwegian Finans Holding ASA	3,905,184	7,657	74,198	66,541	0.89%	Unotert
Hitecvision AS	793,668	7,193	62,700	55,506	0.75%	Unotert
Sparebanken Øst	1,124,204	19,925	56,098	36,172	0.67%	Oslo Børs
Raiffeisen Bank International AG	275,577	65,960	38,576	-27,384	0.46%	Wien
SBI Holdings Inc	400,000	33,171	28,776	-4,395	0.35%	Tokyo
Minor items		4,046	934	-3,111	0.01%	
<b>Total Financials</b>		<b>644,723</b>	<b>850,609</b>	<b>205,886</b>	<b>10.22%</b>	
<b>INFORMATION TECHNOLOGY</b>						
Samsung Electronics Co Ltd Pref	99,660	589,917	543,604	-46,313	6.53%	Seoul
SAP SE	440,000	176,334	203,146	26,812	2.44%	Frankfurt
Q-Free ASA	3,182,604	44,688	40,578	-4,109	0.49%	Oslo Børs
PSI Group ASA	3,796,612	43,431	22,932	-20,499	0.28%	Oslo Børs
Minor items		43,357	41,249	-2,108	0.50%	
<b>Total Information Technology</b>		<b>897,726</b>	<b>851,508</b>	<b>-46,218</b>	<b>10.24%</b>	
<b>TELECOM</b>						
TeliaSonera AB	5,500,000	247,957	243,002	-4,954	2.92%	Stockholm
Kinnevik Investment AB-B	463,583	103,529	106,964	3,434	1.29%	Stockholm
<b>Total Telecom</b>		<b>351,486</b>	<b>349,966</b>	<b>-1,520</b>	<b>4.21%</b>	
<b>Total equity portfolio</b>		<b>6,457,493</b>	<b>8,076,591</b>	<b>1,619,098</b>	<b>97.08%</b>	
Disposable liquidity			242,754		2.92%	
<b>Total share capital</b>			<b>8,319,345</b>		<b>100.00%</b>	
Base price as of 30.09.2014		1,718.0542				

\* Figures in 1 000 NOK.

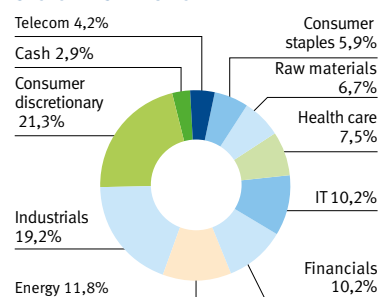


## SKAGEN VEKST

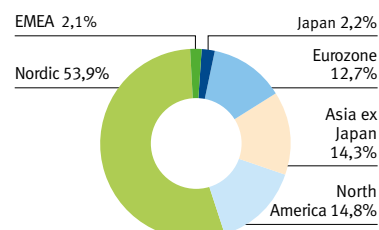
Exploring the narrow path to prosperity\*

\* Beach cyclists. 1894. Detail. By Einar Hein, one of the Skagen painters. This image belongs to the Skagens Museum.

### SECTOR DISTRIBUTION



### GEOGRAPHICAL DISTRIBUTION



### TOP TEN INVESTMENTS

Royal Caribbean Cruises Ltd	8.21
Samsung Electronics Co Ltd	6.53
Norsk Hydro ASA	6.07
Teva Pharmaceutical Industries	5.83
Continental AG	4.31
Norwegian Air Shuttle ASA	4.01
Koninklijke Philips NV	3.73
Danske Bank A/S	3.14
Kia Motors Corp	3.14
TeliaSonera AB	2.92
<b>TOTAL 10 LARGEST HOLDINGS (%)</b>	<b>47.91</b>



## SKAGEN GLOBAL

A world of opportunities\*

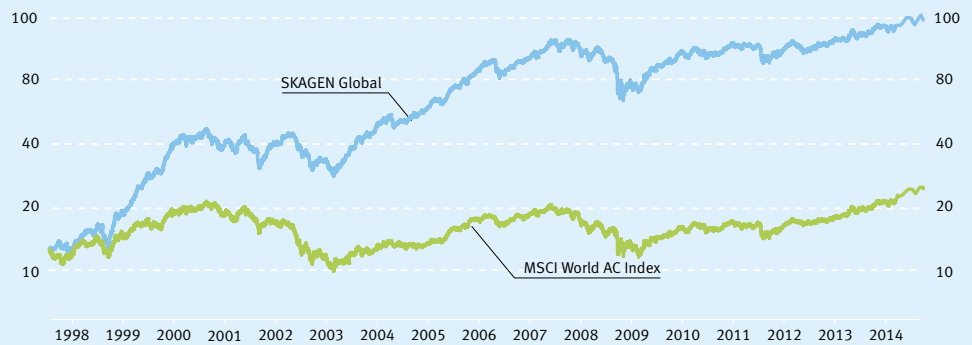
The SKAGEN Global equity fund invests in stocks worldwide. The fund seeks to maintain a balanced industry exposure. SKAGEN Global is suitable for investors who want an equity fund which invests over the whole world and is therefore diversified both geographically and by industry. The fund is also suitable for those who already have exposure towards the Norwegian equity market, but who wish to strengthen their portfolio and reduce risk.

Risk



Morningstar quantitative rating	★★★★★
Lipper Europe 2014 Best Fund 10 Years Equity Global	
Fund start date	7 August 1997
Return since start	1 054%
Average annual return	15.33%
Assets under management	EUR 5 351 million
Number of unitholders	86 860
Subscription fee	0%
Redemption fee	0%
Management fee	1.0% per year + 10% of return exceeding the benchmark index
Minimum subscription amount	One-time subscription EUR 50
Authorised for marketing in	Norway, Sweden, Denmark, Finland, Netherlands, Luxembourg, Iceland, UK, Switzerland, Belgium, Ireland and Germany
Benchmark index	MSCI World AC
UCITS	Yes
Portfolio managers	Kristian Falnes Søren Milo Christensen Chris-Tommy Simonsen Johan Swahn Knut Gezelius

### HISTORICAL PRICE DEVELOPMENT SKAGEN GLOBAL (EUR)



Security	Number	Acquisition value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock-exchange
<b>ENERGY</b>						
Gazprom Oao ADR	19,257,618	1,265,425	870,736	-394,688	1.89%	London Int
Baker Hughes Inc	1,936,624	504,834	825,397	320,563	1.79%	New York
Weatherford Intl Ltd	5,075,556	416,419	692,062	275,643	1.50%	New York
OMV AG	2,062,595	447,096	444,809	-2,288	0.96%	Wien
Technip SA	792,594	472,276	428,137	-44,139	0.93%	Paris
Surgutneftegas OAO Pref	85,936,900	326,692	382,594	55,902	0.83%	Moscow
Kazmunaigas Exploration GDR	3,088,318	380,506	347,113	-33,393	0.75%	London Int
Afren Plc	27,880,508	299,125	296,516	-2,609	0.64%	London
Petroleo Brasileiro Pref ADR	2,541,548	383,577	243,055	-140,522	0.53%	New York
BP Plc	4,370,384	218,026	206,065	-11,961	0.45%	London
BP Plc ADR	625,673	182,516	177,113	-5,403	0.38%	New York
Minor items		422,806	401,538	-21,267	0.87%	
<b>Total Energy</b>		<b>5,319,297</b>	<b>5,315,136</b>	<b>-4,162</b>	<b>11.52%</b>	
<b>RAW MATERIALS</b>						
Akzo Nobel NV	1,888,049	576,472	829,037	252,565	1.80%	Amsterdam
Norsk Hydro ASA	19,810,878	535,467	712,003	176,536	1.54%	Oslo Børs
Koninklijke DSM NV	1,309,536	535,980	518,978	-17,002	1.13%	Amsterdam
Heidelbergcement AG	1,131,185	359,962	478,899	118,936	1.04%	Frankfurt
Ternium SA ADR	2,543,889	380,195	398,984	18,788	0.86%	New York
OCI Co Ltd	438,528	416,480	346,473	-70,007	0.75%	Seoul
Mayr-Melnhof Karton AG	383,450	177,617	262,465	84,848	0.57%	Wien
Lundin Mining Corp	5,606,089	151,431	176,856	25,426	0.38%	Toronto
Lundin Mining Corp SDR	5,540,346	145,036	175,738	30,702	0.38%	Stockholm
UPM-Kymmene Oyj	1,796,493	119,102	164,966	45,864	0.36%	Helsinki
Minor items		17,178	16,474	-704	0.04%	
<b>Total Raw Materials</b>		<b>3,414,920</b>	<b>4,080,872</b>	<b>665,952</b>	<b>8.85%</b>	
<b>INDUSTRIALS</b>						
LG Corp	2,450,793	686,437	1,143,922	457,485	2.48%	Seoul
Tyco International Ltd	2,775,661	299,062	792,409	493,347	1.72%	New York
Koninklijke Philips NV	2,511,400	454,500	515,112	60,612	1.12%	Amsterdam
Bunge Ltd	899,297	315,729	486,960	171,231	1.06%	New York
Siemens AG	482,469	274,741	369,340	94,599	0.80%	Frankfurt
Stolt-Nielsen Ltd	2,865,551	463,181	356,761	-106,420	0.77%	Oslo Børs
Mosaic Co/The	1,153,678	353,959	328,987	-24,971	0.71%	New York
BW LPG Ltd	3,247,152	153,300	263,831	110,531	0.57%	Oslo Børs
Prosegur Cia de Seguridad Sa	6,506,714	211,175	260,214	49,040	0.56%	Madrid
China Communications Services Corp Ltd	76,087,294	274,371	227,211	-47,159	0.49%	Hong Kong
Autoliv Inc	290,814	99,564	172,863	73,299	0.37%	New York
Metso Oyj	749,260	118,856	171,458	52,603	0.37%	Helsinki
Avance Gas Holdings Ltd	832,478	95,385	122,374	26,989	0.27%	Oslo Børs
Minor items		584,255	462,018	-122,237	1.00%	
<b>Total Industrials</b>		<b>4,384,514</b>	<b>5,673,462</b>	<b>1,288,948</b>	<b>12.30%</b>	
<b>CONSUMER DISCRETIONARY</b>						
Renault SA	1,861,779	487,037	864,169	377,132	1.87%	Paris
Gap Inc/The	2,701,105	660,377	724,632	64,255	1.57%	New York
General Motors Co	3,493,080	496,224	718,022	221,798	1.56%	New York
Toyota Industries Corp	1,788,277	319,173	555,204	236,031	1.20%	Tokyo
Comcast Corp	1,458,601	153,924	504,999	351,075	1.09%	NASDAQ
Volvo AB	6,836,784	531,009	477,311	-53,697	1.03%	Stockholm
Yamaha Motor Co Ltd	3,355,311	283,582	421,601	138,020	0.91%	Tokyo
Hyundai Motor Co Pref (2pb)	552,537	155,829	402,969	247,139	0.87%	Seoul
Tata Motors Ltd-A- DVR	8,226,456	111,027	295,270	184,243	0.64%	Bombay
LG Electronics Inc Pref	1,090,448	278,239	235,267	-42,972	0.51%	Seoul
Gafisa Sa	22,041,494	196,541	160,086	-36,455	0.35%	Sao Paulo
Dixons Carphone Plc	3,729,216	33,780	142,291	108,511	0.31%	London
CTC Media Inc	3,258,669	161,993	139,597	-22,396	0.30%	NASDAQ
Global Mediacom Tbk PT	118,938,215	124,130	122,029	-2,101	0.26%	Jakarta
Minor items		84,337	122,129	37,792	0.26%	
<b>Total Consumer Discretionary</b>		<b>4,077,203</b>	<b>5,885,577</b>	<b>1,808,374</b>	<b>12.76%</b>	

Security	Number	Acquisition value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock-exchange
<b>CONSUMER STAPLES</b>						
Unilever NV-Cva	983,145	176,321	251,577	75,256	0.55%	Amsterdam
Yazicilar Holding AS	3,928,265	95,143	227,937	132,795	0.49%	Istanbul
Royal Unibrew A/S	187,221	47,481	200,129	152,648	0.43%	København
United Intl Enterprises	134,792	24,216	167,439	143,223	0.36%	København
Chiquita Brands International Inc	1,488,414	108,277	137,274	28,997	0.30%	New York
Minor items		25,383	30,727	5,344	0.07%	
<b>Total Consumer Staples</b>		<b>476,821</b>	<b>1,015,084</b>	<b>538,263</b>	<b>2.20%</b>	
<b>HEALTH CARE</b>						
Teva Pharmaceutical-Sp ADR	2,974,074	645,076	1,035,100	390,024	2.24%	NASDAQ
Roche Holding AG-Genusschein	464,283	411,220	881,851	470,631	1.91%	Zürich
Sanofi	582,614	347,732	424,121	76,389	0.92%	Paris
Rhoen-Klinikum AG	2,055,663	231,909	400,375	168,465	0.87%	Frankfurt
Varian Medical Systems Inc	397,935	195,622	206,660	11,039	0.45%	New York
<b>Total Health Care</b>		<b>1,831,559</b>	<b>2,948,107</b>	<b>1,116,548</b>	<b>6.39%</b>	
<b>FINANCIALS</b>						
Citigroup Inc	8,597,367	1,968,692	2,885,115	916,423	6.25%	New York
American International Group Inc	4,682,051	1,079,957	1,638,267	558,310	3.55%	New York
Nordea Bank AB	13,236,133	929,847	1,102,064	172,217	2.39%	Stockholm
NN Group NV	2,795,661	494,945	521,143	26,198	1.13%	Amsterdam
Cheung Kong Holdings Ltd	4,587,798	367,340	485,384	118,044	1.05%	Hong Kong
Goldman Sachs Group Inc	374,386	272,751	443,083	170,333	0.96%	New York
Storebrand ASA	10,835,958	383,009	387,494	4,485	0.84%	Oslo Børs
Banco Do Estado Rio Grande Do Sul SA Pref	9,980,716	234,211	366,896	132,685	0.80%	Sao Paulo
EFG-Hermes Holding SAE	19,484,469	239,498	325,240	85,742	0.71%	Cairo
Industrial Bank of Korea	3,151,655	234,928	305,512	70,583	0.66%	Seoul
State Bank of India	1,198,198	234,433	304,785	70,352	0.66%	National India
RSA Insurance Group Plc	5,280,921	230,281	266,242	35,962	0.58%	London
Haci Omer Sabanci Holding AS	9,610,939	213,219	259,345	46,126	0.56%	Istanbul
Sparebank 1 SR-Bank ASA	3,820,039	114,252	233,022	118,770	0.51%	Oslo Børs
TAG Immobilien AG	2,492,482	144,744	180,978	36,234	0.39%	Frankfurt
Talanx AG	779,319	108,233	166,136	57,903	0.36%	Frankfurt
Irsa Sa ADR	1,839,371	152,910	163,618	10,708	0.35%	New York
Sberbank of Russia Pref	17,251,109	207,658	161,735	-45,923	0.35%	Moscow
Japan Securities Finance Co	4,192,475	239,849	157,424	-82,426	0.34%	Tokyo
State Bank Of India GDR	296,738	108,798	150,561	41,762	0.33%	National India
Minor items		424,015	411,582	-12,434	0.89%	
<b>Total Financials</b>		<b>8,383,571</b>	<b>10,915,625</b>	<b>2,532,054</b>	<b>23.66%</b>	
<b>INFORMATION TECHNOLOGY</b>						
Samsung Electronics Co Ltd Pref	503,892	1,220,474	2,750,061	1,529,587	5.96%	Seoul
Microsoft Corp	3,494,146	555,636	1,040,389	484,753	2.26%	NASDAQ
Lenovo Group Ltd	47,662,000	354,172	455,765	101,593	0.99%	Hong Kong
Samsung Electronics Co Ltd Pref GDR	118,762	120,020	326,004	205,984	0.71%	London Int
Google Inc CLASS C	60,125	105,140	223,486	118,346	0.48%	NASDAQ
Google Inc CLASS A	53,735	93,966	203,606	109,640	0.44%	NASDAQ
<b>Total Information Technology</b>		<b>2,449,409</b>	<b>4,999,311</b>	<b>2,549,903</b>	<b>10.84%</b>	
<b>TELECOM</b>						
Vimpelcom Ltd-Spon ADR	12,189,199	893,295	561,314	-331,981	1.22%	New York
China Unicom Hong Kong Ltd	53,443,796	467,163	512,821	45,658	1.11%	Hong Kong
First Pacific Co Ltd	45,234,923	285,825	302,714	16,889	0.66%	Hong Kong
China Unicom Hong Kong Ltd ADR	2,044,203	188,499	197,134	8,635	0.43%	New York
Global Telecom Holding	38,328,039	100,420	173,203	72,782	0.38%	Cairo
Indosat Tbk PT	65,928,725	227,989	132,328	-95,661	0.29%	Indonesia
Kinnevik Investment AB-B	568,011	29,692	131,512	101,819	0.29%	Stockholm
Minor items		271,900	160,456	-111,444	0.35%	
<b>Total Telecom</b>		<b>2,464,783</b>	<b>2,171,481</b>	<b>-293,302</b>	<b>4.71%</b>	
<b>UTILITIES</b>						
Centrais Eletricas Brasileiras SA Pref	7,369,985	455,723	194,594	-261,129	0.42%	Sao Paulo
Småposten		217,184	45,886	-171,298	0.10%	
<b>Total Utilities</b>		<b>672,907</b>	<b>240,480</b>	<b>-432,427</b>	<b>0.52%</b>	
<b>Total equity portfolio</b>		<b>33,474,985</b>	<b>43,245,135</b>	<b>9,770,150</b>	<b>93.75%</b>	
Disposable liquidity			2,884,256		6.25%	
<b>Total share capital</b>			<b>46,129,391</b>		<b>100.00%</b>	
Base price as of 30.09.2014			1,159.4158			

\* Figures in 1 000 NOK.

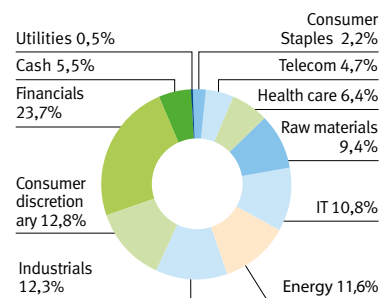


## SKAGEN GLOBAL

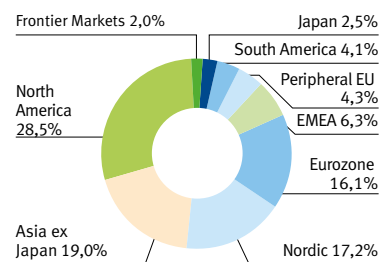
A world of opportunities\*

\* From the moor north of Skagen, 1885. Detail. By P.S. Krøyer, one of the Skagen painters.

### SECTOR DISTRIBUTION



### GEOGRAPHICAL DISTRIBUTION



### TOP TEN INVESTMENTS

Samsung Electronics Co Ltd	6.67
Citigroup Inc	6.25
American International Group I	3.55
LG Corp	2.49
Nordea Bank AB	2.39
Microsoft Corp	2.26
Teva Pharmaceutical Industries	2.24
Roche Holding AG	1.91
Gazprom OAO	1.89
Renault SA	1.87
<b>TOTAL 10 LARGEST HOLDINGS (%)</b>	<b>31.53</b>



## SKAGEN KON-TIKI

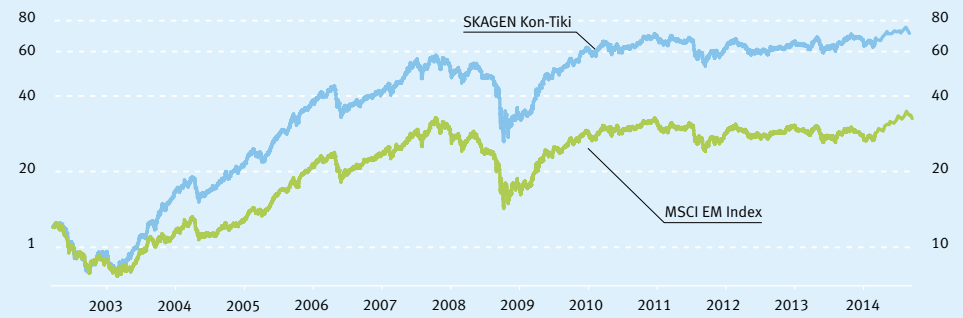
Leading the way in new waters\*

The SKAGEN Kon-Tiki equity fund will invest at least 50 percent of its assets in emerging markets. These are markets that are not included in the MSCI World Index. Nevertheless, following on from our requirement to have a reasonable industry balance, 50 percent of the fund's assets may be invested in markets that are included in the MSCI World Index. SKAGEN Kon-Tiki is suitable for an investor who wants to benefit from the value creation taking place in the world's emerging markets. The fund offers the opportunity of extraordinary returns, but at a higher risk than with a global/ Norwegian equity fund.



Morningstar quantitative rating	★★★★
Lipper Europe 2014, Best Fund 10 years Equity Emerging markets	
Fund start date	5 April 2002
Return since start	491%
Average annual return	15.29%
Assets under management	EUR 5 512 million
Number of unitholders	72 490
Subscription fee	0%
Redemption fee	0%
Management fee	2% per year plus/ minus variable management fee
Minimum subscription amount	One-time subscription EUR 50
Authorised for marketing in	Norway, Sweden, Denmark, Finland, Netherlands, Luxembourg, Iceland, UK, Switzerland, Belgium, Ireland and Germany
Benchmark index	MSCI Emerging Markets Index
UCITS	Yes
Portfolio managers	J. Kristoffer Stensrud Knut Harald Nilsson Cathrine Gether Erik Landgraff Hilde Jenssen

### HISTORICAL PRICE DEVELOPMENT SKAGEN KON-TIKI (EUR)



Security	Number	Acquisition value NOK *	Market-value NOK *	Unrealised gain/loss *	Share of fund	Stock-exchange
<b>ENERGY</b>						
Tullow Oil Plc	8,461,624	793,317	568,066	-225,251	1.08%	London
GCL-Poly Energy Holdings Ltd	213,713,000	350,278	503,833	153,555	0.96%	Hong Kong
Gazprom Oao ADR	9,459,603	633,992	427,717	-206,275	0.81%	London Int
Afren Plc	28,782,928	356,400	306,114	-50,287	0.58%	London
Archer Ltd	25,327,048	405,547	228,450	-177,097	0.43%	Oslo Børs
Rec Silicon ASA	83,201,594	133,426	214,993	81,566	0.41%	Oslo Børs
Deep Sea Supply Plc	17,250,931	170,959	151,291	-19,669	0.29%	Oslo Børs
Minor items		129,927	187,915	57,988	0.36%	
<b>Total Energy</b>		<b>2,973,846</b>	<b>2,588,377</b>	<b>-385,469</b>	<b>4.91%</b>	
<b>RAW MATERIALS</b>						
Vale Sa Spons pref ADR	14,722,805	1,442,210	898,309	-543,901	1.70%	New York
UPL Ltd	10,294,488	191,091	364,091	173,000	0.69%	National India
OCI Co Ltd	400,000	349,387	316,033	-33,354	0.60%	Seoul
Hindalco Industries Ltd	18,981,352	316,239	309,454	-6,784	0.59%	National India
LG Chem Ltd Pref	259,179	178,915	258,328	79,414	0.49%	Seoul
Exxaro Resources Ltd	3,169,011	404,810	231,138	-173,671	0.44%	Johannesburg
Asia Cement China Holdings	48,607,500	178,677	191,793	13,115	0.36%	Hong Kong
Minor items		417,257	157,801	-259,455	0.30%	
<b>Total Raw materials</b>		<b>3,478,585</b>	<b>2,726,947</b>	<b>-751,637</b>	<b>5.17%</b>	
<b>INDUSTRIALS</b>						
AP Moeller - Maersk A/S	100,000	805,315	1,525,510	720,195	2.89%	København
ABB Ltd	8,530,512	808,037	1,229,101	421,064	2.33%	Stockholm
Golar LNG Ltd	1,290,000	469,487	560,574	91,087	1.06%	NASDAQ
AirAsia Bhd	108,152,800	413,212	535,651	122,440	1.02%	Kuala Lumpur
CNH Industrial NV	9,338,348	567,834	472,015	-95,819	0.89%	New York
Bidvest Group Ltd	2,878,881	335,297	467,671	132,373	0.89%	Johannesburg
Frontline 2012 Ltd	12,005,000	315,941	462,193	146,252	0.88%	Unotert
Empresas ICA S.A.B	32,729,853	448,729	363,083	-85,646	0.69%	Mexico
OCI NV	1,825,927	455,606	362,369	-93,237	0.69%	Amsterdam
Enka Insaat Ve Sanayi AS	20,782,815	217,528	304,407	86,879	0.58%	Istanbul
Hitachi Ltd	5,695,000	253,599	279,396	25,797	0.53%	Tokyo
Aveng Ltd	21,017,094	617,358	265,443	-351,915	0.50%	Johannesburg
Harbin Electric Company Ltd	68,000,000	614,366	262,686	-351,681	0.50%	Hong Kong
Norwegian Air Shuttle ASA	1,085,248	90,177	243,204	153,027	0.46%	Oslo Børs
LG Corp Pref	808,430	118,266	235,837	117,571	0.45%	Seoul
Yingli Green Energy Holding Co Ltd ADR	9,660,539	213,542	199,477	-14,065	0.38%	New York
Nippon Yusen KK	11,728,000	231,788	198,547	-33,241	0.38%	Tokyo
Golden Ocean Group Ltd	22,086,808	96,408	169,295	72,887	0.32%	Oslo Børs
Kerry Logistics Network Ltd	16,775,000	168,906	167,903	-1,003	0.32%	Hong Kong
Avance Gas Holdings Ltd	1,056,386	111,292	155,289	43,997	0.29%	Oslo Børs
Minor items		5,770	5,871	101	0.01%	
<b>Total Industrials</b>		<b>7,358,460</b>	<b>8,465,522</b>	<b>1,107,062</b>	<b>16.05%</b>	
<b>CONSUMER DISCRETIONARY</b>						
Hyundai Motor Co Pref (2pb)	2,631,943	420,219	1,919,492	1,499,273	3.64%	Seoul
Hyundai Motor Co Pref (1p)	2,407,251	386,672	1,726,362	1,339,690	3.27%	Seoul
Great Wall Motor Co Ltd	67,765,000	122,922	1,690,065	1,567,142	3.20%	Hong Kong
Mahindra & Mahindra Ltd GDR	8,248,827	192,182	1,175,074	982,892	2.23%	London Int
Naspers Ltd	1,139,544	333,530	806,407	472,878	1.53%	Johannesburg
LG Electronics Inc Pref	3,050,000	823,954	658,047	-165,908	1.25%	Seoul
Royal Caribbean Cruises Ltd	1,432,100	257,591	619,565	361,974	1.17%	New York
Mahindra & Mahindra Ltd	3,623,003	292,672	512,773	220,101	0.97%	National India
Apollo Tyres Ltd	20,406,475	158,544	432,442	273,897	0.82%	National India
DRB-Hicom Bhd	88,408,800	365,449	394,597	29,148	0.75%	Kuala Lumpur
Hengdeli Holdings Ltd	162,572,800	256,632	166,755	-89,876	0.32%	Hong Kong
MRV Engenharia	7,940,800	169,282	161,569	-7,713	0.31%	Sao Paulo
Minor items		148,746	171,781	23,035	0.33%	
<b>Total Consumer Discretionary</b>		<b>3,928,395</b>	<b>10,434,929</b>	<b>6,506,534</b>	<b>19.78%</b>	

Security	Number	Acquisition value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock-exchange
<b>CONSUMER STAPLES</b>						
Heineken NV	2,811,758	935,935	1,348,678	412,743	2.56%	Amsterdam
Cosan Ltd	12,991,033	786,886	899,443	112,557	1.71%	New York
Casino Guichard Perrachon SA	1,223,074	967,748	847,788	-119,960	1.61%	Paris
Distribuidora Internacional de Alimentacion SA	13,749,488	493,111	631,954	138,844	1.20%	Madrid
X 5 Retail Group NV GDR	4,990,306	506,266	591,337	85,071	1.12%	London Int
Marfrig Global Foods SA	32,957,200	518,291	572,923	54,632	1.09%	Sao Paulo
Yazicilar Holding AS	8,837,139	222,040	512,774	290,734	0.97%	Istanbul
Familymart Co Ltd	1,776,500	491,161	435,515	-55,646	0.83%	Tokyo
Kulim Malaysia BHD	50,827,600	160,451	323,375	162,924	0.61%	Kuala Lumpur
Massmart Holdings Ltd	4,189,594	319,449	292,313	-27,136	0.55%	Johannesburg
PZ Cussons Plc	7,625,746	127,931	288,344	160,413	0.55%	London
Royal Unibrew A/S	256,163	42,998	273,825	230,826	0.52%	København
Cia Cervecerias Unidas SA ADR	1,538,270	280,090	215,190	-64,900	0.41%	New York
Tata Global Beverages Ltd	12,304,260	167,952	203,925	35,972	0.39%	National India
Podravka Prehrambena Ind DD	406,584	111,935	146,809	34,874	0.28%	Zagreb
Minor items		240,217	302,622	62,405	0.57%	
<b>Total Consumer Staples</b>		<b>6,372,461</b>	<b>7,886,815</b>	<b>1,514,354</b>	<b>14.95%</b>	
<b>HEALTH CARE</b>						
Richter Gedeon Nyrt	9,771,722	1,060,981	982,900	-78,080	1.86%	Budapest
China Shineway Pharmaceutical	36,934,000	280,298	402,062	121,764	0.76%	Hong Kong
Ranbaxy Laboratories Ltd	3,998,608	188,090	266,040	77,951	0.50%	National India
Minor items		290,517	307,970	17,452	0.58%	
<b>Total Health Care</b>		<b>1,819,885</b>	<b>1,958,972</b>	<b>139,087</b>	<b>3.71%</b>	
<b>FINANCIALS</b>						
State Bank of India	5,999,991	1,363,394	1,526,215	162,822	2.89%	National India
Haci Omer Sabanci Holding AS	47,509,436	962,243	1,282,013	319,770	2.43%	Istanbul
Banco Do Estado Rio Grande Do Sul SA Pref	20,354,500	482,469	748,240	265,771	1.42%	Sao Paulo
Haitong Securities Co Ltd	59,435,600	492,612	588,998	96,386	1.12%	Hong Kong
Raiffeisen Bank International AG	4,062,472	797,113	571,923	-225,190	1.08%	Wien
SBI Holdings Inc	7,759,600	603,587	558,187	-45,400	1.06%	Tokyo
Moscow Exchange MICEX-RTS OAO	54,263,060	578,348	512,172	-66,176	0.97%	Moscow
JSE Ltd	6,464,519	249,899	361,895	111,995	0.69%	Johannesburg
Korean Reinsurance Co	4,860,366	182,225	333,792	151,567	0.63%	Seoul
Kiwoom Securities Co Ltd	1,043,205	190,648	324,615	133,967	0.62%	Seoul
Kiatnakin Bank Plc	37,429,463	334,353	313,116	-21,237	0.59%	Bangkok
EFG-Hermes Holding SAE	17,939,257	353,507	299,447	-54,060	0.57%	Cairo
VTB Bank Ojsc GDR	15,522,312	462,834	198,490	-264,344	0.38%	London Int
Ghana Commercial Bank Ltd	18,001,604	88,821	180,794	91,973	0.34%	Ghana
Dragon Capital - Vietnam Enterprise Investments Ltd	9,000,000	111,229	171,676	60,447	0.33%	Dublin
Diamond Bank Plc	678,971,941	145,604	167,147	21,543	0.32%	Lagos
VTB Bank Ojsc	21,701,144,197	165,582	138,116	-27,466	0.26%	Moscow
Value Partners Group Ltd	28,597,000	109,613	134,126	24,514	0.25%	Hong Kong
Minor items		239,204	275,964	36,760	0.52%	
<b>Total Financials</b>		<b>7,913,285</b>	<b>8,686,928</b>	<b>773,643</b>	<b>16.47%</b>	
<b>INFORMATION TECHNOLOGY</b>						
Samsung Electronics Co Ltd Pref	424,937	1,049,840	2,319,153	1,269,313	4.40%	Seoul
Samsung Electronics Co Ltd Pref GDR	399,732	393,328	1,097,273	703,946	2.08%	London Int
Lenovo Group Ltd	100,868,000	578,685	964,543	385,858	1.83%	Hong Kong
Tech Mahindra Ltd	2,529,440	408,241	654,988	246,747	1.24%	National India
Minor items		110,340	125,958	15,618	0.24%	
<b>Total Information Technology</b>		<b>2,540,434</b>	<b>5,161,916</b>	<b>2,621,482</b>	<b>9.79%</b>	
<b>TELECOM</b>						
Bharti Airtel Ltd	44,368,848	1,691,575	1,869,862	178,287	3.55%	National India
Kinnevik Investment AB-B	2,624,324	458,112	607,610	149,498	1.15%	Stockholm
Indosat Tbk PT	206,683,750	557,401	414,843	-142,558	0.79%	Indonesia
Sistema Jscf GDR	4,319,499	344,836	191,423	-153,413	0.36%	London Int
Sistema Jscf	71,610,460	487,565	150,777	-336,788	0.29%	Moscow
<b>Total Telecom</b>		<b>3,539,488</b>	<b>3,234,514</b>	<b>-304,974</b>	<b>6.13%</b>	
<b>Total equity portfolio</b>		<b>39,924,840</b>	<b>51,144,921</b>	<b>11,220,082</b>	<b>96.97%</b>	
Disposable liquidity			1,600,130		3.03%	
<b>Total share capital</b>			<b>52,745,052</b>		<b>100.00%</b>	
Base price as of 30.09.2014			631.2901			

\* Figures in 1 000 NOK.

\* Figures in 1000 NOK

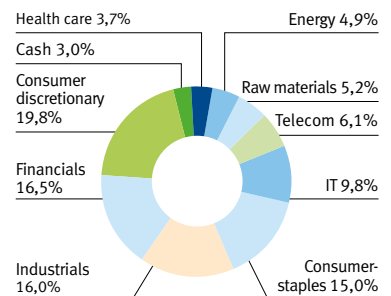


## SKAGEN KON-TIKI

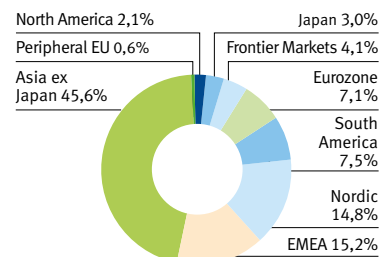
Leading the way in new waters\*

\* Skagen reef's lightship, 1892. Detail.  
By Carl Locher, one of the Skagen painters.  
The picture is owned by the Skagens Museum.

### SECTOR DISTRIBUTION



### GEOGRAPHICAL DISTRIBUTION



### TOP TEN INVESTMENTS

Hyundai Motor Co	6.91
Samsung Electronics Co Ltd	6.48
Bharti Airtel Ltd	3.55
Great Wall Motor Co Ltd	3.20
Mahindra & Mahindra Ltd	3.20
State Bank of India	2.89
AP Moeller - Maersk A/S	2.89
Heineken NV	2.56
Haci Omer Sabanci Holding AS	2.43
ABB Ltd	2.33
<b>TOTAL 10 LARGEST HOLDINGS (%)</b>	<b>36.44</b>

# SECURITIES PORTFOLIO SKAGEN M2 AS OF 30-09-2014



## SKAGEN m<sup>2</sup>

A doorway to global interest rates\*

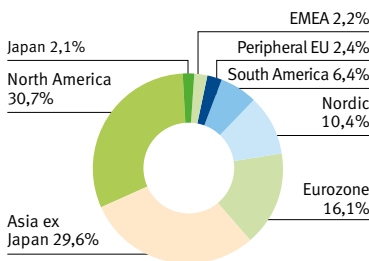
\*Architect Ulrik Plesner's first extension to Brøndum's hotel. 1892. Detail. By Johan Peter von Wildenradt, one of the Skagen painters. The picture belongs to the Skagens Museum.

### EQUITY FUND SKAGEN m<sup>2</sup>

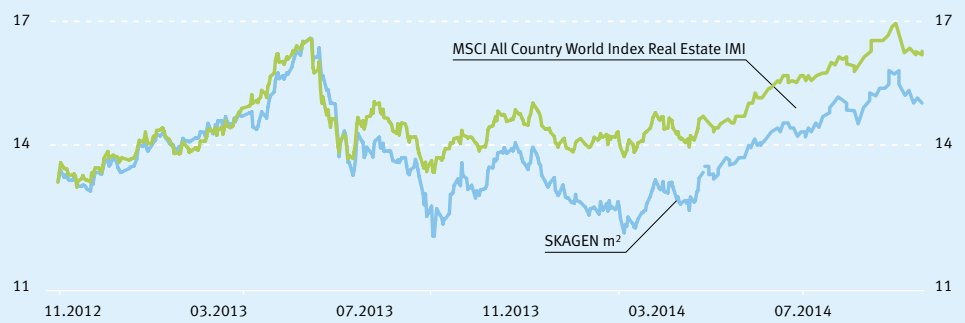


Fund start date	31 October 2012
Return since start	9%
Average annual return	4,7%
Assets under management	EUR 72 million
Number of unitholders	5 614
Subscription fee	0%
Redemption fee	0%
Management fee	1.5 % per year plus/minus variable management fee
Minimum subscription amount	One-time subscription EUR 50
Authorised for marketing in	Norway, Sweden, Denmark, Finland, Netherlands, Luxembourg, Iceland, UK, Switzerland and Ireland
Benchmark index	MSCI All Country World Index Real Estate IMI
UCITS	Yes
Portfolio managers	Michael Gobitschek, Harald Haukås,

### GEOGRAPHICAL DISTRIBUTION



### HISTORICAL PRICE DEVELOPMENT SKAGEN M2 (EUR)



Security	Number	Acquisition value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock-exchange
<b>FINANCIALS</b>						
General Growth Properties Inc	156,000	21,050	23,686	2,635	4.05%	New York
Brandywine Realty Trust	246,000	21,546	22,499	952	3.84%	New York
HCP Inc	77,100	17,879	19,830	1,951	3.39%	New York
Ashford Hospitality Trust	280,000	13,786	18,802	5,015	3.21%	New York
Columbia Property Trust Inc	120,000	19,888	18,574	-1,314	3.17%	New York
PS Business Parks Inc	36,500	16,403	17,880	1,477	3.05%	New York
Global Logistic Properties Ltd	1,281,000	16,232	17,486	1,255	2.99%	Singapore
Mercialys SA	123,000	15,577	17,238	1,662	2.94%	Paris
Deutsche Wohnen AG	125,000	11,317	17,174	5,857	2.93%	Frankfurt
Apartment Investmet & Management Co	82,000	14,437	16,890	2,453	2.88%	New York
Olav Thon Eiendomsselskap ASA	123,000	11,638	14,268	2,630	2.44%	Oslo Børs
Soho China Ltd	3,021,500	14,546	14,044	-502	2.40%	Hong Kong
British Land Co Plc	190,000	9,751	13,856	4,105	2.37%	London
SL Green Realty Corp	20,500	10,775	13,515	2,740	2.31%	New York
SM Prime Holdings Inc	5,000,000	12,092	12,503	410	2.14%	Philippines
Nomura Real Estate Office Fund Inc	425	11,782	12,493	711	2.13%	Tokyo
CBL & Associates Properties Inc	106,700	11,754	12,208	454	2.09%	New York
Lexington Realty Trust	190,000	12,861	12,093	-767	2.07%	New York
Mapletree Logistics Trust	2,021,375	11,677	11,760	83	2.01%	Singapore
CA Immobilien Anlagen AG	92,000	10,165	11,756	1,591	2.01%	Wien
Unibail-Rodamco SE	7,020	11,116	11,626	510	1.99%	Amsterdam
Ticon Industrial Connection Pcl-Nvdr	3,200,020	11,100	11,529	429	1.97%	Bangkok
Dic Asset AG	212,000	13,443	11,486	-1,958	1.96%	Xetra
Citycon Oyj	525,000	9,828	11,241	1,413	1.92%	Helsinki
Affine SA	88,000	9,241	10,649	1,407	1.82%	Paris
Phoenix Mills Ltd	273,778	7,519	9,643	2,124	1.65%	National India
Franshion Properties China Ltd	5,832,000	11,033	9,116	-1,917	1.56%	Hong Kong
Westgrund AG	300,000	8,637	8,628	-9	1.47%	Xetra
Bekasi Fajar Industrial Estate Tbk PT	26,975,400	6,517	8,316	1,800	1.42%	Indonesia
First Real Estate Investment Trust	1,323,829	7,317	8,202	885	1.40%	Singapore
BR Properties SA	233,700	13,013	7,851	-5,163	1.34%	Sao Paulo
Emlak Konut Gayrimenkul Yatirim Ortakligi AS	1,110,000	8,054	7,444	-610	1.27%	Istanbul
BR Malls Participacoes SA	135,000	9,127	6,755	-2,372	1.15%	Sao Paulo
Obero Realty Ltd	288,152	7,095	6,531	-564	1.12%	National India
CapitaLand Ltd	400,000	6,017	6,447	430	1.10%	Singapore
Ascendas India Trust	1,625,000	6,090	6,344	253	1.08%	Singapore
Irsa Sa ADR	70,798	4,961	6,298	1,337	1.08%	New York
General Shopping Brasil SA	249,400	7,542	6,118	-1,424	1.04%	Sao Paulo
Gecina SA	7,000	5,027	5,910	883	1.01%	Paris
Vista Land & Lifescapes Inc	6,639,700	5,315	5,860	545	1.00%	Philippines
Keppel Land Ltd	325,000	5,733	5,730	-3	0.98%	Singapore
Summarecon Agung Tbk PT	8,719,400	5,856	5,606	-250	0.96%	Indonesia
Ananda Development PCL-Nvdr	6,819,200	2,153	5,561	3,408	0.95%	Bangkok
Parkway Life Real Estate Investment Trust	472,000	5,732	5,492	-240	0.94%	Singapore
Bumi Serpong Damai PT	6,686,500	6,032	5,444	-588	0.93%	Indonesia
Shimao Property Holdings Ltd	414,500	5,315	5,389	74	0.92%	Hong Kong
CSI Properties Ltd	20,000,000	5,252	5,376	124	0.92%	Hong Kong
Etalon Group Ltd GDR	226,388	5,667	5,307	-360	0.91%	London Int
Rockwell Land Corp	20,000,000	8,187	5,093	-3,094	0.87%	Philippines
Atrium Ljungberg AB	50,280	4,602	4,622	20	0.79%	Stockholm
Parque Arauco SA	349,321	3,977	4,273	296	0.73%	Santiago
Hovnanian Enterprises Inc	160,000	4,771	3,861	-910	0.66%	New York
Century Properties Group Inc	10,922,000	1,998	1,984	-13	0.34%	Philippines
<b>Total Financials</b>		<b>518,422</b>	<b>548,285</b>	<b>29,862</b>	<b>93.64%</b>	
<b>INTEREST INSTRUMENTS</b>						
General Shopping Finance	1,000,000	5,429	6,328	899	1.08%	Euroclear
<b>Total Interest Instruments</b>		<b>5,429</b>	<b>6,328</b>	<b>899</b>	<b>1.08%</b>	
<b>Total equity portfolio</b>		<b>523,852</b>	<b>554,613</b>	<b>30,761</b>	<b>94.72%</b>	
Disposable liquidity			30,915		5.28%	
<b>Total share capital</b>			<b>585,528</b>		<b>100.00%</b>	
Base price as of 30.06.2014		120.2520				

\* Figures in 1 000 NOK.

# SECURITIES PORTFOLIO SKAGEN TELLUS AS OF 30-09-2014



## SKAGEN TELLUS

*A doorway to global interest rates\**

SKAGEN Tellus is an actively managed global bond fund investing in bonds issued by governments, regional authorities and financial institutions all over the world. SKAGEN Tellus is a good option for investors who wish to invest in global bonds and who have an investment horizon of at least 3 years. Investors must be tolerant of exchange rate fluctuations

\* Interior. Brøndum's annex, ca 1920. Detail. By Anna Ancher, one of the Skagen painters. The picture is owned by the Skagens Museum.



Morningstar	★★★★★
Fund start date	29 September 2006
Return since start	59 %
Average annual return	6%
Assets under management	EUR 99 million
Number of unitholders	2 252
Subscription fee	0 %
Redemption fee	0 %
Management fee	0,8 % per year
Minimum subscription amount	One-time subscription EUR 50
Authorised for marketing in	Norway, Sweden, Denmark, Finland, Netherlands, Luxembourg, Iceland, UK and Switzerland
Benchmark index	J.P. Morgan GBI Broad Index Unhedged in EUR
UCITS	Yes
Portfolio managers	Torgeir Høien Jane Tvedt

Security	Maturity	Coupon	Face value ***	Cost price ***	Market Price	Accrued interest ***	Market value ***	Market value incl. accrued interest ***	Unrealised gain/loss **	Share of fund
<b>GOVERNMENT BONDS</b>										
Brazilian Government	10.01.2028	10.25	16,400	46,095	258.38	787	42,374	43,161	-3,721	5.29%
Chilean Government	05.08.2020	5.50	3,410,000	41,787	1.13	307	38,666	38,972	-3,122	4.77%
European Bank Recon & Dev	17.06.2015	0.50	43,000	41,462	103.13	65	44,346	44,411	2,884	5.44%
Colombian Government	14.04.2021	7.75	11,800,000	42,538	0.35	1,346	41,128	42,475	-1,410	5.20%
Italian Government	02.02.2037	4.00	6,865	58,001	891.33	363	61,190	61,552	3,189	7.54%
Hellenic Republic Government	24.02.2027	2.00	10,850	62,386	571.56	924	62,015	62,939	-371	7.71%
Portuguese Government	15.04.2021	3.85	6,750	52,513	885.03	969	59,740	60,709	7,227	7.44%
Slovenia Government	30.03.2026	5.12	5,400	39,296	984.36	1,130	53,155	54,285	13,860	6.65%
European Bank Recon & Dev	28.05.2015	5.00	315,000	31,587	10.31	561	32,479	33,040	892	4.05%
Mexican Government	20.11.2036	10.00	40,000	24,368	64.58	541	25,831	26,371	1,462	3.23%
Peruvian Government	12.08.2037	6.90	18,000	41,063	228.53	367	41,135	41,502	72	5.08%
Turkish Government	08.03.2023	7.10	18,500	47,058	238.71	93	44,161	44,253	-2,898	5.42%
Croatia Government International Bond	26.01.2024	6.00	3,000	20,571	686.51	205	20,595	20,801	25	2.55%
Lithuanian Government	01.02.2022	6.62	5,500	42,570	767.97	383	42,238	42,621	-332	5.22%
US Government	01.06.2015	0.25	13,000	81,715	642.68	68	83,548	83,616	1,832	10.24%
US Government	31.08.2016	0.50	13,850	86,900	641.23	37	88,811	88,848	1,911	10.88%
<b>Total Bond Portfolio</b>				<b>759,911</b>		<b>8,145</b>	<b>781,411</b>	<b>789,556</b>	<b>21,500</b>	<b>96.73%</b>
Disposable liquidity				26,223		411	26,288	26,699	65	3.27%
<b>TOTAL</b>				<b>786,133</b>		<b>8,556</b>	<b>807,699</b>	<b>816,255</b>	<b>21,565</b>	<b>100.00%</b>

Effective underlying return	4.02%
Effective yield to clients*	3.22%
Duration**	5.77

\* Effective underlying return adjusted for management fee.  
 \*\* Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.  
 \*\*\* Figures in 1000 NOK

Effective interest is the average annual return of an interest bearing security until maturity. Securities are valued at market price as of 30.09.2014. Bonds and notes for which there are no market maker prices are at all times valued against the applicable yield curve.

Unit price as of 30.09.2014	117.1496
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# SECURITIES PORTFOLIO SKAGEN CREDIT AS OF 30-09-2014



## SKAGEN CREDIT

Picking the best bonds from the global orchard\*

SKAGEN Credit invests in debt issued by companies in different industries around the world. The objective is to provide clients with the best possible risk adjusted return.

\* Apple trees, 1907. By Michael Ancher, one of the Skagen painters. The picture is owned by the Skagens Museum (cropped).



### SKAGEN Credit EUR

Fund start date	30 May 2014
Return since start	-0,01%
Average annual return	-
Assets under management	EUR 3 million
Number of unitholders	18
Management fee	0,8% per year
Effective underlying return	2,84%
Effective return to clients	2,04%
Duration	1,24
Benchmark index	EURIBOR 3M
UCITS	Yes
Master fund SKAGEN Credit authorised for marketing in	Norway, Sweden, Denmark, Finland, Netherlands, Luxembourg, Iceland, UK and Switzerland .

SKAGEN CREDIT EUR	Number of units	EUR	%
SKAGEN Credit	236 870	3 030 396	99.33
Liquidity		20 355	0.67
<b>Total share capital</b>		<b>3 050 751</b>	<b>100</b>

Degree of currency hedging 96.70%, Share of SKAGEN Credit 14.60%

SKAGEN Credit SEK/ NOK/EUR/GBP are feeder funds or collection funds that feed into the master fund, which oversees all portfolio investments. The following is an overview of the portfolio of the SKAGEN Credit master fund.

SKAGEN CREDIT MASTER FUND Security	Currency	Maturity	Face value	Coupon	Market value EUR	Share of fund%
<b>ENERGY</b>						
Talisman Energy Inc	GBP	05.12.2017	550,000	6.63	6,731,030	4.03
Gazprom OAO Via Gaz Capital SA	USD	11.04.2018	800,000	8.15	5,858,285	3.51
Petrobras International Finance Co	USD	01.03.2018	800,000	5.88	5,557,292	3.33
Noble Group Ltd	USD	29.01.2020	550,000	6.75	3,976,053	2.38
Rosneft Oil Co via Rosneft International Finance Ltd	USD	07.03.2022	600,000	4.20	3,332,077	2.00
Seadrill Ltd	USD	15.09.2017	500,000	6.13	3,217,433	1.93
<b>Total Energy</b>					<b>28,672,170</b>	<b>17.19</b>
<b>RAW MATERIALS</b>						
Lafarge SA	EUR	13.04.2018	700,000	6.25	6,672,288	4.00
Braskem Finance Ltd	USD	15.04.2021	975,000	5.75	6,582,465	3.95
SSAB AB	EUR	10.04.2019	600,000	3.88	4,952,580	2.97
Glencore Funding LLC	USD	29.04.2019	475,000	3.13	3,098,712	1.86
<b>Total Raw materials</b>					<b>21,306,046</b>	<b>12.77</b>
<b>INDUSTRIALS</b>						
Bombardier Inc	EUR	17.05.2021	600,000	6.13	5,424,925	3.25
Color Group AS	NOK	18.09.2019	5,000,000	6.94	5,111,567	3.06
Stena AB	EUR	01.02.2019	570,000	5.88	5,064,987	3.04
Frigoglass Finance BV	EUR	15.05.2018	375,000	8.25	3,161,950	1.90
Heathrow Funding Ltd	GBP	10.09.2018	250,000	6.25	2,926,996	1.75
Heathrow Finance Plc	GBP	01.03.2017	250,000	7.13	2,821,163	1.69
<b>Total Industrials</b>					<b>25,921,408</b>	<b>15.54</b>
<b>CONSUMER DISCRETIONARY</b>						
Fiat Finance & Trade SA	EUR	15.03.2018	700,000	6.63	6,464,212	3.87
Jaguar Land Rover Automotive Plc	USD	14.12.2018	850,000	4.13	5,617,154	3.37
Levi Strauss & Co	USD	15.05.2020	250,000	7.63	1,744,358	1.05
<b>Total Consumer Discretionary</b>					<b>13,825,723</b>	<b>8.29</b>
<b>CONSUMER STAPLES</b>						
Safeway Ltd	GBP	10.01.2017	400,000	6.00	4,666,821	2.80
Avon Products Inc	USD	01.03.2019	400,000	6.50	2,788,129	1.67
<b>Total Consumer staples</b>					<b>7,454,950</b>	<b>4.47</b>
<b>FINANCIALS</b>						
Bank of Baroda - London	USD	23.07.2019	750,000	4.88	5,125,142	3.07
Tyrkiye Halk Bankasi AS	USD	19.07.2017	750,000	4.88	4,994,213	2.99
Danske Bank AS	GBP	29.09.2021	450,000	5.38	4,951,786	2.97
Amlin Plc	GBP	18.12.2026	400,000	6.50	4,558,974	2.73
Akbank TAS	USD	24.10.2017	600,000	3.88	3,944,487	2.36
VTB Bank OJSC Via VTB Capital SA	USD	29.05.2018	500,000	6.88	3,340,978	2.00
Diamond Bank Plc	USD	21.05.2019	400,000	8.75	2,648,461	1.59
Akbank TAS	USD	09.03.2018	300,000	6.50	2,084,483	1.25
<b>Total Financials</b>					<b>31,648,524</b>	<b>18.97</b>
<b>IT</b>						
Nokia OYJ	EUR	04.02.2019	400,000	6.75	3,984,100	2.39
<b>Total IT</b>					<b>3,984,100</b>	<b>2.39</b>
<b>TELECOM</b>						
Bharti Airtel International Netherlands BV	EUR	10.12.2018	700,000	4.00	6,379,626	3.82
VimpelCom Holdings BV	USD	01.03.2022	550,000	7.50	3,623,452	2.17
Portugal Telecom International Finance BV	EUR	17.04.2018	350,000	5.88	3,166,640	1.90
<b>Total Telecom</b>					<b>13,169,718</b>	<b>7.89</b>
<b>UTILITIES</b>						
EP Energy AS	EUR	01.11.2019	575,000	5.88	5,453,532	3.27
EDP Finance BV	USD	01.10.2019	550,000	4.90	3,749,616	2.25
EDP Finance BV	EUR	21.09.2017	275,000	5.75	2,500,863	1.50
<b>Total Utilities</b>					<b>11,704,011</b>	<b>7.02</b>
<b>TOTAL SECURITIES PORTFOLIO</b>					<b>157,686,650</b>	<b>94.53</b>
<b>Derivatives*</b>						
IRS EUR 20180620	EUR	20.06.2018	4,000,000		-269,396	-0.16
IRS GBP 20180129	GBP	29.01.2018	1,200,000		-117,365	-0.07
IRS USD 20180620	USD	20.06.2018	5,500,000		-18,804	-0.01
IRS USD 20190820	USD	20.08.2019	2,000,000		72,569	0.05
<b>Total Derivatives</b>					<b>-332,996</b>	<b>-0.20</b>
Liquidity					9,478,265	5.68
<b>TOTAL SHARE CAPITAL</b>					<b>166,831,919</b>	<b>100</b>
Unit price as of 30-09-2014					9,9993	



# SKAGEN Funds' investment philosophy

SKAGEN's objective is to provide our clients with the best possible risk-adjusted returns by pursuing a value-based, bottom-up investment approach with broad mandates – a philosophy based on common sense.

We search for companies that are priced significantly lower than our estimation of the value of the underlying operations. Our ideal investment is a company which is Undervalued, Under-researched and Unpopular, and that has potential triggers which could make hidden values visible and therefore create excess returns for our clients.

## Value-based

We rely on our own research and understanding of how value is created and maintained in order to price company shares. We prefer well-proven business models which generate good cash flow, and we believe that unpopular and under-researched or misunderstood companies are often attractive.

## Bottom-up

Our portfolio managers make their own valuations, regardless of short-term trends. We look at a company's potential and believe in the advantage of being generalists i.e. valuing conglomerates and identifying when entire industries are about to be re-evaluated. The portfolio managers from all the funds work together and share ideas about the best investments.

## Active management

We invest in companies based on their own merits; not because the company is represented in an index. We use common sense and long-term thinking to try and avoid bubbles that arise when popular shares and industries are overpriced in relation to a company's fundamental value and earnings.

## Long-term

SKAGEN seeks to be patient with its investments. Excessive changes in the portfolio can be detrimental to results. Our funds hold on to their investments for 3-5 years on average. Results in companies are created over time, as are the funds' results.

## Broad mandates

SKAGEN's specialty is global investments. Where a company carries out its activities is more important than where it is listed. Our portfolio managers have the freedom to invest in industries and countries around the world, although a sensible distribution between sectors and regions is ensured in order to diversify investment risk.

The investment philosophy, combined with our focus on values, common sense, hard work and well developed intuition, have historically provided good returns.

## Portfolio Manager Team



Erik Bergöö



Beate Bredesen



Søren Milo Christensen



Harald Espedal



Kristian Falnes



Elisabeth A. Gausel



Cathrine Gether



Knut Gezelius



Michael Gobitschek



Harald Haukås



Torgeir Høien



Hilde Jenssen



Erik Landgraff



Knut Harald Nilsson



Tomas Nordbø Middelthon



Chris-Tommy Simonsen



Ola Sjöstrand



Alexander Stensrud\*



Kristoffer Stensrud



Johan Swahn



Ole Sjøberg



Jane Tvedt



Geir Tjetland

\* Junior Portfolio Manager, SKAGEN Vekst, one year term

# FINANCIAL STATEMENT AS OF 30 SEPTEMBER 2014

<b>Income statement</b> (ALL FIGURES IN NOK 1000)	SKAGEN Vekst 1Q - 3Q 2014	SKAGEN Global 1Q - 3Q 2014	SKAGEN Kon-Tiki 1Q - 3Q 2014	SKAGEN m <sup>2</sup> 1Q - 3Q 2014	SKAGEN Balanse 60/40 1Q - 3Q 2014	SKAGEN Tellus 1Q - 3Q 2014	SKAGEN Avkastning 1Q - 3Q 2014
<b>PORTFOLIO REVENUE AND COSTS</b>							
Interest income and costs	3,272	2,434	-8,695	617	1,907	16,875	33,101
Dividends	151,691	894,384	713,772	15,066	-	-	-
Realised capital gain/loss	816,640	2,442,878	1,701,961	-19,289	7,015	3,573	358
Change unrealised capital gain/loss	-409,760	-986,865	-1,880,704	74,566	-830	27,221	22,785
Guarantee commission	-	1,101	-	-	-	-	-
Broker's fee	-5,284	-25,466	-28,856	-749	-	-25	-13
Currency gain/loss	13,752	256,587	100,126	255	-	-889	3,795
<b>PORTFOLIO RESULT</b>	<b>570,310</b>	<b>2,585,055</b>	<b>597,605</b>	<b>70,468</b>	<b>8,092</b>	<b>46,753</b>	<b>60,026</b>
<b>MANAGEMENT REVENUE AND COSTS<sup>1</sup></b>							
Management fee - fixed	-63,327	-342,694	-755,980	-5,849	-	-3,734	-5,292
Management fee - variable *	-13,802	-	415,405	317	-	-	-
<b>ASSET MANAGEMENT RESULT</b>	<b>-77,130</b>	<b>-342,694</b>	<b>-340,576</b>	<b>-5,532</b>	<b>-</b>	<b>-3,734</b>	<b>-5,292</b>
<b>RESULT BEFORE TAX</b>	<b>493,180</b>	<b>2,242,361</b>	<b>257,029</b>	<b>64,936</b>	<b>8,092</b>	<b>43,020</b>	<b>54,734</b>
Tax cost	-3,531	-84,725	-65,297	-4,135	-605	-	-
<b>NET INCOME FOR THE PERIOD</b>	<b>489,649</b>	<b>2,157,636</b>	<b>191,732</b>	<b>60,801</b>	<b>7,487</b>	<b>43,020</b>	<b>54,734</b>

<b>Balance sheet</b>	SKAGEN Vekst 30.09. 2014	SKAGEN Global 30.09. 2014	SKAGEN Kon-Tiki 30.09. 2014	SKAGEN m <sup>2</sup> 30.09. 2014	SKAGEN Balanse 60/40 30.09. 2014	SKAGEN Tellus 30.09. 2014	SKAGEN Avkastning 30.09. 2014
<b>ASSETS</b>							
Norwegian securities at cost price	2,038,558	1,668,437	1,503,550	11,638	238,416	-	903,936
Foreign securities at cost price	4,418,935	31,806,548	38,421,290	512,214	26,500	759,911	294,141
Unrealised capital gain/loss	1,619,098	9,770,150	11,220,082	30,670	14,417	21,500	27,964
Accrued interest securities	-	-	-	91	2,274	8,504	9,249
<b>TOTAL SECURITIES PORTFOLIO</b>	<b>8,076,591</b>	<b>43,245,135</b>	<b>51,144,921</b>	<b>554,613</b>	<b>281,607</b>	<b>789,915</b>	<b>1,235,289</b>
Dividend receivable	4,258	23,015	38,928	647	-	-	-
Accrued interest bank	-	-	-	-	-	-	-
<b>TOTAL ACCRUED INCOME</b>	<b>4,258</b>	<b>23,015</b>	<b>38,928</b>	<b>647</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accounts receivable - brokers	-	379,173	12,912	1,677	-	26,962	-
Accounts receivable - management company	3	14	141,945	3	-	3	2
Tax receivable on dividends	2,108	38,340	5,016	519	-	940	-
Other receivables	-	-	-	284	-	336	-
<b>TOTAL OTHER RECEIVABLES</b>	<b>2,111</b>	<b>417,527</b>	<b>159,874</b>	<b>2,483</b>	<b>-</b>	<b>28,242</b>	<b>2</b>
Bank deposits	292,749	2,811,829	1,564,593	35,177	1,853	28,105	403,657
<b>TOTAL ASSETS</b>	<b>8,375,709</b>	<b>46,497,506</b>	<b>52,908,315</b>	<b>592,920</b>	<b>283,460</b>	<b>846,261</b>	<b>1,638,948</b>
<b>EQUITY CAPITAL<sup>1</sup></b>							
Unit capital at par value	488,525	4,010,567	8,419,365	488,290	230,456	699,478	1,154,349
Premium	-2,530,354	16,045,897	22,334,015	55,406	25,593	85,632	422,707
<b>TOTAL PAID-IN EQUITY CAPITAL</b>	<b>-2,041,829</b>	<b>20,056,464</b>	<b>30,753,380</b>	<b>543,696</b>	<b>256,049</b>	<b>785,110</b>	<b>1,577,056</b>
Retained earnings	10,361,059	26,095,890	22,038,273	43,517	26,653	32,775	59,720
<b>TOTAL EQUITY CAPITAL</b>	<b>8,319,230</b>	<b>46,152,354</b>	<b>52,791,653</b>	<b>587,213</b>	<b>282,702</b>	<b>817,885</b>	<b>1,636,776</b>
<b>DEBT</b>							
Deferred tax	-	-	-	378	61	-	-
Accounts payable - brokers	19,426	191,351	104,583	592	-	26,850	-
Accounts payable - management company	35,404	118,404	-	1,855	-	1,526	2,046
Other debt	1,650	35,398	12,079	2,881	696	-	126
<b>TOTAL OTHER DEBT</b>	<b>56,479</b>	<b>345,152</b>	<b>116,662</b>	<b>5,707</b>	<b>757</b>	<b>28,376</b>	<b>2,172</b>
<b>TOTAL DEBT AND EQUITY CAPITAL</b>	<b>8,375,709</b>	<b>46,497,506</b>	<b>52,908,315</b>	<b>592,920</b>	<b>283,460</b>	<b>846,261</b>	<b>1,638,948</b>
	Class						
Number of units issued	A	4,880,901	37,737,472	71,355,347	4,872,498	2,304,562	6,881,392
Base price per unit 30.09.2014	A	1,702.9226	1,150.7457	626.9337	119.7343	122.6705	117.1496
Number of units issued	B	4,345	2,368,197	12,838,299	10,404	-	113,386
Base price per unit 30.09.2014	B	1,702.5503	1,150.9100	627.5001	119.5697	-	117.2917

Note: Divergence in price relative to the portfolios is due to accruals divergence as of 30.09.2014.

\* Calculated variable management fee as of 30.09.14: pursuant to the regulations, the definitive statement shall take place as of 31.12.2014 based on value developments during the rest of the year. A charge of the variable management fee for SKAGEN Vekst may solely be made if the unit value as at December 31st exceeds the unit value at the previous charge/settlement of the variable management fee (the high watermark).

<sup>1)</sup> Allocated between the respective unit classes	Class	SKAGEN Vekst 1Q - 3Q 2014	SKAGEN Global 1Q - 3Q 2014	SKAGEN Kon-Tiki 1Q - 3Q 2014	SKAGEN m <sup>2</sup> 1Q - 3Q 2014	SKAGEN Tellus 1Q - 3Q 2014
Management fee - fixed	A	-63,308	-334,093	-710,782	-5,844	-3,721
Management fee - variable	A	-13,802	-	375,125	315	-
<b>Total management fee</b>	<b>A</b>	<b>-77,110</b>	<b>-334,093</b>	<b>-335,657</b>	<b>-5,529</b>	<b>-3,721</b>
Management fee - fixed	B	-20	-8,601	-45,199	-5	-13
Management fee - variable	B	-	-	40,280	2	-
<b>Total management fee</b>	<b>B</b>	<b>-20</b>	<b>-8,601</b>	<b>-4,919</b>	<b>-3</b>	<b>-13</b>
<b>Total fixed and variable management fee</b>	<b>All</b>	<b>-77,130</b>	<b>-342,694</b>	<b>-340,576</b>	<b>-5,532</b>	<b>-3,734</b>

<sup>1)</sup> Allocated between the respective unit classes	Class	SKAGEN Vekst 30.09. 2014	SKAGEN Global 30.09. 2014	SKAGEN Kon-Tiki 30.09. 2014	SKAGEN m <sup>2</sup> 30.09. 2014	SKAGEN Tellus 30.09. 2014
Unit capital at par value	A	488,090	3,773,747	7,135,535	487,250	688,139
Premium	A	-2,537,311	13,620,257	15,396,340	55,242	83,678
<b>Total paid-in equity capital</b>	<b>A</b>	<b>-2,049,221</b>	<b>17,394,005</b>	<b>22,531,875</b>	<b>542,492</b>	<b>771,818</b>
Unit capital at par value	B	434	236,820	1,283,830	1,040	11,339
Premium	B	6,957	2,425,639	6,937,675	163	1,954
<b>Total paid-in equity capital</b>	<b>B</b>	<b>7,392</b>	<b>2,662,459</b>	<b>8,221,505</b>	<b>1,204</b>	<b>13,292</b>
<b>Total paid-in equity capital</b>	<b>All</b>	<b>-2,041,829</b>	<b>20,056,464</b>	<b>30,753,380</b>	<b>543,696</b>	<b>785,110</b>

<b>Income statement</b> (ALL FIGURES IN NOK 1000)	SKAGEN Høyrente 1Q - 3Q 2014	SKAGEN Høyrente Inst. 1Q - 3Q 2014	SKAGEN Krona** 1Q - 3Q 2014	SKAGEN Credit 1Q - 3Q 2014	SKAGEN Credit NOK 30.05-30.09.14	SKAGEN Credit SEK** 30.05-30.09.14	SKAGEN Credit EUR*** 30.05-30.09.14	SKAGEN Credit GBP**** 30.05-30.09.14
<b>PORTFOLIO REVENUE AND COSTS</b>								
Interest income and costs	69,127	22,019	10,534	2,413	2,162	354	43.62	8.04
Dividends	-	-	-	-	-	-	-	-
Realised capital gain/loss	970	453	-	3	437	27	1.25	-0.35
Change unrealised capital gain/loss	-2,557	-813	-1,378	1,802	1,361	619	72.83	-9.14
Guarantee commission	-	-	-	-	-	-	-	-
Broker's fee	-3	-2	-9	-22	-5	-5	-0.24	-0.05
Currency gain/loss	-	-	-	400	-3,512	-917	-110.60	0.67
<b>PORTFOLIO RESULT</b>	<b>67,538</b>	<b>21,656</b>	<b>9,147</b>	<b>4,597</b>	<b>443</b>	<b>78</b>	<b>6.87</b>	<b>-0.82</b>

<b>MANAGEMENT REVENUE AND COSTS<sup>1</sup></b>								
Management fee - fixed	-6,326	-1,267	-1,130	-	-286	-59	-6.47	-1.03
Management fee - variable *	-	-	-	-	-	-	-	-
<b>ASSET MANAGEMENT RESULT</b>	<b>-6,326</b>	<b>-1,267</b>	<b>-1,130</b>	<b>-</b>	<b>-286</b>	<b>-59</b>	<b>-6.47</b>	<b>-1.03</b>
<b>RESULT BEFORE TAX</b>	<b>61,212</b>	<b>20,389</b>	<b>8,018</b>	<b>4,597</b>	<b>157</b>	<b>19</b>	<b>0.40</b>	<b>-1.86</b>
Tax cost	-	-	-	-	-	-	-	-
<b>NET INCOME FOR THE PERIOD</b>	<b>61,212</b>	<b>20,389</b>	<b>8,018</b>	<b>4,597</b>	<b>157</b>	<b>19</b>	<b>0.40</b>	<b>-1.86</b>

<b>Balance sheet</b>	SKAGEN Høyrente 30.09. 2014	SKAGEN Høyrente Inst. 30.09. 2014	SKAGEN Krona** 30.09. 2014	SKAGEN Credit 30.09. 2014	SKAGEN Credit NOK 30.09. 2014	SKAGEN Credit SEK** 30.09. 2014	SKAGEN Credit EUR*** 30.09. 2014	SKAGEN Credit GBP**** 30.09. 2014
<b>ASSETS</b>								
Norwegian securities at cost price	2,320,138	456,582	-	5,089	110,392	26,898	2,906.15	492.96
Foreign securities at cost price	-	-	693,388	147,454	-	-	-	-
Unrealised capital gain/loss	7,351	814	427	1,802	1,361	619	72.83	-9.14
Accrued interest securities	8,434	1,564	2,448	3,262	1,929	475	51.42	8.35
<b>TOTAL SECURITIES PORTFOLIO</b>	<b>2,335,922</b>	<b>458,960</b>	<b>696,263</b>	<b>157,607</b>	<b>113,682</b>	<b>27,992</b>	<b>3,030.40</b>	<b>492.18</b>
Dividend receivable	-	-	-	-	-	-	-	-
Accrued interest bank	-	-	-	-	-	-	-	-
<b>TOTAL ACCRUED INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accounts receivable - brokers	-	-	-	-	-	-	-	-
Accounts receivable - management company	-	-	-	-	-	-	0.02	-
Tax receivable on dividends	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-
<b>TOTAL OTHER RECEIVABLES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.02</b>	<b>-</b>
Bank deposits	1,062,153	474,696	12,345	10,123	1,598	127	25.06	6.00
<b>TOTAL ASSETS</b>	<b>3,398,076</b>	<b>933,656</b>	<b>708,608</b>	<b>167,730</b>	<b>115,279</b>	<b>28,118</b>	<b>3,055.47</b>	<b>498.18</b>
<b>EQUITY CAPITAL<sup>1</sup></b>								
Unit capital at par value	3,287,201	917,743	693,590	162,268	114,804	28,032	3,049.81	499.25
Premium	28,575	-6,354	4,252	866	90	17	0.05	-
<b>TOTAL PAID-IN EQUITY CAPITAL</b>	<b>3,315,776</b>	<b>911,390</b>	<b>697,842</b>	<b>163,133</b>	<b>114,894</b>	<b>28,050</b>	<b>3,049.87</b>	<b>499.25</b>
Retained earnings	71,036	21,887	9,936	4,597	157	19	0.40	-1.86
<b>TOTAL EQUITY CAPITAL</b>	<b>3,386,812</b>	<b>933,276</b>	<b>707,778</b>	<b>167,730</b>	<b>115,051</b>	<b>28,069</b>	<b>3,050.27</b>	<b>497.39</b>
<b>DEBT</b>								
Deferred tax	-	-	-	-	-	-	-	-
Accounts payable - brokers	-	-	-	-	-	-	-	-
Accounts payable - management company	2,178	380	366	-	228	49	5.21	0.79
Other debt	9,085	-	464	-	-	-	0.00	-
<b>TOTAL OTHER DEBT</b>	<b>11,264</b>	<b>380</b>	<b>831</b>	<b>-</b>	<b>228</b>	<b>49</b>	<b>5.21</b>	<b>0.79</b>
<b>TOTAL DEBT AND EQUITY CAPITAL</b>	<b>3,398,076</b>	<b>933,656</b>	<b>708,608</b>	<b>167,730</b>	<b>115,279</b>	<b>28,118</b>	<b>3,055.47</b>	<b>498.18</b>
	Class							
Number of units issued	A	32,872,013	9,177,430	6,935,905	1,622,678	1,148,038	24,344	2,496
Base price per unit 30.09.2014	A	103.0346	101.7112	102.0454	103.6786	100.1943	100.1216	9.9573
Number of units issued	B	-	-	-	-	-	6,154	2,496
Base price per unit 30.09.2014	B	-	-	-	-	-	10.0107	9.9690

Note: Divergence in price relative to the portfolios is due to accruals divergence as of 30.09.2014.

\* Calculated variable management fee as of 30.09.14: pursuant to the regulations, the definitive statement shall take place as of 31.12.2014 based on value developments during the rest of the year. A charge of the variable management fee for SKAGEN Vekst may solely be made if the unit value as at December 31st exceeds the unit value at the previous charge/settlement of the variable management fee (the high watermark).

\*\* Figures in SEK 1000

\*\*\* Figures in EUR 1000

\*\*\*\* Figures in GBP 1000

<sup>1)</sup> Allocated between the respective unit classes	Class	SKAGEN Credit EUR*** 30.05-30.09.14	SKAGEN Credit GBP**** 30.05-30.09.14
Management fee - fixed	A	-5.55	-0.66
Management fee - variable	A	-	-
<b>Total management fee</b>	<b>A</b>	<b>-5.55</b>	<b>-0.66</b>
Management fee - fixed	B	-0.92	-0.37
Management fee - variable	B	-	-
<b>Total management fee</b>	<b>B</b>	<b>-0.92</b>	<b>-0.37</b>
<b>Total fixed and variable management fee</b>	<b>All</b>	<b>-6.47</b>	<b>-1.03</b>
<sup>1)</sup> Allocated between the respective unit classes	Class	SKAGEN Credit EUR*** 30.05-30.09.14	SKAGEN Credit GBP**** 30.05-30.09.14
Unit capital at par value	A	2,434.41	249.63
Premium	A	0.02	-
<b>Total paid-in equity capital</b>	<b>A</b>	<b>2,434.44</b>	<b>249.63</b>
Unit capital at par value	B	615.40	249.63
Premium	B	0.03	-
<b>Total paid-in equity capital</b>	<b>B</b>	<b>615.43</b>	<b>249.63</b>
<b>Total paid-in equity capital</b>	<b>All</b>	<b>3,049.87</b>	<b>499.25</b>



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Amsterdam Branch

- Home market, or under home market supervision
- International market
- Marketing permission

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