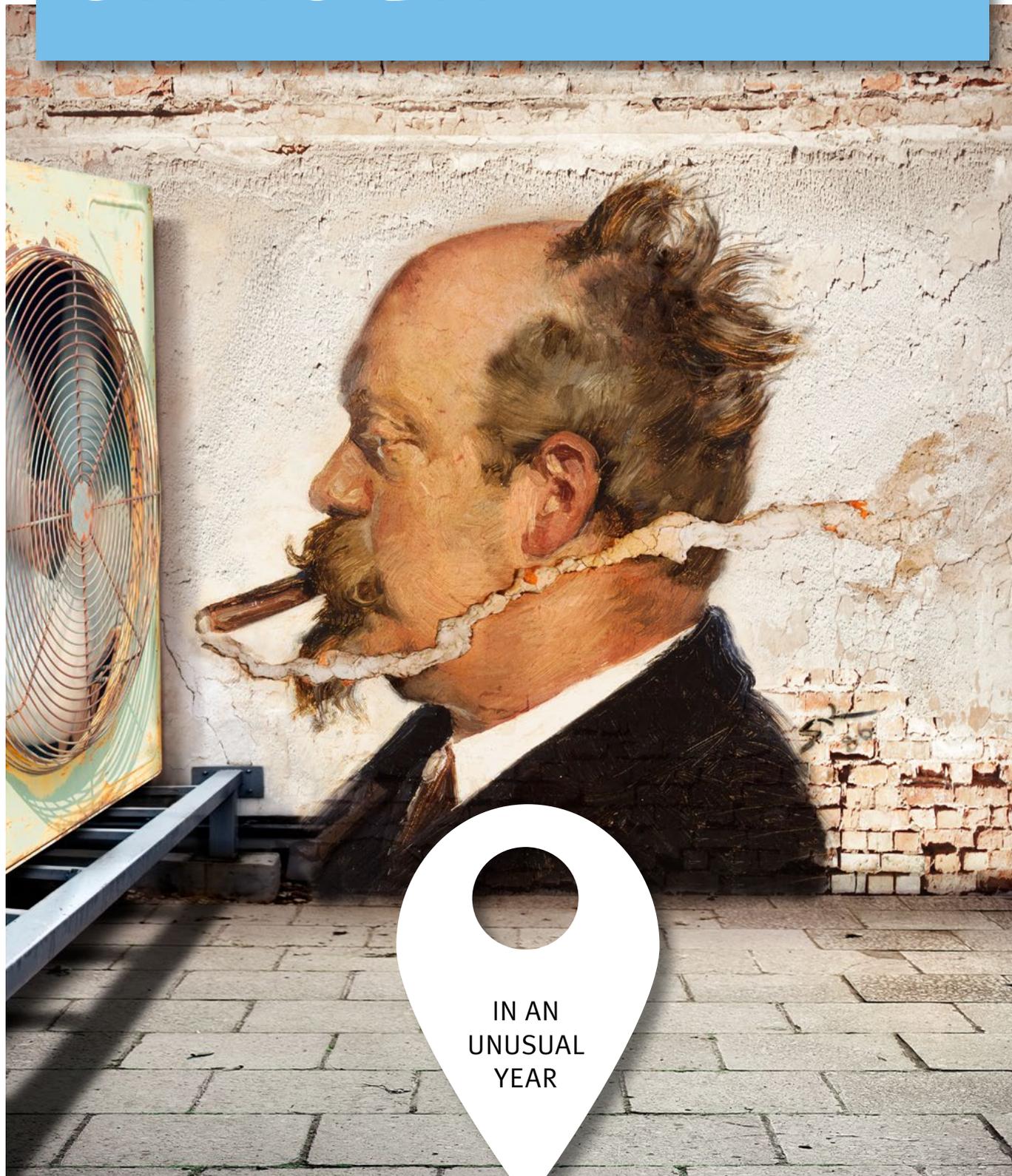


ANNUAL REPORT  
**SKAGEN**



IN AN  
UNUSUAL  
YEAR

**WE STICK TO OUR INVESTMENT PHILOSOPHY,  
NO MATTER WHICH WAY THE WIND BLOWS**

# Everything is relative

2014 was characterised by unexpected events for investors

Retrospection is rarely an entirely straightforward and unambiguous exercise. There are many ways in which to describe the equity year 2014 – it all depends on your point of view. For example, in absolute terms the return in GBP of our Global fund was negative – whereas in the Norwegian Krona the fund returned 15.8%. I would describe last year as an unusual one. As always, there were a few unexpected events which ended up characterising the markets and, through them, our funds. What was unusual was that several of these events occurred more or less simultaneously.

The impact of Russia and the Ukraine crisis will be thoroughly covered in the portfolio managers' report. I just want to briefly highlight that although SKAGEN's portfolio managers are good at taking calculated risk, the political escalation in Russia came as a surprise to us. The fact that the management of Korean car manufacturer, Hyundai, then decided to pay far more than market price for a property in Seoul, also came as a bolt from the blue. Hyundai is a large holding in our portfolios and the property deal had a significant impact on us. Now it should be noted that Hyundai made up its losses in a matter of weeks.

Portfolio managers and finance professionals the world over are familiar with the term 'black swan'; an event or occurrence that deviates beyond what is normally expected of a situation and that would be extremely difficult to predict. While Russia and Hyundai were not exactly black swans, they were at least very dark grey in my opinion.

## Unsatisfactory returns

SKAGEN's funds aim to deliver a better return than their respective benchmark indexes, i.e. better than the markets in which the funds have their mandates. This

is something we did not achieve in 2014. It is highly unusual and not something that we are satisfied with.

As active, value-based managers our most important task is to provide long-term world class returns. The portfolio managers strive each day to find the best companies and securities to provide unit holders with the best returns on both an absolute and relative basis over the long term. In practice this means that they look for quality investments in places where others do not think of searching.

## Active and proud of it

We spend a lot of time talking about our investment philosophy and take every opportunity to refer to our three Us – Undervalued, Under-researched and Unpopular investments. In 2014, active management went out of fashion while index management was very much à la mode. An passively managed fund does not invest precisely like an index, for example the S&P 500. Index funds with a large weighting in large US companies most likely had a good year. In SKAGEN we call this average management.

We occasionally receive questions from clients and others about why we don't launch index funds. The answer is quite simply that we believe that we can outperform the markets. When everyone chases the average, this will in time result in bubbles in the market. There will therefore always be a need for someone to carry out independent analysis and not blindly follow the crowd. The advantage from our point of view is that when lots of people are moving in unison, this provides good long-term opportunities for active value-based managers like us.

## Changes

This year has also been a slightly unusual one for clients and employees in SKAGEN

in another way. One notable change is that the text you are now reading is written by a new Managing Director, who has taken over from Harald Espedal. Likewise, Knut Gezelius is now lead manager of SKAGEN Global following the departure of Kristian Falnes. Harald and Kristian's contributions to SKAGEN cannot be overstated. As key figures in the company, they have worked tirelessly to provide unit holders with the best possible returns and service over many years. We are extremely grateful for their contribution and wish them both the best of luck in their future endeavours.

Just as some leave, others begin. That is also true at SKAGEN and we are extremely fortunate to have so many new talented colleagues on board, one of whom is portfolio manager Filip Weintraub, who has recently returned to SKAGEN. Filip was previously responsible for managing the SKAGEN Global fund, which he did with great success. We look forward to launching a new fund in 2015 with Filip as portfolio manager. We wish Filip a very warm welcome back. In my view the organisation has never been stronger or more competent. You can read more about SKAGEN's transition to its future ownership structure in the Board of Directors' report.

In our Annual Report for 2013 we wrote that 2014 would be a year of substantial fluctuations. We didn't realise how right we would be. Thank you for your confidence.



– Leif Ola Rød  
Managing Director



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**US popularity.** 2014 was dominated by a strong dollar and impressive US performance. Pictured: US Fed-chair Janet Yellen having her picture taken with attendees at an IMF meeting in October 2014.



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**Absolutely strong year.** SKAGEN m2 gained 26%, though still slightly lagged its benchmark. Pictured: Central Hong Kong where m2 made an investment in Soho China Ltd.



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**All smiles.** Satya Nadella and Microsoft had a good year with a return of 27.5%. Microsoft was the fifth largest contributor to SKAGEN Global in 2014.

Photo: Bloomberg

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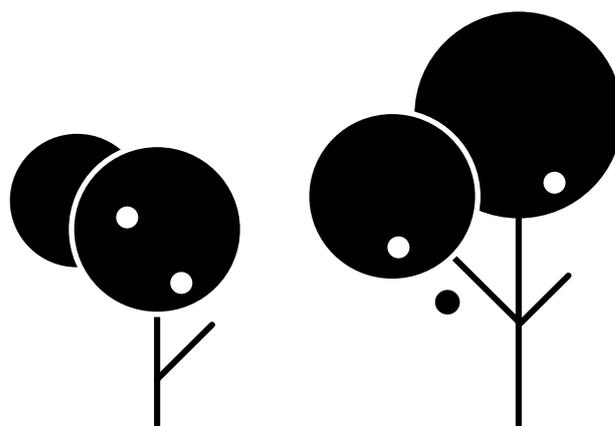
Unless otherwise stated all figures quoted in this report are in GBP, except for the Financial Statement and Notes, which are in Norwegian kroner.

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 +44 (0)20 7408 2500 or by email at contact@skagenfunds.co.uk.

# Headwind for active value investing in 2014

SKAGEN will stick to the narrow path of value investing despite current preferences for expensively valued growth companies.



2014 stands out as a very unusual year. The vast majority of actively managed funds such as SKAGEN's did not fare well in 2014. Nor did value stocks. The lack of performance has not only impacted SKAGEN; the vast majority of active funds underperformed last year.

The last time value-based investors underperformed significantly versus growth investors was in 1999, at the height of the IT bubble. This time around there is no single reason, such as an inflated bubble, to explain the poor performance.

There are a number of observations to be made, however. The flow of capital has increasingly been moving towards passive investments, including ETFs and index funds. US investors have also retreated back to America due to improved economic prospects in the US, which has in turn strengthened the US dollar. For a US-based dollar investor the S&P 500 returned 13.7 percent in 2014, while a GBP-based investor had a return of 20.9 percent.

The US performance is impressive given that the MSCI All Country World Index returned 11.4 percent for a pound-

based investor. In short, the big winner in 2014 was the US.

Similarly, the MSCI Value index generated 3.7 percent in US dollars while the MSCI Growth index returned 5.9 percent. Consequently 2014 was the fifth year in a row that 'Growth' has beaten 'Value'.

With the substantial flow of capital into index funds, we have seen investments being made straight into the respective stock weights of a given index. This led to a rally for global large capitalisation companies such as Apple, Microsoft and Berkshire Hathaway in 2014.

Active value-based investors prefer to invest in good businesses that are hidden gems with strong prospects for value creation. These companies are generally not the same as the largest index components. In addition, value investors prefer picking stocks during rainy periods when most investors prefer to hide away indoors despite knowing that the risk of doing so might be higher. In 2014 many hidden gems underperformed.

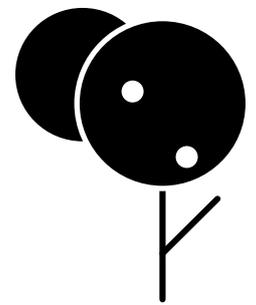
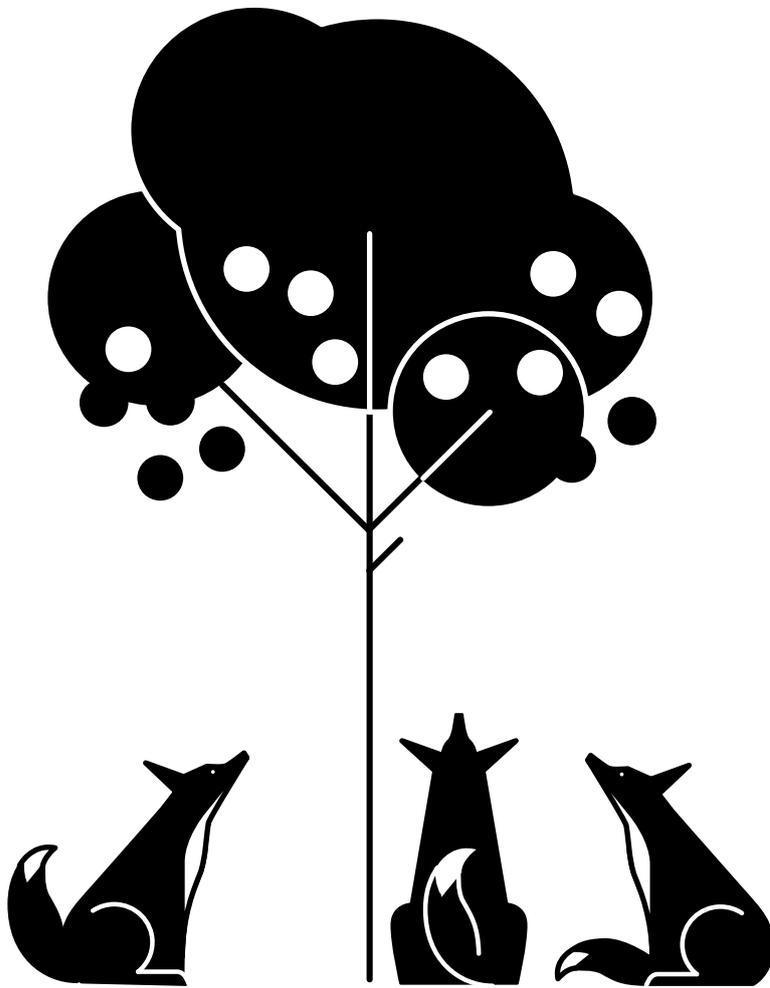
## Game over for value?

Has the active and value-based investment style been left in the dust of growth and the

index fund bullet train? 2014 could suggest as much since a large majority of active value funds underperformed. However, being active means that your exposure needs to differ from the index if you are to perform better than the index in the long term.

SKAGEN's equity funds all have an active share of above 90 percent compared with the index at zero percent active share. The active investor can pick good businesses when these are well below the radar of others. This can be illustrated by the fact that the biggest relative value creators over the past 10 years have not been the 2014 large caps. In 2004, the top 5 global stocks measured by market capitalisation were General Electric, Exxon, Microsoft, Citigroup and Wal-Mart. All of these are fundamentally good businesses whose performance has varied somewhat over the past 10 years. The company with the largest market capitalisation in 2014 is Apple, which has grown from 15 to 650 billion US dollars over the period. The largest components of 2004 have either performed roughly in line with the S&P 500 or worse.

Picking good stocks has been a SKAGEN speciality since 1993. Our funds hold very promising businesses at low valuations,



**The crowd gathers:** When passive managers flock around large popular companies, share prices are driven upwards. This creates opportunities for active value-based managers to find hidden gems elsewhere.

but these have, to a large extent, been overlooked by global liquidity flows in 2014.

#### The law of financial gravity

The situation we have seen in 2014 might well spill over and continue into 2015 as the US honey pot continues to attract investors. If more and more passive money moves into index funds, it will automatically be allocated into the stocks with the highest market capitalisation – pushing these stocks higher and higher.

Apple is the stock that by default gets pushed ever higher with the continued inflow of passive money into the markets. SKAGEN doesn't own shares in Apple and we don't comment on stocks we don't own.

Although it is tempting to remember what it was that hit Isaac Newton on the head when he came up with the universal law of gravitation.

While the law of financial gravity might be put aside for a period of time, in the long run it cannot be denied. An investment with a higher return and solid compounded value creation will eventually outperform the investment with a lower return. In other words, a company with a good earnings profile at a valuation that is out of line with fundamentals will prevail.

Value profiles differ widely between regions. Global companies in Europe and Asia stand out as highly attractive compared with their North American peers.

The on-going value creation we see in our equity and fixed income funds will sooner or later be reflected in the market prices.



– Ole Sjøberg  
Investment Director

#### CHALLENGING FOR ACTIVE AND VALUE

In the first quarter of 2014 Berkshire Hathaway, led by value investor Warren Buffett, had underperformed the S&P 500 for the past-five year period.

Only around 15% of US mutual funds outperformed the benchmark in 2014 according to Goldman Sachs – other research shows that even fewer active managers beat their benchmark.

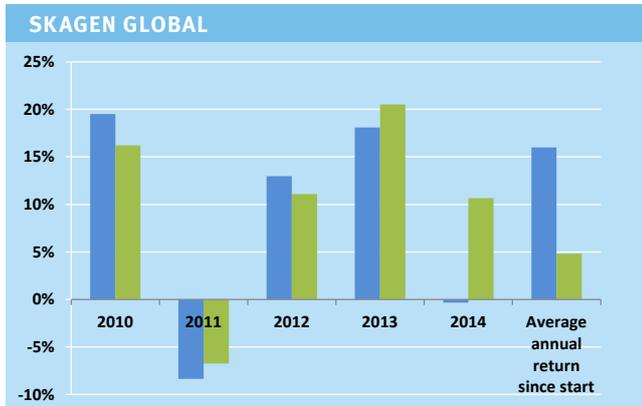
The inflow of money into ETFs in 2014 was ca. USD 275bn, equivalent to total ETF-assets ten years ago according to The Financial Times.

The ongoing accumulated value creation that has occurred over time will sooner or later be reflected in the stock prices.

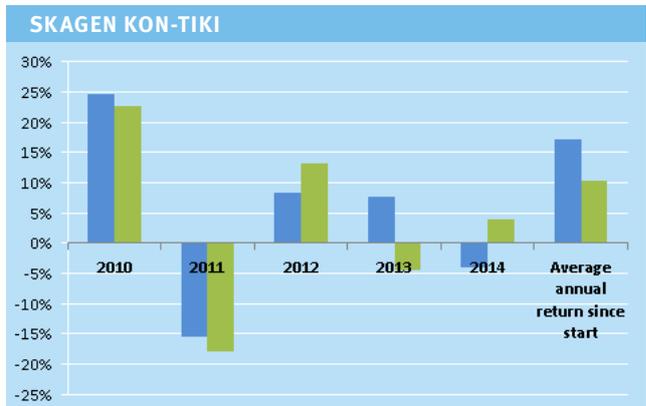
# SKAGEN FUNDS' RETURNS 2014

The following charts show the returns for SKAGEN's funds versus their respective benchmarks in GBP net of fees. The figures are updated as of 31.12.2014.

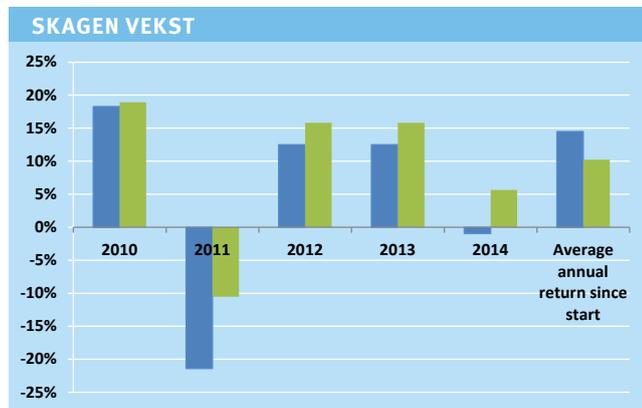
Equity Fund      Fixed Income Fund



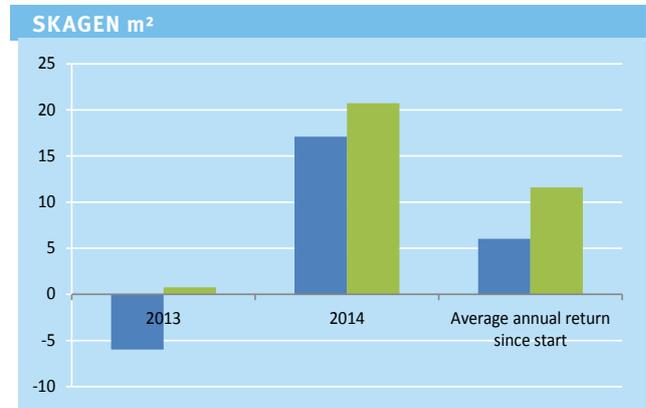
Manager: Knut Gezelius    Start: 7 August 1997  
 SKAGEN Global      MSCI All Country World Index  
 \* The benchmark index prior to 1/1/2010 was the MSCI World Index.



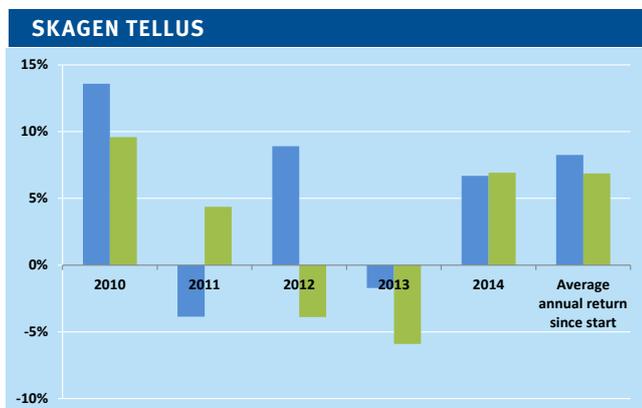
Manager: Kristoffer Stensrud and Knut Harald Nilsson    Start: 5 April 2002  
 SKAGEN Kon-Tiki      MSCI EM Index  
 \* The benchmark index prior to 1/1/2004 was the MSCI World Index.



Manager: Ole Sæberg and Geir Tjetland    Start: 1 December 1993  
 SKAGEN Vekst      OSEBX / MSCI All Country World index (50/50)  
 \* Effective 1/1/2014, the fund's investment mandate changed from investing a minimum of 50% of its assets in Norway to investing a minimum of 50% of its assets in the Nordic countries. This means that returns prior to the change were achieved under different circumstances than they are today. The fund's benchmark index prior to 1/1/2014 was an evenly composed benchmark index consisting of the Oslo Stock Exchange Benchmark Index (OSEBX) and the MSCI All Country World. The benchmark index prior to 1/1/2010 was the Oslo Stock Exchange Benchmark Index (OSEBX).



Manager: Michael Gobitschek and Harald Haukås    Start: 31 October 2012  
 SKAGEN m²      MSCI All Country World Index Real Estate IMI



Manager: Torgeir Høien    Start: 29 September 2006  
 SKAGEN Tellus      MSCIEI Index\*  
 \* The benchmark index prior to 1/1/2013 was Barclay's Capital Global Treasury Index 3-5 years.



Manager: Ola Sjöstrand    Start: 30 May 2014  
 SKAGEN Credit GBP      LIBOR GBP 3M

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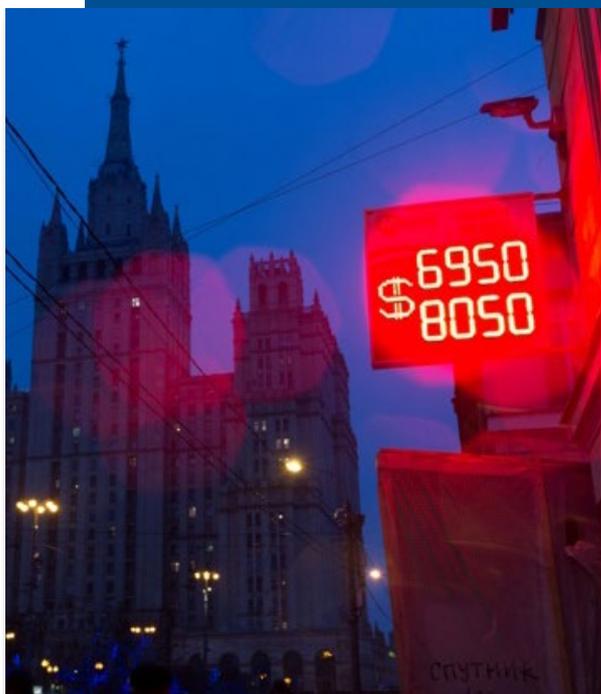
SKAGEN Funds only has authorisation to market its money market funds SKAGEN Høyrente and SKAGEN Høyrente Institusjon and combination fund SKAGEN Balanse 60/40 in Norway and SKAGEN Krona in Sweden. Information regarding these funds is included in the official accounts and audited information hereto. Other information regarding these funds from the Norwegian version of the report has been excluded from this English language publication.

The Annual Report 2014 was originally prepared in Norwegian. This is a translated version that is published with reservations regarding possible errors and omissions as well as erroneous translation. In case of conflict between the Norwegian and the English versions, the Norwegian version shall prevail. The Norwegian version of the Annual Report 2014 is available at [www.skagenfondene.no](http://www.skagenfondene.no)

## Portfolio Managers' report

# Introduction

- › 2014 was a year dominated by a strong US dollar and weak oil currencies
- › The 2014 fall in bond rates surprised markets as the Eurozone economy weakened
- › Stocks rose more or less in line with earnings in 2014 and Growth stocks outpaced Value stocks
- › 2015 is likely to see 3.5% global GDP growth and the low interest rate environment will continue



Source: Bloomberg

**Trouble with the rouble.** A neon sign displays the rouble euro dollar exchange rate in Moscow, on 16 Dec. 2014. The rouble sank to a record low, deepening Russia's currency crisis.



Photo: Bloomberg

**Disparate views.** The strong US economy and dollar is positive for emerging markets with exposure to the US. The Eurozone is in need of stronger leadership if it is to attain sustainable growth. Global growth is expected to be 3.5% in 2015 according to the IMF. Pictured (from left): Fed Chair Janet Yellen, MD of the IMF Christine Lagarde, and ECB president Mario Draghi.



Photo: Bloomberg

**Number one.** China saw a strong summer rally thanks to initiatives by Xi Jinping and is expected to grow 7% in 2015. During 2014 China became the world's largest economy according to the IMF.



Photo: Shutterstock

# Year of the horse has been wild;

– Now we look forward to the year of the peaceful sheep.

Ole Søeberg, Investment Director

2014 in the Chinese zodiac was the year of the horse – a beautiful animal with somewhat uncontrollable spirits that can take you for a good ride if you know how to handle it.

Unlike the horse, the sheep is a calm animal, which brings tranquillity and walks in a flock. Oddly enough sheep can only move forward, not backwards or sideways, so according to the Chinese zodiac, 2015 should be a good and peaceful year, where markets move forward in synchronisation. This is good news for value-based contrarian investors like SKAGEN as we aim to take advantage of the flock mentality before the crowd turns in our direction.

## What we predicted at the start of 2014

After strong performance in 2012 and 2013, the outlook for stocks and bonds was cautious in early 2014. Investors saw higher economic activity in developed markets and

continued stronger activity in emerging markets, which would lead to higher earnings after the multiple expansion in 2013. Nevertheless, investors also worried that higher interest rates could make bonds a more attractive alternative to equities. A number of elections in important emerging markets on the agenda for 2014 were also seen as volatility drivers.

Looking back on 2014, it has been a year of unexpected events for financial markets. US performance of 13.7% was impressive given that the MSCI World AC Index returned 4.9% for a USD-based investor, while the figures for a GBP-based investor were 20.9% and 11.4%, respectively. The surprises of 2014 include the conflict in Ukraine, high mergers and acquisition activity driven by tax motivations, significantly lower bond rates, the strong US dollar and the oil price crash at the end of the year. US stocks had

a strong rally as did the US dollar. India and China also picked up nicely as reformist Narendra Modi was elected President in India while President Xi's actions in China triggered a strong bull run last summer. Russia on the other hand plummeted and Brazil underperformed after their political elections. All these events have to some extent impacted the mindset of financial markets, and in the financial history books, 2014 is likely to stand out as the year of the strong US dollar and weak oil currencies.

## The equity of a country

If we say that a country's currency can be described as the equity of that country, then the financial markets' interpretation of 2014 is clearly that the US is a good company, Japan has yet to show that it can make a restructured company work and Russia needs a new governance model.

## *In the financial history books, 2014 is likely to stand out as the year of strong US dollar and weak oil currencies*

Meanwhile Brazil and the Eurozone are both in need of firmer leadership in order

to attain sustainable economic growth.

The performance in the currency markets in 2014 was quite extraordinary and this was largely down to a stronger US dollar and weaker oil currencies. The impact on bond and equity markets from currency moves of this magnitude was last seen in 1992, 1998 and 2008.

The strong US dollar and stronger US economy is good for export prices for many commodity producers despite lower market prices. It creates a positive backdrop with benefits for many emerging market economies, commodity producers and companies with meaningful exposure to US economic expansion.

From a broader perspective free floating currency markets are good for proper and efficient allocation of capital, although it may cause some concern in periods of rapid adjustment like the one experienced by the Russian rouble in late 2014. Until Russia gets a better governance model and restructures towards the future, its equity and currency will most likely continue to suffer.

### **A challenging year for performance**

SKAGEN's equity funds had a challenging year, as did most active investors, particularly those with a value style.

The strong US dollar and US stock market adversely impacted the relative performance of the funds which all have a significant underweight in the US market.

The fixed income funds demonstrated good performance and generated good risk-adjusted returns in 2014. In the lead was SKAGEN Tellus which gained 6.6% in GBP.

During 2014, our tenth fund, SKAGEN Credit was launched, giving investors exposure to the global corporate bond market.

For more detailed commentary about our funds' performance please refer to the individual fund reports.

### **Growth ahead**

The financial markets predict 3.5% global GDP growth in 2015. This will, however, be unevenly distributed as China is set to grow around 7%, the US 3%, and the Eurozone and Japan 1%. In this environment bond rates are expected to stay low even though the ECB has now launched a large-scale Quantitative Easing program and the Federal Reserve will raise short-term rates in the US.

For bond and equity markets, 2015 will be the seventh year of progress following the 2008/09 abyss. This is one of the longest bull rallies and, due to the simple fact of its longevity, several forecasters

are now predicting gloom ahead. Gloom may well come, but it is never a product of old age, rather it comes due to economic recession or the collapse of asset values after excessive financial behaviour or conflicts, etc. Nevertheless, most investors expect stock prices to grow in line with earnings in 2015.

The commodity markets' performance in the latter part of 2014 painted a clear picture: demand is stable in most cases, but the supply side and inventory cycle has increased output, with a significant impact on pricing. Oil and gas is by far the biggest commodity market so when US shale, Russian and OPEC producers increased output above daily demand it had a substantial impact of a 50% decline in oil prices.

### **Positive drivers**

A year from now we will be able to take stock of how our portfolio positions developed according to our view of the world. From a bottom-up perspective, we see many positive drivers such as Samsung Electronics potentially regaining a stronger position in the global smartphone arena with their new bendable screen phones, solid performance in memory chips as well as better governance and capital discipline for the group. The latter also applies to the Hyundai/Kia structure. Strong US growth further brightens the prospects for beneficiaries in South Korea and Taiwan with close business ties to US.

From a top-down perspective we see a lot of opportunities in currently disliked companies trading at massive earnings yield premiums relative to the market. Based on experience and assuming our outlook is more or less correct, then 2015 should be a decent year posting 8-14% returns in local currencies, comprised of 6-10% earnings growth and 2-4% dividend contribution. The fact box provides a glimpse of the expected overall drivers for global equity returns in 2015.

#### **KEY METRICS FOR GLOBAL MARKETS**

	2013	2014	2015
Global GDP (IMF)	3.2%	3.3%	3.5%
Advanced economies	1.3%	1.8%	2.4%
Emerging economies	4.7%	4.6%	5.0%
INFLATION (IMF)			
Advanced economies	1.4%	1.4%	1.7%
Emerging economies	5.9%	5.4%	5.3%
SALES GROWTH (BB/MSCI)			
MSCI Developed	-1.0%	2.6%	4.3%
MSCI EM	1.8%	5.5%	6.1%
EARNINGS GROWTH (BB/			
MSCI Developed	2.0%	8.3%	11.1%
MSCI EM	5.7%	11.6%	11.9%
P/E			
MSCI Developed	17.1x	15.8x	14.6x
MSCI EM	11.7x	10.5x	9.4x
DIVIDEND YIELD			
MSCI Developed	2.6%	2.5%	2.7%
MSCI EM	2.9%	3.0%	3.2%

Source: IMF, MSCI, Bloomberg

## FORECAST

### BAD AND GOOD SURPRISES

Forecasts for a new year are seldom correct. We live in a dynamic world and unforeseen events can evolve and the impact on financial assets can be significant. We see deviations for 2015, which on the negative and positive sides include:

Lower oil prices will lower income for energy-producing governments, which have to cut spending. This in turn can lead to political turmoil and/or funding problems. In a smartphone world, opinions and political actions spread fast. We view political turmoil as one of the main risks in 2015 and hope that larger regional wars and conflicts remain a fear not a reality.

Defence spending rises, while government income streams do not necessarily increase. Unbalanced budgets increase default risk while more arms and political apathy are a dangerous cocktail in a period when firm action is needed. If things are perceived as getting worse equity investors should not be surprised by an unwelcome haircut of more than 20%. Consumers retrench in fear of what is going on and economic activity is impacted negatively.

Finally, the end of 2014 was a distressed period for energy-related companies and with a serious impact on oil-related currencies. A new oil price and currency equilibrium has not been established, so we still do not know what the implications will be on the investment risk/return profile, but we do expect consolidation within the affected industries as assets have become cheaper for the wealthy players in the field.

Unless your income depends on the price of oil, the decline in energy prices in late 2014 will impact 2015 positively. Assuming energy prices stay low it will provide a boost to consumer spending and other spending by up to 0.5% of developed market GDP. In effect it works just like a huge tax decrease, which does not seem to be reflected in current stock prices. Consequently global growth may reach 3.5%, which is a significant boost to revenue streams and contribution to profitability.

Stronger earnings growth combined with continued low interest rates could fuel a stock market rally of 25% or more as earnings grow faster and risk premiums for equities contract from the current level of 4-5%. Obviously, if stock prices rise too fast this can become a risk in itself if unsustainable financial behaviour evolves.

North Korea, Cuba, Iran and other countries open up to dialogue and the world is perceived as more peaceful. Equity investors love tranquil environments and risk premium reductions could get a further boost.

### FOCUS ON GOOD STOCKS, NOT GOOD THEMES

Macroeconomic factors impact investors' risk appetite in the shorter term, however long-term we firmly believe and invest in good business models and solid management as these are what matter most in generating superior performance. Investing in good assets during distressed periods has created superior returns historically.

Management teams in listed companies work under pressure to deliver shorter term results, while at the same time preparing their organisation for shifts in demographics, innovation and more efficient ways of doing things. As an illustration of this, just imagine the management challenge of a car company; the emergence of car-sharing pools change overall demand and electric cars change how you design your manufacturing and sub-supplier interface. For the global energy market the changes in the car

industry with more fuel efficient cars and electric cars pose issues for fossil fuel businesses that need to adapt to the new demand for skills, products and services of the future. Keeping pace with change is a key driver of timely long-term value creation going forward.

Temporary losses cannot be avoided, but with common sense, good historical insight and a thorough understanding of potential risks relative to expected investment returns, we strive to generate superior risk-adjusted returns for our investors.

*Low oil prices will stimulate growth as oil is an important input. The US has already seen solid growth; the surprise will be higher-than-expected growth in Asia and Europe.*

# “Exflation”

In spite of higher growth, falling inflation and zero interest rate policies will keep large economies' long-term nominal interest rates in check in 2015.

The global economy is likely to grow faster than most people envisage in 2015. The marked drop in oil prices last autumn was mainly a result of a greater supply of oil. Low oil prices will stimulate growth – except in the OPEC member states, Russia, and Norway – since oil is an important input. The US has already seen solid growth; the surprise, as I see it, will be higher-than-expected growth in Asia and Europe.

With higher global growth, should we expect higher interest rates? That is the assumption of many – especially since long-term policy rates in many countries were very low at the end of 2014.

## Real interest rates will rise

It is true that real interest rates, i.e. interest rates adjusted for expected inflation, which are currently negative in many countries, will rise if the economy expands. Since higher growth means that businesses invest more and that households save a smaller share of their income, real borrowing costs will typically rise when the economy accelerates.

However, higher real interest rates need not result in higher nominal interest rates since the latter incorporates expected inflation. If expected inflation declines as real interest rates rise, the nominal interest rate can remain steady. The two effects will not precisely cancel each other out, of course. However, my best forecast is that we are likely to embark on a period of declining expected inflation in developed economies which will keep a lid on nominal interest rates.

But why would inflation expectations decline? Shouldn't they increase instead due to higher inflation as the economy picks up?

## Increased growth, without inflation

Many people equate increased growth with higher inflation. However, that is not necessarily how the economy works. Just

remember the 1970s. Back then, most economies had low growth and high inflation – and 'stagflation' entered the dictionary. This is what Russia is currently experiencing; the economy is shrinking and inflation is increasing.

Historically, there are many examples of the opposite occurring, i.e. growth accelerating and inflation subsiding. Before World War I, this was quite often the case. Currently, we are probably facing such developments in many OECD countries. Growth is likely to surge while inflation plummets. Will it be called "exflation" – expansion without inflation?

Some economies might even flirt with deflation. But contrary to what is often claimed, deflation does not have to be a problem. It is a myth that the Japanese economy has been engulfed in a deflationary black hole. First, the deflation has been very mild – approx. 0.3% per year since 1998. And second, if corrected for a diminished workforce, growth has been quite decent while prices have waned.

## Temporary inflationary impact negligible

Inflation expectations will subside due to a combination of low inflation, which will temporarily be amplified by the drop in oil prices, and a continued zero interest rate policy. The latter may sound paradoxical. Wouldn't a prolonged period of low policy rates, especially if the economy picks up, increase inflation expectations?

I do not buy into this theory. A cut in the policy rate may temporarily pull up inflation, but a zero interest rate policy that persists for many years has the opposite effect if growth accelerates. The reason is that in the long run central banks are unable to control the real price of credit. Thus if policy makers insist on keeping the policy rate near zero, the only way to get a higher real interest rate is through diminishing inflation

expectations.

The biggest central banks have kept their key interest rates near zero since 2009, which means that the temporary impact on inflation has long since passed. We are about to discover the long-term consequences of zero interest rate policies: inflation expectations will adapt so that economies will have the real interest rate they need. Thus inflation expectations will decline if growth accelerates.

## Persistent zero interest rate policy an issue

Developments in the UK illustrate this phenomenon. Early in 2014, there were expectations that the Bank of England would increase its interest rate. The economy had grown with accelerating strength since 2012 while unemployment had been on the decline. However, inflation began to wane and so did expected inflation. It is unlikely that we will see a UK rate hike in 2015.

If I am right then, we can look forward to 2015 as a year of "exflation": The economy will blossom as inflation fades. Not in all countries, of course. I am outlining my forecast for the major advanced economies – and I reserve judgment on Japan, where unsustainable financial policies may lead to high inflation.



– Torgeir Høien  
Portfolio Manager SKAGEN Tellus

# SKAGEN Global

- › A difficult year for value managers with a global mandate
- › A more concentrated portfolio and fewer companies will lead to a better risk-return ratio
- › The portfolio is priced at a large discount to the world index



## Headwind from the US

The fund's underweight in US dollars along with its overweight in Russian stocks and roubles, meant that 2014 was a relatively weak year for SKAGEN Global.

SKAGEN Global returned -0.3 percent in 2014, versus a gain of 10.7 percent for the benchmark index, measured in GBP. Approximately 80 percent of the underperformance can be explained by the fund's underweight in US stocks and the dollar.

The most popular companies – and the most expensive in our opinion – can be found in the US where the stock market continued to climb in 2014, with an increasing number of all-time-high listings.

At the start of 2015, US stocks attributed for only 30 percent of SKAGEN Global, while they made up 56 percent of the MSCI All Country World Index.

The fund is well positioned going into 2015. We have trimmed the fund's unprofitable tail of companies and increased the concentration of the portfolio, which still trades at a considerable discount to the index.

### UNPOPULAR RUSSIANS

At the start of 2014 seven percent of the fund's assets were invested in Russian companies, which were, on paper, the world's cheapest. This exposure detracted substantially from our returns. The combination of the Ukraine crisis, western sanctions and a plummeting oil price prompted a massive flight from the Russian rouble.

In hindsight we regret that we did not reduce our exposure to Russia earlier. Our expectation that Putin really wanted to make the Russian stock and capital markets

a better place for international investors did not materialise. In the meantime, the rapid halving of the oil price came as a bolt – or black swan – from the blue in the global capital market.

As a result of the decline in value and reduction in our holdings, our share of Russian equities fell to 2.6 percent at the end of the year, spread between two companies, namely Gazprom (1.8%) and Vimpelcom (0.8%). We are comfortable with this exposure and expect it to provide us with good risk-adjusted returns going forward.



#### Portfolio Managers

Knut Gezelius, Søren Milo Christensen,  
and Chris-Tommy Simonsen

Kristian Falnes and Johan Swahn ended their active roles in the team at the beginning of 2015.



Photo: Bloomberg

Photo: Bloomberg

## A MORE SHAREHOLDER-FRIENDLY SAMSUNG

The fund's largest investment, Samsung Electronics (7.1%), was a detractor from the fund's performance, in contrast to 2013. Investors turned negative towards the company as a result of the substantially weakened profitability of the mobile division and falling market share. Low cost manufacturers in China and increasingly India are devouring more and more of the global market share for smartphones.

We do not believe that Samsung's mobile division is suffering from the same fate as that of former giants, Motorola, Sony Ericsson, BlackBerry and Nokia. This is primarily because Samsung, unlike the above-mentioned players, has an open operating system. The company is also a market leader in technology for smartphones and tablets. Its efforts will be centred on having a more concentrated and focused portfolio of mobile phones in future and this should also pay off.

The substantially improved earnings from Samsung's memory chip division are increasingly making up for the decline in profits from mobile phones. This improvement will be even more apparent over the next few years (see the SKAGEN Vekst report). Investors should also come to appreciate Samsung Electronics now that the more shareholder-friendly management has promised share buybacks and increased dividends.

Our preference shares are priced at an attractive 7.7 times expected earnings for 2015.

## TEMPORARY SETBACK FOR CITIGROUP

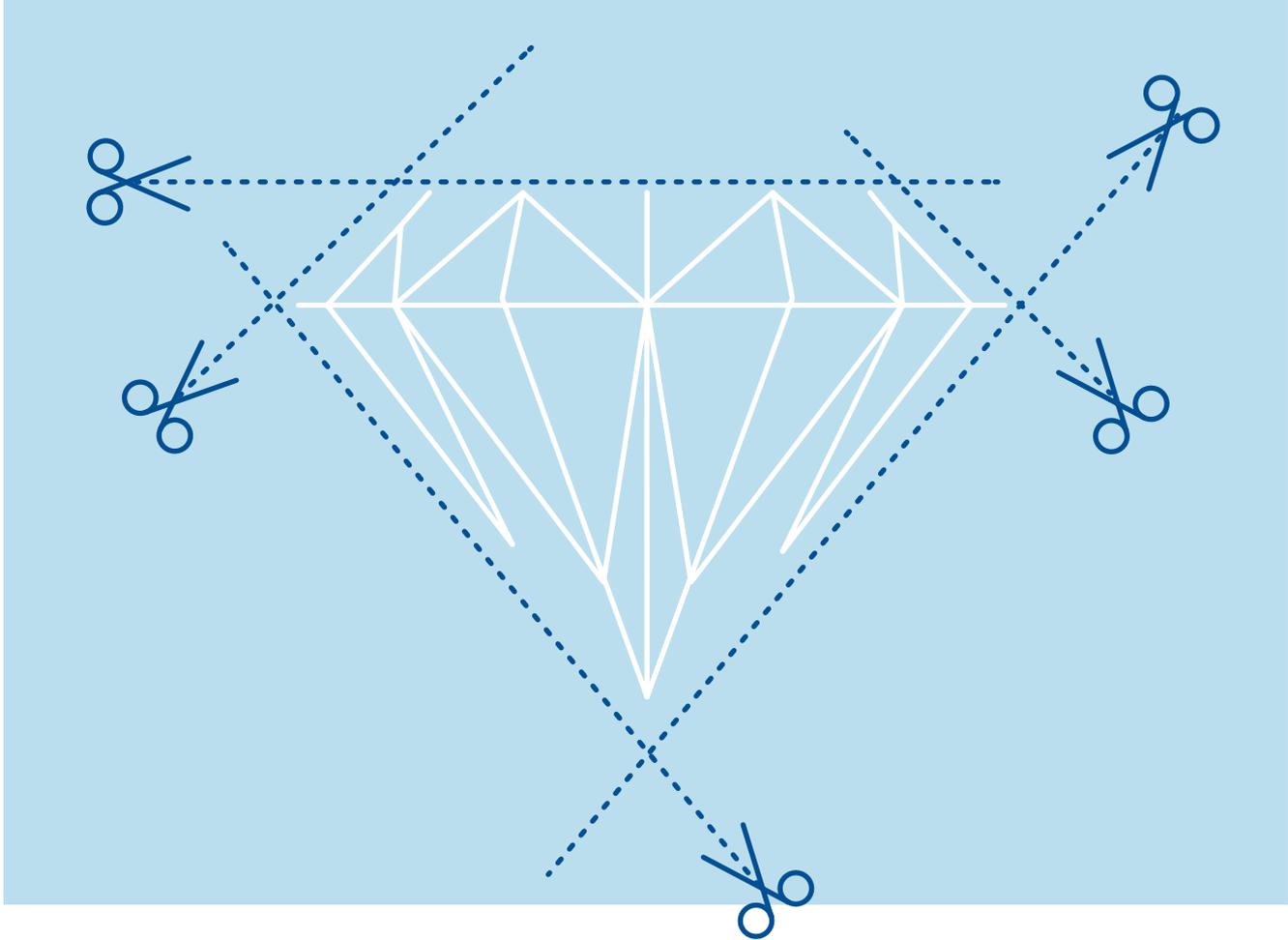
The share price of our second largest investment, Citigroup (7.0%), lagged the general US stock market by ten percentage points last year. This was mainly down to the fact that the US regulator denied the company's wish to pay dividends and initiate a share buyback program. The process has only been put on hold, however. Citigroup's balance sheet is steadily improving, as are its earnings, thanks to tailwinds from the upturn in the US economy.

Microsoft, a US heavyweight that has been part of the portfolio for some time, continues to surprise with better than expected results. In addition, the company's risk is being reduced by more diversified operations. We have therefore adjusted the price target for Microsoft upwards several times. Following last year's 27.5 percent share price increase, measured in local currency, to USD 46.5, the share is now approaching our latest price target of USD 50.

### SKAGEN GLOBAL KEY FIGURES FOR THE LARGEST HOLDINGS (AS OF 31 DEC 2014)

Company	Holding size	Price	P/E 2014e	P/E 2015e	P/B last	Target Price
Samsung Electronics	7.1%	1,039,000	7.2	7.7	1.0	1,300,000
Citigroup	7.0%	54.1	11.6	10.0	0.8	75
AIG	4.2%	56	11.8	11.2	0.7	80
Akzo Nobel	2.8%	57.7	18.5	15.6	2.6	65
Nordea	2.8%	90.9	11.4	10.5	1.3	105
Renault	2.8%	60.5	9.3	6.7	0.8	80
Roche	2.6%	270	18.2	16.9	13.2	380
LG Corp	2.6%	61,200	10.6	9.3	0.9	100,000
DSM	2.5%	50.6	18.4	15.7	1.5	65
State Bank Of India	2.4%	311.9	12.8	10.4	1.6	430
<b>Weighted top 10</b>	<b>36.8%</b>		<b>11.0</b>	<b>10.0</b>	<b>1.0</b>	<b>33%</b>
<b>Weighted top 35</b>	<b>78.1%</b>		<b>11.4</b>	<b>10.0</b>	<b>1.1</b>	<b>32%</b>
<b>Benchmark index</b>			<b>16.9</b>	<b>15.1</b>	<b>2.0</b>	

P/E may deviate from other sources as it is based on SKAGEN estimates



## TRIMMED THE UNPROFITABLE TAIL

During the second half of the year, the number of companies in the fund's portfolio was reduced from 103 to 66 and the concentration ratio increased. At the end of the year the ten largest investments constituted one third of the fund's value. Our aim is that the top ten holdings should make up 35-45 percent of the portfolio.

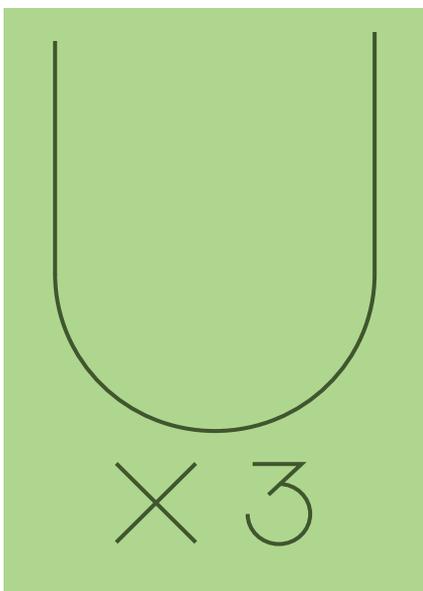
History shows that the smaller positions, the so-called tail, have added the least to the fund's results while the 35 largest holdings have contributed more to performance.

Individual portfolio managers have finite resources and must focus on those companies that are most decisive to the fund's return. At the same time they must come up with new potential

candidates for the portfolio as well as have a library of stocks that require follow-up.

Going forward we will have several positions in the portfolio with a 3-5 percent weighting which would previously have made up only 1-2 percent of the fund. We will, in other words, spend more time and increase our focus on companies that we believe have the best risk reward ratio.

It is also important to note that when we bring a new company into the portfolio, we increase the size of the holding gradually over time, as is the SKAGEN way. If the terrain appears to tally with the map, then we add to our position in the company in stages.



## STICK TO OUR PHILOSOPHY

The investment philosophy remains the same as it always has been. Namely to have a value-based portfolio which is at all times priced at a reassuring discount and where the three Us – Undervalued, Unpopular and Under-researched companies – guide our way. Our paramount goal is to provide our unit holders with the best possible risk-adjusted returns.

Over the past few years so-called growth companies, particularly of the large US variety, have been popular among investors. Passive management has gained an increasing number of followers, which has led to a self-perpetuating price spiral upwards for growth stocks.

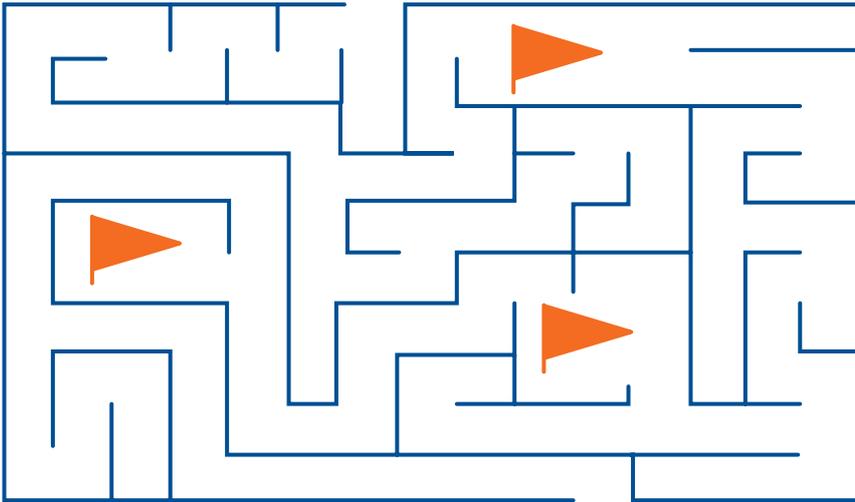
The million dollar question is when last year's trend – of investing in companies with

stable earnings and relatively high dividend payments – will turn. And when value stocks will come back into fashion.

In our opinion, value always wins in the end.

In other words, SKAGEN's contrarian value-based investment philosophy has proved to be successful in the long run. Although we may experience some headwinds along the way, the wind will turn at some point or another. In the short term, we just have to have the courage to sit tight.

We enter into 2015 with a concentrated portfolio priced at ten times expected earnings and 1.1 times the companies' book equity. The discount relative to the world index is a reassuring 34 and 45 percent, respectively.



## INCREASED FOCUS ON POLITICAL RISK

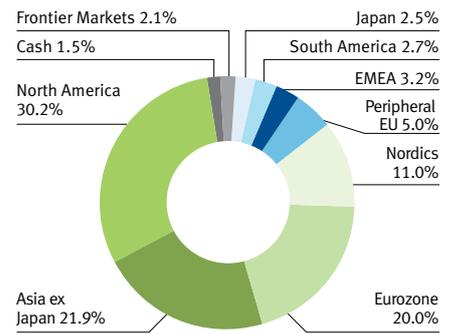
A common denominator among the companies that have impacted our performance the most over the past few years is political risk.

2014 demonstrated the importance of assessing political risk when analysing the price of a stock. The Russian stock market demonstrated that it fully merited its title as the country with the highest risk premium. We unfortunately felt the effects of this first hand.

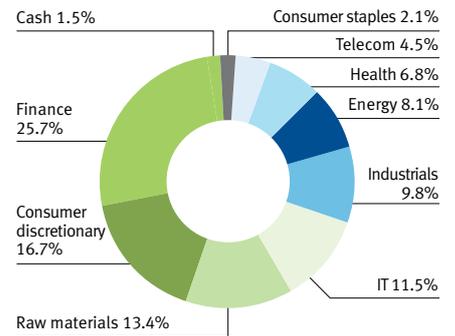
Naturally we will not shy away from taking risks going forward, but we must take the right risks. SKAGEN Global has increased its focus on managing risk internally, and the portfolio managers have a close dialogue with the risk management department.

The triggers that can initiate share price rises and increase popularity among investors are far greater in number and weigh more heavily than the risk factors that may pull share prices in the opposite direction. This is a key element in our stock picking.

### GEOGRAPHICAL DISTRIBUTION (rounded figures)

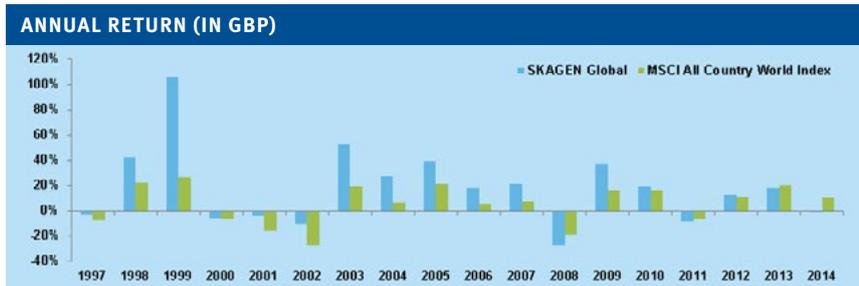


### SECTOR DISTRIBUTION (rounded figures)



<b>Fund start date</b>	7 August 1997
<b>Return since start</b>	1226.95%
<b>Average annual return</b>	16.0%
<b>AUM</b>	£4.5 billion
<b>Number of unit holders</b>	86,507*

\*This number does not include clients through third party distributors



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

### SKAGEN GLOBAL 2014 (MILL. NOK)\*

#### 5 LARGEST POSITIVE CONTRIBUTORS

Citigroup Inc	729
Samsung Electronics Co Ltd Pref	576
American International Group Inc	554
Teva Pharmaceutical-Sp ADR	500
Microsoft Corp	467

#### 5 LARGEST DETRACTORS

Vimpelcom Ltd-Spon ADR	-512
Sistema Jsfsc	-308
Afren Plc	-297
Gazprom Oao ADR	-293
OCI Co Ltd	-235

#### 5 LARGEST PURCHASES

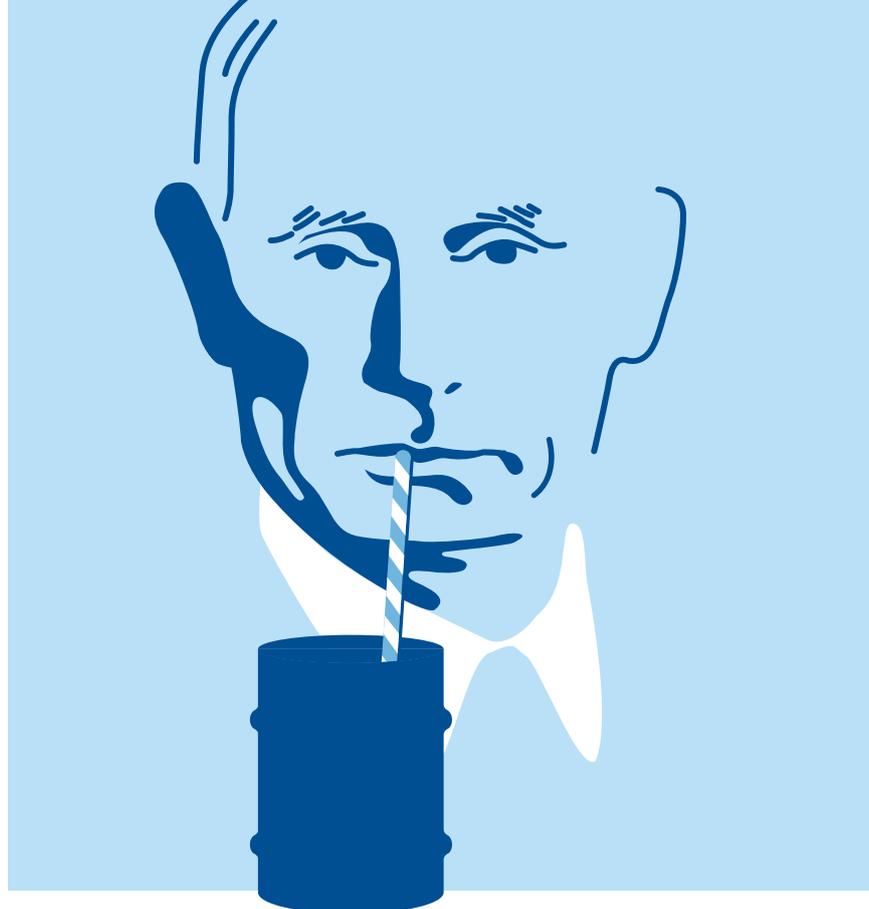
Koninklijke DSM NV	883
Gap Inc/The	632
Sanofi	618
Volvo AB	584
NN Group NV	495

#### 5 LARGEST SALES

Samsung Electronics Co Ltd Pref	-1,308
Tyco International Plc	-817
Teva Pharmaceutical-Sp ADR	-744
Bunge Ltd	-728
Oracle Corp	-691

# SKAGEN Kon-Tiki

- › Our holdings in Russia, developed Europe and solar companies pulled down performance last year
- › India was the bright spot, and State Bank of India the largest contributor to absolute and relative return
- › The term emerging markets is losing its meaning. There are large discrepancies between countries that provide opportunities for active, value-oriented stock pickers like us.



## A year of political change

Political developments were at the centre of emerging markets in 2014, for better and for worse. Our exposure to Russian companies caused our biggest losses in the year, while India was a clear bright spot.

### YEAR SUMMARY

#### WHAT HAPPENED IN 2014?

After a strong absolute and relative return in 2013, SKAGEN Kon-Tiki lagged its reference index in 2014. There were three prime reasons for this.

##### 01. Confiscated oil assets

In Russia, our holding in Sistema saw a significant detraction after the government confiscated its oil assets. Sistema acquired these in 2005 and 2009 in an open bid financed by state-controlled banks but it appears that the seller obtained these assets in a controversial way which might have involved corruption. We only hold out a small hope that the court case filed against previous owners will be successful.

##### 02. Weaker euro

Our holdings listed in developed Europe, primarily with high exposure to emerging

countries, developed weakly. With a weaker EUR, we expect earnings for European equities to benefit and find valuations for these companies, representing 17% of fund assets, very attractive as the EM growth driver is neglected.

##### 03. Weak solar performance

Our solar companies, which provided strong returns in 2013, were also weak performers. While some overcapacity had a negative impact on prices, the decline in the oil price also hit the sector. We believe this is irrational. Growth in solar energy is mainly driven by a desire to reduce dependency on fossil fuel and reduce pollution. China is leading the way, striving to increase installation by almost 50% to 14 GW last year or 30% of global installation. The fund's direct exposure to the sector was 1.7% of assets at year end.



#### Portfolio Managers

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



Photo: Bloomberg

**YEAR SUMMARY**

**INDIA AND SBI – EXAMPLE OF A MARKET AND A STOCK THAT WORKED**

India was a bright spot in 2014. We had significant exposure to this market and most of our holdings outperformed a strong local index. Mr. Modi formed the first majority government since 1984 and his victory brought optimism regarding reforms. A sharp decline in soft commodities, food and the oil price has contributed to inflation falling by over a half to below 5%. Rate cuts, together with a strong and reformative government and a highly respectable central bank head create the framework for accelerating growth. Strong returns, however, increased valuation and we reduced our exposure somewhat at the end of last year. India still represents 15% of assets and we have strong conviction in our key holdings, one of which, State Bank of India, is portrayed below.

We seldom view the macro economy as a key driver for equity returns and never base investment decisions purely on this. However, macro may provide a meaningful tailwind to investment theses.

Early in 2014, we materially raised our exposure in State Bank of India (SBI), the country’s leading government-controlled lender. The bank was, and still is, rather unpopular among investors.

A market-friendly outcome of the election and stabilisation of loan quality resulted in a 79% return for the share in 2014 which contributed 4.0% of fund values at year end. Naturally, this strong return has led to some revaluation. So are we sellers? By no means, as the valuation starting point was so low, the bank still trades at a P/BV of 1.5x versus 3.9x on average for private banks in India.

Low growth, high interest rates and cash constraints among private

companies resulted in loan losses of 144bp of loans for SBI last financial year, up from 56bp in FY09 and almost twice the 10-year average. Lower interest rates will support economic growth and credit quality. Higher asset valuation increases collateral and makes refinancing easier. The new administration has implemented new laws making it easier to repossess assets, which has previously taken years in court rooms. Normalising loan losses to the historic average would improve RoE from 10 to 15%. It is fair to add that SBI as the biggest state bank has had to take its share of questionable loans in the past, but with asset recovery this might actually lead to a steeper improvement in recoveries.

SBI also has an embedded long-term efficiency gain. About 5% of the workforce retires annually and is replaced by cheaper, more productive workers. Demonstrating this point, employee costs fell by 4% YoY last quarter with asset growth of 12%.

Meetings with its private competitors reveal that SBI has an admirably strong low cost deposit franchise through their extensive branch network. This might be

wan even stronger competitive advantage going forward with the government focus on financial inclusion and clamp down on scrutinised micro banking.

The Modi administration is taking steps to improve governance and act as a responsible key shareholder in state-owned banks, planning to strengthen management and the board and create a more professional unit to oversee its sector exposure.

We expect SBI to be able to generate a long-term RoE of 15% while credit growth should be stronger than for most emerging economies, due to underinvestment in fixed assets and a growing workforce with a median age of only 27 years. The monthly addition to the workforce in India is about 5 million. While there is a challenge to create new jobs, Modi’s “Made in India” campaign will hopefully attract foreign direct investments. Those receiving salaries for the first time need a bank account and credit.

Based on our thesis of growth and outlook for “return-to-mean” capital return, we continue to see a strong upside in SBI.

**SKAGEN KON-TIKI KEY FIGURES FOR THE LARGEST HOLDINGS (AS OF 31 DEC 2014)**

Company	Holding size	Price	P/E 2014e	P/E 2015e	P/B last	Target Price
Hyundai Motor	7.9%	126,500	4.0	3.7	0.6	250,000
Samsung Electronics	7.5%	1,039,000	6.9	6.9	1.0	1,500,000
Great Wall Motor	4.9%	44.1	12.1	10.3	3.4	50
State Bank of India	4.0%	312	12.5	9.5	1.5	420
Bharti Airtel	3.3%	353	22.0	17.6	2.3	450
Mahindra & Mahindra	3.2%	1,234	13.7	13.0	3.1	1,500
Sabanci Holding	2.9%	10.2	9.2	8.5	1.1	14
ABB	2.6%	166	18.4	13.8	3.0	205
AP Moller-Maersk	2.5%	12,370	8.2	8.5	1.1	16,500
Heineken	2.3%	59.0	17.9	16.8	2.9	66
Naspers	1.9%	1,515	43.3	30.3	8.0	1,800
Lenovo	1.9%	10.2	15.7	11.3	4.5	14
<b>Weighted top 12</b>	<b>44.9%</b>		<b>8.6</b>	<b>7.8</b>	<b>1.3</b>	<b>41%</b>
<b>Weighted top 35</b>	<b>73.2%</b>		<b>9.4</b>	<b>8.2</b>	<b>1.2</b>	<b>46%</b>
<b>Benchmark index</b>			<b>12.3</b>	<b>11.4</b>	<b>1.4</b>	

P/E may deviate from other sources as it is based on SKAGEN estimates



Photo: Bloomberg

## WHAT CHARACTERISED EMERGING MARKETS IN 2014?

Emerging markets (EM) equities faced another year of weak return relative to developed markets with a wide gap in returns for key markets.

The Ukraine situation, falling oil price and sanctions contributed to a 38 percentage point decline in Russian equities measured in GBP, where the RUB decline contributed most of the fall. At the other end of the spectrum, the landslide victory of Narendra Modi as new prime minister in India in May contributed to a 37% gain for Indian equities.

Commodity sectors were the weakest performing sectors in EM. The slump in the oil price is mainly driven by increasing supply. We sold out of Gazprom during 2014, as our expected catalysts were not coming through. In the current geopolitical situation in Russia, we see a further risk of steps that are not in the interests of minority shareholders. We re-positioned our exposure to focus on private companies which are less exposed to government intervention, by adding Moscow Exchange and increasing our holding in grocery retailer X5 Retail Group, which is seeing an internally driven margin expansion. Russia made up 2.1% of fund assets by year-end.

2014 was the third year out of four where EM equity returns were below developed markets. For the second year in a row, we saw significant outflow from EM equity funds. Weak EM currencies have to take some of the blame for this. However, most of the underperformance was again attributed to weak earnings and capital return in EM has now compressed to developed market levels of 12%.

## AUTO SECTOR AND GREAT WALL MOTOR EXAMPLE

Our significant exposure to the automotive sector, representing 17% of assets, is based on bottom-up research and by no means reflects a strong sector preference. Our holdings also have a diverse set of geographic footprints which reduces risk.

One example from the sector is Chinese Great Wall Motor. When we first invested in 2008, our thesis rested on the fact that net cash exceeded the market cap while the company had reported sustainable profitability. The more than twentyfold return on our initial investment has obviously changed this, but during the period, we also found that the company was far healthier than we initially thought.

Since we invested, unit sales have grown from 108k to 731k and Great Wall Motor is indisputably the leading SUV brand in China with a market share close to 13%.

After a weak first half of 2014 the share recovered nicely based on capacity expansion and sales growth resumption,

fuelled by an extensive new model line-up. We argue that many investors are still missing the investment case.

SUV demand in China has increased at a rate of 2-3x total car demand in the past few years and now accounts for 20% of auto sales. This is still well below the SUV share of sales in the US, for example, where it is 33%. In the compact SUV segment, which is the key focus segment of Great Wall, penetration is only 15%.

We like that management has ambitious long-term goals of becoming the primary SUV manufacturer in the world. They may well reach this goal in 2016. Due to constrained capacity, sales abroad today only account for 7% of unit sales. Management is, however, planning to ramp up foreign assembly and production to 24 plants from 10 overseas sites today.

We expect resumption of growth driven by capacity expansion and new SUVs to be a key driver for strong earnings in 2015 after a weak 2014. This investment has developed from deep value into a growth story at a reasonable valuation at 9x earnings.



## OPPORTUNITIES PROVIDED BY CORPORATE GOVERNANCE

### JAPAN

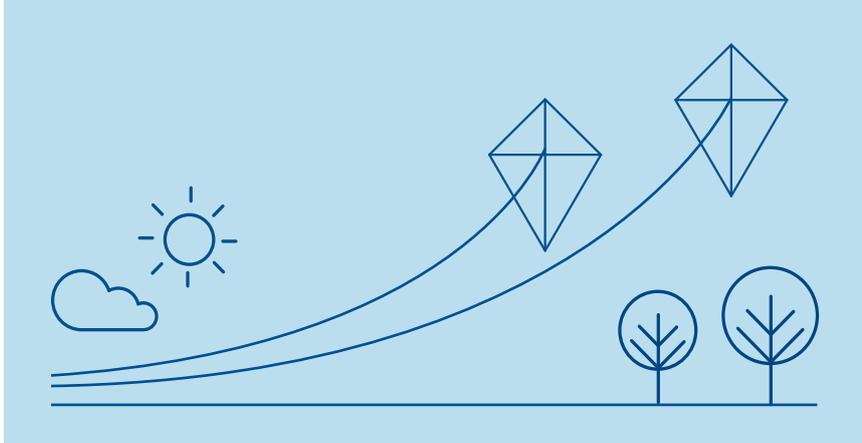
We initiated some new holdings in Japan in 2014. The Abe administration will implement a new governance code for listed companies, which increases transparency and accountability. Cost reduction and dividend payout are targets now frequently mentioned for the first time in a decade.

Our recent trip to Japan provided some positive surprises on stated governance improvements. Many companies have a large gap to fill in order to mirror profitability of global peers; not because of low product margins but lack of cost efficiency. Our two largest holdings,

Hitachi and Shiseido are very good examples of this.

### SOUTH KOREA

Bad governance has also been seen as the main reason for the sustained discount on Korean equities. Our key holdings, Hyundai Motor and Samsung Electronics, have been cash hoarders with single digit payout ratios for years, leading to a valuation discount versus global peers. Moving into 2015, we are excited to see that the government and strong shareholder pressure are finally leading to changes as both companies have signalled a tangible increase in dividend for 2014 and initiated share buybacks.



## HOW WE STAND FOR 2015

As discussed by our Investment Director, value investing has been out of favour for years, creating headwinds for our value-based investment philosophy. However, our belief in our philosophy, which has demonstrated strong investment returns over time, stands firm. With our stockpicking philosophy giving us an active share of 96 percent, we are not overly concerned about “market” earnings growth.

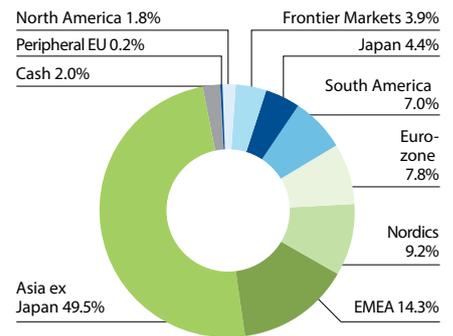
As we enter 2015, the emerging markets valuation discount, based on trailing earnings and P/BV, stands at a record low to developed markets. Due to our value approach, Kon-Tiki offers a meaningful discount to EM in general. This is despite the fact that we are severely underweight in “cheap” sectors and “cheap” countries such as China and Russia, while overweight “expensive sectors”.

However, we expect some of the factors that contributed to weak performance in 2014 to create headwinds going into 2015. Weak EM currencies create a tailwind for localised exporters, such as our beef producer in Brazil, Marfrig, our IT services company in India, TechMahindra and Brazilian mining company, Vale, which is also benefiting from a slump in transportation costs.

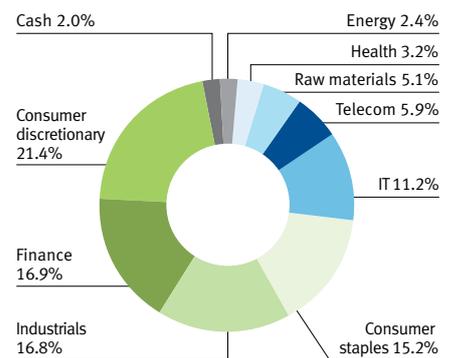
During 2010-2012, we were criticised for delivering returns close to benchmark. While true, the active share was continuously high during this period. Conversely, 2013 and 2014 have been years where performance has severely diverged from benchmark, in both directions, but overall we have created excess return.

The term ‘emerging markets’ is in the process of losing its meaning. There are large discrepancies in terms of demography, standard of living, debt ratios and economic development between the countries that are included under the designation. In addition, companies are becoming increasingly global and less tied to where their headquarters are located. In SKAGEN Kon-Tiki we analyse and select individual companies. The fact that the market uses a term that is becoming increasingly outdated therefore provides good opportunities for active, value-oriented stock pickers like us.

### GEOGRAPHICAL DISTRIBUTION (rounded figures)



### SECTOR DISTRIBUTION (rounded figures)



<b>Fund start date</b>	5 April 2002
<b>Return since start</b>	640.7 %
<b>Average annual return</b>	17.0 %
<b>AUM</b>	£4.4 billion
<b>Number of unit holders</b>	71,284*

\*This number does not include clients through third party distributors

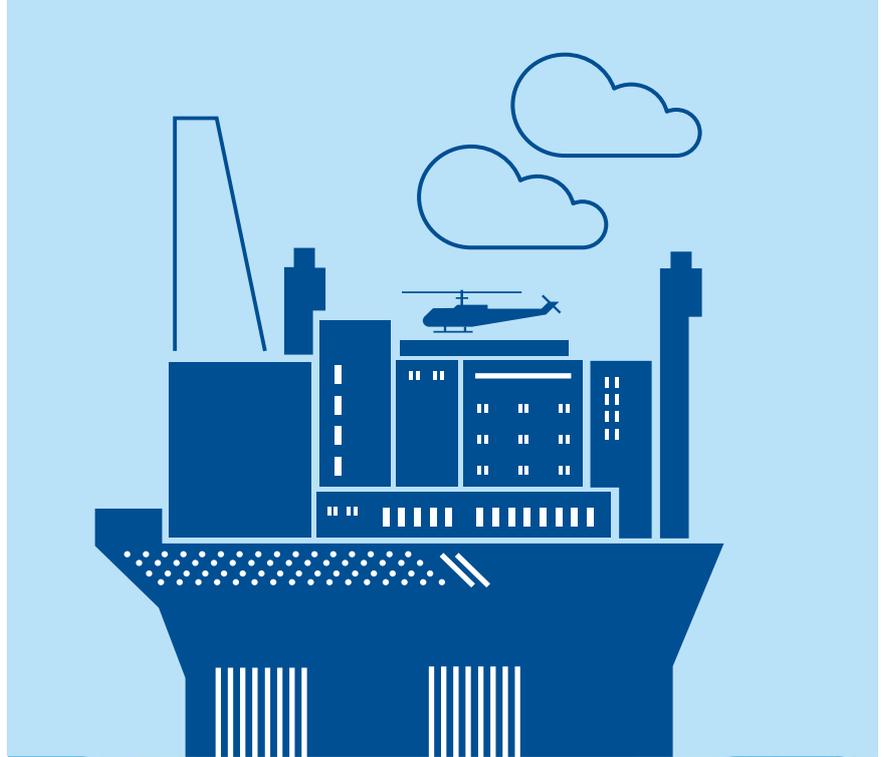


\* The benchmark index prior to 1/1/2004 was the MSCI World Index.

SKAGEN KON-TIKI 2014 (MILL. NOK)*	
<b>5 LARGEST POSITIVE CONTRIBUTORS</b>	
State Bank of India	1,283
Hyundai Motor Co Pref	844
Samsung Electronics Co Ltd Pref	744
Mahindra & Mahindra Ltd	660
Great Wall Motor Co Ltd	554
<b>5 LARGEST DETRACTORS</b>	
Sistema Jsfsc	-1,355
Vale SA-Pref A	-390
Raiffeisen Bank International AG	-337
Tullow Oil Plc	-306
Cosan Ltd	-292
<b>5 LARGEST PURCHASES</b>	
Casino Guichard Perrachon SA	968
SBI Holdings Inc	604
Hitachi Ltd	591
Moscow Exchange MICEX-RTS OAO	578
Raiffeisen Bank International AG	469
<b>5 LARGEST SALES</b>	
Royal Caribbean Cruises Ltd	-1,278
Hyundai Motor Co Pref	-1,110
Haitong Securities Co Ltd	-957
Samsung Electronics Co Ltd Pref	-913
Gazprom Oao ADR	-834

# SKAGEN Vekst

- › Halved number of Norwegian holdings, but impacted by the fall in NOK
- › Oil supply and underwater technology took a beating
- › Well positioned for continued low oil prices



## Overexposed to Oslo Stock Exchange

Our overweight in Norwegian stocks relative to the benchmark index meant that SKAGEN Vekst suffered from the sharp drop in the Norwegian krone.

SKAGEN Vekst changed its benchmark index at the start of 2014. Prior to this the fund had to have at least 50 percent of its assets invested in Norwegian stocks, while the rest was well diversified globally. Under the new mandate, instead of having 50 percent exposure to Norwegian stocks, the fund must now have at least 50 percent invested in Nordic stocks.

The reason for changing the fund's mandate was to reduce the specifically Norwegian risk related to the oil price and activities in the oil and energy sector. This is what characterises a large proportion of the companies listed on the Oslo Stock Exchange. Limited liquidity in many Norwegian stocks was also a central reason for the change of mandate.

Our decision to change mandate was vindicated by the subsequent fall in commodity prices in general, and the halving of the oil price during the autumn in particular. With a drop of 9.8 percent measured in GBP, the Oslo Stock Exchange ended up being one of the world's weakest stock exchanges in 2014.

### NORWEGIAN HOLDINGS HALVED

Throughout the year we have reduced the Norwegian exposure in our portfolio from 50 percent to 26 percent. By way of comparison, Norwegian stocks constitute only around seven percent of the fund's benchmark index.

Our exposure to oil and offshore business has been substantially reduced. We exited one of the fund's largest investments, Statoil, in the summer when the share price was at a near all-time high. We have maintained large positions in companies that benefit

from the fall in oil price, one of which is the fund's fourth largest investment, Norwegian (5%).

What we did not factor in, however, was the dramatic weakening of the Norwegian krone. Alongside the plummeting oil price, the krone lost 25 percent versus the US dollar. Given the fund's relatively large weighting in Norwegian stocks, and the fact that US stocks experienced another good year, SKAGEN Vekst ended the year seven percentage points behind the benchmark index.



Portfolio Managers  
Geir Tjetland, Ole S eberg, Erik Berg o  
and Alexander Stensrud\*

\* Junior Portfolio Manager, one year term



Photo: Bloomberg



Photo: Norsk Hydro



Photo: Bloomberg

## PROFITABLE CRUISE

Royal Caribbean Cruises has long been one of the fund's largest investments, and was in 2014 one of the winners on the stock exchange. The company contributed approximately GBP 35 million to the fund last year. We adjusted the price target for RCL up from USD 60 to USD 85 at the beginning of the year, having got a better understanding of the profitability of the company's new ship.

The RCL share price then got a lift when the company later announced its 'double double program'; RCL's long-term goal is to double its earnings per share in three years and earn USD 7 in 2017, versus an expected USD 3.5 in 2014.

After the short-lived, but dramatic impact of Ebola fears on the share price, the RCL share price got another substantial lift on the stock exchange. As the share price was approaching our price target, and the pricing no longer justified the underlying risk, we sold out of the company and secured the profit.

## THOSE WHO WAIT

After a long period of poor contribution from our Norsk Hydro shares, the stock finally took off. With the departure of the company's second largest shareholder, Brazilian Vale, (at a price of NOK 25 per share), and the price of aluminium on the rise, the Hydro share price strengthened and ended the year up 57 percent.

Although global growth is relatively low, the likelihood is that the aluminium price has bottomed out for now and that the upturn will continue. On the supply side, no new capacity has been added since the financial crisis and the trend among car manufacturers is clear; increasingly cars are being built with aluminium rather than the heavier metal, steel.

The supply side is, as always, key in the commodities market and is generally the main reason that commodities have been among the worst-performing investments for the third year in a row. Bloomberg's commodity index was down 11.8 percent in 2014. Aluminium is one of the few exceptions, having gained 2.9 percent in GBP.

## EXAGGERATED FEARS

Another company that was, until last year, a detractor from the fund's result is the Israeli-US pharmaceutical company, Teva. This stock also took off in 2014. Investors were extremely concerned about what would happen when the patent of the company's cash cow, the MS drug Copaxone, expired in May 2014.

Teva has now successfully launched a 'new' Copaxone, prompting investors to hit the buy button. The new drug is taken three times a week instead of once daily, and is patented until 2030.

Our investment thesis has long been that the Copaxone fear was exaggerated and that the share price reflected the worst case scenario. As the Teva share price neared our price target of USD 60 towards the end of the year, we reduced the position significantly.

### SKAGEN VEKST KEY FIGURES FOR THE LARGEST HOLDINGS (AS OF 31 DEC 2014)

Company	Holding size	Price	P/E 2014e	P/E 2015e	P/B last	Target Price
Samsung Electronics	7.7%	1,039,000	7.8	7.4	0.9	1,500,000
Norsk Hydro	6.9%	42	32.6	13.1	1.2	58
Continental AG	5.4%	176	13.9	12.0	3.9	225
Norwegian Air Shuttle	5.0%	276	N.A.	8.9	3.5	340
TeliaSonera AB	4.5%	50	12.6	12.0	2.0	70
Citigroup	4.2%	54	15.7	9.1	0.8	75
Philips	3.9%	24	20.1	15.1	2.0	34
Danske Bank A/S	3.8%	167	12.7	10.7	1.2	205
ABB	3.5%	166	19.8	13.7	3.0	250
Teva Pharmaceutical	3.5%	58	11.7	11.3	2.1	60
<b>Weighted top 10</b>	<b>48.3%</b>		<b>15.4</b>	<b>10.5</b>	<b>1.48</b>	<b>34 %</b>
<b>Weighted top 35</b>	<b>85.1%</b>		<b>13.2</b>	<b>10.3</b>	<b>1.38</b>	<b>42 %</b>
<b>Benchmark index</b>			<b>16.9</b>	<b>15.1</b>	<b>2.01</b>	

P/E may deviate from other sources as it is based on SKAGEN estimates

## RIDING THE AUTOMATION WAVE

Good underlying growth within infrastructure and power production, which often go hand in hand, triggered our purchase of ABB shares. The global automation wave that we are now seeing means that ABB's robot division is also heading towards brighter times.

ABB has historically been a company with a multitude of products, but few leading positions. The company is now in the process of narrowing its offering of both products and services and is focusing on where they have a competitive advantage. Improving margins and large savings on the cost side should result in increased popularity for ABB shares among investors.

When it comes to another large and promising newcomer, Citigroup, we refer you to the comment in the report for SKAGEN Global; the US bank is the fund's largest investment.

## 10 TIMES EARNINGS

SKAGEN Vekst enters into 2015 with a portfolio priced at 1.4 times book value and a moderate ten times expected earnings from the companies.

Both the P/E and P/B levels are significantly below those of the fund's benchmark index. Given that long interest rates continue to be historically low, SKAGEN Vekst is priced with an extremely attractive risk premium.

## CHEAP SWEDISH-FINNISH COMPANY

One of the newcomers to the portfolio last year, from which we expect a great deal in the future, is the Swedish-Finnish telecommunications company TeliaSonera. Stable earnings and a dividend yield of six percent make for a good starting point.

We believe that the dawning process of consolidation within telecommunications will continue to strengthen. This implies less pressure on prices, and better earnings from each customer (increased average revenue per user). TeliaSonera also has stakes in the companies Turkcell and Megafon, which are not of strategic importance. The company should be possible to sell these at a solid profit.

## RUSSIAN BANK AND RIGS

Russian Sberbank was the largest detractor from the fund's performance last year. We underestimated the risk associated with the situation in Russia and the sanctions that were introduced. At the end of the first half of the year Sberbank was priced in line with its book value, while by the end of the year the share was selling at a 40 percent discount.

Sberbank has a return on equity of 17 percent, and a dividend yield of four percent. Given the uncertainty related to both the earnings and loss situation going forward we have reduced our investment in the Russian bank somewhat. The position constituted 0.6 percent of the portfolio at year end and was our only Russian holding.

Strong headwinds for the rig market took their toll on the Fred Olsen companies, Bonheur and Ganger Rolf. The companies are majority owners in the rig company, Fred Olsen Energy, whose share price nosedived 72 percent. Despite the extremely bleak outlook for rig companies in general, Fred Olsen Energy's contract coverage alone justifies its share price at the time of writing.

The shares in Bonheur and Ganger Rolf also include the companies' activities within renewable energy, shipping/offshore, cruise and various other more minor activities.

## SUBMERGED SUPPLY

Our investments within supply and underwater technology also suffered in the second half of the year. Combined, the negative contributions from our stakes in Solstad, DOF, Siem and Eidesvik amounted to approximately GBP 19 million. The lion's share of this came from Solstad and DOF. At the end of the year these companies accounted for 3.5 percent of the portfolio. Several supply companies have now chosen to lay up their ships. Given the low oil price and poor rig market, the short-term outlook seems rather bleak.

Solstad and DOF have relatively good contract coverage for 2015. The question is what will happen in 2016-2017. The stock market has already priced in a negative scenario.

## HIGH CONCENTRATION

SKAGEN Vekst enters into 2015 with an extremely concentrated portfolio. The 10 largest investments account for 48 percent, while the 35 largest represent 86 percent of the portfolio.

Following the sale of RCL, Samsung Electronics is once again the fund's largest investment. We are confident that Samsung's weaker results from the mobile division (see the SKAGEN Global report) are increasingly being compensated for by rising margins within memory chips, otherwise known as DRAM and NAND.

Samsung Electronics' new DRAM chips are twice as fast and 40 percent more energy efficient than their predecessors. Several competitors have had to admit defeat and the capital cost of setting up new modern factories is formidable. The future therefore looks bright for Samsung's memory chips.

We expect to see good contributions from our long-term investments in the portfolio in the coming year also, including Continental, Norwegian and Danske Bank, all of which are some way off our price targets.

## TWO PROFITABLE ROUNDTrips WITH HURTIGRUTEN

When a UK private equity fund offered NOK seven per share in Hurtigruten, almost 40 percent above the prevailing market price, we sold out of the company. Hurtigruten has, in various forms, been part of the SKAGEN Vekst portfolio since the fund was launched in 1993.

We must admit that it was with some sadness that we bid farewell to the final shares in the company which have served our unit holders well in this 21 year period. Hurtigruten has encountered some stormy weather along the way, however, and was almost shipwrecked five years ago.

### Up six-fold

When SKAGEN Vekst was launched in December 1993, the fund bought shares in Troms Fylkes D/S (TFDS). TFDS owned and operated five coastal steamers, while Ofoten and Vesterålen D/S (OVDS) owned and operated six. Four years later we also bought into OVDS.

In late winter 2002, the above-mentioned companies merged to become Hurtigruten, as it is known today. During the merger process, SKAGEN Vekst sold its shares in TFDS, and unit holders earned six times the price they had paid nine years earlier.

### Near shipwreck

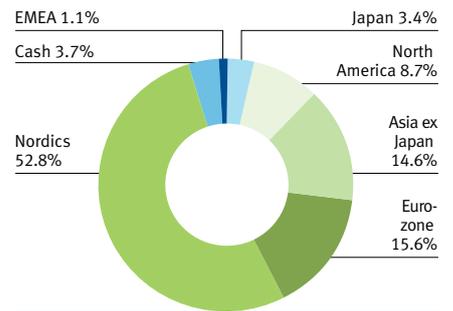
Hurtigruten experienced a long period of heavy seas following the merger. The combination of a lack of cost control, poor operations, the sale of various assets at low prices and the contracting of large new ships made for a deadly cocktail. The price of our shares in OVDS plummeted.

In 2009 Hurtigruten was close to shipwreck and had to throw life buoys out into the stock market and raise more capital. The company secured sufficient emergency capital to stay afloat. Professional owners took the helm and started the process of steering the company into deeper and safer waters.

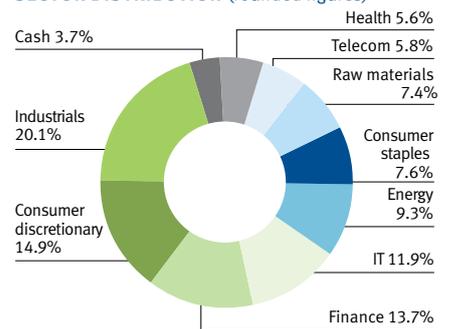
SKAGEN Vekst was one of the shareholders that contributed the most capital during the rescue operation and was left with seven percent of Hurtigruten. The issue price was NOK one.

With an exit price of NOK seven per share and having doubled our invested capital, we reached dry land after a turbulent but profitable Hurtigruten journey.

## GEOGRAPHICAL DISTRIBUTION (rounded figures)



## SECTOR DISTRIBUTION (rounded figures)



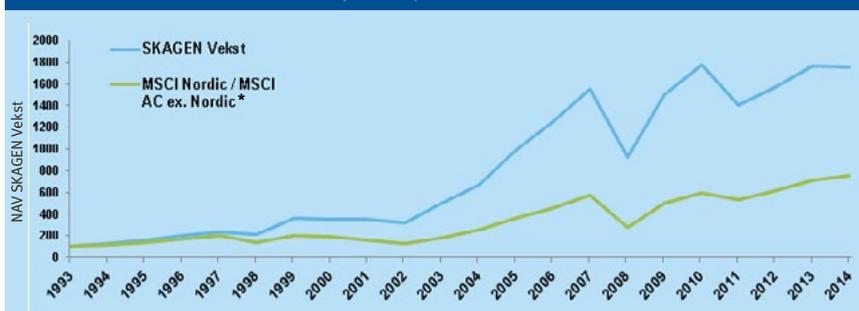
<b>Fund start date</b>	1 December 1993
<b>Return since start</b>	1,651.3 %
<b>Average annual return</b>	14.5 %
<b>AUM</b>	£740 million
<b>Number of unit holders</b>	73,282*

\*This number does not include clients through third party distributors

## ANNUAL RETURN (IN GBP)



## HISTORIC PRICE DEVELOPMENT (IN GBP)



\* Effective 1/1/2014, the fund's investment mandate changed from investing a minimum of 50% of its assets in Norway to investing a minimum of 50% of its assets in the Nordic countries. This means that returns prior to the change were achieved under different circumstances than they are today. The fund's benchmark index prior to 1/1/2014 was an evenly composed benchmark index consisting of the Oslo Stock Exchange Benchmark Index (OSEBX) and the MSCI All Country World. The benchmark index prior to 1/1/2010 was the Oslo Stock Exchange Benchmark Index (OSEBX).

## SKAGEN VEKST 2014 (MILL. NOK)\*\*

### 5 LARGEST POSITIVE CONTRIBUTORS

Royal Caribbean Cruises Ltd	406
Norsk Hydro ASA	226
Teva Pharmaceutical-Sp ADR	223
Norwegian Air Shuttle ASA	132
Samsung Electronics Co Ltd Pref	129

### 5 LARGEST DETRACTORS

Sberbank of Russia Pref	-129
DOF ASA	-97
Solstad Offshore ASA	-71
Ganger Rolf ASA	-59
Bonheur ASA	-58

### 5 LARGEST PURCHASES

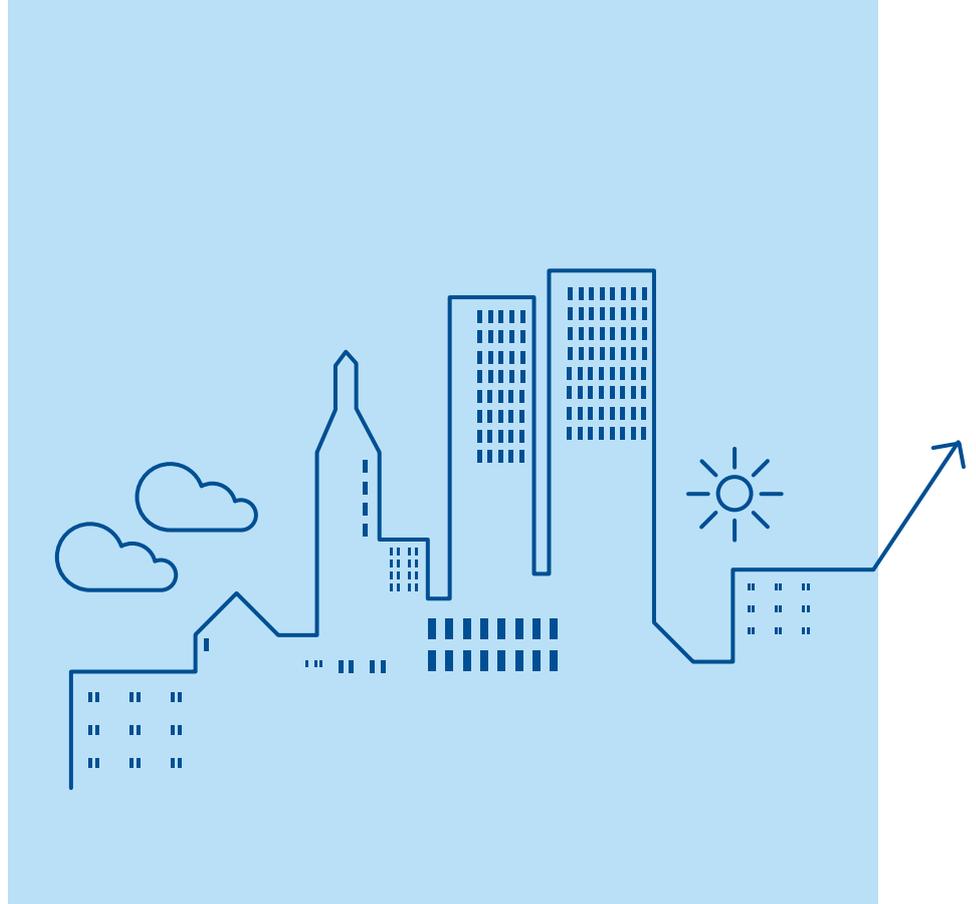
TeliaSonera AB	367
Citigroup Inc	318
Koninklijke Philips NV	305
Casino Guichard Perrachon SA	226
Volvo AB	210

### 5 LARGEST SALES

Royal Caribbean Cruises Ltd	-971
Statoil ASA	-360
Kongsberg Gruppen ASA	-255
Teva Pharmaceutical-Sp ADR	-243
Orange	-181

# SKAGEN m<sup>2</sup>

- › 2014 was marked by a decline in interest rates in industrialised countries and very strong growth in US real estate shares.
- › In Germany, real estate companies investing in apartments did well and Deutsche Wohnen contributed solidly to our returns.
- › A sharper focus on property as an independent investment category along with stock picking meant a good year for SKAGEN m<sup>2</sup>.



## Remarkably strong 2014

Investor appetite for shares with high, ongoing dividend yields as well as ever lower interest rates in the western world meant that 2014 was an excellent year for SKAGEN m<sup>2</sup>.

The fund gained 17.1 percent in GBP in 2014. Still, this was 3.6 percentage points below our benchmark index. There are many reasons for this. On the one hand, it would be only too easy to point to our strong underweight in the US. On the other hand, we benefited greatly from our underweight in Japan.



Portfolio Managers  
Michael Gobitschek and Harald Haukås

### WHAT CHARACTERISED 2014?

The year was marked by a decline in interest rates in industrialised countries and very strong growth in US real estate shares. The US real estate equity index returned 29 percent compared with 14 percent for the global property equity index measured in USD. Growth in the general real estate stock market therefore remained flat measured in what was a strong US dollar. Much of the US recovery in a global context owed to the rise in the dollar, while from a US perspective one might point to the weak growth in US real estate stocks in 2013 compared with the S&P 500 index, which is an index of the 500 largest US companies.

### DIFFERENCE BETWEEN 2013 AND 2014

In just a few weeks in early 2013, 10-year government bond yields rose by more than 1 percentage point. This led to a correction in US real estate shares in the autumn of 2013, which we exploited to increase the fund's US component from 15 to 30 percent. We were well paid for our assessment that the consensus view of US interest rate developments at the beginning of 2014 was wrong. The challenge for us who aim to deliver strong long term absolute returns was to not increase our exposure to the US further (the index weighting is in excess of 50 percent).



Photo: Shutterstock



Photo: Bloomberg

**More Soho.** We increased our exposure to Soho China Ltd., led by chief executive officer Zhang Xin. The company is transitioning from being a developer into increasingly an investment property owner in mainly office real estate in Beijing and Shanghai.

## E-COMMERCE MAKES INROADS INTO SHOPPING MALLS

In addition to the interest rates, there were also other surprising trends in 2014. With the strong focus on e-commerce and predictions of the demise of shopping malls, the pricing of this segment was not a disincentive at the beginning of the year. Predictions of retail chains fleeing shopping malls in favour of the internet were only one side of the coin. The other side showed a reverse migration, where pure online retailers are realising the necessity and opportunities inherent in having display windows and the logistical framework that shopping malls offer. Shopping mall owners that can provide these assets in the most central areas in major cities are therefore seeing greater demand for floor space. The fund's top contributor in absolute terms was General Growth Property, which contributed NOK 12 million to the fund. The company, which has shopping malls in the most central areas in the biggest cities in the US, has been able to renew expiring leases with higher rents at double-digit percentages. At the beginning of 2014, the company was priced at a cash flow multiple of 16. This is inexpensive for a high-quality company where the outlook is for increased value of the underlying properties on top of the cash flow.

## GOOD CONTRIBUTION FROM HOTELS AND APARTMENTS

The second largest contributors in both absolute and relative terms are also American – Apartment Investment Trust (AIMCO) and Ashford Hospitality Trust (AHT).

The supply of new apartments was not as great as expected – or feared – and this contributed to excellent value growth in the AIMCO apartment portfolio. A scratch in the rear-view mirror was that our high-risk investment in the home building Hovnanian had an anaemic year.

Ashford Hospitality Trust experienced strong growth as a result of continued expensive financing for the construction of new hotels and higher demand for hotel rooms.

It was not just in the US that real estate companies that invest in flats had a good year. This was very much the case also in Germany. Our investment in Deutsche Wohnen produced solid contributions to both the fund's absolute and relative returns.

Germany may now be facing a long recovery with respect to housing prices. The ratio of housing prices to regular wages – of one-to-two – is in line with Norway in the early 1990s. Moreover, the interest rate level now is much lower than it was then. Despite strong growth for companies that invest in apartments, we believe investors should not sell these too fast, even though the initial, and strongest, recovery is probably behind us.

### SKAGEN M2 KEY FIGURES FOR THE LARGEST HOLDINGS (AS OF 31 DEC 2014)

Company	Holding size	Price	P/NAV last	Div. Yield 2015e	EBITDA 2015e/EV
Brandywine Realty Trust	3.8%	15.98	100 %	3.8%	7.3%
General Growth Properties	3.8%	28.13	105 %	2.4%	4.8%
Global Logistic Properties	3.5%	2.48	99 %	2.1%	4.7%
Columbia Property Trust	3.4%	25.35	80 %	4.7%	6.4%
HCP	3.1%	44.03	126 %	5.3%	6.3%
Ashford Hospitality Trust	2.9%	10.48	90 %	4.7%	8.5%
PS Business Parks	2.9%	79.54	100 %	2.5%	6.6%
Apartment Investment	2.9%	37.15	100 %	2.8%	5.8%
Soho China	2.8%	5.48	58 %	5.8%	6.4%
Deutsche Wohnen	2.7%	19.58	137 %	2.9%	4.8%
<b>Weighted top 10</b>	<b>31.8%</b>		<b>0.99</b>	<b>3.7%</b>	<b>6.1%</b>
<b>Weighted top 35</b>	<b>76.5%</b>			<b>3.5%</b>	<b>6.5%</b>
<b>Benchmark index</b>				<b>3.2%</b>	

P/E may deviate from other sources as it is based on SKAGEN estimates



Photo: Bloomberg

Mitsui Fudosan Co.'s Muromachi Furukawa Mitsui Building (bottom left) and Muromachi Chibagin Mitsui Building (top right) are seen from the ground in central Tokyo in January. Mitsui is one of two investments made in Japan and is expected to be a long-term value creator.

In 2014, the Thai property developer, Ananda Development, struck back after a very weak 2013 – with an upsurge of 73 percent measured in local currency. The same was true for Indonesian property developers Bekasi Fajar and Summarecon Agung, which gained 64 percent and 95 percent, respectively, and were the best relative contributors in 2014. In other words, the investments we retained in Indonesia and Thailand produced solid contributions to absolute and relative returns in 2014.

There were few major absolute losers in 2014. Apart from the above-mentioned Hovnanian, another weak contributor was Frانشion Properties China. In a period when the Chinese property market struggled with stiff headwinds, the company carved out its hotel division. The price they obtained was a great deal below what we had anticipated. We sold our stake and increased our investment in Soho China, which develops and owns mainly office properties in Beijing and Shanghai. The company is currently transitioning from being a developer to becoming a property owner. Generally, we seek to hold property owners over property developers.

Even though the fund's absolute losers were few in number, there will always be some relative losers in a year when the index gains 30 percent. One of our major relative losers was Global Logistic Properties (GLP), which ironically was one of the anticipated beneficiaries of the e-commerce trend. GLP is listed on the Singapore real estate stock market, which was weak in 2014. Another factor that had a negative impact on the share price was that one of GLP's founders passed away. The company

is dominant in the logistics segment in Japan, China and Brazil. Over the year, the company also managed to gain a foothold in the US. We increased our position in the company in the autumn.

There is no doubt that real estate shares became more expensive in 2014. Analysts still believe that growth in the US economy will result in a rate hike in 2015. Once more, they may be wrong.

The theory that a decline in interest rates will bring about higher inflation, and vice versa, is a truth that it is increasingly difficult to prove empirically. Through ever-lower interest rate levels and quantitative easing, Japan has tried to raise inflation levels for several decades, unsuccessfully.

If they are really looking to spur inflation, perhaps they should try raising interest rate levels instead of lowering them. This, of course, is something that is completely contrary to established economic theory!

The Japanese government has now given itself a critical test in trying to raise inflation. Many fund managers fear such measures: they are afraid of being left on the sidelines because the measures may lead to major movements in real estate shares and other assets.

We have two investments in Japan: Nomura Real Estate Office Fund (NOF) and Mitsui Fudosan. These are based on the belief that the companies will produce good, long-term returns, irrespective of the political climate. NOF was our largest contributor in December and has developed significantly better than the Japanese real estate index since we bought into the holding.

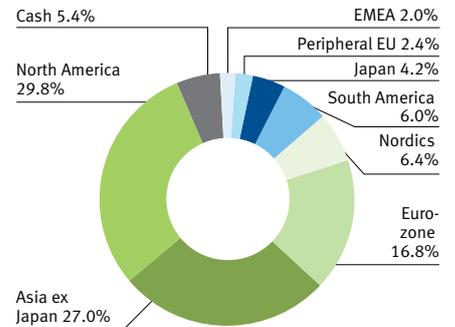


## REAL ESTATE AS A NEW SECTOR

There is no doubt that real estate has gone from being hated to being loved since the financial crisis. Real estate will become the eleventh sector in the MSCI index system as of 2016 having previously been a subsector under Finance.

For 50 years in the US, real estate shares as independent investment assets have turned out to be as lucrative as the general equity market. This expansion of the MSCI index will lead to a sharper focus on real estate shares and a greater emphasis on real estate as an independent investment alternative in the equity market. Along with SKAGEN's stock picking, this may result in yet another good year for SKAGEN m2.

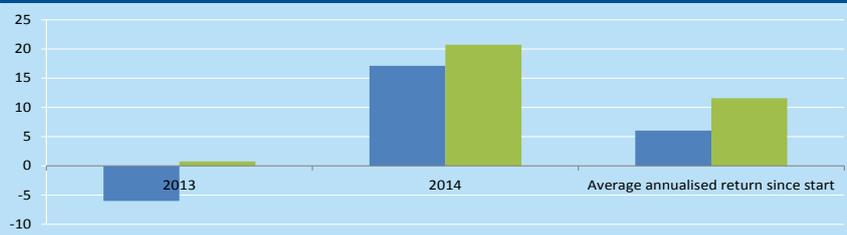
## GEOGRAPHICAL DISTRIBUTION (rounded figures)



<b>Fund start date</b>	31 October 2012
<b>Return since start</b>	13.6%
<b>Average annual return</b>	6.0%
<b>AUM</b>	£72 million
<b>Number of unit holders</b>	6,429*

\*This number does not include clients through third party distributors

## ANNUAL RETURN (IN GBP)



## HISTORIC PRICE DEVELOPMENT (IN GBP)



## SKAGEN M<sup>2</sup> 2014 (MILL. NOK)\*

### 5 LARGEST POSITIVE CONTRIBUTORS

General Growth Properties Inc	12
Apartment Investmet & Management Co	10
Ashford Hospitality Trust	10
Brandywine Realty Trust	9
Deutsche Wohnen AG	9

### 5 LARGEST DETRACTORS

Etalon Group Ltd GDR	-3
Franshion Properties China Ltd	-3
DLF Ltd	-1
BR Properties SA	-1
Yuexiu Property Co Ltd	-1

### 5 LARGEST PURCHASES

Columbia Property Trust Inc	25
General Growth Properties Inc	20
Melia Hotels International	16
Mitsui Fudosan Co Ltd	15
Dic Asset AG	15

### 5 LARGEST SALES

Capitamalls Asia Ltd	-18
Lippo Malls Indonesia Retail Trust	-14
Segro Plc	-11
Franshion Properties China Ltd	-10
Indiabulls Real Estate Ltd	-10

# SKAGEN Tellus

- › 2014 was a very good year for our unit holders
- › We shunned the yen and Japanese government bonds
- › Continue to believe in reduced interest rate spreads in the Eurozone

## Solid return

Our theory that safe long-term interest rates would not take off and that the interest rate spread in the Eurozone would diminish was substantiated. Hence 2014 was a very good year for unit holders in SKAGEN Tellus: the fund gained 6.7 percent, measured in GBP.

Our long-term record is also solid. We recommend that unit holders in the global bond fund SKAGEN Tellus have an investment horizon of three years. Over the past three years the fund has delivered an average annual return of 4.5 percent, 5.6 percentage points ahead of its benchmark index, which measures how well a passively managed government bond portfolio performs. Since the fund was launched in 2006, it has delivered an annual return of 7.9 percent. The fund's best investments last year were in the Eurozone's periphery, with the best contributions coming from Slovenia, Portugal and Italy. We also had positive contributions from several of our other investments, which are spread around the world from China to the US. In the US, we could have earned even more if we had chosen to hold bonds with long maturity. Nonetheless, the strengthening of the US dollar provided us with a nice currency gain.



Portfolio Managers  
Torgeir Høien and Jane Tvedt

Fund start date	29 September 2006
Return since start	86.8 %
Average annual return	7.9 %
AUM	£98 million
Number of unit holders	2,519*

\*This number does not include clients through third party distributors

### JAPAN – NO THANK YOU

The fund deviates most noticeably from the index in that we do not invest in Japanese bonds. In 2014 the yen exchange rate started and ended at approximately the same point relative to the GBP, so we missed out on a further drop in the long-term interest rates.

We are, however, comfortable staying away from Japan, which is in our view a ticking time bomb. The risk is that one day investors will wake up to the fact that Japanese authorities are not able to handle the mountain of debt they have built up. When that happens, the yen will plummet, interest rates will shoot up and inflation will take off. The situation will be similar to that in Russia following the fall in oil price. People realised that the Russian state was not capable of generating sufficient surplus for the foreseeable future to fulfil its contractual obligations at the prevailing

price level. We do not wish to be in Japan when that happens and are fully aware that it is impossible to time when the meltdown will occur.

We still believe there is much to be gained from the reduced interest rate spreads in the Eurozone. The signals from the European Central Bank (ECB) are now clear: There will be a large-scale purchase of government bonds with the aim of pushing up inflation and spreading the effects of low interest rates to all 19 countries that now make up the Eurozone.

While we doubt that such a large-scale purchase will have any noticeable impact on inflation, we do believe that the effect on interest rate spreads will be significant. As we stated in our fixed income comment, we do not expect to see a noticeable rise in the long-term German interest rates, and for this reason we expect the other interest rates to fall in absolute terms. Hence there is a good chance of capital gains.

### FOLLOW GREECE WITH ARGUS EYES

We follow the developments in Greece very carefully. We sold our Greek government bond in the autumn before the interest rates shot up after the government's presidential candidate failed to get elected. We do not

believe that the Greeks will pull out of the Eurozone, but there will be a turbulent period before the new government finishes negotiating with the ECB, the European Union and the International Monetary Fund (IMF). Thus, at some point in 2015 Greek bonds might become attractive again, as they have been previously.

# SKAGEN Credit GBP

- › Risk aversion in the fixed income market took a toll on several of our holdings.
- › Free-falling oil prices and unrest in the Ukraine and Russia also affected returns negatively.
- › Going into 2015, the composition of the portfolio looks all the more promising.



## Portfolio Managers

Ola Sjöstrand and Thomas Nordbø Middelthon

Fund start date	30 May 2014
Return since start	-2.8 %
Average annual return	N/A
AUM	£12 million
Number of unit holders	17*

\*This number does not include clients through third party distributors

SKAGEN Credit GBP is a currency-hedged feeder fund that invests its assets in the master fund SKAGEN Credit.

## Rocky start but bright prospects

In the fund's first seven months in existence, our diversified portfolio turned out to be less diversified than we had originally anticipated. Moreover, risk aversion in the fixed income market weighed heavily on several of our investments.

SKAGEN Credit was launched on 30 May 2014 and the fund's return after these first seven months is very unsatisfactory. Now that the year has come to an end, it is quite clear that the fund's starting point coincided with the year's lowest credit spreads. From that point on, there was a period of gradually rising credit spreads, which meant that the value of the investments diminished. The fund's investments provide a running yield, however, and during the first few months these correlated. As a result of this, returns during this period were more-or-less flat.

### Challenging times for Russia and Brazil

Oil prices fell sharply in the autumn and several energy exporting countries bore the brunt of this. The drop in prices affected, among other things, our bonds issued by the Brazilian oil company Petrobras and the oil services company Se'll look intoadri. The situation in the Ukraine and Russia showed no signs of improving, and Russia ended up in a situation where low oil prices and sanctions came together to form a perfect storm for the country's economy. This, in turn, triggered a decline in the rouble and uncertainty relating to the country's economy was further heightened. Our investment in Gazprom exemplifies the negative development.

In the late autumn, corporate bonds issued in or related to many emerging markets became highly unpopular. Investors sold lock, stock and barrel, regardless of credit quality.

In times of uncertainty, investors tend to prefer markets closer to home. In this case, a lot of US dollars and euros were moved out of emerging markets.

A combination of these factors resulted in negative returns for 2014. It was primarily our investments with exposure to Russia and Brazil that did poorly.

We have identified a number of probable triggers that will increase the value of the bonds in which the fund invests. These triggers will either be company-specific events or opportunities or, in certain cases, a relative price in need of a correction relative to competitors' bonds.

### 2015 more promising

Going into 2015, we have a portfolio where the risk-reward ratio looks noticeably more promising than seven months ago. The average spread on the fund's investments has gone from 250 to approx. 375 basis points at the turn of the year. These spreads and how they change are what will determine the fund's returns. All our holdings are currency hedged, hence returns do not fluctuate with currency movements. The fund also has a short interest rate duration (of around one year) and returns will therefore be only marginally affected by interest rate changes. The fund's investments, without any changes in credit spreads, indicate a return of 3.2%, around three percentage points more than the fund's benchmark index in 2015.



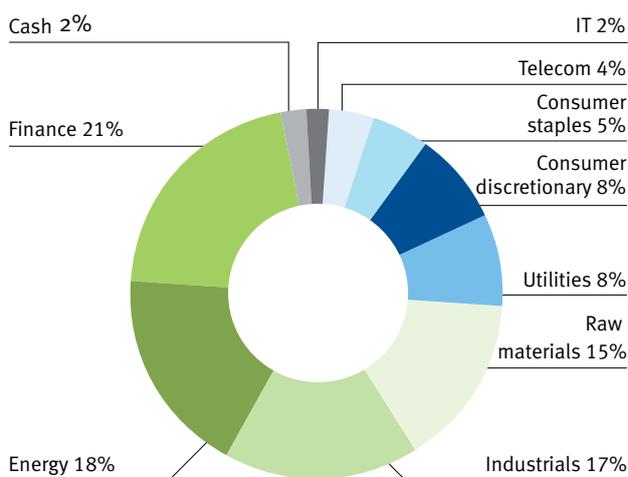
## PROFITABLE MERGER

One of the fund's largest investments is in Lafarge, the French construction materials manufacturer. Lafarge is a global leader in cement and has a stable, if somewhat unexciting, business. They have a ratings agency rating of BB+. What has prompted some excitement is that some time ago the company initiated a merger with Holcim, which is active in the same industry segment.

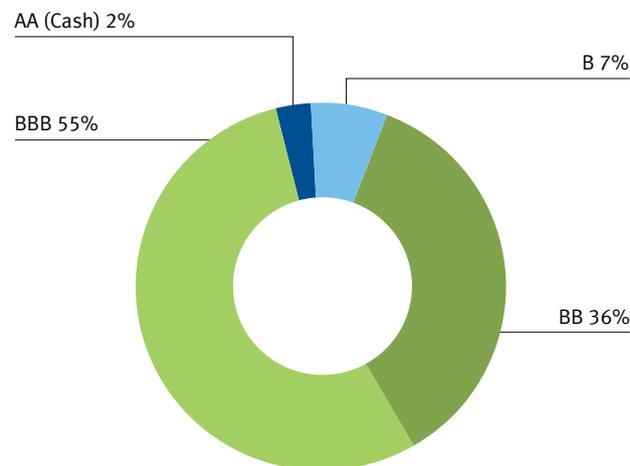
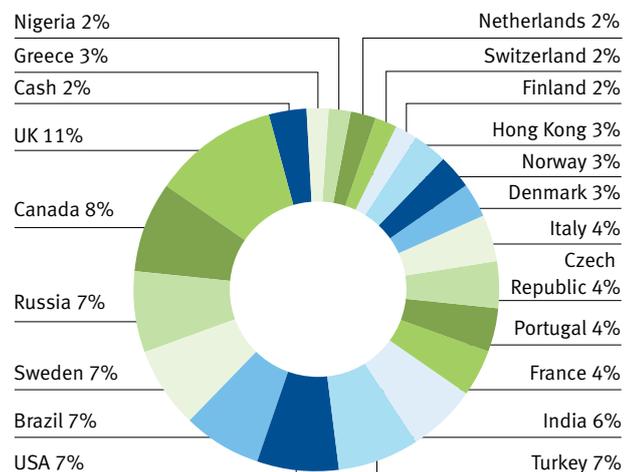
That was the particular trigger in this case: Holcim has a better credit rating – BBB – which is investment grade. Once the merger is complete, our bond holding will acquire Holcim's investment grade classification and be traded at significantly lower credit margins. Another example is the automaker Fiat, or more accurately Fiat-Chrysler since the group includes multiple car makes, of which Fiat and Chrysler are the most important. The company has a B/BB rating and is one of the world's biggest automobile manufacturers with excellent diversification both geographically and in terms of product lines.

Their bonds are traded substantially higher than those of competitors with the same credit quality, and they have set a target of achieving investment grade status, i.e. BBB, by 2017. The price of their bonds is currently far too low, and until others realise this our fund will benefit from a favourable interest rate that is disproportionate to the risk.

## SKAGEN CREDIT SECTOR AND RATING DISTRIBUTION\*



## COUNTRY RISK\*



\*Rounded figures

# Return and risk measurements

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

AS OF 31.12.2014	LAST YEAR (%)	LAST 2 YEARS (%)	LAST 3 YEARS (%)	LAST 5 YEARS (%)	LAST 7 YEARS (%)	LAST 10 YEARS (%)	SINCE START (%)
SKAGEN Vekst A	-1.0%	5.6%	7.8%	3.1%	1.7%	10.1%	14.5%
MSCI Nordic/MSCI AC ex. Nordic *	5.6%	10.6%	11.9%	8.3%	4.0%	11.3%	10.0%
SKAGEN Global A	-0.3%	8.5%	9.9%	7.8%	5.5%	11.3%	16.0%
MSCI World AC **	10.7%	15.5%	14.0%	9.9%	6.2%	7.7%	4.7%
SKAGEN Kon-Tiki A	-4.0%	1.7%	3.8%	3.3%	5.2%	13.9%	17.0%
MSCI Emerging Markets ***	3.9%	-0.3%	4.0%	2.5%	2.2%	10.7%	10.0%
SKAGEN m2 A	17.1%	4.9%					6.0%
MSCI All Country World Index Real Estate IMI	20.7%	10.3%					11.6%
SKAGEN Tellus A	6.7%	2.4%	4.5%	4.5%	7.4%		7.9%
J.P. Morgan GBI Broad Index Unhedged in EUR ****	6.9%	0.3%	-1.1%	2.0%	6.6%		6.4%
SKAGEN Credit GBP A							-2.8%
3 Month GBP LIBOR							0.3%

\* Effective 1/1/2014, the fund's investment mandate changed from investing a minimum of 50% of its assets in Norway to investing a minimum of 50% of its assets in the Nordic countries. This means that returns prior to the change were achieved under different circumstances than they are today. The fund's benchmark index prior to 1/1/2014 was an evenly composed benchmark index consisting of the Oslo Stock Exchange Benchmark Index (OSEBX) and the MSCI All Country World. The benchmark index prior to 1/1/2010 was the Oslo Stock Exchange Benchmark Index (OSEBX).

\*\* The benchmark index prior to 1/1/2004 was the MSCI World Index.

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

## Risk and performance measurements in GBP

AS OF 31.12.2014	SKAGEN GLOBAL	SKAGEN KON-TIKI	SKAGEN VEKST	SKAGEN TELLUS
<b>MEAN VARIANCE ANALYSIS LAST 5 YEARS</b>				
Standard Deviation NAV	14.2%	16.3%	16.9%	6.4%
Standard Deviation Benchmark	11.8%	15.5%	15.9%	6.4%
Sharpe Arithmetic	0.48	0.16	0.14	0.58
Sharpe Ratio Benchmark	0.75	0.11	0.46	0.21
Tracking Error	5.0%	4.8%	5.5%	5.8%
Information Ratio Arithmetic	-0.39	0.17	-0.90	0.41
Correlation	0.94	0.96	0.95	0.59
Alfa	-3.3%	0.8%	-5.0%	3.2%
Beta	1.14	1.01	1.01	0.59
R2	89%	91%	89%	34%
<b>GAIN LOSS ANALYSIS LAST 5 YEARS</b>				
Relative Gain	107%	106%	95%	119%
Relative Loss	126%	102%	121%	93%
Relative Gain Loss Ratio	0.85	1.03	0.79	1.29
Positive Index Divergence	6.0	6.8	5.5	8.9
Negative Index Divergence	8.0	6.0	10.5	6.5
Index Divergence Ratio	0.76	1.14	0.53	1.36
Percentage Positive Index Divergence	43%	53%	35%	58%
Percentage Positive Index Divergence Market Up	53%	57%	34%	37%
Percentage Positive Index Divergence Market Down	29%	49%	35%	75%
Consistence	47%	52%	40%	58%
Consistence Market is Up	56%	56%	38%	43%
Consistence Market is Down	33%	46%	43%	72%
<b>VALUE AT RISK 5 YEARS</b>				
Value at risk ex post NAV 5 years	-6.5%	-7.8%	-9.6%	-2.6%
Value at risk ex post Benchmark 5 years	-5.1%	-6.7%	-7.1%	-2.5%
Relative value at risk 5 years	-3.2%	-2.5%	-2.8%	-3.3%
<b>SINCE START</b>				
Relative Gain	153.1%	120.7%	95.2%	92.2%
Relative Loss	108.7%	101.4%	79.7%	88.1%
Relative Gain Loss Ratio	1.4	1.2	1.2	1.0
Positive Index Divergence	18.4	12.1	13.9	12.2
Negative Index Divergence	8.6	6.0	9.9	12.2
Index Divergence Ratio	2.2	2.0	1.4	1.0

## GOOD RESULTS ARE NO GUARANTEE FOR FUTURE RETURNS

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 management fees. The return may become negative as a result of negative price developments.

# 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



Jonas Edholm



Elisabeth A. Gausel



Cathrine Gehter



Knut Gezelius



Michael Gobitschek



Harald Haukås



Torgeir Høien



Hilde Jenssen



Erik Landgraff



Knut Harald Nilsson



Tomas Nordbø Middelthun



Chris-Tommy Simonsen



Ola Sjöstrand



Alexander Steensrud\*



Kristoffer Stensrud



Ole Sæberg



Jane Tvedt



Geir Tjettland



Filip Weintraub

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



## A year of socially beneficial projects

SKAGEN has a long tradition of involvement in socially beneficial projects both locally and globally. This was also true in 2014, when the focus has been on long-term and sustainable community investments.

*SKAGEN has donated around EUR 8 million to Medecins Sans Frontières, SOS Children's Villages and Kolibri – Children at Risk Foundation since 2006. The donations are financed by the earnings of the management company, SKAGEN AS, and not by investors in SKAGEN.*

*Text: Christian Sigersted Larsen, Communications- and marketing manager, Denmark*

Ever since the company was established, SKAGEN has had a strong set of values to help it operate. This applies as much to the company's investment philosophy as to the daily operations of its offices in Europe. Sustainability and a long-term mind-set permeate the entire company. This is also reflected in our involvement in a number of socially beneficial projects, all of which are carefully selected to match the values of the company.

“In a culture-driven organisation like ours, human capital is our most important asset. Sponsorship work is important to create commitment and a sense of community across countries, languages and cultures. Social responsibility is therefore very much a focus in our company. Our sponsorship and support of socially beneficial projects are closely related to the values that are observed daily in the organisation. They help to communicate who we are and what we stand for,” explains Lisen Dybdahl, global communications manager at SKAGEN.

Read more about SKAGEN's corporate responsibility at [www.skagenfunds.co.uk](http://www.skagenfunds.co.uk)



During 2014, staff, family and friends of SKAGEN knitted baby hats that they took to MSF's baby unit in Nairobi. Along with the hats that MSF brought with them from Oslo, there were enough for all the newborn babies born during the first three months of winter – around 700 in total.

Before the four SKAGEN colleagues set off for Kenya, the staff in SKAGEN collected enough money for a playground to be built near a hospital in Nairobi. The hospital staff had asked for a climbing frame for the playground where many children have a long wait before seeing a doctor.

## LONG-TERM COMMUNITY INVESTMENT

Over the past nine years, SKAGEN has had a particularly close cooperation with three aid organisations, namely MSF, SOS Children's Villages and Kolibri - Children at Risk Foundation. The three organisations share SKAGEN's values in many respects. Common to them all is that they think long-term and operate in areas that do not often get much attention.

"There are many parallels between the way we invest and our support of socially beneficial projects. We think globally and provide support for the crises that do not necessarily get as much attention in the rest of the world. Our responsibility is also reflected in the ethical guidelines that underlie our investments," says Trygve Meyer, portfolio communications manager.

## FIELD STUDY IN KENYA

In November last year, four employees from SKAGEN had the opportunity to see for themselves the difference that aid really makes when they travelled to Nairobi in Kenya with Medecins Sans Frontieres (MSF). Nairobi has almost 4 million inhabitants, half of whom live in slums under extremely difficult conditions. During an eventful week, the four colleagues discovered how Nairobi's most vulnerable citizens are being helped by MSF in the slums of Mathare and Kibera. In these neighbourhoods of unimaginable poverty, MSF make a huge difference, offering treatment for tuberculosis, obstetric care, vaccinations programs, HIV/AIDS projects and health education. The four employees visited the Kibera South Clinic, amongst others, a large and modern hospital construction, which offers free health services to the residents, who are not able to pay for medical services. In the long term, the plan requires the authorities to take over the running of the hospital.

The days spent in Nairobi's slum with MSF provided a valuable insight into the important work that the organisation performs for the people living there. The need is enormous, and every day MSF save and sustain the lives of people living in extreme poverty.

## COMMITMENT CATCHES

The trip gave rise to great feelings of commitment among employees, both those who participated on the trip and others. By sharing their experiences on social media, the employees also generated a great deal of interest among their network of friends and acquaintances. The message was therefore spread far beyond SKAGEN's offices. As MSF puts it; the more people who know, the fewer people who die.

## FUTURE SUPPORT

The collaboration with MSF, SOS Children's Villages and Kolibri - Children at Risk Foundation will continue into 2015. The focus will remain on projects aimed at children and young people both locally and globally, as well as within the fields of knowledge, research, education and humanitarian work. Towards 2016, SKAGEN will strengthen its cooperation with SOS Children's Villages. This is to be able to engage even more in specific sustainable projects with a long-term purpose.



## NOTICE OF ELECTORAL MEETING

We would like to invite unit holders in SKAGEN Funds to our electoral meeting which will be held at the Stavanger Concert Hall on 4 March 2015 at 6pm.

### Agenda for the electoral meeting:

1. Election of chairperson and two unit holders to sign the minutes
2. Board of directors' annual report
3. Auditor's report
4. Election of a board member to the board of directors of SKAGEN AS  
The election committee proposes that the current board member Martin Petersson be re-elected as unit holder-elected board member for a term up to 2017
5. Election to the nomination committee  
The board proposes that Terje Vareberg be elected for a term up to 2018
6. Questions sent in from unit holders

### Advance voting on My Page

Unit holders may cast advance votes via My Page (log in from [www.skagenfunds.com](http://www.skagenfunds.com)). Alternatively you may send in your votes by email to [legal@skagenfunds.com](mailto:legal@skagenfunds.com) or by post to SKAGEN, P.O. Box 160, 4001 Stavanger, Norway. Advance votes must reach SKAGEN by 27 February 2015 at the latest. Your units as of 27 February 2015 will constitute the basis for the calculation of the number of votes. If you have voted in advance, you do not need to register on arrival at the meeting.

Each unit is entitled to one vote at the unit holders meeting. Unit holders may vote by proxy. Approved proxy forms are available by contacting Customer Services on +47 51 25 38 58. Please remember to bring a proof of identity and, where relevant, a certificate of incorporation.

Unit holders are entitled to discuss questions which are submitted in writing to the board of directors of SKAGEN AS up to one week prior to the meeting. With the exception of the

elections, the election meeting may not make any resolutions that bind the funds or the asset management company.

### Funds discussion

After the formal part of the electoral meeting, Managing Director Leif Ola Rød will give an update on the latest news from SKAGEN after which Investment Director Ole Sjøberg will talk about the outlook going forward. There will then be a discussion about the funds with the portfolio managers and Investment Director. Unit holders may ask questions either via text messages or in person.

Best regards  
The Board of Directors of SKAGEN AS

Martin Gjelsvik  
Chairman of the Board of Directors

## OWNERSHIP STRUCTURE

### SKAGEN AS is owned by:

T.D Veen AS	25,69%
Solbakken AS	18,40%
MCM Westbø AS	9,84%
Harald Espedal AS	8,31%
Kristian Falnes AS	8,31%
Månebakken AS	7,29%
Westbø Finans AS	7,29%
Other	14,88%

## NUMBER OF UNITS OWNED BY BOARD MEMBERS

Name	Number of units	Function
Martin Gjelsvik	16 766	Chairman of the Board, elected by shareholders
Åge K. Westbø	986 350	Board member, elected by shareholders
Simen Vier Simensen	0	Board member, elected by shareholders
Anne Sophie K. Stensrud	197 950	Deputy member, elected by shareholders
Jesper Rangvid	224	Deputy member, elected by shareholders
Per Gustav Blom	41 701	Board member, elected by unit holders
Martin Petersson	3 530	Board member, elected by unit holders
Aina Haug	157	Deputy member, elected by unit holders

## THE ELECTION COMMITTEE

The election committee consists of Sigve Erland (Chair), Barbro Johansson and Per Olof Höglund. The election committee proposes candidates for unit holder representatives for the Board of Directors of SKAGEN AS.

# Great events – low returns

**2014 was dominated by dramatic events and market fluctuations. SKAGEN's equity funds felt the impact of political risk and the heightened appeal of US stocks.**

The dramatic exchange rate fluctuations during 2014 meant that SKAGEN's clients experienced this year's returns very differently, from strong positive returns measured in NOK to negative returns measured in GBP. Irrespective of the absolute returns, the equity funds have all underperformed their reference indexes. We are not satisfied with this result. The reason for the underperformance is a mixture of company-specific events and the funds' geographical exposure. US companies have in general been too expensive to make the cut in SKAGEN's value-based analyses. US companies constitute a large part of the reference indexes and when they perform well it pulls the index up – an upturn the funds have not benefited from. In addition, several of the funds' Russian investments suffered last year.

## Expectations for 2015

The geopolitical uncertainty is expected to continue going into 2015. We also start the year with a low oil price that reduces the cost level and contributes to better earnings in many companies. A continued low interest rate regime may lure more investors into the stock market and provide potential for revaluations. SKAGEN's ambition is to create outperformance for clients through thorough analysis and stock picking based on the investment philosophy.

## The management company SKAGEN AS charts a course for the future

SKAGEN's investment philosophy is long-term and value-based. The same applies to the strategy for SKAGEN's business. The organisation has been built

gradually since its inception in 1993, and in 2014 the first steps were taken towards an ownership transition. The Board's priority is to ensure the stable delivery of investment performance and service to our clients, while attracting and retaining the best talent over the long-term. This is in line with the founders' aim of securing equity within the firm, enabling effective decision-making, and ensuring SKAGEN's independence.

The number of employees has increased annually due to increased activity and in line with the goal of building a broad talent base. This strategy has succeeded. When Managing Director and CIO, Harald Espedal, and portfolio manager for SKAGEN Global, Kristian Falnes, leave SKAGEN after 13 and 17 years respectively, they hand over the reins to highly competent internal recruits.

The Board thanks Espedal for the results created under his leadership and welcomes Leif Ola Rød as SKAGEN's new Managing Director.

## Vote of confidence

Entrusting one's money to someone is an issue of trust and clients are naturally engaged in who manages the funds they are invested in. Both the Board and the company therefore expected some clients to redeem their investments following the change of portfolio manager.

SKAGEN has a diversified client base with both private and institutional investors in a range of countries. The different client types approach change in different ways; a change in portfolio manager can trigger a longer evaluation process in an institutional investor, while a private investor may react more

## SKAGEN FUNDS

Management company:	SKAGEN AS
Head Office:	Stavanger
Branches/offices:	Bergen, Ålesund, Trondheim, Tønsberg, Oslo, Stockholm, Gothenburg, Copenhagen, Amsterdam and London
Marketing permission:	Norway, Sweden, Denmark, Luxembourg, Finland, Iceland, UK, Netherlands, Switzerland, Belgium, Ireland and Germany.
Regulatory authority:	The Financial Supervisory Authority of Norway
Custodian:	Handelsbanken
Assets under management:	NOK 121 billion

immediately to news from SKAGEN and in the media. On the whole, the client diversification contributes to stability in assets under management, which in turn allows the portfolio managers to concentrate on creating long-term returns. So far the reactions and level of redemptions are not extraordinarily high and are in line with the Board's and SKAGEN's expectations. The redemptions have not created any challenges for the funds.

The Board wishes to thank all clients for the confidence they have shown through a turbulent year.

## Investment philosophy

The core of SKAGEN's business concept is



*Martin Petersson*  
Board member, elected by unit holders



*Anne Sophie K. Stensrud*  
Deputy member, elected by shareholders



*Jesper Rangvid*  
Deputy member, elected by shareholders



*Aina Haug*  
Deputy member, elected by unit holders

to deliver the best possible risk-adjusted returns, service and communication to its clients. Although active and value-based managers have experienced strong headwinds in 2014 this has not shaken our belief in the investment philosophy. SKAGEN is an active manager whose funds have broad, global mandates with a long investment horizon. The fund managers continuously search for low-priced investments where there are catalysts for repricing.

Within equities, the managers primarily look for unpopular and under-researched stocks. This is usually where undervalued companies can be found. Likewise, the bond funds build on their own analyses and seek to find under-priced bonds. Outperformance in the money market funds is generated through efficient fund management. SKAGEN maintains that this active approach creates the best results for clients over time.

**Good client experience**

As well as being lucrative, being invested in SKAGEN should be a positive experience. Hospitality is key and the company wishes to share its values in its dealings with clients.

SKAGEN offers investment advice to all clients in Norway, Sweden and Denmark irrespective of the invested amount. The opening hours for calls and chat in Norway have been extended and the company is looking forward to launching its new web site in 2015. The Norwegian savings and pension calculator is already in place, and it is gratifying to see that clients are actively seeking information on saving for their future. We hope this trend will continue as people realise how wide the gap is between their working income and what one is expected to live off in retirement.

Clients can also reach SKAGEN through external distributors. The

company’s strategy is to collaborate with distributors that share SKAGEN’s views about good client service. Outside Norway in particular, the external distribution network is essential to allow clients to access SKAGEN through their local infrastructure. 2014 is the first year that so-called clean unit classes have been operational and this is considered to be an efficient way of handling distribution.

SKAGEN Credit was established in 2014. The fund invests in bonds issued by companies from different sectors all over the world. The unit holders access the

fund through feeder funds denominated and hedged in their local currency.

**Contented employees**

Competent and credible employees are essential in gaining and keeping clients’ trust and ensuring SKAGEN’s success.

The cornerstone of SKAGEN’s work to attract and retain the best talent is the company’s culture and values. SKAGEN strives to be a cheerful workplace where employees are dedicated to the work they do. Both clients and employees shall experience SKAGEN as credible



**Muntre (Cheerful)**

We believe that cheerfulness is key to good cooperation and communication which in turn increases the chance of succeeding.



**Inkluderende (Inclusive)**

We must guard against thinking only of ourselves.



**Stolte (Dedicated)**

It is through helping clients achieve their goals that we achieve our own.



**Troverdige (Credible)**

We believe that credibility and trust must be earned over time.



**Annerledes (Contrarian)**

We are brave enough to act in a different way when it is in the best interests of clients and employees.



*Martin Gjelsvik*  
Chairman of the Board  
and owner



*Åge K. Westbø*  
Board member and owner



*Simen Vier Simensen*  
Board member, elected by  
shareholders



*Per Gustav Blom*  
Board member, elected by  
unit holders

and contrarian and feel included in the business. The values are used actively in the recruitment process and reinforced through SKAGEN's traditions and celebrations.

One of the tangible manifestations of the values is SKAGEN's variable salary model. The model is different from those commonly associated with the financial industry. Firstly, it encompasses all employees, not only portfolio managers and top management. Profit sharing creates a commonality of interests between employees and between employees and clients. By offering a variable salary, SKAGEN is also able to keep fixed salaries at a lower level. SKAGEN's earnings vary considerably from year to year depending on market developments and the funds' performance. Having a low cost base enables the company to retain key talent through turbulent times. This increases the employees' feeling of security

## Returns 2014

Fund	Return (NOK)
SKAGEN Avkastning	5,02 %
SKAGEN Balanse 60/40	9,85 %
SKAGEN Credit*	15,50 %
SKAGEN Credit NOK*	-1,75 %
SKAGEN Credit SEK*	-2,52 %
SKAGEN Credit EUR A*	-2,44 %
SKAGEN Credit EUR B*	-2,25 %
SKAGEN Credit GBP A*	-2,85 %
SKAGEN Credit GBP B*	-2,65 %
SKAGEN Global A	15,84 %
SKAGEN Global B**	15,61 %
SKAGEN Høyrente	2,28 %
SKAGEN Høyrente Institusjon	2,35 %
SKAGEN Kon-Tiki A	11,56 %
SKAGEN Kon-Tiki B**	11,84 %
SKAGEN Krona (SEK)	1,25 %
SKAGEN m2 A	36,13 %
SKAGEN m2 B*	36,16 %
SKAGEN Tellus A	24,01 %
SKAGEN Tellus B*	18,34 %
SKAGEN Vekst A	15,11 %
SKAGEN Vekst B**	15,27 %

\* Return since start 30.05.2014

\*\* Return since start 01.01.2014

and belonging. From the company's perspective it means being able to retain key personnel and be ready to act when conditions change. This also benefits clients.

Based on employee surveys, low turnover and a low level of sick leave of 3.0%, the Board concludes that SKAGEN has succeeded in creating a quality working environment.

## Competent employees

When one wants to attract the best in the business, a fun job is not enough. The work also needs to be challenging and provide opportunities for personal development. SKAGEN operates in a highly skilled area where the framework and regulations are in constant development, markets are changing and the business is becoming increasingly international. In this environment it is of utmost importance that employees' knowledge is kept up-to-date. In addition to qualifications in their field of specialty, SKAGEN encourages all employees to have a sound understanding of fund management and the different business areas.

Each department head, in collaboration with human resources, is responsible for mapping the employees' skills, creating a development plan and regularly checking with employees that the plan is being followed. In some areas there are also regulatory educational requirements.

At SKAGEN's annual strategy gathering all employees go through SKAGEN's strategy and goals for the coming year. Giving all employees ownership of the strategy promotes a big picture understanding of the business and the ability to see one's own function in a wider perspective. This overview encourages interest in other departments' functions and improves collaboration across the company.

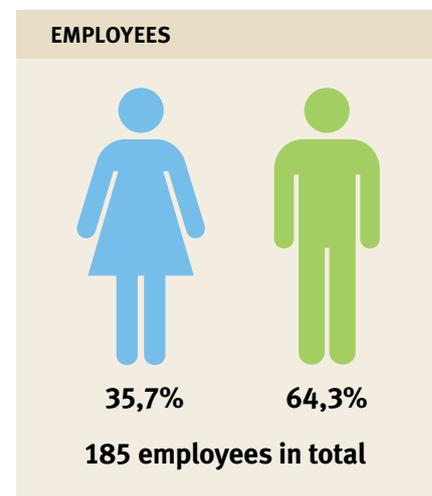
## Risk

To create returns one must take risk. Each of SKAGEN's funds has a risk profile that is approved by the Board and is followed up at each Board meeting through risk reports prepared by the company's independent risk and compliance function.

## Market risk

The funds' investments in equity and fixed income instruments vary due to sector- and company-specific circumstances, currency rate developments, interest rate levels and general economic cycles. This is termed market risk.

We expected increased volatility (market fluctuations) in 2014 owing to differing views on valuation metrics from low levels. However, 2014 started out with low volatility as many investors remained on the fence awaiting falling stock prices. At the same time there was correlation (equity prices moving in the same direction) due to large capital movements out of and partly back to Asian and developing markets. Furthermore the markets were exposed to political risk. In the second half of 2014, the tension between Russia and Ukraine increased the



## BOARD OF DIRECTORS' REPORT

risk premiums on Russian equities and all equities with direct or indirect exposure to Russia. Elections in Brazil, India and Indonesia also contributed to volatility.

Continued volatility from geopolitical unrest and capital movements between asset classes and regions is expected in 2015. The interest rate level in Europe and the US as well as expectation management will be important, while Abenomics in Japan may still have a significant influence on the Asian markets in 2015.

Market risk is reduced by diversifying investments across countries, sectors and financial instruments denominated in different currencies. SKAGEN Credit uses interest rate swaps to reduce the fund's interest rate risk. Both regulatory and internal guidelines have been complied with in 2014.

### Credit risk

The fixed income funds' investments are based on analyses of each issuer's creditworthiness and the economic, macro political and institutional circumstances of the country in which the bond is issued. A

close eye is kept on brokers' credit ratings and/or market credit premium to control counterparty risk in connection with settlement.

### Liquidity risk

All SKAGEN's funds are open for redemptions daily and the funds shall have liquidity to pay the redemption amount to clients within the time limits set out in the law. Liquidity risk is controlled by comparing the largest observed and expected redemptions over different time periods with a scenario in which the liquidity in the stock market is reduced considerably. Special attention is given to the ten least liquid and the ten largest stocks in each portfolio.

### Operational risk

Operational risk arises from SKAGEN AS' business activities. The company has developed internal guidelines to mitigate operational errors. SKAGEN works to create a robust risk culture in its business where the responsibility for risk evaluations and mitigating actions lies with the employees

that execute the relevant tasks. Compliance is controlled by the company's independent risk and compliance function through quarterly controls.

An internal control process is carried out twice a year, where all department heads evaluate operational risk in their specific area. The risks are aggregated at company level, evaluated by the compliance function, top management and the internal auditor and reported to the Board with suggestions for mitigating actions. Several internal control projects are carried out each year with the aim of improving operations and implementing targeted actions to reduce operational risk. The external auditor performs annual financial controls and issues an independent statement pursuant to the ISAE3402 standard.

The Board wishes to thank all employees for their significant efforts in a turbulent year. The Board confirms that the premise of the management company and funds as going concerns continues to be fulfilled.

### Proposal for the allocation of funds' income:

INCOME STATEMENT 2014 (ALL FIGURES IN NOK 1000)	SKAGEN VEKST 2014	SKAGEN GLOBAL 2014	SKAGEN KON-TIKI 2014	SKAGEN m** 2014	SKAGEN BALANSE 60/40 2014	SKAGEN TELLUS 2014	SKAGEN AVKASTNING 2014	SKAGEN KRONA (1000 SEK) 2014
INCOME STATEMENT	1 172 823	6 174 916	5 353 876	184 529	25 108	180 969	67 991	9 382
<b>Allocation of net income</b>								
Transfer to/from retained earnings	1 172 823	6 174 916	5 353 876	184 529	25 108	154 554	55 280	-4 435
Allocated for distribution to unit holders - ordinary unit class	-	-	-	-	-	-	12 711	-
Allocated for distribution to unit holders - unit class A	-	-	-	-	-	26 002	-	-
Allocated for distribution to unit holders - unit class B	-	-	-	-	-	413	-	-
Net distributed to unit holders during the year - ordinary unit class	-	-	-	-	-	-	-	13 817
<b>Total</b>	<b>1 172 823</b>	<b>6 174 916</b>	<b>5 353 876</b>	<b>184 529</b>	<b>25 108</b>	<b>180 969</b>	<b>67 991</b>	<b>9 382</b>

INCOME STATEMENT 2014 (ALL FIGURES IN NOK 1000)	SKAGEN HØYRENTE 2014	SKAGEN HØYRENTE INSTITUSJON 2014	SKAGEN CREDIT 30.05.2014 - 31.12.14	SKAGEN CREDIT NOK 30.05.2014 - 31.12.14	SKAGEN CREDIT SEK (1000 SEK) 30.05.2014 - 31.12.14	SKAGEN CREDIT EUR (1000 EUR) 30.05.2014 - 31.12.14	SKAGEN CREDIT GBP (1000 GBP) 30.05.2014 - 31.12.14
INCOME STATEMENT	76 214	24 904	22 306	-2 007	-767	-74,1	-13,7
<b>Allocation of net income</b>							
Transfer to/from retained earnings	-5 199	4 006	14 902	-2 007	-767	-74,1	-30,6
Allocated for distribution to unit holders - ordinary unit class	81 414	20 898	7 404	-	-	-	-
Allocated for distribution to unit holders - unit class A	-	-	-	-	-	-	8,4
Allocated for distribution to unit holders - unit class B	-	-	-	-	-	-	8,5
Net distributed to unit holders during the year - ordinary unit class	-	-	-	-	-	-	-
<b>Total</b>	<b>76 214</b>	<b>24 904</b>	<b>22 306</b>	<b>-2 007</b>	<b>-767</b>	<b>-74,1</b>	<b>-13,7</b>

Board of SKAGEN AS, Stavanger 29 January 2015



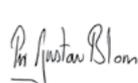
Martin Gjelsvik



Åge K. Westbø



Simen Vier Simensen



Per Gustav Blom



Martin Petersson



Anne S.K. Stensrud



Jesper Rangvid



Aina Haug

# Annual Financial Statement 2014

INCOME STATEMENT		SKAGEN Vekst		SKAGEN Global		SKAGEN Kon-Tiki		SKAGEN m <sup>2</sup>	
(all figures in 1,000 NOK)		2014	2013	2014	2013	2014	2013	2014	2013
	Notes								
<b>Portfolio revenue and costs</b>									
Interest income and costs		3412	678	4688	7066	-11631	7947	939	-29
Dividends		178 274	185 561	1 046 550	1 002 452	1 009 933	974 735	19 261	20 490
Realised capital gain/loss		1 591 972	45 664	4 466 021	2 100 568	3 530 101	560 193	-18 383	12 861
Change unrealised gain/loss	7	-514 656	1 632 804	658 868	8 353 608	1 090 280	8 451 539	194 870	-47 481
Guarantee commission		-	195	1 101	370	-	536	-	-
Brokers' fees		-7 576	-5 438	-52 862	-33 751	-47 563	-54 579	-1 020	-2 167
Currency gain/loss		88 509	23 759	682 795	159 551	426 444	68 446	2826	1 318
<b>PORTFOLIO RESULT</b>		<b>1 339 935</b>	<b>1 883 224</b>	<b>6 807 161</b>	<b>11 589 864</b>	<b>5 997 562</b>	<b>10 008 817</b>	<b>198 493</b>	<b>-15 008</b>
<b>Management revenue and costs</b>									
Commission from sale and redemption of units		-	-	-	-1	-	-	-	-
Management fee - fixed	8	-84 323	-74 800	-450 245	-412 391	-1 008 148	-955 657	-8 442	-8 307
Management fee - variable	8	-76 246	-136 194	-	-	-633 770	-633 789	2 193	4 126
<b>ASSET MANAGEMENT RESULT</b>		<b>-160 570</b>	<b>-210 994</b>	<b>-450 245</b>	<b>-412 392</b>	<b>-544 378</b>	<b>-1 589 447</b>	<b>-6 249</b>	<b>-4 181</b>
<b>RESULT BEFORE TAX</b>		<b>1 179 366</b>	<b>1 672 229</b>	<b>6 356 916</b>	<b>11 177 472</b>	<b>5 453 184</b>	<b>8 419 371</b>	<b>192 244</b>	<b>-19 189</b>
Tax cost	10	-6 543	-12 173	-182 000	-121 683	-99 307	-91 468	-7 715	-1 210
<b>NET INCOME</b>		<b>1 172 823</b>	<b>1 660 057</b>	<b>6 174 916</b>	<b>11 055 789</b>	<b>5 353 876</b>	<b>8 327 903</b>	<b>184 529</b>	<b>-20 399</b>
<b>Allocation of net income</b>									
Transfer to/from retained earnings	9	1 172 823	1 660 057	6 174 916	11 055 789	5 353 876	8 327 903	184 529	-20 399
Allocated for distribution to unit holders - ordinary unit class	9	-	-	-	-	-	-	-	-
Allocated for distribution to unit holders - unit class A	9	-	-	-	-	-	-	-	-
Allocated for distribution to unit holders - unit class B	9	-	-	-	-	-	-	-	-
Net distributed to unit holders during the year - ordinary unit class	9	-	-	-	-	-	-	-	-
<b>TOTAL</b>		<b>1 172 823</b>	<b>1 660 057</b>	<b>6 174 916</b>	<b>11 055 789</b>	<b>5 353 876</b>	<b>8 327 903</b>	<b>184 529</b>	<b>-20 399</b>
<b>BALANCE SHEET</b>									
		31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>Assets</b>									
Norwegian securities at cost price	3,7	1 777 193	2 558 016	652 468	1 479 170	1 397 187	1 307 106	25 535	11 330
Foreign securities at cost price	3,7	5 025 309	3 283 566	26 716 927	32 526 759	35 107 835	34 803 657	609 305	520 320
Unrealised capital gain/loss	7	1 514 202	2 028 704	11 416 598	10 756 595	14 191 065	13 100 771	150 971	-43 897
Accrued interest securities	7	-	-	216	-	-	-	108	88
<b>TOTAL SECURITIES PORTFOLIO</b>		<b>8 316 704</b>	<b>7 870 285</b>	<b>38 786 209</b>	<b>44 762 524</b>	<b>50 696 087</b>	<b>49 211 534</b>	<b>785 918</b>	<b>487 841</b>
Dividend receivable		18 510	17 589	81 277	108 153	183 062	166 010	1 754	499
Accrued interest bank		-	-	-	-	-	-	-	-
<b>TOTAL ACCRUED INCOME</b>		<b>18 510</b>	<b>17 589</b>	<b>81 277</b>	<b>108 153</b>	<b>183 062</b>	<b>166 010</b>	<b>1 754</b>	<b>499</b>
Deferred tax asset	10	-	-	-	-	-	-	-	1 865
Accounts receivable - brokers		16 446	-	45 555	86 544	53 598	166 170	-	2 654
Accounts receivable - management company		4	4	17	18	211 632	26	4	1 954
Tax receivable on dividends		2 280	6 441	38 213	43 429	4 530	5 248	653	848
Other receivables		-	-	-	-	-	-	294	202
<b>TOTAL OTHER RECEIVABLES</b>		<b>18 730</b>	<b>6 445</b>	<b>83 785</b>	<b>129 991</b>	<b>269 761</b>	<b>171 445</b>	<b>951</b>	<b>7 522</b>
Bank deposits	11	386 083	306 670	659 001	1 841 208	613 624	1 478 438	77 592	13 569
<b>TOTAL ASSETS</b>		<b>8 740 027</b>	<b>8 200 989</b>	<b>39 610 272</b>	<b>46 841 877</b>	<b>51 762 534</b>	<b>51 027 427</b>	<b>866 216</b>	<b>509 430</b>
<b>Equity Capital</b>									
Unit capital at parvalue	9	467 604	500 868	3 103 280	4 262 254	7 458 488	8 056 199	580 240	478 320
Premium	9	-2 872 259	-2 330 671	6 161 410	18 482 830	17 067 125	20 158 787	89 640	45 874
<b>TOTAL PAID-IN EQUITY CAPITAL</b>		<b>-2 404 655</b>	<b>-1 829 803</b>	<b>9 264 689</b>	<b>22 745 084</b>	<b>24 525 613</b>	<b>28 214 987</b>	<b>669 879</b>	<b>524 194</b>
Retained earnings	9	11 044 233	9 871 410	30 113 170	23 938 254	27 200 418	21 846 541	167 246	-17 283
Allocated to unit holders for reinvestment in new units	9	-	-	-	-	-	-	-	-
<b>TOTAL EQUITY CAPITAL</b>		<b>8 639 578</b>	<b>8 041 607</b>	<b>39 377 859</b>	<b>46 683 338</b>	<b>51 726 031</b>	<b>50 061 528</b>	<b>837 125</b>	<b>506 911</b>
<b>Debt</b>									
Deferred tax	10	-	-	1 134	-	-	-	1 840	-
Accounts payable - brokers		-	-	9 786	3 688	4 462	5 3916	23 968	71
Accounts payable - management company		97 242	156 162	107 551	114 983	-	882 652	400	-
Other debt	10	3 208	3 220	113 941	39 868	32 041	29 331	2 882	2 448
<b>TOTAL OTHER DEBT</b>		<b>100 450</b>	<b>159 382</b>	<b>232 412</b>	<b>158 539</b>	<b>36 503</b>	<b>965 899</b>	<b>29 091</b>	<b>2 519</b>
<b>TOTAL DEBT AND EQUITY CAPITAL</b>		<b>8 740 027</b>	<b>8 200 989</b>	<b>39 610 272</b>	<b>46 841 877</b>	<b>51 762 534</b>	<b>51 027 427</b>	<b>866 216</b>	<b>509 430</b>

Stavanger 29 January 2015  
Board of SKAGEN AS



Martin Gjelsvik



Åge K. Westbø



Simen Vier Simensen



Per Gustav Blom



Martin Pettersson



Anne S.K. Stensrud



Jesper Rangvid



Aina Haug

INCOME STATEMENT		SKAGEN Balanse60/40		SKAGEN Tellus		SKAGEN Avkastning		SKAGEN Krona*	
(all figures in 1,000 NOK)		2014	2013	2014	2013	2014	2013	2014	2013
Notes									
<b>Portfolio revenue and costs</b>									
Interest income and costs		1998	1216	27338	14910	47175	37181	12951	21672
Dividends		-	-	-	-	-	-	-	-
Realised capital gain/loss		11042	2664	-2335	47765	-3662	18656	-	-
Change unrealised gain/loss	7	12848	14318	161416	-20438	61478	-7989	-2075	246
Guarantee commission		-	-	-	-	-	-	-	-
Brokers' fees		-	-	-34	-26	-17	-10	-14	-33
Currency gain/loss		-	-	751	4587	-29535	-10696	-	-
<b>PORTFOLIO RESULT</b>		<b>25 888</b>	<b>18 198</b>	<b>187 137</b>	<b>46 798</b>	<b>75 439</b>	<b>37 141</b>	<b>10 861</b>	<b>21 885</b>
<b>Management revenue and costs</b>									
Commission from sale and redemption of units		-	-	-	-	-	-	-	-
Management fee - fixed	8	-	-	-5717	-4033	-7447	-6138	-1479	-1757
Management fee - variable	8	-	-	-	-	-	-	-	-
<b>ASSET MANAGEMENT RESULT</b>		<b>-</b>	<b>-</b>	<b>-5 717</b>	<b>-4 033</b>	<b>-7 447</b>	<b>-6 138</b>	<b>-1 479</b>	<b>-1 757</b>
<b>RESULT BEFORE TAX</b>		<b>25 888</b>	<b>18 198</b>	<b>181 420</b>	<b>42 765</b>	<b>67 991</b>	<b>31 003</b>	<b>9 382</b>	<b>20 129</b>
Tax cost	10	-780	-314	-450	-	-	-	-	-
<b>NET INCOME</b>		<b>25 108</b>	<b>17 884</b>	<b>180 969</b>	<b>42 765</b>	<b>67 991</b>	<b>31 003</b>	<b>9 382</b>	<b>20 129</b>
<b>Allocation of net income</b>									
Transfer to/from retained earnings	9	25 108	17 884	154 554	-11 769	55 280	-6 176	-4 435	945
Allocated for distribution to unit holders - ordinary unit class	9	-	-	-	-	12 711	37 179	-	-
Allocated for distribution to unit holders - unit class A	9	-	-	26 002	54 535	-	-	-	-
Allocated for distribution to unit holders - unit class B	9	-	-	413	-	-	-	-	-
Net distributed to unit holders during the year - ordinary unit class	9	-	-	-	-	-	-	13 817	19 184
<b>TOTAL</b>		<b>25 108</b>	<b>17 884</b>	<b>180 969</b>	<b>42 765</b>	<b>67 991</b>	<b>31 003</b>	<b>9 382</b>	<b>20 129</b>
<b>BALANCE SHEET</b>									
		31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>Assets</b>									
Norwegian securities at cost price	3,7	269 501	175 097	-	34 253	969 570	789 381	-	-
Foreign securities at cost price	3,7	-	-	938 585	458 920	265 604	139 365	620 961	837 349
Unrealised capital gain/loss	7	28 095	15 247	155 696	-5 720	66 657	5 179	-271	1 804
Accrued interest securities	7	-	-	18 674	8 146	11 084	5 383	1 204	2 653
<b>TOTAL SECURITIES PORTFOLIO</b>		<b>297 596</b>	<b>190 344</b>	<b>1 112 954</b>	<b>495 599</b>	<b>1 312 915</b>	<b>939 308</b>	<b>621 895</b>	<b>841 806</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>
Deferred tax asset	10	-	18	-	-	-	-	-	-
Accounts receivable - brokers		-	-	-	-	-	-	-	-
Accounts receivable - management company		-	-	4	5	2	2	-	2
Tax receivable on dividends		-	-	-	955	-	-	-	-
Other receivables		-	-	-	-	-	-	-	-
<b>TOTAL OTHER RECEIVABLES</b>		<b>-</b>	<b>18</b>	<b>4</b>	<b>960</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>2</b>
Bank deposits	11	3 555	2 561	34 871	11 094	434 828	260 080	12 916	23 075
<b>TOTAL ASSETS</b>		<b>301 151</b>	<b>192 923</b>	<b>1 147 830</b>	<b>507 653</b>	<b>1 747 745</b>	<b>1 199 390</b>	<b>634 811</b>	<b>864 882</b>
<b>Equity Capital</b>									
Unit capital at par value	9	230 571	162 382	851 683	416 855	1 219 380	852 668	633 263	848 159
Premium	9	25 488	10 993	115 624	45 046	444 577	302 771	4 554	6 382
<b>TOTAL PAID-IN EQUITY CAPITAL</b>		<b>256 059</b>	<b>173 375</b>	<b>967 307</b>	<b>461 900</b>	<b>1 663 956</b>	<b>1 155 438</b>	<b>637 817</b>	<b>854 541</b>
Retained earnings	9	44 275	19 167	150 850	-10 184	66 713	5 594	-4 339	1 918
Allocated to unitholders for reinvestment in new units	9	-	-	26 355	54 494	12 103	36 578	-	-
<b>TOTAL EQUITY CAPITAL</b>		<b>300 334</b>	<b>192 542</b>	<b>1 144 512</b>	<b>506 210</b>	<b>1 742 772</b>	<b>1 197 611</b>	<b>633 478</b>	<b>856 459</b>
<b>Debt</b>									
Deferred tax	10	202	-	-	-	-	-	-	-
Accounts payable - brokers		-	-	-	-	-	-	-	-
Accounts payable - management company		-	-	1 983	1 036	2 155	1 566	349	473
Other debt	10	615	381	1 334	407	2 818	214	984	7 951
<b>TOTAL OTHER DEBT</b>		<b>817</b>	<b>381</b>	<b>3 317</b>	<b>1 443</b>	<b>4 973</b>	<b>1 780</b>	<b>1 333</b>	<b>8 424</b>
<b>TOTAL DEBT AND EQUITY CAPITAL</b>		<b>301 151</b>	<b>192 923</b>	<b>1 147 830</b>	<b>507 653</b>	<b>1 747 745</b>	<b>1 199 390</b>	<b>634 811</b>	<b>864 882</b>

\* In 1,000 SEK

Stavanger 29 January 2015  
Board of SKAGEN AS

  
Martin Gjelsvik

  
Åge K. Westbø

  
Simen Vier Simensen

  
Per Gustav Blom

  
Martin Petersson

  
Anne S.K. Stensrud

  
Jesper Rangvid

  
Aina Haug

# FINANCIAL STATEMENT

INCOME STATEMENT		SKAGEN Høyrente		SKAGEN Høyrente Institusjon		SKAGEN Credit	SKAGEN Credit NOK	SKAGEN Credit SEK*	SKAGEN Credit EUR**	SKAGEN Credit GBP***
(all figures in 1,000 NOK)		2014	2013	2014	2013	30.05.2014-31.12.2014	30.05.2014-31.12.2014	30.05.2014-31.12.2014	30.05.2014-31.12.2014	30.05.2014-31.12.2014
Notes	Notes									
<b>Portfolio revenue and costs</b>										
		91795	102957	27689	32259	4956	5997	1286	141,1	23,7
		-	-	-	-	-	-	-	-	-
		139	-2226	711	199	2441	3144	157	-3,3	-0,6
	7	-7228	-743	-1900	-1852	13752	6065	415	-35,4	-28,1
		-	-	-	-	-	-	-	-	-
		-3	-5	-3	-3	-26	-11	-12	-0,6	-0,1
		-	-	-	-	1184	-16709	-2498	-163,8	-6,8
		<b>84 703</b>	<b>99 984</b>	<b>26 498</b>	<b>30 603</b>	<b>22 306</b>	<b>-1 515</b>	<b>-652</b>	<b>-62,0</b>	<b>-11,9</b>
<b>Management revenue and costs</b>										
		-	-	-	-	-	-	-	-	-
	8	-8489	-9036	-1594	-1783	-	-493	-115	-12,1	-1,8
	8	-	-	-	-	-	-	-	-	-
		<b>-8489</b>	<b>-9036</b>	<b>-1 594</b>	<b>-1 783</b>	<b>-</b>	<b>-493</b>	<b>-115</b>	<b>-12,1</b>	<b>-1,8</b>
		<b>76 214</b>	<b>90 947</b>	<b>24 904</b>	<b>28 820</b>	<b>22 306</b>	<b>-2 007</b>	<b>-767</b>	<b>-74,1</b>	<b>-13,7</b>
	10	-	-	-	-	-	-	-	-	-
		<b>76 214</b>	<b>90 947</b>	<b>24 904</b>	<b>28 820</b>	<b>22 306</b>	<b>-2 007</b>	<b>-767</b>	<b>-74,1</b>	<b>-13,7</b>
<b>Allocation of net income</b>										
	9	-5199	4777	4006	-3454	14902	-2007	-767	-74,1	-30,6
	9	81414	86170	20898	32273	7404	-	-	-	-
	9	-	-	-	-	-	-	-	-	8,4
	9	-	-	-	-	-	-	-	-	8,5
	9	-	-	-	-	-	-	-	-	-
		<b>76 214</b>	<b>90 947</b>	<b>24 904</b>	<b>28 820</b>	<b>22 306</b>	<b>-2 007</b>	<b>-767</b>	<b>-74,1</b>	<b>-13,7</b>
<b>BALANCE SHEET</b>										
		31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
<b>Assets</b>										
	3,7	2362404	2378339	354978	714565	5089	83030	26634	3049,1	505,9
	3,7	-	-	-	-	121506	-	-	-	-
	7	2680	9908	-272	1628	13752	6065	415	-35,4	-28,1
	7	8198	7011	1138	2335	2676	-	-	-	-
		<b>2 373 282</b>	<b>2 395 258</b>	<b>355 845</b>	<b>718 528</b>	<b>143 022</b>	<b>89 094</b>	<b>27 050</b>	<b>3 013,7</b>	<b>477,9</b>
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
	10	-	-	-	-	-	-	-	-	-
		-	-	66953	-	-	191	-	-	-
		-	7	-	5	-	-	-	0,1	-
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
		-	7	66953	5	-	191	-	0,1	-
	11	966763	1044806	409271	547768	4676	314	196	15,9	8,5
		<b>3 340 045</b>	<b>3 440 071</b>	<b>832 069</b>	<b>1 266 301</b>	<b>147 698</b>	<b>89 600</b>	<b>27 245</b>	<b>3 029,6</b>	<b>486,3</b>
<b>Equity Capital</b>										
	9	3224938	3309524	813619	1235057	127866	90978	27479	3098,4	499,3
	9	28445	29180	-2247	-2995	-1553	417	59	-1,5	-
		<b>3 253 382</b>	<b>3 338 705</b>	<b>811 373</b>	<b>1 232 062</b>	<b>126 313</b>	<b>91 395</b>	<b>27 537</b>	<b>3 097,0</b>	<b>499,3</b>
	9	2701	10025	-768	1260	13980	-2002	-750	-73,0	-30,6
	9	81213	85983	21136	32512	7404	-	-	-	16,9
		<b>3 337 296</b>	<b>3 434 713</b>	<b>831 742</b>	<b>1 265 834</b>	<b>147 698</b>	<b>89 393</b>	<b>26 788</b>	<b>3 023,9</b>	<b>485,5</b>
<b>Debt</b>										
	10	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	401	-	-
		2163	2227	327	467	-	206	57	5,6	0,8
	10	586	3130	-	-	-	-	-	-	-
		<b>2 749</b>	<b>5 358</b>	<b>327</b>	<b>467</b>	<b>-</b>	<b>206</b>	<b>458</b>	<b>5,6</b>	<b>0,8</b>
		<b>3 340 045</b>	<b>3 440 071</b>	<b>832 069</b>	<b>1 266 301</b>	<b>147 698</b>	<b>89 600</b>	<b>27 245</b>	<b>3 029,6</b>	<b>486,3</b>

\* In 1,000 SEK  
 \*\* In 1,000 EUR  
 \*\*\* In 1,000 GBP

Stavanger 29 January 2015  
 Board of SKAGEN AS

  
 Martin Gjelsvik

  
 Åge K. Westbø

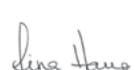
  
 Simen Vier Simensen

  
 Per Gustav Blom

  
 Martin Pettersson

  
 Anne S.K. Stensrud

  
 Jesper Rangvid

  
 Aina Haug

# General notes 2014

## NOTE 1: ACCOUNTING PRINCIPLES

All figures in NOK 1,000 unless otherwise stated.

The accounts for 2014 are prepared in accordance with the Norwegian accounting law and regulation for annual financial statements for securities funds.

### Financial instruments:

All financial instruments, such as shares, bonds, certificates and interest rate swaps, are valued at fair value (market value).

### Determination of fair value:

Securities are valued at market prices as of 31.12.2014.

Bonds and certificates, for which there are no "marketmaker" prices, are at all times valued against the applicable credit spreads and yield curve.

Unlisted equities are valued according to the latest trading price, value adjustments made by brokers and/or internal valuations.

### Currency exchange rates:

Securities and bank deposit/overdraft in foreign currency are valued at the prevailing exchange rate at the time of pricing 31.12.2014.

### Treatment of transaction costs:

Transaction costs in the form of commission to brokers is charged to expenses at the time of the transaction.

### Allocated to unitholders for reinvestment:

Net taxable income in the fixed income funds, comprised of interest income, realised capital gain/loss and other income with deduction of management fee and transaction-related custodian costs, is distributed to the unit holders as the issue of new units as of 31.12.2014. For SKAGEN Krona the distribution to the unit holders as the issue of new units is done as of 17.12.2014.

All distribution to unit holders in fixed income funds are treated as allocations of profit in accordance with the regulation for annual financial statements for securities funds. Distribution from fixed income funds are accounted for by entering reinvestments as new units in the fund in the financial year.

## NOTE 2: FINANCIAL DERIVATIVES

SKAGEN Credit holds interest rate derivatives. A more detailed description is given in the SKAGEN Credit notes. The other funds have not held financial derivatives during the year.

## NOTE 3: FINANCIAL MARKET RISK

Through investment in Norwegian and foreign businesses, the equity funds are exposed to share price, currency exchange and liquidity risks. The fixed income funds are exposed to interest and credit risks and liquidity risks. Furthermore, the fixed income funds are exposed to currency risks in those cases where the funds invest in currencies other than the fund's functional currency.

### Overview of funds which have functional currency other than NOK:

	Functional currency
SKAGEN Krona	SEK
SKAGEN Credit SEK	SEK
SKAGEN Credit GBP	GBP
SKAGEN Credit EUR	EUR

In addition to laws, regulations and articles of association regulating the risks in the funds, the funds are managed with a conscious focus on company-specific risks related to the companies constituting the funds' portfolios.

## NOTE 4: CUSTODIAN COST

The funds are only charged transaction-related custodian costs.

## NOTE 5: TURNOVER RATE

The turnover rate is a measure related to the average duration of the investments in the fund.

The turnover rate is calculated as whichever is the smaller amount of either purchases and sales of securities in the portfolio during the year, divided by average assets under management during the year. The formula is an approach for calculating the funds' turnover rate.

### The funds' turnover rate for the year 2014 was:

SKAGEN Vekst	39 %
SKAGEN Global	22 %
SKAGEN Kon Tiki	20 %
SKAGEN m <sup>2</sup>	39 %
SKAGEN Balanse 60/40	26 %
SKAGEN Avkastning	10 %
SKAGEN Høyrente	40 %
SKAGEN Høyrente Institusjon	40 %
SKAGEN Tellus	135 %
SKAGEN Krona	135 %
SKAGEN Credit	13 %

### For the feederfunds:

SKAGEN Credit NOK  
SKAGEN Credit SEK  
SKAGEN Credit EUR  
SKAGEN Credit GBP

For all feederfunds it is the turnover rate in the masterfund SKAGEN Credit which applies.

## NOTE 6: SUBSCRIPTION FEE

There are no subscription or redemption fees for any of the funds.

## NOTE 7: REFER TO PAGES 49 – 63

## SKAGEN Vekst Note 8, 9, 10 & 11

## NOTE 8. MANAGEMENT FEE

The fixed management fee constitutes 1 percent p.a. of daily assets under management in unit class A and 0.8 percent p.a. in unit class B. In addition, both unit classes are charged a variable management fee of 1/10 of the return above 6 percent p.a. measured in Norwegian kroner. Effective 1 January 2014, the variable management fee is charged solely if the unit value on 31.12 is more than the unit value the last time the fund was charged a variable management fee (high water mark).

Management fee allocated to the respective unit classes:

	2014		Total
	Unit Class A	Unit Class B	
Management fee - fixed	84 288	36	84 323
Management fee - variable	76 196	50	76 246
<b>Total management fee</b>	<b>160 484</b>	<b>86</b>	<b>160 570</b>

Unit class B was launched on 01.01.2014.

## NOTE 9. EQUITY RECONCILIATION

	Class	EQUITY CAPITAL AS OF 01.01.2014	Issue of units	Redemption of units	Net income AS OF 31.12.2014	EQUITY CAPITAL AS OF 31.12.2014
Unit capital class	A	500 868	65 429	-99 173	-	467 124
Premium class	A	-2 330 671	1 042 609	-1 591 913	-	-2 879 975
<b>Total paid-in capital class</b>	<b>A</b>	<b>-1 829 803</b>	<b>1 108 038</b>	<b>-1 691 086</b>	<b>-</b>	<b>-2 412 851</b>
Unit capital class	B	-	610	-130	-	480
Premium class	B	-	9 847	-2 132	-	7 716
<b>Total paid-in capital class</b>	<b>B</b>	<b>-</b>	<b>10 458</b>	<b>-2 262</b>	<b>-</b>	<b>8 196</b>
<b>Retained earnings</b>		<b>9 871 410</b>	<b>-</b>	<b>-</b>	<b>1 172 823</b>	<b>11 044 233</b>
<b>Total</b>		<b>8 041 607</b>	<b>1 118 495</b>	<b>-1 693 348</b>	<b>1 172 823</b>	<b>8 639 578</b>

	Class	31.12.14	31.12.13	31.12.12
Number of units issued	A	4 671 239	5 008 679	5 591 123
Number of units issued	B	4 801	-	-
Base price per unit (in NOK)*	A	1 847,7680	1 605,2264	1 284,4768
Base price per unit (in NOK)*	B	1 882,5363	-	-

\* Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur.

The sole difference between unit class A and unit class B is related to the management fee, see note 8.

## NOTE 10. TAX NOTE

Equity funds are, in principle, exempt from tax on gains and do not have the right to deduct losses on realisation of equities when calculating taxable income. Furthermore, dividends received from companies within the EU/EEA are, in principle, tax-exempt. However, 3 percent of dividends received from these companies are treated as taxable to Norway.

Dividends received from companies outside the EU/EEA are taxable. The funds may in addition be charged withholding tax on dividends received from all foreign companies.

The tax cost for the years 2014 and 2013 in SKAGEN Vekst is associated with withholding tax on foreign dividends.

## NOTE 11. RISK AMOUNT (In NOK)

RISK amount determined as of 01.01:

1994	1995	1996	1997	1998	1999	2000
-0,35	-0,37	3,28	-0,50	1,73	1,26	3,62
2001	2002	2003	2004	2005	2006	
3,77	0,51	2,03	3,06	-7,03	-9,44	

## FINANCIAL STATEMENT

### SKAGEN Global Note 8, 9 & 10

#### NOTE 8. MANAGEMENT FEE

The fixed management fee constitutes 1 percent p.a. of daily assets under management in unit class A and 0.8 percent in unit class B. In addition both unit classes are charged a variable management fee of the 1/10 better value development of asset value measured in percent compared with the benchmark index MSCI All Country World Daily Total return Net \$, measured in Norwegian kroner. Management fee allocated to the respective unit classes:

	2014		Total
	Unit class A	Unit class B	
Management fee - fixed	436 634	13 611	450 245
Management fee - variable	-	-	-
<b>Total management fee</b>	<b>436 634</b>	<b>13 611</b>	<b>450 245</b>

Unit class B was launched on 01.01.2014

#### NOTE 9. EQUITY RECONCILIATION

	Class A	Class B	Issue of units	Redemption of units	Net income A	Net income B
Unit capital class	A	4 262 254	565 103	-1 892 808	-	293 549
Premium class	A	18 482 830	5 801 649	-19 800 914	-	4 483 564
<b>Total paid-in capital class</b>	<b>A</b>	<b>22 745 084</b>	<b>6 366 751</b>	<b>-21 693 722</b>	<b>-</b>	<b>7 418 113</b>
Unit capital class	B	-	288 053	-119 323	-	168 730
Premium class	B	-	2 948 805	-1 270 959	-	1 677 846
<b>Total paid-in capital class</b>	<b>B</b>	<b>-</b>	<b>3 236 858</b>	<b>-1 390 282</b>	<b>-</b>	<b>1 846 576</b>
<b>Retained earnings</b>		23 938 254			6 174 916	<b>30 113 170</b>
<b>Total</b>		<b>46 683 338</b>	<b>9 603 610</b>	<b>-23 084 004</b>	<b>6 174 916</b>	<b>39 377 859</b>

	Class	31.12.14	31.12.13	31.12.12
Number of units issued	A	29 345 494	42 622 543	41 032 500
Number of units issued	B	1 687 304	-	-
Base price per unit (in NOK)*	A	1 268,7961	1 095,2810	835,3336
Base price per unit (in NOK)*	B	1 266,2486	-	-

\*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur.

The sole difference between unit class A and unit class B is related to the management fee, see note 8.

#### NOTE 10. TAX NOTE

Equity funds are, in principle, exempt from tax on gains and do not have the right to deduct losses on realisation of equities when calculating taxable income. Furthermore, dividends received from companies within the EU/EEA are, in principle, tax-exempt. However, 3 percent of dividends received from these companies are treated as taxable to Norway.

Dividends received from companies outside the EU/EEA are taxable. The funds may in addition be charged withholding tax on dividends received from all foreign companies.

Calculation basis - tax payable	2014	2013
Net interest income and guarantee commission	5 790	7 436
Taxable dividend	700 470	693 614
3 % of tax-exempt dividend	10 382	9 265
Taxable gain/loss outside the the Norwegian tax exempt rule "Fritaksmetoden"	3 723	119
Currency gain/loss	682 795	159 551
<b>Total taxable income</b>	<b>1 403 161</b>	<b>869 985</b>

Management fee - fixed	-450 245	-412 391
Management fee - variable	-	-
Withholding tax on dividends received from companies within EU/EEA*	-	-30 216
<b>Total tax deductible costs</b>	<b>-450 245</b>	<b>-442 607</b>

<b>Net taxable income</b>	<b>952 915</b>	<b>427 377</b>
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Carryforward losses	-	-122 203
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<b>Calculation basis - tax payable (A)</b>	<b>952 915</b>	<b>305 173</b>
--	----------------	----------------

Tax payable in the income statement	2014	2013
Tax payable (A x 27 %)	257 287	85 448
Taxes payable from previous years	-	-
Use of carried forward credit allowance	-99 409	-1 275
Credit allowance for withholding tax paid outside EU/EEA	-80 945	-84 174
<b>Tax payable</b>	<b>76 933</b>	<b>-</b>

Basis deferred tax/deferred tax asset in the balance sheet	2014	2013
Unrealised gain/loss outside the Norwegian tax exempt rule "Fritaksmetoden"	4 200	-3 347
Carryforward credit allowance for withholding tax paid*	-	-114 873
<b>Basis deferred tax/deferred tax asset (B)</b>	<b>4 200</b>	<b>-118 221</b>

Deferred tax/deferred tax asset (B x 27%)	1 134	-
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Deferred tax asset is not booked in the balance sheet

Tax cost in the income statement	2014	2013
Tax payable	76 933	-
Withholding tax on foreign dividends	103 934	121 683
Change deferred tax/deferred tax asset	1 134	-
<b>Total tax cost</b>	<b>182 000</b>	<b>121 683</b>

Tax payable is incorporated in other debt.

\*Withholding tax on dividends received from companies within the EU/EEA was deducted in accordance with the decision made by Asker og Bærum District Court on 19.11.2012 for the income years 2012 and 2013. The Supreme Court later decided there would be no tax deduction for this withholding tax. Consequently carried-forward credit allowance has been changed from outgoing balance 2013 to incoming balance 2014.

### SKAGEN Kon-Tiki Note 8, 9, 10 & 11

#### NOTE 8. MANAGEMENT FEE

The fixed management fee constitutes 2 percent p.a. of daily assets under management in unit class A and 1.5 percent p.a. in unit class B. In addition both unit classes are charged a variable management fee of 1/10 of better value development in percent in the fund's asset value compared with the benchmark index MSCI Emerging Markets Index Daily Traded Net Total Return \$, measured in Norwegian kroner. In case of poorer value development in the fund's net asset value relative to the benchmark, 10 percent of the difference will be deducted from the fixed management fee. However the total management fee may not exceed 4 percent p.a. and may not be lower than 1 percent p.a. of average assets under management in unit class A. In unit class B the corresponding upper limit is 3.5 percent p.a. and the lower limit is 0.5 percent p.a.

Management fee allocated to the respective unit classes:

	2014		Total
	Unit class A	Unit class B	
Management fee - fixed	934 974	73 175	1 008 148
Management fee - variable	-415 086	-48 684	-463 770
<b>Total management fee</b>	<b>519 888</b>	<b>24 491</b>	<b>544 378</b>

Unit class B was launched on 01.01.2014

#### NOTE 9. EQUITY RECONCILIATION

	Class	EQUITY CAPITAL AS OF 01.01.2014	Issue of units	Redemption of units	Net income A	Net income B
Unit capital class	A	8 056 199	1 196 984	-2 835 350	-	6 417 833
Premium class	A	20 158 787	6 356 618	-15 051 801	-	11 463 604
<b>Total paid-in capital class</b>	<b>A</b>	<b>28 214 987</b>	<b>7 553 601</b>	<b>-17 887 152</b>	<b>-</b>	<b>17 881 436</b>
Unit capital class	B	-	1 448 692	-408 036	-	1 040 655
Premium class	B	-	7 834 439	-2 230 917	-	5 603 522
<b>Total paid-in capital class</b>	<b>B</b>	<b>-</b>	<b>9 283 130</b>	<b>-2 638 953</b>	<b>-</b>	<b>6 644 177</b>
<b>Retained earnings</b>		21 846 541			5 353 876	<b>27 200 418</b>
<b>Total</b>		<b>50 061 528</b>	<b>16 836 731</b>	<b>-20 526 105</b>	<b>5 353 876</b>	<b>51 726 031</b>

	Class	31.12.14	31.12.13	31.12.12
Number of units issued	A	64 178 326	80 561 992	88 896 486
Number of units issued	B	10 406 552	-	-
Base price per unit (in NOK)*	A	693,2737	621,4137	519,6300
Base price per unit (in NOK)*	B	694,9191	-	-

\*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur.

The sole difference between unit class A and unit class B is related to the management fee, see note 8.

#### NOTE 10. TAX NOTE

Equity funds are, in principle, exempt from tax on gains and do not have the right to deduct losses on realisation of equities when calculating taxable income. Furthermore, dividends received from companies within the EU/EEA are, in principle, tax-exempt. However, 3 percent of dividends received from these companies are treated as taxable to Norway.

Dividends received from companies outside the EU/EEA are taxable. The funds may in addition be charged withholding tax on dividends received from all foreign companies.

The tax cost for the years 2014 and 2013 in SKAGEN Kon-Tiki is associated with withholding tax on foreign dividends.

#### NOTE 11. RISK AMOUNT (in NOK)

RISK amount determined as of 01.01:

	2003	2004	2005	2006
	3,26	1,80	-0,11	0,00

## NOTE 8. MANAGEMENT FEE

The fixed management fee constitutes 1.5 percent p.a. of daily assets under management in unit class A and 1.2 percent p.a. in unit class B. In addition both unit classes are charged a variable management fee of 1/10 of better value development in percent in the fund's asset value compared with the benchmark index MSCI ACWI Real Estate IMI Net total return index USD, measured in Norwegian kroner. In case of poorer value development in the fund's net asset value relative to the benchmark, 10 percent of the difference will be deducted from the fixed management fee. However the total management fee may not exceed 3 percent p.a. and may not be lower than 0.75 percent p.a. of average assets under management in unit class A. In unit class B the corresponding upper limit is 2.7 percent p.a. and the lower limit is 0.45 percent p.a.

Management fee allocated to the respective unit classes:

	2014		Total
	Unit class A	Unit class B	
Management fee - fixed	8 433	9	8 442
Management fee - variable	-2 188	-5	-2 193
<b>Total management fee</b>	<b>6 245</b>	<b>4</b>	<b>6 249</b>

Unit class B was launched on 30.05.2014.

## NOTE 9. EQUITY RECONCILIATION

	EQUITY CAPITAL		Redemption of units	EQUITY CAPITAL	
	Class AS OF 01.01.2014	Issue of units		Net income AS OF 31.12.2014	AS OF 31.12.2014
Unit capital class	A	4 783 200	387 181	-286 325	5 791 176
Premium class	A	45 874	99 881	-56 288	89 467
<b>Total paid-in capital class</b>	<b>A</b>	<b>5 241 974</b>	<b>487 062</b>	<b>-342 613</b>	<b>6 668 643</b>
Unit capital class	B	-	1 063	-	1 063
Premium class	B	-	173	-	173
<b>Total paid-in capital class</b>	<b>B</b>	<b>-</b>	<b>1 237</b>	<b>-</b>	<b>1 237</b>
<b>Retained earnings</b>		<b>-17 283</b>		<b>184 529</b>	<b>167 246</b>
<b>Total</b>		<b>5 066 911</b>	<b>488 298</b>	<b>-342 613</b>	<b>837 125</b>
	<b>Class</b>	<b>31.12.14</b>	<b>31.12.13</b>	<b>31.12.12</b>	
Number of units issued	A	5 791 763	4 783 203	2 108 687	
Number of units issued	B	10 634	-	-	
Base price per unit (in NOK)*	A	144,2631	105,9746	101,4865	
Base price per unit (in NOK)*	B	144,1397	-	-	

\* Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur. The sole difference between unit class A and unit class B is related to the management fee, see note 8.

## NOTE 10. TAX NOTE

Equity funds are, in principle, exempt from tax on gains and do not have the right to deduct losses on realisation of equities when calculating taxable income.

Furthermore, dividends received from companies within the EU/EEA are, in principle, tax-exempt. However, 3 percent of dividends received from these companies are treated as taxable to Norway.

Dividends received from companies outside the EU/EEA are taxable. The funds may in addition be charged withholding tax on dividends received from all foreign companies.

Calculation basis - tax payable		2014	2013
Net interest income		947	-29
Taxable dividend		15 669	13 325
3 % of tax-exempt dividend		108	215
Taxable gain/loss outside the Norwegian tax exemption rule		-4 056	-2 040
"Fritaksmetoden"			
Currency gain/loss		2 826	1 318
<b>Total taxable income</b>		<b>15 495</b>	<b>12 789</b>
Management fee - fixed		-8 442	-8 307
Management fee - variable		2 193	4 126
Withholding tax on dividends received from companies within EU/EEA*		-	-927
<b>Total tax deductible costs</b>		<b>-6 249</b>	<b>-5 108</b>
<b>Net taxable income</b>		<b>9 246</b>	<b>7 681</b>
<b>Calculation basis - tax payable (A)</b>		<b>9 246</b>	<b>7 681</b>
<b>Tax payable in the income statement</b>			
Tax payable (A x 27 %)		2 496	2 151
Taxes payable from previous years		25	-
Tax payable 2012/2013 due to changed income tax return*		259	-
Credit allowance for withholding tax paid outside EU/EEA		-1 037	-734
Use of carried forward credit allowance		-	-3
<b>Tax payable</b>		<b>1 744</b>	<b>1 413</b>
<b>Basis deferred tax/deferred tax asset in the balance sheet</b>			
Unrealised gain/loss outside the Norwegian tax exemption rule		6 813	-6 906
"Fritaksmetoden"			
Carry forward losses			
<b>Basis deferred tax/deferred tax asset (B)</b>		<b>6 813</b>	<b>-6 906</b>
<b>Net deferred tax/deferred tax asset in the balance sheet (B x 27 %)</b>		<b>1 840</b>	<b>-1 865</b>
<b>Tax cost in the income statement</b>			
Tax payable		1 744	1 413
Change deferred tax/deferred tax asset		3 704	-1 877
Withholding tax on foreign dividends		2 267	1 673
<b>Total tax cost</b>		<b>7 715</b>	<b>1 210</b>

Tax payable is incorporated in other debt.

\* Withholding tax on dividends received from companies within the EU/EEA was deducted in accordance with the decision made by Asker og Bærum District Court on 19.11.2012 for the income years 2012 and 2013. The Supreme Court later decided there would be no tax deduction for this withholding tax.

## NOTE 8. MANAGEMENT FEE

SKAGEN Balanse 60/40 is not charged a management fee but the underlying funds are charged management fees in accordance with the prospectus for each fund.

The applicable management fee in the underlying funds is as follows:

	Fixed fee in percent p.a. of the daily assets under management	Variable management fee
SKAGEN Avkastning	0,5%	-
SKAGEN Tellus, unit class A	0,8%	-
SKAGEN Høyrente	0,25%	-
SKAGEN Høyrente Institusjon	0,15%	-
SKAGEN Vekst, unit class A	1,0%	'1/10 of return above 6% p.a.
SKAGEN Global, unit class A	1,0%	*
SKAGEN Kon-Tiki, unit class A	2,0%	**

\* 1/10 of better value development measured in percent in the fund's asset value compared with the benchmark index MSCI All Country World Daily Total return Net \$, measured in Norwegian kroner.

\*\* 1/10 of better value development in percent in the fund's asset value compared with the benchmark index MSCI Emerging Markets Index Daily Traded Net Total Return \$, measured in Norwegian kroner. In case of poorer value development in the fund's net asset value relative to the benchmark, 10 percent of the difference will be deducted from the fixed management fee. However the total management fee may not exceed 4 percent p.a. and may not be lower than 1 percent p.a. of average assets under management.

## NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2014	162 382	10 993	19 167	192 542
Issue of units	192 751	41 351		234 103
Redemption of units	-124 563	-26 856		-151 419
Net income			25 108	25 108
<b>EQUITY CAPITAL AS OF 31.12.2014</b>	<b>230 571</b>	<b>25 488</b>	<b>44 275</b>	<b>300 334</b>
	<b>31.12.14</b>	<b>31.12.13</b>	<b>31.12.12</b>	
Number of units issued	2 305 707	1 623 820	681 158	
Base price per unit (in NOK)*	130,2580	118,5793	101,8231	

\* Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur.

## NOTE 10. TAX NOTE

SKAGEN Balanse 60/40 is exempt from tax on gains and does not have the right to deduct losses on realisation of units in equity funds domiciled within the EU/EEA area. The fund is charged tax on gains and has the right to deduct losses on realisation of units in fixed income funds. Finally, accrued interests are included in the tax basis.

Calculation basis - tax payable		2014	2013
Net interest income		1 999	1 217
Realised gain/loss from sale of units in fixed income funds		75	70
<b>Total taxable income</b>		<b>2 074</b>	<b>1 287</b>
Total tax deductible costs		-	-
<b>Net taxable income</b>		<b>2 074</b>	<b>1 287</b>
<b>Calculation basis - tax payable (A)</b>		<b>2 074</b>	<b>1 287</b>
<b>Tax payable in the income statement</b>			
Tax payable (A x 27 %)		560	360
Taxes payable from previous years		-	-
<b>Payable tax</b>		<b>560</b>	<b>360</b>

Basis deferred tax/deferred tax asset in the balance sheet		2014	2013
Unrealised gain/loss on units in fixed income funds (B)		749	-65
<b>Deferred tax/deferred tax asset in the balance sheet (B x 27 %)</b>		<b>202</b>	<b>-18</b>

Tax cost in the income statement		2014	2013
Tax payable		560	360
Change deferred tax		220	-47
<b>Total tax cost</b>		<b>780</b>	<b>314</b>

Tax payable is incorporated in other debt.

## FINANCIAL STATEMENT

### SKAGEN Høyrente Note 8, 9 & 10

#### NOTE 8. MANAGEMENT FEE

The management fee constitutes 0.25 percent p.a. of daily assets under management.

#### NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Allocated to unitholders for reinvestment in new units	Total
EQUITY CAPITAL AS OF 1.1.2014	3 309 524	29 180	10 025	85 983	3 434 713
Issue of units	3 275 643	36 483	45 901		3 358 027
Redemption of units	-3 360 230	-37 219	-48 026		-3 445 474
Reinvested for unitholders				-86 184	-86 184
Allocated to unitholders for reinvestment				81 414	81 414
Net income/loss after distribution to unitholders			-5 199		-5 199
<b>EQUITY CAPITAL AS OF 31.12.2014</b>	<b>3 224 938</b>	<b>28 445</b>	<b>2 701</b>	<b>81 213</b>	<b>3 337 296</b>
	<b>31.12.14</b>	<b>31.12.13</b>	<b>31.12.12</b>		
Number of units issued	32 249 376	33 095 242	36 931 648		
Base price per unit (in NOK)*	103,4846	103,7847	104,4340		

\* Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur.

#### NOTE 10. TAX NOTE

The fixed income funds are taxable with 27 percent of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, minus tax-deductible costs, which, amongst other things, include the management fee. The taxable net profit is in principle distributed among unitholders so that the fund is in a non-taxpaying position.

### SKAGEN Høyrente Institusjon Note 8, 9 & 10

#### NOTE 8. MANAGEMENT FEE

The management fee constitutes 0.15 percent p.a. of daily assets under management.

#### NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Allocated to unitholders for reinvestment in new units	Total
EQUITY CAPITAL AS OF 1.1.2014	1 235 057	-2 995	1 260	32 512	1 265 834
Issue of units	563 814	-1 107	6 418		569 124
Redemption of units	-985 251	1 855	-12 451		-995 847
Reinvested for unitholders				-32 273	-32 273
Allocated to unitholders for reinvestment				20 898	20 898
Net income/loss after distribution to unitholders			4 006		4 006
<b>EQUITY CAPITAL AS OF 31.12.2014</b>	<b>813 619</b>	<b>-2 247</b>	<b>-768</b>	<b>21 136</b>	<b>831 742</b>
	<b>31.12.14</b>	<b>31.12.13</b>	<b>31.12.12</b>		
Number of units issued	8 136 195	12 350 572	12 562 857		
Base price per unit (in NOK)*	102,2277	102,4937	103,1008		

\* Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur.

#### NOTE 10. TAX NOTE

The fixed income funds are taxable with 27 percent of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, minus tax-deductible costs, which, amongst other things, include the management fee. The taxable net profit is in principle distributed among unitholders so that the fund is in a non-taxpaying position.

### SKAGEN Avkastning Note 8, 9, 10 & 11

#### NOTE 8. MANAGEMENT FEE

The management fee constitutes 0.5 percent p.a. of daily assets under management.

#### NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Allocated to unitholders for reinvestment in new units	Total
EQUITY CAPITAL AS OF 1.1.2014	852 668	302 771	5 594	36 578	1 197 611
Issue of units	908 206	351 785	15 547		1 275 538
Redemption of units	-541 494	-209 979	-9 708		-761 182
Reinvested for unitholders				-37 186	-37 186
Allocated to unitholders for distribution				12 711	12 711
Net income/loss after distribution to unitholders			55 280		55 280
<b>EQUITY CAPITAL AS OF 31.12.2014</b>	<b>1 219 380</b>	<b>444 577</b>	<b>66 713</b>	<b>12 103</b>	<b>1 742 772</b>
	<b>31.12.14</b>	<b>31.12.13</b>	<b>31.12.12</b>		
Number of units issued	12 193 797	8 526 677	7 881 492		
Base price per unit (in NOK)*	142,9234	140,4571	141,457		

\* Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur.

#### NOTE 10. TAX NOTE

The fixed income funds are taxable with 27 percent of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, minus tax-deductible costs, which, amongst other things, include the management fee. The taxable net profit is in principle distributed among unitholders so that the fund is in a non-taxpaying position.

#### NOTE 11. CURRENCY RISK

SKAGEN Avkastning does not use currency hedging instruments against the Norwegian krone, but has as of 31.12.2014 overdrafts in EUR and MXN bank accounts in order to reduce the currency exposure of the investments in the Lithuanian Government, Portuguese Government, Slovenian Government and Mexican Government.

### SKAGEN Krona Note 8, 9 & 10 (in 1,000 SEK)

#### NOTE 8. MANAGEMENT FEE

The management fee constitutes 0.2 percent p.a. of daily assets under management.

#### NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2014	848 159	6 382	1 918	856 459
Issue of units	417 830	3 623	3 206	424 659
Redemption of units	-646 541	-5 453	-5 027	-657 022
Reinvested for unitholders	13 815	2	-13 817	-
Net income			9 382	9 382
<b>EQUITY CAPITAL AS OF 31.12.2014</b>	<b>633 263</b>	<b>4 554</b>	<b>-4 339</b>	<b>633 478</b>
	<b>31.12.14</b>	<b>31.12.13</b>	<b>31.12.12</b>	
Number of units issued	6 332 632	8 481 594	8 185 390	
Base price per unit (in SEK)*	100,0338	100,9781	100,9874	

\* Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur.

#### NOTE 10. TAX NOTE

The fixed income funds are taxable with 27 percent of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, minus tax-deductible costs, which, amongst other things, include the management fee. The taxable net profit is in principle distributed among unitholders so that the fund is in a non-taxpaying position.

## SKAGEN Tellus Note 8, 9 & 10

### NOTE 8. MANAGEMENT FEE

The management fee constitutes 0.8 percent p.a. of daily assets under management in unit class A and 0.45 percent p.a. in unit class B.

Management fee allocated to the respective unit classes:

	2014		
	Unit class A	Unit class B	Total
Management fee - fixed	5 677	39	
<b>Total management fee</b>	<b>5 677</b>	<b>39</b>	<b>5 717</b>

Unit class B was launched on 30.05.2014

### NOTE 9. EQUITY RECONCILIATION

	Class	EQUITY CAPITAL AS OF 01.01.2014		Issue of units	Redemption of units	Reinvested for unitholders	Allocated to unitholders for reinvestment in new units	Net income after distribution to unitholders	EQUITY CAPITAL AS OF 31.12.2014
		AS OF 01.01.2014	AS OF 01.01.2014						
Unit capital class	A	416 855	756 518	-352 065	-	-	-	-	821 308
Premium class	A	45 046	128 137	-64 323	-	-	-	-	108 860
<b>Total paid-in capital class</b>	<b>A</b>	<b>461 900</b>	<b>884 656</b>	<b>-416 388</b>	-	-	-	-	<b>930 168</b>
Unit capital class	B	-	30 611	-236	-	-	-	-	30 375
Premium class	B	-	6 825	-61	-	-	-	-	6 764
<b>Total paid-in capital class</b>	<b>B</b>	-	<b>37 436</b>	<b>-297</b>	-	-	-	-	<b>37 139</b>
Retained earnings		-10 184	13 407	-6 927	-	-	-	154 554	150 850
Allocated to unitholders for reinvestment class	A	54 494	-	-	-54 554	26 002	-	-	25 942
Allocated to unitholders for reinvestment class	B	-	-	-	-	413	-	-	413
<b>Total retained earnings</b>		<b>44 310</b>	<b>13 407</b>	<b>-6 927</b>	<b>-54 554</b>	<b>26 415</b>	<b>154 554</b>	<b>177 205</b>	<b>177 205</b>
<b>Total</b>		<b>506 210</b>	<b>935 498</b>	<b>-423 611</b>	<b>-54 554</b>	<b>26 415</b>	<b>154 554</b>	<b>1 144 512</b>	<b>1 144 512</b>

	Class	31.12.14	31.12.13	31.12.12
Number of units issued	A	8 213 082	4 168 548	4 230 420
Number of units issued	B	303 749	-	-
Base price per unit (in NOK)*	A	134,3725	121,4385	111,2406
Base price per unit (in NOK)*	B	134,6566	-	-

\* Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur.

The sole difference between unit class A and unit class B is related to the management fee, see note 8.

### NOTE 10. TAX NOTE

The fixed income funds are taxable with 27 percent of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, minus tax-deductible costs, which, amongst other things, include the management fee. The taxable net profit is in principle distributed among unitholders so that the fund is in a non-taxpaying position.

SKAGEN Tellus is charged a tax cost in 2014 and the cost is related to withholding tax paid in Switzerland.

## SKAGEN Credit Note 8, 9, 10, 11 & 12

### NOTE 8. MANAGEMENT FEE

SKAGEN Credit is part of a master-feeder structure and SKAGEN Credit is the master fund. No management fee is charged in SKAGEN Credit. The management fee is charged directly in the respective feeder funds: SKAGEN Credit NOK, SKAGEN Credit SEK, SKAGEN Credit EUR and SKAGEN Credit GBP.

### NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Allocated to unitholders for reinvestment in new units	Total
EQUITY CAPITAL AS OF 30.05.2014	-	-	-	-	-
Issue of units	209 251	2 401	1 365	-	213 018
Redemption of units	-81 385	-3 954	-2 287	-	-87 626
Reinvested for unitholders	-	-	-	-	-
Allocated to unitholders for reinvestment	-	-	-	7 404	7 404
Net income after distribution to unitholders	-	-	14 902	-	14 902
<b>EQUITY CAPITAL AS OF 31.12.2014</b>	<b>127 866</b>	<b>-1 553</b>	<b>13 980</b>	<b>7 404</b>	<b>147 698</b>

SKAGEN Credit was launched on 30.05.2014

	31.12.14
Number of units issued	1 278 662
Base price per unit (in NOK)*	115,5046

\* Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur.

### NOTE 10. TAX NOTE

The fixed income funds are taxable with 27 percent of net realised capital gain on interest-bearing securities and financial contracts, interest income accrued, currency gain/loss, minus tax-deductible costs, which, amongst other things, include accrued interest costs. The taxable net profit is in principle distributed among unitholders so that the fund is in a non-taxpaying position.

### NOTE 11. CURRENCY RISK

SKAGEN Credit does not use any kind of instruments to reduce currency risk.

### NOTE 12. INTEREST RATE RISK

SKAGEN Credit holds interest rate swaps to reduce the interest rate risk in the fund. The risk is reduced by reducing the duration. The fund enters into contracts where the fixed interest rate is swapped by floating interest rate. The principal amount in the contracts will not be settled and consequently they are not booked in the fund's balance sheet. It is only the net receivable/obligation which is booked in the accounts. Note 7 gives an overview of the interest rate swaps entered into as of end of year. Those contracts are representative of the contracts held by the fund during the year.

## SKAGEN Credit EUR Note 8, 9, 10 & 11 (in 1,000 EUR)

### NOTE 8. MANAGEMENT FEE

SKAGEN Credit EUR is part of a master-feeder structure and SKAGEN Credit EUR is a feeder fund. SKAGEN Credit is the master fund. The management fee in SKAGEN Credit EUR constitutes 0.8 percent p.a. of daily assets under management in unit class A and 0.45 percent p.a. in unit class B.

Management fee allocated to the respective unit classes:

	2014		
	Unit class A	Unit class B	Total
Management fee - fixed	10,5	1,6	
<b>Total management fee</b>	<b>10,5</b>	<b>1,6</b>	<b>12,1</b>

### NOTE 9. EQUITY RECONCILIATION

	Class	EQUITY CAPITAL AS OF 01.01.2014		Issue of units	Redemption of units	Reinvested for unitholders	Allocated to unitholders for reinvestment	Net income after distribution to unitholders	EQUITY CAPITAL AS OF 31.12.2014
		AS OF 01.01.2014	AS OF 01.01.2014						
Unit capital class	A	-	2 640,3	-157,2	-	-	-	-	2 483,0
Premium class	A	-	-3,1	1,6	-	-	-	-	-1,5
<b>Total paid-in capital class</b>	<b>A</b>	-	<b>2 637,2</b>	<b>-155,6</b>	-	-	-	-	<b>2 481,5</b>
Unit capital class	B	-	665,4	-50,0	-	-	-	-	615,4
Premium class	B	-	0,1	-0,1	-	-	-	-	0,0
<b>Total paid-in capital class</b>	<b>B</b>	-	<b>665,5</b>	<b>-50,1</b>	-	-	-	-	<b>615,4</b>
Retained earnings		-	1,1	-	-	-	-	-78,4	-77,2
Allocated to unitholders for reinvestment class	A	-	-	-	-	-	-	-	-
Allocated to unitholders for reinvestment class	B	-	-	-	-	-	-	-	-
<b>Total retained earnings</b>		-	<b>1,1</b>	-	-	-	-	<b>-78,4</b>	<b>-77,2</b>
<b>Total</b>		-	<b>3 303,8</b>	<b>-205,8</b>	-	-	-	<b>-78,4</b>	<b>3 019,7</b>

SKAGEN Credit EUR was launched on 30.05.2014

	Class	31.12.14
Number of units issued	A	248 305
Number of units issued	B	61 540
Base price per unit (in EUR)*	A	9,7557
Base price per unit (in EUR)*	B	9,7755

\* Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur.

The sole difference between share class A and share class B is related to the management fee, see note 8.

### NOTE 10. TAX NOTE

The fixed income funds are taxable with 27 percent of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, minus tax-deductible costs, which, amongst other things, include the management fee. The taxable net profit is in principle distributed among unitholders so that the fund is in a non-taxpaying position.

### NOTE 11. CURRENCY RISK

SKAGEN Credit EUR does not use currency hedging instruments against the euro, but has as of 31.12.2014 overdrafts in USD, GBP and NOK bank accounts in order to reduce the currency exposure in their share of the underlying US dollar, British pound sterling and Norwegian krone investments in the master fund SKAGEN Credit.

## FINANCIAL STATEMENT

### SKAGEN Credit GBP Note 8, 9, 10 & 11 (in 1,000 GBP)

#### NOTE 8. MANAGEMENT FEE

SKAGEN Credit GBP is part of a master-feeder structure and SKAGEN Credit GBP is a feeder fund. SKAGEN Credit is the master fund. The management fee in SKAGEN Credit GBP constitutes 0.8 percent p.a. of daily assets under management in unit class A and 0.45 percent p.a. in unit class B. Management fee allocated to the respective unit classes:

	2014		Total
	Unit class A	Unit class B	
Management fee - fixed	1,2	0,7	
<b>Total management fee</b>	<b>1,2</b>	<b>0,7</b>	<b>1,8</b>

#### NOTE 9. EQUITY RECONCILIATION

Class	EQUITY CAPITAL AS OF 30.05.2014	Issue of units	Redemption of units	Reinvested for unitholders	Allocated to unitholders for reinvestment	Net income after distribution to unitholders	EQUITY CAPITAL AS OF 31.12.2014
Unit capital class A	-	249,6	-	-	-	-	249,6
Premium class A	-	-	-	-	-	-	-
<b>Total paid-in capital class A</b>	<b>-</b>	<b>249,6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>249,6</b>
Unit capital class B	-	249,6	-	-	-	-	249,6
Premium class B	-	-	-	-	-	-	-
<b>Total paid-in capital class B</b>	<b>-</b>	<b>249,6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>249,6</b>
Retained earnings	-	-	-	-	-	-30,6	-30,6
Allocated to unitholders for reinvestment class A	-	-	-	-	8,4	-	8,4
Allocated to unitholders for reinvestment class B	-	-	-	-	8,5	-	8,5
<b>Total retained earnings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,9</b>	<b>-30,6</b>	<b>-13,7</b>
<b>Total</b>	<b>-</b>	<b>499,3</b>	<b>-</b>	<b>-</b>	<b>16,9</b>	<b>-30,6</b>	<b>485,5</b>

SKAGEN Credit GBP was launched on 30.05.2014.

	Class	31.12.14
Number of units issued	A	24 963
Number of units issued	B	24 963
Base price per unit (in GBP)*	A	9,7154
Base price per unit (in GBP)*	B	9,7354

\*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur.

The sole difference between unit class A and unit class B is related to the management fee, see note 8.

#### NOTE 10. TAX NOTE

The fixed income funds are taxable with 27 percent of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, minus tax-deductible costs, which, amongst other things, include the management fee. The taxable net profit is in principle distributed among unitholders so that the fund is in a non-taxpaying position.

#### NOTE 11. CURRENCY RISK

SKAGEN Credit GBP does not use currency hedging instruments against the British pound sterling, but has as of 31.12.2014 overdrafts in USD, EUR and NOK bank accounts in order to reduce the currency exposure in their share of the underlying US dollar, euro and Norwegian krone investments in the master fund SKAGEN Credit.

### SKAGEN Credit NOK Note 8, 9, 10 & 11

#### NOTE 8. MANAGEMENT FEE

SKAGEN Credit NOK is part of a master-feeder structure and SKAGEN Credit NOK is a feeder fund. SKAGEN Credit is the master fund. The management fee in SKAGEN Credit NOK constitutes 0.8 percent p.a. of daily assets under management.

#### NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Allocated to unitholders for reinvestment	Total
EQUITY CAPITAL AS OF 30.05.2014	-	-	-	-	-
Issue of units	162 450	-16	6	-	162 440
Redemption of units	-71 472	433	-1	-	-71 039
Reinvested for unitholders	-	-	-	-	-
Allocated to unitholders for reinvestment	-	-	-	-	-
Net income after distribution to unitholders	-	-	-2 007	-	-2 007
<b>EQUITY CAPITAL AS OF 31.12.2014</b>	<b>90 978</b>	<b>417</b>	<b>-2 002</b>	<b>-</b>	<b>89 393</b>
SKAGEN Credit NOK was launched on 30.05.2014					
<b>31.12.14</b>					
Number of units issued	909 784				
Base price per unit (in NOK)*	98,2463				

\*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur.

#### NOTE 10. TAX NOTE

The fixed income funds are taxable with 27 percent of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, minus tax-deductible costs, which, amongst other things, include the management fee. The taxable net profit is in principle distributed among unitholders so that the fund is in a non-taxpaying position.

#### NOTE 11. CURRENCY RISK

SKAGEN Credit NOK does not use currency hedging instruments against the Norwegian krone, but has as of 31.12.2014 overdrafts in USD, EUR and GBP bank accounts in order to reduce the currency exposure in their share of the underlying US dollar, euro and British pound sterling investments in the master fund SKAGEN Credit.

### SKAGEN Credit SEK Note 8, 9, 10 & 11 (in 1,000 SEK)

#### NOTE 8. MANAGEMENT FEE

SKAGEN Credit SEK is part of a master-feeder structure and SKAGEN Credit SEK is a feeder fund. SKAGEN Credit is the master fund. The management fee in SKAGEN Credit SEK constitutes 0.8 percent p.a. of daily assets under management.

#### NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Allocated to unitholders for reinvestment in new units	Total
EQUITY CAPITAL AS OF 30.05.2014	-	-	-	-	-
Issue of units	34 215	-26	17	-	34 207
Redemption of units	-6 737	85	-	-	-6 652
Reinvested for unitholders	-	-	-	-	-
Allocated to unitholders for reinvestment	-	-	-	-	-
Net income after distribution to unitholders	-	-	-767	-	-767
<b>EQUITY CAPITAL AS OF 31.12.2014</b>	<b>27 479</b>	<b>59</b>	<b>-750</b>	<b>-</b>	<b>26 788</b>
SKAGEN Credit SEK was launched on 30.05.2014					
<b>31.12.14</b>					
Number of units issued	274 786				
Base price per unit (in SEK)*	97,4753				

\*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31.12 are used in the annual financial statement. Consequently minor timing differences may occur.

#### NOTE 10. TAX NOTE

The fixed income funds are taxable with 27 percent of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, minus tax-deductible costs, which, amongst other things, include the management fee. The taxable net profit is in principle distributed among unitholders so that the fund is in a non-taxpaying position.

#### NOTE 11. CURRENCY RISK

SKAGEN Credit SEK does not use currency hedging instruments against the Swedish krone, but has as of 31.12.2014 overdrafts in USD, EUR, GBP and NOK bank accounts in order to reduce the currency exposure in their share of the underlying US dollar, euro, British pounds sterling and Norwegian krone investments in the master fund SKAGEN Credit.

# SKAGEN m<sup>2</sup>

## Note 7. Securities portfolio as of 31.12.2014 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund	Share in company/ share class	Stock exchange
<b>Property companies incl REITs<sup>2)</sup></b>									
Brandywine Realty Trust	265 000	23 686 836	15,98	USD	31 732 484	8 045 648	3,82 %	0,15 %	New York
General Growth Properties Inc	150 000	20 256 119	28,13	USD	31 618 584	11 362 465	3,81 %	0,02 %	New York
Global Logistic Properties Ltd	2 057 000	27 076 824	2,48	SGD	28 855 588	1 778 764	3,47 %	0,04 %	Singapore
Columbia Property Trust Inc	150 000	25 214 490	25,35	USD	28 493 818	3 279 327	3,43 %	0,12 %	New York
HCP Inc	77 100	17 878 855	44,03	USD	25 438 089	7 559 234	3,06 %	0,02 %	New York
Ashford Hospitality Trust	310 000	15 025 290	10,48	USD	24 344 698	9 319 409	2,93 %	0,35 %	New York
PS Business Parks Inc	40 500	18 731 283	79,54	USD	24 139 153	5 407 871	2,91 %	0,15 %	New York
Apartment Investment & Management Co	86 000	15 905 577	37,15	USD	23 940 802	8 035 225	2,88 %	0,06 %	New York
Soho China Ltd	4 458 500	21 774 301	5,48	HKD	23 582 326	1 808 026	2,84 %	0,09 %	Hong Kong
Deutsche Wohnen AG	125 000	11 316 968	19,58	EUR	22 195 643	10 878 675	2,67 %	0,04 %	Frankfurt
Mercalys SA	123 000	15 576 665	18,43	EUR	20 563 323	4 986 657	2,47 %	0,13 %	Paris
SL Green Realty Corp	23 000	12 922 247	119,02	USD	20 513 001	7 590 755	2,47 %	0,02 %	New York
British Land Co Plc	215 000	11 694 406	7,77	GBP	19 515 198	7 820 792	2,35 %	0,02 %	London
Olav Thon Eiendomsselskap ASA	153 081	15 279 174	125,50	NOK	19 211 665	3 932 491	2,31 %	0,14 %	Oslo Børs
Nomura Real Estate Office Fund Inc	495	13 848 403	595 000	JPY	18 411 200	4 562 797	2,22 %	0,13 %	Tokyo
CBL & Associates Properties Inc	120 000	13 651 897	19,42	USD	17 462 720	3 810 823	2,10 %	0,07 %	New York
CA Immobilien Anlagen AG	120 000	13 881 183	15,50	EUR	16 867 782	2 986 599	2,03 %	0,12 %	Wien
Mitsui Fudosan Co Ltd	82 000	15 018 255	3 255	JPY	16 684 944	1 666 689	2,01 %	0,01 %	Tokyo
Mapletree Logistics Trust	2 452 593	14 421 396	1,18	SGD	16 439 469	2 018 073	1,98 %	0,10 %	Singapore
SM Prime Holdings Inc	5 700 000	14 352 932	17,04	PHP	16 273 796	1 920 865	1,96 %	0,02 %	Philippines
Melia Hotels International	202 106	15 868 795	8,86	EUR	16 238 951	370 156	1,95 %	0,11 %	Madrid
Dic Asset AG	237 384	14 943 671	7,41	EUR	15 943 372	999 702	1,92 %	0,35 %	Xetra
Unibail-Rodamco SE	7 975	12 716 962	212,85	EUR	15 393 926	2 676 964	1,85 %	0,01 %	Amsterdam
Citycon Oyj	610 000	11 651 212	2,58	EUR	14 272 320	2 621 108	1,72 %	0,10 %	Helsinki
Ticon Industrial Connection Pcl-Nvdr	3 200 020	11 099 998	18,10	THB	13 188 466	2 088 468	1,59 %	0,29 %	Bangkok
BR Malls Participacoes SA	278 200	15 200 062	16,43	BRL	12 903 442	-2 296 620	1,55 %	0,06 %	Sao Paulo
Affine SA	92 000	9 711 899	15,17	EUR	12 656 640	2 944 741	1,52 %	1,02 %	Paris
Phoenix Mills Ltd	282 177	7 859 212	373,55	INR	12 503 006	4 643 794	1,50 %	0,19 %	National India
Entra ASA	153 575	10 255 654	76,50	NOK	11 748 487	1 492 834	1,41 %	0,08 %	Oslo Børs
BR Properties SA	400 000	17 805 920	10,25	BRL	11 574 300	-6 231 620	1,39 %	0,13 %	Sao Paulo
Westgrund AG	300 000	8 636 679	4,10	EUR	11 154 501	2 517 822	1,34 %	0,41 %	Xetra
Bekasi Fajar Industrial Estate TbkPT	24 475 400	5 824 207	730,00	IDR	10 800 627	4 976 420	1,30 %	0,25 %	Indonesia
Emlak Konut Gayrimenkul Yatirim Ortakligi AS	1 210 000	8 787 640	2,77	TRY	10 755 210	1 967 571	1,29 %	0,03 %	Istanbul
China South City Holdings Ltd	3 042 000	10 151 786	3,54	HKD	10 393 930	242 144	1,25 %	0,04 %	Hong Kong
Lexington Realty Trust	120 000	8 335 242	10,98	USD	9 873 361	1 538 119	1,19 %	0,05 %	New York
Obero Realty Ltd	288 152	7 095 061	280,20	INR	9 577 096	2 482 036	1,15 %	0,09 %	National India
First Real Estate Investment Trust	1 346 397	7 458 553	1,25	SGD	9 557 863	2 099 310	1,15 %	0,18 %	Singapore
Gecina SA	9 500	7 397 636	103,50	EUR	8 916 799	1 519 163	1,07 %	0,02 %	Paris
Vista Land & Lifescapes Inc	7 139 700	5 790 559	7,20	PHP	8 613 048	2 822 489	1,04 %	0,08 %	Philippines
Irsa SaADR	74 300	5 359 705	15,37	USD	8 557 445	3 197 740	1,03 %	0,13 %	New York
Shimao Property Holdings Ltd	504 500	6 640 630	17,34	HKD	8 443 599	1 802 968	1,02 %	0,01 %	Hong Kong
Bumi Serpong Damai PT	7 186 500	6 508 886	1 805	IDR	7 841 352	1 332 466	0,94 %	0,04 %	Indonesia
Keppel Land Ltd	400 000	7 012 787	3,42	SGD	7 738 024	725 237	0,93 %	0,03 %	Singapore
Atrium Ljungberg AB	70 280	6 377 741	114,70	SEK	7 711 667	1 333 926	0,93 %	0,05 %	Stockholm
Ananda Development PCL-Nvdr	10 265 800	4 816 131	3,28	THB	7 667 074	2 850 943	0,92 %	0,31 %	Bangkok
Ascendas India Trust	1 625 000	6 090 306	0,82	SGD	7 537 220	1 446 913	0,91 %	0,18 %	Singapore
Capita Land Ltd	400 000	6 017 269	3,31	SGD	7 489 140	1 471 870	0,90 %	0,01 %	Singapore
Summarecon Agung TbkPT	8 019 400	5 501 906	1 520	IDR	7 368 545	1 866 640	0,89 %	0,06 %	Indonesia
General Shopping Finance (Financial bond)	1 000 000	5 429 495	89,12	USD	6 786 770	1 249 035	0,82 %	0,40 %	Euroclear
Rockwell Land Corp	20 000 000	8 186 790	1,74	PHP	5 830 740	-2 356 050	0,70 %	0,33 %	Philippines
Etalon Group Ltd GDR	386 388	8 640 506	2,00	USD	5 790 753	-2 849 753	0,70 %	0,13 %	London Int.
Hovnanian Enterprises Inc	185 000	5 468 294	4,13	USD	5 725 365	257 071	0,69 %	0,14 %	New York
General Shopping Brasil SA	246 900	7 466 054	7,28	BRL	5 074 151	-2 391 904	0,61 %	0,49 %	Sao Paulo
Parque Arauco SA	349 321	3 976 533	1 162	CLP	5 010 616	1 034 083	0,60 %	0,04 %	Santiago
Ashford Inc	6 400	3 207 939	94,00	USD	4 508 055	1 300 117	0,54 %	0,32 %	New York
CSI Properties Ltd	15 000 000	4 034 630	0,31	HKD	4 488 180	453 550	0,54 %	0,14 %	Hong Kong
<b>Total Property</b>		<b>634 839 451</b>			<b>785 918 324</b>	<b>150 970 638</b>	<b>94,59 %</b>		
<b>TOTAL EQUITY PORTFOLIO<sup>1)</sup></b>		<b>634 839 451</b>			<b>785 918 324</b>	<b>150 970 638</b>	<b>94,59 %</b>		

<sup>1)</sup> For liquidity in the portfolio as of 31.12.2014, please refer to the balance sheet.

<sup>2)</sup> REITs (Real Estate Investment Trusts) are listed, legal structures which are subject to favourable tax regulations in their country of origin. Conditional to receiving favourable tax treatment, the company must fulfill minimum requirements related to property exposure and a minimum share of the profits must be shared between owners.

#### Allocation of the acquisition cost:

For SKAGEN m<sup>2</sup> the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

# SKAGEN Vekst

## Note 7. Securities portfolio as of 31.12.2014 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund	Share in company/ share class	Stock exchange
<b>Energy</b>									
Lundin Petroleum AB	1 800 000	175 580 247	112,40	SEK	193 549 428	17 969 181	2,24%	0,58%	Stockholm
Solstad Offshore ASA	1 982 746	99 497 880	79,00	NOK	156 636 934	57 139 054	1,81%	5,13%	Oslo Børs
Bonheur ASA	1 192 594	88 117 205	73,25	NOK	87 357 510	-759 695	1,01%	2,92%	Oslo Børs
Ganger Rolf ASA	1 213 817	124 262 346	71,50	NOK	86 787 915	-37 474 430	1,00%	3,59%	Oslo Børs
DOF ASA	5 762 213	110 021 666	14,95	NOK	86 145 084	-23 876 582	1,00%	5,19%	Oslo Børs
GCL-Poly Energy Holdings Ltd	30 000 000	59 320 136	1,80	HKD	52 120 800	-7 199 336	0,60%	0,19%	Hong Kong
Rec Silicon ASA	29 162 486	42 189 645	1,78	NOK	52 025 875	9 836 230	0,60%	1,26%	Oslo Børs
Siem Offshore Inc	8 036 317	68 364 907	4,04	NOK	32 466 721	-35 898 186	0,38%	2,06%	Oslo Børs
Eidesvik Offshore ASA	1 010 641	37 561 988	24,50	NOK	24 760 704	-12 801 283	0,29%	3,35%	Oslo Børs
Electromagnetic Geoservices AS	5 029 207	68 319 497	4,02	NOK	20 217 412	-48 102 085	0,23%	2,52%	Oslo Børs
Sevan Drilling ASA	13 252 171	83 460 363	1,07	NOK	14 179 823	-69 280 540	0,16%	2,23%	Oslo Børs
<b>Total Energy</b>		<b>956 695 880</b>			<b>806 248 208</b>	<b>-150 447 672</b>	<b>9,33%</b>		
<b>Raw materials</b>									
Norsk Hydro ASA	14 042 679	355 935 581	42,44	NOK	595 971 297	240 035 716	6,90%	0,68%	Oslo Børs
OCI Co Ltd	39 000	33 002 671	78 600	KRW	21 035 081	-11 967 590	0,24%	0,16%	Seoul
Nordic Mining ASA	18 786 048	21 192 974	0,90	NOK	16 907 443	-4 285 531	0,20%	6,09%	Oslo Axess
Agrinos AS	817 242	23 068 088	2,30	NOK	1 879 657	-21 188 431	0,02%	1,26%	Unlisted
<b>Total Raw Materials</b>		<b>433 199 314</b>			<b>635 793 478</b>	<b>202 594 164</b>	<b>7,36%</b>		
<b>Industrials</b>									
Norwegian Air Shuttle ASA	1 551 707	110 582 944	276,20	NOK	428 581 473	317 998 530	4,96%	4,41%	Oslo Børs
Koninklijke Philips NV	1 518 075	304 812 045	24,15	EUR	332 472 247	27 660 203	3,85%	0,16%	Amsterdam
ABB Ltd	1 900 000	271 039 266	165,90	SEK	301 545 646	30 506 380	3,49%	0,08%	Stockholm
Wilh. Wilhelmsen Holding ASA	875 275	62 508 454	170,00	NOK	148 796 750	86 288 296	1,72%	2,53%	Oslo Børs
AirAsia Bhd	24 244 100	125 235 413	2,72	MYR	141 113 463	15 878 050	1,63%	0,87%	Kuala Lumpur
Kongsberg Gruppen ASA	1 056 509	43 882 279	123,00	NOK	129 950 607	86 068 328	1,50%	0,88%	Oslo Børs
Stolt-Nielsen Ltd	541 341	67 130 012	125,00	NOK	67 667 625	537 613	0,78%	0,84%	Oslo Børs
FLSmidth & Co A/S	170 000	54 248 773	272,30	DKK	56 356 978	2 108 205	0,65%	0,33%	København
Golar LNG Ltd	130 000	44 203 728	36,47	USD	35 527 164	-8 676 564	0,41%	0,14%	NASDAQ
Odffjell SE-A	1 217 307	54 496 151	28,80	NOK	35 058 442	-19 437 710	0,41%	1,85%	Oslo Børs
Goodtech ASA	2 116 842	48 134 917	12,00	NOK	25 402 104	-22 732 813	0,29%	6,51%	Oslo Børs
TTS Group ASA	3 055 946	30 511 719	4,75	NOK	14 515 743	-15 995 976	0,17%	3,53%	Oslo Børs
YIT Oyj	315 125	20 139 443	4,27	EUR	12 202 695	-7 936 747	0,14%	0,25%	Helsinki
I.M. Skaugen SE	1 728 652	21 005 353	4,50	NOK	7 778 934	-13 226 419	0,09%	6,38%	Oslo Børs
Viti Invest AS	931 782	5 643 663	0,47	NOK	437 938	-5 205 725	0,01%	5,95%	Unlisted
<b>Total Industrials</b>		<b>1 263 574 160</b>			<b>1 737 407 810</b>	<b>473 833 650</b>	<b>20,11%</b>		
<b>Consumer discretionary</b>									
Continental AG	293 500	147 369 335	175,55	EUR	467 255 019	319 885 684	5,41%	0,15%	Frankfurt
Kia Motors Corporation	800 000	240 727 112	52 300	KRW	287 110 264	46 383 152	3,32%	0,20%	Seoul
Volvo AB	2 500 000	209 578 429	84,70	SEK	202 570 637	-7 007 792	2,34%	0,15%	Stockholm
Toshiba Corp	5 000 000	132 114 376	512,40	JPY	160 154 463	28 040 087	1,85%	0,12%	Tokyo
Nokian Renkaat OYJ	375 000	84 234 298	20,29	EUR	69 001 471	-15 232 827	0,80%	0,28%	Helsinki
Toto Ltd	550 000	43 403 162	1 408	JPY	48 408 906	5 005 743	0,56%	0,16%	Tokyo
Nippon Seiki Co Ltd	273 000	28 147 666	2 735	JPY	46 674 524	18 526 858	0,54%	0,45%	Tokyo
Fjord Line AS	3 622 985	33 137 910	2,50	NOK	9 057 462	-24 080 447	0,10%	4,54%	Unlisted
<b>Total Consumer Discretionary</b>		<b>918 712 289</b>			<b>1 290 232 746</b>	<b>371 520 457</b>	<b>14,93%</b>		

## Note 7. Securities portfolio as of 31.12.2014 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund	Share in company/ share class	Stock exchange
<b>Consumer staples</b>									
Casino Guichard Perrachon SA	330 000	225 750 798	76,46	EUR	228 819 625	3 068 827	2,65%	0,29%	Paris
Carlsberg AS-B	270 746	162 563 599	478,80	DKK	157 821 921	-4 741 678	1,83%	0,23%	København
Royal Unibrew A/S	95 000	29 418 857	1 087	DKK	125 719 974	96 301 118	1,46%	0,86%	København
Oriflame Cosmetics SA-SDR	536 829	76 416 034	108,50	SEK	55 720 985	-20 695 049	0,64%	0,99%	Stockholm
Sodastream International Ltd	315 000	75 696 247	20,12	USD	47 491 945	-28 204 303	0,55%	1,52%	NASDAQ
Yazicilar Holding AS	689 169	23 544 261	19,55	TRY	43 234 085	19 689 824	0,50%	0,43%	Istanbul
Genomar AS	483 807	11 591 091	0,29	NOK	140 304	-11 450 787	0,00%	6,59%	Unlisted
<b>Total Consumer Staples</b>		<b>604 980 887</b>			<b>658 948 838</b>	<b>53 967 951</b>	<b>7,63%</b>		
<b>Health care</b>									
Teva Pharmaceutical-Sp ADR	700 000	185 158 760	57,51	USD	301 663 544	116 504 784	3,49%	0,08%	NASDAQ
Novo Nordisk A/S-B	290 250	62 217 876	260,30	DKK	91 980 874	29 762 998	1,06%	0,01%	København
Medi-Stim ASA	1 465 625	18 313 038	27,50	NOK	40 304 687	21 991 650	0,47%	7,99%	Oslo Børs
Gefinge AB - B shs	200 000	32 797 665	177,80	SEK	34 018 474	1 220 809	0,39%	0,09%	Stockholm
Photocure ASA	626 466	25 234 986	27,50	NOK	17 227 815	-8 007 171	0,20%	2,93%	Oslo Børs
<b>Total healthcare</b>		<b>323 722 325</b>			<b>485 195 395</b>	<b>161 473 070</b>	<b>5,62%</b>		
<b>Financials</b>									
Citigroup Inc	900 000	317 958 202	54,11	USD	364 923 192	46 964 990	4,22%	0,03%	New York
Danske Bank A/S	1 600 000	174 334 648	167,40	DKK	326 081 808	151 747 160	3,77%	0,16%	København
Tribona AB	2 803 335	92 588 897	38,60	SEK	103 517 883	10 928 986	1,20%	5,76%	Stockholm
Korean Reinsurance Co	1 250 000	42 640 374	10 800	KRW	92 638 350	49 997 976	1,07%	1,04%	Seoul
Sparebanken Øst	1 124 204	19 925 326	51,00	NOK	57 334 404	37 409 078	0,66%	5,42%	Oslo Børs
Hitevision AS	793 668	7 193 426	69,00	NOK	54 763 092	47 569 666	0,63%	4,18%	Unlisted
Sberbank of Russia Pref	11 120 000	160 943 926	37,70	RUB	53 136 642	-107 807 284	0,62%	1,11%	Moscow
Norwegian Finans Holding ASA	2 500 000	4 901 846	20,00	NOK	50 000 000	45 098 154	0,58%	1,45%	Unlisted
SBI Holdings Inc	500 000	41 625 416	1 326	JPY	41 445 124	-180 292	0,48%	0,22%	Tokyo
Raiffeisen Bank International AG	306 524	69 052 483	12,53	EUR	34 844 470	-34 208 014	0,40%	0,10%	Wien
Zoncolan ASA	730 000	4 045 513	0,56	NOK	408 800	-3 636 713	0,00%	4,90%	Oslo Axxess
<b>Total Financials</b>		<b>935 210 057</b>			<b>1 179 093 765</b>	<b>243 883 708</b>	<b>13,65%</b>		
<b>Information technology</b>									
Samsung Electronics Co Ltd Pref	93 660	554 401 443	1 039 000	KRW	667 769 753	113 368 310	7,73%	0,41%	Seoul
SAP SE	545 000	230 275 074	58,26	EUR	287 946 642	57 671 567	3,33%	0,04%	Frankfurt
PSI Group ASA	3 796 612	43 430 508	7,25	NOK	27 525 437	-15 905 071	0,32%	8,56%	Oslo Børs
Q-Free ASA	2 603 177	36 551 764	10,00	NOK	26 031 770	-10 519 994	0,30%	3,78%	Oslo Børs
Bang & Olufsen A/S	325 000	24 594 307	36,10	DKK	14 283 732	-10 310 575	0,17%	0,75%	København
Oter Invest AS	2 566 891	6 979 932	0,50	NOK	1 283 445	-5 696 487	0,01%	8,41%	Unlisted
<b>Total Information Technology</b>		<b>896 233 028</b>			<b>1 024 840 780</b>	<b>128 607 751</b>	<b>11,86%</b>		
<b>Telecom</b>									
TeliaSonera AB	8 000 000	366 645 271	50,40	SEK	385 721 280	19 076 009	4,46%	0,18%	Stockholm
Kinnevik Investment AB-B	463 583	103 529 237	255,30	SEK	113 222 149	9 692 911	1,31%	0,20%	Stockholm
<b>Total Telecom</b>		<b>470 174 509</b>			<b>498 943 429</b>	<b>28 768 920</b>	<b>5,78%</b>		
<b>TOTAL EQUITY PORTFOLIO <sup>1)</sup></b>		<b>6 802 502 448</b>			<b>8 316 704 447</b>	<b>1 514 201 999</b>	<b>96,26 %</b>		

<sup>1)</sup> For liquidity in the portfolio as of 31.12.2014, please refer to the balance sheet.

### Allocation of the acquisition cost:

For SKAGEN Vekst the average acquisition value is applied when calculating the realised capital gain/loss when selling shares.

# SKAGEN Global

## Note 7. Securities portfolio as of 31.12.2014 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund	Share in company/ share class	Stock exchange
<b>Energy</b>									
Baker Hughes Inc	1 651 517	430 513 030	56,07	USD	693 897 027	263 383 996	1,76%	0,38%	New York
Gazprom OaoADR	19 768 118	1 278 439 979	4,65	USD	688 810 406	-589 629 573	1,75%	0,17%	London Int.
Technip SA	1 088 394	600 960 756	49,41	EUR	487 741 797	-113 218 959	1,24%	0,96%	Paris
Kazmunaigas Exploration GDR	2 989 139	368 286 596	14,50	USD	324 784 680	-43 501 916	0,83%	0,71%	London Int.
Weatherford Intl Ltd	2 474 556	203 022 576	11,45	USD	212 316 719	9 294 143	0,54%	0,32%	New York
BPPlc	4 331 863	216 163 706	4,11	GBP	207 984 044	-8 179 662	0,53%	0,02%	London
Petroleo Brasileiro PrefADR	3 550 248	439 163 092	7,58	USD	201 655 151	-237 507 942	0,51%	0,13%	New York
BPPlc ADR	606 673	177 094 585	38,12	USD	173 296 177	-3 798 408	0,44%	0,00%	New York
Afren Plc	28 366 070	303 193 926	0,47	GBP	156 671 544	-146 522 382	0,40%	2,56%	London
Renewable Energy Corp ASA09/186,5%	8 099 882	48 909 416	87,50	USD	53 325 183	4 199 588	0,14%		Unlisted
<b>Total Energy</b>		<b>4 065 747 663</b>			<b>3 200 482 727</b>	<b>-865 481 115</b>	<b>8,13%</b>		
<b>Raw materials</b>									
Akzo Nobel NV	2 134 491	691 824 422	57,65	EUR	1 115 934 425	424 110 003	2,83%	0,87%	Amsterdam
Koninklijke DSM NV	2 123 303	882 660 713	50,64	EUR	975 103 479	92 442 765	2,48%	1,17%	Amsterdam
Norsk Hydro ASA	17 701 455	478 451 926	42,44	NOK	751 249 750	272 797 825	1,91%	0,86%	Oslo Børs
Heidelbergcement AG	1 253 485	414 798 724	58,81	EUR	668 521 465	253 722 741	1,70%	0,67%	Frankfurt
Lundin Mining Corp	10 469 031	295 063 094	5,72	CAD	387 648 683	92 585 589	0,98%	1,46%	Toronto
Ternium SA ADR	2 503 889	374 217 240	17,64	USD	330 974 912	-43 242 328	0,84%	1,28%	New York
UPM-Kymmene Oyj	2 433 683	178 308 183	13,62	EUR	300 598 045	122 289 862	0,76%	0,46%	Helsinki
Mayr-Melnhof Karton AG	358 326	165 979 342	86,00	EUR	279 461 386	113 482 043	0,71%	1,79%	Wien
OCI Co Ltd	438 528	416 479 844	78 600	KRW	236 524 927	-179 954 917	0,60%	1,84%	Seoul
Lundin Mining Corp SDR	5 862 946	154 553 366	37,45	SEK	210 049 084	55 495 718	0,53%	0,82%	Stockholm
<b>Total Raw Materials</b>		<b>4 052 336 854</b>			<b>5 256 066 154</b>	<b>1 203 729 300</b>	<b>13,35%</b>		
<b>Industrials</b>									
LG Corp	2 391 893	669 940 233	61 200	KRW	1 004 500 628	334 560 395	2,55%	1,39%	Seoul
Tyco International Plc	2 724 661	293 567 156	43,86	USD	895 493 679	601 926 523	2,27%	0,65%	New York
Koninklijke Philips NV	2 951 400	541 329 736	24,15	EUR	646 383 473	105 053 737	1,64%	0,32%	Amsterdam
Valmet Corp	3 202 627	219 542 329	10,22	EUR	296 826 241	77 283 912	0,75%	2,14%	Helsinki
Prosegur Cia de Seguridad Sa	6 360 714	206 436 114	4,72	EUR	272 265 681	65 829 568	0,69%	1,03%	Madrid
China Communications Services Corp Ltd	74 754 294	269 563 912	3,64	HKD	262 636 354	-6 927 558	0,67%	3,13%	Hong Kong
Autoliv Inc	276 314	94 600 067	106,12	USD	219 726 052	125 125 985	0,56%	0,31%	New York
Mosaic Co/The	377 307	114 761 272	45,65	USD	129 067 550	14 306 278	0,33%	0,11%	New York
Autoliv Inc SDR	141 095	48 971 686	837,50	SEK	113 044 520	64 072 835	0,29%	0,16%	Stockholm
<b>Total Industrials</b>		<b>2 458 712 504</b>			<b>3 839 944 179</b>	<b>1 381 231 675</b>	<b>9,76%</b>		
<b>Consumer discretionary</b>									
Renault SA	2 003 179	559 628 778	60,53	EUR	1 099 601 866	539 973 088	2,79%	0,68%	Paris
General Motors Co	3 450 380	492 686 674	34,91	USD	902 605 963	409 919 289	2,29%	0,21%	New York
Gap Inc/The	2 576 997	632 224 685	42,11	USD	813 168 555	180 943 870	2,07%	0,61%	New York
Toyota Industries Corp	1 745 077	311 462 843	6 210	JPY	677 432 635	365 969 792	1,72%	0,54%	Tokyo
Comcast Corp	1 530 793	185 773 851	57,56	USD	660 322 960	474 549 109	1,68%	0,37%	NASDAQ
Volvo AB	7 530 159	583 951 938	84,70	SEK	610 155 644	26 203 705	1,55%	0,47%	Stockholm
Hyundai Motor Co Pref (2pb)	518 537	146 240 482	134 000	KRW	476 805 868	330 565 386	1,21%	1,38%	Seoul
Kingfisher Plc	9 876 304	315 511 939	3,40	GBP	392 848 455	77 336 516	1,00%	0,42%	London
Tata Motors Ltd-A- DVR	8 041 456	108 530 555	335,70	INR	320 206 485	211 675 929	0,81%	1,67%	Bombay
Yamaha Motor Co Ltd	2 055 851	173 754 925	2 442	JPY	313 831 993	140 077 068	0,80%	0,59%	Tokyo
Global Mediacom Tbk PT	247 094 045	230 826 145	1 425	IDR	212 849 899	-17 976 246	0,54%	1,74%	Jakarta
Hyundai Motor Co Pref (1p)	100 435	34 943 091	126 500	KRW	87 183 169	52 240 078	0,22%	0,40%	Seoul
<b>Total Consumer Discretionary</b>		<b>3 775 535 906</b>			<b>6 567 013 493</b>	<b>2 791 477 587</b>	<b>16,68%</b>		

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund	Share in company/ share class	Stock exchange
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## Note 7. Securities portfolio as of 31.12.2014 (in NOK)

Consumer staples									
Unilever NV-Cva	1 740 674	364 639 549	32,64	EUR	515 243 626	150 604 077	1,31%	0,10%	Amsterdam
Yazicilar Holding AS	3 852 265	93 301 824	19,55	TRY	241 666 632	148 364 807	0,61%	2,41%	Istanbul
United Intl Enterprises	68 992	12 394 635	959,00	DKK	80 550 544	68 155 909	0,20%	1,94%	København
<b>Total Consumer Staples</b>		<b>470 336 008</b>			<b>837 460 801</b>	<b>367 124 793</b>	<b>2,13%</b>		
Health care									
Roche Holding AG-Genusschein	507 608	498 365 082	269,90	CHF	1 033 320 738	534 955 656	2,63%	0,07%	Zürich
Sanofi	992 732	618 471 425	75,66	EUR	681 150 992	62 679 568	1,73%	0,07%	Paris
Teva Pharmaceutical-Sp ADR	1 119 331	246 785 828	57,51	USD	482 373 367	235 587 539	1,23%	0,13%	NASDAQ
Varian Medical Systems Inc	725 582	370 970 224	86,51	USD	470 364 172	99 393 949	1,19%	0,72%	New York
<b>Total healthcare</b>		<b>1 734 592 558</b>			<b>2 667 209 270</b>	<b>932 616 712</b>	<b>6,78%</b>		
Financials									
Citigroup Inc	6 753 367	15 464 378 724	54,11	USD	2 738 289 160	1 191 850 436	6,96%	0,22%	New York
American International Group Inc	3 982 321	969 281 286	56,01	USD	1 671 411 009	702 129 723	4,25%	0,28%	New York
Nordea Bank AB	12 756 133	896 126 469	90,90	SEK	1 109 266 756	213 140 288	2,82%	0,31%	Stockholm
Goldman Sachs Group Inc	530 136	471 979 212	193,83	USD	769 998 208	298 018 996	1,96%	0,12%	New York
State Bank of India	19 860 330	483 504 276	311,85	INR	734 642 295	251 138 649	1,87%	0,27%	National India
NN Group NV	2 795 661	494 945 042	24,84	EUR	629 895 556	134 950 515	1,60%	0,80%	Amsterdam
Cheung Kong Holdings Ltd	4 476 098	358 395 916	130,30	HKD	562 938 972	204 543 056	1,43%	0,19%	Hong Kong
Storebrand ASA	13 799 450	478 370 596	29,20	NOK	402 943 940	-75 426 656	1,02%	3,07%	Oslo Børs
Banco Do Estado Rio Grande Do Sul SA Pref	7 443 113	174 662 409	14,50	BRL	304 672 666	130 010 256	0,77%	1,82%	Sao Paulo
Raiffeisen Bank International AG	2 457 057	390 676 559	12,53	EUR	279 308 791	-111 367 767	0,71%	0,84%	Wien
EFG-Hermes Holding SAE	16 691 224	206 618 222	15,41	EGP	269 390 739	62 772 516	0,68%	2,91%	Cairo
Talanx AG	991 833	156 373 761	25,27	EUR	227 294 450	70 920 689	0,58%	0,39%	Frankfurt
State Bank Of India GDR	593 476	108 798 291	49,35	USD	219 468 270	110 669 978	0,56%	0,08%	National India
Irsa Sa ADR	1 819 371	151 247 564	15,37	USD	209 544 640	58 297 076	0,53%	3,14%	New York
<b>Total Financials</b>		<b>6 887 418 327</b>			<b>10 129 066 082</b>	<b>3 241 647 756</b>	<b>25,73%</b>		
Information technology									
Samsung Electronics Co Ltd Pref	357 352	865 540 247	1 039 000	KRW	2 547 820 380	1 682 280 133	6,47%	1,57%	Seoul
Microsoft Corp	2 466 146	392 164 496	46,45	USD	858 392 519	466 228 023	2,18%	0,03%	NASDAQ
Lenovo Group Ltd	49 790 000	374 238 892	10,20	HKD	490 184 542	115 945 650	1,25%	0,45%	Hong Kong
Samsung Electronics Co Ltd Pref GDR	65 631	66 326 284	469,90	USD	231 097 841	164 771 557	0,59%	0,14%	London Int.
Google Inc CLASS C	50 875	88 964 837	526,40	USD	200 678 906	111 714 069	0,51%	0,01%	NASDAQ
Google Inc CLASS A	45 315	79 242 095	530,66	USD	180 193 765	100 951 670	0,46%	0,02%	NASDAQ
<b>Total Information Technology</b>		<b>1 866 476 851</b>			<b>4 508 367 953</b>	<b>2 641 891 102</b>	<b>11,45%</b>		
Telecom									
China Unicom Hong Kong Ltd	52 793 796	461 481 299	10,40	HKD	529 948 348	68 467 049	1,35%	0,22%	Hong Kong
First Pacific Co Ltd	44 528 923	281 363 823	7,69	HKD	330 510 944	49 147 120	0,84%	1,04%	Hong Kong
Vimpelcom Ltd-Spon ADR	10 271 594	752 761 524	4,17	USD	321 348 108	-431 413 416	0,82%	0,58%	New York
China Unicom Hong Kong Ltd ADR	2 029 203	187 115 396	13,45	USD	204 516 900	17 401 504	0,52%	0,08%	New York
Indosat Tbk PT	65 422 055	226 137 562	4050	IDR	160 167 911	-65 969 651	0,41%	1,20%	Indonesia
Global Telecom Holding	38 328 039	100 420 322	3,97	EGP	159 367 200	58 946 878	0,40%	0,73%	Cairo
Global Telecom Holding GDR	3 499 613	48 958 233	2,85	USD	74 738 831	25 780 598	0,19%	0,33%	London Int.
<b>Total Telecom</b>		<b>2 058 238 159</b>			<b>1 780 598 242</b>	<b>-277 639 917</b>	<b>4,52%</b>		
<b>TOTAL EQUITY PORTFOLIO <sup>1)</sup></b>		<b>27 369 394 829</b>			<b>38 786 208 900</b>	<b>11 416 597 893</b>	<b>98,53%</b>		

<sup>1)</sup> For liquidity in the portfolio as of 31.12.2014, please refer to the balance sheet.

### Allocation of the acquisition cost:

For SKAGEN Global the average acquisition value is applied when calculating the realised capital gain/loss when selling shares.

# SKAGEN Kon-Tiki

## Note 7. Securities portfolio as of 31.12.2014 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund	Share in company/ share class	Stock exchange
<b>Energy</b>									
Tullow Oil Plc	8 461 624	793 316 634	4,14	GBP	409 131 232	-384 185 402	0,79%	0,93%	London
GCL-Poly Energy Holdings Ltd	224 088 000	368 096 213	1,80	HKD	389 321 528	21 225 314	0,75%	1,45%	Hong Kong
Rec Silicon ASA	83 201 594	133 426 462	1,78	NOK	148 431 644	15 005 182	0,29%	3,60%	Oslo Børs
Archer Ltd	25 327 048	405 547 179	4,04	NOK	102 321 274	-303 225 905	0,20%	4,37%	Oslo Børs
Deep Sea Supply Plc	17 250 931	170 959 211	5,29	NOK	91 257 425	-79 701 786	0,18%	6,60%	Oslo Børs
Afren Plc	13 923 928	172 410 936	0,47	GBP	76 904 671	-95 506 265	0,15%	1,26%	London
Siem Offshore Inc	10 977 629	94 336 405	4,04	NOK	44 349 621	-49 986 784	0,09%	2,82%	Oslo Børs
<b>Total Energy</b>		<b>2 138 093 041</b>			<b>1 261 717 395</b>	<b>-876 375 646</b>	<b>2,44%</b>		
<b>Raw materials</b>									
Vale Sa Spons prefADR	13 322 805	1 305 068 975	7,26	USD	724 792 539	-580 276 436	1,40%	0,66%	New York
Hindalco Industries Ltd	27 731 830	462 262 844	157,55	INR	518 252 050	55 989 206	1,00%	1,34%	National India
UPL Ltd	10 294 488	191 091 002	346,55	INR	423 169 878	232 078 876	0,82%	2,40%	National India
OCI Co Ltd	600 000	455 623 270	78 600	KRW	323 616 636	-132 006 634	0,63%	2,52%	Seoul
LG Chem Ltd Pref	259 179	178 914 878	141 000	KRW	250 770 222	71 855 344	0,48%	3,40%	Seoul
Asia Cement China Holdings	48 551 500	178 471 440	4,53	HKD	212 284 442	33 813 003	0,41%	3,10%	Hong Kong
Exaro Resources Ltd	1 190 609	152 088 408	103,50	ZAR	79 870 249	-72 218 159	0,15%	0,33%	Johannesburg
Vale SA-PrefA	1 231 900	210 807 094	19,23	BRL	66 875 281	-143 931 813	0,13%	0,06%	Sao Paulo
Drdgold Ltd ADR	3 724 701	206 449 868	1,54	USD	42 982 687	-163 467 181	0,08%	9,66%	NASDAQ
<b>Total Raw Materials</b>		<b>3 340 777 777</b>			<b>2 642 613 983</b>	<b>-698 163 794</b>	<b>5,11%</b>		
<b>Industrials</b>									
ABB Ltd	8 530 512	808 037 174	165,90	SEK	1 353 862 503	545 825 329	2,62%	0,37%	Stockholm
AP Moeller - Maersk A/S	85 000	684 517 721	12 370	DKK	1 280 087 803	595 570 082	2,48%	0,77%	København
Hitachi Ltd	12 195 000	591 389 122	900,70	JPY	686 628 598	95 239 475	1,33%	0,25%	Tokyo
AirAsia Bhd	108 497 800	414 918 483	2,72	MYR	631 514 483	216 596 000	1,22%	3,90%	Kuala Lumpur
CNH Industrial NV	9 338 348	567 834 249	8,06	USD	564 009 628	-3 824 621	1,09%	0,69%	New York
Bidvest Group Ltd	2 800 000	326 109 945	303,88	ZAR	551 487 502	225 377 557	1,07%	0,83%	Johannesburg
Frontline 2012 Ltd	12 706 335	342 811 850	40,00	NOK	508 253 400	165 441 550	0,98%	5,10%	Unlisted
OCI NV	1 825 927	455 606 325	28,89	EUR	478 383 275	22 776 951	0,93%	0,89%	Amsterdam
Golar LNG Ltd	1 290 000	469 487 359	36,47	USD	352 538 779	-116 948 580	0,68%	1,38%	NASDAQ
Enka Insaat Ve Sanayi AS	20 782 815	217 527 820	5,28	TRY	352 121 113	134 593 294	0,68%	0,58%	Istanbul
Harbin Electric Company Ltd	65 244 000	589 466 555	4,85	HKD	305 421 518	-284 045 038	0,59%	4,74%	Hong Kong
Empresas ICA S.A.B	32 729 853	448 728 916	18,01	MXN	299 821 801	-148 907 114	0,58%	5,39%	Mexico
Norwegian Air Shuttle ASA	1 048 248	98 310 917	276,20	NOK	289 526 098	191 215 180	0,56%	2,98%	Oslo Børs
Aveng Ltd	21 017 094	617 358 060	17,40	ZAR	237 026 793	-380 331 268	0,46%	5,04%	Johannesburg
LG Corp Pref	808 430	118 266 161	41 200	KRW	228 558 133	110 291 972	0,44%	24,39%	Seoul
Kerry Logistics Network Ltd	16 905 000	170 209 837	12,30	HKD	200 695 484	30 485 647	0,39%	1,00%	Hong Kong
Yingli Green Energy Holding Co Ltd ADR	7 987 390	176 558 029	2,35	USD	140 654 676	-35 903 353	0,27%	4,39%	New York
Golden Ocean Group Ltd	22 086 808	96 408 028	4,74	NOK	104 691 470	8 283 442	0,20%	4,94%	Oslo Børs
Euronav SA	810 247	73 259 695	10,37	EUR	76 197 588	2 937 893	0,15%	0,67%	Brussel
Knightsbridge Shipping Ltd	699 512	25 959 197	4,53	USD	23 745 143	-2 214 053	0,05%	0,87%	NASDAQ
Kuribayashi Steamship Co Ltd	288 000	5 769 611	318,00	JPY	5 725 053	-44 558	0,01%	2,26%	Tokyo
<b>Total Industrials</b>		<b>7 298 535 053</b>			<b>8 670 950 840</b>	<b>1 372 415 786</b>	<b>16,77%</b>		
<b>Consumer discretionary</b>									
Great Wall Motor Co Ltd	60 000 000	108 837 095	44,10	HKD	2 553 919 200	2 445 082 105	4,94%	2,19%	Hong Kong
Hyundai Motor Co Pref (2pb)	2 351 443	375 433 804	134 000	KRW	2 162 202 159	1 786 768 356	4,18%	6,25%	Seoul
Hyundai Motor Co Pref (1p)	2 234 715	358 957 639	126 500	KRW	1 939 856 982	1 580 899 343	3,75%	8,90%	Seoul
Mahindra & Mahindra Ltd GDR	8 172 262	190 397 984	19,65	USD	1 203 334 195	1 012 936 211	2,33%	1,32%	London Int.
Naspers Ltd	1 000 919	292 956 091	1 515	ZAR	982 927 509	689 971 418	1,90%	0,24%	Johannesburg
LG Electronics Inc Pref	3 050 000	823 954 276	26 950	KRW	564 047 465	-259 906 812	1,09%	1,86%	Seoul
Mahindra & Mahindra Ltd	3 103 503	250 705 735	1 234	INR	454 432 899	203 727 165	0,88%	0,50%	National India
Apollo Tyres Ltd	13 981 313	108 625 299	223,20	INR	370 157 233	261 531 934	0,72%	2,75%	National India
DRB-Hicom Bhd	88 408 800	365 449 189	1,75	MYR	331 075 484	-34 373 705	0,64%	4,57%	Kuala Lumpur
Hengdeli Holdings Ltd	162 184 800	256 019 436	1,45	HKD	226 984 115	-29 035 321	0,44%	3,38%	Hong Kong
MRV Engenharia	8 095 400	172 460 675	7,50	BRL	171 399 856	-1 060 819	0,33%	1,80%	Sao Paulo
Rocket Internet AG	185 000	63 982 273	51,39	EUR	86 217 491	22 235 218	0,17%	0,12%	Frankfurt
<b>Total Consumer Discretionary</b>		<b>3 367 779 497</b>			<b>11 046 554 589</b>	<b>7 678 775 092</b>	<b>21,36%</b>		
<b>Consumer staples</b>									
Heineken NV	2 175 257	724 066 218	58,95	EUR	1 162 892 099	438 825 881	2,25%	0,38%	Amsterdam
Distribuidora Internacional de Alimentacion SA	17 835 135	665 038 017	5,63	EUR	910 119 357	245 081 341	1,76%	2,74%	Madrid
Casino Guichard Perrachon SA	1 223 074	967 747 904	76,46	EUR	848 070 708	-119 677 196	1,64%	1,08%	Paris
Cosan Ltd	12 991 033	786 886 457	7,75	USD	754 443 655	-32 442 802	1,46%	7,45%	New York
Marrig Global Foods SA	33 457 200	525 978 738	6,10	BRL	576 143 021	50 164 283	1,11%	6,42%	Sao Paulo
Yazicilar Holding AS	8 837 139	222 039 654	19,55	TRY	554 385 956	332 346 303	1,07%	5,52%	Istanbul
Familymart Co Ltd	1 776 500	491 160 934	4 550	JPY	505 285 143	14 124 209	0,98%	1,82%	Tokyo
X S Retail Group NV GDR	4 990 306	506 265 525	12,20	USD	456 213 812	-50 051 713	0,88%	1,84%	London Int.
Shiseido Co Ltd	4 166 700	448 243 597	1 693	JPY	440 970 067	-7 273 529	0,85%	1,04%	Tokyo
Massmart Holdings Ltd	4 189 594	319 448 699	142,80	ZAR	387 771 308	68 322 609	0,75%	1,93%	Johannesburg
Kulim Malaysia BHD	50 827 600	160 451 024	3,00	MYR	326 297 944	165 846 920	0,63%	3,83%	Kuala Lumpur
PZ Cussons Plc	7 625 746	127 930 872	3,06	GBP	272 594 599	144 663 727	0,53%	1,78%	London
Cia Cervecerias Unidas SAADR	1 538 270	280 090 167	18,55	USD	213 824 717	-66 265 450	0,41%	0,83%	New York
East African Breweries Ltd	5 774 866	88 566 475	310,00	KES	148 139 750	59 573 275	0,29%	0,73%	Nairobi
Podravka Prehranska Ind DD	406 584	111 935 175	293,47	HRK	141 341 159	29 405 984	0,27%	7,50%	Zagreb
Pivovarna Lasko	499 286	138 711 783	23,50	EUR	106 405 061	-32 306 721	0,21%	5,71%	Ljubljana
United Intl Enterprises	39 581	7 476 358	959,00	DKK	46 212 185	38 735 827	0,09%	1,11%	København
Kulim Malaysia BHD Warrants	8 437 550	-	0,70	MYR	12 638 859	12 638 859	0,02%	5,40%	Kuala Lumpur
<b>Total Consumer Staples</b>		<b>6 572 037 596</b>			<b>7 863 749 401</b>	<b>1 291 711 805</b>	<b>15,21%</b>		

## Note 7. Securities portfolio as of 31.12.2014 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund	Share in company/ share class	Stock exchange
<b>Health care</b>									
Richter Gedeon Nyrt	8936 510	970 296 171	3 535	HUF	905 480 303	-64 815 868	1,75%	4,79%	Budapest
China Shineway Pharmaceutical	36 934 000	280 297 726	11,78	HKD	419 941 648	139 643 922	0,81%	4,47%	Hong Kong
Eis Eczacibasi Ilac Ve Sanayi	19 410 554	133 038 236	2,32	TRY	144 503 940	11 465 704	0,28%	3,54%	Istanbul
Supermax Corp BHD	30 573 600	117 547 743	1,68	MYR	109 913 070	-7 634 672	0,21%	4,52%	Kuala Lumpur
Eczacibasi Yatirim Holding	3 362 732	39 931 421	6,36	TRY	68 628 285	28 696 863	0,13%	4,80%	Istanbul
<b>Total healthcare</b>		<b>1 541 111 298</b>			<b>1 648 467 246</b>	<b>107 355 948</b>	<b>3,19%</b>		
<b>Financials</b>									
State Bank of India	55 690 910	1 265 479 187	311,85	INR	2 060 032 890	794 553 704	3,98%	0,75%	National India
Haci Omer Sabanci Holding AS	45 791 436	927 447 130	10,15	TRY	1 491 434 131	563 987 001	2,88%	2,24%	Istanbul
Banco Do Estado Rio Grande Do Sul SA Pref	20 354 500	482 469 437	14,50	BRL	833 180 926	350 711 489	1,61%	4,98%	Sao Paulo
SBI Holdings Inc	7 759 600	603 587 207	1 326	JPY	643 195 176	39 607 969	1,24%	3,46%	Tokyo
Raiffeisen Bank International AG	4 062 472	797 112 293	12,53	EUR	461 806 195	-335 306 740	0,89%	1,39%	Wien
JSE Ltd	5 864 519	226 705 132	121,00	ZAR	459 931 647	233 226 515	0,89%	6,75%	Johannesburg
Moscow Exchange MICEX-RTS OAO	54 263 060	578 348 220	59,06	RUB	406 205 399	-172 142 821	0,79%	2,38%	Moscow
Korean Reinsurance Co	4 860 366	182 224 831	10 800	KRW	360 205 029	177 980 198	0,70%	4,04%	Seoul
Kiatnakin Bank Plc	37 429 463	334 353 001	39,50	THB	336 646 205	2 293 204	0,65%	4,44%	Bangkok
Kiwoom Securities Co Ltd	1 043 205	190 647 588	46 100	KRW	330 010 401	139 362 813	0,64%	4,72%	Seoul
EFG-Hermes Holding SAE	17 939 257	353 506 506	15,41	EGP	289 533 571	-63 972 934	0,56%	3,13%	Cairo
Ghana Commercial Bank Ltd	18 001 604	88 821 180	5,30	GHS	221 957 662	133 136 482	0,43%	6,79%	Ghana
Dragon Capital - Vietnam Enterprise Investments Ltd	9 000 000	111 228 888	2,74	USD	184 788 310	73 559 422	0,36%	5,18%	Dublin
Value Partners Group Ltd	28 597 000	109 612 508	6,52	HKD	179 963 895	70 351 387	0,35%	1,56%	Hong Kong
Diamond Bank Plc	718 971 941	153 448 758	5,58	NGN	164 486 401	11 037 643	0,32%	4,97%	Lagos
Nordnet AB	5 007 907	69 538 630	28,20	SEK	135 100 961	65 562 331	0,26%	2,86%	Stockholm
VinaCapital Vietnam Opportunity Fund Ltd	4 062 000	44 474 421	2,50	USD	76 095 916	31 621 496	0,15%	1,79%	London
Norfinance AS	341 141	34 114 100	111,30	NOK	37 968 993	3 854 893	0,07%	9,89%	Unlisted
Trimegah Securities Tbk PT	700 000 000	67 131 002	68,00	IDR	28 774 200	-38 356 802	0,06%	9,85%	Jakarta
Norfinance AS Convertible bond	21 272 400	21 272 400	111,30	NOK	23 676 181	2 403 781	0,05%		Unlisted
EFG-Hermes Holding GDR	202 863	8 188 185	4,00	USD	6 080 570	-2 107 616	0,01%	0,07%	London Int.
<b>Total Financials</b>		<b>6 649 711 247</b>			<b>8 731 074 660</b>	<b>2 081 363 413</b>	<b>16,88%</b>		
<b>Total Information Technology</b>									
Samsung Electronics Co Ltd Pref	354 632	876 146 203	1 039 000	KRW	2 528 427 537	1 652 281 333	4,89%	1,55%	Seoul
Samsung Electronics Co Ltd Pref GDR	388 277	382 056 196	469,90	USD	1 367 188 927	985 132 731	2,64%	0,85%	London Int.
Lenovo Group Ltd	98 150 000	563 091 969	10,20	HKD	966 290 676	403 198 707	1,87%	0,88%	Hong Kong
Tech Mahindra Ltd	2 529 440	408 241 341	2 594	INR	778 149 600	369 908 259	1,50%	1,07%	National India
Skyworth Digital Holdings Ltd	32 870 181	95 989 642	4,22	HKD	133 884 981	37 895 339	0,26%	1,16%	Hong Kong
<b>Total Information Technology</b>		<b>2 325 525 351</b>			<b>5 773 941 720</b>	<b>3 448 416 369</b>	<b>11,17%</b>		
<b>Telecom</b>									
Bharti Airtel Ltd	40 609 668	1 548 255 180	352,70	INR	1 698 943 711	150 688 531	3,29%	1,02%	National India
Kinnevik Investment AB-B	2 624 324	458 112 107	255,30	SEK	640 945 854	182 833 748	1,24%	1,11%	Stockholm
Indosat Tbk PT	206 683 750	557 400 537	4 050	IDR	506 008 324	-51 392 213	0,98%	3,80%	Indonesia
Sistema Jscf GDR	2 757 256	220 118 140	5,21	USD	107 645 588	-112 472 552	0,21%	0,57%	London Int.
Sistema Jscf	71 610 460	487 565 204	11,40	RUB	103 473 534	-384 091 670	0,20%	0,74%	Moscow
<b>Total Telecom</b>		<b>3 271 451 168</b>			<b>3 057 017 012</b>	<b>-214 434 156</b>	<b>5,91%</b>		
<b>TOTAL SECURITIES PORTFOLIO <sup>3)</sup></b>		<b>36 505 022 028</b>			<b>50 696 086 847</b>	<b>14 191 064 818</b>	<b>98,04%</b>		

<sup>3)</sup> For liquidity in the portfolio as of 31.12.2014, please refer to the balance sheet.

### Allocation of the acquisition cost:

For SKAGEN Kon-Tiki the average acquisition value is applied when calculating the realised capital gain/loss when selling shares.

# SKAGEN Balanse 60/40

## Note 7. Securities portfolio as of 31.12.2014 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund
<b>Equity fund</b>							
SKAGEN Global	71 083	75 524 626	1 268,80	NOK	90 189 933	14 665 307	30,09%
SKAGEN Kon-Tiki	65 477	39 418 772	693,27	NOK	45 393 532	5 974 761	15,15%
SKAGEN Vekst	24 150	37 917 583	1 847,77	NOK	44 623 991	6 706 408	14,89%
<b>Total equity fund</b>		<b>152 860 981</b>			<b>180 207 456</b>	<b>27 346 476</b>	<b>60,13%</b>
<b>Fixed income fund</b>							
SKAGEN Høyrente Institusjon	442 303	44 171 894	99,66	NOK	44 079 526	-92 368	14,71 %
SKAGEN Høyrente	435 577	44 067 096	100,96	NOK	43 975 946	-91 150	14,67 %
<b>Total fixed income fund</b>		<b>88 238 990</b>			<b>88 055 472</b>	<b>-183 518</b>	<b>29,38 %</b>
<b>Bond fund</b>							
SKAGEN Avkastning	206 747	28 400 979	141,88	NOK	29 333 508	932 528	9,79 %
<b>Total bond fund</b>		<b>28 400 979</b>			<b>29 333 508</b>	<b>932 528</b>	<b>9,79 %</b>
<b>TOTAL SECURITIES PORTFOLIO <sup>1)</sup></b>		<b>269 500 950</b>			<b>297 596 435</b>	<b>28 095 486</b>	<b>99,30 %</b>

<sup>1)</sup> For liquidity in the portfolio as of 31.12.2014, please refer to the balance sheet.

SKAGEN Funds sets prices for its funds on every ordinary opening day for Norwegian banks. Prices are available on our homepage www.skagenfondene.no and are published in relevant newspapers.

### Allocation of the acquisition cost:

For Balanse 60/40 the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

# SKAGEN Tellus

## Note 7. Securities portfolio as of 31.12.2014 (in NOK)

Security	Maturity	Coupon	Currency	Face value NOK	Cost price NOK	Yield <sup>1)</sup>	Duration <sup>2)</sup>	Market price NOK	Accrued interest NOK	Market value NOK	Market value incl. accrued interest NOK	Unrealised gain/loss NOK	Share of fund	Risk class <sup>3)</sup>
<b>FIXED RATE SECURITIES</b>														
<b>Bond issued by supranational organisation</b>														
European Bank Recon & Dev	28.05.2015	5,00	INR	445 000 000	46 285 308	7,48	0,38	11,79	1 569 065	52 462 236	54 031 301	6 176 928	4,73%	1
European Bank Recon & Dev	17.06.2015	0,50	CNY	43 000 000	41 462 381	1,27	0,45	119,79	140 027	51 509 317	51 649 344	10 046 936	4,52%	1
European Bank Recon & Dev	03.03.2016	6,00	INR	170 000 000	19 002 462	5,44	1,08	11,89	394 456	20 215 170	20 609 626	1 212 708	1,80%	1
<b>Foreign government bonds</b>														
US Government	31.08.2016	0,50	USD	22 650 000	146 168 671	0,55	1,65	748,96	281 340	169 640 300	169 921 640	23 471 629	14,86%	3
US Government	01.06.2015	0,25	USD	21 800 000	140 993 920	-0,07	0,42	749,90	34 781	163 478 304	163 513 085	22 484 384	14,30%	3
Italian Government	02.02.2037	4,00	EUR	8 865 000	76 369 194	3,75	14,27	1 048,66	1 328 249	92 963 631	94 291 881	16 594 438	8,25%	2
Portugese Government	15.04.2021	3,85	EUR	8 750 000	70 906 608	2,92	5,42	1 008,05	2 176 177	88 204 727	90 380 904	17 298 119	7,90%	2
Slovenia Government	30.03.2026	5,12	EUR	7 200 000	59 705 264	2,32	8,67	1 154,90	2 530 391	83 152 724	85 683 115	23 447 460	7,49%	2
Turkish Government	08.03.2023	7,10	TRY	22 250 000	58 316 033	9,52	5,53	303,95	1 456 354	67 627 834	69 084 188	9 311 800	6,04%	3
Lithuanian Government	01.02.2022	6,62	USD	5 500 000	42 570 423	3,35	5,59	908,98	1 137 676	49 993 743	51 131 419	7 423 320	4,47%	2
Brazilian Government	10.01.2028	10,25	BRL	16 400 000	46 094 862	9,56	6,68	288,79	2 254 095	47 362 036	49 616 131	1 267 174	4,34%	3
Peruvian Government	12.08.2037	6,90	PEN	18 000 000	41 062 696	6,73	10,90	262,94	1 194 018	47 329 856	48 523 874	6 267 160	4,24%	3
Croatia Government International Bond	26.01.2024	6,00	USD	5 750 000	40 953 433	4,86	6,73	810,04	1 113 089	46 577 370	47 690 458	5 623 937	4,17%	2
Chilean Government	05.08.2020	5,50	CLP	3 410 000 000	41 787 401	4,88	4,58	1,31	938 757	44 598 767	45 537 524	2 811 367	3,98%	3
Colombian Government	14.04.2021	7,75	COP	11 800 000 000	42 537 792	5,21	4,79	0,34	2 063 150	40 469 784	42 532 934	-2 068 008	3,72%	3
Mexican Government	20.11.2036	10,00	MXN	40 000 000	24 368 325	6,57	10,35	71,74	62 166	28 694 896	28 757 062	4 326 571	2,51%	3
<b>TOTAL SECURITIES PORTFOLIO <sup>1)</sup></b>				<b>938 584 773</b>				<b>18 673 790</b>	<b>1 094 280 694</b>	<b>1 112 954 485</b>	<b>155 695 922</b>	<b>97,33%</b>		
<b>Portfolio key figures</b>														
	<b>Class A</b>	<b>Class B</b>												
Yield	3,49%	3,49%												
Yield to clients <sup>1)</sup>	2,69%	3,04%												
Duration <sup>2)</sup>	4,86	4,86												

<sup>1)</sup> Yield adjusted for management fee.

All securities are traded in a telephone-based international market.

<sup>2)</sup> Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

Unit price as of 31.12.2014 unit class A 134,3725  
Unit price as of 31.12.2014 unit class B 134,6566

<sup>3)</sup> Yield is the average annual return of an interest bearing security until maturity.

<sup>4)</sup> Securities are divided into six risk classes according to their credit risk.

Class 1 has the lowest and class 6 the highest credit risk.

Risk class 1: Supranational organisations

Risk class 2: Government, and government guaranteed within the EEA

Risk class 3: Government, and government guaranteed outside the EEA

Risk class 4: County and local government

Risk class 5: Bank and financial institutions

Risk class 6: Industry

Kr 26.001.797,- is allocated for distribution to unitholders in unit class A and kr 413.312,- is allocated for distribution to unitholders in unit class B. This will result in a reduction in the unit price equal to the distribution per unit at the time of distribution.

<sup>1)</sup> For liquidity in the portfolio as of 31.12.14, please refer to the balance sheet.

### Allocation of the acquisition cost:

For SKAGEN Tellus the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

# SKAGEN Avkastning

## Note 7. Securities portfolio as of 31.12.2014 (in NOK)

Security	Maturity	Coupon	Currency	Interest adjustment point	Face value NOK	Cost price NOK	Yield <sup>1)</sup>	Duration <sup>2)</sup>	Market price NOK	Accrued interest NOK	Market value NOK	Market value incl. accrued interest NOK	Unrealised gain/loss NOK	Share of fund	Risk class <sup>3)</sup>	
<b>FLOATING RATE SECURITIES</b>																
<b>Financial bonds</b>																
Bank 1 Oslo Akershus AS	15.02.2016	2,40	NOK	16.02.2015	50 000 000	50 149 500	1,86	0,13	100,55	146 667	50 274 805	50 421 472	125 305	2,89%		
Kredittforeningen for Sparebanker	29.09.2017	2,01	NOK	02.01.2015	50 000 000	49 910 300	2,60	-0,01	99,71	254 042	49 854 715	50 108 757	-55 584	2,86%	5	
Sparebanken Sør	16.09.2015	2,49	NOK	18.03.2015	49 000 000	48 497 106	1,58	0,21	100,57	47 448	49 279 686	49 327 134	782 580	2,83%	5	
Sparebank 1 Buskerud-Vestfold	25.09.2015	2,75	NOK	25.03.2015	47 000 000	47 508 750	1,53	0,23	100,78	7 181	47 367 067	47 374 248	-141 683	2,72%	5	
Sparebank 1 Nord-Norge	25.01.2016	2,75	NOK	26.01.2015	46 000 000	46 611 800	1,97	0,07	100,96	228 403	46 439 542	46 667 945	-172 258	2,68%	5	
Helgeland Sparebank	25.08.2016	3,05	NOK	25.02.2015	40 000 000	40 900 600	1,91	0,16	101,86	122 000	40 742 623	40 864 623	-157 977	2,35%	5	
Totens Sparebank	23.11.2015	2,92	NOK	23.02.2015	40 000 000	40 116 450	1,81	0,15	100,91	120 044	40 363 772	40 483 816	247 322	2,32%	5	
Kredittforeningen for Sparebanker	08.03.2016	2,50	NOK	09.03.2015	40 000 000	40 200 500	1,83	0,18	100,72	63 889	40 289 868	40 353 757	89 368	2,32%	5	
BN Bank ASA	07.03.2016	2,40	NOK	09.03.2015	40 000 000	40 015 600	1,83	0,18	100,60	61 333	40 241 877	40 303 211	226 277	2,31%	5	
Sparebank 1 Nord-Norge	17.08.2016	2,99	NOK	17.02.2015	35 000 000	35 623 000	1,96	0,14	101,67	127 906	35 585 859	35 713 765	-37 141	2,05%	5	
Totens Sparebank	08.06.2015	2,87	NOK	09.03.2015	35 000 000	35 418 500	1,69	0,18	100,46	64 176	35 162 096	35 226 273	-256 404	2,02%	5	
Sparebank 1 SMN	23.03.2015	2,40	NOK	23.03.2015	34 000 000	34 201 150	1,48	0,22	100,17	18 133	34 057 014	34 075 148	-144 136	1,96%	5	
Helgeland Sparebank	15.03.2017	3,17	NOK	16.03.2015	33 000 000	34 119 150	1,90	0,23	103,02	46 493	33 996 706	34 043 200	-122 444	1,95%	5	
Sparebank 1 Buskerud-Vestfold	11.03.2016	2,30	NOK	11.03.2015	30 000 000	30 057 000	1,73	0,19	100,58	38 333	30 174 818	30 213 151	117 818	1,73%	5	
Sparebank 1 Østfold Akershus	27.06.2016	2,14	NOK	27.03.2015	30 000 000	29 997 000	1,80	0,23	100,48	3 567	30 143 904	30 147 471	146 904	1,73%	5	
Skandiabanken	16.01.2015	2,13	NOK	16.01.2015	30 000 000	29 995 500	1,82	0,04	100,01	134 900	30 004 110	30 139 010	8 610	1,73%	5	
Fana Sparebank	09.05.2017	2,01	NOK	09.02.2015	30 000 000	30 093 000	2,30	0,10	99,90	85 425	29 970 059	30 055 484	-122 941	1,72%	5	
Sparebank 1 Telemark	09.09.2016	3,01	NOK	09.03.2015	27 000 000	27 688 500	1,84	0,19	102,00	49 665	27 540 381	27 590 046	-148 119	1,58%	5	
Sparebank 1 Søre Sunnmøre	15.09.2015	2,57	NOK	16.03.2015	24 500 000	24 759 300	1,64	0,20	100,60	27 984	24 645 825	24 673 810	-113 475	1,42%	5	
Sparebank 1 SMN	15.03.2017	3,39	NOK	18.03.2015	20 000 000	20 787 000	1,89	0,23	103,46	26 367	20 692 990	20 719 357	-94 010	1,19%	5	
Bank 1 Oslo Akershus AS	16.09.2016	2,96	NOK	16.03.2015	20 000 000	20 465 200	1,80	0,21	102,09	24 667	20 417 899	20 442 566	-47 301	1,17%	5	
Sparebank 1 Østfold Akershus	15.05.2017	2,57	NOK	16.02.2015	20 000 000	20 086 000	2,26	0,13	101,04	62 822	20 207 892	20 270 714	121 892	1,16%	5	
Sparebank 1 SMN	16.03.2016	2,52	NOK	18.03.2015	20 000 000	20 221 200	1,68	0,21	100,97	19 600	20 193 895	20 213 495	-27 305	1,16%	5	
Fana Sparebank	20.05.2015	3,05	NOK	20.02.2015	20 000 000	20 108 000	1,80	0,14	100,45	69 472	20 090 670	20 160 142	-17 330	1,16%	5	
Sparebank 1 Nordvest	30.05.2017	2,07	NOK	27.02.2015	20 000 000	20 006 000	2,20	0,15	99,99	37 950	19 997 444	20 035 394	-8 556	1,15%	5	
Sparebanken Sør	05.09.2016	3,04	NOK	05.03.2015	15 000 000	15 355 200	1,87	0,18	101,92	32 933	15 287 785	15 320 718	-67 415	0,88%	5	
Sparebank 1 Nordvest	13.04.2015	2,87	NOK	13.01.2015	15 000 000	15 202 500	2,00	0,04	100,30	94 471	15 044 392	15 138 863	-158 108	0,86%	5	
Sparebank 1 Nord-Norge	19.02.2015	2,40	NOK	19.02.2015	15 000 000	14 880 600	1,66	0,13	100,09	42 000	15 013 655	15 055 655	133 055	0,86%	5	
Sparebanken Møre	05.12.2016	2,74	NOK	05.03.2015	12 000 000	12 022 400	1,92	0,18	101,57	23 747	12 188 577	12 212 323	166 177	0,70%	5	
Kredittforeningen for Sparebanker	01.10.2015	2,75	NOK	02.01.2015	11 000 000	11 103 700	2,09	0,01	100,65	76 465	11 071 547	11 148 013	-32 153	0,64%	5	
BN Bank ASA	15.03.2017	3,24	NOK	18.03.2015	10 000 000	10 308 000	2,01	0,23	102,94	12 600	10 294 340	10 306 940	-13 660	0,59%	5	
Pareto Bank ASA	09.01.2017	3,48	NOK	09.01.2015	10 000 000	10 129 000	2,69	0,04	102,45	80 233	10 245 278	10 325 511	116 278	0,59%	5	
Sparebank 1 Østfold Akershus	20.09.2016	2,70	NOK	20.03.2015	10 000 000	10 152 000	1,91	0,22	101,46	6 750	10 146 330	10 153 080	-5 670	0,58%	5	
Sparebanken Sør	18.02.2015	2,94	NOK	18.02.2015	10 000 000	10 039 000	1,66	0,13	100,16	35 117	10 016 206	10 051 323	-22 794	0,58%	5	
Sparebanken Narvik	09.02.2015	2,48	NOK	09.02.2015	5 500 000	5 519 250	1,80	0,11	100,07	19 323	5 503 820	5 523 143	-15 430	0,32%	5	
Sparebank 1 Søre Sunnmøre	21.08.2017	3,42	NOK	23.02.2015	5 000 000	5 198 200	2,26	0,17	103,38	19 000	5 168 828	5 187 828	-29 372	0,30%	5	
Sparebank 1 Nordvest	29.06.2016	2,73	NOK	30.03.2015	5 000 000	5 069 250	1,77	0,24	101,37	758	5 068 294	5 069 052	-956	0,29%	5	
Sparebanken Sør	09.05.2016	2,66	NOK	09.02.2015	5 000 000	5 068 700	1,95	0,11	101,08	18 842	5 054 007	5 072 849	-14 693	0,29%	5	
Sparebank 1 Nord-Norge	12.10.2015	2,64	NOK	12.01.2015	2 000 000	1 986 400	1,98	0,03	100,64	11 587	2 012 741	2 024 328	26 341	0,12%	5	
<b>FIXED RATE SECURITIES</b>																
<b>Foreign government bonds</b>																
Slovenia Government	30.03.2026	5,12	EUR		9 000 000	78 685 797	2,32	8,67	1154,90	3 162 989	103 940 905	107 103 894	25 255 108	6,15%	2	
Portugese Government	15.02.2024	5,65	EUR		8 000 000	71 368 460	2,67	7,10	1124,20	3 582 459	89 936 112	93 518 571	18 567 652	5,37%	2	
Mexican Government	20.11.2036	10,00	MXN		100 000 000	60 297 314	6,57	10,35	71,74	155 416	71 737 240	71 892 656	11 439 926	4,13%	3	
Lithuanian Government	22.01.2024	3,37	EUR		6 330 000	55 252 619	1,53	7,71	1048,43	1 820 639	66 365 771	68 186 410	11 113 152	3,91%	2	
<b>TOTAL SECURITIES PORTFOLIO <sup>3)</sup></b>					<b>1 235 174 496</b>			<b>11 083 796</b>			<b>1 301 831 346</b>		<b>1 312 915 146</b>		<b>66 656 850</b>	<b>75,31%</b>
<b>Portfolio key figures</b>																
Yield	2,26%															
Yield to clients <sup>1)</sup>	1,76%															
Duration <sup>2)</sup>	1,73															

<sup>1)</sup> Yield adjusted for management fee.

All securities are traded in a telephone-based international market.

<sup>2)</sup> Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

Unit price as of 31.12.2014 142,9234

<sup>3)</sup> Yield is the average annual return of an interest bearing security until maturity.

Kr 12.710.814,- is allocated for distribution to unitholders.

<sup>4)</sup> Securities are divided into six risk classes according to their credit risk.

This will result in a reduction in the unit price equal to the distribution per unit at the time of distribution.

Class 1 has the lowest and class 6 the highest credit risk.

Risk class 1: Supranational organisations

Risk class 2: Government, and government guaranteed within the EEA

Risk class 3: Government, and government guaranteed outside the EEA

Risk class 4: County and local government

Risk class 5: Bank and financial institutions

Risk class 6: Industry

<sup>3)</sup> For liquidity in the portfolio as of 31.12.14, please refer to the balance sheet.

### Allocation of the acquisition cost:

For SKAGEN Avkastning the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

# SKAGEN Krona

## Note 7. Securities portfolio as of 31.12.2014 (in SEK)

Security	Maturity	Coupon	Interest adjustment point	Face value	Cost price NOK	Yield <sup>1)</sup>	Duration <sup>2)</sup>	Market price SEK	Market value SEK	Total accrued interest and unrealised gain/loss SEK	Share of fund	Risk class <sup>3)</sup>
<b>FLOATING RATE SECURITIES</b>												
<b>Financial bonds</b>												
Länsförsäkringar Bank AB	10.02.2015	1,67	10.02.2015	27 000 000	27 359 648	0,42	0,11	100,15	27 039 656	-256 153	4,28 %	5
Danske Bank A/S	17.08.2015	2,13	17.02.2015	25 000 000	25 651 750	0,52	0,13	101,01	25 252 185	-334 603	4,00 %	5
Ikano Bank SE	26.09.2016	1,41	26.03.2015	25 000 000	25 000 000	1,06	0,23	100,87	25 216 962	218 923	3,98 %	5
Sampo Oyj	28.05.2015	1,02	02.03.2015	23 000 000	23 000 000	0,47	0,17	100,24	23 054 651	76 177	3,64 %	5
Nordea Bank AB	16.01.2015	2,00	16.01.2015	23 000 000	23 220 072	0,28	0,04	100,08	23 017 704	-105 160	3,65 %	5
Jyske Bank A/S	03.05.2016	1,25	03.02.2015	20 000 000	20 000 000	0,66	0,09	100,75	20 150 576	190 950	3,19 %	5
Swedbank AB	31.07.2015	1,35	02.02.2015	17 000 000	17 172 330	0,41	0,09	100,53	17 090 231	-45 042	2,70 %	5
Sparebank 1 SMN	25.09.2015	1,21	25.03.2015	15 000 000	15 000 750	0,68	0,23	100,50	15 075 460	75 720	2,38 %	5
Jyske Bank A/S	22.02.2016	1,27	23.02.2015	10 000 000	10 046 100	0,68	0,15	100,68	10 068 409	35 393	1,59 %	5
<b>Industrial bonds</b>												
Volvo Treasury AB	26.02.2016	1,27	26.02.2015	43 000 000	43 111 200	0,73	0,16	100,64	43 277 068	219 170	6,84 %	6
Svensk Fastighetsfinansiering AB	24.08.2015	1,92	24.02.2015	37 000 000	37 215 385	0,95	0,15	100,65	37 239 520	97 261	5,89 %	6
Getinge AB	29.05.2015	2,17	27.02.2015	33 000 000	33 177 740	1,23	0,16	100,41	33 133 878	21 811	5,24 %	6
Tele2 AB	06.03.2015	1,38	06.03.2015	27 000 000	27 022 240	0,63	0,18	100,15	27 041 089	42 637	4,27 %	6
Skanska Financial Services AB	25.04.2016	2,12	26.01.2015	19 000 000	19 085 400	0,70	0,08	101,68	19 318 693	305 918	3,06 %	6
Securitas AB	19.01.2015	2,06	19.01.2015	15 000 000	15 219 740	0,40	0,05	100,09	15 013 303	-144 547	2,38 %	6
Volvo Treasury AB	19.09.2016	0,67	19.03.2015	15 000 000	15 000 000	0,84	0,21	99,94	14 991 053	-5 772	2,37 %	6
Vasakronan AB	26.01.2015	1,67	26.01.2015	10 000 000	10 070 400	0,31	0,07	100,10	10 009 963	-30 337	1,58 %	6
<b>Industrial certificates</b>												
Arla Foods a.m.b.a	05.02.2015			30 000 000	29 900 581	0,56	0,10	99,95	29 984 314	83 733	4,73 %	6
Trelleborg Treasury AB	06.07.2015			30 000 000	29 787 439	0,79	0,51	99,62	29 885 015	97 576	4,72 %	6
Volkswagen Finans Sverige AB	20.02.2015			28 000 000	27 983 005	0,40	0,14	99,95	27 986 598	3 592	4,42 %	6
Fabege AB	25.02.2015			20 000 000	19 935 437	0,69	0,15	99,90	19 980 956	45 519	3,15 %	6
Ikano Bank SE	10.09.2015			20 000 000	19 797 989	0,77	0,69	99,33	19 866 285	68 296	3,14 %	6
Hexagon AB	09.10.2015			20 000 000	19 753 336	0,98	0,76	99,12	19 824 862	71 526	3,13 %	6
Hexagon AB	16.11.2015			20 000 000	19 787 522	0,89	0,87	99,03	19 806 005	18 483	3,13 %	6
Vasakronan AB	29.01.2015			15 000 000	14 996 413	0,24	0,08	99,98	14 997 357	944	2,37 %	6
Intrum Justitia AB	05.06.2015			15 000 000	14 948 585	0,87	0,42	99,69	14 953 152	4 567	2,36 %	6
Holmen AB	15.01.2015			10 000 000	9 983 679	0,25	0,04	99,99	9 999 008	15 329	1,58 %	6
Hexagon AB	09.04.2015			10 000 000	9 832 057	0,88	0,27	99,79	9 979 183	147 126	1,58 %	6
Fabege AB	05.02.2015			8 000 000	7 992 114	0,63	0,10	99,94	7 995 260	3 146	1,26 %	6
<b>Financial certificates</b>												
Ikano Bank SE	06.11.2015			10 000 000	9 910 557	0,70	0,84	99,21	9 921 463	10 906	1,57 %	5
<b>TOTAL SECURITIES PORTFOLIO <sup>3)</sup></b>					<b>620 961 469</b>				<b>621 169 859</b>	<b>933 289</b>	<b>98,17 %</b>	

### Portfolio key figures

Yield	0,68 %
Yield to clients <sup>1)</sup>	0,48 %
Duration <sup>2)</sup>	0,23

<sup>1)</sup> Yield adjusted for management fee.

<sup>2)</sup> Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

<sup>3)</sup> Yield is the average annual return of an interest bearing security until maturity.

<sup>4)</sup> Securities are divided into six risk classes according to their credit risk.

Class 1 has the lowest and class 6 the highest credit risk.

Risk class 1: Supranational organisations  
 Risk class 2: Government, and government guaranteed within the EEA  
 Risk class 3: Government, and government guaranteed outside the EEA  
 Risk class 4: County and local government  
 Risk class 5: Bank and financial institutions  
 Risk class 6: Industry

Unit price as of 31.12.2014 100,0338

SEK 13.817.189,- is allocated for distribution to unit holders. This will result in a reduction in the unit price equal to the distribution per unit at the time of distribution.

<sup>5)</sup> For liquidity in the portfolio as of 31.12.14, please refer to the balance sheet.

### Allocation of the acquisition cost:

For SKAGEN Krona the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

All securities are traded in the Swedish market

# SKAGEN Høyrente

## Note 7. Securities portfolio as of 31.12.2014 (in NOK)

Security	Maturity	Coupon	Interest adjustment point	Face value	Costprice NOK	Yield <sup>1)</sup>	Duration <sup>2)</sup>	Market price	Accrued interest	Market value	Market value incl. accrued interest	Unrealised gain/loss	Share of fund	Risk class <sup>4)</sup>
<b>FLOATING RATE SECURITIES</b>														
<b>Financial bonds</b>														
Skandinaviske Enskilda Banken AB	20.02.2015	2,95	20.02.2015	75 000 000	75 000 000	1,65	0,14	100,17	251 979	75 128 076	75 380 055	128 076	2,26%	5
Sparebank 1 SMN	15.03.2017	3,39	18.03.2015	71 500 000	74 171 025	1,89	0,23	103,46	94 261	73 977 440	74 071 701	-193 585	2,22%	5
Sparebank 1 SMN	16.03.2016	2,52	18.03.2015	68 000 000	68 720 800	1,68	0,21	100,97	66 640	68 659 242	68 725 882	-61 558	2,06%	5
BN Bank ASA	07.03.2016	2,40	09.03.2015	62 000 000	62 499 840	1,83	0,18	100,60	95 067	62 374 910	62 469 976	-124 930	1,87%	5
Sparebanken Sør	05.09.2016	3,04	05.03.2015	60 000 000	61 345 200	1,87	0,18	101,92	131 733	61 151 139	61 282 872	-194 061	1,84%	5
Sparebanken Sogn og Fjordane	06.06.2017	2,29	06.03.2015	60 000 000	60 456 000	2,03	0,18	100,80	87 783	60 481 296	60 569 079	25 296	1,82%	5
Sparebanken Sør	18.02.2015	2,94	18.02.2015	53 000 000	53 451 300	1,66	0,13	100,16	186 118	53 085 892	53 272 010	-365 408	1,60%	5
Sparebank 1 Nord-Norge	17.08.2016	2,99	17.02.2015	51 000 000	51 992 800	1,96	0,14	101,67	186 377	51 853 680	52 040 057	-139 120	1,56%	5
Sparebank 1 Østfold Akershus	20.09.2016	2,70	20.03.2015	50 000 000	50 760 000	1,91	0,22	101,46	33 750	50 731 649	50 765 399	-28 350	1,52%	5
Sparebank 1 Buskerud-Vestfold	25.09.2015	2,75	25.03.2015	50 000 000	49 926 250	1,53	0,23	100,78	7 639	50 390 497	50 398 136	464 247	1,51%	5
BN Bank ASA	26.01.2015	3,15	26.01.2015	50 000 000	50 000 000	1,82	0,07	100,09	284 375	50 047 242	50 033 617	47 242	1,51%	5
Sparebank 1 Nordvest	30.05.2017	2,07	27.02.2015	50 000 000	50 015 000	2,20	0,15	99,99	94 875	49 993 610	50 088 485	-21 389	1,50%	5
Kredittforeningen for Sparebanker	01.10.2015	2,75	02.01.2015	44 000 000	44 463 320	2,09	0,01	100,65	305 861	44 286 188	44 592 049	-177 132	1,33%	5
Sparebanken Øst	03.07.2017	2,03	05.01.2015	40 000 000	40 118 400	2,41	0,01	100,08	200 744	40 031 174	40 231 918	-87 226	1,20%	5
Eiendomskreditt AS	08.05.2015	2,48	09.02.2015	40 000 000	40 000 000	1,89	0,11	100,19	140 533	40 076 478	40 217 011	76 478	1,21%	5
Sparebanken Møre	18.12.2015	1,76	18.03.2015	40 000 000	40 000 000	1,62	0,21	100,07	25 422	40 028 648	40 054 070	28 648	1,20%	5
BN Bank ASA	15.03.2017	3,24	18.03.2015	30 000 000	30 943 800	2,01	0,23	102,94	37 800	30 883 020	30 920 820	-60 780	0,93%	5
Kredittforeningen for Sparebanker	10.02.2017	2,48	10.02.2015	30 000 000	30 125 400	2,24	0,11	100,96	105 400	30 288 257	30 393 657	162 857	0,91%	5
Totens Sparebank	23.11.2015	2,92	23.02.2015	30 000 000	29 880 000	1,81	0,15	100,91	90 033	30 272 829	30 362 862	392 829	0,91%	5
Kredittforeningen for Sparebanker	18.04.2017	2,13	19.01.2015	30 000 000	30 036 000	2,41	0,04	100,21	127 800	30 064 232	30 192 032	28 232	0,90%	5
Kredittforeningen for Sparebanker	29.09.2017	2,01	02.01.2015	30 000 000	29 949 000	2,60	-0,01	99,71	152 425	29 912 829	30 065 254	-36 171	0,90%	5
Sparebanken Sør	09.05.2016	2,66	09.02.2015	27 000 000	27 290 250	1,95	0,11	101,08	101 745	27 291 638	27 393 383	1 388	0,82%	5
Sparebanken Sogn og Fjordane	21.08.2017	3,31	23.02.2015	25 000 000	25 842 500	2,13	0,18	103,33	91 944	25 833 183	25 925 128	-9 317	0,78%	5
Sparebank 1 Telemark	02.03.2017	3,33	02.03.2015	25 000 000	25 877 500	1,99	0,19	103,00	67 062	25 750 825	25 817 888	-126 675	0,77%	5
Sparebank 1 Nord-Norge	19.02.2015	2,40	19.02.2015	22 500 000	22 267 500	1,66	0,13	100,09	63 000	22 520 483	22 583 483	252 983	0,68%	5
Totens Sparebank	14.10.2016	3,47	14.01.2015	20 000 000	20 655 000	2,31	0,06	102,64	150 367	20 527 397	20 677 764	-127 603	0,61%	5
Kredittforeningen for Sparebanker	03.10.2016	2,95	05.01.2015	20 000 000	20 394 000	2,36	0,02	101,67	145 862	20 334 197	20 480 059	-59 803	0,61%	5
Sparebank 1 Telemark	21.12.2015	2,35	23.03.2015	20 000 000	20 126 000	1,66	0,22	100,57	11 750	20 114 747	20 126 497	-11 253	0,60%	5
Sparebanken Sør	30.11.2017	2,87	27.02.2015	19 000 000	19 461 320	2,17	0,18	102,40	49 986	19 456 146	19 506 131	-5 174	0,58%	5
Sparebank 1 Nordvest	09.08.2016	2,86	09.02.2015	18 000 000	18 322 560	2,13	0,11	101,51	72 930	18 271 800	18 344 730	-50 760	0,55%	5
Totens Sparebank	02.12.2015	1,89	02.03.2015	16 000 000	15 852 800	1,78	0,16	100,01	24 360	16 002 295	16 026 655	149 495	0,48%	5
Helgeland Sparebank	15.03.2017	3,17	16.03.2015	12 000 000	12 427 080	1,90	0,23	103,02	16 907	12 362 439	12 379 345	-64 641	0,37%	5
Sparebank 1 Telemark	10.02.2015	2,35	10.02.2015	10 000 000	9 880 000	1,75	0,11	100,06	33 292	10 006 204	10 039 495	126 204	0,30%	5
<b>Industrial bonds</b>														
Entra Eiendom AS	09.11.2015	2,85	09.02.2015	115 000 000	115 533 900	1,98	0,11	100,77	464 312	115 881 355	116 345 668	347 455	3,49%	6
Olav Thon Eiendomsselskap ASA	15.09.2015	2,57	16.03.2015	94 000 000	94 649 875	1,72	0,20	100,58	107 369	94 542 062	94 649 431	-107 813	2,84%	6
Felleskjøpet Agri SA	15.02.2016	3,38	13.02.2015	60 000 000	60 000 000	2,07	0,12	101,36	270 400	60 817 210	61 087 610	817 210	1,83%	6
Schibsted ASA	16.12.2015	3,51	16.03.2015	55 000 000	56 260 890	1,90	0,20	101,52	81 169	56 346 039	56 427 207	85 149	1,69%	6
Tele2 AB	24.02.2015	3,37	24.02.2015	50 000 000	50 460 000	1,90	0,15	100,20	173 181	50 102 475	50 275 656	-357 525	1,51%	6
Scania CVAB	17.06.2016	2,34	17.03.2015	50 000 000	50 000 000	1,96	0,20	100,36	45 500	50 180 016	50 225 516	180 016	1,51%	6
<b>Power generation bonds</b>														
Agder Energi AS	28.10.2016	2,29	28.01.2015	160 000 000	160 780 000	2,07	0,08	100,65	651 378	161 047 299	161 698 677	267 299	4,85%	6
BKK AS	26.08.2016	2,61	26.02.2015	150 000 000	151 067 500	1,86	0,16	101,08	380 625	151 623 826	152 004 451	556 326	4,56%	6
BKK AS	20.11.2015	2,65	20.02.2015	100 000 000	100 005 600	1,84	0,14	100,62	301 806	100 620 070	100 921 876	614 470	3,02%	6
BKK AS	22.08.2017	2,95	23.02.2015	55 000 000	56 269 400	2,11	0,17	102,39	166 757	56 315 332	56 482 089	45 932	1,69%	6
Agder Energi AS	02.03.2016	2,53	02.03.2015	25 000 000	25 117 500	1,79	0,17	100,73	50 951	25 183 068	25 234 020	65 568	0,76%	6
<b>FIXED RATE SECURITIES</b>														
<b>Industrial certificates</b>														
Olav Thon Eiendomsselskap ASA	17.09.2015	2,03		50 000 000	50 000 000	1,58	0,70	100,25	291 986	50 126 050	50 418 036	126 050	1,51%	6
Olav Thon Eiendomsselskap ASA	28.05.2015	2,25		50 000 000	50 000 000	1,51	0,40	100,19	668 836	50 096 591	50 765 427	96 591	1,52%	6
Entra Eiendom AS	10.03.2015	2,00		50 000 000	50 000 000	1,69	0,19	100,03	389 041	50 012 870	50 401 911	12 870	1,51%	6
Olav Thon Eiendomsselskap ASA	15.01.2015	2,15		30 000 000	30 009 000	2,05	0,04	100,00	618 493	30 000 634	30 619 128	-8 365	0,92%	6

**TOTAL SECURITIES PORTFOLIO <sup>3)</sup>** **2 362 404 310** **8 197 624** **2 365 084 581** **2 373 282 205** **2 680 271** **71,10%**

### Portfolio key figures

Yield	2,04%
Yield to clients <sup>1)</sup>	1,79%
Duration <sup>2)</sup>	0,12

<sup>1)</sup> Yield adjusted for management fee.

All securities are traded in the Norwegian market

<sup>2)</sup> Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

Unit price as of 31.12.2014 103,4846

<sup>3)</sup> Yield is the average annual return of an interest bearing security until maturity.

Kr 81.413.549,- is allocated for distribution to unitholders. This will result in a reduction in the unit price equal to the distribution per unit at the time of distribution.

<sup>4)</sup> Securities are divided into six risk classes according to their credit risk.

Class 1 has the lowest and class 6 the highest credit risk.  
 Risk class 1: Supranational organisations  
 Risk class 2: Government, and government guaranteed within the EEA  
 Risk class 3: Government, and government guaranteed outside the EEA  
 Risk class 4: County and local government  
 Risk class 5: Bank and financial institutions  
 Risk class 6: Industry

<sup>5)</sup> For liquidity in the portfolio as of 31.12.14, please refer to the balance sheet.

### Allocation of the acquisition cost:

For SKAGEN Høyrente the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

# SKAGEN Høyrente Institusjon

## Note 7. Securities portfolio as of 31.12.2014 (in NOK)

Security	Maturity	Coupon	Interest adjustment point	Face value	Cost price (NOK)	Yield <sup>1)</sup>	Duration <sup>2)</sup>	Market price	Accrued interest	Market value	Market value incl. accrued interest	Unrealised gain/loss	Share of fund	Risk class <sup>3)</sup>
<b>FLOATING RATE SECURITIES</b>														
<b>Financial bonds</b>														
Kredittforeningen for Sparebanker	08.03.2016	2,50	09.03.2015	46 000 000	46 197 600	1,83	0,18	100,72	73 472	46 333 348	46 406 820	135 748	5,60%	5
Santander Consumer Bank AS	18.11.2015	2,65	18.02.2015	45 000 000	45 233 550	2,06	0,13	100,47	142 437	45 212 774	45 355 212	-20 776	5,47%	5
Eiendoms-kreditt AS	08.05.2015	2,48	09.02.2015	40 000 000	40 000 000	1,89	0,11	100,19	140 533	40 076 478	40 217 011	76 478	4,85%	5
Sparebank 1 Østfold Akershus	20.09.2016	2,70	20.03.2015	37 000 000	37 562 400	1,91	0,22	101,46	24 975	37 541 421	37 566 396	-20 979	4,53%	5
Totens Sparebank	14.10.2016	3,47	14.01.2015	22 000 000	22 716 920	2,31	0,06	102,64	165 403	22 580 136	22 745 540	-136 784	2,72%	5
Sparebanken Sogn og Fjordane	21.08.2017	3,31	23.02.2015	20 000 000	20 673 800	2,13	0,18	103,33	73 556	20 666 547	20 740 102	-7 253	2,50%	5
Kredittforeningen for Sparebanker	03.10.2016	2,95	05.01.2015	20 000 000	20 410 000	2,36	0,02	101,67	145 862	20 334 197	20 480 059	-75 803	2,45%	5
BN Bank ASA	18.07.2017	2,01	19.01.2015	20 000 000	19 996 600	2,47	0,04	99,86	80 400	19 971 914	20 052 314	-24 686	2,42%	5
Sparebanken Møre	18.12.2015	1,76	18.03.2015	20 000 000	20 000 000	1,62	0,21	100,07	12 711	20 014 324	20 027 035	14 324	2,42%	5
Sparebank 1 Østfold Akershus	10.02.2015	2,75	10.02.2015	14 000 000	14 016 900	1,75	0,11	100,11	54 542	14 015 034	14 069 575	-1 866	1,70%	5
Sparebank 1 SMN	23.03.2015	2,40	23.03.2015	10 500 000	10 556 805	1,48	0,22	100,17	5 600	10 517 607	10 523 207	-39 198	1,27%	5
Sparebank 1 Telemark	02.03.2017	3,33	02.03.2015	10 000 000	10 352 400	1,99	0,19	103,00	26 825	10 300 330	10 327 155	-5 207	1,25%	5
Skandiabanken	16.01.2015	2,13	16.01.2015	10 000 000	10 015 500	1,82	0,04	100,01	44 967	10 001 370	10 046 337	-14 130	1,21%	5
Sparebank 1 SMN	20.02.2015	2,25	20.02.2015	9 000 000	9 025 572	1,65	0,14	100,07	23 062	9 006 484	9 029 546	-19 088	1,09%	5
Helgeland Sparebank	05.10.2015	2,77	05.01.2015	8 000 000	8 096 000	2,02	0,02	100,72	52 938	8 057 900	8 110 838	-38 100	0,97%	5
Aurskog Sparebank	11.04.2016	2,79	12.01.2015	5 000 000	5 072 575	2,20	0,04	101,10	30 613	5 055 144	5 085 757	-17 431	0,61%	5
Sparebank 1 Buskerud-Vestfold	16.02.2015	3,01	16.02.2015	5 000 000	5 026 100	1,67	0,13	100,16	18 394	5 008 197	5 026 591	-17 903	0,61%	5
Sparebanken Hedmark	17.02.2017	2,11	17.02.2015	5 000 000	5 000 500	2,08	0,12	100,20	12 894	5 010 063	5 022 957	9 563	0,61%	5
Sparebank 1 Telemark	10.02.2015	2,35	10.02.2015	5 000 000	5 025 000	1,75	0,11	100,06	16 646	5 003 102	5 019 748	-21 898	0,61%	5
<b>TOTAL SECURITIES PORTFOLIO<sup>4)</sup></b>				<b>354 978 222</b>					<b>1 138 374</b>	<b>354 706 370</b>	<b>355 844 744</b>	<b>-271 852</b>	<b>42,91%</b>	
<b>Portfolio key figures</b>														
Yield	2,13 %													
Yield to clients <sup>1)</sup>	1,98 %													
Duration <sup>2)</sup>	0,06													

<sup>1)</sup> Yield adjusted for management fee.

<sup>2)</sup> Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

<sup>3)</sup> Yield is the average annual return of an interest bearing security until maturity.

<sup>4)</sup> Securities are divided into six risk classes according to their credit risk.

Risk class 1: Supranational organisations

Risk class 2: Government, and government guaranteed within the EEA

Risk class 3: Government, and government guaranteed outside the EEA

Risk class 4: County and local government

Risk class 5: Bank and financial institutions

Risk class 6: Industry

Unit price as of 31.12.2014

102,2277

Kr 20.897.816,- is allocated for distribution to unitholders. This will result in a reduction in the unit price equal to the distribution per unit at the time of distribution.

<sup>5)</sup> For liquidity in the portfolio as of 31.12.13, please refer to the balance sheet.

Allocation of the securities to the highest credit risk.

All securities are traded in the Norwegian market.

For SKAGEN Høyrente Institusjon the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

# SKAGEN Credit

## Note 7. Securities value as of 31.12.2014 (In NOK)

Security	Maturity	Coupon	Currency	Interest adjustment point	Facevalue NOK	Cost price NOK	Yield <sup>3)</sup>	Duration <sup>3)</sup>	Market price	Accrued interest	Marked value	Market value incl. accrued interest NOK	Unrealised gain/loss	Share of fund	Risk class <sup>4)</sup>
<b>Energy</b>															
Gazprom OAO Via Gaz Capital SA	11.04.2018	8,15	USD		700 000	4 838 423	8,64	2,66	745,12	94 954	5 215 826	5 310 780	377 403	3,60%	6
Talisman Energy Inc	05.12.2017	6,62	GBP		400 000	4 547 869	2,64	2,69	1 300,44	22 052	5 201 763	5 223 815	653 894	3,54%	6
Petrobras International Finance Co	01.03.2018	5,87	USD		700 000	4 571 625	6,86	2,69	737,12	102 723	5 159 805	5 262 528	588 181	3,56%	6
Noble Group Ltd	29.01.2020	6,75	USD		550 000	3 967 443	4,41	4,13	830,99	117 460	4 570 461	4 687 921	603 017	3,17%	6
Seadrill Ltd	15.09.2017	6,12	USD		500 000	3 152 116	12,47	2,20	668,63	67 571	3 343 162	3 410 733	191 047	2,31%	6
Rosneft International Finance Ltd	07.03.2022	4,20	USD		400 000	2 277 668	9,42	5,47	556,64	40 205	2 226 572	2 266 777	-51 096	1,53%	6
<b>Total Energy</b>						<b>23 355 144</b>				<b>444 965</b>	<b>25 717 589</b>	<b>26 162 554</b>	<b>2 362 446</b>		
<b>Raw materials</b>															
Lafarge SA	13.04.2018	6,25	EUR		600 000	5 569 601	1,83	2,92	1 033,07	244 110	6 198 420	6 442 530	628 819	4,36%	6
Braskem Finance Ltd	15.04.2021	5,75	USD		775 000	4 936 832	5,89	5,01	760,36	70 496	5 892 759	5 963 254	955 926	4,04%	6
SSAB AB	10.04.2019	3,87	EUR		600 000	4 945 005	3,93	3,77	906,97	153 081	5 441 819	5 594 899	496 814	3,79%	6
Glencore Funding LLC	29.04.2019	3,12	USD		475 000	2 878 696	3,10	3,94	752,54	19 156	3 574 549	3 593 705	695 853	2,43%	6
<b>Total Raw Materials</b>						<b>18 330 134</b>				<b>486 843</b>	<b>21 107 547</b>	<b>21 594 388</b>	<b>2 777 412</b>		
<b>Industrials</b>															
Bombardier Inc	17.05.2021	6,12	EUR		500 000	4 479 073	3,92	5,20	1 027,41	35 488	5 137 056	5 172 543	657 983	3,50%	6
Stena AB	01.02.2019	5,87	EUR		520 000	4 681 271	4,35	3,47	959,02	115 437	4 986 878	5 102 315	305 607	3,45%	6
Color Group AS	18.09.2019	6,72	NOK	18.03.2015	5 000 000	5 089 000	8,26	-0,10	97,00	12 133	4 850 000	4 862 133	-239 000	3,29%	6
Heathrow Funding Ltd	10.09.2018	6,25	GBP		250 000	2 894 671	2,50	3,30	1 324,98	56 009	3 312 461	3 368 470	417 791	2,28%	6
PostNL NV	14.08.2018	7,50	GBP		200 000	2 505 895	2,34	3,18	1 377,58	66 731	2 755 153	2 821 884	249 258	1,91%	6
Frigoglass Finance BV	15.05.2018	8,25	EUR		375 000	3 245 952	23,12	1,74	652,94	35 850	2 448 515	2 484 365	-797 437	1,68%	6
Bombardier Inc	16.03.2020	7,75	USD		200 000	1 390 159	5,70	4,10	822,44	34 199	1 644 886	1 679 085	254 727	1,14%	6
<b>Total Industrials</b>						<b>24 286 021</b>				<b>355 847</b>	<b>25 134 949</b>	<b>25 490 795</b>	<b>848 929</b>		
<b>Consumer discretionary</b>															
Fiat Finance & Trade SA	15.03.2018	6,62	EUR		600 000	5 526 144	3,05	2,78	1 007,47	287 397	6 044 815	6 332 212	518 671	4,29%	6
Jaguar Land Rover Automotive Plc	14.12.2018	4,12	USD		350 000	2 209 246	3,80	3,55	761,61	4 808	2 665 652	2 670 460	456 406	1,81%	6
Levi Strauss & Co	15.05.2020	7,62	USD		250 000	1 624 738	2,23	0,41	791,99	17 855	1 979 974	1 997 829	355 236	1,35%	6
<b>Total Consumer discretionary</b>						<b>9 360 128</b>				<b>310 060</b>	<b>10 690 441</b>	<b>11 000 501</b>	<b>1 330 313</b>		
<b>Consumer staples</b>															
Safeway Ltd	10.01.2017	6,00	GBP		350 000	3 823 452	2,43	1,83	1 250,78	238 599	4 377 734	4 616 332	554 282	3,13%	6
Avon Products Inc	01.03.2019	6,50	USD		400 000	2 689 850	6,05	3,44	747,55	64 943	2 990 184	3 055 127	300 334	2,07%	6
<b>Total Consumer Staples</b>						<b>6 513 302</b>				<b>303 542</b>	<b>7 367 918</b>	<b>7 671 459</b>	<b>854 616</b>		
<b>Financials</b>															
Bank of Baroda - London	23.07.2019	4,87	USD		750 000	4 781 490	3,38	3,94	799,11	120 246	5 993 312	6 113 558	1 211 822	4,14%	5
Danske Bank AS	29.09.2021	5,37	GBP		400 000	4 319 506	3,84	3,33	1 226,99	63 994	4 907 940	4 971 934	588 434	3,37%	5
Amlin Plc	18.12.2026	6,50	GBP		400 000	4 275 558	4,31	1,83	1 215,44	9 986	4 861 773	4 871 759	586 215	3,30%	5
Tyrkiye Halk Bankasi AS	19.07.2017	4,87	USD		550 000	3 413 502	3,85	2,29	771,38	90 413	4 242 563	4 332 976	829 061	2,93%	5
Akbank TAS	24.10.2017	3,87	USD		400 000	2 448 009	3,62	2,58	757,95	21 617	3 031 787	3 053 404	583 778	2,07%	5
Diamond Bank Plc	21.05.2019	8,75	USD		400 000	2 431 686	13,37	3,21	640,15	29 141	2 560 599	2 589 741	128 914	1,75%	5
Akbank TAS	09.03.2018	6,50	USD		300 000	2 030 233	3,90	2,78	814,83	45 460	2 444 489	2 489 949	414 256	1,69%	5
VTB Bank OJSC Via VTB Capital SA	29.05.2018	6,87	USD		200 000	1 334 981	12,39	2,71	638,74	9 445	1 277 482	1 286 927	-57 499	0,87%	5
<b>Total Financials</b>						<b>25 034 965</b>				<b>390 302</b>	<b>29 319 945</b>	<b>29 710 248</b>	<b>4 284 981</b>		
<b>Information technology</b>															
Nokia OYJ	04.02.2019	6,75	EUR		300 000	2 888 446	1,72	3,51	1 085,54	166 032	3 256 625	3 422 656	368 179	2,32%	6
<b>Total Information technology</b>						<b>2 888 446</b>				<b>166 032</b>	<b>3 256 625</b>	<b>3 422 656</b>	<b>368 179</b>		
<b>Telecom</b>															
Bharti Airtel International Netherlands BV	10.12.2018	4,00	EUR		300 000	2 618 080	1,83	3,66	981,63	6 261	2 944 897	2 951 158	326 817	2,00%	6
VimpelCom Holdings BV	01.03.2022	7,50	USD		350 000	2 278 513	12,42	4,70	618,85	65 605	2 165 961	2 231 566	-112 552	1,51%	6
<b>Total Telecom</b>						<b>4 896 593</b>				<b>71 866</b>	<b>5 110 858</b>	<b>5 182 724</b>	<b>214 265</b>		
<b>Utilities</b>															
EP Energy AS	01.11.2019	5,87	EUR		575 000	5 287 985	2,91	4,16	1 032	51 059	5 932 018	5 983 077	644 033	4,05%	6
EDP Finance BV	01.10.2019	4,90	USD		550 000	3 580 307	3,95	4,10	783	50 487	4 309 123	4 359 610	728 817	2,95%	6
EDP Finance BV	21.09.2017	5,75	EUR		175 000	1 596 279	1,36	2,54	1 013	25 251	1 772 307	1 797 558	176 029	1,22%	6
<b>Total Utilities</b>						<b>10 464 571</b>				<b>126 797</b>	<b>12 013 448</b>	<b>12 140 245</b>	<b>1 548 879</b>		
<b>Property</b>															
American Tower Corp	15.02.2019	3,40	USD		200 000	1 465 208	3,03	3,73	765	19 250	1 529 936	1 549 186	64 728	1,05%	6
<b>Total Property</b>						<b>1 465 208</b>				<b>19 250</b>	<b>1 529 936</b>	<b>1 549 186</b>	<b>64 728</b>		
<b>TOTAL SECURITIES PORTFOLIO 5)</b>						<b>126 594 512</b>				<b>2 675 504</b>	<b>141 249 256</b>	<b>143 924 756</b>	<b>14 654 748</b>	<b>96,84%</b>	

## FINANCIAL STATEMENT

### Note 7. Securities value as of 31.12.2014 (In NOK)

#### Financial derivatives 31.12.2014 (in NOK)

Derivat	Maturity	Coupon	Currency	Interest adjustment point	Facevalue	Net gain / loss financial contracts	Share of fund
<b>Interest rate derivatives</b>							
IRSEUR20180620	20.06.2018	0,18	EUR	22.06.2015	3 000 000	2 695 352	
IRSEUR20180620	20.06.2018	0,54	EUR		-3 000 000	-3 036 864	
IRSGBP20180129	29.01.2018	0,72	GBP	29.01.2015	1 200 000	12 863 445	
IRSGBP20180129	29.01.2018	1,91	GBP		-1 200 000	-13 251 913	
IRSUSD20180620	20.06.2018	0,25	USD	23.03.2015	3 500 000	5 233 320	
IRSUSD20180620	20.06.2018	1,47	USD		-3 500 000	-5 283 467	
IRSUSD20190820	20.08.2019	0,23	USD	20.02.2015	2 000 000	2 699 275	
IRSUSD20190820	20.08.2019	1,73	USD		-2 000 000	-2 822 184	
<b>Total</b>						<b>-903 036</b>	<b>-0,61%</b>

#### Portfolio key figures

Yield	4,37%
Yield to clients <sup>1)</sup>	4,37%
Duration <sup>2)</sup>	1,29

<sup>1)</sup> Yield adjusted for management fee.

<sup>2)</sup> Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

<sup>3)</sup> Yield is the average annual return of an interest bearing security until maturity.

<sup>4)</sup> Securities are divided into six risk classes according to their credit risk.

Class 1 has the lowest and class 6 the highest credit risk.

Risk class 1: Supranational organisations

Risk class 2: Government, and government guaranteed within the EEA

Risk class 3: Government, and government guaranteed outside the EEA

Risk class 4: County and local government

Risk class 5: Bank and financial institutions

Risk class 6: Industry

All securities are traded in a telephone-based international market.

Unit price as of 31.12.2014 115,5046

Kr 7.403.964,- is allocated for distribution to unit holders. This will result in a reduction in the unit price equal to the distribution per unit at the time of distribution.

<sup>5)</sup> For liquidity in the portfolio as of 31.12.14, please refer to the balance sheet.

#### Allocation of the acquisition cost:

For SKAGEN Credit the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

# SKAGEN Credit NOK

## Note 7. Securities portfolio as of 31.12.2014 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund
<b>Fixed income fund</b>							
SKAGEN Credit	812 059	83 029 525	109,71	NOK	89 094 452	6 064 927	99,68 %
<b>TOTAL SECURITIES PORTFOLIO *)</b>		<b>83 029 525</b>			<b>89 094 452</b>	<b>6 064 927</b>	<b>99,68 %</b>

<sup>\*)</sup> For liquidity in the portfolio as of 31.12.2014, please refer to the balance sheet.

SKAGEN Funds sets prices for its funds on every ordinary opening day for Norwegian banks. The price reflects the prices of the underlying securities in SKAGEN Credit. As of 31.12.2014 SKAGEN Credit NOK owns 60,3% of the units in SKAGEN Credit.

### Allocation of the acquisition cost:

For SKAGEN Credit the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

# SKAGEN Credit SEK

## Note 7. Securities portfolio as of 31.12.2014 (in SEK)

Security	Number of shares	Acquisition value SEK	Market price	Currency	Market value SEK	Unrealised gain/loss	Share of fund
<b>Fixed income fund</b>							
SKAGEN Credit	235 858	26 634 210	114,69	SEK	27 049 570	415 360	99,68 %
<b>TOTAL SECURITIES PORTFOLIO *)</b>		<b>26 634 210</b>			<b>27 049 570</b>	<b>415 360</b>	<b>99,68 %</b>

<sup>\*)</sup> For liquidity in the portfolio as of 31.12.2014, please refer to the balance sheet.

SKAGEN Funds sets prices for its funds on every ordinary opening day for Norwegian banks. The price reflects the prices of the underlying securities in SKAGEN Credit. As of 31.12.2014 SKAGEN Credit SEK owns 17,5% of the units in SKAGEN Credit.

### Allocation of the acquisition cost:

For SKAGEN Credit SEK the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

# SKAGEN Credit EUR

## Note 7. Securities portfolio as of 31.12.2014 (in EUR)

Security	Number of shares	Acquisition value EUR	Market price	Currency	Market value EUR	Unrealised gain/loss	Share of fund
<b>Fixed income fund</b>							
SKAGEN Credit	249 101	3 049 090	12,10	EUR	3 013 656	-35 434	99,66 %
<b>TOTAL SECURITIES PORTFOLIO *)</b>		<b>3 049 090</b>			<b>3 013 656</b>	<b>-35 434</b>	<b>99,66 %</b>

<sup>\*)</sup> For liquidity in the portfolio as of 31.12.2014, please refer to the balance sheet.

SKAGEN Funds sets prices for its funds on every ordinary opening day for Norwegian banks. The price reflects the prices of the underlying securities in SKAGEN Credit. As of 31.12.2014 SKAGEN Credit EUR owns 18,5% of the units in SKAGEN Credit.

### Allocation of the acquisition cost:

For SKAGEN Credit EUR the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

# SKAGEN Credit GBP

## Note 7. Securities portfolio as of 31.12.2014 (in GBP)

Security	Number of shares	Acquisition value GBP	Market price	Currency	Market value GBP	Unrealised gain/loss	Share of fund
<b>Fixed income fund</b>							
SKAGEN Credit	50 879	505 903	9,39	GBP	477 850	-28 053	98,42 %
<b>TOTAL SECURITIES PORTFOLIO *)</b>		<b>505 903</b>			<b>477 850</b>	<b>-28 053</b>	<b>98,42 %</b>

<sup>\*)</sup> For liquidity in the portfolio as of 31.12.2014, please refer to the balance sheet.

SKAGEN Funds sets prices for its funds on every ordinary opening day for Norwegian banks. The price reflects the prices of the underlying securities in SKAGEN Credit. As of 31.12.2014 SKAGEN Credit GBP owns 3,8% of the units in SKAGEN Credit.

### Allocation of the acquisition cost:

For SKAGEN Credit GBP the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.



To the Board of Directors in SKAGEN AS

## Independent auditor's report

### Report on the Financial Statements

We have audited the accompanying financial statements of the mutual funds, which comprise the balance sheets as at December 31, 2014, the income statements for the year then ended and a summary of significant accounting policies and other explanatory information. The income statements are showing the following results for the year ended at December 31, 2014:

SKAGEN Vekst	NOK	1 172 822 679
SKAGEN Global	NOK	6 174 916 030
SKAGEN Kon-Tiki	NOK	5 353 876 488
SKAGEN Avkastning	NOK	67 991 309
SKAGEN Høyrente	NOK	76 214 115
SKAGEN Høyrente Institusjon	NOK	24 903 553
SKAGEN Tellus	NOK	180 969 345
SKAGEN Krona	SEK	9 381 964
SKAGEN m <sup>2</sup>	NOK	184 528 961
SKAGEN Balanse	NOK	25 108 299
SKAGEN Credit	NOK	22 306 108
SKAGEN Credit NOK	NOK	-2 007 153
SKAGEN Credit SEK	SEK	-767 299
SKAGEN Credit EUR	EUR	-74 128
SKAGEN Credit GBP	GBP	-13 703

#### *The Fund Management Company's Board of Directors Responsibility for the Financial Statements*

The Fund Management Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Norwegian accounting act and accounting standards and practices generally accepted in Norway, and for such internal control as The Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

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PricewaterhouseCoopers AS,

T: , org. no.: 987 009 713 MVA, [www.pwc.no](http://www.pwc.no)

Statsautoriserede revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the mutual funds as at December 31, 2014, and its financial performance for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

#### **Report on Other Legal and Regulatory Requirements**

##### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit in each mutual fund is consistent with the financial statements and complies with the law and regulations.

##### *Opinion on Registration and documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that the Fund Management Company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the mutual fund's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 29 January 2015  
**PricewaterhouseCoopers**

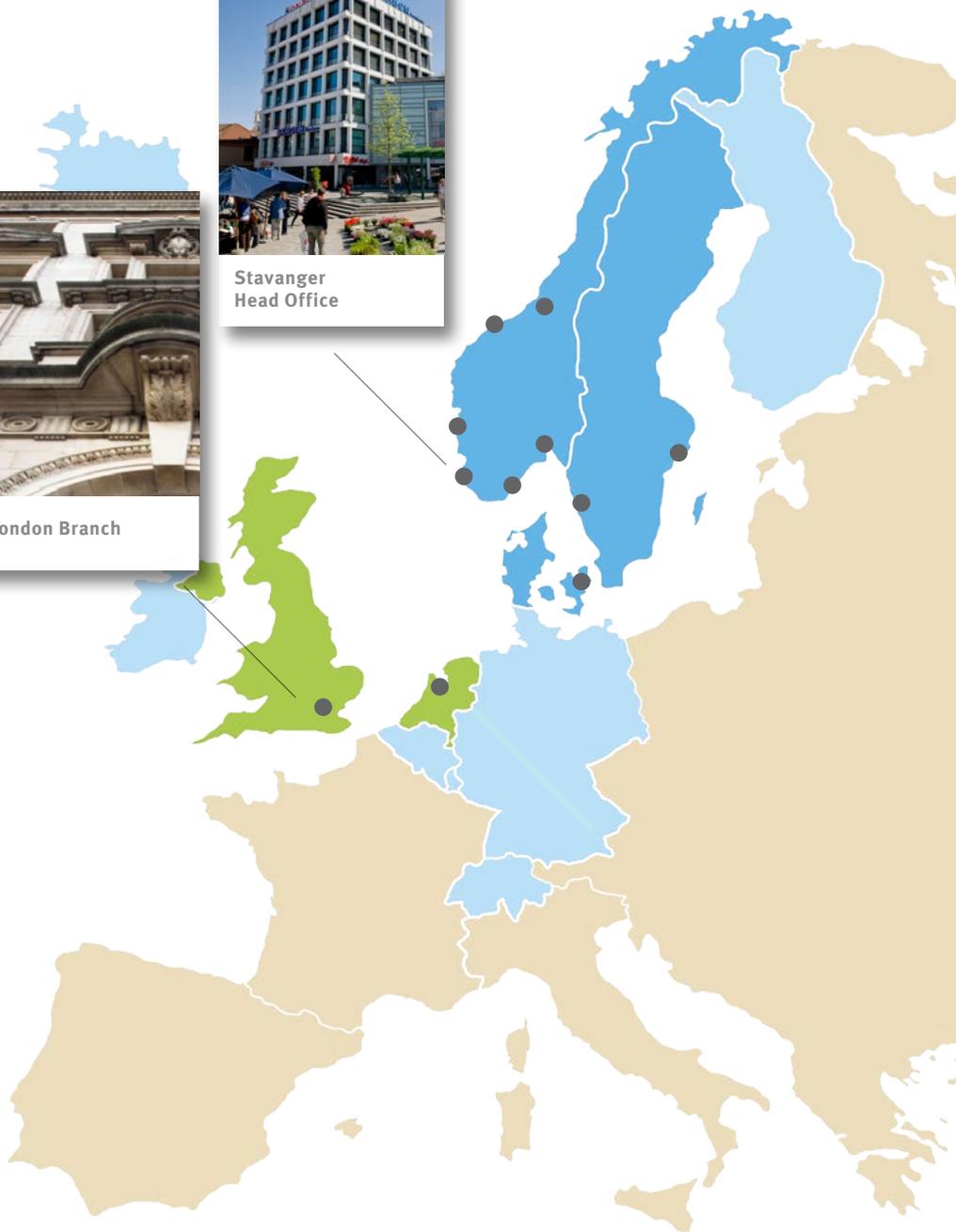
Gunstein Hadland  
State Authorized Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.



Stavanger  
Head Office

London Branch



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

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Customer Services is open from Monday to Friday from 8 am to 9 pm (CET). Please visit us at our office, send an e-mail or call us and we will do our best to help you.

**Editorial team**

Parisa Kate Lemaire, editor  
 Ole-Christian Tronstad  
 Tore Bang  
 Trygve Meyer  
 Michael Metzler  
 Anna S Marcus  
 Vevika Sjøberg

Front page: Vilhelm Rosenstand, 1886. By Peder Severin Krøyer, one of the Skagen painters. The picture is owned by the Skagens museum. Manipulated.

