SKAGEN Focus

The path of the contrarian

The art of common sense


2016

The contrarian path

C ness
& C e

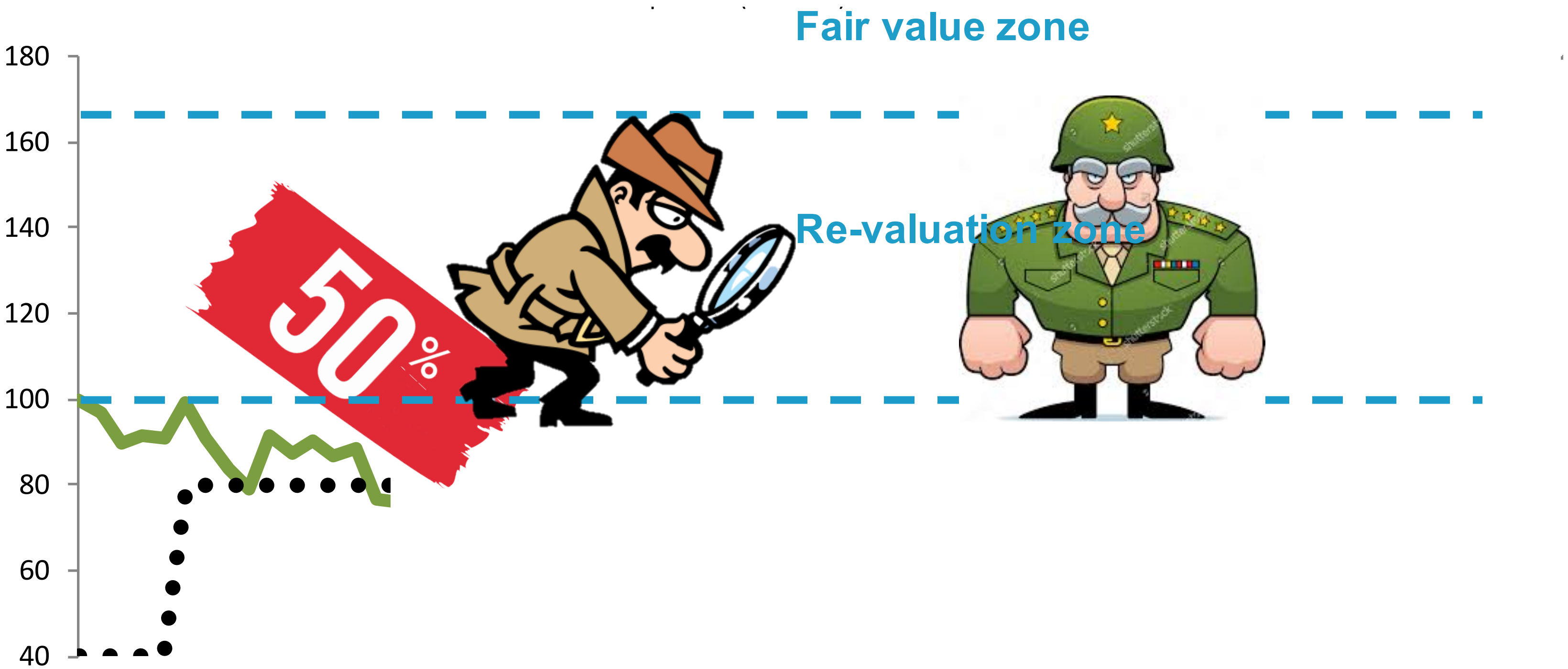
Risk

Risk of permanent loss of capital → **Company specific** → **Aggregated across the portfolio**

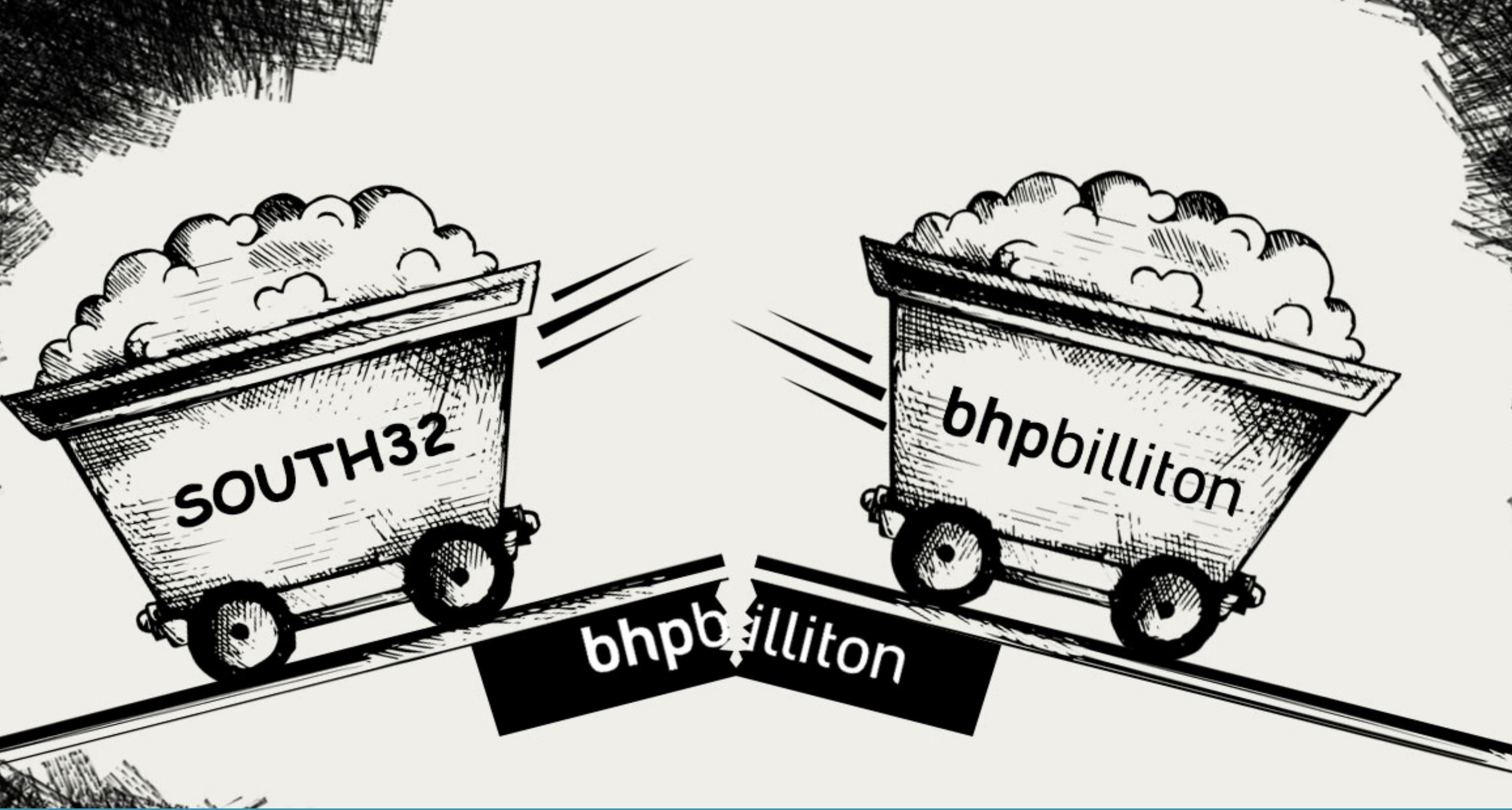
Risk


30,0 %
25,0 %
20,0 %
15,0 %
10,0 %
5,0 %
0,0 %
Technology shift
Leverage
Yield Curve
Restructuring risk
Activist
Management Execution
Chinese growth
Price competition
Global auto sales
Capital allocation

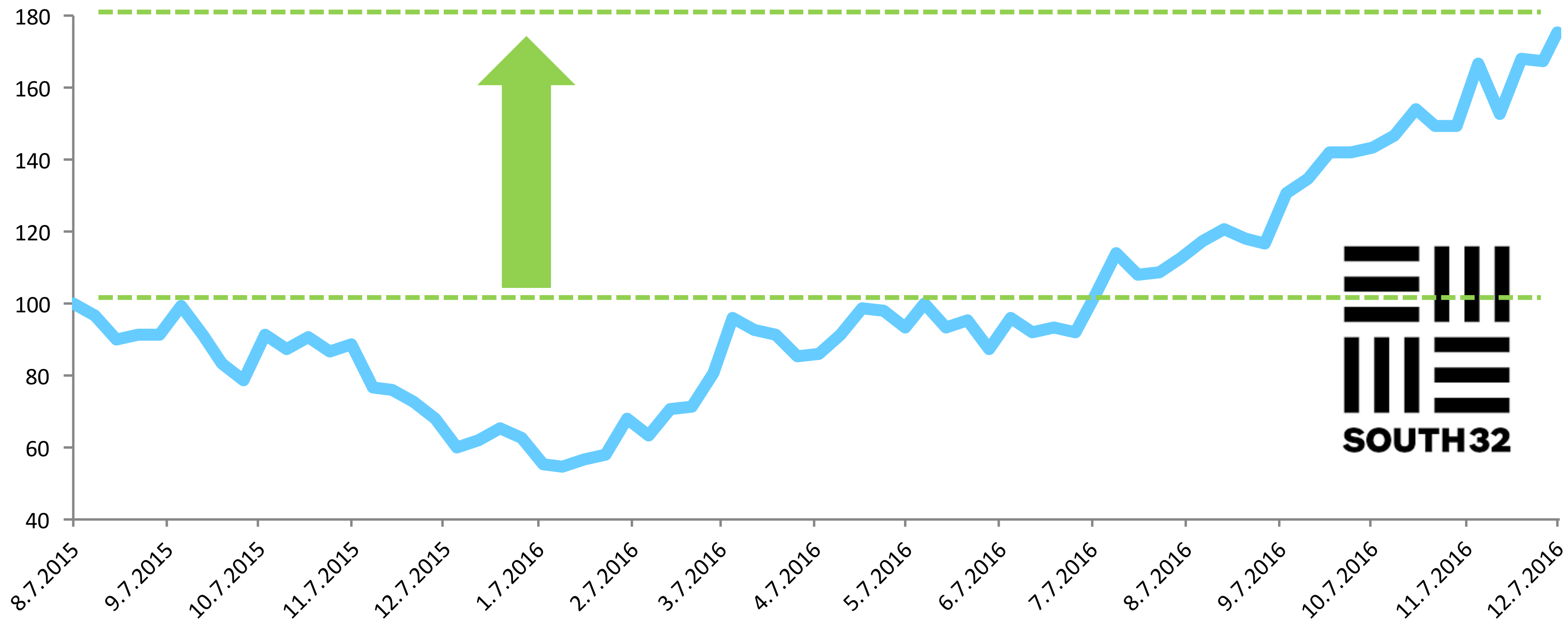
Portfolio Management




South 32


SOUTH32
bhpbilliton
bhpbilliton

South32 – finally headed north



TELECOM ITALIA

Disconnected from fair value

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What is Telecom Italia?

Fixed communication

Mobile communication

Broadband/ fiber

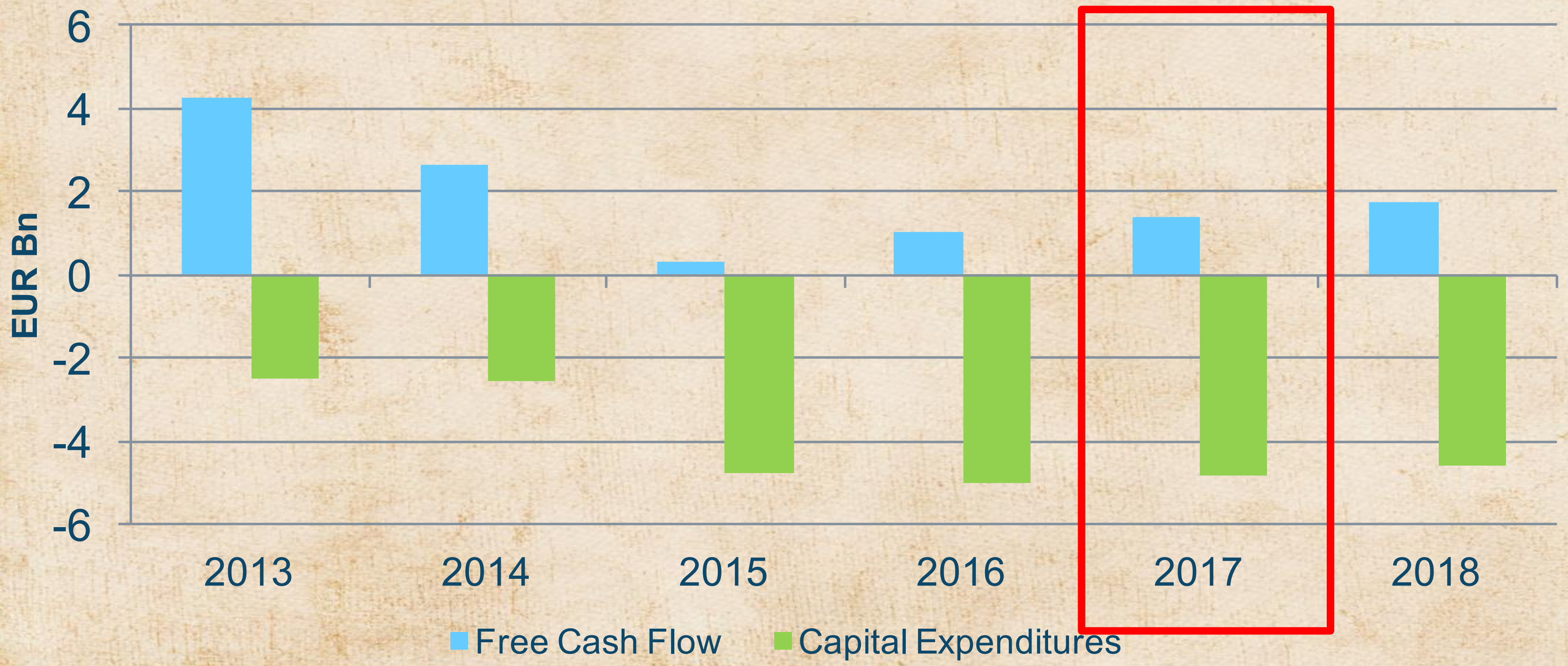
Brazilian mobile business

Investment rationale

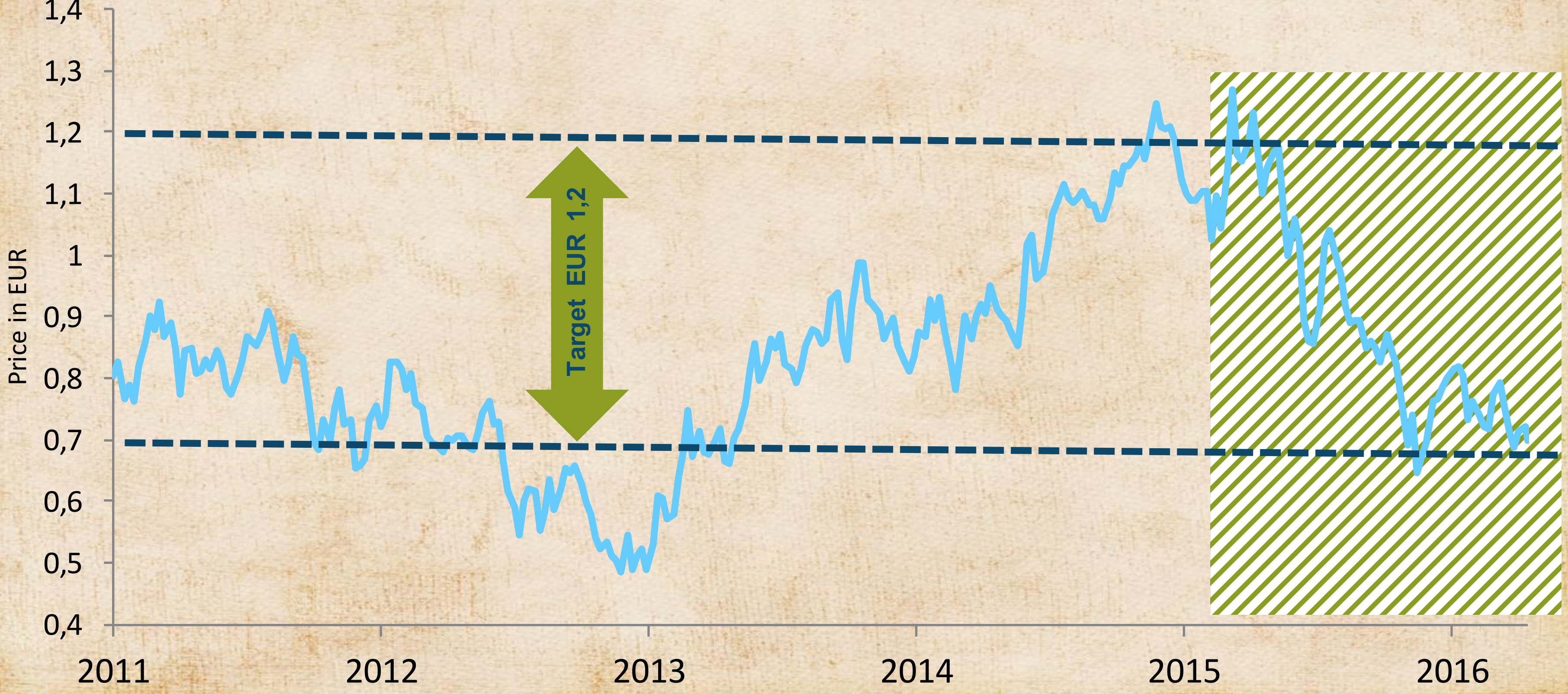
vivendi

Inflection point

Capex is peaking and free cash flow is on the rise



Telecom Italia share price performance



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SKAGEN Focus – our mission

- High concentration
- Broad global investment mandate
- Contrarian and price driven
- Cheapness and change
- Absolute fundamental risk diversification

Appendix

Investment process

Investment process

Idea Generation

- Screening
- Ecosystem
- Network
- Newspapers /conferences
- Sell-side research

Very seldom

Creativity

Investment process

Analysis

Checklist/ Risk analysis

Valuation

Strategic analysis

Rigidity

Investment process

Portfolio Management

- Position sizing
- Exposure Management System
- Top-Down thoughts

Robustness

Top 10 positions in SKAGEN Focus (31/12 2016)

	Price	P/E 2016e	P/E 2017e	P/BV last	Price target	Upside to target %	Holding size, %
American International Group Inc	65,31	17,2	12,0	0,8	90,0	38 %	7,9%
Jbs SA	11,40	63,7	7,4	1,3	22,0	93 %	4,7%
Telecom Italia Spa	0,84	12,7	12,7	0,8	1,2	43 %	4,6%
E-MART Inc	183 000,00	15,2	13,2	0,7	270000,0	48 %	4,4%
Teva Pharmaceutical-Sp ADR	36,25	7,1	6,7	1,0	90,0	148 %	4,3%
SBI Holdings Inc	1 487,00	13,3	13,4	0,8	3000,0	102 %	4,0%
Softbank Group Corp	7 765,00	9,4	12,8	3,7	9600,0	24 %	3,9%
Tesoro Corp	87,45	17,7	14,0	1,9	120,0	37 %	3,9%
Taiheiyo Cement Corp	370,00	8,7	11,6	1,4	495,0	34 %	3,6%
Whiting Petroleum Corp	12,02	n/a	n/a	0,7	35,0	191 %	3,4%
Top 10 positions		**17,8**	**12,5**	**1,0**		**71,5%**	**44,6%**
Total Equity (33 positions)							**95,4 %**
Cash							**4,6 %**
Total Portfolio							**100,0%**

As at 31/12-2016
**JBS is the main owner of Pilgrim's Pride, which is a 1.1% position in the fund. These two positions should be viewed as one, with a total weight of 5,8%.*

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Main contributors YTD 2016

Largest positive contributors

Company	NOK (000)
South32	28 057
Pan American Silver Corp	23 180
First Quantum Minerals	22 266
AirAsia BHD	20 030
Jbs	18 677

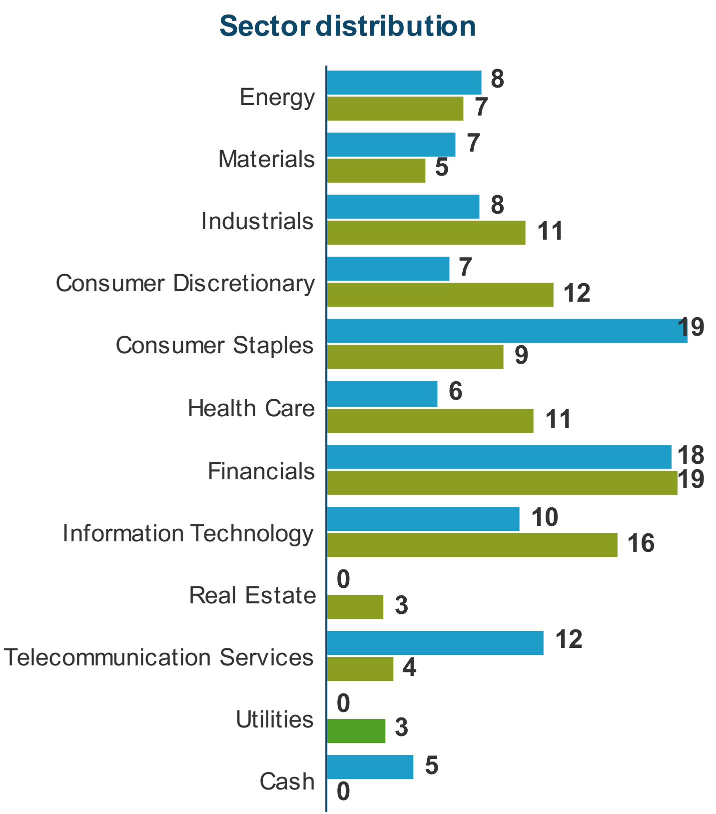
Largest negative contributors

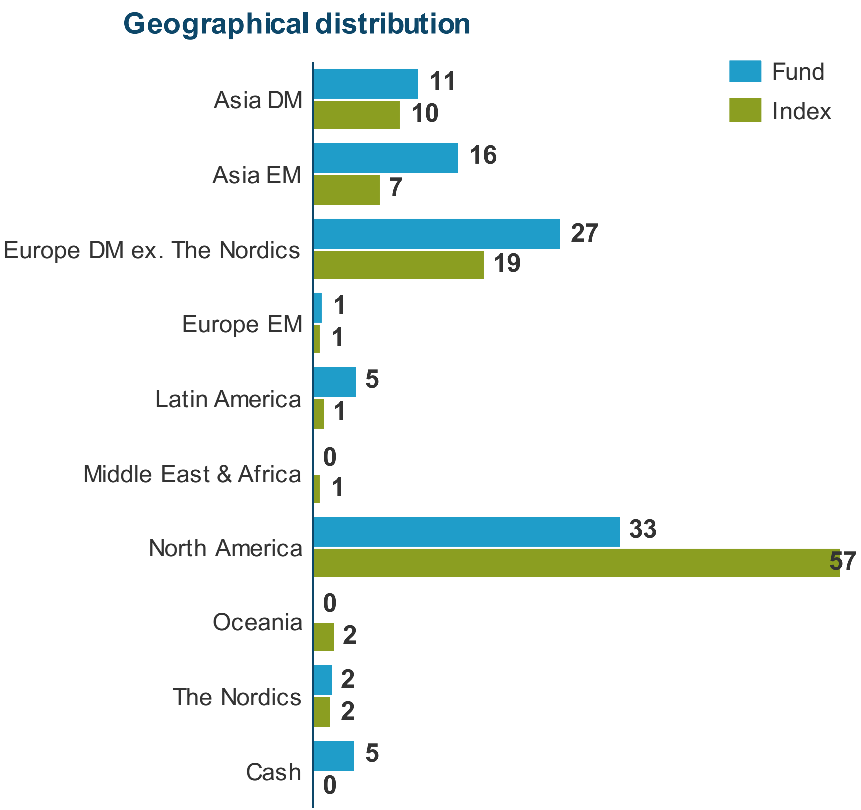
Company	NOK (000)
Teva Pharmaceutical Industries	-16 325
TerraVia Holdings	-15 188
Fila Korea	-11 344
Rentech	-7 391
Crown Confectionery	-7 329

Value Creation YTD (NOK MM): 187

NB: Contribution to absolute return

Sector and geographical distribution vs index (Dec. 2016)





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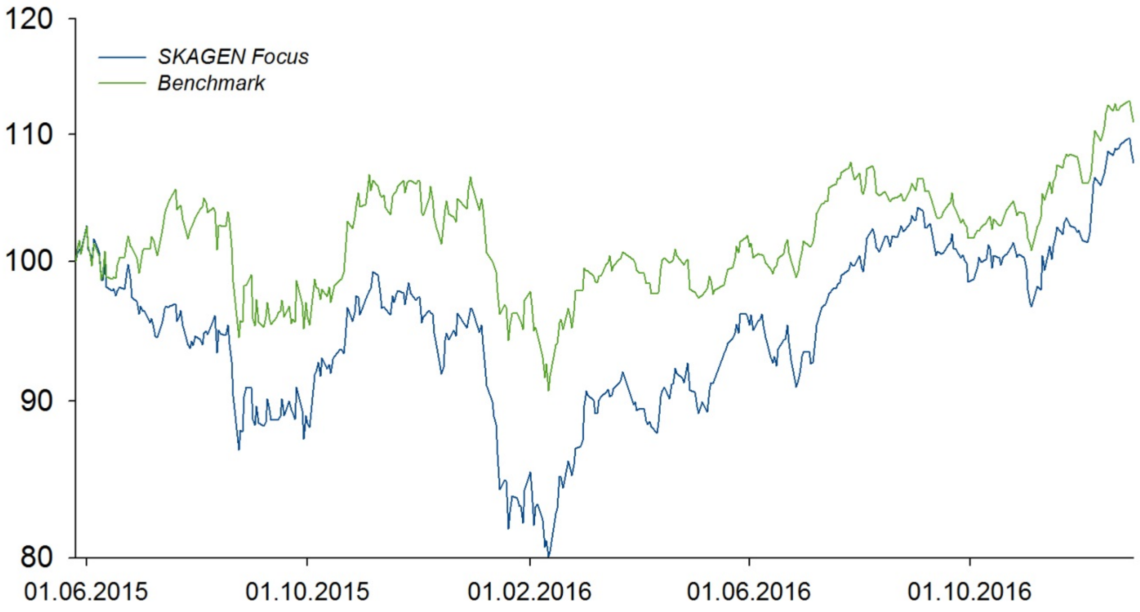
SKAGEN Focus (NOK) since launch (May 26, 2015)



	2016	Siden start*
SKAGEN Focus A	11,6%	4,7%
World Index*	4,9%	6,8%
Excess return	6,7%	-2,0%

Inception date: 26 May 2015

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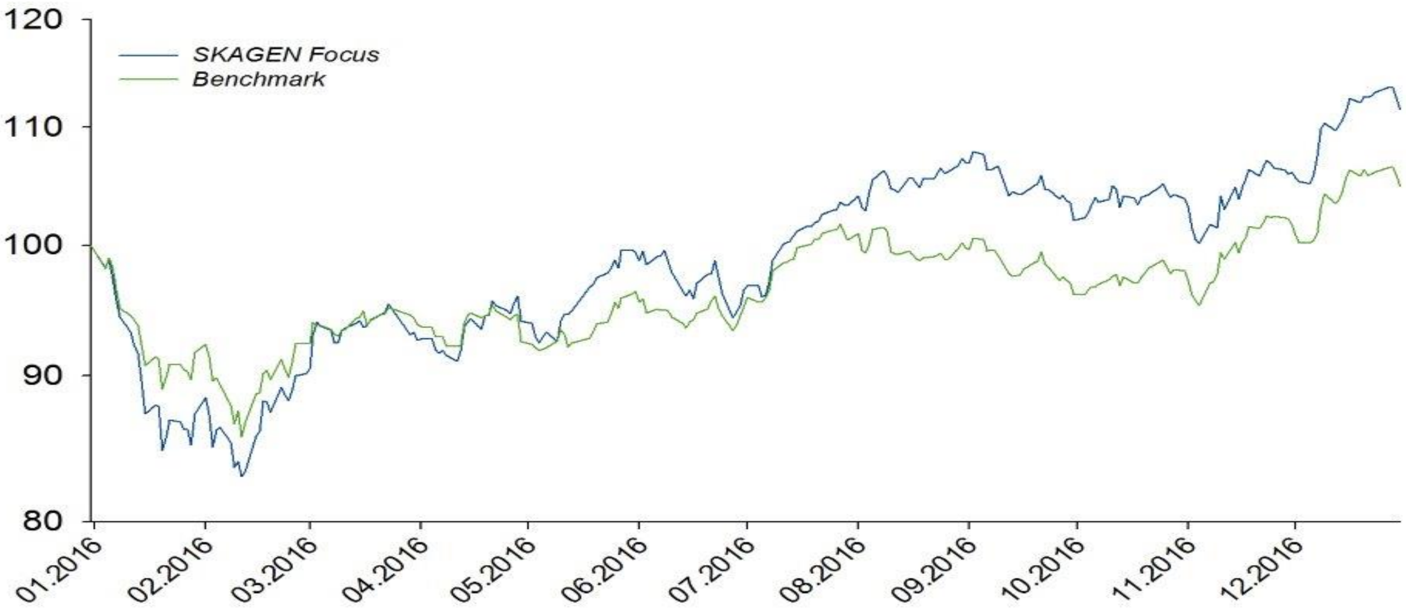
SKAGEN Focus (NOK) (2016)



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Note: All returns beyond 12 months are annualised (geometric return)
** Inception date: 26 May 2015*