

Easier monetary policy in sight

SKAGEN Tellus had a strong first half of the year in absolute terms. The good return was partly due to a general fall in long-term interest rates and tighter credit spreads for some of the fund's holdings. Nonetheless, the fund underperformed its index in the second quarter due to being underweight duration and underweight Japanese yen. At quarter end, the fund's duration is 3.4 years, while the index has a duration of 8.3 years.

A broad based interest rate fall

The global economy is currently going through a softer patch. It is particularly Europe and the emerging economies that are experiencing weaker growth, but key figures from the US have also been more mixed lately. The trade war and uncertainty about future trade conditions are contributory factors driving weaker growth.

The weaker growth and inflation outlook have led the central banks to change course. The Federal Reserve (Fed) and European Central Bank (ECB) have now cancelled the monetary policy tightening that they communicated at the beginning of the year. The Fed is concerned about US growth and the effects of the trade war. They have stated that the current policy rate may be too high and that they are ready to cut interest rates if they see signs of weaker growth. The market is now pricing three cuts in 2019, the first already at the July meeting. The ECB has far less ammunition with a key rate of -0.4%. However, they have communicated that they may cut interest rates if the inflation outlook fails to improve. There is also the option to restart the QE program.

Weaker growth prospects as well as dovish central banks have led to a sharp fall in long-term interest rates. Since the turn of the year, the US 10-year government bond yield has fallen from 2.7% to 2.0%. In the second quarter, it fell by 40 basis points. Similarly, the German 10-year rate has fallen by 57 basis points since the turn of the year and 26 basis

points in the last quarter. Long-term interest rates in most other countries have fallen along with interest rates in the US and Germany.

Weaker growth, but no recession

While we are in a period of softer growth, we expect it to be temporary. Progress in the trade talks between the US and China will of course be positive, but more importantly, households are solid. There are no imbalances in the household sector in the major economies that could lead us into deeper decline. Unemployment is low and households are optimistic, which will keep consumption and the economy going. This is also confirmed by both the PMI for the service sector and consumer confidence indicators, which are at solid levels.

Rally in peripherals

The performance in the fund in the second quarter is mostly due to lower interest rates and not so much currency appreciation. Our investments in peripheral Europe and Mexico contributed the most to the fund's performance.

There was a rally in peripheral government bonds in the quarter, with the interest rates falling substantially more than the general fall in global interest rates. The decline in credit premiums (the difference in interest rates to Germany) is due to a positive economic development and a stable and responsible fiscal policy in these countries.

Our investment in Croatia was the largest contributor in the quarter. The interest rate on the holding decreased by 60 basis points, leading to a bond price appreciation of 5.6%. Croatia is a large holding in the fund at 6.9%.

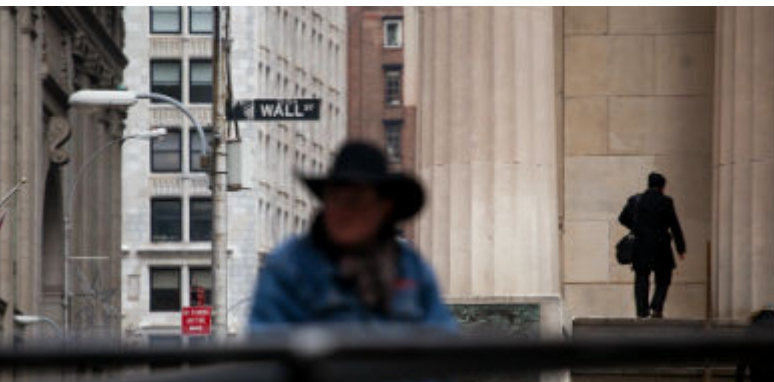


Foto: Bloomberg

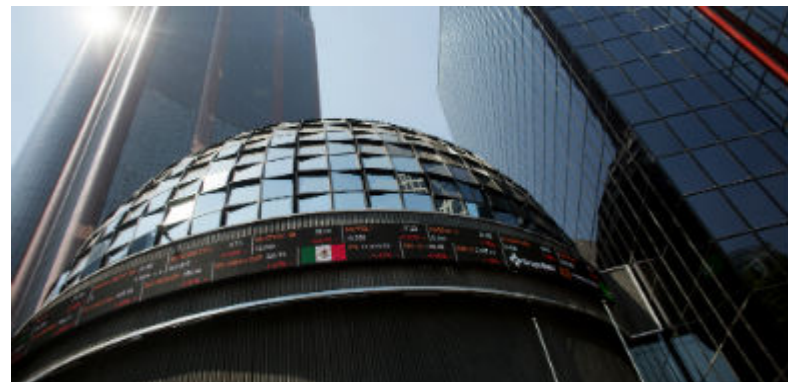


Foto: Bloomberg

The Greek credit spreads have fallen the most. Since the turn of the year, the credit premium in the 10-year Greek government bond is down 135 basis points. The fall in the second quarter was 100 basis points. Continued improvement of the economy is positive. Furthermore, the Conservative party New Democracy won the European Parliament elections. The election defeat of the government party Syriza resulted in Prime Minister Tsipras calling early elections. Elections will be held at the beginning of July. New Democracy is leading the polls with a solid margin and the market is very positive towards a change of government. By the end of June, the Greek 10-year government bond was yielding 2.4%, which is only approx. 30 basis points higher than in Italy.

Currencies put a drag on performance

Our short-dated investments in the US and UK as well as our investments in Uruguay detracted the most from performance in Q2. The currencies depreciated relative to EUR. Our investments in US treasuries constitute almost 20% of the fund, meaning that even a small depreciation will have a relatively large impact on performance. The USD depreciated relative to EUR in the quarter.

We made only minor changes to the holdings in the second quarter.

SKAGEN Tellus investerer i en aktivt forvaltet og diversifisert portefølje av hovedsakelig statsobligasjoner fra hele verden. Fondet passer for dem som ønsker å investere i et obligasjonsfond, enten alene eller som del i en veldiversifisert, og som har minst tre års investeringshorisont. Investorer bør tolerere valutasvingninger.

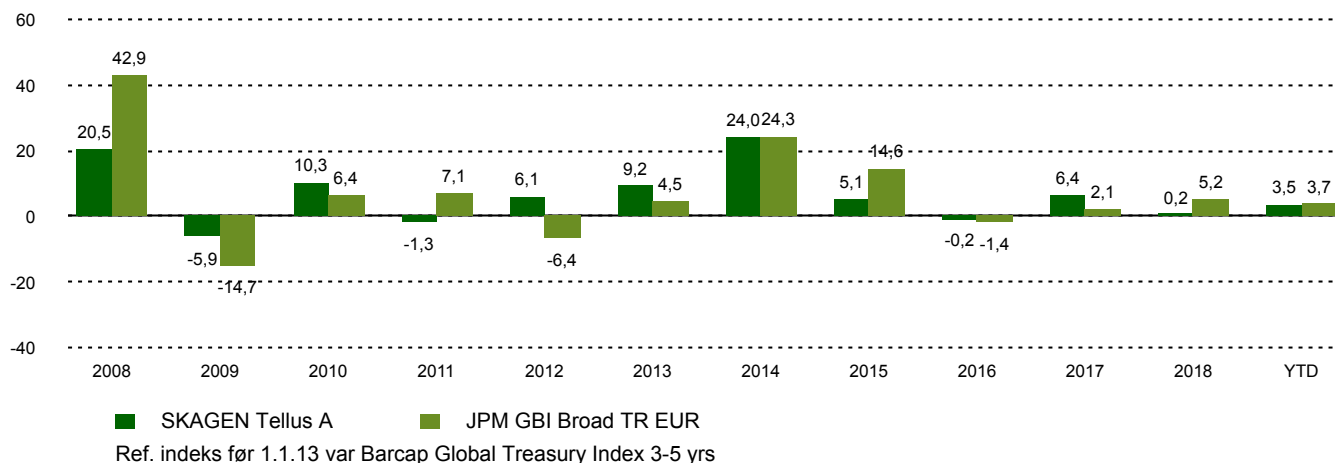
Historisk avkastning

Periode	SKAGEN Tellus A	Referanseindeks
Siste måned	0,7%	-0,6%
Hittil i kvartal	1,6%	2,3%
Hittil i år	3,5%	3,7%
Siste år	7,2%	10,5%
Siste 3 år	3,1%	1,7%
Siste 5 år	5,7%	8,0%
Siste 10 år	5,9%	5,0%
Siden start	5,9%	5,6%

Fondsfakta

Type	Obligasjonsfond
Domisil	Norge
Start dato	29.09.2006
Morningstarkategori	Rente, Globale Obligasjoner - EUR fokusert
ISIN	NO0010327786
NAV	117,91 NOK
Årlig forvaltningshonorar	0.80%
Referanseindeks	JPM GBI Broad TR EUR
Forvaltningskapital (mill.)	673,40 NOK
Rentefølsomhet	3,44
Vektet gj.sn. løpetid	4,95
Effektiv rente	4,47%
Antall poster	14
Porteføljeforvalter	Jane Tvedt

Avkastning siste 10 år



Bidragstere i kvartalet



Største positive bidragstere

Navn	Vekt (%)	Bidrag (%)
Croatia	6,67	0,42
Mexico	7,08	0,40
Greece	4,94	0,39
Portuguese Government	3,37	0,30
Peruvian Government	5,34	0,29



Største negative bidragstere

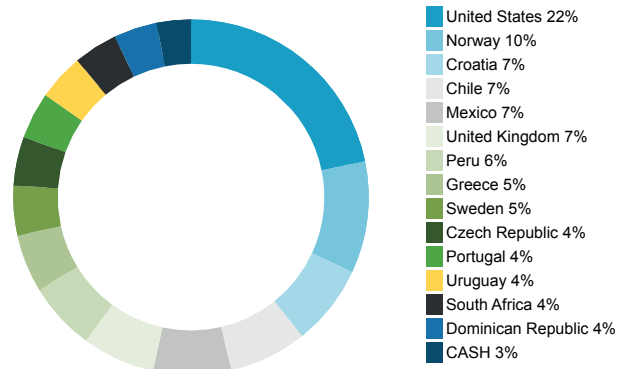
Navn	Vekt (%)	Bidrag (%)
UK Government	6,81	-0,24
Republic of Uruguay	4,67	-0,19
US Government	20,96	-0,18
Swedish Government	4,87	-0,08
Dominican Republic	2,97	0,01

I NOK for alle andelsklasser

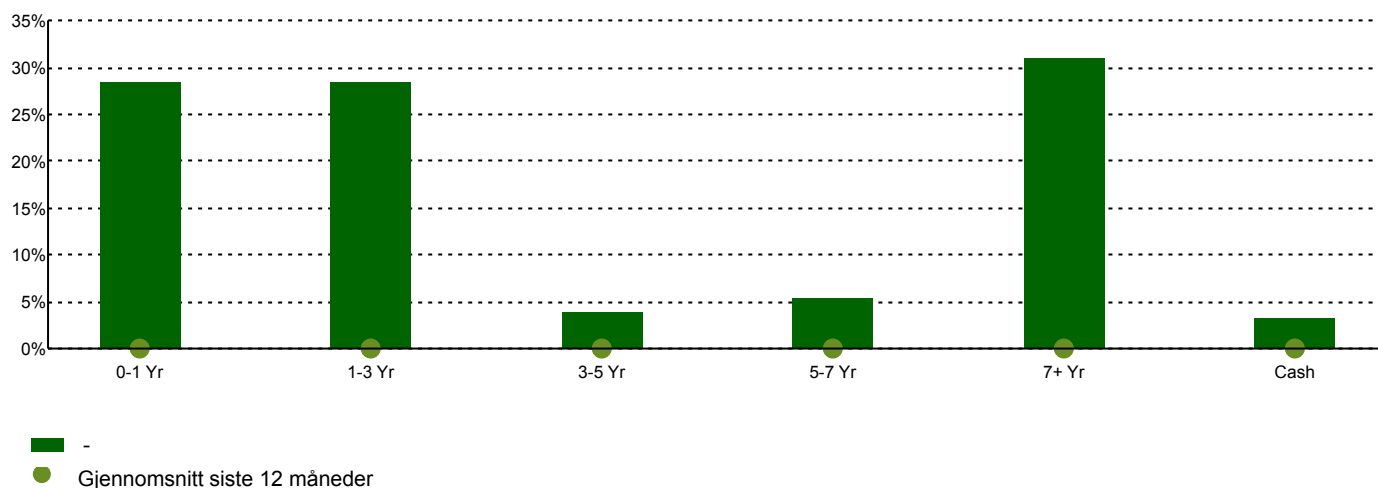
10 største investeringer

Navn	Prosent av fond
US Government	21,8
Kongeriket Norge	10,1
Republic of Croatia	7,3
Republic of Chile	7,1
Mexico	7,1
UK Government	6,6
Republic of Peru	6,2
Hellenic Republic	5,3
Kingdom of Sweden	4,5
Czech Republic Government	4,4
Total	80,5

Landeksponering



Tid til forfall



Kontakt



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Viktig informasjon

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