SKAGEN Tellus A

Alle tall er i NOK per 31/12/2019

Optimism drives markets

2019 was a solid year for Tellus which delivered a good absolute return, marginally behind the index. In the fourth quarter the fund delivered a flat absolute return but outperformed the benchmark index.

Fourth quarter rally
In the final quarter of the year, markets were cheered by signs that the manufacturing cycle has turned and that there might finally be a trade agreement between China and the US. The
US 10-year interest rate rose by 25 basis points in the quarter, while the German 10-year yield was up around 40 basis points. Furthermore, the USD depreciated by 2.9 percent versus the EUR, while the JPY depreciated by 3.4 percent. This is mainly what drove the weak performance of the fund's index in the quarter, both in absolute terms and relative to the fund. The index has a long duration (total 8.3 years) in the US, Japan and continental Europe and a high weight in USD (40%) and JPY (20%).

A volatile year
Up until the autumn, long-duration was a good investment. A weaker economic outlook, lower inflation expectations and dovish central banks all put downward pressure on long-term interest rates. Since the turn of the year, the 10-year interest rates in the US are down 75 basis points and German rates are down 43 basis points. This is what contributed most to the solid absolute performance of the fund's index in 2019.

Manufacturing cycle turned?
In 2019, global growth slowed, mainly due to a weaker manufacturing sector. In the fourth quarter, there were some signs that the manufacturing cycle was turning. Manufacturing PMIs improved, in particular in China. The German manufacturing PMI, which has been the biggest worry, also showed some improvement, but from a very low level. These early signs of a turnaround contributed to the strong performance of risky assets in the fourth quarter.

Despite a weaker manufacturing sector during 2019, labour markets remained solid. Unemployment was low and households optimistic, which is an engine for further growth in consumption. This was confirmed by the Purchasing Manager Index (PMI) for the service sector, which held up well. The gap between the PMIs for the service and manufacturing sectors has been very wide during the year. The big question for future growth is whether the weak manufacturing sector will eventually pull down the labour market and service sector or whether the strong service sector and households will lead to growth in manufacturing. The latest improvements in manufacturing PMIs bode well for the latter scenario.

Trade and Boris
In addition to hopes of a turn in manufacturing, progress in trade talks and hope of an orderly Brexit also contributed to the strong market performance in the fourth quarter. There seems to be agreement over a “phase one” trade deal and Trump has said he will sign the agreement in January. Progress in the Brexit talks and the victory of the Tories and Boris Johnson in the Parliamentary Election in December have reduced the chances of a hard Brexit, which have in turn reduced uncertainty and contributed to strong markets at the end of the year.

Central bank stimulus
Most central banks are currently taking a dovish stance. The Federal Reserve cut the rate at its October meeting, and the markets are now expecting the Fed to hold or cut once more. The ECB kept its rate unchanged in the quarter, but restarted quantitative easing (QE) in November.

Norges Bank and the Swedish Riksbank went against the tide and increased interest rates this autumn. Norges Bank increased the policy rate for the third time in 2019 in September and Riksbanken increased the policy rate for the first time since December 2018. Both central banks are expected to keep rates unchanged for the foreseeable future.

Foto: Shutterstock

British pound performing
The strongest performer in the fund in the final quarter of the year was our investment in a short-dated UK government bond. The GBP appreciated by 4.6 percent versus the EUR as the progress in Brexit talks and Boris Johnson's election victory led the market to put a lower probability on a hard Brexit.

Our investments in South Africa and Mexico also performed strongly in Q4, mainly due to appreciating currencies. Mexico is the strongest performer in 2019, contributing 2.1 percentage points to the fund's overall performance.

Foto: Shutterstock

Chilean unrest
One of the weakest performers was our investment in a local currency government bond in Chile. The investment is unhedged and the weak performance is due to the currency depreciating by a total of 6 percent versus the EUR in the quarter. The sharp depreciation of the peso is a market reaction to the massive Chilean protests over the past few months. The protests have now eased and the currency reversed some of its losses in December. We expect the peso to continue to perform well as the economy recovers from the uncertainty imposed by the riots.
Our holdings of short-dated US Treasuries also contributed negatively. These make up a large proportion of the fund (around 20 percent) and the negative performance is due to the deprecation of the USD versus EUR in the fourth quarter.
During the quarter, we sold our holding in a short-dated Swedish government bond and increased our position in Mexico.

Kvartalsvis rapport

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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.

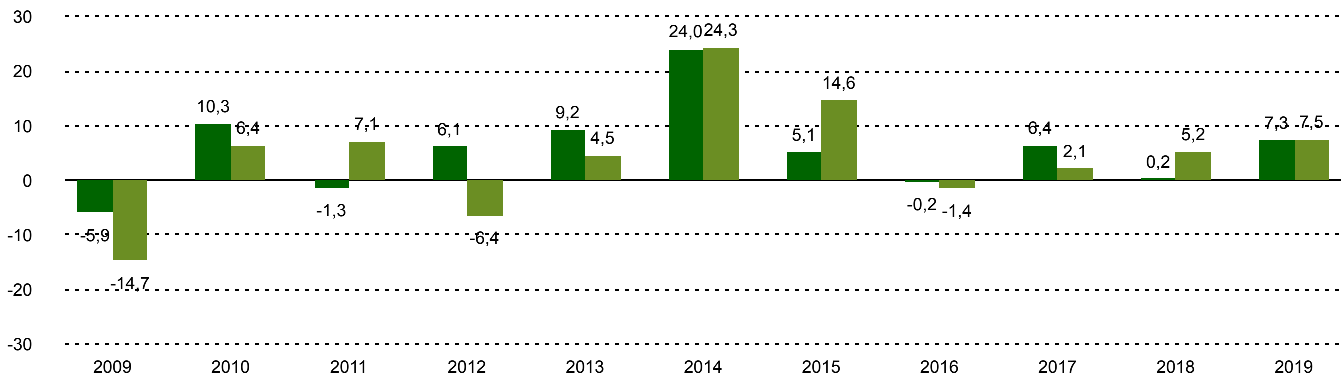
Fondsfakta

Type	Obligasjonsfond
Domisil	Norge
Start dato	29.09.2006
Morningstarkategori	Rente, Globale Obligasjoner - EUR fokusert
ISIN	NO0010327786
NAV	114,49 NOK
Årlig forvaltningshonorar	0.80%
Referanseindeks	JPM GBI Broad TR EUR
Forvaltningskapital (mill.)	460,29 NOK
Rentefølsomhet	3,60
Vektet gj.sn. løpetid	5,00
Effektiv rente	4,38%
Antall poster	13
Porteføljeforvalter	Jane Tvedt

Historisk avkastning

Periode	SKAGEN Tellus A	Referanseindeks
Siste måned	-1,4%	-3,9%
Hittil i kvartal	-0,7%	-3,3%
Hittil i år	7,3%	7,5%
Siste år	7,3%	7,5%
Siste 3 år	4,6%	4,9%
Siste 5 år	3,7%	5,4%
Siste 10 år	6,5%	6,1%
Siden start	5,9%	5,7%

Avkastning siste 10 år



SKAGEN Tellus A   JPM GBI Broad TR EUR

Ref. indeks før 1.1.13 var Barcap Global Treasury Index 3-5 yrs

Bidragsytere i kvartalet

Største positive bidragsytere

Navn	Vekt (%)	Bidrag (%)
United Kingdom Gilt	9,10	0,42
Mexican Bonos	8,19	0,39
Republic of South Africa Gvt	4,13	0,26
Czech Republic Gvt	6,06	0,10
Norway Government Bond	9,72	0,08

Største negative bidragsytere

Navn	Vekt (%)	Bidrag (%)
United States Treasury Note	18,88	-0,47
Chile Government	6,96	-0,34
Croatia Government	8,70	-0,15
Dominican Republic	2,09	-0,12
Portugal Obrigacoes do Tesouro	4,26	-0,11

I NOK for alle andelsklasser

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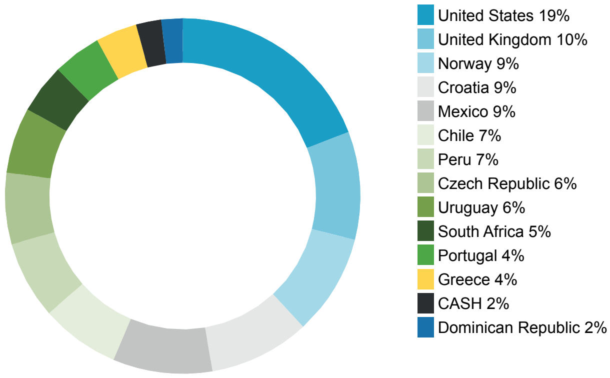
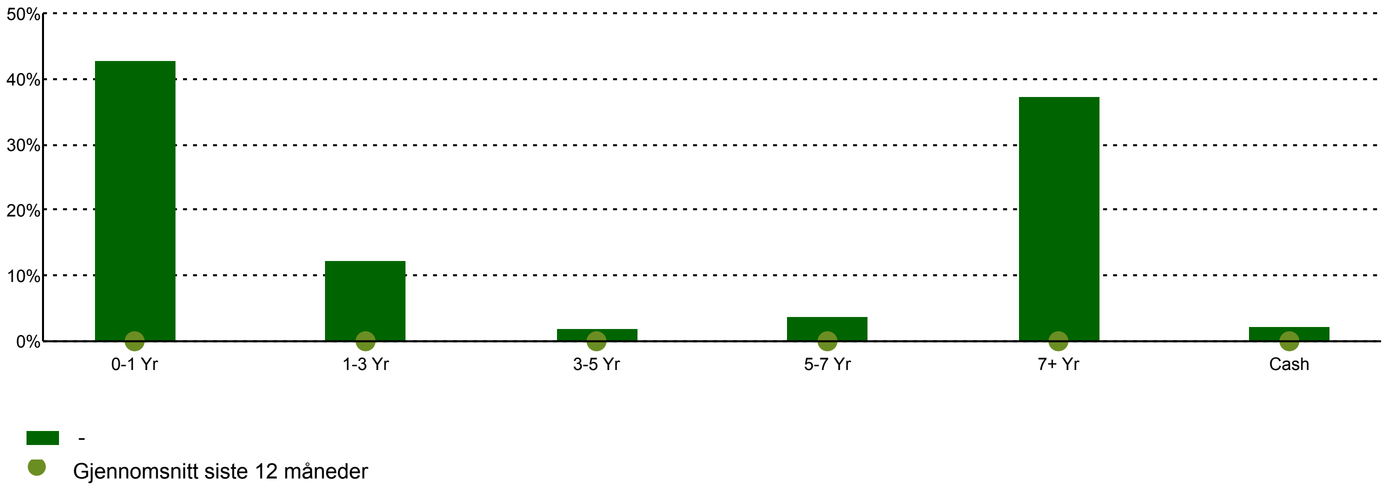
10 største investeringer

Navn	Prosent av fond
US Government	19,1
UK Government	9,8
Kongeriket Norge	9,2
Republic of Croatia	9,2
Mexico	9,0
Republic of Chile	7,2
Republic of Peru	7,1
Czech Republic Government	6,5
Oriental Republic of Uruguay	6,0
Republic of South Africa	4,5
Total	87,6

Landeksponering



Tid til forfall



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Viktig informasjon