



SKAGEN Vekst

Status Rapport– februar 2017

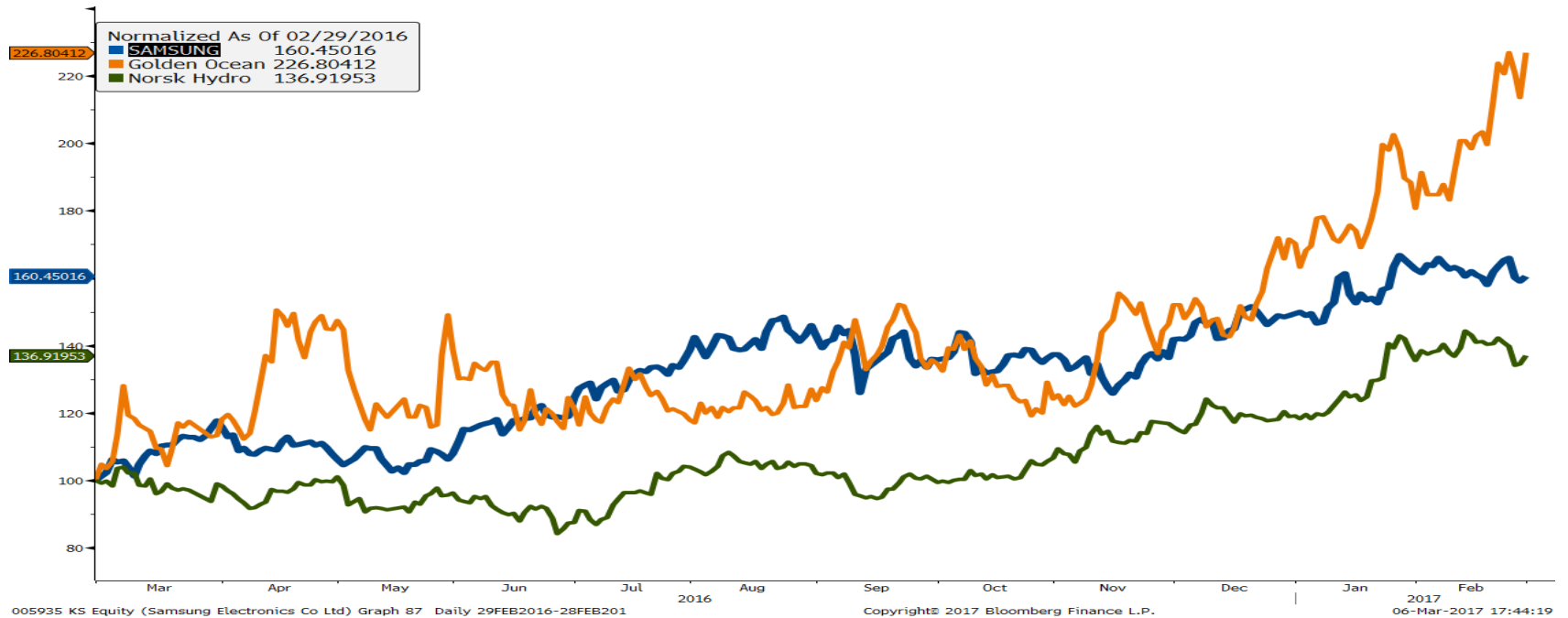
The art of common sense

Sammendrag – februar 2017

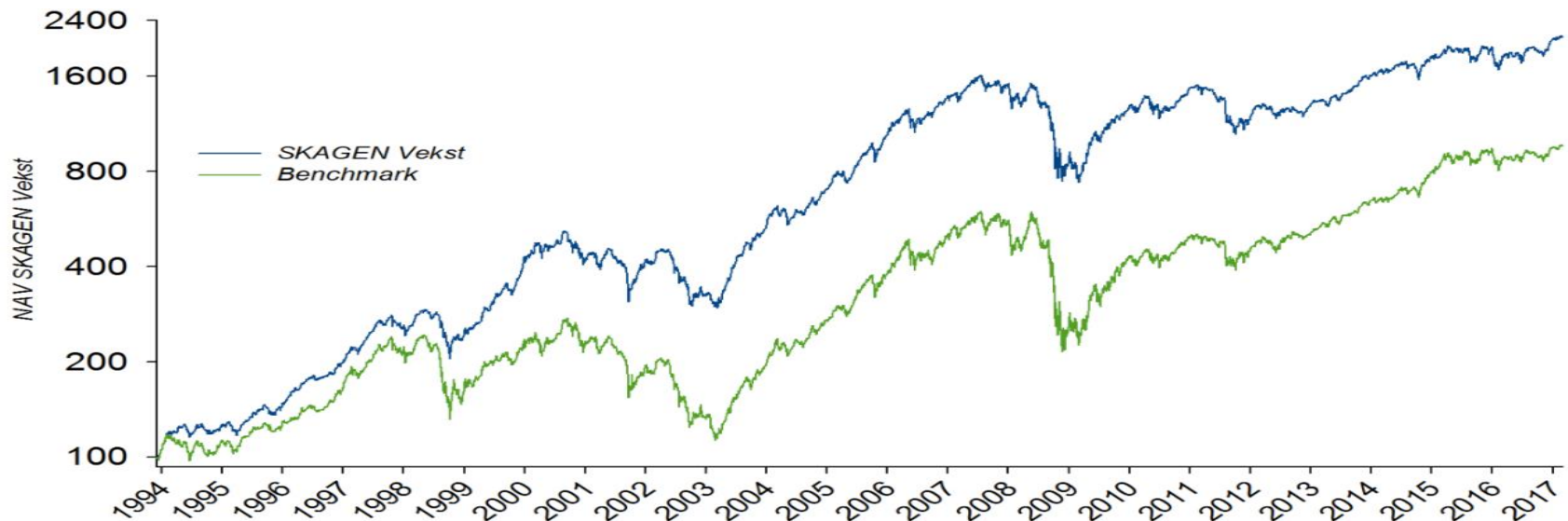
- Februar var en god måned i de globale aksjemarkedet, og nyttårsrallyet fortsatte. De siste 12 månedene har SKAGEN Vekst slått referanseindeksen med god margin og er opp 19 prosent. Den kombinerte referanseindeksen er opp 11 prosent i samme periode.
- I februar steg fondet med 2,1 prosent sammen lignet med indeksen som var opp 2,8 prosent. I løpet av måneden så vi at markedene fikk økt fokus på de positive nyhetene fra flere av de store økonomiene i verden, i tillegg til tegn til inflasjon i USA.
- Selv om 2017 hadde en god start i både relativ- og absoluttavkastning er det grunn til å understreke at det vil komme en rekke viktige politiske valg i løpet av året som kan påvirke markedssituasjonen og muligens rammebetingelser. Det i sin tur kan påvirke selskapenes vilje til å investere i fortsatt utvikling og vekst. Historien har vist at denne typen støy kan være gunstig for langsiktige investorer, mens den økende volatiliteten kan være skadelig på kort sikt.
- Den beste bidragsyteren i februar var tørrbulkselskapet Golden Ocean, den amerikanske finansgiganten Citigroup og svenske Ericsson. Fondets største negative bidragsytere var H&M, Gazprom og Norwegian.
- SKAGEN Vekst har 50 posisjoner med 92 prosent av fondet investert i de 35 største posisjonene. I løpet av måneden gikk vi inn den japanske heisprodusenten Fujitec og økte posisjonen i Novo Nordisk og Gazprom. Vi solgte oss helt ut av posisjoner som nærmet seg kursmålet eller hvor vi ser bedre risk/reward andre steder, som GCL Poly og Nordic Mining. Ved utgangen av februar var SKAGEN Vekst verdsatt til 12,9x årets inntjening mot 17x for markedet
- Fondet er fortsatt aktivt og forvaltes i henhold til SKAGENs verdibasert investeringsfilosofi med fokus på den Nordiske regionen. Vi fortsetter å kjøpe selskaper vi mener er undervurderte og som over tid vil skape meravkastning.

Om ikke annet er angitt er alle avkastningstall i rapporten målt i norske kroner for klasse A etter honorarer. SKAGEN Vekst sin referanseindeks er en likt sammensatt indeks bestående av MSCI Nordic Countries Index og MSCI All Country World.

God avkastning for andelseierne de siste 12 måneder. Fondet er opp 22% takket være selskaper som Samsung (+60%), Golden Ocean (+126%) og Norsk Hydro (+37%)



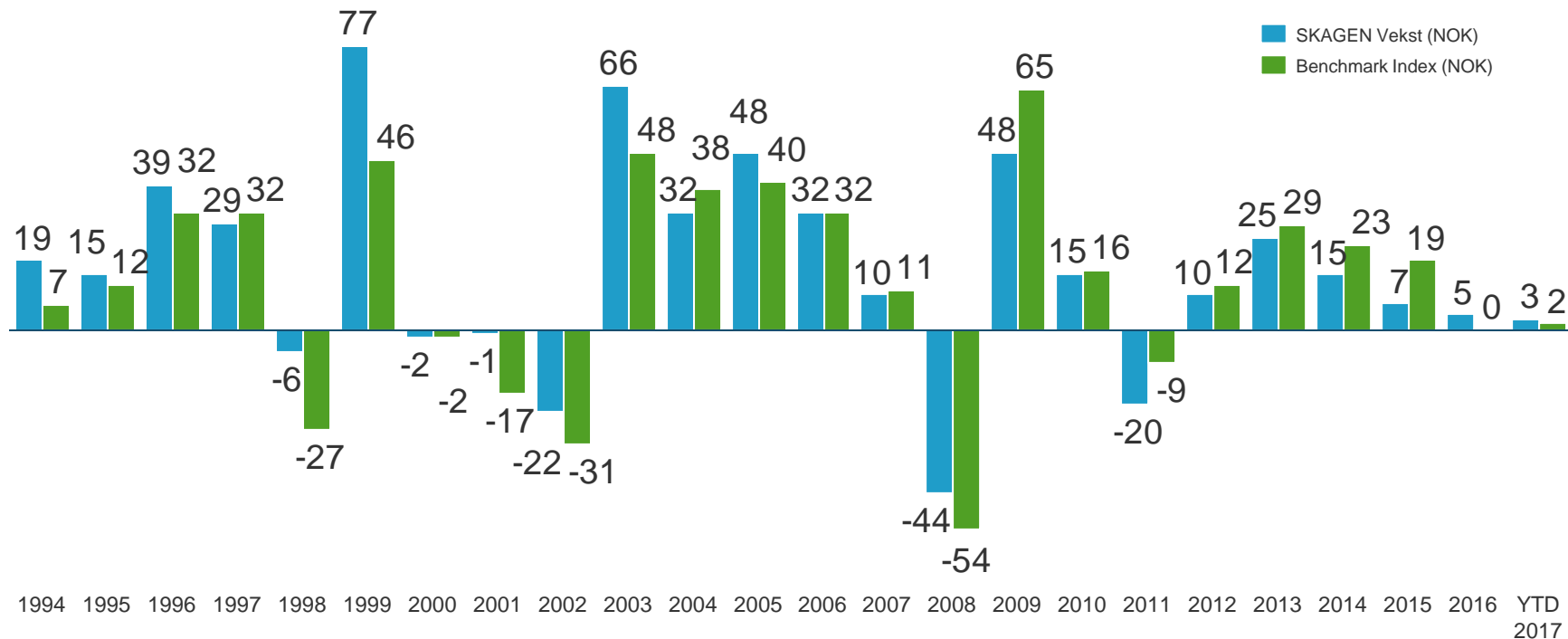
Avkastning pr utgangen av februar 2017 (i NOK)



	February	QTD	2016	1 år	3 år	5 år	10 år	Siden start*
SKAGEN Vekst A	2,1%	3,0%	4,6%	19,0%	8,4%	10,6%	4,6%	14,1%
Referanseindeks*	2,8%	2,1%	0,1%	11,0%	13,6%	14,8%	6,7%	10,2%
Meravkastning	-0,8%	0,9%	4,5%	7,9%	-5,1%	-4,2%	-2,1%	3,8%

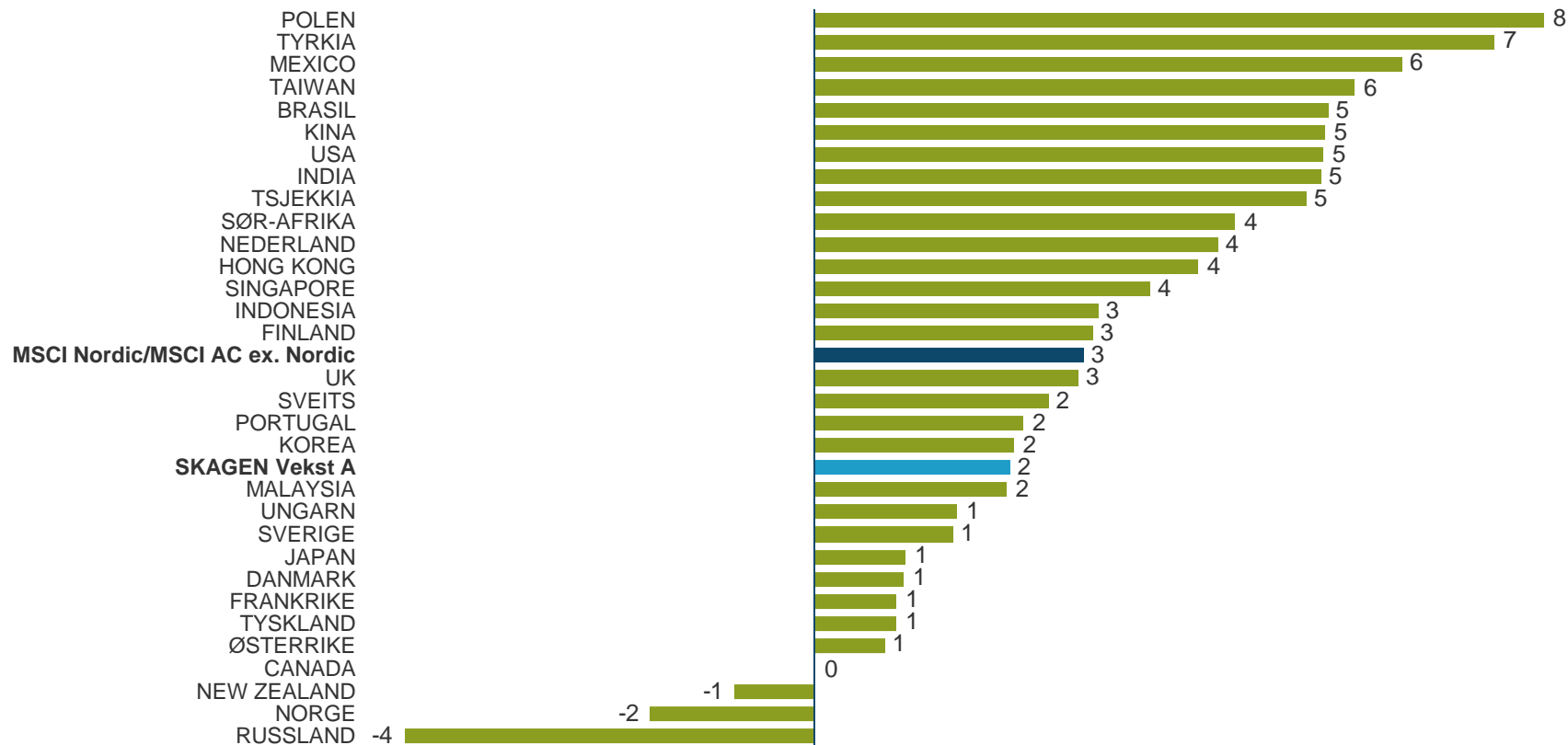
Note: Alle avkastningstall ut over 12 måneder er annualisert (geometrisk avkastning). *Startdato: 1 desember 1993. **Fondets investeringsmandat ble endret med virkning fra 01.01.2014 fra at fondet investerte minst 50 % av sine midler i Norge til at fondet investerer minst 50 % av sine midler i Norden. Tilsvarende ble fondets referanseindeks endret fra en likt sammensatt referanseindeks av Oslo Børs Hovedindeks (OSEBX) og MSCI All Country World til en likt sammensatt referanseindeks av MSCI Nordic Countries IMI Index og MSCI All Country World Index ex Nordic Countries. Referanseindeks før 01.01.2010 var Oslo Børs Hovedindeks (OSEBX).

Årlig avkastning siden start* (%)



Note: Alle avkastningstall ut over 12 måneder er annualisert (geometrisk avkastning). *Startdato: 1 desember 1993. **Fondets investeringsmandat ble endret med virkning fra 01.01.2014 fra at fondet investerte minst 50 % av sine midler i Norge til at fondet investerer minst 50 % av sine midler i Norden. Tilsvarende ble fondets referanseindeks endret fra en likt sammensatt referanseindeks av Oslo Børs Hovedindeks (OSEBX) og MSCI All Country World til en likt sammensatt referanseindeks av MSCI Nordic Countries IMI Index og MSCI All Country World Index ex Nordic Countries. Referanseindeks før 01.01.2010 var Oslo Børs Hovedindeks (OSEBX).

Markedsutvikling i februar 2017 i NOK (%)



Største poster ved utgangen av februar 2017



SKAGEN Vekst has 53% of its portfolio invested in the Nordic countries.

	Weight in portfolio	Price	P/E 2016e	P/E 2017e	P/E 2018e	P/B trailing	Target price
Samsung Electronics Co	6,3 %	1 496 000	10,3	8,8	8,3	1,2	1 680 000
Continental AG	5,6 %	191	13,8	12,0	10,9	2,9	265
Norwegian Air Shuttle ASA	5,2 %	263	9,1	7,5	5,8	2,3	500
Carlsberg AS-B	4,9 %	617	19,4	16,9	16,1	1,9	847
Citigroup Inc	4,6 %	60	11,4	10,1	8,8	0,8	75
Kinnevik AB-B	4,2 %	244	61,0	40,7	38,1	0,9	295
Hennes & Mauritz AB	3,6 %	239	21,2	15,9	14,0	6,4	400
Ericsson LM-B SHS	3,4 %	59	101,3	24,6	14,9	1,4	75
Novo Nordisk	3,3 %	249	16,5	15,5	14,0	13,8	325
Norsk Hydro ASA	3,1 %	47	17,6	12,2	10,8	1,2	50
Weighted average 10	44,2 %		12,9	10,8	9,5	1,2	43 %
Weighted average 35	91,7 %		12,9	10,8	9,1	1,3	36 %
Reference index			17,3	16,5	14,9	2,2	

Inntjeningsestimater er basert på netto kontantstrømminntjening når det er mest relevant. Multipler i porteføljen er kalkulert etter samme metodikk som indeks

Viktigste bidragsytere i februar

Største positive bidragsytere

Company	NOK Millions
Golden Ocean Group	30
Citigroup	28
Ericsson	27
Continental	20
Kinnevik	20
eBay	16
Sodastream International	13
Kia Motors	13
Shire	11
Philips Lighting	11

Største negative bidragsytere

Company	NOK Millions
Hennes & Mauritz AB	-17
Gazprom OAO	-12
Norwegian Air Shuttle	-8
Wilh Wilhelmsen Holding	-7
Samsung Electronics	-7
Swatch Group	-7
Carlsberg	-6
ABB	-6
Cal-Maine Foods	-6
SKF	-6

Value Creation MTD (NOK MM): 173

NB: Bidrag til absolutt avkastning

Viktigste bidragsytere hittil i år 2017

Største positive bidragsytere

Company	NOK Millions
Norsk Hydro	53
Samsung Electronics	37
Golden Ocean Group	36
Bonheur	30
Kinnevik	27
eBay	21
Ericsson	19
Sodastream International	18
Volvo	17
Danske Bank	12

Største negative bidragsytere

Company	NOK Millions
Norwegian Air Shuttle	-32
Hennes & Mauritz AB	-23
Gazprom OAO	-18
Cal-Maine Foods	-13
Citigroup	-7
Lundin Petroleum	-7
Sberbank of Russia	-7
Telia	-6
Kemira	-6
Carlsberg	-5

Value Creation YTD (NOK MM): 248

NB: Bidrag til absolutt avkastning

Viktigste endringer i Q1 2017

Økte posisjoner

Q1

Teva Pharmaceutical Industries	(Ny)
Fujitec	(Ny)
Novo Nordisk	
Gazprom OAO	
Kia Motors	
Norwegian Air Shuttle	
Cal-Maine Foods	
Carlsberg	
Shire	

Reduserte posisjoner

Q1

Medistim	(Ut)
GCL-Poly Energy Holdings	(Ut)
Nordic Mining	(Ut)
SAP	
Norsk Hydro	
Danske Bank	
Samsung Electronics	
Volvo	
Sodastream International	
H Lundbeck	
Citigroup	
Catena	

Beholdninger økt og redusert i løpet av februar

Kjøp

Fujitec Industries

- Japans fjerde største produsent av heiser og rulletrapper - med en imponerende internasjonal tilstedeværelse. Relativt ukjent i finanssektoren og utenfor sitt forretningsområde.
- Attraktivt verdsatt til 1.3x bokført verdi og 11x forventet inntjening i 2018. Til sammenligning handles den kjente nordiske konkurrenten Kone til 20x inntjening i 2018 og 7x bokført verdi
- Økt fokus på forretningsområder med mulighet for M&A som øke interessen blant analytikerne. Økt inntjening fra service spesielt bør dempe potensiell svekket vekst fremover.

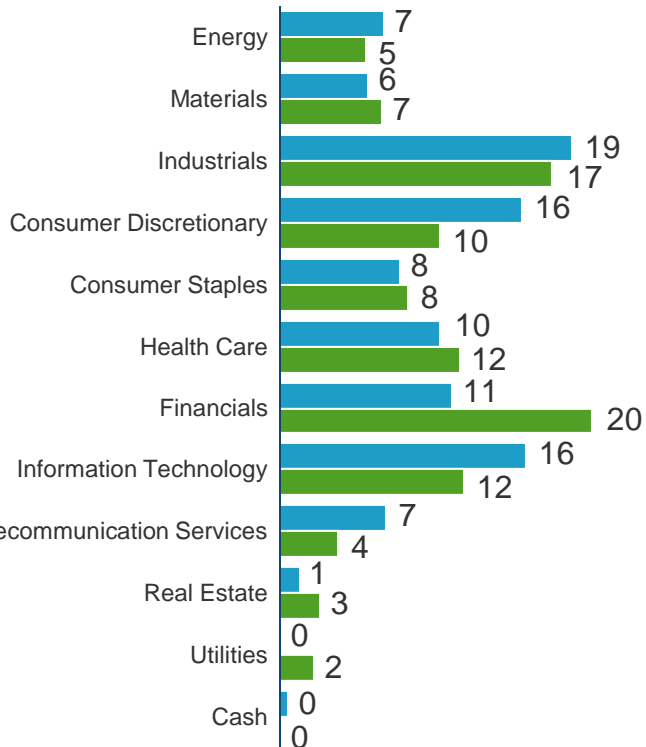
Salg

GCL – Poly Energy Holding

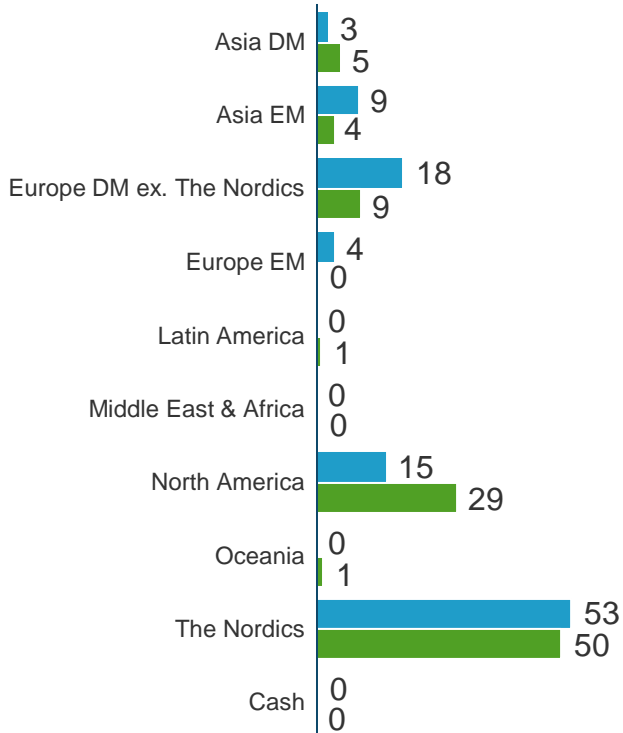
- Den kinesiske polysiliconprodusenten ble solgt ut etter runder med selskaps- og aktivflytting.
- Den pågående handelskrigen mellom Kina og USA har kun skapt tapere, og selv om GCL var best posisjonert til å utnytte det gunstige prisklimaet i Kina, materialiserte ikke dette seg i minoritetseiernes inntjening.
- Våre lille post ble solgt etter ganske sterk oppgang, men det ga ikke den nødvendige avkastningen til porteføljen.

Sektor og geografisk fordeling mot indeks

Sektorfordeling

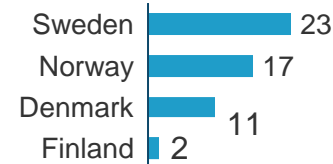


Geografisk fordeling



Fond
Indeks

Norden i SKAGEN Vekst



Nyheter på engelsk

Key earnings releases and corporate news, February 2017

Novo Nordisk
(2.5%)

No clear path out of the woods, but good valuation support. Signs of better visibility would push up the share price.

Investment thesis update

NovoNordisk is a world leader in diabetes treatment, a disease growing 5% per year and in line with the growth of obese people in the world. Novo holds a 46% global market share. The organisation is very streamlined and is disciplined in using the cash generated. The growth and management discipline made NovoNordisk a market darling and valuation made it inaccessible to value investors. The full year 2016 report and guidance for 2017 did not confirm that the business is moving fast in the right direction. Visibility will only improve in early summer 2017, when the 2018 list prices for the US market start to emerge. Investors have extremely diverging opinions of the stock as it is down 40% from the peak last year when it was a favourite. Currently, the key driver for the stock is US news flow, so in some respects it resembles the mood around Danske Bank, when we built a position during the dark period of 2011-13.

Details from Novo's 2016 report:

- The regional performances showed flattish sales in the US, Europe and Japan/Pacific, while China and RoW grew 12-15% in local currency. The details in the report show better than expected performance in the newer diabetes and weight loss drugs, while older diabetes drugs and biopharmaceuticals are flattening out or in decline. To illustrate this, Tresiba (the best diabetes treatment) had 2016 revenues of DKK 4.0bn vs. expected DKK 3.5bn, while Victoza (the second best diabetes treatment sold at a reduced price to wholesalers) had DKK 20.0bn revenues, DKK 0.5bn below expectations.
- Profitability was high as expected with a 43% OP-margin and net income a little better than expected. The new CEO (who has been with the company for years) started at the beginning of 2017. The first detailed guidance for 2017 was below expectations, as expected from a new CEO. The market reacted to this and the stock was down 7% on the 1-2% lower guidance for 2017 compared with the early bird guidance given with the 3Q 2016 report. The new guidance shows revenue growth of 3.5% and 2.5% growth in operating profit. Novo will increase production facilities in 2017 so capex goes to DKK 10bn, up 40%, so operating cash flow in 2017 should be around DKK 40bn and then resume growth to DKK 46bn in 2018. Since the peak in 2016 the stock is down 40% and for long-term contrarian investors it looks like a very good entry opportunity, but one needs to be patient as the clouds will not clear until later in 2017.

3U Update

Unpopular: market favourite that has fallen off its pedestal. It will take a while to rebuild investor confidence after the 40% stock price decline, so it is fairly unpopular for the time being. Sell-side analysts are 35% 'buy'.

Under-researched: Largest company by value in the Nordic region and 37 sell sides monitoring performance so should be fully understood. Key issues going forward are generic competition in Victoza (Teva has filed), a new compound from Boeringer Ingelheim (marketed by Eli Lilly) that could eat into the Novo market share as well as pricing in the US. All these factors are being analysed but no clear conclusion yet.

Undervalued: Expectations have now been re-set to a realistic level and once Novo regains market confidence it should be able to trade at 16x EV/EBIT in 2019, which implies a target closer to DKK 335 plus dividends of DKK 30, so an absolute upside of 56% over 2-3 years.

Key earnings releases and corporate news, February 2017 (cont.)

Solstad
Offshore
(0.4%)

Proposed merger between Solstad, Deep Sea Supply and Farstad

Investment case update

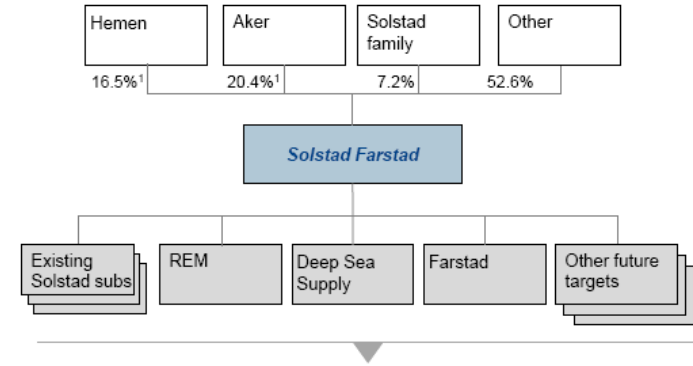
Positive. For more than a year SOFF has been working hard to consolidate the offshore supply vessel (OSV) industry. One step was taken by merging REM Offshore into Solstad in 2016. Once this deal is successfully completed, SOFF will take further steps in building the world's leading OSV company. Solstad Offshore will be the parent company, and Lars Peder Solstad will act as CEO of the merged company. The new company will operate a fleet of 154 vessels (33 CSV, 66 PSV and 55 AHTS). The new company will enable the realisation of substantial cost and revenue synergies in the range of NOK 400 – 650 million. Aker Group will likely hold 20.4% of the new company, Hemen (Fredriksen) 16.5% , the Solstad Family 7.2% and Others 52.6%.

3U Update

Unpopular: yes; 0 buy, 5 sell

Under-researched: no, 5 analysts on a small market cap company

Undervalued: yes, 20 high quality CSVs below 0.2 x book value.



Run as one company - work to simplify corporate and financial structure over time

The largest companies in SKAGEN Vekst



Samsung Electronics, the Korean electronics group, has enjoyed very solid growth in consumer electronics, especially smartphones. Pole position in global semiconductor market. Cash generation is very strong and the company has historically wisely invested in new business areas – solar power and healthcare are on the roadmap for the future.



Continental AG produces tyres for cars and trucks and makes auto technology such as power trains, safety systems and automated drive systems. The replacement cycle for tyres is becoming stretched in some markets, so near-term earnings look promising. Longer term Continental's pole position in global auto technology provides a good backdrop for substantial growth.



Norwegian Air Shuttle is the leading Nordic-based low cost airline, which in 2015 flew over 26m passengers. The fleet of airliners and the route network are growing rapidly proving the concept of Norwegian local low cost airline, to Nordic, to European and to Global reach.



Carlsberg A/S is an international brewing company. The company produces branded beers and regional brands. Carlsberg makes most of its beer outside of Denmark and it is sold in markets around the world. The company also markets and produces soft drinks, water and wine.



Citigroup Inc. or Citi is an American multinational banking and financial services corporation headquartered in Manhattan, New York City. Citigroup was formed from one of the world's largest mergers in history by combining the banking giant Citicorp and financial conglomerate Travelers Group in October 1998.

The largest companies in SKAGEN Vekst (continued)



K I N N E V I K

Kinnevik AB is a Swedish investment company that was founded in 1936 by the Stenbeck, Klingspor and von Horn families. Kinnevik is an active and long-term owner and its investments are made primarily in technology-based services aimed at consumers.



H&M (Hennes & Mauritz) is a Swedish multinational clothing-retail company, known for its fast-fashion clothing for men, women, teenagers and children. H&M operates in 62 countries (ranked 2nd in the world) with over 4,000 stores and as of 2015 employed around 132,000 people. The first store was opened on the high street of Västerås, Sweden in 1947.

ERICSSON 

Ericsson is a Swedish multi-national corporation that provides communication technology and services. Founded in 1876 and today has a revenue of SEK 227bn. Ericsson had a 33% market share in the 2G/3G/4G mobile network infrastructure market in 2015.



Novo Nordisk is a global healthcare company with more than 90 years of innovation and leadership in diabetes care. The multinational pharmaceutical company is headquartered in Bagsværd, Denmark, and has production facilities in eight countries, and affiliates or offices in 75 countries.



Norsk Hydro ASA is a Norwegian aluminium and renewable energy company headquartered in Oslo. Norsk Hydro is one of the largest aluminium companies worldwide. It has operations in some 50 countries around the world and is active on all continents. The Norwegian state holds a 34.3% ownership interest in the company, which employs approximately 13,000 people.

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

Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skill, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments.

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