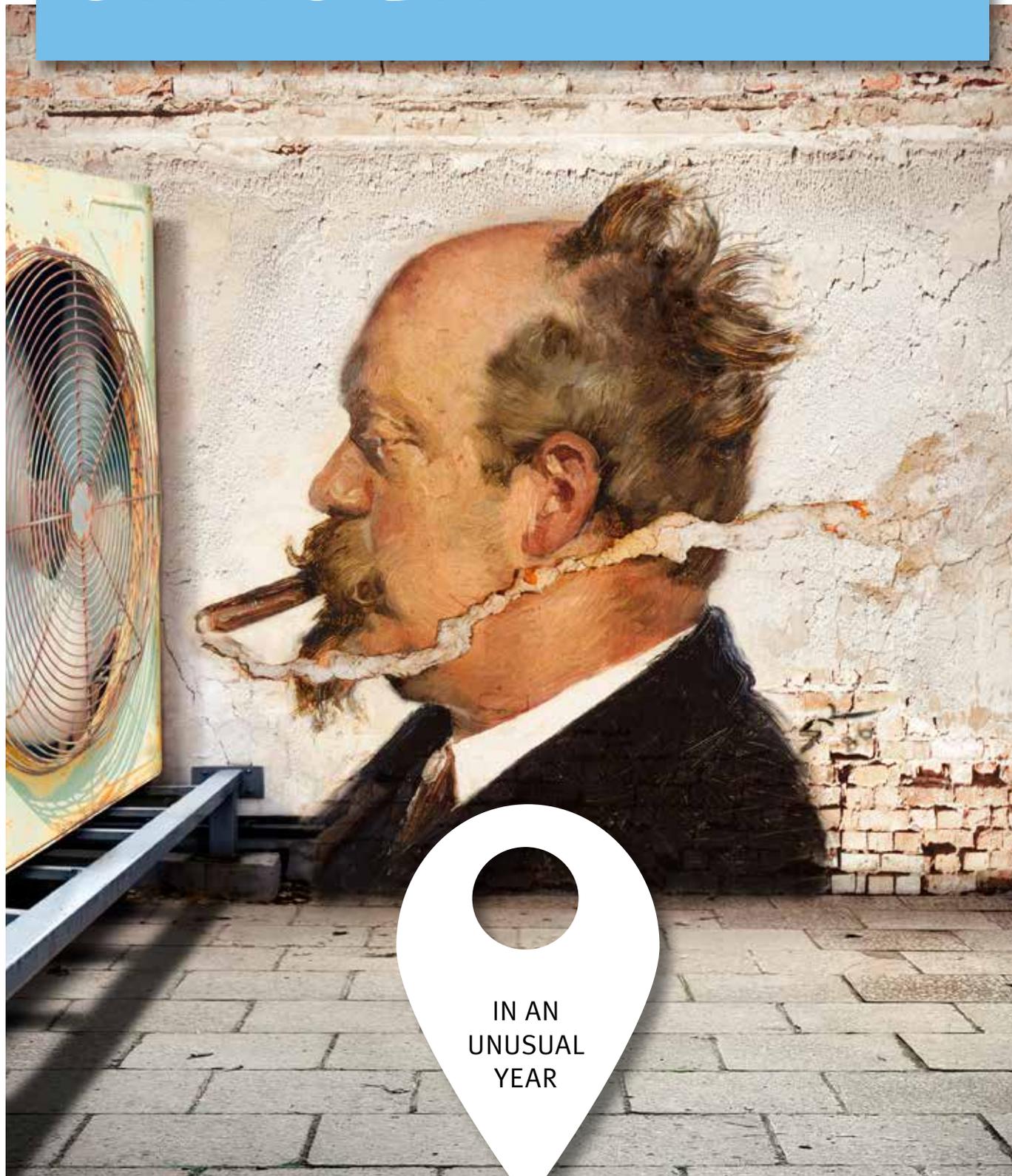


ANNUAL REPORT 2014

# SKAGEN



IN AN  
UNUSUAL  
YEAR

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

# Everything is relative

You may get the impression on reading the Annual Report that 2014 was a disappointing year for unit holders in SKAGEN's funds. That is only partially true.

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. 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 appears as though 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.

## Everything is relative

If you take the return figures in isolation, SKAGEN's funds performed reasonably well in 2014. The equity funds provided unit holders with a return after fees of between three and 25 percent while the fixed income funds gained up to 14 percent, measured in euro. Nonetheless, the relative return was poor. 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, also relatively speaking. 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 so-called index management was very much à la mode. An index 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 how it is in SKAGEN also 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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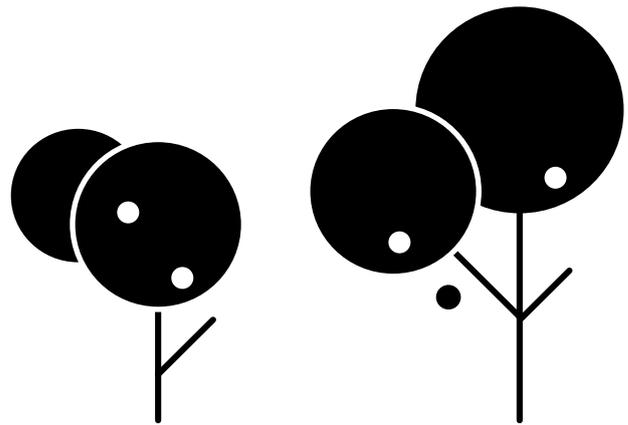
SKAGEN seeks to the best of its ability to ensure that all information given in this report is correct, however, makes reservations regarding possible errors and omissions. Statements in the report reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice.

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 +47 51 80 38 58 or by email at contact@skagenfunds.com.

Unless otherwise stated, all performance data in this report relates to class A units and is net of fees. Unless otherwise stated all figures quoted in this report are in euro, except for the Financial Statement and Notes, which are in Norwegian kroner. 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.

# 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 relatively 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 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 euro-based investor had a return of 29.5 percent.

The US performance is impressive given that the MSCI All Country World Index returned 4.9 percent for a dollar-ba-

sed investor, while a euro-based investor had a return of 19.4 percent in 2014. 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'.

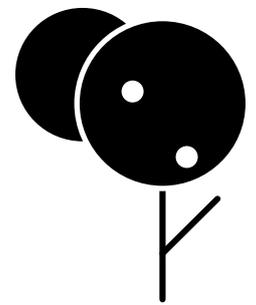
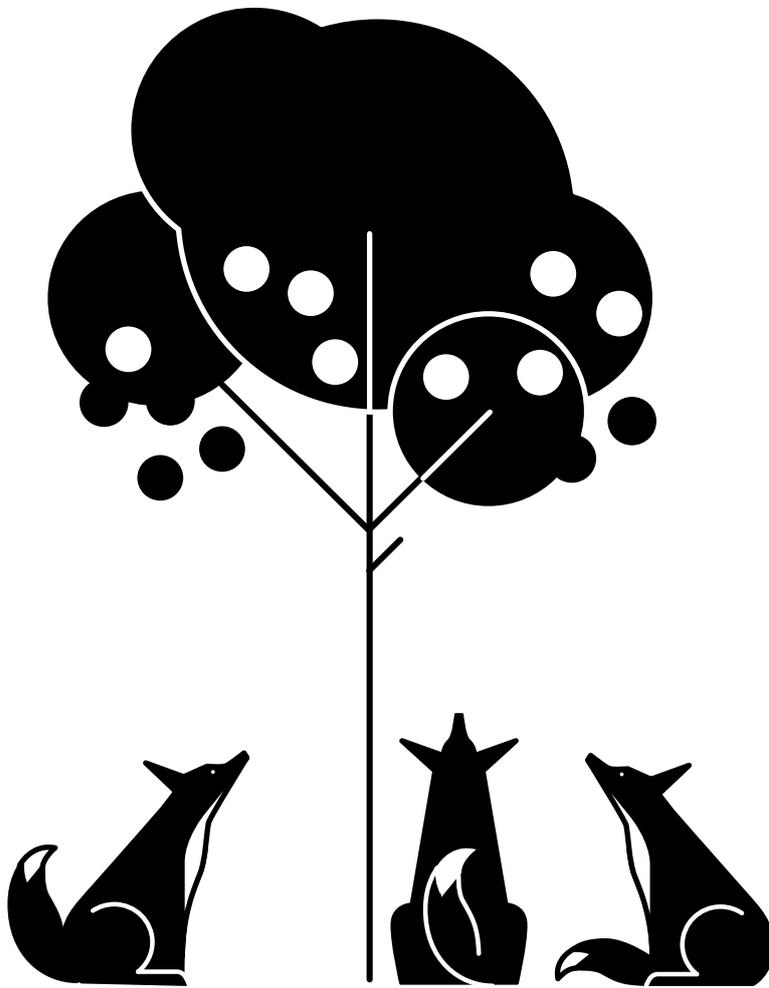
With the substantial flow of capital into index funds, we have seen investments being made straight into the respective stock weights of a given index. This led to a rally for global large capitalisation companies such as Apple, Microsoft and Berkshire Hathaway in 2014.

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



**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.

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, 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 stocks 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.

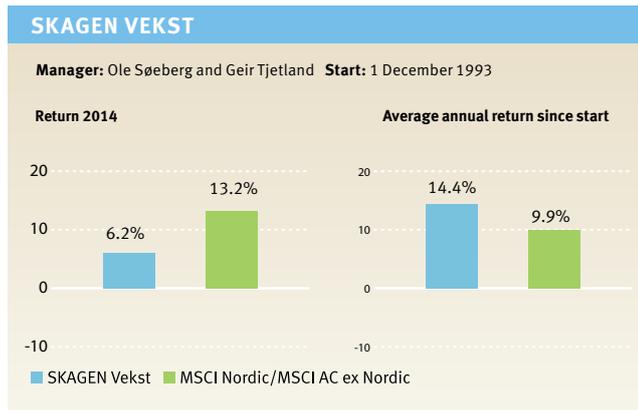
Only around 15% of US mutual funds outperformed the benchmark in 2014 according to Goldman Sachs – other research shows that even fewer active managers beat their benchmark.

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.

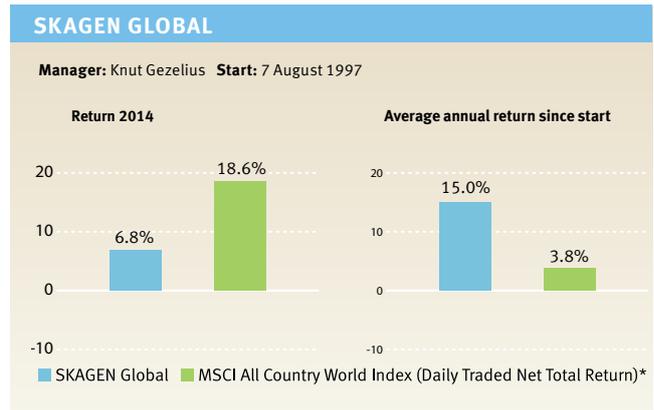
The ongoing accumulated value creation that has occurred over time will sooner or later be reflected in the stock prices.

# SKAGEN FUNDS' RETURNS 2014

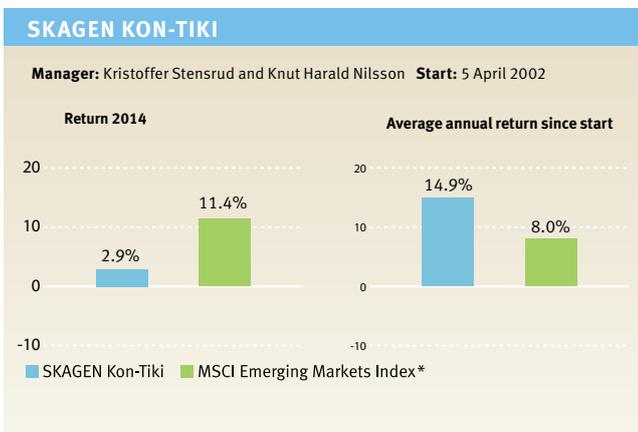
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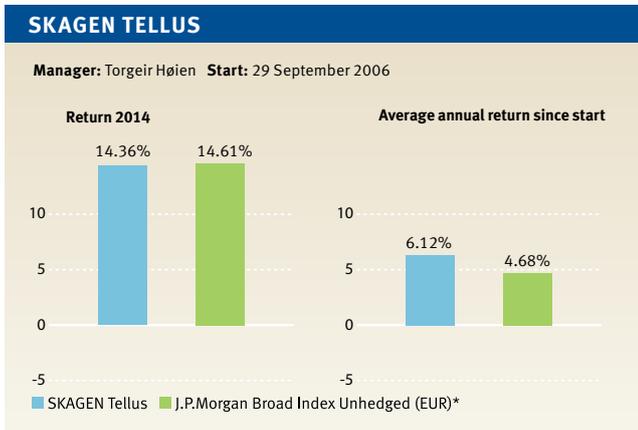
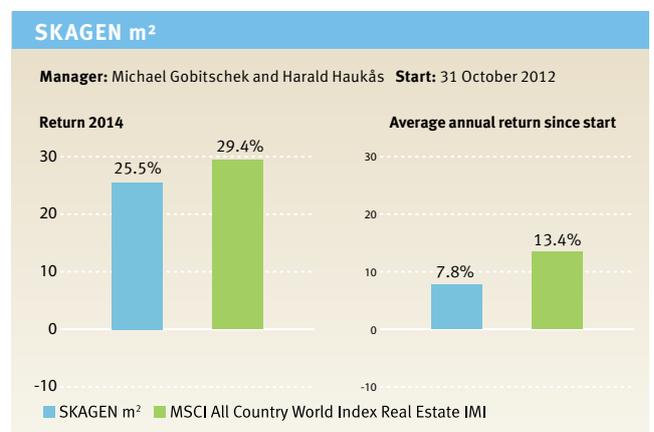
\* Effective 1/1/2014, the fund's investment mandate changed from investing a minimum of 50% of its assets in Norway to investing a minimum of 50% of its assets in the Nordic countries. This means that returns prior to the change were achieved under different circumstances than they are today. The fund's 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).



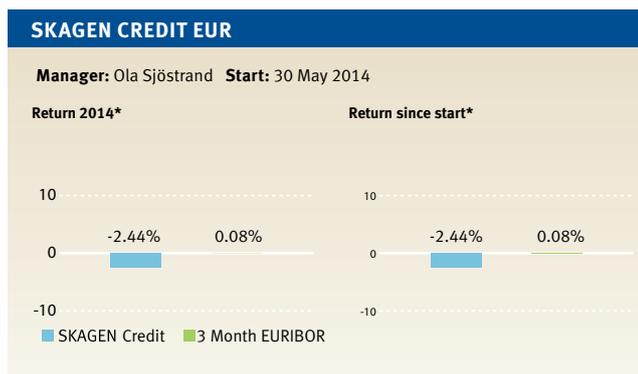
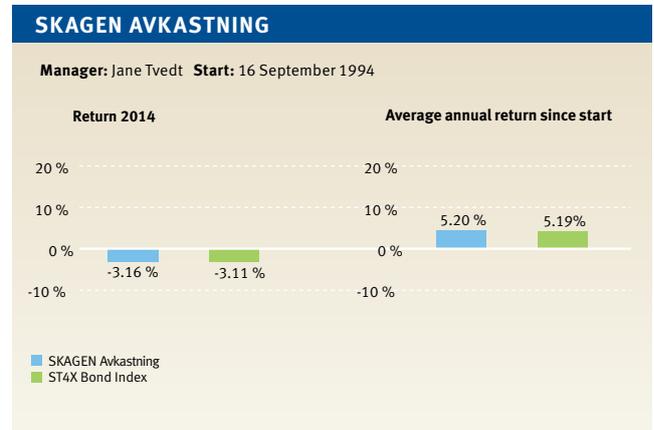
\* The benchmark index prior to 1/1/2010 was the MSCI World Index.



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



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



\*Since inception on 30 May 2014

Equity Fund Fixed Income Fund

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Photo: 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.

## 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 environment will continue



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 with about 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 Sæberg, Investment Director*

2014 in 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 EUR-based investor were 29.5% and 19.4%, 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.

## **Like 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. Meanwhile Brazil and the Eurozone are both in need of firmer leadership in order

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

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.

### Strong absolute but weak relative performance

SKAGEN's equity funds generated good absolute returns of between 3 and 26% in EUR terms in 2014 with SKAGEN m2

being the lead performer. Low interest rates and a new classification of the real estate sector boosted interest. 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 had good performance and generated good risk-adjusted returns in 2014. In the lead was SKAGEN Tellus which gained 14%.

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' view for 2015 is for 3.5% global GDP growth. 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 increase 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)      |       |       |       |
| 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

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 una-

ble 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.

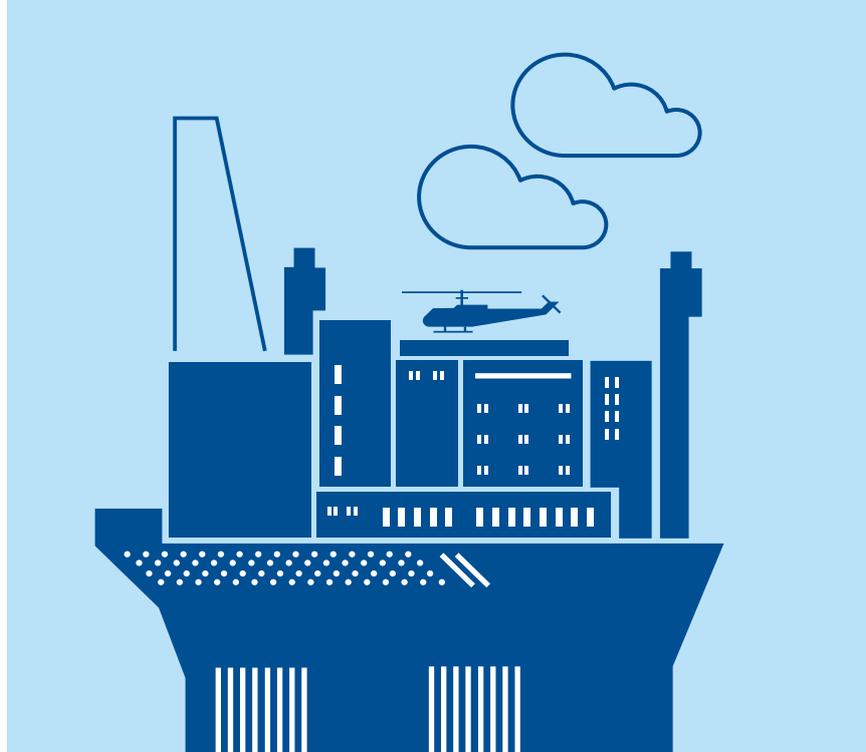
If I am right then, we can look forward to 2015 as a year of "exflation": The economy will blossom as inflation fades. Not in all countries, of course. I am outlining my forecast for the major advanced economies – and I reserve judgment on Japan, where unsustainable financial policies may lead to high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



– Torgeir Høyen  
Portfolio Manager SKAGEN Tellus

# 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 three percent measured in euros, 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 Sæberg, Erik Bergöö  
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 EUR 45 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 dollar 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 5.4 percent in 2014. Aluminium is one of the few exceptions, having gained 11 percent in euros.

## 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.

## 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.

## 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.

## 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 EUR 25 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.

## 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.

## 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

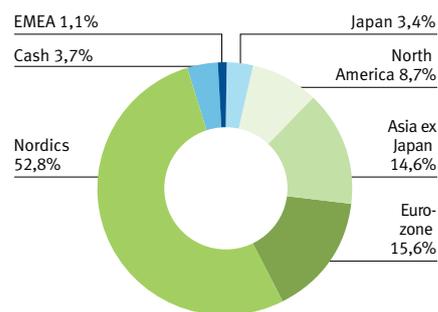
Hurtigruten experienced a long period of heavy seas following the merger. The combination of a lack of cost control, poor operations, the sale of various assets at low prices and the contracting of large new ships made for a deadly cocktail. The price of our shares in OVDS plummeted.

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.

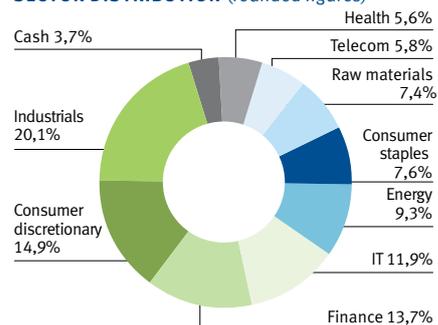
SKAGEN Vekst was one of the shareholders that contributed the most capital during the rescue operation and was left with seven percent of Hurtigruten. The issue price was NOK one.

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)



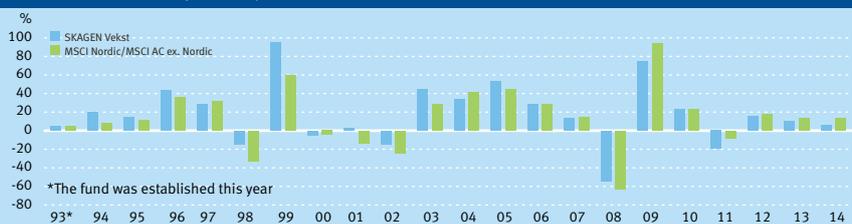
### SECTOR DISTRIBUTION (rounded figures)



|                               |                 |
|-------------------------------|-----------------|
| <b>Fund start date</b>        | 1 December 1993 |
| <b>Return since start</b>     | 1602 %          |
| <b>Average annual return</b>  | 14.4 %          |
| <b>AUM</b>                    | EUR 953 million |
| <b>Number of unit holders</b> | 73 282*         |

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

### ANNUAL RETURN (IN EUR)



### HISTORIC PRICE DEVELOPMENT (IN EUR)



\* 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

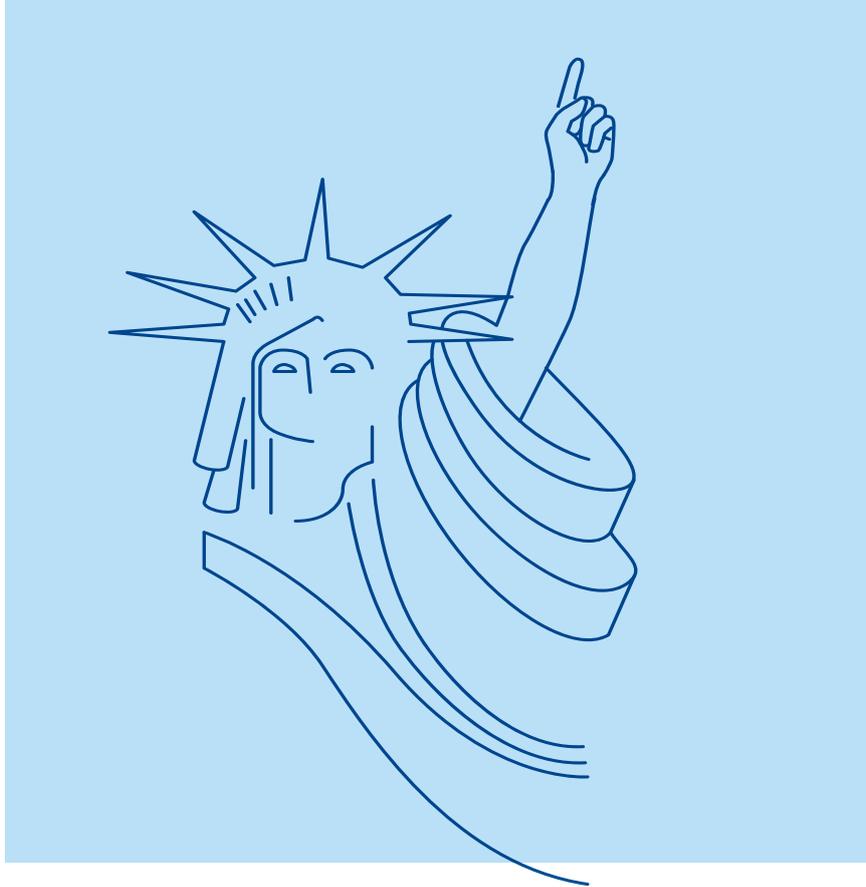
|                              |     |
|------------------------------|-----|
| TeliaSonera AB               | 367 |
| Citigroup Inc                | 318 |
| Koninklijke Philips NV       | 305 |
| Casino Guichard Perrachon SA | 226 |
| Volvo AB                     | 210 |

#### 5 LARGEST SALES

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

# SKAGEN 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 gained 6.8 percent in 2014, versus a gain of 18.6 percent for the benchmark index, measured in euro. 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 inve

stors 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 to 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

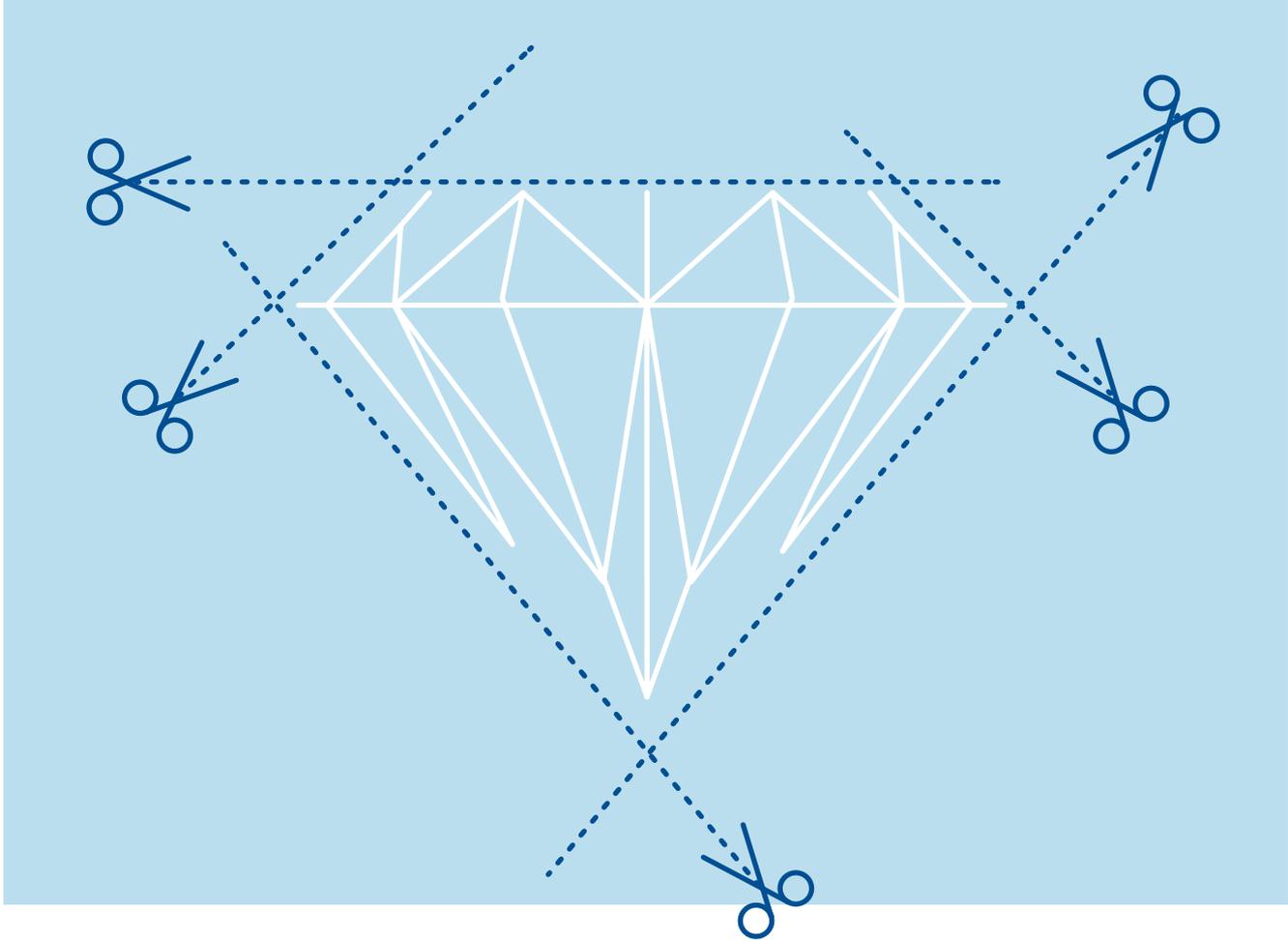
The share price of our second largest investment, Citigroup (7.0%), lagged the general US stock market by ten percentage points last year. This was mainly down to the fact that the US regulator denied the company's wish to pay dividends and initiate a share buyback program. The process has only been 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    | 2,5%         | 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.

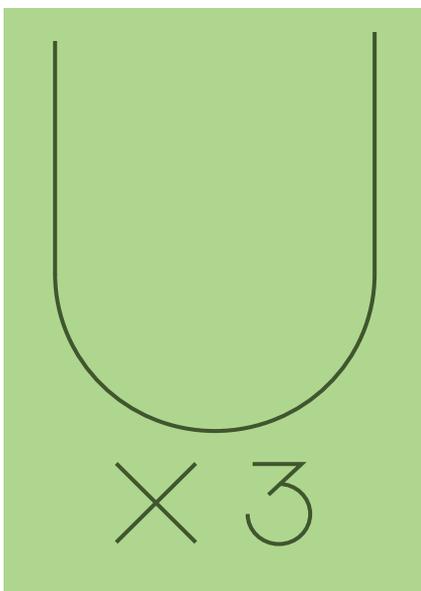
History shows that the smaller positions, the so-called tail, have added the least to the fund's results while the 35 largest holdings have contributed more to performance.

Individual portfolio managers have finite resources and must focus on those companies that are most decisive to the fund's return. Each portfolio manager cannot follow more than 15-20

companies. 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.

We will have several positions in the portfolio with a 3-5 percent weighting which have previously made up 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.

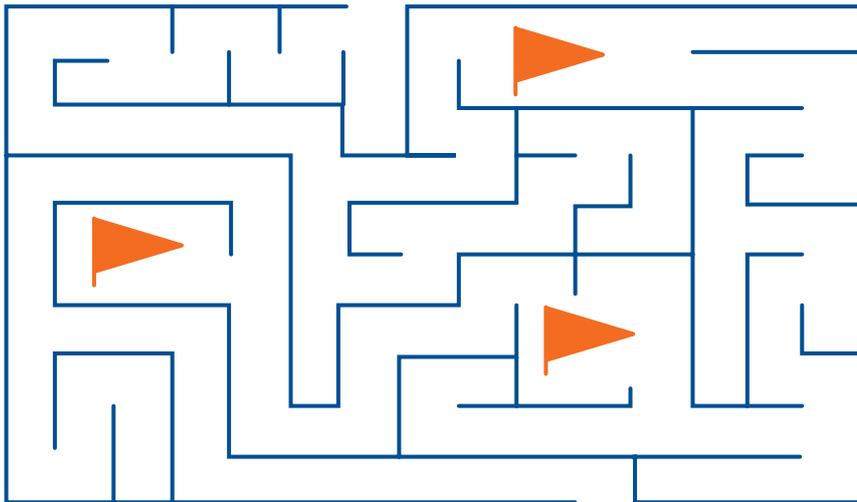
The million dollar question is when last year's trend – of investing in companies

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

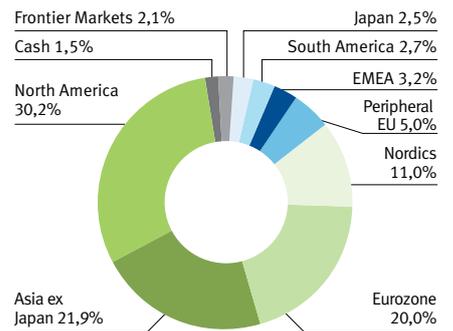
A common denominator among the companies that have impacted our performance the most over the past few years is political risk.

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.

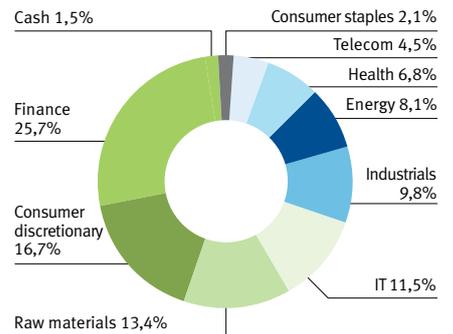
Naturally we will not shy away from taking risks going forward, but we must take the right risks. SKAGEN Global has increased its focus on managing risk internally, and the portfolio managers have a close dialogue with the department heading up risk management.

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>     | 1038.4 %          |
| <b>Average annual return</b>  | 15.0 %            |
| <b>AUM</b>                    | EUR 4 342 million |
| <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 Jsfc           | -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 wea

ker 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 an 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.

**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

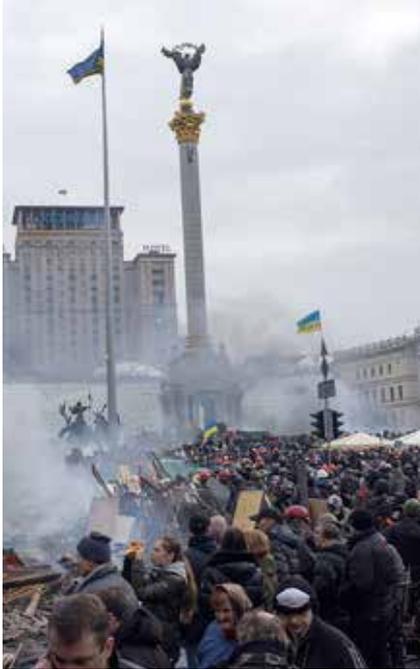


Photo: Bloomberg

## WHAT CHARACTERIZED 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 EUR, where the RUB decline contributed 32 percentage points. At the other end of the spectrum, the landslide victory of Narendra Modi as new prime minister in India in May contributed to a 45% EUR 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 resump-

tion, 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

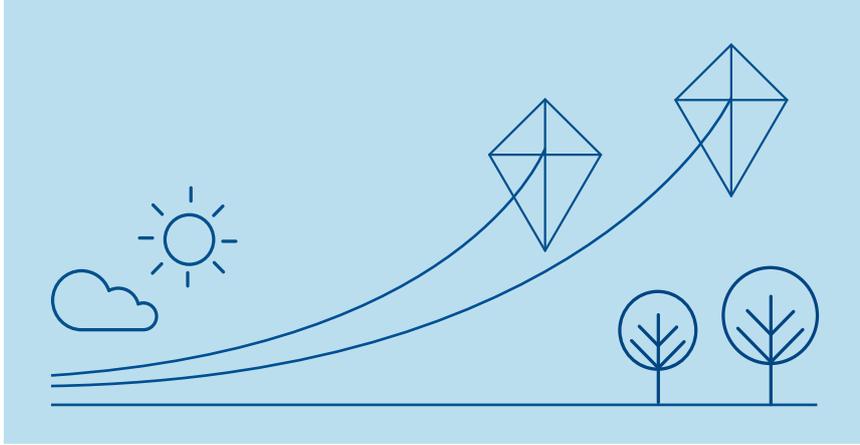
### JAPAN

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 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.

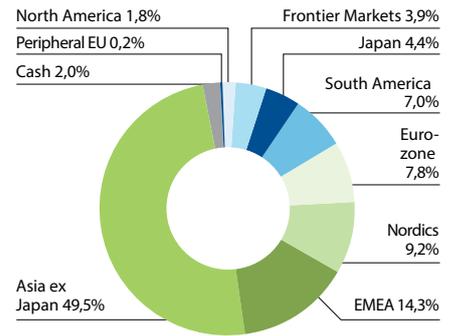
As we enter 2015, the emerging markets valuation discount, based on trailing earnings and P/BV, stands at a record low to developed markets. Due to our value approach, Kon-Tiki offers a meaningful discount to EM in general. This is despite the fact that we are severely underweight in “cheap” sectors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

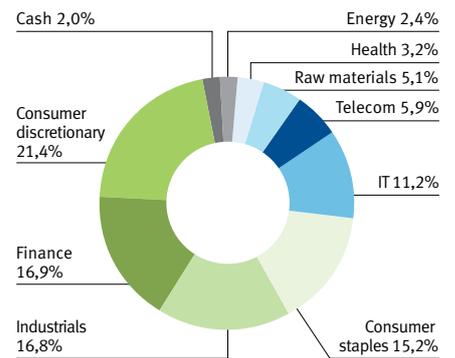
During 2010-2012, we were criticised for delivering returns close to benchmark. While true, the active share was continuously high during this period. Conversely, 2013 and 2014 have been years where performance has severely diverged from benchmark, in both directions, but overall we have created excess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

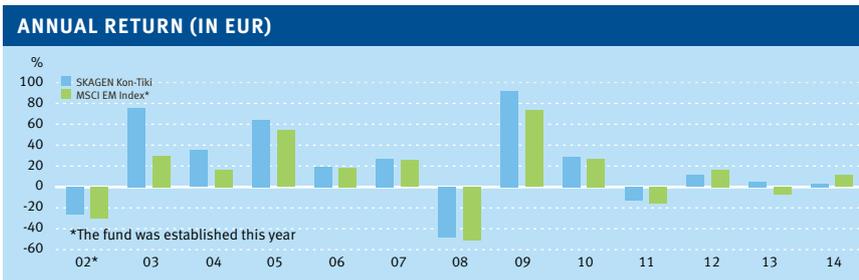


### SECTOR DISTRIBUTION (rounded figures)



|                               |                   |
|-------------------------------|-------------------|
| <b>Fund start date</b>        | 5 April 2002      |
| <b>Return since start</b>     | 484.9 %           |
| <b>Average annual return</b>  | 14.9 %            |
| <b>AUM</b>                    | EUR 5 704 million |
| <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)

#### 5 LARGEST POSITIVE CONTRIBUTORS

|                                 |       |
|---------------------------------|-------|
| 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   |

#### 5 LARGEST DETRACTORS

|                                  |        |
|----------------------------------|--------|
| Sistema Jsfsc                    | -1 355 |
| Vale SA-Pref A                   | -390   |
| Raiffeisen Bank International AG | -337   |
| Tullow Oil Plc                   | -306   |
| Cosan Ltd                        | -292   |

#### 5 LARGEST PURCHASES

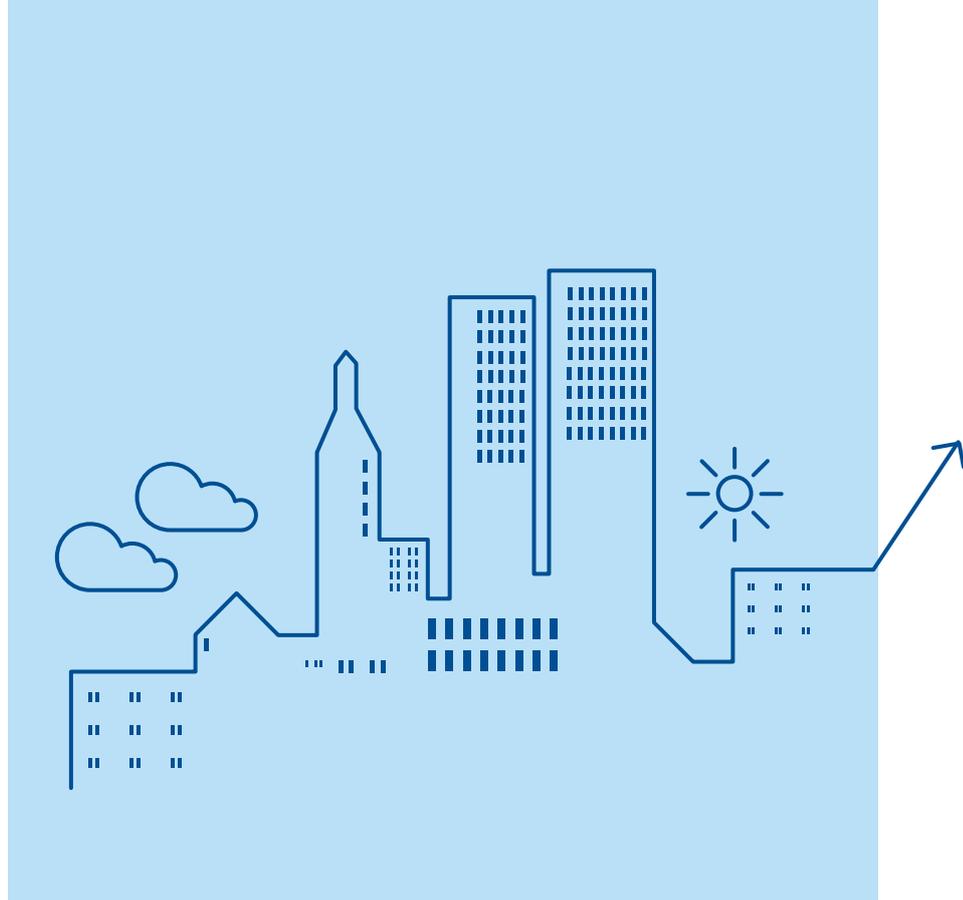
|                                  |     |
|----------------------------------|-----|
| Casino Guichard Perrachon SA     | 968 |
| SBI Holdings Inc                 | 604 |
| Hitachi Ltd                      | 591 |
| Moscow Exchange MICEX-RTS OAO    | 578 |
| Raiffeisen Bank International AG | 469 |

#### 5 LARGEST SALES

|                                 |        |
|---------------------------------|--------|
| 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 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 m2.



## 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 m2.

The fund gained 26 percent in euro in 2014. Still, this was 3.9 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 absolute long-term returns was not to 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. In spite of strong growth for companies that invest in apartments, investors should therefore 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>      |                 |



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 Franshion 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 domi-

nant 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 side-lines because 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 has since we bought into the holding.

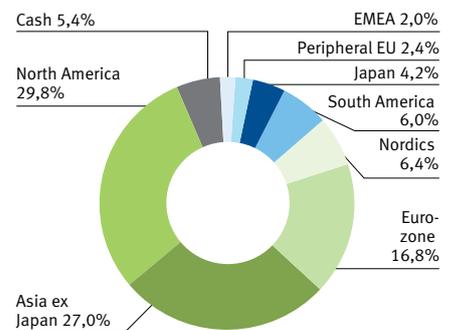


## REAL ESTATE AS A NEW SECTOR

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>     | 17.7 %          |
| <b>Average annual return</b>  | 7.8 %           |
| <b>AUM</b>                    | EUR 92 million  |
| <b>Number of unit holders</b> | 6 429*          |

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

## ANNUAL RETURN (IN EUR)



## HISTORIC PRICE DEVELOPMENT (IN EUR)



## 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 14.4 percent, measured in euro.

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 7.1 percent, 5.5 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 6.2 percent. This is 1.4 percentage points more than the index and close to our goal of beating the index by 1.5 percentage points over time.

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.

### 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 euro, 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.



Portfolio Managers  
Torgeir Høien and Jane Tvedt

|                        |                   |
|------------------------|-------------------|
| Fund start date        | 29 September 2006 |
| Return since start     | 63.34 %           |
| Average annual return  | 6.12 %            |
| AUM                    | EUR 126 million   |
| Number of unit holders | 2 519*            |

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

# SKAGEN Avkastning

- › Good contribution from foreign part of fund
- › High exposure to former crisis countries in euro area
- › Interest rates in the peripheral euro countries may fall even further

## Good returns in a low interest rate climate

SKAGEN Avkastning had a very good year in 2014. The fund returned 5 percent as measured in NOK\* – a good outcome given the current low interest rate climate. The fund had an average yield of 2.4 percent. The difference between the actual return and the yield is the capital gain of the bonds in the portfolio.



Portfolio Managers  
Jane Tvedt and Torgeir Høyen

|                        |                   |
|------------------------|-------------------|
| Fund start date        | 16 September 1994 |
| Return since start     | 179.74 %          |
| Average annual return  | 5.2 %             |
| AUM                    | EUR 192 million   |
| Number of unit holders | 11 156*           |

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

SKAGEN Avkastning is mainly invested in Norway (around 80 percent of the fund), but can invest part of the portfolio in foreign government bonds. The Norwegian part of the portfolio is invested in bank securities and deposits whose terms are particularly favourable. This part of the portfolio has a low interest rate risk and provides a secure and stable return.

The Norwegian part of the portfolio delivered a good result, given the interest rate level. Credit premiums on Norwegian bank securities in the portfolio have come down over the year, which has in turn provided returns beyond the yield.

The foreign bonds in the fund have a higher interest rate risk than the Norwegian investments, and this provides the opportunity for additional returns. When the yields on bonds fall, the bond prices rise and this results in gains for the fund. The foreign investments are currency hedged so fluctuations in the Norwegian krone exchange rates do not have any impact on the fund's returns.

The foreign part of the fund contributed 3.2 percentage points to the return in 2014. The Norwegian part consequently delivered a return of 1.9 percentage points.

### Eurozone periphery

In 2014 the portfolio has been based on our view that the long-term safe interest rates will remain low and that credit premiums will fall in certain countries, the peripheral

Eurozone countries in particular. We have therefore had high exposure to the former crisis countries in the euro area. This has turned out to be a very profitable strategy.

The largest contributors to the returns in 2014 were Portugal and Slovenia. The interest rate on our Portuguese bond fell by 350 basis points, which provided a capital gain of 29 percent. The interest rate on the bond we own in Slovenia fell 275 basis points and the capital gains came to 27 percent. The fund also got solid returns from its investments in Lithuania and Mexico, whilst we made a small loss on our investment in Greece. We exited Greece at the beginning of December.

We are still confident that structural reforms and internal devaluation will improve growth and strengthen the peripheral euro countries. This will in turn lead to lower credit premiums. In addition, the weaker economic outlook and falling inflation expectations have resulted in the European Central Bank (ECB) cutting the interest rate and making use of more unconventional tools.

The ECB is going to start purchasing government bonds from member states (QE) in March. We believe that this large-scale bond purchasing program will contribute to pulling down interest rates in the peripheral countries even more and further reduce the interest rate spread between these countries and Germany.

\* SKAGEN Avkastning is a NOK fund. Most of the capital in the fund is invested in NOK-denominated bonds, and the investments abroad are hedged against the NOK.

# SKAGEN Credit EUR

- › 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     | -2.44 %       |
| Average annual return  | N/A           |
| AUM                    | EUR 3 million |
| Number of unit holders | 17            |

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

SKAGEN Credit EUR 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 Seadrill. 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.

In the bonds in which the fund invests, we have identified a number of probable triggers that will increase the value of such bonds. 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 3.1%, around three percentage points more than the fund's benchmark index in 2015.

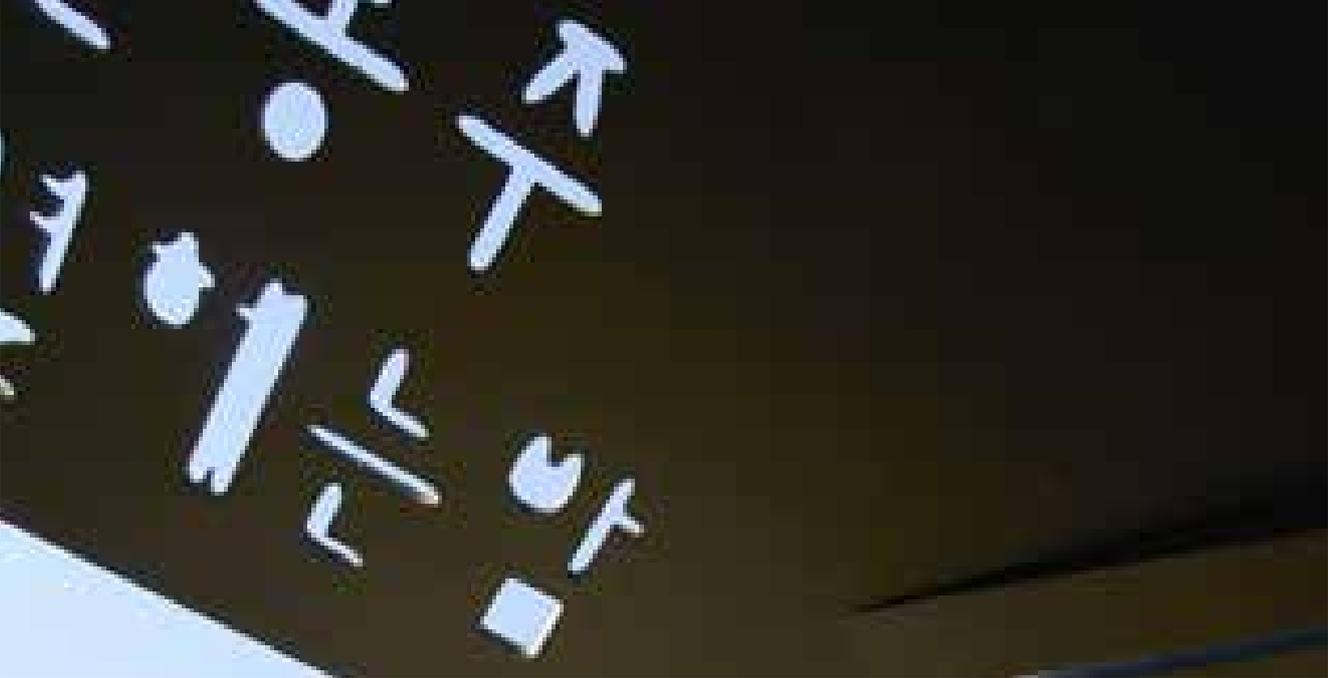


Photo: Lafarge

## PROFITABLE MERGER

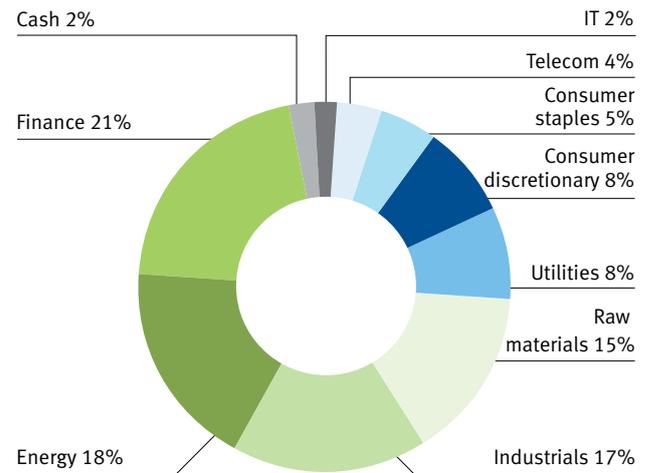
One of the fund's largest investments is in Lafarge, the French construction materials manufacturer. Lafarge is a global leader in cement and has a stable, if somewhat unexciting, business. They have a ratings agency rating of BB+. What has prompted some excitement is that some time ago the company initiated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

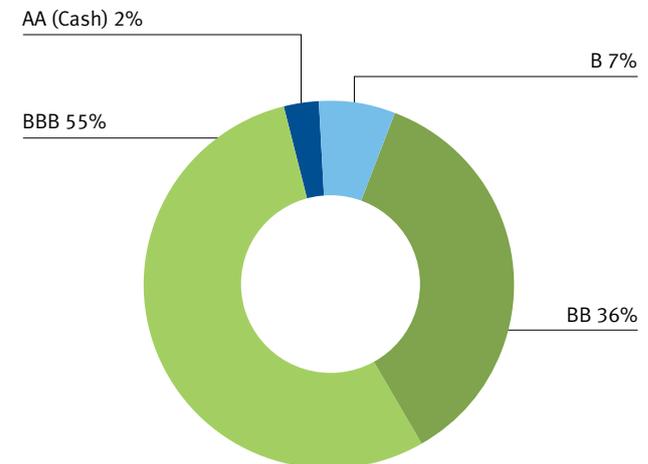
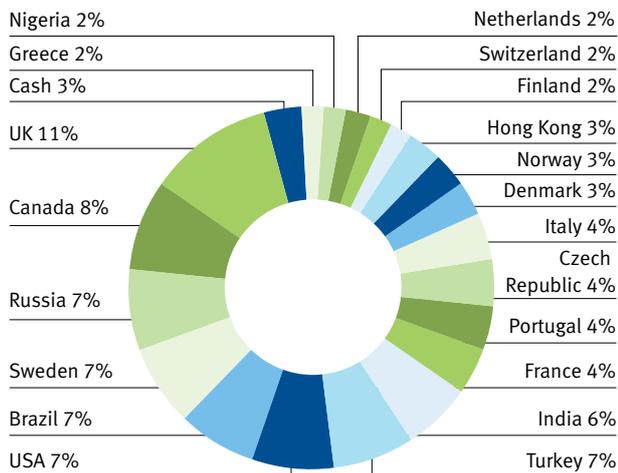
Their bonds are traded substantially higher than those of competitors with the same credit quality, and they have set a target of achieving investment grade status, i.e. BBB, by 2017. The price of their bonds is currently far too low, and until others realise this our fund will benefit from a favourable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

## SKAGEN CREDIT

### SECTOR AND RATING DISTRIBUTION



## COUNTRY RISK



# Return and risk measurements

## Returns in euro (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                                   | 6,1%          | 7,9%             | 10,4%            | 5,9%             | 0,9%             | 9,1%              | 14,4%           |
| MSCI Nordic/MSCI AC ex. Nordic *                 | 13,2%         | 13,1%            | 14,7%            | 11,3%            | 3,2%             | 10,3%             | 9,9%            |
| SKAGEN Global A                                  | 6,8%          | 10,9%            | 12,7%            | 10,7%            | 4,7%             | 10,3%             | 15,0%           |
| MSCI World AC **                                 | 18,6%         | 18,1%            | 16,8%            | 12,9%            | 5,4%             | 6,7%              | 3,8%            |
| SKAGEN Kon-Tiki A                                | 2,9%          | 4,0%             | 6,4%             | 6,1%             | 4,3%             | 12,8%             | 14,9%           |
| MSCI Emerging Markets ***                        | 11,4%         | 1,9%             | 6,5%             | 5,3%             | 1,4%             | 9,7%              | 8,0%            |
| SKAGEN m2 A                                      | 25,5%         | 7,3%             |                  |                  |                  |                   | 7,8%            |
| MSCI All Country World Index Real Estate IMI     | 29,4%         | 12,8%            |                  |                  |                  |                   | 13,4%           |
| SKAGEN Avkastning                                | -3,2%         | -6,5%            | -0,4%            | 2,2%             | 1,7%             | 3,0%              | 5,2%            |
| Statsobligasjonsind. 3.00                        | -3,1%         | -7,3%            | -2,5%            | 1,9%             | 2,6%             | 2,9%              | 5,2%            |
| SKAGEN Tellus A                                  | 14,4%         | 4,7%             | 7,1%             | 7,4%             | 6,5%             |                   | 6,1%            |
| J.P. Morgan GBI Broad Index Unhedged in EUR **** | 14,6%         | 2,6%             | 1,3%             | 4,9%             | 5,8%             |                   | 4,7%            |
| SKAGEN Credit EUR A                              |               |                  |                  |                  |                  |                   | -2,4%           |
| 3 Month EURIBOR                                  |               |                  |                  |                  |                  |                   | 0,1%            |

\* 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

| AS OF 31.12.2014                                 | SKAGEN VEKST | SKAGEN GLOBAL | SKAGEN KON-TIKI | SKAGEN AVKASTNING | SKAGEN TELLUS |
|--|--------------|---------------|-----------------|-------------------|---------------|
| <b>MEAN VARIANCE ANALYSIS LAST 5 YEARS</b>       |              |               |                 |                   |               |
| Standard Deviation NAV                           | 14,4%        | 11,8%         | 13,9%           | 6,6%              | 5,9%          |
| Standard Deviation Benchmark                     | 12,8%        | 9,3%          | 13,4%           | 6,2%              | 8,2%          |
| Sharpe Arithmetic                                | 0,36         | 0,82          | 0,39            | 0,25              | 1,12          |
| Sharpe Ratio Benchmark                           | 0,79         | 1,25          | 0,34            | 0,21              | 0,51          |
| Tracking Error                                   | 5,5%         | 5,0%          | 4,8%            | 2,7%              | 5,8%          |
| Information Ratio Arithmetic                     | -0,90        | -0,39         | 0,17            | 0,11              | 0,41          |
| Correlation                                      | 0,93         | 0,91          | 0,94            | 0,91              | 0,70          |
| Alfa   | -5,5%        | -3,9%         | 1,0%            | 0,3%              | 4,7%          |
| Beta   | 1,04         | 1,16          | 0,97            | 0,97              | 0,51          |
| R2   | 85%          | 83%           | 88%             | 83%               | 49%           |
| <b>GAIN LOSS ANALYSIS LAST 5 YEARS</b>           |              |               |                 |                   |               |
| Relative Gain                                    | 97%          | 104%          | 103%            | 108%              | 95%           |
| Relative Loss                                    | 130%         | 127%          | 99%             | 105%              | 65%           |
| Relative Gain Loss Ratio                         | 0,74         | 0,82          | 1,04            | 1,03              | 1,47          |
| Positive Index Divergence                        | 5,5          | 6,0           | 6,8             | 3,9               | 8,9           |
| Negative Index Divergence                        | 10,5         | 8,0           | 6,0             | 3,6               | 6,5           |
| Index Divergence Ratio                           | 0,53         | 0,76          | 1,14            | 1,09              | 1,36          |
| Percentage Positive Index Divergence             | 35%          | 43%           | 53%             | 52%               | 45%           |
| Percentage Positive Index Divergence Market Up   | 37%          | 49%           | 43%             | 43%               | 19%           |
| Percentage Positive Index Divergence Market Down | 29%          | 33%           | 62%             | 63%               | 90%           |
| Consistence                                      | 40%          | 47%           | 52%             | 57%               | 58%           |
| Consistence Market is Up                         | 38%          | 50%           | 44%             | 47%               | 40%           |
| Consistence Market is Down                       | 43%          | 40%           | 61%             | 68%               | 82%           |
| <b>VALUE AT RISK 5 YEARS</b>                     |              |               |                 |                   |               |
| Value at risk ex post NAV 5 years                | -7,1%        | -5,8%         | -7,7%           | -3,4%             | -1,9%         |
| Value at risk ex post Benchmark 5 years          | -6,1%        | -3,1%         | -6,9%           | -3,3%             | -3,1%         |
| Relative value at risk 5 years                   | -2,9%        | -3,3%         | -2,5%           | -1,4%             | -3,3%         |
| <b>SINCE START</b>                               |              |               |                 |                   |               |
| Relative Gain                                    | 95,8%        | 150,4%        | 119,8%          | 109,7%            | 65,9%         |
| Relative Loss                                    | 80,1%        | 106,4%        | 99,4%           | 111,6%            | 69,2%         |
| Relative Gain Loss Ratio                         | 1,2          | 1,4           | 1,2             | 1,0               | 1,0           |
| Positive Index Divergence                        | 13,9         | 18,4          | 12,1            | 4,3               | 12,2          |
| Negative Index Divergence                        | 9,9          | 8,6           | 6,0             | 4,2               | 14,7          |
| Index Divergence Ratio                           | 1,4          | 2,2           | 2,0             | 1,0               | 0,8           |

## 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 Landgraf



Knut Harald Nilsson



Tomas Nordbø Middelthon



Chris-Tommy Simonsen



Ola Sjöstrand



Alexander Steensrud



Kristoffer Stensrud



Ole Sæberg



Jane Tvedt



Geir Tjetland



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.

*Christian Sigersted Larsen, communications and marketing manager in Denmark*

*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.*

Ever since the company was established, SKAGEN has had a strong set of values to help it navigate. 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 in SKAGEN.

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



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 Frontières (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 going 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 Søreberg 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



Rhododendron i Daghinnes have, Skagen, 1917. Cropped. By Laurits Tuxen, one of the Skagen painters. Property of Skagens Museum.



## 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) and 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 gradu-

ally 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

|                          |  |
|--------------------------|--|
| 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  |

investor may react more 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 to deliver the best possible risk-adjusted

## BOARD OF DIRECTORS' REPORT



*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

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. Out-performance 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 and contrarian and feel included in the business. The



### 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.

## BOARD OF DIRECTORS´ REPORT



*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

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.

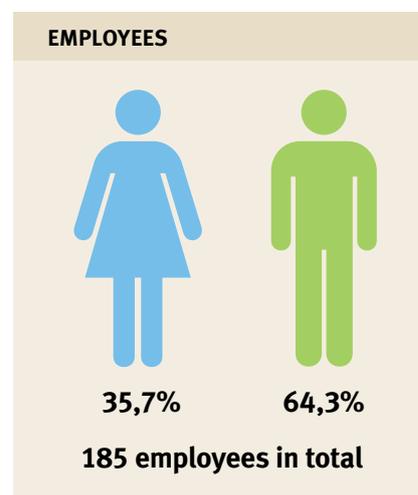
### Risk

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



## BOARD OF DIRECTORS' REPORT

and Ukraine increased the 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 evaluat-

ions 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<br>(ALL FIGURES IN NOK 1000)                    | SKAGEN<br>VEKST<br>2014 | SKAGEN<br>GLOBAL<br>2014 | SKAGEN<br>KON-TIKI<br>2014 | SKAGEN<br>m <sup>2*</sup><br>2014 | SKAGEN<br>BALANSE<br>60/40<br>2014 | SKAGEN<br>TELLUS<br>2014 | SKAGEN<br>AVKASTNING<br>2014 | SKAGEN<br>KRONA<br>(1000 SEK)<br>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<br>(ALL FIGURES IN NOK 1000)                    | SKAGEN<br>HØYRENTE<br>2014 | SKAGEN<br>HØYRENTE<br>INSTITUSJON<br>2014 | SKAGEN<br>CREDIT<br>30.05.2014 -<br>31.12.14 | SKAGEN<br>CREDIT NOK<br>30.05.2014 -<br>31.12.14 | SKAGEN<br>CREDIT SEK<br>(1000 SEK)<br>30.05.2014 -<br>31.12.14 | SKAGEN<br>CREDIT EUR<br>(1000 EUR)<br>30.05.2014 -<br>31.12.14 | SKAGEN<br>CREDIT GBP<br>(1000 GBP)<br>30.05.2014 -<br>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

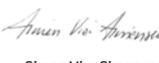
## Annual Financial Statement 2014

| INCOME STATEMENT  |       | SKAGEN<br>Vekst   |                   | SKAGEN<br>Global  |                   | SKAGEN<br>Kon-Tiki |                   | SKAGEN<br>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            | 2 826                    | 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          | -                 | -                 | 463 770            | -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 par value   | 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              | 53 916            | 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  
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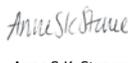
  
Martin Gjelsvik

  
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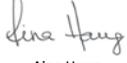
  
Simen Vier Simensen

  
Per Gustav Blom

  
Martin Petersson

  
Anne S.K. Stensrud

  
Jesper Rangvid

  
Aina Haug

| INCOME STATEMENT                    |     | SKAGEN<br>Balanse60/40 |                | SKAGEN<br>Tellus |                | SKAGEN<br>Avkastning |                  | SKAGEN<br>Krona* |                |
|-------------------------------------|-----|------------------------|----------------|------------------|----------------|----------------------|------------------|------------------|----------------|
| (all figures in 1,000 NOK)          |     | 2014                   | 2013           | 2014             | 2013           | 2014                 | 2013             | 2014             | 2013           |
| Notes                               |     |                        |                |                  |                |                      |                  |                  |                |
| <b>Portfolio revenue and costs</b>  |     |                        |                |                  |                |                      |                  |                  |                |
|                                     |     | 1998                   | 1216           | 27338            | 14910          | 47175                | 37181            | 12951            | 21672          |
|                                     |     | -                      | -              | -                | -              | -                    | -                | -                | -              |
|                                     |     | 11042                  | 2664           | -2335            | 47765          | -3662                | 18656            | -                | -              |
|                                     | 7   | 12848                  | 14318          | 161416           | -20438         | 61478                | -7989            | -2075            | 246            |
|                                     |     | -                      | -              | -                | -              | -                    | -                | -                | -              |
|                                     |     | -                      | -              | -34              | -26            | -17                  | -10              | -14              | -33            |
|                                     |     | -                      | -              | 751              | 4587           | -29535               | -10696           | -                | -              |
|                                     |     | <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> |     |                        |                |                  |                |                      |                  |                  |                |
|                                     |     | -                      | -              | -                | -              | -                    | -                | -                | -              |
|                                     | 8   | -                      | -              | -5717            | -4033          | -7447                | -6138            | -1479            | -1757          |
|                                     | 8   | -                      | -              | -                | -              | -                    | -                | -                | -              |
|                                     |     | -                      | -              | <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>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>  |
|                                     |     | -780                   | -314           | -450             | -              | -                    | -                | -                | -              |
|                                     | 10  | -780                   | -314           | -450             | -              | -                    | -                | -                | -              |
|                                     |     | <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>     |     |                        |                |                  |                |                      |                  |                  |                |
|                                     | 9   | 25 108                 | 17884          | 154554           | -11769         | 55280                | -6176            | -4435            | 945            |
|                                     | 9   | -                      | -              | -                | -              | 12711                | 37179            | -                | -              |
|                                     | 9   | -                      | -              | 26002            | 54535          | -                    | -                | -                | -              |
|                                     | 9   | -                      | -              | 413              | -              | -                    | -                | -                | -              |
|                                     | 9   | -                      | -              | -                | -              | -                    | -                | 13817            | 19184          |
|                                     |     | <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>                       |     |                        |                |                  |                |                      |                  |                  |                |
|                                     | 3,7 | 269501                 | 175097         | -                | 34253          | 969570               | 789381           | -                | -              |
|                                     | 3,7 | -                      | -              | 938585           | 458920         | 265604               | 139365           | 620961           | 837349         |
|                                     | 7   | 28095                  | 15247          | 155696           | -5720          | 66657                | 5179             | -271             | 1804           |
|                                     | 7   | -                      | -              | 18674            | 8146           | 11084                | 5383             | 1204             | 2653           |
|                                     |     | <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> |
|                                     |     | -                      | -              | -                | -              | -                    | -                | -                | -              |
|                                     |     | -                      | -              | -                | -              | -                    | -                | -                | -              |
|                                     |     | -                      | -              | -                | -              | -                    | -                | -                | -              |
|                                     | 10  | -                      | 18             | -                | -              | -                    | -                | -                | -              |
|                                     |     | -                      | -              | -                | -              | -                    | -                | -                | -              |
|                                     |     | -                      | -              | 4                | 5              | 2                    | 2                | -                | 2              |
|                                     |     | -                      | -              | -                | 955            | -                    | -                | -                | -              |
|                                     |     | -                      | -              | -                | -              | -                    | -                | -                | -              |
|                                     |     | -                      | <b>18</b>      | <b>4</b>         | <b>960</b>     | <b>2</b>             | <b>2</b>         | -                | <b>2</b>       |
|                                     | 11  | 3555                   | 2561           | 34871            | 11094          | 434828               | 260080           | 12916            | 23075          |
|                                     |     | <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>               |     |                        |                |                  |                |                      |                  |                  |                |
|                                     | 9   | 230571                 | 162382         | 851683           | 416855         | 1219380              | 852668           | 633263           | 848159         |
|                                     | 9   | 25488                  | 10993          | 115624           | 45046          | 444577               | 302771           | 4554             | 6382           |
|                                     |     | <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> |
|                                     | 9   | 44275                  | 19167          | 150850           | -10184         | 66713                | 5594             | -4339            | 1918           |
|                                     | 9   | -                      | -              | 26355            | 54494          | 12103                | 36578            | -                | -              |
|                                     |     | <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>                         |     |                        |                |                  |                |                      |                  |                  |                |
|                                     | 10  | 202                    | -              | -                | -              | -                    | -                | -                | -              |
|                                     |     | -                      | -              | -                | -              | -                    | -                | -                | -              |
|                                     |     | -                      | -              | 1983             | 1036           | 2155                 | 1566             | 349              | 473            |
|                                     | 10  | 615                    | 381            | 1334             | 407            | 2818                 | 214              | 984              | 7951           |
|                                     |     | <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>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

  
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Per Gustav Blom

  
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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                               |     |                  |                  |                             |                  |                       |                       |                       |                       |                       |
| <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>-8 489</b>    | <b>-9 036</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                   | -                     |
|                                     |     | -                | -                | -                           | -                | -                     | -                     | -                     | -                     | -                     |
|                                     |     | -                | -                | -                           | -                | -                     | -                     | -                     | -                     | -                     |
|                                     |     | <b>7</b>         | <b>66 953</b>    | <b>5</b>                    | <b>-</b>         | <b>191</b>            | <b>-</b>              | <b>0,1</b>            | <b>-</b>              | <b>-</b>              |
|                                     | 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

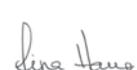
  
 Simen Vier Simensen

  
 Per Gustav Blom

  
 Martin Petersson

  
 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 51 – 65

## 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       | 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>                |
|                                    | <b>Class</b> | <b>31.12.14</b>                 | <b>31.12.13</b>  | <b>31.12.12</b>     |                  |                                 |
| 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 |
| <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |      |
| 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           |               |                |
|-----------------------------|----------------|---------------|----------------|
|                             | Unit class A   | Unit class B  | Total          |
| Management fee - fixed      | 436634         | 13611         | 450245         |
| 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    | AS OF             |                  | Redemption of units | Net income       | AS OF             |            |
|------------------------------------|----------|-------------------|------------------|---------------------|------------------|-------------------|------------|
|                                    |          | 01.01.2014        | Issue of units   |                     |                  | 31.12.2014        | 31.12.2014 |
| Unit capital class                 | A        | 4 262 254         | 565 103          | -1 892 808          | -                | 2 934 549         |            |
| 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        | -                 | 2948 805         | -1270 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>           |          | <b>23 938 254</b> |                  |                     | <b>6 174 916</b> | <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> |
|---------------------------|----------------|----------------|

|                      |   |          |
|----------------------|---|----------|
| Carry forward losses | - | -122 203 |
|----------------------|---|----------|

|  |                |                |
|--|----------------|----------------|
| <b>Calculation basis - tax payable (A)</b> | <b>952 915</b> | <b>305 173</b> |
|--|----------------|----------------|

| Tax payable in the income statement                      |               |          |
|--|---------------|----------|
| Tax payable (Ax27%)                                      | 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                  |              |                 |
|---|--------------|-----------------|
| Unrealised gain/loss outside the Norwegian tax exempt rule "Fritaksmetoden" | 4 200        | -3 347          |
| Carry forward 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 (Bx27%) | 1 134 | - |
|---|-------|---|

Deferred tax asset is not booked in the balance sheet

| Tax cost in the income statement       |                |                |
|--|----------------|----------------|
| 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 Askero 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           |               |                |
|-----------------------------|----------------|---------------|----------------|
|                             | Unit class A   | Unit class B  | Total          |
| 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 |                   | Redemption of units | Net income       | EQUITY CAPITAL AS OF |            |
|------------------------------------|----------|----------------------|-------------------|---------------------|------------------|----------------------|------------|
|                                    |          | 01.01.2014           | Issue of units    |                     |                  | 31.12.2014           | 31.12.2014 |
| 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>           |          | <b>21 846 541</b>    |                   |                     | <b>5 353 876</b> | <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**

|                                    | Class    | EQUITY CAPITAL AS OF |                |                     | Net income     | EQUITY CAPITAL AS OF |
|------------------------------------|----------|----------------------|----------------|---------------------|----------------|----------------------|
|                                    |          | 01.01.2014           | Issue of units | Redemption of units |                |                      |
| Unit capital class                 | A        | 4 783 200            | 387 181        | -286 325            |                | 5 791 176            |
| Premium class                      | A        | 4 587 4              | 99 881         | -56 288             |                | 89 467               |
| <b>Total paid-in capital class</b> | <b>A</b> | <b>5 241 94</b>      | <b>487 062</b> | <b>-342 613</b>     |                | <b>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>5 069 111</b>     | <b>488 298</b> | <b>-342 613</b>     | <b>184 529</b> | <b>837 125</b>       |

|                               | Class | 31.12.14  | 31.12.13  | 31.12.12  |
|-------------------------------|-------|-----------|-----------|-----------|
| Number of units issued        | A     | 5 791 763 | 4 783 203 | 2 108 687 |
| Number of units issued        | B     | 1 063 4   | -         | -         |
| 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 "Fritaksmetoden" | -4 056        | -2 040        |
| 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>  |

| Tax payable in the income statement                      |              |              |
|--|--------------|--------------|
| Tax payable (Ax 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> |

| Basis deferred tax/deferred tax asset in the balance sheet                     |              |               |
|--|--------------|---------------|
| Unrealised gain/loss outside the Norwegian tax exemption rule "Fritaksmetoden" | 6 813        | -6 906        |
| 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> |

| Tax cost in the income statement       |              |              |
|--|--------------|--------------|
| 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> |

|                               | 31.12.14  | 31.12.13  | 31.12.12 |
|-------------------------------|-----------|-----------|----------|
| 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                                  | -            | -            |
| Net taxable income  | 2 074        | 1 287        |
| <b>Calculation basis - tax payable (A)</b>                  | <b>2 074</b> | <b>1 287</b> |

| Tax payable in the income statement |            |            |
|-------------------------------------|------------|------------|
| Tax payable (Ax 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            |            |            |
|---|------------|------------|
| 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 |            |            |
|----------------------------------|------------|------------|
| 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                            | 3 224 937        | 3 309 524       | 3 693 168         |  |                  |
| 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         |              | Total        |
|-----------------------------|--------------|--------------|--------------|
|                             | Unit class A | Unit class B |              |
| 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 |                | 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 |
|---|----------|----------------------|----------------|-----------------|---------------------|----------------------------|--|--|----------------------|
|   |          | 01.01.2014           | 31.12.2014     |                 |                     |                            |  |  |                      |
| 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>-</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         |              | Total       |
|-----------------------------|--------------|--------------|-------------|
|                             | Unit class A | Unit class B |             |
| 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 |                | Issue of units | Redemption of units | Reinvested for unitholders | Allocated to unitholders for reinvestment | Net income after distribution to unitholders | EQUITY CAPITAL AS OF |
|---|----------|----------------------|----------------|----------------|---------------------|----------------------------|---|--|----------------------|
|   |          | 01.01.2014           | 31.12.2014     |                |                     |                            |   |  |                      |
| 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>-</b>             | <b>2 637,2</b> | <b>-155,6</b>  | <b>-</b>            | <b>-</b>                   | <b>-</b>                                  | <b>-</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>-</b>             | <b>665,5</b>   | <b>-50,1</b>   | <b>-</b>            | <b>-</b>                   | <b>-</b>                                  | <b>-</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>-</b>             | <b>1,1</b>     | <b>-</b>       | <b>-</b>            | <b>-</b>                   | <b>-</b>                                  | <b>-78,4</b>                                 | <b>-77,2</b>         |
| <b>Total</b>                                    |          | <b>-</b>             | <b>3 303,8</b> | <b>-205,8</b>  | <b>-</b>            | <b>-</b>                   | <b>-</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   | 30.05.2014 | EQUITY CAPITAL AS OF | 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>A</b>   | <b>-</b>             | <b>249,6</b>   | <b>-</b>            | <b>-</b>                   | <b>-</b>                                  | <b>-</b>                                     | <b>249,6</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>   | <b>-</b>             | <b>249,6</b>   | <b>-</b>            | <b>-</b>                   | <b>-</b>                                  | <b>-</b>                                     | <b>249,6</b>         | <b>249,6</b> |
| Retained earnings                                 | -          | -                    | -              | -                   | -                          | -   | -30,6  | -30,6                |              |
| Allocated to unitholders for reinvestment class A | A          | -                    | -              | -                   | -                          | 8,4                                       | -  | 8,4                  |              |
| Allocated to unitholders for reinvestment class B | B          | -                    | -              | -                   | -                          | 8,5                                       | -  | 8,5                  |              |
| <b>Total retained earnings</b>                    | <b>-</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>-</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 amongst 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 amongst 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 amongst 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      |
| Mercialis 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 Tbk PT              | 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 Sa ADR  | 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 Tbk PT                            | 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      |
| DOFASA                              | 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-SpADR                  | 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      |
| Getinge 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      |
| Hitecvision 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>                          |                  |                       |              |          |                      |                      |               |                               |                |
| BakerHughes 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       |
| BP Plc                                 | 4 331 863        | 216 163 706           | 4,11         | GBP      | 207 984 044          | -8 179 662           | 0,53%         | 0,02%                         | London         |
| Petroleo Brasileiro Pref ADR           | 3 550 248        | 439 163 092           | 7,58         | USD      | 201 655 151          | -237 507 942         | 0,51%         | 0,13%                         | New York       |
| BP Plc 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 ASA 09/18,6,5%   | 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> |                               |                |

## 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>                     |                  |                       |              |          |                       |                       |               |                               |                |
| 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>  |                               |                |
| <b>Health care</b>                          |                  |                       |              |          |                       |                       |               |                               |                |
| 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>  |                               |                |
| <b>Financials</b>                           |                  |                       |              |          |                       |                       |               |                               |                |
| Citigroup Inc                               | 6 753 367        | 1 546 438 724         | 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 2925          | 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> |                               |                |
| <b>Information technology</b>               |                  |                       |              |          |                       |                       |               |                               |                |
| 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> |                               |                |
| <b>Telecom</b>                              |                  |                       |              |          |                       |                       |               |                               |                |
| 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           | 4 050        | 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-PolyEnergy 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>2 138 093 401</b>  |              |          | <b>1 261 717 395</b>  | <b>-876 375 646</b>  | <b>2,44%</b>  |                               |                |
| <b>Raw materials</b>                           |                  |                       |              |          |                       |                      |               |                               |                |
| Vale Sa Spsons 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      | 140 654 670           | -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       |
| Marfrig 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          |
| X5 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 SA ADR                  | 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 Prehranbenina 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                                 | 8936510          | 970296171             | 3,535        | HUF      | 905480303             | -64815868             | 1,75%         | 4,79%                         | Budapest       |
| China Shineway Pharmaceutical                       | 36934000         | 280297726             | 11,78        | HKD      | 419941648             | 139643922             | 0,81%         | 4,47%                         | Hong Kong      |
| Eis Eczacibasi Ilac Ve Sanayi                       | 19410554         | 133038236             | 2,32         | TRY      | 144503940             | 11465704              | 0,28%         | 3,54%                         | Istanbul       |
| Supermax Corp BHD                                   | 30573600         | 117547743             | 1,68         | MYR      | 109913070             | -7634672              | 0,21%         | 4,52%                         | Kuala Lumpur   |
| Eczacibasi Yatirim Holding                          | 3362732          | 39931421              | 6,36         | TRY      | 68628285              | 28696863              | 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                                 | 55690910         | 1265479187            | 311,85       | INR      | 2060032890            | 794553704             | 3,98%         | 0,75%                         | National India |
| Haci Omer Sabanci Holding AS                        | 45791436         | 927447130             | 10,15        | TRY      | 1491434131            | 563987001             | 2,88%         | 2,24%                         | Istanbul       |
| Banco Do Estado Rio Grande Do Sul SA Pref           | 20354500         | 482469437             | 14,50        | BRL      | 833180926             | 350711489             | 1,61%         | 4,98%                         | Sao Paulo      |
| SBI Holdings Inc                                    | 7759600          | 603587207             | 1326         | JPY      | 643195176             | 39607969              | 1,24%         | 3,46%                         | Tokyo          |
| Raiffeisen Bank International AG                    | 4062472          | 797112935             | 12,53        | EUR      | 461806195             | -335306740            | 0,89%         | 1,39%                         | Wien           |
| JSE Ltd   | 5864519          | 226705132             | 121,00       | ZAR      | 459931647             | 233226515             | 0,89%         | 6,75%                         | Johannesburg   |
| Moscow Exchange MICEX-RTS OAO                       | 54263060         | 578348220             | 59,06        | RUB      | 406205399             | -172142821            | 0,79%         | 2,38%                         | Moscow         |
| Korean Reinsurance Co                               | 4860366          | 182224831             | 10800        | KRW      | 360205029             | 177980198             | 0,70%         | 4,04%                         | Seoul          |
| Kiatnakin Bank Plc                                  | 37429463         | 334353001             | 39,50        | THB      | 336646205             | 2293204               | 0,65%         | 4,44%                         | Bangkok        |
| Kiwoom Securities Co Ltd                            | 1043205          | 190647588             | 46100        | KRW      | 330010401             | 139362813             | 0,64%         | 4,72%                         | Seoul          |
| EFG-Hermes Holding SAE                              | 17939257         | 353506506             | 15,41        | EGP      | 289533571             | -63972934             | 0,56%         | 3,13%                         | Cairo          |
| Ghana Commercial Bank Ltd                           | 18001604         | 88821180              | 5,30         | GHS      | 221957662             | 133136482             | 0,43%         | 6,79%                         | Ghana          |
| Dragon Capital - Vietnam Enterprise Investments Ltd | 9000000          | 111228888             | 2,74         | USD      | 184788310             | 73559422              | 0,36%         | 5,18%                         | Dublin         |
| Value Partners Group Ltd                            | 28597000         | 109612508             | 6,52         | HKD      | 179963895             | 70351387              | 0,35%         | 1,56%                         | Hong Kong      |
| Diamond Bank Plc                                    | 718971941        | 153448758             | 5,58         | NGN      | 164486401             | 11037643              | 0,32%         | 4,97%                         | Lagos          |
| Nordnet AB  | 5007907          | 69538630              | 28,20        | SEK      | 135100961             | 65562331              | 0,26%         | 2,86%                         | Stockholm      |
| VinaCapital Vietnam Opportunity Fund Ltd            | 4062000          | 44474421              | 2,50         | USD      | 76095916              | 31621496              | 0,15%         | 1,79%                         | London         |
| Norfinance AS                                       | 341141           | 34114100              | 111,30       | NOK      | 37968993              | 3854893               | 0,07%         | 9,89%                         | Unlisted       |
| Trimegah Securities Tbk PT                          | 700000000        | 67131002              | 68,00        | IDR      | 28774200              | -38356802             | 0,06%         | 9,85%                         | Jakarta        |
| Norfinance AS Convertible bond                      | 21272400         | 21272400              | 111,30       | NOK      | 23676181              | 2403781               | 0,05%         |                               | Unlisted       |
| EFG-Hermes Holding GDR                              | 202863           | 8188185               | 4,00         | USD      | 6080570               | -2107616              | 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                     | 354632           | 876146203             | 1039000      | KRW      | 2528427537            | 1652281333            | 4,89%         | 1,55%                         | Seoul          |
| Samsung Electronics Co Ltd Pref GDR                 | 388277           | 382056196             | 469,90       | USD      | 1367188927            | 985132731             | 2,64%         | 0,85%                         | London Int.    |
| Lenovo Group Ltd                                    | 98150000         | 563091969             | 10,20        | HKD      | 966290676             | 403198707             | 1,87%         | 0,88%                         | Hong Kong      |
| Tech Mahindra Ltd                                   | 2529440          | 408241341             | 2594         | INR      | 778149600             | 369908259             | 1,50%         | 1,07%                         | National India |
| Skyworth Digital Holdings Ltd                       | 32870181         | 95989642              | 4,22         | HKD      | 133884981             | 37895339              | 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                                   | 40609668         | 1548255180            | 352,70       | INR      | 1698943711            | 150688531             | 3,29%         | 1,02%                         | National India |
| Kinnevik Investment AB-B                            | 2624324          | 458112107             | 255,30       | SEK      | 640945854             | 182833748             | 1,24%         | 1,11%                         | Stockholm      |
| Indosat Tbk PT                                      | 206683750        | 557400537             | 4050         | IDR      | 506008324             | -51392213             | 0,98%         | 3,80%                         | Indonesia      |
| Sistema Jscf GDR                                    | 2757256          | 220118140             | 5,21         | USD      | 107645588             | -112472552            | 0,21%         | 0,57%                         | London Int.    |
| Sistema Jscf  | 71610460         | 487565204             | 11,40        | RUB      | 103473534             | -384091670            | 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>9)</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>9)</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](http://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                        |
| Portuguese 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>            |               |                          |

### Portfolio key figures

|                                | Class A | Class 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.

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>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 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              | 30 000 110           | 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 Sør-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 Sør-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>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. 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>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>3)</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>4)</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         | -5 572  | 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/b                                 | 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>5)</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

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

All securities are traded in the Swedish market

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.

### Allocation of the acquisition cost:

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

# 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   | 50 331 617                          | 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                        |
| Eiendomsrett 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                | 55 500 000  | 56 260 890    | 1,90                | 0,20                   | 101,52       | 81 169           | 56 346 039   | 56 427 207                          | 85 149               | 1,69%         | 6                        |
| Tele 2 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  | 30 009 300    | 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 | 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>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                          | -52 070              | 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> |                          |

### Portfolio key figures

|                                |        |
|--------------------------------|--------|
| 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.

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 31.12.13, please refer to the balance sheet.

All securities are traded in the Norwegian market.

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.

### Allocation of the acquisition cost:

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>1)</sup> | Duration <sup>2)</sup> | Market price | Accrued interest | Markedvalue        | Marketvalue incl. accrued interest NOK | Unrealised gain/loss | Share of fund | Risk class <sup>3)</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                   | 1300,44      | 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                   | 1033,07      | 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                   | 1027,41      | 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                   | 1324,98      | 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                   | 1377,58      | 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                   | 1007,47      | 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                   | 1250,78      | 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 | Face value | 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)  
Statsautoriserte 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.

(2)



- 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.

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

