



Apple trees, 1907. By Michael Archer, one of the Skagen painters. This image belongs to the Skagens Museum.

SKAGEN Credit EUR

A global corporate bond fund

Status report November 2015

The art of common sense



SKAGEN Credit EUR A – Key numbers

Key numbers as of 30 November	SKAGEN Credit EUR A	Index (Euribor 3m)
Return last month	0,1 %	0,0 %
Return year to date	- 0,8 %	0,0 %
Return since inception (30.05.14)	- 2,1 %	0,1 %
Current yield*	4,2 %	0,0 %
Average maturity (WAM)	1,5	0,25
Average life time (WAL)	3,0	N/A
Average credit spread (OAS)**	507 bps	N/A

Portfolio managers' comment

November was a “wait and see” month. After the downturn in September and recovery in October, the credit market was stable but flat in November. Both the up and downturn in September and October were liquidity driven. In other words, international investors took money out of and put money back into the credit market regardless of the fact that fundamentally very little happened. In November there was uncertainty about whether the worst of the storm was over and we could once again begin to focus on what was happening in individual companies. It is the companies that we are most interested in and invested in, but when there is market turbulence, we have to take into consideration anything that effects returns.

On the positive side, our Canadian plane and train manufacturer Bombardier now has local authorities and local pension funds as owners. The company has long been under pressure and we hope that this will bring the company onto safer ground. Our Norwegian investments including Color Group (Color Line) and Norwegian Air Shuttle have performed well. These are companies that do better when the oil price falls.

Companies that have faced further headwinds last month include our Hong Kong based commodity business Noble Group and the Mexican construction company Empresas ICA. Both have faced earnings pressures, Noble as a result of the fall in commodity prices and ICA due to a cut in governmental infrastructure investments in Mexico which is in turn associated with the government's oil sales revenue. For Empresas ICA the situation is serious as they do not currently have sufficient cash to service their debts.

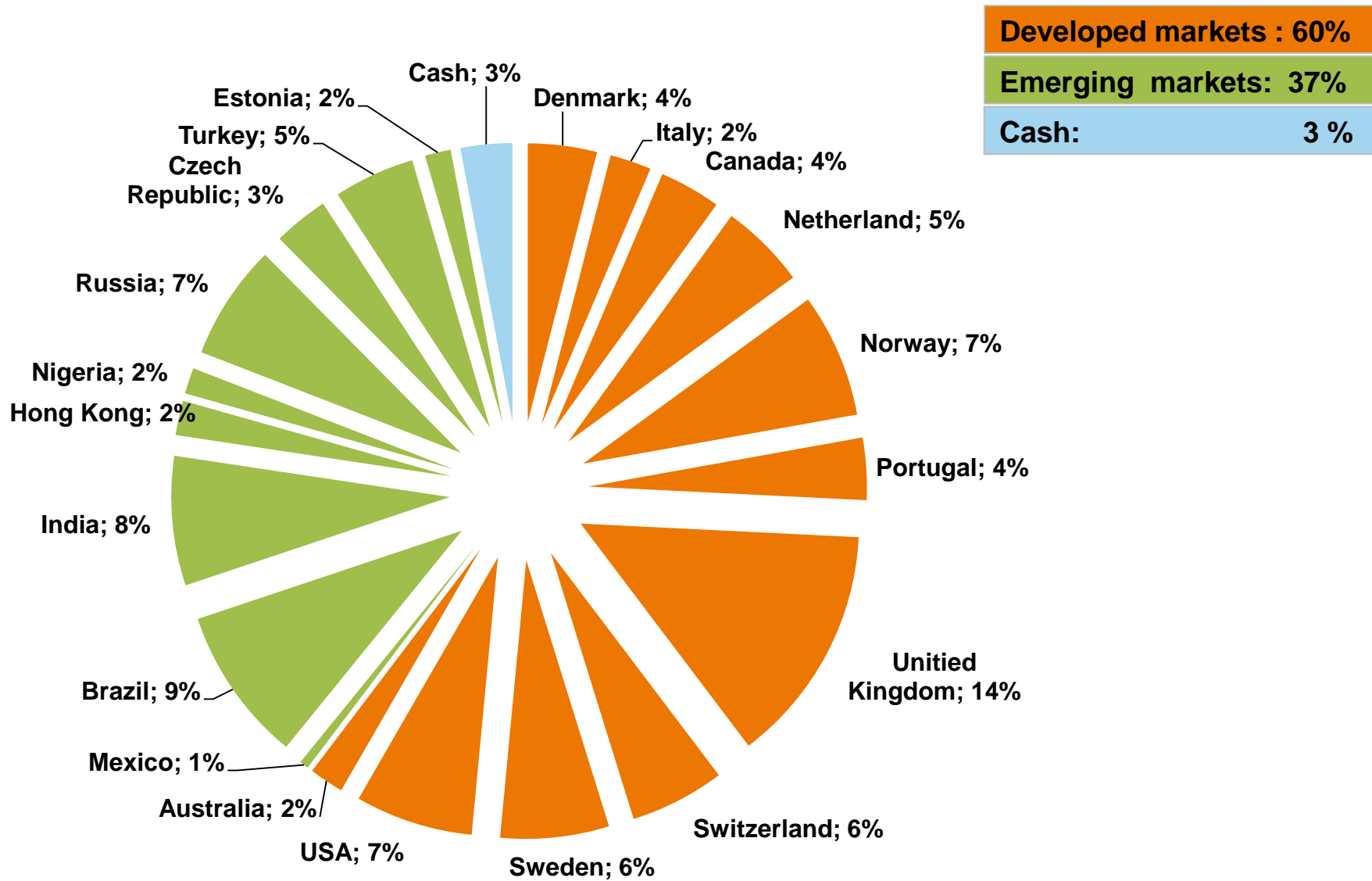
The credit spread in the fund – that is the risk premium – is stable at around 500 basis points (5%) above the risk free rate, as it was last month. By way of comparison, this figure was 375 basis points at the start of the year and 250 at fund inception. An increase in the risk premium results in a drop in return, but at the same time higher expected returns.

The SKAGEN Credit investment universe

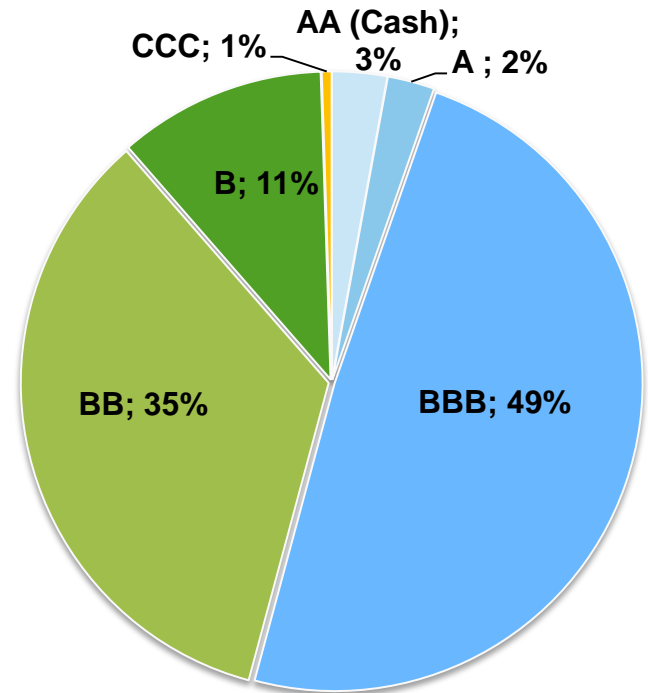
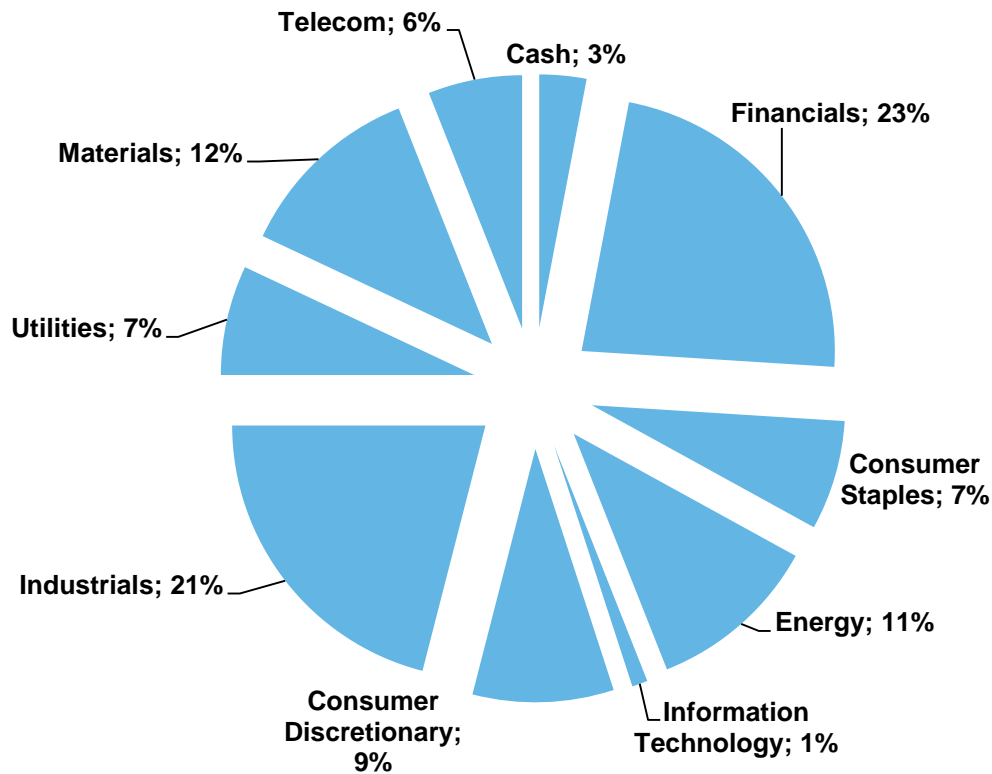


SKAGEN Credit picks bonds both from the investment grade and the high yield spectrum with a high risk adjusted return potential. Minimum 50% investment grade.

Country diversification



Sector and rating distribution



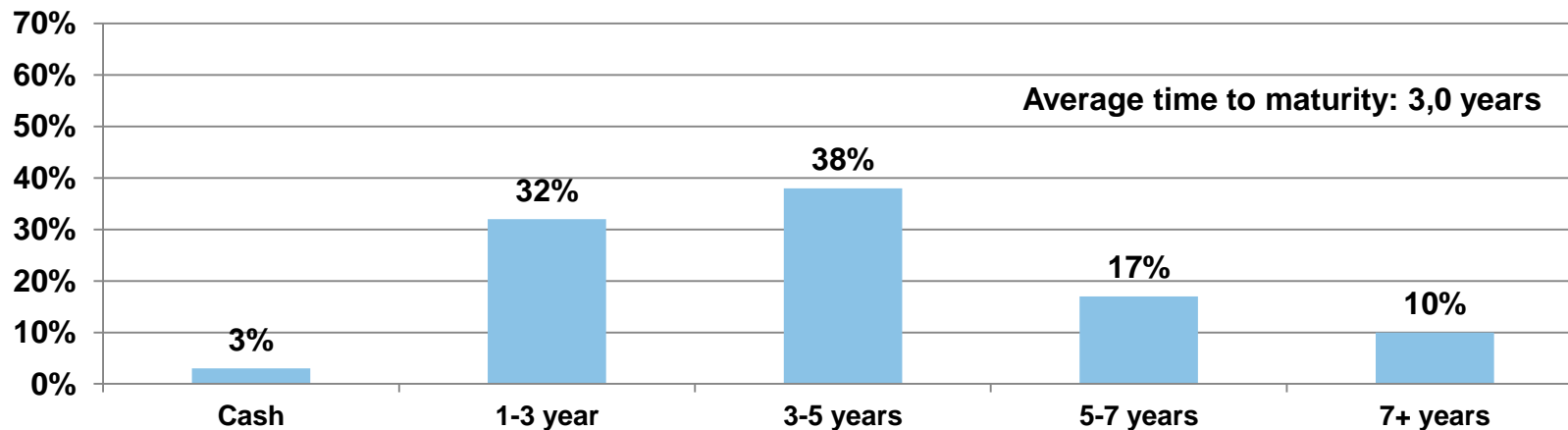
Investment grade:	54 %
High Yield:	46 %
Average rating:	BBB-

Interest rate duration and time to maturity

Interest rate exposure and denominated currency of bonds (before currency hedge)

Currency	Bond denominated	Interest rate duration
USD	46%	1,2 year
EUR	20%	1,4 year
GBP	25%	1,6 year
NOK	9%	0,1 year
Sum Fund	100%	1,5 year

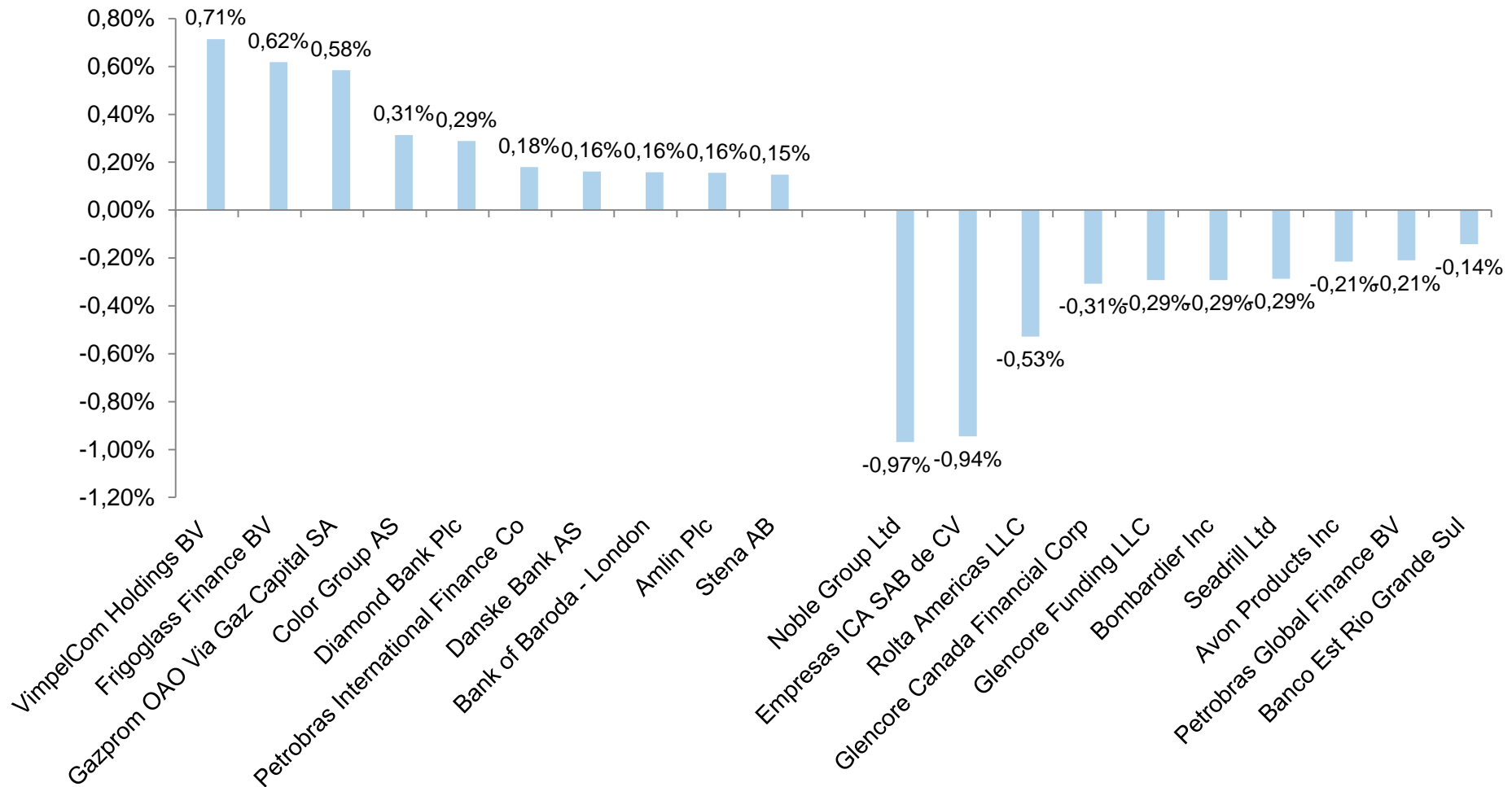
Credit exposure - time to maturity profile on bonds



Top 10 investments

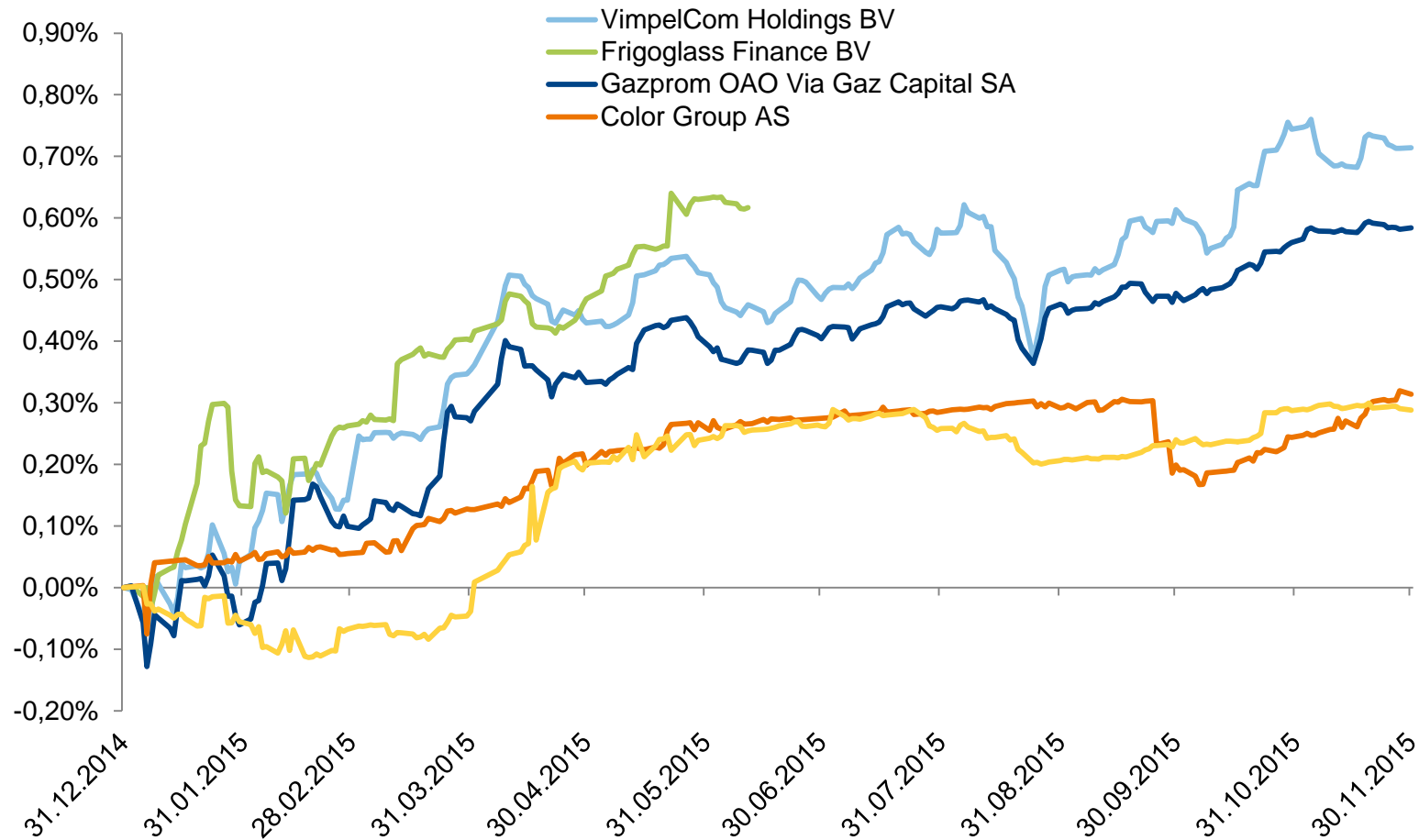
Company	Country of risk	Credit rating*	Percent of fund
Danske Bank	Denmark	BBB	3,9 %
Energias de Portugal	Portugal	BBB-	3,6 %
Gazprom	Russia	BB+	3,6 %
SSAB	Sweden	BB-	3,5 %
Glencore	Switzerland	BBB	3,4 %
Color Group	Norway	B+	3,3 %
Amlin	UK	BBB-	3,3 %
Bank of Baroda	India	BBB-	3,3 %
Bharti Airtel	India	BBB-	3,3 %
EP energy	Czech Republic	BBB-	3,2 %
Sum top 10			34,4 %

Best and worst contributors year to date 2015



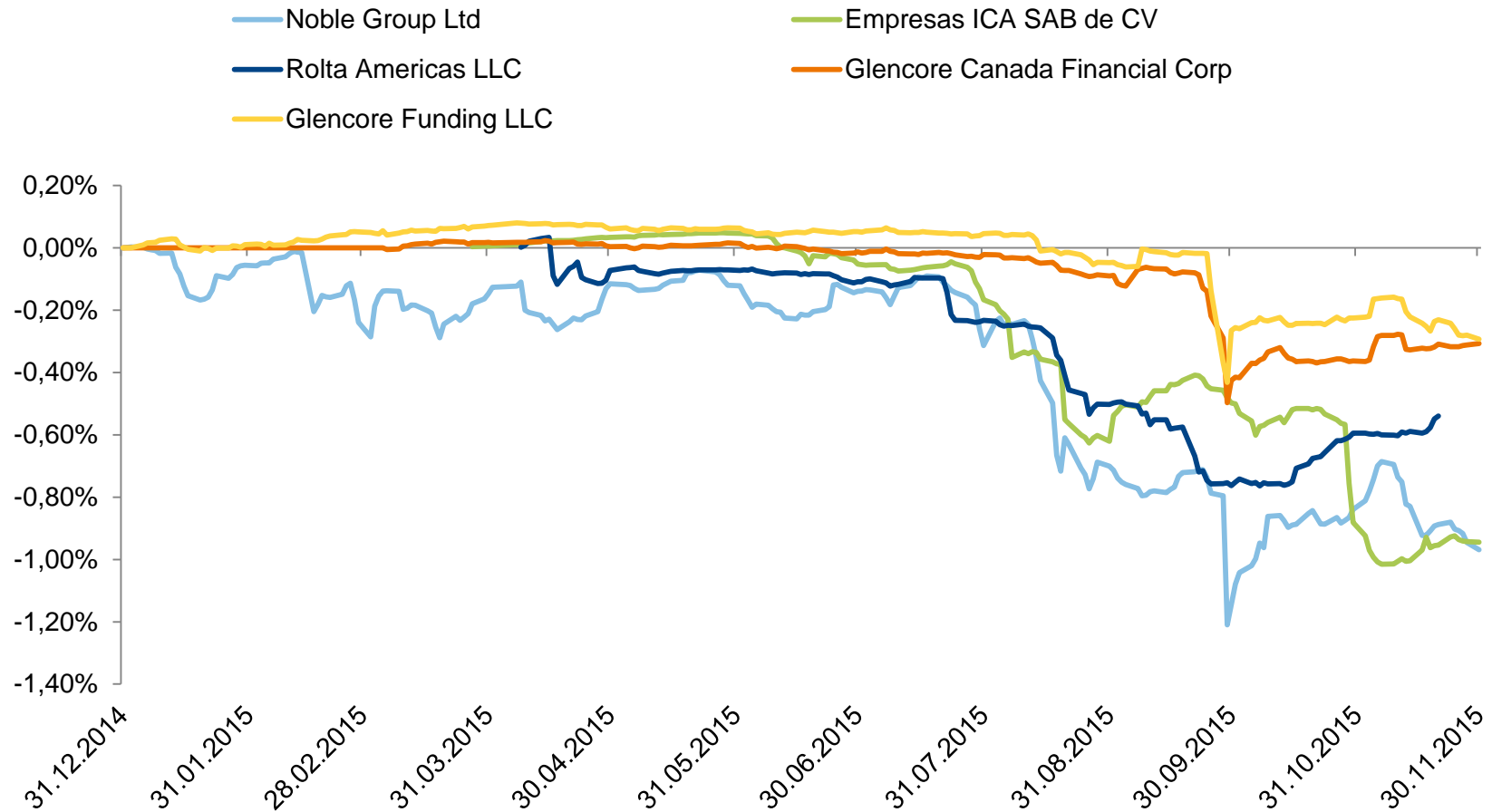
The graph shows the contribution of individual investments to the fund's total return in percentage terms year to date.

Top 5 contributors year to date 2015



The graph shows the contribution of individual investments to the fund's total return in percentage terms year to date.

Worst 5 contributors year to date 2015



The graph shows the contribution of individual investments to the fund's total return in percentage terms year to date.

The portfolio managers

The portfolio managers draw on their expertise in the fixed income markets, as well as SKAGEN's equity fund managers' long experience of successful stock-picking. They have long-standing and complementary experience ranging from fixed income management to company analysis, risk management and trading.

Ola Sjöstrand

Ola Sjöstrand has worked in SKAGEN since 2006 as portfolio manager of SKAGEN's fixed income funds. He launched and has been responsible for running the SKAGEN Krona fund amongst others. Before joining SKAGEN Ola worked as portfolio manager at the Swedish Soya Group. A combination of strong analytical skills and investment experience applying SKAGEN's investment philosophy puts Ola in a strong position to find good investment cases for the fund. Ola holds a BSc in Business Administration and Economics.

Tomas Nordbø Middelthon

Tomas Nordbø Middelthon has worked in SKAGEN since 2010, both as a risk manager and more recently as portfolio manager of SKAGEN's fixed income funds. Before that Tomas worked within financial services in Statoil implementing financial risk management tools worldwide. Tomas holds an MBA within Finance and is a Certified Financial Analyst. He has strong analytical skills and a background from financial risk management. The combination of risk management and technical expertise is valuable in the screening and analysis of corporate bonds and portfolio construction.



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

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

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. Employees of SKAGEN AS may be owners of securities issued by companies that are either referred to in this report or are part of the fund's portfolio.