SKAGEN Focus
Status Report February 2016

The art of common sense

Summary – February 2016

- The fund is a highly concentrated equity fund with a broad all-global mandate. The overall objective is to invest in a few select investments with an exceptional risk/reward profile from an absolute return perspective.

- The target number of positions is 30-35 and the top ten positions should equal 40-50% of the portfolio. At the end of the month, the fund holds 33 positions, and the top ten positions constitute 46% of the portfolio. The cash position is 4%.

- Global equity markets were up one percent during the month (measured in NOK). SKAGEN Focus was up 3.6% in the month (NOK). The fund is down -13% since inception on 26 May 2015 (NOK).

- Pan American Silver, Aercap and South32 were the strongest contributors to the fund's performance in February measured as absolute contribution in NOK. AIG, Citizens Financial Group and SBI Holdings were the main detractors during the month.

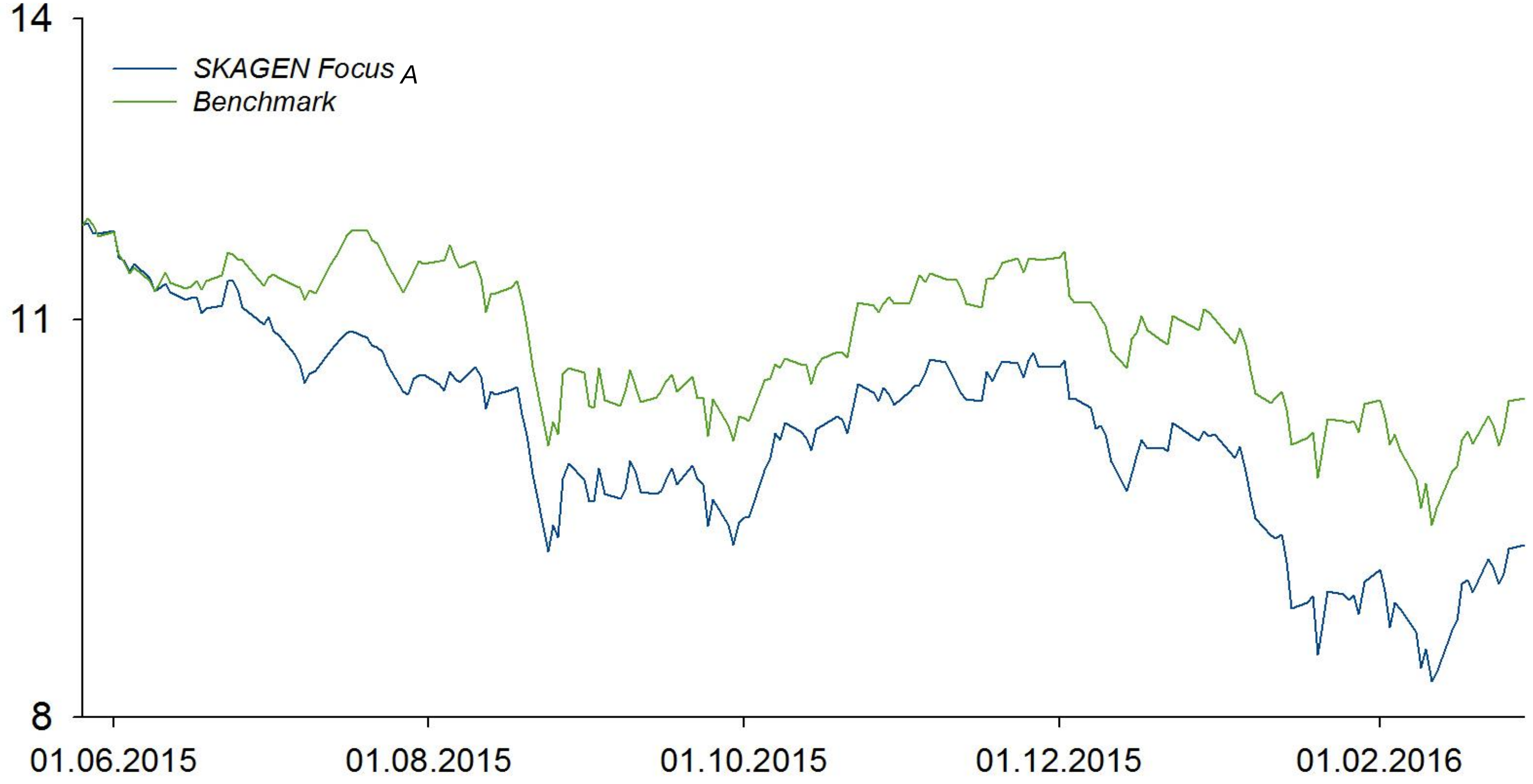
- Two new positions were added during the month, world leader in internet search Google (Alphabet) and Italian based coffee producer Massimo Zanetti Beverage Group (fact sheets attached).

- The fund has a broad mandate to invest in all geographies and sectors. The fund is also market capitalization-agnostic, and currently small-cap** positions constitute 24% of the fund, while mid-cap and large-cap positions account for 35% and 41%, respectively, of the invested portfolio. These figures may vary meaningfully over time.

** Unless otherwise stated, all performance data in this report relates to class A units and is net of fees.*
*** Small-cap defined as market cap below USD 2bn, Large-cap more than USD 10bn.*

SKAGEN Focus A results, February 2016

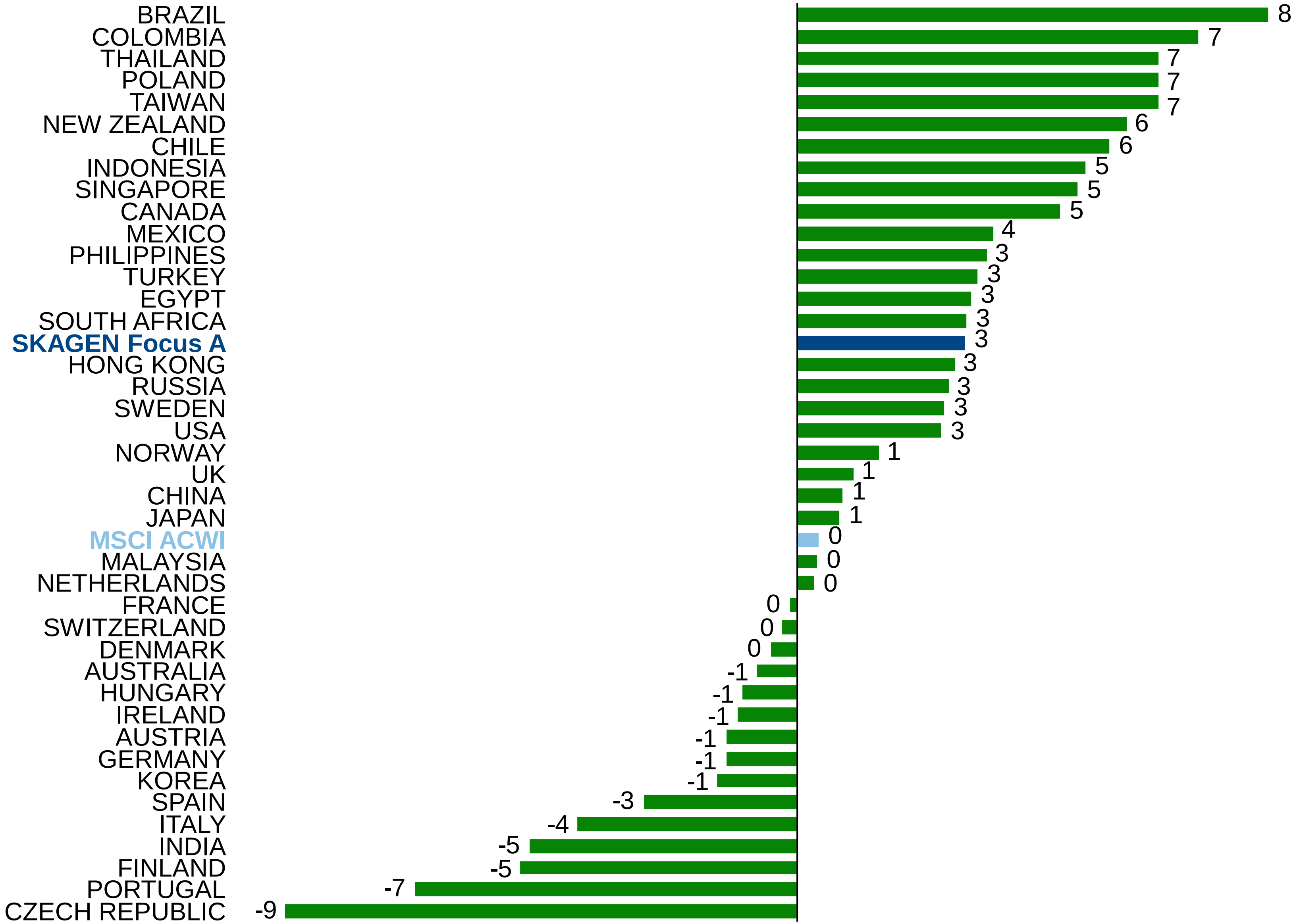
EUR, net of fees



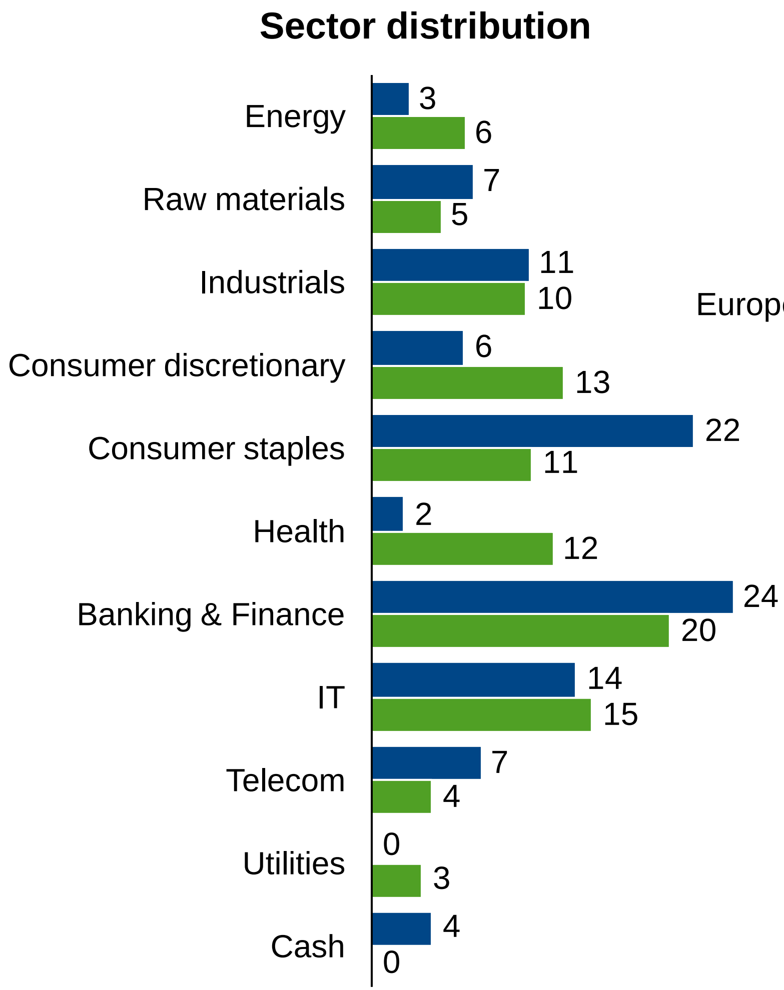
	February	QTD	2015	Since inception*
SKAGEN Focus A	3,0%	-8,5%	-15,4%	-22,6%
MSCI AC World Index	0,4%	-6,2%	-7,2%	-13,0%
Excess return	2,6%	-2,3%	-8,2%	-9,6%

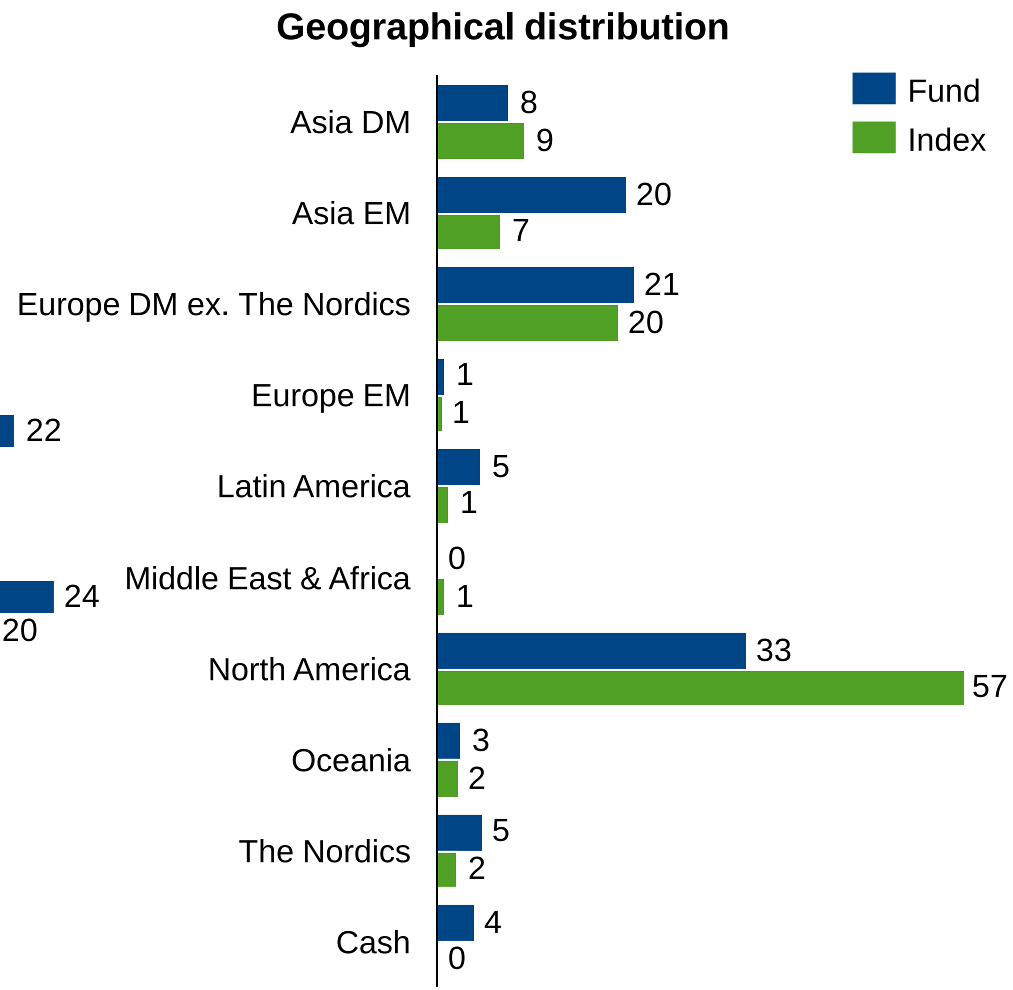
Note: All returns beyond 12 months are annualised (geometric return)
** Inception date: 26 May 2015*

Markets in February in EUR (%)



Sector and geographical distribution vs index (Feb. 2016)





Main contributors in February 2016

Largest positive contributors

Company	NOK (000)
Pan American Silver Corp	13 267
Aercap Holdings NV	6 287
South32 Ltd	5 497
First Quantum Minerals Ltd	5 455
Jbs SA	5 282

Largest negative contributors

Company	NOK (000)
American International Group	-7 250
Citizens Financial Group Inc	-4 575
SBI Holdings Inc	-3 262
Whiting Petroleum Corp	-2 129
Infineon Technologies AG	-1 970

Value Creation MTD (NOK MM): 34

NB: Contribution to absolute return

Main contributors YTD 2016

Largest positive contributors

Company	*NOK (000)*
Pan American Silver Corp	13 160
AirAsia BHD	3 195
South32 Ltd	2 881
Omega Protein Corp	1 429
Pilgrim's Pride Corp	1 380

Largest negative contributors

Company	*NOK (000)*
American International Group I	-18 263
Citizens Financial Group Inc	-13 764
SBI Holdings Inc	-9 569
CIT Group Inc	-8 337
Jenoptik AG	-7 025

Value Creation YTD (NOK MM): -103

NB: Contribution to absolute return

Top 10 positions in SKAGEN Focus

	Price	P/E 2015e	P/E 2016e	P/BV last	Price target	Upside to target %	Holding size, %
American International Group Inc	50,20	10,3	8,5	0,7	90	79 %	7,7%
SK Hynix Inc	30 000,00	8,3	7,2	1,0	65000	117 %	5,5%
Carlsberg AS-B	593,50	20,2	17,5	2,1	822	39 %	5,0%
Jbs SA*	11,40	6,1	7,1	1,0	22	93 %	4,8%
SBI Holdings Inc	1 030,00	8,3	7,9	0,6	3000	191 %	4,5%
China Telecom Corp Ltd	3,73	15,7	15,0	1,0	8	114 %	4,4%
Citizens Financial Group Inc	19,23	10,6	9,0	0,5	35	82 %	3,8%
Jenoptik AG	12,15	14,8	13,6	1,7	20	65 %	3,5%
Aercap Holdings NV	35,73	5,9	5,4	0,9	65	82 %	3,5%
Aryzta AG	47,76	12,7	11,8	1,3	90	88 %	3,2%
Top 10 positions		**9,7**	**9,0**	**0,9**			**45,9%**
Total Equity (33 positions)							**96,0 %**
Cash							**4,0 %**
Total Portfolio							**100,0%**

** JBS is the main owner of Pilgrim's Pride, which is a 2.8% position in the fund. These two positions should be viewed as one, with a total weight of 7.5%.*

Holdings increased and decreased during February 2016

Key buys in February

- **Massimo Zanetti Beverage Group** (new) – Italy-based coffee producer (see attached fact sheet).

- **Alphabet** (new) - World leader in search engine known as Google.

Key sells in February

- **SanDisk** (out) - Better risk/reward found elsewhere.

- **Uniqa Insurance Group** (out) - Better risk/reward found elsewhere.

- **Pan American Silver –** reduced into strength.

Most important changes Q1 2016

Holdings increased

Q1

Company	
Pilgrim's Pride Corp	(New)
Alphabet Inc	(New)
Massimo Zanetti Beverage Group SpA	(New)
Jbs SA	
Infineon Technologies AG	
Stock Spirits Group Plc	
Aercap Holdings NV	
Schaeffler AG	
AirAsia BHD	
Fourlis Holdings SA	

Holdings reduced

Q1

Company	
Sandisk Corp	(Out)
Uniqa Insurance Group AG	(Out)
Komatsu Ltd	(Out)
Pan American Silver Corp	
Ubiquiti Networks Inc	
Carlsberg A/S	
Fila Korea Ltd	

Key earnings releases and corporate news, February 2016

SBI Holdings

(4.5% weight)

Investment case update: Positive. Management is taking advantage of recent stock weakness and the stock hit a 3-year low last month. The Japanese on-line financial services company announced a JPY 5bn stock buyback program of up to 5.5m common shares to be implemented Feb 26 to March 24 2016. Excluding treasury stock, up to 2.59% of the outstanding common shares will be bought up during this period, which equates to about 2x daily volume. Additionally, SBI Holdings held constant forecast dividend of JPY 35 per share for FY16, even with last year.

AerCap

(3.5% weight)

Investment case update: AerCap is the largest independent aircraft lessor globally. It is also active within engine leasing, trading and spare part sales/service of aircrafts. The company manages a fleet of 1300 aircrafts with a current order book of an additional 460 aircrafts. Q415 indicates that core business trends remain strong. AER delivered net income of USD 282m compared with USD 296m last year, but the results were negatively impacted by non-cash restructuring charges and adjusted net income grew modestly over last year. Net spread was marginally lower than last year offset by a higher net gain of sale on 22 aircrafts executed in the quarter. The company announced a USD 400m share buy-back program (6% of market cap) and has an additional USD 400m-600m of available capital in 2016 for discretionary deployment. Current balance sheet trends point to an investment grade credit rating in mid-2016 which would affect net spread positively. As the stock is trading at 5x P/E and about 60% of its liquidation value (USD 55/share), we see this as a very attractive investment proposition.

Fact

The company reported net income of USD 282m in Q415, compared with USD 296m for the same period in 2014. Adjusted for restructuring the underlying operational results grew moderately from last year. The fleet utilisation rate continues to be at high levels at 99.5% with 5.9 years average remaining contracted lease term at the end of the quarter.

Key earnings releases and corporate news, February 2016 (cont.)

Pan American Silver

(3.1% weight)

Investment case update: The company operates seven mines in Mexico, Peru, Bolivia and Argentina. The aggregated output in base metal terms: Silver 65%, Gold 20%, other base metals (zinc, lead and copper) at 15%. In Q415, the company reported only a slight decrease in revenue from last year which is the result of a price decline in underlying commodities offset by increased quantities sold in the quarter (most notably gold and copper). Cash costs per ounce of silver produced fell an additional 24% from last year to USD 9/ounce. Operating cash flow of USD 23m was solid in the quarter. The company maintains a strong balance sheet, ending the quarter with USD 220m in net cash. The stock responded favourably to the announced dividend cut, and the market confirms that focus on preserving cash in this environment is a sound strategy. Strong production results and a recovery in gold and silver price in 2016 have pushed the stock higher by 40% this year alone towards our price target (USD 12). We have gradually reduced the exposure but we still see decent equity upside in a normalised environment for primarily silver and further reductions in production costs. We also believe an approval to start to operate the Navidad asset (Argentina) is a tangible catalyst for the investment case.

Fact

Total revenue in Q415 was USD 163m, unchanged from a year ago. Net operating cash flow improved to USD 23m from 1m a year ago. Net loss for the quarter was USD 17m after adjusting for non-cash write-downs. The company announced a dividend cut of 75% to USD 0.0125/share.

AIG

(7.7% weight)

Investment case update: Compared to our original investment thesis, AIG continues to deliver on exiting non-core assets and increasing financial leverage from a very low base to return significant amount of capital to shareholders in the form of buy-backs below book value. However, we still see very limited improvements in its core underwriting activities within its underperforming P&C business. The stock has mainly done well as a result of low/no expectations on executions, something that is still the case at today’s valuation. The appointment of two activist investors to AIG’s board is a clear positive as it should give management an increased sense of urgency and it clearly increases the likelihood of transformational asset sales.

Fact

P&C core combined ratio was in line with expectations, but at 97.8% showed no progress vs. last year on either loss- (62.8%) or expense ratio (35%). Life insurance continues to perform OK with growth of 9% YoY in 4Q but earnings were hurt by disappointing alternative investment income. In 2015, AIG returned 18% of current market cap to shareholders, and the company has already bought back close to 4% of shares outstanding in Q1. The company agreed with activist shareholders Carl Icahn (owns a 3.4% stake in AIG) and Paulson & Co to each appoint one new director to AIG’s board.

Key earnings releases and corporate news, February 2016 (cont.)

Softbank

(3.1% weight)

Investment case update: Softbank is a Japanese telecom and internet conglomerate with main assets in Chinese online-giant Alibaba, US based telecom operator Sprint and Domestic Telecom businesses (mainly Softbank Mobile). Q316 delivered decent operating metrics, where overall sales rose 4% and operating income rose 18% over last year. The operating profit improvement was mainly driven by the Domestic Telecom business and US-based telecom carrier Sprint. The share price has been hit by worries over the looming debt refinancing at highly levered Sprint and overall weakness in Chinese shares, including the listed Alibaba stake which constitutes a majority of the Softbank NAV. Over the last year Softbank has increased its stake in Sprint and has, not surprisingly, expressed enthusiasm over the turn-around efforts which are mainly based on de-levering, cost-cutting in combination with network improvements to drive net user additions. The implicit share discount to conservative fair value is in excess of 40%, and there is very little value attached to the unlisted transport and e-commerce stakes acquired by the company. The timing of the announced stock buy-back is in this light perhaps not surprising, amounting to JPY 500bn or 10% of market cap. The shares rallied 16% following the announcement. The key to the investment case going forward is tangible evidence of progress in the turn-around of Sprint. In our opinion, the market currently attributes an extremely low probability to such a scenario occurring.

Fact

In the first nine months of the year, total company net sales increased 8% last year to JPY 6810bn. Operating income was JPY 875bn (up 18% Y/Y). The company did not give guidance for FY2016.

Pilgrim's Pride

(2.8% weight)

Investment case update: The company is the largest chicken producer in the US and second largest in Mexico. 80% of sales are in the US, 12% in Mexico and 8% in other regions. Brazil-based JBS currently owns 76% of the company. Net sales were down 7% last year while operating income was down 60%. Gross margin was down to 8.2% from 17% last year reflecting weakness in chicken pricing in the big bird segment and poor development in the Mexican market. Management highlighted that they have identified USD 185m in potential savings/operational improvements which will be implemented in 2016. It is important to highlight that consensus already expects a steep fall in earnings this year, as the peak of the multi-year favourable chicken cycle is already anticipated due to potentially increasing supply. Interestingly, in the last few weeks chicken pricing has improved and grain costs have been lower than expected. Following the earnings release they announced a share repurchase program of USD 300m as the company has a solid balance sheet and a highly cash-generative business. The consensus view on the peaking chicken cycle has resulted in a large short interest in the stock (60% of free float) and we believe the market may be too negative on chicken margins in the mid-term. The repurchase programs will further increase the JBS stake in the company.

Fact

Net sales for Q415 were USD 1960m from USD 2110m from last year (-7%). Gross margin fell from 17% to 8.2%. Net income was USD 63m vs 167m last year.

Key earnings releases and corporate news, February 2016 (cont.)

Carlsberg

(5.0% weight)

Investment case update: The Danish brewer Carlsberg reported Q415/FY15 numbers. In Q415, reported profit was down sharply on last year, but was impacted by special items of about DKK 8.7bn related to the restructuring program "Funding the Journey" which was announced earlier in the year. The restructuring efforts have been mainly focused on the Russian and Chinese operations. After adjusting for special items, operating profit for FY15 was DKK 8.5bn, down 8% over last year with an operating margin of c. 13%. During 2015, the free cash flow generation came in at DKK 6.4bn, excluding non-core asset sales. The investment case is built upon the substantial self-help opportunity to bring operating margins closer to peer-group levels. Also, the market has been overly focused on the problematic environment for the company's operations in Russia, where capacity is gradually being taken out, and is forgetting the substantial opportunities to streamline its cost structure in Western Europe and the quite healthy growth outlook for the Asian operations. Actually, for 2015 the company claims that so called growth markets in Asia accounted for a larger part of the group than Eastern Europe. At current share price levels and still depressed Russian earnings, we receive an attractive mid-term free cash flow yield of about 7-8%. For 2016, the company announced guidance of low single digit organic operating profit growth, driven mainly by Asian markets in combination with flat Western Europe markets and a continued volatile environment in Eastern Europe. Also, the intention is to continue to reduce the financial leverage of the group in 2016 (current net debt of DKK 31bn, reduced over DKK 5bn in FY2015). The company will announce its long-term strategic plan "Sail 2022" on 16 March.

Fact

FY15 beer volume came in at 132m, a decline of 2% on last year. Net revenue was up just over 1% to DKK 65bn. After adjusting for special items, the operating profit was down 8% to DKK 8.5bn.

Ubiquiti Networks

(2.4% weight)

Investment case update: US-based Ubiquiti Networks offers a broad portfolio of wireless networking products and solutions, mainly targeting rural areas not covered by the main enterprise solutions players. They operate in two main segments; Service Provider Technology and Enterprise Technology. On an overall basis the Q216 results confirmed the resilience of the company's operations which had previously been questioned by financial consensus, evidenced by the 40% short interest of free float in the stock. Sales grew 7% on last quarter and 6% on last year to USD 162m. The Service provider segment (68% of revenues) posted growth of 6% on last quarter and 10% on last year. The Enterprise segment (32% of sales) grew 9% sequentially driven by product launches in new generation UniFi switches, but still down 2% on last year. Gross margin expanded to a record 49%. The company continues to generate substantial free cash flow and at quarter end had a net cash position of USD 497m (20% of market cap). During the quarter the company completed a share buyback program of USD 50m. The high short interest in the stock reflects scepticism around the sustainability of the company's business model and worries over increased competition which we think are largely unfounded. Many of the perceived competitors, like Cisco, are not present in the company's market which focus on internet services to rural areas.

Facts:

Total revenues for the quarter grew 7% on last quarter and 6% YoY to USD 162m. Gross margin continued to increase during the quarter to a new record of 49%. Both segments contributed to growth and the Enterprise Technology segment now represents 32% of sales.

Key earnings releases and corporate news, February 2016 (cont.)

Infineon

(3.1% weight)

Investment case update: Infineon is a German semiconductor manufacturer originally spun off from Siemens AG. The company operates in four main segments; Automotive (40% of sales); Industrial power control (20%); Power management and multimarket (25%) and Chip, Card and Security (15%). The company reported Q116 numbers which included revenues of EUR 1556m, a 3% decline from last quarter but up 38% on last year. The revenue decrease caused the gross margin to decline from 39 % to 35.9% from last quarter. The operating income came in at EUR 220m (EUR 286m in last quarter, EUR 169m last year) reflecting an expected seasonal drop in revenue, a less favourable product mix and currency effects on the cost side. The company issued, in our opinion, a rather conservative outlook for 2016 with 13-15% revenue growth and operating margin of 16%. The company continues to generate a healthy amount of cash (EUR 175m in the quarter), and net cash balance stood at EUR 204m at the end of the quarter. The company has enviable market positions in the structural shift towards hybrid engines, auto electrification and the autonomous car (especially within radar applications) with the explosive growth from increased semi-content in these areas. This has yet to be reflected in the share price of the company, trading at a discount to the higher quality industrial peer group.

Fact

Infineon released Q116 numbers where revenue amounted to EUR 1556m and net income of EUR152m. Revenue and net income were up respectively 38%/12% from last year.

South32

(2.5% weight)

Investment case update: Australia-based South32 is a diversified mining company with production in alumina (32%), aluminium (24%), silver (17%), coal (14%), manganese (7%) and nickel (6%). The company was demerged from BHP Billiton in May 2015. The company announced a vast restructuring program and will trim its output of manganese in South Africa and substantially cut costs, mainly by reducing the number of employees. More specifically, there will be a 20% reduction of the workforce at South African and Australian Manganese, Worsley, Illawarra and Cerra Matoso mining operations. The investment case relies upon the outsized opportunity for the company to restructure its cost base and optimise its asset portfolio over time after the spin-off from BHP. Restructuring now begins. The stock rallied 14% on the announcement, but there is substantial upside to our fair value estimate of the company given normalised levels of commodity prices, continued restructuring efforts and a solid balance sheet.

Key earnings releases and corporate news, February 2016 (cont.)

First Quantum

(1.2% weight)

Investment case update: First Quantum is a Canada-based mining and metals company. It has seven mines across the world. It produces copper (70%), nickel (20%), gold, zinc and platinum. It mainly operates mines in Zambia, Spain and Finland, Australia and Turkey. Major development projects are Enterprise (Zambia), Cobre Panama (Panama), Haquira (Peru) and Taca Taca (Argentina). The company provided an update on Q4 2015 production which showed decent growth rates in most of its mining activities where copper production was particularly strong vs earlier estimated production (428k tonnes for FY2015 vs earlier output estimate of 380-400k). The increase in copper production was driven by Sentinel which is ramping up as the power supply in Zambia has been restored, allowing for normalised operations. The company also confirmed its previously announced target to reduce its net debt position by “at least” USD 1bn to the end of first quarter of 2016, through a combination of asset sales and other strategic initiatives. At the current level of copper price, the key to the investment case is evidence that the company can execute on its de-levering program as there is a covenant test approaching in Q116. The company is exploring a sale of the Kevitsa mine which should be finalised at the end of the quarter. There are also non-core assets that could be divested in 2016, such as the power plant in Panama. A successful disposal of these assets would bring net debt/EBITDA to a level (3x) which is comfortably compliant with the current covenant limits.

The largest companies in SKAGEN Focus

AIG is an international insurance company serving commercial, institutional and individual customers. The company provides property-casualty insurance, life insurance and retirement services. AIG was at the very centre of the financial crisis as the central bank for mortgage insurance – it was bailed out in a USD 180bn bail out. The company has two core insurance holdings: Sun America and Chartis that it intends to keep. The company has set a target to achieve 10% ROE by 2015.

SK Hynix Inc. is a Korea-based company engaged in the manufacture of semiconductors. The Company mainly develops and manufactures memory and non-memory semiconductors. Its memory semiconductors include dynamic random access memory (DRAM), multi-chip products (MCPs) and NAND flash memory semiconductors, which are used for cellular phones, PC, digital televisions, digital cameras and other electronic products. The company has the number three market share (in the current oligopoly) in DRAM, behind Samsung and Micron

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

Brazilian based JBS transformed itself from a mid-sized local beef producer to the world's largest animal protein processor in just a few years since its IPO in 2007. It is now the world's #1 beef, #2 poultry and #3 pork producer by sales. The company operates in six main segments: JBS USA Beef (40% of sales, US beef processing), Moy Park (14%, UK based chicken and foodservice provider), Pilgrim's Pride (14%, 2nd largest chicken producer globally; separately listed in the US; PPC US, JBS ownership 75%), JBS Mercosul (13%, Brazilian based beef processing), JBS USA Pork (10%), JBS Foods (9%, prepared foods and poultry processing).

Japanese company established in 1999 as an online financial services company, incubation arm of Softbank. Acquired E*Trade Securities in 2003, Softbank sold out in 2006. Three main businesses: i) Financial services; ii) Asset management, iii) Biotech Financial services: Building ecosystem to offer full range of financial services: SBI Securities: Dominant provider of online securities services in Japan #3 in new tax-saving NISA behind Nomura and Daiwa. SBI Sumishin Net Bank: pure-play internet bank. Also active within insurance (Life & Non-life), Mortgages (through securitisation), trading system and FX trading.

The largest companies in SKAGEN Focus (cont.)

China Telecom is full services integrated information service operator in China. The company, along with its subsidiaries, is engaged in the provision of basic communications services, including wireline telecommunications services, mobile telecommunications services, value-added services, such as Internet access services, integrated information services and other related services within the service area of the company. China Mobile, China Telecom and Unicom are the largest and dominant service providers in the country. China Telecom is the growing 2nd player behind China Mobile, in a maturing industry, yet with massive growth in data downloads.

The company is one of the oldest financial firms in the US, with headquarters in Providence, Rhode Island, with its roots going back to 1828. It is today the 13th largest retail bank in the US with a footprint in New England, the Mid West and the Mid Atlantic, with over 1200 branches in 11 states. The company was listed in September 2014 after being spun off from the UK-based bank Royal Bank of Scotland (RBS).

Jenoptik AG is a Germany-based company engaged in the field of optoelectronics. Its main activities are divided into 3 segments: Laser & Optical Systems, Metrology and Defence & Civil Systems. The Laser & Optical Systems segment encompasses the Laser and Material processing division, which is engaged in semiconductor materials and diode lasers. The Metrology Segment is engaged in manufacturing high precision contact and non-contact metrology systems; and the Traffic Solutions division comprises products and solutions for road safety. The focus areas of the Defence & Civil Systems are military and civil vehicle, rail and aircraft equipment.

US based AerCap is the largest independent aircraft lessor globally. It is also active within engine leasing, trading and spare part sales/service of aircrafts. In December 2013 the company transformed itself by acquiring IFLC, previously the largest aircraft lessor, from American International Group (AIG). Current ambition is to grow the book at a 5% annual rate going forward. AerCap benefits from growth in travel which doubles every 15 years, without the risk of operating an airline.

The company operates an international food business and is a leading supplier of bakery products (bread, muffins, cookies etc.) with relationships with quick-serve restaurants and large retail chains (supplier to McDonald's in the US and Lidl in Europe). Aryzta is present in 25 countries where it operates 60 bakeries. The company holds a strong position in the fragmented specialty bakery market on a global basis. Its competitive advantages include its ability to scale operations and integration of customers' supply chain, leading to high barriers to entry.

Massimo Zanetti Beverage Group (MZB IM) EUR 8

History, what they do and how case was found

- Massimo Zanetti formed the company Segafredo Zanetti in 1973. Through organic growth and acquisitions the company has transformed itself into a well-known player in the coffee-industry. Family controlled with 66% owned by Zanetti family. The company went public in Italy in June 2015.
- Today the company is vertically integrated and highly diversified within several client groups and geographies:
- Business segments: Private Label (clients Wal-Mart, Costco, Dunkin Doughnuts, McDonalds and Carrefour, 37% of sales), Mass Market (Lidl, Wal-Mart, Carrefour, 37% of sales) and Food Service (26% of sales).
- Geographic split: US 47%, Italy 11%, France 11%, Finland 10%, Germany 5% and Other 16% (currently quite limited exposure to Asia/China).
- ESG - No major issues identified.

Rationale for investment

- Improvement in capacity utilisation: As part of a switch in focus to profitability from growth, the company intends to improve capacity utilisation (currently below 70%) which could trim fixed cost/sales by over 200bp.
- Targeting product mix-shift: The company was late to the party in single serve, specifically capsules (margins at 20-25%), focus is on ramping growth in this area through brand Segafredo and Bon Café
- Strong brand portfolio: Owner of a myriad of well-known coffee brands such as Segafredo, Bon Café, San Marco and Puccino
- Free cash flow generation: FCF yield potentially at 10% per annum from 2016/2017. Management incentives locked on free cash flow parameters in 2017.
- Potentially hidden asset in installed base of coffee machines: Company spends half of cap-ex (12 MEUR) to let food service clients use their San Marco coffee machines and let them order all coffee from the company. Installed base up to 100k machines.

Potential triggers

- Execution on efficiency program and subsequent higher margins over the next 2-3 years
- Improved communication with markets participants: The first IR has finally been hired and will start promoting the company in March 2016, starting with an investment conference in Italy.
- Establishment of capital return plan for shareholders.
- Consolidation trends continue in the coffee industry, competitor Keurig Green Mountain was acquired just recently at EV/EBITDA 14x (double the level of MZB's current valuation). Kraft or Maxwell could have interest in combination.

Risks

- Stronger USD vs EUR is a risk as they are a net buyer of USD with green coffee purchases
- Higher input costs through increases in coffee prices
- Related party transactions, major purchases of coffee are done from Zanetti's own coffee company which was carved out at the time of IPO
- Client concentration (top 5 clients are 32% of sales)
- Liquidity in the shares (low free float)

Target price

- Our target price is EUR 14 per share which equates to 15x forward EPS estimates or 9x EV/EBITDA.

Key figures:

Market cap	EUR	315m
P/E 2016		12.6x
P/E 2017		10.3x
Net debt	EUR	220m
EV/EBITDA 16E		6.5x
P/B		1.2x
Free float		34%

Owners

Massimo Family 66%, Invesco 2.3%, Axa 1.9%, Banca Fideuram 1.4%

Team Focus, January 2016
www.mzb-group.com

3U addition to fact sheet

Unpopular

- This small-cap name is below the radar for many investors, with lower liquidity and smaller free float (34%).

Under-researched

- Only 4 analysts cover this name. The company has just recently hired its first IR-person who will come on board in 2016. Several additional analysts will start to cover the name later this year.

Under-valued

- The company is attractively priced at 6x forward EV/EBITDA or 10x forward EPS. An interesting data point is the recent buy-out transaction in peer Keurig Green Mountain which was done at 14x EV/EBITDA. Target price EUR 14.

For more information please visit:

Our latest [Market report]
Information on [SKAGEN Focus A] on our web pages

Unless otherwise stated, performance data 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. KIIDs and Prospectuses for all funds can be found on our website.