SKAGEN Annual Report 2012

www.skagenfunds.com

Those who wait

If patience is a virtue, then we certainly have very sensible unit holders. We have spent the year preparing the portfolios for when equities once again come back in mode.

Don't get me wrong, 2012 was a pretty good year for SKAGEN's clients. All our funds delivered positive returns and several outperformed their benchmark index by a good margin. But last year was – generally speaking – not a good year for value-based equity investors like SKAGEN.

Global ahead

In 2012 SKAGEN Global performed the best of the equity funds relative to its benchmark index. SKAGEN Vekst had a tremendous start, stumbled in the middle of the year, but recovered nicely in the last few months. The fund ended up a couple of percentage points behind its benchmark index, although in absolute terms provided unit holders with 15.5 percent in returns last year. SKAGEN Kon-Tiki fared the worst and ended up around five percentage points behind its benchmark. Needless to say we are far from satisfied with this result. Newcomer SKAGEN m2, our global property fund, ended the year slightly behind its benchmark, but the fund had only been in existence for two months. Although they all had positive returns, the picture for the equity funds is therefore slightly mixed. The fixed income funds were clearly the winners last year.

Fixed income stars

It was a very good year for our fixed income funds all of which delivered good absolute and relative returns. SKAGEN Tellus in particular stood out, beating its benchmark index by over ten percentage points. Our other bond fund, SKAGEN Avkastning, outperformed its benchmark index by a solid five percentage points. Given the low interest rate regime, this is a very respectable result. Return figures for all our funds can be found on page 4.

Reprise

It is becoming a recurring theme, but 2012 was – like previous years – characterised more by major events in the global economy than by value creation in the companies. Developments in the stock markets were therefore dominated for most of the year by debt problems in the EU, political unrest following the US presidential election and aggressive inflation in a number of countries. The euro crisis has entered a new and less acute phase now that the most vulnerable economies have received a series of rescue packages. In the US politicians have steered away from the fiscal cliff for now. But unlike in previous years, there is greater optimism in the stock markets, and large well-known companies in particular are viewed as safe havens for investors. All this means that we have a brighter view of the year that has just begun.

Active

Active management is the common theme running through the articles in this report. How does the future look for our investment philosophy when self-appointed experts believe that it is out of fashion? Are Unpopular, Under-researched and Undervalued companies a thing of the past? We, of course, answer with a resounding no! Modern savings products have a sorry tendency to be exposed as value traps after a while – structured products being just one such example.

We are not very interested in savings fads in SKAGEN. Luckily our unit holders do not seem to be either. During 2012, while other managers saw clients redeem, our clients have on the whole remained calm. Assets under management are growing and during the year we had net subscriptions of around EUR 450 million in the funds. This is gratifying news both for us and for our unit holders. One of our objectives is that those who invest in our funds should receive as good returns on their money as the fund(s) they have invested in. Those who save for the long-term and do not try and time the market have a far greater chance of attaining good long-term returns.

Anyone who has ever tried it knows that waiting patiently is rarely fun, but we are convinced it pays off in the long run.

Harald Espedal

MANAGING DIRECTOR

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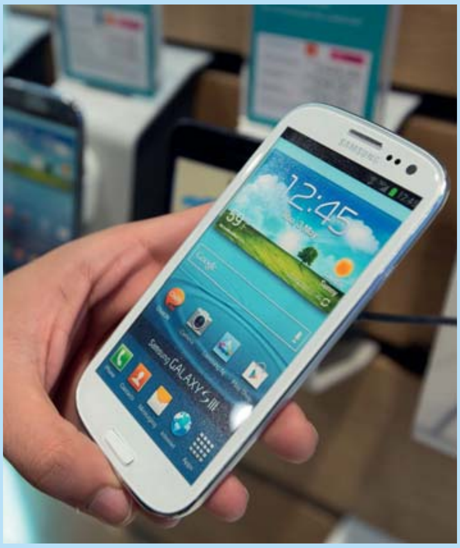


Editorial team:
Parisa Lemaire, editor
Ole-Christian Tronstad, journalist
Christian Jessen, journalist
Anna Marcus, journalist
Frances Eaton, project manager

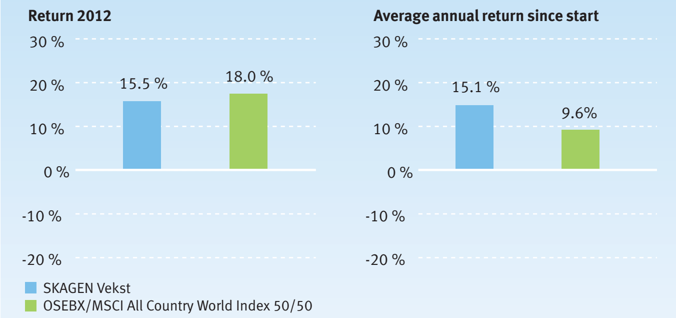
SKAGEN Funds – Returns

The following tables show the returns for SKAGEN's funds versus their respective benchmarks in euro. The figures are updated as of 31 December 2012.

Equity Fund   Fixed Income Fund

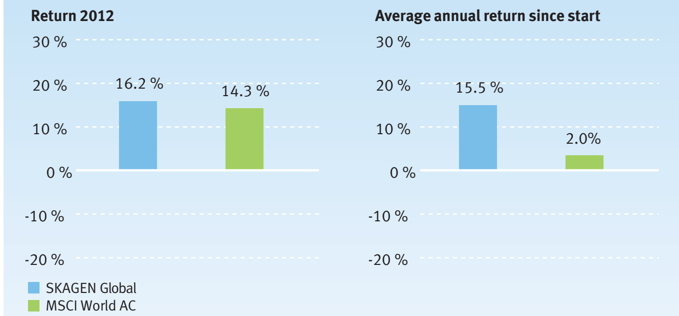
SKAGEN VEKST

Manager: Ole Søeberg and Geir Tjetland **Start:** 1 December 1993



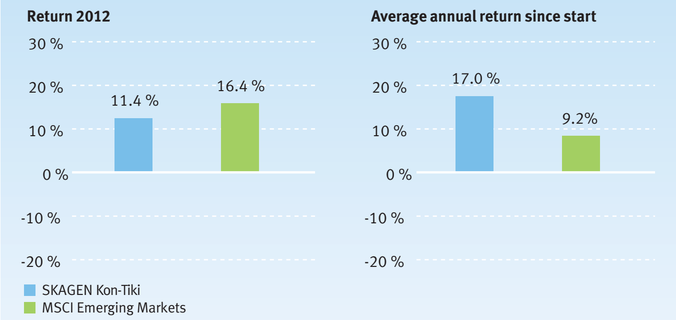
SKAGEN GLOBAL

Manager: Kristian Falnes **Start:** 7 August 1997



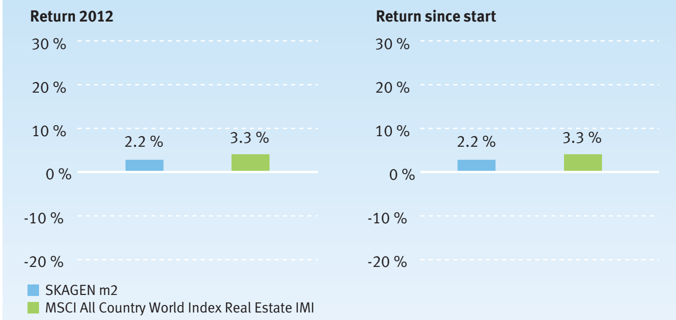
SKAGEN KON-TIKI

Manager: Kristoffer Stensrud **Start:** 5 April 2002



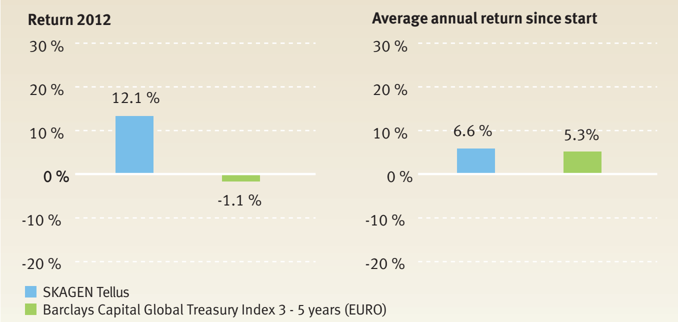
SKAGEN m²

Manager: Peter Almstöm **Start:** 31 October 2012



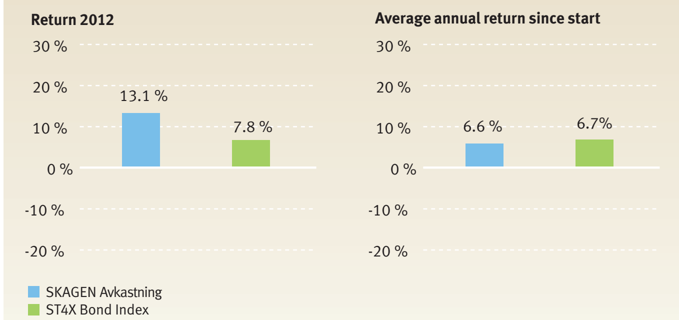
SKAGEN TELLUS

Manager: Torgeir Høien **Start:** 29 September 2006



SKAGEN AVKASTNING

Manager: Jane Tvedt **Start:** 16 September 1994



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 2012 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 2012 is available at www.skagenfondene.no

We all have a part to play

We believe it is important to give something back to society where we can. That is why we have contributed around 800 thousand euros to our various cooperation partners.

"No one can do everything, but everyone can do something to make the world a slightly better place. In SKAGEN we aim to contribute to good causes both locally and further afield. That is why we co-operate with humanitarian organisations such as Kolibri – Children at Risk Foundation, Médecins Sans Frontières and SOS Children's Villages, amongst others, all of which strive to improve the living conditions of the most impoverished among us. It is also the reason we took legal action to fight for the sponsorship of humanitarian organisations to be put on a par with the sponsorship of sport and culture from a tax perspective. We lost this battle, but continue with our co-operation nonetheless," says Managing director, Harald Espedal.

Our contributions go to support work with children and young people, research and education, outdoor recreation, voluntary organisations, culture and humanitarian work. SKAGEN cooperates with the following organisations amongst others:

Kolibri – Children at Risk Foundation

Kolibri – Children at Risk Foundation strives to ensure street children in Brazil live a decent life without crime. They have established a number of activity centres with the aim of giving children and young people a safe place to spend time. The founder, Gregory Smith, focuses on art and artistic displays for young people, and Kolibri participated in the street art festival, Nuart, which took place in Stavanger this autumn. Young people helped by Kolibri contributed with artwork and dance exhibitions at the festival.

Photo: SKAGEN

Kolibri dansers performed at the Nuart street art festival that took place in Stavanger.

Médecins Sans Frontières

Photo: SKAGEN

Åge K. Westbø, Anne-Cecilie Kaltenborn, Silje Natland, Tone Willoch Rettedal, Margrethe Vika, Grete-Lise Christiansen and Marleen Dermaut, project leader, all wearing traditional wool blankets.

This year a few SKAGEN employees travelled to the small African country of Lesotho to witness at first hand the work done by Médecins Sans Frontières in the prevention of HIV. The country is one of the poorest in the world and more than 23 percent of the population is infected with HIV/AIDS. SKAGEN has been sponsoring the work that Médecins Sans Frontières does in countries like Lesotho for the past seven years. Preventive health work is central to the organisation and the long-term goal is zero new HIV infections. 20,000 people die of HIV-related illnesses and around 100,000 children are left orphaned in Lesotho each year.

SOS Children's Villages

Photo: SOS Children's Villages

SKAGEN sponsors SOS Children's Villages' work to provide deprived children in Russia and Estonia with better living conditions.

The SOS Children's Villages Foundation works to provide orphaned and deprived children and young people with a family and safe home. SKAGEN is particularly engaged in supporting family programs and children's villages in Estonia and Russia, and have amongst other things contributed to building four family houses in a children's village in Pskov, Russia. SKAGEN employees have on several occasions visited the various children's villages, most recently during the opening of new houses in Pskov.

Read more at

SKAGENFUNDS.COM/CORPORATE-RESPONSIBILITY

Notice of unit holder meeting

Changes to the Articles of Association of SKAGEN Vekst, SKAGEN Global, SKAGEN Kon-Tiki, SKAGEN Avkastning, SKAGEN Tellus, SKAGEN Høyrente, SKAGEN Høyrente Institusjon, SKAGEN Krona and SKAGEN Balanse 60/40.

SKAGEN AS (SKAGEN) wishes to make changes to the Articles of Association of the abovementioned funds managed by SKAGEN. Pursuant to the Norwegian Securities Funds Act, the unit holders shall consider and approve changes at a unit holders' meeting. We hope you find it convenient to submit your advance vote or participate at the meeting.

The reasons for the changes to the Articles of Association are:

- To implement the new recommended Articles of Association standard for securities funds drawn up by the Norwegian Fund and Asset Management Association and in so doing move certain information from the Articles of Association to the prospectus.
- To include information in the Articles of Association stating that, in accordance with the new law, the fund may cover extraordinary costs which are in the interests of unit holders.

The proposed changes have been reviewed and unanimously approved by the Board of SKAGEN.

The unit holders' meeting will be held on 27 February 2013 in the Concert Hall in Stavanger between 5 and 6pm CET. Advance votes may be submitted electronically on My Page under the election meeting/unit holders' meeting tab, or by sending in a voting slip which is available on our website or by contacting Customer Service.

BACKGROUND AND REASONS FOR THE CHANGES TO THE ARTICLES OF ASSOCIATION

Below is a more detailed description of the background for the changes to the Articles of Association and why SKAGEN believes these are in the interests of the unit holders.

Introduction of new standard Articles of Association drawn up by the Norwegian Fund and Asset Management Association

On 1 January 2012, the new Norwegian Securities Act with associated regulations entered into force. SKAGEN funds' Articles of Association are based on standard articles of association pursuant to the former Norwegian Securities Act. In its circular 16/2012, the Norwegian Financial Supervisory Authority of Norway recommended that management companies implement the new recommend articles of association drawn up by the Norwegian Fund and Asset Management Association with necessary adjustments. SKAGEN wishes to implement these in all of its securities funds. The new standard articles of association involve no changes to the funds' investment mandates, the expected performance of the funds, risk or calculation of fees.

SKAGEN has combined the Articles of Association and other information about a fund into a single document: the fund prospectus. When implementing the new standard Articles of Association, some information will be moved from the Articles of Association part of the prospectus, but all the information will still be included in the prospectus. As a result, you will continue to have an overview of the rules that apply to the fund by reading the prospectus.

Below is a review of the information which will be moved from the Articles of Association part of the prospectus:

- Name of the custodian
- Unit holder register
- Names of the benchmarks for SKAGEN Tellus, SKAGEN Avkastning, SKAGEN Høyrente, SKAGEN Høyrente Institusjon, SKAGEN Krona and SKAGEN Balanse 60/40
- Goals and investment strategy
- Risk management
- Valuation and publication of the net asset value
- Denomination currency
- Durations for SKAGEN Tellus, SKAGEN Avkastning, SKAGEN Høyrente, SKAGEN Krona and SKAGEN Høyrente Institusjon
- Deadlines for subscription and redemption prices and description of the procedures and documentation associated with subscription and redemption
- Minimum amount for initial subscription
- Information about the management company's board, its composition and election
- Dispute settlement body
- Terms and procedure for changing the Articles of Association

In future, changes to this information shall be made according to the rules concerning prospectus changes and thus must be adopted by the Board of Directors.

The implementation of the new standard Articles of Association also requires that limitations to the fund's opportunity to invest in securities funds units must be included in the Articles of Association. Previously, it was Norwegian industry practice to describe such limitations in the prospectus and not in the Articles of Association. Therefore, SKAGEN will move the limitations for SKAGEN Vekst, SKAGEN Global, SKAGEN Kon-Tiki and SKAGEN Tellus, which state that it is possible to invest up to 10 per cent of the funds' assets in fund units, to the Articles of Association part of the prospectus under Article 3.2 of the Articles of Association.

Changes in the aforementioned funds' limitations allowing them to invest in fund units shall in future be made in accordance with the rules for changing articles of association and the holding of unit holders' meetings.

The funds' ability to cover extraordinary costs which are in the interests of unit holders

Pursuant to the previous Norwegian Securities Act, the Financial Supervisory Authority of Norway could approve securities funds being subject to extraordinary costs.

Extraordinary costs are those associated with extraordinary situations relating to the care and protection of ownership rights to the financial instruments the fund has invested in. Examples of such costs may include pursuing legal rights, including lawsuits relating to incorrect offer prices for compulsory offers, the monitoring of Board responsibilities and the follow-up of investor rights relating to bond issuers.

The new Securities Funds Act includes a general provision that a fund can cover extraordinary costs to protect the interests of unit holders, where this is included in the fund's Articles of Association. The Board of Directors and a majority of the members of the Board elected by the unit holders must approve the costs in each individual case before these are charged to the fund. The unit holders will receive information about accrued and expected extraordinary costs in the annual and half year reports.

The reason for the change in the law is the desire to strengthen management companies' incentives to take extraordinary actions relating to the protection of ownership rights to the financial instruments a fund is invested in. Experience has shown that such rights may have major significance for the value of the financial instruments in the fund's portfolio. As is the case for other management companies, SKAGEN AS may not have the expertise or capacity to manage such extraordinary situations within its own organisation. Thus it will normally be necessary to engage the services of external independent consultants, legal advisors etc.

VOTING

Resolution and amendment to Articles of Association

Pursuant to the new Norwegian Securities Act, resolutions concerning changes to the Articles of Association shall now be adopted by the fund's unit holders at a unit holders' meeting. Based on the above, unit holders in each individual fund are requested to vote on the following:

1) As a unit holder in a SKAGEN securities fund, I agree that the fund's Articles of Association should be transferred to the new recommended articles of association standard, drawn up in accordance with section 4(4) of the Norwegian Securities Act, by the Norwegian Fund and Asset Management Association and that information that was previously contained by the Articles of Association is now included in the fund prospectus. In the future, changes to this information shall be made according to rules concerning prospectus changes and thus must be adopted by the Board of Directors.
2) As a unit holder in a SKAGEN securities fund, I agree to the fund covering extraordinary costs and approve the following wording in Article 5(4) of the Articles of Association: "extraordinary costs necessary to protect the interests of the unit holders, cf. section 4(6) of the Norwegian Securities Act."

The changes to the Articles of Association are conditional on at least 75 percent of the units represented at the unit holders' meeting – at the meeting itself, by advance vote or by proxy – having voted in favour of the amendment. Moreover, the Financial Supervisory Authority of Norway shall oversee that SKAGEN has complied with the legal requirements for the contents of the Articles of Association and the amendment procedures. The amendment to the Articles of Association will at the earliest be effective on 1 June 2013, depending on the case handling time required by the Financial Supervisory Authority of Norway. The final time for the amendment to the Articles of Association entering into force will be announced on SKAGEN's website.

In the time between the announcement and the amendment entering into force, it is required by law that units may be redeemed without charge. None of SKAGEN's funds charge redemption fees and therefore comply with the law's requirements for redemption without charge.

HOW TO VOTE

1. Unit holders' meeting at 5pm on 27 February 2013

You are welcome to attend the unit holders' meeting to be held at 5pm on 27 February 2013 in Stavanger's Concert Hall, where you can vote in person. The unit holders' meeting will be followed by an information meeting which will commence at 6pm. The unit holders' meeting will be held with the following agenda:

1) Election of meeting chairperson and two unit holders from each fund to sign the minutes.
2) Investment Director Harald Espedal explains the reasons for the change to the Articles of Association.
3) Questions sent in by unit holders
4) Vote for each individual fund

Each unit is entitled to one vote at the unit holders' meeting. Unit holders can vote by proxy. Your units in SKAGEN's securities funds on 22 February 2013 will constitute be the basis for the calculation of the number of units you can vote for. Separate votes will be held for the unit holders in each individual SKAGEN fund.

Approved proxy forms are available by contacting Customer Service on +47 51 21 38 58. Remember to bring proof of identity and, where necessary, 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 being held. With the exception of changes to the Articles of Association, the unit holders' meeting cannot make resolutions that bind the fund or the asset management company.

You may register to attend the unit holders' meeting via My Page, www.skagenfunds.com, by sending an email to deltaker@skagenfondene.no or by contacting Customer Service on +47 51 21 38 58. The deadline for registering is 22 February 2013.

Unit holders may also submit their votes in advance until 22 February 2013. Your units in SKAGEN's securities fund as at 22 February 2013 on will constitute the basis for the calculation of the number of units you can vote for. It is easy to submit your advance votes via My Page at www.skagenfunds.com, or you can send your advance votes by email to contact@skagenfunds.com or by ordinary post to SKAGEN AS, P.O. Box 160, 4001 Stavanger, Norway. Attn: Customer Service. Voting forms are available by contacting Customer Service.

Should you have any queries

Should you have any queries about changes to the Articles of Association or the unit holders' meeting, please do not hesitate to get in touch with SKAGEN at legal@skagenfunds.com or talk to Customer Service on +47 51 21 38 58.

We look forward to welcoming you.

Yours faithfully,
The Board of Directors of SKAGEN AS

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2 . Advance voting

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SKAGEN International
– a status report

The year 2012 has been a busy one for SKAGEN's international business. Our offices in London and Amsterdam continue to go from strength to strength, and further afield we are making cautious inroads into new markets.

We have met our principal objective to stabilize SKAGEN's overall assets under management. Indeed client subscriptions during the year have largely matched adjustments in SKAGEN's more mature home markets in Scandinavia. As a result, we have not been impacted by significant asset flows one way or the other during 2012. This has meant that our portfolio managers have been able to focus on the vital business of investment decisions; rather than trading in order to manage client transactions in the funds.

In terms of individual countries progress has been something of a mixed bag. In some we are on-track; in others we are somewhat hindered by regulatory or procedural hurdles.

The Netherlands

In the Netherlands we have followed up our office launch in September 2011 with a more proactive level of support to our many investors there. Much work has been done to understand the needs of our local clients, and to adjust our service to meet these needs. The investor footprint has broadened within wealth management. We have deepened links with our distributors, and we have made modest progress in the institutional channel. Overall Dutch assets now exceed €1.4 billion. Ahead we are preparing for the impact of new regulation, and specifically the demise of trailer fees and similar retrocession – a move not solely limited to the Netherlands. In 2013 we will hold to our strategy of giving priority to our existing clients, and improving the level of service we afford them. In this area we hope to increase the use of the Dutch language in our communications, reporting, and marketing collateral. SKAGEN's commitment to the Dutch market is very much long-term.

Great Britain

The UK business has come on during 2012. The client base has continued to grow at a steady pace with institutional investors remaining the mainstay. Our efforts in wealth management have borne fruit with two significant new clients coming on board in the first half of the year. In contrast retail progress has been slow. Put simply, progress towards meeting retail investor demand for SKAGEN's funds has been confounded by regulatory issues around the registration of nominees and UK domiciled platforms – so much for a common EEA-wide playing field. Fortunately we received an early Christmas present when these issues were resolved and we started to see the first inflows into our funds from a few key Independent Financial Advisors at the tail end of the year. In 2013 we will look to carefully expand our early successes in both wealth management and retail, while supporting our institutional clients and their advisors. The UK is now a key market for SKAGEN with assets under management in excess of £1 billion and nearly 50 institutional clients. This commitment is reciprocated by our now having some eight full-time employees based in the London office. Their focus? To provide our clients and their advisors with world class client service.

Luxembourg

In 2012 we have also taken a more proactive approach to the Luxembourgish market. While continuing to build and strengthen our relationships with existing clients and partners, we have done much to better understand the requirements of this important financial centre. This work will continue in 2013.

Switzerland

Armed with marketing permission from the Swiss regulator our hopes for 2012 were reasonably high. And despite the impact of new regulation and a crackdown on bank secrecy, we saw stable inflow from our existing clients and the addition of new clients, the latter mainly in the private banking sector. Unfortunately the very same nominee regulations that limit our UK retail business are playing out in Switzerland, albeit in a slightly different way. We remain hopeful that these too will be resolved in the year ahead. We are in no rush. Our focus remains delivering the best service to our existing investors.

Italy

Our light touch approach to the Italian market endures. For the year investor appetite has remained slight against the background of political uncertainty and the fallout from the Euro crisis.

Rest of the world

Currently the international client base outside the Nordic region makes up some 25% of SKAGEN's investors by assets. This continues to be an important contribution to client diversification, and thereby to our delivery of the best risk adjusted returns to our investors. Most recently we have seen significant interest, and investment, from Belgium. The overlap with Luxembourg and Holland in terms of information, media and trading routes, makes this country a logical next step in SKAGEN's international journey. We shall see. And we continue to see increased client and prospect interest from Asia, South Africa, and Australia. So, maybe not world domination but we are certainly stretching our legs a little.

Timothy Warrington
HEAD OF INTERNATIONAL

Is Active Still Attractive?

Ever since the launch of the first index mutual fund in 1975, the debate over active management – paying a fund manager who seeks to outperform an index – versus passive management – buying a fund that seeks to match an index and minimise costs – has been one of the most heated in the fund management industry.

On the face of it, academia firmly supports the passive argument – research shows that the average active fund underperforms its index after the payment of fees. An environment of meagre equity returns and an increased focus on costs has also seen the passive argument catch on. Investors are now offered a growing selection of heavily marketed indexing strategies for an expanding range of indices. But with active management seemingly at a crossroads, is there a crucial statistical distinction being overlooked in understanding why real active managers still have a role to play in money management?

Why all active managers are not created equal

The job of an active fund, in a nutshell, is to outperform its respective benchmark. In order to do so the fund manager must construct a portfolio whose composition deviates from that of the benchmark. How far a manager is willing to deviate is what is known as "active share". A figure of 0% means the fund is identical to the benchmark while an active share of 100% means it has virtually no overlap with the index. As seen in figure 1, the active share of funds varies materially so it makes little sense to merely lump them all together when assessing the attractiveness of active management.

Let's look at an example: A fund charges a 1% management fee and has a 20% active share. The fund has an 80% overlap with the benchmark. The 1% charge means that the 20% active part of the portfolio could deliver a respectable 3% outperformance but the fund as a whole would underperform the benchmark by 0.4%. Indeed, a pretty world-class outperformance figure of 5% would be needed in the 20% active portion simply for the fund as a whole to beat the index. It is easy to see how the performance figures simply cannot add up for so-called closet indexers who operate under an active label but essentially shadow the index.

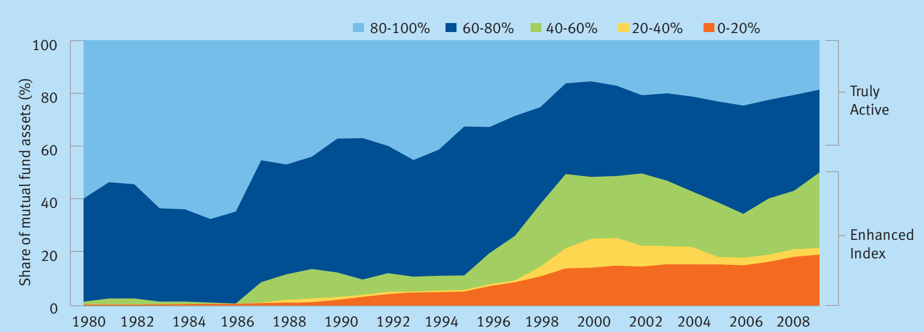
When you dig a bit deeper into the research and stratify active funds based on whether they are true stock pickers or not, an interesting picture emerges. A 2010 study[1] of 1,124 active funds showed that although the universe underperformed their respective benchmarks by an average of 0.41% net of fees each year between 1990 and 2009, the 180 funds with the highest active share actually outperformed their indices by an average 1.26% per year net of fees over the same period. For the funds with an active share below 60% – tagged by the study as "closet indexers" – the outcome was a dismal annual underperformance on a net return basis of -0.91% during the period. By way of illustration, SKAGEN's global equity funds have an active share of over 90%, clearly putting us amongst those that deviate most from the benchmark. This makes us uniquely positioned to create added value in the future.

Photo: iStockphoto

[1] Antti Petajisto of NYU Stern Business School on US Equity Mutual Funds

Figure 1

ACTIVE SHARE OF US MUTUAL FUND MANAGERS OVER TIME



Source: "Active Share and Mutual Fund Performance." By Antti Petajisto of the NYU Stern School of Business, September 2010.

Since 1980 the share of really active managers has declined. The increased proliferation of benchmark indexes probably explains part of this, witness the strong increase in closet indexing when it became mandatory to disclose a relevant benchmark for US mutual funds. The recent poor performance of equities in the late 2000s, and likely increased career risk associated with being different, also seems to have reduced the number of truly active managers.

Active means different which is why it is hard

Given the attractiveness of being different from the index, why are there still so few managers willing to do it? A quote from John Maynard Keynes, a very astute money manager himself, goes some way in explaining the conundrum: "Worldly wisdom teaches us that it is better for reputation to fail conventionally than to succeed unconventionally."

Looked at in the context of the career of an average fund manager, it is easy to see why he or she chooses not to stray too far from the safety of the index. Facing an investment committee is generally the first hurdle that must be overcome when making a new investment. It is no easy task to present an idea that flies in the face of conventional wisdom to a group of highly intelligent colleagues. The subtleties that distinguish brilliant from bad in the investing world are easily quashed or ignored by a committee driven by groupthink. It is easy to end up looking like a fool even before any real money is invested.

Another obstacle to picking ideas far from the benchmark is that both colleagues and clients will notice and ask (sometimes nasty) questions. When the share price of Apple reached USD 700 the most common question from clients was why we didn't own the stock. When Korean equities collapsed during the late 1990s people suddenly got concerned with what your fund's exposure level was – it didn't even really matter if you had bought after the market had collapsed. Industry colleagues and friends – often brainwashed by conventional wisdom and sceptical towards those who swim against the tide – seldom offer much comfort for those sailing wide of the benchmark.

So what happens if you succeed with differentiated bets? Typically not much. For people who have already expressed scepticism it is hard to turn around and compliment a successful outcome. Similarly, although the long-term success from being different may be admired by clients and peers they are likely to show continued scepticism to the process.

However, it is not the lack of glory that scares most fund managers from trying to succeed unconventionally, so much as the size of the downside. If you fail conventionally you will be one of many; witness why fewer managers lost their job from being a part of the IT bubble than from resisting being part of the madness. For most people, keeping

"SKAGEN's global equity funds have an active share of over 90%, clearly putting us amongst those that deviate most from the benchmark."

THE PARADOX OF CLOSET INDEXING

It can be argued that any manager with below 50% active share is a closet indexer. This is because by definition around 50% of an index will achieve above average returns and 50% will achieve below average returns. With less than 50% active share, some of the stocks have been added to the portfolio, despite having a negative alpha, simply to reduce deviation against the same index the so-called active manager has set out to beat (!). To simply lump these fund managers together with true active managers is hard to justify – unless you are in the business of selling index funds.

Photo: iStockphoto

Independent thinking: The emphasis on letting people think independently and unconventionally is part of the reason for our long-term results. Being located far from financial centres means we are further removed from the influence of industry peers and friends.

their job is more important than shooting for long-term glory. Also, people do notice when unconventional bets go wrong. Clients and colleagues will be quick to ask questions and point out the flaws in your logic. Sometimes even the media will catch on, making the embarrassment a highly public affair.

The other secret to SKAGEN's success

SKAGEN's value-oriented investment philosophy is often touted as being a key reason for our long-term success. Looking at it from the inside we would say the emphasis on letting people think independently and unconventionally is equally, if not more important in explaining our long-term results. For starters, all portfolio managers in SKAGEN are their own investment committee and analysts, which removes some of the forces of conventional thinking from the process. Furthermore, being located far from financial centres means we are further removed from industry peers and friends. Our long-term track record also gives us the confidence to stand firm even when clients and the media ask questions. Lastly, and perhaps most importantly, being different is at the very core of SKAGEN's history and culture. From our beginnings as a small equity shop in Stavanger that challenged the big banks to our early appreciation of emerging market equities, a willingness to be unconventional, if we think it is right, has been at the heart of what we do. Our owners, employees and unit holders know this and (hopefully) appreciate it. SKAGEN will continue to be different and active in our investment approach – it is in our DNA – and both academia and our past track-record give us the confidence that solid long-term investment returns will follow.

TWO TYPES OF ACTIVE MANAGEMENT

An active manager can only add value for investors by deviating from the benchmark index. According to the 2010 study entitled "Active Share and Mutual Fund Performance" by Antti Petajisto, a manager can do this in two different ways: by stock selection or factor timing. Stock selection involves active bets on individual stocks, for example selecting only one stock from a particular industry.

Factor timing (or tactical asset allocation) involves bets on broader factor portfolios, for example overweighting particular sectors of the economy, or having a temporary preference for value stocks, or even choosing to keep some assets in cash rather than invest in equities. Active management can be measured in two ways: by Active Share, which measures mostly stock selection and by tracking error, which measures mostly exposure to systematic risk (market risk).

SKAGEN's equity funds fall within the diversified stock selection group, and over time show a high active share of over 90% while the tracking error has historically been around the median. As Petajisto's research shows, the only active managers that have so far added value to investors have been the most active stock pickers.

Torkell Eide

PORTFOLIO MANAGER

Harald Espedal

INVESTMENT DIRECTOR AND CEO

Five pitfalls for value investors

So you think stock markets are inefficient and are there to be beaten? Unfortunately it's not quite that simple.

You've looked at different investment styles and decided that value is the way to achieve the greatest returns or alpha. Unfortunately it's not quite as simple as buying cheap-looking companies, sitting back and waiting for the returns, however. In a follow-up to the article in last year's Annual Report "Five commandments for value investors", Portfolio Manager Ole Søeberg talks about the common hazards that can trip up an active manager pursuing a value-based philosophy and what can be done to avoid them.

Pitfall 1: Beware the value trap

Value traps occur when the hidden value that investors think they can see in a company fails to materialise. The effects can be very damaging – either skewering shareholders quickly or inflicting a slow and painful death. An example of the former from the SKAGEN Vekst portfolio is the now restructured Sevan Marine, a Norwegian manufacturer and operator of offshore installations, which generated a loss of NOK 96m for the fund.

These financial mirages come in many guises and, by definition, can appear from out of nowhere. As Søeberg explains: "Very few investors asked firms about their debt covenants in 2005-2007 but in 2008 banks reduced their credit lines and many companies with seemingly cheap valuations suddenly became a lot cheaper as default risk increased, often in a very short space of time."

Although the threat may originate from a wide variety of sources, some causes are common and there is usually a human element at play. "In most cases value traps are due to poor management, low return on company assets or default risk. While these three components clearly interact, the people running the business are the most obvious single reason for value traps," explains Søeberg.

So what can be done to avoid them? Søeberg believes it is important to look across a company's business model and capital structure: "Combining information on financial solidity from the corporate bond market with our own assessment of valuation in the stock market can provide clues warning of potential value traps."

Unfortunately the rating agencies seldom shed any light on the quality of company management per se. When assessing poten-

SKAGEN FUNDS ANNUAL REPORT 2012

tial investments SKAGEN therefore adopts a healthy suspicion of company executives, often preferring the relative safety of Annual Reports checked by auditors rather than the glossy equity story found in many presentations to gauge whether management does what it says it will do.

Pitfall 2: The perils of the P/E ratio

The Price/Earnings ratio is one of the most popular valuation measures in use, partly thanks to its simplicity. But buying a stock just because it has a low P/E is no guarantee of a good return. The low P/E could be a result of low growth prospects or (temporarily) low tax charges and could mask high levels of debt and earnings manipulation. According to Søeberg: "Following Worldcom and Enron, cash flow statements and analysis of off-balance sheet commitments have become more important; if they're not in harmony with the income statement and balance sheet one needs to be very alert."

One solution is to use a variety of different valuation tools and to be particularly vigilant during periods of expansion. "When a business doesn't generate enough cash from internal sources to fund its growth one needs to be very cautious; Enterprise Value/EBITDA or Enterprise Value/EBIT can provide some indication of the leverage-adjusted valuation but net cash earnings are a far better measurement for checking the health and performance of a company," says Søeberg

Pitfall 3: Selling too soon

Unfortunately not all investments are like the long-held SKAGEN investments, Olav Thon or Great Wall Motor, which can be bought, held and continually deliver good growth while remaining attractively valued. Most investments have to be sold at some stage and selling winners too soon – or the disposition effect as it is called in behavioural finance – is a psychological phenomenon. Søeberg likens it to expensive Eiswein: "The grapes are only harvested very late in the year, after frost has set in, and the risk is that if you leave them too long they become worthless. So selling before they reach their highest possible value has to be balanced against the risk of leaving it too late."

Like many investors, SKAGEN has sometimes been guilty of failing to suppress an itchy trigger finger and has done considerable work internally to address this. Company price targets are discussed and revised regularly in response to new information. When the sell decision is made – either because the target price is realised, the company develops unexpectedly or we find better investments elsewhere – holdings are typically reduced gradually to minimise any opportunity cost.

Søeberg explains: "In SKAGEN we are very focused on business evaluation i.e. earnings growth and volatility, key business drivers and balance sheet items. A quarterly review of business performance gives a good idea of direction, speed and potential troubles ahead. Our fundamental valuation work is ongoing and usually the key deciding factor for both buying and selling a business."

Pitfall 4: Overpaying

A good business can become too expensive, and one must avoid the temptation of paying too much for a company. This is a risk for all shareholders but particularly for value investors, given that they tend to be more sensitive to capital preservation, and it is especially acute for those who, unlike SKAGEN, focus on relative, rather than absolute value.

To mitigate this risk and identify potential bubbles forming, it is important to look at valuations relative to historic averages, as well as other companies or sectors. A current example is in emerging markets where consumer staples companies currently trade at an average P/E of 21x, which is much higher than the historic average of around 14x. The portfolio managers are understandably cautious. Even more important is to understand the intrinsic value of a company and the possibilities on the downside as well as the upside. As Søeberg explains: "Avoid unrewarded risk and only take risks that you fully understand; even the best insurance underwriters occasionally make mistakes, but on average they make a lot of money because they understand the risk."

Pitfall 5: Mental hazards

The final danger comes from within and requires having the courage to trust your analysis and instincts. You need to be prepared to stick your neck out and go against the market as well as face potential criticism from colleagues and clients. That said, this doesn't mean having blind faith in a company and it's equally important to be able to admit when you're wrong. "If your assumptions for a revaluation of the company do not materialise i.e. operating cash flow does not improve as expected, then get out," elaborates Søeberg.

Of course, many of these pitfalls are interlinked and side-stepping one may land you in another. In trying to navigate as smooth a path as possible, Søeberg offers the following summary: "Ideally at SKAGEN we're looking for net cash generators with modest debt and a sustainable business model which consistently create value year after year. Then it's mainly a question of identifying good entry points."

Put like that it sounds easy but of course it's much harder to do it than to explain it. Being able to do it consistently is the real art – the art of common sense.

Nick Henderson

COMMUNICATIONS

Corporate governance and the investment process

Common sense and opportunities

Corporate governance is a key criterion when it comes to choosing investments for the portfolios. If companies demonstrate a willingness to improve, they can create value for shareholders.

SKAGEN's approach to corporate governance centres on common sense. We have great respect for corporate governance recommendations and for the hard work done to ensure there is a good framework for companies, not least to protect minority shareholders.

At the same time, we see opportunities rather than obstacles in the companies that have made themselves unpopular and undervalued in the stock markets. In practice, improved corporate governance is one of the simplest ways for an unpopular company to recapture the attention of stock markets and subsequently increase its market value.

How does this play out in practice? Imagine a board meeting at Unpopular Company Inc. One of the items on today's agenda is an examination of why the share price is so low – just eight times earnings. Why is it so low? Operations are fine, the investment plans are in place and the company's markets are performing reasonably well. The answer comes from the CFO: Shareholders and analysts, particularly in London and New York, are worried about our corporate governance and our complicated structure. They cannot determine by looking at our accounts exactly where we earn and lose money, who we do business with, and how management is paid.

Slowly, awareness grows among the board of our imaginary company, Unpopular Company Inc., that improved reporting at subsidiary level, clearer rules for transactions with related parties and a detailed description of the options scheme is the way forward. And compared with improving the operating margins, this is a simple and profitable procedure that can be implemented in just one year. We have seen it happen many times before and therefore look out for similar opportunities when selecting companies.

Minority protection

Why do we feel comfortable including a number of often impenetrable holding companies in our portfolios? Particularly very unpopular and undervalued companies. We gain comfort by ensuring we are on the same team as the company's controlling shareholders. If we can identify investments in parent companies whereby we benefit from the same conditions as the main shareholders, we believe that we will be rewarded despite the lack of transparency. Companies with imperfect corporate governance can improve; those that are already perfect cannot.

Milestones for corporate governance

The number of corporate governance recommendations always grows when there has been an economic crisis and scandals abound. Huge losses associated with bankruptcies naturally lead to reforms.

Each recommendation on corporate governance that might seem obvious today has actually come about following serious problems. When there is a stress on accounts being accurate and transparent, it is because of previous accounting scandals. When demands are made for independent board members in companies, it is a result of the nepotistic and incompetent boards of bankrupt companies. Regulations governing transactions between related parties aim to prevent transfers of assets from one listed company to another to the detriment of minority shareholders. And when diligent efforts are made to ensure proper remuneration of executive management, it is because bonus schemes have been spiralling out of control.

The British Cadbury report from 1992 and

“If we can identify investments in parent companies whereby we benefit from the same conditions as the main shareholders, we believe that we will be rewarded despite the lack of transparency.”

the OECD’s subsequent recommendations from 1994 have set the standard for most of the corporate governance regulations since then. The spectacular collapse of the US energy giant Enron and telecom company WorldCom in the early 2000s led to the Sarbanes-Oxley legislation in 2002, which imposed stricter accounting standards. But this work has actually been underway since the great depression in the United States in the 1930s.

In the US it is still the norm, for example, for the same person to be chairman of the board and CEO. This practice has been eliminated in a number of countries. Also in the US, it is assumed that companies are run solely to protect shareholders’ interests, even though reality often shows that senior employees in particular are handsomely compensated. In other countries, such as Germany, Japan and India, the focus is on the role companies play in society as a whole.

There are always going to be conflicts of interest in all companies which must be handled with good corporate governance. The lenders in a company want maximum security, while shareholders benefit from growth and perhaps require a little less security, because they can diversify their risk. Employees often want the highest possible pay, while shareholders are interested in getting quality work done as cheaply as possible. Customers demand cheap, long-lasting products with high safety standards, which is an inherent contradiction. And all of a company’s stakeholders expect that it act properly, or else nobody will dare to enter into binding partnerships.

Read more about SKAGEN’s approach to corporate governance at:

WWW.SKAGENFUNDS.COM/ CORPORATE-GOVERNANCE

Christian Jessen

COMMUNICATIONS DENMARK

Spot the troublemaker

Source: iStockphoto

Are there more Eurozone surprises in store? It seems doubtful. That was last year's story; we know who the usual suspects are, and Mario Draghi is ready to do whatever it takes. If there is to be a black swan, it will probably raise its head elsewhere.

Contender 1: The Cowboys

2013 began with all the political theatrics that only Washington DC is capable of. The dreaded fiscal cliff was avoided by kicking the can further down the road.

Admittedly, most of Bush's temporary tax cuts have become permanent Obama tax cuts, with a slight increase for low and middle income earners and a more substantial rise for the most well off. Policymakers did nothing to stop the relentless growth of federal expenditure, however, nor did they lift the federal debt ceiling. Both of these issues will instead be addressed in the spring. I expect the debt ceiling to be raised – because a failure to do so would result in Armageddon. And I expect federal spending to slow down slightly – though not yet, as this would likely wreak havoc on recovery.

The federal debt is therefore set to rise. Whether this is sustainable or not is neither a matter of current deficits nor of the debt-to-GDP ratio. It depends on the prospects of future surpluses that can service the debt. And while there are doomsayers who think that the US has entered a long period of sub-par growth – which, if true, would make it very hard to fill the Treasury's coffers – I think that they underestimate Americans' ability to innovate, adapt, invest, work and grow their economy.

In fact, I believe that most analysts are also too pessimistic about the near-term prospects for the US economy. The labour market has become tighter over the past few months; manufacturing output has been boosted; and the housing market is slowly being resuscitated.

Contender 2: The Mandarins

Will there be a hard or a soft landing in China? This question was repeated in mantralike fashion last year. But there was hardly any landing at all. Admittedly GDP growth slowed slightly, and year-over-year growth from 2011 to 2012 was 7.8 percent. That is a touch lower than the 10-percent average growth rate since the early 1990s, but it does not signify a notable slowdown. Quarter-over-quarter growth accelerated during the year, and was 8.2 percent on an annualized basis in the fourth quarter. Industrial production and the latest PMI-numbers indicate that the economy grew even more rapidly in the fourth than the third quarter.

Many people put a lot of emphasis on the fact that Chinese authorities have set 7.5 percent as the new growth target. But why should one believe in the politicians' ability to fine-tune an economy made up of 1.3 billion people? The reason China has been growing so rapidly over the last three decades is because politicians have meddled less and less with the economy. Under Mao's 5-year plans life was nasty, brutish, and short. It is precisely the lack of planning that has brought prosperity to the Chinese. Do not let Chinese politicians talk down your expectations for the year of the snake.

More could certainly be done with respect to privatization and deregulation. And a failure to go down that road will certainly curtail growth. But the new leadership signals that further reforms are in the pipeline.

It is undeniable that Chinese growth is mainly catch-up growth and that eventually, when their GDP per capita approaches western levels, the growth rate will slow down significantly. But that is decades ahead – relatively speaking China is still a poor country. There is no reason why the economy will hit a wall – either a hard or soft one – anytime soon. I expect growth this year to be around 9 percent.

Contender 3: The Samurais

Japan's Liberal Party won the December election with a landslide. Mr Shinzo Abe, the new premier, has been vehemently arguing in favour a more ambitious monetary policy and a laxer fiscal policy. He wants the Bank of Japan to institute a two percent inflation target and to use unlimited quantitative easing to achieve it. If it does not oblige, he has pledged to change the central bank law.

While I do not believe that quantitative easing is effective in pushing up inflation, increasing the informal one percent target to a formal two percent target might be helpful. With somewhat higher inflation expectations, real interest rates drop. This stimulates investment and consumption. If Japan is suffering from inadequate aggregate demand, this would spur the economy.

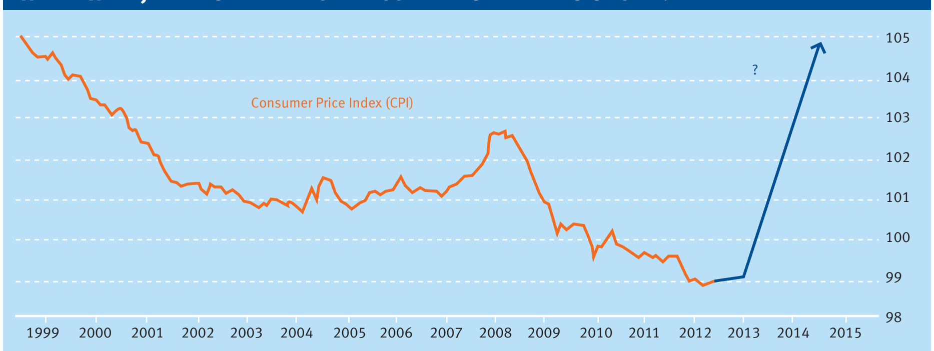
A further relaxation of fiscal policy, on the other hand, is economic gambling on a high scale. The Japanese state already faces a mountain of debt and currently borrows about 50 percent of what it spends. With a gross debt of 230 percent of GDP, the Japanese government has shown that its capacity for borrowing and spending is certainly huge. But the private sector's willingness to hold government debt at less than 1 percent in interest is surely not unlimited.

That most debt is held by the Japanese is an argument used in favour of the sustainability of public finances. The implicit premise is that Japanese bond investors deem their state to be solvent because it can tax their wealth and pay back the debt. While that might be possible, it is unlikely. Not all Japanese hold their wealth in the form of government bonds, or in securities emitted by bond-holding institutions, and a wealth tax would be unpopular due to its distributional effects. Raising tax rates on income and consumption would hamper investment and work effort. That would dampen economic activity, and bring in much less tax revenue than needed.

The most likely path to fiscal sustainability, therefore, is high inflation. Inflation pushes up nominal GDP and cuts the debt-to-GDP ratio. I do not envision a dramatic rise in the official inflation target. Inflation is going to be triggered by a massive stampede out of government bonds when the market realizes that inflation is the only option left. In this exodus, natives and foreigners alike will drop the yen like the proverbial hot potato.

This will not be the kind of mild inflation and depreciation that can stimulate the economy. High inflation typically leads to stagnation, not expansion. There was a word for it in the 1970s: Stagflation. Is this what may be in store for 2013? I can't say when the sun will set on Japanese public finances. But I don't plan to be in the yen when the bubble bursts.

WHEN WILL JAPAN'S DEFLATION BECOME YESTERDAY'S STORY?



Source: Marcobond

Torgeir Høien

PORTFOLIO MANAGER

At the beginning of each year SKAGEN organizes a New Year's conference where experts in various fields give their views on the state of the world and prospects for the coming year. Above Professor Rajan Raghuram, former chief economist at the International Monetary Fund (IMF) and now chief economic adviser to the Indian government, is pictured giving his speech at the New Year's Conference 2013.

Better than feared

In spite of economic stagnation in parts of the world and alarming reports of global climate change, more people seem headed for better times. Yet it remains unclear whether the financial industry has learned its lesson from recent years' financial scandals. The Annual Report has spoken to two eminent researchers – economics professor John Kay and public health professor Hans Rosling – about the state of the world.

In January each year, SKAGEN Funds arranges a New Year's conference where leading experts in various fields are invited to share their perspectives on global developments. John Kay and Hans Rosling have both been much sought-after speakers in recent years. Hans Rosling is a member of TIME Magazine's exclusive club of 'The 100 Most Influential People in the World'. John Kay's thoughts on the financial industry are widely discussed in both government and opposition offices around the world.

A common denominator for these two thinkers is their attempt to contextualize their expert knowledge. They are not afraid of putting ideas on the table that break with consensus beliefs. They represent a counterweight to the tendency towards streamlining information, of pigeonholing and chopping ideas into snippets; where ideas must be pared down to fit a Facebook posting or tweeted in a millisecond or else be relegated to obscurity.

Stock markets characterized by short-termism

In the summer of 2012, John Kay presented his report "UK Equity Markets and Long-Term Decision Making," a study on the financial sector commissioned by the British Government. The financial industry is not just any old sector in the United Kingdom. It is the linchpin of the entire British economy. In many respects, London represents the heart of the world's financial body, even as new financial centres such as Hong Kong, Singapore and Shanghai are vying to take its place. The report garnered much attention, also outside the United Kingdom.

John Kay shows little mercy in his critique of the financial sector and its players. In his report, he noted that – in chasing higher stock prices – London Stock Exchange-listed companies have reduced their capital stock over the past decade by pursuing share buy-backs and company takeovers. Instead of funds flowing into the London Stock Exchange where they can generate investor returns, money has been flowing out –while financial sharks generating transactional bonuses and commissions have earned vast sums. Professor Kay asks whether the equity markets have forgotten what their role is: a place where companies can access capital from investors who seek a return on their investment.

John Kay, we are now leaving behind what was a very gloomy 2012 with several financial scandals. Will 2013 be a better year for the financial world?

"It's hard to say. 2012 was a year in which there was a wide realisation, prompted by the LIBOR scandal, that the problems of the industry were endemic in the culture of the financial services sector and not simply the result of unexpected, unpredictable events. That is a big change."

The LIBOR scandal, uncovered in 2012, showed that employees in various London banks knowingly manipulated interest rates. Either to earn money on individual transactions or to give the impression that the banks were more creditworthy than they actually were. These manipulated interest rates were included in the critical benchmark London Interbank Offered Rate (LIBOR), thus affecting housing and student loans and a number of other financial products with a global reach.

You have previously suggested that regular banks should be separated from what you term "casino-style" investment banks. Are you seeing signs that this will come to pass?

"The debate has moved dramatically since 2008-9, when separation was regarded as a way-out idea. We have now made significant steps with the Vickers Report in the UK and now Liikanen in Europe (both of which discuss splitting up banks). There is a long way to go, but pressure is increasing."

John Kay has long advocated for retail banking to be separated from investment banking, much as was the case in the United States from the 1930s depression until late in1990 when the laws were relaxed and commercial and investment banks were allowed to merge. Kay believes that this merger helped create the financial bubble that eventually burst in the autumn of 2008. More recently, many other economists have aligned themselves with him in support of this view.

Importance of closeness between customer and asset manager

John Kay also takes a swipe at the asset management industry. It has become too complex. There are too many links between investors and their asset managers – they are too costly and they must be severed. He emphasises the importance of restoring confidence in financial intermediaries. But doing so will be a long and arduous process.

John Kay is careful in proposing that the financial sector be too heavily regulated. That has been tried before and failed. Instead, he suggests that the industry itself must address the problems through self-regulation. Among other things, he proposes setting up codes of conduct. Professor Kay also has specific suggestions for changing incentive programs. Corporate executives should receive variable compensation in stock that can only be sold once they leave the company; also, performance-based pay for asset managers should be invested in the funds they manage. The emphasis on the long term is something that permeates all of Kay's thinking. He even believes that the system with various types of stocks as is common in Sweden may be worth trying in countries like the United Kingdom if it benefits the long term.

Finally, John Kay, has the financial industry learned anything (sustainable) in the most recent financial crisis?

"Not much, but the sector is changing in more fundamental ways than seemed likely in 2010 when people were ready to get back to 'business as usual.' But the dominant role of greedy people remains."

Dispelling myths about people in developing countries

Hans Rosling was awarded the 2012 Swede of the Year Award. The prize cited "his insistent and innovative popular efforts to disseminate knowledge about the development of the world and mankind." In early 2012, Hans Rosling was the keynote speaker at SKAGEN Funds' New Year's Conference, where he gave a highly acclaimed talk in which he dispelled a range of myths about global public health. For example, many people in Sweden believe that Bangladeshi women have an average of five children (the actual number is 2.5 children) or that only about half of all youths in Tanzania can read and write (the correct number is 80 percent).

Hans Rosling, do you believe 2013 will be better or worse than 2012 globally, and, in your view, what will be the most important factors that will shape the year?

"It will probably be about as good as 2012: Continued stabilization in Latin America, Asia and Africa as a result of high economic growth and social development will be the main factors that will shape the year."

Tintin makes the world a smaller place

In your talk at SKAGEN's New Year's Conference in early 2012, you noted how Westerners' view of the world is coloured by perceptions rooted in the 1970s. Are you seeing signs that this is changing?

"Not particularly, with the exception of some CEOs of large corporations and sophisticated investors and a limited group within the media, academia and politics."

I recently read in the Swedish business weekly Veckans Affärer that you see Tintin as having contributed to shaping many Swedes' outdated view of the world. Is there a positive aspect to Tintin in that the series might have made many young people more interested in geography and the world?

"I've used Tintin for decades as an example of a great cultural product but with a worldview that is too Eurocentric. Right now, I'm in Beijing to talk at a meeting of senior executives of one of India's biggest companies. The company is holding its meeting in China because the company's products, manufactured in India, are sold in China. We should see that as a historical event. To my knowledge, I'm the only European here. Somewhere in the back of my head, I hear Bob Dylan singing "The Times They Are a-Changin'".

Jonas A. Eriksson
COMMUNICATIONS SWEDEN

ABOUT JOHN KAY AND HANS ROSLING

John Kay is a prominent British author and economics professor at the London School of Economics. He was educated at Nuffield College, Oxford. His special focus is on the area where economy and business merges. John Kay's career has ranged from a number of posts in academia, to management functions and directorships in the business community. His political preferences are of a centrist persuasion and he has acted as advisor to governments of various colours. He is perhaps most well known as a regular Financial Times columnist since 1995.

Hans Rosling studied medicine and statistics and is a professor of public health at the Karolinska Institute. He has been a health advisor to the WHO, UNICEF and several other aid organizations. Hans Rosling is a cofounder of the Gapminder Foundation whose work focuses on broad social and economic trends. Hans Rosling's presentations are anything but conventional, which has made him one of Sweden's most sought-after international speakers. He is a pragmatist who resists the notion that business and politics must be at odds – both are needed to strengthen global public health.

Portfolio Managers Report
Introduction

Photo: iStockphoto

Maintaining the balance: The market had a foot in both the pessimists' and optimists' camps in 2012, but in terms of trade, 2013 appears to be more balanced

Funds

Pessimistic: The outlook for Japan's economy is not the brightest. Pictured here is Japan's former finance minister Ikko Nakatsuka

Photo: Bloomberg

Optimistic: The US financial sector was a strong contributor to the funds in 2012, including from Goldman Sachs. Pictured here is GS president Gary S. Cohn.

A foot in both camps

2012 was a year in which the market had a foot in both camps: neither the pessimists nor the optimists got it completely right. Luckily it was most profitable to be an optimist.

For the third year in a row the stock markets were characterised by major macroeconomic issues. This time around the spotlight was on the euro crisis and the European recession, fear that the slight upturn in the US economy would grind to a halt and the danger of a further slowdown of economic growth in China. Bond investors sought refuge in perceived safe havens in the form of US, German and Japanese government securities.

This backdrop had a significant impact on the performance of individual stocks through the year. Investors' appetite for risk waxed and waned in line with alternating faith and doubt in economic developments. Similarly, the macroeconomic focus led to high levels of correlation between stocks which rose and fell in step. Despite the changing moods, the global economy grew at a tolerable rate throughout the year. Investors' focus on earnings here and now meant that large liquid companies with predictable earnings and high dividend yields were rewarded with rising share prices.

It is gratifying to note that a number of companies with strong balance sheets are starting to adapt to this investor preference by increasing their dividend ratio. Towards the end of the year there was also a general increased focus on the fundamental values in companies and the pricing of these. Value stocks performed better than the market as a whole. Although the euro crisis was a dominant theme in 2012, stocks in the Eurozone ended up being the winners among the large regions. The pricing of stocks was linked to fundamental values and changes in expectations for the future. The dawning optimism evident in the fourth quarter had a clear impact on share prices.

Domestically the strong Norwegian kroner ate into five to six percent of the return of foreign shares. The year ended with an upturn in the broad markets of eight to ten percent measured in Norwegian kroner. For foreign investors, returns were more in the region of 15 percent. Those who bet on so-called risk-free investments received considerably lower returns.

2012 has provided value managers with many opportunities to pick up undervalued stocks thanks to investors' macro focus and concerns over stability and short-term earnings. Companies that have been revalued have been gradually sold out of the funds and replaced by cheaper companies. This, together with earnings growth and capital accumulation in companies, means that at the end of 2012 our portfolios traded at lower multiples than at the start of the year – even though the price of the funds has risen. We enter 2013 with portfolios that have historically low valuations, both in price relative to earnings and to equity, as well as a historically large discount to the stock markets in general.

More balanced world

In terms of trade, the world appears to be more balanced at the start of 2013. The US, Eurozone and UK have become far more competitive relative to their trading partners which has led to an improvement in the balance of trade. It is also significant that the US has become more self sufficient energy-wise with its shale gas and shale oil revolution.

We enter 2013 with a US economy that has found its momentum. US households have on a relatively large scale seen their financial position consolidated. House building, which is important for employment, is picking up having been on the decline since 2006. Nevertheless, investors must prepare for more uncertainty, bickering and discussions between the White House and Congress. Although an agreement was made to prevent auto-

"A sustained absence of growth is in itself the greatest source of instability."

matic budget tightening before the end of 2012, two months into the new year we await further discussion on the US government's debt ceiling.

The Chinese economy is still growing, and this is also reflected in trading partners bordering China. Read more about developments in China on page 16.

In the castigated Eurozone, the markets appear to have placed too much emphasis on the negative side of the austerity measures. In the most troubled economies in Southern Europe labour costs are substantially lower while competitiveness has improved considerably. This is starting to have a stabilising effect on their economies. On the whole the macroeconomic indicators do not appear to be as weak as expected.

Continued uncertainty

A lack of self-confidence and belief in the future has characterised decision makers both in the financial economy and in the companies where real capital is invested. There is scant willingness to see past cyclical developments in the short term. This is possibly the main obstacle preventing us from putting the climate created by the 2008/09 financial crisis behind us.

A sustained absence of growth is in itself the greatest source of instability. If growth does not pick up, governments' financial problems in the Eurozone, US and Japan will escalate and take on new forms – such as fiscal inflation.

The main areas of uncertainty in the Eurozone are France – where the country's structural problems are not being addressed – and Italy, where an election is set to be held in 2013, causing continued uncertainty about the reform policy.

Japan may be the big negative surprise in 2013, however. The country continues to finance its substantial state deficit cheaply in the bond market. At the same time, rhetoric from the new government implies a bold economic policy whereby the deficits will be increased and the yen weakened. The result should lead to higher inflation. But just as Italy was eventually punished by the bond market when the country failed to resolve its problems, Japan may well experience something similar.

SKAGEN's year

The fixed income funds had a very good year and SKAGEN Tellus in particular. The global bond fund delivered a return of 12.1 percent, 13.1 percent ahead of its benchmark index. Meanwhile, SKAGEN Avkastning gained 13.1 percent – 5 percentage points more than its index.

All the equity funds delivered returns well over the risk-free interest rate in 2012 and SKAGEN Global outperformed its benchmark index by almost 2 percentage points. Meanwhile SKAGEN Vekst ended up 2 percentage points behind its benchmark index and SKAGEN Kon-Tiki's ten-year winning streak came to an end with the fund lagging five percentage points behind its index. We launched a property fund, SKAGEN m2, towards the end of the year; our first new equity fund in ten years. The fund delivered a positive result in its first two months.

Two things in particular dragged down the returns of all SKAGEN's equity funds in 2012. These were namely the energy sector and the utilities company Eletrobras which contributed a negative EUR 218 million and EUR 408 million respectively.

We experienced a permanent loss of value from Eletrobras, which you can read more about in the SKAGEN Kon-Tiki report.

We deem the losses from companies in the energy sector to be more temporary in nature. Of these, Petrobras performed negatively due to increased scepticism

Photo: Bloomberg

Full speed ahead: Indian Mahindra & Mahindra is experiencing strong growth in demand for their cars. Pictured here is a potential sale at a car dealership in New Dehli.

towards state-dominated companies – particularly in Brazil – cost inflation in the Brazilian oil sector and a poor year for exploration. Gazprom's share price was also a victim of scepticism towards state-dominated companies – this time in Russia. Moreover, the popularity of Russian shares plummeted. We are nevertheless comfortable with the companies' extremely low valuations and high underlying value creation.

Our two largest oil service investments, Baker Hughes and Weatherford, have so far been unable to make the most of the earnings potential created by the growing activity for the land and water supplier industry. These companies are tying up working capital in their operations which in turn leads to lower returns on investment and depressed share prices.

Auto winners

On the positive side, the consumer discretionary sector provided a positive return of EUR 286 million. Three vehicle producers in particular stood out – namely Hyundai Motor, Great Wall Motor and Mahindra & Mahindra. Key to the upturn in share price is the companies' substantial competitive advantage in developing markets, increased market share and strong earnings growth.

The consumer staples sector also provided a very positive EUR 191 million to the funds' returns. Cosan was a bright spot among the Brazilian shares. The re-rating we have been waiting for in SCA started to crystallize thanks to important structural initiatives as well as improved earnings. The drinks companies Heineken and Royal Unibrew provided very positive contributions as did our Turkish conglomerate Yazicilar Holding which has a number of interests in the drinks sector.

The equity funds earned EUR 463 million from finance companies. In 2012 US Citigroup and Goldman Sachs made up for their losses from the previous year as earnings improved, problem assets were liquidated and faith in the US economy grew. The Turkish financial conglomerate Haci Omer Sabanci Holding contributed EUR 136 million to our funds' returns.

Information technology contributed EUR 327 million to returns in 2012 – of which Samsung Electronics contributed EUR 245 million. The company continues to be a technological leader in smart phones, tablets and TVs and the significant earnings growth this generated boosted the share price significantly. Samsung Electronics' market share increased through 2012 and it is gratifying to note that despite the share price increase, the shares are still moderately priced.

As always, the good results are a product of hard work. The portfolio managers provide more insight into developments in the individual funds in 2012 on the following pages.

Harald Espedal

INVESTMENT DIRECTOR

Portfolio Managers Report
SKAGEN Vekst

Portfolio managers Ole Søeberg, Geir Tjetland and Beate Bredesen (on maternity leave).

› A good start and finish
There was an increased appetite for risk at the start and end of the year and small and medium-sized companies were popular.

› Portfolio clean-up
The number of companies has been reduced and the focus was on liquidity, quality and solid cash flows.

› Cruise, paint and medicine
We added to our positions in good contributors including RCCL and Akzo Nobel. We also increased our holding in drug manufacturer, Teva, where prospects are good despite a difficult year.

Photo: Péter Andrasovszky

Flying high: Low cost airline Norwegian took many people by surprise when they ordered 222 new planes. The scepticism quickly abated however, and the share price rose back up to old highs.

Focus on Quality and Liquidity

The process of tidying up the portfolio and concentrating it on fewer high quality companies paid off well at the end of the year.

A return of 15.5 percent in 2012 for SKAGEN Vekst was not enough to catch up with the fund's benchmark index, which ended the year up 18.0 percent.

A good start and finish

With an increased appetite for risk among investors, the year started extremely well for SKAGEN Vekst both in absolute and relative terms. The wind blew particularly hard in the sails of our small and medium sized Norwegian companies.

Over the spring and summer there was a significant fall in risk appetite and investors looked for liquidity and blue-chip stocks once more. Therefore, the third quarter was extremely weak in relative terms and SKAGEN Vekst was overtaken by the benchmark index by six percentage points. During the fourth quarter, the pendulum swung back towards the somewhat smaller companies and many of the losses were recouped.

Thorough clean-up

Throughout the year we made comprehensive changes to the portfolio; the focus was on liquidity, quality and sound cash flows, and the portfolio became considerably more concentrated. The number of companies was reduced from 135 to 83. The top 12 companies in the fund now account for 43 percent of the total value of the portfolio, whilst the 25 largest investments make up two thirds of the fund.

Liquidity has been considerably increased. Analysis of turnover volumes shows that 50 percent of the portfolio can be realised within 10 days; at the start of the year the corresponding figure was 20 days.

THE WINNERS IN 2012

Norwegian take-off

Many people were taken aback when Norwegian reported it had submitted orders for no fewer than 222 aircraft. Good profit growth and confirmation that financing for the aircraft was in place resulted in a shift from scepticism among investors to more positive sentiment and the share price rose towards historic peaks.

Levels of ambition at Norwegian are high. The company continues to increase the number of destinations, while passenger figures are growing at breakneck speed. The company has shown that it has costs well under control. This all bodes well for the year to come. It goes without saying that new investment in long haul flights and more new hubs outside the Nordic region will increase the operational risk. Given that in recent years Norwegian has done most things correctly, we believe that it will also surprise the markets positively in 2013. At the beginning of the year, the investment in Norwegian amounted to three percent of the SKAGEN Vekst portfolio. Together SKAGEN's three equity funds hold around a nine percent share of Norwegian.

SKAGEN Vekst is also among the major shareholders in Bank Norwegian, 20 percent of which is owned by the airline company Norwegian. The bank can point to formidable growth since its start-up in 2007, and it operates with an interest margin of more than eight percent. Throughout the year we reduced our shareholding somewhat, but will hopefully look to continue benefiting from the bank's value creation in the future.

Tyre and insurance success

The world's second largest tyre producer, Continental, could rejoice over lower commodity prices and improved earnings as companies operating with vehicle technology (safety, fuel efficiency, etc.) enjoyed better prices. This is something that equity investors appreciate and the share price ended the year 77 percent higher at EUR 87.50. In future the company should deliver higher earnings and our price target of EUR 150 should be achievable within a few years.

Record high payouts after the tsunami in Japan in 2011 and the floods in Australia and Thailand resulted in higher insurance

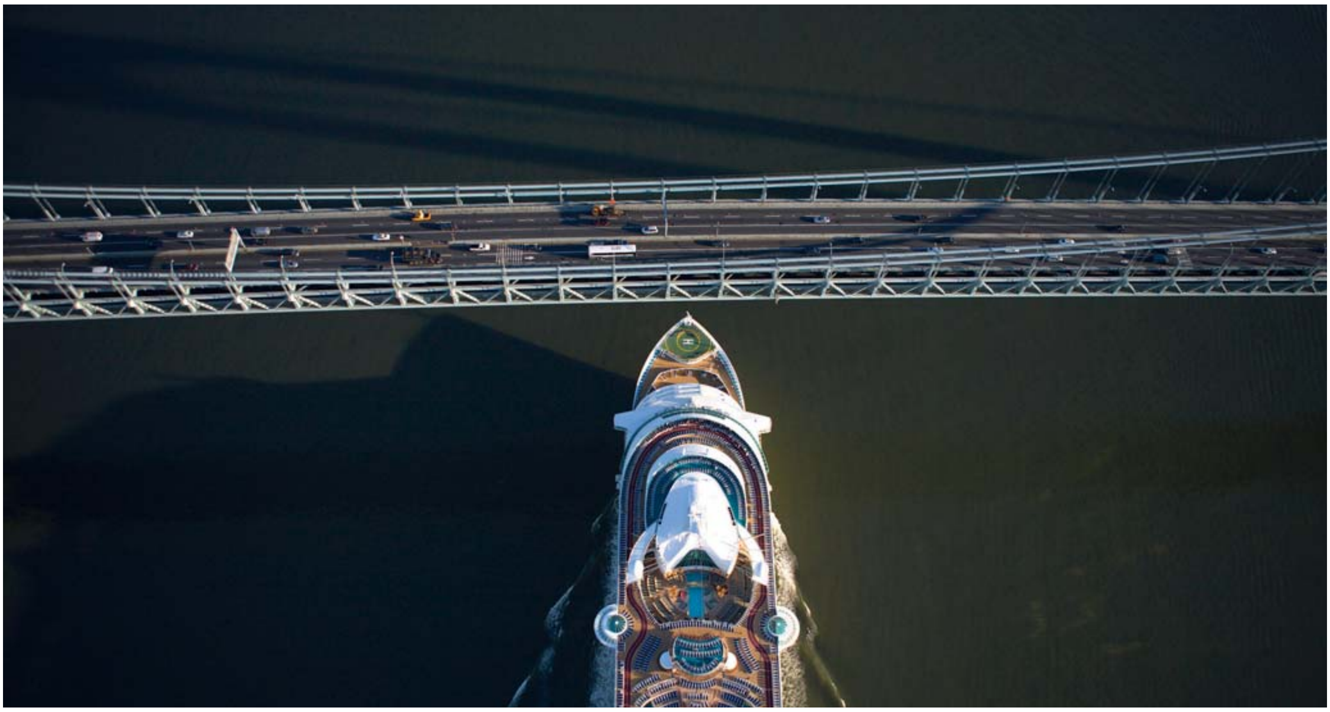


Photo: Bloomberg

World's biggest: Royal Caribbean Cruise Lines "Liberty of the Seas" was then the largest cruise ship ever built. Pictured here on its maiden voyage passing the Verrazano-Narrows bridge in New York. The company ended up being the second largest holding in SKAGEN Vekst last year.

premiums for customers of the German reinsurance company Hannover Rueckversicherung in 2012. The fact that payouts were also considerably lower led to the company and its shareholders being able to enjoy a year of strong growth in profit, reflected in a higher share price. We believe the current valuation does not leave much upside in the company so we sold out.

A cruising increase

Due to the price of Royal Caribbean Cruises (RCL) becoming more attractive in the spring than those of its competitor Carnival, we decided to sell shares in the latter and purchased RCL shares with the proceeds. Moreover, we further increased our holding in the Norwegian-linked cruise company throughout the summer and autumn, and by the end of the year the company had become the second largest position in the portfolio. The order book for new cruise ships in recent years is at a historically low level. Higher ticket prices, increased onboard consumption and good positioning in the Asian market are potential triggers for further increases in the RCL share price.

We also made considerable purchases in the global leader in paint production, Akzo Nobel. After the loss-making American division was sold at the end of the year for a surprisingly good price, the share price rose sharply.

Out of Dixons

After the price of the electronics chain Dixons Retail doubled during the first nine months of the year, we sold our entire holding in the company. With the benefit of hindsight, it would have been profitable to remain invested but uncertainty about whether internet trading would take over a large share of the traditional store sales led us to push the sell button.

We waved goodbye to the seismic data company TGS Nopec and realised a considerable gain. TGS Nopec is well-managed, but we considered its price to be overly high. We invested the money from the sale in the US company Baker Hughes, the price of which was considerably lower.

Our largest investment, Samsung Electronics, could point to extremely good profit growth, and the share price increased by 30 percent. For comments see SKAGEN Global on page 28 and SKAGEN Kon-Tiki on page 32.

Many suitors

Throughout the year many suitors wished to purchase several of the companies in the portfolio. The bids for Origio, Glamox, Fairstar and Dockwise were accepted, although the latter was sold at a small loss relative to the historical cost price. In early January 2013 we also accepted the bid for AKVA Group.

We believed the price which the Polish company, Arctic Paper, was willing to pay for Swedish pulp producer Rottneros to be too low and politely turned the offer down.

THE LOSERS IN 2012

Brazilian power and French mobiles

As was the case for SKAGEN's other two equity funds, SKAGEN Vekst received rough treatment in Brazil, where the power company Eletrobras was the major culprit. The drop in the price of the company's shares ate up 2.2 percentage points of the fund return. In late summer, we decided to sell all our ordinary shares in Eletrobras. Unfortunately, we delayed the sale of the preference shares, which were then sold for a considerably lower

SKAGEN VEKST 2012 (MILL. NOK)

5 largest positive contributors	
Norwegian Air Shuttle	133
Samsung Electronics	114
Royal Caribbean Cruises	67
Continental	56
Hannover Rueckversicherung	51
5 largest negative contributors	
Eletrobras (Centrais Eletricas Brasileiras)	-157
Petrobras (Petroleo Brasileiro)	-44
Fjord Line	-31
Teva Pharmaceutical	-31
France Telecom	-26
5 largest purchases	
Royal Caribbean Cruises	181
Statoil	170
Baker Hughes	170
Teva Pharmaceutical	143
Akzo Nobel	134
5 largest sales	
TGS Nopec Geophysical	-179
Winn-Dixie Stores	-138
Dockwise	-131
Petrobras (Petroleo Brasileiro)	-122
Gjensidige Forsikring	-101

price in the autumn.

The combination of reduced expectations for Petrobras' operating business and the Brazilian authorities' conduct as the majority shareholder in Eletrobras led to us to sell our entire holding in the Brazilian oil company.

France Telecom was hit hard by increased competition in the French mobile phone market. This happened at the same time as the company increased its investments in fibre optic networks and the 4G mobile network, and considerably impaired the cash flow as well as dividends for shareholders. After a price decline of 50 percent, the implicit value of France Telecom's mobile and landline network in France is more or less zero. In our opinion, activities outside France alone are equivalent to the company's market value. Indications from the EU point to the possibility of there being regulatory changes which would encourage the installation of fibre optics; a positive development for France Telecom.

Fjord Line, which operates ferries between Norway's West coast and Denmark grew slightly although delays to two new ferries spoiled the summer season. There will also be a negative impact on the upcoming summer. However, Fjord Line's business model remains intact and we expect positive growth in profits in the future.

Sevan Drilling got the capital it needed

Sevan Drilling has two floating drill rigs operated by Petrobras and two under construction. Start-up problems and technological difficulties resulted in far weaker cash flow than expected and the company breached its loan conditions. An agreement with the banks together with the obtaining of capital in the new year of 2013 gave the company the room for manoeuvre it required. The company's largest shareholder with 30 percent of the shares, John Fredriksen, is still lying in wait.

Our investment in biotech company Clavis was almost a disaster. In early 2012, SKAGEN Vekst was the third largest shareholder in the company. We took advantage of the stock market's expectations of positive research results to sell two thirds of our holding. Unfortunately, we still held the remaining third when the company announced that results had been negative and the share price plummeted. Overall, Clavis contributed NOK 20 million over the five years the fund held shares in the company.

Buying Teva

The world's largest producer of generic medicine, Teva Pharmaceutical, experienced a difficult year in share price terms and ended up as the fund's poorest contributor. Within the pharmaceutical industry, many lucrative patents expire in the next few years. In Teva's case, the patent for Copaxone, which is used to treat multiple sclerosis, expires in 2014.

The combination of major opportunities within generic medicine and the company's restructuring program is being overshadowed by the market's exaggerated fear of the impact of the Copaxone patent expiring. We have used the Teva share price drop to considerably increase our investment in the company, which trades at seven times earnings, compared with 12 times for the sector as a whole. Teva is now the fund's fourth largest holding.

Price less than book values

At the beginning of 2013, the valuation of the SKAGEN Vekst portfolio is extremely cheap; the 25 largest companies, corresponding to two thirds of the portfolio, are priced at 0.9 times book equity and 10 times the earnings obtained in 2012. Based on our expectations for 2013 the P/E ratio will decline to 8x, compared with over 11x for the benchmark index.

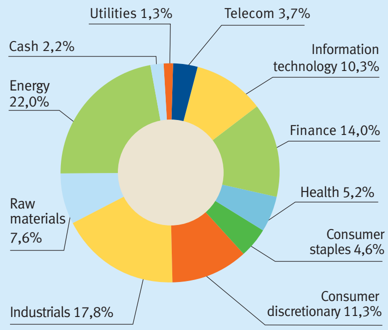
In other words, we are entering the new year with hope and faith that SKAGEN Vekst's unit holders will have reason to be satisfied with the fund's performance over the course of 2013.

SKAGEN Vekst

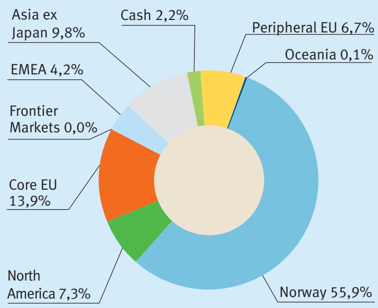
Handpicked for you

Children and young women picking flowers in a field north of Skagen. 1887. Detail. **By Michael Ancher, one of the Skagen painters.** The picture is owned by the Skagens Museum.

SECTOR DISTRIBUTION

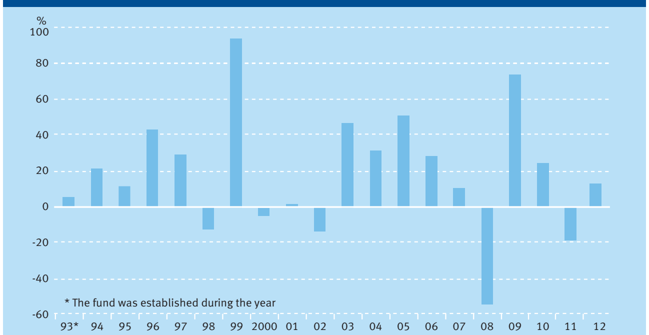


GEOGRAPHICAL DISTRIBUTION

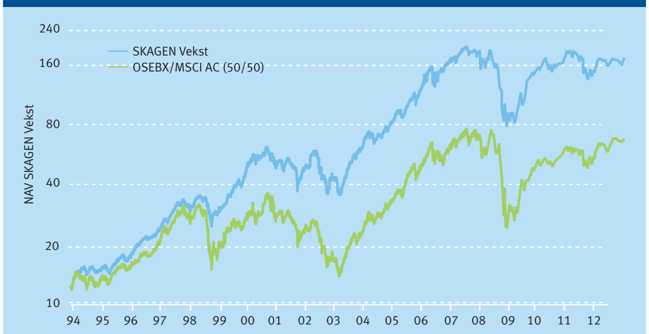


Fund start date	1 December 1993
Return since start	1 361%
Average annual return	15,1 %
AUM	EUR 978 million
Number of unitholders	88 795

ANNUAL RETURN (IN EUR)



HISTORICAL PRICE DEVELOPMENT (IN EUR)



Portfolio Managers Report
SKAGEN Global

Portfolio managers Kristian Falnes, Torkell Eide, Søren Milo Christensen and Chris-Tommy Simonsen

› Banks hit back

After a lamentable 2011, the banking sector was a winner in 2012. We still prefer US banks to European ones.

› Hygiene

One of the winning companies last year was Swedish SCA where many of the triggers for revaluation were released.

› Discount eliminated

US Tyco was split into three divisions, removing the conglomerate discount. A number of triggers remain, however.

Photo: Bloomberg

Winning sector: Financials was the best contributor to the fund in 2012 after a lamentable year before. US Citibank was one of the winning stocks, with a share price upturn of over 50 percent.

Acceptable result

Global investors quietened down somewhat during the autumn and there was greater appreciation for solid, low valued companies with good results. As a result, 2012 was an acceptable year for SKAGEN Global, both in absolute and relative terms.

15.5 percent a year

2012 was the fourteenth year in SKAGEN Global's 16 year history that the fund delivered better returns than its benchmark index. Unit holders who have been with the fund since it started in August 1997 have enjoyed an average annual return of 15.5 percent, versus 2 percent for the world index.

Following a weak first half year when investors focused mainly on the negative macro news, we were better paid for our undervalued company selection during the autumn. Despite the miserable share price performance of one of the fund's largest holdings, Eletrobras, SKAGEN Global outperformed its benchmark index by 5.6 percentage points in the second half of the year.

The higher risk premiums in 2011 were partially reversed in 2012. Some of the price upturn for equities is due to higher multiples on companies' earnings (P/E). General company earnings showed a flatter development and expectations for future earnings were somewhat reduced during the year. Although risk premiums have come down, we think that these are still at a relatively high level, something that should provide a good basis for a further repricing of equities as an asset class.

Reduced appetite for Brazil

Although the oil price ended the year up five percent measured in dollars, energy was one of the weakest sectors in the global stock market. Energy shares in the SKAGEN Global portfolio ended the year down nine percent.

Disappointing production development and a disturbingly high debt level led us to sell over half of our holding in Brazilian Petrobras. The government's increasing tendency to interfere reduced our appetite for Brazilian shares. After a period of weak share price development, which is by no means symptomatic of poorer long-term earnings potential, we increased our holdings in Gazprom and Baker Hughes.

Out of Cliffs at a loss

As a result of falling iron ore prices combined with poor operational developments, we sold out of Cliffs Natural Resources at a considerable loss. Another company within commodities, paint producer Akzo Nobel, saw its share price develop admirably however. This was largely down to the company's sale of its loss-making US activities at a surprisingly good price.

Conglomerate discount eliminated

US Tyco International split into three separate divisions, removing the conglomerate discount. The flow control operations were merged with Pentair and spun off to shareholders. The alarm division, ADT, was also made into an independent company, while the fire and safety unit remained in the old Tyco International.

Although much of the conglomerate discount has been eliminated, we have not sold any of the new Tyco companies. Triggers for a further repricing are optimisation of the capital structure and the fact that they are potential strategic acquisition targets.

Substantially down in Tesco and Unilever

Early in the year we revised our hypothesis regarding the earnings growth of English supermarket chain Tesco and as a result sold two thirds of our stake. 2012 will likely be the first year in the company's history that earnings will fall.

We have also reduced our position in Unilever, but under much happier circumstances: the share price had approached our fundamental price target. When we bought shares in Unilever the value of the company's strong position in emerging markets was not included in the share price. This trigger was released last year.

US TV cable company, Comcast, was also revalued. Despite estimates of a ten

Paper money: Europe's largest manufacturer of hygiene products, Svenske Cellulosa AB (SCA), was one of the fund's winning stocks as triggers for revaluation were released.

percent rise in earnings, the company's share price increased 50 percent. The company has therefore become significantly more expensive based on current earnings, and we halved our position.

Swedish winner in hygiene

Swedish SCA was one of the winners in the fund as the triggers for a revaluation were released. Most important is that SCA is no longer perceived as a cyclical commodities company, but rather as a leading global producer of paper-based hygiene products. There are still substantial hidden values to be found in SCA's extensive forestry properties. As our price target from the beginning of the year has now been overtaken by a good margin, we have reduced our stake in SCA.

More expensive medicine

The pharmaceuticals sector is still struggling to replace products that are going off patent with innovative new drugs. As far as our investment in Teva is concerned, we believe that the stock market is exaggerating the effect of the company's main product, Copaxone, going off patent in 2014, and have therefore added to our position. This is reminiscent of the situation in Pfizer three years ago when investors became excessively worried about the fate of the company's earnings when the patent of their bestseller, Lipitor, expired.

Pfizer was revalued during the year and we reduced the fund's position as the share price rose.

Banks hit back

In contrast with 2011, 2012 was a very good year for the banks in SKAGEN Global. The best contributor was Citigroup whose share price rose 50 percent, thus reversing large parts of the losses from the previous year. We still prefer US banks to European ones. European banks often have insufficient equity and need to be recapitalised in order to maintain current activity levels.

Cheaper Samsung after 30 percent upturn

It was an extremely good year for our veteran holding Samsung Electronics. Of our larger positions in the portfolio, Samsung Electronics was the one where the earnings estimates increased the most in 2012. At the start of the year, earnings were estimated at 100 000 won per share. The end-of-year figure was around 160 000 won per share. The company's success within smartphones and tablets is the main reason for this fantastic development.

Although the price of our preference shares in Samsung Electronics increased by 30 percent in 2012, the share was priced lower relative to earnings at the end of the year than at the start. As a result of the good share price performance, the position grew too large in the portfolio and we were forced to reduce our stake somewhat.

Dividend back in Vimpelcom

2012 was a turbulent year for telecom company Vimpelcom, which experienced disputes between major shareholders, Telenor and Russian Altimo, as well as a halt in dividends and delays resolving the sale of a majority holding in Algerian mobile company, Djezzy. Dividends were

SKAGEN GLOBAL 2012 (MILL. NOK)

5 largest positive contributors	
Samsung Electronics	673
Citigroup	491
ADT	361
Comcast	254
Svenska Cellulosa	248
5 largest negative contributors	
Eletrobras (Centrais Eletricas Brasileiras)	-868
Cliffs Natural Resources	-236
Weatherford Intl	-164
Tesco	-159
Banrisul (Banco Do Estado Rio Grande Do Sul)	-153
5 largest purchases	
China Unicom Hong Kong	748
American International Group	519
General Motors	432
Baker Hughes	357
Gazprom	355
5 largest sales	
China Mobile	-937
Pfizer	-783
Tesco	-445
Unilever	-418
Comcast	-402

reintroduced at the end of the year and the company seems close to finding a solution in Algeria. Most importantly, operational developments in most markets have been better than expected in 2012. The Vimpelcom share ended the year up ten percent.

We increased our exposure to Russian telecommunication by adding Sistema, the principal owner of Russia's largest mobile phone company, MTS, to the portfolio.

We locked in our gain in China Mobile after a great journey. We used the proceeds to invest in competitor, China Unicom, whose share price has developed far more weakly and is more attractively priced. The company has higher financial and operational gearing than China Mobile, and will benefit more from Chinese mobile users moving over to the 3G network.

Eletrobras – a sad story

The big loser in terms of share price last year was Brazilian power company, Eletrobras, whose share price plummeted 60 percent. The drop in value shaved 2.6 percentage points off the fund's return. The authorities – a majority shareholder – made dramatic changes to the company's operating conditions.

Following opposition from independent power producers and private shareholders like SKAGEN, the authorities were pressured into improving the terms somewhat. Although we must count on a significant depreciation of the assets when the 2012 accounts are settled, we believe Eletrobras may uphold its obligation to pay dividends on preference shares. We have chosen to reduce our position in ordinary shares which will in all likelihood not pay dividends for some years to come.

For further comments, see the SKAGEN Kon-Tiki report on page 32.

Low expectations provide upside

Capital market participants have low expectations for global GDP growth in 2013. The consensus is marginally higher than in 2012. That is a good starting point for growth to surprise on the upside.

Last year's dramatic cost cuts and tax increases in Southern Europe appear to be bearing fruit, in the form of a stabilization of central government finances. Growth will continue to be low, but it is certainly feasible that Southern Europe could come out of recession in 2013.

China still has a lot of monetary and fiscal policy measures available to increase the growth rate from today's relatively low level of around seven percent. There is good potential for increased economic growth in other emerging market countries also. The drop in interest rates that we saw in 2012 will likely continue going into 2013 and pave the way for higher growth in countries such as India and Brazil. The US economy will benefit from an improved housing market while fiscal tightening may have a subduing effect.

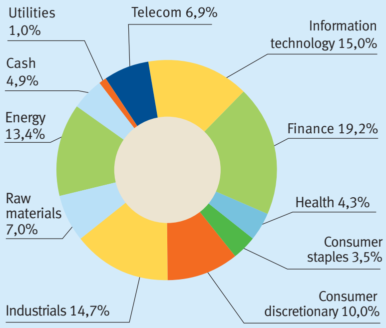
Based on companies' earnings, the SKAGEN Global portfolio is valued at around the same level as at the beginning of 2012. The weighted average of the fund's ten largest positions is priced at 8.3 times earnings (P/E 8.3), and the stock value of the companies is now inline with book equity (P/B = 1). This is well below the level of the stock market in general and very attractive from a historical perspective. The portfolio consists of a long list of companies that we believe deserve higher pricing multiples and the triggers are in place for this to be realised. In other words, we have high expectations for 2013 being another good year for the fund's unit holders.

SKAGEN Global

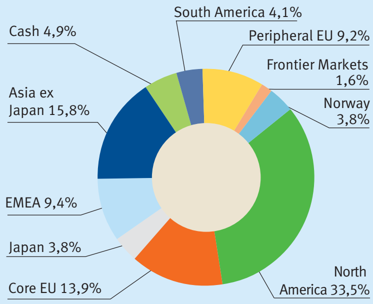
A world of opportunities

From the moor north of Skagen. 1885. Detail.
By P.S. Krøyer, one of the Skagen painters.
The picture is owned by the Skagens Museum.

SECTOR DISTRIBUTION

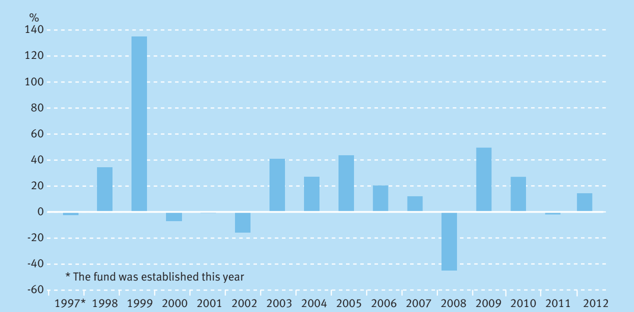


GEOGRAPHICAL DISTRIBUTION

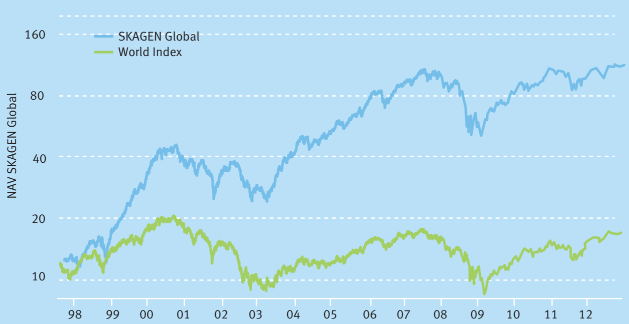


Fund start date	7 August 1997
Return since start	825%
Average annual return	15,5 %
AUM	EUR 4 665 million
Number of unitholders	97 146

ANNUAL RETURN (IN EUR)



HISTORICAL PRICE DEVELOPMENT (IN EUR)



Portfolio Managers Report
SKAGEN Kon-Tiki

Portfolio managers Kristoffer Stensrud, Knut Harald Nilsson, Cathrine Gether and Ross Porter

› Full speed ahead in the auto market
Mahindra & Mahindra and Great Wall Motor put on speed in their home markets and both achieved a global breakthrough.

› IT growth
Despite patent disputes and production problems, the technology sector was well represented on the list of the best contributors. Growth in emerging markets was an important driver.

› Heavy loss
Brazilian authorities' measures to lower electricity prices led to a loss of EUR 217 million in Eletrobras.

Photo: Bloomberg

Value loss: Brazilian authorities' measures to lower electricity prices led to a loss of EUR 217 million for the fund. The Eletrobras dam Itaipu is still among the world's largest, although the value of Eletrobras has fallen substantially.

Unwelcome setback

After ten years of excess returns, 2012 was the first year the fund's results were lower than that of its benchmark index.

SKAGEN Kon-Tiki gained 11.4 percent, while the benchmark index generated returns of 16.4 percent. Although we were successful with our company selection in most stock market sectors, this was overshadowed by the negative impact from utilities, commodities and energy.

We continued to focus on undervalued companies and benefitted from solid growth in consumer spending in emerging markets. Developments in foreign exchange rates had a negative impact on the results but a number of companies performed well measured in local currencies and share prices for some reached record levels. At the beginning of 2013, the 35 largest companies in the portfolio have a low valuation relative to their fundamental values, with a weighted price-to-earnings ratio of 6.3x.

Global emerging markets performed satisfactorily. The ongoing fall-out from the financial crises, problems in the Eurozone and other negative developments only had a marginal impact on the fundamental emerging market economy and left no permanent scars on the financial markets. This is to be expected given the very solid fundamental economic conditions in the developing world.

Public ownership

Global equity investors are often excessively negative when it comes to state-dominated companies. Over the years, we have benefitted significantly from not being overly apprehensive of government influence on companies in such sectors as energy and utilities. We always focus on value creation and valuation, and these companies often manage resources that are unique in nature.

In 2012, we incurred a loss of EUR 217 million on our investment in the government-controlled Brazilian power company Eletrobras, which detracted 4 percentage points from the fund's overall results. We are now considering the loss as a permanent one; a rare occurrence for the fund.

Losses in equity investments can occur in many sectors. However, we typically do not have much to fear from low-priced shares in the utilities sector. Brazil's electricity policy was restructured back in 2003 after which we increased our investment in Eletrobras. The goal was for power prices and asset valuations to approximate market rates, in order to make much-needed capacity expansion profitable. Eletrobras responded well to these signals, increased investments and improved its financial results. Up until 2011, the company was a strong contributor to the fund.

Most of Eletrobras' concessions were set to expire between 2015 and 2017. Our legitimate expectation was for these to continue to approximate market conditions. Instead, the Brazilian government changed course completely and decided to impose lower power rates at the expense of its own company's operations and value creation.

Eletrobras was faced with the bleak choice of either letting their concessions run until they expired or renewing them in 2012 at particularly unfavourable terms. The government as principal shareholder pushed through its decision to renew the concessions, which was neither in the company's nor shareholders' interests. This will result in a loss of BRL 20 billion, which corresponds with the company's entire historical market capitalisation. The government will provide some measure of compensation – but it will be far from sufficient. The company's credit rating is therefore in jeopardy, and an otherwise profitable, major investment programme has suddenly been cast in doubt. We are astonished that the company's board of directors did not act in all its shareholders' interest. And this failure to act will have long-term consequences for Eletrobras and other state-dominated companies in Brazil. Our stake is modest now.

Photo: Bloomberg

High technology: Samsung's executive vice president in the US, Joe Stinziano, shows off the new ultra HDTV as he speaks during a news conference at the Consumer Electronics Show in Las Vegas in January. Technological innovation, its ability to redefine itself and its competitive edge made Samsung one of the best contributors last year.

State-dominated companies disappointed

The fund saw negative contributions from energy companies Petrobras and Gazprom. These are now priced at historically low multiples and have ambitious investment programmes ahead of them. There is also growing acceptance of higher domestic production prices. In Russia, we are also seeing improved protection of minority shareholders, among other things, through the establishment of minimum dividends relative to earnings.

SKAGEN KON-TIKI 2012 (MILL. NOK)

5 largest positive contributors	
Great Wall Motor	906
Samsung Electronics	847
Haci Omer Sabanci Holding	686
Hyundai Motors	350
Cosan	310
5 largest negative contributors	
Eletrobras (Centrais Eletricas Brasileiras)	-1 638
Banrisul (Banco Do Estado Rio Grande Do Sul)	-373
Baker Hughes	-353
Eurasian Natural Resources	-312
Petrobras (Petroleo Brasileiro)	-220
5 largest purchases	
HSBC Holdings	988
Royal Caribbean Cruises	629
Eurasian Natural Resources	596
Heineken	475
Distribuidora Internacional de Alimentacion	418
5 largest sales	
China Mobile	-1507
Shoprite Holdings	-760
Standard Chartered	-752
Seadrill	-543
Stada Arzneimittel	-412

Oil service companies Baker Hughes and Archer were a major disappointment due to surplus capacity in oil exploration equipment. Despite a giant leap within new drilling technology, they failed to deliver earnings. A good framework is otherwise in place in the form of high oil prices. We are expecting improved cost discipline going forward.

Positive surprise

Expectations of lower growth in Asia put pressure on the all-important iron ore price, and this in turn affected the share prices of Vale, South African Exxaro and the newly acquired Kazakh company, Eurasian Natural Resources. The industry has been plagued by steep cost increases and rising demand from the respective host countries to take a share in the financial proceeds. A significantly higher iron ore price in the fourth quarter and sustained base metal prices as well as improved global growth by 2013 are good portents for the new year. Valuations of the companies are at record low levels.

Within the industry and transportation segments, the airline Norwegian was the year's positive surprise in terms of solid growth in traffic numbers and cost controls. This more than balanced out losses incurred on AirAsia – an airline which had previously provided us with good returns for a number of years. ICA, the Mexican construction company, was re-rated and new companies, including CNH Global, Bidvest and Orascom Construction, also developed favourably.

Consumer discretionary – and in our case automobiles in particular – provided the best results of all our sectors. These companies deliver products and services to the growing middle class in emerging markets while also managing to grow profitably globally; factors that have generated much excitement here.

Chinese Great Wall and Indian Mahindra & Mahindra really picked up speed in their domestic markets and achieved global breakthroughs, both organically and in Mahindra's case, also due to its acquisition of Korean Ssangyong Motors. Hyundai Motors continued its global expansion and increased European sales by 12 percent amid a market decline of 15 percent. In other words, they are now speeding towards a five percent global market share. Malaysian Proton was sold at a profit to DRB Hicom, which may become a regional, dominating manufacturer in Southeast Asia.

The Spanish hard discount supermarket chain DIA is benefitting from changing consumer preferences on the Iberian Peninsula, growing organically in Argentina and Brazil, and is in a position to restructure in France and Turkey. Royal Caribbean Cruises is a newcomer to our fund. It is the first global cruise company that is engaging the gigantic Asian market with better income/cost relations than its main competitor.

Tea in the portfolio

Consumer staples was a winning sector in 2012 and it is becoming quite demanding to find companies with low valuations in the sector. Following a restructuring, Brazilian Cosan managed to make its value creation more visible. Meanwhile, brewery Heineken caught investors' attention with the strong performance of a number of associated companies in emerging markets.

Tata Global Beverages and Vinda International were newcomers to the fund. Tata is the world's biggest tea franchise and they are poised for growth within the coffee segment. Swedish SCA is a majority shareholder and caretaker of Chinese Vinda, which is growing within toilet paper, diapers and sanitary paper products.

Our companies within the healthcare sector fared marginally better than the index thanks to a doubling in the assets of our Korean companies and excellent growth by our main investment Gedeon Richter. We sold our stake in German Stada Arzneimittel when accounting principle irregularities came to light.

Within banking and finance, we saw excellent results from Sabanci Holding, Aberdeen Asset Management, Turkish Yapi Kredi and Bangkok Bank. State Bank of India showed that state-owned enterprises can deliver results while the Russian state-owned bank VTB and Banrisul, which is partly owned by the Brazilian state, fared less well.

Main investment for many years

Samsung Electronics, which has for many years been our main investment in information technology, produced excellent returns last year. Most investors focus on newspaper headlines about patent litigation against Apple and the company's competitive situation. As this justifiably generates a great deal of interest we have commented on the situation regularly. We believe, however, that the main theme in Samsung Electronics over the past 15 years has been its ability to constantly redefine its area of expertise, coupled with great innovative skill and its competitive edge. Going forward, we would like to see the company define a sensible shareholder policy.

With their 2011 production problems behind them, Taiwanese Hon Hai posted good results last year. Chinese Lenovo is the world's fastest growing hardware supplier, based on what was formerly IBM's PC business, and there are signs that this company will assert itself globally.

Within the telecom sector, there is enormous growth in the emerging markets, due to both new technology and a colossal market expansion. However, earnings do not always keep pace when markets expand rapidly. We divested ourselves of a state-dominated winner, China Mobile, and added again to our position in Indian Bharti Airtel. The regulatory system in India is improving and Bharti maintains a strong presence in Africa.

Continued belief in value investing

In recent years, investing in global emerging markets has been heavily influenced by investors moving capital around without regard to where value is actually created. Our investment process continues to be to select low priced companies that are prominent in their markets and that have the capacity to grow their business – companies that work in the interests of their shareholders and provide a return on invested capital.

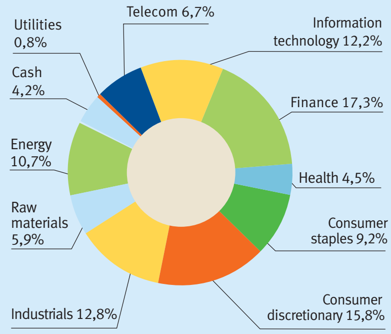
After a number of years where successful, value-oriented management has both created and preserved value, 2012 represented an unwelcome setback. However, we still believe that a solid value orientation when selecting companies will generate the best results over time. Due to rapid growth in the emerging market economies, there is a risk of being lured into paying too much for certain companies. Over time, we expect that SKAGEN's focus on value will serve its unit holders best. What is most important, however, is that value creation in the companies held by the fund is still at record levels. We anticipate that this will generate excellent investment results going forward.

SKAGEN Kon-Tiki

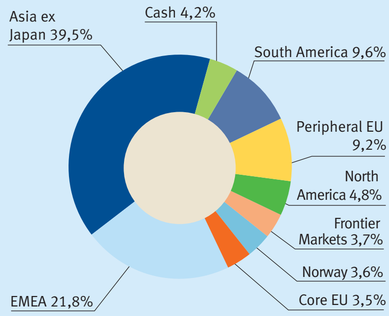
Leading the way in new waters

Skagen reef's lightship. 1892. Detail.
By Carl Locher, one of the Skagen painters.
The picture is owned by the Skagens Museum.

SECTOR DISTRIBUTION

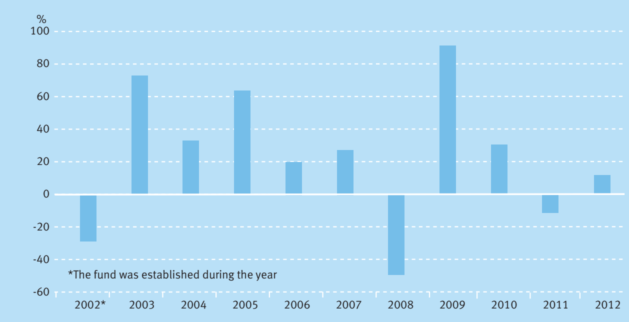


GEOGRAPHICAL DISTRIBUTION

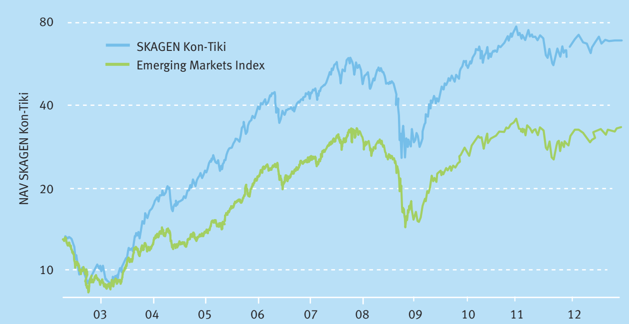


Fund start date	5 April 2002
Return since start	441 %
Average annual return	17,0 %
AUM	EUR 6 287 million
Number of unitholders	85 518

ANNUAL RETURN (IN EUR)



HISTORICAL PRICE DEVELOPMENT (IN EUR)



Portfolio Managers Report

SKAGEN m²

Portfolio managers Peter Almström, Harald Haukås and Michael Gobitschek

› **Underweight**
The portfolio is heavily underweight the US compared to our benchmark index.

› **Global property focus**
We search for companies in the equity market with attractive structures and valuations.

› **Macro issues**
The global property market too is influenced by the major macroeconomic issues in the US, Europe and China.

Robust start

There have been high levels of customer interest in SKAGEN m2 since its launch on 31 October last year. Our message that real estate shares reflect underlying returns on real estate for the long term has been widely recognised.

SKAGEN m²

A share in the global property market

Architect Ulrik Plesner's first extension to Brøndum's hotel. 1892. Detail. By **Johan Peter von Wildenradt, one of the Skagen painters.** The picture belongs to the Skagens Museum..

Fund start date	31 October 2012
Return since start	2 %
AUM	EUR 29 million
Number of unitholders	3 070

Additionally, SKAGEN's value-based investment philosophy provides a framework for achieving higher rates of return in the stock market than direct real estate investments.

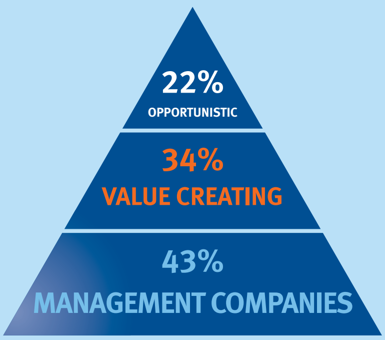
A foundation of property management companies

At the beginning of the year, real estate share prices rose sharply around the world in a market heavily influenced by the major macroeconomic issues in the United States, Europe and China. We picked a focused initial portfolio of 30 shares, which – compared to our benchmark index – was heavily underweight the United States and heavily overweight Southeast Asia. The fact that we deviate from the benchmark index is of minor importance, however, since we focus on long-term absolute returns. And in spite of the portfolio's high level of emerging markets exposure, the initial portfolio's absolute risk was lower than that of the benchmark index. So far, the results have met our expectations in absolute terms: a two-month return in 2012 of 2.2 percent in euros net after fees and with a somewhat lower level of volatility than the benchmark index.

Two months is a short period, so we should not overanalyse the results. Still, it is worth noting that the Norwegian krone had strengthened against all our other investment currencies and that portfolio returns were near four percent measured in local currencies.

We are not managing the fund as a traditional equity fund with sector focus but more along the lines of global real estate investments. Our approach starts with: "Which properties would we want to own?" Then, we search for companies in the equity market with attractive structures and valuations. The portfolio is underpinned by property management companies with strong cash flows from leases and high dividends. Our exposure to development companies is limited because we prefer not to be exposed to the high-risk profiles of such enterprises' earnings. We also steer clear of companies with excessively low cash flow risks because, in our opinion, properties with few, very long leases are too similar to bonds and therefore usually have low expected returns.

CAPITAL ALLOCATION m²



From inception, 43 percent of the fund's capital was invested in ten management companies, most of which pay out dividends. More than one-third was invested in nine value-creating enterprises with strong cash flows but which reinvest their profits rather than pay out high dividends. The remaining 22 percent was invested in real estate shares, which we classify as opportunistic investments.

Shopping malls and hotels contributed positively

Returns from the portfolio's various segments were relatively evenly distributed. Some individual shares have experienced excellent growth – such as SM Prime, the shopping mall operator in the Philippines, Ashford, the U.S. hotel operator, and Evergrande, a Chinese residential property developer for the Chinese mass market. On the negative side, a couple of Brazilian holdings – BR Properties and General Shopping – experienced weak numbers as did several Indonesian development companies whose share prices declined in December. As we enter 2013, we regard these holdings as some of our most interesting portfolio assets.

The worries surrounding the so-called fiscal cliff negotiations in the United States did not impact fund returns dramatically; and the same applied to the Eurozone crisis, which generated only relatively weak turbulence during the final months of the year. The real estate market that stood out the most was that of Japan, where speculation relating to higher inflation combined with a presidential election created a formidable surge in many of Japan's major real estate companies. The Japanese currency declined 10 percent against – among other foreign exchange rates – the Norwegian krone but the Japanese real estate index rose by 15 percent in Norwegian kroner. This, in turn, contributed greatly to a strong finish for the year for our benchmark index, where Japanese real estate shares constitute approximately 10 percent. SKAGEN m2 actively deselected Japanese real estate shares because, in our estimation, they are structurally overpriced and we do not expect the upturn to continue. In relative returns, this divestment cost us nearly 1.5 percent.

We have our spotlight trained on the long term, which invariably means that there will be times when we will miss returns in the short term. We expect to offset this comfortably over the long term and believe in the importance of maintaining our strategic vision and not chase short-term gains.

EQUITY FUND SKAGEN m²

Launched: 31 October 2012. The fund's objective is to generate long-term, risk-adjusted returns using shares and bonds. The strategy is to apply SKAGEN's value-based investment philosophy to invest globally in properties via listed shares.

Portfolio Managers Report
SKAGEN Tellus

Portfolio managers Torgeir Høien and Elisabeth Warland

› Record year
Never before has SKAGEN Tellus delivered such good excess returns to its unit holders.

› Periphery
We chose to invest in the Eurozone periphery, even before the ECB stepped it with its guarantees.

› No safe havens
The fund made a conscious decision to stay away from seemingly safe securities and all yen-denominated debt.

Telling a good story

SKAGEN Tellus had a very good year in 2012, and delivered its best relative result so far – 13.1 percentage points better than the fund's reference index.

Since its inception in 2006 the fund has delivered an annualised return of 6.6 percent, 1.2 percentage points ahead of its index. The fund's volatility has been lower than that of its benchmark, providing unit holders with a good risk-adjusted return.

SKAGEN Tellus is a global bond fund that capitalises on macro trends. We invest in sovereign bonds and currencies to give unit holders the best possible risk-adjusted return. The fund's investment philosophy is to find undervalued bonds and currencies by applying up-to-date economic research, knowledge of economic history, and a sharp focus on current affairs.

The best absolute contributors in 2012 were our holdings in Portugal, Poland, Mexico, Colombia and Lithuania. Even before the Head of the European Central Bank, Mario Draghi, stated that he was prepared to do "whatever it takes" to save the euro, we entered the Eurozone periphery, believing that the common currency area would not be allowed to break up. We expected another Greek default, though, which didn't materialize. The fund stayed out of long-dated "safe haven" securities and all yen-denominated debt.

From 1 January 2013 the fund changed its benchmark to the JP Morgan Global Broad Government Bond Index. This index, which measures the total return in euro of sovereign bonds without any durational limits, better reflects the investment universe available to SKAGEN Tellus. It is also a better known index internationally than the fund's previous index, the Barclay's Capital Global Treasury Index 3-5 years. Nonetheless, historical returns for the two indices have been very similar since the time of SKAGEN Tellus' launch in 2006.

We recommend that our unit holders have an investment horizon of at least three years. This is the time it takes to fully reap the fruits of our investment philosophy and reflects three essentials. First, there is short-term noise in bond and currency markets. Second, there is inherent uncertainty in all things economic; the economy, being ultimately governed by the decisions of billions of people, does not tick like a mechanical watch. Third, we do make the wrong call from time to time. While we do not profess to be omniscient, we do learn from our mistakes, however – and the key to success in an uncertain world is to adjust the fund's portfolio carefully based on a clear vision of the facts and sound economic analysis.

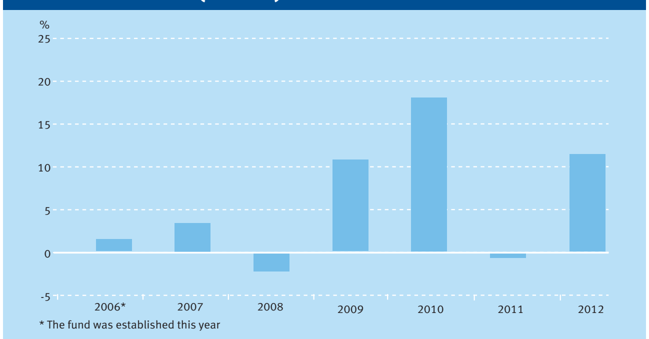
SKAGEN Tellus

A doorway to global interest rates

Interior. Brøndum's annex. Ca. 1920. Detail.
By Anna Ancher, one of the Skagen painters.
The picture is owned by the Skagens Museum.

Fund start date	29 September 2006
Return since start	49 %
Average annual return	6,6 %
AUM	EUR 64 million
Number of unitholders	1956

ANNUAL RETURN (IN EUR)



* The fund was established this year

HISTORICAL PRICE DEVELOPMENT (IN EUR)

Portfolio Managers Report
SKAGEN Avkastning

Portfolio managers Torgeir Høien, Jane Tvedt (on maternity leave) and Elisabeth Warland

› Good foreign investments
The fund profited from almost all of its foreign investments.

› Hedged
Currency hedging has vouched for good results which are only slightly volatile.

› Cheap bonds
We stay away from expensive bonds, such as Norwegian government bonds.

A return to form

SKAGEN Avkastning performed extremely well in 2012 thanks to the fact that the Norwegian bond fund is also at liberty to select attractive foreign government bonds.

The best contributors last year were the fund's investments in Mexico, Slovakia, South Africa and Spain. The fund profited from all its foreign investments, bar a slight loss in Poland. This positive contribution from abroad was due to coupons and gains from the drop in yields – we had invested at the long end of the yield curve whereby bonds gain significantly in value when interest rates fall.

The Norwegian part of the portfolio has been invested in bank securities and deposits with special terms. Altogether bank securities and deposits contributed 45 percent of the total return. Foreign investments, which on average constituted just less than 20 percent of the fund, provided for the remainder of the returns.

All our foreign investments are currency hedged, so changes in exchange rates do not have any impact on the fund's return. Currency hedging has proved beneficial, vouching for high results which are only slightly volatile. The fund has delivered an annual return of six percent since the end of 2008 when we started more active currency hedging. That is 1.4 percentage points more than the annual return for the benchmaark index in the same period. Fluctuations in the fund price have not been higher than in the benchmark index. In other words, unit holders have profited from good risk adjusted returns.

What can we expect going forward? We often hear people say that bonds are expensive and stocks are cheap. That is an oversimplification. In the same way as one can find expensive and cheap stocks, one can also find expensive and cheap bonds. We stay away from Norwegian government bonds as a yield of 2.1 percent over 10 years is not attractive. With expected inflation at 2.5 percent, one is in fact paying to lend the Finance Minister money. Long real interest rates in the US, Germany and the UK are negative too. But there are countries out there that offer an attractive interest rate level, even if one adjusts for expected inflation and takes into account the credit risk. It is precisely these bonds that we strive to get hold of, and we keep them in the portfolio as long as we find them undervalued.

Norwegian bank securities all have floating interest rates. This means that if Norway's central bank puts up the rate, then banks must pay the fund more for us to lend them unit holders' money. And we make sure that the assets are only invested in solid banks with liquid certificates.

The 7.2 percent in 2012 is somewhat more than we can promise our unit holders in 2013. But our ambition is to provide unit holders with the best possible risk adjusted fixed income returns.

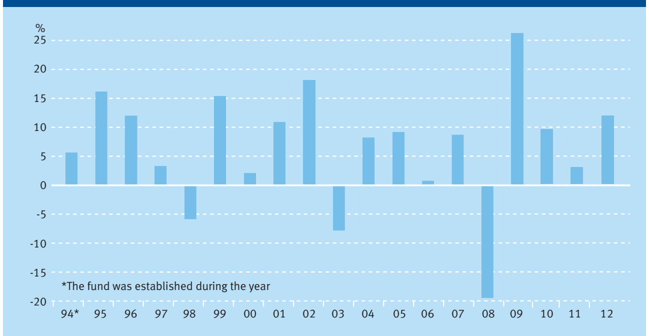
SKAGEN Avkastning

Active interest rate management

Homecoming fishermen. 1879. Detail.
By Frits Thaulow, one of the Skagen painters.
The picture is owned by the Skagens Museum.

Fund start date	16 September 1994
Return since start	220 %
Average annual return	6,6 %
AUM	EUR 152 million
Number of unitholders	14411

ANNUAL RETURN (IN EUR)



HISTORICAL PRICE DEVELOPMENT (IN EUR)

Returns

RETURNS IN EUR	LAST YEAR	PAST 2 YEARS	PAST 3 YEARS	PAST 5 YEARS	PAST 7 YEARS	PAST 10 YEARS	SINCE START
SKAGEN Vekst	15,5%	-3,5%	4,6%	-1,7%	4,2%	14,7%	15,1%
OSEBX/MSCI AC (50/50)	18,0%	4,1%	10,2%	-0,6%	5,3%	14,2%	9,6%
SKAGEN Global	16,2%	4,6%	10,6%	2,2%	6,0%	14,5%	15,5%
MSCI World AC	14,3%	4,6%	9,6%	0,7%	1,3%	5,0%	2,0%
SKAGEN Kon-Tiki	11,4%	-1,7%	7,6%	4,5%	9,4%	22,0%	17,0%
MSCI Emerging Markets	16,4%	-1,0%	7,6%	1,1%	6,7%	13,9%	9,2%
SKAGEN m^2							2,2%
MSCI All Country World Index Real Estate IMI							3,3%
SKAGEN Avkastning	13,11%	8,10%	8,53%	5,21%	5,00%	4,31%	6,57%
ST4X Bond Index	7,80%	7,30%	8,58%	6,80%	5,54%	4,82%	6,65%
SKAGEN Tellus	12,09%	5,52%	9,27%	7,25%			6,57%
Barclays Capital Global Treasury Index 3 - 5 years	-1,08%	3,28%	6,44%	7,13%			5,35%

RISK AND PERFORMANCE MEASUREMENT	SKAGEN VEKST	SKAGEN GLOBAL	SKAGEN KON-TIKI	SKAGEN AVKASTNING	SKAGEN TELLUS*
MEAN VARIANCE ANALYSIS LAST 5 YEARS					
Standard deviation, fund	25,5%	20,2%	24,6%	10,02%	7,66%
Standard deviation, benchmark index	31,1%	15,9%	23,2%	8,27%	9,53%
Sharpe-ratio, fund	-0,13	0,03	0,11	0,34	0,70
Sharpe-ratio, benchmark index	-0,07	-0,06	-0,02	0,60	0,55
Relative volatility/tracking error	10,4%	7,8%	5,2%	5,74%	10,45%
Information ratio	-0,11	0,20	0,63	-0,26	0,01
Correlation	0,95	0,93	0,98	0,82	0,28
Alfa	-1,3%	1,4%	3,2%		
Beta	0,78	1,18	1,04		
R2	91%	87%	96%		
GAIN/LOSS ANALYSIS LAST 5 YEARS					
Relative Gain	86,1%	118,5%	107,2%	109,28%	88,72%
Relative Loss	90,2%	111,6%	96,4%	137,19%	82,05%
Relative Gain Loss Ratio	0,95	1,06	1,11	0,80	1,08
Positive Index Divergence	12,1	10,2	8,9	5,3	11,8
Negative Index Divergence	13,4	8,7	5,7	6,8	11,8
Index divergence ratio	0,90	1,16	1,57	0,78	1,00
Percentage Positive Index Divergence	47,5%	53,8%	61,1%	43,66%	50,02%
Percentage Positive Index Divergence Market Up	25,9%	68,4%	60,3%	44,62%	19,68%
Percentage Positive Index Divergence Market Down	74,1%	40,3%	61,8%	42,73%	83,31%
Percentage of number of positive index divergence	37%	55%	55%	56,67%	58,33%
Percentage of number of positive index divergence when market is up	26%	66%	56%	50,00%	38,71%
Percentage of number of positive index divergence when market is down	50%	43%	54%	66,67%	79,31%
VALUE AT RISK LAST 5 YEARS 2.5 % CONFIDENCE					
Value at Risk: observed, NAV	-20,4%	-15,0%	-19,0%	-7,63%	-4,98%
Value at Risk: observed, Benchmark	-26,9%	-10,0%	-16,8%	-5,19%	-3,74%
Relative Value at Risk: observed	-5,0%	-6,4%	-3,9%	-6,51%	-9,54%
GAIN/LOSS SINCE START					
Relative Gain	96 %	158 %	121 %	108,61 %	91,71 %
Relative Loss	78 %	104 %	100 %	113,07 %	78,21 %
Relative Gain Loss Ratio	1,23	1,52	1,21	0,96	1,17
Positive Index Divergence	14,77	20,32	12,69	4,38	12,07
Negative Index Divergence	9,92	8,37	5,88	4,39	11,09
Index divergence ratio	1,49	2,43	2,16	1,00	1,09

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.

Explanation of concepts

All calculations of measurements are based on monthly observations.

Traditional risk and performance measurements

Standard deviation is a measure of the variation of annual returns. There is approximately a 65 percent probability that annual returns will be in the range of plus/minus one standard deviation. The probability that returns will deviate more than two standard deviations from the expected return is approximately five percent. A high standard deviation may indicate high risk.

Sharpe ratio measures the probability of the fund generating a higher return than the risk-free interest rate. The higher the score, the higher the probability. The higher the probability, the more certain are the chances of achieving excess returns in the equity market. Thus, the value may be used as a long-term measure of risk, but is often used as an absolute measure of risk-adjusted returns.

Relative volatility is the standard deviation of the annual excess return relative to the benchmark during the relevant period. Relative volatility measures the manager's ability to create regular excess returns relative to the benchmark, but is often used as a measure of a fund's independence of the benchmark.

Information Ratio measures the probability of the fund generating a higher return than its benchmark. The higher the score, the higher the probability of achieving excess returns. The information ratio is also used as a measure of risk-adjusted excess returns, where risk is construed as the chance of uneven excess returns. Thus, the information ratio measures the manager's ability to create certain excess returns, whereas relative volatility measures the ability to generate regular excess return.

Alpha is a risk-adjusted measure of the so-called active return on an investment. It is the return in excess of the compensation for the risk borne, and thus commonly used to assess active managers' performance. It can be shown that in an efficient market, the expected value of the alpha coefficient is zero. Therefore the alpha coefficient indicates how an investment has performed after accounting for the risk it involved

An alpha value less than zero means the investment has provided too little return relative to the given risk (or had too high a risk in terms of yield).

An alpha value of zero means the investment has earned a return adequate for the risk taken. An alpha value of over zero means the investment has a return in excess of the reward for the assumed risk.

Beta of a stock or portfolio is a number describing the relation of its returns with that of the financial market as a whole. An asset with a beta of 0 means that its price is not at all correlated with the market. A positive beta means that the asset generally follows the market. A negative beta shows that the asset inversely follows the market, if the market goes up, then the asset generally decreases in value and vice versa. Instead of the market in general SKAGEN applies the fund's reference index.

R2 is used in the context of statistical models whose main purpose is the prediction of future outcomes on the basis of other related information. It is the proportion of variability in a data set that is accounted for by the statistical model. It provides a measure of how well future outcomes are likely to be predicted by the model. A high value (close to 100%) indicates a high and good explanatory power.

Correlation is a measure of relationship between a set of two variables or measurements. A high correlation means that one set of variables can be predicted from the other and vice versa. In this case a high correlation (close to 100%) means that the asset or portfolio follows the market closely.

Value at Risk (VaR) is a widely used risk measure of the risk of loss on a specific portfolio of financial assets. VaR here corresponds to how much you can risk losing in a month with 2.5% probability. Calculations are both parametric and observed figures from the past five years. Given that the observations of the last five years are among the worst in the last 30 years, it is expected that the calculation based on these observations shows a greater loss potential than the parametric calculation (based on standard deviation).

The relative VaR is a measure of the worst under performance in a month

Profit and loss analysis

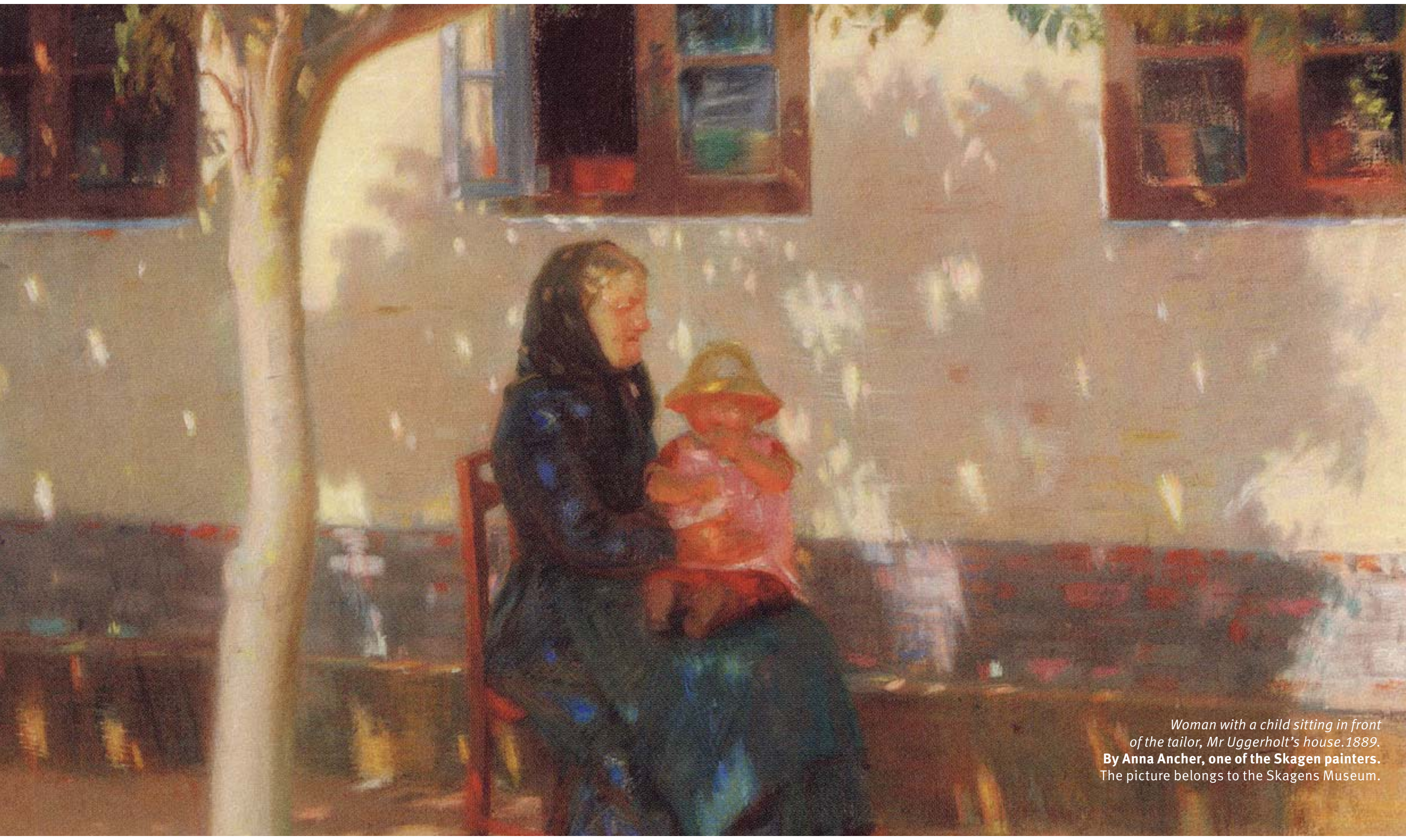
Relative gain/relative loss is a measure of the ability to achieve excess returns in cyclical upturns and downturns, respectively. A relative loss of 80 percent means that the fund has suffered a loss corresponding to the loss it would have suffered if it were invested 80 percent in the benchmark and 20 percent in risk-free securities.

A relative loss of less than 100 percent means that the fund is losing less than the market in a cyclical downturn. A relative gain of more than 100 percent means that the fund is performing better than the market in a cyclical upturn. If you compare with a fund's standard deviation, these measures may explain why the standard deviation is higher or lower than the benchmark.

Relative gain/relative loss ratio shows the ratio between relative gain and relative loss. A value above one means that the fund is getting better paid for the risk assumed relative to the benchmark. When ranking funds investing in the same market, the measure is strongly correlated with the Sharpe ratio, but also shows whether the risk-adjusted return is better than the risk-adjusted return of the market. Thus, the measure may be used to compare funds in different markets, as opposed to the Sharpe ratio, which may only be used to compare funds investing in the same market.

Positive/negative index divergence shows positive or negative annual divergence during the relevant period. If positive divergences are greater than the negative ones, the fund has achieved a higher return than the benchmark. The total of
positive and negative divergences is a measure of the fund's independence from the benchmark.

Index divergence ratio shows the ratio between positive and negative benchmark divergences. This is a measure of the ability to create excess returns. The higher the number, the better you get paid for each negative benchmark divergence. The benchmark divergence ratio interprets risk as the chance of negative index divergences, as opposed to the Information Ratio, which construes the risk as irregular excess returns (not necessarily negative excess returns).



Woman with a child sitting in front of the tailor, Mr Uggerholt's house.1889.
By Anna Ancher, one of the Skagen painters.
The picture belongs to the 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 AS	7,29 %
Other	14,88 %

NUMBER OF UNITS OWNED BY BOARD MEMBERS AND KEY PERSONS

NAME	NUMBER OF UNITS	POSITION
Martin Gjelsvik	13795	Chairman of the Board and owner
Tor Dagfinn Veen	744624	Board member and owner
Barbro Johansson	342	Board member, elected by the shareholders
Yuhong Jin Hermansen	301002	Board member, elected by the unit holders
Per Gustav Blom	412	Board member, elected by the unit holders
Jesper Rangvid	0	Deputy member, elected by the shareholders
Anne Sophie K. Stensrud	1455	Deputy member and owner
Martin Petersson	898	Deputy member, elected by unit holders
Harald Espedal	442090	Managing director and owner
Kristian Falnes	1569599	Portfolio manager and owner
J. Kristoffer C. Stensrud	2993444	Portfolio manager and owner
Åge K. Westbø	939212	Deputy managing director and owner

THE ELECTION COMMITTEE

The election committee consists of Sigve Erland (Chair), Mette Lundh Håkestad and Ola Lauritzson. The election committee proposes candidates for unit holder representatives for the Board of Directors of SKAGEN AS.

Faith and doubt

Once again in 2012 there was little focus in the market on what is central to SKAGEN's investment philosophy: company valuation. The debt crisis in Europe and its consequences, the fiscal cliff and presidential election in the US, as well as concerns about economic growth and leadership change in China all influenced the mood.

During large parts of the year the financial markets were dominated by shifting macroeconomic conditions, and less by developments in individual companies. We still believe that over time share price developments will follow value creation in individual companies.

It was also a challenging year for some of SKAGEN's mutual funds, although all of the funds delivered returns well over the risk-free interest rate. The Board is grateful for the confidence our clients have shown, reflected in net investments of NOK 3.3 billion (EUR 455 million) in SKAGEN's mutual funds during the year.

What happened in 2012?

Optimism and an increased appetite for risk among equity investors resulted in strong performance in the global stock market in the first quarter. So strong in fact, that we have only seen anything like it six times in the past 40 years. This despite the fact that consumers in developed markets continued to be restrained with their consumption and businesses preferred to hold on to their money rather than make new investments. Disappointing economic key figures, renewed debt fears in Europe and weaker growth figures from China in the second quarter reversed the good start to the year and at the half year point stock markets were back where they started. "Grexit" and "Spainout" became increasingly common expressions among investors. In the third quarter the central banks in Europe and the US provided stimulus to increase risk appetites by printing money and this gave stock markets another lift, although concerns about growth in China and social unrest in Southern Europe persisted. There were few major events in the fourth quarter. There was sideways movement in the global stock market, with a positive undertone towards the end of the year. The market also focused more on companies' performance and less on macroeconomic conditions, making it a good quarter for several of SKAGEN's equity funds.

Negative developments in Brazilian Eletrobras was the single biggest reason for the weak relative performance of two of SKAGEN's equity funds in 2012. The electricity producer has nevertheless contributed positively to the funds' performance over time.

Eletrobras is an example both of the potential to be found in the emerging markets as well as the risk they represent. At the same time it is important to underline the fact that such risks also can provide the return opportunities that SKAGEN seeks.

What can we expect in 2013?

The macroeconomic focus which led to the high correlation between stocks and created challenges for active managers like SKAGEN waned towards the end of 2012. Less uncertainty about economic developments provided more focus on the individual values and pricing of companies. We believe the framework is present for this to continue in 2013. Moreover, the world appears more balanced going into 2013. The US, the Eurozone and the UK have become much more competitive compared to their trading partners, and this has led to an improvement in the balance of trade. In the most troubled economies in Southern Europe labour costs have fallen and competitiveness has significantly improved. This seems to be having a stabilising effect on economies. The Chinese economy continues to grow – something we also see among trading partners bordering China.

However, there are also concerns. Although there are indications of increased faith in the future, last year demonstrated that decision makers both in the financial world and in companies quickly allow themselves to be influenced by mood changes. If growth is to pick up, the markets must show an increased willingness to look beyond the short term economic developments. The fiscal problems in the Eurozone, US and Japan have yet to be resolved, and if growth does not pick up, they may escalate and be reflected in new issues.

SKAGEN is going into 2013 with an equity fund portfolio which has a historically low valuation – both in terms of price relative to earnings and relative to equity, as well as being at a historic discount to stock markets in general. In the long run we expect company developments to determine share price developments.

New funds in 2012

SKAGEN launched two new funds in 2012.

The combination fund SKAGEN Balanse 60/40 was established on 29 February 2012. The fund is made up of 60 percent equity funds and 40 percent fixed income funds. It is a fund-of-fund that invests in SKAGEN's funds: Three equity funds, two money market funds and one bond fund. The aim is to achieve the best possible return relative to the risk within the fund's investment mandate. SKAGEN Balanse 60/40 should do what many investors find difficult, namely buy units in equity funds when the stock markets fall and units in fixed income funds when the stock markets rise. In so doing the 60/40 balance is maintained over time. The fund is suitable for investors who do not want 100 percent exposure to the equity market, but who can tolerate higher risk than saving solely in the bank.

SKAGEN m² was established on 31 October 2012 and is an equity fund that invests in undervalued, under-researched and unpopular property companies around the world. The fund's aim is to achieve the best possible return relative to the risk within the fund's investment mandate. SKAGEN m² is suitable for unit holders who want to benefit from value creation in the global property market by applying SKAGEN's value-based investment philosophy and to easily diversify their property investments. SKAGEN m2 provides reasonably priced access to the global property market; something that is usually expensive, complicated and requires local market knowledge.

Assets under management

Assets under management increased in 2012 by NOK 10.5 billion (EUR 2.2 billion) from NOK 98.8 billion (EUR 12.7 billion) to NOK 109.3 billion (EUR 14.9 billion). A low level of redemptions through the year and a good increase in new subscriptions towards the end of the year resulted in net new subscriptions of NOK 3.3 billion (EUR 455 million) in the funds. The value increase was NOK 7.2 billion (EUR 1.7 billion).

Although there were net redemptions in Norway, SKAGEN has retained its position as the largest fund manager in the Norwegian mutual fund industry. New net subscriptions in Sweden, Denmark and the other international markets totalled NOK 3.8 billion (EUR 523 million) in SKAGEN's equity funds in 2012.

The fixed income funds had net redemptions of NOK 0.5 billion (EUR 78 million), which is entirely due to redemptions in Norway, while there were good new net subscriptions in Sweden.

SKAGEN's markets outside Norway have grown satisfactorily. The largest contributor to growth in 2012 came from subscriptions from unit holders in the Netherlands. As of the end of 2012 Norwegian clients constituted 42% of the total assets under management, other Scandinavian clients 33% while clients outside

Martin Gjelsvik
Chairman of the Board and owner

Tor Dagfinn Veen
Board member and owner

Barbro Johansson
Board member, elected by shareholders

Yuhong Jin Hermansen
Board member, elected by unit holders

Scandinavia accounted for 25%.

There were no unusually large redemptions in the equity or fixed income funds in 2012.

Returns in the funds

2012 was a demanding year for value managers and several of SKAGEN's equity funds delivered an unsatisfactory performance in relative terms.

SKAGEN Global delivered a satisfactory result, both in absolute and relative terms. The fund was up 10.2 percent* (16.2%) versus a gain of 8.3 percent (14.3%) for the world index. The fund's average annual return since inception in 1997 is 14.8 percent (15.5%). SKAGEN Global ranked among the 13 percent best funds in Standard & Poors' overview of global equity funds over a five year period.

SKAGEN Kon-Tiki was up 5.6 percent (11.4%) compared with the emerging markets index which rose 10.3 percent (16.4%). This is the first time since the fund's inception in 2002 that the fund has underperformed the benchmark index. The fund's average annual return since inception is 16.6 percent (17.0%). SKAGEN Kon-Tiki ranked among the 7 percent best funds in Standard & Poors' overview of emerging markets equity funds over a five year period.

SKAGEN Vekst gained 9.5 percent (15.5%), versus the benchmark index which rose 11.8 percent (18.0%). The fund's annual average return since start in 1993 is 14.3 percent (15.1%). SKAGEN m² which was launched on 31 October 2012 rose 1.5 percent (2.2%), compared with the benchmark which was up 2.6 percent (3.3%). SKAGEN's fixed income funds had a very good year in 2012, in both absolute and relative terms. SKAGEN Tellus was up 12.09 percent measured in euro, which is the fund's base currency, while the benchmark index fell 1.08 percent. SKAGEN Avkastning achieved a return of 7.19 percent (13.1%) versus a gain of 2.17 percent (7.8%) for the benchmark index.

Measured in Norwegian kroner, SKAGEN Høyrente achieved a return of 3.59 percent, while the average 3-month NIBOR for the year was 2.24 percent and the benchmark index returned 1.50 percent. SKAGEN Høyrente Institusjon gained 3.37 percent.

SKAGEN Krona returned 3.83 percent measured in Swedish kroner versus 1.21 percent for the benchmark index. SKAGEN Balanse 60/40 which was launched on 29 February 2012 gained 1.8 percent (3.2%) versus a gain of 2.5 percent (3.9%) for the benchmark index.

Unit holder meetings

The new act on securities funds which entered into force on 1 January 2012 has reinforced unit holder democracy by introducing unit holder meetings as a new decision-making body. Unit holders have been given the authority through unit holder meetings to approve changes to articles of association and the merging of funds, provided that 75 percent of the votes represented at the meeting vote in favour of the change. The Financial Supervisory Authority of Norway shall continue to ensure that the changes are lawful and that the management companies have followed the necessary procedures. According to the new regulations, however, unit holders will be given the opportunity to assess and vote on which changes they believe are in their interests.

In 2012 one such unit holder meeting was held in SKAGEN Tellus, whereby the change of benchmark index was approved. Furthermore, a unit holder meeting has been convened on 27 February 2013 where the introduction of new standard articles of association shall be considered. It will also be possible for unit holders to vote in advance via SKAGEN's webpages in order to ensure that as many people as possible have their say.

Focus on client dialogue

SKAGEN aims to provide clients with the best possible service, follow-up and communication, and strives to be innovative and unique in its client service and communication.

SKAGEN's webpages give a good overview of the funds' performance and prices as well as an improved news service which provides for direct communication with SKAGEN's employees. Meanwhile the web portal "My Page" provides unit holders with tailor-made information, reports and analysis on their holdings in SKAGEN's funds.

There has been a lot of activity in all of the countries where SKAGEN's funds are marketed. The offices in Norway, Sweden and Denmark have hosted inspiration, lunch and theme meetings, all with good attendance. The office in the Netherlands, which was established in 2011, is making good progress meeting clients in various channels. In the UK, SKAGEN mostly has institutional clients. There are often specific legal requirements regarding managing assets for this client group, and employees at the London office have spent a lot of time with clients and consultants reviewing SKAGEN's investment philosophy, risk management and internal control. SKAGEN also dedicates substantial resources towards ensuring that distributors in the various countries have sufficient knowledge about SKAGEN's funds and that clients have the correct experience of SKAGEN, even when operating through distributors.

Each year SKAGEN carries out a client survey in Norway and Sweden where we have the highest proportion of direct clients, to evaluate whether the company fulfils its goal of providing the best possible service and follow-up. The 2012 client survey shows that clients are still satisfied with SKAGEN.

SKAGEN's employees

At the end of 2012, SKAGEN has 177 employees divided between six offices in Norway (Stavanger, Trondheim, Ålesund, Bergen, Oslo and Tønsberg), two offices in Sweden (Stockholm and Gothenburg), and one office each in Denmark (Copenhagen), the UK (London) and the Netherlands (Amsterdam). SKAGEN's funds are also marketed in Finland, Switzerland, Luxembourg, Italy and Iceland.

During its almost 20 years of business, SKAGEN has had an incentive structure and ownership model that encourages long-term planning and sustainable risk levels. The management company's earnings fluctuate considerably with the markets and it has been essential to keep a low fixed cost base in order to sustain the organisation and maintain competence levels during hard times. In order to be able to recruit and keep the best employees in a global market, SKAGEN must be able to pay a variable income when the company shows strong results.

SKAGEN has a compensation model that is intended to encourage employees to work together to provide clients with the highest possible risk-adjusted returns. The model promotes cooperation between all departments to ensure that clients experience SKAGEN in the best possible way, also with respect to service, competent follow-up and communication. No employees have their salary directly tied to subscription

* Performance figures are given in Norwegian kroner while figures in brackets show euro figures

Per Gustav Blom
Board member, elected by unit holders

Martin Petersson
Deputy member, elected by unit holders

Jesper Rangvid
Deputy member, elected by shareholders

Anne Sophie K. Stensrud
Deputy member and owner

results. Thus we avoid the negative aspects often associated with such arrangements, including unhealthy internal competition and sales pressure, protection of own expertise and poor utilisation of employee resources.

Employee know-how and competency development is a priority for SKAGEN and our clients. At the end of 2012 nearly all of SKAGEN's client representatives are authorised financial advisors. The program has high requirements for theoretical and practical knowledge, and employees who deal with clients must sit examinations supervised by an independent committee. In Sweden a similar authorisation scheme was introduced in 2005, and all our Swedish advisors are authorised in accordance with it.

SKAGEN recruits employees with diverse backgrounds, and seeks to achieve a balance between male and female employees. At the end of the year, there were 62 female and 115 male employees. There are equal opportunities for both genders with respect to terms of employment and pay. In 2012, SKAGEN had an absence rate due to illness of 3.7 percent.

The Board of Directors wishes to thank all employees for a great effort in 2012. Employee competence and conduct are decisive to SKAGEN's performance.

Organisation

SKAGEN AS is supervised by the Financial Supervisory Authority of Norway, and is the manager for SKAGEN's funds. Handelsbanken is the funds' custodian and the Norwegian Central Securities Depository (VPS) is the registrar for SKAGEN's registry of unit holders.

Risk management

The Board has approved the funds' risk profile, which shall be reviewed at least annually, and receives regular risk reports. SKAGEN's funds take a holistic approach to managing market risk, credit risk, liquidity risk, operational and legal risk and reputational risk. Employees responsible for risk and compliance work in close cooperation with the various departments, but at the same time remain independent and report directly to the Board.

Financial risk

The funds carry no financial risk, as they only have short-term debt connected with the settlement of securities.

Market risk, credit risk and liquidity risk

Risk in securities funds arise as a consequence of market movements, developments in currency, interest rates and the economic cycle as well as sector and company specific issues. In 2012 the risk was within expected levels at portfolio level, although some companies, for example the above-mentioned Eletrobras, demonstrated greater market fluctuation than expected.

In addition to statutory requirements, SKAGEN takes different approaches to managing the relevant risk categories. SKAGEN aims to reduce the market risk by diversifying investments between various sector, country and currency types. SKAGEN applies the investment philosophy when analysing a company's valuation, product/market matrix, gearing and the liquidity of the security. Investments in the fixed income funds are made based on an evaluation of the creditworthiness of individual issuers and the general economic and institutional conditions in the country in which the issuer resides and the credit risk is limited by having a minimum requirement regarding creditworthiness and counterparty type.

Liquidity risk is assessed on a regular basis, among other things by reviewing historically large net redemptions relative to conservative estimates of the potential to sell each security.

SKAGEN has drawn up internal routines to reduce the risk of operational errors that could have an impact on the funds.

Both legal requirements and internal guidelines have been adhered to in 2012.

The Board confirms that the premise of the management company as a going concern continues to be fulfilled.

Investment philosophy

The Board adheres to SKAGEN's investment philosophy and business concept. We are convinced that the best way to create excess return for clients – currently as previously – is to have an active investment philosophy whereby portfolio managers seek unpopular, under-researched and undervalued companies. The same principles apply to the managers of SKAGEN's fixed income funds: the funds will be actively managed on the basis of our own analyses of the markets, issuers and the individual securities.

Proposal for the allocation of funds' income:

(ALL FIGURES IN 1,000 NOK)	SKAGEN VEKST	SKAGEN GLOBAL	SKAGEN KON-TIKI	SKAGEN M^2	SKAGEN BALANSE 60/40	SKAGEN AVKASTNING	SKAGEN HØYRENTE	SKAGEN HØYRENTE INSTITUSJON	SKAGEN TELLUS	SKAGEN KRONA (IN SEK)
INCOME STATEMENT	**666 539**	**3 072 860**	**2 139 995**	**3 116**	**1 282**	**72 238**	**142 379**	**49 173**	**27 244**	**19 475**
Allocation of net income										
Transfer to/from retained earnings	666 539	3 072 860	2 139 995	3 116	1 282	35 632	23 093	10 662	27 244	-9 056
Allocation for distribution to unit holders	-	-	-	-	-	36 606	119 286	38 511	-	-
Net distributed to unit holders during the year	-	-	-	-	-	-	-	-	-	28 531
TOTAL	**666 539**	**3 072 860**	**2 139 995**	**3 116**	**1 282**	**72 238**	**142 379**	**49 173**	**27 244**	**19 475**

Stavanger 24 January 2013
Board of SKAGEN AS

Martin Gjelsvik · Tor Dagfinn Veen · Martin Petersson · Yuhong Jin Hermansen · Barbro Johansson · Anne S.K. Stensrud · Jesper Rangvid · Per Gustav Blom

Annual Financial Statement 2012

INCOME STATEMENT		SKAGEN Vekst		SKAGEN Global		SKAGEN Kon-Tiki		SKAGEN m2*	SKAGEN Avkastning	
(all figures in 1,000 NOK)	Notes	2012	2011	2012	2011	2012	2011	2012	2012	2011
Portfolio revenue and costs										
Interest income and costs		-2 024	2 968	-5 913	10 718	5 790	3 095	50	37 264	47 929
Dividends		195 731	229 888	884 975	865 689	1 195 258	1 186 069	427	-	-
Realised capital gain/loss		-37 525	599 268	590 257	1 878 281	273 256	1 939 949	41	5 506	-10 206
Change unrealised gain/loss	7	652 076	-2 714 579	2 222 686	-4 789 248	1 589 782	-8 678 665	3 585	21 251	-8 818
Guarantee commission		-	935	-	-	-	-	-	-	-
Brokers' fees		-7 640	-5 529	-26 867	-41 368	-47 478	-48 264	-474	-10	-15
Currency gain/loss		-21 866	15 037	-101 630	29 323	-80 649	20 414	-185	13 451	11 421
PORTFOLIO RESULT		**778 751**	**-1 872 011**	**3 563 508**	**-2 046 605**	**2 935 959**	**-5 577 402**	**3 444**	**77 463**	**40 311**
Management revenue and costs										
Management fee - fixed	8	-74 873	-88 680	-330 487	-328 727	-888 357	-877 109	-466	-5 225	-6 493
Management fee - variable	8	-25 740	-	-63 312	-	222 463	-123 697	183	-	-
ASSET MANAGEMENT RESULT		**-100 613**	**-88 680**	**-393 799**	**-328 727**	**-665 894**	**-1 000 806**	**-283**	**-5 225**	**-6 493**
RESULT BEFORE TAX		**678 139**	**-1 960 691**	**3 169 709**	**-2 375 332**	**2 270 065**	**-6 578 208**	**3 161**	**72 238**	**33 818**
Tax cost	10	-11 600	-11 836	-96 849	-91 281	-130 070	-115 280	-45	-	-149
NET INCOME		**666 539**	**-1 972 527**	**3 072 860**	**-2 466 614**	**2 139 995**	**-6 693 488**	**3 116**	**72 238**	**33 669**
Allocation of net income										
Transfer to/from retained earnings	9	666 539	-1 972 527	3 072 860	-2 466 614	2 139 995	-6 693 488	3 116	35 632	33 669
Allocated for distribution to unit holders	9	-	-	-	-	-	-	-	36 606	-
Net distributed to unit holders during the year	9	-	-	-	-	-	-	-	-	-
TOTAL		**666 539**	**-1 972 527**	**3 072 860**	**-2 466 614**	**2 139 995**	**-6 693 488**	**3 116**	**72 238**	**33 669**

BALANCE SHEET		31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2012	31.12.2011
Assets										
Norwegian securities at cost price	3,7	3 448 770	4 105 295	914 112	834 454	1 042 332	1 534 084	4 720	793 547	810 238
Foreign securities at cost price	3,7	3 178 796	3 397 189	29 264 262	29 672 148	38 524 216	35 051 221	191 991	153 977	256 987
Unrealised capital gain/loss	7	398 998	-253 078	2 403 282	180 596	4 657 004	3 067 222	3 585	13 168	-8 083
Accrued interest securities	7	-	857	-	-	-	-	-	6 950	8 221
TOTAL SECURITIES PORTFOLIO		**7 026 564**	**7 250 263**	**32 581 656**	**30 687 198**	**44 223 552**	**39 652 527**	**200 296**	**967 642**	**1 067 363**
Dividend receivable		8 091	14 021	150 691	152 460	137 273	148 611	151	-	-
Accrued interest bank		-	-	-	-	-	-	-	-	-
TOTAL ACCRUED INCOME		**8 091**	**14 021**	**150 691**	**152 460**	**137 273**	**148 611**	**151**	**-**	**-**
Accounts receivable - brokers		794	1 244	16 912	369	14 210	5 701	-	-	-
Accounts receivable - management company		1	2	4	2	8	7	5	-	-
Tax receivable on dividends		5 602	3 159	30 658	23 590	2 284	2 570	-	-	-
Other receivables		-	-	-	-	-	-	-	-	-
TOTAL OTHER RECEIVABLES		**6 398**	**4 405**	**47 574**	**23 961**	**16 503**	**8 277**	**5**	**-**	**-**
Bank deposits		190 556	85 091	1 726 057	710 937	1 973 195	1 350 158	14 583	148 923	89 938
TOTAL ASSETS		**7 231 609**	**7 353 780**	**34 505 978**	**31 574 557**	**46 350 522**	**41 159 574**	**215 034**	**1 116 565**	**1 157 301**
Equity Capital										
Unit capital at par value	9	559 112	624 396	4 103 250	4 148 123	8 889 649	8 268 739	210 869	788 149	874 664
Premium	9	-1 588 476	-845 214	17 287 148	17 496 070	23 779 564	21 034 537	7	277 172	303 416
TOTAL PAID-IN EQUITY CAPITAL		**-1 029 364**	**-220 818**	**21 390 398**	**21 644 193**	**32 669 214**	**29 303 275**	**210 876**	**1 065 321**	**1 178 080**
Retained earnings	9	8 211 354	7 544 815	12 882 465	9 809 605	13 518 639	11 378 644	3 116	13 420	-23 261
Allocated to unitholders for reinvestment in new units	9	-	-	-	-	-	-	-	36 124	-483
TOTAL EQUITY CAPITAL		**7 181 990**	**7 323 997**	**34 272 863**	**31 453 798**	**46 187 853**	**40 681 919**	**213 992**	**1 114 865**	**1 154 337**
Debt										
Deferred tax	10	-	-	-	-	-	-	12	-	-
Accounts payable - brokers		4 334	6 467	50 841	7 789	127 765	118 077	607	-	-
Accounts payable - management company		43 379	18 305	147 900	78 034	2 589	321 669	283	1 373	1 571
Other debt		1 905	5 011	34 373	34 935	32 316	37 908	140	327	1 394
TOTAL OTHER DEBT		**49 619**	**29 783**	**233 114**	**120 758**	**162 670**	**477 655**	**1 042**	**1 700**	**2 965**
TOTAL DEBT AND EQUITY CAPITAL		**7 231 609**	**7 353 780**	**34 505 978**	**31 574 557**	**46 350 522**	**41 159 574**	**215 034**	**1 116 565**	**1 157 301**

* The fund was launched on 31.10.2012

Stavanger 24 January 2013
Board of SKAGEN AS

Martin Gjelsvik | Tor Dagfinn Veen | Martin Petersson | Yuhong Jin Hermansen | Barbro Johansson | Anne S.K. Stensrud | Jesper Rangvid | Per Gustav Blom

INCOME STATEMENT (all figures in 1,000 NOK)	Notes	SKAGEN Høyrente 2012	SKAGEN Høyrente 2011	SKAGEN Høyrente Institusjon 2012	SKAGEN Høyrente Institusjon 2011	SKAGEN Tellus 2012	SKAGEN Tellus 2011	SKAGEN Krona* 2012	SKAGEN Krona* 2011	SKAGEN Balanse 60/40** 2012
Portfolio revenue and costs										
Interest income and costs		135 347	138839	47 518	54 374	18 315	12 205	18933	8 532	693
Dividends		-	-	-	-	-	-	-	-	-
Realised capital gain/loss		1 456	337	-566	-628	5 898	-30714	-	-	-104
Change unrealised gain/loss	7	15772	-5 563	4 511	-815	8035	7492	1732	93	930
Guarantee commission		-	-	-	-	-	-	-	-	-
Brokers' fees		-99	-139	-64	-86	-15	-31	-97	-63	-
Currency gain/loss		-	-	-	-	-1 022	-740	-	-	-
PORTFOLIO RESULT		**152 475**	**133 473**	**51 399**	**52 845**	**31 210**	**-11 788**	**20 569**	**8 563**	**1 518**
Management revenue and costs										
Management fee - fixed	8	-10096	-9924	-2 225	-2 342	-3889	-5 636	-1 094	-584	-
Management fee - variable	8	-	-	-	-	-	-	-	-	-
ASSET MANAGEMENT RESULT		**-10 096**	**-9 924**	**-2 225**	**-2 342**	**-3 889**	**-5 636**	**-1 094**	**-584**	**-**
RESULT BEFORE TAX		**142 379**	**123 550**	**49 173**	**50 503**	**27 322**	**-17 424**	**19 475**	**7 979**	**1 518**
Tax cost	10	-	-	-	-	-78	-290	-	-	-236
NET INCOME		**142 379**	**123 550**	**49 173**	**50 503**	**27 244**	**-17 713**	**19 475**	**7 979**	**1 282**
Allocation of net income										
Transfer to/from retained earnings	9	23093	-9553	10662	-4670	27 244	-17713	-9056	-1 520	1 282
Allocated for distribution to unit holders	9	119 286	133102	38511	55173	-	-	-	-	-
Net distributed to unit holders during the year	9	-	-	-	-	-	-	28531	9499	-
TOTAL		**142 379**	**123 550**	**49 173**	**50 503**	**27 244**	**-17 713**	**19 475**	**7 979**	**1 282**

BALANCE SHEET		31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012
Assets										
Norwegian securities at cost price	3,7	2 984 971	3 340 674	797 137	1 286 629	-	29393	-	-	68 277
Foreign securities at cost price	3,7	-	-	-	-	439 235	468 383	795 819	396 565	-
Unrealised capital gain/loss	7	10651	-5 121	3480	-1031	14717	6682	1 558	-174	930
Accrued interest securities	7	13 202	19787	5193	7631	7 940	6086	3359	1835	-
TOTAL SECURITIES PORTFOLIO		**3 008 825**	**3 355 340**	**805 810**	**1 293 229**	**461 892**	**510 544**	**800 736**	**398 226**	**69 207**
Dividend receivable		-	-	-	-	-	-	-	-	-
Accrued interest bank		-	-	-	-	-	-	-	-	-
TOTAL ACCRUED INCOME		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Accounts receivable - brokers		-	-	-	-	-	-	-	10042	-
Accounts receivable - management company		-	-	-	-	1	1	-	-	-
Tax receivable on dividends		-	-	-	-	852	893	-	-	-
Other receivables		179	-	-	-	-	-	-	-	-
TOTAL OTHER RECEIVABLES		**179**	**-**	**-**	**-**	**854**	**894**	**-**	**10 042**	**-**
Bank deposits		850 446	832701	489951	425 173	8951	24 278	29083	6191	408
TOTAL ASSETS		**3 859 449**	**4 188 041**	**1 295 761**	**1 718 402**	**471 696**	**535 716**	**829 819**	**414 459**	**69 615**
Equity Capital										
Unit capital at par value	9	3 693 165	4019037	1 256 286	1666756	423042	508973	818 539	390066	68116
Premium	9	33864	37727	-2937	-3 256	44 285	48907	6171	1891	-43
TOTAL PAID-IN EQUITY CAPITAL		**3 727 029**	**4 056 764**	**1 253 349**	**1 663 500**	**467 327**	**557 880**	**824 710**	**391 957**	**68 073**
Retained earnings	9	10 274	-5 251	3123	-1 172	3301	-23942	1 647	1 035	1 282
Allocated to unitholders for reinvestment in new units	9	119 583	133 570	38750	55411	-41	-41	-	-	-
TOTAL EQUITY CAPITAL		**3 856 886**	**4 185 083**	**1 295 222**	**1 717 740**	**470 588**	**533 897**	**826 357**	**392 991**	**69 356**
Debt										
Deferred tax	10	-	-	-	-	-	-	-	-	29
Accounts payable - brokers		-	-	-	-	-	-	-	9 915	-
Accounts payable - management company		2 563	2 712	539	662	959	1 228	363	203	-
Other debt		-	246	-	-	150	591	3 099	11 350	230
TOTAL OTHER DEBT		**2 563**	**2 958**	**539**	**662**	**1 109**	**1 819**	**3 462**	**21 468**	**259**
TOTAL DEBT AND EQUITY CAPITAL		**3 859 449**	**4 188 041**	**1 295 761**	**1 718 402**	**471 696**	**535 716**	**829 819**	**414 459**	**69 615**

* In 1000 SEK
** The fund came into operation on 29.02.2012

Stavanger 24 January 2013
Board of SKAGEN AS

Martin Gjelsvik · Tor Dagfinn Veen · Martin Petersson · Yuhong Jin Hermansen · Barbro Johansson · Anne S.K. Stensrud · Jesper Rangvid · Per Gustav Blom

General notes 2012

NOTE 1: ACCOUNTING PRINCIPLES

All figures in NOK 1,000 unless otherwise stated.

The accounts for 2012 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 and certificates, are valued at fair value (market value).

Determination of fair value:
Securities are valued at market prices as of 31.12.2012.

Bonds and notes, 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 31.12.2012.

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 31.12.2012.

All distributions to unitholders in fixed income funds are treated as allocations of profit in accordance with the regulation for annual financial statements for securities funds. Distributions from fixed income funds are accounted for by entering reinvestments as new units in the fund in the financial year.

NOTE 2: FINANCIAL DERIVATIVES

The 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, liquidity risks and to currency risks in those cases where the funds invest in currencies other than NOK.

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 managment during the year. The formula is an approach for calculating the funds' turnover rate.

The funds' turnover rate for the year 2012 was:

SKAGEN Vekst	28 %
SKAGEN Global	25 %
SKAGEN Kon Tiki	21 %
SKAGEN m²	1 %
SKAGEN Balanse 60/40	28 %
SKAGEN Avkastning	63 %
SKAGEN Høyrente	41 %
SKAGEN Høyrente Institusjon	81 %
SKAGEN Tellus	139 %
SKAGEN Krona	320 %

NOTE 6: SUBSCRIPTION FEE

There are no subscription or redemption fees for any of the funds.

NOTE 7:

Refer to pages 53 to 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 addition to the variable management fee: 1/10 of the return above 6 percent p.a.measured in Norwegian kroner.

NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2012	624 396	-845 214	7 544 815	7 323 997
Issue of units	65 125	753 974		819 099
Redemption of units	-130 409	-1 497 236		-1 627 645
Net income			666 539	666 539
EQUITY CAPITAL AS OF 31.12.2012	**559 112**	**-1 588 476**	**8 211 353**	**7 181 990**

	31.12.12	31.12.11	31.12.10
Number of units issued	5 591 123	6 243 962	6 977 271
Base price per unit (in NOK)*	1 284,4768	1 173,0200	1 463,6198

*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

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 realised gains from companies tax domiciled within the EU/EEA and dividend received from the corresponding companies are treated as taxable to Norway. From the income year 2012 onwards tax duties on 3 percent of tax exempt realised capital gains are abolished.

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 2012 and 2011 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

2001	2002	2003	2004	2005	2006
3,77	0,51	2,03	3,06	-7,03	-9,44

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 addition to the variable management fee: 1/10 of better value development measured in percent in the fund's asset value compared with the reference index MSCI All Country World Daily Total return Net $, measured in Norwegian kroner.

NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2012	4 148 123	17 496 070	9 809 605	31 453 798
Issue of units	772 054	5 475 030		6 247 083
Redemption of units	-816 927	-5 683 951		-6 500 878
Net income			3 072 860	3 072 860
EQUITY CAPITAL AS OF 31.12.2012	**4 103 250**	**17 287 148**	**12 882 465**	**34 272 863**

	31.12.12	31.12.11	31.12.10
Number of units issued	41 032 500	41 481 231	39 642 319
Base price per unit (in NOK)*	835,3336	758,2843	811,4809

*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

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 realised gains from companies tax domiciled within the EU/EEA and dividend received from the corresponding companies are treated as taxable to Norway. From the income year 2012 onwards tax duties on 3 percent of tax exempt realised capital gains are abolished.

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 2012 and 2011 in SKAGEN Global is associated with withholding tax on foreign dividends.

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 addition to the variable management fee: 1/10 of better value development in percent in the fund's asset value compared with the reference 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 1.1.2012	8 268 739	21 034 537	11 378 644	40 681 919
Issue of units	2 732 572	11 425 009		14 157 582
Redemption of units	-2 111 662	-8 679 982		-10 791 643
Net income			2 139 995	2 139 995
EQUITY CAPITAL AS OF 31.12.2012	**8 889 649**	**23 779 564**	**13 518 639**	**46 187 853**

	31.12.12	31.12.11	31.12.10
Number of units issued	88 896 486	82 687 385	82 589 405
Base price per unit (in NOK)*	519,6300	492,0310	570,9556

*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

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 realised gains from companies tax domiciled within the EU/EEA and dividend received from the corresponding companies are treated as taxable to Norway. From the income year 2012 onwards tax duties on 3 percent of tax exempt realised capital gains are abolished.

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 2012 and 2011 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

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	Total
EQUITY CAPITAL AS OF 1.1.2012	4 019 037	37 727	-5 251	133 570	4 185 083
Issue of units	3060438	30254	42957		3133649
Redemption of units	-3386309	-34118	-50526		-3470953
Reinvested for unitholders				-133272	-133272
Allocated to unitholders for reinvestment				119286	119286
Net income/loss after distribution to unitholders			23093		23093
EQUITY CAPITAL AS OF 31.12.2012	**3693165**	**33864**	**10274**	**119583**	**3856886**

	31.12.12	31.12.11	31.12.10
Number of units issued	36931648	40190371	33890228
Base price per unit (in NOK)*	104,4340	104,1241	103,8222

*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 28 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 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 og 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	Total
EQUITY CAPITAL AS OF 1.1.2012	1 666 756	-3 256	-1 172	55 411	1 717 740
Issue of units	479 791	-512	6 091		485 370
Redemption of units	-890 261	832	-12 459		-901 888
Reinvested for unitholders				-55 173	-55 173
Allocated to unitholders for reinvestment				38 511	38 511
Net income/loss after distribution to unitholders			10 662		10 662
EQUITY CAPITAL AS OF 31.12.2012	**1 256 286**	**-2 937**	**3 123**	**38 750**	**1 295 222**

	31.12.12	31.12.11	31.12.10
Number of units issued	12 562 857	16 667 559	14 765 667
Base price per unit (in NOK)*	103,1008	103,0476	102,8252

*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 28 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 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	Total
EQUITY CAPITAL AS OF 1.1.2012	874 664	303 416	-23 261	-483	1 154 337
Issue of units	307 584	110 323	3672		421 580
Redemption of units	-394 099	-136 568	-2623		-533 289
Allocated to unitholders for reinvestment				36 606	
Net income/loss after distribution to unitholders			35 632		35 632
EQUITY CAPITAL AS OF 31.12.2012	**788 149**	**277 172**	**13 420**	**36 124**	**1 114 865**

	31.12.12	31.12.11	31.12.10
Number of units issued	7 881 492	8 746 638	12 204 208
Base price per unit (in NOK)*	141,457	131,963	128,5463

*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 28 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 management fee. The taxable net profit is in principle distributed among unitholders so that the fund is in a non-taxpaying position.

SKAGEN Avkastning had a tax loss carry-forward of NOK 12 million as of 31/12/2011. The related deferred tax credit was not recorded in the balance sheet due to uncertainty surrounding the future use of this position.

The tax loss carry-forward has been used during 2012.

NOTE 11. CURRENCY RISK

SKAGEN Avkastning does not use currency hedging instruments against Norwegain kroner, but has as of 31.12.2012 overdrafts in USD, EUR and ZAR bank accounts in order to reduce the currency exposure of the investments in Portugese Government, Slovak Government, Lithuanian Government, Spanish Government and South African Government.

SKAGEN Tellus Note 8, 9 & 10

NOTE 8. MANAGEMENT FEE

The management fee 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 1.1.2012	508 973	48 907	-23 942	-41	533 897
Issue of units	192 634	14 539			207 173
Redemption of units	-278 565	-19 161			-297 726
Reinvested for unitholders					-
Net income/loss after distribution to unitholders			27 244		27 244
EQUITY CAPITAL AS OF 31.12.2012	**423 042**	**44 285**	**3 301**	**-41**	**470 588**

	31.12.12	31.12.11	31.12.10
Number of units issued	4230420	5089726	6887985
Base price per unit (in NOK)*	111,2406	104,8583	113,9964

*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 28 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 management fee. The taxable net profit is in principle distributed among unitholders so that the fund is in a non-taxpaying position.

SKAGEN Tellus has a tax loss carry-forward of NOK 6 million as of 31/12/2012. The related deferred tax credit is not recorded in the balance sheet due to uncertainty surrounding the future use of this position.

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 1.1.2012	390066	1891	1035	392991
Issue of units	837 105	7974	17654	862733
Redemption of units	-436908	-3950	-7984	-448842
Reinvested for unitholders	28275	256		28531
Net income			-9056	-9056
EQUITY CAPITAL AS OF 31.12.2012	**818539**	**6171**	**1647**	**826357**

	31.12.12	31.12.11	31.12.10
Number of units issued	8185390	3900661	2127741
Base price per unit (in NOK)*	100,9874	100,7418	100,4158

*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 28 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 management fee. The taxable net profit is in principle distributed among unitholders so that the fund is in a non-taxpaying position.

SKAGEN Balanse 60/40 Note 8, 9 & 10

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 theprospectus for each fund.

The applicable management fee in the potential underlying funds are as follows:

	Fixed fee in percent p.a. of the daily assets under management	Variable management fee
SKAGEN Avkastning	0,5%	-
SKAGEN Tellus	0,8%	-
SKAGEN Høyrente	0,25%	-
SKAGEN Høyrente Institusjon	0,15%	-
SKAGEN Vekst	1,0%	1/10 of return above 6% p.a.
SKAGEN Global	1,0%	*
SKAGEN Kon-Tiki	2,0%	**

* 1/10 of better value development measured in percent in the fund's asset value compared with the reference 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 reference 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 1.1.2012	-	-	-	-
Issue of units	115668	-175		115493
Redemption of units	-47552	133		-47420
Net income			1282	1282
EQUITY CAPITAL AS OF 31.12.2012	**68116**	**-43**	**1282**	**69356**

SKAGEN Balanse 60/40 came into operation on 29 February 2012.

	31.12.12
Number of units issued	681158
Base price per unit (in NOK)*	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	29.02.2012 - 31.12.2012
Net interest income	693
Realised gain/loss from sale of units in fixed income funds	46
Total taxable income	**739**
Total tax deductible costs	-
Net taxable income	739
Calculation basis - tax payable (A)	**739**
Tax payable in the income statement	
Tax payable (A x 28%)	207
Taxes payable from previous years	-
Payable tax owing	**207**
Basis deferred tax in the balance sheet	
Unrealised gain/loss on units in fixed income funds (B)	103
Deferred tax in the balance sheet (B x 28%)	**29**
Tax cost in the income statement	
Tax payable	207
Change deferred tax	29
Total tax cost	**236**

Tax payable is incorporated in other debt.

SKAGEN m² Note 8, 9 & 10

NOTE 8. MANAGEMENT FEE

The fixed management fee constitutes 1.5 percent p.a. of daily assets under management in addition to the variable management fee: 1/10 of better value development in percent in the fund's asset value compared with the reference 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.

NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 31.10.2012	-	-	-	-
Issue of units	216081	22		216103
Redemption of units	-5212	-15		-5227
Net income			3116	3116
EQUITY CAPITAL AS OF 31.12.2012	**210869**	**7**	**3116**	**213992**

SKAGEN m² was launched on 31 October 2012.

	31.12.12
Number of units issued	2108687
Base price per unit (in NOK)*	101,4865

*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

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 realised gains from companies tax domiciled within the EU/EEA and dividend received from the corresponding companies are treated as taxable to Norway. From the income year 2012 onwards tax duties on 3 percent of tax exempt realised capital gains are abolished.

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.

In the event that the fund invests in objects that are transparent for Norwegian tax purposes and are taxed as partnerships according to Norwegian tax legislation, the fund will be taxed in Norway for its proportionate share of the profits made by the entity in which it invests. Distributions received from tax transparent units are in principle tax-exempt. However, 3 percent of these distributions are treated as taxable to Norway.

Calculation basis - tax payable	31.10.2012 - 31.12.2012
Interest income	50
Taxable dividend	221
3% of tax-exempt dividend	-
Taxable gain/loss outside the Norwegian tax exempt rule "Fritaksmetoden"	18
3% of tax-exempt distribution from tax transparent entity	6
Currency gain/loss	-185
Total taxable income	**110**
Management fee - fixed	-466
Management fee - variable	183
Total tax deductible costs	**-283**
Net taxable income	**-173**
Calculation basis - tax payable (A)	**-**
Tax payable in the income statement	
Tax payable (A x 28%)	-
Payable tax owing	-
Basis deferred tax in the balance sheet	
Unrealised gain/loss outside the Norwegian tax exempt rule "Fritaksmetoden" (B)	254
Carry forward losses	-173
Basis deferred tax (B)	**81**
Deferred tax (B x 28%)	23
Carry forward credit allowance for withholding tax paid	-11
Net deferred tax in the balance sheet	**12**
Tax cost in the income statement	
Tax payable	-
Change deferred tax	23
Withholding tax on foreign dividends	33
Total tax cost	**56**

Tax payable is incorporated in other debt.

SKAGEN Balanse 60/40

Note 7. Securities portfolio as of 31.12.2012 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund
Equity fund							
SKAGEN Global	25 345	20 420 513	835,33	NOK	21 171 196	750 683	30,53 %
SKAGEN Vekst	8 284	10 541 997	1 284,48	NOK	10 640 206	98 209	15,34 %
SKAGEN Kon-Tiki	20 331	10 587 056	519,63	NOK	10 564 411	-22 646	15,23 %
Total equity fund		**41 549 566**			**42 375 812**	**826 246**	**61,10 %**
Fixed income fund							
SKAGEN Høyrente	101 285	10 232 673	101,20	NOK	10 250 419	17 746	14,78 %
SKAGEN Høyrente Institusjon	97 247	9 717 544	100,04	NOK	9 728 181	10 637	14,03 %
Total fixed income fund		**19 950 217**			**19 978 600**	**28 383**	**28,81 %**
Bond fund							
SKAGEN Avkastning	50 084	6 777 030	136,81	NOK	6 852 095	75 065	9,88 %
Total bond fund		**6 777 030**			**6 852 095**	**75 065**	**9,88 %**
TOTAL SECURITIES PORTFOLIO [1]		**68 276 814**			**69 206 507**	**929 693**	**99,79 %**

[1] For liquidity in the portfolio as of 31.12.2012, 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.skagenfunds.com and are published in relevant newspapers.

Allocation of the acquisition cost: For SKAGEN Balanse 60/40 the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

SKAGEN m²

Note 7. Securities portfolio as of 31.12.2012 (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
Property companies incl REITs [2]									
Lippo Malls Indonesia Retail Trust	4 671 000	10 447 989	0,49	SGD	10 435 166	-12 823	4,89 %	0,21 %	Singapore
SM Prime Holdings Inc	4 220 000	8 485 811	16,50	PHP	9 466 198	980 388	4,43 %	0,02 %	Philippines
Apartment Investment & Management Co	61 000	9 244 768	27,06	USD	9 188 199	-56 568	4,30 %	0,04 %	New York
British Land Co Plc	180 000	8 841 167	5,62	GBP	9 153 007	311 840	4,29 %	0,02 %	London
Mercialys SA	72 500	8 677 917	17,15	EUR	9 133 833	455 916	4,28 %	0,08 %	Paris
General Shopping Brasil SA	312 000	9 449 796	10,67	BRL	9 048 331	-401 465	4,24 %	0,62 %	Sao Paulo
BR Properties SA	128 000	9 357 051	25,50	BRL	8 871 552	-485 499	4,15 %	0,04 %	Sao Paulo
Gecina SA	14 000	8 838 429	84,90	EUR	8 731 456	-106 973	4,09 %	0,02 %	Paris
Capitamalls Asia Ltd	935 000	8 040 767	1,94	SGD	8 270 024	229 256	3,87 %	0,02 %	Singapore
Mapletree Logistics Trust	1 510 000	7 762 584	1,14	SGD	7 882 715	120 131	3,69 %	0,06 %	Singapore
DLF Ltd (P-note)	250 000	5 299 465	230,60	INR	5 850 416	550 951	2,74 %	0,01 %	National India
Lippo Karawaci Tbk PT	10 057 000	5 716 538	1 000	IDR	5 811 940	95 403	2,72 %	0,04 %	Indonesia
Lexington Realty Trust	97 436	5 270 517	10,45	USD	5 667 722	397 205	2,65 %	0,06 %	New York
Corio NV	21 500	5 451 575	34,31	EUR	5 419 677	-31 898	2,54 %	0,02 %	Amsterdam
Ascendas India Trust	1 545 000	5 464 772	0,75	SGD	5 283 031	-181 741	2,47 %	0,17 %	Singapore
Ashford Hospitality Trust	86 876	4 525 267	10,51	USD	5 082 476	557 209	2,38 %	0,13 %	New York
Soho China Ltd	1 115 000	4 487 248	6,22	HKD	4 984 053	496 805	2,33 %	0,02 %	Hong Kong
Olav Thon Eiendomsselskap ASA	5 393	4 720 015	890,00	NOK	4 799 770	79 755	2,25 %	0,05 %	Oslo Børs
Mack-Cali Realty Corp	33 000	4 880 277	26,11	USD	4 796 159	-84 118	2,25 %	0,04 %	New York
Affine SA	48 400	4 606 440	12,61	EUR	4 483 440	-123 000	2,10 %	0,52 %	Paris
Evergrande Real Estate Group Ltd	1 444 000	3 848 559	4,25	HKD	4 410 355	561 796	2,07 %	0,01 %	Hong Kong
Summarecon Agung Tbk PT	4 000 000	4 217 112	1 900	IDR	4 392 040	174 928	2,06 %	0,06 %	Indonesia
Ticon Property Fund	2 097 594	4 219 191	11,40	THB	4 353 284	134 092	2,04 %	0,21 %	Bangkok
SL Green Realty Corp	9 700	4 078 920	76,65	USD	4 138 631	59 710	1,94 %	0,01 %	New York
Bekasi Fajar Industrial Estate Tbk PT	10 503 000	4 259 220	680,00	IDR	4 127 385	-131 835	1,93 %	0,11 %	Indonesia
Global Logistic Properties Ltd	320 000	3 940 200	2,78	SGD	4 055 909	115 709	1,90 %	0,01 %	Singapore
Bumi Serpong Damai PT	6 261 500	4 504 234	1 110	IDR	4 016 558	-487 675	1,88 %	0,04 %	Indonesia
Nexity SA	20 000	3 502 627	25,53	EUR	3 751 602	248 975	1,76 %	0,04 %	Paris
Ticon Industrial Connection Pcl-Nvdr	1 357 300	3 306 698	14,50	THB	3 582 899	276 201	1,68 %	0,15 %	Bangkok
Surya Semesta Internusa PT	5 408 500	3 734 475	1 080	IDR	3 375 618	-358 857	1,58 %	0,11 %	Indonesia
Vista Land & Lifescapes Inc	5 080 000	3 453 832	4,86	PHP	3 356 442	-97 390	1,57 %	0,06 %	Philippines
Fastighets AB Balder	103 490	3 216 603	37,30	SEK	3 301 223	84 620	1,55 %	0,07 %	Stockholm
Hemaraj Land and Development Pcl-Nvdr	5 620 000	3 326 751	3,02	THB	3 089 825	-236 925	1,45 %	0,06 %	Bangkok
GSW Immobilien AG	8 500	1 897 715	32,00	EUR	1 998 112	100 397	0,94 %	0,02 %	Frankfurt
IJM Land Bhd	300 000	1 115 964	2,40	MYR	1 311 660	195 696	0,61 %	0,02 %	Kuala Lumpur
Citycon Oyj	60 437	1 101 674	2,57	EUR	1 141 003	39 329	0,53 %	0,02 %	Helsinki
KWG Property Holding Ltd	270 000	1 067 803	5,82	HKD	1 129 287	61 484	0,53 %	0,01 %	Hong Kong
PS Business Parks Inc	3 000	1 073 818	64,98	USD	1 085 110	11 292	0,51 %	0,01 %	New York
Franshion Properties China Ltd	530 000	1 022 198	2,79	HKD	1 062 668	40 470	0,50 %	0,01 %	Hong Kong
Sagax AB	1 598	254 609	188,00	SEK	256 923	2 314	0,12 %	0,01 %	Stockholm
Total property		**196 710 597**			**200 295 699**	**3 585 102**	**93,79 %**		
TOTAL EQUITY PORTFOLIO [1]		**196 710 597**			**200 295 699**	**3 585 102**	**93,79 %**		

[1] For liquidity in the portfolio as of 31.12.2012, please refer to the balance sheet.

[2] 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 m² the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

SKAGEN Vekst

Note 7. Securities portfolio as of 31.12.2012 (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
Energy									
Solstad Offshore ASA	1 938 650	95 343 907	100,00	NOK	193 865 000	98 521 093	2,70 %	5,01 %	Oslo Børs
Statoil ASA	1 173 335	170 429 227	139,00	NOK	163 093 565	-7 335 662	2,27 %	0,04 %	Oslo Børs
Bonheur ASA	1 192 594	88 117 205	136,00	NOK	162 192 784	74 075 579	2,26 %	2,92 %	Oslo Børs
Ganger Rolf ASA	1 273 817	130 404 738	125,50	NOK	159 864 033	29 459 295	2,23 %	3,76 %	Oslo Børs
Baker Hughes Inc	702 000	170 272 856	40,85	USD	159 616 395	-10 656 461	2,22 %	0,16 %	New York
DOF ASA	5 762 213	110 021 666	27,00	NOK	155 579 751	45 558 085	2,17 %	5,19 %	Oslo Børs
Gazprom Oao ADR	1 754 000	111 556 210	9,46	USD	92 362 037	-19 194 172	1,29 %	0,01 %	London Int.
Transocean Ltd	313 900	138 550 991	44,66	USD	78 033 810	-60 517 181	1,09 %	0,08 %	New York
Sevan Drilling ASA	17 599 671	140 650 744	3,92	NOK	68 990 710	-71 660 033	0,96 %	5,23 %	Oslo Børs
Electromagnetic Geoservices AS	5 029 207	68 319 497	13,06	NOK	65 681 443	-2 638 054	0,91 %	2,53 %	Oslo Børs
Siem Offshore Inc	8 036 317	68 364 907	7,65	NOK	61 477 825	-6 887 082	0,86 %	2,03 %	Oslo Børs
Eidesvik Offshore ASA	1 587 641	60 594 698	33,00	NOK	52 392 153	-8 202 545	0,73 %	5,27 %	Oslo Børs
Marine Accurate Well ASA	67 652 076	51 258 636	0,50	NOK	33 826 038	-17 432 598	0,47 %	5,76 %	Unlisted
Subsea 7 SA	229 300	26 738 389	132,10	NOK	30 290 530	3 552 141	0,42 %	0,07 %	Oslo Børs
Northern Offshore Ltd	2 750 000	26 551 574	10,00	NOK	27 500 000	948 426	0,38 %	1,71 %	Oslo Børs
Fred Olsen Production ASA	3 000 000	18 734 740	8,60	NOK	25 800 000	7 065 260	0,36 %	2,83 %	Oslo Børs
Norwegian Energy Co ASA	5 127 513	78 353 619	3,81	NOK	19 535 825	-58 817 794	0,27 %	1,45 %	Oslo Børs
Discovery Offshore SA	1 317 325	15 280 970	13,00	NOK	17 125 225	1 844 255	0,24 %	2,01 %	Oslo Axess
Renewable Energy Corp ASA	11 267 486	17 508 405	1,07	NOK	12 056 210	-5 452 195	0,17 %	0,53 %	Oslo Børs
Remora ASA	828 465	26 108 037	0,73	NOK	604 779	-25 503 257	0,01 %	0,95 %	Unlisted
Marine Subsea Cyprus Holding Ltd	4 130 450	10 147 033	2,00	USD	459 833	-9 687 200	0,01 %	-	Unlisted
Minor items[2)]		1 698 004			296 134	-1 401 870	0,00 %		
Total Energy		**1 625 006 054**			**1 580 644 081**	**-44 361 972**	**22,01 %**		
Raw materials									
Akzo Nobel NV	655 009	193 527 242	49,74	EUR	239 357 823	45 830 581	3,33 %	0,27 %	Amsterdam
Norsk Hydro ASA	7 252 679	186 185 581	27,88	NOK	202 204 691	16 019 109	2,82 %	0,35 %	Oslo Børs
Agrinos AS	817 242	23 068 088	39,00	NOK	31 872 438	8 804 350	0,44 %	1,83 %	Unlisted
Norske Skogindustrier ASA	5 970 000	345 540 673	3,96	NOK	23 641 200	-321 899 473	0,33 %	3,14 %	Oslo Børs
Rottneros AB	11 091 911	54 677 865	2,00	SEK	18 971 605	-35 706 260	0,26 %	7,23 %	Stockholm
Nordic Mining ASA	15 241 972	23 964 974	0,90	NOK	13 717 775	-10 247 199	0,19 %	8,22 %	Oslo Axess
Hexagon Composites ASA	2 833 473	4 283 776	4,47	NOK	12 665 624	8 381 848	0,18 %	2,13 %	Oslo Børs
Altona Mining Ltd	2 532 136	2 916 371	0,28	AUD	4 173 511	1 257 140	0,06 %	0,48 %	Sydney
Total Raw materials		**834 164 571**			**546 604 667**	**-287 559 904**	**7,61 %**		
Industrials									
Kongsberg Gruppen ASA	3 110 267	129 185 463	124,50	NOK	387 228 241	258 042 778	5,39 %	2,59 %	Oslo Børs
Norwegian Air Shuttle ASA	1 504 738	83 482 806	143,90	NOK	216 531 798	133 048 992	3,02 %	4,31 %	Oslo Børs
Wilh. Wilhelmsen Holding ASA	1 315 811	93 969 680	157,50	NOK	207 240 232	113 270 553	2,89 %	3,80 %	Oslo Børs
Stolt-Nielsen Ltd	926 602	114 905 029	115,00	NOK	106 559 230	-8 345 799	1,48 %	1,44 %	Oslo Børs
LG Corp	173 000	35 845 185	65 200	KRW	58 935 346	23 090 161	0,82 %	0,10 %	Seoul
Aveng Ltd	2 575 700	75 193 395	30,66	ZAR	51 844 437	-23 348 958	0,72 %	0,66 %	Johannesburg
Odfjell SE-A	1 664 725	74 526 069	24,00	NOK	39 953 400	-34 572 669	0,56 %	2,53 %	Oslo Børs
NKT Holding A/S	169 823	33 408 412	203,50	DKK	34 023 316	614 904	0,47 %	0,71 %	Copenhagen
TTS Group ASA	3 222 553	32 175 187	9,40	NOK	30 291 998	-1 883 189	0,42 %	3,72 %	Oslo Børs
LG Corp Pref	224 482	25 796 379	23 400	KRW	27 446 029	1 649 650	0,38 %	6,77 %	Seoul
I.M. Skaugen SE	1 294 257	16 227 008	19,10	NOK	24 720 309	8 493 301	0,34 %	4,78 %	Oslo Børs
Goodtech ASA	2 116 842	48 134 917	11,65	NOK	24 661 209	-23 473 708	0,34 %	6,51 %	Oslo Børs
Norwegian Car Carriers ASA	12 348 096	37 786 022	1,70	NOK	20 991 763	-16 794 258	0,29 %	6,24 %	Oslo Børs
Akva Group ASA	1 270 800	34 324 972	12,50	NOK	15 885 000	-18 439 972	0,22 %	4,92 %	Oslo Børs
Kongsberg Automotive ASA	9 551 315	68 591 770	1,48	NOK	14 135 946	-54 455 824	0,20 %	2,35 %	Oslo Børs
ABB Ltd	100 000	11 462 148	134,10	SEK	11 468 232	6 084	0,16 %	0,00 %	Stockholm
Rederi AB Transatlantic	1 877 633	44 572 972	4,99	SEK	8 012 701	-36 560 271	0,11 %	1,81 %	Stockholm
Viti Invest AS	931 782	6 668 623	1,57	NOK	1 462 898	-5 205 725	0,02 %	5,95 %	Unlisted
Total Industrials		**966 256 039**			**1 281 392 087**	**315 136 048**	**17,84 %**		
Consumer discretionary									
Royal Caribbean Cruises Ltd	1 993 021	305 591 208	34,00	USD	377 192 953	71 601 745	5,25 %	0,91 %	New York
Continental AG	300 000	146 291 125	87,59	EUR	193 030 842	46 739 717	2,69 %	0,15 %	Xetra
Kesko Oyj B	420 000	102 371 813	24,77	EUR	76 423 376	-25 948 437	1,06 %	0,63 %	Helsinki
Hurtigruten ASA	22 671 503	81 526 374	3,00	NOK	68 014 509	-13 511 865	0,95 %	5,39 %	Oslo Børs
Mahindra & Mahindra Ltd GDR	591 300	10 522 543	16,71	USD	54 999 293	44 476 750	0,77 %	0,10 %	London Int.
NHST Media Group ASA	60 000	31 447 083	450,00	NOK	27 000 000	-4 447 083	0,38 %	4,66 %	Unlisted
Fjord Line AS	2 850 000	28 500 000	5,00	NOK	14 250 000	-14 250 000	0,20 %	3,57 %	Unlisted
LG Electronics Inc Pref	43 556	10 525 133	20 400	KRW	4 642 590	-5 882 544	0,06 %	0,03 %	Seoul
Total Consumer discretionary		**716 775 280**			**815 553 563**	**98 778 283**	**11,36 %**		

Note 7. Securities portfolio as of 31.12.2012 (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
Consumer staples									
Cermaq ASA	1 084 045	45 733 456	83,75	NOK	90 788 769	45 055 312	1,26 %	1,17 %	Oslo Børs
Morpol ASA	7 337 930	153 525 204	11,35	NOK	83 285 505	-70 239 698	1,16 %	4,37 %	Oslo Børs
Austevoll Seafood ASA	1 972 716	62 173 336	28,50	NOK	56 222 406	-5 950 930	0,78 %	0,97 %	Oslo Børs
Royal Unibrew A/S	106 965	30 504 639	492,00	DKK	51 811 065	21 306 426	0,72 %	1,01 %	Copenhagen
Yazicilar Holding AS	750 000	25 622 446	15,90	TRY	37 232 465	11 610 019	0,52 %	0,47 %	Istanbul
Natuzzi Sp A ADR	334 948	16 412 140	1,92	USD	3 579 739	-12 832 401	0,05 %	0,61 %	New York
R. Domstein & Co AS Convertible	3 750 000	3 750 000	75,00	NOK	2 813 527	-936 473	0,04 %	15,00 %	Unlisted
Codfarmers ASA Convertible 07/11 15%	8 014 056	8 014 056	25,00	NOK	2 071 579	-5 942 477	0,03 %	-	Unlisted
Genomar AS	463 407	11 585 175	0,50	NOK	231 703	-11 353 471	0,00 %	6,31 %	Unlisted
Daqing Dairy Holdings Ltd	4 963 663	10 343 810	0,01	HKD	35 671	-10 308 139	0,00 %	0,49 %	Hong Kong
Norsk Marin Fisk AS	354 000	7 338 000	0,01	NOK	3 540	-7 334 460	0,00 %	3,13 %	Unlisted
Total Consumer staples		**375 002 262**			**328 075 970**	**-46 926 292**	**4,57 %**		
Health care									
Teva Pharmaceutical-Sp ADR	1 361 530	361 874 143	37,34	USD	282 992 097	-78 882 046	3,94 %	0,16 %	NASDAQ
Photocure ASA	1 109 401	44 688 328	38,00	NOK	42 157 238	-2 531 090	0,59 %	5,19 %	Oslo Børs
Medi-Stim ASA	1 513 625	18 912 799	19,70	NOK	29 818 412	10 905 613	0,42 %	8,03 %	Oslo Børs
Karolinska Development AB	1 234 600	43 031 490	15,30	SEK	16 154 198	-26 877 292	0,22 %	2,63 %	Stockholm
PCI Biotech ASA	75 000	1 723 784	31,50	NOK	2 362 500	638 716	0,03 %	0,98 %	Oslo Børs
Norchip AS	1 200 000	18 000 000	0,01	NOK	12 000	-17 988 000	0,00 %	6,66 %	Unlisted
Gamma Medica-Ideas Inc USA	238 486	9 062 468	0,01	NOK	2 385	-9 060 083	0,00 %	3,46 %	Unlisted
Total Health care		**497 293 012**			**373 498 830**	**-123 794 182**	**5,20 %**		
Financials									
Olav Thon Eiendomsselskap ASA	180 025	33 834 264	890,00	NOK	160 222 250	126 387 986	2,23 %	1,69 %	Oslo Børs
Danske Bank A/S	1 604 330	164 672 314	95,65	DKK	151 075 625	-13 596 689	2,10 %	0,16 %	Copenhagen
RSA Insurance Group Plc	12 071 404	118 277 312	1,26	GBP	137 292 892	19 015 580	1,91 %	0,34 %	London
Korean Reinsurance Co	1 371 994	45 969 126	11 500	KRW	82 438 901	36 469 775	1,15 %	1,16 %	Seoul
Gjensidige Forsikring ASA	971 411	57 257 087	79,40	NOK	77 130 033	19 872 947	1,07 %	0,19 %	Oslo Børs
Hannover Rueckversicherung AG	176 000	35 468 445	58,96	EUR	76 229 148	40 760 703	1,06 %	0,15 %	Frankfurt
Northern Logistic Property ASA	2 728 689	82 502 098	25,70	NOK	70 127 307	-12 374 790	0,98 %	7,01 %	Oslo Børs
Hitecvision AS	762 746	5 183 496	75,00	NOK	57 205 950	52 022 454	0,80 %	4,14 %	Unlisted
Sparebanken Øst	1 413 500	25 052 791	32,50	NOK	45 938 750	20 885 959	0,64 %	6,82 %	Oslo Børs
Norwegian Finans Holding ASA	8 862 107	17 376 272	5,10	NOK	45 196 746	27 820 473	0,63 %	5,21 %	Unlisted
Talanx AG	275 024	37 840 008	21,48	EUR	43 396 609	5 556 601	0,60 %	0,11 %	Frankfurt
Sparebanken Vest	995 506	45 056 270	29,40	NOK	29 267 876	-15 788 394	0,41 %	3,13 %	Oslo Børs
ABG Sundal Collier Holding ASA	3 106 000	15 848 384	4,30	NOK	13 355 800	-2 492 584	0,19 %	0,72 %	Oslo Børs
Helgeland Sparebank	407 400	16 336 800	31,00	NOK	12 629 400	-3 707 400	0,18 %	2,18 %	Oslo Børs
Zoncolan ASA	730 000	4 045 513	3,25	NOK	2 372 500	-1 673 013	0,03 %	4,90 %	Oslo Axess
Klepp Sparebank	28 750	2 986 006	56,50	NOK	1 624 375	-1 361 631	0,02 %	2,67 %	Oslo Børs
Total Financials		**707 706 186**			**1 005 504 163**	**297 797 977**	**14,00 %**		
Information technology									
Samsung Electronics Co Ltd Pref GDR	199 321	257 657 313	402,00	USD	446 017 490	188 360 177	6,21 %	0,44 %	London Int.
SAP AG	342 400	131 117 253	60,69	EUR	152 651 761	21 534 507	2,13 %	0,03 %	Xetra
Q-Free ASA	3 182 604	44 687 622	19,10	NOK	60 787 736	16 100 114	0,85 %	4,68 %	Oslo Børs
Proact IT Group AB	458 101	15 214 172	102,25	SEK	40 058 275	24 844 103	0,56 %	4,91 %	Stockholm
PSI Group ASA	3 796 612	43 430 508	4,21	NOK	15 983 737	-27 446 771	0,22 %	8,56 %	Oslo Børs
Bang & Olufsen A/S	220 375	16 862 279	67,50	DKK	14 644 745	-2 217 534	0,20 %	0,56 %	Copenhagen
Data Respons ASA	552 500	5 525 003	5,71	NOK	3 154 775	-2 370 228	0,04 %	1,14 %	Oslo Børs
Oter Invest AS	2 468 164	6 930 569	1,00	NOK	2 468 164	-4 462 405	0,03 %	8,09 %	Unlisted
Precise Biometrics AB	1 680 000	2 018 540	0,70	SEK	1 005 715	-1 012 824	0,01 %	0,64 %	Stockholm
Ceetron ASA	60 622	935 943	2,70	NOK	163 679	-772 264	0,00 %	2,53 %	Unlisted
Total Information technology		**524 379 202**			**736 936 077**	**212 556 876**	**10,26 %**		
Telecom									
France Telecom SA	1 968 904	193 545 318	8,34	EUR	120 611 700	-72 933 618	1,68 %	0,07 %	Paris
Sistema Jsfc GDR	668 658	29 215 220	20,20	USD	75 184 479	45 969 258	1,05 %	0,14 %	London Int.
Mobile Telesystems ADR	400 000	25 457 837	18,65	USD	41 525 188	16 067 351	0,58 %	0,04 %	New York
Indosat Tbk PT	7 736 500	28 403 245	6 450	IDR	28 837 456	434 211	0,40 %	0,14 %	Indonesia
Pakistan Telecom Co Ltd GDR	20 000	7 842 206	17,61	USD	1 960 479	-5 881 728	0,03 %	0,04 %	Unlisted
Total Telecom		**284 463 826**			**268 119 301**	**-16 344 525**	**3,73 %**		
Utilities									
Fortum Oyj	868 100	96 519 662	14,15	EUR	90 235 436	-6 284 226	1,26 %	0,10 %	Helsinki
Total Utilities		**96 519 662**			**90 235 436**	**-6 284 226**	**1,26 %**		
TOTAL EQUITY PORTFOLIO[1)]		**6 627 566 093**			**7 026 564 175**	**398 998 082**	**97,85 %**		

1) For liquidity in the portfolio as of 31.12.2012, please refer to the balance sheet.

2) Please contact SKAGEN AS for a list of companies included in this post. The list will be sent by email.

Allocation of the acquisition cost:
For SKAGEN Vekst the average acquisition value is applied when calculating the realized capital gain/loss when selling shares.

SKAGEN Global

Note 7. Securities portfolio as of 31.12.2012 (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
Energy									
Gazprom Oao ADR	18 239 618	1 244 493 734	9,46	USD	960 460 820	-284 032 914	2,80 %	0,15 %	London Int.
Baker Hughes Inc	2 300 804	598 714 449	40,85	USD	523 142 508	-75 571 941	1,53 %	0,52 %	New York
Weatherford Intl Ltd	7 598 130	624 105 816	11,19	USD	473 270 664	-150 835 152	1,38 %	0,99 %	New York
Ensco Plc Class A	1 362 042	390 916 884	59,28	USD	449 439 743	58 522 858	1,31 %	0,59 %	New York
OMV AG	2 092 000	450 594 750	27,35	EUR	420 387 044	-30 207 705	1,23 %	0,64 %	Wien
Kazmunaigas Exploration GDR	3 153 114	395 621 725	18,00	USD	315 925 700	-79 696 026	0,92 %	0,75 %	London Int.
Afren Plc	22 662 570	234 648 050	1,31	GBP	268 823 259	34 175 209	0,78 %	2,08 %	London
Petroleo Brasileiro Pref ADR	2 058 773	365 335 049	19,31	USD	221 290 880	-144 044 169	0,65 %	0,07 %	New York
Nabors Industries Ltd	2 340 233	311 125 608	14,45	USD	188 234 717	-122 890 892	0,55 %	0,81 %	New York
Surgutneftegas OAO	46 860 925	172 814 469	19,92	RUB	170 192 551	-2 621 918	0,50 %	0,61 %	Moscow
BP Plc	4 002 350	202 555 704	4,25	GBP	153 834 790	-48 720 914	0,45 %	0,02 %	London
Electromagnetic Geoservices AS	10 124 112	157 087 703	13,06	NOK	132 220 903	-24 866 800	0,39 %	5,09 %	Oslo Børs
BP Plc ADR	518 549	157 515 424	41,64	USD	120 191 374	-37 324 050	0,35 %	0,00 %	New York
Pacific Drilling SA	1 654 996	94 318 768	9,44	USD	86 964 443	-7 354 325	0,25 %	0,76 %	New York
Noble Corp	431 493	92 898 719	34,82	USD	83 632 542	-9 266 176	0,24 %	0,17 %	New York
Renewable Energy Corp ASA	5 571 215	7 954 550	1,07	NOK	5 961 200	-1 993 350	0,02 %	0,26 %	Oslo Børs
Surgutneftegas OAO ADR	25 268	1 234 166	8,80	USD	1 237 731	3 565	0,00 %	0,00 %	London Int.
Total Energy		**5 501 935 567**			**4 575 210 870**	**-926 724 698**	**13,35 %**		
Raw materials									
Akzo Nobel NV	1 910 110	576 762 464	49,74	EUR	698 005 328	121 242 863	2,04 %	0,80 %	Amsterdam
Ternium SA ADR	3 049 582	473 404 782	23,55	USD	399 764 298	-73 640 484	1,17 %	1,55 %	New York
Heidelbergcement AG	1 186 581	372 574 419	45,83	EUR	399 482 879	26 908 460	1,17 %	0,63 %	Frankfurt
Mayr-Melnhof Karton AG	452 203	204 333 896	80,88	EUR	268 673 916	64 340 020	0,78 %	2,26 %	Wien
Norsk Hydro ASA	9 388 878	276 902 290	27,88	NOK	261 761 919	-15 140 371	0,76 %	0,45 %	Oslo Børs
Lundin Mining Corp SDR	7 506 030	192 899 646	32,61	SEK	209 328 705	16 429 059	0,61 %	1,29 %	Stockholm
UPM-Kymmene Oyj	1 487 477	98 366 556	8,80	EUR	96 212 288	-2 154 268	0,28 %	0,28 %	Helsinki
Lundin Mining Corp	2 238 609	57 861 402	5,12	CAD	64 100 581	6 239 179	0,19 %	0,38 %	Toronto
Total Raw materials		**2 253 105 456**			**2 397 329 914**	**144 224 458**	**7,00 %**		
Industrials									
Tyco International Ltd	5 979 910	632 971 796	29,25	USD	973 628 542	340 656 745	2,84 %	1,28 %	New York
ADT Corp	2 991 455	414 908 175	46,49	USD	774 131 606	359 223 431	2,26 %	1,29 %	New York
LG Corp	1 908 717	494 998 777	65 200	KRW	650 236 398	155 237 621	1,90 %	1,11 %	Seoul
Bunge Ltd	1 279 847	420 427 474	72,69	USD	517 851 814	97 424 340	1,51 %	0,88 %	New York
Siemens AG	804 669	471 404 283	82,20	EUR	485 892 295	14 488 012	1,42 %	0,09 %	Frankfurt
Pentair Inc	1 399 082	192 454 942	49,15	USD	382 771 390	190 316 449	1,12 %	0,67 %	New York
TE Connectivity Ltd	1 658 999	266 037 715	37,12	USD	342 788 995	76 751 279	1,00 %	0,39 %	New York
Stolt-Nielsen Ltd	2 157 534	364 453 452	115,00	NOK	248 116 410	-116 337 042	0,72 %	3,36 %	Oslo Børs
BayWa AG	676 758	202 109 262	32,60	EUR	162 069 735	-40 039 527	0,47 %	1,97 %	Frankfurt
TRW Automotive Holdings Corp	382 340	95 502 050	53,61	USD	114 095 449	18 593 399	0,33 %	0,31 %	New York
Metso Oyj	432 315	85 460 775	32,04	EUR	101 752 183	16 291 408	0,30 %	0,29 %	Helsinki
Autoliv Inc	264 333	87 923 760	67,39	USD	99 156 142	11 232 382	0,29 %	0,28 %	New York
Autoliv Inc SDR	205 342	70 012 775	432,50	SEK	75 950 667	5 937 892	0,22 %	0,22 %	Stockholm
Finnair Oyj	4 220 820	229 241 860	2,38	EUR	73 794 622	-155 447 238	0,22 %	3,29 %	Helsinki
Krones AG	62 430	17 318 503	47,00	EUR	21 554 707	4 236 203	0,06 %	0,20 %	Frankfurt
Dalian Port (PDA) Co Ltd	6 209 000	8 410 636	1,84	HKD	8 210 260	-200 376	0,02 %	0,58 %	Hong Kong
LG Corp Pref	20 240	2 399 103	23 400	KRW	2 474 620	75 517	0,01 %	0,61 %	Seoul
Total Industrials		**4 056 035 339**			**5 034 475 834**	**978 440 495**	**14,69 %**		
Consumer discretionary									
Renault SA	1 779 079	451 117 878	40,68	EUR	531 716 917	80 599 038	1,55 %	0,60 %	Paris
Toyota Industries Corp	2 954 921	491 580 050	2 731	JPY	519 236 849	27 656 799	1,52 %	0,91 %	Tokyo
General Motors Co	3 102 615	431 854 581	28,83	USD	497 903 648	66 049 067	1,45 %	0,20 %	New York
Comcast Corp	2 187 662	218 322 851	35,92	USD	437 410 626	219 087 776	1,28 %	0,41 %	NASDAQ
Hyundai Motor Co Pref (2pb)	562 937	157 824 391	75 600	KRW	222 363 616	64 539 225	0,65 %	1,50 %	Seoul
Tesco Plc	6 807 910	244 588 343	3,36	GBP	206 970 322	-37 618 021	0,60 %	0,08 %	London
Dixons Retail Plc	79 757 888	111 602 904	0,28	GBP	204 949 554	93 346 650	0,60 %	2,20 %	London
Unilever NV-Cva	906 212	157 965 491	28,83	EUR	191 955 557	33 990 066	0,56 %	0,05 %	Amsterdam
CTC Media Inc	3 565 567	174 334 201	7,78	USD	154 411 975	-19 922 226	0,45 %	2,25 %	NASDAQ
Yamaha Motor Co Ltd	1 979 911	160 526 279	949,00	JPY	120 895 410	-39 630 869	0,35 %	0,57 %	Tokyo
LG Electronics Inc Pref	1 050 948	272 663 963	20 400	KRW	112 019 475	-160 644 488	0,33 %	0,73 %	Seoul
Royal Caribbean Cruises Ltd	468 053	65 316 676	34,00	USD	88 582 254	23 265 578	0,26 %	0,21 %	New York
Television Broadcasts Ltd	1 264 462	30 609 422	57,90	HKD	52 614 055	22 004 634	0,15 %	0,29 %	Hong Kong
Esprit Holdings Ltd	5 462 838	44 823 641	10,74	HKD	42 163 828	-2 659 813	0,12 %	0,28 %	Hong Kong
Mahindra & Mahindra Ltd GDR	398 459	7 060 672	16,71	USD	37 062 343	30 001 671	0,11 %	0,06 %	London Int.
Hyundai Motor Co Pref (1p)	90 035	28 664 535	69 300	KRW	32 600 686	3 936 151	0,10 %	0,36 %	Seoul
Mahindra & Mahindra Ltd	134 000	5 776 564	931,65	INR	12 669 079	6 892 514	0,04 %	0,02 %	National India
Total Consumer discretionary		**3 054 632 442**			**3 465 526 195**	**410 893 753**	**10,11 %**		
Consumer staples									
Svenska Cellulosa AB-B	5 340 890	425 178 055	141,00	SEK	644 021 607	218 843 552	1,88 %	0,87 %	Stockholm
Yazicilar Holding AS	4 021 961	97 411 860	15,90	TRY	199 663 362	102 251 502	0,58 %	2,51 %	Istanbul
United Intl Enterprises	144 171	21 296 685	972,00	DKK	137 962 132	116 665 447	0,40 %	3,14 %	Copenhagen
Royal Unibrew A/S	257 019	63 572 255	492,00	DKK	124 493 321	60 921 066	0,36 %	2,43 %	Copenhagen
Chiquita Brands International Inc	1 622 233	119 163 707	8,25	USD	74 497 202	-44 666 505	0,22 %	3,50 %	New York
Lannen Tehtaat Oyj	222 900	24 721 927	14,32	EUR	23 447 903	-1 274 024	0,07 %	3,53 %	Helsinki
Total Consumer staples		**751 344 488**			**1 204 085 526**	**452 741 038**	**3,51 %**		

Note 7. Securities portfolio as of 31.12.2012 (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
Health care									
Teva Pharmaceutical-Sp ADR	2 574 343	558 858 468	37,34	USD	535 073 574	-23 784 893	1,56 %	0,30 %	NASDAQ
Roche Holding AG-Genusschein	468 483	409 391 710	184,00	CHF	524 717 638	115 325 929	1,53 %	0,07 %	Zürich
Rhoen-Klinikum AG	1 861 872	205 641 386	15,31	EUR	209 468 029	3 826 643	0,61 %	1,35 %	Frankfurt
Pfizer Inc	1 361 026	159 447 418	25,08	USD	190 000 442	30 553 024	0,55 %	0,02 %	New York
Total Health care		**1 333 338 981**			**1 459 259 683**	**125 920 702**	**4,26 %**		
Financials									
Citigroup Inc	8 251 582	1 856 382 734	39,56	USD	1 817 047 503	-39 335 231	5,30 %	0,28 %	New York
American International Group Inc	2 769 571	519 367 608	35,30	USD	544 201 816	24 834 208	1,59 %	0,19 %	New York
Hannover Rueckversicherung AG	1 184 427	250 206 171	58,96	EUR	512 999 212	262 793 041	1,50 %	0,98 %	Frankfurt
Gjensidige Forsikring ASA	5 212 341	308 223 233	79,40	NOK	413 859 875	105 636 643	1,21 %	1,04 %	Oslo Børs
Banco Do Estado Rio Grande Do Sul SA Pref	8 324 327	176 300 355	15,51	BRL	350 921 827	174 621 472	1,02 %	2,04 %	Sao Paulo
Goldman Sachs Group Inc	494 133	358 021 228	127,56	USD	350 857 810	-7 163 419	1,02 %	0,11 %	New York
Haci Omer Sabanci Holding AS	11 151 355	216 056 125	9,80	TRY	341 206 360	125 150 235	1,00 %	0,55 %	Istanbul
Cheung Kong Holdings Ltd	3 832 974	288 154 308	119,00	HKD	327 793 445	39 639 137	0,96 %	0,17 %	Hong Kong
Kinnevik Investment AB-B	2 067 077	103 280 055	135,70	SEK	239 885 609	136 605 554	0,70 %	0,90 %	Stockholm
Albaraka Turk Katilim Bankasi AS	32 234 600	215 078 573	1,70	TRY	171 093 932	-43 984 641	0,50 %	3,58 %	Istanbul
RSA Insurance Group Plc	14 702 720	141 764 490	1,26	GBP	167 219 899	25 455 409	0,49 %	0,41 %	London
TAG Immobilien AG	2 327 790	132 754 087	9,49	EUR	162 363 981	29 609 894	0,47 %	1,78 %	Frankfurt
Sberbank of Russia	13 135 054	158 916 613	67,34	RUB	161 291 226	2 374 613	0,47 %	1,31 %	Moscow
Japan Securities Finance Co	4 124 475	236 377 976	550,00	JPY	145 958 468	-90 419 508	0,43 %	4,40 %	Tokyo
Asya Katilim Bankasi AS	21 065 168	206 740 917	2,21	TRY	145 351 862	-61 389 055	0,42 %	2,34 %	Istanbul
Sparebank 1 SR-Bank ASA	3 661 486	103 844 699	37,20	NOK	136 207 279	32 362 580	0,40 %	1,43 %	Oslo Børs
Talanx AG	786 319	108 454 837	21,48	EUR	124 074 911	15 620 074	0,36 %	0,31 %	Frankfurt
Industrial Bank of Korea	2 000 655	145 741 615	11 850	KRW	123 871 870	-21 869 746	0,36 %	0,37 %	Seoul
EFG-Hermes Holding SAE	12 791 176	223 242 620	11,02	EGP	123 331 867	-99 910 753	0,36 %	2,67 %	Cairo
GSW Immobilien AG	458 452	77 870 371	32,00	EUR	107 769 229	29 898 858	0,31 %	0,91 %	Frankfurt
Irsa Sa ADR	1 815 671	151 638 394	6,97	USD	70 443 790	-81 194 604	0,21 %	3,14 %	New York
Capitamalls Asia Ltd	6 212 485	39 351 181	1,94	SGD	54 949 088	15 597 907	0,16 %	0,16 %	Singapore
Total Financials		**6 017 768 192**			**6 592 700 858**	**574 932 666**	**19,24 %**		
Information technology									
Samsung Electronics Co Ltd Pref	521 930	1 202 766 187	852 000	KRW	2 323 453 547	1 120 687 360	6,78 %	2,29 %	Seoul
Oracle Corp	6 560 604	1 058 165 017	33,32	USD	1 216 806 709	158 641 692	3,55 %	0,14 %	NASDAQ
Microsoft Corp	3 839 442	600 724 306	26,71	USD	570 834 088	-29 890 218	1,67 %	0,05 %	NASDAQ
Kyocera Corp	985 768	518 608 150	7 770	JPY	492 826 061	-25 782 089	1,44 %	0,52 %	Tokyo
Samsung Electronics Co Ltd Pref GDR	118 732	119 951 981	402,00	USD	265 684 743	145 732 762	0,78 %	0,26 %	London Int.
Google Inc	62 275	214 270 064	707,38	USD	245 210 629	30 940 565	0,72 %	0,02 %	NASDAQ
Kyocera Corp ADR	48 553	35 760 939	91,35	USD	24 688 653	-11 072 286	0,07 %	0,03 %	New York
Proact IT Group AB	102 318	3 961 104	102,25	SEK	8 947 116	4 986 012	0,03 %	1,10 %	Stockholm
Total Information technology		**3 754 207 747**			**5 148 451 546**	**1 394 243 799**	**15,03 %**		
Telecom									
Vimpelcom Ltd-Spon ADR	11 926 062	916 415 772	10,49	USD	696 378 460	-220 037 312	2,03 %	0,73 %	New York
China Unicom Hong Kong Ltd	56 953 350	520 112 814	12,42	HKD	508 344 700	-11 768 114	1,48 %	0,24 %	Hong Kong
Indosat Tbk PT	60 659 725	216 150 512	6 450	IDR	226 106 395	9 955 883	0,66 %	1,12 %	Indonesia
China Unicom Hong Kong Ltd ADR	2 466 883	227 566 402	16,29	USD	223 687 860	-3 878 542	0,65 %	0,10 %	New York
Sistema Jsfc GDR	1 911 475	193 977 626	20,20	USD	214 927 888	20 950 261	0,63 %	0,40 %	London Int.
First Pacific Co Ltd	32 545 960	203 569 542	8,51	HKD	199 041 702	-4 527 840	0,58 %	0,85 %	Hong Kong
Vivendi SA	1 317 510	146 747 914	16,95	EUR	164 049 362	17 301 448	0,48 %	0,10 %	Paris
Orascom Telecom Holding SAE	26 937 839	58 416 941	4,02	EGP	94 748 434	36 331 493	0,28 %	0,51 %	Cairo
Orascom Telecom Holding SAE GDR	1 351 911	12 705 770	3,14	USD	23 614 232	10 908 461	0,07 %	0,13 %	London Int.
Total Telecom		**2 495 663 294**			**2 350 899 033**	**-144 764 260**	**6,86 %**		
Utilities									
Centrais Eletricas Brasileiras SA Pref	9 747 757	602 752 539	10,48	BRL	277 661 349	-325 091 190	0,81 %	3,67 %	Sao Paulo
Centrais Eletricas Brasileiras SA	4 226 749	352 494 558	6,33	BRL	72 720 963	-279 773 595	0,21 %	0,39 %	Sao Paulo
Centrais Eletricas Brasileiras SA ADR	192 000	5 095 419	3,12	USD	3 334 484	-1 760 935	0,01 %	0,02 %	New York
Total Utilities		**960 342 516**			**353 716 796**	**-606 625 720**	**1,03 %**		
TOTAL SECURITIES PORTFOLIO[1]		**30 178 374 022**			**32 581 656 254**	**2 403 282 232**	**95,09 %**		

[1] For liquidity in the portfolio as of 31.12.2012, please refer to the balance sheet.

Allocation of the acquisition cost:
For SKAGEN Global the average acquisition value is applied when calculating the realized capital gain/loss when selling shares.

SKAGEN Kon-Tiki

Note 7. Securities portfolio as of 31.12.2012 (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
Energy									
Baker Hughes Inc	6 612 835	1 850 498 244	40,85	USD	1 503 585 306	-346 912 938	3,26 %	1,50 %	New York
Gazprom Oao ADR	25 485 821	1 708 085 727	9,46	USD	1 342 030 986	-366 054 741	2,91 %	0,22 %	London Int.
Tullow Oil Plc	4 831 973	447 708 148	12,61	GBP	551 308 359	103 600 211	1,19 %	0,53 %	London
Petroleo Brasileiro Pref ADR	4 455 678	760 423 012	19,31	USD	478 926 480	-281 496 531	1,04 %	0,16 %	New York
Afren Plc	26 112 733	323 672 126	1,31	GBP	309 749 070	-13 923 055	0,67 %	2,40 %	London
Pacific Drilling SA	4 465 777	267 970 075	9,44	USD	234 661 480	-33 308 595	0,51 %	2,06 %	New York
Seadrill Ltd	1 004 382	93 082 276	203,30	NOK	204 190 861	111 108 585	0,44 %	0,21 %	Oslo Børs
Deep Sea Supply Plc	12 229 431	125 765 711	9,91	NOK	121 193 661	-4 572 050	0,26 %	9,63 %	Oslo Børs
Siem Offshore Inc	10 977 629	94 336 405	7,65	NOK	83 978 862	-10 357 543	0,18 %	2,77 %	Oslo Børs
Archer Ltd	16 040 969	342 959 006	4,60	NOK	73 788 457	-269 170 549	0,16 %	4,37 %	Oslo Børs
Renewable Energy Corp ASA	23 110 218	43 350 638	1,07	NOK	24 727 933	-18 622 705	0,05 %	1,09 %	Oslo Børs
Total Energy		**6 057 851 368**			**4 928 141 456**	**-1 129 709 912**	**10,67 %**		
Raw materials									
Vale Sa Spons ADR	9 472 805	1 013 789 195	20,29	USD	1 069 875 945	56 086 750	2,32 %	0,45 %	New York
Exxaro Resources Ltd	5 669 011	724 159 532	169,00	ZAR	628 968 267	-95 191 265	1,36 %	1,58 %	Johannesburg
Eurasian Natural Resources Corp Plc	10 691 761	595 654 512	2,84	GBP	274 740 430	-320 914 082	0,59 %	0,83 %	London
Ipek Dogal Enerji Kaynaklari Ve Uretim AS	8 950 000	97 544 122	6,00	TRY	167 663 175	70 119 053	0,36 %	3,45 %	Istanbul
Drdgold Ltd ADR	3 724 701	206 449 868	8,06	USD	167 108 767	-39 341 100	0,36 %	9,66 %	NASDAQ
Asia Cement China Holdings	50 706 000	186 391 210	3,83	HKD	139 564 690	-46 826 520	0,30 %	3,26 %	Hong Kong
Vale SA-Pref A	1 231 900	210 807 094	40,87	BRL	136 845 193	-73 961 901	0,30 %	0,06 %	Sao Paulo
Park Elektrik Uretim Madenci	6 649 843	120 176 694	6,14	TRY	127 480 325	7 303 631	0,28 %	4,47 %	Istanbul
Coal of Africa Ltd	9 214 414	98 371 139	0,16	GBP	13 131 165	-85 239 973	0,03 %	1,15 %	London Int.
Total Raw materials		**3 253 343 365**			**2 725 377 958**	**-527 965 408**	**5,90 %**		
Industrials									
ABB Ltd	10 321 737	1 070 292 574	134,10	SEK	1 183 720 746	113 428 172	2,56 %	0,45 %	Stockholm
AP Moeller - Maersk A/S	16 835	660 896 833	42 600	DKK	706 054 850	45 158 017	1,53 %	0,77 %	Copenhagen
Empresas ICA S.A.B	42 542 700	621 196 809	32,19	MXN	587 041 115	-34 155 694	1,27 %	7,00 %	Mexico
Aveng Ltd	21 017 094	617 358 060	30,66	ZAR	423 038 163	-194 319 897	0,92 %	5,39 %	Johannesburg
Bidvest Group Ltd	2 878 881	335 297 044	215,49	ZAR	407 272 949	71 975 905	0,88 %	0,88 %	Johannesburg
CNH Global N.V.	1 660 919	388 883 591	40,29	USD	372 493 329	-16 390 262	0,81 %	0,69 %	New York
Harbin Electric Company Ltd	68 000 000	614 366 467	6,66	HKD	325 462 212	-288 904 255	0,70 %	4,94 %	Hong Kong
Enka Insaat Ve Sanayi AS	14 957 663	195 004 936	5,30	TRY	247 515 850	52 510 914	0,54 %	0,53 %	Istanbul
Orascom Construction Industries GDR	1 083 401	239 292 221	40,20	USD	242 430 950	3 138 729	0,53 %	0,52 %	Cairo
Norwegian Air Shuttle ASA	1 628 768	119 886 177	143,90	NOK	234 379 715	114 493 538	0,51 %	4,67 %	Oslo Børs
Tekfen Holding AS	8 933 907	139 943 934	7,24	TRY	201 949 784	62 005 851	0,44 %	2,41 %	Istanbul
AirAsia Bhd	38 898 000	91 147 747	2,74	MYR	194 163 062	103 015 316	0,42 %	1,40 %	Kuala Lumpur
Frontline 2012 Ltd	6 912 000	128 435 232	27,00	NOK	186 624 000	58 188 768	0,40 %	4,43 %	Unlisted
Orascom Construction Industries	552 118	135 933 154	253,50	EGP	122 459 676	-13 473 478	0,27 %	0,26 %	Cairo
Dryships Inc	12 000 219	215 197 136	1,60	USD	106 876 429	-108 320 708	0,23 %	2,83 %	NASDAQ
Abengoa Sa - B Shares	6 195 948	114 938 614	2,34	EUR	106 506 116	-8 432 498	0,23 %	1,71 %	Madrid
LG Corp Pref	808 430	118 266 161	23 400	KRW	98 841 748	-19 424 413	0,21 %	24,39 %	Seoul
Golden Ocean Group Ltd	22 068 848	94 516 131	3,94	NOK	86 951 261	-7 564 870	0,19 %	4,87 %	Oslo Børs
Yingli Green Energy Holding Co Ltd ADR	6 266 933	118 593 343	2,35	USD	81 977 693	-36 615 650	0,18 %	3,98 %	New York
Kuribayashi Steamship Co Ltd	300 000	6 010 011	211,00	JPY	4 072 880	-1 937 131	0,01 %	2,35 %	Tokyo
Mariupol Heavy Machinebuilding Plant Azov GDR	422 695	16 806 476	0,01	USD	35 058	-16 771 418	0,00 %	2,75 %	Unlisted
Total Industrials		**6 042 262 652**			**5 919 867 585**	**-122 395 067**	**12,82 %**		
Consumer discretionary									
Great Wall Motor Co Ltd	89 280 000	161 949 598	24,45	HKD	1 568 738 210	1 406 788 613	3,40 %	3,26 %	Hong Kong
Hyundai Motor Co Pref (2pb)	3 574 100	570 644 476	75 600	KRW	1 411 791 731	841 147 255	3,06 %	9,50 %	Seoul
Hyundai Motor Co Pref (1p)	3 271 147	525 437 563	69 300	KRW	1 184 446 461	659 008 898	2,57 %	13,03 %	Seoul
Mahindra & Mahindra Ltd GDR	7 864 164	157 308 410	16,71	USD	731 478 878	574 170 468	1,58 %	1,28 %	London Int.
Royal Caribbean Cruises Ltd	3 496 839	628 973 526	34,00	USD	661 800 868	32 827 343	1,43 %	1,60 %	New York
Naspers Ltd	1 514 037	418 446 276	543,20	ZAR	539 921 946	121 475 670	1,17 %	0,37 %	Johannesburg
LG Electronics Inc Pref	3 150 000	850 969 171	20 400	KRW	335 755 287	-515 213 884	0,73 %	2,18 %	Seoul
Hengdeli Holdings Ltd	157 044 000	273 803 188	2,78	HKD	313 749 884	39 946 697	0,68 %	3,58 %	Hong Kong
DRB-Hicom Bhd	54 368 600	205 040 927	2,73	MYR	270 395 572	65 354 645	0,59 %	2,81 %	Kuala Lumpur
Mahindra & Mahindra Ltd	1 812 804	140 553 392	931,65	INR	171 392 211	30 838 819	0,37 %	0,30 %	National India
China Ting Group Hldgs Ltd	31 668 000	47 909 028	0,44	HKD	10 013 612	-37 895 417	0,02 %	1,51 %	Hong Kong
Ghabbour Auto	296 168	7 959 493	28,00	EGP	7 255 701	-703 792	0,02 %	0,23 %	Cairo
Total Consumer discretionary		**3 988 995 048**			**7 206 740 361**	**3 217 745 313**	**15,61 %**		
Consumer staples									
Cosan Ltd	10 319 782	577 466 683	17,31	USD	994 352 499	416 885 816	2,15 %	5,92 %	New York
Heineken NV	2 074 217	621 400 179	50,47	EUR	769 021 387	147 621 208	1,67 %	0,36 %	Amsterdam
Yazicilar Holding AS	9 654 470	239 353 575	15,90	TRY	479 279 620	239 926 045	1,04 %	6,03 %	Istanbul
Kulim Malaysia BHD	50 827 600	160 451 024	4,90	MYR	453 716 383	293 265 360	0,98 %	3,98 %	Kuala Lumpur
Distribuidora Internacional de Alimentacion SA	12 266 933	417 656 693	4,81	EUR	433 443 000	15 786 307	0,94 %	1,81 %	Madrid
PZ Cussons Plc	7 625 746	127 930 872	3,82	GBP	263 296 868	135 365 996	0,57 %	1,78 %	London
Tata Global Beverages Ltd	14 770 923	198 701 120	159,95	INR	239 761 430	41 060 311	0,52 %	2,39 %	National India
Royal Unibrew A/S	489 758	82 208 417	492,00	DKK	237 226 041	155 017 624	0,51 %	4,63 %	Copenhagen
Vinda International Holdings Ltd	21 680 000	163 392 840	10,60	HKD	165 151 519	1 758 679	0,36 %	2,17 %	Hong Kong
Podravka Prehrambena Ind DD	406 584	111 935 175	240,02	HRK	95 018 053	-16 917 121	0,21 %	7,50 %	Zagreb
United Intl Enterprises	68 500	12 938 797	972,00	DKK	65 549 979	52 611 182	0,14 %	1,49 %	Copenhagen
Thai Beverage Pcl	27 853 000	46 369 484	0,39	SGD	50 160 572	3 791 088	0,11 %	0,11 %	Singapore
East African Breweries Ltd	2 316 166	24 624 747	265,00	KES	39 374 243	14 749 496	0,09 %	0,29 %	Nairobi
Pivovarna Lasko	499 286	138 711 783	6,99	EUR	25 637 607	-113 074 176	0,06 %	5,71 %	Ljubljana
Kulim Malaysia BHD Warrants	8 437 550	-	0,96	MYR	14 833 118	14 833 118	0,03 %	5,30 %	Kuala Lumpur
Total Consumer staples		**2 923 141 389**			**4 325 822 321**	**1 402 680 933**	**9,37 %**		

Note 7. Securities portfolio as of 31.12.2012 (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
Health care									
Richter Gedeon Nyrt	997 104	1 097 121 873	36 210	HUF	911 113 103	-186 008 770	1,97 %	5,35 %	Budapest
Hanmi Pharm Co Ltd	798 761	315 456 018	120 500	KRW	502 905 255	187 449 237	1,09 %	9,65 %	Seoul
China Shineway Pharmaceutical	31 216 000	232 953 330	13,10	HKD	293 877 257	60 923 927	0,64 %	3,77 %	Hong Kong
Eis Eczacibasi Ilac Ve Sanayi	21 418 365	146 799 597	2,00	TRY	133 745 664	-13 053 933	0,29 %	3,91 %	Istanbul
Supermax Corp BHD	29 573 600	114 137 193	1,93	MYR	103 980 112	-10 157 081	0,23 %	4,35 %	Kuala Lumpur
Eczacibasi Yatirim Holding	3 586 363	42 586 971	6,32	TRY	70 767 642	28 180 670	0,15 %	5,12 %	Istanbul
Hanmi Science Co Ltd	1 331 269	105 152 006	7 530	KRW	52 377 269	-52 774 737	0,11 %	2,56 %	Seoul
Yuyu Pharma Inc	290 090	36 311 172	7 260	KRW	11 004 024	-25 307 149	0,02 %	4,97 %	Seoul
Total Health care		**2 090 518 161**			**2 079 770 326**	**-10 747 835**	**4,50 %**		
Financials									
Haci Omer Sabanci Holding AS	49 857 500	984 128 537	9,80	TRY	1 525 527 265	541 398 728	3,30 %	2,44 %	Istanbul
HSBC Holdings PLC	16 922 745	988 152 722	6,47	GBP	990 519 326	2 366 604	2,15 %	0,09 %	London
VTB Bank Ojsc GDR	44 401 213	1 333 710 986	3,46	USD	855 152 780	-478 558 205	1,85 %	0,85 %	London Int.
Banco Do Estado Rio Grande Do Sul SA Pref	19 543 329	452 544 267	15,51	BRL	823 872 095	371 327 828	1,78 %	4,78 %	Sao Paulo
State Bank of India	2 305 149	662 041 765	2385,50	INR	558 040 688	-104 001 077	1,21 %	0,34 %	National India
Aberdeen Asset Management Plc	11 668 318	188 718 469	3,67	GBP	387 567 751	198 849 282	0,84 %	1,02 %	London
Bangkok Bank Public Co-Nvdr	9 410 500	240 648 119	195,50	THB	334 926 988	94 278 869	0,73 %	0,49 %	Bangkok
JSE Ltd	6 464 519	249 899 375	78,25	ZAR	332 089 614	82 190 238	0,72 %	7,60 %	Johannesburg
Kiwoom Securities Co Ltd	1 043 205	190 647 588	58 900	KRW	321 045 875	130 398 286	0,70 %	4,72 %	Seoul
Korean Reinsurance Co	4 765 065	181 996 624	11 500	KRW	286 318 103	104 321 480	0,62 %	4,03 %	Seoul
Turkiye Sinai Kalkinma Bankasi AS	30 231 660	180 606 895	2,29	TRY	216 152 806	35 545 911	0,47 %	2,75 %	Istanbul
Immofinanz AG	8 111 256	195 143 507	3,18	EUR	189 242 870	-5 900 637	0,41 %	0,72 %	Wien
Haitong Securities Co Ltd	19 387 600	154 736 853	13,30	HKD	185 307 553	30 570 700	0,40 %	1,30 %	Hong Kong
Kiatnakin Bank Pcl-Nvdr	19 238 700	142 186 343	48,50	THB	169 866 659	27 680 316	0,37 %	2,31 %	Bangkok
Kiatnakin Bank Pcl	16 543 300	108 175 319	48,50	THB	146 067 827	37 892 507	0,32 %	1,99 %	Bangkok
EFG-Hermes Holding SAE	14 949 381	353 506 510	11,02	EGP	144 141 169	-209 365 341	0,31 %	3,13 %	Cairo
Hellenic Exchanges SA Holdings	4 121 279	149 607 395	4,35	EUR	131 695 883	-17 911 512	0,29 %	6,30 %	Athen
Ghana Commercial Bank Ltd	17 397 904	83 591 006	2,10	GHS	106 860 481	23 269 475	0,23 %	6,57 %	Ghana
Nordnet AB	7 007 907	97 310 164	16,80	SEK	100 685 123	3 374 958	0,22 %	4,00 %	Stockholm
Value Partners Group Ltd	20 516 000	80 002 145	5,12	HKD	75 488 376	-4 513 769	0,16 %	1,17 %	Hong Kong
Diamond Bank Plc	267 216 700	52 752 338	4,94	NGN	47 059 800	-5 692 537	0,10 %	1,85 %	Lagos
VinaCapital Vietnam Opportunity Fund Ltd	2 475 000	23 708 333	1,84	USD	25 321 737	1 613 403	0,05 %	0,76 %	London
Trimegah Securities Tbk PT	350 000 000	50 389 802	121,00	IDR	24 474 065	-25 915 737	0,05 %	9,58 %	Jakarta
Efg-Hermes Holding GDR	169 053	8 188 209	3,80	USD	3 575 850	-4 612 360	0,01 %	0,07 %	London Int.
Total Financials		**7 152 393 271**			**7 981 000 682**	**828 607 411**	**17,28 %**		
Information technology									
Samsung Electronics Co Ltd Pref	542 010	1 339 078 266	852 000	KRW	2 412 842 827	1 073 764 561	5,23 %	2,37 %	Seoul
Hon Hai Precision Industry Co Ltd	93 500 000	1 791 460 501	88,90	TWD	1 592 607 940	-198 852 561	3,45 %	0,79 %	Taipei
Samsung Electronics Co Ltd Pref GDR	493 414	484 658 096	402,00	USD	1 104 104 804	619 446 708	2,39 %	1,08 %	London Int.
Lenovo Group Ltd	52 990 000	259 168 990	7,02	HKD	267 330 470	8 161 480	0,58 %	0,51 %	Hong Kong
Skyworth Digital Holdings Ltd	54 958 000	160 232 334	3,97	HKD	156 797 400	-3 434 934	0,34 %	1,98 %	Hong Kong
Satyam Computer Services Ltd	4 500 000	199 639 269	107,05	INR	48 886 239	-150 753 030	0,11 %	0,38 %	National India
Ericsson Nikola Tesla	21 240	24 426 329	1 385	HRK	28 642 617	4 216 289	0,06 %	1,60 %	Zagreb
Total Information technology		**4 258 663 785**			**5 611 212 297**	**1 352 548 512**	**12,15 %**		
Telecom									
Sistema Jsfc GDR	11 303 681	901 767 260	20,20	USD	1 270 995 581	369 228 321	2,75 %	2,34 %	London Int.
Bharti Airtel Ltd	28 568 386	1 152 935 899	317,10	INR	919 325 675	-233 610 224	1,99 %	0,75 %	National India
Indosat Tbk PT	103 964 000	323 273 979	6450	IDR	387 521 132	64 247 153	0,84 %	1,91 %	Indonesia
Indosat Tbk PT ADR	2 054 395	350 195 352	33,07	USD	378 173 352	27 977 999	0,82 %	1,89 %	New York
China Mobile Ltd ADR	395 328	117 637 956	58,72	USD	129 216 032	11 578 076	0,28 %	0,01 %	New York
Total Telecom		**2 845 810 447**			**3 085 231 772**	**239 421 325**	**6,68 %**		
Utilities									
Centrais Eletricas Brasileiras SA Pref	12 202 263	901 972 770	10,48	BRL	347 577 069	-554 395 701	0,75 %	4,60 %	Sao Paulo
Centrais Eletricas Brasileiras SA	744 551	51 595 553	6,33	BRL	12 809 955	-38 785 597	0,03 %	0,07 %	Sao Paulo
Total Utilities		**953 568 323**			**360 387 024**	**-593 181 299**	**0,78 %**		
TOTAL SECURITIES PORTFOLIO [1]		**39 566 547 808**			**44 223 551 782**	**4 657 003 973**	**95,77 %**		

[1] For liquidity in the portfolio as of 31.12.2012, please refer to the balance sheet.

Allocation of the acquisition cost:
For SKAGEN Kon-Tiki the average acquisition value is applied when calculating the realized capital gain/loss when selling shares.

SKAGEN Høyrente

Note 7. Securities portfolio as of 31.12.2012 (in NOK)

Security	Maturity	Coupon	Interest adjustment point	Facevalue	Costprice	Yield[3]	Duration[2]	Market price	Accrued interest	Market value	Marketvalue incl. accrued interest	Unrealised gain/loss	Share of fund	Risk class[4]
FLOATING RATE SECURITIES														
Financial bonds														
Sparebank 1 Nord-Norge	02.10.2013	3,92	02.01.2013	109 000 000	111 831 250	2,38	0,01	101,34	1 068 200	110 459 719	111 527 920	-1 371 531	2,86%	5
Sparebank 1 Buskerud-Vestfold	17.03.2014	2,70	18.03.2013	90 000 000	90 112 160	2,68	0,21	100,60	94 500	90 536 740	90 631 240	424 580	2,35%	5
Sparebanken Pluss	18.02.2015	3,17	18.02.2013	80 000 000	80 309 000	3,16	0,13	101,34	295 867	81 074 593	81 370 459	765 593	2,11%	5
Sparebank 1 SMN	12.12.2013	3,43	12.03.2013	80 000 000	81 707 350	2,64	0,19	101,22	144 822	80 976 999	81 121 821	-730 351	2,10%	5
Kredittforeningen for Sparebanker	28.10.2013	2,93	28.01.2013	80 000 000	80 083 000	2,55	0,08	100,65	410 200	80 521 798	80 931 998	438 798	2,10%	5
BN Bank ASA	16.06.2014	2,67	18.03.2013	80 000 000	79 919 000	2,91	0,20	100,47	83 067	80 378 344	80 461 411	459 344	2,09%	5
Skandinaviska Enskilda Banken AB	20.02.2015	3,21	20.02.2013	75 000 000	75 000 000	3,17	0,14	101,37	274 187	76 026 560	76 300 748	1 026 560	1,98%	5
Sparebanken Pluss	25.08.2014	2,80	25.02.2013	75 000 000	74 847 000	2,77	0,15	100,62	204 167	75 466 855	75 671 022	619 855	1,96%	5
BN Bank ASA	19.03.2014	2,67	20.03.2013	75 000 000	74 985 000	2,79	0,21	100,46	66 750	75 348 734	75 415 484	363 734	1,95%	5
Helgeland Sparebank	09.05.2014	2,75	11.02.2013	70 500 000	70 432 050	2,60	0,11	100,62	280 042	70 935 949	71 215 990	503 899	1,85%	5
Sparebank 1 Nord-Norge	06.10.2014	3,05	07.01.2013	70 000 000	70 409 600	2,77	0,02	101,04	498 167	70 729 999	71 228 166	320 399	1,83%	5
Sparebanken Sør	17.02.2014	4,08	18.02.2013	69 000 000	71 196 800	2,53	0,14	102,07	328 440	70 425 155	70 753 595	-771 645	1,83%	5
Sparebanken Sør	20.05.2014	2,76	20.02.2013	70 000 000	70 068 300	2,63	0,14	100,56	220 033	70 394 043	70 614 076	325 743	1,83%	5
Sparebanken Pluss	17.10.2014	3,14	17.01.2013	55 000 000	54 992 500	2,80	0,05	101,25	359 792	55 685 222	56 045 014	692 722	1,45%	5
Sparebank 1 SMN	19.03.2014	2,77	19.03.2013	55 000 000	55 202 500	2,68	0,21	100,66	50 783	55 364 035	55 414 818	161 535	1,44%	5
Sparebank 1 Østfold Akershus	26.03.2013	3,43	26.03.2013	55 000 000	56 112 100	2,10	0,23	100,35	20 961	55 192 575	55 213 536	-919 525	1,43%	5
Sparebank 1 Buskerud-Vestfold	17.09.2014	2,75	18.03.2013	54 000 000	53 701 850	2,91	0,20	100,70	57 750	54 378 834	54 436 584	676 984	1,41%	5
Sparebank 1 Gruppen AS	03.02.2014	3,07	01.02.2013	52 000 000	52 000 000	2,71	0,08	100,37	266 067	52 194 859	52 460 925	194 859	1,36%	5
BN Bank ASA	26.01.2015	3,37	28.01.2013	50 000 000	50 000 000	3,19	0,08	101,68	308 917	50 838 774	51 147 691	838 774	1,33%	5
Sparebank 1 Buskerud-Vestfold	25.09.2015	3,08	25.03.2013	50 000 000	49 926 250	3,68	0,21	101,16	17 111	50 580 647	50 597 758	654 397	1,31%	5
Totens Sparebank	23.11.2015	3,20	25.02.2013	50 000 000	49 800 000	3,66	0,13	100,83	168 889	50 416 349	50 585 238	616 349	1,31%	5
Sparebank 1 SMN	05.08.2014	2,80	05.02.2013	50 000 000	50 018 400	2,69	0,10	100,78	217 778	50 389 599	50 607 377	371 199	1,31%	5
Sparebanken Sogn og Fjordane	11.08.2014	2,79	11.02.2013	50 000 000	49 971 000	2,71	0,11	100,68	189 875	50 338 242	50 528 117	367 242	1,31%	5
Kredittforeningen for Sparebanker	02.06.2014	2,71	01.03.2013	50 000 000	49 922 500	2,80	0,16	100,43	105 389	50 217 422	50 322 811	294 922	1,30%	5
Bank 1 Oslo Akershus AS	22.10.2014	2,55	22.01.2013	41 500 000	41 094 200	2,82	0,05	100,25	205 771	41 602 051	41 807 822	507 851	1,08%	5
Sparebanken Sogn og Fjordane	28.01.2014	2,38	28.01.2013	40 000 000	39 615 000	2,48	0,07	100,20	166 600	40 078 743	40 245 343	463 743	1,04%	5
Totens Sparebank	27.11.2013	2,47	27.02.2013	38 000 000	37 763 500	2,66	0,15	100,21	88 646	38 080 862	38 169 508	317 362	0,99%	5
Kredittforeningen for Sparebanker	10.02.2014	2,81	11.02.2013	35 000 000	35 005 950	2,61	0,11	100,58	133 865	35 202 137	35 336 003	196 187	0,92%	5
Helgeland Sparebank	15.08.2013	2,77	15.02.2013	30 000 000	30 031 500	2,20	0,12	100,48	106 183	30 142 652	30 248 836	111 152	0,78%	5
Pareto Bank ASA	04.04.2014	3,35	04.01.2013	30 000 000	29 985 900	3,55	0,00	100,39	245 666	30 117 958	30 363 624	132 058	0,78%	5
Flekkefjord Sparebank	30.09.2013	2,57	31.12.2012	30 000 000	29 891 400	2,67	0,23	100,33	-	30 098 941	30 098 941	207 541	0,78%	5
Sparebanken Møre	25.02.2014	2,71	25.02.2013	25 000 000	25 000 000	2,56	0,15	100,49	65 868	25 122 729	25 188 597	122 729	0,65%	5
Fana Sparebank	19.02.2014	2,60	19.02.2013	25 000 000	24 986 250	2,64	0,13	100,32	75 833	25 081 154	25 156 987	94 904	0,65%	5
Sparebank 1 Ringerike Hadeland	17.02.2014	2,58	18.02.2013	25 000 000	24 885 000	2,63	0,13	100,30	75 250	25 075 571	25 150 821	190 571	0,65%	5
Fana Sparebank	25.04.2013	2,38	25.01.2013	25 000 000	25 026 250	1,94	0,07	100,13	110 736	25 031 800	25 142 536	5 550	0,65%	5
Sparebank 1 Nordvest	24.04.2013	3,39	24.01.2013	23 000 000	23 387 190	1,94	0,07	100,44	147 277	23 101 509	23 248 786	-285 681	0,60%	5
Sparebanken Pluss	15.01.2013	2,35	15.01.2013	23 000 000	22 953 150	1,89	0,04	100,02	115 607	23 004 796	23 120 403	51 646	0,60%	5
Sparebank 1 SR-Bank	03.10.2013	3,93	03.01.2013	20 000 000	20 588 000	2,39	0,01	101,34	194 317	20 268 709	20 463 026	-319 291	0,53%	5
Pareto Bank ASA	04.11.2014	3,80	04.02.2013	20 000 000	19 970 000	3,93	0,08	101,15	118 222	20 230 705	20 348 928	260 705	0,53%	5
Sparebank 1 Søre Sunnmøre	28.01.2014	3,03	28.01.2013	20 000 000	19 986 000	2,57	0,08	100,83	106 050	20 166 873	20 272 923	180 873	0,53%	5
Helgeland Sparebank	05.10.2015	3,07	07.01.2013	20 000 000	19 871 800	3,50	0,00	100,83	148 383	20 165 093	20 313 477	293 293	0,52%	5
Pareto Bank ASA	02.09.2013	3,20	04.03.2013	20 000 000	20 000 000	3,31	0,17	100,52	49 778	20 103 758	20 153 536	103 758	0,52%	5
Pareto Bank ASA	18.03.2013	3,06	18.03.2013	20 000 000	20 022 000	2,22	0,21	100,21	22 100	20 042 735	20 064 835	20 735	0,52%	5
Sparebank 1 SMN	18.09.2013	2,77	20.03.2013	19 000 000	19 054 600	2,50	0,21	100,54	17 543	19 103 395	19 120 938	48 795	0,50%	5
Sparebank 1 Nord-Norge	19.02.2015	2,63	19.02.2013	17 500 000	17 242 900	3,17	0,12	100,21	53 696	17 535 958	17 589 654	293 058	0,46%	5
Sparebank 1 Buskerud-Vestfold	30.09.2013	4,02	31.12.2012	15 000 000	15 292 500	2,54	0,23	101,49	-	15 223 983	15 223 983	-68 517	0,39%	5
Sparebanken Narvik	29.09.2014	3,27	31.12.2012	15 000 000	15 012 300	3,19	0,23	101,30	-	15 195 205	15 195 205	182 905	0,39%	5
Sparebanken Narvik	16.09.2013	3,00	18.03.2013	14 000 000	14 061 680	2,60	0,21	100,65	16 333	14 090 412	14 106 745	28 732	0,37%	5
Haugesund Sparebank	02.12.2013	2,81	04.03.2013	11 000 000	10 990 870	2,67	0,17	100,54	24 041	11 059 326	11 083 367	68 456	0,29%	5
Helgeland Sparebank	21.11.2014	3,15	21.02.2013	10 000 000	10 082 500	2,92	0,14	101,26	35 000	10 126 063	10 161 063	43 563	0,26%	5
Sparebank 1 Telemark	10.02.2015	2,63	11.02.2013	10 000 000	9 880 000	3,26	0,10	100,07	35 797	10 006 531	10 042 329	126 531	0,26%	5
Totens Sparebank	30.01.2014	2,04	30.01.2013	8 000 000	7 920 800	2,58	0,08	99,79	28 107	7 982 900	8 011 007	62 100	0,21%	5
Sparebank 1 SMN	23.03.2015	2,73	25.03.2013	7 000 000	6 951 560	3,39	0,22	100,57	2 123	7 039 878	7 042 001	88 318	0,18%	5
Industrial bonds														
AP Moeller - Maersk A/S	16.12.2014	3,70	18.03.2013	75 000 000	75 957 700	3,00	0,21	101,58	107 917	76 187 431	76 295 347	229 731	1,98%	6
Entra Eiendom AS	09.11.2015	3,12	11.02.2013	50 000 000	50 000 000	3,06	0,09	100,08	225 333	50 039 858	50 265 192	39 858	1,30%	6
Vasakronan AB	30.05.2014	2,73	28.02.2013	50 000 000	49 915 500	2,77	0,15	99,87	117 542	49 935 914	50 053 456	20 414	1,30%	6
Schibsted ASA	16.12.2015	3,90	18.03.2013	40 000 000	40 520 640	3,60	0,19	101,27	60 667	40 507 603	40 568 269	-13 037	1,05%	6
Schibsted ASA	16.12.2013	3,35	18.03.2013	20 000 000	20 000 000	2,70	0,20	100,74	26 056	20 148 097	20 174 153	148 097	0,52%	6
Entra Eiendom AS	25.11.2014	2,76	25.02.2013	20 000 000	19 919 000	2,87	0,13	99,69	53 667	19 937 465	19 991 132	18 465	0,52%	6
Power generation bonds														
BKK AS	10.10.2013	2,90	10.01.2013	115 000 000	115 456 800	2,58	0,03	100,45	759 639	115 511 932	116 271 571	55 132	2,99%	6
Agder Energi AS	25.08.2014	2,86	25.02.2013	62 000 000	62 225 212	2,94	0,14	100,42	172 394	62 262 823	62 435 217	37 611	1,62%	6
Agder Energi AS	12.08.2013	2,36	12.02.2013	61 000 000	60 755 050	2,43	0,11	100,11	195 946	61 064 127	61 260 072	309 077	1,59%	6
BKK AS	29.05.2014	2,76	28.02.2013	55 000 000	55 025 000	2,86	0,15	100,35	134 933	55 191 844	55 326 777	166 844	1,43%	6
Hafslund ASA	12.09.2013	3,38	12.03.2013	35 000 000	35 530 500	2,64	0,19	100,83	62 436	35 288 813	35 351 249	-241 687	0,92%	6
Lyse Energi AS	11.06.2013	3,23	11.03.2013	25 000 000	25 371 000	2,30	0,19	100,51	44 861	25 127 961	25 172 822	-243 039	0,65%	6

Note 7. Securities portfolio as of 31.12.2012 (in NOK)

Security	Maturity	Coupon	Interest adjustment point	Facevalue	Costprice	Yield[3]	Duration[2]	Market price	Accrued interest	Market value	Marketvalue incl. accrued interest	Unrealised gain/loss	Share offund	Risk class[4]
FIXED RATE SECURITIES														
Financial certificates														
Pareto Bank ASA	18.01.2013	3,72		20000000	19994000	2,06	0,05	100,08	707310	20015861	20723170	21861	0,54%	5
Power generation certificates														
Lyse Energi AS	24.05.2013	3,25		40000000	40000000	2,31	0,39	100,43	783562	40170313	40953875	170313	1,06%	6
Lyse Energi AS	20.06.2013	3,30		35000000	35164640	2,36	0,46	100,51	613890	35180004	35793894	15364	0,93%	6
Hafslund ASA	15.03.2013	3,33		25000000	25000000	2,17	0,20	100,25	661438	25062632	25724071	62632	0,67%	6
Lyse Energi AS	27.03.2013	3,10		15000000	15035955	2,19	0,23	100,23	354164	15035061	15389225	-894	0,40%	6
TOTAL SECURITIES PORTFOLIO[5]					**2984971407**				**13202300**	**2995622218**	**3008824518**	**10650811**	**77,90%**	

Portfolio key figures	
Yield	2,85%
Yield to clients[1]	2,60%
Duration[2]	0,11

[1] Yield adjusted for management fee.

[2] Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

[3] Yield is the average annual return of an interest bearing security until maturity.

[4] 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

[5] For liquidity in the portfolio as of 31.12.12, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 31.12.2012 104,434

NOK 119.285.552,- 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 the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

SKAGEN Høyrente Institusjon

Note 7. Securities portfolio as of 31.12.2012 (in NOK)

Security	Maturity	Coupon	Interest adjustment point	Face value	Cost price	Yield[3]	Duration[2]	Market price	Accrued interest	Market value	Market value incl. accrued interest	Unrealised gain/loss	Share of fund	Risk class[4]
FLOATING RATE SECURITIES														
Financial bonds														
Sparebanken Pluss	17.10.2014	3,14	17.01.2013	50 000 000	49 975 000	2,80	0,05	101,25	327 083	50 622 929	50 950 012	647 929	3,93 %	5
Helgeland Sparebank	10.05.2013	2,36	11.02.2013	35 000 000	35 038 500	1,92	0,11	100,15	112 428	35 051 931	35 164 358	13 431	2,71 %	5
Sparebank 1 SMN	20.02.2015	2,51	20.02.2013	34 500 000	33 958 950	3,18	0,12	99,89	98 622	34 462 715	34 561 337	503 765	2,67 %	5
Kredittforeningen for Sparebanker	08.03.2013	2,69	08.03.2013	30 000 000	30 062 000	2,04	0,18	100,14	47 075	30 043 057	30 090 132	-18 943	2,32 %	5
Sparebanken Møre	02.08.2013	2,18	04.02.2013	30 000 000	30 042 000	2,11	0,09	100,14	100 340	30 040 839	30 141 179	-1 161	2,33 %	5
Sparebank 1 Buskerud-Vestfold	16.02.2015	3,21	18.02.2013	25 000 000	25 105 000	3,16	0,13	101,47	100 312	25 366 716	25 467 029	261 716	1,97 %	5
Bank 1 Oslo Akershus AS	30.04.2015	3,01	30.01.2013	25 000 000	24 983 500	3,32	0,08	101,09	129 597	25 272 336	25 401 934	288 836	1,96 %	5
Sparebank 1 Telemark	28.03.2014	2,62	27.03.2013	25 000 000	24 962 500	2,81	0,23	100,40	5 458	25 100 446	25 105 904	137 946	1,94 %	5
Pareto Bank ASA	18.03.2013	3,06	18.03.2013	25 000 000	25 000 000	2,22	0,21	100,21	27 625	25 053 419	25 081 044	53 419	1,94 %	5
Sparebanken Pluss	30.10.2013	3,94	30.01.2013	22 000 000	22 399 740	2,49	0,09	101,55	149 282	22 341 857	22 491 140	-57 883	1,74 %	5
Sparebanken Pluss	15.01.2013	2,35	15.01.2013	22 000 000	22 037 480	1,89	0,04	100,02	110 581	22 004 588	22 115 168	-32 892	1,71 %	5
Skandinaviska Enskilda Banken AB	20.02.2015	3,21	20.02.2013	21 000 000	21 000 000	3,17	0,14	101,37	76 772	21 287 437	21 364 209	287 437	1,65 %	5
Totens Sparebank	15.08.2014	2,75	15.02.2013	20 000 000	19 752 000	2,87	0,12	100,47	70 278	20 094 607	20 164 885	342 607	1,56 %	5
Pareto Bank ASA	04.04.2014	3,35	04.01.2013	20 000 000	19 990 600	3,55	0,00	100,39	163 778	20 078 639	20 242 416	88 039	1,55 %	5
Sparebank 1 Østfold Akershus	26.03.2013	3,43	26.03.2013	20 000 000	20 385 900	2,10	0,23	100,35	7 622	20 070 027	20 077 649	-315 873	1,55 %	5
Helgeland Sparebank	12.06.2013	2,46	12.03.2013	20 000 000	20 051 600	2,05	0,19	100,24	25 967	20 047 361	20 073 328	-4 239	1,55 %	5
Sparebanken Sør	04.02.2015	2,40	04.02.2013	20 000 000	19 620 600	3,10	0,08	99,91	74 667	19 981 139	20 055 806	360 539	1,55 %	5
Bank 1 Oslo Akershus AS	22.10.2014	2,55	22.01.2013	16 500 000	16 352 325	2,82	0,05	100,25	81 812	16 540 574	16 622 387	188 249	1,28 %	5
Sparebank 1 Buskerud-Vestfold	30.09.2013	4,02	31.12.2012	15 000 000	15 261 750	2,54	0,23	101,49	-	15 223 983	15 223 983	-37 767	1,18 %	5
Sparebank 1 Ringerike Hadeland	26.08.2013	2,58	25.02.2013	15 000 000	15 055 050	2,34	0,15	100,32	37 625	15 047 269	15 084 894	-7 781	1,16 %	5
Aurskog Sparebank	28.06.2013	2,94	27.03.2013	14 000 000	14 087 360	2,23	0,23	100,45	3 430	14 063 658	14 067 088	-23 702	1,09 %	5
Sparebank 1 Buskerud-Vestfold	17.09.2014	2,75	18.03.2013	13 500 000	13 478 855	2,91	0,20	100,70	14 437	13 594 708	13 609 146	115 853	1,05 %	5
Sparebank 1 Ringerike Hadeland	13.05.2013	3,48	13.02.2013	12 000 000	12 100 434	1,97	0,12	100,55	55 680	12 065 650	12 121 330	-34 784	0,94 %	5
Sparebank 1 Nordvest	24.04.2013	3,39	24.01.2013	11 000 000	11 161 700	1,94	0,07	100,44	70 437	11 048 548	11 118 985	-113 152	0,86 %	5
Sparebanken Narvik	29.09.2014	3,27	31.12.2012	10 000 000	10 008 200	3,19	0,23	101,30	-	10 130 137	10 130 137	121 937	0,78 %	5
Sparebank 1 Østfold Akershus	10.02.2015	3,03	11.02.2013	10 000 000	9 983 300	3,26	0,11	100,90	41 242	10 089 802	10 131 044	106 502	0,78 %	5
Totens Sparebank	08.06.2015	3,14	08.03.2013	10 000 000	9 983 000	3,63	0,16	100,30	18 317	10 029 508	10 047 825	46 508	0,78 %	5
Sparebanken Narvik	03.05.2013	2,60	04.02.2013	10 000 000	10 039 350	1,99	0,09	100,21	40 444	10 020 768	10 061 213	-18 582	0,78 %	5
Sparebanken Pluss	18.02.2015	3,17	18.02.2013	5 000 000	5 019 500	3,16	0,13	101,34	18 492	5 067 162	5 085 654	47 662	0,39 %	5
Helgeland Sparebank	21.11.2014	3,15	21.02.2013	5 000 000	5 016 650	2,92	0,14	101,26	17 500	5 063 031	5 080 531	46 381	0,39 %	5
Sparebanken Narvik	16.09.2013	3,00	18.03.2013	5 000 000	5 040 400	2,60	0,21	100,65	5 833	5 032 290	5 038 123	-8 110	0,39 %	5
Sparebank 1 SMN	19.03.2014	2,77	19.03.2013	4 000 000	4 032 000	2,68	0,21	100,66	3 693	4 026 475	4 030 169	-5 525	0,31 %	5
Sparebank 1 SMN	18.09.2013	2,77	20.03.2013	4 000 000	4 026 000	2,50	0,21	100,54	3 693	4 021 767	4 025 461	-4 233	0,31 %	5
Sparebank 1 Telemark	13.05.2013	2,41	13.02.2013	4 000 000	4 005 480	1,97	0,12	100,15	12 853	4 006 173	4 019 026	693	0,31 %	5
FIXED RATE SECURITIES														
Financial bonds														
Sparebank 1 Telemark	08.08.2013	4,25		8 000 000	8 132 000	2,13	0,59	101,29	135 068	8 102 984	8 238 053	-29 016	0,64 %	5
Financial certificates														
BN Bank ASA	20.06.2013	3,25		50 000 000	49 995 000	2,13	0,46	100,55	863 699	50 274 036	51 137 735	279 036	3,95 %	5
Sparebank 1 Boligkreditt AS	04.10.2013	2,48		50 000 000	50 011 050	2,42	0,74	100,32	298 959	50 157 774	50 456 733	146 724	3,90 %	5
Pareto Bank ASA	18.01.2013	3,72		50 000 000	49 985 000	2,06	0,05	100,08	1 768 274	50 039 652	51 807 926	54 652	4,00 %	5
BN Bank ASA	22.11.2013	2,38		30 000 000	29 997 000	2,76	0,87	100,17	74 334	30 050 374	30 124 708	53 374	2,33 %	5
TOTAL SECURITIES PORTFOLIO[5]					**797 136 774**				**5 193 311**	**800 616 370**	**805 809 681**	**3 479 596**	**62,20 %**	

Portfolio key figures	
Yield	2,71 %
Yield to clients[1]	2,56 %
Duration[2]	0,13

[1] Yield adjusted for management fee.

[2] Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

[3] Yield is the average annual return of an interest bearing security until maturity.

[4] 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

[5] For liquidity in the portfolio as of 31.12.12, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 31.12.2012 103,1008

NOK 38.511.432,- 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 Avkastning

Note 7. Securities portfolio as of 31.12.2012 (in NOK)

Security	Maturity	Coupon	Currency	Interest adjustment point	Facevalue NOK	Costprice NOK	Yield[3]	Duration[2]	Market price NOK	Accrued interest NOK	Market value NOK	Marketvalue incl. accrued interest NOK	Unrealised gain/loss NOK	Share of fund	Risk class[4]
FLOATING RATE SECURITIES															
Financial bonds															
Sparebank 1 Nord-Norge	06.10.2014	3,05	NOK	07.01.2013	75 000 000	75 395 000	2,77	0,02	101,04	533 750	75 782 142	76 315 892	387 142	6,79%	5
Sparebanken Sør	16.09.2015	2,87	NOK	20.03.2013	59 000 000	58 376 106	3,68	0,19	100,52	56 443	59 306 879	59 363 322	930 773	5,32%	5
Sparebank 1 SMN	05.08.2014	2,80	NOK	05.02.2013	46 000 000	46 200 220	2,69	0,10	100,78	200 356	46 358 432	46 558 787	158 212	4,18%	5
Sparebank 1 Buskerud-Vestfold	25.09.2015	3,08	NOK	25.03.2013	40 000 000	40 416 000	3,68	0,21	101,16	13 689	40 464 518	40 478 206	48 518	3,63%	5
Sparebanken Pluss	25.08.2014	2,80	NOK	25.02.2013	40 000 000	40 001 500	2,77	0,15	100,62	108 889	40 248 990	40 357 878	247 490	3,62%	5
Sparebank 1 Buskerud-Vestfold	17.03.2014	2,70	NOK	18.03.2013	40 000 000	40 036 450	2,68	0,21	100,60	42 000	40 238 551	40 280 551	202 101	3,61%	5
Sparebank 1 SMN	23.03.2015	2,73	NOK	25.03.2013	39 000 000	39 231 150	3,39	0,22	100,57	11 830	39 222 177	39 234 007	-8 973	3,52%	5
Sparebank 1 Telemark	28.03.2014	2,62	NOK	27.03.2013	34 000 000	34 063 460	2,81	0,23	100,40	7 423	34 136 607	34 144 030	73 147	3,06%	5
Aurskog Sparebank	23.02.2015	3,28	NOK	22.02.2013	30 000 000	29 991 900	3,43	0,14	101,13	106 600	30 340 033	30 446 633	348 133	2,73%	5
BN Bank ASA	19.03.2014	2,67	NOK	20.03.2013	30 000 000	30 002 100	2,79	0,21	100,46	26 700	30 139 494	30 166 194	137 394	2,71%	5
Pareto Bank ASA	04.04.2014	3,35	NOK	04.01.2013	30 000 000	29 985 900	3,55	0,00	100,39	245 666	30 117 958	30 363 624	132 058	2,70%	5
Sparebanken Sogn og Fjordane	28.01.2014	2,38	NOK	28.01.2013	30 000 000	29 643 000	2,48	0,07	100,20	124 950	30 059 057	30 184 007	416 057	2,71%	5
Helgeland Sparebank	05.10.2015	3,07	NOK	07.01.2013	28 000 000	28 012 800	3,50	0,00	100,83	207 737	28 231 131	28 438 867	218 331	2,53%	5
Totens Sparebank	23.11.2015	3,20	NOK	25.02.2013	25 000 000	24 900 000	3,66	0,13	100,83	84 444	25 208 174	25 292 619	308 174	2,27%	5
Sparebank 1 Ringerike Hadeland	17.02.2014	2,58	NOK	18.02.2013	25 000 000	24 890 000	2,63	0,13	100,30	75 250	25 075 571	25 150 821	185 571	2,26%	5
Totens Sparebank	08.06.2015	3,14	NOK	08.03.2013	25 000 000	25 269 500	3,63	0,16	100,30	45 792	25 073 770	25 119 562	-195 730	2,25%	5
Sparebanken Sør	17.02.2014	4,08	NOK	18.02.2013	20 000 000	20 775 500	2,53	0,14	102,07	95 200	20 413 088	20 508 288	-362 412	1,84%	5
Sparebanken Sogn og Fjordane	27.01.2015	3,31	NOK	28.01.2013	20 000 000	20 118 200	3,06	0,08	101,72	115 850	20 344 603	20 460 453	226 403	1,84%	5
Fana Sparebank	20.05.2015	3,31	NOK	20.02.2013	20 000 000	20 108 000	3,53	0,13	101,33	75 394	20 266 004	20 341 398	158 004	1,82%	5
Helgeland Sparebank	21.11.2014	3,15	NOK	21.02.2013	20 000 000	20 213 500	2,92	0,14	101,26	70 000	20 252 126	20 322 126	38 626	1,82%	5
Aurskog Sparebank	15.04.2014	2,80	NOK	15.01.2013	20 000 000	20 005 200	2,76	0,04	100,45	119 778	20 089 248	20 209 026	84 048	1,81%	5
Sparebank 1 Telemark	09.10.2014	2,85	NOK	09.01.2013	18 000 000	18 129 600	2,93	0,02	100,55	118 275	18 098 509	18 216 784	-31 091	1,62%	5
BN Bank ASA	17.06.2015	2,97	NOK	20.03.2013	15 000 000	14 880 000	3,71	0,20	100,69	14 850	15 103 257	15 118 107	223 257	1,36%	5
Totens Sparebank	30.01.2014	2,04	NOK	30.01.2013	10 500 000	10 467 450	2,58	0,08	99,79	36 890	10 477 556	10 514 446	10 106	0,94%	5
Sparebanken Pluss	18.02.2015	3,17	NOK	18.02.2013	10 000 000	10 039 000	3,16	0,13	101,34	36 983	10 134 324	10 171 307	95 324	0,91%	5
Pareto Bank ASA	15.06.2015	4,00	NOK	15.03.2013	10 000 000	10 000 000	4,76	0,17	101,32	15 556	10 132 395	10 147 951	132 395	0,91%	5
Sparebank 1 Nord-Norge	19.02.2015	2,63	NOK	19.02.2013	10 000 000	9 856 000	3,17	0,12	100,21	30 683	10 020 548	10 051 231	164 548	0,90%	5
Sparebanken Møre	05.12.2016	3,00	NOK	05.03.2013	10 000 000	10 000 000	3,78	0,12	100,05	21 667	10 004 609	10 026 275	4 609	0,90%	5
Sparebanken Narvik	09.02.2015	2,75	NOK	11.02.2013	5 500 000	5 519 250	3,37	0,10	100,17	21 847	5 509 545	5 531 392	-9 705	0,50%	5
Haugesund Sparebank	02.12.2013	2,81	NOK	04.03.2013	5 000 000	5 033 500	2,67	0,17	100,54	10 928	5 026 966	5 037 894	-6 534	0,45%	5
Sparebank 1 Nord-Norge	12.10.2015	2,91	NOK	14.01.2013	2 000 000	1 986 400	3,51	0,02	100,46	12 934	2 009 280	2 022 214	22 880	0,18%	5
FIXED RATE SECURITIES															
Foreign goverment bond															
Portugese Government	15.04.2021	3,85	EUR		6 500 000	36 359 430	6,66	6,48	604,67	1 309 500	39 303 396	40 612 896	2 943 965	3,64%	2
Slovak Government	21.05.2022	4,37	USD		5 500 000	31 868 187	3,25	7,61	608,30	148 823	33 456 563	33 605 386	1 588 375	3,01%	2
Lithuanian Government	11.02.2020	7,37	USD		4 500 000	30 822 842	2,63	5,61	727,54	713 279	32 739 435	33 452 714	1 916 593	3,00%	2
Spanish Government	31.01.2022	5,85	EUR		4 000 000	27 653 250	5,25	6,64	766,67	1 573 369	30 666 612	32 239 980	3 013 362	2,89%	2
South African Government	31.03.2036	6,25	ZAR		50 000 000	27 273 026	8,18	10,37	53,28	517 106	26 640 146	27 157 252	-632 879	2,44%	3
TOTAL SECURITIES PORTFOLIO[5]						**947 523 420**				**6 950 431**	**960 691 693**	**967 642 126**	**13 168 272**	**86,69%**	

Portfolio key figures

Yield	3,47%
Yield to clients[1]	2,97%
Duration[2]	1,17

[1] Yield adjusted for management fee.

[2] Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

[3] Yield is the average annual return of an interest bearing security until maturity.

[4] 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

[5] For liquidity in the portfolio as of 31.12.12, please refer to the balance sheet.

All securities are traded in a telephone-based international market.

Unit price as of 31.12.2012 141,457

NOK 36.606.359,- 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 Avkastning the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

SKAGEN Tellus

Note 7. Securities portfolio as of 31.12.2012 (in NOK)

Security	Maturity	Coupon	Currency	Face value NOK	Cost price NOK	Yield[3]	Duration[2]	Market price NOK	Accrued interest NOK	Market value NOK	Market value incl accrued interest NOK	Unrealised gain/loss NOK	Share of fund	Risk class[4]
FIXED RATE SECURITIES														
Bond issued by supranational organisation														
European Bank for Reconstruction and Development (EBRD)	17.06.2015	0,50	CNY	20 000 000	18 272 875	1,61	2,41	86,96	48 200	17 392 149	17 440 349	-880 726	3,71 %	1
European Bank for Reconstruction and Development (EBRD)	06.06.2014	5,25	INR	130 000 000	14 997 571	5,68	1,31	10,08	394 694	13 103 958	13 498 652	-1 893 613	2,87 %	1
Foreign government bonds														
US Government	31.08.2013	0,12	USD	7 000 000	40 671 807	0,15	0,67	556,53	16 501	38 957 043	38 973 545	-1 714 764	8,28 %	3
US Government	28.02.2013	2,75	USD	6 000 000	34 008 156	0,02	0,20	558,99	309 534	33 539 173	33 848 707	-468 983	7,19 %	3
Polish Government	25.10.2021	5,46	PLN	15 000 000	26 434 254	3,31	7,07	208,97	270 768	31 345 818	31 616 586	4 911 564	6,72 %	2
Spanish Government	31.01.2022	5,85	EUR	4 000 000	28 694 898	5,25	6,64	766,67	1 573 369	30 666 612	32 239 980	1 971 714	6,85 %	2
Portugese Government	15.04.2021	3,85	EUR	5 000 000	22 918 541	6,66	6,48	604,67	1 007 308	30 233 381	31 240 689	7 314 840	6,64 %	2
Canadian Government	01.08.2013	2,00	CAD	5 000 000	28 694 576	1,08	0,58	562,33	230 999	28 116 517	28 347 516	-578 059	6,02 %	3
UK Government	07.03.2013	4,50	GBP	3 000 000	28 422 131	0,22	0,19	911,68	388 041	27 350 446	27 738 487	-1 071 686	5,90 %	2
Mexican Government	20.11.2036	10,00	MXN	40 000 000	21 226 265	6,43	10,89	62,08	42 867	24 833 848	24 876 715	3 607 583	5,29 %	3
Australian Government	15.05.2013	6,50	AUD	4 000 000	24 259 330	2,98	0,37	586,00	191 070	23 440 131	23 631 201	-819 199	5,02 %	3
Brazilian Government	10.01.2028	10,25	BRL	6 000 000	21 787 898	6,93	8,02	356,96	793 996	21 417 704	22 211 700	-370 194	4,72 %	3
Colombian Government	14.04.2021	7,75	COP	5 000 000 000	17 419 440	3,82	6,15	0,40	874 216	19 957 584	20 831 799	2 538 143	4,43 %	3
South African Government	31.03.2036	6,25	ZAR	35 000 000	20 799 841	8,18	10,37	53,28	361 974	18 648 102	19 010 077	-2 151 738	4,04 %	3
Slovak Government	21.05.2022	4,37	USD	3 000 000	17 305 147	3,25	7,61	608,30	81 176	18 249 034	18 330 211	943 887	3,90 %	2
Peruvian Government	12.08.2037	6,90	PEN	6 000 000	15 573 723	5,01	12,65	278,68	346 040	16 720 805	17 066 845	1 147 082	3,63 %	3
Irish Government	18.10.2020	5,00	EUR	2 000 000	13 419 494	4,45	6,34	761,45	148 933	15 228 993	15 377 925	1 809 499	3,27 %	2
Lithuanian Government	11.02.2020	7,37	USD	2 000 000	13 770 298	2,63	5,61	727,54	317 013	14 550 860	14 867 873	780 562	3,16 %	2
Chilean Government	05.08.2020	5,50	CLP	800 000 000	10 006 114	3,83	6,04	1,30	207 709	10 368 167	10 575 876	362 053	2,25 %	3
Russian Government	10.03.2018	7,85	RUB	50 000 000	9 955 960	5,92	4,07	19,89	218 693	9 942 634	10 161 327	-13 326	2,16 %	3
New Zealand Government	15.04.2015	6,00	NZD	2 000 000	10 596 464	2,57	2,11	494,46	116 625	9 889 139	10 005 763	-707 326	2,13 %	3
TOTAL SECURITIES PORTFOLIO[5]					**439 234 778**				**7 939 726**	**453 952 096**	**461 891 811**	**14 717 314**	**98,17 %**	

Portfolio key figures	
Yield	3,49 %
Yield to clients[1]	2,69 %
Duration[2]	4,68

[1] Yield adjusted for management fee.

[2] Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

[3] Yield is the average annual return of an interest bearing security until maturity.

[4] 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

[5] For liquidity in the portfolio as of 31.12.12, please refer to the balance sheet.

All securities are traded in a telephone-based international market.

Unit price as of 31.12.2012 111,2406

NOK 0,- is allocated for distribution to unitholders.

Allocation of the acquisition cost:
For SKAGEN Tellus the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

SKAGEN Krona

Note 7. Securities portfolio as of 31.12.2012 (in SEK)

Security	Maturity	Coupon	Interest adjustment point	Face value	Cost price	Yield[3]	Duration[2]	Market price	Market value	Total accrued interest and unrealised gain/loss	Share of fund	Risk class[4]
FLOATING RATE SECURITIES												
Financial bonds												
Swedbank AB	31.07.2015	2,58	01.02.2013	30000000	30310000	2,06	0,08	100,91	30271892	91092	3,68 %	5
Nordea Bank AB	16.01.2015	3,06	16.01.2013	23000000	23220072	1,78	0,06	102,15	23495083	423494	2,86 %	5
Danske Bank A/S	17.08.2015	3,30	19.02.2013	20000000	20020085	2,32	0,14	102,24	20448045	504914	2,48 %	5
Sparebank 1 Nord-Norge	13.08.2014	2,50	13.02.2013	20000000	20099400	1,97	0,12	100,65	20129637	96850	2,44 %	5
Sampo Oyj	16.09.2013	2,87	18.03.2013	19000000	19139800	1,93	0,21	100,68	19129281	10672	2,32 %	5
SBAB AB	20.01.2014	2,76	21.01.2013	16000000	16166540	1,64	0,06	100,97	16155274	74476	1,96 %	5
Skandinaviska Enskilda Banken AB	16.01.2015	3,26	16.01.2013	15000000	15195960	1,88	0,06	102,36	15353290	260500	1,87 %	5
Sparebank 1 SMN	25.09.2015	2,25	27.03.2013	15000000	15000750	2,32	0,21	100,02	15003287	6284	1,82 %	5
Länsförsäkringar Bank AB	10.02.2015	2,88	11.02.2013	14000000	14156308	2,04	0,12	101,44	14201931	100465	1,72 %	5
SBAB AB	24.03.2014	2,24	25.03.2013	11000000	11034930	1,76	0,23	100,66	11073045	40850	1,34 %	5
Länsförsäkringar Bank AB	17.01.2014	2,84	17.01.2013	10000000	10106000	1,77	0,05	100,93	10092960	46210	1,23 %	5
Länsförsäkringar Bank AB	04.06.2014	2,43	04.03.2013	10000000	10001350	1,94	0,17	100,61	10060665	77555	1,22 %	5
Danske Bank A/S	27.08.2013	2,24	27.02.2013	6000000	6019218	1,73	0,16	100,29	6017571	11046	0,73 %	5
Industrial bonds												
Skanska Financial Services AB	27.06.2014	2,60	27.03.2013	36000000	36185770	2,33	0,24	100,50	36179770	4392	4,38 %	6
Volvo Treasury AB	11.11.2013	2,38	11.02.2013	35000000	35057690	1,91	0,11	100,29	35100184	155779	4,26 %	6
Skanska Financial Services AB	25.04.2016	3,25	25.01.2013	29000000	29123900	3,01	0,03	100,26	29075502	127012	3,54 %	6
Svensk Fastighets Finansiering AB	24.08.2015	3,09	26.02.2013	25000000	25002175	3,09	0,12	99,84	24958789	31621	3,03 %	6
Svensk Fastighets Finansiering AB	22.12.2014	3,05	22.03.2013	24000000	24118740	2,98	0,20	100,34	24081326	-29286	2,91 %	6
NCC Treasury AB	02.10.2014	2,99	02.01.2013	24000000	24004320	2,67	-0,01	100,09	24020813	196013	2,93 %	6
Vasakronan AB	27.07.2015	2,64	28.01.2013	20000000	20141940	2,05	0,08	101,05	20210476	160866	2,46 %	6
Tele2 AB	06.03.2015	2,53	06.03.2013	20000000	20000000	2,45	0,16	100,06	20011449	46643	2,43 %	6
Scania CV AB	30.04.2014	1,90	30.01.2013	20000000	20000000	1,73	0,08	100,01	20002482	67926	2,43 %	6
Getinge AB	29.05.2015	3,35	28.02.2013	19000000	19007260	2,99	0,14	100,67	19127408	176658	2,32 %	6
Securitas AB	19.01.2015	3,13	21.01.2013	15000000	15219740	2,15	0,06	101,64	15245384	120909	1,86 %	6
Vasakronan AB	06.10.2014	2,44	07.01.2013	14000000	13999580	1,83	0,02	100,63	14088231	168488	1,71 %	6
Volvo Treasury AB	09.02.2015	2,68	11.02.2013	12000000	12037070	2,19	0,11	100,73	12088076	97529	1,47 %	6
Volvo Treasury AB	09.09.2013	2,50	11.03.2013	11000000	11027720	1,89	0,19	100,40	11044178	32525	1,34 %	6
Vasakronan AB	26.01.2015	2,78	28.01.2013	10000000	10070400	1,93	0,08	101,41	10140673	121313	1,23 %	6
Holmen AB	25.11.2013	2,94	25.02.2013	10000000	10105943	1,80	0,16	100,95	10095479	18080	1,22 %	6
Securitas AB	22.09.2014	2,50	22.03.2013	8000000	8041840	2,06	0,22	100,88	8070034	30414	0,98 %	6
Vasakronan AB	19.05.2014	2,35	19.02.2013	6000000	6002868	1,73	0,14	100,71	6042461	56029	0,73 %	6
Skanska Financial Services AB	18.04.2014	2,69	18.01.2013	6000000	6018996	2,20	0,04	100,42	6024908	39039	0,73 %	6
Industrial certificates												
Arla Foods amba	07.03.2013	0		30000000	29773796	1,68	0,18	99,70	29911377	137581	3,62 %	6
Arla Foods amba	15.05.2013	0		20000000	19710223	1,85	0,36	99,38	19875181	164958	2,40 %	6
Fastighets AB Balder	28.05.2013	0		15000000	14854610	1,93	0,40	99,29	14893579	38969	1,80 %	6
Trelleborg Treasury AB	13.05.2013	0		12000000	11909488	1,82	0,36	99,39	11927170	17682	1,44 %	6
Trelleborg Treasury AB	21.02.2013	0		10000000	9869252	1,65	0,14	99,77	9977103	107851	1,21 %	6
Getinge AB	04.03.2013	0		10000000	9949259	1,68	0,17	99,72	9971826	22567	1,21 %	6
Volkswagen Finans Sverige AB	11.03.2013	0		10000000	9962331	1,57	0,19	99,71	9970734	8403	1,21 %	6
Volkswagen Finans Sverige AB	18.03.2013	0		10000000	9945521	1,58	0,21	99,68	9967743	22222	1,21 %	6
Intrum Justitia AB	25.03.2013	0		10000000	9894133	1,71	0,23	99,62	9962210	68078	1,21 %	6
Volkswagen Finans Sverige AB	25.11.2013	0		10000000	9802369	2,43	0,88	98,34	9834117	31748	1,19 %	6
Tele2 AB	05.04.2013	0		9000000	8924533	1,76	0,26	99,57	8961344	36811	1,08 %	6
Fabege AB	28.01.2013	0		8000000	7937037	1,69	0,08	99,87	7989770	52733	0,97 %	6
Trelleborg Treasury AB	06.05.2013	0		8000000	7923433	1,80	0,34	99,43	7954188	30756	0,96 %	6
Trelleborg Treasury AB	12.03.2013	0		7000000	6972586	1,66	0,19	99,69	6977996	5410	0,84 %	6
Castellum AB	17.05.2013	0		7000000	6937837	1,90	0,37	99,35	6954314	16477	0,84 %	6
Getinge AB	10.06.2013	0		6000000	5949961	1,91	0,43	99,24	5954652	4691	0,72 %	6
Volkswagen Finans Sverige AB	07.01.2013	0		5000000	4864855	1,51	0,02	99,97	4998562	133707	0,60 %	6
Tele2 AB	05.02.2013	0		5000000	4963058	1,65	0,10	99,84	4992010	28951	0,60 %	6
Fastighets AB Balder	13.02.2013	0		5000000	4937711	1,71	0,12	99,80	4989914	52203	0,60 %	6
Peab Finans AB	11.03.2013	0		5000000	4853544	1,68	0,19	99,69	4984318	130773	0,60 %	6
Castellum AB	17.04.2013	0		5000000	4855801	1,83	0,29	99,50	4974927	119126	0,60 %	6
Peab Finans AB	21.03.2013	0		4000000	3922468	1,70	0,22	99,64	3985623	63155	0,48 %	6
Financial certificates												
Ikano Bank SE	12.08.2013	0		12000000	11814163	2,19	0,60	98,85	11861435	47272	1,43 %	5
Ikano Bank SE	17.01.2013	0		10000000	9911355	1,63	0,05	99,92	9992488	81133	1,21 %	5
Ikano Bank SE	04.09.2013	0		10000000	9743486	2,26	0,66	98,71	9870826	127340	1,19 %	5
TOTAL SECURITIES PORTFOLIO[5]					**795819174**				**798772991**	**4916958**	**96,87 %**	

Portfolio key figures

Yield	2,10 %
Yield to clients[1]	1,90 %
Duration[2]	0,17

[1] Yield adjusted for management fee.

[2] Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

[3] Yield is the average annual return of an interest bearing security until maturity.

[4] Securities are divided into six risk classes according to their credit risk. Class 1 has the lowest and class 6 the highest credit risk.

Allocation of the acquisition cost:
For SKAGEN Krona the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

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

[5] For liquidity in the portfolio as of 31.12.12, please refer to the balance sheet.

All securities are traded in the Swedish market.

Unit price as of 31.12.2012 100,9874

SEK 28.531.050,- 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.

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, 2012, 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, 2012:

SKAGEN Vekst	NOK	666 539 000
SKAGEN Global	NOK	3 072 860 000
SKAGEN Kon-Tiki	NOK	2 139 995 000
SKAGEN Avkastning	NOK	72 238 000
SKAGEN Høyrente	NOK	142 379 000
SKAGEN Høyrente Institusjon	NOK	49 173 000
SKAGEN Tellus	NOK	27 244 000
SKAGEN Krona	SEK	19 475 000
SKAGEN m^2	NOK	3 116 000
SKAGEN Balanse 60/40	NOK	1 282 000

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 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.

PricewaterhouseCoopers AS, Kanalsletta 8, Postboks 8017, NO-4068 Stavanger
T: 02316, www.pwc.no
Org.no.: 987 009 713 MVA, Medlem av Den norske Revisorforening

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, 2012, 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, 24. januar 2013
PricewaterhouseCoopers

Gunstein Hadland
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

STAVANGER HEAD OFFICE

LONDON BRANCH

AMSTERDAM BRANCH

Home market, or under home market supervision

International market

Head Office

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UK establishment No: BR014818

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Registration number: 52328686

Circulation: 2,000
Design: Kaland Marketing
and Printting Produksjon as
Graphs: Printting Produksjon as
Print: Printting Produksjon as
Front page image: Getty Images

Customer Services is open from Monday to Friday from 9 am to 5 pm (CET). Please visit us at our office, send an e-mail or call us and we will do our best to help you.