MARKET REPORT

SKAGEN

A DYNAMIC WORLD

KEEPING AN EYE TOWARDS VALUE CREATION

OCTOBER 2015 | www.skagenfunds.com

The right direction in a dynamic world

The title of this market report is "Dynamic world". In a world such as this, change is part of everyday life and those who do not take part are left behind. We have communicated for quite some time that the current market is not particularly favourable for value managers like SKAGEN. We have asked our clients to be patient, while they have felt less than satisfied with the returns of our funds. The challenge has been that large, growth companies have been popular at the expense of value companies, which we are most concerned with.

Given this backdrop, we too must adapt and move with the times. That is why we have taken some clear measures that we are confident will yield results in the long term.

We are now well underway with the process to concentrate our portfolios. The companies we have most faith in now constitute a larger share of the portfolios. In connection with this clean-up work, we have also refined our selling process and become much stricter about selling companies where we see little upside.

When we talk to clients and others, we are often asked about where the portfolio managers find their ideas. There can be any number of sources and we consistently work to improve our idea generation process. All portfolio teams come up with their own ideas, all of which are then closely followed up.

The world is global, with no natural distinction between emerging and developed markets; companies have the whole world as their playground. It is precisely this that will be key in future. In a climate in which commodities and energy prices are falling, some countries will be winners and others losers. But most importantly, within each and every sector, a handful of companies will come out winners. We try to find these companies, without paying so much that it is at the expense of return on capital.

If we now, notwithstanding our long-term perspective, take a look at the short-term picture, this is what we see: our equity funds have, since midsummer, largely performed better than their respective benchmark indexes. It remains to be seen, however, whether what we are seeing now is the start of a shift whereby (more) expensive growth stocks become more unpopular and our value stocks become more highly appreciated.

Same owners, same SKAGEN

We announced in the quarter that the ownership situation in SKAGEN has been resolved; we have arrived at a conclusion that is positive for clients, employees and owners alike. The same three founders who established SKAGEN in 1993, Tor Dagfinn Veen, Åge Westbø and Kristoffer Stensrud will continue to work in the interests of our clients. You can read more about the updated ownership situation on our website: www.skagenfunds.com

At SKAGEN's annual New Year's Conference, we invite some of the world's most interesting speakers to present on topics relevant to the world of investing in the year to come and beyond.

The upcoming conference will be held in Copenhagen, London, Amsterdam, Oslo and Stockholm in January 2016. The full program will be available shortly on our website, but we can already tell you that speakers will include Ian Bremmer, Pippa Malmgren and David Rosenberg.

Ian Bremmer is arguably the most prominent geopolitical expert in the world today. He is credited with bringing the craft of political risk to financial markets. He is a foreign affairs columnist and editor-at-large for TIME magazine.

Dr. Pippa Malmgren was Financial Market Advisor to The White House. Before that she held a long list of senior positions on Wall Street. She is an author, and hi-tech entrepreneur and regular contributor for BBC and CNBC.

David Rosenberg is Chief Economist at Gluskin Sheff, Canada. Previously he was Chief Economist at Merrill Lynch for seven years, during which time he was consistently ranked as a top analyst and forecaster.

– Leif Ola Rød
CEO

CONTENT

Macro comment. How concerned should we be about Chinese growth? Pictured: A man stands in front of an electronic board displaying share prices in Shanghai on 18 September.

Boost for electric. LG Chem with its Yeosu Industrial Complex in Yeosu, South Korea (pictured), along with Samsung SDI, are SKAGEN Kon-Tiki holdings that will likely benefit from the VW scandal "Dieselgate" with increased move to electric cars.

Boost for electric ll. SKAGEN Focus initiated a holding in German semiconductor maker Infineon that will likely benefit from a move from combustion engines to hybrids and electric cars.

Photos: Bloomberg

LEADER

PORTFOLIO MANAGERS´ REPORT

INTRODUCTION

EQUITY FUNDS

FIXED INCOME FUNDS

RETURN AND RISK

Returns

The following tables show the returns for SKAGEN's funds versus their respective benchmarks in euro. The figures are updated as of 30.09.2015

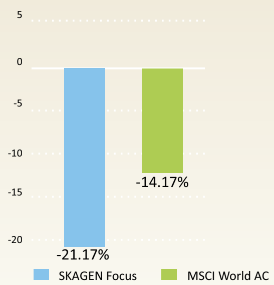
Unless otherwise stated, all performance data in this report is in euro, relates to class A units and is net of fees.

Equity Fund Fixed Income Fund

SKAGEN FOCUS

Managers: Filip Weintraub and Jonas Edholm **Start:** 26 May 2015

Return since start*

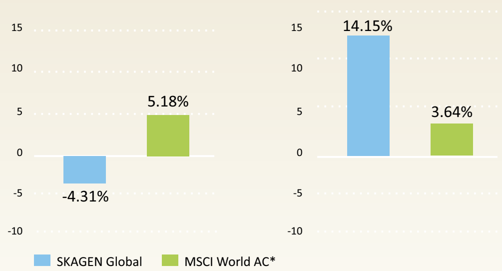


* Since inception on 26 May 2015

SKAGEN GLOBAL

Manager: Knut Gezelius **Start:** 7 August 1997

Return past 12 months **Average annual return since start**

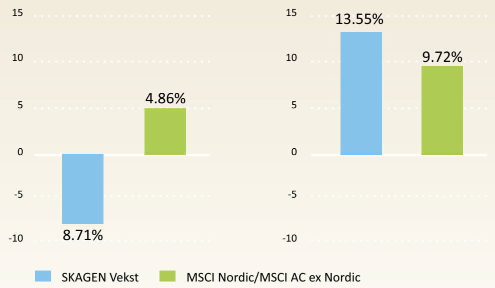


* The benchmark index prior to 1/1/2010 was the MSCI World Index

SKAGEN VEKST

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

Return past 12 months **Average annual return since start**

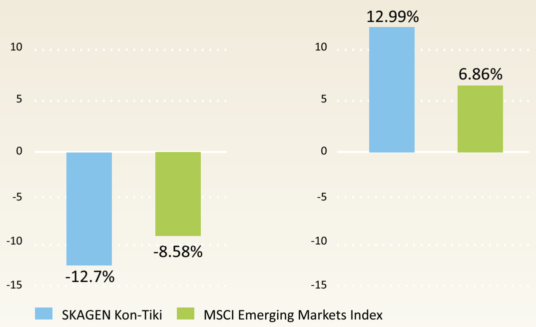


* Effective 1/1/2014, the fund's investment mandate changed. Read more on page 10. The benchmark index prior to 1/1/2010 was the Oslo Stock Exchange Benchmark Index (OSEBX).

SKAGEN KON-TIKI

Manager: Kristoffer Stensrud and Knut Harald Nilsson **Start:** 5 April 2002

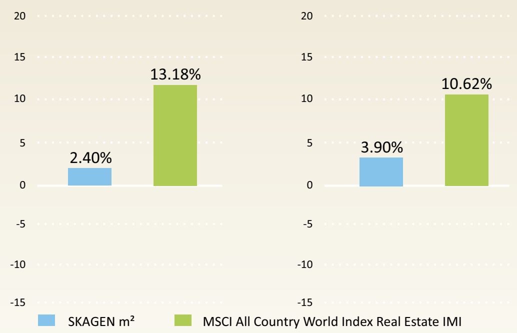
Return past 12 months **Average annual return since start**



SKAGEN m²

Managers: Michael Gobitscheck and Harald Haukås **Start:** 31 October 2012

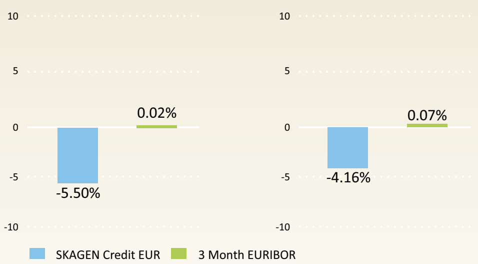
Return past 12 months **Average annual return since start**



SKAGEN CREDIT EUR

Manager: Ola Sjöstrand **Start:** 30 May 2014

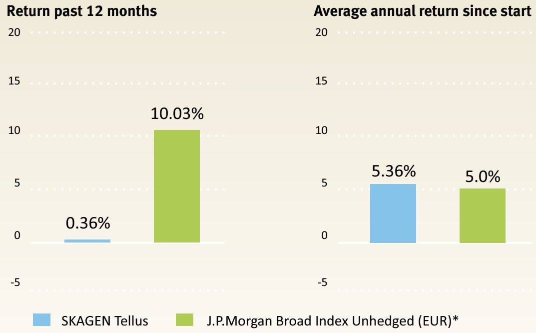
Return past 12 months **Average annual return since start**



SKAGEN TELLUS

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

Return past 12 months **Average annual return since start**



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

Photo: Bloomberg

The sun rises above a group of people exercising in the West Kowloon district of Hong Kong, on 1 October, 2015. The biggest quarterly selloff since 2011 has erased USD 1.6 trillion of market value in the former British colony after slowing Chinese growth and the prospect of higher U.S. interest rates spooked investors.

Photo: Bloomberg

At SKAGEN, we have reaped the benefits of several companies that have transformed themselves into regional or global leaders. One such company is Norwegian Air Shuttle. Pictured here a passenger uses one of Norwegian's electronic self-service machines at Gatwick airport.

Portfolio managers´ report

Introduction

- SKAGEN's equity funds returned between minus 16% and minus 8% during the quarter as measured in euro. Developed markets were down 9% and emerging markets down 18%. The weakness was caused by lower energy and commodity prices which translated into currency and stock market declines in emerging markets.
- The third quarter leaves us with two important reflection points; 1) Iran's nuclear deal with a group of world powers set the pace for a 35% decline in oil prices and 2) increased concern around China's economy; opaque economic performance in China and a very visible decline in Chinese stock prices after a speculative upward rise from summer 2014.
- However, despite all the market jitters we see lower energy prices and continued low interest rates as stimulatory for economic activity in most regions.
- On balance we expect the financial market volatility seen since August 2015 to continue throughout the autumn. The weakness should be used to accumulate good investments as 2016 looks set for 3.0-3.6% growth in economic activity and hence provides a firm base for decent returns next year.

Keeping up with the times

Our equity funds invest in businesses, so it is important to know that the management teams running the companies we invest in are truly aligned with our objectives and focus on value creation. The same is true to some extent for our bond and money market funds.

– Ole Søeberg
Investment Director

Change factors
Since inception in 1993 SKAGEN has been recognised for superior investment returns achieved through good stock-picking and by applying its value-based investment philosophy. The funds have a high active share, meaning that our portfolio holdings differ significantly from the benchmark components.

We are not satisfied with recent performance, however. The main cause for the underperformance has come from low exposure to growth companies that have seen their stock prices propelled upwards by extremely stimulatory monetary conditions. In a zero interest rate world, a company with 5-10% earnings growth will trade at 25-30x earnings purely on the basis of mathematical equilibrium. Value investing implies that we do not go after such investments. Additionally, SKAGEN has considerable exposure to emerging markets, where economies grow faster and the companies are valued cheaper, but which have experienced a multi-year bear market. Chinese growth in particular has caused concerns while Brazil and Russia have experienced economic recessions. What would it then take for the situation to reverse? If global growth were to accelerate from the current 3% to above 4%, this would trigger increased investor appetite for many companies in our funds. Higher growth would likely also force central banks to increase rates, which would make very expensive growth companies less attractive.

However, at SKAGEN we strive to generate sustainable good returns by means of independent thinking and identifying good businesses. We buy companies when they are mispriced and use common sense when it comes to timing and the sizing of holdings.

Since becoming CIO at the start of 2015, I have worked with the portfolio management team to fine-tune all our analytical, inspirational and decision-making processes. Investments in the equity funds must comply with our target of having 50% upside over a 2-3 year period and a 20% downside risk. Investments are made following a solid analytical assessment of the business drivers and inherent risks – economic, political and governance-related.

One important learning point from the past few years has come from the performance drag from smaller positions that should have been sold more quickly. Much more attention is now being placed on ensuring that a fresh set of eyes look into investments that are failing to deliver. If the revisited 50/20 targets are deemed to be unrealistic, then we sell.

There are many moving parts in our investment work, a number of which are detailed below.

A dynamic world
Our equity funds invest in companies, so it is important to know that the management teams running these are truly aligned with our objectives and focus on value creation. The same is to some extent true for our bond and money market funds.

The guiding principle that makes for a good company is very simple; grow the business in a sustainable manner and generate a return on invested capital that is higher than the cost of capital. Companies that follow this simple principle do well over time.

Corporate quicksand
A creative business person can identify opportunities in almost any business. The airline industry, for example, has seen the incumbent national flag carriers lose market share to agile, cost-focused airlines such as Ryanair and Norwegian Air Shuttle, the latter being a long-term investment in SKAGEN. Both companies have carved out a niche in the industry and now have leading market share. Any airline executive from an incumbent national flag carrier could have

counteracted this by simply buying a low cost return flight ticket, testing out the service and becoming inspired to make adjustments in their own airline – so why didn't they?

Corporate quicksand is generally the reason for this type of failure to act. This is defined as the phenomenon of slow-moving corporate cultures where the traditional way of doing things has worked well over long periods. In order not to be sucked into corporate quicksand, any organisation should occasionally ask itself; what is our core business? Why do we do what we do? Where are we heading? Can we do things more efficiently? And can we create more value for our owners by better allocating our resources?

At SKAGEN we have reaped the benefits of several companies that have transformed themselves into regional or even global leaders in their field of business. Two such companies from our portfolios are Samsung Electronics, in semiconductors and smartphones, and Norwegian Air Shuttle, which in 2015 will carry more passengers than Scandinavian Airline Systems.

How then do we find big value creators in the equity funds?

The dynamic global stock market

There are roughly 5000 larger companies listed globally, according to the Bloomberg World Index. The 100 largest by market capitalisation constitute 29% of the total and in the last 12 months they earned just below USD 1000bn after taxes or 29% of the total. That leaves 4900 other companies with 71% of the profit pool. Several of these will be in the top 100 five or ten years from now. Samsung is currently number 46 on the list and Norwegian Air Shuttle is not even included in the 5000 largest companies – yet.

The pool of opportunities is vast. We use our value based investment philosophy and the above-mentioned guiding principles for a good business to identify sound investment cases.

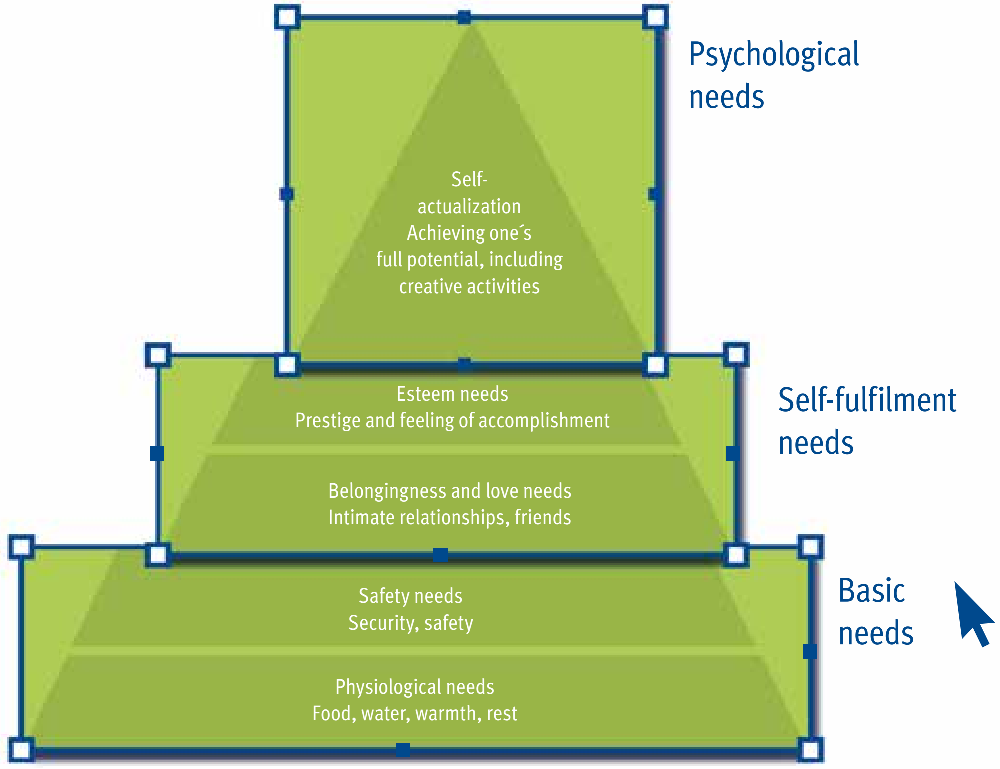
Based on experience we are quite certain that none of the top 100 companies will give up their position voluntarily, so it will have to happen via market dynamics. This could come in the form of better and more efficient ways of doing the same thing, new technologies, new consumer preferences, products and services or a change in external factors that impact the business.

A firm view of the core market

In our view, good companies which focus on their core competencies are good investments – especially when we can buy into them during a period of mispricing.

The dynamics of companies moving up and down the winners' list over the past few years have been influenced by profits shifting from capital intensive industries to idea and creativity-intensive industries such as brands, software, pharmaceuticals, media and information technology. Looking into stock market returns since 1900, the best industries have been alcohol and tobacco, while shipbuilders and ship owners are at the bottom of the list. It is therefore not a completely new phenomenon that capital intensive and cyclical industries lag less capital intensive and stable industries.

One should not write off capital intensive industries altogether, however, as they can be creative in their own way. One way is via consolidation and leveraging their already large infrastructures in order to provide sufficient earnings growth and higher returns on capital. This is an active area and there have been several of these transactions over the past two years.



Maslow´s Hierarchy of Needs

Another dynamic factor supporting upcoming leading companies is having a strong home base. Either in the form of a large domestic and homogeneous market such as the US or by being in a narrow niche with a global focus, like in the case of some pharmaceutical companies. Roche and NovoNordisk are good examples of this.

The government and economic dynamics

In 2002 SKAGEN held a contrarian but firm view that China would become an important global economic force. China's significant impact on global energy and commodity markets as well as the global consumer product producer is now well known.

Other regions have seen the impact of China and despite all the media noise about the dysfunctional EU, there are movements going on in the EU that (if decided and implemented) could turn it into a very strong dynamic region. Reform programs for the labour market, pensions and welfare as well as capital market and infrastructure regulation are aimed at boosting EU productivity and market dynamics. The EU is almost accustomed to GDP growing at a snail's pace, however a revival of productivity could boost the economic growth for a multi-year period.

India, Brazil, Japan and other large economic regions have reform programs in the pipeline, however the timing and final outcome are still somewhat uncertain. Nevertheless, things are moving and will most likely not go in reverse. The shorter term economic fluctuations obviously impact sentiment in financial markets, but we have a firm view of the way forward and that has served our investment returns well over time.

People and global production dynamics

In a borderless world two important trends can be observed, both of which are impacted by increasing affluence and demographic change.

The baby-boom generation in developed markets has started to leave the labour market and population growth is dwindling towards 0%. This group is affluent and in many segments only need maintenance of physical assets. Intangible items like entertainment, food, drink, health, wellness and travel are in demand at the expense of more tangible assets. One could say that the basic needs in Maslow's hierarchy of needs are covered.

Despite emerging markets being unpopular among investors, this is home to 6 billion customers in the global market and each day the average person in the group becomes more affluent and can afford to have more basic needs covered.

The increased affluence in emerging markets is due amongst other things to companies in developed markets moving their production to lower cost regions. Since the 1980s production has moved from the US, to Mexico, to China and is now heading to Vietnam. The dynamics within emerging markets also generate increased affluence, which in turn generates demand for more tangible assets such as cars, TVs, refrigerators, etc.

The people dynamic therefore provides two (if not more) roads ahead; for tangible assets there is good demand increase in emerging economies while this is flattish in developed economies, while for developed economies there is more intangible demand.

Dynamic SKAGEN

SKAGEN monitors and analyses the manifold dynamic global forces which impact regions, sectors, companies and not least financial markets. We apply the observations with our preference for value investing, active company selection, historical pattern recognition, contrarian and realistic long-term views and a good dose of common sense. We have done this successfully for 23 years and in a dynamic world we will continue to do so.

We focus on generating a return that is sustainably higher than our cost of capital, just as we expect the management teams in the businesses we invest in to do. We are dynamic in our approach and within our investment philosophy we benefit from the dynamic forces we can see in the world and that continuously open up for new and exciting investment landscapes.

Photo: Bloonberg

We do not yet know what the full effect of the fall in oil price will be. If history is any guide, then it can take up to five quarters for consumers to feel the effects. Pictured here motorcyclists wait in line at a petrol station in Indonesia after it was announced that the government would maintain artificially low petrol prices last year.

THIRD QUARTER PIT STOP

At the start of 2015 we saw an 8-14% potential for stocks driven by good growth, no inflation to speak of and plenty of liquidity. Economic activity was globally expected to grow by 3.5%, driven by 7% growth in China, 3% in USA and 1% in Europe /Japan.

Nine months into the year, stocks have risen strongly only to fall again, so by the end of the third quarter, Japan is up 3%, Europe up 1% and the US down 5% (in local currency). The MSCI Emerging Markets Index is down 8% in EUR.

During 3Q 2015 global stocks are down 8% in NOK, driven by a 10% decline in Europa and Japan, 7% in the US and an 11% decline in Emerging Markets. After nine months the pace of global growth has slowed to 3.0% as many emerging economies including China are having a rough ride. Notably Brazil, Nigeria and Russia have suffered due to lower commodity prices – an important swing factor for those economies.

Lower commodity and energy prices will have a positive impact on private consumption due to the lower cash outlay at petrol stations. In 1986, when oil prices plummeted 60%, it took consumers 5 quarters to start to feel the effects, so if history is a guide then things should start to reach a faster pace by around Christmas 2015.

Corporate earnings reports so far in 2015 have made sell-side analysts reduce the expected growth in developed markets from 11% to 9% for 2015. For 2016-17 growth of 10-12% is expected, based on 6% revenue growth. The picture is mixed for developed markets stocks with Japan up 3%, Europe up 1% and US down 5% (all in local currency). Europe was up 20% in the first quarter but has subsided due to increased risk factors such as Greece, China and Russia.

For Emerging Markets earnings it is another and less optimistic story. 2015 earnings have been adjusted downwards by 15% and Emerging Markets stocks have been marked down by 30% in USD. Brazil, Turkey and Indonesia have been marked down due to a mix of currency declines and genuine stock market declines.

Developed markets are now valued at 16x 2015 earnings and Emerging Markets at around 12x 2015 earnings.

Weak quarter

The quarter was characterised by turbulent markets, with major fluctuations for both equities and currencies. After a weak start to the quarter the fund rebounded slightly relative to the benchmark in September.

SKAGEN Vekst

Exploring the narrow path to prosperity

- Weak performance in several of our smaller portfolio companies pulled down return
- New companies include Swedish SKF and Brazilian Localiza
- The portfolio is trading at a discount which should generate excess return over time

1	2	3	4	RISK	6	7

Fund start date	1 December 1993
Return since start	1502.15%
AUM	EUR 802 million
Number of unitholders	71 521

PERFORMANCE IN EUR	3Q 15*	12 M*
SKAGEN Vekst	-11.7 %	-8.7%
MSCI Nordic/MSCI AC ex. Nordic	-8.6 %	4.9%

** As of 30 September 2015*

PORTFOLIO MANAGERS

Geir Tjetland, Ole Søeberg, Erik Bergöö and Alexander Stensrud*

** Junior manager*

SKAGEN Vekst had a weak quarter. Our ten largest holdings had a weighted performance that was better than the portfolio as a whole but slightly worse than the index. Our portfolio companies Norwegian, Danske Bank and SAP contributed positively, while Norsk Hydro, Carlsberg and ABB performed poorly during the quarter.

Smaller holdings detracted

The fund's performance can largely be attributed to the weak development of a number of companies not included in the top ten. These include Volvo, the food chain Casino, the oil company Lundin Petroleum, the financial services company SBI Holdings and FL Smith, which operates in the cement and mining services. We have carefully reviewed all of these during the quarter, and as a result have increased our position in Volvo, trimmed our holding in FLS and kept the rest as they are.

During the quarter, we increased existing positions in Bonheur and Carlsberg. The Swedish industrial company SKF and the Brazilian rental company Localiza are newcomers in the portfolio. Following the positive performance of Norwegian, we have trimmed our position in the company.

MORE NORDICS

The Nordic allocation of the fund was approximately 55% at the end of the quarter, which is slightly higher than the 50% allocation in the benchmark index. This is a conscious choice since several Nordic companies such as Volvo and Carlsberg have reached attractive valuations during the third quarter.

* Effective 1/1/2014, the fund's investment mandate changed from investing a minimum of 50% of its assets in Norway to investing a minimum of 50% of its assets in the Nordic countries. This means that returns prior to the change were achieved under different circumstances than they are today. The fund's benchmark index prior to 1/1/2014 was an evenly composed benchmark index consisting of the Oslo Stock Exchange Benchmark Index (OSEBX) and the MSCI All Country World. The benchmark index prior to 1/1/2010 was the Oslo Stock Exchange Benchmark Index (OSEBX).

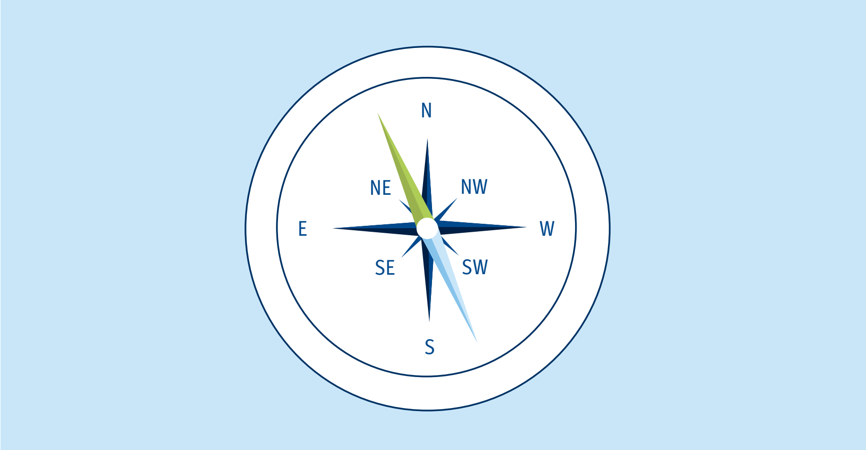


Photo: SKF

HOLDING A STEADY COURSE

The benchmark index that SKAGEN Vekst measures itself again contains some of the world's best companies with good growth profiles, good corporate governance and a solid history. Several of these companies lie outside the scope of our value-based investment approach in that they are too highly priced. This is a challenge for us. Since 2012, we have focused on continuously refining the portfolio, with a clear aim of a 50% upside within two to three years and a downside of 20%. We have no control over the external factors that are boosting investors' appetite for highly priced stocks, and this is reflected in the results for the period as historically low interest rates are becoming a reality. For further information, please read the introductory text by SKAGEN's Investment Director, Ole Søeberg, starting on page 5.

Although we are dissatisfied with the fund's performance, we continue our quest to find undervalued companies. This is reflected in our portfolio that trades at a discount to the benchmark index, which should provide excess return over time.

At the end of the quarter, the 35 largest holdings in the fund, which account for 89% of the portfolio, had an implicit weighted P/E of 11x in 2015. The corresponding P/E for the benchmark index is 15x, which underlines our focus on value. Looking at growth in earnings per share, our 35 largest positions are expected to grow by 15% annually. The corresponding figure for the index is 10%. In other words, SKAGEN Vekst is priced at a significant discount to the index for 2015, and the portfolio is expected to have higher earnings growth than the index. Over time this should provide significant excess returns. We will continue to maintain our focus on good absolute returns, whereby our investment decisions will continue to be made irrespective of benchmark composition. We maintain our value-based investment philosophy as this has historically given the best returns over time.

SKAGEN VEKST 3Q 2015 (MILL NOK)

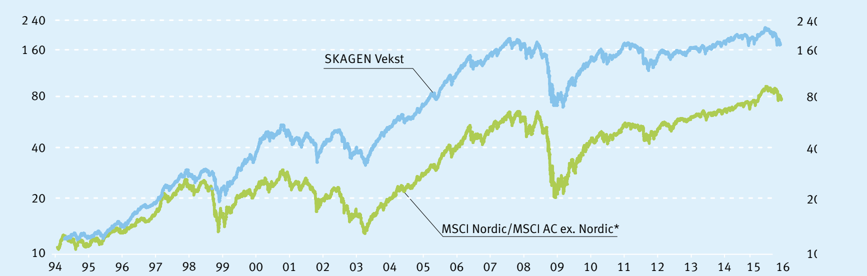
5 largest contributors	
Kia Motors Corporation	52
Danske Bank A/S	44
Norwegian Air Shuttle ASA	29
H Lundbeck A/S	18
Medi-Stim ASA	13

5 largest detractors	
Norsk Hydro ASA	-68
Casino Guichard Perrachon SA	-52
Lundin Petroleum AB	-47
Volvo AB	-42
Samsung Electronics Co Ltd Pref	-32

5 largest purchases	
SKF AB - B Shares	101
Credit Suisse Group AG	66
Carlsberg AS-B	46
SAP SE	36
Localiza Rent a Car SA	23

5 largest sales	
Norwegian Air Shuttle ASA	-204
Kia Motors Corporation	-124
Danske Bank A/S	-66
Korean Reinsurance Co	-59
Samsung Electronics Co Ltd Pref	-50

HISTORICAL PRICE DEVELOPMENT SKAGEN VEKST



SKF

SKF is a new position in the portfolio after the share price was pushed down to attractive levels. The company is best known as one of the world's leading producers of ball bearings, but the company has expanded its offering significantly over the past 15 years and today offers complete turnkey solutions that are difficult for competitors to replicate. The company is of course sensitive to market conditions, but it should be able to deliver at least SEK 20 per share in profits within two to three years, which implies an attractive P/E ratio of 7-8x at today's price.

Photo: Carlsberg

Carlsberg

Danish brewery Carlsberg's second quarter report contained few details about the rationalisation program required for the company to close the current profitability gap to its competitors. In the longer term we expect continuous improvements which, combined with a strong brand, will provide significant upside potential in the share. We took advantage of the weak performance after the quarterly earnings report to add to our existing position.

Photo: Bloomberg

Photo: Bloomberg

Photo: Bloomberg

Danieli

After visiting the company's factory in Italy and meeting company management, we increased our position in Danieli. The company is a leading supplier of equipment for steel plants, a cyclical industry which is currently in a downturn. The company is benefitting from the fact that the steel plant has been upgraded in order to minimise environmental impact and be more effective. This, in combination with a very strong balance sheet where net cash equals 80% of the market value, gives the investment limited downside in a cyclical industry.

ABB

During the quarter, it became known that activist fund Cevian Capital controls more than 5% of ABB, which increased speculation about the company's future structure. SKAGEN Vekst's investment thesis for ABB rests largely on the internal efficiency improvements that the company can make, rather than that it being divided into different parts. However, the company's complex structure admittedly makes it difficult for outside investors to understand the underlying values. This was exemplified when ABB's leading position in robotics was overshadowed by concerns about low oil prices.

Kemira

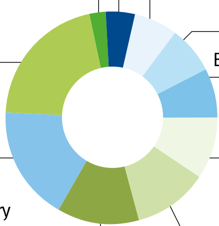
Our investment in the global chemicals company Kemira developed satisfactorily and the company has already been rewarded in its efforts to stimulate mature oil fields. We made detailed inquiries into the potential for this before we invested in Kemira and found that very little was reflected in the share price. The share provides a dividend yield of about 5%, which limits the downside.

Photo: Danske Bank

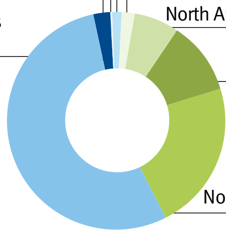
Danske Bank

Danske Bank reported strong figures which confirmed the bank's recovery following the financial crisis of 2008. The position has been a successful investment for SKAGEN Vekst and the upside is estimated to be about 20% from current levels. Based on this, we have trimmed the holding somewhat, but it still remains our sixth largest position.

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



SKAGEN VEKST KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 30-09-2015)

Company	Holding size	Price	P/E 2015E	P/E 2016E	P/BV last	Price target
Samsung Electronics	6.5%	917,000	6.4	5.9	0.7	1,500,000
Continental AG	6.3%	190	12.5	10.4	3.2	298
Citigroup	5.4%	50	8.3	6.8	0.7	77
Norsk Hydro	5.4%	28	11.3	9.5	0.8	45
Carlsberg	5.0%	513	14.7	11.7	1.5	822
Danske Bank A/S	4.9%	202	10.9	11.4	1.3	255
Teliasonera AB	4.8%	45	11.3	11.3	1.8	60
Norwegian Air Shuttle	4.4%	333	14.5	8.8	4.9	500
ABB	4.1%	148	13.4	9.8	2.7	250
SAP	4.1%	58	18.1	15.5	3.6	91
Weighted top 10	**55%**		**11.6**	**9.8**	**1.4**	**50%**
Weighted top 35	**89%**		**10.7**	**9.2**	**1.1**	**63%**
Benchmark index			**15.3**	**14.0**	**2.0**	

P/E may deviate from other sources when based on SKAGEN estimates.

SECURITIES PORTFOLIO SKAGEN VEKST AS OF 30 SEPT 2015

See the portolio in its entirety at www.skagenfunds.com/global

Securities	Sector	Number	Acquistion value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock exchange
Samsung Electronics Co Ltd Pref	Information Technology	75 000	448 079	495 125	47 046	6,48%	Seoul
Continental AG	Consumer Discretionary	265 595	147 251	483 475	336 223	6,33%	Frankfurt
Citigroup Inc	Financials	983 800	352 249	416 058	63 809	5,44%	New York
Norsk Hydro ASA	Materials	14 542 679	373 563	412 430	38 867	5,40%	Oslo Børs
Carlsberg AS-B	Consumer Staples	590 000	369 513	384 867	15 354	5,04%	Copenhagen
Danske Bank A/S	Financials	1 448 125	168 128	373 784	205 655	4,89%	Copenhagen
Teliasonera AB	Telecommunication Services	8 100 000	371 755	369 785	-1 969	4,84%	Stockholm
Norwegian Air Shuttle ASA	Industrials	1 000 000	79 485	333 000	253 515	4,36%	Oslo Børs
ABB Ltd	Industrials	2 070 000	286 184	312 902	26 718	4,09%	Stockholm
SAP SE	Information Technology	565 000	249 203	312 615	63 412	4,09%	Frankfurt
Koninklijke Philips NV	Industrials	1 429 643	290 366	286 685	-3 681	3,75%	Amsterdam
Kia Motors Corporation	Consumer Discretionary	582 000	178 500	224 580	46 081	2,94%	Seoul
Volvo AB	Consumer Discretionary	2 690 000	227 300	219 548	-7 752	2,87%	Stockholm
Lundin Petroleum AB	Energy	1 800 000	177 336	196 123	18 787	2,57%	Stockholm
Credit Suisse Group AG	Financials	925 000	197 336	189 449	-7 888	2,48%	Zürich
Roche Holding AG-Genusschein	Health Care	81 129	175 789	182 343	6 554	2,39%	Zürich
Kinnevik Investment AB-B	Telecommunication Services	736 009	169 794	178 457	8 663	2,33%	Stockholm
Casino Guichard Perrachon SA	Consumer Staples	352 100	240 762	159 489	-81 273	2,09%	Paris
Tribona AB	Financials	2 851 004	94 342	109 620	15 278	1,43%	Stockholm
SBI Holdings Inc	Financials	1 139 000	96 634	108 574	11 939	1,42%	Tokyo
Wilh. Wilhelmsen Holding ASA	Industrials	744 081	53 139	107 520	54 381	1,41%	Oslo Børs
Oriflame Cosmetics AG	Consumer Staples	1 000 000	128 352	104 392	-23 960	1,37%	Stockholm
SKF AB - B Shares	Industrials	627 383	101 469	98 018	-3 451	1,28%	Stockholm
Bonheur ASA	Energy	1 492 594	107 317	94 780	-12 537	1,24%	Oslo Børs
Kemira OYJ	Materials	850 000	81 883	83 624	1 741	1,09%	Helsinki
Sberbank of Russia Pref	Financials	9 620 000	139 234	72 268	-66 966	0,95%	Moscow
Ganger Rolf ASA	Energy	1 213 817	124 262	71 008	-53 254	0,93%	Oslo Børs
AirAsia Bhd	Industrials	27 960 000	142 496	69 509	-72 987	0,91%	Kuala Lumpur
Danieli & Officine Meccaniche SpA	Industrials	497 407	64 441	64 394	-47	0,84%	Brsaltaliana
Medi-Stim ASA	Health Care	1 265 625	15 814	60 750	44 936	0,79%	Oslo Børs
Solar AS - B Shs	Industrials	104 000	40 099	54 485	14 387	0,71%	Copenhagen
Frontline 2012 Ltd	Industrials	1 000 000	41 502	52 900	11 398	0,69%	Unotert
Rec Silicon ASA	Energy	35 182 178	52 331	52 492	161	0,69%	Oslo Børs
Hitecvision AS	Financials	793 668	7 193	52 382	45 189	0,69%	Unlisted
Solstad Offshore ASA	Energy	2 052 746	102 753	51 729	-51 024	0,68%	Oslo Børs
H Lundbeck A/S	Health Care	220 000	41 215	50 264	9 049	0,66%	Copenhagen
GCL-Poly Energy Holdings Ltd	Energy	30 000 000	59 320	49 197	-10 123	0,64%	Hong Kong
FLSmidth & Co A/S	Industrials	164 906	55 394	46 821	-8 572	0,61%	Copenhagen
Golar LNG Ltd	Industrials	190 000	58 722	46 754	-11 968	0,61%	NASDAQ
Nippon Seiki Co Ltd	Consumer Discretionary	273 000	28 148	44 905	16 758	0,59%	Tokyo
Sodastream International Ltd	Consumer Staples	365 000	82 946	42 760	-40 186	0,56%	NASDAQ
DOF ASA	Energy	5 762 213	110 022	36 878	-73 144	0,48%	Oslo Børs
Strongpoint ASA	Information Technology	3 796 612	43 431	34 929	-8 502	0,46%	Oslo Børs
Elekta AB - B shs	Health Care	600 000	32 238	34 057	1 819	0,45%	Stockholm
Yazicilar Holding AS	Consumer Staples	689 169	23 544	31 440	7 895	0,41%	Istanbul
YIT Oyj	Industrials	568 875	33 128	26 248	-6 880	0,34%	Helsinki
Goodtech ASA	Industrials	2 055 949	46 750	24 055	-22 696	0,31%	Oslo Børs
Localiza Rent a Car SA	Industrials	450 000	23 150	23 490	340	0,31%	Sao Paulo
Photocure ASA	Health Care	626 466	25 235	22 929	-2 306	0,30%	Oslo Børs
Bang & Olufsen A/S	Information Technology	300 000	22 682	17 480	-5 202	0,23%	Copenhagen
Raiffeisen Bank International AG	Financials	154 039	34 701	17 108	-17 594	0,22%	Vienna
TTS Group ASA	Industrials	3 055 946	30 512	13 996	-16 515	0,18%	Oslo Børs
Golden Ocean Group Ltd	Industrials	640 000	18 825	13 696	-5 129	0,18%	Oslo Børs
Nordic Mining ASA	Materials	18 416 432	20 776	11 418	-9 358	0,15%	Oslo Axess
Eidesvik Offshore ASA	Energy	784 588	29 160	10 200	-18 961	0,13%	Oslo Børs
Fjord Line AS	Consumer Discretionary	3 622 985	33 138	8 333	-24 805	0,11%	Unlisted
Sevan Drilling ASA	Energy	662 609	83 460	5 281	-78 179	0,07%	Oslo Børs
I.M. Skaugen SE	Industrials	1 728 652	21 005	3 475	-17 531	0,05%	Oslo Børs
Electromagnetic Geoservices AS	Energy	5 029 207	68 319	3 118	-65 201	0,04%	Oslo Børs
Golden Ocean Group Ltd	Industrials	100 000	3 132	2 142	-990	0,03%	NASDAQ
Genomar AS	Consumer Staples	483 807	11 591	5	-11 586	0,00%	Unlisted
Total equity portfolio*			**6 936 401**	**7 460 137**	**523 736**	**97,60%**	
Disposable liquidity				183 213		2,40%	
Total share capital				**7 643 350**		**100,00%**	

* Figures in 1 000 NOK.

Focus on new companies

SKAGEN Global was affected by the development of exchange rates and commodities as well as the large fluctuations on the Chinese stock market in the third quarter. We continued the process of refining the portfolio through the introduction of new ideas and further concentrating the number of holdings.

SKAGEN Global

A world of opportunities

- Google delivered the goods
- Exchange rates, commodities and memory card pulled down the result
- Six new companies entered the portfolio
- The bar for holdings to remain in the portfolio has been raised

1	2	3	4	RISK	6	7

Fund start date	7 August 1997
Return since start	1004,52%
AUM	EUR 3 409 million
Number of unitholders	87 617

PERFORMANCE IN EUR	3Q 15*	12 M*
SKAGEN Global	-11.9 %	-4.3%
MSCI ACWI	-9.9 %	5.2%

** As of 30 September 2015.*

PORTFOLIO MANAGERS

Knut Gezelius, Søren Milo Christensen, Chris-Tommy Simonsen and Tomas Johansson

From the moor north of Skagen, 1885. Detail. By P.S. Krøyer, one of the Skagen painters (cropped).

IT GIGANT BEATS EXPECTATIONS

As described in our latest market report, we increased our position in Google significantly in the second quarter. This has delivered results much more quickly than we anticipated. The company posted accelerating growth, coupled with higher margins and lower investments. Later in the quarter, they followed up with the announcement of a new company structure that will provide investors with better financial insight into Google's underlying business - something that has kept many from investing in the stock previously.

EXCHANGE RATES, COMMODITIES AND MEMORY CARD PULLED DOWN

While the quarter's winners were generally to be found among companies with positive and specific news, weak exchange rates in emerging markets and falling commodity prices explained many of the quarter's losers. Lundin Mining and Lundin Petroleum were thus dragged down by weak copper and oil prices, respectively. Another large detractor in the quarter was the Korean technology company Samsung Electronics. Falling prices for memory cards due to weak demand was the main reason for the fall in the share price. How the players in this now highly consolidated industry respond to the falling prices will be crucial. So far, their actions as well as their words have supported our thesis of more rational behaviour. This is precisely what will lead to a higher return on invested capital over time with correspondingly higher valuation for all companies in the industry.

SKAGEN GLOBAL 3Q 2015 (MILL NOK)

5 largest contributors	
Google Inc	232
NN Group NV	85
Microsoft Corp	73
Tyson Foods Inc	53
OCI Co Ltd	53

5 largest detractors	
Lundin Mining Corp	-161
Samsung Electronics Co Ltd	-154
Koninklijke DSM NV	-111
Lenovo Group Ltd	-106
Gap Inc/The	-101

5 largest purchases	
Merck & Co Inc	978
G4S Plc	707
Carlsberg AS-B	269
Lundin Mining Corp	248
Barclays PLC	217

5 largest sales	
Hyundai Motor Co Pref	-612
LG Corp	-545
Storebrand ASA	-487
Varian Medical Systems Inc	-433
OCI Co Ltd	-345

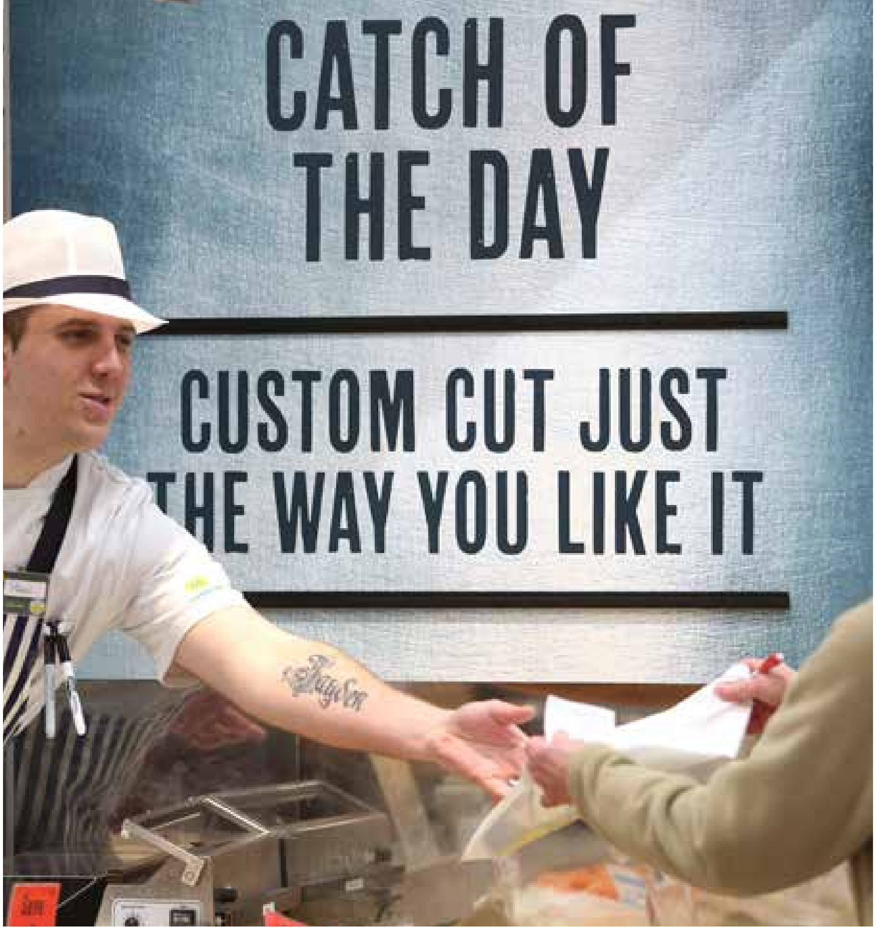


Photo: Bloomberg

Photo: Bloomberg

SUPERMARKET WITH INCREASED PROFITABILITY

Historically, SKAGEN has delivered returns largely by focusing its analytical forces on the pockets of the stock market that are currently unpopular. Unpopular is a very apt description of companies in the UK grocery business which for a number of years have been plagued by disappointing results. Thanks to investors' focus on the current difficulties, we have been able to buy WM Morrison at very attractive levels. The company has the same key ingredients as many of our other successful investments with restructuring focus: i) current profit margins are historically low; ii) it has a new competent management with a solid plan to change this situation; iii) if the restructuring takes longer than expected, the risk of permanent loss is reduced thanks to the company's solid financial position.

STABLE INCREASES IN CASH FLOW AT A GOOD PRICE

One of SKAGEN's three Us involves looking for companies that are under-researched/misunderstood. This is certainly the case for our most recent investment in the security company G4S. Following a number of commercial blunders, the market is sceptical of the company, to put it mildly. This despite the new management, which seems to be on track to generate earnings margins in line with peers. In addition, there is general concern that increased use of technology will have a negative impact on industry profitability. We could not disagree more, because we believe technology will create much greater opportunity for differentiation. It will also provide major players such as G4S with the economies of scale that have been missing in the current labour-intensive security industry. We are therefore buying a steadily growing company at a significant discount to companies with similar characteristics in more popular industries.

Another steadily growing company that entered the fund's portfolio last quarter is the world's seventh largest pharmaceutical company, Merck. The lack of new blockbuster drugs has kept the stock on the sidelines, while shares in comparable companies have been rising sharply. The market is thus ascribing minimal value to the company's major pipeline of potential new drugs. In addition, the company's broad portfolio of existing products has a low risk of patent expiry. Given all these factors, we find the risk-return ratio so compelling that Merck ended the quarter among the fund's ten largest positions.

BANKS WITH A FOCUS ON COST AND CASH FLOW

SKAGEN Global invested in the two international banks, Barclays and Credit Suisse, in August. We see great potential for cost reductions in both companies. Similarly, we expect a more disciplined internal allocation of capital that will improve earnings further. The companies are thus following the same recipe that has generated solid returns for SKAGEN Global's investments in similar financial institutions like Citigroup, AIG and Nordea in recent years. Our belief that these changes will be implemented successfully now is based on the positive changes in senior management. John McFarlane took over as chairman of Barclays in July. McFarlane has a broad and successful history of restructuring complex financial institutions, most recently the insurer Aviva. At almost the same time, Tidjane Thiam took over as CEO of Credit Suisse, after several years of impressive results as head of the global insurer Prudential.

Photo: Bloomberg

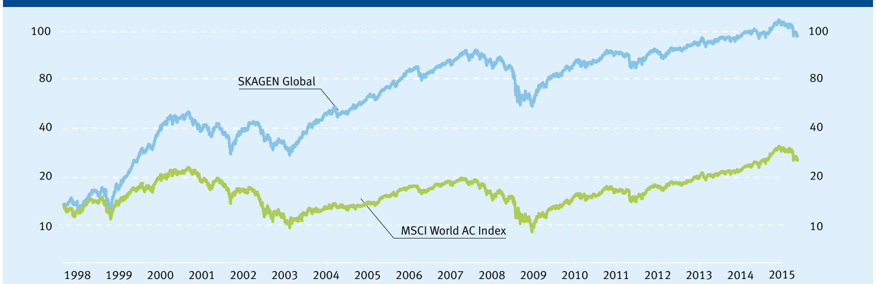
CHINESE TURMOIL CREATED OPPORTUNITIES

The panic in the Chinese stock market was exacerbated by the many suspended shares, which created an additional selling pressure on the remaining securities, particularly large liquid ones. This liquidity panic provided us with the opportunity to buy China Mobile at an attractive price. China Mobile is a company with stable and predictable earnings and a net cash balance of USD 73 billion. As was the case with Google, we were rewarded for our long-term thinking more quickly than expected. So while we are always willing to wait, the China Mobile shares returned to fair valuation over the summer, and we exited the company. The market's short-term reactions provide long-term investors with the opportunity to create a good return over time. As far as we are concerned, the panic in China could have lasted a few days longer so we could have bought even more shares at an attractive long-term price.

BAR RAISED BY 50% UPSIDE

In order to finance the acquisition of our new companies, we bid farewell to eight holdings in the third quarter. In addition to the aforementioned China Mobile, Hyundai Motor, Storebrand, Varian Medical Systems, OCI, Valmet, China Communications Services and Prosegur exited the portfolio in the quarter. Many of these positions were sold either because they had reached our price target or because new facts gave us a more negative view of the shares; the risk-return ratio of the portfolio newcomers in the quarter was simply more attractive. Our main task is to continuously improve the risk-return ratio of the SKAGEN Global equity portfolio. Over the past 12 months, the portfolio management team has accelerated this process through an increased flow of new ideas, as well as halving the number of positions in the fund. The bar for entering and remaining in the portfolio has been raised, and we see this as a clear sign that this strategy is paying off. This, combined with the low valuation and an average upside of almost 50% for the 35 largest holdings, means that we see good opportunities to deliver strong returns over the coming years.

HISTORICAL PRICE DEVELOPMENT SKAGEN GLOBAL

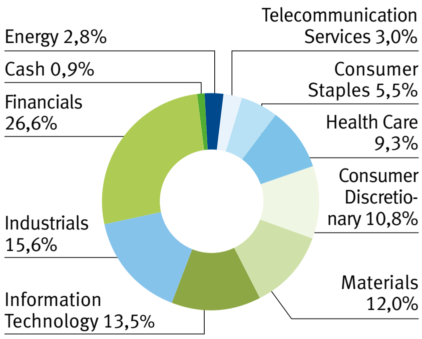


SKAGEN GLOBAL KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 30-09-2015)

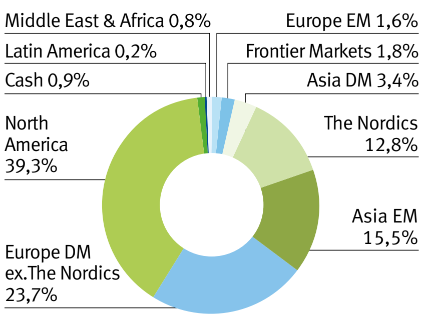
Company	Holding size	Price	P/E 2015E	P/E 2016E	P/BV last	Price target
Samsung Electronics	6.5%	917,000	6.5	6.3	0.8	1,500,000
CitiGroup	6.1%	50	8.9	8.4	0.7	75
AIG	5.3%	57	11.4	10.4	0.7	90
General Electric	4.9%	25	19.4	16.4	2.3	34
Nordea	3.5%	93	10.5	10.6	1.3	150
Roche	3.1%	257	18.3	16.7	12.8	380
Google	2.8%	608	21.1	18.0	3.7	715
Microsoft	2.6%	44	16.4	14.4	4.4	58
State Bank of India	2.5%	237	8.9	7.5	1.1	400
Merck	2.5%	49	14.1	13.0	3.0	76
Weighted top 10	**40%**		**11.1**	**10.2**	**1.2**	**50%**
Weighted top 35	**81%**		**12.1**	**10.8**	**1.2**	**48%**
Benchmark index			**15.2**	**13.8**	**1.9**	

P/E may deviate from other sources when based on SKAGEN estimates.

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



SECURITIES PORTFOLIO SKAGEN GLOBAL AS OF 30 SEPT 2015

See the portolio in its entirety at www.skagenfunds.com/global

Securities	Sector	Number	Acquistion value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock exchange
Citigroup Inc	Financials	4 789 467	1 126 266	2 026 329	900 062	6,25%	New York
American International Group Inc	Financials	3 816 021	1 013 636	1 840 286	826 650	5,67%	New York
General Electric Co	Industrials	8 170 740	1 616 001	1 742 208	126 207	5,37%	New York
Nordea Bank AB	Financials	12 398 133	870 977	1 171 652	300 675	3,61%	Stockholm
Roche Holding AG-Genusschein	Health Care	495 108	597 625	1 107 881	510 255	3,42%	Zürich
Google Inc CLASS C	Information Technology	195 042	731 709	1 009 049	277 340	3,11%	NASDAQ
Samsung Electronics Co Ltd	Information Technology	122 990	1 049 950	1 003 659	-46 291	3,09%	Seoul
Samsung Electronics Co Ltd Pref	Information Technology	149 771	362 759	988 326	625 567	3,05%	Seoul
Microsoft Corp	Information Technology	2 505 570	437 371	937 665	500 294	2,89%	NASDAQ
Merck & Co Inc	Health Care	2 076 010	978 105	871 322	-106 783	2,69%	New York
CK Hutchison Holdings Ltd	Industrials	7 265 098	583 858	801 560	217 702	2,47%	Hong Kong
State Bank of India	Financials	23 546 330	604 795	726 149	121 354	2,24%	National India
Koninklijke DSM NV	Materials	1 823 624	757 573	717 009	-40 563	2,21%	Amsterdam
Tyson Foods Inc	Consumer Staples	1 936 161	601 833	709 458	107 624	2,19%	New York
Heidelbergcement AG	Materials	1 176 994	389 487	688 412	298 926	2,12%	Frankfurt
NN Group NV	Financials	2 785 956	503 701	678 331	174 630	2,09%	Amsterdam
Kingfisher Plc	Consumer Discretionary	14 242 783	495 820	657 897	162 077	2,03%	London
Goldman Sachs Group Inc	Financials	439 836	391 585	654 913	263 328	2,02%	New York
G4S Plc	Industrials	21 902 833	706 652	651 204	-55 448	2,01%	London
Sanofi	Health Care	759 182	472 970	616 495	143 525	1,90%	Paris
Koninklijke Philips NV	Industrials	2 825 548	526 915	566 026	39 111	1,74%	Amsterdam
Carlsberg AS-B	Consumer Staples	850 127	582 856	555 941	-26 916	1,71%	Copenhagen
General Motors Co	Consumer Discretionary	2 095 380	299 204	532 963	233 760	1,64%	New York
Comcast Corp	Consumer Discretionary	1 077 693	147 207	521 835	374 628	1,61%	NASDAQ
Tyco International Plc	Industrials	1 751 162	198 083	502 040	303 956	1,55%	New York
Akzo Nobel NV	Materials	892 610	292 845	491 838	198 993	1,52%	Amsterdam
Teva Pharmaceutical-Sp ADR	Health Care	1 001 182	352 050	469 582	117 531	1,45%	NASDAQ
Lundin Mining Corp	Materials	18 678 909	533 670	452 335	-81 335	1,39%	Toronto
LG Corp	Industrials	987 960	276 716	432 972	156 256	1,33%	Seoul
Volvo AB	Consumer Discretionary	5 250 655	407 180	428 135	20 955	1,32%	Stockholm
China Unicom Hong Kong Ltd	Telecommunication Services	38 908 972	368 823	420 287	51 464	1,30%	Hong Kong
Lundin Petroleum AB	Energy	3 690 855	410 288	403 768	-6 519	1,24%	Stockholm
Norsk Hydro ASA	Materials	14 009 407	392 331	397 307	4 975	1,22%	Oslo Børs
UPM-Kymmene Oyj	Materials	3 099 638	291 644	394 388	102 744	1,22%	Helsinki
Lenovo Group Ltd	Information Technology	50 448 700	375 303	362 735	-12 568	1,12%	Hong Kong
Unilever NV-Cva	Consumer Staples	1 005 476	248 596	344 187	95 591	1,06%	Amsterdam
Tata Motors Ltd-A- DVR	Consumer Discretionary	11 563 913	231 336	325 493	94 157	1,00%	Bombay
Toyota Industries Corp	Consumer Discretionary	785 972	140 281	316 861	176 580	0,98%	Tokyo
Mayr-Melnhof Karton AG	Materials	317 983	153 946	309 118	155 172	0,95%	Vienna
Columbia Property Trust Inc	Financials	1 561 194	301 916	307 443	5 528	0,95%	New York
Autoliv Inc	Industrials	258 314	88 438	238 048	149 610	0,73%	New York
Haci Omer Sabanci Holding AS	Financials	8 556 393	234 593	213 675	-20 918	0,66%	Istanbul
Irsa Sa ADR	Financials	1 754 657	145 868	209 840	63 972	0,65%	New York
Ternium SA ADR	Materials	1 994 417	298 074	203 798	-94 276	0,63%	New York
Lundin Mining Corp SDR	Materials	8 335 629	229 020	202 888	-26 133	0,63%	Stockholm
Barclays PLC	Financials	6 163 000	216 857	194 295	-22 562	0,60%	London
EFG-Hermes Holding SAE	Financials	21 575 283	238 806	187 843	-50 963	0,58%	Cairo
State Bank Of India GDR	Financials	593 476	108 798	184 069	75 270	0,57%	National India
BP Plc	Energy	4 269 875	213 135	183 644	-29 490	0,57%	London
Kazmunaigas Exploration GDR	Energy	3 430 139	404 213	175 604	-228 609	0,54%	London International
Credit Suisse Group AG	Financials	853 650	199 489	174 410	-25 079	0,54%	Zürich
WM Morrison Supermarkets PLC	Consumer Discretionary	7 855 832	169 580	167 644	-1 936	0,52%	London
Yazicilar Holding AS	Consumer Staples	3 573 660	86 554	162 992	76 438	0,50%	Istanbul
BP Plc ADR	Energy	598 207	174 952	154 809	-20 143	0,48%	New York
Gap Inc/The	Consumer Discretionary	612 617	150 296	147 169	-3 126	0,45%	New York
Indosat Tbk PT	Telecommunication Services	65 422 055	226 138	143 029	-83 109	0,44%	Indonesia
Vimpelcom Ltd-Spon ADR	Telecommunication Services	3 937 330	286 510	141 939	-144 571	0,44%	New York
Global Mediacom Tbk PT	Consumer Discretionary	253 572 823	230 547	138 963	-91 584	0,43%	Jakarta
China Unicom Hong Kong Ltd ADR	Telecommunication Services	1 144 875	105 570	124 940	19 369	0,39%	New York
Autoliv Inc SDR	Industrials	130 595	45 327	120 229	74 901	0,37%	Stockholm
First Pacific Co Ltd	Telecommunication Services	15 609 363	98 631	81 297	-17 334	0,25%	Hong Kong
Samsung Electronics Co Ltd Pref GDR	Information Technology	24 706	24 968	80 737	55 769	0,25%	London International
Global Telecom Holding	Telecommunication Services	31 689 474	83 027	64 837	-18 190	0,20%	Cairo
Banco Do Estado Rio Grande Do Sul SA Pref	Financials	4 170 834	97 989	50 613	-47 376	0,16%	Sao Paulo
Total equity portfolio*			**24 981 244**	**31 882 369**	**6 901 126**	**98,28%**	
Disposable liquidity				557 323		1,72%	
Total share capital				**32 439 692**		**100,00%**	

* Figures in 1 000 NOK.

SKAGEN Kon-Tiki

Leading the way in new waters

- Emerging market equities experienced the worst returns since 3Q 2008
- Low exposure to China was helpful to our relative return, but was partly offset by weak performance of our Brazilian companies
- Even in countries in recession, there are still very often good investment opportunities to be found.

1	2	3	4	5	RISK	7

Fund start date	5 April 2002
Return since start	419,87%
Assets under management	EUR 3 963 million
Number of unitholders	69 633

PERFORMANCE IN EUR	3Q 15*	12 M*
SKAGEN Kon-Tiki	-16.0 %	-12.1%
MSCI Emerging Markets	-17.9 %	-8.6%

** As of 30 September2015*

PORTFOLIO MANAGERS

Kristoffer Stensrud, Knut Harald Nilsson, Cathrine Gether, Erik Landgraff and Hilde Jenssen

(D)emerging markets?

Fed tightening or not; foreign exchange bloodbath in emerging markets; Brazil recession and downgrade to junk status; China collapse and RMB devaluation: these were all key headlines for emerging markets (EM) during the third quarter. Outflow from EM equity funds continued and exceeded the previous peak for the year with EM equities facing the worst return since the third quarter 2008.

There was record turnout at an investor conference we attended in Asia recently, with everybody trying to get a grip on the Chinese economy. To be clear, China will not collapse but it is also evident that growth is decelerating and the growth efficiency of fixed assets has declined. Export as a growth driver is slowing down amid weak demand in developed countries and a less competitive cost position due to high wage growth and a strong renminbi, although the recent devaluation helps somewhat.

Some EM economies are struggling, but it is dangerous to generalise. EM spans a number of countries in different cycles and with different economic development. Stock indices are only an aggregate of the companies. Even in countries in recession, there will very often be good investment opportunities, as share prices in good companies might unfairly suffer from "country perception".

Nevertheless, there were some bright spots in emerging economies. The Indian central bank cut rates by 50 basis points at the end of September to 6.75%; its fourth cut since late 2014 as inflation has come down from 10% to 3.7%. The rate cut may create some short-term headwind for our investment in State Bank of India due to asset/liability mismatch, but lower rates are positive for asset quality as well as loan growth.

Turkey also recovered somewhat from the political and geopolitical disturbance as the Kurdish guerrilla movement, PKK, expressed readiness for a "democratic solution". Our key holding in Turkey, Sabanci Holding, recently raised its guidance for its industrial profit outlook, confirming our investment thesis.

A DIFFICULT QUARTER

SKAGEN Kon-Tiki fell by 16.0% during the third quarter in EUR which is ahead of the 17.9% decline for the MSCI EM index. In context, global equities were down 10%. The worst market was Brazil down 34% (FX contributed 18 percentage points of this), followed by China A shares (not part of EM index) down 30% despite unsuccessful market manipulation attempts by the authorities, and Hong Kong listed China H shares, which fell 23%.

Low exposure to China was helpful to our relative return, but this was partly offset by weak performance for our Brazilian companies with Petrobras and Cosan Ltd. being the key negative contributors. Our allocation in Turkey also provided headwind, mainly due to a weak market, but also weak currency.

Hyundai Motor was a bright spot in the period, with the share up 9% including interim dividend. Richter Gedeon also boosted return on the back of the long-awaited approval of its Vraylar drug for the treatment of bipolar disorder and schizophrenia in the US. Finally, the spin-off of the shares in Golden Ocean by Frontline, to create a pure tanker company, was well received by the market leading to a 29% increase in the share price.

Photo: Blommberg

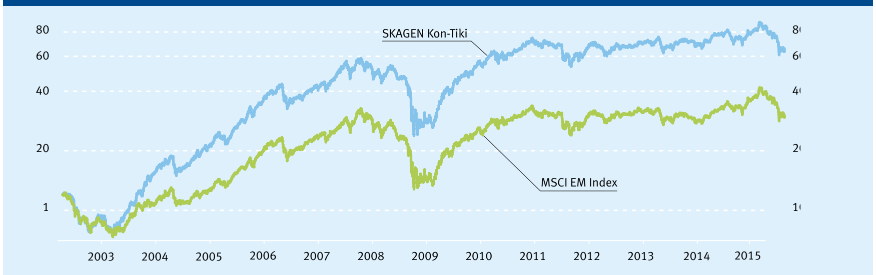
BOOST FOR ELECTRIC

One of the key topics at the end of the quarter was the Volkswagen scandal or 'Dieselgate'. The impact on our car producers is uncertain, but all, apart from SUV maker Mahindra, have relatively low exposure to diesel engines and might therefore benefit. Other portfolio holdings that may also benefit are our two Korean lithium battery suppliers, LG Chem and Samsung SDI. The latter is a new position during the quarter. Increased regulatory focus could see the electric and hybrid vehicle share of global auto sales grow multiple times, from 3% penetration last year, in the course of a few years. To illustrate elasticity, the electric vehicle and hybrid share of auto sales in Norway is 29% versus 3% globally.

In Samsung SDI, stakes in other Samsung companies are worth almost all the value other investors are currently willing to pay for it. This means you get a market leader in small and large lithium batteries, energy storage technology, electronic materials and a rather stable chemical plastic business almost for free. The large battery business for cars is currently loss-making as they are ramping up capacity, but the timeline to profits might have shortened after 'Dieselgate'.

We also added to our position in Cosan Ltd, which is trading at a 30% discount to NAV while its key asset, Cosan SA, trades at a 50% discount to our fair value – we like discounts on top of discounts.

HISTORICAL PRICE DEVELOPMENT SKAGEN KON-TIKI



SKAGEN KON-TIKI KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 30-09-2015)

Company	Holding size	Price	P/E 2015	P/E 2016E	P/BV last	Price target
Hyundai Motor	8.7%	110,500	4.3	4.3	0.5	200,000
Samsung Electronics	8.4%	917,000	5.6	5.6	0.8	1,500,000
Mahindra & Mahindra	4.9%	1,264	16.9	13.3	2.9	2,000
State Bank of India	4.6%	237	7.2	6.8	1.1	450
Sabanci Holding	3.8%	9	7.4	6.1	0.9	14
Bharti Airtel	3.4%	338	16.9	11.3	2.1	450
Richter Gedeon	3.2%	4,440	16.1	14.8	1.4	7,500
ABB	2.9%	148	14.8	12.4	2.7	250
Naspers	2.7%	1,726	34.5	23.0	9.0	2,500
Great Wall Motor	2.0%	9	6.8	6.8	1.8	13
SBI Holdings	2.0%	1,341	10.3	9.6	0.7	3,000
X5 Retail Group	2.0%	17	13.4	11.6	3.1	30
Weighted top 12	**48%**		**7.7**	**7.2**	**1.0**	**68%**
Weighted top 35	**77%**		**8.3**	**7.7**	**1.0**	**66%**
Benchmark index			**11.4**	**10.5**	**1.3**	

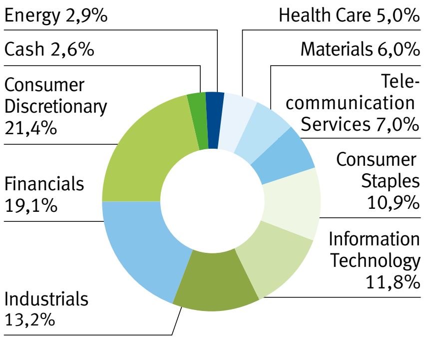
P/E may deviate from other sources when based on SKAGEN estimates.

BUYS AND SELLS

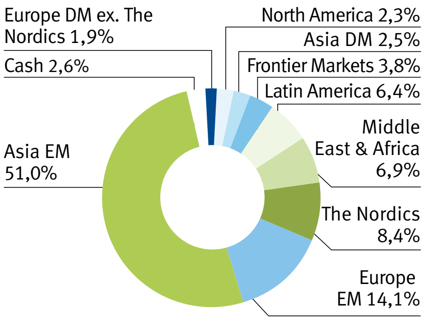
During the quarter, we sold out of grocery retailer Casino and used part of the proceeds to increase our stake in its Brazilian listed subsidiary, Cia Brasileira de Distribuicao. CBD is a leading player in a fragmented Brazilian grocery retail market. Like elsewhere in the world, we expect chain concentration to increase and the current weak economy might stimulate this process. The stock is being sold off dramatically by the general market and is now valued at 3x cash flow versus 10x for the sector in EM and 8x for developed market grocery retailers. It has limited debt, all in local currency. On top of that, group restructuring is said to leave economies of scale of 80 basis points on the margin versus its expected 7% this year.

We sold out Empresas ICA as fundamentals for the construction business have deteriorated and high debt worries us. Management is only taking small steps to address the leverage. We also sold out of Japan-listed convenience store operator, Familymart, as valuation exceeded our target price. Our holding in Hitachi was cut significantly as slowdown in China and potential losses in the Middle East have changed the outlook. We also sold our position in cosmetics supplier, Shiseido, with a good return after reaching our target price. We furthermore reduced our position in ABB somewhat to trim the cyclical exposure of the portfolio. Low cost airline AirAsia was also sold as the company faces challenges in the recapitalisation of its Indonesian and Philippine subsidiaries, which owe AirAsia significantly overdue lease payments. Finally, the remainder of our holding in AP Møller-Maersk was sold with a very good return since we invested at the end of 2011.

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



NO WORSE THAN EXPECTED

The July-end result reporting season is now over. For our portfolio holdings on aggregate it can be described as "no worse than expected". For our two largest holdings, Hyundai Motor and Samsung Electronics, results were down on weaker EM demand and the negative FX impact from weak EM currencies. However, the valuation of both companies remains highly compelling and while Hyundai has improved governance through a dividend policy, we expect Samsung Electronics to follow suit soon. With its cash position having accelerated to KRW 62tr (USD 52bn), now representing 35% of its market capitalisation and 45% of our preference share price, shareholder pressure is increasing, fuelled by recent "oversteps" in group restructuring.

UNPOPULARITY CREATES OPPORTUNITIES

A number of EM currencies hit multi-year or all-time low during the quarter. Companies with significant USD debt, not matched by cash flow in USD, will face challenges. However, companies which also have high cash flow in USD are set to benefit. Examples of these are Brazilian protein manufacturer Mafrig and iron ore producer Vale. We are working to find other key beneficiaries which are being sold off due to place of listing.

Emerging market equities, debt and currencies have become very unpopular after two years in which return has severely trailed their developed market counterparties. This might well continue for some time, but it also brings to mind how unpopular Indian equities were during the autumn of 2013; India went on to become one of the best stock markets in 2014. Unpopularity clearly creates opportunities.

KEY FIGURES

The number of companies in the fund was 82 at the end of the period, down from 95 at the start of the year. Kon-Tiki is an index-agnostic fund with a high degree of conviction. Our active share (part of portfolio which is not replicated in benchmark index) is 96% while the top 35 holdings now represent 77% of the portfolio, up from 73% at the end of 2014.

Our portfolio continues to be valued at a significant discount to EM equities in general, as we continue to focus on absolute value. P/E for the portfolio for this year is 8.3x or a 25% discount to the benchmark at 11.4x. Measured on P/BV, our portfolio is valued at 1x versus 1.3x for the benchmark.

SKAGEN KON-TIKI 3Q 2015 (MILL NOK)

5 largest contributors	
Hyundai Motor Co GDR	341
Richter Gedeon Nyrt	164
Frontline 2012 Ltd	152
Tech Mahindra Ltd	125
X 5 Retail Group NV GDR	87

5 largest detractors	
Petroleo Brasileiro Pref ADR	-347
Cosan Ltd	-338
Great Wall Motor Co Ltd	-300
Haci Omer Sabanci Holding AS	-265
Banco Do Estado Rio Grande Do Sul SA Pref	-236

5 largest purchases	
Samsung SDI Co Ltd	269
China Shipping Development	210
Cosan Ltd	114
Lenovo Group Ltd	91
Eros International Media Ltd	78

5 largest sales	
Familymart Co Ltd	-561
Hitachi Ltd	-528
Hyundai Motor Co GDR	-412
AP Moeller - Maersk A/S	-260
Shiseido Co Ltd	-227

SECURITIES PORTFOLIO SKAGEN KON-TIKI AS OF 30 SEPT 2015

See the portfolio in its entirety at www.skagenfunds.com/kontiki

Securities	Sector	Number	Acquistion value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock exchange
Samsung Electronics Co Ltd Pref	Information Technology	290 000	716 468	1 913 685	1 197 218	5,08%	Seoul
State Bank of India	Financials	55 690 910	1 265 479	1 717 460	451 981	4,56%	National India
Hyundai Motor Co Pref (2pb)	Consumer Discretionary	2 080 032	351 294	1 706 389	1 355 095	4,53%	Seoul
Hyundai Motor Co Pref (1p)	Consumer Discretionary	1 948 800	313 032	1 549 647	1 236 615	4,11%	Seoul
Haci Omer Sabanci Holding AS	Financials	56 848 322	1 238 642	1 419 648	181 006	3,77%	Istanbul
Mahindra & Mahindra Ltd GDR	Consumer Discretionary	8 005 385	186 510	1 318 293	1 131 783	3,50%	London International
Bharti Airtel Ltd	Telecommunication Services	29 483 133	1 124 053	1 295 319	171 267	3,44%	National India
Samsung Electronics Co Ltd Pref GDR	Information Technology	382 663	376 532	1 250 511	873 979	3,32%	London International
Richter Gedeon Nyrt	Health Care	8 936 510	970 296	1 207 524	237 228	3,20%	Budapest
ABB Ltd	Industrials	7 200 000	639 262	1 084 860	445 597	2,88%	Stockholm
Naspers Ltd	Consumer Discretionary	950 050	278 067	1 012 491	734 424	2,69%	Johannesburg
Great Wall Motor Co Ltd	Consumer Discretionary	79 522 500	48 083	749 533	701 449	1,99%	Hong Kong
SBI Holdings Inc	Financials	7 759 600	603 587	741 161	137 574	1,97%	Tokyo
X 5 Retail Group NV GDR	Consumer Staples	4 990 306	506 266	740 882	234 616	1,97%	London International
Frontline 2012 Ltd	Industrials	12 818 835	332 484	678 116	345 633	1,80%	Unlisted
Kinnevik Investment AB-B	Telecommunication Services	2 717 167	481 930	660 248	178 318	1,75%	Stockholm
Tech Mahindra Ltd	Information Technology	8 784 608	354 450	636 692	282 242	1,69%	National India
Moscow Exchange MICEX-RTS OAO	Financials	57 263 060	612 265	598 886	-13 379	1,59%	Moscow
UPL Ltd	Materials	9 971 688	185 099	594 289	409 190	1,58%	National India
Bidvest Group Ltd	Industrials	2 800 000	326 110	565 232	239 123	1,50%	Johannesburg
Mahindra & Mahindra Ltd	Consumer Discretionary	3 103 503	250 706	510 047	259 341	1,35%	National India
CNH Industrial NV	Industrials	9 138 348	555 673	506 040	-49 633	1,34%	New York
LG Electronics Inc Pref	Consumer Discretionary	3 050 000	823 954	500 424	-323 531	1,33%	Seoul
Korean Reinsurance Co	Financials	4 860 366	182 225	498 410	316 186	1,32%	Seoul
Vale Sa Spons pref ADR	Materials	16 436 506	1 427 914	469 815	-958 099	1,25%	New York
JSE Ltd	Financials	5 753 823	222 426	456 242	233 816	1,21%	Johannesburg
Indosat Tbk PT	Telecommunication Services	206 683 750	557 401	451 862	-105 538	1,20%	Indonesia
Distribuidora Internacional de Alimentacion SA	Consumer Staples	8 706 469	310 738	448 748	138 010	1,19%	Madrid
Marfrig Global Foods SA	Consumer Staples	28 398 300	446 448	428 028	-18 420	1,14%	Sao Paulo
Cosan Ltd	Consumer Staples	16 220 419	906 323	406 894	-499 428	1,08%	New York
China Shipping Development	Industrials	83 220 000	460 891	405 084	-55 806	1,07%	Hong Kong
Yazicilar Holding AS	Consumer Staples	8 837 139	222 040	403 057	181 017	1,07%	Istanbul
GCL-Poly Energy Holdings Ltd	Energy	224 088 000	368 096	367 648	-449	0,98%	Hong Kong
China Shineway Pharmaceutical	Health Care	36 934 000	280 298	364 386	84 088	0,97%	Hong Kong
OCI Co Ltd	Materials	600 000	455 623	355 780	-99 843	0,94%	Seoul
LG Chem Ltd Pref	Materials	259 179	178 915	354 370	175 455	0,94%	Seoul
Lenovo Group Ltd	Information Technology	47 836 000	308 854	343 950	35 096	0,91%	Hong Kong
Petroleo Brasileiro Pref ADR	Energy	11 064 888	559 365	341 765	-217 600	0,91%	New York
Enka Insaat Ve Sanayi AS	Industrials	23 092 016	217 528	325 066	107 538	0,86%	Istanbul
Golar LNG Ltd	Industrials	1 298 301	471 325	314 716	-156 608	0,84%	NASDAQ
Samsung SDI Co Ltd	Information Technology	400 000	269 341	312 315	42 974	0,83%	Seoul
Apollo Tyres Ltd	Consumer Discretionary	13 028 865	109 290	304 886	195 597	0,81%	National India
Cia Cervecerias Unidas SA ADR	Consumer Staples	1 538 270	280 090	288 623	8 532	0,77%	New York
Kulim Malaysia BHD	Consumer Staples	47 804 500	150 908	283 311	132 403	0,75%	Kuala Lumpur
Banco Do Estado Rio Grande Do Sul SA Pref	Financials	23 177 100	570 222	281 255	-288 967	0,75%	Sao Paulo
Hindalco Industries Ltd	Materials	30 031 830	504 565	276 500	-228 065	0,73%	National India
Kiatnakin Bank Pcl	Financials	37 429 463	334 353	270 014	-64 339	0,72%	Bangkok
Norwegian Air Shuttle ASA	Industrials	800 000	75 029	266 400	191 371	0,71%	Oslo Børs
Massmart Holdings Ltd	Consumer Staples	3 739 366	285 120	249 488	-35 632	0,66%	Johannesburg
DRB-Hicom Bhd	Consumer Discretionary	88 408 800	365 449	228 477	-136 972	0,61%	Kuala Lumpur
Sistema Jsfc	Telecommunication Services	95 885 212	552 356	227 238	-325 118	0,60%	Moscow
LG Corp Pref	Industrials	808 430	118 266	224 851	106 585	0,60%	Seoul
PZ Cussons Plc	Consumer Staples	5 916 764	99 261	221 592	122 332	0,59%	London
Podravka Prehrambena Ind DD	Consumer Staples	517 852	153 340	210 158	56 818	0,56%	Zagreb
Dragon Capital - Vietnam Enterprise Investments Ltd	Financials	9 000 000	111 229	208 874	97 645	0,55%	Dublin
Tullow Oil Plc	Energy	9 241 978	817 339	201 997	-615 342	0,54%	London
Cia Brasileira de Distribuicao - Pref	Consumer Staples	1 806 200	375 065	192 308	-182 757	0,51%	Sao Paulo
Hitachi Ltd	Industrials	4 316 000	211 068	184 726	-26 342	0,49%	Tokyo
EFG-Hermes Holding SAE	Financials	20 558 388	353 506	178 990	-174 517	0,47%	Cairo
Eros International Media Ltd	Consumer Discretionary	2 613 608	159 400	178 299	18 898	0,47%	National India
Sberbank of Russia Pref	Financials	21 400 000	151 067	161 106	10 039	0,43%	Moscow
Golden Ocean Group Ltd	Industrials	7 102 037	233 379	151 984	-81 396	0,40%	Oslo Børs
Ghana Commercial Bank Ltd	Financials	18 001 604	88 821	151 476	62 655	0,40%	Ghana
Rec Silicon ASA	Energy	93 675 416	149 265	139 764	-9 501	0,37%	Oslo Børs
Eis Eczacibasi Ilac Ve Sanayi	Health Care	19 410 554	133 038	134 981	1 943	0,36%	Istanbul
East African Breweries Ltd	Consumer Staples	5 774 866	88 566	131 151	42 584	0,35%	Nairobi
Nordnet AB	Financials	4 118 184	57 184	128 958	71 774	0,34%	Stockholm
Euronav SA	Industrials	1 090 286	98 518	128 349	29 831	0,34%	Brussels
Pivovarna Lasko	Consumer Staples	507 181	139 800	118 639	-21 161	0,31%	Ljubljana
Asia Cement China Holdings	Materials	48 522 500	178 365	114 336	-64 029	0,30%	Hong Kong
Raiffeisen Bank International AG	Financials	976 944	191 690	109 149	-82 541	0,29%	vienna
Supermax Corp BHD	Health Care	27 075 300	104 098	106 798	2 701	0,28%	Kuala Lumpur
Diamond Bank Plc	Financials	718 971 941	153 449	104 869	-48 580	0,28%	Lagos
Minor items			1 924 019	575 508	-1 348 512	1,52%	
Total equity portfolio*			**29 703 107**	**36 740 568**	**7 037 460**	**97,49%**	
Disposable liquidity				944 333		2,51%	
Total share capital				**37 684 900**		**100,00%**	

* Figures in 1 000 NOK.

SKAGEN m²

*A doorway to global interest rates**

- Impacted by major fall in Chinese stocks
- Tighter monetary policy in the future will benefit our companies over time
- The portfolio is more attractively valued after the fall

1	2	3	4	RISK	6	7

Fund start date	31 October 2012
Return since start	11.81%
AUM	EUR 109 million
Number of unitholders	8 412

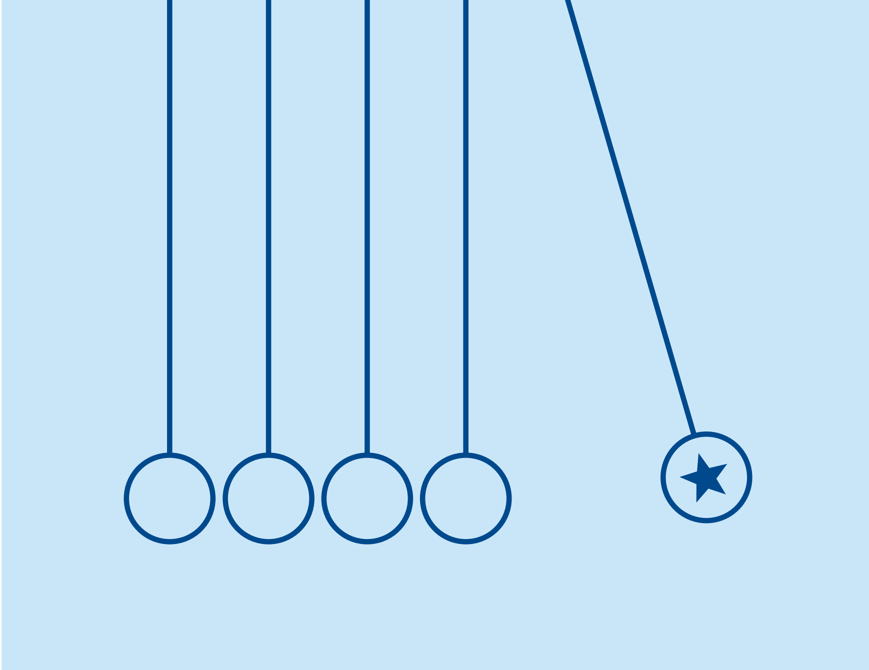
PERFORMANCE IN EUR	3Q 15*	12 M*
SKAGEN m²	-8.0 %	2.4%
MSCI ACWI Real Estate IMI	-4.6%	13.2%

** As of 30 September 2015.*

PORTFOLIO MANAGERS

Michael Gobitschek and Harald Haukås

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



China syndrome

The uncertainty surrounding economic developments in China had a big impact on the fund during the quarter. The turmoil spread to many other markets, particularly emerging markets and affected both stock prices and currencies. SKAGEN m2 is only invested in Hong Kong-listed companies with operations in inland China, and we have decreased exposure significantly since the beginning of the year. We only have companies with direct and indirect exposure to the country in which we see great long-term potential in relation to the current valuation. Continued uncertainty surrounding the US interest rate developments also contributed to further volatility in equity and fixed income markets.

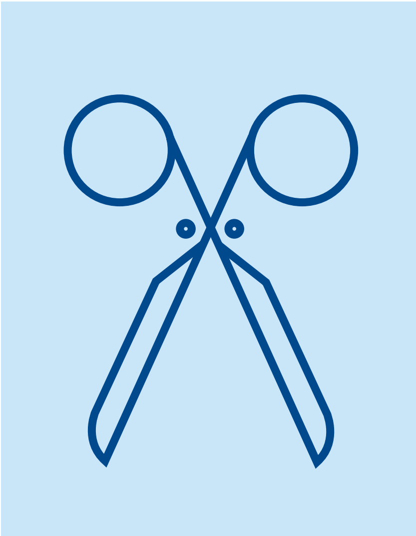
DEMAND FOR PROPERTY

Several of the world's central banks continue their aggressive attempts at inflation-fuelling monetary policy, to inflate away debt amongst other things. This creates demand for properties in so-called safe havens, such as London and New York. In some cases, this leads to the assets increasing in price in a way that is not sustainable, a consequence that central banks still seem willing to take, for example in Japan. Increased geopolitical tension and the fall in commodity prices add to the volatility and amplify the flight of capital, which is also driving up prices in many cities considered safe for foreign property investment.

HIGHER INTEREST RATE IN SIGHT

At the opposite end of the scale is the interest rate hike that is most likely imminent in the US (the first since 2006). This will probably dampen sentiment somewhat, particularly in markets that are linked to the US dollar, as well as prompt capital outflows, primarily in emerging markets. A tighter monetary policy would be fundamentally sound and a sign of prosperous economic development - something that benefits real estate over time, as it results in lower vacancy rates, increased rental growth and thus better cash flows.

Many companies have already managed to refinance their loans at very low levels, which is positive. Of course, the balanced development of property values is better than the creation of bubbles. Some countries, such as India, however, remain in rate cutting mode.



INCREASINGLY CONCENTRATED PORTFOLIO

During the quarter, we continued to consolidate the portfolio and focus on value-creating companies. We sold British Land because of its overly high price tag. Singapore-based Mapletree Logistics Trust was sold to bring down exposure to Singapore and China. At the same time we are focusing more clearly on the Singapore-based competitor, Global Logistic Properties which is cheaper, larger and more diversified. We also sold the Thai Ticon Industrial Trust, both to reduce exposure to Thailand, and due to the company's inability to create shareholder value.

No new companies were added besides Ashford Hospitality Prime, which we acquired through a spin-off from Ashford Hospitality Trust. We received the German rental apartment operator Adler Real Estate as partial payment on the acquisition of our shareholding in Westgrund. We have increased our position in Japanese Mitsui Fudosan which is benefitting from the booming real estate market, mainly in Tokyo. The company has stable finances and a diversified business model, well suited to take advantage of the current strong sentiment. The strong rental market favours ownership of commercial real estate. Mitsui also benefits from the increasing pressure on yields when selling their newly built commercial properties. Moreover, demand for its newly built apartments is increasing with a good price as a result.

Photo: Jerry Yin / SOHO China

The property developer SOHO China has launched an office-sharing programme in which internet start-ups can rent its office space in top-tier cities. The new project, called SOHO 3Q, offers short rentals lasting from a few days up to three months - a major departure from the traditional practice of longer leases. The move is part of SOHO China's strategy to expand its online-to-offline business. Tenants get to choose offices and make all related payments online while SOHO China provides a full-service office offline.

CHINA EXPOSURE WEIGHED HEAVILY

The quarter's loser was unsurprisingly to be found in China. SOHO China, which owns office buildings in Beijing and Shanghai fell in value recently after it announced a change in dividend policy, as well as a slower hiring pace in the newly built office than expected. Nevertheless, the company is actively working with the available space and its new co-working concept, whereby tenants can rent a place for a short time without long-term contracts and with all necessary facilities.

The second worst company during the quarter, Shangri-La, also has its main operations in China. The hotel company is struggling with occupancy figures in addition to dealing with the general stock market turmoil. Global Logistic Properties had another difficult quarter with downward adjusted growth rates for developing business in China, but also because of the general concern over China's growth. In addition, the Singapore market has been falling. On the positive side, Global Logistic Properties acquired another logistics portfolio in the US and has thus become the second largest logistics operator in the US. The base is now more diversified than the existing markets of China, Japan and Brazil and a share buyback program has been initiated.

GERMAN HOUSING ON TOP

The winner in the quarter was German rental apartment operator Deutsche Wohnen. Even after a few good years, German apartments are still interesting, partly because the valuation continues to be far below new-build prices. Private construction companies find it difficult to recoup construction capital, resulting in a lack of supply in many cities. Demand is also driven by migration to the big cities and the growing number of smaller households. Germany has the second-lowest ownership rate in Europe, largely due to a reluctance to incur debt. The large influx of migrants into Germany will also create demand in a country with declining demographics.

Only three percent of all rental units are currently owned by listed companies, creating room for growth. The rental market in Germany is highly regulated and in some cities where the rise was too fast, rental restrictions were introduced. This will impact rental growth - though there are many exceptions which companies will benefit from since demand remains very strong.

Deutsche Wohnen is planning to merge with LEG Immobilien, and if this goes through a giant company will be created with about 250 000 flats, mainly in Berlin and North Rhine Westphalia, worth about 17 billion euros. The deal is expected to benefit cash flows through major operational and financial synergies.

The US real estate market, in particular the tax-advantaged REIT sector, which was weak in the first half, recovered somewhat. PS Business Park and HCP contributed positively to the fund during the quarter, supported by a strong dollar.

Photo: Hudson Yardsw

Manhattan's New West Side: bordered by the Hudson River, Chelsea, Hell's Kitchen and Midtown, new eco-friendly neighborhood Hudson Yards is said to be the biggest private real estate development in U.S. history. The area recently became the home of Google and other fast-growing technology and digital media firms. At Hudson Yards 55, Mitsui Fudosan Co., Japan's biggest developer, is building an office tower, its largest overseas investment. The Hudson Yards project is Mitsui Fudosan's second in New York in two years. In 2013, the company started redeveloping a 42-story apartment building at 160 Madison Ave. In New York, the company also owns 1251 Avenue of the Americas, a 54-story skyscraper across from Rockefeller Center, and 527 Madison Ave, a 26-story office tower.

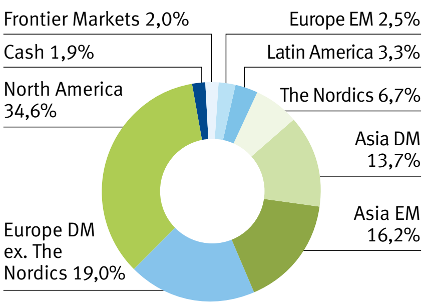
SHARE BUYBACKS CREATE VALUE

Most of our holdings have introduced share buyback programs. Transactions with directly owned properties are increasingly made at a premium to listed property shares, especially in cities like New York, London and Tokyo.

Value creation occurs if companies sell the properties at premium prices while they use the sales proceeds to buy back their own shares in the company if it is trading at discount to NAV. Theoretically a balance is reached when there is higher supply in the market and prices stabilise or fall. Meanwhile, stock prices rise after the company has bought back shares and key ratios have improved.

The real estate market is cyclical, the only problem is identifying where in the cycle you are in the respective countries and segments. The portfolio has become more attractively valued after the quarter slowdown, while the valuation of the underlying physical properties in many cases continued to rise. Cash flows have in most cases improved, largely because of lower financing costs, but more positively through rental growth. We therefore see good potential in the world's real estate markets in the future.

GEOGRAPHICAL DISTRIBUTION

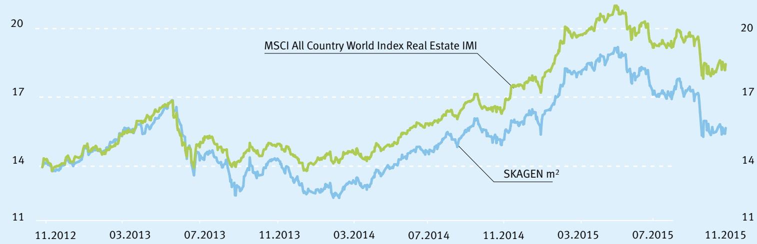


SKAGEN m² 3Q 2015 (MILL. NOK)

5 largest contributors		5 largest purchases	
Deutsche Wohnen AG	8	ADLER Real Estate AG	9
PS Business Parks Inc	6	Irsa Sa ADR	6
HCP Inc	6	Global Logistic Properties Ltd	5
General Growth Properties Inc	4	Mitsui Fudosan Co Ltd	5
CA Immobilien Anlagen AG	3	Mercialys SA	5

5 largest detractors		5 largest sales	
Soho China Ltd	-13	British Land Co Plc	-34
Shangri-La Asia Ltd	-8	Mapletree Logistics Trust	-16
Global Logistic Properties Ltd	-8	Affine SA	-14
Ashford Hospitality Trust	-5	PS Business Parks Inc	-12
Bekasi Fajar Industrial Estate Tbk PT	-5	Westgrund AG	-10

HISTORICAL PRICE DEVELOPMENT SKAGEN m²



SKAGEN M2 KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 30-09-2015)

Company	Holding size	Price	P/NAV last	Div. Yield 2015e	EBITDA 2015e/EV
Mitsui Fudosan	5.0%	3,263.00	102%	0.9%	5.6%
Columbia Property Trust	4.8%	23.08	75%	5.2%	6.2%
HCP	4.7%	37.49	115%	6.2%	6.3%
Global Logistic Properties	4.4%	2.04	83%	2.7%	4.8%
Olav Thon Eiendomselskap	4.3%	137.50	75%	1.3%	7.0%
SL Green Realty	3.8%	108.88	95%	2.2%	4.8%
General Growth Properties	3.7%	25.74	90%	2.8%	5.4%
Apartment Investment & Man	3.3%	36.99	90%	3.2%	5.6%
Deutsche Wohnen	3.2%	23.93	116%	2.6%	4.5%
CBL Properties	3.2%	13.88	60%	7.6%	8.9%
Weighted top 10	**41%**		**90%**	**3.3%**	**5.9%**
Weighted top 35	**88%**			**3.3%**	**6.6%**
Benchmark index				**3.3%**	

Securities	Sector	Number	Acquistion value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock exchange
Mitsui Fudosan Co Ltd	Real Estate Companies incl. REITs	226 000	45 528	52 525	6 997	5,05%	Tokyo
Columbia Property Trust Inc	Real Estate Companies incl. REITs	255 000	44 986	50 217	5 231	4,82%	New York
HCP Inc	Real Estate Companies incl. REITs	152 100	45 251	48 654	3 403	4,67%	New York
Global Logistic Properties Ltd	Real Estate Companies incl. REITs	3 737 700	50 912	45 703	-5 209	4,39%	Singapore
Olav Thon Eiendomsselskap ASA	Real Estate Companies incl. REITs	327 668	41 746	45 054	3 308	4,33%	Oslo Børs
SL Green Realty Corp	Real Estate Companies incl. REITs	43 100	32 707	40 040	7 333	3,85%	New York
General Growth Properties Inc	Real Estate Companies incl. REITs	175 000	31 234	38 434	7 200	3,69%	New York
Apartment Investment & Management Co	Real Estate Companies incl. REITs	109 000	27 391	34 402	7 011	3,31%	New York
Deutsche Wohnen AG	Real Estate Companies incl. REITs	148 000	22 844	33 711	10 867	3,24%	Frankfurt
CBL & Associates Properties Inc	Real Estate Companies incl. REITs	279 000	37 725	33 054	-4 671	3,18%	New York
Ashford Hospitality Trust	Real Estate Companies incl. REITs	623 400	40 613	32 606	-8 007	3,13%	New York
PS Business Parks Inc	Real Estate Companies incl. REITs	48 000	28 298	32 343	4 044	3,11%	New York
Mercialys SA	Real Estate Companies incl. REITs	173 213	25 341	31 888	6 547	3,06%	Paris
Brandywine Realty Trust	Real Estate Companies incl. REITs	293 000	31 530	30 950	-580	2,97%	New York
Dic Asset AG	Real Estate Companies incl. REITs	340 000	23 222	26 183	2 961	2,52%	Xetra
CA Immobilien Anlagen AG	Real Estate Companies incl. REITs	159 000	22 091	24 793	2 702	2,38%	Vienna
Melia Hotels International	Real Estate Companies incl. REITs	204 000	17 619	24 112	6 493	2,32%	Madrid
Soho China Ltd	Real Estate Companies incl. REITs	7 208 500	37 437	23 891	-13 546	2,30%	Hong Kong
Nomura Real Estate Office Fund Inc	Real Estate Companies incl. REITs	605	20 615	22 652	2 036	2,18%	Tokyo
SM Prime Holdings Inc	Real Estate Companies incl. REITs	5 700 000	15 958	21 469	5 511	2,06%	Philippines
Irsa Sa ADR	Real Estate Companies incl. REITs	172 000	17 821	20 570	2 748	1,98%	New York
Phoenix Mills Ltd	Real Estate Companies incl. REITs	418 945	15 303	17 643	2 341	1,70%	National India
Shangri-La Asia Ltd	Real Estate Companies incl. REITs	2 300 000	24 121	16 968	-7 153	1,63%	Hong Kong
Gecina SA	Real Estate Companies incl. REITs	16 000	14 445	16 582	2 137	1,59%	Paris
Unibail-Rodamco SE	Real Estate Companies incl. REITs	7 475	13 080	16 486	3 406	1,58%	Amsterdam
First Real Estate Investment Trust	Real Estate Companies incl. REITs	2 112 929	14 831	16 337	1 506	1,57%	Singapore
Atrium Ljungberg AB	Real Estate Companies incl. REITs	120 621	12 052	15 513	3 461	1,49%	Stockholm
BR Properties SA	Real Estate Companies incl. REITs	650 000	22 974	15 399	-7 574	1,48%	Sao Paulo
Axia Real Estate SOCIMI SA	Real Estate Companies incl. REITs	124 947	12 203	14 703	2 499	1,41%	Madrid
Ananda Development PCL-Nvdr	Real Estate Companies incl. REITs	13 820 500	9 098	12 191	3 093	1,17%	Bangkok
Ascendas India Trust	Real Estate Companies incl. REITs	2 324 000	9 588	11 910	2 322	1,14%	Singapore
Oberoi Realty Ltd	Real Estate Companies incl. REITs	329 090	9 399	11 689	2 291	1,12%	National India
Keck Seng Investments	Real Estate Companies incl. REITs	1 434 000	10 977	11 053	76	1,06%	Hong Kong
Emlak Konut Gayrimenkul Yatirim Ortakligi AS	Real Estate Companies incl. REITs	1 560 000	13 879	11 024	-2 855	1,06%	Istanbul
Bekasi Fajar Industrial Estate Tbk PT	Real Estate Companies incl. REITs	66 672 700	22 003	10 728	-11 274	1,03%	Indonesia
Bumi Serpong Damai PT	Real Estate Companies incl. REITs	13 045 300	12 469	10 686	-1 783	1,03%	Indonesia
CapitaLand Ltd	Real Estate Companies incl. REITs	650 000	11 295	10 441	-853	1,00%	Singapore
Ashford Inc	Real Estate Companies incl. REITs	19 000	13 125	10 194	-2 931	0,98%	New York
BR Malls Participacoes SA	Real Estate Companies incl. REITs	430 700	17 507	9 816	-7 691	0,94%	Sao Paulo
Vista Land & Lifescapes Inc	Real Estate Companies incl. REITs	10 686 100	10 098	9 804	-293	0,94%	Philippines
Entra ASA	Real Estate Companies incl. REITs	140 000	10 217	9 625	-592	0,92%	Oslo Børs
Grivalia Properties Reic AE	Real Estate Companies incl. REITs	119 790	7 813	9 074	1 261	0,87%	Athen
ADLER Real Estate AG	Real Estate Companies incl. REITs	75 381	8 829	8 820	-9	0,85%	Xetra
Ashford Hopsitality Prime Inc	Real Estate Companies incl. REITs	54 000	5 616	6 455	839	0,62%	New York
Etalon Group Ltd GDR	Real Estate Companies incl. REITs	433 718	9 416	6 088	-3 329	0,58%	London International
Rockwell Land Corp	Real Estate Companies incl. REITs	20 000 000	8 187	5 618	-2 569	0,54%	Philippines
Parque Arauco SA	Real Estate Companies incl. REITs	349 321	3 977	5 124	1 147	0,49%	Santiago
General Shopping Finance	Real Estate Companies incl. REITs	1 000 000	5 429	4 104	-1 326	0,39%	Euroclear
Total equity portfolio			**988 799**	**1 017 328**	**28 529**	**97,74%**	
Disposable liquidity				23 513		2,26%	
Total share capital				**1 040 841**		**100,00%**	

* Figures in 1 000 NOK.

SKAGEN Focus

Hunting for exceptional investments

- The negative reaction to domestic Chinese equities spread to commodities on a global basis
- Overall weakness in auto sector used to initiate a holding in Infineon
- Omega Protein was a positive contributor – and still has significant upside.

1	2	3	4	5	RISK	7

Fund start date	26 May 2015
Return since start	-21.17%
AUM	EUR 77 million
Number of unitholders	3 539

PERFORMANCE IN EUR	3Q 15*	12 M*
SKAGEN Focus	-14.7%	n/a
MSCI World AC TR Index	-9.9%	n/a

** As of 30 September 2015.*

PORTFOLIO MANAGERS

Filip Weintraub and Jonas Edholm

Krøyer´s dog, Rap, 1898. By P S Krøyer, one of the Skagen painters. The picture belongs to the Skagens Museum (cropped).

Building on weak markets

In the third quarter, the first full quarter in the life of the highly concentrated SKAGEN Focus, the fund returned -14.7% versus -9.9% for the index, as measured in euro. Given that the fund is in its infancy, we would like to reiterate that large deviations versus the underlying market are to be expected given the concentrated portfolio structure – with its combination of unique company-specific factors.

At the end of the quarter, 29.7% of the fund was invested in small cap companies (below USD 2bn market cap), 31.7% in mid caps (USD 2-10bn market cap) and 38.7% in large caps (over USD 10bn market cap). The fund holds 29 equity positions and the top 10 positions constitute just over 50% of the assets. We added to our positions during periods of weakness throughout the quarter and the fund's cash position has been halved to 4.5%, distributed between a diversified basket of currencies. We increased our positions in Carlsberg, SK Hynix and AerCap amongst others (further details are available in our monthly reports). We trimmed our positions in Jenoptik and Hyundai Motors in periods of strength.

The fund established two new positions in the quarter. First, the overall weakness in auto-related shares following news of the VW emission scandal allowed us to establish a position in the German semiconductor maker, Infineon. Second, Switzerland-based industrial bakery Aryzta was added after a number of execution issues led to an appetising stock valuation.

Specific areas of the markets were exceptionally weak during the quarter, primarily related to fears around slowing Chinese growth. The negative reaction to domestic Chinese equities also spread to commodities on a global basis, since the growth of Chinese consumption of raw materials is visibly decreasing, and a total collapse now seems discounted in stock prices. Energy-related names were also weak in the quarter, with crude oil falling over 50% as there were no signs of falling supply globally. Not surprisingly, the fund's detractors in the quarter can be found in the above-mentioned areas of the market. These include Australia-based South32, US on-shore exploration-company Whiting Petroleum, silver-miner Pan America Silver and US-based fertiliser producer Rentech. However, our overall assessment is that these investment cases remain intact. In fact, valuations in general have become even more attractive compared to when the fund was launched, assuming normalised commodity prices. We therefore added to some of these positions in the period.

The US-based nutrition producer Omega Protein was on the list of positive contributors. Shareholders have voiced their opinions about strategic change for the company, and disclosed increased stakes in the quarter, as did we. The company has a good opportunity to grow independently, but we can also see the case for strategic change or an outright sale of the company. Based on the valuations of recent transactions in the industry, our formal price target seems conservative by at least 100%. It was the fund's second largest position at the end of the quarter.

SKAGEN Focus 3Q 2015 (MILL. NOK)

5 largest contributors	
Omega Protein Corp	12
Jenoptik AG	8
Ubiquiti Networks Inc	3
Hyundai Motor Co GDR	3
Infineon Technologies AG	1

5 largest detractors	
Whiting Petroleum Corp	-12
South32 Ltd	-8
SK Hynix Inc	-8
Rentech Inc	-8
Komatsu Ltd	-5

5 largest purchases	
Aryzta AG	16
Fila Korea Ltd	11
Uniqa Insurance Group AG	9
SK Hynix Inc	8
Infineon Technologies AG	8

4 largest sales	
Hyundai Motor Co GDR	-5
China Child Care Corp Ltd	-4
Jenoptik AG	-3
Citizens Financial Group Inc	-1

NEW COMPANIES

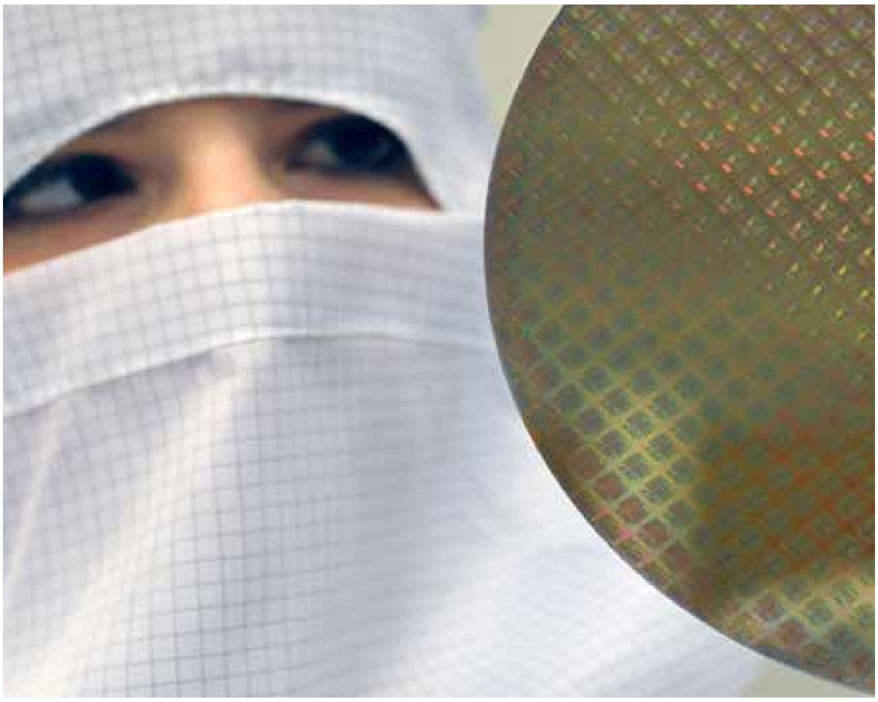


Photo: Bloomberg

Infineon is a German producer of semiconductors and systems solutions. The company is supported by the structural shift in the automotive area from combustion engines to hybrids, which will result in twice as many semiconductors per vehicle. We believe the Volkswagen situation will accelerate company growth rather than vice versa. They also have a strong strategic position in Auto Electrification (chargers, battery management) and Autonomous car/Advanced Driver Assistance Systems (ADAS), especially in radar and safety applications which have high barriers to competitive entry. We believe the shares have at least 50% upside in our base case scenario.


Photo: Bloomberg

Aryzta operates an international food business and is a leading supplier of bakery products such as bread, muffins and biscuits, with relationships with quick-serve restaurants and large retail chains such as McDonald's in the US and Lidl in Europe. The company is present in 25 countries where it operates 60 bakeries. Aryzta was previously an investor darling with stable growth, but after several earnings misses the stock has more than halved over the last 15 months. Therefore, along with better fundamental execution, we find the shares attractive from a risk-adjusted return perspective.


Photo: Uniqua

UNIQA is a leading insurance group in Austria and Eastern Europe (CEE) with business activities in life, property and casualty insurance as well as reinsurance. The group has several layers of connections with Raiffeisen; among them a distribution cooperation in several CEE countries. UNIQA Austria stands for 40% of the total premiums, and the company is the country's second largest operator behind Vienna Insurance. UNIQA International stands for 30% of premiums. Raiffeisen's products division (12%) is smaller in size than the reinsurance segment (17%) in terms of premiums received. The company has delivered solid results for years, but due to fears of weakness in Eastern Europe in general, in combination with its small market capitalisation, the company has been ignored by investors.

Photo: Fila

Photo: Bloomberg

Solazyme uses micro-algae to convert low cost plant sugars into high value renewable oils and bioproducts for personal care, nutritional, chemicals, and fuel markets. Various complex techniques will greatly increase oil production, and enable tailoring of oils to meet customer specifications. A production scale-up is underway in Clinton, Iowa and the Moema plant in Brazil. In addition, the company has managed to develop a highly acclaimed and fast-growing skincare line called Algenist, sold in Europe at Sephora stores, which is their main distributor. Solazyme is transitioning established technology into a larger industrial process which has and will yield uneven development and the shares can be quite volatile. However, if the company is successful, the upside is probably the highest of all the positions in the fund. Due to fundamental uncertainty, however, the position size is kept small.

Fila Korea owns the global brand Fila and other brands, such as Titleist. The company operates a global franchise model in which the holding company receives a licence fee. However, the company itself designs and sources products directly in South Korea and the US. The company's products include active-wear, sportswear, undergarments, and footwear. In 2011, FILA Korea acquired the premium golf brand 'Titleist' along with a few other investors. It plans an IPO of the 'Titleist' business in 2016, which if successful at valuations of comparable competitors, would crystallise an asset value equivalent to Fila Korea's entire market capitalisation today.

Photo: Bloomberg

US-based **AerCap** is the largest independent aircraft leasing company globally. It is also active within engine leasing, trading and spare part sales/service of aircrafts. In December 2013 the company transformed itself by acquiring IFLC, previously the largest aircraft lessor, from American International Group (AIG). The current fleet consists of 1132 aircrafts and another 340 on order. Service is an integrated part of the contract with the airlines. Current ambition is to grow the book at a 5% annual rate going forward. AerCap benefits from growth in travel which doubles every 15 years, without the risk of operating an airline. We find the shares substantially undervalued, when looking at the earnings power, growth and stability.

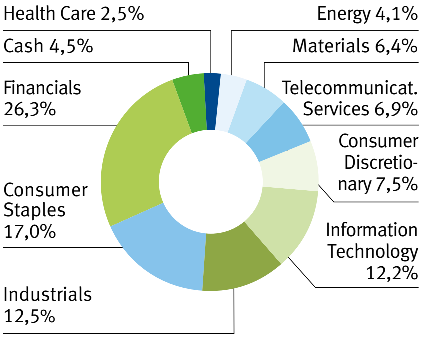
SECURITIES PORTFOLIO SKAGEN FOCUS AS OF 30 SEPT 2015

See portfolio in its entirety at www.skagenfunds.com/focus

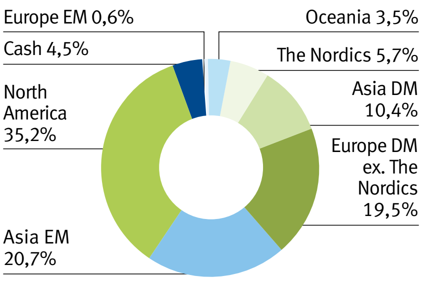
Securities	Sector	Number	Acquistion value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock exchange
American International Group Inc	Financials	120 000	55 344	57 870	2 526	7,95%	New York
Omega Protein Corp	Consumer Staples	310 800	32 873	45 626	12 752	6,27%	New York
Carlsberg AS-B	Consumer Staples	63 000	45 265	41 199	-4 066	5,66%	Copenhagen
Jenoptik AG	Industrials	312 000	30 903	37 664	6 761	5,17%	Xetra
SK Hynix Inc	Information Technology	153 500	50 193	37 060	-13 133	5,09%	Seoul
SBI Holdings Inc	Financials	369 000	41 249	35 245	-6 004	4,84%	Tokyo
Citizens Financial Group Inc	Financials	173 000	36 064	34 851	-1 213	4,79%	New York
China Telecom Corp Ltd	Telecommunication Services	7 280 000	38 487	29 900	-8 588	4,11%	Hong Kong
Hyundai Motor Co Pref (2pb)	Consumer Discretionary	32 000	23 164	26 252	3 088	3,61%	Seoul
South32 Ltd	Materials	3 110 000	41 462	25 421	-16 041	3,49%	Sydney
Aercap Holdings NV	Financials	75 710	28 080	24 677	-3 403	3,39%	New York
Ubiquiti Networks Inc	Information Technology	84 000	20 109	24 369	4 260	3,35%	NASDAQ
Stock Spirits Group Plc	Consumer Staples	977 000	22 990	23 618	628	3,24%	London
CIT Group Inc	Financials	67 000	23 964	22 844	-1 120	3,14%	New York
Fila Korea Ltd	Consumer Discretionary	31 000	23 155	22 197	-958	3,05%	Seoul
Pan American Silver Corp	Materials	400 000	27 564	21 502	-6 062	2,95%	NASDAQ
Softbank Group Corp	Telecommunication Services	53 000	24 635	20 676	-3 959	2,84%	Tokyo
Komatsu Ltd	Industrials	160 000	26 071	19 972	-6 099	2,74%	Tokyo
GCL-Poly Energy Holdings Ltd	Energy	11 650 000	24 748	19 113	-5 635	2,63%	Hong Kong
Sandisk Corp	Information Technology	42 000	22 407	19 011	-3 396	2,61%	NASDAQ
Magforce AG	Health Care	365 000	19 097	18 399	-698	2,53%	Xetra
Uniqa Insurance Group AG	Financials	215 000	15 526	15 753	227	2,16%	Vienna
AirAsia Bhd	Industrials	5 570 100	23 182	13 854	-9 328	1,90%	Kuala Lumpur
Aryzta AG	Consumer Staples	37 707	16 151	13 559	-2 592	1,86%	Zürich
Rentech Inc	Industrials	239 500	20 683	11 587	-9 096	1,59%	New York
Whiting Petroleum Corp	Energy	85 000	21 857	10 879	-10 978	1,49%	New York
Infineon Technologies AG	Information Technology	86 000	7 631	8 242	610	1,13%	Frankfurt
Solazyme Inc	Industrials	382 000	9 219	7 725	-1 494	1,06%	NASDAQ
Fourlis Holdings SA	Consumer Discretionary	177 748	4 456	4 212	-244	0,58%	Athen
Hyundai Motor Co GDR	Consumer Discretionary	5 173	2 102	2 013	-89	0,28%	London
Total equity portfolio*			**778 631**	**695 287**	**-83 344**	**95,50%**	
Disposable liquidity				32 781		4,50%	
Total share capital				**728 068**		**100,00%**	

* Figures in 1 000 NOK.

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



China affects us all

How worried should we be about weaker economic growth in China?

Having enjoyed remarkable growth over several decades, China has become very important to the global economy. Ten years ago the country's GDP amounted to 4.4% of global production. Last year this figure had increased to 13.3% and only the US contributes more to the global production of goods and services. China has a very open economy, with a great deal of import and export activity.

The size of the Chinese economy and its close ties to the rest of the world mean that what happens in China affects us all. It is not just how high the growth rate is, but also which measures the government implements and how these affect the economy. When China devalued the renminbi by 3% against the dollar in August, most emerging market currencies also weakened. This was due to increased scepticism around the development of the Chinese economy and the effect a Chinese downturn will have on emerging market countries that produce raw materials for the Chinese. In addition, people wondered whether this was just the first of several devaluations by the Chinese to prop up GDP growth.

Wary of authorities

According to Chinese officials the country's GDP grew by 7% from the first half of last year to the first half of this year. Many are sceptical of this figure. The government set a target for the economy to grow by, yes, 7% this year. It seems, to put it mildly, slightly suspicious that statisticians are serving politicians a quick win.

Other figures, which do not have the same symbolic value as GDP growth, indicate that growth is lower. Imports fell by 6% in the 12-month period from June last year to June this year, while exports were up only 2.7%. This indicates slower growth in domestic consumption of goods and services, as well as significantly lower growth in global demand for Chinese-made goods and services. Both these things are difficult to reconcile with GDP growth of 7%.

Moreover, official figures for industrial production have great symbolic significance. They indicate that annual growth so far this year has remained at around 6%. But activity indicators, produced both by the Chinese authorities and the international financial information services company Markit, suggest that industrial production is roughly at a standstill.

Five percent growth

The current Prime Minister of China said some years ago that the official GDP and industrial production figures were not to be trusted. He believed the focus should be on credit, electricity production and railway transport volume. Based on these measures, the growth rate in China is only 3%. The weakness with this gauge is that it does not capture the growing importance of the provision of services. Over the past two years, this has constituted a larger share of GDP than industrial production and the construction sector.

The importance of the provision of services may well be far greater than official statistics indicate, and not only because the Communists have a penchant for industrial workers. It is difficult to capture the importance of new economic activities. PMI data for service indicates that growth has remained at roughly the same level for the past three years.

When all is said and done, I believe that growth in the Chinese economy is around 5%, which tallies with investors pricing of global assets.

That economic growth slows as a country gets richer is completely natural. One first picks the lowest hanging fruit, which does not require much capital. Eventually one gets less and less in return on new capital. Trend growth can still be kept at a reasonably high level, but it requires further market economy reforms, such as the privatisation of the large state-owned companies. Here the Chinese government has indicated some willingness, but so far little has been done.

Devaluation is best weapon

Although trend growth will remain well above 5-6%, there is a danger that China is facing a cyclical downturn. Many of last year's investments have not been profitable. Debts have piled up, particularly in local government, which may become difficult to service. A sharp fall in investments and a dwindling of consumers' faith in future income may pull real growth down further. This will create negative repercussions for the global economy.

So what will the government do to get the economy out of recession? From experience, they will probably try fiscal measures. But economic history has shown that fiscal policy is poorly suited to getting the economy out of a trough.

Monetary policy is more effective. Interest rates are, however, already quite low in China, so there is not much to go on. Further loosening the reserve requirements of banks, which have a function in China, may stimulate increased lending. The greatest effect will probably come from writing down the value of the renminbi, however. This stimulates exports and skews domestic demand towards own goods and services. They probably have quite a lot to go on before there is a risk of inflation – at just 1.6% – running riot.

China has for several years grown more than its trading partners, and this has strengthened the renminbi. In trade-weighted terms, the Chinese currency was 8% stronger than a year ago by the end of September.

If China does end up slipping into recession, we should probably be prepared for a far weaker renminbi. Then it will be a matter of correctly assessing what consequences this will have on the global economy and asset prices.

– Torgeir Høien
Portfolio Manager SKAGEN Tellus

SKAGEN Tellus

A doorway to global interest rates

- Lost on Greek crisis that failed to materialise
- China effect greater than expected
- Benefited from position in long US Treasuries

1	2	4	RISK	5	6	7

Fund start date	29 September 2006
Return since start	60%
AUM	EUR 143 million
Number of unitholders	2 825

PERFORMANCE IN EUR	3Q 15*	12 M*
SKAGEN Tellus	-3.47%	0.36%
JP Morgan GBI Broad Index Unhedged	1.63%	10.03%

** As of 30 September 2015.*

PORTFOLIO MANAGERS

Torgeir Høien and Jane Tvedt

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

Feared Greek default

The figures are clear: SKAGEN Tellus had a poor third quarter. The reason is that we inadequately tackled the turbulence in international financial markets.

Towards the end of the second quarter we sold out of government bonds issued by the so-called Eurozone periphery. This was due to considerable uncertainty about the outcome of negotiations between Greece and its official creditors. If Greece had left the Eurozone and defaulted on its debt, yields in peripheral euro countries would most likely have skyrocketed, and bond prices fallen. As we now know, the Greek government succumbed and accepted the creditors' claims.

In hindsight we should have held onto the bonds, and benefited from the immediate drop in interest rates which occurred after the situation in Greece had been resolved. When the negotiations seemed most gridlocked, however, we assessed the risk as too high and decided to exit the countries which could be affected by the Greek default. We made a loss on these bonds. In the third quarter, we chose to once again invest in Southern Europe, namely in Spanish, Portuguese and Slovenian government debt. We have made a positive return on these bonds. Nonetheless, we would have earned more by keeping the positions from the second quarter.

China's economy has slowed more than we envisaged, with major repercussions for other emerging markets, especially commodity exporters. In early August Chinese authorities chose to write down the value of its currency against the dollar by about three percent. Devaluation, and the signal this gave about the state of the Chinese economy, had a negative effect on the global capital markets.

Commodity producers' currencies weakened further, and those located in emerging markets also experienced a marked rise in interest rates. This was even the case in countries with healthy government finances. This resulted in losses on our investments in these countries. The loss came in the form of a lower exchange rate against the euro and a fall in bond prices. However, we had trimmed our positions in emerging markets, and thus limited the losses.

As a result of uncertainty surrounding the development of the Chinese economy and the consequences for the global economy (see the macro commentary on page 30), we currently have low exposure to countries that are subject to a prolonged Chinese downturn.

To end on a positive note, we have benefited from our position in long US Treasuries. As we expected, the Federal Reserve (Fed) refuses to raise interest rates in an environment in which inflation is still very low. We also got a positive contribution from our investments in France and the Netherlands. The European Central Bank, ECB, is facing the same problem as the Fed; they are unable to push up inflation. The short-term interest rates are therefore very low, and the longer interest rates are falling back.

SECURITIES PORTFOLIO SKAGEN TELLUS AS OF 30 SEPT 2015

See portfolio in its entirety at www.skagenfunds.com/tellus

Security	Maturity	Coupon	Face value ***	Cost price ***	Market Price	Accrued interest ***	Market value ***	Market value incl. accrued interest ***	Unrealised gain/loss ***	Share of fund
GOVERNMENT BONDS										
Brazilian Government	10.01.2028	10,25	15 400	44 628	162,49	993	25 023	26 017	-19 605	1,90%
Chilean Government	05.08.2020	5,50	4 410 000	54 659	1,29	453	56 675	57 129	2 016	4,18%
Colombian Government	14.04.2021	7,75	13 400 000	48 232	0,28	1 332	37 330	38 661	-10 903	2,83%
Croatia Government Int Bond	30.05.2022	3,87	8 300	74 798	961,20	1 032	79 779	80 812	4 981	5,91%
Portugese Government	15.10.2025	2,87	5 000	47 985	996,12	952	49 806	50 757	1 821	3,71%
Slovenia Government	30.03.2026	5,12	3 500	41 766	1 245,62	861	43 597	44 458	1 831	3,25%
Spanish Government	30.04.2025	1,60	5 000	45 315	937,88	319	46 894	47 214	1 579	3,45%
French Government	25.05.2020	0,00	15 000	129 408	949,10	0	142 366	142 366	12 958	10,41%
Netherlands Government	15.01.2020	0,25	13 600	119 697	965,44	230	131 299	131 529	11 603	9,62%
European Bank Recon & Dev	19.03.2018	5,75	200 000	25 846	12,70	1 595	25 399	26 995	-447	1,97%
Japan Government	20.06.2016	1,90	900 000	62 398	7,21	340	64 868	65 208	2 470	4,77%
Mexican Government	20.11.2036	10,00	60 000	38 345	68,78	858	41 270	42 129	2 925	3,08%
New Zealand Government	17.04.2023	5,50	8 000	54 358	638,62	1 103	51 089	52 192	-3 269	3,82%
Peruvian Government	12.08.2037	6,90	18 000	41 063	239,95	439	43 190	43 629	2 128	3,19%
Lithuanian Government	01.02.2022	6,62	5 500	42 570	1 034,39	510	56 891	57 401	14 321	4,20%
US Government	31.08.2016	0,50	20 800	137 570	855,12	82	177 865	177 947	40 295	13,01%
US Government	30.06.2017	0,62	8 000	63 152	854,59	107	68 367	68 474	5 215	5,01%
US Government	15.02.2025	2,00	20 900	170 152	849,70	446	177 588	178 034	7 435	13,02%
Total Bond Portfolio				**1 241 944**		**11 653**	**1 319 298**	**1 330 950**	**77 354**	**97,31%**
Disposable liquidity				36 610			36 817	36 817	207	2,69%
TOTAL				**1 278 554**		**11 653**	**1 356 115**	**1 367 768**	**77 561**	**100,00%**

Effective underlying return	2,33%	Effective yield to clients**	1,53%	Duration**	4,96

* Effective underlying return adjusted for managment fee.
** Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.
*** Figures in 1000 NOK.

Effective interest is the average annual return of an interest bearing security until maturity.
Securities are valued at market price as of 31.03.2015
Bonds and notes for which there are no market maker prices are at all times valued against the applicable yield curve.

SKAGEN Credit EUR

Picking the best bonds from the global orchard

› Uncertain economic growth in China

› Downgrading of Brazil's creditworthiness

› Falling commodity prices

1 2 RISK 4 5 6 7

Fund start date	30 May 2014
Return since start	-5.51%
AUM	EUR 5 million
Number of unitholders	41

PERFORMANCE IN EUR	3Q 15*	12 M*
SKAGEN Credit	-5,44%	-5.5%
OMRX-TBILL	-0.1%	0.02%

** As of 30 September 2015*

PORTFOLIO MANAGERS

Ola Sjöstrand and Tomas Nordbø Middlethon

Apple trees, 1907. By Michael Ancher, one of the Skagen painters. The picture is owned by the Skagens Museum (cropped).

Photo: Bloomberg

Brazil's credit rating was downgraded in September and the national credit rating is rubbing off on Brazilian companies.

High turbulence

After a first good half year, the third quarter was particularly turbulent. This had the effect of wiping out the year's return

What went wrong in the quarter, and how did SKAGEN Credit end up with a negative return of 5.4% in euro? The answer is largely linked to the following three events:

1) Uncertain economic growth in China:
Economic growth in China is slowing and the forecast for future growth is uncertain. Last decade, China was the world's major growth engine, with exports and investments in railways, roads and housing as the key contributors. Growth has now eased off somewhat and the need for raw materials is therefore falling. This has meant tougher times for companies with exposure to the Chinese economy.

2) Downgrading of Brazil's creditworthiness:
In early September, Brazil's credit rating was downgraded from "Investment Grade" to "High Yield" by rating agency Standard & Poor's. This was due to the weak economic development of the country, and the bleak forecast for the immediate future.

The Brazilian economy is extremely dependent on commodities, and the country's export revenues have dwindled considerably in line with falling commodity prices. The national credit rating is rubbing off on Brazilian companies, which are on the whole automatically downgraded when the country is downgraded. Whether it is deserved or not.

Brazil has therefore become very unpopular among investors. Many will sell their investments in the country, but few want to buy. Stocks, bonds and currency alike have therefore experienced a considerable fall in value.

3) Falling commodity prices
As mentioned above, commodity prices have long been weak and there was a further deterioration in the autumn. Oil, coal, iron ore and copper were but a few of the victims. The causes and extent of the price drops have varied, but generally speaking, the supply side has not adapted to the lower demand.

The world's major commodity importer, China, has reduced the rate of investment in construction and infrastructure. Commodity exporters like Brazil and Norway (oil) are being paid less for their goods. And expected earnings for commodities-based companies have therefore been successively jacked down.

Beyond the disruption
Much of the weaker return for SKAGEN Credit in the third quarter can therefore be attributed to the poorer climate in the real economy, rather than as a result of specific negative events in individual companies in the SKAGEN Credit portfolio.

The fact that Brazilian authorities handle their economy poorly affects all Brazilian companies. We, as long-term investors, must be able to see beyond the noise caused by poor national governance and the short-term pressure to sell from investors who want out. As long as companies produce goods that are sold at reasonable prices, and are able to service their debt, there is no reason for their bonds to be sold at low prices. None of the companies in SKAGEN Credit have payment issues. This is no guarantee for the future, of course. As long as it is market noise putting bond prices under pressure, there is no reason to sell out. Now it is a matter of maintaining our long-term stance and waiting for the market to turn so that healthy companies increase in value.

SECURITIES PORTFOLIO FOR SKAGEN CREDIT AS OF 30 SEPT 2015

See the portfolio in its entirety at www.skagenfunds.com/credit

SKAGEN CREDIT EUR	Currency	Number of units	EUR	%
SKAGEN Credit		409	5 021	99,46
Liquidity			27	0,54
Total share capital			**5 048**	**100,00**

Degree of currency hedging 99.13%, Share of SKAGEN Credit 24,52%

SKAGEN Credit SEK/ NOK/EUR are feeder funds or collection funds that feed into the master fund, which oversees all portfolio investments. The following is an overview of the portfolio of the SKAGEN Credit master fund.

SKAGEN CREDIT MASTER FUND Security	Currency	Maturity	Face value	Coupon	Market value EUR	Share of fund (%)
Gazprom OAO Via Gaz Capital SA	USD	11.04.2018	800	8,15	7 539	3,87
Petrobras Global Finance BV	USD	01.03.2018	700	5,88	4 946	2,54
Seadrill Ltd	USD	15.09.2017	700	6,13	4 760	2,44
Noble Group Ltd	USD	29.01.2020	750	6,75	4 561	2,34
Talisman Energy Inc	GBP	05.12.2017	300	6,63	4 430	2,28
Petrobras Global Finance BV	USD	20.01.2020	100	5,75	640	0,33
Total Energy					**26 875**	**13,80**
SSAB AB	EUR	10.04.2019	800	3,88	7 630	3,92
Braskem Finance Ltd	USD	15.04.2021	775	5,75	5 699	2,93
INEOS	EUR	01.05.2023	400	4,00	3 569	1,83
Glencore Funding LLC	USD	29.04.2019	475	3,13	3 476	1,79
Glencore Canada Financial Corp	GBP	27.05.2020	250	7,38	3 041	1,56
Total Raw materials					**23 415**	**12,03**
Color Group AS	NOK	18.09.2019	7 000	6,43	6 875	3,53
Stena AB	EUR	01.02.2019	620	5,88	6 294	3,23
Norwegian Air Shuttle AS	NOK	03.07.2017	6 000	5,06	5 955	3,06
PostNL NV	GBP	14.08.2018	350	7,50	5 233	2,69
Heathrow Funding Ltd	GBP	10.09.2018	300	6,25	4 300	2,21
Tallink Group AS	NOK	18.10.2018	3 000	6,26	3 130	1,61
Bombardier Inc	USD	16.03.2020	400	7,75	2 906	1,49
Empresas ICA SAB de CV	USD	04.02.2021	450	8,90	1 985	1,02
Solstad Offshore ASA	NOK	24.06.2019	2 000	4,70	1 252	0,64
Total Industrials					**37 929**	**19,48**
Best Buy Co Inc	USD	15.03.2021	500	5,50	4 505	2,31
Fiat Finance & Trade SA	EUR	15.03.2018	400	6,63	4 159	2,14
Samvardhana Motherson Automotive systems Group BV	EUR	15.07.2021	400	4,13	3 475	1,78
Jaguar Land Rover Automotive Plc	USD	14.12.2018	400	4,13	3 407	1,75
Total Consumer discretionary					**15 546**	**7,99**
Safeway Ltd	GBP	10.01.2017	400	6,00	5 630	2,89
Avon Products Inc	USD	01.03.2019	400	6,50	2 981	1,53
JBS Investments GmbH	USD	28.10.2020	300	7,75	2 692	1,38
Cosan Luxembourg SA	USD	14.03.2023	300	5,00	1 920	0,99
Lennar Corp	USD	17.06.2019	200	4,50	1 756	0,90
Total Consumer staples					**14 636 901**	**7,18**
Amlin Plc	GBP	18.12.2026	500	6,50	6 977	3,58
Bank of Baroda – London	USD	23.07.2019	750	4,88	6 892	3,54
Danske Bank AS	GBP	29.09.2021	500	5,38	6 795	3,49
Standard Chartered Bank	GBP	03.04.2018	350	7,75	5 196	2,67
Tyrkiye Halk Bankasi AS	USD	19.07.2017	550	4,88	4 784	2,46
Insurance Australia Group Ltd	GBP	21.12.2026	300	5,63	4 106	2,11
Diamond Bank Plc	USD	21.05.2019	400	8,75	3 228	1,66
Akbank TAS	USD	09.03.2018	300	6,50	2 691	1,38
Akbank TAS	USD	24.10.2017	250	3,88	2 175	1,12
American Tower Corp	USD	15.02.2019	200	3,40	1 763	0,91
Banco Est Rio Grande Sul	USD	02.02.2022	250	7,38	1 647	0,85
Total Financials					**46 254**	**23,76**
Rolta Americas LLC	USD	24.07.2019	400	8,88	1 542	0,79
Total IT					**1 542**	**0,79**
Bharti Airtel International Netherlands BV	EUR	10.12.2018	600	4,00	6 266	3,22
VimpelCom Holdings BV	USD	01.03.2022	550	7,50	4 752	2,44
VimpelCom Holdings BV	USD	01.03.2017	200	6,26	1 767	0,91
Total Telecom					**11 739 015**	**5,76**
EP Energy AS	EUR	01.11.2019	675	5,88	7 343	3,77
EDP Finance BV	USD	01.10.2019	750	4,90	6 858	3,52
EDP Finance BV	EUR	21.09.2017	175	5,75	1 821	0,94
Total Utilities					**16 021**	**8,23**
TOTAL SECURITIES PORTFOLIO					**195 345**	**100,34**
IRS EUR 20180620	EUR	20.06.2018	3 000		-368	-0,19
IRS EUR 20210511	EUR	11.05.2021	600		-65	-0,03
IRS GBP 20180129	GBP	29.01.2018	1 200		-345	-0,18
IRS USD 20180620	USD	20.06.2018	3 500		-552	-0,29
IRS USD 20190820	USD	20.08.2019	2 000		-389	-0,20
IRS USD 20210622	USD	22.06.2021	1 000		-240	-0,13
Derivatives					**-1 959**	**-1,01**
Liquidity					**1 304**	**0,67**
Total shares capital					**194 690**	**100,00**

Return and risk measurements

Returns in euro (all return figures beyond 12 months are annualised)

As of 30.09.2015	NAV This year	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Since Start
SKAGEN Vekst A	-5.9%	-8.7%	2.6%	4.3%	3.7%	6.3%	4.4%	13.5%
MSCI Nordic/MSCI AC ex. Nordic	3.5%	4.9%	11.4%	9.8%	10.4%	10.9%	6.7%	9.7%
SKAGEN Global A	-3.0%	-4.3%	4.7%	7.0%	8.0%	8.8%	6.8%	14.2%
MSCI World AC	0.6%	5.2%	12.1%	12.1%	11.1%	9.1%	4.9%	3.6%
SKAGEN Kon-Tiki A	-11.1%	-12.1%	-2.2%	-0.9%	0.5%	7.2%	7.0%	13.0%
MSCI Emerging Markets	-8.3%	-8.6%	1.0%	-0.6%	0.3%	6.0%	5.1%	6.9%
SKAGEN m2 A	-5.0%	2.4%	7.4%					3.9%
MSCI All Country World Index Real Estate IMI	2.2%	13.2%	13.6%					10.6%
SKAGEN Focus A	-21.2%							-21.2%
MSCI World AC	-14.2%							-14.2%
SKAGEN Tellus A	-2.0%	0.4%	4.5%	2.9%	3.9%	6.3%		5.4%
J.P. Morgan GBI Broad Index Unhedged in EUR	6.5%	10.0%	8.9%	2.3%	3.9%	5.8%		5.0%
SKAGEN Credit EUR A	-3.1%	-5.5%						-4.2%
3 Month EURIBOR	0.0%	0.0%						0.1%

* Effective 1/1/2014, the fund's investment mandate changed. Read more on page 10.
The benchmark index prior to 1/1/2010 was OSEBX and prior to 1/1/2014 it was OSEBX / MSCI AC (50/50).
** The benchmark index prior to 1/1/2010 was the MSCI World Index.
*** The benchmark index prior to 1/1/2013 was Barclay's Capital Global Treasury Index 3-5 years.

Risk and performance measurements

As of 30.09.2015	SKAGEN Vekst	SKAGEN Global	SKAGEN Kon-Tiki	SKAGEN Tellus
MEAN VARIANCE ANALYSIS LAST 5 YEARS				
Standard Deviation NAV	13.9%	12.6%	14.9%	6.3%
Standard Deviation Benchmark	12.9%	10.5%	14.6%	7.9%
Tracking Error	5.9%	4.8%	5.0%	5.7%
Alfa	-6.1%	-4.1%	0.1%	1.7%
Jensen's Alfa	-6.1%	-4.1%	0.1%	1.4%
R2	81.7%	86.5%	88.9%	47.2%
Information Ratio Arithmetic	-1.1	-0.6	0.0	0.0
Correlation	0.9%	0.9%	0.9%	0.7%
Beta	1.0	1.1	1.0	0.6
GAIN LOSS ANALYSIS LAST 5 YEARS				
Consistence	40.00%	40.00%	40.00%	51.67%
Consistence Market is Up	35.14%	42.50%	35.14%	32.26%
Consistence Market is Down	47.83%	35.00%	47.83%	72.41%
Relative Gain	90.53%	101.74%	90.53%	88.72%
Relative Loss	126.92%	124.09%	126.92%	83.98%
Positive Index Divergence	5.49%	5.54%	5.49%	7.76%
Negative Index Divergence	11.69%	8.25%	11.69%	7.68%
Percentage Positive Index Divergence	31.95%	40.17%	31.95%	50.27%
Percentage Positive Index Divergence Market Up	30.76%	46.30%	30.76%	25.48%
Percentage Positive Index Divergence Market Down	34.63%	29.67%	34.63%	78.13%
Relative Gain Loss Ratio	0,70	0,82	0,70	1,22
VALUE AT RISK LAST 5 YEAR				
Value at risk ex post NAV 5 years	-8.5%	-6.5%	-8.5%	-2.8%
Value at risk ex post Benchmark 5 years	-6.1%	-3.8%	-6.1%	-3.1%
Relative value at risk 5 years	-3.1%	-3.3%	-3.1%	-3.3%

RIGHT OF CANCELLATION

When you buy fund units, according to the Right of Cancellation Act (Act no. 105 of 2001-12-12, ref. §22b, litra a), clients have no right of cancellation. However, when subscriptions are sent to us by mail/fax or are carried out via the Investor client at VPS (My Account), you are entitled to information about the fund and the management company immediately after the purchase. The information is available in the fund's product sheet (simplified prospectus) and the general commercial terms. Statutory information is sent to unit holders in the welcome letter immediately after the first subscription. Subsequently, unit holders can find all information on our website www.skagenfunds.com as well as in the annual report.

NOTICE

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

SKAGEN Vekst has a fixed management fee of 1% per annum. Returns exceeding 6 % p.a. are shared 90/10 between the unitholders and the management company. A charge of the variable management fee may solely be made if the unit value as at December 31st exceeds the unit value at the previous charge/settlement of the variable management fee (the high watermark).

SKAGEN Global has a fixed management fee of 1% per annum. Better value development measured in percent in the fund's net asset value compared with the MSCI AC World Index (in NOK) is shared 90/10 between the unitholders and the management company.

SKAGEN Kon-Tiki has a fixed management fee of 2% per annum. Better value development measured in percent in the fund's net asset value compared with the MSCI Emerging Markets Index (in NOK) is shared 90/10 between the unit holders and the management company. However, the total annual management fee charged may not exceed 4% of the fund's average annual asset value.

SKAGEN m² has a fixed management fee of 1.5% per annum. Better/worse value development measured in percent in the fund's asset value compared with the MSCI ACWI Real Estate IMI (in NOK) is shared 90/10 between the unit holders and the management company. The total management fee charged constitutes a maximum of 3 % and a minimum of 0.75% per year.

SKAGEN Focus has a fixed management fee of 1.6% per annum. Better/worse value development measured in percent in the fund's asset value compared with the MSCI World AC TR Index (in NOK) is shared 90/10 between the unit holders and the management company. The total management fee charged constitutes a maximum of 3.2% and a minimum of 0.80 % per year.

SKAGEN Global, SKAGEN Kon-Tiki, SKAGEN Focus and SKAGEN m2 may be charged a variable management fee even if the fund's return has been negative, as long as the fund has outperformed the benchmark. Conversely, the fund may have a positive return without being charged a variable management fee, as long as there is no outperformance of the benchmark. The fixed management fees are calculated daily and charged quarterly. The variable management fees are calculated daily and charged annually.

The annual management fee is 0.8% for SKAGEN Tellus. The management fee is calculated daily and charged quarterly.

Please refer to the product sheets and prospectuses for a detailed description of the cost, etc. They are available upon request from SKAGEN Funds or at www.skagenfunds.com

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Front page: At breakfast, 1883. By P.S. Krøyer, one of the Skagen painters. The picture belongs to Skagens Museum (manipulated).

SKAGEN funds