MARKET REPORT 2 2017

SKAGEN

PATIENCE IS REWARDED

PROSPECTS LOOK BRIGHTER IN EMERGING MARKETS
AND VALUE STOCKS ARE RETURNING TO FAVOUR

The start of an exciting year

2017 has barely got started, but has already earned itself a place in history books.

We knew that this year would largely revolve around Donald Trump, Theresa May and other political leaders. The US president's capacity to cause trouble for himself seems to be greater than first assumed. Trump and the Republicans' plan to overhaul Obamacare failed to materialise, at least in the first round, which was one of the main points of the electoral campaign. This was not well received by the market and the share price of expensive US companies nosedived. US companies have become significantly more expensive under Donald Trump, making stock picking increasingly more important. In the UK too, it is starting to sink in that the Prime Minister Theresa May activated article 50 at the end of March, thereby initiating the historical process of de-registering the country from the EU.

Positive returns

You would assume that such important events would also evoke a negative response in our funds. However, the positive developments that started last year have continued entering into 2017. All of our funds have delivered solid returns year to date and over the past 12 months, 10 out of 11 of the funds are ahead of their respective benchmark indexes. Market developments have naturally played an important role in this and emerging markets continue to perform better than developed markets.

Changes; but priorities remain the same

I would also like to mention the changes that have taken place in SKAGEN recently, in particular among the portfolio managers. We are delighted to welcome on board Øyvind Fjell as a new portfolio manager to the SKAGEN Vekst team, managing Nordic/Global equities. He will join on 1 July 2017 from Delphi Nordic, has 10 years' experience in managing Nordic equities and is ranked among the best in this category based on the results he has achieved for clients. Since taking the reins of the five star-rated Delphi Nordic fund in 2007, Øyvind Fjell has delivered exceptional returns, with the fund recording more than double the returns of its benchmark since the end of 2012. Øyvind Fjell has a AAA rating from Citywire and was nominated as best Nordic Fund Manager by Morningstar 2017.

Our first priority is to provide our unit holders with the best possible risk adjusted return, and every hire we do or change we make has investor return as the main objective.

– Øyvind G. Schanke
CEO

CONTENT

Photo: Bloomberg

Italy's second largest bank, Unicredit, is one of the new companies in SKAGEN Focus.

Photo: Bloomberg

Naspers came back strongly in the quarter. The share price has tracked the performance of its 34% stake in Chinese Tencent (pictured here), which benefited SKAGEN Kon-Tiki in the quarter.

Photo: Bloomberg

South Korea's largest car manufacturer had a good first quarter and the portfolio managers in SKAGEN Kon-Tiki, SKAGEN Global and SKAGEN Focus all have high hopes for the stock in 2017.

Returns

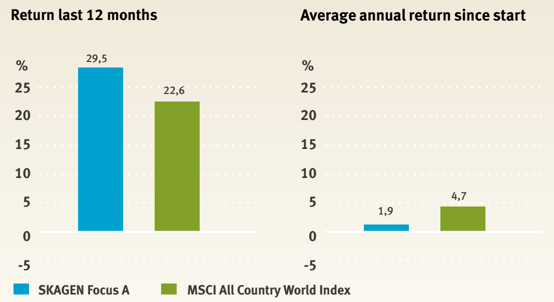
The following tables show the returns for SKAGEN's funds versus their respective benchmarks in euro. The figures are updated as of 31.03.2017

Unless otherwise stated, all performance data in this report is in euro, relates to class A units and is net of fees. Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skill, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments.

Equity Fund   Fixed Income Fund

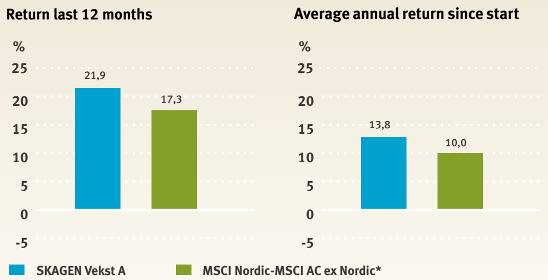
SKAGEN FOCUS

Manager: Filip Weintraub **Start:** 26 May 2015



SKAGEN VEKST

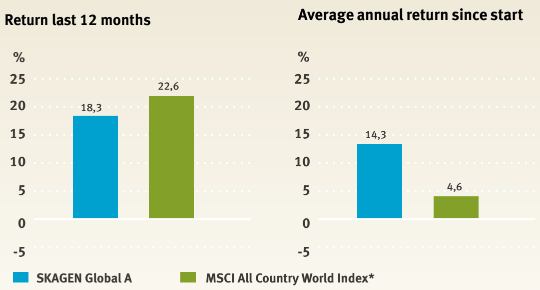
Manager: Geir Tjetland **Start:** 1 December 1993



* 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 GLOBAL

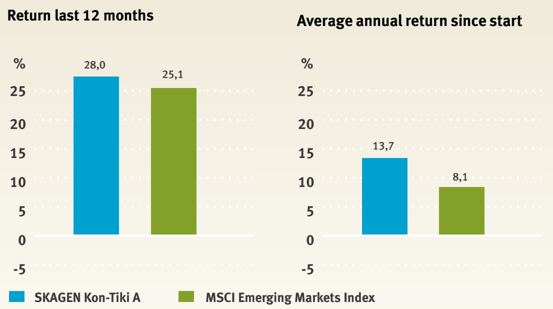
Manager: Knut Gezelius **Start:** 7 August 1997



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

SKAGEN KON-TIKI

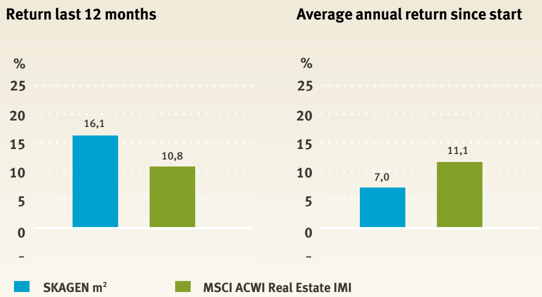
Manager: Knut Harald Nilsson **Start:** 5 April 2002



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

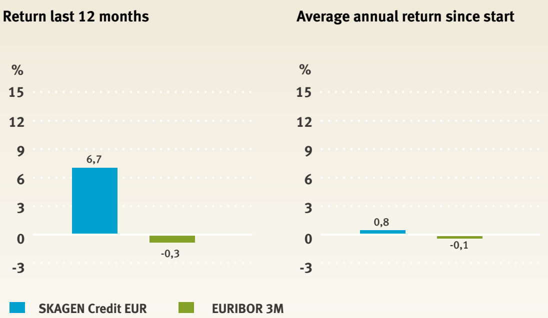
SKAGEN m²

Manager: Michael Gobitschek **Start:** 31 October 2012



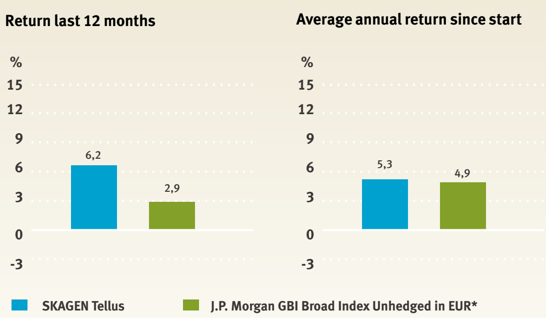
SKAGEN CREDIT EUR

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



SKAGEN TELLUS

Manager: Jane Tvedt **Start:** 29 September 2006



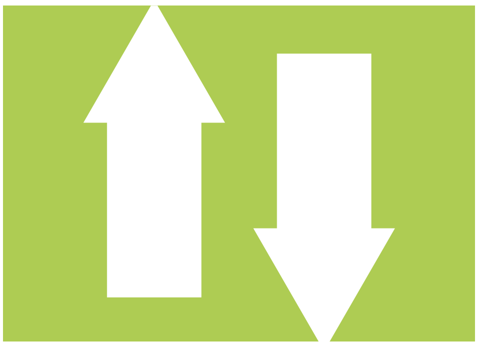
* The benchmark index prior to 1/1/2013 was Barclay's Capital Global Treasury Index 3-5 years.

Photo: Bloomberg

Hyundai's share price has moved sideways over the past couple of years, but took off in the first quarter. We believe that Hyundai will be firing on all cylinders for the rest of the year.

Photo: Bloomberg

Korea is an important country for SKAGEN. Significant reforms are expected after the election in May.



Up or down? Some people think that the time is right for a correction. Others point out that the underlying growth in the global economy is strong, which gives good grounds for further ascent in the time to come.

Investment Directors´ Report

Introduction

- The first quarter was strong in both developed and emerging markets, and only the energy sector lagged behind.
- The equity funds delivered a return of between 2.3 percent and 11.6 percent in the first quarter.
- Two topics in particular preoccupied us in the first quarter, namely:
  1) The road ahead in the stock market, given the growth and earnings outlook
  2) Emerging market reforms, particularly in Korea, which we visited in the quarter

Strong stock markets in first quarter

The first quarter was extremely strong, both for developed and emerging markets. All our equity and fixed income funds performed well in the quarter. The equity funds delivered returns of between 2.3 percent (SKAGEN m2) and 11.6 percent (SKAGEN Kon-Tiki) in the period, as measured in euro.

– Alexandra Morris
Investment Director

Looking at the performance of the individual sectors, only the energy sector delivered a negative return in the period, and then in the developed markets. This weighed heavily on the Norwegian stock exchange which stood still.

Given the good start to the year, it is worth reflecting on the outlook going forward. There are two themes in particular that have caught our attention in the first three months of the year. The first is of course the future performance in the stock market. And the second is emerging market reforms, particularly in Korea.

Up or down?

To address the first point first, this is admittedly a tricky theme. The truth is that no one knows how the stock market will move in the short term, not even portfolio managers with many years' experience.

At the time of writing, opinions are divided. Some people think that eight years of more or less uninterrupted upturn since the financial crisis is sufficient and that the time is right for a correction. Others point out that the underlying growth in the global economy is strong, which gives good grounds for further ascent in the time to come.

We can list up several arguments that support and contest both views.

What could cause the market to fall back?

1. The US stock market has been following an almost straight upward trajectory since the bottom in 2009. This is the second longest uninterrupted upturn ever. The market is ready for a correction.
2. The stock market has risen more than the companies' results. Hence stocks have become more expensive measured as price per share / earnings per share. The US market has not been as expensive since the IT bubble burst at the turn of the millennium.
3. "Everyone" is positive to the market. The US volatility index VIX – also known as the Fear Index – has never been so low for so long. At such low levels, it doesn't take much bad news before everyone starts running for the exit and selling out of stocks.
4. The political situation is simmering in many parts of the world, and the uncertainty is spreading. In Korea, the newly ousted president is in jail and the country is awaiting a presidential election next month. In Europe, Brexit and the French election are giving cause for concern. The elections in Turkey and Iran are also causing uncertainty. And last, but not least, everyone is wondering what Trump is going to do next.

What could cause the market to rise further?

1. Even though the sum of all the listed companies in the world index is reaching new heights, the average company is still worth 26 percent less than it was at its own peak listing. There are therefore

enough companies that have not participated in the broad upturn and that will contribute to pushing the stock market up further. The stock market is therefore ideal for active managers looking for good individual companies.

2. Most economic indicators point to strong underlying developments. Unemployment is falling while optimism is rising along with consumption. One could then surmise that the companies' earnings will increase and catch up with the stock prices. In other words, stocks are not as expensive as they appear.

3. The low fear index is a sign that the sun is shining again in the world economy. Both developing and developed markets are strong.

4. What about politics? When has there not been uncertainty in world politics? The euro crisis, the invasion of the Crimean peninsula, Kim Jong-Un's constant missile tests in North Korea are just a few that spring to mind.

The conclusion is that no one knows where the road will lead in the short term. In the long term, however, history has demonstrated that the market will continue to climb, whether there is a correction in the near future or not.

Emerging market reforms and Korea

The second theme that has been preoccupying us in the first quarter is one that we believe will contribute to benefitting our unit holders significantly in future, namely reforms.

Emerging markets offer many exciting investment opportunities and valuation is still low compared with developed markets following several years of declining earnings due to high cost inflation and lower demand. Costs in companies are now on their way down, demand is picking up and taken together, this is extremely positive for the companies. We said at the start of the year that we believed that 2017 would be the year of the emerging markets. That has indeed been the case so far.

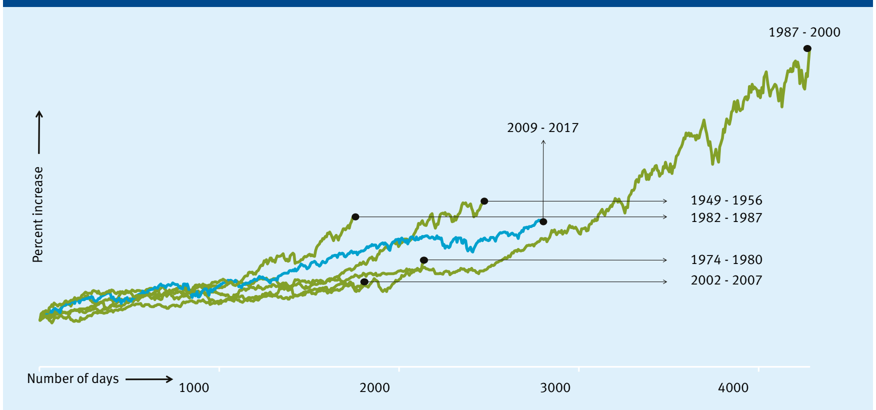
In addition to the general improvement in the underlying economic conditions, the reforms currently taking place in several large emerging market countries such as India and China will also be beneficial.

An important country for SKAGEN is Korea, which has reforms firmly on the agenda. On behalf of our clients, we have almost EUR 988 million invested in small and large companies there.

A new election will take place in May in Korea after the president was ousted earlier this year.

I recently went to South Korea along with two portfolio managers in order to learn more. A generational change seems to be taking place in many of the country's largest companies, and it is important to keep abreast of the developments. The family-run conglomerates, known as chaebols, seem to be slowly moving in the right direction when it comes to minority shareholder rights and

OVERVIEW OF THE LONGEST UPTURNS BASED ON THE S&P 500



representation in controlling bodies. This development comes as a result of political pressure and we may see further progress following the election.

We have already mentioned that our largest investment in Korea, the electronics company Samsung, has delivered a fantastic return – both on the back of good results in the company, but also due to the major corporate governance reforms. Samsung still has a long way to go, but it has been a spearhead in this area. There have also been noticeable developments among other listed companies in Korea.

In SKAGEN we feel cautiously optimistic about this development, but expect that the process will take time. We also do not believe that a radical upheaval will be necessary before the fund is able to benefit from more than 20 years' experience with investing in Korea and family-run conglomerates.

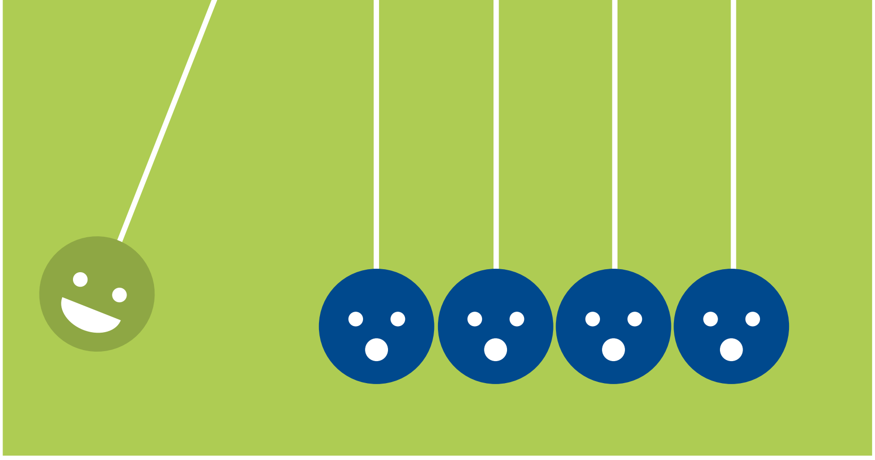
The chaebols have been instrumental in developing the companies and the country since the Second World War. In SKAGEN we tend to like to invest where there is strong private ownership as this creates an alignment of interest with minority shareholders. Nevertheless, a change to a clearer structure would be good for the Korean market as it would help attract more international investors that may see the current structure as convoluted and difficult.

Photo: Bloomberg

The South Korean electronics giant, Samsung Electronics, was a strong contributor to SKAGEN Vekst, SKAGEN Kon-Tiki and SKAGEN Global in the quarter. Recently they launched an impressive new version of their flagship Galaxy S8.

Photo: Bloomberg

A trader at the Chicago stock exchange (CBOE) closely follows developments on his screen. The VIX index - the so-called Fear Index - has never been so low for such a long period of time as it is now.



SKAGEN Vekst

Exploring the narrow path to prosperity

› Samsung best contributor

› Political concerns subsided

› Heightened interest in value stocks

1	2	3	4	5	RISK	7

Fund start date	1 December 1993
Return since start*	1 929.2%
Average annual return*	13.8%
AUM	EUR 859 million
Number of unitholders	68 947

*In EUR, net of fees

PERFORMANCE IN EUR	Q1 2017*	12M*
SKAGEN Vekst	6.2 %	21.9%
MSCI Nordic/MSCI AC ex. Nordic	5.4 %	17.3%

** As of 31 March 2017, net of fees*

PORTFOLIO MANAGERS

Geir Tjetland, Ole Søeberg* and Alexander Stensrud**

** Stepped down on 1 April 2017*

***Junior manager*

Beach cyclists. 1894. Detail. By Einar Hein, one of the Skagen painters. This image belongs to the Skagens Museum (cropped).

Concerns abated

Investor optimism continued into the first quarter and the trend is positive. In particular if the interest in value stocks continues and expectations of higher interest rates increase.

The first quarter was an eventful period with generally strong performance in the global equity markets. Early in the quarter, the concerns that arose around the political election last year subsided somewhat, and the optimistic equity markets that we saw last autumn continued into the first quarter of the year. The unrest around the political elections in Europe this year were a long time coming, although many people were reassured by the election result in the Netherlands.

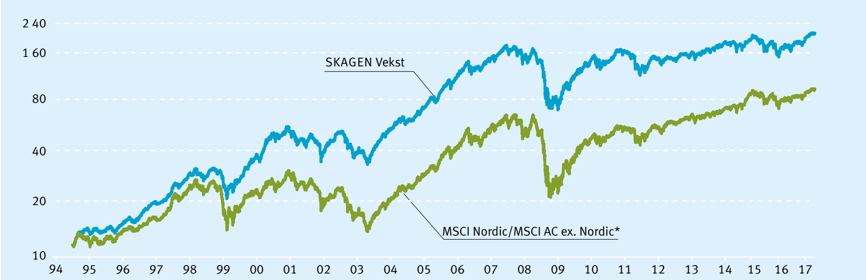
SKAGEN Vekst delivered a return of 6.2 percent, as measured in euro, while the benchmark index gained 5.4%.

SKAGEN VEKST PORTFOLIO CHANGES IN Q1 2017 (PERCENTAGE OF AUM)

5 largest contributors	
Samsung Electronics	1,13%
Norsk Hydro	0,88%
Golden Ocean Group	0,83%
Continental	0,71%
Volvo	0,58 %
5 largest detractors	
Norwegian Air Shuttle	-0,92%
Hennes & Mauritz AB	-0,33%
Gazprom OAO	-0,20%
Cal-Maine Foods	-0,16%
Lundin Petroleum	-0,07%
5 largest purchases	
Novo Nordisk	2,19%
Teva Pharmaceutical Industries	1,59%
Borr Drilling Ltd	1,19%
Gazprom OAO	1,15%
Fujitec	0,97%
5 largest sales	
SAP	-3,26%
Norsk Hydro	-2,25%

Based on NOK returns

HISTORICAL PRICE DEVELOPMENT SKAGEN VEKST



* 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: Norsk Hydro

Norsk Hydro was once again one of the main contributors to the fund, mainly thanks to the rising aluminium price. Pictured here is the company's Høyanger facility, one of the first aluminium factories in Norway.

Main contributors

The fund's best contributor in the first quarter was Samsung Electronics. The company's share price rose 12 percent in local currency amidst a backdrop of great political uncertainty. In addition, the company's deputy chairman was arrested as a result of his links to the ousted president. The share price performance is a result of higher expectations of improved corporate governance, increased profitability in the semiconductor division as well as the launch of the new flagship phone S8. We have taken advantage of this period of higher expectations to trim the position.

The fund's position in Golden Ocean was established around one year ago when the company had to be refinanced. The company had a few years' breathing space in anticipation of rate levels, as well as ship values, rising from historically low levels. We saw the first signs of this during the autumn, and they have recently tightened further. The share price rose by as much as 58 percent in the first quarter. We maintained our stake when the company carried out a new issue in order to finance the acquisition of fourteen ships from Quintana Shipping. The order book for new ships is at historically low levels, which will lead to a further boost in the values of the ships at sea.

Norsk Hydro was once again one of the fund's best contributors, mainly due to the rising aluminium price. Expectations of further capacity closures in China are the main reason for the price rise. We reduced the position significantly through the quarter as much of the re-rating has already occurred.

One of the fund's best contributors over the past five years, Continental, made up for some of the weak performance that we saw last year. The company continues to reliably grow five percent per year while demonstrating good profitability. Continental is now the fund's largest holding, with a six percent weight in the portfolio. We believe that the company will manage to reach a turnover of EUR 50 billion by 2020, and continue to see significant upside in the pricing.

Ericsson, eBay and Sodastream were other noteworthy positive contributors in the quarter.

Main detractors

On the detractors' side, at the top of the list we find Norwegian. The airline company's share price was down almost 18 percent in the quarter. This was primarily due to the market's concerns around the company's ability to service the large financial debts associated with the acquisition of hundreds of planes, as well as the price pressures on tickets as a result of increased capacity in Europe. We believe that the debt burden is more than manageable, particularly in light of the company's flexibility to sell or leaseback parts of the fleet. We are consistently impressed by the operations, and not least by the success the company has had with its long-distance initiative. Being invested in Norwegian makes for a turbulent ride, but we have not lost faith that the company will be able to earn NOK 50 per share two to three years down the line.

The world's second largest clothing retailer, Hennes & Mauritz, was also a negative contributor to the fund – having lost ten percent in the period. The company has experienced negative developments in gross margins for a number of years. We believe that the situation is stabilising, after improvements over the past two quarters. Admittedly the substantial inventories, in addition to a large amount of merchandise that needs to be sold at discounted prices, are a concern, but we believe that the company is reversing this trend and will continue to grow 10-15 percent per year with good profitability.

Photo: Bloomberg

The pharma company Teva re-entered the portfolio in the first quarter. We believe that the company may be able to create substantial earnings over the next few years and reduce debt.

Key buys

We invested in Fredriksen's new rig venture, Northern Drilling, in the quarter. For the time being this is a pure asset play, based on the acquisition of the new build, West Mira, as well as the option to purchase another new build, Bollsta. As we have seen on numerous previous occasions in Fredriksen companies, this could be the start of a new adventure and the company may well take advantage of the current low steel prices to make further acquisitions.

Another rig company that we invested in is Borr Drilling. This company has taken the next step by purchasing Transocean's entire jack-up fleet. With these fifteen rigs, they have already become a significant operational player.

The pharmaceuticals company, Teva, re-entered the portfolio in the first quarter. The company has almost halved in value since the beginning of 2016, as investors are frustrated by the company's operations and not least by the increased debt levels following acquisitions. We believe that Teva will be able to generate USD five billion in cash flow over the next few years, and thereby reduce its debt burden by USD four billion per year. The biggest risk is associated with the sale of the multiple sclerosis drug, Copaxone; i.e. whether the sale of this product diminishes more quickly than we anticipate.

The Japanese lift manufacturer, Fujitec, was also a newcomer in the portfolio in the quarter. The company has a global market share of just over two percent, but its primary market is Asia. Our Fujitec investment case is based on low valuation, a strong balance sheet and not least the fact that the company is priced at a major discount to peers such as Kone and Schindler.

During the quarter we also increased positions in Kia Motors and Gazprom.

Key sells

The Chinese polysilicon producer, GCL-Poly Energy, was entirely sold out of the portfolio. Only losers have come out of the ongoing trade war between China and the US, and even though GCL-Poly Energy was best positioned to take advantage of the favourable price climate in China, no visible earnings materialised. This was never a large position in the fund, but nor did it attain satisfactory returns.

The Norwegian company, Medistim, also exited the portfolio. Medistim has been a solid contributor to the fund, almost quadrupling in size since late 2012. The company is well run and has solid products, but the price target was attained and the capital reinvested in Novo Nordisk.

The German company SAP has long been a large investment in SKAGEN Vekst. The share price came very close to reaching our price target during the winter, and we have more than halved the position size. In addition, we have significantly reduced our holdings in Volvo, ABB and Danske Bank for the same reason.

As we enter a lighter and warmer time of year, the SKAGEN Vekst portfolio is priced at 1.3 times book value and 13.6 times companies' earnings; both ratios are substantially lower than for the general market. As we mentioned in our previous quarterly update, we witnessed a growing interest in value stocks last year at the expense of growth stocks and so-called stable earners. This trend has partially continued so far this year and can be expected to endure, particularly if expectations of higher interest rates continue to rise.

SECURITIES PORTFOLIO SKAGEN VEKST AS OF 31 MAR 2017

See the portolio in its entirety at www.skagenfunds.com/portfolio-vekst

Securities	Sector	Number of shares	Acquistion value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock exchange
Continental AG	Consumer Discretionary	252 000	139 867	475 003	335 136	6,02 %	Frankfurt
Samsung Electronics Co Ltd Pref	Information Technology	35 000	209 126	431 576	222 450	5,47 %	Seoul
Carlsberg AS-B	Consumer Staples	505 000	325 613	400 399	74 786	5,07 %	Copenhagen
Norwegian Air Shuttle ASA	Industrials	1 500 000	253 455	354 750	101 295	4,50 %	Oslo
Citigroup Inc	Financials	650 000	232 211	336 793	104 581	4,27 %	New York
Kinnevik AB-B	Telecommunication Services	1 425 000	296 078	328 079	32 001	4,16 %	Stockholm
Hennes & Mauritz AB	Consumer Discretionary	1 250 000	324 719	274 680	-50 039	3,48 %	Stockholm
Ericsson LM-B SHS	Information Technology	4 700 000	358 266	269 730	-88 537	3,42 %	Stockholm
Novo Nordisk A/S-B	Health Care	900 000	270 863	267 427	-3 436	3,39 %	Copenhagen
Roche Holding AG-Genusschein	Health Care	106 000	229 901	233 313	3 412	2,96 %	Zürich
Norsk Hydro ASA	Materials	4 564 560	117 370	227 589	110 219	2,88 %	Oslo
Telia Co AB	Telecommunication Services	5 880 000	270 096	212 709	-57 387	2,70 %	Stockholm
Bonheur ASA	Energy	2 777 795	242 405	204 862	-37 543	2,60 %	Oslo
Golden Ocean Group Ltd	Industrials	3 080 000	92 828	200 970	108 142	2,55 %	Oslo
eBay Inc	Information Technology	690 000	137 899	200 889	62 990	2,55 %	NASDAQ
Volvo AB	Consumer Discretionary	1 500 000	126 899	189 919	63 019	2,41 %	Stockholm
Kia Motors Corporation	Consumer Discretionary	650 000	191 411	185 250	-6 161	2,35 %	Seoul
SAP SE	Information Technology	200 000	92 453	168 390	75 937	2,13 %	Frankfurt
Gazprom Oao ADR	Energy	4 100 000	168 035	157 513	-10 521	2,00 %	London
SKF AB - B Shares	Industrials	908 000	140 010	154 887	14 877	1,96 %	Stockholm
ABB Ltd	Industrials	750 000	98 982	150 665	51 683	1,91 %	Stockholm
Kemira OYJ	Materials	1 350 000	130 354	142 327	11 974	1,80 %	Helsingfors
SBI Holdings Inc	Financials	1 139 000	96 714	136 232	39 518	1,73 %	Tokyo
Swatch Group AG	Consumer Discretionary	44 000	115 141	135 253	20 112	1,71 %	Zürich
Philips Lighting NV	Industrials	550 000	108 892	134 634	25 742	1,71 %	Amsterdam
Teva Pharmaceutical-Sp ADR	Health Care	420 000	118 796	116 506	-2 290	1,48 %	NASDAQ
Wilh. Wilhelmsen Holding ASA	Industrials	512 647	36 664	116 371	79 707	1,47 %	Oslo
Cal-Maine Foods Inc	Consumer Staples	363 497	144 702	115 566	-29 137	1,46 %	New York
Shire Plc-ADR	Health Care	75 000	116 398	113 009	-3 388	1,43 %	NASDAQ
Sberbank of Russia Pref	Financials	6 000 000	86 944	110 148	23 203	1,40 %	Moscow
Borr Drilling Ltd	Energy	3 000 000	89 139	104 250	15 111	1,32 %	Unlisted
Danske Bank A/S	Financials	350 000	50 984	102 876	51 891	1,30 %	Copenhagen
Catena AB	Real Estate	746 924	66 865	94 498	27 633	1,20 %	Stockholm
Koninklijke Philips NV	Industrials	325 000	66 191	89 555	23 364	1,14 %	Amsterdam
Northern Drilling Ltd	Energy	1 440 000	61 591	87 840	26 249	1,11 %	Unlisted
Golar LNG Ltd	Industrials	360 000	91 128	85 310	-5 817	1,08 %	NASDAQ
Sodastream International Ltd	Consumer Staples	202 946	45 516	83 412	37 896	1,06 %	NASDAQ
Danieli & Officine Meccaniche SpA	Industrials	527 390	67 936	74 587	6 652	0,95 %	Italiy
Lundin Petroleum AB	Energy	421 000	41 505	73 353	31 849	0,93 %	Stockholm
H Lundbeck A/S	Health Care	180 000	34 483	72 070	37 587	0,91 %	Copenhagen
Fujitec Co Ltd	Industrials	750 000	72 494	70 631	-1 863	0,90 %	Tokyo
Credit Suisse Group AG	Financials	500 000	99 213	63 919	-35 295	0,81 %	Zürich
CF Industries Holdings Inc	Materials	210 000	43 701	52 888	9 187	0,67 %	New York
HitecVision AS	Financials	792 668	7 191	46 926	39 735	0,59 %	Unlisted
Strongpoint ASA	Information Technology	2 500 623	28 613	39 010	10 397	0,49 %	Oslo
Yazicilar Holding AS	Consumer Staples	654 669	22 383	31 554	9 171	0,40 %	Istanbul
Solstad Offshore ASA	Energy	2 417 853	105 713	28 410	-77 303	0,36 %	Oslo
Rec Silicon ASA	Energy	21 000 000	31 267	21 630	-9 637	0,27 %	Oslo
Goodtech ASA	Industrials	1 950 949	44 407	13 637	-30 770	0,17 %	Oslo
I.M. Skaugen SE	Industrials	1 500 000	18 232	10 650	-7 582	0,13 %	Oslo
PhotoCure ASA	Health Care	266 582	10 754	9 304	-1 450	0,12 %	Oslo
TTS Group ASA	Industrials	2 411 069	24 080	8 849	-15 232	0,11 %	Oslo
Total equity portfolio*			**6 396 478**	**7 810 596**	**1 414 118**	**98,99 %**	
Disposable liquidity				79 680		1,01 %	
Total share capital				**7 890 276**		**100,00 %**	

* Numbers in 1 000 NOK.

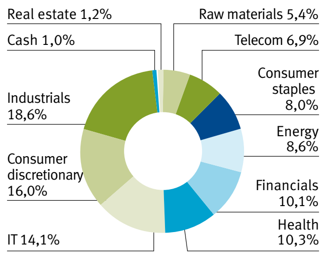
SKAGEN VEKST KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 31/3 2017)

Company	Holding size	Price	P/E 2016	P/E 2017E	P/E 2018E	P/B last	Price target
Continental AG	6,0%	206	14,9	12,9	11,7	3,1	265
Samsung Electronics	5,5%	1 603 000	11,1	9,4	8,9	1,3	1 680 000
Carlsberg AS-B	5,1%	644	20,3	17,6	16,8	1,9	847
Norwegian Air Shuttle	4,5%	237	8,2	6,8	5,3	2,1	500
Citigroup Inc	4,3%	60	11,4	10,1	8,8	0,8	75
Kinnevik AB-B	4,2%	239	59,8*	39,8	37,3	0,9	295
Hennes & Mauritz AB	3,5%	229	20,3	15,3	13,5	6,2	400
Ericsson LM-B SHS	3,4%	60	103,1	25	15,2	1,4	75
Novo Nordisk	3,4%	240	15,9	14,9	13,5	13,3	325
Roche Holding	3,0%	256	17,1	16	14,2	10,4	350
Weighted top 10	**42,7%**		**13,2**	**11,2**	**9,8**	**1,3**	**44%**
Weighted top 35	**89,0%**		**13,8**	**11,5**	**9,6**	**1,3**	**38%**
Benchmark index			**16,6**	**14,9**	**13,5**	**2,2**	

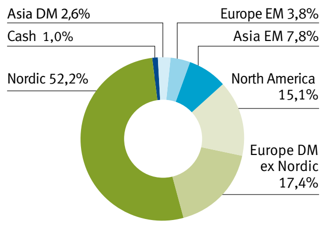
P/E may deviate from other sources when based on SKAGEN estimates.

** Adjusted for dividend*

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



SKAGEN Global

A world of opportunities

- Animal spirits pervade the stock market, but it is important to maintain a sense of perspective
- Unilever was the best contributor
- Utilities is out of favour; we went against consensus to buy Spanish Red Electrica

1	2	3	4	5	RISK	7

Fund start date	7 August 1997
Return since start*	1270.8%
Average annual return*	14.3%
AUM	EUR 3 079 million
Number of unitholders	86 692

*In EUR, net of fees

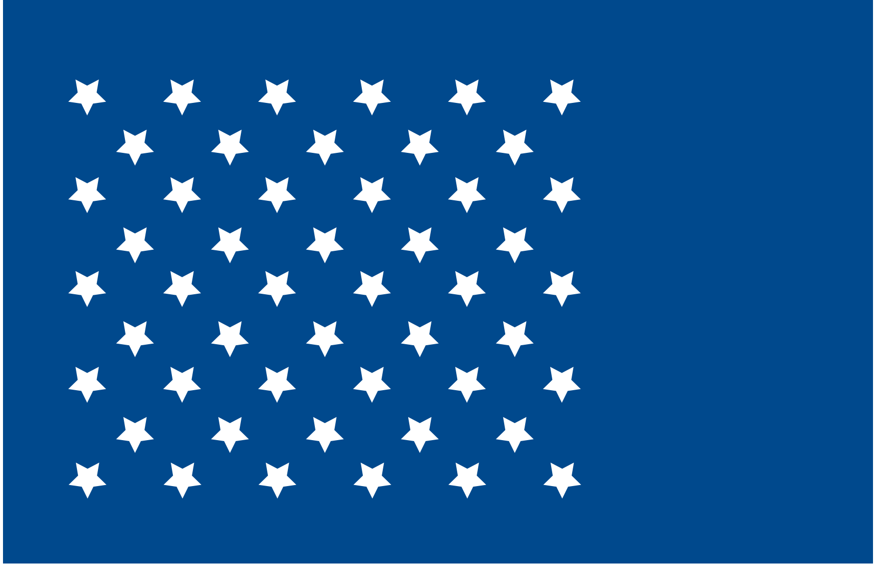
PERFORMANCE IN EUR	Q1 2017*	12M*
SKAGEN Global	5.5 %	18.3%
MSCI ACWI	5.5 %	22.6%

** As of 31 March 2017, net of fees*

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).



Keeping things in perspective

SKAGEN Global returned 5.5% in EUR in the quarter, in line with the fund's benchmark index. The three largest contributors to absolute returns were Unilever, G4S and Samsung Electronics.

The Republican Party in the US now finds itself in the rare position of simultaneously controlling the White House, the House of Representatives and the Senate. But will this really be a recipe for re-ignited global growth and another golden age for the stock market?

Many market pundits predict that things are different this time with President Trump in charge. With his ambitious agenda to scale back harmful regulation, lower taxes and encourage repatriation of huge overseas cash balances, President Trump has purportedly unleashed "animal spirits" in the stock market.

SKAGEN GLOBAL PORTFOLIO CHANGES IN Q1 2017 (PERCENTAGE OF AUM)

5 largest contributors	
Unilever CVA	0,90%
G4S	0,80%
Samsung Electronics	0,77%
Roche Holding	0,62%
Akzo Nobel	0,45%

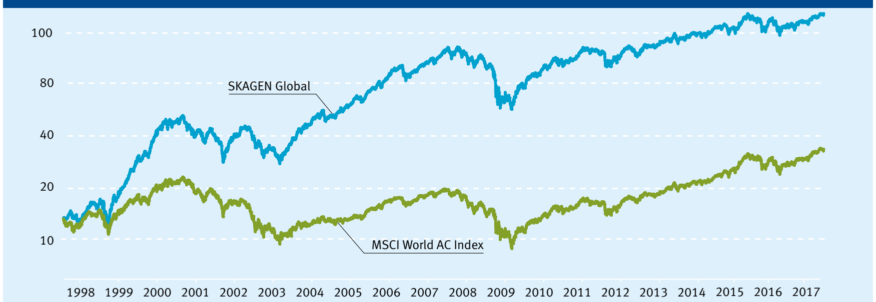
5 largest purchases	
Red Electrica	0,98%
Hyundai Motor	0,90%
Golar LNG	0,44%
Novo Nordisk	0,09%
Dollar General	0,09%

5 largest detractors	
Teva Pharmaceutical Industries	-0,33%
General Electric	-0,22%
AIG	-0,22%
Autoliv	-0,20%
NN Group	-0,14%

5 largest sales	
Samsung Electronics	-1,37%
Unilever CVA	-1,21%
G4S	-1,06%
AIG	-0,87%
Comcast	-0,67%

Based on NOK returns

HISTORICAL PRICE DEVELOPMENT SKAGEN GLOBAL



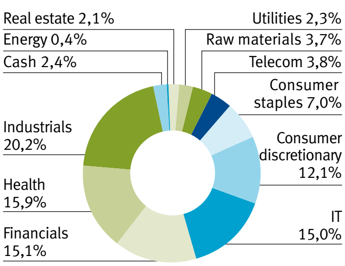
The benchmark index prior to 1/1/2010 was the MSCI World Index.

Contrarian view

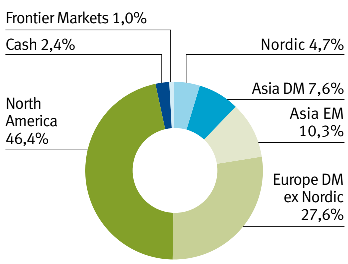
However, at SKAGEN our contrarian instinct makes us think twice before accepting what often seem to be established truths. Although we are not political analysts - and realise that predicting the Trump administration's impact on the global equity market is beyond our purview - we think a note of caution is justified. You may well recall that the market had similar exuberant expectations about the George W. Bush administration in early 2001 when Republicans also largely controlled Congress. Instead the ensuing eight years witnessed the crash of the dotcom bubble, corporate scandals with Enron and WorldCom ironically leading to much stricter business regulations and finally the devastating financial crisis. Interestingly, the subsequent eight years under the Obama administration with power more in the hands of the Democrats saw a booming stock market, although many "experts" had predicted the opposite under the supposedly less market friendly political leadership in Washington.

This historical recap is not meant as a political statement; rather we simply wish to illustrate the perils of top-down forecasting and the importance of keeping things in perspective. To be clear, our guiding star continues to be SKAGEN's time-tested investment philosophy and bottom-up stock-picking.

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



SKAGEN GLOBAL KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 31/3 2017)

Company	Holding size	Price	P/E 2016	P/E 2017E	P/B last	Price target
CK Hutchison Holdings	5,0	95,6	11,2	10,4	0,9	140
Roche	4,8	255,8	17,6	16,5	9,1	360
Unilever	4,8	46,6	24,7	22,6	8,1	52
Citigroup	4,6	59,8	12,7	11,5	0,8	70
Aig	4,4	62,4	15,9	12,8	0,8	90
General Electric	4,3	29,8	20,0	18,3	3,4	36
Microsoft	4,2	65,9	23,6	22,3	7,4	68
3M	4,0	191,3	23,4	22,2	11,1	230
Merck	3,9	63,5	16,8	16,7	4,4	76
Samsung Electronics	3,9	1 603 000	10,0	6,9	1,2	1 700 000
Weighted top 10	**43,9**		**16,0**	**14,0**	**1,8**	**24%**
Weighted top 35	**90**		**15,6**	**14,5**	**1,7**	**29%**
Benchmark index			**21,0**	**16,6**	**2,2**	

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

Three new positions

The fund initiated three new positions in the quarter. First, the Korean auto manufacturer Hyundai Motor returned to the portfolio after an 18-month hiatus. The large cash pile on the balance sheet implies the auto operations are implicitly valued only at 1x P/E. Also, the chaebols in Korea are under increasing political pressure to implement more shareholder-friendly measures. Predicting the exact timing of these actions is virtually impossible but as long-term investors with a 3 to 5 year time horizon we can benefit from the attractive valuation point created by this time arbitrage.

Second, the utilities sector is heavily out of fashion but SKAGEN Global went against consensus and bought Red Electrica, a Spanish mid-cap regulated utility with high earnings and dividends visibility that has suffered unduly in the recent reflation trade.

Third, we entered a small position in Golar LNG, a global provider of liquefied natural gas (LNG) transportation services that should benefit from start-ups of more export facilities and the deployment of a floating LNG project.

Photos: Bloomberg

High conviction holding delivers

The Dutch-British transnational consumer goods company Unilever has long been a high conviction holding in SKAGEN Global given its attractive risk-reward profile for long-term investors. The company was the fund's largest holding (5.1% weight) in mid-February when the American food behemoth Kraft Heinz, backed by the legendary value investor Warren Buffett, launched a USD 143bn take-over bid for Unilever. The board of Unilever rejected the bid which came at an 18% premium to the closing share price. We note that this was only an opening bid to get Unilever to the negotiation table and the company's real underlying value is obviously materially higher. Nevertheless, it is pleasing to see experienced and reputable global investors and leading industry experts beginning to recognise Unilever as a significantly undervalued company. It remains a top 3 holding in the fund.

Surpassing expectations

The Korean technology conglomerate Samsung Electronics continued to surpass expectations and the (pref.) share price rose by 12% in local currency during the quarter. Lately, the political turmoil with the arrest of Samsung Group's Vice Chairman Jay Y. Lee and the ousted South Korean president Park Geun Hye has grabbed international headlines. Considering the fund's exposure to Korea, we think it is important to keep an ear to the ground and rely on primary research. Two of SKAGEN Global's portfolio managers therefore visited Korea on separate occasions in February and March to get a better understanding of the political landscape, meet with existing holdings and scout for new ideas. We still see value in Samsung Electronics but have scaled back sizing as the risk-reward is slightly less compelling after the (pref.) share price roughly doubled in 18 months.

Strong comeback

After a tumultuous 2016 with Brexit and (unfounded) balance sheet concerns, the global integrated security company G4S has mounted a strong comeback in 2017 with the stock up nearly 30% in local currency. Market concerns about a dividend cut and a potential equity issuance have subsided after G4S released a solid 2016 report showing progress on the turnaround story and lower leverage. We have taken a few chips off the table after the share price marched from a trough of 164 pence in June 2016 to 304 pence at the end of March 2017

Continued headwinds

Turning to the detractors, the Israeli-based pharmaceutical company Teva faced continued headwinds in the first quarter. It lost another patent case on its flagship multiple sclerosis drug Copaxone, the CEO departed and US generics pricing pressure remained fierce. After falling 11% in local currency, the US-listed stock now trades on 6.7x 2018 P/E, 9.4x 2018 EV/EBITDA and 4.4% dividend yield. Value will be unlocked if Teva can alleviate the USD 35bn net debt burden on its strained balance sheet.

The US industrial giant General Electric was also a laggard. A challenging environment in the Oil & Gas segment coupled with a sluggish global macro environment and mediocre execution weighed on sentiment. Finally, AIG, the US insurance conglomerate, reported another major reserve addition and the CEO resigned. The stock has outperformed the index since we entered in 2012 but the turnaround story has lost some steam as of late.

Timeless principles

9th March marked the 8th anniversary of the bottom of the financial crisis for the global equity market. Remarkably, the MSCI AC World index has returned approximately 261% between 6 March 2009 and 31 March 2017 measured in EUR. We consider market timing to be a futile exercise, but looking at the market through our valuation lens, there are signs that many stocks have been bid up to high levels in this multi-year rally. Hence, SKAGEN Global will continue to prudently manage the assets it has under management. That means we will rely on fundamental bottom-up research to find mispriced stocks that offer attractive value. We will search globally for the best investment cases. We will be contrarian if and when the right opportunity presents itself. And, as always, we will apply our timeless principles of value investing and common sense when assembling a resilient portfolio of approximately 40 undervalued stocks for long-term investors.

SECURITIES PORTFOLIO SKAGEN GLOBAL AS OF 31 MARCH 2017

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

Securities	Sector	Number of shares	Acquistion value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock exchange
CK Hutchison Holdings Ltd	Industrials	13 387 098	1 212 599	1 416 746	204 147	5,01 %	Hong Kong
Roche Holding AG-Genusschein	Health Care	622 358	928 017	1 369 851	441 834	4,84 %	Zürich
Unilever NV-Cva	Consumer Staples	3 185 074	1 080 633	1 354 881	274 248	4,79 %	Amsterdam
Citigroup Inc	Financials	2 508 828	660 670	1 299 931	639 261	4,59 %	New York
American International Group Inc	Financials	2 333 001	760 663	1 251 459	490 796	4,42 %	New York
General Electric Co	Industrials	4 727 440	965 663	1 217 224	251 561	4,30 %	New York
Microsoft Corp	Information Technology	2 111 570	505 990	1 192 683	686 693	4,22 %	NASDAQ
3M Co	Industrials	679 340	972 796	1 121 927	149 131	3,96 %	New York
Merck & Co Inc	Health Care	2 047 710	944 925	1 115 764	170 839	3,94 %	New York
Samsung Electronics Co Ltd Pref	Information Technology	88 705	215 467	1 093 800	878 333	3,87 %	Seoul
NN Group NV	Financials	2 890 306	622 564	808 778	186 214	2,86 %	Amsterdam
Medtronic Plc	Health Care	1 161 946	772 649	806 868	34 219	2,85 %	New York
Teva Pharmaceutical-Sp ADR	Health Care	2 899 630	1 098 551	804 342	-294 209	2,84 %	NASDAQ
China Mobile Ltd	Telecommunication Services	8 487 990	818 019	799 147	-18 872	2,82 %	Hong Kong
Cap Gemini SA	Information Technology	1 001 919	681 658	795 722	114 063	2,81 %	Paris
G4S Plc	Industrials	20 928 729	599 886	686 098	86 212	2,42 %	London
Comcast Corp	Consumer Discretionary	2 117 719	473 707	682 750	209 043	2,41 %	NASDAQ
Alphabet Inc Class C	Information Technology	91 681	464 231	653 623	189 393	2,31 %	NASDAQ
Dollar General Corp	Consumer Discretionary	1 049 615	639 294	636 267	-3 027	2,25 %	New York
Carlsberg AS-B	Consumer Staples	787 337	544 224	624 256	80 032	2,21 %	Copenhagen
Akzo Nobel NV	Materials	731 098	368 040	520 075	152 036	1,84 %	Amsterdam
Kingfisher Plc	Consumer Discretionary	10 814 178	411 612	379 931	-31 681	1,34 %	London
Cms Energy Corp	Utilities	983 635	346 014	378 061	32 046	1,34 %	New York
Skechers USA Inc	Consumer Discretionary	1 530 387	345 754	361 082	15 328	1,28 %	New York
Toyota Industries Corp	Consumer Discretionary	835 228	246 395	355 953	109 559	1,26 %	Tokyo
Ageas	Financials	1 030 112	388 500	345 815	-42 685	1,22 %	Brussels
Hiscox Ltd	Financials	2 874 906	320 338	338 733	18 396	1,20 %	London
ServiceMaster Global Holdings Inc	Consumer Discretionary	931 876	283 988	332 647	48 658	1,18 %	New York
Mayr-Melnhof Karton AG	Materials	329 433	169 928	324 472	154 544	1,15 %	Vienna
Koninklijke Philips NV	Industrials	1 142 686	269 957	314 872	44 914	1,11 %	Amsterdam
Novo Nordisk A/S-B	Health Care	1 049 207	311 768	311 762	-5	1,10 %	Copenhagen
Columbia Property Trust Inc	Real Estate	1 567 080	282 397	298 931	16 534	1,06 %	New York
Baidu Inc ADR	Information Technology	197 310	287 810	291 274	3 464	1,03 %	NASDAQ
Irsa Sa ADR	Real Estate	1 351 774	112 599	290 579	177 980	1,03 %	New York
Red Electrica Corp SA	Utilities	1 716 955	278 202	283 821	5 619	1,00 %	Madrid
Autoliv Inc SDR	Industrials	309 857	241 984	272 625	30 640	0,96 %	Stockholm
China Mobile Ltd ADR	Telecommunication Services	565 492	276 596	267 770	-8 826	0,95 %	New York
Autoliv Inc	Industrials	300 042	235 790	264 027	28 237	0,93 %	New York
Sony Corp Sponsored ADR	Consumer Discretionary	779 981	183 736	225 611	41 875	0,80 %	New York
Lenovo Group Ltd	Information Technology	38 184 506	279 827	216 424	-63 403	0,76 %	Hong Kong
Koninklijke DSM NV	Materials	361 187	174 608	210 165	35 557	0,74 %	Amsterdam
Hyundai Motor Co Pref (2pb)	Consumer Discretionary	250 025	174 291	199 058	24 767	0,70 %	Seoul
State Bank Of India GDR	Financials	496 529	91 101	190 628	99 527	0,67 %	London
Amerco	Industrials	50 675	144 763	165 576	20 813	0,59 %	NASDAQ
Sony Corp	Consumer Discretionary	537 856	121 690	156 102	34 413	0,55 %	Tokyo
Johnson Controls International Plc	Industrials	371 651	43 156	134 600	91 444	0,48 %	New York
Golar LNG Ltd	Industrials	563 264	124 677	133 479	8 801	0,47 %	NASDAQ
Lundin Petroleum AB	Energy	624 366	69 694	108 787	39 093	0,38 %	Stockholm
Hyundai Motor Co Pref (1p)	Consumer Discretionary	116 692	79 844	89 135	9 290	0,32 %	Seoul
Sanofi	Health Care	103 489	68 799	80 005	11 206	0,28 %	Paris
State Bank of India	Financials	1 261 856	32 513	49 108	16 595	0,17 %	India
Total equity portfolio*			**21 728 578**	**27 623 224**	**5 894 647**	**97,62 %**	
Disposable liquidity				672 769		2,38 %	
Total share capital				**28 295 994**		**100,00 %**	

* Numbers in 1 000 NOK.

SKAGEN Kon-Tiki

Leading the way in new waters

› The fund reached record high NAV and is 3 percentage points ahead of the index over 12 months

› The portfolio has been further concentrated and is now down to 56 positions

› Samsung was the best contributor in the quarter on rock solid results

1	2	3	4	5	RISK	7

Fund start date	5 April 2002
Return since start*	586.4%
Average annual return*	13.7%
Assets under management	EUR 3 590 million
Number of unitholders	66 808

*In EUR, net of fees

PERFORMANCE IN EUR	Q1 2017*	12M*
SKAGEN Kon-Tiki	11.6 %	28.0%
MSCI Emerging Markets	10.1 %	25.1%

** As of 31 March 2017, net of fees*

PORTFOLIO MANAGERS

Knut Harald Nilsson, Kristoffer Stensrud, Cathrine Gether and Erik Landgraff^*.

*Stepped down on 1 April 2017

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

Patience finally being rewarded

Our long-held view that prospects for emerging markets look rosier, especially relative to developed markets, was upheld this quarter. We also continued to see signs of "value" investing finally returning to favour.

Emerging markets (EM) were up 10.1% in the quarter (in EUR) versus 5.5% for developed markets (DM). At the same time, SKAGEN Kon-Tiki was up a strong 11.6%, ending the quarter at a record high NAV. The fund is 3 percentage points ahead of the index over the past 12 months.

Best quarter in 5 years

In a quarter when Trump threatened to end trade deals, South Korea impeached its president, South Africa fired its finance minister and the UK began laying the path for its exit from the European Union, EM equities clocked in their best quarter in 5 years.

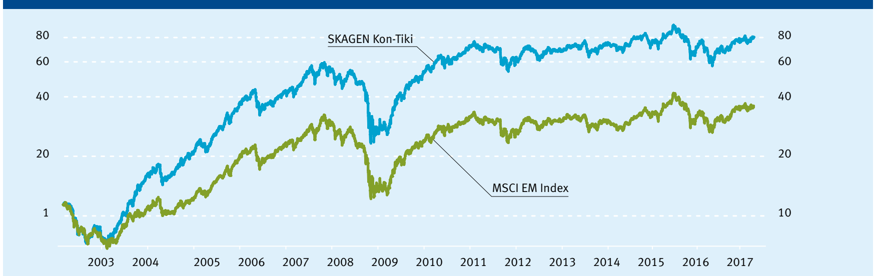
The appeal of higher-yielding non-dollar denominated assets has been boosted as the threat of a more aggressive Fed interest tightening cycle seems to have eased, and growth in EM in particular has continued to rebound. Stabilising commodity prices and improving corporate earnings have helped rebuild investor sentiment in EM over the past 12 months.

Portfolio concentration

We continued to concentrate the portfolio during the quarter. We are now down to 56 positions, from around 70 at the beginning of 2016. We sold out of our positions in Cosco Shipping, Euronav and Frontline given the difficult supply/demand outlook for tankers. We also sold our position in Swedish-Swiss industrial company ABB after a nice journey. Finally, we switched our holding in Thai bank Kiatnakin with a new position in Bangkok Bank.

Bangkok Bank is the most cyclical bank in Thailand with almost three quarters of the loan book exposed to corporates. It has been de-rated due to lacklustre credit growth and asset quality deterioration over recent quarters. Thailand is entering a new investment cycle which should be a key driver in reviving corporate loan demand, especially if big infrastructure investments come through. Thailand is in transition and the reforms being implemented ahead of the upcoming election should be supportive for the company.

HISTORICAL PRICE DEVELOPMENT SKAGEN KON-TIKI



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

Photo: Bloomberg

THE WINNERS

Rock solid results
Samsung Electronics was yet again the strongest contributor to Kon-Tiki in the quarter. The same quarter as Jay Y. Lee, heir apparent to the chairmanship, was arrested, Samsung released rock solid results for the full year and an optimistic outlook. The world's biggest memory chipmaker anticipates the DRAM supply-demand balance to remain tight throughout 2017, which led to yet another positive revision trend. Samsung also announced a buy-back which exceeded our expectations. At the time of writing Samsung unveiled an impressive flagship Galaxy S update which should also help repair the brand's image.

Potential privatisation
Our Brazilian bank Banrisul was up an impressive 44% for the quarter, on expectations that Rio Grande do Sul might need to sell their 57% stake due to ongoing economic challenges. We unwound some of the position on the strength, but even after this run, the stock is not priced for perfection as it trades at around 1x P/B. According to state law, a potential privatisation of Banrisul would need to be approved by the majority of the state's population through a public referendum. It is difficult to assess whether this will happen, and hence do not include it in our price target calculation.

Revival
After having traded sideways for the past 2 years, Hyundai Motors finally came to back life this quarter. In terms of share price potential we believe Hyundai might be firing on all cylinders for the rest of 2017: we believe there will be a recovery in EM demand where Hyundai is overrepresented due to strong positions in markets like Russia, Brazil and the Middle East. This, coupled with new products and an increasing SUV proportion should help margins recover. There are also signs that a higher payout ratio and share buybacks may be imminent, which should trigger a re-rating of the shares. Heightened calls for transparent governance in recent years might mean moves to break the chain of circular shareholding amongst South Korean conglomerates. This should also call for a re-rating opportunity.

Strong comeback
Naspers, our South African listed globally diversified media company, came back strongly in the quarter, after a dismal 4Q performance. The share price has only tracked the performance of its 34% stake in Chinese Tencent, meaning the discount has not narrowed despite the progress made rationalising the portfolio. The value of Naspers' stake in publicly listed Tencent exceeds the company's own market capitalisation, so we essentially get the remaining assets for free. Considering that they operate in more than 130 countries, maintain a profitable media business across Africa and have promising stakes in rapidly developing countries, this valuation is overly harsh. Some of their investments are now ripe for monetisation.

We believe that the market does not price this in due to different time horizons. Market participants tend to be increasingly short-term oriented, but we can afford to wait for attractive re-ratings which are impossible to time. Since our initial investment in Naspers in 2010 we have multiplied our initial investment many times. Nevertheless, we still believe the long-term potential is just as big as when we first invested given their evolving portfolio.

THE LOSERS

Norwegian Air (NAS), the third largest low-cost carrier in Europe, was one of the detractors in the quarter. The long-term case is still intact. Their long haul operations separate NAS from other low cost carriers, and they are establishing a very strong strategic positioning. Cheap fares combined with cost discipline is a winning formula, but the 4Q results made it clear that we have all been a bit too optimistic on the cost development side.

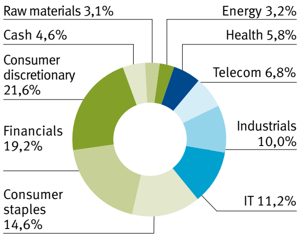
Marfrig, the world's third-largest beef producer, had a good run in 4Q, but has suffered in recent months due to disappointing results as well as the renowned Brazilian Weak Flesh Investigation. The investigation revolves around a scheme involving bribe payments by meatpacker companies' executives to agricultural inspectors in order to ease sale of irregular products. Marfrig was indirectly shot by association (despite not being cited) and was impacted by the decision by important markets to suspend meat imports from Brazil.

While the recent events cause near-term industry disruption, we expect favourable underlying sector trends to persist in the mid to longer term. Restrictions are starting to be lifted, industry dynamics are moving in the right direction and the macro outlook in Brazil is improving. This should help the share price recover.

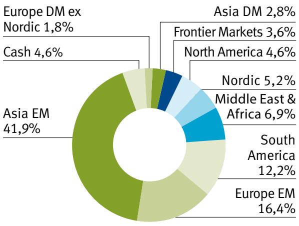
JSE, South Africa's only licensed, full service securities exchange, connects buyers and sellers in financial markets. The second half of 2016 was tougher than expected with a slowdown in revenues and accelerating costs. We unwound almost one third of the position ahead of the recent correction. Short-term earnings pressure seems more than priced in now, as it trades at a current year P/E of 13x compared to a sector trading at above 20x. We expect management action to rein in costs while a softer revenue base in 2H should help the company return to growth.

Tullow Oil surprised us towards the end of the quarter with the launch of a big rights issue, which caused share price weakness. We saw this as an opportunity to increase our stake at a discounted price in one of the highest quality oil exploration assets available. The rights issue helps them reset the company for growth after a long period of cost savings and capex reductions. They will now have increased flexibility to pursue development and exploration opportunities without the pressure to monetise assets.

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



SKAGEN KON-TIKI PORTFOLIO CHANGES IN Q1 2017 (PERCENTAGE OF AUM)

5 largest contributors	
Samsung Electronics	1,35%
Banrisul	1,21%
Hyundai Motor	0,79%
Naspers	0,77%
State Bank of India	0,65%
5 largest detractors	
Tullow Oil	-0,23%
JSE	-0,19%
Norwegian Air Shuttle	-0,11%
Marfrig Global Foods	-0,07%
China Shineway Pharmaceutical	-0,04%

5 largest purchases	
Golar LNG	0,87%
Borr Drilling Ltd	0,78%
Bangkok Bank	0,60%
East African Breweries	0,37%

5 largest sales	
ABB	-2,52%
Samsung Electronics	-1,55%

Based on NOK returns

SKAGEN KON-TIKI KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 31/3 2017)

Company	Holding size	Price	P/E 2016	P/E 2017E	P/B last	Price target
Hyundai Motor	7,4	99 300	4,7	4,0	0,4	170 000
Samsung Electronics	6,7	1 603 000	10,0	6,4	1,2	1 900 000
Naspers	4,9	172	38,3	26,5	6,7	223
Sabanci Holding	4,1	10	7,7	6,3	0,9	14
Mahindra & Mahindra	3,9	1 287	17,2	13,5	2,7	2 000
Richter Gedeon	3,8	6 621	20,1	18,1	1,8	7 500
X5 Retail Group	3,7	1 889	20,3	14,5	4,0	2 187
Cosan Ltd.	3,5	26,5	16,6	7,6	1,1	31
State Bank of India	3,4	293	19,6	13,3	1,0	350
SBI Holdings	2,8	1 552	9,7	10,3	0,8	2 500
Banrisul	2,7	14,8	9,2	7,4	0,9	18
Kinnevik	2,5	239	-19,1	39,9	0,9	312
Weighted top 12	**49,3**		**11,3**	**8,3**	**1,0**	**35**
Weighted top 35	**84,2**		**14,9**	**9,9**	**1,1**	**32**
Benchmark index			**14,5**	**11,9**	**1,5**	

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

Less waiting required

We feel privileged to have long-term investors who understand our investment philosophy, which gives us the courage to continue with our value-oriented "against the crowd" philosophy. The current environment is rewarding us for our active EM focus after years of underperformance versus DM. We may also be at the start of a hopefully long-lasting trend of "value" investing returning to favour. Or as Morgan Stanley said in a recent report: "While value requires patience, we are hopeful that, at the moment, less waiting is required".

SECURITIES PORTFOLIO SKAGEN KON-TIKI AS OF 31 MARCH 2017

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

Securities	Sector	Number of shares	Acquistion value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock exchange
Naspers Ltd	Consumer Discretionary	1 074 593	463 367	1 602 912	1 139 545	4,86 %	Johannesburg
Samsung Electronics Co Ltd Pref	Information Technology	120 000	575 992	1 479 691	903 699	4,49 %	Seoul
Haci Omer Sabanci Holding AS	Financials	56 848 322	1 240 691	1 341 807	101 116	4,07 %	Istanbul
Hyundai Motor Co Pref (2pb)	Consumer Discretionary	1 670 000	282 809	1 329 576	1 046 767	4,03 %	Seoul
Mahindra & Mahindra Ltd GDR	Consumer Discretionary	7 387 691	172 364	1 267 278	1 094 914	3,84 %	London
Richter Gedeon Nyrt	Health Care	6 314 857	687 624	1 247 296	559 672	3,78 %	Budapest
X5 Retail Group NV GDR	Consumer Staples	4 201 932	426 632	1 217 585	790 953	3,69 %	London
Cosan Ltd	Consumer Staples	15 720 419	879 161	1 148 956	269 795	3,48 %	New York
State Bank of India	Financials	28 375 000	646 809	1 104 273	457 464	3,35 %	India
Hyundai Motor Co Pref (1p)	Consumer Discretionary	1 427 750	229 942	1 090 580	860 638	3,31 %	Seoul
SBI Holdings Inc	Financials	7 759 600	603 768	928 098	324 330	2,81 %	Tokyo
Banco Do Estado Rio Grande Do Sul SA Pref	Financials	22 401 200	524 421	899 186	374 764	2,73 %	Sao Paulo
Kinnevik AB-B	Telecommunication Services	3 582 146	609 581	824 719	215 139	2,50 %	Stockholm
Great Wall Motor Co Ltd	Consumer Discretionary	79 522 500	83 910	779 078	695 168	2,36 %	Hong Kong
Cia Brasileira de Distribuicao - Pref	Consumer Staples	4 600 000	706 310	761 548	55 238	2,31 %	Sao Paulo
Golar LNG Ltd	Industrials	3 200 000	881 645	758 315	-123 331	2,30 %	NASDAQ
CNH Industrial NV	Industrials	9 138 348	555 765	754 326	198 561	2,29 %	New York
Samsung Electronics Co Ltd Pref GDR	Information Technology	119 489	117 733	737 688	619 955	2,24 %	London
Samsung SDI Co Ltd	Information Technology	670 000	480 383	711 230	230 848	2,16 %	Seoul
LG Electronics Inc Pref	Consumer Discretionary	3 050 000	826 565	680 384	-146 181	2,06 %	Seoul
Tech Mahindra Ltd	Information Technology	8 784 608	354 670	535 005	180 335	1,62 %	India
Yazicilar Holding AS	Consumer Staples	10 837 139	313 127	522 327	209 201	1,58 %	Istanbul
Indosat Tbk PT	Telecommunication Services	113 720 150	306 782	514 243	207 461	1,56 %	Indonesia
Bharti Airtel Ltd	Telecommunication Services	10 697 281	409 175	496 688	87 514	1,51 %	India
Borr Drilling Ltd	Energy	14 250 000	343 203	495 188	151 984	1,50 %	Unlisted
Cia Cervecerias Unidas SA ADR	Consumer Staples	2 193 449	387 122	476 976	89 855	1,45 %	New York
Rumo Logistica Operadora	Industrials	20 375 300	245 910	472 250	226 339	1,43 %	Sao Paulo
Korean Reinsurance Co	Financials	4 860 366	182 711	433 694	250 982	1,31 %	Seoul
Sistema PJSC FC	Telecommunication Services	115 287 412	606 630	395 404	-211 225	1,20 %	Moscow
LG Chem Ltd Pref	Materials	259 179	179 108	379 797	200 689	1,15 %	Seoul
UPL Ltd	Materials	3 695 650	76 531	356 325	279 794	1,08 %	India
Enka Insaat Ve Sanayi AS	Industrials	24 246 616	218 014	349 675	131 661	1,06 %	Istanbul
China Shineway Pharmaceutical	Health Care	36 934 000	280 824	347 530	66 707	1,05 %	Hong Kong
Bollore SA	Industrials	10 155 415	277 287	337 333	60 046	1,02 %	Paris
Apollo Tyres Ltd	Consumer Discretionary	11 855 954	99 793	328 201	228 408	0,99 %	India
Vietnam Enterprise Investments Ltd	Financials	9 000 000	257 177	318 705	61 527	0,97 %	Dublin
JSE Ltd	Financials	3 514 971	136 477	291 874	155 396	0,88 %	Johannesburg
Tullow Oil Plc	Energy	11 039 526	845 842	274 597	-571 245	0,83 %	London
Aberdeen Asset Management Plc	Financials	9 475 609	293 750	269 759	-23 990	0,82 %	London
East African Breweries Ltd	Consumer Staples	13 772 849	237 291	262 522	25 231	0,80 %	Nairobi
OCI Co Ltd	Materials	396 454	301 427	258 305	-43 122	0,78 %	Seoul
Marfrig Global Foods SA	Consumer Staples	16 221 400	255 501	256 225	723	0,78 %	Sao Paulo
GCL-Poly Energy Holdings Ltd	Energy	224 088 000	369 048	255 507	-113 541	0,77 %	Hong Kong
Lenovo Group Ltd	Information Technology	43 490 000	280 193	246 494	-33 699	0,75 %	Hong Kong
LG Corp Pref	Industrials	808 430	118 669	245 638	126 969	0,74 %	Seoul
Eis Eczacibasi Ilac ve Sinai	Health Care	24 263 192	133 394	211 323	77 929	0,64 %	Istanbul
Golden Ocean Group Ltd	Industrials	3 195 653	83 929	208 516	124 587	0,63 %	Oslo
Bangkok Bank PCL-Foreign Reg	Financials	4 407 600	183 217	205 363	22 147	0,62 %	Bangkok
Ghana Commercial Bank Ltd	Financials	18 001 604	90 783	186 285	95 502	0,56 %	Ghana
Massmart Holdings Ltd	Consumer Staples	1 932 340	147 925	170 071	22 146	0,52 %	Johannesburg
Norwegian Air Shuttle ASA	Industrials	700 000	65 751	165 550	99 799	0,50 %	Oslo
EFG-Hermes Holding SAE	Financials	12 778 665	220 549	157 772	-62 777	0,48 %	Cairo
VinaCapital Vietnam Opportunity Fund Ltd	Financials	4 392 100	92 364	132 202	39 838	0,40 %	London
Eczacibasi Yatirim Holding	Health Care	5 044 098	40 038	116 676	76 638	0,35 %	Istanbul
Norfinance AS	Financials	619 203	61 920	62 911	991	0,19 %	Unlisted
Mahindra & Mahindra Ltd	Consumer Discretionary	165 122	13 384	28 186	14 801	0,09 %	India
Deep Sea Supply Plc	Energy	17 250 931	171 047	21 391	-149 656	0,06 %	Oslo
Asia Cement China Holdings	Materials	7 630 500	28 132	19 428	-8 704	0,06 %	Hong Kong
Diamond Bank Plc	Financials	718 971 941	154 156	13 249	-140 907	0,04 %	Lagos
Hyundai Motor Co GDR	Consumer Discretionary	33 510	10 090	12 433	2 343	0,04 %	London
EFG-Hermes Holding GDR	Financials	232 480	8 193	5 547	-2 646	0,02 %	London
Bollore SA	Industrials	24 818	682	802	120	0,00 %	Paris
Total equity portfolio*			**19 877 288**	**31 502 492**	**11 625 204**	**95,50 %**	
Disposable liquidity				1 483 290		4,50 %	
Total share capital				**32 985 782**		**100,00 %**	

* Numbers in 1 000 NOK.

SKAGEN m²

*A doorway to global interest rates**

- Emerging markets provided tailwinds during the quarter
- The portfolio is dominated by companies with growth potential and stable cash flows
- Companies are equipped for an interest rate hike

1	2	3	4	5	RISK	7

Fund start date	31 October 2012
Return since start*	35.1%
Average annual return*	7%
AUM	EUR 102 million
Number of unitholders	7 847

*In EUR, net of fees

PERFORMANCE IN EUR	Q1 2017*	12M*
SKAGEN m²	2.3 %	16.1%
MSCI ACWI Real Estate IMI	2.8%	10.8%

** As of 31 March 2017, net of fees*

PORTFOLIO MANAGERS

Michael Gobitschek and Harald Haukås*

*Stepped down on 1 April 2017

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

Emerging markets lifted the portfolio

Since year-end, questions around Trump, the political elections and the central banks' actions have also created uncertainty in property markets. Added to that is the realisation that the stock market has been following an upward trajectory for more than eight years.

Fortunately, it is the companies' ability to create value for shareholders, which is important over time. Generally speaking, property companies are in very good condition as rents continue to grow and the debt level is significantly healthier and more diverse than it has been for a long time. Many management teams have learned from the previous crisis and are striving to make their balance sheets more resilient.

More than just interest rates

After the long-term interest rates began to rise in the middle of last year, investors began selling real estate stocks. The situation is much more nuanced than that, however. Over time, other factors play a part in a real estate company's value creation. High interest rates indicate a good economy as a rule, creating demand and driving up rents. As long as earnings are good and growing, this compensates for any loss in value as a result of higher hurdle rates. The portfolio continues to be dominated by companies that have growth potential, for example through renovation or construction, but that always have a high proportion of assets that generate cash flow. Property is a real asset which is resilient, and regardless of how high or low inflation is, it maintains its value. If the interest rate increase is due to inflation, the general concern is fairly unjustified as it can be compensated for in the form of higher rent for tenants. If the real interest rate is hiked however, the situation is worse – but there are no signs of that now, quite the contrary in fact.

Photo: Immo Finanz

Photo: Shangri-la

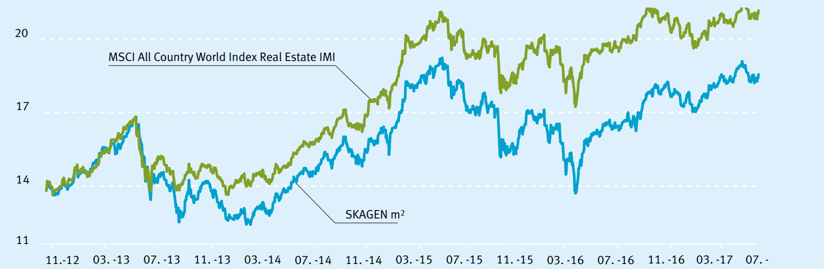
Companies with growth potential

The property market is influenced more than many other sectors by speculation about where the macro economy and interest rates are heading. This is particularly the case when there has been growth euphoria around possible inflation-driven US reforms. As a result, the valuation of many real estate stocks globally is at a much more attractive level than during the downturn in the autumn. In many cases, the companies are now trading at a large discount to this year's intrinsic value, often with a strong cash flow and balanced debt. This implies that the market believes that the value of the assets will fall. SKAGEN m2 is of the opinion that the value will in many cases rise due to the high and demand driven rental levels, cheaper financing and probably further pressure on the hurdle rate that has a lagging time factor. In certain cases, the companies are trading at a discount to their fundamental value, which can be motivated as long as the substance value grows faster than the hurdle rate.

SKAGEN M2 KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 31/3 2017)

Company	Holding size	Price	P/NAV last	Div. Yield 2017e	EBITDA 2017e/EV
Olav Thon	5,3%	161	75%	1,4%	6,6%
SL Green	5,5%	105,6	75%	3,0%	5,4%
D Carnegie	5,5%	103	88%	0,0%	4,1%
Catena	5,5%	131,5	91%	4,2%	5,9%
Deutsche Wohnen	5,0%	30,8	104%	2,7%	3,5%
Inmobiliaria Colonial	5,2%	6,9	81%	3,2%	3,4%
Global Logistic Properties	4,2%	2,8	93%	2,5%	3,7%
Mitsui Fudosan	4,5%	2 374	61%	1,4%	6,7%
Irsa	4,3%	25	63%	0,6%	7,8%
GGP	3,9%	23,2	72%	4,0%	6,0%
Weighted top 10	**49,0%**		**80%**	**2,3%**	**5,3%**
Weighted top 35	**95,1%**			**3.2%**	**5,8%**
Benchmark index				**3,5% actual**	

HISTORICAL PRICE DEVELOPMENT SKAGEN m²



Tailwinds from emerging markets

The best contributor to the fund in the quarter was one of the world's largest logistics companies, Singapore-listed Global Logistic Properties (GLP). The company has announced a strategic review and has opened up to several potential bidders. GLP has been heavily undervalued but is now trading at levels around book value. Despite this, there are further hidden values in the company, including via their land bank and potential projects. We will likely know more about the outcome next quarter.

One of the best performing companies last year, Argentinian IRSA, continues to deliver. The company is on the right financial and operational track at the same time as there are great hopes of an improved economy in Argentina. During the period, the Hong Kong based hotel chain, Shangri-La also came to life. Along with a better operating result, another reason for the gain was the expectation that the Chinese hotel market will turn.

We sold out of the French shopping centre operator, Mercialys, which has been a good contributor to the portfolio. We are now seeing uncertainty around the company's continued cash flow growth. At the same time, we added another player within commercial property, Finnish Sponda. We bought the company at very attractive levels, well below the intrinsic value. Sponda is in the process of rotating its portfolio and will primarily focus on good quality property in central Helsinki.

Photo: Ashford hospital Trust

Photo: Immo Finanz

Worst this year

The worst performing stock so far this year is the US shopping centre chain, CBL Properties. The company was affected by the negative sentiment that arose when several retail trade players such as JC Penny, Sears and Macys announced that they would be closing most of their department stores. This created unrest among investors who began selling shopping centres on concerns that the latter would gradually face profitability issues as a result of having several empty premises.

The news that the US hotel company, Ashford Hospitality Trust, announced that they had acquired the Canadian Felcore at a 25 percent mark-up was also negatively received. The acquisition is financed by a large number of newly issued shares with a disproportionate spread as a consequence of this. This was entirely unexpected by the market which had hoped that the company's cash position would be distributed. At the time of writing, it remains uncertain whether the transaction will go through since it is not supported by Felcore.

On the back of poor corporate governance, we significantly reduced our position in Ashford Prime during the quarter and exited the related company Ashford Inc.

Potential in Central and Eastern Europe

One of our most exciting new companies is the Austrian Immofinanz. They operate commercial properties primarily in Austria, Germany and former Eastern Europe. The company trades at a significant discount due to its history of poor results, depreciations, debt and poor corporate governance. Many of the problems stem from a shopping centre in Moscow which is now up for sale. Immofinanz owns 26 percent of another one of our holdings, CA Immo, with which they intend to merge. The condition for the merger is that they sell the Russian shopping centre. The market is entirely focused on and deeply sceptical about when this will occur and at what price. Another alternative is to distribute these assets to shareholders, even though this would be less attractive. Regardless, the new management has started a restructuring program with the intention of creating better profitability. The rental level is increasing, credit is being financed, the company is buying back its own shares and has a qualitative project in Germany that will create cash flow in a few years time. All of these measures should cultivate and increase cash flow significantly.

If the merger with CA Immo goes ahead, it will give rise to one of Europe's largest companies within commercial property, with substantial exposure to a fast growing Eastern Europe. The companies are a good match since they operate within the same geographical regions and segments. In addition, an outspoken activist investor and one of the world's largest hedge funds have registered their interest and that tends to be a good sign.

Photo: Bloomberg

Belief in value-creating stocks

For 2017 we still believe that companies with built-in growth components will be the most prosperous. That is to say management which actively works with the assets, primarily via investments that may increase rental income, preferably in markets with lower supply than demand. We still see a trend towards cheaper financing, but the companies are in general well equipped for a rise in interest rates. During the year we also anticipate several corporate transactions, driven by the large valuation gap between the direct market and the stock market among other things. We have already seen evidence of this in the portfolio and we believe that the pace will quicken.

This analysis forms the basis of how we structure the portfolio, something we were rewarded for in 2016. The strategy still feels extremely rational.

Investing in property involves diversifying, both in the portfolio and through various property segments, geographies, rental levels and loan levels. It is even more important to diversify between different asset classes, such as stocks and fixed income over time. Investing in real estate on the stock market is not a sprint, it is an ultra marathon and we have only just started.

SECURITIES PORTFOLIO SKAGEN M2 AS OF 31 MARCH 2017

See the portfolio in its entirety at www.skagenfunds.com/portfolio-m2

Securities	Sector	Number of shares	Acquistion value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock exchange
SL Green Realty Corp	Real Estate Companies incl. REITs	56 562	44 638	51 363	6 725	5,47 %	New York
Catena AB	Real Estate Companies incl. REITs	405 761	47 769	51 335	3 566	5,47 %	Stockholm
D Carnegie & Co AB	Real Estate Companies incl. REITs	516 251	38 680	51 159	12 478	5,45 %	Stockholm
Olav Thon Eiendomsselskap ASA	Real Estate Companies incl. REITs	310 000	41 401	49 910	8 509	5,32 %	Oslo
Inmobiliaria Colonial SA	Real Estate Companies incl. REITs	766 374	43 793	48 696	4 904	5,19 %	Madrid
Deutsche Wohnen AG	Real Estate Companies incl. REITs	170 000	40 139	48 124	7 985	5,13 %	Frankfurt
Mitsui Fudosan Co Ltd	Real Estate Companies incl. REITs	233 000	47 403	42 628	-4 774	4,54 %	Tokyo
Global Logistic Properties Ltd	Real Estate Companies incl. REITs	2 312 700	31 930	39 570	7 641	4,22 %	Singapore
Irsa Sa ADR	Real Estate Companies incl. REITs	178 171	20 304	38 300	17 996	4,08 %	New York
GGP Inc	Real Estate Companies incl. REITs	185 000	40 268	36 889	-3 380	3,93 %	New York
CA Immobilien Anlagen AG	Real Estate Companies incl. REITs	151 662	23 013	28 330	5 316	3,02 %	Vienna
Columbia Property Trust Inc	Real Estate Companies incl. REITs	147 000	24 949	28 041	3 092	2,99 %	New York
Dic Asset AG	Real Estate Companies incl. REITs	300 000	20 376	25 619	5 244	2,73 %	Xetra
Shangri-La Asia Ltd	Real Estate Companies incl. REITs	1 900 000	20 104	23 809	3 705	2,54 %	Hong Kong
PS Business Parks Inc	Real Estate Companies incl. REITs	24 000	15 274	23 546	8 272	2,51 %	New York
Immofinanz AG	Real Estate Companies incl. REITs	1 413 752	22 581	23 214	633	2,47 %	Vienna
Sponda OYJ	Real Estate Companies incl. REITs	627 211	22 745	22 441	-304	2,39 %	Helsingfors
British Land Co Plc	Real Estate Companies incl. REITs	325 000	21 199	21 187	-12	2,26 %	London
Ashford Hospitality Trust	Real Estate Companies incl. REITs	375 000	23 319	20 511	-2 808	2,19 %	New York
Melia Hotels International	Real Estate Companies incl. REITs	172 000	15 200	20 329	5 129	2,17 %	Madrid
SM Prime Holdings Inc	Real Estate Companies incl. REITs	3 811 800	11 039	18 479	7 439	1,97 %	Philippines
Axiare Patrimonio SOCIMI SA	Real Estate Companies incl. REITs	144 000	15 313	18 382	3 069	1,96 %	Madrid
Phoenix Mills Ltd	Real Estate Companies incl. REITs	355 160	13 637	17 828	4 191	1,90 %	India
Big Yellow Group Plc	Real Estate Companies incl. REITs	223 000	19 503	17 457	-2 046	1,86 %	London
Atrium Ljungberg AB	Real Estate Companies incl. REITs	131 044	13 414	17 197	3 783	1,83 %	Stockholm
Beni Stabili SpA	Real Estate Companies incl. REITs	3 032 917	13 674	16 364	2 690	1,74 %	Milano
CapitaLand Ltd	Real Estate Companies incl. REITs	700 000	12 588	15 639	3 051	1,67 %	Singapore
Grivalia Properties Reic AE	Real Estate Companies incl. REITs	171 510	11 560	12 916	1 355	1,38 %	Athens
Ascendas India Trust	Real Estate Companies incl. REITs	1 780 200	7 454	12 326	4 872	1,31 %	Singapore
Soho China Ltd	Real Estate Companies incl. REITs	2 568 500	13 794	11 828	-1 966	1,26 %	Hong Kong
Keck Seng Investments	Real Estate Companies incl. REITs	1 550 000	11 743	10 913	-830	1,16 %	Hong Kong
Oberoi Realty Ltd	Real Estate Companies incl. REITs	214 090	6 591	10 463	3 872	1,11 %	India
First Real Estate Investment Trust	Real Estate Companies incl. REITs	938 405	7 127	7 566	439	0,81 %	Singapore
BUWOG AG	Real Estate Companies incl. REITs	18 000	3 460	3 863	403	0,41 %	Vienna
Ashford Hospitality Prime Inc	Real Estate Companies incl. REITs	40 718	4 429	3 679	-749	0,39 %	New York
Entra ASA	Real Estate Companies incl. REITs	24 462	2 048	2 293	245	0,24 %	Oslo
Total equity portfolio*			**772 457**	**892 196**	**119 739**	**95,06 %**	
Disposable liquidity				46 367		4,94 %	
Total share capital				**938 563**		**100,00 %**	

* Numbers in 1 000 NOK.

SKAGEN M2 PORTFOLIO CHANGES IN Q1 2017 (PERCENTAGE OF AUM)

5 largest contributors	
Global Logistic Properties	1,27%
IRSA	1,21%
Shangri-La Asia	0,69%
CA Immobilien Anlagen	0,39%
CapitaLand	0,33%

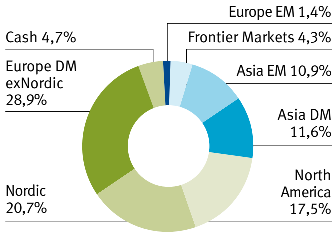
5 largest purchases	
Sponda	2,37%
Immofinanz	2,35%
General Growth Properties	1,82%
CA Immobilien Anlagen	0,60%
BUWOG	0,36%

5 largest detractors	
CBL & Associates Properties	-0,77%
Ashford Hospitality Trust	-0,41%
Mercialys	-0,38%
Mitsui Fudosan Co	-0,38%
Ashford Hospitality Prime	-0,32%

5 largest sales	
Mercialys	-3,52%
CBL & Associates Properties	-3,21%
Global Logistic Properties	-1,70%
Nomura Real Estate Master Fund	-1,31%
Ashford Hospitality Prime	-1,25%

Based on NOK returns

GEOGRAPHICAL DISTRIBUTION



SKAGEN Focus

Hunting for exceptional investments

› We initiated three new positions in Gold Fields, Unilever and Hyundai

› The top contributor in the quarter was Korean discount retailer E-mart

› We maintain our disciplined investment process with regard to position sizing and price targets

1	2	3	4	5	RISK	7

Fund start date	26 May 2015
Return since start*	3.5%
Average annual return*	1.9%
AUM	EUR 235 million
Number of unitholders	5 491

*In EUR, net of fees

PERFORMANCE IN EUR	Q1 2017*	12M*
SKAGEN Focus	3.5%	29.5%
MSCI World AC TR Index	5.5%	22.6%

** As of 31 March 2017, net of fees*

PORTFOLIO MANAGERS

Filip Weintraub, Jonas Edholm and David Harris (Junior Manager)

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

Photo: Bloomberg

Equity markets climb "wall of worry"

In an environment of hawkish rhetoric from central banks and major market uncertainties, SKAGEN Focus generated a solid absolute performance of 3.5% in EUR in the quarter.

The return of inflation, after being more or less pronounced dead, was a major theme heading into the New Year. This has also been accompanied by increasingly hawkish rhetoric from the central banks of the world. Indeed, the Federal Reserve hiked interest rates during the first quarter by a highly anticipated 25 basis points. Progressing through the quarter the inflationary perception gradually faded, and many expected political winds, best personified by US President Trump, will probably take longer than anticipated to be implemented – if at all. Despite this, global equity markets climbed a "wall of worry" in the face of major market uncertainties. These include protectionist measures like the introduction of a border tax in the US and higher overall interest rates, especially in the US.

We witnessed a resurrection in many industrial metals in 2016, but these segments of the market have since faded or stagnated at best. The energy sector was a poor performer as the oil price fell sharply as a result of US supply growth outweighing production cuts from OPEC. This was the background for weaker performance from our sole oil production company, Whiting Petroleum. Our other exposure in the energy space, US-based refiner Tesoro, would logically be a beneficiary of lower oil prices, but the stock did not hold up as well as we would have expected in this environment.

A golden opportunity

After selling out of our positions in First Quantum, South32 and Pan America Silver last year, our exposure to the metal and mining segment was significantly reduced. However, we have now revisited the segment and initiated a position in South Africa-based gold miner, Gold Fields. Gold Fields is one of the largest gold exploration companies in the world with a total production capacity of 2.2m ounces and reserves in excess of 50 million ounces. The company is headquartered in South Africa, but the bulk of the assets are located outside the country in Australia, South America and West Africa. The company owns one asset in South Africa via South Deep, which is potentially one of the largest gold reserves in the world. Analysts seem to take a pessimistic view of the reserve life in the Australian asset base and South Deep's longer term production potential. At current valuation, the stock implies a negative value for South Deep, despite the fact that most asset-specific investments have been made and production has potentially reached an inflection point. Gold Fields is currently a 2.5% position in the fund.

Rotation in financials – viva Italia!

Some of our long-standing clients may recall that Unicredit bought our old friend Bank Austria almost 10 years ago at a significant premium. We are now able to buy this asset back at extremely low prices, with some Italian banking added. The Italian banking market has been plagued by non-performing loans, most of them legacy loans from before 2007. A wave of restructurings has now hit the Italian banking market, including mergers among smaller banks, bankruptcies and re-capitalisation of the larger banks. The Italian banking market has been fragmented, but we believe this may now change for the better, as the market becomes more concentrated and the remaining players more profitable.

Unicredit is the second largest bank in Italy after Intesa and also has major operations in CEE and Turkey. The company has recently gone through a re-capitalisation with a EUR 13bn equity raise, whereby we initiated a position, and it sold another EUR 7bn of non-core assets to shore up capital. The strategic plan aims to significantly cut costs and targets the closure of 25% of company branches. If executed properly, Unicredit could through this restructuring exercise become one of the more efficient banks in Europe. Unicredit is currently a 2.7% position in the fund.

SKAGEN FOCUS CHANGES IN Q1 2017 (PERCENTAGE OF AUM)

5 largest contributors	
E-MART	0,84%
Samsung SDI	0,66%
Jenoptik	0,60%
Adient	0,57%
Philips Lighting	0,52%

5 largest purchases	
Hyundai Motor	3,83%
UniCredit	3,23%
Gold Fields Ltd	2,96%
Tesoro	1,88%
Carlsberg	1,54%

5 largest detractors	
Aryzta	-0,90%
Whiting Petroleum	-0,78%
Teva Pharmaceutical Industries	-0,42%
AIG	-0,30%
Tesoro	-0,27%

5 largest sales	
Ence Energia y Celulosa	-2,96%
Jenoptik	-2,67%
Adient	-1,21%
SK Hynix	-0,46%
FFP	-0,06%

Based on NOK returns

SKAGEN FOCUS KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 31/3 2017)

Company	Holding size	Price	P/E 2016	P/E 2017E	P/B last	Price target
American International Group Inc	7,1%	62,4	12,8	10,5	0,8	90
Telecom Italia Spa	4,5%	0,8	12,0	11,2	0,8	1,2
E-MART Inc	4,5%	205 500	13,9	12,3	0,7	270 000
Tesoro Corp	4,3%	81,1	14,4	11,7	1,7	120
Teva Pharmaceutical-Sp ADR	3,8%	32,1	6,6	6,7	1,2	90
Philips Lighting NV	3,7%	26,8	11,3	10,7	1,5	30
SBI Holdings Inc	3,7%	1 552	13,9	14,0	0,8	3 000
Taiheiyo Cement Corp	3,7%	372	8,7	11,6	1,3	495
Jbs SA	3,6%	10,2	6,9	5,9	1,2	22
Softbank Group Corp	3,6%	7 862	9,2	12,2	2,8	9 600
Weighted top 10	**42,3%**		**17,8**	**12,5**	**1,0**	
Weighted top 35	**95,2 %**					
Cash	**4,8 %**					
Total portfolio	**100%**					

**JBS is the main owner of Pilgrim's Pride, which is a 1.0% position in the fund. These two positions should be viewed as one, with a total weight of 4.6%.*

Korean retail turn-around

The top contributor in the quarter was Korean discount retailer E-mart, which is a company principally engaged in the hypermarket business. The company has been struggling with saturation in its core discount format and increasing competition from new online entrants. The shares re-rated as several signs of operational improvements became visible. The company's subsidiaries, including the convenience store segment and the Chinese operation, showed an improvement on last year as the company is gradually withdrawing from unprofitable operations. Investors may still be underestimating the positive impact of the E-mart mall (online operation) and Traders concept in the mid-term. The stock remains a 4.5% position in the fund as we still see solid upside to our price target.

Photo: Bloomberg

Laser-focused German industrial hits price target

We exited our position in German based industrial company Jenoptik whose shares are up more than 40% in 2017 alone and which trades at more than twice our entry price 18 months ago.

We sold our holding in Ence, the Spanish based cellulose producer, following a more than solid re-rating since we first entered the position just six months ago. This highlights our disciplined investment process with regard to position sizing and price targets.

We experienced turbulence in the Swiss based specialty bakery company Aryzta, which managed to rack up yet another disappointing earnings forecast. Following this development, management was finally sacked and the recently appointed chairman, McGann, seems to have taken a firm grip on the company and the succession process. Aryzta now has a clear target to reduce debt by EUR 1bn through 2019 and potentially sell the controversial Picard stake.

We re-initiated a position in Korean based auto-manufacturer Hyundai Motors, specifically through the preference shares which are trading at a substantial discount to the already very attractively valued ordinary share. We believe the company might be about to undergo a major restructuring and possibly attract activist interest in the mid-term.

At the end of the quarter, the SKAGEN Focus portfolio consists of 35 stocks of which 11% are small-cap positions and 45% mid-cap. Common to all is that they are substantially undervalued with company-specific potential to re-rate over a two to three year horizon.

We thank you for your support and trust!

Photo: Bloomberg

Photo: Bloomberg

Photo: Adient

Samsung SDI

The company was founded in 1970 as Samsung-NEC and it acquired Cheil Industries in 2014. The company has several lines of operations in small cell batteries, as well as batteries for power tools, vacuum cleaners, e-bikes and electric vehicles (EV). EV batteries account for around 9% of sales and include prismatic and cylindrical lithium cell batteries for electric and hybrid vehicles.

Photo: Bloomberg

FFP

FFP is an investment company with a diversified portfolio of assets where most of the assets are listed. The company is controlled by the Peugeot family (80%) and the largest asset is the stake in Peugeot. The company has gradually diversified away from its holding in Peugeot and now has major exposure to other areas such as health care and industrials. 90% of the portfolio is listed holdings and the equity trades at a substantial discount to net asset value.

Adient

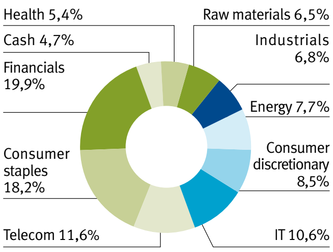
Adient is the global market share leader in seating and interior components for passenger cars, commercial vehicles, and light trucks. The company was spun off from US based Johnson Control in October 2016. The company owns a myriad of Chinese joint ventures which are not consolidated in the company accounts but which produce a substantial equity income. The recently recruited management team from peer Visteon previously executed a successful monetisation of assets with a similar company structure.

SECURITIES PORTFOLIO SKAGEN FOCUS AS OF 31 MARCH 2017

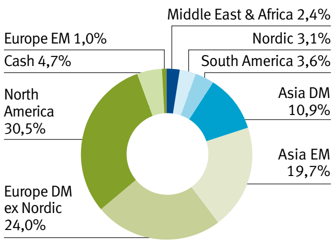
See portfolio in its entirety at www.skagenfunds.com/portfolio-focus

Securities	Sector	Number of shares	Acquistion value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock exchange
American International Group Inc	Financials	283 812	141 390	152 241	10 851	7,06 %	New York
E-MART Inc	Consumer Staples	60 800	78 474	96 111	17 637	4,45 %	Seoul
Tesoro Corp	Energy	133 500	92 831	92 681	-150	4,30 %	New York
Teva Pharmaceutical-Sp ADR	Health Care	295 000	107 435	81 831	-25 603	3,79 %	NASDAQ
Philips Lighting NV	Industrials	325 361	64 205	79 645	15 439	3,69 %	Amsterdam
SBI Holdings Inc	Financials	663 000	70 676	79 299	8 623	3,68 %	Tokyo
Taiheiyo Cement Corp	Materials	2 760 000	70 281	79 125	8 844	3,67 %	Tokyo
Jbs SA	Consumer Staples	2 775 000	68 763	78 025	9 262	3,62 %	Sao Paulo
Softbank Group Corp	Telecommunication Services	126 300	60 935	76 524	15 590	3,55 %	Tokyo
China Telecom Corp Ltd	Telecommunication Services	18 014 000	81 749	75 578	-6 171	3,50 %	Hong Kong
Schaeffler AG	Industrials	448 033	56 998	67 767	10 769	3,14 %	Frankfurt
Carlsberg AS-B	Consumer Staples	84 600	61 827	67 077	5 250	3,11 %	Copenhagen
Telecom Italia Spa	Telecommunication Services	8 650 000	58 054	66 966	8 912	3,10 %	Italiy
Fila Korea Ltd	Consumer Discretionary	120 600	72 644	65 031	-7 612	3,01 %	Seoul
Alphabet Inc Class C	Information Technology	9 000	57 054	64 164	7 110	2,97 %	NASDAQ
Hyundai Motor Co Pref (2pb)	Consumer Discretionary	80 000	65 022	63 692	-1 330	2,95 %	Seoul
CIT Group Inc	Financials	168 000	58 251	62 144	3 893	2,88 %	New York
Infineon Technologies AG	Information Technology	335 000	39 310	58 961	19 652	2,73 %	Frankfurt
UniCredit SpA	Financials	437 000	54 801	57 791	2 990	2,68 %	Italiy
Synchrony Financial	Financials	189 572	52 302	55 674	3 372	2,58 %	New York
Whiting Petroleum Corp	Energy	675 000	56 226	53 222	-3 004	2,47 %	New York
Gold Fields Ltd	Materials	1 750 000	50 130	52 832	2 702	2,45 %	Johannesburg
SK Hynix Inc	Information Technology	120 000	27 227	46 615	19 389	2,16 %	Seoul
Samsung SDI Co Ltd	Information Technology	43 000	32 070	45 646	13 576	2,12 %	Seoul
Stock Spirits Group Plc	Consumer Staples	2 175 375	44 872	43 361	-1 511	2,01 %	London
Aryzta AG	Consumer Staples	145 707	47 796	40 133	-7 664	1,86 %	Zürich
Magforce AG	Health Care	672 154	32 822	35 185	2 363	1,63 %	Xetra
Adient Plc	Consumer Discretionary	55 555	27 670	34 288	6 619	1,59 %	New York
Omega Protein Corp	Consumer Staples	185 491	29 841	31 460	1 619	1,46 %	New York
Telecom Italia Rsp	Telecommunication Services	4 850 000	26 964	30 443	3 479	1,41 %	Italiy
Pilgrim's Pride Corp	Consumer Staples	115 000	21 760	22 080	321	1,02 %	New York
FFP	Financials	26 704	17 449	21 878	4 429	1,01 %	Paris
GCL-Poly Energy Holdings Ltd	Energy	18 500 000	34 072	21 094	-12 978	0,98 %	Hong Kong
Fourlis Holdings SA	Consumer Discretionary	500 373	13 677	20 541	6 864	0,95 %	Athens
Massimo Zanetti Beverage Group SpA	Consumer Staples	213 933	16 138	15 187	-951	0,70 %	Italiy
Samsung SDI Co Ltd Pref	Information Technology	23 330	10 600	10 732	132	0,50 %	Seoul
TerraVia Holdings Inc	Materials	1 436 525	30 157	9 212	-20 945	0,43 %	NASDAQ
Total equity portfolio*			**1 932 469**	**2 054 236**	**121 767**	**95,21 %**	
Disposable liquidity				103 372		4,79 %	
Total share capital				**2 157 608**		**100,00 %**	

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



Trump against trend

The markets have done well after Donald Trump was elected US president. Promises of tax cuts, increased public investments and regulation overshadowed protectionist rhetoric and have pulled up economic expectations. But will those expectations be fulfilled?

The stock market fell slightly the end of the first quarter when Trump and the Republicans' plan to overhaul Obamacare failed to materialise. Doubts are emerging as to whether Trump will be able to deliver on his promises of tax reform and more public investments. Many of his deregulation efforts may also fizzle out. A more fundamental problem, however, is that the US economy has entered a period of low trend growth. This started around 2005, prior to the financial crisis and the 2008-2009 recession, and it is difficult to see what Trump can do to reverse it.

Low trend growth explains why the recovery has been so weak. If the US had quickly crawled out of the recession and then grown at its pre-2005 trend rate, which was 2.9 percent, GDP would be 18 percent higher than it actually is. But GDP has grown just 2.1 percent per year since the trough in 2009. Since some of this has been catch-up growth, there is reason to believe that trend growth is lower than two percent, probably as low as about 1.5 percent.

Why this weakness? Around 2005 the economy received a blow to its ability to make itself more efficient. During the decade prior to 2005, efficiency – i.e. the economy's ability to transform labour and capital into goods and services – grew on average 1.7 percent per year. From 2005 onwards, efficiency growth has just been 0.4 percent per year. Low efficiency growth causes weak growth in labour productivity, implying that higher employment has a limited effect on GDP. It is unclear what has caused the negative shift, which occurred in several advanced economies. Is it a measurement problem caused structural changes in the economy? So far research does not indicate that it has become more difficult to measure efficiency now than it was prior to 2005.

Another reason for weak trend growth is lower labour force participation, something which started around the turn of the millennium. The labour force participation rate was 67.5 percent of the adult population in 2000. Since then the participation rate has fallen and now stands at 63 percent. If it had still been 67.5 percent, 11 million more people would be in the labour market now. Even taking into account weak growth in productivity, this would have provided a significant boost to GDP.

The fact that labour force participation has not increased after the recession indicates that the main reason is demographic. The US population is aging. The proportion of the population with the highest participation rate, those between 25 and 64 years of age, is now growing 0.8 percent per year. That is half the growth rate seen during the three decades prior to 2005. With the unemployment rate at 4.5 percent, GDP will no longer be noticeably pulled up by higher employment.

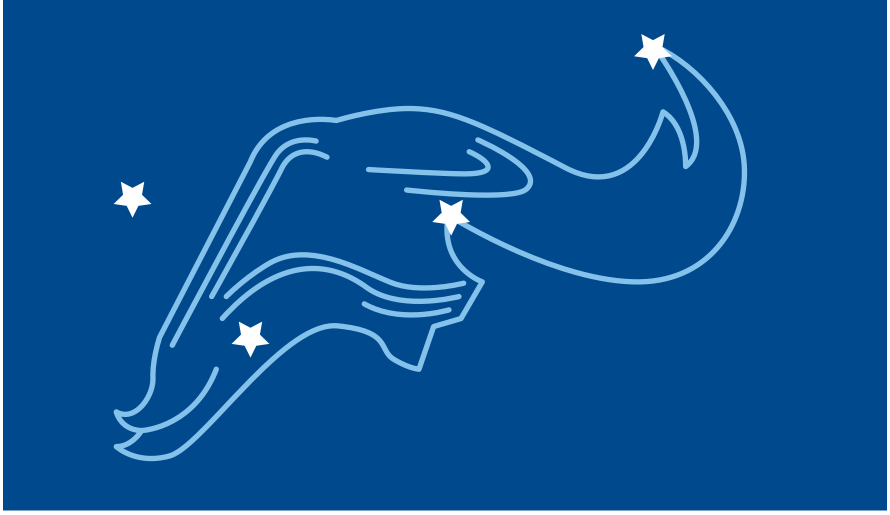
Unsurprisingly, investments fell during the 2008-2009 recession. Investments have picked up, but at a slower pace than has typically been the case following a recession. The reasons are weak efficiency growth and a lower labour participation rate. When the economy produces fewer extra goods and services by using more capital, investments ease off. Also, fewer new workers imply less need for capital.

If the US does not open its doors wide to immigrants, little can be done about demographics. It will thus be more important than ever to try and push up efficiency growth. That is easier said than done, however. What can Trump do to reverse the trend? Expansionary fiscal policy – i.e. more public investments and tax cuts – may have a positive effect on GDP, but there is little to indicate that it would pull up trend growth. Deregulation, such as a simplified tax system, may have a positive effect on trend growth, but a strong broom is needed to instigate persistently higher efficiency growth. Protectionism, on the other hand, would weaken efficiency growth, as higher tariffs act as sand in the economic machinery. As I view it, there is scant reason to believe that policies will cause trend growth to spike. It is highly uncertain what Congress will legislate, and the effect of potentially positive legislation is unclear.

Nevertheless, this does not mean that GDP trend growth cannot be reversed. Perhaps weak efficiency growth has little to do with policy. It may be that the economy strives to adopt new technology and that over time it figures out how to operate more efficiently – as was the case in the 1990s. In 1987, Nobel Prize winner Robert Solow, the economist who first untangled the reasons for sustained growth, said that the computer age could be observed everywhere except in economic statistics. A few years later, efficiency growth accelerated.

Trump is currently struggling with the trend, but the outcome is not written in stone – and it is not always determined by policies.

–Torgeir Høien
Portfolio Manager



SKAGEN Tellus

A doorway to global interest rates

- Mexico largest contributor to the fund
- SKAGEN Tellus differs significantly from the index on several parameters
- Duration only in select countries with high interest rates or a large potential for a fall in interest rates

1 2 3 RISK 5 6 7

Fund start date	29 September 2006
Return since start*	72.22%
Average annual return*	5.31%
AUM	EUR 106 million
Number of unitholders	2 527

*In EUR, net of fees

PERFORMANCE IN EUR	Q1 2017*	12M*
SKAGEN Tellus	0.65%	6.21%
JP Morgan GBI Broad Index Unhedged	0.26%	2.91%

** As of 31 March 2017, net of fees*

PORTFOLIO MANAGERS

Jane Tvedt and Torgeir Høien

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

Trump euphoria abating

SKAGEN Tellus gained 0.7 percent in the first quarter while the benchmark index was up 0.3 percent.

The quarter was characterised by the dawning realisation that Trump would likely not manage to implement his election promises relating to trade barriers. This has had a positive effect on interest rates and currencies in emerging economies and was particularly positive for Mexico and the Mexican peso. The measures taken by the Mexican central bank to counteract the weakening currency as well as dwindling faith that Trump will be able to implement his protectionist policies caused the Mexican peso to strengthen by eight percent against the euro during the quarter. Mexico was therefore the largest contributor to the fund in the quarter. Peru is another Latin American investment that contributed significantly to returns.

SKAGEN Tellus is an actively managed fund. We deviate from the index in terms of the length of the duration, where we have duration and which currencies we invest in. The index has both high duration and currency exposure towards the US, Japan and the large European countries. SKAGEN Tellus takes a significantly different approach.

We continued to hold relatively low duration during the first quarter. We believe that the long-term interest rates in the major economies such as the US, Germany and Japan have reached the bottom and that there is a substantial risk of higher interest rates going forward. Growth is stronger and the risk of deflation has passed. The US central bank has started to tighten monetary policy and we believe that the European central bank will follow suit. This will in turn lead to higher interest rates. As of the end of March, the duration in the fund was 3.1 years while it was 7.6 years for the index.

SKAGEN Tellus has high duration in countries where the interest rate is either high or where it is likely to fall in future. Latin America stands out in that regard as a number of countries there still have attractive interest rates. Our investments in Peru, Chile and the Dominican Republic are all motivated by attractive interest rates. Both Peru and Chile have solid central government finances and almost no public debt, so you can find high interest rates without high risk in these countries. The Dominican Republic has a strong growth history and provides an interest rate of over ten percent.

We have chosen to maintain low duration in countries where we believe the interest rate is likely to rise at the same time as we think the currency will strengthen. Mexico, the UK, Norway, Canada and the US are some such examples.

SECURITIES PORTFOLIO SKAGEN TELLUS AS OF 31 MARCH 2017

See portfolio in its entirety at www.skagenfunds.com/portfolio-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										
Canadian Government	01.03.2018	1,25	8 000	49 891	649,04	53	51 923	51 976	2 032	5,34 %
Chilean Government	05.08.2020	5,50	4 410 000	54 659	1,37	488	60 287	60 775	5 628	6,25 %
Dominican Republic	10.05.2024	11,50	150 000	28 449	19,38	1 228	29 075	30 303	626	3,12 %
Croatia Government Int Bond	30.05.2022	3,87	8 300	74 798	1 000,14	2 467	83 012	85 479	8 214	8,79 %
Portugese Government	15.10.2025	2,87	7 000	66 651	883,89	845	61 872	62 718	-4 779	6,45 %
Slovenia Government	30.03.2026	5,12	3 500	41 766	1 248,85	5	43 710	43 714	1 943	4,50 %
Spanish Government	30.04.2025	1,60	6 000	55 241	940,97	809	56 458	57 267	1 217	5,89 %
UK Government	25.08.2017	8,75	4 500	49 256	1 109,16	396	49 912	50 308	656	5,17 %
UK Government	07.09.2017	1,00	5 000	54 636	1 076,21	35	53 810	53 845	-826	5,54 %
European Bank Recon & Dev	19.03.2018	5,75	200 000	25 846	13,27	50	26 535	26 585	688	2,73 %
Mexican Government	15.06.2017	5,00	120 000	50 145	45,61	808	54 736	55 544	4 591	5,71 %
Norwegian Government	19.05.2017	4,25	95 000	99 059	100,46	3 495	95 441	98 937	-3 618	10,17 %
New Zealand Government	17.04.2023	5,50	8 000	54 358	690,50	1 212	55 240	56 452	882	5,81 %
Peruvian Government	12.08.2037	6,90	20 000	48 107	280,60	473	56 119	56 593	8 012	5,82 %
US Government	30.06.2017	0,62	7 800	64 786	858,84	104	66 989	67 093	2 204	6,90 %
US Government	30.09.2017	0,62	10 000	85 135	857,92	0	85 792	85 792	657	8,82 %
Total Bond Portfolio				**902 785**		**12 470**	**930 911**	**943 381**	**28 126**	**97,01 %**
Disposable liquidity				28 850			29 059	29 059	208	2,99 %
TOTAL				**931 635**		**12 470**	**959 970**	**972 440**	**28 334**	**100,00 %**

Key numbers

Effective yield	3,42%	Duration**	3,10

* Effective yield 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 31.03.2017
Bonds and notes for which there are no market maker prices are at all times valued against the applicable yield curve.

Good return despite lower risk level

SKAGEN Credit EUR

Picking the best bonds from the global orchard

- Good return from narrower credit spreads and coupons
- More important than ever to pick the right bonds
- Equipped to withstand more difficult periods

1 2 RISK 4 5 6 7

Fund start date	30 May 2014
Average annual return*	0.76%
AUM	EUR 17 million
Number of unitholders	46

*In EUR, net of fees

PERFORMANCE IN EUR	Q1 2017*	12M*
SKAGEN Credit EUR	0.57%	6.70%
3 Month EURIBOR	-0.08%	-0.30%

** As of 31 March 2017, net of fees*

PORTFOLIO MANAGER

Ola Sjöstrand

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

It was a positive first quarter. The credit spread narrowed on most of the fund's investments, causing the fund to increase in value.

This narrowing, in combination with the running coupon payments from the bonds, resulted in a good performance for the fund. SKAGEN Credit EUR delivered a return of 0.57 percent, despite the fact that the risk level in the fund has fallen somewhat. The average rating on the investments has risen over the last year from BB+ to BBB at the time of writing. In addition, the investments' average term to maturity has fallen from 2.7 to 2.4 years. This may beg the question why the fund is taking reduced risk when everything seems to be going well and corporate bonds are being issued like never before.

Companies and other bond issuers have been extremely active in the first quarter. The levels, i.e. the interest payable on the bonds, have not been as low for a long time. It is therefore not surprising that all those who can, and have the slightest need for cheap financing, are taking advantage of the current levels. It is more surprising that there are investors interested.

Hunt for returns

One explanation for the high level of purchasing interest is that interest rates generally are low and many investors are willing to take more risk to get any income at all. When the most secure bonds, such as the short-term German Treasury bond, are providing negative interest, many investors choose to increase their risk and instead buy the second most secure bonds. When enough people are willing to buy these, the price is pushed down until they too are trading at a negative interest rate. This propagates further down the credit scale and contributes to pushing down the spread on all types of bonds. The interest, or more correctly speaking, the credit spread on corporate bonds, is therefore pushed down by investors looking for returns, and not because the credit quality is improving.

Bond picking

These low levels thus push down the lending costs for all companies, almost regardless of the companies' financial situation or prospects. It is therefore more important than ever to selectively pick bonds where the risk is proportionate to the return. It is when things look at their best that there is most often the greatest downside and it would be unwise to indiscriminately invest in just any corporate bonds. An index rarely differentiates between good and bad companies and in the bond index the weighting is often placed depending on how many bonds are outstanding. The more a company lends, the greater the weight in the index.

Concentrated assortment

The 40 or so investments that make up the SKAGEN Credit portfolio are selected from all the corporate bonds around the world. There is often a special event or trigger which will cause them to increase in value, or simply provide them with a higher return than comparable bonds for one reason or another. The point is that each and every bond in the portfolio is carefully selected and analysed before we start to invest. Of course, our analysis may at times be incorrect and the investment may do poorly, but by being able to select bonds with excess value, the fund is equipped to withstand more difficult periods at the same time as it should provide a return that is in reasonable proportion to the risk taken.

SECURITIES PORTFOLIO FOR SKAGEN CREDIT AS OF 31 MARCH 2017

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

SKAGEN CREDIT EUR	Number of units	Market value EUR	%
SKAGEN Credit	1 326	15 486	93.82
Liquidity		1 020	6.18
Total share capital		**16 506**	**100.00**

Degree of currency hedging 96.63%, Share of SKAGEN Credit 41.38%
SKAGEN Credit SEK/ NOK/EUR are feeder funds or a collection of 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 NOK	Share of fund (%)
Gazprom OAO	USD	11.04.2018	700	8.15	6,612	1.92
Petrobras Global Finance BV	USD	01.03.2018	600	5.88	5,336	1.55
Petrobras Global Finance BV	USD	20.01.2020	300	5.75	2,743	0.80
Seadrill Ltd	USD	15.09.2017	300	6.13	1,039	0.30
Total Energy					**15,730**	**4.57**
Glencore Canada Financial Corp	GBP	27.05.2020	900	7.38	11,893	3.45
Glencore Funding LLC	USD	30.05.2023	800	4.13	7,121	2.07
Total Raw Materials					**19,014**	**5.52**
DSV A/S	DKK	18.03.2022	8,000	1.60	10,268	2.98
Schaeffler Finance BV	USD	15.05.2023	1,100	4.75	9,801	2.85
Tallink Group AS	NOK	18.10.2018	6,000	6.09	6,336	1.84
Heathrow Funding Ltd	GBP	20.03.2020	500	6.00	6,104	1.77
Heathrow Funding Ltd	GBP	10.09.2018	500	6.25	5,945	1.73
Color Group AS	NOK	18.09.2019	5,000	6.19	5,259	1.53
Bombardier Inc	USD	16.03.2020	400	7.75	3,698	1.07
Bombardier Inc	USD	14.10.2022	200	6.00	1,753	0.51
Total Industrials					**49,164**	**14.28**
Jaguar Land Rover Automotive Plc	GBP	01.03.2023	800	3.88	8,936	2.60
Best Buy Co Inc	USD	15.03.2021	900	5.50	8,380	2.43
Fiat Finance & Trade SA	EUR	15.03.2018	600	6.63	5,846	1.70
Samvardhana Motherson Automotive	EUR	15.07.2021	600	4.13	5,700	1.66
Jacob Holm & Sonner Holding AS	EUR	31.03.2022	500	3.42	4,632	1.35
Fiat Chrysler Finance Europe	EUR	22.03.2021	400	4.75	4,064	1.18
Samvardhana Motherson Automotive	USD	16.12.2021	400	4.88	3,603	1.05
Volvo Car AB	SEK	07.03.2022	3,000	1.86	2,966	0.86
Total Consumer discretionary					**44,126**	**12.81**
Cosan	USD	14.03.2023	1,200	5.00	10,359	3.01
JBS Investments GmbH	USD	28.10.2020	900	7.75	8,388	2.44
Lennar Corp	USD	17.06.2019	500	4.50	4,489	1.30
Total Consumer staples					**23,236**	**6.75**
Sparebank 1 Telemark	NOK	15.06.2017	15,000	1.55	15,080	4.38
Länsförsäkringar Bank AB	SEK	27.04.2026	9,000	1.77	9,027	2.62
Danske Bank AS	GBP	29.09.2021	700	5.38	8,151	2.37
Sparebank 1 Nord-Norge	NOK	26.05.2017	7,000	1.40	7,013	2.04
Bank of Baroda	USD	23.07.2019	750	4.88	6,818	1.98
Turkiye Halk Bankasi AS	USD	13.07.2021	800	5.00	6,684	1.94
Standard Chartered PLC	EUR	23.11.2022	500	3.63	5,078	1.47
Standard Chartered Bank	GBP	03.04.2018	200	7.75	2,453	0.71
Total Financials					**60,303**	**17.51**
Rolta Americas LLC	USD	24.07.2019	400	–	757	0,22
Total IT					**757**	**0.22**
Bharti Airtel International	USD	20.05.2024	700	5,35	6 503	1,89
VimpelCom Holdings BV	USD	01.03.2022	650	7,50	6 370	1,85
Bharti Airtel International	EUR	20.05.2021	400	3,38	4 098	1,19
Frontier Communications Corp	USD	15.09.2022	300	10,50	2 621	0,76
Total Telecom					**19 593**	**5.69**
BKK AS	NOK	22.05.2020	16,000	1.70	16,092	4.67
EDP Finance BV	USD	01.10.2019	1,600	4.90	14,792	4.30
Agder Energi AS	NOK	04.04.2018	10,000	2.16	10,062	2.92
EDP Finance BV	USD	14.01.2021	200	5.25	1,857	0.54
Total Utilities					**42,804**	**12.43**
Entra ASA	NOK	10.04.2017	10,000	2.37	10,055	2.92
SAGAX AB	EUR	09.09.2020	300	3.50	2,856	0.83
American Tower Corp	USD	15.02.2019	300	3.40	2,647	0.77
SAGAX AB	EUR	15.06.2021	100	4.50	982	0.29
Total Real estate					**16,539**	**4.80**
TOTAL SECURITIES PORTFOLIO					**291,266**	**84.58**
IRS EUR 20180620	EUR	20.06.2018	3,000		-377	-0.11
IRS EUR 20210511	EUR	11.05.2021	600		-152	-0.04
IRS GBP 20180129	GBP	29.01.2018	1,200		-172	-0.05
IRS GBP 20230523	GBP	23.05.2023	400		-89	-0.03
IRS USD 20180620	USD	20.06.2018	3,500		-121	-0.04
IRS USD 20190820	USD	20.08.2019	2,000		-36	-0.01
IRS USD 20210622	USD	22.06.2021	1,000		-29	-0.01
IRS USD 20220927	USD	27.09.2022	1,500		540	0.16
IRS USD 20230905	USD	05.09.2023	1,000		425	0.12
Derivatives					**-11**	**-**
Liquidity					**53,086**	**15.42**
Total share capital					**334 340**	**100,00**

Return and risk measurements

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

As of 31.03.2017	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	6.2%	21.9%	4.5%	6.0%	7.4%	5.3%	3.4%	13.8%
MSCI Nordic/MSCI AC ex. Nordic	5.4%	17.3%	3.2%	11.3%	11.3%	10.4%	5.4%	10.0%
SKAGEN Global A	5.5%	18.3%	2.6%	8.8%	9.3%	9.1%	6.1%	14.3%
MSCI World AC	5.5%	22.6%	5.0%	14.4%	13.3%	11.5%	6.0%	4.6%
SKAGEN Kon-Tiki A	11.6%	28.0%	2.7%	6.9%	5.2%	5.2%	7.0%	13.7%
MSCI Emerging Markets	10.1%	25.1%	1.8%	10.3%	5.4%	5.2%	5.0%	8.1%
SKAGEN m2 A	2.3%	16.1%	-1.0%	11.5%				7.0%
MSCI All Country World Index Real Estate IMI	2.8%	10.8%	1.4%	15.0%				11.1%
SKAGEN Focus A	3.5%	29.5%						1.9%
MSCI World AC	5.5%	22.6%						4.7%
SKAGEN Tellus A	0.6%	6.2%	-2.3%	5.0%	4.8%	4.9%	5.2%	5.3%
J.P. Morgan GBI Broad Index Unhedged in EUR	0.3%	2.9%	1.2%	8.1%	4.0%	4.6%	5.3%	4.9%
SKAGEN Credit EUR A	0.6%	6.7%	1.6%					0.8%
3 Month EURIBOR	-0.1%	-0.3%	-0.2%					-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 years1

Risk and performance measurements

As of 31.03.2017	SKAGEN Vekst	SKAGEN Global	SKAGEN Kon-Tiki	SKAGEN Tellus	SKAGEN Focus	SKAGEN m2
MEAN VARIANCE ANALYSIS LAST 5 YEARS						
Standard Deviation NAV	12.3 %	12.7 %	14.3 %	6.0 %		
Standard Deviation Benchmark	11.2 %	10.5 %	13.3 %	7.4 %		
Tracking Error	5.9 %	4.9 %	4.9 %	5.3 %		
Beta	0.96	1.12	1.01	0.57		
Active share [1)]	88%	92%	91%		94%	98%
RISKADJUSTED RETURN 5 YEARS						
Alpha	-3.1 %	-5.1 %	-0.3 %	2.5 %		
Sharpe Arithmetic	0.58	0.70	0.35	0.78		
Sharpe Ratio Benchmark	0.95	1.19	0.39	0.52		
Information Ratio Arithmetic	-0.60	-0.74	-0.04	0.15		

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 m^2 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 and SKAGEN Credit EUR and 0.5% for SKAGEN Avkastning. 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:
Harvesters, 1905. By Anna Ancher, one of the Skagen painters. The picture belongs to the Art Museums of Skagen (manipulated).