



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

# SKAGEN Credit EUR

## A global corporate bond fund

### Status report October 2015

The art of common sense



# SKAGEN Credit EUR A – Key numbers

Key numbers as of 31 October	SKAGEN Credit EUR A	Index (Euribor 3m)
Return last month	2,3 %	0,0 %
Return year to date	- 0,9 %	0,0 %
Return since inception (30.05.14)	- 2,4 %	0,1 %
Current yield*	4,0 %	0,0 %
Average maturity (WAM)	1,3	0,25
Average life time (WAL)	3,0	N/A
Average credit spread (OAS)**	496 bps	N/A

## Portfolio managers' comment

October was a good month for SKAGEN Credit, which was the reverse of the previous month. September was a special month in which the credit market was extremely turbulent. In periods such as these there are often more investors wishing to sell than buy and the sales pressure causes bond prices to fall, often by more than the underlying values merit. When the dust settles and investors return, bond prices return to more sensible levels, as was the case in October. Prices are back to around the level they were before the drop in September and the return that was lost has more or less been recovered. As we are long-term investors, it is important to hold our course during market turbulence. As long as the companies we have invested in deliver good results and are capable of servicing their debt, we look beyond the market disturbance and rather use the opportunity to buy at discounted levels.

We are currently in the middle of the third quarter earnings season and the companies we are invested in are on the whole delivering good results. This is of course important when it comes to servicing debt. The outlook is not entirely cloudless however. The economic growth slowdown in China, the poor economic outlook in Brazil and the continued low prices of important commodities such as oil, copper and coal mean that future earnings are still uncertain for many companies, whether they are affected directly or indirectly. On the positive side, we see that more and more companies are adapting to the new situation at the same time as acknowledging that the price decline will continue for a while. Several of these are reducing costs, adjusting their production capacity downwards and selling assets. These are important measures to ensure earnings in the years to come.

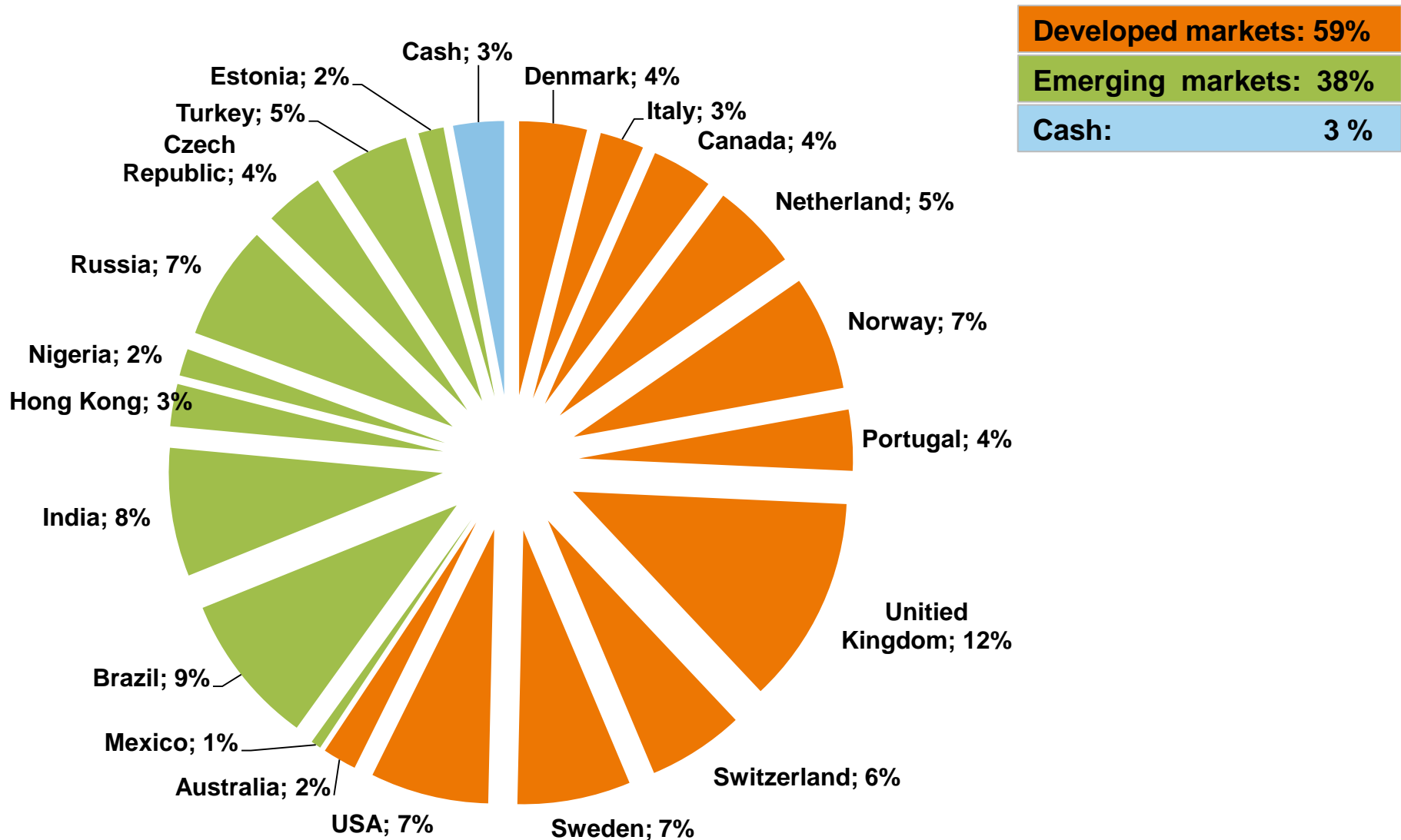
The credit spread in the fund, that is the price of risk, has fallen to around 500 basis points (5%) above the risk-free rate versus 550 basis points last month. This figure was 375 basis points at the beginning of the year and 250 at fund launch.

# The SKAGEN Credit investment universe

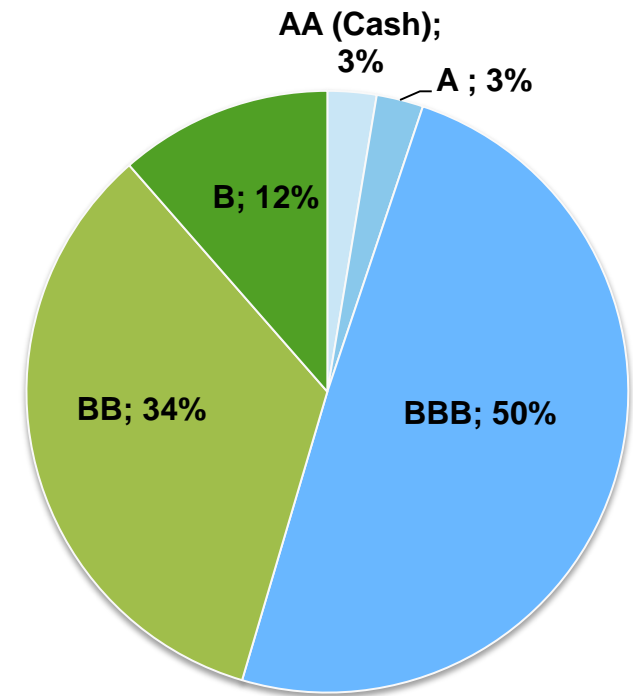
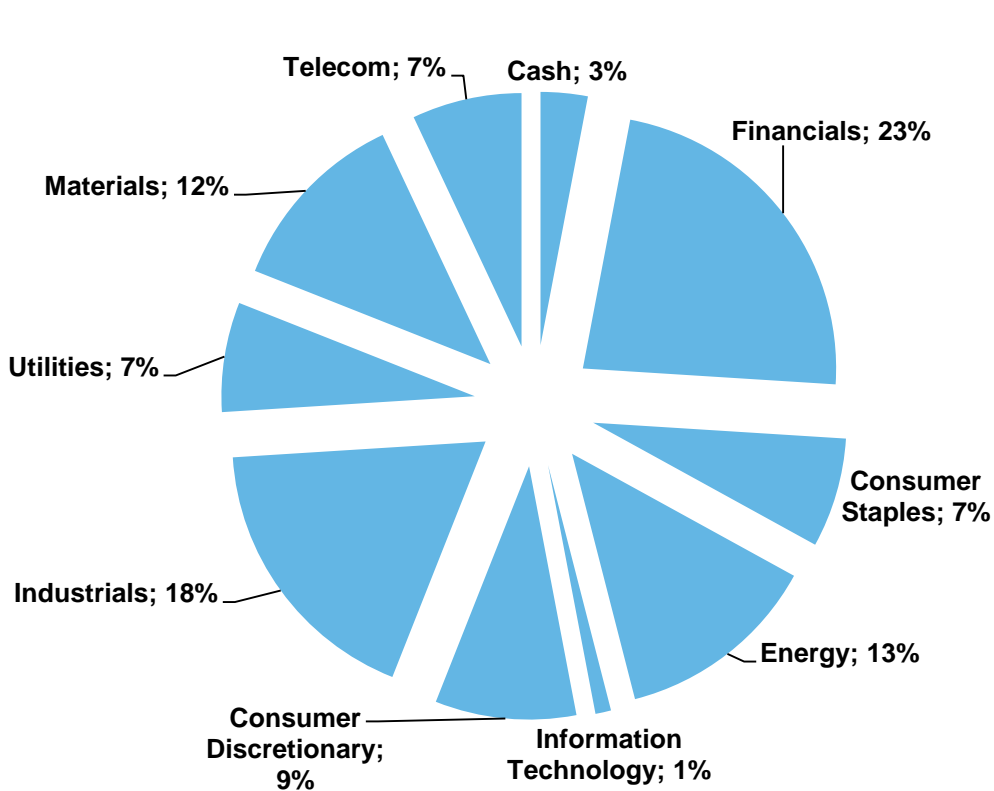


**SKAGEN Credit picks bonds both from the investment grade and the high yield spectrum with a high risk adjusted return potential. Minimum 50% investment grade.**

# Country diversification



# Sector and rating distribution



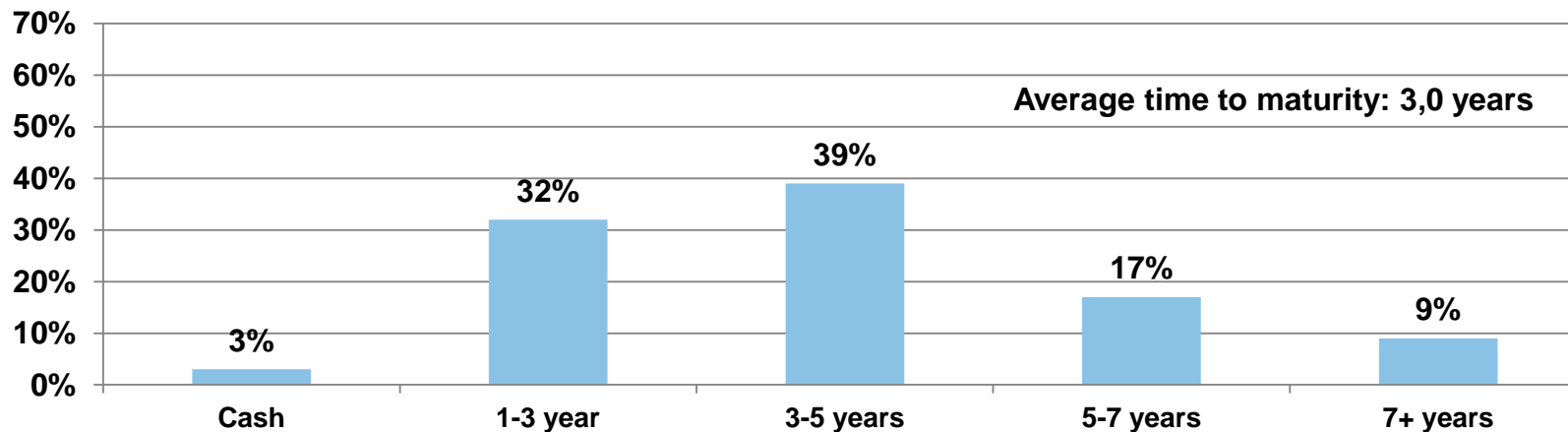
<b>Investment grade:</b>	<b>55 %</b>
<b>High Yield:</b>	<b>45 %</b>
<b>Average rating:</b>	<b>BB+</b>

# Interest rate duration and time to maturity

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

Currency	Bond denominated	Interest rate duration
USD	48%	1,2 year
EUR	21%	1,4 year
GBP	23%	1,4 year
NOK	8%	0,2 year
Sum Fund	100%	1,2 year

Credit exposure - time to maturity profile on bonds

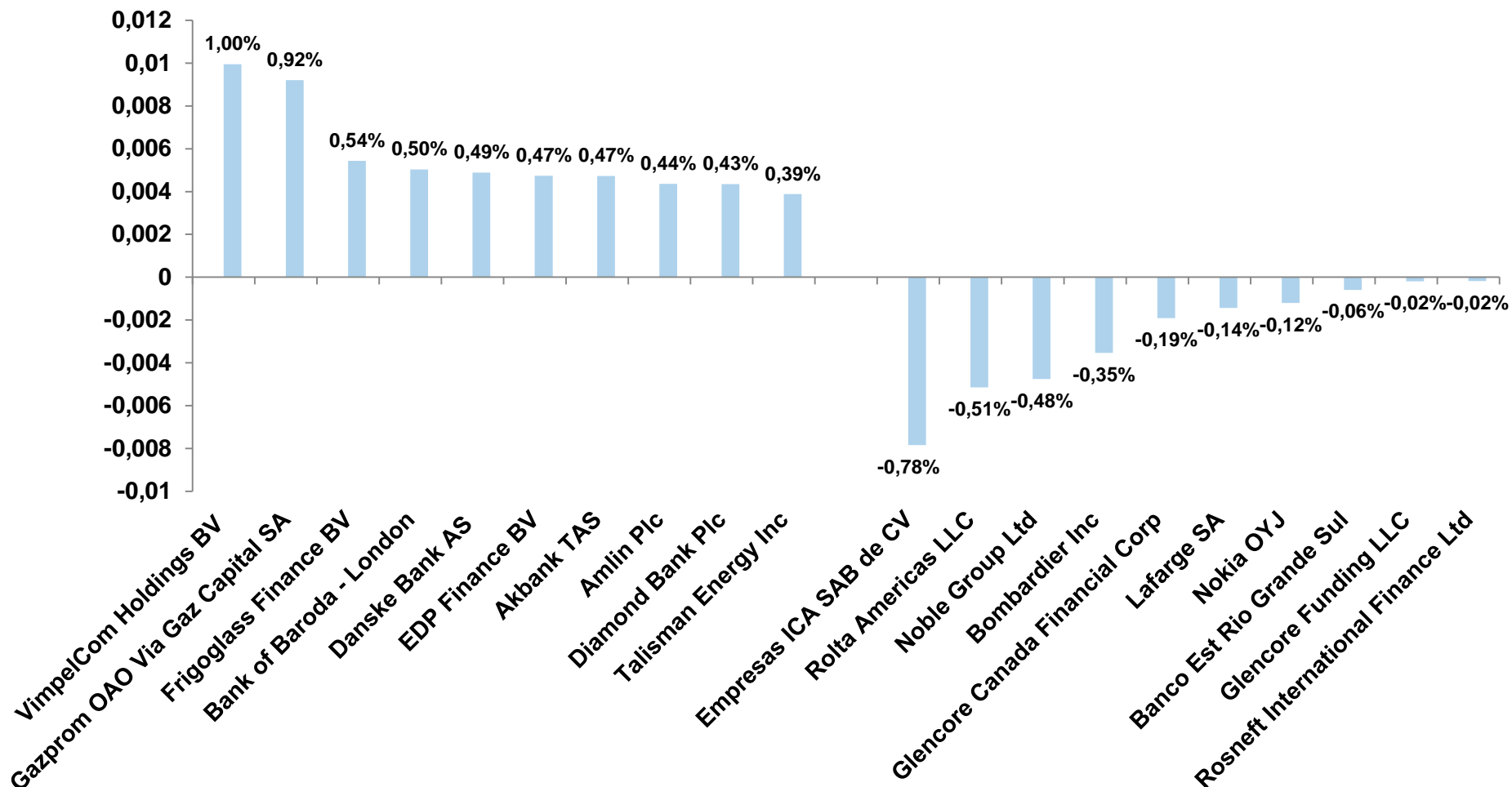


# Top 10 investments

Company	Country of risk	Credit rating*	Percent of fund
Danske Bank	Denmark	BBB	4,0 %
SSAB	Sweden	BB-	3,7 %
Energias de Portugal	Portugal	BBB-	3,6 %
Gazprom	Russia	BB+	3,6 %
EP energy	Czech Republic	BBB-	3,5 %
Glencore	Switzerland	BBB	3,5 %
Bharti Airtel	India	BBB-	3,4 %
Amlin	UK	BBB-	3,4 %
Color Group	Norway	B+	3,4 %
Bank of Baroda	India	BBB-	3,3 %
<b>Sum top 10</b>			<b>35,4 %</b>

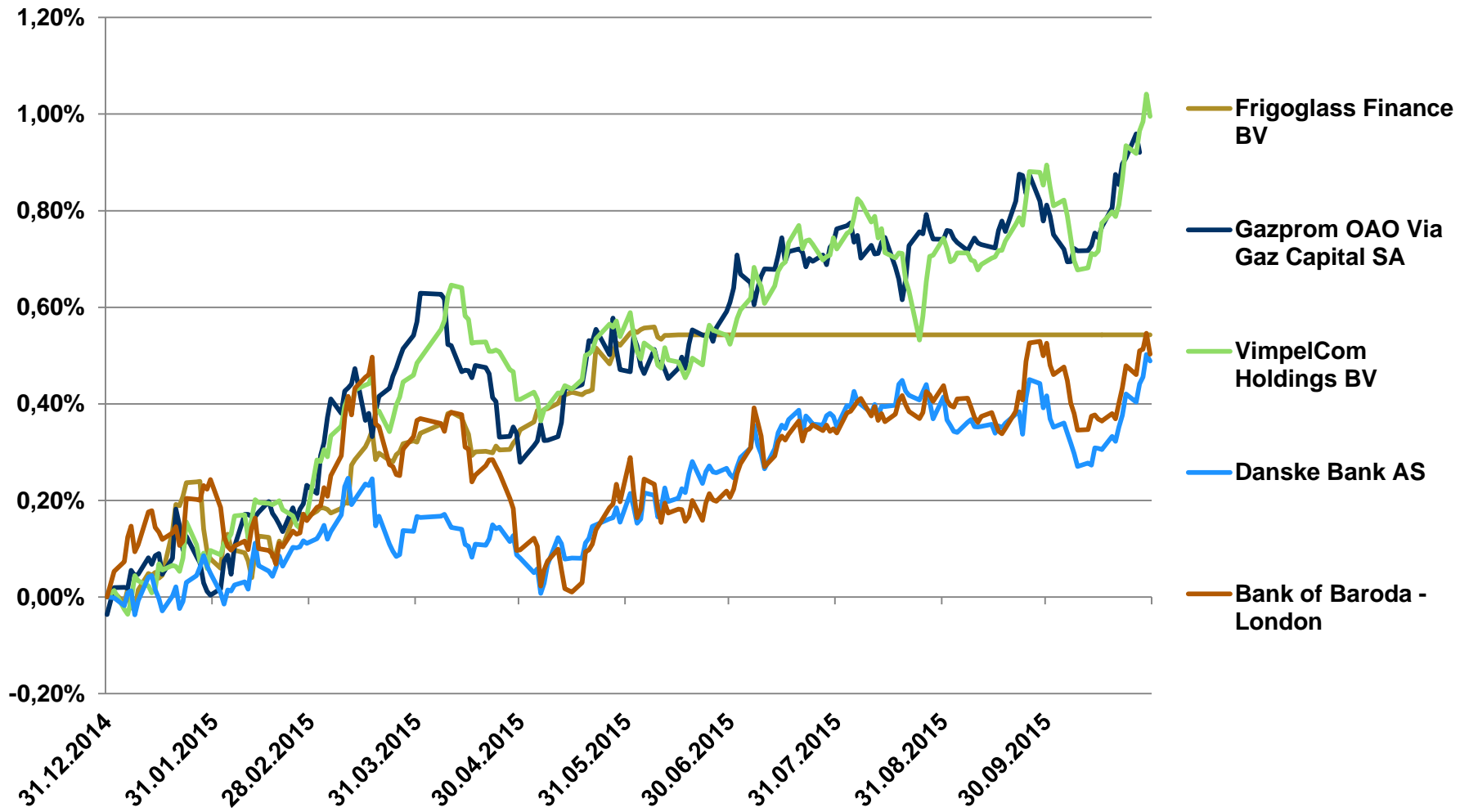


# Best and worst contributors year to date 2015



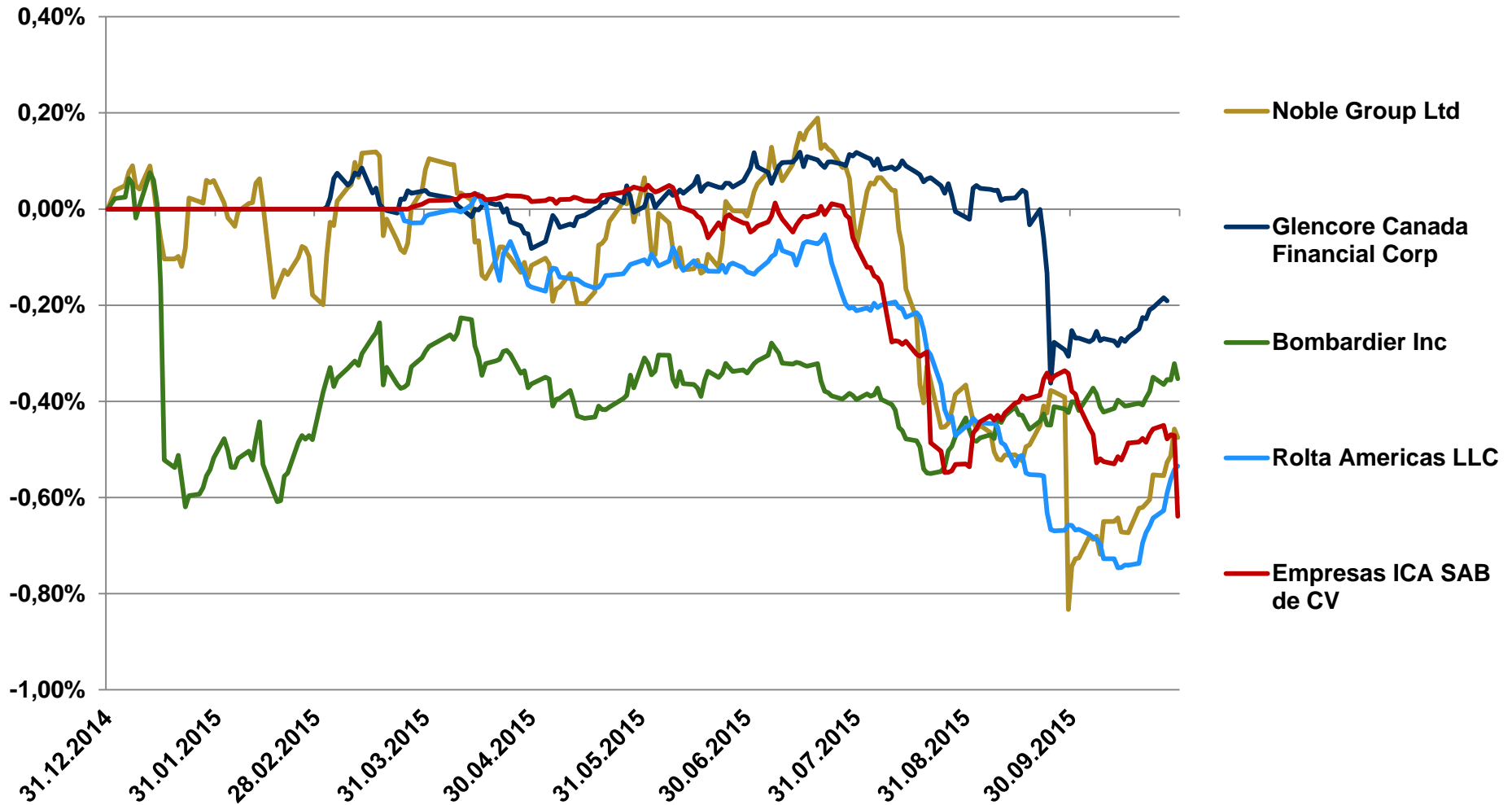
The graph shows the contribution of individual investments to the fund's total return in percentage terms year to date.

# Top 5 contributors year to date 2015



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

# Worst 5 contributors year to date 2015



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

# The portfolio managers

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

## Ola Sjöstrand

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

## Tomas Nordbø Middelthon

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



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

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

SKAGEN seeks to the best of its ability to ensure that all information given in this report is correct, however, makes reservations regarding possible errors and omissions. Statements in the report reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice. The report should not be perceived as an offer or recommendation to buy or sell financial instruments. SKAGEN does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of the report. Employees of SKAGEN AS may be owners of securities issued by companies that are either referred to in this report or are part of the fund's portfolio.