SKAGEN Global

Status Report April 2016

The art of common sense

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Summary – April 2016

- SKAGEN Global underperformed its benchmark index by 0.1% in April. The fund gained 0.7% while the benchmark MSCI All Country World Index gained 0.8% (measured in EUR).*

- In 2016, the fund has declined 5.9% while the benchmark has declined 3.6%. Hence, the fund's year-to-date relative performance is -2.3%.

- Citigroup, DSM and Volvo were the three best monthly contributors to absolute performance while Samsung Electronics, Microsoft and Cheung Kong Hutchison Holdings were the three largest detractors.

- The fund added to its holding in Microsoft, taking advantage of an adverse reaction to its first quarter results announcement. The fund also increased its positions in Capgemini and Roche.

- We sold out of the Turkish conglomerate Haci Omer Sabanci, the British oil major BP and the Finnish pulp & paper company UPM-Kymmene. We trimmed a few other holdings to fund opportunities elsewhere in the portfolio.

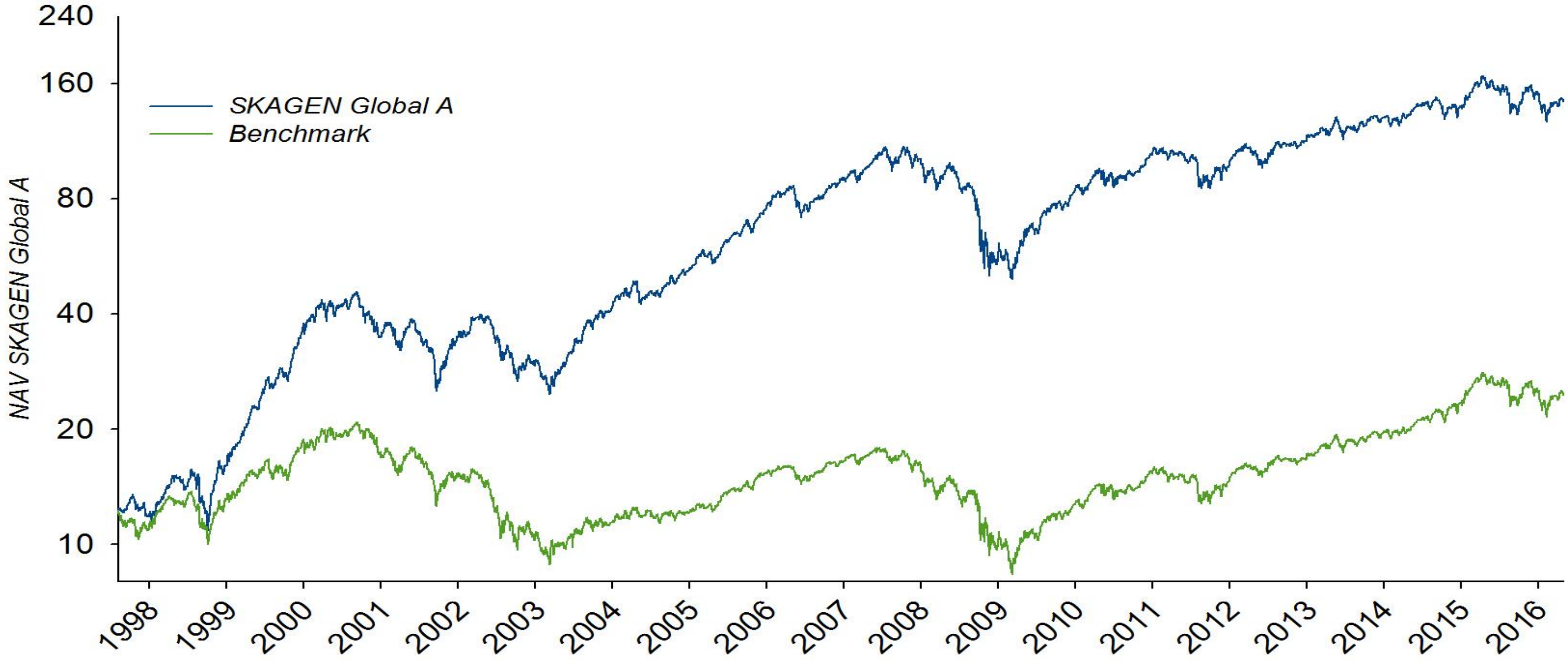
- The fund's top 35 holdings trade at a weighted Price/Earnings (2016e) of 13.2x and a Price/Book of 1.3x vs. the index at 16.2x and 2.1x, respectively.

- The weighted average upside to our price targets for the fund's top 35 holdings is 39%.

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

SKAGEN Global A results, April 2016

EUR, net of fees



	April	QTD	YTD	1 year	3 years	5 years	10 years	Since inception*
SKAGEN Global A	0,7%	0,7%	-5,9%	-9,5%	5,7%	6,4%	5,4%	14,0%
MSCI AC World Index*	0,8%	0,8%	-3,6%	-8,0%	10,2%	10,3%	4,5%	3,8%
Excess return	-0,1%	-0,1%	-2,3%	-1,4%	-4,5%	-3,9%	0,8%	10,3%

Note: All returns beyond 12 months are annualised (geometric return)
** Inception date: 7 August 1997*
*** Benchmark index was MSCI World in NOK from 7 August 1997 to 31 December 2009 and MSCI All Country World Index from 1 January 2010 onwards*

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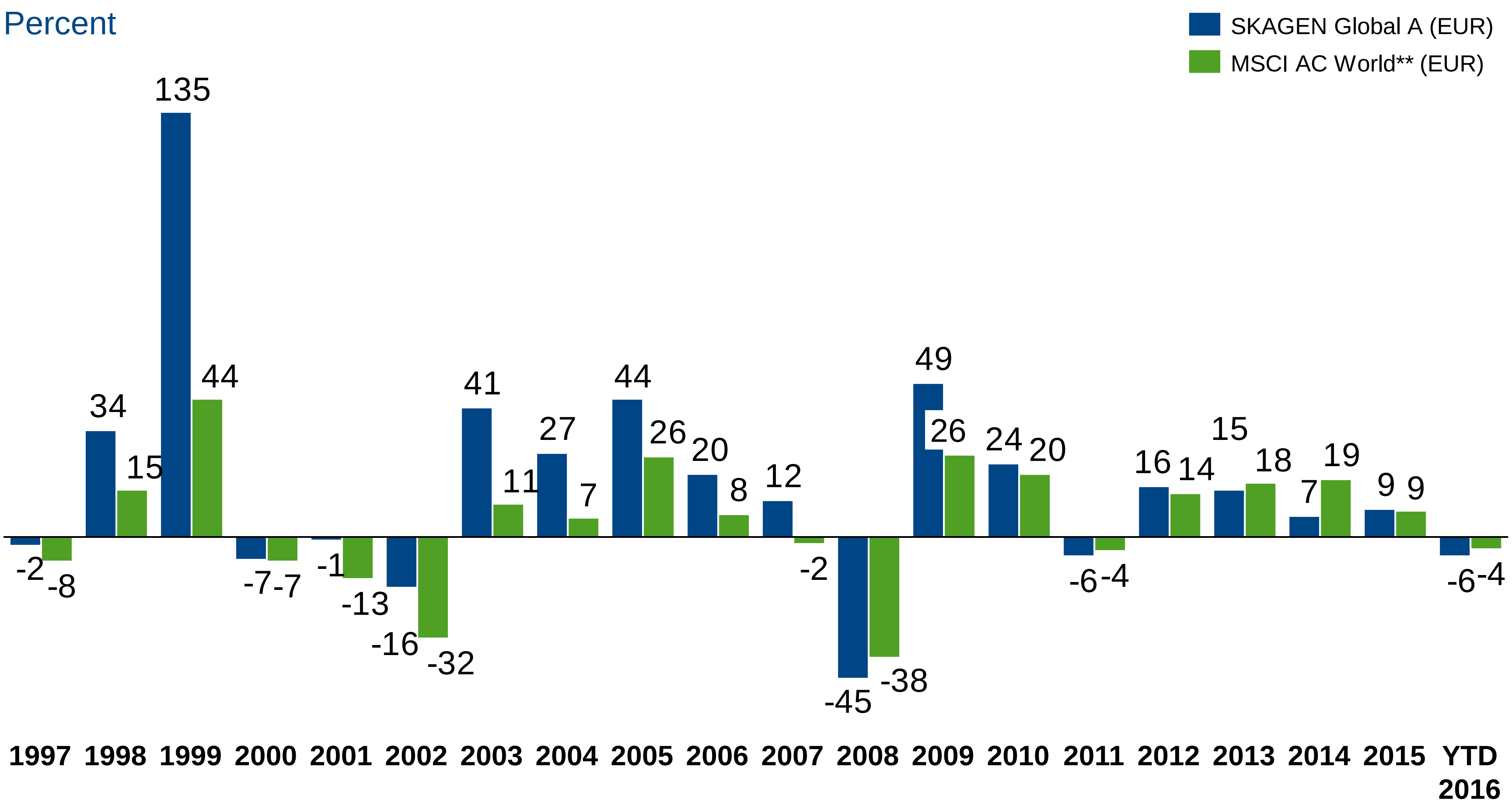
Annual performance since inception (%)*
SKAGEN Global A has beaten its benchmark 15 out of 19 years



Note: All figures in EUR, net of fees
** Inception date: 7 August 1997*
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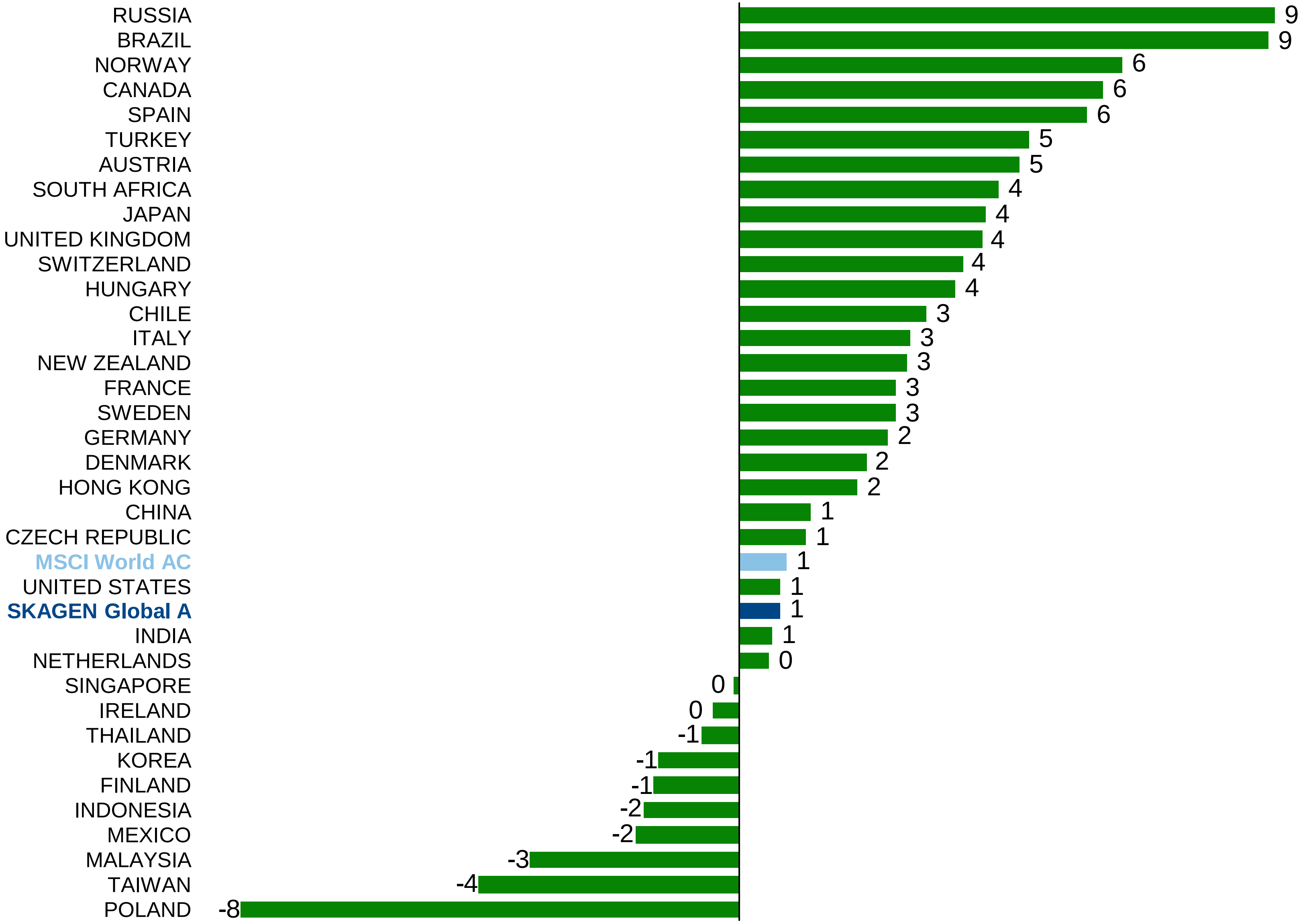
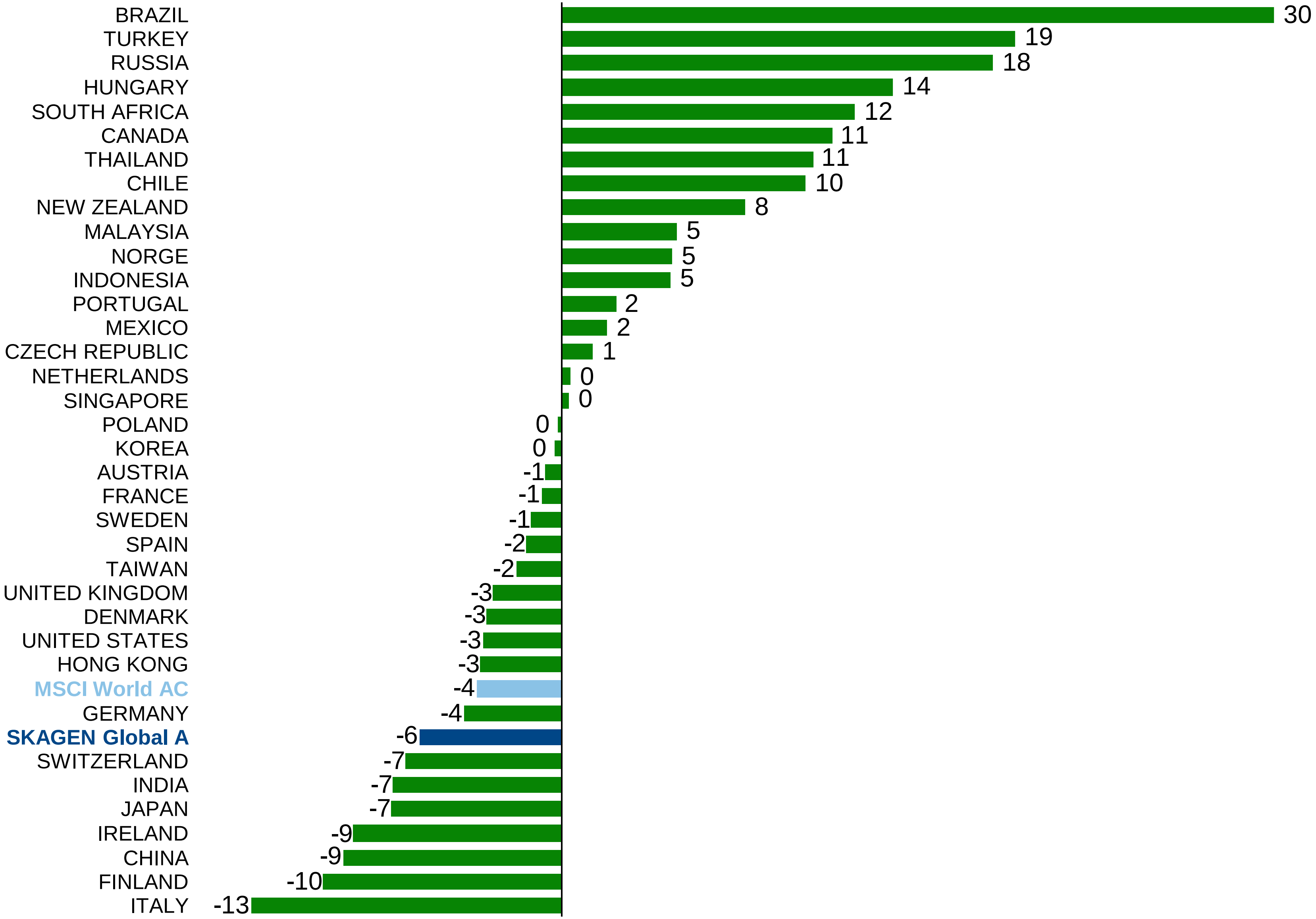
Markets in April 2016 in EUR (%)



Markets YTD 2016 in EUR (%)



Main contributors April 2016

Largest positive contributors

Company	NOK Millions
Citigroup	156
DSM	58
Volvo	44
Lundin Mining	42
Lundin Petroleum	32
NN Group	19
Akzo Nobel	17
Tyco	16
Credit Suisse	14
Barclays	11

Largest negative contributors

Company	NOK Millions
Samsung Electronics	-138
Microsoft	-108
Cheung Kong Hutchison Holdings	-97
General Electric	-91
Dollar General	-63
Alphabet (Google)	-49
Philips	-36
Kingfisher	-33
State Bank of India	-25
Xcel Energy	-24

Value Creation MTD (NOK MM): -440

NB: Contribution to absolute return

Main contributors YTD 2016

Largest positive contributors

Company	NOK Millions
Lundin Mining	98
Volvo	98
Lundin Petroleum	76
DSM	74
Tyco	57
Dollar General	48
Tyson Foods	43
WM Morrison Supermarkets	33
Haci Omer Sabanci Holding	31
Xcel Energy	19

Largest negative contributors

Company	NOK Millions
AIG	-479
Citigroup	-373
State Bank of India	-215
Roche	-211
G4S	-207
Teva Pharmaceutical	-192
Cheung Kong Hutchison Holdings	-191
Microsoft	-159
Samsung Electronics	-156
General Electric	-142

Value Creation YTD (NOK MM): -3328

NB: Contribution to absolute return

Most important changes Q1 2016

Holdings increased

Q1

Capgemini	(New)
Sony	(New)
Baidu	(New)
Autoliv	
Citigroup	
Teva Pharmaceutical	
G4S	
General Electric	

Holdings reduced

Q1

Tyson Foods	(Out)
Tata Motors	(Out)
Global Mediacom	(Out)
Dollar General	
Lundin Mining	
Alphabet (Google)	
Xcel Energy	
State Bank of India	
UPM-Kymmene	
Nordea Bank	
Barclays	

Most important changes Q2 2016

Holdings increased

Q2

- Microsoft
- Capgemini
- Roche

Holdings reduced

Q2

BP	(Out)
UPM-Kymmene	(Out)
Haci Omer Sabanci	(Out)
Samsung Electronics	
Lundin Mining	
General Motors	

Holdings increased and decreased during April 2016

Key buys in April

- The fund took advantage of a weak market reaction to **Microsoft's** Q1 results release. The share fell 7% after the results, mainly due to lower sales guidance for the next quarter. As we are less concerned with next quarter's guidance and more focused on the 3-5 year opportunity, which remains intact, we used this weakness to top up our position.

- We also increased our position in **Capgemini**, the leading IT-services supplier that still suffers from the market perception of being a cyclical business. Once again, the Q1 report proved the market wrong, with the company recording solid organic growth ahead of expectations. We look forward to attending the company's capital markets day in early June.

- **Roche**, the global pharmaceutical company, has had a relatively weak start to 2016 and we took advantage of this to increase our exposure. The long-term story remains attractive in our view.

Key sells in April

- The Turkish conglomerate **Haci Omer Sabanci** has had a strong start to 2016. It is a top 10 performer in the fund YTD with over 20% relative outperformance. We remained disciplined and exited the position as we currently find better risk-reward in our other financial holdings.

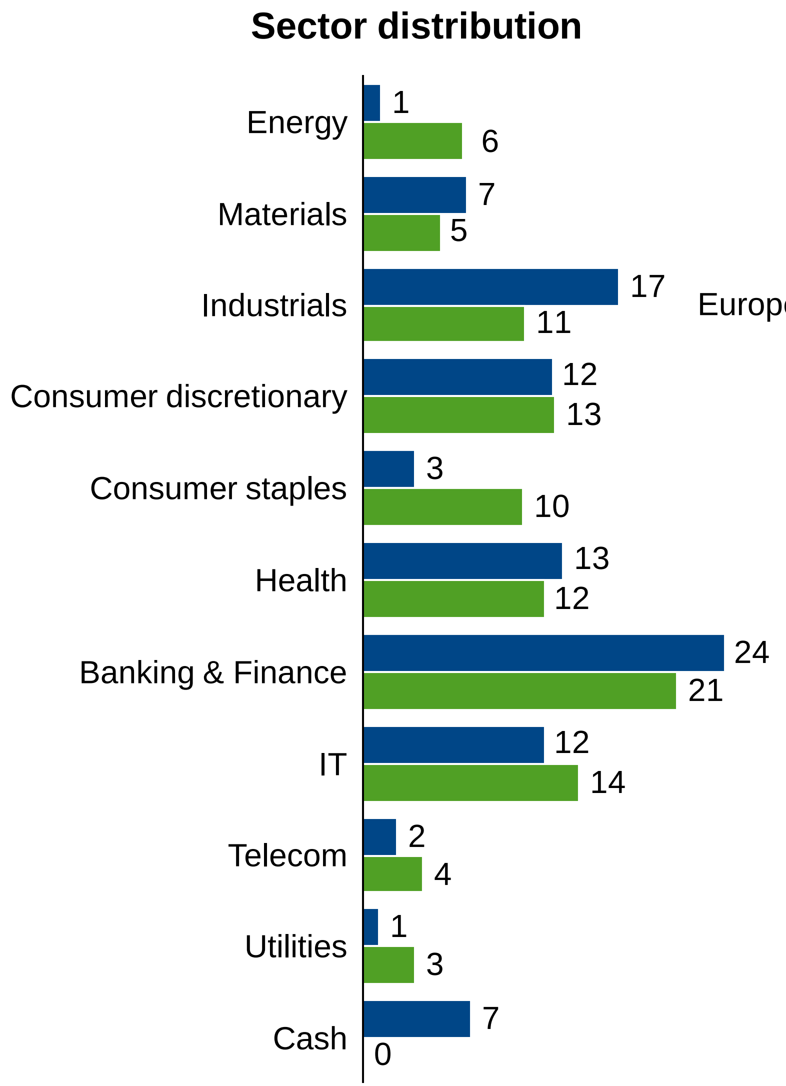
- While market sentiment in the energy space has improved following the recent sharp upward move in the oil price, we have taken a contrarian and more negative view on the dividend sustainability at the oil major **BP** and therefore decided to move the name out of the portfolio and recycle cash into other opportunities.

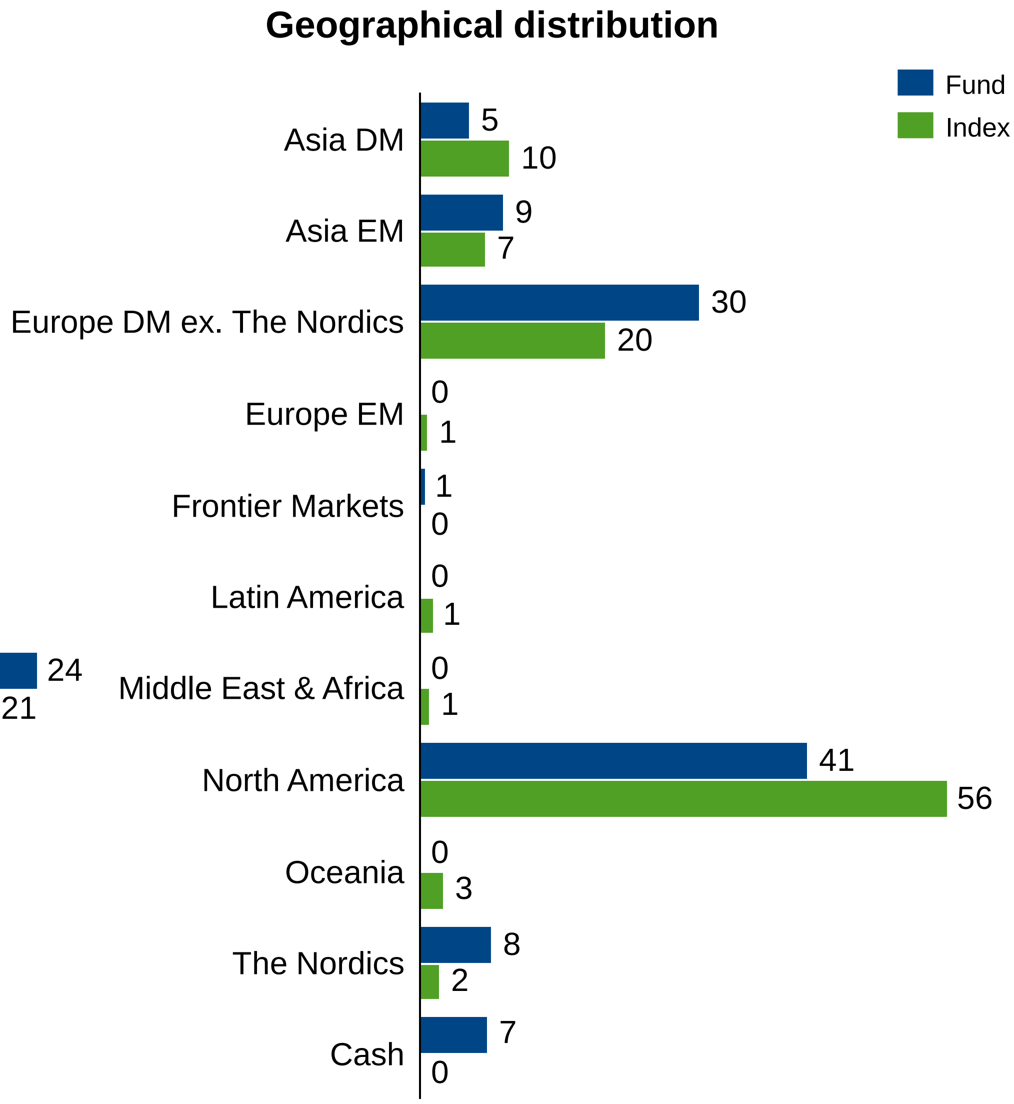
- We have gradually reduced our exposure to the Finnish pulp & paper company **UPM-Kymmene** after revising our view on the secular challenges faced by the company and its peers. We sold the last shares during April as the share price approached our price target.

Largest holdings in SKAGEN Global as of 30 April 2016

	Holding size, %	Price	P/E 2015a	P/E 2016e	P/BV last	Price target
AIG	7.1	56	25.5	11.9	0.7	90
CITIGROUP	6.6	46	8.7	9.6	0.7	70
GENERAL ELECTRIC	4.8	31	23.5	20.4	3.1	34
ROCHE	4.6	243	18.0	16.6	9.8	380
SAMSUNG ELECTRONICS	4.5	1 043 000	8.1	8.1	0.9	1 500 000
MERCK	3.7	55	15.3	14.8	3.4	76
G4S	3.1	188	12.8	12.2	4.3	380
MICROSOFT	3.0	50	19.0	18.6	5.2	68
KINGFISHER	2.9	364	16.5	15.9	1.4	480
CK HUTCHISON HOLDINGS	2.9	93	11.2	10.9	0.9	140
Weighted top 10	**43.1**		**13.8**	**12.5**	**1.3**	**48%**
Weighted top 35	**85.5**		**14.4**	**13.2**	**1.3**	**39%**
MSCI AC World			**18.4**	**16.2**	**2.1**	

Sector and geographical distribution vs index (Apr 2016)





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Key earnings releases and corporate news, April 2016

Citigroup

(6.6%)

Headwinds as expected, but cost control good and valuation attractive
Summary: Quarterly revenues were down -11% to USD 17.6bn vs USD 19.7bn last year. Net income dropped -27% to USD 3.5bn (from USD 4.8bn in 2015 Q1). Tangible book value per share increased to USD 63 vs USD 58 in 2015 Q1. Common equity tier 1 capital ratio came in at 12.3% vs 11.1% in 2015 Q1.

Investment case implications: Despite facing headwinds (revenues dropped -9% YoY ex-FX) related to trading and investment banking, Citigroup continues to show good cost control (operating expenses fell -3% in 2016 Q1). The bank also bought back 31m shares during quarter and its CT-1 ratio remains above 12%. Strong future cash flow is expected to be supportive of shareholder returns going forward. Furthermore, Citi reported a tangible book value (TBV) of USD 63/sh., implying an attractive valuation of 0.7x TBV.

GE

(4.8%)

GE posts Q1 results showing that the global economy remains sluggish
Summary: Organic sales -1% YoY, organic orders -7% YoY and industrial operating profit was flat YoY. EPS at 21 cents was ahead of consensus' 19 cents estimate. Aviation was the best division with a 1.1 percentage point margin expansion to 24.3% and profits +16% YoY while the Oil & Gas division disappointed with orders -70% YoY, operating margin 2.8 percentage points lower at 9.3% and with sales -18% YoY. GE Capital exit is now 80% complete with deals signed to date worth USD 166bn (c. USD 40bn left to go). Company left 2016 EPS guidance unchanged.

Investment case implications: There were many moving parts which net out to a fairly neutral quarter. GE is a good proxy for the health of the global industrial economy and the Q1 figures show that the environment remains tough. In a wider context, assuming GE can reach or exceed its 2016 target of 2-4% organic growth with a bit of core margin expansion, USD 30bn in free cash flow and a boatload of dividends and buybacks worth USD 26bn, the stock has good potential for another leg up as expectations have started to come down again.

Roche

(4.6%)

Q1 sales update from Roche without surprises
Summary: Q1 sales +4% YoY at constant FX with similar upticks in both the Pharma and Diagnostic divisions. Company reported solid growth for the three key cancer drugs Herceptin, Perjeta and Avastin as well as for Tamiflu. The US FDA has granted priority review for atezolizumab (Phase III bladder/lung cancer immunotherapy) and breakthrough therapy designation for ocrelizumab (MS). Roche is on track to meet 2016 targets.

Investment case implications: Neutral. The Q1 update (only sales figures) is largely in-line with consensus. Pipeline developments will be key for 2016.

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

Samsung

(4.5%)

A solid 1Q16 report

Summary: Final operating profit for 2016 Q1 of KRW 6.68tr was at the high end of the preliminary range and +12% YoY and +9% versus a seasonally strong 2015 Q4. This includes a c. KRW 250bn non-recurring impact from retrospective cuts in royalty payments to Nokia. Benefit from FX was around KRW 400bn vs the prior quarter, helping mainly semi and display earnings. Adjusted for this, the underlying result was flat QoQ in a seasonally weaker quarter.

Investment case implications: Positive. When presenting its 2015 Q4 result in January, management painted a bleak picture for FY16 and especially for 1H16. While normally conservative, their predictions were clearly too downbeat and management now says "In the second quarter we expect our solid performance to continue". Going through the wording in outlook, we believe 2016 Q2 operating profit should be close to Q1. With consensus EPS estimate still implying a c. 10% decline for 2016, despite help from a c. 4% lower average share count, we expect positive revisions near term. We also believe the Q1 result should reduce two major concerns: 1) sharp decline in DRAM profits; and 2) return to sub-10% margin in handset business.

Kingfisher

(2.9%)

Continues to deliver

Summary: Kingfisher delivered good numbers in the UK with Screwfix like-for-like +15% YoY, and B&Q like-for-like +4% YoY with margin somewhat under pressure from mix and clearance activity at B&Q. France sales were slightly lighter but outlook for that market was better with permits +20% YoY in the Nov-Jan period. Cash flow very strong, helped by some SKU clearance, lower taxes and lower capex. The SKU clearance is part of the initiative to cut the tail of non-ranged products and made good progress in 2015 with Kingfisher being able to cut around 50% of the tail in volume-terms and 40% in value-terms, without a significant impact on gross margins. Kingfisher also announced the disposal of the remaining stake in B&Q in China for GBP 60m benefitting the cash flow later this year.

Investment case implications: Kingfisher continues to deliver. France looks more promising, while the UK continues to deliver both from B&Q and Screwfix. Its Screwfix business has been fantastic and the rollout of new stores in Germany has got off to a good start and could open up for expansion into other countries in the future. Plan for a "One" Kingfisher is going according to plan although it will take a few years to complete the task. The "One" Kingfisher plan is unifying the product range, right-sizing the space, rolling out a unified IT platform, cutting costs in goods not for resale and centralising management. We expect higher costs for the next 2 years before a nice inflection point in 2018/19. Cash flow is strong and with a solid balance sheet Kingfisher can continue to support good shareholder returns even during this transition period. One thing to keep an eye on is the new competitor Bunnings that could cause some turmoil.

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

NN Group

(2.8%)

ING exits NN Group through placing of remaining 14.1% stake

Summary: ING has placed its remaining 14.1% ownership stake in NN Group (45.7m shares) at EUR 30.15, equivalent to a 1.8% discount to the previous closing price. ING was obligated by the Dutch government to gradually sell down its stake following the 2014 IPO and exit completely no later than December 2016. NN Group did not participate in this buyback. ING continues to hold warrants exercisable for around 35m shares (vs. 334m shares outstanding).

Investment case implications: Neutral. We expected a placing shortly after the lock-up period expired, though the timing is perhaps somewhat odd given that NN Group is in a silent period and thus could not participate in the buyback (on previous occasions NN Group bought back shares every time). The capital return story remains valid and with the large ING overhang now gone, buyers who so far have stayed on the sidelines may begin to step in. We note that the accelerated book build was oversubscribed in less than 20 minutes.

Autoliv

(2.5%)

Autoliv's Q1 organic revenue growth exceeds expectations

Summary: Autoliv reported +14.7% YoY organic revenue growth vs. 10.6% consensus with adj. operating income nearly 9% ahead of market estimates. The company achieved EPS growth of +17% YoY with 23% ROCE, 16% ROE and 0.5x ND/EBITDA. Active safety revenue was +39% YoY (Mercedes E-class et al.) and airbags/seatbelts revenue +16%/+6% YoY. Operating margin at 9.1% was a 0.2 percentage point improvement YoY. Guidance on airbag replacement volume increased from 20m to 30m over 2015-2018 (vs. 2015-2017 previously).

Investment case implications: Minor positive. Story developing in-line with our long-term thesis of Autoliv as a well-positioned niche player in a high-barrier segment of the automotive industry. Whether cars will be driven by humans, robots or computers in the future, they will likely have higher safety content (airbags, electronic safety devices) than today. This structural growth offers an opportunity for Autoliv, especially considering that the safety content per vehicle is less than USD 200 in emerging markets vs. more than USD 400 (and rising) in the developed world.

The 10 largest companies in SKAGEN Global

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

Citi is a US financial conglomerate with operations in more than 100 countries worldwide. The bank was bailed out by the US government during the credit crisis and subsequently raised USD 50bn of new capital. Consists of two units: Citi Holdings which is a vehicle for assets that are to be run down and sold and Citi Corp which is the core of the going concern business. In Citicorp 60% of revenues are derived from outside the US - mainly from emerging markets.

Founded in 1892 by Thomas Edison et al., General Electric (GE) operates two divisions (GE Industrial and GE Capital) contributing approximately the same proportion of group earnings. GE is the world's 10th largest publicly-traded company and boasts the 6th most valuable brand. The industrial segment is a play on global infrastructure with a high-margin service business and a large installed base producing a wide variety of capital goods ranging from aircraft engines and power turbines to medical imaging equipment and state-of-the-art locomotives.

Roche is a leading pharmaceuticals and diagnostics company based in Switzerland. Half of group sales and 2/3 of EBIT are derived from the company's Big 3 oncology franchises: HER2 (breast cancer), Avastin (colorectal cancer), and MabThera/Rituxan/Gazyva (blood cancer), each about USD 7bn of revenue. These businesses all come from Genentech, in which Roche has been a majority owner since 1990, and bought the last 46% in 2009.

Samsung Electronics is one of the world's largest producers of consumer electronics. The company is global #1 in mobile phones and smartphones, the world's largest in TV and a global #1 in memory chips. Samsung also produces domestic appliances, cameras, printers, PCs and air conditioners.

The 10 largest companies in SKAGEN Global (cont.)

MERCK	Founded in 1891, Merck & Co is a US large-cap pharma company (and #7 worldwide by revenue) with a broad pharma portfolio and a solid pipeline (R&D 16-17% of sales). HQ in New Jersey and 70,000 employees. Sales by division (2014, USD 42bn): Diabetes (14%), Infectious Diseases (18%), Vaccines (13%), Animal Health (8%), Oncology (2%), Other (45%). Consensus expects legacy drugs sales to shrink by single-digit percent annually.
G4S	G4S is the world's largest security company operating in more than 110 countries with over 620,000 employees. The group was formed in 2004 by the merger of UK-based Securicor plc and Denmark-based Group 4 Falck. By activity (FY2015): Security Services (86% of sales; 75% of EBITA) and Cash Solutions (14%; 25%). Main source of business opportunity is in emerging markets where the company has an unrivaled presence with >35% of sales. New management team installed in 2013.
Microsoft	Microsoft is the world's largest software company and delivers software to a number of applications from PCs to servers and cell phones – its most famous product is Windows and the affiliated Office Software Suite. In recent years the company has also diversified into video game consoles, ERP systems, internet search and cloud-based computing. Despite a strong push for diversification 80% of the company's revenues and nearly all its profits come from three main areas: Windows OS, Windows Server and the business division (Office Suite).
Kingfisher	Kingfisher is the largest home improvement retailer in Europe with leading market share in the UK, France and Poland which together represent 90% of sales and 95% of profits. Kingfisher operates via B&Q and Screwfix in the UK and via Castorama and Brico Depot in France. Sales came in at close to GBP 11bn for 2014/2015. The new CEO, Ms. Laury, has 26 years experience within the do-it-yourself (DIY) industry, including 11 years at Kingfisher.
CKH	Founded in 1950 as a plastics manufacturer by its current main shareholder Li Ka Shing, CK Hutchison Holdings is now a multinational conglomerate. The company holds the non-property businesses of the former Cheung Kong and Hutchison group. The group owns assets in (% of 1H 2015 total EBITDA): Infrastructure (37%), Telecom (20%), Retail (15%), Ports 13%), and Energy (11%).

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