



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

# SKAGEN Kon-Tiki

## Status Report – December 2015

The art of common sense



# Highlights – December 2015

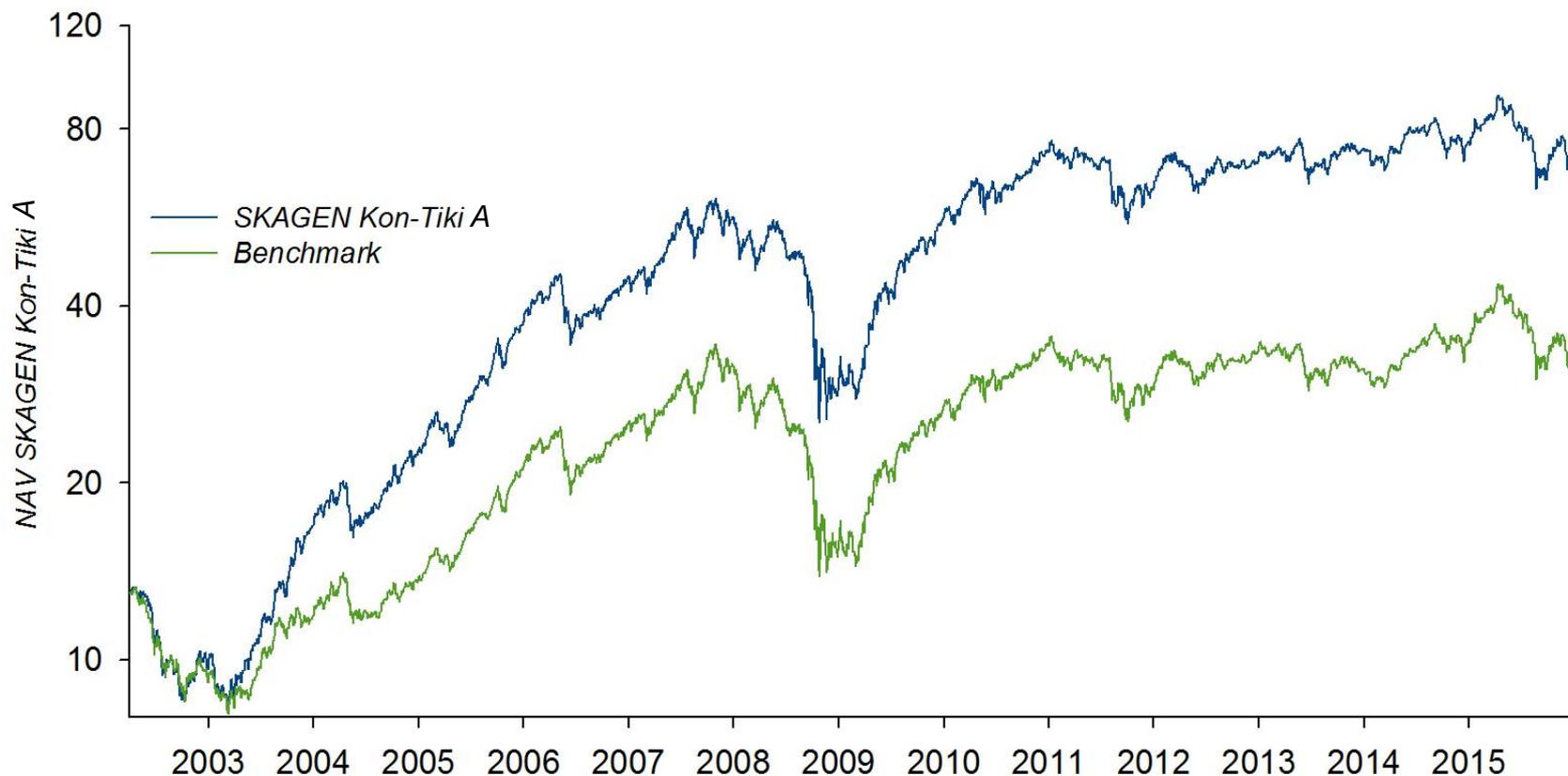
- SKAGEN Kon-Tiki\* was down 6.6% in December, while the MSCI Emerging Markets index was down by 5.2% measured in EUR. For 2015 as a whole, SKAGEN Kon-Tiki was down by 6.8% compared to the index which was down 5.2%.
- Our top three performers in December were China Shipping Development, Indian telecom services group Bharti Airtel and Korean Reinsurance. China Shipping finally started trading again after being suspended pending news on restructuring which was announced this month. This will transform the company into a pure oil and gas shipping company and improve its profitability (more on page 22). Bharti Airtel saw a rebound in December (after a tough year) despite no major news. Korean Reinsurance on the other hand reported strong November results.
- At the bottom of the performance list for December we have State Bank of India, the Russian grocery retailer X5 and Golar LNG, which is an owner/operator of LNG carriers, storage and regasification units as well as floating liquefaction vessels. State Bank of India fell on no company specific news. X5 was down with a weak Russian stock market and Golar LNG fell due to oil price weakness, debt and liquidity concerns and fear of a potential dividend cut.
- We added no new positions in December, but we continued to sell out of positions where we see less conviction. Household and Personal Care company PZ Cussons was sold out of the portfolio due to a less attractive risk-reward assessment. Brazilian Petrobras was also sold out as the weak oil price and strong USD could lead to forced asset sales and limit their deleveraging process. An unstable political environment also adds risk to their recovery. Vale was sold out as the risk-reward changed after the Samarco accident coupled with lower iron ore prices. Their Brazilian mining rights have since been revoked until further notice due to claims that their 50%-owned Samarco is unable to cover the claims from the tailing dam accident. Nordnet was also sold out due to sizing issues.
- Emerging markets continue to trade at a discount to developed markets, with a 2016e P/E of 10.8 and P/B of 1.3x for EM, compared with 15.8x and 2.0x for DM.
- The top 12 positions now represent almost 51% of the fund (from 45% at the beginning of the year). In the same period we have reduced the number of positions in the fund from 95 to 68. The fund's portfolio remains attractively valued at a 2016e P/E of 8.0x and P/B of 1.0x. We now see a 56% upside for our portfolio over a 2-year perspective.

## 2015 in review (EM focus) – Sell in May and go away (...)

- 2015 was another year of underperformance for EM versus DM; in USD terms emerging markets were down 15% (includes FX depreciation of 10%) compared to developed markets which were flat for the year.
  - EM started the year well, but then we saw a rapid sell-off from June through August on the back of nervousness around the Chinese economy which again led to weak commodity prices and EM FX weakness. Delay in the expected Fed lift-off in September and signs of stabilisation in China led to a rally in October but EM retested lows in mid-December as concerns over the Fed lift-off re-emerged and after Brazil lost its investment grade and South Africa rotated through 3 finance ministers (!).
  - Materials, utilities, telecoms, financials and energy were the worst performing sectors (down by more than 20%) while healthcare, IT, consumer staples and consumer discretionary outperformed.
- The currencies with the largest depreciation versus USD (more than 20%) were commodity currencies, namely the Brazilian real, South African rand, Colombian peso and Russian rouble, as well as the Turkish lira.
  - The PBoC changing the fixing mechanism for the Chinese renminbi accelerated the depreciation of other EM currencies. The CNY depreciated by only 4%, but consensus expects further depreciation in 2016.
- EPS will fall by approx. 2-5% in EM (15/14) while EPS were revised -25% throughout the year (compares to -11% globally). For 2016/17 consensus expects EPS growth of around 10% per annum in EM.
- EM equity funds saw record annual redemptions of USD 63bn, which compares to USD 48bn during the financial crisis and USD 49bn in 2011.
- The best performing markets were Hungary +36%, Russia +5% and India -6%. China was down 8%. The worst markets were Greece -61%, Colombia -42%, Brazil -41% and Turkey -32% (all in USD).

# Results, December 2015

EUR, net of fees



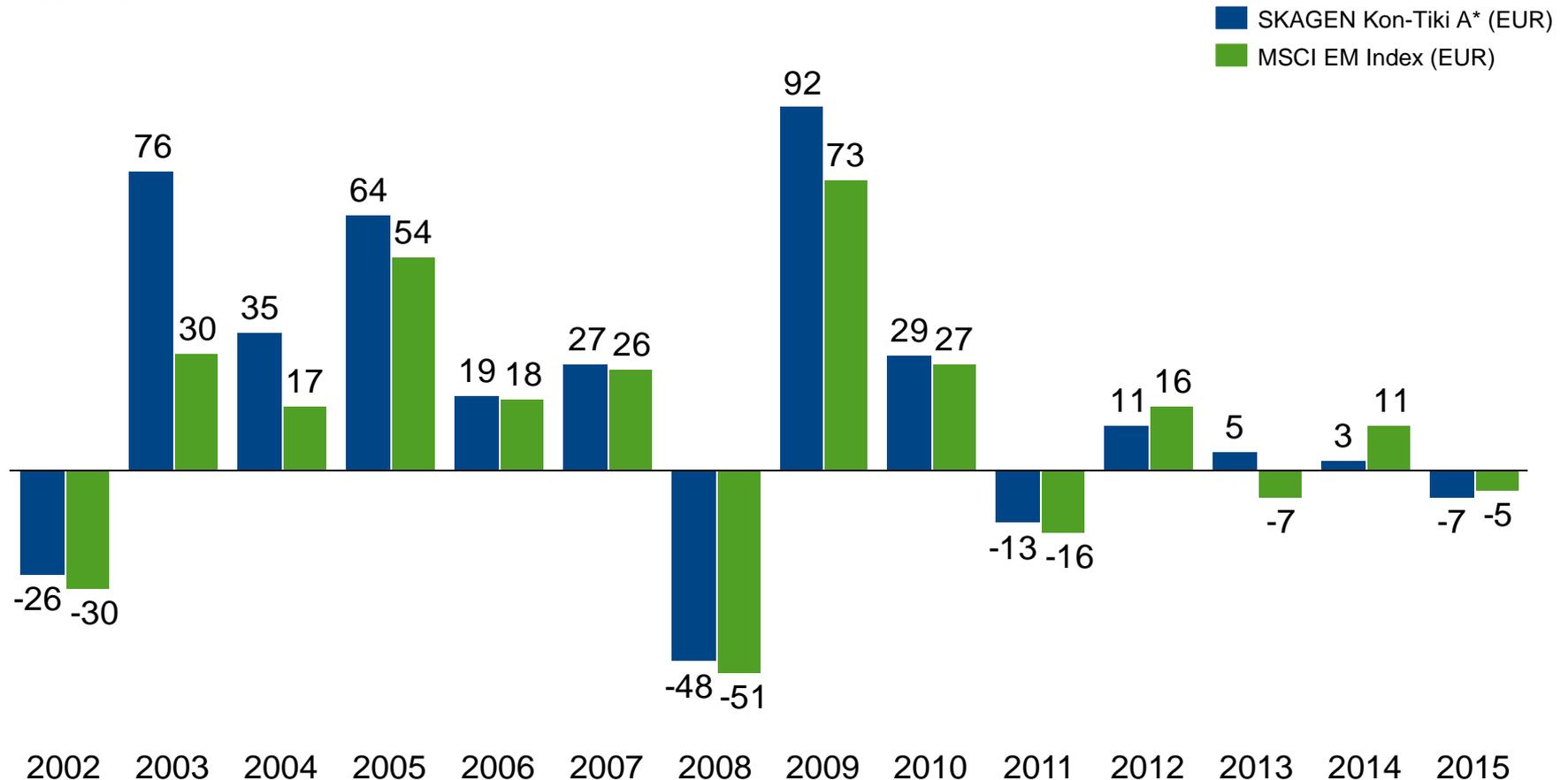
	December	4Q	2015	1 Year	3 years	5 years	10 Years	Since inception*
SKAGEN Kon Tiki A	-6,6%	4,8%	-6,8%	-6,8%	0,2%	-0,5%	6,6%	13,1%
MSCI EM Index	-5,2%	3,3%	-5,2%	-5,2%	-0,5%	-0,7%	4,5%	7,0%
Excess return	-1,4%	1,5%	-1,6%	-1,6%	0,8%	0,2%	2,1%	6,1%

Note: All returns beyond 12 months are annualised (geometric return)

\* Inception date: 5 April 2002

# SKAGEN Kon-Tiki has beaten the index in 11/14 calendar years

Percent

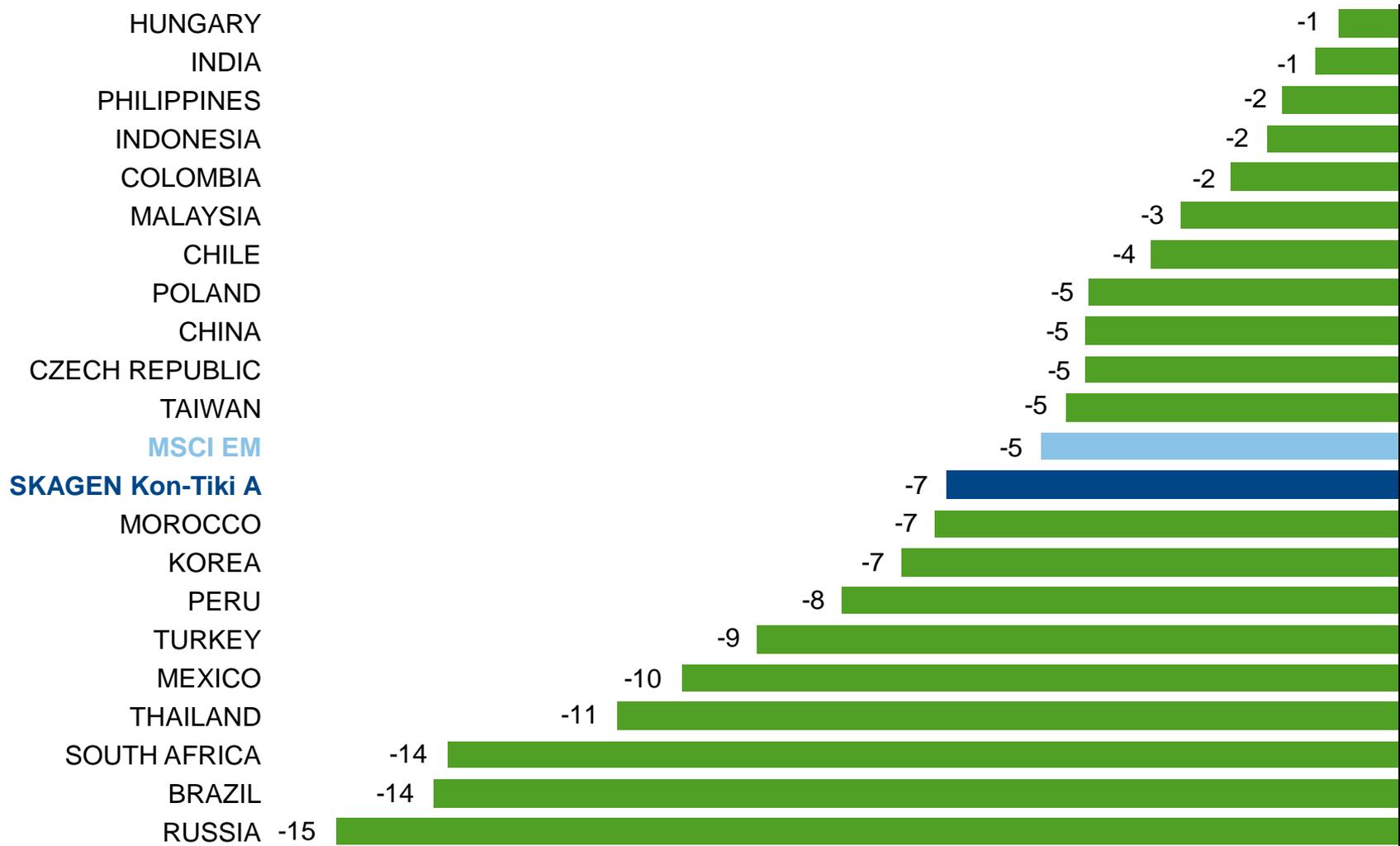


Note: All figures in EUR, net of fees

\* Inception date: 5 April 2002

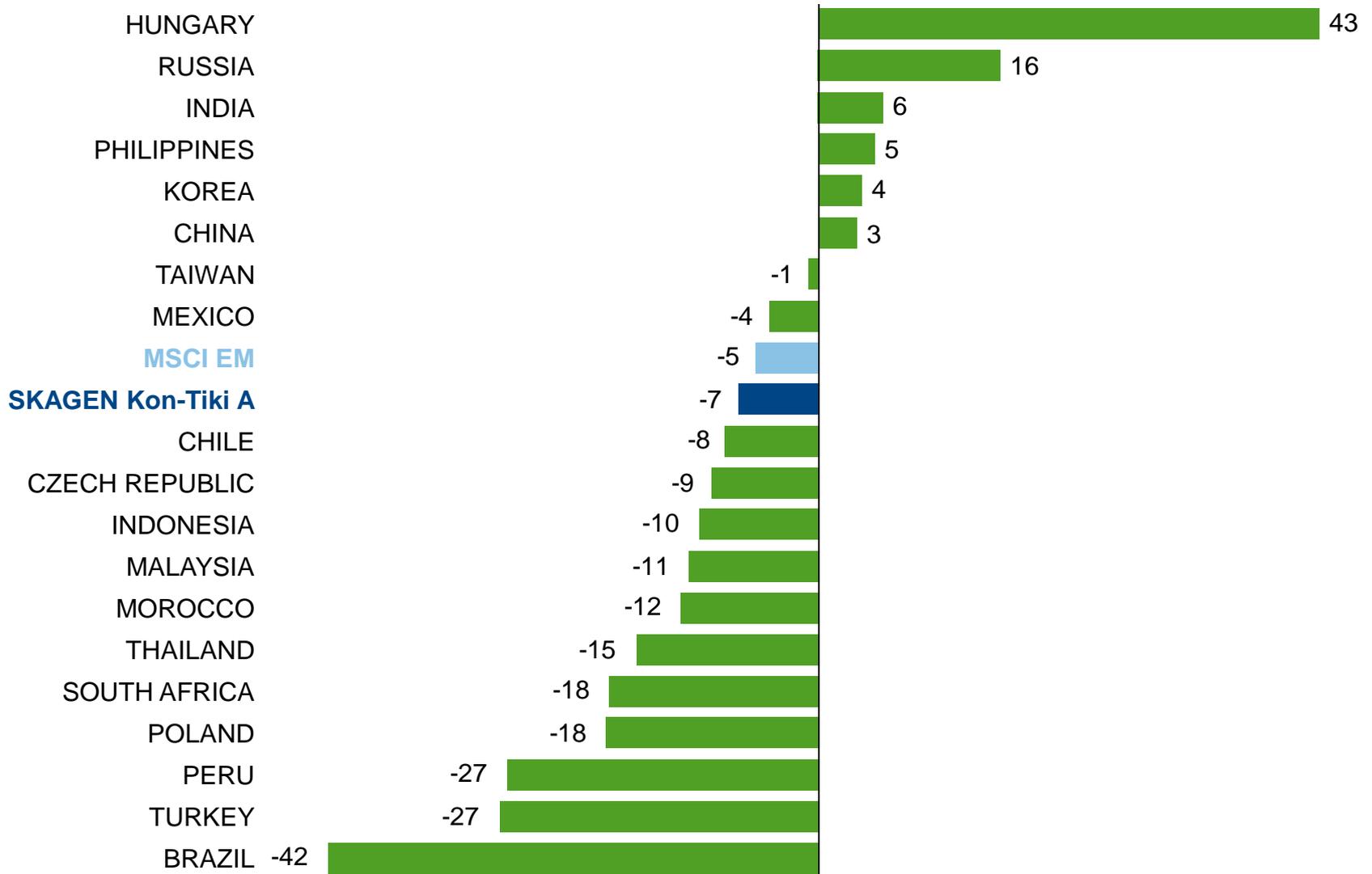
# Emerging markets, December 2015 (in EUR)

Percent



# Emerging markets in YTD 2015 (in EUR)

Percent



# Main contributors MTD 2015

## Largest positive contributors

Company	NOK Millions
China Shipping Development	70
Bharti Airtel Ltd	59
Korean Reinsurance Co	56
LG Chem Ltd	53
Frontline Ltd	51
UPL Ltd	45
Haci Omer Sabanci Holding AS	44
Samsung Electronics Co Ltd	43
Egyptian Financial Group-Herme	27
Marfrig Global Foods SA	27

## Largest negative contributors

Company	NOK Millions
State Bank of India	-142
X5 Retail Group NV	-142
Golar LNG Ltd	-123
Hyundai Motor Co	-122
Naspers Ltd	-85
Mahindra & Mahindra Ltd	-81
Cia Brasileira de Distribuicao	-64
Golden Ocean Group Ltd	-51
Moscow Exchange MICEX-RTS OAO	-50
GCL-Poly Energy Holdings Ltd	-49

**Value Creation MTD (NOK MM):**

**-774**

*NB: Contribution to absolute return*

# Main contributors QTD 2015

## Largest positive contributors

<i>Company</i>	<i>NOK Millions</i>
Samsung Electronics Co Ltd	850
Indosat Tbk PT	276
Richter Gedeon Nyrt	275
LG Electronics Inc	168
Naspers Ltd	136
LG Chem Ltd	135
Frontline 2012 Ltd	123
Cosan Ltd	123
X5 Retail Group NV	96
Lenovo Group Ltd	87

## Largest negative contributors

<i>Company</i>	<i>NOK Millions</i>
Golar LNG Ltd	-128
Golden Ocean Group Ltd	-109
Eros International Media Ltd	-101
Vale SA	-96
Yazicilar Holding AS	-75
Cia Brasileira de Distribuicao	-65
GCL-Poly Energy Holdings Ltd	-48
State Bank of India	-45
JSE Ltd	-37
Massmart Holdings Ltd	-37

**Value Creation QTD (NOK MM):**

**2519**

*NB: Contribution to absolute return*

# Main contributors YTD 2015

## Largest positive contributors

Company	NOK Millions
Samsung Electronics Co Ltd	625
Richter Gedeon Nyrt	585
Frontline 2012 Ltd	420
X5 Retail Group NV	381
Mahindra & Mahindra Ltd	274
Shiseido Co Ltd	264
Moscow Exchange MICEX-RTS OAO	245
LG Chem Ltd	239
Naspers Ltd	235
Indosat Tbk PT	222

## Largest negative contributors

Company	NOK Millions
Banrisul	-575
Vale SA	-485
AirAsia BHD	-433
Hyundai Motor Co	-430
State Bank of India	-364
Haci Omer Sabanci Holding AS	-362
Cosan Ltd	-333
Hindalco Industries Ltd	-248
Cia Brasileira de Distribuicao	-244
Tullow Oil PLC	-233

**Value Creation YTD (NOK MM): 714**

*NB: Contribution to absolute return*

# Holdings increased and decreased, December 2015

## Key buys during December

### **GPA/Cia Brasileira de Distribuicao**

We continued adding to the position. The company trades at a very low valuation versus EM peers, while we see potential synergies from stronger LatAm integration. Implied EV/EBITDA for food operations (deducting market value of listed players Via Vareo and Cnova, which equates to 41% of the market cap) is less than 4x for 2015e (a year with sub-par margins diluted by store refurbishments, weak economy and high utility costs). This is significantly below the EM median of above 10x. They should also get some tailwind from increasing market share of the large players driven by economies of scale in procurement, logistics and store expansion.

## Key sells during December

### **PZ Cussons (Out)**

Sold due to less attractive risk-reward assessment than we are seeing elsewhere.

### **Petrobras (Out)**

Sold out as the weak oil price and strong USD could lead to forced asset sales and limit their deleveraging process. An unstable political environment also adds risk to their recovery as it might be difficult politically to force through unpopular decisions.

### **Nordnet (Out)**

We sold out given its limited size potential and due to portfolio consolidation.

### **Vale (Out)**

We sold out as the risk-reward changed after the Samarco accident coupled with continued falling iron ore prices. Their Brazilian mining rights have since been revoked until further notice due to claims that their 50%-owned Samarco is unable to cover the claims from the tailing dam accident.

# Most important changes Q1 2015

## Holdings increased



**Q1**

## Holdings reduced



# Most important changes Q2 2015

## Holdings increased

Q2

China Shipping Development	(New)
Sberbank of Russia	(New)
Eros International Media Ltd	(New)
Haci Omer Sabanci Holding AS	
Golden Ocean Group Ltd	

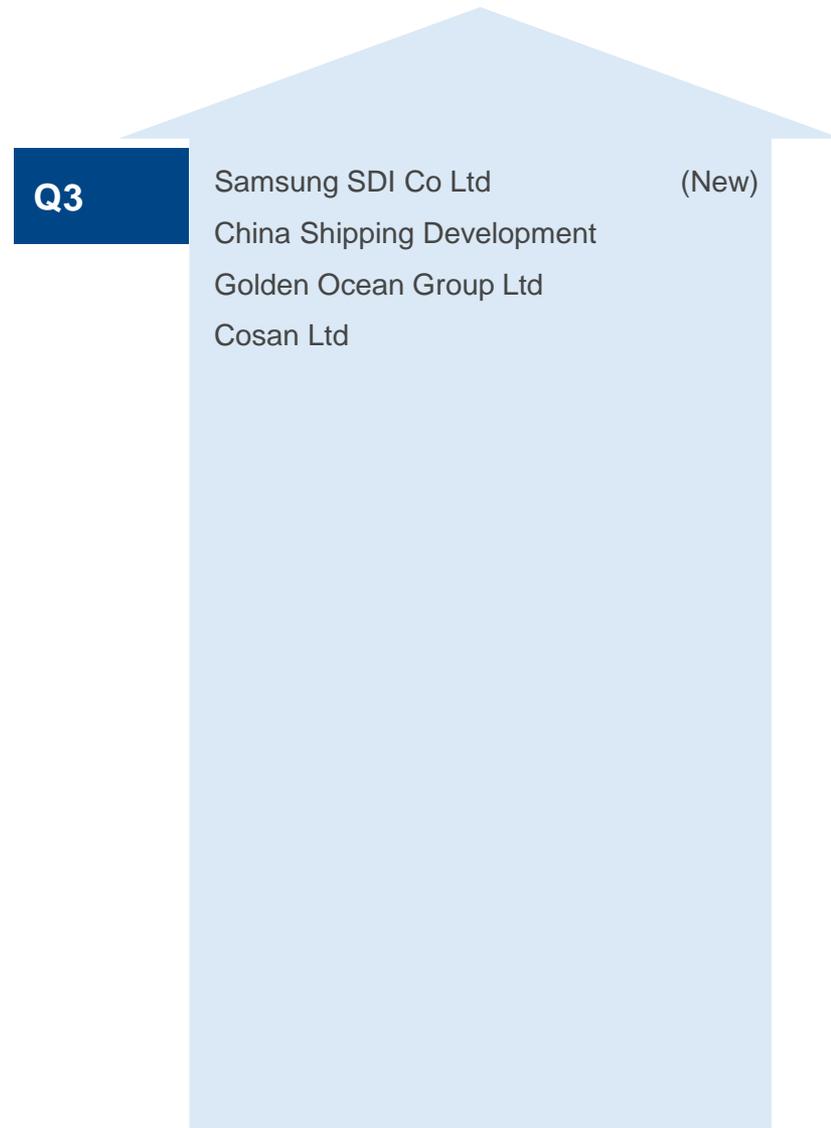
Q2

## Holdings reduced

Harbin Electric Co Ltd	(Out)
Value Partners Group Ltd	(Out)
Skyworth Digital Holdings Ltd	(Out)
MRV Engenharia	(Out)
KIWOOM Securities Co Ltd	(Out)
Yingli Green Energy Holding Co	(Out)
Exxaro Resources Ltd	(Out)
Siem Offshore Inc	(Out)
Avance Gas Holding Ltd	(Out)
AP Moeller - Maersk A/S	
Great Wall Motor Co Ltd	
Lenovo Group Ltd	
Shiseido Co Ltd	
Raiffeisen Bank International AG	
Samsung Electronics Co Ltd	
Casino Guichard Perrachon SA	
Hengdeli Holdings Ltd	
Kerry Logistics Network Ltd	

# Most important changes Q3 2015

## Holdings increased



Q3

Samsung SDI Co Ltd (New)  
China Shipping Development  
Golden Ocean Group Ltd  
Cosan Ltd

Q3

## Holdings reduced



Familymart Co Ltd (Out)  
AP Moeller - Maersk A/S (Out)  
AirAsia BHD (Out)  
Casino Guichard Perrachon SA (Out)  
Shiseido Co Ltd (Out)  
Kerry Logistics Network Ltd (Out)  
Hitachi Ltd  
Hyundai Motor Co  
ABB Ltd  
Samsung Electronics Co Ltd  
Golden Ocean Group Ltd  
Empresas ICA SAB de CV

# Most important changes Q4 2015

## Holdings increased

Q4

Cia Brasileira de Distribuicao  
Samsung SDI Co Ltd

Q4

## Holdings reduced

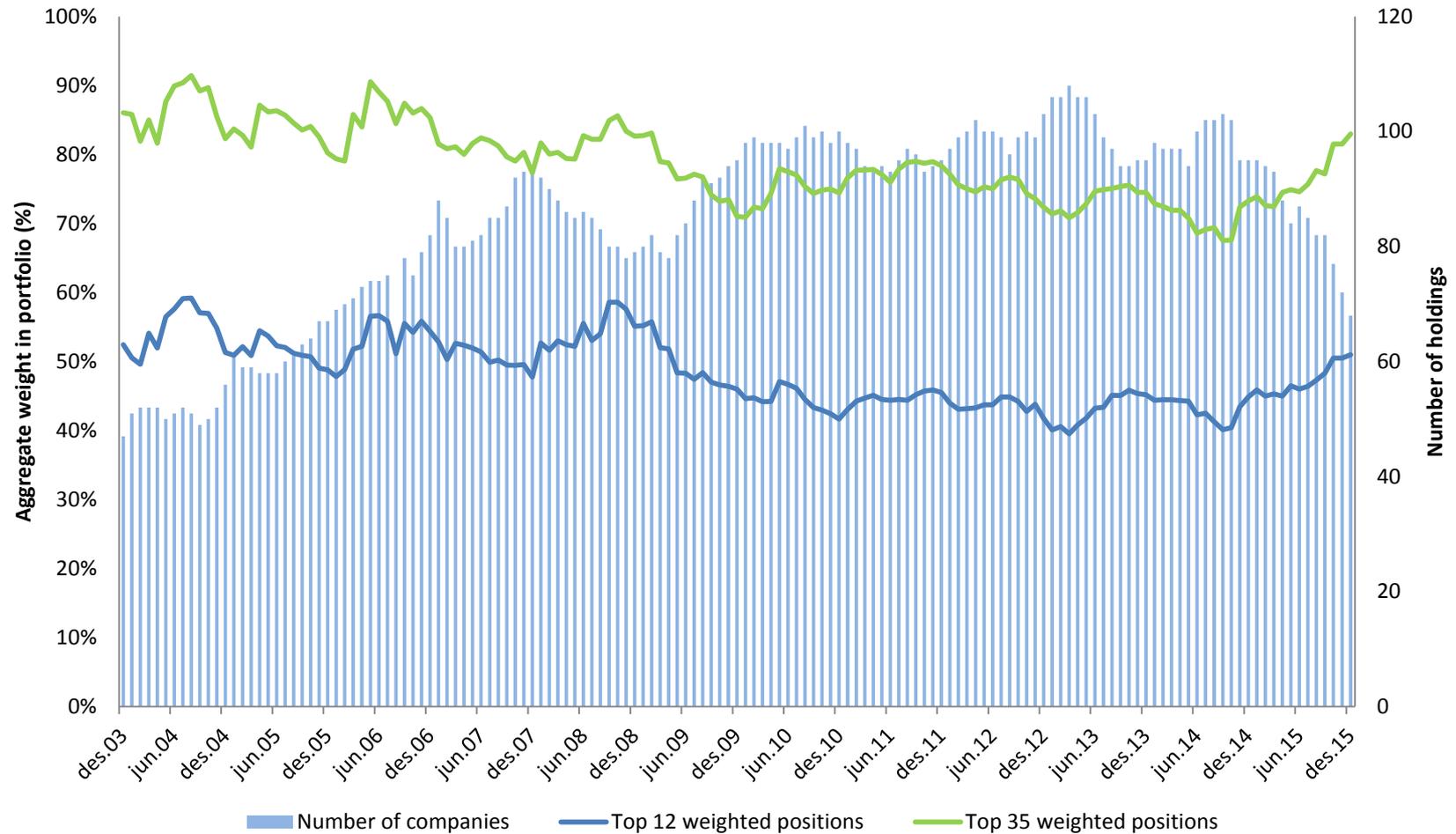
Hindalco Industries Ltd (Out)  
Kulim Malaysia BHD (Out)  
Sberbank of Russia (Out)  
Hitachi Ltd (Out)  
Raiffeisen Bank International AG (Out)  
Supermax Corp Bhd (Out)  
Eros International Media Ltd (Out)  
Hengdeli Holdings Ltd (Out)  
Kuribayashi Steamship Co Ltd (Out)  
Empresas ICA SAB de CV (Out)  
PZ Cussons PLC (Out)  
Vale (Out)  
Petrobras (Out)  
Nordnet (Out)  
Hyundai Motor Co  
Samsung Electronics Co Ltd  
Moscow Exchange  
Bidvest Group Ltd

# Largest holdings SKAGEN Kon-Tiki, end of December 2015

	Holding size, %	Price	P/E 2015e	P/E 2016e	P/BV last	Div. yield 15e (%)	Price target	Upside %
Samsung Electronics	8,4	1 091 000	6,6	6,6	0,9	2,3	1 600 000	47
Hyundai Motor	8,3	103 000	4,0	4,0	0,4	3,9	200 000	94
Mahindra & Mahindra	5,2	1 272	17,0	13,4	2,9	1,1	2 000	57
State Bank of India	4,6	224	6,8	6,4	1,0	2,0	450	100
Sabanci Holding	4,0	8,3	6,9	5,7	0,8	1,2	14	69
Richter Gedeon	3,8	5 498	20,0	18,3	1,7	1,2	7 500	36
Bharti Airtel	3,7	340	17,0	11,3	2,2	0,7	400	18
ABB	3,1	153	15,3	12,7	2,7	3,6	250	64
Naspers	3,1	2 120	42,4	28,3	11,0	0,3	2 500	18
Frontline	2,3	3,0	6,4	7,5	1,6	1,3	4	17
X5 Retail Group	2,3	19,0	14,6	12,6	3,2	0,0	25	32
Great Wall Motor	2,3	9,0	7,2	7,1	2,0	4,1	13	48
<b>Weighted top 12</b>	<b>51,0</b>		<b>7,9</b>	<b>7,4</b>	<b>1,0</b>	<b>2,0</b>		<b>56</b>
<b>Weighted top 35</b>	<b>83,0</b>		<b>8,8</b>	<b>8,0</b>	<b>1,0</b>	<b>2,3</b>		<b>57</b>
<b>Emerging market index</b>			<b>12,2</b>	<b>10,8</b>	<b>1,3</b>	<b>2,9</b>		
<b>Top 35 @ price target</b>			<b>14,1</b>	<b>12,7</b>	<b>1,7</b>	<b>1,4</b>		

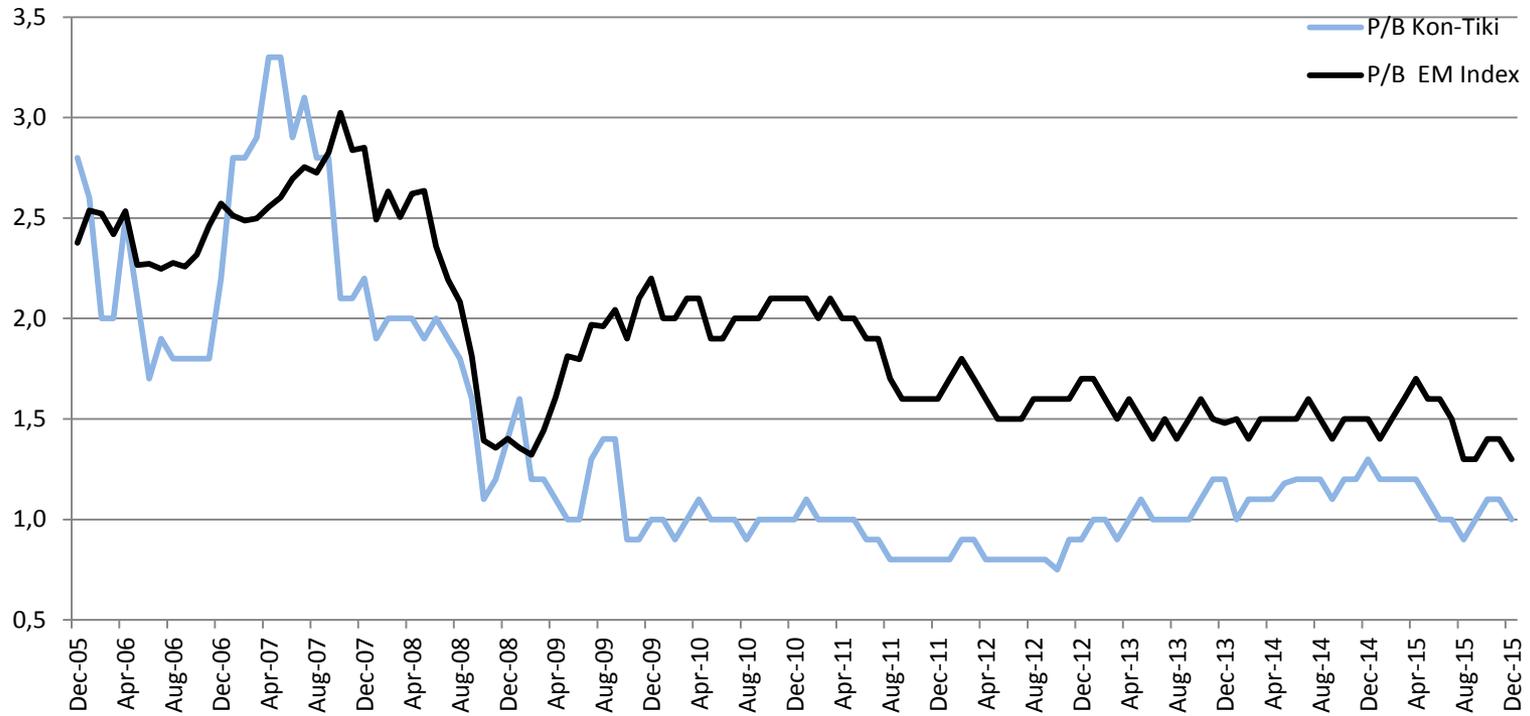
Note: Valuation estimates are based on SKAGEN Kon-Tiki's independent analysis and may vary from consensus estimates.

# SKAGEN Kon-Tiki portfolio concentration



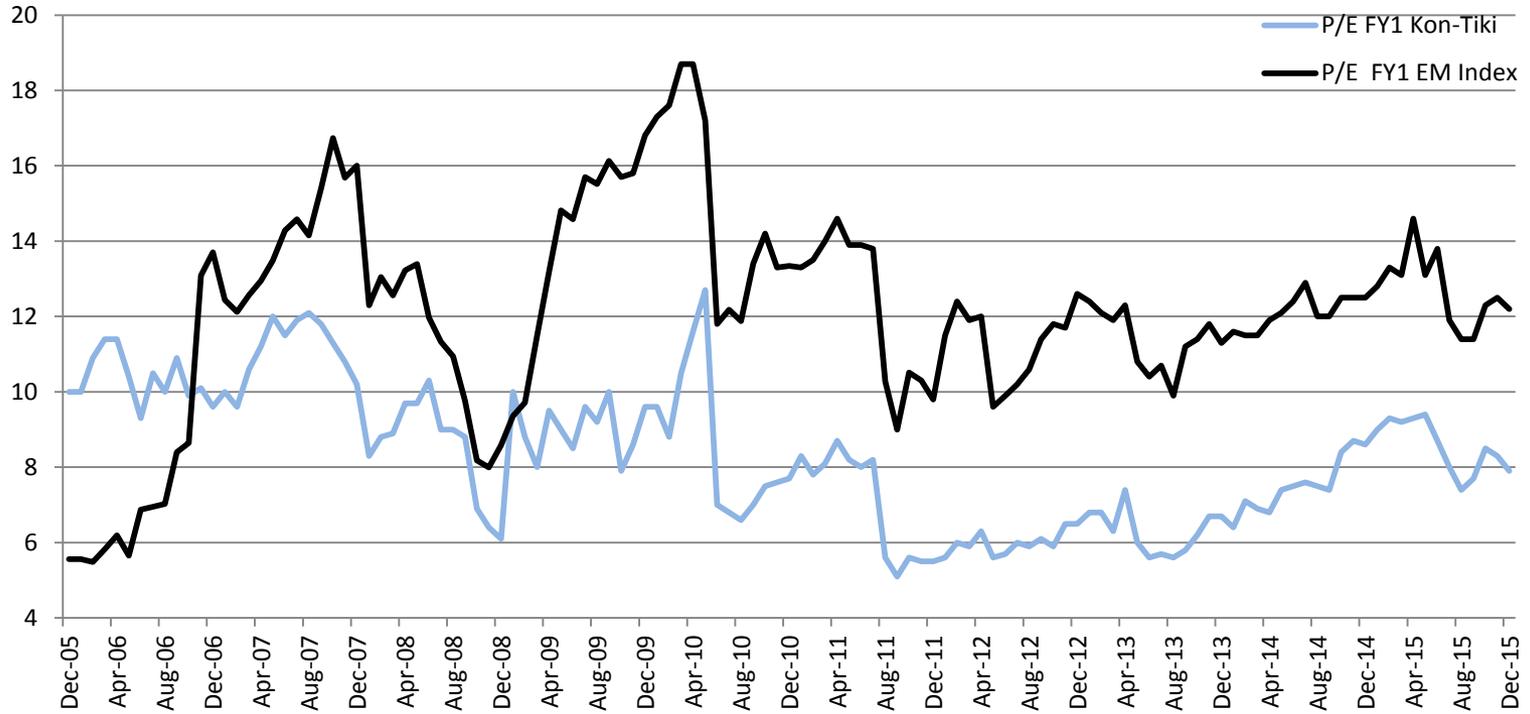
Source: SKAGEN AS as of 31 December 2015

# P/BV for SKAGEN Kon-Tiki versus emerging markets



As of December 31, 2015

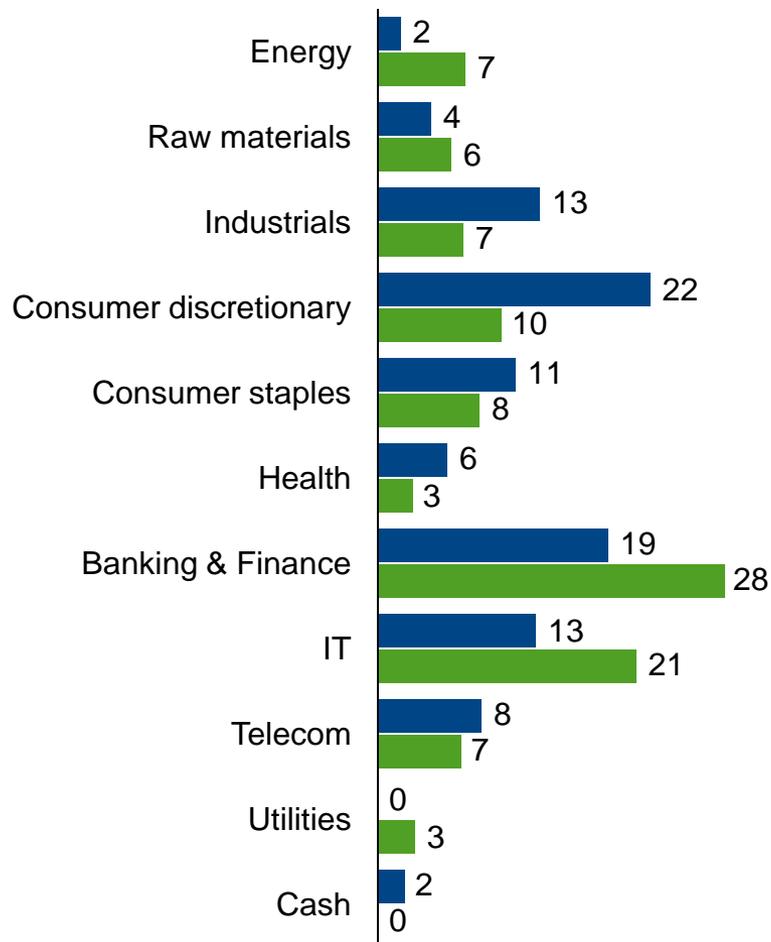
# P/E SKAGEN Kon-Tiki versus emerging markets



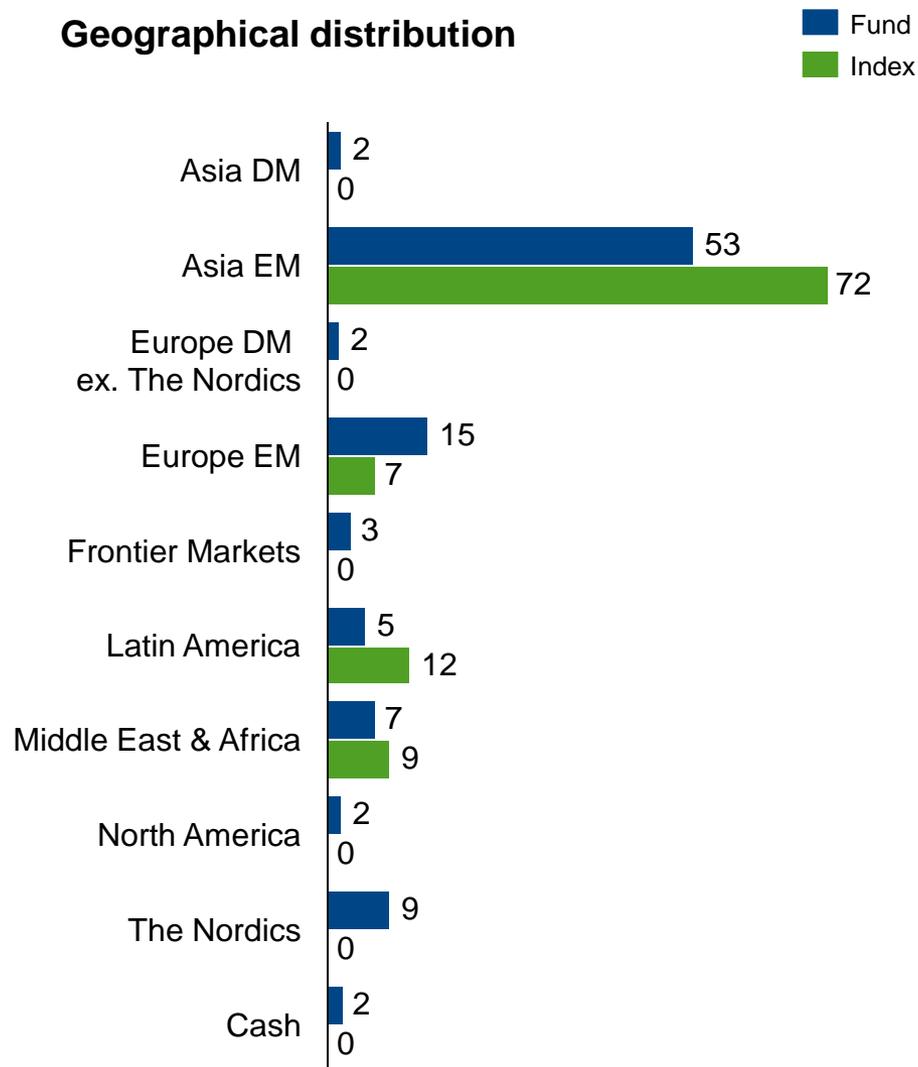
As of December 31, 2015

# SKAGEN Kon-Tiki sector and geographical distribution

## Sector distribution



## Geographical distribution



# Key earnings releases and corporate news, December 2015

Samsung  
Electronics  
(8.4% weight):

## **Increases focus on automotive systems, particularly related to autonomous driving**

**Implications for Investment Case:** Interesting and expected, but Samsung Electronics has sales of USD 170bn (c20% of South Korean GDP), so this is hardly moving the needle in the short term. It will likely have relatively more importance for Samsung SDI (1.5% weight), as the group's focus on offering a more complete product suite to OEMs might benefit EV battery supply.

**Event summary:** SEC will establish a separate auto electronics business (infotainment systems, telematics, centre information display, heads up display (HUD), auto semiconductors and sensors, with a focus on autonomous driving). It will co-operate with other affiliates such as SEMCO, SDI and C&T to offer a more complete suite of solutions. Samsung can leverage on its technology within application processors (AP), wireless communication chips, image sensors, memory and display to develop systems, as well as batteries, camera modules etc. offered by affiliates. The automotive semiconductor (memory and AP) market alone is expected by Gartner to grow to USD 33bn in 2016. Samsung SDI has strong ties to BMW through its exclusive supply of batteries to its i-series of HEV and EV. Separately, Samsung appointed a new head for its mobile BU. This might signal a stronger focus on software going forward, with Samsung, up to now, having been a slow mover in this field compared to Apple. It has also created a "Mobile Enhancing" team within its mobile division in an attempt to find "something new".

**Unpopular:** No, but the buy-side is on the fence with regard to corporate governance, risk of DRAM overcapacity and low conviction in a sustainable recovery for handset division.

**Under-researched:** No. However, all tend to use a P/E and P/BV approach versus historic valuation, failing to capture the value of its strong low-yielding cash position which is now partly being returned to shareholders through a USD 11bn buyback over the next year and 30-50% of FCF in dividend. Only 2-3 analysts have made the effort of looking into value for each operation and conducting a sum-of-parts assessment.

**Undervalued:** Yes. Based on a conservative sum-of-parts, we calculate a value per share of KRW 1.7m. Of this, semiconductor and handsets contributed KRW c550k each. With FY15 likely marking peak of CAPEX cycle, FCF generation should improve in FY16. After having narrowed from 19 to 13% following the buy-back announcement on 30 October, the pref. share discount has again widened to 15%. With management commitment to buy back 3.4x relative share of pref. shares if discount is 10% or more, this seems strange, but adds to a recent widening of discount for all pref. shares in Korea. A major holder of pref. shares has been aggressively selling after the share buy-back announcement to cope with redemption in its funds. Our pref. share price target of KRW 1.5tr is based on a 10% discount to sum-of-parts or a 10% pref. share discount.

# Key earnings releases and corporate news, December 2015 (cont.)

China Shipping  
Development  
(1.4% weight):

## To become a pure tanker and LNG play through asset swap

**Event summary:** After 4 months of stock market suspension, the Chinese authorities finally concluded on asset swaps between the state-controlled shipping companies. China Shipping Development (CSD) will dispose of its loss-making dry bulk shipping operations to Cosco Group, while acquiring the latter's tanker and LNG operations. Final consideration has not been agreed but based on appraisal value, CSD will receive RMB 5,689m (1.0x book value) and pay RMB 6,372m (1.26x book value) for a net consideration of RMB c683m. However, due to debt-swaps, the transaction would leave CSD with a net cash inflow of RMB c5bn. Based on 9M15 accounts, the EPS of CDS would increase from RMB 0.17 to 0.50 with RoE of 10%.

**Implications for Investment Case:** Positive. CSD seems to be on the receiving end, with stock price +8% to HKD 5.94 versus its pre-suspension price, while the share price of the other three companies involved fell 17% (Cosco Pacific), 26% (China Shipping Container Lines) and 28% (China Cosco Holdings) on the day of announcement. The premium/discount to book values in the transaction is only of theoretical interest, as market values are likely different from book values (second hand values near all-time-low) and dry bulk stocks internationally trade at a discount to NAV while tanker stocks trade at a premium.

**Unpopular:** No - 10 Buy and 1 Sell recommendation.

**Under-researched:** Partly, with 11 analysts covering a company with market cap. of USD 3.1bn. Most of the Chinese shipping analysts do not have a lot of shipping sector experience.

**Undervalued:** Yes. This transaction looks good, with "good" assets in, "bad" assets out and de-leveraging of balance sheet. It will be the only listed pure tanker play in Asia and would still trade on par or at a slight discount to NAV even post trading resumption gain.



# The largest companies in SKAGEN Kon-Tiki

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Samsung Electronics is one of the world's largest producers of consumer electronics, with over 155,000 employees. 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 appliances, cameras, printers, PCs and air-conditioning units.

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Hyundai Motor is the world's 4th largest car maker, including their 39% stake in Kia Motor. Sold 4.9m cars in 2014 and has a ca. 5% global market share. Focus on smaller/less expensive cars. Strong position in several countries and in emerging markets such as India and China.

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Mahindra & Mahindra is the largest manufacturer of utility vehicles in India (50% market share) and tractors (40% market share). It has several listed subsidiaries including Tech Mahindra and M&M financial services (largest financier of UVs and tractors in India).

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Largest bank in India with 17% market share (ca. 25% including 5 associate banks). Also presence in life insurance, asset management and investment banking. 15,000 branches, 32,000 ATMs, 130 million customers and over 220,000 employees. Largest Indian overseas bank with 190 offices in 34 countries.

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Turkey's leading and financial conglomerate in sectors including financial services, energy, cement, retail and industrials. The company has 10 companies currently listed on the Istanbul Stock Exchange and operates in 18 countries across Europe, the Middle East, Asia, North Africa and North and South America. Controlled by the Sabanci family.

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## The largest companies in SKAGEN Kon-Tiki (continued)



Hungarian pharmaceutical company established in 1901 with focus on CEE. Transitioning from generic-focused to more specialised through higher margin, innovative products within its women's health division (Esmya) and nervous system treatments (Cariprazine). Significant upside potential from US marketing approval of Cariprazine and extended usage of Esmya is not reflected in the current valuation at 30-40% discount to peers.



Bharti Airtel is India's largest private integrated telecom company, and it is a leading global player (#4) with operations in 20 countries across Asia and Africa. They had around 287m customers across their operations at the end of June 2014. They separated out towers into part-owned unit (passive infrastructure). Bharti family and SingTel own 30% each.



ABB is a leader in power and automation technologies that enable utility and industrial customers to improve performance while lowering environmental impact. The group operates in around 100 countries and employs 146,000 people. Approximately 50% of sales stem from emerging markets and this share is rapidly increasing.



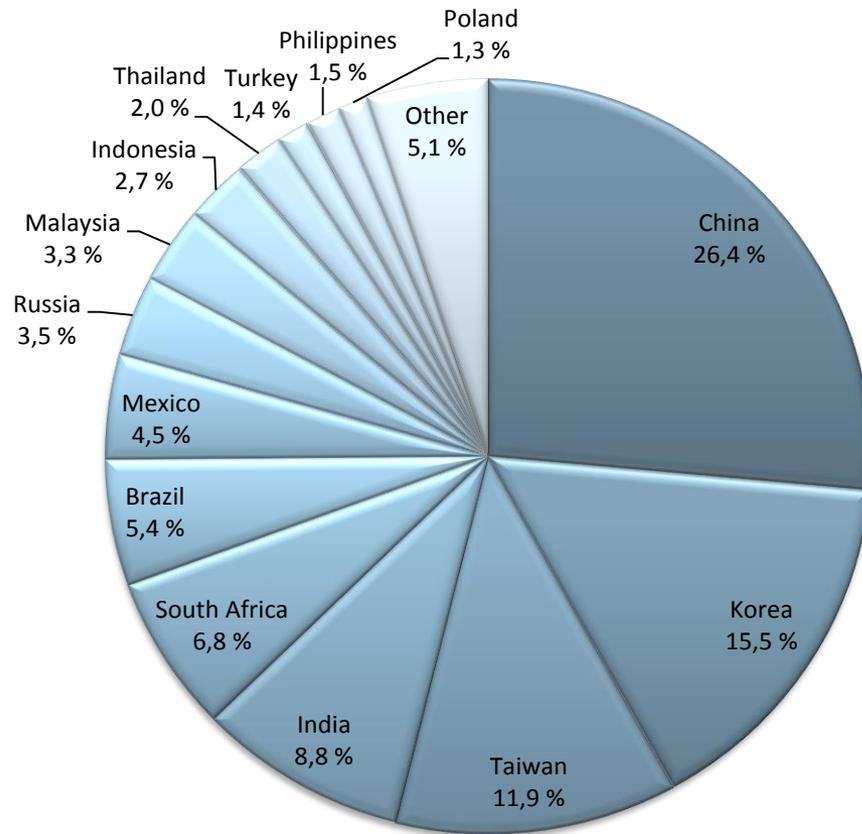
South-African listed media and internet holding company incorporated in 1915. They have a strong Pay-TV business in South-Africa and Sub-Saharan African countries and a fast growing internet division focused on commerce, communities, content, communication and games. They hold a 34% stake in Chinese Tencent and 29% of Russian Mail.ru.



Traces its origins to Frontline AB, founded in 1985. In 1996 John Fredriksen (Hemen Holding) became the majority shareholder. Through a series of acquisitions and purchases of new second-hand tankers, Frontline became the world's largest tanker company. Has consistently returned value through cash dividends and shares of spun off Frontline subsidiaries (Ship Finance, Golden Ocean and Frontline 2012 (which split out Avance Gas). On November 30, Frontline and Frontline 2012 merged.

# Additional information

# Country weights for MSCI EM index



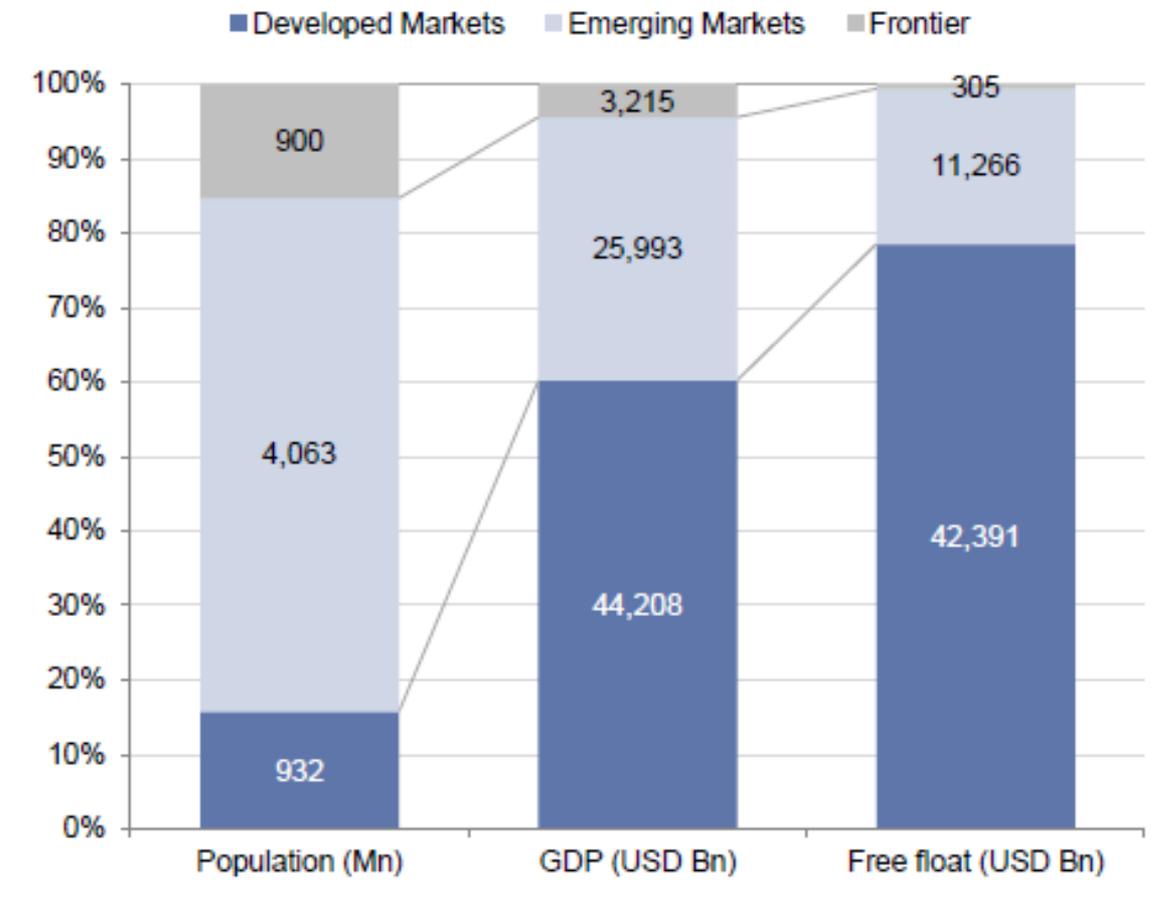
MSCI China has now included US-listed ADRs (50% partial inclusion) to the index, effective December 1. That means the reshuffled MSCI China index will see a notable expansion in internet (IT) and consumer discretionary companies (from 6.8% to 16.2%), at the expense of financials and telecom (from 52% to 46.5%).

This also means that China increases its weight in the MSCI EM index from 24.2% in November to 26.4%.

Source: MSCI as of 7 January 2016

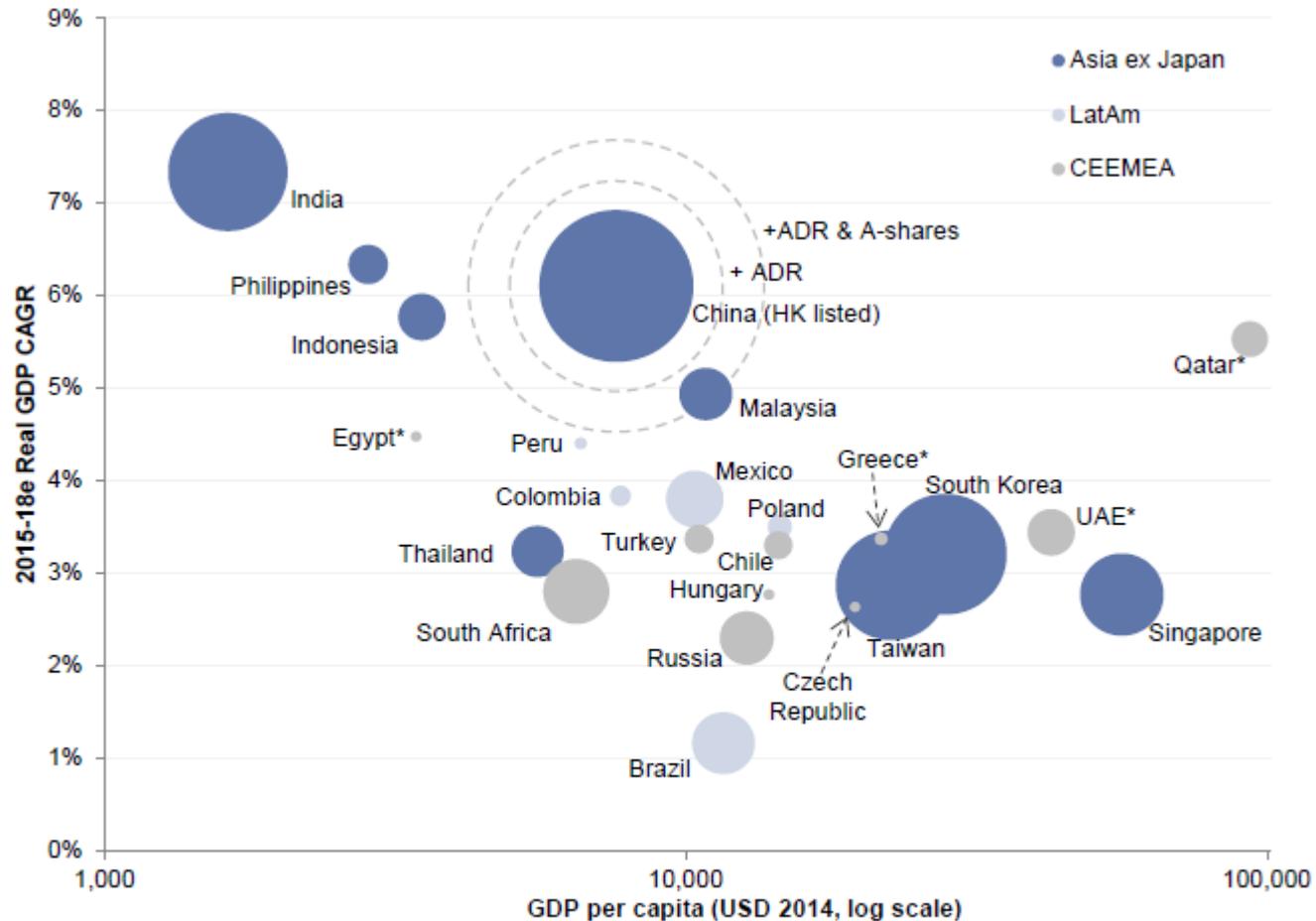
# EM has highest population, DM dominates free float & GDP

Population, GDP & Free float mix



Source: MSCI, Datastream

# Much of the market scale and economic growth lies in Asia

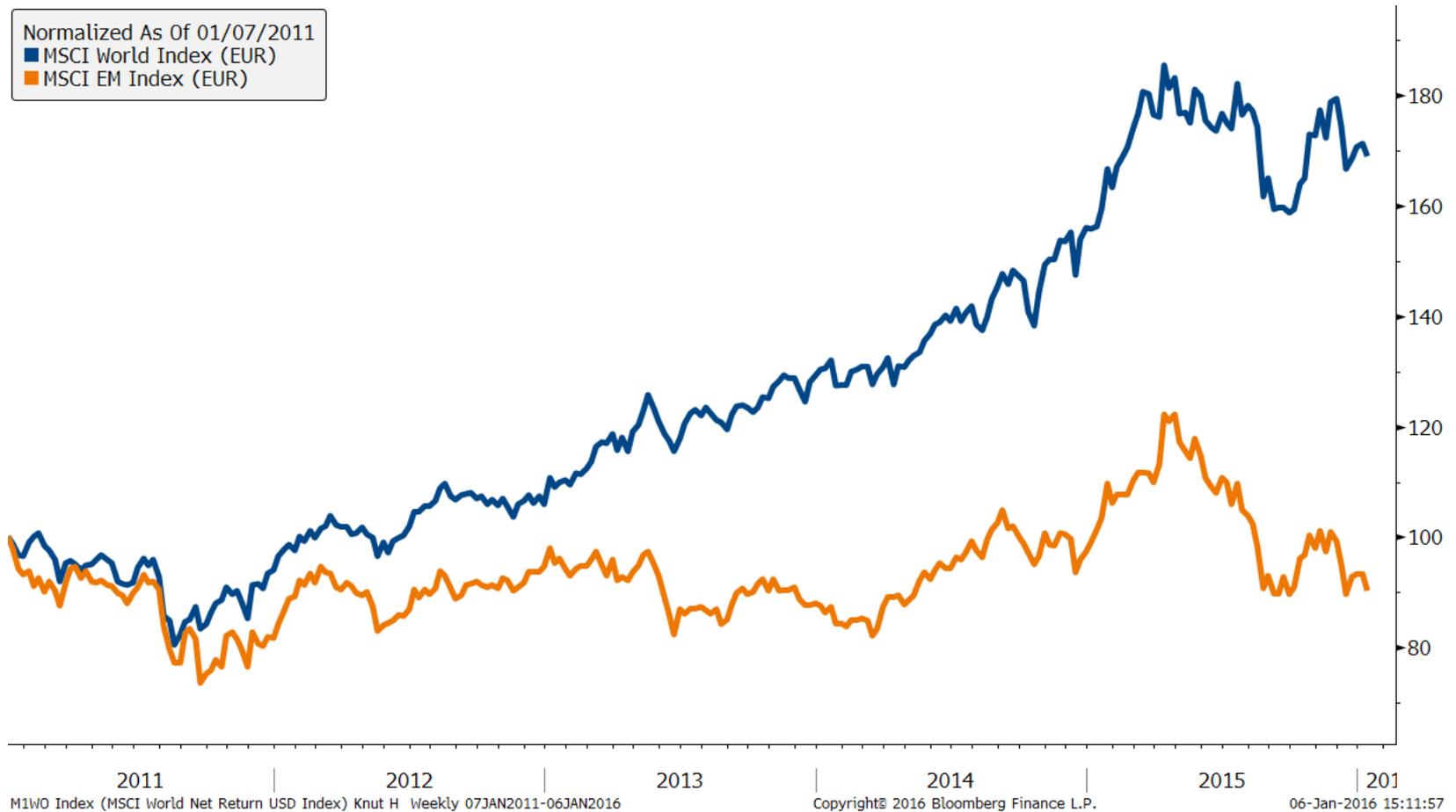


\*Using IMF forecast in absence of GS

Source: IMF, Datastream, Goldman Sachs Global Investment Research

# Emerging markets have severely lagged developed markets over the past 5 years

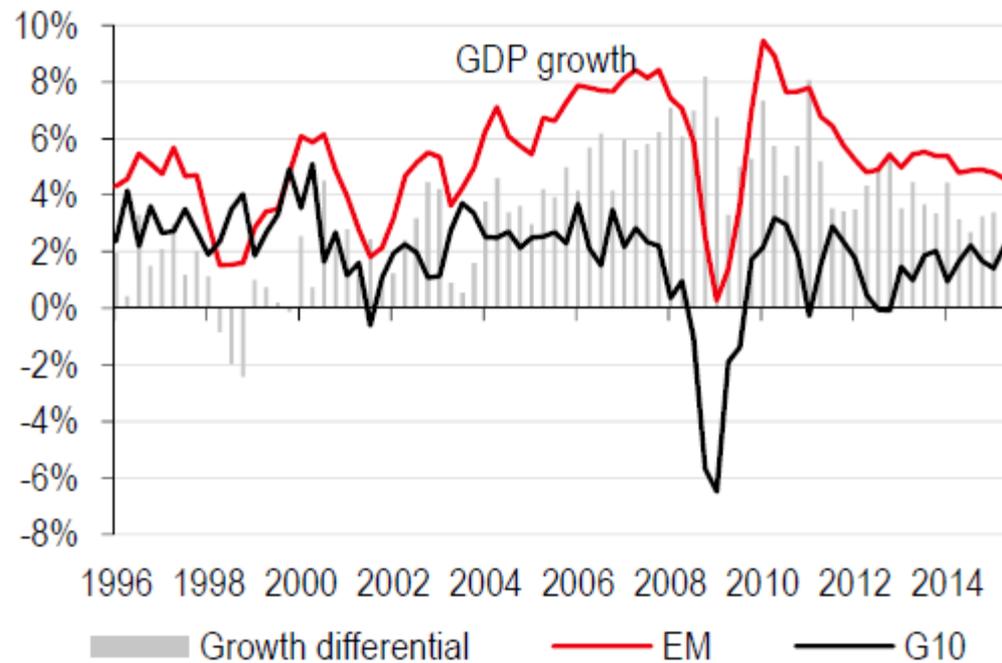
## 5 year return for MSCI EM and MSCI Developed market in EUR



Source: Bloomberg as of 6 January 2015

... and this is part of the explanation

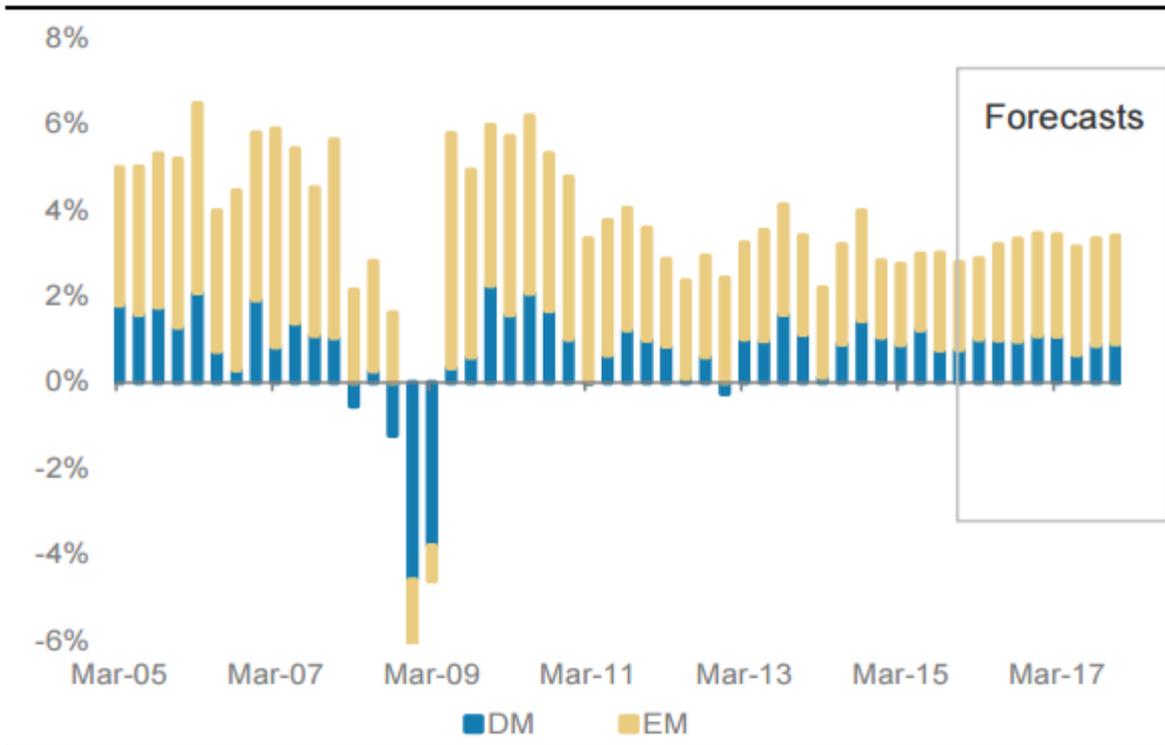
## Growth differentials between EM and G10 has narrowed



Source: Bloomberg, HSBC

# Global GDP growth is still below long-term average

## Global Growth – Still a Sub-Par Recovery

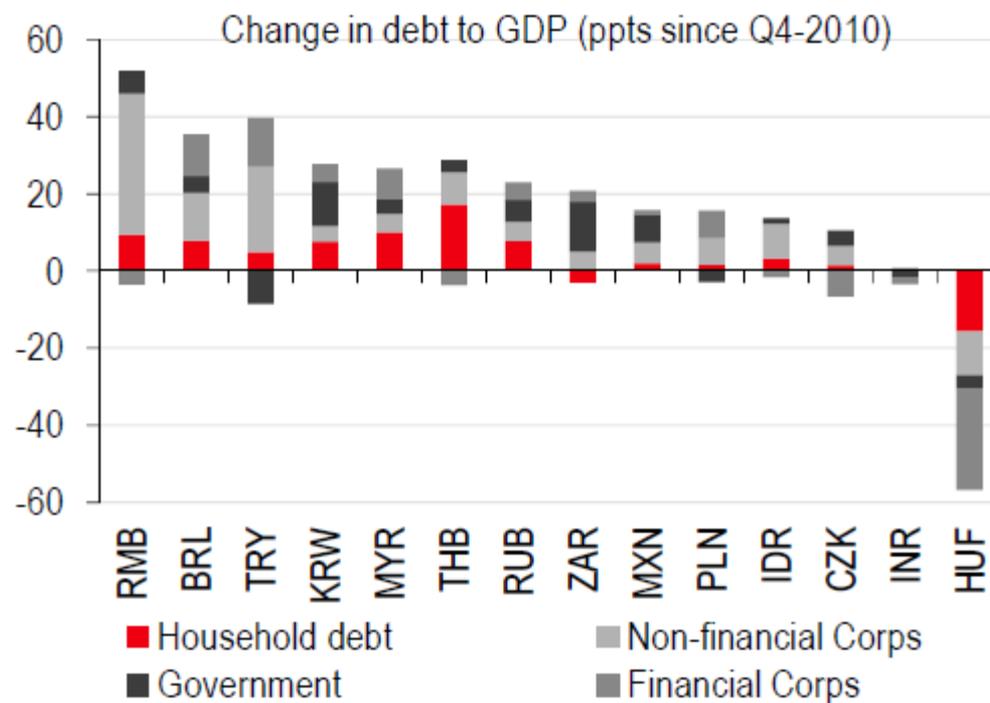


30-year average global GDP growth of 3.6% is split into 4.9% in EM and 2.5% in DM. Consensus estimates for 2016 are 4.6% for EM and 2.2% for DM.

Source: National data, IMF, Morgan Stanley Research forecasts

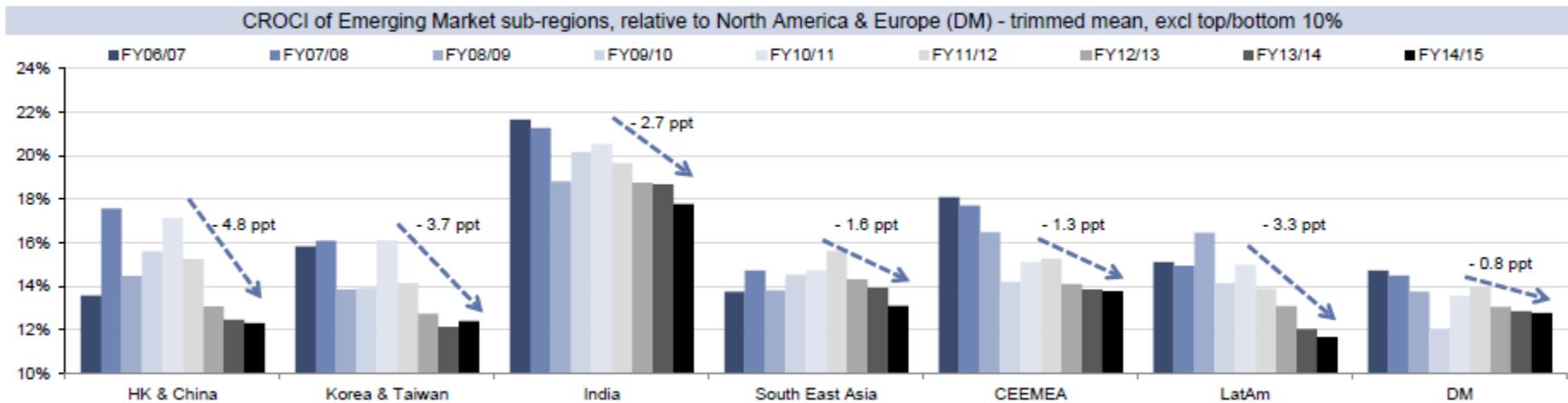
# EM debt levels are going up...

## EM debt levels have risen



Source: BIS, HSBC

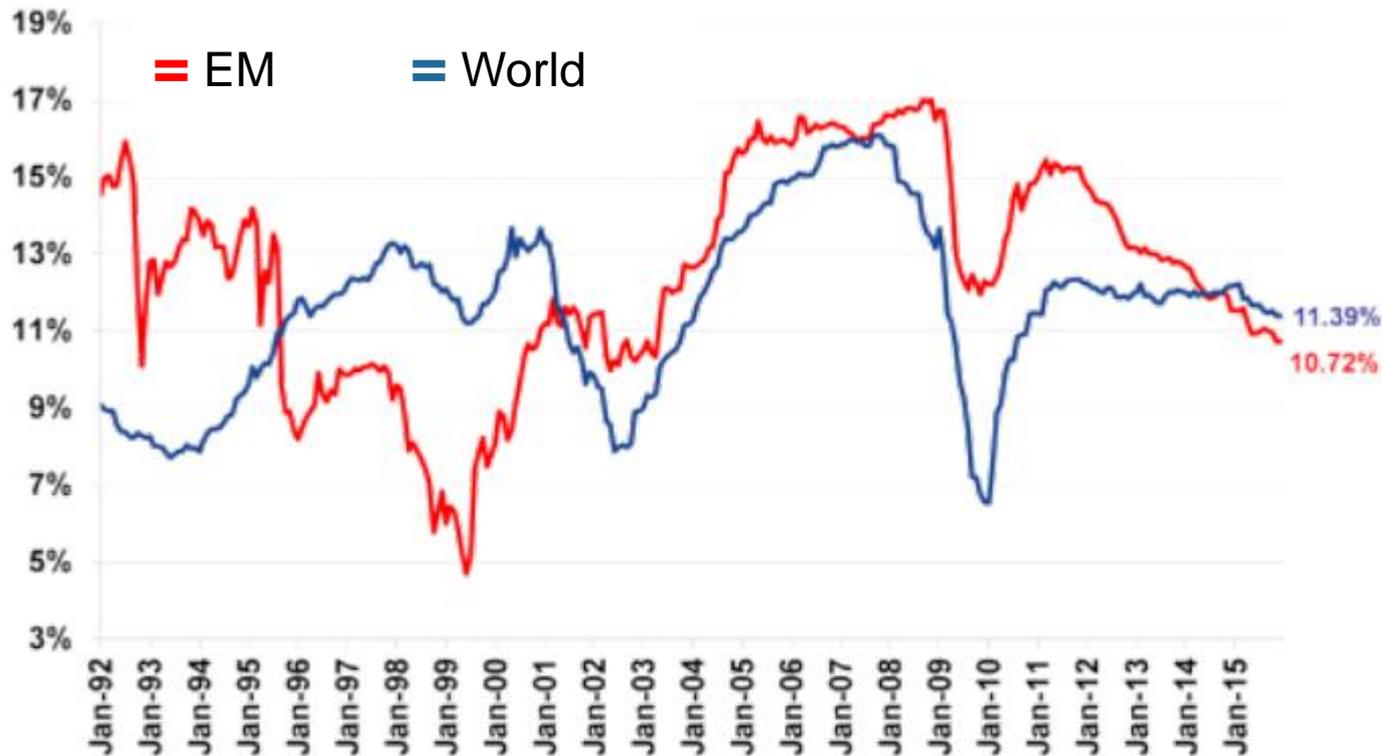
# We are seeing falling cash returns on cash invested (CROCI)



Source: Factset, Goldman Sachs Global Investment Research

# ROE compression in EM due to margin squeeze

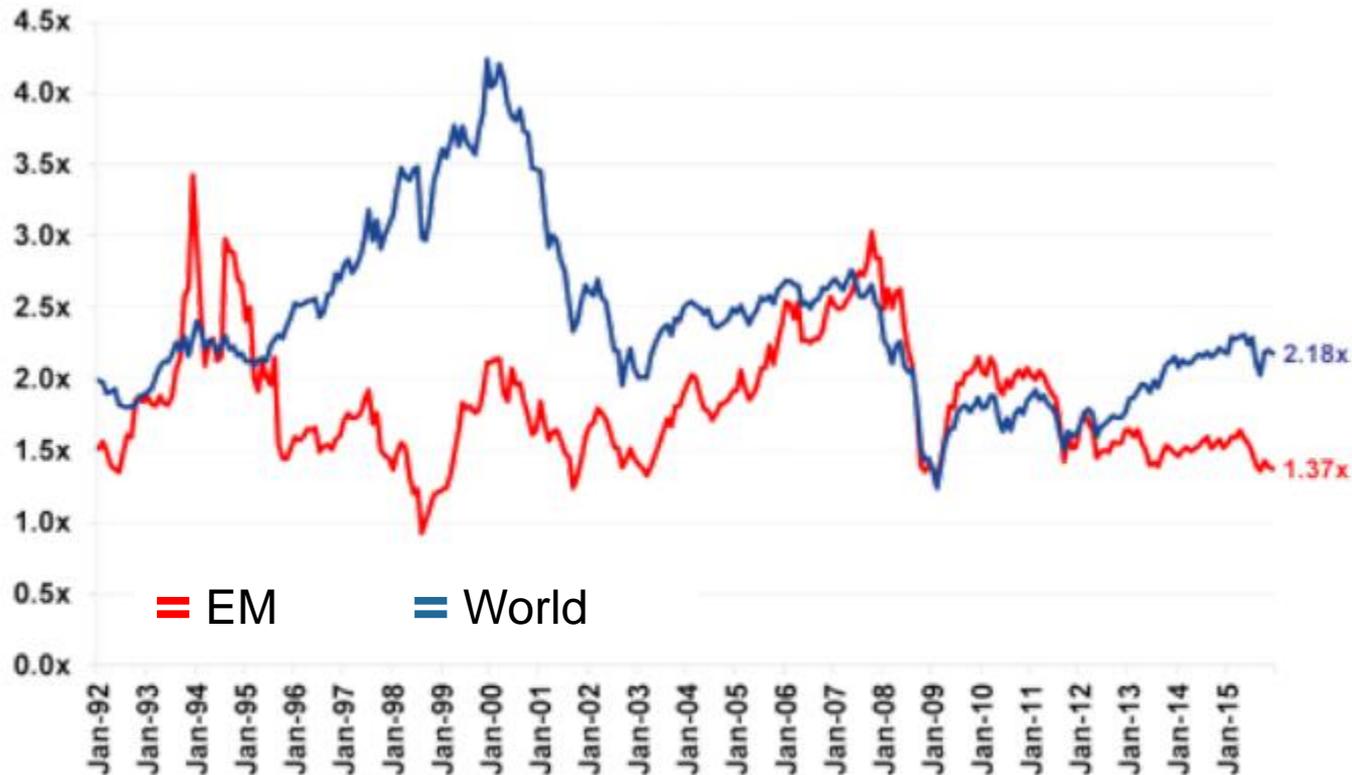
## 12 month trailing RoE



Source: RIMES, MSCI, IBES, Morgan Stanley Research Data as of Dec 29, 2015

# While higher interest rates provide further headwind for valuation; when will the gap close ?

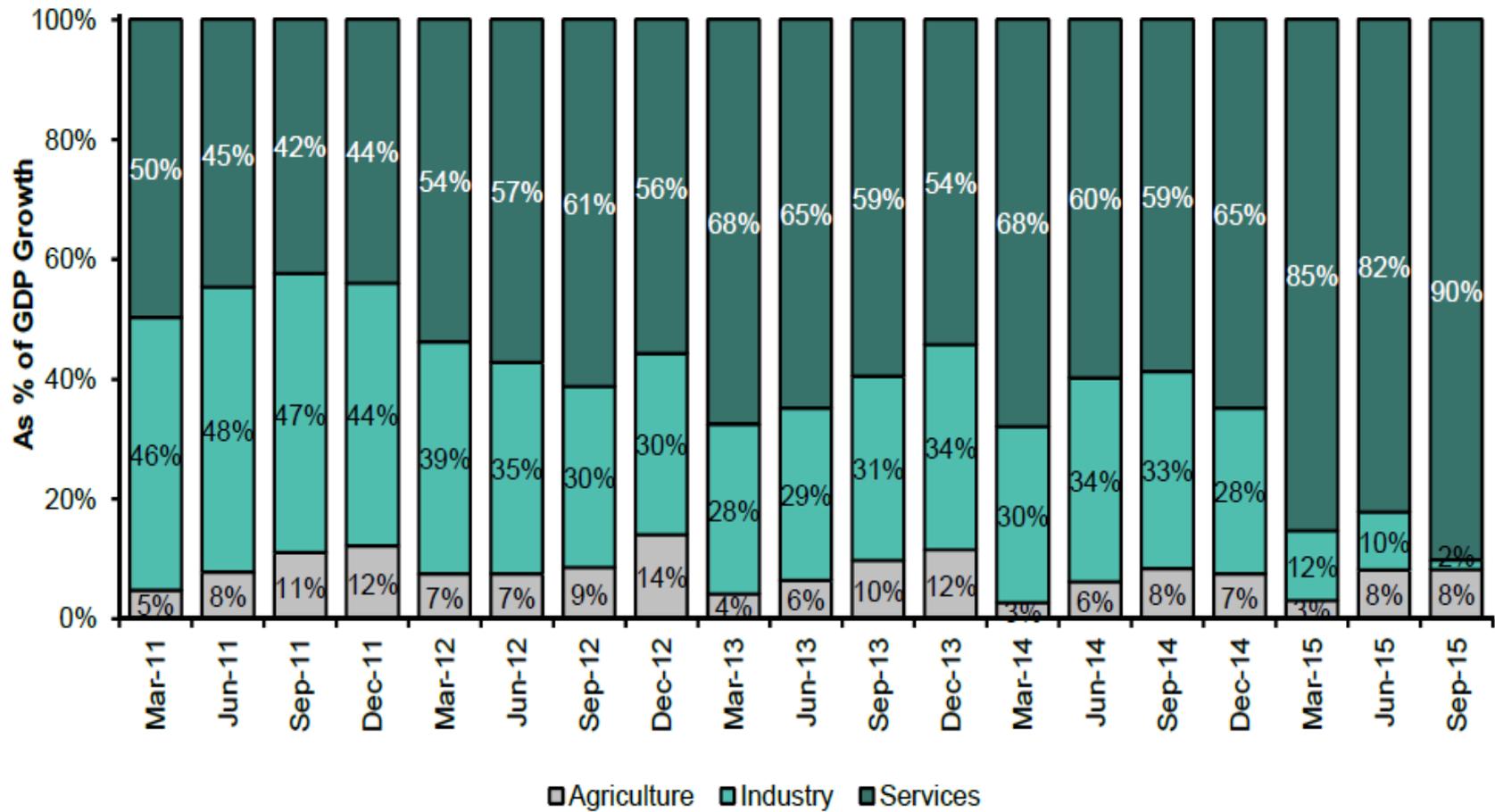
## Trailing P/BV



Source: RIMES, MSCI, IBES, Morgan Stanley Research Data as of Dec 29, 2015

# The Chinese economy is re-balancing from an investment heavy to a services economy

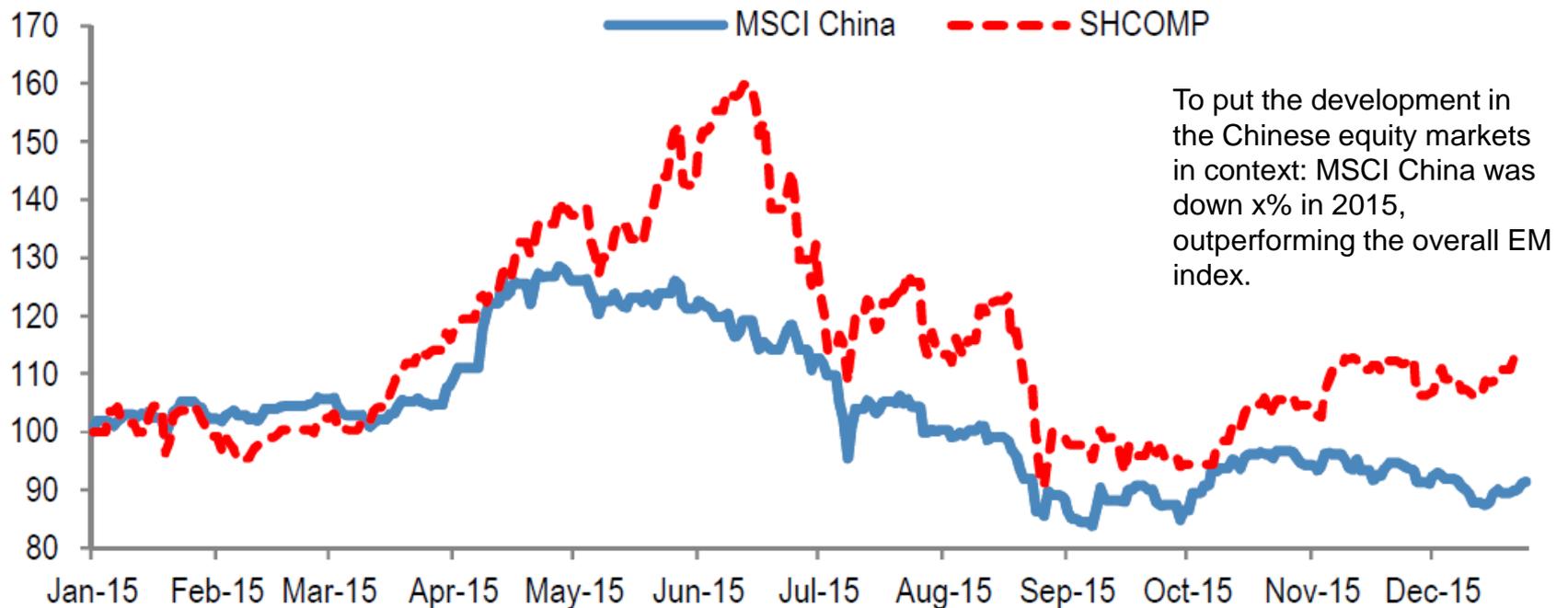
China Quarterly GDP growth share by sector 2011-2015



Source: Haver, NBS, Bernstein

## ... which is leading to confusing data points and volatile markets

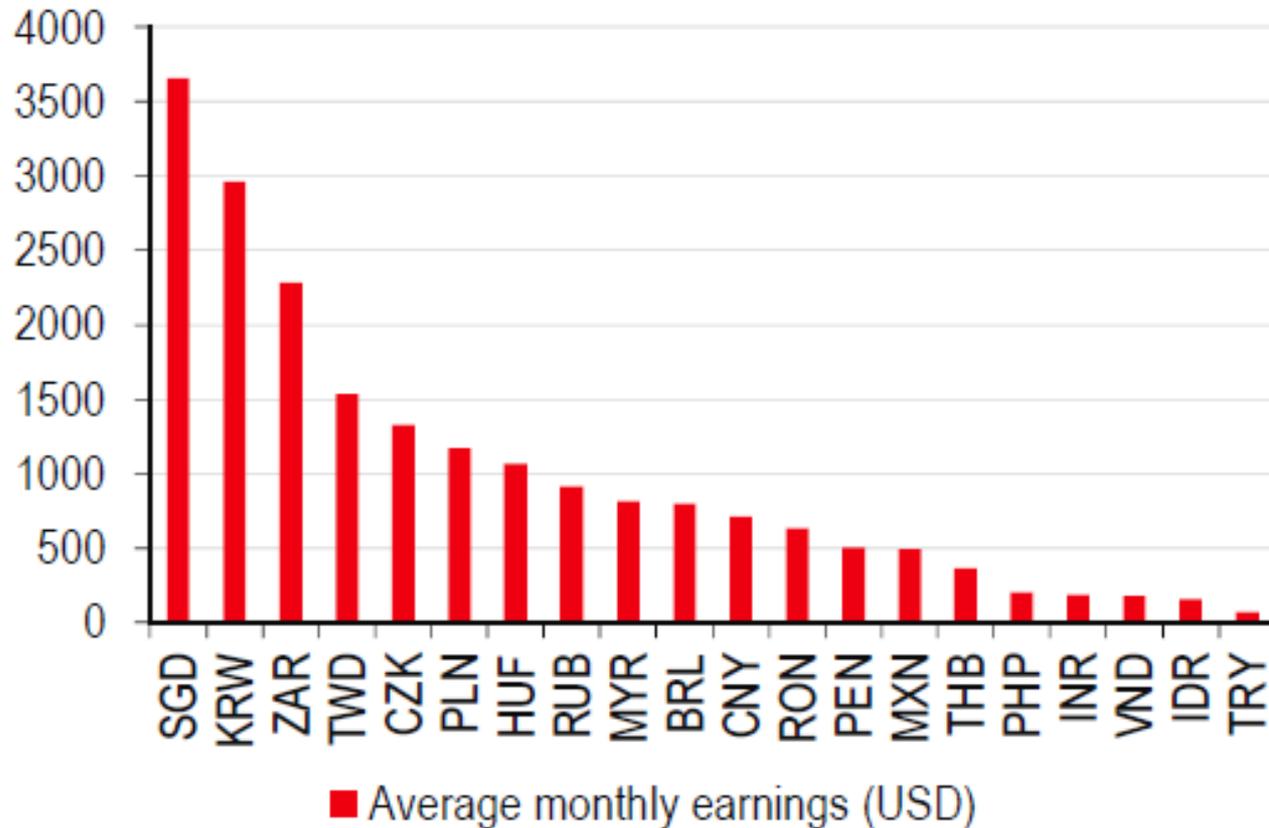
### A-shares and MSCI China down 43% and 35% peak to trough!



To put the development in the Chinese equity markets in context: MSCI China was down x% in 2015, outperforming the overall EM index.

Source: Bloomberg, 24 December 2015.

## Low-cost EM countries set to benefit from China's moving up the value chain



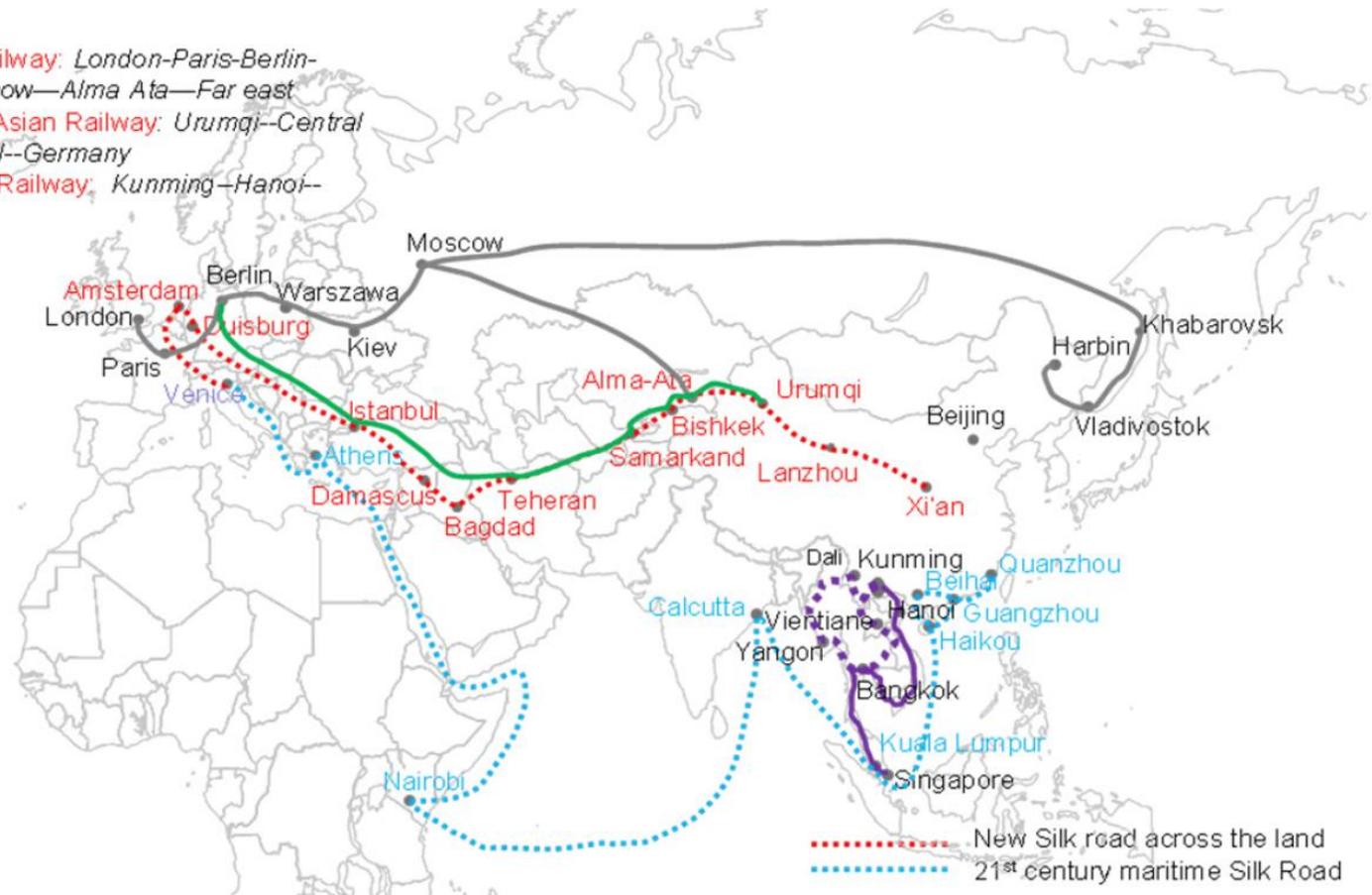
Source: ILS, JETRO, HSBC

# China's opening capital account, particularly rising outward direct investments, could become a key channel to benefit EM currencies

## 13. Countries alongside the "One belt, One road" to benefit

### Major railways:

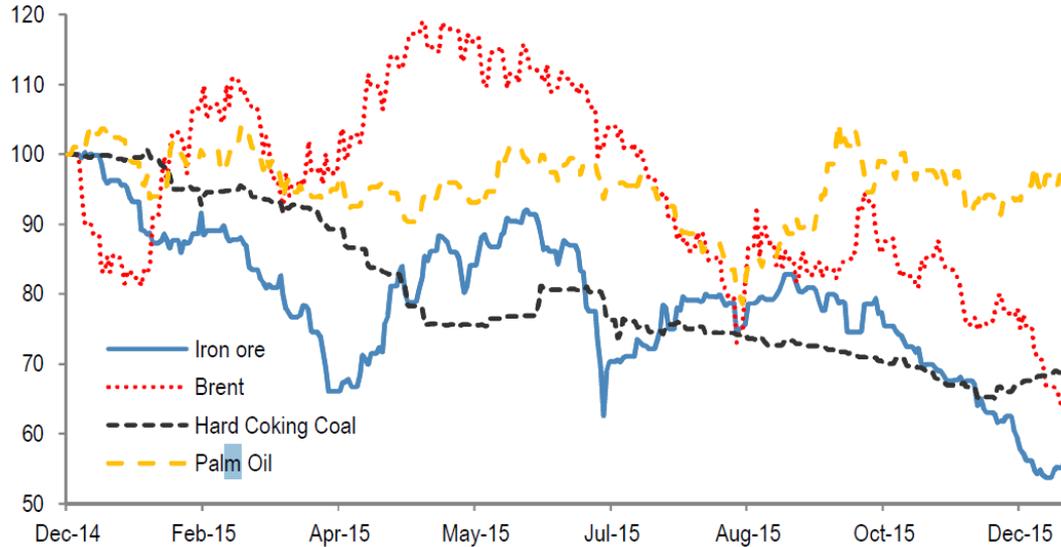
- (1) — Eurasian Railway: London-Paris-Berlin-Warszawa-Kiev—Moscow—Alma Ata—Far east
- (2) — The Central Asian Railway: Urumqi—Central Asia—Teheran-Istanbul—Germany
- (3) — Trans-Asian Railway: Kunming—Hanoi—Bangkok—Singapore



Source: HSBC

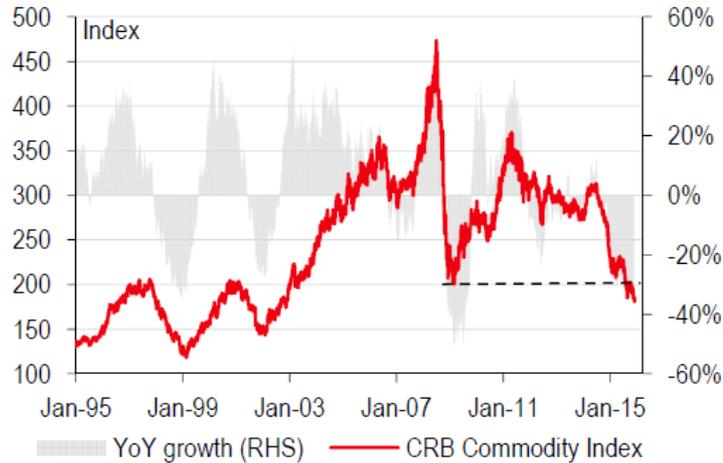
# Commodity price weakness

Figure 12: The decline in commodity prices continued



Source: Bloomberg, J.P. Morgan, 20 December 2015.

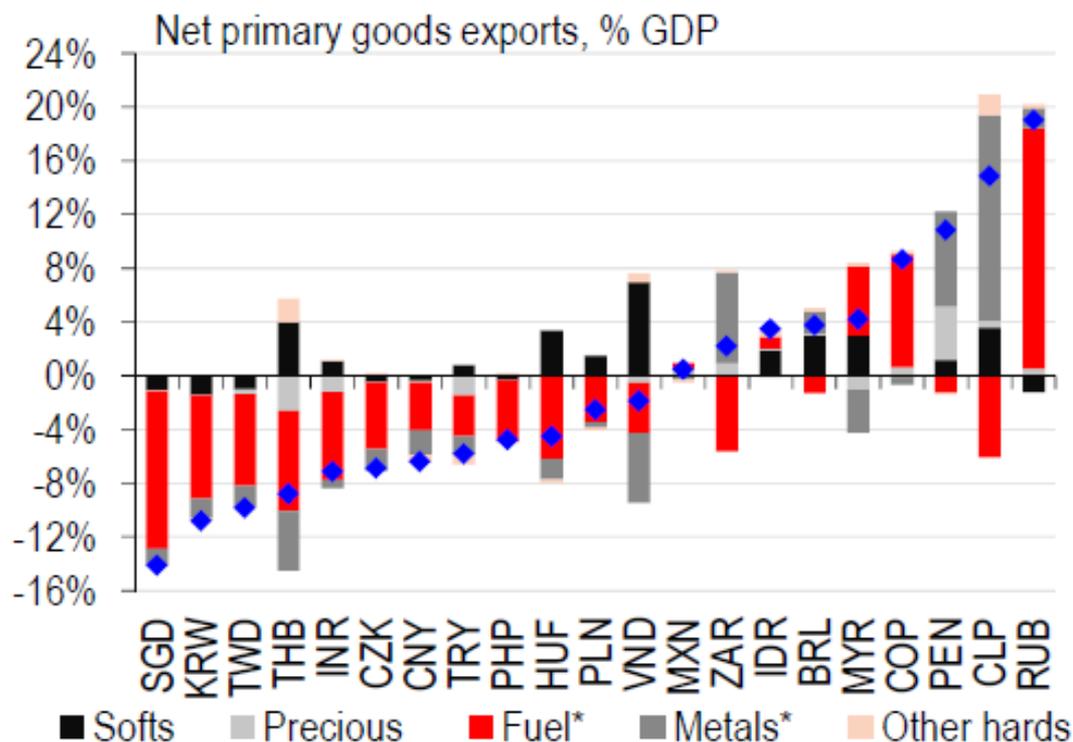
Commodity prices in general are now lower than in 2008



Source: Bloomberg, HSBC

... good for some EM countries and less so for others

## Winners & losers from lower commodity prices



Source: UNCTAD, HSBC

\*Note: Fuel exports are adjusted for petrochemical exports, and metals here include manufactured metals, such as steel and aluminium. Blue dot shows net balance.

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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.

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