

HALF YEAR REPORT

SKAGEN

It's complicated



HOW EUROPE'S DIVORCE CAN CREATE OPPORTUNITIES

Keep calm and carry on

The outcome of the UK's European Union membership referendum surprised and shook global markets and there has been no shortage of commentary in its wake. It is somewhat of an understatement to say that this was the big topic of the quarter.

Some people have worried that the Brexit outcome could ultimately lead to a break-up of the UK given that Scotland and Northern Ireland voted to remain in the EU. There has also been speculation about whether or not the UK will actually go through with exiting the EU or whether we will see a so-called 'Breversal' of the non-binding vote.

In our previous Market Report in April, I made the case that the fundamental effects of a Brexit might be fairly limited on markets in the long term. Already now, a few weeks after the vote, we have seen a strong rebound from the initial dramatic market reactions to the outcome of the Brexit vote. However, as we all know, financial markets do not usually respond well to uncertainty and we may still have to cope with periods of market fluctuation ahead. You can read more on this in the general Investment Director's commentary. Each of the fund updates will also touch upon the referendum and how the outcome has impacted their portfolios.

Macro drivers

From the time of the financial crisis in 2008 until today, macro driven themes and events have largely been steering markets with a firm grip. Initially all eyes were on central banks and their actions towards enabling liquidity and restoring confidence in the global banking system in the aftermath of the subprime fallout. As the years have passed, we have seen slow but steady growth with recurring concerns and hiccups in the markets related to, for example, the growth rate in China and vulnerabilities in other Emerging Markets, such as Russia and Brazil. We have also seen a significant drop in oil prices and emerging market currencies.

Central banks have combated all of the above with low interest rates, near zero interest rates and finally negative interest rates, as seen in for example Sweden.

A gathering storm

The Bank for International Settlements, BIS, recently warned that there is a 'gathering storm' in the global economy. BIS, sometimes referred to as the central banks' central bank, believes that

this storm would be caused by central banks running out of monetary policy options and a concern that an increasing number of countries will turn to negative interest rates in order to fuel growth. One could add that there is a general reluctance to implement fiscal policies – which adds to concerns that central banks are running out of options.

In a world where macro events are driving the markets, it can be a challenge for active fund managers such as SKAGEN to beat the markets, at least in the short to medium term. In such an environment it might appear tempting for asset managers to construct fund portfolios that largely resemble their benchmarks; this is commonly known as 'closet indexing'. One study referred to in the Financial Times showed that more than half of all domestic equity funds in Sweden and Poland could be closet trackers. The phenomenon of closet indexing is being studied by regulators throughout Europe with an aim to protect investors from paying for something they are not receiving. In Norway the regulator for consumers, Forbrukerrådet, is now even pressing ahead with a law suit against one of the banks due to closet indexing.

High active share

In the risk and return section of this report you can see what the active share is in SKAGEN's equity funds – the commonly used measurement that shows how assets in a fund differ from those of its benchmark. If a fund for example has an active share of 90%, which is considered high, this indicates that 90% of assets differ from its index, while the remaining 10% mirror the benchmark. At SKAGEN we are active managers, and currently have an active share of above 90% in all our equity funds.

Our active investment philosophy aims to look beyond the macro driven events of the day and the short-term market folly. We obviously pay attention to macro risks that could affect our holdings, although, we are more intent on analysing the underlying factors that we believe will create value and positive returns for our unit holders in the long term. This has in general served our clients well historically and is something we are proud of.

Therefore, despite Brexit and other short-term market fluctuations, we continue to adhere to our philosophy and it is a timely occasion to remind ourselves of the motivational poster produced by the British government in 1939; Keep calm and carry on.



– Leif Ola Rød
CEO

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Brexit overshadowed all other news flow during the quarter. But while the debate in the media rages on, SKAGEN continues to focus on companies rather than politics.



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Brazil has been the winning market so far this year following a clean-up after the corruption disclosures, and has also contributed to SKAGEN m²'s performance. Pictured here a child reaches for a mascot doll during the opening of Brazil's Copacabana Olympic megastore in Rio De Janeiro.

Photo: Bloomberg



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SKAGEN Focus made a short-lived but very profitable investment in South Korean snacks producer, Haitai in the quarter.

Photo: Haitai

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Leif Ola Rød

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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.

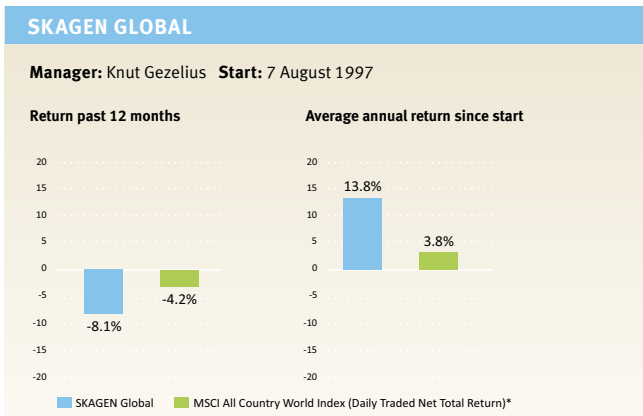
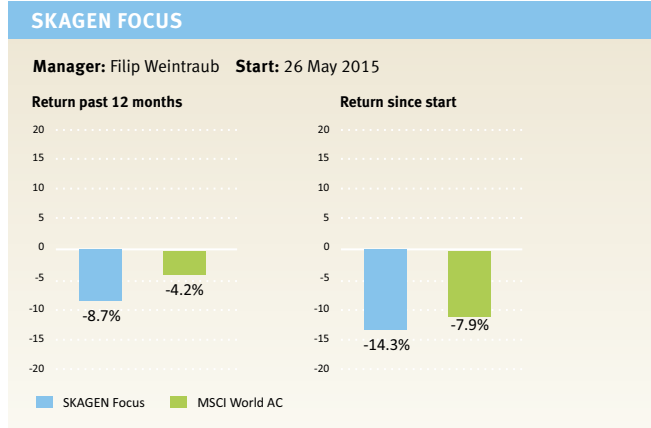
The report should not be perceived as an offer or recommendation to buy or sell financial instruments. SKAGEN does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of the report. SKAGEN recommends that anyone wishing to invest in our funds contacts a qualified customer adviser by telephone on +47 51 80 37 09 or by email at contact@skagenfunds.com.

Returns

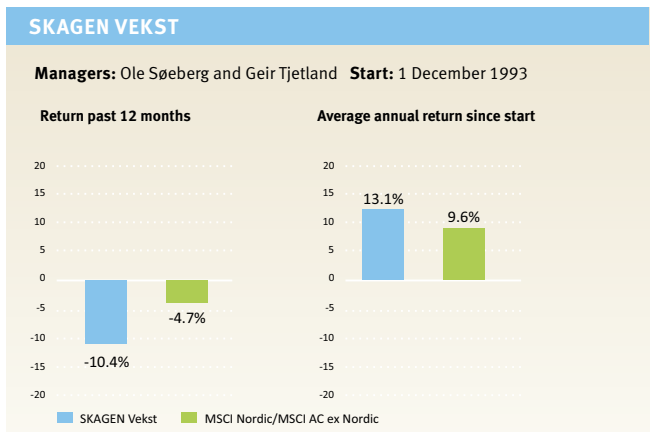
The following tables show the returns for SKAGEN's funds versus their respective benchmarks in euro. The figures are updated as of 30.06.2016

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.

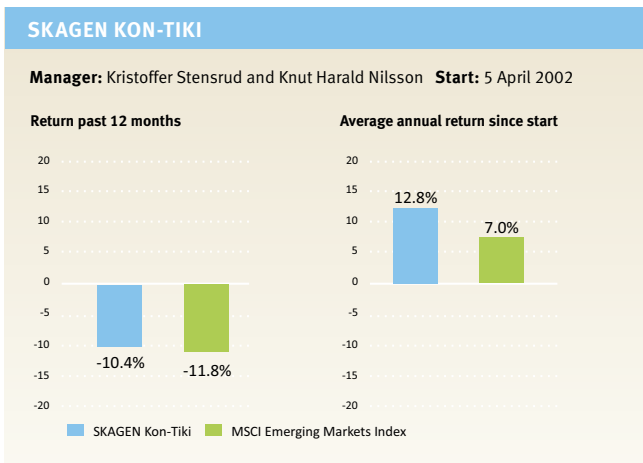
Equity Fund **Fixed Income Fund**



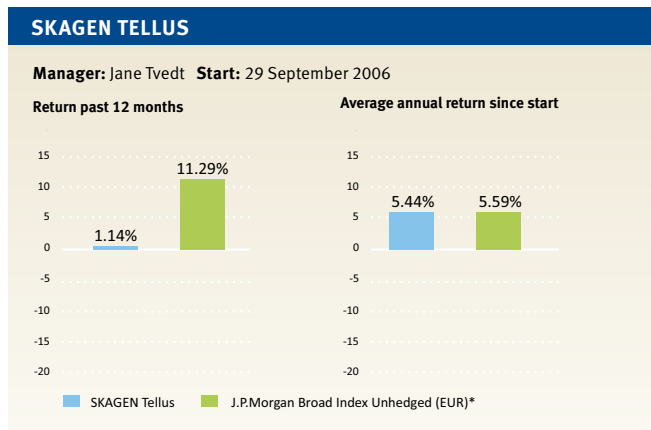
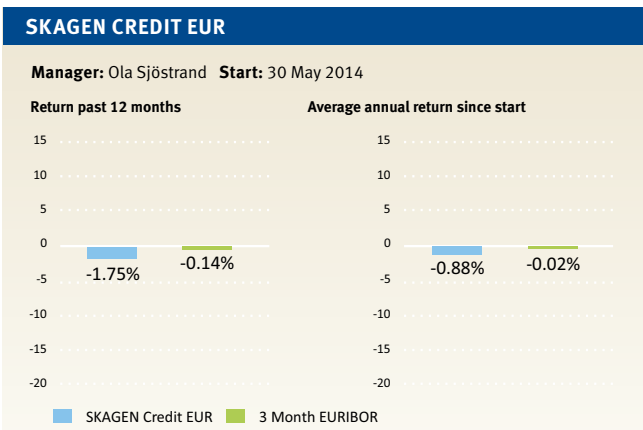
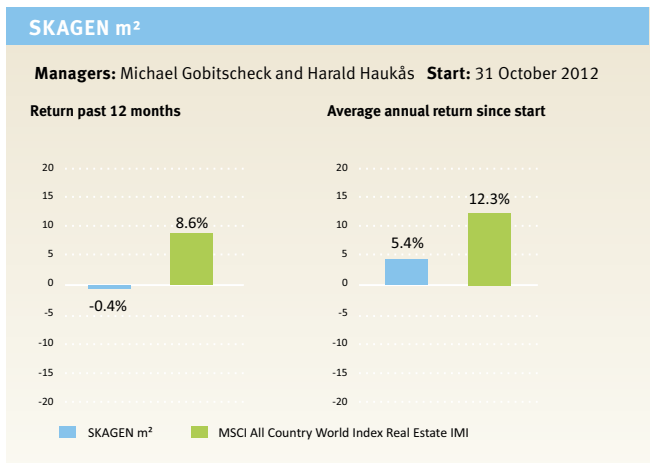
* The benchmark index prior to 1/1/2010 was the MSCI World Index



* Effective 1/1/2014, the fund's investment mandate changed. Read more on page 32. The benchmark index prior to 1/1/2010 was the Oslo Stock Exchange Benchmark Index (OSEBX).



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



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

Investment Director's Report

Introduction

- › Brexit overshadowed all other news flow during the second quarter.
- › Both the global equity market and the emerging market fluctuated significantly during the quarter but closed virtually flat from the starting point in April.
- › While the post-Brexit debate rages on in the media, SKAGEN continues to focus on companies rather than politics.



Photo: Bloomberg

Companies. Not politics.

23 June is a day on which a wide variety of historical events have taken place. This date marks the invention of the typewriter, the founding of the International Olympic Committee and the death of the Roman emperor Vespasian. As of 2016, it also represents the date on which the United Kingdom voted to leave the European Union (EU) in a non-binding referendum. This event, commonly referred to as Brexit, overshadowed all other news flow during the second quarter.

– Leif Ola Rød
Investment Director

One week later as the quarter drew to a close, the alarm bells were no longer ringing and most indices, including the UK FTSE 100, had recouped the Brexit losses; for example, the S&P 500 as well as the MSCI Emerging Market index were trading within 1% of their pre-Brexit levels. While volatility may return, we believe that the market's initial response to the Brexit vote was a knee-jerk reaction that did not correspond to a change in fundamental value for most companies.

Drawing on our contrarian instinct, we cannot help but wonder if the UK's apparent decision to leave the EU will not be rescinded in the end? As further detailed in the SKAGEN Tellus section, our macro experts postulate a thought-provoking non-consensus view that the market may well be underestimating the possibility that the UK remains in the EU once the dust has settled.

A fickle market

Both the global equity market (MSCI ACWI Index) and the emerging market (MSCI EM Index) fluctuated significantly during the second quarter but closed virtually flat

from the starting point in April. Commodities fared better as indicated by the broad Bloomberg Commodity Index which rallied 13% to its best quarter since 2010. In a similar vein, oil had its strongest quarter since 2009 and surged 26% to close at around USD 48/bbl (WTI futures). Finally, gold gained nearly 7% in the second quarter and thereby posted the largest six-month gain since 1974.

While commodities soared, bond yields in the US and Germany continued to fall as investors' belief in higher rates dwindled throughout the quarter. The 10-year US government bond yield retracted from 1.77% to 1.47% while the 10-year German bund dropped into negative territory for the first time and ended the quarter yielding negative 13 bps.

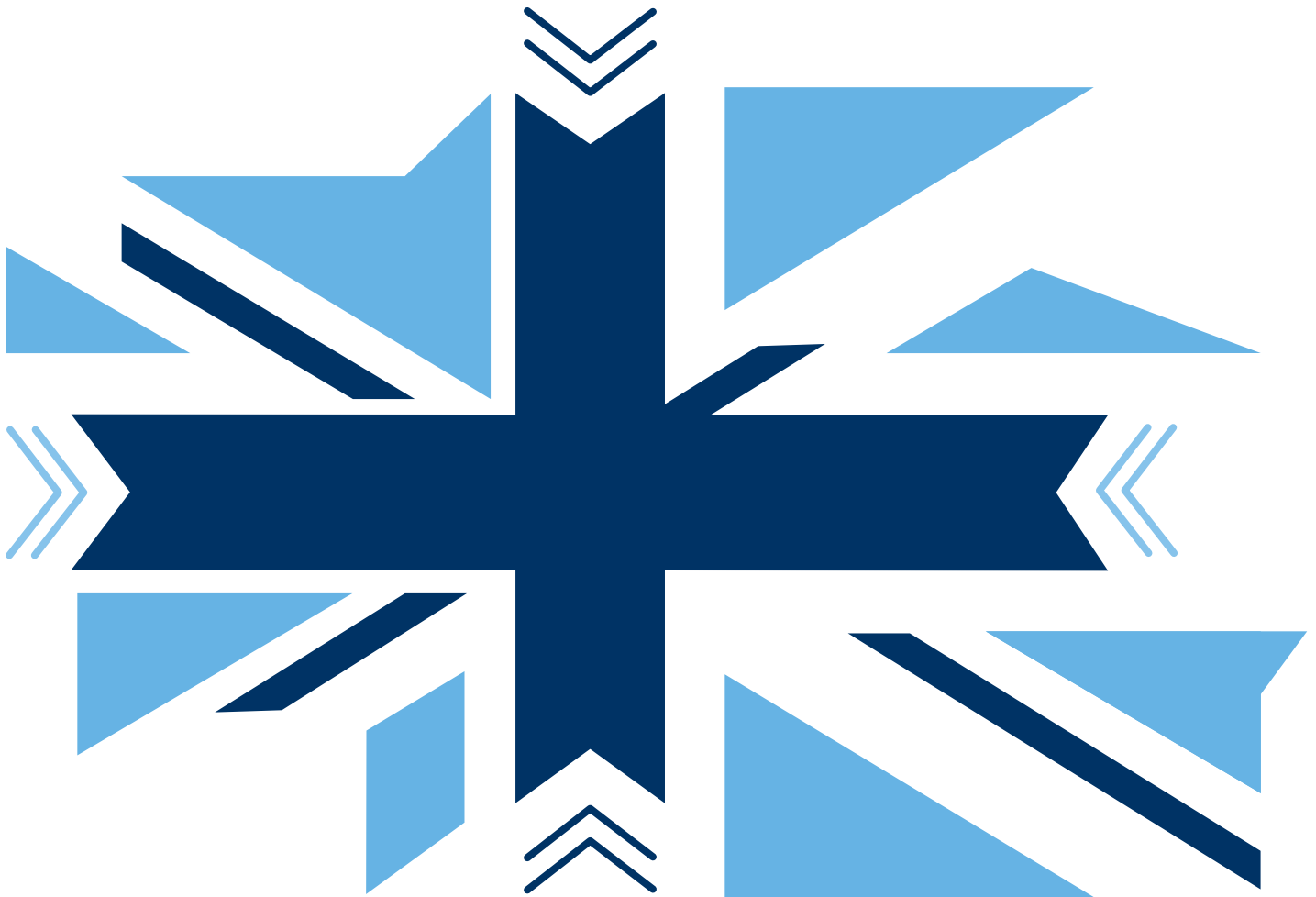
Taking a global view, Energy has been one of the top performing sectors while Financials has been a laggard so far this year (as per the MSCI ACWI Index). The market seems firmly entrenched in this sector view at the moment. However, as long-term investors we know far too well that the market tends to be fickle, changing its preferred flavour of the day throughout the year. As

such, it is not surprising that Energy was a bottom performer while Financials scored in the top half during the first half of last year.

The bottom line is that short-term market fluctuations can be significant and typically are difficult – if not impossible – to forecast. At SKAGEN, however, we follow a long-term investment philosophy based on fundamentals. In applying our contrarian thinking, we focus on undervalued companies and do not let temporary swings in the market place distract us from our mission of generating attractive return over the long term. In fact, excessive volatility affords us an opportunity to buy companies which become undervalued when others who cannot stomach transitory uncertainty sell off shares at bargain prices.

Diversified performance

SKAGEN's equity funds delivered mixed performance during the second quarter. The absolute return, measured in EUR, varied from 5.6% in SKAGEN Focus to -2.4% in SKAGEN Vekst. Similarly, the relative return ranged from 2.7% in SKAGEN Focus to -3.3% in SKAGEN Global. As we



mentioned in our previous market report, the correlation between the equity funds is lower today than it was a year ago. This can to some extent be attributed to the increased number of funds and portfolio managers over recent years. Although all portfolio managers follow SKAGEN's contrarian value-investing philosophy, the expanded footprint provides for more individual preferences and a broader product palette, the combination of which results in a more diversified performance.

SKAGEN's fixed income funds navigated the currents of uncertainty well. In a strong quarter, they posted absolute returns measured in EUR, ranging from 2.52% for SKAGEN Credit to 3.39% for SKAGEN Tellus.

During the second quarter SKAGEN's funds identified several mispriced stocks whose profiles rhyme well with our mantra of investing in companies meeting the 3U criteria: Unpopular, Under-researched and Undervalued. New positions were initiated in the Brazilian logistics company Rumo Logística Operadora, the US footwear company Skechers, the spin-out lighting specialist Philips Lighting and the Norwegian utility BKK, amongst others. More information

about these names and other undervalued newcomers can be found in the separate fund sections of the report.

PIT STOP

According to the International Monetary Fund (IMF), global growth will equate to around 3% in 2016. This growth outlook is decent considering that the world economy remains in recovery mode. As usual, there is no shortage of risks as we look toward the horizon, ranging from the upcoming US presidential election to the debate around central banks running out of ammunition to stimulate the economy. On the other hand, risk is something investors have to live with and history shows that there are few investment alternatives that offer better long-term returns than the stock market. We think this paradigm remains as valid today as it was 100 years ago.

As highlighted by recent stock purchases in our funds, we see opportunities across the globe. Supported by rising commodity

prices and improved sentiment, many companies operating in emerging markets have re-rated in the first half of 2016 and are well positioned for further gains. After several years of underperformance, emerging markets have now outperformed developed markets by nearly 6 percentage points so far this year and valuations still seem undemanding at 1.5x price to book (vs. 2.1x for developed markets). In the developed world, market valuations are back to levels last seen in late 2013 and 2014; thus, companies have room to re-rate if more positive economic news were to materialise.

But while the post-Brexit debate rages on in the media, SKAGEN continues to analyse companies rather than politics. We do not know for sure what the history books will say about 23 June 2016, but we do know that being able and willing to go against the flow to buy cheap stocks is a good recipe for generating attractive long-term returns for the patient investor. That is the philosophy SKAGEN has practised since 1993 and that is what we vigorously continue to do irrespective of short-term market behaviour.



Moderate Brexit effect

A strong Norwegian stock market, aided by a rising oil price, helped offset some of the European downturn in the second quarter.

SKAGEN Vekst

Exploring the narrow path to prosperity

- › Oil price and a strong Norwegian stock market
- › Cosmetics and technology best contributors
- › Watches and LED lights are newcomers to the portfolio

1 2 3 4 5 **RISK** 7

Fund start date	1 December 1993
Return since start	1524.2%
Average annual return	13.1%
AUM	EUR 736 million
Number of unitholders	70 088

PERFORMANCE IN EUR	2Q16*	12 M*
SKAGEN Vekst	-2.4%	-10.4%
MSCI Nordic/MSCI AC ex. Nordic	0.9%	-4.7%

*As of 30 June 2016



PORTFOLIO MANAGERS

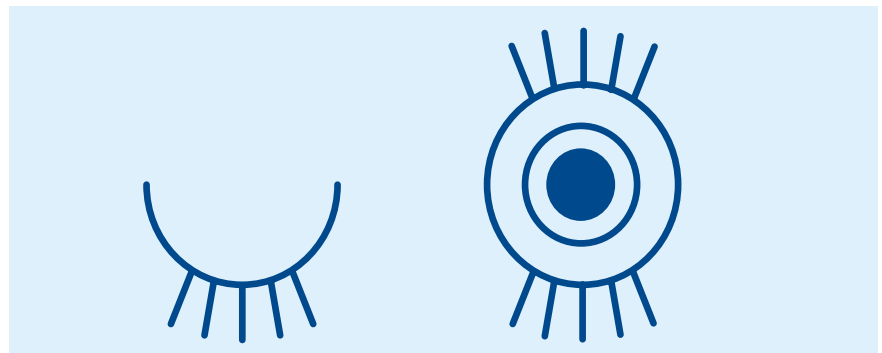
Geir Tjetland, Ole S eberg, Erik Berg o and Alexander Stensrud (Junior manager)

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

SKAGEN Vekst fell 2.4% in the second quarter versus the benchmark index which gained 0.9% measured in euro. Year to date, SKAGEN Vekst is down 5.9% while the index has fallen 3.8%. Generally speaking, we have seen the Norwegian market rise in the second quarter, aided by the oil price re-emerging from the deep. The Japanese and US markets have also posted decent gains for European investors with exposure there. Most European markets, including Italy, France, Germany, as well as the Nordic markets of Sweden and Finland have experienced a negative development in the same period.

Brexit effect

At the time of writing, a week after the British population voted to leave the EU, the equity market is already starting to shake off the worst of the shock. For our stocks, the effect of Brexit is still visible in companies within banking and those with direct or indirect exposure to the auto industry. Beyond that, the incident has not left its mark on the portfolio, with the exception of the airline company Norwegian, which has lost almost 20%. Brexit must take some of the blame for this, but more significantly, two of the company's competitors, EasyJet and British Airways, announced lower earnings expectations going forward. Although Norwegian has expanded substantially in London over recent years, we do not believe that the result of the British referendum will be particularly negative for the company's earnings over the next few years. Cheap airline tickets combined with cost discipline is a lasting winning formula.



Digital cosmetics

In the second quarter, the best contributor to the fund was the Swedish company Oriflame. Following a strong share price performance so far this year, Oriflame now accounts for almost 3% of the portfolio. The stock gained as much as 35% in the second quarter after the company once again reported good growth in cosmetic sales in Asia, Turkey and Latin America. The company has historically focused largely on markets in the former Soviet states, but over recent years, they have managed to boost their operations in other emerging markets. Today, the Russian

Commonwealth accounts for less than 30% of sales, while Asia, Turkey and Latin America represent more than half of the company's turnover. Oriflame continues to work on digitalising its business model, and has made significant improvements already. The company had 60 million visitors to its website last year; 90 percent of all orders are placed digitally; and the company has more than 7 million followers on Facebook. We see continued upside in the share and are pleased to see the company reducing debt and reintroducing a dividend.



Photo: Bloomberg



Photo: Bloomberg

Hello. Ericsson is a 3.9% holding. Pictured: Hans Vestberg, CEO.

Positive development

One of the fund's largest investment for many years, Samsung, also performed well in the quarter. This was primarily due to greater trust in the company's earnings potential combined with improved corporate governance and share buybacks. The preference shares that we own are still trading at book value, and this makes us hopeful that we will see a further re-pricing, at the same time as the downside should be limited.

Other companies that performed well in the quarter include: Sodastream (+50%), Medistim (+19%), H Lundbeck (+15%) and Sberbank (+13%).

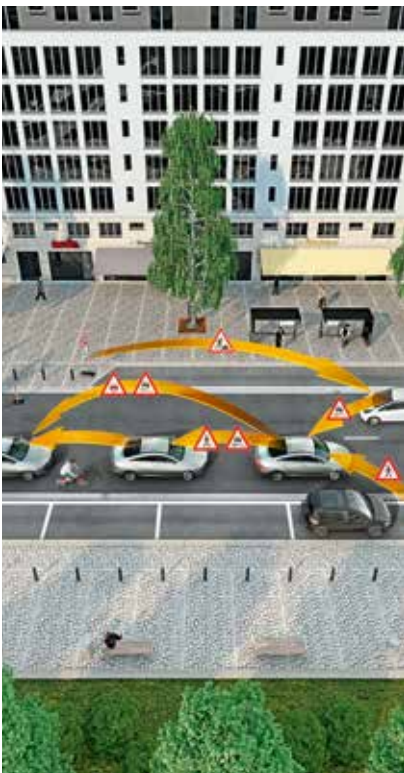


Photo: Continental

Waning interest in cars

Our companies within the auto industry did not perform well. The share price performance of Continental has been weak throughout the year, and is down 25% in EUR. We must ask ourselves whether this is due to changes in the competitive landscape and/or whether there is a structural shift taking place in demand for cars. Global car sales are expected to be 84 million this year, increasing to 100 million five years down the line. At the same time, we are seeing an increasing interest in various car-sharing schemes, and a falling interest in car ownership among young people. We believe that the self-driving car will become a reality in the not too distant future and that this new technology will reduce demand for cars dramatically. Continental is and will be well positioned in the production of cars of the future. The more advanced equipment a car eventually gets, the greater the input from Continental. We see a more than 50% upside in the share over the next 2-3 years.

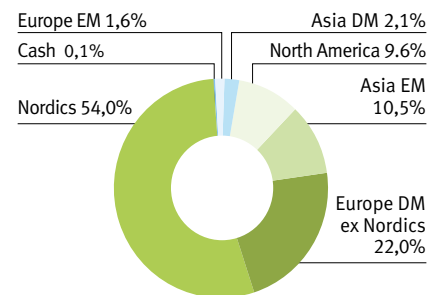
Portfolio changes

Some minor positions were sold out of the portfolio during the quarter. The remainder of our holdings in supply companies Eidesvik and DOF were sold. DOF announced a restructuring solution that we were not tempted to participate in, and we therefore chose to exit the position. The French grocery company, Casino also left the portfolio. There were two new portfolio newcomers in the quarter, Philips Lighting and Swatch. Philips Lighting has been spun off from its parent company, the better-known Royal Philips, after the company failed to find a buyer for the whole company. They chose to sell around a quarter of the company via an IPO with the intention of reducing ownership gradually. The price in connection with the new listing was in our view set extremely low, and we believe that the company's position within LED will provide good and profitable growth going forward. Philips Lighting is a global market leader in a lighting market with total sales of EUR 70 billion.

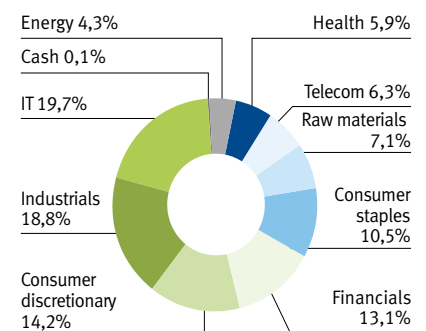
Ericsson

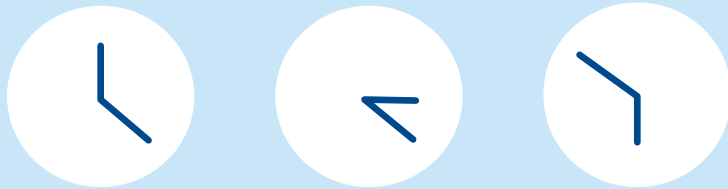
Ericsson's share price dropped 24% following a weak first quarter report. The company was punished for sales falling 2% and earnings coming in significantly lower than the market had expected. Our investment thesis is that Ericsson's business model is in the process of changing from selling mobile infrastructure solutions to selling software to enable the optimisation of mobile data, irrespective of whether this is via fibre, Wi-Fi, 4G or 5G. Ericsson should be able to lift its profitability level from 10% at present, to a level nearer that of its competitors which are achieving significantly higher profitability. In addition, Ericsson holds a number of patents, which generated substantial earnings last year and which will be very lucrative for several years to come.

GEOGRAPHICAL DISTRIBUTION



SECTOR DISTRIBUTION





Tick tock

Swatch entered the SKAGEN Vekst portfolio after the share price had halved since its peak in 2014. We have followed the company for some time, but have never before found the stock to be sufficiently cheap. Given that we estimate the company to be worth CHF 450 per stock, we had to wait for the stock to fall under CHF 300 before we could see a potential upside of at least 50%. The stock is now in the unpopular category for a number of reasons. First, this is due to the fight against corruption in China, a market that has been and continues to be important for the company. We do not believe that we will return to historic highs in this market, but that is not necessary to be able to justify the company's current price level. Second, the big obstacle for the Swiss watch industry in general is the threat from smart watches, which many people believe will take a large market share from the traditional participants. This may well become a reality, but we cannot see that these new products will compete with Swatch's high-end products (including Omega). The upper segment is small in volume, but correspondingly large in value, and this is where the company's earnings lie.

Low valuation

At the end of the first half of the year the SKAGEN Vekst portfolio is priced at just over eleven times this year's earnings, considerably lower than the market in general. Measured against book value, the portfolio is now priced at 1.4 times, also far below the general market at 2 times. We should therefore be well positioned for the remainder of the year, despite the geopolitical clouds currently darkening the summer skies.

SKAGEN VEKST PORTFOLIO CHANGES IN Q2 2016 (PERCENTAGE OF AUM)

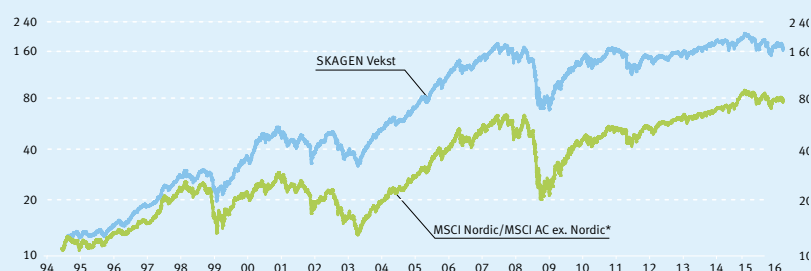
5 largest contributors		5 largest purchases	
Oriflame Cosmetics AG	0,66%	Swatch Group AG	1,35%
Samsung Electronics Co Ltd	0,48%	Philips Lighting NV	0,98%
Sodastream International Ltd	0,27%	Ericsson LM-B SHS	0,93%
Sberbank of Russia	0,26%	eBay Inc	0,77%
Roche Holding AG	0,20%	Shire Plc	0,49%
5 largest detractors		5 largest sales	
Continental AG	-1,10%	Lundin Petroleum	-1,23%
Ericsson LM-B SHS	-0,76%	Carlsberg A/S	-0,67%
Norsk Hydro ASA	-0,47%	Casino Guichard Perrachon	-0,63%
Koninklijke Philips NV	-0,39%	Samsung Electronics Co Ltd	-0,63%
Credit Suisse Group AG	-0,38%	Telia Co	-0,58%

SKAGEN VEKST KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 30.6.2016)

Company	Holding size	Price	P/E 2016E	P/E 2017E	P/E 2018E	P/B trailing	Target price
Samsung Electronics	8,0%	1 183 000	8,6	8,2	7,9	1,0	1 300 000
Continental AG	5,7%	170	11,5	9,7	9,0	2,6	275
Carlsberg	5,5%	635	18,6	16,0	14,2	2,2	817
Norsk Hydro	5,2%	30	12,1	9,3	8,7	0,8	45
SAP	5,2%	67	17,5	15,9	14,4	3,6	95
Citigroup	4,8%	42	8,3	7,6	6,7	0,6	65
Norwegian Air Shuttle	4,3%	288	9,0	5,8	5,2	5,2	500
Ericsson	3,9%	64	16,1	12,6	11,8	1,4	88
Philips	3,5%	22	16,0	13,0	11,5	1,7	30
ABB	3,4%	166	20,6	15,8	13,9	3,0	220
Weighted top 10	49,6%		12,0	10,0	9,1	1,41	40%
Weighted top 35	92,3%		11,2	8,8	7,7	1,19	49%
MSCI Nordic/MSCI AC ex. Nordic			16,6	14,7	13,2	2,04	

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

HISTORICAL PRICE DEVELOPMENT SKAGEN VEKST



* Effective 1/1/2014, the fund's investment mandate changed. Read more on page 32. The benchmark index prior to 1/1/2010 was the Oslo Stock Exchange Benchmark Index (OSEBX).

Securities	Sector	Number of shares	Acquisition value NOK*	Market-value NOK*	Unrealised gain/loss*	Share of fund	Stock exchange
Samsung Electronics Co Ltd Pref	Information Technology	64 000	382 403	551 047	168 645	8,04%	Seoul
Continental AG	Consumer Discretionary	252 000	139 867	393 967	254 100	5,75%	Frankfurt
Carlsberg AS-B	Consumer Staples	475 000	297 723	375 877	78 155	5,48%	Copenhagen
Norsk Hydro ASA	Materials	11 855 000	304 831	359 444	54 613	5,24%	Oslo
SAP SE	Information Technology	570 000	263 492	354 006	90 514	5,17%	Frankfurt
Citigroup Inc	Financials	943 700	337 135	330 928	-6 207	4,83%	New York
Norwegian Air Shuttle ASA	Industrials	1 017 040	119 119	292 602	173 483	4,27%	Oslo
Ericsson LM-B SHS	Information Technology	4 250 000	335 234	268 647	-66 588	3,92%	Stockholm
Koninklijke Philips NV	Industrials	1 171 288	238 549	241 718	3 169	3,53%	Amsterdam
ABB Ltd	Industrials	1 422 000	196 789	232 539	35 749	3,39%	Stockholm
Telia Co AB	Telecommunication Services	5 880 000	270 096	227 941	-42 155	3,33%	Stockholm
Roche Holding AG-Genusschein	Health Care	99 500	216 437	217 287	850	3,17%	Zürich
Kinnevik AB-B	Telecommunication Services	1 045 000	216 694	204 096	-12 598	2,98%	Stockholm
Oriflame Cosmetics AG	Consumer Staples	935 000	120 184	198 115	77 930	2,89%	Stockholm
Volvo AB	Consumer Discretionary	2 265 000	191 618	184 526	-7 092	2,69%	Stockholm
Danske Bank A/S	Financials	720 000	91 121	157 639	66 518	2,30%	Copenhagen
eBay Inc	Information Technology	690 000	137 899	134 701	-3 199	1,97%	NASDAQ
Kia Motors Corporation	Consumer Discretionary	425 000	130 536	133 628	3 092	1,95%	Seoul
Bonheur ASA	Energy	2 400 391	223 847	127 821	-96 026	1,86%	Oslo
Hennes & Mauritz AB	Consumer Discretionary	474 000	135 599	114 609	-20 990	1,67%	Stockholm
Kemira OYJ	Materials	1 119 000	107 832	110 516	2 684	1,61%	Helsinki
Catena AB	Financials	900 000	79 418	108 806	29 388	1,59%	Stockholm
SKF AB - B Shares	Industrials	758 000	120 317	100 391	-19 926	1,46%	Stockholm
Swatch Group AG	Consumer Discretionary	38 800	103 125	94 209	-8 916	1,37%	Zürich
SBI Holdings Inc	Financials	1 139 000	96 714	93 727	-2 987	1,37%	Tokyo
Sberbank of Russia Pref	Financials	7 580 000	109 840	88 359	-21 481	1,29%	Moskva
Wilh. Wilhelmsen Holding ASA	Industrials	539 701	38 599	79 876	41 277	1,17%	Oslo
Philips Lighting NV	Industrials	393 360	75 526	76 710	1 184	1,12%	Amsterdam
Lundin Petroleum AB	Energy	471 000	46 434	70 515	24 081	1,03%	Stockholm
Credit Suisse Group AG	Financials	800 000	158 741	70 391	-88 351	1,03%	Zürich
Cal-Maine Foods Inc	Consumer Staples	189 600	88 481	69 929	-18 552	1,02%	New York
Golden Ocean Group Ltd	Industrials	13 213 301	65 732	69 898	4 167	1,02%	Oslo
H Lundbeck A/S	Health Care	220 000	42 146	68 480	26 334	1,00%	Copenhagen
Medi-Stim ASA	Health Care	1 070 072	13 385	60 994	47 609	0,89%	Oslo
Danieli & Officine Meccaniche SpA	Industrials	527 007	67 895	60 487	-7 409	0,88%	Italy
Nippon Seiki Co Ltd	Consumer Discretionary	393 000	49 406	53 493	4 088	0,78%	Tokyo
Hitecvision AS	Financials	792 668	7 191	50 731	43 540	0,74%	Unlisted
Sodastream International Ltd	Consumer Staples	277 183	63 016	48 623	-14 393	0,71%	NASDAQ
Strongpoint ASA	Information Technology	3 555 227	40 680	38 752	-1 928	0,57%	Oslo
GCL-Poly Energy Holdings Ltd	Energy	35 000 000	65 216	38 210	-27 006	0,56%	Hong Kong
Shire Plc-ADR	Health Care	25 000	37 312	38 196	885	0,56%	NASDAQ
Solar AS - B Shs	Industrials	98 822	38 159	38 142	-17	0,56%	Copenhagen
Frontline Ltd	Industrials	566 000	44 603	36 309	-8 294	0,53%	Oslo
Rec Silicon ASA	Energy	22 000 000	32 756	32 648	-108	0,48%	Oslo
Solstad Offshore ASA	Energy	2 006 645	100 573	26 688	-73 885	0,39%	Oslo
Golar LNG Ltd	Industrials	180 000	55 641	23 315	-32 326	0,34%	NASDAQ
Yazicilar Holding AS	Consumer Staples	654 669	22 383	23 280	897	0,34%	Istanbul
Goodtech ASA	Industrials	1 950 949	44 407	18 241	-26 166	0,27%	Oslo
Photocure ASA	Health Care	452 000	18 233	17 357	-876	0,25%	Oslo
TTS Group ASA	Industrials	3 035 946	30 321	15 848	-14 474	0,23%	Oslo
CF Industries Holdings Inc	Materials	50 000	10 245	10 057	-188	0,15%	New York
Nordic Mining ASA	Materials	12 756 172	14 391	6 506	-7 885	0,09%	Oslo Axess
I.M. Skaugen SE	Industrials	1 554 152	18 891	2 968	-15 922	0,04%	Oslo
Total equity portfolio*			6 256 781	6 843 789	587 008	99,86%	
Disposable liquidity					9 890	0,14%	
Total share capital				6 853 678		100,00%	

* Numbers in 1 000 NOK.

SKAGEN Global

A world of opportunities

- › The fund's performance was positively impacted by our pharmaceutical companies ...
- › ... but weighed down by Brexit unrest
- › We are optimistic about opportunities that arise in turbulent times like these

1 2 3 4 5 **RISK** 7

Fund start date	7 August 1997
Return since start	1053.3%
Average annual return	13.8%
AUM	EUR 3 040 million
Number of unitholders	88 299

PERFORMANCE IN EUR	2Q16*	12 M*
SKAGEN Global	-0.4%	-8.1%
MSCI ACWI	2.9%	-4.2%

*As of 30 June 2016



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. This image belongs to the Art Museums of Skagen (cropped).



Being British is sometimes defined as the opposite of being European. It has been a long time since this has been more true than it is today. Britain joined the European Union during the early 1970s from a position of perceived geopolitical and economic weakness. During the past decade, conditions have changed while integration has continued at an ever greater pace.

Sense and sensibility

On Midsummer's Eve, the world woke up to a new reality in which emotions seemed to have conquered reason. The outcome of the Brexit referendum shook the capital markets far beyond Britain's borders and at home the pound fell to its lowest level since the mid-1980s.

It is worth pointing out that SKAGEN Global has only limited exposure to the UK economy, and this also applies to our holdings listed on the London Stock Exchange. Now that the first of the storm has passed, the larger issue remains the future direction of the European Union. The EU has been one of the main peacekeeping projects since World War II, and it has now been shaken to its core. The Brexit debate has highlighted the need for structural reforms, however, and this gives grounds for some optimism. A general imbalance between strong measures from the European Central Bank and the lack of political will to reform has held back economic growth in Europe relative to the US for instance. Even from a global perspective, support from the world's central banks remains significant and, together with the increasingly clear policy incentives this should result in stronger economic growth over time despite the uncertainty we face in the short term.

SKAGEN GLOBAL KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 30.6.2016)

Company	Holding size	Price	P/E 2015	P/E 2016E	P/BV last	Price target
AIG	7,4	53	21,9	12,8	0,6	90
Citigroup	6,6	42	7,8	9,0	0,6	70
General Electric	5,1	31	23,7	20,3	3,3	34
Roche	5,1	256	18,1	17,3	8,7	380
Samsung Electronics	4,1	1 183 000	9,0	8,6	0,9	1 500 000
Merck	4,1	58	16,0	15,3	3,8	76
CK Hutchison Holdings	3,7	85	10,4	10,5	0,7	140
Microsoft	3,3	51	18,9	17,7	5,2	68
NN Group	3,3	25	6,8	8,6	0,4	35
Kingfisher	3,0	323	15,0	13,9	1,2	500
Weighted top 10	45,6		12,7	12,2	0,9	47%
Weighted top 35	90,3		13,6	13,2	1,2	42%
Benchmark index (MSCI ACWI)			19,8	16,1	1,9	

Best and worst

SKAGEN Global delivered a return of -0.4% (in EUR) in the second quarter, versus a return of 2.9% for the benchmark index, MSCI World ACWI. The three companies that contributed most to performance were Merck & Co, Tyco International and Roche. The merger with Johnson Controls continued to strengthen Tyco, while both the pharmaceutical companies Merck and Roche reported relatively strong first quarter results.

Depressed finance

For the first half year as a whole, the fund's holdings in the US financial institutions AIG and Citigroup have detracted from the fund's return, primarily due to the recession and deflation fears that flared up at the beginning of the year. The worst of the market turmoil has begun to die down but the valuation of these companies remains at a depressed and very attractive level. Additionally, the stress tests carried out on the US banking system in late June have shown the

On the negative side, it was primarily Kingfisher, CK Hutchison and NN Group that pulled down the fund's performance. Kingfisher was affected by the Brexit turmoil and NN Group also struggled with headwinds as the market fell to record lows. Nonetheless, the companies have made good progress within the parameters within their control. CK Hutchison has had to deal with issues largely beyond its control as the European Commission blocked a transaction with Spanish Telefonica and they have also faced general Brexit concerns.

doomsday prophecies to be unfounded: Citigroup is in a very strong financial position and is now able to return a significant amount of capital to shareholders – with the regulator's blessing. This confirms a central part of our investment thesis in the bank.

The fund initiated two new holdings while three companies left the portfolio in the quarter. The newcomers are Skechers and Hiscox while we sold out of BP, UPM-Kymmene and Haci Omer Sabanci.



Photo: Hiscox

Hiscox

Specialist insurance company Hiscox is active in specific niches of the insurance market in the UK and internationally. It is a good example of a company that has undeservedly met with a lot of adversity in the Brexit storm. In reality, there is of course quite low correlation between the need, for example, for kidnapping insurance or insurance for sports injuries and what happens to the trade flows between the UK and continental Europe. The company has a strong balance sheet and is well positioned in the market to continue to

outgrow its competitors. Hiscox' dependence on investment income is also relatively low, which further reduces the downside risk if the market turbulence persists. The company is more exposed to events that by their nature are difficult to predict, such as terrorism, pandemics or major natural disasters. In themselves these are serious events, but they are also insulated from the macroeconomic concerns that have depressed the valuation of the company.

Skechers

Skechers, whose remarkable journey began in California in the early 1990s, recently overtook Adidas as the second largest sports shoe brand in the US after Nike. The new chapter in the company's history is about expansion into China, but also several European markets. So far, the initiative has proven to be very successful. The Chinese operations almost tripled in 2015 and are on track to double again in 2016. Profitability has also been good during this major expansion phase, which is rarely the case when a retail company establishes itself in new markets. Overall the Skechers operations outside the US are expected to increase to more than 50% of the group over the next two-three years, from just over 40% today.

Despite the strong operational development in recent years and good prospects, the shares were pulled down on general concerns about US retail sales in the second quarter. Skechers is positioned in the lower price segment, so it is generally better protected in the event of a decline in the market compared with many of its competitors. The situation created an opportunity for long-term investors to step in. When we initiated our investment, Skechers traded at an undeservedly large discount to the other sports shoe companies. We expect that this will change over time, as the company continues to successfully develop its operations.



Light on the horizon

After the British referendum, we have entered a period of heightened geopolitical uncertainty in Europe, in which important questions will need to be answered. In situations such as these when there is a risk that fear takes the upper hand in the market, previous experience tells us that there are good investment opportunities to be found. Our long-term approach allows us to keep a focus on the horizon and act when the opportunity arises. Generally speaking, we have taken a positive view of economic recovery in Europe and thus the potential for stronger growth and higher profit margins of European companies. Our analysis will always be based on the companies, but we also take into account their surrounding economic, political and social context. The increased uncertainty in the wake of the Brexit referendum thus makes us slightly less optimistic about the European market than before.

Nevertheless, it is worth pointing out that most of the world is in a strong-enough recovery mode to continue. The world economy continues to grow, albeit at a moderate pace and with a greater element of geopolitical uncertainty.

With record low interest rates and a stock market which is valued at 14 times 2017 earnings, we continue to see attractive opportunities for long-term investors. The fund carefully selects global equities where there is good potential for positive returns. We estimate that the 35 largest holdings have an upside of 42% with relatively limited downside over a two-year perspective.

SKAGEN GLOBAL PORTFOLIO CHANGES IN Q2 2016 (PERCENTAGE OF AUM)

5 largest contributors

Merck & Co Inc	0,34%
Roche Holding AG	0,34%
Tyco International Plc	0,33%
Samsung Electronics Co Ltd	0,23%
Dollar General Corp	0,22%

5 largest purchases

Cap Gemini SA	1,17%
Cheung Kong Holdings Ltd	0,93%
Hiscox Ltd	0,75%
NN Group NV	0,74%
Skechers USA Inc	0,72%

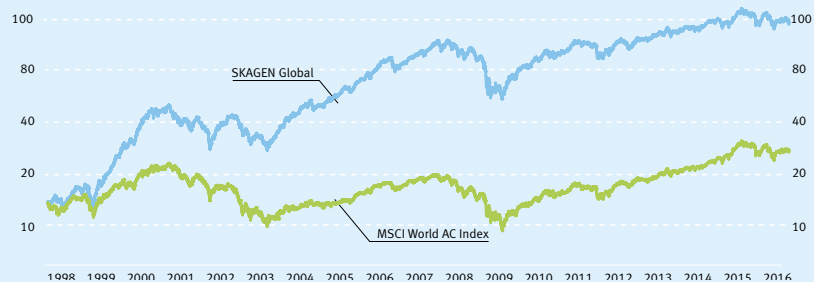
5 largest detractors

Kingfisher Plc	-0,55%
Cheung Kong Holdings Ltd	-0,45%
NN Group NV	-0,38%
Autoliv Inc	-0,24%
G4S Plc	-0,24%

5 largest sales

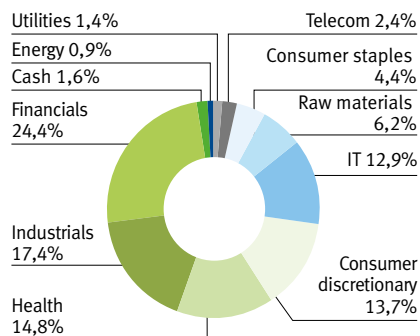
Samsung Electronics Co Ltd	-2,61%
Lundin Mining Corp	-1,19%
General Motors Co	-1,14%
Tyco International Plc	-1,08%
BP Plc	-1,05%

HISTORICAL PRICE DEVELOPMENT SKAGEN GLOBAL

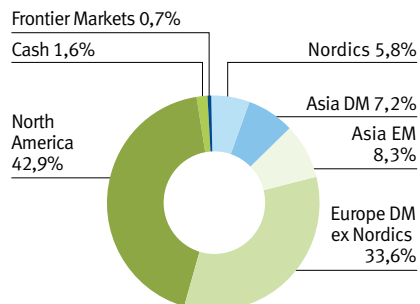


* The benchmark index prior to 1/1/2010 was the MSCI World Index

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



Securities	Sector	Number of shares	Acquisition value NOK *	Market-value NOK*	Unrealised gain/loss *	Share of fund	Stock exchange
American International Group Inc	Financials	4 792 121	1 562 446	2 079 660	517 214	7,36%	New York
Citigroup Inc	Financials	5 315 767	1 399 845	1 867 676	467 831	6,61%	New York
General Electric Co	Industrials	5 517 440	1 127 034	1 431 302	304 268	5,07%	New York
Roche Holding AG-Genusschein	Health Care	650 858	970 514	1 426 844	456 330	5,05%	Zürich
Merck & Co Inc	Health Care	2 419 310	1 116 402	1 155 600	39 199	4,09%	New York
CK Hutchison Holdings Ltd	Industrials	11 469 098	1 012 074	1 045 738	33 663	3,70%	Hong Kong
Samsung Electronics Co Ltd Pref	Information Technology	114 839	278 947	984 714	705 767	3,48%	Seoul
Microsoft Corp	Information Technology	2 208 070	529 114	940 878	411 764	3,33%	NASDAQ
NN Group NV	Financials	4 044 917	866 291	932 704	66 413	3,30%	Amsterdam
Kingfisher Plc	Consumer Discretionary	23 341 377	898 891	840 354	-58 537	2,97%	London
G4S Plc	Industrials	41 247 713	1 200 521	837 674	-362 847	2,96%	London
Teva Pharmaceutical-Sp ADR	Health Care	1 906 867	792 920	801 203	8 284	2,84%	NASDAQ
Sanofi	Health Care	1 156 089	768 565	800 810	32 245	2,83%	Paris
Koninklijke Philips NV	Industrials	3 461 431	666 841	717 089	50 248	2,54%	Amsterdam
Cap Gemini SA	Information Technology	914 753	708 710	664 671	-44 039	2,35%	Paris
Toyota Industries Corp	Consumer Discretionary	1 697 705	459 320	558 466	99 146	1,98%	Tokyo
Carlsberg AS-B	Consumer Staples	699 327	480 007	554 299	74 291	1,96%	Copenhagen
Dollar General Corp	Consumer Discretionary	700 238	400 797	550 170	149 373	1,95%	New York
Unilever NV-Cva	Consumer Staples	1 401 363	422 007	544 485	122 479	1,93%	Amsterdam
Koninklijke DSM NV	Materials	1 055 408	440 486	508 993	68 506	1,80%	Amsterdam
Volvo AB	Consumer Discretionary	6 184 655	487 892	505 737	17 845	1,79%	Stockholm
Akzo Nobel NV	Materials	855 147	285 895	445 714	159 819	1,58%	Amsterdam
China Mobile Ltd	Telecommunication Services	4 570 990	455 742	436 987	-18 755	1,55%	Hong Kong
Heidelbergcement AG	Materials	694 873	230 115	434 703	204 587	1,54%	Frankfurt
Autoliv Inc	Industrials	472 682	312 451	423 159	110 708	1,50%	New York
Alphabet Inc Class C	Information Technology	72 366	295 987	415 890	119 902	1,47%	NASDAQ
Xcel Energy Inc	Utilities	1 045 588	324 550	386 780	62 230	1,37%	New York
Ageas	Financials	1 247 812	471 331	358 762	-112 569	1,27%	Brussels
ServiceMaster Global Holdings Inc	Consumer Discretionary	991 005	302 008	329 395	27 387	1,17%	New York
Tyco International Plc	Industrials	900 562	111 593	321 941	210 349	1,14%	New York
Comcast Corp	Consumer Discretionary	586 495	108 129	316 413	208 284	1,12%	NASDAQ
Mayr-Melnhof Karton AG	Materials	340 933	175 860	308 153	132 293	1,09%	Vienna
Sony Corp	Consumer Discretionary	1 263 300	250 276	307 736	57 460	1,09%	Tokyo
Columbia Property Trust Inc	Financials	1 655 694	305 265	292 621	-12 643	1,04%	New York
Baidu Inc ADR	Information Technology	185 410	271 265	253 709	-17 556	0,90%	NASDAQ
Lundin Petroleum AB	Energy	1 631 370	182 099	246 033	63 934	0,87%	Stockholm
Hiscox Ltd	Financials	2 126 359	239 049	245 157	6 108	0,87%	London
Credit Suisse Group AG	Financials	2 717 437	471 826	238 386	-233 441	0,84%	Zürich
China Mobile Ltd ADR	Telecommunication Services	482 530	241 388	231 332	-10 056	0,82%	New York
Skechers USA Inc	Consumer Discretionary	928 119	229 185	229 040	-146	0,81%	New York
Goldman Sachs Group Inc	Financials	177 836	158 442	217 406	58 964	0,77%	New York
Lenovo Group Ltd	Information Technology	39 758 506	291 362	200 229	-91 133	0,71%	Hong Kong
Irsa Sa ADR	Financials	1 443 664	120 254	196 523	76 269	0,70%	New York
Samsung Electronics Co Ltd	Information Technology	17 212	147 157	177 780	30 623	0,63%	Seoul
Autoliv Inc SDR	Industrials	196 605	123 010	175 906	52 895	0,62%	Stockholm
State Bank of India	Financials	6 182 856	159 305	167 624	8 319	0,59%	India
WM Morrison Supermarkets PLC	Consumer Staples	6 661 929	143 865	139 556	-4 309	0,49%	London
State Bank Of India GDR	Financials	510 705	93 702	135 476	41 774	0,48%	India
Sony Corp Sponsored ADR	Consumer Discretionary	455 000	94 140	111 066	16 925	0,39%	New York
Nordea Bank AB	Financials	1 409 446	99 140	98 144	-997	0,35%	Stockholm
General Motors Co	Consumer Discretionary	407 960	71 344	95 367	24 023	0,34%	New York
Barclays PLC	Financials	4 304 073	139 241	66 076	-73 165	0,23%	London
Lundin Mining Corp	Materials	1 953 931	54 203	54 858	655	0,19%	Toronto
Total equity portfolio*			23 548 805	27 806 988	4 258 183	98,40%	
Disposable liquidity				451 177		1,60%	
Total share capital				28 258 165		100,00%	

* Numbers in 1 000 NOK.



SKAGEN Kon-Tiki

Leading the way in new waters

- › Upturn in the sale of tractors and utility vehicles lifted Mahindra & Mahindra
- › After a tough period we are seeing signs of improvement for Hyundai Motor
- › New investment Rumo Logistica is Brazil's largest independent railroad operator



1 2 3 4 5 **RISK** 7

Fund start date	5 April 2002
Return since start	454.7%
Average annual return	12.8%
Assets under management	EUR 3 431 million
Number of unitholders	67 625

PERFORMANCE IN EUR	2Q16*	12 M*
SKAGEN Kon-Tiki	3.5%	-10.4%
MSCI Emerging Markets	3.0%	-11.8%

* As of 30 June 2016



PORTFOLIO MANAGERS

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

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

This too shall pass

SKAGEN Kon-Tiki was up 3.5% in the second quarter, versus 3.0% for the emerging markets index and 2.9% for the world index, all measured in euro. Good share price performance from several of our larger Indian holdings, particularly car and tractor manufacturer Mahindra & Mahindra, contributed to the excess return.

Ever since the financial crisis, the central banks' aggressive monetary policy has contributed to driving the price of stocks, bonds, property and other assets steadily higher. There has been a broad upturn in the stock market, and investors in US (+77%), Japanese (+36%) and European (+6%) stocks have all benefitted from rising share prices.

Global emerging market stocks, on the other hand, have confirmed the old saying that there is no rule without an exception. Any investor who placed 100 US dollars in emerging markets five years ago would be left with USD 84 today, dividends included.

An important driver of the weak performance has been the falling return on capital and ensuing disappointment in earnings developments. Given that we have also seen political unrest in key countries such as Russia, Brazil and Turkey, along with waning

growth in China, any high expectations have been brutally checked by reality.

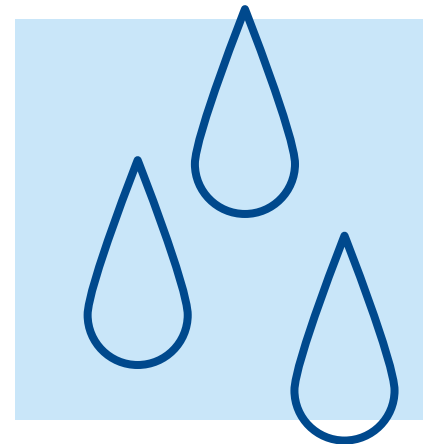
The result has been steadily falling valuation levels and a long line of new lows on the popularity scale. It can be useful to remind oneself at times like this of a universal truth that is all too often ignored by market participants with a generally short memory: This too shall pass.

The course of history has unequivocally proven that unpopular companies with low valuation are fertile grounds for future returns. We do not know precisely when it will happen, but the odds are overwhelmingly in favour of the global emerging markets once again taking their place in the sun.



Photo: Bloomberg

SKAGEN KON-TIKI



Summer sale on cars

Our second largest position, Hyundai Motor, was down 9% in the quarter, and was the largest detractor in the portfolio. The company delivered weak first quarter numbers, with a 6% drop in volumes and the lowest operating margin in six years. We did, however, see a marked improvement in May, with 10% volume growth relative to the same period last year. This is a good indication that the inventory reduction, which had a negative impact on results in the first four months of the year, is behind us.

Despite the weak share price development, Hyundai Motor fared better than most global car manufacturers in the second quarter. Brexit, emission scandals and uncertainty around growth in China and other countries, put a damper on the sentiment in the car industry.

More important in the longer term is the transition from fossil fuels to batteries, as well as the rapid developments within self-driving cars. Although it is too early to say precisely how this will affect car manufacturers, we can state that the future competitive landscape looks more uncertain now than it has for a long time.

While we must not underestimate the transitions the industry is facing, we also see that the market's pricing of the Hyundai Motor preference shares reflects extremely low future expectations. The stock trades at 4x this year's estimated profits and 0.4x book equity. These figures are a rarity in 2016.

Monsoon upturn

Mahindra & Mahindra (M&M) was our best contributor in the quarter. The company is India's largest tractor manufacturer with a 41% market share, as well as being a leading manufacturer of utility vehicles. In addition, M&M has stakes in related companies within consultancy, finance and property, to name but a few.

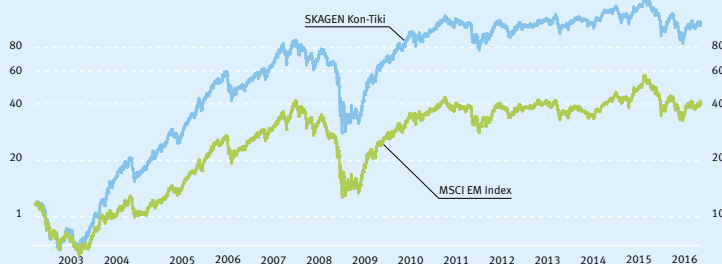
Both the car and tractor operations are characterised by cyclicity, as the past two to three years have clearly shown. Around 60% of India's farmlands are dependent on a natural water supply, i.e. rainfall. As there has been a rainfall deficit over the past couple of years, farmers' earnings have been affected, resulting in a drop in consumption. This has naturally had an impact on tractor sales, which were down around 12% on a national scale in both 2014 and 2015.

Utility vehicle sales have also been affected by a weak agricultural economy, particularly for M&M which has a strong position outside of towns. Moreover, the company was late in introducing models within the compact SUV segment, leading to a loss of market share.

Nonetheless, neither good nor bad times last for ever. This year's rainy season appears to be significantly better and M&M's tractor sales are up around 20% over the past few months compared with the same period last year.

Within the vehicle segment, the company has managed to partially recapture lost market share thanks to new models. Finally, the Indian authorities have been clear that they wish to prioritise the agricultural economy and increased allocations in the last budget. These improvements led to an 18% gain for the company's share price in the second quarter, and a solid contribution to SKAGEN Kon-Tiki's performance.

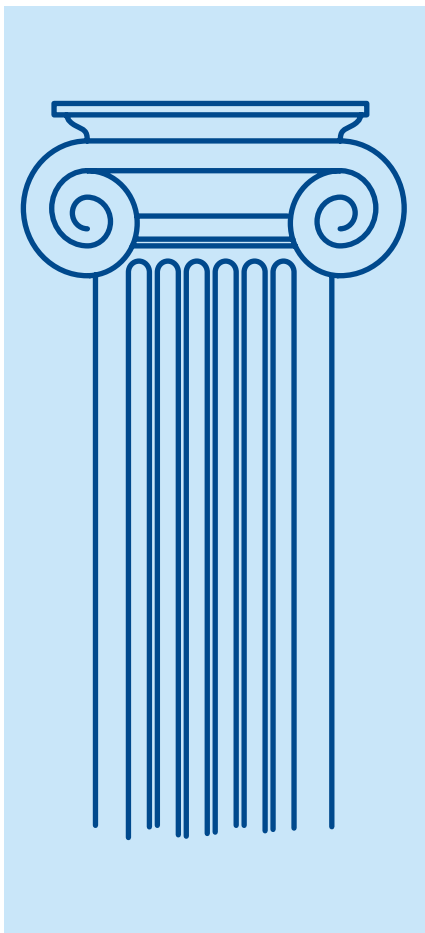
HISTORICAL PRICE DEVELOPMENT SKAGEN KON-TIKI



SKAGEN KON-TIKI KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 30.6.2016)

Company	Holding size %	Price	P/E 2015	P/E 2016E	P/BV last	Price target
Samsung Electronics	7,5	1 183 000	9,2	8,5	0,9	1 600 000
Hyundai Motor	7,4	94 500	3,9	3,9	0,4	170 000
Mahindra & Mahindra	5,6	1 430	26,4	19,1	3,0	2 000
Sabancı Holding	4,9	9	8,6	6,5	0,9	14
Richter Gedeon	4,4	5 583	19,2	18,6	1,7	7 500
State Bank of India	4,2	219	13,7	8,1	0,9	265
Naspers	3,8	2 246	54,1	32,1	11,7	3 000
ABB	3,0	166	16,9	15,8	3,0	200
Cosan Ltd.	2,7	6	10,5	4,3	0,4	10
Bharti Airtel	2,7	367	26,7	20,4	2,2	400
X5 Retail Group	2,6	20	17,8	13,3	3,2	25
LG Electronics	2,0	28 900	42,0	7,2	0,4	40 000
Weighted top 12	50,8		10,5	8,3	0,9	
Weighted top 35	83,4		11,8	9,0	1,0	
Benchmark index			13,8	12,8	1,5	

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



Focus on companies

These days, the market is to a large extent driven by extraordinary monetary policy and rising political populism. The central banks' next step, and the results of the upcoming US election, will continue to have a large influence on global asset prices.

In the short term it may therefore appear as though fundamental developments in the companies have a limited impact on the share price. This goes to the heart of our investment philosophy; value-based management works over time because it does not always work. In challenging periods, short-term investors with less conviction lose heart, throw in their cards and create opportunities for those of us who do not lose faith that it pays off to buy good assets at sensible prices.

In SKAGEN Kon-Tiki the focus will always be on the companies, because this is where the value creation happens. That is why we spend a great deal of our time understanding what drives development in various industries, in particular what makes some companies more successful than others over time. This fundamental approach, combined with a disciplined view of valuation, has yielded good results for SKAGEN Kon-Tiki ever since the fund first set sail in the spring of 2002.



Photo: Rumo Logisitca

New track

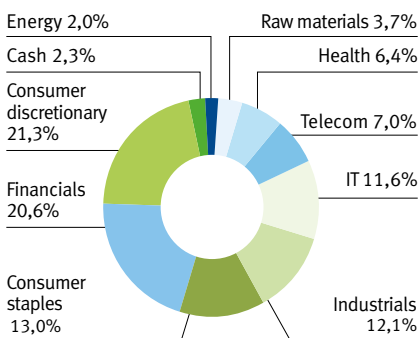
We bought into Rumo Logistica in the quarter, Brazil's largest independent railroad operator. The demand picture looks attractive since agricultural products account for over 80% of the volumes the company transports, and the delayed road investments make trucks a costly alternative. Railroads are also a natural monopoly, which limits competition from other players.

Operationally Rumo has significant potential for improvement and a winning combination of investments and cost reductions should lead to higher margins over time. In addition, the company's new

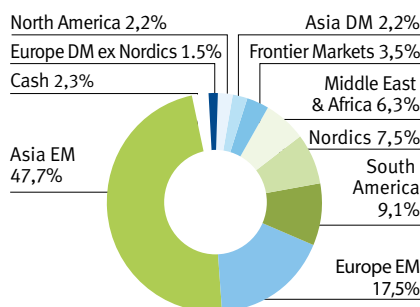
management has delivered good results from similar turnaround processes. With a valuation of 6x 2016e EV/EBITDA, Rumo is attractively priced both on an absolute and relative basis and, and the improvements we expect to see do not seem to be reflected in the share price.

We sold out of DRD Gold after the company's share price tripled in the first four months of the year on the back of the sharp upturn in the gold price. We also sold out of the Indonesian brokerage Trimegah Securities after we received a bid for our entire position.

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



SKAGEN PORTFOLIO CHANGES IN Q2 2016 (PERCENTAGE OF AUM)

5 largest contributors	
Mahindra & Mahindra Ltd	0,94%
Cosan Ltd	0,70%
State Bank of India	0,53%
Samsung Electronics Co Ltd	0,48%
Naspers Ltd	0,38%
5 largest detractors	
Hyundai Motor Co	-0,68%
LG Electronics Inc	-0,25%
LG Chem Ltd	-0,21%
Korean Reinsurance Co	-0,20%
OCI Co Ltd	-0,19%

5 largest purchases	
Rumo Logistica Operadora	0,70%
Bollere SA	0,15%
Kinnevik	0,13%
Frontline Ltd	0,03%
Lenovo Group Ltd	0,01%
5 largest sales	
Samsung Electronics Co Ltd	-1,40%
UPL Ltd	-0,82%
Bharti Airtel	-0,66%
State Bank of India	-0,52%
Indosat TBK	-0,51%

Securities	Sector	Number of shares	Acquisition value NOK*	Market value NOK*	Unrealised gain/loss*	Share of fund	Stock exchange
Samsung Electronics Co Ltd Pref	Information Technology	221 000	1 060 786	1 895 017	834 232	5,93%	Seoul
Haci Omer Sabanci Holding AS	Financials	56 848 322	1 240 691	1 557 488	316 798	4,87%	Istanbul
Richter Gedeon Nyrt	Health Care	8 286 510	902 316	1 386 537	484 220	4,34%	Budapest
Mahindra & Mahindra Ltd GDR	Consumer Discretionary	7 726 513	180 269	1 370 729	1 190 459	4,29%	London International
State Bank of India	Financials	49 000 000	1 116 956	1 328 443	211 487	4,15%	India
Naspers Ltd	Consumer Discretionary	928 514	272 833	1 190 325	917 492	3,72%	Johannesburg
Hyundai Motor Co Pref (2pb)	Consumer Discretionary	1 690 000	286 196	1 179 639	893 443	3,69%	Seoul
Hyundai Motor Co Pref (1p)	Consumer Discretionary	1 686 000	271 534	1 154 850	883 316	3,61%	Seoul
ABB Ltd	Industrials	5 900 000	524 147	966 668	442 521	3,02%	Stockholm
Cosan Ltd	Consumer Staples	16 220 419	907 123	875 251	-31 872	2,74%	New York
Bharti Airtel Ltd	Telecommunication Services	19 133 099	731 848	869 589	137 742	2,72%	India
X 5 Retail Group NV GDR	Consumer Staples	4 990 306	506 677	831 022	324 345	2,60%	London International
LG Electronics Inc Pref	Consumer Discretionary	3 050 000	826 565	638 901	-187 664	2,00%	Seoul
SBI Holdings Inc	Financials	7 759 600	603 768	638 295	34 527	2,00%	Tokyo
Kinnevik AB-B	Telecommunication Services	2 942 167	476 060	577 009	100 949	1,80%	Stockholm
Banco Do Estado Rio Grande Do Sul SA Pref	Financials	25 985 500	608 331	567 454	-40 877	1,77%	Sao Paulo
Great Wall Motor Co Ltd	Consumer Discretionary	79 522 500	83 910	550 560	466 650	1,72%	Hong Kong
Tech Mahindra Ltd	Information Technology	8 784 608	354 670	550 501	195 831	1,72%	India
CNH Industrial NV	Industrials	9 138 348	555 765	542 948	-12 818	1,70%	New York
Moscow Exchange MICEX-RTS OAO	Financials	35 939 200	384 852	528 939	144 088	1,65%	Moskva
Samsung SDI Co Ltd	Information Technology	670 000	480 383	524 487	44 104	1,64%	Seoul
Indosat Tbk PT	Telecommunication Services	126 424 850	341 055	511 784	170 728	1,60%	Indonesia
Samsung Electronics Co Ltd Pref GDR	Information Technology	119 489	117 733	505 953	388 220	1,58%	London International
Cia Brasileira de Distribuicao - Pref	Consumer Staples	4 192 200	642 353	501 263	-141 090	1,57%	Sao Paulo
UPL Ltd	Materials	6 866 259	142 189	468 017	325 828	1,46%	India
Korean Reinsurance Co	Financials	4 860 366	182 711	429 799	247 087	1,34%	Seoul
Mahindra & Mahindra Ltd	Consumer Discretionary	2 357 007	191 052	417 620	226 568	1,31%	Indien
Marfrig Global Foods SA	Consumer Staples	28 290 400	445 599	409 644	-35 955	1,28%	Sao Paulo
JSE Ltd	Financials	3 851 284	149 535	407 902	258 367	1,28%	Johannesburg
Frontline Ltd	Industrials	6 347 627	322 822	407 200	84 378	1,27%	Oslo
China Shipping Development	Industrials	83 220 000	461 664	392 183	-69 481	1,23%	Hong Kong
Kiatnakin Bank Plc	Financials	37 429 463	334 797	387 833	53 036	1,21%	Bangkok
Yazicilar Holding AS	Consumer Staples	10 837 139	313 127	384 530	71 404	1,20%	Istanbul
LG Chem Ltd Pref	Materials	259 179	179 108	358 814	179 706	1,12%	Seoul
China Shineway Pharmaceutical	Health Care	36 934 000	280 824	337 755	56 931	1,06%	Hong Kong
Vietnam Enterprise Investments Ltd	Financials	9 000 000	111 325	329 380	218 055	1,03%	Dublin
Enka Insaat Ve Sanayi AS	Industrials	24 246 616	218 014	309 579	91 565	0,97%	Istanbul
Distribuidora Internacional de Alimentacion SA	Consumer Staples	6 219 518	222 076	300 585	78 509	0,94%	Madrid
Cia Cervecerias Unidas SA ADR	Consumer Staples	1 538 270	280 454	298 128	17 674	0,93%	New York
OCI Co Ltd	Materials	436 454	331 839	285 669	-46 170	0,89%	Seoul
Tullow Oil Plc	Energy	9 241 978	821 783	269 343	-552 439	0,84%	London
Sistema Jsfc	Telecommunication Services	95 885 212	552 915	257 107	-295 809	0,80%	Moskva
Rumo Logistica Operadora	Industrials	20 234 600	229 379	253 402	24 023	0,79%	Sao Paulo
LG Corp Pref	Industrials	808 430	118 669	251 969	133 300	0,79%	Seoul
Apollo Tyres Ltd	Consumer Discretionary	13 028 865	109 665	244 579	134 914	0,76%	India
GCL-Poly Energy Holdings Ltd	Energy	224 088 000	369 048	244 073	-124 975	0,76%	Hong Kong
Lenovo Group Ltd	Information Technology	43 490 000	280 193	219 021	-61 172	0,68%	Hong Kong
Podravka Prehrambena Ind DD	Consumer Staples	517 852	153 914	209 819	55 906	0,66%	Zagreb
Norwegian Air Shuttle ASA	Industrials	700 000	65 751	201 390	135 639	0,63%	Oslo
Massmart Holdings Ltd	Consumer Staples	2 702 621	206 891	194 964	-11 927	0,61%	Johannesburg
Eis Eczacibasi Ilac Ve Sanayi	Health Care	19 410 554	133 394	188 556	55 162	0,59%	Istanbul
Golar LNG Ltd	Industrials	1 298 301	471 325	169 920	-301 405	0,53%	NASDAQ
EFG-Hermes Holding SAE	Financials	13 778 665	237 808	137 150	-100 658	0,43%	Kairo
East African Breweries Ltd	Consumer Staples	5 774 866	89 785	131 812	42 027	0,41%	Nairobi
Eczacibasi Yatirim Holding	Health Care	3 362 732	40 038	120 688	80 649	0,38%	Istanbul
Ghana Commercial Bank Ltd	Financials	18 001 604	90 783	116 913	26 130	0,37%	Ghana
Rec Silicon ASA	Energy	74 628 788	119 010	110 749	-8 260	0,35%	Oslo
VinaCapital Vietnam Opportunity Fund Ltd	Financials	4 392 100	92 364	104 284	11 920	0,33%	London
Euronav SA	Industrials	1 340 286	127 454	102 768	-24 685	0,32%	Brussels
Golden Ocean Group Ltd	Industrials	17 694 137	92 490	93 602	1 112	0,29%	Oslo
Toray Industries Inc	Industrials	1 100 000	78 907	77 966	-941	0,24%	Tokyo
Norfinance AS	Financials	578 397	57 840	59 644	1 805	0,19%	Unlisted
Asia Cement China Holdings	Materials	36 517 500	134 633	58 283	-76 350	0,18%	Hong Kong
Bollere SA	Industrials	1 797 106	50 097	50 909	812	0,16%	Paris
Diamond Bank Plc	Financials	718 971 941	154 156	48 045	-106 111	0,15%	Lagos
DRB-Hicom Bhd	Consumer Discretionary	19 549 900	81 034	36 532	-44 501	0,11%	Kuala Lumpur
Deep Sea Supply Plc	Energy	17 250 931	171 047	23 806	-147 241	0,07%	Oslo
Frontline Ltd	Industrials	331 715	22 185	21 558	-626	0,07%	New York
Euronav SA	Industrials	247 965	21 297	19 007	-2 290	0,06%	New York
Hyundai Motor Co GDR	Consumer Discretionary	33 510	10 090	11 343	1 253	0,04%	London
Golden Ocean Group Ltd	Industrials	784 130	27 473	4 213	-23 261	0,01%	NASDAQ
EFG-Hermes Holding GDR	Financials	232 480	8 193	3 696	-4 497	0,01%	London International
Total equity portfolio*			22 863 568	31 205 404	8 341 836	97,58%	
Disposable liquidity				773 086		2,42%	
Total share capital				31 978 491		100,00%	

* Numbers in 1 000 NOK.



SKAGEN m²

A doorway to global interest rates*

- › Property shares rebounded after a decline at the beginning of the quarter
- › Actions of central banks continue to affect portfolio
- › The companies' ability to succeed remains our sole focus

1	2	3	4	5	RISK	7
Fund start date	31 October 2012					
Return since start	21.2%					
Average annual return	5.4%					
AUM	EUR 100 million					
Number of unitholders	7 980					

PERFORMANCE IN EUR	2Q16*	12M*
SKAGEN m ²	4.1%	-0.4%
MSCI ACWI Real Estate IMI	6.4%	8.6%

*As of 30 June 2016



PORTFOLIO MANAGERS

Michael Gobitschek and Harald Haukås

Architect Ulrik Plesner's first extension to Brøndum's hotel. 1892. Detail. By Johan Peter von Wildenradt, one of the Skagen painters. The picture belongs to the Art Museums of Skagen.



Turmoil on many fronts

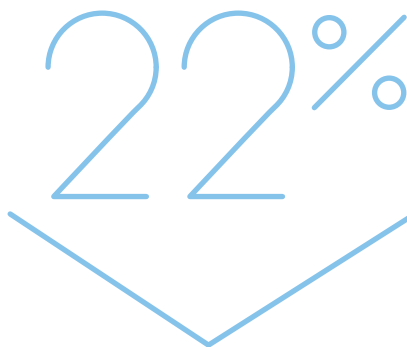
The quarter was characterised by Brexit, the Spanish election and doubts around the effectiveness of Abenomics. The emerging markets were a brighter spot.

We took part in a real estate investor conference in London at the beginning of April. The participants laughed when a pessimistic US panellist claimed that the UK would leave the EU and Trump would win the US presidential elections. His best investment tips were gold and government bonds. So far, this investor has apparently been right about the UK leaving the EU. Let us assume that he was also right about Trump becoming president; were his investment tips regarding gold and government bonds spot on?



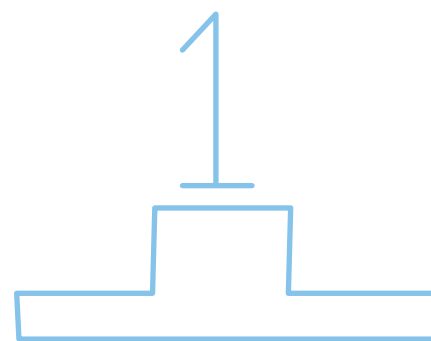
Two-day drop

The surprising result of the UK referendum led to a two-day drop in the stock market. The uncertainty leading up to the referendum meant, however, that those investors who were on their way out of the market sold prior to the election. When investors ceased to sell after the referendum, the market rebounded reasonably quickly. This is an effect we see time and time again. The outcome of an event is largely unimportant; the most important thing is to remove the uncertainty around the outcome. Even if a result is perceived to be negative, the market will rise in the aftermath.



The loser

This is also illustrated by looking at which countries have been the winners and losers so far this year. The losing country is the UK, which is down 22% measured in euro. Around 12 percentage points of the loss are related to the weakening of the pound versus the euro, and the increasing uncertainty leading up to the referendum. We have only held one position in the UK this year, Big Yellow Group, and it is actually up 8% in pound terms since we first bought into it in January. Although the company is a relative winner compared to other property companies in the UK, the holding contributed negatively to the portfolio due to the weakening of the pound.



The winner

The big winner this year is Brazil. The country was the disaster of last year with the disclosure of corrupt politicians and managers in the Petrobras scandal. Meanwhile, Brazilian property shares are up by as much as 86% in euro terms this year. Brazil has also contributed positively to SKAGEN m2's portfolio with a relative contribution of around 70 basis points. It is regrettable that our portfolio does not have the same exposure to this country as it had previously, but from a risk-reward perspective, our exposure is as it should be, regardless of gain or loss.



Photo: Bloomberg

Rental winners

Other important positive contributors in the first half year are the housing companies D. Carnegie and Deutsche Wohnen, both of which operate in markets with rent controls. This means that the rental income is lower than the market rent, which make the companies attractive investment objects. They may appear expensive on multiples because the market prices the company higher since the likelihood of reduced rent is minimal, at the same time as there is upside if there are political changes which allow for freer price setting. Given that the rental level is low, demand is high and vacancy low. The companies also achieve high return on invested capital used for renovation and upgrading. D. Carnegie expects a cash return on 10% of invested capital in the form of higher rents, in addition to the expected value increase of the apartments. German property companies have emerged as a safe haven in the wake of Brexit and the share price of Deutsche Wohnen reached an all time high.

On the road to recovery

Much of the reason for Brazil's progress lies in the fact that the corruption disclosures have led to a clean-up and not to chaos, despite almost all the elite having been involved. It appears as though the country may emerge stronger from the events.

Argentina is another country in the region that has undergone positive political developments. Following the election, the country started debt negotiations and has made the currency to a large extent liquid. The new political leadership appears to be dealing with the country's structural problems in a positive manner. Foreign investors have as a result been streaming back into the country.

This creates a great deal of potential for our holding IRSA's property investments in Argentina. In addition to investing in Argentina, IRSA is opportunistic, has made substantial investments in Israel, and taken control of the country's largest investment company, which is struggling with far too much debt in its subsidiaries. We continue to see good opportunities in this investment.

Accusations of fraud

The negative contributors in both the second quarter and first half were CBL Properties, Mitsui Fudosan and GLP, all of which contributed a relative loss ranging from 90 to 100 basis points each on a portfolio level.

The greatest drama is associated with CBL Properties. The company owns a number of shopping malls which are dominant in their fields in the US with B and C localisations. We see the share as highly undervalued. In addition, the company is extremely unpopular having been accused of everything from manipulating sales to having too close ties to Senator Bob Corker, who is a candidate for Vice President under Donald Trump. Corker is said to have earned large sums trading shares in CBL. This is extremely impressive given that the share is down 50% since last year and is one of our biggest losers.

Mitsui Fudosan is suffering under an increasing lack of confidence in Abenomics. Japanese property companies have experienced a great deal of volatility on various new measures to move Japanese inflation. Each time a new measure is announced, the property companies have performed extremely well, only to fall back again in the aftermath. GLP is a global logistics company with Chinese exposure. China has continued to be a weak market and Chinese property companies are down 18% year to date as measured in euro.

Following the election in Spain, our Spanish holdings as a group contributed most negatively to the relative return in the quarter. We believe, however, that the Spanish economy is still in recovery and will develop in the direction of the other European countries. We expect that our Spanish investments will do well in the next few weeks on the back of reduced uncertainty.

When it comes to acquisition activity, we received a bid for Ashford Prime, which is inconclusive for the time being. We sold the shares we could in connection with a partial bid for Brazilian BR Properties, and will sell the remaining shares which account for only 0.1% of the portfolio. The company is cheap, but has one shareholder who owns 70% of the company after the bid.



Better emerging markets

Emerging markets are on the road to recovery – as is also evident in the real estate stock market – and have performed better than developed markets this year. Our exposure to emerging markets is currently just over 20% and we will take part in the developments. It appears as though expectations of a rate hike in the US are diminishing, which is good news for US property stocks which many predicted would perform poorly measured against Europe this year. The US ten-year Treasury yield is 1.44% at the time of writing, down from 1.93 this spring.

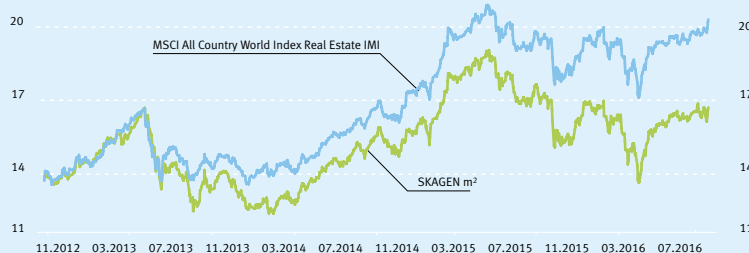
A clear sign of the rising interest in property stocks as a group is the introduction of real estate as the eleventh sector in the MSCI index system as of 1 August this year. This will increase the focus on property stocks and is generally positive for property as an investment object.

We expect the fog in the stock market to lift slightly once some of the uncertainty is behind us. There is, however, political turmoil ahead with the presidential election in the US and Putin's ambiguous attitude to the West. Investors have already taken much of this uncertainty into account and once things are clarified, we may have a good summer and autumn ahead of us.

SKAGEN m² PORTFOLIO CHANGES IN Q2 2016 (PERCENTAGE OF AUM)

5 largest contributors		5 largest purchases	
D Carnegie & Co AB	0,71%	Immobiliaria Colonial SA	1,09%
Brandywine Realty Trust	0,59%	Catena AB	0,88%
SL Green Realty Corp	0,48%	CBL & Associates Properties Inc	0,49%
IRSA Inversiones y Representac	0,42%	Mercialys SA	0,38%
SM Prime Holdings Inc	0,41%	Big Yellow Group Plc	0,32%
5 largest detractors		5 largest sales	
CBL & Associates Properties Inc	-0,63%	Gecina SA	-1,23%
Mitsui Fudosan Co Ltd	-0,40%	Deutsche Wohnen Plc	-1,12%
Ashford Hospitality Trust Inc	-0,34%	Brandywine Realty Trust	-0,95%
Axiare Patrimonio SOCIMI SA	-0,30%	HCP Inc	-0,85%
CA Immobilien Anlagen AG	-0,25%	BR Properties SA	-0,68%

HISTORICAL PRICE DEVELOPMENT SKAGEN m²



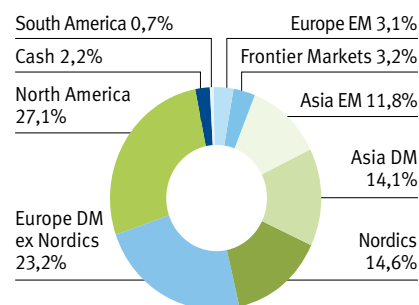
Securities	Sector	Number of shares	Acquisition value NOK*	Market-value NOK*	Unrealised gain/loss*	Share of fund	Stock exchange
SL Green Realty Corp	Real Estate Companies incl. REITs	55 000	42 256	47 746	5 490	5,15%	New York
Olav Thon Eiendomsselskap ASA	Real Estate Companies incl. REITs	327 680	42 844	47 022	4 178	5,07%	Oslo
Mitsui Fudosan Co Ltd	Real Estate Companies incl. REITs	234 000	47 733	44 478	-3 255	4,80%	Tokyo
Global Logistic Properties Ltd	Real Estate Companies incl. REITs	3 837 700	51 806	43 036	-8 770	4,64%	Singapore
Inmobiliaria Colonial SA	Real Estate Companies incl. REITs	7 002 017	39 579	42 691	3 112	4,60%	Madrid
Mercialys SA	Real Estate Companies incl. REITs	213 269	33 581	38 057	4 476	4,10%	Paris
D Carnegie & Co AB	Real Estate Companies incl. REITs	384 084	26 002	36 677	10 675	3,95%	Stockholm
Catena AB	Real Estate Companies incl. REITs	287 423	33 317	34 752	1 435	3,75%	Stockholm
Irsa Sa ADR	Real Estate Companies incl. REITs	221 400	22 957	30 139	7 182	3,25%	New York
Deutsche Wohnen AG	Real Estate Companies incl. REITs	106 000	21 315	30 107	8 792	3,25%	Frankfurt
HCP Inc	Real Estate Companies incl. REITs	95 100	32 243	28 060	-4 183	3,03%	New York
Brandywine Realty Trust	Real Estate Companies incl. REITs	200 000	24 003	27 782	3 780	3,00%	New York
CBL & Associates Properties Inc	Real Estate Companies incl. REITs	361 000	44 859	27 762	-17 097	2,99%	New York
Columbia Property Trust Inc	Real Estate Companies incl. REITs	152 000	26 265	26 864	599	2,90%	New York
General Growth Properties Inc	Real Estate Companies incl. REITs	100 000	21 535	24 854	3 318	2,68%	New York
Dic Asset AG	Real Estate Companies incl. REITs	305 000	21 205	24 089	2 885	2,60%	Xetra
Big Yellow Group Plc	Real Estate Companies incl. REITs	264 000	24 278	23 117	-1 161	2,49%	London
Ashford Hospitality Trust	Real Estate Companies incl. REITs	509 000	34 305	22 319	-11 986	2,41%	New York
PS Business Parks Inc	Real Estate Companies incl. REITs	25 500	16 269	22 303	6 035	2,40%	New York
Axiare Patrimonio SOCIMI SA	Real Estate Companies incl. REITs	192 540	19 659	20 606	947	2,22%	Madrid
Nomura Real Estate Master Fund Inc	Real Estate Companies incl. REITs	1 483	15 104	19 671	4 567	2,12%	Tokyo
CA Immobilien Anlagen AG	Real Estate Companies incl. REITs	138 000	19 194	19 367	173	2,09%	Vienna
SM Prime Holdings Inc	Real Estate Companies incl. REITs	3 811 800	11 039	18 471	7 432	1,99%	Philippines
Shangri-La Asia Ltd	Real Estate Companies incl. REITs	2 150 000	22 641	17 969	-4 672	1,94%	Hong Kong
Atrium Ljungberg AB	Real Estate Companies incl. REITs	128 327	13 063	17 289	4 226	1,86%	Stockholm
Melia Hotels International	Real Estate Companies incl. REITs	188 193	16 510	16 940	430	1,83%	Madrid
Soho China Ltd	Real Estate Companies incl. REITs	4 068 500	22 031	16 321	-5 709	1,76%	Hong Kong
Ashford Hospitality Prime Inc	Real Estate Companies incl. REITs	137 500	13 347	16 155	2 808	1,74%	New York
Phoenix Mills Ltd	Real Estate Companies incl. REITs	358 945	13 738	15 389	1 651	1,66%	India
Grivalia Properties Reic AE	Real Estate Companies incl. REITs	222 185	14 965	14 455	-510	1,56%	Athens
Emlak Konut Gayrimenkul Yatirim Ortakligi AS	Real Estate Companies incl. REITs	1 710 000	15 119	14 224	-895	1,53%	Istanbul
First Real Estate Investment Trust	Real Estate Companies incl. REITs	1 827 494	13 439	14 192	754	1,53%	Singapore
CapitaLand Ltd	Real Estate Companies incl. REITs	650 000	11 460	12 398	938	1,34%	Singapore
Obero Realty Ltd	Real Estate Companies incl. REITs	329 090	9 428	11 063	1 635	1,19%	India
Ascendas India Trust	Real Estate Companies incl. REITs	1 780 200	7 454	10 949	3 496	1,18%	Singapore
Keck Seng Investments	Real Estate Companies incl. REITs	1 618 000	12 276	10 818	-1 458	1,17%	Hong Kong
Ashford Inc	Real Estate Companies incl. REITs	17 466	12 364	7 483	-4 880	0,81%	New York
Bekasi Fajar Industrial Estate Tbk PT	Real Estate Companies incl. REITs	29 786 400	10 168	5 031	-5 137	0,54%	Indonesia
General Shopping Finance	Real Estate Companies incl. REITs	950 000	5 159	4 926	-233	0,53%	Euroclear
BR Properties SA	Real Estate Companies incl. REITs	50 611	1 345	1 000	-345	0,11%	Sao Paulo
General Shopping Finance	Real Estate Companies incl. REITs	950 000	5 159	4 672	-487	0,49%	Euroclear
Bumi Serpong Damai PT	Real Estate Companies incl. REITs	2 154 400	1 773	2 487	713	0,26%	Indonesia
General Shopping Finance	Real Estate Companies incl. REITs	950 000	5 159	4 926	-233	0,53%	Euroclear
BR Properties SA	Real Estate Companies incl. REITs	50 611	1 345	1 000	-345	0,11%	Sao Paulo
Total equity portfolio*			885 854	906 573	20 719	97,75%	
Disposable liquidity				20 849		2,25%	
Total share capital				927 422		100,00%	

* Numbers in 1 000 NOK.6

SKAGEN M2 KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 30.6.2016)

Company	Holding size	Price	P/NAV last	Div. Yield 2016e	EBITDA 2016e/EV
SL Green Realty Corp	5,1%	103,74	75%	2,8%	5,8%
Olav Thon Eiendomsselskap ASA	5,1%	143,5	70%	1,3%	6,3%
Mitsui Fudosan Co Ltd	4,8%	2331,5	58%	1,4%	6,5%
Global Logistic Properties Ltd	4,6%	1,8	61%	3,6%	3,7%
Inmobiliaria Colonial SA	4,6%	0,66	86%	3,5%	3,5%
Mercialys SA	4,1%	19,2	94%	6,4%	4,8%
D Carnegie & Co AB	4,0%	96,75	108%	0,0%	3,8%
Catena AB	3,7%	122,5	85%	3,0%	6,8%
Irsa Sa ADR	3,2%	16,27	55%	1,3%	12,0%
Deutsche Wohnen AG	3,2%	30,56	122%	2,4%	3,7%
Weighted top 10	42,6%		80%	2,4%	5,5%
Weighted top 35	95,0%			3,3%	6,2%

GEOGRAPHICAL DISTRIBUTION





Financial markets & barking dogs

SKAGEN Focus

Hunting for exceptional investments

- › The short-term volatility caused by Brexit created significant buying opportunities
- › Our select metal companies fuelled the fund's performance
- › Catalysts have been triggered in a number of the fund's positions

	1	2	3	4	5	RISK	7
Fund start date	26 May 2015						
Return since start	-15.6%						
Average annual return	-14.3%						
AUM	EUR 120 million						
Number of unitholders	3 891						
PERFORMANCE IN EUR	2Q 16*						12 M*
SKAGEN Focus	5.6%						-8.7%
MSCI World ACTR Index	2.9%						-4.2%

* As of 30 June 2016



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 Art Museums of Skagen (cropped).

During the quarter, some of our contrarian "dogs" started to bark as many catalysts highlighted the investment merits of the positions. The short-term volatility in the fallout of Brexit provided significant buying opportunities.

The financial markets as an aggregate pricing mechanism were extremely complacent ahead of the UK referendum on EU membership in June. Quite frankly few investors, analysts and general financial market observers felt particularly clever after the exit vote had been confirmed, despite polls showing a very tight race. Markets hate uncertainty more than bad news, and the equity markets went into freefall, bonds rallied strongly to position interest rates even lower at extreme historical levels. Apparently unrelated areas, such as the Japanese equity market, posted a short-term collapse – highlighting the market's inability to price assets correctly in times of stress and uncertainty. As our fundamental risk exposure model indicated, the fund's exposure to the Brexit fallout was quite limited. In fact, our only holding in the UK is the beverage producer Stocks Spirits, which holds major assets in Poland and actually has a net cost base in GBP. The stock was largely unchanged through the storm in local currency. From our point of view, UK citizens will still drink French wine, and UK's Rolls Royce will still supply parts to Airbus in the future. UK is the euro-block's largest trading partner and vice versa and an agreement will be in place eventually. This short-term volatility created some

significant buying opportunities in our opinion, and we deployed substantial capital during the period. At the time of writing, many equity markets have already reclaimed territory lost to the Brexit incident.

During the quarter, some of our contrarian "dogs" really started to bark as many catalysts highlighted the investment merits of the positions. TerraVia changed its board and management, FilaKorea will monetise its ownership in Titleist via an IPO, and an activist investor replaced board members of Omega Protein. In addition, AirAsia recapitalised its balance sheet and, after doubling our money, we liquidated the position. Our select metal companies also fuelled our performance; South32, First Quantum and Pan America Silver all contributed strongly. In the case of Pan America Silver, the stock reached our price target after rising 130 percent in 2016 and was sold out of the fund, highlighting our disciplined and price-driven investment philosophy. The copper miner First Quantum re-rated nicely as they managed to de-lever and refinance their balance sheet at the same time as the copper price stabilised.

Despite all being located outside of Europe, our financial holdings continued to be a drag on performance, as were our few Chinese-related shares.

SKAGEN FOCUS PORTFOLIO CHANGES IN Q2 2016 (PERCENTAGE OF AUM)

5 largest contributors		5 largest purchases	
AirAsia BHD	0,96%	Philips Lighting NV	3,32%
Haitai Confectionery & Foods Co Ltd	0,89%	Teva Pharmaceuticals	3,00%
Pan American Silver Corp	0,84%	Softbank Group Corp	2,55%
JBS SA	0,66%	E-MART Inc	2,28%
Omega Protein Corp	0,62%	Infineon Technologies AG	1,85%
5 largest detractors		5 largest sales	
China Telecom Corp Ltd	-0,51%	AirAsia BHD	-4,13%
GCL-Poly Energy Holdings Ltd	-0,43%	Pan American Silver Corp	-3,55%
Aercap Holdings NV	-0,39%	Ubiquiti Networks Inc	-1,72%
Schaeffler AG	-0,34%	Haitai Confectionery & Foods Co Ltd	-1,60%
Aryzta AG	-0,33%	SK Hynix Inc	-1,44%

Protein boost

The fund has gradually become more protein-rich as we have increased our positions in the Brazilian meat producer JBS and its US-listed subsidiary Pilgrim's Pride, a chicken producer. We had been waiting for management actions to address JBS' suboptimal corporate structure and close the vast valuation gap to peers. Indeed, in May the company announced a split of the Global and Brazilian operations. The new company, called JBS Foods International, will include the separated international assets and be listed in the US while the Brazilian assets will remain listed through the current stock listing in Brazil. The stock rose sharply on this event. As the stock still is trading at a significant and unjustified discount to US peers like Tyson Foods, we think this will eventually lead to a further re-rating of the shares of more than 50%. There is a fair chance that further simplification of the corporate structure will involve Pilgrim's Pride, which would benefit minority shareholders like SKAGEN Focus.

Sweet Korean chips

As an illustration of the flexible and opportunistic nature of the fund, and a tasty example of field research, we would like to highlight the fund's short-lived but extremely profitable investment in South Korean snacks producer Haitai. This 70-year old company has a broad portfolio of snacks but also invented the latest "honey butter potato chip" craze in South Korea – the company simply cannot make chips fast enough despite running the factories 24 hours per day. Haitai made a comeback on the listed market, which was vastly oversubscribed, and the IPO price was set at KRW 15100, a very attractive level considering the current earnings stream alone. The share price appreciated rapidly even beyond our price target and we sold out just a few days later at KRW 64000.

Online opportunities

We have also been active in other parts of the Korean investment landscape and recently established a position in discount retailer E-mart. E-mart is a company principally engaged in the hypermarket business with a market share of roughly 50% in South Korea. Following saturation in its core discount format and increasing competition from online players such as Coupang (the Amazon of Korea), profit has been falling for three consecutive years. This quite negative environment has given rise to a very attractive valuation of the shares combined with, we believe, tangible re-valuation catalysts on the horizon. Ironically, considering the name of the company, the online food delivery presence has been limited but their transition into this category where they are now the leader, could be one catalyst for a re-rating. The company also owns a large part of their store base and has substantial non-core assets on the balance sheet which gives us fair value support via asset-backing.



Photo: Bloomberg

We see the light

In what was a highly active quarter for the fund, we also participated in the IPO of Philips Lighting, which listed under the appropriate ticker LIGHT. The company is a global producer and provider of lighting products, systems and services with substantial market share in its core markets and has been fully owned by Dutch Philips until recently. After failing to execute on a private sale of Philips Lighting, the owner eventually chose an IPO of the company, which set the stage for a potentially under-priced transaction. The highly discounted price point of the IPO can be explained by the following: the overly negative views among investors expecting a rapid fall-off of conventional lighting; the lower free float as Philips is retaining 75% which also implies a

share overhang; and the complicated carve-out of the company which left more than a few confused over the company's financials. We believe the industrial divisions of the company will more than compensate for the weak light-bulb business going forward, and we see our required 50% upside in the shares.

SKAGEN Focus is a high conviction fund with a concentrated portfolio. As such, substantial deviations from the benchmark can be expected – both positive and negative. We are gratified to report that the second quarter ended on a positive note with an absolute performance of 5.6 percent. We thank you for your trust and support for the fund and look forward to a continued prosperous 2016.

COMPANY SNAPSHOTS



Photo: E-mart

E-MART (2.0% position)

One of Korea’s largest discount retailers which operates a vast network of 150 discount stores and acquired Wal-Mart Korea in 2006. The company is in the midst of an operational turnaround with high expansion potential in online grocery. The stock is supported by major assets as they own 85% of the company stores. They also hold a 5% stake in Samsung Life and a 50% stake in Starbucks Korea.

SECTOR DISTRIBUTION

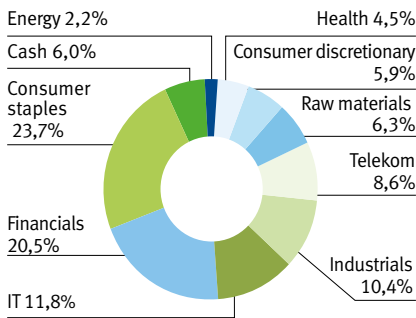
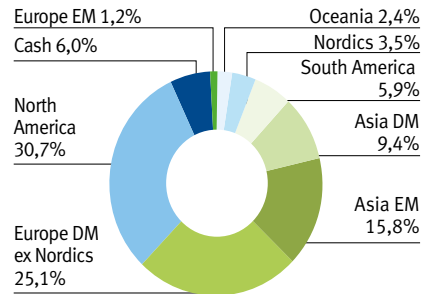


Photo: Stock Spirits

GEOGRAPHICAL DISTRIBUTION



Stock Spirits (1.8% position)

The struggling beverage producer is our only holding in the UK. Following a rather elevated proxy fight, in which investor Luis Amaral finally got two representatives on the company board, the company is under pressure to move its headquarters from London to its core Eastern European markets and cut costs. As the company is producing a quite hefty free-cash flow they announced a special dividend for shareholders.

SKAGEN FOCUS KEY NUMBERS FOR THE LARGEST HOLDINGS (AS OF 30.6.2016)

Company	Holding size	Price	P/E 2016E	P/E 2017E	P/BV latest	Price target
American International Group Inc	6,5%	52,89	13,2	9,5	0,7	90
Jbs SA*	5,9%	10,00	12,7	5,4	1,2	22
Softbank Group Corp	5,3%	5 789,00	9,5	9,4	2,5	9 600
Infineon Technologies AG	5,1%	12,98	18,0	15,8	3,1	20
Omega Protein Corp	4,2%	19,99	11,6	11,0	1,5	30
SBI Holdings Inc	4,2%	1 009,00	7,7	7,2	0,6	3 000
Jenoptik AG	4,0%	14,80	16,9	15,5	1,9	20
SK Hynix Inc	3,6%	32 400,00	13,3	10,8	1,1	65 000
Carlsberg AS-B	3,5%	634,50	21,0	18,8	2,3	822
China Telecom Corp Ltd	3,3%	3,46	14,5	12,5	0,9	8
Weighted top 10	45,5%		12,7	9,8	1,2	
Total Equity (35 positions)	94,7%					
Cash	5,3%					
Total	100,0%					

P/E may deviate from other sources when based on SKAGEN estimates.
 * JBS is the main owner of Pilgrim’s Pride, which is a 2.7% position in the fund. These two positions should be viewed as one, with a total weight of 8.6%.

SECURITIES PORTFOLIO SKAGEN FOCUS AS OF 30 JUNE 2016

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

Securities	Sector	Number of shares	Acquisition value NOK*	Market-value NOK*	Unrealised gain/loss*	Share of fund	Stock exchange
American International Group Inc	Financials	167 000	80 374	72 474	-7 900	6,48%	New York
Jbs SA	Consumer Staples	2 560 000	63 213	66 189	2 976	5,92%	Sao Paulo
Softbank Group Corp	Telecommunication Services	124 300	57 195	58 663	1 468	5,25%	Tokyo
Infineon Technologies AG	Information Technology	468 000	51 772	56 524	4 751	5,05%	Frankfurt
Omega Protein Corp	Consumer Staples	282 600	40 779	46 848	6 069	4,19%	New York
SBI Holdings Inc	Financials	568 000	59 955	46 723	-13 232	4,18%	Tokyo
Jenoptik AG	Industrials	324 800	33 741	44 526	10 785	3,98%	Xetra
SK Hynix Inc	Information Technology	173 000	43 205	40 628	-2 577	3,63%	Seoul
Carlsberg AS-B	Consumer Staples	49 600	35 727	39 314	3 587	3,52%	Copenhagen
China Telecom Corp Ltd	Telecommunication Services	9 914 000	49 123	36 992	-12 131	3,31%	Hong Kong
Philips Lighting NV	Industrials	181 193	35 145	35 095	-50	3,14%	Amsterdam
Citizens Financial Group Inc	Financials	208 000	44 542	34 559	-9 982	3,09%	New York
Aryzta AG	Consumer Staples	102 707	40 218	31 402	-8 815	2,81%	Zürich
Aercap Holdings NV	Financials	108 210	37 523	29 873	-7 650	2,67%	New York
Pilgrim's Pride Corp	Consumer Staples	140 000	27 963	29 628	1 665	2,65%	New York
Teva Pharmaceutical-Sp ADR	Health Care	70 000	30 038	29 412	-626	2,63%	NASDAQ
South32 Ltd	Materials	2 810 000	37 359	26 957	-10 403	2,41%	Sydney
TerraVia Holdings Inc	Materials	1 366 525	28 704	26 873	-1 830	2,40%	NASDAQ
Fila Korea Ltd	Consumer Discretionary	40 500	29 243	26 684	-2 559	2,39%	Seoul
Hyundai Motor Co Pref (2pb)	Consumer Discretionary	38 200	28 137	26 664	-1 473	2,38%	Seoul
Schaeffler AG	Industrials	243 033	31 351	26 586	-4 765	2,38%	Frankfurt
E-MART Inc	Consumer Staples	18 000	22 843	22 571	-272	2,02%	Seoul
Alphabet Inc Class C	Information Technology	3 700	22 416	21 264	-1 152	1,90%	NASDAQ
Synchrony Financial	Financials	99 572	26 469	20 756	-5 713	1,86%	New York
Magforce AG	Health Care	445 989	23 569	20 725	-2 844	1,85%	Xetra
CIT Group Inc	Financials	78 000	27 947	20 319	-7 627	1,82%	New York
Stock Spirits Group Plc	Consumer Staples	1 110 375	25 314	19 789	-5 526	1,77%	London
GCL-Poly Energy Holdings Ltd	Energy	16 500 000	31 962	17 972	-13 990	1,61%	Hong Kong
First Quantum Minerals Ltdc	Materials	290 000	9 919	17 068	7 149	1,53%	Toronto
Fourlis Holdings SA	Consumer Discretionary	387 563	9 631	12 967	3 337	1,16%	Athens
Massimo Zanetti Beverage Group SpA	Consumer Staples	187 564	14 452	12 734	-1 718	1,14%	Italy
Rentech Inc	Industrials	623 816	31 949	12 461	-19 488	1,11%	New York
Ubiquiti Networks Inc	Information Technology	28 000	7 899	8 906	1 007	0,80%	NASDAQ
FFP	Financials	13 606	8 475	7 963	-513	0,71%	Paris
Whiting Petroleum Corp	Energy	85 000	21 878	6 534	-15 344	0,58%	New York
Samsung SDI Co Ltd Pref	Information Technology	11 080	5 185	4 963	-221	0,44%	Seoul
Total equity portfolio*			1 175 213	1 059 608	-115 605	94,74%	
Disposable liquidity				58 782		5,26%	
Total share capital				1 118 390		100,00%	

* Nubers in 1 000 NOK.

SKAGEN Tellus

A doorway to global interest rates

- › Continued political turmoil
- › Slightly lower policy rates likely
- › Volatility ahead

1 2 3 **RISK** 5 6 7

Fund start date	29 September 2006
Return since start	67.64%
Average annual return	5.44%
AUM	EUR 117 million
Number of unitholders	2 757

PERFORMANCE IN EUR	2Q 16*	12 M*
SKAGEN Tellus	3.39%	1.14%
JP Morgan GBI Broad Index Unhedged	5.99%	11.29%

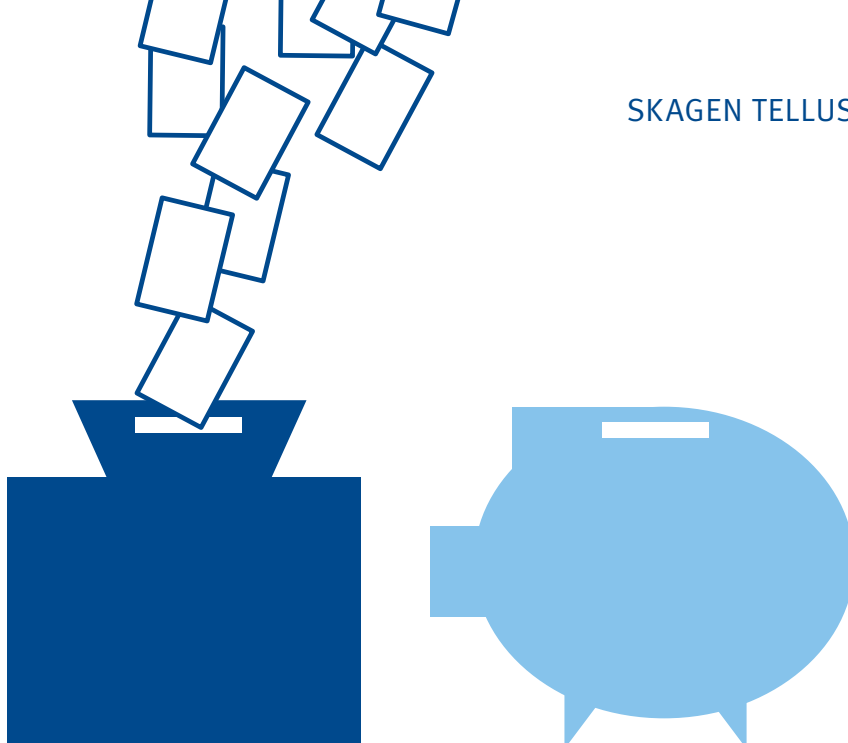
* As of 30 June 2016



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 Art Museums of Skagen (cropped).



People's will creates turbulence

Brexit was bad news for SKAGEN Tellus.

For SKAGEN Tellus the effect of the UK's EU referendum meant a loss relative to the benchmark index in which bonds issued by US, Japanese and German governments weigh heavily. As a result, the fund performed more poorly than the market in the second quarter. The fund gained 3.4% last quarter while the index was up 6.0% in euro.

At the time of writing at the end of June, it appears as though the market is starting to put the results of the British referendum behind it. The reason is probably that investors believe that that a popular desire to leave the EU may not necessarily result in a so-called Brexit. The fact that the EU is more popular among politicians and the establishment than the general public is nothing new. There is also a tradition in the EU that has seen politicians manage with diplomatic and legal agility to keep the union intact after people have expressed their dissatisfaction.

We believe it is possible that there will be no Brexit and that the EU may try to keep the UK in. The contagion caused by Brexit could cause the EU to crumble. France, for example, is due to elect a new President next year and only one third of the French are positively inclined towards the EU.

The people's will may cause turbulence in the second half year also. Donald Trump is currently close behind Hillary Clinton in the opinion polls. Trump represents views that many of those who voted in favour of Brexit stood for: A belief that weak income growth is due to immigration and increased international trade. If he wins the election, the financial market will likely seize up. However, we think this will once again likely be transitory as Trump will have to be accountable to congress; in practice, he will be unlikely to be able to implement much.

Given the political uncertainty on both sides of the Atlantic, there are few reasons to believe that the key central banks will hike their policy rates. With the exception of the US Federal Reserve, there is greater reason to believe that there will be slightly lower central bank rates. Neither growth nor inflation indicates that there is any need to tighten rates in a hurry.

We believe that SKAGEN Tellus' portfolio, which is primarily exposed to the peripheral euro countries and a few select emerging market economies, will provide unit holders with good returns. However, as the aftermath of the UK elections has shown, some volatility is to be expected.

SECURITIES PORTFOLIO SKAGEN TELLUS AS OF 30 JUNE 2016

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	01.11.2016	1,00	10 000	65 014	646,79	105	64 679	64 785	-335	5,97%
Chilean Government	05.08.2020	5,50	4 410 000	54 659	1,34	1 237	59 063	60 300	4 403	5,55%
German Government	10.03.2017	0,00	7 000	65 092	934,83	0	65 438	65 438	346	6,03%
Croatia Government Int Bond	30.05.2022	3,87	8 300	74 798	959,22	254	79 615	79 869	4 817	7,35%
Hellenic Republic Government	24.02.2035	3,00	9 000	53 134	573,19	872	51 587	52 459	-1 547	4,83%
Portugese Government	15.10.2025	2,87	5 000	47 985	929,90	947	46 495	47 442	-1 490	4,37%
Slovenia Government	30.03.2026	5,12	3 500	41 766	1 273,00	421	44 555	44 976	2 789	4,14%
Spanish Government	30.04.2025	1,60	5 000	45 315	972,17	124	48 609	48 733	3 294	4,49%
European Bank Recon & Dev	19.03.2018	5,75	200 000	25 846	12,23	403	24 468	24 871	-1 378	2,29%
Mexican Government	15.12.2016	7,25	120 000	54 693	46,00	165	55 201	55 365	508	5,10%
Norwegian Government	19.05.2017	4,25	60 000	63 360	103,30	293	61 982	62 275	-1 379	5,73%
New Zealand Government	17.04.2023	5,50	8 000	54 358	723,98	544	57 918	58 462	3 560	5,38%
Peruvian Government	12.08.2037	6,90	18 000	41 063	267,81	1 208	48 206	49 414	7 143	4,55%
Lithuanian Government	01.02.2022	6,62	5 500	42 570	1 015,68	1 265	55 862	57 128	13 292	5,26%
US Government	31.08.2016	0,50	12 800	87 374	839,22	181	107 420	107 602	20 046	9,91%
US Government	30.06.2017	0,62	10 800	88 468	839,94	0	90 714	90 714	2 246	8,35%
US Government	30.11.2016	0,87	10 000	87 347	840,86	62	84 086	84 148	-3 261	7,75%
Total Bond Portfolio				992 844		8 082	1 045 898	1 053 980	53 054	97,05%
Disposable liquidity				31 746			31 987	31 987	241	2,95%
TOTAL				1 024 590		8 082	1 077 885	1 085 967	53 295	100,00%

Key numbers

Effective yield 2,09% Duration** 3,55

* Effective yield adjusted for management 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 30.06.2016

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



SKAGEN Credit EUR

Picking the best bonds from the global orchard

- › Good second quarter and first half year returns
- › Pressure on commodity companies
- › Corporate bonds still attractively priced

1 2 **RISK** 4 5 6 7

Fund start date	30 May 2014
Return since start	-1.83%
AUM	EUR 7 million
Number of unitholders	42

PERFORMANCE IN EUR	2Q 16*	12 M*
SKAGEN Credit	2.52%	-1.75%
3 Month EURIBOR	-0.06%	-0.14%

* As of 30 June 2016



PORTFOLIO MANAGERS

Ola Sjöstrand and Tomas
Nordbø Middlethon

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

Good return in an eventful quarter

The second quarter and first half year have been turbulent, but the fund has made a good return.

At the end of January and beginning of February, the situation in the credit market was very tense as a result of falling commodity prices, particularly the oil price.

Commodity prices started to fall as early as the autumn of 2014, but it was not until 2016 that the belaboured companies started to go bankrupt. The situation then rubbed off on the banking sector as the market became concerned about the amount of losses the banks should expect on loans to companies with commodity exposure.

Commodity companies at risk

In the second quarter, commodity prices started to rise and companies outside the commodities sector that were the victims of the deficient loan market in the winter have once again got access to financing. There are still companies in certain sectors that are struggling both with operations and renewing their loans. Those companies exposed to commodities where there is overcapacity are particularly vulnerable. There is still a negative market outlook for service suppliers to the oil industry, for instance. A number of these companies will need to go through restructuring with debt write-downs or, at worst, bankruptcy. The global bankruptcy rate is the second highest in ten years, beaten only by the financial crisis year 2009, and there is nothing to suggest that things are going to get better for the susceptible companies any time soon.

In SKAGEN Credit, we have very little exposure to these types of companies, but as a diversified global fund, it is natural that individual companies in the portfolio will experience difficulties from time to time. That is why it is reassuring to see our holdings, such as the mining company Glencore, commodities trader Noble Group, oil company Petrobras and Standard Chartered Bank all respond to market changes by selling stakes, reducing debt or bringing in new equity. These are measures which strengthen the companies' solidity and benefit the bond owners.

Referendum shock

Towards the end of the quarter the results of the UK's EU referendum came as a shock to the market. The SKAGEN Credit portfolio has a 13% exposure to the UK, however the market effect of the election result did not particularly affect the fund. Our UK holdings are solid with good credit ratings. Moreover, the fund is currency hedged, so the fall in the British pound did not have an impact on the fund's return.

Overall we are satisfied with the return for the second quarter and first half year. The credit spreads are still high, so there are still opportunities for good future returns going forward. The portfolio consists of solid companies and the fund is well diversified on both a sector and regional basis. Nonetheless, as we have seen over the past two years, along with everyone else, we are not completely immune to the effects of major market events.

SKAGEN CREDIT EUR	Number of units	Market value EUR	%
SKAGEN Credit	624	7 234	98.85
Liquidity		84	1.15
Total share capital		7 318	100,00

Degree of currency hedging 97.05%, Share of SKAGEN Credit 31.49%
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 EUR	Share of fund (%)
Gazprom OAO	USD	11.04.2018	800	8,15	7 493	3,52
Petrobras Global Finance BV	USD	01.03.2018	600	5,88	5 247	2,46
Seadrill Ltd	USD	15.09.2017	700	6,13	3 159	1,48
Petrobras Global Finance BV	USD	20.01.2020	200	5,75	1 660	0,78
Total Energy					17 559	8,24
Glencore Canada Financial Corp	GBP	27.05.2020	400	7,38	4 836	2,27
INEOS	EUR	01.05.2023	500	4,00	4 508	2,12
Glencore Funding LLC	USD	29.04.2019	475	3,13	3 915	1,84
Glencore Funding LLC	USD	30.05.2023	400	4,13	3 131	1,47
Total Raw Materials					16 390	7,69
Color Group AS	NOK	18.09.2019	7 000	6,28	7 187	3,37
Stena AB	EUR	01.02.2019	620	5,88	6 017	2,82
PostNL NV	GBP	14.08.2018	400	7,50	5 373	2,52
DSV A/S	DKK	18.03.2022	4 000	-	5 067	2,38
Norwegian Air Shuttle AS	EUR	11.12.2019	500	7,25	4 785	2,25
Tallink Group AS	NOK	18.10.2018	4 000	6,01	4 162	1,95
Heathrow Funding Ltd	GBP	20.03.2020	300	6,00	3 885	1,82
Heathrow Funding Ltd	GBP	10.09.2018	300	6,25	3 846	1,81
Bombardier Inc	USD	16.03.2020	400	7,75	3 384	1,59
Noble Group Ltd	USD	29.01.2020	350	6,75	2 490	1,17
Norwegian Air Shuttle AS	NOK	03.07.2017	2 000	4,75	1 989	0,93
Total Industrials					48 186	22,62
Best Buy Co Inc	USD	15.03.2021	800	5,50	7 255	3,41
Jaguar Land Rover Automotive Plc	GBP	01.03.2023	500	3,88	5 391	2,53
Volkswagen Leasing GmbH	EUR	06.09.2022	500	2,38	5 146	2,42
Samvardhana Motherson Automotive	EUR	15.07.2021	500	4,13	4 778	2,24
Fiat Finance & Trade SA	EUR	15.03.2018	400	6,63	4 070	1,91
Samvardhana Motherson Automotive	USD	16.12.2021	400	4,88	3 384	1,59
Fiat Chrysler Finance Europe	EUR	22.03.2021	200	4,75	2 028	0,95
Total Consumer discretionary					32 051	15,05
Safeway Ltd	GBP	10.01.2017	400	6,00	4 721	2,22
JBS Investments GmbH	USD	28.10.2020	500	7,75	4 483	2,10
Cosan	USD	14.03.2023	500	5,00	4 020	1,89
Lennar Corp	USD	17.06.2019	300	4,50	2 619	1,23
Avon Products Inc	USD	01.03.2019	250	6,50	1 952	0,92
Total Consumer staples					17 794	8,35
Danske Bank AS	GBP	29.09.2021	600	5,38	7 251	3,40
Bank of Baroda	USD	23.07.2019	750	4,88	6 863	3,22
Länsförsäkringar Bank AB	SEK	27.04.2026	6 000	1,92	5 985	2,81
Amlin Plc	GBP	18.12.2026	500	6,50	5 823	2,73
Insurance Australia Group Ltd	GBP	21.12.2026	400	5,63	4 612	2,17
Diamond Bank Plc	USD	21.05.2019	400	8,75	2 659	1,25
American Tower Corp	USD	15.02.2019	300	3,40	2 653	1,25
Standard Chartered Bank	GBP	03.04.2018	200	7,75	2 502	1,17
Banco Est Rio Grande Sul	USD	02.02.2022	250	7,38	1 984	0,93
Standard Chartered PLC	EUR	23.11.2022	200	3,63	1 905	0,89
Total Financials					42 237	19,83
Rolta Americas LLC	USD	24.07.2019	400	-	509	0,24
Total IT					509	0,24
VimpelCom Holdings BV	USD	01.03.2022	550	7,50	5 194	2,44
Bharti Airtel International	EUR	20.05.2021	400	3,38	4 042	1,90
Bharti Airtel International	EUR	10.12.2018	300	4,00	3 059	1,44
Frontier Communications Corp	USD	15.09.2022	300	10,50	2 723	1,28
VimpelCom Holdings BV	USD	01.03.2017	200	6,26	1 759	0,83
Total Telecom					16 777	7,88
BKK AS	NOK	22.05.2020	10 000	1,65	9 882	4,64
EDP Finance BV	USD	01.10.2019	1 000	4,90	9 007	4,23
Total Utilities					18 889	8,87
TOTAL SECURITIES PORTFOLIO					210 392	98,77
IRS USD 20180620	USD	20.06.2018	3 500		-411	-0,19
IRS EUR 20180620	EUR	20.06.2018	3 000		-413	-0,19
IRS USD 20190820	USD	20.08.2019	2 000		-552	-0,26
IRS GBP 20180129	GBP	29.01.2018	1 200		-344	-0,17
IRS USD 20210622	USD	22.06.2021	1 000		-378	-0,18
IRS EUR 20210511	EUR	11.05.2021	600		-199	-0,10
IRS GBP 20230523	GBP	23.05.2023	400		-131	-0,06
Derivatives					-2 427	-1,14
Liquidity					5 060	2,38
Total share capital					213 024	100,00

Return and risk measurements

Returns in euro (all return figures beyond 12 months are annualised and net of fees)

As of 30.06.2016	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Since Start
SKAGEN Vekst A*	-10.4%	-3.3%	3.8%	2.2%	7.9%	2.9%	13.1%
MSCI Nordic/MSCI AC ex. Nordic	-4.7%	6.4%	10.4%	9.2%	14.9%	5.7%	9.6%
SKAGEN Global A	-8.0%	0.7%	5.8%	6.8%	11.3%	6.3%	13.8%
MSCI World AC**	-4.1%	9.0%	11.4%	11.1%	13.0%	5.3%	3.8%
SKAGEN Kon-Tiki A	-10.4%	-4.4%	1.9%	0.7%	7.9%	6.6%	12.8%
MSCI Emerging Markets***	-11.8%	1.4%	3.8%	1.5%	7.3%	5.0%	7.0%
SKAGEN m2 A	-0.3%	7.6%	5.1%				5.4%
MSCI All Country World Index Real Estate IMI	8.6%	16.4%	12.7%				12.3%
SKAGEN Focus A	-8.6%						-14.3%
MSCI World AC	-4.1%						-7.9%
SKAGEN Tellus A	1.1%	4.0%	3.8%	5.8%	6.7%		5.4%
J.P. Morgan GBI Broad Index Unhedged in EUR****	11.3%	12.3%	8.6%	6.4%	6.1%		5.6%
SKAGEN Credit EUR A	-1.8%	-1.0%					-0.9%
3 Month EURIBOR	-0.1%	0.0%					0.0%

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.

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

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

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

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

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

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

The annual management fee is 0.8% for SKAGEN Tellus and SKAGEN Credit EUR. 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

Risk and performance measurements

As of 30.06.2016	SKAGEN Vekst	SKAGEN Global	SKAGEN Kon-Tiki	SKAGEN Tellus
RISK MEASURES 5 YEARS				
Standard Deviation NAV	14.7 %	14.2 %	16.3 %	6.1 %
Standard Deviation Benchmark	13.2 %	11.6 %	15.5 %	8.0 %
Tracking Error	6.3 %	5.0 %	4.9 %	5.9 %
Beta	1.01	1.15	1.00	0.52
Active share ¹⁾	92%	92%	92%	
RISKADJUSTED RETURN 5 YEARS				
Alpha	-6.7 %	-5.5 %	-0.8 %	2.4 %
Sharpe Arithmetic	0.13	0.44	0.02	0.87
Sharpe Ratio Benchmark	0.64	0.88	0.07	0.73
Information Ratio Arithmetic	-1.06	-0.77	-0.16	-0.09

¹⁾ Active share represents the picture in the fund as at 30 June 2016

* 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). 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 1/1/2004 was the MSCI World Index.

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

FINANCIAL STATEMENT AS OF 30.06.2016

Income statement (all figures in 1,000 NOK)	SKAGEN Vekst	SKAGEN Global	SKAGEN Kon-Tiki	SKAGEN m ²	SKAGEN Focus	SKAGEN Balanse 60/40	SKAGEN Tellus	SKAGEN Avkastning
PORTFOLIO REVENUE AND COSTS	1H 2016	1H 2016	1H 2016	1H 2016	1H 2016	1H 2016	1H 2016	1H 2016
Interest income and costs	-829	-6 594	-24 135	536	53	1 303	12 298	17 261
Dividends	147 594	504 705	405 119	15 162	13 764	-	-	-
Realised capital gain/loss	-156 102	1 506 629	692 748	19 403	31 947	1 023	24 793	5 894
Change unrealised gain/loss	-637 671	-5 190 340	-1 376 227	-46 154	-69 592	-15 865	-28 139	-3 208
Guarantee commission	-	-	-	-	-	-	-	-
Broker's fees	-1 938	-19 469	-11 752	-612	-871	-	-12	-6
Currency gain/loss	-18 145	-57 228	-105 374	-1 778	-994	-	-3 872	12 004
PORTFOLIO RESULT	-667 091	-3 262 296	-419 622	-13 443	-25 692	-13 539	5 067	31 944
MANAGEMENT REVENUE AND COSTS¹								
Management fee - fixed	-36 649	-154 635	-281 208	-6 953	-7 763	-	-4 039	-3 885
Management fee - variable*	-	-	71 451	3 643	-1 315	-	-	-
ASSET MANAGEMENT RESULT	-36 649	-154 635	-209 757	-3 309	-9 078	-	-4 039	-3 885
RESULT BEFORE TAX	-703 740	-3 416 931	-629 379	-16 752	-34 770	-13 539	1 028	28 060
Tax cost	-6 164	-42 787	-34 703	-2 659	-1 229	-395	-	-
NET INCOME	-709 904	-3 459 718	-664 082	-19 411	-35 999	-13 934	1 028	28 060
Balance sheet	30.06.2016	30.06.2016	30.06.2016	30.06.2016	30.06.2016	30.06.2016	30.06.2016	30.06.2016
ASSETS								
Norwegian securities at cost price	1 117 559	-	828 960	42 844	-	293 643	63 360	1 123 198
Foreign securities at cost price	5 139 222	23 548 805	22 034 609	843 010	1 175 213	26 500	929 484	242 350
Unrealised capital gain/loss	587 008	4 258 183	8 257 979	20 606	-115 605	9 004	53 054	3 350
Accrued interest securities	-	-	-	113	-	1 323	8 082	4 960
SUM VERDIPAPIRPORTEFØLJE	6 843 789	27 806 988	31 121 547	906 573	1 059 608	330 469	1 053 980	1 373 859
Dividend receivable	5 691	30 433	74 491	2 589	1 823	-	-	-
Accrued interest bank	-	-	-	-	-	-	-	-
TOTAL ACCRUED INCOME	5 691	30 433	74 491	2 589	1 823	-	-	-
Deferred tax asset	-	-	-	-	-	136	-	-
Accounts receivable - brokers	20 568	283 033	283 587	3 120	14 457	-	-	-
Accounts receivable - management company	5	5	20	4	1	-	4	4
Tax receivable on dividends	10 789	47 501	29 580	714	104	-	-	-
Other receivables	-	-	-	511	-	-	-	-
TOTAL OTHER RECEIVABLES	31 361	330 539	313 187	4 350	14 563	136	4	4
Bank deposits	40 103	231 991	685 156	18 563	57 418	4 047	34 252	170 266
TOTAL ASSETS	6 920 943	28 399 951	32 194 381	932 075	1 133 411	334 652	1 088 235	1 544 129
EQUITY CAPITAL¹								
Unit capital at par value	378 607	2 136 888	4 704 778	609 065	1 202 897	249 998	860 737	1 100 541
Premium	3 495 417	15 880 647	22 699 296	212 291	-31 787	58 640	232 131	434 629
TOTAL PAID-IN EQUITY CAPITAL	3 874 024	18 017 535	27 404 074	821 357	1 171 111	308 639	1 092 868	1 535 170
Retained earnings	2 978 887	10 192 194	4 512 323	105 625	-51 400	22 360	-7 601	5 374
TOTAL EQUITY CAPITAL	6 852 912	28 209 729	31 916 397	926 982	1 119 711	330 999	1 085 267	1 540 544
DEBT								
Deferred tax	-	-	-	1 004	-	-	-	-
Accounts payable - brokers	47 517	-	-	2 361	8 065	3 300	-	-
Accounts payable - management company	18 400	76 107	69 789	-139	5 412	-	1 938	1 915
Other debt	2 115	114 115	208 196	1 867	223	353	1 030	1 670
TOTAL OTHER DEBT	68 032	190 222	277 984	5 093	13 700	3 653	2 968	3 585
TOTAL DEBT AND EQUITY CAPITAL	6 920 943	28 399 951	32 194 381	932 075	1 133 411	334 652	1 088 235	1 544 129

Note: Divergence in price relative to the portfolios is due to accruals divergence as of 30.06.2016

*Calculated variable management fee as of 30.06.2016: pursuant to the regulations, the definitive statement shall take place as of 31.12.2016 based on value developments the rest of the year. In SKAGEN Global C and Global D, the statement shall take place on a quarterly basis. In SKAGEN Vekst, the management fee shall only be charged if the unit value as of 31.12. is higher than the unit value at the previous charge statement (high watermark).

FINANCIAL STATEMENT AS OF 30.06.2016

Income statement (all figures in 1,000 NOK)	SKAGEN Høyrente	SKAGEN Høyrente Inst.	SKAGEN Krona**	SKAGEN Credit	SKAGEN Credit NOK	SKAGEN Credit SEK**	SKAGEN Credit EUR***
	1H 2016	1H 2016	1H 2016	1H 2016	1H 2016	1H 2016	1H 2016
PORTFOLIO REVENUE AND COSTS							
Interest income and costs	29 658	6 060	814	5 068	4 639	687	203,7
Dividends	-	-	-	-	-	-	-
Realised capital gain/loss	-2 563	-1 309	-	3 186	-2 696	-846	-67,8
Change unrealised gain/loss	12 372	1 897	-115	-12 258	-5 650	908	-62,4
Guarantee commission	-	-	-	-	-	-	-
Broker's fees	-2	-2	-15	-16	-13	-10	-0,6
Currency gain/loss	-	-	-	-1 033	8 115	5	203,8
PORTFOLIO RESULT	39 466	6 645	684	-5 052	4 395	744	276,8
MANAGEMENT REVENUE AND COSTS¹							
Management fee - fixed	-3 751	-463	-250	-	-511	-80	-22,7
Management fee - variable*	-	-	-	-	-	-	-
ASSET MANAGEMENT RESULT	-3 751	-463	-250	-	-511	-80	-22,7
RESULT BEFORE TAX	35 715	6 182	434	-5 052	3 885	664	254,1
Tax cost	-	-	-	-	-	-	-
NET INCOME	35 715	6 182	434	-5 052	3 885	664	254,1
Balance sheet	30.06.2016	30.06.2016	30.06.2016	30.06.2016	30.06.2016	30.06.2016	30.06.2016
ASSETS							
Norwegian securities at cost price	2 358 626	389 509	-	22 994	124 854	22 549	7 420,6
Foreign securities at cost price	-	-	390 469	176 505	-	-	-
Unrealised capital gain/loss	-10 199	-1 054	-587	4 966	-5 000	-882	-446,3
Accrued interest securities	5 725	1 131	193	3 524	4 466	807	259,9
SUM VERDIPAPIRPORTEFØLJE	2 354 153	389 587	390 075	207 988	124 320	22 474	7 234,2
Dividend receivable	-	-	-	-	-	-	-
Accrued interest bank	-	-	-	-	-	-	-
TOTAL ACCRUED INCOME	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-
Accounts receivable - brokers	-	-	-	-	-	-	-
Accounts receivable - management company	-	-	-	-	-	2	-
Tax receivable on dividends	-	-	-	-	-	-	-
Other receivables	1 086	-	-	828	373	-	-
TOTAL OTHER RECEIVABLES	1 086	-	-	828	373	2	-
Bank deposits	680 474	538 881	29 494	5 045	2 528	209	100,1
TOTAL ASSETS	3 035 713	928 468	419 569	213 861	127 221	22 685	7 334,3
EQUITY CAPITAL¹							
Unit capital at par value	2 993 996	924 393	417 687	198 102	125 395	23 663	7 697,1
Premium	197 295	96 352	6 515	26 712	552	-199	-226,2
TOTAL PAID-IN EQUITY CAPITAL	3 191 290	1 020 745	424 202	224 814	125 947	23 465	7 470,9
Retained earnings	-157 449	-92 501	-5 162	-10 953	-459	-824	-154,4
TOTAL EQUITY CAPITAL	3 033 842	928 244	419 040	213 861	125 488	22 640	7 316,5
DEBT							
Deferred tax	-	-	-	-	-	-	-
Accounts payable - brokers	-	-	-	-	1 479	2	5,0
Accounts payable - management company	1 871	224	107	-	253	43	12,8
Other debt	-	-	423	-	-	-	-
TOTAL OTHER DEBT	1 871	224	530	-	1 732	45	17,8
TOTAL DEBT AND EQUITY CAPITAL	3 035 713	928 468	419 569	213 861	127 221	22 685	7 334,3

Note: Divergence in price relative to the portfolios is due to accruals divergence as of 30.06.2016

* Calculated variable management fee as of 30.06.2016: pursuant to the regulations, the definitive statement shall take place as of 31.12.2016 based on value developments the rest of the year. In SKAGEN Global C and Global D, the statement shall take place on a quarterly basis. In SKAGEN Vekst, the management fee shall only be charged if the unit value as of 31.12. is higher than the unit value at the previous charge/statement (high watermark).

** Figures in SEK 1000

*** Figures in EUR 1000

¹⁾ Allocated between the respective unit classes	Class	SKAGEN Vekst 1H 2016	SKAGEN Global 1H 2016	SKAGEN Kon-Tiki 1H 2016	SKAGEN m ² 1H 2016	SKAGEN Focus 1H 2016	SKAGEN Tellus 1H 2016	SKAGEN Credit EUR*** 1H 2016
Management fee - fixed	A	-35 885	-147 491	-196 529	-6 939	-7 184	-3 490	-19,4
Management fee - variable	A			46 182	3 635	-1 083		
Total management fee	A	-35 885	-147 491	-150 348	-3 304	-8 266	-3 490	-19,4
Management fee - fixed	B	-28	-6 472	-23 808	-9	-20	-154	-3,3
Management fee - variable	B			7 698	5	-12		
Total management fee	B	-28	-6 472	-16 110	-3	-31	-154	-3,3
Management fee - fixed	C	-736	-669	-4 150	-5	-559	-395	
Management fee - variable	C			1 212	2	-221		
Total management fee	C	-736	-669	-2 937	-2	-780	-395	
Management fee - fixed	D		-3	-9 081				
Management fee - variable	D			2 597				
Total management fee	D		-3	-6 484				
Management fee - fixed	E			-47 641				
Management fee - variable	E			13 762				
Total management fee	E			-33 878				
Total fixed and variable management fee	All	-36 649	-154 635	-209 757	-3 309	-9 078	-4 039	-22,7

¹⁾ Allocated between the respective unit classes	Class	SKAGEN Vekst 30.06.2016	SKAGEN Global 30.06.2016	SKAGEN Kon-Tiki 30.06.2016	SKAGEN m ² 30.06.2016	SKAGEN Focus 30.06.2016	SKAGEN Balanse 60/40 30.06.2016	SKAGEN Tellus 30.06.2016	SKAGEN Avkastning 30.06.2016
Number of units issued	A	3 730 596	20 149 051	29 359 601	6 073 899	10 741 739	2 499 983	6 641 101	11 005 411
Base price per unit as of 30.06.2016 in NOK****	A	1 809,8627	1 317,3821	673,8619	152,2689	93,0775	132,4025	124,6101	139,9786
Number of units issued	B	2 765	985 404	4 607 076	9 917	24 827		491 970	
Base price per unit as of 30.06.2016 in NOK****	B	1 817,1514	1 316,8096	680,1320	152,6721	93,3788		131,1066	
Number of units issued	C	53 053	233 641	562 022	6 837	1 262 408		1 474 296	
Base price per unit as of 30.06.2016 in NOK	C	1 821,4356	1 322,0396	676,2461	152,3550	93,1373		131,0760	
Number of units issued	D		787	1 520 147					
Base price per unit as of 30.06.2016 in NOK	D		1 323,5666	678,5804					
Number of units issued	E			10 998 938					
Base price per unit as of 30.06.2016 in NOK	E			681,0454					

¹⁾ Allocated between the respective unit classes	Class	SKAGEN Høyrente 30.06.2016	SKAGEN Høyrente Inst. 30.06.2016	SKAGEN Krona** 30.06.2016	SKAGEN Credit 30.06.2016	SKAGEN Credit NOK 30.06.2016	SKAGEN Credit SEK** 30.06.2016	SKAGEN Credit EUR*** 30.06.2016
Number of units issued	A	29 939 956	9 243 931	4 176 868	1 981 019	1 253 949	236 633	595 909
Base price per unit as of 30.06.2016 in NOK****	A	101,3324	100,4129	100,3242	107,9487	100,0667	95,7202	9,4889
Number of units issued	B							173 797
Base price per unit as of 30.06.2016 in NOK****	B							9,5608
Number of units issued	C							
Base price per unit as of 30.06.2016 in NOK	C							
Number of units issued	D							
Base price per unit as of 30.06.2016 in NOK	D							
Number of units issued	E							
Base price per unit as of 30.06.2016 in NOK	E							

Note: Divergence in price relative to the portfolios is due to accruals divergence as of 30.06.2016

* Calculated variable management fee as of 30.06.2016: pursuant to the regulations, the definitive statement shall take place as of 31.12.2016 based on value developments the rest of the year. In SKAGEN Global C and Global D, the statement shall take place on a quarterly basis. In SKAGEN Vekst, the management fee shall only be charged if the unit value as of 31.12. is higher than the unit value at the previous charge/statement (high watermark).

** Figures in SEK 1000

*** Figures in EUR 1000

**** Figures in Swedish krona and euros, respectively, for SKAGEN Krona, SKAGEN Credit SEK and SKAGEN Credit EUR

