



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

SKAGEN Credit EUR

A global corporate bond fund

Status report April 2016

The art of common sense



SKAGEN Credit EUR A – Key numbers

Key numbers as of 30 April	SKAGEN Credit EUR A	Index (Euribor 3m)
Return last month	1,7 %	0,0 %
Return year to date	2,5 %	-0,1 %
Return since inception (30.05.14)	- 1,4 %	0,0 %
Current yield*	4,1 %	- 0,3 %
Average maturity (WAM)	1,2	0,25
Average life time (WAL)	3,0	N/A
Average credit spread (OAS)**	498 bps	N/A

*Current yield changes from day to day and is no guarantee for future return

** Average option adjusted spread on the investments, cash excluded. For bonds that trade at a significant discount and where the likelihood of recovering the entire principal, yield can be misleading as it assumes full repayment.

The SKAGEN Credit investment universe



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

Portfolio managers' comment

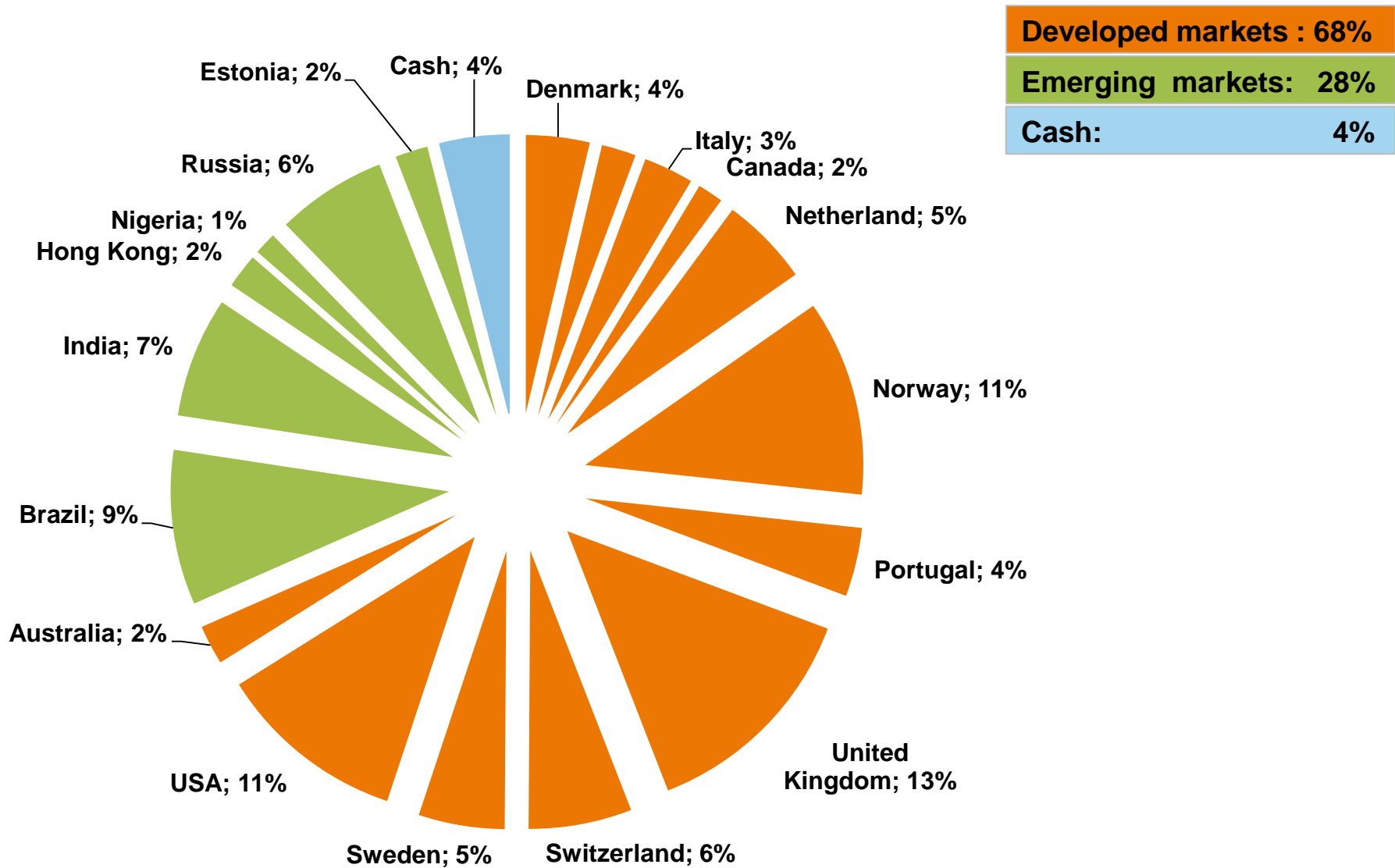
April was a very good month for SKAGEN Credit and a good continuation of the trend that started in mid-February. 2016 has been a dramatic year so far in which the credit market almost came to a halt in January and February only to return to normal in March and April (see graph further on in the report for the credit spread in the global high yield market).

By normal we mean that the credit spread has returned to a level that makes it possible for companies with good operations to get financing in the market, i.e. to issue new bonds. Investors have again returned to the market and are demanding bonds as investment objects. It is extremely important that companies can renew loans in order to be able to maintain normal operations. In January and February the market was more or less closed, or at best abnormally expensive. Companies with large loan arrears could therefore get into a liquidity squeeze that could have dramatic consequences.

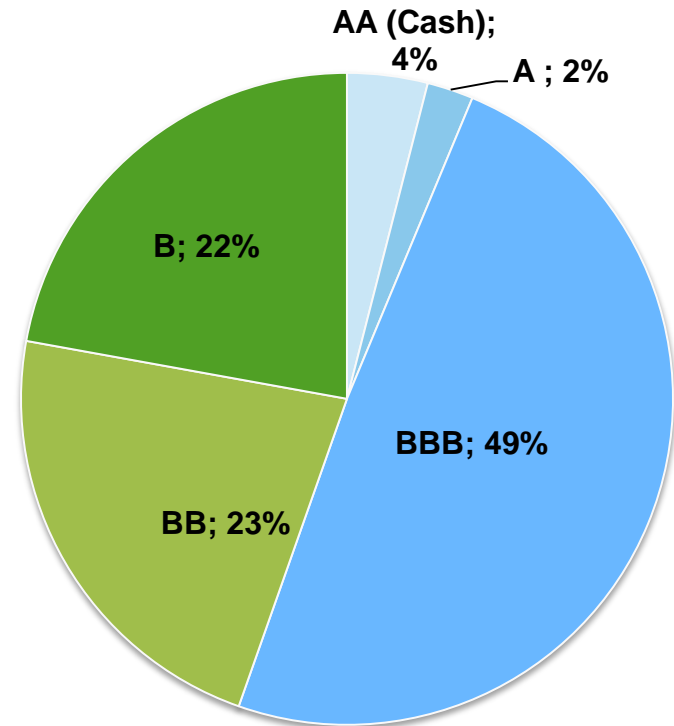
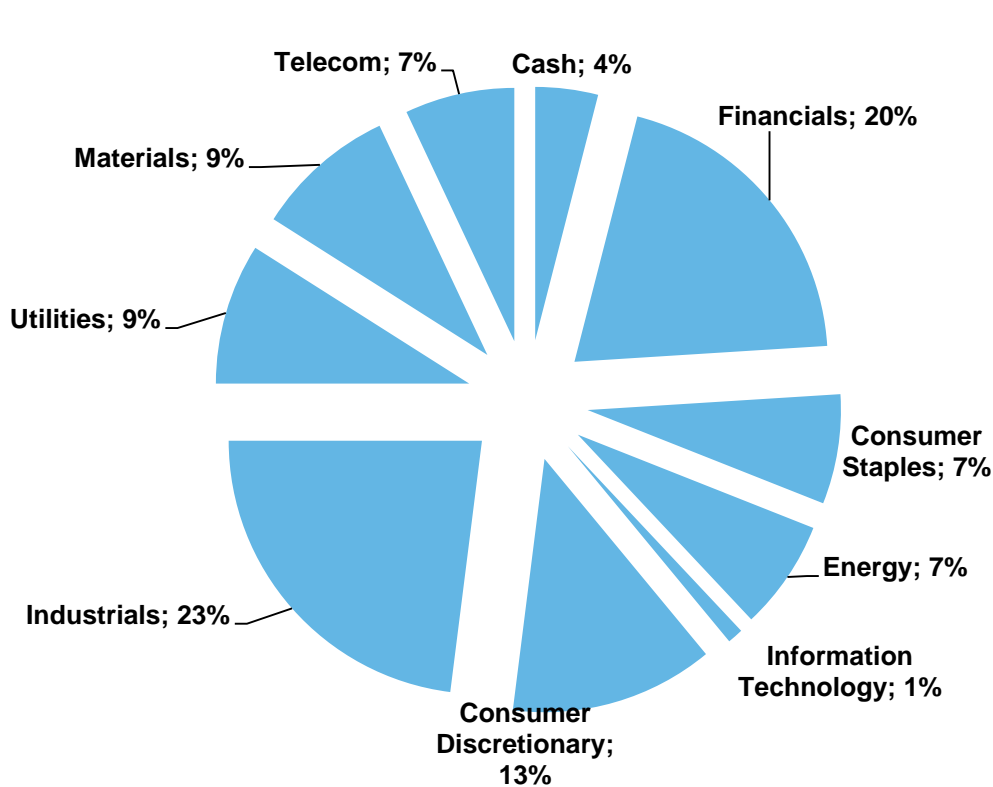
There are still companies within individual sectors that are struggling with operations as well as having scant opportunity to renew their loans. Companies that are exposed to commodities where prices have fallen significantly are particularly vulnerable. Service suppliers to the oil industry, for example, are characterised by low prices and overcapacity. There are still many companies here which must write down their debt or in the worst case declare bankruptcy. SKAGEN Credit has very little exposure to these types of company.

In April three new Scandinavian companies entered the portfolio: Norwegian electricity producer, BKK, Swedish retail bank, LF, and Danish logistics operator, DSV. All three are solid companies with stable operations whose bonds have historically experienced less value fluctuations than other, more opportunistic investments. They constitute a solid base for Credit going forward and importantly provide stable and good returns.

Country diversification



Sector and rating distribution



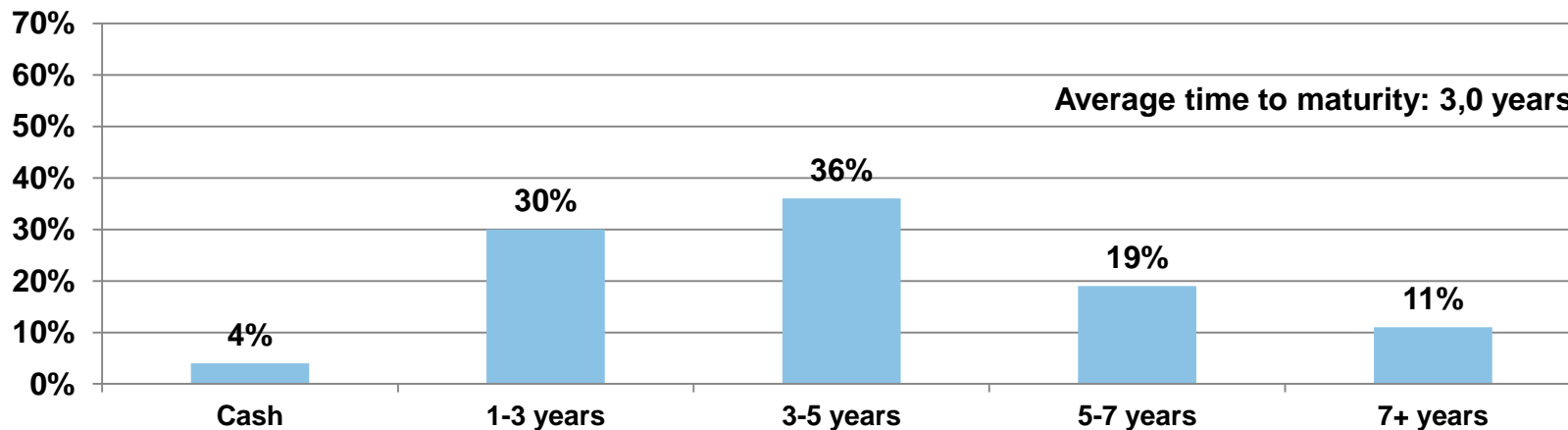
Investment grade:	56 %
High Yield:	44 %
Average rating:	BB+

Interest rate duration and time to maturity

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

Currency	Bond denominated	Interest rate duration
USD	42%	1,1 year
EUR	22%	1,7 year
GBP	23%	1,7 year
NOK	11%	0,1 year
DKK	1 %	0,1 year
SEK	2 %	0,1 year
Sum Fund	100%	1,2 year

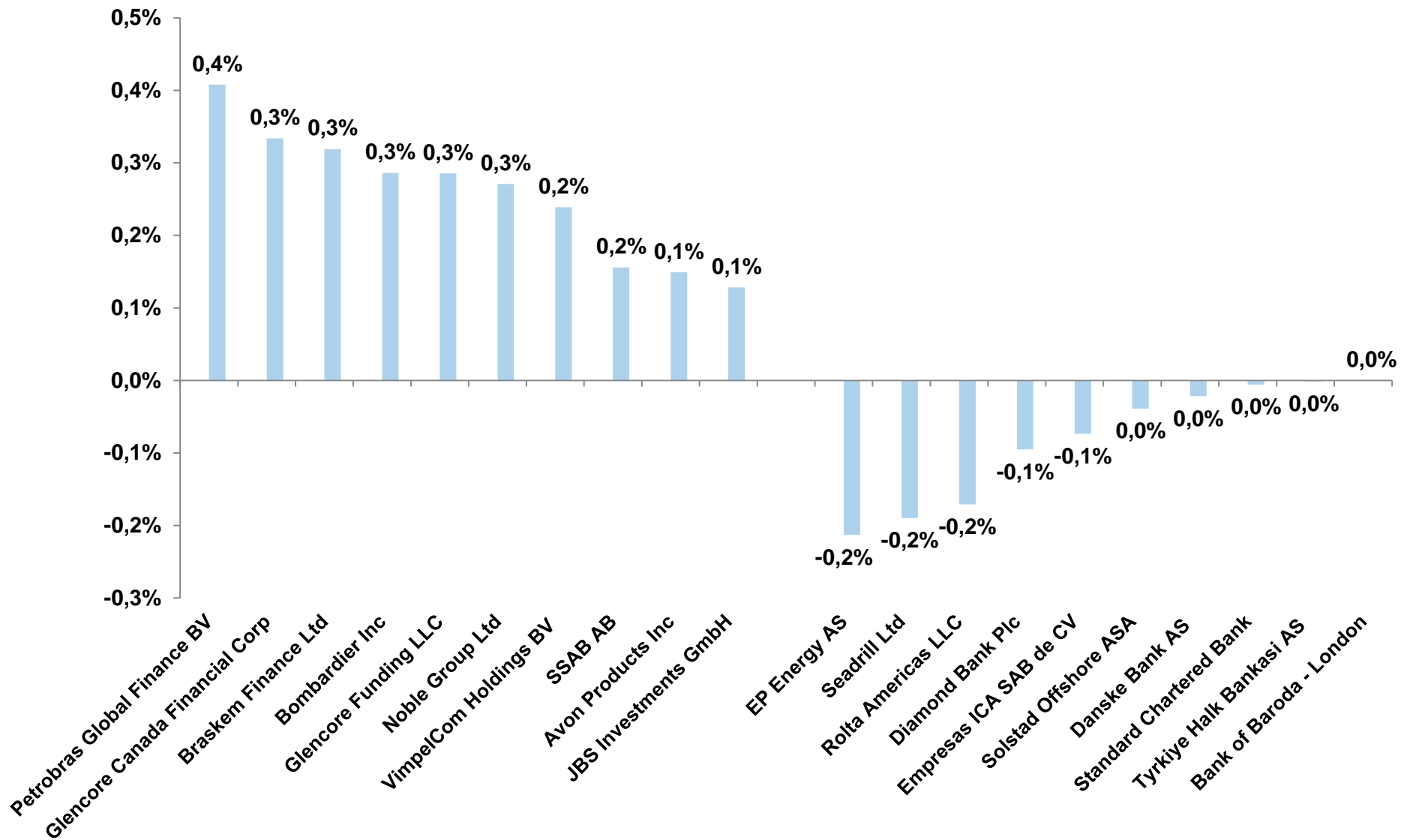
Credit exposure - time to maturity profile on bonds



Top 10 investments

Company	Country of risk	Credit rating*	Percent of fund
Glencore**	Switzerland	BBB-	4,7 %
BKK	Norway	BBB	4,6 %
Energias de Portugal	Portugal	BBB-	4,1 %
Heathrow	UK	BBB	3,8 %
Danske Bank	Denmark	BBB	3,6 %
Bharti Airtel	India	BBB-	3,4 %
Gazprom	Russia	BB+	3,4 %
Norwegian	Norway	B	3,3 %
Color Group	Norway	B+	3,3 %
Bank of Baroda	India	BBB-	3,1 %
Sum top 10			37,3 %

10 best and worst contributors YTD



Global Corporate High Yield spread - last 5 years



- Global high yield spreads are starting to normalise after a dramatic start to the year.
- Lines indicate average credit spread last 5 years at ca. 540 bps and +/- one standard deviation

The portfolio managers

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

Ola Sjöstrand

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

Tomas Nordbø Middelthon

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



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

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

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