SKAGEN Tellus

Status Report September 2016

The art of common sense

Key numbers as of 30 September 2016

EUR, net of fees

|	September	QTD	YTD	1 years	3 years	5 years	Since inception*
SKAGEN Tellus	-0,3%	0,3%	3,9%	5,1%	4,7%	5,4%	5,3%
JPM Broad GBI Unhedged *	-0,3%	-0,8%	7,0%	8,6%	8,8%	4,4%	5,4%
Excess return	0,0%	1,1%	-3,1%	-3,5%	-4,1%	0,9%	0,0%

Inception date: 29/09/2006
Benchmark index before 01/01/2013 was Barclay's Capital Global Treasury Index 3-5 years
Unless otherwise stated, all performance data in this report relates to class A units, measured in EUR and is net of fees.

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Accumulated returns since inception in EUR

As of 30 September 2016

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Accumulated returns year to date in EUR

As of 30 September 2016

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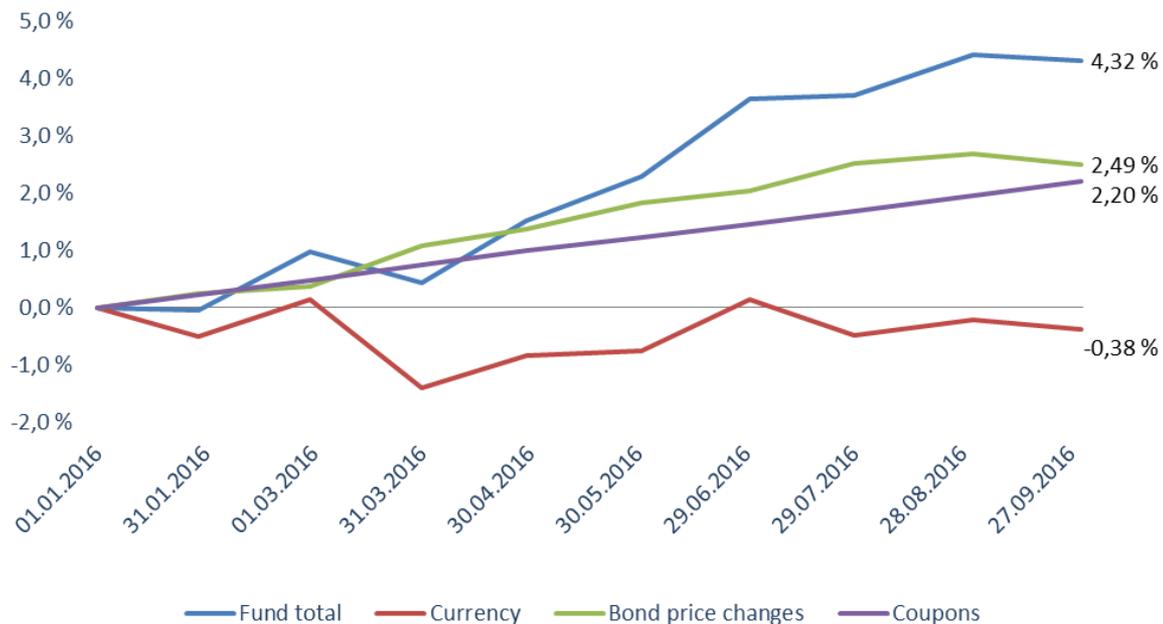
Top 5 best and worst contributors year to date
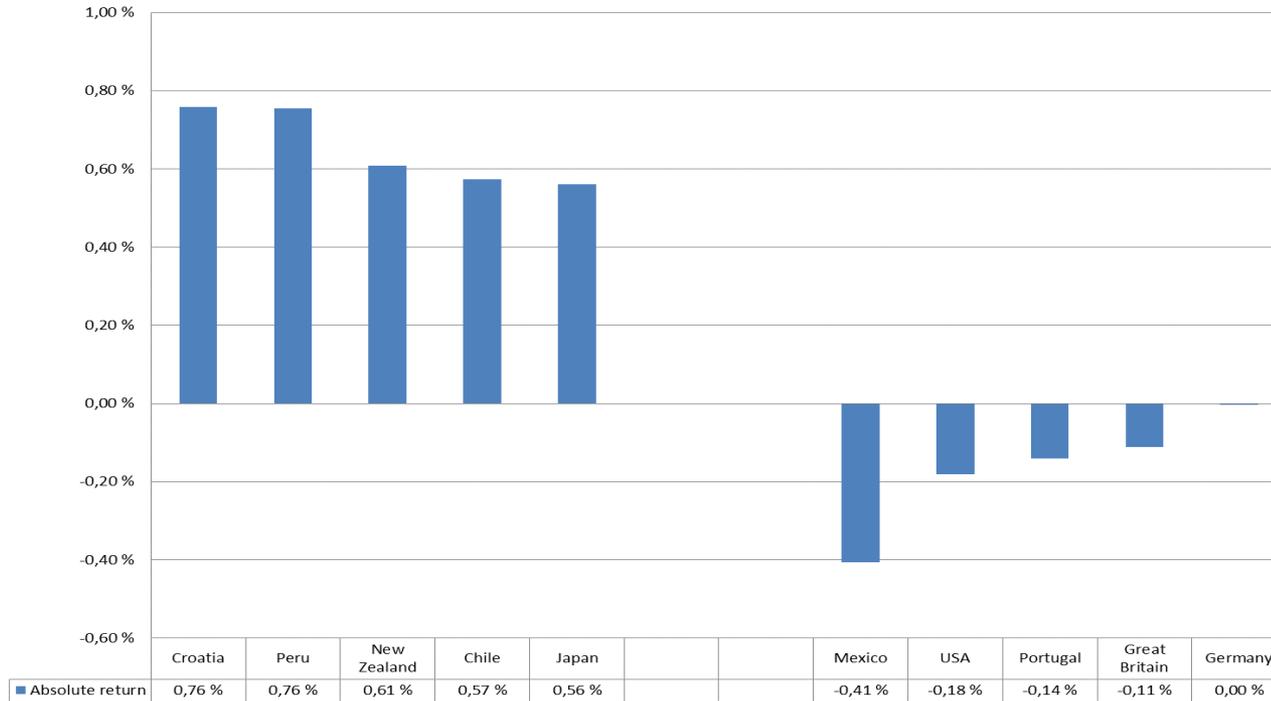
|	Croatia	Peru	New Zealand	Chile	Japan			Mexico	USA	Portugal	Great Britain	Germany
■ Absolute return	0,76 %	0,76 %	0,61 %	0,57 %	0,56 %			-0,41 %	-0,18 %	-0,14 %	-0,11 %	0,00 %

Contributing factors are interest coupons, bond price changes and currency fluctuations

As of 30 September 2016

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Top 5 best and worst contributors last 12 months
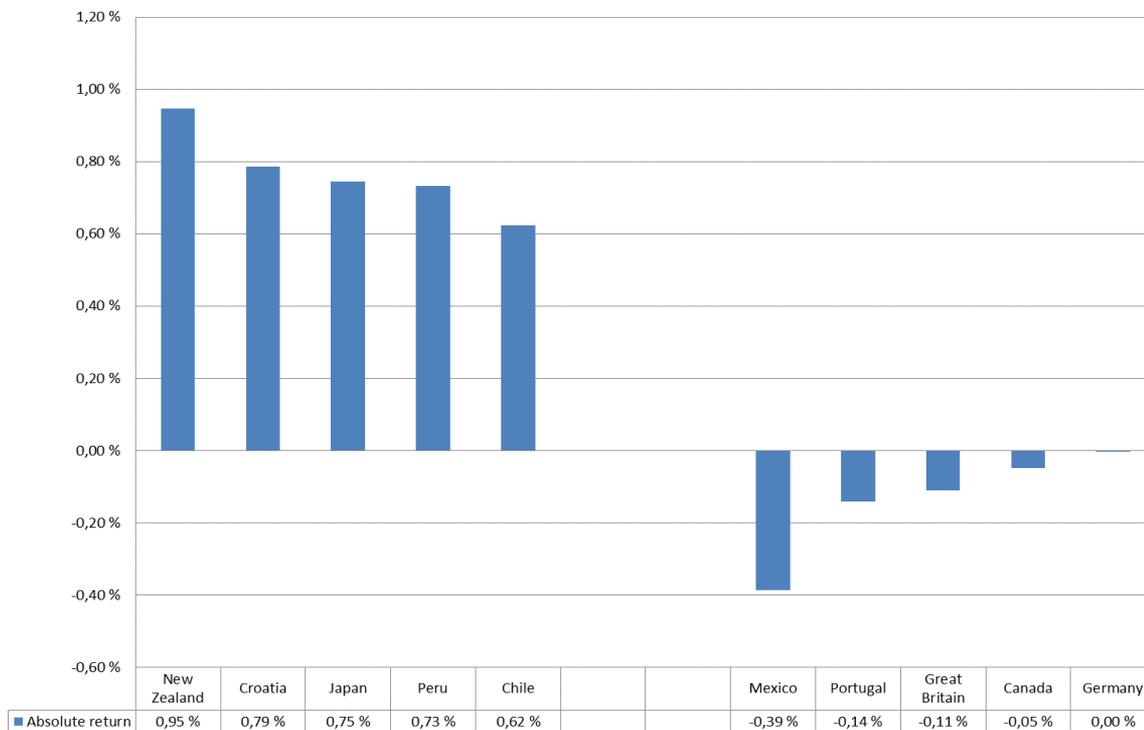
Absolute return	New Zealand	Croatia	Japan	Peru	Chile			Mexico	Portugal	Great Britain	Canada	Germany
	0,95 %	0,79 %	0,75 %	0,73 %	0,62 %			-0,39 %	-0,14 %	-0,11 %	-0,05 %	0,00 %

Contributing factors are interest coupons, bond price changes and currency fluctuations

As of 30 September 2016

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Portfolio as of 30 September 2016

Holding Name	CRNCY	Holding	Percent	Maturity Date	Coupon
US Government	USD	10800	8,1	30.06.2017	0,6
Norwegian Government	NOK	80000	7,8	19.05.2017	4,3
Croatia Government International Bond	EUR	8300	7,6	30.05.2022	3,9
US Government	USD	10000	7,5	30.11.2016	0,9
Peruvian Government	PEN	25000	6,0	12.08.2037	6,9
Portugese Government	EUR	7000	5,9	15.10.2025	2,9
Canadian Government	CAD	10000	5,7	01.11.2016	1,0
Spanish Government	EUR	6000	5,4	30.04.2025	1,6
Chilean Government	CLP	4410000	5,4	05.08.2020	5,5
New Zealand Government	NZD	8000	5,4	17.04.2023	5,5
Lithuanian Government	USD	5500	5,1	01.02.2022	6,6
UK Government	GBP	5000	4,9	07.09.2017	1,0
UK Government	GBP	5000	4,9	23.01.2017	1,8
Mexican Government	MXN	120000	4,8	15.12.2016	7,3
Hellenic Republic Government	EUR	9000	4,6	24.02.2035	3,0
Slovenia Government	EUR	3500	4,2	30.03.2026	5,1
European Bank Recon & Dev	INR	200000	2,3	19.03.2018	5,8
German Government	EUR	2 000	1,7	10.03.2017	0,0

Interest rate risk exposure

PERU 0,65
GREECE 0,55
CANADA 0,01
GERMANY 0,01
MEXICO 0,01
EBRD* 0,03
NORWAY 0,05
BRITAIN 0,06
PORTUGAL 0,45
UNITED STATES 0,07
CHILE 0,18
SPAIN 0,44
LITHUANIA 0,23
NEW ZEALAND 0,29
CROATIA 0,38
SLOVENIA 0,33
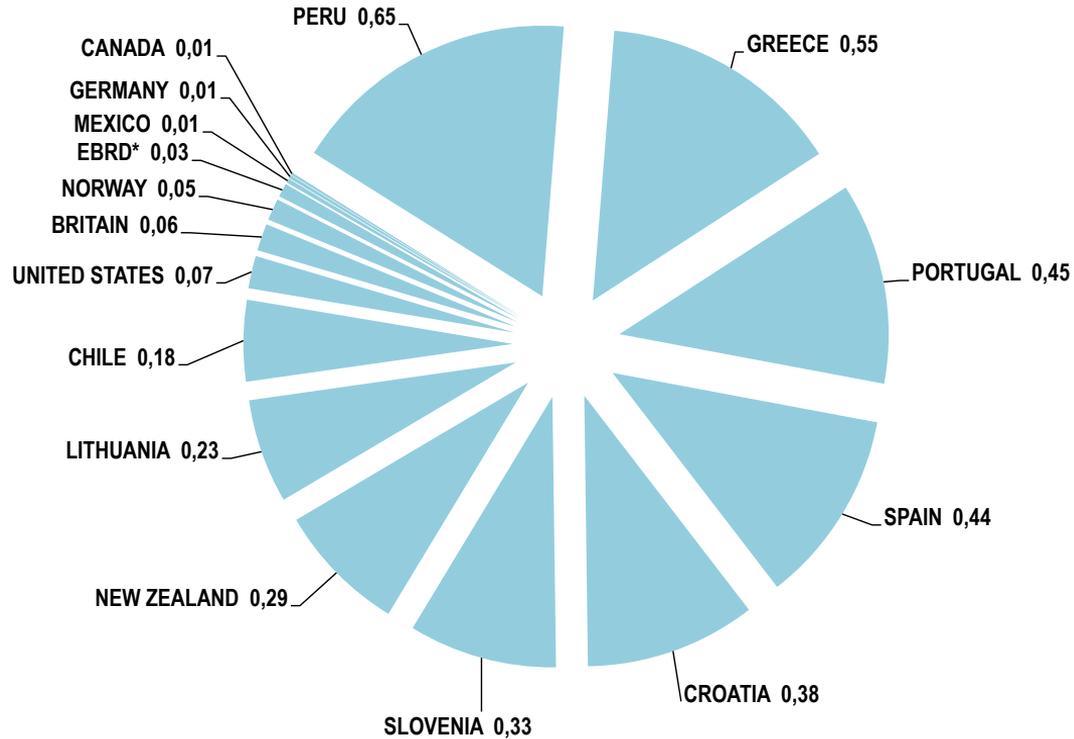
EBRD* : European Bank of Reconstruction & Development

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Interest rate exposure relative to benchmark
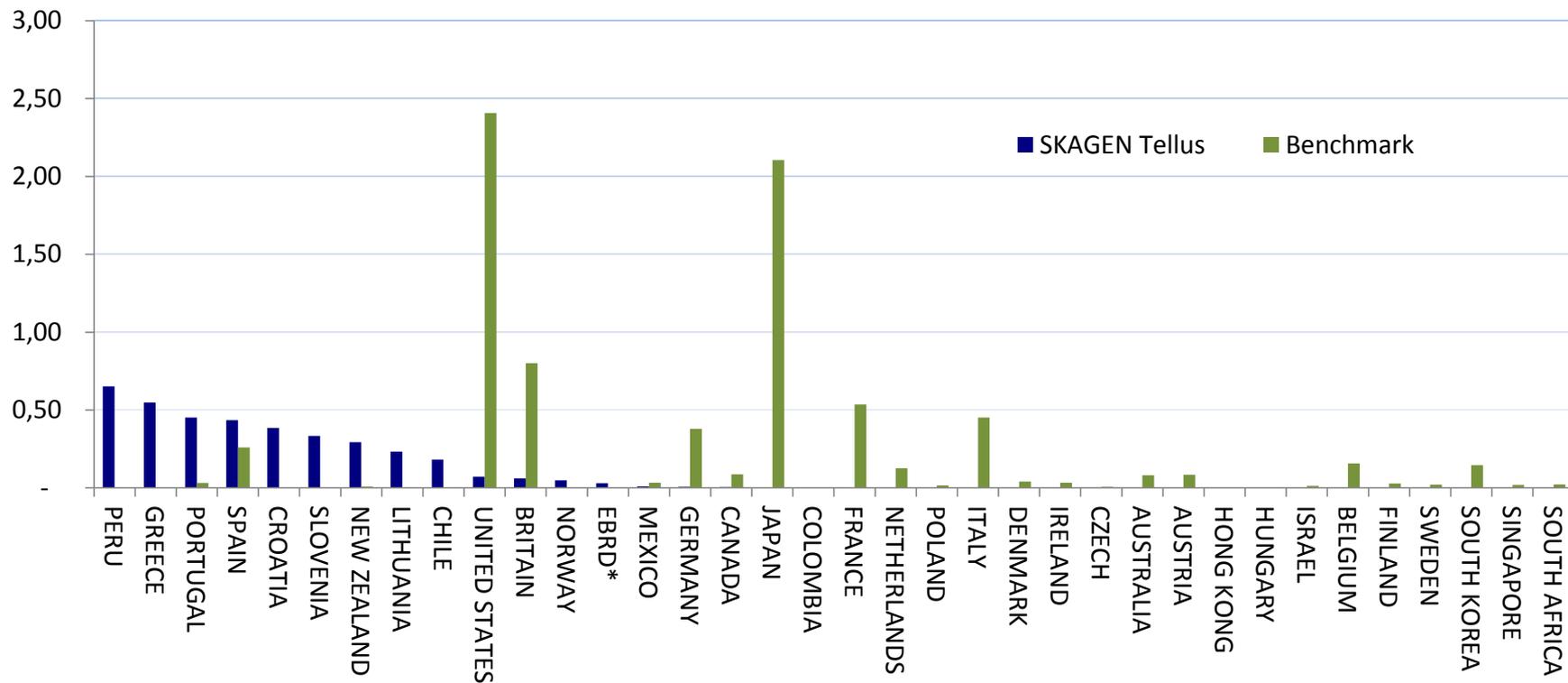
As of 30 September 2016

Interest duration since the fund's inception

Currency exposure

SEK 2,3 %
INR 2,3 %
MXN 4,7 %
NZD 5,4 %
CLP 5,4 %
CAD 5,8 %
PEN 6,0 %
NOK 8,2 %
GBP 9,8 %
EUR 29,8 %
USD 20,6 %

As of 30 September 2016

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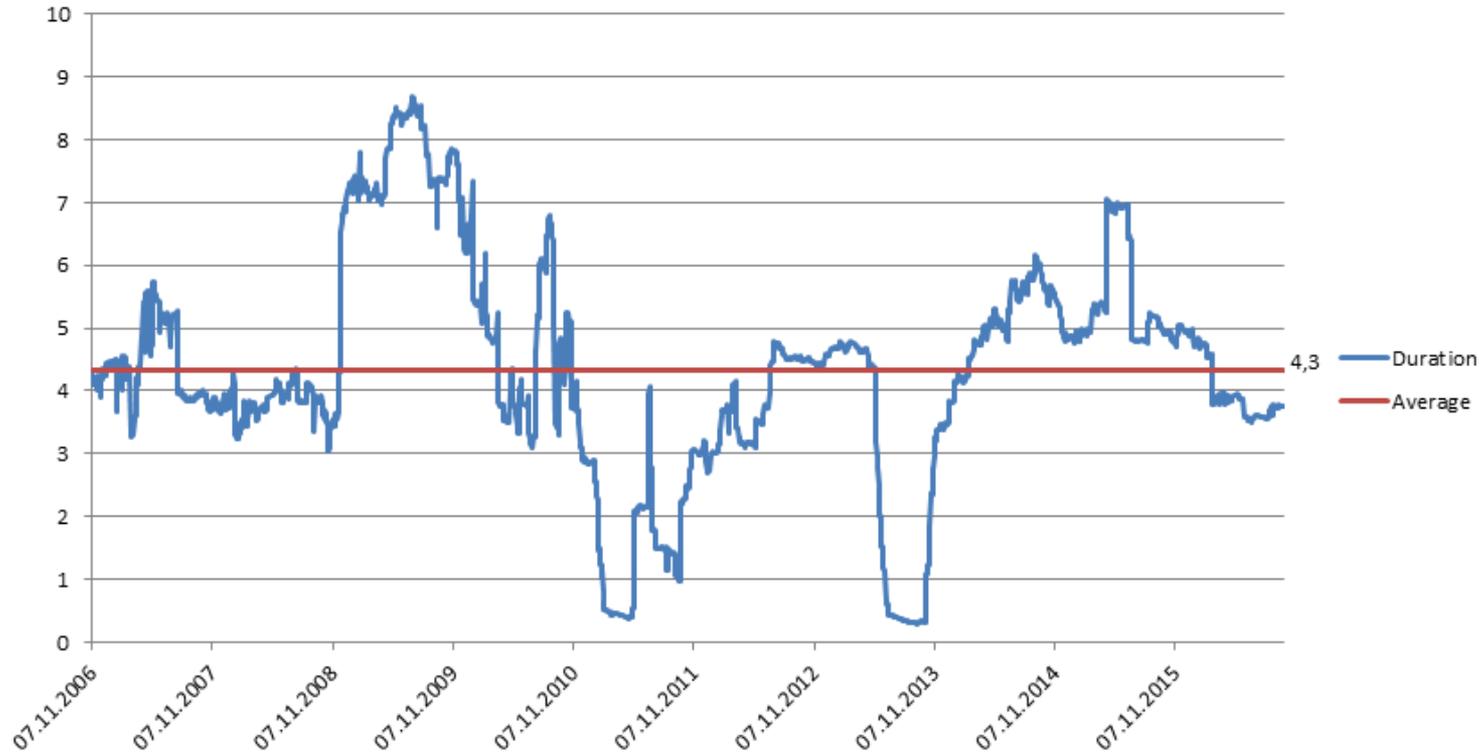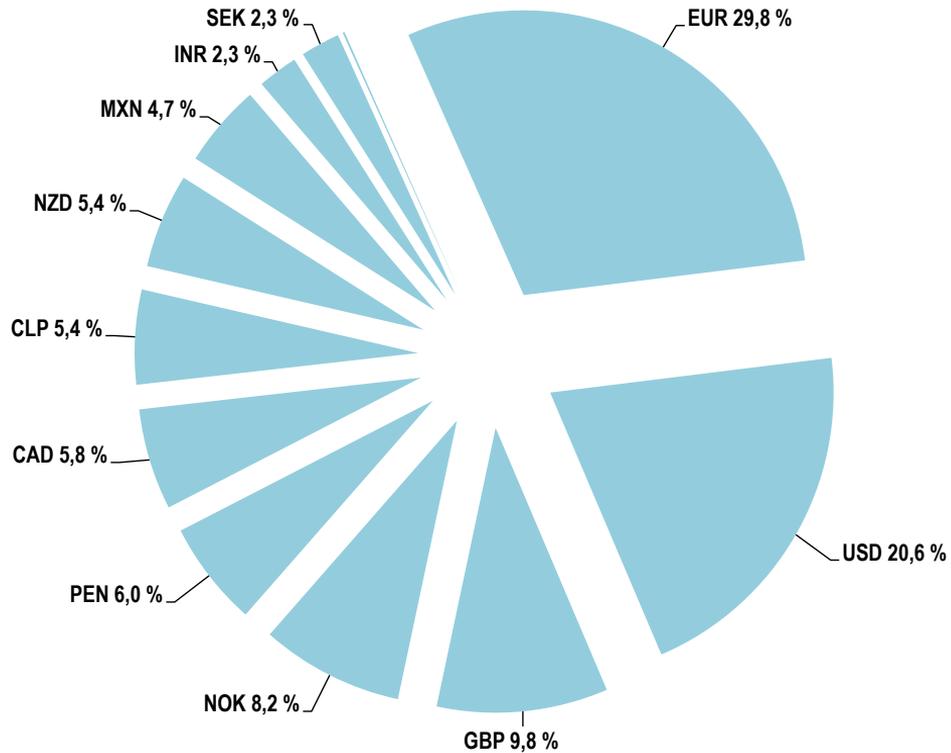
Currency exposure relative to benchmark

As of 30 September 2016

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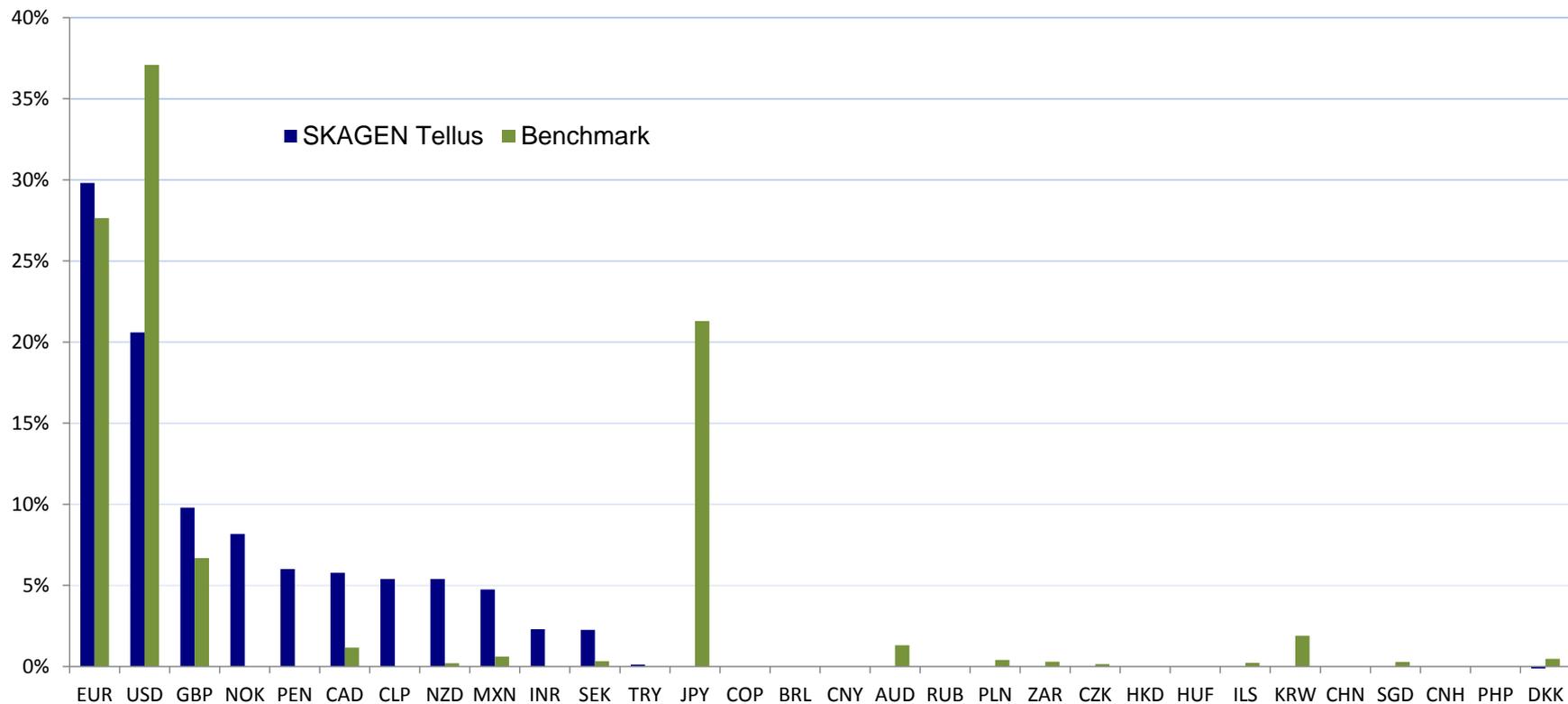
Moody's rating on Tellus' portfolio relative to benchmark

As of 30 September 2016

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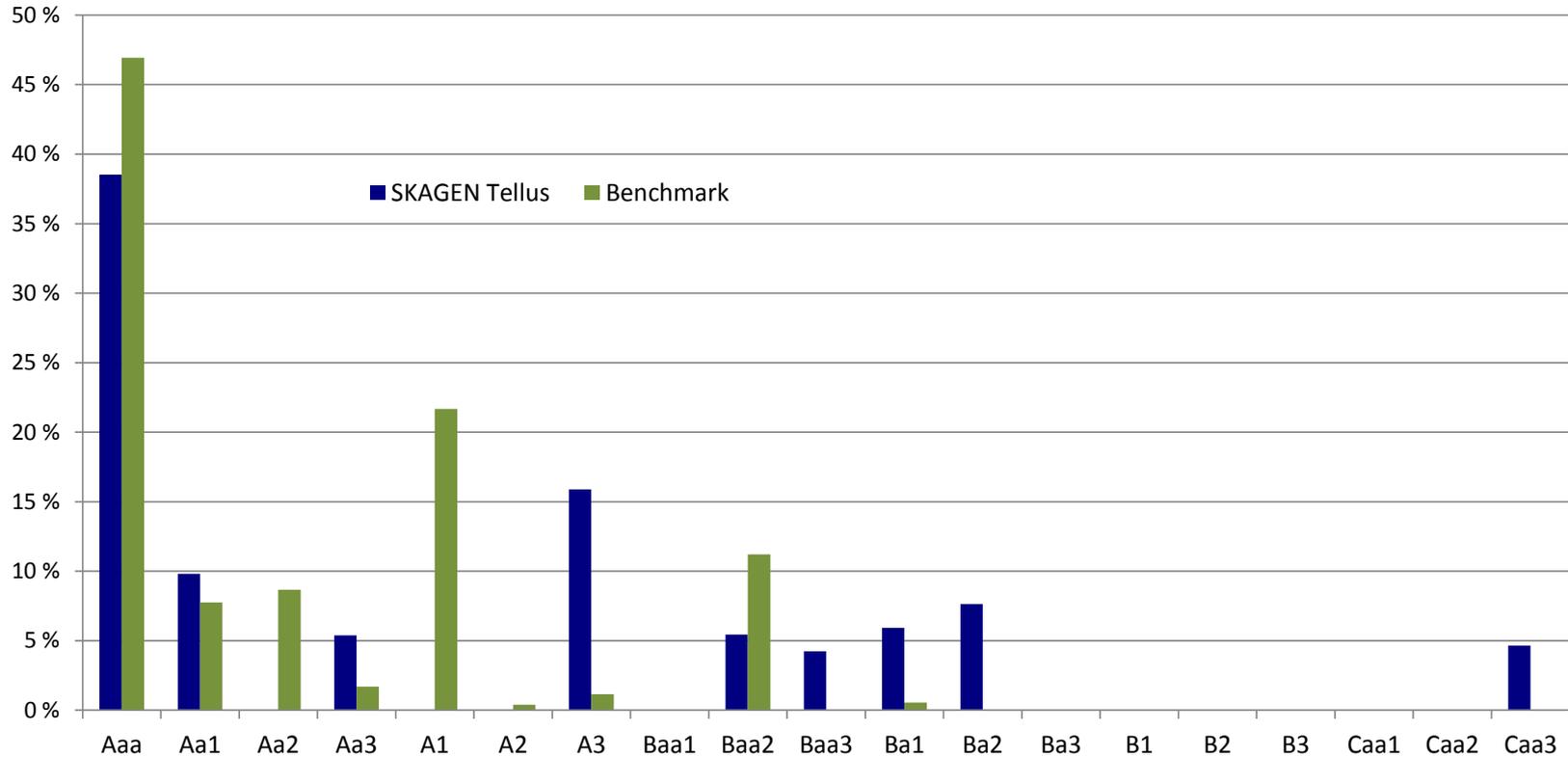
What's on the macro horizon? US politics

- The most important event is the US election. If Donald Trump wins, the most uncertain factor is what kind of international trade policies he will in fact pursue. His rhetoric has been protectionist but it is highly uncertain to what extent his actual policies will be. A Hillary Clinton victory will probably calm markets. But it is not at all certain that Hillary will follow in the footsteps of her husband's overall positive economic policy agenda. Hillary Clinton's main financial backers are the unions and public employees.

- Will the Fed hike its policy rate again in Q4? The jury is still out, but we are not holding our breath. Another 25 basis points added to the policy rate, even if it is followed by another couple of baby steps next year, will not alter the course of the US or global economy. Janet Yellen is not the master of the universe.

Important

Unimportant

What's on the macro horizon? USD Libor

- Due to the new money market regulations being implemented in October, banks that need dollar financing have found it harder to obtain from money market funds. The interbank interest rate has risen as a result.

- Over the past month, US Libor has climbed well above the expected policy rate. This has had repercussions in other money markets, such as those for GBP and NOK. The EUR and JPY money markets have been quite calm, however.

- Most analysts think that after the money markets' banks and other institutions have adjusted to the new regulations, US Libor will come down relative to the expected path of the Fed's policy rate. We agree, but are uncertain about the quantitative effect.

3 month USD Libor minus 3 month OIS

Source: Macrobond

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What's on the macro horizon? Low real yields

- The yields on long-dated debt issued by advanced economy governments are low and are expected to remain so for the foreseeable future.

- Adjusted for expected inflation, the US 10-year yield is barely positive and the yield on papers with the same duration is negative in the UK, Japan and Germany.

- There are a host of possible explanations for this phenomenon. These are the three most important explanations:

  - Continuous weak aggregate demand and actual GDP well below potential GDP.

  - A surge in demand for safe haven assets as the global economy expands faster than emerging market governments' ability to produce such securities.

  - An expected prolonged period of efficiency growth, which cuts planned investment relative to planned savings.

10-year real interest rates

Source: **Macrobond**

For more information please see:

[SKAGEN Tellus A on our web pages](#)
[SKAGEN's Market report](#)

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