



Interior, Brøddums annex, 1916/17, Detail, By Anna Ancher, one of the Skagen Painters. This image belongs to the Art Museums of Skagen

SKAGEN Tellus

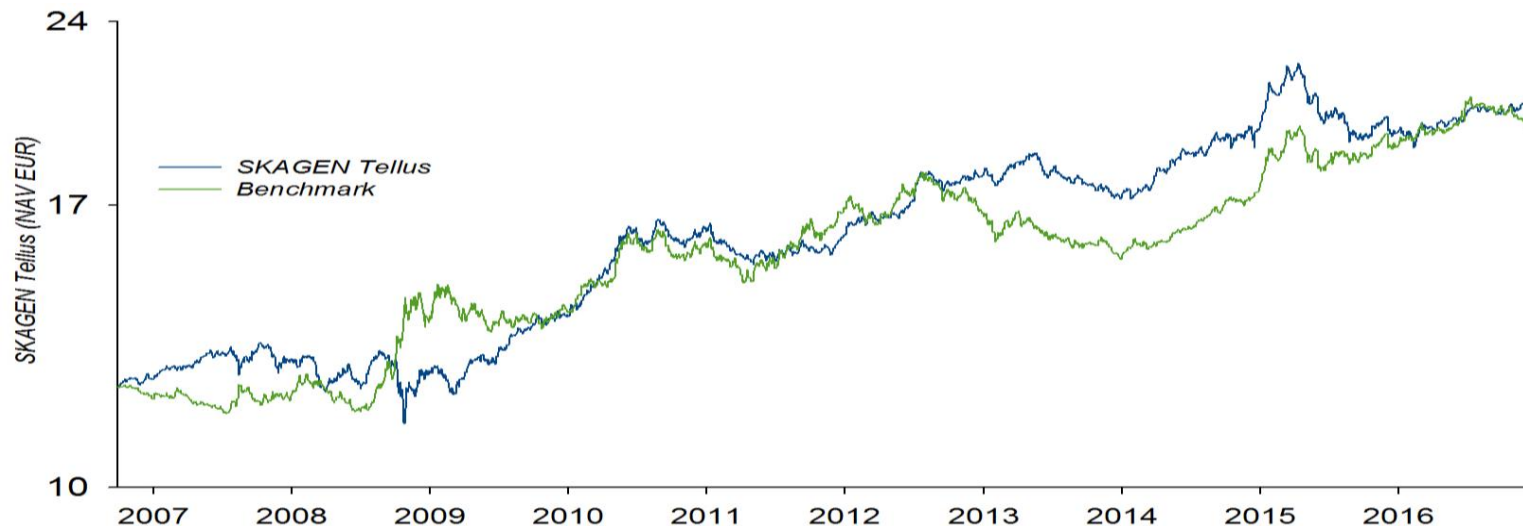
Status Report December 2016

The art of common sense



Key numbers as of 30 December 2016

EUR, net of fees



	December	Q4	2016	1 years	3 years	5 years	Since inception*
SKAGEN Tellus	0,1%	1,8%	5,7%	5,7%	6,2%	5,2%	5,4%
JPM Broad GBI Unhedged **	-0,1%	-2,4%	4,4%	4,4%	9,0%	3,3%	5,0%
Excess return	0,2%	4,1%	1,3%	1,3%	-2,8%	1,9%	0,4%

*Inception date: 29/09/2006

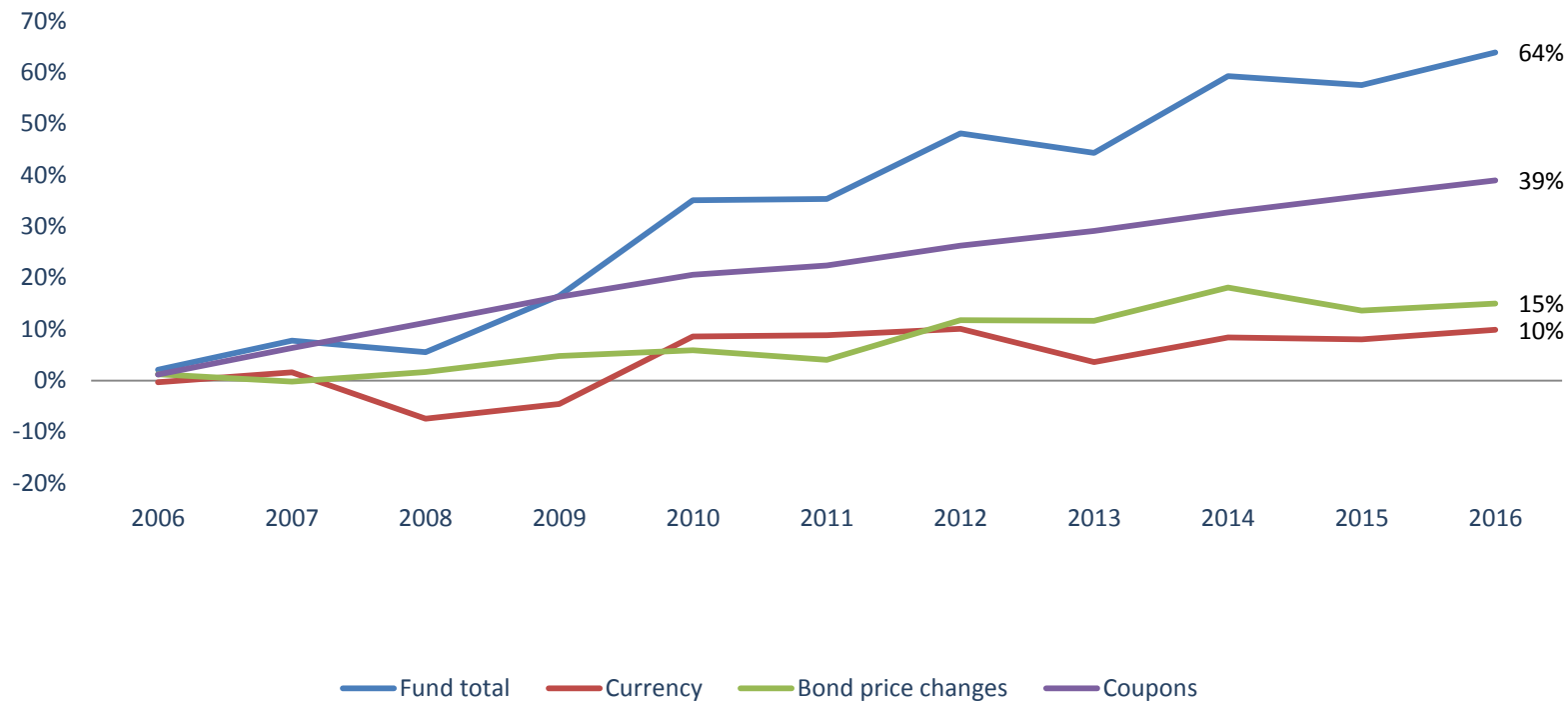
**Benchmark index before 01/01/2013 was Barclay's Capital Global Treasury Index 3-5 years

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

After the storm comes calm

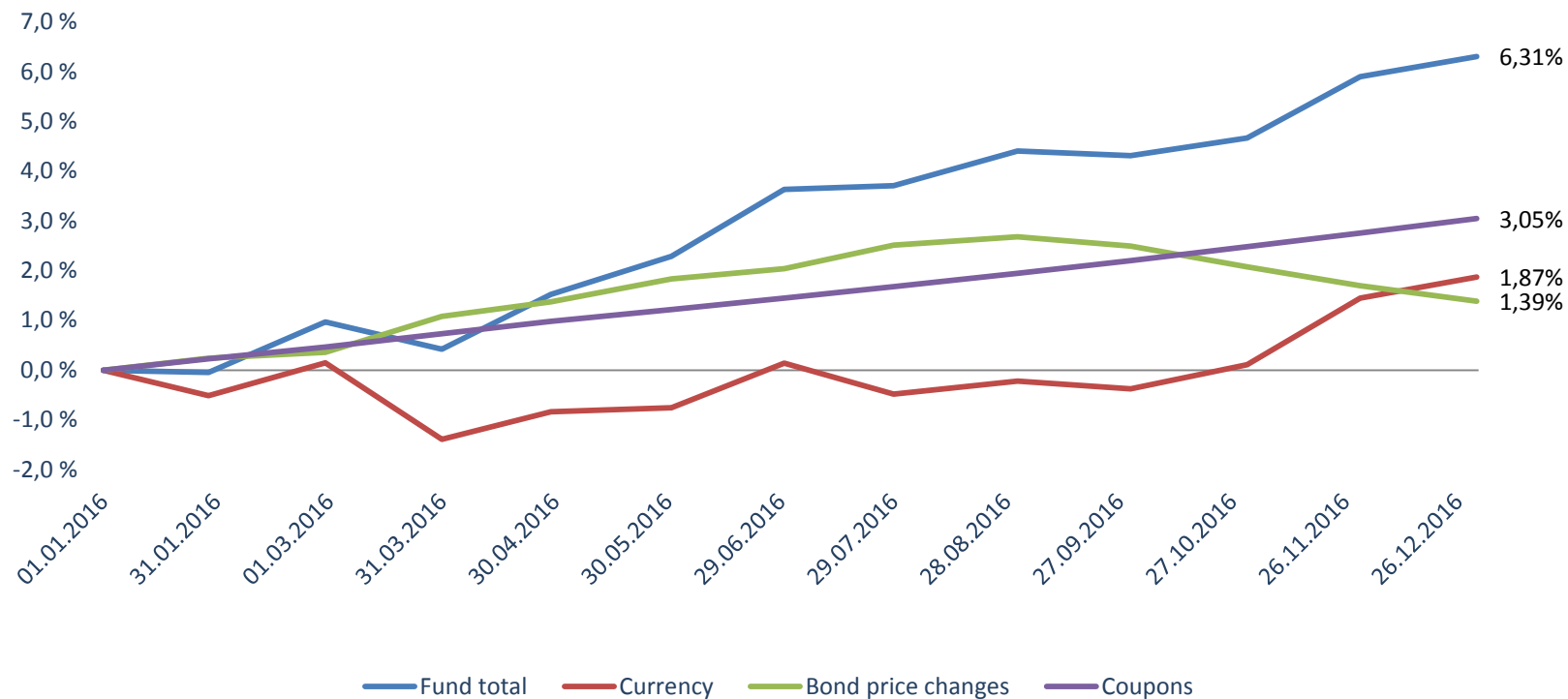
- After a steep rise in long-term interest rates following Trump's victory in November, interest rate markets calmed down in December.
- As expected, the Federal Reserve increased the policy rate by 25 basis points at its meeting in December. The market viewed the Fed as more hawkish than expected, as the central bank signalled 3 rate hikes in 2017.
- In general the key macro numbers were strong in December, which points to a good start for the global economy in 2017. This supports our view of stable or somewhat higher long-term rates in the US and central Europe.
- The duration of Tellus is currently 3.7 years, which is substantially lower than the index duration of 7.6 years. At the current stage of the business cycle, we only take interest rate risk where we see there is still a solid case for a fall in the interest rate going forward or the yield is very attractive. We have longer duration in selected countries where we expect the credit premium to fall (such as Greece, Portugal and Croatia), or where there is a high interest rate (Peru and Chile). We have very low duration in advanced economies such as the US, UK and Norway. In the latter, the investment is based on an expectation of an appreciation of the currency.
- Our investments in Chile, Spain, the US and Croatia contributed most positively to the return in December. Greece, on the other hand, was a laggard. The interest rate on our Greek bond increased by 50 basis points after the Greek government decided to give pensioners a Christmas bonus. This was not approved by the creditors, and hence led to uncertainty about the future of the debt relief measures. By the end of the month the creditors agreed to go forward with the measures after Greece confirmed its continued commitment to the terms of the agreement. Rates in Greece then fell.

Accumulated returns since inception in EUR



As of 30 December 2016

Accumulated returns year to date in EUR



As of 30 December 2016

Top 5 best and worst contributors 2016



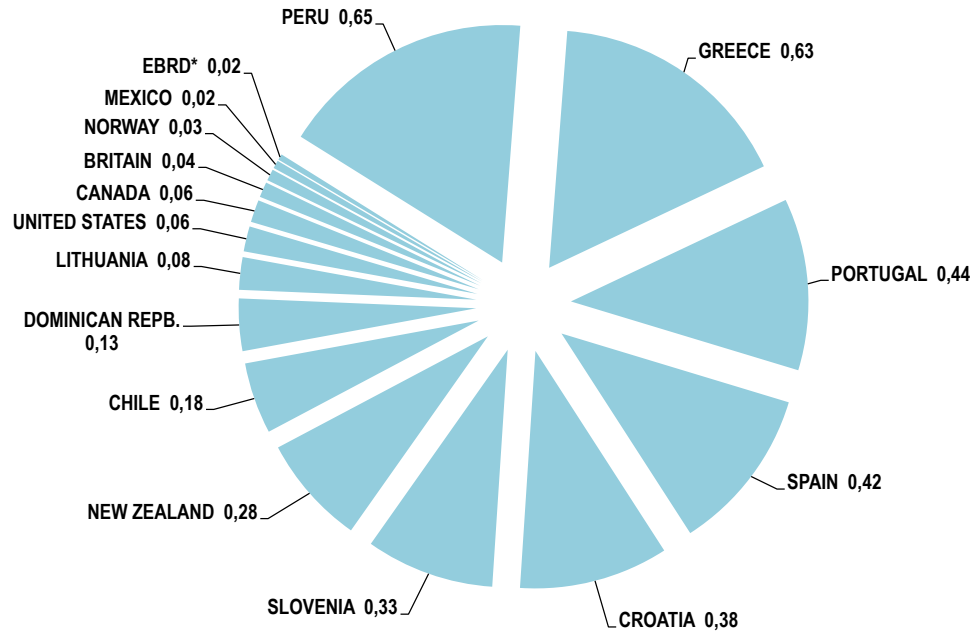
Contributing factors are interest coupons, bond price changes and currency fluctuations

As of 30 December 2016

Portfolio as of 30 December 2016

Holding Name	Currency	Holding	Percent	Maturity Date	Coupon
US Government	USD	10800	8.655	30.06.2017	0.6
US Government	USD	10000	8.001	31.03.2017	0.5
Norwegian Government	NOK	80000	7.807	19.05.2017	4.3
Croatia Government International Bond	EUR	8300	7.668	30.05.2022	3.9
Peruvian Government	PEN	25000	6.125	12.08.2037	6.9
Portugese Government	EUR	7000	5.646	15.10.2025	2.9
Chilean Government	CLP	4410000	5.56	05.08.2020	5.5
Hellenic Republic Government	EUR	9000	5.385	24.02.2035	3.0
New Zealand Government	NZD	8000	5.29	17.04.2023	5.5
Spanish Government	EUR	6000	5.221	30.04.2025	1.6
UK Government	GBP	5000	5.017	07.09.2017	1.0
UK Government	GBP	5000	5.013	23.01.2017	1.8
Mexican Government	MXN	120000	4.822	15.12.2016	7.3
Canadian Government	CAD	8000	4.815	01.03.2018	1.3
Slovenia Government	EUR	3500	4.152	30.03.2026	5.1
Dominican Republic	DOP	150000	2.737	10.05.2024	11.5
European Bank Recon & Dev	INR	200000	2.426	19.03.2018	5.8
Lithuanian Government	USD	2000	1.903	01.02.2022	6.6

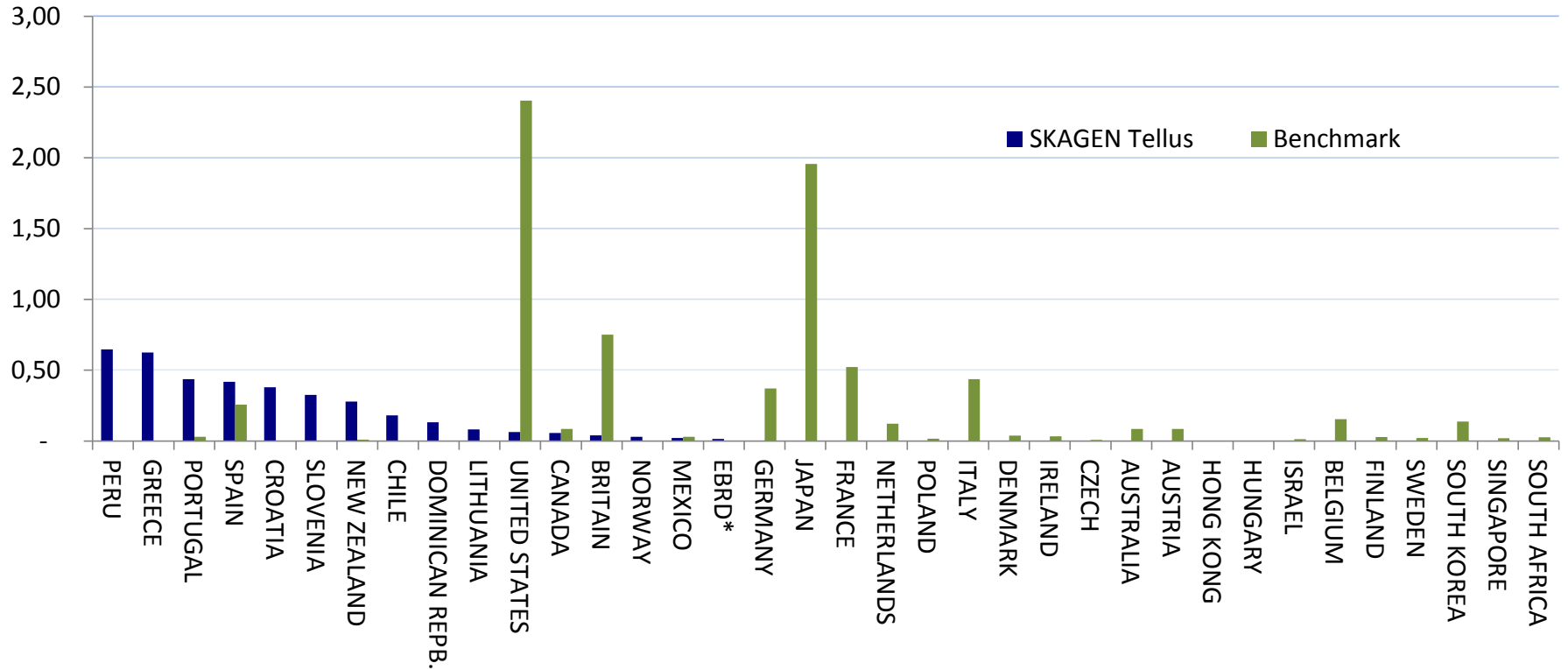
Interest rate risk exposure



EBRD* : European Bank of Reconstruction & Development

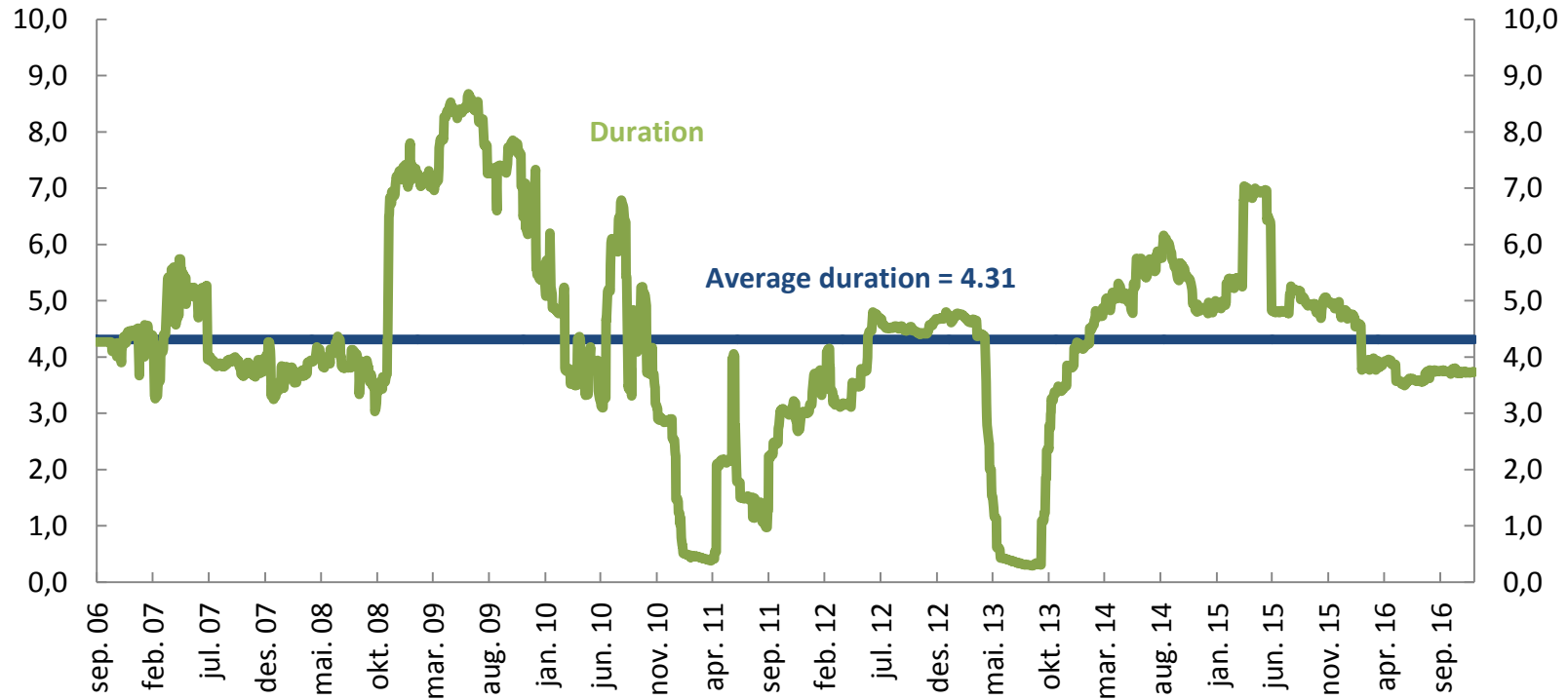
As of 30 December 2016

Interest rate exposure relative to benchmark

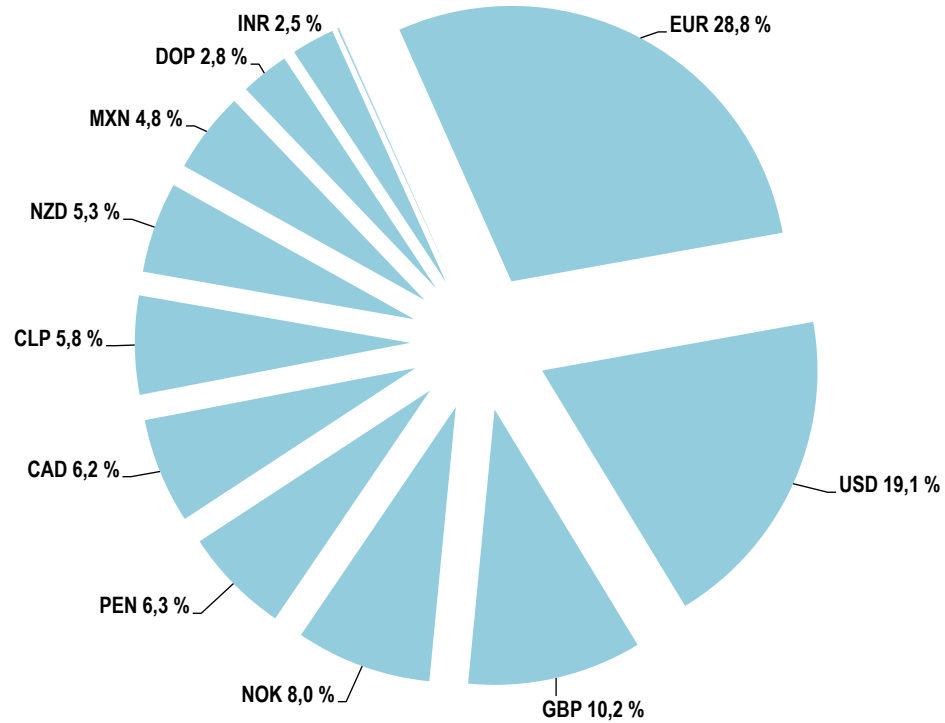


As of 30 December 2016

Interest duration since the fund's inception

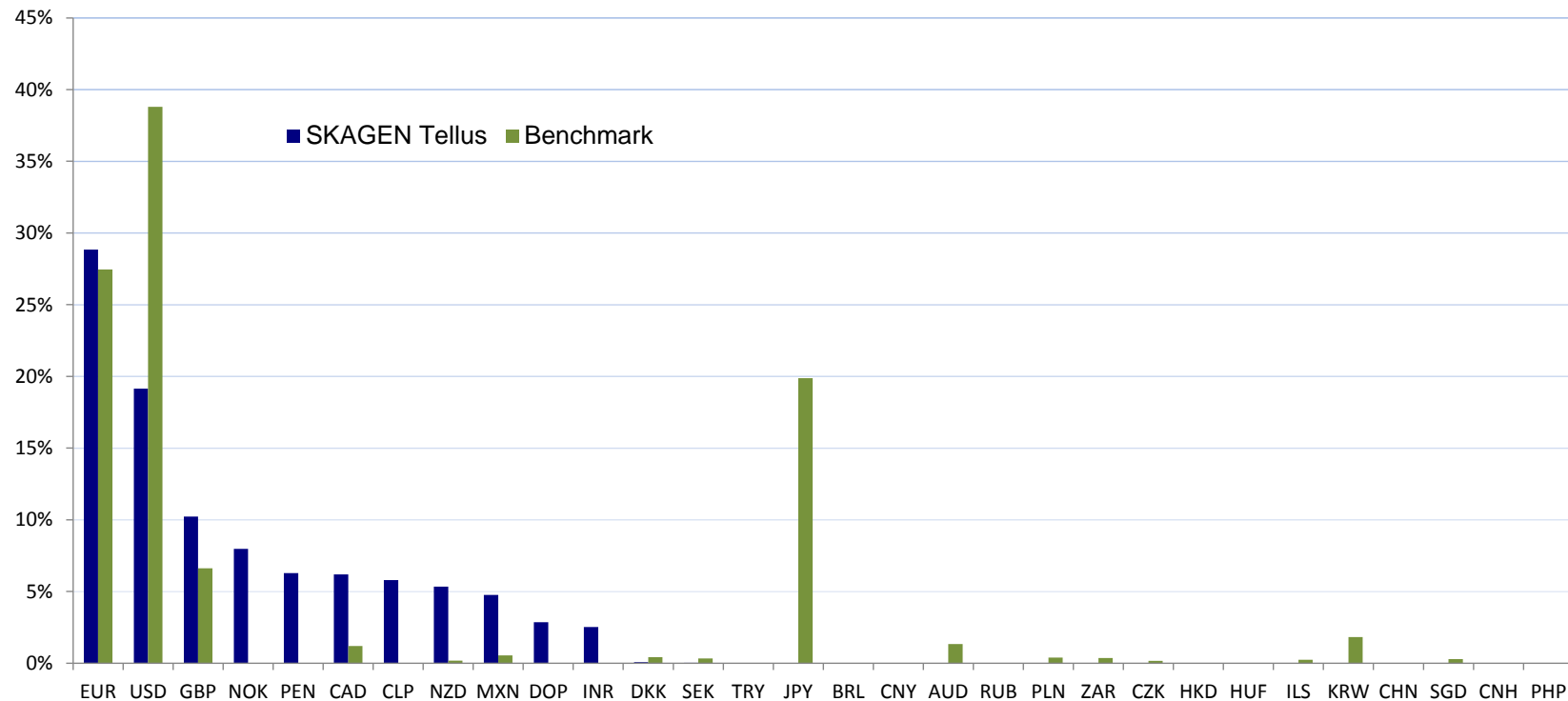


Currency exposure



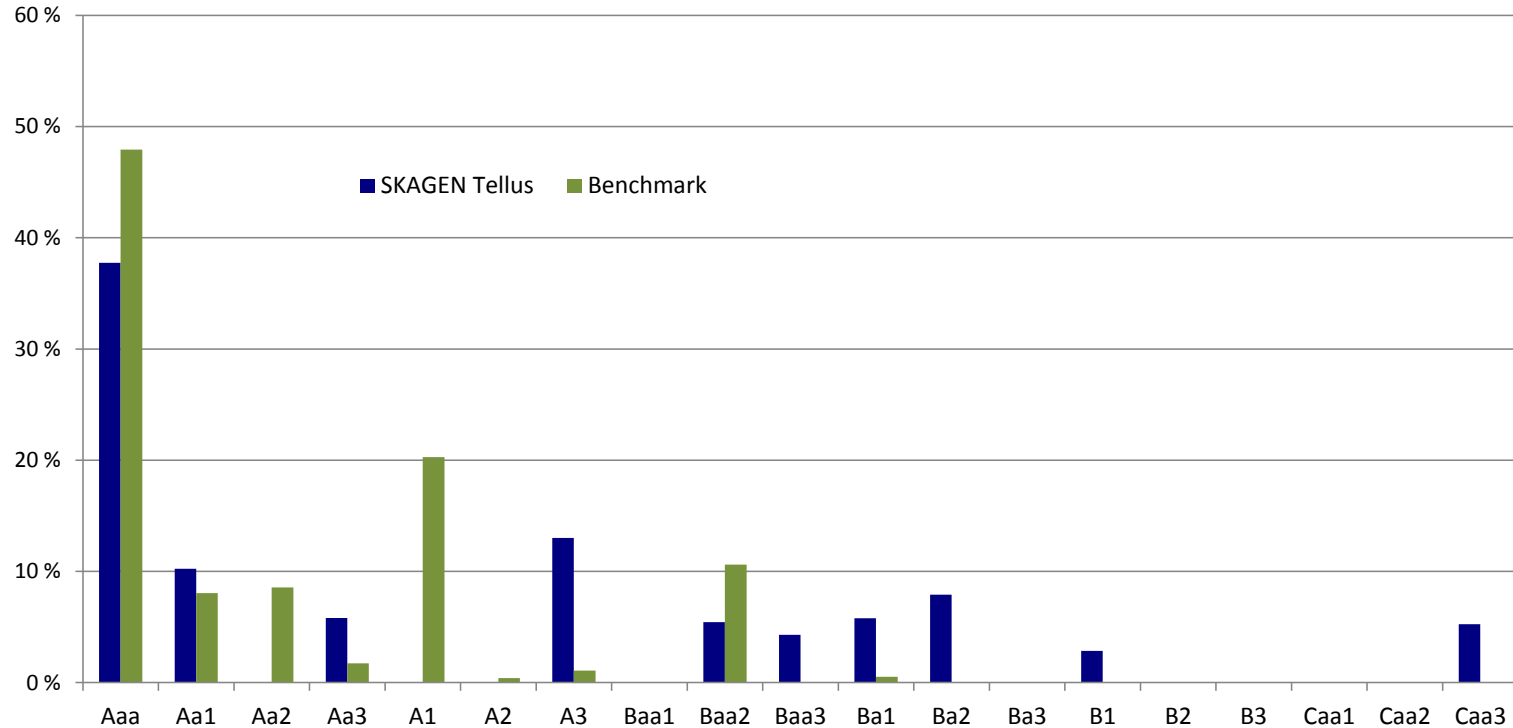
As of 30 December 2016

Currency exposure relative to benchmark



As of 30 December 2016

Moody's rating on Tellus' portfolio relative to benchmark



As of 30 December 2016

For more information please see:

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

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

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

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