SKAGEN Focus

Status Report April 2016

The art of common sense

Summary – April 2016

- The fund is a highly concentrated equity fund with a broad all-global mandate. The overall objective is to invest in a few select investments with an exceptional risk/reward profile from an absolute return perspective.

- The target number of positions is 30-35 and the top ten positions should constitute 40-50% of the portfolio. At the end of the month, the fund holds 34 positions, and the top ten positions account for 47% of the portfolio. The cash position is 2%.

- SKAGEN Focus* was up 3.8% in the month (in EUR) while global equity markets (measured as MSCI AC World) were up 0.8% during the month (in EUR). Year to date, the fund is down 1.9% while global equity markets have fallen 3.6%.

- Pan American Silver, First Quantum and Rentech were the strongest contributors to the fund's performance in April measured as absolute contribution in NOK. JBS, China Telecom and GCL Poly were the main detractors during the month.

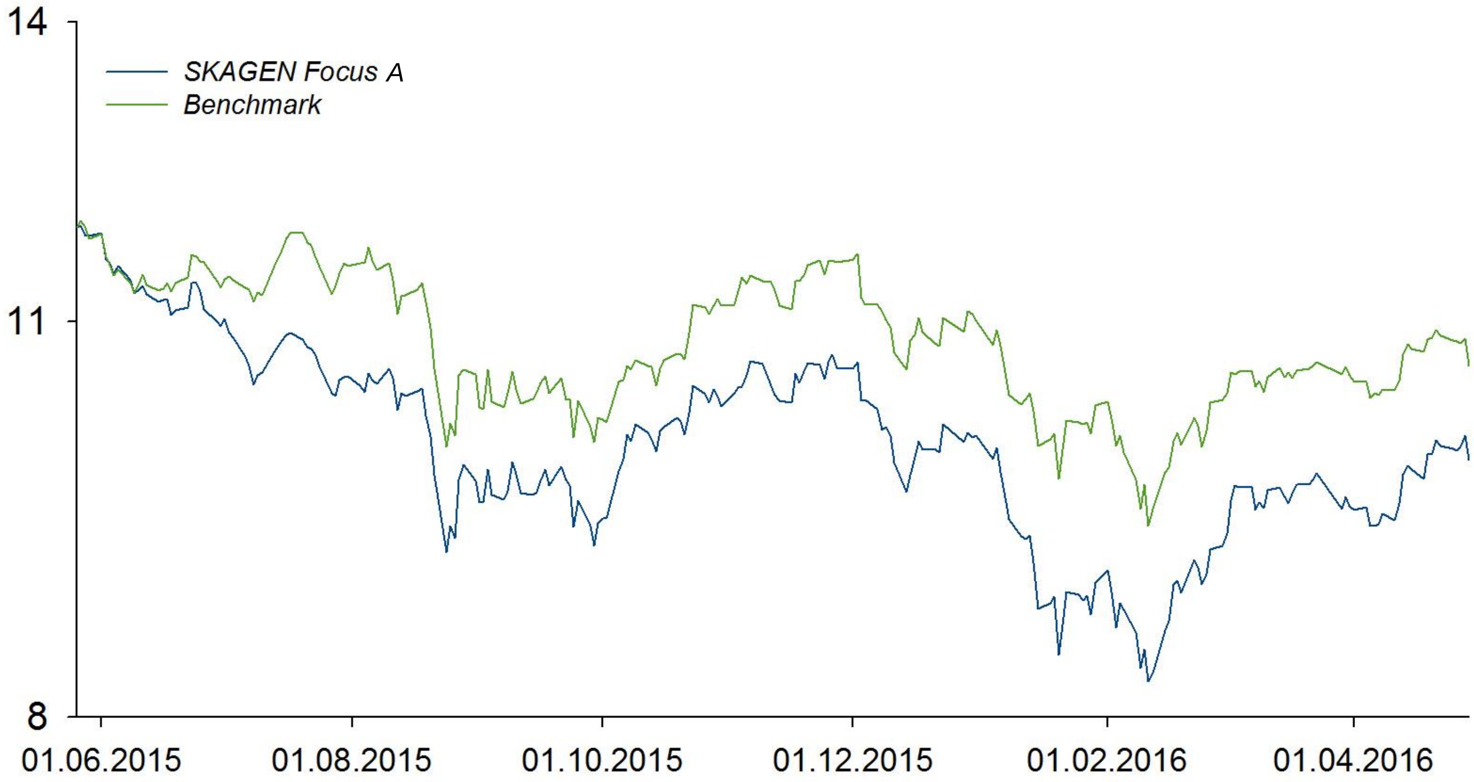
- Following a strong re-rating in our commodity names, we have continued to reduce our positions in Pan American Silver, First Quantum and South32. We have increased our position in Germany-based semiconductor producer Infineon in the month.

- The fund has a broad mandate to invest in all geographies and sectors. The fund is also market capitalisation-agnostic, and currently small-cap** positions constitute 25% of the fund, while mid-cap and large-cap positions account for 35% and 40%, respectively, of the invested portfolio. These figures may vary meaningfully over time.

** Unless otherwise stated, all performance data in this report relates to class A units and is net of fees.*
*** Small-cap defined as market cap below USD 2bn, Large-cap more than USD 10bn.*

Results, April 2016

EUR, net of fees



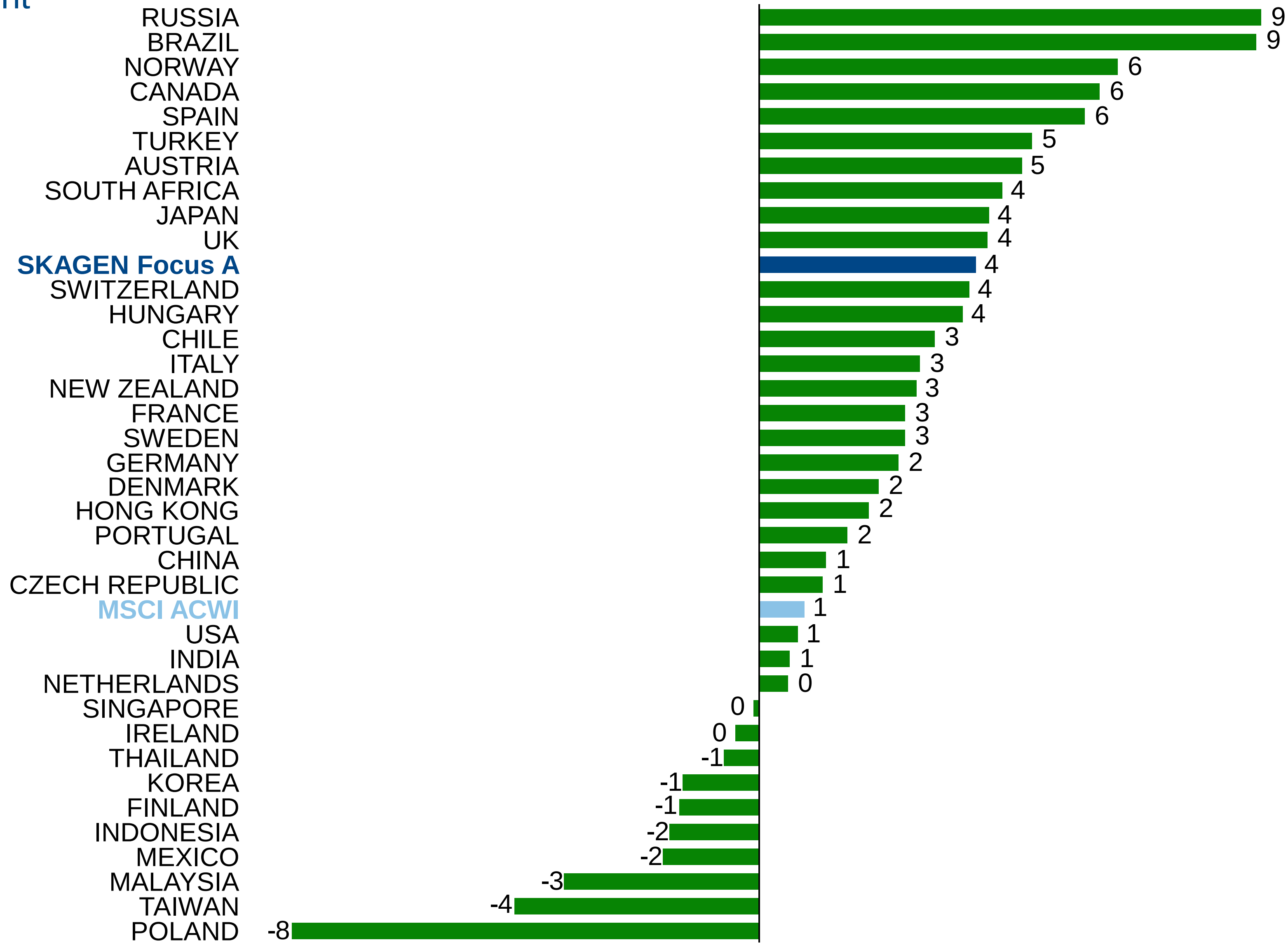
	April	QTD	YTD	Since inception*
SKAGEN Focus A	3,8%	3,8%	-1,9%	-17,1%
MSCI AC World Index	0,8%	0,8%	-3,6%	-10,5%
Excess return	3,0%	3,0%	1,6%	-6,6%

Note: All returns beyond 12 months are annualised (geometric return)
** Inception date: 31 October 2012*

SKAGEN

Markets in April 2016 in EUR (%)

Percent



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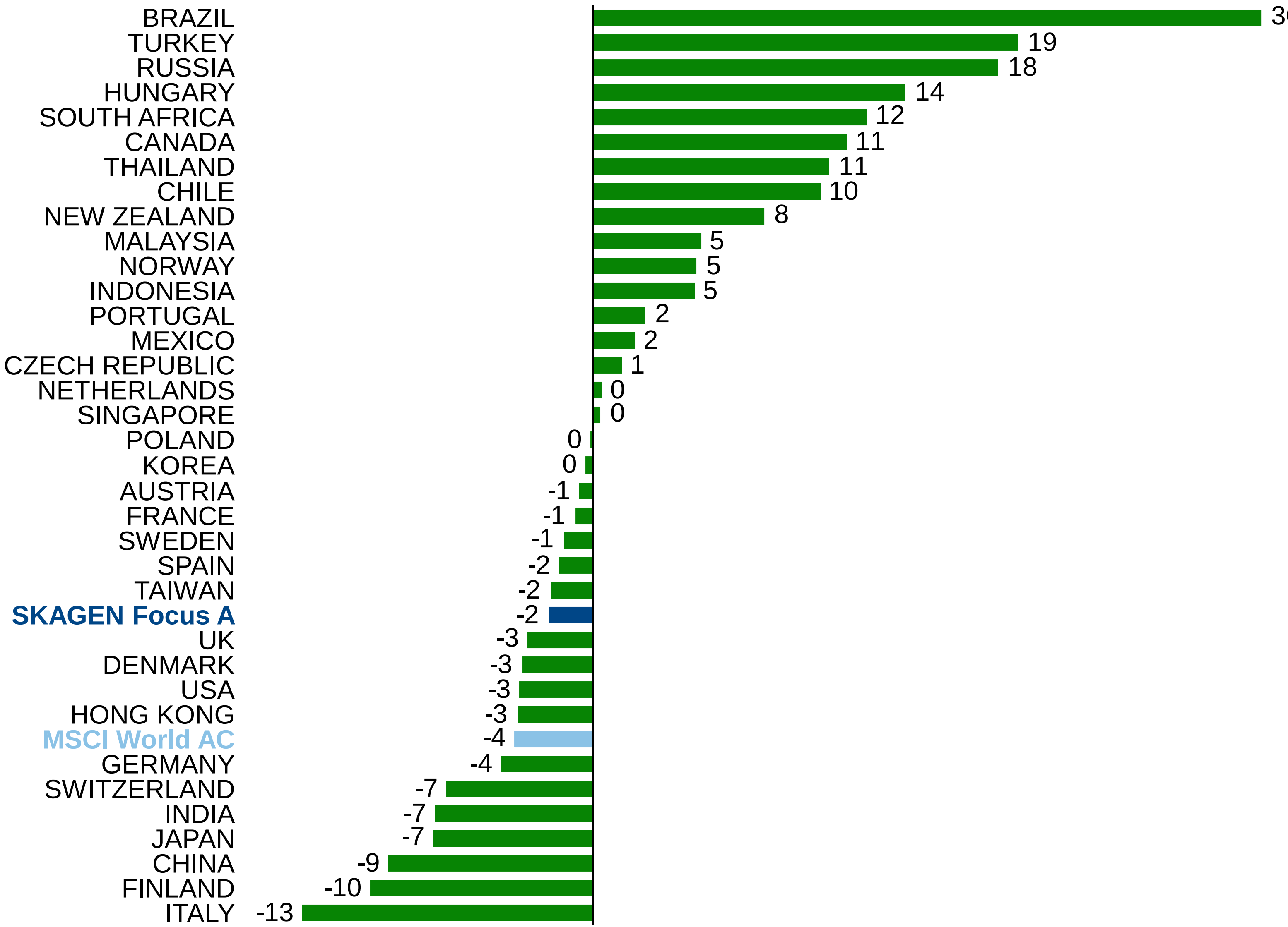
Markets 2016 YTD in EUR (%)

Percent



Main contributors MTD 2016

Largest positive contributors

Company	*NOK (000)*
Pan American Silver Corp	9 379
First Quantum Minerals Ltd	7 197
Rentech Inc	5 814
Softbank Group Corp	3 341
Citizens Financial Group Inc	2 755

Largest negative contributors

Company	*NOK (000)*
Jbs SA	-7 664
China Telecom Corp Ltd	-3 612
GCL-Poly Energy Holdings Ltd	-2 649
Aryzta AG	-2 567
Hyundai Motor Co	-2 545

Value Creation MTD (NOK MM): 20

NB: Contribution to absolute return

Main contributors YTD 2016

Largest positive contributors

Company	*NOK (000)*
Pan American Silver Corp	24 489
First Quantum Minerals Ltd	11 452
AirAsia BHD	10 447
South32 Ltd	10 327
Pilgrim's Pride Corp	1 338

Largest negative contributors

Company	*NOK (000)*
American International Group I	-16 491
Aryzta AG	-9 943
Citizens Financial Group Inc	-9 941
Jbs SA	-8 412
SK Hynix Inc	-8 251

Value Creation YTD (NOK MM): -54

NB: Contribution to absolute return

Most important changes Q1 2016

Holdings increased

Q1

Company	
Pilgrim's Pride Corp	(New)
Alphabet Inc	(New)
Massimo Zanetti Beverage Group SpA	(New)
Samsung SDI Co Ltd	(New)
FFP	(New)
Jbs SA	
Omega Protein Corp	
Infineon Technologies AG	
Aryzta AG	
Stock Spirits Group Plc	
Aercap Holdings NV	
Solazyme Inc	
Schaeffler AG	
AirAsia BHD	
Fourlis Holdings SA	

Holdings reduced

Q1

Company	
Sandisk Corp	(Out)
Uniqa Insurance Group AG	(Out)
Komatsu Ltd	(Out)
Pan American Silver Corp	
Ubiquiti Networks Inc	
Carlsberg A/S	
Fila Korea Ltd	
Aercap Holdings NV	
First Quantum Minerals Ltd	
South32 Ltd	
CIT Group Inc	

Most important changes Q2 2016

Holdings increased

Q2

- Softbank Group Corp
- Omega Protein Corp
- Infineon Technologies AG
- Jbs SA
- Rentech Inc
- Solazyme Inc
- Schaeffler AG
- FFP
- First Quantum Minerals Ltd
- Massimo Zanetti Beverage Group SpA
- Stock Spirits Group Plc

Holdings reduced

Q2

- SK Hynix Inc
- Pan American Silver Corp
- AirAsia BHD
- Pilgrim's Pride Corp
- Citizens Financial Group Inc
- First Quantum Minerals Ltd

Top 10 positions in SKAGEN Focus

	Price	P/E 2016e	P/E 2017e	P/BV last	Price target	Upside to target %	Holding size, %
American International Group Inc	55,82	12,1	9,6	0,7	90	61 %	7,3%
Jbs SA*	9,04	6,4	4,7	0,9	22	143 %	5,0%
Softbank Group Corp	5 988,00	13,0	11,3	2,4	9 600	60 %	5,0%
Carlsberg AS-B	633,00	21,6	18,8	2,2	822	30 %	4,8%
SBI Holdings Inc	1 162,00	8,9	6,2	0,6	3000	158 %	4,6%
Infineon Technologies AG	12,43	17,1	14,6	2,9	20	61 %	4,6%
Omega Protein Corp	18,59	11,1	10,5	1,4	30	61 %	4,2%
China Telecom Corp Ltd	3,86	16,2	14,3	1,0	8	107 %	3,8%
Citizens Financial Group Inc	22,85	12,7	10,9	0,6	35	53 %	3,7%
Jenoptik AG	13,66	15,3	14,1	1,8	20	46 %	3,6%
Top 10 positions		**11,9**	**9,6**	**1,1**			**46,7%**
Total Equity (34 positions)							**95,5 %**
Cash							**4,5 %**
Total Portfolio							**100,0%**

** JBS is the main owner of Pilgrim's Pride, which is a 2.4% position in the fund. These two positions should be viewed as one, with a total weight of 7.5%.*

Holdings increased and decreased during April 2016

Key buys

- **Infineon** - Increased position as stock price again reached attractive levels.
- **JBS –** Continued to increase the position at highly attractive levels. JBS in combination with PPC is now the largest position in the fund (7.5%).

Key sells

- **Pan American Silver** – The share price has more than doubled in the year as silver prices have normalised in combination with strong production numbers.
- **South 32** - Vast restructuring program and underlying commodity recovery have pushed the shares higher by over 50% in the year.
- **SK Hynix** – Position reduced as the company still struggles with falling demand of DRAM and more irrational competition than anticipated.

Key earnings releases and corporate news, April 2016

Synchrony Financial

(2.5% weight)

Investment case update: The company is the leading US provider of private label credit cards (42% market share in the US), and also offers solutions in consumer financing/healthcare. It was fully separated from GE in November 2015 after being part of GE Capital for over 80 years. The company operates through three main platforms; Retail Card, Payment Solutions and CareCredit. Total platform revenue and loan receivables increased by 13% over last year. Funding from low-cost deposits increased over 29% from last year. Net earnings grew 6% following somewhat higher provisions for loan losses. Return on assets/equity expanded from last quarter to 2.8%/18.1%. The even higher capital ratios (18% common equity tier one) now sets the stage for substantial capital returns in the mid-term, but we expect initial modest requests in their first CCAR process as a stand-alone entity.

Fact

The company reported Q116 net earnings of USD 582m or USD 0.7 per share (USD 552m last year). Total platform revenue increased 13%. Deposit growth was 29% and comprised 69% of the total funding, up from 59% last year.

Pilgrim's Pride

(2.5% weight)

Investment case update

The company is the largest chicken producer in the US and second largest in Mexico. 80% of sales are in the US, 12% Mexico and 8% other geographies. Brazil-based JBS currently owns 76% of the company. Net sales were down 4% over last year while operating income fell 42%. EBIT margin came in at 10.5% in the US and 4.8% in Mexico. Free cash flow generation continued at an impressive level of USD 141m in the quarter. Consensus is already anticipating a steep fall in earnings this year following a multi-year period of favourable operating environment. The in-line numbers, sequential improvement over last quarter and the announcement of a USD 2.7 special dividend pushed the stock higher by 12%. The consensus view on the peaking chicken cycle has resulted in a large short interest in the stock (33% of free float) and we believe the market may still be overly negative on chicken margins in the mid-term. The ongoing share repurchase program (USD 300m announced last quarter) will further increase the JBS stake in the company. The company announced conversion of several production facilities to USDA certified organic chicken standard, to meet emerging consumer preference trends.

Fact

Net sales for Q116 were USD 1963m from USD 2052m from last year (-4%). EBITDA margin fell to 11.9% vs 17.8% last year. Net income amounted to USD 118m.

Key earnings releases and corporate news, April 2016 (cont.)

Schaeffler

(2.4% weight)

Investment case update: Schaeffler is a Germany-based automotive/industrial company, mainly active in engine and transmission systems (75%, auto) as well as bearings (25%, industrial). The company executed an IPO with exceptionally poor timing only days after the Volkswagen emission scandal was announced. At that time, the controlling family was just able to sell roughly half the stake they had originally planned, resulting in a lower free float (only 11%) and a potential overhang of stock coming to the market. This time around, not with perfect timing, the family sold 94m shares at a price marginally above the original IPO price. While these events put pressure on the stock in the short term, the increase in free float to 25% and the removal of the share overhang, are clearly positive developments in a longer term perspective. Fundamental performance over the past few quarters as a listed company has confirmed the solidity of its operation, while the stock is still trading at a meaningful discount to absolute fair value (EUR 18-19 in our opinion) and other high quality operators at mid-term EV/EBITDA of 5x and free cash flow yield at 8-9%. Structurally, we see the company as well positioned to benefit from the increased spending from automakers to achieve more efficient gasoline engines vs. diesel engines.

Stock Spirits

(2.1% weight)

Investment case update: Stock Spirits is a branded spirits (primarily vodka) and liqueurs business focused on Central Europe, mainly Poland, the Czech Republic and Italy. In Q116 revenues increased 29% over last year to EUR 55m while EBITDA rose to EUR 9m from a loss a year ago, driven by four new product launches in the quarter. Specifically the Polish market posted strong numbers compared to last year, whereby sales grew significantly over a very weak performance last year. The market value share in Poland was 29.5% which is a slight increase compared to Q415. Net debt was further reduced to EUR 43m, down EUR 13m from year end, and will most probably turn into a net cash position during 2016. In the meantime, the company is facing a rebellion by its biggest shareholders, led by the Portuguese cash-and carry entrepreneur Luis Amaral, who owns almost 10% of the shares. Shareholders are calling for the removal of the CEO and are also looking to replace board members following substantial market share losses in Poland during 2015. With the potential for positive change with the activists involved, continued signs of a fundamental business turn-around and the highly discounted valuation (30-40% discount to peer group) we see scope for further re-valuation in the mid-term. Our price target is GBP 2.6 (now GBP 1.5) which is 12x mid-term EV/EBITDA multiple.

Fact

The company reported Q116 revenue of EUR 55m, up 29% over last year. EBITDA was EUR 9m compared to a loss a year ago. Net debt was reduced to EUR 43.6m, a decrease of EUR 13m from year end.

Key earnings releases and corporate news, April 2016 (cont.)

China Telecom

(3.9% weight)

Investment case update: China Telecom is the second largest telecom service provider behind China Mobile in a maturing industry yet with potentially massive growth in data downloads. In Q116, mobile service (38% of sales) posted strong revenue growth of 10% over last year due to increased 4G penetration, continued growth in subscriber base (up 28%) and rising average revenue per user (up 3%). Wireline revenue (50% of sales) was fairly stable over last year but is suffering from increased competition. Overall EBITDA declined 3% from last year. Broadband subscribers increased 7% over last year. There was a disappointing increase in expenses, which were 10% higher than last year, mostly driven by higher network leasing fees to the newly formed TowerCo. We think the company has excellent opportunities to further grow the 4G subscriber base (currently 37% of total compared to 9% a year ago). The period with elevated cap-ex is potentially coming to an end which will bring attention to the attractive mid-term free cash flow dynamics. The stock is attractive on current earnings power, and at a major discount to other industry peers at EV/EBITDA of less than 4x.

Fact: In Q116, the company reported a 6% increase in revenue to RMB 86.4bn. EBITDA declined modestly (-3%) to RMB 23.8bn. The company added 4.7m mobile subscribers to the current total base of 202m.

SK Hynix

(2.8% weight)

Investment case update: Neutral. SK Hynix reported 1Q16 results broadly in line with market expectations of KRW 3.7tr and operating profit of KRW 0.56tr. 3D NAND production is ramping up slightly ahead of schedule. Due to very weak PC sales in the seasonally weak quarter, numbers were weak versus end of 2015. The industry is still struggling with slower bid growth on the demand side. The company guided for a decent second quarter, which was surprising but could also be a base effect. The market liked the communication of potentially lower cap-ex if demand does not recover in the second half of the year, when the company still believes in a better supply & demand balance due to limited supply expansion and many new smartphone launches. The Chinese server market is strong, and SK Hynix is overrepresented in the area. Guidance does not reality make, so no change in the investment case.

Fact; SK Hynix reported 1Q16 results broadly in line with market expectations of KRW 3.7tr and operating profit of KRW 0.56tr. 3D NAND production ramping up slightly ahead of schedule.

Key earnings releases and corporate news, April 2016 (cont.)

SBI Holdings

(4.7% weight)

Investment case update: Implications for investment case: Positive. Strong results in Asset Management, which includes investment portfolio in fintech, biotech, and cleantech. Division sales up 38% to JPY 98.7bn and operating profit more than doubled at JPY 18bn. Area of continued improvement is better opex control in financial services business with sales flat at JPY 159bn and operating profit down 24% to JPY 50.4bn. With 80% of equity retail trading in Japan already conducted electronically, SBI is correctly focusing on its Money Plaza platform, a one-stop shopping for asset management, insurance and loans. This accomplishes two things; a) improving margins through sticky products and b) reducing volatility in earnings stream by relying less on stock market sentiment. Another area of growth is ETF wraps through algorithms, a still relatively underutilised channel in Japan with fees averaging 0.88-1%.

Fact: Overall sales rose 5.8% to JPY 261.7bn and net income was JPY36.7bn vs JPY39.3bn last year. EPS JPY 160.8 on various items, including higher operating expenses. Although it accounts for less than 2% of sales, Biotech posted disappointing JPY4.0bn sales (JPY 0.4bn in 4Q16) and an operating loss of JPY 6.5bn (JPY 4.1bn loss in 4Q16).

Citizens Financial

(3.8% weight)

Investment case update: The company is the 13th largest regional bank in the US. After suffering from a long period of mismanagement within the Royal Bank of Scotland, the company is now on a path to reach at least peer group profitability in its core operations from still low levels; capital levels are also meaningfully higher than peers. The company reported a 7% increase in net income in Q116 with no further restructuring or special items in the quarter. CFG also declared a dividend increase of 20%. Return on tangible equity was just below 7% for the period compared with 6.5% a year ago, illustrating progress towards the company return target in line with peer group or higher. The main positive driver in the quarter was strong net interest income explained by the Fed rate hike last quarter, now filtering through in the margin. The market's fear of higher credit losses related to energy loans proved to be unfounded as credit quality was stable over last year. Weakness in oil and energy loans was offset by improving credit quality in the retail segment. Common tier one ratio stood at 11.6% at quarter end, which is meaningfully higher than peers and sets the stage for further capital returns in the coming year. The stock is trading below book value and the balance sheet is still overcapitalised. Assuming the company manages to improve profitability closer to peer group levels of around 10%; the upside in the equity is towards 1.0x book value or about USD 35 per share. This would equal 13x EPS of USD 2.60 in 2017-2018.

Fact: The company reported Q116 earnings of USD 223m (209m last year) or 0.41/share (0.38/share last year). No restructuring charges or special items were recorded. Total revenue of USD 1.2bn increased 1% from the prior year, with growth in both net interest income and fee income.

Key earnings releases and corporate news, April 2016 (cont.)

South32

(2.6% weight)

Investment case update: Australia-based South32 is a diversified mining company with production in alumina (32%), aluminium (24%), silver (17%), coal (14%), manganese (7%) and nickel (6%). The company was demerged from BHP Billiton in May 2015. Even in this poor commodity environment, the company managed to turn its balance sheet into a net cash position (about USD 18m) as of the latest quarter. The company continues to generate cash despite the underlying commodity price volatility and repeated the guidance of cost-reductions of USD 300m during FY16. While most production metrics were in line with expectations, the company managed to respond to an increased demand for manganese ore, reconfigured their South African operations and ramped production up 30% from last quarter. We think the company might be able to use its strong balance sheet to acquire assets at very attractive levels from potentially forced sellers, which in this environment could prove more productive than prioritising short-term shareholder capital returns.

Fact: The company reported quarterly production numbers. The separated S32 assets within each metal (production, QoQ): Alumina 2%, Aluminium 0%, Energy Coal -5%, Metallurgical coal 35%, Manganese ore 33%, Manganese alloy -27%, Nickel 10%, Silver -20%, Lead -24%, Zinc -17%.

The largest companies in SKAGEN Focus

AIG is an international insurance company serving commercial, institutional and individual customers. The company provides property-casualty insurance, life insurance and retirement services. AIG was at the very centre of the financial crisis as the central bank for mortgage insurance – it was bailed out in a USD 180bn bail out. The company has two core insurance holdings: Sun America and Chartis that it intends to keep.

Brazil-based JBS transformed itself from a mid-sized local beef producer to the world's largest animal protein processor in just a few years since its IPO in 2007. It is now the world's #1 beef, #2 poultry and #3 pork producer by sales. The company operates in six main segments: JBS USA Beef (40% of sales, US beef processing), Moy Park (14%, UK based chicken and food service provider), Pilgrim's Pride (14%, 2nd largest chicken producer globally; separately listed in the US; PPC US, JBS ownership 75%), JBS Mercosul (13%, Brazil-based beef processing), JBS USA Pork (10%), JBS Foods (9%, prepared foods and poultry processing).

Japan-based Softbank is a telecom and internet conglomerate. The main assets of the company are Chinese online giant Alibaba Group (32% holding). Alibaba is the leading online commerce platform in China active both in retail and wholesale. US-based telecom operator Sprint (80% ownership). US-based Sprint provides wireless services in the US and is the third largest wireless network operator after Verizon and AT&T. Domestic telecoms (mainly Softbank Mobile, third largest telco in Japan after KDDI and NTT Docomo).

Carlsberg A/S is an international brewing company. The company produces branded beers and regional brands. Carlsberg makes most of its beer outside of Denmark and it is sold in markets around the world. The company also markets and produces soft drinks, water and wine.

Japanese company established in 1999 as an online financial services company, incubation arm of Softbank. Acquired E*Trade Securities in 2003, Softbank sold out in 2006. Three main businesses: i) Financial services; ii) Asset management, iii) Biotech Financial services: Building ecosystem to offer full range of financial services: SBI Securities: Dominant provider of online securities services in Japan #3 in new tax-saving NISA behind Nomura and Daiwa. SBI Sumishin Net Bank: pure-play internet bank. Also active within insurance (Life & Non-life), Mortgages (through securitisation), trading system and FX trading.

The largest companies in SKAGEN Focus (cont.)

Infineon Technologies AG designs, manufactures and markets semiconductors. The company's products include power semiconductors, microcontrollers, security controllers, radio frequency products and sensors. Infineon markets its products to the automotive, industrial, communications, consumer and security electronics sectors.

Omega Protein Corporation is a nutritional ingredient company in the US that markets fish meal and fish oils from menhaden, an oily, virtually inedible fish found in the Gulf of Mexico and in the Atlantic Ocean. The company fishes for its own source of raw material and without their own catch. They are the largest US producer of Omega-3 fish oil and specialty fish meal products. These heart-healthy fish oils have experienced rapid growth as a dietary supplement and fish meal is finding increasing usage in nutritional food additives.

China Telecom is a full services integrated information service operator in China. The company, along with its subsidiaries, is engaged in the provision of basic communications services, including wireline telecommunications services, mobile telecommunications services, value-added services, such as Internet access services, integrated information services and other related services within the service area of the company. China Mobile, China Telecom and Unicom are the largest and dominant service providers in the country. China Telecom is the growing 2nd player behind China Mobile, in a maturing industry, yet with massive growth in data downloads.

The company is one of the oldest financial firms in the US, with headquarters in Providence, Rhode Island, with its roots going back to 1828. It is today the 13th largest retail bank in the US with a footprint in New England, the Mid West and the Mid Atlantic, with over 1200 branches in 11 states. The company was listed in September 2014 after being spun off from the UK-based bank Royal Bank of Scotland (RBS).

Jenoptik AG is a Germany-based company engaged in the field of optoelectronics. Its main activities are divided into three segments: the Laser & Optical Systems segment, the Metrology segment, the Defence & Civil Systems segment. The Laser & Optical Systems segment encompasses Laser and Material processing division, which is engaged in semiconductor materials and diode lasers. The Metrology Segment is engaged in manufacturing of high precision contact and non-contact metrology systems; and the Traffic Solutions division comprises products and solutions for road safety. The focus areas of the Defence & Civil Systems are military and civil vehicle, rail and aircraft equipment.

For more information please visit:

Our latest Market report
Information on SKAGEN Focus A on our web pages

Unless otherwise stated, performance data 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.

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