

All data in EUR as of 31.12.2017 unless otherwise stated.

Year-end sprint

The fund delivered a substantial sprint towards year-end and was meaningfully ahead of global equity markets in the quarter. In the final quarter of the year we observed generally strong performance from our domestically driven US positions, such as card-provider Synchrony Financial and refiner Andeavor, both of which are major beneficiaries of the overhaul of the US tax system. Both positions were scaled down into strength.

Our largest position, the Japanese financial conglomerate SBI Holdings, performed solidly as the market gradually discovers the uncovered value in its block chain infrastructure asset base. The position size was increased substantially in the period.

Our main negative contributors for the year came back to life late in the year and JBS, Aryzta and Teva ended up in the top-performing segment of the fund. Mainstream funds have aggressively sold out of these names, and it is not unusual to see a year-end climb in fundamentally healthy names as window dressing comes to an end.

Energy prices have spiked higher which led to a rerating for both Whiting Petroleum and Helmerich and Payne. Fish oil and meal producer Omega Protein announced it had entered into an agreement with private Canadian company Cooke, whereby Cooke acquired all outstanding shares of the company at a 30% premium. We exited the position in the quarter. Our Italian positions, Telecom Italia and Unicredit, were weaker,



Brazilian sugar producer Sao Martinho is a new holding. Venturelli, the president and CEO is pictured here. Photo: Bloomberg

Big in Japan

Our exposure towards the Japanese equity market increased meaningfully to around 20% of fund assets at year-end. Three positions in the top-10 holdings are Japan-related. The Japan-based financial conglomerate SBI Holdings has moved up to become the largest position in the fund. Despite its current business momentum and several catalysts for re-rating, we believe the stock is trading at a substantial discount to our base net asset value estimate of the company's combined asset base. The net asset value segment split is roughly between 70% financial services, 20% asset management and 10% biotech. Without taking into account recent promising investments, we see our required equity upside. The company's most recent investments target emerging areas, such as blockchain payment services and cryptocurrency trading infrastructure solutions, and we believe potential value-creation in this area represents a free option in the investment case. It is, however, worth highlighting that we diversify the fundamental risk exposure in our Japanese positions, which range from cement, domestic banking, disaster prevention equipment to online/telecom conglomerate giant Softbank. Softbank is driven by factors primarily determined outside the domestic market. The stock still trades at a remarkable discount to underlying asset values. We should also highlight our fairly recent position in regional bank, Bank of Kyoto, which has risen more than 30% since entering the fund this summer.

as political uncertainty increased with a new election scheduled for 4 March 2018.

New positions

Several new positions were added in the quarter. We actively switched out of our Japanese cement position Taiheiyō Cement, which has reached its price target, and accumulated shares in South Korean cement producers Hanil Cement and Asia Cement. The Korean cement market is reminiscent of the Japanese market before major consolidation took place. We see substantial upside for all cement players in the region as the Korean market is now consolidating. It was confirmed that Asia Cement will buy Halla Cement, and the shares rose more than 40% in the period. We added Brazilian sugar producer Sao Martinho, which we view as undervalued relative to its cash-generation capability and this could potentially coincide with a cyclical low in sugar prices. Following strong performance from seat-producer Adient we switched into Japan-based Tachi-S. Tachi-S, a small cap company at only USD 650m and a producer of automotive car seats, is executing well on its 2020 plan to reach a higher operating margin and increased sales. The company has a substantial opportunity to increase its footprint in the Toyota Group as Toyota Boshoko, one of the largest Toyota suppliers, recently bought a 5% stake in Tachi-S and is launching several joint business initiatives with Tachi-S.



Japanese online/telecom conglomerate giant Softbank was one of the largest contributors in Q4. Photo: Bloomberg.

Outlook

Recently added positions make up around 30% of the total portfolio at year-end. At the end of the year, SKAGEN Focus consists of 34 stocks with a wide range of market cap sizes, where 17.6% are small cap and 42.5% are mid-cap stocks, with the common denominator being that they are all substantially undervalued with company-specific potential to re-rate over a 2-3 year time horizon.

The fund is a concentrated global equity fund with a mandate to invest in all cap-sizes, geographies and sectors globally. With our concentrated portfolio of 30-35 core positions, we aim to generate absolute returns at a controlled level of absolute risk.

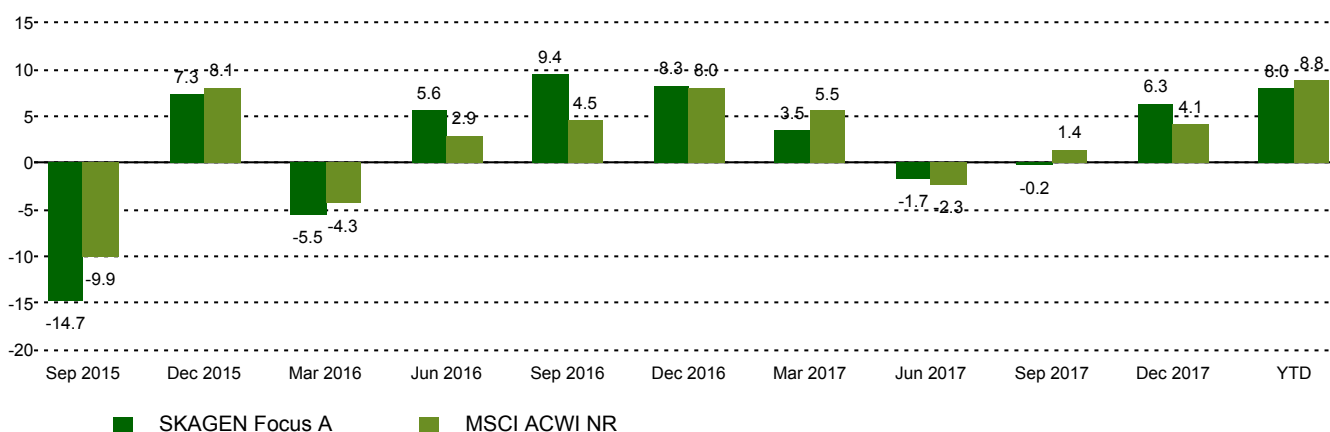
Historical performance (net of fees)

| Period | SKAGEN Focus A | Benchmark index |
|-----------------|----------------|-----------------|
| Last Month | 3.2% | 0.9% |
| Quarter to date | 6.3% | 4.1% |
| Year to date | 8.0% | 8.8% |
| Last year | 8.0% | 8.8% |
| Last 3 years | n/a | n/a |
| Last 5 years | n/a | n/a |
| Last 10 years | n/a | n/a |
| Since start | 3.0% | 4.5% |

Fund Facts

| | |
|----------------------------|------------------------|
| Type | Equity |
| Domicile | Norway |
| Launch date | 26.05.2015 |
| Morningstar category | Global Flex-Cap Equity |
| ISIN | NO0010735129 |
| NAV | 12.81 EUR |
| Fixed management fee | 1.60% |
| Total expense ratio (2017) | 1.48% |
| Benchmark index | MSCI ACWI NR |
| AUM (mill.) | 245.58 EUR |
| Number of holdings | 34 |
| Lead manager | Filip Weintraub |

Quarterly Performance



Contributors in the quarter



Largest contributors

| Holding | Weight (%) | Contribution (%) |
|----------------------------|------------|------------------|
| SBI Holdings Inc/Japan | 3.79 | 1.61 |
| Omega Protein Corp | 0.81 | 1.09 |
| Fila Korea Ltd | 3.30 | 0.98 |
| X-Fab Silicon Foundries SE | 2.98 | 0.96 |
| Synchrony Financial | 3.31 | 0.91 |



Largest detractors

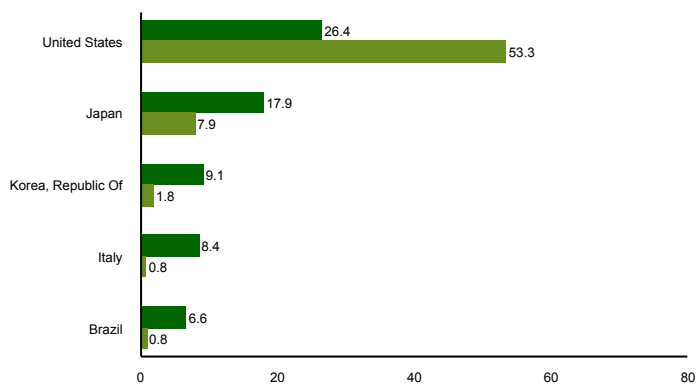
| Holding | Weight (%) | Contribution (%) |
|--------------------------------|------------|------------------|
| UniCredit SpA | 2.99 | -0.31 |
| Telecom Italia SpA/Milano | 5.15 | -0.24 |
| China Telecom Corp Ltd | 4.43 | -0.21 |
| MagForce AG | 1.97 | -0.20 |
| Massimo Zanetti Beverage Group | 1.09 | -0.14 |

Absolute contribution based on NOK returns at fund level

Top ten investments

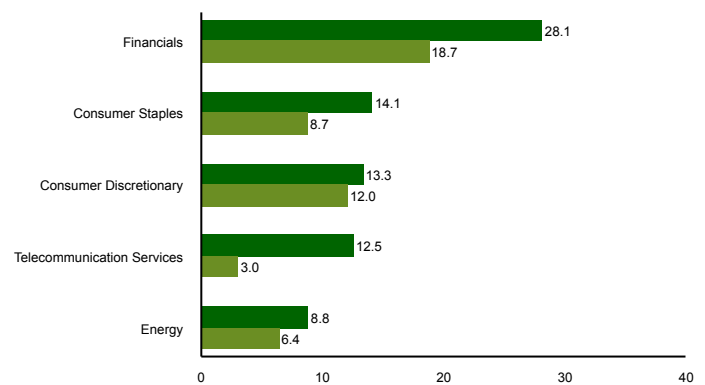
| Holding | Sector | Country | % |
|------------------------------------|----------------------------|--------------------|------|
| SBI Holdings | Financials | Japan | 6.8 |
| AIG | Financials | United States | 5.9 |
| Telecom Italia Spa | Telecommunication Services | Italy | 4.9 |
| China Telecom | Telecommunication Services | China | 4.0 |
| Bank of Kyoto | Financials | Japan | 3.9 |
| Jbs | Consumer Staples | Brazil | 3.7 |
| Andeavor | Energy | United States | 3.6 |
| Fila Korea | Consumer Discretionary | Korea, Republic Of | 3.6 |
| Softbank Group | Telecommunication Services | Japan | 3.6 |
| Gold Fields Ltd | Materials | South Africa | 3.6 |
| Combined weight of top 10 holdings | | | 43.6 |

Country exposure (top five)



■ SKAGEN Focus A ■ MSCI ACWI NR

Sector exposure (top five)



■ SKAGEN Focus A ■ MSCI ACWI NR

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