

Strong end to the year

SKAGEN Vekst enjoyed a strong end to 2017 and the unit price hit an all-time high several times during December. SKAGEN Vekst delivered strong absolute returns in the fourth quarter, performing considerably better than the combined Nordic/Global index. For the year as a whole, SKAGEN Vekst ended the year marginally behind the index, but generated strong absolute returns for unitholders.

In many ways the second half of the year was a game of two halves – with the majority of the optimism and returns generated towards the tail end, having left behind the uncertainty and worries after the summer. During the second half of the year we sold out of 25 companies (nine in Q4), and added 11 new holdings (three in Q4). We ended the year with a total of 36 holdings in the portfolio.

All sectors contributed positively, and drove the equity market to new highs. Nonetheless, much of the broad positive contribution in the equity market in 2017 was driven by strong sector rotation. In the fourth quarter in particular we saw more focus on more traditional value sectors and stocks, such as industry and materials. Emerging markets continued their positive momentum and also contributed to the fund's overall performance, in particular our direct exposure through Samsung Electronics and Russia's largest bank Sberbank. Earnings are continuing to improve, expectations are on the rise and commodity prices are strengthening; combined this should have a positive impact on EM also going forward.

Closer to home the rise in oil and commodity prices also meant a very positive year end for the Oslo stock market, while for the rest of the Nordics the picture was somewhat mixed. In Norway our holdings linked

to commodities and energy performed well, with Norsk Hydro, Northern Drilling and Golar LNG contributing positively. In Denmark the picture was more mixed, although encouragingly, the fund's largest holding Novo Nordisk returned the greatest total return, following positive updates on their research and approval of their diabetes and weight reduction drugs. Newcomer DSV also contributed strongly to the portfolio on the back of encouraging freight volumes and price increases. In Sweden the industrial space was somewhat quiet, although the fund's largest Swedish holding, Volvo had an eventful end to the year. Following very strong orders and decent margins, Volvo's second largest owner, the activist fund Cevian, sold their shares to the Chinese car manufacturer Geely. We see this as a natural progression and a positive trigger in the development of the company. Volvo has strong joint ventures in China and with this industrial owner, the company should be set to continue their growth in a global marketplace.

In Europe our new holdings returned strong absolute returns in the quarter. Germany's flag carrier Lufthansa was the fund's second largest contributor, pushed upwards by a very favorable pricing environment for domestic flights, agreement with staff and strong potential for further expansion through potential takeovers of struggling airlines in Europe. We believe that the airline now holds an important role in a very competitive European airline market, where operational stability should continue to improve and earnings should subsequently continue their positive development. The Swiss biotech and chemical company Lonza also showed impressive returns following the large acquisition of Capsugel that was finalised towards the end of the summer. This sets Lonza up as one of the great integrated producers of drugs and ingredients for the pharma industry.



Germany's flag carrier Lufthansa was the fund's second largest contributor. Photo: Bloomberg



Russia's largest bank Sberbank contributed positively to the overall performance. Photo: Bloomberg

Portfolio activity

The US budget and new tax legislation has been at the forefront of investors' minds. In the Vekst portfolio the developments impacted our investments in the renewable energy space in particular, as changes to the US tax system could impact clients in their largest market. This led to uncertainty among investors. In addition, competitors here are declaring a fiercer pricing environment for wind turbines. All in all, this meant that Vestas was our largest detractor in the quarter, although we feel the market reaction to be somewhat exaggerated and added to the position on weakness. We also added to the Swedish oil company Lundin Petroleum towards the end of 2017, as the share price was pushed down by passive investors forced to sell their shares as it left the main list in Stockholm. We sold out of several holdings, many of which had reached our price target after strong performance. These included Japanese SBI Holdings, Philips Lighting, Catena and Danske Bank. Some holdings were sold as we fail to see strong development going forward. Amongst these were Hexagon, Strongpoint and Italian manufacturer Danieli & Officine.

Outlook

SKAGEN Vekst enters 2018 with a highly concentrated and focused portfolio. Although our expectations for earnings growth in our portfolio companies remain high, we acknowledge that the strong market we have seen over the past couple of years could prove challenging for continued returns in the equity market as a whole. We believe that a healthy mix of well diversified companies in the portfolio priced at a considerable discount to the market continues to offer a strong value proposition for investors and that a good bull market will not die of age alone.

The fund selects low-priced, high-quality companies in the Nordic region and from around the world.

The objective is to provide the best possible risk adjusted return.

The fund is suitable for those with at least a five year investment horizon.

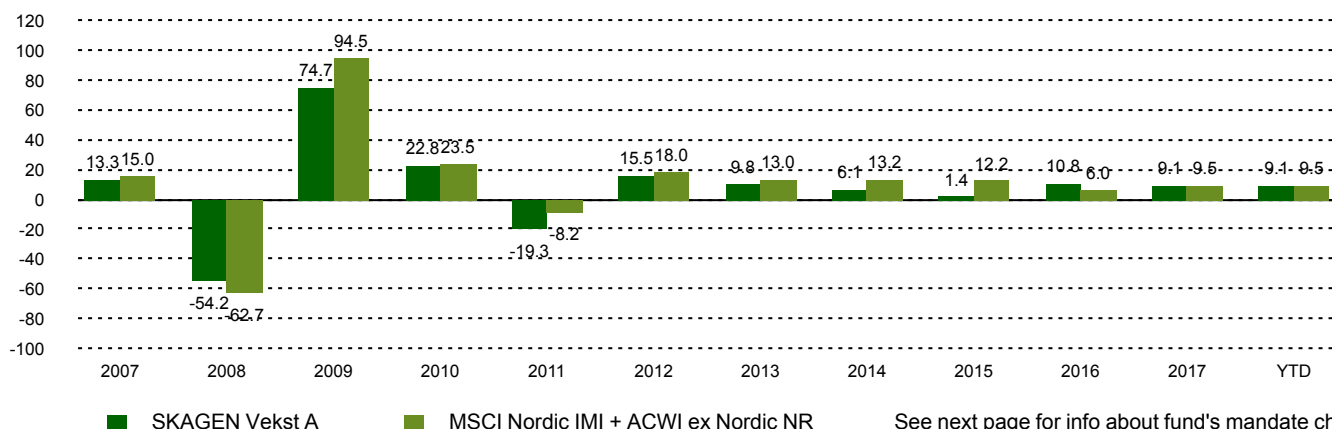
Historical performance (net of fees)

Period	SKAGEN Vekst A	Benchmark index
Last Month	1.5%	0.6%
Quarter to date	2.3%	0.9%
Year to date	9.1%	9.5%
Last year	9.1%	9.5%
Last 3 years	7.0%	9.2%
Last 5 years	7.4%	10.7%
Last 10 years	2.7%	4.9%
Since start	13.4%	9.8%

Fund Facts

Type	Equity
Domicile	Norway
Launch date	01.12.1993
Morningstar category	Global Flex-Cap Equity
ISIN	NO0008000445
NAV	249.55 EUR
Fixed management fee	1.00%
Total expense ratio (2017)	2.13%
Benchmark index	MSCI Nordic IMI + ACWI ex Nordic NR
AUM (mill.)	858.18 EUR
Number of holdings	36
Lead manager	Øyvind Fjell

Performance last ten years



Contributors in the quarter



Largest contributors

Holding	Weight (%)	Contribution (%)
Novo Nordisk A/S	7.94	1.22
Deutsche Lufthansa AG	3.46	1.02
Samsung Electronics Co Ltd	6.59	0.77
Carlsberg A/S	4.96	0.63
Sberbank of Russia PJSC	2.60	0.58



Largest detractors

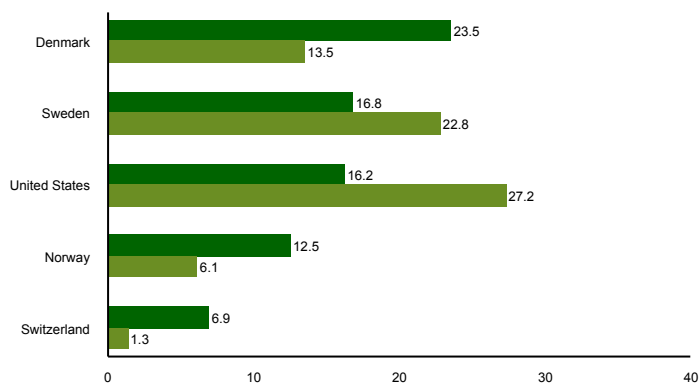
Holding	Weight (%)	Contribution (%)
Vestas Wind Systems A/S	3.46	-1.04
Outokumpu OYJ	1.92	-0.16
Danieli & C Officine Meccanich	0.40	-0.10
AP Moller - Maersk A/S	1.49	-0.08
Volvo AB	4.48	-0.04

Absolute contribution based on NOK returns at fund level

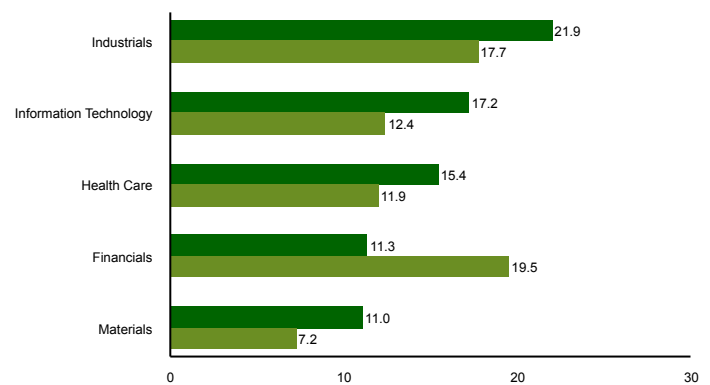
Top ten investments

Holding	Sector	Country	%
Novo Nordisk	Health Care	Denmark	8.1
Samsung Electronics	Information Technology	Korea, Republic Of	6.6
Lonza Group AG	Health Care	Switzerland	5.8
DSV	Industrials	Denmark	5.3
Applied Materials	Information Technology	United States	5.0
Carlsberg	Consumer Staples	Denmark	4.7
Volvo	Consumer Discretionary	Sweden	4.5
Broadcom Ltd	Information Technology	United States	4.5
Deutsche Lufthansa AG	Industrials	Germany	4.5
Citigroup	Financials	United States	4.3
Combined weight of top 10 holdings			53.2

Country exposure (top five)



Sector exposure (top five)



■ SKAGEN Vekst A ■ MSCI Nordic IMI + ACWI ex Nordic NR

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Effective 1/1/2014, the Fund's investment mandate changed from investing a minimum of 50% of its funds in Norway to investing a minimum of 50% of its funds in the Nordic countries. This means that returns prior to the change were achieved under different circumstances than they are today. Prior to 1/1/2014, the benchmark index was an evenly composed benchmark index consisting of the Oslo Stock Exchange Benchmark Index (OSEBX) and the MSCI All Country World. The benchmark index prior to 1/1/2010 was the Oslo Stock Exchange Benchmark Index (OSEBX).