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Skagen's South Beach, October after sunset, 1905. Detail, by Carl Locher, one of the Skagen painters. This image belongs to the Skagens Museum.

SKAGEN Tellus

Status Report December 2015

The art of common sense



Key numbers as of 31.12.2015

- SKAGEN Tellus was down 2.5% in EUR in December. The benchmark dropped 2%.
- Since inception the fund has had an annualised return in EUR of 5.3% versus 5.0 % for the index. Over this period, 61% of the fund's return has come from interest coupons, while bond price appreciation has contributed 24% and currency movements, including the cost of currency hedging, have contributed 15%.
- Volatility as measured by standard deviation has been 7.1 % since inception. The benchmark index has had a standard deviation of 8.3%.
- The fund's yield as of 31.15.2016 was 1.7% and the fund's duration was 4.7 years.

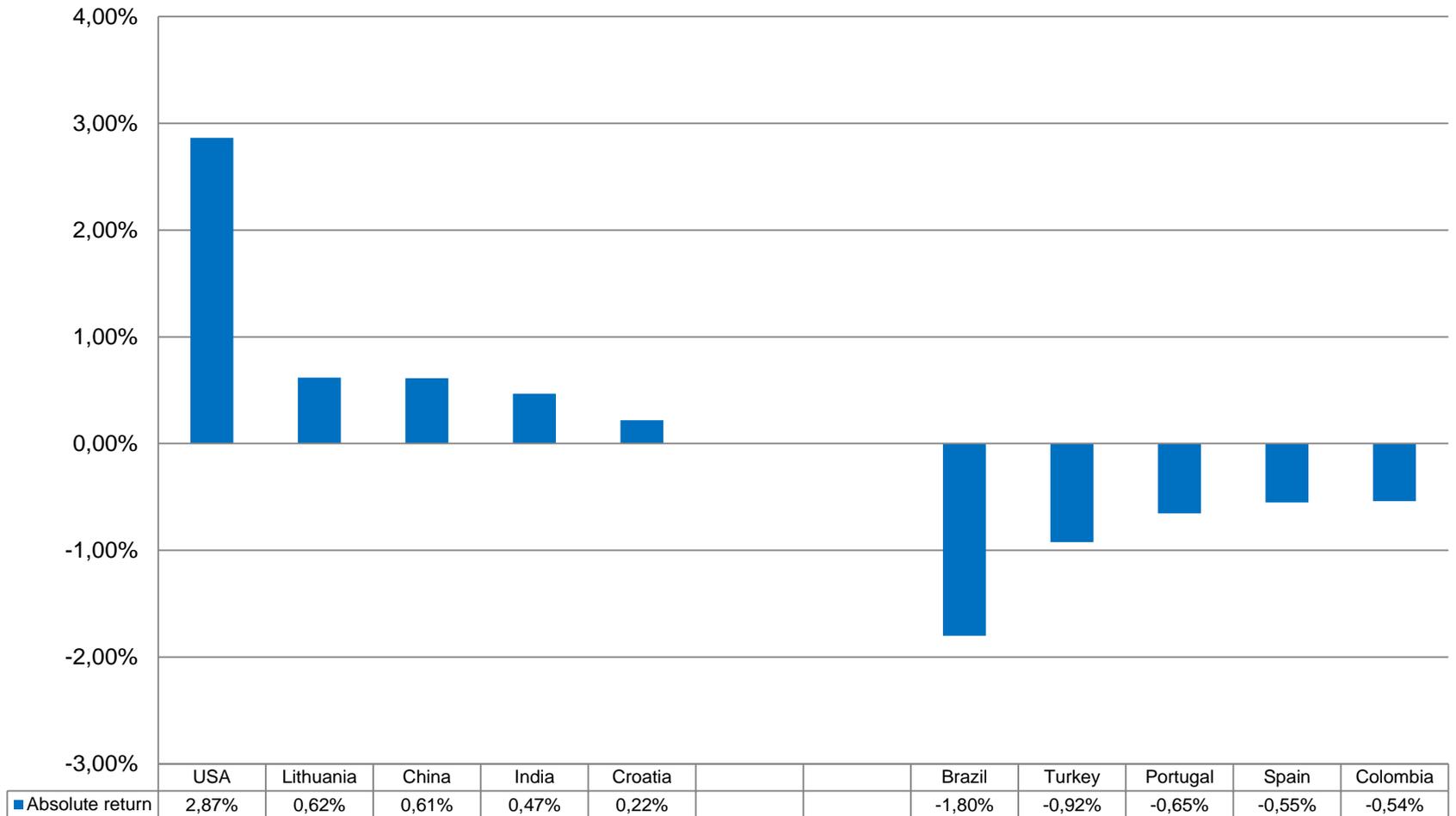
	December	4Q	2015	1 Year	3 years	5 years	Since inception*
SKAGEN Tellus A	-2,5%	1,1%	-0,9%	-0,9%	2,8%	3,9%	5,3%
JPM Broad GBI Unhedged	-2,0%	1,5%	8,1%	8,1%	4,4%	3,9%	5,0%
Excess return	-0,5%	-0,4%	-9,0%	-9,0%	-1,6%	-0,1%	0,3%

Inception date: 29/09/2006

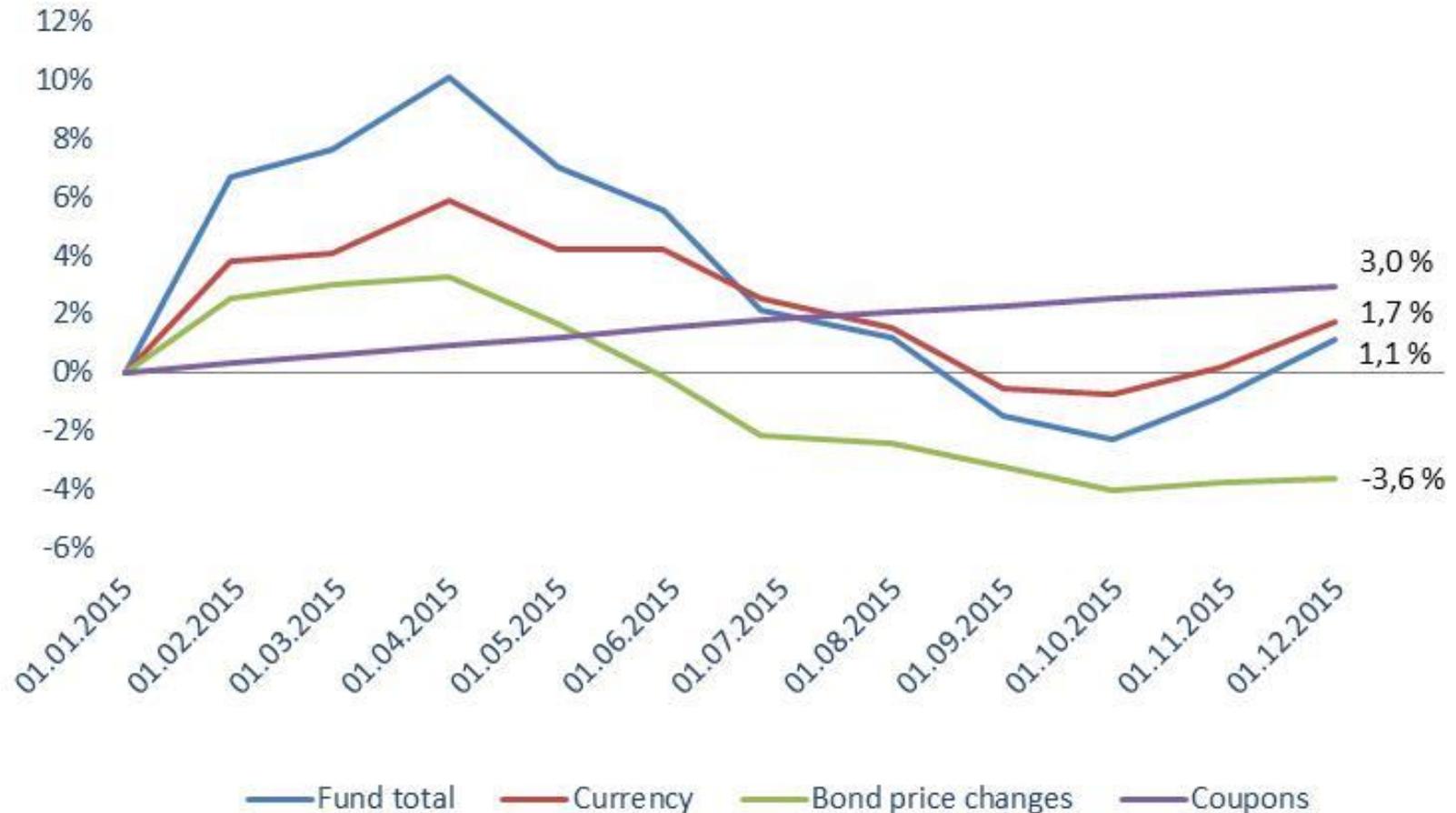
Benchmark index before 01/01/2013 was Barclay's Capital Global Treasury Index 3-5 years

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

Top 5 best and worst contributors year to date



Accumulated returns year to date in EUR



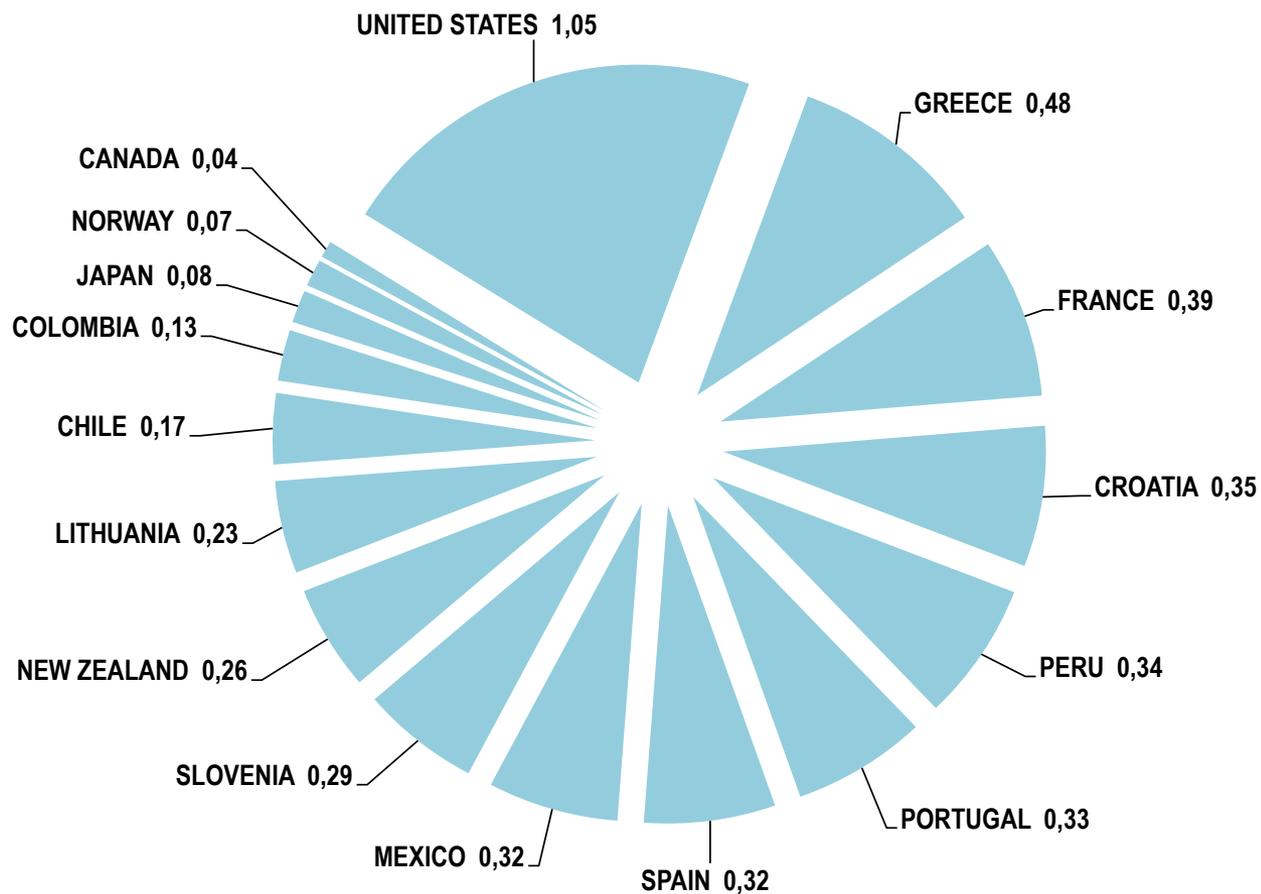
Accumulated returns since inception in EUR



SKAGEN Tellus's portfolio 31.12.2015

Holding Name	CRNCY	Holding	Percent	Maturity Date	Coupon
US Government	USD	16 600	11,2	15.02.2025	2,0
French Government	EUR	12 000	8,9	25.05.2020	0,0
US Government	USD	12 800	8,8	31.08.2016	0,5
Croatia Government International Bond	EUR	8 300	6,3	30.05.2022	3,9
US Government	USD	8 000	5,4	30.06.2017	0,6
Japan Government	JPY	900 000	5,2	20.06.2016	1,9
Norwegian Government	NOK	60 000	5,0	19.05.2017	4,3
Canadian Government	CAD	10 000	5,0	01.11.2016	1,0
Lithuanian Government	USD	5 500	4,6	01.02.2022	6,6
Chilean Government	CLP	4 410 000	4,5	05.08.2020	5,5
New Zealand Government	NZD	8 000	4,3	17.04.2023	5,5
Hellenic Republic Government	EUR	9 000	4,1	24.02.2035	3,0
Portugese Government	EUR	5 000	3,9	15.10.2025	2,9
Spanish Government	EUR	5 000	3,7	30.04.2025	1,6
Slovenia Government	EUR	3 500	3,5	30.03.2026	5,1
Peruvian Government	PEN	18 000	3,4	12.08.2037	6,9
Mexican Government	MXN	60 000	3,2	20.11.2036	10,0
Japan Government	JPY	550 000	3,1	16.10.2017	0,1
Colombian Government	COP	13 400 000	3,1	14.04.2021	7,8
European Bank Recon & Dev	INR	200 000	2,1	19.03.2018	5,8

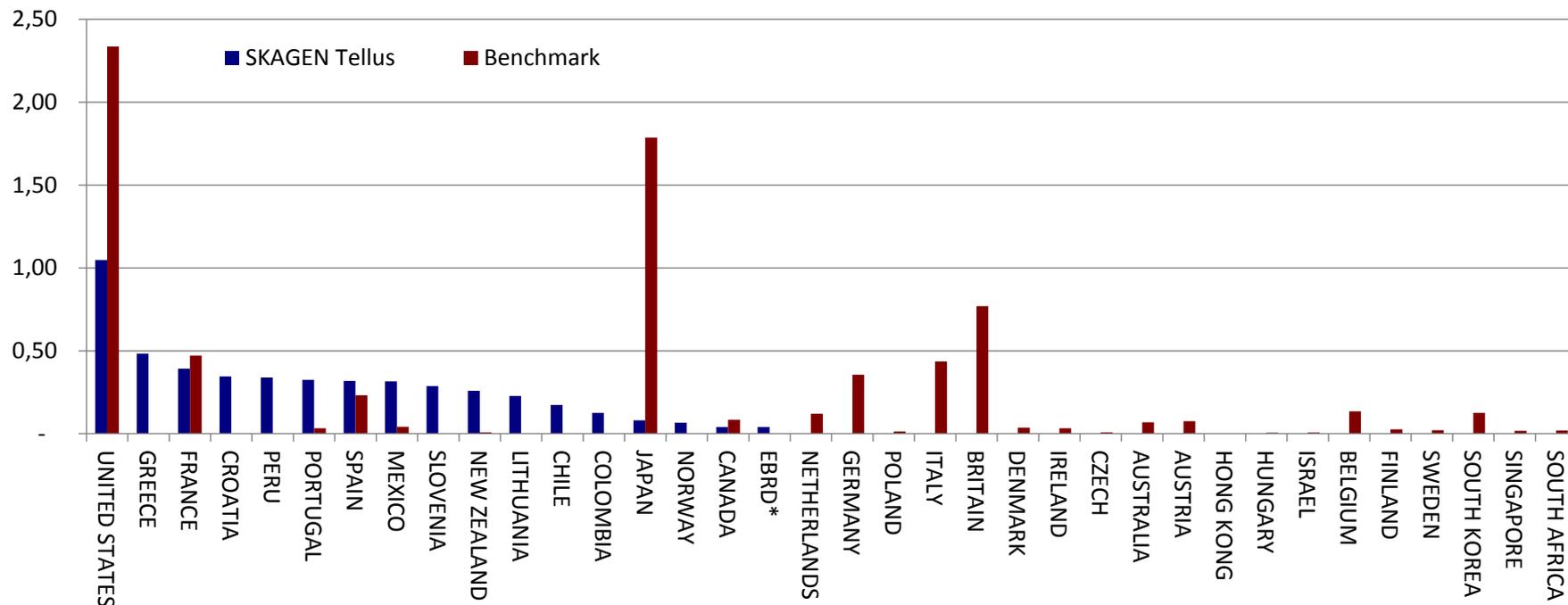
Distribution of interest rate risk exposure



EBRD* : European Bank of Reconstruction & Development

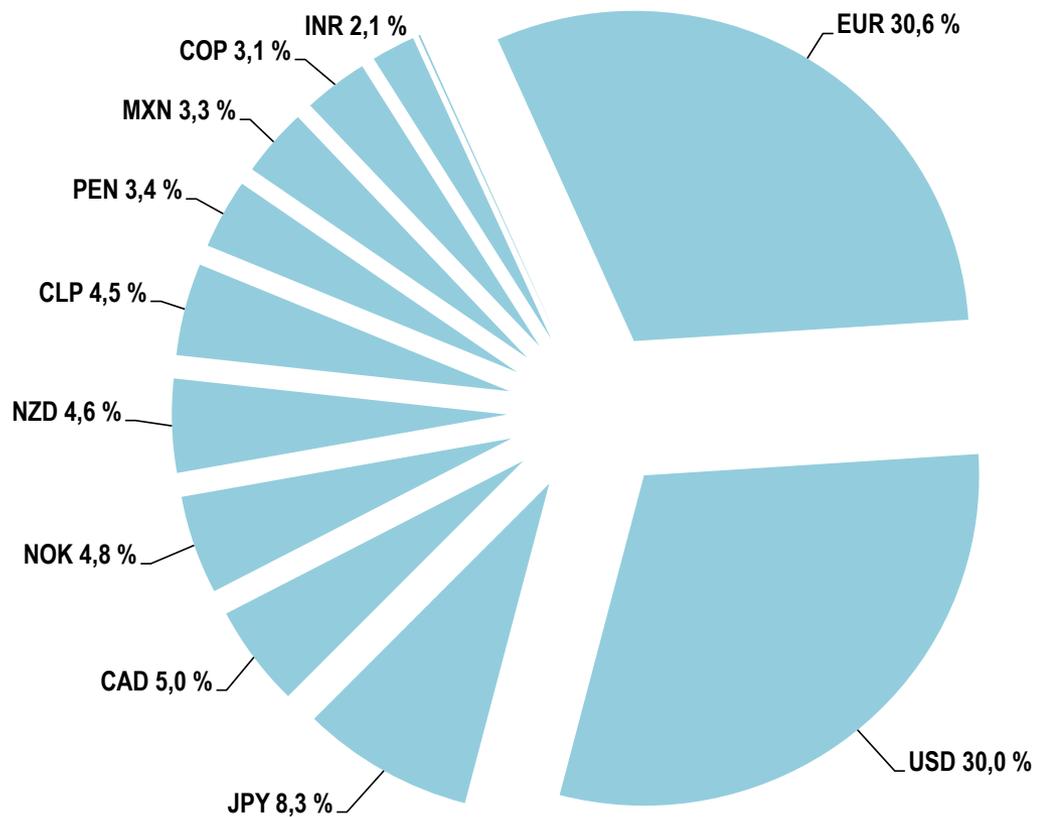
As of 31 December 2015

Interest rate exposure relative to benchmark



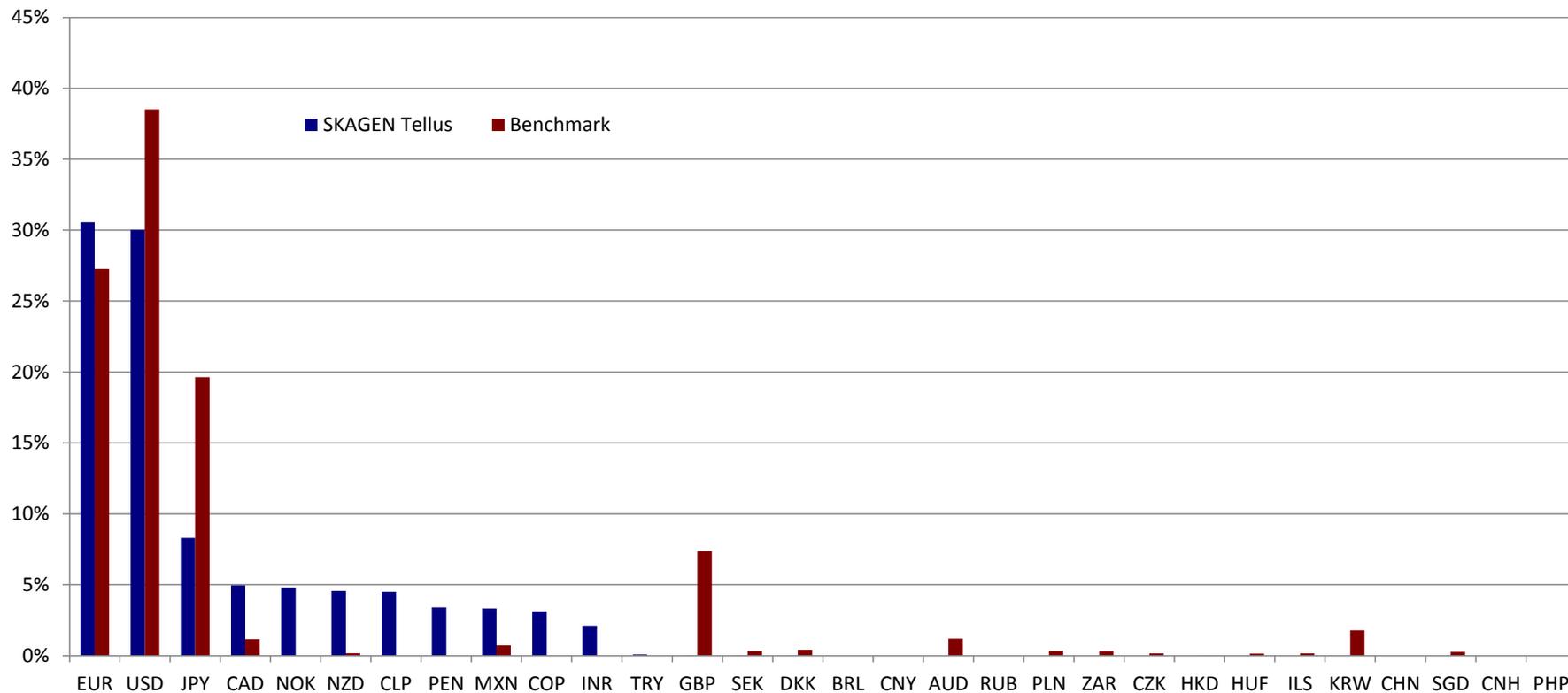
As of 31 December 2015

Distribution of currency exposure



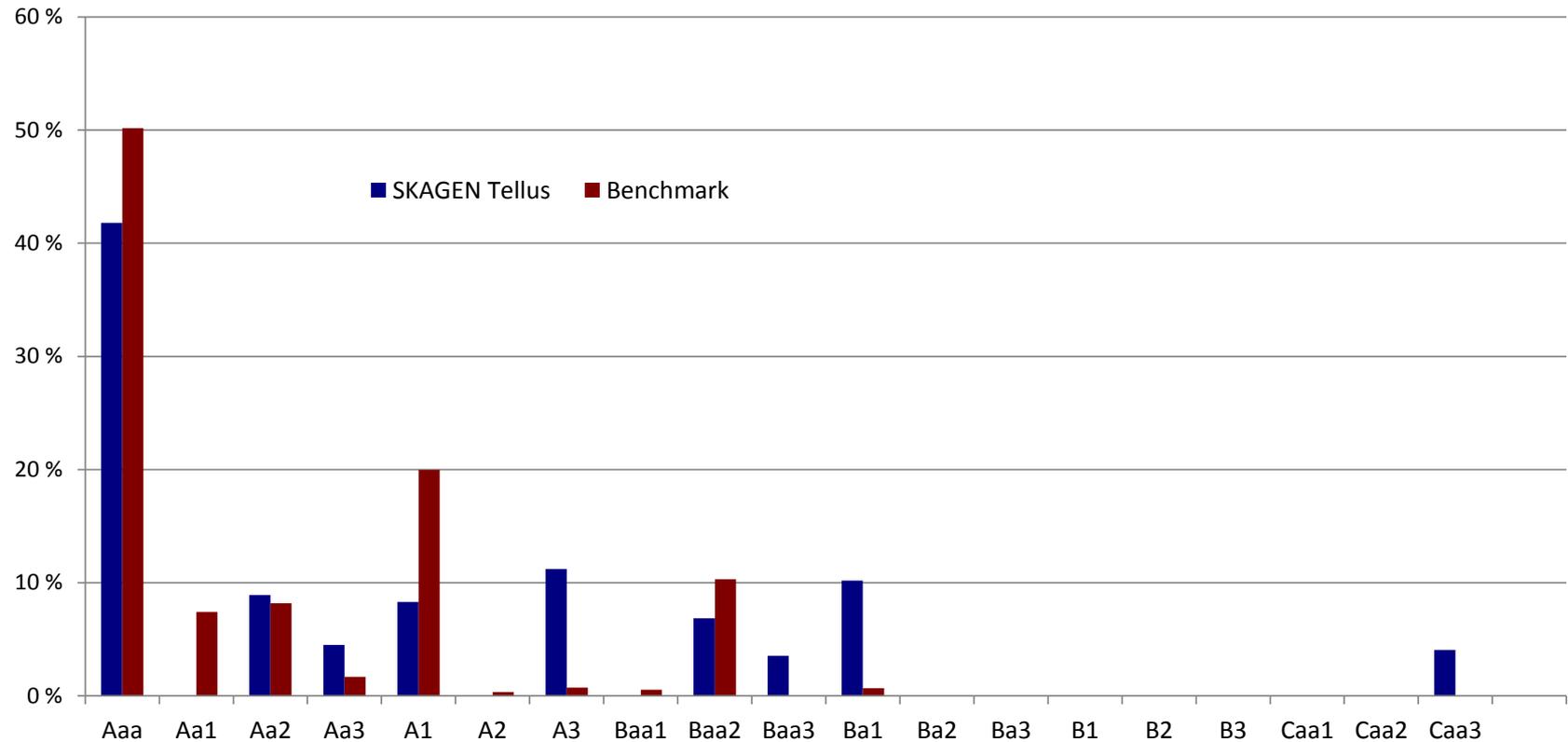
As of 31 December 2015

Currency exposure relative to benchmark



As of 31 December 2015

Moody's rating on Tellus' portfolio relative to benchmark



As of 31 December 2015

The interest rate outlook

- We expect the major advanced economy central banks to keep monetary policy easy during 2016.
- We do not expect a change in the Bank of Japan and the Bank of England's policy rates, and The ECB is likely to cut its policy rate further into negative territory. The Federal Reserve tightened monetary policy a bit in December, but we expect just a small further tightening during 2016.
- The main reason for continuously low policy rates is that actual and expected inflation is below the central banks' inflation targets. In the US the Fed's preferred inflation measure was steady at 1.3 during 2015. Should inflation dip further, the Federal Reserve might reverse course and cut the policy rate.
- Another reason for central bank cautiousness is an uncertain outlook for the Chinese economy. A severe slowdown in China will in all likelihood have spill-over effects to advanced economies.
- Low inflation and low policy rates keep a lid on the nominal yield on credit safe long-term government yields.
- In the Eurozone we expect decent growth and better public finances to cut the interest rate spreads to Germany.
- In emerging markets we expect a currency rebound countries with solid public finances and a credible inflation target, e.g. Chile and Colombia. As currencies rebound, we expect a decline in long term yields on government bonds.

For more information please see:

[SKAGEN Tellus A on our web pages](#)

[SKAGEN's Market report](#)

[Latest comments by Torgeir Høyen](#)

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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