



SKAGEN Vekst Status Report – December 2015

The art of common sense

Summary – December 2015

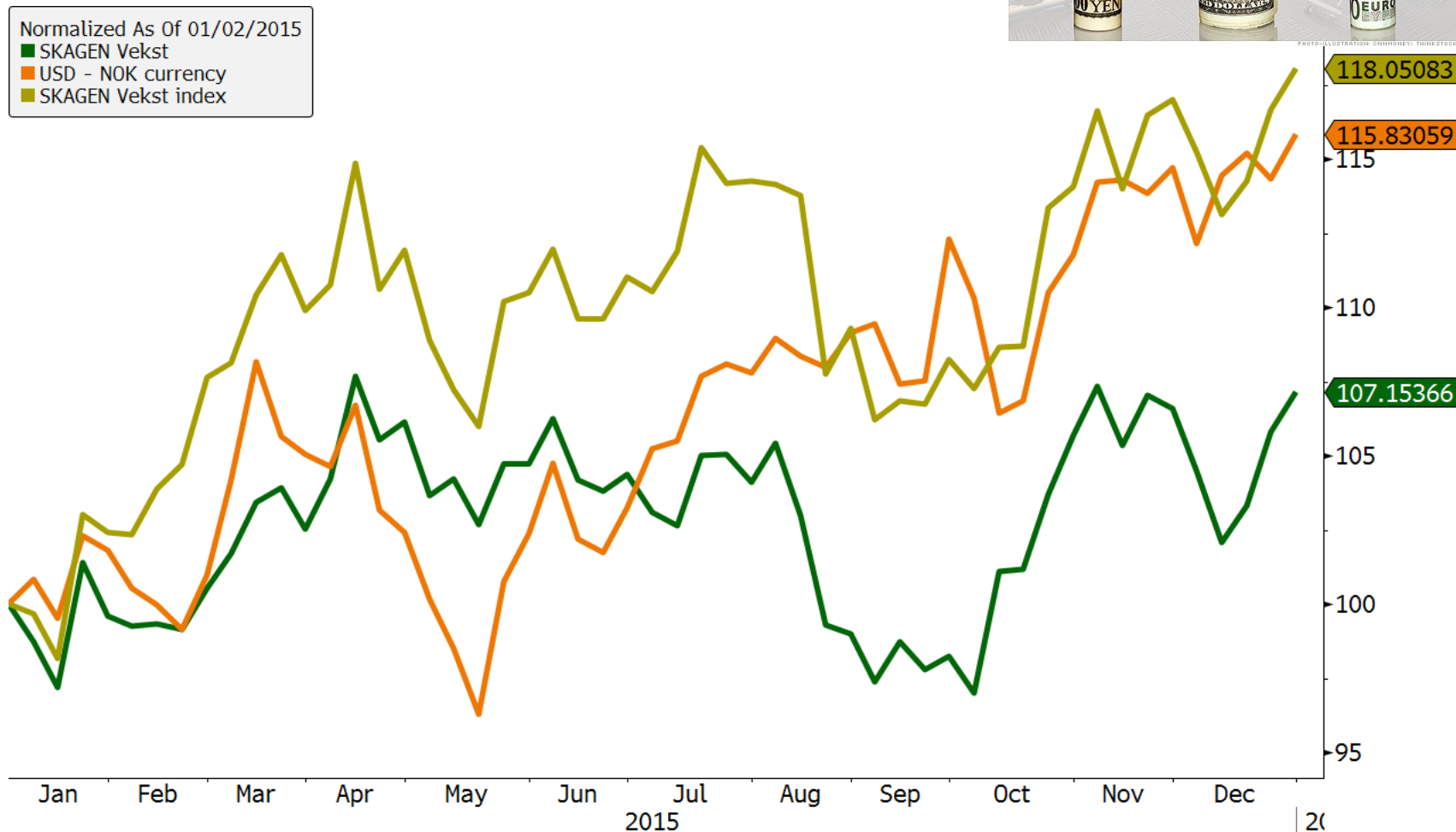
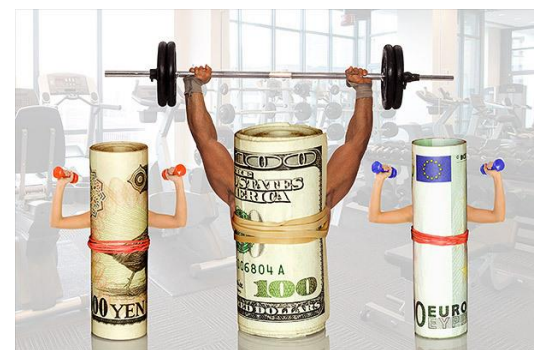
- SKAGEN Vekst delivered a 1.2% return in 2015, but this was not sufficient to keep up with a strong index that gained 12.2% over the year. In December the fund trailed the index by 0.2%.*
- Measured in NOK, the largest contributors in December were Norwegian, Carlsberg and Continental. The largest detractors were Casino, Golar LNG and Lundin Petroleum.
- The best sector for the fund in 2015 was financials, particularly helped by decent performance in companies like Danske Bank, Citigroup and the Russian bank Sberbank. Other sectors which contributed to performance were consumer discretionary and IT. The fund's performance in the year was mainly hampered by poor performance in companies with exposure to/related to energy, raw materials and certain industrial companies.
- SKAGEN Vekst continued to increase the focus of the portfolio in December and added to our holdings in Kinnevik AB, Cal-Main Foods and Nippon Seiki. We sold out of a couple of minor holdings due to changes in investment thesis (EMGS and Fjordline) and reduced our holding in TeliaSonera as the future potential and risk/reward profile were somewhat diminished.
- 2015 was a challenging year for SKAGEN Vekst. Although we are not satisfied with our performance over the past year, we are confident that we will be able to again create absolutely strong returns for unitholders in SKAGEN Vekst through thorough follow-up and a more concentrated portfolio. We continue to believe in our value based investment philosophy and maintain a long investment horizon.

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

** SKAGEN Vekst benchmark index is an evenly composed index consisting of MSCI Nordic Countries Index and MSCI All Country World*

What a difference a currency can make

- a strong USD contributed negatively to performance
(USD up 18% vs Norwegian kroner in 2015)



STVEKST NO Equity (Skagen Vekst) VEKST/indeks/NOKUS Weekly 30DEC2014-30DEC2015

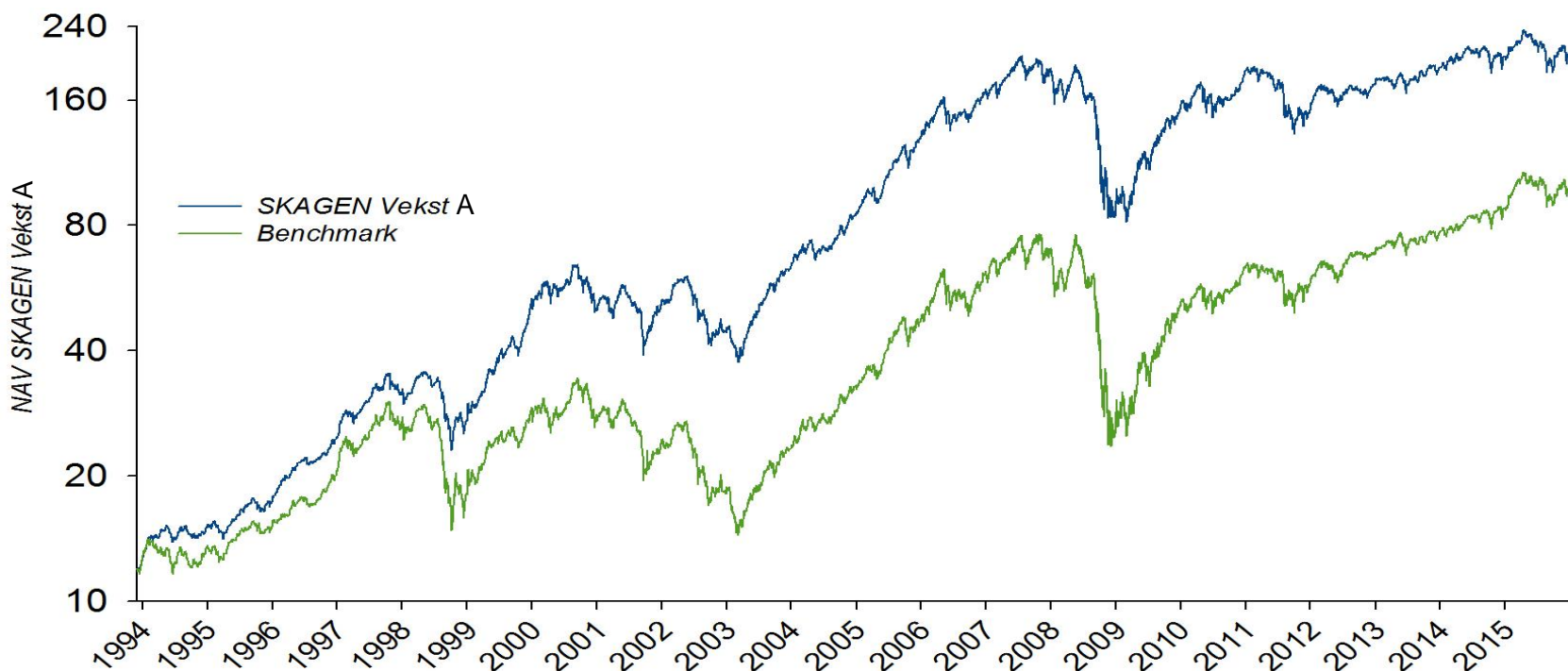
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Results, December 2015

EUR, net of fees

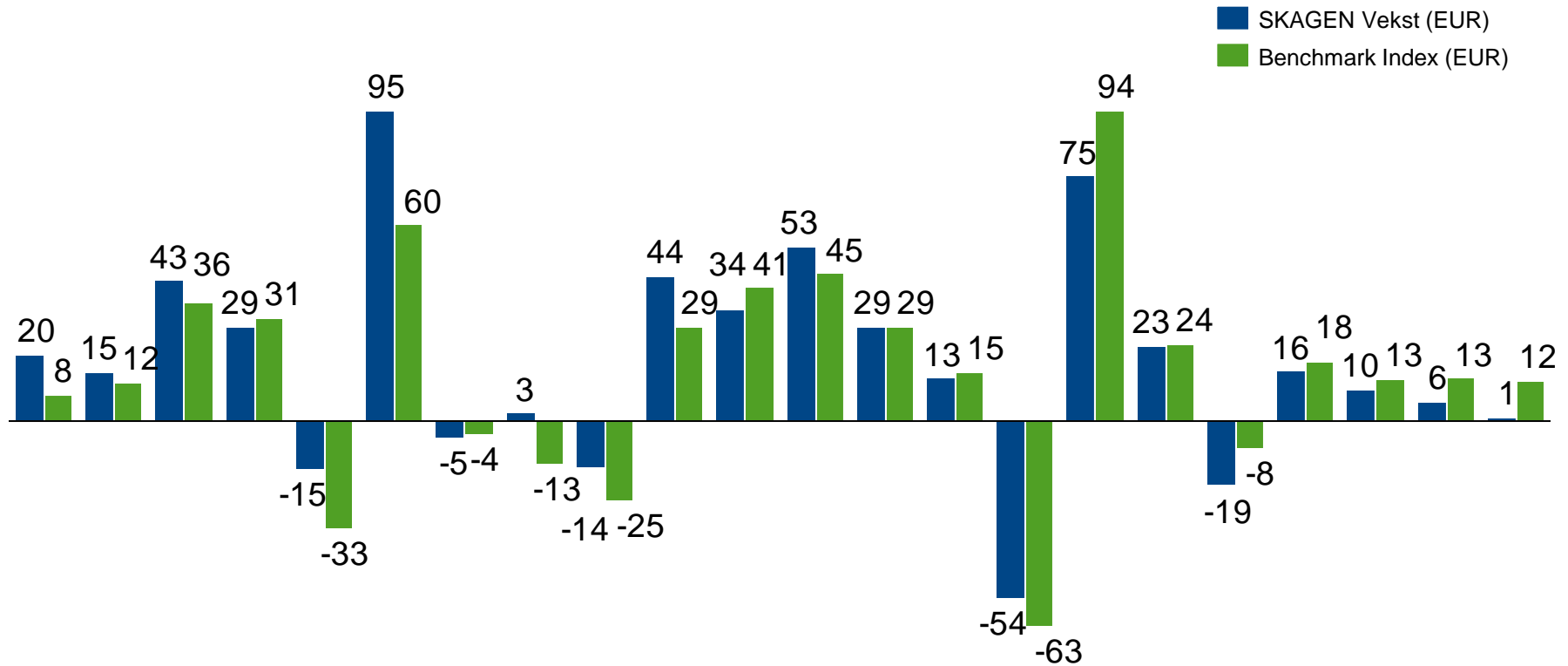


	December	4Q	2015	1 Year	3 years	5 years	10 Years	Since inception*
SKAGEN Vekst A	-4,1%	7,7%	1,4%	1,4%	5,7%	1,9%	4,7%	13,8%
Benchmark index*	-3,9%	8,4%	12,2%	12,2%	12,8%	9,2%	7,5%	10,0%
Excess return	-0,2%	-0,7%	-10,8%	-10,8%	-7,1%	-7,3%	-2,8%	3,8%

Note: All returns for periods exceeding 12 months are annualised. Inception date: 1 December 1993. Effective 1/1/2014, the Fund's investment mandate changed from investing a minimum of 50% of its assets in Norway to investing a minimum of 50% of its assets in the Nordic countries. This means that returns prior to the change were achieved under different circumstances than exist today. The Fund's benchmark index prior to 1/1/2014 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). Today the benchmark is an evenly composed index consisting of MSCI Nordic Countries Index and MSCI All Country World

Annual performance since inception

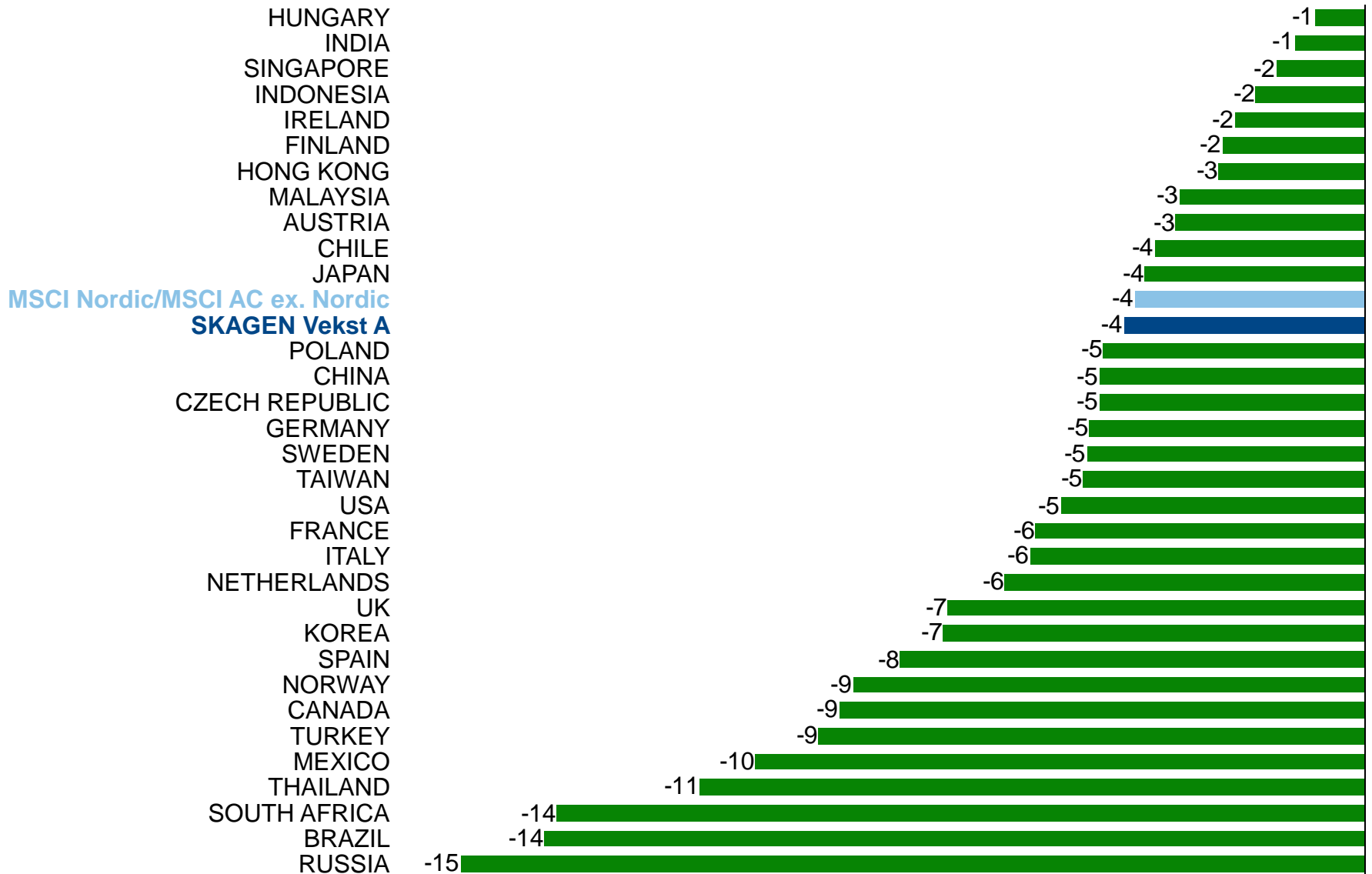
Percent



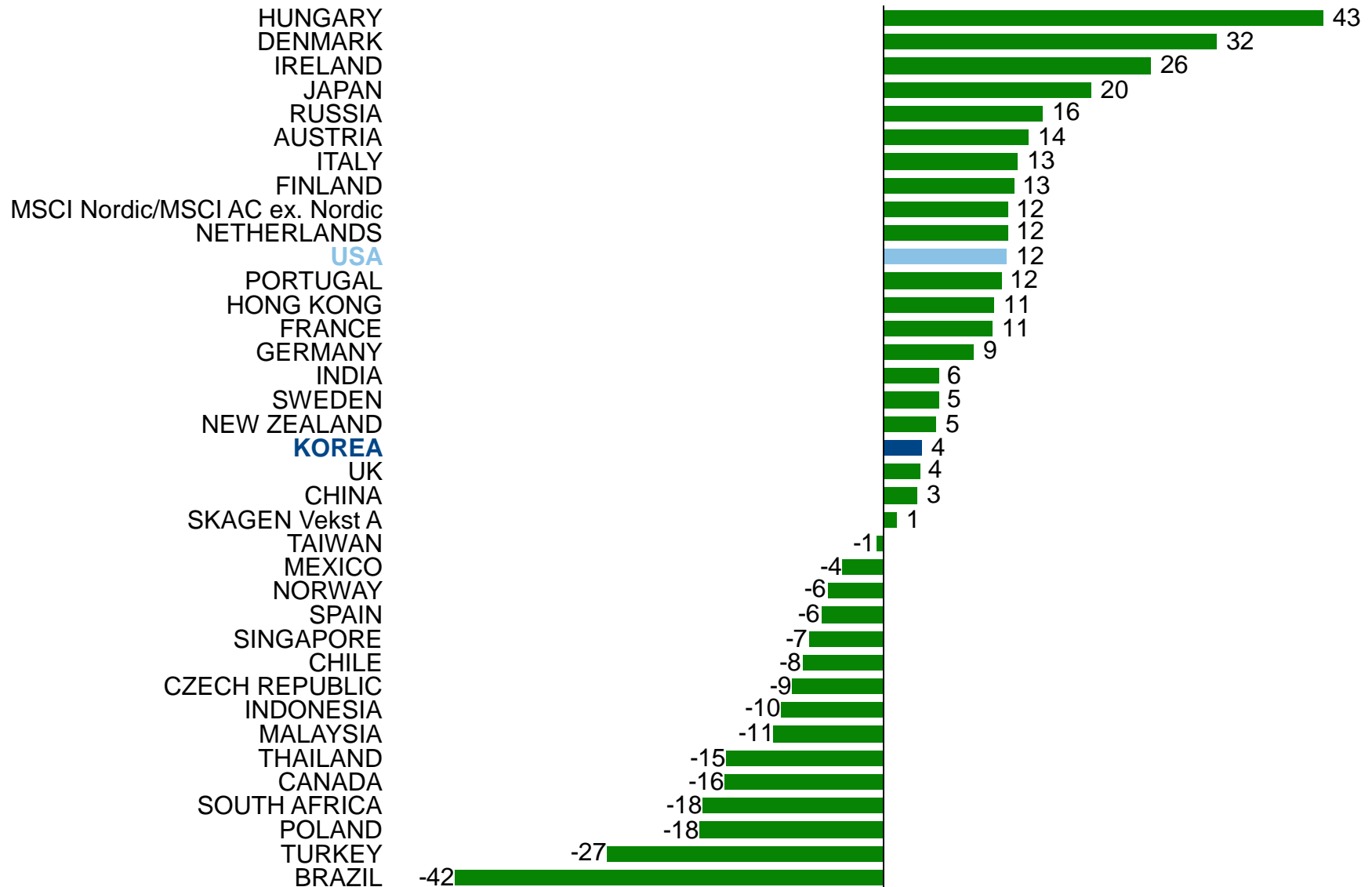
1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 YTD
2015

Note: All returns for periods exceeding 12 months are annualised. Inception date: 1 December 1993. Effective 1/1/2014, the Fund's investment mandate changed from investing a minimum of 50% of its assets in Norway to investing a minimum of 50% of its assets in the Nordic countries. This means that returns prior to the change were achieved under different circumstances than exist today. The Fund's benchmark index prior to 1/1/2014 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). Today the benchmark is an evenly composed index consisting of MSCI Nordic Countries Index and MSCI All Country World

Markets in December in 2015 in EUR (%)



Markets YTD in 2015 in EUR (%)



Largest holdings SKAGEN Vekst, end of November 2015

SKAGEN Vekst has 54% of its portfolio invested in the Nordic countries.



	Weight in portfolio	Price	P/E 2015e	P/E 2016e	P/E 2017e	P/B trailing	Target price
Samsung Electronics	7,5 %	1 091 000	6,9	6,6	6,2	1,0	1 500 000
Continental AG	7,0 %	225	15,5	12,3	10,8	3,7	298
Norsk Hydro	5,9 %	33	16,6	13,3	9,5	0,9	45
Carlsberg	5,7 %	613	17,6	14,0	12,2	2,1	822
Citigroup	5,0 %	52	9,2	8,6	8,0	0,7	78
SAP	5,0 %	73	19,8	17,9	16,9	4,1	92
Norwegian Air Shuttle	4,4 %	324	16,2	8,5	6,5	3,6	500
ABB	4,1 %	153	19,5	14,1	12,2	2,7	230
TeliaSonera	4,0 %	42	10,5	10,5	10,8	1,8	50
Philips	4,0 %	24	19,0	16,8	13,7	1,9	30
Weighted top 10	52,5 %		12,8	10,8	9,5	1,55	37 %
Weighted top 35	92,5 %		12,6	10,3	9,0	1,34	47 %
Benchmark index			17,2	15,7	14,3	2,10	

Earnings estimates are based on net cash earnings when meaningful.
Multiples are calculated using the same method as the index.

Main contributors December 2015

Largest positive contributors

Company	NOK Millions
Norwegian Air Shuttle AS	35
Carlsberg A/S	32
Continental AG	17
SAP SE	14
Nippon Seiki Co Ltd	11
Teliasonera AB	11
Samsung Electronics Co Ltd	11
Strongpoint ASA	10
H Lundbeck A/S	9
Roche Holding AG	9

Largest negative contributors

Company	NOK Millions
Casino Guichard Perrachon SA	-30
Golar LNG Ltd	-17
Lundin Petroleum AB	-17
Koninklijke Philips NV	-16
Volvo AB	-16
Cal-Maine Foods Inc	-14
Citigroup Inc	-10
ABB Ltd	-8
DOF ASA	-8
Rec Silicon ASA	-8

Value Creation MTD (NOK MM): 36

NB: Contribution to absolute return

Main contributors YTD end December 2015

Largest positive contributors

Company	NOK Millions
Continental AG	162
SAP SE	115
Carlsberg A/S	105
Norwegian Air Shuttle AS	98
Samsung Electronics Co Ltd	97
Danske Bank A/S	69
Citigroup Inc	54
Sberbank of Russia	49
Lundin Petroleum AB	40
Medistim ASA	38

Largest negative contributors

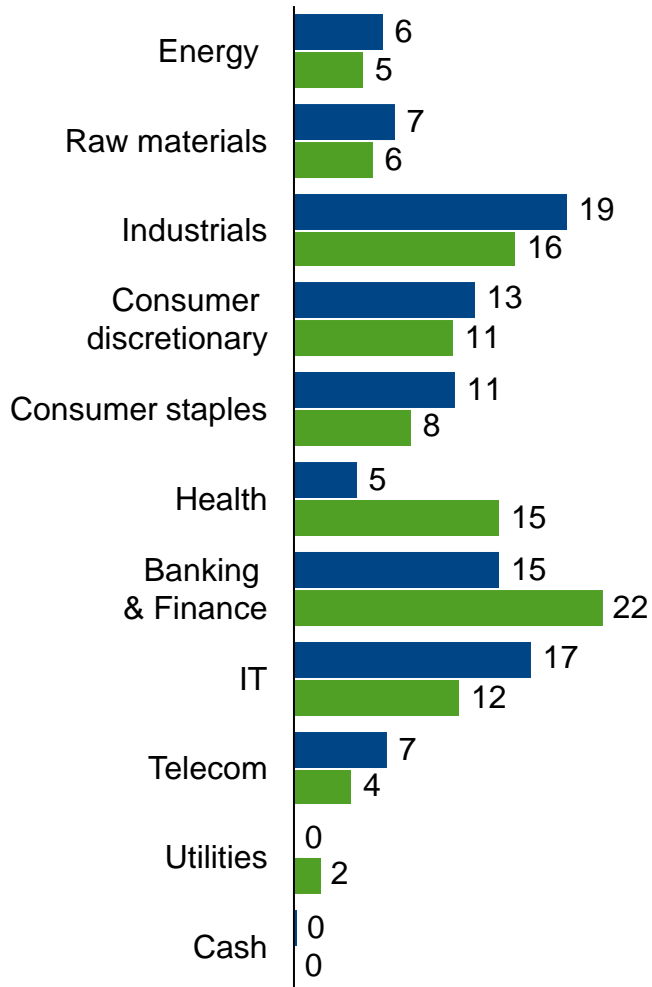
Company	NOK Millions
Norsk Hydro ASA	-118
Solstad Offshore ASA	-111
Casino Guichard Perrachon SA	-91
AirAsia BHD	-77
DOF ASA	-60
Toshiba Corp	-47
Ganger Rolf ASA	-27
Bonheur ASA	-24
Wilh Wilhelmsen Holding ASA	-23
Golar LNG Ltd	-21

Value Creation YTD (NOK MM): 679

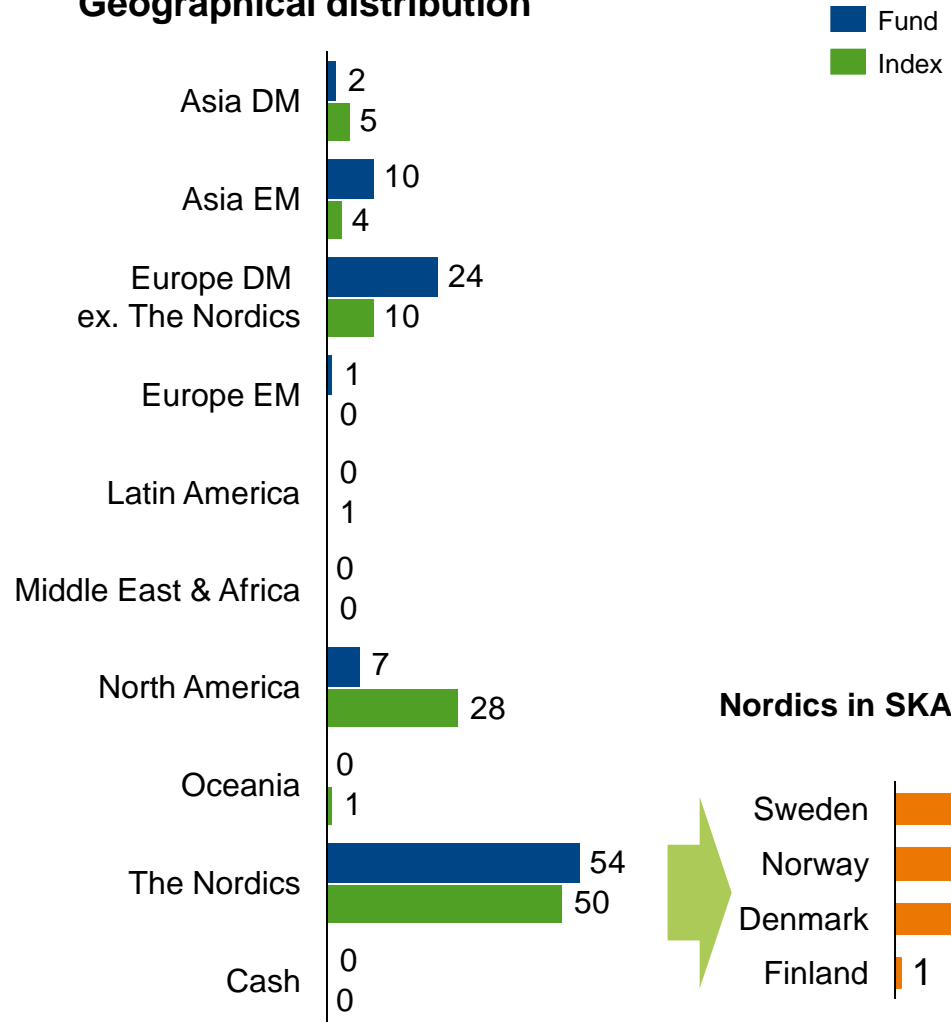
NB: Contribution to absolute return

Sector and geographical distribution vs. index (percent)

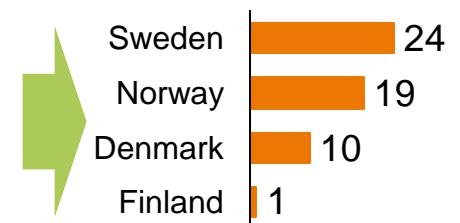
Sector distribution



Geographical distribution



Nordics in SKAGEN Vekst



Most important changes in 2015 (end November)

Holdings increased

Q1	Roche Holding AG	(New)
	Kemira OYJ	(New)
	Frontline 2012 Ltd	(New)
	Danieli & Officine Meccaniche SpA	(New)
Q2	Credit Suisse Group AG	(New)
	Elekta AB	(New)
	Solar A/S	(New)
	H Lundbeck A/S	(New)
	Golden Ocean Group Ltd	(New)
Q3	SKF AB	(New)
	Localiza Rent a Car SA	(New)
Q4	Ericsson B AB	(New)
	Cal-Main Foods	(New)
	Credit Suisse	
	SAP SE	
	Norwegian	
	Nippon Seiki	

Holdings reduced

Q1	Teva Pharmaceutical Industries	(Out)
	Kongsberg Gruppen AS	(Out)
	Getinge AB	(Out)
	Q-Free ASA	(Out)
Q2	Odfjell SE	(Out)
	Toshiba Corp	(Out)
	Nokian Renkaat OYJ	(Out)
	Toto Ltd	(Out)
	Novo Nordisk A/S	(Out)
	Norwegian Finance Holding ASA	(Out)
Q3	Stolt-Nielsen Ltd	(Out)
	Sparebanken Øst	(Out)
	Korean Reinsurance Co	(Out)
	OCI Co Ltd	(Out)
Q4	Royal UNIBREW A/S	(Out)
	Siem Offshore Inc	(Out)
Q4	AirAsia	(Out)
	Danske Bank A/S	
	Elekta	(Out)
	Raiffeisen Bank International	(Out)
	Fjordline AS	(Out)
	EMGS	(Out)
	Kia Motors Corp	

Key buy and sell, December 2015

Key buy

Nippon Seiki

- We added to our position in the Japanese car and MC supplier towards the end of 2015.
- Nippon Seiki is world leader in displays and 'head up displays' (HUD) which continue to be incorporated into more cars around the world.
- Company is fairly unknown to most investors, though with state of the art technology, solid market share and a prudent balance sheet, the company is likely to be of great interest to larger global players in the future.



Key sell

Fjordline

- The Norwegian ferry company sailed out of the portfolio in December as the company was once again refinanced.
- The Norwegian investment company Ferd (Andresen fam.), together with the current major shareholder, announced they would make a strategic investment and at the same time offered existing shareholders the possibility to sell shares at NOK 5.
- SKAGEN Vekst decided to sell our shares as the company is not large or liquid enough to continue to have a place in the fund going forward.



Key earnings releases and corporate news, December 2015

Ericsson
(3.2%)

Patent dispute with Apple settled. Ericsson gets SEK 14bn and approx. USD 3 for each new iPhone and iPad. Trigger released, stock up 7%

Investment thesis update

The Ericsson case is a mixture of self-help to higher profitability, moderate growth in core business and the capitalisation of IPR (intellectual property rights).

Apple and Ericsson met in arbitration court on 15 December and it was expected that Apple would fight into 2016. On 21 Dec they settled for a SEK 14bn payment in 2015 and around USD 3 per Apple mobility device going forward. With an estimated 200m Apple devices sold, Ericsson will get USD 600m in 2016 in royalty payments. This is a high margin, so we need to upwardly adjust our target price. Without the IPR deal, the target price was SEK 110, but it is now SEK 130. Stock trades at SEK 84.

Unpopular: Flat performer since 2002 and management has not optimised cash flow and use of cash, but sell side analysts are 58% buy – same level for years.

Under researched: Not really – analysts had pencilled in some IPR revenue, but not all. It is an important global industry so well covered by tech specialists. Consensus sees net income of SEK16bn in 2015 and it is now SEK 30bn. 2016 estimates also need to be upwardly revised.

Undervalued: Yes – 4% dividend yield, good growth, global franchise with 3 players (2 players in key markets). It is a 15% grower over the next few years and trades at 13x earnings. Nordic market is at 16x earnings for 7% growth.

Fact

Apple IPR settlement. SEK 14bn now and payments going forward on 4G and 5G patents. Samsung and others also pay Ericsson, but less than Apple.



Key earnings releases and corporate news, December 2015 (cont.)

Volvo
(2.8%)

Softer than expected demand in the US.

Investment case update

Swedish headquartered truck manufacturer Volvo's share price has underperformed lately due to weakness in the US market. Slowing freight and the fact that many carriers have renewed their fleets over the past few years make them reluctant to order more trucks. On top of that, the unsold truck inventories are piling up. Volvo is responding promptly and cutting 1 of 4 employees at their Virginia plant (which basically makes all Volvo trucks sold in the US). The weaker than expected volumes in the US do not change the basic investment thesis that Volvo overtime will improve margins and is thus undervalued. However, no volumes – no money; so we need to see a pick-up in volumes for the stock to work.

Unpopular: Mixed view among investors, 80% of sell side analysts have hold-sell

Under-researched: No, stock covered by 28 analysts, but short-term horizon fails to capture long-term value of the company

Undervalued: Play on recovery in trucking volumes and margin improvement which could give FCF SEK10/share. TP 130/share (50% upside)

Fact

Volvo Trucks North America has confirmed that it will be reducing production of several truck lines and will therefore be laying off 1 in 4 workers at its Dublin WA plants beginning in February of next year. In November ACT class 8 net orders (US heavy truck market) were down 60% YoY (from very high levels) and came in at the lowest level since August 2010 on a seasonally adjusted basis).

Key earnings releases and corporate news, December 2015 (cont.)

Kia Motors
(2.2%)

Strong sales in November.

Investment case update

Kia Motors' share price appreciation of 35% since July was justified by a sharp turn in sales (helped by more favourable taxes, a weaker won and VW scandal). The company now has an impressive market share of more than 35% in Korea and the sales mix with more SUVs should be supportive for margins going forward. Its new factory in Mexico (which will boost overseas production by 300k cars) will make Kia less sensitive to potential Korean strikes. If we assume that Kia can improve cash flow to between KRW 2-3trl (it was KRW 3trl in 2010) by 2017/2018, then it is easy to argue a market cap of at least KRW 24trl, which gives a target price of KRW 60k/share (10% upside).

Unpopular: No, 90% of analysts have buy recommendation (although conviction of some of these recommendations is arguable).

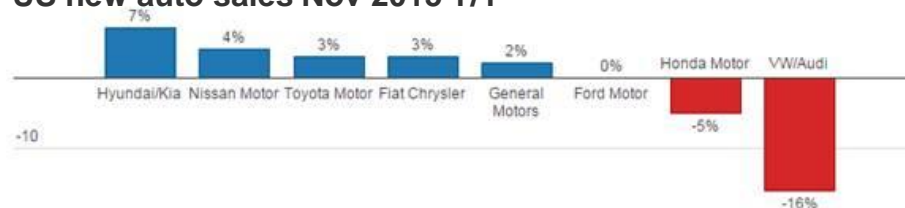
Under-researched: No, 43 analysts covering the stock including bulge bracket internationals

Undervalued: Trades at P/E 7x16 which is in line with historical average and on a par with GM in the US. Valuation discount to German peers (which trade at 10-11x) is validated by higher yield and better brand (although this is questionable when it comes to VW at the moment). However, two reasons why shares may trade on higher valuation going forward 1) improved cash flow as business matures 2) improved corporate governance.

Facts

Kia Motors' total shipments increased 6.8% YoY to 286,303 vehicles. Domestic shipments (high margin) jumped 12.4% YoY for a market share of 35.3%. The domestic sales mix was favourable as SUVs grew 30% versus passenger cars which grew 7%.

US new auto sales Nov 2015 Y/Y



Key earnings releases and corporate news, December 2015 (cont.)

Lundbeck
(0.9%)

Potential US approval of extended use of Brintellix anti-depression drug. Approval would increase revenue potential significantly.

Investment case update

Lundbeck is a Danish central nervous system drug company and the investment thesis is built around two things happening over the next few years: 1) they improve profitability and 2) focus on the core and leverage the drug portfolio in a global footprint.



The FDA (US drug approval authority) will decide if Brintellix gets additional labelling for treatment of severe depression or so-called clinical depression. People suffering from severe depression have problems functioning and consequently do not work. In the US such a mental condition is not seen as medical treatment area, but Lundbeck will in February 2016 try to convince FDA it should be. 17% or 55m of the US population experience depression at some point during their life, usually between their late 20s and early 60s, so the pharma economics are very compelling as the drug usage is USD 5000 per year per patient. If Brintellix is approved for additional usage it is a solid move in the right direction for Lundbeck as revenue estimates could almost double from DKK 3bn now to almost twice that in 2018 .

Unpopular: no – the actions taken by the CEO only 5 months into the job have made the stock jump 75% and the sell-side community is in 'I saw it first' mode. Big global drug funds have also moved in.

Under-researched: no – 10 experienced analysts follows the company, but not a single one had foreseen the significant corporate makeover. Before the 3Q report there was still scepticism, but it should now start to wane.

Undervalued: On 2015-16 numbers it look expensive. However, on 2017 and onwards numbers it looks cheap and indeed very cheap if they manage to come up with even more high efficiency anti-depression drugs. It is a DKK 40bn market cap company, so tiny from a global drug stock perspective.

Facts

Brintellix to seek approval for use for treatment for severe depression. 55m Americans suffer from depression at some point in their lifetime and the ratio in the population is increasing. Brintellix is the best drug to prevent depression from developing further and it is estimated to be 15-20% better than the second best anti-depression drug. Current estimate for Brintellix 2018 sales is DKK 3bn and this does not include extended use in the US.

The largest companies in SKAGEN Vekst



Samsung Electronics, the Korean electronics group, has enjoyed very solid growth in consumer electronics, especially smartphones. Pole position in global semiconductor market. Cash generation is very strong and the company has historically wisely invested in new business areas – solar power and healthcare are on the roadmap for the future.



Continental AG produces tyres for cars and trucks and makes auto technology such as power trains, safety systems and automated drive systems. The replacement cycle for tyres is becoming stretched in some markets, so near-term earnings look promising. In the longer-term Continental's pole position in global auto technology provides a good backdrop for substantial growth.



Norsk Hydro ASA is a Norwegian aluminium and renewable energy company headquartered in Oslo. Norsk Hydro is one of the largest aluminium companies worldwide. It has operations in some 50 countries around the world and is active on all continents. The Norwegian state holds a 34.3% ownership interest in the company, which employs approximately 13,000 people.



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.



Citigroup Inc. or Citi is an American multinational banking and financial services corporation headquartered in Manhattan, New York City. Citigroup was formed from one of the world's largest mergers in history by combining the banking giant Citicorp and financial conglomerate Travelers Group in October 1998.

The largest companies in SKAGEN Vekst (continued)



SAP SE is a German multinational software corporation that makes enterprise software to manage business operations and customer relations. SAP is headquartered in Walldorf, Baden-Württemberg, with regional offices in 130 countries.



Norwegian Air Shuttle is the leading Nordic-based low cost airline, which in 2015 expect to fly over 26m passengers. The fleet of airliners and the route network are growing rapidly proving the concept of Norwegian local low cost airline, to Nordic, to European and to Global reach.



ABB is a multinational corporation headquartered in Zurich, Switzerland, operating mainly in robotics and the power and automation technology areas. ABB is one of the largest engineering companies as well as one of the largest conglomerates in the world. ABB has operations in around 100 countries, with approximately 150,000 employees.



Swedish/Finnish incumbent telecom operator offering services primarily in the Nordic region. History goes back to 1853 as the Royal Swedish Electrical Telegraph. The company is Europe's fifth largest telecom operator and offers services across Eurasia, including stakes in mobile phone operators in Turkey and Russia.



Koninklijke Philips N.V. is a Dutch diversified technology company headquartered in Amsterdam with primary divisions focused in the areas of electronics, healthcare and lighting. In 2016 it is expected to list their lighting division in a separate company.

For more information please visit:

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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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