

Beach cyclists, 1894. De la II. By Einar Hein, one of the Skagen painters. This image belongs to the Skagens Museum.



# SKAGEN Vekst

## Statusrapport – oktober 2015

Kunsten å bruke sunn fornuft

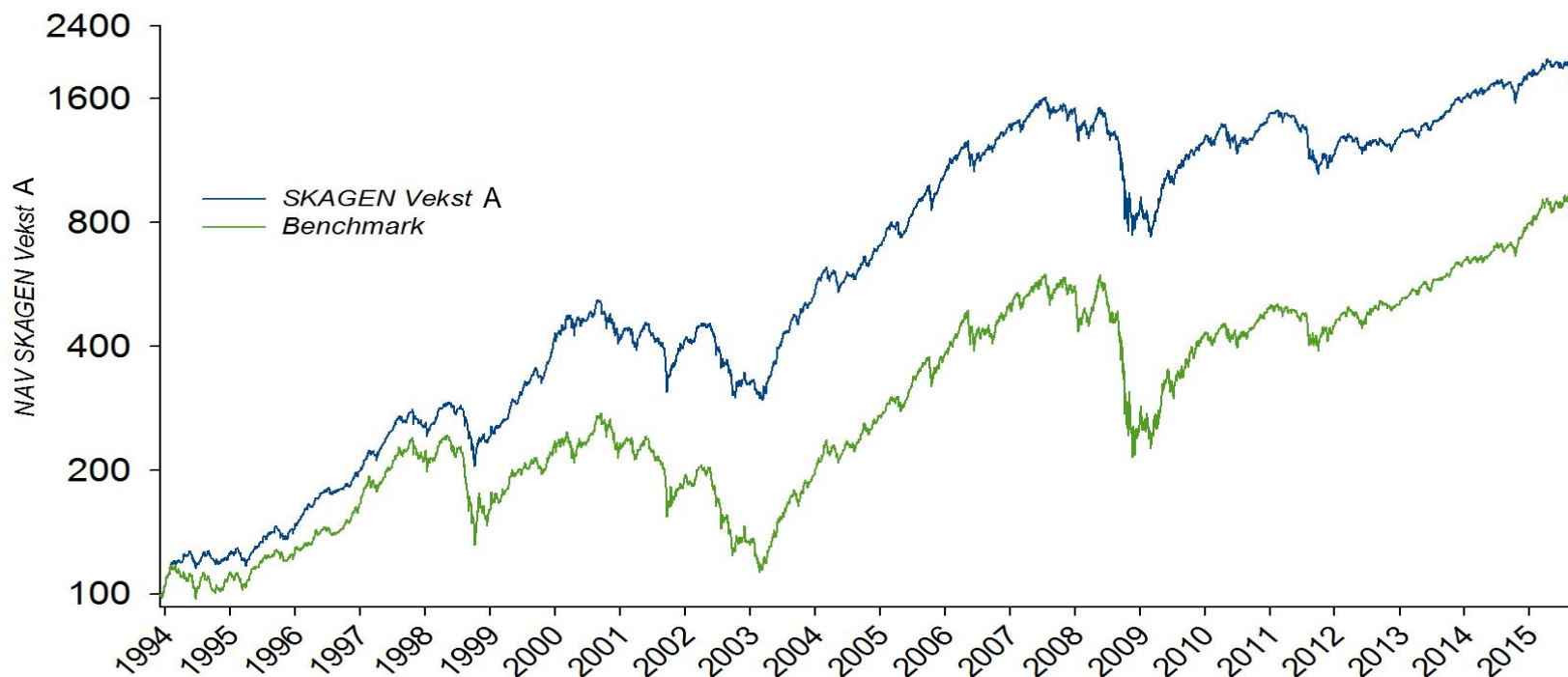


# Hovedtrekk – oktober 2015

- Oktober ble en sterk måned både i absolutte og relative termer. SKAGEN Vekst\* steg med hele 7,4 prosent , noe som var 1,6 prosentpoeng bedre enn referanseindeksen som steg med 5,8 prosent.
- De beste bidragsyterne i oktober var Samsung Electronics, SAP og Continental, mens Danske Bank, Norwegian og Teliasonera bidro på den negative siden.
- Samsung rapporterte tall som var bedre enn forventet, men særlig meldingen fra selskapet om økt aksjonærfokus gjennom høyere utbytte og tilbakekjøp av aksjer gjorde sitt til at aksjen løftet seg hele 30 prosent i løpet av måneden. SAP sine gode aksjekursutvikling i oktober tilskriver vi i hovedsak at forflytningen av kunder inn i den digitale “skyen” går bedre og raskere enn det markedet hadde forventet.
- SKAGEN Vekst økte beholdningen i SAP, Credit Suisse og Volvo. Vi reduserte noe i Danske Bank og Elekta, mens Raiffeisen Bank International ble solgt helt ut av porteføljen.
- I oktober måned fikk vi se effekten av vår langsiktige og noen ganger kontrære verdi-investering. Solide positive bidrag fra gamle kjenninger i porteføljen kombinert med en høyere konsentrasjon ga god avkastning. Med 90 prosent av porteføljen konsentrert på de 35 største innehav føler vi oss komfortable på at SKAGEN Vekst vil levere god absolutt avkastning i tiden fremover.

\* Om ikke annet er sagt er alle avkastningstall i rapporten for klasse A etter honorarer.

# Avkastning, oktober 2015

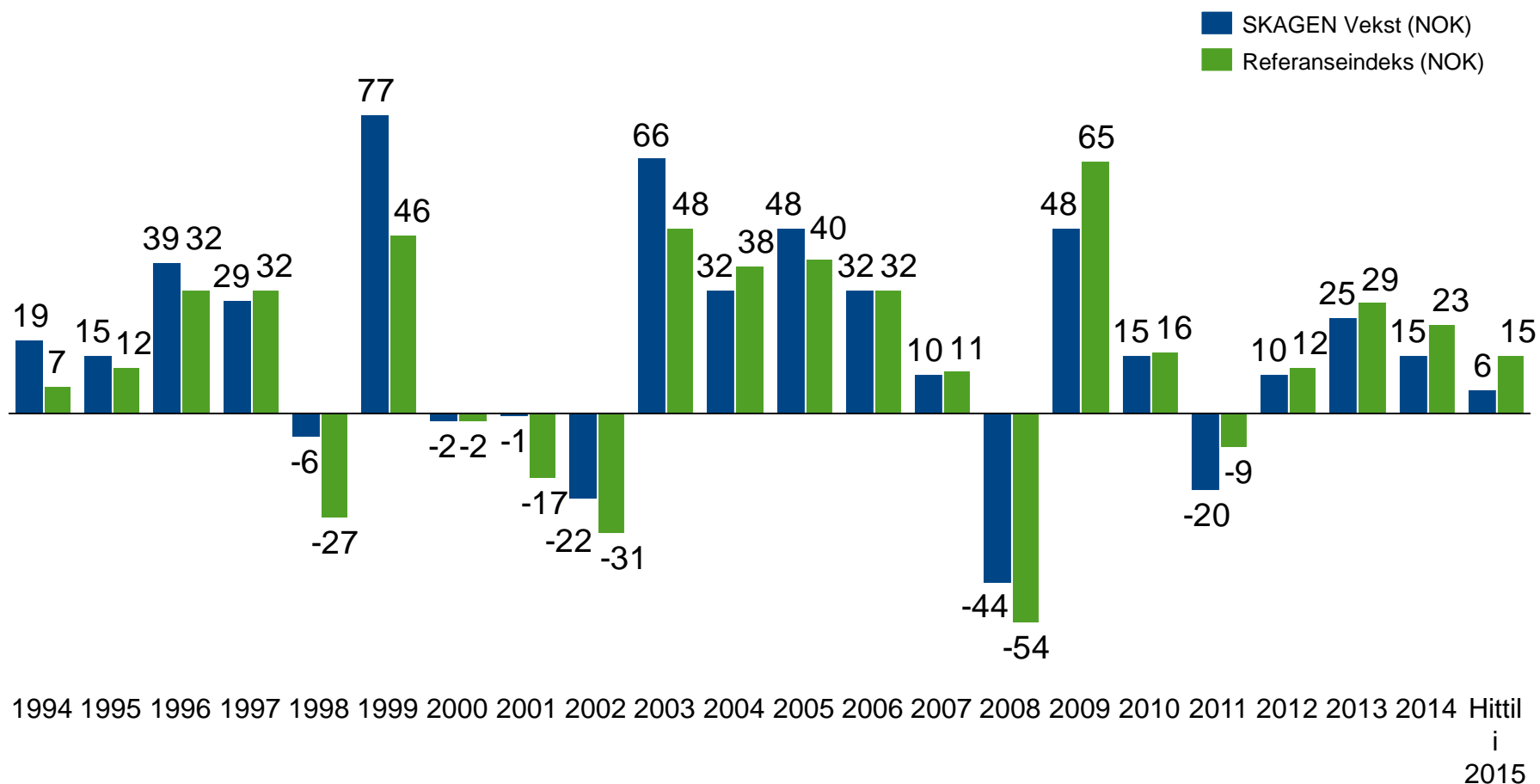


	Oktober	4. kvartal	Hittil i år	1 år	3 år	5 år	10 år	Siden start*
SKAGEN Vekst A	7,4%	7,4%	6,2%	13,1%	16,8%	7,8%	7,9%	14,6%
Referanseindeks*	5,8%	5,8%	15,0%	24,7%	22,3%	14,5%	10,2%	10,6%
Relativ avkastning	1,6%	1,6%	-8,8%	-11,6%	-5,5%	-6,6%	-2,3%	3,9%

Note: Alle avkastningstall ut over 12 måneder er annualisert (geometrisk avkastning). \*Startdato: 1 desember 1993.

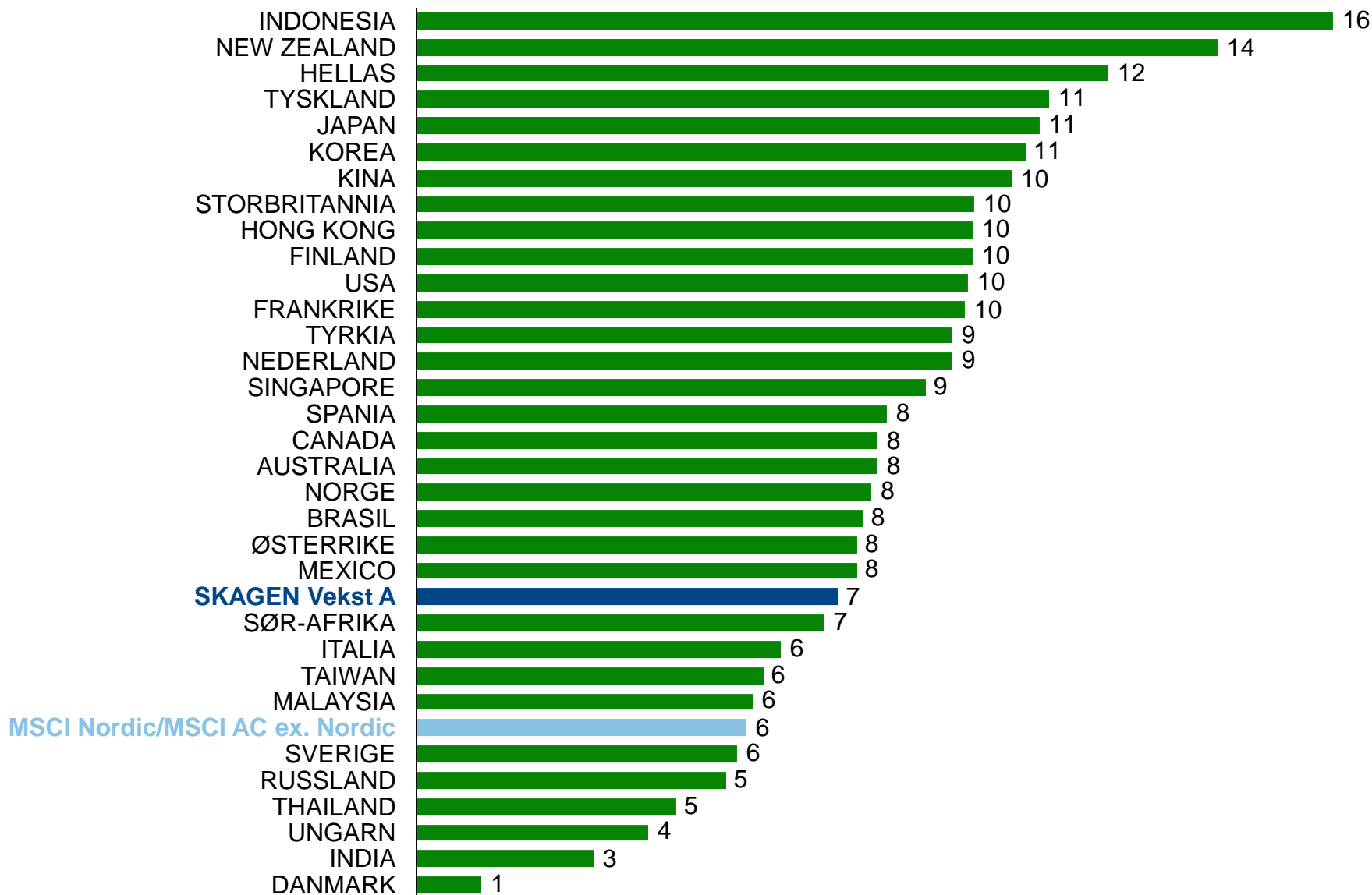
\*\*Fondets investeringsmandat ble endret med virkning fra 01.01.2014 fra at fondet investerte minst 50 % av sine midler i Norge til at fondet investerer minst 50 % av sine midler i Norden. Tilsvarende ble fondets referanseindeks endret fra en likt sammensatt referanseindeks av Oslo Børs Hovedindeks (OSEBX) og MSCI All Country World til en likt sammensatt referanseindeks av MSCI Nordic Countries IMI Index og MSCI All Country World Index ex Nordic Countries. Referanseindeks før 01.01.2010 var Oslo Børs Hovedindeks (OSEBX).

# Årlig avkastning siden start\* (%)

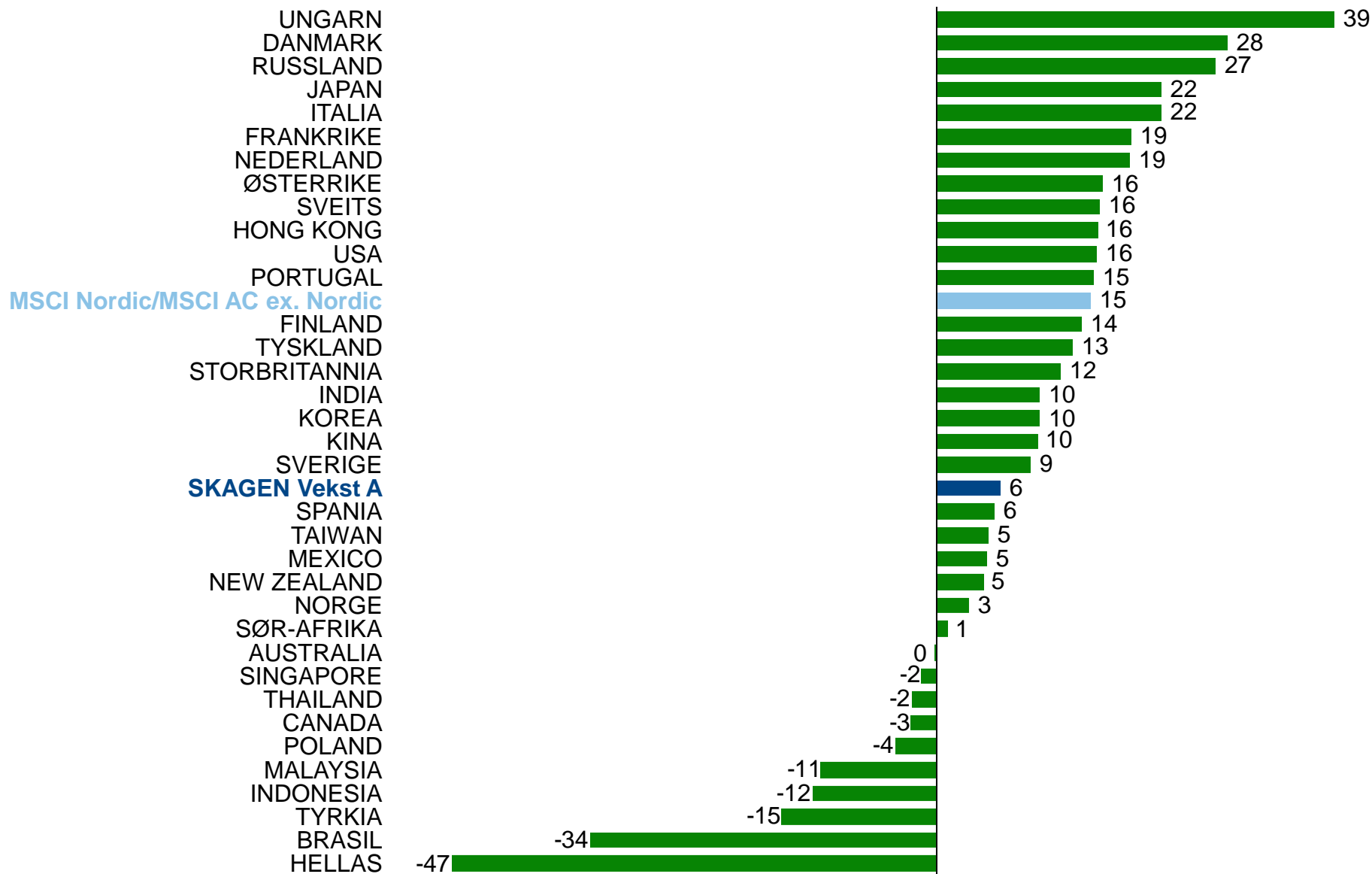


Note: Alle avkastningstall ut over 12 måneder er annualisert (geometrisk avkastning). \*Startdato: 01.12.1993.  
 \*\*Fondets investeringsmandat ble endret med virkning fra 01.01.2014 fra at fondet investerte minst 50 % av sine midler i Norge til at fondet investerer minst 50 % av sine midler i Norden. Tilsvarende ble fondets referanseindeks endret fra en likt sammensatt referanseindeks av Oslo Børs Hovedindeks (OSEBX) og MSCI All Country World til en likt sammensatt referanseindeks av MSCI Nordic Countries IMI Index og MSCI All Country World Index ex Nordic Countries. Referanseindeks før 01.01.2010 var Oslo Børs Hovedindeks (OSEBX).

# Markedsutvikling i oktober i NOK (%)



# Markedsutvikling hittil i 2015 i NOK (%)



# Største beholdninger i SKAGEN Vekst, ultimo oktober 2015

SKAGEN Vekst har 51 % investert i de nordiske landene



	Posisjonens størrelse	Pris	P/E 2015e	P/E 2016e	P/E 2017e	P/B trailing	Kurs mål
Samsung Electronics	8,2 %	1 195 000	7,5	7,2	6,7	1,1	1 500 000
Continental AG	6,6 %	218	14,3	11,9	10,5	3,6	298
Citigroup	5,4 %	53	8,4	8,2	7,5	0,8	77
Norsk Hydro	5,4 %	30	12,2	10,2	8,7	0,8	45
SAP	5,2 %	72	21,6	19,1	18,0	4,5	91
Carlsberg	5,0 %	556	15,9	12,7	11,1	1,6	822
Teliasonera AB	4,3 %	44	10,9	10,9	11,2	1,7	60
ABB	4,0 %	160	14,4	10,7	9,4	3,0	250
Philips	4,0 %	25	20,5	17,6	12,3	2,1	30
Norwegian Air Shuttle	3,8 %	312	13,6	8,2	6,2	4,6	500
<b>Vektet topp 10</b>	<b>52,1 %</b>		<b>12,0</b>	<b>10,4</b>	<b>9,2</b>	<b>1,53</b>	<b>39 %</b>
<b>Vektet topp 35</b>	<b>90,0 %</b>		<b>11,9</b>	<b>10,4</b>	<b>9,0</b>	<b>1,24</b>	<b>51 %</b>
<b>Referanseindeks</b>			<b>16,4</b>	<b>15,3</b>	<b>13,9</b>	<b>2,10</b>	

# Største bidragsytere i oktober 2015

## Største positive bidragsytere

Selskap	NOK millioner
Samsung Electronics Co Ltd	171
SAP SE	74
Continental AG	59
Koninklijke Philips NV	42
Norsk Hydro ASA	31
Citigroup Inc	30
Carlsberg A/S	26
Lundin Petroleum AB	26
Investment AB Kinnevik	22
Wilh Wilhelmsen Holding ASA	19

## Største negative bidragsytere

Selskap	NOK millioner
Danske Bank A/S	-32
Norwegian Air Shuttle AS	-21
Teliasonera AB	-16
Bonheur ASA	-9
Ganger Rolf ASA	-6
DOF ASA	-6
Golden Ocean Group Ltd	-4
Medistim ASA	-4
SKF AB	-3
Sevan Drilling AS	-2

**Total verdiskapning i oktober 2015: NOK 580 millioner**

*Note: Bidrag til absoluttavkastning*



# Største bidragsytere hittil i 2015

## Største positive bidragsytere

Selskap	NOK millioner
Samsung Electronics Co Ltd	136
Continental AG	131
SAP SE	94
Norwegian Air Shuttle AS	85
Danske Bank A/S	65
Carlsberg A/S	50
Citigroup Inc	48
Sberbank of Russia	47
Koninklijke Philips NV	34
Kia Motors Corporation	33

## Største negative bidragsytere

Selskap	NOK millioner
Norsk Hydro ASA	-157
Solstad Offshore ASA	-100
AirAsia BHD	-75
Casino Guichard Perrachon SA	-63
DOF ASA	-56
Toshiba Corp	-47
Ganger Rolf ASA	-19
Siem Offshore Inc	-18
Bonheur ASA	-18
Electromagnetic GeoServices AS	-17

**Total verdiskapning hittil i 2015: NOK 569 millioner**

*Note: Bidrag til absoluttavkastning*

# Viktigste endringer hittil i 2015

## Økte poster

## Reduserte poster

Økte poster		Reduserte poster	
<b>Q1</b>	Roche Holding AG (Ny) Kemira OYJ (Ny) Frontline 2012 Ltd (Ny) Danieli & Officine Meccaniche SpA (Ny)	<b>Q1</b>	Teva Pharmaceutical Industries (Ut) Kongsberg Gruppen AS (Ut) Getinge AB (Ut) Q-Free ASA (Ut) Odfjell SE (Ut)
<b>Q2</b>	Credit Suisse Group AG (Ny) Elekta AB (Ny) Solar A/S (Ny) H Lundbeck A/S (Ny) Golden Ocean Group Ltd (Ny)	<b>Q2</b>	Toshiba Corp (Ut) Nokian Renkaat OYJ (Ut) Toto Ltd (Ut) Novo Nordisk A/S (Ut) Norwegian Finance Holding ASA (Ut) Stolt-Nielsen Ltd (Ut) Sparebanken Ost (Ut)
<b>Q3</b>	SKF AB (Ny) Localiza Rent a Car SA (Ny)	<b>Q3</b>	Korean Reinsurance Co (Ut) OCI Co Ltd (Ut) Royal UNIBREW A/S (Ut) Siem Offshore Inc (Ut)
<b>Q4</b>	SAP SE Credit Suisse Group AG	<b>Q4</b>	Raiffeisen Bank International AG (Ut) Danske Bank A/S

# Kjøp og salg, oktober 2015

## Kjøp

### SAP

- Markedet generelt hadde retning syddøst i september og tidlig oktober. Dette gjorde seg også gjeldene for SAP, noe vi benyttet til å øke vår posisjon.
- SAP har vært en del av Vekst siden 2012. Vi anser fortsatt deres posisjon til å være ledende innenfor dataanalyse og forretningssystemer.
- Etter flere møter med ledelsen i selskapet de siste månedene, er det vår oppfatning at overføring av kunder til "sky-basert" modell over tid ha samme lønnsomhetsnivå med tradisjonell virksomhet. SAP er på god vei, men det vil enda ta noe tid før vi ser dette på bunnlinjen.



## Salg

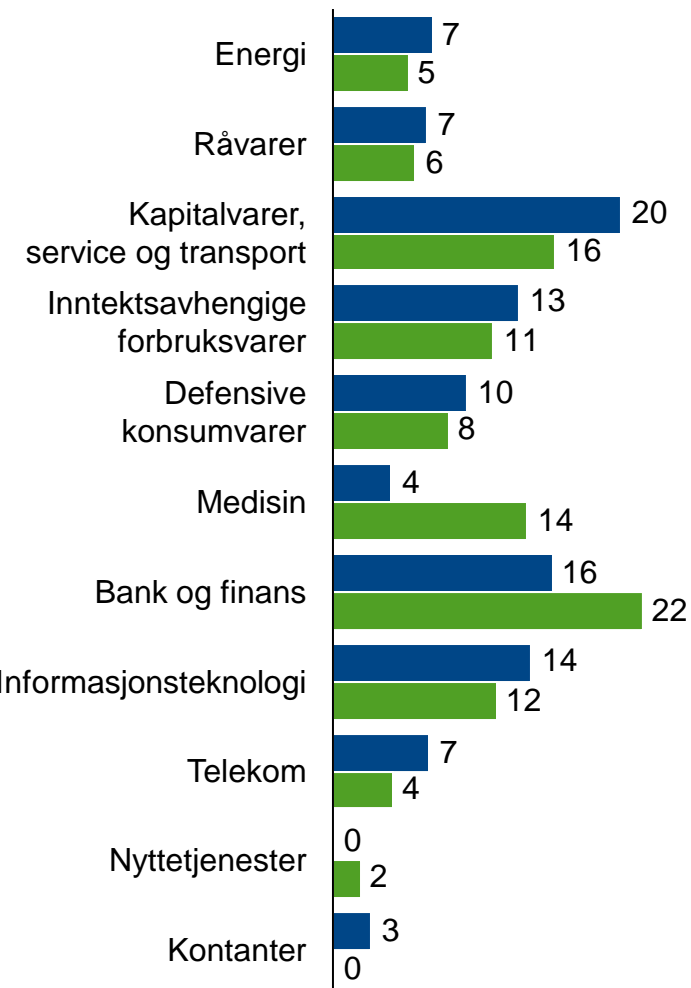
### Danske Bank

- Danske Bank ble en betydelig investering i SKAGEN Vekst mot slutten av 2012.
- Selskapet har kuttet kostnader og redusert tap på utlån.
- Fremover tror vi det vil bli mindre vekst, men at lønnsomheten vil holde seg god og stabil.
- Banken er godt kapitalisert, ergo tror vi at vi vil se høye utbytter kombinert med tilbakekjøp av aksjer.
- Mye av dette anser vi begynner å bli priset inn i aksjen, og da vi stadig søker å finne investeringer som genererer mer enn 15 prosent pro anno, valgte vi å redusere posten noe.

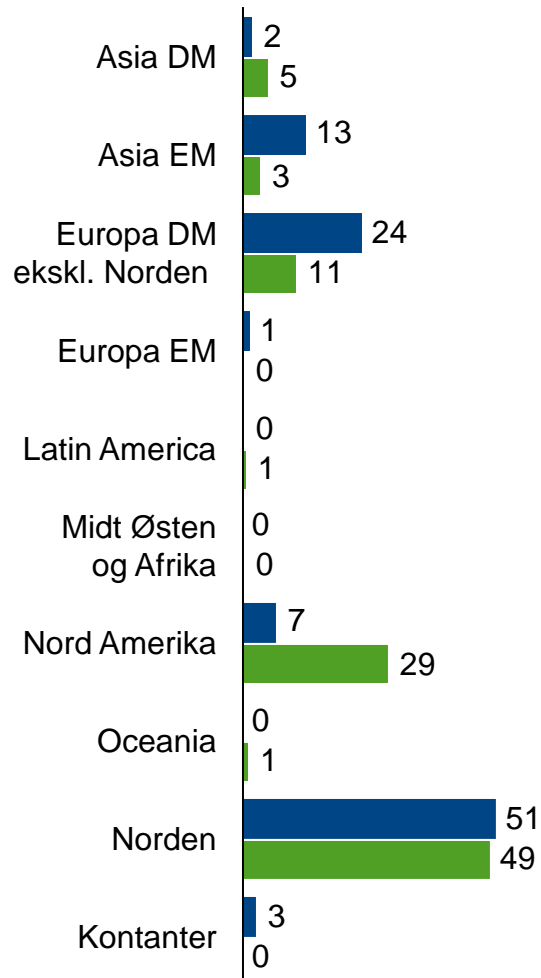


# Sektor og geografisk fordeling versus referanseindeks (%)

## Sektorfordeling

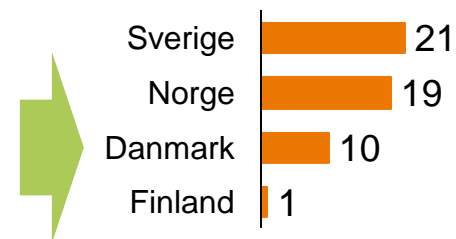


## Geografisk fordeling



■ Fond  
■ Indeks

## Norden i SKAGEN Vekst



# Nyheter og annet om porteføljeselskaper - på engelsk



# Key earnings releases and corporate news, October 2015

Samsung  
(8,2%)

## Samsung pref

### All about shareholder returns

#### Investment case update

Positive. Samsung just went from 1-2% shareholder return pa to 6-8% (more for the pref) with potential of quarterly dividends. This should help shares rerate towards intrinsic value. Numbers are good and show good cost control and improved mix between divisions. However, telecom margins to see further pressure as internal mix (more low cost phones) hits the books in 2016.

As increased shareholder distribution was part of the original investment thesis and we keep target price of KRW 1,5m which imply 9x 2018.

#### 3U update

**Unpopular:** No, with 86% buy but in a Korean context this is not extremely popular.

**Under-researched:** No, not with 55 sell-side analysts covering the company. However, mobile sentiment (losing ground to apple) overshadows everything.

**Undervalued:** Yes. Pref trade below book at a P/e well below 7x going forward. Company is net cash and may return more than 6% to shareholders next 12 months.

#### Case update details

3Q15 ebit KRW 7.39tr (+82% Y/Y and +7% Q/Q). Group margin 14.3% 10 bps higher than Q215 as consumer electronics and displays improved substantially whereas both semi and telecom had lower margins sequentially. However, semis (50% of ebit) margin 28.6% impressive given market challenges. Telecom (33% of ebit) margin 9,0% was 160bps lower than Q215 as co cleared out inventory.

Samsung announced that it intends to distribute 30-50% of FCF through dividend and share buyback for 2015-2017 with a priority to dividend (keeping it at least flat) with the balance to buybacks. Note, on top of this sustainable distribution plan comes an immediate buyback program of KRW 11.3tr (USD 10bn) or c6.3% of shares outstanding with shares acquired to be cancelled as opposed to previous buybacks which were added to treasury shares (they hold 21.2m treasury shares today equal to 12.5% of share count). Samsung will buyback an proportionally high share of preference shares as the company said “they are cheaper” and will do so as long as the preference shares “are trading at steeper discount than 10%”.

# Key earnings releases and corporate news, October 2015

Citigroup  
(5,4%)

## Citigroup

Flattish topline and 36% growth in net income as cost reductions of organization works out

### Investment case update

Our investment thesis of cost cutting potential and other optimization processes is folding out nicely. When we entered into the investment Citi was perceived as a poorly managed global bank with lots of hangovers from before the financial crisis in 2008. In 2015 the clean-up process is clearly showing its impact. 2015 and 2016 earnings goes into the capital buffer, but as Citi is well capitalized and don't need the additional cash its communicated intention is to send it back to shareholders. There's still sick assets on the balance sheet (Citi Holding) and litigation cases to be settled, but the current operating performance should mitigate those concerns.

**Unpopular:** all global banks are disliked due to past behavior and complex 3-400 page annual reports few understand. Citigroup sell side analyst have become more positive in recent months, however this is of little concern as the valuation do not show signs of Citi being popular

**Under analyzed:** keep it simple – sell sides spend lots of time on the details in the bank, but it's the same analysts that didn't see the financial crisis. 2017 estimates are 15% below what we can analyze using simple assumptions on revenue streams (flat), costs (down) and loan loss ratio (slightly down)

**Undervalued:** At 161bn \$ market cap Citi is an elephant stock. However, its equity of 206bn \$ with 10% ROE (and improving) combined with 15bn \$ potential pay-out per year makes the elephant very attractive. Price is 53\$ and assuming our analysis is correct then a fair price book for a 10% ROE machine with 7% return requirement (market is 6%) gives us a fair value of 90 \$ (270bn \$) plus dividends on route.

### Summary

Citi reported 3Q15 numbers. Revenues in core bank was down 8% to 18.5bn \$, operating expenses in core was down 7% to 10.2bn \$ and loan losses 21% lower to 1.7bn \$ or equivalent to 102bp annualized of the loan book. All in and net income grew 36% and 38% growth in eps. ROE tangible book was 10.0% and capital buffer was upped 14bn \$ and now equally 11.6% of risk weighted assets.

Total assets was down 4% to 1.818bn \$ and to large extent driven by Citi Holding (garbage can) with 27bn \$ lower assets to 110bn \$. Aprx half of Citi Holding is North American mortgage bonds leftovers from the subprime party before 2008. The bright spots in the report is lower operating costs, control of Citi Holdings, lower loan losses and lower taxes due to utilization of tax loss carry forwards

Loan growth was 5% to 567bn \$ and deposit growth 4% to 897bn \$ so very overfunded from that source.

# Key earnings releases and corporate news, October 2015

Danske Bank  
(2,9%)

## Danske Bank

**Pressure on revenues, lower costs, loan loss reversals and well capitalized – looks like dead money for 2016**

### Investment case

Danske Bank investment thesis is a story of how a historical good bank lost track and did silly banking business in period prior to 2008 financial turmoil. Several years with hangovers and CEO and Board changes and now the bank is back to where it used to be.

Performance update shows headwinds for Danske just as we have seen from Nordic peers. Lower revenues hit net income despite good progress on cost cutting and loan loss reversals. Tier 1 capital ratio is 15.7%, so 1.7%-point above the SiFi level.

Doing a bit of stress testing based on the latest sequence of quarters the conclusion is that Danske stock price is not going much higher before revenue improve. Dividends and stock-buy backs worth 15bn DKK are likely for 2016, so down-side risk is also moderate for the 188bn market cap company

### 3U update

**Unpopular:** No – when we bought into the stock in size it was hated by media and analysts. After a good transformation over the last 3 years it's liked and analysts see 20% upside.

**Under analyzed:** no – 33 analysts and some very competent ones.

**Undervalued:** neutral value. Dividend machine produce 8-9% per year, which limit the downside. Upside with moderate revenue growth and good profitability is however also moderate.

### Facts

3Q report showed lower revenues from net interest income, fee income and trading. Costs were down and loan losses reversed. Net income 3.9bn DKK vs consensus expectation of 4.1bn DKK. Sufficient capital of 15.7% tier 1.



# Key earnings releases and corporate news, October 2015

**Tribona AB**  
**(1,5%)**

## **Tribona AB**

### **Bid from Catena AB, Vekst preliminary accepted**

#### **Investment case implications**

Positive, the bid from Catena opens up the possibilities for further value creation and fairer solution for all shareholders. With the proposed swap at the trading date of 375 new Catena shares per 1000 TRI shares (equal to 45 SEK) or a 42 SEK cash offer the risk reward is a fair outcome. With the increased bid Vekst decided to accept the share offer as an possibility to be part of an continued value creation in the Nordic logistic property section. The new company will roughly double in size and have a much better potential to create value and shareholder return going forwards. New company should have better client diversification, stronger impact zone (southern Sweden) and attract more investors (better disclosure and liquidity). Bid expected to close settle in Q1 2015.

#### **3U Update**

**Unpopular:** No, 2 out of 3 analyst have buy. All coverage has come over the last 6 months.

**Under-researched:** No, though lack of disclosure and continued deteriorating NAV have scared away volume – special situation by institutional owners

**Undervalued:** Yes, being one of the property companies with the lowest debt and one of two fairly pure logistic companies the company should warrant a price tag closer to 50 SEK a couple of years out if they are able to revamp their yield up to 7% and improve vacancy rate (up to historic 95+%).

#### **Summary**

Catena AB has today announced a public offer to the shareholders of Tribona AB to transfer all its shares in the Company to Catena for a consideration of SEK 42 in cash per share in Tribona, alternatively; a consideration of issued shares in Catena, corresponding to a value of SEK 45 per share in Tribona. The total value of the Offer has by Catena been assessed to approximately SEK 2,133 million for all shares in the Company.

# The largest companies in SKAGEN Vekst

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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.

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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.

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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.

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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.

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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.

## The largest companies in SKAGEN Vekst (continued)

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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.

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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.

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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.

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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.

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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.

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For mer informasjon, vennligst se:  
**Siste Markedsrapport**  
**Informasjon om SKAGEN Vekst på våre nettsider**

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