SKAGEN funds

Annual Report **2011**

PORTFOLIO MANAGERS' REPORT PAGE 24:

Synchronised markets

Rarely have so many asset classes fluctuated as much – and in such a coordinated manner. And never before have government finances in the euro countries received as much attention from investors. Emerging markets once again suffered the effects of the flight to safety, which made 2011 a poor year for us.

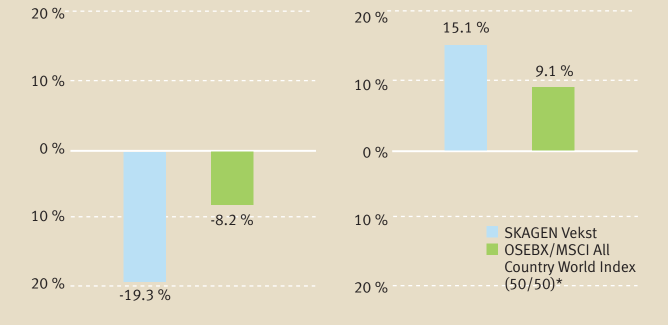
Year of unrest

2011 was dominated by dramatic events and a great deal of uncertainty. This had a negative impact on SKAGEN's funds, and SKAGEN Kon-Tiki was the only equity fund that outperformed its benchmark index. SKAGEN Tellus and SKAGEN Avkastning did not manage to deliver excess returns in a crisis-ridden fixed income and bond market.

SKAGEN VEKST

Manager: Beate Bredesen **Start:** 1 December 1993

Return 2011 **Average annual return since start**

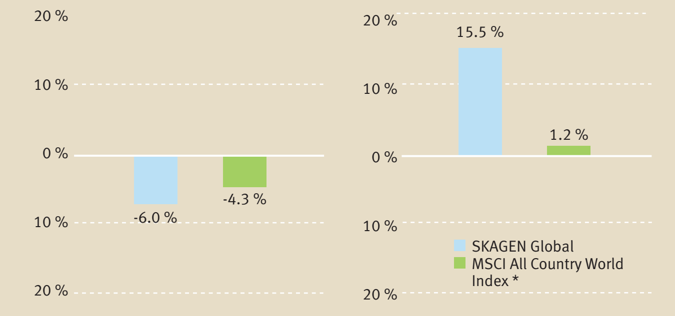


* Before 1.1.2010 the benchmark was Oslo Stock Exchange Benchmark Index

SKAGEN GLOBAL

Manager: Kristian Falnes **Start:** 7 August 1997

Return 2011 **Average annual return since start**

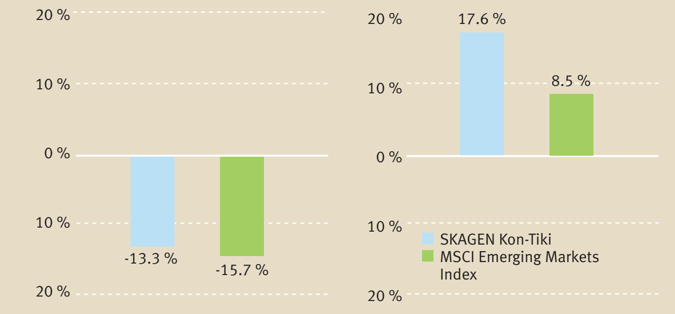


* Before 1.1.2010 the benchmark was MSCI World Index

SKAGEN KON-TIKI

Manager: J. Kristoffer C. Stensrud **Start:** 5 April 2002

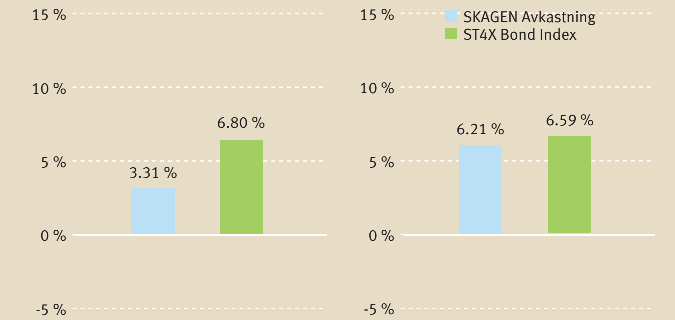
Return 2011 **Average annual return since start**



SKAGEN AVKASTNING

Manager: Jane Tvedt **Start:** 16 September 1994

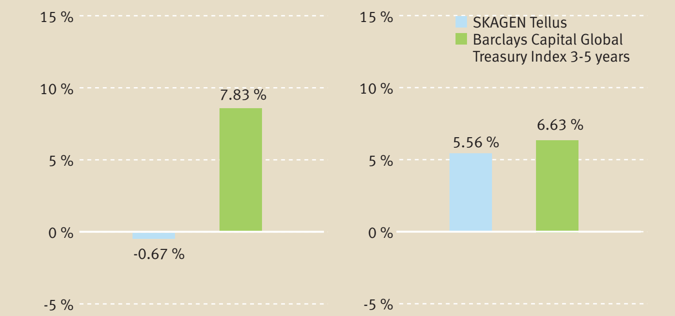
Return 2011 **Average annual return since start**



SKAGEN TELLUS

Manager: Torgeir Høien **Start:** 29 September 2006

Return 2011 **Average annual return since start**



Unless otherwise stated all figures quoted in this report are in euro, except for the Financial Statement and Notes, which are in Norwegian kroner.

SKAGEN Funds only has authorisation to market its money market funds SKAGEN Høyrente and SKAGEN Høyrente Institusjon in Norway and SKAGEN Krona in Sweden. Information regarding these funds is included in the official accounts and audited information hereto. Other information regarding these funds from the Norwegian version of the report has been excluded from this English language publication.

The Annual Report 2011 was originally prepared in Norwegian. This is a translated version that is published with reservations regarding possible errors and omissions as well as erroneous translation. In case of conflict between the Norwegian and the English versions, the Norwegian version shall prevail. The Norwegian version of the Annual Report 2011 is available at www.skagenfondene.no

ANNUAL REPORT 2011

SKAGEN Funds invests in Undervalued, Under-researched and Unpopular companies all over the world. SKAGEN AS was established in Stavanger in 1993 and is one of Norway's leading fund managers.

Postal address:

SKAGEN AS
Postbox 160
4001 Stavanger, Norway

www.skagenfunds.com

Telephone no.: +47 51 21 38 58

Email: contact@skagenfunds.com.

Editorial team:

Parisa Lemaire, editor
Tore Bang, technical editor
Nick Henderson, journalist
Trygve Meyer, journalist
Ole-Christian Tronstad, journalist
Margrethe Vika, journalist
Christian Jessen, journalist
Michael Metzler, journalist

General commercial terms

SKAGEN has updated its general commercial terms. The new commercial terms are available on our web pages. Please contact our Customer Services department to have a copy of the commercial terms sent to you free of charge.

Invitation to electoral meeting

for the mutual funds managed by SKAGEN

We would like to welcome unit holders in SKAGEN Funds to our electoral meeting which will be held at the Stavanger Concert Hall on Wednesday 29 February, from 6pm to 9pm. The electoral meeting will be broadcast live on our Norwegian-language website www.skagenfondene.no so that as many people as possible may follow the proceedings. Please note that the meeting will be held in Norwegian.

Agenda for the electoral meeting:

1. Election of chairperson and two unit holders to sign the minutes
2. Board of directors' annual report
3. Auditors' report
4. Election of one board member to the board of directors of SKAGEN AS
5. Election of one deputy member to the board of directors of SKAGEN AS
6. Election of a member of the nomination committee
7. Questions sent in by unit holders.

The board of directors proposes that Ola Lauritzen be elected to the nomination committee for a term up to 2015.

The nomination committee proposes that Yuhong Jin Hermansen be reelected as a unit holder-elected board member for a term up to 2014. The nomination committee further proposes that Martin Petersson be elected as a unit holder-elected deputy member for a term up to 2014.

Unit holders wishing to nominate other candidates as unit holder-elected board members or deputy members may submit their nominations to legal@skagenfunds.com by 22 February. Please attach a statement of the basis for nomination and the candidate's CV. The nomination committee's proposal and any other nominations will be published on www.skagenfunds.com on 23 February.

Unit holders in funds managed by SKAGEN may place an advance vote for candidates to the positions of unit holder-elected board member and unit holder-elected deputy member between 23 and 27 February. Submit your vote by sending an email to legal@skagenfunds.com.

In the election, unit holders' votes are weighted in accordance with the value of units held. Unit holders may vote by proxy. An approved power of attorney form can be obtained by contacting customer services on +47 51 21 38 58. Please remember to bring identification and a certificate of incorporation if applicable.

A unit holder is entitled to submit questions for discussion at the electoral meeting. Such questions must be submitted in writing at least one week before the electoral meeting. With the exception of the elections, the electoral meeting cannot pass resolutions which are binding for the funds or the management company.

Funds discussion with Einar Lunde

After the formal part of the electoral meeting, Investment director Harald Espedal will talk about the outlook going forward. There will then be a discussion about the funds with the portfolio managers and Investment director Harald Espedal. Unit holders may ask questions either via sms or in person. The funds discussion will be led by the journalist Einar Lunde, previously long-time anchor on the Norwegian NRK news programme.

More information and a registration form can be obtained by contacting customer services on +47 51 21 38 58. The deadline for registration is 28 February. The meeting is open to everyone. Light refreshments will be served.

Best regards
The Board of Directors of SKAGEN AS

Martin Gjelsvik
Chairman of the Board of Directors

TABLE OF CONTENTS

Strangely in step

2011 was the year in which financial markets focused on the major events in the world. We have to go back more than twenty years to find such high correlation in the stock market, as well as between companies and sectors. Stocks rose, and fell, more or less in step.

Some years the markets focus on companies and in others on macroeconomic conditions. 2011 was the second consecutive year dominated by economic issues and with less focus on our metier: Stockpicking based on companies' fundamentals.

We are not pleased with the overall performance in 2011, although there are bright spots in some funds and the long-term returns of the equity funds are good. SKAGEN Global and SKAGEN Vekst delivered both poor absolute returns and underperformed their respective benchmark indices. SKAGEN Kon-Tiki did better than its benchmark and has done so each year since it was launched in 2002. All of the fund returns in 2011 can be found on page 2.

The market focus changed during the year from the uprising and a shift of power in a number of Arabic and North African countries to the earthquake and tsunami in Japan. In the political arena, US politicians played to the gallery in the process of solving the country's economic problems. In Europe the euro crisis, unrest in European banks and an ongoing European recession dominated.

A waiting game

Equities in global emerging markets fell more than those in developed markets in 2011, partly due to a flight to perceived safer investments and countries. We believe, however, that over time the valuation of equities will come to reflect companies' fundamentals. SKAGEN's investment style involves going against major fashions and fads in the market and seeking out investments that are unpopular, undervalued and under-researched. We buy when we believe the discounts in a company to be good; preferring to be long term in outlook and waiting for triggers to be released.

We have been asked on more than one occasion during the year whether it pays off to be in the market when the returns are so poor. Looking back over the past decade, there have been major fluctuations in stock markets, and yet the rationale behind long-term equity investing continues to hold true. We own companies that over time deliver better returns on capital than one could hope to get risk-free in the bank.

Positive net subscriptions

Given the substantial uncertainty surrounding the markets in 2011, we were gratified that our clients remained calm amidst the market turbulence. We had positive net subscriptions of EUR 77 million. Our international markets – the Netherlands and Denmark in particular – contributed significantly to this development. If we discount the Swedish pension agency, PPM, there were net subscriptions from Sweden in 2011, and we are satisfied with the fact that during the course of the year the Swedish authorities introduced measures to counteract the mass movements of clients' assets in PPM. In Norway, where SKAGEN is market leader, clients have remained fairly calm despite falling optimism about future prospects.

Clients naturally request more information when there is unrest in the markets. We have responded by increasing the frequency of commentary on our web pages, both in the form of written articles and short videos. We would like to thank all our clients who have participated actively by sending in questions and comments for our net meetings, SKAGEN TV broadcasts and in social media during the course of the year. This interaction enables us to provide answers on the issues clients are most concerned with.

Steady growth

The management company has grown steadily over the course of the year and we have recruited where necessary. The office in Amsterdam opened in September as planned, and three employees are already in place to provide good service and communication to our existing and future Dutch clients.

At the end of 2011 most of SKAGEN's client representatives in Norway are authorised financial advisors. In Sweden a similar authorisation scheme was introduced in 2005. Employees' competence and experience are important resources for creating good risk adjusted returns for clients as well as providing the best possible service, communication and follow-up.

Better overview over your portfolio

Timing is not something we claim to be particularly good at. During previous up and downturns in the market, we have seen that clients who buy near the top (when things are expensive) or sell near the bottom (when things are cheap) may not do as well relative to the fund's return. Regular saving and withdrawals can substantially reduce the risk of making poor purchases and sales.

SKAGEN's goal is to ensure that clients receive equally good returns as the funds they invest in. In 2011 we launched a new reporting tool to give clients a good overview of the units held in a fund, their portfolio composition, the value of the portfolio and returns in the period. The client portal, My Page, which is available on our web pages, provides an updated and tailored overview of clients' investments as well as money-weighted and time-weighted returns. Clients who remain in the market until it rebounds will surely benefit from the upswing.

At the start of January 2012, the equity funds' portfolios have low valuations at almost the same level as when the stock market bottomed out in the winters of 2002/03 and 2008/09. We have the patience to wait until the fundamental values are released.

Harald Espedal

MANAGING DIRECTOR

Profile:

Investment director Harald Espedal

One would imagine that being the Managing director of a company like SKAGEN was enough to keep him busy. However, as of 1 October, Harald Espedal assumed the additional role of Investment director, taking over from Kristian Falnes.

A steady increase in SKAGEN's assets under management and the growing size of the portfolio department mean that the management and administrative burden on the Investment director is greater too.

"Really talented portfolio managers don't grow on trees. It is better to allow them to concentrate on managing the funds and let others handle the management and administrative tasks," says Harald Espedal.

Espedal took over the position on 1 October 2011, having already assisted Falnes with his administrative duties for over a year.

"The most important thing is to ensure good analytical processes. This means each individual portfolio manager sharing his or her knowledge with the others. I also feel strongly about teamwork when deciding how to find the right investments in sectors and countries that match up with our investment philosophy. The accumulated knowledge of each portfolio manger must be shared," explains Espedal.

Portfolio manger

Despite his relatively young age, Espedal has a long history in the world of stocks and shares, both as portfolio manager and administrator.

"I have been following the stockmarkets closely since the 1980s. I became a portfolio manager in the 1990s and Managing director of SKAGEN in 2002," says Espedal. As Managing director he has followed the work of the portfolio department closely.

"I have been working with leadership since I joined SKAGEN ten years ago. In the time leading up to taking over the role as Investment director, I focused on being involved in the portfolio department and following the investment processes."

Managing director

"In the role of Investment director I am more a department head than a fund manager," replies Espedal when asked where he would place himself between these two extremes.

"As Investment director it is important to have a thorough understanding of the financial markets. But it is not my job to decide which investments should or should not be included in the funds' portfolios. That is up to the individual portfolio manager. My role is to lead the people employed in the portfolio department."

How has the transition been?

"I think it has gone very well. These are people I know very well and who work autonomously. However, they still need a department head, someone to make decisions and facilitate knowledge-sharing processes. The portfolio department consists of 18 people from a wide range of backgrounds, and I believe this is a great advantage. We need to make the most of this diversity and ensure that all voices are heard."

Harald Espedal: Managing director and Investment director

Professional experience:

- Joined SKAGEN in 2002
- Head of Andersen (now Ernst & Young) in Stavanger
- Investment director at Vesta
- Fund manager Europe at Skandia
- Head of Finance and Analysis, Sparebank 1 SR-bank
- Chairman of the board, Norwegian Mutual Fund Association
- Board member, Oslo Børs VPS Holding ASA and the Oslo Stock Exchange

Harald Espedal took over as Investment director on 1 October. As Managing director and Investment director he strives to ensure good analytical processes and transfer of knowledge.

SKAGEN's International Strategy - Where are we?

If 2010 was the year of the London office, then 2011 was the turn of Amsterdam. We first gained marketing permission for our funds in the Netherlands in 2006. Over the intervening years we responded to local interest and cautiously built a client base amongst retail and high net worth investors. Such was our success that in September 2011 we opened the doors of our premises at Museumplein and started a new chapter in SKAGEN's international development. So where is SKAGEN's international client adventure right now, and how far are we prepared to go?

Why go international?

SKAGEN's modest international client growth seeks to support our ambition to deliver the best possible risk adjusted return to our investors. We have accessed new markets in order to diversify our client base. This diversity serves to reduce the volatility of client activity in the fund. And this in turn allows the portfolio managers to focus on investment decisions; rather than trading in order to manage client transactions. To date, this strategy works. Even during the challenging market conditions of 2008 and, lately, in 2011, SKAGEN has not been hit by the kind of large outflows that can badly damage fund returns. The strategy has so far seen SKAGEN obtain marketing permission in the Nordic countries, and then in the Netherlands, the UK, Luxembourg, and, most recently, in Switzerland and Italy (institutional investors only).

So how has the client experience differed during 2011 in SKAGEN's non-Nordic international market areas?

The Netherlands

Dutch investor activity in SKAGEN throughout 2011 has been pretty consistent, as it was during 2010. Our mainly retail and high net worth clients tend to be experienced investors. Their investment horizons chime well with those of our funds. We have seen a steady but manageable rise in managed assets during the year, to a total just under EUR 1 billion, thanks largely to the ambassador role played by our long-term partners in the Netherlands. It is this increase in client interest over the past few years that has demanded a branch office. We now have a local team in place in Amsterdam. Having been assimilated into the SKAGEN culture and customs, and having been educated on our funds and their investment portfolios, their task is now to support our many Dutch clients. This should allow us to better communicate with investors, and to provide advice and insight well suited to the needs and interests of our Netherlands-based clients. It is important to record that our ambition for the Amsterdam team in 2012 is not asset growth; it is rather to demonstrably raise the frequency and quality of service that we can deliver to our local investors.

Great Britain

UK, by contrast, is primarily an institutional client base for SKAGEN, to the tune of just short of GBP 1 billion. Some 35 corporate and public pension schemes are currently invested with us. A number of these are (closed) defined benefit schemes, and we have therefore seen some de-risking as the schemes mature. But all remain SKAGEN investors despite some taking some profit off the table during the year. We continue to see strong demand for our equity funds from such investors, and increasing interest from the public sector also. We have also diversified our client base over the past 18 months to include some London-based family offices. These are sophisticated and long-term investors and are a good fit with SKAGEN's long-term philosophy and value-based investment process. Ahead, we will soon dip a toe into the demanding UK retail market. We have seen real interest from a wide range of actors, including from a good number of our institutional investor trustees who wish to invest their own money alongside that of the pension schemes that they oversee - good alignment indeed. In the retail client segment we seek diversification, and knowledge; but we are cautious in our approach and our ambitions are modest. Selecting the right partners with which to work will be critical and we have spent this past year mapping and analysing the market. We are now ready to open this new channel subject to the final legal and operational technicalities being in order - and the announcement of this should follow on our website shortly.

Luxembourg

Luxembourg has long been known as an important centre for financial services. We have a good range of locally based investors, both private and professional. And we have a number of clients from other jurisdictions who route their investments with SKAGEN through Luxembourg. Investment patterns have largely matched market confidence over the year. Having previously adopted a very reactive approach to the market there, during 2012 we intend to establish closer links with our Luxembourg-based clients and partners. And we need to gain greater awareness of this important investor hub to ensure that our service and follow-up meet the best standards.

Switzerland

In 2011, SKAGEN gained permission from the Swiss regulator to market our funds to locally domiciled investors across all client segments.

This was, by necessity, a lengthy process, coming as it did alongside international discussions over tax and bank secrecy. The Swiss market is mature and complex, as one might expect given their private banking pedigree. In Switzerland good fund providers do not sell; investors buy. And the Ambassador approach to business development is much preferred. This suits SKAGEN very well. Already we have attracted a small but well diversified group of clients, from private banks to high net worth investors and family offices. We have made strides in identifying potential partners in most of the appropriate channels. And we have in place the essential infrastructure to make our funds visible and available to Swiss investors and compliant with Swiss Law. This year should see us working hard to set the bar high for client service and follow-up, despite supporting the market from our home town of Stavanger, Norway.

Home market, or under home market supervision

International market

Italy

In addition this year has seen us receive permission to market our funds to institutional investors in Italy. Our intentions in this historic market are conservative also. Our light touch strategy is based on screening and information gathering while subscribing a limited number of professional clients through a local partner based in Milan. Our impressions so far suggest a relatively closed market; but one likely to be subject to seismic change. We have seen good interest from Italian investors the past few years and this explains our decision to support this in the same way that we have elsewhere. Whether or not an office might follow will depend principally upon the amount of investor activity that we attract. It is this client interest, and not a commercially-minded decision, that determines where we lay our hat.

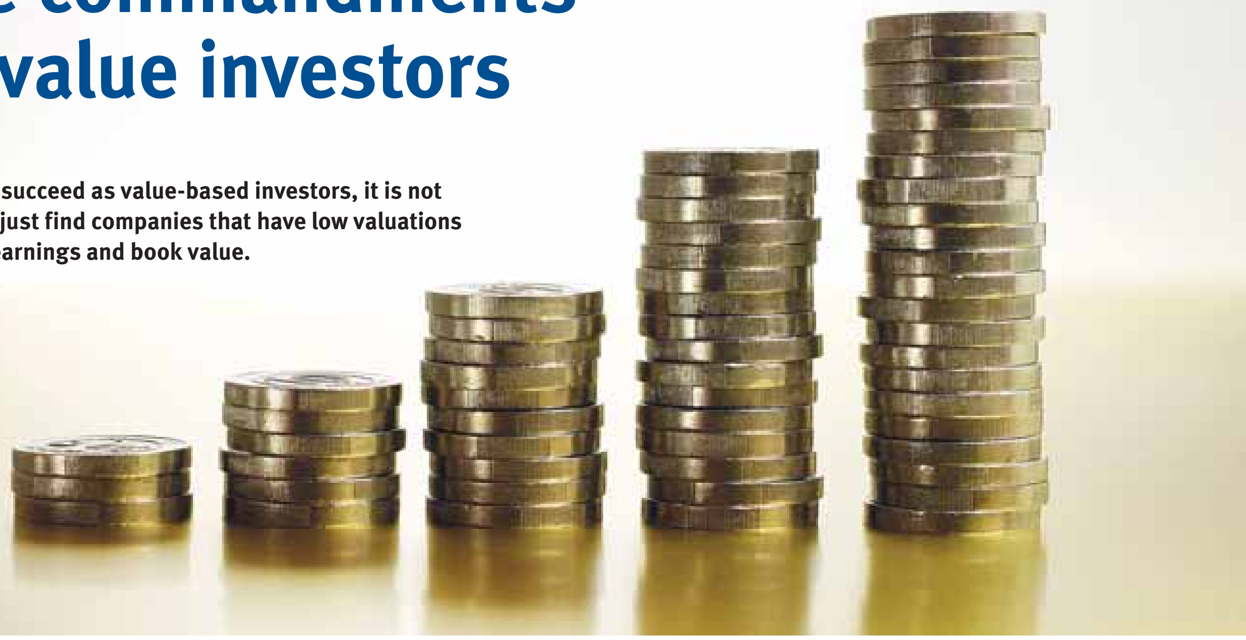
The international client base makes up some 20 percent of SKAGEN's investors by assets. This represents an important contribution to client diversification, and thereby to our delivery of the best risk adjusted returns to our investors. Our growth in these mature and demanding markets has been cautious and conservative. Diversification and knowledge remain our purpose; not asset growth for its own sake. We have learnt much from supporting investors beyond Scandinavia, and much of this we have recycled to the benefit of all our clients. There is, of course, interest from further afield. Australia, Hong Kong, Singapore and South Africa have seen notable investor activity in SKAGEN. But world domination is not on our list of things to do. So 2012 will see us consolidating our European client base for the most part. And focussing on delivering the best risk adjusted returns for our unit holders, together with the best client service, communication and follow-up. It is likely to be a challenging and enjoyable year.

Timothy Warrington

HEAD OF INTERNATIONAL

Five commandments for value investors

In order to succeed as value-based investors, it is not enough to just find companies that have low valuations based on earnings and book value.



The basic idea behind value investing was established by Benjamin Graham and David Dodd in the early 1930s. The concept was a simple one. By focusing on fundamental company analysis, investors can achieve good results in the stock market. The analysis essentially boiled down to finding companies that trade at a significant discount to earnings (P/E) and book value (P/B).

The philosophy developed by Graham and Dodd continues to provide a solid foundation in turbulent markets. The challenge for value investors, however, is that it is based on static valuation metrics. Companies' valuation metrics are analysed without taking into account the fact that companies are constantly growing and changing. For a long-term investor with a three to five year horizon, these changes often have a significant effect on a company's fundamental value.

In our experience, the key to long-term success lies in a combination of buying companies cheaply and being aware of what will influence them over time.

With this in mind, we will explore five central success criteria for an active, value-based equity investor such as SKAGEN.

First commandment:
Avoid permanent losses

If you wish to earn money, a good starting point is to avoid losing it. From the perspective of a long-term value investor, it is important to differentiate between temporary and permanent loss of capital.

Temporary loss occurs when a stock falls in price even though there has been no change in the company's intrinsic value. Permanent loss occurs when a company's fundamental value changes because the future potential to earn money weakens.

Historically, there have been two main types of permanent loss for value-based investors. The first, and most important, is debt. In our experience, companies that take on a lot of leverage in order to earn money should be treated with a great deal of scepticism, banks included. This is because debt reduces the operational margin of safety and manoeuvrability. A poor business year, regardless of whether it is due to a weak real economy or other unforeseen circumstances, can easily result in a company being forced to raise new capital, or in the worst case going into liquidation. Both outcomes cause irreparable damage to shareholders.

A more silent predator is creative destruction; the inherent capitalist process whereby new and expensive products are replaced by better and/or cheaper ones, which causes a company's competitive advantage and profit to erode over time. As a consumer, you continuously get cheaper and better mobile phones and televisions, while non-competitive manufacturers perish.

A good example of this is the fact that of the 30 original companies in the US Dow Jones Index only two still exist in their original form. Capitalism is a capitalist's worst enemy.

Second commandment:
Growth is our friend, when it is cheap

There is often an artificial divide between growth and value stocks. The fundamental value of a company is a function of future cash flow. The size of the cash flow is tied up with the expected growth in earnings. As growth is a component in the valuation of a company, the two are inseparable – both in practice and in theory.

MORE SOPHISTICATED MARKET PARTICIPANTS

The stock markets of today are populated with more sophisticated participants than was the case 80 years ago, in the time of Benjamin Graham and David Dodd. A growing number of computers and investors scan the global stock markets daily to find mispriced stocks. Over the past 20 years it has therefore become harder to find good investments based purely on static measures.

Nevertheless, the paradox inherent to the stock market is that collective long-termism and rationality are still on the wane.

Is SKAGEN's investment philosophy adapted to the fact that the stock markets are in a continuous state of flux? We think so. The art of investing lies in combining Graham and Dodd's static principles with a deep understanding of how changes in company dynamics create value for shareholders. As long as companies create values, and the markets continue to suffer from mood swings, this formula should continue to serve us well.

History tells us that many investors are willing to pay an irrationally high price for expectations of future high growth. That is why we always treat expectations of future growth with a healthy dose of common sense and scepticism. Our willingness to pay for growth is dependent on the price of the company, and to what extent we can be sure that the future earnings growth can be estimated.

Despite our inherent scepticism, over time we have seen that growth in companies' earnings has been one of the most important drivers for returns in some of SKAGEN's biggest and best investments.

Samsung Electronics is a good example of how growth can continue to create value over time. When the company first entered the SKAGEN Global portfolio in December 1997, the value of the debt and equity traded at 5.6 times the cash flow (EV/EBITDA). Fourteen years on, the ratio is the same. During this period we, as shareholders, have been able to enjoy average annual returns of 28 percent, thanks to annual earnings growth of 25 percent.

Photo: Bloomberg

Growth is our friend, as can be seen from the case of Samsung Electronics. Thanks to steady annual earnings growth, the company has provided an average annual return of 28 percent since 1997.

Third commandment: Return on equity is a long-term investor's best friend

From a value investor's perspective, the twin brother of growth is the return a company achieves on its equity. Growth requires capital, and the return on this determines to what extent growth creates or destroys value.

It is difficult for a company to create value for owners – both with and without growth, if it cannot demonstrate solid return on equity. That is why in the long run it is almost impossible to attain a higher return on stocks than the return a company attains on its own equity.

The reason that we prefer Korean companies to their Japanese counterparts is mainly down to the fact that Koreans are considerably better at using return on equity to create growth.

Fourth commandment: Good management is better than bad

SKAGEN is wary about making good management the sole criterion for investing in a company. Nevertheless, the ability and willingness of management to create values are decisive to whether a company's intrinsic value is refined or is left to rust.

Naturally we appreciate managers who take care of shareholders' money in the best possible way by being focused on and good at operational management. Competent, financially oriented managers, who share value creation with shareholders by means of dividends, share buybacks and structural financial measures are also in the SKAGEN spirit.

We will not necessarily rule out investing in a company if its management has a poor history, or continues to struggle with a frayed reputation. If we can see management changes on the horizon, which could act as a trigger on the share price, we may take an interest. This is also true if the intrinsic value is of such high quality that even catastrophic management would be hard pushed to destroy it. One example of the latter is Brazilian state-dominated energy company, Eletrobras, which is a relatively large holding in all three of our equity funds.

We have been taught a valuable lesson about the differences between good and bad management in the rig sector. In 2005-2006, our equity funds chose to invest in US company, Pride International (Pride). The company's rigs were at that time cheap relative to the assumed market value, but its management was poor.

At about the same time, SKAGEN Kon-Tiki bought shares in Norwegian rig company, Seadrill. Objectively speaking, Seadrill was the more expensive company based on price relative to the book value (P/B), but the management was substantially better at creating value for shareholders.

When Pride was acquired by its US competitor Ensco in 2011, calculations showed that since the end of 2005 we had only attained an accumulated return of 45 percent on our Pride shares. In the same period, the return from Seadrill was 458 percent!

Fifth commandment Dividends – yes please

In the long run most empirical data shows that companies' dividends account for around 50 percent of the returns one could expect to get in the stock market. Put simply, buying stocks that provide solid dividends takes us halfway to our goal of beating the market. As active managers, we favour securing such a good starting point. The fact that the effect of dividends is more apparent in the long term rather than the short term means that they are often undervalued by short term investors. This also goes part of the way to explaining why a number of academic studies show that stocks with high dividends yield higher returns than stocks with low or no dividends over time.

Beyond the purely financial effect of dividends, it is our experience that a solid, deeply rooted dividend policy is a good indication of a company's long-term health, and of the management's willingness to create value for shareholders. Moreover, dividends are a far better tool for rewarding shareholders than share repurchase programs. This is due to the fact that on the whole companies are not good at investing in their own shares. A recent study by management consulting firm, McKinsey, showed that in 77 percent of cases shareholders would be better rewarded by receiving quarterly dividends that they themselves can reinvest in the stock.

We saw a practical example of this during the financial crisis. When the fear set in, most share repurchase programs were cancelled, yet on the whole companies continued to pay dividends. Shareholders who continued to receive dividends could choose whether they wished to buy further cheap shares. Shareholders who experienced cancelled share repurchase programs missed out on this opportunity, however, as their money was stranded in the company's bank account.

Torkell Eide

PORTFOLIO MANAGER

Worth its weight in gold

For SKAGEN evaluating which principles a company is governed by, who the main owners are and how they influence company management, is natural and necessary preparation to making a good investment decision.

How the market values a company is affected by the way in which it is governed. Good governance lays the foundation for value creation and generally reduces the risk of accounting scandals and other infractions that can be so destructive to a company's share price.

A company's share price is influenced by how the market perceives its corporate governance. SKAGEN can reap rewards if we can find a company where the market's perception of corporate governance is worse than our own, and where we think there may be triggers that could reveal the company's value to a wider audience.

Not all Koreans are Japanese

Investors have viewed companies in the Korean stock market as being badly governed, which has resulted in a lower valuation. Parallels are often drawn with Japan where companies have generally created low return on capital and shareholders have traditionally had little power. There are several examples of the same in Korea, but there are also exceptions.

An old acquaintance of SKAGEN, Samsung Electronics, is cheap precisely because it is a Korean company. The market believes that the company's corporate governance is poor because the company prioritises reinvestments over dividends. However, Samsung Electronics has created outstanding returns on its investments and thereby considerable value for its shareholders.

Photo: Bloomberg

Gazprom is Russia's largest energy company, with the highest resource reserves. One of the main price triggers for Gazprom is improved corporate governance.

WHAT IS CORPORATE GOVERNANCE?

The Norwegian Code of Practice for Corporate Governance is intended to strengthen confidence in companies and to enhance the greatest possible value creation over time in the best interests of shareholders, employees and other stakeholders.

Listed companies will be expected to practice corporate governance that regulates the division of roles between shareholders, board of directors and executive management beyond the requirements of the legislation.

The Code of Practice provides principles and guidelines in a number of significant areas which include:
- Business, objectives and strategies
- Equity, dividend policy and capital increase
- Internal control

(Source: The Norwegian Code of Practice for Corporate Governance www.nues.no)

Invests when others are broke

One of the secrets of Samsung Electronics' success is its conservative capital structure. The company is in the unique position of being able to sustain or increase its investments in periods in which its competitors are under financial pressure.

This has contributed to Samsung Electronics becoming a world leader in production and sales of memory technology to the computer, cell phone and electronics industries, with an accompanying high return on its capital. The company's investments in consumer electronics are also developing, not least for smart phones where the company's market share is increasing at a fast and profitable rate.

The key to the high return on the equity funds' investments in Samsung Electronics over the past 14 years has been buying the underlying value creation at an attractive price. This has been possible because the market has consistently overrated the risk of the company's management not acting in shareholders' best interests.

It is the direction that counts

Good corporate governance is a good starting point for creating value for shareholders. The challenge is that it is often relatively obvious which companies treat their shareholders well – and which do not – and this is factored into the share price. It is therefore more important to examine the future direction of a company's corporate governance than its current conduct. If the development is better than the market expects it will have a positive effect on the share price. And vice versa. In cases of poor corporate governance, only a slight improvement

Photo: Bloomberg

Samsung Electronics is experiencing strong growth, partly from the production of the smartphone Samsung Galaxy. A key to the company's success is its ability to increase investments while its competitors are under financial pressure.

may result in a relatively large lift to the share price. Before SKAGEN invests in a company, we analyse the expected corporate governance and make an independent evaluation of whether it is likely that the company will in fact realise its plans.

Gazprom – risk or opportunity?

All SKAGEN's equity funds have invested in Russian Gazprom. The company is the world's largest gas producer and owns ten percent of the world's gas reserves. In addition, Gazprom is Russia's largest electricity producer and the fifth largest producer of oil. The company controls the country's network of gas pipelines and has significant storage capacity.

In spite of Gazprom being one of the few large, global companies with organic earnings growth over the next few years, the company's market value only equals three years' earnings. The company's oil and gas reserves are priced at around 20 percent of the value of comparable global companies' reserves.

Had Gazprom not been owned by the state, the company would probably be priced as the world's most valuable company. Russia is notorious for corrupt politicians, and the state as a dominant owner has shown that it prioritises investments with a low return over dividends to its shareholders.

On the right track

The gas prices in Russia are currently well below market price. In addition to rising gas prices, SKAGEN believes that improved corporate governance could lead to a higher valuation for Gazprom. Since 2010 the company has been on the right track.

There are clear signs that the Russian government is pressuring state-dominated companies in order to receive a bigger share of the value creation to facilitate increased public spending. We expect this process to continue with the result that Gazprom will administer its capital better in the future, and that stock markets will revalue its highly undervalued assets.

GOOD GOVERNANCE OF CAPITAL STRUCTURE

Corporate governance creates a good foundation for a company's operations and can also influence whether and how investors receive returns on their investments.

Corporate governance also includes adopting a dividend policy that provides the best possible value creation for shareholders. A good dividend policy will ensure that a company reinvests its profits in new projects as long as these projects provide higher returns than the investors can achieve through alternative investments. If there are no good projects for the company to invest in, the profit is paid to the investors in the form of dividends.

If a company's corporate governance is poor, the risk is that the profit may remain in the company at a low rate of return. The reason may be the management's or largest owners' reluctance to pay dividends, a reluctance to invest or poor project management so that the company's investments do not provide good returns.

Søren Milo Christensen

PORTFOLIO MANAGER

Buy when others are forced to sell

When others are hitting the sell button in low valuation markets, SKAGEN's independent-thinking portfolio managers are able to make potentially lucrative investments.

This is an element of SKAGEN's doctrine that is highly relevant in the current investment environment; after a miserable year for stocks in 2011, companies now generally have low valuations based on their earnings and book values.

SKAGEN has been in existence since December 1993. Although this is a short period relatively speaking, it is long enough for us to have gained some hard won experience. It has been during times of market crisis that we have been able to pick up really cheap companies. Since SKAGEN's inception we have been through the Asia crisis in 1997, the Russia crisis in 1998, the bursting of the dot-com bubble in 2000-2002, the financial crisis in 2008 and the sovereign debt crisis in 2011.

"A characteristic of a financial crisis, such as the one that started in the autumn of 2011, is that there are a lot of forced sellers in the stock market, for example large institutions which due to their liabilities cannot handle large short-term losses. This results in low liquidity and irrationally low valuations – and consequently long-term opportunities for investors like us," says portfolio manager Kristoffer Stensrud.

The portfolio managers Kristoffer Stensrud and Kristian Falnes have the longest track record with SKAGEN's equity funds. This article discusses some of the successful investments SKAGEN has made during previous stock market troughs.

Rising from the ashes

A brief look at SKAGEN's history shows that the funds have generally enjoyed considerable success in periods of recovery after a crisis, and that these periods have contributed substantially to the funds' high returns over time. In 2003 the equity funds rose between 41 and 76 percent, in 2009 between 49 and 92 percent, measured in euro.

If one examines the underlying companies in SKAGEN's portfolios, we have not necessarily been invested exactly when share prices have gone from rock bottom to new highs after a crisis.

"In the autumn of 1998 our two equity funds at the time held large investments in a few Danish and Greek shares. Neither of these areas was affected by the crisis, though Greece developed into its own overvalued bubble in 1999 when the Greeks squeezed into the eurozone. We benefitted greatly from that," says Kristian Falnes.

"As portfolio managers we aim to spread the funds' investments and select viable companies we can own for years. Even though we emphasize the opportunities that can be found in a crisis, we do not constantly run around between the world's crisis centres looking for bargains," he adds.

In general the funds' returns have not been created by investing in the epicentres of financial crises. Rather, each individual financial crisis has had a global effect which has provided opportunities in all markets.

Gloomy market reports

For portfolio managers and unit holders alike, financial crises always make for a bumpy ride.

In August 1998, when the Russian crisis burgeoned, the funds lost about 15 percent of their value almost in an instant. Then as now, the portfolio managers adhered to SKAGEN's investment philosophy. They summarised the situation during the crisis in 1998 as follows:

"Our core belief is that it is impossible to predict the rise and fall of the market, but that companies' results, growth and an essentially level-headed assessment over time will provide good returns. These investment opportunities can most easily be found in the weakest stock markets. However, they also represent the highest potential for losses unless sufficient attention is given to spreading risk and quality control."

At that time in 1998, the largest challenges were being faced in Asia and Russia, so-called emerging markets, while this time around in 2011 it is Europe which is in the eye of the storm. Nevertheless, the assessment continues to hold true today.

Portfolio manager, Kristian Falnes

MANY FINANCIAL CRISES IN SKAGEN'S LIFETIME

Extremely low confidence

Compared with the broader stock markets, our equity funds weathered the drawn-out stock market decline from 2000 to 2002 extremely well, but they were still the worse for wear once the three hard years were at an end. In November 2002, the portfolio managers took stock and predicted a brighter future ahead.

"There was extremely low confidence in shares and the global stock markets as an asset class were at rock bottom in 2002. That was the backdrop when we launched SKAGEN Kon-Tiki. Shipping, in particular, was in a squeeze after delivering low returns on capital for 20 years," Kristoffer Stensrud remembers.

"China's membership of the World Trade Organisation in 2001 changed the global trade landscape permanently, and led to a gigantic shipping boom. The signs were already clear, and in 2003 the returns were enormous," he adds.

The portfolio managers now look forward to Russia's membership of the World Trade Organisation kick-starting trade and investments, perhaps not to the same world-changing degree as China's did, but there will still be a positive effect.

Russian return

The worst financial crisis in the post-war era was at its height in 2008 and the first two months of 2009. For most of our clients the run-up to this crisis is easier to remember than that of 1998 and 2000.

SKAGEN's equity funds adhered to our investment philosophy in 2008 without increasing turnover, and went through some tough times as a result. Relatively speaking it was an advantage not to be heavily invested in disastrous financial shares, but emerging markets performed a lot worse than the US and Japan, both in terms of shares and currencies.

In 2009, when stock markets generally and Russia in particular were floored, we were able to invest in the Russian mobile and consumer staple sectors at literally rock bottom and three mobile phone operators entered the portfolios. In relative terms Vimpelcom and MTS were the best performers, but SKAGEN Kon-Tiki's NOK one billion profit in the mobile conglomerate Sistema was the most visible. In the consumer staple sector the funds invested in X5, Magnit and Efes Breweries.

"Russia got the worst beating but without reason. It was the dominating billionaires, the oligarchs, who were in trouble, not the state. All credit dried up and there was a mass liquidation of Russian assets. We considered the potential to be greater than the financial risk," says Kristoffer Stensrud.

Still annoyed

Despite broad global mandates, SKAGEN's funds can only be invested in a small percentage of the world's 60,000 listed companies. Possibilities will pass us by and we will inevitably have to take some losses. SKAGEN's clients are aware that it is a rare thing to keep getting it right over a long time period as we have done with our investment in Samsung Electronics since 1997.

Conversely, one of the most frustrating experiences for a portfolio manager is having been on the right track without having invested.

"We examined the Apple investment case closely in 2002, back when they were quietly building their empire and had launched the iPod. The technology sector was extremely unpopular so the company was cheap. We didn't see the new trend; that Apple would conquer the retail space with the iPhone in 2007, and we underestimated them in the same way many others did. Since then the share price has risen from USD 10 to 400 and Apple has become the world's most highly valued company," says Kristoffer Stensrud. This still annoys him, ten years later, but then again, no one can hit the bull's eye every time.

Potential high-fliers

As we enter 2012, which companies in the portfolios do the portfolio managers believe may distinguish themselves after the current crisis abates? Gazprom, Renault, China Mobile and Bharti Airtel stand out as potential high-fliers.

Portfolio manager, Kristoffer Stensrud

"One gets access to the core business in Renault for less than nothing at the moment. The value of the company's shareholdings in Nissan, amongst others, is clearly greater than the value of the company as a whole. Renault has a weak local market in southern Europe, but is growing in emerging markets and is no longer under financial stress. We have benefitted from an upturn in Renault once before and expect to do so again," says Kristian Falnes.

"Four years ago Gazprom was extremely popular among investors due to its unique resource base. Since then the company has improved utilisation of its assets through, amongst other things, sales to China. However, while fears of mismanagement have been spreading, there are actually signs of improvement now, for example in the form of increasing dividends," says Kristoffer Stensrud.

"Both China Mobile and Bharti Airtel are well positioned to bring internet and mobile communication to the masses in Asia, India and Africa. We have only seen the tip of the iceberg here," he adds.

Christian Jessen
COMMUNICATIONS

Roller Coaster Markets

Risks and Rewards

Despite its sometimes sudden movements, many economists believe that stock markets are always right and that it is impossible for investors to beat the market. Others believe that markets can get it wrong and that it is entirely possible to beat them.

Foto: iStockphoto

"Frustrating," is how portfolio manager Torkell Eide described stock markets in Norwegian magazine Kapital in October 2011. He was referring to the high market correlation, or in other words the phenomenon where stock prices move together as a group, based on economic unrest rather than fundamentals.

In these circumstances it seems that whether a company delivers good results or not has little or no bearing on its stock price in the short-term. In general a period of high correlation may be a difficult time for stock pickers such as SKAGEN, which selects stocks based on a company's individual merits.

On the other hand, irrational markets can provide buying opportunities – investments that will yield gains when market correlation subsides and companies are yet again priced according to their merits.

Terrance Odean, Professor of Finance specialising in behavioural finance, said in an interview with SKAGEN that he is not surprised that markets act irrationally.

Behavioural finance teaches us that human psychology influences stock markets. Why, then, are we not seeing more proof of rational market behaviour?

"If investors, as a group, had quickly learned from their own and other people's mistakes they would have been exceptional in human history, which they are not. I suspect that the majority of investors who read my research, which shows that investors trade too frequently, think that this pertains to everyone else and not them," explains Odean.

Herd mentality

Terrance Odean believes that markets with high correlation demonstrate the effect of human psychology and herd mentality, which again limits investors' gains.

SKAGEN works hard to avoid herd mentality by assiduously applying its investment philosophy. We therefore seek companies that are unpopular, under-researched and undervalued – in other words we swim against the tide.

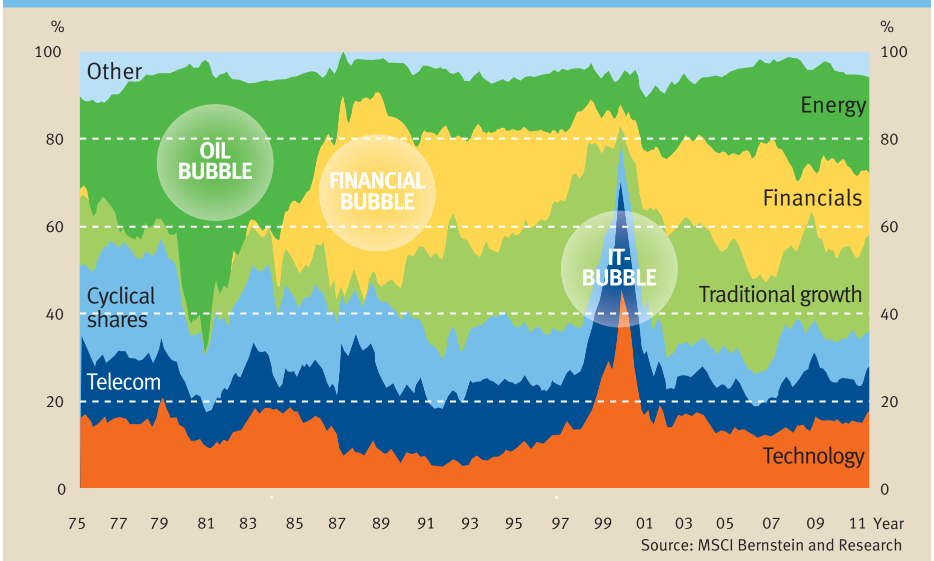
It will not be news to anyone that the economy fluctuates. Stock markets fluctuate rapidly too, something that has been very visible since the start of the financial crisis in 2008. Are these sudden fluctuations warranted?

Put simply, share prices are based on the expectation of companies' future earnings. With increasing profits and no clouds on the horizon, stock prices should increase. If the economy hits a soft spot, so too do expectations of future company earnings and stock markets will typically follow suit.

It is clear that from time to time the stock market does not price shares in a way that we believe is correct. This is evident when looking at the historic sector balances for global companies in the graph below.

The graph shows several bubbles in different sectors. The most recent was the so-called dot-com bubble around the turn of the millennium. Bubbles are formed when the pricing of a sector does not correspond with the value

GLOBAL SECTOR BALANCE



The development of the largest global listed companies (Mega-Cap Universe) from 1975 until the end of 2011 shows that there have been bubbles in various sectors.

creation the sector is able to deliver over time.

Behavioural theorists believe that humans have a tendency to think that trends lasting for a long time will also continue in the future, or more simply explained, that rising stock prices will continue forever and investors often invest on the back of this belief. This may boost stock prices further, which in turn makes more people get caught up in the self-propelling trend of increasingly higher prices. Under extreme conditions this will create bubbles that are detached from all rational thinking and value creation. The opposite will happen when the bubble bursts. Again, investors will follow the trend of falling stock prices until the drop becomes exacerbated. The pricing of stocks are once more detached from their underlying value creation and are governed by anxiety of further declines and larger losses.

Have markets then not become more rational in the past 25 years of behavioural finance?

"I don't think people's psychology has changed much in 25 years. Still, institutional investors are noticeably more sophisticated now," says Terrance Odean.

He mentions two areas where technical changes have increased the likelihood of sudden market shifts, without any thought for fundamentals:

1. Computer-based trading strategies may have been behind the types of stock market crashes witnessed in October 1987 or on 6 May 2010.
2. Correlated trading strategies made highly leveraged hedge funds unable to survive because of poor liquidity in August 2007. The drop did not seem to stem from fundamental reasons.

Luck or skill?

Supporters of the theory of rational markets continue to believe that markets are 'informationally efficient', and that which breaks from the rational is simply dismissed as abnormal. The extension of a rational market is that all news spreads equally and efficiently, and it is not possible to make better or more informed decisions than those others are able to make.

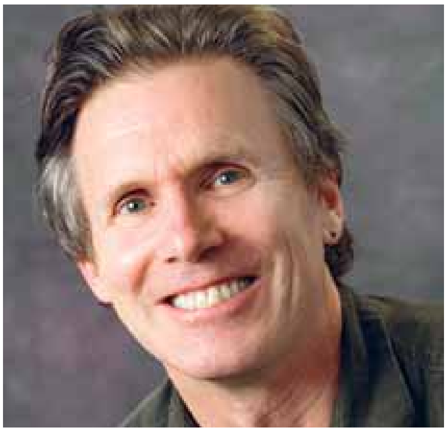
There are without doubt investors who have been able to beat the market over time. How can this then be explained by the supporters of the efficient market theory? It is all down to luck, claimed Professor of Economics, Harry Flam on the Swedish television program "Oppdrag Granskning" in January 2008.

Harry Flam was interviewed for SKAGEN's Swedish Market Report in 2009 and he was asked how long it takes before one can dismiss luck as a factor when explaining how a fund manager has managed to beat the index.

"Generally six years, or in other words, it would be impossible to beat a market for seven years running purely because of luck," he stated. "The research has so far not been able to answer why some investors manage to beat the market for a longer period of time," the professor added.

One such example close to home is our emerging market fund SKAGEN Kon-Tiki, which has successfully beaten its benchmark every year since its inception in 2002. Incidentally, Kristoffer Stensrud, who is part of the SKAGEN Kon-Tiki team, has beaten the index for all the funds he has managed since the start of SKAGEN AS in 1993.

Super investor Warren Buffett is another example of someone who has been able to create excess value over time. Terrance Odean's favourite Warren Buffet quote about efficient markets is: "I'd be a bum on the street with a tin cup if the markets were always efficient."



Terrance Odean is professor of banking and finance at the Haas School of Business, University of California, Berkeley. He is known for his work on behavioural finance.

It is also noteworthy that in 2011 Warren Buffett's Berkshire Hathaway failed to beat the Standard & Poor 500 index for a second time since 1990. 2011 was also the year when SKAGEN Global underperformed its benchmark index for the second time since 1997.

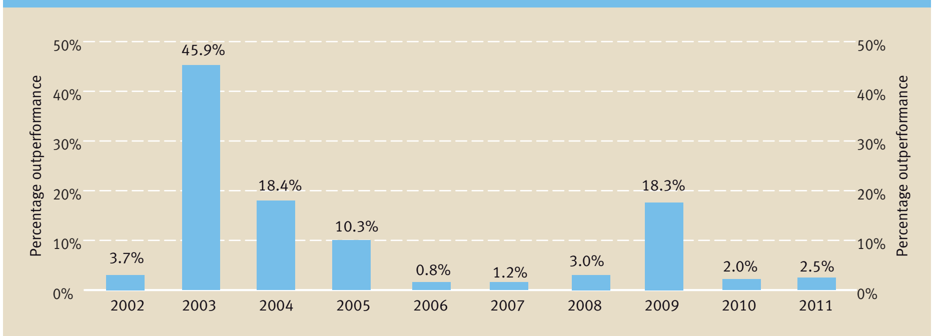
Better than average

Looking at the graph of historic bubbles again, we can see that the bubble at the end of the 1990s first swept through American blue chip companies and then information technology stocks. It then took twelve years for stock markets to adjust back to more 'normal' and attractive levels.

For the lemmings out there, the MSCI World Index has returned a total of 19 percent since August 1997, measured in euro. Over the same period SKAGEN Global has delivered a total return of 696 percent as of the end of 2011.

The SKAGEN portfolio managers and investors like Warren Buffet may to some extent thank the market for their returns, especially the market's lack of ability to price shares correctly at certain times. If markets continue to behave irrationally from time to time, this is certainly something SKAGEN will continue to exploit.

SKAGEN KON-TIKI OUTPERFORMANCE VS. INDEX 2002 – 2011 (EUR)



Michael Metzler

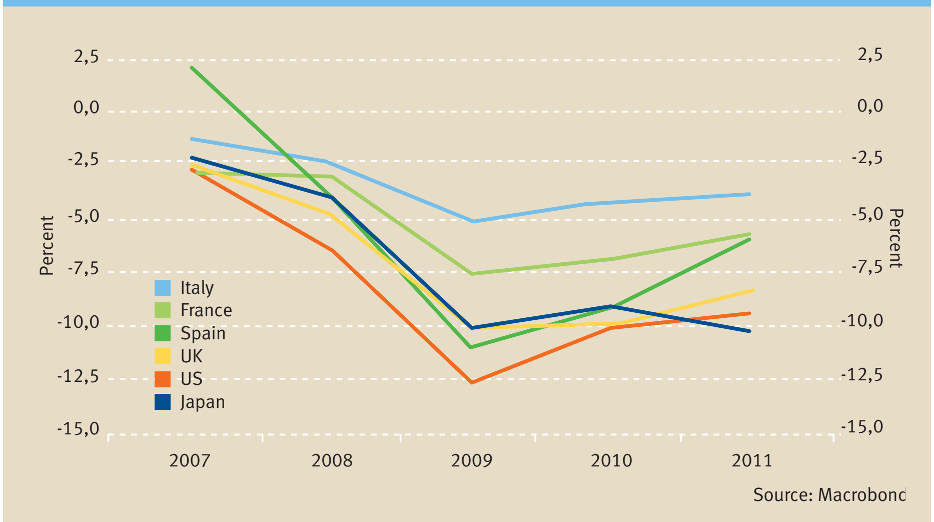
COMMUNICATIONS

The Shadow Sovereign Debt Crisis

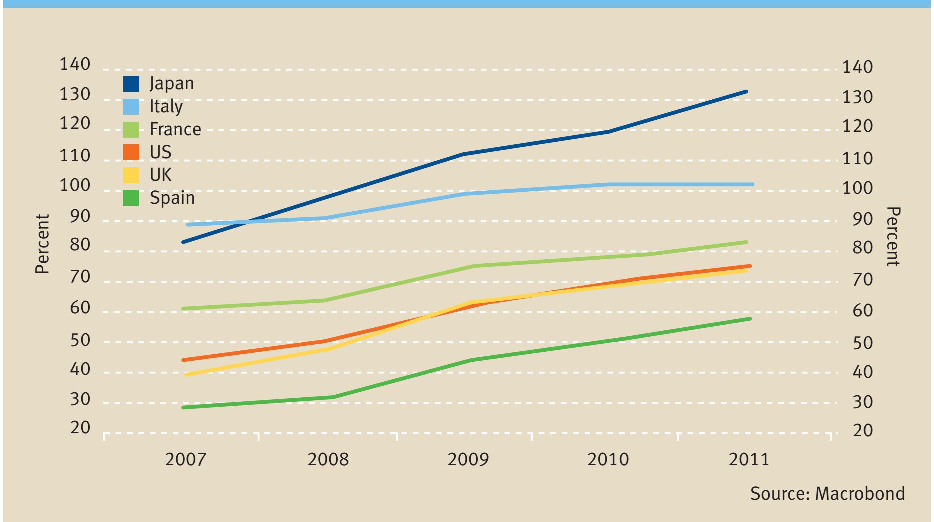
In the shadow of the eurozone turmoil, other public debt crises are looming. The public finances of some of the large, advanced economies are in worse shape than those of most of the stressed eurozone economies. We cannot exclude the possibility, therefore, that a debt crisis in an advanced economy outside of the eurozone periphery will soon dominate headlines. Such a debt crisis will manifest itself in what is called "fiscal inflation".

Poor public finances are not just a peripheral eurozone phenomenon. The public-debt-to-GDP ratio is much higher in Japan than Italy, for example. Also, the UK's public debt and public deficits are higher than those of Spain, and the US' fiscal stance is weakening faster than that of France (see charts).

GENERAL GOVERNMENT DEFICIT AS A PERCENT OF NOMINAL GDP



GENERAL GOVERNMENT DEBT AS A PERCENT OF NOMINAL GDP



The hazards of sharing a common currency

A debt crisis outside the eurozone periphery will take on a different form than that which has been experienced by the afflicted euro countries. Rather than spiralling credit risk, there will be spiralling inflation. The explanation for the divergent outcomes lies in how the situation within the eurozone differs from that of those advanced economies outside it. Within the eurozone, member states do not have their own currency. The implication is that their sovereign debt behaves as if it were borrowed in a foreign currency. Eurozone governments do not have an independent national central bank that can "print" money and buy up their debt. Consequently, if a government is fiscally stressed, investors might legitimately start to worry whether they will get 100 eurocents back on each euro lent. Higher credit risk then leads to sharply higher interest rates. The situation is comparable to that of emerging market governments that have issued their debt in USD.

The merits of printing your own money

This contrasts with Japan, the UK and the US which borrow in their own currency. This makes a huge difference. Since their central banks are their lenders of last resort, they can, if necessary, "print" money and pay back the public debt. In other words, the debt can be monetized.

While a sovereign with its own currency is able to honour its debt, there is no guarantee that lenders will get their money's worth back in real terms. Therefore, instead of credit risk, public debt issued in the sovereign's own currency has inflation risk.

Crucially, while the reason inflation might flare up is the fact that the public debt might be monetized, inflation could start to rise well ahead of any explicit monetization. The very fact of investors thinking that sovereign finances are unsustainable would be enough to trigger higher inflation.

Whether public finances in Japan, the UK and the US are sustainable is debatable. Nevertheless, we should at least prepare for the possibility of "fiscal inflation" in these countries.

"Fiscal inflation"

We tend to think of inflation as a central bank phenomenon. Inflation overshoots the target if the policy rate is too low, and vice versa. This garden-variety inflation can be called "monetary inflation". Fiscal inflation, on the other

hand, is caused by too much public debt. How? The value of the public debt is backed by investors' expectations of future surpluses – just as stock prices depend on future profits. This means that if investors come to doubt that sufficient surpluses will be forthcoming to pay off the debt, the value of the debt falls.

How does the value of the debt fall? Assume that public debt has short maturity. Then its value falls through a jump in the price level, i.e. through a higher consumer price index. As the price level climbs, the purchasing power of money falls. Thus the real value of the public debt plunges. If the debt has longer maturity, its value drops both through lower bond prices and gradually higher consumer prices, i.e. higher inflation. The longer the maturity of the debt, the further inflation is pushed out in time. The end result is the same, though – creditors get all their money back, but fiscal inflation erodes its purchasing power.

The eurozone is not immune

Note that the eurozone as a whole could also experience fiscal inflation. What if the debt crisis were to spread from the periphery to the core, i.e. Germany, for example, through large fiscal transfers? It is unlikely that investors would attach credit risk to Berlin. Instead markets would assume that Frankfurt would eventually print the necessary euros. This means, however, that instead of credit spreads in the core, one would face uncomfortably high inflation in the eurozone as a whole.

A repeat of the Seventies?

Double-digit inflation in the 1970s was most likely "fiscal" in nature. Mushrooming welfare state programs coupled with limited public revenues caused investors to think that current deficits would not be matched by future surpluses. Inflation then spiralled until the real value of the public debt became sustainable.

Fiscal inflation is seldom stimulatory to the economy. Quite the reverse in fact. The 1970s were plagued by stagflation, that is, high inflation and recession. Economists who talk as if somewhat higher inflation could cure our economic woes should be careful what they wish for.

Impotent central banks

Central banks are powerless in the face of fiscal inflation. If the price level were to accelerate due to a breakdown of trust in public finances, they would most likely react by hiking the policy rate. If there were no change in the fiscal policies, however, a higher policy rate would fuel inflation. Why? With a higher policy rate, the government has to pay higher interest expenses when it rolls over its debt.

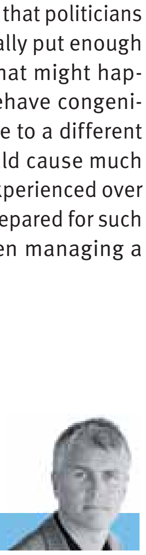
Averting fiscal inflation

Governments have the power to suppress, or avert, fiscal inflation by pursuing a prudent fiscal policy. This does not preclude deficits during downturns. But is does require that the primary budget is balanced over time, and that the public sector can give creditors a sufficient rate of return on their investments.

Finances can be brought under control either through tax hikes or expenditure cuts. Some countries have such high tax rates, however, that tax hikes might not raise more revenue. And governments that are economically able to gather more revenue might face an electorate that does not tolerate higher tax rates. Cutting expenditure is politically difficult too, and has short-term economic drawbacks. Hence getting one's fiscal house in order might well be a difficult task.

Preparation is key

Current yields on sovereign bonds in the US, the UK and Japan reflect a belief that politicians will sort things out and eventually put enough fiscal backing on the table. That might happen, and then inflation will behave congenially. Investors may swiftly come to a different conclusion, however. That would cause much higher inflation than we have experienced over the last three decades. Being prepared for such an eventuality is prudent when managing a bond portfolio.



Torgeir Høien

PORTFOLIO MANAGER

New fund legislation benefits unit holders

The new securities funds act aims to strengthen the Norwegian fund industry's competitive edge and provide unit holders with more choice, greater influence and improved information.

The new act entered into force on 1 January 2012. SKAGEN expects that unit holders will benefit in a number of ways:

• Ability to compare key information

A new standardised document with key fund information will replace the simplified prospectus. The goal of this Key Investor Information Document (KIID) is to make it easier for investors to compare funds from different management companies. This two-page document describes the main fund characteristics along with the fund's goals, investment philosophy, historical returns and costs.

SKAGEN has been publishing a Key Investor Information Document pursuant to the new rules since August 2011, and all Norwegian fund management companies must replace the simplified prospectus with the new KIID from July 2012.

• Greater influence for unit holders

Unit holders shall elect at least one third of the members on the management company's board of directors. The new legislation provides unit holders with extended decision-making powers in connection with fund mergers and changes to a fund's articles of association.

The requirement stating that the Financial Supervisory Authority must consider whether a change in a fund's articles of association is in the unit holders' best interests has been repealed. Under the new law, unit holders themselves are given the power to decide what is in their best interests, while the Financial Supervisory Authority is to ensure that the management company has followed the procedural regulations and fulfilled the information requirements.

The unit holders' influence will be evident when new board members are elected to a management company's board of directors. The new law approves electronic voting, thus enabling involvement from a wider range of clients than those able to participate in person at electoral meetings. Unit holders shall also be called to vote on fund mergers and any material changes in a fund's articles of association.

• Share classes

The new securities funds act allows for the establishment of share classes whereby a unit holder's rights depend on which share class the units are issued in.

Share classes can, for example, be used to differentiate between management fees, provide different denomination currencies and allow the investor to choose between dividend-paying and accumulating classes. The benefit of share classes is that they can be adapted to the needs of different client groups while allowing all investors to be exposed to the same underlying investments. SKAGEN will consider whether to establish share classes in the funds it manages.

• A passport to other markets

All SKAGEN's securities funds are Norwegian registered UCITS funds. The UCITS status works as a kind of passport in relation to foreign authorities. The funds may be marketed in the whole EU/EEA area after a simple notification to the relevant authority.

SKAGEN has approval to market its equity funds and some of its bond and money market funds in Iceland, Sweden, Finland, Denmark, Luxembourg, The Netherlands, the UK and Switzerland.

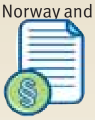
WHAT IS UCITS?

UCITS stands for *Undertakings in Collective Investments in Transferable Securities* and refers to a set of EU directives which in principle allow securities funds to operate freely throughout the EU based on an approval from a member state. The UCITS directives have been implemented in Norwegian legislation and Norwegian funds satisfying the relevant requirements are therefore approved as UCITS funds.

The new securities funds act implements the most recent directive: UCITS IV. The goal of UCITS IV is to provide investors with more choice and improved information. When implementing the directive in Norwegian law, the authorities have taken the opportunity to adjust the current securities funds act to make the provisions more understandable. All the regulations stemming from the law have been consolidated into a single regulation.

HARMONISED REGULATIONS

SKAGEN has established all its securities funds in Norway and exports them by using the UCITS passport. To provide the best service, communication and follow-up for our foreign clients we work closely with select distribution partners, for example securities firms, banks and central securities depositories. When one of these entities is to be entered into the unit holders' register on behalf of an underlying client, it is termed nomine registration. The entity that wishes to be entered into the unit holders' register on behalf of the underlying client must be approved by the Financial Supervisory Authority.



SKAGEN is actively engaged in efforts to harmonise fund regulation across Europe. Through this work, SKAGEN aims to help provide the best possible infrastructure for clients, irrespective of their country of residence.

THE FSA'S ROLE

All Norwegian registered securities funds are subject to supervision by the Norwegian Financial Supervisory Authority (FSA). The FSA approves the establishment of new securities funds. The management company has regular reporting duties towards the FSA. The FSA can at any time request more information about the management company and its business, and can also perform on site inspections.

All management companies must enter into a depository agreement with a financial institution to ensure that the funds' assets are separated from the management company's assets, and to protect the unit holders' interests.

The depository shall exercise certain control functions regarding the management company's disposition of the securities fund's assets, but has no independent rights of disposition over the assets.

Operational Risk in SKAGEN

In asset management, risk comes in many forms and the starting point for generating a good risk culture is risk identification. At SKAGEN all known and suspected risks are identified, recorded and tracked to handle them in the best possible way.

Photo: iStockphoto

Operational risk – the risk that an oversight, a poor or incomplete process, or even human error, might cause losses – is in particular focus across the financial services industry. This holds true both internally at SKAGEN and for the Board of SKAGEN AS, where unit holders are represented.

A coherent and layered approach

Operational risk can never be eliminated entirely. But a coherent and layered approach to risk management, as practised by SKAGEN, seeks to ensure that the most damaging and most likely risks simply do not occur. And scrutiny by experienced and qualified third parties should help to ensure that our approach to operational risk is as good as it can be.

Ultimately, however, risk prevention and risk mitigation is the task of each and every employee. We believe that well trained employees, possessed of a good risk culture, with the systems to back it all up, is the best guarantee of good operational risk control.

Owning the risk

All employees are responsible for the continuous monitoring, mitigation and follow-up of actions associated with identified risks. The application of appropriate controls, be they automated or human, are considered to assess the 'treated' risk.

In order to keep the best possible overview of operational risk, SKAGEN has chosen to use a software program called Easyrisk. In this program, each risk is assessed for impact, and probability - the 'raw' risk. All risks are also allocated an owner, who is usually a leader or key decision-maker.

In addition, the Business Support and Compliance department is responsible for follow-up, control and risk management across the company. The department works independently of SKAGEN's main reporting lines; reporting directly to the Board of SKAGEN AS.

Twice each year the Business Support and Compliance department leads a full assessment of all risks across the company in the internal control process. And SKAGEN's internal auditor must assess the conduct and efficacy of this internal control process. This assessment is presented yearly to SKAGEN's Board.

A basis in law

SKAGEN's focus on operational risk also has a basis in law. Having a Norwegian domicile demands a strong focus on risk management and internal control. The fund manager has to comply with internal control stipulation (regulation of 22.09.2008, no. 1080) which sets requirements as to how risk management shall be executed. And the stipulation for information technology (regulation 21.05.2003, no. 630) sets the requirements for business continuity planning, and for the backup and inbuilt redundancy of vital systems. These areas are all points of interest for FSA inspections of the firm that occur on a regular basis. The FSA had no significant remarks during the last of these, in March 2011 - a copy of their report on SKAGEN can be obtained from the FSA website* (in Norwegian).

Involvement of the Board

Each year an operational risk report is prepared internally and sent to SKAGEN's Board of Directors. The report focuses on the largest risks, in other words those risks that carry both the greatest impact and that are considered the most likely. Similarly, the internal auditor, Ernst & Young, presents their own report to the Board. Based on these reports, a suggestion is made as to the areas internal control should focus on the following year. A final decision is made by the Board which SKAGEN's Business Support and Compliance department then executes.

International standard - the ISA 402

In addition to the comprehensive and layered approach described, SKAGEN has chosen to be audited against an international standard, ISA 402. This standard is an auditor-to-auditor report that focuses on identifying and assessing the most important and critical activities in an organisation in the receipt of a third party internal auditor, such as SKAGEN.

The objective is to confirm the effectiveness of the risk-reducing measures implemented, and to identify potential nonconformity. SKAGEN's external auditor, Pricewaterhouse Coopers, is charged with submitting an annual statement pertaining to the ISA 402 standard. This report can be provided to any unit holder's auditors upon request.

www.finanstilsynet.no/no/Artikkelarkiv/Brev/2011/Merknader---endelig-rapport-4/

Currency risk in SKAGEN's equity funds

Our equity funds invest in companies world-wide. Some clients in our funds seek to hedge certain foreign exchange exposure based on the listing currency of our underlying holdings. We argue that while this may be wise for bond funds, it is not for global equity funds.

Harald Haukås, Analyst at SKAGEN Funds.

Listing currency does not represent total currency exposure

There is a common fallacy that one can hedge FX risk in an equity fund in the same way as a bond fund by hedging the listing currencies of the underlying holdings. But the currency risk is only to a small extent identifiable and is a complicated function dependent on a number of direct and indirect factors for any company. It does not make sense to buy Siemens on the German rather than the American stock exchange just to avoid USD risk. In general, hedging on the listed currency only gives short-term value in the event of a sudden change in exchange rates.

Currency hedging may increase currency risk!

Attempts to hedge unwanted FX exposure may boomerang badly. Say that American Inc. sells its products in Europe in euro, but produces them in the US, paying its costs in US dollars. If the dollar weakens against the euro, the share price immediately falls in euro terms. This is a short-term effect of the change in exchange rates. However, in the long term, we would expect profits to rise because costs (which are in dollars) fall.

If you prefer numbers to words, assume revenues are EUR 100 million to start with, and costs are USD 100 million, with a prevailing exchange rate of 70 eurocents to the dollar. With a 10% depreciation in the USD rate, the share price initially falls 10%. However, over time, we would expect costs, converted from USD to EUR terms to fall EUR 7 million, such that the profit rises from EUR 30 to 37 million. The short- and long-term effects of the change in the exchange rate counteract each other. Hedging out one of these currency risks (most likely the short-term one) would imply that you in fact upset the balance and paradoxically increase the risk.

Let the market do the work for you

In reality, it is impossible to hedge against all outcomes created by currency exchange movements. In the long run a free market will correct the short-term bias created by currencies. It would be beyond the scope of this article to discuss all the possible impacts of a change in exchange rate, but it is prevailing wisdom that, for example, a change in the value of the dollar may have an impact on the dollar oil price as well, which may be another component of a company's income/costs. It can also impact the company's funding position, if say, it has debt denominated in a foreign currency.

Currency risk in our funds

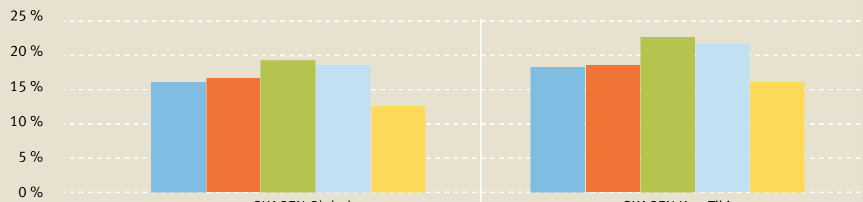
SKAGEN's global equity funds seek to balance all forms of risk, including currency risk in the most appropriate manner. Exposure to individual regions is kept proportional. The consistency arising from our approach can be seen in the table below. This illustrates the annualised return since inception for SKAGEN Global and SKAGEN Kon-Tiki in the major currencies we publish our funds' prices in.

The main deviant from the group is returns in CHF, but this is mainly because of the currency's role as a safe haven over the past few years.

SKAGEN Global and SKAGEN Kon-Tiki do not have much specific Norwegian kroner currency risk; most of the Norwegian companies they are invested in, such as Stolt-Nielsen and Seadrill, actually represent businesses with global exposure (shipping and oil services). SKAGEN Vekst carries some Norwegian kroner currency risk since over 50% of the fund is invested in Norwegian companies, some of which have very local operations.

To conclude, we would recommend that clients carefully consider the cost against the relative benefit of hedging any currency exposure in our equity funds, particularly in relation to their investment horizon.

Annualised returns since inception*



	SKAGEN Global	SKAGEN Kon-Tiki
NOK	15.1 %	17.8 %
EUR	15.5 %	17.6 %
USD	17.2 %	22.4 %
GBP	17.3 %	21.4 %
CHF	13.2 %	15.4 %

*** The inception date for SKAGEN Global is 07/08/1997, while for SKAGEN Kon-Tiki it is 05/04/2002**

Awards and Ratings in 2011

The consistent performance of SKAGEN's funds and managers was recognised in several of our market areas in 2011 in the form of awards and ratings.

Recognition in various market areas

The management company, SKAGEN AS, was recognised both in the UK and Denmark this year. In the UK, SKAGEN was named Nordic Asset manager of the year at the Financial News Awards 2011 ceremony, while in Denmark SKAGEN was named fund manager of the year by Morgenavisen Jyllands-Posten and Dansk Aktie Analyse. This is the third time that the newspaper Morgenavisen Jyllands-Posten and the independent research firm Dansk Aktie Analyse have ranked SKAGEN as number one, with previous victories in 2009 and 2007. In 2010 and 2008 SKAGEN was a highly ranked number two.

Meanwhile, in the Netherlands, the equity fund SKAGEN Global was elected best investment fund by the public at fund awards ceremony De Gouden Stier in November. This is the fourth year in a row that SKAGEN has been nominated and won awards at De Gouden Stier, which means the Golden Bull.

S&P - as all round

Standard & Poor's (S&P) review of equity funds, carried out this summer, again highlighted the strength and consistency of the portfolio management team. Though the three funds have differing ratings, they have all received at least one of those elusive As.

In its review of the emerging markets equity fund, SKAGEN Kon-Tiki, the rating agency S&P says that it continues to hold the team in very high regard and this, together with the fund's excellent long-term track record, means that the AAA rating is "easily retained". The fund is ranked number 16 of 607 emerging markets funds worldwide over the past five years. In evaluating the fund, S&P writes that "The fund's track record is one of the strongest and most consistent in our review... and [SKAGEN Kon-Tiki] is within the top 5% of the peer group over three and five years." The key to the continued long-term success of SKAGEN Kon-Tiki lies in its "adherence to an approach that is based on absolute valuations and in-depth company analysis," according to S&P.

The equity fund SKAGEN Global has retained its AA rating from S&P. The team managing SKAGEN Global has been working together since March 2010, when Kristian Falnes took over the reins. In its comment on the rating, S&P writes that "Fund changes under Falnes have been gradual and minimal, reflecting the consistency and discipline of the investment philosophy and process." The rating agency concludes that "The team, all of whom are generalists, has clearly settled well, working closely together with an effective collegial mentality" and says that in all SKAGEN Global "easily retains" its AA rating.

S&P assigned an A rating to equity fund SKAGEN Vekst a little over one year after Beate Bredesen took over as lead manager. "Our confidence in [Bredesen's] stockpicking and portfolio construction skills is sufficient for the fund to achieve an S&P A (New) rating," said S&P in its comment on the rating. The SKAGEN Vekst team was strengthened by Ole Søeberg in May 2011, and a new portfolio manager, Geir Tjetland, is set to join the team in January 2012.

SKAGEN recognised by Lipper

Between them, the equity funds SKAGEN Global and SKAGEN Kon-Tiki won a total of nine Lipper awards at the various ceremonies that took place around Europe in 2011, including in the Nordic countries, the Netherlands, at the European ceremony in Luxembourg and in the UK. SKAGEN Global was named best global equity fund in all the above-mentioned regions for its performance over the past ten years while SKAGEN Kon-Tiki was named best emerging markets equity fund for its performance over the past five years.

Quantitative and qualitative ratings

SKAGEN's funds have been assigned both quantitative and qualitative ratings by a number of ratings agencies including Morningstar, Citywire and Wassum. Quantitative ratings are based on a fund's return relative to its risk over a distinct number of years, while the qualitative ratings are assigned based on an analyst's opinion of a fund's relative investment merit. The table below gives a full overview of the ratings assigned to SKAGEN's funds, while additional information and reports can be found on SKAGEN's website, www.skagenfunds.com, under Ratings.

Fund rating	SKAGEN Vekst	SKAGEN Global	SKAGEN Kon-Tiki	SKAGEN Tellus	SKAGEN Avkastning
Standard & Poor's (AAA = best qualitative rating)	Standard & Poor's A	Standard & Poor's AA	Standard & Poor's AAA		
Citywire (5 year performance) Fund manager rating		No. 25 of 507	No. 3 of 92		
Lipper Fund Awards		Lipper Fund Awards 2011 Europe Europe 2011: Best Fund 10 years Equity Global	Lipper Fund Awards 2011 Europe Europe 2011: Best Fund 5 years Equity Emerging Markets Global		
Morningstar Quantitative Rating (5 = best quantitative rating)	★★★★	★★★★★	★★★★★	★★★★★	★
Morningstar Qualitative Rating	Neutral	Silver	Gold		
Wassum (5 = best rating)		W W W W W	W W W W W		

Updated as of 31 December 2011. Empty fields means no rating of fund.
Read more about ratings, rating agencies and awards here: www.skagenfunds.com, About us/Rating of funds and www.skagenfunds.com

Sponsorship for the long term

SKAGEN donated a total of two million euro to various organisations in 2011.

SKAGEN has a long-term cooperation agreement with Kolibri - Children at Risk Foundation, SOS Children's Villages and Médecins sans Frontières. In 2011 SKAGEN donated around one million euro for projects carried out by its three cooperation partners.

"The work of these organisations is entirely different from our own. They work to improve conditions for the most impoverished children and young people in various parts of the world. For six years the work they do has generated the support and interest of our employees and clients," says Harald Espedal, managing director in SKAGEN.

In 2011 SKAGEN also donated a total of around one million euro to a new permanent exhibition at a local science museum in Sandnes, Norway.

Spreading their small wings

Children at Risk Foundation uses the humming bird ("kolibri" in Norwegian) as its name and symbol.

"Kolibri is a small organisation, but is big on inspiration, knowledge and wisdom. SKAGEN has discovered this and provided the little "bird" with the unique opportunity to lay several "KolibriEggs": Three art and activity centres for children and young people have been built since the cooperation began," says Sigve Fjeldtvedt, manager in Kolibri.

Safe home for children

SKAGEN's commitment to SOS Children's Villages has resulted in the financing of five family houses in the children's village in Pskov, Russia. This is where orphaned and vulnerable children are provided with a new family and a safe home. The children live with a safe care person, grow up with siblings and a sense of belonging which is crucial in creating a stable and good upbringing.

"It is almost impossible to express how valuable the contribution to SOS Children's Villages in Pskov is. It is a value that spreads beyond the individual children who are given a safe home, education and future opportunities. It is value creation for a whole community. SKAGEN's long-term cooperation ensures a good upbringing for the most vulnerable children," says Svein Grønnern, general secretary in SOS Children's Villages Norway.

Needs are great

"Médecins sans Frontières values its long partnership with SKAGEN and the company's contribution to helping people in extremely difficult situations," says Dag Horntvedt, general secretary in Médecins sans Frontières.

SKAGEN has sponsored life-saving work in Africa with money earmarked for several different projects:

- Treatment of HIV/AIDS patients in Lesotho which is one of the world's poorest countries and where almost 25 percent of the population lives with HIV.
- Established local HIV centres with local authorities.
- Treatment of malnourished children in the Niger delta (via Médecins sans Frontières in Denmark).
- Strengthened local health services to improve general HIV care and in particular prevent mother-to-child transmission.

Sponsoring local knowledge

SKAGEN also donated a total of around one million euro to a new permanent exhibition at a local science museum in Sandnes, Norway.

At last we have the opportunity to develop new themes associated with the town's history in Sandnes and can pass on much of the history about industry and commerce in the region – which has, and still is, characterised by a great deal of value creation and founder mentality," says Målfrid Snørteland, director of the regional science centre, Jærmuseet.

Photo: Kolibri

Kolibri – Children at Risk Foundation – provides children and young people in Brazil with a brighter future through their art and activity centres.

SKAGEN employees attended the opening of a new house in the Pskov children's village in Russia.

Photo: Leger Uten Grenser

Médecins sans Frontières works with HIV patients and malnourished children in Africa, amongst others.

SKAGEN'S Portfolio Team

SKAGEN Global


Kristian Falnes


Torkell Eide


Søren Milo Christensen


Chris-Tommy Simonsen

SKAGEN Vekst


Beate Bredesen


Ole Søeberg


Geir Tjetland
(New in 2012)

SKAGEN Kon-Tiki


Kristoffer Stensrud


Knut Harald Nilsson


Ross Porter


Cathrine Gether
(On leave)

SKAGEN Høyrente & SKAGEN Høyrente Institusjon


Ola Sjöstrand


Tomas N. Middelthon
(New in 2012)


Elisabeth A. Gausel
(On leave)

SKAGEN Avkastning


Jane Sirevåg Tvedt

SKAGEN Tellus


Torgeir Høien

Investment director


Harald Espedal

Portfolio management is a team sport in SKAGEN. All portfolio managers share a strong belief in SKAGEN's applied value orientation, a contrarian and common sense based investment style that requires patience, dedication and thorough analysis.

Our experienced portfolio managers are generalists, good analysts and strong decision makers. The teams operate on a flat structure and everyone is required to contribute their own investment ideas. Each team does, however, have one lead portfolio manager with ultimate responsibility for the fund and thereby the right to veto any potential investments which are not supportive of our investment philosophy, or which breach our ethical or corporate governance guidelines.

Shared ideas, individual decisions

Interaction within the portfolio team is mostly informal. The teams are all located around one desk in Stavanger and share ideas and communicate in a continuous and ad-hoc manner "across the table".

Although there is a common research platform, individual managers are responsible for taking independent decisions for their fund. Portfolio managers are rewarded not only based on the excess returns and performance of the funds but also according to other criteria, such as commitment to the firm and their ability to share investment ideas. Many portfolio managers invest a considerable share of their personal wealth in their funds, thereby aligning their interests closely with those of the clients.

Our portfolio managers share a strong belief in SKAGEN's contrarian investment style – a long term approach that requires patience, dedication and thorough research.

Challenging headwinds

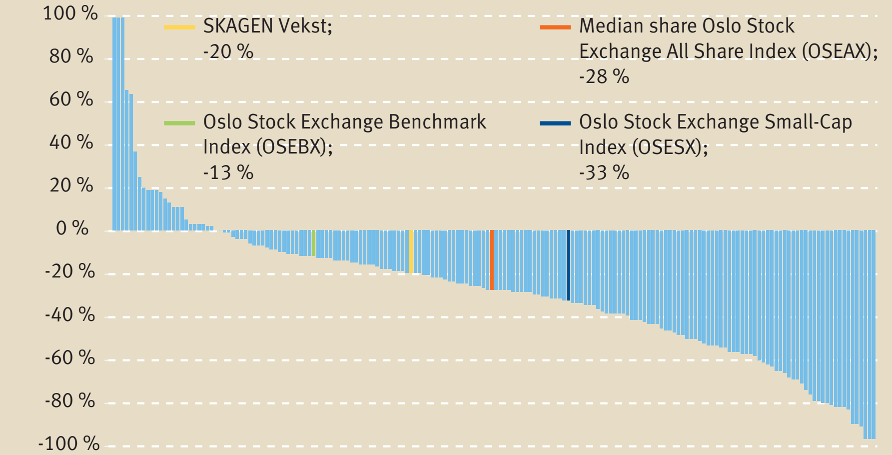
2011 was a very challenging year for SKAGEN Vekst which saw periods of strong headwinds. The fund's returns were far from satisfactory.

At the start of the year the larger Norwegian companies seemed close to fully valued while it appeared there was value to be found among the smaller companies listed on the Oslo Stock Exchange. In line with the SKAGEN investment philosophy we invested more in these undervalued and unpopular companies. With hindsight we can safely say that the year did not turn out as we had expected.

The reason for some of the headwind was the increasing focus on the economy throughout the year. As value-based investors, this was particularly frustrating for us, as it took focus away from the companies and their underlying development. It was particularly challenging to see nervous investors moving away from smaller companies and shifting over to the larger, more liquid companies on the Oslo Stock Exchange. This is evidenced by the fact that the median share price on the Oslo exchange lost 28 percent, while the Oslo Stock Exchange Benchmark Index fell 13 percent, measured in Norwegian kroner.

Oslo was not the only market that posed challenges for us last year; there were also large negative contributors among our non-Norwegian investments. Common to the worst performing investments was the fact that earnings expectations were revised downwards during the year. As a result we saw already cheap companies became even cheaper, both in Norway and abroad.

EQUITY RETURNS ON THE OSLO STOCK EXCHANGE IN 2011 (IN NOK)



Source: Bloomberg

SKAGEN VEKST 2011 (MILL. NOK)

5 largest positive contributors	
Axis Shield	65
Gjensidige Forsikring	52
dtac	41
Kverneland	41
Winn-Dixie Stores	39
5 largest negative contributors	
DOF	-141
Bonheur/Ganger Rolf	-130
Morpol	-115
Norwegian Air Shuttle	-92
Sevan Marine	-85
5 largest purchases	
Sevan Drilling	140
Royal Caribbean Cruises	125
Kesko	104
Carnival	98
Danske Bank	91
5 largest sales	
Pride International	-252
Axis-Shield	-158
Carnival	-130
Stolt-Nielsen	-108
dtac	-107

Better days ahead

That said, the developments in 2011 also gave rise to opportunities. We believe that the focus will shift back to companies' fundamentals and as long as we continue to find companies with low valuations, the patient unit holder will be rewarded in the long-run. At the end of the year valuations were at such low levels that we witnessed increased merger and acquisitions activity.

Positive developments during the year included the acquisitions that took place. In our portfolio rig company Pride International, diagnostics company, Axis-Shield, and Gregoire, which makes wine harvesting equipment, were all taken over during the year. At the end of the year there were offers for farm equipment maker Kverneland and US retailer Winn-Dixie Stores. Three industrial companies showed interest in Kverneland and the completion of the offer is currently in process. We have already secured a profit for the fund and expect Kverneland to be taken over shortly.

The many wounds

Energy is the largest sector in SKAGEN Vekst, representing 22 percent of invested assets, and we were unfortunate with company selection within this sector in 2011.

In a stormy autumn market for supply ships, the sale of new shares in DOF turned out to be detrimental to the stock. A total of 56 percent of stock market valuation was shaved off and DOF thus became the fund's largest negative contributor in the year. We are positive about the company's future, however, as it has a very modern fleet with good exposure to Brazil and the North Sea. In light of the current estimates for oil investments and new rigs in coming years, we believe that the company will not only meet its debt obligations, but also make value for its shareholders. The company is currently valued at half its net asset value. DOF is not the only investment within the supply sector as about six percent of the fund is invested in oil supply, with the investments divided between a total of six companies.

SKAGEN Vekst's long-term twin investment in Bonheur and Ganger Rolf did not contribute positively either. Investor appetite for conglomerates declined noticeably, and coupled with poor liquidity, the discount to intrinsic value increased from 35 to 45 percent. Conversely, we were satisfied with the performance of Fred Olsen Energy during the year. Since this is the main component in the conglomerate, we believe we will eventually be rewarded for our patience.

Sevan Marine and Norwegian Energy Company (Noreco) were also large negative contributors in 2011. With the former we misjudged the company's ability to utilise the good rig market in the spring to raise more capital. The company instead ended up being fully restructured. First the drilling unit was spun off as Sevan Drilling and later Sevan Marine's remaining holding in this company was sold to Seadrill. At the end of the year the company appeared as new: they still have the technology, but the debt is gone. The industry is also coming to accept the new technology now that Teekay has taken over the company's floating production units.

In the case of Noreco, disruptions in production meant that cash-flow did not meet expectations. In addition, they have not been able to deliver positive exploration results. A large part of the board has been changed and new management is in place. Several of the assets have been sold, the costs have been trimmed and part of the debt has been renegotiated. This will all set the company on the right course for the future. It is now a company with an exciting exploration portfolio combined with a suitable cost and debt structure.

There were other positive contributors in the energy sector and we saw good returns from the seismic companies TGS Nopec, EMGS and Spectrum.

New entrants and exits

Our largest investment in 2011 was Sevan Drilling. Due to its historic tie to Sevan Marine the company is trading at a considerable discount. We believe that acceptance for the technology grew throughout last year, thanks to satisfactory operations for its current rig, Teekay's ties to Sevan Marine and, last but not least, the Seadrill ownership stake. The company has sensible financing and looks like a clear takeover candidate.

The fund also invested in Russian gas company Gazprom, which has been an investment in SKAGEN Kon-Tiki and SKAGEN Global for some time. We sold large parts of our holding in Farstad Shipping. In addition we exited the oil services and equipment company, Superior Energy.

Raw materials weak

The raw materials sector performed poorly both in the benchmark index and in SKAGEN Vekst. The prospect of slower global economic growth is quickly reflected in the price of commodities. The price of aluminium fell substantially in the second half of the year as did the share price of Norsk Hydro, which is our largest holding in this sector.

Photo: DOF

DOF has a very modern fleet with good exposure to Brazil and the North Sea, amongst other areas.

Lights in the forest

Being invested in Norwegian pulp and paper company, Norske Skog, proved to be a roller coaster ride in 2011. We still await consolidation and a substantial reduction in capacity within the industry. The highlight was that the company managed to renegotiate parts of its debt at the same time as there was a decline in input costs. The next large repayment of debt is due in 2014 and the possibility of an equity issue in the next two years is therefore substantially reduced. Low valuation also sets the stage for potential upside if we are right. Due to its continued high risk, the stake only constitutes 0.4 percent of the fund.

SKAGEN Vekst's newest investments in the sector are biological fertiliser company Agrinos, paint and coatings maker, Akzo Nobel, and Turkish gold miner, Koza Altin. All three contributed positively in 2011. We exited the German seed producer, KWS Saat, and the Norwegian mining company, Northland Resources, at a profit.

The best performer in the industrial sector was Kverneland. We also had a formidable return on our holding in Golar LNG, which tripled in value in 2011 and was a winner on the Oslo Stock Exchange. Conversely, our holdings in Norwegian Air Shuttle and Dockwise proved disappointing. There is no surprise that the former performed poorly in a year when cyclical industries did not do well. With Dockwise the results were worse than expected. We expect to see an increase in transportation of large modules by sea in the next few years, which is why we have a holding in the company.

Adjusted earnings

SKAGEN Vekst's largest investment is Kongsberg Gruppen. A reduction in planned deliveries of weapons systems to the US military resulted in a decline in earnings expectations. We are still pleased with the defence and maritime division, and the company is delivering record margins. We are increasingly optimistic about the share price, not least because it is at its lowest valuation in a decade.

We added Norwegian Car Carriers to the portfolio in 2011. At the same time we trimmed our holding in chemicals shipping company, Stolt-Nielsen.

The consumer discretionary sector was the second worst performer in the portfolio in 2011. This was largely due to our investment in Carnival Cruise Lines which we added to the portfolio at the start of the year replacing Royal Caribbean Cruises. We lost less than we would have if we had stayed in RCCL, nevertheless, the year as a whole was not good for our cruise investments. It is noteworthy that it was not a drop in earnings, but rather the lack of growth, that disappointed the market and weighed on stock prices. The growth in the cruise fleet will be moderate in coming years at the same time as this type of vacation grows in popularity. We still believe that both companies are undervalued, but the pricing difference is again in favour of RCCL. We have therefore switched the majority of our cruise investments back to RCCL.

Tireless performance

In 2011 we exited the Korean tire maker Hankook Tires at close to all time high prices, and could thereby book a nice gain from this investment. We replaced this holding with its competitor Continental. Not only does this company have a low valuation, it also has new technologies for the car industry. We believe this technology has the potential to become a good contributor to earnings in the years to come.

Within the consumer staples sector the largest contributions came from relatively new investments, including supermarket chain Winn-Dixie. We also added the Danish brewery Royal Unibrew to the portfolio during the year.

The largest negative contributor in the sector was salmon processing company Morpol. In the first half of the year the company entered into a contract that was far larger than that which they had stated in their strategy. The timing of this contract also later proved to be highly unfavourable. In addition there have been rapid changes to the board and management. The fear is that the founder, main owner and Chief Executive Officer, who are the same person, does not have the best interests of minority shareholders in mind. We believe that the business model is still intact and that the company can rebuild investor trust. For now we are keeping a close eye on Morpol and are ready to act if there are renewed reasons to fear for the value of our holding.

We also added to our holding in Finnish retailer Kesko and reduced the stake in salmon farming company Cermaq. In addition, we have almost exited the Chinese meat producer, People's Food.

In need of medicine

The healthcare sector was the second performer in the fund in 2011. Axis-Shield was bought by Alere and the cancer treatment companies Clavis Pharma and Algeta were also good contributors. Conversely, Teva Pharma, our largest holding, and Karolinska Development did not perform so well. We have exited Pfizer and also sold several smaller Korean pharmaceutical companies after good gains.

Banking and finance has suffered a lot in recent years. It is therefore pleasing to say that we are satisfied with our holdings within this sector. Gjensidige Forsikring was the fund's second best contributor, and also the largest holding within this sector. We are not as happy with our holding in Danske Bank, where we invested too early and ahead of the stabilizing of earnings.

In the spring we participated in a share issue by Aareal Bank of Germany. We subsequently sold the shares, in addition to a large part of our original holding, with good gains. We also performed a timely exit from Rezidor Hotel Group and Norwegian Property in the spring; both markedly fell in the second half.

Photo: Bloomberg

US supermarket chain Winn-Dixie made just a fleeting visit to the portfolio. A bid was made for the company towards the end of the year.

Old friends delivered

One should not ignore old friends, even in a year full of perils. Information Technology was the best sector in the fund. Our long-term holding in Samsung Electronics, which is SKAGEN Vekst's largest in the sector, impressed us with its sale of smartphones. Proact IT Group, which makes digital storage solutions, also provided a good contribution to the fund returns in 2011.

A new investment in this sector was Corning, which is a leading maker of glass for the IT and telecommunications industry. We are particularly optimistic about the company's sales of gorilla glass, which is extremely thin and durable, and used predominantly in smartphones. The company is the market leader in this segment and the early competition will first catch up in 2013/14. We exited Seagate Technology, which in a little more than a year, has provided good returns.

In aggregate the telecommunications sector provided a small negative return in 2011. The main parts of our Russian telephone company, Sistema, developed well. This is in stark contrast to the stock price. Over several years, SKAGEN Vekst has had good contributions from this holding and we realize that we will have to be patient. In France Telecom, the basis for our investment, specifically low valuation, low earnings expectations and high dividends, were not enough to bolster the share price. The stake was reduced towards the end of the year. We completely exited Total Access Communications (dtac), where we were able to book a nice gain.

In the utilities sector our main holding has been Eletrobras, which also has provided good returns for several years. In 2011, the Brazilian electricity company did not contribute positively. We increased our holding in the company during an equity issue during the spring.

More concentration

For more than a year we have worked on making the portfolio more concentrated and we therefore continued to reduce the number of holdings. This exercise has not gone as quickly as planned because of share price considerations. We still want to reduce the number of holdings and increase the liquidity in the portfolio. The results of this work will become apparent over time.

Even though the value-focused SKAGEN investment philosophy did not yield the desired results in SKAGEN Vekst in 2011, we are still of the opinion that the companies' ability to create value will again become the focus of investors. It will hence also increasingly be reflected in share prices. When this change in focus will come is still not known but it is with increased optimism and low company valuations that we cast off into a new year for SKAGEN Vekst.

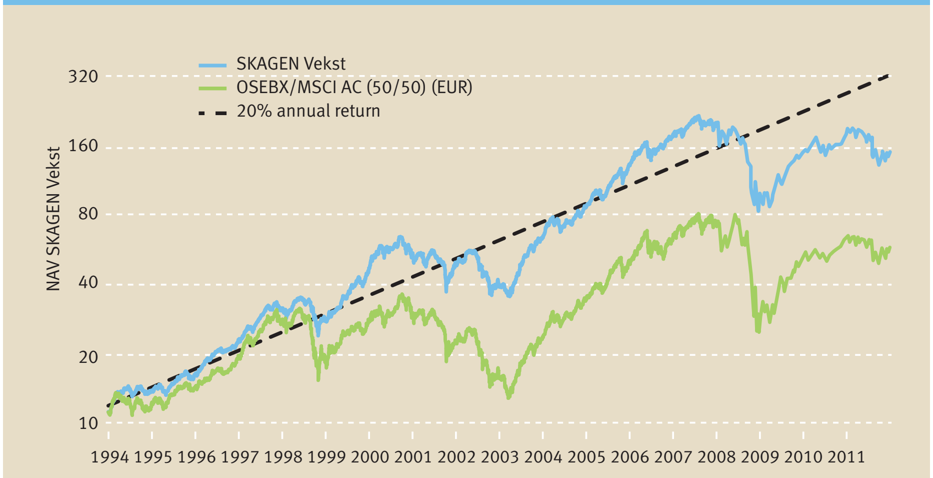
The aim of SKAGEN Vekst is to achieve the best possible risk adjusted returns through an actively managed portfolio of Norwegian and international equities.
This combination allows the fund to take part in value creation in sectors that are not available on the Norwegian market. The fund's aim is to find high quality companies at a low price, which are characterised by being undervalued, under-researched and unpopular.

SKAGEN Vekst is suitable for investors who want a well balanced fund with a broad mandate, which gives large scope for diversification both geographically and across industries.

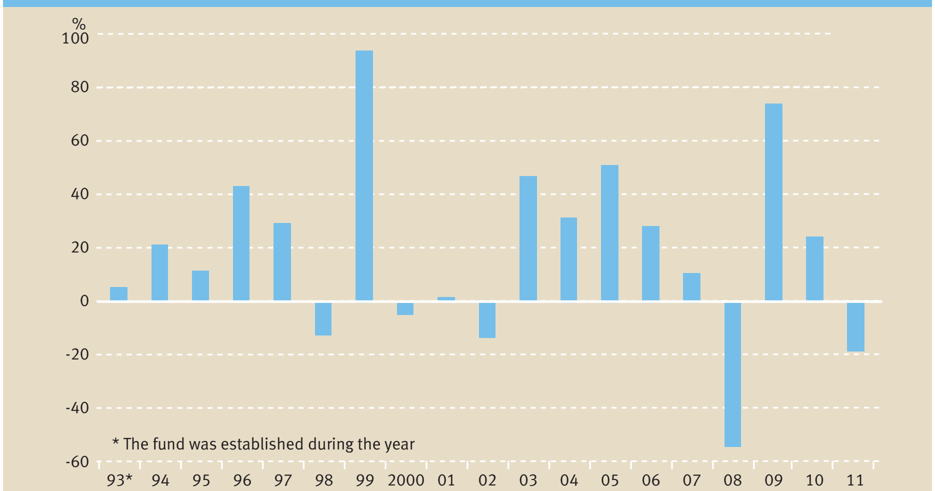
Year	Return on investment %	Benchmark index	AUM *	Number of Unitholders	TER %
2011	-19,34 %	-8,18 %	945	91 709	1,00%
2010	22,84%	23,51 %	1 309	92 978	1,87 %
2009	74,74 %	94,47 %	1 249	93 807	4,50 %
2008	-54,19 %	-62,65 %	628	88 349	1,00 %
2007	13,31 %	14,96 %	1 450	87 559	1,26 %
2006	28,58 %	28,53 %	1 424	74 547	3,36 %
2005	53,02 %	45,09 %	1 035	61 792	4,50 %
2004	34,29 %	41,11 %	693	51 781	3,45 %
2003	44,17 %	28,69 %	505	47 334	5,82 %
2002	-14,47 %	-24,52 %	295	46 153	0,86 %
2001	2,68 %	-13,18 %	325	46 283	1,27 %
2000	-5,01 %	-4,45 %	321	44 619	2,18 %
1999	94,67 %	60,09 %	293	38 167	7,31 %
1998	-14,73 %	-33,14 %	111	19 568	2,46 %
1997	28,57 %	31,17 %	111	13 036	3,74 %
1996	43,31 %	36,07 %	59	6 873	4,01 %
1995	14,87 %	11,75 %	25	4 149	2,95 %
1994	20,16 %	8,05 %	15	1 760	1,58 %

* In million euro

HISTORICAL PRICE DEVELOPMENT



ANNUAL RETURN (IN EUR, NET OF FEES)

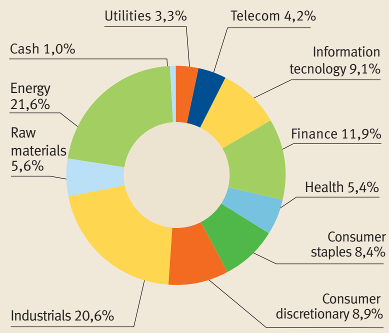


SKAGEN Vekst

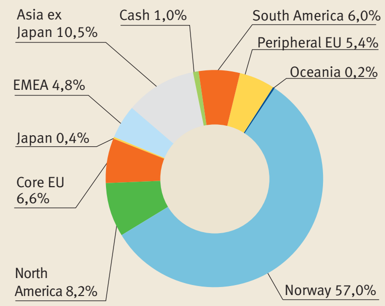
Handpicked for you

Children and young women picking flowers in a field north of Skagen. 1887. Detail.
By Michael Ancher, one of the Skagen painters.
The picture is owned by the Skagens Museum.

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



Fund start date	1 December 1993
Return since start	1164.1%
Average annual return	15.1%
AUM	EUR 945 million
Number of unitholders	91 709
Management fee	1.0 % p.a. + 10 % of the return exceeding 6 % p.a
Minimum subscription amount	One-time subscription EUR 150
Authorised for marketing in	Norway, Sweden, Denmark, the Netherlands, Luxembourg, Finland, Iceland, UK and Switzerland
Benchmark	OSEBX/MSCI All Country World Index (50/50)
UCITS fund	Yes
Portfolio Managers	Beate Bredesen Ole Søeberg Geir Tjetland (new in 2012)

Not content with 2011

A year characterised by macroeconomic data and fear is not the best climate for an active manager like SKAGEN. The year did not end too badly, however.

A year characterised by macroeconomic data and fear is not the best climate for an active manager like SKAGEN. We cannot claim to be satisfied with the fund's performance in 2011.

The return for unit holders in SKAGEN Global was minus 6 percent, while the fund's benchmark index was down 4.3 percent, measured in euro. This makes 2011 the second year that SKAGEN Global has been beaten by the world index since its inception in 1997. The previous time the fund underperformed was in the financial crisis year of 2008, when we paid the price for our relatively high exposure to emerging markets.

Unit holders, who have been with SKAGEN Global since the fund first saw the light of day 14 years ago, can still take pleasure in an average annual return of 15.5 percent. During the same period, those who invested in the world index would have received an average annual return of 1.2 percent.

Photo: Bloomberg

Greek demonstrates took to the streets several times last year. The theatrical behaviour of US politicians when it came to raising the country's debt ceiling in August and a renewed focus on the debt problems in Europe sent global investors flocking to safe havens in 2011.

SKAGEN GLOBAL 2011 (MILL. NOK)

5 largest positive contributors	
Parmalat	421
dtac	378
Tyco International	272
Pfizer	235
Pride International	184

5 largest negative contributors	
Citigroup	-561
Ternium	-284
Vimpelcom	-224
LG Corp	-216
Randstad	-200

5 largest purchases	
Oracle	852
Citigroup	809
Tesco	799
Goldman Sachs	645
Gazprom	585

5 largest sales	
Parmalat	-1 511
Pride International	-1 149
Accenture	-1 046
dtac	-923
Renault	-534

Resemblance to 2008

2011 was characterised by significant fluctuations in the capital markets. During the first half of the year we experienced rising stock markets and commodity prices, while the US dollar and general risk premiums fell. This development culminated during the summer and was turned on its head in the second half of the year.

The theatrical behaviour of US politicians when it came to raising the country's debt ceiling in August and a renewed focus on the debt problems in Europe sent global investors flocking to safe havens.

Sovereign debt in countries like the US, Japan and Switzerland, along with gold, turned out to be popular among investors. Meanwhile, risky assets such as equities, corporate bonds, emerging market currencies and commodities became unpopular, as they were when risk aversion reigned in the autumn of 2008. The difference this time around was that the fluctuations in price were not as extreme, either on the upside or the downside.

As was also the case in 2008, stocks in emerging markets performed worse than those in developed markets; with the BRIC countries being particularly weak. Turkey, where the fund has an overweight compared to its benchmark index, was also one of the weakest stock markets last year.

Among the larger stock markets, the US topped the list, as it also did in 2008. The broad S&P 500 stock market index actually gained three percent, measured in euro.

Compared with the benchmark, SKAGEN Global has a larger proportion of holdings in emerging markets and is underweight US equities. At the end of the year, the fund had 32 percent invested in both markets. By way of comparison, the index had 13 percent in emerging markets and 46 percent in the US stock market.

2008 demonstrated that we are susceptible to poor relative performance during periods where investors flee – in our opinion, irrationally – to so-called safe havens in the US, Japan and Switzerland. This time around we had a better geographical balance in the fund, which helped us to tackle a period of increased risk aversion relatively better than we were able to in 2008.

Oil up – oil services down

In a year in which there has been a great deal of uncertainty concerning developments in the world economy, the oil price ended the year up 12 percent and the share prices of the majority of the larger oil service companies were up. Investors raised their required rate of return during the autumn, however, so the share prices of most oil service companies were down at the end of 2011. Our oil service sector return was minus 10 percent in line with the performance of the US oil service index.

In connection with Pride International's acquisition by its competitor Ensco, we sold a large proportion of our shares, making the US rig company the best contributor in the sector. Following major operational problems and the value-destroying acquisition of Aker Drilling and subsequent share issue, we decided to sell most of our shares in Norwegian drilling company, Transocean, at a loss.

We more than doubled our position in Gazprom. Austrian oil company, OMV, and US oil services company, Weatherford, were newcomers in the portfolio.

Poor commodities

Having lost 26 percent during the year, commodities were the fund's worst performing sector. Falling commodity prices combined with a poor economic outlook meant that South American steel company, Ternium, German cement producer, HeidelbergCement, and Norwegian aluminium and renewable energy company, Norsk Hydro, experienced a relatively large share price drop.

We sold out of German seed company, KWS Saat, and more than doubled our position in Akzo Nobel, the Dutch coatings company.

Having acquired Georgia Pacific's European business, Sweden's SCA has become Europe's market leader in paper-based hygiene products. If investors become more aware of SCA's substantial forestry property and improving profit margins, the share price should continue to develop positively in 2012. The fund's other commodity companies are positioned for continued good growth in emerging markets.

Tyco up on split

The industrials sector was down 11 percent. American Tyco International was the best performer in the sector. The decision to split the business into three separately listed companies pushed up the share price considerably. Based on an individual valuation of the three units, we believe there is the potential for a further positive revaluation of the company in 2012.

Photo: Bloomberg

The acquisition of the Italian dairy giant Parmalat meant that the company was the best contributor to the fund in 2011.

LG Corp experienced a negative share price development, largely due to exceptionally poor results from its associated company LG Electronics. Temporary staff agency Randstad was, along with the rest of the industry, affected by the weak economic outlook.

Trimmed down Renault

The value development of the fund's investments within the consumer discretionary sector was more or less in line with the fund's return. Weak results within the mobile phone division meant that LG Electronics was the loser in terms of share price performance. US cable TV company Comcast was the best contributor to the sector and the company performed better than most of its competitors.

We more than halved our position in Renault after the company's share price rose substantially once it had sold the majority of its Volvo shares. The fear of weak car sales in Europe meant that the Renault share price later fell considerably, however, so we used the opportunity to add to our position in the French car maker.

Based on the stock value of Nissan, in which Renault has a 43.3 percent stake, Renault's share price indicates that the company's core activity has a negative value. We believe this is far too pessimistic. Not least in light of the company's attractive market positions and significant sales growth in several emerging market countries.

Italian dairy profit

With a value increase of 30 percent, consumer staples was the fund's best performing sector. This was primarily due to the sale of our shares in Italian dairy company Parmalat to Groupe Lactalis of France. As a result of this acquisition, Parmalat was the best contributor in the fund in 2011.

Unilever and Tesco were newcomers to the portfolio in 2011. We believe their respective positions in emerging markets will contribute most towards future growth; Unilever already gets more than 50 percent of its turnover from emerging market economies.

Good health – at last

Last year's losing sector, pharmaceuticals, got a welcome lift and the fund's pharmaceutical shares rose 25 percent during 2011. Extremely low pricing at the start of the year attracted an increasing number of investors to both Pfizer and Roche. As the difference between the share price and our fundamental price target narrowed significantly, we chose to reduce our position in the former.

The world's largest manufacturer of generic drugs, Teva Pharmaceutical (Teva), and German hospital operator, Rhoen Klinikum, were newcomers to the portfolio.

The Teva share price has come down significantly as a result of Teva losing its patent on its most important drug, Copaxone, from 2014. The valuation of the company's generic business is now very low.

Rhoen Klinikum has also lost much of its popularity among investors due to the fact that since its capital increase in 2009, the company has not made any significant new investments. We are sympathetic to the company's view that it is important to be disciplined with acquisitions. We believe there will be several profitable opportunities in the privatisation process of German hospitals in the next few years and in the meantime we can take pleasure in the fact that the existing hospital portfolio is currently cheap.

US banks

Our financial sector exposure resulted in losses for SKAGEN Global as it did for the global stock markets in 2011. We ended up losing 25 percent in share price terms, mainly in our US holdings of Citigroup, Goldman Sachs and Bank of America. During the year Bank of America was taken out of the portfolio and Goldman Sachs brought in.

We are still of the opinion that our US banks are fundamentally cheap. Citigroup, for example, is priced at around half its book value, adjusted for intangible assets (goodwill, etc.). A scaling down of the bad business in Citi Holding and profitable growth within consumer financing in several emerging market countries may create good dividend opportunities for the years ahead. We therefore doubled our position in Citigroup during the course of the year, partly financed by the sale of shares in Japanese investment bank Mizuho.

We have avoided exposure to European banks. The difference between the banking sectors in Europe and the US is vast. In the wake of the 2008 financial crisis, US banks implemented large loan loss provisions and were supplied with a substantial amount of new equity. We have not seen a similar cleansing process in Europe. Consequently, US banks currently seem much healthier and better capitalised than their European counterparts.

Although we must admit that our entry into US banks was premature, we have high hopes that the wheat will be sorted from the chaff and that there will be great potential for revaluation in 2012.

The bright spot in the sector was Norwegian general insurance company Gjensidige, whose positive earnings development made it a share price winner on the Oslo Stock Exchange.

Accenture satisfied – Kyocera disappointed

Viewed as a whole, our technology investments ended up in positive territory, but only just. The best contributor was consultancy firm, Accenture. After a period of strong earnings and share price development, we sold our entire stake in the company.

The share price performance of our old Japanese acquaintance, Kyocera, disappointed. Weaker markets for ceramic components for the electronics industry led to the company adjusting its earnings outlook downwards for the year. Kyocera has significant assets outside its core activity. Adjusted for these, its core business is now priced relative to current earnings on record-low multiples.

Samsung Electronics continues to deliver good results. In 2011 smart phones and tablets were its largest contributor. The fund's preference shares are priced at just over six times expected earnings in 2012, and in line with book equity. Since the company has a great ability to grow organically, there are few intangible assets on the balance sheet.

Samsung's management has also shown strength through innovation and short but profitable product cycles within electronic components and consumer electronics. The combination of low valuation and operational competence is a good argument for keeping the company as the fund's largest investment.

Oracle and Yahoo!

New investments within the technology sector were US software manufacturer Oracle and internet company Yahoo!.

Based on expected growth, the price tag for Oracle seems low. The company also has a more robust business model than most of its competitors, and should be able to handle weaker economic conditions without a substantial weakening of its profit. Yahoo! is a fallen internet star, which has long been under heavy share price pressure. If one takes a moderate view of the valuation of Yahoo's stockholdings in Yahoo Japan and Chinese Alibaba Group as one's basis, the core activity seems extremely cheap. There is a great deal to indicate that the value of the above-mentioned stockholdings will become visible in the course of 2012.

Out of Thai telecoms success

Within telecommunications, Thai Total Access Communication (dtac) was up a full 113 percent, and takes credit for the sector's returns of 12 percent. Extremely good profit performance, a shareholder-friendly dividend policy and a sensible capital structure has made dtac increasingly popular. We reduced the position gradually throughout the year, and the final sale was made in December in conjunction with dtac giving a large one-off dividend to shareholders.

Following a period of good share price development, Indian Bharti Airtel was sold out of the portfolio. It was replaced by French telecom and media company, Vivendi, which is priced at a large discount to its intrinsic value. Increased competition in the French mobile phone market has curbed investors' enthusiasm for Vivendi. A low price relative to earnings, a dividend yield of nine percent and a possible change in the conglomerate structure could act as a catalyst for the share price going forward. We also doubled our stake in Vimpelcom, and added to our position in China Mobile.

Within utilities, Calpine was sold out at a good profit. The Brazilian state-dominated electricity company Eletrobras, which fell 13 percent in value in 2011, is now our sole investment in the sector. In the short-term the way in which the Brazilian state handles power concessions that are due to be renewed will be central to the Eletrobras share price development. We believe the current share price indicates that expectations are low. Concession renewals therefore may represent a great potential for revaluation of the shares.

Major challenges

As we enter 2012, the world economy faces major challenges. Economic growth in Europe appears as though it may turn negative, in the first half of the year at least. In the US, low but positive growth is expected.

The big question is how emerging markets will develop. Although there is a lot to indicate reduced growth there too, it is realistic to believe that growth will be maintained at a level that will not tip the world economy into a global recession, as was the case at the end of 2008/beginning of 2009.

Although the valuation of the SKAGEN Global portfolio is not as attractive as it was at the start of 2009, the pricing is low relative to the value creation we anticipate going forward. The fund's ten largest holdings are on average valued at 8.3 times expected earnings in 2011, and only 90 percent of book equity.

Despite the relatively gloomy outlook for the world economy, we believe there is good reason to count on growth in companies' earnings next year also. This will, in turn, cause the price/earnings ratio of the companies in our portfolio to fall further. It is also worth noting that the direct yield from companies' dividends is currently considerably higher than the yield from government bonds.

A shift in mood from fear to greater optimism and belief in the future could lift share prices substantially. Whether the mood change will take place in 2012, however, is hard to say. We are ready regardless.

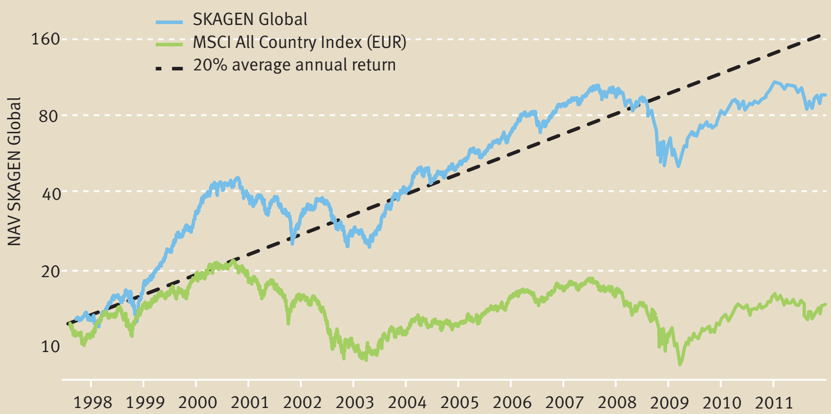
SKAGEN Global has a worldwide investment mandate. The fund's aim is to find high quality companies at a low price, which are characterised by being undervalued, under-researched and unpopular. To reduce risk, the fund seeks to maintain a sensible geographical and sector balance.

SKAGEN Global is suitable for investors who wish to spread investments worldwide and achieve diversification, both geographically and across industries.

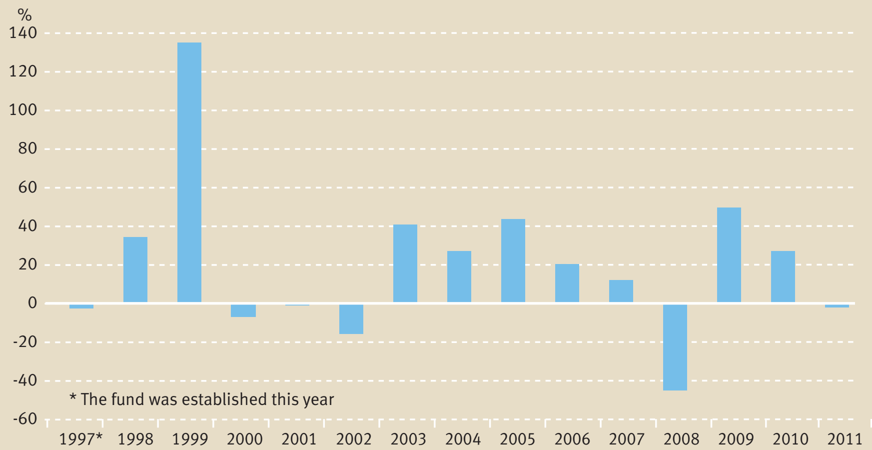
Year	Return on investment %	Benchmark index	AUM *	Number of Unitholders	TER %
2011	-5,96 %	-4,31 %	4 056	97 317	1,00%
2010	23,75 %	20,35 %	4 124	94 966	1,29 %
2009	48,83 %	26,30 %	3 738	96 976	2.75 %
2008	-44,50 %	-37,74 %	2 075	92 046	0,96 %
2007	12,07 %	-1,70 %	3 620	93 097	2,41 %
2006	20,39 %	7,50 %	2 689	77 148	2,20 %
2005	43,67 %	25,84 %	1 733	52 715	2,42 %
2004	27,05 %	6,56 %	845	39 971	2,88 %
2003	40,91 %	10,81 %	522	28 772	3,49 %
2002	-15,76 %	-31,95 %	299	26 465	3,06 %
2001	-0,88 %	-13,13 %	334	24 767	2,25 %
2000	-6,90 %	-7,36 %	347	22 093	1,74 %
1999	134,59 %	43,88 %	260	9 983	5,68 %
1998	34,16 %	15,33 %	27	1 017	2,24 %
1997**	-2,48 %	-7,64 %	4	24	3,28 %

* In million euro
** The fund was established during the year

HISTORICAL PRICE DEVELOPMENT



ANNUAL RETURN (IN EUR, NET OF FEES)

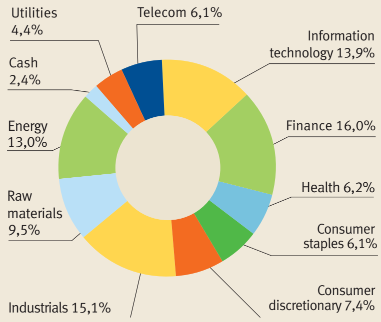


SKAGEN Global

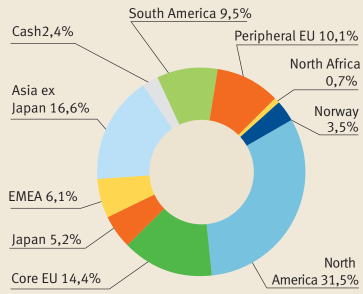
A world of opportunities

From the moor north of Skagen. 1885. Detail.
By P.S. Krøyer, one of the Skagen painters.
The picture is owned by the Skagens Museum.

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



Fund start date	7 August 1997
Return since start	696.0%
Average annual return	15.5%
AUM	EUR 4056 million
Number of unitholders	97 317
Management fee	1.0 % p.a. + 10 % of the return exceeding the return of the benchmark
Minimum subscription amount	One-time subscription EUR 150
Authorised for marketing in	Norway, Sweden, Denmark, the Netherlands, Luxembourg, Finland, Iceland, UK and Switzerland
Benchmark	MSCI All Country World Index
UCITS fund	Yes
Portfolio Managers	Kristian Falnes Torkell T. Eide Søren M. Christensen Chris-Tommy Simonsen

Badly paid for good ideas

This year investors once again fled emerging markets and were paid poorly for good investment ideas. There is, however, comfort to be had from the fact that companies in the portfolio are almost as cheap as they were at the bottom of the market in the autumn of 2008. And this is after a period in which the fund price doubled.

In the first and fourth quarters of 2011 stock markets were relatively calm and SKAGEN Kon-Tiki achieved a good risk-adjusted return. In the second and third quarters, however, investors' risk appetite fluctuated considerably so we experienced a risk-on/risk-off environment in the stock market. In the latter period, the fund's return was weak, in both absolute and relative terms.

For the year as a whole, the fund delivered a negative return of 13.3 percent measured in euro; a result that we are not satisfied with.

SKAGEN KON-TIKI 2011 (MILL. NOK)

5 largest positive contributors	
Pride International	305
Equinox Minerals	291
Golar LNG	249
Great Wall Motor	203
Hyundai Motor	180
5 largest negative contributors	
VTB Bank	-513
Sistema	-474
Sabanci Holding	-389
Vale	-381
Hon Hai Precision Industry	-357
5 largest purchases	
State Bank of India	662
VTB Bank	649
Exxaro Resources	513
Eletrobras	508
Richter Gedeon	453
5 largest sales	
Pride International	-1727
Equinox Minerals	-885
dtac	-353
Standard Chartered	-329
Seadrill	-298

The emerging markets index was down 15.7 percent over the same period.

Indiscriminate sale

The autumn flight from emerging markets meant that large, liquid companies were the hardest hit. And as was the case in 2008, we did not get any downside protection from owning low-valued preference shares, which are less liquid but have priority for dividends. The indiscriminate sale by investors to secure badly needed cash meant that preference shares had a harder time of it than ordinary shares.

We were particularly disappointed by the poor compensation we received for, what we considered to be, some excellent ideas and extremely thorough investment processes. This was, to a large extent, due to the correlation between asset classes, countries, sectors – and not least companies – which is normal during times of great uncertainty.

Although the fund's share price performance was weak, the underlying performance of companies in the portfolio was on the whole good.

Challenges were not unexpected

2011 was dominated by macroeconomic challenges. As a result of rising commodity prices and strong economic growth in the first half of the year, inflation in several emerging markets countries became perilously high. A combination of authorities' cooling down measures and bad news globally resulted in inflation subsiding in the second half of the year.

Despite clear signs of weaker growth in developed markets, it was not until the end of the year that authorities demonstrated any willingness to implement stimulatory measures, cutting interest rates and banks' reserve requirements in a number of countries. In the second half of the year investors and analysts lowered companies' earnings forecasts, not because of lower economic growth, but rather due to fear of falling margins as a result of cost pressures.

Emerging markets' currencies fell heavily on the back of the flight to perceived safe havens, while many companies have become more competitive. When the fear among investors starts to abate, there is reason to believe that several currencies will again strengthen. The currency weakening in some countries may be of a more lasting nature, however, owing to fundamental conditions. India is one such example, where both the political and economic infrastructure is poor.

Emerging markets suffered somewhat from risk premiums on sovereign debt, but the impact was minor compared to the eurozone. This reflects the fact that most countries are in control of central government finances as well as their external balance of payments. Inflation also seems to be under control. Moreover, companies do not appear to be suffering from financing problems, as was the case three years ago.

Liquidity through acquisition

Several companies in SKAGEN Kon-Tiki were the subject of acquisitions, mainly in the first quarter, and this provided for good liquidity throughout the year; we took our time re-investing the proceeds. As a result of continued lower pricing, we further increased the concentration of large companies (measured in market capitalisation) in the portfolio. The number of companies in the portfolio was therefore cut back, although we admittedly added a number of new, smaller, attractively priced companies to the portfolio at the end of the year.

The proportion of companies listed in developed markets fell somewhat. This is due to a combination of higher relative pricing and the fact that most of the acquisitions involved companies listed in developed markets.

Won on Pride

The energy sector was the fund's relative winner but a moderate loser in absolute terms. The takeover of Pride International by US oil-rig company Ensco early in the year must take most of the credit for this.

We added to our positions in Petrobras and Gazprom substantially. Both companies have large, unique reserves, and in a world of high oil prices it is surprising that their price tags are not higher. The share prices of both companies fell substantially on the back of investors' scepticism over their corporate governance.

The mystery of the year was the weak development of the oil service sector. Most companies experienced good performance in terms of operations and profit so the fall in share prices must be due to the general scepticism around equities as an asset class.

We swapped our position in Golar LNG Energy with one in gas shipping company, Golar LNG. We both bought and sold shares in North Atlantic Drilling, while we disposed of our entire holding in coal company Indo Tambangraya.

A newcomer to the portfolio is Siem Offshore, which has a new and modern fleet of anchor handling tug supply vessels. Based on the ships' market value, the company is priced at a discount of almost 50 percent. We expect a somewhat better market for the company's vessels in 2012, while there may be structural changes within this fragmented shipping segment.

The Chinese saved weak commodities

Commodities was a loss-making sector, but provided the fund with an extremely good relative return. The out-performance here also was down to takeovers; we made a solid profit from the sale of our position in copper producer Equinox Minerals to Barrick Gold in April, following a bidding war with Chinese Minmetals Resources.

All our shares in First Quantum Minerals, Aquarius Platinum, Norske Skog and Northland Resources were sold during the course of the year. We bought a position in Suzano Papel E Celulose, but later sold it again following a revaluation of the market situation and financial challenges faced by the company.

Within mineral sands and coal, we bought South African Exxaro Resources. Structurally high demand should bode well for its results going forward. There are restructuring plans for Exxaro Resources in 2012, which should generate more interest from investors. In addition,

Photo: iStockphoto

SKAGEN Kon-Tiki increased its holding of gas shipping company Golar LNG.

higher prices for mineral sands and coal will improve earnings.

Awaiting a lift in Norwegian

Industrials was the weakest performing sector in the global emerging markets, but provided an acceptable relative return for SKAGEN Kon-Tiki.

Of the losers, construction companies Aveng and Empresa ICA stand out, as well as the manufacturer of power plant equipment, Harbin Electric. The losses made by these companies were only partly compensated for by the profit generated by European construction company, Strabag. Last year saw a weakening in expectations of public investments as a counter cyclical measure and at the end of the year the above-mentioned loss-making shares were trading at record-low valuations.

Airline companies AirAsia and Norwegian performed very well in terms of operations. We were rewarded by a share price increase in AirAsia, which was revalued last year and we believe the same will happen with Norwegian in 2012.

Substantial shipping loss

It was a tough year in the shipping industry. We made a significant loss on Denmark's AP Møller-Maersk and Nordic American Tankers. The extreme scarcity of natural gas meant that rates for Golar LNG were very good, making the liquefied natural gas company a great contributor to the fund's performance.

An amazingly large number of newly built ships were absorbed by the respective markets in 2011 and the surplus of ships for delivery from shipyards is gradually decreasing.

The economic drought made it particularly difficult to finance ships and this will enable shipping companies with strong financial muscle to make good structural transactions going forward. One such participant will be John Fredriksen and we therefore bought into Golden Ocean and Frontline 2012, where Fredriksen is the majority owner. The purchases were partly financed by halving our AP Møller Maersk position.

We added to our holding in South African Bidvest whose global food service division alone is worth more than the stock value of the entire company. Our shares in Freeworld Coating were sold in connection with a takeover and our holding in Kumho Industrial was also sold out of the portfolio.

Full throttle

The consumer discretionary sector performed well, both in absolute and relative terms. Our car manufacturers, Hyundai Motors, Great Wall Motor and Mahindra & Mahindra – which also produces tractors – were all positive contributors. In emerging markets car manufacturing is a growth industry and all three companies have good potential globally.

Malaysia's automotive companies DRB-HICOM and Proton continue to deliver good returns for the fund.

The main loser in the sector was Korean LG Electronics. The company has not mastered the transition to smart phones, but the shares have now come down to a price relative to earnings level that we have not seen in the past decade. As a result of the extremely depressed market for Chinese consumer shares we gave in to the temptation at the end of the year to buy shares in Swiss watch retailer, Hengdeli, and shopping mall developer, Renhe Commercial Holdings.

Consumer staples was the winning sector in global emerging markets and most of our companies also did extremely well. The exception was seafood company, Marine Harvest, which we have now exited completely, and Turkish Yazicilar Holding, the parent company of Efes Breweries. A newcomer to the portfolio was Dutch brewery, Heineken N.V. Investors do not appear to fully appreciate the company's market leading position in Asia.

Poor Hungarian health

In a year dominated by fear, defensive stocks such as health and pharmaceuticals tended to do relatively well, although this was not the case for our shares in the sector. Following a substantial share price drop for Hungary's Richter Gedeon, we added to our position in the pharmaceuticals company. A central trigger that could push the share price back up is if the company provides visibility over the values in its research portfolio. Another trigger is the free-falling exchange rate, prompted by Hungary's steady march towards an economic quagmire.

Following a steady fall in the share price throughout 2011, we bought back 'our' shares in China Shineway Pharmaceutical.

Weak finances

It was a very weak year for financials, the largest sector in emerging markets. The knock-on effect from the debt crisis in the eurozone and a tight credit policy in several emerging markets created problems with financing, and increased the risk of substantial loan losses. On the whole we stayed away from difficult areas such as Chinese banks and insurance but entered State Bank of India, albeit prematurely.

Turkey's Sabanci Holding and Bank Asya, as well as Egypt's EFG Hermes, had a particularly weak year. We cannot find any good company-specific reasons for the substantial drop in share prices.

We sold off our holdings in AFP Provida, Aksigorta, MBK Development, Polaris Securities and Kim Eng, the latter two as a result of takeovers.

We participated in the partial privatisation of VTB Bank in Russia, thereby increasing our shareholding significantly. This has cost us dearly so far. It is the first major Russian privatization for a decade and we naturally expect to see new and better corporate governance than is usual in Russian government-dominated companies. The bank's fundamental situation is now considerably better than it was three years ago, although the share price has not reacted significantly.

State Bank of India operates in an underdeveloped market for banking services. The transition from state bank to private sector has been slow, but last year's change of management gives us hope for improvement. A partial recapitalisation of the bank could trigger a share price upturn. The bank is priced in line with the first purchase we made in 2003. We exited the bank in 2007, and bought it back again in the spring of 2011.

We are pleased to see that Banrisul, Standard Chartered and Aberdeen Asset Management continue to perform well, both in terms of share price and operations. We substantially increased our position in the latter. Norwegian insurance company, Gjensidige Forsikring, was a good contributor. We trimmed our position throughout the year in line with the good share price performance.

Sour apples

Information technology was a relatively good sector in emerging markets. Our main investment for many years, Samsung Electronics, once again proved itself good at adapting. The company is turning out to be one of two global market leaders, primarily within distributed data processing. Although there has been an upwards revaluation of the shares throughout the year, the share price as well as the fund's position in Samsung Electronics is justifiable.

We added to our position in Taiwanese Hon Hai Precision Industry, the primary supplier of Apple. The fund has suffered a substantial loss on the investment. It appears as though the company's poor profit performance has turned around with rising operating margins and better return on capital.

Hon Hai Precision Industry has altered its business model from being personnel-heavy to more capital-intensive and increasingly expensive Chinese labour is to be replaced by robots. The company is trading at historic lows, and we believe that a turnaround operation will produce visible results in 2012.

Japanese mobile and Chinese internet

The telecommunication sector in SKAGEN Kon-Tiki consists largely of mobile phone companies. Our investments in this sector performed well thanks to the greater penetration of new technology and better appreciation of the mobile phone companies we own.

A newcomer to the portfolio was Japan's leading mobile telephony company, Softbank. The company is also a central player in Yahoo's bet on the internet in China, although a management change in Yahoo has created uncertainty about future performance. We continue to see a significant upside in its Chinese assets, at the same time as the telephone company is generating strong cash flow.

Our position in South Africa-based multinational media company, Naspers, was increased. The company is a leading internet provider in global emerging markets with a footprint in all parts of the world. The listings of Russia's largest internet company, Mail.ru, and Chinese internet service provider, Tencent Holdings, were a success. We expect the value of assets in Africa, Latin America, Eastern Europe and Facebook to become more visible in the near future.

After two good years, the share price of Russian conglomerate, Sistema, had a setback. The two most important assets, telecommunication and oil company, Bashneft, performed well, however, and the debt level in the parent company is now extremely low. We see signs of better corporate governance and assets appear to be being used productively. The discount to the underlying assets is again at near record-high levels.

China Mobile, Bharti Airtel and Indosat performed in line with expectations, but provided different investment returns. After a substantial revaluation, we sold our holding in Thailand's Total Access Communication (dtac), which has provided us with extremely good returns since we first bought the shares in 2002.

Within utilities, the state-owned Brazilian power company, Eletrobras, continues to be our sole investment. The company contributed relatively positively to the fund's return, as it did in 2010. Eletrobras has first rate assets but continues to struggle with corporate governance. 2012 should provide an answer to relieve the uncertainty related to the renewal of power concessions. A freer market for electricity should have an even more positive effect on Eletrobras in 2012 than it did in 2011.

A significant upgrade of the power sector in central countries such as India and China should make the potential within the industry even greater in future. We are set to take advantage of any opportunity that should arise.

Cautious optimism

At the start of 2012, there are still grounds for cautious optimism. We have not been badly affected by permanent loss of capital and the fall in share prices in 2011 should rather be considered a temporary price correction owing to global macroeconomic concerns.

The European Central Bank (ECB) has ensured that liquidity in the banking system is intact and the impact on global trade should be less severe than feared. Meanwhile the weakening of the euro has made European trade and commerce more competitive, which is important for internal balance in the eurozone.

The investment choices we made in 2011 have improved the quality of the portfolio. And although the fund price has doubled since the last trough in the autumn of 2008, the pricing of companies in the portfolio is almost as attractive. The discount to the general emerging market is higher than ever.

A word of comfort to unit holders in SKAGEN Kon-Tiki: Share prices may well fluctuate more than companies' profits, but value always wins in the end.

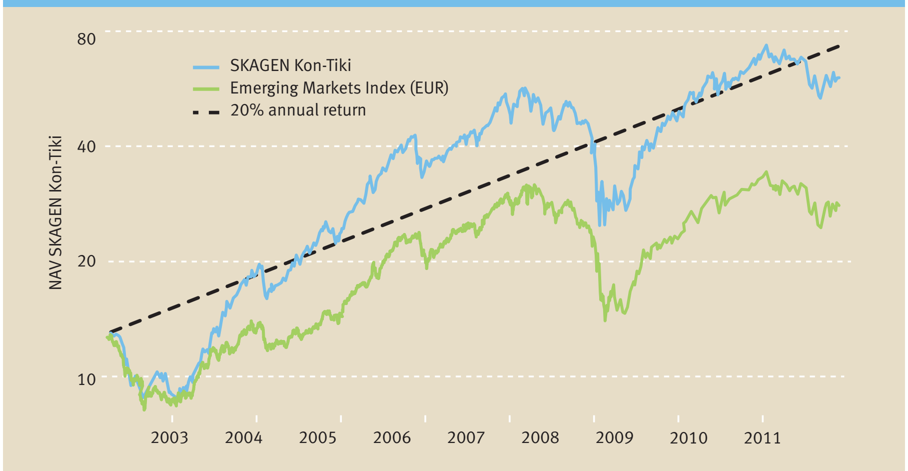
SKAGEN Kon-Tiki has an international investment mandate, but is required to invest at least 50 percent of the fund's assets in emerging markets, meaning countries or markets that are not included in the MSCI Developed Market Series. The fund's aim is to find high quality companies at a low price, which are characterised by being undervalued, under-researched and unpopular. To reduce risk, the fund seeks to maintain a sensible geographical and sector balance.

SKAGEN Kon-Tiki is suitable for investors who wish to take part in value creation in emerging markets. The fund provides opportunities for exceptional returns through investments in areas with great growth potential. However, the risk is somewhat higher than in a global fund that invests mainly in developed markets.

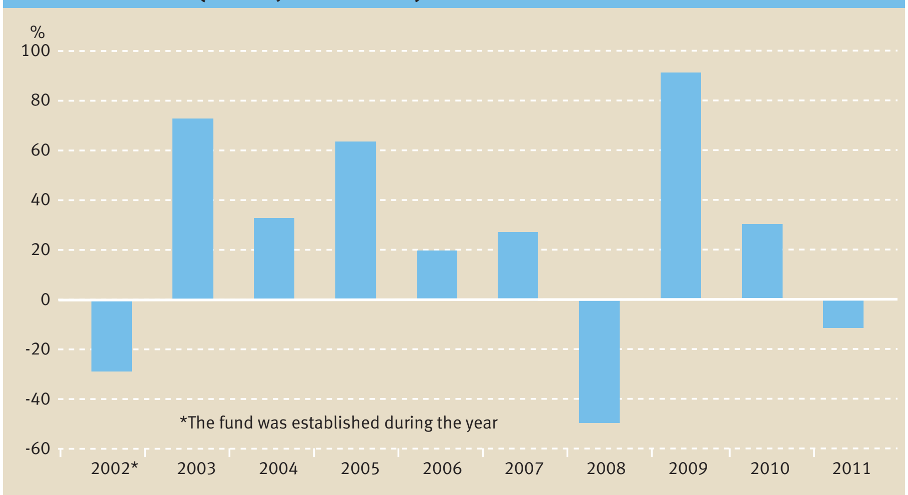
Year	Return on investment %	Benchmark index	AUM *	Number of Unitholders	TER %
2011	-13,27 %	-15,75 %	5 247	85 525	2,28%
2010	29,03 %	26,98 %	6 045	82 198	2,14 %
2009	91,74 %	73,44 %	3 986	74 443	3,26 %
2008	-47,96 %	-50,99 %	1 245	64 799	3,01 %
2007	26,87 %	25,67 %	2 516	59 770	2,56 %
2006	19,11 %	18,34 %	1 693	44 692	2,52 %
2005	64,36 %	54,02 %	1 097	29 553	3,16 %
2004	35,00 %	16,62 %	392	16 259	3,95 %
2003	75,63 %	29,72 %	204	9 835	3,85 %
2002**	-26,15 %	-29,88 %	34	4 190	3,89 %

* In million euro
** The fund was established during the year

HISTORICAL PRICE DEVELOPMENT



ANNUAL RETURN (IN EUR, NET OF FEES)

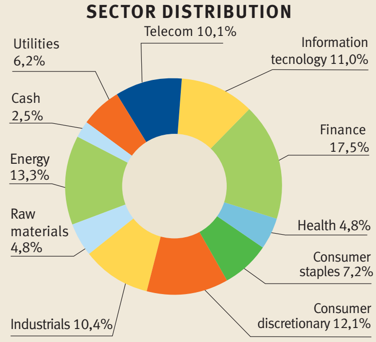


SKAGEN Kon-Tiki

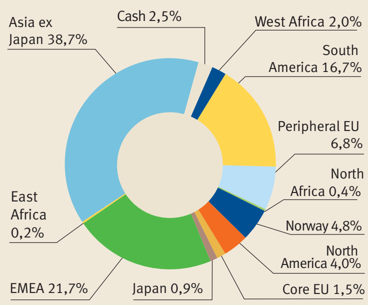
Leading the way in new waters

Skagen reef's lightship. 1892. Detail.
By Carl Locher, one of the Skagen painters.
The picture is owned by the Skagens Museum.

SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



Fund start date	5 April 2002
Return since start	385.6%
Average annual return	17.6%
AUM	EUR 5247 million
Number of unitholders	85 525
Management fee	2 % p.a. plus/minus variable management fee
Minimum subscription amount	One-time subscription EUR 150
Authorised for marketing in	Norway, Sweden, Denmark, the Netherlands, Luxembourg, Finland, Iceland, UK and Switzerland
Benchmark	MSCI Emerging Markets Index
UCITS fund	Yes
Portfolio Managers	J. Kristoffer C. Stensrud Knut Harald Nilsson Cathrine Gether Ross Porter

Missed opportunities

At the start of 2011 we expected continued improvement in economic activity with gradually increasing bond yields. The Japanese earthquake and euro crisis triggered a flight to safety which sent bond yields plummeting to record lows.

The bond fund SKAGEN Avkastning delivered a return of 3.3 percent in 2011 against a return of 6.8 percent for the benchmark index, measured in euro.

Why did SKAGEN Avkastning end up so far behind the benchmark index in 2011? The main explanation is that we chose to have low duration in Norway. We did not predict that government bond yields in Norway would fall to the record low levels they did in 2011, and had therefore invested the Norwegian part of the portfolio in bank securities with floating interest rates. From April until the end of December, the yield on Norwegian government bonds with three years' maturity fell from 3 percent to 1.5 percent. Since the fund was not invested in securities with such long duration, we did not reap the rewards of this fall in interest rates.

At the start of 2011 we thought that increased growth in industrialised countries and higher inflation in emerging economies would lead to increased long interest rates globally. We adjusted the portfolio and reduced the duration substantially in the first few months of 2011. At times we also had very little or no foreign exposure.

Meanwhile, the global economy was exposed to several shocks, including the tsunami in Japan. From April growth expectations fell dramatically, as did long interest rates, which caught us off guard. Developments in the euro area, particularly Greece, were far worse than we had anticipated at the start of the year. We were quick to sell the fund's Greek government bond before the situation deteriorated and in so doing avoided significant losses.

From May we again increased our foreign exposure and duration. Since September the foreign exposure has been around 20 percent of the fund, which is about the normal level. November was a poor month for the fund as mounting uncertainty about the euro partnership caused higher credit premiums both for the government bonds in the fund and Norwegian bank securities. The fund's absolute return was better in the second half of the year than the second, while the relative return was poorer.

Credit premiums on Norwegian bank securities with a maturity of over 12 months fell at the start of the year but rose substantially again in the second half. The rise was due to the knock-on effect of an extremely difficult financing market for European banks as a result of the euro crisis. By the end of December, bank securities in the fund's portfolio had an even maturity of three years. We will get capital gains on the bank securities when the credit premiums narrow as maturity approaches. The weighted credit duration for the bank securities in the fund is 1.5 years.

Greatest opportunities in emerging markets

At the start of 2012 there are numerous opportunities in the bond market. The major risk is the euro crisis. We think it is most likely that a solution to the crisis in the euro area will be forthcoming in 2012 which will be sufficient to calm the market.

If the uncertainty surrounding the euro abates, this could lead to higher interest rates in solid industrialised countries as a result of expectations of higher growth and a normalisation of credit premiums, amongst other things.

We believe that the opportunities for capital gains are greatest in emerging markets with a solid framework for fiscal and monetary policy and think that growth and/or inflation will come down most in several of these countries.

Furthermore, the euro crisis has substantially pushed up credit premiums on bonds in countries perceived as more risky. We expect risk premiums, inflation expectations and growth prospects to come down, which will lead to a drop in the long interest rates.

What about Norway?

Norwegian government bond yields plummeted to record lows in 2011 but we do not believe that the extremely low levels will last. Norwegian long-term interest rates will gradually rise along with the interest rates in other solid industrialised countries.

In December Norway's central bank cut the interest rate by 50 basis points to 1.75 percent and the market is pricing in further cuts in 2012. The return on the Norwegian part of SKAGEN Avkastning depends on the money market rate, which is still high as a result of high risk premiums in the interbank market. How the money market rate develops will depend on what the Norwegian central bank does with the policy rate and what happens with credit premiums. These in turn depend on developments in the eurozone and will probably pull in opposite directions.

How have we adapted the portfolio to this market view? We have invested in certain foreign bonds in emerging economies and Eastern European countries where we believe interest rates will fall in 2012. We believe that the interest rates will fall as a result of lower real rates, lower inflation expectations and a drop in credit premiums. The Norwegian part of the portfolio is invested in bank securities with floating interest rates. It will in any case be important to monitor and analyse market developments and be willing to change direction if we see that investment conditions are shifting.

The Norwegian part of the portfolio is invested in bank securities and deposits in solid banks. A continued high money market rate and high credit premiums on bank securities are providing a good yield on these investments. At the same time there are possibilities for capital gains if a solution is found to the euro crisis and if risk premiums in the interbank market and credit spreads on bank securities come down.

Expectations in 2012

At the start of the year the yield in the fund is 3.7 percent. We also expect excess return as a result of capital gains on government bonds. On the basis of this, we target an annual return of around 4.0 percent for the next two years. Unit holders should, however, note that the fund price will fluctuate and that the return may be both low and negative in periods, as was the case in 2011. The reason for the volatility is interest rate changes in the international credit markets.

SKAGEN Avkastning

Active interest rate management

Homecoming fishermen. 1879. Detail.
By Frits Thaulow, one of the Skagen painters.
The picture is owned by the Skagens Museum.

Fund start date	16 September 1994
Return since start	183.19%
Average annual return	6.21%
AUM	EUR 148 million
Number of unitholders	14 336
Subscription/Redemption fee	None
Management fee	0.5 % p.a.
Minimum subscription amount	One-time subscription EUR 150
Authorised for marketing in	Norway, Sweden, Denmark and Luxembourg
Benchmark	ST4X
UCITS fund	Yes
Portfolio Manager	Jane Tvedt

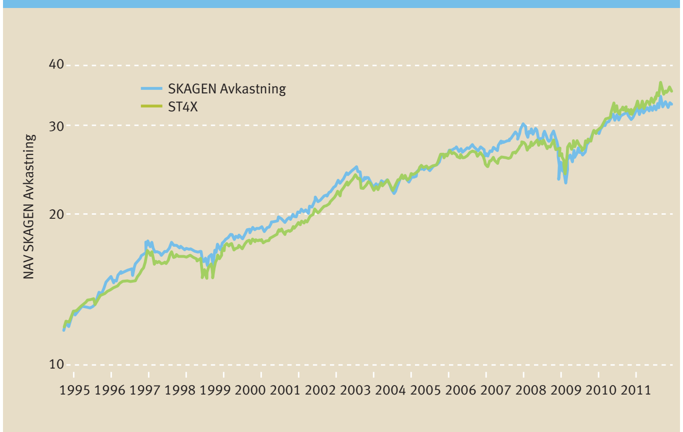
The objective for SKAGEN Avkastning is to provide its unit holders with the best possible risk adjusted return in the fixed income market over a six month period. This is achieved by balancing investments between fixed securities with short and long maturities and by investing in fixed income securities internationally. The fund has a worldwide investment mandate, but primarily invests in notes and bonds issued in Norwegian kroner. The fund only invests in issues with a low credit risk, i.e. government bonds, government guaranteed loans, loans to financial institutions and bank deposits.

SKAGEN Avkastning is a good alternative for investors who do not wish to commit resources to monitoring the interest rate markets and moving investments between interest bearing securities with different maturities.

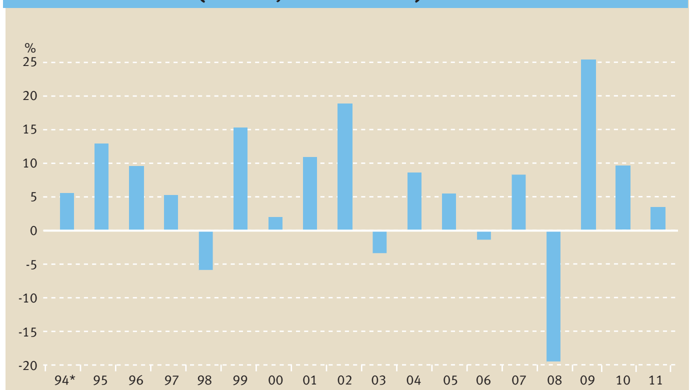
Year	Return on investment %	Benchmark index %	AUM *	Number of unitholders
2011	3,31 %	6,80 %	149	14 336
2010	9,39 %	11,19 %	201	14 326
2009	25,98 %	21,78 %	190	14 177
2008	-19,95 %	-10,86 %	126	13 520
2007	7,18 %	8,27 %	494	15 065
2006	-2,08 %	0,79 %	367	12 279
2005	5,92 %	9,30 %	354	6 385
2004	7,53 %	7,75 %	70	2 363
2003	-3,63 %	-7,95 %	17	937
2002	18,18 %	16,91 %	16	568
2001	11,37 %	9,90 %	8	343
2000	2,34 %	3,55 %	5	261
1999	15,36 %	15,09 %	4	194
1998	-6,40 %	-5,53 %	2	154
1997	5,23 %	2,63 %	9	185
1996	9,44 %	10,97 %	7	131
1995	13,28 %	18,95 %	4	54
1994 **	6,30 %	6,48 %	1	18

* In million euro
** The fund was established during the year

HISTORICAL PRICE DEVELOPMENT



ANNUAL RETURN (IN EUR, NET OF FEES)



*The fund was established during the year

Missing out on a bond rally

SKAGEN Tellus had a deplorable 2011, with the fund's net asset value down 0.7 percent measured in euro versus a 7.8 percent gain for the benchmark index. Why did our fund underperform?

The fund's duration in advanced economies was rather long during the first half of 2011 but we significantly cut the duration, i.e. we swapped long-term bonds for short-term bills, in the middle of the year. At around the same time, soft data started ticking in which was considerably worse than we had expected, especially for the US. While the hard data did not fully reflect the soft data, long-term interest rates plunged, both in the US and in many other advanced economies. This fall in long-term interest rates pushed bond prices up and led to a surge in the benchmark index.

In addition to a more uncertain outlook in the US, the eurozone sovereign debt crisis escalated, precipitating the flight of Asian money into Japan, North American money into Treasuries and European money into German bonds. Such safe-haven trades, as we last saw in 2008 can have a remarkably strong impact, and they left our fund on the sidelines. We also lost out on our emerging market exposure, due to higher long-term interest rates and somewhat weaker currencies relative to the euro – the fund's benchmark currency.

Will 2012 be a repeat of 2011?

We believe that investors have become too downbeat on the economic outlook. The most recent data points to continued growth in the US and the UK, and while the eurozone as a whole probably entered a mild recession in the fourth quarter of 2011, the latest indicators predict growth from the first quarter of 2012 for the eurozone as a whole. Some of the peripheral eurozone countries will still struggle in 2012, however Germany and some of the other northern eurozone member states seem geared for growth.

In the major emerging markets, indicators are slightly more ambiguous. While the last batch of indicators has on the whole surprised on the upside, the speed of growth in the Chinese economy, in particular, is more uncertain than was previously the case. Nevertheless, our base scenario is that the global economy will do better than most people expect this year. If this turns out to be the case, then long-term interest rates in advanced economies will rise, both due to a higher real rate of return on capital investments and due to the prospect of an eventual end to near-zero interest rate policies.

SKAGEN Tellus therefore continues to hold low duration investments in advanced economies, while we have positioned the fund at the long end of the yield curve in some emerging markets. When deciding which emerging market countries to invest in, a crucial criterion is that the fiscal stance is sound, i.e. that public debt-to-nominal-GDP ratios are low and stable.

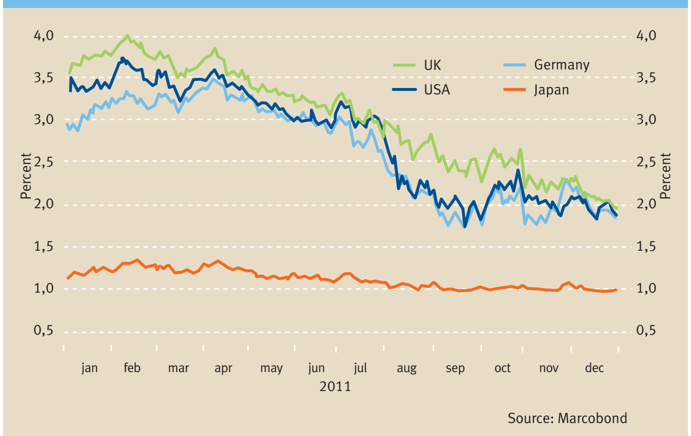
Prepared for the worst

Things could of course turn out quite differently from what we envisage. And hard-won experience should help us turn the fund around if a different scenario is about to materialize.

Downside risks are mainly connected to the outlook for the Chinese economy and, in particular, the sovereign debt crisis in the eurozone. A worst case scenario for the eurozone would be if one or more member states seceded or were expelled from the common currency. This would have the potential to trigger a new financial crisis and a deep global recession.

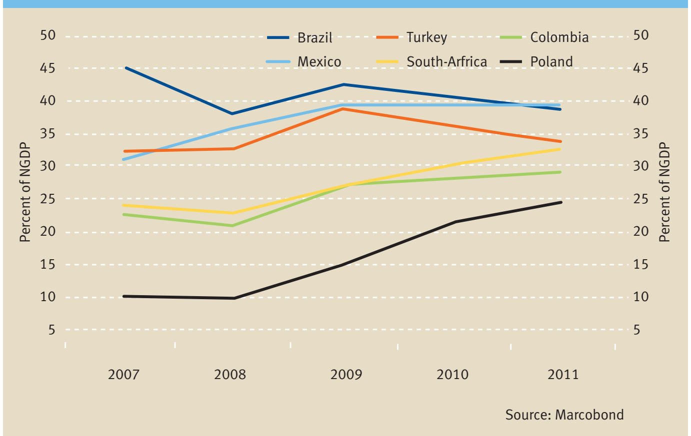
We believe the likelihood of a member state actually leaving the eurozone to be low,

10-YEAR GOVERNMENT BOND YIELDS



Source: Marcobond

GENERAL GOVERNMENT NET DEBT IN SOME EMERGING MARKETS



Source: Marcobond

however, since it is extremely difficult to foresee a scenario whereby the gain from dropping the euro exceeds the cost. Take Greece as an example. It is a commonly held view that if the drachma were reintroduced and allowed to fall in value relative to the euro, the Greek economy could get a boost through cheaper export and more expensive import. However, this reasoning builds on the assumption that price levels in Greece would not adapt to a free-falling currency and reduced wage rates. A phone call between the leaders of the two big private and public sector labour unions would be enough to trigger a demand for a compensating sharp rise in wages. The Greek price level would subsequently rise rapidly and adjust to a falling currency value, eliminating any gains to the real exchange rate.

If cool heads prevail there will be no breakup of the eurozone. The eurozone could be viewed as a polygamous marriage that never should have taken place, but given the high divorce costs, it is difficult to envisage a situation terrible enough to cause one, some or all of the member states to actually depart.

The ECB (European Central Bank) is doing a lot more to keep the eurozone afloat than it is given credit for. By lending an unlimited amount of money to banks for up to three years, it helps to alleviate bank's liquidity problems. Also, by giving banks a strong incentive to buy short- to medium-term sovereign debt, the ECB liquefies sovereign bond markets. It is often argued that the ECB should adopt the Federal Reserve and the Bank of England's quantitative easing policies, whereby these central banks buy sovereign debt in the secondary market. The ECB already does this; it just prefers to perform quantitative easing via the banks.

Since the inception of SKAGEN Tellus in September 2006 we have delivered an average annual return of 5.6 percent per year to our unit holders. That is one percentage point less than the benchmark index, and a result that we are far from satisfied with. For 2012 we have set ourselves the goal of closing the gap between the fund and the benchmark index and providing our unit holders with a return that is at least in line with the fund's historical average.

SKAGEN Tellus

A doorway to global interest rates

Interior. Brøndum's annex. Ca. 1920. Detail.
By Anna Ancher, one of the Skagen painters.
The picture is owned by the Skagens Museum.

Fund start date	29 September 2006
Return since start	32.88%
Average annual return	5.56%
AUM	EUR 68 million
Number of unitholders	2041
Subscription/Redemption fee	None
Management fee	0.8 % p.a.
Minimum subscription amount	One-time subscription EUR 150
Authorised for marketing in	Norway, Sweden, Denmark, the Netherlands, Luxembourg, Finland, Iceland, UK and Switzerland
Benchmark	Barclays Capital Global Treasury Index, 3-5 Years
UCITS fund	Yes
Portfolio Manager	Torgeir Høien

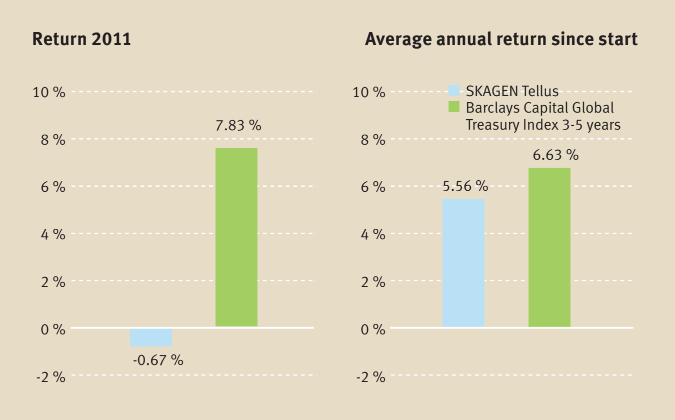
SKAGEN Tellus is a global fixed income fund that aims to provide investors with excess returns through investments in the fixed income market worldwide. The fund invests mainly in government bonds and certificates. The fund's aim is to provide its unit holders with good risk adjusted returns through an actively managed portfolio. SKAGEN Tellus has a risk profile between national fixed income funds and global equity funds.

SKAGEN Tellus is suitable for investors who wish to invest in global bonds and who have an investment horizon of at least 12 months. Investors must be able to tolerate currency exchange rate fluctuations. The fund is well suited as part of a long-term investment portfolio, both for individuals, companies and institutions. The fund takes currency risk and its benchmark currency is the euro.

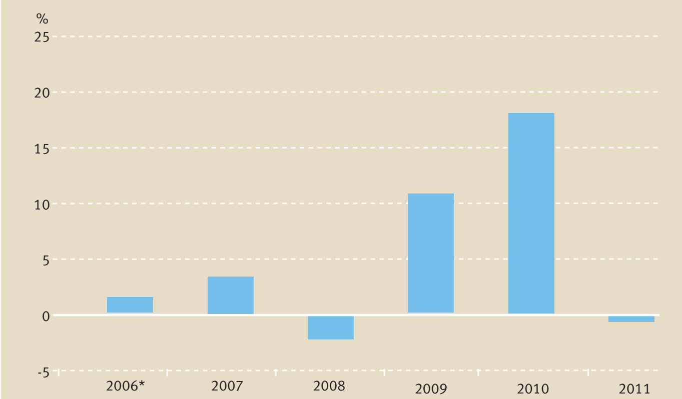
Year	Return on investment %	Benchmark index %	AUM *	Number of unitholders
2011	-0,67 %	7,83 %	69	2 041
2010	17,19 %	13,06 %	100	2 383
2009	10,92 %	0,63 %	49	1 558
2008	-1,97 %	16,27 %	56	1 644
2007	3,55 %	0,39 %	108	2 353
2006 **	1,37 %	2,18 %	70	2 557

* In million euro
** The fund was established during the year

SKAGEN TELLUS RETURNS



ANNUAL RETURNS (IN EUR, NET OF FEES)



* The fund was established this year

Returns

Returns in EUR	Last year	Past 2 years	Past 3 years	Past 5 years	Past 10 years	Since start
SKAGEN Vekst	-19,3 %	-0,5 %	20,1 %	-2,1 %	11,3 %	15,1 %
OSEBX/MSCI AC Total Return Index	-8,2 %	6,5 %	30,2 %	-1,1 %	9,2 %	9,1 %
SKAGEN Global	-6,0 %	7,9 %	20,1 %	1,5 %	10,9 %	15,5 %
MSCI AC Total Return Index	-4,3 %	7,3 %	13,3 %	-2,3 %	-0,3 %	1,2 %
SKAGEN Kon-Tiki	-13,3 %	5,8 %	29,0 %	7,2 %		17,6 %
MSCI Emerging Markets Index	-15,7 %	3,4 %	22,9 %	2,7 %		8,5 %
SKAGEN Tellus	-0,67 %	7,89 %	8,89 %	5,56 %		5,56 %
Barclays Capital Global Treasury Index 3-5 years	7,83 %	10,41 %	7,05 %	7,44 %		6,63 %
SKAGEN Avkastning	3,31 %	6,31 %	12,50 %	4,29 %	4,66 %	6,21 %
ST4X Bond Index	6,80 %	8,97 %	13,08 %	6,68 %	5,78 %	6,59 %

Risk and performance measurements

MEAN VARIANCE ANALYSIS LAST 5 YEARS	SKAGEN VEKST	SKAGEN GLOBAL	SKAGEN KON-TIKI	SKAGEN AVKASTNING	SKAGEN TELLUS
Standard deviation, fund	25,5 %	20,0 %	24,9 %	10,2 %	7,60 %
Standard deviation, benchmark index	31,5 %	15,9 %	23,5 %	8,4 %	8,83 %
Sharpe-ratio, fund	-0,18	-0,05	0,18	0,18	0,40
Sharpe-ratio, benchmark index	-0,11	-0,30	0,01	0,48	0,54
Relative volatility/tracking error	10,6 %	8,0 %	5,6 %	5,8 %	10,25 %
Information ratio	-0,10	0,48	0,76	-0,39	-0,17
Correlation	0,95	0,93	0,97	0,82	0,23
Alpha	-1,3 %	4,6 %	4,2 %		
Beta	0,77	1,17	1,03		
R2	91 %	86 %	95 %		
GAIN LOSS ANALYSIS LAST 5 YEARS					
Relative gain	82 %	127 %	109 %	105 %	84 %
Relative loss	86 %	107 %	96 %	139 %	96 %
Relative gain/loss ratio	0,95	1,19	1,14	0,76	0,87
Positive index divergence	12,73	12,17	10,19	5,14	11,03
Negative index divergence	13,78	8,14	6,05	7,55	12,82
Index divergence ratio	0,92	1,49	1,68	0,68	0,86
Percentage positive index divergence	48 %	60 %	63 %	41 %	46 %
Percentage positive index divergence when market is up	20 %	72 %	62 %	42 %	14 %
Percentage positive index divergence when market is down	80 %	48 %	63 %	39 %	82 %
Percentage of number of positive index divergence	40 %	58 %	58 %	50 %	55 %
Percentage of number of positive index divergence when market is up	26 %	68 %	58 %	40 %	34 %
Percentage of number of positive index divergence when market is down	58 %	48 %	59 %	64 %	79 %
VALUE AT RISK LAST 5 YEARS; 2.5 % CONFIDENCE					
Value at risk: observed, NAV	-20,4 %	-15,0 %	-19,0 %	-7,6 %	-5,0 %
Value at risk: observed, Benchmark	-26,9 %	-10,0 %	-16,8 %	-5,5 %	-3,7 %
Relative Value at Risk, observed	-5,5 %	-6,4 %	-4,2 %	-6,5 %	-9,5 %
GAIN/LOSS ANALYSIS SINCE INCEPTION					
Relative gain	96 %	161 %	124 %	106 %	86 %
Relative loss	77 %	103 %	99 %	114 %	92 %
Relative gain/loss ratio	1,24	1,56	1,25	0,93	0,93
Positive index divergence	15,20	21,18	13,71	4,25	11,19
Negative index divergence	9,91	8,45	5,81	4,58	12,30
Index divergence ratio	1,53	2,51	2,36	0,93	0,91

GOOD RESULTS ARE NO GUARANTEE FOR FUTURE RETURNS

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 management fees. The return may become negative as a result of negative price developments.

Explanation of concepts

All calculations of measurements are based on monthly observations.

Traditional risk and performance measurements

Standard deviation is a measure of the variation of annual returns. There is approximately a 65 percent probability that annual returns will be in the range of plus/minus one standard deviation. The probability that returns will deviate more than two standard deviations from the expected return is approximately five percent. A high standard deviation may indicate high risk.

The Sharpe Index measures the probability of the fund generating a higher return than the risk-free interest rate. The higher the score, the higher the probability. The higher the probability, the more certain are the chances of achieving excess returns in the equity market. Thus, the value may be used as a long-term measure of risk, but is often used as an absolute measure of risk-adjusted returns.

Relative volatility is the standard deviation of the annual excess return relative to the benchmark during the relevant period. Relative volatility measures the manager's ability to create regular excess returns relative to the benchmark, but is often used as a measure of a fund's independence of the benchmark.

Information Ratio measures the probability of the fund generating a higher return than its benchmark. The higher the score, the higher the probability of achieving excess returns. The information ratio is also used as a measure of risk-adjusted excess returns, where risk is construed as the chance of uneven excess returns. Thus, the information ratio measures the manager's ability to create certain excess returns, whereas relative volatility measures the ability to generate regular excess return.

Alpha is a risk-adjusted measure of the so-called active return on an investment. It is the return in excess of the compensation for the risk borne, and thus commonly used to assess active managers' performance. It can be shown that in an efficient market, the expected value of the alpha coefficient is zero. Therefore the alpha coefficient indicates how an investment has performed after accounting for the risk it involved

An alpha value less than zero means the investment has provided too little return relative to the given risk (or had too high a risk in terms of yield).

An alpha value of zero means the investment has earned a return adequate for the risk taken. An alpha value of over zero means the investment has a return in excess of the reward for the assumed risk.

Beta of a stock or portfolio is a number describing the relation of its returns with that of the financial market as a whole. An asset with a beta of 0 means that its price is not at all correlated with the market. A positive beta means that the asset generally follows the market. A negative beta shows that the asset inversely follows the market, if the market goes up, then the asset generally decreases in value and vice versa. Instead of the market in general SKAGEN applies the fund's reference index.

R2 is used in the context of statistical models whose main purpose is the prediction of future outcomes on the basis of other related information. It is the proportion of variability in a data set that is accounted for by the statistical model. It provides a measure of how well future outcomes are likely to be predicted by the model. A high value (close to 100%) indicates a high and good explanatory power.

Correlation is a measure of relationship between a set of two variables or measurements. A high correlation means that one set of variables can be predicted from the other and vice versa. In this case a high correlation (close to 100%) means that the asset or portfolio follows the market closely.

Value at Risk (VaR) is a widely used risk measure of the risk of loss on a specific portfolio of financial assets. VaR here corresponds to how much you can risk losing in a month with 2.5% probability. Calculations are both parametric and observed figures from the past five years. Given that the observations of the last five years are among the worst in the last 30 years, it is expected that the calculation based on these observations shows a greater loss potential than the parametric calculation (based on standard deviation).

The relative VaR is a measure of the worst under performance in a month

Profit and loss analysis

Relative gain/relative loss is a measure of the ability to achieve excess returns in cyclical upturns and downturns, respectively. A relative loss of 80 percent means that the fund has suffered a loss corresponding to the loss it would have suffered if it were invested 80 percent in the benchmark and 20 percent in risk-free securities.

A relative loss of less than 100 percent means that the fund is losing less than the market in a cyclical downturn. A relative gain of more than 100 percent means that the fund is performing better than the market in a cyclical upturn. If you compare with a fund's standard deviation, these measures may explain why the standard deviation is higher or lower than the benchmark.

Relative gain/relative loss ratio shows the ratio between relative gain and relative loss. A value above one means that the fund is getting better paid for the risk assumed relative to the benchmark. When ranking funds investing in the same market, the measure is strongly correlated with the Sharpe Index, but also shows whether the risk-adjusted return is better than the risk-adjusted return of the market. Thus, the measure may be used to compare funds in different markets, as opposed to the Sharpe Index, which may only be used to compare funds investing in the same market.

Positive/negative index divergence shows positive or negative annual divergence during the relevant period. If positive divergences are greater than the negative ones, the fund has achieved a higher return than the benchmark. The total of positive and negative divergences is a measure of the fund's independence from the benchmark.

Index divergence ratio shows the ratio between positive and negative benchmark divergences. This is a measure of the ability to create excess returns. The higher the number, the better you get paid for each negative benchmark divergence. The benchmark divergence ratio interprets risk as the chance of negative index divergences, as opposed to the Information Ratio, which construes the risk as irregular excess returns (not necessarily negative excess returns).

Homecoming Fishermen. Skagen, 1879. Detail..
By Frits Thaulow, one of the Skagen painters.
The picture belongs to the Skagens Museum.

OWNERSHIP STRUCTURE

SKAGEN AS is owned by:

T.D. Veen AS	26,23 %
Solbakken AS	18,79 %
MCM Westbø AS	10,04 %
Månebakken AS	7,44 %
Åge Westbø AS	7,44 %
Harald Espedal AS	8,48 %
Kristian Falnes AS	8,48 %
Other	13,1 %

NUMBER OF UNITS OWNED BY BOARD MEMBERS AND KEY PERSONS

NAME	NUMBER OF UNITS	POSITION
Martin Gjelsvik	10 710	Chairman of the Board and owner
Tor Dagfinn Veen	698 924	Board member and owner
Barbro Johansson	252	Board member, elected by the shareholders
Yuhong Jin Hermansen	297 468	Board member, elected by the unit holders
Per Gustav Blom	303	Board member, elected by the unit holders
Jesper Rangvid	0	Deputy member, elected by the shareholders
Anne Sophie K. Stensrud	1 455	Deputy member and owner
Lars-Erik Forsgårdh	100	Deputy member, elected by unit holders
Harald Espedal	402 820	Managing director and owner
Kristian Falnes	1 297 614	Portfolio manager and owner
J. Kristoffer C. Stensrud	2 881 858	Portfolio manager and owner
Åge K. Westbø	1 294 215	Deputy managing director and owner

THE ELECTION COMMITTEE

The election committee consists of Sigve Erland (Chair), Martin Petersson and Mette Lundh Håkestad. The election committee proposes candidates for unit holder representatives for the Board of Directors of SKAGEN AS.

A turbulent year

2011 was a year dominated by major world events; an unstable global economy, natural disasters, political unrest in North Africa, the accident at the Japanese nuclear power plant Fukushima 1 and the European sovereign debt crisis. The financial markets were influenced by the macroeconomic shifts, and we have seldom seen such high correlation between individual share prices and the macroeconomic mood as in 2011. The essence of SKAGEN's investment philosophy which focuses on the development of individual companies, was therefore not in vogue this year. Over time, however, we believe that share prices will come to reflect the underlying companies' value creation.

It was also a challenging year for SKAGEN's funds although several of SKAGEN's fixed income funds delivered positive returns. The Board is grateful for the confidence our clients have shown, reflected in net investments of NOK 601 million (EUR 79.4 million) in SKAGEN's funds during the year.

What happened in 2011?

Despite the tragic earthquake in Japan and unrest in North Africa, global equities were relatively stable throughout the first quarter. While 2010 saw record investments in the emerging markets, this trend was reversed in 2011 due to high commodity prices and increasing fears of inflation. A lot of the capital found its way back to the developed markets.

The development in the global economy was weaker than most people expected, and this influenced the second and third quarters of 2011. The Greek sovereign debt crisis re-emerged and resulted in renewed doubts in Europe. Cutbacks in China, high commodity prices, rising inflation and the decision not to use fiscal stimulus in the USA made for a high fear indicator that influenced the worlds' markets. American budget quarrels and sovereign debt that literally went through the ceiling added to the burden.

Despite the many dramatic incidents that took place throughout the year, the sovereign debt crisis had by far the strongest influence on the financial markets in 2011. The stock markets were not the only ones to experience turbulence, bond markets suffered too. Both the credit and interest rate risk were significant and bond yields fluctuated in line with global investors' mood swings.

Efforts to find a solution for the indebted European countries were stepped up during the autumn and by the beginning of December, 26 of 27 countries had agreed on a new framework for stricter budget discipline in the eurozone. A great many uncertain factors need to be resolved however, before the eurozone countries can be said to be home free.

There are a few rays of light in the financial markets. American and German key indicators are positive which may contribute to pleasant surprises next year. The fear of inflation in several emerging markets has been replaced by the fear of weak growth. Politicians in certain emerging markets have therefore started to actively use interest rates as a stimulus. The inflation problems in specific countries such as India have not been resolved, uncertainty plagues the Chinese banking system and there is political insecurity in Russia. These are all factors that will influence the financial markets in the year to come, in addition to the unresolved issues of European countries' and banks' debt.

There have been a few new additions to SKAGEN's portfolio department as well as some reorganisation. With a view to further cultivating his role as portfolio manager of SKAGEN Global, Kristian Falnes handed over his role as Investment director to Harald Espedal on 1 October. Harald Espedal is also Managing director. Ole Søeberg joined the SKAGEN Vekst team on 1 May and the team will be further strengthened by the arrival of Geir Tjetland in January 2012. The need for resources and expertise in SKAGEN Kon-Tiki has grown in line with the size of the fund. Portfolio manager Ross Porter has therefore moved from SKAGEN Vekst to join the SKAGEN Kon-Tiki team.

What can we expect in 2012?

As mentioned above, 2011 was not a good year for stock pickers like SKAGEN. Macroeconomic themes governed the stock markets and most other financial markets. One of the greatest risks in emerging markets is linked to whether or not they are able to use interest rates to stem the flow of rising inflation. The danger of weak growth due to reduced demand from the West and low domestic demand will also be decisive. In the developed markets, a lot still depends on the sovereign debt crisis in Europe. The European Central Bank's initiatives – including issuing large loans to the European banks which they can use to purchase sovereign debt – are a step in the right direction.

SKAGEN's equity funds are valued at the same levels as during the 2008 / previous financial crisis and the risk premiums for shares are high, both in absolute terms and relative to bonds. Provided the macroeconomic outlook becomes clearer, our portfolio companies' underlying values may start to become reflected in their share prices. The fixed income funds, and especially the bond funds, are naturally influenced by the macro picture, and here a converging of bonds in developed and developing countries present opportunities.

Assets under management

SKAGEN's assets under management fell from NOK 110.3 billion (EUR 14.1 billion) to 98.8 billion (EUR 12.7 billion). Despite the turbulent markets, there were net subscriptions of NOK 601 million (EUR 79.4 million) in the funds.

Although there were net redemptions in Norway, SKAGEN has retained its position as the largest fund manager in the Norwegian mutual fund industry. The Swedish market also suffered net redemptions, whilst Denmark and the other international markets contributed to SKAGEN's total net subscriptions in 2011.

SKAGEN's markets outside Norway and Sweden have grown satisfactorily. The largest subscriptions came from unit holders in the Netherlands. Sweden experienced net redemptions due to large redemptions from the Swedish Pension Agency (PPM). In 2011 SKAGEN brought to the Swedish authorities' attention the fact that certain financial advisors were doing a great deal of asset churning, and highlighted the potential negative impact this could have on fund returns. The Board is pleased to note that the Swedish authorities established restrictions to prevent this practice with effect from 1 December 2011. Redemptions via PPM mainly reflect adjustments made by the financial advisors in anticipation of the new rules. Apart from this there has been stable growth in the business in Sweden.

The fixed income funds had net subscriptions of NOK 361 million (EUR 46 million) which came from all client segments except Norwegian bank distribution.

There were no unusually large redemptions in the equity or fixed income funds in 2011.

Returns in the funds

Many of SKAGEN's funds delivered a weak performance in 2011, both in absolute and relative terms.

Compared to its benchmark index, SKAGEN

Martin Gjelsvik
Chairman of the Board and owner

Tor Dagfinn Veen
Board member and owner

Barbro Johansson
Board member, elected by shareholders

Yuhong Jin Hermansen
Board member, elected by unit holders

Kon-Tiki performed adequately, although the absolute return was negative. The fund lost 13.8 percent (13.3%)* in value, while the emerging markets index lost 16.3 percent (15.7%). The fund's average annual return since inception is 17.8 percent (17.6%).

SKAGEN Global was down 6.6 percent (6%) against a negative return of 4.9 percent (4.3%) for the benchmark index. The fund's average annual return since inception is 15.1 percent (15.5%).

SKAGEN Vekst had a negative return of 19.9 percent (19.3%), while the reference index delivered a negative return of 8.8 percent (8.2%). The fund's exposure to what were considered attractively priced small and medium sized companies on the Oslo Stock Exchange did not pay off, and several of the fund's previous best international performers did not deliver the expected returns. The fund's average annual return since inception is 14.6 percent (15.1%).

SKAGEN Tellus had a weak year in both absolute and relative terms. The fund regretfully failed to capitalise on the opportunities that were to be found in long-term interest rates during the year. The fund was down 0.7 percent measured in euros while the reference index was up 7.8 percent.

SKAGEN Avkastning achieved a return of 2.7 percent (3.3%) against a return of 6.1 percent (6.8%) for the benchmark index.

Measured in Norwegian kroner, SKAGEN Høyrente achieved a return of 3.2 percent versus 2.9 percent for the average 3-month NIBOR and 2.7 percent for the benchmark index. SKAGEN Høyrente Institusjon achieved a return of 3.3 percent versus 2.4 percent for the benchmark index.

SKAGEN Krona returned 2.7 percent measured in Swedish kroner, versus 1.6 percent for the benchmark index.

Changes in regulations governing SKAGEN's activities

The new act on securities funds and accompanying regulation entered into force on 1 January 2012. Provisions regarding key investor information enter into force on 1 July 2012. The act both restates existing legal provisions and implements amendments to the governing law.

The background for the changes is a new UCITS (Undertakings for Collective Investment in Transferable Securities) directive, UCITS IV. UCITS IV largely builds on previous directives, but also contains new provisions aiming to increase efficiency in the fund management business and introduce a greater degree of flexibility in how funds can be organised and managed. The counterweights to this flexibility are new rules on independent controls of the fund management company's business. The goal is to strengthen the European fund industry's competitiveness and provide investors with a wider choice, while improving access to fund information. The act also contains amendments that are not taken directly from the UCITS directive, but are implemented to improve the operating conditions for Norwegian fund management companies and simplify the law.

SKAGEN has participated actively in the legislative process and is currently implementing the new rules, for completion at the beginning of 2012. SKAGEN began using the new key investor information document (KIID) for all funds in August 2011. The KIID embodies the new European rules for key information. The key information document aims to present standardised information about all funds and fund types, irrespective of management company, allowing the investor to compare funds from different managers. The KIID is a two-page document describing the fund's main characteristics in addition to its goal and investment philosophy, past performance, costs etc. The document is to replace the simplified prospectus.

New opportunities for clients

SKAGEN aims to provide clients with the best service, communication and follow-up, and wishes to be innovative and unique in its client service and communication.

A new and improved website was launched during the summer. In particular, the improvements provide for a better overview of fund prices, direct dialogue with SKAGEN's client advisors via a chat function (Norway only) and an improved news service that provides the opportunity for direct communication with SKAGEN's employees. The popular net meetings with the portfolio managers will continue in 2012.

SKAGEN has also launched a new reporting platform, "My Page" that provides unit holders with tailored information, reports and analysis of their holdings.

To strengthen SKAGEN's presence in the Netherlands and service the growing client base, SKAGEN opened a new office in Amsterdam in the autumn. Due to increased interest and demand from Swiss clients, SKAGEN also obtained marketing approval in Switzerland in February 2011.

There has been a lot of activity in the other countries where SKAGEN's funds are marketed. The offices in Norway, Sweden and Demark have hosted inspiration meetings, lunch meetings and theme meetings, all with good attendance. In the UK, SKAGEN mainly has institutional clients. This client segment is often subject to strict regulations regarding asset management, and the employees in the London office have spent a lot of time with clients and their consultants explaining SKAGEN's investment philosophy, risk management and internal control processes. SKAGEN also invests a lot of time working with its distributors in different countries to ensure that they have sufficient knowledge about SKAGEN's funds and that the clients experience high quality service, also when investing via distributors.

Every year SKAGEN carries out a client survey in Norway and Sweden where we have the highest proportion of direct clients, to evaluate whether the company fulfils its goal of providing the best client service and follow-up. The 2011 client survey shows that, despite the performance of our funds, clients are still satisfied with SKAGEN.

SKAGEN's employees

At the end of 2011, SKAGEN has 167 employees divided between six offices in Norway (Stavanger, Trondheim, Ålesund, Bergen, Oslo and Tønsberg), two offices in Sweden (Stockholm and Gothenburg), one office each in Denmark (Copenhagen), the UK (London) and the Netherlands (Amsterdam). SKAGEN's funds are also marketed in Finland, Switzerland, Luxembourg and Iceland.

During its 17 years of business, SKAGEN has emphasised having an incentive structure

* Performance figures are given in Norwegian kroner while figures in brackets show euro figures

Lars-Erik Forsgårdh
Board member, elected by unit holders

Per Gustav Blom
Deputy member, elected by unit holders

Jesper Rangvid
Deputy member, elected by unit holders

Anne Sophie K. Stensrud
Deputy member and owner

and ownership model that encourages long-term planning and sustainable risk levels. The management company's earnings swing sharply with the markets and it has been essential to keep a low fixed cost base in order to sustain the organisation during hard times. This ideology is in line with the goals of the regulation regarding remuneration in financial institutions which entered into force on 1 January 2011, and SKAGEN has made the adjustments necessary to adhere to the regulation. In order to be able to recruit and keep the best employees in a global market, SKAGEN must be able to pay a variable income when the company shows strong results.

SKAGEN has a compensation model that is intended to encourage employees to work together to provide clients with the highest possible risk-adjusted returns. The model promotes cooperation between all departments to ensure that clients experience SKAGEN in the best possible way, also with respect to service, competent follow-up and communication. No employees have their salary directly tied to subscription results. Thus, we avoid the negative aspects often associated with such arrangements, including unhealthy internal competition and sales pressure, protection of own expertise and poor utilisation of employee resources.

Employee competency development is a priority for SKAGEN and our clients. At the end of 2011 nearly all of SKAGEN's client representatives are authorised financial advisors. The program has high requirements for theoretical and practical knowledge, and employees who deal with clients must sit examinations supervised by an independent committee. In Sweden a similar authorisation scheme was introduced in 2005, and all our Swedish advisors are authorised in accordance with it.

SKAGEN recruits employees with diverse backgrounds, and seeks to achieve a balance between male and female employees. At the end of the year, there were 59 female and 108 male employees. There are equal opportunities for both genders with respect to terms of employment and pay. In 2011, SKAGEN had an absence rate due to illness of 1.5 percent.

The Board of Directors wishes to thank all employees for a great effort in 2011. Employee competence and conduct are decisive to SKAGEN's performance.

Organisation

SKAGEN AS is supervised by the Financial Supervisory Authority of Norway, and is the manager for SKAGEN's funds. Handelsbanken is the funds' custodian and the Norwegian Central Securities Depository (VPS) is the registrar for SKAGEN's registry of unit holders.

Financial risk

The funds carry no financial risk, as they only have short-term debt connected with the settlement of securities.

Market risk, credit risk and liquidity risk

Risk in securities funds arise as a consequence of market movements, developments in currency, interest rates and the economic cycle as well as company specific issues. In 2011 the risk was within expected levels.

In addition to statutory requirements, SKAGEN sets internal requirements for industry balance and liquidity with respect to the securities in which the funds invest. These requirements have been met during the year. SKAGEN has also developed internal routines aimed at reducing the risk of errors that may affect the funds. The division of the equity portfolios' investments is a result of SKAGEN's investment philosophy, which includes requirements for company valuation, product/market matrix, gearing and the liquidity of the security. The investments of the fixed income funds are made based on an evaluation of the creditworthiness of individual issuers and the general economic conditions in the country in which the issuer resides.

The Board confirms that the premise of the management company as a going concern continues to be fulfilled.

Investment philosophy

SKAGEN adheres to its investment philosophy and business concept. SKAGEN is convinced that the best way to create excess return for clients – currently as previously – is to have an active investment philosophy whereby portfolio managers seek unpopular, under-researched and undervalued companies. The same principles apply to the managers of SKAGEN's fixed income funds: the funds will be actively managed on the basis of our own analyses of the markets and the individual securities.

Allocation of funds' income:

(ALL FIGURES IN 1,000 NOK)	SKAGEN VEKST	SKAGEN GLOBAL	SKAGEN KON-TIKI	SKAGEN AVKASTNING	SKAGEN HØYRENTE	SKAGEN HØYRENTE INSTITUSJON	SKAGEN TELLUS	SKAGEN KRONA (SEK)
INCOME STATEMENT	**-1 972 527**	**-2 466 614**	**-6 693 488**	**33 669**	**123 550**	**50 503**	**-17 713**	**7 979**
Allocation of net income								
Transfer to/from retained earnings	-1 972 527	-2 466 614	-6 693 488	33 669	-9 553	-4 670	-17 713	-1 520
Allocation for distribution to unit holders	-	-	-	-	133 102	55 173		-
Net distributed to uniholders during the year	-	-	-	-	-	-	-	9 499
Total	**-1 972 527**	**-2 466 614**	**-6 693 488**	**33 669**	**123 550**	**50 503**	**-17 713**	**7 979**

Stavanger 26 January 2012

Martin Gjelsvik   Tor Dagfinn Veen   Lars-Erik Forsgårdh   Yuhong Jin Hermansen   Barbro Johansson   Anne S.K. Stensrud   Jesper Rangvid   Per Gustav Blom

Annual Financial Statement 2011

INCOME STATEMENT (all figures in 1,000 NOK)	Notes	SKAGEN Vekst 2011	SKAGEN Vekst 2010	SKAGEN Global 2011	SKAGEN Global 2010	SKAGEN Kon-Tiki 2011	SKAGEN Kon-Tiki 2010	SKAGEN Avkastning 2011	SKAGEN Avkastning 2010
Portfolio revenue and costs									
Interest income and costs		2 968	19 676	10 718	-5 483	3 095	29 514	47 929	54 448
Dividends		229 888	209 061	865 689	770 817	1 186 069	1 006 273	-	-
Realised capital gain/loss		599 268	961 828	1 878 281	2 747 124	1 939 949	2 683 201	-10 206	18 172
Change unrealised gain/loss	8	-2 714 579	433 968	-4 789 248	1 753 853	-8 678 665	4 884 616	-8 818	-9 778
Guarantee commission		935	1 395	-	-	-	1 714	-	-
Brokers' fees		-5 529	-9 043	-41 368	-39 943	-48 264	-38 889	-15	-20
Currency gain/loss		15 037	-46 902	29 323	-142 965	20 414	-211 709	11 421	-11 623
PORTFOLIO RESULT		**-1 872 011**	**1 569 983**	**-2 046 605**	**5 083 402**	**-5 577 402**	**8 354 719**	**40 311**	**51 199**
Management revenue and costs									
Management fee - fixed	9	-88 680	-99 718	-328 727	-304 296	-877 109	-784 077	-6 493	-8 268
Management fee - variable	9	-	-90 545	-	-93 914	-123 697	-53 506	-	-
ASSET MANAGEMENT RESULT		**-88 680**	**-190 263**	**-328 727**	**-398 210**	**-1 000 806**	**-837 583**	**-6 493**	**-8 268**
RESULT BEFORE TAX		**-1 960 691**	**1 379 720**	**-2 375 332**	**4 685 192**	**-6 578 208**	**7 517 136**	**33 818**	**42 931**
Tax cost	4	-11 836	-12 533	-91 281	-87 485	-115 280	-104 569	-149	-
NET INCOME		**-1 972 527**	**1 367 188**	**-2 466 614**	**4 597 708**	**-6 693 488**	**7 412 567**	**33 669**	**42 931**
Allocation of net income									
Transfer to/from retained earnings	10	-1 972 527	1 367 188	-2 466 614	4 597 708	-6 693 488	7 412 567	33 669	42 931
Allocated for distribution to unit holders	10	-	-	-	-	-	-	-	-
Net distributed to unit holders during the year	10	-	-	-	-	-	-	-	-
TOTAL		**-1 972 527**	**1 367 188**	**-2 466 614**	**4 597 708**	**-6 693 488**	**7 412 567**	**33 669**	**42 931**

BALANCE SHEET		SKAGEN Vekst 31.12.2011	SKAGEN Vekst 31.12.2010	SKAGEN Global 31.12.2011	SKAGEN Global 31.12.2010	SKAGEN Kon-Tiki 31.12.2011	SKAGEN Kon-Tiki 31.12.2010	SKAGEN Avkastning 31.12.2011	SKAGEN Avkastning 31.12.2010
Assets									
Norwegian securities at cost price	3,8	4 105 295	4 297 675	834 454	747 871	1 534 084	1 583 183	810 238	1 196 715
Foreign securities at cost price	3,8	3 397 189	3 352 926	29 672 148	25 904 844	35 051 221	31 442 804	256 987	176 497
Unrealised capital gain/loss	8	-253 078	2 461 501	180 596	4 969 845	3 067 222	11 745 887	-8 083	735
Accrued interest securities	8	857	2 029	-	2 117	-	-	8 221	8 531
TOTAL SECURITIES PORTFOLIO		**7 250 263**	**10 114 131**	**30 687 198**	**31 624 678**	**39 652 527**	**44 771 874**	**1 067 363**	**1 382 477**
Dividend receivable		14 021	22 885	152 460	159 259	148 611	161 462	-	-
Accrued interest bank		-	-	-	-	-	-	-	-
TOTAL ACCRUED INCOME		**14 021**	**22 885**	**152 460**	**159 259**	**148 611**	**161 462**	**-**	**-**
Accounts receivable - brokers		1 244	37 596	369	37 744	5 701	33 377	-	-
Accounts receivable - management company		2	-	2	1	7	1	-	-
Tax receivable on dividends		3 159	2 705	23 590	35 979	2 570	2 525	-	-
TOTAL OTHER RECEIVABLES		**4 405**	**40 302**	**23 961**	**73 724**	**8 277**	**35 903**	**-**	**-**
Bank deposits		85 091	208 509	710 937	605 061	1 350 158	2 866 849	89 938	239 663
TOTAL ASSETS		**7 353 780**	**10 385 827**	**31 574 557**	**32 462 721**	**41 159 574**	**47 836 087**	**1 157 301**	**1 622 141**
Equity Capital									
Unit capital at par value	10	624 396	697 727	4 148 123	3 964 232	8 268 739	8 258 941	874 664	1 220 421
Premium	10	-845 214	-3 061	17 496 070	15 928 441	21 034 537	20 824 090	303 416	405 729
TOTAL PAID-IN EQUITY CAPITAL		**-220 818**	**694 666**	**21 644 193**	**19 892 673**	**29 303 275**	**29 083 030**	**1 178 080**	**1 626 149**
Retained earnings	10	7 544 815	9 517 342	9 809 605	12 276 219	11 378 644	18 072 132	-23 261	-56 930
Allocated to unitholders for reinvestment in new units		-	-	-	-	-	-	-483	-483
TOTAL EQUITY CAPITAL		**7 323 997**	**10 212 007**	**31 453 798**	**32 168 892**	**40 681 919**	**47 155 162**	**1 154 337**	**1 568 737**
Debt									
Accounts payable - brokers		6 467	55 881	7 789	74 121	118 077	362 634	-	51 291
Accounts payable - management company		18 305	115 264	78 034	171 984	321 669	281 902	1 571	2 129
Other debt		5 011	2 674	34 935	47 725	37 908	36 390	1 394	-16
TOTAL OTHER DEBT		**29 783**	**173 819**	**120 758**	**293 829**	**477 655**	**680 926**	**2 965**	**53 404**
TOTAL DEBT AND EQUITY CAPITAL		**7 353 780**	**10 385 827**	**31 574 557**	**32 462 721**	**41 159 574**	**47 836 087**	**1 157 301**	**1 622 141**

Stavanger 26 January 2012
Board of SKAGEN AS

Martin Gjelsvik | Tor Dagfinn Veen | Lars-Erik Forsgårdh | Yuhong Jin Hermansen | Barbro Johansson | Anne S.K. Stensrud | Jesper Rangvid | Per Gustav Blom

INCOME STATEMENT (all figures in 1,000 NOK)	Notes	SKAGEN Høyrente 2011	2010	SKAGEN Høyrente Institusjon 2011	2010	SKAGEN Tellus 2011	2010	SKAGEN Krona* 2011	2010
Portfolio revenue and costs									
Interest income and costs		138 839	116 395	54 374	50 573	12 205	24 847	8 532	3 268
Dividends		-	-	-	-	-	-	-	-
Realised capital gain/loss		337	1 049	-628	2 511	-30 714	20 422	-	-
Change unrealised gain/loss	8	-5 563	-720	-815	-4 424	7 492	-539	93	-357
Guarantee commission		-	-	-	-	-	-	-	-
Brokers' fees		-139	-158	-86	-109	-31	-70	-63	-45
Currency gain/loss		-	-	-	-	-740	-3 580	-	-
PORTFOLIO RESULT		**133 473**	**116 567**	**52 845**	**48 550**	**-11 788**	**41 081**	**8 563**	**2 865**
Management revenue and costs									
Management fee - fixed	9	-9 924	-9 926	-2 342	-2 519	-5 636	-5 009	-584	-564
Management fee - variable	9	-	-	-	-	-	-	-	-
ASSET MANAGEMENT RESULT		**-9 924**	**-9 926**	**-2 342**	**-2 519**	**-5 636**	**-5 009**	**-584**	**-564**
RESULT BEFORE TAX		**123 550**	**106 641**	**50 503**	**46 031**	**-17 424**	**36 071**	**7 979**	**2 301**
Tax cost	4	-	-	-	-	-290	-127	-	-
NET INCOME		**123 550**	**106 641**	**50 503**	**46 031**	**-17 713**	**35 944**	**7 979**	**2 301**
Allocation of net income									
Transfer to/from retained earnings	10	-9 553	8 759	-4 670	1 068	-17 713	-17 147	-1 520	-1 089
Allocated for distribution to unit holders	10	133 102	97 882	55 173	44 963	-	53 091	-	-
Net distributed to unit holders during the year	10	-	-	-	-	-	-	9 499	3 390
TOTAL		**123 550**	**106 641**	**50 503**	**46 031**	**-17 713**	**35 944**	**7 979**	**2 301**

BALANCE SHEET		31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Assets									
Norwegian securities at cost price	3,8	3 340 674	2 612 373	1 286 629	1 016 802	29 393	-	-	-
Foreign securities at cost price	3,8	-	-	-	-	468 383	634 138	396 565	205 605
Unrealised capital gain/loss	8	-5 121	443	-1 031	-216	6 682	-809	-174	-268
Accrued interest securities	8	19 787	14 635	7 631	7 179	6 086	10 806	1 835	1 210
TOTAL SECURITIES PORTFOLIO		**3 355 340**	**2 627 450**	**1 293 229**	**1 023 765**	**510 544**	**644 134**	**398 226**	**206 547**
Dividend receivable		-	-	-	-	-	-	-	-
Accrued interest bank		-	-	-	-	-	-	-	-
TOTAL ACCRUED INCOME		**-**	**-**	**-**	**-**		**-**	**-**	**-**
Accounts receivable - brokers		-	-	-	-	-	-	10 042	-
Accounts receivable - management company		-	-	-	-	1	-	-	-
Tax receivable on dividends		-	-	-	-	893	363	-	-
TOTAL OTHER RECEIVABLES		**-**	**-**	**-**	**-**	**894**	**363**	**10 042**	**-**
Bank deposits		832 701	893 531	425 173	495 143	24 278	142 706	6 191	7 548
TOTAL ASSETS		**4 188 041**	**3 520 981**	**1 718 402**	**1 518 908**	**535 716**	**787 203**	**414 459**	**214 095**
Equity Capital									
Unit capital at par value	10	4 019 037	3 389 023	1 666 756	1 476 567	508 973	688 798	390 066	212 774
Premium	10	37 727	31 153	-3 256	-2 908	48 907	49 582	1 891	1 021
TOTAL PAID-IN EQUITY CAPITAL		**4 056 764**	**3 420 175**	**1 663 500**	**1 473 658**	**557 880**	**738 381**	**391 957**	**213 795**
Retained earnings	10	-5 251	-69	-1 172	-542	-23 942	-6 250	1 035	-137
Allocated to unitholders for reinvestment in new units		133 570	98 273	55 411	45 201	-41	53 074	-	-
TOTAL EQUITY CAPITAL		**4 185 083**	**3 518 379**	**1 717 740**	**1 518 318**	**533 897**	**785 205**	**392 991**	**213 658**
Debt									
Accounts payable - brokers		-	-	-	-	-	-	9 915	-
Accounts payable - management company		2 712	2 351	662	590	1 228	1 620	203	129
Other debt		246	251	-	-	591	378	11 350	308
TOTAL OTHER DEBT		**2 958**	**2 602**	**662**	**590**	**1 819**	**1 998**	**21 468**	**437**
TOTAL DEBT AND EQUITY CAPITAL		**4 188 041**	**3 520 981**	**1 718 402**	**1 518 908**	**535 716**	**787 203**	**414 459**	**214 095**

* In 1000 SEK

Stavanger 26 January 2012
Board of SKAGEN AS

Martin Gjelsvik   Tor Dagfinn Veen   Lars-Erik Forsgårdh   Yuhong Jin Hermansen   Barbro Johansson   Anne S.K. Stensrud   Jesper Rangvid   Per Gustav Blom

General notes

NOTE 1: ACCOUNTING PRINCIPLES

All figures in NOK 1,000 unless otherwise stated

Financial instruments:
All financial instruments, such as shares, bonds and certificates, are valued at fair value (market value).

Determination of fair value:
Securities are valued at market prices as of 30.12.2011.

Bonds and notes, for which there are no "marketmaker" prices, are at all times valued against the applicable yield curve.

Unlisted equities are valued according to the latest trading price, value adjustments made by brokers and internal valuations.

Currency exchange rates:
Securities and bank deposit/overdraft in foreign currency are valued at the prevailing exchange rate at the time of pricing 30.12.2011.

Treatment of transaction costs:
Transaction costs in the form of commission to brokers is charged to expenses at the time of the transaction.

Allocated to unitholders for reinvestment:
All distributions to unitholders in fixed income funds are treated as allocations of profit in accordance with the regulation for annual financial statements for securities funds.

Distributions from fixed income funds are accounted for by entering reinvestments as new units in the fund in the financial year.

Adjustment of acquisition cost:
For the equity funds, the average acquisition value has been used to arrive at the realised gain/loss on the sale.

For the fixed income funds, the FIFO principle has been used to calculate realised gain/loss on the sale.

NOTE 2: FINANCIAL DERIVATIVES

The funds have not held financial derivatives during the year.

NOTE 3: FINANCIAL MARKET RISK

The balance sheet in the annual financial statement for the funds reflects market value on the last stock market day of the year expressed in Norwegian kroner.

Through investment in Norwegian and foreign businesses, the equity funds are exposed to share price and currency exchange risks. The fixed income funds are exposed to interest and credit risks and to currency risks in those cases where the funds invest in other currencies than NOK.

NOTE 4: TAX CALCULATION

Equity funds:
Equity funds are, in principle, exempt from tax on gains and do not have the right to deduct loss on realisation of equities when calculating taxable income.

Furthermore, dividends received from companies within the EEA are, in principle, tax-exempt. However, 3 % of realised gains from companies tax domiciled within the EEA and dividend received from the corresponding companies are treated as taxable to Norway.

Dividends received from companies outside the EEA are taxable. The funds may in addition be charged withholding tax on dividends received from all foreign companies.

The tax cost for the years 2011 and 2010 is associated with withholding tax on foreign dividends.

Fixed income funds:
The fixed income funds are taxable with 28% of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, minus tax-deductible costs, which, amongst other things, include management fee. The taxable net profit is in principle distributed among unitholders so that the fund is in a non-taxpaying position.

NOTE 5: CUSTODIAN COST

The funds are only charged transaction related custodian costs.

NOTE 6: TURNOVER RATE

The turnover rate is measured by the size of the trading volume adjusted for subscriptions and redemptions of shares. The turnover rate is calculated as whichever is the smaller amount of either purchases and sales of securities in the portfolio during the year, divided by average assets undet managment during the year.

The funds' turnover rate for the year 2011 was:

SKAGEN Vekst	23 %
SKAGEN Global	33 %
SKAGEN Kon Tiki	22 %
SKAGEN Avkastning	85 %
SKAGEN Høyrente	89 %
SKAGEN Høyrente Institusjon	92 %
SKAGEN Tellus	723 %
SKAGEN Krona	418 %

NOTE 7: SUBSCRIPTION FEE

No subscription or redemption fee.

NOTE 8:

Refer to pages 50 to 61

SKAGEN Vekst Note 9, 10 & 11

NOTE 9. MANAGEMENT FEE

The fixed management fee constitutes 1 % p.a. of daily asset under management in addition to the variable management fee: 1/10 of the return above 6 % p.a.

NOTE 10. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2011	697 727	-3 062	9 517 342	10 212 007
Issue of units	87 180	1 075 310		1 162 490
Redemption of units	-160 511	-1 917 463		-2 077 973
Net income			-1 972 527	-1 972 527
EQUITY CAPITAL AS OF 31.12.2011	**624 396**	**-845 214**	**7 544 815**	**7 323 997**

	31.12.2011	31.12.2010	31.12.2009
Number of units issued	6 243 962	6 977 271	8 177 547
Base price per unit (in NOK)*	1 173,0200	1 463,6198	1 268,3147

NOTE 11. RISK AMOUNT (in NOK)

RISK amount determined as of 01.01:

1994	1995	1996	1997	1998	1999	2000
-0.35	-0.37	3.28	-0.50	1.73	1.26	3.62

2001	2002	2003	2004	2005	2006
3.77	0.51	2.03	3.06	-7.03	-9.44

SKAGEN Global Note 9 & 10

NOTE 9. MANAGEMENT FEE

The fixed management fee constitutes 1 % p.a. of daily assets under management in addition to the variable management fee: 1/10 of better value development measured in percent in the fund's asset value compared with the referenceindex MSCI All Country World Daily Total Return Net $, measured in Norwegian kroner.

NOTE 10. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2011	3 964 232	15 928 441	12 276 219	32 168 892
Issue of units	1 265 364	8 722 936		9 988 300
Redemption of units	-1 081 473	-7 155 307		-8 236 780
Net income			-2 466 614	-2 466 614
EQUITY CAPITAL AS OF 31.12.2011	**4 148 123**	**17 496 070**	**9 809 605**	**31 453 798**

	31.12.2011	31.12.2010	31.12.2009
Number of units issued	41 481 231	39 642 319	44 467 597
Base price per unit (in NOK)*	758,2843	811,4809	697,9145

SKAGEN Kon-Tiki Note 9, 10 & 11

NOTE 9. MANAGEMENT FEE

The fixed management fee constitute 2 % p.a. of daily assets under management in addition to the variable management fee: 1/10 of better value development in percent in the fund's asset value compared with the referenceindex MSCI Emerging Markets Index Daily Traded Net Total Return $, measured in Norwegian kroner. However the total management fee may not exceed 4 % p.a. and may not be lower than 1 % p.a. of average assets under management.

NOTE 10. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2011	8 258 941	20 824 090	18 072 132	47 155 162
Issue of units	2 654 692	11 132 463		13 787 156
Redemption of units	-2 644 894	-10 922 016		-13 566 910
Net income			-6 693 488	-6 693 488
EQUITY CAPITAL AS OF 31.12.2011	**8 268 739**	**21 034 537**	**11 378 644**	**40 681 919**

	31.12.2011	31.12.2010	31.12.2009
Number of units issued	82 687 385	82 589 405	70 260 786
Base price per unit (in NOK)*	492,0310	570,9556	470,9718

* Base price is set at end of day 30/12 and is based on the best prevailing estimates. Finalised figures 31/12 are used in the annual financial statement. Consequently minor timing differences may occure.

NOTE 11. RISK AMOUNT (in NOK)

RISK amount determined as of 01.01:

2003	2004	2005	2006
3.26	1.80	-0.11	0.00

SKAGEN Høyrente Note 9 & 10

NOTE 9. MANAGEMENT FEE

The management fee constitutes 0.25 % p.a. of daily assets under management.

NOTE 10. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Allocated to unitholders for reinvestment	Total
EQUITY CAPITAL AS OF 1.1.2011	3 389 023	31 153	-69	98 273	3 518 379
Issue of units	5279107	49591	85439		5414137
Redemption of units	-4649093	-43016	-81068		-4773177
Reinvested for unitholders				-97805	-97805
Allocated to unitholders for reinvestment				133102	133102
Net income/loss after distribution to unitholders			-9553		-9553
EQUITY CAPITAL AS OF 31.12.2011	**4019037**	**37727**	**-5 251**	**133570**	**4185083**

	31.12.2011	31.12.2010	31.12.2009
Number of units issued	40190371	33890228	33549896
Base price per unit (in NOK)*	104,1241	103,8222	104,5408

SKAGEN Høyrente Institusjon Note 9 & 10

NOTE 9. MANAGEMENT FEE

The management fee constitutes 0.15 % p.a. of daily assets under management.

NOTE 10. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Allocated to unitholders for reinvestment	Total
EQUITY CAPITAL AS OF 1.1.2011	1476567	-2908	-542	45201	1518318
Issue of units	951786	-2075	17062		966774
Redemption of units	-761597	1727	-13022		-772892
Reinvested for unitholders				-44963	-44963
Allocated to unitholders for reinvestment				55173	55173
Net income/loss after distribution to unitholders			-4670		-4670
EQUITY CAPITAL AS OF 31.12.2011	**1 666 756**	**-3 256**	**-1 172**	**55 411**	**1 717 740**

	31.12.2011	31.12.2010	31.12.2009
Number of units issued	16667559	14765667	18582318
Base price per unit (in NOK)*	103,0476	102,8252	103,8057

SKAGEN Avkastning Note 9, 10, 11 & 12

NOTE 9. MANAGEMENT FEE

The management fee constitutes 0.5 % p.a. of daily assets under management.

NOTE 10. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Allocated to unitholders for reinvestment	Total
EQUITY CAPITAL AS OF 1.1.2011	1220421	405729	-56930	-483	1568737
Issue of units	320872	95865			416736
Redemption of units	-666629	-198177			-864805
Net income/loss after distribution to unitholders			33669		33669
EQUITY CAPITAL AS OF 31.12.2011	**874664**	**303416**	**-23261**	**-483**	**1154337**

	31.12.2011	31.12.2010	31.12.2009
Number of units issued	8746638	12204208	12623296
Base price per unit (in NOK)*	131,963	128,5463	125,0972

NOTE 11. CURRENCY RISK

SKAGEN Avkastning does not use currency hedging instruments against Norwegain kroner, but has as of 31.12.2011 overdrafts in USD, EUR, MXN, PLN and ZAR bank accounts in order to reduce the currency exposure of the investments.

NOTE 12. DEFERRED TAX CREDIT

SKAGEN Avkastning has a tax loss carry-forward of NOK 12 million as of 31/12/2011. The related deferred tax credit is not recorded in the balance sheet due to uncertainty surrounding the future use of this position.

SKAGEN Tellus Note 9, 10 & 11

NOTE 9. MANAGEMENT FEE

The management fee constitutes 0.8 % p.a. of daily assets under management.

NOTE 10. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Allocated to unitholders for reinvestment	Total
EQUITY CAPITAL AS OF 1.1.2011	688798	49582	-6250	53074	785205
Issue of units	304185	13165	45		317396
Redemption of units	-484011	-13840	-24		-497875
Reinvested for unitholders				-53115	-53115
Net income/loss after distribution to unitholders			-17713		-17713
EQUITY CAPITAL AS OF 31.12.2011	**508973**	**48907**	**-23942**	**-41**	**533897**

	31.12.2011	31.12.2010	31.12.2009
Number of units issued	5089726	6887985	3800466
Base price per unit (in NOK)*	104,8583	113,9964	106,7901

NOTE 11. DEFERRED TAX CREDIT

SKAGEN Tellus has a tax loss carry-forward of NOK 25 million as of 31/12/2011. The related deferred tax credit is not recorded in the balance sheet due to uncertainty surrounding the future use of this position.

SKAGEN Krona Note 9 & 10 (all figures in 1000 SEK)

NOTE 9. MANAGEMENT FEE

The management fee constitutes 0.2 % p.a. of daily assets under management.

NOTE 10. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2011	212774	1021	-137	213658
Issue of units	438593	2197	5288	446079
Redemption of units	-270750	-1377	-2597	-274724
Reinvested for unitholders	9449	50		9499
Net income			-1521	-1521
EQUITY CAPITAL AS OF 31.12.2011	**390066**	**1891**	**1035**	**392991**

	31.12.2011	31.12.2010	31.12.2009
Number of units issued	3900661	2127741	3139264
Base price per unit (in NOK)*	100,7418	100,4158	101,1153

*Base price is set at end of day 30/12 and is based on the best prevailing estimates. Finalised figures 31/12 are used in the annual financial statement. Consequently minor timing differences may occur.

SKAGEN Vekst

Note 8. Securities portfolio as of 31.12.2011 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund	Share in company/ share class	Stock exchange
Energy									
Petroleo Brasileiro Pref ADR	1 159 165	119 581 745	23,49	USD	162 489 141	42 907 396	2,22 %	0,04 %	New York
Solstad Offshore ASA	1 938 650	95 343 907	83,52	NOK	161 909 844	66 565 937	2,21 %	5,01 %	Oslo Børs
TGS Nopec Geophysical Co ASA	1 075 867	81 049 306	132,50	NOK	142 552 377	61 503 071	1,95 %	1,04 %	Oslo Børs
Bonheur ASA	1 192 594	88 117 205	116,50	NOK	138 937 201	50 819 996	1,90 %	2,92 %	Oslo Børs
Ganger Rolf ASA	1 273 817	130 404 738	106,50	NOK	135 661 510	5 256 772	1,85 %	3,76 %	Oslo Børs
DOF ASA	5 702 213	108 659 666	21,50	NOK	122 597 579	13 937 913	1,67 %	5,13 %	Oslo Børs
Sevan Drilling ASA	17 599 671	140 650 744	5,10	NOK	89 758 322	-50 892 421	1,23 %	5,23 %	Oslo Børs
Transocean Ltd	346 900	153 116 721	38,39	USD	79 472 793	-73 643 928	1,09 %	0,10 %	New York
Gazprom Oao ADR	1 064 000	64 923 841	10,66	USD	67 685 384	2 761 543	0,92 %	0,01 %	London Int.
Siem Offshore Inc	8 036 317	68 364 907	8,30	NOK	66 701 431	-1 663 476	0,91 %	2,03 %	Oslo Børs
Eidesvik Offshore ASA	1 682 641	64 220 516	29,60	NOK	49 806 174	-14 414 342	0,68 %	5,58 %	Oslo Børs
Marine Accurate Well ASA	67 652 076	51 258 636	0,65	NOK	43 973 849	-7 284 786	0,60 %	5,76 %	Unlisted
BP Plc ADR	171 381	54 167 560	42,74	USD	43 711 253	-10 456 306	0,60 %	0,00 %	New York
Northern Offshore Ltd	2 940 000	28 386 046	12,75	NOK	37 485 000	9 098 954	0,51 %	1,86 %	Oslo Børs
Spectrum ASA	1 785 000	15 665 981	18,00	NOK	32 130 000	16 464 019	0,44 %	5,04 %	Oslo Axess
Electromagnetic Geoservices AS	2 185 079	23 233 052	13,30	NOK	29 061 551	5 828 499	0,40 %	1,11 %	Oslo Børs
Norwegian Energy Co ASA	5 127 513	78 353 619	4,66	NOK	23 894 211	-54 459 408	0,33 %	2,10 %	Oslo Børs
BP Plc	547 608	34 784 480	4,60	GBP	23 398 925	-11 385 554	0,32 %	0,00 %	London
Fred Olsen Production ASA	3 000 000	18 734 740	7,75	NOK	23 250 000	4 515 260	0,32 %	2,83 %	Oslo Børs
Seabird Exploratio Plc 11/15 6,00% Call	5 172 592	30 716 105	75,00	USD	23 150 692	-7 565 413	0,32 %	-	Unlisted
Subsea 7 SA	189 300	20 569 379	111,00	NOK	21 012 300	442 921	0,29 %	0,05 %	Oslo Børs
Minor items[1)]		110 085 073			60 862 536	-49 222 537	0,83 %		
Total Energy		**1 580 387 966**			**1 579 502 073**	**-885 890**	**21,57 %**		
Raw materials									
Norsk Hydro ASA	5 536 510	139 178 720	27,74	NOK	153 582 787	14 404 068	2,10 %	0,27 %	Oslo Børs
Akzo Nobel NV	222 000	59 466 318	37,36	EUR	64 288 662	4 822 344	0,88 %	0,09 %	Amsterdam
Koza Altin Isletmeleri AS	643 750	46 209 166	25,10	TRY	51 066 381	4 857 214	0,70 %	0,42 %	Istanbul
Agrinos AS	802 378	21 530 067	40,00	NOK	32 095 120	10 565 053	0,44 %	2,15 %	Unlisted
Norske Skogindustrier ASA	5 970 000	345 540 673	4,52	NOK	26 984 400	-318 556 273	0,37 %	3,14 %	Oslo Børs
Hindalco Industries Ltd	1 950 673	46 051 668	115,85	INR	25 394 336	-20 657 332	0,35 %	0,10 %	National India
Rottneros AB	12 204 585	60 162 820	2,11	SEK	22 382 056	-37 780 765	0,31 %	7,96 %	Stockholm
Minor items[1)]		37 629 068			31 154 236	-6 474 832	0,43 %		
Total Raw materials		**755 768 501**			**406 947 978**	**-348 820 523**	**5,56 %**		
Industrials									
Kongsberg Gruppen ASA	3 275 767	136 059 534	116,00	NOK	379 988 972	243 929 438	5,19 %	2,73 %	Oslo Børs
Wilh. Wilhelmsen Holding ASA	1 315 811	93 969 680	136,50	NOK	179 608 201	85 638 522	2,45 %	3,80 %	Oslo Børs
Stolt-Nielsen Ltd	926 602	114 905 029	120,00	NOK	111 192 240	-3 712 789	1,52 %	1,44 %	Oslo Børs
Dockwise Ltd	1 032 808	173 151 705	96,25	NOK	99 407 770	-73 743 935	1,36 %	4,08 %	Oslo Børs
Norwegian Air Shuttle ASA	1 504 738	83 482 806	55,25	NOK	83 136 774	-346 032	1,14 %	4,35 %	Oslo Børs
LG Corp	233 756	48 433 682	61 400,00	KRW	73 928 902	25 495 220	1,01 %	0,14 %	Seoul
Aveng Ltd	2 575 700	75 193 395	33,00	ZAR	62 822 096	-12 371 299	0,86 %	0,64 %	Johannesburg
Odfjell SE-A	1 664 725	74 526 069	36,00	NOK	59 930 100	-14 595 969	0,82 %	2,53 %	Oslo Børs
Glamox ASA	5 944 034	5 852 347	9,50	NOK	56 468 323	50 615 976	0,77 %	9,01 %	Unlisted
Kverneland ASA	4 662 635	25 756 193	10,65	NOK	49 657 063	23 900 870	0,68 %	3,02 %	Oslo Børs
Golar LNG Ltd	186 611	30 307 119	263,80	NOK	49 227 982	18 920 863	0,67 %	0,23 %	Oslo Børs
I.M. Skaugen SE	1 404 501	17 609 215	29,80	NOK	41 854 130	24 244 915	0,57 %	5,18 %	Oslo Børs
Fairstar Heavy Transport NV	4 414 585	46 670 000	8,50	NOK	37 523 972	-9 146 028	0,51 %	5,45 %	Oslo Børs
Goodtech ASA	21 168 416	48 134 917	1,57	NOK	33 234 413	-14 900 504	0,45 %	6,51 %	Oslo Børs
AP Moller-Maersk A	811	38 032 895	35 840,00	DKK	30 316 088	-7 716 807	0,41 %	0,04 %	Copenhagen
LG Corp Pref	224 482	25 796 379	23 100,00	KRW	26 710 168	913 789	0,36 %	6,77 %	Seoul
TTS Group ASA Konv. 8 % 01/16	19 000 000	18 620 000	102,50	NOK	19 475 000	855 000	0,27 %	-	Oslo Børs
Minor items[1)]		298 486 612			114 125 860	-184 360 753	1,56 %		
Total Industrials		**1 354 987 578**			**1 508 608 054**	**153 620 477**	**20,61 %**		
Consumer discretionary									
Royal Caribbean Cruises Ltd	902 048	124 546 625	24,77	USD	133 337 320	8 790 695	1,82 %	0,42 %	New York
Carnival Corp	485 865	120 530 973	32,64	USD	94 637 189	-25 893 784	1,29 %	0,08 %	New York
Hurtigruten ASA	30 296 503	108 945 756	3,03	NOK	91 798 404	-17 147 352	1,25 %	7,21 %	Oslo Børs
LG Electronics Inc Pref	600 000	144 987 601	24 000,00	KRW	74 172 960	-70 814 641	1,01 %	0,41 %	Seoul
Dixons Retail Plc	57 626 905	284 227 522	0,10	GBP	52 508 943	-231 718 579	0,72 %	1,60 %	London
Mahindra & Mahindra Ltd GDR	591 300	10 522 543	13,19	USD	46 542 396	36 019 854	0,64 %	0,10 %	London Int.
Fjord Line AS	2 850 000	28 500 000	16,00	NOK	45 600 000	17 100 000	0,62 %	5,35 %	Unlisted
Continental AG	121 000	50 302 215	48,09	EUR	45 108 651	-5 193 563	0,62 %	0,06 %	Xetra
NHST Media Group ASA	60 000	31 447 083	600,00	NOK	36 000 000	4 552 917	0,49 %	4,66 %	Unlisted
Minor items[1)]		75 883 753			34 295 883	-41 587 870	0,47 %		
Total Consumer discretionary		**979 894 071**			**654 001 746**	**-325 892 323**	**8,93 %**		

Note 8. Securities portfolio as of 31.12.2011 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund	Share in company/ share class	Stock exchange
Consumer staples									
Winn-Dixie Stores Inc	2 540 270	104 664 068	9,38	USD	142 193 186	37 529 118	1,94 %	4,52 %	NASDAQ
Cermaq ASA	1 559 045	65 772 654	70,20	NOK	109 444 959	43 672 305	1,49 %	1,69 %	Oslo Børs
Kesko Oyj B	399 811	104 404 013	25,96	EUR	80 451 468	-23 952 545	1,10 %	0,60 %	Helsinki
Morpol ASA	8 407 150	175 895 575	8,30	NOK	69 779 345	-106 116 230	0,95 %	5,00 %	Oslo Børs
Chiquita Brands Intl	1 119 523	91 964 061	8,34	USD	55 717 951	-36 246 110	0,76 %	2,45 %	New York
Royal Unibrew A/S	135 865	38 746 438	321,50	DKK	45 558 863	6 812 425	0,62 %	1,21 %	Copenhagen
Austevoll Seafood ASA	1 972 716	62 173 336	21,00	NOK	41 427 036	-20 746 300	0,57 %	0,97 %	Oslo Børs
Yazicilar Holding AS	750 000	25 622 446	9,96	TRY	23 608 300	-2 014 146	0,32 %	0,47 %	Istanbul
Minoritems[1)]		137 550 654			48 611 795	-88 938 859	0,66 %		
Total Consumer staples		**806 793 245**			**616 792 903**	**-190 000 342**	**8,42 %**		
Health care									
Teva Pharmaceutical-Sp ADR	719 787	217 972 938	40,36	USD	173 360 928	-44 612 010	2,37 %	0,08 %	NASDAQ
Clavis Pharma ASA	943 918	31 159 792	47,90	NOK	45 213 672	14 053 881	0,62 %	3,09 %	Oslo Børs
Algeta ASA	256 000	25 537 185	153,00	NOK	39 168 000	13 630 815	0,53 %	0,63 %	Oslo Børs
Photocure ASA	1 114 401	44 889 736	34,70	NOK	38 669 715	-6 220 021	0,53 %	5,21 %	Oslo Børs
Medi-Stim ASA	1 611 000	20 129 504	20,00	NOK	32 220 000	12 090 496	0,44 %	8,54 %	Oslo Børs
Karolinska Development AB	1 234 600	43 031 490	24,00	SEK	25 753 248	-17 278 241	0,35 %	2,63 %	Stockholm
Origio A/S	1 550 000	24 275 806	13,05	NOK	20 227 500	-4 048 306	0,28 %	4,85 %	Oslo Børs
Minoritems[1)]		46 054 189			20 358 086	-25 696 103	0,28 %		
Total Health care		**453 050 638**			**394 971 149**	**-58 079 489**	**5,39 %**		
Financials									
Gjensidige Forsikring ASA	2 321 368	136 826 502	69,30	NOK	160 870 802	24 044 300	2,20 %	0,46 %	Oslo Børs
Olav Thon Eiendomsselskap ASA	180 025	33 834 264	788,00	NOK	141 859 700	108 025 436	1,94 %	1,69 %	Oslo Børs
Hannover Rueckversicherung AG	377 500	76 075 785	38,32	EUR	112 143 386	36 067 601	1,53 %	0,31 %	Frankfurt
Northern Logistic Property ASA	2 728 689	82 502 098	20,70	NOK	56 483 862	-26 018 235	0,77 %	7,70 %	Oslo Børs
Danske Bank A/S	741 784	83 170 607	72,95	DKK	56 440 008	-26 730 599	0,77 %	0,08 %	Copenhagen
Korean Reinsurance Co	702 093	8 469 012	15 000,00	KRW	54 246 163	45 777 151	0,74 %	0,61 %	Seoul
Hitecvision AS	762 746	5 183 496	65,00	NOK	49 578 490	44 394 994	0,68 %	4,14 %	Unlisted
Sparebanken Øst	1 500 000	26 585 912	33,00	NOK	49 500 000	22 914 088	0,68 %	7,24 %	Oslo Børs
Norwegian Finans Holding ASA	14 900 000	29 215 000	2,50	NOK	37 250 000	8 035 000	0,51 %	8,76 %	Unlisted
Sparebanken Vest	995 506	45 056 270	31,50	NOK	31 358 439	-13 697 831	0,43 %	4,61 %	Oslo Børs
Haci Omer Sabanci Holding AS	1 501 444	23 339 370	5,40	TRY	25 624 005	2 284 635	0,35 %	0,07 %	Istanbul
Irsa Sa ADR	397 502	31 351 260	10,37	USD	24 598 812	-6 752 447	0,34 %	0,69 %	New York
Aareal Bank AG	189 259	27 126 685	13,98	EUR	20 516 041	-6 610 644	0,28 %	0,32 %	Frankfurt
Minoritems[1)]		70 962 483			51 209 198	-19 753 285	0,70 %		
Total Financials		**679 698 744**			**871 678 907**	**191 980 163**	**11,90 %**		
Information technology									
Samsung Electronics Co Ltd Pref GDR	116 936	92 727 711	287,40	USD	200 553 878	107 826 167	2,74 %	0,26 %	London Int.
Samsung Electronics Co Ltd GDR	50 000	19 712 300	460,70	USD	137 462 514	117 750 214	1,88 %	0,02 %	London Int.
Proact IT Group AB	458 101	15 214 172	158,00	SEK	62 909 007	47 694 835	0,86 %	4,91 %	Stockholm
Eltek ASA	17 038 235	91 535 609	3,25	NOK	55 374 264	-36 161 345	0,76 %	5,18 %	Oslo Børs
Q-Free ASA	3 182 604	44 687 622	16,70	NOK	53 149 487	8 461 865	0,73 %	5,28 %	Oslo Børs
Corning Inc	609 450	53 103 006	12,98	USD	47 207 265	-5 895 741	0,64 %	0,04 %	New York
Samsung SDI Co Ltd	40 000	16 814 575	133 500,00	KRW	27 505 806	10 691 231	0,38 %	0,09 %	Seoul
EDB Ergogroup ASA	2 544 240	30 956 610	9,75	NOK	24 806 340	-6 150 270	0,34 %	0,95 %	Oslo Børs
Minoritems[1)]		113 805 181			56 743 339	-57 061 842	0,77 %		
Total Information technology		**478 556 786**			**665 711 900**	**187 155 114**	**9,09 %**		
Telecom									
France Telecom SA	1 111 904	142 130 520	12,13	EUR	104 587 942	-37 542 578	1,43 %	0,04 %	Paris
Sistema Jsfc GDR	573 709	19 189 678	16,81	USD	57 551 340	38 361 662	0,79 %	0,12 %	London Int.
Mobile Telesystems ADR	645 000	41 050 762	14,68	USD	56 504 344	15 453 582	0,77 %	0,06 %	New York
Telekomunikasi Indonesia Tbk ADR	265 000	14 761 545	30,74	USD	48 612 259	33 850 714	0,66 %	0,05 %	New York
Indosat Tbk PT ADR	200 000	33 264 730	31,54	USD	37 643 305	4 378 576	0,51 %	0,18 %	New York
Minoritems[1)]		7 842 206			1 378 981	-6 463 225	0,02 %		
Total Telecom		**258 239 441**			**306 278 172**	**48 038 732**	**4,18 %**		
Utilities									
Centrais Eletricas Brasileiras SA Pref	2 610 818	126 051 470	26,85	BRL	224 496 734	98 445 264	3,07 %	0,98 %	Sao Paulo
Centrais Eletricas Brasileiras SA	357 348	29 055 195	17,84	BRL	20 416 220	-8 638 975	0,28 %	0,03 %	Sao Paulo
Total Utilities		**155 106 665**			**244 912 954**	**89 806 289**	**3,34 %**		
TOTAL EQUITY PORTFOLIO[2)]		**7 502 483 635**			**7 249 405 836**	**-253 077 792**	**99,00 %**		

[1)] Please contact SKAGEN AS for a list of companies included in this post. The list will be sent by email.
[2)] For liquidity in the portfolio as of 31.12.2011, please refer to the balance sheet.

SKAGEN Global

Note 8. Securities portfolio as of 31.12.2011 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund	Share in company/ share class	Stock exchange
Energy									
Gazprom Oao ADR	12 102 290	889 939 794	10,66	USD	769 876 081	-120 063 713	2,45 %	0,10 %	London Int.
Weatherford Intl Ltd	5 666 310	482 081 432	14,64	USD	495 036 788	12 955 356	1,57 %	0,75 %	New York
Petroleo Brasileiro Pref ADR	3 396 473	606 992 347	23,49	USD	476 109 942	-130 882 405	1,51 %	0,12 %	New York
Ensco Plc - ADR	1 358 901	388 984 568	46,92	USD	380 488 810	-8 495 759	1,21 %	0,59 %	New York
OMV AG	2 064 000	445 062 438	23,44	EUR	375 009 133	-70 053 305	1,19 %	0,63 %	Wien
Nabors Industries Ltd	3 213 981	452 383 143	17,34	USD	332 574 131	-119 809 012	1,06 %	1,12 %	New York
Kazmunaigas Exploration GDR	3 468 558	446 152 275	14,95	USD	309 446 960	-136 705 315	0,98 %	0,82 %	London Int.
Baker Hughes Inc	873 004	243 312 654	48,64	USD	253 399 566	10 086 912	0,81 %	0,20 %	New York
BP Plc	4 565 134	232 740 096	4,60	GBP	195 065 138	-37 674 958	0,62 %	0,02 %	London
BP Plc ADR	617 696	188 954 856	42,74	USD	157 545 272	-31 409 584	0,50 %	0,02 %	New York
Petroleo Brasileiro SA	2 065 412	146 769 784	21,49	BRL	142 145 217	-4 624 568	0,45 %	0,04 %	Sao Paulo
Noble Corp	504 593	112 316 665	30,22	USD	90 997 979	-21 318 686	0,29 %	0,20 %	New York
Afren Plc	7 494 697	52 629 203	0,86	GBP	59 597 960	6 968 758	0,19 %	0,70 %	London
Transocean Ltd	231 547	106 911 446	38,39	USD	53 046 085	-53 865 360	0,17 %	0,07 %	New York
Total Energy		**4 795 230 700**			**4 090 339 061**	**-704 891 639**	**13,01 %**		
Raw materials									
Svenska Cellulosa AB-B	7 538 731	596 719 190	102,00	SEK	668 333 025	71 613 835	2,13 %	1,24 %	Stockholm
Akzo Nobel NV	1 912 478	578 591 229	37,36	EUR	553 831 764	-24 759 465	1,76 %	0,81 %	Amsterdam
Cliffs Natural Resources Inc	1 300 717	339 224 802	62,35	USD	483 966 544	144 741 742	1,54 %	0,91 %	New York
Ternium SA ADR	2 858 382	450 212 283	18,39	USD	313 688 115	-136 524 168	1,00 %	1,43 %	New York
Heidelbergcement AG	1 170 781	367 882 774	32,79	EUR	297 571 701	-70 311 074	0,95 %	0,62 %	Xetra
Norsk Hydro ASA	9 761 378	288 436 305	27,74	NOK	270 780 626	-17 655 680	0,86 %	0,47 %	Oslo Børs
Mayr-Melnhof Karton AG	450 627	203 443 847	65,51	EUR	228 822 830	25 378 983	0,73 %	2,25 %	Vienna
UPM-Kymmene Oyj	1 509 754	99 976 410	8,51	EUR	99 588 753	-387 657	0,32 %	0,29 %	Helsinki
Fibria Celulose Sa ADR	1 254 646	109 588 622	7,77	USD	58 175 254	-51 413 367	0,19 %	0,27 %	New York
Lundin Mining Corp	472 802	10 364 937	3,87	CAD	10 722 298	357 362	0,03 %	0,08 %	Toronto
Lundin Mining Corp SDR	220 601	4 159 529	26,04	SEK	4 992 786	833 257	0,02 %	0,04 %	Stockholm
Asia Pulp & Paper Co Ltd ADR	86 600	4 565 292	0,01	USD	5 168	-4 560 124	0,00 %	0,03 %	Unlisted
Total Raw materials		**3 053 165 220**			**2 990 478 864**	**-62 686 356**	**9,51 %**		
Industrials									
Tyco International Ltd	6 380 852	1 298 332 733	46,71	USD	1 778 625 873	480 293 140	5,66 %	1,38 %	New York
LG Corp	1 973 017	508 946 785	61 400	KRW	623 996 734	115 049 949	1,99 %	1,14 %	Seoul
Bunge Ltd	1 731 468	564 425 455	57,20	USD	591 025 971	26 600 516	1,88 %	1,19 %	New York
Siemens AG	923 819	541 362 942	73,94	EUR	529 469 418	-11 893 524	1,68 %	0,10 %	Frankfurt
TE Connectivity Ltd	1 845 719	288 766 647	30,81	USD	339 354 293	50 587 647	1,08 %	0,43 %	New York
Randstad Holding NV	1 884 477	466 558 359	22,86	EUR	333 919 369	-132 638 990	1,06 %	1,10 %	Amsterdam
Stolt-Nielsen Ltd	1 893 500	336 914 438	120,00	NOK	227 220 000	-109 694 438	0,72 %	2,95 %	Oslo Børs
BayWa AG	744 577	222 362 954	27,29	EUR	157 531 446	-64 831 508	0,50 %	2,18 %	Frankfurt
Finnair Oyj	4 850 820	263 458 522	2,30	EUR	86 480 370	-176 978 152	0,28 %	3,79 %	Helsinki
Air France-KLM Konv 04/15 4.97%	513 152	54 597 628	1 074	EUR	44 469 687	-10 127 941	0,14 %	-	Paris
Krones AG	37 478	10 400 254	36,76	EUR	10 680 351	280 097	0,03 %	0,12 %	Xetra
Dalian Port (PDA) Co Ltd	6 209 000	8 410 636	1,89	HKD	9 017 182	606 545	0,03 %	0,58 %	Hong Kong
LG Corp Pref	20 240	2 399 103	23 100	KRW	2 408 272	9 169	0,01 %	0,61 %	Seoul
Total Industrials		**4 566 936 457**			**4 734 198 968**	**167 262 510**	**15,06 %**		
Consumer discretionary									
Comcast Corp	4 236 789	416 985 224	23,56	USD	595 673 375	178 688 151	1,89 %	0,68 %	NASDAQ
Toyota Industries Corp	3 019 921	502 645 522	2 095	JPY	490 616 117	-12 029 405	1,56 %	0,93 %	Tokyo
Renault SA	1 424 602	362 154 471	26,80	EUR	295 939 468	-66 215 004	0,94 %	0,48 %	Paris
Hyundai Motor Pref (2pb)	562 937	157 824 391	67 100	KRW	194 565 320	36 740 929	0,62 %	1,50 %	Seoul
Television Broadcasts Ltd	4 565 862	110 527 952	47,10	HKD	165 246 034	54 718 082	0,53 %	1,04 %	Hong Kong
Time Warner Cable Inc	406 427	109 532 426	63,57	USD	154 180 990	44 648 564	0,49 %	0,13 %	New York
Yamaha Motor Co Ltd	1 953 411	159 122 050	974,00	JPY	147 541 701	-11 580 349	0,47 %	0,56 %	Tokyo
LG Electronics Inc Pref	1 036 948	270 944 469	24 000	KRW	128 189 171	-142 755 298	0,41 %	0,72 %	Seoul
Dixons Retail Plc	78 684 888	109 155 888	0,10	GBP	71 696 724	-37 459 163	0,23 %	2,18 %	London
Mahindra & Mahindra Ltd GDR	398 459	7 060 672	13,19	USD	31 363 499	24 302 826	0,10 %	0,06 %	London Int.
Hyundai Motor Pref (1p)	53 200	16 319 117	63 500	KRW	17 400 770	1 081 653	0,06 %	0,21 %	Seoul
Mahindra & Mahindra Ltd	134 000	5 776 564	681,80	INR	10 266 399	4 489 835	0,03 %	0,02 %	National India
Danubius Hotels and Spa Plc	52 543	6 231 277	3 360	HUF	4 347 408	-1 883 869	0,01 %	0,63 %	Budapest
CTC Media Inc	40 452	2 143 111	8,77	USD	2 117 072	-26 039	0,01 %	0,03 %	NASDAQ
Total Consumer discretionary		**2 236 423 134**			**2 309 144 048**	**72 720 913**	**7,35 %**		
Consumer staples									
Tesco Plc	22 061 647	799 265 093	4,03	GBP	825 893 687	26 628 594	2,63 %	0,28 %	London
Unilever NV-Cva	2 951 396	512 108 982	26,57	EUR	607 846 028	95 737 046	1,93 %	0,17 %	Amsterdam
United Intl Enterprises	172 931	25 545 061	710,00	DKK	128 060 593	102 515 532	0,41 %	3,36 %	Copenhagen
Yazicilar Holding AS	4 021 961	97 411 860	9,96	TRY	126 602 216	29 190 356	0,40 %	2,51 %	Istanbul
Royal Unibrew A/S	253 219	61 811 245	321,50	DKK	84 910 535	23 099 290	0,27 %	2,26 %	Copenhagen
Chiquita Brands Intl	1 601 133	118 331 315	8,34	USD	79 687 376	-38 643 939	0,25 %	3,50 %	New York
Raisio Plc	2 300 000	43 316 601	2,39	EUR	42 608 896	-707 705	0,14 %	1,76 %	Helsinki
Lannen Tehtaat Oyj	220 000	24 416 957	14,70	EUR	25 067 704	650 747	0,08 %	3,48 %	Helsinki
Total Consumer staples		**1 682 207 115**			**1 920 677 035**	**238 469 920**	**6,11 %**		

Note 8. Securities portfolio as of 31.12.2011 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund	Share in company/ share class	Stock exchange
Health care									
Pfizer Inc	7 095 441	829 775 876	21,64	USD	916 289 513	86 513 638	2,91 %	0,09 %	New York
Roche Holding AG-Genusschein	461 983	402 233 894	159,20	CHF	469 186 480	66 952 586	1,49 %	0,07 %	Zurich
Teva Pharmaceutical-Sp ADR	1 727 502	365 182 972	40,36	USD	416 069 406	50 886 435	1,32 %	0,18 %	NASDAQ
Rhoen-Klinikum AG	1 257 091	138 341 645	14,72	EUR	143 432 996	5 091 351	0,46 %	0,91 %	Xetra
Neurosearch A/S	178 611	29 943 682	17,70	DKK	3 297 356	-26 646 327	0,01 %	0,73 %	Copenhagen
Total Health care		**1 765 478 069**			**1 948 275 752**	**182 797 683**	**6,20 %**		
Financials									
Citigroup Inc	6 679 820	1 577 639 101	26,31	USD	1 048 773 426	-528 865 675	3,34 %	0,23 %	New York
Gjensidige Forsikring ASA	8 317 774	491 857 918	69,30	NOK	576 421 738	84 563 821	1,83 %	1,66 %	Oslo Børs
Banco Do Estado Rio Grande Do Sul Pref	7 918 277	156 984 429	20,00	BRL	507 165 642	350 181 213	1,61 %	1,94 %	Sao Paulo
Goldman Sachs Group Inc	883 683	640 976 917	90,43	USD	476 875 596	-164 101 322	1,52 %	0,18 %	New York
Hannover Rueckversicherung AG	1 563 931	330 375 099	38,32	EUR	464 594 748	134 219 650	1,48 %	1,30 %	Frankfurt
Cheung Kong Holdings Ltd	3 780 674	283 779 594	92,40	HKD	268 428 459	-15 351 135	0,85 %	0,16 %	Hong Kong
Osaka Securities Exchange Co	6 968	138 072 792	442 000	JPY	238 832 053	100 759 261	0,76 %	2,58 %	Tokyo
Kinnevik Investment AB-B	2 039 277	100 415 464	134,10	SEK	237 683 756	137 268 293	0,76 %	0,89 %	Stockholm
Aberdeen Asset Management Plc	10 859 589	96 133 005	2,12	GBP	213 621 886	117 488 882	0,68 %	0,95 %	London
Haci Omer Sabanci Holding AS	11 319 870	213 856 019	5,40	TRY	193 187 629	-20 668 390	0,61 %	0,55 %	Istanbul
Asya Katilim Bankasi AS	29 208 168	288 114 977	1,59	TRY	146 772 792	-141 342 185	0,47 %	3,25 %	Istanbul
Industrial Bank of Korea	1 973 755	144 101 241	12 500	KRW	127 082 683	-17 018 558	0,40 %	0,36 %	Seoul
Japan Securities Finance Co	4 207 375	244 798 038	348,00	JPY	113 540 987	-131 257 050	0,36 %	4,49 %	Tokyo
Irsa Sa ADR	1 815 671	151 638 394	10,37	USD	112 360 065	-39 278 330	0,36 %	3,14 %	New York
EFG-Hermes Holding SAE	10 956 636	206 143 442	10,00	EGP	108 443 305	-97 700 137	0,34 %	2,29 %	Cairo
Albaraka Turk Katilim Bankasi AS	19 059 400	213 095 844	1,57	TRY	94 569 913	-118 525 930	0,30 %	3,54 %	Istanbul
TAG Immobilien AG	1 524 538	89 045 359	6,16	EUR	72 793 652	-16 251 706	0,23 %	2,04 %	Frankfurt
Sparebank 1 SR-Bank ASA	600 000	21 600 000	40,70	NOK	24 420 000	2 820 000	0,08 %	0,30 %	Oslo Børs
Aberdeen Asset Management Plc Pref	557	6 648 625	2 255	GBP	11 656 275	5 007 650	0,04 %	0,74 %	London
Total Financials		**5 395 276 257**			**5 037 224 607**	**-358 051 650**	**16,02 %**		
Information technology									
Samsung Electronics Co Ltd Pref	578 868	1 333 977 462	667 000	KRW	1 988 788 018	654 810 555	6,33 %	2,54 %	Seoul
Oracle Corp	5 739 104	924 501 768	25,65	USD	878 471 206	-46 030 562	2,79 %	0,11 %	NASDAQ
Kyocera Corp	1 300 268	684 514 014	6 190	JPY	624 145 329	-60 368 686	1,99 %	0,68 %	Tokyo
Microsoft Corp	2 199 798	325 540 349	25,96	USD	340 787 422	15 247 073	1,08 %	0,03 %	NASDAQ
Samsung Electronics Co Ltd Pref GDR	140 891	142 338 666	287,40	USD	241 638 473	99 299 807	0,77 %	0,31 %	London Int.
Yahoo! Inc	2 109 702	179 617 051	16,13	USD	203 072 703	23 455 651	0,65 %	0,17 %	NASDAQ
Samsung Electronics Co Ltd GDR	18 225	15 514 137	460,70	USD	50 105 086	34 590 950	0,16 %	0,01 %	London Int.
Kyocera Corp ADR	52 153	38 412 462	79,80	USD	24 835 806	-13 576 656	0,08 %	0,03 %	New York
Proact IT Group AB	139 118	5 385 767	158,00	SEK	19 104 467	13 718 700	0,06 %	1,49 %	Stockholm
Total Information technology		**3 649 801 676**			**4 370 948 509**	**721 146 833**	**13,90 %**		
Telecom									
Vimpelcom Ltd-Spon ADR	10 363 204	834 901 430	9,47	USD	585 652 623	-249 248 806	1,86 %	0,64 %	New York
China Mobile Ltd	7 150 200	414 448 346	75,90	HKD	417 010 818	2 562 472	1,33 %	0,04 %	Hong Kong
China Mobile Ltd ADR	1 386 102	379 876 673	48,49	USD	401 091 484	21 214 811	1,28 %	0,03 %	New York
Indosat Tbk PT ADR	921 819	137 600 408	31,54	USD	173 501 571	35 901 162	0,55 %	0,85 %	New York
Vivendi SA	1 267 811	152 961 433	16,92	EUR	166 275 943	13 314 510	0,53 %	0,10 %	Paris
Orascom Telecom Holding	21 553 303	71 212 341	3,49	EGP	74 476 464	3 264 123	0,24 %	0,41 %	Cairo
Indosat Tbk PT	18 675 833	60 173 130	5 650	IDR	68 360 132	8 187 002	0,22 %	0,34 %	Indonesia
Orascom Telekom GDR	1 236 911	18 439 155	2,89	USD	21 332 039	2 892 884	0,07 %	0,12 %	London Int.
Total Telecom		**2 069 612 915**			**1 907 701 074**	**-161 911 841**	**6,07 %**		
Utilities									
Centrais Eletricas Brasileiras SA Pref	11 295 481	698 456 050	26,85	BRL	971 265 937	272 809 886	3,09 %	4,26 %	Sao Paulo
Centrais Eletricas Brasileiras SA	7 122 805	594 014 454	17,84	BRL	406 944 369	-187 070 085	1,29 %	0,66 %	Sao Paulo
Total Utilities		**1 292 470 504**			**1 378 210 305**	**85 739 801**	**4,38 %**		
TOTAL SECURITIES PORTFOLIO[1]		**30 506 602 049**			**30 687 198 223**	**180 596 174**	**97,62 %**		

[1] For liquidity in the portfolio as of 31.12.2011, please refer to the balance sheet.

SKAGEN Kon-Tiki

Note 8. Securities portfolio as of 31.12.2011 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund	Share in company/ share class	Stock exchange
Energy									
Baker Hughes Inc	5 530 991	1 579 157 520	48,64	USD	1 605 434 475	26 276 955	3,95 %	1,27 %	New York
Gazprom Oao ADR	19 885 821	1 364 767 529	10,66	USD	1 265 018 268	-99 749 261	3,11 %	0,17 %	London Int.
Petroleo Brasileiro Pref ADR	5 943 178	1 026 137 598	23,49	USD	833 101 317	-193 036 281	0,21 %	0,21 %	New York
Seadrill Ltd	3 476 829	322 219 192	200,00	NOK	695 365 800	373 146 608	1,71 %	0,74 %	Oslo Børs
Tullow Oil Plc	3 054 688	235 348 345	14,02	GBP	397 384 907	162 036 562	0,98 %	0,34 %	London
Petroleo Brasileiro SA	3 200 000	245 876 515	21,49	BRL	220 229 520	-25 646 995	0,54 %	0,06 %	Sao Paulo
Archer Ltd	11 137 906	289 414 060	16,10	NOK	179 320 287	-110 093 773	0,44 %	3,04 %	Oslo Børs
Deep Sea Supply Plc	12 229 431	125 765 711	7,51	NOK	91 843 027	-33 922 685	0,23 %	9,64 %	Oslo Børs
Siem Offshore Inc	9 037 608	77 037 517	8,30	NOK	75 012 146	-2 025 370	0,18 %	2,28 %	Oslo Børs
Coal of Africa Ltd	7 851 676	91 513 652	0,58	GBP	42 255 852	-49 257 800	0,10 %	1,19 %	London Int.
Total Energy		**5 357 237 639**			**5 404 965 599**	**47 727 960**	**13,29 %**		
Raw materials									
Vale Sa Spons ADR	7 922 364	813 361 531	20,60	USD	973 908 328	160 546 797	2,39 %	0,38 %	New York
Exxaro Resources Ltd	4 166 092	512 849 963	168,00	ZAR	517 298 644	4 448 681	1,27 %	1,18 %	Johannesburg
Vale SA-Pref A	1 231 900	210 807 094	37,82	BRL	149 205 942	-61 601 152	0,37 %	0,06 %	Sao Paulo
Asia Cement China Holdings	50 706 000	186 391 210	3,64	HKD	141 823 465	-44 567 745	0,35 %	3,26 %	Hong Kong
Drdgold Ltd ADR	3 724 701	206 449 868	5,59	USD	124 250 828	-82 199 040	0,31 %	9,66 %	NASDAQ
PT Indah Kiat Pulp & Paper Tbk	42 663 000	41 753 795	1230,00	IDR	33 996 246	-7 757 548	0,08 %	0,78 %	Jakarta
Total Raw materials		**1 971 613 460**			**1 940 483 453**	**-31 130 007**	**4,77 %**		
Industrials									
ABB Ltd	8 957 636	964 815 179	129,50	SEK	1 008 225 511	43 410 333	2,48 %	0,39 %	Stockholm
Aveng Ltd	21 017 094	617 358 060	33,00	ZAR	512 613 228	-104 744 833	1,26 %	5,23 %	Johannesburg
AirAsia Bhd	58 091 500	135 762 912	3,77	MYR	412 627 236	276 864 324	1,01 %	2,09 %	Kuala Lumpur
Harbin Electric Company Ltd	68 000 000	614 366 467	6,78	HKD	354 263 136	-260 103 331	0,87 %	4,94 %	Hong Kong
Golar LNG Ltd	1 325 272	215 234 775	263,80	NOK	349 606 754	134 371 979	0,86 %	1,66 %	Oslo Børs
Bidvest Group Ltd	2 878 881	335 297 044	154,80	ZAR	329 380 491	-5 916 553	0,81 %	0,88 %	Johannesburg
Empresas ICA S.A.B	42 542 700	621 196 809	16,94	MXN	308 412 155	-312 784 654	0,76 %	6,62 %	Mexico
A P Moller - Maersk B	6 500	247 248 915	37920,00	DKK	257 078 640	9 829 725	0,63 %	0,30 %	Copenhagen
Tekfen Holding AS	8 158 907	123 013 201	5,34	TRY	137 694 741	14 681 540	0,34 %	2,21 %	Istanbul
Enka Insaat Ve Sanayi AS	8 416 664	105 720 490	4,10	TRY	109 060 620	3 340 130	0,27 %	0,34 %	Istanbul
LG Corp Pref	808 430	118 266 161	23100,00	KRW	96 191 682	-22 074 479	0,24 %	24,39 %	Seoul
Norwegian Air Shuttle ASA	1 628 768	119 886 177	55,25	NOK	89 989 432	-29 896 745	0,22 %	4,71 %	Oslo Børs
Frontline 2012 Ltd	4 912 000	83 435 232	17,60	NOK	86 451 200	3 015 968	0,21 %	4,91 %	Unlisted
Barloworld Ltd	1 492 475	74 777 880	75,13	ZAR	82 875 022	8 097 142	0,20 %	0,65 %	Johannesburg
Golden Ocean Group Ltd	15 050 285	62 067 912	3,77	NOK	56 739 574	-5 328 337	0,14 %	3,32 %	Oslo Børs
Nordic American Tankers Ltd	594 497	103 377 554	11,99	USD	42 536 810	-60 840 744	0,10 %	1,26 %	New York
Kuribayashi Steamship Co Ltd	300 000	6 010 011	164,00	JPY	3 815 288	-2 194 724	0,01 %	2,35 %	Tokyo
Mariupol Heavy Machinebuilding Plant GDR	422 695	16 806 476	0,02	USD	57 764	-16 748 712	0,00 %	2,75 %	Frankfurt
Total Industrials		**4 564 641 255**			**4 237 619 283**	**-327 021 972**	**10,42 %**		
Consumer discretionary									
Hyundai Motor Pref (2pb)	3 559 600	565 753 386	67100,00	KRW	1 230 288 138	664 534 752	3,03 %	9,46 %	Seoul
Hyundai Motor Pref (1p)	3 248 610	517 371 803	63500,00	KRW	1 062 562 343	545 190 540	2,61 %	12,94 %	Seoul
Great Wall Motor Co Ltd	105 000 000	190 464 917	11,34	HKD	914 933 880	724 468 963	2,25 %	3,83 %	Hong Kong
Mahindra & Mahindra Ltd GDR	7 628 837	140 559 221	13,19	USD	600 480 900	459 921 679	1,48 %	1,24 %	London Int.
LG Electronics Inc Pref	3 150 000	850 969 171	24000,00	KRW	389 408 040	-461 561 131	0,96 %	2,18 %	Seoul
DRB-Hicom Bhd	54 368 600	205 040 927	2,04	MYR	208 969 194	3 928 266	0,51 %	2,81 %	Kuala Lumpur
Shangri-La Asia Ltd	12 268 213	110 166 965	13,40	HKD	126 320 391	16 153 426	0,31 %	0,39 %	Hong Kong
Renhe Commercial Holdings	178 566 000	168 652 944	0,89	HKD	122 117 002	-46 535 942	0,30 %	0,84 %	Hong Kong
LG Electronics Inc	297 269	79 295 376	74400,00	KRW	113 921 495	34 626 119	0,28 %	0,18 %	Seoul
Hengdeli Holdings Ltd	30 760 000	59 016 094	2,54	HKD	60 035 399	1 019 306	0,15 %	0,70 %	Hong Kong
Proton Holdings Bhd	5 527 000	49 734 729	4,82	MYR	50 192 688	457 958	0,12 %	1,01 %	Kuala Lumpur
Mahindra & Mahindra Ltd	527 946	42 572 907	681,80	INR	40 448 540	-2 124 366	0,10 %	0,09 %	National India
China Ting Group Hldgs Ltd	30950000	47670030	0,46	HKD	11058621	-36611409	0,03 %	1,48 %	Hong Kong
Total Consumer discretionary		**3 027 268 470**			**4 930 736 631**	**1 903 468 161**	**12,12 %**		
Consumer staples									
Shoprite Holdings Ltd	6722590	320673503	136,20	ZAR	676732346	356058843	1,66 %	1,24 %	Johannesburg
Cosan Ltd	8525000	433663080	10,96	USD	557572067	123908987	1,37 %	3,15 %	New York
Kulim Malaysia BHD	67500400	213083213	4,22	MYR	536689065	323605853	1,32 %	5,35 %	Kuala Lumpur
Yazicilar Holding AS	9654470	239353575	9,96	TRY	303900833	64547258	0,75 %	6,03 %	Istanbul
PZ Cussons Plc	8611870	144474264	3,50	GBP	279680383	135206119	0,69 %	2,01 %	London
Royal Unibrew A/S	489758	82208417	321,50	DKK	164227856	82019439	0,40 %	4,38 %	Copenhagen
Heineken NV	513375	146165136	35,77	EUR	142340406	-3824730	0,35 %	0,09 %	Amsterdam
Podravka Prehrambena Ind DD	406584	111935175	231,00	HRK	96606567	-15328608	0,24 %	7,50 %	Zagreb
East African Breweries Ltd	5107746	54303946	175,00	KES	62659274	8355328	0,15 %	0,65 %	Nairobi
United Intl Enterprises	68500	12938797	710,00	DKK	50726305	37787508	0,12 %	1,33 %	Copenhagen
Pivovarna Lasko	499286	138711783	11,02	EUR	42648673	-96063109	0,10 %	5,80 %	Ljubljana
Kulim Malaysia BHD Warrents	8437550	-	1,08	MYR	17168963	17168963	0,04 %	5,30 %	Kuala Lumpur
Total Consumer staples		**1 897 510 887**			**2 930 952 738**	**1 033 441 851**	**7,21 %**		

Note 8. Securities portfolio as of 31.12.2011 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund	Share in company/ share class	Stock exchange
Health care									
Richter Gedeon Nyrt	968 258	1 070 376 060	34200,00	HUF	815 442 681	-254 933 379	2,01 %	5,20 %	Budapest
Stada Arznemittel AG	2 597 658	383 691 150	19,25	EUR	387 603 108	3 911 958	0,95 %	4,41 %	Frankfurt
Hanmi Pharm Co Ltd	760 725	315 456 018	65600,00	KRW	257 048 247	-58 407 771	0,63 %	9,64 %	Seoul
China Shineway Pharmaceutical	22 497 000	162 814 810	11,02	HKD	190 499 377	27 684 567	0,47 %	2,72 %	Hong Kong
Eis Eczacibasi Ilac Ve Sanayi	21 418 365	146 799 597	1,80	TRY	121 843 660	-24 955 937	0,30 %	3,91 %	Istanbul
Supermax Corp BHD	14 786 800	114 137 193	3,83	MYR	106 703 072	-7 434 121	0,26 %	4,35 %	Kuala Lumpur
Eczacibasi Yatirim Holding	3 586 363	42 586 971	4,07	TRY	46 130 989	3 544 018	0,11 %	5,12 %	Istanbul
Hanmi Holdings Co Ltd	253 575	105 152 006	20900,00	KRW	27 298 315	-77 853 691	0,07 %	2,55 %	Seoul
Yuyu Pharma Inc	290 090	36 311 172	5260,00	KRW	7 859 621	-28 451 551	0,02 %	4,97 %	Seoul
Total Health care		**2 377 324 977**			**1 960 429 070**	**-416 895 907**	**4,82 %**		
Financials									
Banco Do Estado Rio Grande Do Sul Pref	18 921 729	412 051 055	20,00	BRL	1 211 936 742	799 885 687	2,98 %	4,63 %	Sao Paulo
Haci Omer Sabanci Holding AS	49 058 140	964 827 871	5,40	TRY	837 238 040	-127 589 831	2,06 %	2,40 %	Istanbul
VTB Bank Ojsc GDR	34 393 253	1 127 989 199	3,61	USD	740 928 880	-387 060 319	1,82 %	0,66 %	London Int.
Standard Chartered Plc	5 567 074	649 304 159	14,09	GBP	727 837 592	78 533 434	1,79 %	0,23 %	London
Aberdeen Asset Management Plc	22 516 749	354 387 918	2,12	GBP	442 933 005	88 545 087	1,09 %	1,97 %	London
State Bank of India	2 305 149	662 041 765	1619,05	INR	419 387 630	-242 654 135	1,03 %	0,36 %	National India
Korean Reinsurance Co	4 671 633	181 790 536	15000,00	KRW	360 946 716	179 156 180	0,89 %	4,03 %	Seoul
JSE Ltd	6 464 519	249 899 375	71,00	ZAR	339 232 746	89 333 370	0,83 %	7,44 %	Johannesburg
Kiwoom Securities Co Ltd	1 065 984	194 810 491	54700,00	KRW	300 345 501	105 535 010	0,74 %	4,82 %	Seoul
Gjensidige Forsikring ASA	4 051 238	239 023 042	69,30	NOK	280 750 793	41 727 751	0,69 %	0,81 %	Oslo Børs
Bangkok Bank Public Co-Nvdr	9 410 500	240 648 119	153,50	THB	272 940 495	32 292 376	0,67 %	0,49 %	Bangkok
Yapi Ve Kredi Bankasi AS	17 579 585	215 004 206	2,69	TRY	149 453 129	-65 551 077	0,37 %	0,40 %	Istanbul
EFG-Hermes Holding SAE	14 949 381	353 506 510	10,01	EGP	148 109 460	-205 397 050	0,36 %	3,13 %	Cairo
Asya Katilim Bankasi AS	25 538 097	263 460 095	1,59	TRY	128 330 466	-135 129 630	0,32 %	2,84 %	Istanbul
Ghana Commercial Bank Ltd	17 397 904	83 591 006	1,85	GHS	117 138 174	33 547 168	0,29 %	6,57 %	Ghana
Kiatnakin Bank Pcl-Nvdr	19 238 700	142 186 343	32,00	THB	116 324 876	-25 861 467	0,29 %	3,03 %	Bangkok
Kiatnakin Bank Pcl	16 543 300	108 175 319	32,00	THB	100 027 409	-8 147 910	0,25 %	2,61 %	Bangkok
Nordnet AB	7 034 191	97 675 138	15,60	SEK	95 374 716	-2 300 422	0,23 %	4,02 %	Stockholm
Hellenic Exchanges SA Holdings	4 121 279	152 048 676	2,89	EUR	92 321 830	-59 726 846	0,23 %	6,30 %	Athen
KGI Securities Co Ltd	35 693 000	86 636 864	10,80	TWD	75 940 427	-10 696 437	0,19 %	1,09 %	Taipei
Value Partners Group Ltd	16 583 000	66 291 200	3,98	HKD	50 714 661	-15 576 539	0,12 %	0,94 %	Hong Kong
Tisco Financial - Foreign	6 329 500	24 000 653	38,00	THB	45 446 443	21 445 790	0,11 %	0,87 %	Bangkok
Trimegah Securities Tbk PT	350 000 000	50 389 802	87,00	IDR	19 727 032	-30 662 769	0,05 %	9,58 %	Jakarta
Aberdeen Asset Management Plc Pref	939	11 208 364	2255,32	GBP	19 650 345	8 441 981	0,05 %	1,25 %	London
Diamond Bank Plc	147 216 700	41 924 563	1,92	NGN	10 387 610	-31 536 952	0,03 %	1,02 %	Lagos
Efg-Hermes Holding GDR	159 053	7 946 303	3,20	USD	3 039 200	-4 907 103	0,01 %	0,07 %	London Int.
Total Financials		**6 980 818 572**			**7 106 463 919**	**125 645 347**	**17,47 %**		
Information technology									
Samsung Electronics Co Ltd Pref	550 547	1 360 169 595	667000,00	KRW	1 891 486 966	531 317 371	4,65 %	2,41 %	Seoul
Hon Hai Precision Industry	65 100 000	1 405 299 962	82,90	TWD	1 063 167 630	-342 132 332	2,61 %	0,61 %	Taipei
Samsung Electronics Co Ltd Pref GDR	505 370	496 401 930	287,40	USD	866 746 882	370 344 952	2,13 %	1,11 %	London Int.
Softbank Corp	2 000 000	443 592 542	2267,00	JPY	351 595 831	-91 996 711	0,86 %	0,18 %	Tokyo
Naspers Ltd	988 091	236 707 674	353,19	ZAR	257 933 971	21 226 297	0,63 %	0,24 %	Johannesburg
Satyam Computer Services Ltd	4 500 000	199 639 269	65,20	INR	32 969 811	-166 669 458	0,08 %	0,38 %	National India
Ericsson Nikola Tesla	21 240	24 426 329	1080,00	HRK	23 595 145	-831 184	0,06 %	1,60 %	Zagreb
Total Information technology		**4 166 237 300**			**4 487 496 236**	**321 258 936**	**11,03 %**		
Telecom									
China Mobile Ltd ADR	5 096 446	1 513 807 813	48,49	USD	1 474 740 740	-39 067 074	3,63 %	0,13 %	New York
Sistema Jsfc GDR	11 213 965	891 954 691	16,81	USD	1 124 923 466	232 968 776	2,77 %	2,32 %	London Int.
Bharti Airtel Ltd	19 324 305	885 063 727	343,50	INR	745 910 942	-139 152 785	1,83 %	0,51 %	National India
Indosat Tbk PT ADR	2 054 595	350 229 445	31,54	USD	386 708 735	36 479 291	0,95 %	1,89 %	New York
Indosat Tbk PT	105 000 000	326 495 400	5650,00	IDR	384 337 012	57 841 613	0,95 %	1,93 %	Indonesia
Total Telecom		**3 967 551 075**			**4 116 620 896**	**149 069 821**	**10,12 %**		
Utilities									
Centrais Eletricas Brasileiras SA Pref	27 490 763	2 041 784 060	26,85	BRL	2 363 851 674	322 067 614	5,81 %	10,36 %	Sao Paulo
Centrais Eletricas Brasileiras SA	2 250 451	174 690 898	17,84	BRL	128 574 117	-46 116 781	0,32 %	0,21 %	Sao Paulo
Centrais Eletricas Brasileiras SA ADR	765 100	58 626 508	9,71	USD	44 333 651	-14 292 857	0,11 %	0,07 %	New York
Total Utilities		**2 275 101 467**			**2 536 759 442**	**261 657 975**	**6,24 %**		
TOTAL SECURITIES PORTFOLIO [1]		**36 585 305 103**			**39 652 527 268**	**3 067 222 164**	**97,50 %**		

[1] For liquidity in the portfolio as of 31.12.2011, please refer to the balance sheet.

SKAGEN Høyrente

Note 8. Securities portfolio as of 31.12.2011 (in NOK)

Security	Maturity	Coupon	Interest adjustment point	Face value	Cost price	Yield[3]	Duration[2]	Market price	Accrued interest	Market value	Market value incl. accrued interest	Unrealised gain/loss	Share of fund	Risk class[4]
FLOATING RATE SECURITIES														
Financial bonds														
Sparebank 1 SMN	19.03.2014	3,86	19.03.2012	120 000 000	120 411 000	4,07	0,21	99,78	154 400	119 737 320	119 891 720	-673 680	2,87 %	5
Sparebank 1 Buskerud-Vestfold	17.03.2014	3,81	19.03.2012	90 000 000	90 112 160	4,06	0,21	99,69	114 300	89 717 850	89 832 150	-394 310	2,15 %	5
Sparebank 1 SMN	12.12.2013	4,65	12.03.2012	80 000 000	81 707 350	4,05	0,19	101,32	196 333	81 059 200	81 255 533	-648 150	1,94 %	5
Kredittforeningen for Sparebanker	28.10.2013	4,15	30.01.2012	80 000 000	80 083 000	4,07	0,08	100,32	590 222	80 259 200	80 849 422	176 200	1,93 %	5
BN Bank ASA	27.03.2013	3,60	27.03.2012	80 000 000	79 981 120	3,48	0,23	100,29	32 000	80 228 720	80 260 720	247 600	1,92 %	5
BN Bank ASA	16.06.2014	4,00	16.03.2012	80 000 000	79 919 000	4,41	0,20	99,07	133 333	79 259 200	79 392 533	-659 800	1,90 %	5
Sparebanken Pluss	25.08.2014	4,11	27.02.2012	75 000 000	74 847 000	4,57	0,15	99,16	308 250	74 372 025	74 680 275	-474 975	1,79 %	5
BN Bank ASA	19.03.2014	3,73	21.03.2012	75 000 000	74 985 000	4,19	0,21	99,33	77 708	74 498 775	74 576 483	-486 225	1,78 %	5
Sparebank 1 SMN	18.09.2013	3,83	21.03.2012	74 000 000	74 219 600	3,75	0,21	100,32	78 728	74 237 688	74 316 416	18 088	1,78 %	5
Totens Sparebank	27.11.2013	3,75	27.02.2012	74 000 000	73 430 500	4,28	0,16	99,27	254 375	73 458 320	73 712 695	27 820	1,76 %	5
Helgeland Sparebank	09.05.2014	3,94	09.02.2012	70 500 000	70 432 050	4,29	0,11	99,55	401 223	70 181 763	70 582 986	-250 287	1,69 %	5
Helgeland Sparebank	10.05.2013	3,57	10.02.2012	60 000 000	59 646 950	3,66	0,11	100,01	303 450	60 007 320	60 310 770	360 370	1,44 %	5
Sparebanken Sør	20.05.2014	3,94	20.02.2012	60 000 000	60 075 000	4,37	0,14	99,41	262 667	59 647 320	59 909 987	-427 680	1,43 %	5
Gjensidige Bank ASA	14.02.2012	3,79	14.02.2012	57 000 000	57 153 365	2,77	0,12	100,12	222 031	57 066 348	57 288 379	-87 017	1,37 %	5
Sparebank 1 Østfold Akershus	26.03.2013	4,50	26.03.2012	55 000 000	56 112 100	3,47	0,23	101,39	27 500	55 762 795	55 790 295	-349 305	1,33 %	5
Sparebanken Sogn og Fjordane	16.10.2012	3,58	16.01.2012	55 000 000	55 013 400	3,29	0,04	100,29	410 208	55 158 290	55 568 498	144 890	1,33 %	5
Sparebank 1 Gruppen AS	03.02.2014	4,33	01.02.2012	52 000 000	52 000 000	4,35	0,09	99,99	375 267	51 992 408	52 367 675	-7 592	1,25 %	5
Sparebank 1 Nord-Norge	02.10.2013	4,95	02.01.2012	50 000 000	51 587 250	3,81	0,01	102,05	611 875	51 026 850	51 638 725	-560 400	1,23 %	5
Sparebanken Pluss	17.10.2014	4,29	17.01.2012	50 000 000	49 970 000	4,46	0,05	99,87	446 875	49 934 000	50 380 875	-36 000	1,20 %	5
Sparebank 1 Telemark	13.05.2013	3,65	13.02.2012	50 000 000	49 838 300	3,75	0,12	99,97	238 264	49 982 850	50 221 114	144 550	1,20 %	5
Sparebanken Sogn og Fjordane	11.08.2014	3,93	13.02.2012	50 000 000	49 971 000	4,33	0,12	99,28	272 917	49 640 000	49 912 917	-331 000	1,19 %	5
Kredittforeningen for Sparebanker	02.06.2014	4,07	01.03.2012	50 000 000	49 922 500	4,60	0,17	99,08	169 583	49 541 200	49 710 783	-381 300	1,19 %	5
Sparebanken Sør	17.02.2014	5,19	17.02.2012	44 000 000	45 571 800	4,06	0,13	102,48	279 107	45 092 080	45 371 187	-479 720	1,08 %	5
Sparebanken Sogn og Fjordane	28.01.2014	3,60	30.01.2012	40 000 000	39 615 000	4,16	0,08	99,14	256 000	39 656 840	39 912 840	41 840	0,95 %	5
Kredittforeningen for Sparebanker	01.10.2012	3,65	02.01.2012	37 000 000	37 089 840	3,29	0,01	100,33	333 874	37 122 766	37 456 640	32 926	0,90 %	5
Gjensidige Bank ASA	09.08.2012	3,54	09.02.2012	35 000 000	35 056 700	3,24	0,11	100,24	178 967	35 084 035	35 263 002	27 335	0,84 %	5
Sparebanken Sogn og Fjordane	04.02.2013	3,11	03.02.2012	35 000 000	34 840 750	3,49	0,10	99,85	175 369	34 947 115	35 122 484	106 365	0,84 %	5
Kredittforeningen for Sparebanker	10.02.2014	4,02	10.02.2012	35 000 000	35 005 950	4,29	0,11	99,70	199 325	34 896 120	35 095 445	-109 830	0,84 %	5
Sparebank 1 Buskerud-Vestfold	17.09.2014	3,86	19.03.2012	35 000 000	34 732 250	4,31	0,21	99,16	45 033	34 707 435	34 752 468	-24 815	0,83 %	5
Helgeland Sparebank	15.08.2013	3,96	15.02.2012	30 000 000	30 031 500	3,85	0,12	100,36	151 800	30 106 920	30 258 720	75 420	0,72 %	5
Sparebank 1 Nord-Norge	04.12.2012	3,83	05.03.2012	30 000 000	30 136 200	3,43	0,17	100,45	82 983	30 133 590	30 216 573	-2 610	0,72 %	5
Pareto Bank ASA	04.04.2014	4,41	04.01.2012	30 000 000	29 985 900	4,84	0,01	99,36	323 400	29 806 590	30 129 990	-179 310	0,72 %	5
Gjensidige Bank ASA	26.03.2013	3,64	26.03.2012	30 000 000	30 015 300	3,48	0,23	100,34	12 133	30 101 160	30 113 293	85 860	0,72 %	5
Flekkefjord Sparebank	30.09.2013	3,62	30.03.2012	30 000 000	29 891 400	3,96	0,24	99,65	3 017	29 893 830	29 896 847	2 430	0,71 %	5
Sparebank 1 Buskerud-Vestfold	24.08.2012	4,03	24.02.2012	29 000 000	29 140 095	3,35	0,15	100,48	120 116	29 139 809	29 259 925	-286	0,70 %	5
Fana Sparebank	25.04.2013	3,63	25.01.2012	25 000 000	25 026 250	3,73	0,07	100,00	168 896	25 000 700	25 169 596	-25 550	0,60 %	5
Sparebanken Møre	25.02.2014	4,02	27.02.2012	25 000 000	25 000 000	4,32	0,16	99,60	100 500	24 900 250	25 000 750	-99 750	0,60 %	5
Fana Sparebank	19.02.2014	3,81	20.02.2012	25 000 000	24 986 250	4,37	0,14	99,22	105 833	24 803 875	24 909 708	-182 375	0,60 %	5
Sparebank 1 Ringerike Hadeland	17.02.2014	3,69	17.02.2012	25 000 000	24 885 000	4,24	0,13	99,16	112 750	24 789 975	24 902 725	-95 025	0,60 %	5
Sparebank 1 Ringerike Hadeland	13.05.2013	4,72	13.02.2012	24 000 000	24 492 000	3,72	0,12	101,41	147 893	24 337 320	24 485 213	-154 680	0,59 %	5
Sparebank 1 SR-Bank	03.10.2013	4,95	03.01.2012	20 000 000	20 588 000	3,81	0,01	102,05	244 750	20 410 280	20 655 030	-177 720	0,49 %	5
BN Bank ASA	25.05.2012	4,82	27.02.2012	20 000 000	20 250 140	3,20	0,16	100,67	96 400	20 134 700	20 231 100	-115 440	0,48 %	5
Sparebank 1 Søre Sunnmøre	28.01.2014	4,25	30.01.2012	20 000 000	19 986 000	4,24	0,08	100,23	151 111	20 046 240	20 197 351	60 240	0,48 %	5
Pareto Bank ASA	04.11.2014	5,07	13.02.2012	20 000 000	19 970 000	5,18	0,10	100,16	160 550	20 031 120	20 191 670	61 120	0,48 %	5
Pareto Bank ASA	17.08.2012	4,14	17.02.2012	20 000 000	19 988 000	3,71	0,13	100,33	101 200	20 066 700	20 167 900	78 700	0,48 %	5
Pareto Bank ASA	18.03.2013	4,16	19.03.2012	20 000 000	20 022 000	4,04	0,21	100,26	27 733	20 052 160	20 079 893	30 160	0,48 %	5
Pareto Bank ASA	02.09.2013	4,57	02.03.2012	20 000 000	20 000 000	4,68	0,16	100,00	73 628	19 999 360	20 072 988	-640	0,48 %	5
Sparebank 1 Nordvest	24.04.2013	4,63	24.01.2012	18 000 000	18 324 690	3,70	0,07	101,29	157 420	18 232 704	18 390 124	-91 986	0,44 %	5
Sparebanken Sogn og Fjordane	07.06.2013	3,65	07.03.2012	16 000 000	15 892 160	3,74	0,18	100,04	38 933	16 006 752	16 045 685	114 592	0,38 %	5
Sparebank 1 Nord-Norge	15.08.2013	3,61	15.02.2012	16 000 000	15 970 560	3,86	0,12	99,80	73 804	15 967 984	16 041 788	-2 576	0,38 %	5
Sparebanken Pluss	15.01.2013	3,48	16.01.2012	15 000 000	14 937 150	3,42	0,04	100,14	108 750	15 021 090	15 129 840	83 940	0,36 %	5
Sparebanken Narvik	16.09.2013	4,33	16.03.2012	11 000 000	11 046 200	4,00	0,20	100,49	19 846	11 054 010	11 073 856	7 810	0,26 %	5
Haugesund Sparebank	02.12.2013	4,18	02.03.2012	11 000 000	10 990 870	4,31	0,17	99,94	37 039	10 993 103	11 030 142	2 233	0,26 %	5
Kredittforeningen for Sparebanker	27.02.2012	3,34	27.02.2012	10 000 000	9 986 000	2,86	0,16	100,09	30 617	10 008 870	10 039 487	22 870	0,24 %	5
Industrial bonds														
Schibsted Finans AS	16.12.2013	4,68	16.03.2012	50 000 000	50 000 000	4,58	0,20	100,19	97 500	50 096 750	50 194 250	96 750	1,20 %	6
Olav Thon Eiendomsselskap ASA	02.07.2012	4,53	02.01.2012	21 000 000	21 215 000	3,51	0,01	100,53	475 650	21 111 615	21 587 265	-103 385	0,52 %	6
Financial certificates														
Sparebanken Sogn og Fjordane	10.08.2012	3,29	10.02.2012	9 500 000	9 475 200	3,19	0,11	100,11	44 278	9 510 098	9 554 376	34 898	0,23 %	5
Power generation certificates														
Lyse Energi AS	28.03.2012	3,16	28.03.2012	80 000 000	79 994 500	3,01	0,24	100,06	21 067	80 045 280	80 066 347	50 780	1,91 %	6
BKK AS	05.10.2012	3,50	06.01.2012	28 000 000	28 002 900	3,23	0,02	100,26	234 111	28 071 652	28 305 763	68 752	0,68 %	6
Power generation bonds														
BKK AS	04.02.2013	3,57	06.02.2012	100 000 000	99 892 500	3,66	0,10	100,02	565 250	100 017 700	100 582 950	125 200	2,40 %	6
Lyse Energi AS	20.06.2012	3,10	21.03.2012	76 000 000	75 929 400	3,09	0,21	100,06	65 444	76 047 424	76 112 868	118 024	1,82 %	6
Agder Energi AS	02.11.2012	4,14	02.02.2012	70 000 000	70 671 224	3,36	0,09	100,72	474 950	70 501 900	70 976 850	-169 324	1,70 %	6
Agder Energi AS	12.08.2013	3,60	13.02.2012	46 000 000	45 792 800	3,84	0,12	99,74	216 200	45 882 424	46 098 624	89 624	1,10 %	6
Hafslund ASA	12.09.2013	4,60	12.03.2012	35 000 000	35 530 500	3,84	0,19	101,42	84 972	35 496 090	35 581 062	-34 410	0,85 %	6
Agder Energi AS	25.08.2014	4,17	27.02.2012	35 000 000	35 159 250	4,22	0,16	100,11	145 950	35 039 165	35 185 115	-120 085	0,84 %	6
Lyse Energi AS	11.06.2013	4,45	12.03.2012	25 000 000	25 371 000	3,75	0,19	101,14	58 715	25 284 100	25 342 815	-86 900	0,61 %	6
BKK AS	09.05.2012	3,27	09.02.2012	10 000 000	9 999 000	3,10	0,11	100,1	47 233	10 009 520	10 056 753	10 520	0,24 %	6
Agder Energi AS	11.04.2012	3,29	11.01.2012	5 000 000	4 999 000	3,11	0,03	100,07	37 012	5 003 495	5 040 507	4 495	0,12 %	6

Note 8. Securities portfolio as of 31.12.2011 (in NOK)

Security	Maturity	Coupon	Interest adjustment point	Face value	Cost price	Yield 3)	Duration 2)	Market price	Accrued interest	Market value	Market value incl. accrued interest	Unrealised gain/loss	Share of fund	Risk class 4)
FIXED RATE SECURITIES														
Industrial certificates														
Norgesgruppen ASA	14.12.2012	3,65		100 000 000	99 975 000	3,66	0,92	100,00	170 000	99 999 400	100 169 400	24 400	2,39 %	6
Olav Thon Eiendomsselskap ASA	03.02.2012	3,19		50 000 000	49 956 300	2,89	0,09	100,02	1 442 055	50 012 400	51 454 455	56 100	1,23 %	6
Entra Eiendom AS	10.04.2012	3,35		50 000 000	49 968 200	3,25	0,27	100,02	1 211 507	50 010 150	51 221 657	41 950	1,22 %	6
Entra Eiendom AS	10.02.2012	3,26		50 000 000	49 956 500	2,89	0,11	100,04	1 178 959	50 019 850	51 198 809	63 350	1,22 %	6
Norgesgruppen ASA	25.05.2012	3,44		50 000 000	49 940 500	3,34	0,39	100,03	1 032 000	50 015 500	51 047 500	75 000	1,22 %	6
Olav Thon Eiendomsselskap ASA	04.05.2012	3,37		30 000 000	29 986 890	3,40	0,33	100,00	157 882	30 000 360	30 158 242	13 470	0,72 %	6
Entra Eiendom AS	10.05.2012	3,41		25 000 000	24 961 650	3,32	0,35	100,03	476 466	25 006 775	25 483 241	45 125	0,61 %	6
Entra Eiendom AS	08.06.2012	3,66		25 000 000	25 044 500	3,35	0,43	100,13	358 479	25 032 900	25 391 379	-11 600	0,61 %	6
Schibsted Finans AS	31.05.2012	3,60		20 000 000	19 998 060	3,47	0,40	100,05	240 658	20 010 660	20 251 318	12 600	0,48 %	6
Olav Thon Eiendomsselskap ASA	02.04.2012	3,40		19 000 000	18 996 903	3,30	0,25	100,04	51 326	19 006 745	19 058 071	9 842	0,46 %	6
Financial certificates														
Pareto Bank ASA	19.01.2012	3,50		15 000 000	15 012 440	2,85	0,05	100,03	497 671	15 004 950	15 502 621	-7 490	0,37 %	5
Power generation certificates														
BKK AS	05.01.2012	3,05		20 000 000	19 973 080	2,60	0,02	100,01	601 644	20 001 340	20 602 984	28 260	0,49 %	6
TOTAL SECURITIES PORTFOLIO 5)					**3 340 673 897**				**19 787 269**	**3 335 553 168**	**3 355 340 437**	**-5 120 728**	**80,20 %**	

Portfolio key figures

Yield	3,82 %
Yield to clients 1)	3,57 %
Duration 2)	0,14

1) Yield adjusted for management fee.

2) Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

3) Yield is the average annual return of an interest bearing security until maturity.

4) Securities are divided into six risk classes according to their credit risk. Class 1 has the lowest and class 6 the highest credit risk.

Risk class 1: Supranational organisations
Risk class 2: Government, and government guaranteed within the EEA
Risk class 3: Government, and government guaranteed outside the EEA
Risk class 4: County and local government
Risk class 5: Bank and financial institutions
Risk class 6: Industry

5) For liquidity in the portfolio as of 30.12.2011, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 30.12.2011 104,1241

NOK 133.102.470,- is allocated for distribution to unitholders. This will result in a reduction in the unit price equal to the distribution per unit at the time of distribution.

SKAGEN Høyrente Institusjon

Note 8. Securities portfolio as of 31.12.2011 (in NOK)

Security	Maturity	Coupon	Interest adjustment point	Face value	Cost price	Yield[3]	Duration[2]	Market price	Accrued interest	Market value	Market value incl. accrued interest	Unrealised gain/loss	Share of fund	Risk class[4]
FLOATING RATE SECURITIES														
Financial bonds														
Sparebanken Sør	04.06.2012	3,90	05.03.2012	67 500 000	67 758 625	3,14	0,17	100,36	190 125	67 740 637	67 930 762	-17 987	3,95 %	5
Sparebanken Narvik	03.10.2012	4,70	03.01.2012	53 000 000	53 834 400	3,29	0,01	101,11	615 831	53 590 314	54 206 145	-244 086	3,16 %	5
Sparebanken Pluss	17.10.2014	4,29	17.01.2012	50 000 000	49 975 000	4,46	0,05	99,87	446 875	49 934 000	50 380 875	-41 000	2,93 %	5
Kredittforeningen for Sparebanker	27.02.2012	3,34	27.02.2012	40 000 000	39 999 560	2,86	0,16	100,09	122 467	40 035 480	40 157 947	35 920	2,34 %	5
Kredittforeningen for Sparebanker	01.10.2012	3,65	02.01.2012	35 500 000	35 598 690	3,29	0,01	100,33	320 338	35 617 789	35 938 127	19 099	2,09 %	5
Sparebank 1 Østfold Akershus	26.03.2013	4,50	26.03.2012	35 000 000	35 933 550	3,47	0,23	101,39	17 500	35 485 415	35 502 915	-448 135	2,07 %	5
Blaker Sparebank	29.06.2012	4,35	29.03.2012	35 000 000	35 379 420	3,12	0,24	100,65	8 458	35 227 850	35 236 308	-151 570	2,05 %	5
Sparebanken Møre	07.09.2012	3,30	07.03.2012	30 000 000	29 991 000	3,24	0,18	100,11	66 000	30 031 800	30 097 800	40 800	1,75 %	5
Helgeland Sparebank	21.03.2013	3,73	21.03.2012	30 000 000	30 201 530	2,96	0,22	100,20	31 083	30 059 310	30 090 393	-142 220	1,75 %	5
Sparebank 1 Buskerud-Vestfold	17.03.2014	3,81	19.03.2012	30 000 000	30 097 000	4,06	0,21	99,69	38 100	29 905 950	29 944 050	-191 050	1,74 %	5
Sparebank 1 Telemark	13.05.2013	3,65	13.02.2012	25 000 000	25 002 500	3,75	0,12	99,97	119 132	24 991 425	25 110 557	-11 075	1,46 %	5
Pareto Bank ASA	18.03.2013	4,16	19.03.2012	25 000 000	25 000 000	4,04	0,21	100,26	34 667	25 065 200	25 099 867	65 200	1,46 %	5
Sparebanken Sogn og Fjordane	07.06.2013	3,65	07.03.2012	25 000 000	24 700 000	3,74	0,18	100,04	60 833	25 010 550	25 071 383	310 550	1,46 %	5
Sparebank 1 Telemark	28.03.2014	3,66	28.03.2012	25 000 000	24 962 500	4,20	0,23	99,18	7 625	24 794 275	24 801 900	-168 225	1,44 %	5
Sparebank 1 Buskerud-Vestfold	17.09.2014	3,86	19.03.2012	21 000 000	20 839 600	4,31	0,21	99,16	27 020	20 824 461	20 851 481	-15 139	1,21 %	5
Pareto Bank ASA	17.08.2012	4,14	17.02.2012	20 000 000	19 988 000	3,71	0,13	100,33	101 200	20 066 700	20 167 900	78 700	1,17 %	5
Sparebanken Sogn og Fjordane	01.03.2012	4,60	27.02.2012	20 000 000	20 213 775	2,84	0,16	100,33	84 333	20 065 540	20 149 873	-148 235	1,17 %	5
Pareto Bank ASA	04.04.2014	4,41	04.01.2012	20 000 000	19 990 600	4,84	0,01	99,36	215 600	19 871 060	20 086 660	-119 540	1,17 %	5
Sparebanken Narvik	23.03.2012	4,37	23.03.2012	20 000 000	20 257 900	3,03	0,22	100,32	19 422	20 064 160	20 083 582	-193 740	1,17 %	5
Sparebanken Sogn og Fjordane	04.02.2013	3,11	03.02.2012	20 000 000	19 718 000	3,49	0,10	99,85	100 211	19 969 780	20 069 991	251 780	1,17 %	5
Sparebanken Sør	20.05.2014	3,94	20.02.2012	20 000 000	20 027 900	4,37	0,14	99,41	87 556	19 882 440	19 969 996	-145 460	1,16 %	5
Sparebanken Sogn og Fjordane	11.08.2014	3,93	13.02.2012	20 000 000	19 952 000	4,33	0,12	99,28	109 167	19 856 000	19 965 167	-96 000	1,16 %	5
Totens Sparebank	15.08.2014	3,94	15.02.2012	20 000 000	19 752 000	4,57	0,12	98,86	100 689	19 772 880	19 873 569	20 880	1,16 %	5
Sparebank 1 Ringerike Hadeland	26.03.2012	4,27	26.03.2012	18 000 000	18 216 540	3,02	0,23	100,32	8 540	18 058 302	18 066 842	-158 238	1,05 %	5
Sparebank 1 Buskerud-Vestfold	04.11.2013	3,62	02.02.2012	18 000 000	17 882 100	4,02	0,10	99,65	106 790	17 936 622	18 043 412	54 522	1,05 %	5
Kredittforeningen for Sparebanker	30.06.2012	4,17	30.03.2012	17 000 000	17 170 920	3,10	0,24	100,59	1 969	17 099 858	17 101 827	-71 062	1,00 %	5
Sparebank 1 SMN	18.09.2013	3,83	21.03.2012	17 000 000	17 028 050	3,75	0,21	100,32	18 086	17 054 604	17 072 690	26 554	0,99 %	5
Sparebanken Hedmark	14.02.2012	3,25	14.02.2012	16 000 000	16 002 240	2,73	0,12	100,07	67 889	16 011 312	16 079 201	9 072	0,94 %	5
Sparebanken Sogn og Fjordane	16.10.2012	3,58	16.01.2012	15 000 000	14 968 500	3,29	0,04	100,29	111 875	15 043 170	15 155 045	74 670	0,88 %	5
Sparebank 1 Søre Sunnmøre	28.01.2014	4,25	30.01.2012	15 000 000	14 989 500	4,24	0,08	100,23	113 333	15 034 680	15 148 013	45 180	0,88 %	5
Sparebank 1 Nordvest	24.04.2013	4,63	24.01.2012	11 000 000	11 161 700	3,70	0,07	101,29	96 201	11 142 208	11 238 409	-19 492	0,65 %	5
Sparebanken Sogn og Fjordane	12.03.2012	3,27	12.03.2012	10 500 000	10 501 512	2,90	0,19	100,09	18 121	10 509 345	10 527 466	7 833	0,61 %	5
Totens Sparebank	30.01.2014	3,31	30.01.2012	10 500 000	10 306 320	4,33	0,08	98,27	58 890	10 317 961	10 376 852	11 641	0,60 %	5
Totens Sparebank	24.08.2012	3,98	24.02.2012	10 000 000	10 047 300	3,42	0,15	100,41	40 906	10 040 930	10 081 836	-6 370	0,59 %	5
Skandinaviska Enskilda Banken AB	16.01.2012	3,63	16.01.2012	10 000 000	10 035 350	2,61	0,05	100,05	75 625	10 005 060	10 080 685	-30 290	0,59 %	5
Kredittforeningen for Sparebanker	08.03.2013	3,94	09.03.2012	10 000 000	10 008 000	3,62	0,18	100,50	24 078	10 049 820	10 073 898	41 820	0,59 %	5
Sparebank 1 Telemark	07.02.2012	3,24	07.02.2012	10 000 000	10 004 390	2,72	0,10	100,06	48 600	10 006 280	10 054 880	1 890	0,59 %	5
Sparebanken Pluss	25.08.2014	4,11	27.02.2012	7 000 000	6 968 140	4,57	0,15	99,16	28 770	6 941 389	6 970 159	-26 751	0,41 %	5
Sparebank 1 Østfold Akershus	14.06.2012	3,62	14.03.2012	5 000 000	5 011 500	3,13	0,20	100,25	8 547	5 012 595	5 021 142	1 095	0,29 %	5
Sparebank 1 Ringerike Hadeland	26.06.2012	4,40	26.03.2012	3 000 000	3 039 300	3,08	0,23	100,70	1 467	3 020 931	3 022 398	-18 369	0,18 %	5
Financial certificates														
Bank 1 Oslo Akershus AS	28.09.2012	3,16	28.03.2012	70 000 000	69 997 000	3,12	0,23	100,09	18 433	70 065 240	70 083 673	68 240	4,08 %	5
Pareto Bank ASA	20.04.2012	3,67	20.01.2012	10 000 000	9 998 000	3,51	0,06	100,08	73 400	10 007 560	10 080 960	9 560	0,59 %	5
FIXED RATE SECURITIES														
Financial bonds														
Sparebank 1 SMN	01.03.2012	3,80		4 000 000	4 012 700	2,81	0,16	100,16	127 014	4 006 336	4 133 350	-6 364	0,24 %	5
Financial certificates														
BN Bank ASA	24.08.2012	3,50		105 000 000	105 002 065	3,26	0,63	100,14	1 298 836	105 151 620	106 450 456	149 555	6,20 %	5
Bank 1 Oslo Akershus AS	13.04.2012	3,30		60 000 000	59 997 620	3,01	0,28	100,07	1 410 411	60 044 460	61 454 871	46 840	3,58 %	5
Sparebank 1 Boligkreditt AS	30.05.2012	3,39		60 000 000	60 003 000	3,11	0,40	100,13	172 751	60 076 440	60 249 191	73 440	3,51 %	5
BN Bank ASA	05.12.2012	3,50		50 000 000	50 000 000	3,42	0,90	100,07	124 658	50 036 450	50 161 108	36 450	2,92 %	5
Sparebank 1 Boligkreditt AS	29.06.2012	3,43		20 000 000	20 000 000	3,14	0,48	100,15	172 910	20 029 100	20 202 010	29 100	1,18 %	5
Sparebanken Møre	15.03.2012	4,00		15 000 000	15 104 160	2,89	0,20	100,22	478 356	15 032 880	15 511 236	-71 280	0,90 %	5
TOTAL SECURITIES PORTFOLIO[5]					**1 286 629 457**				**7 630 687**	**1 285 598 170**	**1 293 228 857**	**-1 031 287**	**75,29 %**	

Portfolio key figures

Yield	3,52 %
Yield to clients[1]	3,37 %
Duration[2]	0,18

[1] Yield adjusted for management fee.

[2] Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

[3] Yield is the average annual return of an interest bearing security until maturity.

[4] Securities are divided into six risk classes according to their credit risk. Class 1 has the lowest and class 6 the highest credit risk.

Risk class 1: Supranational organisations
Risk class 2: Government, and government guaranteed within the EEA
Risk class 3: Government, and government guaranteed outside the EEA
Risk class 4: County and local government
Risk class 5: Bank and financial institutions
Risk class 6: Industry

[5] For liquidity in the portfolio as of 31.12.11, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 30.12.2011 103,0476

NOK 55.172.953,- is allocated for distribution to unitholders. This will result in a reduction in the unit price equal to the distribution per unit at the time of distribution.

SKAGEN Avkastning

Note 8. Securities portfolio as of 31.12.2011 (in NOK)

Security	Maturity	Coupon	Currency	Interest adjustment point	Face value NOK	Cost price NOK	Yield[3]	Duration[2]	Market price NOK	Accrued interest NOK	Market value NOK	Market value incl. accrued interest NOK	Unrealised gain/loss NOK	Share of fund	Risk class[4]
FLOATING RATE SECURITIES															
Financial bonds															
Sparebank 1 Nord-Norge	06.10.2014	4,06	NOK	06.01.2012	75 000 000	75 395 000	4,32	0,02	99,60	727 417	74 701 425	75 428 842	-693 575	6,53 %	5
Sparebank 1 SMN	12.12.2013	4,65	NOK	12.03.2012	60 000 000	62 028 000	4,05	0,19	101,32	147 250	60 794 400	60 941 650	-1 233 600	5,28 %	5
Kredittforeningen for Sparebanker	08.03.2013	3,94	NOK	09.03.2012	50 000 000	50 050 800	3,62	0,18	100,50	120 389	50 249 100	50 369 489	198 300	4,36 %	5
Kredittforeningen for Sparebanker	30.06.2012	4,17	NOK	30.03.2012	50 000 000	50 441 000	3,10	0,24	100,59	5 792	50 293 700	50 299 492	-147 300	4,36 %	5
Helgeland Sparebank	10.05.2013	3,57	NOK	10.02.2012	40 000 000	39 740 000	3,66	0,11	100,01	202 300	40 004 880	40 207 180	264 880	3,48 %	5
Sparebank 1 SMN	05.08.2014	4,09	NOK	06.02.2012	40 000 000	40 150 000	4,43	0,10	99,49	245 400	39 797 200	40 042 600	-352 800	3,47 %	5
Sparebanken Sogn og Fjordane	16.10.2012	3,58	NOK	16.01.2012	38 000 000	38 016 600	3,29	0,04	100,29	283 417	38 109 364	38 392 781	92 764	3,33 %	5
Aurskog Sparebank	15.01.2013	3,58	NOK	16.01.2012	30 000 000	29 760 000	3,52	0,04	100,15	223 750	30 043 980	30 267 730	283 980	2,62 %	5
Sparebanken Narvik	03.05.2013	3,73	NOK	03.02.2012	30 000 000	29 719 500	3,68	0,09	100,24	180 283	30 072 930	30 253 213	353 430	2,62 %	5
Pareto Bank ASA	04.04.2014	4,41	NOK	04.01.2012	30 000 000	29 985 900	4,84	0,01	99,36	323 400	29 806 590	30 129 990	-179 310	2,61 %	5
Sparebank 1 Buskerud-Vestfold	17.03.2014	3,81	NOK	19.03.2012	30 000 000	30 008 250	4,06	0,21	99,69	38 100	29 905 950	29 944 050	-102 300	2,59 %	5
Sparebanken Sogn og Fjordane	28.01.2014	3,60	NOK	30.01.2012	30 000 000	29 643 000	4,16	0,08	99,14	192 000	29 742 630	29 934 630	99 630	2,59 %	5
Sparebanken Pluss	25.08.2014	4,11	NOK	27.02.2012	30 000 000	30 018 000	4,57	0,15	99,16	123 300	29 748 810	29 872 110	-269 190	2,59 %	5
BN Bank ASA	19.03.2014	3,73	NOK	21.03.2012	30 000 000	30 002 100	4,19	0,21	99,33	31 083	29 799 510	29 830 593	-202 590	2,58 %	5
Totens Sparebank	27.11.2013	3,75	NOK	27.02.2012	25 000 000	24 729 000	4,28	0,16	99,27	85 937	24 817 000	24 902 937	88 000	2,16 %	5
Sparebank 1 Ringerike Hadeland	17.02.2014	3,69	NOK	17.02.2012	25 000 000	24 890 000	4,24	0,13	99,16	112 750	24 789 975	24 902 725	-100 025	2,16 %	5
Sparebank 1 Telemark	28.03.2014	3,66	NOK	28.03.2012	25 000 000	24 987 500	4,20	0,23	99,18	7 625	24 794 275	24 801 900	-193 225	2,15 %	5
Sparebanken Sør	17.02.2014	5,19	NOK	17.02.2012	20 000 000	20 775 500	4,06	0,13	102,48	126 867	20 496 400	20 623 267	-279 100	1,79 %	5
Sparebanken Pluss	15.01.2013	3,48	NOK	16.01.2012	20 000 000	19 932 000	3,42	0,04	100,14	145 000	20 028 120	20 173 120	96 120	1,75 %	5
Pareto Bank ASA	17.08.2012	4,14	NOK	17.02.2012	20 000 000	19 988 000	3,71	0,13	100,33	101 200	20 066 700	20 167 900	78 700	1,75 %	5
Flekkefjord Sparebank	21.09.2012	3,51	NOK	21.03.2012	20 000 000	19 990 000	3,22	0,22	100,29	19 500	20 057 540	20 077 040	67 540	1,74 %	5
Sparebank 1 Buskerud-Vestfold	04.11.2013	3,62	NOK	02.02.2012	20 000 000	19 985 000	4,02	0,10	99,65	118 656	19 929 580	20 048 236	-55 420	1,74 %	5
Financial certificates															
Sparebank 1 Nordvest	02.09.2013	4,35	NOK	02.03.2012	40 000 000	40 204 000	4,10	0,17	100,53	140 167	40 213 240	40 353 407	9 240	3,50 %	5
Sparebanken Sogn og Fjordane	10.08.2012	3,29	NOK	10.02.2012	30 000 000	29 799 000	3,19	0,11	100,11	139 825	30 031 890	30 171 715	232 890	2,61 %	5
FIXED RATE SECURITIES															
Foreign goverment bond															
South African Government	31.03.2036	6,25	ZAR		100 000 000	54 546 051	9,06	9,90	54,81	1 164 336	54 807 221	55 971 557	261 170	4,85 %	3
Slovak Government	27.04.2020	4,00	EUR		7 500 000	56 250 738	5,38	6,62	708,45	1 575 674	53 133 708	54 709 382	-3 117 030	4,74 %	2
Mexican Government	20.11.2036	10,00	MXN		100 000 000	56 845 585	8,08	9,89	53,11	106 987	53 113 088	53 220 076	-3 732 496	4,61 %	3
Polish Government	25.10.2021	5,46	PLN		29 500 000	52 229 176	5,60	7,36	172,09	512 574	50 765 830	51 278 405	-1 463 346	4,44 %	2
Lithuanian Government	11.02.2020	7,37	USD		6 000 000	37 115 746	6,04	5,83	650,46	1 019 581	39 027 777	40 047 358	1 912 031	3,47 %	2
TOTAL SECURITIES PORTFOLIO[5]						**1 067 225 446**				**8 220 559**	**1 059 142 814**	**1 067 363 373**	**-8 082 632**	**92,46 %**	

Portfolio key figures

Yield	4,29 %
Yield to clients[1]	3,79 %
Duration[2]	1,87

[1] Yield adjusted for management fee.

[2] Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

[3] Yield is the average annual return of an interest bearing security until maturity.

[4] Securities are divided into six risk classes according to their credit risk. Class 1 has the lowest and class 6 the highest credit risk.

Risk class 1: Supranational organisations
Risk class 2: Government, and government guaranteed within the EEA
Risk class 3: Government, and government guaranteed outside the EEA
Risk class 4: County and local government
Risk class 5: Bank and financial institutions
Risk class 6: Industry

[5] For liquidity in the portfolio as of 31.12.2011, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 30.12.2011 131,963

NOK 0,- is allocated for distribution to unitholders.

SKAGEN Tellus

Note 8. Securities portfolio as of 31.12.2011 (in NOK)

Security	Maturity	Coupon	Currency	Face value NOK	Cost price NOK	Yield[3]	Duration[2]	Market price NOK	Accrued interest NOK	Market value NOK	Market value incl accrued interest NOK	Unrealised gain/loss NOK	Share of fund	Risk class[4]
FIXED RATE SECURITIES														
Bond issued by supranational organisation														
European Bank for Reconstruction and Development (EBRD)	17.06.2015	0,50	CNY	31 300 000	28 361 932	1,89	3,37	90,46	79 894	28 313 485	28 393 379	-48 447	5,32%	1
Foreign government bonds														
Finnish Government	15.09.2012	4,25	EUR	4 000 000	31 471 939	0,05	0,72	799,51	385 760	31 980 374	32 366 134	508 436	6,06%	2
Taiwanese Government	10.02.2012	0,21	TWD	150 000 000	28 375 728	0,67	0,11	19,73	55 853	29 597 712	29 653 565	1 221 984	5,55%	3
Canadian Government	01.03.2012	1,50	CAD	5 000 000	28 309 472	0,83	0,17	588,47	146 551	29 423 624	29 570 175	1 114 152	5,54%	3
Slovak Government	27.04.2020	4,00	EUR	4 000 000	31 075 175	5,38	6,62	709,41	841 503	28 376 547	29 218 051	-2 698 628	5,47%	2
South African Government	31.03.2036	6,25	ZAR	50 000 000	29 714 058	9,06	9,90	54,86	582 719	27 429 565	28 012 284	-2 284 493	5,24%	3
Polish Government	25.10.2021	5,46	PLN	15 000 000	26 434 254	5,60	7,36	172,25	260 924	25 837 536	26 098 460	-596 717	4,89%	2
Australian Government	15.04.2012	5,75	AUD	4 000 000	23 387 526	4,13	0,28	613,34	295 399	24 533 604	24 829 003	1 146 078	4,65%	3
Lithuanian Government	11.02.2020	7,37	USD	3 600 000	22 173 394	6,04	5,83	651,96	613 158	23 470 621	24 083 779	1 297 228	4,51%	2
Brazilian Government	10.01.2028	10,25	BRL	6 000 000	21 787 898	8,81	7,65	365,81	937 721	21 948 696	22 886 417	160 798	4,28%	3
Mexican Government	20.11.2036	10,00	MXN	40 000 000	21 226 265	8,08	9,89	53,24	42 895	21 294 880	21 337 775	68 615	3,99%	3
Colombian Government	14.04.2021	7,75	COP	5 000 000 000	17 419 440	5,18	6,51	0,37	854 820	18 454 470	19 309 290	1 035 030	3,61%	3
US Government	31.08.2013	0,12	USD	3 000 000	17 875 905	0,23	1,67	597,10	7 436	17 913 059	17 920 495	37 154	3,35%	3
Turkish Government	15.01.2020	10,50	TRY	5 000 000	16 440 113	9,97	4,93	329,91	704 801	16 495 434	17 200 235	55 321	3,22%	3
Foreign certificates														
UK Government	14.05.2012	0,00	GBP	4 000 000	35 961 510	0,38	0,37	927,85	20 756	37 093 048	37 113 804	1 131 538	6,95%	2
US Government	31.05.2012	0,75	USD	5 000 000	27 676 541	0,05	0,42	599,85	19 102	29 992 364	30 011 467	2 315 824	5,62%	3
Hong Kong Government	28.03.2012	0,00	HKD	35 000 000	25 798 412	0,21	0,24	76,98	2 155	26 942 453	26 944 608	1 144 041	5,04%	3
Swedish Government	18.01.2012	0,00	SEK	23 000 000	19 580 647	1,61	0,05	87,09	26 001	20 005 016	20 031 017	424 369	3,75%	2
Swedish Government	21.03.2012	0,00	SEK	18 000 000	15 312 524	1,95	0,22	86,90	29 394	15 613 327	15 642 721	300 803	2,93%	2
Norwegian certificates														
Norwegian Government	21.03.2012	0,00	NOK	30 000 000	29 392 500	2,11	0,22	99,74	179 487	29 741 913	29 921 400	349 413	5,60%	2
TOTAL SECURITIES PORTFOLIO[5]					**497 775 230**				**6 086 328**	**504 457 729**	**510 544 057**	**6 682 500**	**95,57%**	

Portfolio key figures

Yield	3,19%
Yield to clients[1]	2,39%
Duration[2]	3,01

[1] Yield adjusted for management fee.

[2] Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

[3] Yield is the average annual return of an interest bearing security until maturity.

[4] Securities are divided into six risk classes according to their credit risk. Class 1 has the lowest and class 6 the highest credit risk.

Risk class 1: Supranational organisations
Risk class 2: Government, and government guaranteed within the EEA
Risk class 3: Government, and government guaranteed outside the EEA
Risk class 4: County and local government
Risk class 5: Bank and financial institutions
Risk class 6: Industry

[5] For liquidity in the portfolio as of 31.12.11, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 30.12.2011 104,8583

NOK 0,- is allocated for distribution to unitholders.

SKAGEN Krona

Note 8. Securities portfolio as of 31.12.2011 (in SEK)

Security	Maturity	Coupon	Interest adjustment point	Face value	Cost price	Yield[3]	Duration[2]	Market price	Market value	Total accrued interest and unrealised gain/loss	Share of fund	Risk class[4]
FLOATING RATE SECURITIES												
Financial bonds												
Länsförsäkringar Bank AB	28.06.2013	3,48	28.03.2012	24 000 000	23 877 600	3,94	0,23	99,52	23 885 616	14 986	5,91 %	5
SBAB AB	31.03.2014	3,57	30.03.2012	10 000 000	10 033 200	3,92	0,24	99,55	9 955 120	-77 087	2,46 %	5
Skandinaviska Enskilda Banken AB	17.09.2013	3,46	19.03.2012	8 000 000	8 000 000	3,93	0,21	99,43	7 954 712	-36 061	1,97 %	5
Länsförsäkringar Bank AB	27.01.2014	3,66	27.01.2012	5 000 000	5 001 350	4,04	0,07	99,48	4 973 755	5 447	1,24 %	5
Industrial bonds												
Husqvarna AB	04.06.2012	3,07	05.03.2012	19 000 000	18 968 690	3,23	0,17	99,97	18 993 616	67 026	4,71 %	6
Volvo Treasury AB	25.02.2013	3,51	27.02.2012	14 000 000	13 914 320	4,03	0,15	99,55	13 937 434	72 254	3,46 %	6
Volkswagen Financial Services NV	23.11.2012	3,08	23.02.2012	10 000 000	9 998 400	3,38	0,15	99,82	9 981 860	16 003	2,48 %	6
Statkraft AS	28.09.2012	3,22	28.03.2012	8 000 000	8 012 000	3,21	0,24	100,08	8 006 232	-3 619	1,98 %	6
Securitas AB	19.11.2012	3,13	21.02.2012	8 000 000	7 999 360	3,29	0,14	99,93	7 994 696	23 140	1,99 %	6
Ericsson LM	29.06.2012	2,88	29.03.2012	6 500 000	6 494 002	3,12	0,24	99,93	6 495 326	1 885	1,61 %	6
Vasakronan AB	25.06.2012	4,28	26.03.2012	5 000 000	5 068 900	3,21	0,23	100,57	5 028 375	-38 147	1,25 %	6
Sampo Oyj	16.09.2013	4,26	16.03.2012	5 000 000	5 000 000	4,23	0,20	100,27	5 013 375	40 000	1,25 %	6
Vasakronan AB	15.04.2013	3,21	16.01.2012	5 000 000	5 000 000	3,27	0,04	100,03	5 001 335	34 825	1,25 %	6
Industrial certificates												
Fastighets AB Balder	12.03.2012	0		16 000 000	15 777 081	3,11	0,19	99,39	15 902 608	125 526	3,94 %	6
Castellum AB	12.03.2012	0		15 000 000	14 886 121	3,01	0,19	99,41	14 911 650	25 529	3,69 %	6
Fabege AB	10.04.2012	0		15 000 000	14 849 348	3,10	0,27	99,15	14 873 040	23 692	3,68 %	6
Skanska Financial Services AB	06.03.2012	0		14 000 000	13 895 330	2,93	0,18	99,47	13 926 206	30 876	3,45 %	6
Intrum Justitia AB	05.03.2012	0		13 000 000	12 884 139	2,98	0,18	99,47	12 931 438	47 299	3,20 %	6
Getinge AB	05.01.2012	0		12 000 000	11 921 663	2,74	0,02	99,96	11 994 684	73 021	2,97 %	6
Fortum Oyj	13.06.2012	0		12 000 000	11 826 381	2,93	0,44	98,70	11 844 000	17 619	2,93 %	6
Fastighets AB Balder	21.08.2012	0		11 000 000	10 744 691	3,30	0,62	97,94	10 773 367	28 676	2,67 %	6
Holmen AB	18.01.2012	0		10 000 000	9 932 063	2,64	0,05	99,86	9 986 500	54 437	2,47 %	6
Fabege AB	13.02.2012	0		10 000 000	9 917 911	2,87	0,12	99,65	9 965 230	47 319	2,47 %	6
Arla Foods amba	29.03.2012	0		10 000 000	9 894 093	2,98	0,24	99,28	9 927 940	33 847	2,46 %	6
Assa Abloy Financial Services AB	30.01.2012	0		9 000 000	8 865 336	2,70	0,08	99,77	8 979 741	114 405	2,22 %	6
SCA Capital NV	20.02.2012	0		8 000 000	7 943 624	2,65	0,14	99,63	7 970 296	26 672	1,97 %	6
Peab Finans AB	22.03.2012	0		8 000 000	7 916 773	3,04	0,22	99,32	7 945 784	29 011	1,97 %	6
Arla Foods amba	20.02.2012	0		7 000 000	6 908 602	2,83	0,14	99,60	6 972 329	63 727	1,73 %	6
Peab Finans AB	19.03.2012	0		7 000 000	6 903 898	3,03	0,21	99,35	6 954 423	50 525	1,72 %	6
Fastighets AB Balder	14.02.2012	0		5 000 000	4 966 698	2,93	0,12	99,64	4 981 885	15 187	1,23 %	6
Fabege AB	20.02.2012	0		5 000 000	4 960 059	2,91	0,14	99,59	4 979 670	19 610	1,23 %	6
Trelleborg Treasury AB	05.03.2012	0		5 000 000	4 950 492	2,92	0,18	99,48	4 974 075	23 583	1,23 %	6
Trelleborg Treasury AB	07.03.2012	0		5 000 000	4 959 497	2,93	0,18	99,46	4 973 215	13 718	1,23 %	6
Volkswagen Finans Sverige AB	26.03.2012	0		5 000 000	4 952 279	3,01	0,23	99,30	4 964 920	12 641	1,23 %	6
Securitas AB	18.04.2012	0		5 000 000	4 936 062	2,91	0,29	99,14	4 957 140	21 078	1,23 %	6
Fortum Oyj	16.05.2012	0		5 000 000	4 940 294	2,93	0,37	98,92	4 945 870	5 576	1,22 %	6
Trelleborg Treasury AB	19.01.2012	0		4 000 000	3 963 732	2,74	0,05	99,85	3 994 100	30 368	0,99 %	6
Intrum Justitia AB	19.03.2012	0		4 000 000	3 969 870	3,03	0,21	99,35	3 973 956	4 086	0,98 %	6
Skanska Financial Services AB	10.04.2012	0		4 000 000	3 968 187	3,05	0,27	99,17	3 966 696	-1 491	0,98 %	6
Financial certificates												
Ikano Bank SE	27.02.2012	0		22 000 000	21 715 192	2,79	0,16	99,56	21 902 650	187 458	5,42 %	5
Ikano Bank SE	19.03.2012	0		5 000 000	4 957 244	2,88	0,21	99,38	4 969 070	11 826	1,23 %	5
Ikano Bank SE	17.08.2012	0		5 000 000	4 849 751	3,14	0,61	98,07	4 903 410	53 659	1,21 %	5
Ikano Bank SE	03.08.2012	0		3 000 000	2 946 394	3,13	0,57	98,19	2 945 634	-760	0,73 %	5
FIXED RATE SECURITIES												
Industrial bonds												
Sandvik AB	09.05.2012	4,55		13 000 000	13 093 900	3,06	0,35	100,51	13 066 118	351 764	3,33 %	6
TOTAL SECURITIES PORTFOLIO[5]					**396 564 527**				**397 579 097**	**1 661 136**	**96,70 %**	

Portfolio key figures	
Yield	3,23 %
Yield to clients[1]	3,03 %
Duration[2]	0,21

[1] Yield adjusted for management fee.

[2] Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

[3] Yield is the average annual return of an interest bearing security until maturity.

[4] Securities are divided into six risk classes according to their credit risk. Class 1 has the lowest and class 6 the highest credit risk.

Risk class 1: Supranational organisations
Risk class 2: Government, and government guaranteed within the EEA
Risk class 3: Government, and government guaranteed outside the EEA
Risk class 4: County and local government
Risk class 5: Bank and financial institutions
Risk class 6: Industry

All securities are traded in the Norwegian market.

Unit price as of 30.12.2011 100,7418

SEK 9.498.901,- is allocated for distribution to unitholders.

This will result in a reduction in the unit price equal to the distribution per unit at the time of distribution.

To the Board of Directors in SKAGEN AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of the mutual funds, which comprise the balance sheets as at December 31, 2011, the income statements for the year then ended and a summary of significant accounting policies and other explanatory information. The income statements are showing the following results for the year ended at December 31, 2011:

SKAGEN Vekst	NOK	-1 972 527 077
SKAGEN Global	NOK	-2 466 613 579
SKAGEN Kon-Tiki	NOK	-6 693 487 924
SKAGEN Avkastning	NOK	33 669 197
SKAGEN Høyrente	NOK	123 549 507
SKAGEN Høyrente Institusjon	NOK	50 503 125
SKAGEN Tellus	NOK	-17 713 468
SKAGEN Krona	SEK	7 978 951

The Fund Management Company's Board of Directors Responsibility for the Financial Statements

The Fund Management Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Norwegian accounting act and accounting standards and practices generally accepted in Norway, and for such internal control as The Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers AS, Kanalsletta 8, Postboks 8017, NO-4068 Stavanger
T: 02316, www.pwc.no
Org.no.: 987 009 713 MVA, Medlem av Den norske Revisorforening

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the mutual funds as at December 31, 2011, and its financial performance for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit in each mutual fund is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that the Fund Management Company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the mutual fund's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 26. januar 2012
PricewaterhouseCoopers

Gunstein Hadland
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

(2)

Home market, or under home market supervision

International market

Head Office

SKAGEN AS
Postbox 160, 4001 Stavanger, Norway
Skagen 3, Torgterrassen
Tel. +47 51 21 38 58
Fax +47 51 86 37 00
www. skagenfunds.com

Company registration number:
867 462 732

UK Office

Albemarle House
1 Albemarle Street
London W1S 4HA
United Kingdom
Tel. +44 207 408 2500
www.skagenfunds.co.uk

FSA Firm No.: SKAGEN AS 469697
Company No: FC029835
UK establishment No: BR014818

Netherlands Office

Museumplein 5 D
1071 DJ Amsterdam
The Netherlands
Tel.: +31 203051500
www.skagenfunds.nl

Registration number: 52328686

Circulation: 2,000
Design: Kaland Marketing
and Printting Produksjon as
Graphs: Meze Design
and Printting Produksjon as
Print: Printting Produksjon as

Customer Services is open from Monday to Friday from 9 am to 5 pm (CET). Please visit us at our office, send an e-mail or call us and we will do our best to help you.