



From the moors north of Skagen, 1885. By P.S. Krøyer, one of the Skagen Painters. This image belongs to the Skagens Museum.

SKAGEN Global

Statusrapport april 2016

The art of common sense



Oppsummering – april 2016

- SKAGEN Global var falt 1,5 prosent i april, mens referanseindeksen var ned 1,4 prosent i same periode. Fondet gjorde det svakere enn referanseindeksen med 0,1 prosent.
- Ved utgangen av april har fondet falt med 9,7 prosent hittil i år, mens referanseindeksen har falt med 7,5 prosent. Fondets relative avkastning hittil i år har dermed vært på -2,2 prosent.
- Beste bidragsytere til den absolutte avkastningen i april var Citigroup, DSM og Volvo. Samsung Electronics, Microsoft og Cheung Kong Hutchison Holdings var de svakeste bidragsyterne.
- Fondet økte posten i Microsoft og dro nytte av uønsket reaksjon av resultatframleggelsen for første kvartal. Fondet økte også sine posisjoner i Capgemini og Roche.
- SKAGEN Global solgte seg ut av det tyrkiske konglomeratet Haci Omer Sabanci, den britiske oljeaktøren BP, og den finske papirprodusenten UPM-Kymmene. Fondet trimmet også ned noen andre beholdninger for å finansiere andre muligheter i porteføljen.
- SKAGEN Globals portefølje forblir attraktivt priset både på absolutt og relativ basis. Fondets 35 største innehav prises til en vektet Pris/inntjening (2016e) på 13,2x og en Pris/bok på 1,3x, mens respektive tall for referanseindeksen er hhv. 16,2x og 2,1x. SKAGEN Globals vektete gjennomsnittlige oppside til kursmålene for fondets topp 35 posisjoner er 39 prosent.

** Med mindre annet er oppgitt er alle avkastningstall for fondet i denne rapporten knyttet til klasse A, og etter fradrag for gebyrer.*

Avkastning, april 2016



	April	QTD	YTD	1 år	3 år	5 år	10 år	Siden start*
SKAGEN Global A	-1,5%	-1,5%	-9,7%	-1,2%	12,8%	10,1%	7,2%	14,8%
MSCI AC World Index*	-1,4%	-1,4%	-7,5%	0,4%	17,6%	14,1%	6,3%	4,5%
Relativ avkastning	-0,1%	-0,1%	-2,2%	-1,6%	-4,8%	-4,0%	0,9%	10,3%

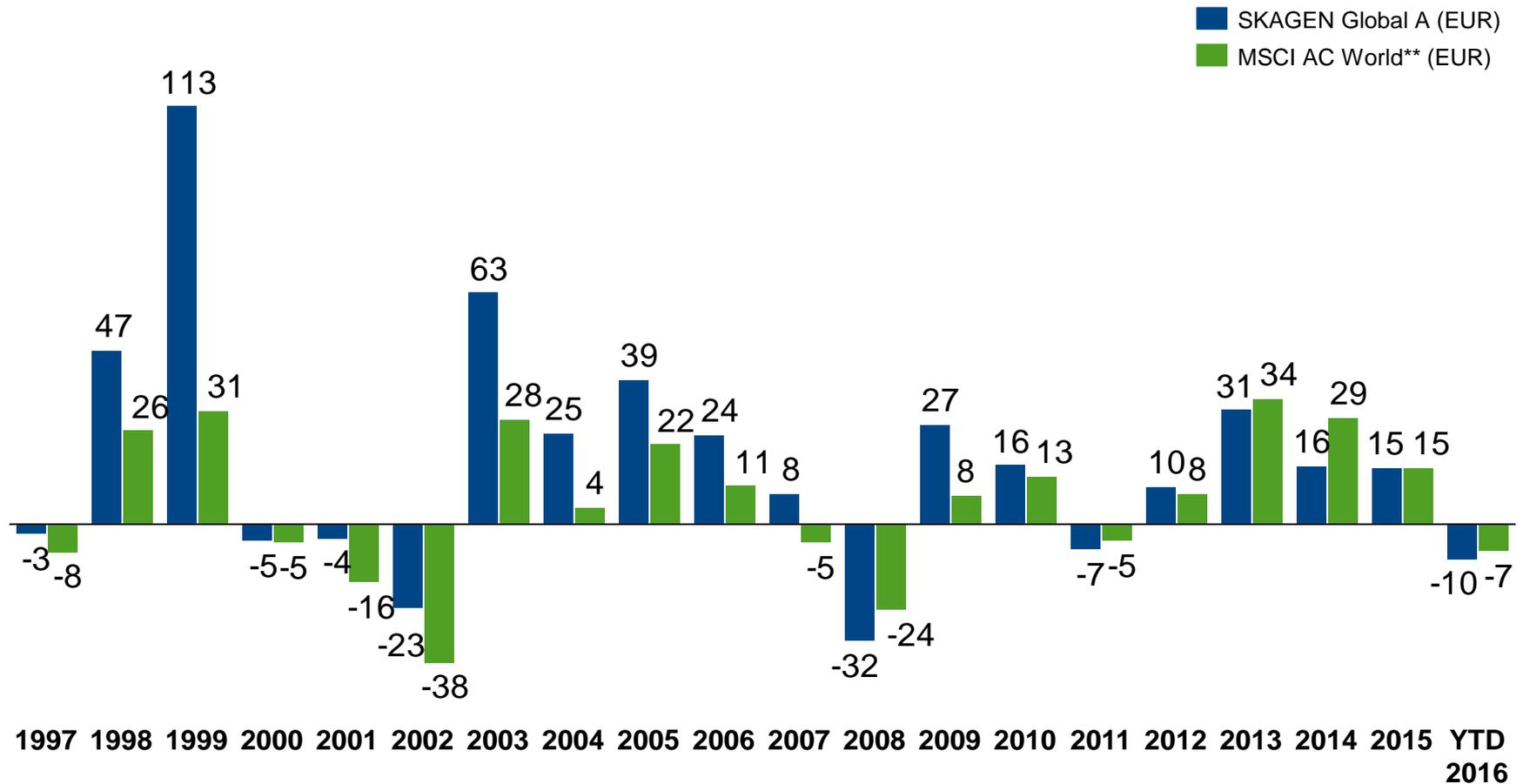
Note: Alle tall utover 12 måneder er annualisert (geometrisk avkastning)

*Startdato: 7. august 1997

** Referanseindeksen var MSCI World I NOK fra 7. august 1997 til 31. desember 2009 og MSCI All-Country Index fra 1. januar 2010 og videre.

Årlig avkastning siden start(%)*

SKAGEN Global A har gjort det bedre enn indeks I 15 av 19 år

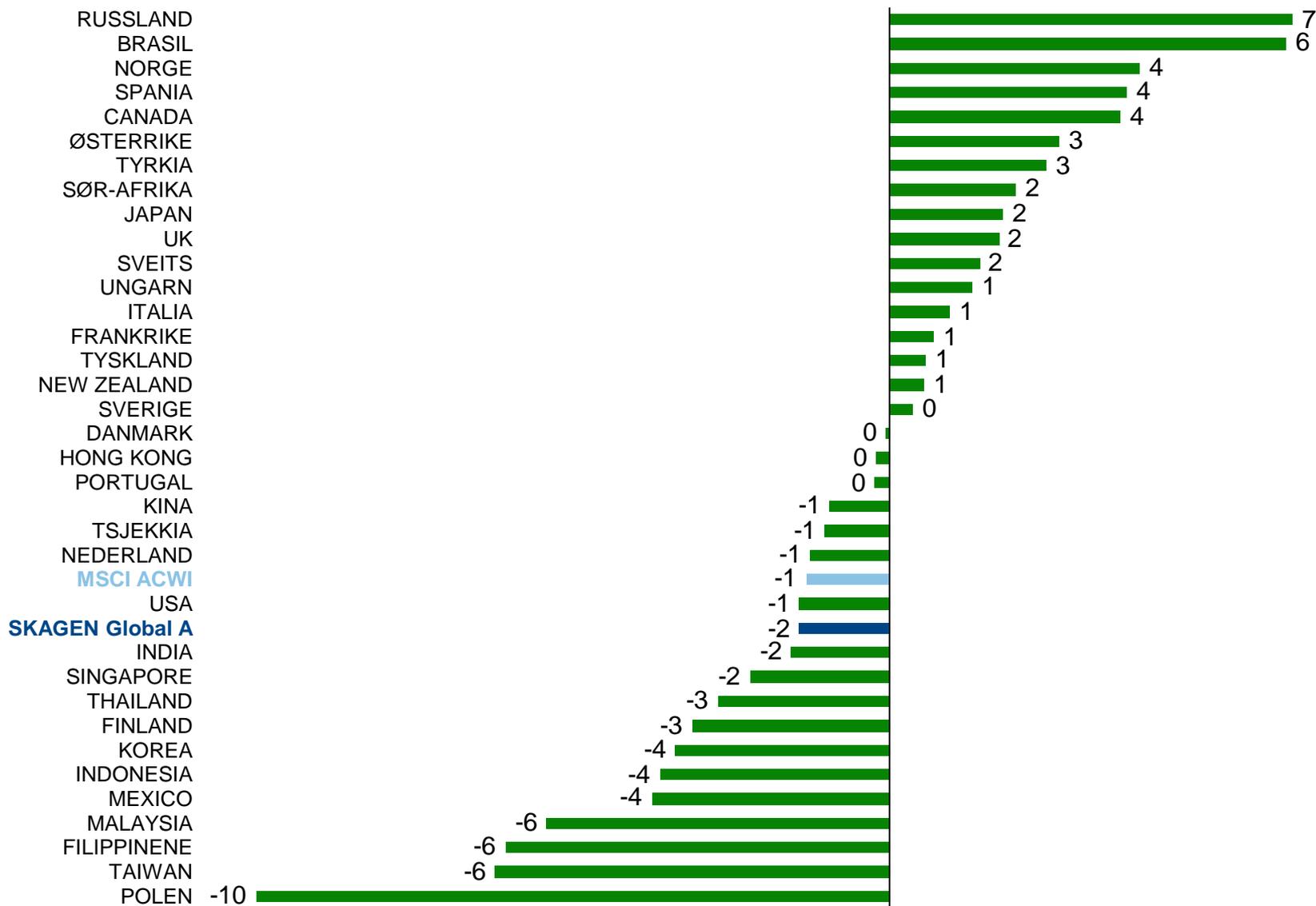


Note: Alle tall utover 12 måneder er annualisert (geometrisk avkastning)

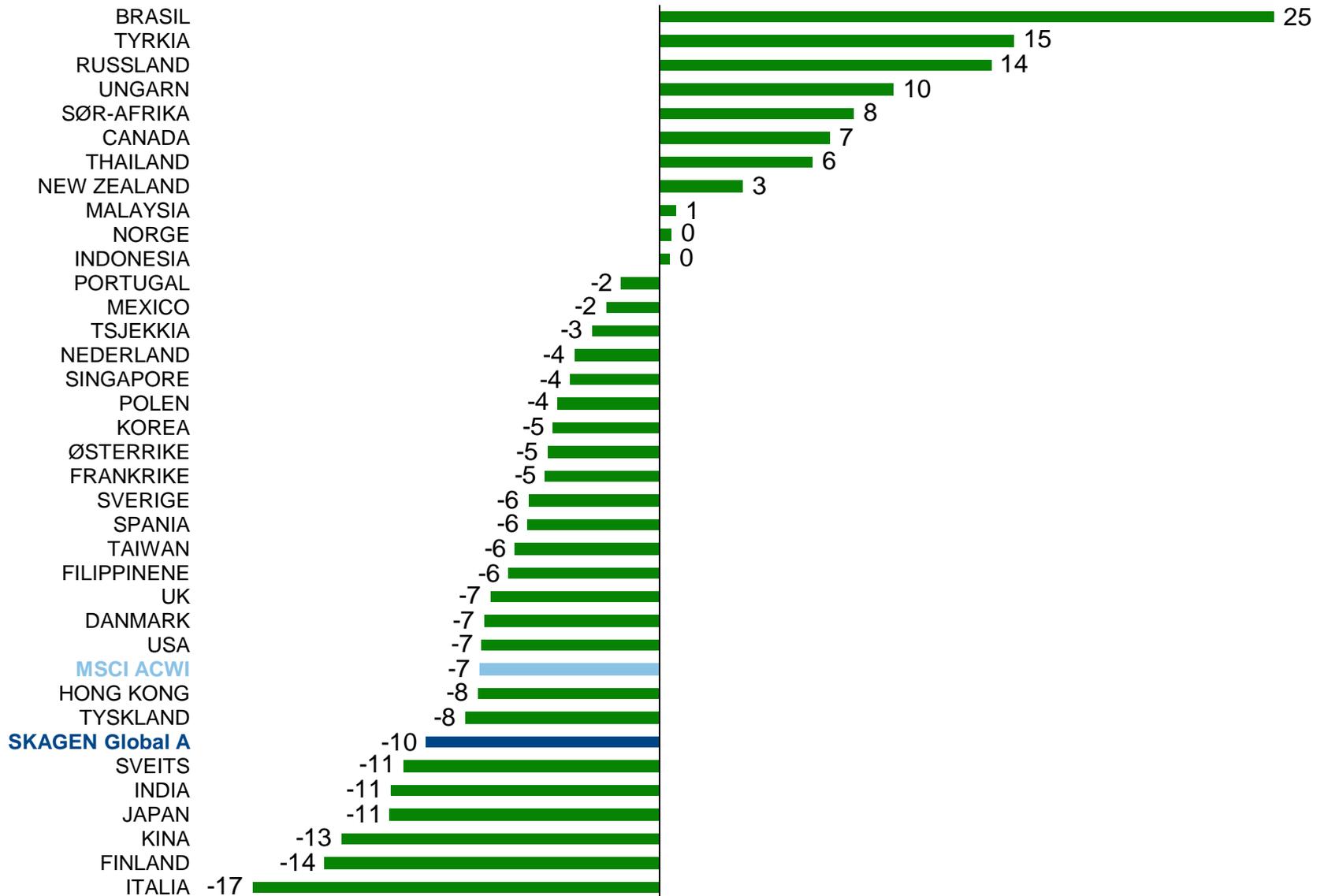
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Markedsutvikling i april 2016 (%)



Markedsutvikling hittil i 2016 (%)



Viktigste bidragsytere i april 2016

Største positive bidragsytere

Selskap	NOK millioner
Citigroup	156
DSM	58
Volvo	44
Lundin Mining	42
Lundin Petroleum	32
NN Group	19
Akzo Nobel	17
Tyco	16
Credit Suisse	14
Barclays	11

Største negative bidragsytere

Selskap	NOK millioner
Samsung Electronics	-138
Microsoft	-108
Cheung Kong Hutchison Holdings	-97
General Electric	-91
Dollar General	-63
Alphabet (Google)	-49
Philips	-36
Kingfisher	-33
State Bank of India	-25
Xcel Energy	-24

Verdiskapning i april :

-440 millioner

NB: Bidrag til absolutt avkastning

Viktigste bidragsytere hittil i 2016

Største positive bidragsytere

Selskap	NOK millioner
Lundin Mining	98
Volvo	98
Lundin Petroleum	76
DSM	74
Tyco	57
Dollar General	48
Tyson Foods	43
WM Morrison Supermarkets	33
Haci Omer Sabanci Holding	31
Xcel Energy	19

Total verdiskapning hittil i 2016:

Største negative bidragsytere

Selskap	NOK millioner
AIG	-479
Citigroup	-373
State Bank of India	-215
Roche	-211
G4S	-207
Teva Pharmaceutical	-192
Cheung Kong Hutchison Holdings	-191
Microsoft	-159
Samsung Electronics	-156
General Electric	-142

-3328 millioner

NB: Bidrag til absoluttavkastning

Kjøp og salg i april 2016

Kjøp

- Fondet utnyttet markedets reaksjon på **Microsofts** Q1-resultater. Aksjen gikk ned 7 prosent etter resultatene, hovedsakelig på grunn av lav salgsguidance for neste kvartal. Som den langsiktige investor vi er, ser vi forbi neste kvartals bekymring og tenker på mulighetene 3-5 år fram i tid.
- Vi økte også vår posisjon i **Capgemini**, en ledende IT-tjenesteleverandør som fortsatt lider av markedets oppfatning av å være en syklisk næring. Nok en gang viste Q1-rapporten at markedet tok feil. Selskapet viste resultater som solid organisk vekst. Vi ser fram til å delta på selskapets kapitalmarkedsdag i begynnelsen av juni.
- Farmasøytelskapet **Roche** har hatt en relativt svakt start på 2016. Vi har tatt fordel av dette ved å øke vår eksponering i selskapet. Den langsiktige historien forblir attraktiv, etter vårt syn.

Salg

- Det tyrkiske konglomeratet **Haci Omer Sabanci** har hatt en god start på året. Det er en topp-ti-bidragssyter med over 20 % relativ meravkastning. Vi har vært disiplinerte og forlot posisjonen fordi vi finner bedre muligheter andre steder.
- Vi bestemte oss for å selge oss ut av **BP** i april, og resirkulerer i stedet midlene til andre muligheter. Markedet har blitt bedre etter den siste utviklingen til oljeprisen, men vi tok en kontrær avgjørelse da vi så negativt på oljeselskapets bærekraft.
- Vi har gradvis redusert eksponeringen i den finske papirfabrikanten **UPM-Kymmene** etter vi reviderte vårt syn på de sekulære utfordringene i selskapet. Vi solgte oss ut av aksjen i løpet av april da aksjekursen nærmet seg kursmål.

Viktigste endringer i 1. kvartal 2016

Økte poster

Reduserte poster

Q1

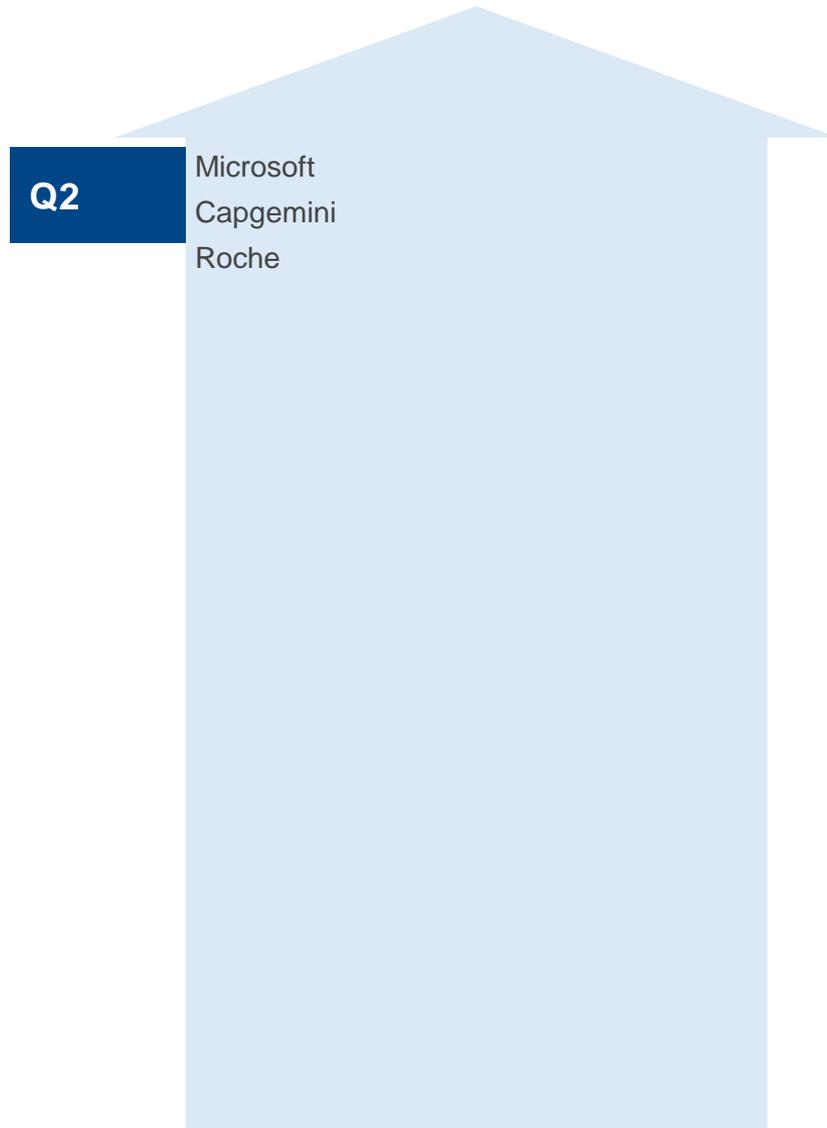
Capgemini (Ny)
Sony (Ny)
Baidu (Ny)
Autoliv
Citigroup
Teva Pharmaceutical
G4S
General Electric

Q1

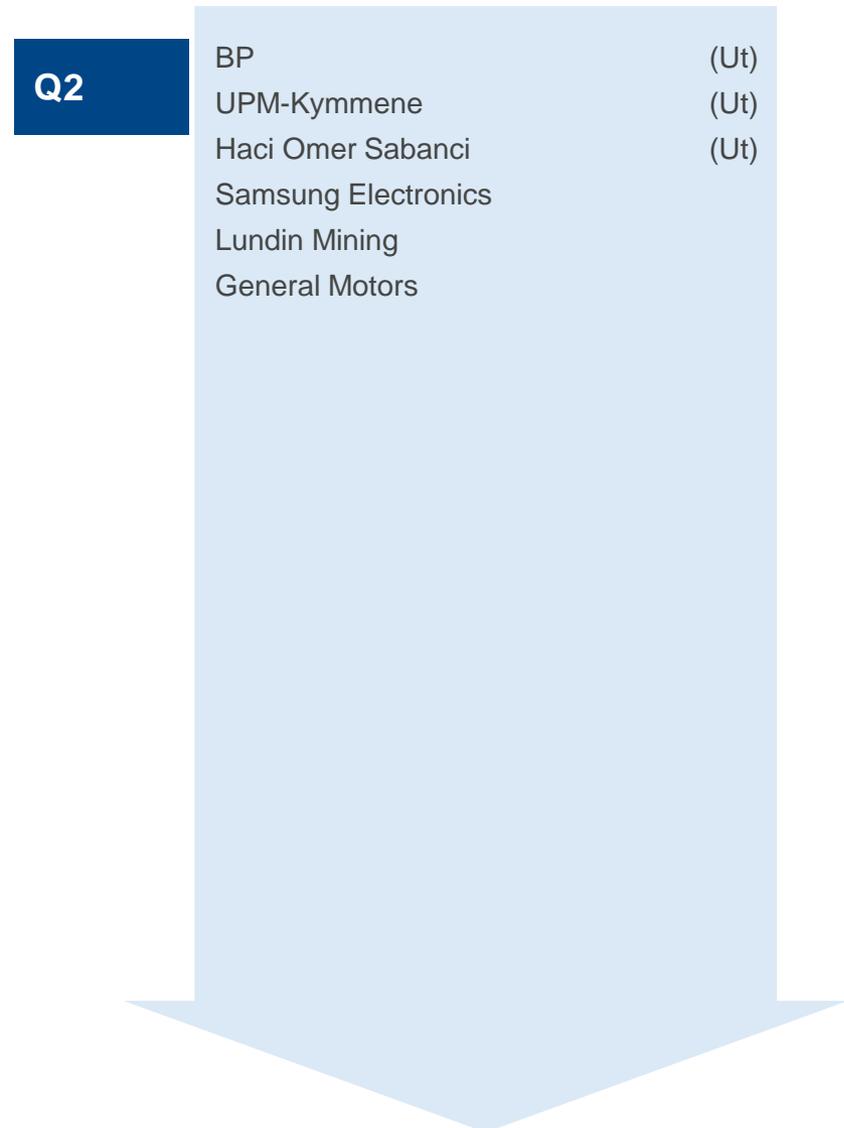
Tyson Foods (Ut)
Tata Motors (Ut)
Global Mediacom (Ut)
Dollar General
Lundin Mining
Alphabet (Google)
Xcel Energy
State Bank of India
UPM-Kymmene
Nordea Bank
Barclays

Viktigste endringer i 2. kvartal 2016

Økte poster



Reduserte postre

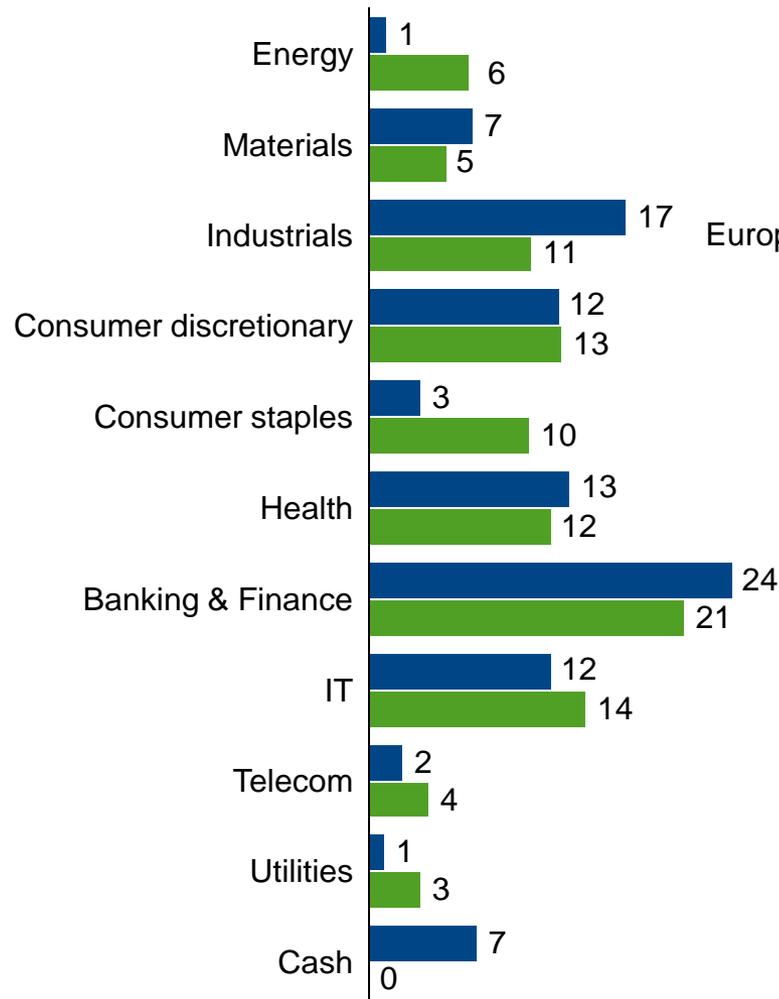


Største poster i SKAGEN Global per 30. april 2016

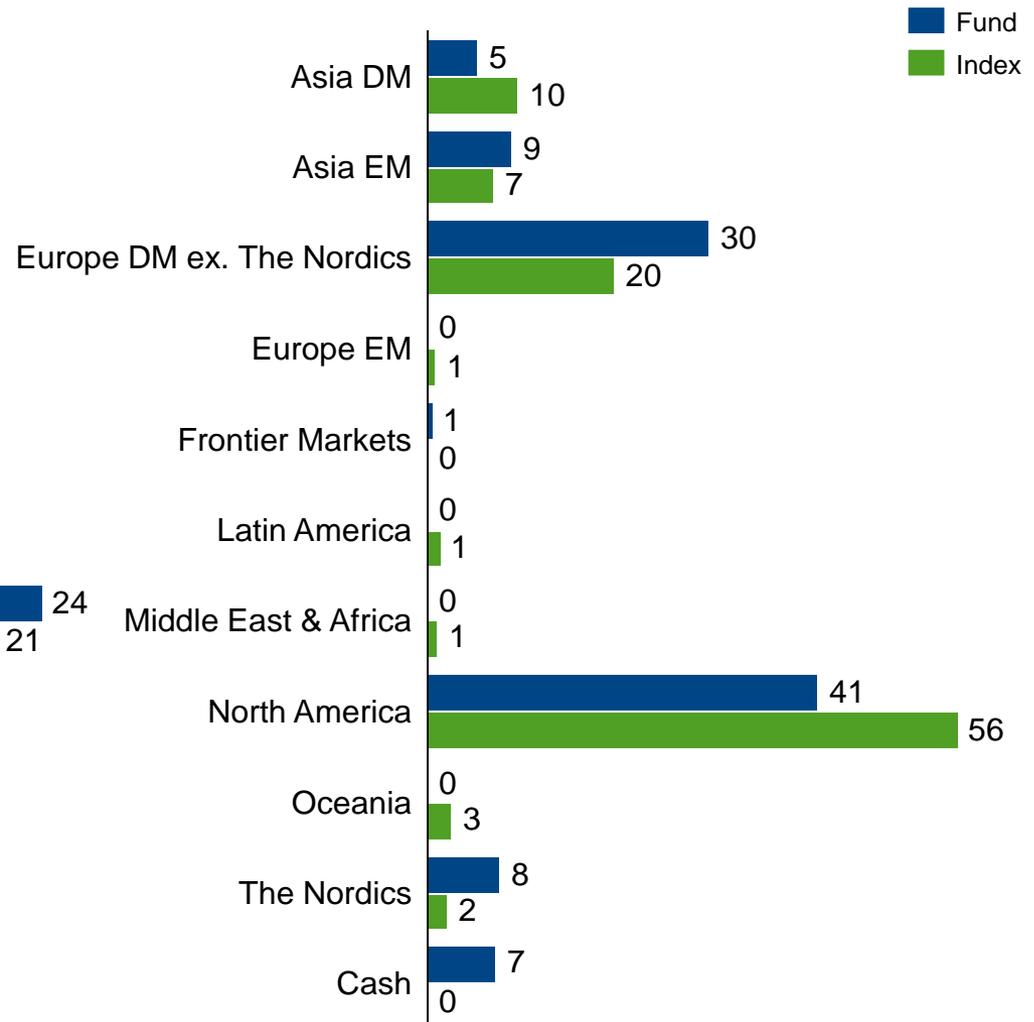
	Posisjonens størrelse %	Pris	P/E 2015a	P/E 2016e	P/BV last	Kurs-mål
AIG	7.1	56	25.5	11.9	0.7	90
CITIGROUP	6.6	46	8.7	9.6	0.7	70
GENERAL ELECTRIC	4.8	31	23.5	20.4	3.1	34
ROCHE	4.6	243	18.0	16.6	9.8	380
SAMSUNG ELECTRONICS	4.5	1 043 000	8.1	8.1	0.9	1 500 000
MERCK	3.7	55	15.3	14.8	3.4	76
G4S	3.1	188	12.8	12.2	4.3	380
MICROSOFT	3.0	50	19.0	18.6	5.2	68
KINGFISHER	2.9	364	16.5	15.9	1.4	480
CK HUTCHISON HOLDINGS	2.9	93	11.2	10.9	0.9	140
Vektet topp 10	43.1		13.8	12.5	1.3	48%
Vektet topp 35	85.5		14.4	13.2	1.3	39%
MSCI AC World			18.4	16.2	2.1	

Sektor og geografisk fordeling versus indeks (april 2016)

Sektorfordeling



Geografisk fordeling



Nyheter og annet om porteføljeselskaper – på engelsk



Kunsten å bruke sunn fornuft

Key earnings releases and corporate news, April 2016

Citigroup
(6.6%)

Headwinds as expected, but cost control good and valuation attractive

Summary: Quarterly revenues were down -11% to USD 17.6bn vs USD 19.7bn last year. Net income dropped -27% to USD 3.5bn (from USD 4.8bn in 2015 Q1). Tangible book value per share increased to USD 63 vs USD 58 in 2015 Q1. Common equity tier 1 capital ratio came in at 12.3% vs 11.1% in 2015 Q1.

Investment case implications: Despite facing headwinds (revenues dropped -9% YoY ex-FX) related to trading and investment banking, Citigroup continues to show good cost control (operating expenses fell -3% in 2016 Q1). The bank also bought back 31 mn shares during quarter and its CT-1 ratio remains above 12%. Strong future cash flow are expected to be supportive of shareholder returns going forward. Furthermore, Citi reported a tangible book value (TBV) of USD 63/sh., implying an attractive valuation of 0.7x TBV.

GE
(4.8%)

GE posts Q1 results showing that the global economy remains sluggish

Summary: Organic sales -1% YoY, organic orders -7% YoY and industrial operating profit was flat YoY. EPS at 21 cents was ahead of consensus' 19 cents estimate. Aviation was the best division with 1.1%-point margin expansion to 24.3% and profits +16% YoY while the Oil & Gas division disappointed with orders -70% YoY, operating margin 2.8%-points lower at 9.3% and with sales down -18% YoY. GE Capital exit is now 80% complete with deals signed to date worth USD 166bn (c. USD 40bn left to go). Company left 2016 EPS guidance unchanged.

Investment case implications: There were many moving parts which net out to a fairly neutral quarter. GE is a good proxy for the health of the global industrial economy and the Q1 figures show that the environment remains tough. In a wider context, assuming GE can reach or exceed its 2016 target of 2-4% organic growth with a bit of core margin expansion, USD 30bn in free cash flow and a boatload of dividends and buybacks worth USD 26bn, the stock has good potential for another leg up as expectations have started to come down again.

Roche
(4.6%)

Q1 sales update from Roche without surprises

Summary: Q1 sales +4% YoY at constant FX with similar upticks in both the Pharma and Diagnostic divisions. Company reported solid growth for the three key cancer drugs Herceptin, Perjeta and Avastin as well as for Tamiflu. The US FDA has granted priority review for atezolizumab (Phase III bladder/lung cancer immunotherapy) and breakthrough therapy designation for ocrelizumab (MS). Roche is on track to meet 2016 targets.

Investment case implications: Neutral. The Q1 update (only sales figures) is largely in-line with consensus. Pipeline developments will be key for 2016.

Key earnings releases and corporate news, April 2016 (cont.)

Samsung (4.5%)

A solid 1Q16 report

Summary: Final operating profit for 2016 Q1 of KRW 6.68tr was in the high end of the preliminary range and +12% YoY and +9% versus a seasonally strong 2015 Q4. This includes a c. KRW 250bn non-recurring impact from retrospective cuts in royalty payments to Nokia. Benefit from FX was around KRW 400bn vs the prior quarter, helping mainly semi and display earnings. Adjusted for this, underlying result was flat QoQ in a seasonally weaker quarter.

Investment case implications: Positive. When presenting its 2015 Q4 result in January, management painted a bleak picture for FY16 and especially for 1H16. While normally conservative, their predictions were clearly too downbeat and management now says “In the second quarter we expect our solid performance to continue”. Going through the wording in outlook, we believe 2016 Q2 operating profit should be close to Q1. With consensus EPS estimate still implying a c. 10% decline for 2016, despite help from a c. 4% lower average share count, we expect positive revisions near term. We also believe the Q1 result should reduce two major concerns: 1) sharp decline in DRAM profits; and 2) return to sub-10% margin in handset business.

Kingfisher (2.9%)

Delivering

Summary: Kingfisher delivered good numbers in the UK with Screwfix like-for-like up +15% YoY, and B&Q like-for-like up +4% YoY with margin somewhat under pressure from mix and clearance activity at B&Q. France sales were slightly lighter but outlook for that market was better with permits +20% YoY in the Nov-Jan period. Cash flow very strong, helped by some SKU clearance, lower taxes and lower capex. The SKU clearance is part of the initiatives to cut the tail of non-ranged product and progressed well in 2015 with Kingfisher being able to cut around 50% of the tail in volume-terms and 40% in value-terms, without a significant impact on gross margins. Kingfisher also announced the disposal of the remaining stake in B&Q in China for GBP 60mn benefitting the cash flow later this year.

Investment case implications: Kingfisher continues to deliver. France looks more promising, while UK continue to deliver both from B&Q and Screwfix. Its Screwfix business has been fantastic and the rollout of new stores in Germany has gotten off to a good start and could open up for expansion into other countries in the future. Plan for a “One” Kingfisher is going according to plan although it will take a few years to fulfill the task. The “One” Kingfisher plan is unifying the product range, right-sizing the space, rolling out unified IT platform, cutting costs in goods not for resale and centralizing management. We expect higher cost for the next 2 years before a nice inflection point in 2018/19. Cash flow is strong and with a solid balance sheet Kingfisher can continue to support good shareholder returns even during this transition period. One thing to keep an eye on is the new competitor Bunnings that could cause some turmoil.

Key earnings releases and corporate news, April 2016 (cont.)

NN Group (2.8%)

ING exits NN Group through placing of remaining 14.1% stake

Summary: ING has placed its remaining 14.1% ownership stake in NN Group (45.7 mn shares) at EUR 30.15, equivalent to a 1.8% discount to the previous closing price. ING was obligated by the Dutch government to gradually sell down its stake post the 2014 IPO and exit completely no later than December 2016. NN Group did not participate in this buyback. ING continues to hold warrants exercisable for around 35 mn shares (vs 334 mn shares outstanding).

Investment case implications: Neutral. We expected a placing shortly after the lock-up period expired, though the timing is perhaps somewhat odd given that NN Group is in silent period and thus could not participate in the buyback (in previous placings NN Group bought back shares every time). The capital return story remains valid and with the large ING overhang now gone, buyers who so far have stayed on the sidelines may begin to step in. We note that the accelerated book build was oversubscribed in less than 20 minutes.

Autoliv (2.5%)

Autoliv's Q1 organic revenue growth exceeds expectations

Summary: Autoliv reported +14.7% YoY organic revenue growth vs 10.6% consensus with adj. operating income nearly 9% ahead of Street estimates. The company achieved EPS growth of +17% YoY with 23% ROCE, 16% ROE and 0.5x ND/EBITDA. Active safety revenue was +39% YoY (Mercedes E-class et al.) and airbags/seatbelts revenue +16%/+6% YoY. Operating margin at 9.1% was 0.2%-points improvement YoY. Guidance on airbag replacement volume increased from 20 mn to 30 mn over 2015-2018 (vs. 2015-2017 previously).

Investment case implications: Minor positive. Story developing in-line with our long-term thesis of Autoliv as a well-positioned niche player in a high-barrier segment of the automotive industry. Whether cars will be driven by humans, robots or computers in the future, they will likely have higher safety content (airbags, electronic safety devices) than today. This structural growth offers an opportunity for Autoliv, especially considering that the safety content per vehicle is less than USD 200 in emerging markets vs more than USD 400 (and rising) in the developed world.

The 10 largest companies in SKAGEN Global



AIG is an international insurance company serving commercial, institutional and individual customers. The company provides property-casualty insurance, life insurance and retirement services. AIG was at the very centre of the financial crisis as the central bank for mortgage insurance – it was bailed out in a USD 180bn bail out. The company has two core insurance holdings that it intends to keep: Sun America and Chartis.



Citi is a US financial conglomerate with operations in more than 100 countries worldwide. The bank was bailed out by the US government during the credit crisis and subsequently raised USD 50bn of new capital. Consists of two units: Citi Holdings which is a vehicle for assets that are to be run down and sold and Citi Corp which is the core of the going concern business. In Citicorp 60% of revenues are derived from outside the US - mainly from emerging markets.



Founded in 1892 by Thomas Edison et al., General Electric (GE) operates two divisions (GE Industrial and GE Capital) contributing approximately the same proportion of group earnings. GE is the world's 10th largest publicly-traded company and boasts the 6th most valuable brand. The industrial segment is a play on global infrastructure with a high-margin service business and a large installed base producing a wide variety of capital goods ranging from aircraft engines and power turbines to medical imaging equipment and state-of-the-art locomotives.



Roche is a leading pharmaceuticals and diagnostics company based in Switzerland. Half of group sales and 2/3 of EBIT are derived from the company's Big 3 oncology franchises: HER2 (breast cancer), Avastin (colorectal cancer), and MabThera/Rituxan/Gazyva (blood cancer), each about USD 7bn of revenue. These businesses all come from Genentech, in which Roche has been a majority owner since 1990, and bought the last 46% in 2009.



Samsung Electronics is one of the world's largest producers of consumer electronics. The company is global #1 in mobile phones and smartphones, the world's largest in TV and a global #1 in memory chips. Samsung also produces domestic appliances, cameras, printers, PCs and air conditioners.

The 10 largest companies in SKAGEN Global (cont.)



Founded in 1891, Merck & Co is a US large-cap pharma company (and #7 worldwide by revenue) with a broad pharma portfolio and a solid pipeline (R&D 16-17% of sales). HQ in New Jersey and 70,000 employees. Sales by division (2014, USD 42bn): Diabetes (14%), Infectious Diseases (18%), Vaccines (13%), Animal Health (8%), Oncology (2%), Other (45%). Consensus expects legacy drugs sales to shrink by single-digit percent annually.



G4S is the world's largest security company operating in more than 110 countries with over 620,000 employees. The group was formed in 2004 by the merger of UK-based Securicor plc and Denmark-based Group 4 Falck. By activity (FY2015): Security Services (86% of sales; 75% of EBITA) and Cash Solutions (14%; 25%). Main source of business opportunity is in emerging markets where the company has an unrivaled presence with >35% of sales. New management team installed in 2013.



Microsoft is the world's largest software company and delivers software to a number of applications from PCs to servers and cell phones – its most famous product is Windows and the affiliated Office Software Suite. In recent years the company has also diversified into video game consoles, ERP systems, internet search and cloud-based computing. Despite a strong push for diversification 80% of the company's revenues and nearly all its profits come from three main areas: Windows OS, Windows Server and the business division (Office Suite).



Kingfisher is the largest home improvement retailer in Europe with leading market share in the UK, France and Poland which together represent 90% of sales and 95% of profits. Kingfisher operates via B&Q and Screwfix in the UK and via Castorama and Brico Depot in France. Sales came in at close to GBP 11bn for 2014/2015. The new CEO, Ms. Laury, has 26 years experience within the do-it-yourself (DIY) industry, including 11 years at Kingfisher.



Founded in 1950 as a plastics manufacturer by its current main shareholder Li Ka Shing, CK Hutchison Holdings is now a multinational conglomerate. The company holds the non-property businesses of the former Cheung Kong and Hutchison group. The group owns assets in (% of 1H 2015 total EBITDA): Infrastructure (37%), Telecom (20%), Retail (15%), Ports 13%), and Energy (11%).

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Unless otherwise stated, performance data relates to class A units and is net of fees.

Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skill, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments.

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