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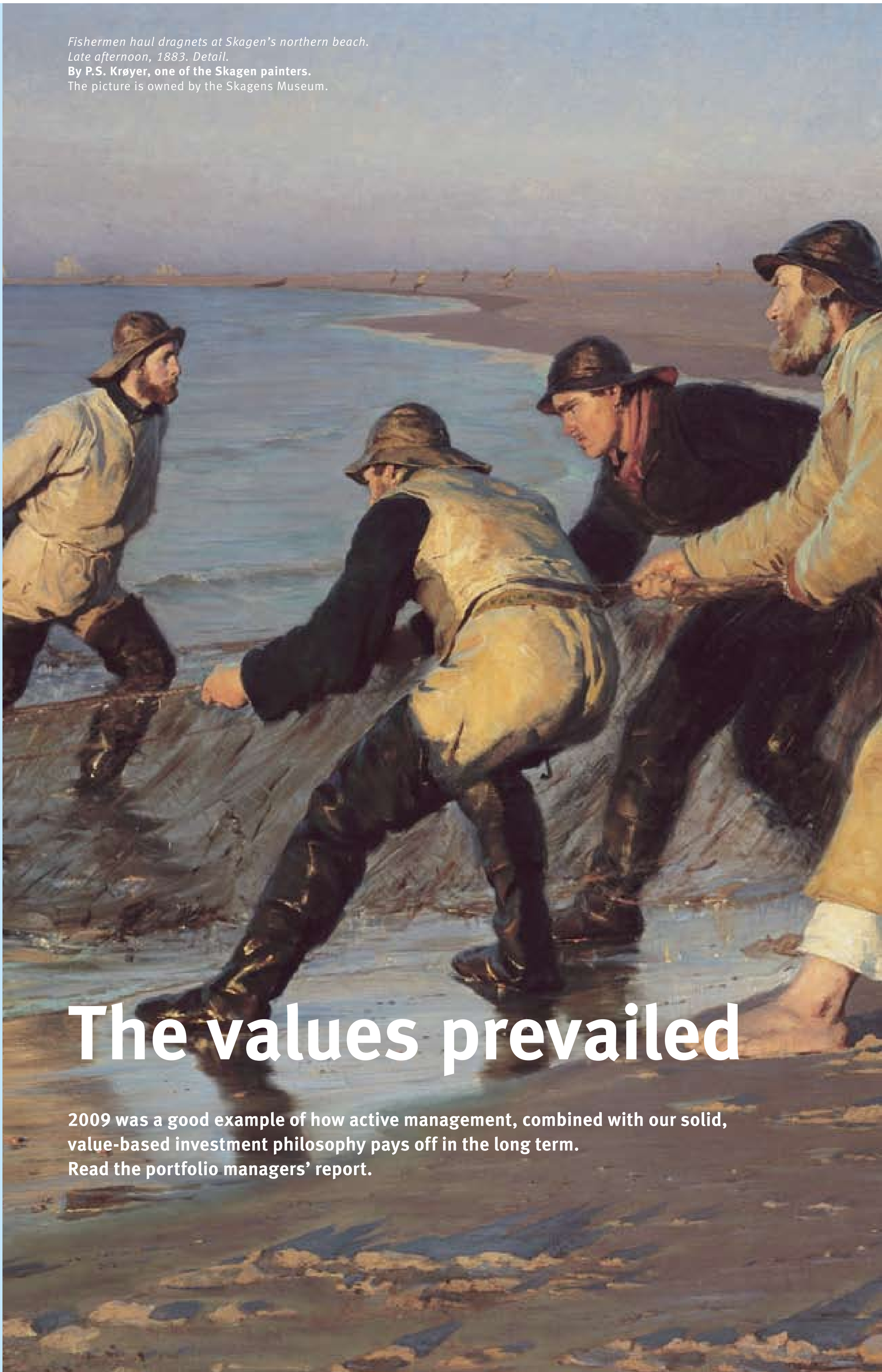


Fishermen haul dragnets at Skagen's northern beach.
Late afternoon, 1883. Detail.
By P.S. Krøyer, one of the Skagen painters.
The picture is owned by the Skagens Museum.

The values prevailed

2009 was a good example of how active management, combined with our solid, value-based investment philosophy pays off in the long term.
Read the portfolio managers' report.

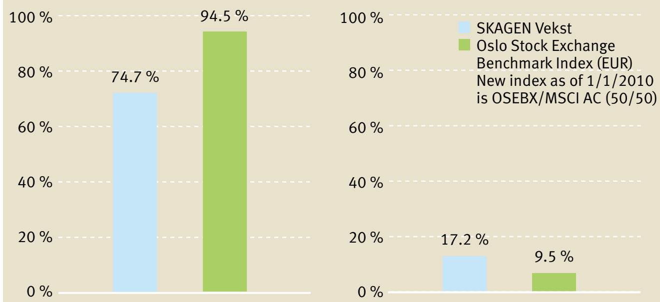
A good year

After a dramatic year in 2008, 2009 has proved to be a good year for SKAGEN's unitholders. The equity funds have recovered most of the price drop from 2008. Two of the equity funds have beaten their respective indices by a good margin, while SKAGEN Vekst was beaten by the energy laden Oslo Stock Exchange. Both SKAGEN Global and SKAGEN Vekst have new benchmark indices as of 2010 which better reflect the funds' investment mandates. Both our fixed income funds beat their benchmark indices in 2009.

SKAGEN VEKST

Manager: Kristian Falnes **Start**: 1 December 1993

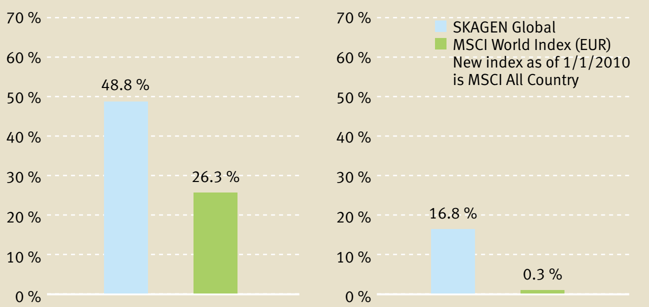
Return 2009 **Average annual return since start**



SKAGEN GLOBAL

Manager: Filip Weintraub **Start**: 7 August 1997

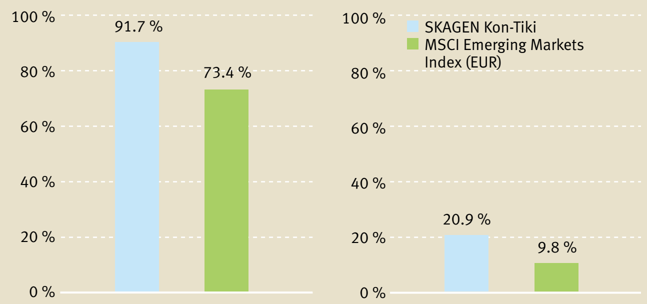
Return 2009 **Average annual return since start**



SKAGEN KON-TIKI

Manager: Kristoffer Stensrud **Start**: 5 April 2002

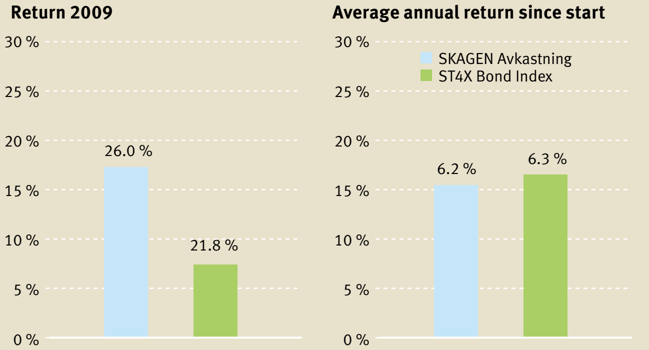
Return 2009 **Average annual return since start**



SKAGEN AVKASTNING

Manager: Torgeir Høien **Start**: 16 September 1994

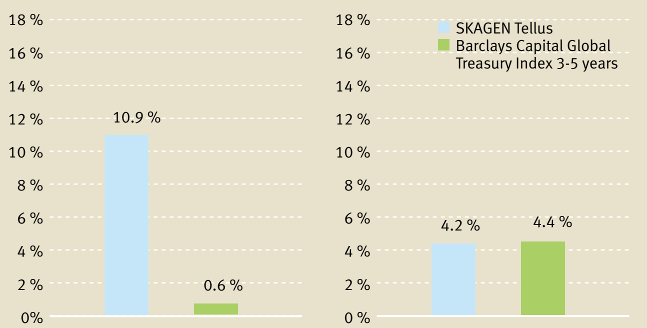
Return 2009 **Average annual return since start**



SKAGEN TELLUS

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

Return 2009 **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 2009 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 2009 is available at www.skagenfondene.no

SKAGEN FUNDS ANNUAL REPORT 2009

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.

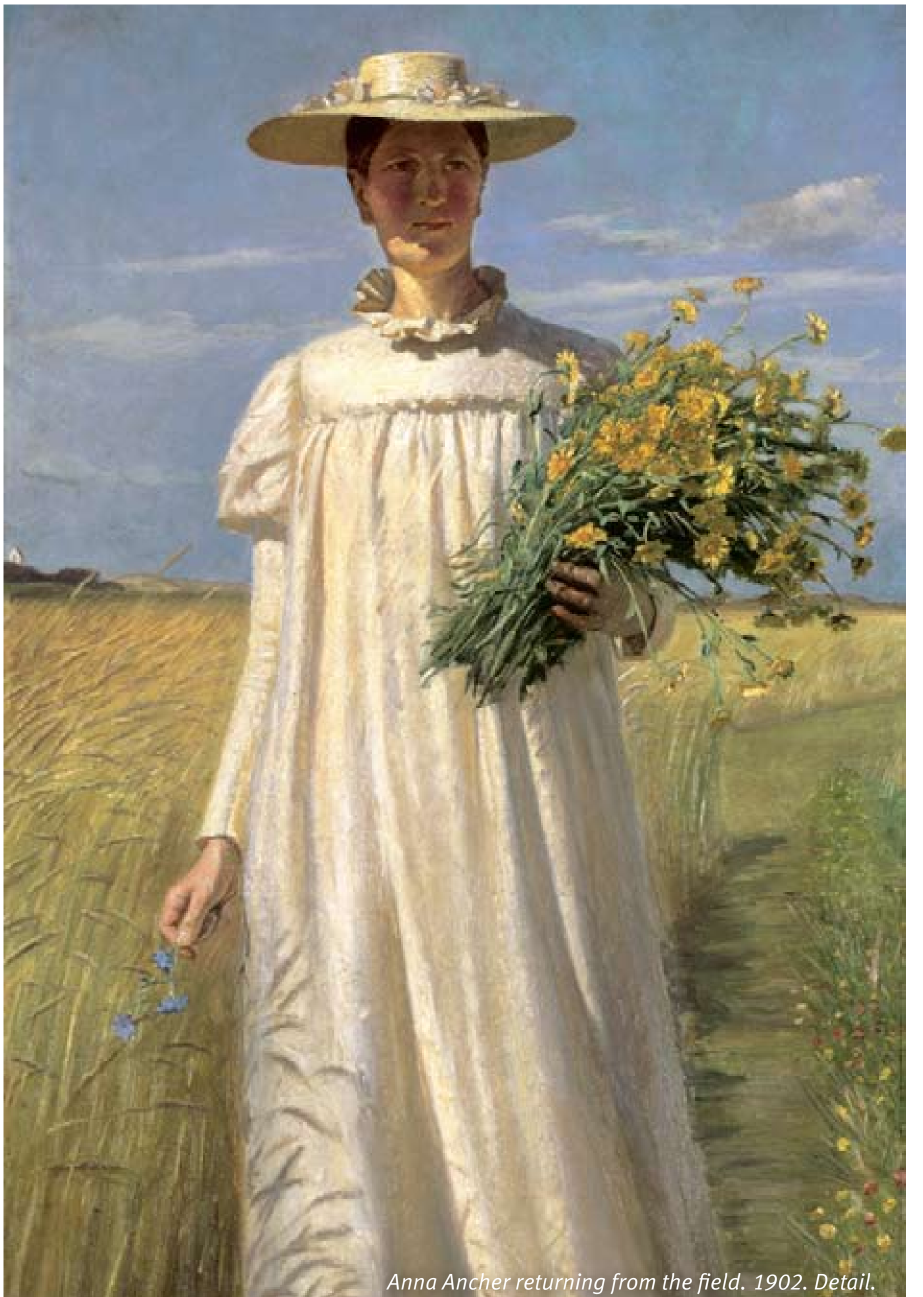
Postal address:

SKAGEN AS
Postbox 160
4001 Stavanger, Norway
www.skagenfunds.com

Telephone no.: +47 51 21 38 58

Editorial team:

Parisa Lemaire, editor
Trygve Meyer, journalist
Tore Bang, technical editor
Ole-Christian Tronstad, journalist
Margrethe Vika, journalist
Christian Jessen, journalist
Jonas A. Eriksson, journalist
Michael Metzler, journalist



Anna Ancher returning from the field. 1902. Detail.
By Michael Ancher, one of the Skagen painters.
The picture is owned by the Skagens Museum.

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Harald Espedal,
Managing director, SKAGEN Funds

Year of contrasts

2009 is a good example of how fast the financial markets can turn. 2008 was not the year we had hoped for – on the other hand, 2009 has exceeded our, and most people's, expectations. Since the bottom in March 2009 the equity markets have turned faster than the bravest of us ventured to predict in the autumn of 2008. This upturn has given unitholders in SKAGEN's funds a very good year.

After the worst year in the history of the financial markets, there were many who thought that it would take a long time to regain lost returns. The conclusion for 2009 is that the equity markets have recovered in a short time, and the dreaded protracted downturn has failed to materialise.

A very good year

SKAGEN's investment philosophy has proved to be robust in both upturns and downturns. Both SKAGEN Global and SKAGEN Kon-Tiki beat their respective benchmark indices. The funds returned 48.8 and 91.7 percent respectively, versus 26.3 percent for the World Index and 73.4 percent for the Emerging Markets Index. SKAGEN Vekst invests around half of its assets globally, and a collective return of 74.7 percent is strong, considering the World Index rose only 26.3 percent. The energy laden Oslo Stock Exchange rose 94.5 percent.

With this performance, SKAGEN ranks among the top fund managers globally. According to figures from rating agency Standard & Poor's (S&P), SKAGEN Global is ranked no. 144 of 3312 global equity funds worldwide. S&P also classifies SKAGEN Vekst as a global equity fund and the fund is no. 13 of 3312 in its category. SKAGEN Kon-Tiki is ranked no. 36 of 851 global emerging markets funds. In both categories, SKAGEN's equity funds are thus among the top four percent of funds globally in 2009.

While it is difficult and demanding to end up among the best in one single year, it is even more demanding to remain there over time. SKAGEN Global and SKAGEN Vekst are number 15 and number 5 respectively of 1893 global equity funds measured on five year returns, while SKAGEN Kon-Tiki is number 2 of 444 global emerging market funds in the same period. The bond fund SKAGEN Avkastning rose 26 percent, versus 21.8 percent for the fund's benchmark index in 2009. The global bond fund SKAGEN Tellus returned 10.9 percent, versus 0.6 percent for the benchmark index.

You can read more about how the funds performed in 2009 in the Portfolio managers' report (page 24) and the Board of Director's report (page 47).

Old values come into their own

The times of crisis that we experienced in 2008 meant that old values once again came into their own. There has been a great deal of interest in equity funds in 2009, and net subscriptions in SKAGEN's equity funds were a record EUR 2.2 billion. We believe that the success of mutual funds is attributed to the fact that many people have been reminded of the strength of mutual funds:

- daily liquidity
- daily pricing
- possibility to redeem at actual value, without discount
- transparency
- verifiable return history
- a regulated product.

Wise savings choice

In 2009, SKAGEN's assets under management almost doubled from EUR 5.8 billion to EUR 11.4 billion.

The figures show that fund investors have changed their behaviour in this downturn, compared with the previous downturn in 2001-2003, and demonstrate wise tactics for their savings. In the first quarter, while the equity markets were still in recession, retail clients made net subscriptions of EUR 120 million in SKAGEN's funds. Clients purchased fund shares while prices were low and consequently profited from the upturn in the equity market since the bottom in March 2009. This altered savings pattern indicates that most people have long-term savings objectives and understand the risk involved in investing in the equity market.

Client growth in all markets

Client growth has been good in all the funds. At the end of December, the net subscriptions of EUR 2 billion were divided between EUR 2.2 billion in the equity funds and minus EUR 205 million in the fixed income funds. Like last year, the largest contributions came from the Swedish market. Other foreign clients, including from the UK, the Netherlands, Denmark and Luxembourg also contributed significantly. As of 2010, Denmark is one of SKAGEN's home markets and our aim is for Danish clients to regard us as a domestic fund provider.

For the first time in SKAGEN's history, foreign clients have more assets in our equity funds than our Norwegian clients. 2009 is also characterised by a very low redemption percentage. SKAGEN's market share of equity funds was 37.5 percent in 2009, including foreign clients, making SKAGEN Norway's largest fund manager with a market share of 22.8 percent of the total market.

The influx of new clients into SKAGEN Kon-Tiki over the past few years has enabled us to reduce our fixed management fee from 2.5 percent to 2.0 percent (as of 1 July 2009), since economies of scale make it cheaper to manage a large fund than a small one.

The company's business strategy is that clients should pay for good fund management and not for the purchase and sale of fund units. In 2008, SKAGEN led the way in the sector by doing away with subscription fees altogether.

P.S. Krøyer's first studio in Skagen in Brøndum's old garden. 1890.
By Thorvald Niss, one of the Skagen painters.
The picture belongs to the Skagens Museum.

Following the financial crisis, the equity markets recovered quickly in 2009 and the dreaded protracted downturn failed to materialize, writes Managing director Harald Espedal.

The equity funds have different fee models and the variable management fee is calculated daily and charged annually. In 2009, all the equity funds performed well relative to their benchmark indices. The variable models resulted in SKAGEN Global charging a total management fee of 2.75 percent. SKAGEN Vekst charged a total management fee of 4.50 percent and in SKAGEN Kon-Tiki the fee was 3.26 percent.

Questions and comments are valued

In 2010, SKAGEN will be launching its new website, which is the communication channel most clients use to find out more about the funds. Our aim is to create a forum to provide even better information and allow for dialogue with clients.

Last year's contrasts demonstrate how important information to clients is – providing commentary on what is happening and sharing our analysis of events. The new website will enable us to share this information to an even greater extent, both in written format and via interactive netmeetings and web-TV.

"Fund manager of the year"

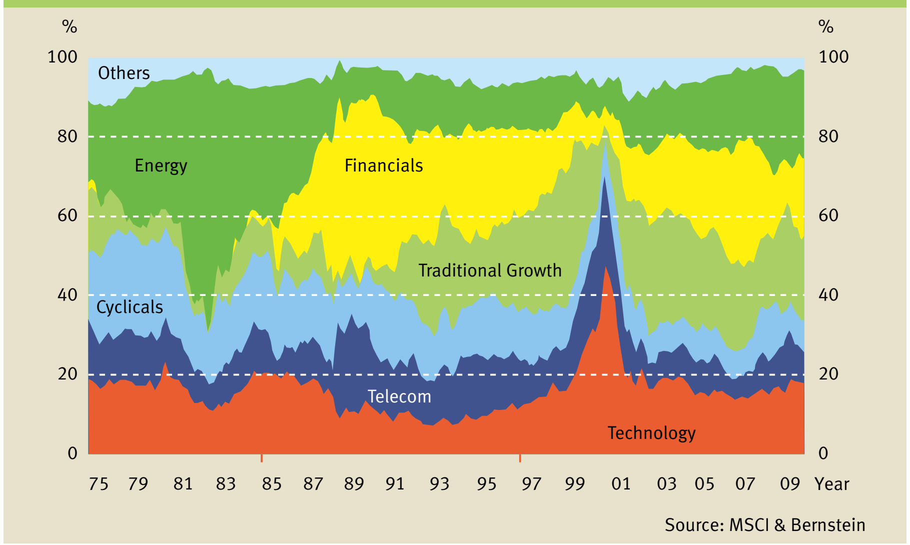
The subscription figures indicate that SKAGEN Funds has obtained broad international acceptance of its products. We are also gratified that SKAGEN Funds has been named Fund Manager of the Year by newspaper, Jyllands-Posten, in Denmark as well as by financial newspaper, Dagens Industri, and personal finance magazine, Private Affärer, in Sweden. In the Netherlands, SKAGEN was also elected best investment firm by a jury of finance industry professionals at the fund awards ceremony De Gouden Stier. The US ratings agency Standard & Poor's (S&P) this autumn confirmed that each of the three equity funds was to retain their highest AAA rating.

Market outlook 2010

SKAGEN believes that the investment prospects are good for our funds. The companies in the portfolios are priced low relative to expected earnings and equity. The interest rate level will remain low in large parts of the world and we expect to see a good growth rate worldwide for the global real economy going forward.

At the start of 2010 there seems to be a good balance between the various sectors. It is difficult to see bubble tendencies in specific sectors in the current picture, but history has demonstrated that new bubbles will always arise. SKAGEN continues to maintain the investment philosophy that has served us well since inception, and which has proved to be a good tool for navigating even during the recent substantial fluctuations.

NO BUBBLE TENDENCIES FOR THE TIME BEING



It is difficult to see bubble tendencies in specific sectors at present. History has demonstrated that new bubbles will always arise, for example in oil and energy in the 1970s and in IT at the peak of the dotcom bubble at the turn of the millennium.

A team of teams

The number of portfolio managers has increased over the past few years, but they still all sit around the same table. Despite there being more specialised portfolio management teams, they still work as one team.

Since 2006 SKAGEN's portfolio department has more than doubled in size on the back of an increased asset base and the company's international expansion. The natural progression stemming from this growth has been the formation of increasingly independent teams to look after our various equity and fixed income funds.

Due to this gradual and organic emergence of designated teams, it is worthwhile providing further insight into the workings and structure of the department.

In the same room

Since the early days of SKAGEN, the portfolio managers have chosen to sit in the same room, literally around the same table. This has proven to be beneficial and the success formula is now being replicated in an enlarged environment.

All the various members of SKAGEN's portfolio department, including all the portfolio managers and members of the mid office service, still sit around the same table in Stavanger, as they always have done, and despite the expansion of the department.

While this continues to be the case, the specific seating arrangement has undergone some changes over the past few years.

One might say that this is probably only to be expected as the SKAGEN Global team has grown from one to four members and the same is true of SKAGEN Kon-Tiki which now comprises three members. The most stable team is that of SKAGEN Vekst, which has consisted of the same two members since 2006.

In line with the growth of the portfolio department, the seating configuration has increasingly become more linked to the different funds. This means for instance that the SKAGEN Global team, including their designated trader, sits together and that the SKAGEN Kon-Tiki team, with all its members, is situated right next to them. The same goes for SKAGEN Vekst.

Organisation around the table

The top floor of the SKAGEN building in Stavanger, Norway, is dominated by the portfolio managers' table. The 20 desks are covered in papers, annual reports and other documents. The reason behind the decision to keep to one common table is a desire to facilitate communication and enable ideas and input to be discussed and shared more easily and on an ongoing basis.

– The organisation around the table and within the department is, and will continue to be, very important to us, says Kristian Falnes, SKAGEN's investment director and thereby head of the department.

– We are focused on keeping the open and stimulating atmosphere that has always been the norm.

«We are focused on keeping the open and stimulating atmosphere that has always been the norm.»

The endeavour to keep the information flow alive amidst expansion also manifests itself in other ways. One example is that the portfolio managers are among other things also evaluated on their ability to share ideas within the department.

It is no surprise to those who know SKAGEN well that the portfolio department has always been associated with a free flow of ideas and the ensuing debates.

One philosophy for all

At SKAGEN there has always been a team approach to research and investment ideas have been shared within the portfolio department. All research is conducted by the portfolio managers and not by a separate research department. Thus, the portfolio managers are actively involved in all investments and these are based on a common analysis platform and the SKAGEN philosophy that drives the research.

In line with SKAGEN's investment philosophy, which is covered elsewhere in this annual report, the portfolio managers focus on finding Undervalued, Under-researched and Unpopular companies. The main focus is on proprietary analysis with a primary emphasis on balance sheets and related valuation metrics, such as price/book, capital structure and ROE. Also as discussed on page 8 of this report, good corporate governance and ethics are important to us.


Investment director
Kristian Falnes

Portfolio manager
Beate Bredesen

SKAGEN Vekst team




Portfolio manager
Filip Weintraub

Portfolio manager
Omid Gholamifar

Portfolio manager
Torkell Eide

Trader
Chris-Tommy Simonsen

SKAGEN Global team



Portfolio manager
Kristoffer Stensrud

Portfolio manager
Knut Harald Nilsson

Portfolio manager
Cathrine Gether

SKAGEN Kon-Tiki team



Portfolio manager
Torgeir Høien
SKAGEN Tellus
SKAGEN Avkastning

Portfolio manager
Ola Sjöstrand
SKAGEN Høyrente
SKAGEN Høyrente Inst.
SKAGEN Krona

Portfolio manager
Elisabeth A. Gausel
Co-manager

Fixed income fund team

SKAGEN closely evaluates the corporate governance and ethical issues to safeguard the interests of our unitholders in the best possible way. The portfolio managers may therefore enter into dialogue with companies when necessary to reduce risk and increase the returns for the unitholders. The portfolio department has two people designated to follow up on issues pertaining to corporate governance and ethics. In short, we look for high quality companies with a low price tag.

Deliberating as a team

Even though each portfolio manager is individually responsible for his or her own ideas, the research and monitoring of the portfolios is a continuous process within the various teams. Still, the knowledge and information has little value if it is not shared and tested against the experience and intuition which is available within the department. The lead portfolio managers Kristian Falnes, Filip Weintraub, Kristoffer Stensrud, Ola Sjöstrand and Torgeir Høien have a key mentoring and monitoring role.

Most of the daily communication still happens in an informal manner, as an exchange and testing of ideas in the larger group. In addition, the various teams also hold separate meetings to further discuss the details of the fund and its holdings.

– The fine line between sharing ideas in a larger group and the need to focus on details in the respective teams is something that is worked on continuously, according to Falnes.

– It is a vital part of maintaining what has made SKAGEN.

SKAGEN's sole objective is to provide our clients with the best possible risk adjusted return by pursuing an applied value-based investment philosophy. The philosophy has not changed since the company started in 1993. None of this has altered, even as the portfolio department has grown from one team to several teams.

Ross Porter, Analyst

Governing the corporates

Poor corporate governance can be destructive to the valuation of a company over time. SKAGEN therefore closely monitors the corporate governance of portfolio companies in order to safeguard the interests of unitholders.

Good corporate governance is about companies following adopted laws and rules, and generally behaving to the satisfaction of owners, society and employees. Issues pertaining to corporate governance are of importance since we seek to provide our clients with the best possible risk adjusted returns. Our main focus is therefore ensuring that all shareholders are treated equally and that the management of a company works in the interests of the shareholders.

Own resources

SKAGEN has strengthened its corporate governance efforts in the past year. The equity fund teams have become bigger, and now have better research capacity and resources dedicated to working on corporate governance related issues in the portfolio companies. This includes practical issues such as considering and voting for or against a resolution at general meetings, but also analysis related to corporate governance in individual companies. As a member of EFAMA (the European Fund and Asset Management Association) our ambition is also to be involved in developing practices in this area in order to make corporate governance as effective as possible. In many countries, share ownership has become increasingly institutionalised, and it is important to ensure that this does not give management latitude to line their own or the majority owner's pockets.

Voting rights

SKAGEN will in general vote at all general meetings. The management company seeks to function as an active and responsible shareholder on behalf of unitholders, and this also entails using voting rights. When there are controversial issues at stake, particular attention will be paid to these.

Open process

We continuously document issues that have arisen and ballots where we have voted against the resolution proposed by the board in our market reports, status reports and on our website. It is important to be open about this part of the portfolio management process, so as to let unitholders know that we are working in their best interests in this area also.

Naked truth

In 2009, the preliminary outcome of the financial crisis emerged. The economic earthquake revived the corporate governance of many Western banks, but since SKAGEN had few holdings in this sector, these scandals had no direct impact on our share portfolios. It was perhaps somewhat surprising that it was the management of an Indian IT company that had been falsifying its financial reports for several years, and that two consumer product companies in the Balkans had been doing illegal lending and share trading in 2009. This was some of the naked truth that emerged about our portfolio companies in 2009.

Fictional accounts

2009 got off to a surreal start: on 7 January, the Chairman of the Board of IT consulting company Satyam Computers, Ramalinga Raju, resigned after admitting that the financial reports presented for the past three years were entirely false. It was not just a question of bad bookkeeping, but a total fabrication of customers, order reserves, cash balances and debt position. The cash balance of around USD 1 billion for example was nonexistent. On the day before the news broke, SKAGEN Kon-Tiki had a 0.9 percent position in this company. We have held on to our holding because the underlying operations are still valuable, and because SKAGEN is involved in a US law suit to see if we may be awarded damages. The share's price performance has been positive and is up around 380 percent since the bottom in January 2009.

The Balkans are burning

Balkan companies have a bad reputation when it comes to corporate governance. Pivovarna Lasko, a brewery group in Lasko, Slovenia, had a history of good corporate governance when we invested in it in 2004. This all changed in the autumn of 2007 when, through his company, Infond, financier Bosko Srot acquired control of the company and appointed himself as chairman of the board. The company illegally lent EUR 140 million to its majority owner, Infond, which was not reported. This was revealed in May, when Infond ran into payment troubles and later declared bankruptcy. Unfortunately, the whole amount seems to be lost for Pivovarna Lasko.

SKAGEN was involved in an extraordinary general meeting to try to get two new and independent representatives elected to the board and demand an investigation of the company. The majority was in favour, but the company declared the general meeting invalid because the shares owned by Infond were not allowed to vote.

At its current valuation, the company is among the lowest priced breweries in the world. With good margins in the domestic market thanks to its near monopoly, and good opportunities for expansion in South-Eastern Europe, this ought to be a promising investment for the years ahead. Currently, SKAGEN Kon-Tiki owns 5.8 percent of Pivovarna Lasko, which in turn constitutes 0.33

Strict checks going into the main office of Indian Satyam Computer after it became known that the company had been fabricating their accounts.

percent of the fund's assets.

Home field advantage

SKAGEN Vekst has a long tradition of getting involved in corporate governance issues in Norway on the unitholders' behalf. The most prominent corporate governance case in which SKAGEN has been involved on the Oslo Stock Exchange, was through ownership of some bonds in Crew Gold. These were purchased in the belief that the company's assets were worth more than the company's liabilities, and the bond holdings were purchased at "bankruptcy prices". In connection with a bond redemption that fell due in October, the board proposed converting parts of the bond debt at a price of around NOK 4.50 per share, and then heavily diluting the share capital through a share offering. SKAGEN considered this offer to be unfavourable for the bond holders (SKAGEN Vekst) and made a counter proposal whereby the bond debt would be converted to shares at a price of NOK 0.64 per share. When the majority owner did not make any more counter proposals and resigned as chairman of the board, this proposal was adopted and the bond holders took over 95 percent of the ownership of the gold company. If the gold price stays high and the company keeps its gold productions licence in Guinea, a restructured Crew Gold, of which SKAGEN Vekst now owns 6 percent, may be an attractive investment going forward.

Fund ethics

Fundamentally, good corporate governance is all about common sense. Our investment philosophy and process forms the basis for how SKAGEN picks its investments. Our ethical guidelines are therefore an active part of our fund management.

Based on our investment philosophy and active management style, we only invest in companies after having carried out thorough research based on our own analysis.

Our ethical norms and guidelines for the management of unitholders' assets are integrated into how we screen information, analyse companies, select stocks and manage values on behalf of our unitholders.

We do not invest in companies that deliberately breach basic human rights or damage:

- the local population
- the environment
- the chosen form of government in their home country.

We do not take unnecessary economic risk by investing in companies that through their activities may incur significant and unwanted liabilities or losses due to:

- health related claims
- deliberate legislative violations
- environmental abuse.

These issues will be considered as part of a thorough analysis that we make before we invest in a new company. In the evaluation of companies in this context, their intentions and plans shall count more than the companies' record. If it should become apparent that the funds are investing in companies that, in spite of intentions, are in breach of our ethical guidelines, the funds' holdings will be sold, but in such a way that any disposal does not forfeit values for our unitholders.

Harald Haukås,
Analyst

Risk adjusted return: What does it mean?

Through application of our investment philosophy, SKAGEN Funds aims to achieve the best possible risk adjusted returns for our unitholders. This may be achieved either by the fund losing less money in a falling market, or by making more money when the general price level is rising.

The term risk adjusted return is used when referring to the return achieved relative to the risk assumed. To be strictly correct, this is really an incorrect use of words, since all returns are actually risk adjusted, in the sense that the total return achieved is comprised of periods of both loss and gain. SKAGEN Funds uses this term to describe the relationship between risk and return because it is generally accepted.

If you use a set of numbers to evaluate whether the risk adjusted return is good, the risk is not always necessarily obvious from the numbers. In a way it can be compared to being a passenger with a reckless driver. You sleep during the whole journey, and arrive early and rested. You were exposed to great danger, but were lucky.

One experience from the financial crisis is that many people thought they could rely on numbers to give them a true picture of the actual risk.

High risk may result in large losses

In spite of the inherent weaknesses in the interpretation of numbers, the numbers do still provide information. If we assume very high risk, sooner or later it will lead to great losses. Any form of asset management that aims to achieve higher returns than the risk free rate of interest is inherently in danger of getting lower returns than the risk free alternative for short periods of time.

Hopefully, the short-term gains will be greater than the short-term losses, resulting in higher aggregate returns for the investment period than the risk free alternatives. The problem with being invested in the equity market is that both losses and gains occur suddenly, giving rise to a so-called ketchup effect. The diagram below shows which years have fallen victim to the ketchup effect in the past ten years, both in terms of short-term gains and short-term losses.

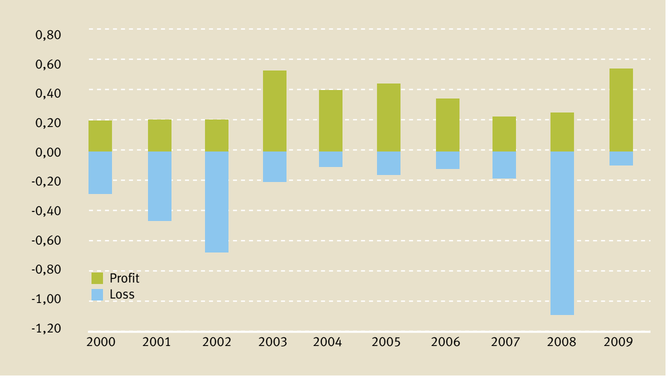
We will not go into detail about the interpretation of the numbers presented in the table, but simply establish that if the gains are greater than the losses, then the return is greater than the risk free rate of interest. The aggregate of gains and losses, in absolute terms, is a measure of total market volatility.

From the diagram showing short term profit and loss on the Oslo Stock Exchange you can see that the ketchup effect for losses was extremely large in 2002 and 2008 and for gains the following years. The short-term losses in 2008 were four times the "normal" size, and definitely the greatest we have seen this decade. Correspondingly, 2009 was the year in which gains were highest and losses lowest. This goes to show that the ketchup effect, for both gains and losses, was extreme in these two years of financial crisis.

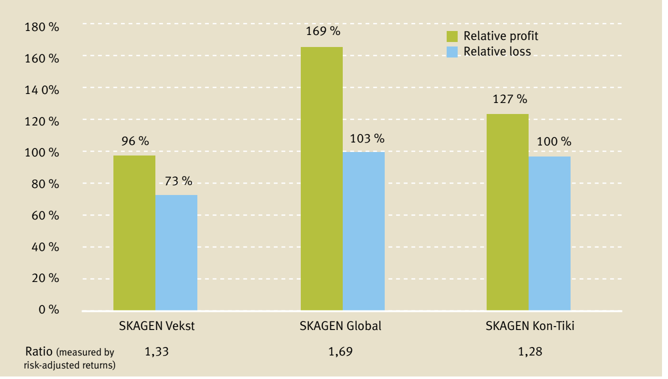
High risk adjusted return

When deciding whether or not our risk adjusted return is good, we primarily look at whether the short-term gains of the funds are higher, or whether the losses lower, than the benchmark's gains and losses in the same period. The ratios between the funds' and the benchmarks' gains and losses are called relative gain and relative loss. The diagram below shows the relative gain and

SHORT TERM PROFIT AND LOSS ON THE OSLO STOCK EXCHANGE



PROFIT AND LOSS IN OUR EQUITY FUNDS SINCE START



loss of our funds since their launch.

Numbers over 100 percent mean that the accumulated gains/losses have been greater for the fund than for the market (the benchmark), and vice versa for numbers under 100 percent. We can see here that relative to the high risk of the Oslo Stock Exchange (significantly higher than for the World Index), SKAGEN Vekst has considerably reduced its losses in the period. All excess returns that the fund has created are in the form of limited losses in times of falling prices on the Oslo Stock Exchange. At the same time, SKAGEN Vekst has over time managed to keep more or less pace with the Oslo Stock Exchange during booms.

SKAGEN Global and SKAGEN Kon-Tiki, however, have generated greater gains than their benchmarks during booms, whereas in falling markets the funds have had similar losses to the benchmarks. In other words, historically they have created their outperformance during times of rising share prices on the global markets.

For all three equity funds, we see that the ratio between gains and losses are significantly better than for the respective benchmarks, which again means that the risk adjusted return is also significantly better. The funds have also provided solid outperformance since inception, as demonstrated in the table illustrating average annual return.

Investment philosophy a winner

The most important reason for SKAGEN's good risk adjusted performance lies in our investment philosophy. We invest in companies with considerable scope for increased market value, but value adjusted balance sheets and liquidity have to be solid enough to enable the company to do (relatively) well during slumps. The precondition for an investment is that the company fulfils one or more of our three U's: Unpopular, Undervalued or Under-researched. However, in certain cases, we may also invest in companies with weaker balance sheets, but only when they have become so cheap relative to fundamentals that the risk is well worth taking.

One example of this is RCCL, the second largest cruise line in the world, which SKAGEN Vekst started buying in the spring of 2009. The RCCL share was valued at only 0.2 times book value, which was a historically low price tag for this quality company. In other words, you got a fleet of modern cruise ships for 20 percent of their book value – i.e. you only paid 20 cents for one euro. As noted, the financial risk was high, but operational cash flow was good enough to cover financial liabilities, even in the worst times of financial crisis.

Since it bottomed out in March 2009, the share price of RCCL has risen several hundred percent, and was one of the absolutely best contributors to the performance of SKAGEN Vekst in 2009.

Thus, even if a company has a relatively weak balance sheet, but good enough cash flow to survive serious economic downdrafts, it may also be included in the portfolio of our equity funds. However, the foundation for the portfolio is, and will always be, companies with solid balance sheets.

Lower risk as active managers

Another important principle for reducing risk is to not focus on the benchmarks. This means that unlike index managers we do not buy companies that are part of indices, just because they are part of the indices. We buy companies because we consider them to be good investments. When investing in indices you do periodically assume unnecessary risk, because the industry balance is compromised by speculative waves.

Traditional portfolio theory maintains that by investing in indices (the market), you avoid assuming so-called unsystematic risk (risk that may be diversified away). This is a theoretical assumption, and one that is not sufficient to actually explain reality. Thus, SKAGEN Funds is not afraid of taking so-called unsystematic risk, but we shy away from taking unnecessary risk.

Therefore, we never assume unnecessary risk that will result in either poor risk diversification in the portfolio or large losses that may be difficult to recoup, even over the long term.

ANNUAL AVERAGE RETURN SINCE START (EUR)

	EQUITY FUND	BENCHMARK INDEX
SKAGEN Vekst	17.2 %	9.5 %
SKAGEN Global	16.8 %	0.3 %
SKAGEN Kon Tiki	20.9 %	9.8 %

Knut Harald Nilsson,
Portfolio manager SKAGEN Kon-Tiki

Buying when no one wants the goods

SKAGEN's investment philosophy is fairly easy to describe, but difficult to implement with success. That is one of the reasons so few fund managers succeed in creating consistent excess returns over time.

Unique opportunities
Seen in retrospect, the first few months of 2009 provided unique opportunities to invest in cheap companies. And since unitholders in our funds were loyal and persevering, choosing to hold on to their fund units, we were able to take advantage of these opportunities.

An ideal investment in our equity funds is often Unpopular in the market, Under-researched and therefore often regularly Undervalued. We refer to these as the three Us. When a company is Unpopular, its valuation is often low. There are often good reasons why market participants are uninterested in a company, but we also find good examples of how the majority can sometimes be entirely mistaken.

We believe it is important to find good reasons why a company should be worth significantly more than it is. Otherwise we risk falling into so-called value traps, whereby a cheap company continues to be exceptionally cheap, with or without a visible reason. In order for an upwards valuation to occur, there must often be changes in the news picture, in other words, a triggering of catalysts. Realistic and price driving catalysts must be identified to avoid value traps.

Compensation claims mask values
Grupo Mexico is one of the world's largest mining companies. The company is a world leader in extraction of molybdenum, silver and copper, and has a solid position in gold.

In 1999 Grupo Mexico bought the hundred year old copper producer Asarco (American Smelting and Refining Company), an acquisition which was to a great extent debt financed, and then let Asarco continue its operations independently of Grupo Mexico.

Later, in 2005, Asarco voluntarily consented to a suspension of payments to be able to negotiate a final solution to the massive damages claims against the company. The claims were related to both the environmental impact of 80 mines throughout the US and the consequences of the use of asbestos in production. In the process, Grupo Mexico lost control of Asarco to creditors, while the claims for damages amounting to several billion dollars pushed the value of the company to rock bottom, leaving an unresolved black cloud over the company.

Why did SKAGEN invest in Grupo Mexico, and increase its investment throughout 2009? Because our analysis showed that the company was a good investment even taking into account the worst imaginable outcome of the damages claims against the company. Grupo Mexico was truly an extremely unpopular company. We, on the other hand, found a consolidated enterprise with extremely low pricing, opportunities to sell off the companies outside the core activity and good indirect exposure to rising commodity prices. In addition, we believed there was a good likelihood of Grupo Mexico being able to clarify its liabilities.

And so it ended: the company was able to buy Asarco out of the suspension of payments in December 2009 for USD 2.2 billion, which included paying the US authorities USD 1.79 billion to clean up the old mining facilities over large parts of the US. It is a substantial amount, but in the darkest moments, the Grupo Mexico share price had fallen much further than the worst outcome of the financial claims indicated.

As an investor you may refer back to the development of the Grupo Mexico investment in our Market Reports in 2009. "The discount to underlying value is now about 30 percent. It is highly likely that a solution will be found to the Asarco problem this summer and that the uncertainty and discount related to the case will disappear," wrote portfolio manager Filip Weintraub in Market Report 3 for example. At the end of last year we had significantly reduced our holding as Grupo Mexico is no longer trading at a discount. The company is looking forward to asserting itself as a world leading copper producer, and has risen 214 percent in 2009.

Russian mobile operators at the bottom
At the start of 2009 both Russia and Russian companies were very unpopular. The financial crisis hit harder there than anywhere else, and Russian companies with earnings in roubles felt the negative effects of having to maintain large loans in the more stable currencies, the euro and the US dollar.

Russian equities fell more than 80 percent from the peak in June 2008 to the bottom in January 2009. In the same period the oil price fell from USD 150 per barrel to USD 40, the Russian rouble collapsed and Russia became extremely unpopular and was perceived as "dangerous".

We went to Moscow on a fact finding mission in January last year, just before the market bottomed out. The pessimism was tangible among investors, analysts, companies and stock brokers alike. "No one wants to own Russia," stated one broker. But, wasn't all this negativity already reflected in the share prices? The Russian equity market traded at a discount of 50 percent relative to book value, compared to 2.2 times just

The Russian mobile phone operator MTS is one of several very profitable SKAGEN investments in Russia. A billboard in Moscow is shown in this picture. Photo: Bloomberg News

SKAGEN'S INVESTMENT PHILOSOPHY

SKAGEN's sole objective is to provide clients with the best possible risk adjusted returns by pursuing an applied value-based and active investment philosophy with broad mandates – a philosophy based on common sense.

SKAGEN's investment philosophy is based on investing in companies which are Undervalued, Under-researched and Unpopular; companies where we have identified potential triggers which may release hidden values and therefore create excess returns for our unitholders.

Applied value-based management
We rely on our own research and understanding of how values are created and retained in order to value company shares. What we like best are well-proven business models which generate good cash flow, and we believe that unpopular and under-researched or wrongly researched companies are often attractive.

Active management
Active management implies that portfolio managers may invest in a company based on its own merits; not because the company is represented in an index for example. We use common sense and long term thinking to try and avoid bubbles that arise when popular shares and industries are overpriced in relation to the company's fundamental value and earnings.

Broad mandate
SKAGEN's specialty is global investments. Where the company carries out its activity is more important than where it is listed. Our portfolio managers have the freedom to invest in industries and countries around the world, which reduces the risk more than if the investments were limited to a certain country or a specific industry.

Time horizon
SKAGEN seeks to be patient with its investments, allowing the philosophy to provide unitholders with results. Excessive changes in the portfolio can be detrimental to results. Our funds hold on to their company investments for 3-5 years on average. Results in companies are created over time, as are the funds' results.

How we create results
With its focus on values, the investment philosophy, combined with common sense, hard work and experienced intuition, has provided good results from a historical perspective. The basic principles in SKAGEN's investment philosophy have remained unchanged since the start.

seven months earlier. Mobile phone operator, MTS, for example, traded at below 2 times operating cash flow. Central government finances in Russia were strong and consumers had little debt.

At the start of the year we chose to invest further in Russian mobile phone operators, each of which lived up to our investment criteria. They have since become some of the absolutely best contributors in our equity funds in spite of the fact that the telecoms sector has been the weakest in the global emerging markets in 2009. SKAGEN Kon-Tiki and SKAGEN Vekst have been exposed to the sector via direct investments both in Vimpelcom and MTS, as well as an investment in the MTS parent company Sistema and an indirect investment in the Russian mobile market via Telenor.

From disappointment to positive surprise?
To demonstrate that it is neither easy nor a pure money spinner for an investor to put our investment philosophy into practice, we draw attention to Indosat. In 2009 it was a disappointing equity, in a disappointing sector. Indosat is Indonesia's second biggest mobile phone operator. After Qatar Telecom (owns 65%) bought two thirds of our shares at a good price, the development in the share price has been disappointing on the back of weak results. This is partly due to tough competition but also, we believe, due to the initiatives used by the new management to lay the foundations for a stronger, long term return on capital. Unprofitable and inactive customers are shown the door to free up capacity for good customers, costs are cut and the price strategy has changed. Even after a 20 percent reduction in the number of customers, the valuation of USD 170 per subscriber is among the lowest in the sector. This, together with a pricing of five times cash flow in a year of substantial restructuring, means that we believe Indosat may surprise positively this year. Expectations are not high either, with 15 negative or neutral recommendations from a total of 23 analyst recommendations.

It is important to see where the potential for the best risk adjusted returns can be found. In our opinion, it is often among the unpopular companies that positive news can support a 20 percent price upturn. If you are in these companies early enough, you may benefit from all, and not just part, of the upturn.

Kristoffer Stensrud,
Portfolio manager SKAGEN Kon-Tiki

A decoupled world – revisited

SKAGEN has on numerous occasions talked about a decoupled world. Early on in 2009 we saw diverging economic paths which signalled that a decoupling between the industrialised world and emerging markets was becoming a reality.

As early as the first quarter expectations in the emerging markets were pointing upwards. Throughout the year the stock markets remained well clear of the bottom of late October 2008 and ended 2009 with a gain of 73.4 percent. This was in line with the previous peak years of 2003 and 2005.

The target figures for risk in the emerging markets, both absolutely and relative to the developed world, also fell significantly. The interest rate differential between ten-year government bonds fell by two thirds, to 2.7 percentage points. This is the lowest level ever. And the price of volatility insurance more than halved in the emerging markets.

The real economy followed suit. In the second quarter we saw growth in demand, better industrial production and stabilisation of foreign trade. It was very encouraging that this only partially stemmed from the stimulus packages from the authorities. It was just as much the fact that private consumption increased substantially in important emerging countries such as India and China that buoyed.

The substantial drop in foreign exchange rates when investors fled to "safety" in the autumn of 2008, in the form of dollars and yen, also resulted in many emerging markets becoming extremely competitive.

Historic declines in inflation and interest rates

The low commodity prices provided a boost to private purchasing power, and countries such as Brazil and Turkey had historical declines in inflation and interest rates. This has broadly speaking resulted in a more harmonic economic development than we saw the previous decade when government housekeeping and competitiveness were key factors.

All in all many of the large imbalances in the world have been partially corrected, something that has increased optimism about the future. As a result it is not particularly strange that the emerging markets delivered one of their best years on record, and have largely regained the lost ground from the summer of 2007 and 2008. The industrialised countries are still some 30 percent below the previous high.

Fear and concern

Any contrarian investor, myself included, sees the development in 2009 and is filled with a certain amount of fear and concern. The money flowing into emerging market funds is at record levels and exchange traded funds are ballooning. An increased share of portfolios in emerging markets also seems to be the trend.

Stimulus packages and zero interest rates globally seem to have created new imbalances and this again creates new areas of friction for the development in the coming year. The strong gain for several emerging market currencies is one such area. The Chinese renminbi is still tied to a weak dollar. Brazil has introduced tax on exchanging currency. Several other countries are pondering similar measures, something that may end up with increased government interventions, increased inefficiencies in the economies and a risk of more protectionism.

As expected most people are probably asking themselves what will happen when the economic amphetamine of the stimulus packages becomes more rationed. Some of the effects are already visible. The Chinese stock market has developed relatively weakly in the past few months, and in line with the waning effects of the stimulus packages and more stock market listings.

Countries such as Brazil, Korea and India have also gradually started reining in their monetary policy as have industrialised countries such as Norway and Australia.

Must run on own steam

The new world order is of course that the emerging economies are propelled by their own strength as competitive producers and responsible consumers. At the same time the industrialised nations will still have to rely on their own productivity and not artificial stimulus that make households into bigger and bigger debt junkies.

The road ahead in 2010 therefore seems paved with greater risks than at the start of last year. For those of us that like low valuation this strong momentum in the emerging markets is less an opportunity than a threat. It is therefore important to evaluate whether the valuations increased too much.

Measured by historical earnings the valuations definitely seem high. On the other hand, this is counterbalanced by the good returns on capital and a strong earnings momentum, combined with low debt levels and thereby lower risk. Looking at valuations using more stable parameters, such as price to sales, we are still at the high end of normal, though not more so than in the summer of 2006.

For investors who follow the strong momentum which is now in the emerging markets, it should be pointed out that the aggressive upgrading of earnings estimates that

Asian consumers are spending more. The picture illustrates a potential customer at a Hyundai dealership in Seoul. SKAGEN Kon-Tiki is invested in the South Korean car producer. Photo: Bloomberg News

we saw in the summer and the third quarter has settled down considerably. This is due, in the first place, to the fact that rising local exchange rates will squeeze exporters' earnings. But maybe also because we cannot be sure that the stimulus packages have stimulated productivity as much as production.

Success can be a threat

Paradoxically enough success may be the largest threat in 2010, since the Anglo-Saxon economies may recover faster than is currently the consensus. At the start of January 2010 this may well be the case. In the US in particular the price of private property appears to have stabilised at the same time as unemployment seems to have levelled out. This may result in increased inflation expectations, rising commodity prices and possibly destabilising foreign exchange movements. These in turn could lead to increased uncertainty and greater risk aversion.

In contrast to what we saw at the turn of last year, low company valuations will not act as an airbag if things speed up too much. The continual flow of free money from the West may now move the emerging markets to bubble tendencies, which means continued good excess return in these markets for some time ahead. The consensus is still that the supply of free money will last longer than everyone thinks.

A global tightening of the liquidity will on the other hand yield larger effects in the emerging markets than in industrialised ones as the drop is greater. Significantly greater than one year ago.

Disadvantage that everything is moving at the same rate

One drawback to last year's globalisation and free capital movements is that all asset classes are moving at the same rate, but with different results. The lion's share of the investment flows seems to be managed by pressing the buttons which increases exposure when things are going up and reduces it when things are going down. This creates increased fluctuations in the short term.

Such an irrational course, which is not driven by values, may create opportunities for us – we may end up picking up all the babies thrown out with the bathwater.

Cathrine Gether,
Portfolio manager SKAGEN Kon-Tiki

Asian consumers open their wallets

It took a financial crisis for authorities in the East, led by China, to reduce the focus on export and concentrate their energy on their own consumption. An improved social safety net may be what it takes to encourage savings-oriented Asian consumers to open their wallets.

In the annual report for 2008 we expected Asian consumers to maintain a high savings rate for a good while going forward. The reasoning behind this was the weak social safety net in most countries, and the authorities' unilateral focus on exports.

One year on and we have the answer before us. The financial crisis, which resulted in a significant drop in demand from indebted western consumers, prompted the authorities in the East to act. Large-scale stimulus measures were directed at domestic consumption. The result was that Asians actually increased their consumption throughout the financial crisis. One example is the Chinese car market which, measured in the number of units sold, surpassed the US last year to become the world's largest.

With the first package of measures from the authorities aimed at improved public health and pension entitlements, as well as fine promises for the future, we are now seeing an entirely different picture of the world.

We may now be headed towards a paradigm shift, which may have important consequences – including for the outside world.

The Chinese in the driver's seat

Following the Asian crisis at the end of the 1990s, it was the robust US consumer who helped the Asians out of a deeper crisis. Ironically enough, it now appears as though the reverse is the case.

The US and Europe are struggling to get through their financial difficulties, while increased consumption among Asian consumers is in the process of really taking off. The Chinese are in the driver's seat.

Up to now, there has been a great deal of criticism from politicians and economists, directed especially at the Chinese authorities, since Asia has seemingly been too focused on exports. It appears that private consumption in China has dropped from over 45 percent of the gross domestic product in 2000 to almost 35 percent in 2008.

Taking into account the massive stress test that the Chinese were exposed to when the demand from the western world collapsed towards the end of 2008, China and the other large developing countries in Asia demonstrated an impressive economic strength in 2009.

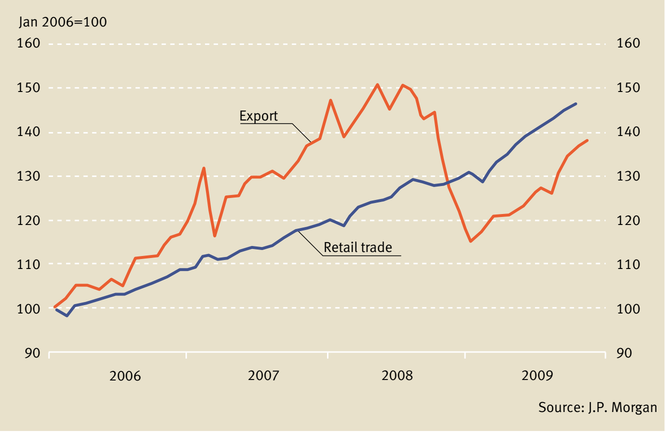
Much of the explanation for the rapid recovery is indeed down to increased domestic consumption.

Sell the most cars in the world

Last year car sales in China were up a whole 53 percent, based on volume. In the last quarter, growth was a formidable 87 percent, prompting China to overtake its big brother and the car's country of origin, the US, in terms of number of cars sold.

With regard to car sales measured in US dollars, however, sales in the US are still much higher than in China. While the average car in the US costs USD 30,000, the price in China is just over half that at USD 17,000.

ASIAN CONSUMERS SHOPPING LIKE NEVER BEFORE



Plunging exports: *While export from Asia took a nosedive in 2008, consumers have continued to spend money throughout the financial crisis.*

CONSUMPTION MOVING EASTWARD

Drop in the US: *While growth in consumption among Chinese households was strong also in 2009, here measured in dollars, Americans reduced their consumption significantly.*

Chaos reigned when clothes producer Abercrombie & Fitch opened its first store in Tokyo. The purchasing power in Asia has strengthened considerably over the past few years. Photo: Bloomberg News.

Obviously this is not just down to a generally higher cost of living in the US, but also to the fact that Americans still have a partiality to larger and more luxurious cars.

The trend for other consumer commodities such as PCs, refrigerators, cookers and washing machines, is fairly similar. Chinese consumers are consuming like never before.

The role of the Chinese should not be overstated however. China still stands for a relatively small share of the world's total private consumption – but for a substantial share of the growth.

Despite the fact that 50 percent of the world's population is made up of Asians, Asia's collective consumption, excluding Japan, represented only 30 percent of US consumption in 2005. Four years and one "Western" financial crisis later, the proportion has risen to almost 40 percent, and is increasing fast.

The trend is in other words clear: the Chinese are continuing to increase their consumption while the Americans are finally starting to save, as shown by the graph.

Rebalancing the economy

The Chinese crisis package launched in November 2008, in addition to other measures both before and after, points to the fact that China has now started to rebalance economic growth from extremely export-oriented to more consumption-focused. This also contributes to evening out the global imbalance, where China's export share has been too high. A similar development is also occurring in other Asian countries.

Several of the incentives in the Chinese stimulus packages directed at consumers have been relatively short sighted, however, such as subsidies and discounts on electronic items and small cars. This has of course contributed to lifting the strong consumer figures in Asia over the past year. Sceptics believe that when the measures are withdrawn, this will have a very negative impact on consumption.

SKAGEN believes that many people are overlooking the signals from the authorities given by these measures. The groundwork is being laid for an ever greater proportion of future economic growth to come from Chinese consumers. And the savings rate, which in 2008 was 32 percent of disposable income, will slowly but surely start to fall.

Improved safety net

The fact that the public social safety net is not yet satisfactory in terms of health and pension entitlements goes some way to explaining Chinese consumers' restraint and their high savings rate. A fundamental change seems to be occurring now, which many people have so far overlooked.

In April 2009, 850 billion renminbi (corresponding to around 125 billion dollars) was allocated to a new health reform in China over a three-year period. This is the first step towards the goal that all Chinese people should have access to the necessary health services by 2020. By 2011, 90 percent of the population should be the proud owners of health insurance. In addition, work is being done to set up a much-needed and trustworthy pension system.

If the Chinese start to believe that these measures will work, savings could drop and consumption increase.

A loan, what's that?

If consumers also start to finance their consumer related purchases and investments with more loans, the fun could really begin. The proportion of loan-financed car sales in China doubled throughout the course of 2009, to almost 25 percent. Credit card use increased throughout the first three quarters of last year by 40 percent.

Only one out of eight Chinese own a credit card, however, versus an average of two cards per inhabitant in the US.

A full wallet

Many good years of strong export growth have resulted in lower unemployment and higher wages among Asians in general, and a substantial increase in purchasing power.

The combination of population growth and a fast growing middle class in China may compensate for much of the weaker demand from consumers in the rest of the world.

Consumers in the West take it for granted that everyone has a washing machine, television, mobile phone and all kinds of other electronic gadgets. In Asia, these consumer goods are not common – and this means that the inclination to buy is high.

The process of reducing the savings rate and increasing consumption of both goods and services among Asians happens gradually, but has an effect on the entire global economy. As consumers' reluctance to take up loans wanes, it is possible to see the contours of a paradigm shift – in the not too distant future.

Consumption is moving from West to East, with ever increasing intensity.

Torgeir Høien, Portfolio manager
SKAGEN Avkastning and SKAGEN Tellus

The protectionists are coming

Since the dawn of time, economists have known that free trade is a good thing, and protectionism bad. Yet we could, during this period of global economic stress, run the risk of several countries adopting protectionist measures that will put a brake on the world economy.

Obviously protectionism is good for the shareholders and employees who are being protected, nobody denies that. The point is that the losses of those who are not allowed to trade freely are greater than the profits of the special interests being protected.

That the opposite is often argued only goes to show how much more important and simpler it is for the promoters of the special interests to put forward their point of view. It is easier for tomato growers to organise themselves than for tomato consumers.

Difficult times breed protectionism
Economists also know that bad times give rise to demands for protectionism. That is precisely what has happened in the current recession, and in many countries these protectionist demands have already been heard and accepted by the politicians. Since protectionism is not good for the economy, such developments could, at worst, result in a further deterioration of already bad times. At best they could mean it taking longer than necessary to recover from the recession.

It is particularly unfortunate when eminent economists, such as the Princeton professor, New York Times columnist and Nobel laureate, Paul Krugman, start taking the side of the protectionists. As he did in the New York Times in December 2009, by arguing in favour of a protective tariff on Chinese goods if the Chinese do not revalue their currency soon. I will return to China and their currency further on.

Logical flaw
The main argument of protectionists is that it is important to keep jobs at home, which of course sounds alluring. With unemployment at home, it is unnecessary to go abroad to produce goods and services for companies and households. An alluring argument yes – but still obviously, entirely wrong.

The point is that when we buy something abroad, we are not really paying with money. We pay with goods and services produced by us, that foreigners buy from us. So, each time we buy something abroad, we indirectly create demand for our own domestic labour.

Thus we create just as many jobs domestically whether we use our money abroad or at home. With the freedom to shop where we want, we are, in addition, able to use our labour most effectively.

Turning oil into cars
Let us take a simplistic view of cross border trade. You buy a car from overseas. "Money out of the country", says the protectionist. But what if the production of cars was as follows… Statoil pumps oil out of the North Sea which is then transported around the world in a Norwegian tanker. En route, the oil tanker is mystically transformed into a cargo ship full of brand new cars. Now, the protectionist is unable to protest. Your expenditure has turned into income for Statoil and the Norwegian shipping line. So, in fact, you have used the money domestically, and created a basis for valuable Norwegian jobs (admittedly, the crew is Filipino, but you get my drift).

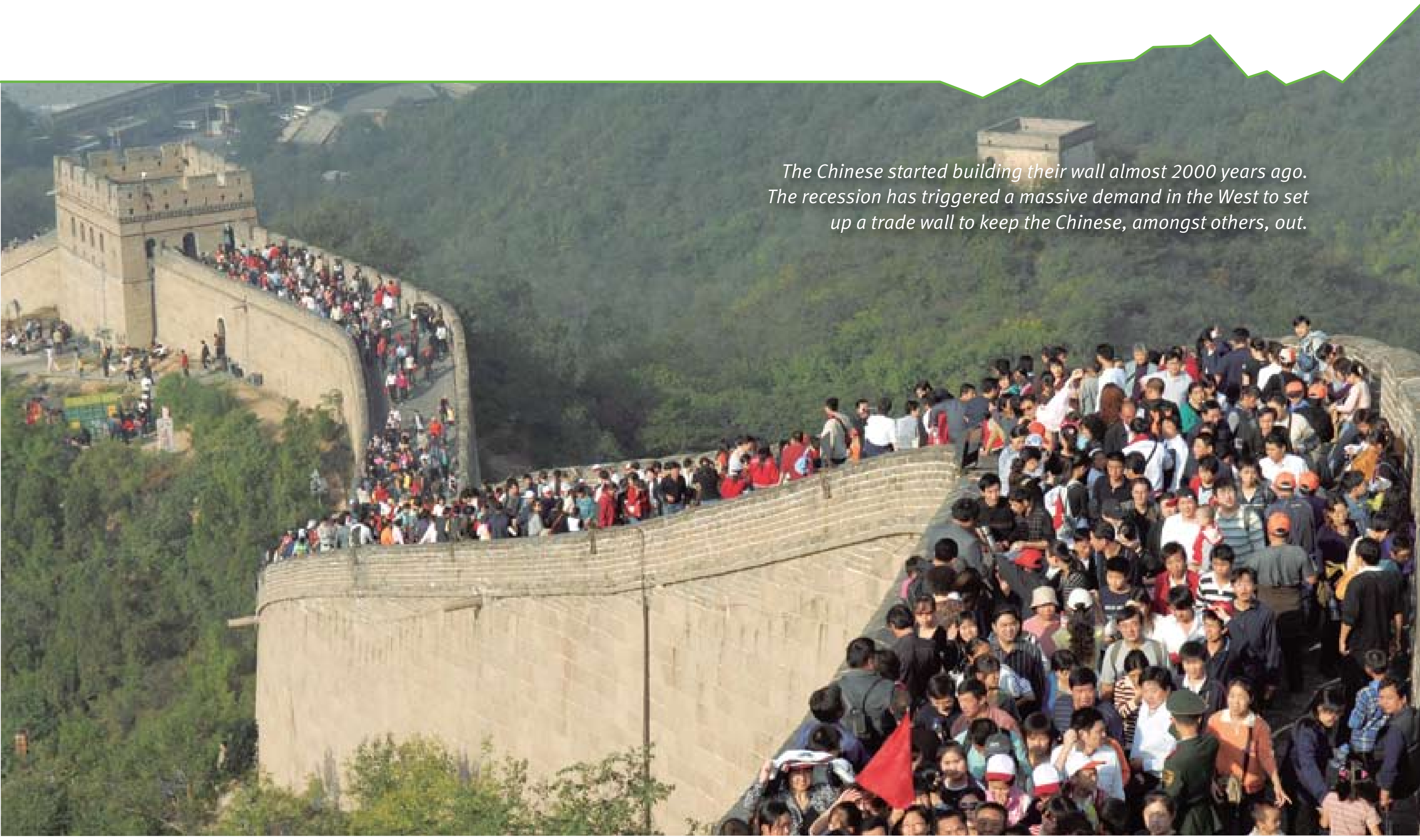
This simplistic story demonstrates that international trade is just a smart form of detour production. We are more efficient in producing energy than we are at manufacturing cars. Just like other countries have their strengths and specialties. Thus by exchanging goods at prices that both parties find to be in their best interests, we raise both our own and our counterparts' income further than if we were not trading goods.

Keynes did have some points
Some commentators argue that economic laws cease to function in times of deep recession. Instead they drag out the most vulgar, protectionist implications of the teachings of John Maynard Keynes from the 1930s.

I too believe that Keynes did have some good points, and that there are aspects of the current crisis that are best understood if we apply elements of his theories.

However, the argument becomes ludicrous when the only form of macroeconomic analysis is to add up private consumption, private investment, public demand and net demand from abroad – and in so doing believe that you have the whole explanation of what moves the world. Net demand from abroad equals exports minus imports. In such an overly simplified analysis, a cut in imports, all else being equal, means increased net demand from abroad. With higher aggregate demand from abroad, there will be increased domestic production and employment.

Not wallpapering their living rooms with Norwegian banknotes
The pitfall here is really the same as the one above. We tend to forget that foreigners do not wallpaper their living rooms with Norwegian banknotes. If they do not use the money directly with us themselves, then they will exchange it with someone who will, either by purchasing our goods



The Chinese started building their wall almost 2000 years ago. The recession has triggered a massive demand in the West to set up a trade wall to keep the Chinese, amongst others, out.

and services, or shares, bonds or property. This domestic income may then be used, for example, to build up the production assets of companies, and thus better equip ourselves for the future.

However, it can be argued that if exports are reduced, restructuring is necessary to build more production assets. In a situation where there are idle resources, would it not have been better to avoid such restructuring and rather produce as before?

Restructuring may be good

There are two counter arguments. Firstly, it is irrational to pretend that restructuring is a bad thing. That would kill productivity growth, and both wages and profits would stagnate. Secondly, if you have a situation, due to too low demand, of free capacity in the economy, you should instead use monetary policy to pump up general demand.

If monetary policy is used for all it is worth, with policy rates at zero and there is no sign of inflation – then you can supplement with some expansive financial policy. The point is that this helps the economy in the short term, without throwing a spanner in the productivity works.

Krugman is wrong

Back to the Chinese government. Paul Krugman and others who maintain that China has a grossly undervalued currency are entirely mistaken.

If a currency really is too cheap, then the domestic price level will start to rise. Imagine what would have happened to prices in Norway if the NOK exchange rate had been halved. Prices would have skyrocketed before you even reached the shopping centre.

Do they have high inflation in China? Not in the least. At the last reckoning in December 2009 consumer prices were 1.9 percentage points higher than a year ago. Core inflation was only 0.2 percent. The consumer price development does not indicate that the renminbi has been significantly undervalued. Inflation may well take off in future, and this is one of several factors which will probably result in the Chinese allowing the renminbi to appreciate again, most likely from mid 2010.

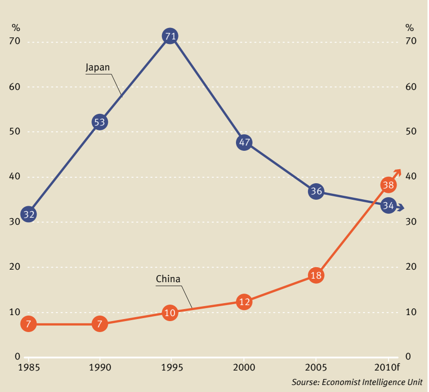
The world benefited from a weaker Chinese currency

You can in fact turn the argument around. I believe the Chinese, by pegging their currency to a dollar that weakened during 2009, have been party to stimulating demand in the Keynesian way. Not just at home, but also in the rest of the world.

Whereas the policy rates of the US and other developed economies reached zero, meaning that monetary policy could no longer be used to stimulate the economy, this was never a problem in China. Subsequently, China had the full impact of lower interest rates and a weaker currency. It is a well-known fact that China's GDP never contracted. The growth rate declined somewhat, but from very high levels (double digits). However, it is now once again full steam ahead for the Chinese economy. And the fact that the wheels are turning fast in the Chinese economy means that the economies of other countries are also pulled upwards.

As everywhere else in the world, China's foreign trade fell strongly in the autumn of 2008, but contrary to what we see in most other countries, China's foreign trade has recovered well. In December imports to China were a record high.

SECOND BIGGEST IN THE WORLD



Overtook Japan: *China has now overtaken Japan and is the world's second biggest economy based on GDP. Only the US is bigger now.*

Omid Gholamifar
Portfolio manager, SKAGEN Global.

Thinking about thinking

Many people like to speculate, literally speaking, rather than invest, thereby allowing the inessentials to influence their decision-making process.

It's amazing that many investors don't distinguish between fundamentals and expectations when it comes to investing. Instead, many of them love a good story, preferably with lots of anecdotes, or a good dose of conspiracy theories involving "them", a group of unidentified people who have supposedly rigged the investing game. In short, most investors literally like to speculate, rather than invest, allowing unrelated forces to interfere with their decision-making.

Some investors think that investing is about knowing something that the market doesn't know, thus having an informational edge. They invest money and time speaking to sources supposedly close to the company, trying to beat the gun by trading on information that they perceive isn't yet incorporated in the market price. This is indeed a lucrative exercise, in fact so lucrative that it's illegal (insider trading). And to the extent that it isn't illegal, it has by definition been disclosed to the market in a timely and orderly fashion, thus making it very unlikely that markets are unaware of it.

Herd mentality among investors
Generally investors read and listen to the same things, such as the Financial Times, Bloomberg and CNBC. So any potential edge must logically not come from different information per se but from an analytical process which weighs information differently, and more correctly, than the market. Simply put, one must compete where it isn't crowded, and with the seemingly short term data overload, one's focus should probably be on the long term developments of the companies analysed. The British economist John Maynard Keynes long ago called this "the state of long term expectations", and it leads us to some of my favourite investment fallacies.

Many investors don't comprehend this long term focus as they correctly point to its more uncertain nature compared to shorter term developments. What is the likelihood that Fiat goes bankrupt tomorrow? Not very likely. Now what is the likelihood that it goes bankrupt within five years? Not as unlikely! So uncertainty does increase as the time horizon widens. However, it is exactly this relative short term certainty which paradoxically makes it difficult to make money based on it in the market, as it is well-discounted in the stock price. An illustration: five seconds before the end of a marathon it's usually pretty clear to you who will win the race, but this fact is obvious to everybody else too, so good luck with finding counterparties who at that point consistently bet heavily against the almost certain winner. This illustrates the point of not distinguishing between fundamentals and expectations mentioned at the beginning of this article.

Not everything that looks "cheap" is cheap
Let's now assume that the investor thinks clearly about the factors above. How does he determine whether something is a bargain or not? Investors often rely on P/E metrics. However, for this metric to have any merit as a valuation tool, the company analysed must have very little leverage, no intangibles, and no minorities, no off balance sheet items, tempered growth, not have an accelerated depreciation schedule, not be subject to inflation, etc. In other words, the metric might be helpful in evaluating utility companies in certain countries, but not much else. More "sophisticated" investors use EV/Sales or EV/EBITDA, or similar metrics, to better cope with leverage, but these struggle with important concepts such as capital intensity, technological progress, tax rates, asset revaluations, revenue recognition, etc. As the effectiveness of the metrics used are more or less random, perhaps then there's little surprise that "value traps" (stocks that look cheap but are not) is a term often heard in value investing. Finally, some investors use every metric available to get a clearer picture of a stock's investment prospects, but this is clearly not needed as all of them aim at achieving the same thing (i.e. to tell us how much the company is worth), and should therefore provide the same answer. Seven distorted ratios don't make a right one!

The points made so far illustrate some of the fuzzy thinking that goes on within investing. Many investors are aware of some or all of the errors mentioned, yet keep on doing the same things because they aren't aware of any (simple) alternatives. This phenomenon is known as the availability bias in behavioural finance, and is in itself interesting as it illustrates how investors prefer to use a tool that is clearly wrong rather than none at all, revealing their self-delusion. As Albert Einstein said, insanity is doing the same thing over and over again and expecting a different outcome. Simply put, precisely because P/E and similar metrics are readily available, they cannot be effective tools since they are readily available to everybody else too.

"Smart" is not always rational
Contrary to common perception, studies show that clear and rational thinking isn't

Many people allow the inessentials to influence their decision-making process, writes portfolio manager Omid Gholamifar. Auguste Rodin's sculpture "The Thinker" is exhibited at the Royal Academy in London.

associated with what most people consider "intelligence" or "smartness" (remember the infamous Enron and LTCM?). The main reason for this is erroneous beliefs, which obviously obscure clear thinking. In fact, investors spend almost all their time gathering information (striving for the "information edge" mentioned above), which makes them appear diligent to superiors and certainly feels like progress ("he's wrong most of the time but he sure as heck works hard!"). This frantic activity however leaves very little time, if any, to think properly about the problems at hand – to figure out what is important – and therefore doesn't lead to better results. As an example, most investors categorise investments by industry, i.e. what the company does, rather than by business model, i.e. how the company makes money. Consequently misdefining Dell as a traditional computer company, Amazon as a retailer and Islamic finance houses as banks. The so called "diligent" investor is therefore likely to spend more time looking at relative valuation multiples within the banking universe than correctly characterising the Islamic finance business model, which is fundamentally different from banks, with its prohibition against paying and receiving interest.

To achieve long term success, investors need to spend much more time thinking about the origin, reasons and validity of their beliefs. In this endeavour, they might come across William K. Clifford, who in his essay The Ethics of Belief, argued that it was "wrong always, everywhere, and for anyone, to believe anything on insufficient evidence." He was countered by pragmatist-philosopher William James, who in his The Will to Believe argued that in some cases one was justified in believing something well in advance of what most people would consider sufficient evidence, echoing Blaise Pascal in his famous wager regarding the existence of God.

Under what circumstances may investors believe something well in advance of sufficient evidence? If the market is already pricing in that Fiat is going to be bankrupt in a few years, the investor might rationally buy shares in the company despite insufficient evidence that the company is going to survive. Only an investor who properly understands the distinction between fundamentals and expectations is likely to ever make this bet.

The key takeaway from all this is perhaps that successful long term investing is much more of a science than generally acknowledged. Analytical shortcomings and general investor biases are many times the origins of a failed investment, rather than any randomness inherent in the investment activity itself. To quote Albert Einstein again: "Everything should be made as simple as possible, but not simpler."

Kristian Falnes
Portfolio manager, SKAGEN Vekst

Normalisation gave strong recovery

SKAGEN Vekst's 2009 performance was its fourth best since launch, although the Oslo Stock Exchange did even better. This is in stark contrast to 2008, the worst year in the fund's history. If we take a look at the two financial years together, SKAGEN Vekst emerges ahead, beating the Oslo Stock Exchange by 7.4 percentage points.

After a dramatic 2008 for the global capital markets, the credit, bond and equity markets all returned to more "normal" levels in 2009. However, the start of the year was still characterised by non-functioning credit markets, record risk premiums in the bond markets and record low price to book ratios in the equity markets.

The normalisation process that took place from late winter onwards meant that returns for both equities and credit bonds, were, in general, formidable. The equity markets and sectors that fell the most in the autumn of 2008 became the winners of 2009. This was the case for the Oslo Stock Exchange.

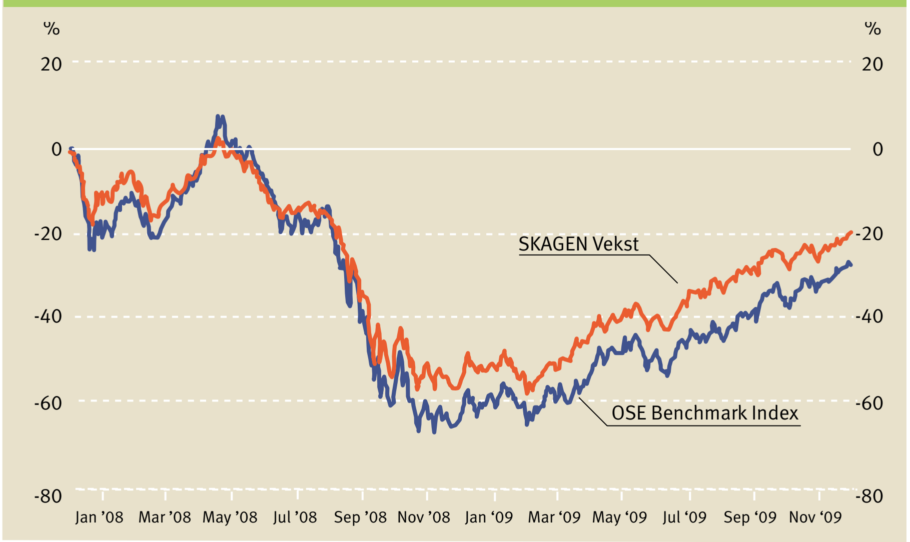
On an annual basis, the price appreciation for SKAGEN Vekst was 74.7 percent. By comparison, the Oslo Stock Exchange Benchmark Index (OSEBX) was up 94.5 percent, whereas the MSCI World Index rose 26.3 percent.

By looking at the two "abnormal" years of 2008 and 2009 together, one can clearly see how SKAGEN Vekst has handled the financial crisis. In this two-year period, the fund beat OSEBX by 7.4 percentage points.

The fund's risk, as measured by the standard deviation (price fluctuations), was also lower than the risk of OSEBX in 2009, 20.8 percent versus 21.8 percent. In all the 16 years since its launch in 1993, the price of SKAGEN Vekst has fluctuated less than that of the Oslo Stock Exchange, and the average annual return of the fund at the end of the year was 17.2 percent, versus 9.5 percent for OSEBX.

Oslo Stock Exchange not representative
The mandate of SKAGEN Vekst is to invest at least 50 percent of its assets in Norwegian listed companies, with the remainder in the global equity markets. At the end of the year, the share of investments in Norway was 55.7 percent.

SKAGEN VEKST VERSUS THE OSLO STOCK EXCHANGE DURING THE FINANCIAL CRISIS 2008-2009

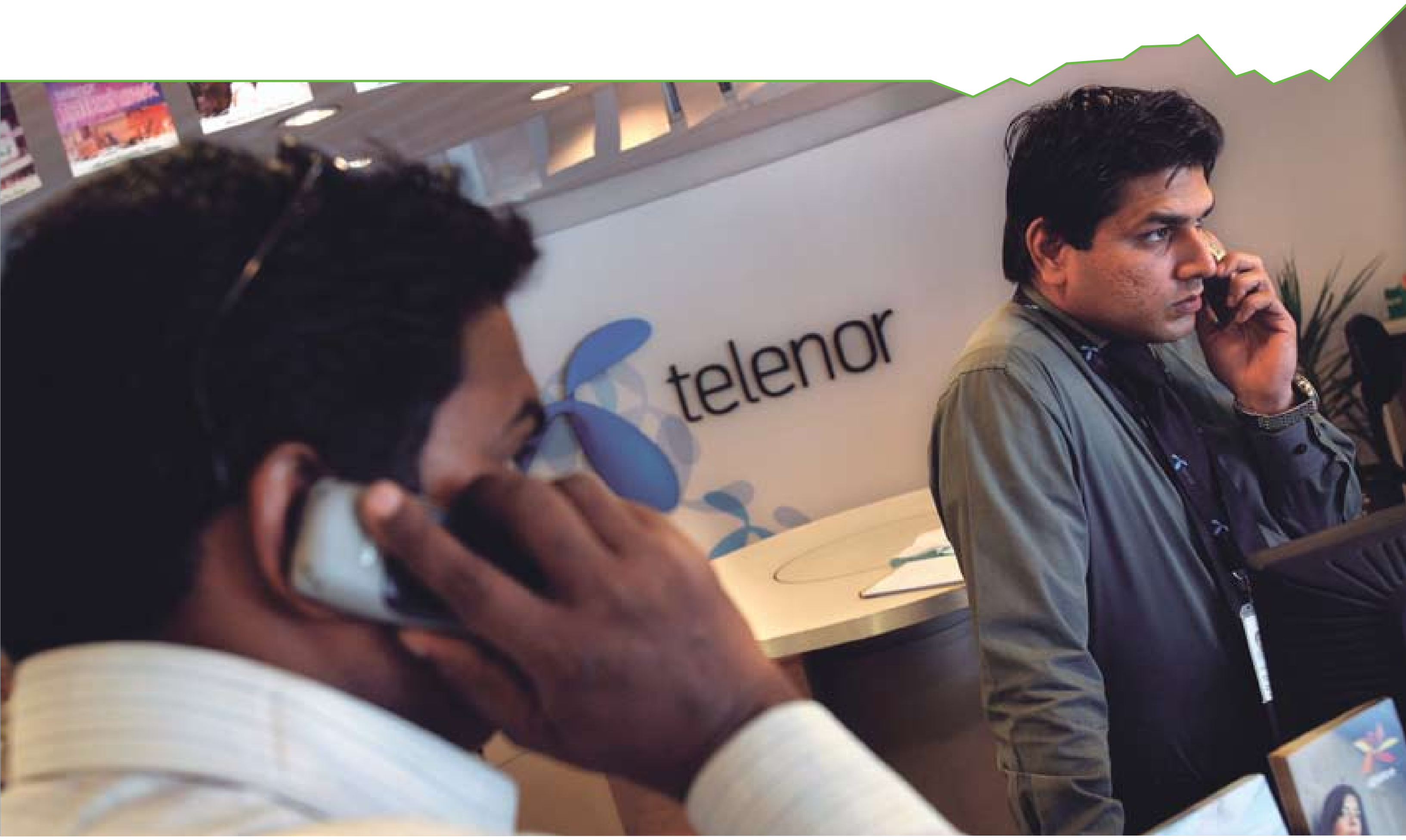


The fact that the fund's global equities did so well last year compared to the World Index, and vice versa in 2008, is a consequence of having invested in global companies in cyclical "Norwegian" industries. Companies that we consider more attractively priced than their Norwegian competitors.

As of 1 January, 2010, SKAGEN Vekst changed its benchmark from OSEBX to an index consisting of 50 percent OSEBX and 50 percent MSCI All Country World Index. This is done in order to better reflect the fund's mandate and its composition of Norwegian and international shares, (see separate article on page 38).

Telenor and three Russians
With a return of around 120 percent, telecommunications was the best performing sector in 2009. Telenor, and three Russian companies purchased early in the year, must be given most of the credit here. After the massive drop in share prices in the autumn of 2008 for emerging markets in general, and Russia in particular, the price tag of the three Russians hit rock bottom. Even though the price has doubled since we acquired the shares, we still consider the valuation moderate relative to the companies' current earnings.

Although we have been a shareholder in two exchange rockets, Photocure and Clavis Pharma, pharmaceuticals in general was the worst performing sector of 2009. The "credit" for this poor performance must be assigned to our main investment in this sector, namely Pfizer. Due to a weakened dollar, we were forced to register a loss on this investment, measured in NOK.



Telenor's risky bet on the large, but very competitive Indian mobile phone market (here showing Pakistan) was one of the reasons that Telenor was a very unpopular share in the winter of 2009. From the bottom until the turn of the year, the share has risen almost 150 percent. Photo: Bloomberg

With a single-digit P/E we still think the valuation of Pfizer is low. A low price compared to current earnings, combined with little confidence amongst investors in Pfizer's ability to develop new profitable drugs, may be a good point of departure for a revaluation and higher pricing of the company in 2010.

Energy largest, but far below the Oslo Stock Exchange
With a portfolio share of 28 percent, energy is still the largest sector of SKAGEN Vekst, but the share is well below the Oslo Stock Exchange where the energy sector comprises more than 50 percent of the stock exchange capitalisation, with Statoil alone representing around 30 percent. Thus, sector distribution in SKAGEN Vekst is more balanced than is the case for the Oslo Stock Exchange, and part of the explanation as to why the risk of the fund has been lower.

However, due to its large share of Norwegian equities, SKAGEN Vekst's weighting in the energy sector is relatively high compared with most global equity funds.

New energy companies purchased during the year included oil service companies Sevan Marine, Siem Offshore and Superior Energy Services, as well as oil company Norwegian Energy. In connection with the acquisition of Roxar by US company Emerson, our shares and bonds in the company were sold out of the portfolio. Due to the expected overcapacity of seismology ships in the coming year, we also sold all our shares in CGG Veritas, the seismology company.

Oil price up further
After a big drop in the oil price, from a peak of almost USD 150 a barrel in the spring of 2008, to a low of USD 37 a barrel at the start of 2009, the oil price doubled during the year. However, with increased demand from emerging market countries, led by China and India, the oil market is likely to remain quite tight in the coming year.

Even though the capital spending budgets of the oil companies have increased significantly in recent years, new capacity will probably not be able to make up for the depletion of many mature oil fields. Thus, we expect that the level of OPEC's free capacity will be lower in one year's time than it is today, and that will contribute to the maintenance of a high oil price.

Other commodities also rebounded with a vengeance
In step with a very good price performance for most other commodities, our commodity shares experienced significant price appreciation in 2009. However, Norske Skog was a notable exception, as the company is still struggling with a very poor market for newsprint, and had another poor year. Our largest investment in the sector is still fertiliser manufacturer Yara. We expect that increased demand from emerging markets will lead to rising fertiliser prices and significant profitability improvement for the company in 2010. At the end of the year, our bonds in gold producer Crew Gold were partly converted to shares in the company. Provided they are able to stabilise operations, with the current production capacity and gold price, the company should be able to generate good profitability in 2010.

Flying high with Norwegian
Within industrials, airline Norwegian Air Shuttle was the best contributor. South African construction company Aveng and Norwegian automotive parts manufacturer Kongsberg Automotive came in as new portfolio companies. In the latter we participated in a share offering that took place when the company needed to strengthen its balance sheet.

Kongsberg Gruppen is still our largest investment in this sector. The company has achieved commercial success for several of its defence products, and is sitting on a formidable order backlog. We think this more than compensates for falling sales within the company's maritime business, which is being affected by a significantly declining market for new offshore vessels.

Within discretionary consumer products, cruise line RCCL and Hurtigruten were the best contributors.

At the start of the year, we took part in a capital expansion for Hurtigruten, at the same time as we converted some of our convertible bonds to shares. Cost cutting and efficiency improvement measures have enhanced the company's profitability, but there is still room for more improvement. Together with better framework conditions after signing a new transport agreement with the Norwegian Government, the likelihood of Hurtigruten in 2010 being able to get closer to achieving an acceptable return on capital looks promising.

We have also increased our investment in RCCL in 2009. Even after a nice price increase for the share, we still consider the company to be undervalued, on the basis of the net value of the fleet and expected earnings going forward.

Good climate for bananas and salmon
Within consumer goods, we accepted an acquisition offer for our shares in Synnøve Finden. Our main investments in this sector are still banana and salad producer Chiquita Brands and salmon farmer Cermaq. As we wrote in last year's annual report, the companies' market prospects are constantly improving.

In the banana market, the 16 year old "banana war" between EU and Latin American producers is finally over. The special duty on bananas from Latin America has been removed, and more equitable treatment of producers is likely to have a positive impact on Chiquita.

Continued biological problems for Chilean producers coupled with healthy market demand, strengthen our belief that salmon prices will remain at a relatively high level going forward.

More property and bank
By participating in the capital expansions of Norwegian Property and Sparebanken Øst, we increased our holdings in these companies significantly. The offer prices were at levels we considered to be very attractive relative to company fundamentals. These investments also resulted in an increased relative sector share for banking and finance in the portfolio.

Although we did increase our interest in Sparebanken Øst, we are still cautious with respect to investments in the banking sector. From experience we know that losses tend to crop up late in the business cycle, and the repercussions after the financial crisis may lead to increased bank losses in 2010. In addition, there is a general demand for increased solvency in banking, both in Norway and abroad, which may also put a damper on return on equity going forward. We think it will be a long time before we again see the "breezy" pricing of bank shares that we saw in 2007, when most banks were valued at over twice book value.

No more crisis pricing
After the good price increases of 2009, the valuation of SKAGEN Vekst's main holdings is naturally enough not as attractive as the "crisis prices" we saw a year ago. Yet, we believe that a P/E of below 10 on expected earnings and a P/B of 1.1 is a decent starting point for good returns for our unitholders also in 2010.

However, expectations of returns in 2010 ought to be lower than for 2009, as the normalisation process in the wake of the financial crisis is now over and done with. Volatility in the equity market must always be expected. Significant price corrections are another "phenomenon" that occur at irregular intervals in the equity markets, and which equity investors will always have to put up with.

However, better economic conditions, driven by emerging market countries such as China, India, Russia and Brazil, act as a good starting point for positive earnings surprises, good value creation and, hopefully, rising prices for our portfolio companies, also in 2010.

Success with purchase of corporate debt

Last winter's financial crisis, with investors being forced to sell, broke the back of the bond and convertible bond market. We used the opportunity to buy up the debt of several companies, at prices we probably won't see again soon. Certainly, the risk was great, but the opportunities for returns justified the risk – and with a good margin. In aggregate, we invested around four percent of the fund's assets in such bonds. The fund's mandate allows for investing up to ten percent in unlisted shares, bonds or convertible bonds.

As the bond market normalised throughout 2009, we experienced in part formidable price increases on our investments. For example, the yield demanded by investors for owning a five-year bond issued by cruise line RCCL fell from 28 to 9.6 percent, and the price of the bond rose from NOK 45 to 87. In other words, a near doubling of our investment.

After the credit premiums returned to more "sensible" levels, we have chosen to sell most of our bond holdings. The Crew Gold bonds have been converted to shares, whereas we still hold bonds in Aker Exploration, Seabird Exploration and EMGS. In these cases we still see potential for good price performance going forward.

BOND TRADES IN SKAGEN VEKST IN 2009:

COMPANY	FACE VALUE	PURCHASE PRICE	SALE PRICE (VALUE AT YEAR-END FOR BONDS NOT SOLD)
Aker Exploration	NOK 10 million	50	90
Aker Exploration	NOK 18 million	84	90
Crew Gold convert.	NOK 42 million	17	60
Hexagon Composites	NOK 14 million	61	89
Marine Harvest	NOK 3 million	55	80
Norwegian Property	NOK 40 million	84	99
Roxar	NOK 10 million	68	100
Seabird Exploration	NOK 43 million	27	70
Royal Caribbean Cruises	USD 8 million	45	87
EMGS convert.	USD 4 million	100	110
Golden Ocean convert.	USD 10 million	26	84
I. M. Skaugen	USD 4 million	69	95
Northern Offshore	USD 5 million	40	97

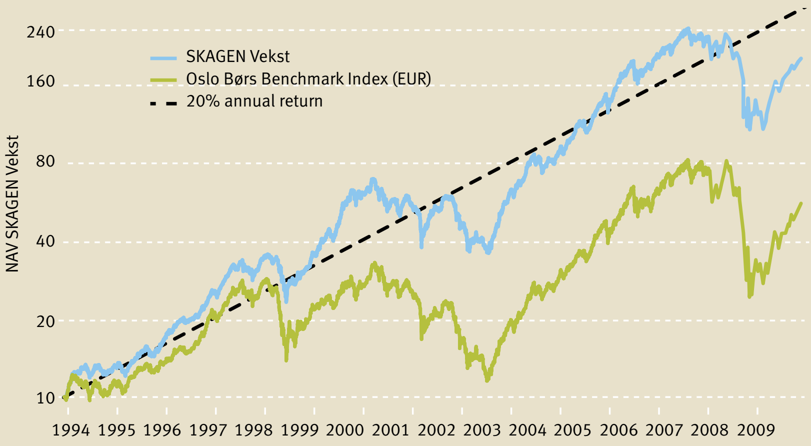
SKAGEN Vekst is an equity fund investing in Norwegian and international companies. A minimum of 50 percent of the fund's assets will be invested in Norway, whereas the remainder will be invested in the global equity market. This combination means that the fund may partake in value creation in sectors that are not available on the Norwegian market. The fund's objective is to achieve the best possible risk-adjusted return through an actively managed portfolio of Norwegian and international equities.

SKAGEN Vekst is suitable for investors who want an equity fund with a good balance between Norwegian and global companies. The fund has a broad mandate which gives it the freedom to invest in a variety of companies, industries and regions. By investing in both Norwegian and international companies, you get better diversification than in a purely Norwegian equity fund.

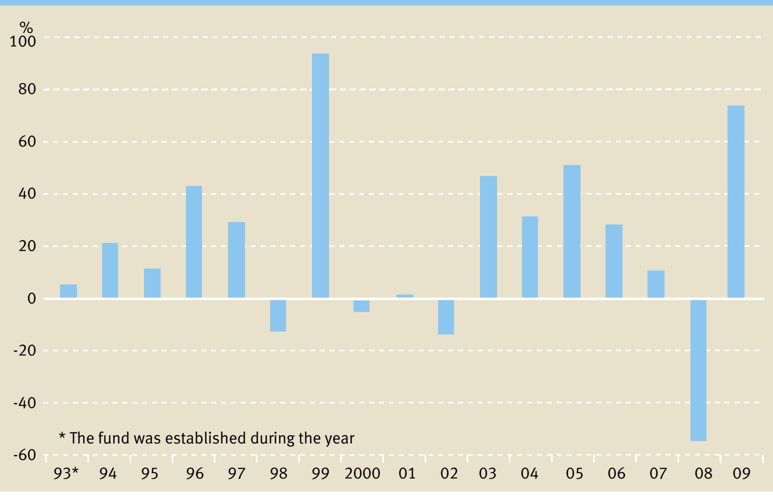
Year	Return on investment %	Benchmark index	AUM *	Number of Unitholders	TER %
2009	74,74 %	94,47 %	1249	93807	4,50 %
2008	-54,19 %	-62,65 %	628	88349	1 %
2007	13,31 %	14,96 %	1450	87559	1,26 %
2006	28,58 %	28,53 %	1424	74547	3,36 %
2005	53,02 %	45,09 %	1035	61792	4,50 %
2004	34,29 %	41,11 %	693	51781	3,45 %
2003	44,17 %	28,69 %	505	47334	5,82 %
2002	-14,47 %	-24,52 %	295	46153	0,86 %
2001	2,68 %	-13,18 %	325	46283	1,27 %
2000	-5,01 %	-4,45 %	321	44619	2,18 %
1999	94,67 %	60,09 %	293	38167	7,31 %
1998	-14,73 %	-33,14 %	111	19568	2,46 %
1997	28,57 %	31,17 %	111	13036	3,74 %
1996	43,31 %	36,07 %	59	6873	4,01 %
1995	14,87 %	11,75 %	25	4149	2,95 %
1994	20,16 %	8,05 %	15	1760	1,58 %

* In million euro

HISTORICAL PRICE DEVELOPMENT



ANNUAL RETURN



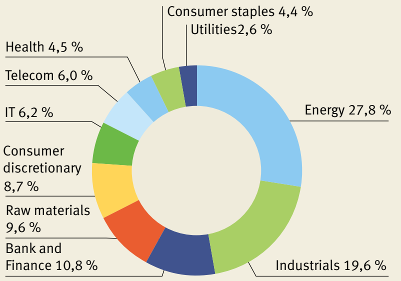
* The fund was established during the year

SKAGEN Vekst

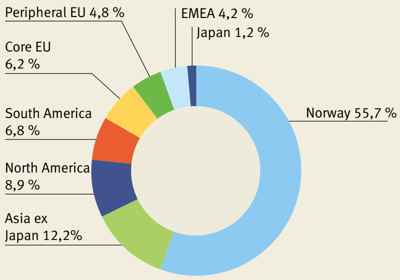
Handpicked for you

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	1175.86%
Average annual return	17.15%
AUM	EUR 1249 million
Number of unitholders	93807
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 and UK
Benchmark	OSEBX/MSCI AC (50/50)
UCITS fund	Yes
Portfolio Manager	Kristian Falnes

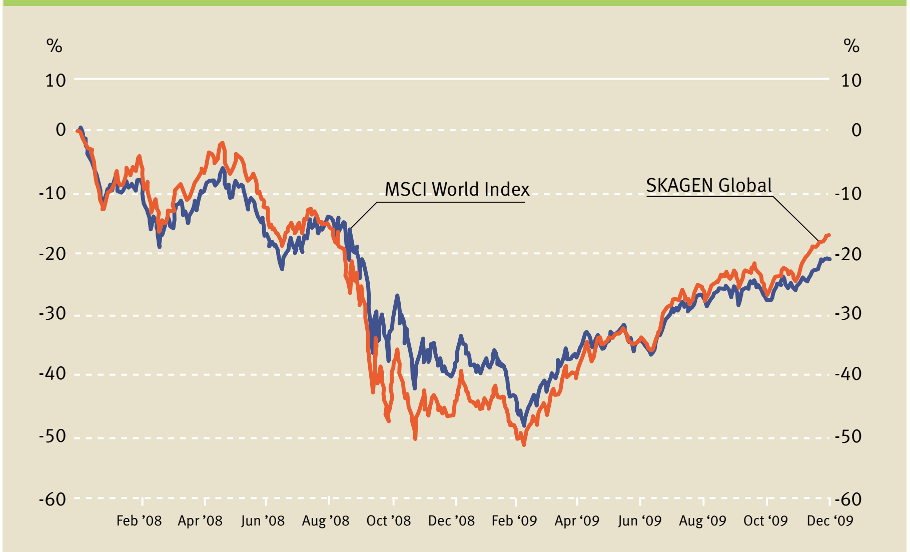
Filip Weintraub
Portfolio manager, SKAGEN Global

The philosophy paid off

The world started the financial year 2009 not long after the Lehman bankruptcy, the ensuing financial markets sell-off and the revival of the global banking system. As we wrote in the 2008 annual report, the aftermath was that things looked uncertain but also attractively priced, if not dirt cheap.

A correct definition of risk is the possibility of more outcomes than actually occur. Surely 2009 turned out to be much better than the worst possible scenarios.

SKAGEN GLOBAL VERSUS THE WORLD INDEX DURING THE FINANCIAL CRISIS 2008-2009



Hard to predict

Starting from the March lows we have seen one of the strongest market rallies on record, led by strong emerging markets, rising commodities, and companies with weaker balance sheets being re-valued after their near-death experience. Markets opened up for refinancing and volatility reverted to more normalised levels.

It is now increasingly clear that the world economy is on the road to recovery, thanks to decisive government responses globally such as zero interest rates, massive fiscal stimulus and the suspension of accounting standards in the financial sector.

Looking back, Yogi Berra seems to be right – "It is tough to make predictions, especially about the future."

Our value-based contrarian investment philosophy has yielded positive stock selection results in the past year. SKAGEN Global returned 48.8 percent in 2009. This is better than the MSCI World Index which returned 26.3 percent in the same period. The last decade, SKAGEN Global's annualised return is 8.3 percent while the world market "returned" -3.8 percent per annum. In absolute terms, the biggest contributors were Samsung Electronics, Eletrobras, Pride International, Banrisul and LG Corp.

Samsung Electronics doubled in local currency. We added significantly to the position just over a year ago and benefited from truly impressive 2009 earnings. Our unloved utility Eletrobras found some relief from political legislation and saw an increase in shareholder focus. Pride International gained on the back of an improving rig market as well as clearer company structure and strategy. Regional Brazilian bank Banrisul was revalued amidst industry consolidation, while LG Corp. rose on improved corporate governance, streamlining of group holdings as well as great performance from both its electronics- and specialty chemicals businesses.

No major losses

The fund's outperformance in 2009 was in no small part due to the absence of major losses. Ironically the largest negative contributor, Pfizer, was actually up 5 percent in local terms, but nominated in weak US dollars. Bharti Airtel was hit by a local price war, while Finnair suffered poor industry conditions and a management change. Baywa-Bayerische got punished for costly fertiliser inventories and a less clear strategy. The last of the laggards, Comcast, is in the unpopular cable industry and made an acquisition in the unpopular media industry.

In the course of the year we added 25 new positions. Some of these have already yielded good returns, such as healthcare company Fresenius and billing software provider Amdocs.

Fresenius is a healthcare conglomerate with leading positions in dialysis, German private hospitals and intravenous nutrition/medication. We bought the stock as investors avoided the healthcare sector this summer due to worries about US healthcare reform. We also captured a 10-15% liquidity discount and paid 10x earnings by investing in the

President Lula, employees in Petrobras and unitholders in SKAGEN Global had reason to rejoice over fantastic developments for the company and the share price. At the turn of the year the share price was so high relative to risk that the company was completely sold out of the portfolio.

ordinary share class. Given the growth prospects in intravenous bio-generics, nutrition and government reform in the German hospital sector, we see both undervaluation and triggers for a revaluation.

Amdocs is a billing software and service company focused on the telecommunication industry. Its products are critical for telecom operators with high switching costs. The stock trades around 11 times earnings and 1.5 times book value while being highly cash flow generative and overcapitalised. The stock is priced on the back of falling investments and revenues in the mature US market. We believe Amdocs is positioned to grow low double digits on a continued outsourcing trend and potentially new customers from faster growing markets around the world.

All the sectors were positive contributors to the fund's absolute return – the strongest were Technology, Financials and Industrials. The smallest contribution came from Telecom, Pharmaceuticals, and Consumer discretionary.

House cleaning

As the year progressed we did some house cleaning within energy. We continued to add to Pride International, Nabors and Mariner. Mariner is a medium sized, predominantly natural gas producer trading at 3.5 times cash flow; a replacement ratio of 150 percent despite a conservative exploration budget, as well as some large off-shore prospects. Over the summer we redeployed funds into Cliffs Natural. The company is a leading US and Australian iron ore producer with substantial coal activities. Cliffs Natural trades at a large discount to our estimated value of its 900 million tons in iron ore reserves, coal production and promising natural gas reserves. The company is a classic takeover candidate.

After a fabulous adventure in Petrobras – over 100 percent in 2008 alone – we eliminated the remaining position due to worries about development costs of the Tupi offshore oilfield in Brazil. Our less successful investment in Polish refining PKN Orlen, a much more political company than we had imagined, was also eliminated.

Ternium (+310 percent) and Grupo Mexico (+240 percent) within commodities were both revalued not only due to higher steel and copper prices, but the former very lucratively resolved the company's issue in

Venezuela and the latter regained control of subsidiary Asarco. Both positions were sold down, and Eramet and Boliden sold out.

Bunge was highlighted in the 2008 annual report, and the company was a good contributor in 2009 with a 24 percent gain. Despite credit issues being resolved in Brazil and improving grain prices globally, the company suffered due to a high-cost fertiliser inventory. Meanwhile, Bunge has continued its entry into the sugar market. It has purchased crushing capacity in logistically advantageous locations at prices of below USD 100 per ton versus greenfield costs of USD 130 per ton. Trading at below ten times 2010 earnings and about one times book, we have continued to add to the position.

Tyco International, also mentioned in the 2008 annual report, replaced Siemens as a top ten position. The majority of our holding was bought in February-April at USD 20 per share at a valuation of around 7x conservatively estimated cash earnings. This is exceptional for a company with leading positions in attractive end markets and turnaround potential. Management has shown great discipline in cost cutting and capital allocation during 2009, despite not firing on all cylinders. The outcome was a very satisfactory operational performance and reflective stock performance. The company should reintroduce its share buy back program and divest its non-fire and security related businesses soon.

One-eyed man among the blind

We sold most of our AirFrance-KLM position upon a mid-year share recovery because of longer term structural issues. This was done despite the company having an operational performance equivalent of "a one-eyed man among the blind" in the major airline industry.

Consumer discretionary was an eventful sector in 2009. After a doubling of the share price we sold our Peugeot position at a loss. We also eliminated our TUI position just before the corporate governance and financial issues went from bad to worse. The German government eventually had to help refinance the company – and we cannot wait to read the inevitable business case study. Fortunately, our loss was negligible.

Our new holding Metro, a Germany-based retail conglomerate, fared much better. The market has been jittery about Metro's Eastern Europe exposure as well as the company and its controlling shareholder's debt levels. Our analysis has shown that the company owns enough unencumbered real estate assets to stay out of financial trouble. Shares have risen from 34 to 43 euros, but an eventual restructuring and split of the company will yield higher value.

Based on attractive key figures we bought into the English chocolate manufacturer Cadbury immediately before the bidding war for the company began. A war which ended in a very sweet profit for us.

Newly bought holding and industrial company Toyota Industries owns 5.8 % of Toyota Motor Co. and 7.9% of automotive parts manufacturer Denso. These two assets alone are worth the equivalent of the entire company's market capitalisation. The company is a key supplier to its more famous relative Toyota Motor Co. In addition it is the world's largest producer of forklifts. The company will be a key beneficiary of the global economy rebound, both through its industrial activities and investment holdings.

An appetiser

We found dairy and milk producer Parmalat's valuation appetising. Since a 2005 re-listing the company has accumulated a very large cash position to be used for strategic acquisitions and/or returned to shareholders. The current management has done well restructuring the company over the past five years. We believe the operational developments are underestimated by the market. 2010 could also be a year of strategic change as the company's share control restrictions expire.

We bought shares in Cadbury at around £5.7 during the summer with the view that there was a potential 50% upside for the stock within two years. We sold our position at an average price of above £8 during the fourth quarter. In other words, it was a short but sweet delight for our unitholders.

Within financials, we have trimmed our holding in Cheung Kong, an Asian property and holding company. In addition, our Islamic banks Bank Asya and Albaraka Turk tripled their share prices in 2009 and our positions were reduced correspondingly. In the same sector we added to our holding in Kinnevik as it was beaten down at the time of our previous annual report. The main reason being the emerging markets' exposure of its primary assets: Tele2, Millicom and MTG.

Within Technology and Utilities we have trimmed down some great performers such as Samsung Electronics and Eletrobras due to their relative size in the portfolio. These are still holdings with solid upside and low valuations.

To sum up, 2009 was a decent year indeed. The world economy is clearly growing again, and at an accelerating pace in Asia. Stock markets are more expensive than a year ago and economic growth imbalanced, so more caution must be advised. However, the portfolio trades at a top ten median of 1.2 book and 2010 9.9 times earnings, a substantial rebate of 30 percent to world markets. In addition, our idea-generation yields a substantial number of interesting prospects for our long term investors. Thank you for your trust and loyalty.

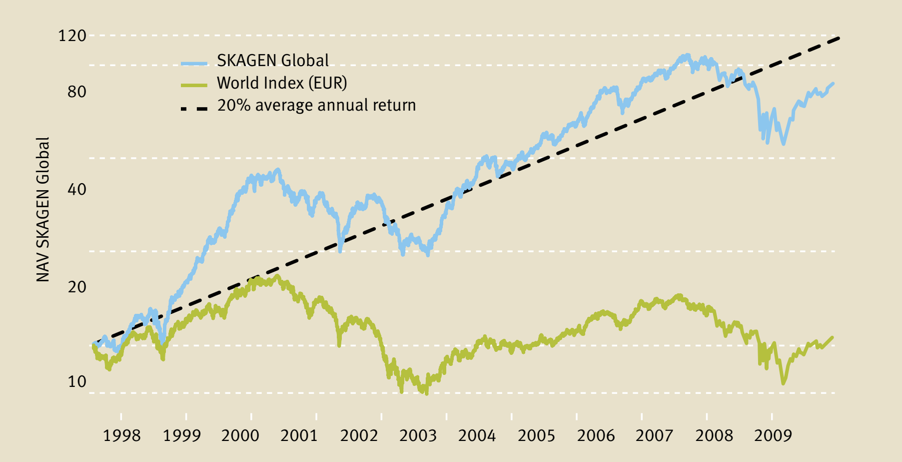
SKAGEN Global is an equity fund that invests in shares worldwide and thus provides a good spread, both geographically and across industries. The fund's objective is to provide our unitholders with the highest possible risk-adjusted return by actively managing a portfolio of international shares.

SKAGEN Global is suitable for investors who want to spread their investments around the world and attain diversification both in terms of geography and across industries. The fund is also suitable for those who are already invested in the Norwegian equity market, but wish to strengthen their portfolio and reduce their risk through a pure global equity fund.

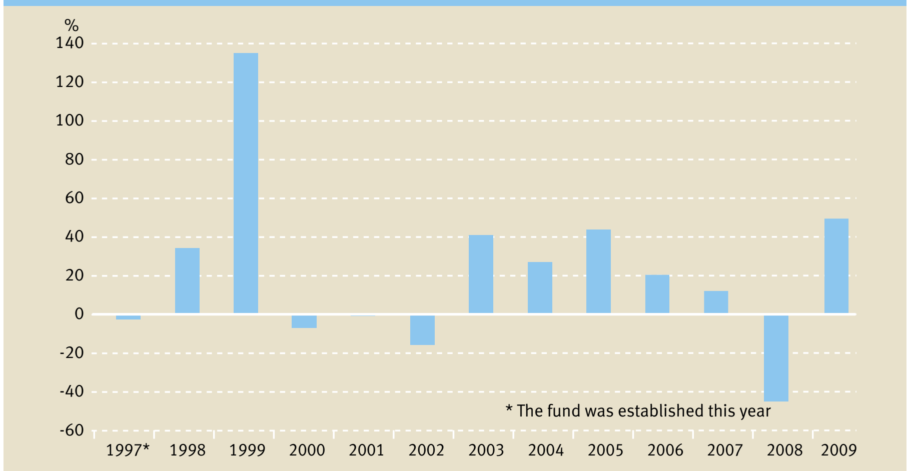
Year	Return on investment %	Benchmark index	AUM *	Number of Unitholders	TER %
2009	48,83 %	26,30 %	3738	36976	2.75 %
2008	-44,50 %	-37,74 %	2075	92046	0,96 %
2007	12,07 %	-1,70 %	3620	93097	2,41 %
2006	20,39 %	7,50 %	2689	77148	2,20 %
2005	43,67 %	25,84 %	1733	52715	2,42 %
2004	27,05 %	6,56 %	845	39971	2,88 %
2003	40,91 %	10,81 %	522	28772	3,49 %
2002	-15,76 %	-31,95 %	299	26465	3,06 %
2001	-0,88 %	-13,13 %	334	24767	2,25 %
2000	-6,90 %	-7,36 %	347	22093	1,74 %
1999	134,59 %	43,88 %	260	9983	5,68 %
1998	34,16 %	15,33 %	27	1017	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

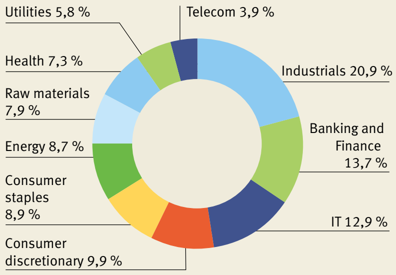


SKAGEN Global

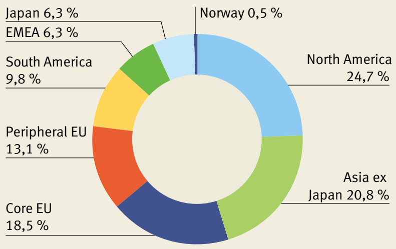
A world of opportunities

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	583.96 %
Average annual return	16.77 %
AUM	EUR 3738 million
Number of unitholders	96 976
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 and UK
Benchmark	MSCI All Country (in Norwegian kroner)
UCITS fund	Yes
Portfolio Manager	Filip Weintraub

Kristoffer Stensrud
Portfolio manager, SKAGEN Kon-Tiki

Back on top

2009 was another great example of how it pays to be true to our investment philosophy, even though the short term market may be against us.

The value of our portfolio of Undervalued, Unpopular and Under-researched companies increased last year by 91.7 percent and unitholders could be glad that the net asset value price levels were in line with the peak from the autumn of 2007.

By way of comparison, the emerging markets index was up 73.4 percent, and at the turn of the year was 21.9 percent below its previous peak two years ago. The World Index was at the same time 27.6 percent below its all time high.

2009 ended up being the best year for SKAGEN Kon-Tiki since the fantastic year of 2003 (up 75.6 percent) in absolute terms. Common to both these years was the fact that much of what was lost in the preceding sharp stock market decline was regained. The companies went from being exceedingly cheap to more normally priced.

SKAGEN KON-TIKI VERSUS THE EMERGING MARKETS INDEX DURING THE FINANCIAL CRISIS 2008-2009

Love can be found in darkness
As we mentioned in last year's annual report, we have a partiality to undervalued companies. These are primarily to be found in geographic markets where the short term picture for the real economy looks most bleak. This may of course be more or less justified, as we saw examples of during the two financial crisis years of 2008 and 2009.

In 2008, Brazil got a disproportionate beating. As did Russia, although this was perhaps more justified. There were, however, extraordinary opportunities for profit in both countries last year. This is also reflected in our results.

Last year we initially positioned ourselves carefully. We started with an overweight of undervalued defensive companies, as well as a large dose of preference shares with downside protection in the form of a good discount to the ordinary shares. Stable companies in consumer goods and telecommunications dominated in the first mentioned category.

Admittedly both preference shares and consumer goods companies gave us excess returns, but in retrospect we could have been more aggressive when it came to sector selection. We are not too concerned about this however. Regardless of which sector or country does well or poorly, it has been by picking the "right" companies that we have created good results for our unitholders over time. This is the way we will continue to work in the future also.

Reaching the stars with Pride and Seadrill
Within energy we achieved very good results. The main theme was oil service, and Pride and Seadrill were the winners here.

With an oil price down to the 30s at the start of the year, confidence in oil and offshore shares was low, to put it mildly, and both companies' share prices were pushed to rock bottom. In terms of fleet value, contract coverage and cash flow, the companies were record cheap. The price of Pride and Seadrill increased in line with the oil price and the companies ended the year with a surge of 166 and 254 percent respectively, measured in Norwegian kroner.

Even after last year's substantial climb, we still see good potential for both Pride and Seadrill. We deem both to be attractive based on their fundamentals, and there are still several revaluation catalysts which may take effect.

The Indian company Mahindra, which manufactures cars and tractors amongst other things, was one of the best contributors to SKAGEN Kon-Tiki in 2009.

Black gold in Africa
Our second theme last year, "Rise early, strike oil", was associated with investments in two exploration companies, Brazilian OGX Petroleum and Tullow Oil, which has its main operations in Africa. Both found substantial amounts of oil in 2009. There was an additional boost for Tullow Oil when the company's two partners in Uganda and Ghana came up for sale.

We have booked some profit, but note that both companies are well in the process of confirming their geological potential.

In addition, we sold out of China Oilfield and PKN Orlen, which have been the best and worst investments respectively in the fund's eight-year history. We used some of the realised assets invest in the Indonesian coal producer Indo Tambangraya.

Good in iron and copper – poor gold
Among the commodities companies, we reaped good investment results from iron ore companies Vale and Northland Resources. The latter has made great strides towards operational activity.

The biggest rise experienced in percentage terms came from the Canadian copper company First Quantum, which turned out to be one of the world's best shares last year. We added to our copper holdings by purchasing shares in Equinox Minerals, which is listed in Canada but whose main activity is in Africa.

The third theme in the energy and commodities sector last year was precious metals, which yielded excellent results in the form of substantial price increases for our shares in Ridge Mining. The company was merged with Aquarius Minerals, which has operations in both Africa and Australia.

South African gold producer, DRD Gold, was a disappointment last year. With the South African currency looking set to stabilise in 2010, the outlook seems better for the company which was punished on the cost side last year by a strong rand.

Industry and shipping were sector winners
Industry and transport, among the winning sectors in 2009, also got a lot of attention from us. At the start of 2010, it is the newcomers to the portfolio which characterise this sector for us. We invested in construction companies Aveng and Strabag, both of which are benefiting from high public investments. ABB also came in to the fold. The Swiss-Swedish company now has a substantial portion of its network orders from the global emerging markets.

Mexican industry conglomerate Alfa was an immediate success and our three Turkish construction conglomerates also experienced very good development.

Within shipping we exited Indian SCI, Golden Ocean and Green Reefers. New to the portfolio was Nordic American Tankers which has a fleet of 18 debt-free suezmax tankers which are all in the spot market. We bought shares in a period when tank rates were anchored down, and these types of shares were exceedingly unpopular among investors.

We also sold the shares we had in two Japanese conglomerates Toyo Kanetsu and Hitachi Ltd. Within aviation we doubled our holding in Thai Airways. Our investment in Norwegian proved to be an enormous success and we are now hoping for the same from our investment in Malaysian low price airline AirAsia.

The consumer was not dead
Also strong in 2009 was the consumer discretionary sector. Expectations at the start of the year were very low and valuations of the companies likewise. But consumers surprised with a desire to spend that no one predicted – well stimulated by the packages from the authorities.

The automotive sector therefore ended the year a winner against all odds. For the first time in history more cars were sold in China than in the US. The Chinese will not be looking back. Flat screen TV sales rose 30 percent in a sector which was also given good support by the generous authorities.

Our old investments in LG Electronics, but particularly in Indian Mahindra and Mahindra, gave very good contributions. In May we bought a significant holding in Hyundai Motors, and we increased the holding substantially in Chinese company Great Wall Motors. Both contributed significantly to the fund's result in 2009.

At the start of 2010, the valuation of our companies within the sector is still not discouraging. On the contrary, it appears that the development of energy efficient cars and appliances will continue to be strong. The central drivers are strong public support for private savings measures and still pent-up demand for consumer goods as a result of the financial crisis.

Russian supermarkets and Chinese vegetables

After a relatively good year for consumer staples in 2008, when everyone fled to so-called safety, 2009 was, in general terms, a disappointment. Our companies developed satisfactorily on the whole, however. Efes, Yazicilar Holding and PZ Cussons all contributed well to returns, as did salmon farmer Marine Harvest.

Newcomers to the portfolio were the Russian supermarket chains X5 and Magnit, as well as the Chinese vegetable producer Chaoda Modern Agriculture. After a fast and pleasant journey, X5 was sold in the course of the year. We also invested in the Malaysian palm oil producer Kulim, and Brazilian sugar and ethanol producer Cosan.

All of our large pharmaceutical companies developed well in a sector that was rather weak globally speaking. The winners in our portfolio were China Shineway and Turkish Eczacibasi. Substantial revaluation and hopes about restructuring were the respective price drivers for the two companies. A new company is the German Stada Arzneimittel, most of whose products are manufactured and sold in Central Europe.

African financial exception

Collectively speaking, the financial sector contributed very well. The two largest contributors were our Brazilian savings bank, Banrisul, and last year's banking winner, Standard Chartered. Our other stock exchange and capital market related holdings also performed very satisfactorily.

The exceptions were our African banks, Ghana Commercial and Diamond Bank, as well as Egyptian newcomer, EFG Hermes. The latter's field of activity is primarily within the capital markets in the Middle East, which was effected by the Dubai crash at the end of the year.

Another newcomer is Thai consumer finance company Tisco. We sold the remainder of our 2008 success stories, namely the Brazilian savings bank Banco Nossa Caixa, as well as our stake in the East European property company Graphisoft Park.

Samsung still most important – collision in India

Within information technology and for the fund as a whole, Samsung Electronics is still our largest and most important investment. The company's share price development was good, in fact a good deal better than LG Electronics which is our other Korean stake in the same sector.

The market for memory chip technology looks promising at the start of 2010. The financial crisis has meant that capacity growth over the past two years has been moderate. We are now seeing the possibility that 2010 may be a repeat of 2004 – when return on capital was record high.

At the start of the year we were hit by our investment in Indian Satyam Computer Services, where the disclosure of inflated accounts and disloyal servants sent the share price into free fall. The company now looks to be safely positioned under the Mahindra group's protective wings. We therefore remain hopeful.

Poor dial tone in India – top in Russia

Telecommunication was the weakest sector in the emerging markets, which was also reflected in our fund. Our investment in Bharti Airtel was hurt by the strong competition in the Indian mobile phone market, in which Telenor has also announced its arrival. Weaker expectations of future earnings resulted in a lower pricing of the company.

Whether the Indian mobile phone market grows strongly enough to provide a profitable living for all remains to be seen. As a large local, solid and well-established actor, however, the groundwork is laid for Bharti to emerge a winner out of the war.

The fund's winner in 2009 was the Russian holding company Sistema, which is the largest owner in the mobile phone company MTS. The company has taken advantage of the bad times for the oil sector to take the Bashneft oil group under its wing at a good price.

We sold a significant part of our holding in Indosat, our third largest company in the sector, to Qatar Telecom at a solid premium relative to the market price. We have subsequently bought most of this back again, but at a lower price.

Eletrobras pays off again

Within utilities, Eletrobras is our only holding and the company did not disappoint this year either. In the autumn we increased our holding significantly and in December three of our total of eight triggers for the company were activated; a loss Eletrobras had previously made in connection with its operations in the northern region were covered, the subsidiary was refinanced and the company was better paid for nuclear power.

Eletrobras continues its long march towards the private sector, now with a result which is two to three Brazilian reals higher than in previous years. Although the company's return has been good year after year, there is still good upwards potential for the share price before the price tag starts to approach the level that corresponding companies are priced at globally.

Price triggers in 2010 may be underlying earnings from old contracts which will first show up in the accounts this year, a solution to the dividend payment on ordinary shares and a renewal of licences. With regard to the latter, the outcome of the coming presidential election will be important.

A way to go before bubble-land

At the beginning of January, SKAGEN Kon-Tiki passed its previous high from the autumn of 2007. It is interesting to see what has happened in the meantime. Two years of good economic growth in the emerging markets have made the companies significantly cheaper than ever. A sharply falling global interest rate level has also resulted in a lower required rate of return.

There is therefore some way to go before we reach bubble terrain. But be on your guard; keep at all times a watchful eye on the valuation of companies based on important key figures.

It is also reassuring that the largest holdings in SKAGEN Kon-Tiki are still priced at a significant discount relative to both the emerging markets and the price tag of our own companies at the previous peak two years ago.

2010 should therefore provide acceptable results for SKAGEN Kon-Tiki's unitholders, with all possible reservations with regard to the factors we are not aware of today or that we have no control over.

SKAGEN Kon-Tiki is an equity fund that must invest at least 50 percent of its assets directly in global emerging markets. Up to 50 percent of the assets may be invested in markets that are included in the MSCI World Index. The fund's objective is to achieve the best possible risk-adjusted return through an actively managed portfolio.

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

SKAGEN Kon-Tiki

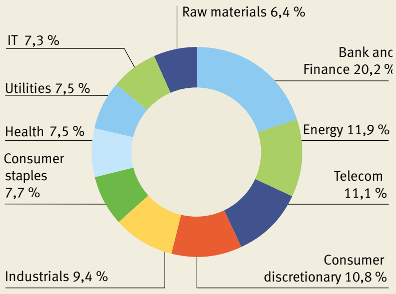
Leading the way in new waters

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

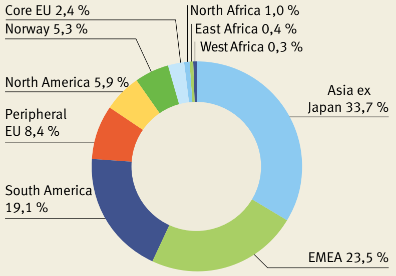
Year	Return on investment %	Benchmark index	AUM *	Number of Unitholders	TER %
2009	91,74 %	73,44 %	3986	74443	3,26 %
2008	-47,96 %	-50,99 %	1245	64799	3,01 %
2007	26,87 %	25,67 %	2516	59770	2,56 %
2006	19,11 %	18,34 %	1693	44692	2,52 %
2005	64,36 %	54,02 %	1097	29553	3,16 %
2004	35,00 %	16,62 %	392	16259	3,95 %
2003	75,63 %	29,72 %	204	9835	3,85 %
2002**	-26,15 %	-29,88 %	34	4190	3,89 %

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

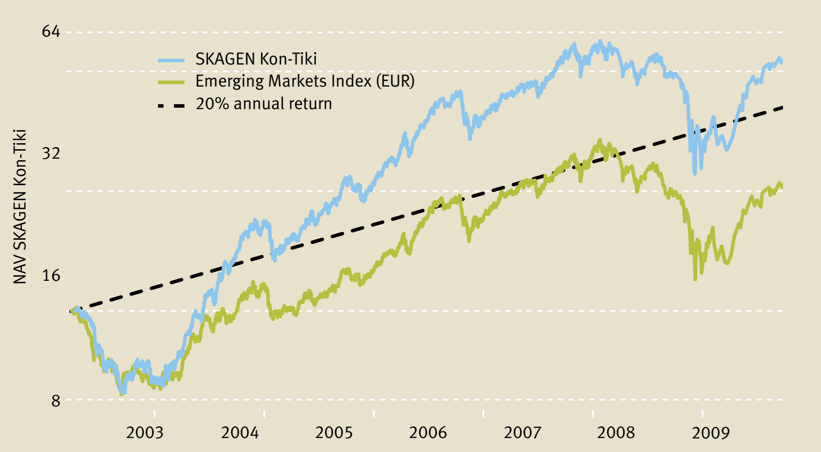
SECTOR DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION



HISTORICAL PRICE DEVELOPMENT



ANNUAL RETURN

Fund start date	5 April 2002
Return since start	333.97 %
Average annual return	20.88 %
AUM	EUR 3986 million
Number of unitholders	74 443
Management fee	2 % 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 and UK
Benchmark	MSCI Emerging Markets Index (in Norwegian kroner)
UCITS fund	Yes
Portfolio Manager	J. Kristoffer Stensrud

Torgeir Høien
Portfolio manager, SKAGEN Avkastning

Made a comeback

After a bad year in 2008, SKAGEN Avkastning got its own back in 2009. We finished the year with a return of 26.0 percent for the fund's unitholders.

That was 4.2 percentage points better that the fund's benchmark, which comprises government bonds with an average of three year residual maturity.

Whilst most of the portfolio is invested in safe Norwegian banking securities, a smaller portion may be invested in foreign government bonds that we consider to be undervalued. Throughout the year, the foreign investment share has remained around 20 percent.

In 2009, all foreign investments were hedged back into NOK. The effect of hedging is that if the NOK exchange rate strengthens, as was the case in December, this will not have an unfavourable impact on the fund's net asset value in NOK. And vice versa if the NOK exchange rate weakens.

Short Norwegian securities

We have chosen a low duration for the Norwegian part of the portfolio. At the start of 2010, the duration is 0.16 years, i.e. a little less than two months to maturity. In order to achieve this short portfolio duration, we buy fixed income securities that have both floating interest rates and short maturity. A floating interest rate means that it is adjusted quarterly according to the current 3 month NIBOR.

We have selected this low duration because we believe it is highly likely that the Norwegian central bank, Norges Bank, will raise policy rates faster than the rates priced into the long money market rates. The recession has been mild in Norway relative to most other countries, and as we all know, Norges Bank has already raised interest rates twice. Latterly to 1.75 percent. Australia and Israel, two other industrialised countries that also experienced a mild recession, have, like Norges Bank, started to normalise interest rates. The central banks of these two countries have already increased policy rates three times.

With a short portfolio duration, it takes very little time before an increase in money market rates affects the yield on the Norwegian securities of SKAGEN Avkastning. At the turn of the year, the direct return on this part of the portfolio was 2.3 percent. With a 3 month NIBOR of 2.19 percent, we expect an increase in the direct return on the fund's Norwegian securities throughout 2010.

Inflation protection did not pay off

We have divided the foreign portion of the portfolio into two types of investments: inflation linked government bonds in the developed part of the world and "pure" government bonds in the emerging markets.

Throughout 2009 we had three different investments in inflation linked government bonds, issued in the US, Japan and Greece. With an inflation linked bond, the principal, and thus interest payments, is adjusted according to changes in the consumer price index.

We achieved a positive return on our investments in Japan and Greece. However, US inflation did not develop as expected, and the increase in the long interest rates at the tail end of the year made the return on this investment approximately zero.

It is widely known that Greek government debt took a beating in December. We sold our Greek bonds just before the government debt was downgraded. We also got rid of the Japanese bond.

Good performance in emerging markets

The other part of the fund's foreign portfolio is invested in emerging market bonds. Here our bonds generally performed very well. We achieved our best return on the Turkish bond, but investments in Brazil and Hungary also provided good results.

The Brazilian government bonds were sold towards the end of last year. The reason was two-fold; firstly, we had achieved a nice profit; secondly, and more importantly, we were not able to currency hedge this investment. The strategy for the fund is now that all investments outside Norway must be hedged against Norwegian kroner.

We think there is more to be gained on our bonds in both Hungary and Turkey, and they remain in our holdings. In addition, we have a minor position in South Africa, whose government bonds we believe to be undervalued.

Working towards four percent a year

With respect to prospects going forward, we are now working towards meeting our objective of achieving a return of approximately four percent per annum measured in NOK. The basis for our objective is a gradual achievement of the target prices we have for the foreign government bonds and a cautious increase in money market rates here at home in Norway.

We cannot, however, provide any guarantees. The fund's unitholders must be aware that there is risk associated with investments in bond funds. The fund's net asset value will fluctuate, and in some periods the return may be negative.

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	150.59 %
Average annual return	6.19 %
AUM	EUR 190 million
Number of unitholders	14177
Subscription/Redemption fee	None
Management fee	0.5 % per year
Minimum subscription amount	One-time subscription EUR 150
Authorised for marketing in	Norway, Sweden, Denmark and Luxembourg
Benchmark	ST4X
UCITS fund	Yes
Portfolio Manager	Torgeir Høien since October 2008

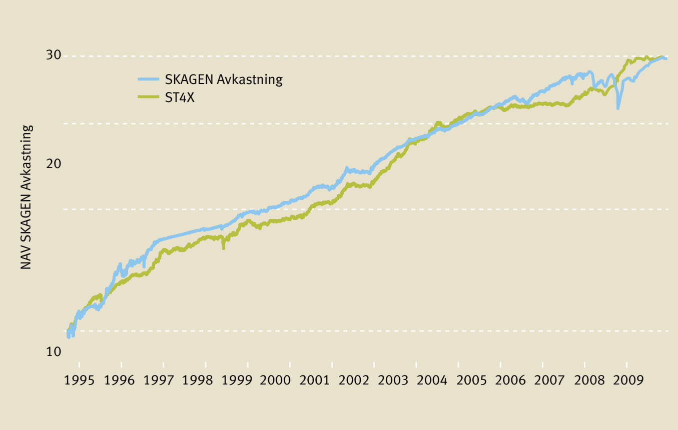
SKAGEN Avkastning is a bond fund that invests in issues with low default risk. In other words, government bonds, government guaranteed loans, loans to financial institutions and bank deposits. The fund's objective is to provide its unitholders with the best possible risk-adjusted returns in the fixed income market over six months. This is achieved by balancing investments between fixed income securities with short and long maturities.

The fund is suitable for investors that seek active allocation of their fixed income assets, but who do not wish to monitor the fixed income markets themselves.

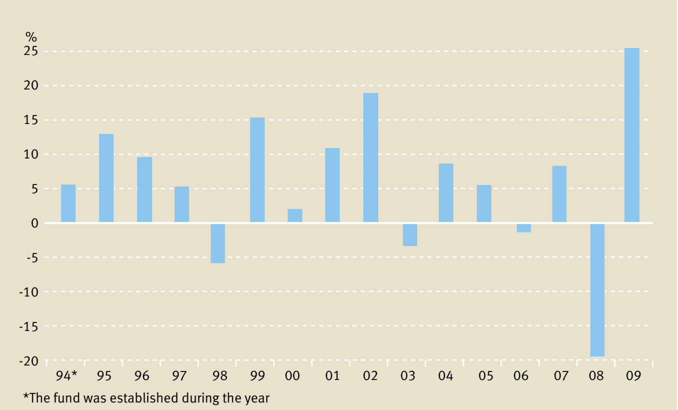
Year	Return on investment %	Benchmark index %	AUM *	Number of unitholders
2009	25,98 %	21,78 %	190	14177
2008	-19,95 %	-10,86 %	126	13520
2007	7,18 %	8,27 %	494	15065
2006	-2,08 %	0,79 %	367	12279
2005	5,92 %	9,30 %	354	6385
2004	7,53 %	7,75 %	70	2363
2003	-3,63 %	-7,95 %	17	937
2002	18,18 %	16,91 %	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



*The fund was established during the year

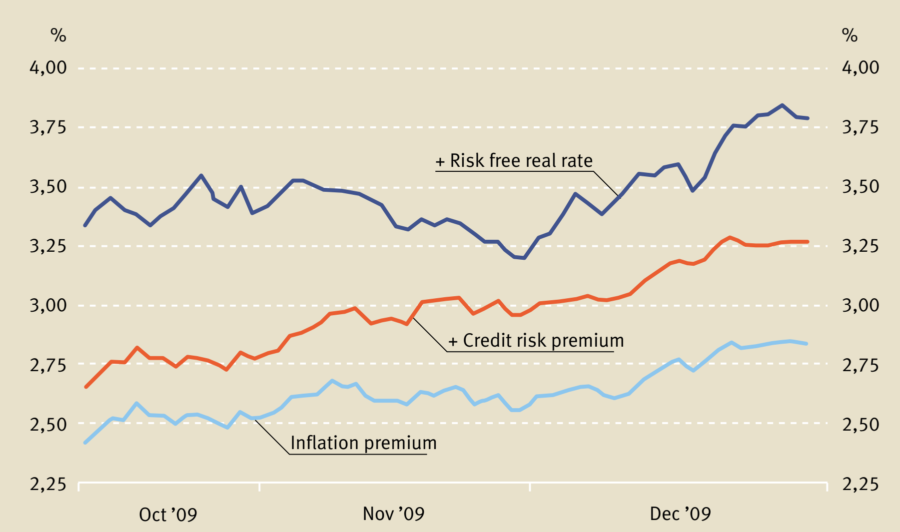
Torgeir Høien
Portfolio manager, SKAGEN Tellus

The investment philosophy paid off

The SKAGEN Tellus bond fund, the objective of which is to achieve the best possible risk adjusted return measured in euro, appreciated almost 11 percent. This was more than ten percentage points better than the fund's benchmark.

Since the launch of the fund on 30 September, 2006, the average annual return has been 4.2 percent, which is almost the same as the benchmark's 4.4 percent.

10-YEAR GOVERNMENT BOND RATES IN THE US



Source: Reuters EcoWin

Many contributors to performance

All investments contributed positively to the fund's performance, which consists of three elements: interest income, bond price gains and appreciation of local currencies against the euro.

The largest contribution came from Brazil, where the currency strengthened considerably against the euro. The fund also received good contributions from Mexico, Peru and Turkey. The latter investment was currency hedged, so its performance was mainly due to a strong appreciation of the bond price. An Indonesian government bond also contributed well to performance, even though the investment was not made until the latter half of 2009.

Even better in 2010?

We think emerging market bonds in general will perform well in 2010. Many emerging market countries have conducted a far more sober financial policy in 2009 than the major OECD countries, which we think will increase the value of their government debt. In Brazil, for example, government debt has increased moderately throughout 2009 to 43 percent of GDP. That is the same level as at the end of 2007.

The fund also made money on investments in government bonds issued by OECD economies, such as the US and Japan. In these cases, the fund had purchased inflation linked bonds, and they turned out to be a far better investment in 2009 than regular government bonds. Even in Greece we made a good profit on an inflation linked bond that we purchased in early 2009. It is widely known that Greek government debt took a beating towards the end of the year, but we managed to exit this position before the big fall.

17 different countries

In the latter part of 2010 we chose to increase the geographic diversification of the portfolio, and thereby reduce risk. SKAGEN Tellus is now invested in 17 different countries. The investments are well distributed over short and long fixed income securities.

In addition to Indonesia, the fund invested in a short Israeli government bond, as well as a government note issued by the Hong Kong authorities. The motivation for both these investments is expected currency developments. Israel has, like Australia and Norway, had a relatively mild recession and increased policy rates three times in 2009. We believe there are more increases to come and expect that the value of the Israeli currency, the shekel, will appreciate relative to the euro.

Undervalued dollar

We also believe in a strengthening of the US dollar throughout 2010. In trade weighted terms, the dollar is now very weak, and the price level in the US, measured in euro, is approximately 80 percent of the price level in the Eurozone. We consider the risk of double digit inflation in the next two to three years to be extremely small.

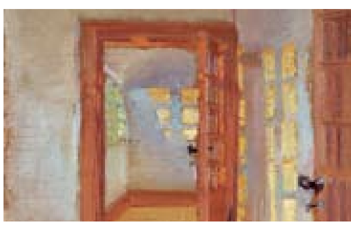
Thus, it is very likely that the price level, measured in euro, will increase through a strengthening of the dollar versus the euro. One trigger may be expectations that the Federal Reserve will start to implement a process towards more “normal” policy rates before the European Central Bank does.

However, we do not believe that an interest rate hike is imminent on either side of the Atlantic, but leading indicators presented at the end of 2009 demonstrate that the economic recovery is stronger in the US than on the European continent. In order to profit from this expected development, we have chosen to remove the currency hedging of the fund’s US investment. A lift for the USD will also pull up the Hong Kong dollar, which is pegged to its American big brother.

Keeping inflation protection

We have elected to keep a position of approximately eight percent of the fund’s assets in an inflation linked US Treasury bond. This helps to spread the risk of the fund. Towards the end of 2009 there was a marked recovery of the long US nominal interest rates. However, it is important to note that this is mainly due to an increase in the risk premium, which is now at about 2.8 percent for a ten year Treasury bond.

There was also some increase in the credit risk of US government securities, which pulled up the yield slightly on the inflation linked bonds. We do not believe the credit risk will increase markedly throughout 2010. We expect the risk free real rate of interest to drop as a result of the Fed waiting a bit longer to increase the policy rates than the market has discounted in its estimates. We also expect that the recovery of the US economy will be a bit weaker in 2010 than indicated by the most recent leading indicators from 2009.



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.

SKAGEN Tellus is a global bond fund that should provide investors with excess returns by allowing them to invest their savings in fixed income markets worldwide. The fund invests in bonds and notes issued or guaranteed by governments, regional authorities and financial institutions. The objective of the fund is to provide unitholders with good risk-adjusted returns on investments in creditworthy global bonds through an actively managed portfolio. The fund has a return and risk profile that lies between national bond funds and global equity funds.

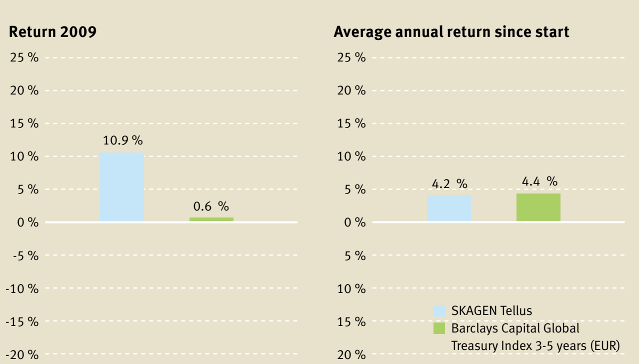
SKAGEN Tellus is a good option for investors who wish to invest in global bonds and who have an investment horizon of at least 12 months. Investors must be tolerant of currency exchange rate fluctuations. The fund is well suited to be part of a long-term investment portfolio, both for private individuals, companies and institutions.

Fund start date	29 September 2006
Return since start	14.15 %
Average annual return	4.16 %
AUM	EUR 49 million
Number of unitholders	1558
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 and UK
Benchmark	Barclays Capital Global Treasury Index, 3-5 Years
UCITS fund	Yes
Portfolio Manager	Torgeir Høien

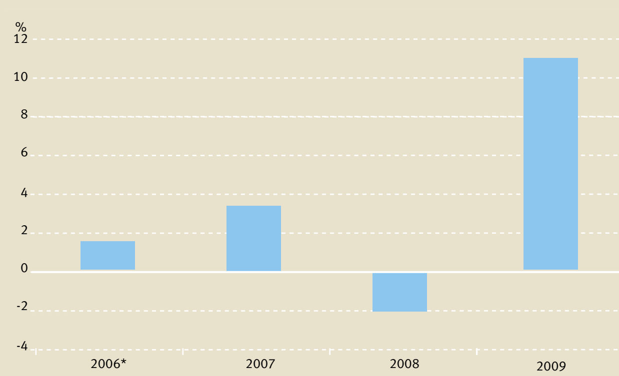
Year	Return on investment %	Benchmark index %	AUM *	Number of unitholders
2009	10,92 %	0,63 %	49	1558
2008	-1,97 %	16,27 %	56	1644
2007	3,55 %	0,39 %	108	2353
2006 **	1,37 %	2,18 %	70	2557

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

SKAGEN TELLUS RETURNS



ANNUAL RETURNS



* The fund was established this year

New benchmarks, marginal difference

Our two equity funds SKAGEN Vekst and SKAGEN Global adopted new benchmark indices at the start of 2010. The reason for the change was a desire to better reflect the funds' mandates and actual investment universe.

SKAGEN Global, which previously compared itself to the MSCI World Index, now uses the MSCI All Country World Index as its benchmark index. SKAGEN Vekst is using a combined index consisting of 50 percent Oslo Stock Exchange Benchmark Index and 50 percent MSCI All Country World Index.

What is the difference between the MSCI World Index and the MSCI All Country World Index? The main difference is that the latter includes the emerging markets.

Emerging markets growing

Anyone that has been paying attention to the developments in the emerging markets knows that these have grown both in terms of size and influence. SKAGEN has also written about these developments both in previous annual and market reports.

Despite the dizzying economic development for the emerging markets, they still only constitute a little more than 13 percent of the MSCI All Country World Index. This is an almost doubling from seven percent five years ago.

Due to the modest size of the emerging markets in the MSCI All Country World Index, there has been a negligible difference in returns between the MSCI World Index and the MSCI All Country World Index historically.

Miniscule weight differences

The MSCI All Country World index consists of 2422 companies from 45 countries, while the MSCI World Index has 1655 companies from 23 countries. The countries in the latter are mainly from Western Europe and North America, but one also finds Singapore, Hong Kong and Japan on the list.

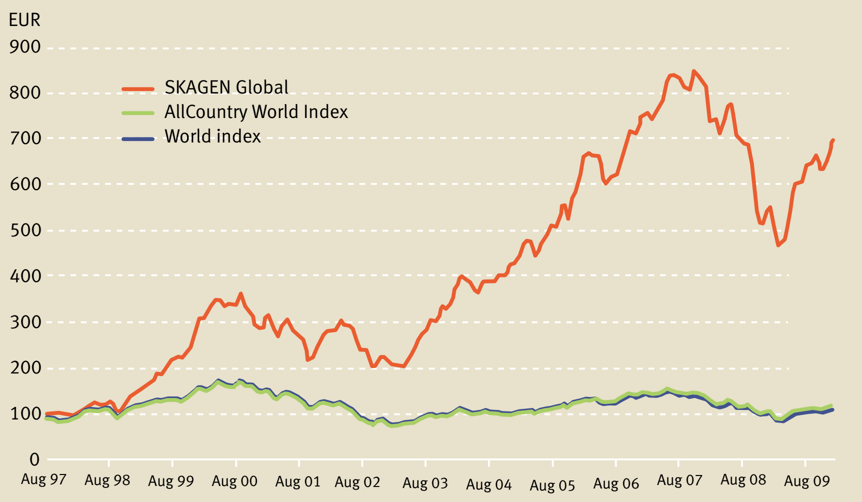
In both indices, the US is the largest country. In the MSCI World Index, the US has a 48 percent weighting, while in the MSCI All Country World Index this is reduced to 41 percent. Great Britain is number two on the list and constitutes 10 percent of the MSCI World Index but "only" 8.7 percent of the MSCI All Country World Index.

The list of the top 10 companies is the same in the two indices. The difference is in the weighting that each of the companies has. The weighting of each company in the MSCI All Country World Index is marginally lower than in the MSCI World Index. The reason is that the latter does not include the emerging markets.

Capturing change

As one can see the difference between the MSCI World and MSCI All Country World indices is minimal. Still, the difference will become greater as the emerging markets continue to grow. For us at SKAGEN it has been important to capture this development, even though the difference currently is minute.

COMPARISON OF WORLD AND ALL COUNTRIES INDICES



Source: Bloomberg

Marginal difference: *Historically there has been little difference between MSCI World Index and the MSCI All World Index, as emerging markets have been only a small part of the MSCI All Country World Index.*

Kristian Falnes
Portfolio manager, SKAGEN Vekst

Almost two decades of top performance

SKAGEN Vekst, our oldest equity fund and the one that started it all, is fast approaching two decades of world class performance. Yet Kristian Falnes and Beate Bredesen, the fund's two portfolio managers, have no plans to slow down.

SKAGEN Funds was established in 1993 and with the inception came the first equity fund. The premise for SKAGEN Vekst was to provide our unitholders with the best possible risk adjusted returns over time by investing in global equity markets. And, the performance numbers speak for themselves. The fund has an annual average return since inception of 17.2% measured in euro.

Robust performance

One could say that this proves that SKAGEN's investment philosophy, which has remained unchanged since the start, is robust in both upturns and downturns.

Last year SKAGEN Vekst, which invests up to half its assets in the global equity markets and the rest in Norway, gained 74.7 percent. This is a very strong performance, considering the MSCI World Index rose 26.3 percent. Meanwhile the energy laden Oslo Stock Exchange surged 94.5 percent.

Based on the performance in 2009, the fund ranks among the top globally. According to figures from rating agency Standard & Poor's (S&P) SKAGEN Vekst is ranked as no. 13 of 3312 in the global equity category. While it is challenging to rank among the best in one single year, it is even more demanding to remain on top over time. According to S&P, SKAGEN Vekst is number 5 of 1893 global equity funds measured on five year returns. SKAGEN Vekst has a AAA rating.

A cyclical tilt

Since the start the fund has sought to hold at least half its assets in Norway. The rest is used to complement the portfolio by either making investments in sectors that are not well represent in Norway or where there may be better opportunities.

Given the slant towards Norway, one might expect the investments to rely on this small Nordic country's economic cycles. This is not the case. It is where companies carry out their activities that drive value creation and not where they happen to be listed. One should not be wary of investing in a small open economy. Norway is more dependent on international trends than on domestic developments.

SKAGEN Vekst has a broad mandate and aims to pick undervalued, unpopular and under-researched equities worldwide. This means that the fund has the whole world as its hunting ground. Still, due to the tilt towards the Norwegian stock market, the portfolio also gravitates towards cyclical industries.

This can be illustrated by the top holdings. While seven of the top 10 holdings at the end of 2009 are Norwegian, they are all truly global companies.

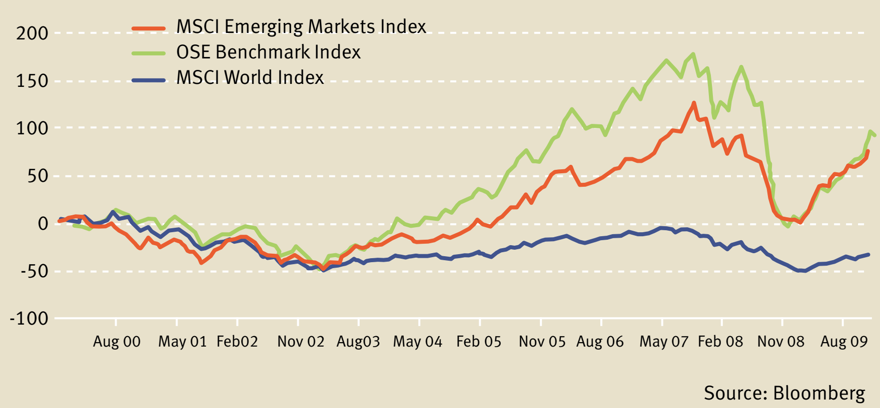
A spicy addition

SKAGEN Vekst's portfolio is at least 50 percent in Norway, with all that entails, but also truly international through all its stock pickings. One could therefore view the fund as a means of spicing up a global portfolio with a Norwegian tilt towards cyclical industries such as oil, oil service fish farming and shipping.

SKAGEN Vekst can also be used to add some zest to a portfolio by providing exposure to emerging markets' performance. When looking at the Oslo Stock Exchange's performance over the past decade one sees a closer correlation with the MSCI Emerging Markets Index than with the MSCI World index. See graph.

Whichever view one takes on the fund, the fund managers will continue to do their best to provide our clients with the best possible risk adjusted returns.

COMPARISON OF INDICES



Source: Bloomberg

Torgeir Høien
Portfolio manager, SKAGEN Tellus

A world of fixed income opportunities

It is time to reintroduce an old acquaintance. SKAGEN Tellus is our actively managed global bond fund, and it performed excellently in 2009. The fund has a global mandate and may invest in bonds originating from anywhere on the planet. Over time, the fund is expected to provide better returns than passively managed portfolios of government bonds.

Last year, SKAGEN Tellus posted a gain of 10.9 percent, and the fund has averaged a return of 4.2 percent since it first saw the light of day in 2006. In comparison, the fund's benchmark, the Barclay Capital Global Treasury 3-5 year Index, gained 0.6 percent in 2009 and has averaged 4.4 percent since the fund's inception. The base currency of the fund is the euro.

In common with all our funds, SKAGEN Tellus seeks to provide unitholders with the best possible risk adjusted returns. For SKAGEN Tellus that means the best possible risk adjusted returns measured in euro. In order to achieve this, the fund applies our proven investment philosophy, but in a way that is adapted to fixed income markets. Hence, SKAGEN Tellus searches for what the portfolio manager perceives as undervalued government bonds and undervalued currencies measured in euros.

Interest rates converge

An undervalued bond is a fixed income security with a potential for an increase in value based on a fall in interest rate. Bonds increase in value when interest rates fall, and the longer the time to the bond's maturity, the more the security will increase in value. We use various analytical tools to determine the fair value of the government bonds. Whether or not the authorities have a credible inflation target is of paramount interest in our analysis. Other factors, such as the sustainability of public finances, are also very important for our investment outlook.

The main drivers here are the forces of globalisation. Global capital markets will over time even out the price of capital in the different parts of the global economy. Capital should not cost more in South America than in North America, when adjusted for divergent inflation targets and country specific risk factors.

Inflation targeting brings transparency

In recent years, many countries around the world have established more independent central banks with inflation targets for their monetary policy. Inflation targets are important for SKAGEN Tellus, which invests in countries with either explicit or implicit targets or free capital movements. There are more than 25 countries to choose from, in addition to those that currently constitute the Euro-zone.

The inflation targets may be either explicit, like in Norway, or implicit, like in the US. In other words, this means that the monetary policy is either managed to keep inflation stable around a publicly communicated and specified target or to ensure price stability without a fixed inflation target being communicated by the authorities.

When central banks use short interest rates to keep inflation in line with the objective, long rates will over time reflect the global real interest rate level with an inflation premium equal to the inflation target and risk premium determined by the state of public finances. In this context, a government bond is seen as undervalued if the yield is higher than this global real interest rate level, with an addition for expected inflation and country-specific credit risk. The subsequent normalisation of the interest rate to a lower level results in an anticipated capital gain in addition to continuing returns.

Price levels converge too

One of the main premises for the fund is that the price levels in countries that take part in the global exchange of goods are expected to level out over time. This has to do with the fact that economic growth may be anticipated to be strongest where the standard of living is lowest to begin with. And with a higher standard of living comes a higher price level. Now, if the expected rate of inflation is somewhere around the euro inflation rate, that price level adjustment will come about through a stronger currency.

If the portfolio managers believe that a currency is undervalued fundamentally speaking, the decision may be made to invest in the country without specially hedging against fluctuations in the exchange rate.

Inflation hedging and other strategies

SKAGEN Tellus sometimes invests in inflation protected government securities, i.e. securities whose principal and coupons are adjusted for changes in the CPI. The fund buys inflation-protected government securities if the real interest rate is seen as too high and that there is a risk of inflation exceeding the target.

In addition, SKAGEN Tellus takes positions in relation to a view of developments in the global risk free interest rates, and can take positions based on a view of whether the risk premium has fallen out of step with the fundamental conditions. Sometimes we take a different view to the market about short-term movements in the policy rate. If we think a central bank is going to be slightly more hawkish than the market expects, we might invest in bonds with a very short duration and count on an appreciation of the currency as measured in euro.

Returns – and risks

SKAGEN Tellus invests in loans with a low credit risk, namely government bonds, state-guaranteed loans, loans in financial institutions, regional authorities as well as bank deposits. Still, with the inherent risk involved, unitholders in SKAGEN Tellus should have an investment horizon of at least 12 months. Without risk taking there are no opportunities for risk adjusted profits. It's as simple as that.

Prizes, awards and ratings in 2009

Manager of the Year x 4

SKAGEN Funds has been named Fund Manager of the Year in two out of its three home markets as well as in the Netherlands. The ratings agency Standard & Poor's has confirmed its AAA rating for all three of our equity funds.

The development for SKAGEN as a whole was strong last year. This is reflected in the range of awards and prizes awarded to the management company and the portfolio managers. Together with Norway and Denmark, Sweden is a home market. In the Swedish home market, Sweden received no less than six important prizes in 2009.

Showered with awards in Sweden...

The financial newspaper Dagens Industri, in cooperation with the international fund analysis company Morningstar, named SKAGEN Fund Manager of the Year for its performance in 2009. At the same time, portfolio managers Kristoffer Stensrud and Filip Weintraub were recognised as "Star Manager of the Year" in their respective categories for global and emerging markets funds.

Sweden's largest personal finance magazine, Privata Affärer, reiterated the tribute by naming SKAGEN as fund manager of the year, as well as SKAGEN Kon-Tiki as emerging markets fund of the year and SKAGEN Global as global fund of the year.

..as well as in the Danish home market

In December SKAGEN was named Fund Manager of the Year in Denmark. This was the second time in three years that SKAGEN Funds has ended up at the top of the list in the annual ranking carried out by analysis company Dansk Aktieanalyse and Danish newspaper Jyllands-Posten. This recognition came as a result of in-depth analysis of all mutual fund managers in Denmark, on the basis of short and long term results.

Golden Bull in the Netherlands

In November SKAGEN was elected best investment firm by a jury of finance industry professionals at Dutch fund awards ceremony De Gouden Stier, or Golden Bull. Attending the event, Lise Holm Jacobsen, head of SKAGEN's Netherlands team, said "It is nice to receive this award in The Netherlands which is a key European market for us. This recognition once more confirms that our investment philosophy is effective during both good and bad times."

Lipper

The Lipper fund award ceremony awards prizes to fund managers in a number of regions throughout the world. In 2009 SKAGEN received Lipper Awards in the Nordic countries, Netherlands, at the European ceremony in Luxembourg and – for the first time – in the UK. SKAGEN Global was nominated the best global equity fund in all of the above-mentioned regions for its performance in the past ten years; SKAGEN Kon-Tiki for its performance over the past five years and SKAGEN Vekst was rewarded at Lipper's Nordic ceremony in the Norwegian funds category for its performance over the past ten years.

AAAs and stars

All of the equity funds retained their respective top ratings from analysis companies Standard & Poor's and Morningstar. SKAGEN Kon-Tiki was ranked as number two of 444 emerging markets funds at the end of the year in 2009, for its performance over the past five years. SKAGEN Global and SKAGEN Vekst, which are classified as global equity funds by Standard & Poor's, held their own by comparison with their peers from around the world. SKAGEN Vekst is ranked as number five and SKAGEN Global as number 15 of 1893 global equity funds at the end of 2009.

– The ratings from Standard & Poor's constitute recognition and appreciation for the long-term work carried out by the portfolio management team, says Investment director Kristian Falnes.

British news and research company Citywire ranks SKAGEN Global as number 3 of 415 global funds and SKAGEN Kon-Tiki as number 2 of 71 emerging markets funds as of 31 December 2009, based on the fund managers' respective performance over the past five years. Read more in the fund ranking overview on page 43.

The awards confirm that the investment philosophy is effective in both good and bad times. From left: Filip Weintraub, Per Wennberg, Åge K. Westbø and Harald Espedal

Returns

Returns in EUR	Last year	Past 2 years	Past 3 years	Past 5 years	Past 10 years	Since start
SKAGEN Vekst	74,7 %	-10,5 %	-3,2 %	12,3 %	11,2 %	17,2 %
Oslo Børs Benchmark Index (OSEBX)	94,5 %	-14,8 %	-5,8 %	9,3 %	5,9 %	9,5 %
SKAGEN Global	48,8 %	-9,1 %	-2,5 %	9,9 %	8,3 %	16,8 %
MSCI World Index*	26,3 %	-11,3 %	-8,2 %	0,9 %	-3,8 %	0,3 %
SKAGEN Kon-Tiki	91,7 %	-0,1 %	8,2 %	19,9 %		20,9 %
MSCI Emerging Markets Index*	73,4 %	-7,8 %	2,2 %	14,3 %		9,8 %
SKAGEN Tellus	10,92 %	4,28 %	4,04 %			4,16 %
Barclays Capital Global Treasury Index 3-5 years	0,63 %	8,17 %	5,51 %			4,36 %
SKAGEN Avkastning	25,98 %	0,42 %	2,97 %	3,76 %	4,74 %	6,19 %
ST4X Bond Index	21,78 %	4,19 %	5,18 %	3,83 %	5,36 %	6,28 %

* (Daily Traded Net Total Return)

Risk and performance measurements

RISK AND PERFORMANCE MEASUREMENTS LAST 3 YEARS	SKAGEN VEKST	SKAGEN GLOBAL	SKAGEN KON-TIKI	SKAGEN AVKASTNING	SKAGEN TELLUS
Standard deviation, fund	29,4 %	23,4 %	29,7 %	12,4 %	7,8 %
Standard deviation, benchmark index	38,6 %	18,1 %	27,9 %	10,1 %	8,5 %
Sharpe ratio, fund	-0,22	-0,25	0,16	-0,03	0,08
Sharpe ratio, benchmark index	-0,24	-0,64	-0,04	0,18	0,25
Relative volatility (tracking error)	13,0 %	9,6 %	6,1 %	7,1 %	12,6 %
Information ratio	0,20	0,59	0,98	-0,31	-0,12
PROFIT AND LOSS ANALYSIS LAST 3 YEARS					
Relative profit	76 %	142 %	111 %	121 %	89 %
Relative loss	76 %	108 %	97 %	145 %	102 %
Relative profit/loss ratio	1,01	1,31	1,15	0,84	0,87
Positive index divergence	18,24	15,70	12,51	6,71	14,64
Negative index divergence	15,59	9,52	6,92	8,88	16,10
Index divergence ratio	1,17	1,65	1,81	0,76	0,91
RISK AND PERFORMANCE MEASUREMENTS LAST 5 YEARS					
Standard deviation, fund	25,0 %	20,7 %	26,9 %	10,0 %	
Standard deviation, benchmark index	32,1 %	15,3 %	24,7 %	8,4 %	
Sharpe ratio, fund	0,37	0,33	0,63	0,07	
Sharpe ratio, benchmark index	0,19	-0,14	0,45	0,09	
Relative volatility (tracking error)	11,1 %	9,2 %	5,9 %	5,7 %	
Information ratio	0,27	0,98	0,96	-0,01	
PROFIT AND LOSS ANALYSIS LAST 5 YEARS					
Relative profit	83 %	156 %	112 %	123 %	
Relative loss	74 %	113 %	100 %	124 %	
Relative profit/loss ratio	1,13	1,39	1,13	0,99	
Positive index divergence	15,70	16,60	10,98	6,01	
Negative index divergence	12,99	7,93	6,05	6,04	
Index divergence ratio	1,21	2,09	1,82	0,99	
PROFIT AND LOSS ANALYSIS SINCE START					
Relative profit	96 %	169 %	127 %	110 %	92 %
Relative loss	73 %	103 %	100 %	114 %	96 %
Relative profit/loss ratio	1,31	1,64	1,27	0,97	0,96
Positive index divergence	16,53	23,49	15,53	4,44	14,66
Negative index divergence	9,77	8,84	6,08	4,46	15,05
Index divergence ratio	1,69	2,66	2,55	1,00	0,97

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

In SKAGEN Funds we calculate the traditional financial performance and risk measurements by using mean and variance. A lot of financial theory is based on the application and interpretation of these concepts. This can of course be advantageous in terms of communication, but it may also give rise to some limitations.

That is why we also use a number of other measurements which are based on risk analyses used in other industries. We call these gain and loss analyses. These analyses enable us to focus more on what really concerns us as investors, that is to say the risk of losing money in a given period. All measurement calculations are based on monthly observations.

Traditional performance and risk 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 is an indirect measurement of the probability of the fund generating a higher return than the risk-free interest rate. The higher the score, the higher the probability 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 is an indirect measurement of 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.

Gain and loss analyses

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 (ST1X). 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.

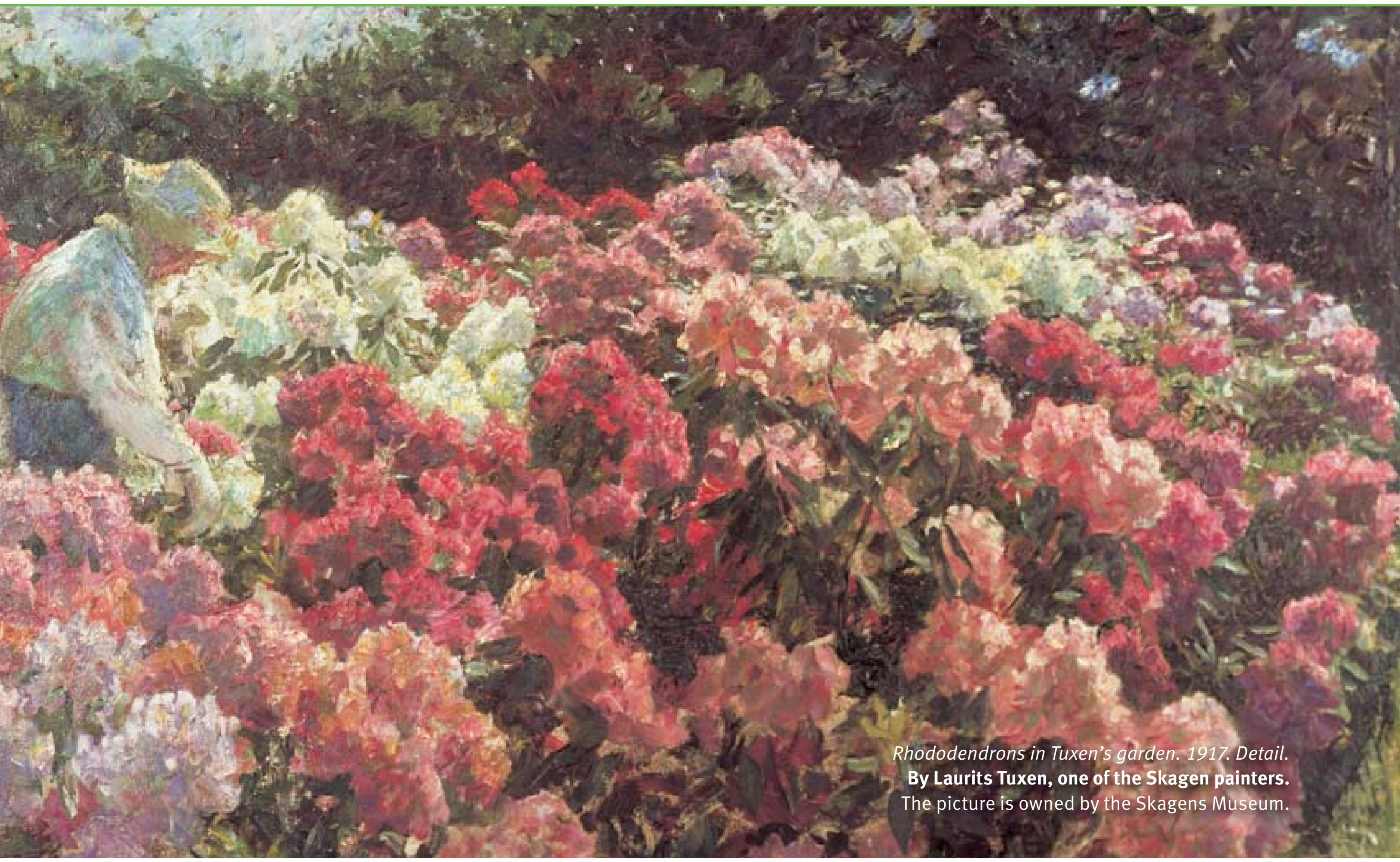
Relative gain/relative loss ratio shows the ratio between relative gain and relative loss. A value above one means that the fund is getting better paid for the risk assumed relative to the benchmark. When ranking funds investing in the same market, the measure is strongly correlated with the Sharpe Index, 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 by being an active rather than a passive manager. 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).

Sum of the numerical positive and negative divergence is a measurement of the fund's independence from the benchmark indices.

Fund rating	SKAGEN Vekst	SKAGEN Global	SKAGEN Kon-Tiki	SKAGEN Tellus	SKAGEN Avkastning
Standard & Poor's (AAA = best qualitative rating)	AAA	AAA	AAA		
Citywire (5 year performance) Fund manager rating (as of 31 Dec 2009)		No. 3 of 415	No. 2 of 71		
Lipper Fund Awards	Nordics 2009: Best fund 10 years Equity Norway	Europe 2009: Best Fund 10 years Equity Global	Europe 2009: Best Fund 5 years Equity Emerging Markets Global		Europe 2008: Best Fund 3 years Bond Norwegian Krone
Morningstar Rating (5 = best quantitative rating)	★★★★★	★★★★★	★★★★★	★★★★	★★
Wassum (5 = best rating)		W W W W W	W W W W W		



Rhododendrons in Tuxen's garden. 1917. Detail.
By Laurits Tuxen, one of the Skagen painters.
The picture is owned by the Skagens Museum.

OWNERSHIP STRUCTURE

SKAGEN AS is owned by:

T. D. Veen AS	25.69 %
Solbakken AS	18.40 %
MCM Westbø AS	9.84 %
Månebakken AS	7.29 %
Åge Westbø AS	7.29 %
Harald Espedal AS	8.31 %
Kristian Falnes AS	8.31 %
Labrusca AS	8.31 %
Key SKAGEN staff	6.56 %

NUMBER OF UNITS OWNED BY BOARD MEMBERS AND KEY EMPLOYEES

NAME	NUMBER OF UNITS	POSITION
Martin Gjelsvik	7 235	Chairman of the Board and owner
Tor Dagfinn Veen	1 191 323	Board member and owner
Barbro Johansson	96	Board member
Sigve Erland	5 705	Board member
Jan Henrik Hatlem	1 385	Board member
Ole Søeberg	5 000	Board member
Anne Sophie K. Stensrud	1 455	Deputy director and owner
Lars-Erik Forsgårdh	62	Board member
Harald Espedal	509 991	Managing director and owner
Kristian Falnes	787 697	Investment director and owner
J. Kristoffer C. Stensrud	3 063 679	Portfolio manager and owner
Åge K. Westbø	1 324 398	Deputy managing director and owner
Filip Weintraub	569 812	Portfolio manager and owner

THE NOMINATION COMMITTEE

The members of the nomination committee are Sigve Erland (Chair), Truls Holte and Nils Martin Petersson. The nomination commitee nominates SKAGEN AS board member candidates to be elected by the unitholders.

A good year for unitholders

After a turbulent year in 2008, SKAGEN once again had positive developments in all areas in 2009. The funds performed well in 2009, and outperformed their benchmarks. Net subscriptions in the funds were at record levels. SKAGEN has had healthy client growth and hired more employees. In particular, the new hires have strengthened the portfolio management and customer service functions, with two new portfolio managers for the equity funds and five new client service representatives for different markets.

What happened in 2009?

In 2008, the estimates for economic growth in 2009 were adjusted strongly downwards both globally and in most individual countries. However, 2009 turned out to be a year of contrasts. After a poor start for the financial markets and the real economy, developments turned positive in March, when negative inventory adjustments stopped and government stimulus packages started to take effect.

As always, the future-oriented equity market was the fastest to turn, and 2009 became a very good year for most global equity markets. The emerging markets' strong performance justified last year's expectations of great 2009 potential for these markets, despite the financial crisis, with the main driver being the emerging markets' desire for and ability to increase their prosperity level and approach the living standards of the West. Policy rates of western countries remained low throughout 2009.

Although the equity markets have shown progress, the global real economy is still under pressure, and whether the rally in the equity markets will stabilise will depend on the solidity of corporate earnings. SKAGEN has maintained its investment philosophy, which again has proven to be robust and provide good performance both during the challenging times of 2008 and in the more optimistic market climate of 2009.

What can we expect in 2010?

SKAGEN expects the real economy to follow the rebound of the equity markets and show positive development in 2010. Increased corporate earnings are expected and this may provide good opportunities for continued positive performance by the equity markets.

In the world's major economies, we expect interest rates to stay low for a long time. In smaller countries not as severely affected by the financial crisis, we expect interest rates to creep up. SKAGEN will attempt to take advantage of these developments by investing in fixed income securities in those countries where the return potential is considered to be good.

Assets under management

In 2009, assets under management rose from EUR 5.8 to EUR 11.4 billion, an increase of more than 96%. Net subscriptions in the equity funds were EUR 2.2 billion.

The subscription record can be explained by several factors. SKAGEN had net subscriptions of almost EUR 120 million in the first quarter, despite falling fund prices. Subscriptions were mainly from retail clients. It is pleasing to note that unitholders were confident about the future when pessimism reigned during the winter of 08/09. Redemption percentages have been at record lows throughout the year. Most SKAGEN unitholders therefore benefited from the appreciation when fund prices rose strongly from March 2009. SKAGEN has maintained its position as the largest equity fund manager in the Norwegian fund market. However, also in 2009 it was the Swedish branch that was the largest contributor to net subscriptions. The impressive development of the Dutch and UK markets in 2008 continued in 2009.

The large inflow of clients to SKAGEN Kon-Tiki in recent years has provided the fund with economies of scale, thus enabling SKAGEN to cut the fixed management fee from 2.5% to 2% effective 1 July, 2009.

The fixed income funds experienced net redemptions of EUR 205 million. The bond funds also experienced a withdrawal of assets during the first half of the year in the aftermath of the poor returns of 2008. During the second half, the trend turned and clients returned to invest in SKAGEN's bond funds. The money market funds have seen regular redemptions throughout the year, as record low interest rates have encouraged clients to assume more risk in order to achieve higher returns.

There were no unusually large redemptions from the equity or fixed income funds in 2009.

Return on investment

Measured in both absolute and relative returns, 2009 was a very good year for all our funds.

With a 91.7 percent return, SKAGEN Kon-Tiki delivered a very good performance in 2009, versus 73.4 percent for the Emerging Markets Index. The fund's average annual return since inception is 20.9 percent.

The relative performance of SKAGEN Global was also very good, with a 22.5 percentage point outperformance of the World Index. The absolute return in 2009 was 48.8 percent. The fund's average annual return since inception is 16.8 percent. Based on the implementation of the SKAGEN Global investment mandate over time, and the availability of new dividend adjusted indices, the fund has received approval from the Financial Supervisory Authority of Norway to change its benchmark effective 1 January, 2010, to the MSCI All Country World Index, which represents both industrial and emerging markets. It replaces the MSCI World Index, which has been the fund's benchmark to date. The investment mandate of the fund remains unchanged.

SKAGEN Vekst achieved a very good absolute return of 74.7 percent, but ended up 19.7 percentage points below its benchmark, the Oslo Stock Exchange Benchmark Index (OSEBX). This should be seen in context since the fund invests almost half of its assets in international equities, and the global equity market has appreciated far less than the Norwegian market. If we compare the absolute return with the new benchmark to be

Martin Gjelsvik, Chairman of the Board of Directors

Barbro Johansson, board member, elected by the shareholders

Sigve Erland, board member, elected by the unitholders

Anne Sophie K. Stensrud, deputy director, elected by the shareholders

introduced from 1 January, 2010, SKAGEN Vekst outperformed the latter by 15.1 percentage points. The new benchmark is a composite index with equal weighting of the OSEBX and the MSCI All Country World Index and better tracks the actual investment universe of SKAGEN Vekst. The fund's investment mandate remains unchanged. The fund's average annual return since inception has been 17.2 percent.

All our three equity funds maintained their AAA rating from Standard & Poor's in 2009.

After a poor year in 2008, this year the bond funds capitalised on their long-term investment philosophy. In 2009, SKAGEN Tellus provided a return of 10.9 percent. In relative terms, the fund performed well and outperformed its benchmark by 10.3 percentage points.

In 2009, SKAGEN Avkastning returned 26 percent, versus 21.8 percent for the benchmark.

Measured in Norwegian kroner, SKAGEN Høyrente achieved a return of 3.4 percent, 1.0 percentage points better than average 3 month NIBOR for the year and 1.2 percentage points better than its benchmark. Also measured in NOK, SKAGEN Høyrente Institusjon achieved a return of 3.6 percent, which is 1.5 percentage points better than its benchmark. SKAGEN has received authorisation from the Financial Supervisory Authority of Norway to reclassify both money market funds as UCITS funds, effective 1 February, 2010. This entails that the funds are classified within a recognised European framework, and will thus be available to more institutional clients.

In 2009, SKAGEN Krona returned 1.4 percent measured in SEK, which represents a 1.0 percentage point outperformance of the benchmark.

Denmark as a home market

The Board of Directors has resolved that Denmark will be defined as a home market for SKAGEN, as of 1 January, 2010. SKAGEN's objective is for Danish clients to perceive SKAGEN as a national provider, and that it should be as simple for Danes to become a SKAGEN client as it is for Norwegians and Swedes. Thus, a separate Danish Market Report is being published, and SKAGEN has adapted its fund trading infrastructure to the Danish market in order to achieve this objective.

The perception of SKAGEN as a Danish provider has also been strengthened by changes in Danish tax regulations. Investments by Danish investors in foreign mutual funds are now treated precisely the same as investments in Danish mutual funds, and this allows new client groups in Denmark to access SKAGEN's funds.

Changes in regulations governing SKAGEN activities

New anti-money laundering law

More stringent rules in the fight against money laundering and terrorist financing have resulted in new regulations for the control of investment fund clients. The new law requires banks, fund managers and insurance companies to know who their clients are, and carry out continuous client control. Identity checks of clients were simplified in Norway, however, when Bank-ID was approved in April 2009 as valid proof of identity.

Active management licence

In June 2009, SKAGEN received authorisation from the Financial Supervisory Authority of Norway to extend its licence to provide active management and investment advisory services, in addition to the management of mutual funds. SKAGEN has not used its active management licence in 2009, as the extension was obtained in order to have more opportunities available for future product development.

Knowledgeable clients

One of SKAGEN's primary objectives is to provide clients with the best possible service, follow-up and communication. The company's communications concept is therefore subject to continuous review and refinement. Last year the focus was on developing and improving SKAGEN's website which is the channel through which the majority of clients acquire information about the company and its funds. SKAGEN is committed to finding new ways in which to encourage online dialogue with its clients. The new website will be launched in the New Year. SKAGEN also continued to hold net meetings with the fund managers. SKAGEN is grateful to clients for the commitment they show by submitting questions and comments to these meetings, and participating in client surveys. The turnout to SKAGEN's information meetings has also been great. In Norway 103 meetings were held with a total of 7,300 participants, and in Sweden there were 150 meetings with 6,000 participants. In 2009 we also conducted 30 "inspiration meetings" and 30 Friday lunches in Denmark, with a total of 1,500 participants, and a meeting in the Netherlands with more than 60 participants.

Each year, SKAGEN conducts a client survey to check whether the company is fulfilling its objective of providing the best possible service and follow-up. The June 2009 client survey showed a general decline in satisfaction relative to the same survey the year before. This may be due to the turbulence in the equity market during the period between the two surveys. However, it is gratifying to see that clients are highly satisfied with their service and follow-up from SKAGEN, relative to the competition. At the same time it has become clearer that the perceived level of knowledge has an influence on purchase probability and satisfaction. Clients who claim to have good knowledge of equity funds read the market reports more frequently and participate more regularly at SKAGEN information meetings. SKAGEN values these good ambassadors, who are also willing to be SKAGEN's reference clients.

SKAGEN employees

At the end of 2009, SKAGEN had 139 employees based in six offices in Norway (Stavanger, Trondheim, Ålesund, Bergen, Oslo and Tønsberg), two offices in Sweden (Stockholm and Gothenburg) and one office in Denmark (Copenhagen). In the New Year, an office will be opened in the UK (London). In addition, SKAGEN's funds are marketed in Finland, the Netherlands, Luxembourg, the UK and Iceland.

Jan Henrik Hatlem, board member, elected by the unitholders

Tor Dagfinn Veen, board member, elected by the shareholders

Lars Erik Forsgårdh, deputy director, elected by the unitholders

Ole Søeberg, deputy director, elected by the shareholders

SKAGEN has a compensation model that is intended to encourage employees to work together for a highest possible risk adjusted return for our clients. The model promotes cooperation between all departments in order 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 compensation directly tied to subscription volume. 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 SKAGEN priority. In 2009 all SKAGEN client service representatives in Norway have undergone training to prepare them for authorisation as financial advisors. Several of these have already received their authorisations, and all remaining client service representatives will be authorised in 2010. The program has 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 54 female and 85 male employees. There are equal opportunities for the genders with respect to terms of employment and pay. In 2009, SKAGEN had an absence rate due to illness of 2.2 percent.

The Board of Directors wishes to thank all employees for a great effort in 2009. Employee competence and attitudes are decisive for SKAGEN's performance.

Organisation

SKAGEN AS has authorisation from the Financial Supervisory Authority of Norway to act as a fund management company, and is the business manager for the SKAGEN funds. Handelsbanken is the SKAGEN custodian and the Norwegian Central Securities Depository (VPS) is the registrar for SKAGEN's registry of unitholders.

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

The risk of the funds arises as a consequence of market movements, currency, interest rate and cyclical developments, as well as company specific issues.

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 procedures aimed at reducing the risk of errors that may affect the funds. The spread of the equity portfolios' investments is a result of the SKAGEN 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 also based on an evaluation of the creditworthiness of individual issuers and the general economic conditions in the country in which the issuer resides.

The Directors confirm that the assumption of the management company as a going concern is still present.

Investment philosophy

SKAGEN will adhere to its investment philosophy and business concept. SKAGEN is convinced that the best way of creating excess return for our clients - now as before - is to have an active investment philosophy, according to which the portfolio managers search for unpopular, under-researched and undervalued companies. The same principle applies to the managers of the SKAGEN fixed income funds: the funds will be actively managed on the basis of our own analyses of the market and individual securities.

Return measurements, assets under management and net subscriptions were originally prepared in Norwegian kroner. In this translated version the return figures are quoted in EUR by using the fund's prevailing exchange rate at the time of pricing on a daily basis. Assets under management and net subscriptions are quoted in EUR by using the fund's prevailing exchange rate at the time of pricing on 31.12.2009.

Allocation of funds' income:

INCOME STATEMENT 2009 in million NOK	SKAGEN VEKST	SKAGEN GLOBAL	SKAGEN KON-TIKI	SKAGEN AVKASTNING	SKAGEN HØYRENTE	SKAGEN HØYRENTE INSTITUSJON	SKAGEN TELLUS	SKAGEN KRONA (SEK)
NET INCOME (IN MILLION NOK)	3249	6028	9451	78	150	87	-35	6
ALLOCATION OF NET INCOME								
TRANSFER TO/FROM RETAINED EARNINGS	3249	6028	9451	78	34	16	-48	0
ALLOCATION FOR DISTRIBUTION TO UNITHOLDERS					117	70	13	
NET DISTRIBUTED TO UNITHOLDERS DURING THE YEAR								6
TOTAL	**3249**	**6028**	**9451**	**78**	**150**	**87**	**-35**	**6**

STAVANGER 27.01.2010

Barbro Johansson   Jan Henrik Hatlem   Martin Gjelsvik   Sigve Erland   Tor Dagfinn Veen   Anne S.K. Stensrud   Ole Søeberg   Lars-Erik Forsgårdh

Annual Financial Statement 2009

INCOME STATEMENT		SKAGEN Vekst		SKAGEN Global		SKAGEN Kon-Tiki		SKAGEN Avkastning	
(all figures in 1,000 NOK)	Notes	2009	2008	2009	2008	2009	2008	2009	2008
Portfolio revenue and costs									
Interest income and costs		40955	-8077	15698	39178	23439	41144	38042	154184
Dividends		153361	282215	572154	616377	412629	479815	-	-
Realised capital gain/loss		-111451	530088	12804	-62102	416904	421410	11912	-257297
Change unrealised gain/loss	8	3478553	-5459093	6170880	-9830709	9289755	-7425395	-2180	114708
Guarantee commission		2158	1956	-	-	-	-	-	-
Brokers' fees		-2429	-3436	-30613	-26665	-38422	-24924	-12	-
Currency gain/loss		83095	67250	-14778	253472	22225	-273696	37241	-82232
PORTFOLIO RESULT	5	**3644242**	**-4589097**	**6726144**	**-9010448**	**10126530**	**-6781645**	**85003**	**-70637**
Management revenue and costs									
Commission from sale and redemption of units		-	65	-	1	-	2	-	-
Management fee - fixed	9	-80183	-86942	-238489	-238842	-433108	-414000	-6574	-11899
Management fee - variable	9	-306672	-	-401803	-	-200012	-119616	-	-
ASSET MANAGEMENT RESULT		**-386855**	**-86876**	**-640293**	**-238841**	**-633119**	**-533615**	**-6574**	**-11899**
RESULT BEFORE TAX		**3257387**	**-4675973**	**6085851**	**-9249289**	**9493411**	**-7315260**	**78429**	**-82536**
Tax cost	4	-8399	-12935	-57610	-68251	-41994	-47915	-	-
NET INCOME		**3248988**	**-4688909**	**6028241**	**-9317540**	**9451417**	**-7363175**	**78429**	**-82536**
Allocation of net income									
Transfer to/from retained earnings	10	3248988	-4688909	6028241	-9317540	9451417	-7363175	78429	-82536
Allocated for distribution to unitholders	10	-	-	-	-	-	-	-	-
Net distributed to unitholders during the year	10	-	-	-	-	-	-	-	-
TOTAL		**3248988**	**-4688909**	**6028241**	**-9317540**	**9451417**	**-7363175**	**78429**	**-82536**

BALANCE SHEET		31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Assets									
Norwegian securities at cost price	3,8	4392260	3763500	328222	-	903093	669163	1234022	904937
Foreign securities at cost price	3,8	3822862	3697317	25784496	22684886	22251605	13843815	285046	256180
Unrealised capital gain/loss	8	2027533	-1451020	3215992	-2954888	6861271	-2428485	10513	12693
Accrued interest securities	8	6921	-	-	-	-	-	8945	16319
TOTAL SECURITIES PORTFOLIO		**10249576**	**6009796**	**29328710**	**19729999**	**30015969**	**12084494**	**1538527**	**1190129**
Dividend receivable		12000	35268	50636	77443	86465	61084	-	-
Accrued interest bank		-	-	-	-	-	-	-	-
TOTAL ACCRUED INCOME		**12000**	**35268**	**50636**	**77443**	**86465**	**61084**	**-**	**-**
Accounts receivable - brokers		2833	3037	-	-	167688	70775	-	-
Accounts receivable - management company		-	-	2	-	-	-	-	-
Tax receivable on dividends		2296	2299	29563	20932	1472	198	-	-
Other receivables		-	-	1803	-	-	-	-	-
TOTAL OTHER RECEIVABLES		**5129**	**5336**	**31367**	**20932**	**169160**	**70974**	**-**	**-**
Bank deposits	11	462250	176305	2259795	484212	3345247	175314	42915	37212
TOTAL ASSETS		**10728956**	**6226705**	**31670509**	**20312585**	**33616841**	**12391865**	**1581441**	**1227341**
Equity Capital									
Unit capital at par value	10	817755	718602	4446760	3674923	7026079	4207571	1262330	1042726
Premium	10	1428078	536431	18908370	14901109	15405164	6707105	417164	358780
TOTAL PAID-IN EQUITY CAPITAL		**2245833**	**1255033**	**23355130**	**18576032**	**22431242**	**10914676**	**1679493**	**1401505**
Retained earnings	10	8150154	4901166	7678511	1650270	10659565	1208148	-99861	-178289
Allocated to unitholders for reinvestment in new units		-	-	-	-	-	-	-483	-483
TOTAL EQUITY CAPITAL		**10395987**	**6156199**	**31033641**	**20226302**	**33090807**	**12122824**	**1579150**	**1222733**
Debt									
Bank overdraft		-	-	-	-	-	-	-	-
Accounts payable - brokers		121	48790	67406	1821	147744	52963	-	-
Accounts payable - management company		331348	14991	474058	47324	346154	193836	1963	1671
Other debt		1500	6726	95404	37140	32136	22243	328	2937
TOTAL OTHER DEBT		**332969**	**70506**	**636868**	**86284**	**526034**	**269042**	**2291**	**4608**
TOTAL DEBT AND EQUITY CAPITAL		**10728956**	**6226705**	**31670509**	**20312585**	**33616841**	**12391865**	**1581441**	**1227341**
Number of units issued		8177547	7186025	44467597	36749226	70260786	42075710	12623296	10427255
Base price per unit		1268,3147	856,5973	697,9145	550,3927	470,9718	288,3044	125,0972	117,1930

CASH FLOW STATEMENT		2009	2008	2009	2008	2009	2008	2009	2008
Bank deposits as of 1.1		**176305**	**114402**	**484212**	**1994275**	**175314**	**624807**	**37212**	**-56028**
Inflow									
Net subscriptions/redemptions (incl. subscription and redemption fees)	+/-	990800	-733687	4779098	998970	11516566	-388011	277988	-2334497
Net realised capital gains/loss	+/-	-111451	530088	12804	-62102	416904	421410	11912	-257297
Interest and dividends received (after tax)	+/-	268741	326972	484851	814112	377878	174424	75271	71952
TOTAL INFLOW	=	**1148090**	**123374**	**5276752**	**1750980**	**12311347**	**207823**	**365171**	**-2519842**
Outflow									
Net purchase/sale of securities	+/-	-754306	20183	-3427832	-2645541	-8641720	-234328	-357952	2817556
Change in unsettled items	+/-	279017	5223	566955	-376660	133425	110626	5057	97023
Operating expenses	-	-386855	-86876	-640293	-238841	-633119	-533615	-6574	-11899
Net distribution to unitholders	-	-	-	-	-	-	-	-	-289599
TOTAL OUTFLOW	=	**-862145**	**-61471**	**-3501169**	**-3261043**	**-9141414**	**-657316**	**-359468**	**2613081**
BANK DEPOSITS AS OF 31.12.	=	**462250**	**176305**	**2259795**	**484212**	**3345247**	**175314**	**42914**	**37212**

Stavanger, 27 January 2010
Board of SKAGEN AS

Barbro Johansson | Jan Henrik Hatlem | Martin Gjelsvik | Sigve Erland | Tor Dagfinn Veen | Anne S.K. Stensrud | Ole Søeberg | Lars-Erik Forsgårdh

INCOME STATEMENT

INCOME STATEMENT (all figures in 1,000 NOK)	Notes	SKAGEN Høyrente 2009	SKAGEN Høyrente 2008	SKAGEN Høyrente Institusjon 2009	SKAGEN Høyrente Institusjon 2008	SKAGEN Tellus 2009	SKAGEN Tellus 2008	SKAGEN Krona* 2009	SKAGEN Krona* 2008
Portfolio revenue and costs									
Interest income and costs		169933	377786	88328	153922	14440	33756	7925	16665
Realised capital gain/loss		-1 105	2761	3033	731	15036	-42866	-	-
Change unrealised gain/loss	8	-7 314	10324	-1 304	6374	-57909	90718	-901	1032
Guarantee commission		-	-	-	-	-	-	-	-
Brokers' fees		-14	-	-10	-	-37	-	-37	-
Currency gain/loss		-	-	-	-	-2873	13780	-	-
PORTFOLIO RESULT	5	**161 500**	**390871**	**90048**	**161 026**	**-31 343**	**95 388**	**6 987**	**17 697**
Management revenue and costs									
Commission from sale and redemption of units		-	-	-	-	-	-	-	-
Management fee - fixed	9	-11020	-14606	-3535	-3616	-3312	-5362	-845	-707
Management fee - variable	9	-	-	-	-	-	-	-	-
ASSET MANAGEMENT RESULT		**-11 020**	**-14 606**	**-3 535**	**-3 616**	**-3 312**	**-5 362**	**-845**	**-707**
RESULT BEFORE TAX		**150479**	**376264**	**86 512**	**157 410**	**-34655**	**90025**	**6 142**	**16991**
Tax cost	4	-	-	-	-	-	-	-	-
NET INCOME		**150479**	**376264**	**86512**	**157 410**	**-34655**	**90025**	**6 142**	**16991**
Allocation of net income									
Transfer to/from retained earnings	10	33532	10366	16424	6855	-47682	78262	263	-4067
Allocated for distribution to unitholders	10	116948	365899	70089	150555	13027	11763	-	-
Net distributed to unitholders during the year	10	-	-	-	-	-	-	5879	21058
TOTAL		**150479**	**376264**	**86512**	**157 410**	**-34655**	**90025**	**6 142**	**16991**

BALANCE SHEET

BALANCE SHEET	Notes	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Assets									
Norwegian securities at cost price	3,8	2763455	4067196	1462258	2432403	28447	-	-	-
Foreign securities at cost price	3,8	-	-	-	-	370400	471254	305098	411937
Unrealised capital gain/loss	8	1163	8477	4208	5512	-271	57638	90	991
Accrued interest securities	8	14080	61561	7165	42904	6850	9793	472	2356
TOTAL SECURITIES PORTFOLIO		**2778698**	**4137234**	**1473631**	**2480819**	**405426**	**538685**	**305660**	**415284**
Accrued interest bank		-	2226	-	-		-	-	-
TOTAL ACCRUED INCOME		**-**	**2226**	**-**	**-**		**-**	**-**	**-**
Accounts receivable - brokers		-	-	-	-	5983	-	-	-
Accounts receivable - management company		1	-	-	-	-	-	-	-
Other receivables		-	16934	-	-	-	526	-	-
TOTAL OTHER RECEIVABLES		**1**	**16934**	**-**	**-**	**5984**	**526**	**-**	**-**
Bank deposits	11	741393	578120	456133	282274	1065	10499	11970	131585
TOTAL ASSETS		**3520093**	**4734514**	**1929765**	**2763093**	**412474**	**549710**	**317630**	**546869**
Equity Capital									
Unit capital at par value	10	3354990	4326697	1858232	2565199	380047	474616	313926	538085
Premium	10	30767	-44312	-3369	10390	13014	13891	1923	11703
TOTAL PAID-IN EQUITY CAPITAL		**3385757**	**4282385**	**1854863**	**2575589**	**393060**	**488507**	**315850**	**549788**
Retained earnings	10	4397	7275	3798	6422	-328	48351	1579	-3184
Allocated to unitholders for reinvestment in new units		116986	369447	70327	150252	13015	11753	-	-
TOTAL EQUITY CAPITAL		**3507139**	**4659108**	**1928988**	**2732262**	**405748**	**548611**	**317429**	**546604**
Debt									
Bank overdraft		-	-	-	-	-	-	-	-
Accounts payable - brokers		-	72298	-	29844	5732	-	-	-
Accounts payable - management company		2479	3108	777	986	785	1100	201	265
Other debt		10474	-	-	-	210	-	-	-
TOTAL OTHER DEBT		**12953**	**75406**	**777**	**30830**	**6726**	**1100**	**201**	**265**
TOTAL DEBT AND EQUITY CAPITAL		**3520093**	**4734514**	**1929765**	**2763093**	**412474**	**549710**	**317630**	**546869**
Number of units issued		33549896	43266971	18582318	25651986	3800466	4746160	3139264	5380851
Base price per unit		104,5408	107,6860	103,8057	106,5054	106,7901	115,9369	101,1153	101,5832

CASH FLOW STATEMENT

CASH FLOW STATEMENT		2009	2008	2009	2008	2009	2008	2009	2008
Bank deposits as of 1.1		**578120**	**569516**	**282274**	**79097**	**10499**	**48515**	**131585**	**25240**
Inflow									
Net subscriptions/redemptions (incl. subscription and redemption fees)	+/-	-980484	-76849	-708180	1137577	-95825	-374156	-229438	339600
Net realised capital gains/loss	+/-	-1105	2764	3033	731	15036	-42866	-	-
Interest and dividends received (after tax)	+/-	169919	377786	88318	153922	11531	47536	7889	16665
TOTAL INFLOW	=	**-811670**	**303698**	**-616829**	**1292229**	**-69259**	**-369486**	**-221549**	**356265**
Outflow									
Net purchase/sale of securities	+/-	1303741	-101004	970145	-1026166	72407	389224	106838	-226846
Change in unsettled items	+/-	4186	22082	5685	4089	3112	-23498	1820	-1311
Operating expenses	-	-11020	-14606	-3535	-3616	-3312	-5362	-845	-707
Net distribution to unitholders	-	-321964	-201566	-181607	-63360	-12383	-28894	-5879	-21058
TOTAL OUTFLOW	=	**974943**	**-295094**	**790688**	**-1089052**	**59824**	**331470**	**101934**	**-249921**
BANK DEPOSITS AS OF 31.12.	=	**741393**	**578120**	**456133**	**282274**	**1065**	**10499**	**11970**	**131585**

* in 1000 SEK

Stavanger, 27 January 2010
Board of SKAGEN AS

Barbro Johansson, Jan Henrik Hatlem, Martin Gjelsvik, Sigve Erland, Tor Dagfinn Veen, Anne S.K. Stensrud, Ole Søeberg, Lars-Erik Forsgårdh

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 31.12.2009.
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 31.12.2009.

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. With effect from 7 October 2008, however, 3 % of realised gains from companies tax domiciled within the EEA are treated as taxable to Norway. Dividends received from the corresponding companies are treated exactly the same. 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 2009 and 2008 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 not charged a custodian cost, except 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 during 2009 was:

SKAGEN Vekst	14.27%
SKAGEN Global	30.80%
SKAGEN Kon Tiki	14.19%
SKAGEN Avkastning	54.54%
SKAGEN Høyrente	134.02%
SKAGEN Høyrente Institusjon	79.36%
SKAGEN Tellus	195.29%
SKAGEN Krona	333.15%

NOTE 7: SUBSCRIPTION FEE

Equity funds (in NOK)
The subscription fee for all equity funds was removed as of 10 September 2008. Before 10 September 2008 the rate was:

Subscription fee:	% of the subscribed amount
kr 0 - 499,999	0.7 %
kr 500,000 - 999,999	0.5 %
kr 1,000,000 - 4,999,999	0.2 %
kr 5,000,000 -	0.0 %

Redemption fee:	0.0 % of the sale amount

0.0 % of the above mentioned fees is credited the fund in the case of both subscription and redemption.

Fixed income funds
No subscription or redemption fee.

NOTE 8: REFER TO PAGES 52-64

SKAGEN Vekst Note 9, 10 and 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 1.1.2009	718602	536431	4901166	6156199
Issue of units	267665	2448985		2716650
Redemption of units	-168513	-1557337		-1725850
Net income			3248988	3248988
EQUITY CAPITAL AS OF 31.12.2009	**817754**	**1428079**	**8150154**	**10395987**

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 and 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 MSCI World Index Daily Traded Net TR $ (in Norwegian kroner).

NOTE 10. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2009	3674923	14901109	1650270	20226302
Issue of units	1553635	7831941		9385576
Redemption of units	-781798	-3824681		-4606479
Net income			6028241	6028241
EQUITY CAPITAL AS OF 31.12.2009	**4446760**	**18908370**	**7678511**	**31033641**

SKAGEN Kon-Tiki Note 9, 10 and 11

NOTE 9. MANAGEMENT FEE

The fixed management fee constituted 2.5 % p.a. of daily assets under management until 30 June 2009. As of 1 July 2009, the fixed management fee constitues 2 % p.a.
The variable management fee is calculated as follow for the entire period: 1/10 of better value development in percent in the fund's asset value compared with the MSCI Emerging Markets Index (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 1.1.2009	4207571	6707105	1208148	12122824
Issue of units	4160212	12212947		16373160
Redemption of units	-1341705	-3514889		-4856594
Net income			9451417	9451417
EQUITY CAPITAL AS OF 31.12.2009	**7026079**	**15405164**	**10659565**	**33090807**

NOTE 11. RISK AMOUNT (in NOK)

RISK amount determined as of 01.01.2003:

2003	2004	2005	2006
3,26	1,80	-0,11	0,00

SKAGEN Høyrente Note 9, 10 and 11

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 1.1.2009	4 326 697	-44 312	7 275	369 447	4 659 108
Issue of units	3759579	38447	67468		3865494
Redemption of units	-4731286	-47224	-103877		-4882387
Reinvested for unitholders				-285554	-285554
Allocated to unitholders for distribution				116948	116948
Correction of previous years distribution to unitholders		83855		-83855	-
Net income/loss after distribution to unitholders			33532		33532
EQUITY CAPITAL AS OF 31.12.2009	**3354990**	**30767**	**4397**	**116986**	**3507140**

NOTE 11. BANK DEPOSITS

	2009-12-31	2008-12-31
Tied-up term deposits	-	250 000

SKAGEN Høyrente Institusjon Note 9 and 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 1.1.2009	2565199	10390	6422	150252	2732262
Issue of units	973499	1631	18281		993411
Redemption of units	-1680466	-2845	-37328		-1720638
Reinvested for unitholders					-
Allocated to unitholders for reinvestment				-162559	-162559
Correction of previous years reinvestments to unitholders		-12546		70089	70089
Net income/loss after distribution to unitholders			16424	12546	16424
EQUITY CAPITAL AS OF 31.12.2009	**1858232**	**-3369**	**3799**	**70327**	**1928988**

SKAGEN Avkastning Note 9, 10 and 11

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 1.1.2009	1042726	358780	-178289	-483	1222733
Issue of units	658228	152581			810809
Redemption of units	-438724	-94197			-532921
Reinvested for unitholders					-
Allocated to unitholders for distribution					-
Correction of previous years distribution to unitholders					-
Net income/loss after distribution to unitholders			78429		78429
EQUITY CAPITAL AS OF 31.12.2009	**1262230**	**417164**	**-99860**	**-483**	**1579051**

NOTE 11. CURRENCY RISK

SKAGEN Avkastning does not use currency hedging instruments against Norwegian kroner, but has as of 31.12.2009 overdrafts in USD, HUF, TRY, MXN and ZAR bank accounts in order to reduce the currency exposure of the investments.

SKAGEN Tellus Note 9, 10 and 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 1.1.2009	474616	13891	48351	11753	548611
Issue of units	140211	4314	6669		151195
Redemption of units	-234781	-5569	-7666		-248016
Reinvested for unitholders				-11386	-11386
Allocated to unitholders for reinvestment				13027	13027
Correction of previous years reinvestments to unitholders		378		-378	-
Net income/loss after distribution to unitholders			-47682		-47682
EQUITY CAPITAL AS OF 31.12.2009	**380047**	**13014**	**-327**	**13015**	**405748**

NOTE 11. CURRENCY RISK

The base currency of SKAGEN Tellus is euro. The fund does not use currency hedging instruments against euro or Norwegian kroner, but has as of 31.12.2009 overdrafts in HUF and TRY bank accounts in order to reduce the currency exposure of the investments.

SKAGEN Krona Note 9 and 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 01.01.2009	538085	11703	-3184	546604
Issue of units	258671	3086	3372	265129
Redemption of units	-488645	-5866	-5935	-500446
Reinvested for unitholders	5816	64		5879
Correction of previous years reinvestments to unitholders		-7064	7064	
Net income			263	263
EQUITY CAPITAL AS OF 31.12.2009	**313926**	**1923**	**1580**	**317429**

SKAGEN Vekst

Note 8. Securities portfolio as of 31.12.2009 (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									
Pride International Inc	1 700 000	248 580 890	32,40	USD	317 223 622	68 642 732	3,05 %	0,97 %	New York
Solstad Offshore ASA	2 275 000	109 358 395	109,50	NOK	249 112 500	139 754 105	2,40 %	6,04 %	Oslo
Statoil ASA	1 700 000	122 934 960	144,80	NOK	246 160 000	123 225 040	2,37 %	0,05 %	Oslo
Ganger Rolf ASA	1 533 300	156 943 751	154,50	NOK	236 894 850	79 951 099	2,28 %	4,23 %	Oslo
Bonheur ASA	1 438 800	106 243 656	164,00	NOK	235 963 200	129 719 544	2,27 %	3,53 %	Oslo
Petroleo Brasileiro Pref ADR	850 000	30 301 103	42,49	USD	208 006 662	177 705 559	2,00 %	0,05 %	New York
DOF ASA	4 954 800	78 558 737	38,50	NOK	190 759 800	112 201 063	1,84 %	5,44 %	Oslo
TGS Nopec Geophysical co ASA	964 200	27 881 188	104,80	NOK	101 048 160	73 166 972	0,97 %	0,94 %	Oslo
Farstad Shipping ASA	730 000	51 131 849	128,50	NOK	93 805 000	42 673 151	0,90 %	1,87 %	Oslo
Sevan Marine ASA	8 900 000	72 255 225	10,16	NOK	90 424 000	18 168 775	0,87 %	1,69 %	Oslo
Norwegian Energy CO ASA	4 703 000	73 733 182	17,90	NOK	84 183 700	10 450 518	0,81 %	1,94 %	Oslo
Nabors Industries Ltd	625 000	96 084 628	22,27	USD	80 162 605	-15 922 023	0,77 %	0,22 %	New York
Siem Offshore	7 400 000	61 973 620	8,90	NOK	65 860 000	3 886 380	0,63 %	2,06 %	Oslo
Transocean Ltd	125 000	45 429 448	83,61	USD	60 192 146	14 762 698	0,58 %	0,04 %	New York
Eidesvik Offshore ASA	1 900 000	73 465 793	29,30	NOK	55 670 000	-17 795 793	0,54 %	6,30 %	Oslo
Rowan Companies Inc	400 000	60 470 533	23,05	USD	53 100 977	-7 369 556	0,51 %	0,35 %	New York
BP Plc ADR	120 000	48 859 324	58,16	USD	40 195 481	-8 663 843	0,39 %	0,00 %	New York
Aker Exploration ASA konv 06/11 6%	40 000 000	32 354 000	90,00	NOK	36 098 630	3 646 000	0,35 %	-	Oslo
Superior Energy Services Inc	235 000	30 988 976	24,68	USD	33 402 933	2 413 958	0,32 %	0,30 %	New York
Seabird Exploration Ltd 07/12 frn call	43 000 000	11 850 000	70,00	NOK	30 453 137	18 250 000	0,29 %	-	Unlisted
BP Plc	519 607	33 559 904	6,01	GBP	29 108 886	-4 451 018	0,28 %	0,00 %	London
Minor items[1]		494 885 093			311 409 642	-188 558 452	3,00%		
Total energy		**2 067 844 254**			**2 849 235 931**	**775 856 909**	**27,43 %**		
Raw materials									
Yara International ASA	713 650	56 813 842	263,70	NOK	188 189 505	131 375 663	1,81 %	0,24 %	Oslo
Norsk Hydro ASA	2 925 000	49 028 995	48,71	NOK	142 476 750	93 447 755	1,37 %	0,24 %	Oslo
Fibria Celulose SA ADR	523 250	38 383 129	22,68	USD	68 347 695	29 964 566	0,66 %	0,11 %	New York
Grupo Mexico Sab De CV	4 832 354	9 840 277	29,98	MXN	63 707 895	53 867 618	0,61 %	0,06 %	Mexico
Outokumpu Oyj	500 000	81 081 612	13,26	EUR	55 055 686	-26 025 926	0,53 %	0,27 %	Helsinki
Crew Gold Corp Restricted	125 117 964	43 458 812	0,43	NOK	53 800 725	10 341 913	0,52 %	5,84%	Oslo
Norske Skogindustrier ASA	5 622 000	340 640 123	9,55	NOK	53 690 100	-286 950 023	0,52 %	2,96 %	Oslo
Ternium SA ADR	250 000	37 811 891	35,61	USD	51 272 391	13 460 500	0,49 %	0,12 %	New York
KWS Saat AG	45 473	30 754 673	119,50	EUR	45 124 267	14 369 593	0,43 %	0,69 %	Frankfurt
Hindalco Industries GDR	1 950 673	34 673 583	3,46	USD	38 849 108	4 175 525	0,37 %	0,11 %	London Int.
Northland Resources Inc	3 820 000	44 176 099	9,32	NOK	35 602 400	-8 573 699	0,34 %	4,65 %	Oslo
Hexagon Composites ASA	3 100 000	4 686 724	9,70	NOK	30 070 000	25 383 276	0,29 %	2,33 %	Oslo
Boliden AB	394 960	15 112 326	92,10	SEK	29 444 565	14 332 239	0,28 %	0,14 %	Stockholm
Minor items[1]		136 780 122			123 318 185	-13 547 544	1,19 %		
Total raw materials		**923 242 208**			**978 949 271**	**55 621 456**	**9,42 %**		
Industrials									
Kongsberg Gruppen ASA	3 122 000	84 955 529	88,25	NOK	275 516 500	190 560 971	2,65 %	2,60 %	Oslo
LG Corp	500 000	99 389 221	72 600	KRW	180 774 000	81 384 779	1,74 %	0,29 %	Seoul
Wilh. Wilhelmsen ASA-A	1 355 750	95 828 415	122,00	NOK	165 401 500	69 573 085	1,59 %	3,68 %	Oslo
Stolt-Nielsen SA	2 000 000	248 209 993	80,25	NOK	160 500 000	-87 709 993	1,55 %	3,12 %	Oslo
Norwegian Air Shuttle ASA	1 298 700	54 014 897	115,00	NOK	149 350 500	95 335 603	1,44 %	3,80 %	Oslo
Dockwise Ltd	714 750	129 868 152	180,00	NOK	128 655 000	-1 213 152	1,24 %	3,46 %	Oslo
Aveng Ltd	2 291 000	67 128 097	39,90	ZAR	71 145 835	4 017 738	0,68 %	0,58 %	Johannesburg
I.M. Skaugen SE	1 725 000	21 490 850	40,40	NOK	69 690 000	48 199 150	0,67 %	6,35 %	Oslo
Siemens AG	130 000	70 413 044	64,21	EUR	69 316 188	-1 096 856	0,67 %	0,01 %	Frankfurt
Tomra Systems ASA	2 150 000	62 477 912	27,70	NOK	59 555 000	-2 922 912	0,57 %	1,43 %	Oslo
Bunge Ltd	160 000	52 828 053	63,99	USD	58 966 273	6 138 220	0,57 %	0,12 %	New York
Air France-KLM	611 237	87 936 596	11,07	EUR	56 188 301	-31 748 294	0,54 %	0,20 %	Amsterdam
Glamox ASA	5 944 034	5 852 347	9,00	NOK	53 496 306	47 643 959	0,52 %	9,01%	Unlisted
Kongsberg Automotive ASA	8 500 000	75 447 823	5,56	NOK	47 260 000	-28 187 823	0,45 %	2,09 %	Oslo
Gildemeister AG	500 000	27 326 938	11,33	EUR	47 042 301	19 715 363	0,45 %	1,10 %	Frankfurt
Aker ASA	280 000	62 861 465	161,50	NOK	45 220 000	-17 641 465	0,44 %	0,39 %	Oslo
Korean Air Lines Co Ltd	151 500	13 896 563	54 900	KRW	41 420 403	27 523 840	0,40 %	0,21 %	Seoul
Trelleborg AB-B	850 000	37 905 002	53,75	SEK	36 981 949	-923 052	0,36 %	0,35 %	Stockholm
Kverneland ASA	9 300 000	51 388 357	3,94	NOK	36 642 000	-14 746 357	0,35 %	6,03 %	Oslo
LG Corp Pref	225 000	25 855 905	29 750	KRW	33 334 875	7 478 970	0,32 %	6,79 %	Seoul
Minor items[1]		312 375 579			220 216 849	-92 254 262	2,12 %		
Total industrials		**1 687 450 738**			**2 006 673 781**	**319 127 512**	**19,32 %**		
Consumer discretionary									
LG Electronics Inc Pref	600 000	144 987 601	50 000	KRW	149 400 000	4 412 399	1,44 %	3,49 %	Seoul
Royal Caribbean Cruises Ltd	850 000	74 327 838	25,45	USD	124 588 598	50 260 761	1,20 %	0,40 %	New York
Hurtigruten ASA	29 950 000	101 408 162	3,85	NOK	115 307 500	13 899 338	1,11 %	7,13 %	Oslo
Royal Caribbean Cruises Ltd	750 000	75 061 033	147,40	NOK	110 550 000	35 488 967	1,06 %	0,34 %	Oslo
DSG International Plc	25 714 285	216 766 814	0,36	GBP	87 161 488	-129 605 327	0,84 %	0,71 %	London
Rezidor Hotel Group AB	4 000 000	94 868 851	24,40	SEK	79 002 752	-15 866 099	0,76 %	2,67 %	Stockholm
Peugeot SA	300 000	74 048 441	23,80	EUR	59 303 194	-14 745 246	0,57 %	0,13 %	Paris
Mahindra & Mahindra Ltd GDR	400 000	13 797 277	23,00	USD	52 985 790	39 188 513	0,51 %	0,14 %	London Int.
Hankook Tire Co Ltd	274 160	24 703 451	25 500	KRW	34 815 578	10 112 127	0,34 %	0,18 %	Seoul
Minor items[1]		104 446 921			81 418 027	-23 958 270	0,78 %		
Total consumer discretionary		**924 416 388**			**894 532 928**	**-30 812 837**	**8,61 %**		

Note 8. Securities portfolio as of 31.12.2009 (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									
Chiquita Brands Intl	1 130 000	92 492 887	18,08	USD	117 665 314	25 172 427	1,13 %	2,52 %	New York
Cermaq ASA	1 300 000	43 832 432	56,00	NOK	72 800 000	28 967 568	0,70 %	1,41 %	Oslo
Charoen Pokphand Foods Plc	29 176 700	23 828 768	11,40	THB	57 584 862	33 756 094	0,55 %	0,39 %	Bangkok
Yazicilar Holding AS	750 000	25 622 446	9,65	TRY	27 868 442	2 245 997	0,27 %	0,47 %	Istanbul
Minor items[1]		237 019 476			172 441 469	-64 656 911	1,66 %		
Total consumer staples		**422 796 009**			**448 360 087**	**25 485 175**	**4,32 %**		
Health care									
Pfizer Inc	900 000	118 811 875	18,50	USD	95 892 762	-22 919 114	0,92 %	0,01 %	New York
Clavis Pharma ASA	1 480 000	48 398 069	53,75	NOK	79 550 000	31 151 931	0,77 %	5,93 %	Oslo
Photocure ASA	900 000	35 803 982	45,10	NOK	40 590 000	4 786 018	0,39 %	4,07 %	Oslo
Medi-Stim ASA	1 710 000	21 366 512	22,50	NOK	38 475 000	17 108 488	0,37 %	9,07 %	Oslo
Axis-Shield Plc	989 400	25 036 220	37,00	NOK	36 607 800	11 571 580	0,35 %	3,55%	Oslo
Axis-Shield Plc GBP	775 000	26 613 121	3,91	GBP	28 264 657	1 651 536	0,27 %	3,55%	London
Minor items[1]		166 487 924			142 610 958	-23 876 966	1,37 %		
Total health care		**442 517 704**			**461 991 177**	**19 473 473**	**4,45 %**		
Financials									
Norwegian Property ASA	16 000 000	146 768 335	13,50	NOK	216 000 000	69 231 665	2,08 %	3,53 %	Oslo
Olav Thon Eiendomsselskap ASA	180 000	33 812 469	770,00	NOK	138 600 000	104 787 531	1,33 %	1,69 %	Oslo
Hannover Rueckversicherung AG	435 000	87 663 487	32,71	EUR	118 156 726	30 493 238	1,14 %	0,36 %	Frankfurt
Kinnevik Investment AB-B	1 000 000	38 762 757	107,00	SEK	86 611 624	47 848 867	0,83 %	0,47 %	Stockholm
Haci Omer Sabanci Holding AS	3 694 444	57 428 712	5,70	TRY	81 086 408	23 657 696	0,78 %	0,19 %	Istanbul
Imarex ASA	1 008 700	64 690 352	57,00	NOK	57 495 900	-7 194 452	0,55 %	6,68 %	Oslo
Aareal Bank AG	500 000	76 524 942	13,26	EUR	55 055 686	-21 469 256	0,53 %	1,17 %	Frankfurt
Sparebanken Øst	1 480 400	26 007 712	33,20	NOK	49 149 280	23 141 568	0,47 %	7,14 %	Oslo
Korean Reinsurance Co	933 425	11 484 648	9 860	KRW	45 833 781	34 349 133	0,44 %	0,82 %	Seoul
Hitecvision AS	740 000	3 977 958	60,00	NOK	44 400 000	40 422 042	0,43 %	4,02 %	Unlisted
Sparebank 1 SR-Bank	590 917	27 849 948	50,00	NOK	29 545 850	1 695 902	0,28 %	0,49 %	Oslo
Minor items[1]		232 132 532			180 322 648	-51 939 578	1,74 %		
Total financials		**807 103 853**			**1 102 257 902**	**295 024 356**	**10,61 %**		
Information technology									
Samsung Electronics Co Ltd Pref GDR	135 332	107 007 863	223,00	USD	173 810 877	66 803 014	1,67 %	0,30 %	London Int.
Samsung Electronics Co Ltd GDR	53 500	21 092 161	344,75	USD	106 225 711	85 133 550	1,02 %	0,02 %	London Int.
Q-free ASA	3 000 000	41 112 468	21,60	NOK	64 800 000	23 687 532	0,62 %	5,56 %	Oslo
Eltek ASA	19 000 000	102 369 562	3,22	NOK	61 180 000	-41 189 562	0,59 %	5,77 %	Oslo
Kyocera Corp	120 000	86 707 798	8 170	JPY	61 172 274	-25 535 525	0,59 %	0,06 %	Tokyo
Samsung SDI Co Ltd	51 320	21 573 100	148 500	KRW	37 952 680	16 379 580	0,37 %	0,11 %	Seoul
Proact IT Group AB	468 000	15 542 932	73,75	SEK	27 938 320	12 395 388	0,27 %	4,81 %	Stockholm
Minor items[1]		164 925 810			98 804 120	-66 188 808	0,95 %		
Total Information technology		**560 331 694**			**631 883 980**	**71 485 169**	**6,08 %**		
Telecom									
Telenor ASA	2 930 000	116 756 105	81,05	NOK	237 476 500	120 720 395	2,29 %	0,18 %	Oslo
Sistema Jsfc GDR	650 000	18 978 121	21,49	USD	80 449 132	61 471 011	0,77 %	0,14 %	London Int.
Mobile Telesystems ADR	250 000	38 672 457	48,97	USD	70 508 537	31 836 079	0,68 %	0,06 %	New York
Vimpelcom ADR	650 000	27 328 185	18,64	USD	69 779 982	42 451 797	0,67 %	0,06 %	New York
Telekomunikasi Indonesia Tbk ADR	290 000	16 154 144	40,22	USD	67 175 615	51 021 471	0,65 %	0,06 %	New York
Total Access Telecommunication Pcl	8 560 000	7 587 439	35,75	THB	52 980 631	45 393 192	0,51 %	0,36 %	Singapore
PT Indosat Tbk ADR	200 000	33 264 730	25,12	USD	28 934 849	-4 329 881	0,28 %	0,18 %	New York
Småposter[1]		7 842 206			2 398 183	-5 444 023	0,02 %		
Total telecom		**266 583 386**			**609 703 428**	**343 120 041**	**5,87 %**		
Utilities									
Centrais Eletricas Brasileiras SA PrefB	2 234 800	90 179 609	31,72	BRL	234 589 962	144 410 353	2,26 %	0,98 %	Sao Paulo
Centrais Eletricas Brasileiras SA Common	250 000	20 482 543	36,34	BRL	30 065 090	9 582 548	0,29 %	0,03 %	Sao Paulo
Minor items[1]		2 174 091			1 332 856	-841 235	0,01 %		
Total utilities		**112 836 243**			**265 987 908**	**153 151 665**	**2,56 %**		
TOTAL EQUITY PORTFOLIO[2]		**8 215 122 476**			**10 249 576 394**	**2 027 532 920**	**98,67 %**		
Base price as of 31.12.2009		1 268,3147							

[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 31.12.2009, please refer to the balance sheet.

SKAGEN Global

Note 8. Securities portfolio as of 31.12.2009 (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									
Pride International Inc	5 901 799	976 488 885	31,91	USD	1 091 163 197	114 674 311	3,51 %	3,38 %	New York
Nabors Industries Ltd	2 562 179	406 062 589	21,89	USD	324 962 854	-81 099 736	1,05 %	0,90 %	New York
Transocean Ltd	634 300	304 787 037	82,80	USD	304 301 112	-485 925	0,98 %	0,20 %	New York
Mariner Energy Inc	4 205 271	381 116 461	11,61	USD	282 881 599	-98 234 861	0,91 %	4,13 %	New York
BP Plc	4 331 684	232 927 367	6,00	GBP	243 098 438	10 171 070	0,78 %	0,02 %	London
Kazmunaigas Exploration-GDR	1 135 324	158 038 047	24,90	USD	163 793 875	5 755 827	0,53 %	0,27 %	London Int.
BP Plc ADR	455 760	177 897 803	57,97	USD	153 079 839	-24 817 963	0,49 %	0,01 %	New York
Total energy		**2 637 318 190**			**2 563 280 913**	**-74 037 276**	**8,24 %**		
Raw materials									
Svenska Cellulosa AB-B	5 507 313	430 353 330	95,45	SEK	426 057 987	-4 295 343	1,37 %	0,91 %	Stockholm
Mayr-Melnhof Karton AG	494 298	219 540 928	72,00	EUR	295 486 797	75 945 869	0,95%	2,25%	Vienna
Grupo Mexico Sab De Cv	21 722 206	125 009 302	30,01	MXN	289 240 665	164 231 363	0,93%	0,28%	Mexico
Ternium SA ADR	1 309 539	181 971 011	35,42	USD	268 748 151	86 777 139	0,86%	0,65%	New York
Harmony Gold Mining ADR	4 134 989	281 133 667	10,17	USD	243 654 144	-37 479 523	0,78%	0,97%	New York
Cliffs Natural Resources Inc	769 375	126 613 586	46,09	USD	205 458 101	78 844 515	0,66%	0,59%	New York
KWS Saat AG	153 035	100 374 311	119,50	EUR	151 836 227	51 461 916	0,49%	2,32%	Frankfurt
Vale SA Spons ADR	1 051 027	68 144 588	24,82	USD	151 145 124	83 000 536	0,49%	0,05%	New York
Fibria Celulose SA ADR	1 109 813	113 362 689	22,84	USD	146 867 092	33 504 403	0,47%	0,24%	New York
Buzzi Unicem Spa-Rsp	1 223 460	74 448 474	7,23	EUR	73 492 842	-955 632	0,24%	3,01%	Brsaltaliana
Italcementi Spa-Rsp	1 626 646	78 253 775	5,09	EUR	68 742 855	-9 510 920	0,22%	1,54%	Brsaltaliana
Asia Pulp & Paper Co Ltd ADR	86 600	4 565 292	0,01	USD	5 018	-4 560 275	0,00%	0,03%	
Total raw materials		**1 803 770 954**			**2 320 735 003**	**516 964 048**	**7,46 %**		
Industrials									
Bunge Ltd	3 382 296	1 089 911 486	63,83	USD	1 250 877 980	160 966 493	4,02%	2,52%	New York
Tyco International Ltd	5 909 645	1 176 379 707	35,68	USD	1 221 700 438	45 320 731	3,93%	1,24%	New York
LG Corp	2 675 959	572 812 592	72600	KRW	971 654 815	398 842 223	3,12%	1,55%	Seoul
Agco Corp	1 885 005	306 289 577	32,34	USD	353 208 391	46 918 814	1,14%	2,04%	New York
Randstad Holding NV	1 206 032	287 773 856	34,90	EUR	349 462 829	61 688 974	1,12%	0,71%	Amsterdam
Kone Oyj-B	1 401 315	159 567 902	29,96	EUR	348 573 454	189 005 553	1,12%	0,64%	Helsinki
Siemens AG	640 419	385 940 945	64,21	EUR	341 415 795	-44 525 151	1,10%	0,07%	Frankfurt
Baywa-Bayerische Warenvermit AG	1 494 282	448 505 169	25,16	EUR	312 147 551	-136 357 617	1,00%	4,58%	Frankfurt
Tyco Electronics Ltd	1 963 659	309 775 209	24,55	USD	279 316 158	-30 459 051	0,90%	0,43%	New York
Finnair Oyj	4 952 377	268 974 302	3,75	EUR	154 191 948	-114 782 354	0,50%	3,86%	Helsinki
Stolt-Nielsen SA	1 776 791	328 222 337	80,25	NOK	142 587 478	-185 634 859	0,46%	2,77%	Oslo
Enka Insaat Ve Sanayi AS	3 814 986	56 363 511	6,90	TRY	101 858 409	45 494 898	0,33%	0,21%	Istanbul
Wienerberger AG	760 197	77 732 702	12,78	EUR	80 662 882	2 930 180	0,26%	0,65%	Wien
CMB Cie Maritime Belge SA	435 787	24 541 793	20,80	EUR	75 258 288	50 716 495	0,24%	1,25%	Brussels
Air France-KLM konv 04/15 4.97%	513 152	54 597 628	1 520	EUR	64 856 209	10 258 581	0,21%	-	Paris
Air France-KLM	621 369	89 862 063	11,00	EUR	56 749 103	-33 112 961	0,18%	0,21%	Amsterdam
Bucher Industries AG	53 826	13 272 477	112,30	CHF	33 850 095	20 577 618	0,11%	0,51%	Zürich
Total industrials		**5 650 523 256**			**6 138 371 825**	**487 848 567**	**19,74 %**		
Consumer discretionary									
Toyota Industries Corp	2 570 650	403 589 333	2755	JPY	440 829 480	37 240 147	1,42%	0,79%	Tokyo
Comcast Corp	4 677 831	427 715 902	16,01	USD	433 924 679	6 208 777	1,40%	0,60%	NASDAQ
Metro AG	963 839	303 117 810	42,57	EUR	340 662 929	37 545 119	1,10%	0,30%	Frankfurt
Reed Elsevier NV	4 420 986	287 941 822	8,60	EUR	315 707 441	27 765 618	1,02%	0,61%	Amsterdam
Renault SA	1 027 866	306 367 515	36,20	EUR	308 931 222	2 563 706	0,99%	0,36%	Paris
Michelin (CGDE)-B	691 039	250 804 231	53,58	EUR	307 412 836	56 608 605	0,99%	0,47%	Paris
LG Electronics Inc Pref	916 588	251 942 344	50000	KRW	229 213 453	-22 728 891	0,74%	5,33%	Seoul
Television Broadcasts Ltd	6 076 571	147 098 389	37,35	HKD	169 652 545	22 554 156	0,55%	1,39%	Hong Kong
Comcast Corp	1 592 200	184 839 415	16,86	USD	155 536 987	-29 302 429	0,50%	0,08%	NASDAQ
Shangri-La Asia Ltd	7 462 230	65 781 273	14,60	HKD	81 439 047	15 657 774	0,26%	0,26%	Hong Kong
Mahindra & Mahindra Ltd GDR	585 000	20 732 338	23,23	USD	78 737 853	58 005 515	0,25%	0,21%	London Int.
Independent News & Media Plc	28 690 960	183 475 667	0,13	EUR	30 967 430	-152 508 237	0,10%	0,82%	London
Mahindra & Mahindra Ltd	67 000	5 776 564	1081	INR	9 015 910	3 239 346	0,03%	0,02%	National India
Danubius Hotels and Spa Plc	52 543	6 231 277	3540	HUF	5 714 918	-516 358	0,02%	0,63%	Budapest
Total consumer discretionary		**2 845 413 881**			**2 907 746 729**	**62 332 848**	**9,35 %**		

Note 8. Securities portfolio as of 31.12.2009 (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									
Nestle SA	3 219 651	769 289 595	50,20	CHF	905 108 289	135 818 694	2,91 %	0,09 %	Zürich
Parmalat Spa	46 945 095	754 080 871	1,95	EUR	761 218 257	7 137 386	2,45 %	2,76 %	Brsa Italiana
Kraft Foods Inc-class A	1 941 871	299 837 330	27,18	USD	305 807 632	5 970 301	0,98 %	0,13 %	New York
Charoen Pokphand Foods Plc	149 084 200	116 142 903	11,40	THB	294 610 207	178 467 304	0,95 %	1,98 %	Bangkok
Yazicilar Holding AS	3 965 257	95 714 287	9,60	TRY	147 298 195	51 583 908	0,47 %	2,48 %	Istanbul
United Intl Enterprises	173 474	25 625 272	430,00	DKK	83 246 703	57 621 431	0,27 %	3,37 %	Copenhagen
Raisio Plc	2 287 300	43 100 781	2,66	EUR	50 515 133	7 414 351	0,16 %	1,75 %	Helsinki
Royal Unibrew A/S	185 890	39 944 444	139,00	DKK	28 836 000	-11 108 443	0,09 %	1,66 %	Copenhagen
Lannen Tehtaat Oyj	214 350	23 744 846	15,65	EUR	27 851 883	4 107 037	0,09 %	3,39 %	Helsinki
Total consumer staples		**2 167 480 330**			**2 604 492 299**	**437 011 969**	**8,38 %**		
Health care									
Pfizer Inc	10 499 621	1 234 652 935	18,19	USD	1 106 585 086	-128 067 849	3,56 %	0,13 %	New York
Richter Gedeon Nyrt	346 407	324 467 104	42900	HUF	456 599 933	132 132 829	1,47 %	1,86 %	Budapest
Fresenius SE	908 035	259 364 149	43,45	EUR	327 573 756	68 209 607	1,05 %	1,13 %	Xetra
Eisai Co Ltd	571 200	126 644 171	3420	JPY	121 596 306	-5 047 866	0,39 %	0,19 %	Tokyo
Kalbe Farma Pt	110 807 850	60 982 473	1300	IDR	88 158 725	27 176 253	0,28 %	1,09 %	Jakarta
Biovitrum AB	1 355 591	22 701 348	27,80	SEK	30 544 041	7 842 693	0,10 %	0,90 %	Stockholm
Neurosearch A/S	202 142	33 888 595	77,00	DKK	17 370 466	-16 518 129	0,06 %	0,83 %	Copenhagen
Total health care		**2 062 700 775**			**2 148 428 313**	**85 727 538**	**6,91 %**		
Financials									
Cheung Kong Holdings Ltd	11 118 027	838 615 352	100,30	HKD	833 565 736	-5 049 616	2,68 %	0,48 %	Hong Kong
Banco Do Estado Rio Grande Do Sul Pref	10 110 923	164 299 979	14,70	BRL	497 912 403	333 612 424	1,60 %	5,05 %	Sao Paulo
Bank of New York Mellon Corp	2 803 103	496 831 369	27,97	USD	454 265 771	-42 565 598	1,46 %	0,23 %	New York
Hannover Rueckversicherung AG	1 416 101	285 504 307	32,71	EUR	384 584 259	99 079 951	1,24 %	1,17 %	Frankfurt
Osaka Securities Exchange Co	10 504	200 011 496	443000	JPY	289 643 986	89 632 490	0,93 %	3,89 %	Tokyo
Kinnevik Investment AB-B	3 128 910	146 568 557	107,00	SEK	271 350 026	124 781 469	0,87 %	1,48 %	Stockholm
Asya Katilim Bankasi AS	20 166 668	171 899 456	3,46	TRY	270 000 830	98 101 373	0,87 %	2,24 %	Istanbul
Albaraka Turk Katilim Bankasi AS	22 090 166	255 975 320	2,21	TRY	188 906 153	-67 069 167	0,61 %	4,10 %	Istanbul
Japan Securities Finance Co	4 077 075	239 480 227	714,00	JPY	181 197 828	-58 282 399	0,58 %	4,35 %	Tokyo
Haci Omer Sabanci Holding AS	7 997 588	136 129 311	5,75	TRY	177 943 334	41 814 023	0,57 %	0,42 %	Istanbul
Societe Fonciere, Financiere et de Participations (FFP)	359 150	161 004 270	44,76	EUR	133 469 698	-27 534 572	0,43 %	1,43 %	Paris
Irsa SA GDR	2 209 671	184 543 875	9,47	USD	121 242 836	-63 301 040	0,39 %	3,82 %	New York
Aberdeen Asset Management Plc	9 591 015	77 577 677	1,34	GBP	120 210 809	42 633 132	0,39 %	0,95 %	London
Tag Tegernsee Immobilien AG	1 314 100	97 204 637	4,50	EUR	49 097 306	-48 107 332	0,16 %	4,04 %	Frankfurt
Shuaa Capital	9 881 759	21 922 916	1,48	AED	23 064 201	1 141 284	0,07 %	0,93 %	DFM
Aberdeen Asset Management Plc Pref	557	6 648 625	1420	GBP	7 398 057	749 432	0,02 %	0,74 %	London
Total financials		**3 484 217 376**			**4 003 853 232**	**519 635 856**	**12,88 %**		
Information technology									
Samsung Electronics Co Ltd Pref	693 203	1 552 285 097	525000	KRW	1 820 185 576	267 900 479	5,85 %	3,04 %	Seoul
Kyocera Corp	1 553 700	816 692 325	8170	JPY	790 124 081	-26 568 244	2,54 %	0,81 %	Tokyo
Amdocs Ltd	4 018 830	617 597 344	28,53	USD	664 323 932	46 726 588	2,14 %	1,96 %	New York
Samsung Electronics Co Ltd GDR	123 939	105 503 791	350,00	USD	251 335 898	145 832 107	0,81 %	0,04 %	London Int.
Samsung Electronics Co Ltd Pref GDR	146 978	148 488 210	222,25	USD	189 265 996	40 777 785	0,61 %	0,32 %	London Int.
Kyocera Corp ADR	66 354	48 871 983	88,31	USD	33 951 228	-14 920 755	0,11 %	0,03 %	New York
Travelsky Technology Ltd	5 292 000	16 883 793	7,83	HKD	30 973 679	14 089 886	0,10 %	0,85 %	Hong Kong
Proact IT Group AB	205 370	7 950 624	73,75	SEK	12 275 863	4 325 240	0,04 %	2,11 %	Stockholm
Total information technology		**3 314 273 167**			**3 792 436 253**	**478 163 086**	**12,20 %**		
Telecom									
Bharti Airtel Ltd	9 222 031	388 239 763	329,75	INR	378 600 108	-9 639 655	1,22 %	0,24 %	National India
Total Access Telecommunication Pcl	49 674 500	153 544 211	35,75	THB	307 837 037	154 292 826	0,99 %	2,10 %	Singapore
Magyar Telekom Plc	11 184 677	312 863 769	732,00	HUF	251 551 215	-61 312 554	0,81 %	1,07 %	Budapest
PT Indosat Tbk ADR	703 107	103 833 431	25,11	USD	102 293 167	-1 540 264	0,33 %	0,65 %	New York
Telekomunikasi Indonesia Tbk ADR	422 988	29 479 454	39,95	USD	97 909 159	68 429 705	0,31 %	0,08 %	New York
Total Access Telecommunication Pcl Nvdr	661 740	3 993 048	35,75	THB	4 100 858	107 810	0,01 %	0,03 %	Bangkok
Total telecom		**991 953 677**			**1 142 291 544**	**150 337 867**	**3,67 %**		
Utilities									
Centrais Eletricas Brasileiras SA Pref B	9 499 702	525 928 420	31,72	BRL	1 009 457 334	483 528 914	3,25 %	4,18 %	Sao Paulo
Centrais Eletricas Brasileiras SA Common	3 272 482	294 642 954	36,34	BRL	398 388 686	103 745 732	1,28 %	0,36 %	Sao Paulo
Calpine Corp	4 694 955	334 495 452	11,00	USD	299 228 262	-35 267 190	0,96 %	1,06 %	New York
Total utilities		**1 155 066 826**			**1 707 074 282**	**552 007 456**	**5,49 %**		
TOTAL EQUITY PORTFOLIO[1]		**26 112 718 432**			**29 328 710 393**	**3 215 991 961**	**94,33 %**		

Base price as of 31.12.2009 697,9145

[1] For liquidity in the portfolio as of 31.12.2009, please refer to the balance sheet.

SKAGEN Kon-Tiki

Note 8. Securities portfolio as of 31.12.2009 (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									
Pride International Inc	7 140 000	1 224 967 812	31,91	USD	1 320 089 896	95 122 084	3,99 %	4,09 %	New York
Seadrill Ltd	4 674 100	329 241 738	148,00	NOK	691 766 800	362 525 062	2,09 %	1,17 %	Oslo
OGX Petroleo e Gas Participacoes SA	9 730 000	188 504 112	17,10	BRL	557 383 050	368 878 938	1,69 %	0,30 %	Sao Paulo
Tullow Oil Plc	3 084 900	173 166 630	13,05	GBP	376 552 689	203 386 059	1,14 %	0,38 %	London
Petroleo Brasileiro Pref ADR	1 131 500	133 163 760	42,39	USD	277 905 067	144 741 307	0,84 %	0,06 %	New York
Indo Tambangraya Megah Pt	9 377 500	134 507 808	31 800	IDR	182 616 857	48 109 049	0,55 %	0,83 %	Indonesia
Deep Sea Supply Plc	11 096 000	109 900 200	7,79	NOK	86 437 840	-23 462 360	0,26 %	8,54 %	Oslo
Golar LNG Energy Ltd	4 500 000	54 810 000	11,00	NOK	49 500 000	-5 310 000	0,15 %	1,97 %	Oslo
Seawell Ltd	2 031 269	35 912 833	15,50	NOK	31 484 669	-4 428 163	0,10 %	1,85 %	Unlisted
Awilco Drilling Ltd	339 000	9 776 778	5,00	USD	9 820 830	44 052	0,03 %	3,08%	Unlisted
Golar LNG Energy Ltd Warrant	900 000	-	1,96	NOK	1 764 000	1 764 000	0,01 %	7,50%	Unlisted
Total energy		**2 393 951 672**			**3 585 321 698**	**1 191 370 026**	**10,85 %**		
Raw materials									
Vale SA Spons ADR	5 306 711	390 965 895	24,82	USD	763 142 613	372 176 718	2,31 %	0,25 %	New York
First Quantum Minerals Ltd	1 000 000	380 815 048	80,26	CAD	443 436 500	62 621 452	1,34 %	1,27 %	Toronto
Equinox Minerals Ltd	10 000 000	212 201 659	4,09	CAD	225 972 500	13 770 841	0,68 %	1,42 %	Toronto
Asia Cement China Holdings Corp	46 742 500	172 551 676	4,65	HKD	162 471 087	-10 080 589	0,49 %	3,00 %	Hong Kong
Drdgold Ltd ADR	3 745 997	207 630 246	6,84	USD	148 457 457	-59 172 789	0,45 %	9,91 %	NASDAQ
Aquarius Platinum Ltd	2 687 272	45 066 501	4,07	GBP	102 301 073	57 234 571	0,31 %	0,58 %	London
Pt Indah Kiat Pulp & Paper Corp Tbk	51 504 500	50 406 871	1 740	IDR	54 880 884	4 474 013	0,17 %	0,94 %	Jakarta
Northland Resources Inc	3 302 000	65 449 537	9,32	NOK	30 774 640	-34 674 897	0,09 %	4,02 %	Oslo
Total raw materials		**1 525 087 434**			**1 931 436 754**	**406 349 320**	**5,84 %**		
Industrials									
ABB Ltd	3 943 976	408 225 262	138,00	SEK	441 129 772	32 904 510	1,33 %	0,17 %	Stockholm
Aveng Ltd	12 956 768	374 036 001	39,90	ZAR	406 083 896	32 047 896	1,23 %	3,27 %	Johannesburg
Nordic American Tanker Shipping Ltd	1 539 000	266 489 133	30,00	USD	267 508 980	1 019 847	0,81 %	3,65 %	New York
Strabag SE	1 485 310	212 738 949	20,70	EUR	255 272 588	42 533 639	0,77 %	1,30 %	Vienna
Harbin Power Equipment Co Ltd	45 000 000	478 168 697	6,94	HKD	233 444 250	-244 724 447	0,71 %	6,66 %	Hong Kong
Enka Insaat Ve Sanayi AS	7 499 999	107 998 892	6,90	TRY	200 246 598	92 247 706	0,61 %	0,42 %	Istanbul
Alfa S.A.B.-A	5 095 900	111 170 351	83,42	MXN	188 616 860	77 446 510	0,57 %	0,91 %	Mexico
Norwegian Air Shuttle ASA	1 603 900	103 605 941	115,00	NOK	184 448 500	80 842 559	0,56 %	4,69 %	Oslo
Alarko Holding AS	9 397 706	116 891 292	3,98	TRY	144 730 405	27 839 113	0,44 %	4,21 %	Istanbul
Tekfen Holding AS	7 521 955	113 250 674	4,90	TRY	142 620 404	29 369 730	0,43 %	2,03 %	Istanbul
LG Corp Pref	808 430	118 266 161	29 750	KRW	120 288 836	2 022 675	0,36 %	24,39 %	Seoul
Thai Airways Intl Pcl Foreign	17 799 700	69 287 536	18,60	THB	57 390 095	-11 897 441	0,17 %	1,05 %	Bangkok
Airasia Bhd	24 512 700	53 334 075	1,38	MYR	56 977 935	3 643 859	0,17 %	0,89 %	Kuala Lumpur
Freeworld Coatings Ltd	8 113 589	57 615 369	8,39	ZAR	53 471 351	-4 144 019	0,16 %	3,98 %	Johannesburg
Barloworld Ltd	856 000	76 574 243	45,10	ZAR	30 324 699	-46 249 544	0,09 %	0,38 %	Johannesburg
Kumho Industrial Co Ltd-pfd	1 883 110	35 438 660	3 185	KRW	29 997 223	-5 441 437	0,09 %	14,82 %	Seoul
Mariupol Heavy Machinebuilding Plant GDR	554 685	22 054 437	3,35	USD	10 766 380	-11 288 057	0,03 %	3,60%	Frankfurt
Kuribayashi Steamship Co Ltd	300 000	6 010 011	191,00	JPY	3 566 652	-2 443 360	0,01 %	2,35 %	Tokyo
Bidvest Group Ltd	19 643	1 544 752	129,00	ZAR	1 990 415	445 663	0,01 %	0,01 %	Johannesburg
Total industrials		**2 732 700 436**			**2 828 875 840**	**96 175 404**	**8,56 %**		
Consumer discretionary									
LG Electronics Inc Pref	3 137 110	848 074 070	50 000	KRW	784 504 940	-63 569 130	2,37 %	18,25 %	Seoul
Hyundai Motor Company Pref (2pb)	3 589 600	570 521 507	43 000	KRW	771 987 812	201 466 305	2,34 %	9,54 %	Seoul
Hyundai Motor Company Pref (1p)	3 193 370	505 581 721	42 000	KRW	670 802 176	165 220 455	2,03 %	12,72 %	Seoul
Mahindra & Mahindra Ltd GDR	3 812 836	136 427 372	23,23	USD	513 187 213	376 759 841	1,55 %	1,37 %	London Int.
Great Wall Motor Co Ltd	42 940 188	147 469 611	9,68	HKD	310 706 612	163 237 002	0,94 %	10,39 %	Hong Kong
Shangri-la Asia Ltd	14 800 812	126 234 081	14,60	HKD	161 528 662	35 294 580	0,49 %	0,51 %	Hong Kong
Mitra Adiperkasa Tbk Pt	49 105 500	21 274 860	620,00	IDR	18 644 404	-2 630 456	0,06 %	2,96 %	Jakarta
China Ting Group Hldgs Ltd	17 792 000	37 213 002	1,25	HKD	16 624 400	-20 588 602	0,05 %	0,85 %	Hong Kong
Convenience Retail Asia Ltd	2810000	4725719	2,00	HKD	4200950	-524769	0,01%	0,38%	Hong Kong
Total consumer discretionary		**2 397 521 944**			**3 252 187 169**	**854 665 225**	**9,84 %**		
Consumer staples									
Yazicilar Holding AS	9654470	239353575	9,60	TRY	358636528	119282953	1,09%	6,03%	Istanbul
Efes Breweries International NV GDR	3421682	198275976	13,00	USD	257727932	59451955	0,78%	8,09%	London Int.
Marine Harvest ASA	57780000	204172557	4,23	NOK	244467180	40294623	0,74%	1,62%	Oslo
PZ Cussons Plc	9593314	159625786	2,70	GBP	242273869	82648083	0,73%	2,24%	London
Chaoda Modern Agriculture Ltd	37514000	199380308	8,30	HKD	232746234	33365926	0,70%	1,23%	Hong Kong
Shoprite Holdings Ltd	4285424	152318197	65,22	ZAR	219543600	67225403	0,66%	0,79%	Johannesburg
Kulim Malaysia Berhad	16875100	213083213	7,55	MYR	214600028	1516815	0,65%	5,30%	Kuala Lumpur
Podravka Prehrambena Ind Dd	406584	111935175	295,96	HRK	136856520	24921345	0,41%	7,50%	Zagreb
Pivovarna Lasko d.d.	499286	138711783	26,00	EUR	107780320	-30931463	0,33%	5,80%	Ljubljana
East African Breweries Ltd	7563846	80416428	145,00	KES	83842737	3426309	0,25%	0,96%	Nairobi
Cosan Ltd-class A shares	1612500	78951127	8,70	USD	81282577	2331451	0,25%	0,92%	New York
Magrit OAO-Spon GDR Regs	736511	42616882	15,85	USD	67637414	25020532	0,20%	0,17%	London Int.
Royal Unibrew A/S	289486	44300569	139,00	DKK	44906226	605657	0,14%	2,58%	Copenhagen
United Intl Enterprises	60000	8509583	430,00	DKK	28792800	20283217	0,09%	1,17%	Copenhagen
Total consumer staples		**1 871 651 158**			**2 321 093 965**	**449 442 807**	**7,02 %**		

Note 8. Securities portfolio as of 31.12.2009 (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	644 343	669 236 293	42 900	HUF	849 323 940	180 087 647	2,57%	3,46%	Budapest
Stada Arznemittel AG	2 371 437	341 088 433	24,20	EUR	476 478 916	135 390 483	1,44%	4,03%	Frankfurt
Hanmi Pharm Co Ltd	602 039	243 472 628	128 000	KRW	385 416 666	141 944 039	1,17%	6,31%	Seoul
China Shineway Pharmaceutical	24 915 000	92 170 986	14,54	HKD	270 792 415	178 621 429	0,82%	3,01%	Hong Kong
Eis Eczacibasi Ilac Ve Sanayi	21 600 000	147 052 388	2,50	TRY	208 953 000	61 900 612	0,63%	3,94%	Istanbul
Eczacibasi Yatirim Holding	3 436 363	39 761 197	4,84	TRY	64 357 512	24 596 315	0,19%	4,91%	Istanbul
Yuyu Pharma Incorporated	302 070	37 810 734	5 870	KRW	8 868 326	-28 942 408	0,03%	5,18%	Seoul
Total health care		**1 570 592 657**			**2 264 190 775**	**693 598 118**	**6,85 %**		
Financials									
Banco Do Estado Rio Grande Do Sul Pref	26 745 800	477 824 121	14,70	BRL	1 317 096 921	839 272 800	3,98%	13,37%	Sao Paulo
Standard Chartered Plc	7 756 091	891 538 690	15,75	GBP	1 142 608 905	251 070 215	3,46%	0,38%	London
Haci Omer Sabanci Holding AS	21 740 108	380 040 549	5,75	TRY	483 709 250	103 668 702	1,46%	1,14%	Istanbul
Efg-Hermes Holding SAE	11 320 504	333 337 500	25,20	EGP	301 394 834	-31 942 666	0,91%	2,96%	Egypt
A.F.P. Provida SA ADR	1 105 000	215 597 777	45,16	USD	289 131 029	73 533 253	0,87%	5,00%	New York
JSE Limited	5 694 251	214 587 788	60,28	ZAR	269 622 443	55 034 656	0,82%	6,69%	Johannesburg
Kiwoom Securities Co Ltd	1 086 290	203 474 109	42 000	KRW	228 187 055	24 712 946	0,69%	4,92%	Seoul
Asya Katilim Bankasi AS	16 354 245	105 844 125	3,46	TRY	218 958 319	113 114 194	0,66%	1,82%	Istanbul
Korean Reinsurance Co	4 250 022	163 294 519	9 860	KRW	209 586 847	46 292 329	0,63%	3,73%	Seoul
Ishares FTSE/Xinhua China 25	854 000	175 663 714	42,26	USD	209 105 692	33 441 978	0,63%	0,36%	AMEX
Nordnet AB	7 813 199	108 492 261	23,60	SEK	149 449 308	40 957 046	0,45%	4,68%	Stockholm
Tisco Financial Group Pcl Nvdr	33 196 800	123 313 156	24,20	THB	139 258 883	15 945 727	0,42%	4,57%	Bangkok
Yapi Ve Kredi Bankasi AS	10 911 386	121 599 585	3,28	TRY	138 486 875	16 887 289	0,42%	0,25%	Istanbul
Vtb Bank OJSC GDR	4 674 615	118 712 785	4,72	USD	127 839 875	9 127 090	0,39%	0,09%	London Int.
Polaris Securities Co Ltd	35 096 641	83 936 887	19,05	TWD	121 107 239	37 170 351	0,37%	1,64%	Taipei
Kim Eng Holdings Ltd	14 534 000	106 751 232	2,01	SGD	120 504 911	13 753 679	0,36%	2,42%	Singapore
KGI Securities Co Ltd	35 000 000	84 755 262	19,00	TWD	120 456 770	35 701 508	0,36%	1,09%	Taipei
MBK Plc	10 000 000	108 590 242	65,00	THB	112 674 250	4 084 008	0,34%	5,30%	Bangkok
Aberdeen Asset Management Plc	7 134 379	66 302 229	1,34	GBP	89 420 095	23 117 865	0,27%	0,71%	London
Aksigorta AS	4 112 663	48 261 662	5,20	TRY	82 752 537	34 490 875	0,25%	1,34%	Istanbul
Ghana Commercial Bank Ltd	17 439 804	84 271 562	0,74	GHS	52 218 362	-32 053 201	0,16%	6,58%	Ghana
Trimegah Securities Tbk Pt	350 000 000	50 389 802	175,00	IDR	37 508 765	-12 881 037	0,11%	9,58%	Jakarta
Tisco Financial-Foreign	8 500 000	32 230 911	24,20	THB	35 657 066	3 426 156	0,11%	1,17%	Bangkok
Diamond Bank PLC GDR	1 022 167	57 329 221	4,95	USD	29 316 056	-28 013 165	0,09%	0,71%	London Int.
Aberdeen Asset Management Plc Pref	939	11 208 364	1 420	GBP	12 471 770	1 263 406	0,04%	1,17%	London
Kiwoom Securities Co Rights	139 430	-	15 300	KRW	10 669 488	10 669 488	0,03%	4,92%	Seoul
EFG-Hermes Holding GDR	116 893	6 345 492	9,20	USD	6 230 958	-114 534	0,02%	0,06%	London Int.
Total financials		**4 373 693 547**			**6 055 424 504**	**1 681 730 956**	**18,32 %**		
Information technology									
Samsung Electronics Co Ltd Pref	557 495	1 375 394 197	525 000	KRW	1 463 848 768	88 454 571	4,43%	2,44%	Seoul
Samsung Electronics Co Ltd Pref GDR	502 317	489 380 761	222,25	USD	646 841 889	157 461 128	1,96%	1,10%	London Int.
Satyam Computer Services Ltd	4 500 000	199 639 269	98,15	INR	54 988 537	-144 650 732	0,17%	0,38%	Bombay
Ericsson Nikola Tesla	24 603	28 293 831	1 340	HRK	37 481 156	9 187 325	0,11%	1,85%	Zagreb
Total information technology		**2 092 708 057**			**2 203 160 350**	**110 452 293**	**6,67 %**		
Telecom									
Sistema JSFC GDR	14 210 989	1 088 460 755	21,25	USD	1 749 692 493	661 231 738	5,29%	3,06%	London Int.
Bharti Airtel Ltd	19 324 305	885 063 727	329,75	INR	793 337 602	-91 726 125	2,40%	0,51%	National India
PT Indosat Tbk ADR	4 049 805	690 544 386	25,11	USD	589 195 357	-101 349 029	1,78%	3,73%	New York
Total Access Telecommunication Pcl	15 933 600	36 013 612	35,75	THB	98 741 854	62 728 242	0,30%	0,67%	Singapore
Total Access Telecommunication Pcl Nvdr	12 000 000	61 879 528	35,75	THB	74 365 005	12 485 477	0,22%	0,51%	Bangkok
Safaricom Ltd	60 000 000	27 459 254	4,55	KES	20 869 758	-6 589 496	0,06%	0,15%	Nairobi
Total telecom		**2 789 421 262**			**3 326 202 069**	**536 780 807**	**10,06 %**		
Utilities									
Centrais Eletricas Brasileiras SA Pref B	19 949 600	1 327 805 610	31,72	BRL	2 119 884 395	792 078 785	6,41%	8,78%	Sao Paulo
Centrais Eletricas Brasileiras SA Common	1 053 000	79 564 274	36,34	BRL	128 191 167	48 626 893	0,39%	0,12%	Sao Paulo
Total utilities		**1 407 369 884**			**2 248 075 562**	**840 705 678**	**6,80 %**		
TOTAL EQUITY PORTFOLIO [1)]		**23 154 698 051**			**30 015 968 686**	**6 861 270 635**	**90,81 %**		
Base price as of 31.12.2009		470,9718							

[1)] For liquidity in the portfolio as of 31.12.2009, please refer to the balance sheet.

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Note 8. Securities portfolio as of 31.12.2009 (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														
Kredittforeningen for Sparebanker	26.02.2010	2,34	26.02.2010	90000000	89791800	2,10	0,15	100,05	198900	90041940	90240840	250140	2,57%	5
Skandinaviska Enskilda Banken AB	04.06.2010	2,49	04.03.2010	75000000	75213750	2,17	0,17	100,16	140062	75118950	75259012	-94800	2,14%	5
Kredittforeningen for Sparebanker	09.06.2010	2,09	09.03.2010	68000000	68035760	2,11	0,18	100,01	86851	68008772	68095623	-26988	1,94%	5
Helgeland Sparebank	23.02.2010	2,35	23.02.2010	50000000	49979600	2,09	0,14	100,05	124028	50022850	50146878	43250	1,43%	5
Sparebanken Pluss	24.08.2010	2,19	24.02.2010	30000000	30064500	2,03	0,15	100,13	67525	30038850	30106375	-25650	0,86%	5
Kredittforeningen for Sparebanker	30.06.2010	2,35	30.03.2010	25000000	25000000	2,22	0,24	100,09	1632	25022575	25024207	22575	0,71%	5
Sparebank 1 Nordvest	25.05.2010	2,12	23.02.2010	20000000	20008000	2,11	0,15	100,03	44756	20006020	20050776	-1980	0,57%	5
Sparebanken Pluss	29.03.2010	2,57	29.03.2010	14000000	14034860	2,21	0,24	100,1	1999	14013930	14015929	-20930	0,40%	5
Helgeland Sparebank	27.09.2010	2,38	29.03.2010	7000000	7018620	2,19	0,23	100,17	1388	7012005	7013393	-6615	0,20%	5
Industrial bonds														
Nortura BA	16.02.2010	3,52	16.02.2010	110000000	110159700	2,53	0,13	100,13	484000	110147620	110631620	-12080	3,15%	6
Felleskjøpet Agri BA	24.06.2010	3,38	24.03.2010	100000000	100000000	3,39	0,22	100,05	28167	100045600	100073767	45600	2,85%	6
Norwegian Property 7/10	22.03.2010	2,81	22.03.2010	81500000	80682950	4,52	0,21	99,65	57254	81215646	81272900	532696	2,31%	6
Olav Thon Eiendomsselskap ASA	11.03.2010	3,02	11.03.2010	45000000	45000000	2,25	0,19	100,16	75500	45071010	45146510	71010	1,28%	6
Industry notes														
Olav Thon Eiendomsselskap ASA	11.11.2010	2,39	11.02.2010	49000000	49003600	2,46	0,11	100,01	162653	49003724	49166377	124	1,40%	6
Financial certificates														
Nordea Bank Norge	02.07.2010	1,89	04.01.2010	50000000	50003500	1,96	0,01	99,99	236250	49996000	50232250	-7500	1,43%	5
Kredittforeningen for Sparebanker	01.10.2010	1,97	04.01.2010	25000000	25000000	1,96	-	100,04	124493	25009000	25133493	9000	0,71%	5
Sparebank 1 SMN	22.03.2010	2,56	22.03.2010	25000000	25081000	2,19	0,22	100,09	16000	25023300	25039300	-57700	0,71%	5
Sparebanken Sør	05.05.2010	2,19	05.02.2010	10000000	10015900	2,03	0,10	100,07	34067	10007380	10041447	-8520	0,29%	5
Power generation certificates														
Agder Energi AS	30.03.2010	2,83	30.03.2010	125000000	125102500	2,30	0,24	100,14	9826	125180000	125189826	77500	3,56%	6
BKK	31.03.2010	2,85	31.12.2009	115000000	115313835	2,29	0,24	100,15	-	115177675	115177675	-136160	3,27%	6
Vardar AS	28.05.2010	2,90	26.02.2010	50000000	49992500	2,63	0,16	100,13	124861	50065500	50190361	73000	1,43%	6
Statkraft AS	21.01.2010	2,98	21.01.2010	45000000	45055200	2,06	0,06	100,06	264475	45024885	45289360	-30315	1,29%	6
Power generation bonds														
Hafslund ASA	22.10.2010	2,20	22.01.2010	250000000	249934000	2,30	0,06	99,97	1069444	249927750	250997194	-6250	7,14%	6
Statkraft AS	23.03.2010	2,82	23.03.2010	245000000	245205860	2,27	0,22	100,14	153533	245345940	245499473	140080	6,98%	6
BKK	23.09.2010	2,25	23.03.2010	225000000	224932500	2,32	0,22	100,01	112500	225018450	225130950	85950	6,40%	6
Hafslund ASA	17.11.2010	2,14	17.02.2010	75000000	74977000	2,26	0,13	99,94	196167	74954100	75150267	-22900	2,14%	6
E-CO Energi AS	27.04.2010	2,27	27.01.2010	42500000	42367250	2,20	0,07	100,03	174191	42513770	42687961	146520	1,21%	6

Note 8. Securities portfolio as of 31.12.2009 (in NOK)

Security	Maturity	Coupon	Interest adjustment point	Facevalue	Costprice	Yield[3]	Duration[2]	Market price	Accrued interest	Market value	Marketvalue incl.accrued interest	Unrealised gain/loss	Share offund	Risk class[4]
FIXED RATE SECURITIES														
Industrial certificates														
NorskHydro	15.02.2010	2,37		100000000	99912000	2,14	0,12	100,03	909041	100028600	100937641	116600	2,87%	6
YaraInternationalASA	02.03.2010	2,14		70000000	70000000	2,27	0,16	99,98	119019	69987400	70106419	-12600	1,99%	6
TelenorASA	22.03.2010	2,38		50000000	49992500	2,25	0,22	100,03	329288	50014700	50343988	22200	1,43%	6
YaraInternationalASA	26.02.2010	3,80		41000000	41056200	2,25	0,15	100,23	1310427	41094915	42405342	38715	1,21%	6
Rieber&SønASA	20.05.2010	2,55		35000000	34992000	2,61	0,37	99,98	100253	34994295	35094548	2295	1,00%	6
Schibsted	08.02.2010	2,90		30000000	29991000	2,45	0,10	100,05	350384	30014370	30364754	23370	0,86%	6
NorgesgruppenASA	04.06.2010	2,50		25000000	25002475	2,60	0,41	99,96	46233	24990975	25037208	-11500	0,71%	6
OlavThonEiendomsselskapASA	04.02.2010	3,95		20000000	19994000	2,10	0,09	100,17	714247	20034380	20748627	40380	0,59%	6
NorgesgruppenASA	05.01.2010	2,04		15000000	14999985	2,08	0,01	100	72937	14999940	15072877	-45	0,43%	6
Rieber&SønASA	25.03.2010	2,86		10000000	9996340	2,37	0,22	100,11	148093	10010870	10158963	14530	0,29%	6
Financial certificates														
ParetoBankASA	06.05.2010	4,15		45000000	45242550	2,91	0,34	100,41	1222829	45182700	46405529	-59850	1,32%	5
GjensidigeBankASA	18.10.2010	3,02		25000000	25000000	2,87	0,77	100,11	93082	25028175	25121257	28175	0,71%	5
Power generation certificates														
LyseEnergiAS	11.06.2010	2,85		50000000	50000000	2,63	0,43	100,09	788630	50043450	50832080	43450	1,45%	6
LyseEnergiAS	24.08.2010	2,90		50000000	49986000	2,85	0,63	100,02	512466	50011750	50524216	25750	1,44%	6
LyseEnergiAS	14.01.2010	4,31		47000000	47183230	2,06	0,04	100,08	1948002	47039433	48987435	-143797	1,39%	6
VardarAS	03.05.2010	2,74		25000000	25000000	2,69	0,33	100,02	110726	25004950	25115676	4950	0,71%	6
AgderEnergiAS	02.03.2010	2,04		25000000	24998850	2,18	0,16	99,98	40521	24994700	25035221	-4150	0,71%	6
E-COEnergiAS	31.03.2010	3,26		20000000	19994200	2,31	0,24	100,22	489447	20044840	20534287	50640	0,58%	6
AgderEnergiAS	30.03.2010	3,28		18000000	18079200	2,31	0,24	100,23	446439	18040932	18487371	-38268	0,53%	6
HafslundASA	30.04.2010	3,35		15000000	15060540	2,43	0,32	100,29	337295	15043170	15380465	-17370	0,44%	6
TOTAL EQUITY PORTFOLIO[5]					**2763455255**				**14079880**	**2764617787**	**2778697667**	**1162532**	**79,00%**	

Portfolio key figures

Yield	2,48%
Yieldtoclients[1]	2,23%
Duration[2]	0,15

[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 31.12.2009, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 31.12.2009 104,5408

NOK 116 947 580,- 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 31.12.2009 (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														
Skandinaviska Enskilda Banken AB	04.06.2010	2,49	04.03.2010	118000000	118273400	2,17	0,17	100,16	220365	118187148	118407513	-86252	6,14%	5
Helgeland Sparebank	23.02.2010	2,35	23.02.2010	65000000	64960050	2,09	0,14	100,05	161236	65029705	65190941	69655	3,38%	5
Rygge Vaaler Sparebank	29.01.2010	2,20	29.01.2010	55000000	54975570	2,00	0,08	100,02	211750	55010725	55222475	35155	2,86%	5
Sparebank 1 SMN	21.09.2011	2,85	17.03.2010	50000000	49802500	2,39	0,21	100,95	59375	50476300	50535675	673800	2,62%	5
Sparebanken Telemark	29.03.2010	2,21	29.03.2010	50000000	49905270	2,23	0,24	100,01	9208	50003550	50012758	98280	2,59%	5
Sparebanken Møre	26.08.2011	2,84	26.02.2010	48000000	47886000	2,30	0,15	100,97	132533	48465840	48598373	579840	2,52%	5
Kredittforeningen for Sparebanker	09.06.2010	2,09	09.03.2010	47000000	46949150	2,11	0,18	100,01	60029	47006063	47066092	56913	2,44%	5
Ringerikes Sparebank	22.03.2010	2,15	22.03.2010	45000000	44989905	2,20	0,22	100	26875	45001665	45028540	11760	2,33%	5
Sparebanken Pluss	11.03.2011	2,38	11.03.2010	32500000	32230250	2,11	0,19	100,36	42972	32618300	32661272	388050	1,69%	5
Kredittforeningen for Sparebanker	26.02.2010	2,34	26.02.2010	32000000	31860640	2,10	0,15	100,05	70720	32014912	32085632	154272	1,66%	5
Skandinaviska Enskilda Banken AB	28.02.2011	2,55	26.02.2010	30000000	30000000	2,25	0,16	100,39	65875	30116040	30181915	116040	1,56%	5
Sparebank 1 Nordvest	25.05.2010	2,12	23.02.2010	30000000	30012000	2,11	0,15	100,03	67133	30009030	30076163	-2970	1,56%	5
Pareto Bank ASA	14.09.2011	3,05	15.03.2010	30000000	29940000	3,15	0,19	99,98	43208	29993970	30037178	53970	1,56%	5
Askim Sparebank	08.02.2010	2,38	08.02.2010	29000000	28836730	2,10	0,10	100,04	99696	29010208	29109904	173478	1,51%	5
Sparebanken Telemark	04.05.2010	2,08	04.02.2010	25000000	25010000	2,04	0,09	100,03	82333	25006375	25088708	-3625	1,30%	5
Surnadal Sparebank	15.09.2010	3,30	15.03.2010	24000000	24254270	2,23	0,20	100,81	35200	24194760	24229960	-59510	1,26%	5
Kredittforeningen for Sparebanker	09.03.2011	2,10	09.03.2010	22000000	21657900	2,15	0,18	100	28233	21999626	22027859	341726	1,14%	5
Sparebanken Telemark	08.04.2011	2,84	08.01.2010	20000000	19997000	2,14	0,02	100,94	132533	20188720	20321253	191720	1,05%	5
Helgeland Sparebank	10.05.2010	3,09	10.05.2010	20000000	20043800	2,42	0,35	100,27	87550	20053260	20140810	9460	1,04%	5
Sparebanken Sogn og Fjordane	26.02.2010	2,16	26.02.2010	20000000	19940000	2,10	0,15	100,02	42000	20003640	20045640	63640	1,04%	5
Kragerø Sparebank	17.12.2010	2,71	17.03.2010	17000000	16933870	2,21	0,20	100,56	17916	17095914	17113830	162044	0,89%	5
Helgeland Sparebank	21.03.2012	2,85	17.03.2010	15000000	15154500	2,58	0,21	100,81	17812	15122145	15139957	-32355	0,78%	5
Sparebank 1 Hallingdal	27.06.2011	2,99	29.03.2010	15000000	15000000	2,49	0,23	100,81	3737	15121245	15124982	121245	0,78%	5
Surnadal Sparebank	29.10.2010	2,35	29.01.2010	15000000	14991000	2,19	0,08	100,16	61687	15024705	15086392	33705	0,78%	5
Opdals Sparebank	10.05.2010	2,19	10.02.2010	15000000	14910000	2,17	0,11	100,02	46537	15002940	15049477	92940	0,78%	5
Sparebanken Pluss	29.03.2010	2,57	29.03.2010	15000000	15033900	2,21	0,24	100,1	2142	15014925	15017067	-18975	0,78%	5
DnB NOR Bank ASA	10.09.2010	2,13	10.03.2010	14500000	14513300	2,05	0,18	100,08	18016	14511237	14529254	-2062	0,75%	5
Hønefoss Sparebank	02.03.2011	2,81	02.03.2010	12000000	11976000	2,26	0,16	100,69	27163	12082416	12109579	106416	0,63%	5
Sparebanken Volda Ørsta	10.05.2010	2,23	10.02.2010	12000000	12001290	2,09	0,11	100,06	37910	12007488	12045398	6198	0,62%	5
Kredittforeningen for Sparebanker	29.06.2012	3,40	30.03.2010	10000000	10017000	2,65	0,23	101,88	944	10187840	10188784	170840	0,53%	5
Sparebanken Bien AS	01.04.2011	2,47	04.01.2010	10000000	9898000	2,16	-	100,43	62436	10043060	10105496	145060	0,52%	5
Kredittforeningen for Sparebanker	30.06.2011	2,95	30.03.2010	10000000	9956000	2,40	0,24	100,9	819	10090040	10090859	134040	0,52%	5
Flekkefjord Sparebank	15.04.2010	2,56	15.01.2010	10000000	10000000	2,09	0,04	100,15	54756	10014980	10069736	14980	0,52%	5
Høland Sparebank	19.01.2010	2,16	19.01.2010	10000000	9959000	2,06	0,05	100,01	43800	10000750	10044550	41750	0,52%	5
Kredittforeningen for Sparebanker	03.10.2011	2,10	04.01.2010	10000000	9960300	2,31	0,01	99,81	53083	9980860	10033943	20560	0,52%	5
Helgeland Sparebank	27.09.2010	2,38	29.03.2010	10000000	10026500	2,19	0,23	100,17	1983	10017150	10019133	-9350	0,52%	5
Sparebanken Møre	03.02.2010	2,12	03.02.2010	9000000	8984600	2,00	0,09	100,02	30740	9001494	9032234	16894	0,47%	5
Sparebanken Hedmark	31.03.2010	2,45	31.12.2009	6000000	6010620	2,22	0,24	100,07	-	6004194	6004194	-6426	0,31%	5
Sparebanken Narvik	27.09.2010	2,93	29.03.2010	5000000	5028500	2,28	0,23	100,51	1221	5025630	5026851	-2870	0,26%	5
Grong Sparebank	26.11.2010	2,37	26.02.2010	5000000	5000000	2,19	0,15	100,21	11521	5010640	5022161	10640	0,26%	5
Sparebanken Vest	03.02.2010	2,11	03.02.2010	5000000	4977250	2,00	0,09	100,02	16997	5000785	5017782	23535	0,26%	5
Sparebanken Narvik	15.03.2010	2,16	15.03.2010	5000000	4962600	2,24	0,20	100	4800	4999995	5004795	37395	0,26%	5
Bank 1 Oslo	22.06.2010	2,15	22.03.2010	5000000	4995000	2,15	0,22	100,02	2687	5001070	5003757	6070	0,26%	5
Financial certificates														
Nordea Bank Norge	02.07.2010	1,89	04.01.2010	75000000	75005250	1,96	0,01	99,99	354375	74994000	75348375	-11250	3,91%	5
Sparebanken Narvik	23.03.2011	2,30	23.03.2010	50000000	49771750	2,37	0,22	100,01	25556	50003100	50028656	231350	2,59%	5
Sparebanken Sør	05.05.2010	2,19	05.02.2010	35000000	34602500	2,03	0,10	100,07	119233	35025830	35145063	423330	1,82%	5
Gjensidige Bank ASA	07.09.2010	2,11	08.03.2010	30000000	30006060	2,14	0,18	100,03	42200	30008850	30051050	2790	1,56%	5
Kredittforeningen for Sparebanker	09.09.2010	2,16	09.03.2010	25000000	25020820	2,09	0,18	100,08	33000	25020325	25053325	-495	1,30%	5
Sparebank 1 SMN	22.03.2010	2,56	22.03.2010	18000000	18029775	2,19	0,22	100,09	11520	18016776	18028296	-12999	0,93%	5
Sparebanken Pluss	09.11.2010	2,13	09.02.2010	13000000	13013900	2,07	0,11	100,09	39997	13011349	13051346	-2551	0,68%	5
Fornebu Sparebank	11.01.2010	2,16	11.01.2010	9000000	8969900	2,06	0,03	100	43200	9000450	9043650	30550	0,47%	5
Bank 1 Oslo	01.11.2010	2,09	01.11.2010	5000000	5005200	2,03	0,09	100,11	17126	5005340	5022466	140	0,26%	5

Note 8. Securities portfolio as of 31.12.2009 (in NOK)

Security	Maturity	Coupon	Interest adjustment point	Facevalue	Costprice	Yield[3]	Duration[2]	Market price	Accrued interest	Market value	Marketvalue incl. accrued interest	Unrealised gain/loss	Share offund	Risk class[4]
FIXED RATE SECURITIES														
Financial bonds														
Sparebanken Vest	15.04.2010	5,20		47 000 000	47 919 280	2,28	0,28	100,82	1 740 932	47 383 661	49 124 593	-535 619	2,55%	5
Financial certificates														
Gjensidige Bank ASA	16.11.2010	3,10		50 000 000	50 000 000	2,89	0,85	100,17	191 096	50 086 900	50 277 996	86 900	2,61%	5
Sparebanken Telemark	22.01.2010	3,80		25 000 000	25 000 000	2,00	0,06	100,11	892 740	25 026 375	25 919 115	26 375	1,34%	5
Pareto Bank ASA	06.05.2010	4,15		25 000 000	25 069 000	2,91	0,34	100,41	679 349	25 101 500	25 780 849	32 500	1,34%	5
Etne Sparebank	27.01.2010	3,95		9 000 000	8 999 784	2,06	0,07	100,14	329 203	9 012 222	9 341 425	12 438	0,48%	5
Gjensidige Bank ASA	09.02.2010	3,50		9 000 000	9 031 320	2,03	0,11	100,16	280 479	9 013 986	9 294 465	-17 334	0,48%	5
Gran Sparebank	22.01.2010	3,57		5 000 000	5 000 000	2,06	0,06	100,09	167 252	5 004 410	5 171 662	4 410	0,27%	5
TOTAL EQUITY PORTFOLIO[5]					**1462258204**				**7 164 795**	**1466466414**	**1473631210**	**4 208 210**	**76,39%**	

Portfolio key figures

Yield	2,36%
Yield to clients[1]	2,21%
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 31.12.2009, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 31.12.2009 103,8057

NOK 70 088 787,- 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 31.12.2009 (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															
DnB NOR Bank ASA	10.09.2010	2,13	NOK	10.03.2010	65000000	65061950	2,05	0,18	100,08	80762	65050375	65131137	-11575	4,12%	5
Sparebank 1 SR-Bank	15.07.2010	2,04	NOK	15.01.2010	54000000	54039020	1,97	0,04	100,06	235620	54033750	54269370	-5270	3,44%	5
BN Bank ASA	27.04.2010	2,26	NOK	27.01.2010	50000000	50060000	2,13	0,07	100,05	204028	50025800	50229828	-34200	3,18%	5
Skandinaviska Enskilda Banken AB	04.06.2010	2,49	NOK	04.03.2010	50000000	50110100	2,17	0,17	100,16	93375	50079300	50172675	-30800	3,18%	5
Bolig- og Næringskreditt ASA	15.06.2011	2,21	NOK	17.03.2010	50000000	49938000	2,40	0,20	99,85	46042	49925000	49971042	-13000	3,16%	5
Sparebank 1 SMN	05.08.2014	2,95	NOK	05.02.2010	40000000	40150000	2,73	0,09	101,22	183556	40486800	40670356	336800	2,58%	5
Sparebanken Volda Ørsta	13.12.2010	2,67	NOK	11.03.2010	40000000	40028000	2,11	0,20	100,6	59333	40240480	40299813	212480	2,55%	5
Sparebank 1 Buskerud-Vestfold	04.11.2013	2,57	NOK	02.02.2010	40000000	39970000	2,64	0,09	99,98	168478	39992960	40161438	22960	2,54%	5
Kredittforeningen for Sparebanker	09.06.2010	2,09	NOK	09.03.2010	40000000	40022240	2,11	0,18	100,01	51089	40005160	40056249	-17080	2,54%	5
Sparebank 1 Nord-Norge	10.02.2010	2,10	NOK	10.02.2010	34000000	33993200	2,03	0,11	100,01	101391	34004114	34105505	10914	2,16%	5
Sparebanken Volda Ørsta	12.12.2011	2,77	NOK	11.03.2010	30000000	30255000	2,47	0,19	100,73	46167	30219480	30265647	-35520	1,92%	5
Sparebanken Pluss	24.08.2010	2,19	NOK	24.02.2010	30000000	29745000	2,03	0,15	100,13	67525	30038850	30106375	293850	1,91%	5
Sparebank 1 SR-Bank	25.01.2012	2,41	NOK	25.01.2010	25000000	25007250	2,52	0,07	99,92	110458	24980450	25090908	-26800	1,59%	5
Bank 1 Oslo	03.10.2011	2,07	NOK	04.01.2010	25000000	24655000	2,26	0,01	99,75	125062	24936950	25062012	281950	1,59%	5
Sparebanken Telemark	29.03.2010	2,21	NOK	29.03.2010	25000000	24988000	2,23	0,24	100,01	4604	25001775	25006379	13775	1,58%	5
ABG Sundal Collier Norge ASA	15.11.2011	2,87	NOK	15.02.2010	25000000	25000000	6,36	0,12	94,47	89687	23617400	23707087	-1382600	1,50%	5
Sparebanken Sogn og Fjordane	27.02.2012	3,41	NOK	26.02.2010	20000000	20432000	2,51	0,16	102,02	64411	20403920	20468331	-28080	1,30%	5
Kredittforeningen for Sparebanker	29.06.2012	3,40	NOK	30.03.2010	20000000	20034000	2,65	0,23	101,88	1889	20375680	20377569	341680	1,29%	5
Helgeland Sparebank	21.03.2012	2,85	NOK	17.03.2010	20000000	20196000	2,58	0,21	100,81	23750	20162860	20186610	-33140	1,28%	5
Skandinaviska Enskilda Banken AB	28.02.2011	2,55	NOK	26.02.2010	20000000	20000000	2,25	0,16	100,39	43917	20077360	20121277	77360	1,27%	5
Pareto Bank ASA	14.09.2011	3,05	NOK	15.03.2010	20000000	19960000	3,15	0,19	99,98	28806	19995980	20024786	35980	1,27%	5
Flekkefjord Sparebank	21.09.2012	2,67	NOK	22.03.2010	20000000	19990000	2,79	0,21	99,9	14833	19980920	19995753	-9080	1,27%	5
Sparebank 1 Buskerud-Vestfold	21.01.2011	2,38	NOK	21.01.2010	18000000	18040500	2,21	0,06	100,21	84490	18037602	18122092	-2898	1,15%	5
Sparebanken Pluss	29.03.2010	2,57	NOK	29.03.2010	18000000	18041040	2,21	0,24	100,1	2570	18017910	18020480	-23130	1,14%	5
Rygge Vaaler Sparebank	29.01.2010	2,20	NOK	29.01.2010	10000000	10006500	2,00	0,08	100,02	38500	10001950	10040450	-4550	0,64%	5
Ringerikes Sparebank	23.09.2010	2,40	NOK	23.03.2010	10000000	10020000	2,18	0,22	100,21	5333	10021180	10026513	1180	0,63%	5
Sparebank 1 Nord-Norge	20.05.2010	2,62	NOK	20.05.2010	8000000	7856400	2,44	0,37	100,09	23871	8007336	8031207	150936	0,51%	5
Financial certificates															
Eiendomskreditt AS	15.09.2010	2,20	NOK	15.03.2010	46000000	46115460	2,11	0,20	100,12	44978	46054142	46099120	-61318	2,92%	5
Sparebanken Sør	05.05.2010	2,19	NOK	05.02.2010	40000000	40176000	2,03	0,10	100,07	136267	40029520	40165787	-146480	2,54%	5
Sparebank 1 Buskerud-Vestfold	21.02.2011	2,18	NOK	22.02.2010	40000000	40002000	2,12	0,14	100,12	92044	40049200	40141244	47200	2,54%	5
Halden Sparebank	13.09.2010	2,21	NOK	15.03.2010	40000000	39990000	2,21	0,20	100,03	41744	40014000	40055744	24000	2,54%	5
Kredittforeningen for Sparebanker	09.09.2010	2,16	NOK	09.03.2010	39000000	38998950	2,09	0,18	100,08	51480	39031707	39083187	32757	2,47%	5
Sparebanken Jevnaker Lunner	19.03.2010	2,24	NOK	19.03.2010	31500000	31566150	2,18	0,21	100,03	19600	31508032	31527632	-58117	2,00%	5
Landkreditt Bank AS	23.05.2011	2,14	NOK	23.02.2010	30000000	29993100	2,21	0,14	99,97	67767	29990940	30058707	-2160	1,90%	5
Tolga-Os Sparebank	02.06.2010	2,17	NOK	02.03.2010	30000000	30000000	2,20	0,16	100,01	52442	30001560	30054002	1560	1,90%	5
Gjensidige Bank ASA	07.09.2010	2,11	NOK	08.03.2010	30000000	30006060	2,14	0,18	100,03	42200	30008850	30051050	2790	1,90%	5
Sparebank 1 SMN	22.03.2010	2,56	NOK	22.03.2010	30000000	29862300	2,19	0,22	100,09	19200	30027960	30047160	165660	1,90%	5
Sparebanken 1 Gruppen	14.06.2010	2,25	NOK	15.03.2010	15000000	15052500	2,14	0,20	100,07	15937	15010860	15026797	-41640	0,95%	5
Aurskog Sparebank	06.07.2010	2,13	NOK	06.01.2010	10000000	10004700	2,07	0,02	100,04	50883	10003690	10054573	-1010	0,64%	5
Fornebu Sparebank	11.01.2010	2,16	NOK	11.01.2010	10000000	9998500	2,06	0,03	100	48000	10000500	10048500	2000	0,64%	5
Sparebanken Narvik	23.03.2011	2,30	NOK	23.03.2010	10000000	10000000	2,37	0,22	100,01	5111	10000620	10005731	620	0,63%	5
FIXED RATE SECURITIES															
Foreign government bonds															
Hungarian state	24.02.2017	6,75	HUF		2100000000	62327202	7,89	5,12	2,92	3692338	61282661	64974999	-1044540	4,11%	2
American state inflation protected	15.01.2028	1,75	USD		11250000	66470816	2,01[*]	15,06	554,62	535666	64186450	64722116	-2284365	4,10%	3
The European Investment Bank	02.03.2015	-	TRY		28000000	50039106	10,61	4,67	229,49	-	64258179	64258179	14219073	4,07%	1
Mexican state	20.11.2036	10,00	MXN		115000000	59486623	8,89	9,59	50,15	98332	57676117	57774449	-1810506	3,66%	3
South African state	31.03.2036	6,25	ZAR		82000000	46722558	8,94	10,16	57,95	1005403	47521307	48526711	798749	3,07%	3
Financial bonds															
Sparebanken Vest	15.04.2010	5,20	NOK		25000000	24657500	2,28	0,28	100,82	926027	25204075	26130102	546575	1,65%	5
TOTAL EQUITY PORTFOLIO[5]						**1519068724**				**8944968**	**1529581713**	**1538526681**	**10512989**	**97,43%**	

Portfolio key figures

Yield	2,62%
Yield to clients[1]	2,12%
Duration[2]	1,80

[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 31.12.2009, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 31.12.2009 125,0972

NOK 0,- 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 Tellus

Note 8. Securities portfolio as of 31.12.2009 (in NOK)

Security	Maturity	Coupon	Currency	Facevalue NOK	Costprice NOK	Yield[3]	Duration[2]	Market price NOK	Accrued interest NOK	Market value NOK	Marketvalue inclaccrued interestNOK	Unrealised gain/loss NOK	Share of fund	Risk class[4]
FIXED RATE SECURITIES														
Foreign government bonds														
Germanstate	12.03.2010	3	EUR	4900000	41867772	0,52	0,19	834,47	981006	40888979	41869985	-978793	10,35%	2
Brzilianstate	10.01.2028	10,25	BRL	9800000	29029081	10,41	7,43	333,39	1577307	32671927	34249234	3642845	8,44%	3
Americanstateinflationprotected	15.01.2028	1,75	USD	5780000	34012040	2,01[1]	15,06	554,46	275217	32967728	33242945	-1044312	8,19%	3
Mexicanstate	20.11.2036	10	MXN	61000000	33114835	8,89	9,59	50,18	52162	30608710	30660872	-2506125	7,55%	3
Polishstate	25.10.2017	5,25	PLN	13800000	28890691	6,1	6,14	191,66	268874	26449381	26718255	-2441310	6,58%	2
Hungarianstate	24.11.2017	6,75	HUF	894500000	26940705	8	5,8	2,86	187693	25578995	25766688	-1361709	6,35%	2
Indonesianstate	15.07.2027	10,25	IDR	40000000000	22851331	11,05	7,13	0,06	1143874	23389250	24533125	537920	6,04%	3
NewZealandstate	15.12.2017	6	NZD	4550000	18398732	5,9	6,08	423,81	50255	19283563	19333818	884831	4,76%	3
TheEuropeanInvestmentBank	30.03.2016	0	TRY	9230000	15266696	10,78	5,64	204,49	-	18874869	18874869	3608173	4,65%	1
NewSouthWales state	01.03.2017	5,5	AUD	3650000	17934307	6,17	5,54	502,43	347925	18338741	18686665	404434	4,60%	3
Greekstateinflationprotected	25.07.2030	2,3	EUR	2900000	18264340	4,49[1]	14,84	584,6	257090	17911486	18168575	-352855	4,46%	2
SouthAfricanstate	31.03.2036	6,25	ZAR	30000000	17567160	8,94	10,16	57,89	367500	17367897	17735397	-199263	4,37%	3
Pervianstate	12.08.2037	6,9	PEN	7700000	17107400	6,15	12,29	224,65	414802	17298109	17712911	190710	4,36%	3
Germanstateinflationprotected	15.04.2020	1,75	EUR	2000000	17718534	1,4[1]	9,28	859,88	209230	17380222	17589452	-338311	4,33%	2
Israelistate	29.04.2011	7	ILS	10000000	16396474	2,28	1,24	161,74	716737	16173996	16890733	-222477	4,16%	3
HongKongstate	08.12.2010	0	HKD	20000000	15039611	0,24	0,93	74,12	-	14824620	14824620	-214991	3,65%	3
Norwegian government bond														
Norwegianstate	15.09.2010	0	NOK	29000000	28447289	2,28	0,69	98,51	-	28567900	28567900	120611	7,04%	2
TOTAL EQUITY PORTFOLIO[5]					**398846998**				**6849671**	**398576374**	**405426045**	**-270624**	**99,89%**	

Portfolio key figures	
Yield	4,88%
Yieldtoclients[1]	4,08%
Duration[2]	6,79

[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
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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 31.12.2009, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 31.12.2009 106,7901

NOK 13026918,- 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 Krona

Note 8. Securities portfolio as of 31.12.2009 (in SEK)

Security	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											
Industrial certificates											
Fabege AB	18.02.2010	0	16000000	15930660	0,95	0,13	99,87	15979648	48988	5,03%	6
Securitas	16.02.2010	0	15000000	14989333	0,44	0,13	99,94	14991585	2252	4,72%	6
Posten Norge AS	26.02.2010	0	15000000	14980120	0,47	0,16	99,93	14989050	8930	4,72%	6
Lunds Energi	22.02.2010	0	15000000	14966137	0,58	0,14	99,92	14987400	21263	4,72%	6
Peab Finans	15.02.2010	0	15000000	14958014	0,95	0,12	99,88	14982210	24196	4,72%	6
Autoliv AB	31.05.2010	0	15000000	14930556	0,76	0,41	99,69	14953020	22464	4,71%	6
Fabege AB	22.02.2010	0	12000000	11970300	0,96	0,14	99,86	11983332	13032	3,77%	6
SSAB Svenskt Stål AB	26.03.2010	0	12000000	11970672	0,68	0,23	99,84	11981064	10392	3,77%	6
Stena Metall Finans AB	14.01.2010	0	11000000	10945186	0,96	0,04	99,96	10995985	50799	3,46%	6
Volvo Treasury	09.02.2010	0	11000000	10929963	0,58	0,11	99,94	10993015	63052	3,46%	6
Scania CV AB	02.03.2010	0	10000000	9989406	0,44	0,17	99,93	9992700	3294	3,15%	6
SSAB Svenskt Stål AB	22.02.2010	0	10000000	9969344	0,61	0,14	99,91	9991160	21816	3,15%	6
Tekniska Verken AB	23.03.2010	0	10000000	9963136	0,41	0,22	99,91	9990740	27604	3,15%	6
Arla Foods Amba	08.03.2010	0	10000000	9965883	0,94	0,18	99,83	9982780	16897	3,14%	6
Arla Foods Amba	15.03.2010	0	10000000	9935645	0,96	0,20	99,81	9980680	45035	3,14%	6
Vasakronan AB	18.02.2010	0	9000000	8990228	0,41	0,13	99,94	8995050	4822	2,83%	6
Stena Metall Finans AB	15.02.2010	0	9000000	8955971	1,00	0,12	99,88	8988759	32788	2,83%	6
SSAB Svenskt Stål AB	15.01.2010	0	8000000	7976668	0,56	0,04	99,98	7998176	21508	2,52%	6
Jernhusen AB	19.04.2010	0	8000000	7981355	0,54	0,30	99,84	7987200	5845	2,52%	6
Arla Foods Amba	26.02.2010	0	6000000	5956309	0,92	0,15	99,86	5991414	35105	1,89%	6
Stena Metall Finans AB	04.03.2010	0	6000000	5978420	1,03	0,17	99,82	5989350	10930	1,89%	6
Jernhusen AB	18.01.2010	0	5000000	4988167	0,37	0,05	99,98	4999100	10933	1,57%	6
Vasakronan AB	26.01.2010	0	5000000	4993878	0,37	0,07	99,97	4998700	4822	1,57%	6
Scania CV AB	02.02.2010	0	5000000	4996634	0,37	0,09	99,97	4998310	1676	1,57%	6
SCA Finans AB	22.02.2010	0	5000000	4995307	0,37	0,14	99,95	4997320	2013	1,57%	6
SCA Finans AB	06.04.2010	0	5000000	4993320	0,46	0,26	99,88	4993945	625	1,57%	6
Volvo Treasury	26.02.2010	0	4000000	3971581	0,67	0,16	99,9	3995832	24251	1,26%	6
Financial certificates											
Landshypotek	04.01.2010	0	15000000	14995751	0,31	0,01	100	14999505	3754	4,72%	5
Ikano bank	27.04.2010	0	15000000	14945449	0,84	0,32	99,73	14959605	14156	4,71%	5
SBAB	26.02.2010	0	14000000	13984983	0,30	0,16	99,95	13993490	8507	4,41%	5
TOTAL EQUITY PORTFOLIO[5]				**305 098 377**				**305 660 125**	**561 748**	**96,28%**	

Portfolio key figures

Yield	0,64%
Yield to clients[1]	0,44%
Duration[2]	0,16

[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.

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Risk class 6: Industry

[5] For liquidity in the portfolio as of 31.12.2009, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 31.12.2009 101,1153

SEK 5 885 720,- 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.

Auditor’s Report

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers AS
Forus Atrium
Postboks 8017
N-4068 Stavanger
Telefon 02316
Telefaks +47 23 16 10 00

Auditor’s report for 2009

We have audited the annual financial statements of the mutual funds as of 31 December, 2009, showing the following results:

SKAGEN Vekst	NOK	3 248 987 726
SKAGEN Global	NOK	6 028 241 257
SKAGEN Kon-Tiki	NOK	9 451 417 122
SKAGEN Avkastning	NOK	78 428 677
SKAGEN Høyrente	NOK	150 479 293
SKAGEN Høyrente Institusjon	NOK	86 512 305
SKAGEN Tellus	NOK	-34 655 227
SKAGEN Krona	SEK	6 142 292

We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the result. The annual financial statements comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements. These financial statements are the responsibility of the Fund Management Company’s Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with the laws and regulations and give a true and fair view of the financial position of the mutual funds as of December 31, 2009, and the results of operations and cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway.
- the information given in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the result in each mutual fund are consistent with the financial statements and comply with the law and regulations.

Stavanger, 27 January 2010
PricewaterhouseCoopers AS

Gunstein Hadland
State Authorised Public Accountant (Norway)
Note: This translation from Norwegian has been prepared for information purposes only

Contributions based on commitment

In 2009 SKAGEN contributed EUR 1.25 million to strengthen the great work carried out by SOS Children's Villages, Médecins sans Frontières and Children at Risk Foundation. The past three year's co-operation with these organisations has resulted in real commitment and enthusiasm amongst SKAGEN's employees.

The management company SKAGEN AS has sponsored SOS Children's Villages, Médecins sans Frontières and Children at Risk Foundation since 2006.

- We have great confidence in the work these organisations carry out. They do an excellent job and we see that our contribution makes a real difference. There is a lot of enthusiasm and support for this co-operation amongst all our employees in Norway, Sweden and Denmark. This is why we have chosen to continue our support of these three organisations, says Managing director of SKAGEN Funds, Harald Espedal.

Children and youngsters in three continents

We chose to start sponsoring these humanitarian organisations because each of them really does make a difference with their work. Our objective was to earmark resources for work with children and youngsters in three different parts of the world. This makes SOS Children's Villages, with their activities in Eastern Europe, Médecins sans Frontières, in Africa, and CARF, in Brazil a good fit.

As of 2010 SKAGEN has three home markets comprising Norway, Sweden and Denmark. It is therefore natural to strengthen the link between the organisations we work with and our Swedish and Danish offices.

- Almost EUR 0.5 million to be shared equally between SOS Children's Villages in Norway and Sweden for a project in Eastern Europe.
- Médecins sans Frontières to receive EUR 0.5 million to strengthen its efforts in Africa, shared equally between Norway and Denmark.
- Children at Risk Foundation to receive EUR 0.25 million to help street children in the poorest areas around Sao Paulo in Brazil.

Long-term

SKAGEN has a long-term focus in its sponsorship activities, and therefore prioritises only a small number of projects but with a strong community impact. It is in these projects that we can make a difference, both locally and globally. In addition to long-term sponsorship SKAGEN also contributes to child and youth work, research and education initiatives, and other charitable organisations working with cultural, humanitarian and outdoor activities.

SKAGEN representatives visiting the head office of Médecins sans Frontières in Brussels.

SKAGEN contributes to SOS Children›s Villages work in Eastern Europe.

SKAGEN International on 'short-finals*' for the London branch

**the term pilots often use for the final checks as an aircraft comes in to land*

SKAGEN's UK team has spent much of 2009 doing the groundwork for the delivery of a client office in London. This has included seeking, and obtaining, both Norwegian home state and local UK regulator approval for the branch, as well as identifying the team that should inhabit it and the actual location of the premises.

SKAGEN's process of measured international expansion, that began with the establishment of a client office in Stockholm, Sweden, in 2004, is all about the stability of assets and the assimilation of best practice. The stability of assets under management that comes from access to a broader and more diverse client base. And the best practice that might be found in some of the world's most mature and demanding markets.

Stephen Millar, an industry veteran of some 15 years, has been selected to head the team in London*. Stephen describes his ambition for the London office as being to see:

"SKAGEN established as a premiere and highly regarded boutique fund manager with a well balanced client base; and the SKAGEN culture and ethos established in a British context. Our start point will be, as ever, our existing clients in the UK and we plan to assemble a team with a strong and proven record of world class client service."

Stephen will be supported by one of the existing members of the international team, Alexander Stensrud, who will now relocate to London. Alexander brings with him nearly two years experience in the SKAGEN approach to asset management and client support. And, as a Norwegian national, he provides useful cultural perspective when looking back to the firm's Norwegian and Scandinavian heritage.

We have chosen the West End as presenting the optimal solution between travel convenience from Scandinavia, access for existing clients, and proximity to London's financial markets. The location we have selected is a functional space within Albemarle House, a listed art deco building that looks down upon St James's Palace from the corner of Albemarle Street and Piccadilly. The space is sufficient for a small client focused team and allows for a range of client interaction, both direct and back to Norway via dedicated video conference facilities.

This additional venue reflects a desire to offer our growing UK client base a better and more immediate level of service and communication. It will be accompanied by adjustments to the UK elements of our website, and all client-facing and related activity in UK, e.g. anti-money laundering procedures, will subsequently come under the supervision of the local regulator, the UK Financial Supervisory Authority (FSA).

The London branch seeks to offer a client interface more akin to that of a local UK domiciled asset manager – in terms of ease of understanding; but it does not compromise in any way our Scandinavian principles and values, nor impinge upon our portfolio management and investment philosophy. The latter remain Stavanger-bound and firmly rooted in the philosophy of the 3Us – i.e. searching out companies that are Undervalued, Unpopular and Under-researched.

Thus far our strategy in the UK has been largely reactive, responding – from the relative distance of Stavanger – to the recommendations of existing clients, and to the enquiries of prospective clients. Our current UK clients are predominantly drawn from the institutional client segment, although we are fortunate to have attracted the trust of a number of private clients also – undoubtedly drawn mainly from the Scandinavian community abroad. Looking to the future we aim to broaden this modest client base across all types, but in a measured and sustainable way. We remain asset managers not asset gatherers; and we continue to believe that the best kind of client is one who is recommended by an existing client and who has taken the time to understand both SKAGEN the house and our mutual funds.

So for SKAGEN at least, 2010 will bring with it our tenth office – in addition to the six in Norway, two in Sweden and one in Denmark – and the opportunity to bring our own narrow path of portfolio management to a broader and more diverse UK audience. It is an exciting prospect.

** pending normal regulatory procedures.*

SKAGEN's new office is centrally located in London's West End.

SKAGEN funds

Postbox 160, 4001 Stavanger, Norway

From our head office in Stavanger, Norway, SKAGEN keeps a watchful eye on the global financial markets to achieve our goal of being the best possible investment manager in the marketplace. We will reach our aim by providing clients with the best risk adjusted returns and the best possible service, in terms of client communication and follow-up.

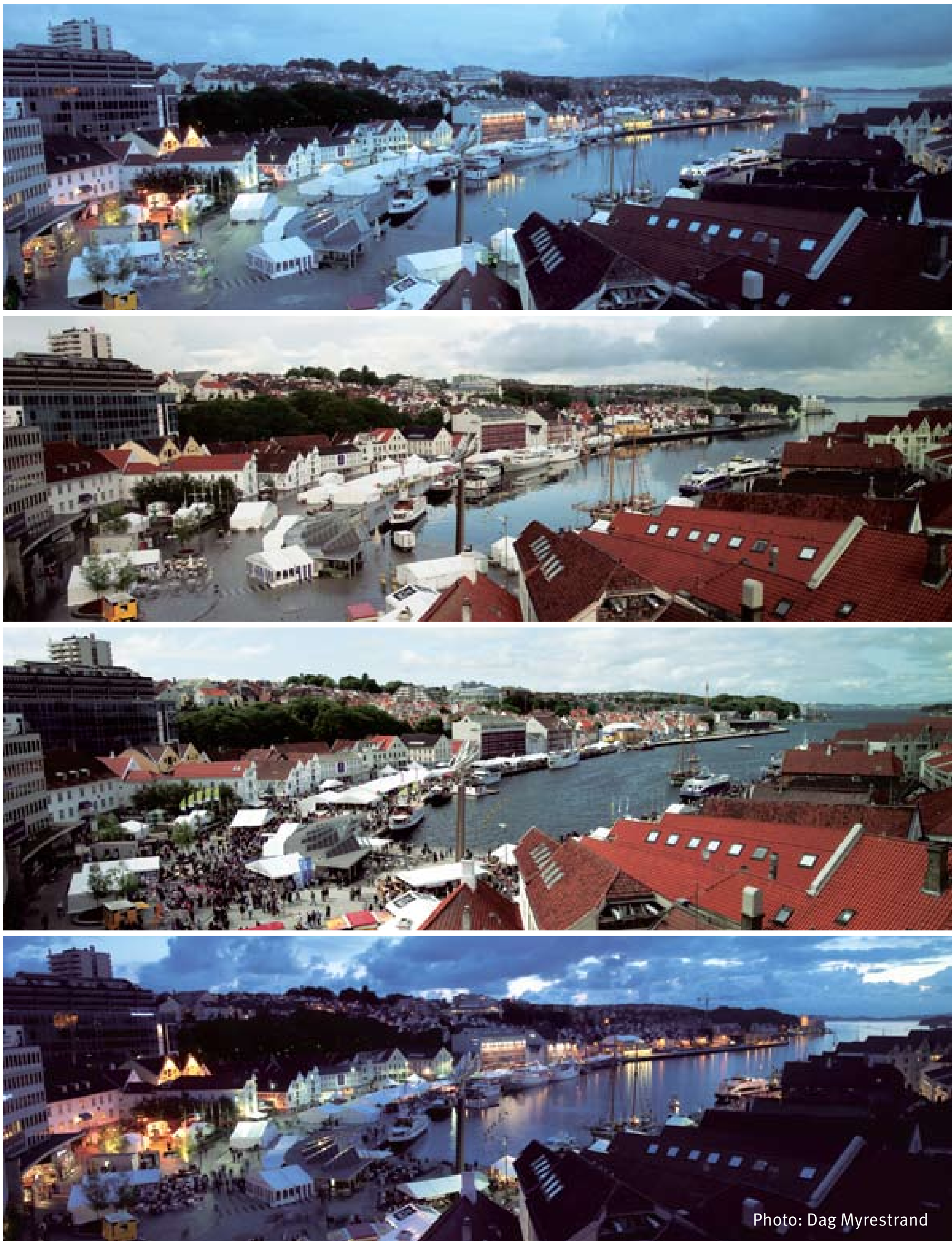

Photo: Dag Myrestrand

Head Office

SKAGEN AS
Postbox 160, N-4001 Stavanger, Norway
Skagen 3, Torgterrassen
Tel. +47 51 21 38 58
Fax +47 51 86 37 00
Company registration number:
867 462 732
www. skagenfunds.com

Contact Customer Services

Customer Services is open from Monday to Friday from 9 a.m. to 5 p.m. (GMT+1).
Either visit us at our office, send an e-mail or call us and we will do our utmost to help you.
Telephone: +47 51 21 38 58
Fax: +47 51 86 37 00
Email: contact@skagenfunds.com

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