



Apple trees, 1907. Detail. By Michael Archer, one of the Skagen Painters. This image belongs to the Art Museums of Skagen.

SKAGEN Credit SEK

Statusrapport november 2016

Kunsten å bruke sunn fornuft



SKAGEN Credit SEK – Nyckeltal

Nyckeltal per 30 november	SKAGEN Credit SEK	Referens-index (OMRX-TBILL)
Avkastning sista månaden	- 0,4 %	- 0,1 %
Avkastning hittills i år	6,3 %	- 0,6 %
Avkastning sedan start (annualiserad)	0,1 %	- 0,3 %
Effektiv ränta*	2,7 %	
Räntebindningstid (duration)	1,2 år	
Genomsnittlig löptid	3,0 år	
Spread – kreditriskpåslag(OAS)**	433 bps	

* För obligationer som handlas på en betydlig underkurs och där det är låg sannolikhet att få hela nominella belopp återbetalt kan effektiv ränta vara missvisande. Det beror på att effektiv ränta beräknas med full återbetalning av nominellt belopp vid förfall

** OAS genomsnittlig optionsjusterad kreditriskpåslag på innehavet, kontanter exkluderade

The SKAGEN Credit investment universe



SKAGEN Credit picks bonds both from the investment grade and the high yield spectrum with a high risk adjusted return potential. Minimum 50% investment grade.

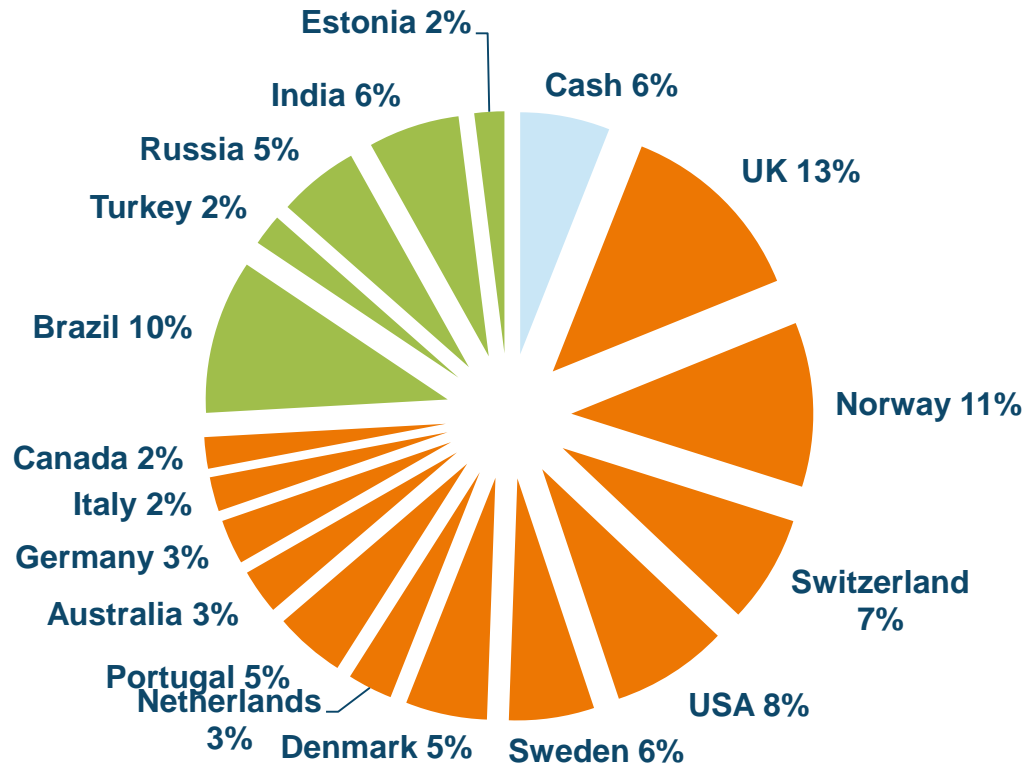
Portfolio managers' comment

Seen in isolation, November was a good month for SKAGEN Credit, even though the return was slightly negative. November was an eventful month with the US election naturally being the most important event. Following the US election, US treasury rates have increased significantly. The interest rate on a 10 year US Treasury bond was 1.4% in July, for example, while now in November it is 2.4%. The main reason for the interest rate increase is the expectation of higher inflation as a result of Trump's statements about higher public investments. In both the Eurozone and the UK, policy rates have also increased through the autumn, mainly due to the greater political risk posed by Brexit and heightened uncertainty around further developments in the EU.

For fixed income funds with fixed interest rates – high duration – an increase in interest rates results in a loss. In SKAGEN Credit, we have a policy not to allow changes in policy rates to affect the return and therefore have low duration of around one year usually. The interest rate hike has therefore not particularly affected the fund.

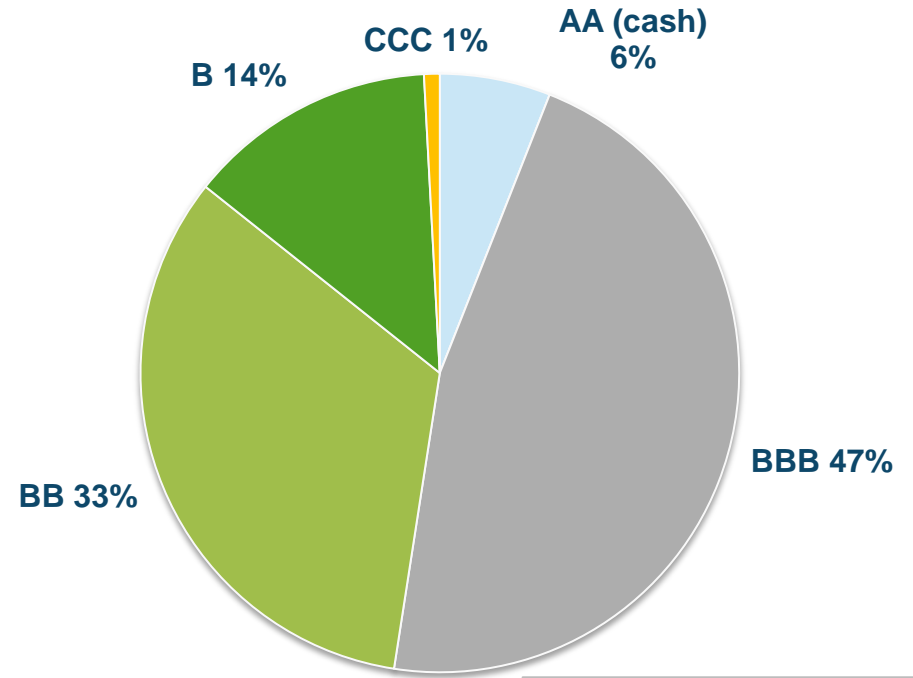
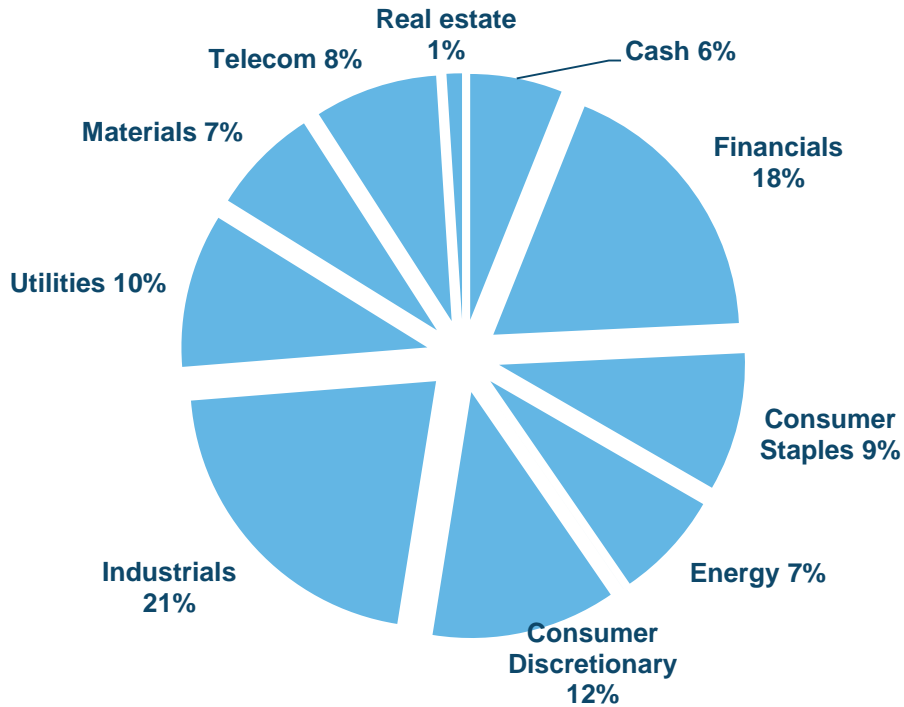
The credit spread has been more stable than feared following the US election. Ahead of the election, there were concerns that a Trump victory would result in market turbulence, but that has not been the case. 2016 began on a dramatic note, but the credit spread has returned to a normal level throughout the year. The level is now at around the historic average (see graph further on in report). This means that both the price to lend money to businesses and expectations about economic developments are neutral, with the outlook being neither very good nor very poor.

Geographic distribution of the portfolio



Developed markets:	68 %
Emerging Markets:	26 %
Cash:	6 %

Sector and rating distribution



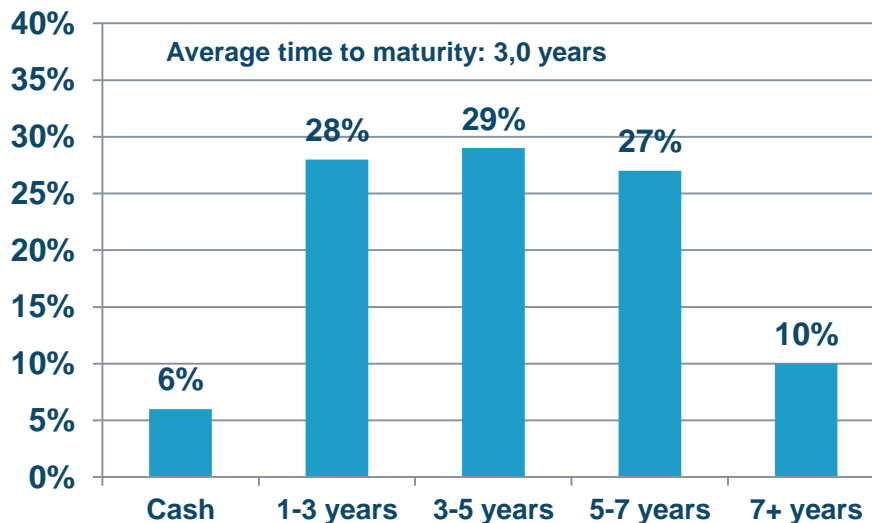
Investment grade:	53 %
High Yield:	47 %
Average rating:	BB+

Interest rate duration and time to maturity

Interest rate exposure and denominated currency (before currency hedge)

Currency	Bond denominated	Interest rate duration
USD	53%	1,3 year
EUR	10%	1,6 year
GBP	20%	1,4 year
NOK	11%	0,1 year
SEK	3 %	0,1 year
DEK	3 %	0,1 year
Sum Fund	100%	1,2 year

Credit exposure - time to maturity profile



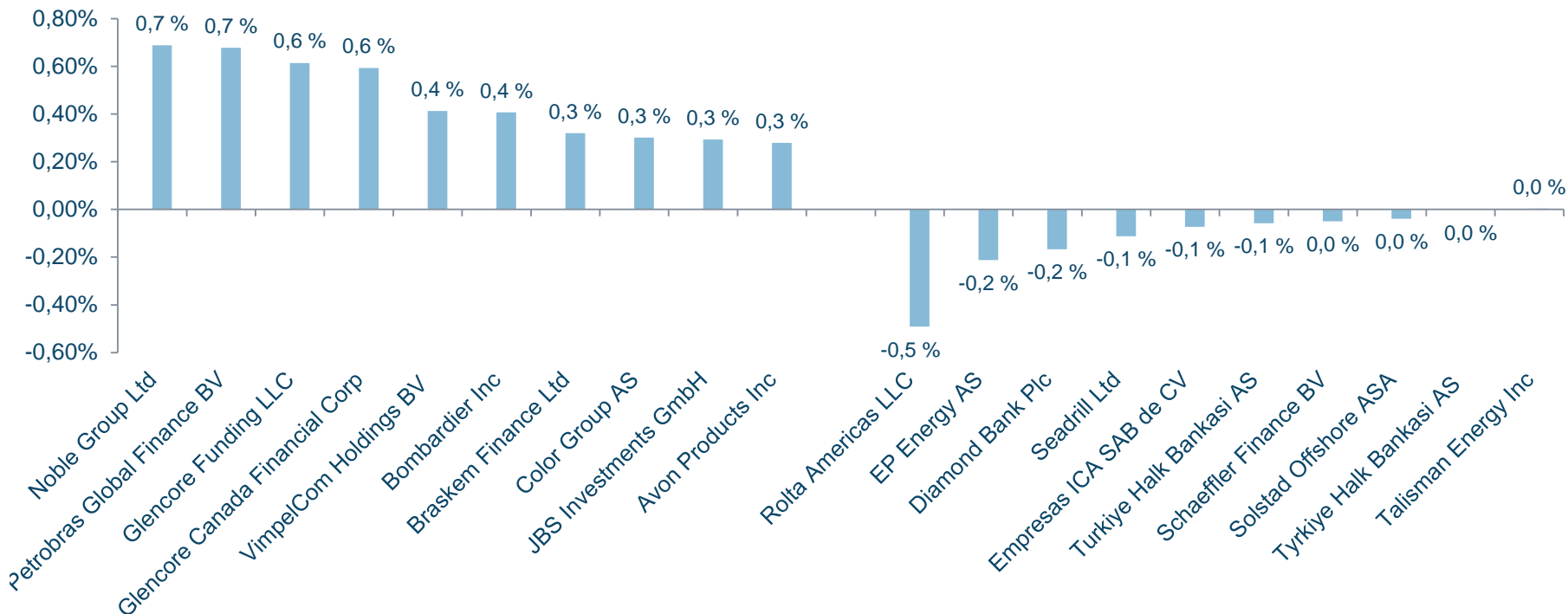
Top 10 investments

Company	Country of risk	Credit rating*	Percent of fund
Glencore**	Switzerland	BBB-	5,9 %
BKK	Norway	BBB	5,2 %
Energias de Portugal	Portugal	BBB-	4,7 %
Bharti Airtel	India	BBB-	3,7 %
Color Group	Norway	B+	3,5 %
Jaguar/Land Rover	United Kingdom	BB+	3,5 %
DSV	Denmark	BBB+	3,3 %
Cosan	Brazil	BB	3,3 %
Schaeffler	Germany	BB+	3,1 %
JBS	Brazil	BB	3,1 %
Sum top 10			39 %

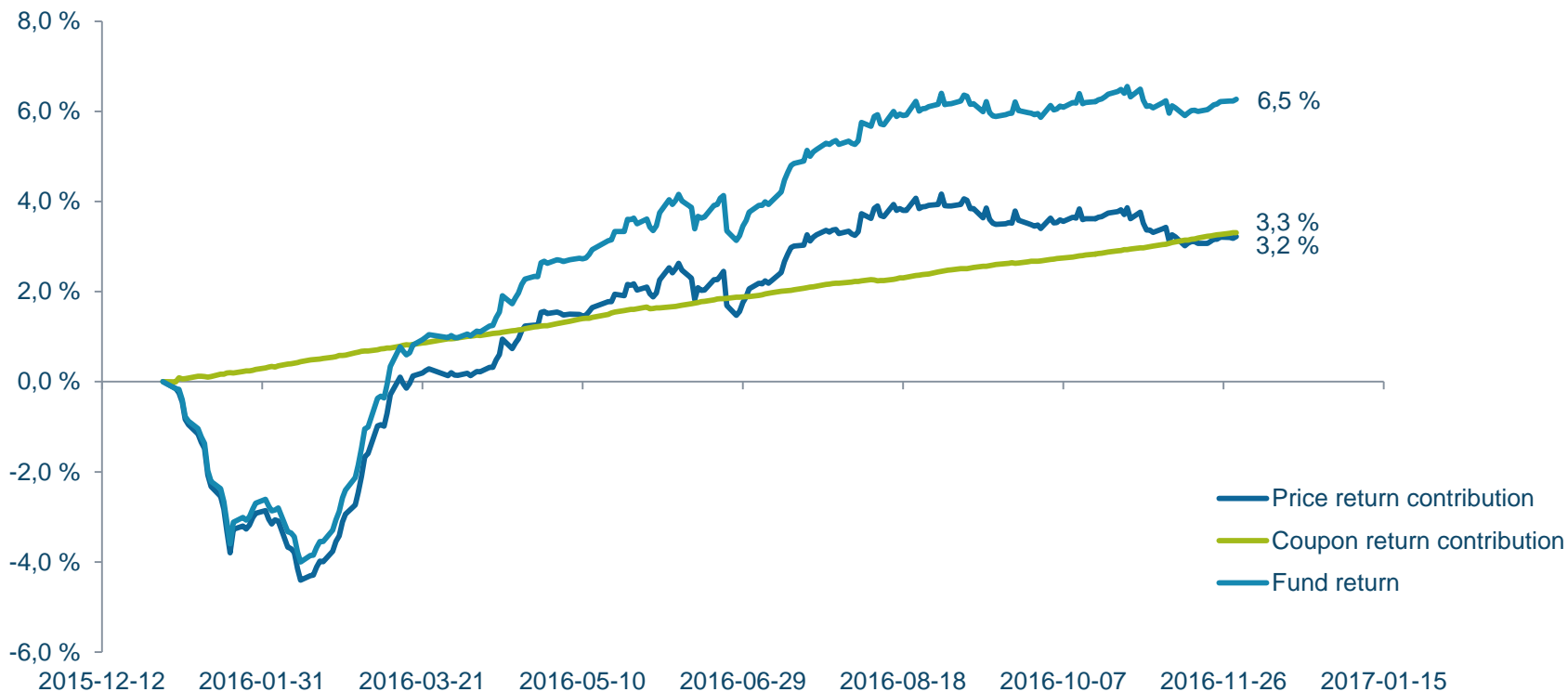
Average bond rating

** Represent bonds from several legal units within the Glencore group

Best and worst contributors YTD



SKAGEN Credit NOK contribution from price and coupons

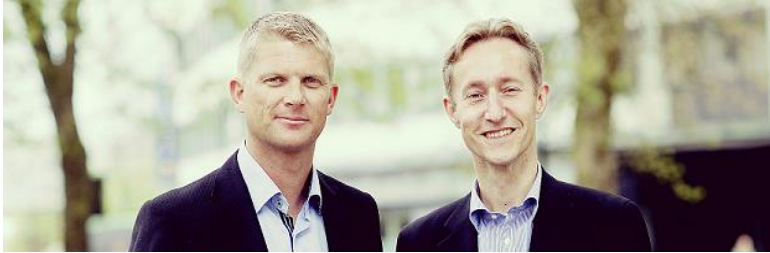


The long-term view – global corporate credit spread over the last 15 years



- The graph shows global corporate credit spreads, meaning average global corporate funding cost in basis points above the risk free interest rate
- The lines show the average credit spread and +/- one standard deviation
- The credit crisis back in February was (historically) a five year event
- As of now credit spreads are close to long-term average

The portfolio managers



The portfolio managers draw on their expertise in the fixed income markets, as well as SKAGEN's equity fund managers' long experience of successful stock picking. They have long-standing and complementary experience ranging from fixed income management to company analysis, risk management and trading.

- **Ola Sjöstrand** (pictured right) has worked for SKAGEN since 2006, managing a range of SKAGEN's fixed income funds. He launched and has been responsible for running the SKAGEN Krona fund, amongst others. Before joining SKAGEN, Ola worked as a portfolio manager at the Swedish Soya Group. A combination of strong analytical skills and investment experience applying SKAGEN's investment philosophy has primed Ola in finding good investment cases for the fund. Ola holds a BSc in Business Administration and Economics.
- **Tomas Nordbø Middelthon** (pictured left) has worked for SKAGEN since 2010, both as a risk manager and more recently as portfolio manager of SKAGEN's fixed income funds. Before that Tomas worked within financial services in Statoil, implementing financial risk management tools worldwide. Tomas holds an MBA in Finance and is an Authorised Financial Analyst. He has strong analytical skills and a background from financial risk management. His combined risk management and technical expertise is valuable in the screening and analysis of corporate bonds and portfolio construction.

For more information please visit:

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

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

SKAGEN seeks to the best of its ability to ensure that all information given in this report is correct, however, makes reservations regarding possible errors and omissions. Statements in the report reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice. The report should not be perceived as an offer or recommendation to buy or sell financial instruments. SKAGEN does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of the report. Employees of SKAGEN AS may be owners of securities issued by companies that are either referred to in this report or are part of the fund's portfolio.