



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

# SKAGEN Credit

## Status report March 2017

The art of common sense



# SKAGEN Credit – Key numbers

Key numbers as of 31 March	SKAGEN Credit SEK	Index
Return last month	0,0 %	0,0 %
Return year to date	1,2 %	-0,2 %
Return since inception (annualized)	0,7%	-0,3 %
Current yield*	1,4 %	
Duration	0,8	
Time to maturity	2,2	
Average credit spread (OAS)**	297 bps	

\* Current yield changes from day to day and is no guarantee for future return. For bonds that trade at a significant discount and where the likelihood of recovering the entire principal, yield can be misleading as it assumes full repayment.

\*\* Average option adjusted spread on the investments, cash excluded

# The SKAGEN Credit investment universe

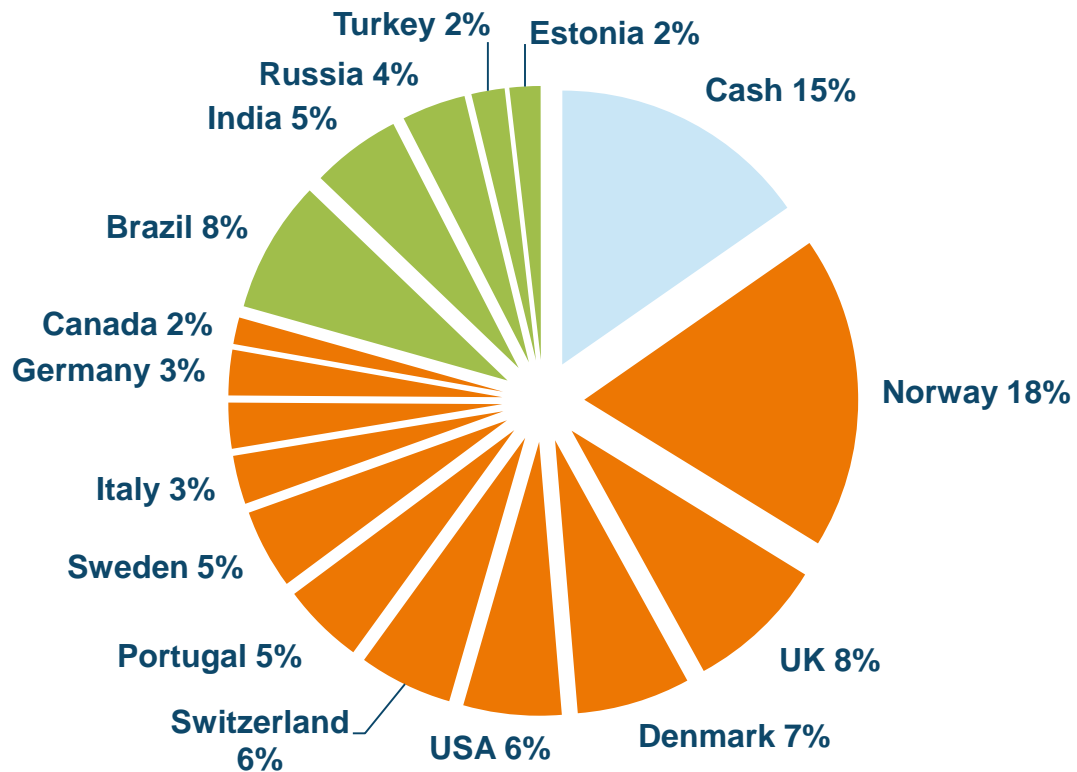


**SKAGEN Credit picks bonds both from the investment grade and the high yield spectrum with a high risk adjusted return potential. Minimum 50% investment grade.**

# Portfolio comment

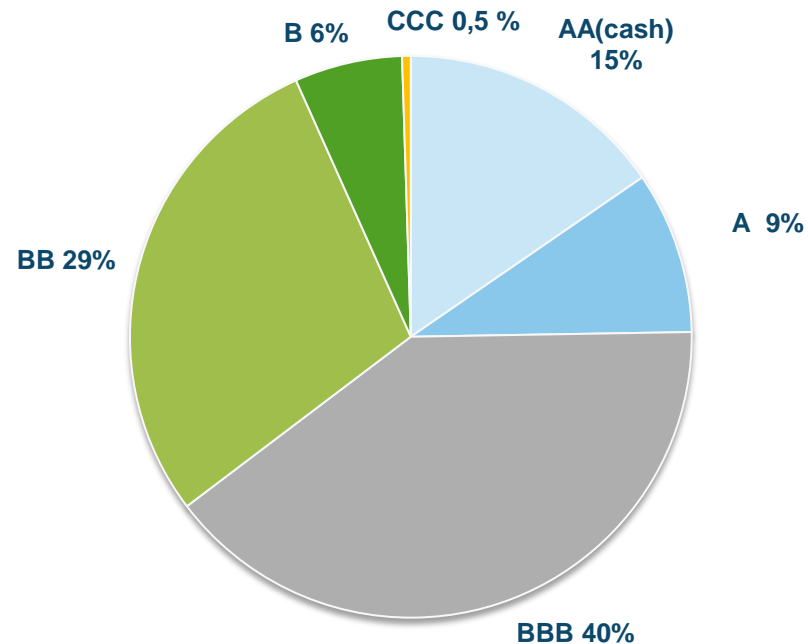
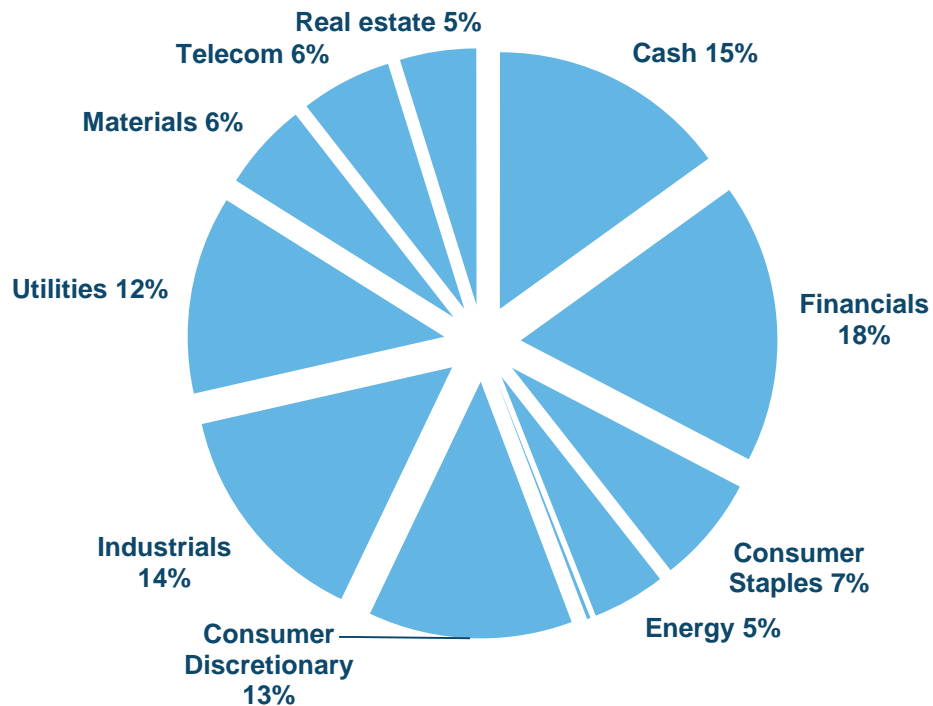
- Global corporate bond spreads for Investment Grade rated companies were largely unchanged in March. For companies rated as High Yield, spreads at a global level increased slightly, but all in all the spread changes have been rather modest so far in 2017.
- Last month's news flow was dominated by US politics and the big question has been whether the new president will manage to deliver on his promises. An alternative to "Obamacare" (or more accurately, the Affordable Care Act) is still not approved and the new tax/import levels looks hard to get support for.
- In Europe the main topic has been the outcome of the Dutch election and the upcoming French election. The fear is that new regimes will work to exit the EU and thereby change the EU as a whole.
- The reason that we are mentioning the macro climate in our portfolio comment, is because this is what often influences the price of corporate bonds. Of course specific events may change the bond prices for a sector or for a single company, but if no such specific events occur, people like Mr Trump have a large influence on the return in a fund like SKAGEN Credit.
- Of company specific events, the most important was the Brazilian "Carne Fraca" investigation. The value of the JBS bond fell due to this Brazilian corruption investigation, which targeted the entire protein industry. The risk for JBS is less that it may be involved in corruption, but more that it is Brazilian and would therefore be impacted if other countries restrict the import of Brazilian meat. While such a restriction would affect JBS, since it only has a small proportion of its total business in Brazil, the impact would not necessarily be that great. The JBS USD-denominated bond maturing in 2020 that constitutes 2.4 percent of SKAGEN Credit fell by 0.9 percent.

# Country diversification



Developed markets:	64 %
Emerging Markets:	21 %
Cash:	15 %

# Sector and credit rating distribution



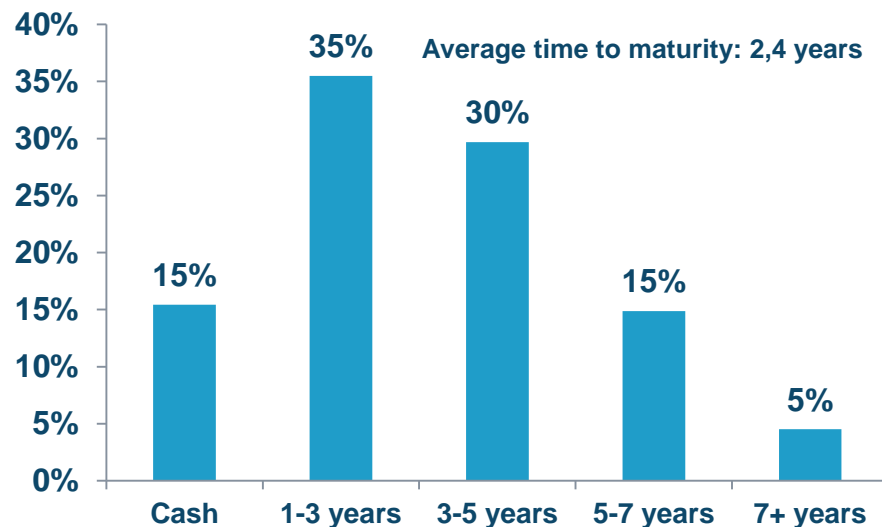
Investment grade:	65 %
High Yield:	35 %
Average rating:	BBB

# Interest rate duration and time to maturity

## Interest rate exposure and denominated currency (before currency hedge)

Currency	Bond denominated	Interest rate duration
USD	47%	1,4 year
EUR	10%	0,5 year
GBP	19%	1,7 year
NOK	21%	0,1 year
SEK	4%	0,2 year
DEK	3%	0,2 year
Sum Fund	100%	1,0 year

## Credit exposure - time to maturity profile



## Top ten investments

Company	Country of risk	Credit rating*	Percent of fund
Glencore**	Switzerland	BBB-	5,5 %
Energias de Portugal	Portugal	BBB-	4,8 %
BKK	Norway	BBB	4,7 %
Sparebanken Telemark	Norway	A	4,4 %
Heathrow	United Kingdom	BBB	3,5 %
Bharti	India	BBB-	3,1 %
Cosan	Brazil	BB	3,0 %
DSV	Denmark	BBB+	3,0 %
Agder Energi	Norway	BBB	2,9 %
Entra	Norway	A-	2,9 %
<b>Sum top 10</b>			<b>37,8 %</b>

Average bond rating.

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



## For more information please visit:

[Latest Market report](#)

[Information about SKAGEN Credit EUR on our website](#)

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.

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