

IMPORTANT INFORMATION: This is marketing communication. The report should not be perceived as a recommendation to buy or sell fund units. Prior to subscription, we encourage you to read the fund's prospectus and key investor information document which are available at www.skagenfunds.com, from our local representatives and from our distributors.

Trend of rising interest rates continues

The trend of rising interest rates continued in the third quarter with interest rates on 10-year government bonds rising between 50 and 150 basis points in most countries. Continued weak economic prospects also pushed credit spreads higher.

SKAGEN Tellus performed relatively well in a volatile environment and outperformed its benchmark index. The largest positive contributors to fund performance in the quarter were our investments in the US and Mexico, both driven by very strong currencies. The largest detractors were our investments in Germany and Norway driven by higher yields and a weak NOK. During the quarter we added some long duration exposure in low credit risk areas such as Germany, France, and Norway while we reduced our exposure to several of our higher risk emerging market positions.

Monetary versus fiscal policies

After years of monetary and fiscal policy working in tandem, we are now increasingly seeing the two going head-to-head across developed markets. Continued high consumer price growth means central banks are sticking to their contractive monetary policies for longer. At the same time, we see governments stepping in with fiscal policies such as energy subsidies that work in the opposite direction by keeping up consumer

demand. Recent tax initiatives across the developed world provide disincentives to investment growth and risk further exacerbation of supply shortages. In our view, the sum of fiscal policies can increase the pressure on central banks and might lead to even higher policy rates. In turn this increases the likelihood of central banks tightening monetary policy too much and subsequently causing a deeper and more prolonged economic setback.

The most significant bond market event of the quarter was probably the turmoil that followed the announcement of the UK mini budget on 23 September. The proposal that contained both structural reforms, energy price caps and tax cuts was widely deemed irresponsible and was even criticised by the IMF which does not ordinarily comment clearly on policies proposed by large, industrialised nations. The sterling fell sharply and interest rates jumped as markets absorbed the news. It should not come as a shock that large unfunded spending begets a lukewarm response in financial markets, particularly amidst the largest inflationary challenge since the 1970s. The concept of an "unfunded" budget deficit is of course an oxymoron as it will eventually have to be funded by higher taxes, higher inflation, or improved economic growth. The market reaction clearly signalled a lack of faith in the proposal's ability to fuel stronger growth.



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Credit spreads moving higher

A weaker economic outlook and general uncertainty has pulled credit spreads upwards and the levels we now see are quite high from a historical context. One of the worst hit regions is not surprisingly eastern parts of Europe where proximity to the war in Ukraine has put extra pressure on credit spreads. Lately we have also seen credit spreads on low-risk sovereigns rise as the risk of a global slowdown has increased. The most notable move was again in the UK as the CDS spreads – the price of insuring against a UK government default – jumped sharply. Granted the CDS spreads are still at relatively low levels, but the jump clearly reflected the market's view on the proposed budget.



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Outlook

Central banks in tightening mode, high consumer price growth and geopolitical uncertainty all contribute to weak economic prospects going forward. The big question is if, and when, the weak economic outlook will drag long-term interest rates down. We do not think we can time the market and call the precise top for long-term rates but do think it is worth increasing the allocation to low credit risk long-term government bonds now. Assuming the economic environment further deteriorates over the next year, we could see a significant fall in long-term rates as investors seek safe havens and central banks postpone or call off rate hikes. In addition, the protection you now get from a higher yield on long-term bonds means that interest rates can increase quite substantially before you get a negative return. To illustrate this, imagine a 5-year bond with a 5% coupon. If the yield increases from 2% to 3% over a one-year period, this bond will return around -1.5%. If the same bond moves from a yield of 4% to 5% you still get a positive return on your investment. The case for bonds in general and longer-term bonds in particular is improving.

SKAGEN Tellus invests primarily in bonds and certificates issued or guaranteed by governments from around the world. The fund is suitable for those with at least a three year investment horizon. Investors must be able to tolerate currency fluctuations. The fund is suitable for those with at least a five year investment horizon. Subscriptions are made in fund units and not directly in stocks or other securities. The fund has risk profile 4. The benchmark reflects the fund's investment mandate. Since the fund is actively managed, the portfolio will deviate from the composition of the benchmark.

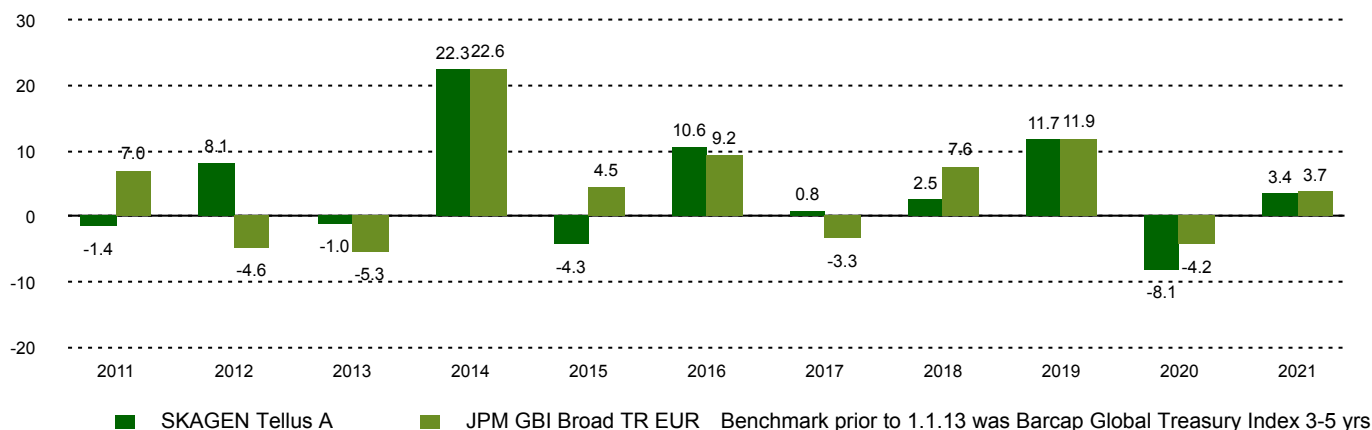
Historical performance (net of fees)

Period	SKAGEN Tellus A	Benchmark index
Last month	-0.6%	-0.8%
Quarter to date	1.6%	0.5%
Year to date	2.6%	-2.0%
Last 12 months	4.6%	0.6%
Last 3 years	-1.6%	-2.5%
Last 5 years	2.6%	3.5%
Last 10 years	4.1%	3.9%
Since start	4.4%	4.2%

Fund Facts

Type	Fixed income
Domicile	Norway
Launch date	29.09.2006
Morningstar category	Global Bond - EUR Biased
ISIN	NO0010327786
NAV	109.57 SEK
Fixed management fee	0.80%
Benchmark index	JPM GBI Broad TR EUR
AUM (mill.)	440.77 SEK
Duration	4.29
WAL	6.16
Yield	4.22%
Number of holdings	14
Portfolio manager	Sondre Solvoll Bakketun

Performance last ten years

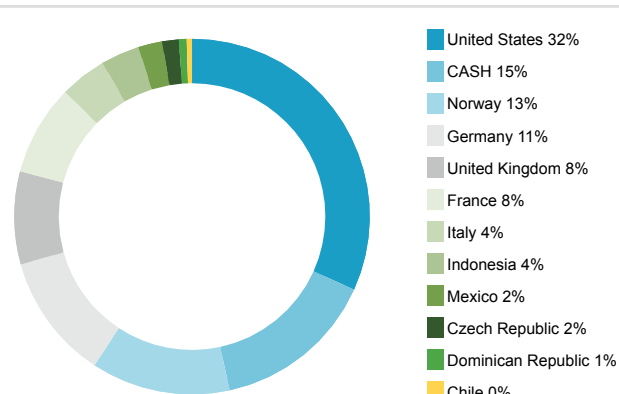


Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skill, the fund's risk profile and management fees. The return may become negative as a result of negative price developments. There is a risk associated with investing in the fund due to market movements, currency developments, interest rate levels, economic, sector and company-specific conditions.

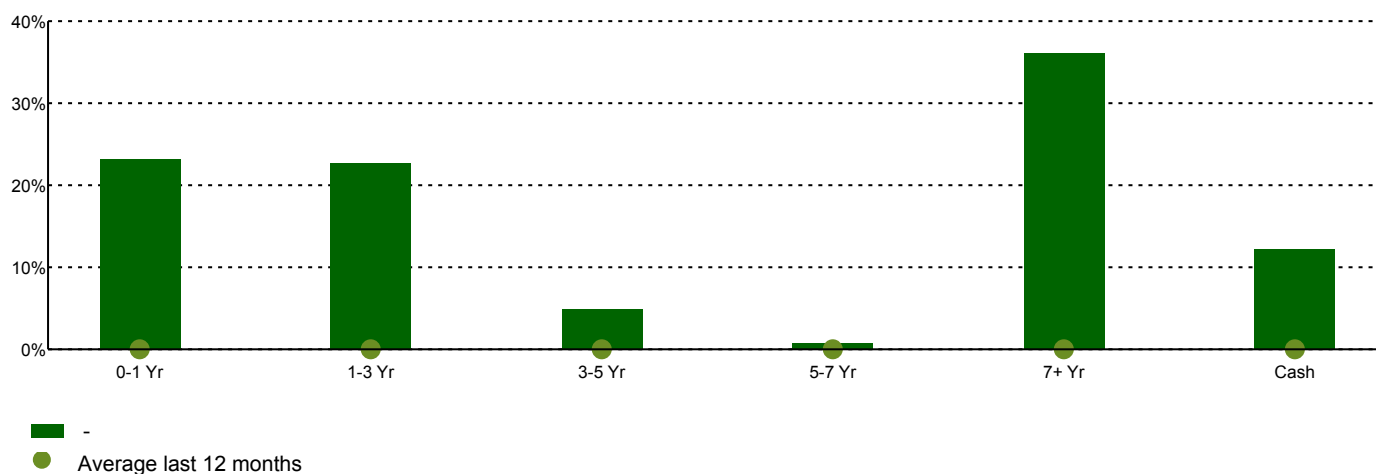
Top 10 investments

Holding	Percentage of Fund
US Government	31.7
Kongeriket Norge	12.6
German Government	11.4
French Government	8.3
UK Government	4.6
Italian Government	4.2
European Bank for Reconstruction & Development	3.8
Indonesia Government International Bond	3.5
International Finance Corp	2.3
Mexico	2.2
Total	84.7

Country exposure



Maturity structure



Important information

All information is based on the most up-to-date data available. Unless otherwise stated, performance data relates to class A units and is net of fees. AUM data as per the end of the previous month. Except otherwise stated, the source of all information is SKAGEN AS. SKAGEN AS does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of this 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 a fund's portfolio.



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