SKAGEN funds

Annual Report 2008

*A distress signal.* 1888. Detail.
**By Christian Krohg, one of the Skagen painters.**
The picture is owned by the Skagens Museum.

# After a stormy year - what possibilities lie ahead?

**Our funds 2008**
Portfolio managers' reports

**SKAGEN's co-managers**
Interview with Beate Bredesen, Omid Gholamifar and Knut Harald Nilsson

**Outlook 2009**
Seeking good investments

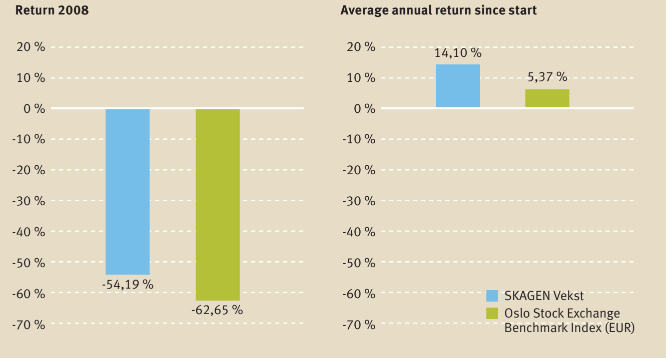
**The art of common sense**

# A tough year

**2008 is a year that investors will not forget in a hurry. The financial crisis hit the world head on in the autumn, and our funds did not escape it. Many unitholders made significant losses in the period, but two of our three equity funds delivered better returns than their respective indexes. For the first time in the fund's history, SKAGEN Global did not beat its benchmark index.**

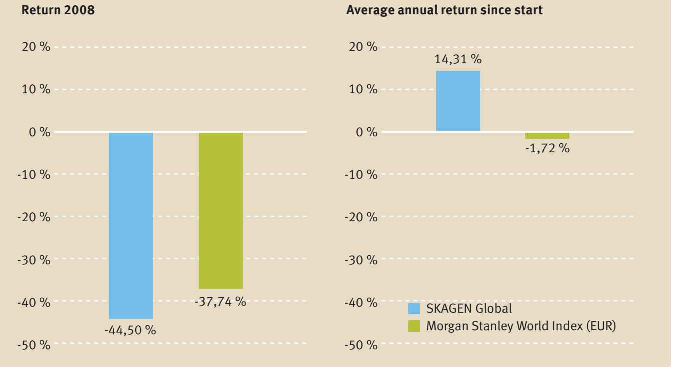
## SKAGEN VEKST

**Manager:** Kristian Falnes **Start:** 01 December 1993



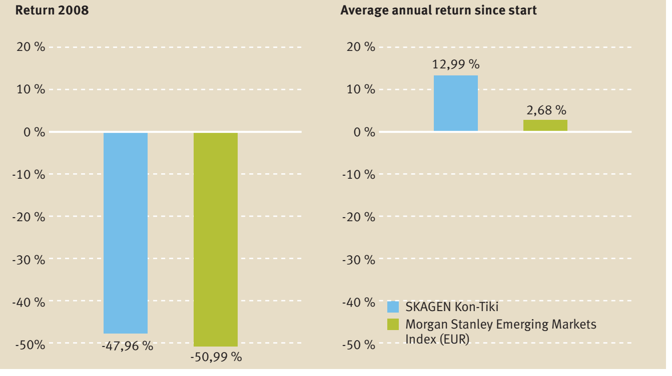

## SKAGEN GLOBAL

**Manager:** Filip Weintraub **Start:** 07 August 1997



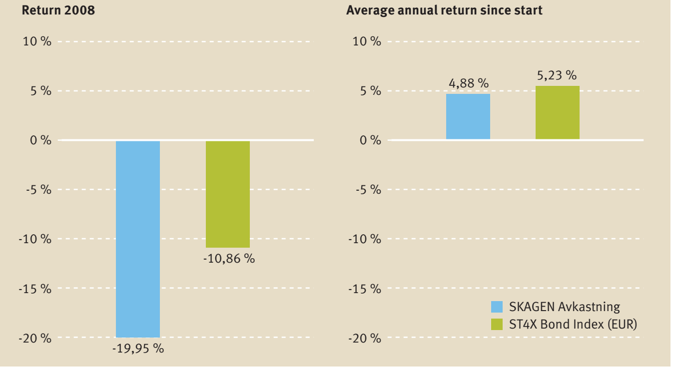

## SKAGEN KON-TIKI

**Manager:** Kristoffer Stensrud **Start:** 05 April 2002



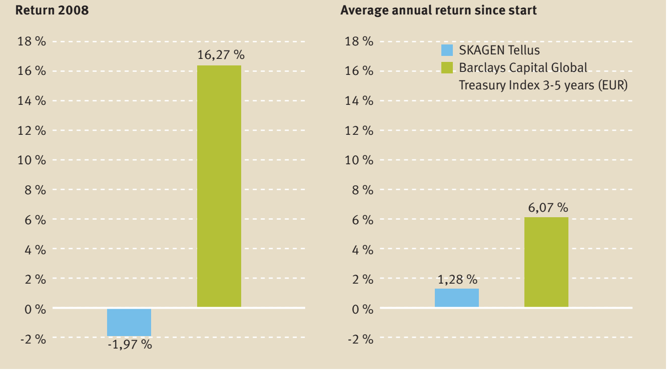

## SKAGEN AVKASTNING

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




## SKAGEN TELLUS

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




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 2008 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 2008 is available at www.skagenfondene.no

*Summer evening on Skagen's southern beach.* 1893. *Detail.*
**By P.S. Krøyer, one of the Skagen painters.**
The picture is owned by the Skagens Museum.

## TABLE OF CONTENTS

*Harald Espedal, Managing director, SKAGEN Funds*

# Steady course through a stormy year

**2008 was characterised by events the likes of which we have never seen before. The first half of the year was expected, but in the autumn the financial crisis really made its dent in the world economy when a local US problem became a global one. Our funds and unitholders also felt the effects. This is the year many investors would rather forget, but lessons can be learned from what was a historically bad year in the financial markets.**

When the credit unrest first reared its head in the US in autumn 2007, few people thought that what began as a US property bubble would have such far-reaching effects on the world economy. Following the bankruptcy of the investment bank Lehman Brothers, the world's finance markets became paralysed and a number of banks failed. Since banks are an important part of the world's infrastructure, the subsequent flight to safety and crisis of confidence in the financial system have therefore been reflected beyond the finance sector, and badly affected economic growth.

The American investment guru, Warren Buffett, once said that "It's only when the tide goes out that you learn who's been swimming naked". The year 2008 will probably go down in history as the year of swimming naked and the majority of the nudists were to be found in the financial industry's traditionally most lucrative niche – investment banks.

### Long-term thinking

SKAGEN has been through bear markets before, but the returns in 2008 are the worst in equity funds' history. Our equity funds lost between 44 and 54 percent. Two of our three equity funds, SKAGEN Kon-Tiki and SKAGEN Vekst, beat their respective reference indexes; while SKAGEN Global delivered negative relative returns. The bond funds SKAGEN Avkastning and SKAGEN Tellus also had a poor year.

An overview of the returns can be found on page 2. The board of directors' report (page 43) and the portfolio managers' report (page 20-35) provide a more in-depth account of how our funds have fared during the financial storm.

SKAGEN's long-term objective is to provide unitholders with good risk-adjusted returns. In 2008, the average annual results have fallen to 14.1 percent for SKAGEN Vekst, 14.3 percent for SKAGEN Global and 12.9 percent for SKAGEN Kon-Tiki. This autumn the US ratings agency Standard & Poor's (S&P) confirmed that all three equity funds have retained the highest rating bestowed by the agency, AAA. S&P allocates ratings on the basis of a thorough overall evaluation of, amongst other things, a fund's investment philosophy and return history as well as interviews with the portfolio managers.

### No subscription fee – low fixed fees

On 10 September 2008, SKAGEN eliminated subscription fees for all our retail funds to emphasise the fact that SKAGEN is paid for fund management and not for client transactions.

SKAGEN's equity funds have different fee models. The variable fee is calculated daily throughout the year and settled annually. In 2008 the models worked out in such a way that SKAGEN Global had fixed management fees of only one percent. The absence of an excess return compared to the benchmark meant that no variable fee was charged. For SKAGEN Vekst, only a fixed management fee of one percent was charged since the fund's return amounted to less than the absolute limit of six percent per year. In SKAGEN Kon-Tiki the fee was 3.01 percent, because the fund created an excess return of four percentage points after fees. (See page 66 for more detailed information about total costs in the equity funds).

### Valuable lesson

We had expected significant fluctuations in the equity market in 2008, and as it was we experienced the biggest global stock market drop ever as well as an ice-cold credit market. We are now left with a banking system that in major parts of the western world has been shaken to its core. The colossal rescue packages doled out in this financial crisis have led to a demand for access and counter-services usually reserved for public service activities. The politicians' solution in the form of rescue packages might have unintentional effects and create inequality; but equally they may also pave the way for new investment opportunities.

The price of commodities was at record highs right up to the summer, when the price of oil and that of other commodities and agricultural products plummeted. We had expected private consumption in the emerging markets to remain high. This was in part true, but the growth rate has not been high enough to curb the economic downturn in the west.

The main driver of the world economy, China, will likely go from double-digit to single-digit growth in 2009. It will probably feel as though someone has pulled the emergency brake despite the fact that the country's growth rate is now on a par with last year's growth in the world economy.

### Window of opportunity

At the end of the year there seemed to be a good sector balance in the world's equity markets. We believe that the market has already priced in what may be the outcome of the recession. Behaviour in the equity market has altered, and this creates new opportunities to find good investments. Something that seemed like an overpriced investment previously may now be Unpopular, Under-researched and Undervalued. In order for something to be a good investment, there must also be the possibility of events that could trigger an increase in value. We use common sense when applying our investment philosophy in order to see

*Wait for us!* 1892. *Detail.*
**P. S. Krøyer, one of the SKAGEN painters.**
The picture belongs to the Skagens Museum.

*The investment guru Warren Buffett once said that "it's when the tide goes out that you learn who's been swimming naked". 2008 will probably go down in history as the year investment banks were stripped naked.*

whether the financial crisis has created new opportunities in the market.

2009 may be a year when several impenetrable black boxes become transparent. There are no guarantees but we do what we can to contribute to openness. We will continue to publish market reports, status reports and net meetings as well as current news items and commentaries on our web pages. It is not always pleasant to communicate about fund management and its impact on the funds' performance – but it is absolutely crucial for creating and sustaining clients' faith in the funds.

**Exporting success**

At the end of December 2008, assets under management amounted to EUR 5.8 billion, of which 4.8 billion were in the equity funds and 1 billion were in the fixed income funds. Net subscriptions for the year were EUR 297 million, which in turn were divided between net subscriptions of EUR 441 million in the equity funds and net redemptions of 133 million in the fixed income funds.

The biggest contributors were foreign clients, including from the UK and Benelux countries, with EUR 400 million in net subscriptions. Sweden followed with EUR 236 million and Denmark with EUR 123 million.

Norway had negative net subscriptions of EUR 462 million, divided between EUR -287 million in the equity funds and EUR -174 million in the fixed income funds. The Norwegian equity fund market was characterised by significant redemptions in the period up to October. Nevertheless, our market share among equity funds in Norway increased from 25 to 27.3 percent in the year as a whole based on AUM from Norwegian clients.

We saw a clear trend of Norwegian retail clients investing more during the market unrest in the autumn, while a number of professional investors were selling. This is a very welcome change in people's savings habits which demonstrates long-term thinking and an understanding of the risk aspects involved in investing in the equity market.

**Don't throw the baby out with the bathwater**

There is an old adage that says you shouldn't throw the baby out with the bathwater. You should maintain the investment strategy, even though the markets are fluctuating. If you need advice, you can call or send us an email (see back page for contact details).

After a stormy year which most investors would rather forget, there is of course no guarantee that we have hit the bottom. Nevertheless, we do not think we have ever seen such thoroughly low pricing of companies in our equity funds. When the markets once again emerge from the darkest valleys, our ambition is to provide funds which are easy to understand, relatively cheap and which can create the best risk-adjusted returns for long-term unitholders – as they have done in the past.

# SKAGEN's Co-managers

**All of our equity funds have one, but what do the co-managers actually do and who are they? Meet co-managers Beate Bredesen, Omid Gholamifar and Knut Harald Nilsson.**

SKAGEN's portfolio team has slowly but surely developed into a good-sized group. Over the past few years, a lot of emphasis has been placed on recruiting into and strengthening the management team. Now all of the equity funds have a co-manager in addition to a lead portfolio manager. The co-managers make a valuable contribution to the work of creating values for unitholders.

### Challenging

The three co-managers are associated with each of SKAGEN's equity funds and have varying backgrounds and ages. They do, however, share two things in common: they adhere to SKAGEN's investment philosophy; and, they have a passionate interest in their work.

Large parts of the working day are devoted to reading, keeping updated about and researching both new and existing investments. An important part of the work consists of challenging and casting an analytical eye over all the companies in the portfolios. Thorough analysis and a critical gaze are crucial to make an impact in the portfolio department. What is required is dedication, patience and many hours spent in front of a computer screen. Like the lead managers, they are constantly on the lookout for things that no one else has seen or appreciated, and they strive always to maintain a contrarian mindset.

## Name: Beate Bredesen

Age: 36 years
Date joined SKAGEN: May 2004
Education: Bachelor in Finance
Co-manager: SKAGEN Vekst

Beate was the first co-manager recruited to SKAGEN's portfolio team. She had previously been working as a financial analyst at Orkla, and found the close cooperation in SKAGEN's portfolio team quite an adjustment. "I remember thinking what a great opportunity it was to work with such fantastically clever people. To suddenly have the whole world as my arena and to have such close follow-up and contact with the lead portfolio managers was a definite change for me," she explains.

All the managers work together in a spacious room on the top floor of SKAGEN's head office in Stavanger. To the uninitiated it may seem crowded and noisy. "I think sitting in an open landscape is an advantage. Everyone in the portfolio team is very good at sharing knowledge. The positive aspects to working in an open landscape outweigh the negative, I think. There is of course a certain amount of noise, but the advantage is that discussions are quite spontaneous and we pick things up that can be useful for each others' investments," explains Beate.

### Freedom under supervision

Beate manages SKAGEN Vekst together with Kristian Falnes, and he gives his co-manager a great deal of freedom. "Kristian is very good at giving responsibility," says Beate. "I am given a lot of freedom to do what I want, but it is of course freedom under supervision. In our industry it is easy to see whether you have done a good job or not: you either earn or lose money on an investment. Unitholders put enormous faith in us and we take the responsibility very seriously."

As the first co-manager in SKAGEN, Beate has contributed to defining the parameters of her job. "By and large we have the same responsibilities as the lead portfolio managers, but less decision making powers. We are involved throughout the portfolio process and also perform a control function. Even though we all adhere to the same investment philosophy, we don't always agree."

*Are you a sort of manager light?*
"We work closely with the respective lead manager who gives us decision making powers. But at the end of the day, it is the lead manager who has overall responsibility, so yes, I suppose you could call us a manager light."

*Do you enjoy your work?*
"You spend so much of your time and energy on this job that I don't think you would enjoy working with investments without genuine interest and commitment. It is incredibly exciting and there is always so much to learn."

## Name: Omid Gholamifar

Age: 27 years
Date joined SKAGEN: May 2006
Education: Master of laws and Bachelor in Finance
Co-manager: SKAGEN Global

"SKAGEN is probably the most value-based management company in Scandinavia. Before joining SKAGEN, I was managing smaller private assets. SKAGEN's investment philosophy chimed well with my own," says co-manager Omid Gholamifar when asked why he chose SKAGEN.

"At SKAGEN I work as an analyst and co-manager. My responsibilities are similar to the lead manager's and can be broadly split

*Beate Bredesen*
*Co-manager SKAGEN Vekst*

*Omid Gholamifar*
*Co-manager SKAGEN Global*

*Knut Harald Nilsson*
*Co-manager SKAGEN Kon-Tiki*

into two parts: analysing companies in the portfolio and at the same time searching for new investment ideas.

Omid also spends a lot of his time reading and keeping abreast of developments with the aim of coming to as qualified a decision as possible when working with Filip Weintraub. "I see SKAGEN Global's portfolio as being my responsibility together with Filip's. Although Filip has the last word of course; he makes the final decisions."

**Forthright**

There is a lot of headroom in the management team, and it isn't always easy to reach an agreement. "Filip and I do not always agree. But at the same time I like the fact that we don't agree as it means we can approach a problem from different angles. I think that one of the reasons I got the job is that I am open and forthright. It makes no difference that I work for a world class fund manager, I am not afraid to speak up."

*How did you actually get the job?*
"I met a headhunter and explained that I only wanted to change jobs if I could work for SKAGEN."

But it was no easy process. At short notice Omid had to fly to Stavanger several times for interviews and to present good companies to invest in. "I recommended one stock during the interview which eventually turned into an investment. After being taken on, I quickly took on more advanced tasks. It was exciting and stressful at the same time, but overall it has been an experience which has helped me to think for myself, although within a team environment,"

## Name: Knut Harald Nilsson

Age: 42 years
Date joined SKAGEN: November 2006
Education: Bachelor in Finance and Master of Science.
Co-manager: SKAGEN Kon-Tiki

"SKAGEN seemed to me by far the best possible option when I decided to switch from brokering to fund management. I already knew Kristoffer Stensrud and had a good knowledge of the company," explains co-manager Knut Harald Nilsson.

He left his job as an analyst at Deutsche Bank in London and made his way to Stavanger in 2006, after several years away from Norway. "It was a huge transition from being an analyst to sitting on the other side of the table. I also exchanged my investment universe from Nordic countries to emerging markets, which I had never worked with previously," says Nilsson, although adding that the transition has gone more smoothly than expected, thanks in large part to Kristoffer's broad knowledge and experience.

**Joint decisions**

As co-manager of SKAGEN Kon-Tiki, Knut Harald is involved in all the investment decisions made in the fund. "We work closely together and very rarely make investment decisions without being in agreement. Part of the job involves coming up with new investment ideas and we try to be critical of each other and our ideas. It is very important to have the right chemistry in this sort of job. I have no problem telling Kristoffer if I don't agree," he says.

It is not just a question of coming up with new ideas – at least as important is a continuous evaluation of existing portfolio companies, also in comparison to new ideas. Knut Harald spends a lot of time following up investments.

"I think we spend quite a lot of time doing what we enjoy; we have a good support mechanism within the organisation," says Knut Harald.

**Deputy**

The two SKAGEN Kon-Tiki managers have divided up some of the companies in the portfolio between them and each follows up his own investment ideas especially closely. "I believe it is important to meet companies and get to know them and the industry they are active in. This has yielded good results for me."

*Do you ever regret leaving London for SKAGEN?*
"No, never. I was quite sick of London and very tired of working as an analyst on the sales side. It was turning into a sales job. And the work here has so far exceeded my expectations. It is an industry with a high level of competitiveness and where results are very easy to measure. That is why it's so nice that we are managing to do better than our competitors even in a tough market like 2008. There is strong motivation in that."

*Harvesters*. 1905. *Detail.*
**By Anna Ancher, one of the Skagen painters.**
The picture belongs to the Skagens Museum.

*The objective of SKAGEN's investment philosophy is to find the best head of corn in the field (investment universe) and sort the wheat (the valuable grain) from the chaff (the worthless waste). This has given good long term returns.*

# Sorting the wheat from the chaff

**SKAGEN's sole objective is to provide our clients with the best possible risk-adjusted return 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.

**Value-based management –** we rely on our own research and understanding of how values are created and retained in order to value companies. 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 –** 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.

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.

*Kristian Falnes*
*Investment director*

## Investment process

# The art of common sense

**Our investment process is based on a shared philosophy and thorough analysis. The portfolio managers leave no stone unturned in their search for high quality investments with a low price tag.**

For Investment director Kristian Falnes and the rest of the management team, knowledge and information are crucial in deciding whether or not to invest in a company. “Investment ideas may crop up in a number of places. We spend a lot of our time reading. We may see something on Bloomberg or read an article in the Financial Times for example that is worth following up,” explains Falnes. “We may also pick up clues to good investments when visiting companies. There is no hard and fast rule,” he adds.

**Knowledge gathering**

But an idea is worth very little until you have more meat on the bone in the form of insight and knowledge. “We try to find out as much information as we can about a company. We read annual reports and in particular board of directors’ reports. In addition, we spend a lot of time looking at accounts to form an idea about the quality of the results.”

What others think about a company is not unimportant either. If the consensus surrounding a company is negative, that may be a good starting point. If, after gathering further information, we find that the company may be of interest, we will discuss this internally within the portfolio management team.

We tend to draw up a simple fact sheet with the company’s key figures and business idea as well as potential future triggers to gain a more accurate valuation.

“If we decide to add the company to the portfolio, we usually spread the purchases out over time in order to reduce the risk. We tend to sell out of a company in the same way,” says Falnes

## Thorough process

The companies that we select are characterised by being Undervalued, Under-researched and Unpopular. This is also known as SKAGEN’s three Us.

### Sorting information

We pick companies after sifting through potential investments based on SKAGEN’s three Us and potential reasons which may trigger repricing. In the filtering of information, we use both traditional and untraditional quantitative and qualitative criteria. In certain cases, we may monitor a company for several years before making an initial investment.

### Analysis

For us, the important thing is to establish good reasons as to why a share should be repriced. Often companies are legitimately cheap; we try to find those that have been given a low price incorrectly.

We thoroughly analyse balance sheets, cash flow, profitability, capital structure and capital efficiency, as well as key figures such as price/earnings and price/book in our hunt for new investments. We also attach importance to:

- company management, which creates and shares values
- a healthy business model, growth potential and/or a unique resource base
- an ethically sound activity base in accordance with SKAGEN’s ethical norms

Our managers base their analyses on an investment horizon of around two years, and continuously re-evaluate the investments within this timeframe.

### Purchase decision

The portfolio managers usually increase a holding gradually. This is done in order to reduce risk and because investment ideas are rarely dependent on timing.

### Portfolio composition

We do not follow an index. Nevertheless, a sensible distribution between sectors and regions is desirable. This ensures a spread of investments and thereby reduces risk in the portfolio. The ten largest investments usually constitute between 30 and 50 percent of the fund. In addition, there are requirements regarding portfolio composition in the Norwegian Act on Securities.

### Continuous monitoring

Our analyses develop over time and take into account new information. Investments are continuously followed up to check that they are in accordance with our three Us and that expectations of future development, both in terms of underlying operations and share price as well as triggers, are fulfilled.

### Sale

As a rule, holdings are sold gradually as we do not consider an ideal investment idea to be overly dependent on timing.

*Kristoffer Stensrud*
*Portfolio manager SKAGEN Kon-Tiki*

# Not yet a two-tier world; but may become one

**In our Annual Report for 2007, we wrote an article about how in 2008 we may experience a two-tier world, in which the rest of the world wouldn't be particularly affected by the US financial disease. We were terribly mistaken. Decoupling is not dead, however, just delayed.**

In the above-mentioned article, we also concluded that commodity prices would not be particularly affected by the financial ugliness taking place in the US.

The backdrop to our thinking was that at the start of 2008, economic developments globally seemed to have many similarities with 1990-92. Western banks and the property industry were experiencing significant problems, but the rub-on effect on the global emerging markets seemed to be both limited and short-lived.

**Coordinated collapse**
We now have the answer at hand. Equities in the global emerging markets collapsed in the third quarter and returns for 2008 were even worse for the emerging markets than for the industrialised markets – incidentally for the first time since 2000.

During the autumn, commodity prices fell back to the level before the previous years' global boom started in 2002. We are talking about the biggest price drop since the end of the First World War. Together with other key figures for economic development around the world, which are all pointing sharply downwards, this indicates that this is the biggest and most coordinated real economic crisis in history.

What really happened? The answer can be found in several key elements.

**Key 1: Speculators swamped in US money**
In my opinion, one main contributor to the crisis was the US monetary policy last winter. Falling interest rates and a sharp increase in the money supply to the banking sector gave an intense commodities boom which peaked in the second quarter.

The rescue action of investment bank Bear Stearns gave the impression that a blank cheque had been issued for the biggest speculators in the western financial system. Speculations, e.g. that the oil price would continue from its peak level of almost 150 dollar to 200 dollars per barrel, flourished.

The underlying real economy, however, showed increased supply as a result of cheap capital and falling demand. The accelerating commodity prices led to diminished purchasing power in the global emerging markets, where food in particular constitutes a large proportion of private consumption. Consumer confidence wavered. At the same time, rising prices, increased trade and speculations created the need for more credit – in a credit market which was slowly but surely drying up in the late summer and into the autumn.

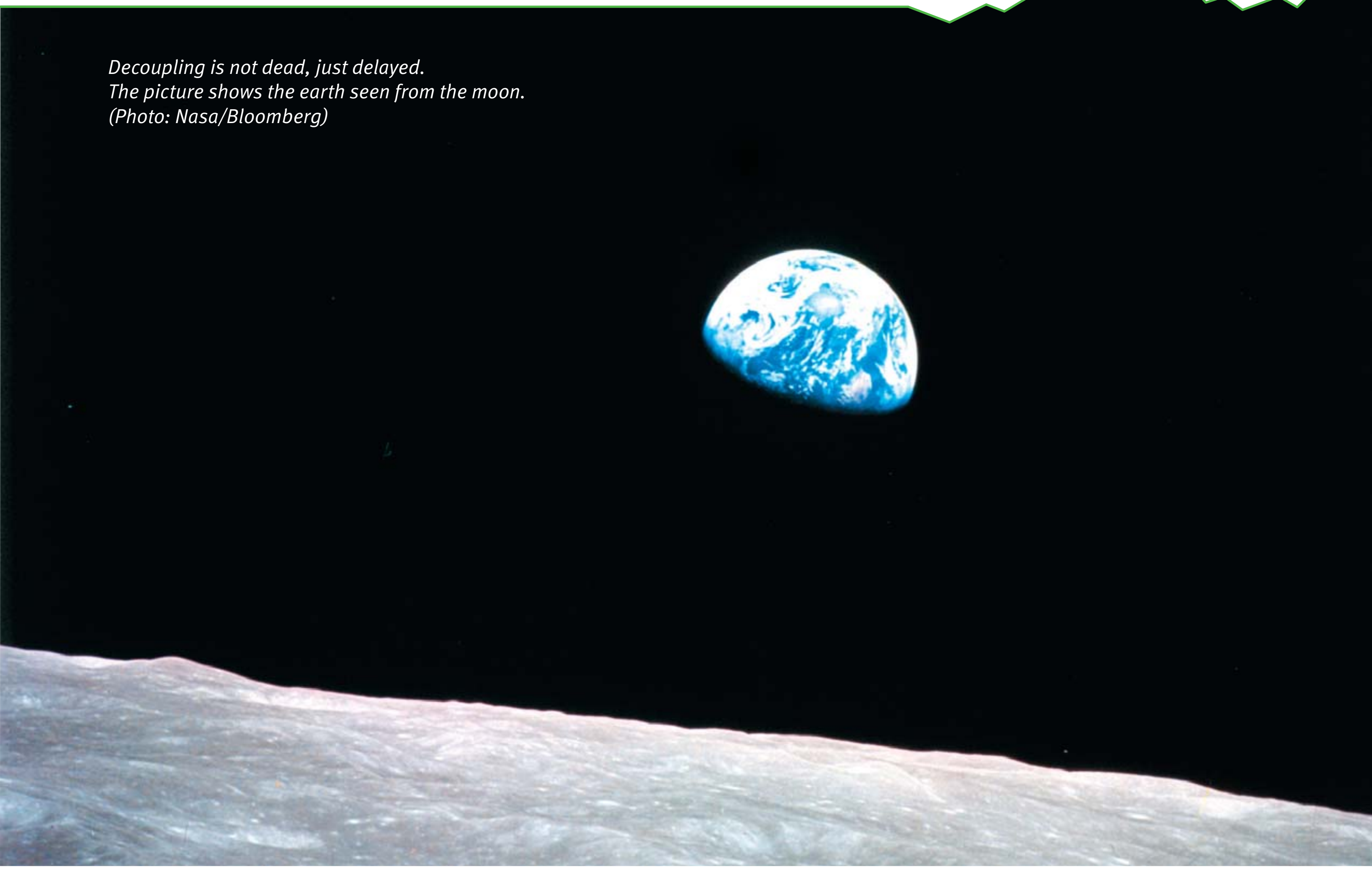
**Key 2: ECB looking in the rear-view mirror**
The European Central Bank (ECB) inherited from the German Bundesbank the traditional inflation discipline of looking in the rear-view mirror instead of looking ahead. In the summer we got interest rate increases in the Eurozone on the back of the concern that commodity inflation would spread to core inflation. In a globalised world, market participants saw early on that this was overkill in relation to the downturn the world was already entering. Both consumers and producers reacted with increased uncertainty and activity started its decline as early as the third quarter.

**Key 3: Lehman bankruptcy**
In contrast to the handling of Bear Stearns in the spring of 2008, the Lehman Brothers bankruptcy six months later had dramatic consequences. US mortgage institutions, such as the supposedly safe Fannie Mae and Freddie Mac, tumbled one after the other. The insurance company AIG, the world's biggest player within credit insurance, was nationalised. UK banks were partially nationalised. In the Nordic countries, the collapse of Roskilde Bank had a significant effect. Accountable loans became worthless. Doubt spread to all financial counterparties.

Worldwide an already slow credit market hit the wall. Loans between banks, financing of overseas cargo and goods stocks – everything froze solid in record time.

**Global gifts for Christmas**
Fortunately the authorities realised that the world economy was entering a crisis. In October and November they therefore started

*«A new world order will push through, and it will not be based on American consumers.»*



*Decoupling is not dead, just delayed.*
*The picture shows the earth seen from the moon.*
*(Photo: Nasa/Bloomberg)*

doling out a number of monetary policy packages to depositors, the money market and the interbank market. We also saw unprecedented reductions in policy rates.

Contrary to what we have seen before, for example during the paradigm shift in 1974/1975, commodity prices plummeted. Based on trade numbers from October and November, world trade ground to a complete halt. Everybody was stuck with large stockpiles, and considerable obligations. Investments and stockpiles were cut; consumers were left puzzled and worried. The vicious circle was fully joined.

After months of bewilderment on the part of authority figures, both in the central banks and among politicians, they are now back on the offensive. The real economy had to be stimulated. Barack Obama, the newly elected US president, has announced the mother of all crisis measures. China and India, which had over the past few years started to catch a glimpse of the good life and a payback for 400 years of suppression, are now utilising all tools to create trust and results. Towards Christmas the packages that would provide direct stimulus to the real economy burgeoned.

The big question is whether they will work and whether we will, in the process, see a decoupling between the industrialised world and the emerging markets.

**Feeding a dead horse**

Industrialised countries are feeding a dead horse, i.e. western consumers. The latter are heavily indebted and have more square metres of living space per capita than ever before. Their wardrobes are also full. The wage distribution over the past few years has created large, and to some extent unintended, inequalities. What indebted western consumers seek now is more security and an environmental focus. The stimulus for increased economic growth may, in other words, be moderate to say the least.

**Different in emerging markets now**

The world's emerging markets on the other hand are still lacking what the industrialised world sees as basic rights – clean water, housing, a permanent job, the freedom that a privately owned means of transportation gives and so on.

The difference between the current situation and what we saw the last time this problem arose, in the mid 1970s, is that the emerging markets now have the ability to increase their populations' living standards.

The majority of the world's currency reserves are now in the hands of the emerging markets. The demographics in these countries are to a large extent good. The abundance of young people should give the elderly confidence that they will be taken care of. Cost levels are low and competitiveness is high. More than half of those now graduating with a higher engineering degree are based in the global emerging markets. The same holds true for bio engineers, doctors and scientists.

The ability is there, and so is the will. A new world order will push through, and it will not be based on American consumers.

*Lilian Pang*
*Portfolio manager, SKAGEN Global*

# Asian consumers: spenders or savers?

**The dream of Asia as the next consumption powerhouse entranced many international investors during the bull market of the past few years. But, shocked by the sharp decline in Asian equities in 2008, investors have become disillusioned. Is the behaviour of Asian consumers too volatile, or have investors been misguided?**

Asia, with its 3.5 billion population and young demographics, has been enriched by a giddy pace of economic growth over the past few years. Let us first put things in perspective. Although Asia makes up 51% of the world population, its consumers are small in terms of spending power. Consumers in Asia ex Japan spent only USD 3.3 trillion in 2007, compared with USD 6.9 trillion in Europe and USD 9.7 trillion in the US. They can hardly be expected to absorb the excess supply in cars, toys and clothes now that the US can ill afford them.

### Cutbacks in Asia also

How will Asians weather this global storm? Naturally there will be a cutback on spending, like everywhere else. This was affirmed in a recent Mastercard consumer sentiment survey (see graph on page 13).

The survey shows that consumer sentiment peaked in the second quarter of 2007 due to inflationary pressure, and it has now fallen below the historical average level. But the consolation is that it is still quite a bit above the depressed level of the Asian financial crisis.

### Temperate but treat themselves to luxury goods

The good news is, Asian consumers have been a frugal lot despite the boom in recent years, and the savings accumulated provide a comfortable cushion during downturns. Many Asians are by nature savers, which some attribute to the Confucian roots of the ethnic Chinese, who have spread out to many parts of the region. Historically government policies have not encouraged spending as they were geared towards exports rather than consumption. Moreover, the social security safety net is virtually absent, which compels Asians to fend for themselves in good times and bad.

This prudent culture has resulted in a savings rate of more than 30% of GDP, reaching almost 50% in China, compared to negative figures in the US.

This may seem to contradict Asians' penchant for branded goods. Perhaps these luxury goods are seen as occasional rewards for a thrifty lifestyle, and of course, as statements of material success, which otherwise might not be evident.

### Still marked by the Asian crisis

Although the Asian financial crisis is by now a distant memory in Europe, it has however, left a deep psychological scar on Asians. It was not until 2004/5 that nominal GDP in USD in many Asian countries was restored to 1997 levels. Having experienced massive loss of wealth and employment further increased the people's aversion to borrowing.

Today, household debt is way below 100% of GDP (see graph on page 13). In China for example, as much as 80% of cars are purchased using cash. Caution in lending and reluctance to borrow resulted in a continuous down drift for the loan to deposit ratio of Asian banks since the Asian crisis, with the exception of Korea and Taiwan. Koreans appear to have shorter memories, and Taiwan actually escaped the crisis as it was geared to the US economy.

At the moment, the loan to deposit ratio of most Asian banks hovers around 80%, compared to more than 100% in the US. This enables the Asian banks to continue extending loans despite the limited access to credit elsewhere in the world.

### Consumption falling in towns – more stable in the country

Recent data shows that there is a consumption cutback in the segment of the Asian population that is most exposed to exports and finance. In China for example, urban cities like Shanghai and Guangzhou have seen a slowdown in consumption, but rural China has remained resilient. This probably reflects supportive government policies like increa-

*«Luxury goods are seen as occasional rewards for a thrifty lifestyle – statements of material success, which otherwise might not be evident.»*

sed infrastructure spending in inner parts of China, and schemes to provide subsidies to the rural population.

Asian consumers will restrain their spending in crunch times like these. But their savings, the availability of credit and supportive government policies will help them to weather the hard times better than many parts of the world. When economies recover, income growth will improve and consumption will rebound. It would be wise, however, not to expect Asian consumers to go on a spending spree. After all, who can forget the pain of two financial crises in the short space of 10 years? But they will remember the good old virtue of saving.

*Lilian is a Singaporean national. She worked as an investment manager in Asian equities in Singapore for 13 years. Before leaving Singapore, she was the Head of Asian Equities for Deutsche Asset Management. She has a six-month contract with SKAGEN Global.*

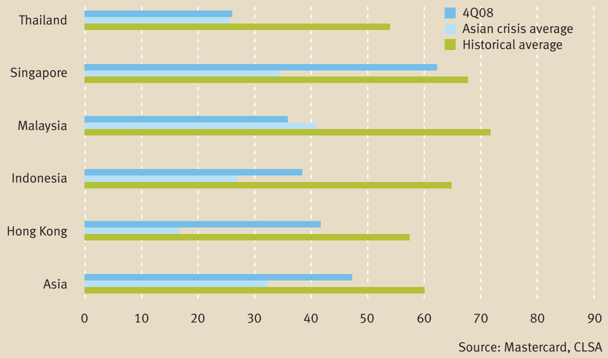

*Asian consumers have been frugal despite the boom in recent years. The picture shows pedestrians and shoppers in the famous Causeway district in Hong Kong. (Photo: Bloomberg)*

**Depression: the negative spiral**

In his book "The Debt Threat", published in 1988, Tim Congdon described how great and long-lasting the consequences of a negative shock in the economy can be. He wrote:

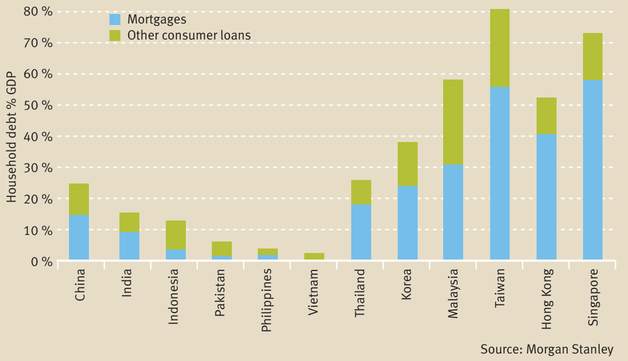
*"Whatever the rights and wrongs of the Depression era, it had a profound impact on attitudes, behaviour and policy over the next generation. The 25 years to 1929 were marked by ever-increasing optimism about economic prospects and growing preparedness in the financial system to take risks; the 25 years after it were characterized by persistent doubts about the resumption and durability of growth, and by extreme caution towards the extension of credit at financial institutions."*

ASIAN CONSUMER SENTIMENT




*Consumer sentiment is now well below the historical average, but still quite a bit above the depressed level of the Asian financial crisis ten years ago.*

HOUSEHOLD DEBT IN ASIA




*Household debt is well below GDP due to Asian consumers' aversion to borrowing.*


*Knut Harald Nilsson*
*Portfolio manager, SKAGEN Kon-Tiki*

# Patience needed to turn rocks into gold

**The SKAGEN investment philosophy has been synthesised into our three U's: Under-researched, Unpopular and Undervalued. Companies satisfying one or more of these may become gilt-edged investments. Patience is a virtue, however.**

Occasionally, certain companies and stocks become fashionable, leading to irrationally high valuations. As many of you know, SKAGEN Funds is not a manager that pursues fads and fashions. Quite the reverse in fact. Unpopular companies may represent unique investment opportunities due to often very low expectations.

However, there must be catalysts, or triggers, present that may make the unpopular company more popular among investors. And should the unpopular company become really popular, then it is time to take profit – and exchange it for another unpopular company.

One good example from SKAGEN Kon-Tiki's portfolio of a company that has gone from being unpopular and undervalued, to fully valued during the past year, is the Brazilian savings bank, Banco Nossa Caixa.

SKAGEN invests in individual companies, but some countries have more companies that are Undervalued, Under-researched and Unpopular than others. In recent years, Brazil has been such a country and we have made a number of investments there. As more index-oriented managers would say, we have been overweight in Brazilian investments.

**Up 138 percent**

One of SKAGEN's best investments in 2008 was Brazilian savings bank, Banco Nossa Caixa, which provided a return on investment of 138 percent. The big jump in the share price came when Banco do Brasil made a bid for the bank. Back in 2007 when we started buying shares in the bank, we could not find a single buy recommendation for the company.

Due to the consolidation phase the banking sector in Brazil is going through, an acquisition of Banco Nossa Caixa was one of our value triggers. We also noted that analysts spent little time on this relatively small savings bank, not least because its commission income opportunities were scant. The few research reports we found were also of very poor quality. In other words, Banco Nossa Caixa was not just undervalued, but also very much under-researched.

**Eletrobras a new Petrobras?**

Another important contributor to our 2008 performance was our investment in Brazil's biggest electric power utility, Eletrobras. A poor historical record and government ownership dominance are key reasons why the company has long been very unpopular among investors. The unpopular company became a little less unpopular last year.

The Eletrobras share has an overweight of sell recommendations and a minimal number of foreign shareholders, apart from us, who at the time of writing are holding well over four percent of the company's share capital.

Today Eletrobras reminds us very much of the situation in which the fast growing Brazilian oil company, Petrobras, found itself towards the end of the 1990s. At that time, analysts' descriptions of the company were rife with quotes like "Confusing", "Yet another disappointment for investors" and "Unfavourable government initiative regarding prices". The perception has changed over time, in line with better transparency in financial reports, new management, rising reserves and a parallel listing on the New York Stock Exchange. Measured in EUR, the Petrobras share has risen by 867 percent since 1999. During the same period, the average annual return has been 25.5 percent.

Currently, 19 of the 21 analysts following Petrobras are positive, and there is not a single sell recommendation for the share.

**Fire sale**

Despite being one of the biggest companies in Brazil, with a capitalisation of BRL 29 billion, Eletrobras is conspicuously absent from big investor conferences; probably because few investors are asking to meet them.

It is one thing to be unpopular and under-researched, but is Eletrobras also undervalued? Since we have invested rather heavily in this company, our answer is hardly surprising: yes, it is significantly undervalued.

Currently, Eletrobras has a hydropower generating capacity of 50 tWh, equivalent to 40 percent of Norway's total capacity, and is consequently the world's biggest listed hydropower producer. If we deduct financial assets, the value of the power generation capacity is valued at a quarter of international valuations. The price is a fraction of the replacement cost.

Historically low electricity prices in Brazil have meant that historic returns on capital have also been low. However, this is about to change for the better. Underinvestment in power generation capacity over the past 5-6 years has resulted in demand quickly outstripping supply. The massive need for investments going forward also means that the demand for private capital will increase, and with that the required return on equity.

Over the past year we have seen a clear increase in the contract prices attained for new projects. Rising return on capital is one of

*SKAGEN has a number of investments in Brazil. One of them is the world's biggest power utility, Eletrobras. Pictured here is the Itaipu power plant. (Photo: Itaipu)*

the most important catalysts for a revaluation of the company. The management's objective for invested capital in new projects is to have a real rate of return of 10-11 percent.

**Need debt to increase RoE**

Currently, Eletrobras is in a very comfortable financial position, it is debt-free and has great financial receivables. In other words, new projects may be financed through leverage without endangering solvency, which may contribute to improving return on equity.

Positive things have also happened to the company internally. After a two year wait, Eletrobras was listed on the New York Stock Exchange at the end of October.This made it easier for more institutional investors to invest in the company. Another important point is that the US listing is expected to lead to better transparency in the company's financial reports.

**New management**

The company has recruited a new management team for its distribution business, which has incurred significant losses in the past few years. The new management has a good track record from one of Eletrobras' most successful competitors. The objective is to make this business profitable during the course of 2009.

We also expect the company to tidy up an old dividend issue. Owners of ordinary shares have an accumulated claim for dividends going back several years. Indeed, provisions have been made for this in the company's balance sheet, but by honouring this claim, the company will remove any lingering uncertainty.

**May be awarded valuable climate certificates**

One last point which has not yet been focused on is the fact that hydropower is a renewable source of energy. Eletrobras may therefore potentially be awarded valuable climate certificates that may be sold to polluting industrials.

At the end of the year, the Eletrobras share was priced at a 68 percent discount relative to book value – which only consists of tangible assets. This implies an expected future return on equity that is far below the company's required rate of return. A successful restructuring of the distribution companies should increase return on equity by 1.5 percentage points alone, from the current 6.0 percent.

**Nothing is risk-free**

Of course, any investment is encumbered with uncertainty and risk. Forthcoming renegotiations of concessions expiring from 2015 is an example of this, however, overall the upside exceeds the risk by a clear margin.

While we are waiting for a further revaluation of the company, when the triggering of several catalysts will make other investors and analysts discover the same added value as we see, we can take comfort in a dividend yield of seven percent; a figure not to be sneezed at when global interest rates are plummeting.

*Torgeir Høien, Portfolio manager,*
*SKAGEN Tellus and SKAGEN Avkastning*

# 2009 – A bargain-basement year?

**Imagine an economy in which most people have 100 dollars in their wallet. What happens if everyone wants 200 dollars instead?**

How a challenge such as this is solved, whereby people want more cash in their wallets, has a bearing on what is going on now in the real world. Particularly relevant is the way in which the purchasing power of money develops in 2009 and over the next few years.

All the major bank losses over the past few years have drastically undermined people's faith in banks. Money in the bank is not the same thing as money in the hand. Distrust in banks is manifest by people keeping more money in their wallets.

Those seeking to hold more cash are not primarily households and companies. Distrust is greatest between banks, and banks are now much more wary of having money outstanding with each other.

Banks keep their wallets in the central bank
One alternative is, of course, to keep more cash in the vault. But this is impractical and does not provide interest income. A relevant alternative for a bank is to have more money in an account in the central bank. For a bank, a deposit in the central bank is equivalent to having money in the wallet. Central bank deposits can freely be exchanged for notes, and can be used as payment between banks. This is done simply by asking the central bank to move money from one bank's account to another's.

Back to the imaginary situation whereby everyone wishes to have more cash at hand. If you include the banks' "wallets" along with people's cash, you are not far from having a description of an important aspect of the current financial crisis.

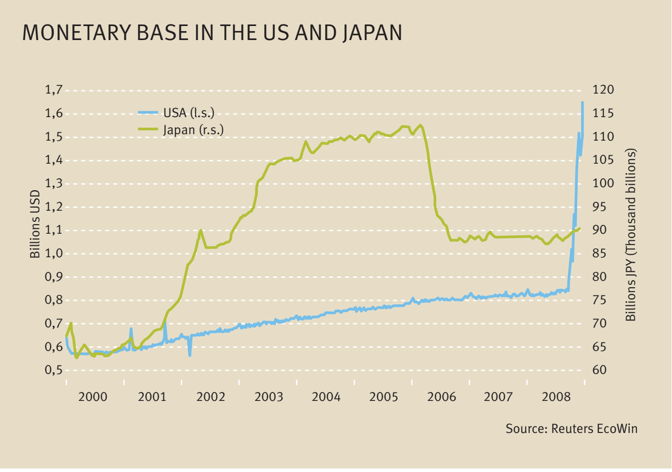
In theory, the need for more cash is met without the amount of money needing to be increased; you can quite simply increase the value of the money which is already available.

### Money worth more when prices fall

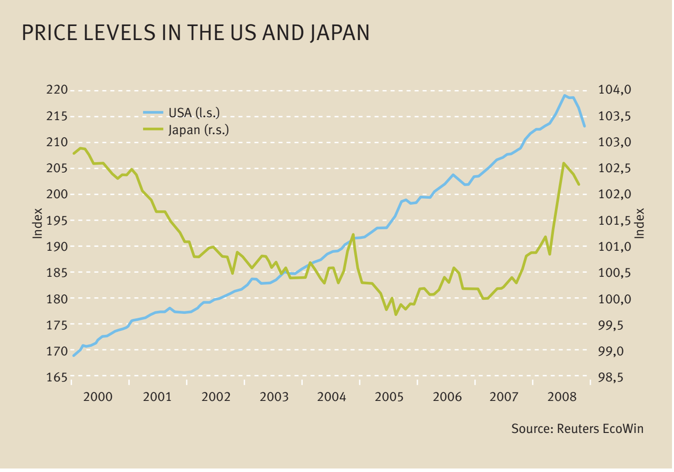
What a person wants to have in liquid assets is a certain amount of purchasing power. Instead of just having enough to cover one week's worth of grocery shopping, for example, you may wish to have enough cash to cover two weeks' worth of groceries. Whether your wallet contains one or two hundred dollar bills, or whether the purchasing power of a 100 dollar bill doubles, is one and the same thing.

Left to its own devices, an economy increases the value of money by letting prices fall. Not just by cutting one price or another, but by jacking down the general price level. If the value of money is to double, the consumer price index must halve. In other words, the economy must go through a significant deflation.

Strong deflation is not very desirable since most contracts are not written for such an eventuality.




*The wish to have more money can be satisfied simply by printing it. And this is precisely what has been done over the past few months, particularly in the US.*




*Experience from Japan indicates that increasing money supply in the short term is not sufficient to satisfy the overall need for cash.*

Few debt contracts, for example, are index regulated. This means that a drop in the price level leads to a corresponding increase of real debt. Labour contracts are adjusted for changes in the consumer price index, but generally only afterwards. Deflation, therefore, typically means that real wage costs rise. Prices of consumer goods are not entirely all flexible in the short term either. This means that some prices actually rise even though they may barely change in nominal terms.

To sum up, this means that sudden and unexpected deflation, in addition to a redistribution of earnings, may lead to a significant drop in production and employment. Particularly when the economy is dysfunctional, as it is now. In the worst case scenario, deflation can lead to depression, as it did in the 1930s.

**High speed printing**

Luckily there is an alternative to deflation. The desire for more money can be satisfied by simply printing it. And this is precisely what has been happening over the past few months, in the US in particular, but also in a number of other countries.

It is mainly banks that are demanding more money. The central banks have bought a lot of securities from the banks in addition to lending them a heap of money. Where does the money come from? Out of thin air; the central banks are crediting the banks' accounts with digital bank notes.

The banks' need for liquidity accelerated following the Lehman bankruptcy. From September to December, banks' deposits in the US central bank, the Fed, grew 100-fold. When you include the circulation of bank notes the Fed had doubled the so-called monetary base by the end of 2008.

There is probably more of this in store. In order to curb deflation at the beginning of this decade, the Bank of Japan increased the monetary base until it constituted 22 percent of GDP in 2003. In the US, the money supply created by the Fed now constitutes a little more than 10 percent of GDP. Several new loan programmes have recently been announced which will greatly increase banks' access to new money from the central bank.

**May lead to massive inflation**

There are, of course, concerns linked to solving an economy's liquidity requirements by printing new money. When the economy is revitalised, the banks' need for money will significantly diminish. Instead of having a lot of deposits in the central bank, banks will want to have assets with better earnings potential.

Just as when the need for money increased, there are also two ways of solving this challenge. One alternative is to let the money fall in value until the economy wishes to keep all of the inflated money supply. But this means massive inflation, with many of the same invidious consequences as strong deflation. The alternative is the central banks being quick to reduce the amount of money as soon as the need for cash starts to wane.

This may work out fine. Many of the loan programmes that have been set up will be terminated automatically when banks are back on their feet. Problems may arise if the central bank has acquired a lot of bad assets in its balance sheet, and if the central bank has been used to finance large deficits in the government budget.

In order to draw in money, the central banks must sell assets. This can be difficult if the assets were bought because no one in the private sector wished to own them. Selling government bonds from the central bank's balance sheet is also problematic. When the central banks sell government bonds, the public sector's financial costs to the private sector increase. Tax revenue must then increase, or else other expenses must be cut. This can give rise to political unpleasantness.


*The US will probably face the greatest political challenge when the credit market thaws. (Photo: Bloomberg)*

**Deflation haunts the short term**

Experience from Japan shows that an increased monetary base in the short term is insufficient to satisfy monetary demand. Inflation will therefore probably fall in a number of countries going forward.

In the US, the price level fell by 3.5 percent from July to December 2008. This is partly owing to the direct effect of lower energy prices on the price level, but there was probably also deflationary pressure from money in the economy. So-called core inflation has also decreased, and it is conceivable that it will be negative in periods in 2009. Inflation is rapidly decreasing in many other countries too. UK and the Eurozone may also experience weak deflation.

Since this development is being countered by interest rate cuts and a significant increase in the money supply, the deflationary pressure is probably temporary. So temporary that in as little as one year from now some places may begin to experience inflation problems.

The challenge will probably be greatest in the US. It is at the epicentre of the financial crisis that the greatest measures have been taken to inflate the central bank's balance sheet. And it is here that central government finance is under the greatest strain. To do what needs to be done with the monetary policy when the credit market thaws again may be a tough challenge for the Obama administration.

# Hooked on China and commodities - Jim Rogers

**The man who has a commodities index named after him believes, not surprisingly, that commodities are still the best thing to invest in. SKAGEN asked whether his solid belief in commodities is still intact after the steep decline in autumn 2008.**

*SKAGEN asked Jim Rogers to participate in this annual report since he has views on asset classes that SKAGEN does not comment on. This puts our own viewpoints (set out on the previous pages) in a broader perspective in order to enable our clients to make an informed choice about their own investments.*

At SKAGEN Funds' New Year's Conference in 2007, Jim Rogers, former partner of George Soros, was sceptical about stocks, bullish about commodities and believed that the dollar and US property market would significantly weaken. Those who followed his advice earned a lot of money, right up until summer 2008. Then there was a meltdown in the commodities class.

Rogers also believed that China would again become the world's leading nation this century, as it was 400 years ago, while the era of the US was definitively over. The world's largest economy would be hit by the worst credit bubble the world had ever seen, said Rogers at the time – almost two years ago.

That same year Rogers sold his property in Manhattan, New York, moving his wife, daughter and Chinese nanny to Singapore. Just before the credit bubble could catch up with him.

The fact that the China-loving Rogers moved to Singapore, and not Hong Kong or Shanghai, was to prevent the high levels of pollution in these cities causing health problems for his allergy-prone family.

## Great Depression II

There is no doubt that Jim Rogers has made a lot of good investment decisions. However, he was ill prepared for this autumn's massive crash in commodities: decidedly his favourite investment class over the past ten years. Still he is not worried about long term prospects. As he recently told Fortune magazine, "Over the next few years, there will be a dramatic lack of commodities. Food stores in the world are already at the lowest levels in 50 years, and this could develop into " The Great Depression II"."

## China's century, but strong fall in growth

*– Jim Rogers, at our New Year's Conference in Oslo two years ago, you said that the 21st century belonged to China, as the 19th century belonged to the UK and the 20th to the US. Now that the world economy is in recession, do you think that China will manage to stimulate its own economy enough to maintain still high growth?*

– China has implemented a huge programme of infrastructure building as well as spending in areas such as water, agriculture, et al. I don't think growth going forward will be anywhere in the region of what we have seen in the past few years. Growth stimuli from the rest of the world are far too weak for that.

*– Do you believe the official figures from the Chinese authorities?*

– I do not believe official figures from any country in the world.

## Decoupling = lunacy

*– Have you ever believed in the theory that the world's emerging markets, led by China, could grow at a relatively high growth rate if the US and the rest of the western world were in recession?*

– No, it was and is lunacy.

*– Despite the crash in the commodity market, you believe that the commodity story is still alive. Why?*

– Did the bull market in stocks end in 1987 when stocks collapsed from the summer into the winter? We have been in a historic period of forced liquidation with no regard to fundamentals of all assets, the likes of which has happened only 8-9 times in the past 100-150 years. The fact that it is historic does not make it fun.

## Key to success

*– What is the key to success in such an irrational market?*

– The key to success in times like these is to find the things where the fundamentals are unimpaired. The fundamentals of General Motors and Citigroup are impaired. The fundamentals of commodities are actually enhanced by what is happening. Farmers cannot get loans for fertilizer. Miners cannot get loans to expand and are closing much production.

The supply of all commodities continues to decline so the fundamentals are improving as opposed to nearly all other asset classes. Commodities will continue to be one of the best asset classes.

## US and the dollar are the world's most unsafe havens

*– At the New Year's Conference you were, quite rightly, very concerned that the US was drowning in debt and you expected a significant depreciation of the dollar. This autumn's flight to safety has led to a huge recovery for the dollar. What do you think will happen going forward?*

– There is no safety in the US now – quite the opposite. The US has incurred huge amounts of additional debt and printed gigantic amounts of money. The US dollar has rallied only because of the widespread forced liquidation of all positions. There have been and

*US-sceptic American: Jim Rogers had positive things to say about China and commodities at SKAGEN's New Year's Conference in January 2007*

are tremendous short positions in the US dollar. They have all been forced to cover as they liquidate positions. The rally in the US dollar is an artificial rally. Had you read my stories earlier in 2008, you would have read that I have been expecting this rally.

*– Now that most people have covered their positions, is the dollar on its way downhill again?*

– I used this rally to get rid of the last two positions I had in US dollars. Yes, I believe that the dollar will depreciate again. It is a flawed currency – probably a doomed currency now. It is conceivable that the US will even default on its debt within 2-3 years. US government bonds are the US's last bubble in this cycle. Safety?!

**US stocks may halve**

*– You have previously said that investors should be very careful about investing in stocks going forward, not bad advice. Now that it has halved in just a few months, what is your opinion today about the global stock market in general, and do you prefer any markets in particular?*

– I covered most of my stocks during the selling climax in October. I began buying more commodities, China, Taiwan and the Japanese yen.

Rogers told Fortune that he believes that the US stock index Dow Jones may halve in value in the long term. When the time comes, he will buy US stocks again – if he is still solvent.

**16 million dollars for a house – flight to Singapore**

*– You feared a meltdown in the US housing market and were proved right. You also announced at our conference that you were going to sell your house in Manhattan and move to Singapore. Did you manage to sell before the bubble burst?*

– I sold on 17 December 2007. As regards the price, I would not answer except such things are public in the US. I got 16 million dollars which was one million dollars more than my asking price. It was the highest price ever for a townhouse on Manhattan's west side according to the press.

**Agriculture – a star in the night sky**

*– And last but not least, what is your outlook for the world economy in 2009?*

– Bad for nearly everyone except for some sectors of the Asian economy and some commodities and commodity producers. Agriculture may be the best sector in the world for the next decade.

Turn in your MBA for a farming or mining degree, is the advice from a not altogether optimistic Jim Rogers – about anything other than commodities.

ABOUT JIM ROGERS

**James Beeland Rogers Jr. (66)**
US investor and financial commentator, frequently used by Bloomberg among other media. Founded the Quantum Fund together with George Soros in 1970. During the following 10 years the portfolio gained 4200% while the S&P advanced about 47%.

Jim Rogers is the man behind the Rogers International Commodities Index (RICI). He has worked as a professor, and is the author of several books, including "Hot Commodities".

Rogers is also well known as a "financial" globetrotter. He has driven his motorcycle both through his favourite country, China, and the rest of the world, which was picked up in the Guinness Book of Records. Rogers then did another Guinness World Record journey through 116 countries with his wife in a custom-made Mercedes.

*Kristian Falnes*
*Portfolio manager, SKAGEN Vekst*

# Low price after a terrible year

**2008 turned out to be the worst year for SKAGEN Vekst unitholders since the fund was launched 15 years ago. It was meagre comfort that the Oslo Stock Exchange performed even worse.**

SKAGEN Vekst fell by 54.2 percent in 2008, whereas the Oslo Stock Exchange was down 62.6 percent. In spite of the big drop, the fund was nevertheless among the best performing Norwegian and Norwegian/international equity funds. The companies owned by SKAGEN Vekst at the start of 2009 have historically low valuations, based on both expected earnings and price/book ratio.

Measured in NOK returns for the Norwegian part of the fund were 7.5 percentage points better than the performance of the Oslo Stock Exchange. However, the global portion performed 15.6 percentage points worse than the MSCI World Index. The relatively poor performance by the foreign part of the fund is due to the fact that we utilise our global mandate to invest in distinctively Norwegian cyclical industries, such as oil production, oil service, commodities, capital goods and shipping, if the companies are more attractively priced than their Norwegian competitors.

Expected business conditions significantly weakened during 2008. This, together with price declines for most commodities, including oil, resulted in the Oslo Stock Exchange becoming one of the worst performing exchanges in the world.

### Lower risk – higher returns

The fund's risk, measured as the standard deviation (price fluctuations), was even in this very turbulent year of 2008 lower than for the Oslo Stock Exchange. Whereas SKAGEN Vekst last year experienced an all time high standard deviation of 35.9 percent, the standard deviation for the Oslo Stock Exchange was an extreme 51.8 percent. Our objective is to have lower portfolio risk than a typical 'pure' Norwegian equity fund, and as a result, SKAGEN Vekst, in every year since its launch in 1993, has had lower price fluctuations than the Oslo Stock Exchange. The average annual standard deviation for SKAGEN Vekst during this 15 year period was 20.9 percent, whereas the corresponding number for the Oslo Stock Exchange was 25.8 percent.

### Utilities best – consumer goods worst

With a return of eight percent, it was utilities, represented by our main investment Eletrobras (see separate article on page 14), that was the best contributing sector to performance last year. The biggest losing sector was discretionary consumer goods, with a price drop in excess of 60 percent. Particularly disappointing was the performance of UK electronics retailer DSG International, the owner of Elkjøp, and Norwegian shipping company Hurtigruten.

The latter, due to high debt and relatively poor earnings performance, is in the process of implementing a refinancing plan. By partially converting a convertible loan to equity, SKAGEN Vekst will maintain its interest in Hurtigruten. The sale of peripheral activities, combined with better framework conditions from the government as well as big cost cuts, mean that the company, even in a challenging period for the travel industry, should be able to generate satisfactory profitability.

The market for consumer electronics was weakening towards the end of 2008. This is reflected by poor price performance by LG Electronics, Samsung Electronics, and not least the above mentioned DSG International. However, all companies have been kept in the portfolio, as valuations are low, and they have relatively strong market positions relative to their competitors. With respect to DSG International, we are especially enthusiastic about Elkjøp.

### A lot less energy than the Oslo Stock Exchange

Energy was the fund's biggest single sector, also in 2008. At the end of the year, energy-related companies constituted 27.6 percent of the fund. In comparison, energy stocks account for more than half of the capitalisation of the Oslo Stock Exchange. StatoilHydro alone constitutes about 32 percent of the Oslo Stock Exchange Benchmark Index.

The dramatic oil price developments had a great influence on the price performance of the energy sector in 2008. Having started the year at about USD 88 a barrel, the oil price rose to almost USD 150 in July, only to drop throughout the autumn and end the year at USD 40. Despite the dramatic fall in oil prices, StatoilHydro became a relative price winner in 2008, with a price drop of 31 percent (in NOK). This was all of 23 percentage points better than the Oslo Stock Exchange All-share Index. In comparison, the energy shares owned by SKAGEN Vekst fell by around 37 percent (in NOK).

The biggest negative fund event of the year was the bankruptcy of MPU Offshore Lift. The company fell victim to big cost overruns due to both general cost increases and poor project planning for the construction of its heavy lifting vessel in the Netherlands. At the start of the year, the investment constituted approximately 0.5 percent of the portfolio. In addition we suffered an indirect loss, since Solstad Offshore, which is a significant fund holding, had a 30 percent interest in MPU Offshore.

*Bonheur and Ganger Rolf are two companies included in the top ten holdings of SKAGEN Vekst. Through subsidiaries, these companies own and run three wind farms in Scotland, and have further projects under development in the UK, Ireland, Norway, Sweden and Canada. (Photo: Fred. Olsen Renewables)*

**A series of acquisitions**

Despite the financial crisis and increasing credit drought, in 2008 we saw a series of acquisitions involving our companies in the energy sector. The highlight was the acquisition of Revus Energy by German company Wintershall (BASF). The price was an all-time high for the company, and reflected the fundamental values we believed the company contained. In addition, our shares in Odfjell Invest, DeepOcean, Dof Subsea, Scorpion Offshore and Wavefield Inseis were sold, either to the majority shareholder or other industrial investors.

**Commodity massacre**

The value of our shares in the commodity sector was almost cut in half. During the second half of the year, the combination of declining demand for finished products and lack of access to financing triggered a dramatic drop in the price of raw materials. Several producers have increased their inventories in step with the falling prices.

Norwegian fertiliser manufacturer, Yara, is our biggest investment in the sector. Falling fertiliser prices throughout the autumn of 2008 will probably result in the company, like the majority of all producers of raw materials, having to report a significant earnings decline in 2009. However, Yara has a unique sales network and low production costs, which should indicate that, in time, the company will achieve higher return on invested capital than most of its competitors.

KEY FIGURES FOR THE LARGEST COMPANIES IN SKAGEN VEKST

| | HOLDING SIZE | PRICE* | P/E 08E | P/E 09E | P/B LAST | PRICE TARGET* |
|---|---|---|---|---|---|---|
| Kongsberg Gruppen | 3,9 % | 328,0 | 14,3 | 10,3 | 3,7 | 400 |
| Bonheur | 3,2 % | 145,0 | 5,1 | 4,5 | 1,0 | 250 |
| StatoilHydro | 3,2 % | 113,9 | 6,5 | 8,1 | 1,8 | 180 |
| Pride International | 3,1 % | 16,0 | 4,4 | 4,7 | 0,7 | 40 |
| Ganger Rolf | 3,0 % | 139,0 | 4,9 | 4,3 | 0,9 | 220 |
| Eletrobras | 3,0 % | 24,2 | 7,3 | 7,3 | 0,3 | 60 |
| Samsung Electronics | 2,7 % | 258k | 6,5 | 7,4 | 0,6 | 600k |
| Petrobras | 2,4 % | 22,8 | 5,7 | 6,3 | 1,4 | 40 |
| LG Corp | 2,3 % | 42,7k | 5,7 | 5,7 | 1,2 | 80k |
| DOF | 2,2 % | 34,0 | 6,2 | 4,9 | 0,9 | 65 |
| Yara International | 2,2 % | 148,8 | 3,3 | 9,9 | 1,4 | 250 |
| Solstad Offshore | 2,1 % | 58,5 | 4,9 | 3,7 | 0,6 | 160 |
| **Median/Sum** | 33,2 % | | 5,7 | 6,0 | 1,0 | 81 % |

* amount in local currency
k – amount in 1000

**Further down in shipping**

Capital goods, services and transportation were only subject to minor changes last year. The substantial reduction in ship yards and shipping companies which started in 2007, continued in 2008. We sold our holding in shipping companies Solvang (gas), Premuda (bulk) and Ocean Heavy Lift (heavy transport). Weak demand and a significant supply of new ships indicate that the market prospects for most shipping segments are poor.

The companies we have chosen to keep in the portfolio have significant market shares in specialty niches, such as chemical tank shippers Stolt-Nielsen and Odfjell, auto transport company Wilh. Wilhelmsen, reefer company Star Reefers, and Dockwise, which is in the business of heavy transport.

**Irresistibly cheap tourism**

In discretionary consumer goods we sold our entire shareholding in Volkswagen. This investment was replaced by French automaker Peugeot, which, in addition to having an extremely low valuation relative to "normal" earnings, will benefit from an expected trend towards less expensive cars and more fuel efficient diesel engines.

In step with general expectations of a dramatic downturn for the tourism industry, we found both cruise line RCCL and hotel operator Rezidor, which manages the Radisson SAS chain among others, to have irresistibly low valuations. Both companies have never even been close to being valued as low as they now are relative to bed capacity. Both have enough financial muscle to survive a drawn-out recession in the travel industry.

### Completely out of Lerøy and Nutreco

In consumer goods we have sold our entire shareholding in Lerøy Seafood Group in connection with an acquisition offer. Similarly, we have sold our entire holding in fish fodder manufacturer Nutreco. We have bought shares in Cermaq, and with that partially maintained our fish farming exposure. Cermaq's production capacity, measured as company capitalization per kilogram of fish, has never been priced this low since the company was listed in 2005. Big problems in Chile mean that supply growth will probably be negative in 2009. With continued good growth in the demand for farmed salmon, we ought to look forward to higher prices and good margins for fresh fish providers.

The competitive climate for banana producer Chiquita Brands has also improved. It finally seems that the EU will have to treat former colonies and South American producers on an equal basis. In addition, the company is benefiting from a marked price increase for both bananas and salad in the US, its home market.

### Betting on Omega-3

In pharmaceuticals, we increased our investment in Pfizer in 2008 and added the Norwegian pharmaceutical company Pronova Biopharma. The latter is a leading global producer of Omega-3 based remedies, and is the only manufacturer producing Omega-3 based remedies approved by the authorities in the US and the EU. By building a new factory in Denmark, the company is well on the way to doubling its production capacity.

Like 2007, 2008 was a catastrophic year for banking and finance. Even though we were correct to be wary of traditional western banks, the value of our investments in this sector halved in 2008.

### Dismal Norwegian property

Norwegian real estate company Norwegian Property was added to the portfolio in connection with the underwriting of an issue in the summer of 2008. A dramatic increase in the required rate of return demanded by the market in the valuation of leases has resulted in a subsequently very weak price performance. However, the company benefits from increased rent levels through inflation adjustments, as well as lower interest rates for the part of its loan portfolio with floating rates of interest. The current implicit required rate of return seems attractive, since the tenants are solid and are able to honour their obligations.

In information technology, we have kept Korean company Samsung Electronics and Japanese company Kyocera as our main investments. Both companies have great values outside their core activities, which are not reflected in the share price. In addition, they have technological competitive advantages that mean we may expect innovative technology developments also in the future. Kyocera is among the world's leading producers of solar cell panels, and has been among the most innovative with respect to finding ever new applications for solar energy. We chose to exercise our subscription rights in Eltek when the company had to be supplied with fresh equity capital.

### Indonesian mobile phones and Telenor

In telecommunications, we chose to maintain our two Indonesian investments, Telkom Indonesia and Indosat. Even though both increased competition and public pressure have put a squeeze on margins, the Indonesian market is far from mature. We believe both companies still have great growth potential. This is barely reflected in the current share price.

Towards the end of the year, Telenor was let back into the portfolio. After the company announced a major investment in India, with an associated rights offering, the share price fell precipitously – all the way down to its 2003 level. The valuation of the company, relative to relevant key ratios, came down to a level we have never seen in the eight years Telenor has been a listed company. We hope Telenor finds other sources of financing for its investments than asking its sorely tried shareholders for more money in today's tough climate.


*SKAGEN Vekst let Telenor back into the portfolio at the end of 2008. The share price fell after the company announced a major investment in India with an associated rights offering. The valuation of the company, relative to relevant key ratios, came down to a level we have never seen in the eight years the company has been listed.*

### A SURPRISING NUMBER OF ACQUISITIONS IN 2008

In last year's annual report we wrote that "higher credit mark-ups and a greater reluctance on the part of banks to lend ought to result in slightly less acquisition activity in 2008". This definitely turned out to be the case. Still, in 2008 we took part in a remarkable number of acquisitions involving our portfolio companies. In fact, as many as 14 of the shareholdings of SKAGEN Vekst were acquired or merged in 2008, versus 18 in 2007.

- DeepOcean was acquired by Trico Marine
- Dof Subsea was acquired by Dof
- Odfjell Invest was acquired by Odfjell Drilling
- Revus Energy was acquired by Wintershall (BASF)
- Scorpion Offshore was sold to Seadrill with a poison pill
- Wavefield Inseis was sold to CGG Veritas
- Premuda was acquired by the majority owning family
- Ocean Heavy Lift was acquired by Spencer Energy
- Lerøy Seafood Group was acquired by Austevoll Seafood
- Fast Search & Transfer was acquired by Microsoft
- Network Electronics was acquired by Ferd
- Sofware Innovation was acquired by Borea
- Vmetro was acquired by Curtiss-Wright
- EDB Gruppen was acquired by Nordic Capital

# 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.

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.

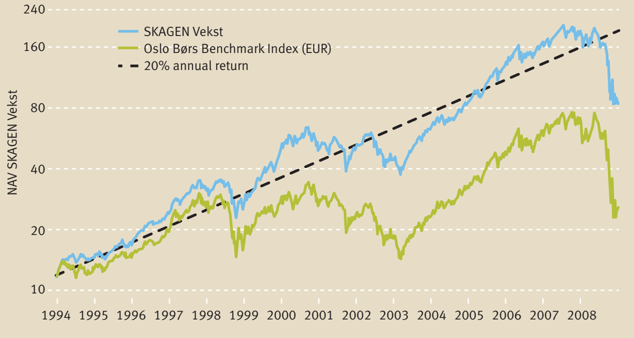
SKAGEN Vekst is suitable for investors who want an equity fund with a good balance between Norwegian and global companies. The fund has a broad mandate which gives it the freedom to invest in a variety of companies, industries and regions. By investing in both Norwegian and international companies, you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

| | |
|---|---|
| **Fund start date** | 1 December 1993 |
| **Return since start** | 630.94% |
| **Average annual return** | 14.1% |
| **S&P qualitative rating** | AAA |
| **Net asset value** | 628 mill euro |
| **Number of unitholders** | 88 349 |
| **Subscription/Redemption fee** | None |
| **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** | Oslo Stock Exchange Benchmark Index |
| **UCITS fund** | Yes |
| **Portfolio Manager** | Kristian Falnes and Beate Bredesen |

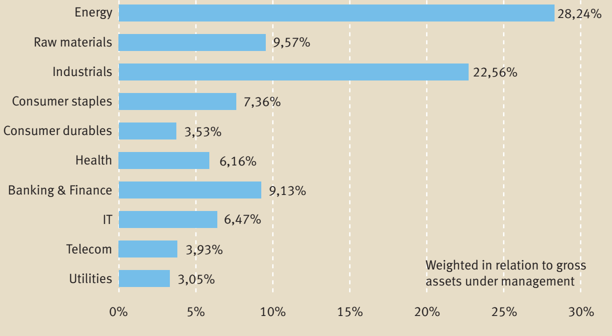
| YEAR | RETURN ON INVESTMENT % | BENCHMARK INDEX % | AUM * | NUMBER OF UNITHOLDERS | TER % * * |
|---|---|---|---|---|---|
| 2008 | -54,19 % | -62,65 % | 628 | 88349 | 1 % |
| 2007 | 13,31 % | 14,96 % | 1450 | 87559 | 1,26 % |
| 2006 | 28,58 % | 28,53 % | 1424 | 74547 | 3,36 % |
| 2005 | 53,02 % | 45,09 % | 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
** Read more about total costs for 2008 on page 66

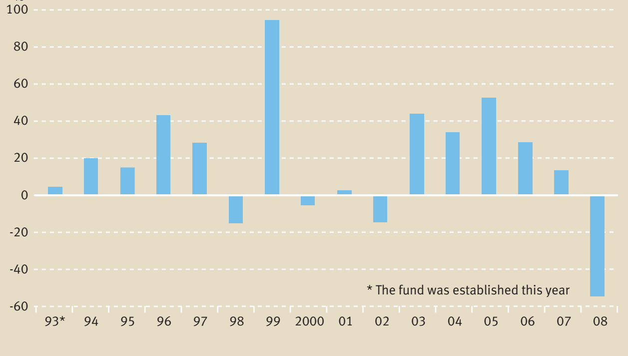
## HISTORICAL PRICE DEVELOPMENT



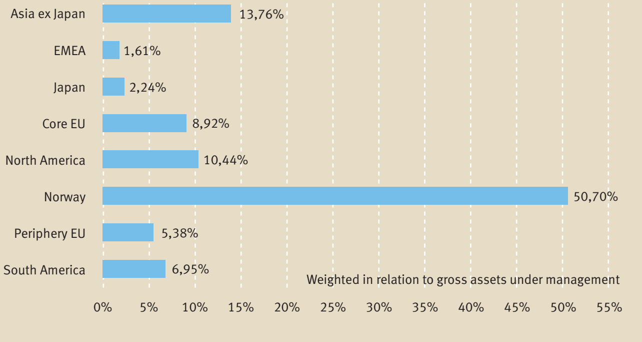

## SECTOR DISTRIBUTION




## ANNUAL RETURN




## GEOGRAPHICAL DISTRIBUTION



*Filip Weintraub*
*Portfolio manager, SKAGEN Global*

# 2008: the year of the four-letter word

**A four-letter word is more usually the term for a dirty word containing four letters not considered appropriate to utter together, the most common of which starts with an "s" and ends with a "t". 2008 could be summed up as the year of the four-letter word.**

Four-letter words are also a very popular structure for the acronyms and abbreviations commonly substituted for often lengthy technical, legal or similarly hard to grasp descriptions or concepts. Many of the said four-letter words have created quite an effect on the equity markets, the financial system and the real economy. CMBS, RMBS and ALT-A's (property-related derivatives) wreaked havoc on the ABCP and JUNK (loan-obligation) markets, creating large losses or capital needs in GMAE, FMAE, oSIV's (Structured Investment Vehicle, used by banks, the "o" is for off-balance sheet and is silent). This in turn contributes by freezing the debt-financing available to a slower growing economy and trade. The BRIC and GSCI markets (Emerging Markets and Commodities) also suffered.

Multi-trillion euro/US dollar stimulus packages are now being implemented, both monetary (TARP, TALF, and ZIRP – zero interest rate policy) and fiscal, so more of the BANKs and the FORDs of the world do not go under and to stimulate growth going forward. To sum up, 2008 was a BEAR market indeed.

### Avoided collapse

Needless to say, there were also some four-letter words of the more traditional kind last year. SKAGEN Global, despite avoiding any direct exposure within the portfolio to the well documented financial collapses – and ironically because of such avoidance on occasion – had a terrible year both in absolute and relative terms.

Global fell by 44.5 percent versus the world index negative return of 37.7 percent. The only thing that rises in a rapidly falling market is correlation. Last year the major global markets' local returns were in a surprisingly small range; the major difference was the currency market which was the main reason for the fund's relatively weak return.

The last three years SKAGEN Global has returned -9.2 percent annually versus -13 percent for the world index, and the five year accumulated return stands at 37 percent versus -11.8 percent for the world index. We have accomplished this by strict value-based and balance-sheet oriented investment discipline and a broad absolute sector composition. The vast majority of the portfolio investments have performed quite satisfactorily in the last year, especially considering the changing economic environment. The value creation and improvement has obviously not been reflected in the share prices.

### Balance sheet focus

In general, throughout 2008 we have increased our focus on defendable and stable business models, and in extending our balance sheet solidity requirement to also extend beyond leverage ratios and through 2009 refinancing needs, as refinancing costs have increased notably. In 2008 the turnover of the portfolio was around 25%, at the higher end of the historical fund record, but still to be considered quite low. Twelve positions were added or substantially increased; some 27 were sold, or substantially decreased. The number of portfolio holdings as a consequence is now 87 positions versus 103 the year before. Concentration of the top ten holdings has increased noticeably to 45 percent versus 35 percent a year ago.

### Down in Petrobras

During the year we managed to sell a substantial position of Petrobras when the Tupi-field and $100 barrel scenario became quite discounted – the position is no longer in our top ten holdings. We also sold out Transocean. We have added to natural gas producer Mariner Energy throughout the year. Despite solid prospects, reserve growth and strict capital management, the company suffered with the falling natural gas price. The main holding in the sector remains US oil service company Pride International.

Within commodities we have eliminated Cemex, Harmony Gold and Louisiana-Pacific all on potential balance-sheet risks. We managed to sell out most of our iron-ore producer Cleveland-Cliffs as well decrease the position in Votorantim at high levels, while increasing our Ternium position.

### World leader in cardboard

We bought family controlled Mayr-Melnhof which is the world's leading cardboard producer (1.7 million tonnes), as well as Europe's leading folding carton producer. The company can show a history of excellent capital spending discipline, value creation and the company is in a net cash position. Free cash flow yield is over ten percent, and the company is returning cash to shareholders through both share buy-back and dividends. We expect sales growth going forward to be slower but there is potential for both margin expansion and expansion opportunities. Change in shareholder structure is the major trigger for the shares to approach the replacement cost of assets which we estimate to be twice today's market price.

Komatsu, Korea Line, Samsung Heavy Industries and Covidien were sold throughout the year at quite a decent profit. We bought back Bunge in the second half of the year, when worries about agricultural trends and Brazilian farmers made the shares fall to levels not

*SKAGEN Global bought back agricultural product company Bunge in the second half of the year when worries about agricultural trends and Brazilian farmers made the shares fall to levels not seen since the IPO in 2001. (Photo: Bloomberg)*

seen since the IPO in 2001 despite being a substantially larger company today. Bunge is the leading soy and corn processor in the world, as well as the leading fully integrated fertiliser producer in Brazil. The company also has a consumer product division as well as a smaller sugarcane/ethanol operation. Trading at 0.6 times book and around 4 times cash flow (ROE 11.5 percent) makes this growing world leader an interesting value proposition.

We have also added to Tyco Electronic and Tyco International which continue their new lives as stand-alone enterprises with both better earnings and more profitable restructuring than expected in 2008.

**Independent power and Finnish airline**

We have also bought a position in independent power producer Calpine trading at, at most, a third of the replacement cost of their power generation; and we managed to buy a large block in Finnair when certain Icelanders, the previous owners, were in a forced liquidation position. Finnair is one of the best run airlines globally and with interesting strategic alternatives in an otherwise struggling sector.

When Comcast, one of the largest cable operators in the US approached book value, we included the company in the portfolio.

Nestle was the year's clear winner in the fund, based on solid earnings growth and continued balance sheet rationalisation – we had added to positions throughout the year. We eliminated the positions in Nutreco and Kikkoman as well as our smaller position in Gruma, which with its foreign-exchange related hedging losses was as close as we came to a direct finance-related issue in 2008.

We have observed with interest the continuing rationalisation of Pfizer under the new management and we have substantially added to our position. The company trades at under eight times earnings and yields seven percent, and the repositioning of the company continues.

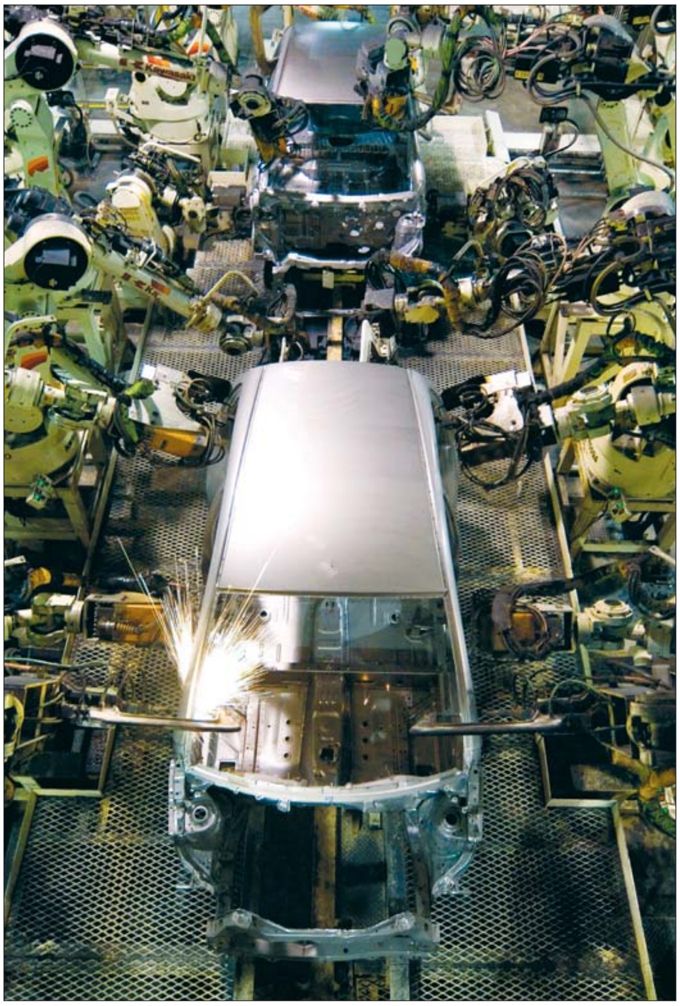
**No major banks**

Within financials, we have had virtually no investments in major banks, having sold HSBC at a profit early in the year. Our Bank

KEY FIGURES FOR THE LARGEST COMPANIES IN SKAGEN GLOBAL

| | HOLDING SIZE | PRICE* | P/E 08E | P/E 09E | P/B LAST | PRICE TARGET* |
|---|---|---|---|---|---|---|
| Nestlé | 6,5 % | 41,6 | 13,4 | 11,9 | 3,4 | 65 |
| Samsung Electronics | 6,3 % | 258k | 6,1 | 6,5 | 0,7 | 600k |
| Eletrobras | 5,4 % | 24,2 | 8,1 | 6,9 | 0,3 | 60 |
| Pfizer | 5,3 % | 17,7 | 7,4 | 7,1 | 1,8 | 25 |
| Siemens | 5,2 % | 52,7 | 6,2 | 7,0 | 1,6 | 110 |
| Cheung Kong Holdings | 3,8 % | 73,3 | 8,9 | 8,1 | 0,7 | 125 |
| Kyocera | 3,6 % | 6,38k | 17,7 | 21,3 | 0,8 | 14,5k |
| LG Corp | 3,5 % | 42,7k | 5,0 | 5,0 | 1,2 | 85k |
| Pride International | 3,1 % | 16,0 | 4,3 | 4,2 | 0,7 | 40 |
| Bunge | 2,6 % | 51,8 | 4,9 | 5,5 | 0,9 | 90 |
| **Median/Sum** | **45,3 %** | | **6,8** | **7,0** | **0,8** | **91 %** |

* amount in local currency
k – amount in 1000



*In 2008 SKAGEN Global invested in Société FFP, the holding company controlled by the Peugeot family and which has a Peugeot automotive stake. (Photo: Bloomberg)*

Austria was bought for cash by Unicredito. During the year we have, however, added to our Cheung Kong and Bank Asya positions, as well as investing in Banco De Estado Rio Grande Do Sul. We sold out our positions in Aareal Bank and IVG Immobilien – both related to German property. Our new position in the sector is Société FFP, the holding company controlled by the Peugeot family (we also own Peugeot directly). Along with the Peugeot automotive stake, which is equivalent to more than the FFP market value, we also receive indirect ownership in various industrial companies, such as SEB Group and Zodiac, as well as 100 vineyards and smaller private equity investments. The seven percent yield is attractive while we wait for the potential restructuring of the group along with that of Peugeot.

We have continued to buy more shares in both Samsung Electronics and Kyocera, two of our more mature holdings in the portfolio. In telecom we sold out of Singapore Telecom when the discount to underlying subsidiaries decreased, as well as due to uncertainty about future strategic plans; the funds released were invested in PT Indosat and Bharti Airtel. The position in Eletrobras, now also listed on the NYSE, was steadily increased throughout the year. We expect a solution to the dividend issue within a relatively short timeframe.

2008 was the worst stock market year since 1931. The most overused word was unprecedented and sometimes rightly so, as the extremity of events was matched only by their unusually high quantity.

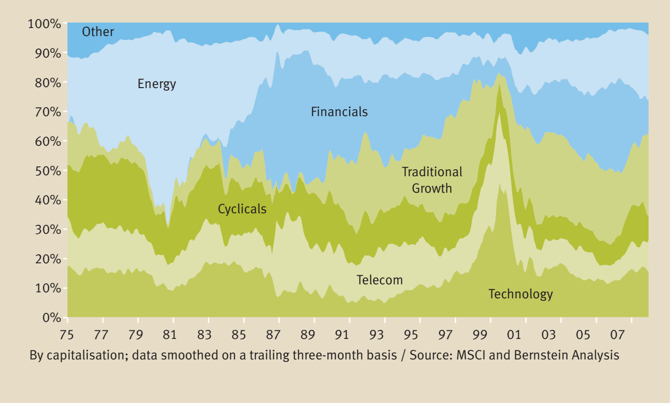
**Inventories being emptied and the economy stimulated**

Currently we are in the midst of a structural transition both within certain sectors and to some degree perhaps geographically as well. Right now, we are also most likely in the middle of a large inventory correction which yields very negative activity data; this will eventually reverse.

The massive stimulus, both in monetary and Keynesian forms, is a clear positive for markets overall – with the caveat that the only difference between medicine and poison is usually the portion.

The valuation levels are more attractive, based on conservative long-term P/E ratios, than we have seen in decades, as markets are discounting more uncertainty ahead. SKAGEN Global portfolio companies, represented by the median of the largest positions, trade at 7.0 p/e and 0.8 times book (see the graph on page 25) – a discount of roughly 30 percent and one of the lowest valuations since inception in 1997.

GLOBAL SECTOR BALANCE




*After the banking and finance bubble burst, as it also did at the end of the 1980s, the industry balance has again reached a level that is in line with the value creation taking place in the companies. The graph shows the biggest listed companies (mega-cap universe).*

# 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.

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.

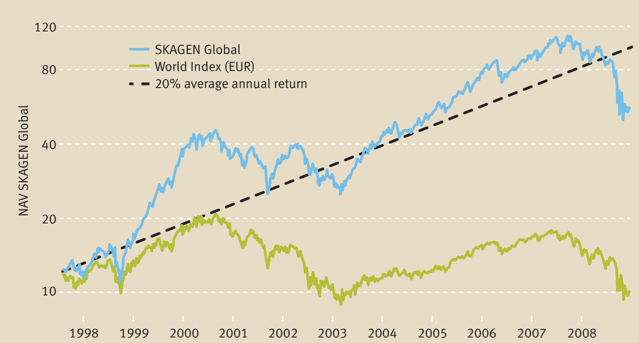
SKAGEN Global is suitable for investors who want to spread their investments around the world and attain diversification both in terms of geography and across industries. The fund is also suitable for those who are already invested in the Norwegian equity market, but wish to strengthen their portfolio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

| | |
|---|---|
| **Fund start date** | 7 August 1997 |
| **Return since start** | 359.56% |
| **Average annual return** | 14.31% |
| **S&P qualitative rating** | AAA |
| **Net asset value** | 2 075 mill euro |
| **Number of unitholders** | 92 046 |
| **Subscription/Redemption fee** | None |
| **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 World Index (in Norwegian kroner) |
| **UCITS fund** | Yes |
| **Portfolio Manager** | Filip Weintraub and Omid Gholamifar |

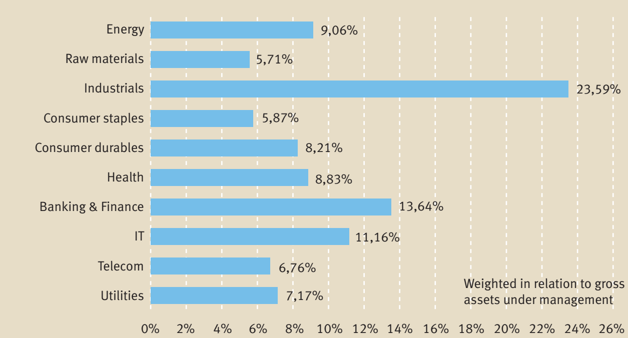
| YEAR | RETURN ON INVESTMENT % | BENCHMARK INDEX % | AUM * | NUMBER OF UNITHOLDERS | TER % * * * |
|---|---|---|---|---|---|
| 2008 | -44,50 % | -37,74 % | 2075 | 92046 | 0,96 % |
| 2007 | 12,07 % | -1,70 % | 3620 | 93097 | 2,41 % |
| 2006 | 20,39 % | 7,50 % | 2689 | 77148 | 2,20 % |
| 2005 | 43,67 % | 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
*** Read more about total costs for 2008 on page 66

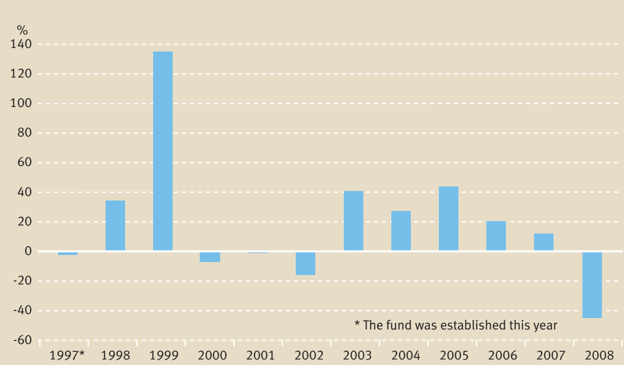
## HISTORICAL PRICE DEVELOPMENT



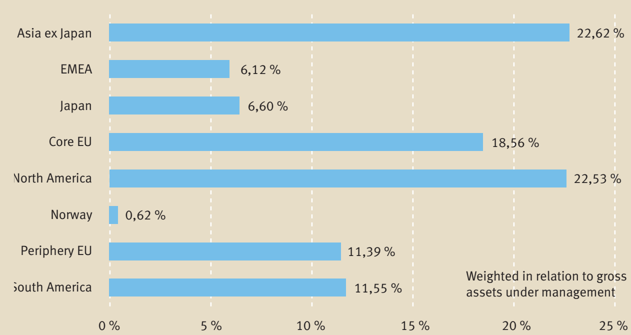

## SECTOR DISTRIBUTION




## ANNUAL RETURN




## GEOGRAPHICAL DISTRIBUTION



*Kristoffer Stensrud*
*Portfolio manager, SKAGEN Kon-Tiki*

# Relative strength in very weak markets

**For the global emerging markets, 2008 turned out to be the worst year ever. SKAGEN Kon-Tiki experienced a very poor year, with a price drop of 48 percent, but the key ratios for the companies in the portfolio have never been more attractive.**

Measured in euro, the global emerging markets fell by 51 percent, while the developed markets were down 38 percent. From the peak in October 2007 to the bottom of market one year later, the Emerging Market Index fell by 60 percent and SKAGEN Kon-Tiki by 58 percent.

A major part of last year's outperformance of the Emerging Market Index by the World Index was due to currency exchange rate developments. During the second half of the year, the currencies in Kon-Tiki countries were very weak relative to western currencies, primarily versus the dollar and yen.

During the dramatic year of 2008, more than three years of returns were eradicated from SKAGEN Kon-Tiki. The fund is now down 21 percent in this three year period, whereas the Emerging Market Index and the World Index are down 27 and 34 percent respectively. However, amid all the misery it is still worth noting that in all its seven financial years, SKAGEN Kon-Tiki has provided better returns than the benchmark. It is particularly gratifying that we have provided a certain amount of protection on the downside.

**Dividing 2008 into three**

With rising commodity prices going into the summer, a number of global emerging markets experienced growing inflation problems, as food constitutes a big part of the consumer price indices in these countries. Thus, many countries pursued a tight monetary policy with high and rising interest rates. This resulted in strong downward corrections for last year's over-speculated equity markets, particularly India and China.

Falling commodity prices throughout the summer and autumn weakened commodity-dependent equity markets, such as Brazil and Russia. However, economic growth was maintained at a very high level, even if activity in developed countries was declining rapidly.

The US and UK bank crises, with the resultant credit squeeze from September when Lehman Brothers went bankrupt, were the small strokes that felled the great oak. Lack of access to financing of inventories and falling demand from consumers led to a free fall in commodity prices. The credit margins on loans exploded, and the liquidation of equity holdings in the global emerging markets increased dramatically. Global volatility in equities and currencies reached record levels and resulted in further risk aversion among investors.

According to calculations at the end of December, it looks as though more than half the investment fund assets that had flowed to the global emerging markets between 2002 and 2007 have returned home. The sale of hedge funds has probably been even greater. The sale ran roughshod over equities, currencies and fixed income instruments alike. Several countries, led by Hungary and Iceland, experienced classical balance of payment crises. Everything encumbered by risk was sold down heavily.

**Political division in the emerging markets**

The extremely weak real economic key ratios for October and November resulted in a strong political division of the global emerging markets. Despite strongly falling currency exchange rates, the significant reduction of inflation globally has generally resulted in big rate cuts, as well as reduced banking reserve requirements. Most major countries have announced stimulus packages via their budgets, in order to stimulate infrastructure and consumption. The dramatic downturn in international trade that we saw towards the end of 2008 and at the start of 2009 has reinforced awareness of the necessity of internal stimulus packages.

In other countries, such as Turkey and Brazil, inflation is falling a good deal faster than expected. This may be a golden opportunity for these typically high interest rate countries to make drastic rate cuts. Sensible housekeeping during the past few years has resulted in healthy government finances, as well as solid balance of payments and currency reserves. As a result, they have the economic freedom to adapt to the weak economic conditions. In other words, their toolbox is well equipped.

In some countries, such as Russia, Argentina and parts of Eastern Europe, we continue to consider the combination of structural weakness and weak economic conditions as risky.

**Low prices and well-equipped toolboxes**

Well-equipped toolboxes in many emerging markets probably account for much of the reason why these equity markets have performed better than their developed peers since the temporary trough at the end of October 2008 and into 2009. Falling consumer prices mean greater purchasing power. Low indebtedness on the part of consumers and companies means freedom of action.

Although the weak global growth climate will continue to act as a considerable headwind for these countries, both the ability and the determination are now present to achieve the objective of future growth. In our opinion, the main threat is increased protectio-


*SKAGEN Kon-Tiki has plunged into international high finance and bought Standard Chartered Plc. The bank is trading at reasonable prices for the first time since the early 1980s. (Photo: Bloomberg)*

nism, partially in the form of barriers to trade, but also through the less obvious support of local manufacturers in developed countries, as we have seen in the automotive industry.

The foundation should therefore be there for potentially good returns in the emerging markets going forward. The fact that valuations of companies are again materially lower than in developed countries is also a good starting point.

Going into the New Year, we have seen falling volatility and interest rate spreads, as well as still steadily low risk-free global interest rates. However, before we can sound the all clear, we have to see signs of commodity prices stabilising. Not least we need tangible evidence that the corporate credit market has started functioning again.

**Losses in energy, gains in banking**

Going into 2008, SKAGEN Kon-Tiki had deliberately weighted down manufacturing, transportation and commodities, which not unexpectedly became weak sectors. We had an overweight in energy, with the main focus on predictable service companies with low contract risk and little commodity risk. The result was very negative.

In healthcare and food, we doubled our weighting. Even though our companies in these sectors fell significantly less than the market, the contribution was nevertheless negative.

The positive surprises came from financials, where we were only slightly affected by balance sheet risk. In fact, we achieved a very welcome gain as a result of an offer for our shares in the Brazilian bank Banco Nossa Caixa. The performance of our other financial holdings was also generally acceptable.

All in all, industry and stock picking were quite decent in 2008. Geographically, we had our greatest overweight in Brazil, Turkey, Indonesia, Hungary and Korea. In general, it is macroeconomic issues, such as currency corrections, that were the reason for the weak performance from these countries. We were underweight in China, Mexico, South Africa, Taiwan, Malaysia and Russia. Apart from the latter, these markets were among the best performers last year, mainly owing to currency exchange rate developments.

In accordance with our investment philosophy, we pick companies that are under-analysed, undervalued and unpopular. Naturally, such companies are most abundant in markets where the real economy looks the least inviting. Based on these criteria, 2008 was a success. It was not departure from the philosophy that created poor performance, but its application. Thus, we have increased the proportion of unpopular companies, in unpopular countries.

**Will we get our money back?**

Will we ever get our lost money back? Probably. Global emerging markets are again trading at a considerable discount, and the discount is greatest where the economic outlook is the worst. This is reflected in our portfolio, which is trading at a considerable discount to the Emerging Market Index.

The fact that it was currency exchange rates that contributed to the poor performance in 2008 may quickly be reversed in 2009. The companies that we considered very competitive a year ago, have become even more so in the past year. Thus, it may very well be that we are

KEY FIGURES FOR THE LARGEST COMPANIES IN SKAGEN KON-TIKI

| | HOLDING SIZE | PRICE* | P/E 08E | P/E 09E | P/B LAST | PRICE TARGET* |
|---|---|---|---|---|---|---|
| Eletrobras | 8,3 % | 24,2 | 6,0 | 6,0 | 0,3 | 70 |
| Samsung Elektronics | 7,7 % | 258k | 6,1 | 6,5 | 0,7 | 600k |
| Indosat | 6,4 % | 5,75k | 12,8 | 9,6 | 1,8 | 7,4k |
| Pride International | 6,4 % | 16,0 | 3,9 | 3,5 | 0,7 | 40 |
| Banco Nossa Caixa | 5,0 % | 68,2 | 11,0 | 13,6 | 2,2 | 70,63 |
| Richter Gedeon Nyrt | 4,3 % | 28,4k | 11,4 | 10,5 | 1,7 | 50k |
| Bharti Airtel | 4,3 % | 716,0 | 14,3 | 11,9 | 5,3 | 1k |
| LG Electronics | 4,0 % | 32,7k | 2,3 | 2,6 | 0,5 | 70k |
| Banco do Estado de Rio Grande do SUL | 3,2 % | 5,6 | 4,2 | 3,5 | 0,8 | 12 |
| Cia Vale do Rio Doce | 3,1 % | 23,9 | 5,6 | 8,0 | 1,3 | 40 |
| Petrobras | 2,4 % | 22,8 | 5,7 | 5,7 | 1,5 | 50 |
| Tullow Oil | 2,2 % | 659,5 | 8,3 | 30,0 | 8,3 | 1k |
| **Median/Sum** | 57,2 % | | 6,1 | 7,2 | 1,4 | 95 % |
| **Median top 30** | 82,9 % | | 6,1 | 5,9 | 1,1 | 114 % |

* amount in local currency
k – amount in 1000

left with a winning portfolio in the coming years, as we were at the end of 2002.

### Defensive portfolio

We are not betting on a quick solution to the global credit problems. In spite of unparalleled stimulus packages worldwide, we do not think they will produce a global boom any time soon. We have therefore increased the defensive aspect of the portfolio. Predictable framework conditions are important. Documented corporate implementation capability is even more important. Debt must be manageable relative to the companies' operational risk.

In Korea and Brazil we have considerable investments in preference shares, which provide better current dividend yields, as well as an upside. In 2008, the spread between ordinary and preference shares increased, which resulted in a negative contribution to returns in the short term.

We did not change our oil service exposure last year, but the portfolio weight is reduced due to a significant drop in share prices. We sold down our commodity holdings. We are now completely out of Cemex due to potential refinancing problems. Instead we have added First Quantum and Ridge Mining, both of which are as good as debt-free, and have good structural potential.

In manufacturing and transportation, we have drastically reduced our shipping positions, as well as in companies where we see increased financial risk and reduced competitiveness. We have therefore sold down our holding in the Hitachi system considerably. Our airline exposure has been increased, and now Norwegian is added to the portfolio.

The above reasoning regarding the economic situation also applies to discretionary consumer goods. Ssangyong Motors has been sold and debt-free Great Wall Motor has taken its place. We have increased our holdings in Indian company Mahindra and Korean company LG Electronics. Similarly we have weighed up in Samsung Electronics, which we still define as a consumer goods company rather than an IT company. Grupo Elektra, index winner of the year, was sold. Too soon, of course.

### Grim Gruma

Within consumer staples, tortilla manufacturer Gruma speculated itself into poverty on currencies. We sold the share. Once we found out that any profits would primarily accrue to the hungry Argentinean government as well as the majority shareholder, we also sold our holding in the Argentinean cattle company Cresud. We furthermore reduced our holdings in grocery company Shoprite Holding, after a fantastic journey. We used the money to buy beverage producer Efes Breweri International and Russian retailer X5 Retail. We also reacquired our shares in Marine Harvest, which we had sold earlier in the year at a much higher price. Our position in soap company PZ Cussons was increased. In pharmaceuticals, we sold Yong Shin and bought China Shineway Pharma.

### Brazilian banking success

Our biggest investment in the industry, the Brazilian savings bank Banco Nossa Caixa, was crowned with success. The bank's share price skyrocketed after an acquisition offer. As far as we can see, this is the best performing share in the investment universe in 2008. We reduced our holding in the bank considerably towards the end of the year, at a share price approximating the price of the acquisition offer. We used the realised profits to buy another Brazilian savings bank, Banrisul. The bank is trading at even better key ratios than was the case for Banco Nossa Caixa a year ago.

We have also plunged into international high finance, and bought Standard Chartered PLC. It is a low risk quality bank, which is trading at sensible prices relative to earnings for the first time since the early 1980s.

Our brokers and asset managers did quite well in 2008, considering the conditions. We supplemented the portfolio with Swedish broker Nordnet and the Turkish insurance company Aksigorta. The Johannesburg Stock Exchange was bought back before Christmas, at very attractive prices. We see great potential through strong structural growth. Banco do Brazil and Bank Austria were sold out of the portfolio, together with fond memories of bygone times. Weak implementation capability resulted in us selling Bank of East Asia and Grupo Fin Galicia out of the portfolio.

Banking and finance now constitute 20 percent of the portfolio, but will be reduced as Banco Nossa Caixa is being sold.

### Significant overweight in telecommunication

Within IT, we sold Travelsky and Top Engineering, and bought the flop of the winter, Satyam Computer Services, which in December proposed to purchase its founder's failed property companies. At the start of the New Year, the company reported significant, auditor-approved, accounting fraud, which gave us a considerable loss. At the time of writing, we are considering our holding, including filing a suit against those responsible. Based on the information we have gathered, which of course is based on public records, we had no chance of hedging against this unhappy outcome.

We realised a significant profit during the year on a, in SKAGEN terms, short-term investment in Tandberg, which achieved its target price in half a year.

In telecom, we sold Pakistan Telekom and bought Kenyan company Safaricom. Towards the end of the year, we increased our stake significantly in the losing share of the year, the Russian conglomerate Sistema. It now seems that the company has its debt situation under control and that the secure cash flow from important telecom activities are intact. Mobile phone operators Indosat, Bharti and Tac continued their good performance. There is a bid out for the former, which means that a significant portion of our shares in Indosat will be sold during the first quarter of 2009. The holding was increased significantly during the year.

Winning sector number one was, as we mentioned before, utilities, which in the fund is represented by Brazilian company Eletrobras. We are finally beginning to get paid for our patience (see separate article on page 14). During the turbulent markets in the fourth quarter, our holding became too big for the regulators and we therefore reduced it. However, the holding is still an important one for the portfolio and we are looking forward to more value triggering events going forward.

In both 2007 and 2008 we concentrated the portfolio on companies with significant upside and clear value triggers. The number of holdings has therefore been reduced significantly, to 84. The valuation of our 30 biggest holdings, comprising close to 85 percent of the portfolio, is very sober – in fact it is at the lowest level in the fund's history. They are now trading at a median 2008 P/E of 6.1, versus 8.5 for the benchmark. Price/book is 1.1, versus 1.4 for the benchmark. At the same time, we are significantly overweight in companies geared towards consumers in the global emerging markets, which ought to reduce the risk. Portfolio turnover has been somewhat higher than before, but is still low.

# 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.

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 of Norwegian and international equities.

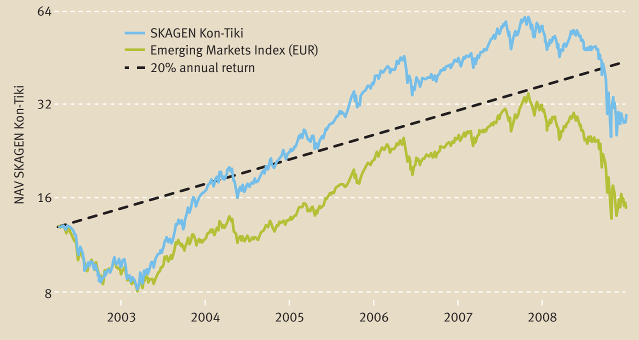
SKAGEN Kon-Tiki is suitable for investors who wish to benefit from the value creation taking place in the global emerging markets. The fund provides opportunities for extraordinary returns through investments in areas with great growth potential. However, the risk is somewhat higher than for a global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

| | |
|---|---|
| **Fund start date** | 5 April 2002 |
| **Return since start** | 127.8% |
| **Average annual return** | 12.99% |
| **S&P qualitative rating** | AAA |
| **Net asset value** | 1 245 mill euro |
| **Number of unitholders** | 64 799 |
| **Subscription/Redemption fee** | None |
| **Management fee** | 2.5 % 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** | Kristoffer Stensrud and Knut Harald Nilsson |

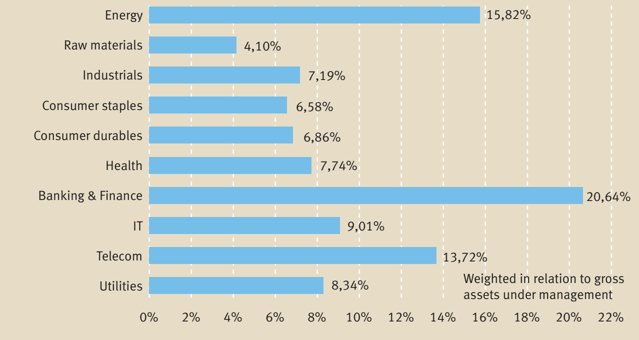
| YEAR | RETURN ON INVESTMENT % | BENCHMARK INDEX % | AUM * | NUMBER OF UNITHOLDERS | TER % * * * |
|---|---|---|---|---|---|
| 2008 | -47,96 % | -50,99 % | 1245 | 64799 | 3,01 % |
| 2007 | 26,87 % | 25,67 % | 2516 | 59770 | 2,56 % |
| 2006 | 19,11 % | 18,34 % | 1693 | 44692 | 2,52 % |
| 2005 | 64,36 % | 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
*** Read more about total costs for 2008 on page 66

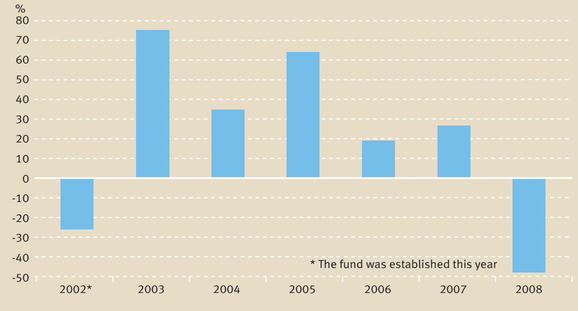
## HISTORICAL PRICE DEVELOPMENT



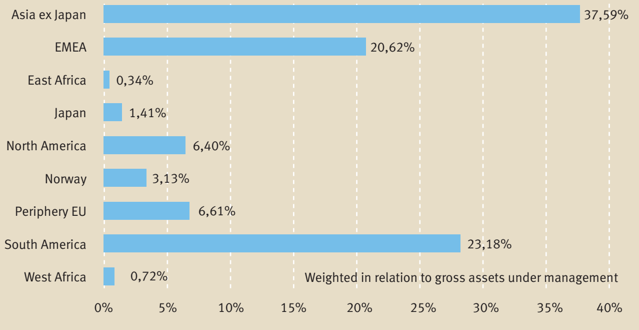

## SECTOR DISTRIBUTION




## ANNUAL RETURN




## GEOGRAPHICAL DISTRIBUTION



*Torgeir Høien*
*Portfolio Manager, SKAGEN Avkastning*

# A very bad year

**SKAGEN Avkastning had a very bad year in 2008, with negative returns. What went wrong, and what have we learned?**

The fund lost twenty percent in 2008. Compared to the benchmark, which measures the return on Norwegian government bonds with three year duration, the return appears even weaker. The benchmark lost eleven percent.

### Loss in Iceland

The majority of the investments in SKAGEN Avkastning provided a positive, and in many cases a very high, return in 2008. For a few Norwegian fixed income securities, credit spreads went up so much that the capital loss became greater than the interest income. However, the majority of fixed income securities denominated in NOK provided a positive contribution to returns.

Foreign bonds too contributed to increased returns in general. The exception, which explains much of the fund's poor performance, was a severe loss on the investment in Icelandic government bonds.

Measured in local currency, the loss from the Icelandic investments was 0.5 percent in 2008. The detractor for the fund's NAV was that the Icelandic krone depreciated sharply relative to Norwegian kroner. During the first three months of the year, the ISK fell by 22 percent versus the NOK, and at its lowest level last autumn, the Icelandic currency was 45 percent weaker than at the start of the year. At this point in time, SKAGEN Avkastning had no investments in Iceland. By the summer, the fund had reduced its investment to around one percent of the portfolio, but at that point the fund had already realised a big loss.

### Currency hedging changed

The loss in Iceland showed us that the method used to alleviate swings in the fund price due to exchange rate movements no longer worked as intended. In October we therefore changed the technique we use to protect the portfolio against changes in exchange rates.

Previously, the focus has been on hedging the fund against a sudden shift in the NOK exchange rate, as expressed in movements between the NOK and the major currencies. As a result, we did not always have a direct hedge against the currency of the country where the fund was invested. For many years this has been a good and inexpensive way of managing currency hedging, but last year showed us that the method may fuel fund volatility during periods of global financial turbulence. Currencies that previously often fluctuated along with the dollar and euro versus the krone, now have a much higher correlation with the krone.

Currency hedging is now done directly versus the currency in which the bonds are denominated by establishing a credit line on a currency account that correlates completely or partially with the investment in a bond denominated in the same currency. The downside is that we often have to pass up a good deal of current interest income. This is because the interest rate for the currency account is typically close to the bond yield.

It is important to emphasise that the purpose of investing in foreign government bonds is not to generate higher interest income than in Norway, but to make a profit on the bonds' appreciation when the long interest rates fall. The benefit of the currency hedging method we are now using is that there will be smaller movements in the NAV of the fund due to interference from the currency market. The fund is also better safeguarded against extreme depreciations, as was the case with the ISK.

We may still choose to assume currency risk. However, its scope is now reduced relative to 2008, and currently there is only one investment in a Brazilian government bond, a holding that constitutes 4.6 percent of the portfolio, that is not directly currency hedged.

Our investment in Brazil illustrates that we now, to a greater extent than before, seek to limit the scope of individual investments outside Norway in order to reduce risk through increased diversification. At the end of 2008, investments in foreign bonds constituted 22.8 percent of the fund, but no single investment is greater than five percent of the fund. This is however not an absolute limit.

In order to reduce risk further through diversification of investments, we are trying to distribute the foreign investments in bonds issued in emerging markets and government bonds issued by major OECD economies. This too is an element that we think will provide better diversification and better solidity in the event of financial unrest. In this context, we have recently added inflation protected US and French government bonds. Please read the article about SKAGEN Tellus for a description of these investments.

### Safe as the bank?

Bank balance sheets are the epicentre of the financial crisis. How solid and liquid are the banks really?

Uncertainty regarding the financial position of banks has driven up the credit margins banks have to pay when obtaining financing in the market. As SKAGEN Avkastning had approximately 75 percent of its portfolio invested in bank securities last year, this resulted in increased direct yield. It also resulted in capital losses on fixed income securities, which contributed to dragging down the total return. Credit margins have now moderated slightly, but they are still at a very high level relative to treasury yields.

In December it was clarified that the Sparebank 1 banks will take over Glitnir Bank ASA (now BNbank ASA) and its wholly owned subsidiary Bolig- og Næringskreditt ASA. SKAGEN Avkastning has relatively big investments here, and the fund will achieve capital gains on the fixed income securities if the credit margins on these bank securities come down.

If this happens at the same time as a drop in credit margins in general, the returns for the Norwegian part of the portfolio may be good in 2009. We also see good potential in the foreign part of the portfolio, which is now carrying lower risk than previously, in a still very turbulent finance and credit world.

# 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.

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.

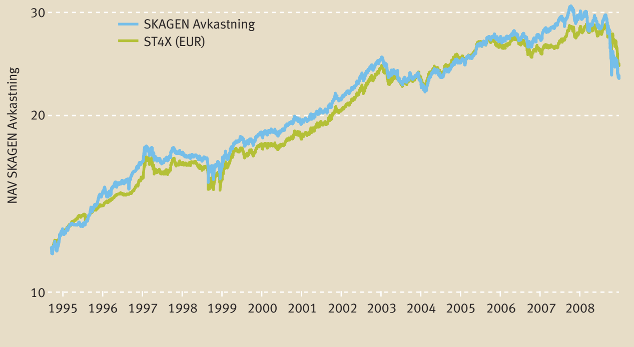
The fund is suitable for investors that seek active allocation of their fixed income assets, but who do not wish to monitor the fixed income markets themselves.

| | |
|---|---|
| **Fund start date** | 16 September 1994 |
| **Return since start** | 97.61% |
| **Average annual return** | 4.88% |
| **S&P qualitative rating** | Not rated |
| **Net asset value** | 125 mill euro |
| **Number of unitholders** | 13 520 |
| **Subscription/Redemption fee** | None |
| **Management fee** | 0.5 % p.a |
| **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 |

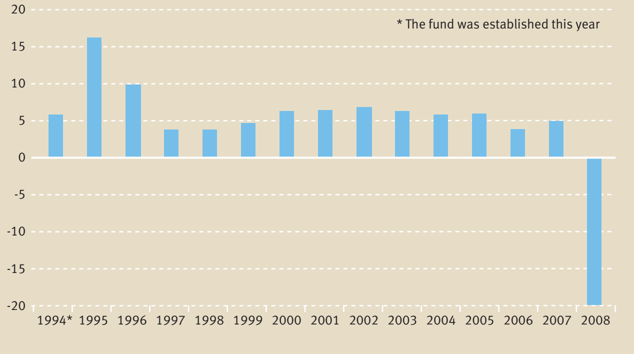
| YEAR | RETURN ON INVESTMENT % | BENCHMARK INDEX % | AUM * | NUMBER OF UNITHOLDERS |
|---|---|---|---|---|
| 2008 | -19,95 % | -10,86 % | 126 | 13520 |
| 2007 | 7,18 % | 8,27 % | 494 | 15065 |
| 2006 | -2,08 % | 0,79 % | 367 | 12279 |
| 2005 | 5,92 % | 9,30 % | 354 | 6385 |
| 2004 | 7,53 % | 7,75 % | 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



*Torgeir Høien*
*Portfolio manager, SKAGEN Tellus*

# Well below par

**We are not at all happy with the 2008 return measured in euro, which is the base currency of the fund. The fund was down 1.97 percent, whereas the benchmark was up all of 16.27 percent.**

SKAGEN Tellus is a euro-based fund whose default position is in short fixed income securities in the Eurozone. However, in order to generate the highest possible risk-adjusted return, concurring with the investors' investment horizon of a minimum of twelve months, we assume active positions in the global bond market. Assuming an active position means either going further out on the yield curve in the Eurozone or moving across to the yield curve in other currencies.

**Too much in euro – too short duration**

One reason why the fund underperformed the benchmark in 2008 was that the fund had a bigger proportion of euro-based fixed income securities than the benchmark. The euro weakened by 28 percent against the yen, and slightly less than four percent versus the dollar, both heavily represented in the benchmark. Nor were we able to ride on the coattails of the flight to safety, which provided a lift for US and Japanese treasuries.

Sitting on short duration in our investments in the Eurozone was not profitable in a period with falling long interest rates. The financial crisis meant that there were gains to be had at the long end of the treasury yield curve. Gains we did not manage to catch.

**Emerging market exodus**

Investor flight to safety in developed markets resulted in a broad and massive sale of emerging market assets. In this context, small OECD countries have to be included in the emerging market category, with Iceland as an extreme case.

This exodus resulted in falling exchange rates and an uphill climb for some of the long bonds the fund had invested in. We had a position in Iceland and waited too long before realising the loss, even though we did avoid two rounds of depreciation of the Icelandic krone. See the article about SKAGEN Avkastning for more about Iceland.

Since the return is calculated in euro, we were not well compensated for having government securities issued in countries such as Brazil, Mexico and Turkey either. The euro weakened against the yen and dollar, but strengthened markedly against almost all other currencies.

**Inflation protected in the US**

We learned in 2008 that the fund ought to have a more even distribution of emerging market and developed market investments.

We acted on this knowledge last autumn by reducing our exposure towards government securities in emerging markets and buying inflation protected securities in the OECD area; one US and one French.

Conventional long government bonds, with a nominal rate of interest, have risen to extremely high values in both the US and the Eurozone. We believe that there is little value to be had in this segment. The problem is long-term expected inflation, especially in the US.

Authorities are currently battling to curb the recession in the OECD area. Central banks are driving policy rates down to rock bottom and pumping up their balance sheets by injecting new liquidity into the economy. This has been most evident in the US. There is probably little danger of the authorities pushing up inflation in the short term, but in combination with a very expansive financial policy, this may provide fertile ground for a steep rise in inflation in the longer term. Which may be priced into the long nominal interest rates.

We have invested in inflation protected securities precisely so as not to have to worry about such a development. This will also enable us to take advantage of what we believe will be a continued fall in the long real interest rates in the US and the Eurozone. We believe the real rates of interest will come down further due to heavy recession and an expansive monetary policy in the OECD area.

**Also currency hedged**

Given our outlook on long-term expected inflation in the US, it is natural that we hedge the fund's purchase of US inflation protected securities against currency fluctuations. A future decline in the domestic value of the dollar will probably first be indicated by a drop in the international value of the dollar. With extremely low short US interest rates, it is inexpensive to currency hedge the fund's dollar investment.

We have also hedged the currency risk of some of our other positions outside the Eurozone, even though this entails a cost in the form of lost direct yield.

Our analysis of the relative price levels indicates that the risk of depreciation is greatest in Turkey, Hungary and Poland. In these countries we have therefore hedged the currency against the euro, either wholly or partially. This means that the upside potential on these investments lies in an appreciation of the bonds. We think there is reason to believe that select nominal government bonds outside the OECD area may rebound in 2009. A gradual thawing of the credit markets ought eventually to result in an attractive repricing of government debt in countries that manage to keep government finances under control.

### Safe and liquid investments

The investments of SKAGEN Tellus are safe and liquid. We sold all our holdings of financial bonds early in 2008, before the credit margins really started to accelerate. The fund now only has government bonds and fixed income securities guaranteed by supranational bodies.

As mentioned above, SKAGEN Tellus unitholders ought to have an investment horizon of at least 12 months. Investors that do not have current income and expenses in euro should consider the extra uncertainty associated with the exchange rate between the euro and local currencies, such as the Norwegian krone.

## 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.

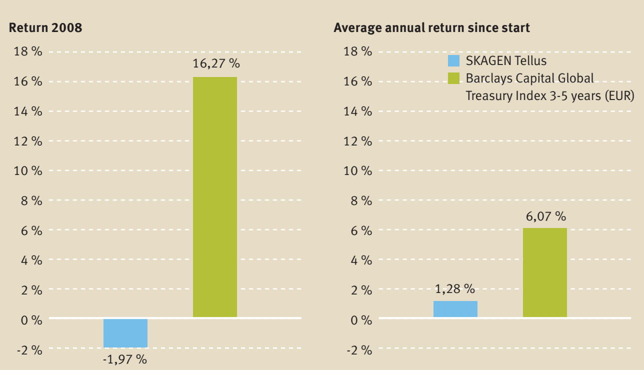
SKAGEN Tellus is a good option for investors who wish to invest in global bonds and who have an investment horizon of at least 12 months. Investors must be tolerant of currency exchange rate fluctuations. The fund is well suited to be part of a long-term investment portfolio, both for private individuals,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

| | |
|---|---|
| **Fund start date** | 29 September 2006 |
| **Return since start** | 2.9% |
| **Average annual return** | 1.28% |
| **S&P qualitative rating** | Not Rated |
| **Net asset value** | 56 mill euro |
| **Number of unitholders** | 1 644 |
| **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 |

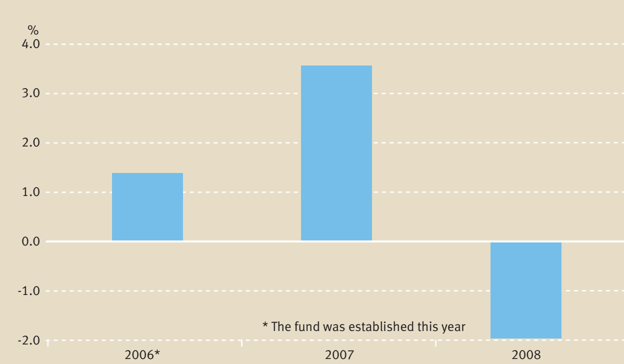
| YEAR | RETURN ON INVESTMENT % | BENCHMARK INDEX % | AUM * | NUMBER OF UNITHOLDERS |
|---|---|---|---|---|
| 2008 | -1,97 % | 16,27 % | 56 | 1644 |
| 2007 | 3,55 % | 0,39 % | 108 | 2353 |
| 2006 | 1,37 % | 2,18 % | 70 | 2557 |

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

SKAGEN TELLUS RETURNS




ANNUAL RETURNS



*Frances Eaton, Manager business support and compliance at SKAGEN Funds.*

# Norwegian fund legislation

**Entrusting your money to a Viking of old may have been risky business, but today's Norwegian fund manager is as well regulated and respectable as the best of Europeans.**

**The Norwegian legal system**
Norwegian laws are passed by Parliament. The laws can empower the Ministries, in our case the Ministry of Finance, to pass regulations to embellish the legal principles enshrined in the law. In some cases, this power can be delegated to the Financial Supervisory Authority of Norway (FSA). Both the Ministry and the FSA also issue guidance documents on fund related issues.

The main law governing funds is the Norwegian Securities Act.

**The European connection**
In addition to originating from Parliament, Norwegian laws can also hail from EU Directives and other EU regulations. Norway is not a member of the EU, but is party to the EEA agreement. This Agreement means that Norway is bound to implement EU legislation in areas concerning the four freedoms: the free movement of goods, services, capital and persons. EU legislation is implemented through an act or regulation passed by a Norwegian legislative power, i.e. Parliament or, if delegated, a Ministry.

**So what is a Norwegian fund exactly?**
Norway has enacted the UCITS directives and Norwegian funds that comply with the regulations in the Securities Act that stem from the UCITS directives are classified as UCITS funds. All SKAGEN's funds that are marketed outside Norway are UCITS funds.

A fund is classified as a special type of legal entity under Norwegian law. A Norwegian fund is created by the approval of its articles of association by the FSA.

The fund as a legal entity has limited legal capacity in that it does not have its own board of directors, managing director, etc. but relies on the management company to act on its behalf. The management company is appointed through the fund's articles of association and these function as a management agreement between the fund and the management company.

The unitholders may influence the fund's management by representation on the management company's board of directors; it is a legal requirement that at least one third of the board members shall be elected by the unitholders. Further, the Securities Act dictates that certain issues cannot be passed unless a majority of the unitholder-appointed board members has voted in favour.

**How is a Norwegian fund supervised?**
Norwegian funds are under the supervision of the Norwegian FSA. In addition to regular reporting, the FSA is empowered to request information about the management company and funds at any time, and also to perform on-site inspections.

The FSA is charged with the protection of the unitholders and maintaining the integrity of the financial markets. All amendments to a fund's articles of association must be approved by the FSA.

**How is a Norwegian fund taxed – and what about tax on my investments?**
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 which are 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 depending on the relevant country's tax rules and any tax treaties between Norway and such country.

All currency gains/loss are also subject to tax. When calculating net taxable income, funds may deduct relevant costs, for example management fees.

SKAGEN's equity funds are accumulating and do not distribute dividends to unitholders.

SKAGEN's fixed income funds distribute their taxable income to the unitholders, and no tax is therefore levied on the funds.

Norway does not impose withholding tax on unitholders' capital gains. Each unitholder is subject to the tax rules in his or her home state. More information on tax rules in the countries where SKAGEN has marketing approval can be found in the funds' prospectuses.

# Anti-money laundering

**Money laundering is the conversion of criminal income into assets that cannot be traced back to the underlying crime. The emergence of terrorism as a major global policy concern in recent years has led to a further ratcheting up to cover yet more institutions and activities. In SKAGEN, we enforce the anti-money laundering system through customer due diligence and reporting.**


*Migdalia Rojas, International*

Pursuant to Act no. 41 on Measures to Combat the Laundering of Proceeds of Crime etc., dated 20 June, 2003 (the "Money Laundering Act") SKAGEN, as a reporting entity, is obliged to implement identification control upon establishment of a client relationship. In addition and pursuant to the Money Laundering Act, SKAGEN also contributes to the enforcement pillar through preliminary investigations whenever a transaction is likely to be associated with any proceeds of crime in order to confirm or disprove the suspicion.

The identification control requires that the client presents a valid proof of identity. Such proof should include a photograph and signature (such as a driving licence or passport) as well as the client's date of birth and/or personal identity number if he has one.

When it comes to institutional clients a valid proof of identity includes a certificate of incorporation (not older than 3 months) and a power of attorney overview listing the persons who are allowed to sign on behalf of the company and confirm transactions with SKAGEN Funds (valid proof of identity for all signatories should also be submitted).

The Money Laundering Act provides exemptions from the identity verification requirement in cases where the client is a financial institution (commercial and savings banks, insurance companies, mortgage credit institutions and finance companies), and in the case of investment firms and management companies for securities funds.


*(Photo: Bloomberg)*

Exceptions also apply to foreign institutions operating under corresponding rules that meet the identity verification requirements contained in Council Directive of 4 December 2001 on Prevention of the Use of the Financial System for the Purpose of Money Laundering (2001/97/EC), and which in addition are subject to supervisory arrangements of EEA standard.

National exemptions from the ID control provisions in other countries will not be applicable under Norwegian law. This means that only the exemptions mentioned above are legitimate for transactions in SKAGEN.

**Money laundering: three phases**
Money laundering is conventionally divided into three phases: placement, layering and integration. The placement stage involves the physical movement of currency or other funds derived from an illegal activity to a place or into a form that is less suspicious to law enforcement authorities and more convenient to the criminal. The proceeds are introduced into traditional or non-traditional financial institutions or into the retail economy.

The second stage layering entails the separation of proceeds from their illegal source by using multiple complex financial transactions (e.g. wire transfers, monetary instruments) to obscure the audit trail and hide the proceeds.

During the integration stage, illegal proceeds are converted into apparently legitimate business earnings through normal financial or commercial operations.

**The anti-money laundering system**
The anti-money laundering (AML) system consists of a prevention pillar (customer due diligence, reporting, regulation and supervision and sanctions) and an enforcement pillar (list of predicate crimes, investigation, prosecution and punishment, and confiscation). Globally, the prevention pillar has developed more rapidly while in many nations the enforcement pillar is weak.

International financial institutions – such as the International Monetary Fund (IMF), the World Bank, and the Financial Action Task Force (FATF) – play a major role in assessing primarily the implementation of the prevention pillar throughout the world.


(Photo: Bloomberg)

# SKAGEN International - A Strategy

**The sole objective of SKAGEN AS is to provide clients with the best possible risk adjusted return by pursuing an applied value-based investment philosophy. This philosophy, together with our broad fund mandates, has endured, unchanged, since the founding of the company in 1993, and all funds are managed according to it. It is this philosophy that defines us as a company and that has been the principal determinant of our commercial and development strategy.**

While all our portfolio management occurs in Stavanger, Norway, increasingly the company has looked abroad for new challenges and new opportunities. Our aim in doing this is essentially twofold: a measured international expansion in order to stabilise our assets under management through access to a more diverse client base; and, the assimilation of client service best practice from the most developed and demanding international markets.

In an increasingly interconnected global fund industry, success for SKAGEN as a boutique fund manager depends on consistent top quartile performance within a competitive field. Our modest stable of selected funds means that the company, and therefore our clients, will benefit from our considering a market area that is as wide as possible geographically.

This process of international expansion began in 2001 with the establishment of an office orientated towards sales and client services in Stockholm, Sweden, and it is continuing with the planned establishment of a sales and client services office in London, England, in the near future. As it currently stands, SKAGEN operates a total of 9 offices in 3 countries, and holds marketing permission for an additional 5 countries besides.

## UCITS and recent markets

As a rule we have sought out those markets where the UCITS[1)] brand has generated traction, markets that operate on a sound regulatory footing, and markets where we believe there is something to be learned. Two of our most recent markets have been the Netherlands (2006) and Great Britain (2007). In both of these new markets we have seen clear benefits both for ourselves and our existing clients.

SKAGEN aims to become the best also in terms of communication and service. Therefore our engagement with the institutional segment – both client and consultant – has served to further refine our reporting, corporate governance activity, compliance and overall transparency. The process of exhaustive and intrusive due diligences have confirmed to us that our internal controls and procedures more than satisfy the industry standard across Europe; and where best-practice was absent we have adjusted our procedures appropriately. And exposure to the new breed of fiduciary managers has certainly aided in our implementation of the commendably demanding Norwegian anti-money laundering regulations.

Ultimately, some of our international markets are amongst the most competitive in the world and have allowed us to improve the service that we deliver to all our clients, at home and abroad.

## Entering new markets

The SKAGEN Funds' strategy for entering new markets and establishing an in-country presence is essentially a 3 phase process once screening and notification is complete, namely: remote operation; mentoring; and, home office.

During 'remote operation' – subject, of course, to home state and local regulatory approval – an initial business foothold is made in the new market by the international department. This is conducted from Stavanger through occasional sales and marketing visits; the client segment(s) targeted depending on the prevailing regulatory and market dynamics. Once a sustainable base of investment has been developed sufficiently to sustain a local office, a board proposal may be submitted to move to a permanent presence through the establishment of an in-country sales and client services office. The purpose in so doing is to ensure the best possible client service to local clients, an important part of our business philosophy.

Once established, the office will endure a period of 'mentoring' by the international department. The final 'home office' phase sees the branch released as an independent entity within the SKAGEN organisation, reporting directly to the company's managing director. Where local conditions do not favour the establishment of a permanent presence, a remote or third party arrangement might be a preferred route; although this will depend, in the first instance, on finding the right partners in-country. Partners who share our philosophical and ethical principles, and partners who endorse our client focus and our general business approach.

Eventual world domination and unconstrained asset growth are definitely NOT on the 'to do' list of SKAGEN AS. We believe a sensible and measured expansion into selected markets represents a worthy and sensible challenge, and one that will benefit our existing clients. No matter the outcome of this adventure, our focus will long remain the delivery of best possible risk adjusted returns for our clients, wherever they may be.

1) UCITS: Undertaking in Collective Investments and Transferable Securities.

# Prizes and awards 2008

**SKAGEN Funds received a number of prizes and awards in 2008. The ratings agency Standard & Poor's once again bestowed AAA-ratings on all the equity funds and ranked them within the top ten of their respective categories.**

"After a year of significant turbulence in the finance markets, it is important to be reminded that our results are created over time. It is our long-term ability to give unitholders returns that we are being rewarded for in the form of prizes and awards in 2008. We are of course grateful for these," says Managing director, Harald Espedal.

### AAA-rating for equity funds

Standard & Poor's ranked SKAGEN Kon-Tiki number one of 459 emerging market funds in a report dated 10 December 2008. In the global emerging market funds category, the ratings agency bestowed its AAA rating on only seven equity funds in total in 2008.

Standard & Poor's describes the management style as disciplined and long-term. The report also highlights the fund's focus on investments in companies with attractive valuations, as well as the fact that the fund differs from the emerging markets index by having investments in unusual markets such as the Ukraine and Kenya.

SKAGEN Global and SKAGEN Vekst, both of which are classified as global equity funds by Standard & Poor's, did well in comparison with other funds from around the globe. SKAGEN Vekst is ranked number two and SKAGEN Global number seven of 1740 global equity funds in their respective reports dated October 2008.

"The rankings that Standard & Poor's have assigned to SKAGEN's equity funds are recognition of and encouragement for the long-term work that the portfolio team carries out," says investment director Kristian Falnes.

The AAA-rating has been allocated to ten other global equity funds in addition to SKAGEN Vekst and SKAGEN Global. In order to be evaluated by the ratings agency Standard & Poor's, a fund must be among the 20 percent best in its class, measured in terms of historical returns and risk measurements.

### Lipper Awards

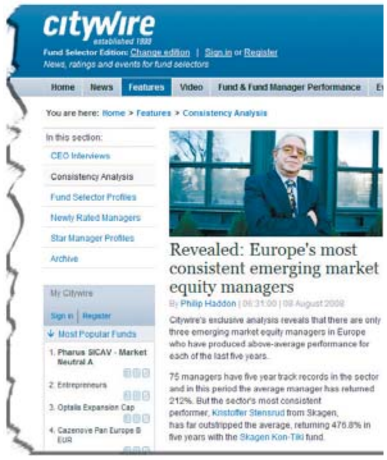
SKAGEN's equity funds received a number of awards at the Lipper Awards' various ceremonies in the Netherlands, the Nordic countries and the European ceremony in Luxembourg. Each year the British analysis company, Lipper, singles out funds which have distinguished themselves by delivering solid risk-adjusted returns compared with others in their peer group.

SKAGEN Vekst was named the best fund over three and five years in the global equity category. SKAGEN Global was rewarded for its performance over the last ten years. SKAGEN Kon-Tiki received awards for the fund's development over the past five years in the equity emerging markets category.

### De Gouden Stier 2008

Equity fund SKAGEN Global was elected best investment fund by the public at Dutch fund awards ceremony De Gouden Stier. For six of the nine categories at the event, including investment fund, the winners are voted on by the public via the internet. The website, debelegger.nl, is behind the award.

### Citywire praises managers




Portfolio manager of SKAGEN Global, Filip Weintraub, was ranked number 12 when analysis company Citywire ranked Europe's top 100 fund managers in 2008. Citywire also named Kristoffer Stensrud as Europe's most consistent emerging market equity manager. In an analysis carried out in August, Citywire concluded that there are only three emerging market equity managers in Europe who have produced above-average performance for each of the past five years (since July 2003). The best of the three was Kristoffer Stensrud.

Read more under the Awards section at www.skagenfunds.com

## Returns

| Returns in EUR | 2008 | Past 2 years | Past 3 years | Past 5 years | Past 7 years | Past 10 years | Since start |
|---|---|---|---|---|---|---|---|
| SKAGEN Vekst | -54,19 % | -27,95 % | -12,61 % | 6,52 % | 7,80 % | 12,37 % | 14,10 % |
| OSE Benchmark Index (OSEBX) | -62,65 % | -34,47 % | -17,98 % | 2,47 % | 1,34 % | 3,84 % | 5,37 % |
| SKAGEN Global | -44,50 % | -21,13 % | -9,19 % | 6,45 % | 7,16 % | 13,39 % | 14,31 % |
| MSCI World Index (Daily Traded Net Total Return) | -37,74 % | -21,76 % | -13,02 % | -2,47 % | -5,66 % | -2,57 % | -1,72 % |
| SKAGEN Kon-Tiki | -47,96 % | -18,74 % | -7,70 % | 11,78 % | | | 12,99 % |
| MSCI Emerging Markets Index (Daily Traded Net Total Return) | -50,99 % | -21,52 % | -10,01 % | 5,53 % | | | 2,68 % |
| SKAGEN Tellus | -1,97 % | 0,75 % | | | | | 1,28 % |
| Barclays Capital Global Treasury Index 3-5 year | 16,27 % | 8,04 % | | | | | 6,07 % |
| SKAGEN Avkastning | -19,95 % | -6,91 % | -4,41 % | 0,57 % | 1,46 % | 3,79 % | 4,88 % |
| ST4X Bond Index | -10,86 % | -2,26 % | -2,20 % | 1,28 % | 2,80 % | 4,78 % | 5,23 % |

## Risk and performance measurements

| RISK MEASUREMENTS PAST 3 YEARS | SKAGEN VEKST | SKAGEN GLOBAL | SKAGEN KON-TIKI | SKAGEN AVKASTNING |
|---|---|---|---|---|
| Relative gain | 74 % | 162 % | 107 % | 124 % |
| Relative loss | 73 % | 113 % | 100 % | 132 % |
| Standard deviation. fund | 26.3 % | 20.7 % | 26.9 % | 10.3 % |
| Standard deviation. benchmark index | 36.1 % | 14.9 % | 25.5 % | 7.4 % |
| Relative volatility | 12.5 % | 10.0 % | 5.9 % | 7.0 |
| Positive index divergence | 19.18 | 15.30 | 9.13 | 6.27 |
| Negative index divergence | 12.40 | 10.76 | 7.31 | 8.58 |
| **Performance measurements last 3 years** | | | | |
| Relative gain/loss ratio | 1.02 | 1.43 | 1.06 | 0.94 |
| Sharpe ratio. fund | -0.63 | -0.64 | -0.43 | -0.82 |
| Sharpe ratio. benchmark index | -0.61 | -1.15 | -0.55 | -0.84 |
| Information ratio | 0.43 | 0.38 | 0.39 | -0.32 |
| Index divergence ratio | 1.55 | 1.42 | 1.25 | 0.73 |
| **Risk measurements past 5 years** | | | | |
| Relative gain | 85 % | 170 % | 119 % | 118 % |
| Relative loss | 75 % | 113 % | 102 % | 123 % |
| Standard deviation. fund | 23.2 % | 18.8 % | 25.0 % | 8.8 % |
| Standard deviation. benchmark index | 30.4 % | 13.1 % | 22.9 % | 6.8 % |
| Relative volatility | 10.4 % | 9.3 % | 6.3 % | 5.5 % |
| Positive index divergence | 14.90 | 17.13 | 11.49 | 5.23 |
| Negative index divergence | 10.74 | 8.51 | 5.93 | 5.99 |
| **Performance measurements past 5 years** | | | | |
| Relative gain/loss ratio | 1.14 | 1.50 | 1.17 | 0.96 |
| Sharpe ratio. fund | 0.14 | 0.17 | 0.34 | -0.31 |
| Sharpe ratio. benchmark index | -0.03 | -0.44 | 0.10 | -0.29 |
| Information ratio | 0.39 | 0.96 | 0.99 | -0.13 |
| Index divergence ratio | 1.39 | 2.01 | 1.94 | 0.87 |
| **Risk measurements since start** | | | | |
| Relative gain | 98 % | 173 % | 130 % | 109 % |
| Relative loss | 73 % | 104 % | 102 % | 114 % |
| Positive index divergence | 16.97 | 23.86 | 15.56 | 4.31 |
| Negative index divergence | 8.97 | 9.40 | 6.49 | 4.60 |
| **Performance measurements since start** | | | | |
| Relative gain/loss ratio | 1.34 | 1.67 | 1.28 | 0.95 |
| Index divergence ratio | 1.89 | 2.54 | 2.40 | 0.94 |

### 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

All calculations of measurements are based on monthly observations.

**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.

**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 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. Positive/negative benchmark 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.

**The Sharpe Index** measures the probability of the fund generating a higher return than the risk-free interest rate. The higher the score, the higher the probability. The higher the probability, the more certain are the chances 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.

**Information Ratio** measures 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.

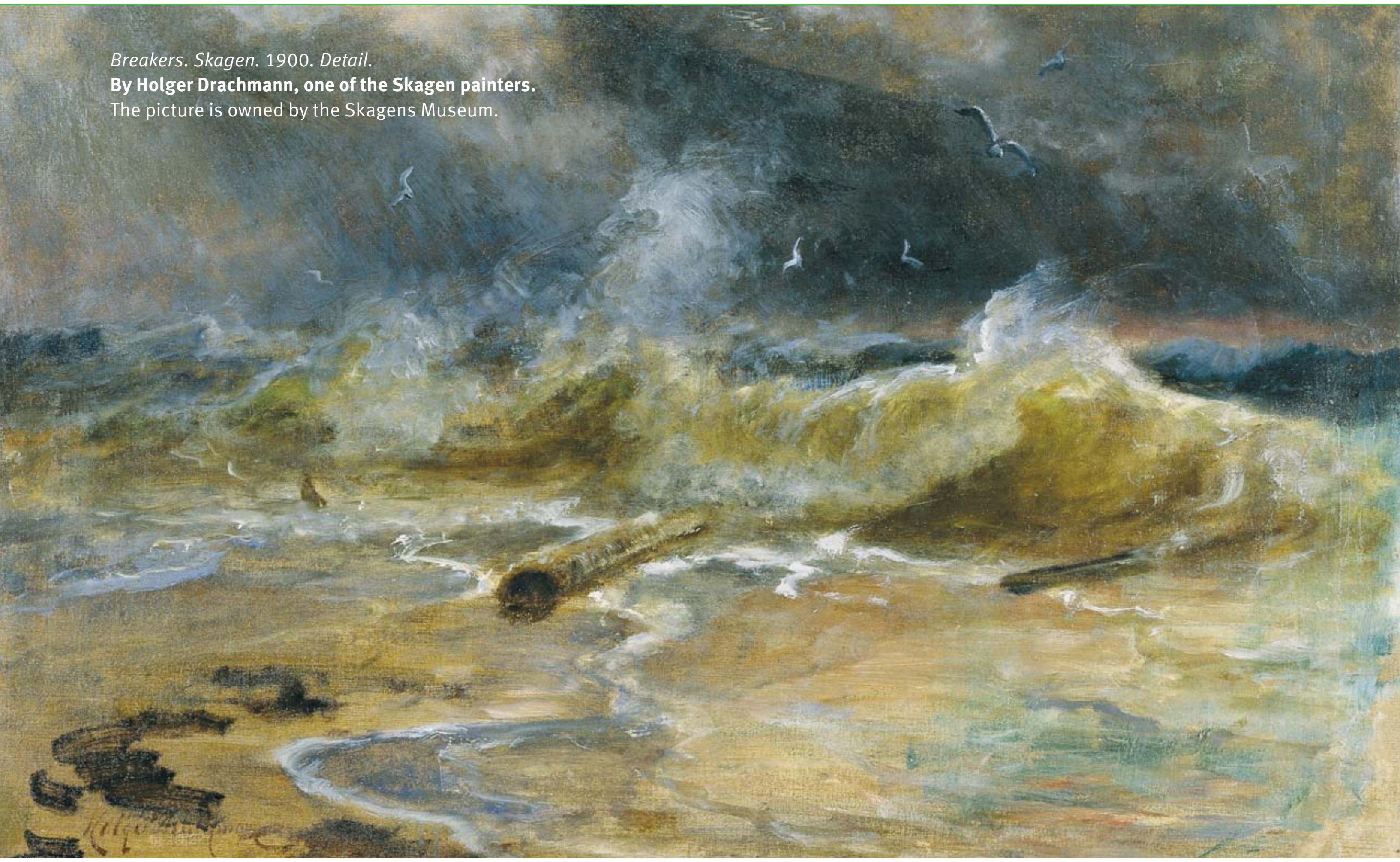
**Relative gain/relative loss ratio** shows the ratio between relative gain and relative loss. A value above one means that the fund is getting better paid for the risk assumed relative to the benchmark. When ranking funds investing in the same market, the measure is strongly correlated with the Sharpe 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.

**Benchmark 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).

| Fund rating | SKAGEN Vekst | SKAGEN Global | SKAGEN Kon-Tiki | SKAGEN Avkastning | | |
|---|---|---|---|---|---|---|
| **Standard & Poor's**<br>(AAA = best qualitative rating) | AAA | AAA | AAA | | | |
| **Citywire (3 year performance)**<br>Fund manager rating (Dec 2008) | | No. 72 of 612 | No. 15 of 115 | | | |
| **Lipper Fund Awards** | Europe 2008:<br>Best fund 3 & 5 years<br>Equity Global | Europe 2008:<br>Best Fund 10 years<br>Equity Global | Europe 2008:<br>Best Fund 5 years<br>Equity Emerging<br>Markets Global | Europe 2008:<br>Best Fund 3 years<br>Bond Norwegian Krone | | |
| **Morningstar Rating***<br>(5 = best rating) | ★★★★★ | ★★★★★ | ★★★★★ | ★★ | | |
| **Wassum**<br>(5 = best rating) | | W W W W W | W W W W W | | | |

Updated as of December 31, 2008. Empty fields means no rating of fund.
Read more about ratings, rating agencies and awards here: www.skagenfunds.com, Our funds/Ratings and www.skagenfunds.com, About us/Awards

*Morningstar does a qualitiative rating of the fund's return in relation to risk, and is only for a set geographical area (Norway). Same fund can have different rating in different countries.



*Breakers. Skagen.* 1900. *Detail.*
**By Holger Drachmann, one of the Skagen painters.**
The picture is owned by the Skagens Museum.

## OWNERSHIP STRUCTURE

**SKAGEN AS is owned by:**

| | |
|---|---|
| T. D. Veen AS | 26.01 % |
| Solbakken AS | 18.63 % |
| MCM Westbø AS | 9.96 % |
| Månebakken AS | 7.38 % |
| Åge Westbø AS | 7.38 % |
| Harald Espedal AS | 8.41 % |
| Kristian Falnes AS | 8.41 % |
| Labrusca AS | 8.41 % |
| Key SKAGEN staff | 5.41 % |

## NUMBER OF UNITS OWNED BY BOARD MEMBERS AND KEY EMPLOYEES

| NAME | NUMBER OF UNITS | POSITION |
|---|---|---|
| Martin Gjelsvik | 3453 | Chairman of the Board and owner |
| Tor Dagfinn Veen | 506 107 | Board member and owner |
| Barbro Johansson | 96 | Board member |
| Sigve Erland | 3654 | Board member |
| Jan Henrik Hatlem | 385 | Board member |
| Ole Søeberg | 2500 | Deputy director |
| Anne Sophie K. Stensrud | 1455 | Deputy director and owner |
| Siv S. Oftedal | 7312 | Deputy director |
| Harald Espedal | 210 707 | Managing director and owner |
| Kristian Falnes | 377 699 | Investment director and owner |
| J. Kristoffer C. Stensrud | 2 266 042 | Portfolio manager and owner |
| Åge K. Westbø | 920 473 | Deputy managing director and owner |
| Filip Weintraub | 344 922 | Portfolio manager and owner |

## THE NOMINATION COMMITTEE

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

# Weathering the storm

**In last year's report we assumed that 2008 would be a difficult year characterised by volatile markets. Our predictions did not, however, go so far as to envisage a financial crisis of the scale we have witnessed in the latter part of 2008.**

2008 was also turbulent for SKAGEN's funds and, with the exception of the money market funds, we have not been able to provide our unitholders with positive returns. Given these conditions we are all the more thankful for and humbled by the confidence our clients have shown by investing over EUR 441 million net in SKAGEN's equity funds during the year.

### What happened in 2008?

2008 was a tough year for equity and bond markets alike. The effects of what started as credit market unrest in the US rippled throughout the world. The freeze in the world's credit markets resulted in financing difficulties and high risk premiums also for financially robust companies. The prognoses for economic growth in 2009 have been drastically reduced. SKAGEN has held to its investment philosophy and concentrated on thorough analysis and its search for the three Us – unpopular, under-researched and undervalued companies. Despite the fact that most companies' long term fundamental values have only been slightly reduced, the share prices have fallen considerably due to the liquidity freeze, investors' flight to safety and downscaled expectations for future returns.

As the liquidity in the bond and money markets has dried up investors have chosen supposedly safe investments in the larger currencies such as euro, yen and American dollar. This has led to extreme fluctuations in emerging market currencies. The bond interest rates in these countries have also risen due to the financial crisis and this has led to a fall in bond prices and in the net asset value of SKAGEN's bond funds.

SKAGEN's home markets of Norway and Sweden have also been squeezed by the credit crunch and lack of liquidity. Key interest rates have been slashed while the market interest rates have not fallen as much as the credit spreads have increased.

This has resulted in 2008 in general being a challenging year for SKAGEN's bond, money market and equity funds. The equity and bond funds have yielded negative returns and both SKAGEN Global and the bond funds have underperformed their indexes. SKAGEN's money market funds are the single ray of sunshine. They have performed well in spite of widespread investor fear; a climate in which government guarantees for bank deposits were suddenly given much weight in investment-related decisions.

In the wake of the banks' financial troubles, the question "what will happen to my units if SKAGEN goes bankrupt?" arose in the minds of the unitholders. Each fund is its own distinct legal entity and would continue untouched by a bankruptcy in the management company. Moreover, SKAGEN has built a solid financial and professional base and has the strength to concentrate fully on managing the funds' portfolios even through lasting difficult markets.

### What can we expect in 2009?

There has been a lot of speculation as to whether the widespread stimulus packages launched by governments worldwide will have the desired effects in 2009. In 2008 the world experienced what might well be claimed to be the most all-encompassing economic crisis in history. The will to reverse the effects of the crisis is certainly present, but whether the ability to do so is as strong – and how long it will take before an improvement in the economy becomes visible – remains to be seen.

The presumed decoupling between the American and emerging market economies did not materialise in 2008. On the contrary, the American financial crisis pulled the emerging markets under, and the return in the emerging markets was worse than in the developed markets for the first time since the year 2000. We do believe, however, that there is potential for positive development in the emerging markets and that the key here is the desire and ability to increase wealth and standards of living to western levels.

### Assets under management

Assets under management fell from 10.1 billion euro to 5.9 billion. Our clients have, however, used the investment opportunities created by the falling markets and invested a net sum of 298 million euro in SKAGEN's securities funds. As in previous years, the majority of this capital has flowed from abroad. Norwegian private clients also used reduced share prices to purchase new units and were net subscribers in October, November and December to the tune of 24 million euro.

Along with the rest of the Norwegian money market funds, SKAGEN Høyrente and SKAGEN Høyrente Institusjon experienced large redemptions in the course of the autumn due to fears regarding the banks' credit worthiness. Both funds fared well during this period as they received ongoing liquidity due to well adapted maturity structures and were not invested in subordinated loans. Across the border, SKAGEN's Swedish customers kept their cool in the financial meltdown and there were no exceptionally large redemptions in the money market fund SKAGEN Krona.

The bond funds have also experienced somewhat higher rates of redemption, but stretched over a longer period and less intensely than the money market funds.

*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*

**Returns**

This autumn's instability has, in addition to contributing negatively to the funds' returns in 2008, laid waste to the equity funds' historical returns. Until 2008, all three equity funds had attained SKAGEN's long-term goal and delivered over 20 percent average annual returns since inception. After the 2008 results, the average annual return in the funds has fallen to just above 14 percent for SKAGEN Vekst and SKAGEN Global and 13 percent for SKAGEN Kon-Tiki.

All of the equity funds have had negative returns in 2008. SKAGEN Kon-Tiki and SKAGEN Vekst have performed better than their respective benchmark indexes, while SKAGEN Global has underperformed its benchmark. 2008 is the first year since its inception in 1997 that SKAGEN Global has not outperformed its benchmark index. The fund lost 44.5 percent while the benchmark index dropped 37.7 percent. The poor relative performance is mainly due to the fund not being greatly exposed towards the US market. The strengthening of the US dollar therefore had a large negative impact on the fund compared to its benchmark.

SKAGEN Kon-Tiki delivered a negative return of 48 percent compared with the emerging markets index' return of minus 51 percent. The fund has beaten its benchmark index all seven calendar years since inception.

The return in SKAGEN Vekst was minus 54.2 percent, 8.5 percentage points better than its benchmark the Oslo Stock Exchange Benchmark Index.

The extreme volatility of currency and bond prices in the emerging markets where SKAGEN Tellus is exposed contributed to bad results in 2008. The fund's return was minus 1.97 percent against the benchmark index' 16.27 percent.

Unrest in the credit markets and the flight to safety also had negative effects on SKAGEN Avkastning. In addition, the fund lost money on investments in Icelandic government bonds in the spring of 2008. These factors combined resulted in a negative return of 20 percent for SKAGEN Avkastning compared to the benchmark index' -10.86 percent. The benchmark index consists solely of government bonds issued in Norwegian kroner and was therefore unaffected by the foreign currency and bond price fluctuations.

SKAGEN Høyrente achieved a return of 6.72 percent measured in Norwegian kroner, somewhat higher than the 3 month NIBOR, which was 6.23 percent, and slightly lower than the benchmark index' 6.73 percent.

SKAGEN Høyrente Institusjon gained 6.69 percent measured in Norwegian kroner, 0.79 percentage points more than its benchmark index. The fund has delivered better returns than its benchmark every year since inception in 2003.

SKAGEN Krona provided a return of 4.82 percent in Swedish kroner, which is 0.47 percentage points more than its benchmark index.

**Faithful clients**

SKAGEN is built on steady management and has evolved gradually since the company was founded in 1993. SKAGEN's investment philosophy along with consistent portfolio management results ensure the company's solidity in spite of last year's tumultuous markets. The organisation is designed to cope well with both success and adversity.

Fifteen years' experience has taught us the value of long-term and committed client relationships. We consider the fact that our clients have chosen to make new investments during this turbulent period as a vote of confidence for which we are truly thankful.

In addition to providing the best possible risk adjusted return, SKAGEN aims to deliver the best service, follow-up and communication. There has been an increasing demand for dialogue between the clients and SKAGEN throughout the autumn and we have held a series of successful net meetings with the portfolio managers. SKAGEN would like to thank its clients for the enthusiasm shown in sending in questions and comments and participating in client surveys. SKAGEN's information meetings have also been popular. 103 meetings in Norway were attended by 7,300 people and 6,000 participants attended the 150 meetings held in Sweden.

SKAGEN uses client surveys to ascertain how well it fulfils its business concept. We are pleased that SKAGEN has again received positive feedback and that over 80 percent of the clients would recommend saving in SKAGEN's funds in spite of negative returns in 2008. At the same time the clients have become more sober with regard to expected returns and recommended investment horizons. This is a positive development as a long term perspective and acceptance of possible losses are necessary prerequisites when investing in securities funds. Under these conditions, we continue to view securities funds as a beneficial savings alternative.

**SKAGEN's employees**

At the end of 2008 SKAGEN had 133 employees in six Norwegian offices (Stavanger, Trondheim, Ålesund, Bergen, Oslo and Tønsberg), two branches in Sweden (Stockholm and Gothenburg) and a Danish branch (Copenhagen). SKAGEN's funds are also marketed in Finland, the Netherlands, Luxembourg, the United Kingdom and Iceland.

SKAGEN has an incentive model designed to stimulate employees to work together to achieve the highest possible risk adjusted return for the clients. The model strengthens cooperation between all departments to ensure that clients receive the best possible SKAGEN experience – including good service, follow-up and communication. No employees have their compensation directly tied to subscription volume, thus avoiding the danger of unhealthy competition and sales pressure, protection of own expertise and poor utilisation of employee resources, which may otherwise characterise such arrangements.

Employee skill development is highly valued in SKAGEN. In 2008 the Norwegian Financial Services Association, the Norwegian Savings Banks Association and the Norwegian Mutual Funds Association agreed to establish

*Jan Henrik Hatlem, board member, elected by the unitholders*

*Tor Dagfinn Veen, board member, elected by the shareholders*

*Siv Oftedal, deputy director, elected by the unitholders*

*Ole Søeberg, deputy director, elected by the shareholders*

an authorisation scheme for financial advisors. The scheme's goal is to ensure a high level of professional knowledge and common ethical guidelines for the financial service sector. The authorisation syllabus encompasses theoretical and practical skills and requires all employees who advise clients to complete examinations governed by an independent examination board.

SKAGEN recruits employees with diverse backgrounds and seeks to achieve a balance between male and female employees. At the end of the year 55 women and 78 men were employed in the company. There are equal opportunities for both genders with respect to terms of employment and pay. The rate of absence due to illness was 2.6 percent.

The Board would like to thank all the employees for their diligence in a difficult year. The employees' knowledge and attitude are expedient for SKAGEN's success.

**SKAGEN Funds' organisation**

SKAGEN AS is authorised by the Financial Supervisory Authority of Norway to act as a fund management company. Handelsbanken acts as custodian for SKAGEN and the Norwegian Central Securities Depository maintains SKAGEN's unitholder registry.

The funds' risk arises from developments in markets, currencies, interest rates and cyclical developments, as well as company specific issues.

In addition to regulatory restrictions, SKAGEN applies internal requirements to industry balance and liquidity within the portfolios. These requirements have been complied with throughout the year, though the liquidity in the equity, bond and money markets has been influenced by the financial crisis in the second half of 2008. 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 contains requirements for company valuation, the product/market matrix, the company's debt exposure 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.

Due to market unrest in October 2008, the money market and bond funds have experienced periods of extraordinarily large redemptions. These have been handled by using the funds' liquidity reserves and realising securities. There have not been extraordinarily large redemptions for the year as a whole.

The board confirms that the going concern requirement pursuant to section 3-3a) of the Norwegian Accounting Act is fulfilled for the fund management company.

**Investment philosophy**

SKAGEN maintains its investment philosophy and business concept. SKAGEN is convinced that the best way of creating excess returns for clients, in the future as in the past, 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 are actively managed based on the portfolio manager's analyses of the market and individual bonds.

The Board has continuously evaluated the robustness of the investment philosophy in the turbulent markets and believes that a consistent practice of the investment philosophy will provide the clients with the best long-term risk adjusted returns.

*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 31.12.2008.*

## Allocation of funds' income:

| INCOME STATEMENT 2008 | SKAGEN VEKST | SKAGEN GLOBAL | SKAGEN KON-TIKI | SKAGEN AVKASTNING | SKAGEN HØYRENTE | SKAGEN HØYRENTE INSTITUSJON | SKAGEN TELLUS | SKAGEN KRONA (SEK) |
|---|---|---|---|---|---|---|---|---|
| NET INCOME (IN MILLION NOK) | -4689 | -9318 | -7363 | -83 | 376 | 157 | 90 | 17 |
| **ALLOCATION OF NET INCOME** | | | | | | | | |
| TRANSFER TO/FROM RETAINED EARNINGS | -4689 | -9318 | -7363 | -83 | 10 | 7 | 78 | -4 |
| ALLOCATED FOR DISTRIBUTION TO UNITHOLDERS | | | | | 366 | 151 | 12 | |
| NET DISTRIBUTED TO UNITHOLDERS DURING THE YEAR | | | | | | | | 21 |
| **TOTAL** | **-4689** | **-9318** | **-7363** | **-83** | **376** | **157** | **90** | **17** |

Stavanger, 29 January 2009

Barbro Johansson — Jan Henrik Hatlem — Martin Gjelsvik — Sigve Erland — Tor Dagfinn Veen

# Annual Financial Statement 2008

## INCOME STATEMENT

(all figures in 1,000 NOK)

| | Notes | SKAGEN Vekst 2008 | SKAGEN Vekst 2007 | SKAGEN Global 2008 | SKAGEN Global 2007 | SKAGEN Kon-Tiki 2008 | SKAGEN Kon-Tiki 2007 | SKAGEN Avkastning 2008 | SKAGEN Avkastning 2007 |
|---|---|---|---|---|---|---|---|---|---|
| **Portfolio revenue and costs** | | | | | | | | | |
| Interest income and costs | | -8 077 | 5 008 | 39 178 | 35 510 | 41 144 | 19 305 | 154 184 | 221 747 |
| Dividends | | 282 215 | 368 578 | 616 377 | 639 523 | 479 815 | 275 086 | - | - |
| Realised capital gain/loss | | 530 088 | 1 754 292 | -62 102 | 1 639 997 | 421 410 | 2 071 407 | -257 297 | 33 113 |
| Change unrealised gain/loss | 8 | -5 459 093 | -962 694 | -9 830 709 | 123 242 | -7 425 395 | 942 909 | 114 708 | -112 763 |
| Guarantee commission | | 1 956 | 1 675 | - | 165 | - | - | - | - |
| Brokers' fees | | -3 436 | -10 777 | -26 665 | -24 584 | -24 924 | -32 363 | - | -9 |
| Agio/disagio | | 67 250 | 53 005 | 253 472 | 6 058 | -273 696 | -24 914 | -82 232 | 53 876 |
| **PORTFOLIO RESULT** | 5 | **-4 589 097** | **1 209 085** | **-9 010 448** | **2 419 912** | **-6 781 645** | **3 251 430** | **-70 637** | **195 963** |
| **Management revenue and costs** | | | | | | | | | |
| Commission from sale and redemption of units | | 65 | - | 1 | - | 2 | - | - | - |
| Management fee - fixed | 9 | -86 942 | -118 774 | -238 842 | -260 322 | -414 000 | -404 337 | -11 899 | -19 674 |
| Management fee - variable | 9 | - | -39 655 | - | -390 241 | -119 616 | 5 306 | - | - |
| **ASSET MANAGEMENT RESULT** | | **-86 876** | **-158 429** | **-238 841** | **-650 563** | **-533 615** | **-399 031** | **-11 899** | **-19 674** |
| **RESULT BEFORE TAX** | | **-4 675 973** | **1 050 656** | **-9 249 289** | **1 769 349** | **-7 315 260** | **2 852 399** | **-82 536** | **176 290** |
| Tax cost | 4 | -12 935 | -10 909 | -68 251 | -47 632 | -47 915 | -28 781 | - | - |
| **NET INCOME** | | **-4 688 909** | **1 039 747** | **-9 317 540** | **1 721 716** | **-7 363 175** | **2 823 618** | **-82 536** | **176 290** |
| **Allocation of net income** | | | | | | | | | |
| Transfer to/from retained earnings | 10 | -4 688 909 | 1 039 747 | -9 317 540 | 1 721 716 | -7 363 175 | 2 823 618 | -82 536 | -112 729 |
| Allocated for distribution to unit holders | 10 | - | - | - | - | - | - | - | 289 019 |
| Net distributed to unit holders during the year | 10 | - | - | - | - | - | - | - | - |
| **TOTAL** | | **-4 688 909** | **1 039 747** | **-9 317 540** | **1 721 716** | **-7 363 175** | **2 823 618** | **-82 536** | **176 290** |

## BALANCE SHEET

| | Notes | SKAGEN Vekst 31-12-2008 | SKAGEN Vekst 31-12-2007 | SKAGEN Global 31-12-2008 | SKAGEN Global 31-12-2007 | SKAGEN Kon-Tiki 31-12-2008 | SKAGEN Kon-Tiki 31-12-2007 | SKAGEN Avkastning 31-12-2008 | SKAGEN Avkastning 31-12-2007 |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Norwegian securities at cost price | 3,8 | 3 763 500 | 3 967 833 | - | - | 669 163 | 605 086 | 904 937 | 2 883 542 |
| Foreign securities at cost price | 3,8 | 3 697 317 | 3 513 166 | 22 684 886 | 20 039 345 | 13 843 815 | 13 673 565 | 256 180 | 1 095 131 |
| Unrealised capital gains/loss | 8 | -1 451 020 | 4 008 073 | -2 954 888 | 6 875 821 | -2 428 485 | 4 996 910 | 12 693 | -102 014 |
| Accrued interest | 8 | - | 8 | - | - | - | - | 16 319 | 70 853 |
| **TOTAL SECURITIES PORTFOLIO** | | **6 009 796** | **11 489 081** | **19 729 999** | **26 915 166** | **12 084 494** | **19 275 561** | **1 190 129** | **3 947 511** |
| Dividend receivable | | 35 268 | 44 965 | 77 443 | 75 223 | 61 084 | 47 117 | - | - |
| Accrued interest bank | | - | - | - | - | - | - | - | - |
| **TOTAL ACCRUED INCOME** | | **35 268** | **44 965** | **77 443** | **75 223** | **61 084** | **47 117** | **-** | **-** |
| Accounts receivable - brokers | | 3 037 | 26 474 | - | 67 737 | 70 775 | 126 532 | - | 48 568 |
| Accounts receivable - management company | | - | - | - | - | - | - | - | - |
| Tax receivable on dividends | | 2 299 | 699 | 20 932 | 14 762 | 198 | 817 | - | - |
| Other receivables | | - | - | - | - | - | - | - | - |
| **TOTAL OTHER RECEIVABLES** | | **5 336** | **27 173** | **20 932** | **82 499** | **70 974** | **127 348** | **-** | **48 568** |
| Bank deposits | 11 | 176 305 | 114 402 | 484 212 | 1 994 275 | 175 314 | 624 807 | 37 212 | - |
| **TOTAL ASSETS** | | **6 226 705** | **11 675 620** | **20 312 585** | **29 067 162** | **12 391 865** | **20 074 833** | **1 227 341** | **3 996 080** |
| **Equity Capital** | | | | | | | | | |
| Unit capital at par value | 10 | 718 602 | 761 570 | 3 674 923 | 3 532 494 | 4 207 571 | 4 404 596 | 1 042 726 | 3 058 568 |
| Premium | 10 | 536 431 | 1 227 150 | 14 901 109 | 14 044 567 | 6 707 105 | 6 898 092 | 358 780 | 677 435 |
| **TOTAL PAID-IN EQUITY CAPITAL** | | **1 255 033** | **1 988 720** | **18 576 032** | **17 577 062** | **10 914 676** | **11 302 688** | **1 401 505** | **3 736 002** |
| Retained earnings | 10 | 4 901 166 | 9 590 075 | 1 650 270 | 10 967 810 | 1 208 148 | 8 571 323 | -178 289 | -102 270 |
| Allocated to unitholders for reinvestment in new units | 10 | - | - | - | - | - | - | -483 | 295 643 |
| **TOTAL EQUITY CAPITAL** | | **6 156 199** | **11 578 796** | **20 226 302** | **28 544 872** | **12 122 824** | **19 874 011** | **1 222 733** | **3 929 375** |
| **Debt** | | | | | | | | | |
| Bank overdraft | | - | - | - | - | - | - | - | 56 028 |
| Accounts payable - brokers | | 48 790 | 21 000 | 1 821 | 22 649 | 52 963 | 50 353 | - | - |
| Accounts payable - management company | | 14 991 | 69 733 | 47 324 | 463 072 | 193 836 | 119 095 | 1 671 | 5 144 |
| Other debt | | 6 726 | 6 092 | 37 140 | 36 569 | 22 243 | 31 374 | 2 937 | 5 533 |
| **TOTAL OTHER DEBT** | | **70 506** | **96 825** | **86 284** | **522 291** | **269 042** | **200 822** | **4 608** | **66 704** |
| **TOTAL DEBT AND EQUITY CAPITAL** | | **6 226 705** | **11 675 620** | **20 312 585** | **29 067 162** | **12 391 865** | **20 074 833** | **1 227 341** | **3 996 080** |
| Number of units issued | | 7 186 025 | 7 615 698 | 36 749 226 | 35 324 945 | 42 075 710 | 44 045 958 | 10 427 255 | 30 585 676 |
| Base price per unit | | 856.5973 | 1 520.1242 | 550.3927 | 808.0103 | 288.3044 | 451.3626 | 117.1930 | 128.4664 |

## CASH FLOW STATEMENT

| | | SKAGEN Vekst 2008 | SKAGEN Vekst 2007 | SKAGEN Global 2008 | SKAGEN Global 2007 | SKAGEN Kon-Tiki 2008 | SKAGEN Kon-Tiki 2007 | SKAGEN Avkastning 2008 | SKAGEN Avkastning 2007 |
|---|---|---|---|---|---|---|---|---|---|
| **Bank deposits as of 1.1** | | **114 402** | **908 632** | **1 994 275** | **1 162 468** | **624 807** | **110 862** | **-56 028** | **-46 697** |
| **Inflow** | | | | | | | | | |
| Net subscription/redemption (incl. subscription and redemption fees) | +/- | -733 687 | -1 216 987 | 998 970 | 4 591 503 | -388 011 | 3 114 649 | -2 334 497 | 881 170 |
| Net realised capital gains/loss | +/- | 530 088 | 1 754 292 | -62 102 | 1 639 997 | 421 410 | 2 071 407 | -257 297 | 33 113 |
| Interest and dividends received (after tax) | +/- | 326 972 | 406 579 | 814 112 | 609 040 | 174 424 | 208 334 | 71 952 | 275 615 |
| **TOTAL INFLOW** | = | **123 374** | **943 883** | **1 750 980** | **6 840 540** | **207 823** | **5 394 389** | **-2 519 842** | **1 189 897** |
| **Outflow** | | | | | | | | | |
| Net purchase/sale of securities | +/- | 20 183 | -1 328 355 | -2 645 541 | -5 415 761 | -234 328 | -4 443 123 | 2 817 556 | -996 615 |
| Change in unsettled items | +/- | 5 223 | -251 328 | -376 660 | 57 591 | 110 626 | -38 290 | 97 023 | -50 002 |
| Operating expenses | - | -86 876 | -158 429 | -238 841 | -650 563 | -533 615 | -399 031 | -11 899 | -19 674 |
| Net distribution to unit holders | - | - | - | - | - | - | - | -289 599 | -132 937 |
| **TOTAL OUTFLOW** | = | **-61 471** | **-1 738 112** | **-3 261 043** | **-6 008 733** | **-657 316** | **-4 880 444** | **2 613 081** | **-1 199 228** |
| **BANK DEPOSITS AS OF 31.12.** | = | **176 305** | **114 402** | **484 212** | **1 994 275** | **175 314** | **624 807** | **37 212** | **-56 028** |

Stavanger, 29 January 2009

Barbro Johansson     Jan Henrik Hatlem     Martin Gjelsvik     Sigve Erland     Tor Dagfinn Veen

## INCOME STATEMENT

(all figures in 1,000 NOK)

| | Notes | SKAGEN Høyrente 2008 | SKAGEN Høyrente 2007 | SKAGEN Høyrente Institusjon 2008 | SKAGEN Høyrente Institusjon 2007 | SKAGEN Tellus 2008 | SKAGEN Tellus 2007 | SKAGEN Krona* 2008 | SKAGEN Krona* 2007 |
|---|---|---|---|---|---|---|---|---|---|
| **Portfolio revenue and costs** | | | | | | | | | |
| Interest income and costs | | 377 786 | 188 989 | 153 922 | 38 684 | 33 756 | 37 153 | 16 665 | 3 448 |
| Dividends | | - | - | - | - | - | - | - | - |
| Realised capital gain/loss | | 2 761 | -5 508 | 731 | -1 203 | -42 866 | -8 345 | - | - |
| Change unrealised gain/loss | 8 | 10 324 | 637 | 6 374 | 512 | 90 718 | -24 091 | 1 032 | -41 |
| Guarantee commission | | - | - | - | - | - | - | - | - |
| Brokers' fees | | - | - | - | - | - | -5 | - | - |
| Agio/disagio | | - | - | - | - | 13 780 | -258 | - | - |
| **PORTFOLIO RESULT** | 5 | **390 871** | **184 118** | **161 026** | **37 993** | **95 388** | **4 454** | **17 697** | **3 407** |
| **Management revenue and costs** | | | | | | | | | |
| Commission from sale and redemption of units | | - | - | - | - | - | - | - | - |
| Management fee - fixed | 9 | -14 606 | -9 355 | -3 616 | -1 157 | -5 362 | -5 668 | -707 | -111 |
| Management fee - variable | 9 | - | - | - | - | - | - | - | - |
| **ASSET MANAGEMENT RESULT** | | **-14 606** | **-9 355** | **-3 616** | **-1 157** | **-5 362** | **-5 668** | **-707** | **-111** |
| **RESULT BEFORE TAX** | | **376 264** | **174 763** | **157 410** | **36 836** | **90 025** | **-1 214** | **16 991** | **3 295** |
| Tax cost | 4 | - | - | - | - | - | - | - | - |
| **NET INCOME** | | **376 264** | **174 763** | **157 410** | **36 836** | **90 025** | **-1 214** | **16 991** | **3 295** |
| **Allocation of net income** | | | | | | | | | |
| Transfer to/from retained earnings | 10 | 10 366 | -340 | 6 855 | 348 | 78 262 | -21 232 | -4 067 | 3 295 |
| Allocated for distribution to unit holders | 10 | 365 899 | 175 103 | 150 555 | 36 488 | 11 763 | 20 018 | - | - |
| Net distributed to unit holders during the year | 10 | - | - | - | - | - | - | 21 058 | - |
| **TOTAL** | | **376 264** | **174 763** | **157 410** | **36 836** | **90 025** | **-1 214** | **16 991** | **3 295** |

## BALANCE SHEET

| | Notes | 31-12-2008 | 31-12-2007 | 31-12-2008 | 31-12-2007 | 31-12-2008 | 31-12-2007 | 31-12-2008 | 31-12-2007 |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Norwegian securities at cost price | 3,8 | 4 067 196 | 3 966 192 | 2 432 403 | 1 406 238 | - | - | - | - |
| Foreign securities at cost price | 3,8 | - | - | - | - | 471 254 | 860 478 | 411 937 | 185 091 |
| Unrealised capital gains/loss | 8 | 8 477 | -1 847 | 5 512 | -862 | 57 638 | -33 079 | 991 | -41 |
| Accrued interest | 8 | 61 561 | 38 401 | 42 904 | 16 614 | 9 793 | 14 873 | 2 356 | 891 |
| **TOTAL SECURITIES PORTFOLIO** | | **4 137 234** | **4 002 747** | **2 480 819** | **1 421 990** | **538 685** | **842 272** | **415 284** | **185 941** |
| Dividend receivable | | - | - | - | - | - | - | - | - |
| Accrued interest bank | | 2 226 | - | - | - | - | - | - | - |
| **TOTAL ACCRUED INCOME** | | **2 226** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Accounts receivable - brokers | | - | - | - | - | - | 12 282 | - | - |
| Accounts receivable - management company | | - | - | - | 1 | - | - | - | 1 |
| Other receivables | | 16 934 | - | - | - | 526 | - | - | - |
| **TOTAL OTHER RECEIVABLES** | | **16 934** | **-** | **-** | **1** | **526** | **12 288** | **-** | **1** |
| Bank deposits | 11 | 578 120 | 569 516 | 282 274 | 79 097 | 10 499 | 48 515 | 131 585 | 25 240 |
| **TOTAL ASSETS** | | **4 734 514** | **4 572 263** | **2 763 093** | **1 501 088** | **549 710** | **903 069** | **546 869** | **211 182** |
| **Equity Capital** | | | | | | | | | |
| Unit capital at par value | 10 | 4 326 697 | 4 320 859 | 2 565 199 | 1 439 778 | 474 616 | 865 477 | 538 085 | 209 499 |
| Premium | 10 | -44 312 | 66 064 | 10 390 | 25 050 | 13 891 | 6 085 | 11 703 | 689 |
| **TOTAL PAID-IN EQUITY CAPITAL** | | **4 282 385** | **4 386 923** | **2 575 589** | **1 464 828** | **488 507** | **871 562** | **549 788** | **210 188** |
| Retained earnings | 10 | 7 275 | -2 811 | 6 422 | -928 | 48 351 | -30 221 | -3 184 | 885 |
| Allocated to unitholders for reinvestment in new units | 10 | 369 447 | 177 146 | 150 252 | 36 736 | 11 753 | 20 294 | - | -3 |
| **TOTAL EQUITY CAPITAL** | | **4 659 108** | **4 561 258** | **2 732 262** | **1 500 635** | **548 611** | **861 635** | **546 604** | **211 070** |
| **Debt** | | | | | | | | | |
| Bank overdraft | | - | - | - | - | - | - | - | - |
| Accounts payable - brokers | | 72 298 | - | 29 844 | - | - | 39 581 | - | - |
| Accounts payable - management company | | 3 108 | 2 773 | 986 | 453 | 1 100 | 1 680 | 265 | 111 |
| Other debt | | - | 8 232 | - | - | - | 174 | - | - |
| **TOTAL OTHER DEBT** | | **75 406** | **11 005** | **30 830** | **453** | **1 100** | **41 435** | **265** | **111** |
| **TOTAL DEBT AND EQUITY CAPITAL** | | **4 734 514** | **4 572 263** | **2 763 093** | **1 501 088** | **549 710** | **903 069** | **546 869** | **211 182** |
| Number of units issued | | 43 266 971 | 43 208 586 | 25 651 986 | 14 397 785 | 4 746 160 | 8 654 771 | 5 380 851 | 2 094 990 |
| Base price per unit | | 107.6860 | 105.5990 | 106.5054 | 104.2239 | 115.9369 | 99.5506 | 101.5832 | 100.7361 |

## CASH FLOW STATEMENT

| | | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|
| **Bank deposits as of 1.1** | | **569 516** | **209 891** | **79 097** | **23 198** | **48 515** | **8 523** | **25 240** | **-** |
| **Inflow** | | | | | | | | | |
| Net subscription/redemption (incl. subscription and redemption fees) | +/- | -76 849 | 2 213 433 | 1 137 577 | 1 121 698 | -374 156 | 295 708 | 339 600 | 210 188 |
| Net realised capital gains/loss | +/- | 2 761 | -5 508 | 731 | -1 203 | -42 866 | -8 345 | - | - |
| Interest and dividends received (after tax) | +/- | 377 786 | 188 989 | 153 922 | 38 684 | 47 536 | 36 889 | 16 665 | 2 590 |
| **TOTAL INFLOW** | = | **303 698** | **2 396 914** | **1 292 229** | **1 159 179** | **-369 486** | **324 253** | **356 265** | **212 779** |
| **Outflow** | | | | | | | | | |
| Net purchase/sale of securities | +/- | -101 004 | -1 976 072 | -1 026 166 | -1 074 400 | 389 224 | -296 008 | -226 846 | -185 091 |
| Change in unsettled items | +/- | 22 082 | 9 250 | 4 089 | -17 364 | -23 498 | 26 176 | -1 311 | 77 |
| Operating expenses | - | -14 606 | -9 355 | -3 616 | -1 157 | -5 362 | -5 668 | -707 | -111 |
| Net distribution to unit holders | - | -201 566 | -61 113 | -63 360 | -10 359 | -28 894 | -8 760 | -21 058 | -2 413 |
| **TOTAL OUTFLOW** | = | **-295 094** | **-2 037 289** | **-1 089 052** | **-1 103 280** | **331 470** | **-284 261** | **-249 921** | **-187 538** |
| **BANK DEPOSITS AS OF 31.12.** | = | **578 120** | **569 516** | **282 274** | **79 097** | **10 499** | **48 515** | **131 585** | **25 240** |

* in 1,000 SEK

Stavanger, 29 January 2009

Barbro Johansson

Jan Henrik Hatlem

Martin Gjelsvik

Sigve Erland

Tor Dagfinn Veen

# 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 31.12.2008. 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 31.12.2008.

**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 2008 and 2007 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, agio/disagio, 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.

## 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 the lesser sum of purchases and sales of securities, divided by average assets under management during the period. The funds' turnover rate during 2008 was:

| | |
|---|---|
| SKAGEN Vekst | 16.65 % |
| SKAGEN Global | 23.11 % |
| SKAGEN Kon-Tiki | 32.28 % |
| SKAGEN Avkastning | 63.13 % |
| SKAGEN Høyrente | 0.00 % |
| SKAGEN Høyrente Institusjon | 15.90 % |
| SKAGEN Tellus | 131.42 % |
| SKAGEN Krona | 0.00 % |

## NOTE 7: SUBSCRIPTION FEE

**Equity funds (in nok)**

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

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

The subscription fee for all equity funds was **removed as of 10 September 2008.**

**Fixed income funds**
No subscription or redemption fee.

## SKAGEN Vekst Note 9, 10 & 11

### 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 the return above 6 % p.a.

### NOTE 10. EQUITY RECONCILIATION

| | Unit capital | Premium | Retained earnings | Total |
|---|---|---|---|---|
| EQUITY CAPITAL AS OF 01.01.2008 | 761 570 | 1 227 150 | 9 590 075 | 11 578 796 |
| Issue of units | 214 280 | 2 177 401 | | 2 391 681 |
| Redemption of units | -257 247 | -2 868 121 | | -3 125 368 |
| Net income | | | -4 688 909 | -4 688 909 |
| **EQUITY CAPITAL AS OF 31.12.2008** | **718 602** | **536 431** | **4 901 166** | **6 156 199** |

### 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 & 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 compared with the MSCI World Index expressed in Norwegian kroner.

### NOTE 10. EQUITY RECONCILIATION

| | Unit capital | Premium | Retained earnings | Total |
|---|---|---|---|---|
| EQUITY CAPITAL AS OF 01.01.2008 | 3 532 494 | 14 044 567 | 10 967 810 | 28 544 872 |
| Issue of units | 1 329 480 | 7 408 577 | | 8 738 057 |
| Redemption of units | -1 187 052 | -6 552 035 | | -7 739 087 |
| Net income | | | -9 317 540 | -9 317 540 |
| **EQUITY CAPITAL AS OF 31.12.2008** | **3 674 923** | **14 901 109** | **1 650 270** | **20 226 302** |

## SKAGEN Kon-Tiki Note 9, 10 & 11

### NOTE 9. MANAGEMENT FEE

The fixed management fee constitutes 2.5 % p.a. of daily assets under management in addition to the variable management fee: 1/10 of better value development compared with the MSCI Emerging Markets Index expressed in Norwegian kroner. However the total management fee cannot exceed 4 % p.a. and cannot 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 01.01.2008 | 4 404 596 | 6 898 092 | 8 571 323 | 19 874 011 |
| Issue of units | 2 018 447 | 5 410 146 | | 7 428 593 |
| Redemption of units | -2 215 472 | -5 601 132 | | -7 816 604 |
| Net income | | | -7 363 175 | -7 363 175 |
| **EQUITY CAPITAL AS OF 31.12.2008** | **4 207 571** | **6 707 105** | **1 208 148** | **12 122 824** |

### Note 11. RISK-amount (in nok)

RISK-amount determined as of 01.01:

| 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|
| 3.26 | 1.80 | -0.11 | 0.00 |

## SKAGEN Avkastning Note 9, 10 &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 01.01.2008 | 3 058 568 | 677 435 | -102 270 | 295 643 | 3 929 375 |
| Issue of units | 837 128 | 155 819 | | | 992 947 |
| Redemption of units | -2 852 970 | -474 474 | | | -3 327 444 |
| Reinvested for unitholders | | | | -289 599 | -289 599 |
| Allocated to unitholders for distribution | | | | | - |
| Correction of previous years distribution to unitholders | | | 6 517 | -6 527 | -10 |
| Net income/loss after distribution to unitholders | | | -82 536 | | -82 536 |
| **EQUITY CAPITAL AS OF 31.12.2008** | **1 042 726** | **358 780** | **-178 289** | **-483** | **1 222 733** |

### NOTE 11 CURRENCY RISK

SKAGEN Avkastning does not use currency hedging instruments against Norwegian kroner, but has as of 31.12.2008 overdrafts in USD, HUF and TRY bank accounts in order to reduce currency exposure of the investments.

## SKAGEN Høyrente Note 9, 10 &11

### NOTE 9. MANAGEMENT FEE

The management fee constitutes 0.25 % 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 01.01.2008 | 4 320 859 | 66 064 | -2 811 | 177 146 | 4 561 258 |
| Issue of units | 7 954 451 | 74 405 | | | 8 028 856 |
| Redemption of units | -7 948 612 | -73 238 | | | -8 021 850 |
| Reinvested for unitholders | | -27 688 | | -173 878 | -201 566 |
| Allocated to unitholders for reinvestment | | -83 855 | | 365 899 | 282 044 |
| Correction of previous years reinvestment for unitholders | | | -280 | 280 | - |
| Net income/loss after distribution to unitholders | | | 10 366 | | 10 366 |
| **EQUITY CAPITAL AS OF 31.12.2008** | **4 326 697** | **-44 312** | **7 275** | **369 447** | **4 659 108** |

Some adjustment and reclassification has been carried out in the accounts for 2007 related to the accounting of accrued interest. This has resulted in a reclassification between retained earnings and paid-in equity capital. The adjustment has no net effect on the equity capital.

### NOTE 11 BANK DEPOSIT

As of 31.12.2008, SKAGEN Høyrente has NOK 250 000 in tied-up term deposits.

## SKAGEN Høyrente Institusjon Note 9 & 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 01.01.2008 | 1 439 778 | 25 050 | -928 | 36 736 | 1 500 635 |
| Issue of units | 3 084 392 | -6 703 | | | 3 077 689 |
| Redemption of units | -1 958 972 | 6 314 | | | -1 952 658 |
| Reinvested for unitholders | | -26 816 | | -36 544 | -63 360 |
| Allocated to unitholders for reinvestment | | 12 546 | | 150 555 | 163 101 |
| Correction of previous years reinvestments to unitholders | | | 496 | -496 | - |
| Net income/loss after distribution to unitholders | | | 6 855 | | 6 855 |
| **EQUITY CAPITAL AS OF 31.12.2008** | **2 565 199** | **10 390** | **6 422** | **150 252** | **2 732 262** |

Some adjustment and reclassification has been carried out in the accounts for 2007 related to the accounting of accrued interest. This has resulted in a reclassification between retained earnings and paid-in equity capital. The adjustment has no net effect on the equity capital.

## SKAGEN Tellus Note 9, 10 & 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 01.01.2008 | 865 477 | 6 085 | -30 221 | 20 294 | 861 635 |
| Issue of units | 374 659 | -6 801 | | | 367 858 |
| Redemption of units | -765 520 | 23 884 | | | -741 636 |
| Reinvested for unitholders | | -8 899 | | -19 995 | -28 894 |
| Allocated to unitholders for reinvestment | | -378 | | 11 763 | 11 385 |
| Correction of previous years reinvestments to unitholders | | | 310 | -310 | - |
| Net income/loss after distribution to unitholders | | | 78 262 | | 78 262 |
| **EQUITY CAPITAL AS OF 31.12.2008** | **474 616** | **13 891** | **48 351** | **11 753** | **548 611** |

Some adjustment and reclassification has been carried out in the accounts for 2007 related to the accounting of accrued interest. This has resulted in a reclassification between retained earnings and paid-in equity capital. The adjustment has no net effect on the equity capital.

### 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 31.12.2008 overdrafts in USD, HUF, PLN and TRY bank accounts in order to reduce currency exposure of the investments

## SKAGEN Krona Note 9 & 10 (in 1,000 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 01.01.2008 | 209 499 | 689 | 883 | 211 070 |
| Issue of units | 694 553 | 29 397 | | 723 950 |
| Redemption of units | -393 778 | -11 630 | | -405 408 |
| Reinvested for unitholders | 27 811 | -6 753 | | 21 058 |
| Net income | | | -4 067 | -4 067 |
| **EQUITY CAPITAL AS OF 31.12.2008** | **538 085** | **11 703** | **-3 184** | **546 604** |

# SKAGEN Avkastning

## Note 8. Securities portfolio as of 31.12.2008 (in NOK)

| Security | Maturity | Coupon | Currency | Interest adjustment point | Face value NOK | Cost price NOK | Yield*** | Duration** | Market price NOK | Accrued interest NOK | Market value NOK | Market value incl. accrued interest NOK | Unrealised gain/loss NOK | Share of fund | Risk-class **** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **FLOATING RATE SECURITIES** | | | | | | | | | | | | | | | |
| **Financial Bonds** | | | | | | | | | | | | | | | |
| ABG Sundal Collier Norge ASA | 15.11.2011 | 7.04 | NOK | 16.02.2009 | 25 000 000 | 25 000 000 | 13.03 | 0.12 | 89.00 | 215 111 | 22 250 425 | 22 465 536 | -2 749 575 | 1.83 % | 5 |
| Glitnir Bank ASA | 27.04.2010 | 7.28 | NOK | 27.01.2009 | 90 000 000 | 90 129 000 | 8.81 | 0.08 | 97.91 | 1 183 000 | 88 115 670 | 89 298 670 | -2 013 330 | 7.29 % | 5 |
| Bolig- og Næringskreditt ASA | 15.06.2011 | 4.75 | NOK | 18.03.2009 | 30 000 000 | 30 000 000 | 7.62 | 0.20 | 94.70 | 55 417 | 28 410 330 | 28 465 747 | -1 589 670 | 2.32 % | 5 |
| Bolig- og Næringskreditt ASA | 15.06.2011 | 3.97 | NOK | 15.06.2009 | 20 000 000 | 19 680 000 | 6.86 | 0.44 | 94.30 | 35 289 | 18 859 540 | 18 894 829 | -820 460 | 1.54 % | 5 |
| Sparebank 1 SMN | 16.11.2009 | 6.35 | NOK | 16.02.2009 | 32 000 000 | 31 945 600 | 6.80 | 0.13 | 99.88 | 248 356 | 31 961 056 | 32 209 412 | 15 456 | 2.63 % | 5 |
| Sparebank 1 Nord-Norge | 10.02.2010 | 6.43 | NOK | 10.02.2009 | 34 000 000 | 33 993 200 | 7.18 | 0.11 | 99.46 | 309 952 | 33 817 148 | 34 127 100 | -176 052 | 2.79 % | 5 |
| Sparebanken Pluss | 24.08.2010 | 6.21 | NOK | 24.02.2009 | 30 000 000 | 29 745 000 | 7.40 | 0.15 | 98.67 | 191 475 | 29 601 990 | 29 793 465 | -143 010 | 2.43 % | 5 |
| Sparebanken Sør | 14.12.2009 | 4.17 | NOK | 15.06.2009 | 35 000 000 | 34 846 000 | 4.54 | 0.92 | 99.70 | 64 867 | 34 893 530 | 34 958 397 | 47 530 | 2.85 % | 5 |
| Spar Nord Bank A/S | 30.01.2009 | 6.46 | NOK | 30.01.2009 | 10 000 000 | 10 000 000 | 5.13 | 0.08 | 100.17 | 111 256 | 10 016 560 | 10 127 816 | 16 560 | 0.83 % | 5 |
| Sparebank 1 Nord-Norge | 20.05.2010 | 6.26 | NOK | 20.05.2009 | 8 000 000 | 7 856 400 | 6.25 | 0.37 | 99.59 | 57 036 | 7 966 912 | 8 023 948 | 110 512 | 0.66 % | 5 |
| Sparebanken Øst | 24.01.2011 | 7.11 | NOK | 26.01.2009 | 20 000 000 | 19 166 000 | 8.52 | 0.07 | 97.78 | 632 000 | 19 555 960 | 20 187 960 | 389 960 | 1.65 % | 5 |
| **Financial Certificates** | | | | | | | | | | | | | | | |
| Sparebanken Narvik | 23.03.2011 | 4.07 | NOK | 23.03.2009 | 10 000 000 | 10 000 000 | 6.51 | 0.22 | 96.34 | 9 044 | 9 634 280 | 9 643 324 | -365 720 | 0.79 % | 5 |
| Aurskog Sparebank | 06.07.2010 | 7.89 | NOK | 06.01.2009 | 10 000 000 | 10 004 700 | 9.44 | 0.02 | 98.16 | 188 483 | 9 816 320 | 10 004 803 | -188 380 | 0.82 % | 5 |
| Eiendomskreditt AS | 15.09.2010 | 4.73 | NOK | 16.03.2009 | 46 000 000 | 46 115 460 | 6.04 | 0.20 | 98.33 | 96 702 | 45 231 294 | 45 327 996 | -884 166 | 3.70 % | 5 |
| Halden Sparebank | 13.09.2010 | 4.74 | NOK | 13.03.2009 | 40 000 000 | 39 990 000 | 6.31 | 0.19 | 97.66 | 84 267 | 39 063 120 | 39 147 387 | -926 880 | 3.20 % | 5 |
| Helgeland Sparebank | 01.09.2009 | 6.31 | NOK | 02.03.2009 | 28 000 000 | 28 204 400 | 6.48 | 0.16 | 100.20 | 147 233 | 28 055 720 | 28 202 953 | -148 680 | 2.30 % | 5 |
| Sparebanken Jevnaker Lunner | 19.03.2010 | 4.69 | NOK | 19.03.2009 | 31 500 000 | 31 566 150 | 5.08 | 0.21 | 99.03 | 49 245 | 31 195 332 | 31 244 577 | -370 818 | 2.55 % | 5 |
| Kredittforeningen for Sparebanker | 09.09.2010 | 5.00 | NOK | 09.03.2009 | 29 000 000 | 28 986 950 | 6.61 | 0.18 | 98.45 | 88 611 | 28 551 399 | 28 640 010 | -435 551 | 2.34 % | 5 |
| Landkreditt Bank AS | 23.05.2011 | 6.13 | NOK | 23.02.2009 | 30 000 000 | 29 993 100 | 7.61 | 0.15 | 96.90 | 189 008 | 29 070 630 | 29 259 638 | -922 470 | 2.39 % | 5 |
| Lillestrøm Sparebank | 03.09.2009 | 6.34 | NOK | 03.03.2009 | 20 000 000 | 20 009 000 | 6.07 | 0.17 | 99.90 | 98 622 | 19 980 800 | 20 079 422 | -28 200 | 1.64 % | 5 |
| Sparebanken Pluss | 22.12.2009 | 3.98 | NOK | 23.03.2009 | 30 000 000 | 29 917 650 | 4.84 | 0.22 | 99.46 | 29 850 | 29 838 120 | 29 867 970 | -79 530 | 2.44 % | 5 |
| Sparebanken 1 Gruppen | 14.06.2010 | 4.78 | NOK | 16.03.2009 | 15 000 000 | 15 052 500 | 5.73 | 0.20 | 98.74 | 31 867 | 14 811 525 | 14 843 392 | -240 975 | 1.21 % | 5 |
| Sparebanken Sør | 05.05.2010 | 7.03 | NOK | 05.02.2009 | 40 000 000 | 40 176 000 | 7.77 | 0.10 | 99.28 | 437 422 | 39 712 560 | 40 149 982 | -463 440 | 3.28 % | 5 |
| Sparebank 1 SMN | 22.03.2010 | 4.39 | NOK | 23.03.2009 | 30 000 000 | 29 862 300 | 5.06 | 0.22 | 99.58 | 32 925 | 29 873 040 | 29 905 965 | 10 740 | 2.44 % | 5 |
| Sparebank 1 Buskerud-Vestfold | 21.02.2011 | 6.25 | NOK | 23.02.2009 | 40 000 000 | 40 002 000 | 7.66 | 0.14 | 97.16 | 277 778 | 38 865 520 | 39 143 298 | -1 136 480 | 3.20 % | 5 |
| Fornebu Sparebank | 11.01.2010 | 7.05 | NOK | 12.01.2009 | 10 000 000 | 9 998 500 | 8.71 | 0.03 | 99.24 | 154 708 | 9 924 280 | 10 078 988 | -74 220 | 0.82 % | 5 |
| Sparebanken Vest | 10.12.2009 | 4.69 | NOK | 10.03.2009 | 20 000 000 | 19 760 000 | 7.02 | 0.18 | 98.46 | 54 717 | 19 691 680 | 19 746 397 | -68 320 | 1.61 % | 5 |
| Tolga-Os Sparebank | 02.06.2010 | 6.24 | NOK | 02.03.2009 | 30 000 000 | 30 000 000 | 7.28 | 0.17 | 98.61 | 150 800 | 29 583 090 | 29 733 890 | -416 910 | 2.43 % | 5 |
| **FIXED RATE SECURITIES** | | | | | | | | | | | | | | | |
| **Foreign Government Bonds** | | | | | | | | | | | | | | | |
| Brazilian state | 05.01.2022 | 12.50 | BRL | | 17 000 000 | 56 950 843 | 12.23 | 5.78 | 312.37 | 3 120 388 | 53 103 330 | 56 223 718 | -3 847 513 | 4.59 % | 3 |
| Hungarian state | 24.02.2017 | 6.75 | HUF | | 1 800 000 000 | 53 732 884 | 8.67 | 5.56 | 3.30 | 3 822 786 | 59 318 055 | 63 140 841 | 5 585 171 | 5.15 % | 2 |
| The European Investment Bank | 02.03.2015 | - | TRY | | 28 000 000 | 46 197 117 | 13.81 | 5.42 | 204.62 | - | 57 293 889 | 57 293 889 | 11 096 771 | 4.68 % | 1 |
| French state inflation protected | 25.07.2040 | 1.80 | EUR | | 5 000 000 | 44 932 977 | 1.97 1) | 23.53 | 940.80 | 407 001 | 49 829 943 | 50 236 944 | 4 896 966 | 4.10 % | 2 |
| US state inflation protected | 15.01.2028 | 1.75 | USD | | 9 000 000 | 54 366 591 | 2.13 1) | 15.71 | 658.33 | 520 866 | 61 084 369 | 61 605 234 | 6 717 777 | 5.03 % | 3 |
| **Financial Bonds** | | | | | | | | | | | | | | | |
| Sparebank 1 SR-Bank | 15.05.2009 | 5.48 | NOK | | 14 000 000 | 14 050 400 | 4.15 | 0.36 | 100.46 | 483 441 | 14 064 134 | 14 547 575 | 13 734 | 1.19 % | 5 |
| Sparebanken Øst | 12.09.2012 | 3.75 | NOK | | 20 000 000 | 18 499 600 | 5.15 | 3.32 | 95.36 | 226 027 | 19 072 080 | 19 298 107 | 572 480 | 1.58 % | 5 |
| Sparebanken Vest | 15.04.2010 | 5.20 | NOK | | 25 000 000 | 24 657 500 | 3.96 | 1.20 | 101.50 | 926 027 | 25 376 125 | 26 302 152 | 718 625 | 2.15 % | 5 |
| Totens Sparebank | 15.11.2010 | 4.20 | NOK | | 20 000 000 | 19 344 000 | 4.41 | 1.76 | 99.60 | 107 333 | 19 919 320 | 20 026 653 | 575 320 | 1.63 % | 5 |
| **Financial Certificates** | | | | | | | | | | | | | | | |
| Sparebank 1 SR-Bank | 20.02.2009 | 6.05 | NOK | | 10 000 000 | 10 016 000 | 4.24 | 0.14 | 100.20 | 522 123 | 10 020 340 | 10 542 463 | 4 340 | 0.86 % | 5 |
| Sparebank 1 SR-Bank | 26.06.2009 | 7.19 | NOK | | 26 000 000 | 26 369 200 | 4.02 | 0.47 | 101.47 | 957 747 | 26 381 004 | 27 338 751 | 11 804 | 2.23 % | 5 |
| **TOTAL EQUITY PORTFOLIO******* | | | | | | **1 161 117 023** | | | | **16 318 782** | **1 173 810 419** | **1 190 129 200** | **12 693 396** | **97.16 %** | |

**Portfolio key figures**

| | |
|---|---|
| Yield | 6.56% |
| Yield to clients* | 6.06% |
| Duration** | 2.81 |

* Yield adjusted for management fee.
** Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.
*** Yield is the average annual return of an interest bearing security until maturity.
**** 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

***** For liquidity in the portfolio as of 31.12.2008, please refer to the balance sheet.
1) Real yield

All securities are traded in a telephone-based international market.

Unit price as of 31.12.2008 117.1930

NOK 0,- is allocated for distribution to unitholders as of 31.12.2008.

# SKAGEN Vekst

## Note 8. Securities portfolio as of 31.12.2008 (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** | | | | | | | | | |
| Bonheur ASA | 1 375 250 | 89 420 708 | 145.00 | NOK | 199 411 250 | 109 990 542 | 3.24 % | 3.37 % | Oslo |
| StatoilHydro ASA | 1 750 000 | 126 550 694 | 113.90 | NOK | 199 325 000 | 72 774 306 | 3.24 % | 0.05 % | Oslo |
| Pride International Inc | 1 725 000 | 267 943 415 | 15.70 | USD | 189 168 555 | -78 774 861 | 3.07 % | 1.00 % | New York |
| Ganger Rolf ASA | 1 314 450 | 126 040 601 | 139.00 | NOK | 182 708 550 | 56 667 949 | 2.97 % | 3.62 % | Oslo |
| Petroleo Brasileiro Pref ADR | 1 050 000 | 37 430 774 | 19.89 | USD | 145 876 144 | 108 445 370 | 2.37 % | 0.06 % | New York |
| DOF ASA | 4 050 000 | 52 044 071 | 34.00 | NOK | 137 700 000 | 85 655 929 | 2.24 % | 4.89 % | Oslo |
| Solstad Offshore ASA | 2 188 300 | 103 635 845 | 58.50 | NOK | 128 015 550 | 24 379 705 | 2.08 % | 5.81 % | Oslo |
| Farstad Shipping ASA | 730 000 | 51 131 849 | 67.50 | NOK | 49 275 000 | -1 856 849 | 0.80 % | 1.87 % | Oslo |
| Nabors Industries Ltd | 600 000 | 92 772 367 | 11.55 | USD | 48 405 357 | -44 367 010 | 0.79 % | 0.21 % | New York |
| TGS Nopec Geophysical Co ASA | 1 100 000 | 31 130 526 | 34.65 | NOK | 38 115 000 | 6 984 474 | 0.62 % | 1.06 % | Oslo |
| BP Plc ADR | 100 000 | 42 933 984 | 45.82 | USD | 32 004 812 | -10 929 172 | 0.52 % | 0.00 % | New York |
| Rowan Companies Inc | 275 000 | 46 937 211 | 15.72 | USD | 30 195 723 | -16 741 488 | 0.49 % | 0.24 % | New York |
| Hercules Offshore Inc | 900 000 | 29 211 411 | 4.64 | USD | 29 168 942 | -42 469 | 0.47 % | 1.02 % | New York |
| CGG Veritas | 258 571 | 43 607 558 | 10.73 | EUR | 27 189 775 | -16 417 783 | 0.44 % | 0.17 % | Paris |
| BP Plc | 484 321 | 31 759 510 | 5.26 | GBP | 25 999 489 | -5 760 021 | 0.42 % | 0.00 % | London |
| Eidesvik Offshore ASA | 1 300 000 | 61 896 091 | 18.30 | NOK | 23 790 000 | -38 106 091 | 0.39 % | 4.31 % | Oslo |
| CGG Veritas ADR | 225 000 | 35 273 038 | 14.94 | USD | 23 479 741 | -11 793 297 | 0.38 % | 0.15 % | New York |
| Reservoir Exploration Technology ASA | 4 356 000 | 87 339 096 | 4.50 | NOK | 19 602 000 | -67 737 096 | 0.32 % | 8.77% | Oslo |
| Roxar ASA | 5 000 000 | 25 295 986 | 3.50 | NOK | 17 500 000 | -7 795 986 | 0.28 % | 2.05 % | Oslo |
| Transocean Ltd | 50 000 | 16 393 204 | 46.93 | USD | 16 390 068 | -3 136 | 0.27 % | 0.02 % | New York |
| Minor items* | | 344 919 227 | | | 133 924 227 | -210 994 999 | 2.18 % | | |
| **Total Energy** | | **1 743 667 169** | | | **1 697 245 184** | **-46 421 985** | **27.58 %** | | |
| **Raw Materials** | | | | | | | | | |
| Yara International ASA | 900 000 | 71 649 208 | 148.75 | NOK | 133 875 000 | 62 225 792 | 2.18 % | 0.31 % | Oslo |
| Norsk Hydro ASA | 2 800 000 | 44 795 995 | 27.80 | NOK | 77 840 000 | 33 044 005 | 1.27 % | 0.23 % | Oslo |
| Norske Skogindustrier ASA | 5 324 000 | 337 086 713 | 13.50 | NOK | 71 874 000 | -265 212 713 | 1.17 % | 2.80 % | Oslo |
| KWS Saat AG | 45 473 | 30 754 673 | 111.10 | EUR | 49 510 093 | 18 755 420 | 0.80 % | 0.69 % | Frankfurt |
| Outokumpu Oyj | 500 000 | 81 081 612 | 8.28 | EUR | 40 572 000 | -40 509 611 | 0.66 % | 0.28 % | Helsinki |
| Votorantim Cellulose ADR | 575 000 | 38 383 129 | 7.62 | USD | 30 604 339 | -7 778 790 | 0.50 % | 0.60 % | New York |
| Boliden AB | 1 400 000 | 53 568 099 | 17.80 | SEK | 22 346 309 | -31 221 790 | 0.36 % | 0.51 % | Stockholm |
| Grupo Mexico Sab De CV | 4 659 429 | 8 679 970 | 9.06 | MXN | 21 361 977 | 12 682 008 | 0.35 % | 0.06 % | Mexico |
| Ternium SA ADR | 275 000 | 41 593 080 | 8.11 | USD | 15 578 073 | -26 015 007 | 0.25 % | 0.14 % | New York |
| Minor items* | | 331 540 647 | | | 111 394 825 | -220 145 822 | 1.81 % | | |
| **Total Raw Materials** | | **1 039 133 126** | | | **574 956 617** | **-464 176 509** | **9.34 %** | | |
| **Industrials** | | | | | | | | | |
| Kongsberg Gruppen ASA | 730 000 | 64 154 946 | 328.00 | NOK | 239 440 000 | 175 285 054 | 3.89 % | 2.43 % | Oslo |
| Stolt-Nielsen SA | 1 770 200 | 231 260 614 | 70.50 | NOK | 124 799 100 | -106 461 514 | 2.03 % | 2.76 % | Oslo |
| LG Corp | 500 000 | 99 389 221 | 42 700.00 | KRW | 118 789 479 | 19 400 258 | 1.93 % | 0.29 % | Seoul |
| Wilh Wilhelmsen ASA-A | 1 200 000 | 82 956 053 | 95.00 | NOK | 114 000 000 | 31 043 947 | 1.85 % | 3.26 % | Oslo |
| Siemens AG | 130 000 | 70 413 044 | 52.68 | EUR | 67 114 320 | -3 298 723 | 1.09 % | 0.01 % | Frankfurt |
| I.M. Skaugen SE | 1 725 000 | 21 490 850 | 36.00 | NOK | 62 100 000 | 40 609 150 | 1.01 % | 6.32 % | Oslo |
| Air France-KLM | 600 000 | 86 928 798 | 9.28 | EUR | 54 560 520 | -32 368 278 | 0.89 % | 0.20 % | Paris |
| Tomra Systems ASA | 2 285 600 | 66 418 380 | 23.60 | NOK | 53 940 160 | -12 478 220 | 0.88 % | 1.48 % | Oslo |
| Norwegian Air Shuttle ASA | 1 437 678 | 59 795 202 | 36.90 | NOK | 53 050 318 | -6 744 884 | 0.86 % | 4.44 % | Oslo |
| Glamox ASA | 5 944 034 | 5 852 347 | 7.10 | NOK | 42 202 641 | 36 350 294 | 0.69 % | 9.01 % | Unlisted |
| Gildemeister AG | 500 000 | 27 326 938 | 7.85 | EUR | 38 465 000 | 11 138 062 | 0.63 % | 1.15 % | Frankfurt |
| Dockwise Ltd | 9 000 000 | 89 214 152 | 3.95 | NOK | 35 550 000 | -53 664 152 | 0.58 % | 3.92 % | Oslo |
| Korean Air Lines Co Ltd | 151 500 | 13 896 563 | 38 000.00 | KRW | 32 031 430 | 18 134 867 | 0.52 % | 0.21 % | Seoul |
| Akva Group ASA | 1 585 000 | 55 500 018 | 20.00 | NOK | 31 700 000 | -23 800 018 | 0.52 % | 9.20 % | Oslo |
| Aker ASA | 230 000 | 56 136 465 | 137.00 | NOK | 31 510 000 | -24 626 465 | 0.51 % | 0.32 % | Oslo |
| Furukawa Electric Co Ltd | 750 000 | 19 432 422 | 429.00 | JPY | 24 937 684 | 5 505 262 | 0.41 % | 0.11 % | Tokyo |
| Star Reefers Inc | 162 600 | 28 406 846 | 146.00 | NOK | 23 739 600 | -4 667 246 | 0.39 % | 1.86 % | Oslo |
| Kverneland ASA | 3 950 000 | 28 899 368 | 6.00 | NOK | 23 700 000 | -5 199 368 | 0.39 % | 2.56 % | Oslo |
| LG Corp Pref | 225 000 | 25 855 905 | 16 250.00 | KRW | 20 343 046 | -5 512 859 | 0.33 % | 6.79 % | Seoul |
| Bunge Ltd | 55 000 | 16 933 271 | 50.08 | USD | 19 239 209 | 2 305 938 | 0.31 % | 0.05 % | New York |
| Trelleborg AB-B | 385 000 | 47 474 897 | 48.20 | SEK | 16 640 467 | -30 834 430 | 0.27 % | 0.48 % | Stockholm |
| Minor items* | | 296 630 080 | | | 128 170 715 | -168 459 365 | 2.08 % | | |
| **Total Industrials** | | **1 494 366 380** | | | **1 356 023 690** | **-138 342 690** | **22.04 %** | | |
| **Consumer Discretionary** | | | | | | | | | |
| LG Electronics Inc Pref | 600 000 | 144 987 601 | 32 650.00 | KRW | 108 996 997 | -35 990 604 | 1.77 % | 3.49 % | Seoul |
| Royal Caribbean Cruises Ltd | 600 000 | 60 499 368 | 13.34 | USD | 55 907 140 | -4 592 228 | 0.91 % | 0.28 % | New York |
| Rezidor Hotel Group Ab | 2 900 000 | 76 190 682 | 18.80 | SEK | 48 889 275 | -27 301 406 | 0.79 % | 1.93 % | Stockholm |
| Peugeot SA | 297 000 | 73 688 635 | 12.25 | EUR | 35 669 403 | -38 019 232 | 0.58 % | 0.13 % | Paris |
| Royal Caribbean Cruises Ltd | 350 000 | 52 864 334 | 92.00 | NOK | 32 200 000 | -20 664 334 | 0.52 % | 0.16 % | Oslo |
| DSG International Plc | 15 000 000 | 201 201 016 | 0.18 | GBP | 27 555 579 | -173 645 437 | 0.45 % | 0.85 % | London |
| Hankook Tire Co Ltd | 274 160 | 24 703 451 | 15 300.00 | KRW | 23 338 644 | -1 364 807 | 0.38 % | 0.18 % | Seoul |
| Hurtigruten ASA Konv 04/09 7% | 22 500 000 | 22 057 500 | 90.00 | NOK | 21 138 904 | -918 596 | 0.34 % | - | Unlisted |
| TUI AG | 250 000 | 37 117 202 | 8.04 | EUR | 19 710 250 | -17 406 952 | 0.32 % | 0.10 % | Frankfurt |
| NHST Media Group ASA | 30 000 | 18 722 708 | 600.00 | NOK | 18 000 000 | -722 708 | 0.29 % | 2.58 % | Unlisted |
| Royal Caribbean Cruises Ltd Obligasjon 5 5/8 | 3 500 000 | 15 121 973 | 46.00 | EUR | 17 562 672 | 2 440 699 | 0.29 % | - | Unlisted |
| Mahindra & Mahindra Ltd GDR | 400 000 | 13 797 277 | 5.60 | USD | 15 646 176 | 1 848 899 | 0.25 % | 0.15 % | London Int. |
| Minor items* | | 118 833 317 | | | 17 913 137 | -100 920 179 | 0.29 % | | |
| **Total Consumer Discretionary** | | **859 785 062** | | | **442 528 178** | **-417 256 885** | **7.19 %** | | |

## Note 8. Securities portfolio as of 31.12.2008 (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 | 625 000 | 60 553 344 | 14.12 | USD | 61 641 743 | 1 088 398 | 1.00 % | 1.41 % | New York |
| Cermaq ASA | 775 000 | 25 489 032 | 26.40 | NOK | 20 460 000 | -5 029 032 | 0.33 % | 0.84 % | Oslo |
| Charoen Pokphand Foods Plc | 29 176 700 | 23 828 768 | 3.18 | THB | 18 723 018 | -5 105 751 | 0.30 % | 0.39 % | Bangkok |
| Yazicilar Holding AS | 750 000 | 25 622 446 | 4.98 | TRY | 16 983 546 | -8 638 900 | 0.28 % | 0.47 % | Istanbul |
| Minor items* | | 185 015 679 | | | 94 404 725 | -90 610 954 | 1.53 % | | |
| **Total Consumer Staples** | | **320 509 270** | | | **212 213 031** | **-108 296 239** | **3.45 %** | | |
| **Health Care** | | | | | | | | | |
| Pfizer Inc | 800 000 | 109 208 636 | 17.75 | USD | 99 185 580 | -10 023 056 | 1.61 % | 0.01 % | New York |
| Aska Pharmaceutical Co Ltd | 466 000 | 19 657 650 | 843.00 | JPY | 30 447 459 | 10 789 809 | 0.49 % | 1.52 % | Tokyo |
| Medi-Stim ASA | 1 704 000 | 21 269 720 | 16.50 | NOK | 28 116 000 | 6 846 280 | 0.46 % | 9.07 % | Oslo |
| Axis-Shield Plc | 989 400 | 25 036 220 | 28.30 | NOK | 28 000 020 | 2 963 800 | 0.46 % | 2.04 % | Oslo |
| Pronova Biopharma ASA | 1 074 000 | 25 234 800 | 23.10 | NOK | 24 809 400 | -425 400 | 0.40 % | 0.36 % | Oslo |
| Axis-Shield Plc GBP | 764 882 | 26 322 266 | 3.05 | GBP | 23 808 940 | -2 513 326 | 0.39 % | 1.55 % | London |
| Biovitrum AB | 500 000 | 36 668 834 | 43.60 | SEK | 19 548 536 | -17 120 298 | 0.32 % | 1.00 % | Stockholm |
| Photocure ASA | 750 000 | 30 739 183 | 22.00 | NOK | 16 500 000 | -14 239 183 | 0.27 % | 3.39 % | Oslo |
| Minor items* | | 166 272 755 | | | 99 920 774 | -66 351 981 | 1.62 % | | |
| **Total Health Care** | | **460 410 065** | | | **370 336 710** | **-90 073 355** | **6.02 %** | | |
| **Financials** | | | | | | | | | |
| Hannover Rueckversicherung AG | 435 000 | 87 663 487 | 22.50 | EUR | 95 917 500 | 8 254 013 | 1.56 % | 0.36 % | Frankfurt |
| Olav Thon Eiendomsselskap ASA | 180 000 | 33 812 469 | 480.00 | NOK | 86 400 000 | 52 587 531 | 1.40 % | 1.70 % | Oslo |
| Korean Reinsurance Co | 933 425 | 11 484 648 | 10 800.00 | KRW | 56 089 721 | 44 605 073 | 0.91 % | 0.82 % | Seoul |
| Haci Omer Sabanci Holding AS | 3 500 000 | 57 428 719 | 3.30 | TRY | 52 519 398 | -4 909 321 | 0.85 % | 0.19 % | Istanbul |
| Kinnevik Investment AB-B | 664 200 | 11 368 144 | 63.00 | SEK | 37 522 967 | 26 154 824 | 0.61 % | 0.31 % | Stockholm |
| Aareal Bank AG | 450 000 | 74 916 900 | 5.75 | EUR | 25 357 500 | -49 559 400 | 0.41 % | 1.05 % | Frankfurt |
| Imarex ASA | 385 000 | 31 832 609 | 58.25 | NOK | 22 426 250 | -9 406 359 | 0.36 % | 2.55 % | Oslo |
| Hitecvision AS | 740 000 | 3 977 958 | 30.00 | NOK | 22 200 000 | 18 222 042 | 0.36 % | 4.02 % | Unlisted |
| Yapi Ve Kredi Bankasi AS GDR | 1 920 003 | 30 507 572 | 1.33 | USD | 17 836 669 | -12 670 903 | 0.29 % | 0.26 % | London Int. |
| Norwegian Property ASA | 2 893 000 | 70 433 321 | 6.08 | NOK | 17 589 440 | -52 843 881 | 0.29 % | 1.43 % | Oslo |
| Minor items* | | 240 663 296 | | | 114 927 055 | -125 736 241 | 1.87 % | | |
| **Total Financials** | | **654 089 123** | | | **548 786 500** | **-105 302 623** | **8.92 %** | | |
| **Information Technology** | | | | | | | | | |
| Samsung Electronics Co Ltd Pref GDR | 135 332 | 107 007 863 | 105.00 | USD | 99 254 451 | -7 753 412 | 1.61 % | 0.30 % | London Int. |
| Samsung Electronics Co Ltd GDR | 53 500 | 21 092 161 | 175.00 | USD | 65 396 126 | 44 303 965 | 1.06 % | 0.02 % | London Int. |
| Kyocera Corp | 120 000 | 86 707 798 | 6 380.00 | JPY | 59 338 900 | -27 368 898 | 0.96 % | 0.06 % | Tokyo |
| Eltek ASA | 20 857 219 | 112 389 119 | 1.40 | NOK | 29 200 107 | -83 189 013 | 0.47 % | 6.97 % | Oslo |
| Q-Free ASA | 3 356 000 | 45 991 147 | 8.20 | NOK | 27 519 200 | -18 471 947 | 0.45 % | 6.22 % | Oslo |
| Kyocera Corp ADR | 40 000 | 31 744 612 | 71.87 | USD | 20 080 191 | -11 664 421 | 0.33 % | 0.02 % | New York |
| Samsung SDI Co Ltd | 51 320 | 21 573 100 | 55 000.00 | KRW | 15 704 692 | -5 868 408 | 0.26 % | 0.11 % | Seoul |
| Minor items* | | 155 852 861 | | | 72 212 501 | -83 640 360 | 1.17 % | | |
| **Total Information Technology** | | **582 358 662** | | | **388 706 168** | **-193 652 494** | **6.32 %** | | |
| **Telecom** | | | | | | | | | |
| PT Indosat Tbk ADR | 369 200 | 62 260 627 | 25.18 | USD | 64 934 816 | 2 674 189 | 1.06 % | 0.34 % | New York |
| Telenor ASA | 1 355 600 | 53 030 225 | 46.30 | NOK | 62 764 280 | 9 734 055 | 1.02 % | 0.08 % | Oslo |
| Total Access Telecommunication Plc | 8 560 000 | 7 587 439 | 32.00 | THB | 55 275 960 | 47 688 521 | 0.90 % | 0.36 % | Bangkok |
| Telekomunikasi Indonesia Tbk ADR | 290 000 | 16 154 144 | 24.67 | USD | 49 972 070 | 33 817 926 | 0.81 % | 0.06 % | New York |
| Minor items* | | 54 629 047 | | | 2 997 796 | -51 631 251 | 0.05 % | | |
| **Total Telecom** | | **193 661 482** | | | **235 944 922** | **42 283 441** | **3.83 %** | | |
| **Utilities** | | | | | | | | | |
| Centrais Eletricas Brasileiras SA Pref | 2 234 800 | 90 179 609 | 24.18 | BRL | 162 305 954 | 72 126 345 | 2.64 % | 0.98 % | Sao Paulo |
| Centrais Eletricas Brasileiras SA | 250 000 | 20 482 543 | 25.89 | BRL | 19 440 684 | -1 041 858 | 0.32 % | 0.03 % | Sao Paulo |
| Minor items* | | 2 174 091 | | | 1 308 622 | -865 469 | 0.02 % | | |
| **Total Utilities** | | **112 836 243** | | | **183 055 261** | **70 219 018** | **2.98 %** | | |
| **Total Equity Portfolio**** | | **7 460 816 582** | | | **6 009 796 261** | **-1 451 020 321** | **97.67 %** | | |

Base price as of 31.12.2008 856.5973

* Please contact SKAGEN AS for a list of companies included in this post. The list will be sent by email.
** For liquidity in the portfolio as of 31.12.2008, please refer to the balance sheet.

# SKAGEN Global

## Note 8. Securities portfolio as of 31.12.2008 (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 | 5 605 799 | 1 001 751 224 | 15.98 | USD | 626 975 095 | -374 776 128 | 3.10 % | 3.24 % | New York |
| Petroleo Brasileiro Pref ADR | 3 509 700 | 237 742 394 | 20.41 | USD | 501 359 206 | 263 616 812 | 2.48 % | 0.19 % | New York |
| Nabors Industries Ltd | 2 038 179 | 347 530 824 | 11.97 | USD | 170 754 621 | -176 776 202 | 0.84 % | 0.72 % | New York |
| Polski Koncern Naftowy Orlen SA | 2 317 722 | 241 925 037 | 25.73 | PLN | 140 649 117 | -101 275 921 | 0.70 % | 0.54 % | Warsaw |
| BP Plc ADR | 421 000 | 178 358 960 | 46.74 | USD | 137 723 102 | -40 635 857 | 0.68 % | 0.01 % | New York |
| Mariner Energy Inc | 1 410 224 | 165 958 749 | 10.20 | USD | 100 675 609 | -65 283 140 | 0.50 % | 1.59 % | New York |
| Forest Oil Corp | 520 350 | 66 510 958 | 16.49 | USD | 60 055 420 | -6 455 538 | 0.30 % | 0.54 % | New York |
| BP Plc | 922 372 | 62 337 184 | 5.26 | GBP | 49 186 299 | -13 150 885 | 0.24 % | 0.00 % | London |
| **Total Energy** | | **2 302 115 329** | | | **1 787 378 470** | **-514 736 858** | **8.84 %** | | |
| **Raw Materials** | | | | | | | | | |
| Mayr-Melnhof Karton AG | 424 158 | 186 258 466 | 50.73 | EUR | 209 688 382 | 23 429 916 | 1.04 % | 1.93 % | Vienna |
| Svenska Cellulosa AB-B | 3 294 930 | 260 136 269 | 66.75 | SEK | 195 413 649 | -64 722 620 | 0.97 % | 0.55 % | Stockholm |
| KWS Saat AG | 145 561 | 93 628 910 | 111.10 | EUR | 157 594 455 | 63 965 545 | 0.78 % | 2.21 % | Frankfurt |
| Cia Vale Do Rio Del Doce Pref ADR | 2 077 382 | 134 306 707 | 10.65 | USD | 154 846 704 | 20 539 997 | 0.77 % | 0.10 % | New York |
| Ternium SA | 1 784 844 | 259 949 586 | 8.57 | USD | 107 057 495 | -152 892 091 | 0.53 % | 0.89 % | New York |
| Grupo Mexico SAB de CV | 19 128 065 | 96 495 059 | 8.81 | MXN | 85 185 977 | -11 309 083 | 0.42 % | 0.25 % | Mexico |
| Boliden AB | 5 190 065 | 332 426 532 | 17.80 | SEK | 82 082 435 | -250 344 097 | 0.41 % | 1.90 % | Stockholm |
| Votorantim Cellulose ADR | 1 207 575 | 112 789 959 | 7.93 | USD | 67 022 912 | -45 767 047 | 0.33 % | 1.26 % | New York |
| Eramet | 26 722 | 10 362 597 | 138.00 | EUR | 35 936 013 | 25 573 416 | 0.18 % | 0.10 % | Paris |
| Cliffs Natural Resources Inc | 113 686 | 19 586 932 | 25.61 | USD | 20 377 578 | 790 646 | 0.10 % | 0.10 % | New York |
| Apex Silver Mines Ltd | 1 654 440 | 180 766 013 | 0.98 | USD | 11 347 837 | -169 418 176 | 0.06 % | 2.81 % | New York |
| Asia Pulp&Paper | 86 600 | 4 565 292 | 0.01 | USD | 6 061 | -4 559 231 | 0.00 % | 0.03 % | New York |
| **Total Raw Materials** | | **1 691 272 322** | | | **1 126 559 498** | **-564 712 824** | **5.57 %** | | |
| **Industrials** | | | | | | | | | |
| Siemens AG | 2 062 675 | 1 248 615 170 | 52.68 | EUR | 1 058 908 452 | -189 706 718 | 5.24 % | 0.23 % | Frankfurt |
| LG Corp | 2 963 162 | 615 317 486 | 42 700.00 | KRW | 699 694 406 | 84 376 920 | 3.46 % | 1.72 % | Seoul |
| Bunge Ltd | 1 442 134 | 419 795 164 | 51.77 | USD | 522 540 281 | 102 745 117 | 2.58 % | 1.19 % | New York |
| Tyco Electronics Ltd | 3 601 819 | 604 705 757 | 16.21 | USD | 408 640 016 | -196 065 740 | 2.02 % | 0.79 % | New York |
| Tyco International Ltd | 2 562 245 | 562 292 713 | 21.60 | USD | 387 356 100 | -174 936 614 | 1.92 % | 0.54 % | New York |
| Kone Oyj B | 2 380 349 | 268 984 621 | 15.53 | EUR | 360 241 661 | 91 257 040 | 1.78 % | 1.09 % | Helsinki |
| Baywa-Bayerische Warenvermit AG | 1 378 939 | 427 446 211 | 25.80 | EUR | 346 694 222 | -80 751 989 | 1.71 % | 4.22 % | Frankfurt |
| Air France-KLM | 2 750 209 | 397 733 803 | 9.17 | EUR | 245 763 214 | -151 970 588 | 1.22 % | 0.92 % | Amsterdam |
| Finnair Oyj | 4 715 591 | 259 031 143 | 4.89 | EUR | 224 712 294 | -34 318 850 | 1.11 % | 3.68 % | Helsinki |
| Stolt-Nielsen SA | 1 736 791 | 325 606 512 | 70.50 | NOK | 122 443 765 | -203 162 746 | 0.61 % | 2.71 % | Oslo |
| Bucher Industries AG | 130 445 | 31 222 026 | 105.00 | CHF | 90 072 951 | 58 850 925 | 0.45 % | 1.23 % | Zurich |
| CMB Cie Maritime Belge SA | 435 787 | 24 541 793 | 18.00 | EUR | 76 441 398 | 51 899 605 | 0.38 % | 1.25 % | Brussels |
| Enka Insaat Ve Sanayi AS | 2 516 658 | 55 453 587 | 5.25 | TRY | 60 057 212 | 4 603 625 | 0.30 % | 0.21 % | Istanbul |
| Taihei Dengyo Kaisha Ltd | 646 000 | 34 653 447 | 1 008.00 | JPY | 50 149 704 | 15 496 256 | 0.25 % | 1.46 % | Tokyo |
| **Total Industrials** | | **5 275 399 432** | | | **4 653 715 675** | **-621 683 757** | **23.02 %** | | |
| **Consumer Discretionary** | | | | | | | | | |
| Comcast Corp | 2 288 200 | 265 638 456 | 16.88 | USD | 270 335 087 | 4 696 631 | 1.34 % | 0.11 % | New York |
| Peugeot SA | 1 661 657 | 498 079 713 | 12.15 | EUR | 196 743 097 | -301 336 617 | 0.97 % | 0.71 % | Paris |
| LG Electronics Inc Pref | 941 148 | 260 647 741 | 32 650.00 | KRW | 169 928 507 | -90 719 234 | 0.84 % | 5.48 % | Seoul |
| Comcast Corp | 1 322 504 | 141 743 116 | 16.15 | USD | 149 487 719 | 7 744 603 | 0.74 % | 0.16 % | New York |
| Mcgraw-Hill Companies Inc | 846 419 | 251 087 823 | 23.19 | USD | 137 379 568 | -113 708 255 | 0.68 % | 0.27 % | New York |
| TUI AG | 1 328 011 | 168 414 523 | 8.04 | EUR | 104 114 104 | -64 300 420 | 0.51 % | 0.53 % | Frankfurt |
| Shangri-La Asia Ltd | 6 932 230 | 60 332 463 | 8.91 | HKD | 55 781 027 | -4 551 436 | 0.28 % | 0.24 % | Hong Kong |
| Independent News & Media Plc | 10 374 241 | 170 243 540 | 0.42 | EUR | 42 460 731 | -127 782 809 | 0.21 % | 1.24 % | London |
| Mahindra & Mahindra Ltd GDR | 585 000 | 20 732 338 | 5.70 | USD | 23 338 165 | 2 605 828 | 0.12 % | 0.23 % | London Int. |
| Danubius Hotels and Spa Plc | 52 543 | 6 231 277 | 4 440.00 | HUF | 8 573 441 | 2 342 165 | 0.04 % | 0.66 % | Budapest |
| **Total Consumer Discretionary** | | **1 843 150 990** | | | **1 158 141 446** | **-685 009 544** | **5.73 %** | | |
| **Consumer Staples** | | | | | | | | | |
| Nestlé SA | 4 767 675 | 1 141 960 851 | 41.60 | CHF | 1 304 300 402 | 162 339 551 | 6.45 % | 0.12 % | Zurich |
| Charoen Pokphand Foods Plc | 159 477 200 | 120 667 738 | 3.18 | THB | 102 188 205 | -18 479 533 | 0.51 % | 2.12 % | Bangkok |
| Yazicilar Holding AS | 3 575 131 | 82 798 994 | 4.90 | TRY | 79 628 714 | -3 170 280 | 0.39 % | 2.23 % | Istanbul |
| United Intl Enterprises | 189 574 | 27 322 162 | 238.00 | DKK | 59 042 216 | 31 720 053 | 0.29 % | 3.69 % | Copenhagen |
| Raisio Plc | 2 247 300 | 42 527 608 | 1.47 | EUR | 32 192 910 | -10 334 698 | 0.16 % | 1.72 % | Helsinki |
| Lannen Tehtaat Oyj | 210 350 | 23 235 921 | 13.49 | EUR | 27 652 622 | 4 416 700 | 0.14 % | 3.33 % | Helsinki |
| Royal Unibrew A/S | 92 945 | 32 028 869 | 118.50 | DKK | 14 412 897 | -17 615 971 | 0.07 % | 1.66 % | Copenhagen |
| **Total Consumer Staples** | | **1 470 542 143** | | | **1 619 417 965** | **148 875 823** | **8.01 %** | | |

## Note 8. Securities portfolio as of 31.12.2008 (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** | | | | | | | | | |
| Pfizer Inc | 8 681 047 | 1 060 471 554 | 17.71 | USD | 1 076 035 655 | 15 564 101 | 5.32 % | 0.13 % | New York |
| Richter Gedeon Nyrt | 245 598 | 270 919 436 | 28 400.00 | HUF | 256 330 633 | -14 588 804 | 1.27 % | 1.32 % | Budapest |
| Eisai Co Ltd | 521 500 | 115 371 541 | 3 700.00 | JPY | 148 604 293 | 33 232 752 | 0.73 % | 0.18 % | Tokyo |
| Richter Gedeon Nyrt ADR | 89 800 | 46 341 537 | 149.50 | USD | 93 962 275 | 47 620 738 | 0.46 % | 0.48 % | London Int. |
| Yuhan Corporation | 55 302 | 23 824 140 | 220 000.00 | KRW | 67 280 386 | 43 456 246 | 0.33 % | 0.55 % | Seoul |
| LG Life Sciences Ltd | 243 900 | 46 906 098 | 39 800.00 | KRW | 53 680 927 | 6 774 829 | 0.27 % | 1.47 % | Seoul |
| Neurosearch A/S | 137 500 | 29 440 321 | 136.00 | DKK | 24 470 820 | -4 969 501 | 0.12 % | 0.87 % | Copenhagen |
| Biovitrum AB | 577 850 | 37 055 341 | 43.60 | SEK | 22 385 100 | -14 670 241 | 0.11 % | 1.25 % | Stockholm |
| **Total Health Care** | | **1 630 329 969** | | | **1 742 750 089** | **112 420 120** | **8.62 %** | | |
| **Financials** | | | | | | | | | |
| Cheung Kong Holdings Ltd | 11 706 383 | 892 084 604 | 73.30 | HKD | 774 930 128 | -117 154 476 | 3.83 % | 0.51 % | Hong Kong |
| Hannover Rueckversicherung AG | 1 732 592 | 344 792 790 | 22.50 | EUR | 379 892 453 | 35 099 664 | 1.88 % | 1.44 % | Frankfurt |
| Osaka Securities Exchange Co | 7 735 | 129 858 199 | 396 000.00 | JPY | 235 901 566 | 106 043 367 | 1.17 % | 2.86 % | Tokyo |
| Kinnevik Investment AB-B | 2 519 301 | 101 808 570 | 63.00 | SEK | 141 019 133 | 39 210 563 | 0.70 % | 1.17 % | Stockholm |
| Societe Fonciere. Financiere Et De Participations (FFP) | 615 222 | 282 203 341 | 23.20 | EUR | 139 091 851 | -143 111 491 | 0.69 % | 2.42 % | Paris |
| Japan Securities Finance Co | 4 058 275 | 238 659 351 | 429.00 | JPY | 134 083 113 | -104 576 238 | 0.66 % | 4.33 % | Tokyo |
| Banco Do Estado Rio Grande Do Sul Pref | 7 781 255 | 122 070 355 | 5.60 | BRL | 131 792 672 | 9 722 317 | 0.65 % | 3.89 % | Sao Paulo |
| Asya Katilim Bankasi AS | 24 199 975 | 211 986 292 | 1.16 | TRY | 127 601 144 | -84 385 148 | 0.63 % | 2.69 % | Istanbul |
| Aberdeen Asset Management Plc | 9 394 503 | 75 186 391 | 1.19 | GBP | 113 813 558 | 38 627 168 | 0.56 % | 1.30 % | London |
| Albaraka Turk Katilim Bankasi AS | 11 743 144 | 275 508 699 | 2.10 | TRY | 112 094 768 | -163 413 930 | 0.55 % | 4.36 % | Istanbul |
| Haci Omer Sabanci Holding AS | 6 920 350 | 122 549 096 | 3.50 | TRY | 110 097 578 | -12 451 518 | 0.54 % | 0.38 % | Istanbul |
| Korean Reinsurance Co | 1 397 665 | 21 528 477 | 10 800.00 | KRW | 83 474 144 | 61 945 667 | 0.41 % | 1.23 % | Seoul |
| Banco Do Brasil SA | 1 837 520 | 74 619 831 | 14.50 | BRL | 80 584 899 | 5 965 068 | 0.40 % | 0.07 % | Sao Paulo |
| Irsa SA GDR | 2 209 671 | 184 543 875 | 4.33 | USD | 66 950 095 | -117 593 781 | 0.33 % | 3.82 % | New York |
| Yapi Ve Kredi Bankasi AS GDR | 2 536 427 | 42 546 508 | 1.37 | USD | 24 320 860 | -18 225 648 | 0.12 % | 0.34 % | London Int. |
| TAG Tegernsee Immobilien AG | 1 241 600 | 95 936 731 | 1.99 | EUR | 24 077 790 | -71 858 941 | 0.12 % | 3.81 % | Frankfurt |
| Aberdeen Asset Management Plc Pref | 557 | 6 648 625 | 1 230.00 | GBP | 6 945 645 | 297 020 | 0.03 % | 0.74 % | London |
| Yapi Ve Kredi Bankasi AS | 500 000 | 4 231 736 | 2.10 | TRY | 4 772 775 | 541 039 | 0.02 % | 0.01 % | Istanbul |
| **Total Financials** | | **3 226 763 472** | | | **2 691 444 174** | **-535 319 298** | **13.31 %** | | |
| **Information Technology** | | | | | | | | | |
| Samsung Electronics Co Ltd Pref | 634 820 | 1 483 729 549 | 260 000.00 | KRW | 912 744 196 | -570 985 353 | 4.51 % | 2.78 % | Seoul |
| Kyocera Corp | 1 435 900 | 780 475 171 | 6 380.00 | JPY | 705 537 650 | -74 937 521 | 3.49 % | 0.75 % | Tokyo |
| Samsung Electronics Co Ltd GDR | 205 916 | 173 226 467 | 175.00 | USD | 252 211 065 | 78 984 598 | 1.25 % | 0.07 % | London Int. |
| Hewlett-Packard Co | 684 520 | 121 918 793 | 36.29 | USD | 173 863 774 | 51 944 981 | 0.86 % | 0.03 % | New York |
| Samsung Electronics Co Ltd Pref GDR | 146 059 | 147 852 562 | 105.25 | USD | 107 593 596 | -40 258 967 | 0.53 % | 0.32 % | London Int. |
| Kyocera Corp ADR | 56 354 | 44 054 768 | 72.37 | USD | 28 544 295 | -15 510 473 | 0.14 % | 0.03 % | New York |
| Travelsky Technology Ltd | 5 062 000 | 15 888 335 | 3.40 | HKD | 15 543 073 | -345 261 | 0.08 % | 0.81 % | Hong Kong |
| Proact IT Group AB | 240 220 | 9 299 795 | 30.00 | SEK | 6 403 064 | -2 896 731 | 0.03 % | 2.34 % | Stockholm |
| **Total Information Technology** | | **2 776 445 440** | | | **2 202 440 712** | **-574 004 727** | **10.89 %** | | |
| **Telecom** | | | | | | | | | |
| Bharti Airtel Ltd | 3 738 262 | 312 023 186 | 715.50 | INR | 385 160 610 | 73 137 424 | 1.90 % | 0.20 % | National India |
| Total Access Telecommunication Plc | 49 674 500 | 153 544 211 | 32.00 | THB | 320 301 176 | 166 756 965 | 1.58 % | 2.10 % | Bangkok |
| PT Indosat Tbk ADR | 1 617 766 | 238 908 437 | 25.85 | USD | 292 692 938 | 53 784 501 | 1.45 % | 1.49 % | New York |
| Magyar Telekom Plc | 9 640 677 | 288 058 512 | 537.00 | HUF | 190 256 350 | -97 802 162 | 0.94 % | 0.92 % | Budapest |
| Telekomunikasi Indonesia Tbk ADR | 807 160 | 56 253 691 | 25.01 | USD | 141 289 314 | 85 035 623 | 0.70 % | 0.16 % | New York |
| Pakistan Telecom Co Ltd GDR | 29 500 | 9 323 239 | 21.35 | USD | 4 408 145 | -4 915 094 | 0.02 % | 0.06 % | OTC |
| **Total Telecom** | | **1 058 111 277** | | | **1 334 108 535** | **275 997 258** | **6.60 %** | | |
| **Utilities** | | | | | | | | | |
| Centrais Eletricas Brasileiras SA Pref | 11 342 177 | 627 932 669 | 24.30 | BRL | 833 597 268 | 205 664 600 | 4.12 % | 4.99 % | Sao Paulo |
| Calpine Corp | 6 470 249 | 492 251 809 | 7.28 | USD | 329 676 786 | -162 575 024 | 1.63 % | 1.51 % | New York |
| Centrais Eletricas Brasileiras SA | 3 202 482 | 290 571 533 | 25.89 | BRL | 250 768 127 | -39 803 406 | 1.24 % | 0.35 % | Sao Paulo |
| **Total Utilities** | | **1 410 756 011** | | | **1 414 042 181** | **3 286 170** | **6.99 %** | | |
| **Total Equity Portfolio*** | | **22 684 886 383** | | | **19 729 998 745** | **-2 954 887 638** | **97.58 %** | | |
| Base price as of 31.12.2008 | | 550.3927 | | | | | | | |

* For liquidity in the portfolio as of 31.12.2008, please refer to the balance sheet.

# SKAGEN Kon-Tiki

## Note 8. Securities portfolio as of 31.12.2008 (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 | 6 914 300 | 1 288 493 024 | 15.98 | USD | 773 323 107 | -515 169 917 | 6.37 % | 4.00 % | New York |
| Petroleo Brasileiro Pref ADR | 2 000 000 | 232 367 491 | 20.41 | USD | 285 699 180 | 53 331 689 | 2.36 % | 0.11 % | New York |
| Tullow Oil Plc | 4 000 000 | 224 534 513 | 6.59 | GBP | 267 440 440 | 42 905 927 | 2.20 % | 0.55 % | London |
| Seadrill Ltd | 4 500 000 | 306 822 138 | 55.10 | NOK | 247 950 000 | -58 872 138 | 2.04 % | 1.13 % | Oslo |
| Polski Koncern Naftowy Orlen SA | 3 500 000 | 385 360 798 | 25.73 | PLN | 212 394 717 | -172 966 081 | 1.75 % | 0.82 % | Warsaw |
| China Oilfield Services Ltd | 19 932 000 | 50 861 307 | 6.25 | HKD | 112 503 682 | 61 642 376 | 0.93 % | 1.30 % | Hong Kong |
| Seawell Ltd | 1 989 200 | 35 618 850 | 6.50 | NOK | 12 929 800 | -22 689 050 | 0.11 % | 1.81 % | Unlisted |
| **Total Energy** | | **2 524 058 122** | | | **1 912 240 927** | **-611 817 194** | **15.76 %** | | |
| **Raw Materials** | | | | | | | | | |
| Cia Vale Do Rio Del Doce Pref ADR | 5 084 000 | 360 219 988 | 10.65 | USD | 378 958 055 | 18 738 067 | 3.12 % | 0.24 % | New York |
| First Quantum Minerals Ltd | 780 700 | 309 796 669 | 17.61 | CAD | 78 329 954 | -231 466 715 | 0.65 % | 1.14 % | Toronto |
| Ridge Mining Plc | 7 300 000 | 44 681 334 | 0.33 | GBP | 24 422 442 | -20 258 892 | 0.20 % | 7.93 % | London |
| Northland Resources Inc | 4 532 000 | 89 829 588 | 3.00 | NOK | 13 596 000 | -76 233 588 | 0.11 % | 5.52 % | Oslo |
| **Total Raw Materials** | | **804 527 580** | | | **495 306 451** | **-309 221 129** | **4.08 %** | | |
| **Industrials** | | | | | | | | | |
| Harbin Power Equipment Co Ltd | 45 000 000 | 478 168 697 | 6.41 | HKD | 260 499 195 | -217 669 502 | 2.15 % | 6.66 % | Hong Kong |
| Hitachi Ltd | 4 696 000 | 182 127 750 | 345.00 | JPY | 124 773 542 | -57 354 208 | 1.03 % | 0.14 % | Tokyo |
| Enka Insaat Ve Sanayi AS | 5 000 000 | 108 234 298 | 5.25 | TRY | 119 319 375 | 11 085 077 | 0.98 % | 0.42 % | Istanbul |
| LG Corp Pref | 808 430 | 118 266 161 | 16 250.00 | KRW | 72 647 541 | -45 618 620 | 0.60 % | 24.39 % | Seoul |
| Barloworld Ltd | 1 597 456 | 142 901 850 | 41.79 | ZAR | 49 467 446 | -93 434 405 | 0.41 % | 0.70 % | Johannesburg |
| Alarko Holding AS | 6 522 263 | 91 069 130 | 1.66 | TRY | 49 213 931 | -41 855 199 | 0.41 % | 3.02 % | Istanbul |
| Toyo Kanetsu K K | 3 000 000 | 33 275 059 | 177.00 | JPY | 40 894 965 | 7 619 906 | 0.34 % | 2.16 % | Tokyo |
| Tekfen Holding AS | 3 048 262 | 80 112 973 | 2.92 | TRY | 40 459 155 | -39 653 818 | 0.33 % | 1.03 % | Istanbul |
| Norwegian Air Shuttle ASA | 1 000 000 | 30 000 000 | 36.90 | NOK | 36 900 000 | 6 900 000 | 0.30 % | 3.09 % | Oslo |
| Thai Airways Intl Pcl-For | 15 079 700 | 62 549 392 | 7.75 | THB | 23 548 837 | -39 000 555 | 0.19 % | 0.89 % | Bangkok |
| Shipping Corp of India Ltd | 1 500 000 | 29 373 843 | 79.60 | INR | 17 193 600 | -12 180 243 | 0.14 % | 0.35 % | National India |
| Golden Ocean Group Ltd | 3 560 000 | 27 800 478 | 4.48 | NOK | 15 948 800 | -11 851 678 | 0.13 % | 1.29 % | Oslo |
| Freeworld Coatings Ltd | 1 330 166 | 13 388 436 | 6.50 | ZAR | 6 406 745 | -6 981 692 | 0.05 % | 0.65 % | Johannesburg |
| Kuribayashi Steamship Co Ltd | 300 000 | 6 010 011 | 212.00 | JPY | 4 898 154 | -1 111 857 | 0.04 % | 2.35 % | Tokyo |
| Mariupol Heavy Machinebuilding Plant GDR | 280 660 | 18 308 843 | 1.84 | USD | 3 614 384 | -14 694 459 | 0.03 % | 1.82 % | Frankfurt |
| Green Reefers ASA | 2 646 237 | 13 143 162 | 0.99 | NOK | 2 619 775 | -10 523 387 | 0.02 % | 1.04 % | Oslo |
| **Total Industrials** | | **1 434 730 084** | | | **868 405 443** | **-566 324 641** | **7.16 %** | | |
| **Consumer Discretionary** | | | | | | | | | |
| LG Electronics Inc Pref | 2 700 000 | 745 225 331 | 32 650.00 | KRW | 487 497 151 | -257 728 180 | 4.02 % | 15.71 % | Seoul |
| Mahindra & Mahindra Ltd GDR | 3 409 484 | 104 508 375 | 5.70 | USD | 136 018 978 | 31 510 602 | 1.12 % | 1.32 % | London Int. |
| Shangri-La Asia Ltd | 10 000 812 | 78 460 725 | 8.91 | HKD | 80 472 744 | 2 012 019 | 0.66 % | 0.35 % | Hong Kong |
| Great Wall Motor Co Ltd | 16 000 000 | 34 062 309 | 2.70 | HKD | 39 013 920 | 4 951 611 | 0.32 % | 3.87 % | Hong Kong |
| China Travel Intl Inv HK | 20 000 000 | 35 573 223 | 1.51 | HKD | 27 273 620 | -8 299 603 | 0.22 % | 0.35 % | Hong Kong |
| Mitra Adiperkasa Tbk Pt | 49 105 500 | 21 274 860 | 360.00 | IDR | 11 352 021 | -9 922 839 | 0.09 % | 2.96 % | Jakarta |
| China Ting Group Hldgs Ltd | 17 792 000 | 37 213 002 | 0.53 | HKD | 8 516 016 | -28 696 986 | 0.07 % | 0.85 % | Hong Kong |
| Convenience Retail Asia Ltd | 2 998 000 | 4 952 595 | 1.89 | HKD | 5 117 163 | 164 568 | 0.04 % | 0.41 % | Hong Kong |
| **Total Consumer Discretionary** | | **1 061 270 420** | | | **795 261 613** | **-266 008 807** | **6.56 %** | | |
| **Consumer Staples** | | | | | | | | | |
| Pivovarna Lasko | 486 634 | 134 202 097 | 48.00 | EUR | 227 627 920 | 93 425 823 | 1.88 % | 5.67 % | Ljubljana |
| Yazicilar Holding AS | 8 019 501 | 186 453 945 | 4.90 | TRY | 178 617 945 | -7 836 000 | 1.47 % | 5.01 % | Istanbul |
| Podravka Prehrambena Ind Dd | 343 915 | 94 590 357 | 260.71 | HRK | 118 443 607 | 23 853 250 | 0.98 % | 6.35 % | Zagreb |
| PZ Cussons Plc | 4 834 982 | 80 019 862 | 1.63 | GBP | 79 897 787 | -122 074 | 0.66 % | 1.13 % | London Int. |
| Efes Breweries International NV GDR | 2 325 020 | 154 563 017 | 4.50 | USD | 73 227 667 | -81 335 350 | 0.60 % | 5.50 % | London Int. |
| Marine Harvest ASA | 46 136 000 | 157 675 644 | 1.05 | NOK | 48 442 800 | -109 232 844 | 0.40 % | 1.33 % | Oslo |
| Shoprite Holdings Ltd | 1 004 942 | 18 408 807 | 53.00 | ZAR | 39 467 087 | 21 058 280 | 0.33 % | 0.18 % | Johannesburg |
| East African Breweries Ltd | 1 718 900 | 20 581 630 | 144.00 | KES | 22 177 935 | 1 596 305 | 0.18 % | 0.22 % | Nairobi |
| United Intl Enterprises | 60 000 | 8 509 583 | 238.00 | DKK | 18 686 808 | 10 177 225 | 0.15 % | 1.17 % | Copenhagen |
| X 5 Retail Group NV GDR | 221 611 | 6 981 621 | 8.60 | USD | 13 339 076 | 6 357 455 | 0.11 % | 0.08 % | London Int. |
| Royal Unibrew A/S | 55 775 | 20 781 780 | 118.50 | DKK | 8 648 979 | -12 132 801 | 0.07 % | 1.00 % | Copenhagen |
| Lighthouse Caledonia ASA | 1 423 000 | 8 273 638 | 0.01 | NOK | 14 230 | -8 259 408 | 0.00 % | 4.09 % | Oslo Axess |
| **Total Consumer Staples** | | **891 041 980** | | | **828 591 843** | **-62 450 138** | **6.83 %** | | |

## Note 8. Securities portfolio as of 31.12.2008 (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 | 456 181 | 517 395 642 | 28 400.00 | HUF | 476 116 110 | -41 279 533 | 3.92 % | 2.45 % | Budapest |
| Hanmi Pharm Co Ltd | 325 487 | 100 508 781 | 108 500.00 | KRW | 195 294 068 | 94 785 287 | 1.61 % | 3.57 % | Seoul |
| China Shineway Pharmaceutical | 23 000 000 | 84 123 908 | 4.36 | HKD | 90 562 868 | 6 438 960 | 0.75 % | 2.78 % | Hong Kong |
| Eis Eczacibasi Ilac Ve Sanayi | 21 600 000 | 147 052 388 | 0.89 | TRY | 87 382 692 | -59 669 696 | 0.72 % | 3.94 % | Istanbul |
| Richter Gedeon Nyrt ADR | 38 790 | 26 496 379 | 149.50 | USD | 40 587 936 | 14 091 557 | 0.33 % | 0.21 % | London Int. |
| Eczacibasi Yatirim Holding | 3 436 363 | 39 761 208 | 2.18 | TRY | 34 051 574 | -5 709 635 | 0.28 % | 4.91 % | Istanbul |
| Yuyu Pharma Incorporated | 302 070 | 37 810 734 | 6 700.00 | KRW | 11 191 996 | -26 618 738 | 0.09 % | 5.18 % | Seoul |
| **Total Health Care** | | **953 149 040** | | | **935 187 243** | **-17 961 797** | **7.71 %** | | |
| **Financials** | | | | | | | | | |
| Banco Nossa Caixa SA | 2 950 000 | 331 939 239 | 68.20 | BRL | 608 499 155 | 276 559 916 | 5.02 % | 2.76 % | Sao Paulo |
| Banco Do Estado Rio Grande Do Sul Pref | 22 603 100 | 372 744 047 | 5.60 | BRL | 382 833 225 | 10 089 178 | 3.16 % | 11.30 % | Sao Paulo |
| Standard Chartered Plc | 2 800 000 | 255 030 770 | 8.75 | GBP | 248 381 000 | -6 649 770 | 2.05 % | 0.15 % | London |
| Haci Omer Sabanci Holding AS | 14 900 000 | 270 290 442 | 3.50 | TRY | 237 047 825 | -33 242 617 | 1.95 % | 0.83 % | Istanbul |
| A.F.P. Provida SA ADR | 1 450 031 | 284 133 958 | 13.52 | USD | 137 211 329 | -146 922 629 | 1.13 % | 6.56 % | New York |
| Mbk Development Plc | 10 000 000 | 108 590 242 | 49.50 | THB | 99 742 500 | -8 847 742 | 0.82 % | 5.30 % | Bangkok |
| Polaris Securities Co Ltd | 35 096 641 | 83 936 887 | 11.55 | TWD | 86 545 684 | 2 608 797 | 0.71 % | 1.64 % | Taipei |
| Kiwoom Securities Co Ltd | 400 000 | 43 623 672 | 38 500.00 | KRW | 85 162 000 | 41 538 328 | 0.70 % | 2.06 % | Seoul |
| Korean Reinsurance Co | 1 352 520 | 18 632 127 | 10 800.00 | KRW | 80 777 905 | 62 145 778 | 0.67 % | 1.19 % | Seoul |
| KGI Securities Co Ltd | 35 000 000 | 84 755 262 | 10.60 | TWD | 79 208 500 | -5 546 762 | 0.65 % | 1.38 % | Taipei |
| Aberdeen Asset Management Plc | 6 500 000 | 56 052 464 | 1.19 | GBP | 78 746 915 | 22 694 451 | 0.65 % | 0.90 % | London |
| Ghana Commercial Bank Ltd | 10 349 700 | 58 341 806 | 1.14 | GHS | 64 922 116 | 6 580 310 | 0.54 % | 6.27 % | Ghana |
| Kim Eng Holdings Ltd | 12 015 000 | 89 838 235 | 1.08 | SGD | 62 967 010 | -26 871 224 | 0.52 % | 2.00 % | Singapore |
| Nordnet AB | 7 911 456 | 109 862 828 | 8.60 | SEK | 60 452 226 | -49 410 602 | 0.50 % | 4.79 % | Stockholm |
| Asya Katilim Bankasi AS | 8 000 000 | 62 911 889 | 1.16 | TRY | 42 182 240 | -20 729 649 | 0.35 % | 0.89 % | Istanbul |
| Yapi Ve Kredi Bankasi AS | 3 284 218 | 28 674 946 | 1.37 | USD | 31 491 151 | 2 816 205 | 0.26 % | 0.44 % | London Int. |
| JSE Limited | 1 080 000 | 29 073 237 | 36.60 | ZAR | 29 290 248 | 217 011 | 0.24 % | 1.27 % | Johannesburg |
| Trimegah Securities Tbk Pt | 350 000 000 | 50 389 802 | 117.00 | IDR | 26 296 288 | -24 093 514 | 0.22 % | 9.58 % | Jakarta |
| Diamond Bank Plc | 770 000 | 50 319 700 | 4.00 | USD | 21 556 920 | -28 762 780 | 0.18 % | 0.53 % | London Int. |
| Aksigorta AS | 1 092 270 | 10 783 755 | 2.86 | TRY | 14 199 652 | 3 415 897 | 0.12 % | 0.36 % | Istanbul |
| Aberdeen Asset Management Plc Pref | 939 | 11 208 364 | 1 230.00 | GBP | 11 709 086 | 500 722 | 0.10 % | 1.25 % | London |
| Graphisoft Park SE | 266 016 | 4 654 796 | 559.00 | HUF | 5 464 833 | 810 037 | 0.05 % | 2.50 % | Budapest |
| **Total Financials** | | **2 415 788 469** | | | **2 494 687 810** | **78 899 341** | **20.56 %** | | |
| **Information Technology** | | | | | | | | | |
| Samsung Electronics Co Ltd Pref | 415 000 | 1 096 555 657 | 260 000.00 | KRW | 596 687 001 | -499 868 656 | 4.92 % | 1.82 % | Seoul |
| Samsung Electronics Co Ltd Pref GDR | 465 050 | 450 726 979 | 105.25 | USD | 342 576 641 | -108 150 338 | 2.82 % | 1.02 % | London Int. |
| Satyam Computer Services Ltd | 4 500 000 | 199 639 269 | 170.80 | INR | 110 678 400 | -88 960 869 | 0.91 % | 0.67 % | Bombay |
| Ericsson Nikola Tesla | 24 603 | 28 293 831 | 1 210.57 | HRK | 39 344 207 | 11 050 376 | 0.32 % | 1.85 % | Zagreb |
| **Total Information Technology** | | **1 775 215 736** | | | **1 089 286 249** | **-685 929 487** | **8.98 %** | | |
| **Telecom** | | | | | | | | | |
| PT Indosat Tbk ADR | 4 287 717 | 779 788 413 | 25.85 | USD | 775 751 554 | -4 036 859 | 6.39 % | 3.95 % | New York |
| Bharti Airtel Ltd | 5 000 000 | 415 473 311 | 715.50 | INR | 515 160 000 | 99 686 689 | 4.25 % | 0.26 % | National India |
| Sistema JSFC GDR | 6 359 781 | 595 938 784 | 5.50 | USD | 244 816 590 | -351 122 194 | 2.02 % | 1.32 % | London Int. |
| Total Access Telecommunication Plc | 15 933 600 | 36 013 612 | 32.00 | THB | 102 739 853 | 66 726 241 | 0.85 % | 0.67 % | Bangkok |
| Safaricom Ltd | 60 000 000 | 27 459 254 | 3.60 | KES | 19 353 600 | -8 105 654 | 0.16 % | 0.15 % | Nairobi |
| **Total Telecom** | | **1 854 673 374** | | | **1 657 821 596** | **-196 851 778** | **13.67 %** | | |
| **Utilities** | | | | | | | | | |
| Centrais Eletricas Brasileiras SA Pref | 12 645 700 | 723 603 791 | 24.30 | BRL | 929 400 147 | 205 796 357 | 7.66 % | 5.57 % | Sao Paulo |
| Centrais Eletricas Brasileiras SA | 1 000 000 | 74 919 541 | 25.89 | BRL | 78 304 305 | 3 384 764 | 0.65 % | 0.11 % | Sao Paulo |
| **Total Utilities** | | **798 523 331** | | | **1 007 704 452** | **209 181 121** | **8.31 %** | | |
| **Total Equity Portfolio*** | | **14 512 978 136** | | | **12 084 493 628** | **-2 428 484 509** | **99.61 %** | | |

Base price as of 31.12.2008 288.3044

* For liquidity in the portfolio as of 31.12.2008, please refer to the balance sheet.

# SKAGEN Høyrente

## Note 8. Securities portfolio as of 31.12.2008 (in NOK)

| Security | Maturity | Coupon | Interest adjustment point | Face value | Cost price | Yield*** | Duration** | Market price | Accrued interest | Market value | Market value incl. accrued interest | Unrealised gain/loss | Share of fund | Risk-class **** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **FLOATING RATE SECURITIES** | | | | | | | | | | | | | | |
| **Financial Bonds** | | | | | | | | | | | | | | |
| Fana Sparebank | 27.03.2009 | 4.20 | 27.03.2009 | 50 000 000 | 49 998 500 | 4.34 | 0.23 | 100.04 | 11 667 | 50 020 650 | 50 032 317 | 22 150 | 1.08 % | 5 |
| Sparebanken Hedmark | 06.02.2009 | 6.53 | 06.02.2009 | 20 000 000 | 19 966 600 | 4.74 | 0.10 | 100.19 | 199 528 | 20 037 960 | 20 237 488 | 71 360 | 0.44 % | 5 |
| Haugesund Sparebank | 23.01.2009 | 6.80 | 23.01.2009 | 27 000 000 | 26 985 690 | 4.89 | 0.07 | 100.15 | 351 900 | 27 040 149 | 27 392 049 | 54 459 | 0.59 % | 5 |
| Kredittforeningen for Sparebanker | 09.03.2009 | 4.89 | 09.03.2009 | 43 000 000 | 42 917 225 | 4.46 | 0.18 | 100.18 | 128 498 | 43 076 067 | 43 204 565 | 158 842 | 0.93 % | 5 |
| Sparebank 1 SMN | 16.11.2009 | 6.35 | 16.02.2009 | 10 000 000 | 9 979 100 | 6.80 | 0.13 | 99.88 | 77 611 | 9 987 830 | 10 065 441 | 8 730 | 0.22 % | 5 |
| Sparebanken Pluss | 17.06.2009 | 4.73 | 18.03.2009 | 138 000 000 | 137 866 200 | 4.69 | 0.45 | 99.97 | 253 843 | 137 955 978 | 138 209 821 | 89 778 | 2.98 % | 5 |
| Rørosbanken Røros Sparebank | 17.02.2009 | 6.34 | 17.02.2009 | 10 000 000 | 9 988 600 | 4.80 | 0.13 | 100.26 | 77 489 | 10 025 780 | 10 103 269 | 37 180 | 0.22 % | 5 |
| Søgne og Greipstad Sparebank | 16.02.2009 | 6.04 | 16.02.2009 | 20 000 000 | 19 994 640 | 4.81 | 0.13 | 100.25 | 157 711 | 20 049 060 | 20 206 771 | 54 420 | 0.44 % | 5 |
| Sparebanken Sør | 14.12.2009 | 4.17 | 15.06.2009 | 15 000 000 | 14 904 750 | 4.54 | 0.92 | 99.70 | 27 800 | 14 954 370 | 14 982 170 | 49 620 | 0.32 % | 5 |
| Sparebanken Telemark | 20.01.2009 | 6.47 | 20.01.2009 | 39 000 000 | 38 961 780 | 4.93 | 0.06 | 100.11 | 504 660 | 39 041 496 | 39 546 156 | 79 716 | 0.85 % | 5 |
| Sparebank 1 Hallingdal | 20.04.2009 | 6.59 | 19.01.2009 | 55 000 000 | 54 945 500 | 6.78 | 0.29 | 100.04 | 724 900 | 55 021 670 | 55 746 570 | 76 170 | 1.20 % | 5 |
| Sparebanken Møre | 20.02.2009 | 6.49 | 20.02.2009 | 20 500 000 | 20 509 460 | 4.61 | 0.14 | 100.23 | 151 523 | 20 547 273 | 20 698 796 | 37 813 | 0.45 % | 5 |
| Sparebank 1 Nord-Norge | 28.09.2009 | 4.22 | 30.03.2009 | 9 000 000 | 8 983 260 | 4.77 | 0.23 | 99.84 | 2 110 | 8 985 951 | 8 988 061 | 2 691 | 0.19 % | 5 |
| Sparebank 1 Nord-Norge | 31.08.2009 | 6.82 | 27.02.2009 | 50 000 000 | 49 989 650 | 6.79 | 0.65 | 100.12 | 1 231 389 | 50 062 100 | 51 293 489 | 72 450 | 1.08 % | 5 |
| Swedbank AB | 18.05.2009 | 6.27 | 18.02.2009 | 15 000 000 | 14 976 900 | 6.07 | 0.37 | 100.19 | 112 337 | 15 028 320 | 15 140 657 | 51 420 | 0.33 % | 5 |
| Sparebanken Volda Ørsta | 09.11.2009 | 6.48 | 09.02.2009 | 50 000 000 | 49 585 000 | 7.28 | 0.11 | 99.60 | 459 000 | 49 801 850 | 50 260 850 | 216 850 | 1.08 % | 5 |
| **Industrial Bonds** | | | | | | | | | | | | | | |
| BKK | 15.09.2009 | 4.88 | 16.03.2009 | 30 000 000 | 29 529 100 | 5.03 | 0.20 | 100.02 | 65 067 | 30 007 410 | 30 072 477 | 478 310 | 0.65 % | 6 |
| DOF Subsea ASA | 28.08.2009 | 8.30 | 27.02.2009 | 25 000 000 | 25 000 000 | 15.79 | 0.15 | 96.35 | 190 208 | 24 088 225 | 24 278 433 | -911 775 | 0.52 % | 6 |
| E-Co Energi AS | 22.06.2009 | 4.09 | 23.03.2009 | 60 000 000 | 59 899 800 | 4.50 | 0.46 | 99.94 | 61 350 | 59 962 260 | 60 023 610 | 62 460 | 1.29 % | 6 |
| Kongsberg Gruppen ASA | 17.06.2009 | 5.34 | 18.03.2009 | 31 000 000 | 31 094 300 | 5.05 | 0.45 | 100.09 | 64 377 | 31 028 427 | 31 092 804 | -65 873 | 0.67 % | 6 |
| Norgesgruppen ASA | 23.03.2009 | 4.54 | 23.03.2009 | 102 000 000 | 102 321 753 | 4.45 | 0.22 | 100.11 | 115 770 | 102 113 832 | 102 229 602 | -207 921 | 2.20 % | 6 |
| Rieber & Søn ASA | 26.06.2009 | 4.13 | 26.03.2009 | 10 000 000 | 9 969 000 | 4.97 | 0.47 | 99.76 | 2 294 | 9 975 860 | 9 978 154 | 6 860 | 0.21 % | 6 |
| Seadrill Ltd | 23.01.2009 | 7.99 | 23.01.2009 | 9 000 000 | 9 001 107 | 6.36 | 0.06 | 100.13 | 137 827 | 9 012 069 | 9 149 896 | 10 962 | 0.20 % | 6 |
| Thon Holding AS | 02.03.2009 | 6.03 | 02.03.2009 | 30 000 000 | 29 924 830 | 4.47 | 0.17 | 100.27 | 150 750 | 30 080 790 | 30 231 540 | 155 960 | 0.65 % | 6 |
| **Industry Certificates** | | | | | | | | | | | | | | |
| Seadrill Ltd | 30.09.2009 | 6.64 | 30.03.2009 | 160 000 000 | 159 550 000 | 15.37 | - | 97.36 | 29 511 | 155 780 000 | 155 809 511 | -3 770 000 | 3.36 % | 6 |
| **Financial Certificates** | | | | | | | | | | | | | | |
| Bank 1 Oslo AS | 10.06.2009 | 5.00 | 10.03.2009 | 65 000 000 | 64 957 000 | 4.99 | 0.43 | 100.09 | 189 583 | 65 060 905 | 65 250 488 | 103 905 | 1.41 % | 5 |
| Halden Sparebank | 02.06.2009 | 6.33 | 02.03.2009 | 20 000 000 | 19 992 000 | 5.81 | 0.41 | 100.17 | 101 983 | 20 033 720 | 20 135 703 | 41 720 | 0.43 % | 5 |
| Sparebanken Hedmark | 18.09.2009 | 5.09 | 18.03.2009 | 75 000 000 | 75 000 000 | 4.60 | 0.21 | 99.99 | 137 854 | 74 994 900 | 75 132 754 | -5 100 | 1.62 % | 5 |
| Kredittforeningen for Sparebanker | 01.10.2009 | 7.79 | 02.01.2009 | 20 000 000 | 19 908 000 | 8.78 | 0.01 | 99.74 | 393 828 | 19 948 740 | 20 342 568 | 40 740 | 0.44 % | 5 |
| Sparebanken Pluss | 18.09.2009 | 5.09 | 18.03.2009 | 50 000 000 | 49 947 500 | 4.60 | 0.21 | 99.99 | 91 903 | 49 996 600 | 50 088 503 | 49 100 | 1.08 % | 5 |
| Sparebanken Sør | 02.02.2009 | 6.70 | 02.02.2009 | 99 000 000 | 98 884 865 | 4.82 | 0.09 | 100.19 | 1 068 650 | 99 188 100 | 100 256 750 | 303 235 | 2.16 % | 5 |
| Sparebank 1 Boligkreditt AS | 23.02.2009 | 6.30 | 23.02.2009 | 100 000 000 | 100 000 000 | 4.58 | 0.15 | 100.22 | 700 000 | 100 219 900 | 100 919 900 | 219 900 | 2.17 % | 5 |
| Sparebank 1 Nord-Norge | 18.09.2009 | 5.09 | 18.03.2009 | 125 000 000 | 124 674 600 | 4.60 | 0.21 | 99.99 | 229 757 | 124 991 500 | 125 221 257 | 316 900 | 2.70 % | 5 |
| Sparebanken Vest | 02.02.2009 | 6.70 | 02.02.2009 | 50 000 000 | 49 902 500 | 4.82 | 0.09 | 100.19 | 539 722 | 50 095 000 | 50 634 722 | 192 500 | 1.09 % | 5 |
| Swedbank AB | 10.07.2009 | 7.03 | 12.01.2009 | 50 000 000 | 49 938 500 | 7.96 | 0.03 | 99.93 | 800 639 | 49 966 250 | 50 766 889 | 27 750 | 1.09 % | 5 |
| Swedbank AB | 08.05.2009 | 6.56 | 09.02.2009 | 7 000 000 | 7 000 000 | 6.28 | 0.34 | 100.19 | 65 053 | 7 013 090 | 7 078 143 | 13 090 | 0.15 % | 5 |
| **Power Generation Certificates** | | | | | | | | | | | | | | |
| Agder Energi AS | 30.03.2009 | 4.26 | 30.03.2009 | 169 000 000 | 168 877 750 | 8.37 | 0.24 | 99.99 | 19 998 | 168 989 353 | 169 009 351 | 111 603 | 3.64 % | 6 |
| Agder Energi AS | 15.06.2009 | 4.98 | 16.03.2009 | 21 500 000 | 21 520 382 | 4.76 | 0.44 | 100.18 | 47 587 | 21 538 377 | 21 585 964 | 17 995 | 0.46 % | 6 |
| Hafslund ASA | 01.10.2009 | 8.89 | 02.01.2009 | 75 000 000 | 75 000 000 | 9.00 | 0.01 | 100.37 | 1 685 396 | 75 278 475 | 76 963 871 | 278 475 | 1.66 % | 6 |
| Hafslund ASA | 06.04.2009 | 8.43 | 05.01.2009 | 230 000 000 | 230 853 460 | 8.03 | 0.26 | 100.13 | 4 631 817 | 230 289 570 | 234 921 387 | -563 890 | 5.06 % | 6 |
| Sogn og Fjordane Energi AS | 03.08.2009 | 6.80 | 02.02.2009 | 20 000 000 | 19 948 200 | 7.31 | 0.09 | 99.94 | 219 111 | 19 988 780 | 20 207 891 | 40 580 | 0.44 % | 6 |
| Statkraft AS | 17.06.2009 | 5.01 | 18.03.2009 | 238 500 000 | 238 818 872 | 4.76 | 0.45 | 100.07 | 464 677 | 238 658 841 | 239 123 518 | -160 031 | 5.15 % | 6 |
| Troms Kraft AS | 17.06.2009 | 4.99 | 18.03.2009 | 25 000 000 | 25 010 000 | 4.84 | 0.45 | 100.02 | 48 514 | 25 005 225 | 25 053 739 | -4 775 | 0.54 % | 6 |

## Note 8. Securities portfolio as of 31.12.2008 (in NOK)

| Security | Maturity | Coupon | Interest adjustment point | Face value | Cost price | Yield*** | Duration** | Market price | Accrued interest | Market value | Market value incl. accrued interest | Unrealised gain/loss | Share of fund | Risk-class **** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **FIXED RATE SECURITIES** | | | | | | | | | | | | | | |
| **Financial Bonds** | | | | | | | | | | | | | | |
| Sparebanken Vest | 17.06.2009 | 5.00 | | 21 000 000 | 21 050 550 | 4.04 | 0.45 | 100.40 | 566 712 | 21 083 769 | 21 650 481 | 33 219 | 0.47 % | 5 |
| **Industrial Certificates** | | | | | | | | | | | | | | |
| Entra Eiendom AS | 10.03.2009 | 6.94 | | 30 000 000 | 30 000 000 | 4.53 | 0.19 | 100.45 | 1 186 455 | 30 133 650 | 31 320 105 | 133 650 | 0.67 % | 6 |
| Entra Eiendom AS | 12.02.2009 | 5.97 | | 25 000 000 | 24 798 975 | 4.52 | 0.12 | 100.12 | 1 320 760 | 25 030 000 | 26 350 760 | 231 025 | 0.57 % | 6 |
| Nortura BA | 16.02.2009 | 7.14 | | 50 000 000 | 50 146 500 | 4.53 | 0.13 | 100.30 | 1 349 753 | 50 149 250 | 51 499 003 | 2 750 | 1.11 % | 6 |
| Olav Thon Eiendomsselskap ASA | 09.03.2009 | 7.15 | | 70 000 000 | 69 995 740 | 4.36 | 0.18 | 100.53 | 1 549 493 | 70 368 480 | 71 917 973 | 372 740 | 1.55 % | 6 |
| Posten Norge AS | 23.02.2009 | 6.50 | | 100 000 000 | 99 996 000 | 4.34 | 0.15 | 100.30 | 712 329 | 100 295 900 | 101 008 229 | 299 900 | 2.18 % | 6 |
| Thon Holding AS | 04.02.2009 | 7.15 | | 20 000 000 | 20 000 000 | 4.32 | 0.10 | 100.24 | 223 315 | 20 048 040 | 20 271 355 | 48 040 | 0.44 % | 6 |
| Telenor ASA | 19.02.2009 | 6.88 | | 57 000 000 | 57 132 200 | 4.34 | 0.14 | 100.30 | 2 428 169 | 57 172 197 | 59 600 366 | 39 997 | 1.28 % | 6 |
| Wilh. Wilhelmsen ASA | 16.02.2009 | 6.90 | | 85 000 000 | 84 956 200 | 4.70 | 0.13 | 100.23 | 3 711 822 | 85 199 325 | 88 911 147 | 243 125 | 1.91 % | 6 |
| Wilh. Wilhelmsen ASA | 11.05.2009 | 7.30 | | 120 000 000 | 120 052 000 | 4.89 | 0.35 | 100.87 | 1 200 000 | 121 041 840 | 122 241 840 | 989 840 | 2.63 % | 6 |
| Yara International ASA | 15.05.2009 | 7.15 | | 70 000 000 | 70 090 660 | 4.46 | 0.36 | 100.97 | 1 892 301 | 70 678 930 | 72 571 231 | 588 270 | 1.56 % | 6 |
| Yara International ASA | 27.02.2009 | 7.20 | | 30 000 000 | 29 994 660 | 4.53 | 0.16 | 100.39 | 733 808 | 30 116 490 | 30 850 298 | 121 830 | 0.66 % | 6 |
| **Financial Certificates** | | | | | | | | | | | | | | |
| Sparebanken Bien AS | 09.01.2009 | 6.17 | | 18 000 000 | 18 000 000 | 4.36 | 0.03 | 100.02 | 1 083 215 | 18 003 204 | 19 086 419 | 3 204 | 0.41 % | 5 |
| DnB Nor Bank ASA | 28.01.2009 | 6.56 | | 75 000 000 | 74 808 750 | 4.20 | 0.08 | 100.16 | 3 329 425 | 75 116 925 | 78 446 350 | 308 175 | 1.69 % | 5 |
| Gjensidige Bank ASA | 16.01.2009 | 5.95 | | 20 000 000 | 19 989 660 | 4.31 | 0.05 | 100.04 | 1 134 575 | 20 008 880 | 21 143 455 | 19 220 | 0.46 % | 5 |
| Haltdalen Sparebank | 23.01.2009 | 6.20 | | 5 000 000 | 5 000 000 | 4.36 | 0.07 | 100.09 | 291 315 | 5 004 310 | 5 295 625 | 4 310 | 0.11 % | 5 |
| Meldal Sparebank | 15.04.2009 | 6.65 | | 5 000 000 | 4 991 500 | 4.37 | 0.28 | 100.61 | 235 027 | 5 030 540 | 5 265 567 | 39 040 | 0.11 % | 5 |
| Modum Sparebank | 14.04.2009 | 7.05 | | 25 000 000 | 24 973 825 | 4.37 | 0.28 | 100.74 | 820 890 | 25 184 050 | 26 004 940 | 210 225 | 0.56 % | 5 |
| Sparebanken Møre | 04.02.2009 | 6.85 | | 100 000 000 | 99 990 000 | 4.21 | 0.10 | 100.22 | 2 214 521 | 100 217 700 | 102 432 221 | 227 700 | 2.21 % | 5 |
| Sparebank 1 SR-Bank | 22.07.2009 | 7.12 | | 75 000 000 | 75 322 500 | 3.95 | 0.54 | 101.69 | 2 370 082 | 76 266 675 | 78 636 757 | 944 175 | 1.69 % | 5 |
| **Power Generation Certificates** | | | | | | | | | | | | | | |
| BKK | 02.07.2009 | 7.17 | | 25 000 000 | 24 997 750 | 3.95 | 0.49 | 101.54 | 893 795 | 25 385 900 | 26 279 695 | 388 150 | 0.57 % | 5 |
| BKK | 13.08.2009 | 7.05 | | 25 000 000 | 24 984 850 | 3.81 | 0.60 | 101.91 | 676 027 | 25 477 025 | 26 153 052 | 492 175 | 0.56 % | 5 |
| BKK | 18.09.2009 | 7.07 | | 100 000 000 | 100 000 000 | 3.72 | 0.69 | 102.29 | 2 014 466 | 102 287 400 | 104 301 866 | 2 287 400 | 2.25 % | 6 |
| Hafslund ASA | 20.02.2009 | 7.15 | | 50 000 000 | 49 997 550 | 4.34 | 0.14 | 100.36 | 1 302 671 | 50 178 050 | 51 480 721 | 180 500 | 1.11 % | 5 |
| Hafslund ASA | 25.03.2009 | 7.55 | | 50 000 000 | 49 988 500 | 4.37 | 0.23 | 100.74 | 1 003 219 | 50 371 400 | 51 374 619 | 382 900 | 1.11 % | 6 |
| Lyse Energi AS | 12.06.2009 | 7.25 | | 120 000 000 | 120 510 100 | 4.03 | 0.43 | 101.37 | 4 810 822 | 121 639 080 | 126 449 902 | 1 128 980 | 2.71 % | 5 |
| Statkraft AS | 31.03.2009 | 7.20 | | 58 000 000 | 58 199 050 | 4.31 | 0.24 | 100.68 | 2 105 162 | 58 396 836 | 60 501 998 | 197 786 | 1.30 % | 5 |
| Statkraft AS | 05.03.2009 | 7.05 | | 100 000 000 | 100 180 850 | 4.37 | 0.17 | 100.48 | 2 259 863 | 100 475 700 | 102 735 563 | 294 850 | 2.21 % | 5 |
| Sunnhordland Kraftlag AS | 16.01.2009 | 5.96 | | 20 000 000 | 19 996 400 | 4.31 | 0.05 | 100.04 | 1 136 482 | 20 008 960 | 21 145 442 | 12 560 | 0.46 % | 5 |
| Vardar AS | 28.05.2009 | 6.18 | | 50 000 000 | 49 975 000 | 4.43 | 0.39 | 100.72 | 279 370 | 50 359 700 | 50 639 070 | 384 700 | 1.09 % | 6 |
| **TOTAL EQUITY PORTFOLIO******* | | | | | **4 067 196 144** | | | | **61 561 040** | **4 075 672 909** | **4 137 233 950** | **8 476 765** | **89.04 %** | |

| **Portfolio Key Figures** | |
|---|---|
| Yield | 5.76% |
| Yield to clients* | 5.51% |
| Duration** | 0.23 |

* Yield adjusted for management fee.
** Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.
*** Yield is the average annual return of an interest bearing security until maturity.
**** 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

***** For liquidity in the portfolio as of 31.12.2008, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 31.12.2008 107.6860

NOK 282 043 826,- 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 31.12.2008 (in NOK)

| Security | Maturity | Coupon | Interest adjustment point | Face value | Cost price | Yield*** | Duration** | Market price | Accrued interest | Market value | Market value incl. accrued interest | Unrealised gain/loss | Share of fund | Risk-class **** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **FLOATING RATE SECURITIES** | | | | | | | | | | | | | | |
| **Financial Bonds** | | | | | | | | | | | | | | |
| Sparebanken Bien AS | 01.04.2011 | 8.19 | 02.01.2009 | 10 000 000 | 9 898 000 | 10.66 | 0.01 | 96.85 | 207 025 | 9 685 100 | 9 892 125 | -212 900 | 0.36 % | 5 |
| Bolig- og Næringskreditt ASA | 21.04.2009 | 7.02 | 21.01.2009 | 64 000 000 | 63 060 480 | 6.90 | 0.27 | 98.67 | 886 080 | 63 148 800 | 64 034 880 | 88 320 | 2.34 % | 5 |
| Fana Sparebank | 27.03.2009 | 4.20 | 27.03.2009 | 20 000 000 | 19 999 400 | 4.34 | 0.23 | 100.04 | 4 667 | 20 008 260 | 20 012 927 | 8 860 | 0.73 % | 5 |
| Flekkefjord Sparebank | 15.04.2010 | 7.84 | 15.01.2009 | 10 000 000 | 10 000 000 | 7.82 | 0.04 | 99.30 | 167 689 | 9 929 910 | 10 097 599 | -70 090 | 0.37 % | 5 |
| Fornebu Sparebank | 06.05.2009 | 6.83 | 06.02.2009 | 10 000 000 | 9 998 510 | 6.41 | 0.34 | 100.17 | 104 347 | 10 016 540 | 10 120 887 | 18 030 | 0.37 % | 5 |
| Grong Sparebank | 26.11.2010 | 6.36 | 26.02.2009 | 5 000 000 | 5 000 000 | 7.98 | 0.15 | 97.52 | 30 917 | 4 876 160 | 4 907 077 | -123 840 | 0.18 % | 5 |
| Helgeland Sparebank | 23.02.2010 | 6.34 | 23.02.2009 | 5 000 000 | 4 985 750 | 6.67 | 0.15 | 99.54 | 32 581 | 4 977 075 | 5 009 656 | -8 675 | 0.18 % | 5 |
| Helgeland Sparebank | 10.05.2010 | 6.80 | 11.05.2009 | 5 000 000 | 4 992 800 | 6.87 | 0.35 | 100.20 | 48 167 | 5 009 795 | 5 057 962 | 16 995 | 0.19 % | 5 |
| Helgeland Sparebank | 15.10.2009 | 7.59 | 15.01.2009 | 20 000 000 | 19 945 840 | 7.15 | 0.04 | 99.84 | 324 683 | 19 967 800 | 20 292 483 | 21 960 | 0.74 % | 5 |
| Hønefoss Sparebank | 02.03.2011 | 6.88 | 02.03.2009 | 12 000 000 | 11 976 000 | 8.06 | 0.16 | 97.86 | 66 507 | 11 743 620 | 11 810 127 | -232 380 | 0.43 % | 5 |
| Hønefoss Sparebank | 03.04.2009 | 8.04 | 05.01.2009 | 15 000 000 | 14 990 500 | 8.35 | 0.25 | 99.95 | 298 150 | 14 991 810 | 15 289 960 | 1 310 | 0.56 % | 5 |
| Hønefoss Sparebank | 04.09.2009 | 5.92 | 05.03.2009 | 15 000 000 | 15 000 000 | 5.69 | 0.17 | 99.97 | 64 133 | 14 996 205 | 15 060 338 | -3 795 | 0.55 % | 5 |
| Høland Sparebank | 19.01.2010 | 6.54 | 19.01.2009 | 10 000 000 | 9 959 000 | 7.71 | 0.06 | 99.19 | 130 800 | 9 919 160 | 10 049 960 | -39 840 | 0.37 % | 5 |
| Haugesund Sparebank | 23.01.2009 | 6.80 | 23.01.2009 | 10 000 000 | 9 992 900 | 4.89 | 0.07 | 100.15 | 130 333 | 10 014 870 | 10 145 203 | 21 970 | 0.37 % | 5 |
| Indre Sogn Sparebank | 09.02.2009 | 6.61 | 09.02.2009 | 10 000 000 | 9 995 800 | 4.88 | 0.11 | 100.22 | 93 642 | 10 022 130 | 10 115 772 | 26 330 | 0.37 % | 5 |
| Kredittforeningen for Sparebanker | 09.03.2009 | 4.89 | 09.03.2009 | 29 000 000 | 28 971 384 | 4.46 | 0.18 | 100.18 | 86 662 | 29 051 301 | 29 137 963 | 79 917 | 1.07 % | 5 |
| Kredittforeningen for Sparebanker | 22.04.2009 | 6.77 | 22.01.2009 | 60 000 000 | 60 000 000 | 6.97 | 0.30 | 100.11 | 789 833 | 60 064 920 | 60 854 753 | 64 920 | 2.23 % | 5 |
| Kredittforeningen for Sparebanker | 09.06.2010 | 4.93 | 09.03.2009 | 10 000 000 | 9 892 400 | 6.48 | 0.18 | 98.74 | 30 128 | 9 873 570 | 9 903 698 | -18 830 | 0.36 % | 5 |
| Kragerø Sparebank | 17.12.2010 | 5.29 | 17.03.2009 | 17 000 000 | 16 933 870 | 6.52 | 0.20 | 97.83 | 34 973 | 16 631 168 | 16 666 141 | -302 702 | 0.61 % | 5 |
| Kvinesdal Sparebank | 19.06.2009 | 4.05 | 23.03.2009 | 28 000 000 | 27 955 600 | 4.66 | 0.45 | 99.78 | 28 350 | 27 937 700 | 27 966 050 | -17 900 | 1.02 % | 5 |
| Kvinnherad Sparebank | 02.02.2009 | 6.88 | 02.02.2009 | 11 000 000 | 11 019 600 | 4.98 | 0.09 | 100.19 | 121 929 | 11 021 065 | 11 142 994 | 1 465 | 0.41 % | 5 |
| Larvikbanken Brunlanes Sparebank | 13.03.2009 | 4.66 | 13.03.2009 | 15 000 000 | 14 982 750 | 4.47 | 0.19 | 100.03 | 31 067 | 15 004 380 | 15 035 447 | 21 630 | 0.55 % | 5 |
| Lom og Skjåk Sparebank | 02.06.2009 | 6.03 | 02.03.2009 | 7 000 000 | 7 002 625 | 5.81 | 0.41 | 100.12 | 35 175 | 7 008 309 | 7 043 484 | 5 684 | 0.26 % | 5 |
| Sparebank 1 SMN | 16.11.2009 | 6.35 | 16.02.2009 | 10 000 000 | 9 979 100 | 6.80 | 0.13 | 99.88 | 77 611 | 9 987 830 | 10 065 441 | 8 730 | 0.37 % | 5 |
| Opdals Sparebank | 10.05.2010 | 6.52 | 10.02.2009 | 15 000 000 | 14 910 000 | 7.85 | 0.11 | 98.69 | 138 550 | 14 803 515 | 14 942 065 | -106 485 | 0.55 % | 5 |
| Sparebanken Pluss | 17.06.2009 | 4.73 | 18.03.2009 | 37 000 000 | 36 954 180 | 4.69 | 0.45 | 99.97 | 68 059 | 36 988 197 | 37 056 256 | 34 017 | 1.36 % | 5 |
| Sparebanken Pluss | 24.08.2010 | 6.21 | 24.02.2009 | 75 000 000 | 74 397 000 | 7.40 | 0.15 | 98.67 | 478 687 | 74 004 975 | 74 483 662 | -392 025 | 2.73 % | 5 |
| Sparebanken Pluss | 11.03.2011 | 5.37 | 11.03.2009 | 62 500 000 | 61 966 250 | 6.41 | 0.19 | 97.70 | 186 458 | 61 061 437 | 61 247 896 | -904 812 | 2.24 % | 5 |
| Ringerikes Sparebank | 23.09.2010 | 4.17 | 23.03.2009 | 20 000 000 | 20 000 000 | 5.80 | 0.22 | 98.27 | 18 533 | 19 653 060 | 19 671 593 | -346 940 | 0.72 % | 5 |
| Rygge Vaaler Sparebank | 30.03.2009 | 4.31 | 30.03.2009 | 10 000 000 | 9 977 000 | 8.48 | 0.24 | 99.98 | 1 197 | 9 998 140 | 9 999 337 | 21 140 | 0.37 % | 5 |
| Rygge Vaaler Sparebank | 14.09.2009 | 4.61 | 16.03.2009 | 33 000 000 | 32 828 060 | 5.08 | 0.20 | 99.67 | 67 613 | 32 889 714 | 32 957 327 | 61 654 | 1.21 % | 5 |
| Rygge Vaaler Sparebank | 29.06.2009 | 4.27 | 30.03.2009 | 30 000 000 | 29 994 900 | 4.73 | 0.48 | 99.91 | 7 117 | 29 972 160 | 29 979 277 | -22 740 | 1.10 % | 5 |
| Seljord Sparebank | 13.02.2009 | 6.25 | 13.02.2009 | 15 000 000 | 14 996 250 | 4.82 | 0.12 | 100.21 | 125 000 | 15 031 425 | 15 156 425 | 35 175 | 0.55 % | 5 |
| Søgne og Greipstad Sparebank | 16.02.2009 | 6.04 | 16.02.2009 | 29 000 000 | 28 992 493 | 4.81 | 0.13 | 100.25 | 228 681 | 29 071 137 | 29 299 818 | 78 644 | 1.07 % | 5 |
| Sparebanken Hemne | 20.01.2009 | 6.65 | 20.01.2009 | 10 000 000 | 9 997 000 | 5.01 | 0.06 | 100.11 | 133 000 | 10 011 330 | 10 144 330 | 14 330 | 0.37 % | 5 |
| Sparebanken Sør | 29.10.2010 | 6.56 | 29.01.2009 | 10 000 000 | 9 949 000 | 8.26 | 0.08 | 98.14 | 114 800 | 9 813 880 | 9 928 680 | -135 120 | 0.36 % | 5 |
| Sparebank 1 Hallingdal | 20.04.2009 | 6.59 | 19.01.2009 | 20 000 000 | 19 978 000 | 6.78 | 0.29 | 100.04 | 263 600 | 20 007 880 | 20 271 480 | 29 880 | 0.74 % | 5 |
| Sparebank 1 Hallingdal | 27.06.2011 | 4.88 | 27.03.2009 | 15 000 000 | 15 000 000 | 6.53 | 0.23 | 97.37 | 4 067 | 14 605 695 | 14 609 762 | -394 305 | 0.53 % | 5 |
| Sparebanken Hardanger | 18.01.2010 | 6.83 | 19.01.2009 | 20 000 000 | 20 000 000 | 7.71 | 0.05 | 99.36 | 284 583 | 19 872 320 | 20 156 903 | -127 680 | 0.74 % | 5 |
| Sparebanken Møre | 20.02.2009 | 6.49 | 20.02.2009 | 5 000 000 | 5 013 185 | 4.61 | 0.14 | 100.23 | 36 957 | 5 011 530 | 5 048 487 | -1 655 | 0.18 % | 5 |
| Sparebanken Møre | 21.09.2009 | 3.96 | 23.03.2009 | 15 000 000 | 14 910 750 | 4.57 | 0.22 | 99.66 | 14 850 | 14 948 430 | 14 963 280 | 37 680 | 0.55 % | 5 |
| Sparebanken Møre | 26.08.2011 | 6.83 | 26.08.2011 | 33 000 000 | 32 967 000 | 7.75 | 0.15 | 98.23 | 219 129 | 32 414 613 | 32 633 742 | -552 387 | 1.19 % | 5 |
| Sparebank 1 SMN | 03.09.2009 | 6.82 | 03.03.2009 | 10 000 000 | 10 003 200 | 6.74 | 0.65 | 100.16 | 225 439 | 10 016 020 | 10 241 459 | 12 820 | 0.37 % | 5 |
| Spar Nord Bank A/S | 30.01.2009 | 6.46 | 30.01.2009 | 25 000 000 | 24 998 900 | 5.13 | 0.08 | 100.17 | 278 139 | 25 041 400 | 25 319 539 | 42 500 | 0.93 % | 5 |
| Sparebank 1 Nord-Norge | 22.01.2010 | 6.87 | 22.01.2009 | 20 000 000 | 19 986 000 | 7.66 | 0.06 | 99.80 | 267 167 | 19 959 360 | 20 226 527 | -26 640 | 0.74 % | 5 |
| Sparebanken 1 Nord-Norge | 28.09.2009 | 4.22 | 30.03.2009 | 55 000 000 | 54 807 500 | 4.77 | 0.23 | 99.84 | 12 894 | 54 914 145 | 54 927 039 | 106 645 | 2.01 % | 5 |
| Sparebanken Øst | 24.01.2011 | 7.11 | 26.01.2009 | 10 000 000 | 9 876 000 | 8.52 | 0.07 | 97.78 | 316 000 | 9 777 980 | 10 093 980 | -98 020 | 0.37 % | 5 |
| Sparebanken Telemark | 29.03.2010 | 4.10 | 30.03.2009 | 10 000 000 | 9 970 000 | 5.50 | 0.24 | 98.72 | 2 278 | 9 872 130 | 9 874 408 | -97 870 | 0.36 % | 5 |
| Stadsbygd Sparebank | 27.01.2009 | 7.31 | 27.01.2009 | 14 000 000 | 14 013 300 | 4.85 | 0.08 | 100.16 | 184 781 | 14 022 386 | 14 207 167 | 9 086 | 0.52 % | 5 |
| Surnadal Sparebank | 29.10.2010 | 6.67 | 29.01.2009 | 15 000 000 | 14 991 000 | 8.75 | 0.08 | 97.60 | 175 087 | 14 640 180 | 14 815 267 | -350 820 | 0.54 % | 5 |
| Sparebank 1 Buskerud-Vestfold | 19.06.2009 | 4.72 | 19.03.2009 | 15 000 000 | 14 997 000 | 4.61 | 0.45 | 99.83 | 23 600 | 14 974 725 | 14 998 325 | -22 275 | 0.55 % | 5 |
| Sparebank 1 Buskerud-Vestfold | 23.09.2009 | 4.09 | 23.03.2009 | 20 000 000 | 19 910 000 | 4.93 | 0.22 | 99.75 | 18 178 | 19 950 220 | 19 968 398 | 40 220 | 0.73 % | 5 |
| Swedbank AB | 18.05.2009 | 6.27 | 18.02.2009 | 10 000 000 | 9 990 000 | 6.07 | 0.37 | 100.19 | 74 892 | 10 018 880 | 10 093 772 | 28 880 | 0.37 % | 5 |
| Sparebanken Volda Ørsta | 22.05.2009 | 6.34 | 23.02.2009 | 15 000 000 | 14 960 250 | 5.79 | 0.38 | 100.12 | 97 742 | 15 017 895 | 15 115 637 | 57 645 | 0.55 % | 5 |
| Sparebanken Volda Ørsta | 09.11.2009 | 6.48 | 09.02.2009 | 25 000 000 | 24 785 500 | 7.28 | 0.11 | 99.60 | 229 500 | 24 900 925 | 25 130 425 | 115 425 | 0.92 % | 5 |
| **Financial Certificates** | | | | | | | | | | | | | | |
| Bank 1 Oslo AS | 10.06.2009 | 5.00 | 10.03.2009 | 26 000 000 | 25 991 650 | 4.99 | 0.43 | 100.09 | 75 833 | 26 024 362 | 26 100 195 | 32 712 | 0.96 % | 5 |
| Halden Sparebank | 02.06.2009 | 6.33 | 02.03.2009 | 15 000 000 | 14 997 750 | 5.81 | 0.41 | 100.17 | 76 487 | 15 025 290 | 15 101 777 | 27 540 | 0.55 % | 5 |
| Sparebanken Hedmark | 18.09.2009 | 5.09 | 18.03.2009 | 25 000 000 | 25 000 000 | 4.60 | 0.21 | 99.99 | 45 951 | 24 998 300 | 25 044 251 | -1 700 | 0.92 % | 5 |
| Helgeland Sparebank | 01.09.2009 | 6.31 | 02.03.2009 | 10 000 000 | 9 988 250 | 6.48 | 0.16 | 100.20 | 52 583 | 10 019 900 | 10 072 483 | 31 650 | 0.37 % | 5 |
| Harstad Sparebank | 02.03.2009 | 6.12 | 02.03.2009 | 10 000 000 | 10 024 000 | 4.50 | 0.17 | 100.28 | 51 000 | 10 027 880 | 10 078 880 | 3 880 | 0.37 % | 5 |
| Kredittforeningen for Sparebanker | 01.10.2009 | 7.79 | 02.01.2009 | 17 000 000 | 16 939 720 | 8.78 | 0.01 | 99.74 | 334 754 | 16 956 429 | 17 291 183 | 16 709 | 0.63 % | 5 |
| Sparebanken Pluss | 18.09.2009 | 5.09 | 18.03.2009 | 25 000 000 | 24 973 750 | 4.60 | 0.21 | 99.99 | 45 951 | 24 998 300 | 25 044 251 | 24 550 | 0.92 % | 5 |
| Sparebanken Pluss | 22.12.2009 | 3.98 | 23.03.2009 | 30 000 000 | 29 808 000 | 4.84 | 0.22 | 99.46 | 36 483 | 29 838 120 | 29 874 603 | 30 120 | 1.09 % | 5 |
| Sparebank 1 SMN | 15.07.2009 | 7.41 | 15.01.2009 | 12 000 000 | 12 001 680 | 6.81 | 0.04 | 99.97 | 190 190 | 11 995 872 | 12 186 062 | -5 808 | 0.45 % | 5 |
| Sparebanken Sør | 05.05.2010 | 7.03 | 05.02.2009 | 20 000 000 | 19 661 000 | 7.77 | 0.10 | 99.28 | 218 711 | 19 856 280 | 20 074 991 | 195 280 | 0.73 % | 5 |
| Sparebank 1 SMN | 22.03.2010 | 4.39 | 23.03.2009 | 38 000 000 | 37 977 200 | 5.06 | 0.22 | 99.58 | 41 705 | 37 839 184 | 37 880 889 | -138 016 | 1.39 % | 5 |
| Sparebank 1 SMN | 24.01.2011 | 7.05 | 26.01.2009 | 10 000 000 | 9 971 000 | 8.39 | 0.07 | 97.70 | 133 167 | 9 770 460 | 9 903 627 | -200 540 | 0.36 % | 5 |
| Sparebank 1 Nord-Norge | 18.09.2009 | 5.09 | 18.03.2009 | 25 000 000 | 24 892 500 | 4.60 | 0.21 | 99.99 | 45 951 | 24 998 300 | 25 044 251 | 105 800 | 0.92 % | 5 |
| Spydeberg Sparebank | 13.05.2009 | 6.41 | 13.02.2009 | 17 000 000 | 17 000 000 | 6.21 | 0.35 | 100.18 | 145 293 | 17 031 212 | 17 176 505 | 31 212 | 0.63 % | 5 |
| Fornebu Sparebank | 11.01.2010 | 7.05 | 12.01.2009 | 5 000 000 | 4 985 500 | 8.71 | 0.03 | 99.24 | 77 354 | 4 962 140 | 5 039 494 | -23 360 | 0.18 % | 5 |
| Sparebanken Vest | 02.02.2009 | 6.70 | 02.02.2009 | 23 000 000 | 22 978 600 | 4.82 | 0.09 | 100.19 | 248 272 | 23 043 700 | 23 291 972 | 65 100 | 0.85 % | 5 |
| Swedbank AB | 10.07.2009 | 7.03 | 12.01.2009 | 60 000 000 | 59 957 100 | 7.96 | 0.03 | 99.93 | 960 767 | 59 959 500 | 60 920 267 | 2 400 | 2.23 % | 5 |

## Note 8. Securities portfolio as of 31.12.2008 (in NOK)

| Security | Maturity | Coupon | Interest adjustment point | Face value | Cost price | Yield*** | Duration** | Market price | Accrued interest | Market value | Market value incl. accrued interest | Unrealised gain/loss | Share of fund | Risk-class **** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **FIXED RATE SECURITIES** | | | | | | | | | | | | | | |
| **Financial Bonds** | | | | | | | | | | | | | | |
| Sparebank 1 Nord-Norge | 18.03.2009 | 7.05 | | 40 000 000 | 39 960 000 | 4.26 | 0.21 | 100.57 | 2 225 096 | 40 226 040 | 42 451 136 | 266 040 | 1.55 % | 5 |
| Sparebank 1 SR-Bank | 15.05.2009 | 5.48 | | 34 000 000 | 33 851 752 | 4.15 | 0.36 | 100.46 | 1 174 071 | 34 155 754 | 35 329 825 | 304 002 | 1.29 % | 5 |
| Sparebanken Sør | 02.11.2009 | 3.95 | | 5 000 000 | 4 992 850 | 3.84 | 0.81 | 100.06 | 31 925 | 5 003 015 | 5 034 940 | 10 165 | 0.18 % | 5 |
| Sparebanken Vest | 17.06.2009 | 5.00 | | 25 000 000 | 24 554 250 | 4.04 | 0.45 | 100.40 | 674 658 | 25 099 725 | 25 774 383 | 545 475 | 0.94 % | 5 |
| **Financial Certificates** | | | | | | | | | | | | | | |
| Askim Sparebank | 11.09.2009 | 7.20 | | 23 000 000 | 23 197 800 | 4.12 | 0.67 | 102.03 | 499 068 | 23 466 854 | 23 965 922 | 269 054 | 0.88 % | 5 |
| Sparebanken Bien AS | 09.01.2009 | 6.17 | | 18 000 000 | 18 000 000 | 4.36 | 0.03 | 100.02 | 1 083 215 | 18 003 204 | 19 086 419 | 3 204 | 0.70 % | 5 |
| Bank 1 Oslo AS | 17.04.2009 | 6.59 | | 12 000 000 | 12 062 760 | 4.23 | 0.29 | 100.65 | 558 976 | 12 077 868 | 12 636 844 | 15 108 | 0.46 % | 5 |
| DnB Nor Bank ASA | 28.01.2009 | 6.56 | | 95 000 000 | 94 752 900 | 4.20 | 0.08 | 100.16 | 4 217 271 | 95 148 105 | 99 365 376 | 395 205 | 3.64 % | 5 |
| Flekkefjord Sparebank | 22.09.2009 | 7.42 | | 10 000 000 | 10 000 000 | 4.11 | 0.70 | 102.28 | 203 288 | 10 228 080 | 10 431 368 | 228 080 | 0.38 % | 5 |
| Gjensidige Bank ASA | 16.01.2009 | 5.95 | | 20 000 000 | 19 989 660 | 4.31 | 0.05 | 100.04 | 1 134 575 | 20 008 880 | 21 143 455 | 19 220 | 0.77 % | 5 |
| Gran Sparebank | 23.01.2009 | 6.66 | | 7 000 000 | 6 999 496 | 4.36 | 0.07 | 100.12 | 321 870 | 7 008 337 | 7 330 207 | 8 841 | 0.27 % | 5 |
| Halden Sparebank | 03.03.2009 | 6.85 | | 20 000 000 | 19 992 000 | 4.39 | 0.17 | 100.41 | 791 973 | 20 082 020 | 20 873 993 | 90 020 | 0.76 % | 5 |
| Haltdalen Sparebank | 23.01.2009 | 6.20 | | 5 000 000 | 5 000 000 | 4.36 | 0.07 | 100.09 | 291 315 | 5 004 310 | 5 295 625 | 4 310 | 0.19 % | 5 |
| Sparebanken Hedmark | 24.06.2009 | 7.45 | | 10 000 000 | 10 000 000 | 4.02 | 0.47 | 101.60 | 200 027 | 10 160 090 | 10 360 117 | 160 090 | 0.38 % | 5 |
| Sparebanken Hedmark | 30.06.2009 | 7.14 | | 17 000 000 | 17 033 677 | 4.01 | 0.48 | 101.48 | 611 888 | 17 251 804 | 17 863 692 | 218 127 | 0.65 % | 5 |
| Meldal Sparebank | 15.04.2009 | 6.65 | | 10 000 000 | 9 983 000 | 4.37 | 0.28 | 100.61 | 470 055 | 10 061 080 | 10 531 135 | 78 080 | 0.39 % | 5 |
| Modum Sparebank | 14.04.2009 | 7.05 | | 50 000 000 | 49 959 425 | 4.37 | 0.28 | 100.74 | 1 641 781 | 50 368 100 | 52 009 881 | 408 675 | 1.90 % | 5 |
| Sparebanken Narvik | 08.12.2009 | 5.20 | | 30 000 000 | 29 985 300 | 4.14 | 0.90 | 100.94 | 98 301 | 30 281 640 | 30 379 941 | 296 340 | 1.11 % | 5 |
| Nesset Sparebank | 22.04.2009 | 6.96 | | 10 000 000 | 10 000 000 | 4.36 | 0.30 | 100.75 | 482 433 | 10 074 910 | 10 557 343 | 74 910 | 0.39 % | 5 |
| Nøtterø Sparebank | 26.05.2009 | 7.00 | | 50 000 000 | 49 934 000 | 4.29 | 0.39 | 101.06 | 1 217 808 | 50 530 900 | 51 748 708 | 596 900 | 1.89 % | 5 |
| Rørosbanken Røros Sparebank | 04.03.2009 | 6.23 | | 10 000 000 | 10 000 000 | 4.39 | 0.17 | 100.30 | 515 468 | 10 029 820 | 10 545 288 | 29 820 | 0.39 % | 5 |
| Storebrand Bank ASA | 14.01.2009 | 6.10 | | 15 000 000 | 14 998 590 | 4.31 | 0.04 | 100.04 | 882 411 | 15 006 195 | 15 888 606 | 7 605 | 0.58 % | 5 |
| Sparebanken Sør | 05.01.2009 | 6.35 | | 10 000 000 | 9 998 550 | 4.20 | 0.02 | 100.01 | 473 205 | 10 000 550 | 10 473 755 | 2 000 | 0.38 % | 5 |
| Sparebanken Sør | 17.06.2009 | 5.80 | | 50 000 000 | 50 310 000 | 4.04 | 0.45 | 100.76 | 1 565 205 | 50 377 700 | 51 942 905 | 67 700 | 1.90 % | 5 |
| Sparebanken Hardanger | 15.09.2009 | 7.20 | | 25 000 000 | 25 000 000 | 4.11 | 0.68 | 102.06 | 527 671 | 25 516 225 | 26 043 896 | 516 225 | 0.95 % | 5 |
| Sparebanken Møre | 03.03.2009 | 6.45 | | 40 000 000 | 39 998 040 | 4.25 | 0.17 | 100.39 | 197 918 | 40 156 040 | 40 353 958 | 158 000 | 1.48 % | 5 |
| Sparebanken Møre | 09.06.2009 | 7.05 | | 75 000 000 | 75 193 750 | 4.07 | 0.43 | 101.27 | 1 636 952 | 75 950 100 | 77 587 052 | 756 350 | 2.84 % | 5 |
| Sparebanken Øst | 11.09.2009 | 7.19 | | 25 000 000 | 25 000 000 | 3.87 | 0.68 | 102.20 | 541 712 | 25 549 450 | 26 091 162 | 549 450 | 0.95 % | 5 |
| Sparebank 1 SR-Bank | 13.02.2009 | 5.90 | | 20 000 000 | 19 960 000 | 4.23 | 0.12 | 100.15 | 1 037 753 | 20 030 760 | 21 068 513 | 70 760 | 0.77 % | 5 |
| Sparebank 1 SR-Bank | 20.02.2009 | 6.05 | | 10 000 000 | 9 996 220 | 4.24 | 0.14 | 100.20 | 522 123 | 10 020 340 | 10 542 463 | 24 120 | 0.39 % | 5 |
| Sparebanken Vest | 13.02.2009 | 6.00 | | 16 000 000 | 15 916 480 | 4.23 | 0.12 | 100.17 | 841 644 | 16 026 464 | 16 868 108 | 109 984 | 0.62 % | 5 |
| Sparebank 1 Buskerud-Vestfold | 08.07.2009 | 7.10 | | 40 000 000 | 40 000 000 | 4.14 | 0.50 | 101.46 | 1 369 425 | 40 583 440 | 41 952 865 | 583 440 | 1.54 % | 5 |
| Sparebank 1 Buskerud-Vestfold | 13.11.2009 | 6.30 | | 50 000 000 | 50 000 000 | 3.92 | 0.84 | 101.97 | 405 616 | 50 983 700 | 51 389 316 | 983 700 | 1.88 % | 5 |
| Swedbank AB | 28.04.2009 | 6.68 | | 20 000 000 | 20 000 000 | 4.20 | 0.32 | 100.76 | 904 088 | 20 151 340 | 21 055 428 | 151 340 | 0.77 % | 5 |
| Swedbank AB | 07.07.2009 | 7.12 | | 40 000 000 | 40 007 200 | 4.24 | 0.50 | 101.41 | 1 381 085 | 40 563 720 | 41 944 805 | 556 520 | 1.54 % | 5 |
| Terra Boligkreditt AS | 03.03.2009 | 6.27 | | 10 000 000 | 9 975 750 | 4.35 | 0.17 | 100.31 | 520 496 | 10 030 630 | 10 551 126 | 54 880 | 0.39 % | 5 |
| Terra Finans AS | 26.05.2009 | 7.80 | | 16 000 000 | 16 000 000 | 4.52 | 0.39 | 101.25 | 748 800 | 16 199 648 | 16 948 448 | 199 648 | 0.62 % | 5 |
| **TOTAL EQUITY PORTFOLIO******* | | | | | **2 432 403 177** | | | | **42 903 649** | **2 437 915 229** | **2 480 818 878** | **5 512 052** | **90.80 %** | |

| **Portfolio Key Figures** | |
|---|---|
| Yield | 5.40% |
| Yield to clients* | 5.25% |
| Duration** | 0.24 |

* Yield adjusted for management fee.
** Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.
*** Yield is the average annual return of an interest bearing security until maturity.
**** 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

***** For liquidity in the portfolio as of 31.12.2008, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 31.12.2008 106.5054

NOK 163 101 444,- 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 31.12.2008 (in SEK)

| Security | Maturity | Coupon | Interest adjustment point | Face value | Cost price | Yield*** | Duration** | Market price | Market value | Total accrued interest and unrealised gain/loss | Share of fund | Risk class **** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **FLOATING RATE SECURITIES** | | | | | | | | | | | | |
| **Industrial Bonds** | | | | | | | | | | | | |
| TeliaSonera AB | 01.10.2009 | 5.66 | 02.01.2009 | 3 000 000 | 3 001 562 | 6.07 | 0.01 | 98.87 | 2 966 100 | 7 498 | 0.55 % | 6 |
| **FIXED RATE SECURITIES** | | | | | | | | | | | | |
| **Industrial Certificates** | | | | | | | | | | | | |
| AP Fastigheter AB | 17.02.2009 | 0 | | 20 000 000 | 19 765 224 | 2.59 | 0.13 | 99.65 | 19 930 100 | 164 876 | 3.65 % | 6 |
| ASSA ABLOY Financial Services AB | 05.02.2009 | 0 | | 10 000 000 | 9 877 519 | 2.48 | 0.10 | 99.75 | 9 974 570 | 97 051 | 1.83 % | 6 |
| ASSA ABLOY Financial Services AB | 12.06.2009 | 0 | | 15 000 000 | 14 783 712 | 2.91 | 0.44 | 98.71 | 14 806 845 | 23 133 | 2.71 % | 6 |
| ASSA ABLOY Financial Services AB | 14.01.2009 | 0 | | 20 000 000 | 19 671 138 | 2.58 | 0.04 | 99.89 | 19 977 720 | 306 582 | 3.66 % | 6 |
| Autoliv AB | 14.01.2009 | 0 | | 2 000 000 | 1 987 426 | 2.68 | 0.04 | 99.88 | 1 997 684 | 10 258 | 0.37 % | 6 |
| Boliden AB | 16.01.2009 | 0 | | 20 000 000 | 19 637 685 | 2.83 | 0.05 | 99.86 | 19 972 480 | 334 795 | 3.66 % | 6 |
| Holmen AB | 19.02.2009 | 0 | | 20 000 000 | 19 763 877 | 2.56 | 0.14 | 99.64 | 19 928 060 | 164 183 | 3.65 % | 6 |
| Jernhusen AB | 30.01.2009 | 0 | | 10 000 000 | 9 941 774 | 2.33 | 0.09 | 99.80 | 9 979 800 | 38 026 | 1.83 % | 6 |
| Jernhusen AB | 18.02.2009 | 0 | | 20 000 000 | 19 771 616 | 2.42 | 0.14 | 99.67 | 19 933 320 | 161 704 | 3.65 % | 6 |
| Jernhusen AB | 11.02.2009 | 0 | | 10 000 000 | 9 955 422 | 2.51 | 0.12 | 99.70 | 9 970 120 | 14 698 | 1.83 % | 6 |
| Sandvik Treasury AB | 08.01.2009 | 0 | | 15 000 000 | 14 775 035 | 2.68 | 0.03 | 99.93 | 14 989 140 | 214 105 | 2.75 % | 6 |
| Sandvik Treasury AB | 17.04.2009 | 0 | | 10 000 000 | 9 885 765 | 3.02 | 0.29 | 99.12 | 9 911 690 | 25 925 | 1.82 % | 6 |
| SCA Finans AB | 09.02.2009 | 0 | | 15 000 000 | 14 810 125 | 2.50 | 0.11 | 99.72 | 14 957 430 | 147 304 | 2.74 % | 6 |
| SCA Finans AB | 10.02.2009 | 0 | | 8 000 000 | 7 821 666 | 2.51 | 0.11 | 99.71 | 7 976 696 | 155 030 | 1.46 % | 6 |
| SCA Finans AB | 18.06.2009 | 0 | | 7 000 000 | 6 904 942 | 2.92 | 0.46 | 98.66 | 6 906 382 | 1 440 | 1.27 % | 6 |
| Scania CV AB | 02.02.2009 | 0 | | 10 000 000 | 9 806 013 | 2.65 | 0.09 | 99.75 | 9 974 910 | 168 897 | 1.83 % | 6 |
| Scania CV AB | 20.02.2009 | 0 | | 20 000 000 | 19 777 490 | 2.73 | 0.14 | 99.61 | 19 921 800 | 144 310 | 3.65 % | 6 |
| SSAB Svenskt Stål AB | 15.01.2009 | 0 | | 17 000 000 | 16 692 824 | 2.58 | 0.05 | 99.88 | 16 979 872 | 287 048 | 3.11 % | 6 |
| SSAB Svenskt Stål AB | 24.03.2009 | 0 | | 20 000 000 | 19 687 558 | 2.92 | 0.23 | 99.33 | 19 866 500 | 178 942 | 3.64 % | 6 |
| Stena Metall Finans AB | 12.03.2009 | 0 | | 8 000 000 | 7 938 989 | 3.04 | 0.19 | 99.40 | 7 952 240 | 13 251 | 1.46 % | 6 |
| Stena Metall Finans AB | 20.04.2009 | 0 | | 12 000 000 | 11 878 137 | 3.16 | 0.30 | 99.05 | 11 886 048 | 7 911 | 2.18 % | 6 |
| Teliasonera AB | 06.02.2009 | 0 | | 10 000 000 | 9 884 766 | 2.48 | 0.10 | 99.74 | 9 973 840 | 89 074 | 1.83 % | 6 |
| Trelleborg Treasury AB | 18.02.2009 | 0 | | 20 000 000 | 19 744 181 | 2.98 | 0.14 | 99.59 | 19 918 060 | 173 879 | 3.65 % | 6 |
| Vasakronan AB | 19.01.2009 | 0 | | 15 000 000 | 14 967 278 | 2.42 | 0.06 | 99.86 | 14 979 360 | 12 082 | 2.74 % | 6 |
| **Financial Certificates** | | | | | | | | | | | | |
| Nordea Bank AB | 14.01.2009 | 0 | | 20 000 000 | 19 881 704 | 2.12 | 0.04 | 99.91 | 19 981 660 | 99 956 | 3.66 % | 5 |
| SBAB | 03.03.2009 | 0 | | 20 000 000 | 19 875 359 | 2.40 | 0.17 | 99.58 | 19 916 980 | 41 621 | 3.65 % | 5 |
| Skandinaviska Enskilda Banken AB | 27.05.2009 | 0 | | 20 000 000 | 19 558 468 | 2.50 | 0.40 | 99.00 | 19 799 500 | 241 032 | 3.63 % | 5 |
| Swedbank Hypotek AB | 09.03.2009 | 0 | | 20 000 000 | 19 889 459 | 2.32 | 0.19 | 99.56 | 19 912 100 | 22 641 | 3.65 % | 5 |
| **TOTAL EQUITY PORTFOLIO******* | | | | | **411 936 713** | | | | **415 241 007** | **3 347 252** | **76.07 %** | |

| **Portfolio key figures** | |
|---|---|
| Yield | 2.51 % |
| Yield to clients* | 2.31 % |
| Duration** | 0.12 |

* Yield adjusted for management fee.
** Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.
*** Yield is the average annual return of an interest bearing security until maturity.
**** 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

***** For liquidity in the portfolio as of 31.12.2008, please refer to the balance sheet.

All securities are traded in the Swedish market.

Unit price as of 31.12.2008 101.5832

SEK 21 057 627,- 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 31.12.2008 (in NOK)

| Security | Maturity | Coupon | Currency | Face value NOK | Cost price NOK | Yield*** | Duration** | Market price NOK | Accrued interest NOK | Market value NOK | Market value incl accrued interest NOK | Unrealised gain/loss NOK | Share of fund | Risk class **** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **FIXED RATE SECURITIES** | | | | | | | | | | | | | | |
| **Foreign Government Bonds** | | | | | | | | | | | | | | |
| Brazilian state | 10.01.2028 | 10.25 | BRL | 17 500 000 | 53 620 677 | 11.74 | 7.05 | 273.40 | 2 559 832 | 47 844 863 | 50 404 695 | -5 775 814 | 9.23 % | 3 |
| French state | 25.04.2009 | 4.00 | EUR | 6 000 000 | 48 043 839 | 1.75 | 0.31 | 986.12 | 1 609 751 | 59 167 192 | 60 776 942 | 11 123 353 | 11.13 % | 2 |
| Turkish state | 12.06.2009 | 4.50 | EUR | 14 000 000 | 116 370 135 | 1.55 | 0.45 | 992.00 | 3 414 281 | 138 879 363 | 142 293 644 | 22 509 228 | 26.05 % | 2 |
| Hungarian state | 24.11.2017 | 6.75 | HUF | 1 425 000 000 | 41 354 503 | 8.38 | 6.29 | 3.33 | 360 748 | 47 449 679 | 47 810 426 | 6 095 175 | 8.75 % | 2 |
| Mexican state | 26.12.2036 | 10.00 | MXN | 66 000 000 | 43 362 448 | 8.50 | 10.08 | 59.66 | 46 343 | 39 373 246 | 39 419 590 | -3 989 202 | 7.22 % | 3 |
| Peruvian state | 12.08.2037 | 6.90 | PEN | 10 000 000 | 16 466 326 | 7.73 | 11.06 | 205.07 | 602 388 | 20 506 828 | 21 109 216 | 4 040 502 | 3.86 % | 3 |
| Polish state | 25.10.2017 | 5.25 | PLN | 13 000 000 | 28 221 919 | 5.35 | 6.85 | 232.60 | 293 602 | 30 237 654 | 30 531 256 | 2 015 734 | 5.59 % | 2 |
| The European Investment Bank | 30.03.2016 | - | TRY | 20 000 000 | 31 561 531 | 13.37 | 6.40 | 183.51 | - | 36 701 963 | 36 701 963 | 5 140 432 | 6.72 % | 1 |
| French state inflation protected | 25.07.2040 | 1.80 | EUR | 6 000 000 | 48 964 369 | 1.97 1) | 23.53 | 940.09 | 488 035 | 59 751 084 | 60 239 120 | 10 786 715 | 11.03 % | 2 |
| US state inflation protected | 15.01.2028 | 1.75 | USD | 7 200 000 | 43 288 296 | 2.13 1) | 15.71 | 659.85 | 417 656 | 48 980 483 | 49 398 139 | 5 692 187 | 9.04 % | 3 |
| **TOTAL EQUITY PORTFOLIO******* | | | | | **471 254 042** | | | | **9 792 636** | **528 892 353** | **538 684 989** | **57 638 312** | **98.62 %** | |

| **Portfolio key figures** | |
|---|---|
| Yield | 3.91 % |
| Yield to clients* | 3.11 % |
| Duration** | 7.31 |

* Yield adjusted for management fee.
** Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.
*** Yield is the average annual return of an interest bearing security until maturity.
**** 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

***** For liquidity in the portfolio as of 31.12.2008. please refer to the balance sheet.

1) Real yield

All securities are traded in a telephone-based international market.

Unit price as of 31.12.2008 115.9369

NOK 11 385 129.- 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 FOR 2008

PRICEWATERHOUSECOOPERS

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

**Auditor's report for 2008**

We have audited the annual financial statements of the mutual funds as of 31 December, 2008, showing the following results:

| | | |
|---|---|---|
| SKAGEN Vekst | NOK | - 4 688 908 946 |
| SKAGEN Global | NOK | - 9 317 539 932 |
| SKAGEN Kon-Tiki | NOK | - 7 363 175 443 |
| SKAGEN Avkastning | NOK | - 82 536 481 |
| SKAGEN Høyrente | NOK | 376 264 445 |
| SKAGEN Høyrente Institusjon | NOK | 157 410 276 |
| SKAGEN Tellus | NOK | 90 025 175 |
| SKAGEN Krona | SEK | 16 990 811 |

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, 2008, 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, 29 January 2009
**PricewaterhouseCoopers AS**

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

# Employees get involved

**SKAGEN AS acts as a sponsor for several organisations, including SOS Children's Villages and the Children at Risk Foundation (CARF). The sponsorship agreements have generated interest, support and involvement from employees.**

### New opportunities for children at risk

We follow with excitement the progress of the important work that the Children at Risk Foundation (CARF) does for children in the deprived São Paulo area of Brazil, giving them a chance of a life outside crime. The preventive activity centre, named the Hummingbird's Nest, works to create positive role models and prevent children in the danger zone ending up on the streets. This summer three SKAGEN employees participated at the opening of the first of three planned Hummingbird Eggs, which are smaller activity centres. The employees reported on the tough living conditions, but also described the energy, joy and excitement of the children and youth who benefit from the project. CARF has created a colourful oasis that offers positive and meaningful activities. The SKAGEN contribution in 2006 more than doubled the budget for the organisation. Since then CARF has put the money to good use, and the sponsorship agreement for another EUR 205 000 in 2008 substantially strengthens the organisation's work. SKAGEN has contributed a total of around half a million euro to the organisation.

### New SKAGEN house in SOS Children's Villages

The management company, SKAGEN AS, is the main sponsor for SOS Children's Villages, and has contributed a total of around one million euro to specific projects in Estonia and Russia. This year's sponsorship totalling EUR 205 000 will be used towards constructing another house in the new children's centre being built in the city of Pskov, Russia. In September three SKAGEN employees attended the placing of the foundation stone for the centre. Previously SKAGEN has sponsored the building of three houses. In addition, the company has contributed to the running of a centre in Keila near Tallinn, and two family programmes in Keila and Narva, Estonia.

### Supporting Médecins Sans Frontières in Africa

As a Médecins Sans Frontières partner, SKAGEN AS has contributed a total of EUR 820 000. This year's contribution of EUR 205 000 will be used to strengthen the organisation's work in Africa. The need there is great, including in East Congo where half a million people are refugees in their own country. In areas such as this private and independent contributions are vital for Médecins Sans Frontières and enable them to carry out their life-saving work.

### Research, finance and science

Vitenfabrikken (science factory) opened in May 2008 in Sandnes, Norway and SKAGEN AS sponsored the planetarium. This is a unique project in Norway and aims to awaken children's interest in technology and natural science, promoting research and knowledge in an active and engaging way. The work to establish a new Masters degree programme in applied finance, and strengthen the research and finance community at the University of Stavanger, is on track. This is an initiative that SKAGEN AS has embarked upon with the rest of the financial community in the Stavanger region. SKAGEN supports the effort with EUR 770 000 over a five-year period from 2008.

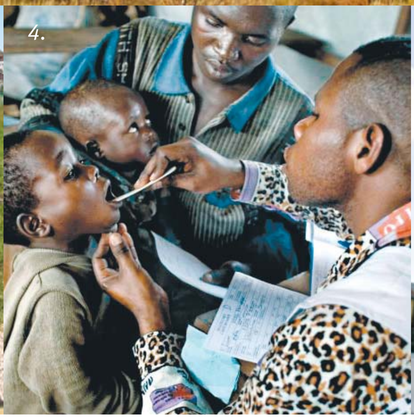
### Art, culture and history

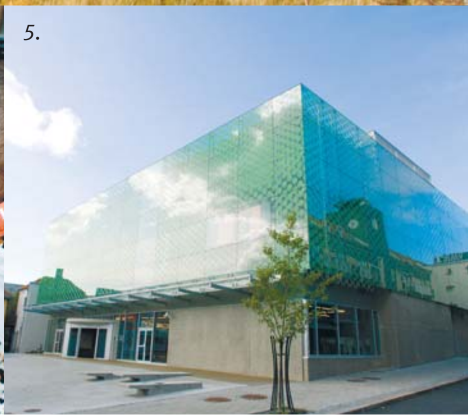
In 2008, SKAGEN AS entered into a cooperation agreement with Skagens Museum in Denmark. Through this agreement SKAGEN gets to use the famous Skagen painters in their communication material. In November the Preikestolen Fjellstue, a new mountain lodge near the Pulpit Rock, opened its doors to its first guests. SKAGEN is the main sponsor of the lodge which was built by the Stavanger Trekking Association. With its unique architecture and spectacular scenery, the lodge has already

## Milestones in SKAGEN Funds

| 1993 » | 1994 » | 1995 » | 1996 » |
|---|---|---|---|
| • Stavanger Fondsforvaltning AS was granted authorisation from The Financial Supervisory Authority of Norway to manage mutual funds<br>• The equity fund SKAGEN Vekst launched on 1 December<br>• 448 unitholders and assets under management of EUR 2.5 million | • The bond fund SKAGEN Avkastning launched on 16 September<br>• SKAGEN Vekst selected as best AMS (tax free investment scheme) fund of 22 funds | • SKAGEN Avkastning selected as the best bond fund of the year | • SKAGEN Avkastning again selected as best bond fund of the year |

| 2001 » | 2002 » | 2003 » | 2004 » |
|---|---|---|---|
| • Offices established in Bergen and Trondheim<br>• SKAGEN offers defined contribution pensions for the first time | • SKAGEN Kon-Tiki launched in April<br>• Our funds are approved for sale in Sweden and Denmark | • SKAGEN Høyrente Institusjon launched in March<br>• All three equity funds rated A by Standard & Poor's (S&P)<br>• Assets under management pass EUR 1 billion | • SKAGEN Global and SKAGEN Kon-Tiki upgraded to AA rating by S&P<br>• SKAGEN becomes Norway's 2nd biggest equity fund manager<br>• Office established in Stockholm<br>• Assets under management pass EUR 2 billion |





***1.*** *Preikestolen Fjellstue opened its doors in November. SKAGEN is the main sponsor of the building. (Photo: Odd Inge Worsøe)* ***2.*** *Marit Bjørsvik was one of three SKAGEN employees who took part in the opening of a new Hummingbird Egg by CARF.* ***3.*** *In September, three SKAGEN employees participated in the placing of the foundation stone for a new building by SOS Children's Villages in Pskov, Russia.* ***4.*** *In areas like East Congo independent contributions support Médecins Sans Frontières in their work (Photo: Espen Rasmussen)* ***5.*** *In May 2008 the Science Factory opened in Sandnes, Norway, and SKAGEN sponsored the planetarium. (Photo: Vitenfabrikken)*

been noted internationally. The official opening is the spring of 2009.

Among other contributions worth noting are those supporting the publishing of Stavanger's history. SKAGEN's contribution will mainly be to promote the history of Stavanger to children.

Other sponsorship money has gone to organisations that are involved with sports for children, and to the Church City Mission. SKAGEN has a long-term cooperation agreement with the Kon-Tiki museum for the use of the Kon-Tiki name.

| 1997 » | 1998 » | 1999 » | 2000 » |
|---|---|---|---|
| • SKAGEN Global launched in August<br>• SKAGEN Vekst selected best AMS-fund in the media<br>• Office established in Ålesund<br>• Assets under management passed EUR 100 million | • Money market fund SKAGEN Høyrente launched in September<br>• SKAGEN Vekst again best AMS-fund<br>• SKAGEN Global becomes best fund among those investing outside Norway<br>• Office established in Oslo | • SKAGEN Global is number one in its class | • Assets under management pass EUR 0.5 billion<br>• Number of unitholders increased from 48 000 to 67 000<br>• Internet subscriptions on www.skagenfondene.no |

| 2005 » | 2006 » | 2007 » | 2008 » |
|---|---|---|---|
| • SKAGEN Global upgraded to AAA rating by S&P<br>• SKAGEN is Norway's biggest equity fund manager<br>• Our funds approved for sale in Luxembourg<br>• Assets under management pass EUR 4 billion | • SKAGEN Vekst upgraded to AAA rating by S&P<br>• Our funds approved for sale in the Netherlands and Finland<br>• SKAGEN Tellus launched on 29 Sept<br>• Offices established in Tønsberg and Copenhagen<br>• SKAGEN is Norway's biggest equity fund manager and has highest net subscriptions in Sweden<br>• Assets under management pass EUR 7 billion | • Office established in Gothenburg<br>• Our funds approved for sale in Iceland and Great Britain<br>• Funds Europe Award 2007: Kristoffer Stensrud is CIO of the year<br>• Assets under management pass EUR 10 billion and number of employees pass 100 | • All three equity funds keep their AAA-rating from S&P<br>• Second highest net subscriptions in Sweden<br>• Internationalisation and increased export success<br>• De Gouden Stier 2008: SKAGEN Global best fund (public award)<br>• Subscription fees removed<br>• Assets under management fall to EUR 5.85 billion through the year, largely because of weak stock markets |

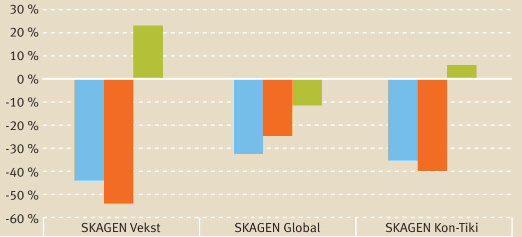
# Results and fees in 2008

Harald Haukås
Analyst

**Two of SKAGEN's equity funds lost less than their benchmark indexes in 2008, while one lost more. Unitholders have experienced losses over the year, but the total fees are low, writes analyst Harald Haukås.**

*All figures in this article are in Norwegian kroner since all fees are calculated based on assets under management and relative performance in NOK.*

RESULTS




| | SKAGEN Vekst | SKAGEN Global | SKAGEN Kon-Tiki |
|---|---|---|---|
| Returns | -44 % | -32 % | -36 % |
| Benchmark returns | -54 % | -24 % | -40 % |
| Excess value* | 22,7 % | -10,9 % | 6,2 % |
| Management fee | 1,00 % | 0,96 % | 3,01 % |

**Excess value is the difference between the return for the fund and its benchmark index. If the fund's value is 60 and the index 50, then the fund is worth 20% more than the index.*

The table above shows the returns for the equity funds compared with their respective benchmark indexes, in addition to the management fees charged in percentages.

The excess value for the funds shows how much better a fund has performed compared to its benchmark index. We see that SKAGEN Kon-Tiki and SKAGEN Vekst have a smaller loss than their respective benchmarks, while SKAGEN Global had its first calendar-year loss against the benchmark since inception. Incidentally it is the seventh year in a row (since SKAGEN Kon-Tiki was launched) that two or all three of our funds have beaten their benchmark indexes.

Despite a better relative result for SKAGEN Vekst and SKAGEN Kon-Tiki, the absolute return is the poorest in the funds' history. 2008 was in all respects a peculiar year. Going all the way back to 1825, only 1931 saw a worse return for the US S&P 500 index, which comprises the 500 largest US companies.

All SKAGEN's equity funds have a fixed and variable management fee. These are calculated daily and the fixed fee is charged quarterly, while the variable fee is deducted annually. The variable fee is only charged if the fund creates excess value, or in negative markets if the fund provides a smaller loss than the benchmark index. All three equity funds have a lower fixed fee band, which is 1 percent of the funds' average assets under management. The actual fee per unit may be more or less than 1 percent depending on subscriptions, redemptions and price developments in the fund. Neither SKAGEN Global nor SKAGEN Vekst charged a variable fee in 2008, as the funds failed either to beat their respective benchmark index (Global) or their performance metric (Vekst). SKAGEN Kon-Tiki delivered a 6.2 percentage point better performance than its benchmark, and charged a variable fee of 0.51 percent. The total fee per unit in SKAGEN Kon-Tiki was therefore 3.01 percent. Annual fees are briefly covered under the section for each fund.

### SKAGEN Vekst

SKAGEN Vekst is charged an annual fixed fee of 1 percent in addition to a variable fee of 10 percent of returns exceeding 6 percent. This fee structure assumes excess returns of more than 6 percent (which represents the risk-free interest rate) before the fund charges a variable fee and is thus an absolute model for calculating the variable fee.

The fund's returns are also measured against a benchmark index, the Oslo Stock Exchange Benchmark Index, but returns compared to the index have no impact on the variable fee.

Had the fund operated with the same fee structure as SKAGEN Global or SKAGEN Kon-Tiki, the fund management company's total fee would have been 2.83 and 4 percent respectively. This shows that the fund's fee structure has been to the unitholders' advantage in 2008. The benefit of this model is that SKAGEN only gets a variable fee when the clients have a positive return; while the disadvantage is that the fund is charged a variable fee in years when the market is good, regardless of SKAGEN Vekst creating excess returns compared to the benchmark.

### SKAGEN Global

SKAGEN Global is charged a fixed annual fee of 1 percent and a variable fee of 10 percent of the excess returns compared to the fund's benchmark index. The management company charged the fund a fee of 1 percent in 2008. In addition, the variable fee was -0.04 percent. The total cost per unit was therefore 0.96 percent.

The reason for the total fee per unit being lower than the fixed fee is that the fund beat its benchmark index and therefore had a variable fee calculated for the beginning of the year when the amount under management was high. In the second part of the year, when the assets under management were lower, the fund performed worse than the benchmark index and the fee was reversed. The effect is that the total fee was lower than the 1 percent charged to unitholders that owned the fund for the full year.

### SKAGEN Kon-Tiki

SKAGEN Kon-Tiki charges a fixed fee of 2.5 percent, with an upper and lower limit of 4 and 1 percent respectively depending on the value development compared to the benchmark. The benefit of this model is that clients are charged a lower fee if the fund is underperforming. The disadvantage is the high starting point for the fixed fee, which is a result of the demand for a symmetrical model. A symmetrical variable fee model means that the management company may lose as much as it stands to gain if a variable fee model is used. The fund's total fee was 3.01 percent in 2008, and unitholders may register that the fund's value was 6.2 percent higher than if the fund had lost the same amount as the benchmark.

# A step-by-step guide to fund transactions in Norway

*Lise Holm Jacobsen, International*

**The very fact that you are reading this report means that you have some interest in the funds offered by SKAGEN AS. But how do you go about buying the funds and what is common practice in Norway? Lise Holm Jacobsen sets out a brief overview of the Norwegian system.**

### Transactions directly in SKAGEN
SKAGEN markets a handful of its funds actively in all the Nordic countries, Luxembourg, the Netherlands and the United Kingdom. To purchase the funds you may contact SKAGEN directly in Norway by sending us a subscription form which can be downloaded from our website and by transferring the relevant amount to the funds' bank account in Norway. Each fund has its own bank account with our custodian Svenska Handelsbanken.

### Prices
The funds' prices are set in Norwegian kroner, but we also calculate the prices in euro, pound sterling, US dollars and Swiss francs. You may select your preferred currency, thus avoiding extra costs on exchange rates.

SKAGEN sets prices for its funds on every normal working day for Norwegian banks. All prices are calculated on the basis of the current day's market developments. For SKAGEN Vekst and SKAGEN Tellus, prices are calculated on the same day and are available on our website at approximately 17.45 CET under "Price & Performance". For SKAGEN Global and SKAGEN Kon-Tiki, prices are calculated the following working day and are available on our website between 11.00 and 12.00 CET. The publication dates of the prices are based on closing prices.

### VPS – CSD account in SKAGEN
The units will be registered to your own VPS account operated by SKAGEN. VPS, the Central Security Depositary in Norway is an independent organization that holds the register of units for SKAGEN.

A VPS account opened by SKAGEN can only be used for fund units in SKAGEN's products. SKAGEN executes transactions in the VPS accounts on behalf of its clients and both the establishment and use of the account are free of charge.

You will never be in contact with VPS directly, but they send you notifications of change and annual statements. The notification of change is an overview of the transactions performed by SKAGEN, including unit price, number of units, trade date and settlement date. The annual statement gives you an overview of your holdings at year end.

### "My account"
SKAGEN will send you a password for "My account" on request. This is a login page where you can monitor your holdings in our funds. It is not possible to purchase or sell via the web – you need a Norwegian bank account for this – but it does give you a good overview of your funds.

### ID
All clients must deliver a copy of their ID. Please see the article on Anti Money Laundering on page 37 for further information.

### Transactions via a distributor
There are distributors selling our funds in most of the countries where we have marketing approval. There are certain benefits to using a local distributor. You will probably have access to a web-based solution enabling you to buy and sell funds via the internet. Cash administration is handled by the distributor and you will be able to present your proof of identity directly to the distributor.

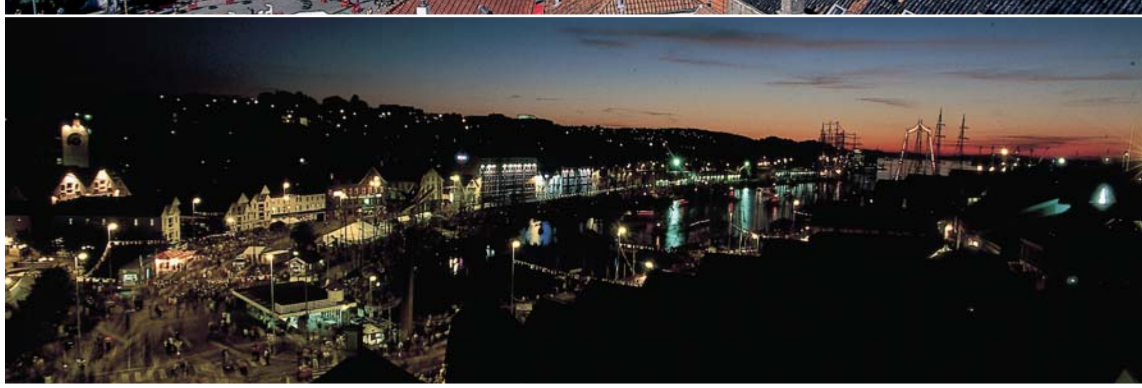
When trading through a distributor, although you are welcome to contact SKAGEN for information about the funds, we will not be able to help with technical issues regarding your investments i.e. number of units, etc. For this you will have to contact your distributor directly.

### Holding units on behalf of others
If you are a financial institution and you hold units on behalf of others you need to apply to the Norwegian Financial Supervisory Authority for nominee registration. We can provide you with the template to apply for registration and also send you a copy of the regulations. Please contact us for further information.

### Client services
SKAGEN's client service department would be more than happy to help with any further questions. Please contact us by sending an email to contact@skagenfunds.com or by calling us on + 47 51 21 38 58 between 09.00 and 17.00 CET.

Postbox 160, N-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. In other words, we shall offer the best service possible.



## 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

Circulation: 3,000
Design: Meze Design and Sandnes Trykkeri as
Graphs: Blest AS
Print: Sandnes Trykkeri as