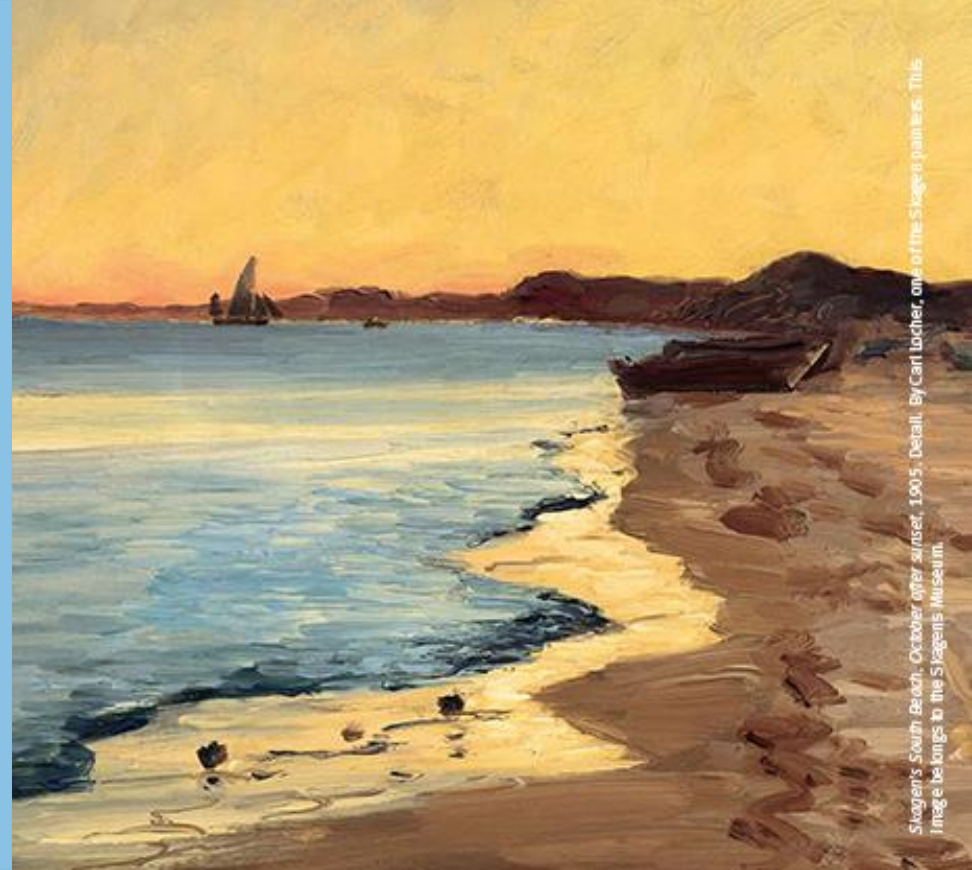




Torgeir Høien
Lead Manager



Jane Tvedt
Co-manager



Skagen's South Beach, October after sunset, 1905. Detail, by Carl Locher, one of the Skagen painters. This image belongs to the Skagens Museum.

SKAGEN Tellus

Status Report November 2015

The art of common sense



Key numbers as of 30 November 2015

- SKAGEN Tellus* was up 2.2% in EUR in November. The benchmark gained 2.6%.
- Since inception the fund has had an annualised return in EUR of 5.7% versus 5.3% for the index. Over this period, 61% of the fund's return has come from interest coupons, while bond price appreciation has contributed 24% and currency movements, including the cost of currency hedging, have contributed 15%.
- Volatility as measured by standard deviation has been 7.0% since inception. The benchmark index has had a standard deviation of 8.3%. SKAGEN Tellus' information ratio, a measure of risk-adjusted return, has been 0.1 since the fund was launched.
- The fund's yield as of 30.11.2015 was 1.6% and the fund's duration was 5 years. The benchmark index had a yield of 1.6% and a duration of 7.4 years.

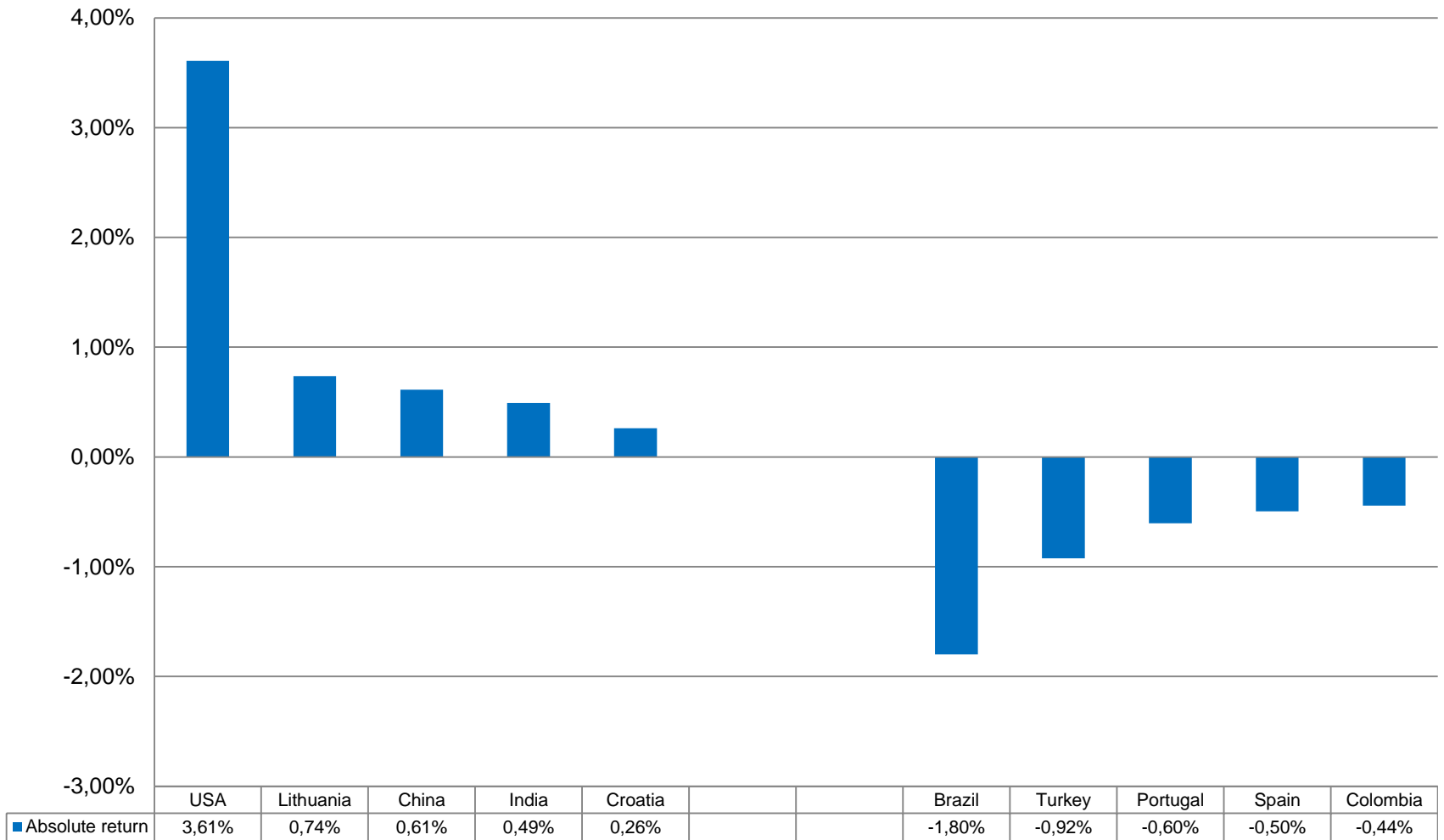
	November	QTD	YTD	1 Year	3 years	5 years	Since inception*
SKAGEN Tellus A	2,2%	3,7%	1,6%	2,6%	3,9%	4,3%	5,7%
JPM Broad GBI Unhedged	2,6%	3,6%	10,3%	13,1%	4,3%	4,1%	5,3%
Excess return	-0,4%	0,1%	-8,7%	-10,5%	-0,4%	0,2%	0,4%

Inception date: 29/09/2006

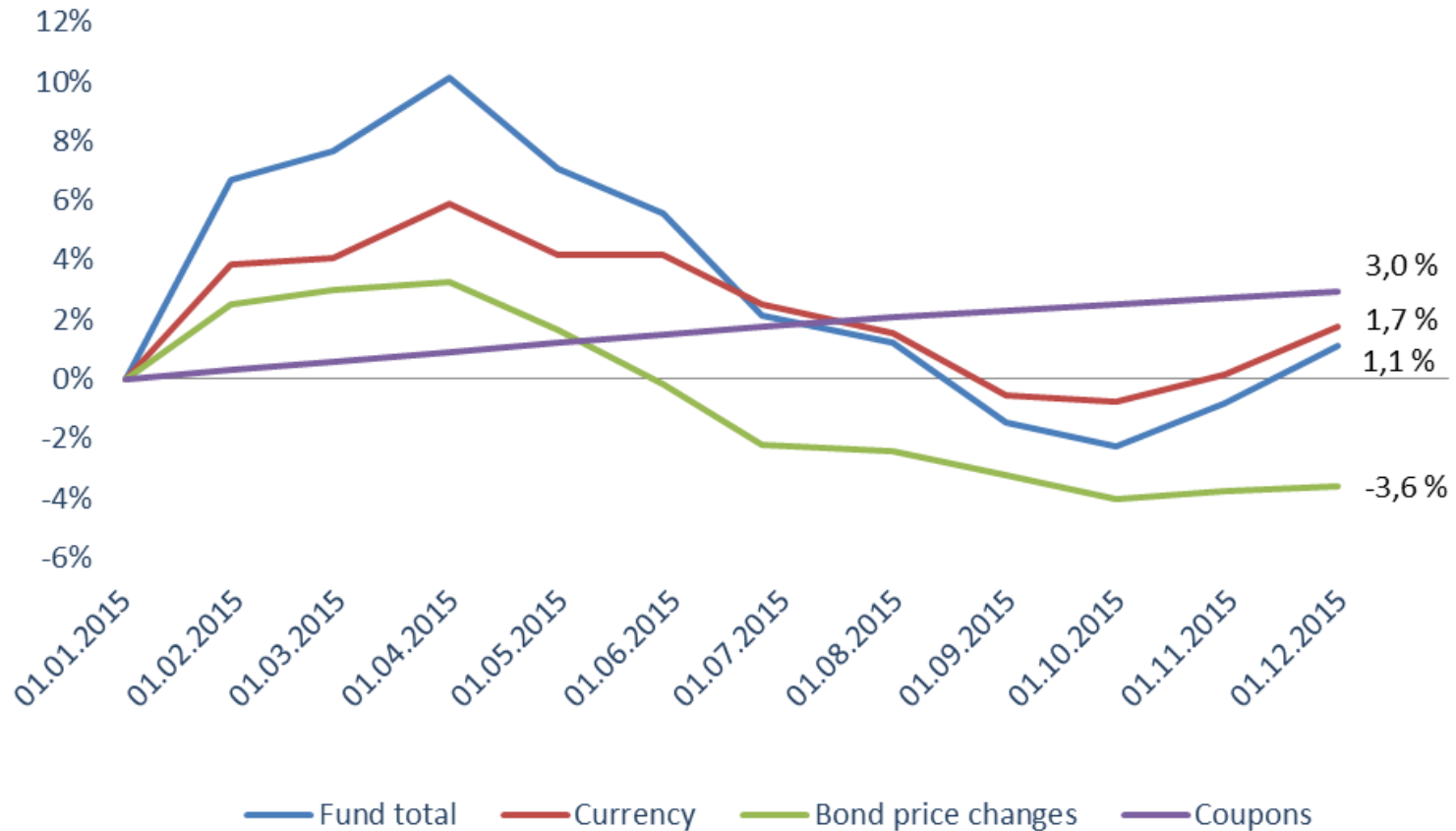
Benchmark index before 01/01/2013 was Barclay's Capital Global Treasury Index 3-5 years

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

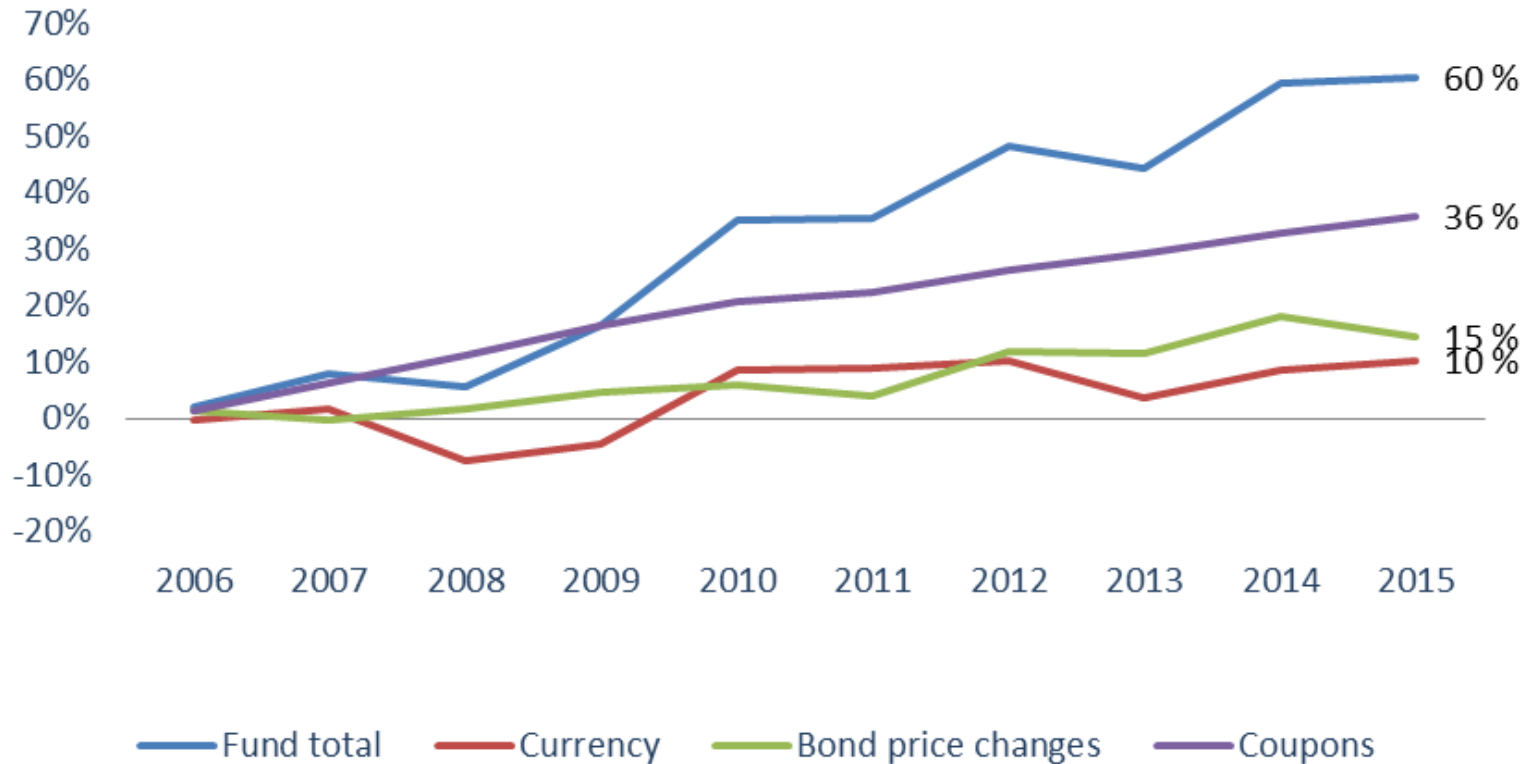
Top 5 best and worst contributors year to date



Accumulated returns year to date in EUR



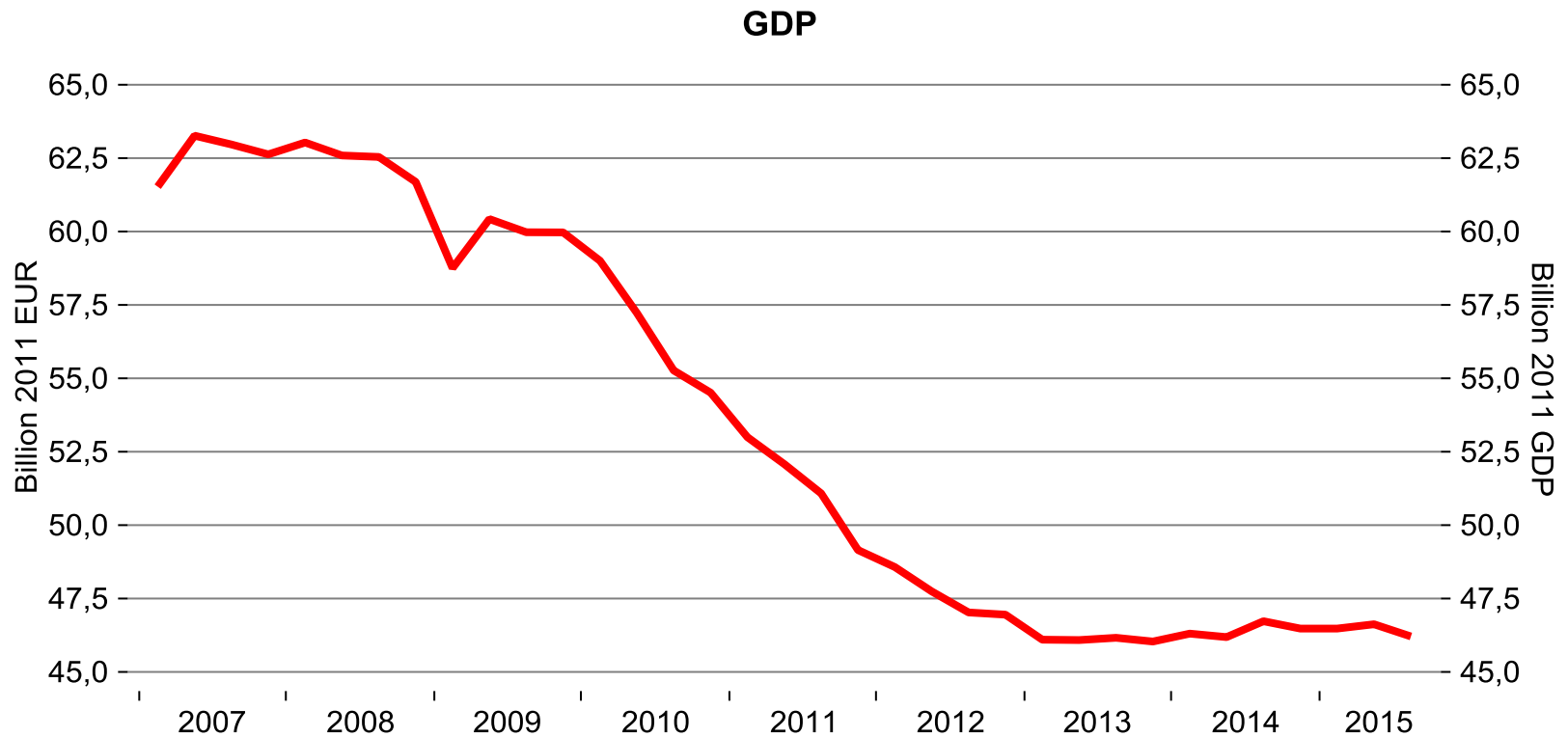
Accumulated returns since inception in EUR



Portfolio changes in November

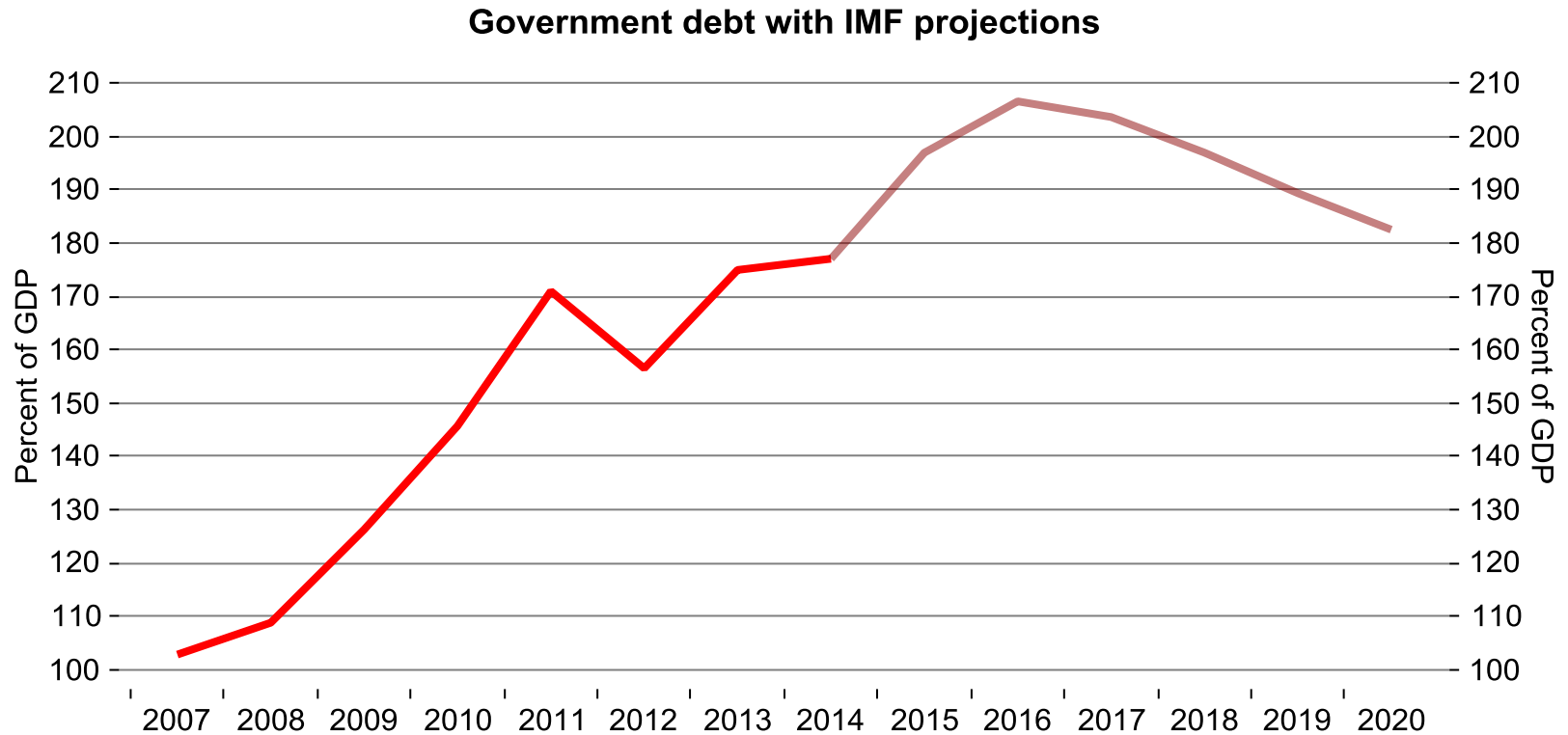
- We invested in a Greek sovereign bond that matures in 2034. Its current yield is 8.2%. The investment amounted to 3.8% of the fund. The purchase was financed by selling Dutch and US sovereign debt.
- While there are short-term uncertainties about the new bail-out program for Athens and while the Greek economy's short-term outlook is bleak, we think that the long-term outlook for the economy and public finances are improving.
- After the summer U-turn and the re-election of the Syriza-led government, we believe that Greek politicians will implement the policies agreed upon with the country's official creditors. Although the policy implementation is not going to be plain sailing, the risk of a new confrontation between Athens and its official creditors is small.
- We also think that over time austerity, deregulation and privatisation will have a positive effect on the Greek economy. The economy shrank in Q3, but we believe that it will grow from 2015 to 2016.
- The ECB's ongoing, and now prolonged, QE-program will eventually help cut interest rates on privately-held Greek sovereign bonds.

Greece: GDP has fallen 27%



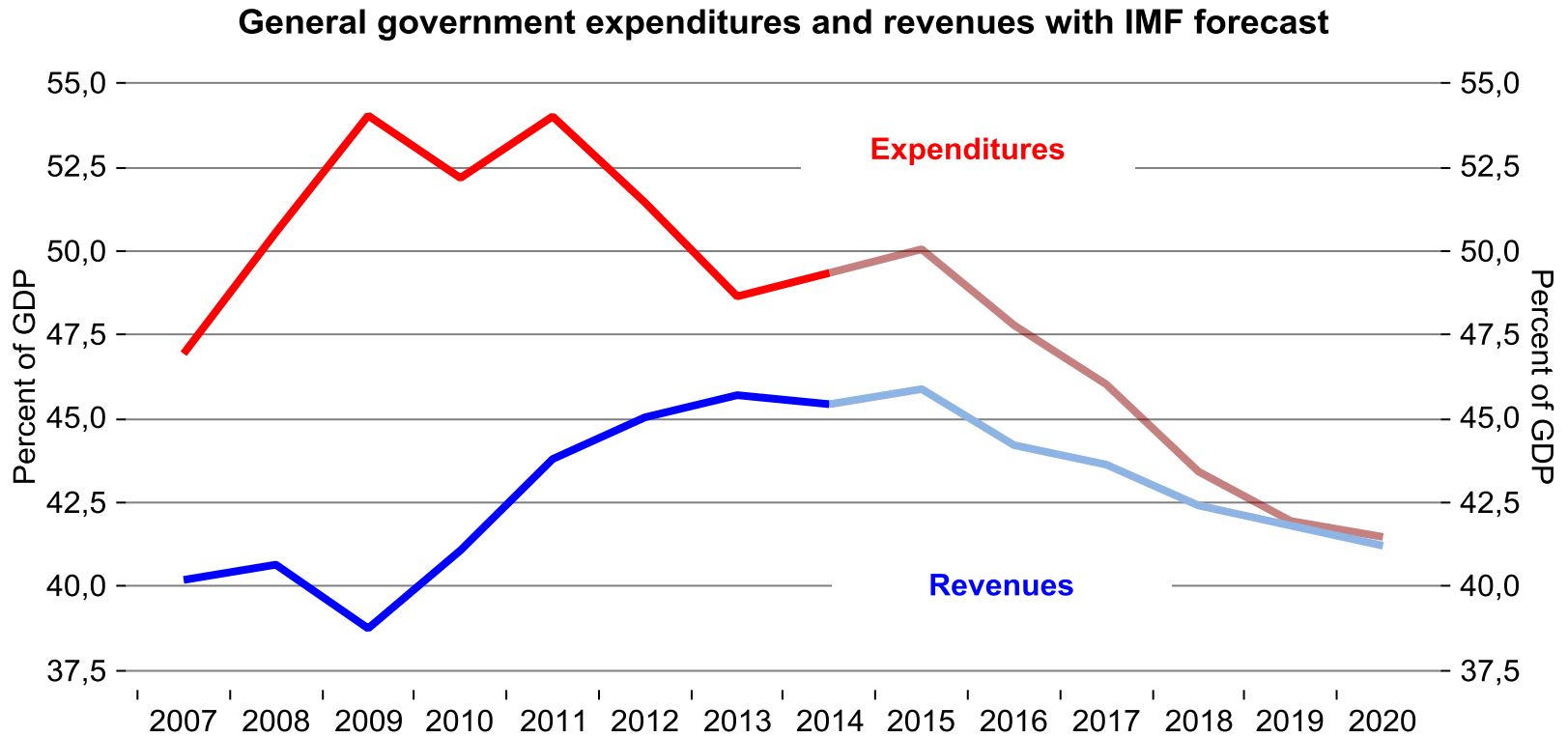
Source: **Macrobond**

Greece: Public debt is expected to peak in 2016



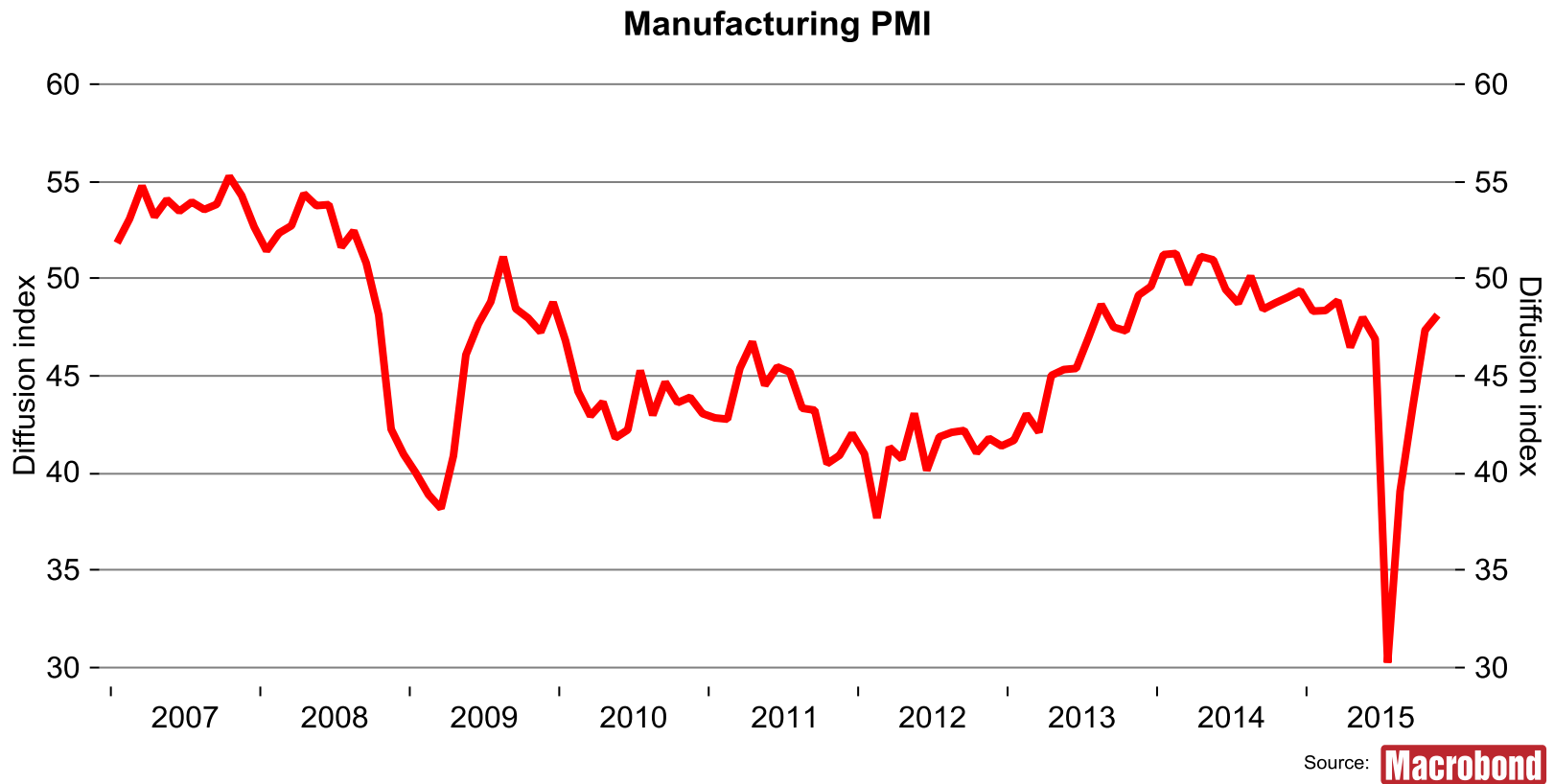
Source: **Macrobond**

Greece: Consolidation mainly through lower expenditure

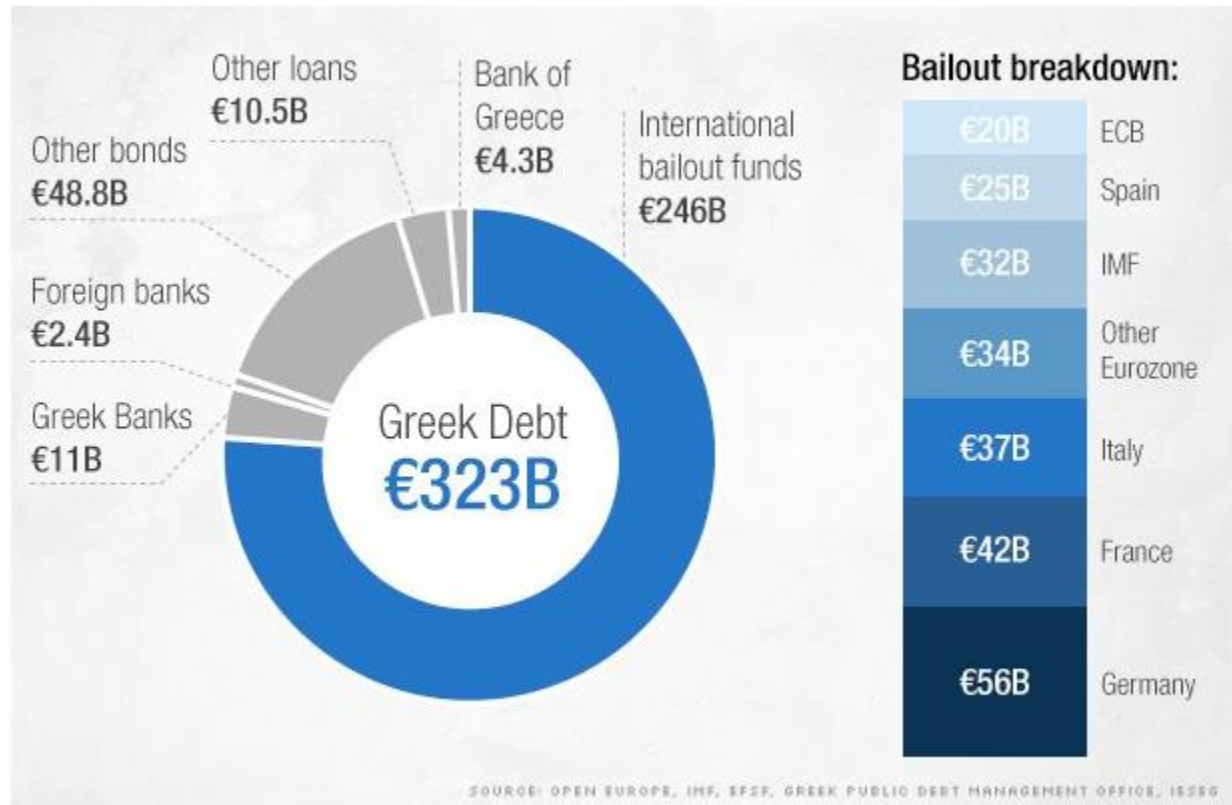


Source: **Macrobond**

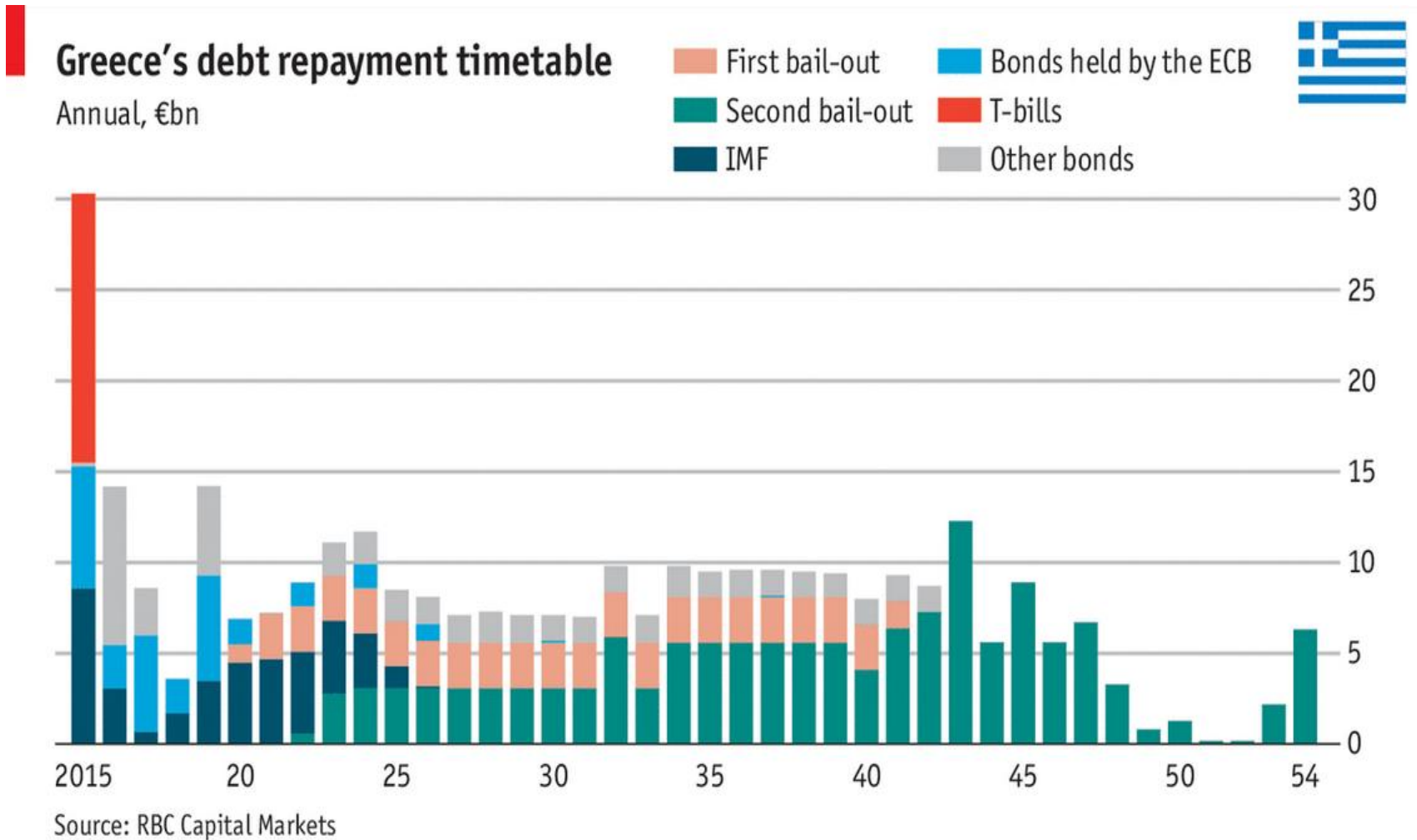
Greece: Manufacturing activity index



Greece: Owners of sovereign debt



Greece: Maturity structure of sovereign debt

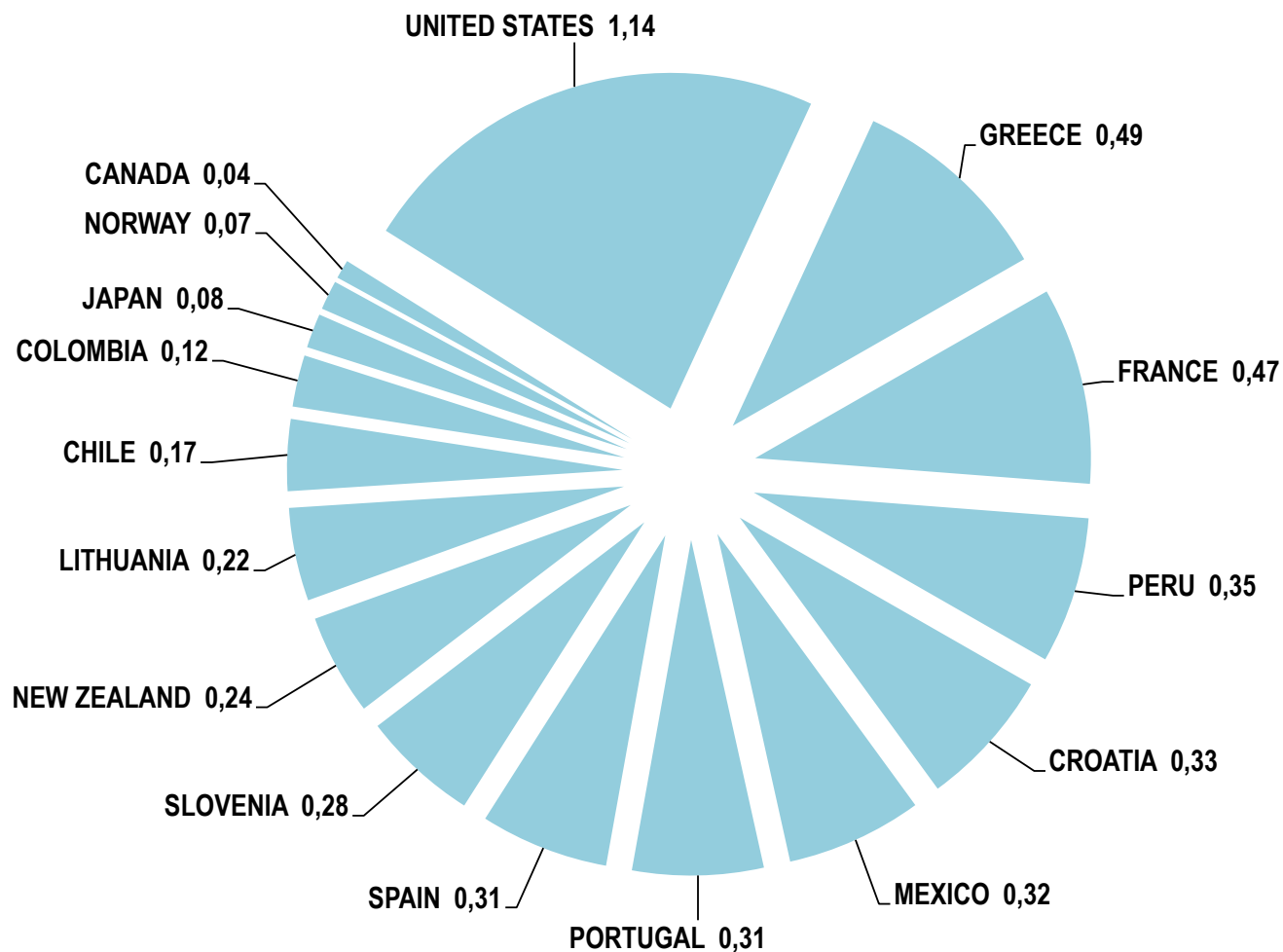


Economist.com

SKAGEN Tellus portfolio as of 30.11.2015

Holding Name	CRNCY	Holding	Percent	Maturity Date	Coupon
US Government	USD	18 600	12,1	15.02.2025	2,0
French Government	EUR	15 000	10,5	25.05.2020	0,0
US Government	USD	12 800	8,4	31.08.2016	0,5
Croatia Government International Bond	EUR	8 300	5,9	30.05.2022	3,9
US Government	USD	8 000	5,3	30.06.2017	0,6
Canadian Government	CAD	10 000	4,9	01.11.2016	1,0
Japan Government	JPY	900 000	4,9	20.06.2016	1,9
Norwegian Government	NOK	60 000	4,9	19.05.2017	4,3
Lithuanian Government	USD	5 500	4,4	01.02.2022	6,6
Chilean Government	CLP	4 410 000	4,3	05.08.2020	5,5
New Zealand Government	NZD	8 000	4,0	17.04.2023	5,5
Hellenic Republic Government	EUR	9 000	4,0	24.02.2035	3,0
Portugese Government	EUR	5 000	3,7	15.10.2025	2,9
Spanish Government	EUR	5 000	3,6	30.04.2025	1,6
Peruvian Government	PEN	18 000	3,4	12.08.2037	6,9
Slovenia Government	EUR	3 500	3,4	30.03.2026	5,1
Mexican Government	MXN	60 000	3,3	20.11.2036	10,0
Colombian Government	COP	13 400 000	3,0	14.04.2021	7,8
Japan Government	JPY	550 000	2,9	16.10.2017	0,1
European Bank Recon & Dev	INR	200 000	2,0	19.03.2018	5,8

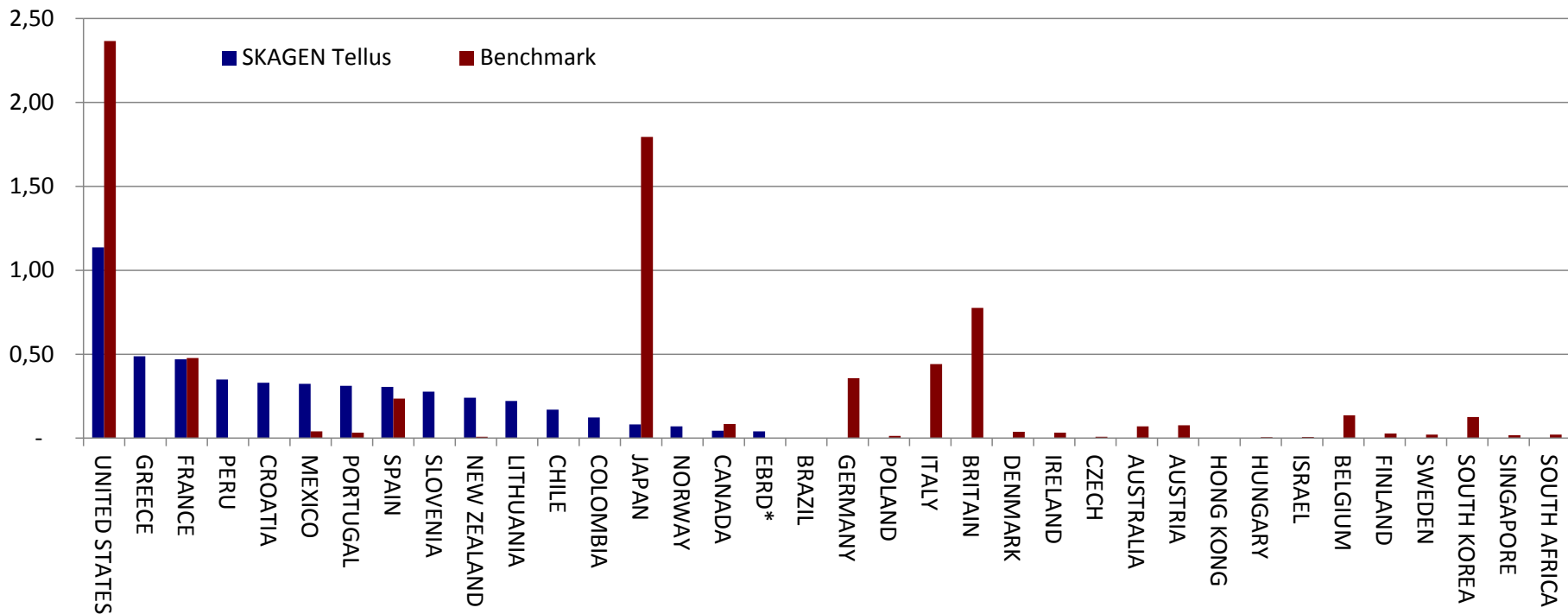
Distribution of interest rate risk exposure



EBRD* : European Bank of Reconstruction & Development

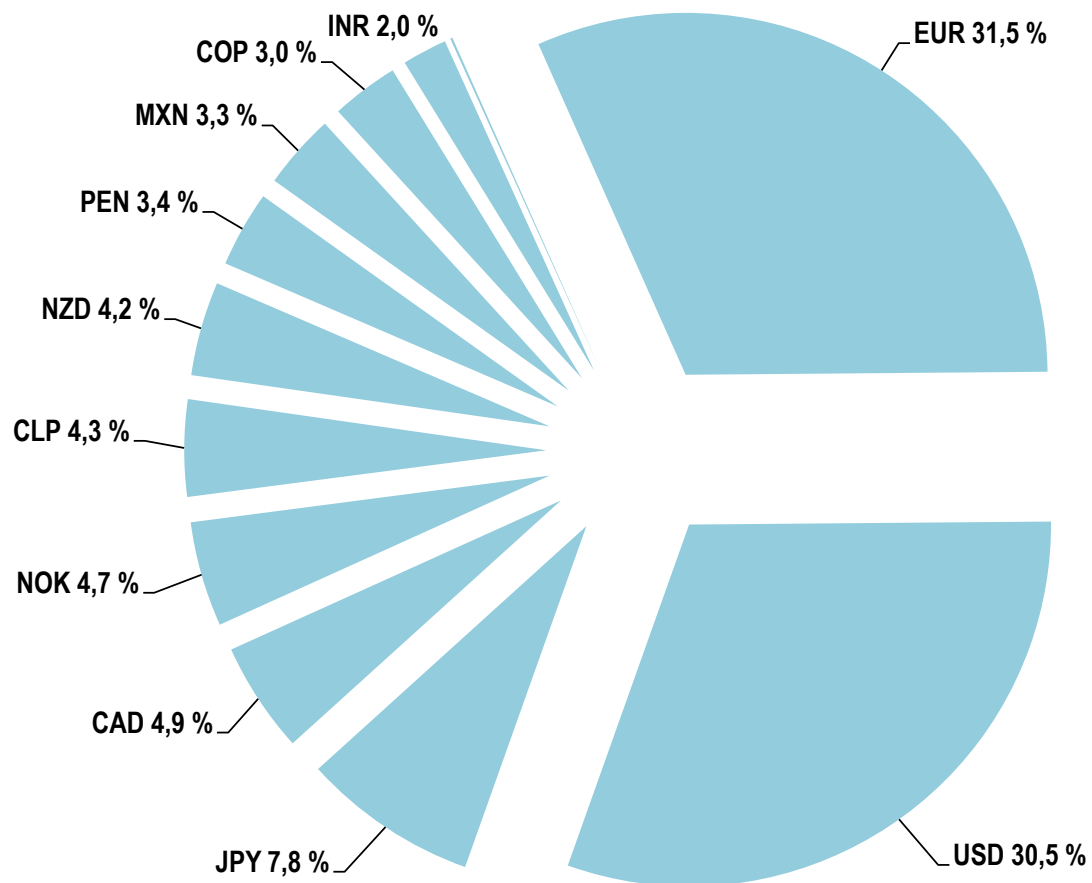
As of 30 November 2015

Interest rate exposure relative to benchmark



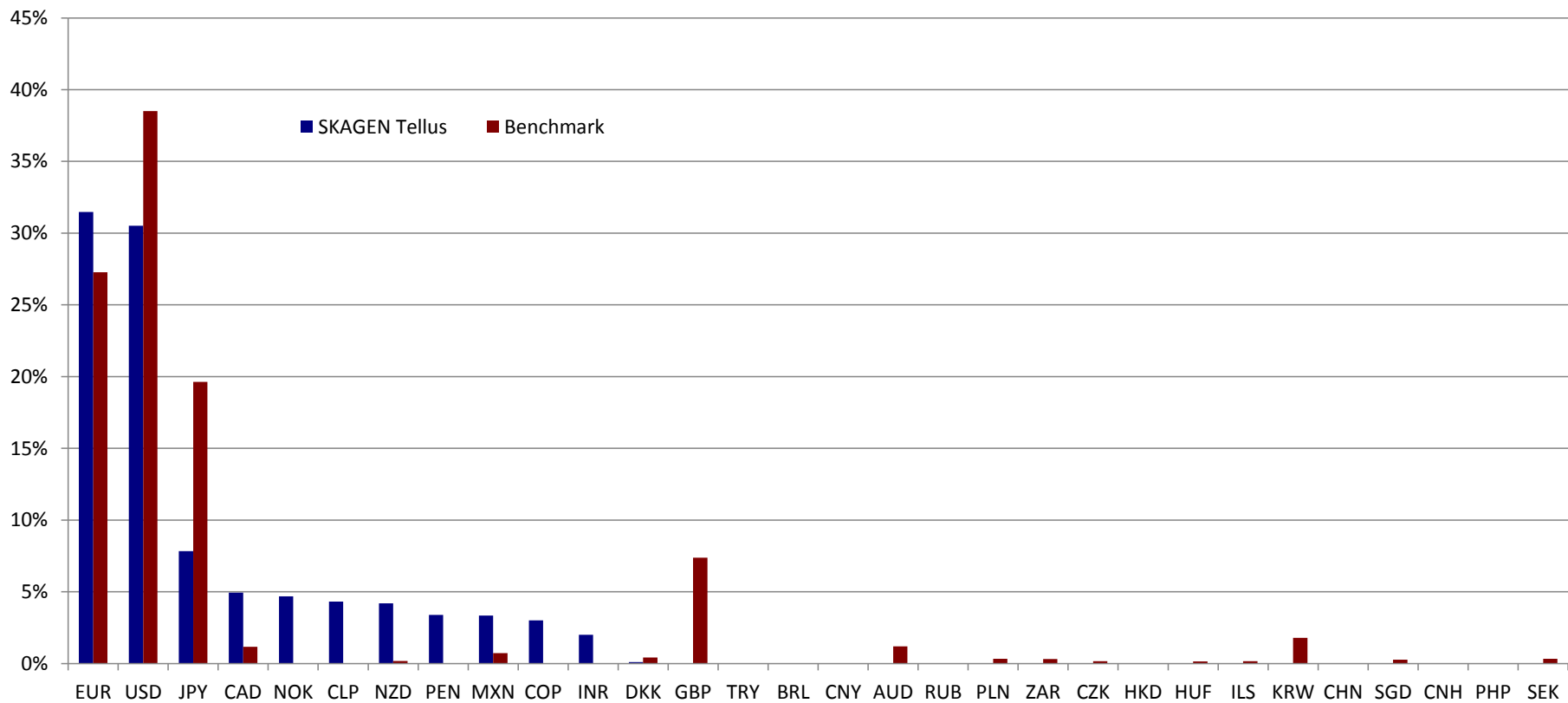
As of 30 November 2015

Distribution of currency exposure



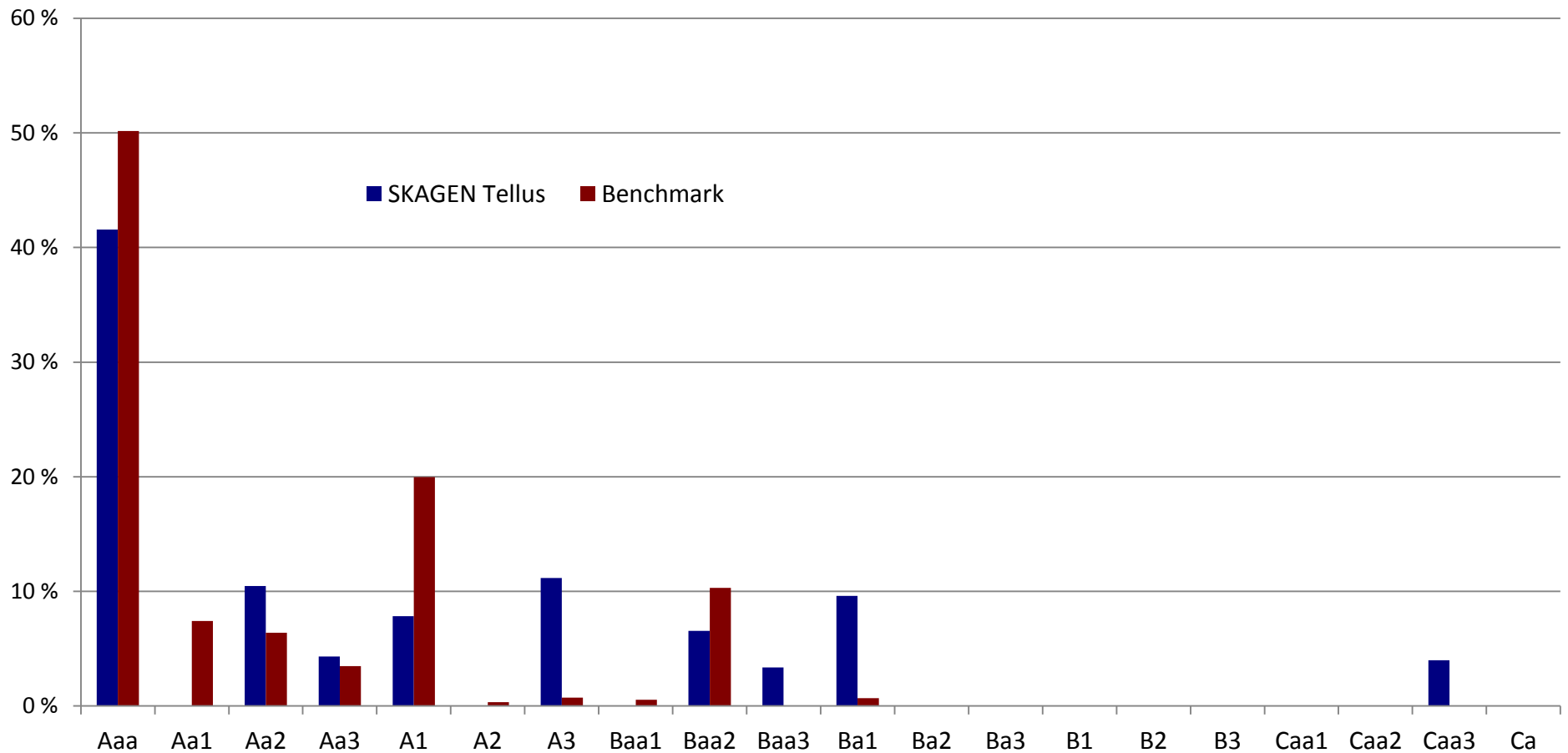
As of 30 November 2015

Currency exposure relative to benchmark



As of 30 November 2015

Moody's rating on Tellus' portfolio relative to benchmark



As of 30 November 2015

The interest rate outlook

- As we expected the European central bank cut its deposit rate at its last meeting. The size of the cut was less than we expected though. However, after that policy decision, the central bank governor has strongly signaled that more monetary easing is on the horizon. Hence we expect further cuts in the central bank's deposit rate. It is currently -0.3% and we expect a cut to -0.5% during Q1 2016.
- It now appears certain that the Federal Reserve will hike its target range for the federal funds rate from 0-0.25% to 0.25-0.5% on 16 December. The main reason is fairly decent GDP growth and solid job market reports. However, we do not expect much further tightening during 2016. Core inflation remains below the Fed's 2% target. While wage growth has increased slightly lately, we do not expect that core inflation will increase above the Fed's target. Should core inflation stay subdued, the Fed might be on hold during 2016. If the economy weakens – it's been 7 years since the last recession – the Fed will turn around and cut back its policy rate and again employ unconventional monetary policy, aka QE.
- With the ECB in easing mode and the Fed cautiously hiking, we expect the interest rates on credit-safe sovereign bonds to remain low during 2016.

For more information please see:

[SKAGEN Tellus A on our web pages](#)
[SKAGEN's Market report](#)

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

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

SKAGEN seeks to the best of its ability to ensure that all information given in this report is correct, however, makes reservations regarding possible errors and omissions. statements in the report reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice.

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