



SKAGEN's Annual New Year's Conference in Copenhagen

SKAGEN Global

January 13, 2016

The art of common sense



Agenda

2015 Fund Review

Investment Frameworks

2016 Outlook

We seek inspiration from the best



“Magnus Carlsen personifies the essence of research, strategy and execution”

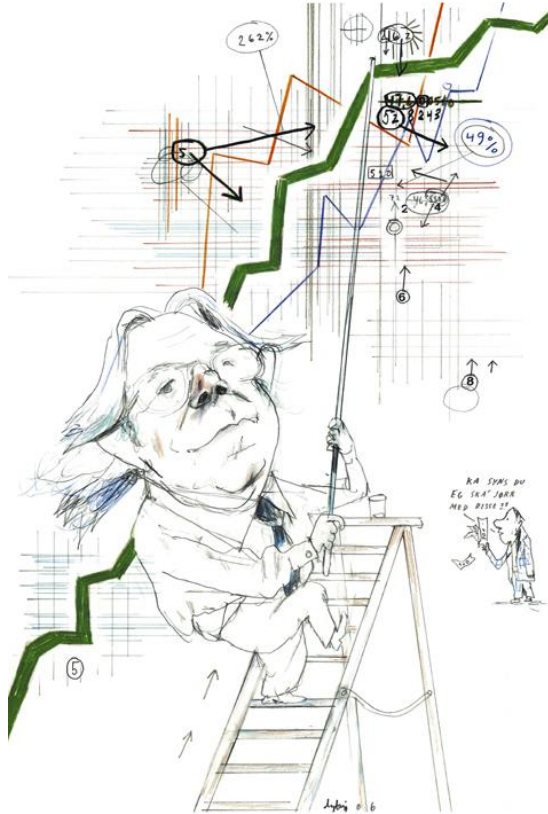
– Arctic Securities

Return is the product of investment philosophy and execution



No change in investment philosophy

We stick to SKAGEN's time-tested investment philosophy...

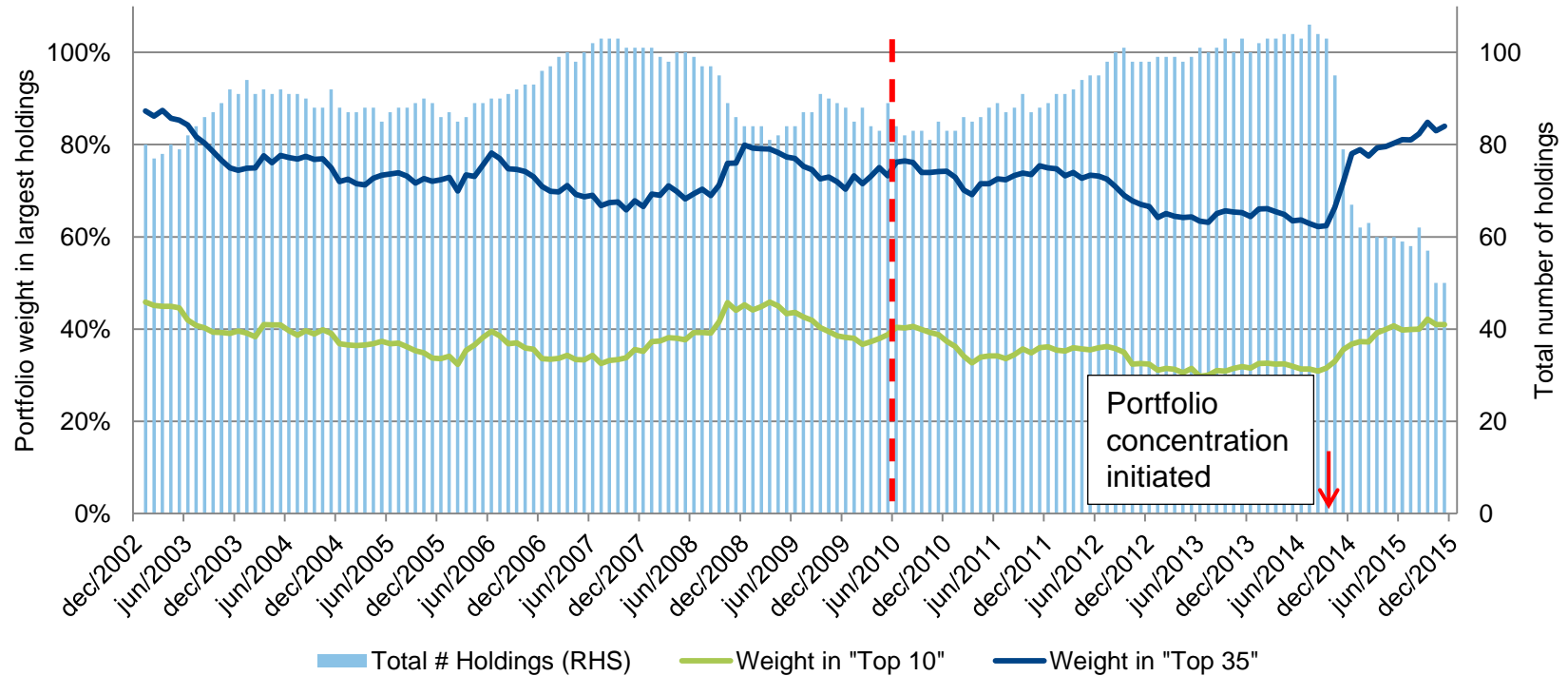


- ✓ Active managers
- ✓ Value-driven philosophy
- ✓ Contrarian mindset
- ✓ Bottom-up stock picking
- ✓ High-conviction focus
- ✓ Long-term investors
- ✓ Common sense approach

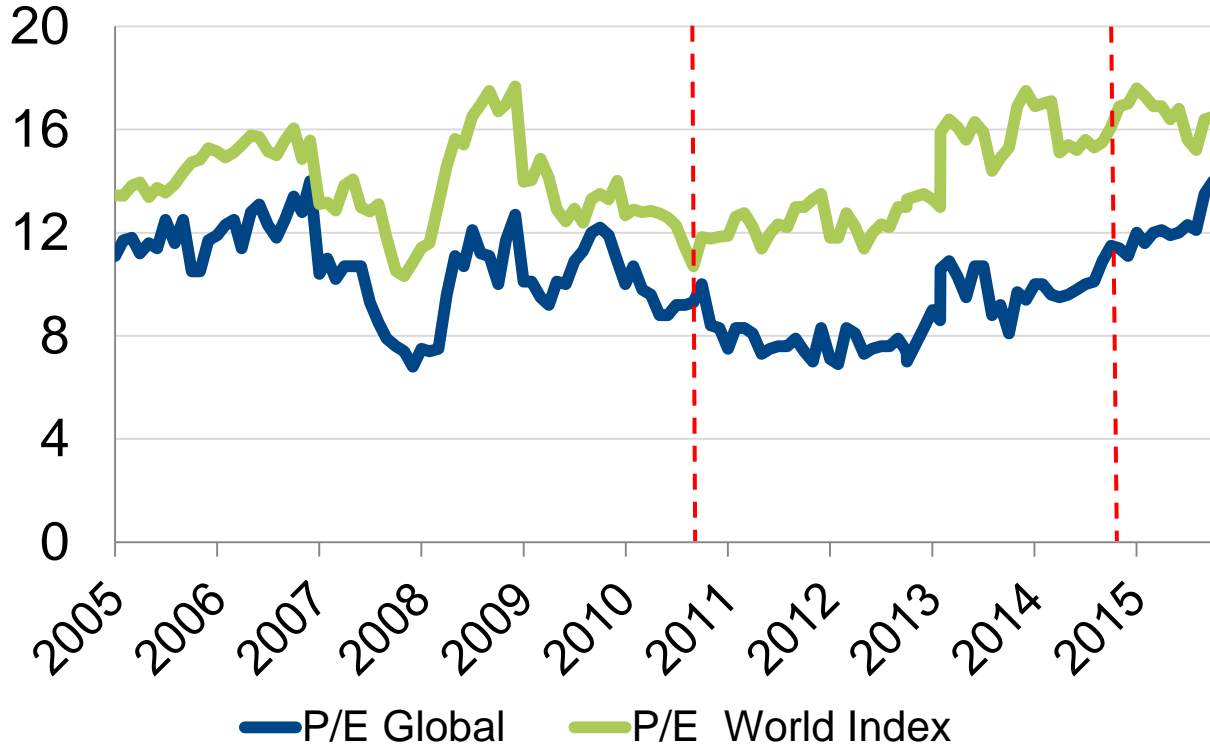
...but we can improve execution →

Number of holdings and portfolio concentration

Concentration in line with historic levels, reflecting high conviction



Less deep-value, more quality-value in the portfolio



Harmonised average P/E and P/B for largest positions in portfolio versus the index (MSCI World prior to 1/1/2010, MSCI AC thereafter).
Source: MSCI and SKAGEN

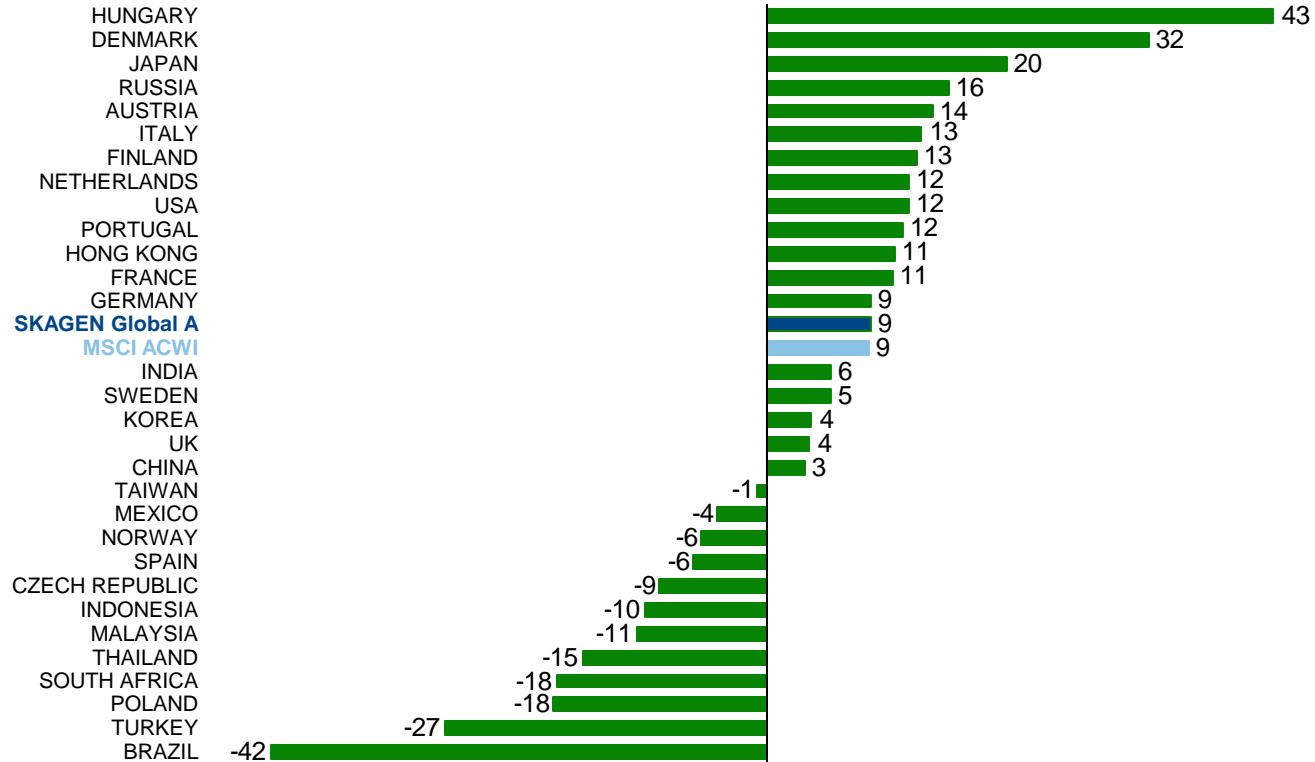
SKAGEN Global has now implemented the promised changes

Category	Summer 2014	Target	Dec 2015	Comment
1. Number of holdings	>100	50-60	49	"Less is more"
2. Concentration (top-10)	30%	35-45%	41%	In-line with historical level
3. Concentration (top-35)	<65%	80-90%	84%	High conviction focus
4. Liquidity			✓	Improved across the board
5. Position sizing			✓	Risk-reward key determinant
6. Risk management			✓	New tailored risk report (bi-weekly)
7. New ideas generation			✓	17 new stocks added in 2015
8. Case documentation			✓	More rigorous requirements

SKAGEN Global is now positioned with a more liquid, high-conviction portfolio informed by risk-return considerations

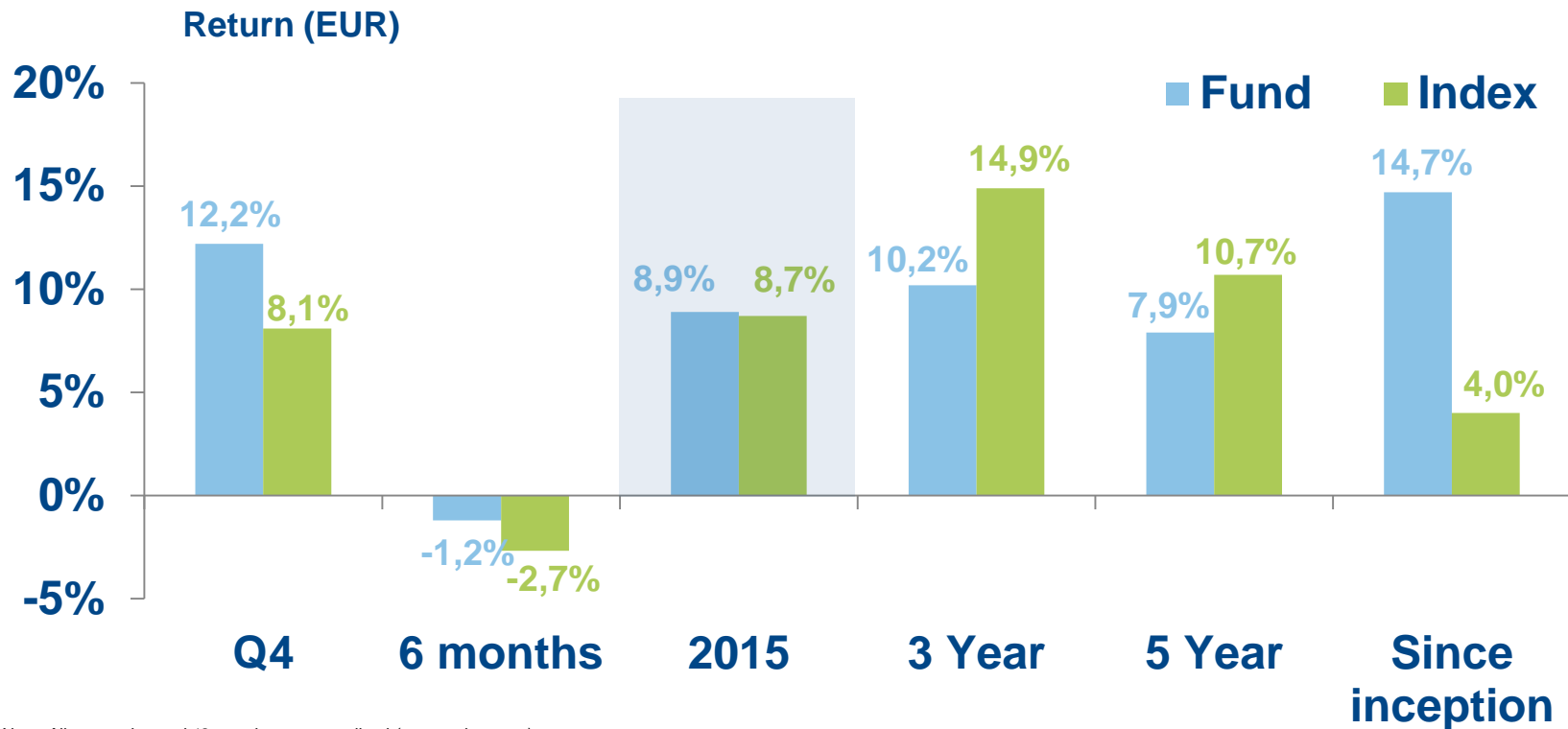
Stock market performance by country in 2015

2015 market development in EUR (%)



SKAGEN Global performance figures as per 31 Dec 2015

2015 scorecard: +15.4% absolute return, +0.1% relative return (in EUR)



Note: All returns beyond 12 months are annualised (geometric return)

* Inception date: 7 August 1997

** Benchmark index was MSCI World in NOK from 7 August 1997 to 31 December 2009 and MSCI All Country World Index from 1 January 2010 onwards

Main contributors to absolute performance in 2015

Largest positive contributors

Largest negative contributors

Company	Weight	Absolute	Relative
General Electric	3.92%	1.64%	1.31%
AIG	5.59%	1.56%	0.85%
Alphabet (Google)	0.85%	1.35%	1.10%
Microsoft	2.55%	1.02%	0.66%
Samsung Electronics	6.37%	0.94%	-0.04%
Citigroup	6.78%	0.91%	-0.05%
Cheung Kong Holding	2.19%	0.84%	0.84%
NN Group	2.03%	0.82%	0.82%
Tyson Foods	1.15%	0.81%	0.81%
Renault	0.47%	0.79%	0.79%

Selskap	Weight	Absolute	Relative
Banrisul	0.40%	-0.54%	-0.58%
KazMunaiGas	0.57%	-0.49%	-0.52%
State Bank of India	2.66%	-0.48%	-0.86%
Lundin Mining	1.79%	-0.46%	-0.72%
Norsk Hydro	1.30%	-0.42%	-0.55%
Gap Inc	1.17%	-0.41%	-0.49%
Afren Plc	0.02%	-0.37%	-0.38%
Hyundai Motor	0.98%	-0.34%	-0.40%
EFG-Hermes	0.64%	-0.30%	-0.40%
First Pacific Co Ltd	0.61%	-0.24%	-0.30%

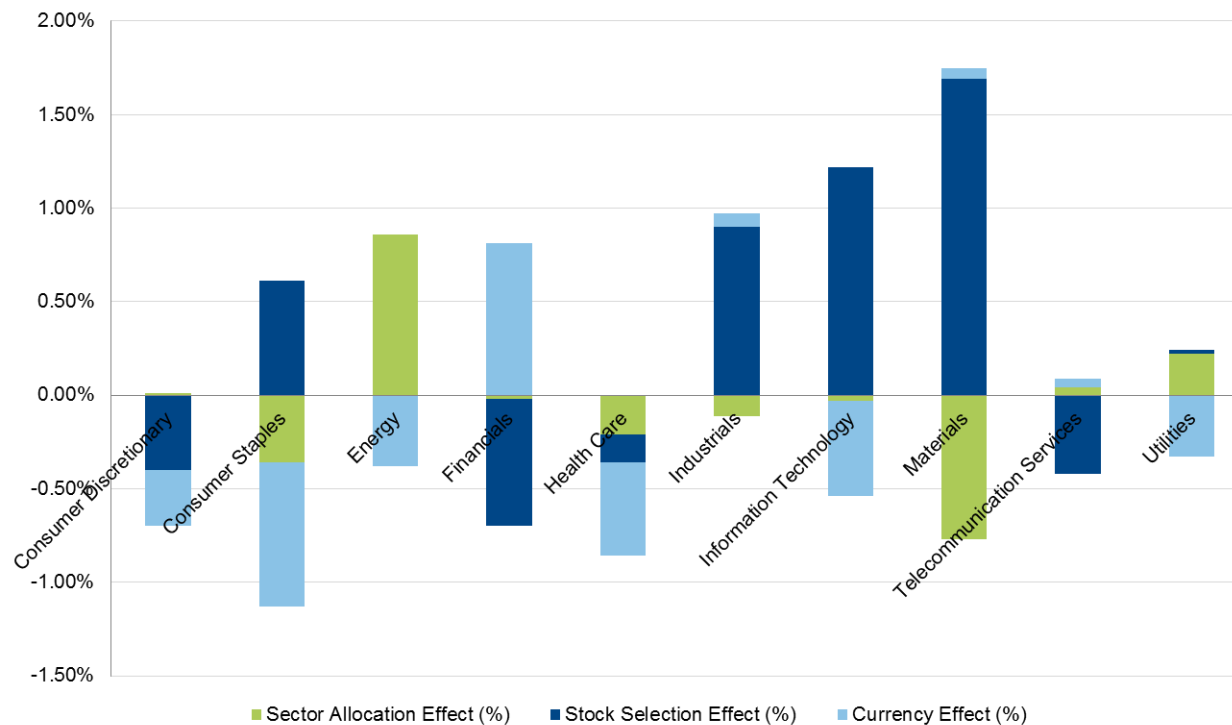
Main contributors to relative performance in 2015

Relative return measured in NOK



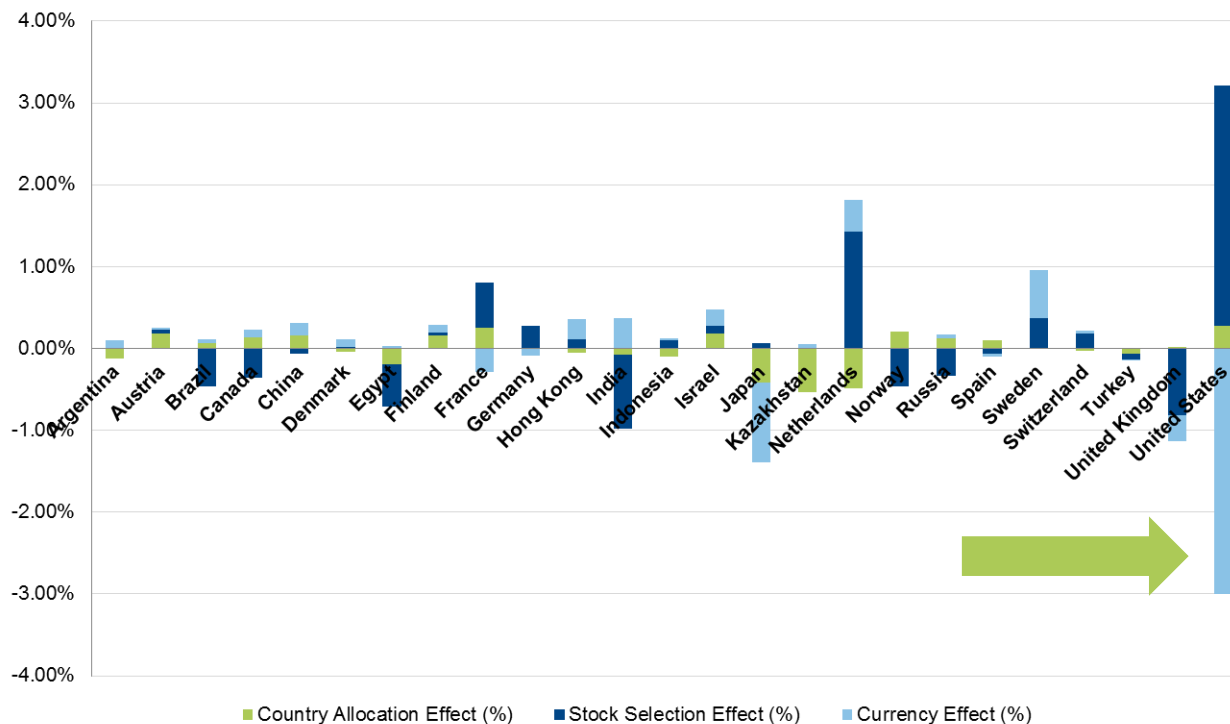
2015 sector attribution (relative return)

Solid stock selection offset by substantial currency headwinds



Source: SKAGEN, MSCI. Returns used are measured in NOK, net of fees

A strong US dollar significantly weighed on the fund's performance in 2015

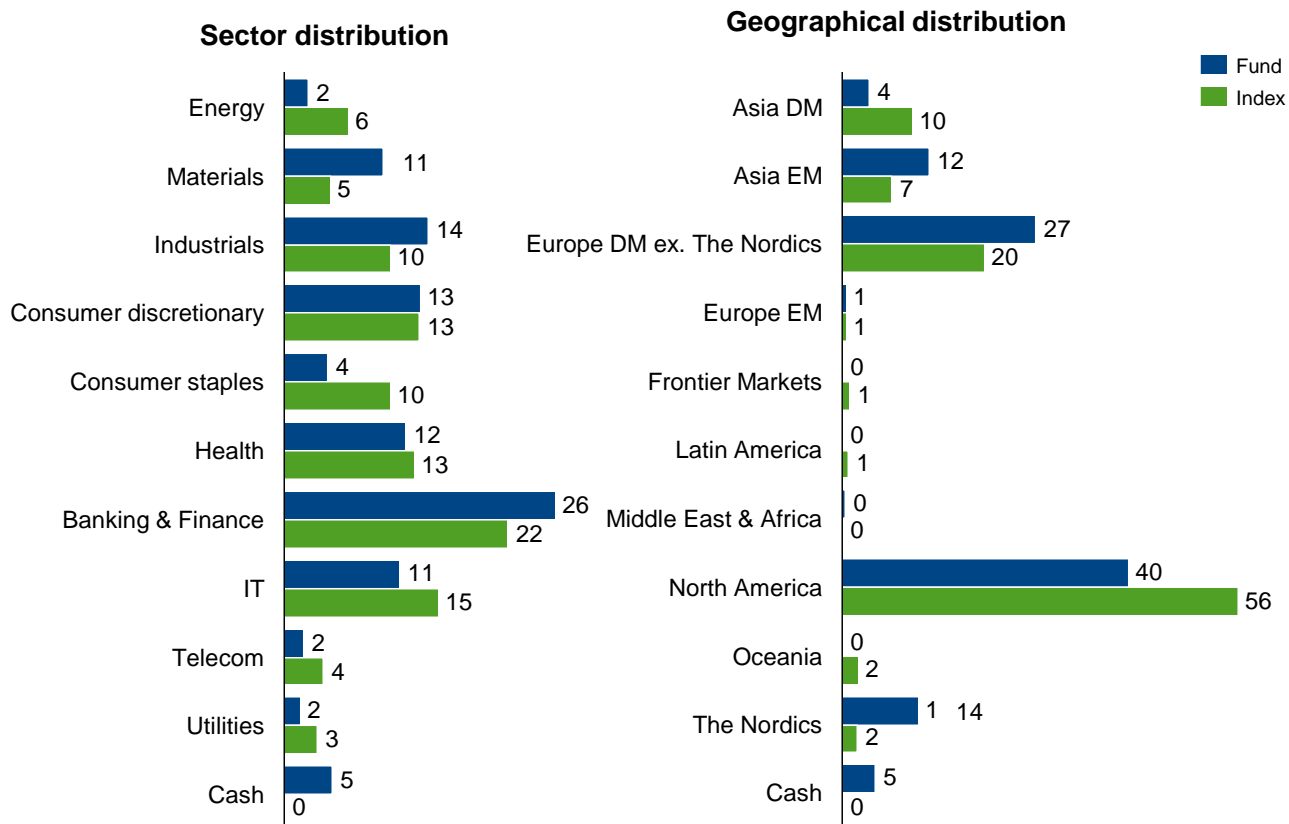


Source: SKAGEN, MSCI. Returns used are measured in NOK, net of fees

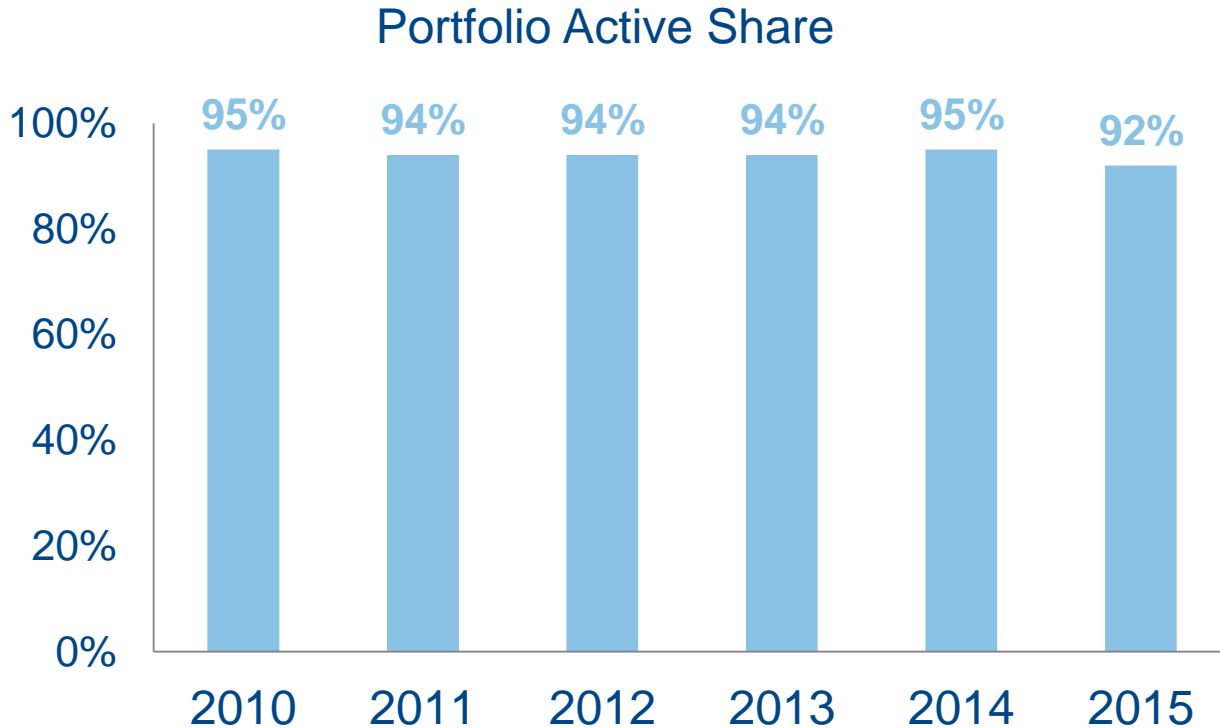
Largest holdings in SKAGEN Global as of 31 December 2015

	Holding size, %	Price	P/E 2015e	P/E 2016e	P/BV last	Price target
AIG	7.4	62.0	14.5	12.1	0.8	90
CITIGROUP	5.8	51.8	9.5	9.0	0.7	75
SAMSUNG ELECTRONICS	5.5	1 091 000	7.8	7.8	0.9	1 500 000
ROCHE	4.2	276.4	19.6	18.0	13.8	380
GENERAL ELECTRIC	4.1	31.2	24.1	20.6	2.8	34
MERCK	3.4	52.8	14.8	14.1	3.2	76
DOLLAR GENERAL	3.1	71.9	18.3	16.0	3.9	94
CK HUTCHISON	2.7	104.6	11.5	10.6	1.0	140
KINGFISHER	2.7	329.5	15.5	14.1	1.3	450
G4S	2.5	225.5	15.2	13.8	4.7	403
Weighted top 10	41.4		13.0	12.0	1.3	39%
Weighted top 35	84.4		13.8	12.7	1.3	37%
MSCI AC World			16.5	14.9	1.9	

Sector and geographical distribution vs index (Dec 2015)



High active share has always been a hallmark of SKAGEN



Agenda

2015 Fund Review

Investment Frameworks

2016 Outlook



Investment Frameworks

Parallels between chess and value investing (Part I)

The art of common sense

Within SKAGEN's value investment philosophy, we develop robust investment frameworks based on market fundamentals



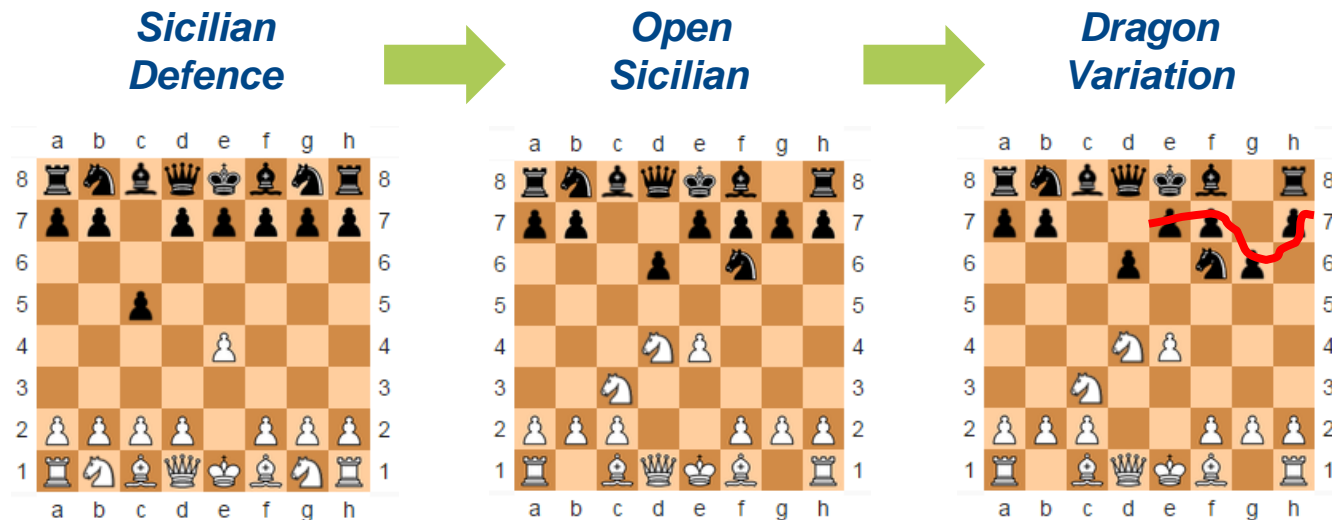
“A frequently changed strategy is the same as no strategy.”

Losing can persuade you to change what doesn't need to be changed, and winning can convince you everything is fine even if you are on the brink of disaster.

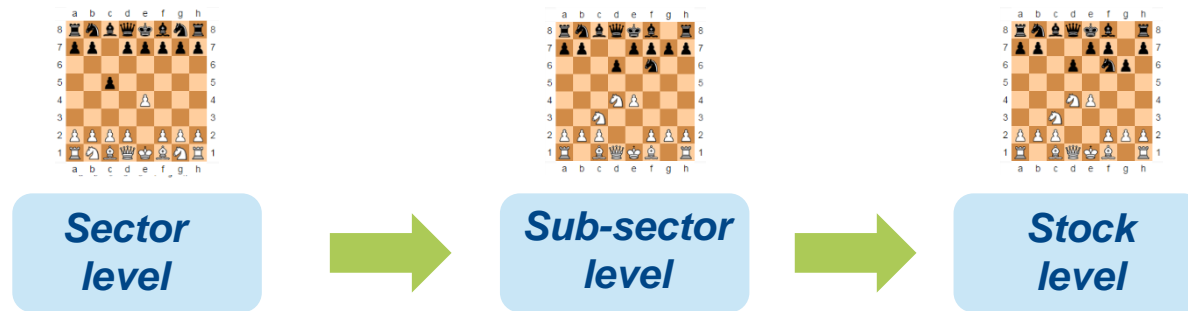
Only when the environment shifts radically should you consider a change in fundamentals. Avoid change for the sake of change.”

- Garry Kasparov, Chess Grandmaster

In chess, a grandmaster's overarching strategy includes a well-defined framework for each situation that may plausibly arise



Similarly, we believe that value investing requires clearly articulated frameworks to consistently achieve strong returns

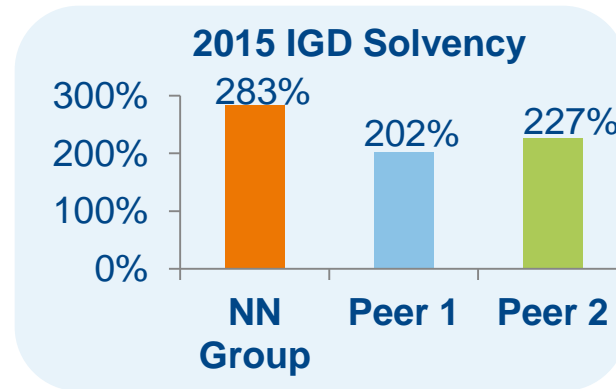
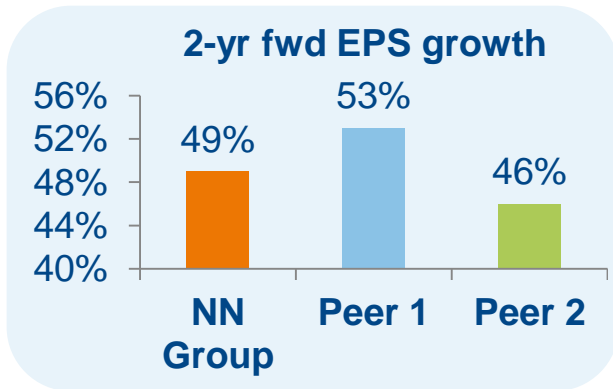
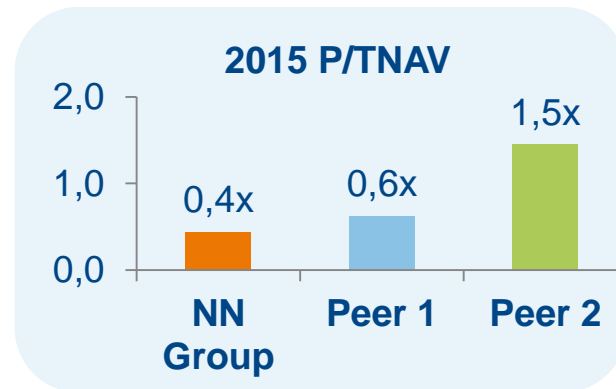
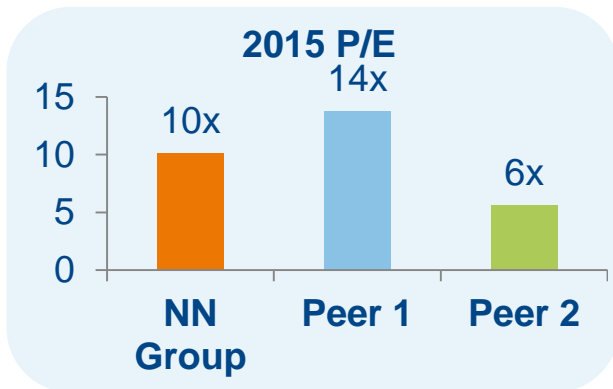


Examples from SKAGEN Global



**Let's run through two examples
(insurance, infrastructure)
from our portfolio...**

Simplified Case Study: Dutch insurers



Source: Company reports, Citi, HSBC

What we look for when investing in insurance companies

SKAGEN Global's investment framework for *Insurance*



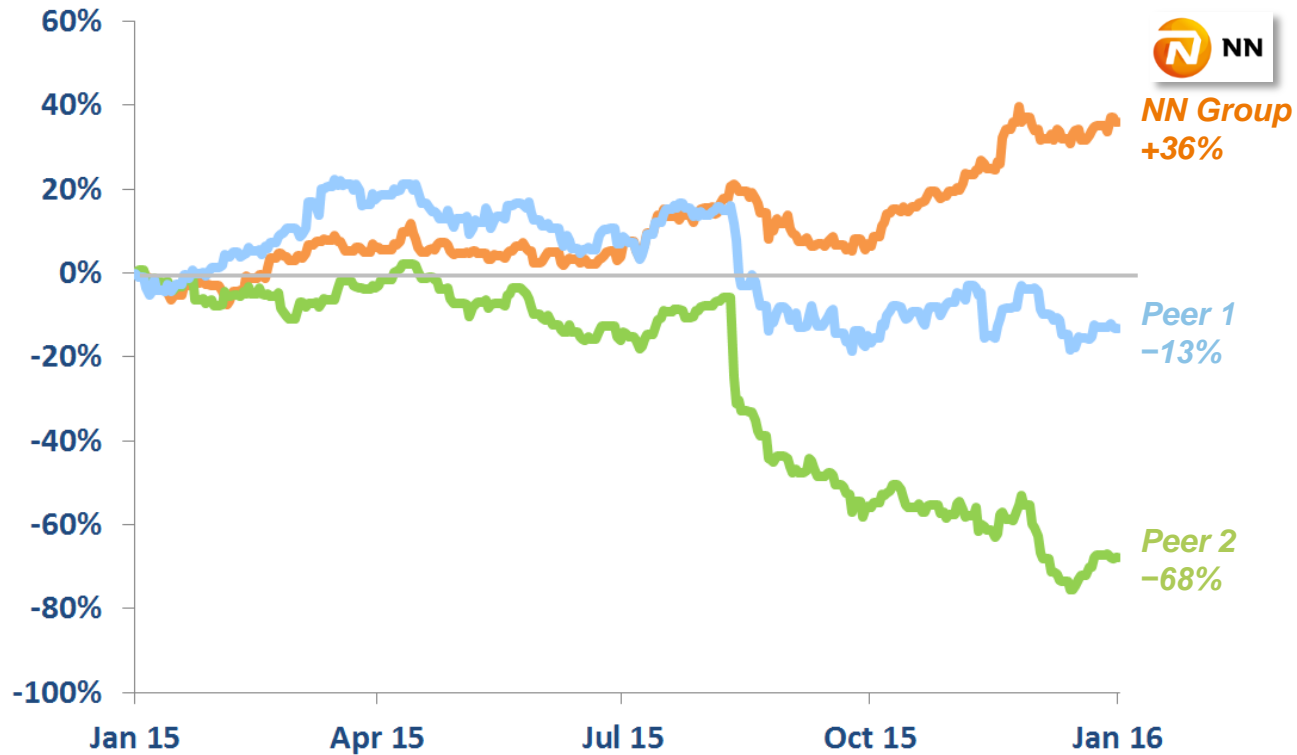
Topic	Guideline
Solvency	<ul style="list-style-type: none"> Avoid insurers with poor and or questionable solvency ratios
Underwriting	<ul style="list-style-type: none"> Avoid insurers who consistently deliver sub-par combined ratio (but many excuses)
Leverage	<ul style="list-style-type: none"> Limit exposure to insurers with average or better-than-average balance sheets
Dividends	<ul style="list-style-type: none"> Dividends should at least be sustainable, and preferably be growing at 5-10% p.a.
Regulation	<ul style="list-style-type: none"> Ensure that the relationship with local regulator is strong and uncontroversial
Management	<ul style="list-style-type: none"> Favor management teams with a track record of strong capital allocation and hitting (or exceeding) financial targets
M&A	<ul style="list-style-type: none"> Avoid insurers who are highly acquisitive (bolt-ons typically OK)

Valuation discipline secured thru SKAGEN's philosophy

Does NN Group meet our insurance investment framework?

Topic	Guideline	NN Group	Comment
Solvency	<ul style="list-style-type: none"> Avoid insurers with poor and or questionable solvency ratios 	✓	<ul style="list-style-type: none"> NN Group is one of the best capitalized insurers globally (Solvency II = 242%)
Underwriting	<ul style="list-style-type: none"> Avoid insurers who consistently deliver sub-par COR (but many excuses) 	(✓)	<ul style="list-style-type: none"> NN Group is a below-average underwriter with ~100% COR, but 97% target by 2018
Leverage	<ul style="list-style-type: none"> Limit exposure to insurers with average or better-than-average balance sheets 	✓	<ul style="list-style-type: none"> One of the healthiest B/S in the industry (16% group debt leverage, 9% intangibles)
Dividends	<ul style="list-style-type: none"> Dividends should at least be sustainable, and preferably growing at 5-10% p.a. 	✓	<ul style="list-style-type: none"> We assume >7% annual growth thru 2018 Dividend well covered by cash generation
Regulation	<ul style="list-style-type: none"> Ensure that the relationship with local regulator is strong and uncontroversial 	(✓)	<ul style="list-style-type: none"> While the Dutch regulator (DNB) is the harshest in Europe, NN Group's relationship with DNB appears to be good
Management	<ul style="list-style-type: none"> Favor management teams with a track record of strong capital allocation and hitting (or exceeding) financial targets 	✓	<ul style="list-style-type: none"> Solid capital allocation track record (buybacks ~6% of avg. 2015 mcap) Exceeded IPO cost reduction target
M&A	<ul style="list-style-type: none"> Avoid insurers who are highly acquisitive (bolt-ons typically OK) 	✓	<ul style="list-style-type: none"> So far, NN Group has avoided large-scale transactions

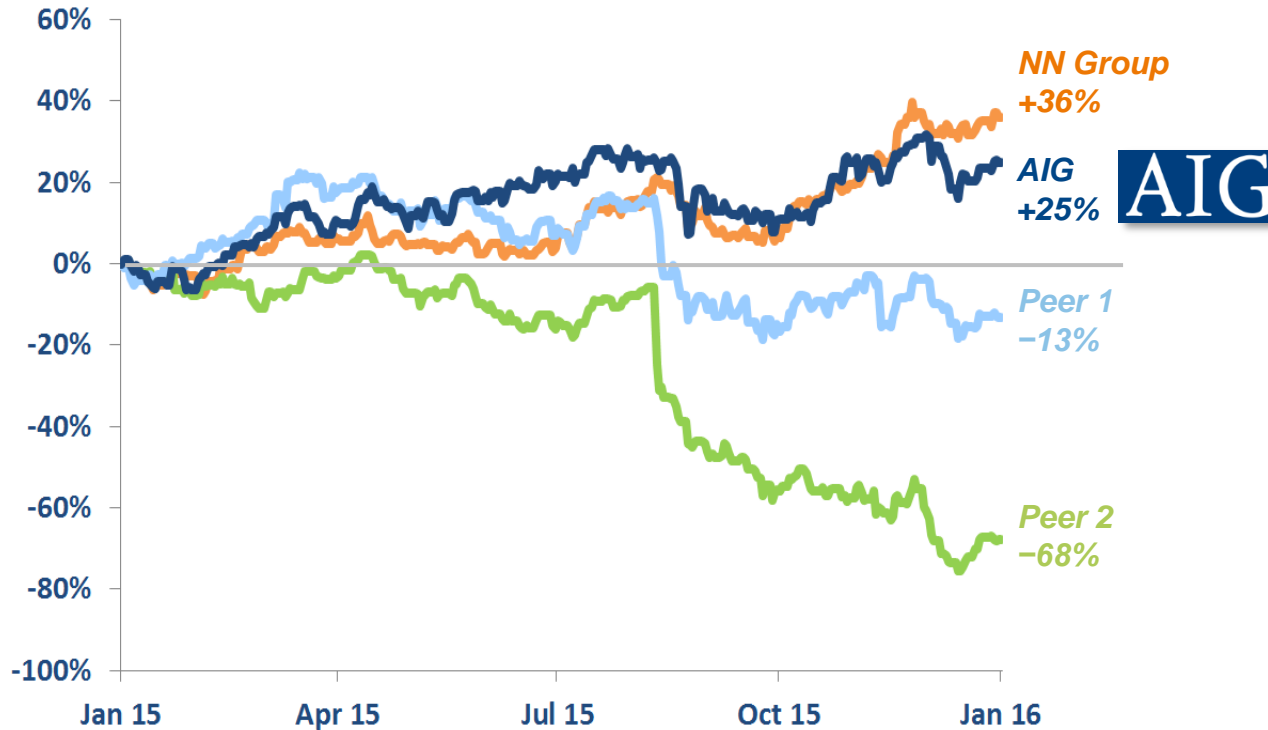
12-months total return (EUR)



Source: Bloomberg

Our investment framework is designed to apply globally

12-months total return (EUR)

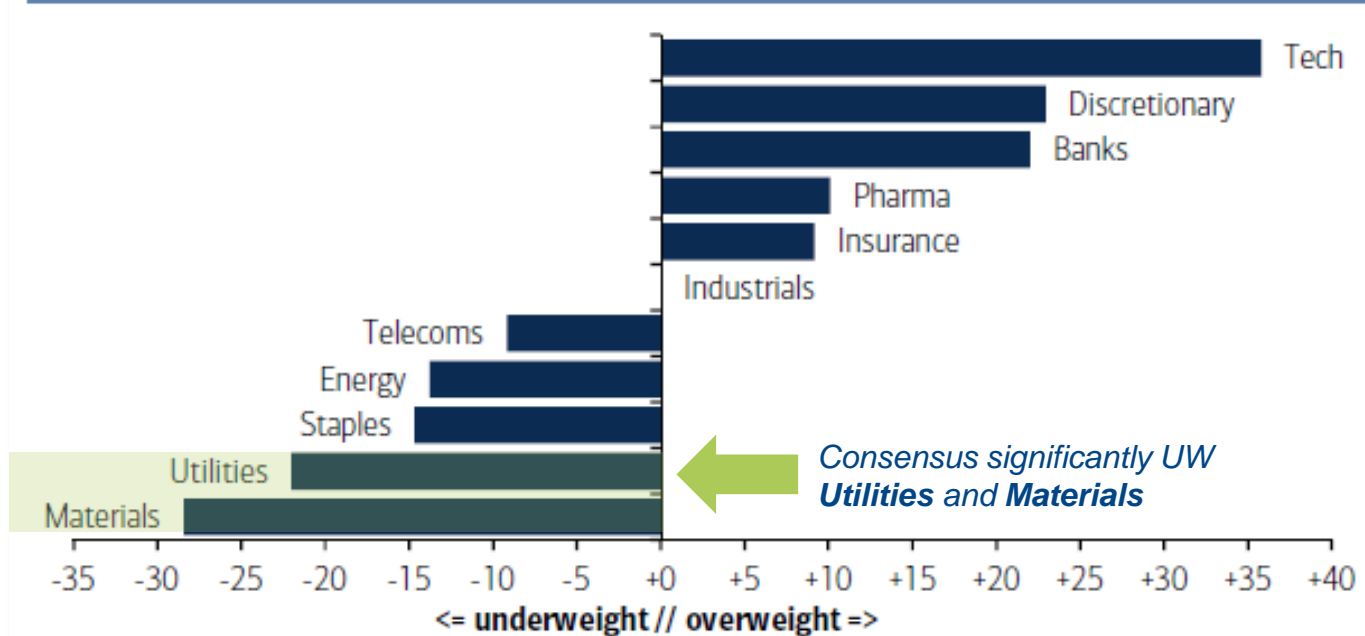


Source: Bloomberg

Global Fund Manager Survey December 2015 (BAML)

Consensus significantly UW Utilities and Materials

Exhibit 32: Global sector sentiment (% saying overweight - % saying underweight)



Source: BofA Merrill Lynch Global Fund Manager Survey

Infrastructure – A diverse and complex field where investors need to be able to separate facts from fiction to succeed



THE POWER OF PEOPLE®



What we look for when investing in utilities

SKAGEN Global's investment framework for *Utilities*

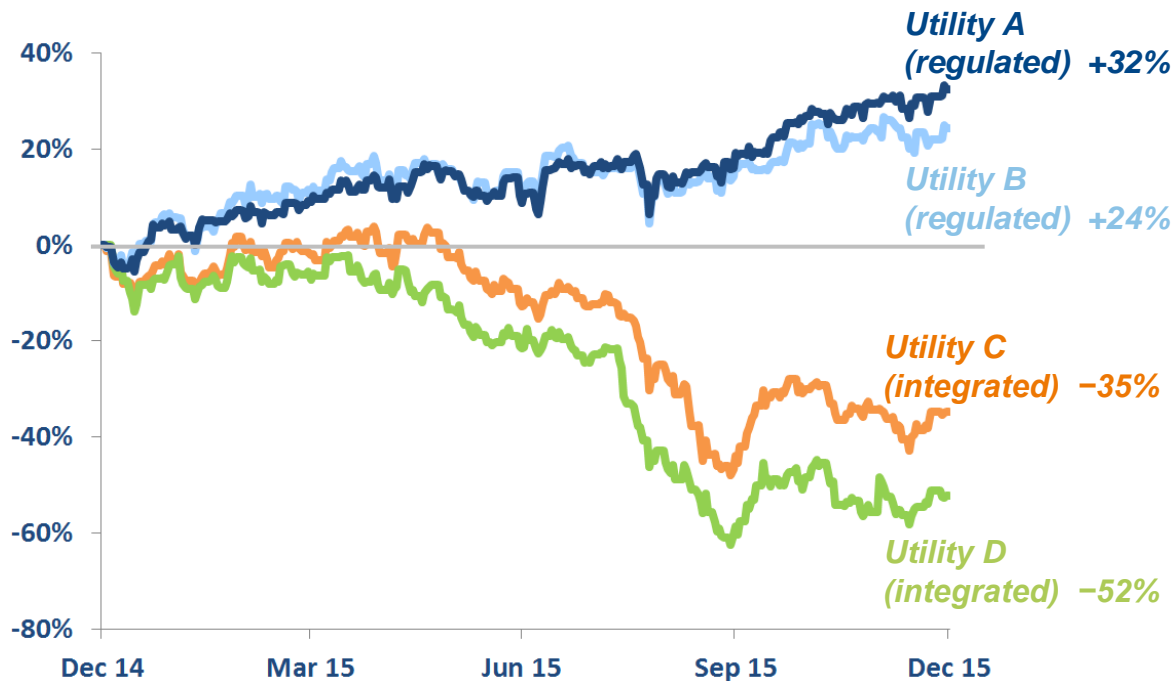


Topic	Guideline
Geography	<ul style="list-style-type: none"> • In general, avoid emerging markets with high political risk due to heavy fixed asset exposure
Jurisdiction	<ul style="list-style-type: none"> • Favor countries/states with a track record of fair treatment of utilities
Sub-sector	<ul style="list-style-type: none"> • Prefer regulated electricity/gas/XMSN to merchant generation and unhedged commodity plays
Leverage	<ul style="list-style-type: none"> • Limit exposure to companies with average or better-than-average balance sheets
Dividends	<ul style="list-style-type: none"> • Dividends are a key component of utilities total return, but must be sustainable even under stress scenarios
Regulation	<ul style="list-style-type: none"> • Preferable entry point is just before or shortly after regulatory framework finalized to provide high earnings visibility
M&A	<ul style="list-style-type: none"> • Utilities intended to play a defensive role in the portfolio rarely fill that function if management is acquisitive (=uncertainty)

Valuation discipline secured thru SKAGEN's philosophy

Unless valuation is attractive, we will pass on the investment (even if it meets our investment framework criteria)

12-months return (EUR) for 4 leading European utilities

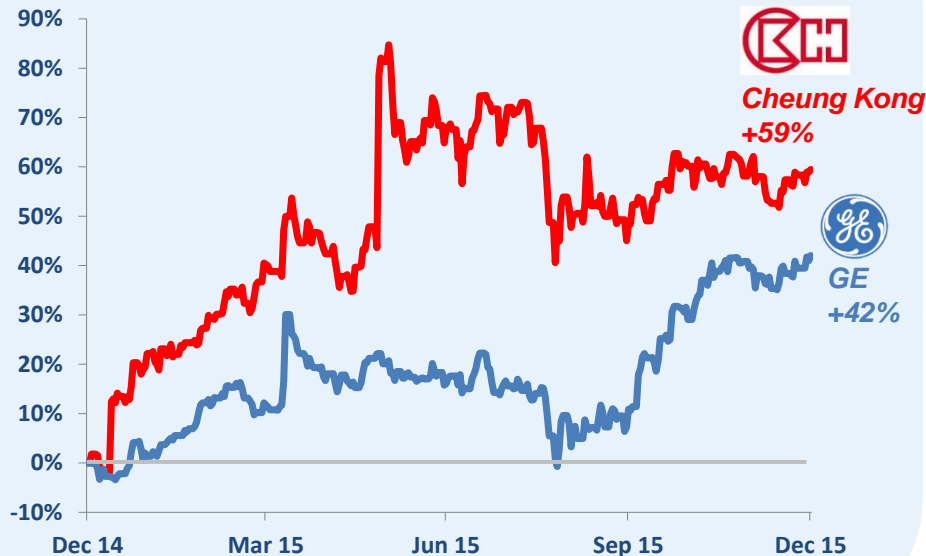


Source: Bloomberg

As global investors with a broad mandate, we can re-deploy capital elsewhere and patiently wait for the right opportunity



1-yr return (EUR) on SKAGEN Global's infrastructure plays



Source: Bloomberg

Using an investment framework brings complementary benefits beyond enhancing risk-adjusted returns

While we primarily seek to attain the best possible risk-adjusted returns, we also want our results to be:

- ***Consistent***
- ***Explainable***
- ***Repeatable***

We believe in rigorous planning and effective execution

“The strategist starts with a goal in the distant future and works backwards to the present.

A Grandmaster makes the best moves because they are based on what he wants the board to look like ten or twenty moves in the future.

This doesn't require the calculation of countless twenty-move variations. He evaluates where his fortunes lie in the position and establishes objectives.

Then he works out the step-by-step moves to accomplish those aims.”

- Garry Kasparov



Agenda

2015 Fund Review

Investment Frameworks

2016 Outlook

We are cognizant of macro conditions, but focus on companies



“Stop trying to predict the direction of the stock market, the economy, interest rates, or elections.”

- Warren Buffett

Our bottom-up selected portfolio offers global exposure to many quality companies at attractive valuations



Source: SKAGEN Global, December 2015

2016 is “The Year of the Monkey” in the Chinese zodiac

If you do like everyone else, you become like everyone else

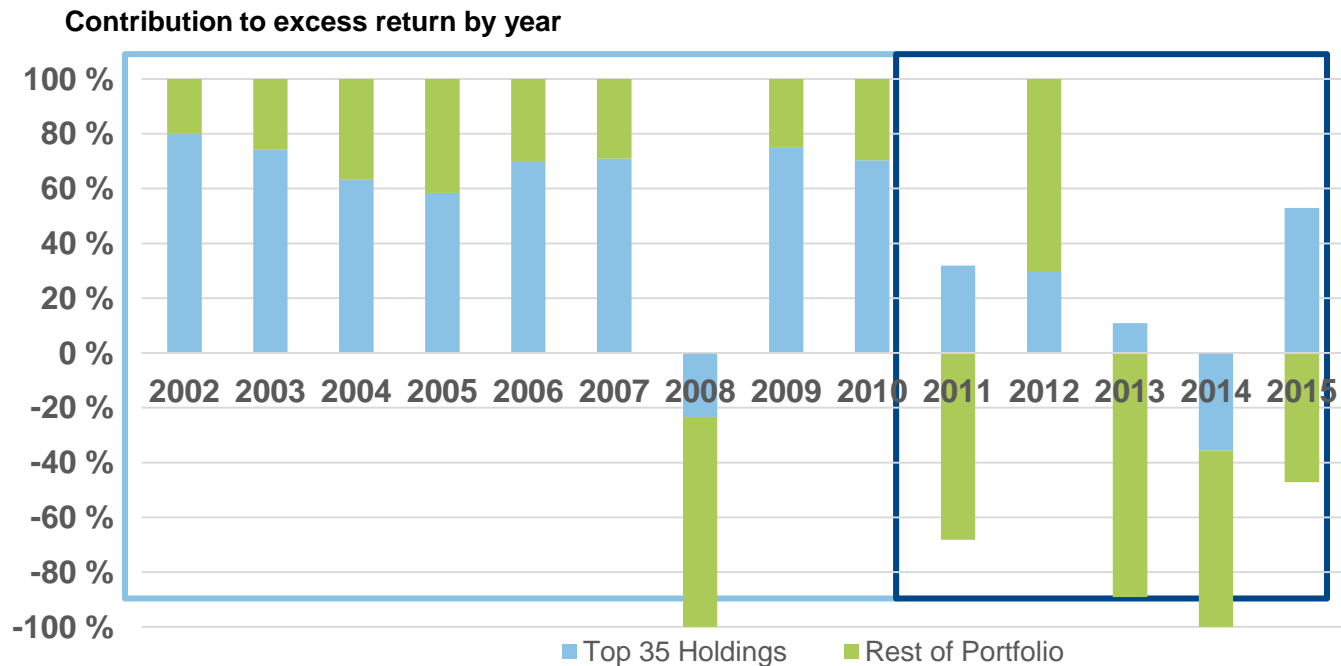


We continue to think differently and invest independently

Thank you

Appendix

Our high conviction holdings have generally done well since inception...



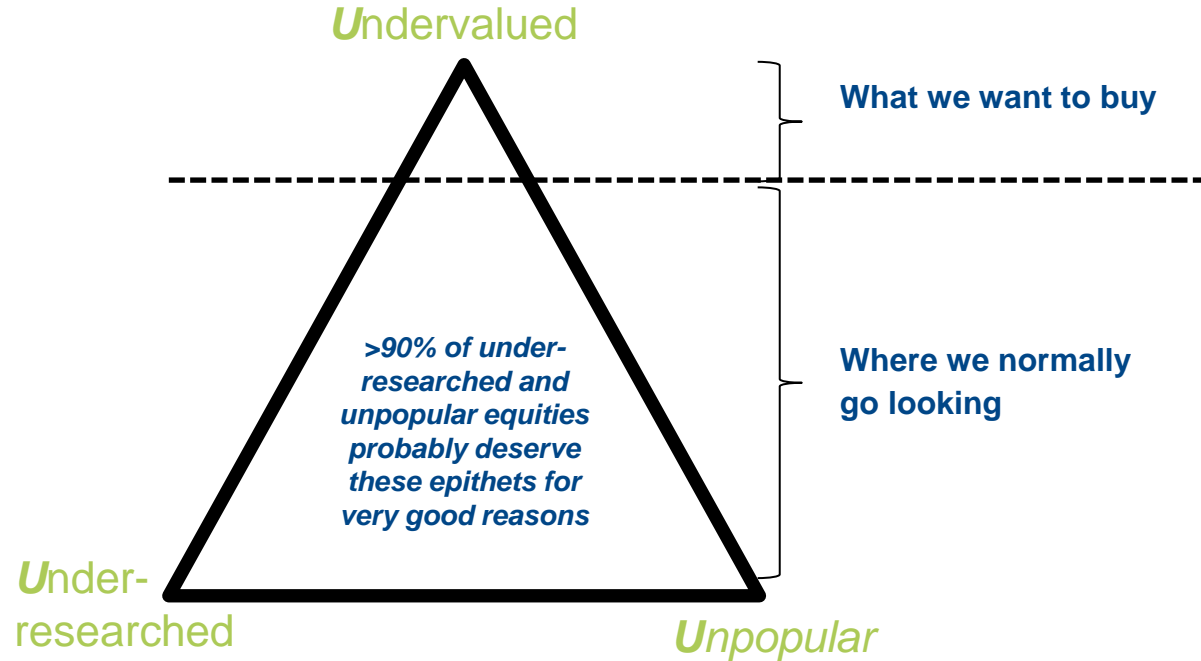
...but more recently the small positions have disappointed

Source: SKAGEN, MSCI. Returns used are measured in NOK, net of fees

The global stock market is back at peak levels

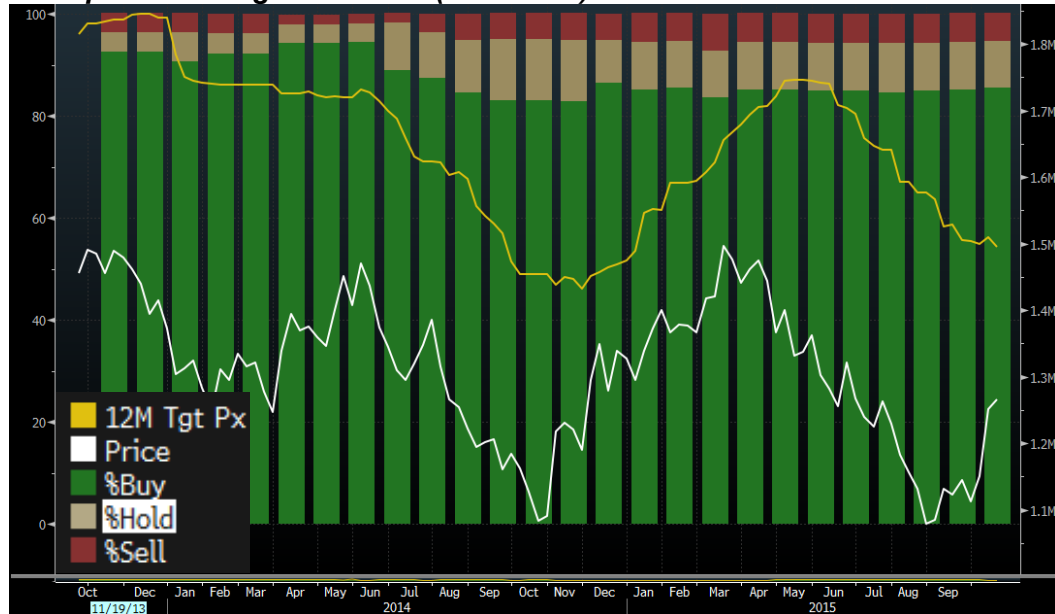


The 3 Us form the cornerstone of our investment approach



“Unpopular” – Having many sell-side BUY-recommendations does not automatically make a stock popular on buy-side

Example: Samsung Electronics (2013-2015)



Sell-side recommendations can be a useful guide to sentiment, but different incentive structure and time horizon vs. buy-side limit usefulness of this indicator

The term “Under-researched” implies that one or several aspects of the investment case is misunderstood by the market

Five common reasons why companies are “Under-researched”

Analyst coverage lacking in terms of # analysts, quality, publishing frequency

“Wrong sector” and/or “wrong classification”

Research distorted by singular focus on specific event/topic

Failure to capture long-term attractiveness of business

Consensus thinking on key assumptions is flawed

Portfolio examples



“Undervalued” – where and how do we differ?

Optically cheap stocks may not be indicative of true value

Dogmatic

- Discount to intrinsic value is an absolute criteria for an investment

Pragmatic

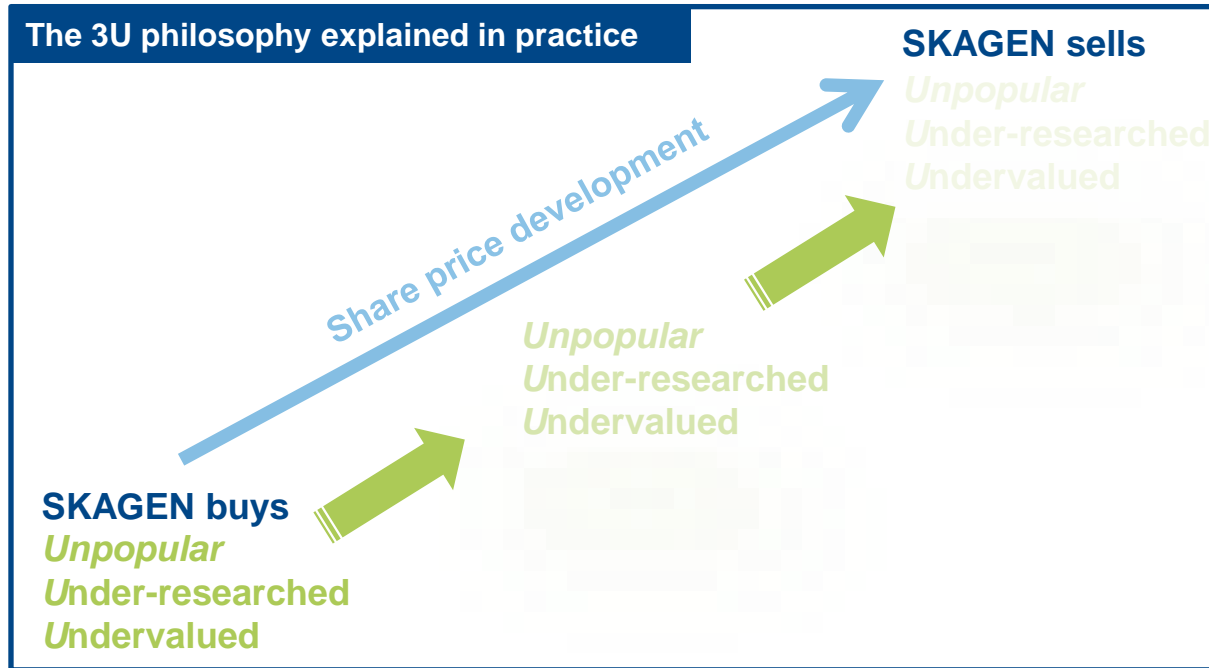
- Value can be found in many different guises

Triggers

- Events that will unlock the value within our investment horizon



The 3Us apply when SKAGEN buys a new stock, then gradually fade away as the investment case plays out



All 3Us rarely apply to existing holdings as one or more of the 3Us may “disappear” as the equity story unfolds (only *Undervalued* always applies)

We are aligned with our clients

“Our clients are partners; the only aim is to give them the best risk-adjusted return possible. If our clients do well, we do well.”

- Kristoffer Stensrud, SKAGEN Founder