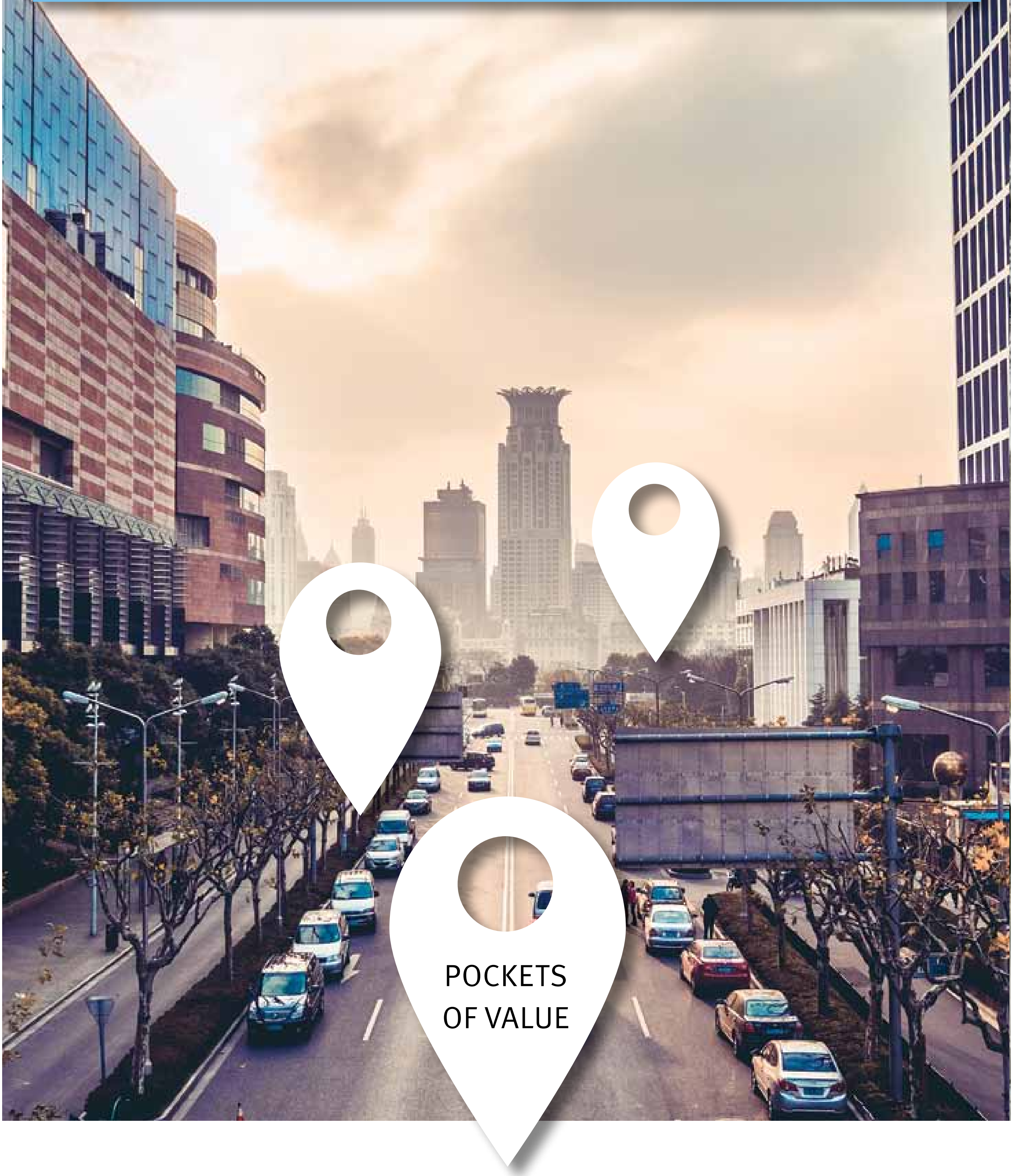
ANNUAL REPORT 2013

SKAGEN



IN A WORLD OF CHANGING PARADIGMS

CONTENT

Three's a charm

In SKAGEN we are very fond of numbers, particularly the number 3. The year 2013 was yet another good year ending in 3.

In December 2012 I went out on a limb when I sent Christmas cards to our SKAGEN friends. In the card I wrote that next year (2013 that is) would be a good year if history were to repeat itself. Eight out of the ten previous years ending in three have been good years on the stock market, and that was certainly true of 2013 also.

Good return

Our funds performed fairly well last year. Measured in euro, SKAGEN Kon-Tiki delivered five percent to unit holders in a difficult market, beating its benchmark index by almost 12 percentage points. The other two equity funds, SKAGEN Vekst and SKAGEN Global, delivered solid absolute returns of 10 and 15 percent respectively. The two funds ended up slightly behind their benchmark indexes, however. The global property fund SKAGEN m2 had a tough first year. The fund's benchmark index is heavily exposed to the real estate markets in Japan and the US, both of which had a good year, while SKAGEN m2 has few investments in these real estate markets and suffered because of this.

Interest rate attention

SKAGEN's fixed income funds deserve much more attention than they receive, in my view. In a tough market our global bond fund, SKAGEN Tellus, while being down 4 percent, was also 4 percentage points ahead of its index. SKAGEN Avkastning was also well ahead of its benchmark index, although the fund lost almost 10 percent.

The number three

Although we are quite tongue in cheek when it comes to our number superstition, 1993 was indisputably a good year for the company, as that was the year that SKAGEN was established. We have spent some time this year celebrating our 20th anniversary, including holding a very well-received outdoor concert in Stavanger in August as well as a number of client events. Turning 20 is no great feat in itself, but it is not an everyday occurrence in the fund industry. One positive thing about growing older is that we have become more experienced. We know much more today than when we first started 20 years ago, and that is to the benefit of unit holders. But some things do not change in SKAGEN: Our 3 (there you have it again) Us – our investment philosophy which consists of searching for Undervalued, Unpopular and Under-researched companies – was conceived 20 years ago. Today value investing has fallen out of favour, but it won't be long before it becomes fashionable once again.

Market of opportunity

The theme for this annual report is undiscovered opportunities, or pockets of value. This is at the very core of our investment philosophy, namely looking for quality companies in places where others would not think of looking. Why do we talk about our investment philosophy all the time? Because we are of the firm belief that quality at the right price is in the best interests of our unit holders in the long run.
And it is precisely this long-term perspective that characterises our management and business style. If you look for our funds' in newspapers' listings of the best funds in the past week or past month, you most likely won't find us there. We are not concerned about being the best over such short time frames. It may sound arrogant, but fund saving is a long-term business.

Above average

Assets under management were EUR 15.3 billion at the end of the year. During the year we saw that clients lost faith in emerging markets and took money out of SKAGEN Kon-Tiki, even though the fund beat its benchmark index by a solid margin. Clients paid an average 2.25 percent management fee during the year, which is above the industry average, and can be attributed precisely to the large excess return achieved by SKAGEN Kon-Tiki.

What next?

I won't stretch the numbers theory too far; it is after all more fundamental circumstances which decide the framework conditions for companies in our portfolios. What do we expect to see next year? Two things: given the unusually stable period behind us, we must now expect slightly more fluctuations and corrections. This far in the upturn there is more room for faith and doubt. But if you ask me, I think 2014 will be another good SKAGEN year. Thank you for accompanying us on our journey!

WHERE OTHERS WOULD NOT THINK OF LOOKING

The theme for this annual report is undiscovered opportunities, or pockets of value. This is at the very core of our investment philosophy, namely looking for quality companies in places where others would not think of looking. Why do we talk about our investment philosophy all the time? Because we are of the firm belief that quality at the right price is in the best interests of our unit holders in the long run.

– Harald Espedal
CEO

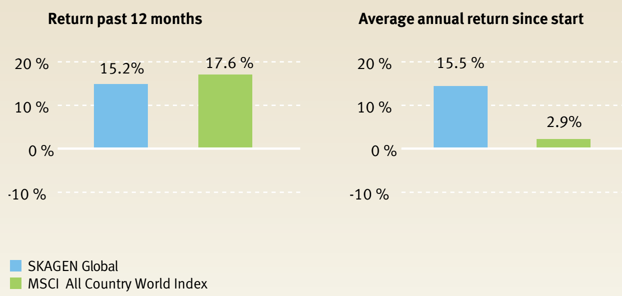
Returns

The following tables show the returns for SKAGEN's funds versus their respective benchmarks in euro. The figures are updated as of 31.12.2013

Equity Fund   Fixed Income Fund

SKAGEN GLOBAL

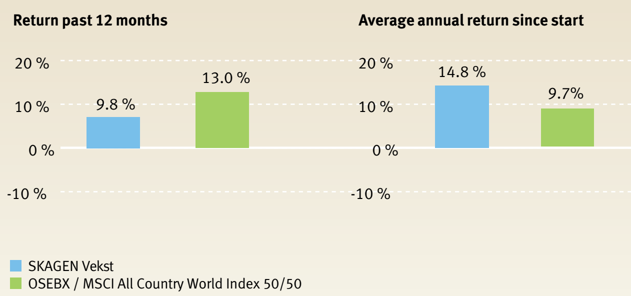
Manager: Kristian Falnes **Start:** 7 August 1997



* The benchmark index prior to 1/1/2010 was the MSCI World Index.

SKAGEN VEKST

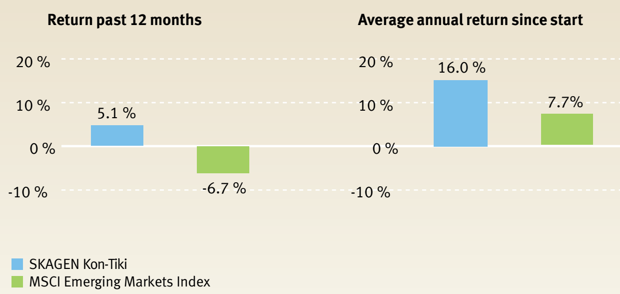
Manager: Ole Søeberg and Geir Tjetland **Start:** 1 December 1993



* The benchmark index prior to 1/1/2010 was OSEBX.

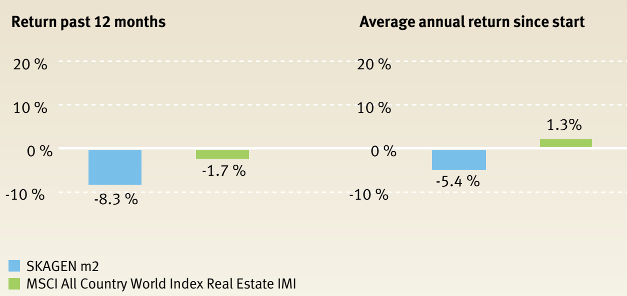
SKAGEN KON-TIKI

Manager: Kristoffer Stensrud **Start:** 5 April 2002



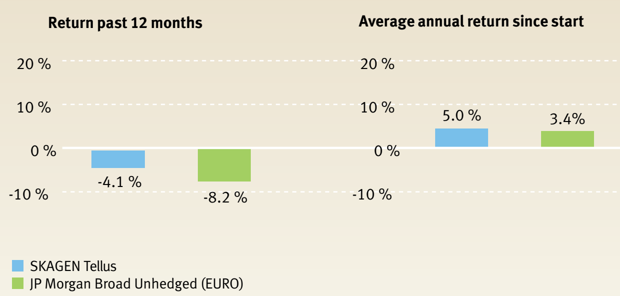
SKAGEN m²

Manager: Peter Almstöm **Start:** 31 October 2012



SKAGEN TELLUS

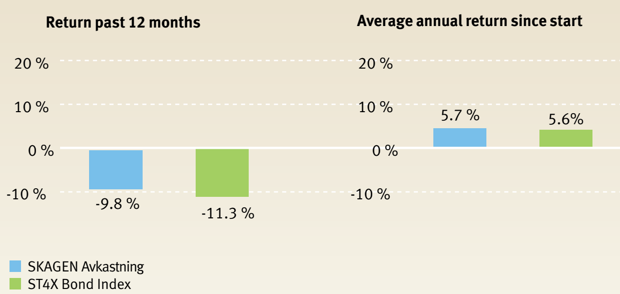
Manager: Torgeir Høien **Start:** 29 September 2006



* The benchmark index prior to 1/1/2013 was Barclay's Capital Global Treasury Index 3-5 years.

SKAGEN AVKASTNING

Manager: Jane Tvedt **Start:** 16 September 1994



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 and combination fund SKAGEN Balanse 60/40 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 2013 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 2013 is available at www.skagenfondene.no

NOTICE OF ELECTORAL MEETING

We would like to invite unit holders in SKAGEN Funds to our electoral meeting which will be held at the Stavanger Concert Hall on 5 March 2014 at 6pm.
The electoral meeting will be broadcast live on our Norwegian language website www.skagenfondene.no so that as many people as possible may follow the proceedings.

Agenda for the electoral meeting:

1 Election of chairperson and two unit holders to sign the minutes – for discussion
2 Board of directors' annual report – for information
3 Auditor's report – for information
4 Election of two board members to the board of directors of SKAGEN AS – for discussion
5 Election of one deputy board member to the board of directors of SKAGEN AS – for discussion
6 Election of two members to the nomination committee – for discussion
7 Questions sent in from unit holders – for discussion

The nomination committee proposes that Yuhong Jin Hermansen be re-elected as a unit holder-elected board member for a term up to 2016. The nomination committee further proposes that Per Gustav Blom be re-elected as a unit holder-elected board member for a term up to 2016, and that Martin Petersson be re-elected as a unit holder-elected deputy member for a term up to 2015.

The board of directors proposes that Per Olof Höglund be elected as a new member in the nomination committee for a term up to 2017 since Ola Lauritzson has stepped down. The board further proposes that Barbro Johansson be elected as a new member of the nomination committee for a term up to 2016 as Mette Lundh Haakestad's three-year term has now come to an end.

Advance voting on My Page

Unit holders may cast advance votes via My Page (log in from www.skagenfunds.com). Alternatively you may send in your votes by email to legal@skagenfunds.com or by post to SKAGEN, P.O. Box 160, 4001 Stavanger, Norway. Advance votes must reach SKAGEN at the latest by 28 February 2014. Your units as of 28 February will constitute the basis for the calculation of the number of votes. If you have voted in advance, you do not need to register on arrival at the meeting.

Each unit is entitled to one vote at the unit holders meeting. Unit holders may vote by proxy. Approved proxy forms are available by contacting Customer Services on +47 51 25 38 58. Please remember to bring a proof of identity and, where relevant, a certificate of incorporation.

Unit holders are entitled to discuss questions which are submitted in writing to the board of directors of SKAGEN AS up to one week prior to the meeting. With the exception of the elections, the election meeting may not make any resolutions that bind the funds or the asset management company.

Funds discussion

After the formal part of the electoral meeting, Investment Director Harald Espedal will talk about the outlook going forward. There will then be a discussion about the funds with the portfolio managers and Investment Director Harald Espedal. Unit holders may ask questions either via text messages or in person.

More information and a registration form can be obtained by contacting Customer Services on +47 51 21 38 58. The deadline for registration is 28 February 2014. The meeting is open to everyone. Light refreshments will be served.

Best regards
The Board of Directors of SKAGEN AS

Martin Gjelsvik
Chairman of the Board of Directors

WORLD MARKETS

Time to say goodbye

The ‘developed world’ and ‘developing world’ are crude labels for categorising the world’s six billion people. Hans Rosling, a Swedish professor, suggests that we put these terms aside in favour of another, more accurate term: the world.

– Hans Rosling interviewed by Michael Metzler

Once upon a time, not too long ago, our world could in fact easily be grouped into two sets of countries, “developed” and “developing”. There was a great divide between those countries considered rich and those considered poor – and very few, if any, in between. One group had a long average life expectancy, small families, education and political power. The other had neither.

– I like to tell the story of my neighbour who knows two hundred varieties of wine, I am only familiar with two; red and white. While my neighbour is only aware of two types of countries – industrialised and developing - I on the other hand know about 200 countries and their GDP, fertility rates, levels of literacy, child mortality and so on, says Hans Rosling, professor of global health at the Karolinska Institute in Stockholm.

Health and wealth

– The countries of the world today defy all attempts to be classified into only two groups. So many of the formerly ”developing” countries have been catching up – and most of the global growth today is taking place outside Northern America and Western Europe.

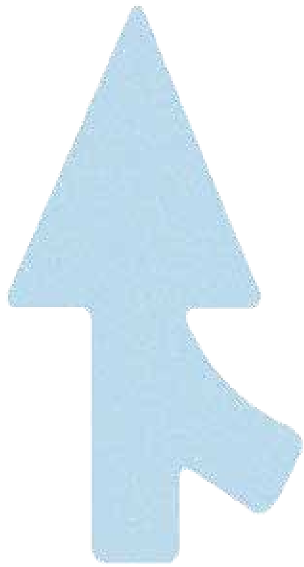
Through the organisation Gapminder (www.gapminder.org) Hans Rosling aims at making statistics and facts more accessible and available – showing how most people these days live in the middle of the socio-economic spectrum.

– The average life expectancy today in, for example, Vietnam is 75 years. This is the same level as in the US in 1990, although, from the perspective of wealth, income per person is on a par with the US in the 1860s! In terms of health they are 20 years behind and in terms of wealth 150 years behind.
The paradox related to improved child survival is that it doesn’t lead to population growth. Rather, the opposite is true. Hans Rosling explains that it is when child mortality drops that the demand for family planning increases, hence leading to fewer births. Most of the world’s population lives in a society where two child families are most common and child mortality is relatively low. On average women in the world today give birth to 2.5 babies. This has led to what Hans Rosling refers to as ‘the age of ‘peak-child’’. The number of children has levelled off at 2 billion in the last decade and will probably remain at this level throughout this century. In Africa the number of children is still increasing but the number is decreasing at the same speed in Asia.

Upgrading our world view

In the mid-1990s Hans Rosling had come to realise that the crème de la crème of the academic elite at the Karolinska Institute, the Swedish medical university, were lacking basic knowledge of how the world had changed – much due to a remaining outdated mindset. This is what inspired him to embark on his mission to “upgrade our world view”, as he likes to put it.

When Hans Rosling asked his students to define the terms ‘the western world’ and ‘the developing world’ they would explain that the western world had smaller families and longer life expectancies. Their view of the world would have been accurate in 1960. Since then, there has been an on-going slow but dramatic change that renders the old way of dividing the world into two groups totally useless. In one of Hans Rosling’s famous TED-speeches he holds up a UN report from 2009 on levels and trends in child mortality. He states that it is a great report apart from the page that categorises countries. On the list of developing countries he points to The Republic of Korea, the country that has given us the electronics giant Samsung. Singapore, the country with the lowest child mortality in the world is also considered a developing country as is the richest country in the world, Qatar. Hans Rosling asks how these countries can be considered ‘developing’ and then goes on to tear up the page on country categorisation exclaiming “This is crap!”



Hans Rosling
Self proclaimed ‘edu-tainer’ and professor of global health, Karolinska Institute, Stockholm.

Co-founder of the Gapminder foundation, with its mission of “Fighting devastating ignorance with fact-based worldviews everyone can understand”.

In 2007, Google acquired software Trendalyzer from the Gapminder Foundation.

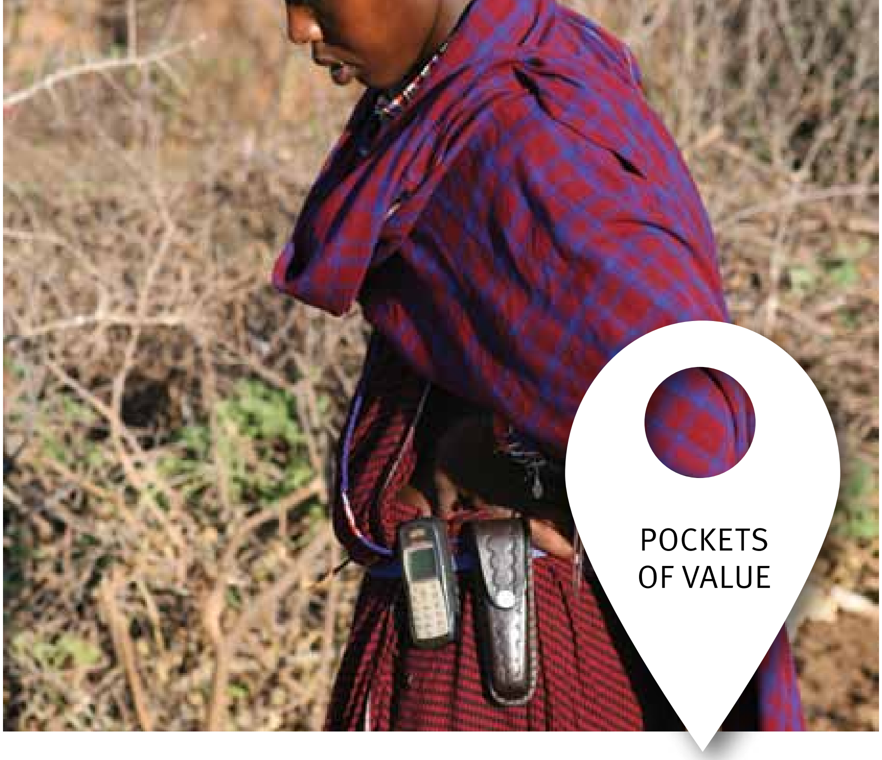
The current version of Trendalyzer is available as web-service (www.gapminder.org/world) displaying time series of development statistics for all countries.

– I like to tell the story of my neighbour who knows two hundred varieties of wine, I am only familiar with two; red and white. While my neighbour is only aware of two types of countries – industrialised and developing - I on the other hand know about 200 countries and their GDP, fertility rates, levels of literacy, child mortality and so on.

Growth and rapid change

Emerging market countries have not spent billions of dollars building shopping malls, media houses and financial institutions which means that they can leap right into the digital future. This is just one of the many things that investors in emerging markets don't realise.

– Kristoffer Stensrud



Source: Shutterstock

It was instructive, for example, that the audience at our New Year's Conference in Copenhagen believed that more than 50 percent of the world's population was illiterate and that fewer than 50 percent of the world's infants were vaccinated against measles before their first birthday. The correct answers are that fewer than 20 percent are illiterate and vaccination rates are north of 80 percent. That nearly half a billion people have moved from poverty to middle class is a fact that seems to have passed by a generally enlightened public.

What is truly interesting is that Nobel Prize laureate Paul Krugman, to my ears, has not grasped the fact that the Chinese economy is more than three times as big as the Japanese as measured by purchasing power. A question regarding China's future was dismissed with an "it'll go the way of Japan". China's share of the global world trade is presently three times that of Japan. Raw material consumption in China is between three and eight times greater than that of Japan — not to mention significantly greater than that of the US. In 2013, China also eclipsed the US as the world's biggest trading nation as measured by the sum of exports and imports of goods.

A new world

That Krugman is considered one of the world's top economists and leading opinion makers might seem disheartening in this context. However, it just goes to show that economists and investors continue to remain blinkered by their old prejudices as laid out in textbooks and the media from the 1970s and until far into the 1990s. The world has certainly changed in fundamental ways since then.

Traditionally, investments in global emerging markets have been perceived to be a leverage investment to deal with global business cycles. To invest in emerging markets when economic trends are falling – in other words, trading counter-cyclically – can be a generally distressing experience, a little like trying to catch a falling knife in mid-air.

The period between 1993 and the turn of the millennium illustrates this well. To a large degree, growth in the industrialised world was a manifestation of the internet boom. On the other hand, the global emerging markets were struggling. Excessive borrowing, primarily in dollars, was driven by an ample supply of credit. The combination of a decline in demand and overpriced exchange rates culminated in the Asian crisis in 1997/98.

The past five years of the same type of affordable credit have contributed to inflated exchange rates in several emerging countries and a weakening of several countries' foreign trade since 2010. This has invited easy parallels with the 1990s – which are likely not relevant.

Emerging markets in a stronger position

The global emerging markets of today no longer play the role of derivatives within the global commodities cycle. The countries' economies are now sufficiently large and no longer as dependent on exporting to western countries as previously. The steep declines we witnessed in 2013 in a number of emerging countries provided a welcome correction and a natural stabiliser; this did not occur in the 1990s when the prevailing economic orthodoxy was based on constant exchange rates.

On the contrary, most of the economies now seem more dependent on internal growth. There is an interesting development in the service sector, which accounts for upwards of 80 percent of value creation in industrialised countries. South Africa is an example of a country that is perceived to be a commodity-driven mining economy – but most of the South African stock market index is anchored in the service sector. However, in global emerging markets in general, the service sector is often part of the informal economy. But as this part of the

CONSENSUAL SCEPTICISM

Many investors are undoubtedly missing facts by viewing the world through the prisms of old paradigms and past events.

In spite of everything – the increased purchasing power, the development of the service sector, the spread of digital commerce, and the potential for an improved political climate – the investing public remains sceptical. It may therefore be the case that this consensus scepticism will open up for good investment opportunities in carefully selected companies in the future.

economy grows, it will need to be taxed at which point it will start contributing to the official GDP.

Into the future

Since emerging countries have not poured billions of dollars into building shopping malls, media houses and financial institutions, they are able to skip this phase that western economies have had to go through and leap straight into the digital version. What is more, it is based on full transparency and new efficient distribution systems. This has the potential to enable drastic savings of resources with growing numbers of people having access to smartphones and free information for all. Many investors are undoubtedly missing these facts by viewing the world through the prisms of old paradigms and past events.

This is not to say that the shift in the emerging markets will be without friction. In 2013, we saw clear signs of impatience among the go-getting middle classes in many emerging markets. Political and institutional problems are evident in many countries. In spite of a historically golden decade of political stability, there is a strong desire for regime change as political stability has paved the way for red tape and corruption.

The combination of economic and political uncertainty will likely be greater than usual in 2014 with a potentially dampening effect on the global emerging markets. For example, already in 2013, we saw a policy shift in China that will alter decades-old prejudices about the nation state's sovereignty position in relation to globalisation, a greater emphasis on individual economic freedom, and greater emphasis on qualitative rather than quantitative growth.

Whether or not global emerging markets – as defined by indexes – will be a better investment bet than traditional developed markets in 2014 remains to be seen. Based on key figures for the cost of value creation in companies, we are approaching a level where we would normally be certain that global emerging markets should have better risk-adjusted returns in a couple of years. But there are no guarantees.

What we can guarantee is that the uncertainties that may arise in 2014 will provide us with opportunities for finding good companies with excellent value creation at low prices and good revaluation opportunities in a changed climate – as was the case in 1998, 2002 and 2008. For many managers, periods of short-term anxiety in the markets cause crises; for SKAGEN, such periods have given rise to opportunities over the past 21 years. With a solid anchoring in value, we will remain poised to outperform the markets.

In other words, in spite of everything – the increased purchasing power, the development of the service sector, the spread of digital commerce, and the potential for an improved political climate – the investing public remains sceptical. It may therefore be the case that this consensus scepticism will provide good investment opportunities in carefully selected companies in the future.

And this in a world travelling at inconceivable speed.

Source: Daniel Brokstad

NEW MARKET LOGIC

Growth cities, not emerging markets

– Peter Almström

SKAGEN m2 is constantly seeking exposure to the best real estate companies in the worlds' growth cities. Not countries. Growing cities represent an increasing share of world GDP. Geographical locations that attract people and businesses tend to grow almost exponentially over time, as concentrations of people and businesses support more businesses, jobs and prosperity in a synergetic positive spiral.

Some cities keep growing faster than the countries they are situated in over centuries. Others turn out to have a shorter life span. Cities that thrive on only one or a few industries run the risk of losing out in the global race as the world economy keeps evolving.

When cities expand fast in less developed economies, they may have to deal with slum areas, concentration of poverty and health problems in the early growth phase. Over time, cities can address these problems more efficiently, through better access to clean water, healthcare and disposal of sewage and garbage.

As well located, well diversified and well managed cities grow wealthier, soft values like quality of life attract human talent. And the concentration of creativity is the best recipe for economic resilience and continued wealth over time.

The label "developed" or "emerging" carries no value on the city level. Growing city wealth is good for real estate values. On all income levels. This applies in Stockholm, New York, Istanbul or Mumbai – everywhere.

A world of opportunities

Crisis is the mother of progress, claims Kristoffer Stensrud. A seemingly bad time to start an equity fund can actually prove to be an advantage.

– Tore Bang

"For many years we have achieved strong returns for our unit holders by focusing on things that others have neglected. During the Asian crisis we looked East, whilst others were looking West," says Kristoffer Stensrud, referring to the launch of SKAGEN Global in 1997.
Since SKAGEN was established 20 years ago our portfolio managers have focused their attention on companies in parts of the world other investors have preferred to avoid.

"It is important to re-evaluate established truths, while the mathematical law of gravity dictates that the market's assessment of companies converges over time. That provides scope for generalists like ourselves, who are armed with broad mandates and are willing to take a closer look at what may be hidden to many others in the market," explains Kristoffer.

Although SKAGEN's funds have different mandates and the portfolio managers all enjoy a high degree of freedom, the funds share at least one thing in common: they all experienced a difficult birth.

Source: Shutterstock

1993

NORWEGIAN LOW POINT

Skagen Vekst

Background at start-up: Deregulation of credit in the mid 1980s resulted in a booming Norwegian housing market. Benevolent banks approved mortgages up to the hilt. The recovery lasted until the winter of 1988, and then the curtain came down. Over the next five years house prices in Norway fell by 40 percent. Previously solid big banks went bankrupt, shareholders lost everything, and the credit market was paralysed. The Oslo Stock Exchange, unlike global stock markets, never recovered after the bloody Monday stock market crash on the New York Stock Exchange on 19 October 1987.

Up until August 1992 investment in Norwegian equities was a rarity. However, in 1993 investors once again started to believe that long-term investment in companies' equity could pay off. The Oslo Stock Exchange ended the year up 65 percent. 1993 was also a joyous year for global equity markets. Measured in Norwegian kroner, the world index was up 35 percent

Missed out on a great year
Its 1 December 1993 launch meant that SKAGEN Vekst unfortunately missed out on a wonderful year on the stock exchange. But the fund did enjoy the remainder of the favourable decade.

With the exception of 1998, unit holders in SKAGEN Vekst reaped the benefits of the 1990s too, both in absolute terms and relative to the benchmark. The fund peaked in 1999, with a return of 95 percent, compared to 60 percent for the benchmark.

Twenty years on there are companies in the SKAGEN Vekst portfolio that have been there since the fund's early days. The Fred Olsen twins, Bonheur and Ganger Rolf, Olav Thon Eiendom and Wilhelm Wilhelmsen are just a few of the Norwegian classics. Among the foreigners Samsung Electronics is SKAGEN Vekst's largest investment, and once again made an excellent contribution to the fund's performance in 2013.

1997
ASIA CRISIS

2002
STOCK MARKET CRASH

Source: Daniel Brokstad and Shutterstock

SKAGEN GLOBAL

Background at start-up: The Asian crisis was in full swing and investors were fleeing from the debt-ridden Asian markets. Many Asian countries were struggling with high debt and a strong dollar. The situation was not as bad for companies. Many had relatively low debt levels and the necessary liquidity to manage the crisis. Tough cost cuts and a weak currency meant that these emerged as future winners once the crisis started to abate.

Struck gold during the Asian crisis: Many people felt that it was particularly unfavourable to start a global equity fund in August 1997, in the midst of the Asian crisis. The fact that companies were out of favour with investors played to our advantage, however.

We were able to pick solid, high quality, unpopular, undervalued and under-researched companies at bargain prices. One such company was Samsung Electronics, which entered the SKAGEN Global portfolio in the winter of 1997. There could have been no better Christmas gift for us or our unit holders, and the investment continued to pay off in subsequent years. In 2013 Samsung Electronics was again one of the largest positive contributors to three of our four equity funds.

Unit holders who invested in SKAGEN Global at launch had to endure a loss of three percent in the first five months of the fund's life, while the MSCI World Index was down eight percent in euro. However, over the next two years our unit holders got value for their money; the fund gained 34 percent in 1998 and 135 percent in 1999 while the benchmark index was up 15 percent in 1998 and 44 percent in 1999.

The ensuing decade as a whole was also good for SKAGEN Global, which ended up being well rewarded for its relatively heavy investment in undervalued companies in emerging markets.

SKAGEN KON-TIKI

Background at start-up: The terror attack on 11 September 2001 resulted in increased monetary stimulus from the Fed. The US economy had been struggling since the spring of 2000. At the end of the year key indicators showed that the global economy was improving and optimism gradually returning. China was in the infancy of its economic golden age. 2002 looked brighter and investors saw positive returns for the first time in years. But then two US accounting bombs went off: Energy giant, Enron and telecoms company, WorldCom, turned out to be bubbles inflated by lies, deception and foolishness. The finance world once again fell apart.

Loaded the raft with Brazilian bargains: 2002 seemed to be the perfect time to start a focused emerging markets fund and the SKAGEN Kon-Tiki raft was launched on 5 April. But after just a few months at sea, unit holders discovered that over 40 percent of the raft was under water. The situation improved slightly towards the end of 2002 and SKAGEN Kon-Tiki ended its first year down 26 percent in euro. By the end of the year the initial start-up capital of around EUR 59 million had shrunk to just under EUR 30 million.

The worst of the storm raged in the land of commodities, Brazil. The 2002 elections brought trade union leader Lula da Silva to power, something that didn't exactly encourage investors.

The combination of cheap companies and a run-down currency enabled Kristoffer Stensrud to pick companies off the top shelf. Companies such as Petrobras, Eletrobras, Vale, Antofagasta and Unibanco entered the portfolio.

When the fear started to abate in 2003 unit holders who had stuck with SKAGEN Kon-Tiki were rewarded for their patience. The fund increased by 76 percent, compared to the emerging markets index which returned 30 percent. The fund's total assets increased from EUR 30 million to over EUR 202 million, and the number of unit holders more than doubled to just under 10,000.

Source: Shutterstock

Those who wait

It is relatively rare that we find long-lasting winners among first movers in a new market. We tend rather to surf the second wave when the market is more mature and the pioneers have worn themselves out.

– Christian Jessen

History has proved that investors should be careful about investing in new companies just because they are the first in a new segment or market. Hearing the words "this time it's different" is yet another reason to be on one's guard. Investors should make a concrete assessment, taking into consideration both historical experience and current circumstances. There is often a greater chance of finding good investments among fallen angels rather than among the latest hottest trends.

Old favourites that have fallen out of the market's favour often end up languishing deep in the abyss when disillusioned investors fold their cards. The key when considering such companies is to find out where the turning point lies, which will lead to improved earnings for the company. This entails going in when the technology, conditions and markets improve – before other investors have got over their fear and bad experiences.

Faith in innovators

Corporate and stock market participants often have a firm belief that the first companies in a new market will end up being long-term winners.

Pitfalls for first movers
In retrospect we see that only a few of the participants survived, and it took several years before any lasting market leaders could be identified with any degree of certainty.

Advantages for second movers
Competitors learn from first movers´ experiences. Key is going in when the technology, conditions and markets improve

When groundbreaking inventions are put into production for others, the company is secured a strong income for years to come.

There is something fascinating about successful innovations which turn into viable pioneering activities and put products on shelves. Business leaders and the press welcome the stories; it takes a combination of extremely hard work and creativity to push through something new.

Equity analysts and investors struggle to get an overview over the opportunities in a new sector, but they must be good; the companies would not have managed to get past the birthing phase and onto the stock market otherwise.

Equity investors fight over companies and fear being left on the sidelines. The hangover comes when the companies disappoint in their quarterly statements and their growth prospects fade. Suddenly a success turns into a stock market fiasco and investors suffer the consequences.

Common sense

Does this story sound familiar? Most likely. The solar industry is a classic development story which has given SKAGEN the opportunity to acquire cheap companies in a growing sector.

Why do we see the same thing happen time after time? Our opinion is that many market participants look back instead of ahead in time, as well as being overly guided by their instincts. If an investor has previously lost a lot of money on a company or a sector, it takes a lot for him to get back into the ring. Even for professionals this can make it difficult to have a more nuanced view.

Singer and Hoover, pioneers in sewing machi-

LATER BLOOMING TECHNOLOGIES

Who can win if it's not the first off the block? It is often the next in line. Some of the so-called first-mover advantages include gaining customers without competition, having a technological head start and enjoying the self-perpetuating process created by the very fact of having users and customers. But the winners are those who first get critical mass. One such example is Google which swept Yahoo and Alta Vista off the field.

nes and vacuum cleaners respectively, are often cited as examples of first mover advantage. They were not the first to come out with their products, however, they were the first to experience commercial success. So they were second rather than first movers.

Pitfalls

Pitfalls are manifold for first movers. Large investments in technology and innovation can prove advantageous, but the benefits are short-lived if competitors are later able to copy and produce at lower costs. If a company has wrongly estimated its market size, it can end up being choked by overly high development costs relative to earnings.

Another problem may arise when a visionary company launches innovative products ahead of its time. Consumers often need time to embrace entirely new technologies, and in the meantime, competitors can learn from the first mover's experiences. Electric cars are another segment where many early participants, such as Buddy and Think, have had to admit defeat.

We cannot end without mentioning the dot-com bubble at the end of the 1990s. Early internet companies insisted on the importance of being first in their respective segments, and investors fell for this, despite history having taught them how difficult it is to pick winners in the early phases of a new market. The auto and airline industries are two such examples which stand out from the last century. In retrospect we see that only a few of the participants survived, and it took several years before any lasting market leaders could be identified with any degree of certainty. Life as a pioneer is no bed of roses.

Hi-tech, lo-tech

The technology may be advanced, but the principle of solar energy is as logical as life itself. The Uru, a pre-Inca people residing on floating islands on the lake Titicaca, created their unique premises hundreds of years ago. Reeds are used not only to build the islands, but also to make houses and boats. The Uru people, today counting 2000 inhabitants, lead a very simple life. Among the few modern luxuries added, is a radio station broadcasting from the island and the use of solar panels. The latter, although posing in stark contrast to the humble housing, still seems curiously native to the Uru way of life and perfectly illustrates the 360 degrees circle of technological progress that lies within this particular technology.

INNOVATION

INDUSTRY

JUST THE RIGHT MIX

SUN WARMS THE EQUITY FUNDS

– Ole Søeberg

Solar energy producers are a good example of a typical SKAGEN investment: They are unpopular among equity investors after an 80-percent decline, and they are affordably priced on future earnings.

Globally, solar energy is quickly becoming the least expensive form of energy and production costs are plummeting. Even the traditional oil and energy company BP predicts that by 2020 solar energy will represent around two percent of the world's overall energy production – without relying on subsidies.

SKAGEN's investment philosophy is value-based but also applies a hefty dose of common sense. That is why we have gone somewhat against our usual approach of focusing on undervalued individual companies and strengthened our position in the sector. The reason for our decision is that the investment case is based on a general misconception of the solar cell industry as a whole; in other words, all companies, not just one. We therefore believe it is worth diversifying our risk by including more companies, all of which have strong competitive positions.

Having for some time been a stock market disaster, the Norwegian solar power company Renewable Energy Corporation (REC) now has the lowest production costs of polysilicon, along with OCI of South Korea and GCL of China. In our view, this is precisely where the value creation takes place and what creates an entry barrier for competitors. Combined, these three companies represent 150,000 tonnes of annual production capacity.

We have also invested in Chinese solar panel manufacturer Yingli and ABB of Europe, which among other things makes inverters and so-called smart grids, which are the next generation electricity distribution grids.

Polysilicon is produced from sand. In simplified terms, in a traditional production scenario sand is boiled to 1,600°C after which polysilicon is filtered and cleaned. However, new methods can handle that process at 'just' 400°C, which makes production less expensive.

Challenges remain

Challenges remain, however, in utilising solar energy in traditional electricity grids. These grids were originally designed for major production units such as coal and nuclear power plants with power being distributed to businesses and consumers via high voltage and local grids. In more remote areas, the sun will produce energy during the day but as power is needed around the clock, the battery market will likely develop rapidly in step with solar and wind energy.

This development should evoke enthusiasm, but trends in solar energy sector shares in recent years have scared off many investors.

Ten years ago, solar cell installations were driven by subsidies, known to be unpredictable since they are decided on by politicians. Short-term demand overheated and the price of the raw material, polysilicon, skyrocketed: From USD 50 per kilo in 2004 they rose to USD 475 in early 2008. At that time production costs were around USD 35, so a raft of new manufacturers entered the market. This in turn depressed prices and the downturn was fierce and immediate; many manufacturers were forced to close shop with share prices tumbling and investors ostracising the companies.

SKAGEN has been bold enough to take another look at the figures and business plans: Although the companies are unpopular, we are once again seeing pockets of value. Currently, the most effective companies can produce one kilo of polysilicon for around USD 15, which is close to the market price of USD 21. The market is expected to grow by 45 percent by the end of 2015; an increase expected to produce an equilibrium price of around USD 30. In short, promising signs for the most efficient producers.

Going through the gears

How emerging market demand and supply are driving change and growth in the auto industry

– Knut Harald Nilsson
Portfolio manager SKAGEN Kon-Tiki

Looking back ten years, the US was firmly the dominant automotive market in the world, representing almost a third of global demand. Very few people, if any, would have predicted that China would overtake the US in only seven years but it did and left America trailing in its rear view mirror in 2010.

In the third quarter of 2013 auto sales in emerging countries accounted for 52 percent of global vehicle sales and they are expected to grow 2-3 times faster than sales in developed countries. It is thanks to this structural EM growth that auto companies have been some of SKAGEN's best ever investments.

Localisation and customisation key

One of the key automotive industry trends for years has been the localisation of production in order to shorten lead times but also, importantly, to reduce currency exposure. Today, all global Original Equipment Manufacturers (OEMs) produce at least 60 percent of their cars outside their 'home' market and some, such as Honda, as much as 80 percent. Hyundai Motor has not added any capacity in its home market during the past 16 years and is unlikely to do so in the years to come.

Just as model names need to be adapted in different markets – Chevrolet had limited success in marketing the Nova in Central and South America as 'No Va' means 'it doesn't go' in Spanish – vehicles themselves need to be increasingly adaptable. In stark contrast to the vision of Henry Ford with his black Model T, buyers of higher-end cars want increasing customisation of features such as colours, upholstery and wheels. There is also a clear trend that customers, at least in the C size segment and upwards, prefer to downscale their models and add more options on their cars; changeable features which offer very high incremental margins for the OEM.

Twenty years ago, development costs for a new model could be up to USD 6 billion. Today, auto manufacturers are developing and launching more new models at a fraction of the cost and time previously required. The key to this is platform sharing. In 2002, Hyundai Motor produced 28 models using 22 platforms, while last year it produced 40 models from just six platforms. We have also seen far greater cooperation across car manufacturers, even between those with no ownership ties. This is especially true for engine technology where BMW for example has cooperated with both Toyota and PSA.

Localisation of product is also important and with platform sharing it has become much cheaper and easier. The Chinese typically want big cars and China is the only market in which BMW offers a stretched version of its 3 series in order to meet this demand. Similarly, Hyundai Motor is now introducing a new model, Mista, made only for the Chinese market. Looking west, station wagons do not sell in the US, and smaller engines of c.150hp and below are not available in full size cars. This stands in stark contrast to the Nordic region, where station wagons are very popular and even smaller engines dominate the sales statistics.

Electric mania misplaced?

Alternative fuel is the new auto industry buzz word in some markets. In Norway, electric vehicles accounted for as much as 12 percent of sales in November, with hybrids adding another nine percent, and it would have been higher still but for delivery bottlenecks.

The frenzy is mainly because pure electric vehicles are currently duty exempt, in a country where vehicles with combustion fuelled engines are taxed by at least 100 percent, but sentiment could change. Although the technology might be environmentally friendly in use, the production of batteries is heavily pollutive and the use of electricity in one country might cause higher coal use in another. Some studies have even concluded that in some markets diesel engines are more environmentally friendly.

We are unsure whether electric engines will

Growth market
In just ten years China has overtaken the US as the dominant automotive market in the world. Emerging countries now account for over 50 percent of global vehicle sales.

Source: Fotolia

be the winning technology as we also expect hydrogen to compete. Battery technology will improve, but traditional combustion engines have also improved massively – emissions have fallen and according to the US Environmental Protection Agency the fuel efficiency of new cars in the US has increased by around 20 percent over the past 8 years – and will continue to be used in the vast majority of vehicles globally for the foreseeable future.

Five drivers of profitability and growth in the automotive industry:

1. Differentiated product. A product with greater perceived quality provides pricing power. Good test reviews and competitive second hand prices are key drivers. If you generate a six percent margin, the industry average, and manage to increase your effective price by three percent, your profit would increase by 50 percent.

2. Improved customer service in areas such as financing and warranties.

3. High or increasing capacity utilisation as this is a high fixed cost industry. A single percentage point increase in utilisation can typically increase operating profit by 3-4 percent.

4. Positioned in growth markets. With more than half of global auto sales now coming from emerging countries, it is important to have a strong foothold there to sustain long-term growth. Emerging countries now represent 83 percent of global population and many are under-penetrated with vehicle ownership at a fraction of the levels in developed countries.

5. Positioned in growth segments. The SUV market in China is currently growing 2-3 times faster than the overall passenger vehicle market partly as it is under-penetrated, but also because Chinese consumers want big cars, particularly when they replace their first vehicles. In emerging markets in general, however, small cars are normally the best sellers and having a competitive offering in this segment is important.

Today, all OEMs have their eyes on China. Obviously the size of the market is an important pull but it is also the extraordinarily high profitability per car versus other markets, especially for luxury cars, that makes it attractive. Adjusted for taxes, luxury car prices in China are usually 10-15 percent higher than in Europe and 20-25 percent higher than in the US. No wonder Audi, BMW and Mercedes are favouring this market and in 2013 China – where the waiting lists for luxury cars are significantly shorter than in developed markets – was the biggest market for BMW, surpassing the US.

Best ever investment

Generally, US consumers are among the most value-for-money focused in the world. If you receive good test reviews and a name for quality, service and reliability, you have a good chance of succeeding in America and if you succeed there, you are likely to do well elsewhere.

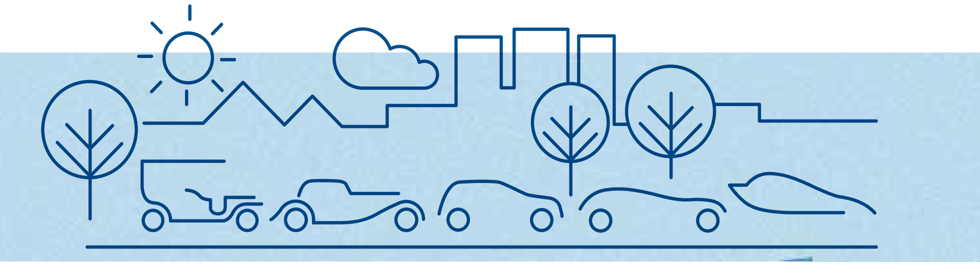
EMERGING COUNTRIES

With more than half of global auto sales now coming from emerging countries, it is important to have a strong foothold there to sustain long-term growth. Emerging countries now represent 83 percent of global population and many are under-penetrated with vehicle ownership at a fraction of the levels in developed countries.

When we added Hyundai Motor to our portfolio in May 2009, it was partly due to its successful development in the US, where their market share had grown from 1.4 percent in 2000 to 4.5 percent at the beginning of 2008. Our thesis was that the market share gain would be repeated in Europe, and it has. In 2008, Hyundai's European market share was 1.7 percent which more than doubled to 3.5 percent in 2012.

Hyundai Motor has turned out to be the best investment in the history of SKAGEN Kon-Tiki in terms of absolute contribution, delivering EUR 499m as of year-end, with Great Wall Motor in second place having contributed EUR 370m. In total, the auto industry has been a highly profitable one for SKAGEN Kon-Tiki over the past five years and during 2013 our investments in this industry created a return of EUR 473m or 40 percent of the fund's value creation.

Looking ahead, although we cannot predict precisely which direction the auto industry will take, it will no doubt be driven in large part by what happens in the developing world, and we believe our auto companies are all well-placed in their chosen markets – both emerging and developed – to remain in the fast lane and continue to deliver returns for our clients.



AUTO EVOLUTION

Technology drives Continental success

– Geir Tjetland

Continental entered the SKAGEN Vekst portfolio in November 2011. Back then we believed the company was misunderstood and undervalued as most investors viewed it as a tyre business and didn't appreciate the opportunities in the technology part of the company to exploit the technological revolution taking place in the car industry, where the megatrends are safety, environment, information and affordability.

Safety: Technology and components for vehicle safety are a core competence at Continental; it integrates a full range of active and passive safety systems and is making progress towards its ambition of achieving zero accidents. In technological terms, automated driving represents the logical next step in an evolutionary process where advanced driver assistance systems are networked more closely with real-time data, driver information and drive systems. As a system supplier, Continental is in a strong position to develop and produce solutions for partially automated applications for its customers by 2016. We expect to see the first applications involving highly automated driving from 2020 onwards, and fully automated driving as of 2025.

Environment: Continental is committed to reducing motor vehicle CO_2 emissions further. The continuous optimization of fuel and energy consumption will be achieved by reducing engine size with the help of turbocharging and direct-injection technology. Other environmentally-friendly initiatives are the electrification of the drive train through the development of hybrid and electric power steering, weight-saving designs and proactive driver assistance systems.

Information: The demand for information management in a vehicle is expressed by Continental's "Always on". By linking the driver, the passengers and the vehicle with infrastructure, other vehicles and mobile devices, Continental achieves both keeping the driver informed about relevant driving data and ensuring entertainment and information for all occupants. Examples include head-up displays, voice recognition and text-to-speech technologies.

Affordability: Demand is rising for smaller, low cost cars, not just in Asia and LatAm, but also in developed countries. The global automotive market is changing rapidly and low-cost vehicles are expected to have 20 per cent market share globally in a couple of years. The definition of "affordable" cars differs by geography: India EUR 2,000, China & Eastern Europe EUR 4,000 and W-Europe and Japan EUR 10,000. Continental has a scalable product portfolio to satisfy the growing market for this segment.

Continental had on average EUR 300 of technology and products on the 61m cars produced last year. As the technology component continues to increase, then Continental's revenue per car should also rise. The new Mercedes S-class has EUR 6,000 of Continental technology in each car, which is by far the highest ever level for the company.

Continental's share price had a very good run during 2013, up around 80%. We still believe there is more to come as the company should be seen as a technology provider and hence deserve higher valuation multiples.

Source: Shutterstock

HISTORY

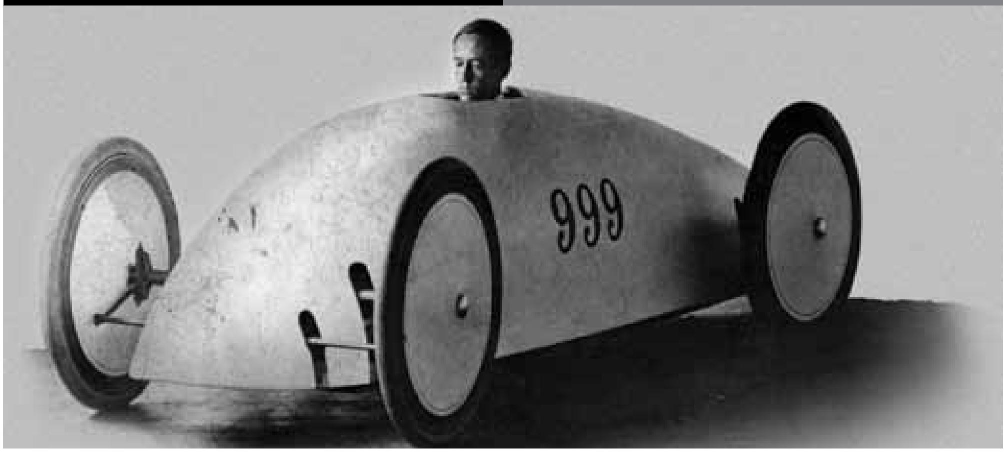
INFRASTRUCTURE

THE AUTOMOBILE CENTURY

Profound impact

– Anna Marcus

In the beginning, car manufacturing was a slow and expensive process, and few could afford to own a car. Henry Ford's assembly-line manufactured vehicles changed all that. It has been affecting how cities look and how people have behaved for more than a hundred years – it enabled more people to live far from urban centres and drive straight into the city. In the United States, a highway network was created. With today's tougher environmental policy, there is a fervent desire to minimise the use of fossil fuels in the long term. And that is why the electric car has back in from the cold – with a vengeance.



Source: Shutterstock and Toyota

Shaping the future of cars

When the first electric car was produced in the 19th century, few would have guessed that it would re-emerge as a concept for the future over 100 years later.

– Anna Marcus

When the first electric car was produced in the 19th century, few would have guessed that it would re-emerge as a concept for the future over 100 years later.

Today, nine out of ten cars, coaches or lorries run on petrol or diesel – and traffic is a major source of greenhouse gas emissions, a contributor to global climate change. In many areas, smog, congestion and an overburdened public transportation system have become everyday worries.

As early as 2008, the Swedish government decided that the cars of the future should be fossil fuel independent by 2030.

The solution may be electric cars powered by fuel cells: Aerospace technology whereby hydrogen is converted into electrical energy. All that is emitted by the car is water vapours. In other words, as long as the hydrogen is produced using renewable energy, there is no environmental impact. Today, that type of car can manage a 500-kilometre drive and may be ready for mass production by 2020.

"But what's needed is major development of infrastructure if we're to apply this technology extensively," says Bengt Dalström, CIO of Toyota Sweden. "The EU has stated its intention to carry out infrastructure developments, and Denmark and other countries already have ambitious rollout plans in the works."

Owner-free and driverless

Costly batteries make it profitable to push down the weight of electric cars using e.g. carbon fibre and composites for the chassis and structural

Early electric cars: Back in 1902-03, Walter C. Baker built three streamlined electric racing cars. Called "Torpedoes," these all-but-forgotten electrics should be remembered for four good reasons: 1) They allowed Walter Baker to become the first man in history to break the 100-mph barrier in a motorcar; 2) the Torpedoes' bodies were remarkably streamlined, decades ahead of anything similar; 3) because Walter Baker regularly crashed his cars, none of his speed marks went into the record books. Even in his own day, he became known as "Bad Luck Baker;" and 4) what probably saved his life in all those crashes were plain, simple shoulder harnesses, an idea again much too modern for the times.

Source: Toyota

A prototype for Fuel Cell technology was presented by Toyota this January.

components; even bio-based materials have made huge breakthroughs. The impact of these new materials will likely be most evident in how cars are designed in the future. However, according to Dalström, design will not be the main difference in the future:

"One thing is for sure," he says, "when we wake up many years from now, we'll still be able to recognise the cars of the future at a conceptual level. The fundamental functions of travelling, transporting, and protecting oneself from the weather will remain the same."

In addition to fuel and battery capacity, the biggest change will be in how we use cars. We will probably have one vehicle for long-distance transportation and trips and another for city traffic.

"Already in the next five years, we will be seeing programmes similar to bike rental or sharing where you will be able to easily borrow parked, electric city vehicles about the size of a large motorcycle. They will travel at around 45 km/h and have zero emissions."

Another trend is that ownership is declining and that ever fewer people want to deal with inspections, service appointments, repairs and parking. That is why many automotive companies currently offer car sharing and car rentals. In the future, the car will increasingly be able to take care of itself – one example is Google's famous self-driving car, which maps out its surroundings using a laser radar.

Volvo and Scania also have driverless traffic on their drawing boards, and Toyota has been experimenting with driverless public transportation since 2005. Apart from drivers being able to devote their time to activities other than driving, the technology also has the potential to reduce the number of accidents and environmental impact, thereby generating a smoother traffic flow.

Noise and pollution

As early as the turn of the last century, the electric motor was heralded as a superior alternative to the internal combustion engine, which was considered dirty and noisy. Several different European inventors have been credited with creating the first electric car in the first half of the 19th century. The person who first brought it to a wider audience, however, was the tech enthusiast Abdul Hamid II, Sultan of the Ottoman Empire.

In 1888, the sultan read about the German-British engineer Magnus Volk's invention – a one horsepower vehicle – and became so excited that he immediately ordered one for himself. He is reported to have cabled: "No need to discuss price. Send vehicle as soon as possible!" Rumours of the sultan's order boosted interest for electric cars in Europe.

However, the cars' heavy lead batteries and short range meant that electric motor technology was displaced as the internal combustion engine was developed.

Even today, the greatest challenge for electric car manufacturers is precisely battery capacity. In order to make the electric car more competitive, big batteries are required and this, in turn, makes cars more energy intensive. But with an increased focus on the environment and broad research of new battery technologies, there is no doubt that electric power will continue to play an important part in the auto industry.

"In 2030, we'll most likely have batteries with greater storage capacity. There are hundreds of researchers all over the world working on that right now," Bengt Dalström concludes.

BeNeLux Troika complete

In 2013 the SKAGEN BeNeLux troika became complete. SKAGEN received marketing permission in Belgium; a natural next step in our international expansion.

– Casper Meussen

We have spent a lot of time over the past few years developing our business in Luxembourg and The Netherlands. It was therefore only to be expected that there would be a spillover effect and increasing interest from Belgium given the close proximity, shared languages, media and borders. We therefore made an application to the Belgian Financial Supervisory Authority, FSMA, and marketing approval was granted in July of last year.

The Belgian approval will enable us to actively communicate in a better way with our prospects and clients there. We will service our existing clients and prospects in Belgium from SKAGEN's headquarters in Stavanger, Norway and have consequently added Dutch and French language capacity to the International department.

Fund management globalisation

Much has been said about the strong economic growth rates and increasing wealth of the Asian countries over the past few years. On the back of these developments and in light of the continued long-term favourable economic outlook, we have in the past year seen increasing interest in our equity fund products from the Far East.

This has not come as a great surprise to us as we have been running an emerging markets fund since 2002 and seen the changes coming. In a globalised world it is natural that prospects find us from countries as far off as Asia and Australia as they seek out investment and diversification alternatives outside their own regions or home markets.

We welcome the interest and expect to see more of it in the coming years.

Closer to home

Also in Europe, the fund management landscape is changing. There are undeniably many changes being made to financial regulations these days, and we must do our best to adjust to and comply with these. Hopefully all the changes will benefit both investors and the industry in the long run.

At times the pace of change can be quite dizzying. The acronym tombola spins fast, expelling abbreviations such as MIFID, CRD4, UCITS5, RDR, AIFMD, EMIR and IMD2. To the layman these abbreviations may sound like additives you would not want to see in your food. To the fund management industry, on the other hand, they have become day-to-day practice and something to be digested and adhered to.

All our internationally marketed funds are UCITS4 compliant and we encourage our clients to read through our Key Investor Information Documents and prospectuses before investing.

The coming year

We will, as usual, work hard in 2014 to service all our clients, partners and prospects in our existing markets, including Luxembourg, Belgium, Iceland and Switzerland. Good communication and follow-up remain at the core of our values. We will also, but to a lesser extent, cast our eyes further afield, including to the aforementioned Asian markets.

SKAGEN International has since 2004 aimed to diversify our client base through a measured expansion internationally. This strategy enables us to have stability in our funds as different client groups, from various countries, act differently in terms of subscriptions and redemptions. This is something we are sure our existing clients will benefit from.

Source: CARF

Brazil Many of the children who grow up in the favelas in São Paulo have never left the city. At KolibriEgget Itanhaém, they see the ocean for the first time and learn about the Atlantic rain forest. The boy pictured above visited the centre during the school holidays and, inspired by the rain forest and African tribal traditions, dressed up using coloured clay and other items found in the forest. The children learn about nature as well as their African cultural heritage.

Supporting young people

SKAGEN's cooperation with Doctors Without Borders, SOS Children's Villages and Kolibri – Children at Risk Foundation has taught us how valuable it is to focus on the undervalued, under-researched and unpopular – also when it comes to our social responsibilities.

– Margrethe Vika

Common to the three organisations is that they work within areas or with themes that are unpopular, under-researched and undervalued and with ardent commitment.

Contributing to medical relief, safe homes for children without parental care and better lives for children in poverty is valuable in itself. It is also of value because it provides children and young people with the opportunity to develop.

Extending the cooperation

In 2013 we extended our cooperation with the organisations and a total of EUR 835 000 was distributed between various projects. Doctors Without Borders has earmarked the money for work in Sierra Leone and Niger. We have seen how medical relief to Africa is not particularly highly regarded work and Doctors Without Borders call this the forgotten crisis. In SOS Children's Villages the capital will be used to support work in Pskov, Russia. The Kolibri project in Brazil continues to provide facilities for children and young people, one of which is the holiday and recreational centre KolibriEgg Itanhaém on the coast, which was completed in 2010.

Would you like to contribute? You can find our three cooperation partners here:

Doctors Without Borders:
www.doctorswithoutborders.org
SOS Children's Villages:
www.sos-childrensvillages.org/
Kolibri – Children At Risk Foundation:
www.kolibricarf.no

SOS Children's Villages: We have had a long cooperation with SOS Children's Villages and recently contributed EUR 239 000 to the children's village in Pskov, Russia.

Doctors without borders
SKAGENs contribution to Doctors Without Borders is earmarked for projects in Sierra Leone and Niger. The organisations call these the forgotten crises.

Portfolio Managers' report

Introduction

› A GOOD YEAR
for developed markets thanks to a better global economy, low interest rates and strong company results.

› HISTORICALLY LARGE DIFFERENCES
between investors' assessment of companies' earnings in developed markets compared with emerging markets.

› FURTHER TO GO
in developed and especially emerging markets, if the much-needed structural changes are made.

Source: Bloomberg

Flying high: Chinese workers wash windows at the Shanghai World Financial Centre in Pudong. In 2013 the gap between investors' assessments of companies earnings in developed and emerging markets grew.

Historically large gap

Yet another year ending in three has been a favourable one for shareholders, but only for those who invested in developed markets. The gap between developed and emerging market returns was historically wide.

The major theme in the global capital markets in 2013 was investors' willingness to pay more for shares in the developed parts of the world, in particular the US, Europe and Japan. Meanwhile the price of shares in emerging markets plummeted. We have rarely seen a year without corrections in the stock markets but share price fluctuations in 2013 were historically low.

Bond investors had a much more difficult and turbulent ride in 2013. There was a significant rise in interest rates for long-term government bonds in so-called safe havens like the US and Germany in the spring. This may have been the start of the end of a 30-year rally for government bonds.

While there is still a great deal of uncertainty regarding the world economy going forward, there are sure to be good opportunities – over limited periods – to earn money on "safe" government bonds.

In the distressed Eurozone, long-term interest rates fell throughout the year, sometimes substantially. This was to the benefit of investors who had bet money on the worst being over.

The continued fall in risk premiums for high yield corporate bonds meant that, on the whole, it was another good year for those who had lent money to companies at the highest end of the risk scale.

Exaggerated fears

As we wrote in our report for 2012, the global economy entered 2013 more stable and balanced than previously. We also saw an improvement in the US economy and continued good growth in China. At the same time fears over the tightening measures in the distressed countries of Europe appear to have been exaggerated.

Admittedly global growth was somewhat weaker than anticipated. It was more important, however, that the risk of economic catastrophe diminished, particularly in Europe.

Companies have generally speaking been extremely focused on costs. In a time of weak sales growth this led to stable and slightly rising earnings.

A global economy on the mend, low interest rates and decent company earnings were three key factors that resulted in a very good year for developed countries' stock markets. Measured in euro, the world index was up 17.6 percent.

In local currency, three quarters of the return in global equity markets could be ascribed to the higher pricing of equities or multiple expansion (higher P/E). Dividends and a slight growth in earnings accounted for the rest.

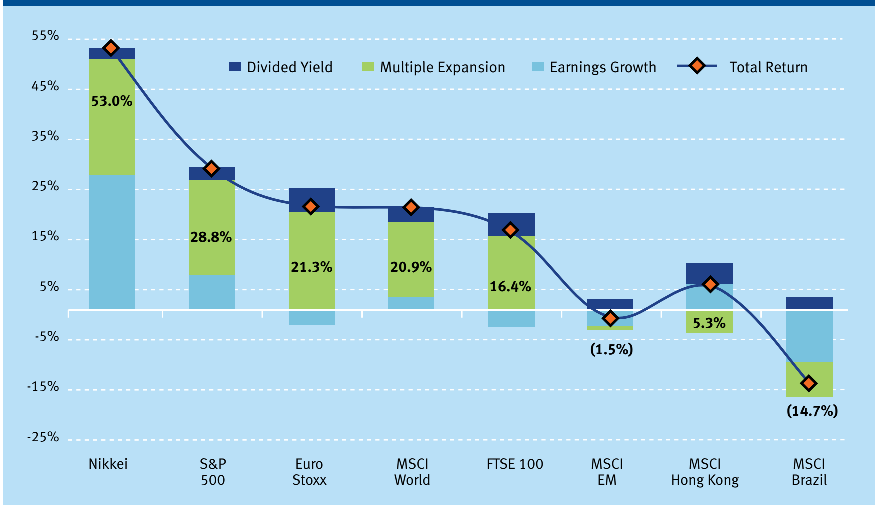
Break in trend and divergence

While we experienced global convergence in the pricing of equities in the decade from 2002 to 2012, that trend was broken in 2013. We saw a significant divergence in the pricing of shares, both between sectors and geographical regions.

Companies with stable earnings and high dividend yields were particularly popular up until the summer. An upturn in long-term interest rates from the end of May was a shot across the bow of these stocks, however. The pricing of these companies had long been too high for our liking.

While equity investors in developed countries' stock markets had an extremely good year, those who had bet on emerging markets saw their investments fall in value, measured in EUR. Companies became cheaper and never before has the return gap between developed and emer-

RETURN IN GLOBAL STOCK MARKETS



In local currency, three quarters of the return in global equity markets could be ascribed to the higher pricing of equities or multiple expansion (higher P/E). Dividends and a slight growth in earnings accounted for the rest.

ging markets been larger.

While the former markets are priced in line with the historic average, you can buy companies in emerging markets at a significant discount. The reason for the discount in emerging markets can be explained by the following:

• Downward adjustment of expectations of economic growth, particularly in India and South America.

• A lack of structural reforms and political unrest have resulted in the belief that the long-term growth story in this part of the world has been undermined.

• Companies' return on equity has been falling over the past couple of years.

Faith and doubt

We expect a moderate improvement in the global economy in 2014, primarily driven by the US and Europe.

The fact that price levels are continuing to be pushed down means that deflation is a greater threat than inflation in most countries. Global interest rates will therefore continue to be low both at the long and short end of the yield curve.

Companies' earnings are expected to rise, but not so much as to give grounds for celebration.

Companies' finances are solid and their coffers historically plentiful. This gives us reason to believe that merger and acquisition activity will continue to increase. Moreover, companies which do not find investments that satisfy their required rate of return will increase their dividend payments to shareholders.

In other words the premise for a continued rise in share prices is in place. History has shown that the pricing of equities ends up being well above the historic average in periods of recovery such as the one we are now in.

For us it is always the valuation of individual companies that counts, however, regardless of which way the market is going. That is why it is reassuring to know that our equity funds are priced at a significant discount to their respective benchmark indexes.

Nevertheless, more expensive equities means more room for faith and doubt, and one should expect greater volatility in 2014.

The greatest risk factor is a significant setback for the global economy which would directly impact companies' bottom lines. Substantial interest rate hikes, which make risk free investments more attractive, are also a threat. Although these threats cannot be entirely ruled out, the danger does not appear to be imminent in 2014.

Largely satisfied with our funds

Our three global equity funds all performed satisfactorily in 2013 in absolute terms. At the top of the list is SKAGEN Global with a return of 15.2 percent measured in euro, 2.4 percentage points behind the MSCI AC World Index. SKAGEN Vekst was up 9.8 percent, beaten by its benchmark index by 3.2 percentage points. SKAGEN Kon-Tiki ended the year with a value increase of 5.1 percent, 11.8 percentage points ahead of the MSCI Emerging Markets Index.

We would of course have liked to have seen both SKAGEN Vekst and SKAGEN Global beat their respective benchmark indexes. But in light of our investment philosophy and process, we are satisfied with the results.

In an equity market that is becoming increasingly more selective, in which companies that do not deliver are punished harshly, the negative contributors to our funds were few in number and their impact was minor. The winners' list was long, and the majority of the companies contributed positively to the result (see the respective funds' reports on pages 26-45).

Finally, the return was due to a combination of generally good growth in earnings from companies, and reratings from extremely low price levels to more moderate levels.

The companies that we believed to be fully priced have - as always - been replaced by more attractive alternatives. Hence at the end of 2013, the valuation of the equity funds is at more or less the same level as at the beginning of the year. The funds are priced at a reassuringly large discount relative to their respective benchmark indexes.

Our global property fund, SKAGEN m2, had a disappointing year and ended 2013 down 8.3 percent, 6.6 percentage points behind its benchmark index. The fund's net asset value was negatively impacted by the fund's exposure to Asian countries which were affected by political unrest and weakening currency developments during the summer and autumn.

The bond funds SKAGEN Tellus and SKAGEN Avkastning recognised the risk of a potential rise in interest rates for long government bonds and therefore decreased the portfolios' maturity ahead of the substantial rise in interest rates that took place at the end of the second quarter, thereby avoiding significant losses.

The global bond fund SKAGEN Tellus ended the year down 4.1 percent, 4.1 percentage points ahead of its benchmark index.

SKAGEN Avkastning lost 9.8 percent while its benchmark index was down 11.3 percent. Because the Norwegian krone was very weak in 2013 the result for SKAGEN Avkastning in euro was also very weak. Most of the capital in the fund is invested in the Norwegian money market, and investments abroad are hedged in NOK.

Debt is no four-letter word

"May I borrow your pen? I need to make notes on this article." You lend your pen and thereby contribute to raising the collective debt level. Is that such a bad thing?

One of the side effects of the financial crisis is that debt is now perceived as an abomination. How often do we read that the debt ratio has reached a certain level and the country is about to go to the wall?

Poor countries have little debt, while rich ones have a lot. Why? Because the willingness to provide credit depends on clear-cut property rights and general trust among the population – legal and social norms that poor countries lack. Hence credit growth tends to outpace economic growth. Rich countries are more "leveraged" than poor ones.

Channelling savings to investment is essential for prosperity, and not all savings can end up as equity. Debt has its place. Sometimes things go wrong of course and, once the equity has evaporated, creditors face the consequences. Nevertheless it is through trial and error with debt instruments, and other securities, that capital markets continuously stumble towards a better way of using scarce resources.

Government debt is not an evil. If it were not possible to issue public debt, tax and excise rates would be volatile and unpredictable. Also, not all government expenditure consists of consumption and transfers. A part of it is used to finance productive public capital.

But hasn't the debt crisis in the Eurozone shown that public debt can be too high? Of course it can. The public sector does not have shareholders who can take the rap; its creditors are first in line if central government finances go to pot – either through a default or a drop in bond prices – and a spike in the general price level. So when is the debt too high? When expected public surpluses cannot service it. This, in turn, depends on public expenditure and on how tax bases are growing.

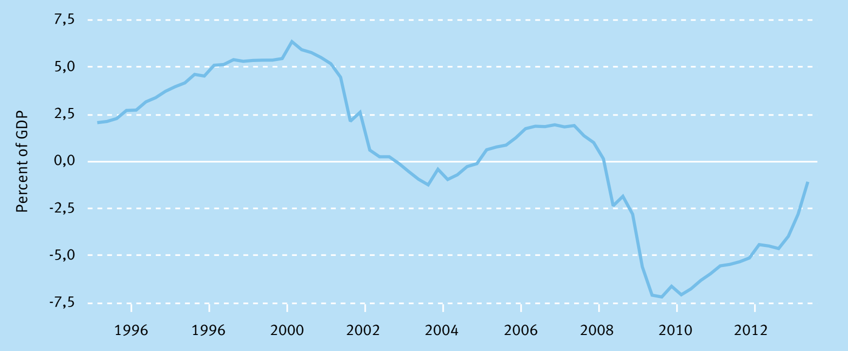
Cuts, or at least slower growth, in public expenditure, have been a necessity in some countries. The public sector had become too bloated. But, one often underestimates how important growth in the tax bases is for public finances. Tax revenue grows quickly without any hike in tax rates if there is an upturn in the economy. Even a moderate upturn can have a significant effect.

We have seen this in the US where the deficit has been cut rapidly over the past few years through higher tax revenues due to more economic activity rather than through cuts in public expenditure. Net of interest expenditure, the budget will likely turn positive during the course of this year. This means that authorities will not need to borrow to cover current expenses. This is good news for bond investors, as the risk of a meltdown in bond prices has been vastly reduced.

We are also witnessing similar things in Europe. In the Eurozone a mixture of political sobriety and economic healing lays the foundations for sustainable government finances. The Eurozone will probably have a primary surplus this year. The problem is that there are 18 different nations, all of which ostensibly take care of themselves. Luckily they are bound together in a common destiny via the European Central Bank, which has deep pockets and is ready to intervene in sovereign debt markets should spreads again threaten the currency union.

Of the larger economies, only Japan might be in serious trouble. The public sector debt is very high. Even with very low interest rates, the interest rate payments are gobbling up much of the state's expenditure. Although the economy has started growing again, there is no primary surplus on the horizon. Public expenditure grows almost as fast as tax bases. Don't lend your fountain pen to Shinzo Abe.

PUBLIC PRIMARY BALANCE IN THE US



Source: Macrobond

– Torgeir Høien
Macroeconomist
and portfolio manager

SKAGEN Vekst
Handpicked for you

Children and young women picking flowers in a field north of Skagen. 1887. Utsnitt.
By Michael Ancher, one of the Skagen painters. The picture is owned by the Skagens Museum.

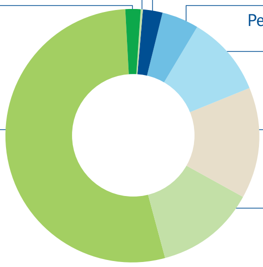
Portfolio Managers' report
SKAGEN Vekst

› Re-adjustment and fewer shares in the portfolio since 2012 is starting to yield results

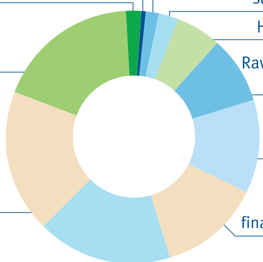
› We expect share price fluctuations to be less in SKAGEN Vekst than in the market.

› We expect the upturn to continue. We are entering 2014 with well-positioned companies with low valuations. This should form the basis for good absolute returns.

GEOGRAPHICAL DISTRIBUTION (rounded figures)



SECTOR DISTRIBUTION (rounded figures)



Fund start date	1 December 1993
Return since start	1503 %
Average annual return	14,82 %
AUM	EUR 961 million
Number of unit holders	75 218

SKAGEN VEKST 2013 (MILL. NOK)

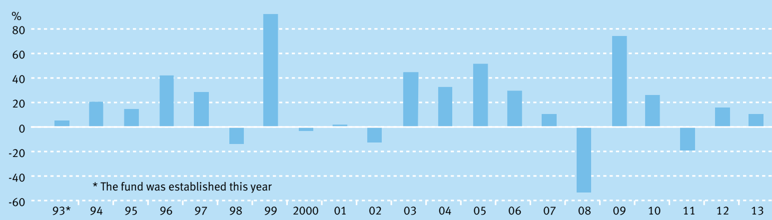
5 LARGEST POSITIVE CONTRIBUTORS	
Continental AG	229
Royal Caribbean Cruises Ltd	205
Samsung Electronics Co Ltd Pref	140
Danske Bank A/S	87
Hexagon Composites ASA	79

5 LARGEST DETRACTORS	
Agrinos AS	-26
Electromagnetic Geoservices AS	-26
Marine Accurate Well ASA	-26
AirAsia Bhd	-23
Eurasian Natural Resources Corp Plc	-19

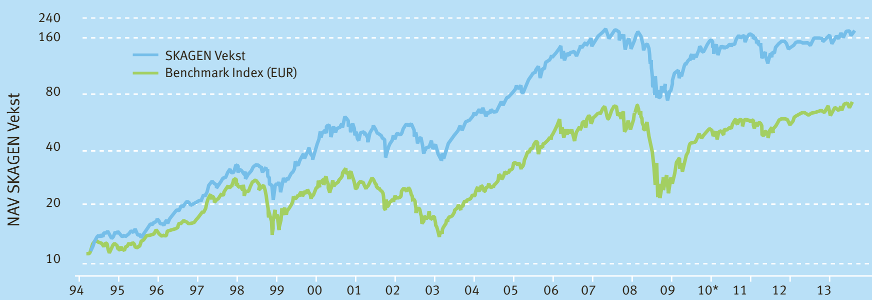
5 LARGEST PURCHASES	
Kia Motors Corporation	193
Sberbank of Russia Pref	174
Norsk Hydro ASA	170
Statoil ASA	118
AirAsia Bhd	90

5 LARGEST SALES	
Baker Hughes Inc	-174
Akzo Nobel NV	-159
Cermaq ASA	-114
Sistema Jsfc GDR	-106
Transocean Ltd	-91

ANNUAL RETURN (IN EUR)



HISTORIC PRICE DEVELOPMENT (IN EUR)



SKAGEN Vekst
Portfolio Managers

Geir Tjetland and Ole Søeberg.

Solid low risk year

2013 was a prosperous year for unit holders and a number of companies in the portfolio delivered good results.

SKAGEN Vekst delivered an absolute return of 9.8 percent for 2013. That was somewhat less than our benchmark index which rose 13.0 percent, measured in euro.

There are a number of good companies and industries on the Oslo Stock Exchange whose share prices have fluctuated a great deal in the past. We can also expect to see the same in future. This is why, on the whole, the Oslo Stock Exchange tends to fluctuate more than many other stock exchanges.

Nevertheless, the risk in SKAGEN Vekst was lower than in the general market throughout 2013. This reflects our investment philosophy which focuses on absolute returns in individual companies and a low valuation.

SKAGEN Vekst had little exposure to US companies and minimal exposure to Japanese companies in 2013. The more than 20 percent rise in these markets was a large part of the reason that the fund underperformed the index. We underestimated the effect of Abenomics; the substantial rerating of Japanese companies as a result of a more expansive economic policy and a weakening of the yen increased their competitive advantage.

Markets were less correlated than in previous years, both in general and at company level. The performance of individual companies had more impact on stock prices than in previous years. Positive surprises and disappointments were more clearly reflected in share prices and more attention was given to the values and valuations of individual companies. There are good opportunities in place for us as investors and with a well constituted portfolio going into 2014, we look forward to making the most of these in the coming years.

Good contribution

The best contributor of the year was Continental. The share price of the German company rose substantially as investors came to understand that the company is far more than a tyre producer. This was confirmation of our investment analysis. Having increased by 82 percent, the company's share price has now reached a more normal level relative to its business, but we still see further potential in the share. For further information, see the separate article about Continental on page 16.

Royal Caribbean Cruises was another important contributor in the portfolio. As we have previously mentioned, the order book of new cruise ships in the past few years is at record low levels. Higher ticket prices, increased consumption on board and good cost control all bode well for the cruise industry in general and for RCL in particular which has not faced the same operational challenges as its competitor, Carnival. If you add to this expected travel activity for many millions of Chinese wanting to go out and explore the world, then the future looks quite rosy for large parts of the travel industry.

Samsung Electronics was once again a positive contributor to the portfolio in 2013 and the share price is lower than ever at the start of 2014. At the time of writing the preference shares are priced at 5 times 2013 earnings and 4.7 times

Source: Continental

Best contributor: The German car and tyre manufacturer Continental was the best contributor to SKAGEN Vekst in 2013. The company's share price rose substantially as investors came to understand the company's operations.

2014 earnings.

It is hard to find a company of the same calibre or activity size with a lower share price. Samsung Electronics has performed admirably since the company entered the portfolio before Christmas in 1997. Based on key figures, the share has been cheap all along and the share price increase has been a result of growing earnings per share. The company will continue to be a large part of the SKAGEN Vekst portfolio in the coming year.

Good things come in small packages

Among the smaller companies in the portfolio we find a number of investments that have made a significant contribution, but, due to a much lower total exposure, have received far less attention. The best example of this is Hexagon Composites.

The share price of this company increased mainly thanks to expectations of what is commonly known as the 'gasification' of trucks in the US. Lincoln, a company wholly owned by Hexagon, is the leading manufacturer of gas tanks for trucks in the US. Given low gas prices and, most importantly, the distribution network which makes it possible to drive from coast to coast in the US on gas, we expect to see an exponential growth in this market going forward. The share price rose over 600 percent in 2013 and contributed NOK 80 million in absolute return to the fund.

Another smaller company in the portfolio is DNO, an Oslo-based oil company. The majority of the company's value comes from a 55 percent ownership in the Tawke field in Kurdistan. SKAGEN Vekst bought into DNO in February with expectations of a repricing based on improving export conditions for oil out of Kurdistan via Turkey. The expectations were fulfilled towards the end of 2013, at the same time as there was a positive development in the assumed reserves in the Tawke field. At the end of the year we assessed that the share's risk-reward ratio had diminished after a substantial increase for the share price. We also did not feel we were getting sufficient compensation for the political risk in Kurdistan. We therefore chose to take home some of the gains after an upturn of well over 100 percent.

Renewable Energy Corporation (REC) must also be mentioned as another extraordinary contributor in 2013. Admittedly there was no significant increase in the price of silicon, but thanks to restructuring, the spin-off of the REC Solar division and a strengthening of the balance sheet, both REC companies saw their share price develop solidly throughout the year. For more information, see the theme article on REC Solar on page 13.

The other side of the coin

The companies that detracted from the fund's return include Agrinos, Marine Accurate Well and EMGS. These three companies cost the portfolio NOK 26 million each. Common to all three companies are new products/solutions and relatively unproven business models.

Several companies that achieved positive returns but nonetheless contributed to the fund's underperformance include Norsk Hydro, Teva Pharmaceutical, Statoil, RSA Insurance, SAP, Kongsberg Gruppen and the Olsen twins, Bonheur and Ganger Rolf.

We increased our exposure to Norsk

Hydro at the end of last year when Vale was sold out of the company. Norsk Hydro has an extremely low price tag, but is not earning any money. It is difficult to predict when aluminium prices will rise, but we know that Norsk Hydro is extremely competent from an operational perspective and is best in class when it comes to costs. In addition the company has considerable power production assets.

We also added to our position in Statoil in December. Statoil, like other oil majors, is increasing its focus on value creation, which will result in lower investments and improved cash flows and dividend potential. This is not reflected in the current pricing of the large oil companies, Statoil included.

Our holding in the pharmaceutical company, Teva, was also increased in December. The company is incredibly low priced despite a gradual decline in income from the sclerosis drug, Copaxone, during 2014. The company also appears to be getting a new CEO after much unrest recently. This will hopefully give Teva the peace it needs to develop further at the same time as it substantially cuts costs.

The insurance company Royal Sun Alliance faced its fair share of challenges last year, particularly the company's Irish arm, which incurred large losses for the company. A recent report from PwC confirmed that the cockroaches found in the Irish kitchen had not spread to the other countries in which RSA operates.

Expanded mandate

2014 will be an exciting year for SKAGEN Vekst. First and foremost because we have changed our investment mandate from 50/50 Norway/Global to 50/50 Nordics/Global. This will give us access to a broader investment universe, and not least, reduce the portfolio's exposure to the oil and energy sector. Going into 2014, SKAGEN Vekst has just over 50 percent of the portfolio invested in Norwegian companies. This will be reduced gradually as we identify companies that are high enough quality and cheap enough to replace existing holdings.

For unit holders it is also good news that SKAGEN Vekst has from the start of the year introduced a high watermark, and thereby improved its fee structure in clients' favour.

For 2014 we expect that our companies will deliver earnings of over 20 percent and believe that this will be reflected in higher share prices. Current expectations for growth in the global economy are becoming more positive, which is good news for cyclical stocks. Higher growth can be a risk since bond yields will rise in the long term and the attractiveness of equities will fall in line with this. Such a scenario may be reminiscent of the situation 20 years ago, when equities rose significantly in 1993 while the return in 1994 was moderate, despite much better company earnings.

At the start of the year, the SKAGEN Vekst portfolio is priced at just over 11 times last year's earnings. Measured on expected earnings in companies in 2014, the portfolio is priced at just under 9 times earnings. The difference in numbers reflects the fact that we expect strong earnings growth. We are satisfied with these levels.

By way of comparison our benchmark index is priced at 14 times earnings in 2014. Although the general stock market can no longer be perceived as cheap, but rather normally priced, we are optimistic about the coming year.

SKAGEN VEKST KEY FIGURES FOR THE LARGEST HOLDINGS (AS OF 31 DEC 2013)

Company	Holding size	Price	P/E 2013e	P/E 2014e	P/B trailing	Target Price
Samsung Electronics	7,2	1 013 000	5,1	4,7	1,1	1 500 000
Royal Caribbean Cruises Ltd.	7,1	47	19,4	14,9	1,2	62
Continental AG	5,4	159	14,7	12,7	3,3	200
Norsk Hydro	4,7	27	36,1	20,1	0,8	42
Kongsberg Gruppen	4,7	128	13,1	12,4	2,3	160
Teva Pharamaceutical	4,1	40	8	8,6	1,4	52
Statoil	3,7	147	9,8	9,5	1,4	185
Norwegian Air Shuttle	3,4	188	17,1	7,8	2,3	340
Danske Bank A/S	3,3	124	15,9	10,4	0,9	175
SAP	3,2	62	18,6	16,6	4,6	95
Weighted average 10	**46,8**		**11,4**	**9,7**	**1,4**	**40 %**
Weighted average 35	**84,3**		**11,3**	**8,8**	**1,4**	**48 %**
Reference index			**14,7**	**12,8**	**1,8**	

P/E may deviate from other sources as it is based on SKAGEN estimates

SKAGEN Global
A world of opportunities

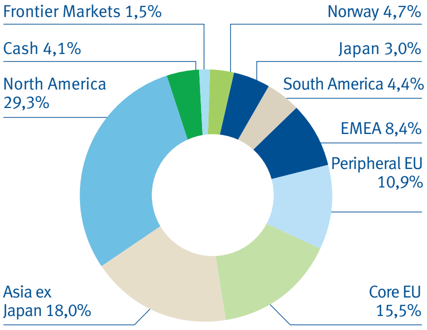
From the moor north of Skagen. 1885. Detail.
By P.S. Krøyer, one of the Skagen painters. The picture is owned by the Skagens Museum.

Portfolio Managers' report

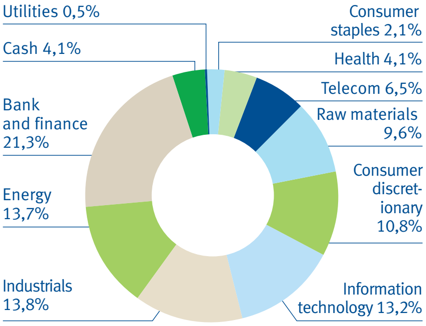
SKAGEN Global

- Twice as much exposure to the weak emerging markets than the world index impacted the return in 2013
- No major negative surprises on the earnings front.
- At the end of the year, the valuation of the portfolio was as low as at the beginning by switching expensive companies with cheaper alternatives.

GEOGRAPHICAL DISTRIBUTION (rounded figures)



SECTOR DISTRIBUTION (rounded figures)



Fund start date	7 August 1997
Return since start	966 %
Average annual return	15,52 %
AUM	EUR 5 581 million
Number of unit holders	99 075

SKAGEN GLOBAL 2013 (MILL. NOK)

5 LARGEST POSITIVE CONTRIBUTORS

Samsung Electronics Co Ltd Pref	882
Citigroup Inc	806
Tyco International Ltd	541
Renault SA	362
American International Group Inc	337

5 LARGEST DETRACTORS

Indosat Tbk PT	-100
Banco Do Estado Rio Grande Do Sul SA Pref	-73
State Bank of India	-63
Electromagnetic Geoservices AS	-53
Asya Katilim Bankasi AS	-50

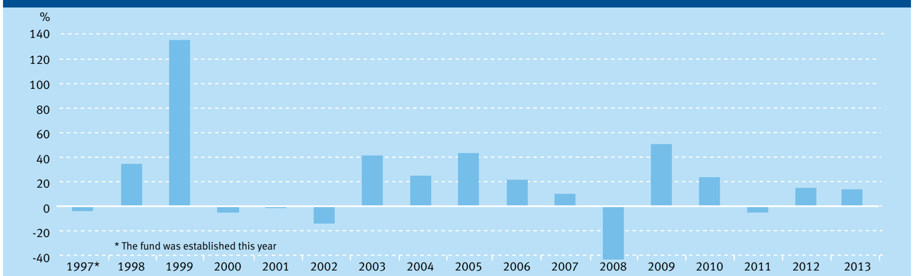
5 LARGEST PURCHASES

Nordea Bank AB	1 048
State Bank of India	491
Technip SA	466
Mosaic Co/The	362
Vale Sa Spons ADR	348

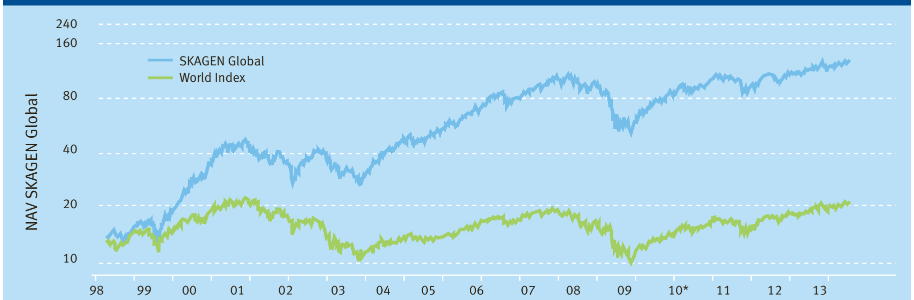
5 LARGEST SALES

Svenska Cellulosa AB-B	-763
Oracle Corp	-743
Gjensidige Forsikring ASA	-484
TE Connectivity Ltd	-452
Pentair Inc	-400

ANNUAL RETURN (IN EUR)



HISTORIC PRICE DEVELOPMENT (IN EUR)



SKAGEN Global
Portfolio Managers

Kristian Falnes, Søren Milo Christensen
and Chris-Tommy Simonsen

Absolute strength

2013 was a good year for SKAGEN Global in absolute terms, which gained 15 percent in euro. However, we are not satisfied that the world index outperformed the fund by 2.4 percentage points.

2013 is the third year since the fund was launched in 1997 that SKAGEN Global has ended up with weaker returns than its benchmark index.

The fact that 31 percent of the fund's assets were invested in the world's emerging markets at the end of the year – twice the amount in the benchmark – explains the underperformance.

While the MSCI World Index gained 17.6 percent in 2013, the MSCI EM Index was down 6.7 percent, as measured in euro. Given this historically wide gap and our weighting in emerging markets, we are satisfied with our company picks.

The fund's return was spread evenly throughout the year, also between sectors and companies. More than half of the companies gained more than 30 percent.

It is reassuring to note that the portfolio is priced at a c. 50 percent discount relative to the world index, both in terms of companies' earnings and book equity.

Developed markets more expensive

Much of the performance in the developed stock markets can be explained by the fact that companies have become more expensive, in the form of higher earnings multiples (P/E). Only a small part of the share price increase is due to higher earnings. We saw the reverse picture in emerging markets (See the general portfolio manager's report on pages 22-24).

Towards the end of the year, the fund price reached a new all time high. In other words all the fund's unit holders made a profit on their units.

SKAGEN Global's long-term return history is still extremely good, both in absolute and relative terms. Unit holders who have been with us from the start have enjoyed an average annual return of 15.5 percent, versus 2.9 percent for the world index.

Almost as cheap

Despite the fact that the fund price was up 15.2 percent in 2013, companies' P/E multiples were only marginally higher at the end of the year than at the start. This is due to the fact that throughout the year we have sold or reduced holdings in companies with the highest valuations and taken on board lower priced companies with greater share price potential.

The companies' expected earnings growth in 2014 is just over ten percent, which is also in line with the figure a year ago.

Gazprom unappreciated

The oil price was relatively stable at around USD 105-110 per barrel throughout the year. Our energy shares were up 25 percent, in line with the US oil service index. Baker Hughes and Weatherford were the best contributors here.

Gazprom's share price performance was rather disappointing in 2013. We believe that concerns over lower gas prices in Europe are exaggerated. Contrary to what most people predicted, gas prices in Europe remained at a high level and Gazprom's earnings outlook improved considerably during the second half of the year.

Our solar energy shares, newcomers REC Silicon and REC Solar, both experienced a formidable rise in share price. This contributed nicely to the sector's returns.

Source: Bloomberg

Above average: The commodities sector contributed above-average returns in 2013. The Brazilian mining company Vale was one of the newcomers in SKAGEN Global.

We doubled our position in Russian Surgutneftegas, which we consider to be significantly undervalued. French energy company Technip was new to the portfolio while Nabor Industries and Noble were sold out.

Good contribution from commodities

In contrast to 2012, the contribution from the commodities sector was above the portfolio average. Newcomers included the Korean chemical company OCI and Brazilian mining company Vale. On the strength of our faith in improved trade conditions, we doubled our holdings in Lundin Mining and Norsk Hydro.

After Tyco International was split into three entities in 2012, we exited one of the spin-offs, Pentair, and reduced our holding in ADT Corp. We have maintained our position in the parent company, Tyco International, which was one of the fund's best contributors in 2013.

Following a significant share price increase for two subcontractors to the auto industry, TE Connectivity and TRW Automotive, both companies were sold out of the portfolio at a good profit.

Our car manufacturers, Renault, GM, Toyota Industries and Hyundai Motors all drove onto the fund's winners list. The above-mentioned companies were the main reason that the consumer discretionary sector was the fund's single best sector, with a return of over 60 percent. Another good contributor was Russian media company, CTC Media, which experienced a value increase of over 80 percent.

Broad scepticism towards the stock markets in both Brazil and India provided us with the opportunity to buy shares at very attractive prices in the Brazilian residential construction company Gafisa and Indian Tata Motors.

Down in consumption and health

Now that companies with stable earnings have become overly popular and the price of future earnings is still too high for our liking, we have exited US pharmaceuticals company, Pfizer, and Swedish consumer goods company, SCA. Both companies have been part of our portfolio for a number of years, and made significant contributions to the fund's return.

In 2014 it will be a challenge to identify defensive stocks with an attractive valuation which give good downside protection in a climate of higher bond yields.

In banking we were well rewarded for our stakes in US Citigroup, AIG and Goldman Sachs, as we were in 2012. Our financial stocks in emerging markets did less well, however, and Banrisul, State Bank of India, Sabanci and Bank Asya/Albaraka all ended up on our losers' list.

We bought into Nordea Bank in connection with the Swedish state selling the entirety of their stake. We found the price attractive, given the expectations of higher return on equity going forward.

Large loss on Irish subsidiary

We sold the remainder of our Gjensidige stake as the stock approached its price target and contributed significantly to last year's results. We doubled our holding in RSA Insurance Group while Norwegian life insurance company, Storebrand, was a newcomer in the portfolio.

RSA Insurance Group has so far been a big disappointment. This is primarily due to a large loss by its Irish subsidiary. The company had to adjust expected future earnings downwards several times during the autumn. The management was compelled to step down and we must prepare ourselves for a significant cut in dividend.

Since RSA Insurance Group is now a clear takeover candidate, particularly for those companies looking for a position in the attractive Scandinavian market for nonlife insurance, we decided to hold onto our shares.

Our German property company, GSW Immobilien, was taken over by its competitor, Deutsche Wohnen. We deemed the terms of the acquisition to be acceptable and expect the merged company to make cost synergies which will benefit all the shareholders. When it comes to the German property market in general and Berlin in particular, we see many good reasons why the recent good share price development should continue.

Swollen coffers

Samsung Electronics experienced a strong earnings growth of 25 percent. The stock only rose 20 percent, however, measured in local currency. In other words, this was yet another year when the valuation of the Samsung Electronics share was lower than its current earnings.

Our preference shares are now priced in line with book equity. Despite increasingly swollen coffers, Samsung Electronics still has a return on equity of around 20 percent a year. A more investor-friendly dividend policy may make the company more popular among investors, which would in turn lead to a welcome repricing of the share.

One company that investors did get a new and better perception of was Microsoft. The stock market giant was up more than 35 percent last year. While the pricing of Microsoft in recent years has been influenced by fears of how far PC sales could fall globally, the focus has now shifted to Microsoft's attractive position within software for the corporate market.

A change in management and a more effective capital structure through increased dividends and share buybacks also contributed to the lift in the Microsoft share price.

As a result of a higher P/E as well as the risk that clients will go over to more web-based solutions we decided to halve our position in US software company Oracle.

Ascent with Kinnevik and Vivendi

Our exposure to Russian telecommunication, through our investments in Vimpelcom and Sistema, paid off in 2013. The increase in the popularity of these companies' shares is mainly down to their willingness to pay higher dividends.

Swedish Kinnevik, most of whose values are linked to mobile telephony, was the unmistakable winner within the telecommunications sector. The share price rose 113 percent. Much of the fantastic value increase can be attributed to the company's initiatives in online trade portals. Kinnevik's price tag is becoming harder to justify, however, so we more than halved our holding.

Our investment hypothesis that French Vivendi would cultivate its company structure has borne out. The share price was significantly up while the conglomerate discount fell to such a level that we decided it would be sensible to exit the company.

We have maintained a minor position in the laggard from 2012, Brazilian Eletrobras. The company still has capital reserves to be able to uphold its dividend obligations linked to the preference capital we own. The share price at the turn of the year reflected a direct return from expected dividends of 14 percent.

No warning light

Although the valuation of several countries' stock markets has come up to levels approaching the historical average, the warning light is not yet flashing. Key here is the earnings development in companies going forward. Most of the juice has been squeezed out of the cost-cutting lemon.

A continued improvement in the world economy should eventually have a positive impact on the top line, however, in the form of increased sales. While falling risk premiums was the main driver behind share price developments in 2013, we expect earnings growth to be most influential in 2014.

The 35 largest investments in SKAGEN Global, corresponding to around 64 percent of the fund, are priced at 8.6 times expected earnings in 2014 and are only marginally higher than book equity. This should limit the downside risk while the potential for continued good share price development remains firmly in place. A discount of 50 percent relative to the world index should also lead to better relative times ahead.

While 2013 was characterised by historically low fluctuations in share price, we must be prepared for greater volatility in 2014 (see the general portfolio manager's report for more on this).

SKAGEN GLOBAL KEY FIGURES FOR THE LARGEST HOLDINGS (AS OF 31 DEC 2013)

Company	Holding size	Price	P/E 2013e	P/E 2014e	P/B trailing	Target Price
SAMSUNG ELECTRONICS	7,6	1 013 000	5,1	4,5	1,1	1 500 000
CITIGROUP	5,7	52,1	11,3	9,8	0,8	75
TYCO INTERNATIONAL	3,1	41	19,2	16,1	3,7	45
NORDEA	2,6	86,7	12,3	11	1,4	100
GAZPROM	2,3	8,6	3	3,3	0,4	12
AIG	2,2	51,1	11,8	11,9	0,8	70
AKZO NOBEL	2	56,3	19,7	16,7	2,4	60
CHINA UNICOM	2	11,6	19,9	14,2	1	17
MICROSOFT	2	37,4	14,1	12,8	3,8	40
RENAULT	1,9	58,5	11,9	6,8	0,7	80
Weighted top 10	**29,6**		**8**	**7,4**	**1**	**33%**
Weighted top 35	**64,3**		**9,7**	**8,6**	**1,1**	
MSCI AC World			**16,9**	**14,4**	**2,1**	

P/E may deviate from other sources as it is based on SKAGEN estimates

SKAGEN Kon-Tiki
Leading the way in new waters

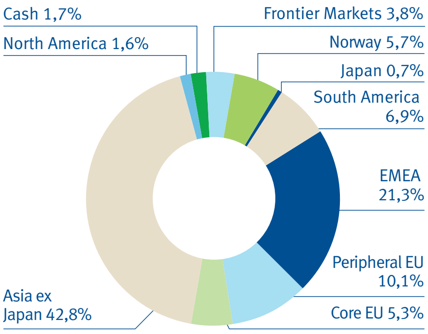
Skagen reef's lightship. 1892. Detail.
By Carl Locher, one of the Skagen painters. The picture is owned by the Skagens Museum.

Portfolio Managers' report

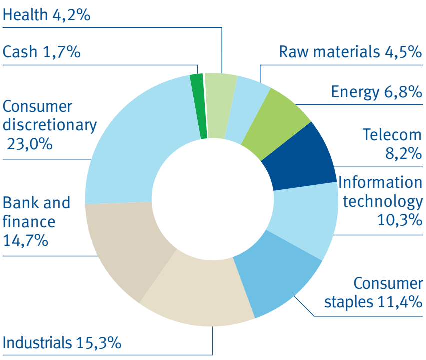
SKAGEN Kon-Tiki

- Company specific developments mattered more to returns in 2013 than we have seen for some time.
- Many of our core holdings benefitted from consumption growth at home and stronger positioning globally.
- Emerging markets have not been kind to investors recently, and although the short-term might prove volatile, the valuation gap to DM indicates better times ahead.

GEOGRAPHICAL DISTRIBUTION (rounded figures)



SECTOR DISTRIBUTION (rounded figures)



Fund start date	5 April 2002
Return since start	468 %
Average annual return	15.95 %
AUM	EUR 5 985 million
Number of unit holders	86 803

SKAGEN KON-TIKI 2013 (MILL. NOK)

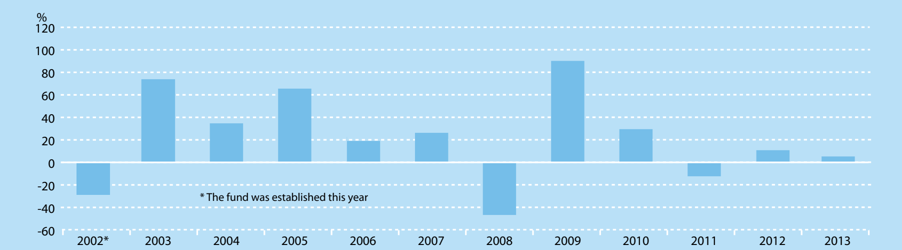
5 LARGEST POSITIVE CONTRIBUTORS	
Hyundai Motor Co Pref	2 459
Great Wall Motor Co Ltd	1 331
Samsung Electronics Co Ltd Pref	1 047
Sistema Jsfc GDR	967
AP Moeller - Maersk A/S	529

5 LARGEST DETRACTORS	
Indosat Tbk PT	-326
State Bank of India	-308
Vale SA-Pref A	-260
Haci Omer Sabanci Holding AS	-251
Mafrig Alimentos Sa	-180

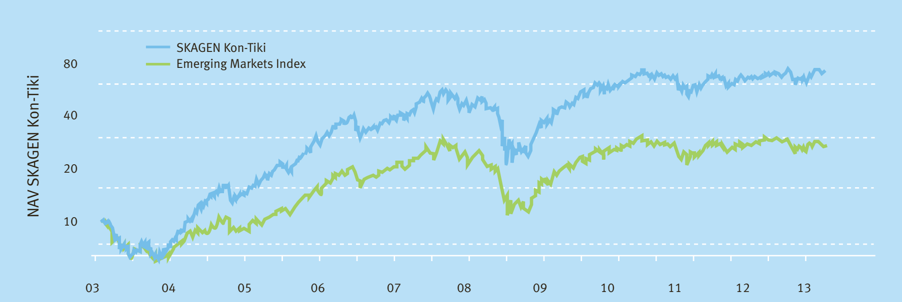
5 LARGEST PURCHASES	
State Bank of India	789
Mafrig Alimentos Sa	509
X 5 Retail Group NV GDR	488
Kinnevik Investment AB-B	349
Raiffeisen Bank International AG	328

5 LARGEST SALES	
Baker Hughes Inc	-1 797
Hon Hai Precision Industry Co Ltd	-1 418
Hanmi Pharm Co Ltd	-636
HSBC Holdings PLC	-635
Great Wall Motor Co Ltd	-592

ANNUAL RETURN (IN EUR)



HISTORIC PRICE DEVELOPMENT (IN EUR)



SKAGEN Kon-Tiki
Portfolio managers

Kristoffer Stensrud, Knut Harald Nilsson,
Cathrine Gether, Erik Landgraff and Hilde Jensen

Investment philosophy weathers a turbulent year in emerging markets

SKAGEN Kon-Tiki had a strong 2013 in a turbulent year for emerging markets (EM). The fund was up five percent, compared with a fall of seven percent for the benchmark index as measured in euro. Since inception in April 2002, the fund has achieved an annual average return of 16.0 percent, compared with 7.7 percent for the EM index.

Slowing growth, political unrest, and falling currencies all contributed to a weak year for equity investors in EM relative to developed markets. The former were down 7 percent as measured in euro while developed markets were up 18 percent. However, despite a number of macro events dominating the news flow out of EM, company specific developments mattered more to returns in 2013 than we have seen for quite some time. In this environment our investment philosophy paid off as we outperformed the benchmark by almost 12 percent.

We are pleased to note that many of our core holdings not only benefitted from continued consumption growth in their home regions, but also from a strengthening of their global positioning across both developed and emerging markets. Companies such as Hyundai Motor and Samsung Electronics are formidable competitors irrespective of geography.

We maintain our relentless focus on finding undervalued companies, and Kon-Tiki's portfolio remains attractively valued, trading at a P/E of 5.9 for 2014e and P/B of 1.2, compared with 10.8 and 1.5 for the EM index. While we cannot predict short-term performance, such valuations tend to produce very satisfactory returns for patient investors in the longer term.

Tapering concerns and political unrest

Emerging markets stock markets began the year in flattish to gradually declining territory, before suffering a significant drop in late May. Concerns over the Fed's tapering plans led to large flows from perceived riskier assets such as EM equities, bonds and currencies to so-called safer havens in the developed world. The weakening of currencies exacerbated the fall in equity prices, bringing several large EM stock markets into bear market territory. Markets recovered somewhat in the autumn, but the EM index still finished the year with a seven percent decline.

2013 saw its share of political unrest in several emerging markets. The Taksim Gezi Park demonstrations in Turkey showcased the large divide between an increasingly authoritarian and conservative prime minister and a younger, more progressive part of the population. Turkey finished the year with more turbulence, when a number of high-profile arrests highlighted what appears to be a power struggle between key fractions in Turkish society. Also in Brazil and Thailand, discontent with the ruling class triggered widespread demonstrations during the year.

A year of divergence

2013 was a year of divergence in emerging markets. This trend is not surprising, as the countries grouped into the EM category differ significantly when it comes to the challenges and opportunities they face.

The BRICS had a rough year. Stock markets in Brazil, Russia, India, China and South Africa fell between 6 and 33 percent, as measured in euro. Growth has generally been disappointing and there are concerns that lack of political and economic reform will make it difficult for several of these countries to return to previous rates of growth.

Several ASEAN* region stock markets were also poor performers in 2013. The combination of high valuations at the beginning of the year and significant current account deficits, for example in Indonesia, was a rather toxic mix.

* Association of Southeast Asian Nations

Source: Bloomberg

Solar energy: Our selection of solar energy companies benefitted from the fact that the market is finally beginning to open its eyes to the sector. Chinese Yingli Green Energy is one of several solar energy companies in the portfolio.

Despite poor overall performance in EM, Frontier Markets had a strong year and markets such as Nigeria, Ghana, Kenya and Vietnam all finished the year significantly higher than they started.

From Korea with Love

The largest contributors to returns this year were Hyundai Motor, Great Wall Motor, and Samsung Electronics. We are pleased to see that high conviction ideas, sized accordingly in the portfolio at the beginning of the year, paid off.

In Hyundai Motor, our preference shares (+70 percent) significantly outperformed the ordinary shares (+8 percent), confirming our thesis that the slight disadvantage of lower liquidity that comes with holding preference shares in no way warrants a discount of 50 or even 70 percent. Combine this with an eye-opening valuation of less than three times earnings for a high quality company, and it is clear that the foundations for a good investment were – and are – in place.

Great Wall Motor (+81 percent) continued to grow strongly, benefitting from its excellent position in the fast-growing SUV segment. Supported by large-scale and low cost manufacturing in China, as well as increasing technological sophistication, Great Wall has a good chance of succeeding in export markets. During 2013, our investment in Great Wall Motor also benefitted from a re-rating of its shares.

Samsung Electronics continued its success in the smartphone market, remains attractively valued, and continues to make its presence felt in a number of other segments and industries. Just as with Hyundai Motor, we hold Samsung's preference shares (+19 percent), which handsomely outperformed the ordinary shares by almost 30 percent.

Perception changes

New positions initiated just before or during 2013 also performed well. In Kinnevik, our thesis that the company's attractive assets in e-commerce and other online services were not fully priced into the shares has played out nicely thus far. A Swedish company that was established in 1936 and has developed into a leading player in the online industry is a good illustration of how it can take time for perceptions to change. Investors who identify such changes ahead of others usually stand to benefit. Our investment in Naspers, which delivered excellent returns in 2013 (+99 percent), is another similar example.

Our basket of solar companies, led by Yingli Green Energy and REC, benefitted from the market's realisation that solar energy is now at grid parity without subsidies in several markets. Clearly this has significant implications for demand. Further, the market backdrop for investing in solar is interesting. After many years of red ink, bankruptcies, and disappointing returns to investors, expectations for the sector were very low.

Sistema – our Russian holding company – was an excellent contributor in 2013 as the company proved its ability to generate and distribute returns to investors, in part by focusing its portfolio. AP Møller-Maersk also performed strongly, as the world's leading container ship operator proved its cost leadership in a market which is suffering from temporary overcapacity. The company also pleased investors by focusing its portfolio on key business areas.

Lessons learned

Among our losers, we find companies such as Indonesian telecom operator Indosat, State Bank of India, Brazilian iron ore company Vale, and Turkish conglomerate Sabanci Holding. There is no single explanation for these missteps, but weak earnings and currency developments or worsening investor perception of the country or sector the companies operate in, were common drivers. We believe most of the losses to be temporary, as operational trends and investor perceptions change.

However, a lesson learned is to be more careful with inherently unpredictable business models. We have therefore reduced our exposure to companies whose earnings are heavily influenced by government regulation or the direction of raw material prices. The same goes for companies with too many moving parts, where we are unable to develop high conviction about the overall prospects of the business. During the year we sold out of a number of such companies, and redeployed the funds to higher conviction ideas.

While we achieved good relative performance, we are not satisfied with our absolute return. Our focus is EM, but in hindsight we should have taken greater advantage of our flexible mandate to capture strong equity returns in the US, Europe and Japan.

We stick to what we know

Emerging markets have not been kind to investors over the past three years. While investors have had a tendency to reward high exposure to fast growing emerging markets, we have recently seen an inverse development. Slowing growth and deteriorating investor perception have turned EM premiums into EM discounts, and companies based in emerging markets are now rewarded for exposure to developed markets.

A much debated question is whether emerging markets are currently cheap. Moderate valuation levels both relative to history and to developed markets indicate that patient investors can expect good returns in the longer term.

However, average valuation metrics do not tell the full story in EM. First, companies with large exposure to raw material prices, or those dominated by state ownership, make up a large share of the total market capitalisation. In general, these companies are – and should be – trading at lower valuations. Higher quality private names, on the other hand, trade at significantly higher multiples.

Second, falling margins and high investment levels have caused return on equity in EM to converge toward DM levels, which naturally results in lower valuations. But this is also a source of opportunity. Reduced capital inflows should moderate investment, which together with stabilising currencies could provide support to returns going forward.

In SKAGEN Kon-Tiki we follow such developments with interest in order to understand the context in which our companies operate. However, predictions in the field of economic growth rates or outcomes of political elections are neither our focus nor our strength. Rather, we continue to look for excellent companies – those with a sustainable edge versus their competitors – and buy them when they trade at a discount to conservatively estimated intrinsic value.

SKAGEN KON-TIKI KEY FIGURES FOR THE LARGEST HOLDINGS (AS OF 31 DEC 2013)

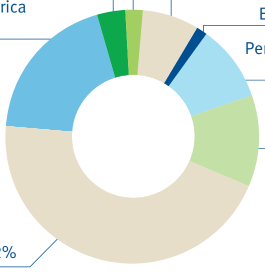
Company	Holding size	Price	P/E 2013e	P/E 2014e	P/B trailing	Target Price
Hyundai Motor	8,8	125 000	3,6	3,1	0,6	195 000
Samsung Electronics	8,2	1 013 000	4,8	4,2	1,1	1 500 000
Great Wall Motor	4,5	42,8	11,9	9,5	4,3	55
Sistema	4,1	32,1	12,8	12,8	1,5	32
ABB	3	170	17	13,1	3,6	195
AP Moller-Maersk	2,8	58 850	12,5	10,3	1,2	75 000
Richter Gedeon	2,5	4 399	14,7	13,3	1,5	5 000
Sabanci Holding	2,3	8,6	6,9	6,2	1	12
Vale	2,3	32,7	6	6	1	50
Mahindra & Mahindra	2,2	944	12,6	11,1	3,5	1 200
Naspers	2,3	1 096	54,8	34,3	7,1	1 200
State Bank of India	2	1 767	5,9	5	0,9	3 000
Weighted top 12	**45**		**6,7**	**5,9**	**1,2**	
Weighted top 35	**75**		**7,7**	**6,7**	**1,2**	
Emerging market index			**11,3**	**10,8**	**1,5**	
Top 35 @ target prices			**10,4**	**9**	**1,6**	

P/E may deviate from other sources as it is based on SKAGEN estimates

SKAGEN m²
A share in the global property market

Architect Ulrik Plesner's first extension to Brøndum's hotel. 1892. Detail. By Johan Peter von Wildenradt, one of the Skagen painters. The picture belongs to the Skagens Museum..

GEOGRAPHICAL DISTRIBUTION (rounded figures)



Fund start date	31 October 2012
Return since start	-6,27 %
Average annual return	-5.40%
AUM	EUR 61 million
Number of unit holders	5 629

Portfolio Managers' report
SKAGEN m²

- The fund was affected by major fluctuations in the demand for real estate equities as well as macro unrest in the Asian markets.
- British real estate stocks, a couple of US REITs and Olav Thon were a few of the winners in the portfolio in 2013.
- Global growth should slowly increase in 2014, and this will have a positive impact on real estate equities.

SKAGEN m² 2013 (MILL. NOK)

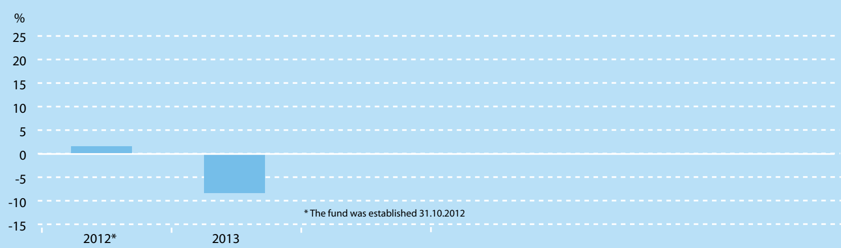
5 LARGEST POSITIVE CONTRIBUTORS	
Segro Plc	7
British Land Co Plc	6
Gecina SA	4
GSW Immobilien AG	3
Ashford Hospitality Trust	3

5 LARGEST DETRACTORS	
Surya Semesta Internusa PT	-9
Ananda Development PCL-Nvdr	-8
Bekasi Fajar Industrial Estate Tbk PT	-8
BR Properties SA	-5
DLF Ltd	-5

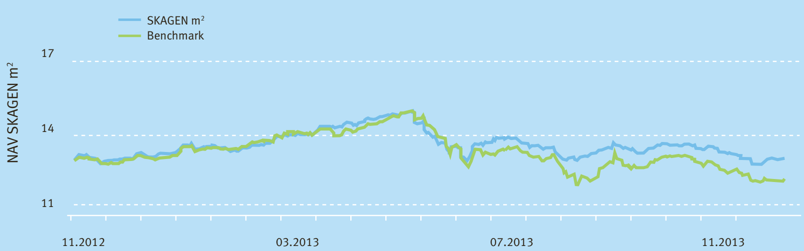
5 LARGEST PURCHASES	
Ananda Development PCL-Nvdr	19
Brandywine Realty Trust	18
Bekasi Fajar Industrial Estate Tbk PT	13
PS Business Parks Inc	12
Ashford Hospitality Trust	12

5 LARGEST SALES	
Corio NV	-6
Mack-Cali Realty Corp	-5
Fastighets AB Balder	-5
Nexity SA	-4
Gecina SA	-4

ANNUAL RETURN (IN EUR)



HISTORIC PRICE DEVELOPMENT (IN EUR)



SKAGEN m²
Portfolio Managers

Harald Haukås, Michael Gobitschek and Peter Almström,

Roller coaster ride for global real estate equities

In order for listed real estate shares to reach returns closer to real estate than equity, a long investment horizon is a requisite – preferably five years or longer. In other words, patience is called for. But the developments in 2013 really put this patience to the test.

Up until 21 May 2013, the fund's return was approaching 20 percent, measured in euro. At that point, real estate shares fell sharply and the entire upswing evaporated in one month. The fund ended the year down 8.3 percent compared to a loss of 1.7 percent for our global benchmark index.

Downward spiral

These swings were related to central banks' handling of the global financial crisis. Extremely low interest rates increased demand for high-yield assets such as real estate and real estate shares. The exceptionally low interest rate levels in the United States and Japan also created the conditions for so-called carry trades whereby investors borrowed large amounts in low-interest foreign currencies, in order to invest in high-yield securities in other countries, such as Southeast Asia. The consequence was that real estate shares were valued higher relative to their earnings; a so-called multiple expansion. We were aware of this but underestimated the impact on markets outside the US, Japan and Hong Kong.

When the US Federal Reserve published its plans to withdraw its intervention purchases of bonds on 22 May, demand for real estate shares quickly dropped – particularly among investors sensitive to interest rates such as bond investors and those performing carry trades. When real estate shares failed to recover quickly, fund investors started to move money out of long-term real estate equity funds, which were then forced to sell shares to handle the negative fund flow. Alongside this, the outflow of capital from multiple emerging markets created macro concerns, especially for countries like India and Indonesia with major current account deficits.

SKAGEN m2 was directly affected by the downturn in the global real estate equity market, but compared to our benchmark index we were much more affected by the downturn in the Asian emerging markets, primarily Indonesia but also Thailand, India and the Philippines. In 2013, SKAGEN m2 had an average total exposure of around 50 percent to emerging markets, compared to less than 10 percent for our benchmark index.

One of SKAGEN m2's fundamental ideas is to combine SKAGEN's proven value-based investment philosophy with thematic real estate investment strategies. One such theme is value-creating real estate companies in strong metropolitan areas – not countries – where economic growth is faster as a result of urbanisation, the accumulation of skills and growing prosperity. Another theme is the development of e-trade and its effect on brick-and-mortar retail centres and logistics systems. However, in 2013 returns were dominated by global, cross-border equity market trends. Geography and foreign exchange rates also played a large part in the total outcome, while company and segment-specific differences in earnings and valuation of future cash flows had relatively less impact. In 2013, our best returns on our investments came from Europe and the US, and most of our losses were incurred in Southeast Asia and Brazil.

Strong US portfolio; chose to stay out of Japan

The three best geographic real estate equity markets in 2013 were Japan, the UK and Sweden. Japanese real estate shares outperformed the broad equity index in

Source: Bloomberg

UK property: British Segro and British Land were two of the winners in the portfolio in 2013. The best returns came from Europe and the US last year, while South East Asia and Brazil disappointed the most.

Japan by 10 percent and contributed significantly to the returns in our benchmark index. Powerful stimulatory measures by the Bank of Japan weakened the Japanese yen and created negative real interest rates, which prompted a very strong rally in shares. We chose not to invest in Japan because it seemed expensive even before the rally, and the fundamentals for Japan look weak. In 2013, this cost us roughly 4 percent in negative returns relative to our benchmark. We have indirect exposure to logistics properties and nursing home facilities in Japan via two Singapore-based companies – Global Logistic Properties and Parkway REIT – whose operational performance was stable throughout the year.

The British company Segro and British Land were among the winners in the portfolio during the year, but we have reduced our exposure slightly because of high valuations. In Sweden, our holdings in Sagax and Balder performed well at the start of the year but, with the benefit of hindsight, we sold too early when both shares exceeded our price targets in the spring.

The worst real estate equity markets for the year were Turkey, India and Brazil – all down around 35 percent. Indonesia had the biggest price fluctuations of the year, with a peak of 73 percent and a final figure for the year near zero. Additionally, the foreign exchange rate declined by 20 percent against the euro. Towards the end of the year, relative returns worsened due to the increasing political unrest in Thailand and Turkey.

US real estate investment trusts (REITs) generated negative returns in 2013; more than 30 percent lower than the S&P 500 in USD. We did well in our share picks in the US, with four of our ten holdings there rising between 15 and 20 percent in USD. The hotel company Ashford and SL Green with offices in Manhattan were on the portfolio's top-10 list.

In China, we were successful despite a weak market and two of our holdings – SOHO China and Shimao – were among the best Chinese real estate shares on the Hong Kong Stock Exchange.

In India, the price performance of DLF was sharply negative in spite of higher earnings and large surplus values, while both Indiabulls and Phoenix Mills outperformed the local real estate equity index for the year. In Brazil, all our holdings exhibited good underlying performance but the stock market deteriorated significantly over the year as the Brazilian Central Bank was forced to implement major new interest rate hikes, in order to curb rising inflation. Along with India and Turkey, Brazil is the country where the government's actions did the most economic damage in 2013, with sharp price declines despite fundamentally good conditions and good earnings on our investments.

Stronger growth in sight

In Indonesia, we performed very well in the spring, and it was a mistake not to take home a lot more profit when we had the opportunity in April and May. We had strong inflows into the fund during that period, while almost all real estate shares - low-risk companies in particular - rose sharply in a short time. It was not easy to decide where to move profits from a valuation perspective. We have tightened our procedures for gradual repatriation of profits and geographic risk management, and we will be able to handle similar market developments significantly better in the future.

In recent years, REITs have attracted more investors but they have also become more volatile in step with increased uncertainty about future interest rate levels. We have therefore actively reduced our share of REITs and instead sharpened our portfolio focus on what we call value-creating real estate companies where a major part of current earnings are actively reinvested in the development of the business.

Going into 2014, we note that property shares in most mature markets have become more expensive relative to earnings (except for the US), while most emerging markets have become more affordable. There is much to suggest slowly improving global growth in 2014, which will also benefit real estate shares.

Historically, real estate shares have often declined initially in connection with a rise in interest rates, but then quickly rebounded either as a result of higher economic growth or rising inflation. In the US, we have seen both higher interest rates and higher growth, which may indicate cautiously positive market conditions for real estate companies especially as interest rates can be expected to remain at historically attractive low levels. The valuations of several US REITs are more attractive today than before, and we have gradually increased our exposure to the US during the year from about 15 to 20 percent.

In Europe, we expect that France will remain relatively weak in 2014, but with a much stronger property market in Paris. In the UK, there is a risk of rising lending rates, but good value creators may still perform strongly. The housing market in the UK is still being supported by continued favourable financing and strong demand in London from foreign investors. German housing, especially in Berlin, remains interesting. In Sweden the underlying market conditions in metropolitan areas, primarily in Stockholm, seem strong but listed real estate shares appear expensive, especially if market interest rates start climbing in the long term.

Value front and centre

In markets such as Indonesia, Thailand, Brazil and India many of the negative scenarios for real estate shares have already been priced in. However, we should probably expect that the negative market sentiment will persist a while longer, at least until we get more clarity about the election outcomes in these countries. In China, we believe that many local real estate markets will continue to grow rapidly and within underdeveloped real estate segments, such as logistics. We also expect that the already implemented tightening in China will continue to slow down the unsustainable price increases we have seen in the past, which in this case is positive. At the same time, ongoing reforms and deregulation might be beneficial to the long-term development of many cities and submarkets.

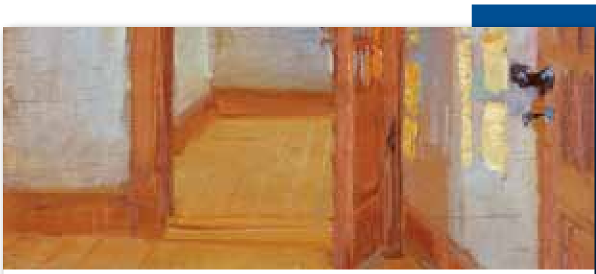
The pricing of Japanese real estate shares requires very strong growth or constantly negative real interest rates, and we do not believe in either of these scenarios. But there is a lot of capital in Japan in bank accounts or bonds that should be moved into equities. Tokyo is growing, as is the need for care for the elderly, and there are opportunities for skilled management teams to create good real estate returns also in Japan.

With our long-term focus on value shares, the fundamental driving forces remain in place and in light of developments over the last year we expect that our portfolio will begin to deliver excess returns in 2014. An educated guess is that many of our 2014 winners will emerge from the list of the ten worst shares in 2013.

SKAGEN m² KEY FIGURES FOR THE LARGEST HOLDINGS (AS OF 31 DEC 2013)

Company	Holding size	Price	P/NAV las tyear	Div. Yield 2013e	EBITDA 2013e/EV
BRANDYWINE	3,5	14,09	95	4,3	8,0
DEUTSCHE WOHNEN	3,4	13,49	102	1,5	3,0
MERCIALYS	3,2	15,25	89	4,5	5,9
CAPITAMALLS ASIA	3,2	1,96	81	1,8	1,7
BRITISH LAND	3,0	6,29	110	4,3	4,3
LEXINGTON	3,0	10,21	80	6,5	8,7
GLOBAL LOGISTIC	3,0	2,89	87	1,4	3,2
AIV	3,0	25,91	80	3,7	6,6
LIPPO MALLS	3,0	0,41	91	8,5	11,1
PS BUSINESS PARK	2,8	76,42	105	2,3	6,8
Weighted top 10	**31,1**		**92,10**	**3,9**	**5,9**

EBITDA 2013e may deviate from other sources as it is based on SKAGEN estimates



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.

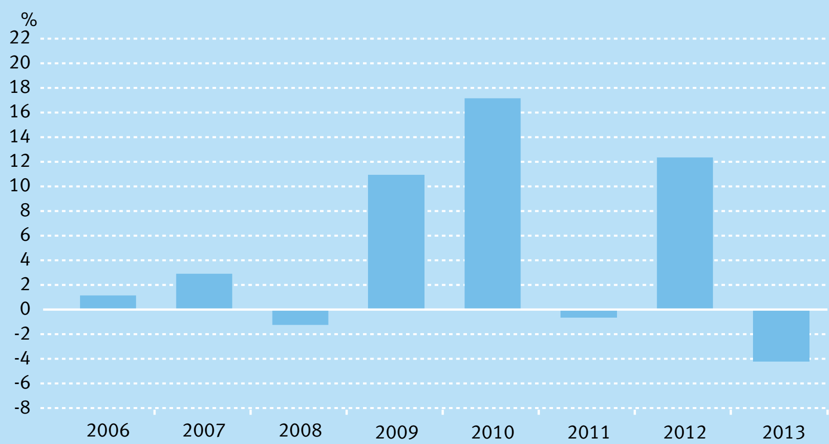
Fund start date	29 September 2006
Return since start	43 %
Average annual return	5,04 %
AUM	EUR 61 million
Number of unit holders	2 219

Portfolio Managers' report

SKAGEN Tellus

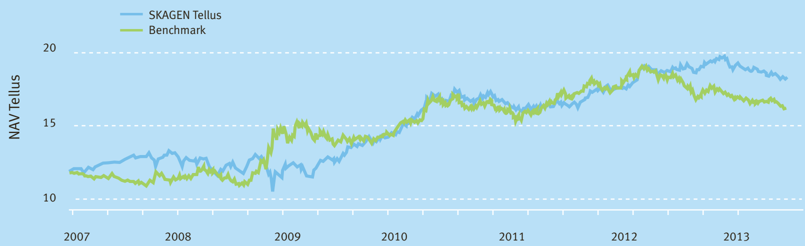
- We were rewarded for staying away from long US and German bonds.
- We believe interest rates will continue to remain low in 2014, despite global growth expectations.
- There should be good opportunities to make profits in 2014 in the market for government bonds.

ANNUAL RETURN (IN EUR)



* The fund was established this year

HISTORIC PRICE DEVELOPMENT (IN EUR)



SKAGEN Tellus
Portfolio Manager

Torgeir Høien

A year of opportunities

Risk free interest rates rose in 2013. SKAGEN Tellus profited from this relative to its benchmark index as we stayed away from long US and German bonds and the like. So what do we expect in 2014?

We believe that global economic growth will be better than most analysts expect. Nevertheless we think long risk-free interest rates will remain quite stable. How come? Doesn't growth push up risk-free interest rates?

We believe that the fixed income market has already priced in relatively brisk economic growth in 2014. That is the reason why the interest rate on a US 10-year treasury bond rose from around 1.6 percent at the beginning of 2013 to around 3 percent at the start of 2014.

We also take the central bank heads at their word when they say that short interest rates will remain low for several years to come. The latest signals from the US indicate that the Fed is not inclined to raise the policy rate before 2017. And the European Central Bank is probably going to be a laggard. Why not raise policy rates faster? Because unemployment is high and inflation is lower than the central bank objectives. In the Eurozone unemployment was 12.1 percent in December and core inflation fell to 0.7 percent.

Our view also differs when it comes to how we regard the effects of a period of near zero interest rate policies. Almost everyone says that zero interest rates eventually pull up inflation. But it may be that they are wrong. What if a zero interest rate policy results in lower rather than higher inflation? Arguably this is what happened in Japan. The Bank of Japan has held the interest rate at around zero for years now, and until recently they had almost continuous deflation.

There are two paths from low interest rates to low inflation. Over time expected inflation is equal to the difference between the nominal interest rate and real interest rate. Central banks cannot control the real rate in the long term. When economic growth pushes up the real rate, expected inflation will fall for a given nominal interest rate. Also, zero interest rate policy has an effect on fiscal policy. Low interest rates lead to lower coupons on government bonds. This implies a decline in public expenditures. It is this that has enabled Japanese authorities to finance their debt. Thanks to the Bank of Japan, the average coupon on Japanese government bonds is only 1.2 percent.

So while the real interest rates might increase somewhat throughout the year, we expect falling inflation and lower inflation expectations to keep the long nominal interest rates in check.

With reasonable stability in the long risk free interest rates, we see significant profit opportunities in countries which have a high spread to German and US interest rates - both in the Eurozone and in emerging markets. Where and when depends upon local circumstances, which might fluctuate throughout the year.

Uncertainty is as always greatest with regard to how the exchanges rates will move. 2013 was against all the odds the year of the euro. We do not expect to see a repeat of that in 2014.

SKAGEN Avkastning
Active interest rate management

Homecoming fishermen. 1884. Detail.
By Oscar Björck, one of the Skagen painters. The picture is owned by the Skagens Museum.

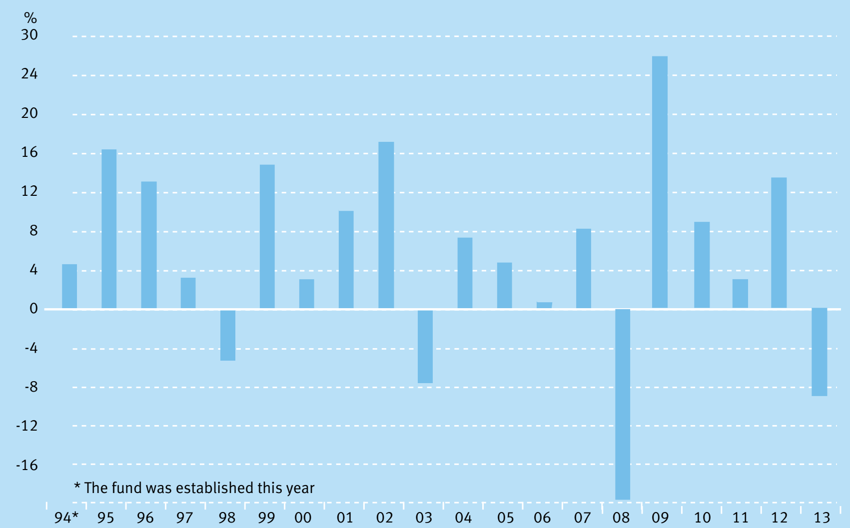
Fund start date	16 September 1994
Return since start	189 %
Average annual return	5,65 %
AUM	EUR 143 million
Number of unit holders	10 743

Portfolio Managers' report

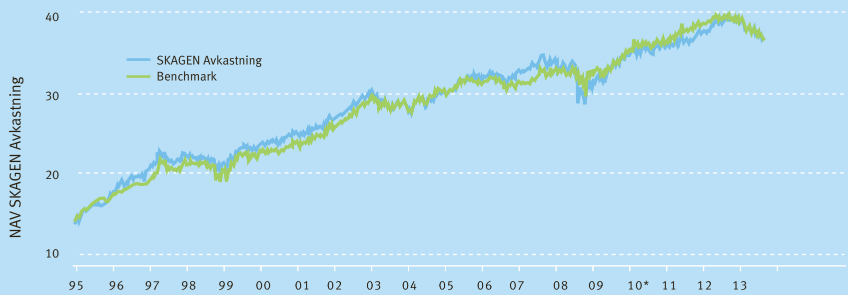
SKAGEN Avkastning

- The year was characterised by an increase in the long rates.
- Norwegian bank bonds and deposits made the greatest contribution to returns.
- We see interesting opportunities in some Euro countries and emerging economies in 2014.

ANNUAL RETURN (IN EUR)



HISTORIC PRICE DEVELOPMENT (IN EUR)



SKAGEN Avkastning
Portfolio Manager

Jane Tvedt

Good relative return; impacted by NOK depreciation

Although 2013 was a difficult year for government bond investors, SKAGEN Avkastning achieved a solid absolute and good relative return as measured in NOK*.

This is due to the fact that the fund has a flexible mandate, allowing it to reduce the interest rate risk in periods when long government bond rates increase. Nevertheless, because the Norwegian krone depreciated significantly in 2013, SKAGEN Avkastning's return as measured in euro was negative.

In 2013 the bond market was characterised by an improvement in the growth prospects for developed economies, as well as uncertainty associated with the tapering of quantitative easing from the Federal Reserve (Fed). The long interest rates in the US rose significantly, with the US ten-year Treasury bond up 140 basis points from May to the end of the year.

Interest rates in other countries followed suit. In emerging economies uncertainty around the Fed's policy caused high volatility and an even greater lift in the long-term interest rates. Long-term interest rates in Norway also rose in 2013, resulting in weak performance for SKAGEN Avkastning's benchmark index, ST4X.

We chose to substantially reduce the interest rate risk in the fund when we saw that the long interest rates were set to rise. We sold the fund's foreign bonds and invested all the assets in Norwegian bank securities with floating interest and in bank deposits. This strategy allowed us to avoid heavy losses, but at the same time the upside has been limited.

Since the fund has only been invested in Norway for large parts of the year, it was Norwegian bank bonds and deposits which contributed most to the return in 2013. Of the foreign investments, our bonds in Spain, Portugal and Slovenia contributed most positively. Our South African bond detracted from the return, as we unfortunately sold too late when the interest rates skyrocketed.

Having kept the interest rate risk low from early in the summer, we decided to increase it again from November. The fund now has bonds in Mexico, Slovenia and Portugal. The drivers are in place to push down interest rates in these countries, even if we see a further interest rate increase internationally. A sharp drop in interest rates in Slovenia in December made for good end to the year for the fund.

We believe that the prospects of low inflation, continued expansive monetary policy as well as less uncertainty regarding the Fed's unconventional monetary policy will make it easier to sort the wheat from the chaff in 2014 and find good cases for a drop in interest rates. We see interesting opportunities in emerging economies and some of the distressed Euro countries.

We believe that the foreign part of the fund will contribute to lift the return in 2014 through a higher yield and bond price gains.

*SKAGEN Avkastning is a NOK fund. Most of the capital in the fund is invested in NOK-denominated bonds, and the investments abroad are hedged against the NOK.

Return and risk measurements

Returns in euro (all return figures beyond 12 months are annualised)

AS OF 31.12.2013	LAST YEAR (%)	LAST 2 YEARS (%)	LAST 3 YEARS (%)	LAST 5 YEARS (%)	LAST 7 YEARS (%)	LAST 10 YEARS (%)	SINCE START (%)
SKAGEN Vekst	9,8%	12,6%	0,8%	17,0%	1,9%	11,7%	14,8%
MSCI Nordic/MSCI AC ex. Nordic	13,0%	15,4%	7,0%	24,1%	3,4%	12,8%	9,7%
SKAGEN Global	15,2%	15,7%	8,0%	18,3%	5,4%	12,2%	15,5%
MSCI World AC	17,6%	15,9%	8,7%	14,3%	2,6%	5,6%	2,9%
SKAGEN Kon-Tiki	5,1%	8,2%	0,5%	20,2%	7,5%	15,9%	16,0%
MSCI Emerging Markets	-6,7%	4,2%	-2,9%	15,0%	3,1%	10,2%	7,7%
SKAGEN m2	-8,3%						-5,4%
MSCI All Country World Index Real Estate IMI	-1,7%						1,3%
SKAGEN Tellus	-4,1%	3,7%	2,2%	6,8%	5,0%		5,0%
J.P. Morgan GBI Broad Index Unhedged in EUR	-8,2%	-4,7%	-0,7%	2,2%	3,8%		3,4%
SKAGEN Avkastning	-9,8%	1,0%	1,8%	7,7%	3,3%	4,1%	5,7%
Statsobligasjonsind. 3.00	-11,3%	-2,2%	0,7%	6,7%	4,1%	3,9%	5,6%

* The benchmark index prior to 1/1/2010 was OSEBX.
** The benchmark index prior to 1/1/2010 was the MSCI World Index.
*** The benchmark index prior to 1/1/2013 was Barclay's Capital Global Treasury Index 3-5 years.

Risk and performance measurements

AS OF 31.12.2013	SKAGEN VEKST	SKAGEN GLOBAL	SKAGEN KON-TIKI	SKAGEN TELLUS	SKAGEN AVKASTNING
MEAN VARIANCE ANALYSIS LAST 5 YEARS					
Standard deviation, fund	17,5%	14,7%	17,4%	6,3%	7,5%
Standard deviation, benchmark index	17,0%	11,9%	16,5%	8,5%	7,7%
Sharpe-ratio, fund	0,85	1,09	1,01	0,91	0,89
Sharpe-ratio, benchmark index	1,23	1,06	0,80	0,16	0,74
Relative volatility/tracking error	6,6%	5,6%	4,6%	6,4%	2,9%
Information Ratio	-0,88	0,61	0,96	0,68	0,35
Correlation	0,93	0,93	0,96	0,66	0,93
Alpha	-4,9%	1,4%	4,2%		
Beta	0,96	1,15	1,02		
R2	86%	87%	93%		
GAIN LOSS ANALYSIS LAST 5 YEARS					
Relative Gain	90%	119%	110%	105%	106%
Relative Loss	116%	108%	89%	60%	96%
Relative Gain Loss Ratio	0,78	1,10	1,23	1,74	1,11
Positive Index Divergence	6,6	9,3	8,9	10,8	4,5
Negative Index Divergence	12,6	5,7	4,2	6,4	3,5
Index divergence ratio	0,53	1,62	2,10	1,69	1,27
Percentage Positive Index Divergence	35%	62%	68%	63%	56%
Percentage Positive Index Divergence Market Up	32%	70%	60%	27%	44%
Percentage Positive Index Divergence Market Down	41%	47%	75%	89%	72%
Percentage of number of positive index divergence	37%	55%	57%	62%	58%
Percentage of number of positive index divergence when market is up	33%	61%	52%	41%	46%
Percentage of number of positive index divergence when market is down	43%	45%	63%	81%	76%
VALUE AT RISK 5 YEARS					
Value at risk: observed, NAV	-7,1%	-6,5%	-7,7%	-2,0%	-2,3%
Value at risk: observed, Benchmark	-6,1%	-3,6%	-6,9%	-3,1%	-2,5%
Relative Value at Risk, observed	-3,6%	-2,2%	-1,6%	-3,5%	-1,4%
SINCE START					
Relative Gain	96 %	154 %	122 %	109 %	62 %
Relative Loss	79 %	104 %	98 %	111 %	69 %
Relative Gain Loss Ratio	1,22	1,48	1,24	0,98	0,91
Positive Index Divergence	14,37	19,39	12,69	4,36	12,75
Negative Index Divergence	9,86	8,25	5,51	4,29	15,67
Index divergence ratio	1,46	2,35	2,30	1,02	0,81

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.

Traditional risk and performance measurements

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.

Sharpe ratio 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 probabil- ity, 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.

Relative volatility is the standard deviation of the annual excess return relative to the bench- mark during the relevant period. Relative vola- tility 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 inde- pendence of the benchmark. 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 con- strued as the chance of uneven excess returns. Thus, the information ratio measures the man- ager's ability to create certain excess returns, whereas relative volatility measures the ability to generate regular excess return.

Alpha is a risk-adjusted measure of the so-called active return on an investment. It is the return in excess of the compensation for the risk borne, and thus commonly used to assess active man- agers' performance. It can be shown that in an efficient market, the expected value of the alpha coefficient is zero. Therefore the alpha coef- ficient indicates how an investment has per- formed after accounting for the risk it involved

An alpha value less than zero means the investment has provided too little return relative to the given risk (or had too high a risk in terms of yield).

An alpha value of zero means the investment has earned a return adequate for the risk taken. An alpha value of over zero means the invest- ment has a return in excess of the reward for the assumed risk.

Beta of a stock or portfolio is a number describ- ing the relation of its returns with that of the financial market as a whole. An asset with a beta of 0 means that its price is not at all cor- related with the market. A positive beta means that the asset generally follows the market. A negative beta shows that the asset inversely follows the market, if the market goes up, then the asset generally decreases in value and vice versa. Instead of the market in general SKAGEN applies the fund's reference index.

R2 is used in the context of statistical models whose main purpose is the prediction of future outcomes on the basis of other related informa- tion. It is the proportion of variability in a data set that is accounted for by the statistical model. It provides a measure of how well future outcomes are likely to be predicted by the model. A high value (close to 100%) indicates a high and good explanatory power.

Correlation is a measure of relationship between a set of two variables or measurements. A high correlation means that one set of variables can be predicted from the other and vice versa. In this case a high correlation (close to 100%) means that the asset or portfolio follows the market closely.

Value at Risk (VaR) is a widely used risk measure of the risk of loss on a specific portfolio of financial assets. VaR here corresponds to how much you can risk losing in a month with 2.5% probability. Calculations are both parametric and observed figures from the past five years. Given that the observations of the last five years are among the worst in the last 30 years, it is expected that the calculation based on these observations shows a greater loss potential than the parametric cal- culation (based on standard deviation).

The relative VaR is a measure of the worst under performance in a month.

Profit and loss analysis

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 suf- fered 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.

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 devia- tion is higher or lower than the benchmark.

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 bench- mark. When ranking funds investing in the same market, the measure is strongly correlated with the Sharpe ratio, but also shows whether the risk-adjusted return is better than the risk- adjusted return of the market. Thus, the meas- ure may be used to compare funds in different markets, as opposed to the Sharpe ratio, which may only be used to compare funds investing in the same market.

Positive/negative index divergence shows posi- tive 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.

Index divergence ratio shows the ratio between positive and negative benchmark divergences. This is a measure of the ability to create excess returns. The higher the number, the better you get paid for each negative bench- mark diver- gence. The benchmark divergence ratio inter- prets risk as the chance of negative index diver- gences, as opposed to the Information Ratio, which construes the risk as irregular excess returns (not necessarily negative excess returns).

OWNERSHIP STRUCTURE

At breakfast, 1883.
By P.S. Krøyer, one of the Skagen painters.
The picture belongs to the Skagens Museum
(the picture has been manipulated).

OWNERSHIP STRUCTURE

SKAGEN AS is owned by:

T.D Veen AS	25,69 %
Solbakken AS	18,40 %
MCM Westbø AS	9,84 %
Harald Espedal AS	8,31 %
Kristian Falnes AS	8,31 %
Månebakken AS	7,29 %
Westbø AS	7,29 %
Other	14,88 %

THE ELECTION COMMITTEE

The election committee consists of Sigve Erland (Chair) and Mette Lundh Håkestad. The election committee proposes candidates for unit holder representatives for the Board of Directors of SKAGEN AS.

NUMBER OF UNITS OWNED BY BOARD MEMBERS AND KEY PERSONS

NAME	NUMBER OF UNITS	POSITION
Martin Gjelsvik	6 429	Chairman of the Board and owner
Tor Dagfinn Veen	556 553	Board member, elected by the shareholders, and owner
Barbro Johansson	253	Board member, elected by the shareholders
Yuhong Jin Hermansen	542 401	Board member, elected by the unit holders
Per Gustav Blom	52 697	Board member, elected by the unit holders
Jesper Rangvid	55	Deputy member, elected by the shareholders
Anne Sophie K. Stensrud	193 360	Deputy member, elected by the shareholders, and owner
Martin Petersson	4 920	Deputy member, elected by unit holders
Harald Espedal	309 132	Managing director and owner
Kristian Falnes	1 660 197	Portfolio manager and owner
J. Kristoffer C. Stensrud	3 329 009	Portfolio manager and owner

Board of Directors´ Report on the funds 2013

For unit holders in SKAGEN's funds, 2013 was one of the least volatile in the company's 20-year history. The gap between developed and emerging markets grew, and this had an impact on the returns of several of our funds.

What happened in 2013?

2013 was a year of greater optimism in which the global economy stabilised. It was also a year without major market corrections, but with a large discrepancy between returns in the various stock markets. The developed stock markets performed well, while performance in emerging markets was unexpectedly weak. This resulted in a large returns gap between developed and emerging markets. Nevertheless, given the weakening of the Norwegian krone, both markets ended up in positive absolute return territory as measured in NOK. The good return from SKAGEN Kon-Tiki demonstrated that SKAGEN's investment philosophy made it possible to attain good returns even in the unpopular emerging markets.

What can we expect in 2014?

We believe that the global economy will stabilise further and that we will see somewhat stronger growth. It appears as though interest rates will remain low and we expect an improvement in companies' earnings, both as a result of stronger growth and cost focus. Slightly more expensive shares relatively speaking may give rise to more faith and doubt, however, and hence more fluctuations than we saw in 2013.

There are, as always, some concerns, however. We may see a setback in economic growth, interest rates may increase more than expected and there is always some uncertainty around geopolitical developments.

New mandate in SKAGEN Vekst

After more than 20 years, we are expanding the mandate of SKAGEN's oldest fund, SKAGEN Vekst, from a minimum of 50% investments in Norway to a minimum of 50% in the Nordics as of 1 January 2014. The reason for this change is that over the past 20 years, the Oslo Stock Exchange has become increasingly dominated by energy-related companies, such that the risk profile no longer gives the risk/reward ratio SKAGEN wants. With the expanded mandate, it will be easier to find companies that fulfil the three Us in SKAGEN's investment philosophy. At the same time it was agreed that a so-called high watermark would be introduced to calculate the fund's variable fee, which will mean that unit holders may pay a lower management fee in volatile markets. A high watermark works in such a way that no variable management fee is calculated unless the fund's price is higher than it was at the previous calculation.

Unit classes

SKAGEN uses distributors and advisors in some countries and they receive retrocession for the work they do. In the Netherlands and the UK, regulations have been introduced whereby distributors and advisors in these countries may not receive retrocession for individual client groups. In order to adapt to these regulations, in 2013 SKAGEN laid the groundwork for establishing a so-called clean unit class in its three oldest equity funds from 1 January 2014.

Assets under management

Assets under management increased in 2013 by NOK 18.8 billion (EUR 0.4 billion) from NOK 109.3 billion (EUR 14.9 billion) to NOK 128.1 billion (EUR 15.3 billion). Altogether there were net redemptions of NOK 6.3 billion (EUR 808 million), mainly as a result of Norwegian and global investors reducing their exposure to emerging markets. The value increase was NOK 25.1 billion (EUR 1.2 billion).

SKAGEN has retained its position as the largest independent fund manager in the Norwegian mutual fund industry even though there were net redemptions of NOK 6.1 billion (EUR 777 million) in the equity funds in 2013.

The fixed income funds had net redemptions of NOK 0.3 billion (EUR 44 million), while the balanced fund SKAGEN Balanse had new net subscriptions of NOK 0.1 billion (EUR 13 million).

SKAGEN's markets outside Norway are becoming increasingly more important to the company. As of the end of 2013 Norwegian clients constituted 40% of the total assets under management, other Scandinavian clients 35%, while clients outside Scandinavia accounted for 25%.There were no unusually large redemptions in the equity or fixed income funds in 2013.

Returns in the funds

2013 was another demanding year for value managers and several of SKAGEN's equity funds delivered an unsatisfactory performance in relative terms.

All the funds delivered a good absolute return in 2013 as measured in NOK. SKAGEN Kon-Tiki was the best equity fund in relative terms, with an excess return of 13 percentage points (12 percentage points in EUR terms) relative to its benchmark index, while SKAGEN Global and SKAGEN Vekst underperformed their benchmarks slightly. SKAGEN m² performed relatively weakly throughout its first full year in operation. All of the fixed income funds, as well as the balanced fund of fund, SKAGEN Balanse 60/40, outperformed their benchmark indexes.

Unit holder meetings

The new act on securities funds which entered into force on 1 January 2012 has reinforced unit holder democracy by introducing unit holder meetings as a new decision-making body. Unit holders have been given the authority through unit holder meetings to approve changes to articles of association and the merging of funds, provided that 75 percent of the votes represented at the meeting vote in favour of the change. The Financial Supervisory Authority of Norway shall continue to ensure that the changes are lawful and that the management companies have followed the necessary procedures. According to the new regulations, however, unit holders will be given the opportunity to assess and vote on which changes they believe are in their interests.

Several unit holder meetings were held in 2013, including one to establish the clean unit classes mentioned above. Arrangements were

Martin Gjelsvik
Chairman of the Board and owner

Tor Dagfinn Veen
Board member and owner

Barbro Johansson
Board member, elected by shareholders

Yuhong Jin Hermansen
Board member, elected by unit holders

made to enable advance voting via SKAGEN's webpages in order to ensure that as many people as possible could participate.

Focus on client dialogue

SKAGEN aims to provide clients with the best possible service, follow-up and communication, and strives to be innovative and unique in its client service and communication.

SKAGEN's webpages give a good overview of the funds' performance and prices as well as a news service which provides for direct communication with SKAGEN's employees. Meanwhile the web portal "My Page" provides unit holders with tailor-made information, reports and analysis on their holdings in SKAGEN's funds.

There has been a lot of activity in all of the countries where SKAGEN's funds are marketed. The offices in Norway, Sweden and Denmark have hosted inspiration, lunch and theme meetings, all with good attendance. The office in the Netherlands, which was established in 2011, is making good progress meeting clients in various channels. In the UK, SKAGEN mostly has institutional clients. There are often specific requirements regarding managing assets for this client group, and employees at the London office have spent a lot of time with clients and consultants reviewing SKAGEN's investment philosophy, risk management and internal control. SKAGEN also dedicates substantial resources towards ensuring that distributors in the various countries have sufficient knowledge about SKAGEN's funds and that clients have the correct experience of SKAGEN, even when operating through distributors.

SKAGEN has adapted its webpages for use on tablets and mobile phones. A solution has also been developed for Norwegian clients to trade via mobile phones using BankID. In the Nordic markets social media is becoming an increasingly important communication channel with our clients.

Each year SKAGEN carries out a client survey in Norway and Sweden where we have the highest proportion of direct clients, to evaluate whether the company fulfils its goal of providing the best possible service and follow-up. The 2013 client survey shows that clients are still satisfied with SKAGEN.

SKAGEN's employees

At the end of 2013, SKAGEN has 179 employees divided between six offices in Norway (Stavanger, Trondheim, Ålesund, Bergen, Oslo and Tønsberg), two offices in Sweden (Stockholm and Gothenburg), and one office each in Denmark (Copenhagen), the UK (London) and the Netherlands (Amsterdam). SKAGEN's funds are also marketed in Finland, Switzerland, Luxembourg, Belgium and Iceland.

Employee know-how and competency development is a priority for SKAGEN and our clients. At the end of 2013 nearly all of SKAGEN's client representatives are authorised financial advisors. The program has high requirements for theoretical and practical knowledge, and employees who deal with clients must sit examinations supervised by an independent committee. In Sweden a similar authorisation scheme was introduced in 2005, and all our Swedish advisors are authorised in accordance with it.

During its almost 20 years of business, SKAGEN has had an incentive structure and ownership model that encourages long-term planning and sustainable risk levels. The management company's earnings fluctuate considerably with the markets and it has been essential to keep a low fixed cost base in order to sustain the organisation and maintain competence levels during hard times. In order to be able to recruit and keep the best employees in a global market, SKAGEN must be able to pay a variable income when the company shows strong results.

SKAGEN has a compensation model that is intended to encourage employees to work together to provide clients with the highest possible risk-adjusted returns. The model promotes cooperation between all departments to ensure that clients experience SKAGEN in the best possible way, also with respect to service, competent follow-up and communication. No employees have their salary directly tied to subscription results. Thus we avoid the negative aspects often associated with such arrangements, including unhealthy internal competition and sales pressure, protection of own expertise and poor utilisation of employee resources.

SKAGEN recruits employees with diverse backgrounds, and seeks to achieve a balance between male and female employees. At the end of the year, there were 63 female and 116 male employees. There are equal opportunities for both genders with respect to terms of employment and pay. In 2013, SKAGEN had an absence rate due to illness of 3.4 percent.

The Board of Directors wishes to thank all employees for a great effort in 2013. Employee competence and conduct are decisive to SKAGEN's performance.

Organisation

SKAGEN AS is supervised by the Financial Supervisory Authority of Norway, and is the manager for SKAGEN's funds. Handelsbanken is the funds' custodian and the Norwegian Central Securities Depository (VPS) is the registrar for SKAGEN's registry of unit holders.

Risk management

The Board has approved the funds' risk pro-

Per Gustav Blom
Board member, elected by unit holders

Martin Petersson
Deputy member, elected by unit holders

Jesper Rangvid
Deputy member, elected by shareholders

Anne Sophie K. Stensrud
Deputy member and owner

file, which shall be reviewed at least annually. The Board receives risk reports at every Board meeting. SKAGEN's funds take a holistic approach to managing market risk, credit risk, liquidity risk, operational and legal risk and reputational risk. Employees responsible for risk and compliance work in close cooperation with the various departments, but at the same time remain independent and report directly to the Board.

Financial risk

The funds' financial risk is low and only consists of interest rate risk, as they only have short-term debt connected with the settlement of securities.

Market risk, credit risk and liquidity risk

Risk in fund investments arise as a consequence of market movements, developments in currency, interest rates and the economic cycle as well as sector and company specific issues. Throughout 2013 the anticipated risk level at portfolio level was unusually low. The actual risk was in line with expectations, with the exception of the property fund SKAGEN m². Here the risk was actually higher than expected due to a combination of the fund's high exposure to the Asian markets and the weak development and significant turbulence in India, Indonesia and Thailand. The market risk is expected to be somewhat higher in 2014 than in 2013 due to the fact that equities in general have become more expensive relative to value multiples as well as imminent political elections in several important markets. This gives more room for faith and doubt and it may become more unclear what will capture investors' interest and generate risk aversion.

In addition to statutory requirements, SKAGEN takes different approaches to managing the relevant risk categories. SKAGEN aims to reduce the market risk by diversifying investments between various sector, country and currency types. SKAGEN applies the investment philosophy when analysing a company's valuation, product/market matrix, gearing and the liquidity of the security. Investments in the fixed income funds are made based on an evaluation of the creditworthiness of individual issuers and the general economic and institutional conditions in the country in which the issuer resides. The credit risk is limited by having a minimum requirement regarding creditworthiness and counterparty type. Credit risk in the form of counterparty risk on settlement is reduced by seeking instant delivery versus payment (DVP) as well as surveying broker counterparty quality with regard to creditworthiness and accounts.

Liquidity risk is assessed on a regular basis, among other things by reviewing historically large net redemptions relative to conservative estimates of the potential to sell each security.

Operational risk is followed up and managed via updated event registers as well as detailed discussions with the company's managing directors in the various market areas. The different contributors to operational risk are then assessed by the managing directors on an aggregate level and potential measures weighed up.

SKAGEN has drawn up internal routines to reduce the risk of operational errors that could have an impact on the funds.

Both legal requirements and internal guidelines have been adhered to in 2013.

The Board confirms that the premise of the management company as a going concern continues to be fulfilled.

Investment philosophy

The Board adheres to SKAGEN's investment philosophy and business concept. We are convinced that the best way to create excess return for clients – currently as previously – is to have an active investment philosophy whereby portfolio managers seek unpopular,

Proposal for the allocation of funds' income:

(ALL FIGURES IN 1,000 NOK)	SKAGEN VEKST	SKAGEN GLOBAL	SKAGEN KON-TIKI	SKAGEN M²	SKAGEN AVKASTNING	SKAGEN HØYRENTE	SKAGEN HØYRENTE INSTITUSJON	SKAGEN TELLUS	SKAGEN KRONA (IN SEK)	SKAGEN BALANSE 60/40
INCOME STATEMENT	**1 660 057**	**11 055 789**	**8 327 903**	**-20 399**	**31 003**	**90 947**	**28 820**	**42 765**	**20 129**	**17 884**
Allocation of net income										
Transfer to/from retained earnings	1 660 057	11 055 789	8 327 903	-20 399	-6 176	4 777	-3 454	-11 769	945	17 884
Allocation for distribution to unit holders	-	-	-	-	37 179	86 170	32 273	54 535	-	-
Net distributed to unit holders during the year	-	-	-	-	-	-	-	-	19 184	-
TOTAL	**1 660 057**	**11 055 789**	**8 327 903**	**-20 399**	**31 003**	**90 947**	**28 820**	**42 765**	**20 129**	**17 884**

Stavanger 30 January 2014
Board of SKAGEN AS

Martin Gjelsvik | Tor Dagfinn Veen | Martin Petersson | Yuhong Jin Hermansen | Barbro Johansson | Anne S.K. Stensrud | Jesper Rangvid | Per Gustav Blom

Annual Financial Statement 2013

INCOME STATEMENT (all figures in 1,000 NOK)	Notes	SKAGEN Vekst 2013	SKAGEN Vekst 2012	SKAGEN Global 2013	SKAGEN Global 2012	SKAGEN Kon-Tiki 2013	SKAGEN Kon-Tiki 2012	SKAGEN m²* 2013	SKAGEN m²* 2012	SKAGEN Balanse 60/40** 2013	SKAGEN Balanse 60/40** 2012
Portfolio revenue and costs											
Interest income and costs		678	-2 024	7 066	-5 913	7 947	5 790	-29	50	1 216	693
Dividends		185 561	195 731	1 002 452	884 975	974 735	1 195 258	20 490	427	-	-
Realised capital gain/loss		45 664	-37 525	2 100 568	590 257	560 193	273 256	12 861	41	2 664	-104
Change unrealised gain/loss	7	1 632 804	652 076	8 353 608	2 222 686	8 451 539	1 589 782	-47 481	3 585	14 318	930
Guarantee commission		195	-	370	-	536	-	-	-	-	-
Brokers' fees		-5 438	-7 640	-33 751	-26 867	-54 579	-47 478	-2 167	-474	-	-
Currency gain/loss		23 759	-21 866	159 551	-101 630	68 446	-80 649	1 318	-185	-	-
PORTFOLIO RESULT		**1 883 224**	**778 751**	**11 589 864**	**3 563 508**	**10 008 817**	**2 935 959**	**-15 008**	**3 444**	**18 198**	**1 518**
Management revenue and costs											
Commission from sale and redemption of units		-	-	-1	-	-	-	-	-	-	-
Management fee - fixed	8	-74 800	-74 873	-412 391	-330 487	-955 657	-888 357	-8 307	-466	-	-
Management fee - variable	8	-136 194	-25 740	-	-63 312	-633 789	222 463	4 126	183	-	-
ASSET MANAGEMENT RESULT		**-210 994**	**-100 613**	**-412 392**	**-393 799**	**-1 589 447**	**-665 894**	**-4 181**	**-283**	**-**	**-**
RESULT BEFORE TAX		**1 672 229**	**678 139**	**11 177 472**	**3 169 709**	**8 419 371**	**2 270 065**	**-19 189**	**3 161**	**18 198**	**1 518**
Tax cost	10	-12 173	-11 600	-121 683	-96 849	-91 468	-130 070	-1 210	-45	-314	-236
NET INCOME		**1 660 057**	**666 539**	**11 055 789**	**3 072 860**	**8 327 903**	**2 139 995**	**-20 399**	**3 116**	**17 884**	**1 282**
Allocation of net income											
Transfer to/from retained earnings	9	1 660 057	666 539	11 055 789	3 072 860	8 327 903	2 139 995	-20 399	3 116	17 884	1 282
Allocated for distribution to unit holders	9	-	-	-	-	-	-	-	-	-	-
Net distributed to unit holders during the year	9	-	-	-	-	-	-	-	-	-	-
TOTAL		**1 660 057**	**666 539**	**11 055 789**	**3 072 860**	**8 327 903**	**2 139 995**	**-20 399**	**3 116**	**17 884**	**1 282**

BALANCE SHEET	Notes	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Assets											
Norwegian securities at cost price	3,7	2 558 016	3 448 770	1 479 170	914 112	1 307 106	1 042 332	11 330	4 720	175 097	68 277
Foreign securities at cost price	3,7	3 283 566	3 178 796	32 526 759	29 264 262	34 803 657	38 524 216	520 320	191 991	-	-
Unrealised capital gain/loss	7	2 028 704	398 998	10 756 595	2 403 282	13 100 771	4 657 004	-43 897	3 585	15 247	930
Accrued interest securities	7	-	-	-	-	-	-	88	-	-	-
TOTAL SECURITIES PORTFOLIO		**7 870 285**	**7 026 564**	**44 762 524**	**32 581 656**	**49 211 534**	**44 223 552**	**487 841**	**200 296**	**190 344**	**69 207**
Dividend receivable		17 589	8 091	108 153	150 691	166 010	137 273	499	151	-	-
TOTAL ACCRUED INCOME		**17 589**	**8 091**	**108 153**	**150 691**	**166 010**	**137 273**	**499**	**151**	**-**	**-**
Deferred tax asset	10	-	-	-	-	-	-	1 865	-	18	-
Accounts receivable - brokers		-	794	86 544	16 912	166 170	14 210	2 654	-	-	-
Accounts receivable - management company		4	1	18	4	26	8	1 954	5	-	-
Tax receivable on dividends		6 441	5 602	43 429	30 658	5 248	2 284	848	-	-	-
Other receivables		-	-	-	-	-	-	202	-	-	-
TOTAL OTHER RECEIVABLES		**6 445**	**6 398**	**129 991**	**47 574**	**171 445**	**16 503**	**7 522**	**5**	**18**	**-**
Bank deposits		306 670	190 556	1 841 208	1 726 057	1 478 438	1 973 195	13 569	14 583	2 561	408
TOTAL ASSETS		**8 200 989**	**7 231 609**	**46 841 877**	**34 505 978**	**51 027 427**	**46 350 522**	**509 430**	**215 034**	**192 923**	**69 615**
Equity Capital											
Unit capital at par value	9	500 868	559 112	4 262 254	4 103 250	8 056 199	8 889 649	478 320	210 869	162 382	68 116
Premium	9	-2 330 671	-1 588 476	18 482 830	17 287 148	20 158 787	23 779 564	45 874	7	10 993	-43
TOTAL PAID-IN EQUITY CAPITAL		**-1 829 803**	**-1 029 364**	**22 745 084**	**21 390 398**	**28 214 987**	**32 669 214**	**524 194**	**210 876**	**173 375**	**68 073**
Retained earnings	9	9 871 410	8 211 354	23 938 254	12 882 465	21 846 541	13 518 639	-17 283	3 116	19 167	1 282
Allocated to unitholders for reinvestment in new units	9	-	-	-	-	-	-	-	-	-	-
TOTAL EQUITY CAPITAL		**8 041 607**	**7 181 990**	**46 683 338**	**34 272 863**	**50 061 528**	**46 187 853**	**506 911**	**213 992**	**192 542**	**69 356**
Debt											
Deferred tax	10	-	-	-	-	-	-	-	12	-	29
Accounts payable - brokers		-	4 334	3 688	50 841	53 916	127 765	71	607	-	-
Accounts payable - management company		156 162	43 379	114 983	147 900	882 652	2 589	-	283	-	-
Other debt	10	3 220	1 905	39 868	34 373	29 331	32 316	2 448	140	381	230
TOTAL OTHER DEBT		**159 382**	**49 619**	**158 539**	**233 114**	**965 899**	**162 670**	**2 519**	**1 042**	**381**	**259**
TOTAL DEBT AND EQUITY CAPITAL		**8 200 989**	**7 231 609**	**46 841 877**	**34 505 978**	**51 027 427**	**46 350 522**	**509 430**	**215 034**	**192 923**	**69 615**

* The fund was launched on 31.10.2012

Stavanger 30 January 2014
Board of SKAGEN AS

Martin Gjelsvik | Tor Dagfinn Veen | Martin Petersson | Yuhong Jin Hermansen | Barbro Johansson | Anne S.K. Stensrud | Jesper Rangvid | Per Gustav Blom

INCOME STATEMENT		SKAGEN Tellus		SKAGEN Avkastning		SKAGEN Høyrente		SKAGEN Høyrente Institusjon		SKAGEN Krona*	
(all figures in 1,000 NOK)	Notes	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Portfolio revenue and costs											
Interest income and costs		14 910	18 315	37 181	37 264	102 957	135 347	32 259	47 518	21 672	18 933
Dividends		-	-	-	-	-	-	-	-	-	-
Realised capital gain/loss		47 765	5 898	18 656	5 506	-2 226	1 456	199	-566	-	-
Change unrealised gain/loss	7	-20 438	8 035	-7 989	21 251	-743	15 772	-1 852	4 511	246	1 732
Guarantee commission		-	-	-	-	-	-	-	-	-	-
Brokers' fees		-26	-15	-10	-10	-5	-99	-3	-64	-33	-97
Currency gain/loss		4 587	-1 022	-10 696	13 451	-	-	-	-	-	-
PORTFOLIO RESULT		**46 798**	**31 210**	**37 141**	**77 463**	**99 984**	**152 475**	**30 603**	**51 399**	**21 885**	**20 569**
Management revenue and costs											
Commission from sale and redemption of units		-	-	-	-	-	-	-	-	-	-
Management fee - fixed	8	-4 033	-3 889	-6 138	-5 225	-9 036	-10 096	-1 783	-2 225	-1 757	-1 094
Management fee - variable	8	-	-	-	-	-	-	-	-	-	-
ASSET MANAGEMENT RESULT		**-4 033**	**-3 889**	**-6 138**	**-5 225**	**-9 036**	**-10 096**	**-1 783**	**-2 225**	**-1 757**	**-1 094**
RESULT BEFORE TAX		**42 765**	**27 322**	**31 003**	**72 238**	**90 947**	**142 379**	**28 820**	**49 173**	**20 129**	**19 475**
Tax cost	10	-	-78	-	-	-	-	-	-	-	-
NET INCOME		**42 765**	**27 244**	**31 003**	**72 238**	**90 947**	**142 379**	**28 820**	**49 173**	**20 129**	**19 475**
Allocation of net income											
Transfer to/from retained earnings	9	-11 769	27 244	-6 176	35 632	4 777	23 093	-3 454	10 662	945	-9 056
Allocated for distribution to unit holders	9	54 535	-	37 179	36 606	86 170	119 286	32 273	38 511	-	-
Net distributed to unit holders during the year	9	-	-	-	-	-	-	-	-	19 184	28 531
TOTAL		**42 765**	**27 244**	**31 003**	**72 238**	**90 947**	**142 379**	**28 820**	**49 173**	**20 129**	**19 475**

BALANCE SHEET		31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Assets											
Norwegian securities at cost price	3,7	34 253	-	789 381	793 547	2 378 339	2 984 971	714 565	797 137	-	-
Foreign securities at cost price	3,7	458 920	439 235	139 365	153 977	-	-	-	-	837 349	795 819
Unrealised capital gain/loss	7	-5 720	14 717	5 179	13 168	9 908	10 651	1 628	3 480	1 804	1 558
Accrued interest securities	7	8 146	7 940	5 383	6 950	7 011	13 202	2 335	5 193	2 653	3 359
TOTAL SECURITIES PORTFOLIO		**495 599**	**461 892**	**939 308**	**967 642**	**2 395 258**	**3 008 825**	**718 528**	**805 810**	**841 806**	**800 736**
Dividend receivable		-	-	-	-	-	-	-	-	-	-
TOTAL ACCRUED INCOME		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deferred tax asset	10	-	-	-	-	-	-	-	-	-	-
Accounts receivable - brokers		-	-	-	-	-	-	-	-	-	-
Accounts receivable - management company		5	1	2	-	7	-	5	-	2	-
Tax receivable on dividends		955	852	-	-	-	-	-	-	-	-
Other receivables		-	-	-	-	-	179	-	-	-	-
TOTAL OTHER RECEIVABLES		**960**	**854**	**2**	**-**	**7**	**179**	**5**	**-**	**2**	**-**
Bank deposits		11 094	8 951	260 080	148 923	1 044 806	850 446	547 768	489 951	23 075	29 083
TOTAL ASSETS		**507 653**	**471 696**	**1 199 390**	**1 116 565**	**3 440 071**	**3 859 449**	**1 266 301**	**1 295 761**	**864 882**	**829 819**
Equity Capital											
Unit capital at par value	9	416 855	423 042	852 668	788 149	3 309 524	3 693 165	1 235 057	1 256 286	848 159	818 539
Premium	9	45 046	44 285	302 771	277 172	29 180	33 864	-2 995	-2 937	6 382	6 171
TOTAL PAID-IN EQUITY CAPITAL		**461 900**	**467 327**	**1 155 438**	**1 065 321**	**3 338 705**	**3 727 029**	**1 232 062**	**1 253 349**	**854 541**	**824 710**
Retained earnings	9	-10 184	3 301	5 594	13 420	10 025	10 274	1 260	3 123	1 918	1 647
Allocated to unitholders for reinvestment in new units	9	54 494	-41	36 578	36 124	85 983	119 583	32 512	38 750	-	-
TOTAL EQUITY CAPITAL		**506 210**	**470 588**	**1 197 611**	**1 114 865**	**3 434 713**	**3 856 886**	**1 265 834**	**1 295 222**	**856 459**	**826 357**
Debt											
Deferred tax	10	-	-	-	-	-	-	-	-	-	-
Accounts payable - brokers		-	-	-	-	-	-	-	-	-	-
Accounts payable - management company		1 036	959	1 566	1 373	2 227	2 563	467	539	473	363
Other debt	10	407	150	214	327	3 130	-	-	-	7 951	3 099
TOTAL OTHER DEBT		**1 443**	**1 109**	**1 780**	**1 700**	**5 358**	**2 563**	**467**	**539**	**8 424**	**3 462**
TOTAL DEBT AND EQUITY CAPITAL		**507 653**	**471 696**	**1 199 390**	**1 116 565**	**3 440 071**	**3 859 449**	**1 266 301**	**1 295 761**	**864 882**	**829 819**

* In 1000 SEK
** The fund came into operation on 29.02.2012

Stavanger 30 January 2014
Board of SKAGEN AS

Martin Gjelsvik | Tor Dagfinn Veen | Martin Petersson | Yuhong Jin Hermansen | Barbro Johansson | Anne S.K. Stensrud | Jesper Rangvid | Per Gustav Blom

General notes 2013

NOTE 1: ACCOUNTING PRINCIPLES

All figures in NOK 1,000 unless otherwise stated.

The accounts for 2013 are prepared in accordance with the Norwegian accounting law and regulation for annual financial statements for securities funds.

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 31.12.2013.

Bonds and notes, for which there are no "marketmaker" prices, are at all times valued against the applicable credit spreads and yield curve.

Unlisted equities are valued according to the latest trading price, value adjustments made by brokers and/or 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 31.12.2013.

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:
Net taxable income in the fixed income funds, comprised of interest income, realised capital gain/loss and other income with deduction of management fee and transaction related custodian costs, is distributed to the unit holders as the issue of new units as of 31.12.2013.

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.

NOTE 2: FINANCIAL DERIVATIVES

The funds have not held financial derivatives during the year.

NOTE 3: FINANCIAL MARKET RISK

Through investment in Norwegian and foreign businesses, the equity funds are exposed to share price, currency exchange and liquidity risks. The fixed income funds are exposed to interest and credit risks, liquidity risks and to currency risks in those cases where the funds invest in currencies other than NOK.

In addition to laws, regulations and articles of association regulating the risks in the funds, the funds are managed with a conscious focus on company-specific risks related to the companies constituting the funds' portfolios.

NOTE 4: CUSTODIAN COST

The funds are only charged transaction related custodian costs.

NOTE 5: TURNOVER RATE

The turnover rate is a measure related to the average duration of the investments in the fund.

The turnover rate is calculated as whichever is the smaller amount of either purchases and sales of securities in the portfolio during the year, divided by average assets under managment during the year. The formula is an approach for calculating the funds' turnover rate.

The funds' turnover rate for the year 2013 was:

SKAGEN Vekst	29 %
SKAGEN Global	20 %
SKAGEN Kon Tiki	21 %
SKAGEN m²	52 %
SKAGEN Balanse 60/40	36 %
SKAGEN Avkastning	68 %
SKAGEN Høyrente	33 %
SKAGEN Høyrente Institusjon	68 %
SKAGEN Tellus	358 %
SKAGEN Krona	116 %

NOTE 6: SUBSCRIPTION FEE

There are no subscription or redemption fees for any of the funds.

NOTE 7:

Refer to pages 57 to 69

SKAGEN Vekst Note 8, 9, 10 & 11

NOTE 8. MANAGEMENT FEE

The fixed management fee constitutes 1 percent p.a. of daily assets under management in addition to the variable management fee: 1/10 of the return above 6 percent p.a.measured in Norwegian kroner.

NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2013	559 112	-1 588 476	8 211 354	7 181 990
Issue of units	48 034	640 780		688 814
Redemption of units	-106 278	-1 382 974		-1 489 252
Net income			1 660 057	1 660 057
EQUITY CAPITAL AS OF 31.12.2013	**500 868**	**-2 330 671**	**9 871 410**	**8 041 607**

	31.12.13	31.12.12	31.12.11
Number of units issued	5 008 679	5 591 123	6 243 962
Base price per unit (in NOK)*	1 605,2264	1 284,4768	1 173,0200

*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31/12 are used in the annual financial statement. Consequently minor timing differences may occur.

NOTE 10. TAX NOTE

Equity funds are, in principle, exempt from tax on gains and do not have the right to deduct losses on realisation of equities when calculating taxable income. Furthermore, dividends received from companies within the EU/EEA are, in principle, tax-exempt. However, 3 percent of dividends received from these companies are treated as taxable to Norway.

Dividends received from companies outside the EU/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 2013 and 2012 in SKAGEN Vekst is associated with withholding tax on foreign dividends.

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 8, 9 & 10

NOTE 8. MANAGEMENT FEE

The fixed management fee constitutes 1 percent p.a. of daily assets under management in addition to the variable management fee: 1/10 of better value development measured in percent in the fund's asset value compared with the reference index MSCI All Country World Daily Total return Net $, measured in Norwegian kroner.

NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2013	4 103 250	17 287 148	12 882 465	34 272 863
Issue of units	940 053	7 989 200		8 929 253
Redemption of units	-781 049	-6 793 519		-7 574 568
Net income			11 055 789	11 055 789
EQUITY CAPITAL AS OF 31.12.2013	**4 262 254**	**18 482 830**	**23 938 254**	**46 683 338**

	31.12.13	31.12.12	31.12.11
Number of units issued	42 622 543	41 032 500	41 481 231
Base price per unit (in NOK)*	1 095,2810	835,3336	758,2843

*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31/12 are used in the annual financial statement. Consequently minor timing differences may occur.

NOTE 10. TAX NOTE

Equity funds are, in principle, exempt from tax on gains and do not have the right to deduct losses on realisation of equities when calculating taxable income. Furthermore, dividends received from companies within the EU/EEA are, in principle, tax-exempt. However, 3 percent of dividends received from these companies are treated as taxable to Norway.

Dividends received from companies outside the EU/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 2013 and 2012 in SKAGEN Global is associated with withholding tax on foreign dividends.

SKAGEN Kon-Tiki Note 8, 9, 10 & 11

NOTE 8. MANAGEMENT FEE

The fixed management fee constitutes 2 percent p.a. of daily assets under management in addition to the variable management fee: 1/10 of better value development in percent in the fund's asset value compared with the reference index MSCI Emerging Markets Index Daily Traded Net Total Return $, measured in Norwegian kroner. In case of poorer value development in the fund's net asset value relative to the benchmark, 10 percent of the difference will be deducted from the fixed management fee. However the total management fee may not exceed 4 percent p.a. and may not be lower than 1 percent p.a. of average assets under management.

NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2013	8 889 649	23 779 564	13 518 639	46 187 853
Issue of units	1 488 075	6 927 199		8 415 274
Redemption of units	-2 321 525	-10 547 976		-12 869 501
Net income			8 327 903	8 327 903
EQUITY CAPITAL AS OF 31.12.2013	**8 056 199**	**20 158 787**	**21 846 541**	**50 061 528**

	31.12.13	31.12.12	31.12.11
Number of units issued	80 561 992	88 896 486	82 687 385
Base price per unit (in NOK)*	621,4137	519,6300	492,0310

*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31/12 are used in the annual financial statement. Consequently minor timing differences may occur.

NOTE 10. TAX NOTE

Equity funds are, in principle, exempt from tax on gains and do not have the right to deduct losses on realisation of equities when calculating taxable income. Furthermore, dividends received from companies within the EU/EEA are, in principle, tax-exempt. However, 3 percent of dividends received from these companies are treated as taxable to Norway.

Dividends received from companies outside the EU/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 2013 and 2012 in SKAGEN Kon-Tiki is associated with withholding tax on foreign dividends.

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 Høyrente Note 8, 9 & 10

NOTE 8. MANAGEMENT FEE

The management fee constitutes 0.25 percent p.a. of daily assets under management.

NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Allocated to unitholders for reinvestment	Total
EQUITY CAPITAL AS OF 1.1.2013	3 693 165	33 864	10 274	119 583	3 856 886
Issue of units	2614630	33421	32454		2680505
Redemption of units	-2998271	-38105	-37479		-3073855
Reinvested for unitholders				-119770	-119770
Allocated to unitholders for reinvestment				86170	86170
Net income/loss after distribution to unitholders			4777		4777
EQUITY CAPITAL AS OF 31.12.2013	**3 309 524**	**29 180**	**10 025**	**85 983**	**3 434 713**

	31.12.13	31.12.12	31.12.11
Number of units issued	33095 242	36931648	40190371
Base price per unit (in NOK)*	103,7847	104,4340	104,1241

*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31/12 are used in the annual financial statement. Consequently minor timing differences may occur.

NOTE 10. TAX NOTE

The fixed income funds are taxable with 28 percent of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, 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.

SKAGEN Høyrente Institusjon Note 8, 9 & 10

NOTE 8. MANAGEMENT FEE

The management fee constitutes 0.15 percent p.a. of daily assets under management.

NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Allocated to unitholders for reinvestment	Total
EQUITY CAPITAL AS OF 1.1.2013	1 256 286	-2 937	3 123	38 750	1 295 222
Issue of units	402 892	-261	6 559		409 189
Redemption of units	-424 120	203	-4 969		-428 886
Reinvested for unitholders				-38 511	-38 511
Allocated to unitholders for reinvestment				32 273	32 273
Net income/loss after distribution to unitholders			-3 454		-3 454
EQUITY CAPITAL AS OF 31.12.2013	**1 235 057**	**-2 995**	**1 260**	**32 512**	**1 265 834**

	31.12.13	31.12.12	31.12.11
Number of units issued	12 350 572	12 562 857	16 667 559
Base price per unit (in NOK)*	102,4937	103,1008	103,0476

*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31/12 are used in the annual financial statement. Consequently minor timing differences may occur.

NOTE 10. TAX NOTE

The fixed income funds are taxable with 28 percent of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, 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.

SKAGEN Avkastning Note 8, 9, 10 & 11

NOTE 8. MANAGEMENT FEE

The management fee constitutes 0.5 percent p.a. of daily assets under management.

NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Allocated to unitholders for reinvestment	Total
EQUITY CAPITAL AS OF 1.1.2013	788 149	277 172	13 420	36 124	1 114 865
Issue of units	553 927	204 419	9 221		767 567
Redemption of units	-489 408	-178 821	-10 872		-679 101
Reinvested for unitholders				-36 725	-36 725
Allocated to unitholders for distribution				37 179	37 179
Net income/loss after distribution to unitholders			-6 176		-6 176
EQUITY CAPITAL AS OF 31.12.2013	**852 668**	**302 771**	**5 594**	**36 578**	**1 197 611**

	31.12.13	31.12.12	31.12.11
Number of units issued	8 526 677	7 881 492	8 746 638
Base price per unit (in NOK)*	140,4571	141,457	131,963

*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31/12 are used in the annual financial statement. Consequently minor timing differences may occur.

NOTE 10. TAX NOTE

The fixed income funds are taxable with 28 percent of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, 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 11. CURRENCY RISK

SKAGEN Avkastning does not use currency hedging instruments against Norwegain kroner, but has as of 31.12.2013 overdrafts in EUR and MXN bank accounts in order to reduce the currency exposure of the investments in Portugese Government and Mexican Government.

SKAGEN Tellus Note 8, 9 & 10

NOTE 8. MANAGEMENT FEE

The management fee constitutes 0.8 percent p.a. of daily assets under management.

NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Allocated to unitholders for reinvestment	Total
EQUITY CAPITAL AS OF 1.1.2013	423 042	44 285	3 301	-41	470 588
Issue of units	205 605	23 634	13 868		243 106
Redemption of units	-211 792	-22 874	-15 584		-250 249
Reinvested for unitholders				54 535	54 535
Net income/loss after distribution to unitholders			-11 769		-11 769
EQUITY CAPITAL AS OF 31.12.2013	**416 855**	**45 046**	**-10 184**	**54 494**	**506 210**

	31.12.13	31.12.12	31.12.11
Number of units issued	4 168 548	4 230 420	5089726
Base price per unit (in NOK)*	121,4385	111,2406	104,8583

*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31/12 are used in the annual financial statement. Consequently minor timing differences may occur.

NOTE 10. TAX NOTE

The fixed income funds are taxable with 28 percent of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, 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.

SKAGEN Tellus has a tax loss carry-forward of NOK 6 million as of 31/12/2012. The related deferred tax credit is not recorded in the balance sheet due to uncertainty surrounding the future use of this position.

The tax loss carry-forward has been used during 2013.

SKAGEN Krona Note 8, 9 & 10 (in 1,000 SEK)

NOTE 8. MANAGEMENT FEE

The management fee constitutes 0.2 percent p.a. of daily assets under management.

NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2013	818 539	6 171	1 647	826 357
Issue of units	734 920	6 547	8 764	750 231
Redemption of units	-724 306	-6 514	-9 438	-740 258
Reinvested for unitholders	19 006	178		19 184
Net income			945	945
EQUITY CAPITAL AS OF 31.12.2013	**848 159**	**6 382**	**1 918**	**856 459**

	31.12.13	31.12.12	31.12.11
Number of units issued	8 481 594	8 185 390	3 900 661
Base price per unit (in NOK)*	100,9781	100,9874	100,7418

*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31/12 are used in the annual financial statement. Consequently minor timing differences may occur.

NOTE 10. TAX NOTE

The fixed income funds are taxable with 28 percent of net realised capital gain on interest-bearing securities, interest income accrued, currency gain/loss, 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.

SKAGEN Balanse 60/40 Note 8, 9 & 10

NOTE 8. MANAGEMENT FEE

SKAGEN Balanse 60/40 is not charged a management fee but the underlying funds are charged management fees in accordance with the prospectus for each fund.

The applicable management fee in the potential underlying funds are as follows:

	Fixed fee in percent p.a. of the daily assets under management	Variable management fee
SKAGEN Avkastning	0,5%	-
SKAGEN Tellus	0,8%	-
SKAGEN Høyrente	0,25 %	-
SKAGEN Høyrente Institusjon	0,15 %	-
SKAGEN Vekst	1,0%	1/10 of return above 6 % p.a.
SKAGEN Global	1,0%	*
SKAGEN Kon-Tiki	2,0%	**

* 1/10 of better value development measured in percent in the fund's asset value compared with the reference index MSCI All Country World Daily Total return Net $, measured in Norwegian kroner.

** 1/10 of better value development in percent in the fund's asset value compared with the reference index MSCI Emerging Markets Index Daily Traded Net Total Return $, measured in Norwegian kroner. In case of poorer value development in the fund's net asset value relative to the benchmark, 10 percent of the difference will be deducted from the fixed management fee. However the total management fee may not exceed 4 percent p.a. and may not be lower than 1 percent p.a. of average assets under management.

NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2013	68 116	-43	1 282	69 356
Issue of units	173 877	19 781		193 658
Redemption of units	-79 611	-8 745		-88 356
Net income			17 884	17 884
EQUITY CAPITAL AS OF 31.12.2013	**162 382**	**10 993**	**19 167**	**192 542**

SKAGEN Balanse 60/40 came into operation on 29 February 2012.

	31.12.13	31.12.12
Number of units issued	1 623 820	681 158
Base price per unit (in NOK)*	118,5793	101,8231

*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31/12 are used in the annual financial statement. Consequently minor timing differences may occur.

NOTE 10. TAX NOTE

SKAGEN Balanse 60/40 is exempt from tax on gains and does not have the right to deduct losses on realisation of units in equity funds domiciled within the EU/EEA area. The fund is charged tax on gains and has the right to deduct losses on realisation of units in fixed income funds. Finally, accrued interests are included in the tax basis.

Calculation basis - tax payable	2013	29.02.2012 - 31.12.2012
Net interest income	1 217	693
Realised gain/loss from sale of units in fixed income funds	70	46
Total taxable income	**1 287**	**739**
Total tax deductible costs		-
Net taxable income	1 287	739
Calculation basis - tax payable (A)	**1 287**	**739**
Tax payable in the income statement		
Tax payable (A x 28 %)	360	207
Taxes payable from previous years	-	-
Payable tax owing	**360**	**207**
Basis deferred tax/deferred tax asset in the balance sheet		
Unrealised gain/loss on units in fixed income funds (B)	-65	103
Deferred tax/deferred tax asset in the balance sheet (B x 27 %)	**-18**	**29**
Tax cost in the income statement		
Tax payable	360	207
Change deferred tax	-47	29
Total tax cost	**314**	**236**

Tax payable is incorporated in other debt.

SKAGEN m² Note 8, 9 & 10

NOTE 8. MANAGEMENT FEE

The fixed management fee constitutes 1.5 percent p.a. of daily assets under management in addition to the variable management fee: 1/10 of better value development in percent in the fund's asset value compared with the reference index MSCI ACWI Real Estate IMI Net total return index USD, measured in Norwegian kroner.

In case of poorer value development in the fund's net asset value relative to the benchmark, 10 percent of the difference will be deducted from the fixed management fee.

However the total management fee may not exceed 3 percent p.a. and may not be lower than 0.75 percent p.a. of average assets under management.

NOTE 9. EQUITY RECONCILIATION

	Unit capital	Premium	Retained earnings	Total
EQUITY CAPITAL AS OF 1.1.2013	210 869	7	3 116	213 992
Issue of units	724 055	90 321		814 376
Redemption of units	-456 603	-44 454		-501 058
Net income			-20 399	-20 399
EQUITY CAPITAL AS OF 31.12.2013	**478 320**	**45 874**	**-17 283**	**506 911**

SKAGEN m² was launched on 31 October 2012.

	31.12.13	31.12.12
Number of units issued	4 783 203	2 108 687
Base price per unit (in NOK)*	105,9746	101,4865

*Base price is set at the end of the last working day of the year and is based on the best prevailing estimate. Finalised figures as of 31/12 are used in the annual financial statement. Consequently minor timing differences may occur.

NOTE 10. TAX NOTE

Equity funds are, in principle, exempt from tax on gains and do not have the right to deduct losses on realisation of equities when calculating taxable income. Furthermore, dividends received from companies within the EU/EEA are, in principle, tax-exempt. However, 3 percent of dividends received from these companies are treated as taxable to Norway.

Witholding tax on dividends received from companies within EU/EEA are deducted according to the decision made by Asker og Bærum District Court on the 19.11.2012.

Dividends received from companies outside the EU/EEA are taxable. The funds may in addition be charged withholding tax on dividends received from all foreign companies.

Calculation basis - tax payable	2013	31.10.2012 - 31.12.2012
Interest income	-29	50
Taxable dividend	13 325	221
3 % of tax-exempt dividend	215	-
Taxable gain/loss outside the Norwegian tax exempt rule "Fritaksmetoden"	-2 040	18
3 % of tax-exempt distribution from tax transparent entity	-	6
Currency gain/loss	1 318	-185
Total taxable income	**12 789**	**110**
Management fee - fixed	-8 307	-466
Management fee - variable	4 126	183
Witholding tax on dividends received from companies within EU/EEA	-927	-
Total tax deductible costs	**-5 108**	**-283**
Net taxable income	**7 681**	**-173**
Calculation basis - tax payable (A)	**7 681**	**-**
Tax payable in the income statement		
Tax payable (A x 28 %)	2 151	-
Credit allowance for witholding tax paid outside EU/EEA	-734	-
Use of carried forward credit allowance	-3	-
Payable tax owing	**1 413**	**-**
Basis deferred tax/deferred tax asset in the balance sheet		
Unrealised gain/loss outside the Norwegian tax exempt rule "Fritaksmetoden"	-6 906	254
Carry forward losses	-	-173
Basis deferred tax/deferred tax asset (B)	**-6 906**	**81**
Deferred tax /deferred tax asset (B x 27%)	-1 865	23
Carry forward credit allowance for withholding tax paid	-	-11
Net deferred tax/deferred tax asset in the balance sheet	**-1 865**	**12**
Tax cost in the income statement		
Tax payable	1 413	-
Deferred tax/deferred tax asset	-1 877	23
Withholding tax on foreign dividends	1 673	33
Total tax cost	**1 210**	**56**

Tax payable is incorporated in other debt.

SKAGEN m²

Note 7. Securities portfolio as of 31.12.2013 (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
Property companies incl REITs [2]									
Brandywine Realty Trust	208 000	17 949 713	14,09	USD	17 783 495	-166 217	3,51 %	0,13 %	New York
Deutsche Wohnen AG	150 450	13 571 960	13,49	EUR	16 979 082	3 407 121	3,35 %	0,13 %	Frankfurt
Mercialys SA	128 400	15 900 860	15,25	EUR	16 375 101	474 241	3,23 %	0,14 %	Paris
Capitamalls Asia Ltd	1 710 000	15 783 731	1,96	SGD	16 115 163	331 432	3,18 %	0,04 %	Singapore
British Land Co Plc	243 826	12 308 570	6,29	GBP	15 413 185	3 104 615	3,04 %	0,02 %	London
Lexington Realty Trust	247 000	16 265 277	10,21	USD	15 302 609	-962 668	3,02 %	0,11 %	New York
Global Logistic Properties Ltd	1 094 000	13 681 784	2,89	SGD	15 201 894	1 520 109	3,00 %	0,02 %	Singapore
Apartment Investmest & Management Co	96 097	16 193 664	25,91	USD	15 108 454	-1 085 210	2,98 %	0,07 %	New York
Lippo Malls Indonesia Retail Trust	7 484 000	18 294 225	0,41	SGD	14 933 596	-3 360 628	2,95 %	0,31 %	Singapore
PS Business Parks Inc	31 000	13 340 290	76,42	USD	14 375 121	1 034 831	2,84 %	0,12 %	New York
Ashford Hospitality Trust	277 300	12 305 129	8,28	USD	13 932 306	1 627 177	2,75 %	0,34 %	New York
Franshion Properties China Ltd	6 284 000	12 075 296	2,70	HKD	13 281 611	1 206 315	2,62 %	0,07 %	Hong Kong
Olav Thon Eiendomsselskap ASA	12 400	11 330 452	1 070	NOK	13 268 000	1 937 548	2,62 %	0,12 %	Oslo Børs
Citycon Oyj	525 958	9 096 633	2,56	EUR	11 260 045	2 163 412	2,22 %	0,12 %	Helsinki
Ananda Development PCL-Nvdr	30 719 200	19 072 450	1,90	THB	10 824 064	-8 248 386	2,14 %	0,92 %	Bangkok
Soho China Ltd	2 037 500	9 835 250	6,68	HKD	10 654 299	819 049	2,10 %	0,04 %	Hong Kong
BR Properties SA	220 000	14 576 798	18,60	BRL	10 514 394	-4 062 404	2,08 %	0,07 %	Sao Paulo
Mapletree Logistics Trust	2 028 557	11 687 648	1,05	SGD	10 290 162	-1 397 487	2,03 %	0,08 %	Singapore
Segro Plc	300 000	7 459 189	3,34	GBP	10 070 000	2 610 811	1,99 %	0,04 %	London
SL Green Realty Corp	17 000	8 322 549	92,38	USD	9 529 490	1 206 941	1,88 %	0,02 %	New York
Ticon Industrial Connection Pcl-Nvdr	3 242 600	10 949 839	15,80	THB	9 501 175	-1 448 665	1,88 %	0,36 %	Bangkok
CapitaLand Ltd	650 000	10 094 334	3,03	SGD	9 469 750	-624 584	1,87 %	0,02 %	Singapore
Affine SA	79 497	8 037 353	13,94	EUR	9 267 501	1 230 148	1,83 %	0,88 %	Paris
Bekasi Fajar Industrial Estate Tbk PT	40 835 000	15 782 104	445,00	IDR	9 058 530	-6 723 574	1,79 %	0,42 %	Indonesia
SM Prime Holdings Inc	4 500 000	11 116 731	14,68	PHP	9 027 099	-2 089 632	1,78 %	0,02 %	Philippines
HCP Inc	40 500	9 063 237	36,32	USD	8 925 728	-137 508	1,76 %	0,01 %	New York
Indiabulls Real Estate Ltd	1 219 883	8 156 955	69,00	INR	8 259 843	102 888	1,63 %	0,29 %	National India
Vista Land & Lifescapes Inc	11 517 700	8 604 748	5,20	PHP	8 184 247	-420 500	1,62 %	0,13 %	Philippines
Gecina SA	10 116	6 756 658	96,03	EUR	8 123 906	1 367 247	1,60 %	0,02 %	Paris
DLF Ltd	494 914	10 536 158	166,70	INR	8 095 988	-2 440 170	1,60 %	0,03 %	National India
Yuexiu Property Co Ltd	5 077 000	8 541 707	1,91	HKD	7 590 866	-950 841	1,50 %	0,05 %	Hong Kong
BR Malls Participacoes SA	170 000	11 546 295	17,05	BRL	7 447 696	-4 098 599	1,47 %	0,04 %	Sao Paulo
Ascendas India Trust	2 254 000	8 596 417	0,68	SGD	7 369 624	-1 226 793	1,46 %	0,25 %	Singapore
First Real Estate Investment Trust	1 402 000	7 668 002	1,06	SGD	7 145 562	-522 440	1,41 %	0,20 %	Singapore
General Shopping Brasil SA	282 000	8 535 629	9,43	BRL	6 832 969	-1 702 661	1,35 %	0,56 %	Sao Paulo
Lippo Karawaci Tbk PT	14 579 500	10 400 055	910,00	IDR	6 613 771	-3 786 283	1,31 %	0,06 %	Indonesia
Emlak Konut Gayrimenkul Yatirim Ortakligi AS	1 100 000	8 241 465	2,10	TRY	6 524 779	-1 716 686	1,29 %	0,03 %	Istanbul
Phoenix Mills Ltd	275 000	7 551 670	227,65	INR	6 143 344	-1 408 326	1,21 %	0,19 %	National India
IJM Land Bhd	1 300 000	5 926 934	2,55	MYR	6 131 424	204 490	1,21 %	0,08 %	Kuala Lumpur
Summarecon Agung Tbk PT	15 460 000	9 230 690	780,00	IDR	6 011 312	-3 219 378	1,19 %	0,11 %	Indonesia
Parkway Life Real Estate Investment Trust	472 000	5 731 747	2,35	SGD	5 333 255	-398 491	1,05 %	0,08 %	Singapore
Keppel Land Ltd	325 000	5 733 134	3,34	SGD	5 219 301	-513 833	1,03 %	0,02 %	Singapore
Shimao Property Holdings Ltd	351 000	4 458 318	17,82	HKD	4 896 273	437 955	0,97 %	0,01 %	Hong Kong
Bumi Serpong Damai PT	7 406 000	6 346 152	1 290	IDR	4 762 539	-1 583 613	0,94 %	0,04 %	Indonesia
Surya Semesta Internusa PT	15 123 500	12 552 718	560,00	IDR	4 221 876	-8 330 842	0,83 %	0,32 %	Indonesia
Rockwell Land Corp	20 000 000	8 186 790	1,49	PHP	4 072 170	-4 114 620	0,80 %	0,33 %	Philippines
Hovnanian Enterprices Inc	100 000	3 068 328	6,62	USD	4 016 990	948 663	0,79 %	0,08 %	New York
Irsa Sa ADR	54 534	3 839 802	12,11	USD	4 007 322	167 521	0,79 %	0,09 %	New York
Century Properties Group Inc	21 832 000	4 197 753	1,32	PHP	3 938 012	-259 741	0,78 %	0,23 %	Philippines
Ticon Property Fund	1 798 697	4 339 219	10,70	THB	3 569 181	-770 037	0,71 %	0,16 %	Bangkok
Ashford Hopsitality Prime Inc	30 328	3 486 153	18,20	USD	3 349 330	-136 823	0,66 %	0,19 %	New York
Parque Arauco SA	300 000	3 509 761	965,37	CLP	3 345 441	-164 320	0,66 %	0,04 %	Santiago
Siam Future Development NVDR	3 000 000	3 723 383	5,65	THB	3 143 377	-580 006	0,62 %	0,23 %	Bangkok
Torunlar Gayrimenkul Yatirim	200 000	2 659 231	2,76	TRY	1 559 168	-1 100 063	0,31 %	0,04 %	Istanbul
General Shopping Finance (finansobligasjon)	1 000 000	5 429 495	88,69	USD	5 469 171	-47 972	1,08 %	0,40 %	Euroclear
Total Property		**531 650 434**			**487 840 595**	**-43 897 486**	**96,37 %**		
TOTAL EQUITY PORTFOLIO [1]		**531 650 434**			**487 840 595**	**-43 897 486**	**96,37 %**		

[1] For liquidity in the portfolio as of 31.12.2013, please refer to the balance sheet.

[2] REITs (Real Estate Investment Trusts) are listed, legal structures which are subject to favourable tax regulations in their country of origin. Conditional to receiving favourable tax treatment, the company must fulfill minimum requirements related to property exposure and a minimum share of the profits must be shared between owners.

Allocation of the acquisition cost:
For SKAGEN m² the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

SKAGEN Vekst

Note 7. Securities portfolio as of 31.12.2013 (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									
Statoil ASA	1 997 489	286 217 479	147,00	NOK	293 630 883	7 413 404	3,65 %	0,06 %	Oslo Børs
Solstad Offshore ASA	1 938 650	95 343 907	120,50	NOK	233 607 325	138 263 418	2,91 %	5,01 %	Oslo Børs
DOF ASA	5 762 213	110 021 666	31,70	NOK	182 662 152	72 640 486	2,27 %	5,19 %	Oslo Børs
Ganger Rolf ASA	1 273 817	130 404 738	127,50	NOK	162 411 667	32 006 929	2,02 %	3,76 %	Oslo Børs
Bonheur ASA	1 192 594	88 117 205	128,50	NOK	153 248 329	65 131 124	1,91 %	2,92 %	Oslo Børs
Siem Offshore Inc	8 036 317	68 364 907	9,65	NOK	77 550 459	9 185 552	0,96 %	2,06 %	Oslo Børs
Rec Silicon ASA	29 162 486	42 189 645	2,44	NOK	71 214 791	29 025 146	0,89 %	1,26 %	Oslo Børs
Sevan Drilling ASA	13 252 171	83 460 363	4,95	NOK	65 598 246	-17 862 117	0,82 %	2,23 %	Oslo Børs
Eidesvik Offshore ASA	1 587 641	60 594 698	34,50	NOK	54 773 614	-5 821 084	0,68 %	5,27 %	Oslo Børs
Baker Hughes Inc	150 000	36 383 089	55,26	USD	50 297 330	13 914 241	0,63 %	0,03 %	New York
REC Solar AS	502 801	10 056 020	84,00	NOK	42 235 284	32 179 264	0,53 %	1,26 %	Oslo Børs
Electromagnetic Geoservices AS	5 029 207	68 319 497	7,87	NOK	39 579 859	-28 739 638	0,49 %	2,52 %	Oslo Børs
Northern Offshore Ltd	2 750 000	26 551 574	9,45	NOK	25 987 500	-564 074	0,32 %	1,68 %	Oslo Børs
Remora ASA	828 465	26 108 037	0,46	NOK	379 934	-25 728 103	0,00 %	0,95 %	Unlisted
Total Energy		**1 132 132 827**			**1 453 177 375**	**321 044 548**	**18,07 %**		
Raw materials									
Norsk Hydro ASA	14 042 679	355 935 581	27,07	NOK	380 135 321	24 199 739	4,73 %	0,68 %	Oslo Børs
Akzo Nobel NV	303 804	91 338 330	56,34	EUR	143 139 483	51 801 153	1,78 %	0,13 %	Amsterdam
Hexagon Composites ASA	2 833 473	4 283 776	32,30	NOK	91 521 178	87 237 401	1,14 %	2,13 %	Oslo Børs
OCI Co Ltd	39 000	33 002 671	191 000	KRW	42 936 781	9 934 110	0,53 %	0,16 %	Seoul
Nordic Mining ASA	17 428 114	20 579 819	1,27	NOK	22 133 705	1 553 886	0,28 %	6,21 %	Oslo Axess
Agrinos AS	817 242	23 068 088	6,89	NOK	5 630 797	-17 437 291	0,07 %	1,83 %	Unlisted
Total Raw Materials		**528 208 266**			**685 497 265**	**157 288 999**	**8,53 %**		
Industrials									
Kongsberg Gruppen ASA	2 940 497	122 134 038	127,50	NOK	374 913 367	252 779 330	4,66 %	2,45 %	Oslo Børs
Norwegian Air Shuttle ASA	1 448 775	86 454 943	188,20	NOK	272 659 455	186 204 512	3,39 %	4,12 %	Oslo Børs
Wilh. Wilhelmsen Holding ASA	1 064 275	76 006 038	202,00	NOK	214 983 550	138 977 512	2,67 %	3,07 %	Oslo Børs
Stolt-Nielsen Ltd	781 341	96 891 665	167,00	NOK	130 483 947	33 592 282	1,62 %	1,22 %	Oslo Børs
ABB Ltd	607 625	78 497 573	170,00	SEK	97 449 682	18 952 109	1,21 %	0,03 %	Stockholm
AirAsia Bhd	16 364 100	90 073 480	2,20	MYR	66 587 487	-23 485 993	0,83 %	0,59 %	Kuala Lumpur
Avance Gas Holdings Ltd	434 974	44 712 000	123,00	NOK	53 501 802	8 789 802	0,67 %	1,78 %	Unlisted
Odfjell SE-A	1 222 521	54 729 571	41,00	NOK	50 123 361	-4 606 210	0,62 %	1,86 %	Oslo Børs
LG Corp Pref	224 482	25 796 379	35 700	KRW	46 193 540	20 397 161	0,57 %	6,77 %	Seoul
LG Corp	98 000	20 305 365	64 000	KRW	36 152 435	15 847 070	0,45 %	0,06 %	Seoul
Goodtech ASA	2 116 842	48 134 917	15,90	NOK	33 657 788	-14 477 130	0,42 %	6,51 %	Oslo Børs
FLSmidth & Co A/S	100 000	30 332 146	296,10	DKK	33 191 330	2 859 183	0,41 %	0,19 %	Copenhagen
Norwegian Car Carriers ASA	11 920 305	36 476 952	1,71	NOK	20 383 722	-16 093 230	0,25 %	4,92 %	Oslo Børs
TTS Group ASA	3 222 553	32 175 187	6,20	NOK	19 979 829	-12 195 358	0,25 %	3,72 %	Oslo Børs
Frontline 2012 Ltd	370 500	14 820 000	50,00	NOK	18 525 000	3 705 000	0,23 %	0,15 %	Unlisted
I.M. Skaugen SE	1 294 257	16 227 008	9,45	NOK	12 230 729	-3 996 279	0,15 %	4,78 %	Oslo Børs
DO & CO AG	16 650	4 753 125	105,00	TRY	4 938 071	184 946	0,06 %	0,17 %	Istanbul
Viti Invest AS	931 782	5 643 663	0,47	NOK	437 938	-5 205 725	0,01 %	5,95 %	Unlisted
Total Industrials		**884 164 050**			**1 486 393 031**	**602 228 982**	**18,49 %**		
Consumer discretionary									
Royal Caribbean Cruises Ltd	1 993 021	305 591 208	47,42	USD	573 477 280	267 886 072	7,13 %	0,94 %	New York
Continental AG	323 500	162 432 640	159,40	EUR	431 232 730	268 800 090	5,36 %	0,16 %	Frankfurt
Kia Motors Corporation	643 000	192 623 806	56 100	KRW	207 924 344	15 300 538	2,59 %	0,16 %	Seoul
Hurtigruten ASA	22 671 503	81 526 374	3,47	NOK	78 670 115	-2 856 259	0,98 %	5,39 %	Oslo Børs
Mahindra & Mahindra Ltd GDR	672 000	16 600 999	15,25	USD	62 184 466	45 583 467	0,77 %	0,11 %	London Int
Fjord Line AS	2 850 000	28 500 000	5,00	NOK	14 250 000	-14 250 000	0,18 %	3,57 %	Unlisted
Nippon Seiki Co Ltd	99 999	9 356 203	2 034	JPY	11 752 029	2 395 827	0,15 %	0,16 %	Tokyo
Total Consumer Discretionary		**796 631 231**			**1 379 490 966**	**582 859 735**	**17,16 %**		

Note 7. Securities portfolio as of 31.12.2013 (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									
Royal Unibrew A/S	100 000	30 967 217	736,00	DKK	82 501 920	51 534 703	1,03 %	0,90 %	Copenhagen
Austevoll Seafood ASA	1 718 200	54 151 853	35,50	NOK	60 996 100	6 844 247	0,76 %	0,85 %	Oslo Børs
Yazicilar Holding AS	689 169	23 544 261	18,75	TRY	36 498 987	12 954 726	0,45 %	0,43 %	Istanbul
Deoleo SA	5 000 000	12 554 532	0,47	EUR	19 652 463	7 097 930	0,24 %	0,43 %	Madrid
R. Domstein & Co AS Convertible	3 750 000	3 750 000	90,00	NOK	3 376 027	-373 973	0,04 %	15,00 %	Unlisted
Genomar AS	463 407	11 585 175	0,29	NOK	134 388	-11 450 787	0,00 %	6,31 %	Unlisted
Norsk Marin Fisk AS	354 000	7 338 000	0,01	NOK	3 540	-7 334 460	0,00 %	3,13 %	Unlisted
Total Consumer Staples		**143 891 038**			**203 163 425**	**59 272 387**	**2,53 %**		
Health care									
Teva Pharmaceutical-Sp ADR	1 361 530	361 874 143	40,08	USD	331 129 383	-30 744 760	4,12 %	0,16 %	NASDAQ
Novo Nordisk A/S-B	58 050	62 217 876	994,00	DKK	64 680 721	2 462 845	0,80 %	0,00 %	Copenhagen
Medi-Stim ASA	1 465 625	18 313 038	23,00	NOK	33 709 375	15 396 337	0,42 %	7,77 %	Oslo Børs
Photocure ASA	920 401	37 075 126	25,70	NOK	23 654 306	-13 420 820	0,29 %	4,30 %	Oslo Børs
Karolinska Development AB	384 619	13 405 742	30,90	SEK	11 212 052	-2 193 690	0,14 %	0,82 %	Stockholm
PCI Biotech ASA	75 000	1 723 784	22,00	NOK	1 650 000	-73 784	0,02 %	0,97 %	Oslo Børs
Norchip AS	1 200 000	18 000 000	0,01	NOK	12 000	-17 988 000	0,00 %	6,66 %	Unlisted
Total Healthcare		**512 609 708**			**466 047 836**	**-46 561 872**	**5,80 %**		
Financials									
Danske Bank A/S	1 900 000	195 059 849	124,40	DKK	264 947 742	69 887 893	3,30 %	0,19 %	Copenhagen
Sberbank of Russia Pref	11 470 000	173 557 344	80,03	RUB	169 498 378	-4 058 966	2,11 %	1,15 %	Moscow
RSA Insurance Group Plc	12 231 142	120 400 129	0,91	GBP	112 350 483	-8 049 646	1,40 %	0,33 %	London
Olav Thon Eiendomsselskap ASA	100 509	18 889 866	1 070	NOK	107 544 630	88 654 764	1,34 %	0,94 %	Oslo Børs
Tribona AB	2 728 689	94 155 883	39,30	SEK	101 167 836	7 011 954	1,26 %	7,01 %	Stockholm
Korean Reinsurance Co	1 466 760	49 965 587	11 450	KRW	96 804 613	46 839 025	1,20 %	1,22 %	Seoul
Norwegian Finans Holding ASA	6 565 356	12 872 945	12,50	NOK	82 066 950	69 194 005	1,02 %	3,86 %	Unlisted
Sparebanken Øst	1 413 500	25 052 791	43,00	NOK	60 780 500	35 727 709	0,76 %	6,82 %	Oslo Børs
Hitecvision AS	762 746	5 183 496	74,00	NOK	56 443 204	51 259 708	0,70 %	4,14 %	Unlisted
Zoncolan ASA	730 000	4 045 513	5,20	NOK	3 796 000	-249 513	0,05 %	4,90 %	Oslo Axess
Total Financials		**699 183 403**			**1 055 400 336**	**356 216 934**	**13,13 %**		
Information technology									
Samsung Electronics Co Ltd Pref	99 660	589 917 231	1 013 000	KRW	581 918 059	-7 999 172	7,24 %	0,44 %	Seoul
SAP AG	490 000	196 372 096	62,31	EUR	255 330 647	58 958 551	3,18 %	0,04 %	Frankfurt
Q-Free ASA	3 182 604	44 687 622	14,00	NOK	44 556 456	-131 166	0,55 %	4,68 %	Oslo Børs
Proact IT Group AB	458 101	15 214 172	81,00	SEK	35 005 971	19 791 799	0,44 %	4,91 %	Stockholm
PSI Group ASA	3 796 612	43 430 508	5,62	NOK	21 336 959	-22 093 548	0,27 %	8,56 %	Oslo Børs
Bang & Olufsen A/S	220 375	16 862 279	45,80	DKK	11 313 945	-5 548 334	0,14 %	0,56 %	Copenhagen
Precise Biometrics AB	2 362 593	2 436 168	1,63	SEK	3 633 058	1 196 891	0,05 %	0,68 %	Stockholm
Oter Invest AS	2 468 164	6 930 569	0,50	NOK	1 234 082	-5 696 487	0,02 %	8,09 %	Unlisted
Ceetron ASA	60 622	935 943	1,50	NOK	90 933	-845 010	0,00 %	2,53 %	Unlisted
Total Information Technology		**916 786 587**			**954 420 110**	**37 633 523**	**11,87 %**		
Telecom									
Orange	1 842 000	181 070 523	9,00	EUR	138 637 670	-42 432 853	1,72 %	0,07 %	Paris
Indosat Tbk PT	4 205 085	15 438 255	4 150	IDR	8 699 375	-6 738 880	0,11 %	0,08 %	Indonesia
Total Telecom		**196 508 777**			**147 337 044**	**-49 171 733**	**1,83 %**		
Utilities									
Fortum Oyj	283 000	31 465 343	16,63	EUR	39 357 527	7 892 184	0,49 %	0,03 %	Helsinki
Total Utilities		**31 465 343**			**39 357 527**	**7 892 184**	**0,49 %**		
TOTAL EQUITY PORTFOLIO[1]		**5 841 581 229**			**7 870 284 915**	**2 028 703 686**	**97,89 %**		

[1] For liquidity in the portfolio as of 31.12.2013, please refer to the balance sheet.

Allocation of the acquisition cost:
For SKAGEN Vekst the average acquisition value is applied when calculating the realized capital gain/loss when selling shares.

SKAGEN Global

Note 7. Securities portfolio as of 31.12.2013 (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									
Gazprom Oao ADR	20 237 618	1 341 337 548	8,55	USD	1 049 949 235	-291 388 313	2,25 %	0,17 %	London Int
Baker Hughes Inc	2 400 304	625 704 821	55,26	USD	804 859 217	179 154 397	1,72 %	0,54 %	New York
Weatherford Intl Ltd	7 016 525	575 664 070	15,49	USD	659 502 259	83 838 188	1,41 %	0,91 %	New York
OMV AG	2 131 595	462 052 943	34,79	EUR	620 166 404	158 113 461	1,33 %	0,65 %	Vienna
Ensco Plc Class A	1 392 400	429 466 518	57,18	USD	483 115 485	53 648 968	1,04 %	0,60 %	New York
Surgutneftegas OAO Pref	96 926 900	368 470 884	25,88	RUB	463 188 648	94 717 764	0,99 %	1,26 %	Moscow
Technip SA	771 254	466 276 054	69,86	EUR	450 583 335	-15 692 719	0,97 %	0,68 %	Paris
Afren Plc	23 356 508	246 480 940	1,69	GBP	397 164 124	150 683 184	0,85 %	2,13 %	London
Kazmunaigas Exploration GDR	3 401 603	419 105 565	15,70	USD	324 060 480	-95 045 085	0,69 %	0,81 %	London Int
BP Plc	4 317 010	215 354 079	4,88	GBP	211 743 025	-3 611 055	0,45 %	0,02 %	London
Petroleo Brasileiro Pref ADR	2 240 773	363 958 776	14,69	USD	199 738 807	-164 219 969	0,43 %	0,08 %	New York
BP Plc ADR	618 040	180 221 116	48,61	USD	182 299 299	2 078 183	0,39 %	0,00 %	New York
Pacific Drilling SA	2 159 403	123 780 169	11,46	USD	150 162 369	26 382 199	0,32 %	1,03 %	New York
Rec Silicon ASA	50 877 884	68 504 656	2,44	NOK	124 243 793	55 739 137	0,27 %	2,20 %	Oslo Børs
Electromagnetic Geoservices AS	10 124 112	157 087 703	7,87	NOK	79 676 761	-77 410 941	0,17 %	5,07 %	Oslo Børs
Surgutneftegas OAO ADR	1 304 540	67 586 829	8,64	USD	68 393 359	806 530	0,15 %	0,04 %	London Int
Renewable Energy Corp ASA 09/18 6,5%	11 849 882	71 552 995	94,50	USD	68 205 968	-3 347 027	0,15 %		Unotert
REC Solar AS	705 733	14 114 660	84,00	NOK	59 281 572	45 166 912	0,13 %	1,76 %	Oslo Børs
Total Energy		**6 196 720 326**			**6 396 334 140**	**199 613 813**	**13,71 %**		
Raw materials									
Akzo Nobel NV	2 014 190	614 985 904	56,34	EUR	949 000 393	334 014 488	2,03 %	0,83 %	Amsterdam
Ternium SA ADR	3 053 223	456 317 626	31,30	USD	579 890 048	123 572 422	1,24 %	1,52 %	New York
Heidelbergcement AG	1 255 040	399 375 209	55,15	EUR	578 831 555	179 456 346	1,24 %	0,67 %	Frankfurt
Norsk Hydro ASA	20 865 878	563 982 989	27,07	NOK	564 839 317	856 328	1,21 %	1,01 %	Oslo Børs
OCI Co Ltd	336 568	314 713 154	191 000	KRW	370 542 217	55 829 064	0,79 %	1,41 %	Seoul
Mayr-Melnhof Karton AG	481 146	222 870 505	90,00	EUR	362 133 334	139 262 829	0,78 %	2,41 %	Vienna
Lundin Mining Corp SDR	10 865 046	276 551 458	27,50	SEK	281 877 321	5 325 862	0,60 %	1,86 %	Stockholm
Vale Sa Spons pref ADR	2 670 526	202 841 948	14,01	USD	227 027 119	24 185 171	0,49 %	0,13 %	New York
Lundin Mining Corp	8 120 335	210 416 443	4,60	CAD	213 417 589	3 001 146	0,46 %	1,39 %	Toronto
UPM-Kymmene Oyj	1 796 493	119 101 841	12,28	EUR	184 490 076	65 388 236	0,40 %	0,34 %	Helsinki
Vale Sa Spons ADR	1 717 891	145 339 253	15,25	USD	158 967 462	13 628 209	0,34 %	0,05 %	New York
Evonik Industries AG	51 752	12 222 594	29,63	EUR	12 823 539	600 946	0,03 %	0,01 %	Xetra
Total Raw Materials		**3 538 718 924**			**4 483 839 971**	**945 121 047**	**9,61 %**		
Industrials									
Tyco International Ltd	5 812 262	626 239 089	41,04	USD	1 447 422 527	821 183 438	3,10 %	1,25 %	New York
LG Corp	2 450 793	686 437 409	64 000	KRW	904 103 420	217 666 011	1,94 %	1,42 %	Seoul
Bunge Ltd	1 210 668	414 426 808	82,11	USD	603 203 577	188 776 769	1,29 %	0,82 %	New York
ADT Corp	1 835 667	254 619 985	40,47	USD	450 785 458	196 165 473	0,97 %	0,91 %	New York
Siemens AG	516 969	294 386 567	99,29	EUR	429 258 720	134 872 153	0,92 %	0,06 %	Frankfurt
Stolt-Nielsen Ltd	2 429 079	396 454 476	167,00	NOK	405 656 193	9 201 717	0,87 %	3,79 %	Oslo Børs
Mosaic Co/The	1 140 401	350 849 607	47,27	USD	327 104 098	-23 745 510	0,70 %	0,38 %	New York
Koninklijke Philips NV	1 229 000	206 400 359	26,64	EUR	273 852 507	67 452 149	0,59 %	0,13 %	Amsterdam
Prosegur Cia de Seguridad Sa	6 506 714	211 174 524	4,98	EUR	270 981 832	59 807 308	0,58 %	1,05 %	Madrid
China Communications Services Corp Ltd	65 239 720	240 314 508	4,80	HKD	245 134 334	4 819 825	0,53 %	2,73 %	Hong Kong
Metso Oyj	882 429	182 289 857	31,02	EUR	228 913 117	46 623 261	0,49 %	0,59 %	Helsinki
BW LPG Ltd	3 562 500	167 437 500	57,75	NOK	205 734 375	38 296 875	0,44 %	2,61 %	Oslo Børs
Autoliv Inc	345 467	118 275 590	91,80	USD	192 438 535	74 162 945	0,41 %	0,36 %	New York
BayWa AG	507 873	151 672 883	37,76	EUR	160 374 836	8 701 952	0,34 %	1,48 %	Frankfurt
Autoliv Inc SDR	247 842	86 021 762	592,00	SEK	138 417 973	52 396 211	0,30 %	0,26 %	Stockholm
Finnair Oyj	4 650 212	239 128 478	2,77	EUR	107 721 312	-131 407 166	0,23 %	3,63 %	Helsinki
Avance Gas Holdings Ltd	333 900	34 558 650	123,00	NOK	41 069 700	6 511 050	0,09 %	1,36 %	Unlisted
LG Corp Pref	20 240	2 399 103	35 700	KRW	4 164 954	1 765 851	0,01 %	0,61 %	Seoul
Total Industrials		**4 663 087 157**			**6 436 337 468**	**1 773 250 311**	**13,79 %**		
Consumer discretionary									
Renault SA	1 861 779	487 037 072	58,45	EUR	910 042 672	423 005 600	1,95 %	0,63 %	Paris
General Motors Co	3 493 080	496 224 396	40,87	USD	866 275 362	370 050 965	1,86 %	0,25 %	New York
Comcast Corp	1 754 229	185 121 503	49,88	USD	530 952 321	345 830 818	1,14 %	0,37 %	NASDAQ
Toyota Industries Corp	1 600 102	267 359 741	4 745	JPY	438 682 336	171 322 595	0,94 %	0,49 %	Tokyo
Hyundai Motor Co Pref (2pb)	565 937	159 608 475	130 500	KRW	425 706 329	266 097 854	0,91 %	1,50 %	Seoul
Dixons Retail Plc	76 463 194	107 355 956	0,49	GBP	372 773 860	265 417 904	0,80 %	2,09 %	London
CTC Media Inc	3 720 817	184 890 231	13,89	USD	313 718 157	128 827 925	0,67 %	2,39 %	NASDAQ
Tesco Plc	7 199 966	257 772 279	3,34	GBP	241 932 110	-15 840 169	0,52 %	0,09 %	London
Gafisa Sa	20 661 100	186 009 079	3,53	BRL	187 403 098	1 394 019	0,40 %	4,74 %	Sao Paulo
Yamaha Motor Co Ltd	2 055 311	166 387 566	1 577	JPY	187 273 144	20 885 578	0,40 %	0,59 %	Tokyo
LG Electronics Inc Pref	1 090 448	278 239 007	26 350	KRW	165 621 642	-112 617 365	0,35 %	0,75 %	Seoul
Tata Motors Ltd-A- DVR	7 709 256	101 055 860	192,55	INR	145 666 772	44 610 912	0,31 %	1,60 %	Bombay
Royal Caribbean Cruises Ltd	492 053	69 854 993	47,42	USD	141 584 668	71 729 675	0,30 %	0,23 %	New York
Hyundai Motor Co Pref (1p)	115 835	40 301 020	125 000	KRW	83 460 565	43 159 546	0,18 %	0,46 %	Seoul
Television Broadcasts Ltd	1 264 462	30 609 422	51,85	HKD	51 322 211	20 712 790	0,11 %	0,29 %	Hong Kong
Gafisa Sa ADR	1 055 790	18 039 498	3,13	USD	20 052 322	2 012 824	0,04 %	0,48 %	New York
Total Consumer Discretionary		**3 035 866 100**			**5 082 467 571**	**2 046 601 471**	**10,89 %**		

Note 7. Securities portfolio as of 31.12.2013 (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									
Unilever NV-Cva	968 146	172 539 122	29,27	EUR	237 021 026	64 481 904	0,51 %	0,06 %	Amsterdam
Yazicilar Holding AS	3 988 265	96 595 743	18,75	TRY	211 221 966	114 626 223	0,45 %	2,49 %	Istanbul
Royal Unibrew A/S	250 058	63 417 204	736,00	DKK	206 302 651	142 885 447	0,44 %	2,25 %	Copenhagen
United Intl Enterprises	149 768	26 906 303	1 120	DKK	188 028 332	161 122 029	0,40 %	3,48 %	Copenhagen
Chiquita Brands International Inc	1 655 233	120 412 717	11,70	USD	117 513 508	-2 899 210	0,25 %	3,53 %	New York
Apetit OYJ	228 600	25 383 210	19,45	EUR	37 183 044	11 799 835	0,08 %	3,62 %	Helsinki
Total Consumer Staples		**505 254 299**			**997 270 528**	**492 016 229**	**2,14 %**		
Health care									
Roche Holding AG-Genusschein	479 783	424 948 170	249,20	CHF	815 866 654	390 918 485	1,75 %	0,07 %	Zürich
Teva Pharmaceutical-Sp ADR	3 067 930	665 433 694	40,08	USD	746 132 490	80 698 796	1,60 %	0,36 %	NASDAQ
Rhoen-Klinikum AG	2 083 941	235 099 533	21,25	EUR	370 421 036	135 321 503	0,79 %	1,51 %	Frankfurt
Total Healthcare		**1 325 481 397**			**1 932 420 181**	**606 938 785**	**4,14 %**		
Financials									
Citigroup Inc	8 451 582	1 907 220 431	52,11	USD	2 672 402 537	765 182 105	5,73 %	0,28 %	New York
Nordea Bank AB	14 913 000	1 047 647 749	86,65	SEK	1 219 072 282	171 424 533	2,61 %	0,37 %	Stockholm
American International Group Inc	3 369 347	684 945 060	51,05	USD	1 043 720 657	358 775 597	2,24 %	0,23 %	New York
Hannover Rueckversicherung AG	1 101 269	243 586 571	62,38	EUR	574 497 177	330 910 606	1,23 %	0,91 %	Frankfurt
Goldman Sachs Group Inc	506 133	368 177 016	177,26	USD	544 400 095	176 223 078	1,17 %	0,11 %	New York
Cheung Kong Holdings Ltd	5 202 014	403 377 515	122,40	HKD	498 429 515	95 052 000	1,07 %	0,22 %	Hong Kong
RSA Insurance Group Plc	40 617 663	407 943 282	0,91	GBP	373 097 955	-34 845 327	0,80 %	1,10 %	London
State Bank of India	1 840 430	378 651 057	1 767	INR	319 034 355	-59 616 702	0,68 %	0,27 %	National India
Banco Do Estado Rio Grande Do Sul SA Pref	9 632 640	223 855 050	12,60	BRL	311 863 463	88 008 413	0,67 %	2,36 %	Sao Paulo
Storebrand ASA	7 500 000	263 563 425	37,90	NOK	284 250 000	20 686 575	0,61 %	1,67 %	Oslo Børs
Sparebank 1 SR-Bank ASA	3 943 743	117 820 315	60,25	NOK	237 610 516	119 790 201	0,51 %	1,54 %	Oslo Børs
Sberbank of Russia Pref	15 793 109	193 786 139	80,03	RUB	233 383 292	39 597 153	0,50 %	1,58 %	Moscow
Haci Omer Sabanci Holding AS	8 351 939	186 838 088	8,64	TRY	203 823 783	16 985 695	0,44 %	0,41 %	Istanbul
Japan Securities Finance Co	4 192 475	239 849 446	817,00	JPY	197 905 927	-41 943 519	0,42 %	3,91 %	Tokyo
TAG Immobilien AG	2 469 243	142 387 142	8,78	EUR	181 304 032	38 916 890	0,39 %	1,88 %	Frankfurt
Talanx AG	805 319	111 843 782	24,65	EUR	166 009 898	54 166 116	0,36 %	0,32 %	Frankfurt
EFG-Hermes Holding SAE	21 408 078	263 142 910	8,68	EGP	162 324 910	-100 817 999	0,35 %	3,73 %	Cairo
Industrial Bank of Korea	2 076 655	150 393 451	12 150	KRW	145 436 072	-4 957 379	0,31 %	0,38 %	Seoul
Deutsche Wohnen AG	1 213 736	81 756 800	13,49	EUR	136 976 554	55 219 754	0,29 %	1,03 %	Frankfurt
Irsa Sa ADR	1 839 371	152 910 200	12,11	USD	135 162 517	-17 747 683	0,29 %	3,18 %	New York
Albaraka Turk Katilim Bankasi AS	30 787 252	205 218 909	1,54	TRY	133 920 002	-71 298 906	0,29 %	3,42 %	Istanbul
State Bank Of India GDR	306 450	112 359 173	57,15	USD	106 271 951	-6 087 223	0,23 %	0,09 %	National India
Asya Katilim Bankasi AS	17 112 388	157 711 211	1,45	TRY	70 086 185	-87 625 025	0,15 %	1,90 %	Istanbul
EFG-Hermes Holding GDR	338 100	3 434 928	2,24	USD	4 605 792	1 170 863	0,01 %	0,12 %	London Int
Total Financials		**8 048 419 650**			**9 955 589 466**	**1 907 169 816**	**21,33 %**		
Information technology									
Samsung Electronics Co Ltd Pref	549 080	1 329 923 546	1 013 000	KRW	3 206 096 404	1 876 172 858	6,87 %	2,40 %	Seoul
Microsoft Corp	4 114 742	654 322 867	37,41	USD	934 056 421	279 733 554	2,00 %	0,05 %	NASDAQ
Oracle Corp	2 879 925	466 469 350	38,26	USD	668 603 947	202 134 597	1,43 %	0,06 %	NASDAQ
Kyocera Corp	1 890 536	497 242 132	5 250	JPY	573 469 755	76 227 623	1,23 %	0,49 %	Tokyo
Google Inc	64 975	227 242 861	1 121	USD	441 857 599	214 614 738	0,95 %	0,02 %	NASDAQ
Samsung Electronics Co Ltd Pref GDR	118 762	120 020 146	483,60	USD	348 503 053	228 482 908	0,75 %	0,26 %	London Int
Kyocera Corp ADR	10 000	3 682 670	50,14	USD	3 042 476	-640 195	0,01 %	0,00 %	New York
Total Information Technology		**3 298 903 572**			**6 175 629 655**	**2 876 726 083**	**13,23 %**		
Telecom									
Vimpelcom Ltd-Spon ADR	10 613 761	809 447 725	12,94	USD	833 386 331	23 938 606	1,79 %	0,60 %	New York
China Unicom Hong Kong Ltd	78 599 030	695 410 054	11,60	HKD	713 716 920	18 306 866	1,53 %	0,33 %	Hong Kong
Sistema Jsfc GDR	1 703 004	175 287 115	32,12	USD	331 920 440	156 633 325	0,71 %	0,35 %	London Int
First Pacific Co Ltd	45 234 923	285 824 808	8,82	HKD	312 315 298	26 490 490	0,67 %	1,05 %	Hong Kong
Kinnevik Investment AB-B	874 395	45 708 311	297,90	SEK	245 738 974	200 030 663	0,53 %	0,37 %	Stockholm
China Unicom Hong Kong Ltd ADR	2 506 883	231 256 739	15,06	USD	229 087 730	-2 169 009	0,49 %	0,11 %	New York
Global Telecom Holding	38 328 039	100 420 322	4,69	EGP	157 028 040	56 607 718	0,34 %	0,73 %	Cairo
Indosat Tbk PT	65 928 725	227 989 201	4 150	IDR	136 391 698	-91 597 503	0,29 %	1,21 %	Indonesia
Global Telecom Holding GDR	3 499 613	48 958 233	3,35	USD	71 138 978	22 180 745	0,15 %	0,33 %	London Int
Sistema Jsfc	3 200 000	19 507 173	44,72	RUB	26 424 154	6 916 980	0,06 %	0,03 %	Moscow
Total Telecom		**2 639 809 682**			**3 057 148 563**	**417 338 881**	**6,55 %**		
Utilities									
Centrais Eletricas Brasileiras SA Pref	7 617 985	471 058 091	9,93	BRL	194 373 916	-276 684 175	0,42 %	2,87 %	Sao Paulo
Centrais Eletricas Brasileiras SA	3 388 765	282 609 926	5,87	BRL	51 112 624	-231 497 302	0,11 %	0,31 %	Sao Paulo
Total Utilities		**753 668 016**			**245 486 540**	**-508 181 477**	**0,53 %**		
TOTAL SECURITIES PORTFOLIO[1)]		**34 005 929 123**			**44 762 524 083**	**10 756 594 961**	**95,91 %**		

[1)] For liquidity in the portfolio as of 31.12.2013, please refer to the balance sheet.

Allocation of the acquisition cost:
For SKAGEN Global the average acquisition value is applied when calculating the realized capital gain/loss when selling shares.

SKAGEN Kon-Tiki

Note 7. Securities portfolio as of 31.12.2013 (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									
Gazprom Oao ADR	18 487 299	1 239 037 642	8,55	USD	959 140 816	-279 896 826	1,92 %	0,16 %	London Int
Tullow Oil Plc	8 111 624	765 457 532	8,55	GBP	697 004 636	-68 452 896	1,39 %	0,89 %	London
Afren Plc	28 782 928	356 400 261	1,69	GBP	489 437 308	133 037 047	0,98 %	2,62 %	London
Pacific Drilling SA	4 583 777	274 975 641	11,46	USD	318 750 512	43 774 871	0,64 %	2,18 %	New York
GCL-Poly Energy Holdings Ltd	123 090 000	189 580 659	2,40	HKD	231 251 645	41 670 986	0,46 %	0,79 %	Hong Kong
Rec Silicon ASA	80 201 594	124 338 862	2,44	NOK	195 852 293	71 513 430	0,39 %	3,47 %	Oslo Børs
Deep Sea Supply Plc	12 229 431	125 765 711	11,45	NOK	140 026 985	14 261 273	0,28 %	9,61 %	Oslo Børs
Archer Ltd	25 327 048	405 547 179	4,97	NOK	125 875 429	-279 671 750	0,25 %	4,37 %	Oslo Børs
REC Solar AS	1 382 786	27 655 720	84,00	NOK	116 154 024	88 498 304	0,23 %	3,46 %	Oslo Børs
Siem Offshore Inc	10 977 629	94 336 405	9,65	NOK	105 934 120	11 597 715	0,21 %	2,82 %	Oslo Børs
Total Energy		**3 603 095 613**			**3 379 427 767**	**-223 667 846**	**6,75%**		
Raw materials									
Vale Sa Spons pref ADR	12 022 805	1 247 590 946	14,01	USD	1 022 084 333	-225 506 613	2,04 %	0,57 %	New York
Exxaro Resources Ltd	4 669 011	596 419 520	146,46	ZAR	395 694 382	-200 725 138	0,79 %	1,30 %	Johannesburg
OCI Co Ltd	250 000	201 965 743	191 000	KRW	275 235 775	73 270 032	0,55 %	1,05 %	Seoul
Asia Cement China Holdings	48 607 500	178 677 291	4,89	HKD	186 064 260	7 386 969	0,37%	3,12 %	Hong Kong
LG Chem Ltd Pref	211 049	128 888 866	152 500	KRW	185 517 400	56 628 534	0,37 %	2,77 %	Seoul
Vale SA-Pref A	1 231 900	210 807 094	32,73	BRL	103 602 464	-107 204 630	0,21 %	0,06 %	Sao Paulo
Drdgold Ltd ADR	3 724 701	206 449 868	3,69	USD	83 398 948	-123 050 919	0,17 %	9,66 %	NASDAQ
Total Raw Materials		**2 770 799 328**			**2 251 597 562**	**-519 201 766**	**4,50 %**		
Industrials									
ABB Ltd	9 353 727	930 339 494	170,00	SEK	1 500 132 029	569 792 535	3,00 %	0,40 %	Stockholm
AP Moeller-Maersk A/S	21 558	868 049 001	58 850	DKK	1 422 136 150	554 087 149	2,84 %	0,98 %	Copenhagen
Frontline 2012 Ltd	12 005 000	315 940 571	50,00	NOK	600 250 000	284 309 429	1,20 %	4,82 %	Unlisted
CNH Industrial NV	7 310 545	449 860 075	11,35	USD	503 487 171	53 627 096	1,01 %	0,54 %	New York
OCI NV	1 825 927	455 606 325	32,73	EUR	499 855 955	44 249 630	1,00 %	0,89 %	Amsterdam
Bidvest Group Ltd	2 878 881	335 297 044	268,35	ZAR	447 034 736	111 737 692	0,89 %	0,88 %	Johannesburg
AirAsia Bhd	80 571 200	296 216 076	2,20	MYR	327 853 881	31 637 805	0,66 %	2,90 %	Kuala Lumpur
Enka Insaat Ve Sanayi AS	19 223 614	226 359 111	6,02	TRY	326 877 728	100 518 616	0,65 %	0,60 %	Istanbul
Aveng Ltd	21 017 094	617 358 060	26,44	ZAR	321 551 156	-295 806 905	0,64 %	5,39 %	Johannesburg
Golden Ocean Group Ltd	21 821 808	93 557 529	14,54	NOK	317 289 088	223 731 559	0,63 %	4,88 %	Oslo Børs
Empresas ICA S.A.B	22 401 721	327 103 771	26,95	MXN	279 761 993	-47 341 778	0,56 %	3,69 %	Mexico
Harbin Electric Company Ltd	68 000 000	614 366 467	5,02	HKD	267 216 608	-347 149 859	0,53 %	4,94 %	Hong Kong
Abengoa Sa-B Shares	12 195 948	202 440 756	2,18	EUR	221 933 861	19 493 105	0,44 %	3,37 %	Madrid
Norwegian Air Shuttle ASA	997 061	73 389 109	188,20	NOK	187 646 880	114 257 771	0,37 %	2,84 %	Oslo Børs
Yingli Green Energy Holding Co Ltd ADR	5 925 439	137 448 191	5,05	USD	181 574 435	44 126 245	0,36 %	3,56 %	New York
LG Corp Pref	808 430	118 266 161	35 700	KRW	166 357 408	48 091 246	0,33 %	24,39 %	Seoul
Avance Gas Holdings Ltd	546 386	46 575 000	123,00	NOK	67 205 478	20 630 478	0,13 %	2,23 %	Unlisted
Kuribayashi Steamship Co Ltd	288 000	5 769 611	255,00	JPY	4 243 253	-1 526 358	0,01 %	2,26 %	Tokyo
Total Industrials		**6 113 942 352**			**7 642 407 810**	**1 528 465 457**	**15,27%**		
Consumer discretionary									
Hyundai Motor Co Pref (2pb)	3 139 823	501 307 364	130 500	KRW	2 361 822 115	1 860 514 751	4,72 %	8,35 %	Seoul
Great Wall Motor Co Ltd	67 765 000	122 922 429	42,80	HKD	2 270 387 718	2 147 465 288	4,54 %	2,47 %	Hong Kong
Hyundai Motor Co Pref (1p)	2 864 684	460 148 253	125 000	KRW	2 064 040 631	1 603 892 377	4,12 %	11,41 %	Seoul
Naspers Ltd	1 791 520	524 354 814	1 096	ZAR	1 136 193 067	611 838 253	2,27 %	0,43 %	Johannesburg
Royal Caribbean Cruises Ltd	3 496 839	628 973 526	47,42	USD	1 006 189 960	377 216 434	2,01 %	1,65 %	New York
Mahindra & Mahindra Ltd GDR	8 254 190	192 306 749	15,25	USD	763 813 092	571 506 343	1,53 %	1,34 %	London Int
LG Electronics Inc Pref	3 050 000	823 954 276	26 350	KRW	463 246 307	-360 707 970	0,93 %	2,11 %	Seoul
DRB-Hicom Bhd	88 408 800	365 449 189	2,82	MYR	461 128 985	95 679 795	0,92 %	4,57 %	Kuala Lumpur
Mahindra & Mahindra Ltd	3 734 550	301 682 680	944,20	INR	346 024 445	44 341 766	0,69 %	0,61 %	National India
Apollo Tyres Ltd	27 020 843	209 933 585	107,20	INR	284 248 503	74 314 918	0,57 %	5,36 %	National India
Hengdeli Holdings Ltd	162 572 800	256 631 920	1,83	HKD	232 889 438	-23 742 482	0,47 %	3,38 %	Hong Kong
Ghabbour Auto	3 114 064	73 860 444	36,00	EGP	97 930 462	24 070 018	0,20 %	2,41 %	Cairo
Total Consumer Discretionary		**4 461 525 230**			**11 487 914 721**	**7 026 389 491**	**22,95%**		
Consumer staples									
Heineken NV	2 216 744	682 261 045	49,08	EUR	909 848 765	227 587 720	1,82 %	0,38 %	Amsterdam
Cosan Ltd	10 319 782	577 466 683	13,72	USD	859 146 900	281 680 216	1,72 %	5,92 %	New York
Distribuidora Internacional de Alimentacion SA	12 266 933	417 656 693	6,50	EUR	666 804 411	249 147 718	1,33 %	1,88 %	Madrid
X 5 Retail Group NV GDR	4 836 025	487 680 658	16,77	USD	492 112 495	4 431 838	0,98 %	1,78 %	London Int
Yazicilar Holding AS	8 741 860	216 728 152	18,75	TRY	462 976 471	246 248 319	0,92 %	5,46 %	Istanbul
Royal Unibrew A/S	431 112	72 364 382	736,00	DKK	355 675 677	283 311 295	0,71 %	3,88 %	Copenhagen
Mafrig Alimentos Sa	32 036 800	508 815 753	4,00	BRL	329 274 230	-179 541 522	0,66 %	6,15 %	Sao Paulo
Familymart Co Ltd	1 176 500	326 160 786	4 805	JPY	326 626 627	465 842	0,65 %	1,20 %	Tokyo
Kulim Malaysia BHD	50 827 600	160 451 024	3,44	MYR	323 396 908	162 945 884	0,65 %	3,97 %	Kuala Lumpur
PZ Cussons Plc	7 625 746	127 930 872	3,76	GBP	288 542 013	160 611 140	0,58 %	1,78 %	London
Cia Cervecerias Unidas SA ADR	1 538 270	280 090 167	24,11	USD	225 046 661	-55 043 506	0,45 %	0,83 %	New York
Tata Global Beverages Ltd	12 304 260	167 952 231	160,45	INR	193 731 271	25 779 040	0,39 %	1,99 %	National India
Podravka Prehrambena Ind DD	406 584	111 935 175	254,55	HRK	113 532 204	1 597 029	0,23 %	7,50 %	Zagreb
United Intl Enterprises	68 500	12 938 797	1 120	DKK	85 999 284	73 060 487	0,17 %	1,59 %	Copenhagen
East African Breweries Ltd	2 876 166	36 148 318	290,00	KES	58 678 101	22 529 783	0,12 %	0,36 %	Nairobi
Pivovarna Lasko	499 286	138 711 783	4,01	EUR	16 743 370	-121 968 413	0,03 %	5,71 %	Ljubljana
Kulim Malaysia BHD Warrants	8 437 550	-	0,69	MYR	10 768 204	10 768 204	0,02 %	5,40 %	Kuala Lumpur
Total Consumer Staples		**4 325 292 518**			**5 718 903 592**	**1 393 611 074**	**11,43%**		

Note 7. Securities portfolio as of 31.12.2013 (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	10 116 722	1 098 439 617	4 399	HUF	1 252 794 653	154 355 036	2,50 %	5,43 %	Budapest
China Shineway Pharmaceutical	36 934 000	280 297 726	10,62	HKD	307 044 752	26 747 026	0,61 %	4,47 %	Hong Kong
Ranbaxy Laboratories Ltd	5 122 307	240 946 908	453,25	INR	227 828 433	-13 118 475	0,46 %	1,21 %	National India
Supermax Corp BHD	30 573 600	117 547 743	2,77	MYR	156 640 538	39 092 795	0,31 %	4,50 %	Kuala Lumpur
Eis Eczacibasi Ilac Ve Sanayi	19 410 554	133 038 236	2,11	TRY	115 684 237	-17 353 999	0,23 %	3,54 %	Istanbul
Eczacibasi Yatirim Holding	3 362 732	39 931 421	5,20	TRY	49 391 180	9 459 759	0,10 %	4,80 %	Istanbul
Total Healthcare		**1 910 201 651**			**2 109 383 793**	**199 182 141**	**4,21%**		
Financials									
Haci Omer Sabanci Holding AS	47 509 436	962 243 029	8,64	TRY	1 159 437 703	197 194 674	2,32 %	2,33 %	Istanbul
State Bank of India	5 872 082	1 450 751 715	1 767	INR	1 017 912 061	-432 839 654	2,03 %	0,86 %	National India
VTB Bank Ojsc GDR	45 401 213	1 353 743 121	2,99	USD	825 100 928	-528 642 193	1,65 %	0,70 %	London Int
Banco Do Estado Rio Grande Do Sul SA Pref	20 115 400	475 600 477	12,60	BRL	651 250 156	175 649 679	1,30 %	4,92 %	Sao Paulo
Haitong Securities Co Ltd	49 559 200	409 233 588	13,50	HKD	523 731 714	114 498 125	1,05 %	3,32 %	Hong Kong
HSBC Holdings PLC	7 000 000	410 146 809	6,62	GBP	465 993 763	55 846 954	0,93 %	0,04 %	London
Raiffeisen Bank International AG	1 634 031	328 454 185	25,62	EUR	350 097 114	21 642 929	0,70 %	0,84 %	Vienna
JSE Ltd	6 464 519	249 899 375	89,73	ZAR	335 652 465	85 753 090	0,67 %	7,60 %	Johannesburg
Korean Reinsurance Co	4 860 366	181 996 624	11 450	KRW	320 779 048	138 782 425	0,64 %	4,04 %	Seoul
Kiwoom Securities Co Ltd	1 043 205	190 647 588	50 500	KRW	303 663 466	113 015 878	0,61 %	4,72 %	Seoul
Kiatnakin Bank Pcl	37 429 463	334 353 001	37,25	THB	258 563 198	-75 789 803	0,52 %	4,46 %	Bangkok
Ghana Commercial Bank Ltd	17 397 904	83 591 006	4,85	GHS	215 639 751	132 048 745	0,43 %	6,57 %	Ghana
VTB Bank Ojsc	21 701 144 197	165 581 900	0,05	RUB	198 913 252	33 331 352	0,40 %	0,17 %	Moscow
EFG-Hermes Holding SAE	17 939 257	353 506 510	8,68	EGP	136 022 875	-217 483 635	0,27 %	3,13 %	Cairo
Value Partners Group Ltd	26 290 000	101 073 037	6,00	HKD	123 478 872	22 405 835	0,25 %	1,50 %	Hong Kong
Nordnet AB	5 007 907	69 538 630	26,00	SEK	122 835 946	53 297 316	0,25 %	2,86 %	Stockholm
Dragon Capital - Vietnam Enterprise Investments	8 000 000	96 045 021	2,46	USD	119 660 194	23 615 173	0,24 %	4,60 %	Dublin
Diamond Bank Plc	378 971 941	79 309 879	7,35	NGN	105 289 774	25 979 895	0,21 %	2,62 %	Lagos
Turkiye Sinai Kalkinma Bankasi AS	11 545 017	59 565 733	1,83	TRY	59 675 969	110 236	0,12 %	0,89 %	Istanbul
VinaCapital Vietnam Opportunity Fund Ltd	2 752 000	26 575 716	2,26	USD	37 698 058	11 122 342	0,08 %	1,06 %	London
Trimegah Securities Tbk PT	700 000 000	67 131 002	59,00	IDR	20 588 050	-46 542 952	0,04 %	9,85 %	Jakarta
EFG-Hermes Holding GDR	202 863	8 188 185	2,24	USD	2 763 516	-5 424 669	0,01 %	0,07 %	London Int
Total Financials		**7 457 176 131**			**7 354 747 873**	**-102 428 258**	**14,69%**		
Information technology									
Samsung Electronics Co Ltd Pref	505 187	1 248 104 153	1 013 000	KRW	2 949 803 716	1 701 699 563	5,89 %	2,21 %	Seoul
Samsung Electronics Co Ltd Pref GDR	400 725	394 304 759	483,60	USD	1 175 913 896	781 609 136	2,35 %	0,88 %	London Int
Tech Mahindra Ltd	2 529 440	408 241 341	1 838	INR	456 182 847	47 941 506	0,91 %	1,08 %	National India
Lenovo Group Ltd	57 990 000	286 694 048	9,43	HKD	428 070 814	141 376 766	0,86 %	0,56 %	Hong Kong
Skyworth Digital Holdings Ltd	37 020 411	107 848 397	4,27	HKD	123 742 797	15 894 400	0,25 %	1,32 %	Hong Kong
Ericsson Nikola Tesla	13 810	15 881 714	1 470	HRK	22 269 307	6 387 593	0,04 %	1,04 %	Zagreb
Total Information technology		**2 461 074 412**			**5 155 983 376**	**2 694 908 964**	**10,30 %**		
Telecom									
Sistema Jsfc GDR	10 568 574	843 713 770	32,12	USD	2 059 845 855	1 216 132 085	4,12 %	2,19 %	London Int
Bharti Airtel Ltd	31 681 489	1 257 059 136	330,25	INR	1 026 722 118	-230 337 018	2,05 %	0,79 %	National India
Kinnevik Investment AB-B	2 124 324	349 482 579	297,90	SEK	597 017 595	247 535 017	1,19 %	0,90 %	Stockholm
Indosat Tbk PT	206 683 750	557 400 537	4 150	IDR	427 582 175	-129 818 362	0,85 %	3,80 %	Indonesia
Total Telecom		**3 007 656 021**			**4 111 167 743**	**1 103 511 721**	**8,21 %**		
TOTAL SECURITIES PORTFOLIO [1]		**36 110 763 257**			**49 211 534 236**	**13 100 770 979**	**98,32%**		

[1] For liquidity in the portfolio as of 31.12.2013, please refer to the balance sheet.

Allocation of the acquisition cost:
For SKAGEN Kon-Tiki the average acquisition value is applied when calculating the realized capital gain/loss when selling shares.

SKAGEN Tellus

Note 7. Securities portfolio as of 31.12.2013 (in NOK)

Security	Maturity	Coupon	Currency	Face value NOK	Cost price NOK	Yield[3]	Duration[2]	Market price NOK	Accrued interest NOK	Market value NOK	Market value incl accrued interest NOK	Unrealised gain/loss NOK	Share of fund	Risk class[4]
FIXED RATE SECURITIES														
Bond issued by supranational organisation														
European Bank Recon & Dev	17.06.2015	0,50	CNY	43 000 000	41 462 381	1,39	1,44	98,94	116 302	42 545 112	42 661 414	1 082 730	8,43 %	1
European Bank Recon & Dev	06.06.2014	5,25	INR	175 000 000	19 814 789	8,35	0,40	9,68	513 774	16 947 893	17 461 667	-2 866 896	3,45 %	1
European Bank Recon & Dev	07.02.2014	5,25	INR	60 000 000	5 750 298	8,17	0,10	9,78	276 930	5 869 584	6 146 514	119 287	1,21 %	1
Foreign government bonds														
Slovenia Government	30.03.2026	5,12	EUR	5 400 000	39 295 664	5,08	8,61	839,30	1 750 060	45 322 325	47 072 385	6 026 662	9,30 %	2
Norwegian Government	24.05.2023	2,00	NOK	37 000 000	34 252 800	2,96	8,25	92,20	448 055	34 114 000	34 562 055	-138 800	6,83 %	2
Portugese Government	15.04.2021	3,85	EUR	4 600 000	34 116 297	5,84	5,90	739,58	1 054 990	34 020 712	35 075 702	-95 584	6,93 %	2
UK Government	07.03.2014	2,25	GBP	2 800 000	27 177 522	0,33	0,18	1 008,51	201 137	28 238 209	28 439 346	1 060 687	5,62 %	2
Chilean Government	05.08.2020	5,50	CLP	2 040 000 000	25 708 116	5,08	5,25	1,19	525 632	24 191 891	24 717 522	-1 516 225	4,88 %	3
Canadian Government	01.02.2014	1,00	CAD	4 200 000	23 583 678	0,85	0,08	571,36	99 116	23 997 090	24 096 206	413 412	4,76 %	3
Mexican Government	20.11.2036	10,00	MXN	40 000 000	24 368 325	7,63	9,93	58,99	46 339	23 594 161	23 640 500	-774 163	4,67 %	3
Brazilian Government	10.01.2028	10,25	BRL	9 000 000	25 299 099	10,87	6,58	250,53	1 125 923	22 547 362	23 673 285	-2 751 737	4,68 %	3
Colombian Government	14.04.2021	7,75	COP	5 400 000 000	19 255 462	5,91	5,32	0,35	941 161	18 786 934	19 728 095	-468 527	3,90 %	3
Turkish Government	08.03.2023	7,10	TRY	8 000 000	21 729 404	10,39	5,86	232,00	460 921	18 560 312	19 021 233	-3 169 092	3,76 %	3
Peruvian Government	12.08.2037	6,90	PEN	8 000 000	18 379 698	7,18	10,79	212,88	458 469	17 030 578	17 489 047	-1 349 120	3,45 %	3
New Zealand Government	15.04.2015	6,00	NZD	2 000 000	10 596 464	3,28	1,21	516,92	126 857	10 338 421	10 465 278	-258 043	2,07 %	3
Foreign government certificates														
US Government	06.03.2014	0,00	USD	20 000 000	122 383 313	0,05	0,18	606,74	-	121 348 381	121 348 381	-1 034 932	23,97 %	3
TOTAL SECURITIES PORTFOLIO [5]					**493 173 308**				**8 145 665**	**487 452 967**	**495 598 632**	**-5 720 342**	**97,90 %**	

Portfolio key figures	
Yield	3,73%
Yield to clients [1]	2,93 %
Duration [2]	3,82

[1] Yield adjusted for management fee.

[2] Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

[3] Yield is the average annual return of an interest bearing security until maturity.

[4] 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

[5] For liquidity in the portfolio as of 31.12.13, please refer to the balance sheet.

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

Unit price as of 31.12.2013 121,4385

NOK 54.534.609,- is allocated for distribution to unit holders. This will result in a reduction in the unit price equal to the distribution per unit at the time of distribution.

Allocation of the acquisition cost:
For SKAGEN Tellus the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

SKAGEN Avkastning

Note 7. Securities portfolio as of 31.12.2013 (in NOK)

Security	Maturity	Coupon	Currency	Interest adjustment point	Facevalue NOK	Costprice NOK	Yield[3]	Duration[2]	Market price NOK	Accrued interest NOK	Market value NOK	Marketvalue incl.accrued interest NOK	Unrealised gain/loss NOK	Share offund	Risk class[4]
FLOATING RATE SECURITIES															
Financial bonds															
Sparebanken Sør	16.09.2015	2,65	NOK	19.03.2014	49 000 000	48 497 106	2,46	0,21	100,99	46 890	49 483 011	49 529 901	985 905	4,14 %	5
Sparebank 1 Nord-Norge	25.01.2016	2,77	NOK	27.01.2014	46 000 000	46 611 800	2,63	0,08	101,26	237 143	46 578 342	46 815 485	-33 458	3,91 %	5
Sparebank 1 Buskerud-Vestfold	25.09.2015	2,90	NOK	25.03.2014	40 000 000	40 416 000	2,45	0,23	101,42	12 889	40 568 885	40 581 774	152 885	3,39 %	5
BN Bank ASA	07.03.2016	2,43	NOK	07.03.2014	40 000 000	40 015 600	2,74	0,17	100,38	59 400	40 153 517	40 212 917	137 917	3,36 %	5
Sparebank 1 Nord-Norge	17.08.2016	2,96	NOK	17.02.2014	35 000 000	35 623 000	2,74	0,14	101,81	123 744	35 631 876	35 755 620	8 876	2,99 %	5
Totens Sparebank	08.06.2015	2,90	NOK	10.03.2014	35 000 000	35 418 500	2,49	0,19	101,17	62 028	35 410 330	35 472 358	-8 170	2,96 %	5
Bank 1 Oslo Akershus AS	15.02.2016	2,36	NOK	17.02.2014	35 000 000	35 043 000	2,62	0,12	100,41	105 544	35 141 939	35 247 483	98 939	2,94 %	5
Sparebank 1 SMN	23.03.2015	2,56	NOK	24.03.2014	34 000 000	34 201 150	2,22	0,22	100,71	19 342	34 241 727	34 261 069	40 577	2,86 %	5
Kredittforeningen for Sparebanker	01.10.2015	2,79	NOK	02.01.2014	31 000 000	31 272 700	2,75	0,01	101,04	218 628	31 322 017	31 540 645	49 317	2,62 %	5
Helgeland Sparebank	15.03.2017	3,35	NOK	17.03.2014	30 000 000	31 011 450	2,77	0,23	103,24	41 875	30 971 542	31 013 417	-39 907	2,59 %	5
Aurskog Sparebank	23.02.2015	2,96	NOK	24.02.2014	30 000 000	29 991 900	2,41	0,15	101,03	96 200	30 307 723	30 403 923	315 823	2,54 %	5
Sparebank 1 Buskerud-Vestfold	11.03.2016	2,36	NOK	11.03.2014	30 000 000	30 057 000	2,60	0,18	100,41	39 333	30 123 604	30 162 937	66 604	2,52 %	5
Pareto Bank ASA	04.04.2014	3,05	NOK	06.01.2014	30 000 000	29 985 900	2,45	0,02	100,29	223 667	30 088 133	30 311 800	102 233	2,51 %	5
Skandiabanken	16.01.2015	2,18	NOK	16.01.2014	30 000 000	29 995 500	2,25	0,04	100,22	138 067	30 065 393	30 203 460	69 893	2,52 %	5
Sparebank 1 Østfold Akershus	27.06.2016	2,29	NOK	27.03.2014	30 000 000	29 997 000	2,77	0,21	99,96	7 633	29 986 660	29 994 293	-10 340	2,50 %	5
Totens Sparebank	23.11.2015	2,89	NOK	24.02.2014	25 000 000	24 900 000	2,70	0,15	101,33	72 250	25 331 626	25 403 876	431 626	2,12 %	5
Bank 1 Oslo Akershus AS	16.09.2016	3,15	NOK	17.03.2014	20 000 000	20 465 200	2,70	0,22	102,41	26 250	20 481 238	20 507 488	16 038	1,71 %	5
Helgeland Sparebank	25.08.2016	3,02	NOK	25.02.2014	20 000 000	20 435 600	2,73	0,16	102,07	60 400	20 413 001	20 473 401	-22 599	1,71 %	5
Fana Sparebank	20.05.2015	3,02	NOK	20.02.2014	20 000 000	20 108 000	2,49	0,14	101,29	68 789	20 257 977	20 326 765	149 977	1,70 %	5
Sparebank 1 SMN	16.03.2016	2,68	NOK	19.03.2014	20 000 000	20 221 200	2,58	0,21	101,13	19 356	20 225 514	20 244 869	4 314	1,69 %	5
Kredittforeningen for Sparebanker	08.03.2016	2,53	NOK	10.03.2014	20 000 000	20 012 500	2,74	0,18	100,60	30 922	20 119 770	20 150 692	107 270	1,68 %	5
Sparebank 1 Østfold Akershus	15.05.2017	2,53	NOK	17.02.2014	20 000 000	20 086 000	2,97	0,10	100,25	64 656	20 049 282	20 113 938	-36 718	1,68 %	5
Sparebank 1 Søre Sunnmøre	15.09.2015	2,75	NOK	17.03.2014	19 500 000	19 706 400	2,61	0,20	101,02	22 344	19 698 869	19 721 213	-7 531	1,65 %	5
Sparebank 1 Nordvest	13.04.2015	2,93	NOK	13.01.2014	15 000 000	15 202 500	2,49	0,04	101,08	95 225	15 162 127	15 257 352	-40 373	1,26 %	5
Sparebank 1 Nord-Norge	19.02.2015	2,37	NOK	19.02.2014	15 000 000	14 880 600	2,24	0,13	100,45	41 475	15 067 834	15 109 309	187 234	1,26 %	5
Sparebanken Møre	05.12.2016	2,78	NOK	05.03.2014	12 000 000	12 022 400	2,74	0,17	101,36	24 093	12 163 360	12 187 453	140 960	1,02 %	5
BN Bank ASA	15.03.2017	3,40	NOK	19.03.2014	10 000 000	10 308 000	2,87	0,23	103,07	12 278	10 307 232	10 319 510	-768	0,86 %	5
Pareto Bank ASA	09.01.2017	3,53	NOK	09.01.2014	10 000 000	10 129 000	3,57	0,01	101,74	81 386	10 173 588	10 254 974	44 588	0,85 %	5
Sparebank 1 Østfold Akershus	20.09.2016	2,85	NOK	20.03.2014	10 000 000	10 152 000	2,82	0,21	101,34	8 708	10 134 166	10 142 875	-17 834	0,85 %	5
Sparebanken Sør	18.02.2015	2,92	NOK	18.02.2014	10 000 000	10 039 000	2,24	0,13	101,07	34 878	10 106 576	10 141 454	67 576	0,85 %	5
Sparebanken Narvik	09.02.2015	2,52	NOK	10.02.2014	5 500 000	5 519 250	2,41	0,11	100,50	19 250	5 527 237	5 546 487	7 987	0,46 %	5
Sparebank 1 Nordvest	29.06.2016	2,89	NOK	31.03.2014	5 000 000	5 069 250	2,76	0,24	101,40	401	5 070 169	5 070 571	919	0,42 %	5
Sparebank 1 Nord-Norge	12.10.2015	2,70	NOK	13.01.2014	2 000 000	1 986 400	2,59	0,04	101,01	11 700	2 020 202	2 031 902	33 802	0,17 %	5
FIXED RATE SECURITIES															
Foreign goverment bond															
Mexican Government	20.11.2036	10,00	MXN		100 000 000	60 297 314	7,63	9,93	58,99	115 848	58 985 403	59 101 251	-1 311 911	4,94 %	3
Slovenian Government	30.03.2026	5,12	EUR		6 000 000	46 778 495	5,08	8,61	839,30	1 944 511	50 358 139	52 302 650	3 579 644	4,37 %	2
Portuguese Government	15.02.2024	5,65	EUR		4 000 000	32 288 988	6,14	7,21	804,91	1 196 125	32 196 588	33 392 713	-92 400	2,79 %	2
TOTAL SECURITIES PORTFOLIO[5]						**928 745 703**				**5 383 228**	**933 924 598**	**939 307 826**	**5 178 895**	**78,38 %**	

Portfolio key figures

Yield	3,13 %
Yield to clients[1]	2,63 %
Duration[2]	1,17

[1] Yield adjusted for management fee.

[2] Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

[3] Yield is the average annual return of an interest bearing security until maturity.

[4] 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

[5] For liquidity in the portfolio as of 31.12.13, please refer to the balance sheet.

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

Unit price as of 31.12.2013 140,4571

NOK 37.178.870,- is allocated for distribution to unit holders. This will result in a reduction in the unit price equal to the distribution per unit at the time of distribution.

Allocation of the acquisition cost:
For SKAGEN Avkastning the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

SKAGEN Høyrente

Note 7. Securities portfolio as of 31.12.2013 (in NOK)

Security	Maturity	Coupon	Interest adjustment point	Face value	Cost price	Yield[3]	Duration[2]	Market price	Accrued interest	Market value	Market value incl accrued interest	Unrealised gain/loss	Share of fund	Risk class[4]
FLOATING RATE SECURITIES														
Financial bonds														
BN Bank ASA	16.06.2014	2,47	17.03.2014	84 000 000	83 936 200	2,02	0,20	100,24	86 450	84 198 500	84 284 950	262 300	2,45 %	5
Sparebanken Sør	18.02.2015	2,92	18.02.2014	78 000 000	78 547 550	2,24	0,13	101,07	272 047	78 831 292	79 103 339	283 742	2,30 %	5
Skandinaviska Enskilda Banken AB	20.02.2015	2,92	20.02.2014	75 000 000	75 000 000	2,24	0,14	101,08	249 417	75 809 764	76 059 180	809 764	2,21 %	5
Sparebanken Sør	25.08.2014	2,48	25.02.2014	75 000 000	74 847 000	2,00	0,15	100,38	186 000	75 282 889	75 468 889	435 889	2,20 %	5
BN Bank ASA	19.03.2014	2,45	19.03.2014	75 000 000	74 985 000	1,96	0,21	100,11	66 354	75 080 899	75 147 254	95 899	2,19 %	5
Sparebank 1 SMN	16.03.2016	2,68	19.03.2014	68 000 000	68 720 800	2,58	0,21	101,13	65 809	68 766 747	68 832 556	45 947	2,00 %	5
Sparebanken Sør	17.10.2014	2,90	17.01.2014	55 000 000	54 992 500	2,09	0,05	100,76	332 292	55 419 201	55 751 492	426 701	1,62 %	5
Sparebank 1 SMN	19.03.2014	2,54	19.03.2014	55 000 000	55 202 500	1,90	0,21	100,14	46 567	55 075 753	55 122 319	-126 747	1,60 %	5
Sparebank 1 Buskerud-Vestfold	25.09.2015	2,90	25.03.2014	50 000 000	49 926 250	2,45	0,23	101,42	16 111	50 711 106	50 727 218	784 856	1,48 %	5
Sparebank 1 Østfold Akershus	20.09.2016	2,85	20.03.2014	50 000 000	50 760 000	2,82	0,21	101,34	43 542	50 670 831	50 714 373	-89 168	1,48 %	5
Totens Sparebank	23.11.2015	2,89	24.02.2014	50 000 000	49 800 000	2,70	0,15	101,33	144 500	50 663 252	50 807 752	863 252	1,48 %	5
BN Bank ASA	26.01.2015	3,18	27.01.2014	50 000 000	50 000 000	2,32	0,08	101,24	282 667	50 620 472	50 903 139	620 472	1,48 %	5
Sparebank 1 SMN	05.08.2014	2,63	05.02.2014	50 000 000	50 018 400	2,04	0,10	100,42	204 556	50 209 664	50 414 220	191 264	1,47 %	5
Kredittforeningen for Sparebanker	02.06.2014	2,46	03.03.2014	50 000 000	49 922 500	2,04	0,17	100,21	99 083	50 102 890	50 201 973	180 390	1,46 %	5
Bank 1 Oslo Akershus AS	22.10.2014	2,35	22.01.2014	41 500 000	41 094 200	2,09	0,06	100,32	189 632	41 632 861	41 822 493	538 661	1,22 %	5
Eiendomskreditt AS	08.05.2015	2,52	10.02.2014	40 000 000	40 000 000	2,45	0,10	100,21	148 400	40 083 108	40 231 508	83 108	1,17 %	5
Kredittforeningen for Sparebanker	10.02.2014	2,57	10.02.2014	35 000 000	35 005 950	1,99	0,11	100,07	124 931	35 023 929	35 148 860	17 979	1,02 %	5
Sparebank 1 Nord-Norge	17.08.2016	2,96	17.02.2014	34 000 000	34 659 600	2,74	0,14	101,81	120 209	34 613 822	34 734 031	-45 778	1,01 %	5
Sparebanken Sør	05.09.2016	3,08	05.03.2014	30 000 000	30 667 200	2,72	0,18	102,13	66 733	30 640 362	30 707 095	-26 838	0,89 %	5
Pareto Bank ASA	04.04.2014	3,05	06.01.2014	30 000 000	29 985 900	2,45	0,02	100,29	223 667	30 088 133	30 311 800	102 233	0,88 %	5
Sparebanken Sør	20.05.2014	2,47	20.02.2014	30 000 000	30 018 300	1,99	0,14	100,22	84 392	30 064 925	30 149 317	46 625	0,88 %	5
Sparebank 1 Gruppen AS	03.02.2014	2,86	03.02.2014	30 000 000	30 000 000	2,16	0,09	100,07	143 000	30 020 230	30 163 230	20 230	0,88 %	5
Sparebanken Sør	09.05.2016	2,70	10.02.2014	27 000 000	27 290 250	2,69	0,11	101,15	101 250	27 309 421	27 410 671	19 171	0,80 %	5
Sparebanken Møre	25.02.2014	2,39	25.02.2014	25 000 000	25 000 000	1,92	0,15	100,07	59 750	25 018 430	25 078 180	18 430	0,73 %	5
Fana Sparebank	19.02.2014	2,34	19.02.2014	25 000 000	24 986 250	1,98	0,13	100,05	68 250	25 013 031	25 081 281	26 781	0,73 %	5
Sparebank 1 Nord-Norge	19.02.2015	2,37	19.02.2014	22 500 000	22 267 500	2,24	0,13	100,45	62 212	22 601 751	22 663 964	334 251	0,66 %	5
Pareto Bank ASA	04.11.2014	3,61	04.02.2014	20 000 000	19 970 000	2,41	0,10	101,17	114 317	20 234 619	20 348 936	264 619	0,59 %	5
Sparebank 1 Telemark	21.12.2015	2,51	21.03.2014	20 000 000	20 126 000	2,66	0,21	100,57	11 156	20 113 743	20 124 899	-12 257	0,59 %	5
Totens Sparebank	02.12.2015	1,94	03.03.2014	16 000 000	15 852 800	2,70	0,15	99,46	25 004	15 912 895	15 937 900	60 095	0,46 %	5
Totens Sparebank	14.10.2016	3,53	14.01.2014	15 000 000	15 487 500	2,93	0,06	103,07	114 725	15 461 133	15 575 859	-26 367	0,45 %	5
Sparebanken Narvik	29.09.2014	3,06	31.03.2014	15 000 000	15 012 300	2,04	0,24	100,78	1 275	15 116 867	15 118 142	104 567	0,44 %	5
Helgeland Sparebank	21.11.2014	2,85	21.02.2014	10 000 000	10 082 500	2,07	0,14	100,83	31 667	10 082 953	10 114 620	453	0,29 %	5
Sparebank 1 Telemark	10.02.2015	2,39	10.02.2014	10 000 000	9 880 000	2,33	0,11	100,41	33 194	10 040 850	10 074 044	160 850	0,29 %	5
Industrial bonds														
AP Moeller-Maersk A/S	16.12.2014	3,50	17.03.2014	95 000 000	96 336 700	2,23	0,21	101,24	138 542	96 180 091	96 318 633	-156 609	2,80 %	6
Entra Eiendom AS	09.11.2015	2,89	10.02.2014	70 000 000	70 058 000	2,74	0,11	101,03	280 972	70 723 500	71 004 472	665 500	2,07 %	6
Felleskjopet Agri SA	15.02.2016	3,35	13.02.2014	60 000 000	60 000 000	3,00	0,11	100,97	268 000	60 583 652	60 851 652	583 652	1,77 %	6
Tele2 AB	24.02.2015	3,34	24.02.2014	50 000 000	50 460 000	2,83	0,14	100,69	167 000	50 346 877	50 513 877	-113 123	1,47 %	6
Vasakronan AB	30.05.2014	2,43	28.02.2014	50 000 000	49 915 500	2,11	0,16	100,14	108 000	50 069 872	50 177 872	154 372	1,46 %	6
Scania CV AB	17.06.2016	2,50	17.03.2014	50 000 000	50 000 000	2,54	0,22	99,94	48 611	49 969 157	50 017 768	-30 843	1,46 %	6
Entra Eiendom AS	25.11.2014	2,44	25.02.2014	45 000 000	44 854 250	2,33	0,15	100,26	109 800	45 117 356	45 227 156	263 106	1,32 %	6
Schibsted ASA	16.12.2015	3,70	17.03.2014	40 000 000	40 520 640	2,89	0,20	101,66	61 667	40 665 318	40 726 985	144 678	1,19 %	6
Olav Thon Eiendomsselskap ASA	15.09.2015	2,75	17.03.2014	39 000 000	39 289 750	2,75	0,20	100,75	44 687	39 291 624	39 336 311	1 874	1,14 %	6
Power generation bonds														
Agder Energi AS	25.08.2014	2,54	25.02.2014	102 000 000	102 357 212	2,12	0,15	100,36	259 080	102 372 188	102 631 268	14 976	2,99 %	6
BKK AS	26.08.2016	2,60	26.02.2014	100 000 000	100 395 000	2,80	0,15	100,87	252 778	100 874 667	101 127 445	479 667	2,94 %	6
BKK AS	20.11.2015	2,62	20.02.2014	100 000 000	100 005 600	2,49	0,14	100,87	298 389	100 870 981	101 169 370	865 381	2,94 %	6
BKK AS	12.02.2015	2,39	12.02.2014	65 000 000	64 949 500	2,27	0,11	100,41	211 449	65 263 873	65 475 322	314 373	1,91 %	6
BKK AS	29.05.2014	2,51	28.02.2014	55 000 000	55 025 000	2,06	0,16	100,21	122 711	55 117 616	55 240 328	92 616	1,61 %	6
Agder Energi AS	02.03.2016	2,58	03.03.2014	25 000 000	25 117 500	2,61	0,16	100,8	51 958	25 199 903	25 251 862	82 403	0,73 %	6
Financial certificates														
Skandiabanken	08.07.2014	2,01	08.07.2014	30 000 000	29 997 000	1,94	0,51	100,06	140 700	30 019 000	30 159 700	22 000	0,88 %	5
Industrial certificates														
Olav Thon Eiendomsselskap ASA	18.09.2014	2,46		30 000 000	30 000 000	2,24	0,70	100,21	210 279	30 064 433	30 274 713	64 433	0,88 %	6
Entra Eiendom AS	10.01.2014	2,30		25 000 000	25 012 500	2,21	0,03	100,00	417 466	25 000 493	25 417 959	-12 007	0,74 %	6
TOTAL SECURITIES PORTFOLIO[5]					**2 378 339 102**				**7 011 245**	**2 388 246 928**	**2 395 258 173**	**9 907 826**	**69,69 %**	

Portfolio key figures

Yield	2,85 %
Yield to clients[1]	2,60 %
Duration[2]	0,11

[1] Yield adjusted for management fee.

[2] Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

[3] Yield is the average annual return of an interest bearing security until maturity.

[4] 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

[5] For liquidity in the portfolio as of 31.12.13, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 31.12.2013 103,7847

NOK 86.170.081,- 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.

Allocation of the acquisition cost:
For SKAGEN Høyrente the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

SKAGEN Høyrente Institusjon

Note 7. Securities portfolio as of 31.12.2013 (in NOK)

Security	Maturity	Coupon	Interest adjustment point	Face value	Cost price	Yield[3]	Duration[2]	Market price	Accrued interest	Market value	Market value incl. accrued interest	Unrealised gain/loss	Share of fund	Risk class[4]
FLOATING RATE SECURITIES														
Financial bonds														
Kredittforeningen for Sparebanker	08.03.2016	2,53	10.03.2014	50 000 000	50 020 500	2,74	0,18	100,60	77 306	50 299 425	50 376 731	278 925	3,98 %	5
Sparebanken Sør	20.05.2014	2,47	20.02.2014	45 000 000	45 209 610	1,99	0,14	100,22	126 587	45 097 388	45 223 976	-112 222	3,57 %	5
Eiendomskreditt AS	08.05.2015	2,52	10.02.2014	40 000 000	40 000 000	2,45	0,10	100,21	148 400	40 083 108	40 231 508	83 108	3,18 %	5
Sparebank 1 Østfold Akershus	20.09.2016	2,85	20.03.2014	37 000 000	37 562 400	2,82	0,21	101,34	32 221	37 496 415	37 528 636	-65 985	2,96 %	5
Sparebank 1 SMN	16.03.2016	2,68	19.03.2014	36 000 000	36 421 200	2,58	0,21	101,13	34 840	36 405 925	36 440 765	-15 275	2,88 %	5
Kredittforeningen for Sparebanker	10.02.2014	2,57	10.02.2014	35 000 000	35 199 150	1,99	0,11	100,07	124 931	35 023 929	35 148 860	-175 221	2,78 %	5
BN Bank ASA	26.08.2014	2,95	26.02.2014	30 000 000	30 264 480	2,05	0,15	100,65	86 042	30 193 842	30 279 883	-70 638	2,39 %	5
BN Bank ASA	07.03.2016	2,43	07.03.2014	29 000 000	29 069 820	2,74	0,17	100,38	43 065	29 111 300	29 154 365	41 480	2,30 %	5
Bank 1 Oslo Akershus AS	22.10.2014	2,35	22.01.2014	26 500 000	26 388 725	2,09	0,06	100,32	121 090	26 584 839	26 705 929	196 114	2,11 %	5
Sparebanken Møre	01.08.2014	1,94	03.02.2014	25 000 000	25 007 000	2,04	0,09	100,02	76 792	25 004 131	25 080 923	-2 869	1,98 %	5
Totens Sparebank	14.10.2016	3,53	14.01.2014	22 000 000	22 716 920	2,93	0,06	103,07	168 263	22 676 329	22 844 592	-40 591	1,79 %	5
Skandinaviska Enskilda Banken AB	20.02.2015	2,92	20.02.2014	21 000 000	21 000 000	2,24	0,14	101,08	69 837	21 226 734	21 296 571	226 734	1,68 %	5
Totens Sparebank	15.08.2014	2,50	17.02.2014	20 000 000	19 752 000	2,06	0,13	100,33	63 889	20 065 307	20 129 196	313 307	1,59 %	5
Pareto Bank ASA	04.04.2014	3,05	06.01.2014	20 000 000	19 990 600	2,45	0,02	100,29	149 111	20 058 756	20 207 867	68 156	1,58 %	5
Sparebanken Sør	04.02.2015	2,21	04.02.2014	20 000 000	19 620 600	2,24	0,09	100,28	69 983	20 055 944	20 125 928	435 344	1,59 %	5
Sparebank 1 Telemark	28.03.2014	2,41	28.03.2014	20 000 000	19 970 000	1,95	0,23	100,11	1 339	20 022 368	20 023 706	52 368	1,58 %	5
Skandiabanken	11.04.2014	2,23	13.01.2014	20 000 000	20 030 800	2,04	0,03	100,09	100 350	20 017 284	20 117 634	-13 516	1,58 %	5
Sparebanken Sogn og Fjordane	24.08.2016	3,05	24.02.2014	16 000 000	16 350 400	2,73	0,16	102,14	48 800	16 342 754	16 391 554	-7 646	1,29 %	5
Bank 1 Oslo Akershus AS	30.04.2015	2,83	30.01.2014	15 000 000	14 990 100	2,37	0,08	101,08	73 108	15 161 875	15 234 983	171 775	1,20 %	5
Sparebank 1 Østfold Akershus	10.02.2015	2,79	10.02.2014	10 000 000	9 983 300	2,33	0,11	100,85	38 750	10 085 348	10 124 098	102 048	0,80 %	5
Sparebanken Narvik	29.09.2014	3,06	31.03.2014	10 000 000	10 008 200	2,04	0,24	100,78	850	10 077 911	10 078 761	69 711	0,80 %	5
Sparebanken Sør	18.02.2015	2,92	18.02.2014	5 000 000	5 019 500	2,24	0,13	101,07	17 439	5 053 288	5 070 727	33 788	0,40 %	5
Financial certificates														
Sparebanken Møre	12.06.2014	1,84	12.03.2014	60 000 000	60 005 160	1,96	0,19	99,97	58 267	59 984 732	60 042 999	-20 428	4,74 %	5
Skandiabanken	08.07.2014	2,01	08.07.2014	30 000 000	29 998 340	1,94	0,51	100,06	140 700	30 019 000	30 159 700	20 660	2,38 %	5
FIXED RATE SECURITIES														
Financial bonds														
Sparebank 1 SMN	25.08.2014	2,00		30 000 000	29 988 600	1,97	0,64	100,05	64 110	30 015 439	30 079 549	26 839	2,38 %	5
Skandiabanken	29.08.2014	2,19		20 000 000	20 000 000	1,94	0,65	100,16	148 800	20 031 840	20 180 640	31 840	1,59 %	5
Sparebanken Hedmark	02.05.2014	1,89		20 000 000	19 997 200	1,88	0,33	99,99	250 619	19 997 240	20 247 859	40	1,60 %	5
TOTAL SECURITIES PORTFOLIO [5]					**714 564 605**				**2 335 488**	**716 192 452**	**718 527 940**	**1 627 847**	**56,73 %**	

Portfolio key figures	
Yield	2,50 %
Yield to clients [1]	2,35 %
Duration [2]	0,11

[1] Yield adjusted for management fee.

[2] Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

[3] Yield is the average annual return of an interest bearing security until maturity.

[4] 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

[5] For liquidity in the portfolio as of 31.12.13, please refer to the balance sheet.

All securities are traded in the Norwegian market.

Unit price as of 31.12.2013 102,4937

NOK 32.273.279,- 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.

Allocation of the acquisition cost:
For SKAGEN Høyrente Institusjon the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

SKAGEN Krona

Note 7. Securities portfolio as of 31.12.2013 (in SEK)

Security	Maturity	Coupon	Interest adjustment point	Face value	Cost price	Yield[3]	Duration[2]	Market price	Market value	Total accrued interest and unrealised gain/loss	Share of fund	Risk class[4]
FLOATING RATE SECURITIES												
Financial bonds												
Länsförsäkringar Bank AB	10.02.2015	2,61	10.02.2014	27 000 000	27 359 648	1,25	0,12	101,26	27 340 223	78 600	3,20%	5
Danske Bank A/S	17.08.2015	3,02	18.02.2014	25 000 000	25 651 750	1,42	0,15	102,32	25 578 849	17 281	3,00%	5
Ikano Bank SE	26.09.2016	2,07	26.03.2014	25 000 000	25 000 000	2,15	0,21	100,18	25 045 092	50 853	2,92%	5
Nordea Bank AB	16.01.2015	2,76	16.01.2014	23 000 000	23 220 072	1,08	0,05	101,44	23 330 209	244 151	2,74%	5
Sampo Oyj	28.05.2015	1,84	28.02.2014	23 000 000	23 000 000	1,54	0,16	100,32	23 074 048	112 947	2,70%	5
Jyske Bank A/S	03.05.2016	2,21	03.02.2014	20 000 000	20 000 000	1,70	0,12	100,56	20 112 822	182 837	2,36%	5
Sparebank 1 Nord-Norge	13.08.2014	2,23	13.02.2014	20 000 000	20 099 400	1,29	0,12	100,47	20 094 133	54 306	2,35%	5
Swedbank AB	31.07.2015	2,31	03.02.2014	17 000 000	17 172 330	1,20	0,10	101,35	17 229 678	122 826	2,02%	5
SBAB AB	20.01.2014	2,46	20.01.2014	16 000 000	16 166 540	1,09	0,05	100,08	16 012 468	-76 508	1,88%	5
Sparebank 1 SMN	25.09.2015	1,87	25.03.2014	15 000 000	15 000 750	1,60	0,24	100,70	15 104 585	106 958	1,76%	5
SBAB AB	24.03.2014	1,86	24.03.2014	11 000 000	11 034 930	1,27	0,22	100,16	11 018 017	-14 635	1,29%	5
Jyske Bank A/S	22.02.2016	2,13	24.02.2014	10 000 000	10 046 100	1,67	0,15	100,71	10 071 498	48 516	1,18%	5
Länsförsäkringar Bank AB	04.06.2014	2,08	04.03.2014	10 000 000	10 001 350	1,16	0,17	100,39	10 039 199	53 434	1,17%	5
Industrial bonds												
Skanska Financial Services AB	27.06.2014	2,23	31.03.2014	43 000 000	43 219 340	1,47	0,24	100,44	43 188 552	-28 128	5,04%	6
Svensk Fastighets Finansiering AB	24.08.2015	2,76	24.02.2014	37 000 000	37 215 385	2,12	0,17	100,88	37 324 193	210 964	4,37%	6
Volvo Treasury AB	26.02.2016	2,11	26.02.2014	35 000 000	35 040 400	1,75	0,18	100,54	35 187 281	218 612	4,12%	6
Getinge AB	29.05.2015	2,99	28.02.2014	33 000 000	33 177 740	1,93	0,16	101,41	33 465 239	375 264	3,92%	6
NCC Treasury AB	02.10.2014	2,60	02.01.2014	29 000 000	29 069 490	1,66	0,25	100,61	29 178 114	297 486	3,43%	6
Tele2 AB	06.03.2015	2,18	06.03.2014	20 000 000	20 000 000	1,58	0,17	100,67	20 133 030	163 349	2,35%	6
Scania CV AB	30.04.2014	1,63	30.01.2014	20 000 000	20 000 000	1,18	0,08	100,08	20 016 023	72 236	2,34%	6
Skanska Financial Services AB	25.04.2016	2,96	27.01.2014	19 000 000	19 085 400	1,82	0,08	102,00	19 380 026	399 330	2,28%	6
Volvo Treasury AB	09.02.2015	2,41	10.02.2014	17 000 000	17 081 320	1,45	0,11	100,82	17 140 007	115 684	2,01%	6
Securitas AB	19.01.2015	2,86	20.01.2014	15 000 000	15 219 740	1,27	0,06	101,37	15 204 920	69 729	1,79%	6
Svensk Fastighets Finansiering AB	22.12.2014	2,68	24.03.2014	15 000 000	15 054 000	2,00	0,22	100,79	15 118 943	73 870	1,77%	6
Vasakronan AB	06.10.2014	2,10	06.01.2014	14 000 000	13 999 580	1,20	0,02	100,43	14 060 480	130 416	1,65%	6
Vasakronan AB	26.01.2015	2,51	27.01.2014	10 000 000	10 070 400	1,31	0,08	101,00	10 099 890	74 094	1,18%	6
Volvo Treasury AB	16.07.2014	1,76	16.01.2014	10 000 000	10 007 950	1,27	0,04	100,11	10 010 552	39 758	1,17%	6
Industrial certificates												
Trelleborg Treasury AB	04.04.2014	0,00		32 000 000	31 734 176	1,42	0,25	99,67	31 893 120	158 944	3,72%	6
Holmen AB	05.06.2014	0,00		30 000 000	29 802 025	1,36	0,42	99,50	29 849 368	47 342	3,49%	6
Arla Foods amba	09.01.2014	0,00		27 000 000	26 849 902	1,21	0,02	99,97	26 992 081	142 179	3,15%	6
Fabege AB	20.02.2014	0,00		17 000 000	16 859 497	1,37	0,14	99,82	16 969 250	109 753	1,98%	6
Intrum Justitia AB	13.05.2014	0,00		15 000 000	14 878 000	1,54	0,36	99,51	14 926 402	48 402	1,74%	6
Volkswagen Finans Sverige AB	30.05.2014	0,00		15 000 000	14 892 935	1,45	0,41	99,48	14 922 461	29 526	1,74%	6
Castellum AB	15.05.2014	0,00		12 000 000	11 916 638	1,59	0,36	99,48	11 937 915	21 277	1,39%	6
Castellum AB	07.02.2014	0,00		11 000 000	10 916 444	1,34	0,10	99,87	10 985 370	68 926	1,28%	6
Intrum Justitia AB	26.02.2014	0,00		10 000 000	9 917 230	1,33	0,15	99,80	9 980 444	63 215	1,17%	6
Volkswagen Finans Sverige AB	12.03.2014	0,00		10 000 000	9 967 854	1,26	0,19	99,77	9 977 440	9 586	1,16%	6
Fabege AB	17.03.2014	0,00		10 000 000	9 923 151	1,43	0,21	99,72	9 972 396	49 245	1,16%	6
Fabege AB	10.04.2014	0,00		10 000 000	9 914 341	1,49	0,27	99,63	9 962 909	48 569	1,16%	6
Arla Foods amba	23.04.2014	0,00		10 000 000	9 928 515	1,48	0,31	99,59	9 959 124	30 609	1,16%	6
Castellum AB	10.03.2014	0,00		9 000 000	8 923 702	1,41	0,19	99,75	8 977 590	53 888	1,05%	6
Getinge AB	08.04.2014	0,00		7 000 000	6 859 674	1,53	0,26	99,62	6 973 665	113 991	0,81%	6
Trelleborg Treasury AB	14.08.2014	0,00		7 000 000	6 926 464	1,39	0,61	99,11	6 937 379	10 915	0,81%	6
Financial certificates												
Ikano Bank SE	06.11.2014	0,00		42 000 000	41 197 834	1,56	0,84	98,59	41 407 465	209 631	4,83%	5
Ikano Bank SE	17.02.2014	0,00		4 000 000	3 946 881	1,26	0,13	99,84	3 993 737	46 855	0,47%	5
TOTAL SECURITIES PORTFOLIO[5]					**837 348 877**				**840 176 188**	**4 457 086**	**98,29%**	

Portfolio key figures	
Yield	1,52%
Yield to clients[1]	1,32%
Duration[2]	0,21

[1] Yield adjusted for management fee.

[2] Duration is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

[3] Yield is the average annual return of an interest bearing security until maturity.

[4] 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

[5] For liquidity in the portfolio as of 31.12.13, please refer to the balance sheet.

All securities are traded in the Swedish market.

Unit price as of 31.12.2013 100,9781

NOK 19.183.899,- 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.

Allocation of the acquisition cost:
For SKAGEN Krona the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

SKAGEN Balanse 60/40

Note 7. Securities portfolio as of 31.12.2013 (in NOK)

Security	Number of shares	Acquisition value NOK	Market price	Currency	Market value NOK	Unrealised gain/loss	Share of fund
Equity fund							
SKAGEN Global	53 592	50 212 532	1 095,28	NOK	58 698 035	8 485 504	30,58 %
SKAGEN Vekst	18 208	25 448 527	1 605,23	NOK	29 227 739	3 779 212	15,23 %
SKAGEN Kon-Tiki	45 994	25 533 095	621,41	NOK	28 581 115	3 048 021	14,89 %
Total equity fund		**101 194 153**			**116 506 889**	**15 312 736**	**60,69 %**
Fixed income fund							
SKAGEN Høyrente	270 411	27 383 079	101,16	NOK	27 355 471	-27 607	14,25 %
SKAGEN Høyrente Institusjon	270 619	27 044 113	99,87	NOK	27 027 444	-16 669	14,08 %
Total fixed income fund		**54 427 192**			**54 382 915**	**-44 276**	**28,33 %**
Bond fund							
SKAGEN Avkastning	142 969	19 475 374	136,07	NOK	19 454 315	-21 060	10,13 %
Total bond fund		**19 475 374**			**19 454 315**	**-21 060**	**10,13 %**
TOTAL SECURITIES PORTFOLIO [1]		**175 096 719**			**190 344 119**	**15 247 400**	**99,15 %**

[1] For liquidity in the portfolio as of 31.12.2013, please refer to the balance sheet.

SKAGEN Funds sets prices for its funds on every ordinary opening day for Norwegian banks. Prices are available on our homepage www.skagenfondene.no and are published in relevant newspapers.

Allocation of the acquisition cost: For SKAGEN Balanse 60/40 the FIFO principle is applied when calculating the realised capital gain/loss when selling securities.

To the Board of Directors in SKAGEN AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of the mutual funds, which comprise the balance sheets as at December 31, 2013, the income statements for the year then ended and a summary of significant accounting policies and other explanatory information. The income statements are showing the following results for the year ended at December 31, 2013:

SKAGEN Vekst	NOK	1 660 057 000
SKAGEN Global	NOK	11 055 789 000
SKAGEN Kon-Tiki	NOK	8 327 903 000
SKAGEN Avkastning	NOK	31 003 000
SKAGEN Høyrente	NOK	90 947 000
SKAGEN Høyrente Institusjon	NOK	28 820 000
SKAGEN Tellus	NOK	42 765 000
SKAGEN Krona	SEK	20 129 000
SKAGEN m²	NOK	-20 399 000
SKAGEN Balanse 60/40	NOK	17 884 000

The Fund Management Company's Board of Directors Responsibility for the Financial Statements

The Fund Management Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Norwegian accounting act and accounting standards and practices generally accepted in Norway, and for such internal control as The Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers AS, Kanalsletta 8, Postboks 8017, NO-4068 Stavanger
T: 02316, www.pwc.no
Org.no.: 987 009 713 MVA, Medlem av Den norske Revisorforening

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the mutual funds as at December 31, 2013, and its financial performance for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit in each mutual fund is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that the Fund Management Company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the mutual fund's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 30. januar 2014
PricewaterhouseCoopers

Gunstein Hadland
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Home market, or under home market supervision
International market
Marketing permission

HEAD OFFICE

SKAGEN AS
Postbox 160,
4001 Stavanger, Norway
Skagen 3, Torgterrassen
Tel. +47 51 21 38 58
Fax +47 51 86 37 00
www. skagenfunds.com

Company reg. number:
867 462 732

UK OFFICE

Albemarle House
1 Albemarle Street
London W1S 4HA
United Kingdom
Tel. +44 207 408 2500
www.skagenfunds.co.uk

FSA Firm No.:
SKAGEN AS 469697
Company No: FC029835
UK establishment No:
BR014818

DUTCH OFFICE

Museumplein 5 D
1071 DJ Amsterdam
The Netherlands
Tel.: +31 20 305 1500
www.skagenfunds.nl

Registration number:
52328686

Editorial team:
Parisa Lemaire, editor
Ole-Christian Tronstad, journalist
Christian Jessen, journalist
Anna Marcus, journalist

Circulation: 2,000
Design: Werksemd
Print: Kai Hansen
Front page image: Daniel Brokstad

Customer Services is open from Monday to Friday from 9 am to 5 pm (CET). Please visit us at our office, send an e-mail or call us and we will do our best to help you.