



Apple trees, 1907. Detail. By Michael Archer, one of the Skagen Painters. This image belongs to the Art Museums of Skagen.

SKAGEN Credit EUR

Status report January 2017

The art of common sense



SKAGEN Credit EUR A – Key numbers

Key numbers as of 31 January	SKAGEN Credit EUR A	Index (EURIBOR 3M)
Return last month	0,3%	0,0 %
Return year to date	0,3 %	0,0 %
Return since inception (annualized)	0,7 %	-0,1 %
Current yield*	0,6 %	-0,3 %
Duration	1,0	0,25
Time to maturity	2,4	N/A
Average credit spread (OAS)**	256 bps	N/A

* Current yield changes from day to day and is no guarantee for future return. For bonds that trade at a significant discount and where the likelihood of recovering the entire principal, yield can be misleading as it assumes full repayment.

** Average option adjusted spread on the investments, cash excluded

The SKAGEN Credit investment universe

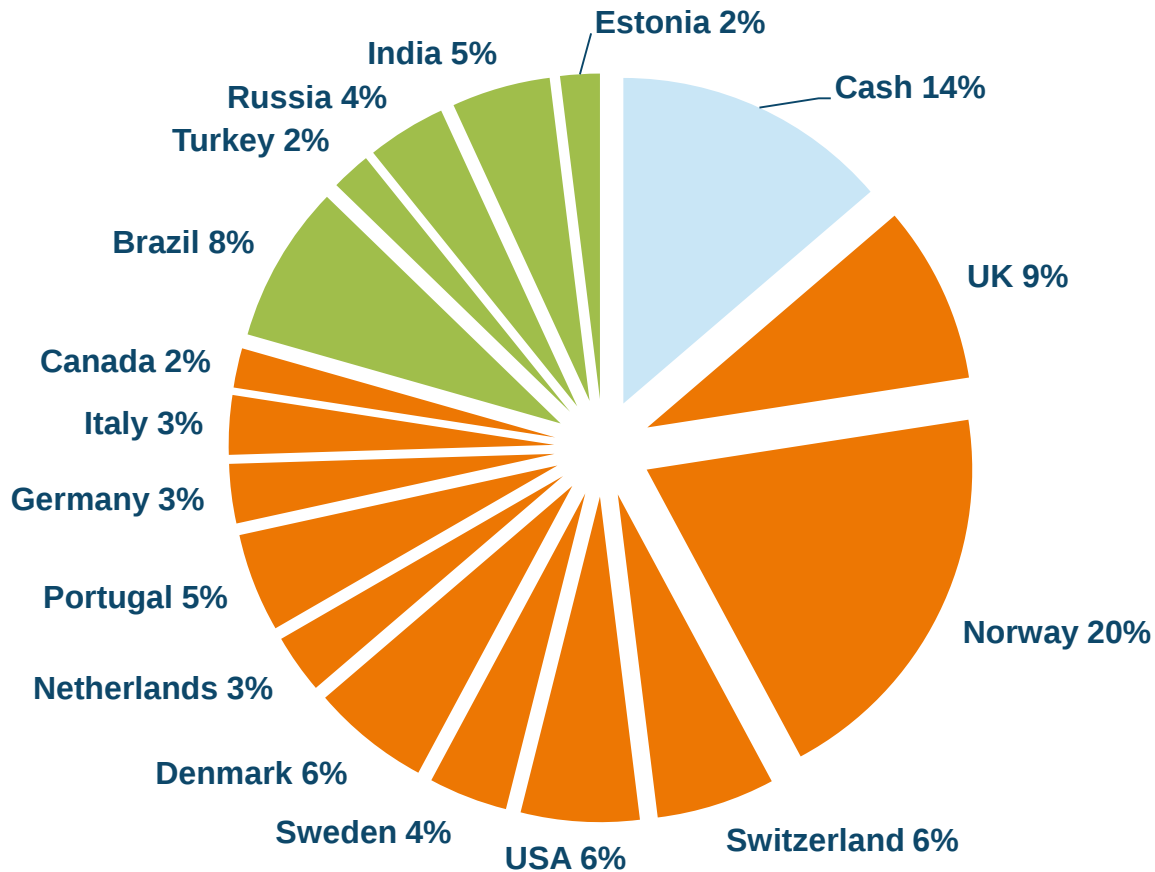


SKAGEN Credit picks bonds both from the investment grade and the high yield spectrum with a high risk adjusted return potential. Minimum 50% investment grade.

Portfolio commentary

- In January there was a further reduction in credit spreads, with the largest changes seen in the High Yield segment, i.e. bonds with lower than Investment Grade rating. In the Investment Grade segment, the spread changes were much smaller.
- We also saw a continued increase in long-term interest rates. It is not only the US rates that are going up, in January the German 10 year swap went from 0.66 to 0.82 percent. Although increasing rates are usually positive, changes like these cause bonds with matching maturity to decrease in value. With such a low absolute interest rate level like in this example, the change is rather substantial.
- Another point of interest is the very large number of new bonds being issued. Many companies obviously find today's low levels attractive and want to lock in a low funding cost by issuing bonds. The credit spreads may have gone down further if these large amounts had not been flooding the fixed income market. On the other hand, there are a lot of bond investors searching for yield who are willing to invest in bonds with a positive yield regardless of the risk-reward.
- SKAGEN Credit did well in January due to the tighter spreads and the low interest rate risk. The fund has reduced the risk over the last couple of months, as today's low credit spreads make it harder to find good cases where the upside outweighs the downside.

Country diversification

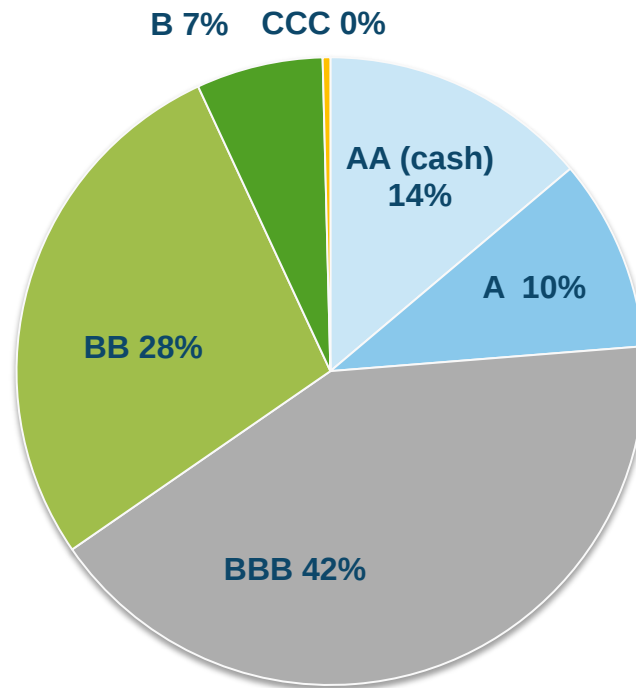
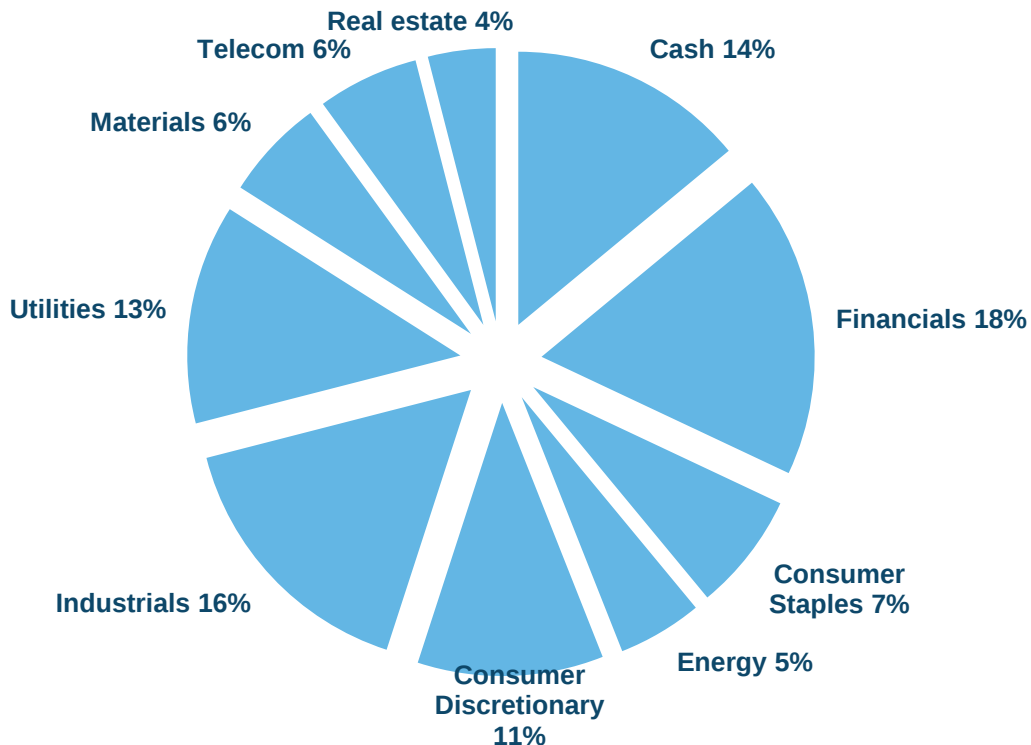


Developed markets: 67 %

Emerging Markets: 21 %

Cash: 14 %

Sector and credit rating



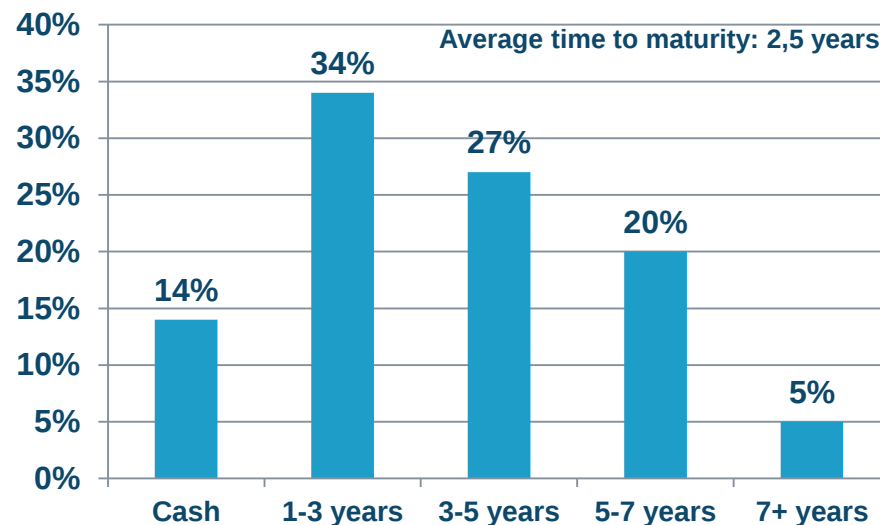
Investment grade:	66 %
High Yield:	34 %
Average rating:	BBB

Interest rate duration and time to maturity

Interest rate exposure and denominated currency
(before currency hedge)

Currency	Bond denominated	Interest rate duration
USD	47%	1,1 year
EUR	7%	0,6 year
GBP	19%	1,4 year
NOK	21%	0,1 year
SEK	3 %	0,1 year
DEK	3 %	0,1 year
Sum Fund	100%	1,0 year

Credit exposure - time to maturity profile



Top 10 investments

Company	Country of risk	Credit rating*	Percent of fund
Glencore**	Switzerland	BBB-	5,7 %
BKK	Norway	BBB	5,0 %
Energias de Portugal	Portugal	BBB-	5,0 %
Sparebanken Telemark	Norway	A	4,7 %
Heathrow	United Kingdom	BBB	3,7 %
Agder Energi	Norway	BBB	3,1 %
Bharti	India	BBB-	3,1 %
Entra	Norway	A-	3,1 %
Cosan	Brazil	BB	3,1 %
DSV	Denmark	BBB+	3,1 %
Sum top 10			39,6 %

Average bond rating.

** Represent bonds from several legal units within the Glencore group

Global Credit spreads (OAS), last five years



- The graph shows global corporate credit spreads, meaning the average global corporate funding cost in basis points above the risk free interest rate
- The lines show the average credit spread and +/- one standard deviation
- As of now credit spreads are close to the lower standard deviation

For more information please visit:

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Information about [SKAGEN Credit EUR](#) on our website

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

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

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