P.S. Krøyer's dog, "Rap". Study. 1898. Detail. By Peder Severin Krøyer, one of the Skagen Painters. This image belongs to the Art Museums of Skagen.

SKAGEN Focus

Status Report August 2016

The art of common sense

SKAGEN

Summary – August 2016

- The fund is a highly concentrated equity fund with a broad all-global mandate. The overall objective is to invest in a few select investments with an exceptional risk/reward profile from an absolute return perspective.

- The target number of positions is 30-35 and the top ten positions should constitute 40-50% of the portfolio. At the end of the month, the fund holds 35 positions, and the top ten positions account for 43.5% of the portfolio. The cash position is 6.5%.

- SKAGEN Focus* was up 5% in the month measured in EUR, while the global equity markets (measured as MSCI AC World) were up 1%. In 2016, the fund is up 10.7% while the global equity markets are up 3.3%.

- JBS, Softbank and AIG were the strongest contributors to the fund's performance in August measured as absolute contribution in NOK. Crown Confectionary, First Quantum Minerals and Teva Pharmaceuticals were the main detractors during the month.

- During August we initiated a new position, Japan-based Taiheiyo Cement. The company is the largest cement producer in Japan but also has a sizable exposure to the US market. Please see attached fact sheet for more information.

- The fund has a broad mandate to invest in all geographies and sectors. The fund is also market capitalisation-agnostic, and currently small-cap** positions constitute 23% of the fund, while mid-cap and large-cap positions account for 47% and 30%, respectively. These figures may vary meaningfully over time.

** Unless otherwise stated, all performance data in this report relates to class A units and is net of fees.*
*** Small-cap defined as market cap below USD 2bn, large-cap more than USD 10bn.*

SKAGEN Focus A results, August 2016

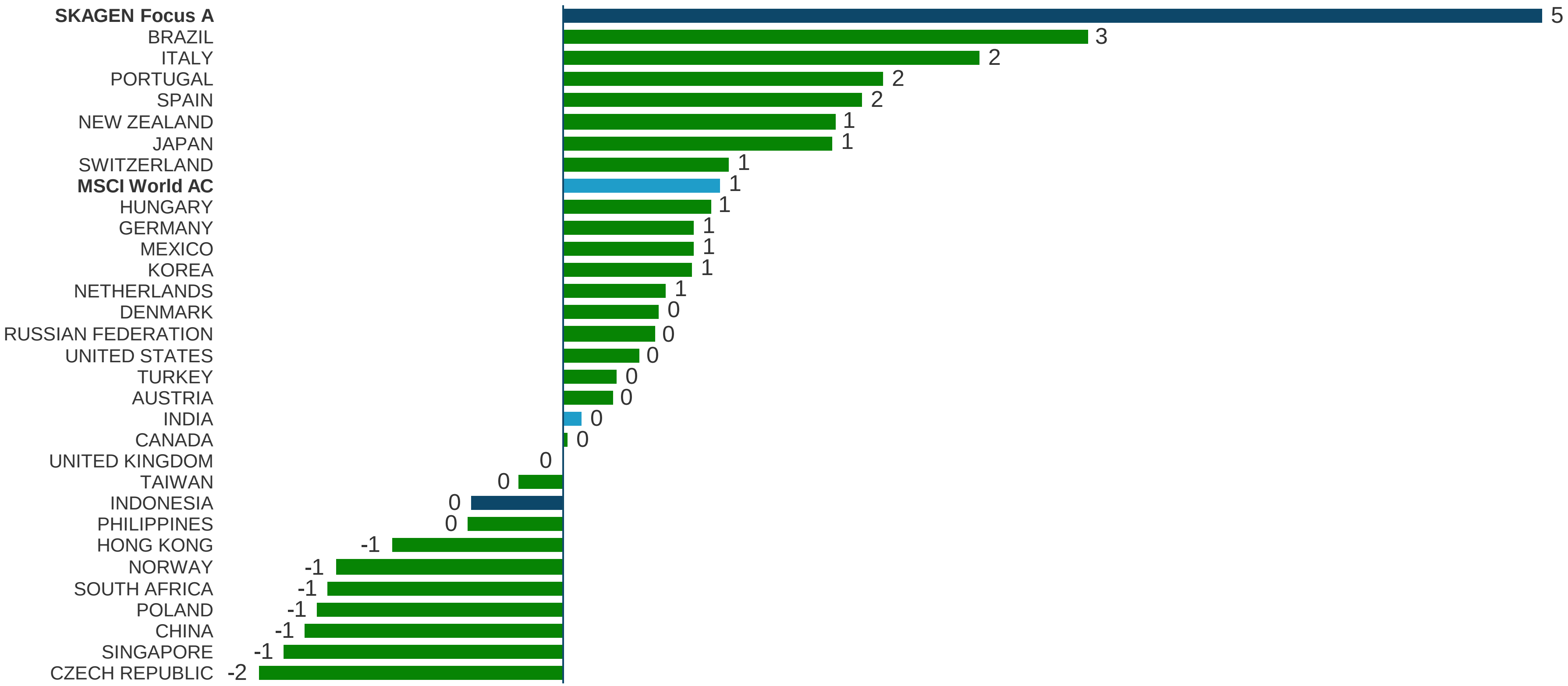
EUR, net of fees

	August	QTD	YTD	Since inception*
SKAGEN Focus A	5,0%	10,9%	10,7%	-5,1%
World Index*	0,8%	4,9%	3,3%	-3,3%
Excess return	4,2%	5,9%	7,3%	-1,8%

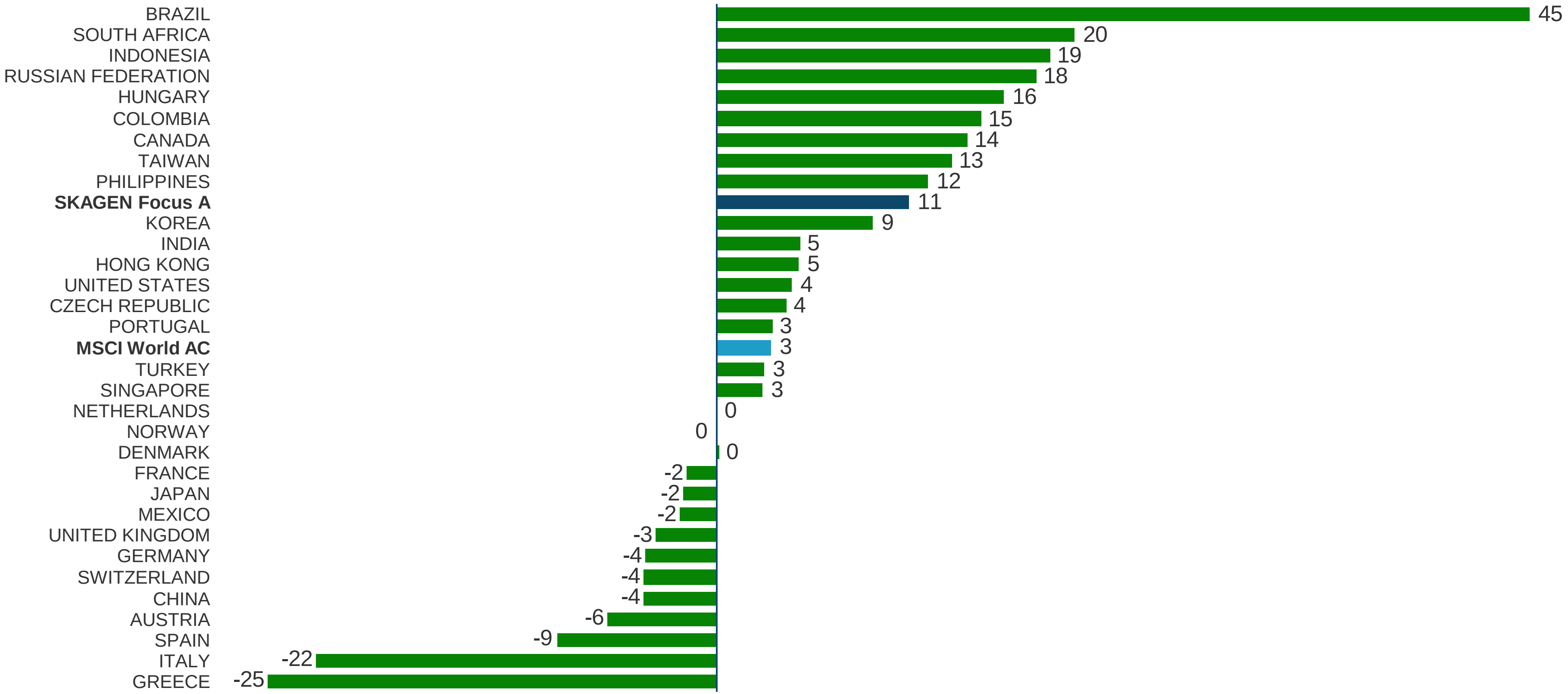
Note: All returns beyond 12 months are annualised (geometric return)

** Inception date: 26 May 2015*

Markets in August 2016, EUR (%)



Markets YTD 2016, EUR (%)



Main contributors MTD 2016

Largest positive contributors

Company	NOK (000)
Jbs SA	14 160
Softbank Group Corp	9 517
American International Group I	6 308
Omega Protein Corp	5 364
Rentech Inc	5 033

Largest negative contributors

Company	NOK (000)
Crown Confectionery Co Ltd	-5 983
First Quantum Minerals Ltd	-4 213
Teva Pharmaceutical Industries	-2 953
Carlsberg A/S	-2 766
E-MART Inc	-1 333

Value Creation MTD (NOK MM): 49

NB: Contribution to absolute return

Main contributors QTD 2016

Largest positive contributors

Company	NOK (000)
Jbs SA	18 220
Omega Protein Corp	11 903
American International Group I	10 475
Infineon Technologies AG	9 876
SBI Holdings Inc	9 523

Largest negative contributors

Company	NOK (000)
Crown Confectionery Co Ltd	-7 261
Pilgrim's Pride Corp	-2 653
Whiting Petroleum Corp	-1 783
E-MART Inc	-1 634
Magforce AG	-1 515

Value Creation QTD (NOK MM): 133

NB: Contribution to absolute return

Main contributors YTD 2016

Largest positive contributors

Company	NOK (000)
Jbs SA	23 848
Pan American Silver Corp	23 180
AirAsia BHD	20 030
South32 Ltd	16 800
Haitai Confectionery & Foods Co Ltd	15 971

Largest negative contributors

Company	NOK (000)
Aryzta AG	-8 164
American International Group I	-7 878
Crown Confectionery Co Ltd	-7 261
Uniqa Insurance Group AG	-6 191
Citizens Financial Group Inc	-5 418

Value Creation YTD (NOK MM): 106

NB: Contribution to absolute return

Holdings increased and decreased during August 2016

Key buys

- **Taiheiyo Cement (new):** We initiated a position in Japanese cement company Taiheiyo Cement. Please see attached fact sheet for more information.
- **Teva Pharmaceuticals:** Accumulated on weakness towards target weight.

Key sells

- **Jenoptik:** Stock has re-rated sharply which has lowered risk/reward dynamics. Position size reduced.
- **Infineon:** Stock has re-rated sharply which has lowered risk/reward dynamics. Position size reduced.
- **South32:** Stock moved significantly higher following solid FY16 results, first as a stand-alone entity after being spun-off from BHP. Position size reduced.

Most important changes Q1 2016

Q1 Holdings increased

Pilgrim's Pride Corp	(New)
Alphabet Inc	(New)
Massimo Zanetti Beverage Group SpA	(New)
Samsung SDI Co Ltd	(New)
FFP	(New)
Jbs SA	
Omega Protein Corp	
Infineon Technologies AG	
Aryzta AG	
Stock Spirits Group Plc	
Aercap Holdings NV	
Solazyme Inc	
Schaeffler AG	
AirAsia BHD	
Fourlis Holdings SA	

Q1 Holdings reduced

Sandisk Corp	(Out)
Uniqa Insurance Group AG	(Out)
Komatsu Ltd	(Out)
Pan American Silver Corp	
Ubiquiti Networks Inc	
Carlsberg A/S	
Fila Korea Ltd	
Aercap Holdings NV	
First Quantum Minerals Ltd	
South32 Ltd	
CIT Group Inc	

Most important changes Q2 2016

Q2 Holdings increased

Philips Lighting NV	(New)
Teva Pharmaceutical Industries	(New)
E-MART Inc	(New)
Haitai Confectionery & Foods	(New)
Softbank Group Corp	
Jbs SA	
Infineon Technologies AG	
Omega Protein Corp	
Schaeffler AG	
FFP	
Rentech Inc	
SK Hynix Inc	
Solazyme Inc	
Pilgrim's Pride Corp	
Aryzta AG	
TerraVia Holdings Inc	
Jenoptik AG	
Fila Korea Ltd	
First Quantum Minerals Ltd	
SBI Holdings Inc	
Massimo Zanetti Beverage Group SpA	

Q2 Holdings reduced

AirAsia BHD	(Out)
Pan American Silver Corp	(Out)
Haitai Confectionery & Foods	(Out)
SK Hynix Inc	
Ubiquiti Networks Inc	
Carlsberg A/S	
Jbs SA	
Omega Protein Corp	
Pilgrim's Pride Corp	
Citizens Financial Group Inc	
First Quantum Minerals Ltd	
Schaeffler AG	

Most important changes Q3 2016

Q3 Holdings increased

Company	
Taiheiyo Cement Corp	(New)
Crown Confectionery Co Ltd	(New)
Teva Pharmaceutical Industries	
Pilgrim's Pride Corp	
Aercap Holdings NV	
American International Group I	
SK Hynix Inc	
Magforce AG	
South32 Ltd	
E-MART Inc	
First Quantum Minerals Ltd	
Infineon Technologies AG	
Stock Spirits Group Plc	
Whiting Petroleum Corp	
Philips Lighting NV	
Fila Korea Ltd	
Omega Protein Corp	
FFP	
Aryzta AG	

Q3 Holdings reduced

Company	
Hyundai Motor Co	(Out)
Ubiquiti Networks Inc	(Out)
Jenoptik AG	
Infineon Technologies AG	
Omega Protein Corp	
South32 Ltd	
Softbank Group Corp	
Citizens Financial Group Inc	

Largest holdings in SKAGEN Focus

	Price	P/E 2016e	P/E 2017e	P/BV last	Price target	Upside to target %	Holding size, %
American International Group Inc	59,83	14,8	10,8	0,7	90	50 %	6,7%
Jbs SA*	12,50	37,3	7,5	1,5	22	76 %	5,5%
Softbank Group Corp	6 756,00	7,5	11,0	3,2	9 600	42 %	4,8%
Infineon Technologies AG	15,10	21,0	18,8	3,5	20	32 %	4,3%
SBI Holdings Inc	1 228,00	9,4	8,8	0,7	3000	144 %	4,2%
SK Hynix Inc	36 450,00	15,6	12,3	1,2	65 000	78 %	4,1%
Teva Pharmaceutical-Sp ADR	50,39	9,6	8,3	1,7	90	79 %	4,0%
Omega Protein Corp	25,21	12,1	12,5	1,8	30	19 %	3,8%
China Telecom Corp Ltd	4,01	16,9	14,5	2,2	8	100 %	3,2%
Citizens Financial Group Inc	24,77	13,5	12,1	0,7	35	41 %	3,0%
Top 10 positions		**13,2**	**10,7**	**1,2**		**65,4%**	**43,4%**
Total Equity (35 positions)							**93,5 %**
Cash							**6,5 %**
Total Portfolio							**100,0%**

As at 31 August 2016
**JBS is the main owner of Pilgrim's Pride, which is a 2.6% position in the fund. These two positions should be viewed as one, with a total weight of 8.1%.*

Key earnings releases and corporate news, August 2016

Fourlis Holdings
(1.0% weight)

Investment case update

Greek Fourlis has two main business activities: (1) operator of IKEA stores in Greece, Bulgaria and Cyprus and (2) operator of Intersport stores in Greece, Cyprus and Turkey. The company operates seven IKEA stores (five in Greece, one in Cyprus and one in Sofia, Bulgaria). Currently about 70% of sales are derived from the IKEA operations. In Q216, the company produced total sales of EUR 102m, which was 8% higher than last year. IKEA sales rose 10% while Intersport sales climbed 7%. IKEA EBITDA margins expanded nicely from 5.8% to 8.2% while Intersport expanded 100 bps to 11.2%. Total EBITDA grew 51% to EUR 9m. Net debt fell EUR 10m to EUR 134m which still is rather elevated at 3.5x net debt/EBITDA, but the company has several non-core assets, including land plots in Bulgaria, that could be sold to reduce the debt pile. On the call, management indicated further robust trends in July and August for IKEA and also pointed to the fact that Turkey is a smaller part of Intersport sales (below 5%) and does not present a major headwind at this point. As a sign of the improving operating environment, management stated the intention to reinstate a dividend for next year. On an overall basis, the home furnishing market in Greece has lost more than 70% of its value since the peak of 2008 and currently makes up just 0.4-0.5% of GDP in Greece and competition has been substantially reduced in the ultra-long recession. We believe that there is a gradual improvement towards normalisation of the business environment which is combined with operating leverage, resulting in substantially higher earnings power in the mid-term.

South32

(2.8% weight)

Investment case update

Australia-based South32 is a diversified mining company with production in alumina (32%), aluminium (24%), silver (17%), coal (14%), manganese (7%) and nickel (6%). The company was demerged from BHP Billiton in May 2015. The company delivered revenue of USD 5.8bn (down 25% over FY15) in its first FY report as a stand-alone entity driven mainly by a depressed commodity price environment. Underlying EBITDA was down 39% from last year to USD 1.1bn. The company has during the year delivered on substantial cost savings of about USD 380m and reduced capital expenditure by USD 300m. These activities resulted in an impressive free cash flow generation of almost USD 600m and turned the formerly indebted balance sheet into net cash of USD 312m; a maiden dividend was established (USD 1cps). Our investment case in S32 is based on company opportunities to cut costs and improve its asset portfolio after receiving a sub-optimal asset mix and cost structure from BHP, even in a depressed commodity environment. The company has so far exceeded initial plans, and we think the next step for management might be to engage in M&A, as they have one of the strongest balance sheets in the mining sector. The stock is trading at forward EV/EBITDA at 4x and a potential FCF yield of 10% following restructuring/confirmed cost-outs.

Key earnings releases and corporate news, August 2016 (cont.)

JBS
(5.5% weight)

Investment case update

Brazil-based JBS has transformed itself from a mid-sized local beef producer to one of the largest food companies in the world since its IPO in 2007. It currently has a leading global market share in beef, poultry (through 77%-owned Pilgrim's Pride in the US) and pork. In Q216, the company reported a 12% increase in revenue over last year. EBITDA was down 19% as margin fell 250 bps to 6.6%. Seara (increased corn prices), JBS USA Beef (cattle availability has not yet normalised across operations) and JBS USA Chicken (Pilgrim's) were particularly weak, while decent performance could be observed in JBS Mercosul, JBS Europe and JBS Pork. The results were once again distorted by the financial income line, as the company completely eliminated the formerly vast derivatives position in BRLUSD. This is a positive development for the investment case, as the derivatives position produced an even higher complexity for investors and was judged by many to be inappropriately sized in relation to underlying currency exposure. We note that the "savings" from derivatives carry costs alone would be around BRL 4bn annualised. Net debt/EBITDA increased to over 4x despite the BRL strength (over 80% of debt in USD). A major corporate restructuring is ongoing where the company recently filed for listing of a new company, JBS Foods International (JFI), in the US which will include the international operations (USA Beef, Pork, Pilgrim's, Seara and Moy Park). JBS Mercosul (Beef Brazil) will remain listed in the current Brazilian entity. This process is expected to be completed before year end. If JFI would trade at a 10-15% EV/EBITDA discount to US listed peer Tyson, the overall equity value for holders of JBS would still be within reach of our price target. JBS has been trading at depressed multiples of around 4-5x EV/EBITDA following indirect connections to corruption allegations and worries over the substantial currency derivative position.

Pilgrim's Pride

(2.6% weight)

Investment case update

The company is the largest chicken producer in the US and second largest in Mexico. 80% of sales are in the US, 12% in Mexico and 8% other geographies. Brazil-based JBS currently owns 77% of the company. Net sales fell 1% over last year in Q216. Operating margin was disappointingly 9.8% in the US and a satisfactory 20.5% in the Mexican operation. EBITDA fell over 30% from last year. In particular, the US operation was weak but seems to have been impacted by at least one plant unexpectedly being non-operational for most of the quarter. On the other hand, feed costs were probably the lowest seen in many years which helps margins. Adjusting for the impact of the non-operational unit, which now seems to be up and running, earnings would probably have exceeded recent market estimates. In the meantime, the stock continues to be plagued by a consensus view that the chicken cycle is about to take a turn for the worse. This is also visible through the elevated short interest in the stock at 32% of the smaller free float. In our view, the stock valuation indicates that the market has already discounted a sharp downturn in the chicken cycle, with earnings expected to fall towards 2018 and EV/EBITDA of 6x on depressed estimates combined with a potential 8-9% forward free cash flow yield. The ongoing share repurchase program (USD 300m) is gradually increasing the JBS ownership. As the listing of JBS Foods International draws closer, potential for further simplification of the corporate structure increases, which could benefit minority shareholders in Pilgrim's.

Key earnings releases and corporate news, August 2016 (cont.)

Fila Korea
(2.5% weight)

Investment case update

Fila Korea is the owner of the global brand Fila and several other brands. The company reported Q2 sales numbers that were up 4% YoY while operating profit declined somewhat. Top-line growth was driven by Fila's US wholesale business (now 43% of sales) and royalty contributions (now 16% of sales). The total group numbers were a solid improvement on last quarter's that contained a number of one-offs related to domestic sales. Since 2012, the Korean macro slowdown has created a difficult environment for retail business which has caused a drop in profitability, due to discounted sales. The company's domestic sales continued their downward trend during Q2 and declined 14% YoY, while operating profit improved and came in positive after recent efforts to restructure unprofitable parts of the domestic operation. The share price has suffered on the back of weak domestic momentum and we have been adding to the position on weakness. The company's ownership in Acushnet (owner of several golf brands such as Titleist) and its upcoming IPO (estimated second half of this year) is key to the investment case. Since Acushnet's full value and cash flow potential is not currently reflected in the share price of Fila, we believe that an IPO of Acushnet could unlock such values and be a catalyst for the share price. Acushnet has recently filed for an initial public offering in the US.

AerCap

(3.0% weight)

Investment case update

AerCap is the largest independent aircraft lessor globally. It is also active within engine leasing, trading and spare part sales/service of aircrafts. The company manages a fleet of 1300 aircrafts with a current order book of an additional 460 aircrafts. On an adjusted basis the company reported lower net income of USD 292m (down about 10% from last year), mainly on the back of lower basic lease rents (91 fewer aircrafts in the fleet after aircraft sales) and somewhat higher interest expenses. During the second quarter the company debt was upgraded to investment grade by both Fitch and S&P, confirming the successful de-levering process of the balance sheet since the IFLC acquisition. Capital allocation remains focused on share buybacks (15m shares bought back in the quarter) as the stock is trading at a 20% discount to book value. Delivery of 100 aircrafts in 2017 has already been placed and excess capital generation was confirmed at USD 800-900m for the year, fuelling potential for further share buy-backs. As the stock is trading at 6x P/E and about 70% of its liquidation value (USD 55/share), we think the stock continues to offer a very compelling risk/reward.

Key earnings releases and corporate news, August 2016 (cont.)

Schaeffler
(2.3% weight)

Investment case update

Schaeffler is a Germany-based automotive/industrial company, mainly active in engine and transmission systems (auto) as well as bearings (industrial). The company executed, with exceptionally poor timing, an IPO of its shares in the middle of the Volkswagen emission scandal in October 2015. We participated in the IPO. The company reported Q2 sales of EUR 3.4bn, an increase of 3%, at constant currency. Earnings quality remained at high levels, delivering an adjusted EBIT margin of 13%, an EBIT increase of 14% YoY driven by solid margins in both the Automotive and Industrial segments. The industrial segment (23% of sales) continued to see sales decline due to a still challenging market environment, but delivered a solid operating margin of 8.3%, a recovery due to FX headwinds reversing from Q1 and improved gross margin. This improvement was important for the troubled segment that has a long-term EBIT margin target of 8% and is addressed by the current restructuring program. The automotive segment (77% of sales) continued to see strong demand for its products across all regions and especially greater China. Automotive EBIT margin came in at 14.1%. Free cash flow for the group was strong during the quarter, driven by lower capex spending, amounting to a level of EUR 328m (substantial improvement compared to EUR-12m during the same period last year). Net debt decreased somewhat and is currently at 2x EBITDA. Overall we think these numbers show that the company is executing well and is on track to de-lever its balance sheet through strong cash-flow generation. With current operating quality and potential margin improvements ahead, we think the stock should at least trade in line with other high-quality auto-parts/industrial names, and suggest the initial upside to be around EUR 18-19/share.

Jenoptik

(2.1% weight)

Investment case update

Germany-based Jenoptik has a leading position in precision optics, traffic monitoring, new laser technologies, production measurement and individual applications in the military and civil vehicle and aircraft equipment. The company reported Q2 numbers showing a revenue decline of 1% YoY while EBITDA increased 6.4%. The Optics and Life Science segment (37% of sales) was the main contributor to profitability growth (up 43% YoY), driven by demand from the European semiconductor industry. The EBITDA contribution from the Mobility segment (33% of sales) was down 6% due to lower segment sales driven by lack of investments from oil-exporting countries and a sluggish US market. Jenoptik continues to deliver a solid free cash flow and the order intake improved slightly sequentially but was down 3.6% YoY, as the majority of big orders expected for this year will be booked during the second half of the year. The company fully confirmed its FY16 guidance. Our position in the stock was reduced late last year into strength, but we still see substantial upside as the solid fundamentals get priced in.

Key earnings releases and corporate news, August 2016 (cont.)

Stock Spirits Group
(1.8% weight)

Investment case update

Stock Spirits is a branded spirits (primarily vodka) and liqueurs business focused on Central Europe, mainly Poland, the Czech Republic and Italy. The company reported results for the first half of the year whereby sales increased 7.4% while EBITDA increased 66% YoY. Most importantly, there were early signs of stabilisation. The interim CEO, Mirek Stachowiz (based in Poland), was promoted to permanent CEO and further cost cuts were announced. In its core market of Poland (more than 50% of sales), the overall vodka market returned to volume growth YTD versus a decline during the same period last year. As a response to the loss of market share during recent periods, and under the influence of shareholders, the company implemented a price reduction in May this year to stay more competitive. The implementation of the strategic decision seems to have worked its way through the supply chain to the consumer, with the price gap on leading products between Stocks and competitor brands being narrowed. According to Nielsen data, Stock Spirits' market share was 25% in the overall Polish market and 29% in the traditional trade channel, which reflects stabilisation in the last few months. Although it is still early days, we see positive signs of change with the activists involved and continued signs of a fundamental business turn-around. The company has a highly discounted valuation (30-40% discount to peer group) and we see scope for further re-valuation in the mid-term. Our price target is GBP 2.6 (now GBP 1.6) which is 12x the mid-term EV/EBITDA multiple.

AIG

(6.7% weight)

Investment case update

This quarter AIG delivered an outstanding result touching on all parts of our investment thesis as i) underwriting improved in P&C ii) expenses were cut aggressively across the board, and iii) the company continued to aggressively return capital to shareholders, buying back shares at a discount to book/fair value. Though the fundamental improvement was masked somewhat by (expected) higher catastrophe losses, the core P&C loss ratio was ahead of expectations (60.6% vs. 61.7% in 2Q 2015) primarily driven by a significant improvement in the historically weak commercial business (improved loss ratio 4pp YoY. Similarly, the firm made solid progress against its cost reduction targets, with the P&C expense ratio coming in at 32.2% vs. 34.6% last year (ahead of expectations). Finally, AIG spent almost USD 3bn to buy back shares in the quarter and have already returned almost USD 8bn to shareholders this year (vs. a market cap of USD 62bn).

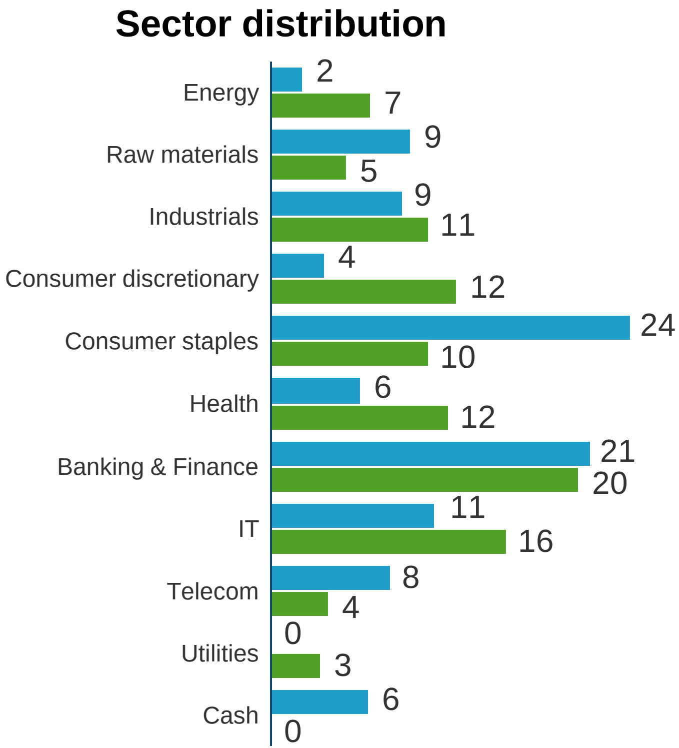
Key earnings releases and corporate news, August 2016 (cont.)

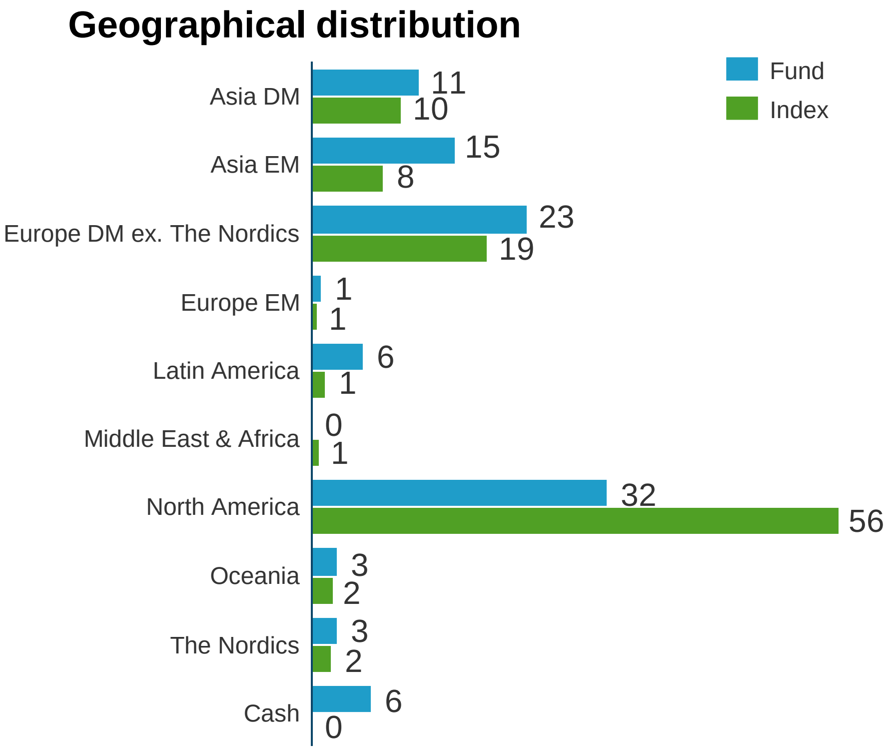
Infineon
(4.3% weight)

Investment case update

Infineon is a German semiconductor manufacturer founded in 1999, when the semiconductor operations of the parent company Siemens AG were spun off. The company produces semiconductors and systems solutions. The company reported solid Q316 numbers with the core segments – relating to hybrid and EV (60% of sales) – performing well, leaving the fundamental story intact. Weakness in segments relating to mobile/smartphones was a drag on profitability. Group revenues were up 1% from last quarter and 3% compared to last year. The automotive division (40% of sales) grew 9% YoY and expanded the margin from 11.4% to 15%, driven by demand for hybrid/electric cars. The Industrial power control segment (20% of sales) also performed well, supported by demand for renewable solutions, growing 4% YoY while expanding the segment margin from 11.9% to 15%. Profitability for the group came in below mid-point guidance, due to ongoing weakness in smartphone demand and chip security, which was initially taken negatively by the market. Both the Power Management and Multimarket segment and the Chip Card & Security segments (25% and 15% respectively), which include the major part of smartphone activities, saw margin contractions due to soft demand and inventory write downs. Free cash flow was strong, supported by timing effects. We believe that Infineon has a unique position with its enviable market positions in the structural shift towards hybrid engines, auto electrification and the autonomous car (especially within radar applications) and the explosive growth from increased semi-content in these areas. This has yet to be reflected in the share price of the company, which is trading at a discount to its higher quality industrial peer group.

SKAGEN Focus sector and geographical distribution





Taiheiyo Cement (5233 JP) JPY 289

TAIHEIYO CEMENT GROUP

History, what they do and how case was found

- Largest cement company in Japan and 13th largest globally with approx. 40m tonnes total capacity (about 60% in Japan)
- Japanese cement market is an oligopoly with three players following consolidation
- Geographic revenue mix: Japan 80%, US 15%, Other 5% (Singapore, Vietnam, HK, Philippines, Australia)
- Segment revenue mix: Cement 65%, Mineral resources 10%, Environmental business 8%, Construction materials 10%, Other 7%); private/public 50/50
- Integrated with minerals business providing large part of internal raw material needs
- ESG – no major issues identified

Rationale for investment

- Following a few years of contracting domestic cement demand, several drivers for increased demand in the mid-term, such as government infrastructure spending initiatives and Olympics 2020 in Tokyo
- Overlooked opportunity to get exposure to increased US infrastructure spending (the only thing the two presidential candidates agree on), many US domestic peers are trading at elevated valuations
- Underestimated capacity impact from the US following acquisition in mid-2015 from Martin Marietta (MLM US); key region for company is West Coast (California, Portland)
- Company plan sees EBITDA at JPY 125bn in 2018, analysts however remain overly negative on outlook
- Attractive valuation at mid-term EV/EBITDA 5-6x, ROE 14%, P/B 1x and potential 10% forward free cash flow yield
- De-levering and simplification of balance sheet – currently 2.5x net debt/EBITDA; recently sold Korean subsidiary to deploy cash in the US

Potential triggers

- Achievement of mid-term targets including net debt reduction
- Early indicators that the cement market is changing for the better in domestic market
- Higher infrastructure spending in the US

Risks

- Downturn in Japanese and US infrastructure spending
- Higher input costs, mainly coal prices
- Capital allocation

Target price

The stock is trading at a substantial discount to global cement companies and to its absolute fair value. We set a target price of JPY 420 which is 11x mid-term earnings power or 8x EV/EBITDA.

Key Figures:

Market cap	JPY	371bn
	USD	3.7bn
EV/Sales		0.9x
EV/EBITDA		5x
Net debt / EBITDA		2.5x
P/E		8x
Price/book		1.0x

Owners:

Blackrock	7,0%
Govmt Pension	6,7%
Mizuho Financial	4,8%

Team Focus, August 2016

www.taiheiyo-cement.co.jp

3U addition to fact sheet

Unpopular

- The depressed cycle in domestic cement has turned the stock /sub-sector into an ignored investment opportunity.
- 33% of analysts are at sell/hold

Under-researched

- 9 analysts are covering the stock. Analysts in general do not view the company's internal plan as realistic, and indicate that the mid-term earnings power is substantially below company guidance.

Under-valued

- The stock is trading at a discount to global cement peers and to its absolute fair value. We set a target price of JPY 420 which is 11x mid-term earnings power or 8x EV/EBITDA.

The 10 largest companies in SKAGEN Focus

AIG is an international insurance company serving commercial, institutional and individual customers. The company provides property-casualty insurance, life insurance and retirement services. AIG was at the very centre of the financial crisis as the central bank for mortgage insurance – it was bailed out in a USD 180bn bail out. The company has two core insurance holdings: Sun America and Chartis that it intends to keep.

Brazil-based JBS has transformed itself from a mid-sized local beef producer to the world's largest animal protein processor in just a few years since its IPO in 2007. It is now the world's #1 beef, #2 poultry and #3 pork producer by sales. The company operates in six main segments: JBS USA Beef (40% of sales, US beef processing), Moy Park (14%, UK-based chicken and foodservice provider), Pilgrim's Pride (14%, 2nd largest chicken producer globally; separately listed in the US; PPC US, JBS ownership 75%), JBS Mercosul (13%, Brazil-based beef processing), JBS USA Pork (10%), JBS Foods (9%, prepared foods and poultry processing).

Japan-based Softbank is a telecom and internet conglomerate. The company's main assets are 1) the Chinese online giant Alibaba Group (32% holding). Alibaba is the leading online commerce platform in China, active both in retail and wholesale; 2) US-based telecom operator Sprint (80% ownership) which provides wireless services in the US and is the third largest wireless network operator after Verizon and AT&T; and 3) domestic telecoms (mainly Softbank Mobile, third largest telco in Japan after KDDI and NTT Docomo).

Infineon Technologies AG designs, manufactures and markets semiconductors. The company's products include power semiconductors, microcontrollers, security controllers, radio frequency products and sensors. Infineon markets its products to the automotive, industrial, communications, consumer and security electronics sectors.

Japanese company established in 1999 as an online financial services company, incubation arm of Softbank. Acquired E*Trade Securities in 2003, Softbank sold out in 2006. Three main businesses: i) Financial services; ii) Asset management, iii) Biotech Financial services. Building an ecosystem to offer full range of financial services: SBI Securities: Dominant provider of online securities services in Japan, #3 in new tax-saving NISA behind Nomura and Daiwa. SBI Sumishin Net Bank: pure-play internet bank. Also active within insurance (Life & Non-life), Mortgages (through securitisation), trading system and FX trading.

The 10 largest companies in SKAGEN Focus (cont.)

SK Hynix Inc. is a Korea-based company engaged in the manufacture of semiconductors. The company mainly develops and manufactures memory and non-memory semiconductors. Its memory semiconductors include dynamic random access memory (DRAM), multi-chip products (MCPs) and NAND flash memory semiconductors, which are used for cellular phones, PC, digital televisions, digital cameras and other electronic products. The company has the number three market share (in the current oligopoly) in DRAM, behind Samsung and Micron.

Teva's history can be tracked back to Jerusalem in the 1930s. Today Teva is the world's largest producer of drugs that have gone off-patent. HQ in Israel; presence in 60 countries; 45k employees. Teva's strategy is to focus on 1) Central nervous system (CNS) 2) Respiratory and 3) Improved versions of existing drugs (not just Teva drugs) and 4) Production of biosimilar drugs. In July 2016, The US Federal Trade Commission granted Teva approval for the acquisition of Allergan's generics business (Actavis).

Omega Protein Corporation is a nutritional ingredient company in the US that markets fish meal and fish oils from menhaden, an oily, virtually inedible fish found in the Gulf of Mexico and in the Atlantic Ocean. The company fishes for its own source of raw material and without their own catch. They are the largest US producer of Omega 3 fish oil and specialty fish meal products. These heart-healthy fish oils have experienced rapid growth as a dietary supplement and fish meal is finding increasing usage in nutritional food additives.

China Telecom is a full services integrated information service operator in China. The company, along with its subsidiaries, is engaged in the provision of basic communications services, including wireline telecommunications services, mobile telecommunications services, value-added services, such as Internet access services, integrated information services and other related services. China Mobile, China Telecom and Unicom are the largest and dominant service providers in the country. China Telecom is the growing 2nd player behind China Mobile in a maturing industry, yet with massive growth in data downloads.

The company is one of the oldest financial firms in the US, with headquarters in Providence, Rhode Island, with its roots going back to 1828. It is currently the 13th largest retail bank in the US with a footprint in New England, the Mid West and the Mid Atlantic, with over 1200 branches in 11 states. The company was listed in September 2014 after being spun off from the UK-based bank Royal Bank of Scotland (RBS).

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Unless otherwise stated, performance data 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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