

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

Some only see the clouds - we see a ray of sunshine

Our funds 2007

Portfolio managers' report

Keeper of the faith

Interview with Kristian Falnes,
Investment director in SKAGEN

Outlook 2008

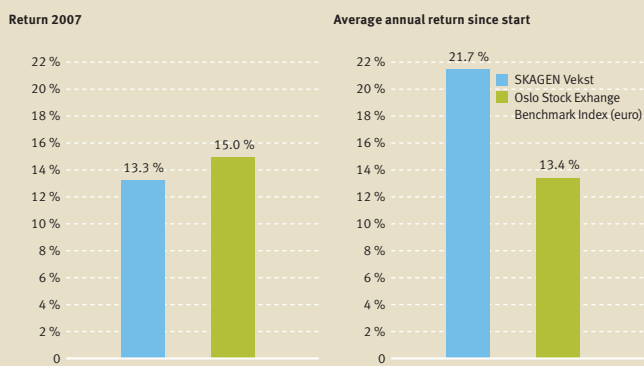
A good time for bargains

Another good year

2007 was another good year for SKAGEN's clients, despite temporary turbulence and unrest in many markets. Both of our fixed income funds and two out of our three equity funds, which are ranked among the best in the world, delivered better returns than their respective benchmark indices.

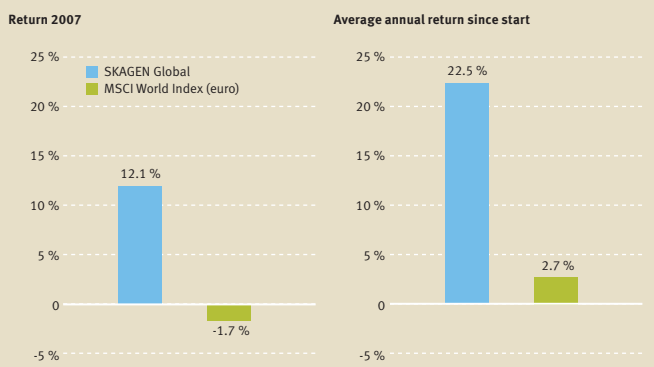
SKAGEN VEKST

Manager: Kristian Falnes **Start:** 1 December 1993



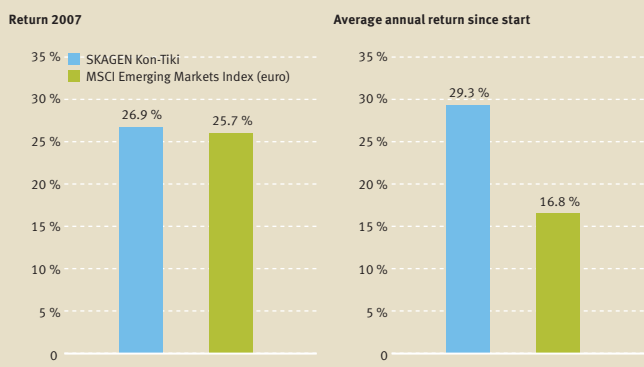
SKAGEN GLOBAL

Manager: Filip Weintraub **Start:** 7 August 1997



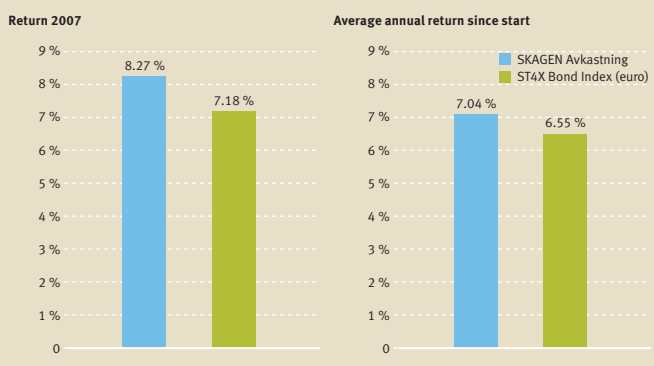
SKAGEN KON-TIKI

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



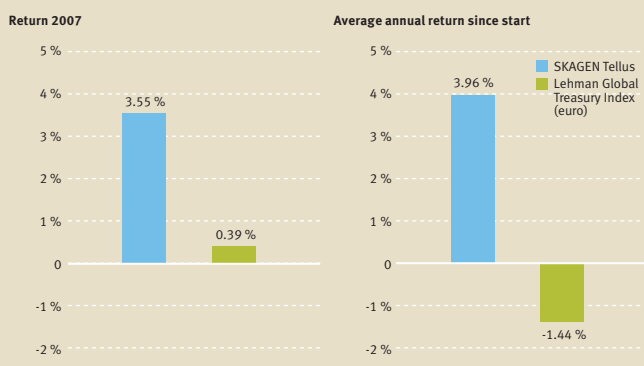
SKAGEN AVKASTNING

Manager: Ross Porter **Start:** 16 September 1994



SKAGEN TELLUS

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



Unless otherwise stated all figures quoted in this report are in Euro, except for the annual account numbers and notes, which are in Norwegian kroner.

SKAGEN Funds only has authorisation to market its money market funds SKAGEN Høyrente and SKAGEN Høyrente Institusjon 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 in this English language publication.

The Annual Report 2007 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 text and the English translation, the Norwegian text shall prevail. The Norwegian version of the Annual Report 2007 is available on www.skagenfondene.no.

The best at the world's end

A while back a Swiss newspaper wrote that the greatest investment company in the world is situated at the end of the world. The end of the world is defined as Stavanger, Norway and the company as SKAGEN AS.

It is to some extent understandable that, to the average European, a small town in Norway, which isn't even a capital city, may seem like the back of beyond. And it is interesting that the distance travelling to Stavanger from the rest of Europe appears greater than if you are travelling in the other direction. Still, in a globalised spherical world, the town is not as distant as most people think.

SKAGEN AS was founded in 1993 and is still headed from Stavanger. A culturally diverse group of investment professionals with years of experience from various markets and backgrounds are gathered here in an intellectual collective. While deeply rooted in a value investing tradition, SKAGEN has developed and kept to its own style. You can read more about our investment philosophy on page 8. The result is extraordinary, with extremely good historical returns. All our equity funds are, as of 2007, among the best in the world and rated AAA by Standard & Poor's.

SKAGEN started its international activity in 2001 in Sweden and currently also has marketing permission in Denmark, Finland, Iceland, Luxembourg, the Netherlands and the UK. We currently market three global equity funds and one bond fund.

It is all too human to fear the unknown, and Norwegian funds are still perceived as an unknown phenomenon to most Europeans. Still, the Norwegian finance sector has its core laws and regulations determined by the EU commission. More about this can be seen in our Business Support and Compliance Manager, Frances Eaton's article on page 36.

The funds managed by SKAGEN are denominated in Norwegian kroner, but subscription and redemption can be carried out in various



Åge Westbø, Deputy managing director of SKAGEN Funds.

currencies, such as euro, British pounds and US dollars. This is not done by means of share classes but by pricing the funds' assets in different currencies. You can therefore buy units in one currency and redeem the same units in another if you wish. The currency risk that exists in the fund will be the combination of currencies in the portfolio. In general is it possible to hedge against the effects of currency fluctuations? In his article on currency risks on page 38, Harald Haukås, one of our analysts, maintains that in the long term, it is the management of the fund that is decisive.

Good communication is important to SKAGEN, and we therefore spend a lot of time improving the ways we keep in touch with our clients. Through our Market Reports, Annual Reports and monthly Status Reports, as well as our webcasts and meetings, we seek to provide our clients with the most relevant and timely information. You can subscribe to SKAGEN's news service at www.skagenfunds.com.

Stavanger may well be situated at the end of the world, but it's just as much a part of it. SKAGEN adheres to the same set of rules as the rest of Europe and we are working very hard to live up to the trust our clients have shown in us.

TABLE OF CONTENTS

2	Funds overview	37	Risk and SKAGEN
3	The best at the world's end	38	Currency risk in SKAGEN equity funds
4	Leader	40	Performance and risk measurements
6	Portrait interview with Kristian Falnes	41	Fund rankings
8	Portfolio managers' report	42	Board of directors' report – Long-term efforts pay off
10	2008: A good time for bargains	46	Annual accounts
12	Towards a dual picture of the world	47	General notes
14	Free markets: a premature obituary	63	Auditor's Report
16	Islamic finance and Korean internet brokerage	64	Highlights 2007
18	Inflation: victim of the war against recession	66	Historical milestones
20	Portfolio managers' reports on the funds	67	SKAGEN employees get involved
36	Norwegian fund legislation		

Another good year

In spite of occasional turbulence and unrest on the stock exchanges in several markets, 2007 turned out to be yet another good year for SKAGEN clients. All our fixed income funds and two of our three equity funds, which are ranked among the best in the world, outperformed their respective benchmarks.



Harald Espedal, Managing director of SKAGEN Funds. (Photo: Jan Inge Haga).

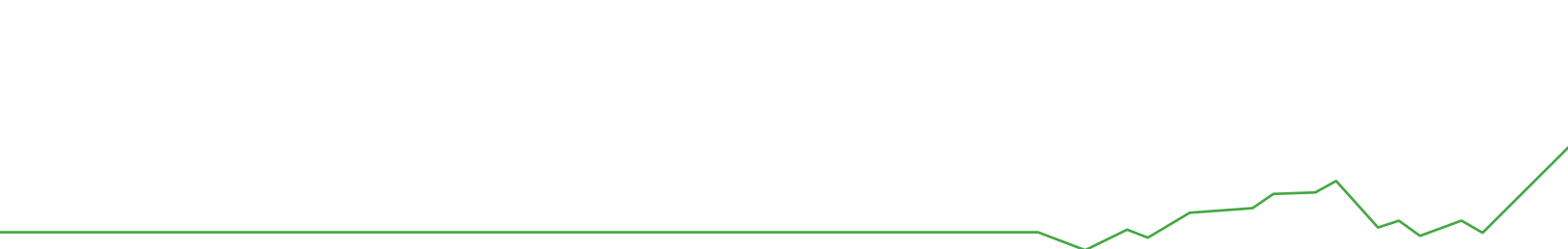
SKAGEN Global rose 12.1 percent during the year, and again ended up well above the Morgan Stanley World Index. Measured by returns, the fund has been ranked by Standard & Poor's as number 5 out of 1359 global funds over the past 5 years, and has beaten the World Index every year since its start in 1997.

SKAGEN Kon-Tiki rose by 26.9 percent in 2007, and beat the Morgan Stanley Emerging Markets Index. Standard & Poor's ranks the fund as number 1 out of 434 emerging market funds, measured by returns over the past 5 years. The fund has beaten its benchmark in every year since its launch in 2002.

SKAGEN Vekst rose by 13.3 percent and ended the year a little below the Oslo Stock Exchange. This fund is also rated by Standard & Poor's, and with a AAA it has the highest possible qualitative rating for its category.

The fixed income funds

Both of our internationally marketed fixed income funds also performed better than their benchmarks. SKAGEN Tellus and SKAGEN Avkastning delivered returns of 3.6 percent and 8.3 percent respectively.



«It is particularly gratifying to see that our clients are not only the most satisfied with their return on investment, but also with the communication, service and follow-up they receive.»

Our ambition is not to be the best fund over the past 12 months, but to be best in the long term by achieving excess returns and avoiding major capital losses. Our 2007 achievements made an important contribution to the realisation of this ambition.

Strong efforts in client communication

We have continued our efforts to strengthen service and communication. Our customer service capacity has been increased in order to maintain a high level of follow-up. Our website has been further improved, with focus on current news, TV webcasts and web meetings. The Market Report is now issued simultaneously in our home markets of Norway and Sweden, and is electronically available in English shortly thereafter.

With the introduction of multiple currency fund prices, our Swedish clients are now able to establish SEK saving agreements, and all overseas clients may now receive information about prices, execute transactions and receive return reports in their desired currency.

As before, we have focused on providing information to our clients, also via direct dialogue in connection with town-hall information meetings. In Norway, over 7000 clients participated in almost 100 information meetings. In Sweden we increased the frequency of these meetings, and in 2007 we arranged more than 150 information meetings from Skåne in the south to Kiruna in the north.

Satisfied and loyal clients

SKAGEN regularly conducts market research to find out more about what our clients think about our products, service, communication and follow-up. According to the latest annual independent funds survey, SKAGEN clients are the most satisfied. 92 percent replied that they would recommend SKAGEN to others. This is a very strong “ambassador” share – regardless of industry. It is particularly gratifying to see that our clients are not only the most satisfied with their return on investment, but also with the communication, service and follow-up they receive.

From our own client survey, we see that our Swedish clients are actually more satisfied than the Norwegian ones. Sweden is a more mature fund market, and we should expect more critical and demanding investors. Thus, we are happy to see that our Swedish clients give us a particularly high score on competence.

We are proud and pleased with the feedback from our clients, at the same time as we recognise that this is just a snapshot of a situation that we have to work hard to maintain. The funds survey also shows that SKAGEN clients are the most aware of the respondents, and that it is our clients that have the highest return expectations.

We thank our clients for their confidence and will do our utmost to continue to reach our objective of delivering the best possible risk-adjusted return, service, communication and competent follow-up in the future.

New branches

In the autumn of 2007 we opened an office in Gothenburg, Sweden, and more than 400 clients and guests attended the opening. Last year was the first complete financial year for our branches in Tønsberg and Copenhagen. By establishing these offices, we have come closer to our clients, and increased our level of service in important areas of the market. During the past year, SKAGEN was authorised to market its funds in Norway, Sweden, Denmark, Finland, Luxembourg, the Netherlands, Iceland and the UK.

At the end of 2007, SKAGEN had more than 143,000 clients. 4,300 of these clients were Swedish direct clients, and we also reach a large number of clients through our Swedish distributors. For the second year in a row, SKAGEN had the greatest net subscription in any equity fund in Sweden. Assets under management from Swedish clients have increased from EUR 881 million to EUR 1.92 billion.

2007 was also the year when SKAGEN made its international breakthrough. The British and the Dutch, in particular, have developed a taste for our funds. In the Netherlands, 300 potential clients participated in a town-hall information meeting. Net subscription from the Netherlands was EUR 189 million, and EUR 289 million from the UK.

Quality at all levels

2007 has demonstrated the value of being an integrated fund management company, meaning that the client and portfolio functions are closely integrated. We are just as concerned with the return actually achieved by each individual client, as we are with the overall return we create in each fund. We concentrate our efforts on what we know best, and therefore only offer funds for which we have the skills and capacity to do a superior job.

Kristian Falnes new Investment director

In November, Kristian Falnes took over the position as Investment director from Kristoffer Stensrud. After ten years of managing SKAGEN Vekst, Kristian Falnes is the natural choice, and the best candidate for the position. He has solid experience in implementing our investment philosophy, and is a key member of the management team. He will continue to manage SKAGEN Vekst. Kristoffer Stensrud has long wished to cultivate the professional part of his work, and spend less time on administrative tasks. Clients and employees alike will benefit from the experience and management skills of Kristian Falnes, as well as his talent and commitment to good organisation and management.



*Kristian Falnes, Investment director
SKAGEN Funds.*

Successful investment managers are often intellectually arrogant adrenaline junkies, bursting with pretensions but full of insecurities. In Kristian Falnes, I found the owner of a terrific investment record who is modest, unassuming, hard-working, a decent family-oriented man of simple pleasures. Underneath, though, are a strong backbone, focus and determination, a personality anchored in common sense and secure convictions.

Kristian, who are you, really?

I'm the unglamorous and down to earth hick from the fishing village that grew up to become the oil capital of Norway. I grew up in Stavanger, Norway, when it really was a village, post fishing and early oil. At school, I liked numbers and did accountancy and economics. I went to the Norwegian School of Management in Oslo and imagined that I'd end up as a chief financial officer. I've been married to Torhill for 20 years – she manages a successful software company. We have three children between the ages of 9 and 15.

What shaped your development?

I was lucky enough - though that wasn't how it felt in 1987! – that my first job was cleaning up after a big financial bust. You learn more in slumps than booms. Next, working at the coal seam for an Oslo-based finance company reinforced the critical importance of cash flow. Subsequently I returned to Stavanger for seven years varied experience in research and portfolio management. Working with Kristoffer Stensrud has definitely been a major influence on my development.

Kristian Falnes, Investment director of SKAGEN Funds and manager of SKAGEN Vekst, talks to British investment specialist Peter A. Scott.

Keeper of the Faith

When did you see the light and join SKAGEN Funds?

In November 1997 – just over ten years ago – I was invited to run the Norwegian component of SKAGEN Vekst. I assumed full responsibility of the fund in 2000. In 2007 I became Investment director of SKAGEN Funds.

What's the big issue for you in your new role?

That's easy – it's about helping to sustain great risk adjusted investment returns as the assets under management grow.

I suspect you mean avoiding the “shooting star” syndrome, i.e., when top-performing investment boutiques evolve into rather average major fund managers?

Yes. Part of my job is nurturing and sustaining those key elements of our investment philosophy and culture, which drive our investment performance, whatever our size.

Isn't there an inevitable dilution now the company is a big player?

No. SKAGEN may be a big fish in the small Norwegian pond but globally, it's not even a brisling. And our philosophy and processes are as strong as ever.

When I was a director of a London investment house with hundreds of accounts, our fund managers spent less time managing money than marketing new funds. Will you?

Our strategy is the exact opposite. We are focusing additional investment resources on a very small number of funds. We take on clients who don't divert our energies.

The Portfolio Department now consists of 14 professionals. How is the SKAGEN culture coping with the addition of smart, strong-minded individuals? Don't they have their own ideas and modi operandi?

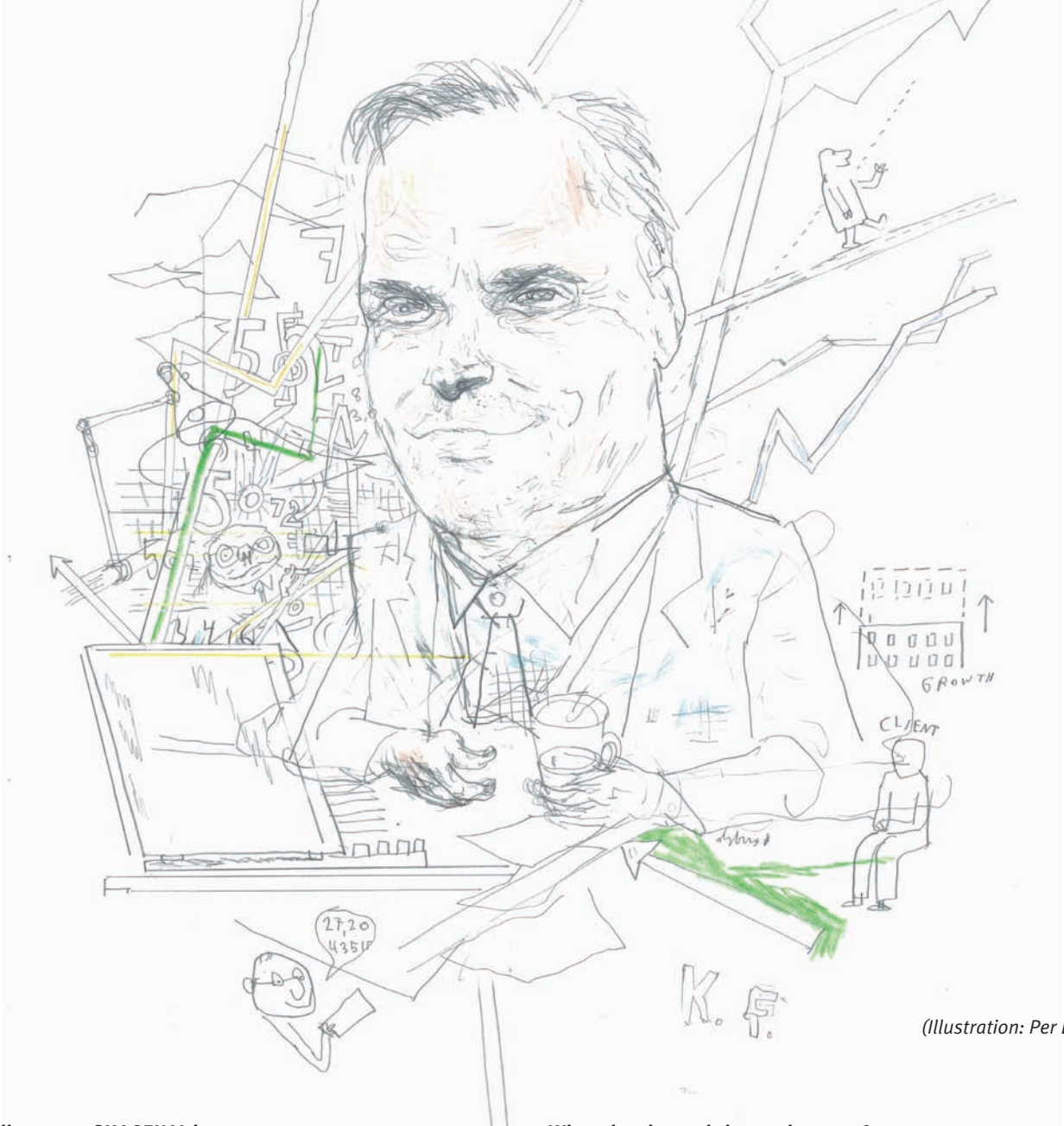
We would never suppress fresh thinking or creativity, but our strong philosophy, belief in our investment processes and attitudes aren't changing. What we have needed to adapt is our management priorities: we put more effort into the processes concerning dissemination of information, analysis and decision-making. Great investment ideas are precious. Ensuring their implementation is vital.

How do you sustain morale, particularly during rough patches?

This just isn't an issue, our morale is very robust. Talented portfolio managers don't come to Stavanger for its palm trees and exotic nightlife. But we nurture an environment that's fun, open, stimulating and inclusive. Any member of the team can put up an idea, make an investment case – and be treated with the same disrespect if it goes wrong.

What don't you enjoy about being investment director of SKAGEN?

Being more of a public figure. Getting up in front of large audiences – I'm not by nature an entertainer. I've trained myself, but it still doesn't come easily.



(Illustration: Per Dybvik).

You still manage SKAGEN Vekst.

How does your style differ from other fund managers?

I suppose, like all the others here, I'm grounded and practical rather than opportunistic.

I'm a miser – I hate to lose money. I won't overpay, even for great companies. Avoiding disasters isn't as glamorous an occupation as spotting winners, but it can contribute just as much, or more, to investment performance. And I'm very patient – I'll wait and wait to get in at the right level.

I'm conservative. I need all the facts. I won't own things I don't understand or trust. Forget ten times sales or ten times book for today's tech miracle - which could be tomorrow's Wal-Mart discount promotion.

What else do you bring to the party?

I have to be much closer than the rest of the team to opportunities in Norway. Also, as a Stavanger native, I know – and grew up with – lots of our unitholders, many of whom believe in us as much as we do ourselves. Because of this, we have very few "fair weather friends"; the unitholders know that we are running a marathon, not a sprint. This mutual trust helps define us as a company.

Finally, what do you enjoy most in your spare time?

I wish I had more of it. I have a great job, but I'm not a workaholic! My favourite time is Easter, when we go to the mountains with three or four other families. What could be better than a long ski trip with the family in the Easter sunshine.

ABOUT PETER A. SCOTT

Peter A. Scott is "retired", lives mainly in Malta, smokes cigars and supports his band, Ska Cubano. In his previous life he was a Member of the London Stock Exchange, ran investment management companies and pioneered emerging market investment a decade too soon. He learned to write at "The Economist". SKAGEN Funds occasionally tempts him out of retirement as a guest columnist.



No to Fashion

In investment industry jargon, we are “stockpickers”. SKAGEN does not use overall market timing, or industry or geographical allocation, as our main tools. Instead, we focus on buying, at the right price, and holding shares in companies with hidden value and/or hidden potential.

SKAGEN’s investment philosophy is encapsulated in our “3 U’s” – Unpopular, Under-researched and Undervalued.

The right philosophy...

There are “fashions” in investment which often result in irrational pricing of shares. Our ambition is always to be out of fashion! We are therefore ‘contrarians’, which means that we normally assume that the conventional wisdom is wrong about Unpopular shares. We then try very hard to identify where and why the crowd is wrong. The market is often right; there is a good reason why the company is unpopular. We only invest when our research tells us that we are looking at a mispriced quality company.

If a share is Unpopular, it is almost inevitably also Under-researched. Equity analysts don’t waste resources researching shares on which they can’t generate commission. Our portfolio management team has a substantial research capability, which is used to focus on the third ‘U’ – Undervalued assets.

However, it isn’t enough for shares just to be undervalued. We must also be able to identify “catalysts”, events or developments

that will cause the market (others) to also discover that the share is undervalued. One catalyst could simply be the company’s own performance. E.g. where a business model has been misunderstood by the market and proves more successful than the crowd expected. Other catalysts are more typical, such as management changes, restructuring, improving corporate governance, potential mergers and acquisitions.

We have the patience for the philosophy to produce results. Excessive portfolio turnover is a performance-killer. On average, we hold on to our companies for four years.

...implemented well

A key and essential extra dimension of the investment philosophy is how the portfolio management is organised. Our management company was established by, and is still mainly owned and run by, investment professionals with long experience from the capital markets. Thus, the investment process remains wholly in the hands of the managers.


We do not just seek to recruit the best portfolio managers, we also emphasise diversity, be it of culture, education and experience.

We avoid clones of ourselves. Our intellectual lifeblood is new perspectives, creativity, thinking “outside the box”, allied to hard work and thorough research – and a big dose of practical common sense.

Within our philosophical parameters, and legal limitations, senior portfolio managers have complete freedom to run their funds as they see fit in the unitholders’ best interests. They draw on a common research platform, but sometimes arrive at different investment conclusions.

All of this leads to a stimulating, exciting environment that results in our portfolio managers staying with SKAGEN. Financial incentives further align the interests of the portfolio managers with the interests of the unitholders.

Our rapidly growing fixed income management team is grounded in the same philosophy as equity management. Cooperation between equity and fixed income managers, allied to SKAGEN’s global perspective, is vital. Recently it helped us to evade the worst repercussions of the financial crisis.



«There are fashions in investment which often result in irrational pricing of shares. Our ambition is always to be out of fashion!»

The SKAGEN portfolio managers, from left to right: Ola Sjöstrand, Chris-Tommy Simonsen, Kristian Falnes, Omid Gholamifar, Kristoffer Stensrud, Knut Harald Nilsson, Fredrik Astrup, Ross Porter, Beate Bredesen, Filip Weintraub and Torgeir Høien

2008: A good time for bargains

“Some economists make weather forecasters look good”. With that caveat, here is a summary of some of our thoughts at the start of the new year.

US recession or not, the global economy will slow down in 2008. However, global growth will be maintained at a relatively high level. Emerging market consumers are becoming increasingly important contributors to keeping the global wheels rolling along at a nice pace.

China, India, Russia and Latin America will continue to be the major growth contributors, with the former as the clear lodestar – and the biggest risk. The Middle East and Africa are now starting to bloom for real.

During the past three years, global real economic growth has been clearly above the trend of the past 20 years. 2008 will provide slower growth than in recent years.

With this as a backdrop, we believe the following developments will be important for the markets in 2008:

- Emerging market consumer spending will become increasingly important. Many hundreds of millions of people in China, India and other emerging countries are climbing rapidly up the economic ladder towards western standards of living. Bicycles will be traded for cars, shacks for houses and some of the rice will be exchanged for salmon and steak.
- With increasing growth in the poor part of the world, a great pressure will remain on consumer related commodities. Big investments are expected on the supply side, particularly in the energy sector.
- In the emerging markets there is great demand for infrastructure investments, including roads, power grids and airports. This is good news for companies supplying input factors for infrastructure construction.
- The weak US dollar will stimulate increased exports from US multinationals. The agricultural sector will probably do fairly well, based on higher prices for agricultural products globally.

«US recession or not, the global economy will slow down in 2008 - but global growth will be maintained at a relatively high level.»

Lots of good news outside finance and property

As we write, the credit and money markets are still very scared. After realising their losses, banks are in need of new capital infusions. Stagnating and falling property prices, on both residential and commercial properties, lead to falling earnings also in this business. Companies that are reliant on western consumer spending, particularly in the US, may be facing a tough year.

Outside the banking sector, balance sheets seem to be in good shape, but for the first time since the equity boom started in 2003, analysts' earnings forecasts are generally too optimistic. Investors, on the other hand, appear to have adjusted their expectations downwards considerably in the first half of 2007. See the graph "Lowest growth expectations in ten years".

Lots of money on the sidelines

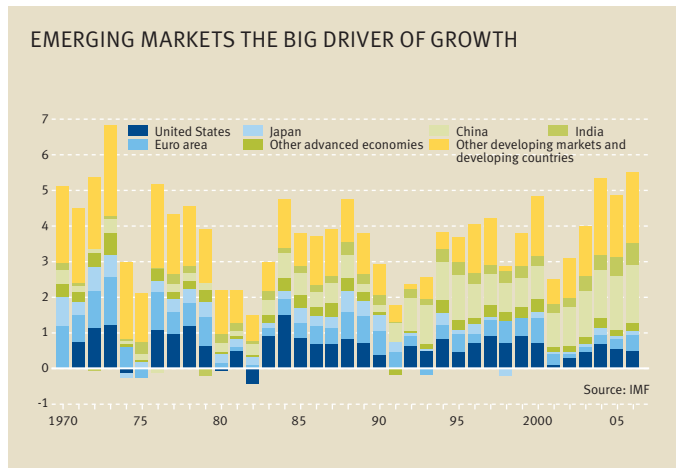
Continued big profits from industry and balance sheets full of cash, especially in the energy sector, indicate that there is lots of long-term capital out there seeking a home. Not to mention the emerging market sovereign wealth funds, which have already made their mark by providing fresh capital to seriously crippled US financial institutions. There will be more money available from this source.

Central banks in credit-squeezed economies may have to allow interest rates to fall much further, and thus provide liquidity.

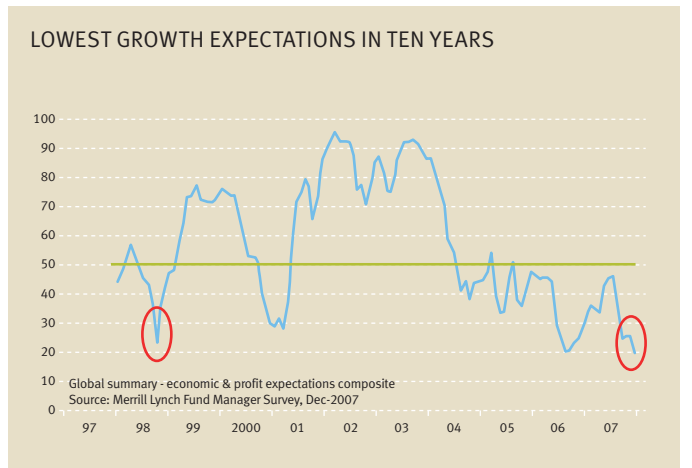
The year ahead will not be easy. It may be quite volatile. But fear and uncertainty often cause asset mispricing. M&A may be surprisingly buoyant. And for long-term, value-driven stockpickers like SKAGEN, more bargains should appear. We look forward to an interesting and profitable year.



Emerging market consumer spending will become increasingly important. Many hundreds of millions of people in China, India and other emerging countries are climbing rapidly up the economic ladder towards western standards of living. (Photo: Bloomberg)



In recent years, the emerging markets, led by China, have become increasingly important for world economic growth (this will also prove to be true in 2007, when the figures become available). The role of the US and the Euro countries has been shrinking. Japan, which was a relatively big contributor in the early 1970s, has now shrunk to "almost nothing".



A composite index of different expectation indicators used by global investors shows that the expectations of world economic growth and corporate earnings are at their lowest levels in more than ten years.

Towards a dual picture of the world

During these dark days for the global equity markets, emerging market investors have faith in the future. However, the big question is to what extent the emerging markets will now decouple from the developed countries.

Unusually, the global emerging markets fell by 2.3 percent during the first 11 days of 2008, while the developed equity markets and the Oslo Stock Exchange were down 4.5 and 9.2 percent respectively, measured in euro. The leading indicators from the US economy that were reported around the turn of the year were gloomy, and vouch for poor performance by the world's largest economy in the first half of the year. Recently we heard about massive write-offs of the loan portfolios of banks and financial institutions, primarily by the major US financial groups.

A lame US banking system is now being refinanced by investors from what we only just six months ago referred to as the Third World, the global emerging markets. This reflects our view of a new economic world order.

However, the big question is to what extent the emerging markets will now decouple from the developed countries. We have previously suggested that we should not use the Asian crisis of 1997-2000 as a benchmark for performance of the global markets going forward. Rather, we should refer to 1990-93, when both fundamental

economic developments and the equity markets went separate ways in the two regions.

Housing and banking crisis

In developed countries, the economy was, then as now, characterised by housing and banking crises in the US, UK and the Nordic region. Europe had to maintain a restrictive monetary policy in order to mitigate the effect of German reunification. Unless the US credit problems are directly contagious to the European banking system, which we consider quite unlikely, more flexible currency exchange rates in this decade will probably have fewer damaging effects than 17 years ago. Already, the weakening of the GBP reflects the fact that the UK will probably experience a significant slowdown. In line with the US, the UK has already improved its competitiveness significantly.

Many commentators have noted that the spread between emerging market government bond yields and US treasury yields has been rising moderately recently. This usually signals greater risk aversion, and thus a potential subsequent drop in equity prices. However, we believe that this is because US

treasury yields have sunk like a stone, and that the greater spread is therefore due to real underlying cyclical trends.

Liquidity driven rally?

During Christmas 2007 we saw several encouraging signs globally. The interbank rate has fallen sharply. Injections of money by central banks have proven to work. It was also positive that the US federal funds rate will probably be falling significantly more than was expected only a few weeks ago. At the same time, the other developed countries have passed the interest rate peak for now. With an increasing supply of money to the capital markets, we may suddenly find ourselves in the middle of a strong liquidity driven rally by the equity markets.

Many people associate slower economic activity with falling commodity prices and shipping rates.

«A lame US banking system is now being refinanced by investors from what we only just six months ago referred to as the Third World, the global emerging markets.»



Many people associate slower economic activity with falling commodity prices and shipping rates. Since the turn of the year, the latter have trended down, from extremely high levels, while the prices of both industrial and agricultural commodities have risen significantly. (Photo: Bloomberg).

Since the turn of the year, the latter have trended down, from previously extremely high levels. However, please note that the prices of both industrial and agricultural commodities have risen significantly into the New Year. This is usually not an indicator of a strong global slow-down.

Reversal?

If we base our arguments on the presumption that what we are now experiencing is completely different from 1997-2001, we arrive at a number of interesting implications. One is that commodity prices probably have not reached their peak. The other is that world trade – as opposed to normal behaviour – is not declining, which indicates a higher oil price than most investors are now anticipating. Many will remember 1998 with horror. The year when the oil price plunged to 10 dollars a barrel (The Economist predicted that it would reach five dollars) and the Norwegian equity market was cut in half from peak to trough. In fact, the Oslo Stock Exchange did not recover properly until 2003. During 1999-2000 we had a couple of sector- and dollar-dominated, highly speculative years, which ended with a tremendous slump for both technology shares and the dollar.

We hope that a new economic world order will provide better luck this time!

IN 2007, THE EMERGING MARKETS DECOUPLED FROM THE WEST



Since the autumn of 2001, the global emerging markets have experienced better price performance than the developed markets. However, the great decoupling took place last year, when the emerging markets were up 26 percent, while the developed markets were down almost 2 percent, measured in euro. The same phenomenon occurred in 1991-1993. The indices are in euro, and not adjusted for dividends.

Free Markets: a Premature Obituary

Is the renascent authoritarian left about to defeat capitalism in the global emerging markets? Will energy riches and bribes mean the defeat of liberal democracy?

“A continent sliding into dictatorship” was the headline of a recent critical article on South America in the Sunday Times. Dozens of articles warn of a newly aggressive Russia, defining itself in muscle-flexing confrontations and the restoration of Kremlin control over major companies. A mooted Russia - Belarus union heightens fears of New Soviet imperialism. The 3 trillion dollar “Sovereign Wealth Funds” (SWF), secretive and opaque, are cited as a return to state capitalism with shadowy objectives.

Two steps back

Ten years ago, Latin American liberal democrats smugly surveyed their continent. Today, Venezuela, Bolivia and Ecuador are authoritarian socialist republics with anti-democratic leaders strongly backed by their indigenous poor. Several other Latin American leaders are populists with protectionist leanings. The few moderate countries are under constant pressure.

The overwhelming conviction seems to be that liberal economic experiments of the 1990s enriched the rich and failed the poor. These views justify state intervention, price controls and the occasional beating up of foreign companies as scapegoats for economic failure.

As usual, though, the overall picture is less obvious. The apocalyptic headlines don't tally with investors' experience. The big Latin economies, Brazil and Mexico, if imperfectly governed, are mainly private sector-driven successes with broadly sensible policies and

huge, sustained investment potential. Elsewhere, stock markets remain open for business and have (mainly) been kind to investors.

In Venezuela, the high water mark for the new Bolivar revolutions may have passed. The electorate recently drew a line in the sand by refusing to embed Hugo Chavez and his dreams in the country's constitution. His allies in Bolivia and Ecuador have also suffered rebuffs. Inefficiency and incompetence are undermining the energy bonanza that paid for the experiment.

Alternate routes in Russia

In Russia, parts of the historical Soviet “military-industrial complex” are being rescued. But although the Russian formula is undemocratic, neither is it a complete return to the worst horrors of central planning. The Putin doctrine is political: the subservience even of completely private companies to the will of the Strong Man in the Kremlin. Both local and foreign enterprises may operate and prosper, provided that they expect neither a level playing field nor the luxury of an impartial judiciary. Become rich, but never amass political influence; bow as you pass the new apparatchiks.

Russian oligarchs need strong foreign connections and friends overseas to further their own international ambitions and are an increasingly pragmatic influence inside the government. Foreign investors in Russia may suffer occasional collateral damage as the Kremlin stamps on its “enemies”, but provided

that they are below the political radar, and factor in a Russian discount for the risks, there are interesting opportunities.

Open and exciting

The most important stories of the 21st century, China and India, are, despite their constraints, becoming models of free market progress. Vietnam and others are hard on their heels. Liberalisation is driving high growth rates in Africa and the Middle East. Even Cuba, that museum of failed economic thinking, is signalling that it may, albeit very slowly, free up its society and economy. This is embarrassing for Cuba's most fervent sponsor, Hugo Chavez. SWF are the saviours of the US banking system.

Free market opponents may be right when they talk of the eclipse of American hegemony in the world. Political power will migrate, gradually, to the new economic giants. But while once they might have been regarded pallbearers for free markets, China and India have now become capitalism's new champions, to the eventual benefit of freedom and democracy.

Thus, the conclusion for international investors has to be that the world remains wide open and exciting.



Venezuela, under Hugo Chavez, as well as Bolivia and Ecuador, have become authoritarian socialist republics with anti-democratic leaders strongly backed by their indigenous poor. (Photo: Bloomberg)

Islamic finance and Korean Internet brokerage

We now use business model analysis as one more tool to identify value. Two good examples of its utility are our entry into Islamic financial shares and a Korean internet brokerage.

Christians were once forbidden to charge or receive interest, but in recent decades the prohibition has been utilised mainly by growing numbers of Islamic finance houses. These are not banks as such. Typically 20% of deposits are put into zero return current accounts, the remaining 80% share in profits and losses from assets and projects the money is lent to. There are no guarantees of either principal or income; borrowers pay a pre-determined fee.

The risk to the “bank” is limited to its share (10-25 percent) of any loan profits or losses. Some sectors, e.g. alcohol and gambling, are, of course, off limits, and there are bottlenecks associated with sharia principles. But the risk/reward ratio is hugely superior to the western banking model.

Our favourite Islamic finance vehicle, which we identified and found very interesting when it went public in May 2006, is Bank Asya. This is a Turkish private finance house, which utilises modern technology to bring interest-free banking to the “masses” in a very underbanked environment. The Bank Asya model focuses on close customer relationships and its inbuilt networking potential. The result is returns of 4% on assets, 40% on equity. Although competition will increase, we expect growth to be sustained at 30-50 percent p.a. over the next five years.

SKAGEN has made its entry into Islamic financial institutions. Our favourite, which we identified and found very interesting when it went public in May 2006, is Bank Asya. (Photo: Bloomberg)





Sophia Hagia, Istanbul. (Photo: Getty Images)

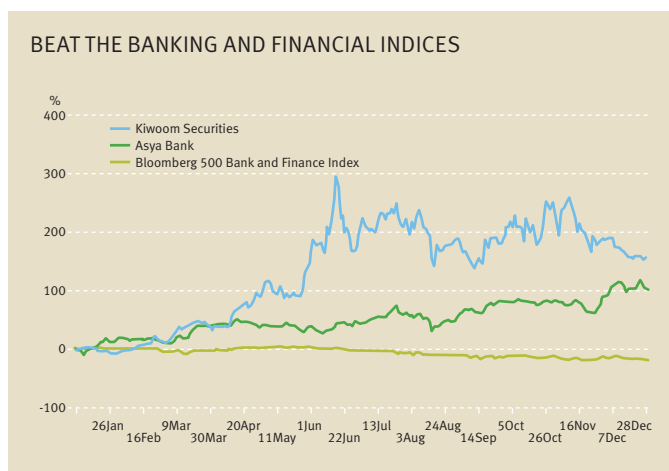
«Christians were once forbidden to charge or receive interest, but in recent decades the prohibition has been utilised mainly by growing numbers of Islamic finance houses.»

Why not Korea?

What's new about discount broking on the internet? Nothing – the concept appeared two decades ago and has been proved by big players in the US (Charles Schwab) and Japan - where internet brokers have 66 percent of the market.

With very high fast broadband penetration, Korea was a natural for internet broking. When Kiwoom.com was launched in 2000, the market was fragmented and commissions were high. Kiwoom.com simply imported the US model, basing its strategy on ultra-low overheads and technology that allowed fast, accurate trade processing at very low cost.

The result was a huge fall in Korean brokerage rates just as investors began to access cheap online research and information services, breaking the hold of the full service brokers. Helped by high brand recognition, Kiwoom.com now has over nine percent of the whole equity brokerage market and more than 15 percent of Korean retail brokerage. The latest move, which was made mid-2007, was to implement the Schwab 'fund supermarket' concept in Korea. Despite its track record, high return on equity (25 percent plus), and growth potential, Kiwoom.com trades at a huge discount to comparable stocks elsewhere. Just our kind of story.



Our two banks, Asya Bank and Kiwoom Securities, did their part in making the banking and finance sector a good contributor for our equity funds in 2007 – a year when the banking and finance indices globally, and especially in the US, fell. In fact, finance was the second best industry contributor to SKAGEN Global last year.

Inflation: Victim of the war against recession

The wind is blowing hard at the moment and dark economic storm clouds are gathering on the horizon. What will happen with inflation when the central banks prioritise fighting an expected recession?

Because the US economy seems to be the one most out of sorts, the Federal Reserve (the Fed) will be the most aggressive. However, this also heightens the risk of increasing inflation, especially in the US and in those countries with currencies tied to the dollar.

As late as the summer of 2007, the Federal Reserve's main worry was inflationary risks. As it turned out, with good reason. Headline inflation rose to 4.1 percent in December, an increase from 2.0 percent in August. Thus, the Fed signalled that its most likely move was a further hike of the policy rate, which was at 5.25 percent last summer.

Change of direction by the Fed

In the autumn of 2007, the Federal Reserve reversed course, cutting its policy rate from 5.25 percent to 4.25 percent. The reason, of course, was the escalating banking crisis and increased fear of recession. In hindsight, most commentators will probably judge the about-turn to have been justified. Now, however, there is still risk of inflation increasing further going forward.

Will weaker economic growth lead to lower inflation? No, not necessarily. Former Fed governor, Alan Greenspan, recently reminded us that lower growth is quite consistent with increasing inflation. The US had stagflation, a situation where the economy recedes concurrently with increasing inflation, in the 1970s. We may well see some of the same going forward.

Part of the inflation spike is temporary. Consumer price index gains have been amplified by huge surges in energy and food prices, which often fluctuate wildly. Their effect on overall inflation should abate,



Looser monetary policy has already manifested itself in a weakening dollar. This won't boost US inflation much in the short term but the long-term effects could be noticeable.
(Photo: Bloomberg)

«In order to prevent import of underlying inflation from the US, the Chinese will probably let the renminbi rise further relative to the dollar going forward.»

therefore, as long as their ascent doesn't continue at the same rate. This can't be ruled out, but it seems unlikely.

However, core inflation, which excludes food and energy, also increased slightly at the end of 2007, and was at 2.4 percent in December, up from 2.1 percent in August. 2.4 percent is well above the Fed comfort level of 1.6 – 1.9 percent.

Will the Federal Funds Rate be cut to 2 percent?

The Fed cut the interest rate twice in January, from 4.35 percent to 3 percent, and signalled that further cuts may well be underway. The market is now expecting the Fed to cut the policy rate further down to around 2 percent during the year. These rate cuts may be necessary to prevent a strong setback for the US economy. However, the risk is a too accommodating monetary policy, which will let core inflation increase further throughout 2008.

The Fed doesn't have the benefit of an inflation target anchor that could stem the drift in people's inflation expectations. Financial markets now expect an annual inflation of 2.3 percent over the next ten years. Consumers are expecting annual inflation of just over 3 percent over the next five years.

Laxer monetary policy has already manifested itself in a weakening dollar. This won't boost US inflation much in the short term but the long-term effects could be noticeable. In the short term, dollar weakness is most worrying for small open economies with rigid dollar pegs. Here, import prices have a far more direct impact on prices than in the US. Inflation accelerated markedly in many such countries with dollar pegs in 2007. If the dollar continues to weaken, it may become interesting for these countries to change their monetary policy.

China loosens its grip on the currency

China started allowing its currency to edge up against the dollar in 2005, and a measured appreciation since then has contributed to keeping the lid on core inflation, which has risen to just 1.4 percent. In order to prevent import of underlying inflation from the US, the Chinese will probably let the renminbi rise further relative to the dollar going forward.

In the euro zone, increased food and energy prices have pushed inflation to 3.1 percent, but core inflation remains at 1.9 percent, right below the targeted 2.0 percent.

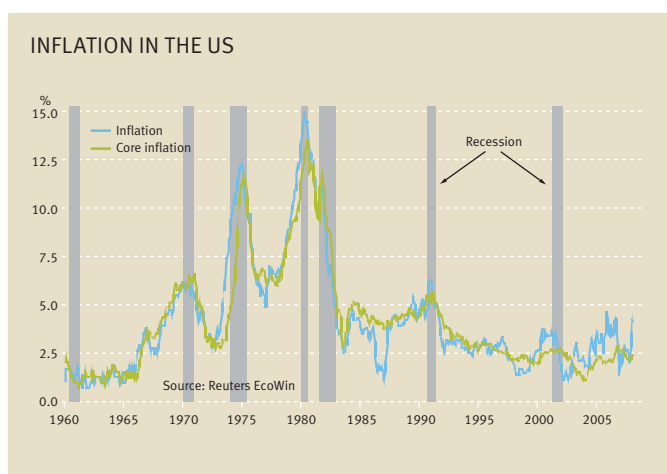
Like the other major central banks, the European Central Bank (ECB) has greased the banking system with billions of euros to ease the pain of the credit crisis, but its comments do not indicate any imminent need for rate cuts.

Strong euro dampens inflation

Some EU politicians think that the European Central Bank should cut interest rates because of the strong euro, but the ECB rightly construed the strengthening of the euro as not reflective of a too tight monetary policy in Euroland, but lax monetary policy in the US. The dollar weakened against the euro in 2007 because it is expected that an accommodating monetary policy will weaken the dollar's purchasing power for goods and services.

Thus, by not cutting the policy rate to weaken the euro, the ECB is protecting the purchasing power of the euro. For that reason, we consider the risk of increased underlying inflation in Euroland to be very small.

It is dollar inflation that may be the greatest problem in 2008.





*Kristian Falnes, Portfolio manager.
Manager of SKAGEN Vekst.*

In 2007, SKAGEN Vekst achieved a return for its unitholders of 13.3 percent, versus 15 percent for the Oslo Stock Exchange Benchmark Index (OSEBX). The Norwegian portfolio (56.6 percent of assets) underperformed the OSEBX by 3.2 percentage points, while our global portfolio outperformed the World Index by a useful 17.8 percentage points. The outperformance of the international portfolio reflected the success of our philosophy of identifying superior global substitutes for typical "Norwegian industry" plays, such as oil, oil service, shipping and commodities. These are sectors that are increasingly driven by the industrial expansion in China.

This greater diversification combined with our value-based investment philosophy (see the article "No to Fashion") has led to consistently lower risk, measured by standard deviation, than the Oslo Stock Exchange Benchmark Index. In 2007, for instance, the fund's standard deviation was 10.4 percent, compared to 13.8 percent for the OSEBX. In the long term, SKAGEN Vekst has also delivered consistently higher returns than the Oslo Stock Exchange. The fund has been recognised by rating agencies, such as Morningstar and Standard & Poor's, for having one of the best risk/return ratios.

Above all, SKAGEN Vekst is about performance based on "good value for money", and at the time of writing we see plenty. On average, the portfolio companies of SKAGEN Vekst are valued lower than the market in general, with respect to fundamental key ratios, such as P/E and Price/Book.

Leading industrials

Industrials was the year's top sector, gaining more than 30 percent. Top plays: Kongsberggruppen, Hyundai Heavy Industries and LG Corp. Energy, the largest sector exposure, also came good, appreciating by 19 percent, versus 11 percent for the Oslo Stock Exchange Energy Index. We want to ensure that we stay sufficiently diversified. Contrary to the Norwegian market, where energy represents about half of all market capitalisation, we have set a 33 percent ceiling for our energy weighting, which was also the energy sector's share of the fund at the turn of the year.

Even though information technology only constituted six percent of the fund's assets at the end of the year, a big price drop of 20 percent meant that this sector was a significant detractor from performance in 2007. The villains were Samsung Electronics (-7 percent), Eltek (-52 percent) and Global IP Sound (-74 percent).

Winners and losers

The top individual contributors to performance were holdings in Petrobras (+EUR 21.7 million), Yara International (+ EUR 20.2 million), Kongsberggruppen (+ EUR 18.5 million), Hyundai Heavy Industries (+EUR 17 million)

and LG Corp (+EUR 15.2 million). The biggest losers were Norske Skog (-EUR 20.5 million), DSG International (-EUR 10.6 million), Boliden (-EUR 10.3 million), Samsung Electronics (-EUR 9.4 million), and TGS Nopec (-EUR 5.7 million).

Oil equities still cheap

In energy we still think that the Fred. Olsen conglomerates Ganger Rolf and Bonheur are cheaply valued. Combined, these companies constitute our biggest holding (5.3 percent). Our research shows that the discount relative to actual values (intrinsic value) is still over 30 percent. In this calculation, Fred. Olsen Energy is valued at market price, which is too low in our opinion.

Among the oil companies, we still like Petrobras. Despite a gain of 117 percent in 2007, the company is still undervalued relative to its oil reserves and future earnings. The oil & gas business of Norsk Hydro was merged with Statoil during the autumn of 2007. The new company, StatoilHydro, is undervalued in our opinion, based on market oil price expectations.

After strong gains, we sold Seadrill and most of our shares in Transocean.

Good value for money



After a strong run, SKAGEN Vekst sold most of its shares in the US rig company Transocean towards the end of the year. (Photo: Bloomberg)

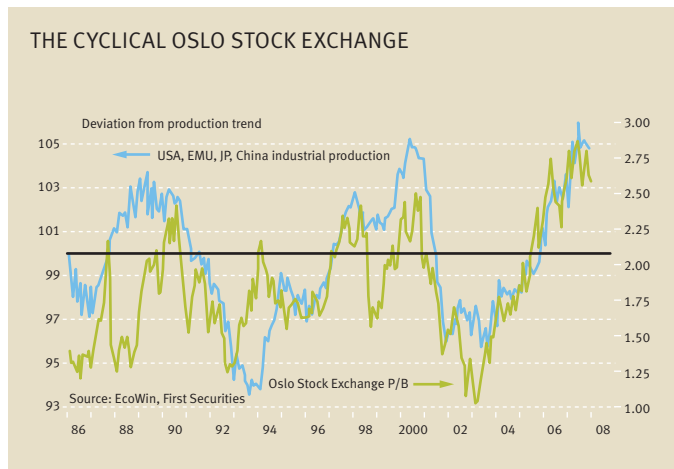
Supply and subsea service vessel investments like Solstad Offshore, Deepocean, Dof, Farstad Shipping, Eidesvik Offshore and Dof Subsea have been kept because of low valuations relative to earnings and values. Despite the large number of supply vessels on order, there will continue to be a tight market, especially for sophisticated anchor handlers, subsea service and construction vessels, in the years ahead.

In commodities, the two duds were Norske Skog (newsprint) and Boliden (copper and zinc). Both faced product price pressure and were hit by the weak dollar. We still like them for their strong cash flow generation. We played the fertiliser boom via Yara International, a low cost producer that continues to benefit from the boom in agricultural commodities. We sold a minor holding towards the end of the year, at a nice profit.

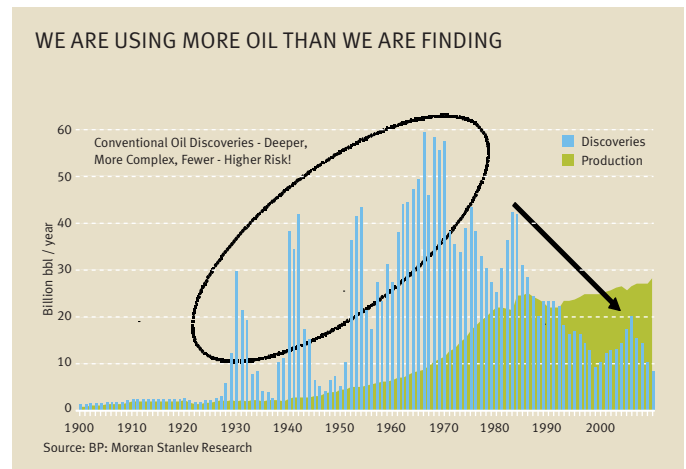
A 1000 percent gain since 2003, is it possible? It is indeed. Salzgitter, the German steelmaker, has in fact provided this fantastic return. We are now completely out of the company, and have reinvested the proceeds in Ternium, which is a Latin American steel producer with a low valuation.

Sea to air

The amazing earnings in bulk and tank will not last forever. The ship yards' full order books, corresponding to 40 percent of the world tanker fleet and 56 percent of the bulk carrier fleet, will ensure a less tight market from 2010. We continued to sell down shipping and shipbuilding, eliminated Hanjin Shipping, Korea Line and Hyundai Heavy Industries and reduced our holding in Golden Ocean Group.



Since the end of the 1980s, the price to book ratio (P/B) of the Oslo Stock Exchange has generally fluctuated in line with developments in global industrial production. Poor times with low return on equity, lead to falling P/B ratios, and vice versa.



Since 1990, the world's oil companies have produced and sold more oil than they have found, meaning that their oil reserves are constantly shrinking. With continued relatively good growth of the world economy, this indicates continued high oil prices and great demand for drilling rigs.

«A 1000 percent gain since 2003, is it possible? It is indeed. Salzgitter, the German steelmaker, has in fact provided this fantastic return.»

In contrast, airlines are unpopular and undervalued. We increased our holdings in Air France KLM and Norwegian Air Shuttle. Both companies are competitive and have beaten market expectations, in spite of high oil prices.

Conglomerate LG Group achieved a stunning 141 percent share price gain in 2007, but is still trading at a nice discount relative to underlying intrinsic value. The group's biggest value builders were LG Electronics and LG Chem. In the consumer goods sector, our shares in the Scandinavian retailer Expert were purchased in connection with an acquisition, at a significant premium relative to the quoted price. Its competitor, DSG International, the owner of Elkjøp, experienced a price drop of 45 percent, and was taken off the FTSE 100 Index. The problems of DSG International in the UK and Italy overshadow the healthy performance of Elkjøp, its Scandinavian operation. We doubled up during 2007.

Cruising for profits

We also doubled our holding in Hurtigruten, a Norwegian cruise and coastal express operator, via a rights issue. The currently depressed share price fails to reflect the new management's cost savings, or the attractive assets and strong products.

We still like fish and bananas. Disease problems in Chile may lead to higher than expected prices for farmed salmon, from which our core holding, Lerøy Seafood, should benefit. Chiquita should also benefit from a better competitive climate in 2008. The WTO has banned the EU's preferential treatment of former colonies. If implemented, the WTO ban could boost Chiquita's earnings substantially.

Unpopular pharmaceuticals

Pharmaceuticals are still unloved and we have cautiously added to positions when valuations have appeared cheap. We hold mature companies like Pfizer as well as some smaller positions in biotech. M&A may actually increase in pharmaceuticals in 2008, helping to correct today's low valuations.

Satisfactory finance

Finance was disaster area number one in 2007. For SKAGEN Vekst, the sector gave a satisfactory return of approximately 17 percent. We have not invested in any new significant portfolio companies in 2007, but we have taken advantage of acquisition offers to sell out FIM Group, Norgani Hotels and Invik.

Undervalued technology and cheap power

Within information technology, Samsung Electronics is still our core investment. The share price, however, has fallen for two years in a row. A price/book ratio approaching unity and a single figure price/earnings (PE) multiple will eventually produce a better share price performance (see also SKAGEN Global and SKAGEN Kon-Tiki). In telecom we continue to switch from Telkom Indonesia to Indosat, another Indonesian.

In utilities, we still love the low valuation of Brazilian power giant Eletobras, which yields seven percent, has a single-figure PE ratio and is trading at a huge discount to book value. Deregulation of the industry will at some point allow higher energy prices and result in a rising share price.

And the next deal is ...

Mergers and acquisition was one of the hot topics in 2007. Higher credit mark-ups and a greater reluctance on the part of banks to lend ought to result in slightly less acquisition activity in 2008.

Last year, 18 of SKAGEN Vekst's holdings were acquired or merged:

- Norsk Hydro, merged with Statoil
- Veritas DGC, merged with CG Geophysique
- TGS Nopec and Wavefield Inseis proposed a merger
- Eastern Echo, acquired by Schlumberger
- Dofcon, acquired by Dof Subsea
- Transocean, merged with GlobalSantaFe
- Horizon Offshore, acquired by Cal Dive
- Active Subsea, acquired by Trico Marine Service
- Kemira Growhow, acquired by Yara International
- Alcan, acquired by Rio Tinto
- Sealift, merged with Dockwise
- Tide, received a tender offer from Det Stavangerske D/S
- Stavanger Aftenblad, acquired by Schibsted
- Expert, acquired by A. Wilhelmsen
- Fim Group, acquired by Glitnir Banki
- Norgani Hotels, acquired by Oslo Properties
- Invik, acquired by Milestone
- Tandberg Television, acquired by Ericsson

Key information about SKAGEN VEKST

A minimum of 50 percent of the assets of the SKAGEN Vekst equity fund will at all times be invested in Norway. The rest will be invested in the global equity market. Global exposure consists both of types of companies unrepresented in the Oslo market and others which we consider to be of better value or higher quality than their Norwegian counterparts. We aim for a wider industry spread than a typical Norwegian portfolio. Studies made by the rating agency Standard & Poor's place SKAGEN Vekst among the best performing equity funds in terms of returns relative to risk.

Reduced risk is achieved through thorough research of the individual companies as well as of the main trends in Norwegian and international business. In addition, significant parts of the fund's assets are invested outside of Norway. This means that the fund may partake in the value created by companies in industries or markets not represented on the Oslo Stock Exchange. We look for companies that are solid but underpriced.

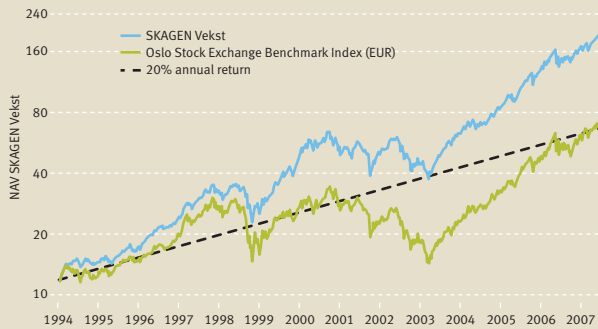
SKAGEN Vekst is suitable for investors who want an equity fund with a good balance between Norwegian and global companies. The fund has a broad mandate which gives it the freedom to invest in a variety of companies, industries and regions.

Fund start date	1 December 1993
Return since start	1493.82 %
Average annual return	21.73 %
S&P qualitative rating	AAA
Net asset value	EUR 1 451 mill
Number of unitholders	87 559
Subscription fee	0.0 - 0.7 % (dependent on amount)
Redemption fee	0 %
Management fee	1.0 % p.a + 10 % of the return exceeding 6 % p.a
Minimum subscription amount	One-time subscription EUR 150
Authorised for marketing in	Norway, Sweden, Denmark, the Netherlands, Luxembourg, Finland, Iceland and UK
Benchmark	Oslo Stock Exchange Benchmark Index
UCITS fund	Yes
Portfolio Manager	Kristian Falnes and Beate Bredesen

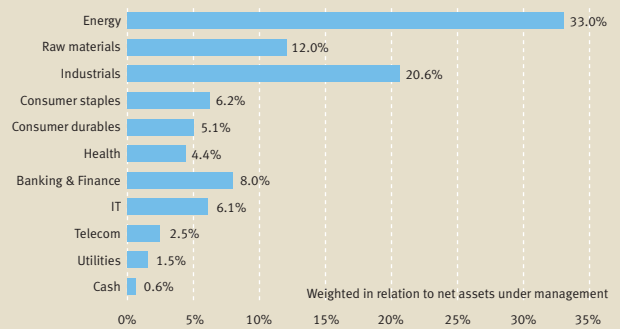
YEAR	RETURN ON INVESTMENT %	BENCHMARK INDEX %	NET ASSET VALUE*	NUMBER OF UNITHOLDERS	TER %
2007	13,31 %	14,96 %	1 450	87 559	1,26 %
2006	28,58 %	28,53 %	1 424	74 547	3,36 %
2005	53,02 %	45,09 %	1 035	61 792	4,50 %
2004	34,29 %	41,11 %	693	51 781	3,45 %
2003	44,17 %	28,69 %	505	47 334	5,82 %
2002	-14,47 %	-24,52 %	295	46 153	0,86 %
2001	2,68 %	-13,18 %	325	46 283	1,27 %
2000	-5,01 %	-4,45 %	321	44 619	2,18 %
1999	94,67 %	60,09 %	293	38 167	7,31 %
1998	-14,73 %	-33,14 %	111	19 568	2,46 %
1997	28,57 %	31,17 %	111	13 036	3,74 %
1996	43,31 %	36,07 %	59	6 873	4,01 %
1995	14,87 %	11,75 %	25	4 149	2,95 %
1994	20,16 %	8,05 %	15	1 760	1,58 %

* In million euro

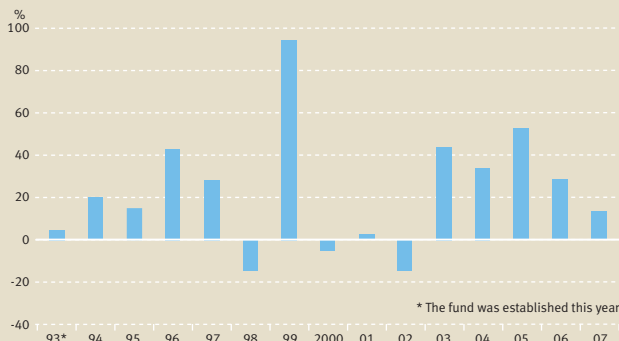
HISTORICAL PRICE DEVELOPMENT



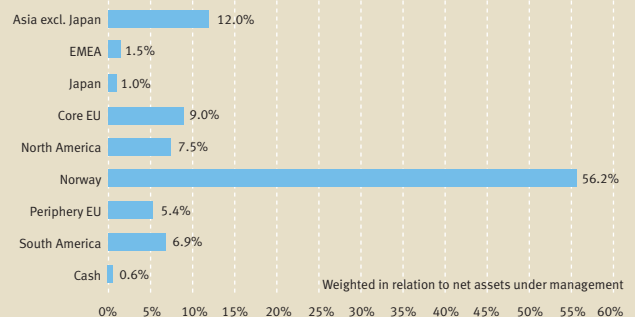
SECTOR DISTRIBUTION



ANNUAL RETURN



GEOGRAPHICAL DISTRIBUTION





Filip Weintraub, Portfolio manager.
Manager of SKAGEN Global.

Contrarian profits

In 2007, SKAGEN Global achieved a return of 12.1 percent, which is all of 13.8 percentage points higher than the world index, measured in euro.

Since the first half of 2007, the finance sector has been assigned to the bottom shelf of the global financial markets. The worst-performing of all the global sectors, the finance sector has been very weak, and rightly so. In spite of increasingly lower levels through the autumn and winter, the unrest in the global financial markets had limited direct consequences on the underlying value creation in the portfolio companies of SKAGEN Global.

Jumbo came in as runner-up

With the global bank, HSBC, as the exception, we have stayed away from big western financial groups. As a result of our focus on Muslim sharia banks (see the article about Islamic finance and Korean internet brokerage), and our holding of Bank Austria and Chung Kong, the banking and finance sector was the fund's second best industry last year. We also received healthy contributions from acquisition offers for our shares in FIM and Invik.

Last year, the SKAGEN Global finance portfolio yielded an excess return of 32 percentage points compared to the financials comprised by the world index. In other words, a contrarian stance and picking undervalued shares work, even in adverse conditions.

Best idea

The managers of the fund search the world over to achieve the best possible risk adjusted return, but we are also always intent on maintaining a sensible industry balance. We are disciplined and selective in our choices, concentrating the portfolio on our best ideas. In other words, we do not invest our clients' money in the 1050th best idea. This allows our winners, as well as our losers, to really influence the fund's performance.

Sizeable gains in 2007 came from LG Corp (+EUR 85.8 million), Petrobras (+EUR 61.9 million), Siemens (+EUR 52.1 million), Samsung Heavy (+EUR 30.4 million) and Bank Asya (+EUR 24.6 million). Holding us back were Samsung Electronics (-EUR 38.7 million), Boliden (-EUR 37.1 million), McGraw-Hill (-EUR 20 million), Tyco International (-EUR 18.7 million) and HSBC (-EUR 16.4 million).

Changes and durables

In energy, we bought some more Petrobras shares before the company announced its discovery of no less than 8 billion barrels of oil. This was serious fun. We increased our holding of Nabors International and petrol refiner PKN Orlen. Transocean/Global-SantaFe was sold. Pride International went through big changes during the year. The company disposed of its Latin America division, increased its deepwater activity, ran off low rate rig contracts and put cost over-runs behind it, driving higher earnings and improving fundamental value. We don't think that the price reflects this fact, nor its future earnings potential, so we increased our holding.

In commodities, Kemira Growhow and Alcan were acquired, while we reduced our holdings of SCA and Grupo Mexico. We increased our holdings of Boliden, Votorantim, Apex Silver and Cemex (see SKAGEN Kon-Tiki).

Shipping out

Last year, industrials were once again out in front, led by LG Corp and Siemens and boosted by Bunge and Korea Line. We trimmed our holdings of Bunge and Samsung Heavy as they approached our valuation targets. The Siemens story got even better as its new

management accelerated restructuring, so we added.

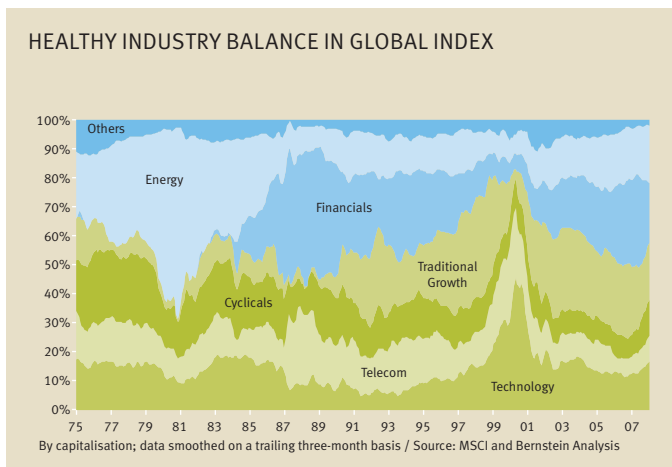
Baywa, an overcapitalised German agro-supply company with restructuring potential, is new to the portfolio. We increased our exposure in AirFrance KLM and post-spinoff Tyco International. In consumer goods, we sold Volkswagen and TUI. We were a bit premature in spending some of the proceeds on shares in DSGI (see SKAGEN Vekst). The increased exposure in LG Electronics was more profitable. Via our holding in parent LG Corp, we have observed the positive impact new management may have on the bottom line.



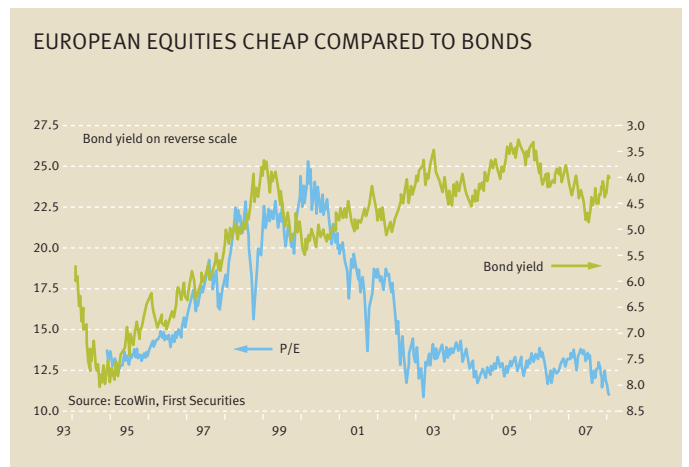
Oil company Petrobras was one of SKAGEN Global's good investment ideas, giving significant gains in 2007.
(Photo: Bloomberg)



Industrials were among the most lucrative sectors last year. German company Siemens was a major contributor, and we bought more shares during the year. (Photo: Bloomberg)



After share prices of the big western banking and finance houses fell heavily, the share of the finance sector among the biggest companies comprised by the World Index has come down to a more sensible level. The energy and technology sectors have increased their relative shares a bit. The industry balance now seems sound, based on where the value creation is taking place.



Low interest rates, combined with strong corporate balance sheets and low valuations, indicate a good climate for equities in general. The spread between the return on bonds and equities is big, in the favour of equities. This will also be the case even if corporate earnings should weaken considerably (primarily in banking and finance).



SKAGEN Global has increased its investment in Samsung Electronics, which has hurt performance for two successive years. This is because the managers still believe in the company. (Photo: Bloomberg)

Sales of the year

It is often just as important to know when to sell as to know when to buy. We left behind both Toll Brothers and Sainsbury at great prices, before the bad news started filling the newspaper headlines. We reinvested in Nestlé, whose ability to accommodate both soaring input costs and shareholders' interests, was duly rewarded. In healthcare and telecommunications, we did not make any significant changes. The latter sector performed very well due to increased share



We also invested in Nestlé last year. (Photo: Bloomberg)

prices for Singapore Telecom and Indian company, Bharti Airtel. In utilities, we are still accumulating shares in Eletrobras (see SKAGEN Vekst).

Third time shy?

Why are we still buying shares in Samsung Electronics, which has hurt performance for two successive years? We do so because the company's long-term strategy is sound and the earnings are good, and because its heavy investment programme still appears sensible and disciplined. The cyclical fears seem overdone. The preference shares trade just above book value and on just seven times the 2008 earnings forecast (see also SKAGEN Kon-Tiki).

We promise to continue our contrarian hunt for hidden treasures, in waters that may continue to be quite murky also in 2008. Uncertainty and fear may provide more good opportunities in the new year, and when fear recedes, we hope to be able to harvest a good annual return for our unitholders, in both absolute and relative terms.

«In other words, a contrarian stance and picking undervalued shares work, even in adverse conditions.»

Key information about SKAGEN Global

The SKAGEN Global equity fund invests in shares worldwide. The fund's objective is to provide our unitholders with the highest possible return on the risk they assume, by investing in undervalued, under-researched and unpopular companies. The fund seeks to maintain a balanced industry exposure. The requirement that the companies must be of high quality and have low valuations is absolute. At the same time company risk and market risk must be balanced with the performance opportunities.

SKAGEN Global is regarded by independent agencies, such as the international rating agency Standard & Poor's, Morningstar.no and the magazine "Dine Penger", to be the very best global equity fund on the market.

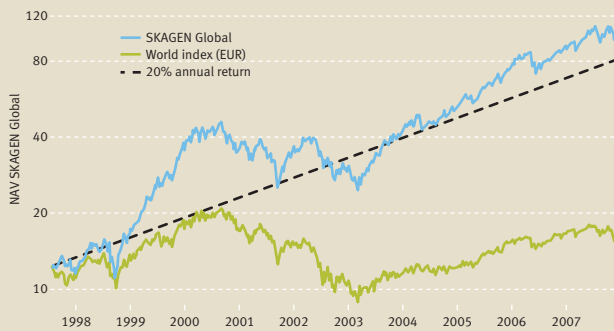
SKAGEN Global is suitable for investors who want an equity fund that invests worldwide and thus provides a good spread, both geographically and across industries. The fund is also suitable for those who are already invested in the Norwegian equity market, but wish to strengthen their portfolio and reduce their risk through a pure global equity fund.

Fund start date	7 August 1997
Return since start	728.03 %
Average annual return	22.54 %
S&P qualitative rating	AAA
Net asset value	EUR 3 615 mill
Number of unitholders	93 097
Subscription fee	0.0 - 0.7 % (dependent on amount)
Redemption fee	0 %
Management fee	1.0 % p.a + 10 % of the return exceeding the return of the benchmark
Minimum subscription amount	One-time subscription EUR 150
Authorised for marketing in	Norway, Sweden, Denmark, the Netherlands, Luxembourg, Finland, Iceland and UK
Benchmark	MSCI Daily Net \$ World Index measured in NOK
UCITS fund	Yes
Portfolio Manager	Filip Weintraub and Omid Gholamifard

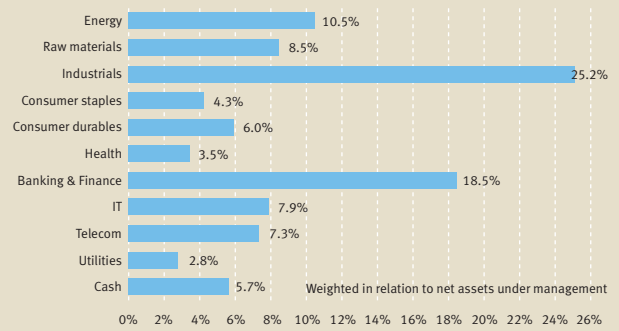
YEAR	RETURN ON INVESTMENT %	BENCHMARK INDEX %	NET ASSET VALUE*	NUMBER OF UNITHOLDERS	TER %
2007	12,07 %	-1,70 %	3 620	93 097	2,41 %
2006	20,39 %	7,50 %	2 689	77 148	2,20 %
2005	43,67 %	25,84 %	1 733	52 715	2,42 %
2004	27,05 %	6,56 %	845	39 971	2,88 %
2003	40,91 %	10,81 %	522	28 772	3,49 %
2002	-15,76 %	-31,95 %	299	26 465	3,06 %
2001	-0,88 %	-13,13 %	334	24 767	2,25 %
2000	-6,90 %	-7,36 %	347	22 093	1,74 %
1999	134,59 %	43,88 %	260	9 983	5,68 %
1998	34,16 %	15,33 %	27	1 017	2,24 %
1997**	-2,48 %	-7,64 %	4	24	3,28 %

* In million euro
** The fund was established during the year

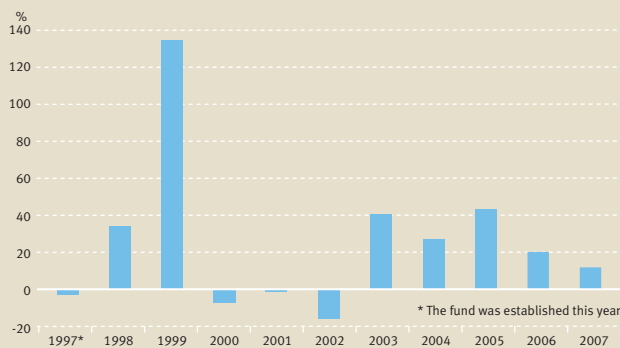
HISTORICAL PRICE DEVELOPMENT



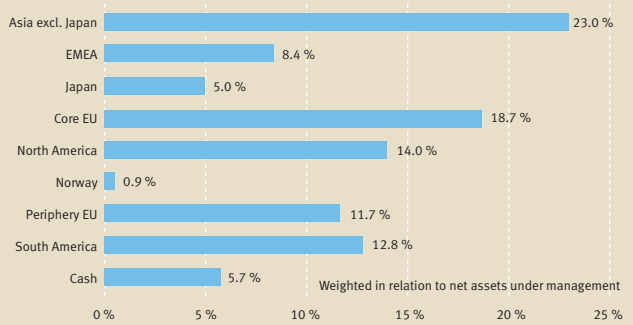
SECTOR DISTRIBUTION



ANNUAL RETURN



GEOGRAPHICAL DISTRIBUTION





*Kristoffer Stensrud, Portfolio manager.
Manager of SKAGEN Kon-Tiki.*

Good return, considerable potential

In 2007, SKAGEN Kon-Tiki delivered a return of 26.9 percent, which was marginally better than the 25.7 percent achieved by the benchmark, and in line with our long-term goal of 20 percent annual average return. The potential of the portfolio companies is still considerable.

Our big overweight in energy and equal underweight in information technology was quite beneficial in 2007, whereas our underweight in highly priced Chinese shares provided the biggest “loss” relative to the benchmark.

In the old days, when Wall Street sneezed, the global emerging markets caught pneumonia. Now they hardly catch a cold. Falling risk-free interest rates in developed countries will continue to provide global investors with an incentive to seek out areas with better returns on investment. In geographical terms, the best expression of this is the spread between yields on US Treasuries and local government bonds. This spread remained sensationally stable during the very volatile markets of the second half of 2007. This is an important new trend.

As the banking crisis proceeded, financials in the global emerging markets provided a return of 16 percent, whereas they fell by 20 percent in developed countries. Thus, the 10-year anniversary of the Asian crisis was observed in a dignified manner.

Global emerging market funds received USD 50 billion in fresh assets in 2007. At the end of 2007, emerging market equities traded at small premium valuations relative to developed markets. This reflects the fact that Chinese, Indian and Brazilian equities continued their repricing to higher levels in 2007. Most other markets still carry lower valuations based on expected earnings. In addition, earnings growth is higher.

Enjoy the ride

The last time the emerging markets were

priced at a premium over the developed markets was 1996, followed by several years in the wilderness. Are we now afraid that history will repeat itself? There are risks, but we believe that 2008 may be yet another good year. Real GDP growth in developed countries will be 1-2 percent, whereas developing countries will end up averaging 5 percent. This will drive earnings growth of around 15 percent in 2008, a bit lower than in 2007.

The fall in investor confidence has kept a lid on excessive optimism. Returns from GEMs have already exceeded our expectations of only a few years ago. At some point there will be disappointments. As long as the enormous growth potential in many of these markets “trade” at a discount, we won’t be there for a good while yet. Meanwhile, enjoy the ride.

Into Africa

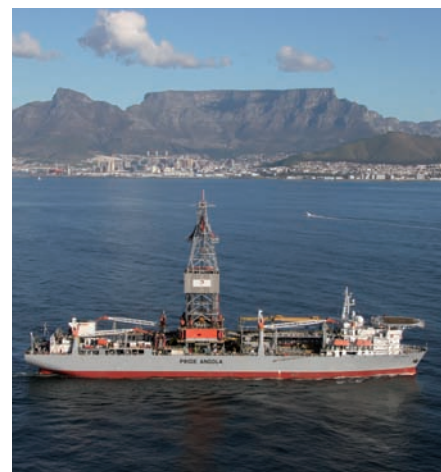
We cut our weighting in energy during 2007, taking profits of EUR 72.6 million on China Oilfield and EUR 23.1 million on National Oilwell Varco. We added Polish refiner PKN Orlen and prospector Tullow Oil, which has found big new fields in Africa. The portfolio is prioritising oil service and exploration companies. Drillers Pride and Seadrill appreciated less than the oil price, went structurally in the right direction, and now represent better value than a year ago.

Cooler times for commodities?

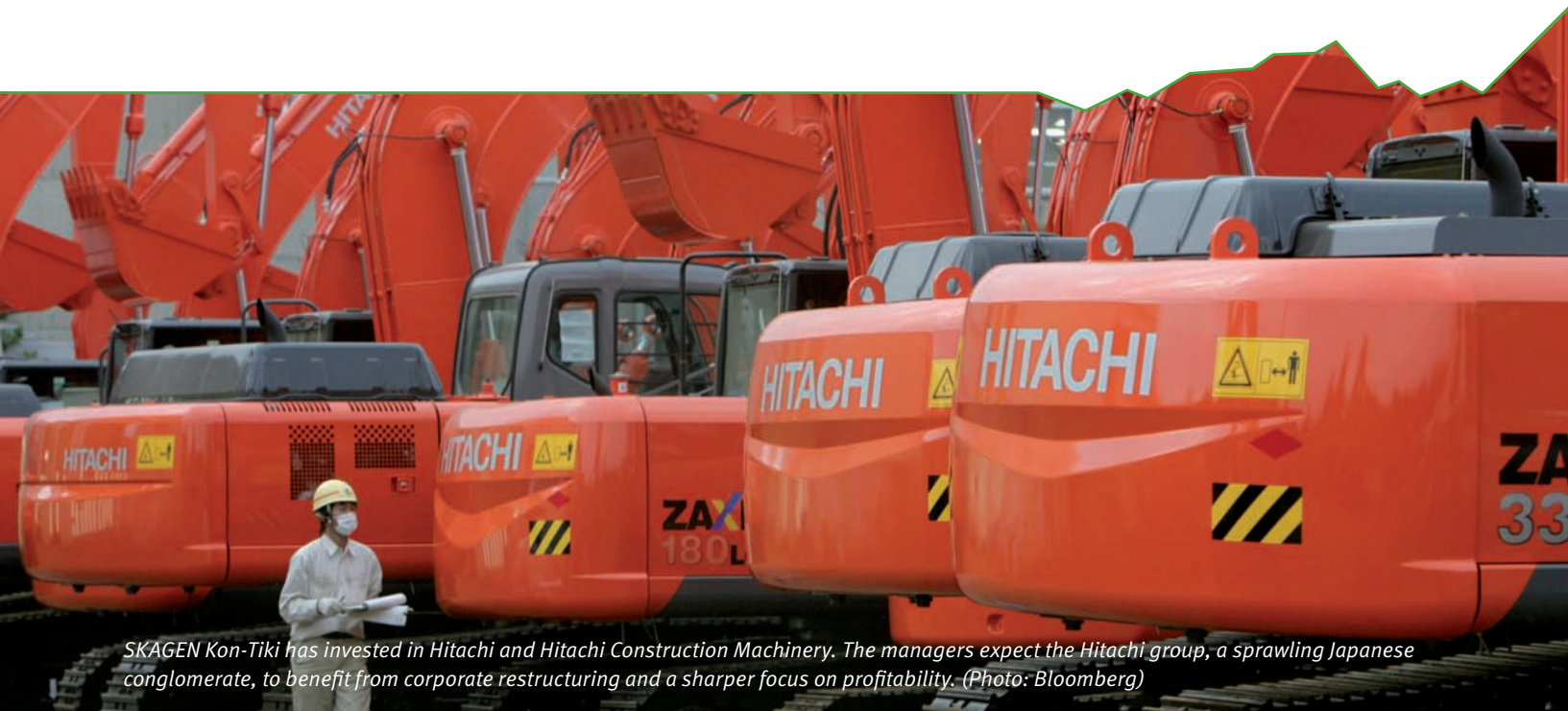
The commodity sector had a stunning year, returning 42 percent. We could have done even better, as we were generally underweight and did not participate fully in the rally in agricultural commodities. We expect that lower global growth and increased supply

will cool the overheated commodity market somewhat in 2008. However, that’s also what we believed last year.

We bought a good deal of shares in Cemex, the company with the lowest valuation among the world’s four major cement producers. This cost us EUR 21.9 million, making Cemex one of our worst performers. After the purchase of Rinker, investors are still focusing on the 28 percent of the output that goes to the US market, and not the 40 percent going to the emerging markets. We trimmed our big holding of Vale Rio Doce in the fourth quarter, and realised a gain of EUR 70.6 million. We did away entirely with Votorantim Cellulose, Harmony Gold and Grupo Mexico during 2007. We bought and sold Northern Peru Copper and London Mining.



Drillers Pride and Seadrill appreciated less than the oil price, but went structurally in the right direction. They now represent better value than a year ago. (Photo: Pride)

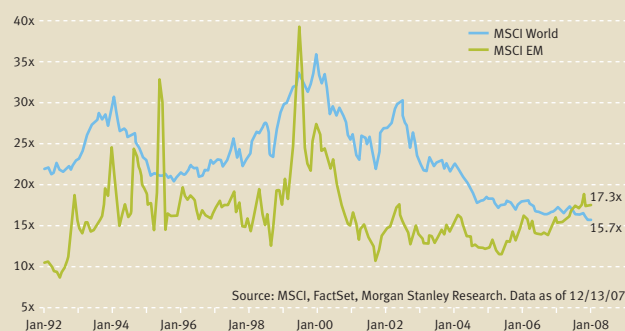


SKAGEN Kon-Tiki has invested in Hitachi and Hitachi Construction Machinery. The managers expect the Hitachi group, a sprawling Japanese conglomerate, to benefit from corporate restructuring and a sharper focus on profitability. (Photo: Bloomberg)

Another winning sector was industrial and transport shares, with terrific returns from Turkish conglomerate Enka Insaat (EUR 21.3 million), bulk shipper Golden Ocean (EUR 19.2 million) and Korea Line (EUR 20.5 million). We took profits in all three.

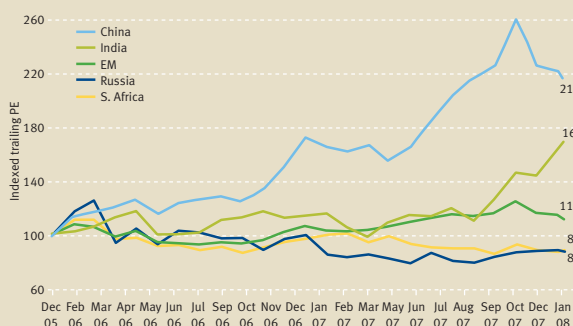
What about the emerging market construction and infrastructure boom? We chose IT manufacturer and nuclear energy producer Hitachi, as well as Hitachi Construction Machinery. The latter gave the fund a loss of EUR 9.8 million. We expect the Hitachi group, a sprawling Japanese conglomerate, to benefit from corporate restructuring and a sharper focus on profitability. We bought shares in Harbin Power Equipment at a considerable discount relative to the Chinese equity market. The company recently started receiving significant global orders.

EMERGING MARKET PREMIUM



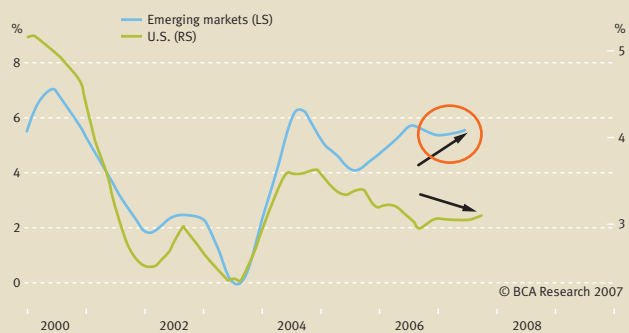
For the first time in the new millennium, emerging market companies are priced higher than developed country equivalents, based on historic earnings (P/E). However, earnings growth and solvency is significantly better in the emerging markets. In addition, poor numbers for banking and finance shares going forward will pull up the P/E level in the West.

PRICES DRIVEN BY CHINA, INDIA AND BRAZIL



Most of the repricing of the emerging markets relative to the developed countries is due to strong share price increases in China, India and Brazil.

DECOUPLING OF CONSUMER SPENDING



While consumer spending developments for emerging markets and the US have moved in the same pattern since the start of the new millennium (emerging market numbers on the left Y-axis), they are now starting to move in different directions. The emerging markets continue the upwards trend, whereas the US has turned downwards.

Betting on Beijing

Whereas old world consumer spending showed falling growth rates, the new world opened its wallets, producing some big winners for us in LG Electronics and Grupo Elektra from Mexico. The sector appreciated around 39 percent, and more can be expected when consumers really start spending. Our entry in the Beijing Olympics, China Travel, is warming up nicely.

We sought good buys in consumer staples, without luck. It was old ideas that came through for us. Slovenian brewer Pivovarna Lasko (+EUR 20.8 million) advanced strongly after the country joined the European Monetary Union. We also received nice contributions from other Balkan companies in this industry.

Pharmaceuticals gave a lower contribution than the portfolio return. Low global growth for pharmaceuticals, patent problems and increased government regulation spelled problems for the industry. Hungarian company Gideon Richter fell in 2007, after a couple of good years, while our other main pharmaceutical play, Hanmi Pharma, had another good year. We think that world trade liberalisation and many capable and low-cost scientists will produce winners from our stable, and we therefore increased our exposure to these companies throughout the year.

Banking on Brazil

In 2007, we sold all our shares in HSBC, and increased our position in banks, brokerages and asset managers with solid consumer franchises in the global emerging markets. However, they ended up putting a brake on the fund's performance. We made EUR 31.4 million on Banco do Brasil, but lost almost as much (-EUR 30.2 million) on our new favourite holding, Banco Nossa Caixa. This is a partially state-owned savings bank with six million customers and good prospects for continued privatisation. The bank is priced at a discount of over 70 percent relative to other Latin American banks.

In information technology, consumer oriented companies became winners, while component manufacturers suffered. We increased our holding of Samsung Electronics. The company is among the world leaders in mobile telephones (now number 2), memory chips (number 1), LCD-TV (number 1) and printers. The share is just becoming cheaper and cheaper, both in absolute term and relative to its competitors. At the same time, the company's consumer orientation and brand building are becoming stronger and stronger. The company is probably our best revaluation candidate in 2008.

Calling Moscow

Analysts are still behind the curve in understanding the dynamics of mobile phone companies such as Indosat, TAC and Bharti Telecom, which all, incidentally, did well in 2007. We added to positions and bought shares in Russian Sistema, parent of cellular leader MTS. Sistema sits on a "hidden treasure" consisting of a significant portfolio of unlisted shares in other consumer-related businesses. The company is priced at a discount of 30 percent relative to underlying values.

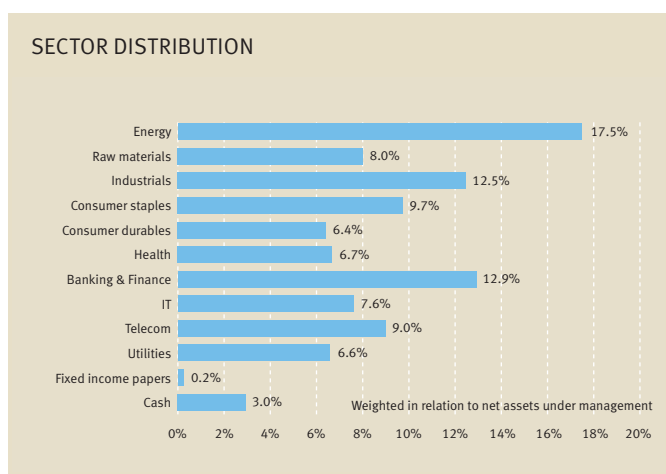
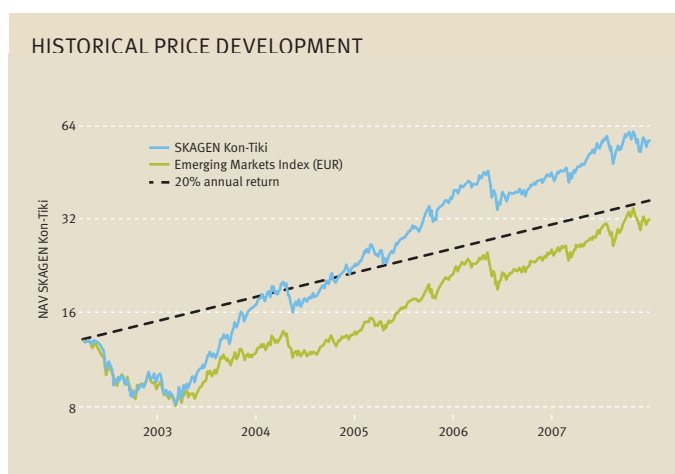
A relatively weak price performance for Brazilian utility Eletrobras enabled us to increase our holding of the share, which is the cheapest in the world among major power companies. However, high dividends and currency appreciation provided a still acceptable result.

Better value, more choice

A rebalancing of the portfolio and the fact that half of our 12 largest holdings fell in value, means that the portfolio is markedly cheaper now than last year. When we use the earnings forecasts for 2008, the average price/earnings ratio is under 10, versus 14 for the Emerging Market Index. The price/book ratio is 2.1 and the return on equity is over 20 percent. We have a conservative target price, which is 36 percent above the share price at the turn of the year. Many of our bigger companies have relatively little exposure to global economic cycles, but make money on structural changes in the world economy. For example, our twelve biggest companies have only 6 percent of their turnover in the US, compared to 50 percent in Asia.

Low US interest rates = petrol on the EM fire

Saving the US financial system – and homeowners in an election year – will require significantly lower interest rates. This may be like pouring petrol on the emerging market fire. As the free market gospel spreads (see the "Free markets" article) more markets – including sub-Saharan Africa, in to which we dipped a toe last year – are opening up. The equity markets in the global emerging markets are growing in both breadth and depth. So far, revaluations are something we have only seen in the BRIC markets. There is still much value there and the value creation is considerable. The finance shocks at the turn of the year illustrate that the problems are reversed relative to ten years ago, so 2008 may become as good a year for the global emerging markets as 1998 was for the developed markets.



Key information about SKAGEN Kon-Tiki

The SKAGEN Kon-Tiki equity fund invests in companies that focus on value creation in the global emerging markets. A minimum of 50 percent of the assets will at all times be invested in emerging markets. These are markets that are not included in the Morgan Stanley World Index. They are: Eastern Europe, Turkey, Africa, Asia (except Japan, Singapore and Hong Kong) as well as all of Latin America, including Mexico.

Following on from our requirement to have a reasonable industry balance, 50 percent of the fund's assets may be invested in markets that are included in the Morgan Stanley World Index. However, the condition is that these companies must be registered in and/or have emerging markets as a significant business area. SKAGEN Kon-Tiki is a company oriented fund focusing on areas with high growth and companies with low valuations.

SKAGEN Kon-Tiki is suitable for investors who wish to benefit from the value creation taking place in the global emerging markets. The fund provides opportunities for extraordinary return by investing in companies with great growth potential, at a somewhat higher risk than a global/Norwegian equity fund.

Fund start date	5 April 2002
Return since start	337.72 %
Average annual return	29.34 %
S&P qualitative rating	AAA
Net asset value	EUR 2 513 mill
Number of unitholders	59 770
Subscription fee	0.0 - 0.7 % (dependent on amount)
Redemption fee	0%
Management fee	2.5 % plus/minus variable management fee
Minimum subscription amount	One-time subscription EUR 150
Authorised for marketing in	Norway, Sweden, Denmark, the Netherlands, Luxembourg, Finland, Iceland and UK
Benchmark	MSCI Daily Total Return Net Dividends \$ Emerging Markets measured in NOK
UCITS fund	Yes
Portfolio Manager	Kristoffer Stensrud and Knut Harald Nilsson

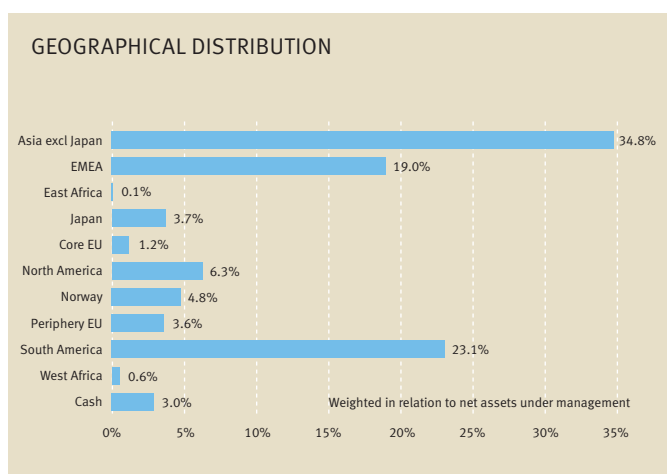
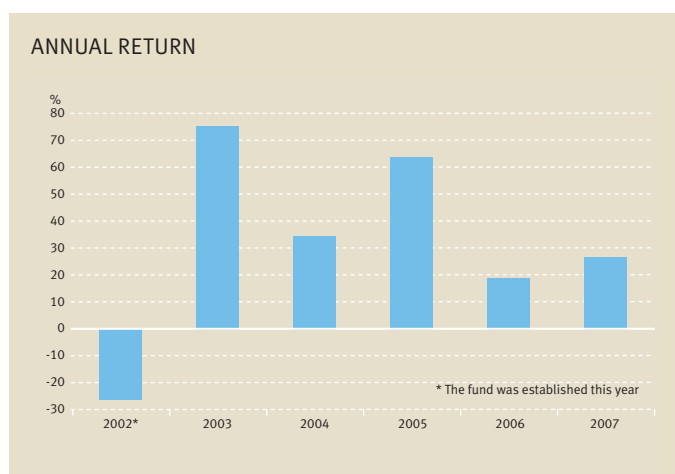
YEAR	RETURN ON INVESTMENT %	BENCHMARK INDEX %	NET ASSET VALUE*	NUMBER OF UNITHOLDERS	TER %
2007	26,87 %	25,67 %	2 516	59 770	2,56 %
2006	19,11 %	18,34 %	1 693	44 692	2,52 %
2005	64,36 %	54,02 %	1 097	29 553	3,16 %
2004	35,00 %	16,62 %	392	16 259	3,95 %
2003	75,63%	29,72 %	204	9 835	3,85 %
2002**	-26,15 %	-29,88 %	34	4 190	3,89 %

* In million euro
** The fund was established during the year

NEGATIVE PROFIT SHARING AND POSITIVE EXCESS RETURN

The observant reader of the financial statements may have noticed that the profit sharing is negative in SKAGEN Kon-Tiki at the same time as the fund outperformed. The reason for this is subscription and redemption of units in the fund during the year. In the months of April and May, the fund performed very well and beat its benchmark by over 6 percentage points. From June to August subscriptions of units in the fund were very high. Then we had a period when the fund was beaten by its benchmark due to strong performance by the Chinese equity market. This meant that we had negative profit sharing in a period with more units than during the period with positive profit

sharing. Thus, in total the profit sharing in Norwegian kroner became negative. Unitholders that owned their units during the whole year paid a management fee of 2.56 percent, whereas those who only owned units in the second half of the year, paid 0.71 percent (1.41 percent on an annual basis). Since there were more unitholders in the second half of the year than in the first, the total management fee charged to the fund was 2.47 percent. We state 2.56 percent because it is the management fee charged to unitholders who hold their units for the whole year that is relevant, in the same way as we state the return for those who keep their holding for the whole year.





Ross Porter, Portfolio manager.
Manager of SKAGEN Avkastning.

No need to fear being boring

For many investors bonds are synonymous with boring. In light of the overall outlook for 2008, we think this notion is more wrong than it has been for years.

Two years ago, the yield of SKAGEN Avkastning was 3.4 percent. It is currently 6.9 percent. Add the perception that bond yields worldwide have peaked, and we may be due for some serious capital appreciation. We are not sure we have ever seen better prospects over the past seven years.

Last year was turbulent, particularly the second half, when the credit crisis hit the financial markets at full strength. Measured in euro, SKAGEN Avkastning returned 8.3 percent, outperforming the benchmark ST4X (+7.2 percent), the Norwegian money market (7.7 percent) and most of the competing fixed income funds invested in securities with medium term maturity.

Fire sale in Iceland

One of the big drivers of a better performance in 2008 should be our big bet on Iceland. At the time of writing, the real yield on our long Icelandic government bond is a healthy 7.7 percent. Last year, the country's trade deficit narrowed and the government moved into fiscal surplus. Inflation is high but included in inflation estimates are housing prices, which

are about to stagnate. If so, recorded inflation will fall, interest rates will be cut and bonds should begin to motor.

Sensible Mexicans, excitable "gringos"

Mexico is our second biggest international play. Inflation in the country is still close to target and President Calderon has initiated a pension and tax reform. US gloom is currently hurting the peso and Mexican bonds, but the pessimism is way overdone. The economy should significantly outperform its northern neighbour.

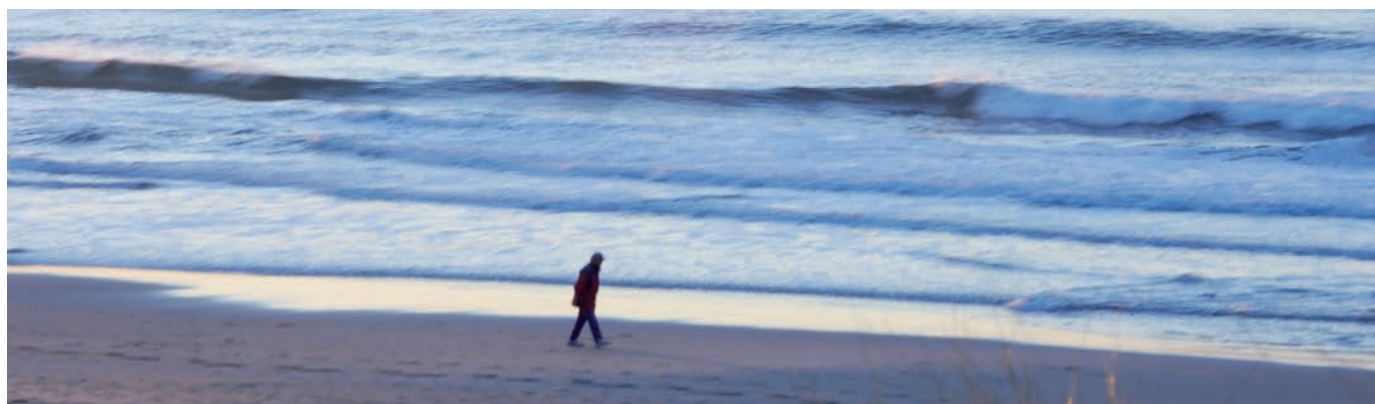
Domestic harmony

The core (about 75 percent) of the portfolio is still Norwegian, a well diversified exposure mainly to the strongest Norwegian banks. An, in our opinion, overaggressive stance by the central bank, Norges Bank, took its policy rate progressively to 5.25 percent. This limited the 2007 return from our domestic core investments but the policy rate is now on a plateau with scope for easing later in 2008. Meanwhile, high yields on short duration domestic bonds provide a cushion against our more volatile international holdings.

Safety first

Although we are very positive about the future, this does not imply taking on added risk. We have a maximum investment horizon of six months (a minimum of six months for unitholders) and thus maintain a cautious risk profile. The key for us in this respect is whether risk/reward expectations are favourable from an absolute value perspective. Despite the alarms of August and November, the annual volatility of the portfolio was no higher than normal in 2007.

With all this in mind, we wish you another prosperous year invested in the exciting and riveting bond markets.



Key information about SKAGEN Avkastning

SKAGEN Avkastning is a bond fund that only invests in issues with low default risk, i.e. government bonds, government guaranteed loans, loans to financial institutions and bank deposits. The fund has an international investment mandate, but investments are primarily made in Norway.

By balancing investments between interest bearing securities with short and long maturities, the fund should over a period of six months seek to achieve the best possible return in the fixed income market. The starting point is that the fund should only assume interest risk if this is expected to provide a reasonable excess return compared to risk-free investments.

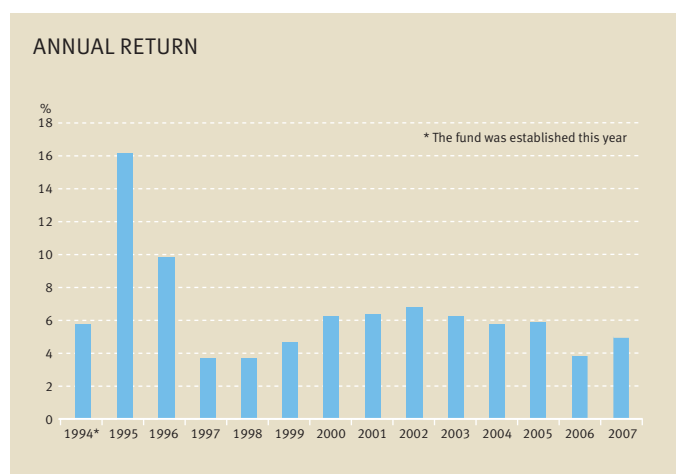
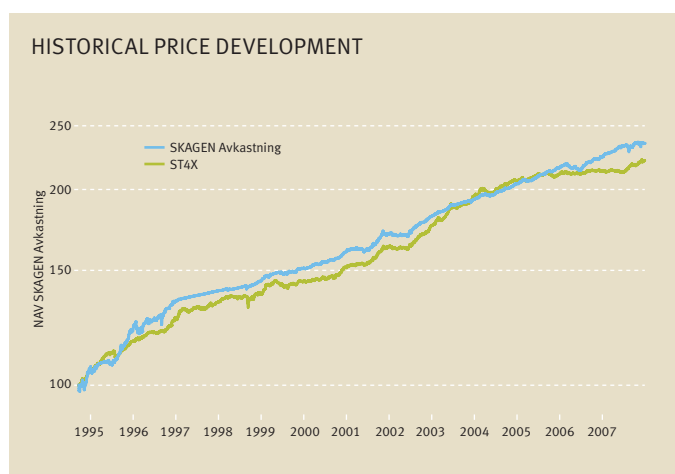
This flexibility with respect to country of investment and duration (the remaining maturity of the loans) makes SKAGEN Avkastning a good alternative for investors who do not wish, or do not have the resources, to monitor the fixed income markets all the time for active allocation of their interest bearing assets.

Fund start date	16 September 1994
Return since start	146.87 %
Average annual return	7.04 %
S&P quantitative rating	Not rated
Net asset value	EUR 494 mill
Number of unitholders	15 065
Subscription fee	0%
Redemption fee	0%
Management fee	0.5 % p. a
Minimum subscription amount	One-time subscription EUR 150
Authorised for marketing in	Norway, Sweden, Denmark and Luxembourg
Benchmark	ST4X Government Bond Index
UCITS fund	Yes
Portfolio Manager	Ross Porter

YEAR	RETURN ON INVESTMENT %	BENCHMARK INDEX %	NET ASSET VALUE*	NUMBER OF UNITHOLDERS
2007	7,18 %	8,27 %	494	15 065
2006	-2,08 %	0,79 %	367	12 279
2005	5,92 %	9,30 %	354	6 385
2004	7,53 %	7,75 %	70	2 363
2003	-3,63 %	-7,95 %	17	937
2002	18,18 %	16,91 %	16	568
2001	11,37 %	9,90 %	8	343
2000	2,34 %	3,55 %	5	261
1999	15,36 %	15,09 %	4	194
1998	-6,40 %	-5,53 %	2	154
1997	5,23 %	2,63 %	9	185
1996	9,44 %	10,97 %	7	131
1995	13,28 %	18,95 %	4	54
1994**	6,30 %	6,48 %	1	18

* In million euro

** The fund was established during the year





Torgeir Høyen, Portfolio manager.
Manager of SKAGEN Tellus.

Well equipped for 2008

Financial turbulence shaved SKAGEN Tellus's euro return last autumn, but our investment philosophy remains unshaken. Skilful application of that philosophy should build substantial value for unitholders in 2008.

2007 started out very well for our euro based global bond fund. During the first half of last year, interest rates generally came down in the countries where we had our biggest strategic positions, and the local currencies in our portfolio appreciated toward the euro. In the first half of the year, the fund had a euro return of 5 percent.

The second half of the year, on the other hand, was a difficult period. Financial markets turned sour in August after a flurry of disappointing news from the American housing and banking sectors, and investors sought a safe haven in the most trustworthy of treasury bonds. The credit crunch escalated again in November, and the fight to safety increased. This resulted in lower bond prices in some of the countries in which we were invested, and local currencies weakened against the euro.

For the year as a whole, SKAGEN Tellus had a euro return of 3.6 percent. While that was 3.1 percentage points higher than the benchmark, it was clearly below our objective. Measured in NOK, the return was 0.5 percent in 2007. Lower return in NOK than in EUR was due to the strengthening of the kroner against the euro.

The performance did not reflect negative local macro economic news in our countries of investment. Inflation picked up somewhat due to higher energy and food prices, but core inflation was more or less in line with the central banks' projections, and monetary policy was in line with the inflation targets. Furthermore, public finances didn't deteriorate, and economic growth came in more or less as expected.

In the end, the philosophy wins

Fundamentally, we are therefore quite comfortable with our portfolio at the start of 2008. We think our investment philosophy – of selectively picking bonds that are expected to appreciate in euro as real interest rates and foreign exchange rates converge – is well adapted to the ongoing globalisation of capital markets. And there are no signs of globalisation coming to an end.

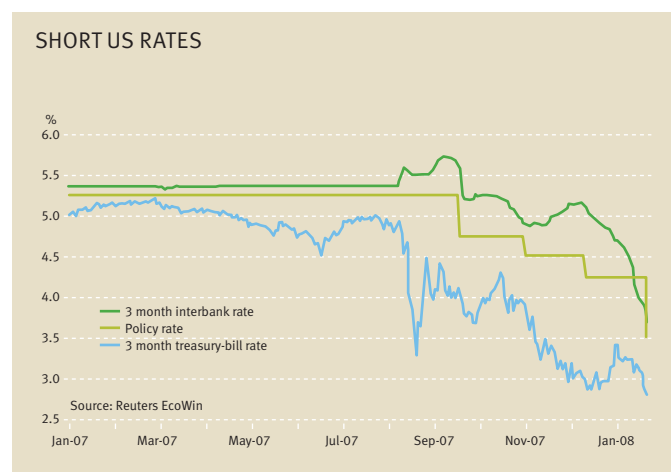
On average, risk adjusted real yield on our core strategic holding of Turkish, Brazilian, Mexican and Icelandic bonds is now well above 6 percent, according to our calculations. That's more than three times the global real yield on government bonds, which has fallen to below 2 percent. Thus, there is room for a healthy appreciation of the bonds as the real rates of interest converge.

Typically, the real currency exchange rates in the countries in which we have our strategic positions, are also well below the level of the euro zone. In Turkey, Brazil and Mexico in particular, which all have inflation targets and relatively high growth, there is room for currency appreciation versus the euro in the longer term.

The forces driving these convergence processes will not be restrained by the expected slower growth in the US, the euro zone and in Japan. Quite the contrary.

Credit unrest on the wane

Recently, there has been a marked reduction of interbank rates in the US, the euro zone and the UK. The spread between the short interbank rates and the central banks' policy rates has become significantly narrower.



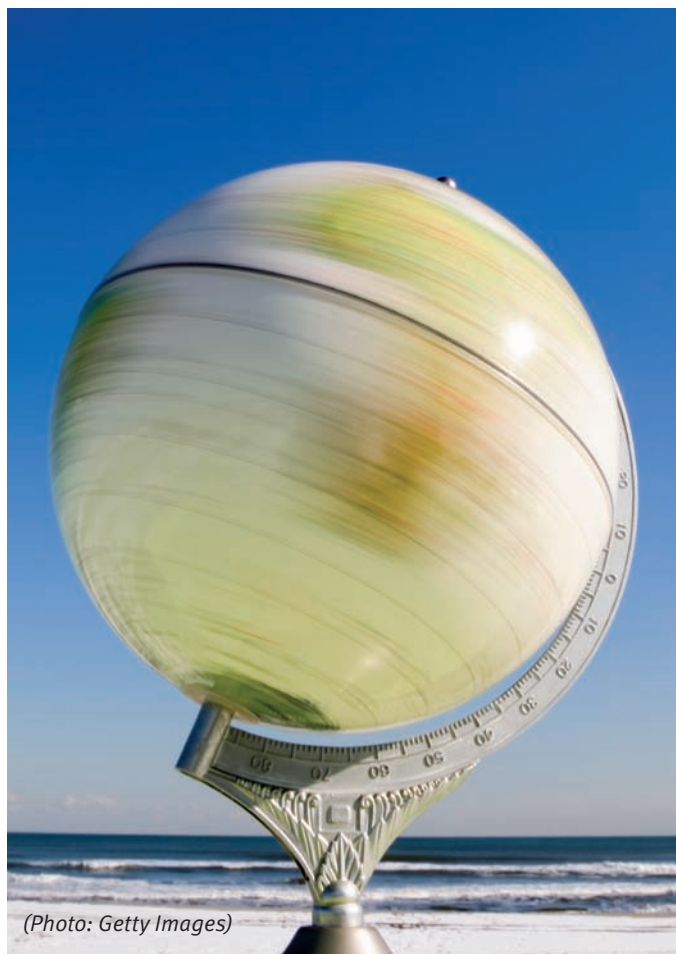
This may signify that the worst of the unrest in the financial markets is now behind us. That is a good sign with respect to correction of the pricing in the global credit market. We expect, therefore, that we should regain our positive trajectory from the first half of 2007 as 2008 progresses, and that the conditions are ripe for solid gains in the longer term, if we make the right choices in line with our investment philosophy.

Key information about SKAGEN Tellus

SKAGEN Tellus is an actively managed, euro-based global bond fund that invests in bonds issued or guaranteed by governments, regional authorities and financial institutions worldwide. The fund's strategy is to use thorough research to find undervalued bonds with potential for good returns in the form of capital gains.

SKAGEN Tellus is a good option for investors who wish to invest in global bonds and who have an investment horizon of at least 12 months. Investors must be tolerant of currency exchange rate fluctuations. The fund is well suited to be part of a long-term investment portfolio.

Fund start date	29 September 2006
Return since start	4.97 %
Average annual return	3.96 %
S&P quantitative rating	Not rated
Net asset value	EUR 108 mill
Number of unitholders	2 353
Subscription fee	0%
Redemption fee	0%
Management fee	0.8 % p. a
Minimum subscription amount	One-time subscription EUR 150
Authorised for marketing in	Norway, Sweden, Denmark, the Netherlands, Luxembourg, Finland, Iceland and UK
Benchmark	Lehman Global Treasury Index, 3-5 Years
UCITS fund	Yes
Portfolio Manager	Torgeir Høyen



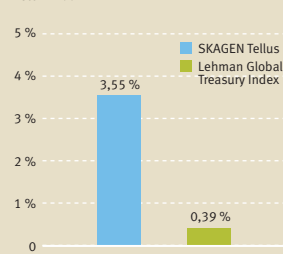
YEAR	RETURN ON INVESTMENT %	BENCHMARK INDEX %	NET ASSET VALUE*	NUMBER OF UNITHOLDERS
2007	3,55 %	0,39 %	108	2 353
2006**	1,37 %	2,18 %	70	2 557

* In million euro

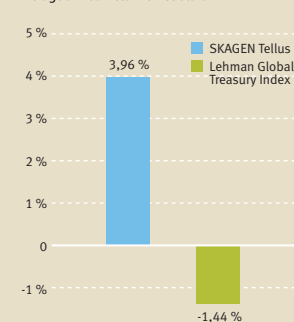
** The fund was established during the year

SKAGEN TELLUS RETURNS

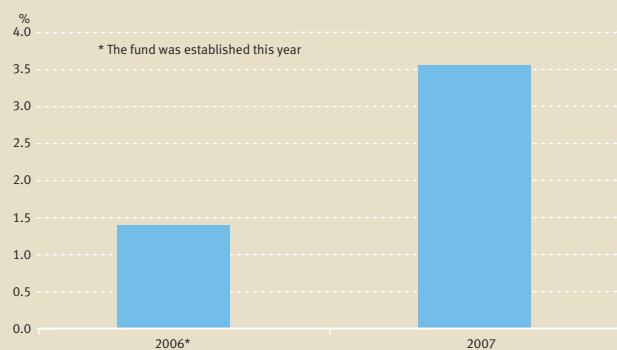
Return 2007



Average annual return since start



ANNUAL RETURNS EXPRESSED IN EURO





Frances Eaton, Manager business support and compliance at SKAGEN Funds.

Norwegian fund legislation

Entrusting your money to a Viking of old may have been risky business, but today's Norwegian fund manager is as well regulated and respectable as the best of Europeans.

The Norwegian legal system

Norwegian laws are passed by Parliament. The laws can empower the Ministries, in SKAGEN'S case the Ministry of Finance, to pass regulations to embellish the legal principles enshrined in the law. In some cases, this power can be delegated to the Financial Supervisory Authority of Norway (FSA). Both the Ministry and the FSA also issue guidance documents on fund related issues.

The main law governing funds is the Norwegian Securities Act.

The European connection

In addition to originating from Parliament, Norwegian laws can also hail from EU Directives and other EU regulations. Norway is not a member of the EU, but is party to the EEA agreement. This Agreement means that Norway is bound to implement EU legislation in areas concerning the four freedoms: the free movement of goods, services, capital and persons. EU legislation is implemented through an act or regulation passed by a Norwegian legislative power, i.e. Parliament or, if delegated, a Ministry.

So what is a Norwegian fund exactly?

Norway has enacted the UCITS directives and Norwegian funds that comply with the regulations in the Securities Act that stem from the UCITS directives are classified as UCITS funds. All SKAGEN'S funds that are marketed outside Norway are UCITS funds.

A fund is classified as a special type of legal entity under Norwegian law. A Norwegian fund is created by the approval of its articles of association by the FSA.

The fund as a legal entity has limited legal capacity in that it does not have its own board of directors, managing director, etc. but relies on the management company to act on its behalf. The management company is appointed through the fund's articles of association and these function as a management agreement between the fund and the management company.

The unitholders may influence the fund's management by representation on the management company's board of directors; it is a legal requirement that at least one third of the board members shall be elected by the unitholders. Further, the Securities Act dictates that certain issues cannot be passed unless a majority of the unitholder-appointed board members has voted in favour.

How is a Norwegian fund supervised?

Norwegian funds are under the supervision of the Norwegian FSA. In addition to regular reporting, the FSA is empowered to request information about the management company and funds at any time, and also to perform on-site inspections.

The FSA is charged with the protection of the unitholders and maintaining the integrity of the financial markets. All amendments to a fund's articles of association must be approved by the FSA. When marketing funds abroad, SKAGEN is also subject to regulations and supervision in the country in which the marketing is carried out.

How is a Norwegian fund taxed – and what about tax on my investments?

Norwegian equity funds are currently tax exempt under Norwegian law for capital gains on all equities and for dividends received from EEA countries. When calculating net income for tax purposes, funds may deduct relevant costs. Due to this, Norwegian tax has to date not been levied against any of SKAGEN'S equity funds.

The equity funds may be subject to withholding tax for dividend in the countries where the equities are issued, depending on the relevant country's tax rules and any tax treaties between Norway and such country. SKAGEN'S equity funds are accumulating and do not distribute dividends to unitholders.

SKAGEN'S fixed income funds distribute their taxable income to the unitholders by issuing new units, and no tax is therefore levied on the funds.

Norway does not impose withholding tax on unit holder's capital gains. Each unitholder is subject to the tax rules in his or her home state. More information on tax rules in the countries where SKAGEN has marketing approval can be found in the funds' prospectuses.

Risk and SKAGEN



Timothy Warrington, International department at SKAGEN Funds.

One of the few positives from the far reaching sub-prime crisis has been an overdue and useful focus on risk and its management. As is evident from SKAGEN's investment philosophy, we are absolute return managers and we therefore believe in absolute risk.

We are concerned that we might lose money; not that we might underperform any particular index. Despite being stockpickers, we recognise that we cannot eliminate market risk; but it is not a defining factor in our long-term bottom-up approach. This might lead some to observe a lack of emphasis on quantitative analysis; there is, however, an 'industry range' of risk categories that even the most extreme stockpicker must consider. While over the page Harald Haukås writes on the impact of currency risk within our funds, the following comprise those familiar areas of risk that preoccupy us.

- **Stock/Company Risk** For SKAGEN the biggest risk in equity investment is the companies themselves: if we're wrong about the underlying enterprise then the value of the company will not emerge, come what may. Our research and analysis of individual companies are therefore in-depth and enduring. We seek businesses that are competitive and well found; financial and operational risks must be in proportion to each other; and we map closely the potential for loss. We consider also potential political and other risk elements such as debt exposure, ethics and so on. Good corporate leadership is an essential factor and we seek confirmation that our companies hold to the policies and objectives that they publicly declare.
- **Portfolio risk** In addition to our emphasis on individual company research, portfolio risk is controlled through diversification to ensure a sober sector and regional balance. The aim is for a healthy distribution across industries. We adhere to broad order limits within sectors and our funds do not normally take speculative positions in currency. While we are not obsessed with processes, we do execute a range of internal activities in order to monitor portfolio risk e.g. weekly performance measurement.
- **Compliance risk** SKAGEN Funds uses a range of mechanistic controls to secure against risk and certify compliance with current investment regulations. Daily compliance reports and weekly compliance meetings are the norm. The former track the funds' cash flow and holdings against investment restrictions and maintain the funds' ownership levels in the portfolio companies; the latter considers the funds' status on a weekly basis.

- **Risk measurements** While we greatly value human judgement and experience, we are certainly not above employing the latest computer based tools to aid us in our work, and each month we provide risk data for all our funds to include: differential return, standard deviation and so on. This and similar information allows us to monitor performance attribution and to appreciate how our investments might be judged; what it does not do is change our investment philosophy and our focus on companies that are undervalued, unpopular and under-researched.
- **Operational Risk** Operational risk for SKAGEN Funds is linked to the possible losses that may arise from lapses in daily routines, including inadequate or failing internal processes, human error or external events. Operational risk is a primary focus and an area of continuous work within the company to identify, manage and control it. Our process for this is based on the COSO-model for Enterprise Risk Management and is conducted every six months in cooperation with both our internal and external auditors. There is also a significant focus on business continuity planning with routine exercising of procedures and we have redundancy in all our systems including alternative premises, and contingency planning in place for pandemics and other 'natural' events.

Ultimately, the fact that the interests of all members of SKAGEN Funds are directly aligned with those of our clients means that we will always retain an obsession with risk; and the prevailing focus on risk and its management is a trend that we welcome.



Harald Haukås, Analyst at SKAGEN Funds.

Currency risk in SKAGEN equity funds

SKAGEN funds invest internationally which means that our holdings are subject to movements in currency exchange rates. Many people therefore perceive currency exchange risk as something that they can and should protect themselves from. This is true for bond funds; but it is not true for equity funds.

Hedging of the listing currency of a share is not currency hedging

Unfortunately, many people believe, incorrectly, that it is possible to hedge an equity fund in the same way as a bond fund by hedging the listing currency. The currency risk is to only a small extent identifiable and is a very complicated function dependent on a number of different factors for any individual company. It is not logical to buy Siemens on the German rather than the American stock exchange in order to avoid currency risk. In general, the currency risk is independent of the country in which a share is listed, and hedging on the listed currency only gives short-term value in the event of a sudden change in exchange rates.

Currency hedging may increase currency risk!

Currency hedging may even have the opposite effect than the one expected. This may be illustrated with an example:

Assume that the revenue of an American company is EUR 100 million and costs are USD 100 million. If the dollar weakens 10% against the euro, the share price will immediately fall 10% measured in euro. This is a short-term effect of the change in exchange rates. The long-term effects are linked to the company's profit which will increase because costs measured in euro have been reduced. Assume that the dollar exchange rate weakens 10% from a dollar exchange rate of 70 euro-cent. When the dollar weakens, the share price initially falls 10%.

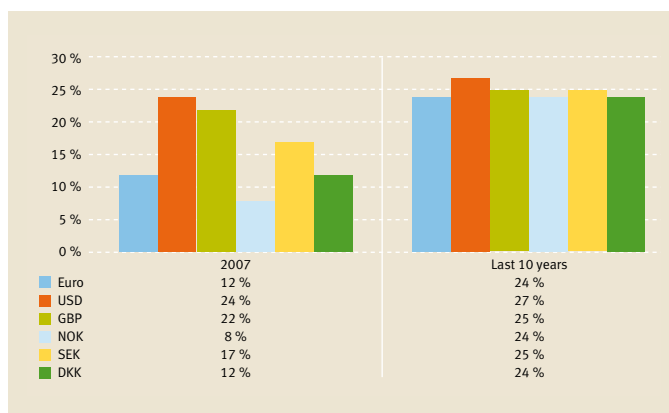
At the same time, the profit increases from 30 to 37 million in euro. This means that the loss in the share price due to the weak exchange rate is compensated by a probable long-term increase in the share price as a result of an increased profit. In other words, the change in exchange rate has both a short-term and long-term effect which counteract each other. If you avoid one of these effects then the risk increases because the effects in fact balance each other. It is therefore paradoxical that investors who have hedged the share price take the most currency risk! This example shows that when you think you have reduced the currency risk, you have in fact increased it.

The market corrects the effects of change in currency exchange rates

In practical terms it is impossible to hedge against all outcomes created by currency exchange movements. In the long run a free market will correct the short-term bias created by currencies. It would be to go too far to discuss price movements caused by currency exchange rate movements, but these are not independent variables. For example the dollar oil price is not independent of the US dollar exchange rate.

Currency risk in our funds

When you buy one of our global equity funds, we will always seek to balance all forms of risk in the most appropriate manner. In the figure below, the returns of SKAGEN Global are shown in various currencies. On the left is last year's return, on the right, the returns for the past 10 years:



In the short term, the differences are significant. Measured in NOK and USD, the returns of SKAGEN Global in 2007 are 8% and 24% respectively. If we look at returns for the past 10 years, it is between 24% and 27% p.a. measured in the various currencies. This demonstrates that it is the management of the fund and not the short-term exchange rate fluctuations that is decisive for the long-term real return of an equity fund.

SKAGEN Global and SKAGEN Kon-Tiki have no specific Norwegian kroner currency risk. In the short-term, SKAGEN Vekst carries a Norwegian kroner currency risk since 50% of the fund is invested in Norwegian companies. As explained above, currency risk is reduced over time since these companies mainly act internationally.

In general, we would like to warn against the potential cost of currency hedging SKAGEN's funds, and clients should consider this when deciding whether or not to employ it in their investment strategy.



OWNERSHIP STRUCTURE

SKAGEN AS is owned by:

T. D. Veen AS	26.34%
Solbakken AS	18.86%
MCM Westbø AS	10.09%
Månebakken AS	7.47%
Harald Espedal AS	8.52%
Åge Westbø AS	7.47%
Kristian Falnes AS	8.52%
Labrusca AS	8.52%
Key SKAGEN staff	4.21%

NUMBER OF UNITS OWNED BY BOARD MEMBERS AND KEY EMPLOYEES

NAME	NUMBER OF UNITS	POSITION
Martin Gjelsvik	3 636	Chair of the Board and owner
Tor Dagfinn Veen	450 092	Board member and owner
Barbro Johansson	96	Board member
Sigve Erland	3 640	Board member
Jan Henrik Hatlem	91	Board member
Ole Sjøberg	0	Deputy board member
Anne Sophie K. Stensrud	1 455	Deputy board member and owner
Siv S. Oftedal	9 778	Deputy board member
Harald Espedal	96 328	Managing director and owner
Åge K. Westbø	1 359 032	Deputy managing director and owner
Kristian Falnes	226 445	Investment director and owner
J. Kristoffer C. Stensrud	2 183 305	Portfolio manager and owner
Filip Weintraub	33 858	Portfolio manager and owner

THE NOMINATION COMMITTEE

The nomination committee was elected at the 2007 election meeting. The members of the nomination committee are Harald Sig. Pedersen (Chair), Truls Holte and Martin Petersson. The nomination committee nominates board member candidates to be elected by the unitholders.

Return and risk measurements

RETURNS	2007	LAST 2 YEARS	LAST 3 YEARS	LAST 5 YEARS	LAST 7 YEARS	LAST 10 YEARS	SINCE START
SKAGEN Vekst	13,31 %	20,70 %	30,64 %	33,97 %	20,97 %	19,58 %	21,73 %
OSE Benchmark Index (OSEBX)	14,96 %	21,56 %	28,94 %	31,24 %	14,32 %	10,07 %	13,42 %
SKAGEN Global	12,07 %	16,16 %	24,69 %	28,26 %	16,42 %	23,85 %	22,54 %
MSCI World Index (Daily Traded Net Total Return in NOK)	-1,70 %	2,80 %	9,97 %	9,44 %	-1,06 %	3,62 %	2,69 %
SKAGEN Kon-Tiki	26,87 %	22,93 %	35,42 %	42,56 %			29,34 %
MSCI Emerging Markets Index (Daily Traded Net Total Return in NOK)	25,67 %	21,95 %	31,82 %	28,21 %			16,80 %
SKAGEN Tellus	3,55 %						3,96 %
Lehman Global Treasury Index 3-5 years in NOK	0,39%						-1,44 %
SKAGEN Avkastning	8,27 %	4,46 %	6,05 %	3,42 %	6,16 %	5,52 %	7,04 %
ST4X Bond Index	7,18 %	2,44 %	3,59 %	2,87 %	6,12 %	5,29 %	6,55 %

RISK MEASUREMENTS LAST 3 YEARS	SKAGEN VEKST	SKAGEN GLOBAL	SKAGEN KON-TIKI	SKAGEN AVKASTNING
Relative gain	87 %	184 %	111 %	123 %
Relative loss	66 %	116 %	112 %	89 %
Standard deviation, fund	14,4 %	14,0%	20,2 %	5,37 %
Standard deviation, benchmark index	17,2 %	9,1 %	17,6 %	5,33 %
Relative volatility	8,0 %	7,8 %	5,8 %	2,46 %
Positive index divergence	11,65	18,00	8,69	5,21
Negative index divergence	10,30	5,16	5,89	2,72
Performance measurements last 3 years				
Relative gain/loss ratio	1,33	1,58	1,00	1,38
Sharpe ratio, fund	1,91	1,54	1,60	0,54
Sharpe ratio, benchmark index	1,50	0,75	1,63	0,08
Information ratio	0,21	1,89	0,62	1,00
Index divergence ratio	1,13	3,49	1,48	1,92
Risk measurements last 5 years				
Relative gain	93 %	193 %	132 %	106 %
Relative loss	69%	105 %	106%	100 %
Standard deviation, fund	15 %	14,2 %	20,0 %	6,08 %
Standard deviation, benchmark index	18,3 %	9,7 %	16,8 %	5,88 %
Relative volatility	7,6 %	7,7 %	8,3 %	2,45 %
Positive index divergence	11,73	20,82	16,06	3,92
Negative index divergence	9,58	4,83	5,28	3,39
Performance measurements last 5 years				
Relative gain/loss ratio	1,34	1,84	1,24	1,06
Sharpe ratio, fund	2,07	1,79	1,99	0,10
Sharpe ratio, benchmark index	1,55	0,68	1,51	0,01
Information ratio	0,36	2,44	1,72	0,23
Index divergence ratio	1,23	4,31	3,04	1,16
Risk measurements since start				
Relative gain	100 %	178 %	132 %	107 %
Relative loss	72 %	100 %	105 %	102 %
Positive index divergence	15,79	25,22	15,92	4,03
Negative index divergence	8,74	8,21	6,01	3,52
Performance measurements since start				
Relative gain/loss ratio	1,39	1,78	1,28	1,05
Index divergence ratio	1,81	3,07	2,65	1,14

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 subscription 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.

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.

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 suffered 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 (ST1X). 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 deviation is higher or lower than the benchmark.

Relative volatility is the standard deviation of the annual excess return relative to the benchmark during the relevant period. Relative volatility 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 independence of the benchmark.

Positive/negative benchmark divergence shows positive 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.

The Sharpe Index 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 probability, 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.

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 construed as the chance of uneven excess returns. Thus, the information ratio measures the manager's ability to create certain excess returns, whereas relative volatility measures the ability to generate regular excess return.

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

Benchmark divergence ratio shows the ratio between positive and negative benchmark divergences. This is a measure of the ability to create excess returns by being an active rather than a passive manager. The higher the number, the better you get paid for each negative benchmark divergence. The benchmark divergence ratio interprets risk as the chance of negative index divergences, as opposed to the Information Ratio, which construes the risk as irregular excess returns (not necessarily negative excess returns).

Fund rating*	SKAGEN Vekst	SKAGEN Global	SKAGEN Kon-Tiki	SKAGEN Tellus	SKAGEN Avkastning
Standard & Poor (AAA=best qualitative rating)	AAA	AAA	AAA		
Citywire(3 year performance) Fund manager rating (Dec 2007)		No. 6 of 603	No. 13 of 106	No. 24 of 298 (last 12 months)	
Lipper Fund Awards	Europe 2006: Best fund 3 & 5 years EQUITY NORWAY	Europe 2006 & 2007 Best Fund 3 & 5 years EQUITY GLOBAL	Europe 2006 & 2007 Best Fund 3 years EQUITY EMERGING MARKETS GLOBAL		Nordics 2007 Best Fund 3 years BOND NORWEGIAN Krone
Morningstar (5 = best rating)	★★★★★	★★★★★	★★★★★		★★★★★
Wassum (5 = best rating)		W W W W W	W W W W W		

Updated as of December 31 2007. Empty fields means no rating of fund.

Read more about ratings, rating agencies and awards here: www.skagenfunds.com, Ourfunds/Ratings and www.skagenfunds.com, Aboutus/Awards

*Morningstar does a qualitative rating of the fund's return in relation to risk, and is only for a set geographical area (Norway). Same fund can have different rating in different countries.

Long-term efforts pay off

SKAGEN has experienced continued progress on every front in 2007. The company has increased its assets under management, hired more employees and gained new clients in both existing and new markets.

These positive developments can be credited to the establishment of solid client relationships, a continuous search for the right partners and thorough analyses of markets that SKAGEN wishes to be present in. While it is gratifying to harvest the fruits of this labour, SKAGEN is well aware of the challenges that lie in providing all clients with the best service, follow-up and communication, irrespective of where the client is situated. To meet this challenge, SKAGEN invests in highly motivated employees and simple technological tools. SKAGEN's goal is not to be the biggest company with the most clients, but rather to provide each client with the best risk adjusted return together with excellent service, follow-up and communication.

What happened in 2007?

Continued globalisation in 2007 gave SKAGEN the opportunity to exploit geographical imbalances in company valuation to find undervalued investment objects. Ongoing growth in emerging markets was a further effect of globalisation. The wave of mergers extended through 2007. At the end of the year the credit crunch was felt in full force, with volatile risk-free interest rates and exploding premiums on debt risk.

... and our predictions for 2008

The unrest in the credit markets will continue and affected banks will need large equity infusions. Central banks in credit-squeezed economies may allow interest rates to fall further. The world economy will slow in 2008, though this will be partly cushioned by increased spending by the emerging market consumer.

The year ahead will not be easy, and will

probably be quite volatile. On the positive side, conditions should be good for finding bargain equities based on SKAGEN's long-term investment philosophy.

Assets under management

In 2007, assets under management increased from NOK 58.2 to 79.9 billion. Net subscriptions in SKAGEN's equity funds were NOK 10.9 billion. As was the case last year, these record subscriptions can be ascribed to increased volume in Sweden and internationally. The Dutch and British markets especially have developed well. The fixed income funds experienced net subscriptions of NOK 4.7 billion, an increase from NOK 0.52 billion in 2006.

Returns

2007 was a challenging year for value-based equity fund managers and the general trend has been that value stocks have performed worse than growth stocks. SKAGEN's funds, with their value-based management, have survived well in this climate.

SKAGEN Kon-Tiki delivered a return of 22.5 percent compared to the emerging market index's 21.3 percent. The fund has beaten its benchmark all six calendar years since inception. In June 2007, SKAGEN Kon-Tiki was awarded a AAA-rating from Standard & Poor's, giving all SKAGEN's equity funds the highest rating from the reputable rating agency.

SKAGEN Global has delivered very strong relative results outperforming the world index by 13.3 percentage points. The fund has beaten its benchmark each of the ten years since its inception in 1997. The absolute return for 2007 is 8.2 percent.

SKAGEN Vekst achieved an absolute return of 9.9 percent and ended 1.6 percentage points behind its benchmark, the Oslo Stock Exchange.

Even though returns in SKAGEN Global and SKAGEN Vekst for 2007 are below SKAGEN's long term goal of 20 percent average annual return, all three equity funds have delivered an average annual return of over 20 percent since inception.

SKAGEN Tellus has been challenged by the uneasy credit markets and the fund has provided a return of 0.45 percent calculated in Norwegian kroner for 2007. Calculated in euro, the fund has achieved a return of 3.6 percent, beating its benchmark by 3.2 percentage points. However, the returns are lower than SKAGEN's annual aim for the fund.

The unrest in the credit markets has had less effect on SKAGEN Avkastning, which has achieved a return of 5.0 percent in 2007 against the benchmark's 3.9 percent.

SKAGEN Høyrente delivered a return of 4.7 percent, somewhat lower than the 3-month NIBOR and 0.3 percentage points better than its benchmark. SKAGEN Høyrente Institusjon achieved a 4.6 percent return, 0.2 percentage points over its benchmark. The fund has outperformed its benchmark all five calendar years since its inception in 2003.

SKAGEN Krona, which was launched on 29 June 2007, achieved a return of 1.9 percent calculated in SEK until year end, which is 0.1 percentage points better than its benchmark.



SKAGEN's Board of Directors, from left to right: Barbro Johansson, Jan Henrik Hatlem, Siv Oftedal, Martin Gjelsvik, Anne Sophie K. Stensrud, Tor Dagfinn Veen, Ole S eberg and Sigve Erland.

New markets

Throughout the year, SKAGEN has continued to be noticed internationally and has received several awards with extensive media coverage. This attention has contributed to an increased number of people and institutions from outside the Nordic region wishing to become clients. In addition to accepting direct subscriptions from clients in other countries, SKAGEN has during the year attained marketing approval in Iceland and the UK, in addition to its approvals in Norway, Sweden, Denmark, Finland, Luxembourg and the Netherlands.

New technology

To make it easier for international clients to access SKAGEN's funds and monitor their holdings, SKAGEN has in 2007 customised its systems to allow clients to make transactions in several different currencies and to show the fund's net asset value (NAV) in these currencies on SKAGEN's websites. For subscriptions and redemptions in currencies other than NOK, the subscription or redemption price is calculated on the basis of the fund's NAV in NOK using the currency exchange rate used by the relevant fund on the valuation day. The same applies when viewing the NAV in other currencies.

SKAGEN has also introduced electronic identification, commonly referred to as Bank-ID, for Norwegian and Swedish clients. One of the goals of Bank-ID is to have a common log-in system for all financial web-services so that clients do not have to memorise numerous different passwords. Bank-ID also functions as a legal signature in Norway while Sweden accepts Bank-ID as both legal signature and proof

of client identity. SKAGEN anticipates a similar simplification for Norwegian clients with the revision of the anti money laundering legislation in 2008, when it is expected that Bank-ID will be accepted as proof of client identity.

SKAGEN continuously strives to improve its client services with simple electronic tools. SKAGEN's goal is to overcome settlement and technical differences between the countries in which it is established, and to be able to offer all clients stable and simple web-based solutions as a supplement to personal service and follow-up.

Sweden as a home market

2007 was Sweden's first year as one of the SKAGEN home markets. SKAGEN's goal is for Swedish clients to consider SKAGEN a national fund provider, and for it to be as easy for a Swede to become a SKAGEN client and have a client relationship as for a Norwegian. The facility for Swedish clients to subscribe units in SEK in all funds marketed in Sweden is an important development towards this aim. Further, Swedish clients are now able to execute transactions over the internet via "My account", and can log in using Bank-ID. SKAGEN is happy to be able to offer these services to Swedish clients and is continuously working to improve these facilities.

A new fund is launched

In connection with establishing Sweden as a home market, the money market fund SKAGEN Krona was launched on 29 June 2007. The fund is denominated in SEK and only invests in interest

«The client is of key importance in SKAGEN and the company exists purely to deliver products that benefit the client along with good service, follow-up and communication.»

bearing loans and money market instruments issued in SEK.

For clients with purchasing power in SEK there is therefore no currency risk related to investments in the fund. The fund is an alternative to a bank account for SKAGEN's Swedish clients, and the fund's goal is to deliver better returns than the best savings accounts offered by banks in the Swedish market.

The fund has been received well and had 210 million SEK under management at year end.

Offices established in Gothenburg

To meet the demands of a growing client base in the Gothenburg region, SKAGEN established a Gothenburg office in September 2007. Many Swedish clients attended the official opening in November and the Board looks forward to more high quality local events in the future.

Denmark

During the year, SKAGEN has begun to penetrate the Danish market. In December, the newspaper Jyllands-Posten and Dansk Aktieanalyse (Danish equity analyst) acclaimed SKAGEN as manager of the year in Denmark. The main priority in Denmark has so far been the pension market as strict tax rules for private investor's free capital investments in foreign funds have made it unfavourable for such clients to invest in SKAGEN. SKAGEN hopes that these tax barriers will be lifted through new tax regulation, providing more Danish clients with access to SKAGEN's funds.

SKAGENS employees

SKAGEN recruited 17 new employees in 2007 and at year end the company had 113 employees. The board is very satisfied with the new employees' integration into the company and their pursuance of the company's culture and values.

It is also pleasing that, as in previous years, the employee and welfare survey showed that employees consider SKAGEN to be a good place to work with a safe and trusting work environment. This is also reflected in a low rate of absence due to illness of 2.1 percent.

The company's incentive model is deemed to be motivating, both collectively and individually. The Board of Directors considers the incentive model to be on target with respect to stimulating employees to work to achieve the highest possible return for the clients. The model also strengthens cooperation between all departments to ensure that clients receive the best possible SKAGEN experience – including good service, follow-up and communication. No employees have their compensation directly tied to subscription volume, avoiding the danger of unhealthy competition and sales pressure, protection of own expertise and poor utilisation of employee resources, which may otherwise characterise such arrangements.

SKAGEN has also in 2007 invested widely in the development of its employees' skills. Employees in all fields shall have basic financial knowledge and extensive knowledge of SKAGEN's products. SKAGEN-school is an in-house training programme that is held nine times per year. It makes use of both in-house and external expertise to provide the employees with up-to-date knowledge of relevant issues. SKAGEN has also entered into long-term agreements with the Norwegian School of Economics and Business Administration in Bergen and Financial Education in Sweden for courses in macroeconomics, finance, personal finance and ethics, and for certifying Swedish financial advisors. SKAGEN welcomes the introduction of an equivalent official certification programme in Norway, which is expected in 2008. 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 45 female and 68 male employees. There are equal opportunities for both genders with respect to terms of employment and pay.

The board would like to take the opportunity to thank all employees for their contribution to making SKAGEN the best place to work as well as the best place to invest. In return, the Board promises to promote a working environment that encourages employee development.

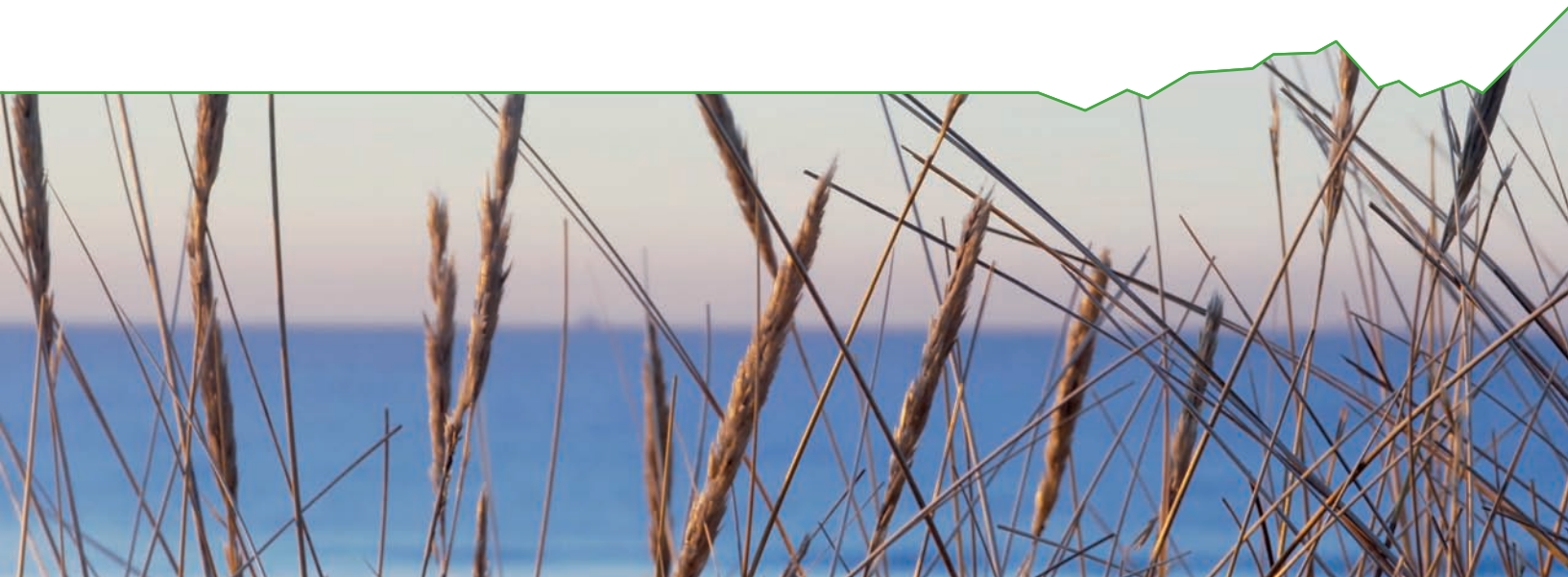
Great expectations

The client is of key importance in SKAGEN and the company exists purely to deliver products that benefit the client along with good service, follow-up and communication. To ensure client satisfaction, SKAGEN uses client surveys and external surveys carried out for the fund management sector to establish the client's real expectations. While we are satisfied with the positive feedback, we have observed an increase in clients' expectations, both with regard to returns and service, follow-up and communication. In order to meet these expectations, SKAGEN is diligent in analysing the survey results, finding specific improvement areas and adapting communication to the individual client. This is a continuous process on which emphasis will also be placed in 2008.

SKAGEN values the clients' interest in our webmeetings, questions sent in to the webcasts and individual feedback to our customer service centre. SKAGEN looks forward to talking to you in the coming year and will do its best to meet your expectations

SKAGEN Funds' organisation

Stavanger Fondsforvaltning AS changed its name to SKAGEN AS with effect from 22 March 2007. The company is authorised by the Financial Supervisory Authority of Norway to act as a fund management company. SKAGEN's activities are subject to the Norwegian Securities Funds Act, and the Financial Supervisory Authority of Norway



monitors the activities to ensure that they are in compliance with the relevant legislation. The Financial Supervisory Authority of Norway monitors SKAGEN's international activities, and SKAGEN is also subject to supervision by national regulatory authorities in the countries where the activities are executed. Handelsbanken acts as custodian for SKAGEN and is responsible for the registration and settlement of transactions for the funds' portfolios. The Norwegian Central Securities Depository maintains SKAGEN's unitholder registry, and is responsible for maintaining registration of the correct number of units for each client, and ensuring that the client receives transaction notifications.

The funds' risk arises from market movements, currency, interest rates and cyclical developments, as well as company specific issues. To prevent unreasonable risk exposure, legislation stipulates requirements with respect to portfolio diversification, ownership limitations and the percentage of unlisted securities. The funds' risk exposure is monitored continuously by daily reports showing the portfolio risk of each fund and its weighting relative to the statutory requirements.

In addition, SKAGEN applies internal requirements to, for example, industry balance and liquidity within the portfolios. These requirements have been complied with throughout the year. SKAGEN has also developed internal procedures aimed at reducing the risk of errors that may affect the funds. The spread of the equity portfolios' investments is a result of the SKAGEN investment philosophy, which contains requirements for company valuation, the product/market matrix, the company's debt exposure and the liquidity of the security. The investments of the fixed income funds are also based on an

evaluation of the creditworthiness of individual issuers and the general economic conditions in the country in which the issuer resides. In spite of skittish markets in March and August of 2007, none of the funds have experienced extraordinary or disruptive levels of redemption during the year. SKAGEN is very pleased to have a stable client base that focuses on long-term investment. At the same time, SKAGEN will do its best to ensure that as many clients as possible achieve their return targets and are able to reap the benefits of their investments.

The board confirms that the going concern requirement pursuant to section 3-3a) of the Norwegian Accounting Act is fulfilled.

Investment philosophy

SKAGEN maintains its investment philosophy and business concept. SKAGEN is convinced that the best way of creating excess returns for clients, in the future as in the past, is to have an active investment philosophy, according to which the portfolio managers search for unpopular, under-researched and undervalued companies. The same principle applies to the managers of the SKAGEN fixed income funds: the funds are actively managed based on the portfolio manager's analyses of the market and individual bonds.

The board expects SKAGEN's application of the investment philosophy to continue to provide good returns for the unitholders in 2008.

The Board of Directors' report constitutes part of the audited accounts, consequently all figures quoted here are calculated in Norwegian kroner.

Allocation of funds' net income:

ANNUAL ACCOUNTS 2007 (in MNOK)	SKAGEN VEKST	SKAGEN GLOBAL	SKAGEN KON-TIKI	SKAGEN HØYRENTE	SKAGEN HØYRENTE INSTITUSJON	SKAGEN AVKASTNING	SKAGEN TELLUS	SKAGEN KRONA (SEK)
NET INCOME	1040	1722	2824	202,45	63,65	176,29	7,69	3,29
ALLOCATION OF NET INCOME								
TRANSFERRED TO/FROM RETAINED EQUITY	1040	1722	2824	-0,34	0,35	-112,73	-21,23	0,88
ALLOCATED FOR DISTRIBUTION TO UNITHOLDERS				202,79	63,30	289,02	28,92	2,41
TOTAL	1040	1722	2824	202,45	63,65	176,29	7,69	3,29

STAVANGER 28.01.08

Barbro Johansson

Jan Henrik Hatlem

Martin Gjelsvik

Sigve Erland

Tor Dagfinn Veen

Annual Financial Statements 2007

INCOME STATEMENTS (ALL FIGURES IN 1,000 NOK)	NOTE	SKAGEN VEKST		SKAGEN GLOBAL		SKAGEN KON-TIKI		SKAGEN AVKASTNING		SKAGEN HØYRENTE		SKAGEN HØYRENTE INSTITUSJON		SKAGEN TELLUS		SKAGEN KRONA*	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Portfolio revenue and costs																	
Interest income and costs		5 008	200	35 510	-15 527	19 305	-26 925	221 747	120 318	21 667	7 206	65 500	12 490	46 051	9 056	1 549	
Dividends		368 578	249 573	639 523	445 415	275 086	274 492	-	-	-	-	-	-	-	-	-	-
Realised gains/losses		1754 292	1474 954	1639 997	958 017	2071 407	1153 355	33 113	11 706	-5 508	-4 587	-1 203	-1 384	-8 345	1 363	1 041	
Change unrealised gains/loss	8	-962 694	1 282 206	1 23 242	2 740 558	942 909	1 150 494	-112 763	-31 012	637	-296	512	-1 133	-24 091	-8 989	816	
Guarantee commission		1 675	1 759	1 65	-	-	-	-	-	-	-	-	-	-	-	-	-
Broker's fee		-10 777	-8 189	-24 584	-25 425	-32 363	-23 355	-9	-79	-	-	-	-	-	-5	-	-
Agio/disagio		53 005	41 185	6 058	93 741	-24 914	102 431	53 876	19 576	-	-	-	-	-	-258	-373	-
PORTFOLIO RESULT	5	1209085	3041687	2419912	4196780	3251430	2630492	195964	120 509	211 806	67 180	64 809	9 973	13 353	1 058	3 407	
Management expenses																	
Management fee-fixed	9	-118 774	-95 105	-260 322	-176 591	-404 337	-298 974	-19 674	-18 089	-9 355	-5 463	-1 157	-499	-5 668	-1 011	-111	
Management fee-variable	9	-39 655	-246 292	-390 241	-227 841	5 306	-7 201	-	-	-	-	-	-	-	-	-	-
ASSET MANAGEMENT EXPENSES		-158 429	-341 399	-650 563	-404 432	-399 031	-306 175	-19 674	-18 089	-9 355	-5 463	-1 157	-499	-5 668	-1 011	-111	
RESULT BEFORE TAX		1050655	2700288	1769349	3792348	2852399	2324318	176290	102 419	20 245	61 717	63 652	9 474	7 685	47	3 295	
Tax cost	4	-10 909	-14 799	-47 632	-46 907	-28 781	-21 392	-	-	-	-	-	-	-	-	-	-
NET INCOME		1039746	2685490	1721716	3745442	2823618	2302926	176290	102 419	20 245	61 717	63 652	9 474	7 685	47	3 295	
Allocation of net income																	
Transfer to/from retained earnings	10	1039 746	2685 490	1721 716	3745 442	2823 618	2302 926	-112 729	-31 012	-340	-296	348	-1 133	-21 232	-8 989	882	
Allocated for distribution to unitholders	10							289 019	133 431	202 791	62 014	63 304	10 607	28 917	9 035		
Net allocated to unitholders during the year	10																2413
TOTAL		1039746	2685490	1721716	3745442	2823618	2302926	176290	102 419	20 245	61 717	63 652	9 474	7 685	47	3 295	
BALANCE SHEETS		31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	
Assets																	
Norwegian securities at cost price	3,8	396 783	314 387	-	-	605 086	452 723	2883 542	2367 397	3966 192	1990 120	1406 238	331 837	-	9 489	-	
Foreign securities at cost price	3,8	351 366	3008 770	20039 345	14 623 584	13 673 565	9 382 804	10 951 131	614 660	-	-	-	-	860 478	554 981	185 091	
Unrealised capital gains	8	4008 073	4970 768	6875 821	6 752 579	4 996 910	4 054 001	-102 014	10 749	-1 847	-2 484	-862	-1 373	-33 079	-8 989	816	
Accrued interest	8	8	-	-	-	-	-	70 853	46 445	38 401	15 579	16 614	3 916	14 873	13 572	34	
TOTAL SECURITIES PORTFOLIO		11 489 081	11 123 412	26 915 166	21 376 163	19 275 561	13 889 528	39 475 111	3 039 251	4 002 747	2 003 215	1 421 990	334 380	842 272	569 053	185 941	
Dividend receivable		44 965	24 193	75 223	61 747	47 117	56 646	-	-	-	-	-	-	-	-	-	
Tax receivable on dividends		699	8 403	14 762	20 643	817	303	-	-	-	-	-	-	-	-	-	
TOTAL ACCRUED INCOME		45 663	32 596	89 984	82 390	47 933	56 949	-	-	-	-	-	-	-	-	-	
Accounts receivable-brokers		26 474	16 28	67 737	-	126 532	66 748	48 568	3 003	-	-	-	-	12 282	-	-	
Accounts receivable-management company		258	177	261	181	209	150	13	13	20	12	1	1	6	6	1	
Other receivables		-	750	-	-	-	579	-	4	-	22 497	-	-	-	-	-	
TOTAL OTHER RECEIVABLES		26 732	2 556	67 998	181	126 740	67 477	48 581	3 0059	20	22 510	1	1	12 288	6	1	
Bank deposits		114 402	908 632	1 994 275	1 162 468	624 807	110 862	-	-	569 516	209 891	79 097	23 198	48 515	8 523	25 240	
TOTAL ASSETS		11 675 878	12 067 196	29 067 423	22 621 201	20 075 041	14 124 816	39 960 93	3 069 301	4 572 283	2 235 616	1 501 088	357 579	903 075	577 582	211 182	
Equity Capital																	
Unit capital at par value	10	761 570	849 392	3532 494	2977 546	4 404 596	3 782 616	30 585 68	23 463 66	43 208 59	21 538 33	14 397 78	34 343 52	86 547 71	571 937	209 499	
Premium	10	1 227 150	2 356 315	14 044 567	10 008 013	6 898 092	4 405 422	6 774 35	50 846	38 376	19 655	-1 767	-305	-2 814	3 916	689	
TOTAL PAID-IN EQUITY CAPITAL		1 988 720	3 205 707	17 577 062	12 985 559	11 302 688	8 188 038	37 360 02	28 548 32	4 359 235	2 173 489	14 380 12	34 3130	862 663	575 854	210 188	
Retained earnings	10	9 590 075	8 550 329	10 967 810	9 246 094	8 571 323	5 747 705	-102 270	10 459	-2 811	-2 471	-928	-1 276	-30 221	-8 989	885	
Allocated to unitholders for reinvestment	10							295 643	1 395 62	204 834	63 156	63 551	10 607	29 192	9 035	-3	
TOTAL EQUITY CAPITAL		11 578 795	11 756 036	28 544 872	22 231 653	19 874 011	13 935 743	39 293 75	3 004 853	4 561 258	2 234 174	1 500 635	352 461	861 635	575 900	211 070	
Debt																	
Bank overdraft		-	-	-	-	-	-	56 028	46 696	-	-	-	-	-	-	-	
Payable to brokers		21 000	29 248	22 649	64 691	50 353	46 782	-	-	-	-	-	-	39 581	-	-	
Accounts payable-management company		6 999	27 429	46 333	282 089	119 303	92 485	5 157	3 991	2 794	1 442	453	118	1 686	1 011	111	
Other debt		6 092	6 982	36 569	42 768	31 374	49 806	5 532	13 770	8 231	-	-	5 000	174	671	-	
TOTAL OTHER DEBT		97 082	311 159	522 551	389 548	201 031	189 073	66 718	64 457	11 025	1 442	453	5 119	41 440	1 682	111	
TOTAL DEBT AND EQUITY CAPITAL		11 675 878	12 067 196	29 067 423	22 621 201	20 075 041	14 124 816	39 960 93	3 069 301	4 572 283	2 235 616	1 501 088	357 579	903 075	577 582	211 182	
Number of units issued		761 570	849 392	35 324 945	29 775 464	44 045 958	37 826 164	30 585 676	23 463 656	43 208 586	21 538 339	14 397 785	34 343 352	86 547 711	571 937	209 499	
Base price per unit		1 520,124	1 383,810	808,013	746,674	451,362	368,4594	128,4664	128,0571	105,5990	103,7699	104,2239	102,6155	99,5506	100,6618	100,7361	
CASH FLOW STATEMENTS																	
Bank deposits as of 1.1.		908 632	349 499	1 162 468	785 117	110 862	754 070	-46 697	257 702	209 891	746 061	23 198	59 202	8 523	-	-	
Inflow																	
Net subscriptions (incl. subscription and redemption fees)	+/-	-1 216 987	813 049	4 591 503	4 573 304	3 114 649	2 882 091	881 170	1 780 88	2 185 746	-1 944 15	10 948 82	-24 556	28 6810	575 854	210 188	
Net realised gains	+/-	1 754 292	1 474 954	1 639 997	958 017	2 071 407	1 153 355	33 113	11 706	-5 508	-4 587	-1 203	-1 384	-8 345	1 363	1 041	
Interest and dividends received (after tax)	+/-	406 579	269 729	609 040	451 298	208 334	305 252	275 615	13 9814	21 667	7 206	65 500	12 490	45 788	8 683	1 549	
TOTAL INFLOW	=	943 883	2 557 732	6 840 540	5 982 619	5 394 389	4 340 698										

General notes

NOTE 1 : ACCOUNTING PRINCIPLES

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 31.12.2007. Bonds and notes, for which there are no "marketmaker" prices, are at all times valued against the applicable yield curve.

Unlisted equities are valued according to the latest trading price, value adjustments made by brokers and internal valuations.

Currency exchange rates: Securities and bank deposits/overdrafts in foreign currency are valued at the prevailing exchange rate at the time of pricing 31.12.2007.

Treatment of transaction cost: Transaction cost in the form of commission to brokers is charged to expenses at the time of the transaction.

Allocated to unitholders for reinvestment: All distributions to unitholders in fixed income funds are treated as allocations of profits 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 during the financial year.

Adjustment of acquisition cost: For the equity funds, the average acquisition value has been used to arrive at the realised gain/loss on the sale. For the fixed income funds, the FIFO principle has been used to calculate realised gain/loss on sale.

NOTE 2 : FINANCIAL DERIVATIVES

The funds have not held financial derivatives during the year.

NOTE 3 : FINANCIAL MARKET RISK

The balance sheets in the annual financial statement for the funds reflect market value on the last stock market day of the year expressed in Norwegian kroner. Through investment in Norwegian and foreign businesses, the equity funds are exposed to share price and foreign exchange risks. The fixed income funds are exposed to interest and credit risks and to currency risks in those cases where the funds invest beyond Norwegian borders.

NOTE 4 : TAX CALCULATION

Tax costs are associated with withholding tax on foreign dividends. Gain/loss on realisation of equities in securities funds are not taxable/deductible.

NOTE 5 : CUSTODIAN COST

The funds are not charged custodian cost.

NOTE 6 : VELOCITY

Velocity is measured by the size of the trading volume adjusted by subscriptions and redemptions of units. Velocity is calculated as the sum of all purchases and sales of securities divided by 2, with a deduction of net subscriptions in the fund and then divided by the average net assets during the period. The velocity of the funds during 2007 was:

SKAGEN Vekst	0.37
SKAGEN Global	0.03
SKAGEN Kon-Tiki	0.20
SKAGEN Avkastning	0.91
SKAGEN Høyrente	1.85
SKAGEN Høyrente Institusjon	0.62
SKAGEN Tellus	0.41
SKAGEN Krona	1.27

NOTE 7 : SUBSCRIPTION FEES

Equity funds

Subscription fee:	
NOK 0 - 499,999	0.7 % of the subscribed amount
NOK 500.000 - 999,999	0.5 % of the subscribed amount
NOK 1,000,000 - 4,999,999	0.2 % of the subscribed amount
NOK 5,000,000 -	0.0 % of the subscribed amount

Redemption fee:	0.0 % of the subscribed amount
	0.0 % of the above mentioned fees is credited the fund in the case of both subscription and redemption.

Fixed income funds

No subscription or redemption fees.

SKAGEN Vekst Note 9, 10 & 11

NOTE 9. MANAGEMENT FEE

The fixed management fee constitutes 1% of average daily net asset value in addition to the variable management fee: 1/10 of the return above 6% p.a.

NOTE 10. EQUITY RECONCILIATION

	UNIT CAPITAL	PREMIUM	RETAINED EARNINGS	TOTAL
EQUITY CAPITAL AS OF 1.1.2007	849 392	2 356 315	8 550 329	11 756 036
Issue of units	243 474	3 345 033		3 588 507
Redemption of units	-331 296	-4 474 199		-4 805 495
Net income			1 039 746	1 039 746
Equity capital as of 31.12.2007	761 570	1 227 150	9 590 075	11 578 795

NOTE 11. RISK AMOUNT

RISK amount determined as of 01.01.1994:	-0,35	RISK amount determined as of 01.01.2001:	3,77
RISK amount determined as of 01.01.1995:	-0,37	RISK amount determined as of 01.01.2002:	0,51
RISK amount determined as of 01.01.1996:	3,28	RISK amount determined as of 01.01.2003:	2,03
RISK amount determined as of 01.01.1997:	-0,50	RISK amount determined as of 01.01.2004:	3,06
RISK amount determined as of 01.01.1998:	1,73	RISK amount determined as of 01.01.2005:	-7,03
RISK amount determined as of 01.01.1999:	1,26	RISK amount determined as of 01.01.2006:	-9,44
RISK amount determined as of 01.01.2000:	3,62		

SKAGEN Global Note 9 & 10

NOTE 9. MANAGEMENT FEE

The fixed management fee constitutes 1% of average daily net asset value in addition to the variable management fee: 1/10 of the return above the Morgan Stanley's Capital International Daily Traded Net \$ World Index expressed in Norwegian kroner.

NOTE 10. EQUITY RECONCILIATION

	UNIT CAPITAL	PREMIUM	RETAINED EARNINGS	TOTAL
EQUITY CAPITAL AS OF 1.1.2007	2 977 546	10 008 013	9 246 094	22 231 653
Issue of units	1 744 737	12 243 799		13 988 536
Redemption of units	-1 189 789	-8 207 246		-9 397 035
Net income			1 721 716	1 721 716
Equity capital as of 31.12.2007	3 532 494	14 044 567	10 967 810	28 544 872

SKAGEN Kon-Tiki Note 9, 10 & 11

NOTE 9. MANAGEMENT FEE

The fixed management fee constitutes 2.5% of average net daily asset value in addition to the variable management fee: 1/10 of the return above/under the Morgan Stanley Capital International Daily Total Return Net Dividends \$ Emerging Markets expressed in Norwegian kroner. It is, however, limited upwards and downwards in such a way that the total management fee does not exceed 4% p.a. and cannot be lower than 1% p.a. of the average net asset value.

NOTE 10. EQUITY RECONCILIATION

	UNIT CAPITAL	PREMIUM	RETAINED EARNINGS	TOTAL
EQUITY CAPITAL AS OF 1.1.2007	3 782 616	4 405 422	5 747 705	13 935 743
Issue of units	2 728 070	8 863 309		11 591 379
Redemption of units	-2 106 091	-6 370 640		-8 476 731
Net income			2 823 618	2 823 618
Equity capital as of 31.12.2007	4 404 596	6 898 092	8 571 323	19 874 011

NOTE 11. RISK AMOUNT

RISK amount determined as of 01.01.2003:	3,26
RISK amount determined as of 01.01.2004:	1,80
RISK amount determined as of 01.01.2005:	-0,11
RISK amount determined as of 01.01.2006:	0

SKAGEN Avkastning Note 9 & 10

NOTE 9. MANAGEMENT FEE AND SUBSCRIPTION FEE

The management fee constitutes 0.5% of the average daily net asset value. No subscription fee is charged.

NOTE 10. EQUITY RECONCILIATION

	UNIT CAPITAL	PREMIUM	RETAINED EARNINGS	ALLOCATED TO UNITHOLDERS FOR REINVESTMENT	TOTAL
EQUITY CAPITAL AS OF 1.1.2007	2 346 366	508 467	10 459	139 562	3 004 853
Issue of units	3 353 646	717 646			4 071 292
Redemption of units	-2 641 444	-548 678			-3 190 122
Reinvested for unitholders				-132 938	-132 938
Allocated to unitholders for reinvestment				282 492	282 492
Correction of previous years reinvestments to unitholders				6 527	6 527
Net loss after distributions to unitholders			-112 729		-112 729
Equity capital as of 31.12.2007	3 058 568	677 435	-102 270	295 643	3 929 375

SKAGEN Høyrente Note 9 & 10

NOTE9. MANAGEMENT FEE AND SUBSCRIPTION FEE

The management fee constitutes 0.25 % of average daily net asset value. No subscription fee is charged.

NOTE10. EQUITY RECONCILIATION

	UNIT CAPITAL	PREMIUM	RETAINED EARNINGS	ALLOCATED TO UNITHOLDERS FOR REINVESTMENT	TOTAL
EQUITY CAPITAL AS OF 1.1.2007	2 153 834	19 655	-2 471	63 156	2 234 174
Issue of units	8 528 922	73 371			8 602 293
Redemption of units	-6 361 897	-54 650			-6 416 547
Reinvested for unitholders				-61 112	-61 112
Correction of previous years reinvestments to unitholders				280	280
Allocated to unitholders for reinvestment				20 251	20 251
Net loss after distributions to unitholders			-340		-340
EQUITY CAPITAL AS OF 31.12.2007	4 320 859	38 376	-2 811	204 834	4 561 258

SKAGEN Høyrente Institusjon Note 9 & 10

NOTE9. MANAGEMENT FEE AND SUBSCRIPTION FEE

The management fee constitutes 0.15 % of average daily net asset value. No subscription fee is charged.

NOTE10. EQUITY RECONCILIATION

	UNIT CAPITAL	PREMIUM	RETAINED EARNINGS	ALLOCATED TO UNITHOLDERS FOR REINVESTMENT	TOTAL
EQUITY CAPITAL AS OF 1.1.2007	343 435	-305	-1 276	10 607	352 461
Issue of units	1 545 076	-1 978			1 543 098
Redemption of units	-448 733	516			-448 217
Reinvested for unitholders				-10 359	-10 359
Allocated to unitholders for reinvestment				63 056	63 056
Correction of previous years reinvestments to unitholders				248	248
Net income after distributions to unitholders			348		348
EQUITY CAPITAL AS OF 31.12.2007	1 439 778	-1 767	-928	63 551	1 500 635

SKAGEN Tellus Note 9 & 10

NOTE9. MANAGEMENT FEE AND SUBSCRIPTION FEE

The management fee constitutes 0.8 % of average daily net asset value. No subscription fee is charged.

NOTE10. EQUITY RECONCILIATION

	UNIT CAPITAL	PREMIUM	RETAINED EARNINGS	ALLOCATED TO UNITHOLDERS FOR REINVESTMENT	TOTAL
EQUITY CAPITAL AS OF 1.1.2007	571 937	3 916	-8 989	9 035	575 900
Issue of units	829 691	-17 699			811 992
Redemption of units	-536 152	10 969			-525 183
Reinvested for unitholders				-8 760	-8 760
Allocated to unitholders for reinvestment				28 762	28 762
Correction of previous years reinvestments to unitholders				155	155
Net loss after distributions to unitholders			-21 232		-21 232
EQUITY CAPITAL AS OF 31.12.2007	865 477	-2 814	-30 221	29 192	861 635

SKAGEN Krona Note 9 & 10

NOTE9. MANAGEMENT FEE AND SUBSCRIPTION FEE

The management fee constitutes 0.2 % of average daily net asset value. No subscription fee is charged.

NOTE10. EQUITY RECONCILIATION

	UNIT CAPITAL	PREMIUM	RETAINED EARNINGS	TOTAL
EQUITY CAPITAL AS OF 29.06.2007				
Issue of units	371 314	1 325		372 639
Redemption of units	-164 214	-650		-164 864
Reinvested for unitholders	2 399	14	-2 413	-
Net income			3 295	3 295
EQUITY CAPITAL AS OF 31.12.2007	209 499	689	882	211 070

SKAGEN Krona was started up on 29.06.2007.

SECURITY	NUMBER	ACQUISITION VALUE NOK	MARKET PRICE	CURRENCY	MARKET VALUE NOK	UNREALISED GAIN/LOSS	SHARE OF FUND	SHARE IN COMPANY	STOCK EXCHANGE
Consumer Discretionary									
LG Electronics Pref.	600000	144 987 601	50 000,00	KRW	174 219 900	29 232 299	1,51%	0,43%	Seoul
DSG International	10 621 473	184 682 587	1,00	GBP	115 738 497	-68 944 090	1,00%	0,60%	London
Volkswagen Pref.	120 782	27 752 599	99,71	EUR	95 949 599	68 197 000	0,83%	0,11%	Frankfurt
Hurtigruten	2 000 000	97 048 495	44,50	NOK	89 000 000	-8 048 495	0,77%	7,30%	Oslo
Mahindra & Mahindra GDR	400 000	13 797 277	22,00	USD	47 647 151	33 849 874	0,41%	0,16%	London Int.
NHST Media Group	30 000	18 722 708	1 400,00	NOK	42 000 000	23 277 292	0,36%	2,59%	Unlisted
TUI	250 000	37 117 202	19,02	EUR	37 883 732	766 530	0,33%	0,10%	Frankfurt
Royal Caribbean Cruises	132 300	29 358 949	229,00	NOK	30 296 700	937 751	0,26%	0,06%	Oslo
Minor items*		74 659 972			87 169 909	12 509 938	0,75%		
TOTAL CONSUMER DISCRETIONARY		628 127 390			719 905 488	91 778 099	6,23%		
Consumer Staples									
Lerøy Seafood Group	1 900 000	63 007 819	110,00	NOK	209 000 000	145 992 181	1,81%	3,55%	Oslo
Chiquita Brands Intl	750 000	78 410 473	18,51	USD	75 166 088	-3 244 385	0,65%	1,76%	New York
Nutreco Holding	231 993	47 320 074	39,67	EUR	73 322 846	26 002 772	0,63%	0,67%	Amsterdam
East Asiatic Company	69 425	21 353 619	397,50	DKK	29 476 914	8 123 295	0,25%	0,46%	Copenhagen
Minor items*		213 639 925			197 986 788	-15 653 138	1,71%		
TOTAL CONSUMER STAPLES		423 731 910			584 952 635	161 220 726	5,06%		
Health Care									
Pfizer	600 000,00	94 967 943	22,90	USD	74 394 529	-20 573 414	0,64%	0,01%	New York
Medi-Cult	1 500 000,00	23 525 806	23,90	NOK	35 850 000	12 324 194	0,31%	5,42%	Oslo
Medi-Stim	1 704 000,00	21 269 720	21,00	NOK	35 784 000	14 514 280	0,31%	8,77%	Oslo
Photocure	750 000,00	32 462 967	46,00	NOK	34 500 000	2 037 033	0,30%	3,39%	Oslo
Minor items*		272 098 353			331 487 761	59 389 408	2,87%		
TOTAL HEALTH CARE		444 324 789			512 016 290	67 691 501	4,43%		
Financials									
Olav Thon Eiendomsselskap	180 012	32 324 312	810,00	NOK	145 809 720	113 485 408	1,26%	1,70%	Oslo
Hannover Rueckversicherung	435 000	87 663 487	31,69	EUR	109 828 165	22 164 677	0,95%	0,36%	Frankfurt
Sabancı Holding (Hacı Omer)	3 000 000	48 279 953	6,40	TRY	89 234 034	40 954 082	0,77%	0,17%	Istanbul
Aareal Bank	350 000	67 364 087	31,50	EUR	87 837 674	20 473 588	0,76%	0,82%	Frankfurt
Kinnevik Investment B	664 200	11 370 509	147,00	SEK	82 456 512	71 086 004	0,71%	0,31%	Stockholm
Korean Reinsurance	915 123	11 484 654	13 100,00	KRW	69 618 918	58 134 264	0,60%	0,82%	Seoul
Imarex	372 800	30 188 051	156,00	NOK	58 156 800	27 968 749	0,50%	3,28%	Oslo
ABG Sundal Collier	3 000 000	15 364 399	12,60	NOK	37 800 000	22 435 601	0,33%	0,89%	Oslo
Yapi Kredi Bank	1 920 003	30 507 572	3,53	USD	36 710 853	6 203 281	0,32%	0,26%	London Int.
Hitecvision PrEquity	750 000	4 031 714	45,00	NOK	33 750 000	29 718 286	0,29%	4,07%	Unlisted
Minor items*		166 998 683			167 558 140	559 456	1,45%		
TOTAL FINANCIALS		505 577 421			918 760 817	413 183 396	7,95%		
Information Technology									
Samsung Electronics Pref. GDR	135 332	107 007 863	226,25	USD	165 784 283	58 776 420	1,43%	0,30%	London Int.
Samsung Electronics GDR	60 000	23 654 760	295,25	USD	95 916 964	72 262 204	0,83%	0,02%	London Int.
Fast Search and Transfer	4 250 000	77 969 718	14,10	NOK	59 925 000	-18 044 718	0,52%	1,26%	Oslo
Kyocera	120 000	86 707 798	9 910,00	JPY	57 427 098	-29 280 700	0,50%	0,06%	Tokyo
Eltel	1 250 000	116 454 081	29,00	NOK	36 250 000	-80 204 081	0,31%	2,54%	Oslo
PSI Group	950 000	10 482 609	35,90	NOK	34 105 000	23 622 391	0,29%	7,89%	Oslo
Minor items*		326 204 184			255 168 783	-71 035 401	2,21%		
TOTAL INFORMATION TECHNOLOGY		748 481 014			704 577 128	-43 903 885	6,09%		
Telecom									
Telekomunik Indonesia ADR	387 300	21 574 137	42,40	USD	88 913 483	67 339 345	0,77%	0,08%	New York
Indosat Tbk ADR	300 000	50 897 871	46,46	USD	75 466 590	24 568 719	0,65%	0,28%	New York
Total Access Telecommunication	8 560 000	7 587 439	1,31	USD	60 622 770	53 035 331	0,52%	0,36%	Singapore
Nordisk Mobiltelefon	1 699 940	46 786 841	36,80	SEK	52 831 163	6 044 322	0,46%	5,26%	Unlisted
Minor items*		8 955 506			8 793 685	-161 822	0,08%		
TOTAL TELECOM		135 801 794			286 627 690	150 825 896	2,48%		
Utilities									
Elektrobras Pref.	2 234 800	90 179 609	22,95	BRL	155 950 351	65 770 742	1,35%	1,00%	Sao Paulo
Minor items*		22 554 691			20 991 765	-1 562 926	0,18%		
TOTAL UTILITIES		112 734 299			176 942 116	64 207 816	1,53%		
TOTAL EQUITY PORTFOLIO**		7 480 999 510			11 489 072 566	4 008 073 057	99,37%		

Base price as of 31.12.2007

1 520,1242

*Please contact SKAGEN AS for a list of companies included in this post - will be sent by email.

**For liquidity in the portfolio as of 31.12.2007, please refer to balance sheet.

SECURITY	NUMBER	ACQUISITION VALUE NOK	MARKET PRICE	CURRENCY	MARKET VALUE NOK	UNREALISED GAIN/LOSS	SHARE OF FUND	SHARE IN COMPANY	STOCK EXCHANGE
Health Care									
Gideon Richter	235 598	261 800 086	41 500,00	HUF	307 007 754	45 207 668	1,08%	1,26%	Budapest
Pfizer	1 968 600	315 883 436	22,73	USD	242 972 290	-72 911 146	0,85%	0,03%	New York
Richter Gedeon Nyrt	89 800	46 341 537	241,00	USD	117 514 974	71 173 437	0,41%	0,48%	London Int.
Eisai	521 500	115 117 267	4 400,00	JPY	111 747 020	-3 370 247	0,39%	0,18%	Tokyo
LG Life Sciences	239 900	46 210 634	64 600,00	KRW	90 195 683	43 985 049	0,32%	1,45%	Seoul
Yuhan Corporation	51 670	22 742 027	203 000,00	KRW	61 046 369	38 304 342	0,21%	0,54%	Seoul
Neurosearch	137 500	29 440 321	326,00	DKK	47 738 625	18 298 304	0,17%	0,90%	Copenhagen
Biovitrum	157 850	15 431 792	76,00	SEK	10 089 141	-5 342 652	0,04%	0,36%	Stockholm
TOTAL HEALTH CARE		852 967 099			988 311 855	135 344 756	3,46%		
Financials									
Cheung Kong Holdings	7 287 500	553 201 040	144,20	HKD	732 973 106	179 772 066	2,57%	0,31%	Hong Kong
Bank Austria Creditanstalt	648 018	263 719 513	142,00	EUR	730 627 335	466 907 821	2,56%	0,32%	Vienna
HSBC Holdings	7 496 286	835 558 608	8,42	GBP	682 313 451	-153 245 157	2,39%	0,06%	London
Banco Do Brasil	4 508 200	182 321 420	30,40	BRL	419 028 174	236 706 754	1,47%	0,18%	Sao Paulo
Asya Katilim Bankasi	8 087 125	190 352 353	11,00	TRY	413 211 652	222 859 299	1,45%	2,70%	Istanbul
Albaraka Turk Katilim Bankasi	11 674 644	274 662 544	6,25	TRY	338 929 509	64 266 964	1,19%	4,33%	Istanbul
Kinnek Investment B	2 400 800	94 839 735	147,00	SEK	296 803 702	201 963 967	1,04%	1,12%	Stockholm
Hannover Rueckversicherung	992 880	204 100 294	31,69	EUR	249 827 076	45 726 781	0,88%	0,82%	Frankfurt
IVG Immobilien	1 345 427	300 456 006	23,17	EUR	247 517 936	-52 938 070	0,87%	1,16%	Frankfurt
Sabanci Holding (Haciomer)	6 800 350	120 984 007	6,45	TRY	203 740 186	82 756 179	0,71%	0,38%	Istanbul
Irsa	2 279 910	190 409 987	14,53	USD	179 880 111	-10 529 876	0,63%	4,79%	New York
Osaka Securities Exchange	6 588	73 559 260	523 000,00	JPY	167 797 019	94 237 759	0,59%	2,44%	Tokyo
Korean Reinsurance	2 193 791	34 233 167	13 100,00	KRW	167 259 013	133 025 846	0,59%	1,96%	Seoul
Aberdeen Asset Management	9 328 000	74 531 423	1,66	GBP	167 135 140	92 603 717	0,59%	1,43%	London
Japan Securities Finance	2 625 300	189 744 321	972,00	JPY	124 272 251	-65 472 070	0,44%	2,63%	Tokyo
TAG Tegnsee Immobilien	1 223 200	95 660 160	6,53	EUR	63 420 718	-32 239 441	0,22%	3,76%	Frankfurt
Yapi Kredi Bank	2 536 427	42 546 508	3,55	USD	48 893 427	6 346 919	0,17%	0,34%	London Int.
Aareal Bank	119 600	15 603 228	31,50	EUR	29 913 156	14 309 928	0,10%	0,28%	Frankfurt
Aberdeen Asset Management Pref. 6.25	557	6 648 625	1 823,70	GBP	10 980 808	4 332 183	0,04%	0,74%	London
TOTAL FINANCIALS		3 743 132 199			5 274 523 768	1 531 391 569	18,49%		
Information Technology									
Samsung Electronics Pref.	333 375	886 146 637	428 000,00	KRW	830 423 790	-55 722 847	2,91%	1,46%	Seoul
Kyocera	1 106 400	649 933 022	9 910,00	JPY	533 967 449	-115 965 573	1,87%	0,58%	Tokyo
Hewlett-Packard	1 187 800	206 868 765	50,48	USD	325 583 582	118 714 817	1,14%	0,05%	New York
Samsung Electronics GDR	197 866	165 152 430	292,75	USD	314 534 224	149 381 795	1,10%	0,07%	London Int.
Samsung Electronics Pref. GDR	132 795	132 646 178	226,25	USD	163 143 637	30 497 460	0,57%	0,29%	London Int.
Travelsky Technology	5 062 000	15 888 335	8,29	HKD	29 269 876	13 381 541	0,10%	0,81%	Hong Kong
Samsung SDI	58 131	24 789 781	66 500,00	KRW	22 498 441	-2 291 340	0,08%	0,13%	Seoul
Kyocera ADR	42 950	37 558 020	87,22	USD	20 341 318	-17 216 702	0,07%	0,02%	New York
RTX Telecom	232 500	30 613 752	37,00	DKK	9 161 662	-21 452 089	0,03%	2,46%	Copenhagen
Proact It Group	240 220	9 299 795	38,00	SEK	7 676 951	-1 622 844	0,03%	2,26%	Stockholm
TOTAL INFORMATION TECHNOLOGY		2 158 896 713			2 256 600 930	97 704 218	7,91%		
Telecom									
Bharti Airtel	3 167 262	69 968 151	25,30	USD	435 115 286	365 147 136	1,53%	0,17%	London Int.
Total Access Telecommunication	49 674 500	153 544 211	1,31	USD	353 349 621	199 805 410	1,24%	2,09%	Singapore
Telekomunik Indonesia ADR	1 525 853	106 341 821	42,01	USD	348 068 889	241 727 068	1,22%	0,30%	New York
Singapore Telecommunication	22 711 000	243 383 850	4,00	SGD	343 390 320	100 006 470	1,20%	0,14%	Singapore
Indosat Tbk ADR	1 328 500	191 050 231	46,64	USD	336 449 533	145 399 302	1,18%	1,22%	New York
Magyar Telekom	9 440 677	284 028 027	900,00	HUF	266 793 532	-17 234 495	0,94%	0,91%	Budapest
Pakistan Telecom	29 500	9 323 239	68,25	USD	10 932 626	1 609 387	0,04%	0,00%	OTC
TOTAL TELECOM		1 057 639 529			2 094 099 808	1 036 460 279	7,34%		
Utilities									
Elektrobras Pref.	11 209 652	616 663 929	22,95	BRL	786 577 077	169 913 149	2,76%	5,00%	Sao Paulo
Elektrobras Ord.	128 100	9 407 261	23,93	BRL	9 372 561	-34 699	0,03%	0,01%	Sao Paulo
TOTAL UTILITIES		626 071 189			795 949 639	169 878 449	2,79%		
TOTAL EQUITY PORTFOLIO*		20 039 344 934			26 915 165 884	6 875 820 951	94,35%		

Base price as of 31.12.2007

808,0103

* For liquidity in the portfolio as of 31.12.2007, please refer to balance sheet.

SECURITY	NUMBER	ACQUISITION VALUE NOK	MARKET PRICE	CURRENCY	MARKET VALUE NOK	UNREALISED GAIN/LOSS	SHARE OF FUND	SHARE IN COMPANY	STOCK EXCHANGE
Health Care									
Richter Gedeon	456181	517395642	41500,00	HUF	594449461	77053819	2,99%	2,45%	Budapest
Hanmi Pharmaceutical	391793	127032778	166000,00	KRW	378518860	251486082	1,91%	4,50%	Seoul
Eczacibasi Saglik Urunleri Sanayive Tica	7200000	147052388	5,20	TRY	173908800	26856412	0,88%	3,94%	Istanbul
Eczacibasi Yatirim Holding	2700000	39761208	4,42	TRY	55433430	15672222	0,28%	4,91%	Istanbul
Richter Gedeon GDR	38790	26496379	241,00	USD	50761758	24265379	0,26%	0,21%	London Int.
China Shineway Pharmaceutical	8144000	33329008	5,65	HKD	32094486	-1234522	0,16%	0,98%	HongKong
Yuyu Incorporated	302070	37810734	16600,00	KRW	29183587	-8627147	0,15%	5,18%	Seoul
Yung Shin Pharmaceutical	2000000	12463142	32,00	TWD	10752000	-1711142	0,05%	0,79%	Taipei
TOTAL HEALTH CARE		941341278			1325102382	383761104	6,67%		
Financials									
Banco Nossa Caixa	5900000	679955351	23,60	BRL	425726300	-254229051	2,14%	5,51%	Sao Paulo
Haci Omer Sabanci Holding	10000000	181795911	6,45	TRY	299602500	117806589	1,51%	0,56%	Istanbul
Bank Austria Creditanstalt	205881	118413215	142,00	EUR	232126710	113713495	1,17%	0,10%	Vienna
A.F.P. Provida ADR	968800	200711838	37,23	USD	195851542	-4860296	0,99%	4,38%	New York
Kiwoom Securities	406480	46438466	64500,00	KRW	152588584	106150117	0,77%	2,51%	Seoul
Aberdeen Asset Management	6500000	56052464	1,66	GBP	116464237	60411773	0,59%	1,00%	London
Kim Eng Holdings	13000000	109767915	2,26	SGD	111056400	1288485	0,56%	2,17%	Singapore
MBK Public Company	8255400	89306886	70,00	THB	106040613	16733727	0,53%	4,38%	Bangkok
Asya Katilim Bankasi	2000008	35180906	11,00	TRY	102190409	67009503	0,51%	0,67%	Istanbul
Korean Reinsurance	1326000	18632127	13100,00	KRW	101096892	82464765	0,51%	1,18%	Seoul
KGI Securities (p-note)	35000000	77386055	16,75	TWD	98490000	21103945	0,50%	1,38%	Taipei
Banco do Brasil	1000000	39936344	30,40	BRL	92948000	53011656	0,47%	0,04%	Sao Paulo
Polaris Securities (p-note)	33746771	86379756	15,15	TWD	85892282	-487475	0,43%	1,66%	Taipei
Bank of East Asia	2000000	49978403	53,35	HKD	74423250	24444847	0,37%	0,13%	Hong Kong
Yapi Kredi Bank	3284218	28674947	3,55	USD	63308230	34633283	0,32%	0,44%	London Int.
Trimegah Securities	35000000	50389802	305,00	IDR	61792878	11403076	0,31%	9,58%	Jakarta
Grupo Financiero Galicia ADR	1422200	72111146	7,58	USD	58536899	-13574247	0,29%	1,48%	NASDAQ
Ghana Commercial Bank	10349700	58341806	0,99	GHS	57874487	-467319	0,29%	6,27%	Ghana Stock Ex.
Diamond Bank	700000	50319700	13,30	USD	50553300	233600	0,25%	0,40%	London Int.
Nordnet	2529000	42228165	19,20	SEK	40836269	-1391896	0,21%	0,01%	Stockholm
Graphisoft Park	434904	7610029	1400,00	HUF	19118380	11508351	0,10%	4,09%	Budapest
Aberdeen Asset Management Pref. 6.25	939	11208364	1823,70	GBP	18511631	7303267	0,09%	1,25%	London
TOTAL FINANCIALS		2110819596			2565029793	454210196	12,91%		
Information Technology									
Samsung Electronics Pref.	330000	924961067	428000,00	KRW	822016800	-102944267	4,14%	1,45%	Seoul
Samsung Electronics Pref. GDR	446719	432006708	226,25	USD	548811043	116804335	2,76%	0,98%	London Int.
Ericsson Nikola Tesla	24603	28293831	3402,00	HRK	90813856	62520025	0,46%	1,86%	Zagreb
Top Engineering	700000	43525660	8700,00	KRW	35443800	-8081860	0,18%	4,93%	Seoul
Travelsky Technology	2000000	6159388	8,29	HKD	11564550	5405162	0,06%	0,32%	HongKong
TOTAL INFORMATION TECHNOLOGY		1434946653			1508650049	73703396	7,60%		
Telecom									
Indosat Tbk ADR	2793700	526369170	46,64	USD	707519052	181149882	3,56%	2,57%	New York
Bharti Airtel	4700000	114111326	25,30	USD	645681300	531569974	3,25%	0,25%	London Int.
Sistema Jsc S GDR	1400000	259037613	41,75	USD	317383500	58345887	1,60%	0,29%	London Int.
Total Access Telecommunication	15500000	33505870	1,31	USD	110256150	76750280	0,56%	0,65%	Singapore
Pakistan Telecom GDR	10000	2718037	68,25	USD	3705975	987938	0,02%	0,00%	OTC
TOTAL TELECOM		935742016			1784545977	848803961	8,98%		
Utilities									
Eletrobras Pref.	17100000	976962659	22,95	BRL	1199900587	222937928	6,04%	7,62%	Sao Paulo
Eletrobras Ord.	1437600	110238773	23,93	BRL	105183406	-5055368	0,53%	0,16%	Sao Paulo
TOTAL UTILITIES		1087201432			1305083993	217882561	6,57%		
Interest Bearing Instruments									
Islands Stat	600000000	49802043	88,30	ISK	48257842	-1544200	0,24%		Reykjavik
TOTAL INTEREST BEARING INSTRUMENTS		49802043			48257842	-1544200	0,24%		
TOTAL EQUITY PORTFOLIO*		14278650585			19275560632	4996910047	97,05%		

Base price as of 31.12.2007 451,3626

*For liquidity in the portfolio as of 31.12.2007, please refer to balance sheet.

	MATURITY	COUPON	INTEREST ADJUSTMENT POINT	FACE VALUE	COST PRICE	EFFECTIVE INTEREST***	INTEREST RATE SENSITIVITY**	MARKET PRICE	ACCRUED INTEREST	MARKET VALUE	MARKET VALUE INCL. ACCRUED INTEREST	UNREALISED GAIN/LOSS	SHARE OF FUND	RISK CLASS***
FIXED RATE SECURITIES														
Foreign Government Bonds														
IslandsStat	17-05-13	7,25		710000000	594615030	10,16	3,97	7,66	27767582	543924402	571691984	-50690628	14,61%	2
MexikanskStat	28-12-36	10		400000000	272860228	8,21	10,72	59,48	165470	237939105	238104575	-34921123	6,06%	3
FinskStat	21-02-12	4,75		100000000	99813000	5,05	3,53	98,89	4073288	98891000	102964288	-922000	2,62%	2
Den Europeiske Investeringsbanken (AAA)	02-03-15	0		50000000	81501839	13,4	6,31	188,9	0	94448648	94448648	12946810	2,40%	1
Ontario Fylke Canada	16-06-15	6,25		20000000	82615417	7,8	5,74	382,78	214684	76556943	76771627	-6058474	1,95%	3
Export Development Canada (AAA)	30-04-12	5,05		50000000	50000000	5,16	3,68	99,56	1694863	49780000	51474863	-220000	1,31%	3
BrasilianskStat	05-01-22	12,5		10000000	34344375	10,8	6,57	340,86	1858169	34085574	35943743	-258800	0,91%	3
BrasilianskStat	10-01-28	10,25		10000000	29194452	10,68	7,85	294,94	1480412	29494208	30974620	299756	0,79%	3
Financial Bonds														
Sparebanken Vest	15-04-10	5,2		80000000	78849000	5,91	2,02	98,48	2963288	78783200	81746488	-65800	2,08%	5
SR Bank	26-01-11	7,01		75000000	79462500	5,84	2,55	103,19	4882993	77394000	82276993	-2068500	2,09%	5
Storebrand Bank	16-06-10	5		75000000	74257500	5,85	2,19	98,05	2031250	73536750	75568000	-720750	1,92%	5
SR Bank	15-05-09	5,48		60000000	60738000	5,99	1,24	99,3	2071890	59582400	61654290	-1155600	1,57%	5
BNKreditt	15-06-11	4,45		50000000	48570000	5,74	3,03	96,01	1213082	48003000	49216082	-567000	1,25%	5
Sparebanken Pluss	12-09-11	4,5		50000000	48480000	5,78	3,25	95,82	678082	47910000	48588082	-570000	1,24%	5
Sparebanken Nord-Norge	11-04-12	4,35		50000000	47940000	5,81	3,65	94,55	1573151	47277000	48850151	-663000	1,24%	5
BNKreditt	17-06-09	5,8		40000000	42260000	5,99	1,34	99,85	88986	39942000	40030986	-2318000	1,02%	5
Sparebanken Øst	24-08-11	4,65		30000000	30120000	5,81	3,19	96,24	493027	28872900	29365927	-1247100	0,75%	5
Toten Sparebank	15-11-10	4,2		20000000	19344000	5,83	2,6	95,78	107333	19156200	19263533	-187800	0,49%	5
Sparebanken Øst	12-09-12	3,75		20000000	18499600	5,84	4,09	91,6	226027	18320400	18546427	-179200	0,47%	5
Larvikbanken	24-11-08	3,6		5000000	5032500	6,17	0,85	97,81	18247	4890450	4908697	-142050	0,12%	5
Government Notes														
Norske Stat	17-09-08	0		100000000	96000000	4,96	0,68	96,61	0	96608000	96608000	608000	2,46%	2
Financial Notes														
Bank1 Oslo	04-02-08	5,8		50000000	49985650	6,05	0,09	99,98	707123	49991000	50698123	5350	1,29%	5
Sparebanken Øst	26-02-08	4,78		28500000	28425558	6,05	0,15	99,79	1149557	28439865	29589422	14307	0,75%	5
BN Bank	21-08-08	5,77		25000000	25019750	6,1	0,6	99,75	521671	24938750	25460421	-81000	0,65%	5

TOTAL EQUITY PORTFOLIO **3978673019** **70852613 3876658862 3947511474 -102014157 100,51%**

Portfolio Key Figures

Effective underlying return	7,37%
Effective return to clients*	6,87%
Interest rate sensitivity***	2,19

* Effective underlying return adjusted for management fee.

** Interest rate sensitivity is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

*** Effective interest is the average annual return of an interest bearing security until maturity.

**** Securities are divided into six risk classes according to their credit risk. Class one has the lowest, and class six has the highest 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

**** For liquidity in the portfolio as of 31.12.07, please refer to balance sheet.

Unit price as of 31.12.2007 128.4664

289019345,-NOK is allocated for distribution to unitholders. This will result in a reduction in the unit price equal to the distribution per unit at time of distribution.

SKAGEN Høyrente

Note 8. Securities portfolio as of 31.12.2007

SECURITY	MATURITY	COUPON	INTEREST ADJUSTMENT POINT	FACE VALUE	COST PRICE	EFFECTIVE INTEREST**	INTEREST RATE SENSITIVITY**	MARKET PRICE	ACCRUED INTEREST	MARKET VALUE	MARKET VALUE INCL. ACCRUED INTEREST	UNREALISED GAIN/LOSS	SHARE OF FUND	RISK CLASS***
FLOATING RATE SECURITIES														
Financial Bonds														
Sparebanken Telemark	22-09-08	6,09	25-03-08	65000000	65041500	6,17	0,21	100,01	43983	65006500	65050483	-35000	1,43%	5
Sparebanken Nord-Norge	16-06-08	6,22	17-03-08	50000000	49998750	6,11	0,2	100,04	120944	50022000	50142944	23250	1,10%	5
Rygge-Vaaler Sparebank	02-04-08	5,97	02-01-08	50000000	50052600	6,13	0	100,02	746250	50011000	50757250	-41600	1,11%	5
Sparebanken Vest	05-02-08	5,92	05-02-08	50000000	50008060	6,08	0,09	99,97	460444	49985000	50445444	-23060	1,11%	5
Sparebanken Møre	24-10-08	5,72	24-01-08	36500000	36500000	6,13	0,06	99,95	394707	36481385	36876092	-18615	0,81%	5
Sparebanken Møre Ansvarlig	19-03-08	7,46	19-03-08	30000000	30174530	6,21	0,2	100,3	74600	30090000	30164600	-84530	0,66%	6
Narvik Sparebank	17-06-08	6,3	17-03-08	30000000	30012450	6,23	0,2	100,03	73500	30008700	30082200	-3750	0,66%	5
Sparebanken Midt-Norge Ansvarlig	18-04-08	7,21	18-01-08	25000000	25233050	6,23	0,05	100,35	370514	25088250	25458764	-144800	0,56%	6
Blaker Sparebank	09-05-08	5,86	11-02-08	25000000	25005500	6,1	0,1	100,01	199403	25001750	25201153	-3750	0,55%	5
Rygge-Vaaler Sparebank	22-09-08	6,01	25-03-08	25000000	25000000	6,15	0,21	99,97	16694	24992250	25008944	-7750	0,55%	5
SR-Bank	22-01-08	5,88	22-01-08	25000000	24995750	6,06	0,06	99,97	285833	24991750	25277583	-4000	0,55%	5
BN Kreditt	06-02-08	5,84	06-02-08	25000000	25003775	6,15	0,09	99,95	223056	24988750	25211806	-15025	0,55%	5
Sparebanken Midt-Norge	04-03-08	6,11	04-03-08	20000000	20007200	6,05	0,16	100,03	91650	20006200	20097850	-1000	0,44%	5
BN Bank Ansvarlig	19-03-08	7,46	19-03-08	19000000	19121600	6,22	0,2	100,3	47247	19056620	19103867	-64980	0,42%	6
Sparebanken Midt-Norge	10-06-08	5,99	10-03-08	19000000	18997350	6,04	0,18	100,01	66389	19002660	19069049	5310	0,42%	5
Storebrand Bank Ansvarlig	23-01-08	7,96	23-01-08	16000000	16239025	6,23	0,06	100,08	244107	16012160	16256267	-228665	0,36%	6
Sparebanken Nord-Norge Ansvarlig	18-06-08	7,36	19-03-08	15000000	15108650	6,32	0,2	100,49	36800	15073050	15109850	-35600	0,33%	6
Spar Nord Bank	10-03-08	5,97	10-03-08	15000000	14992050	6,1	0,18	100	52237	15000150	15052387	8100	0,33%	5
Sparebanken Grenland	14-01-08	5,74	14-01-08	15000000	14995080	6,12	0,04	99,96	184158	14994000	15178158	-1080	0,33%	5
Sandsvær Sparebank	20-10-08	5,78	21-01-08	14000000	14002450	6,15	0,05	99,97	157344	13995240	14152584	-7210	0,31%	5
BN Bank	11-06-08	6,1	11-03-08	6000000	6004476	6,24	0,18	99,96	20333	5997840	6018173	-6636	0,13%	5
Toten Sparebank	19-02-08	5,98	19-02-08	5000000	5004000	6,08	0,13	99,98	34883	4998950	5033833	-5050	0,11%	5
Industrial Bonds														
Orkla	05-05-08	5,72	05-02-08	150000000	149913750	6,17	0,09	99,94	1334667	149914500	151249167	750	3,32%	6
Telenor	20-02-08	5,76	20-02-08	65000000	65001860	6,06	0,13	99,95	426400	64968800	65395200	-33060	1,43%	6
Farstad Shipping	07-02-08	7,39	07-02-08	27500000	27835390	6,28	0,1	100,09	304837	27526125	27830962	-309265	0,61%	6
Dof Subsea	16-09-08	7,78	17-03-08	25000000	25142950	7,02	0,19	100,47	75639	25118000	25193639	-24950	0,55%	6
Orkla	26-09-08	6,62	26-03-08	5000000	5025340	6,16	0,22	100,39	3678	5019350	5023028	-5990	0,11%	6
Industrial Notes														
Entra Eiendom	09-05-08	5,74	11-02-08	150000000	149988320	6,13	0,1	99,96	1243667	149938500	151182167	-49820	3,31%	6
Seedrill	23-01-08	6,46	23-01-08	105000000	105012231	6,73	0,06	99,96	1300075	104958000	106258075	-54231	2,33%	6
Steen & Strøm	11-06-08	6,1	11-03-08	75000000	75000000	6,17	0,18	99,99	254167	74994750	75248917	-5250	1,65%	6
Entra Eiendom	06-06-08	6	10-03-08	70000000	69983080	6,17	0,17	99,96	245000	69974100	70219100	-8980	1,54%	6
Norske Skog	06-03-08	6,05	06-03-08	70000000	69995590	6,72	0,17	99,91	294097	69935600	70229697	-59990	1,54%	6
Schibsted	17-10-08	5,86	17-01-08	50000000	50000000	6,21	0,04	99,97	610417	49984000	50594417	-16000	1,11%	6
Norgani Hotels	23-07-08	6,41	23-01-08	9000000	9000000	6,63	0,06	100,03	110572	9002520	9113092	2520	0,20%	6
Financial Notes														
BN Bank	14-03-08	6,2	14-03-08	58000000	58000000	6,24	0,19	100,02	169811	58012180	58181991	12180	1,28%	5
Kredittforeningen for sparebanker	01-10-08	5,73	02-01-08	50000000	50000000	6,14	0	99,99	724208	49994500	50718708	-5500	1,11%	5
Gjensidige Bank	28-02-08	5,96	28-02-08	50000000	49983240	6,08	0,15	99,98	273167	49989500	50262667	6260	1,10%	5
Sparebanken Midt-Norge	09-05-08	5,67	11-02-08	28000000	27989920	6,08	0,1	99,95	229320	27985720	28215040	-4200	0,62%	5
Sparebanken Øst	13-05-08	5,86	12-02-08	25000000	24992975	6,08	0,11	100,01	199403	25003500	25202903	10255	0,55%	5
Gjensidige Bank	14-11-08	5,81	15-02-08	25000000	24998750	6,15	0,12	99,95	185597	24986500	25172097	-12250	0,55%	5
Eidsberg Sparebank	25-09-08	6,12	25-03-08	15000000	14997060	6,24	0,22	99,98	10200	14997750	15007950	690	0,33%	5
Gjensidige Bank	09-05-08	5,7	11-02-08	10000000	9990300	6,11	0,1	99,95	82333	9995200	10077533	4900	0,22%	5
Sparebanken Hedmark	14-02-08	5,89	14-02-08	10000000	10003470	6,25	0,12	99,95	76897	9994800	10071697	-8670	0,22%	5
Power Generation Bonds														
Agder Energi	29-04-08	5,8	29-01-08	155000000	154956452	6,12	0,07	99,96	1573250	154944200	156517450	-12252	3,43%	6
BKK	21-01-08	6,21	21-01-08	150000000	150642600	6,07	0,05	99,98	1811250	149974500	151785750	-668100	3,33%	6
Hafslund ASA	30-09-08	6,03	31-12-07	43000000	42977230	6,16	0,23	99,98	0	42992260	42992260	15030	0,94%	6
FIXED RATE SECURITIES														
Power Generation Bonds														
Hafslund ASA	19-03-08	7,89		15000000	15099825	6,09	0,2	100,32	930588	15047700	15978288	-52125	0,35%	6
Industrial Notes														
Entra Eiendom	10-03-08	5,65		100000000	99926550	6,12	0,18	99,91	1733699	99914000	101647699	-12550	2,23%	6
Orkla	27-02-08	5,45		95000000	94878765	6,09	0,15	99,9	1787301	94908800	96696101	30035	2,12%	6
Statnett	04-03-08	5,9		75000000	74998125	6,02	0,16	100	339452	74997750	75337202	-375	1,65%	6
Tine	27-02-08	5,83		60000000	59999610	6,09	0,15	99,97	402510	59985000	60387510	-14610	1,32%	6
Thon Holding	14-03-08	5,85		52000000	51993820	6,12	0,19	99,95	900099	51973480	52873579	-20340	1,16%	6
Nortura	17-03-08	6,4		50000000	49998750	6,23	0,2	100,06	122740	50031000	50153740	32250	1,10%	6
Posten Norge	05-03-08	6,02		50000000	49998750	6,1	0,17	100	214411	50002500	50216911	3750	1,10%	6
Wihl Wilhelmsen Ltd	11-02-08	5,84		50000000	50000000	6,12	0,11	99,98	416000	49989500	50405500	-10500	1,11%	6
Norgesgruppen	04-06-08	6,11		30000000	30000000	6,11	0,4	100,03	135592	30009000	30144592	9000	0,66%	6
Posten Norge	28-03-08	6,1		30000000	30000000	6,12	0,23	100,02	50137	30007500	30057637	7500	0,66%	6
Nortura	15-02-08	5,93		30000000	30000000	6,18	0,12	99,98	224203	29994900	30219103	-5100	0,66%	6
Posten Norge	25-01-08	5,7		30000000	30000000	6,14	0,06	99,97	454338	29992500	30446938	-7500	0,67%	6
Schibsted	22-05-08	6,1		25000000	24986650	6,14	0,37	100,01	162945	25002250	25165195	15600	0,55%	6
Schibsted	15-01-08	5,85		20000000	19999000	6,16	0,04	99,99	246822	19998200	20245022	-800	0,44%	6
Reitan Handel	21-02-08	5,5		15000000	15000000	6,09	0,13	99,92	298356	14988000	15286356	-12000	0,34%	6
Tine	12-03-08	6,25		10000000	9998600	6,14	0,18	100,05	23973	10004600	10028573	6000	0,22%	6
Rieber	14-05-08	5,94		10000000	10000000	6,11	0,35	99,96	76488	9995900	10072388	-4100	0,22%	6
Coop	07-02-08	5,38		10000000	9987280	6,1	0,1	99,93	215200	9992800	10208000	5520	0,22%	6
Nortura	23-05-08	5,64		10000000	10000000	6,14	0,37	99,8	200877	9979700	10180577	-20300	0,22%	6
Thon Holding	15-02-08	5,85		5000000	4999815	6,1	0,							



			INTEREST ADJUSTMENT POINT	FACE VALUE	COST PRICE	EFFECTIVE INTEREST***	INTEREST RATE SENSITIVITY***	MARKET PRICE	ACCRUED INTEREST	MARKET VALUE	MARKET VALUE INCL. ACCRUED INTEREST	UNREALISED GAIN/LOSS	SHARE OF FUND	RISK CLASS***
FIXED RATE SECURITIES														
Financial Notes														
BNKreditt	29-02-08	6		125 000 000	124 970 375	6,13	0,15	100	657 534	124 995 000	125 652 534	24 625	2,75%	5
Sparebanken Nord-Norge	12-03-08	5,55		100 000 000	99 873 850	6,08	0,18	99,9	1 672 603	99 900 000	101 572 603	26 150	2,23%	5
Sparebanken Hedmark	18-03-08	5,88		60 000 000	59 956 965	6,08	0,2	99,96	1 005 238	59 977 200	60 982 438	20 235	1,34%	5
Sparebanken Midt-Norge	03-03-08	5,45		50 000 000	49 925 000	6,05	0,16	99,9	888 425	49 949 500	50 837 925	24 500	1,11%	5
Sparebanken Nord-Norge	16-06-08	6,35		35 000 000	35 000 000	6,13	0,43	100,13	103 514	35 047 250	35 150 764	47 250	0,77%	5
Storebrand Bank	12-05-08	5,9		33 000 000	32 998 383	6,08	0,34	99,95	261 378	32 985 150	33 246 528	-13 233	0,73%	5
Askim Sparebank	05-02-08	5,81		30 000 000	30 000 000	6,12	0,09	99,98	415 455	29 992 800	30 408 255	-7 200	0,67%	5
Narvik Sparebank	18-03-08	5,96		30 000 000	30 005 250	6,18	0,2	99,96	509 458	29 987 400	30 496 858	-17 850	0,67%	5
Terra Finans	14-02-08	5,95		30 000 000	30 000 000	6,42	0,11	99,96	229 849	29 987 100	30 216 949	-12 900	0,66%	5
SRBank	25-03-08	5,8		30 000 000	30 005 130	6,08	0,22	99,94	486 247	29 982 300	30 468 547	-22 830	0,67%	5
Marker Sparebank	20-02-08	5,95		25 000 000	25 005 125	6,17	0,13	99,98	415 685	24 994 000	25 409 685	-11 125	0,56%	5
Nøtterø Sparebank	02-04-08	5,9		25 000 000	24 998 750	6,1	0,24	99,96	363 699	24 989 000	25 352 699	-9 750	0,56%	5
Blaker Sparebank	20-06-08	6		20 000 000	20 008 600	6,12	0,44	99,94	335 342	19 987 200	20 322 542	-21 400	0,45%	5
Fron Sparebank	01-04-08	5,75		20 000 000	19 972 000	6,14	0,24	99,91	286 712	19 982 000	20 268 712	10 000	0,44%	5
Surnadal Sparebank	19-06-08	6,4		15 000 000	14 998 500	6,24	0,44	100,11	31 562	15 016 350	15 047 912	17 850	0,33%	5
Bank 1 Oslo	14-03-08	5,84		15 000 000	14 999 400	6,08	0,19	99,96	184 800	14 994 300	15 179 100	-5 100	0,33%	5
Gjensidige Bank	04-04-08	5,82		15 000 000	14 999 640	6,07	0,24	99,94	210 477	14 991 450	15 201 927	-8 190	0,33%	5
Terra Boligkreditt	27-03-08	5,75		15 000 000	14 992 500	6,08	0,22	99,93	224 486	14 989 500	15 213 986	-3 000	0,33%	5
Ørland Sparebank	08-09-08	6,2		10 000 000	9 999 280	6,13	0,65	100,06	40 767	10 006 400	10 047 167	7 120	0,22%	5
Sparebanken Vest	15-04-08	5,83		10 000 000	9 990 070	6,05	0,27	99,95	122 989	9 994 800	10 117 789	4 730	0,22%	5
Sparebanken Vest	18-06-08	5,95		10 000 000	10 000 000	6,06	0,44	99,94	169 534	9 994 400	10 163 934	-5 600	0,22%	5
Sparebanken Nord-Norge	21-02-08	5,39		10 000 000	9 987 000	6,05	0,13	99,91	194 926	9 991 100	10 186 026	4 100	0,22%	5
Sparebanken Midt-Norge	25-02-08	5,38		10 000 000	9 975 510	6,07	0,14	99,9	190 142	9 990 000	10 180 142	14 490	0,22%	5
Flekkefjord Sparebank	20-06-08	6,28		5 000 000	5 000 000	6,19	0,44	100,08	8 603	5 003 900	5 012 503	3 900	0,11%	5
Stadsbygd Sparebank	18-06-08	6		5 000 000	4 998 205	6,16	0,44	99,92	85 479	4 996 100	5 081 579	-2 105	0,11%	5
Bamble & Langesund Sparebank	08-10-08	6		5 000 000	4 995 875	6,15	0,72	99,85	69 041	4 992 600	5 061 641	-3 275	0,11%	5
Power Generation Notes														
Hafslund ASA	31-01-08	5,87		85 000 000	84 997 875	6,1	0,08	99,99	833 862	84 990 650	85 824 512	-7 225	1,88%	6
E-CO Energi	10-03-08	6,13		75 000 000	74 998 125	6,14	0,18	100,02	264 514	75 015 000	75 279 514	16 875	1,65%	6
Hafslund ASA	20-05-08	5,6		75 000 000	74 770 200	6,1	0,36	99,8	1 530 411	74 850 000	76 380 411	79 800	1,67%	6
E-CO Energi	05-05-08	5,89		45 000 000	44 977 530	6,1	0,32	99,95	406 652	44 977 050	45 383 702	-4 800	0,99%	6
E-CO Energi	15-01-08	5,81		40 000 000	40 002 640	6,1	0,04	99,99	490 268	39 996 400	40 486 668	-6 240	0,89%	6
Sunnhordaland Kraft	26-05-08	6,13		20 000 000	20 000 000	6,06	0,38	100,05	117 562	20 010 600	20 128 162	10 600	0,44%	6
Tafjord Kraft	29-01-08	5,83		19 000 000	18 999 069	6,1	0,07	99,99	191 192	18 997 340	19 188 532	-1 729	0,42%	6
Tussa Kraft	18-04-08	5,89		18 000 000	18 000 000	6,09	0,28	99,95	214 945	17 991 540	18 206 485	-8 460	0,40%	6
Lyse Energi	21-11-08	6,11		15 000 000	15 000 000	6,03	0,84	100,05	95 416	15 007 800	15 103 216	7 800	0,33%	6
Tafjord Kraft	12-03-08	5,78		15 000 000	15 000 000	6,09	0,18	99,94	261 288	14 991 300	15 252 588	-8 700	0,33%	6
BKK	14-11-08	5,93		15 000 000	15 002 100	6,03	0,82	99,89	114 538	14 984 250	15 098 788	-17 850	0,33%	6
Nordmøre Energi	29-02-08	5,9		11 000 000	11 001 353	6,09	0,15	99,99	55 121	10 998 460	11 053 581	-2 893	0,24%	6
Tafjord Kraft	26-05-08	6,15		8 000 000	8 000 000	6,11	0,38	100,04	47 178	8 003 280	8 050 458	3 280	0,18%	6
Valdres Energiverk	07-02-08	5,9		8 000 000	8 000 968	6,09	0,1	99,99	69 830	7 999 200	8 069 030	-1 768	0,18%	6
TOTAL EQUITY PORTFOLIO				3966 192 412				3840 1483 3964 345 310 4002 746 793				-1 847 102 87,75%		
Portfolio Key Figures														
Effective underlying return	6,35%													
Effective return to clients*	6,10%													
Interest rate sensitivity***	0,14													

* Effective underlying return adjusted for management fee.
 ** Interest rate sensitivity is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.
 *** Effective interest is the average annual return of an interest bearing security until maturity.
 **** Securities are divided into six risk classes according to their credit risk. Class one has the lowest, and class six 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: Bank and financial institutions

**** For liquidity in the portfolio as of 31.12.07, please refer to balance sheet.
 All securities are traded in the Norwegian market

Unit price as of 31.12.2007 105.5990

202 790 858,- NOK 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.

NOTES

SKAGEN Høyrente Institusjon

Note 8. Securities portfolio as of 31.12.2007

SECURITY			INTEREST ADJUSTMENT POINT	FACE VALUE	COST PRICE	EFFECTIVE INTEREST**	INTEREST RATE SENSITIVITY**	MARKET PRICE	ACCRUED INTEREST	MARKET VALUE	MARKET VALUE INCLUDING ACCRUED INTEREST	UNREALISED GAIN/LOSS	SHARE OF FUND	RISK CLASS***
FLLOATING RATE SECURITIES														
Financial Bonds														
Sparebanken Telemark	22-09-08	6,09	25-03-08	25000000	25016000	6,17	0,21	100,01	16917	25002500	25019417	-13500	1,67%	5
SparNord Bank	30-01-09	5,87	30-01-08	25000000	24998900	6,32	0,08	99,77	252736	24943000	25195736	-55900	1,68%	5
Rygge-Vaaler Sparebank	22-09-08	6,01	25-03-08	23000000	22998240	6,15	0,21	99,97	15359	22992870	23008229	-5370	1,53%	5
BN Kredits	18-06-08	6,08	18-06-08	20000000	19992720	6,21	0,44	99,97	40533	19994800	20035333	2080	1,34%	5
Storebrand Bank	05-12-08	6,31	05-03-08	19000000	19080450	6,21	0,17	100,21	86587	19040090	19126677	-40360	1,27%	5
Bamble & Langesund Sparebank	23-05-08	6,15	25-02-08	18000000	18019240	6,1	0,14	100,06	107625	18010980	18118605	-8260	1,21%	5
Sparebanken Midt-Norge	10-06-08	5,99	10-03-08	17000000	17001944	6,04	0,18	100,01	59401	17002380	17061781	436	1,14%	5
Sparebanken Vestfold	17-03-08	6,31	17-03-08	15000000	15027060	6,08	0,2	100,08	36808	15011700	15048500	-15360	1,00%	5
Sparebanken Vestfold	19-06-09	6,19	19-03-08	15000000	14997000	6,2	0,2	100,02	30950	15003450	15034400	6450	1,00%	5
Sandsvør Sparebank	20-10-08	5,78	21-01-08	15000000	15002850	6,15	0,05	99,97	168583	14994900	15163483	-7950	1,01%	5
Toten Sparebank	25-09-08	6,02	25-03-08	15000000	14997150	6,19	0,22	99,95	10033	14992500	15002533	-4650	1,00%	5
Surnadal Sparebank	29-10-10	6	29-01-08	15000000	14991000	6,48	0,07	99,55	157500	14932050	15089550	-58950	1,01%	5
Stadsbygd Sparebank	27-01-09	5,9	28-01-08	14000000	14013300	6,22	0,07	99,95	144550	13992720	14137270	-20580	0,94%	5
Sparebanken Sogn og Fjordane	06-08-08	6,11	06-02-08	11000000	11000880	6,13	0,09	100,02	98817	11002640	11101457	1760	0,74%	5
Kvinherad Sparebank	02-02-09	5,91	04-02-08	11000000	11019600	6,18	0,08	99,99	106544	10998570	11105114	-21030	0,74%	5
Rygge-Vaaler Sparebank	29-06-09	6,15	31-12-07	10000000	9992900	6,26	0,23	100,02	0	10001900	10001900	9000	0,67%	5
Meldal Sparebank	29-04-08	5,91	29-01-08	10000000	10004600	6,1	0,07	100	103425	10000400	10103825	-4200	0,67%	5
Orkdal Sparebank	01-04-08	5,77	02-01-08	10000000	10013075	6,1	0	100	145853	9999900	10145753	-13175	0,68%	5
Blaker Sparebank	09-10-09	6	08-01-08	10000000	10000000	6,37	0,02	99,95	140000	9995500	10135500	-4500	0,68%	5
BN Kredits	06-02-08	5,84	06-02-08	10000000	10001240	6,15	0,09	99,95	89222	9995500	10084722	-5740	0,67%	5
Nøtterøy Sparebank	25-04-08	5,71	25-01-08	10000000	9983000	6,11	0,13	99,94	106269	9993900	10100169	10900	0,67%	5
Haugesund Sparebank	23-01-09	5,77	23-01-08	10000000	9992900	6,15	0,06	99,9	110592	9990000	10100592	-2900	0,67%	5
Sparebanken Telemark	29-03-10	5,97	28-03-08	10000000	9970000	6,27	0,23	99,67	4975	9967100	9972075	-2900	0,66%	5
Høland Sparebank	19-01-10	5,69	21-01-08	10000000	9959000	6,45	0,05	99,37	115381	9936800	10052181	-22200	0,67%	5
Blaker Sparebank	09-05-08	5,86	11-02-08	9000000	9008100	6,1	0,1	100,01	71785	9000630	9072415	-7470	0,60%	5
Kvinedal Sparebank	19-06-09	6,03	25-03-08	8000000	8001600	6,32	0,2	99,75	13400	7980000	7993400	-21600	0,53%	5
Sparebanken Nord-Norge	20-05-10	5,95	20-05-08	8000000	8000000	6,3	0,36	99,65	54211	7972240	8026451	-27760	0,53%	5
Terra Finans	29-09-09	6,4	31-12-07	8000000	8013600	6,92	0,23	99,37	0	7950000	7950000	-63600	0,53%	5
Gran Sparebank	23-04-08	5,71	23-01-08	7500000	7500000	6,1	0,06	99,95	82081	7496250	7578331	-3750	0,51%	5
Kvinedal Sparebank	17-06-08	6,33	17-03-08	7000000	7012250	6,11	0,2	100,09	17232	7006580	7023812	-5670	0,47%	5
Lom og Skjåk Sparebank	02-06-09	5,91	03-03-08	7000000	7002625	6,19	0,16	99,89	32177	6992020	7024197	-10605	0,47%	5
Holla og Lundelund Sparebank	15-09-08	6,2	17-03-08	6000000	5999700	6,19	0,19	99,97	14467	5998140	6012607	-1560	0,40%	5
Skudenes og Aakra Sparebank	08-09-08	6,21	10-03-08	5000000	5015500	6,18	0,17	100,06	18112	5003200	5021312	-12300	0,33%	5
Strømmen Sparebank	23-05-08	6,11	25-02-08	5000000	5006150	6,09	0,14	100,05	32247	5002700	5034947	-3450	0,34%	5
Rygge-Vaaler Sparebank	02-04-08	5,97	02-01-08	5000000	5013500	6,13	0	100,02	74625	5001100	5075725	-12400	0,34%	5
Birkenes Sparebank	19-05-08	5,88	19-02-08	5000000	5005250	6,1	0,13	100,02	34300	5000900	5035200	-4350	0,34%	5
Førnebu Sparebank	08-05-08	5,9	06-02-08	5000000	5003250	6,11	0,1	100,01	45069	5000600	5045669	-2650	0,34%	5
SparNord Bank	10-03-08	5,97	10-03-08	5000000	4997350	6,1	0,18	100	17412	5000050	5017462	2700	0,33%	5
Sparebanken Vest	05-02-08	5,92	05-02-08	5000000	5008350	6,08	0,09	99,97	46044	4998500	5044544	-9850	0,34%	5
Lom og Skjåk Sparebank	10-11-08	5,78	11-02-08	5000000	5000000	6,13	0,1	99,94	39336	4996950	5036286	-3050	0,34%	5
Grong Sparebank	26-11-10	6,26	26-02-08	5000000	5000000	6,52	0,15	99,56	30431	4978200	5008631	-21800	0,33%	5
SRBank	22-01-08	5,88	22-01-08	4000000	4006200	6,06	0,06	99,97	45733	3998680	4044413	-7520	0,27%	5
Skudenes og Aakra Sparebank	10-02-09	5,89	11-02-08	4000000	3993840	6,29	0,1	99,87	32068	3994880	4026948	1040	0,27%	5
Financial Notes														
Sparebanken Møre	09-06-08	5,91	10-03-08	25000000	24994500	6,08	0,18	99,96	86187	24991000	25077187	-3500	1,67%	5
Selbu Sparebank	10-01-08	5,87	10-01-08	23000000	23025376	6,09	0,02	99,97	307523	22992180	23299703	-33196	1,55%	5
Sparebanken Vest	17-12-08	6,18	18-06-08	20000000	20013450	6,13	0,44	100,07	41200	20014200	20055400	750	1,34%	5
Tolga Os Sparebank	11-04-08	5,81	11-01-08	20000000	20023240	6,09	0,03	100	261450	20000200	20261650	-23040	1,35%	5
Kredittforeningen for Sparebanker	01-10-08	5,73	02-01-08	20000000	20009600	6,14	0	99,99	289683	19997800	20287483	-11800	1,35%	5
Terra Boligkreditt	06-03-08	5,88	06-03-08	20000000	19987400	6,08	0,17	99,99	81667	19997400	20079067	10000	1,34%	5
Gjensidige Bank	28-02-08	5,96	28-02-08	15000000	14992570	6,08	0,15	99,98	81950	14996850	15078800	4280	1,00%	5
Sparebanken Øst	13-05-08	5,86	12-02-08	11000000	11016830	6,08	0,11	100,01	87737	11001540	11089277	-15290	0,74%	5
Tolga Os Sparebank	22-09-08	6,01	25-03-08	11000000	10996370	6,19	0,21	99,9	7346	10989110	10996456	-7260	0,73%	5
Harstad Sparebank	02-03-09	6	03-03-08	10000000	10024000	6,19	0,16	100,01	46667	10000700	10047367	-23300	0,67%	5
Storebrand	02-09-09	6,01	03-03-08	10000000	10022000	6,22	0,16	99,97	46744	9996900	10043644	-25100	0,67%	5
SRBank	17-01-08	5,67	17-01-08	10000000	9999250	6,04	0,04	99,96	118125	9995900	10114025	-3350	0,67%	5
Sunddal Sparebank	11-11-08	5,9	11-02-08	10000000	10019500	6,24	0,11	99,95	80374	9995500	10075874	-24000	0,67%	5
Gjensidige Bank	09-05-08	5,7	11-02-08	10000000	9991450	6,11	0,1	99,95	82333	9995200	10077533	3750	0,67%	5
Sparebanken Hedmark	14-02-08	5,89	14-02-08	10000000	10001760	6,25	0,12	99,95	76897	9994800	10071697	-6960	0,67%	5
Sparebanken Bien	12-11-08	5,86	12-02-08	10000000	10000000	6,21	0,11	99,94	79761	9993900	10073661	-6100	0,67%	5
Sauda Sparebank	28-04-08	5,9	28-01-08	7500000	7499850	6,1	0,07	100	77437	7500075	7577512	225	0,50%	5
Askim Sparebank	14-04-08	5,79	14-01-08	7000000	7001400	6,1	0,04	99,99	86689	6999090	7085779	-2310	0,47%	5
Askim Sparebank	27-02-09	6,02	27-02-08	7000000	6998460	6,34	0,15	99,75	39799	6982360	7022159	-16100	0,47%	5
Høland Sparebank	18-08-08	6,01	18-02-08	5000000	5004800	6,17	0,13	100,06	37562	5003000	5040562	-1800	0,34%	5
Kredittforeningen for Sparebanker	01-10-09	5,76	02-01-08	5000000	4996000	6,18	0	99,99	72800	4999550	5072350	3550	0,34%	5
Eidsberg Sparebank	25-09-08	6,12	25-03-08	5000000	4999020	6,24	0,22	99,98	3400	4999250	5002650	230	0,33%	5
Ørskog Sparebank	10-01-08	5,9	10-01-08	5000000	5007380	6,09	0,02	99,97	67194	4998300	5065494	-9080	0,34%	5
Sparebanken Telespar	11-01-10	5,77	11-01-08	5000000	4985500	6,31	0,03	99,71	64912	4985300	5050212	-200	0,34%	5



	MATURITY	COUPON	INTEREST ADJUSTMENT POINT	FACE VALUE	COST PRICE	EFFECTIVE INTEREST***	INTEREST RATE SENSITIVITY**	MARKET PRICE	ACCRUED INTEREST	MARKET VALUE	MARKET VALUE INCL. ACCRUED INTEREST	UNREALISED GAIN/LOSS	SHARE OF FUND	RISK CLASS***
FIXED RATE SECURITIES														
Financial Bonds														
Sparebanken Vest	12-03-08	6		34 500 000	34 584 325	6,05	0,18	99,95	1 667 342	34 482 405	36 149 747	-101 920	2,41%	5
BN Bank	02-10-08	5,15		26 000 000	25 805 820	6,1	0,7	99,36	330 164	25 834 640	26 164 804	28 820	1,74%	5
BN Kreditt	18-06-08	4,1		25 000 000	24 685 320	6,19	0,44	99,04	550 411	24 759 000	25 309 411	73 680	1,69%	5
Nordlandsbanken	05-03-08	5,85		15 000 000	15 045 628	6,05	0,17	99,93	723 637	14 988 900	15 712 537	-56 728	1,05%	5
SR Bank	30-05-08	4,35		15 000 000	14 861 700	6,03	0,39	99,3	384 349	14 894 400	15 278 749	32 700	1,02%	5
Sparebanken Midt-Norge	01-07-08	3,15		10 500 000	10 311 896	6,06	0,47	98,58	165 828	10 350 795	10 516 623	38 899	0,70%	5
Sparebanken Midt-Norge	10-06-08	5,15		10 000 000	9 960 700	6,06	0,42	99,57	287 836	9 956 900	10 244 736	-3 800	0,68%	5
Sparebanken Sør	19-03-08	7		5 000 000	5 004 225	6,05	0,2	100,15	275 205	5 007 400	5 282 605	3 175	0,35%	5
Spjydeberg Sparebank	04-02-08	4,2		5 000 000	4 979 500	6,15	0,09	99,81	189 863	4 990 400	5 180 263	10 900	0,35%	5
Sparebanken Nord-Norge	15-04-08	3,4		5 000 000	4 930 250	6,05	0,27	99,23	121 096	4 961 650	5 082 746	31 400	0,34%	5
SR Bank	26-09-08	3,75		5 000 000	4 907 500	6,02	0,69	98,39	49 315	4 919 300	4 968 615	11 800	0,33%	5
Sparebanken Nord-Norge	18-06-08	4,6		4 000 000	3 966 400	6,06	0,44	99,31	98 805	3 972 440	4 071 245	6 040	0,27%	5
Financial Notes														
SR Bank	04-12-08	6,08		35 000 000	34 997 715	6,07	0,87	99,99	157 414	34 997 200	35 154 614	-515	2,34%	5
Sparebanken Nord-Norge	12-03-08	5,55		32 000 000	31 978 456	6,08	0,18	99,9	535 233	31 968 000	32 503 233	-10 456	2,17%	5
BN Bank	21-08-08	5,77		30 000 000	30 019 890	6,1	0,6	99,75	626 005	29 926 500	30 552 505	-93 390	2,04%	5
Kvinesdal Sparebank	19-09-08	6,1		27 000 000	27 018 075	6,17	0,68	99,91	460 258	26 975 970	27 436 228	-42 105	1,83%	5
Sparebanken 1 Hallingdal	10-06-08	6,16		25 000 000	25 000 000	6,15	0,42	100,04	88 603	25 009 500	25 098 103	9 500	1,67%	5
Bank 1 Oslo	14-03-08	5,84		25 000 000	25 000 000	6,08	0,19	99,96	308 000	24 990 500	25 298 500	-9 500	1,69%	5
Bamble & Langesund Sparebank	08-10-08	6		22 000 000	21 992 190	6,15	0,72	99,85	303 781	21 967 440	22 271 221	-24 750	1,48%	5
Sparebanken Vest	18-06-08	5,95		20 000 000	19 987 980	6,06	0,44	99,94	339 068	19 988 800	20 327 868	820	1,35%	5
Gjensidige Bank	04-04-08	5,82		20 000 000	19 978 820	6,07	0,24	99,94	280 636	19 988 600	20 269 236	9 780	1,35%	5
Sparebanken Nord-Norge	11-09-08	5,8		20 000 000	20 000 000	6,06	0,66	99,78	352 767	19 957 000	20 309 767	-43 000	1,35%	5
Storebrand Bank	14-04-08	5,35		20 000 000	19 994 800	6,1	0,27	99,77	504 219	19 954 800	20 459 019	-40 000	1,36%	5
Storebrand Bank	12-05-08	5,9		17 000 000	16 999 167	6,08	0,34	99,95	134 649	16 992 350	17 126 999	-6 817	1,14%	5
Sparebanken Nord-Norge	16-06-08	6,35		15 000 000	15 000 000	6,13	0,43	100,13	44 363	15 020 250	15 064 613	20 250	1,00%	5
Rørosbanken	03-09-08	6,15		15 000 000	15 000 000	6,13	0,63	100,03	70 767	15 004 200	15 074 967	4 200	1,00%	5
Stadsbygd Sparebank	18-06-08	6		15 000 000	14 997 355	6,16	0,44	99,92	256 438	14 988 300	15 244 738	-9 055	1,02%	5
Sparebanken Øst	26-02-08	4,78		15 000 000	14 983 155	6,05	0,15	99,79	605 030	14 968 350	15 573 380	-14 805	1,04%	5
Hegra Sparebank	17-03-08	5,95		12 000 000	11 999 940	6,08	0,2	99,98	205 397	11 997 120	12 202 517	-2 820	0,81%	5
Surnadal Sparebank	19-06-08	6,4		10 000 000	9 999 000	6,24	0,44	100,11	21 041	10 010 900	10 031 941	11 900	0,67%	5
Etna Sparebank	17-12-08	6,37		10 000 000	10 000 000	6,28	0,9	100,08	20 942	10 007 700	10 028 642	7 700	0,67%	5
Ørland Sparebank	08-09-08	6,2		10 000 000	9 999 280	6,13	0,65	100,06	40 767	10 006 400	10 047 167	7 120	0,67%	5
Ørland Sparebank	04-12-08	6,21		10 000 000	10 000 000	6,14	0,87	100,04	45 937	10 004 400	10 050 337	4 400	0,67%	5
Førnebu Sparebank	12-02-08	5,9		10 000 000	10 000 000	6,13	0,11	99,98	79 205	9 998 500	10 077 705	-1 500	0,67%	5
Marker Sparebank	20-02-08	5,95		10 000 000	10 003 000	6,17	0,13	99,98	166 274	9 997 600	10 163 874	-5 400	0,68%	5
Terra Finans	14-02-08	5,95		10 000 000	10 000 000	6,42	0,11	99,96	76 616	9 995 700	10 072 316	-4 300	0,67%	5
Nøtterø Sparebank	02-04-08	5,9		10 000 000	9 999 500	6,1	0,24	99,96	145 479	9 995 600	10 141 079	-3 900	0,68%	5
SR Bank	29-05-08	5,6		10 000 000	10 000 000	6,06	0,39	99,81	190 247	9 980 700	10 170 947	-19 300	0,68%	5
Evje og Hornes Sparebank	19-09-08	6,1		7 000 000	6 995 850	6,14	0,68	99,93	119 326	6 995 240	7 114 566	-610	0,47%	5
Haltedalens Sparebank	20-06-08	6,4		5 000 000	5 000 000	6,31	0,44	100,08	9 644	5 003 950	5 013 594	3 950	0,33%	5
Flekkefjord Sparebank	20-06-08	6,28		5 000 000	5 000 000	6,19	0,44	100,08	8 603	5 003 900	5 012 503	3 900	0,33%	5
Flekkefjord Sparebank	17-03-08	6,4		5 000 000	5 001 445	6,22	0,2	100,06	12 274	5 003 200	5 015 474	1 755	0,33%	5
Sparebanken Sør	07-01-08	5,38		5 000 000	4 996 280	6,08	0,02	99,99	84 753	4 999 400	5 084 153	3 120	0,34%	5
Blaker Sparebank	20-06-08	6		5 000 000	5 002 500	6,12	0,44	99,94	83 836	4 996 800	5 080 636	-5 700	0,34%	5
Sparebanken 1 Hallingdal	24-09-08	5,9		5 000 000	4 997 600	6,14	0,69	99,79	79 205	4 989 750	5 068 955	-7 850	0,34%	5
Sandsvør Sparebank	13-06-08	5,81		4 000 000	3 995 000	6,09	0,42	99,87	69 402	3 994 840	4 064 242	-160	0,27%	5
Terra Boligkreditt	12-03-08	4,89		4 000 000	3 987 080	6,08	0,18	99,74	157 552	3 989 600	4 147 152	2 520	0,28%	5

TOTAL EQUITY PORTFOLIO				1406 237 518				16 614 128	1405 376 005	1421 990 133	-861 513	94,76%		
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Portfolio Key Figures														
Effective underlying return	6,31%													
Effective return to clients*	6,16%													
Interest rate sensitivity***	0,26													

* Effective underlying return adjusted for management fee.
 ** Interest rate sensitivity is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.
 *** Effective interest is the average annual return of an interest bearing security until maturity.
 **** Securities are divided into six risk classes according to their credit risk. Class one has the lowest, and class six 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

**** For liquidity in the portfolio as of 31.12.07, please refer to balance sheet.
 All securities are traded in the Norwegian market.

Unit price as of 31.12.2007 104.2239

63 304 179,- NOK 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.

SKAGEN Krona

Note 8. Securities portfolio as of 31.12.2007 (All figures in whole SEK)

SECURITY	MATURITY	COUPON	INTEREST ADJUSTMENT POINT	FACE VALUE	COST PRICE	EFFECTIVE INTEREST***	INTEREST RATE SENSITIVITY**	MARKET PRICE	ACRUED INTEREST	MARKET VALUE	MARKET VALUE INCL. ACRUED INTEREST	UNREALISED GAIN/LOSS	SHARE OF FUND	RISK CLASS***
FLOATING RATE SECURITIES														
Industrial Bonds														
Teliasonera	01-10-09	4,47	02-01-08	3 000 000	3 001 562	4,91	0	99,97	33 935	2 999 100	3 033 035	-2 462	1,44%	6
FIXED RATE SECURITIES														
Government Notes														
Svensk Stat	20-02-08	0		27 000 000	26 744 612	4,14	0,13	99,43	0	26 847 180	26 847 180	102 568	12,78%	2
Industrial Notes														
Husqvarna	29-02-08	0		15 000 000	14 819 691	4,87	0,16	99,22	0	14 883 300	14 883 300	63 609	7,08%	6
Scania	19-02-08	0		8 000 000	7 936 442	4,76	0,13	99,36	0	7 949 120	7 949 120	12 678	3,78%	6
Boliden	17-01-08	0		7 000 000	6 929 169	4,87	0,04	99,78	0	6 984 460	6 984 460	55 291	3,32%	6
Trelleborg Treasury	16-01-08	0		6 000 000	5 939 112	4,87	0,04	99,79	0	5 987 460	5 987 460	48 348	2,85%	6
Sandvik Treasury	28-01-08	0		6 000 000	5 953 808	4,76	0,07	99,64	0	5 978 580	5 978 580	24 772	2,84%	6
NCC Treasury	30-01-08	0		6 000 000	5 952 094	4,87	0,08	99,61	0	5 976 540	5 976 540	24 446	2,84%	6
Omx	20-02-08	0		6 000 000	5 951 414	4,76	0,13	99,35	0	5 961 060	5 961 060	9 646	2,84%	6
APFastigheter	22-02-08	0		6 000 000	5 956 616	4,76	0,14	99,33	0	5 959 560	5 959 560	2 944	2,84%	6
Boliden	31-01-08	0		5 000 000	4 961 095	4,89	0,08	99,59	0	4 979 750	4 979 750	18 655	2,37%	6
AssaAbløy	18-02-08	0		5 000 000	4 959 254	4,76	0,13	99,38	0	4 968 850	4 968 850	9 596	2,36%	6
Castellum	10-03-08	0		5 000 000	4 939 320	4,87	0,18	99,09	0	4 954 650	4 954 650	15 330	2,36%	6
Stena MetallFinans	12-03-08	0		5 000 000	4 939 369	4,87	0,19	99,07	0	4 953 400	4 953 400	14 031	2,36%	6
SSAB	14-03-08	0		5 000 000	4 941 485	4,87	0,19	99,04	0	4 952 100	4 952 100	10 615	2,36%	6
SCAFinans	07-04-08	0		5 000 000	4 920 646	4,72	0,25	98,77	0	4 938 550	4 938 550	17 904	2,35%	6
VolvoFinans	16-01-08	0		4 000 000	3 959 671	4,78	0,04	99,79	0	3 991 800	3 991 800	32 129	1,90%	6
SSAB	28-01-08	0		4 000 000	3 940 442	4,87	0,07	99,63	0	3 985 400	3 985 400	44 958	1,90%	6
AssaAbløy	04-02-08	0		4 000 000	3 968 153	4,76	0,09	99,55	0	3 982 160	3 982 160	14 007	1,89%	6
Boliden	05-02-08	0		4 000 000	3 967 796	4,89	0,09	99,53	0	3 981 160	3 981 160	13 364	1,89%	6
Vasakronan	12-02-08	0		4 000 000	3 955 209	4,72	0,11	99,46	0	3 978 280	3 978 280	23 071	1,89%	6
Omx	15-02-08	0		4 000 000	3 954 221	4,76	0,12	99,41	0	3 976 600	3 976 600	22 379	1,89%	6
Fabege	20-02-08	0		4 000 000	3 944 480	4,87	0,13	99,34	0	3 973 480	3 973 480	29 000	1,89%	6
Holmen	26-02-08	0		4 000 000	3 952 446	4,76	0,15	99,27	0	3 971 000	3 971 000	18 554	1,89%	6
VolvoFinans	29-02-08	0		4 000 000	3 954 280	4,75	0,16	99,24	0	3 969 640	3 969 640	15 360	1,89%	6
Fabege	08-01-08	0		3 000 000	2 967 246	4,87	0,02	99,89	0	2 996 850	2 996 850	29 604	1,43%	6
SCAFinans	28-01-08	0		3 000 000	2 956 664	4,76	0,07	99,64	0	2 989 290	2 989 290	32 626	1,42%	6
Sandvik Treasury	18-02-08	0		3 000 000	2 964 700	4,74	0,13	99,38	0	2 981 370	2 981 370	16 670	1,42%	6
Castellum	18-02-08	0		3 000 000	2 955 933	4,85	0,13	99,36	0	2 980 950	2 980 950	25 017	1,42%	6
Stena MetallFinans	18-02-08	0		3 000 000	2 958 675	4,87	0,13	99,36	0	2 980 890	2 980 890	22 215	1,42%	6
Financial Notes														
Swedbank Hypotek	07-03-08	0		9 000 000	8 900 913	4,64	0,17	99,17	0	8 925 480	8 925 480	24 567	4,25%	5
SEB	04-02-08	0		7 000 000	6 944 582	4,66	0,09	99,56	0	6 969 410	6 969 410	24 828	3,32%	5
TOTAL EQUITY PORTFOLIO				185 091 100					33 935	185 907 420	185 941 355	816 320	88,48%	
Portfolio Key Figures														
Effective underlying return				4,89%										
Effective return to clients*				4,59%										
Interest rate sensitivity***				0,11										

* Effective underlying return adjusted for management fee.

** Interest rate sensitivity is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.

*** Effective interest is the average annual return of an interest bearing security until maturity.

**** Securities are divided into six risk classes according to their credit risk. Class one has the lowest, and class six has the highest 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

**** For liquidity in the portfolio as of 31.12.07, please refer to balance sheet.

Unit price as of 31.12.2007 100.7361 SEK

2 409 584,- SEK is allocated for distribution to unitholders. This will result in a reduction in the unit price equal to the distribution per unit at time of distribution.

SKAGEN Tellus

Note 8. Securities portfolio as of 31.12.2007

SECURITY	MATURITY	Coupon	INTEREST ADJUSTMENT POINT	FACE VALUE	COST PRICE	EFFECTIVE INTEREST***	INTEREST RATE SENSITIVITY**	MARKET PRICE	CURRENCY	ACCRUED INTEREST	MARKET VALUE	MARKET VALUE INCL. ACCRUED INTEREST	UNREALISED GAIN/LOSS	SHARE OF FUND	RISK CLASS****
FLOATING RATE SECURITIES															
Financial Notes															
HSBC Finance Corp	28-10-13	4,85	28-01-08	2500000	20774888	6,56	0,12	772,83	EUR	169161	19320703	19489863	-1454186	2,26%	5
OKO Bank Plc	21-06-11	4,89	25-03-08	2000000	16502345	5,12	0,12	793,54	EUR	21653	15870862	15892515	-631483	1,85%	5
Allied Irish Banks Plc	04-11-10	4,69	04-02-08	2000000	16108841	5,16	0,12	792,75	EUR	116202	15854927	15971129	-253914	1,86%	5
Caja Ahorros Barcelona	20-11-09	4,61	20-02-08	2000000	16289805	5,4	0,12	792,75	EUR	83643	15854927	15938570	-434878	1,85%	5
National Australia Bank	23-01-12	4,71	23-01-08	2000000	16255435	5,31	0,12	786,77	EUR	143758	15735418	15879175	-520018	1,84%	5
ASB Finance Ltd London	13-02-12	4,63	13-02-08	2000000	16171185	5,5	0,12	780,8	EUR	98348	15615908	15714256	-555277	1,83%	5
Finance For Danish Ind	03-11-09	4,9	04-02-08	2000000	16828653	7,36	0,12	780,8	EUR	121407	15615908	15737315	-1212745	1,83%	5
Northern Rock Plc	13-03-12	5,03	13-03-08	2000000	16153097	9,76	0,12	693,16	EUR	40052	13863102	13903154	-2289995	1,61%	5
FIXED RATE SECURITIES															
Foreign Government Bonds															
Finske Stat	04-07-08	3		13500000	106661971	4,07	0,33	792,35	EUR	1586929	106966978	108553907	305007	12,61%	2
Tyske Stat	13-06-08	3,25		13000000	102715502	4,03	0,53	793,86	EUR	1848642	103202030	105050673	486529	12,20%	2
Den Europæiske Investeringsbanken (AAA)	30-03-16	0		50000000	74468657	13,2	7,37	168,74	TRY	0	84372298	84372298	9903641	9,80%	1
Brasiliansk Stat	10-01-28	10,25		25500000	79844857	10,68	7,85	294,89	BRL	3774442	75198135	78972577	-4646722	9,17%	3
Mexikansk Stat	28-12-36	10		126500000	86123403	8,21	10,72	59,32	MXN	52331	75042618	75094949	-11080785	8,72%	3
Islandsk Stat	17-05-13	7,25		92000000	79955466	10,16	3,97	7,65	ISK	3594648	70370306	73964954	-9585160	8,64%	2
Fransk Stat	25-10-17	4,25		5000000	39256440	4,45	7,8	786,53	EUR	324133	39326593	39650726	70153	4,57%	2
Verdensbanken (AAA)	04-04-17	0		100000000	37117570	9,35	8,57	34,26	ZAR	0	34263897	34263897	-2853674	3,98%	1
Belgiske Stat	28-03-08	5,75		4000000	33058546	4,04	0,33	803,66	EUR	1391883	32146462	33538345	-912084	3,90%	2
Ontario Fylke Canada	16-06-15	6,25		8000000	33000940	7,8	5,74	381,39	NZD	85883	30511048	30596931	-2489892	3,50%	3
New South Wales Stat	01-03-17	5,5		4000000	19435838	6,6	6,98	433,43	AUD	347557	17337018	17684575	-2098820	2,05%	2
Østerisk Stat	15-01-08	5		2000000	17127297	4,16	0,13	797,05	EUR	763988	15940974	16704962	-1186324	1,94%	2
Colombianske Stat	22-10-15	12		500000000	16626986	11,98	5,09	0,3	COP	308805	14988241	15297046	-1638745	1,78%	3
TOTAL EQUITY PORTFOLIO*****				86047721	14873466	827398351	842271817	-33079370	97,84%						
Portfolio Key Figures															
Effective underlying return	7,35%														
Effective return to clients*	6,55%														
Interest rate sensitivity***	3,99														

* Effective underlying return adjusted for management fee.
 ** Interest rate sensitivity is a simplified expression of how much the price of the security will change if the interest rate changes by one percentage point.
 *** Effective interest is the average annual return of an interest bearing security until maturity.
 **** Securities are divided into six risk classes according to their credit risk. Class one has the lowest, and class six has the highest 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

*****For liquidity in the portfolio as of 31.12.07, please refer to balance sheet.

Unit price as of 31.12.2007 99.5506

28917320,- NOK is allocated for distribution to unitholders. This will result in a reduction in the unit price equal to the distribution per unit at time of distribution.

AUDITOR'S REPORT FOR 2007



Auditor's report for 2007

We have audited the annual financial statements of the mutual funds as of 31 December, 2007, showing the following results:

SKAGEN Vekst	NOK	1 039 746 433
SKAGEN Global	NOK	1 721 716 449
SKAGEN Kon-Tiki	NOK	2 823 618 326
SKAGEN Arkaslinn	NOK	176 290 234
SKAGEN Havrente	NOK	202 451 299
SKAGEN Havrente Institusjon	NOK	63 652 068
SKAGEN Tellus	NOK	7 684 894
Skagen Krona	SEK	3 295 390

We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements. These financial statements are the responsibility of the Fund Management Company's Board of Directors. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Fund Management Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with the law and regulations for mutual funds and give a true and fair view of the financial position of the mutual funds as of December 31, 2007, and the results of operations and cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway,
- the information given in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit in each mutual fund are consistent with the financial statements and comply with the law and regulations.

Stavanger, 28 January 2008
PricewaterhouseCoopers AS

Gunnar Slettebe

State Authorised Public Accountant (Norway)

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

Kontorer: Arendal Bergen Drammen Fredrikstad Farte Hamar Kristiansand Mo i Rana Molde Måly Nærvi Oslo Stavanger Stytt Trondheim Tønsberg Ålesund
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Investment director of the year and AAA for SKAGEN Kon-Tiki

The year 2007 will go down in SKAGEN history as exceptional. The company won a number of awards, was awarded high rankings and top marks from the media, fund analysts and rating agencies around Europe.

The list of accolades and prizes was topped by Kristoffer Stensrud's selection as European Investment Director of The Year during the prestigious Funds Europe Awards in London in the second half of 2007. He received the award for his strong leadership, strategic thinking, distinct investment philosophy and ability to achieve his investment objectives.

AAA for SKAGEN Kon-Tiki

The award was the crowning moment of a good year for SKAGEN Kon-Tiki, which is managed by Stensrud. In July, the fund was upgraded from two to three A's by Standard and Poor's, the respected rating agency. This is a significant recognition for the fund,

and Stensrud. All SKAGEN equity funds now carry triple A ratings by Standard & Poor's. These highlights were not the only 2007 moments of honours and glory for SKAGEN, the funds and the portfolio managers.

Each year, Lipper, the UK research company, highlight funds that have distinguished themselves by delivering solid, risk-adjusted returns relative to similar funds. In the Lipper Awards in Luxembourg, Amsterdam and Sweden, SKAGEN received no less than nine awards, most of them to SKAGEN Global and SKAGEN Kon-Tiki. Our portfolio managers also excelled in 2007.

Among Europe's top managers

In addition, independent fund research agency Citywire ranked Filip Weintraub and Kristoffer Stensrud as number three and twenty, respectively, among Europe's top 100 managers. Over 4,000 portfolio managers from all over Europe competed for a place on the list.

Citywire also ranked the SKAGEN Tellus portfolio manager, Torgeir Høien, as number one out of 35 managers of global bond funds in Sweden.



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MONDAY MARCH 19 2007

Norwegian prodigy with a penchant for the unusual

Fiona Rintoul finds a contrarian style and jeans and jumper philosophy have taken Skagen Funds beyond its home market

The Norwegian city of Stavanger is associated more with oil production than asset management, but home-grown fund manager Skagen Funds has started to attract attention from an international audience.

Last year, Skagen picked up several awards. Lipper voted it best equity fund manager among smaller fund companies, while Global Investor named it "equity firm to watch". Perhaps most impressively, the firm's global equity fund, Skagen Global Fund, ranked first out of 1,352 funds in the S&P Global Equities peer group based on five-year returns, while its emerging markets fund, Skagen Kon-Tiki, ranked second out of an S&P universe of 316 funds since its launch in 2002.

How has Skagen Funds achieved such sterling results located in what many view as an asset



management backwater? The company clearly likes to do things a bit differently. Take the annual report, for example, which features a company photo with the team standing by the seashore wearing jeans and jumpers, with most of the directors at the back.

Beating markets is not simply a matter of abandoning pastures and dressing down, but nonconformity does lie at the root of the company's philosophy. "We have a contrarian bent, very similar to the Scottish style," says Filip Weintraub, manager of the Skagen Global Fund and a partner in the firm. "However, it's a little bit more contrarian. We do like unpopular stories."

The firm likes to go against the grain in everything it does. Mr Weintraub joined during an idiosyncratic recruitment drive founded in 1983.

The firm's evolution has

the largest asset manager in Norway with a market share of 25 per cent. It has NOK60bn (\$9.5bn, €7.4bn, £5.1bn) under management in its seven funds and almost 120,000 direct clients, and is starting to expand outside its home market.

It opened an office in Stockholm in 2004 and in Copenhagen in 2005. It has marketing licences in the Netherlands, Luxembourg and Finland.

Its foreign excursions seem to be going well. In 2006, it had the largest net inflows of mutual fund managers in Sweden – the first time a non-Swedish firm has achieved this. In the Netherlands, it has raised NOK50m since April 2006.

It is easy to see how some firms could feel a little threatened by Skagen Funds. In the Swedish market, for example, the percentage of assets controlled by the big four banks has plunged from 90 per cent to nearer 70 per cent as investors turn to independents such as Skagen. Mr Weintraub does not mince words when describing the mainstream players' reaction to firms such as his.

"It's amazing. It's funny. It's tragic," he says. "To quote Gharral, 'First they ignored us, then they laughed at us, then we won.' The second part is some version of dirt-throwing in combination with attempts at regulatory limits – these type of huge dragons tend to have political connections – and then you have acceptance."

Acceptance does not, however, mean adopting the type and rigor of absolute return approach advocated by Skagen Funds with its attendant

Filip Weintraub likes unpopular investment stories

Filip Weintraub in the Financial Times



2007 was kicked off with New Year conferences in Stockholm and Oslo.



Åge Westbø receiving the Lipper Fund Award in the Netherlands.

SKAGEN was also honoured in Denmark. Denmark's biggest newspaper, Morgenavisen-Jyllands Posten, and Dansk Aktieanalyse, a research company, named SKAGEN the best fund provider on the Danish market.

Noticed and new ground

In the Netherlands, almost 300 people turned up in May to hear Åge K. Westbø, SKAGEN's deputy managing director, talk about SKAGEN. Later in the year, the biggest Dutch daily, De Telegraaf, named SKAGEN

Global as financial product of the year. SKAGEN also broke new ground during the year. The funds were approved for marketing in Iceland and the UK. In the latter, SKAGEN has lifted barriers by winning substantial and important new business.

Year of Anniversaries

On 5 April, 2002, SKAGEN launched the emerging market fund SKAGEN Kon-Tiki, with Kristoffer Stensrud as portfolio manager. The 5-year anniversary was duly celebrated at the Kon-Tiki Museum in Oslo. Four months

later, it was time for another celebration. On 7 August, manager Filip Weintraub celebrated the 10-year anniversary of SKAGEN Global.

SKAGEN's International department

SKAGEN's International department has grown to meet increasing interest and demand from outside the Nordic region. The department now consists of a total of nine people.



SKAGEN's International department, from left to right: Åge K. Westbø, Stein Haben, Barbara Willoughby, Nicolai Stærfeldt, Lise Holm Jacobsen, Timothy Warrington, and Parisa Lemaire. (Not pictured here: Migdalia Rojas and Samantha Skurtveit.)



In October, several SKAGEN employees and customers travelled to Brazil to visit some of the companies in which the funds have invested. There was also time for a moving visit to the Hummingbird's Nest outside Sao Paulo.

SKAGEN Funds milestones

1993

- Stavanger Fondsforvaltning AS was granted authorisation from The Financial Supervisory Authority of Norway to manage mutual funds
- The SKAGEN Vekst equity fund launched on 1 December
- 448 unitholders, and assets under management of EUR 2.5 million

1994

- The SKAGEN Avkastning bond fund launched on 16 September
- SKAGEN Vekst selected as AMS (tax free investment scheme) fund of the year, among a total of 22 funds

1995

- SKAGEN Avkastning selected as the best bond fund of the year

1996

- SKAGEN Avkastning was again selected as the best bond fund of the year

1997

- SKAGEN Global launched on 7 August
- SKAGEN Vekst selected as the best AMS fund by the media, due to its good returns and low risk
- Office established in Ålesund
- Assets under management passed EUR 100 million

1998

- The SKAGEN Høyrente money market fund launched on 18 September
- SKAGEN Vekst again selected as the best AMS fund on the market
- SKAGEN Global becomes the best fund among those investing outside Norway
- Office established in Oslo

1999

- SKAGEN Global becomes number one in its class

2001

- Offices established in Bergen and Trondheim
- SKAGEN offers defined contribution pensions for the first time
- Assets under management passed EUR 0.5 billion

2002

- SKAGEN Kon-Tiki launched on 5 April
- Our funds approved for sale in Sweden and Denmark

2003

- SKAGEN Høyrente Institusjon launched on 14 March
- All our three equity funds rated A by Standard & Poor's (S&P)
- Assets under management passed EUR 1 billion

2004

- SKAGEN Global and SKAGEN Kon-Tiki upgraded to AA rating by S&P
- SKAGEN becomes Norway's second biggest equity fund manager
- Office established in Stockholm
- Assets under management passed EUR 2 billion

2005

- SKAGEN Global upgraded to AAA rating by S&P
- SKAGEN becomes Norway's biggest equity fund manager
- Our funds approved for sale in Luxembourg
- Assets under management passed EUR 4 billion

2006

- SKAGEN Vekst upgraded to AAA rating by S&P
- Our funds approved for sale in the Netherlands and Finland
- SKAGEN Tellus launched on 29 September
- Offices established in Tønsberg and Copenhagen
- SKAGEN is Norway's biggest equity fund manager and has the highest net subscriptions in Sweden
- SKAGEN wins 6 awards during the Lipper Awards 2006
- Assets under management passed EUR 7 billion



Director of Sales Norway, Asbjørn Vagle, during his visit at the «Hummingbird's Nest» in Brazil, Autumn 2007.

SKAGEN employees get involved

SKAGEN AS and its employees have chosen to share part of their earnings with organisations and projects that work for the benefit of the community, locally, nationally and globally.

In 2006 we entered partnership agreements with SOS Children's Villages, Doctors Without Borders and the Children at Risk Foundation (CARF). It is particularly pleasing to follow the important work done by CARF to enable children in the poor areas around Sao Paulo in Brazil to lead a worthy life without crime. Our 2006 contribution more than doubled the organisation's budget. CARF are now in the process of using the money, and we were able to see the results personally during a visit to the Hummingbird's Nest last autumn. In 2007 we chose to extend the partnership with the two largest organisations. We have entered a sponsorship agreement with SOS Children's Villages for a further 500,000 Euro tied to specific projects in Estonia and Russia. Doctors Without Borders receives a gift of 375,000 Euro to be used to strengthen its work in Africa

We have every confidence in the work performed by these organisations, and we see that our help makes a difference. Our partnership with these organisations has generated a lot of involvement internally in SKAGEN. Most of the money now received by SOS Children's Villages is earmarked for a planned family improvement project for Russians in the north east part of Estonia, inspired by visits to the country by SKAGEN employees.

Research, finance and science

In 2008 we will support the construction of the planetarium at Vitenfabrikken in Sandnes, Rogaland, donating 250,000 Euro over a five-year period from 2008. In Norway this is a unique project aiming to arouse young people's interest in technology and natural sciences, and to impart research and knowledge in active and engaging ways. In cooperation with the financial industry and the University of Stavanger, we have initiated the establishment of a new master's degree course in applied finance, and strengthened the research and finance community at the university. SKAGEN is supporting this effort with 937,500 Euro over a five-year period starting in 2008.

History and culture

Of previous commitments, we would like to mention the Stavanger city history project, where our contribution is mainly used to communicate the history of the city of Stavanger to children and young people. The construction of the Preikestolen mountain lodge by the Stavanger Trekking Association is in its final stages, and we are looking forward to the opening in 2008.

In 2007, other sponsorship money went to sports organisations for children and young people, Amnesty International and "Kirkens Bymisjon" (the Norwegian Church's city mission). SKAGEN also has a long-term partnership agreement with the Kon-Tiki Museum in Oslo in connection with the right to use the Kon-Tiki name.

It should be noted that it is SKAGEN AS, the management company, and not the funds, that is supporting these organisations and projects.

From our head office in Stavanger, Norway, SKAGEN keeps a watchful eye on the global financial markets to achieve our goal of being the best possible investment manager in the marketplace. We will reach our aim by providing clients with the best risk adjusted returns and the best possible service, in terms of client communication and follow-up. In other words, we shall offer the best service possible.



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