From the moors north of Skagen, 1885. By P.S. Krøyer, one of the Skagen Painters. This image belongs to the Skagens Museum.

SKAGEN Global

Status Report May 2016

The art of common sense

SKAGEN

Summary – May 2016

- SKAGEN Global outperformed its benchmark index by 0.4% in May. The fund gained 3.6% while the benchmark MSCI All Country World Index gained 3.2% (measured in EUR).*

- In 2016, the fund has declined 2.5% while the benchmark has lost 0.5%. Hence, the fund's year-to-date relative performance is -2.0%.

- AIG, Roche and Dollar General were the three best monthly contributors to absolute performance while Lenovo, Teva and Volvo were the three largest detractors.

- The fund initiated new positions in the US-based footwear brand Skechers and the specialist insurer Hiscox. The fund also increased its position in Cheung Kong Holdings following a share price pullback.

- We trimmed our positions in Dollar General, State Bank of India and Lundin Petroleum.

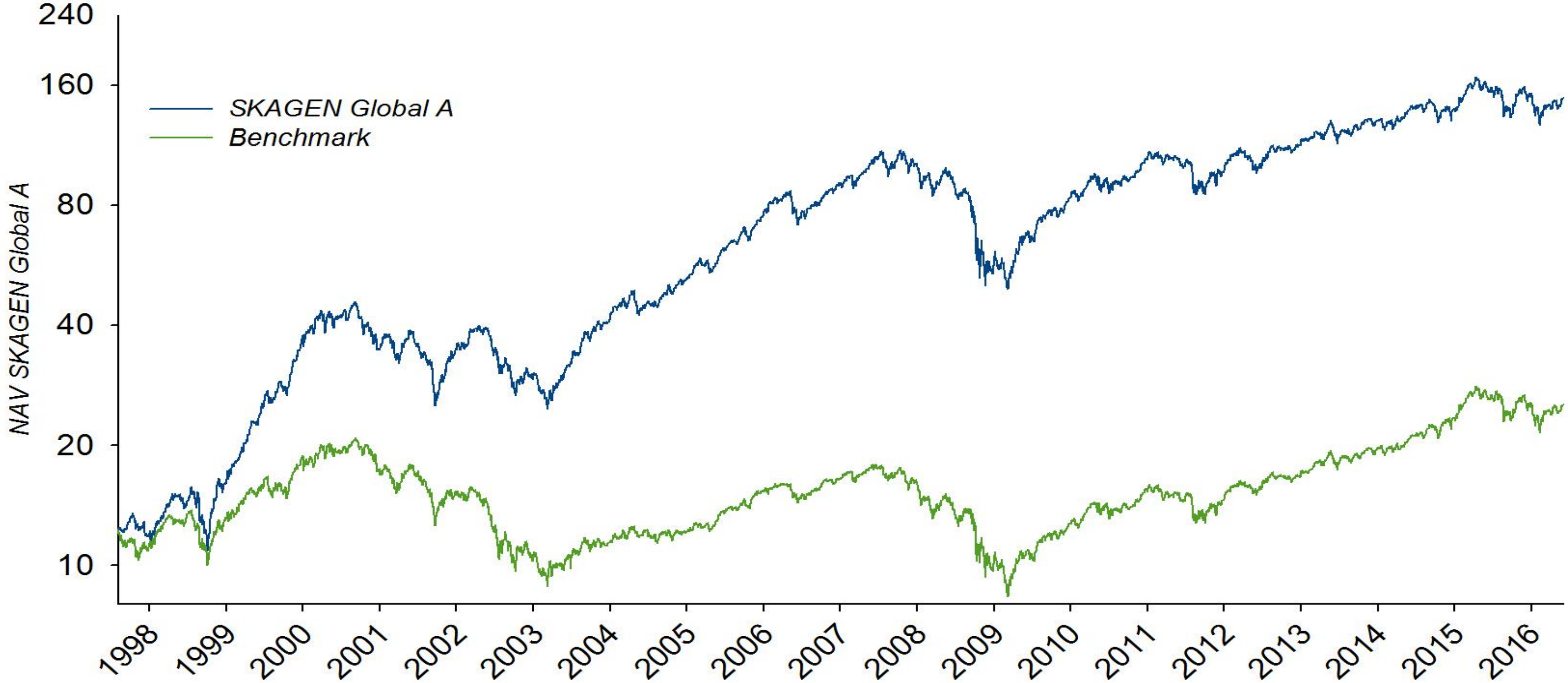
- The fund's top 35 holdings trade at a weighted Price/Earnings (2016e) of 13.8x and a Price/Book of 1.3x vs. the index at 16.5x and 2.0x, respectively.

- The weighted average upside to our price targets for the fund's top 35 holdings is 37%.

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

SKAGEN Global A results, May 2016

EUR, net of fees



	May	QTD	YTD	1 year	3 years	5 years	10 years	Since inception*
SKAGEN Global A	3,6%	4,3%	-2,5%	-7,9%	5,4%	7,2%	6,7%	14,2%
MSCI AC World Index*	3,2%	4,0%	-0,5%	-6,9%	10,5%	10,8%	5,4%	3,9%
Excess return	0,4%	0,3%	-2,0%	-1,0%	-5,1%	-3,6%	1,3%	10,2%

Note: All returns beyond 12 months are annualised (geometric return)
** Inception date: 7 August 1997*
*** Benchmark index was MSCI World in NOK from 7 August 1997 to 31 December 2009 and MSCI All Country World Index from 1 January 2010 onwards*

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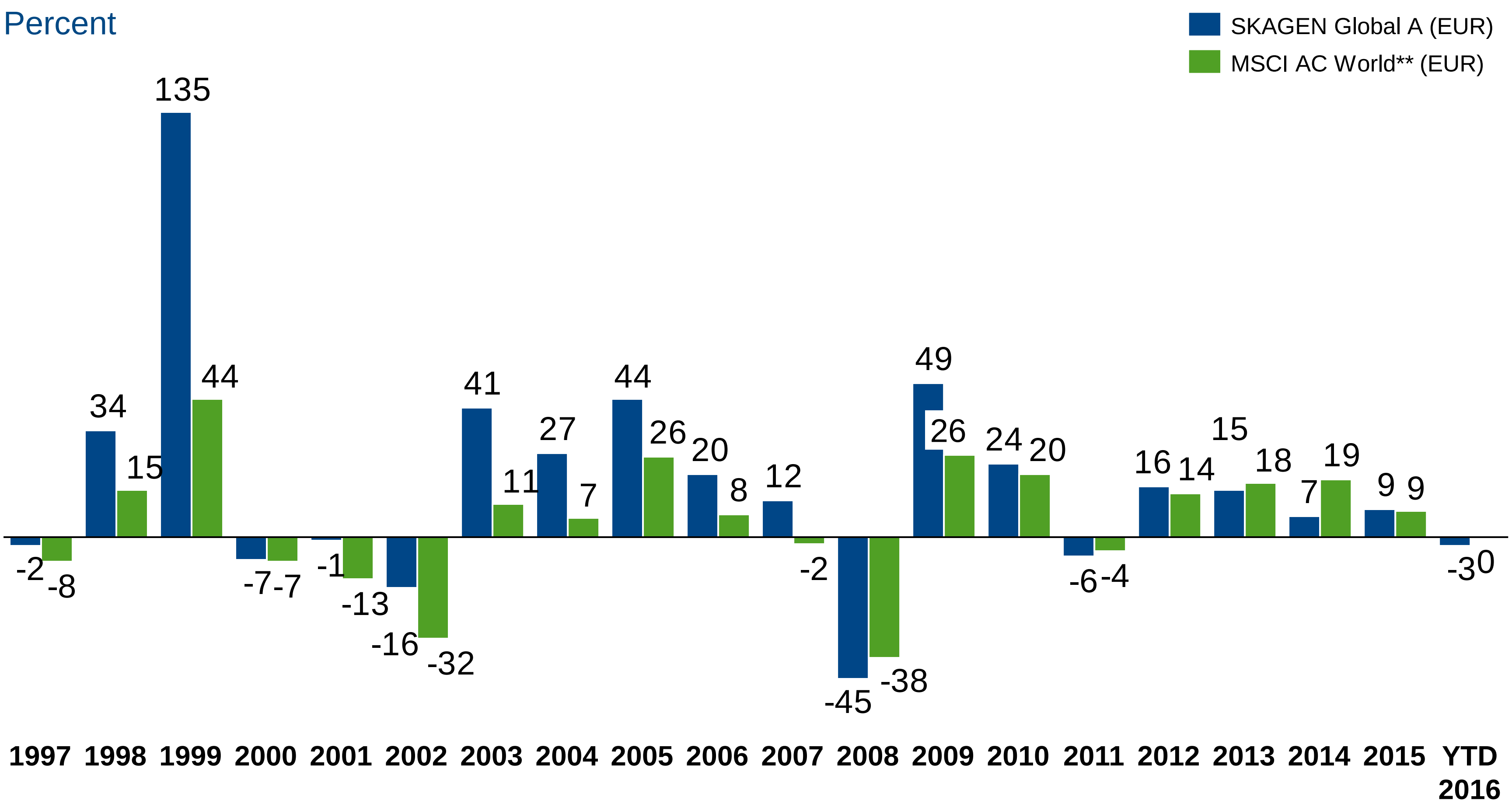
Annual performance since inception (%)*
SKAGEN Global A has beaten its benchmark 15 out of 19 years



Note: All figures in EUR, net of fees
** Inception date: 7 August 1997*
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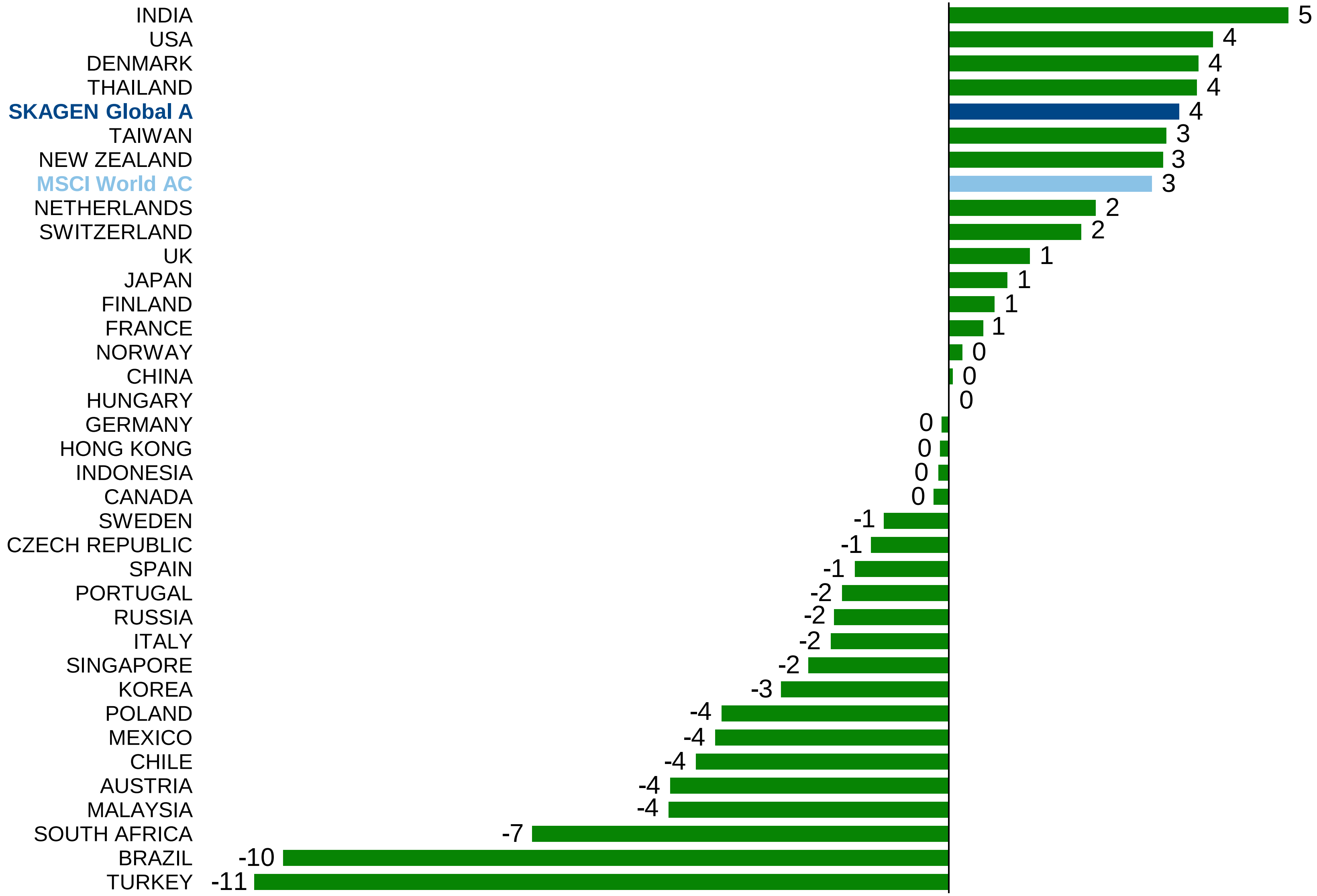
Markets in May 2016 in EUR (%)



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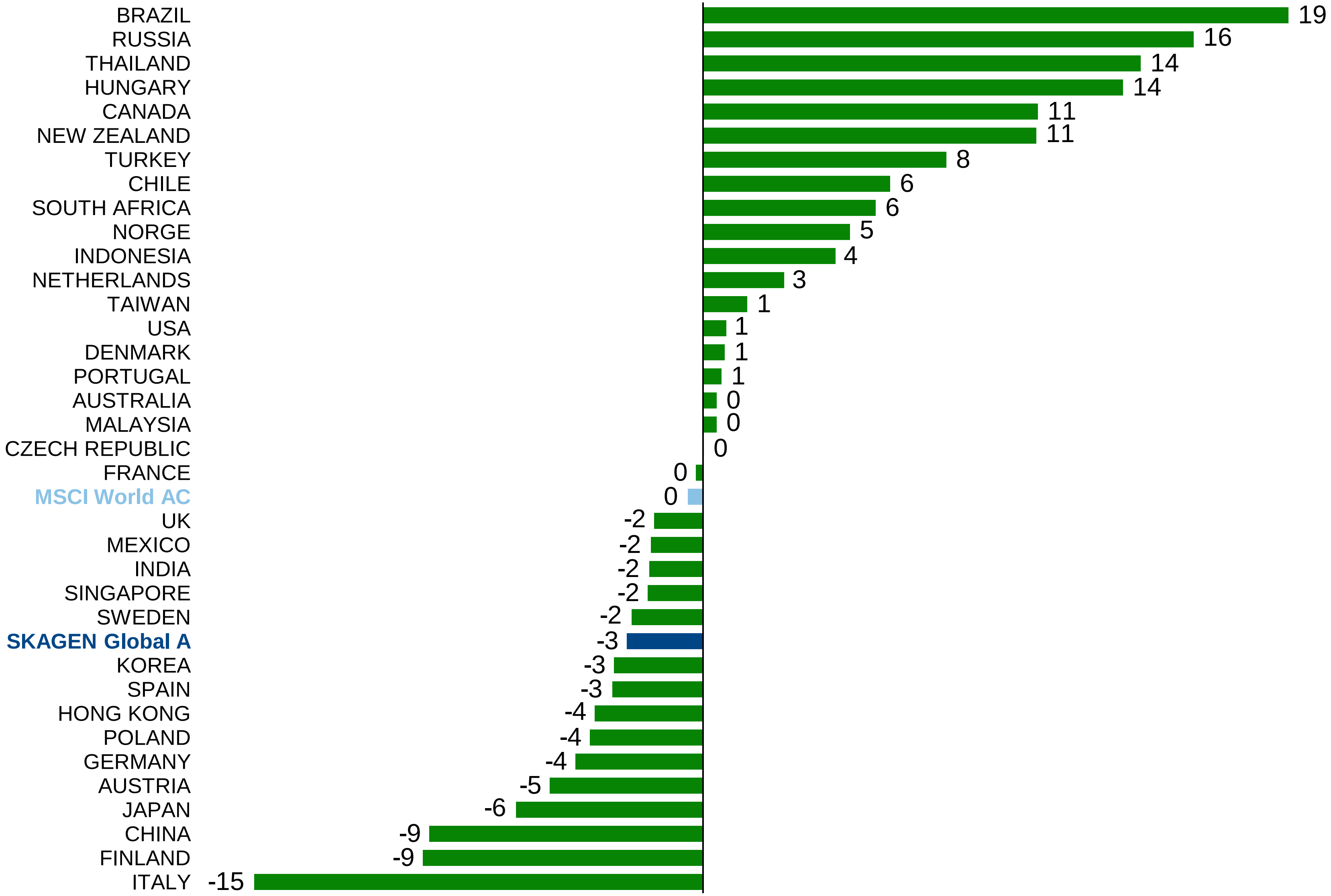
Markets YTD 2016 in EUR (%)



Main contributors May 2016

Largest positive contributors

Company	NOK Millions
AIG	193
Roche	100
Dollar General	94
Tyco International	88
Microsoft	87
Merck & Co	82
Citigroup	80
Sanofi	56
Kingfisher	54
Sony	45

Largest negative contributors

Company	NOK Millions
Lenovo	-48
Teva	-10
Volvo	-10
Lundin Mining	-7
Credit Suisse	-7
Columbia Property Trust	-7
Stericycle	-4
Lundin Petroleum	-4
NN Group	-2
Akzo Nobel	-1

Value Creation MTD (NOK MM): 1407

NB: Contribution to absolute return

Main contributors YTD 2016

Largest positive contributors

Company	NOK Millions
Tyco International	145
Dollar General	142
DSM	96
Lundin Mining	91
Volvo	87
Lundin Petroleum	72
Sony	58
Kingfisher	56
WM Morrison Supermarkets	48
Tyson Foods	43

Largest negative contributors

Company	NOK Millions
Citigroup	-293
AIG	-286
Teva	-203
G4S	-184
State Bank of India	-175
Cheung Kong Holdings	-169
Lenovo	-143
Credit Suisse	-141
Samsung Electronics	-129
General Electric	-116

Value Creation YTD (NOK MM): -1921

NB: Contribution to absolute return

Most important changes Q1 2016

Holdings increased

Q1

Cap Gemini	(New)
Sony	(New)
Baidu	(New)
Autoliv	
Citigroup	
Teva	
G4S	
General Electric	

Holdings reduced

Q1

Tyson Foods	(Out)
Tata Motors	(Out)
Global Mediacom	(Out)
Dollar General	
Lundin Mining	
Alphabet	
Xcel Energy	
State Bank of India	
UPM-Kymmene	
Nordea Bank	
Barclays	

Most important changes Q2 2016

Holdings increased

Q2		
	Skechers	(New)
	Hiscox	(New)
	Microsoft	
	Cap Gemini	
	Roche Holding	
	Cheung Kong Holdings	

Holdings reduced

Q2		
	BP	(Out)
	UPM-Kymmene	(Out)
	Haci Omer Sabanci Holding	(Out)
	Samsung Electronics	
	Lundin Mining	
	General Motors	
	State Bank of India	
	Lundin Petroleum	
	Dollar General	

Holdings increased and decreased during May 2016

Key buys in May

- The fund initiated a new position in US-based footwear company **Skechers**. It has been dragged down by market concerns in the retail space and trades at a deep discount to sportswear peers. Operationally, the business continues to do well and its international expansion opportunity looks very compelling.

- The specialist insurer **Hiscox** focuses on underwriting non-commoditised insurance risks in the UK and abroad. The company has very strong positions in markets where it operates and is posed to outgrow competitors. Moreover, with a strong financial position and an already de-risked investment portfolio, it is well positioned to weather a lower-for-longer interest rate environment.

- We also added to our position in **Cheung Kong Holdings** as the risk-reward looks increasingly attractive following a recent share price pullback.

Key sells in May

- Following a string of strong results updates and stellar share price performance, we have trimmed our exposure to US-retailer **Dollar General** slightly. However, we continue to view the position as attractive.

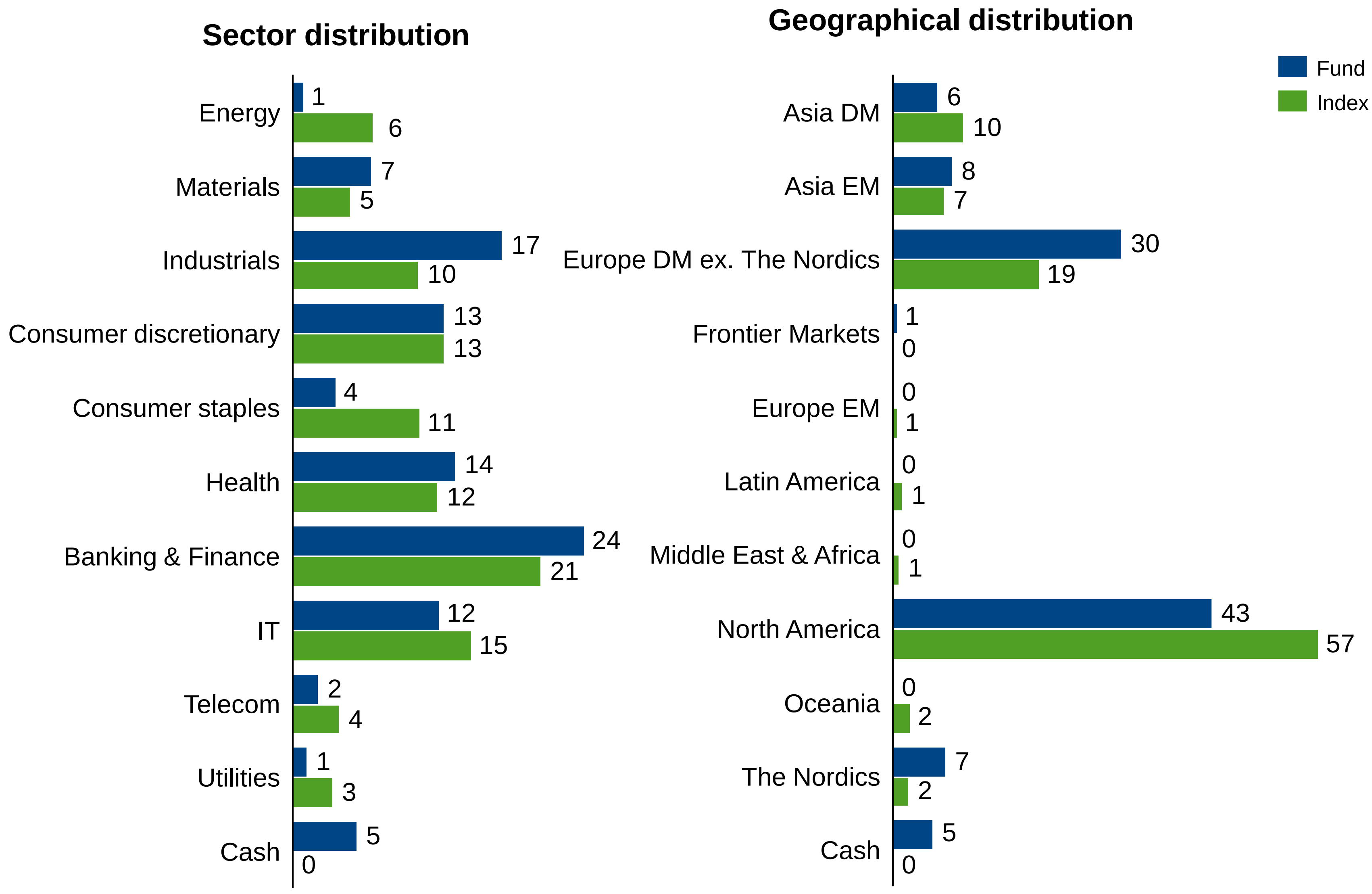
- The fund's position in **State Bank of India** has also been reduced on the back of a positive share price reaction to its quarterly results release. Capital has been re-deployed into opportunities where we see a stronger risk-reward profile.

- As market sentiment in the energy space has improved following the recent sharp upward movement in the oil price, we have taken the opportunity to trim our position in **Lundin Petroleum** at an attractive valuation.

Largest holdings in SKAGEN Global as of 31 May 2016

	Holding size, %	Price	P/E 2015a	P/E 2016e	P/BV last	Price target
AIG	7.4	58	26.4	14.3	0.7	90
CITIGROUP	6.6	47	8.7	9.8	0.7	70
ROCHE	4.8	261	19.3	17.8	10.6	380
GENERAL ELECTRIC	4.7	30	23.1	20.1	3.1	34
SAMSUNG ELECTRONICS	4.2	1 062 000	8.3	7.5	0.9	1 500 000
MERCK	3.8	56	15.7	15.1	3.6	76
CK HUTCHISON HOLDINGS	3.3	90	10.8	10.8	0.9	140
MICROSOFT	3.2	53	20.2	19.9	5.6	68
G4S	3.1	187	12.7	12.2	4.3	380
NN GROUP	3.1	30	8.0	10.1	0.4	35
Weighted top 10	**44.2**		**13.3**	**12.5**	**1.1**	**45%**
Weighted top 35	**86.6**		**14.6**	**13.8**	**1.3**	**37%**
MSCI AC World			**18.3**	**16.5**	**2.0**	

Sector and geographical distribution vs index (May 2016)



Key earnings releases and corporate news, May 2016

AIG

(7.4%)

Net income hit by market volatility in 2016 Q1, but posts increase in normalised ROE
Summary: The company reported after tax operating income of USD 773m compared to USD 1.7bn last year. USD 4.0bn was returned to shareholders in 2016 Q1. Book value at the end of the quarter was USD 78.3/share.

Investment case implications: The US multi-line insurer was bailed out by the US government following the financial crisis and has since started a transformation process aiming at reaching peer-group profitability and exiting non-core assets. In Q1 2016, the company reported an after tax operating income below most consensus estimates. The main deviation versus estimates was a negative impact resulting from market volatility and the company's decision to exit certain financial investments, mainly alternative investments/hedge funds. Fundamental underlying trends were however mostly positive, where P&C margins improved modestly. Normalised ROE increased 110 basis points to 8.9% over last year. The company also confirmed its goal to return USD 25bn (40% of market cap) to shareholders through 2017. In Q1 2016 alone they returned USD 4bn and repurchased USD 870mn of common stock through May – at highly accretive levels below tangible book value. Key to the investment case is further improvement in the P&C combined ratio and establishment of a lower volatility asset-mix in its investment portfolio. The stock is trading at a clear discount to book value with continued bright prospects for capital returns, and with a longer term ROE potential in line with the peer group.

Roche

(4.8%)

Roche pre-announces positive results for GALLIUM study
Summary: Roche has interrupted its Phase III GALLIUM study early due to a clear positive response in patients with untreated non-Hodgkin lymphoma (cancer). Compared to its existing drug Rituxan, Roche's new drug Gazyva extended survival time without progression of the follicular lymphoma from 15 months to 27 months.

Investment case implications: Positive as superior R&D efficiency is a key tenet of our Roche investment thesis. The GALLIUM study was not expected to read out until 2017, so halting the study early implies that there is a meaningful and demonstrable medical benefit with the new drug Gazyva. The existing drug Rituxan with CHF 7bn of annual sales (vs. CHF 48bn total group sales) may come under pressure from biosimilars in the next few years, so it is paramount that Roche develops new drugs to protect the franchise. Untreated follicular lymphoma comprises up to 50% of the Rituxan sales and therefore this successful Phase III study with Gazyva contributes to de-risking part of the group sales under threat.

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

G4S

(3.1%)

Surprise Q1 trading update reassures

Summary: Organic revenue growth accelerated to 4.5% YoY (FY15: 3.9%) despite ongoing macroeconomic uncertainty. As a reminder, G4S' business is relatively well insulated from economic/market-induced turbulence. Acceleration was broad-based across emerging markets whereas the UK remains sluggish as decision-making in the public sector was slow (no change from H2'15). EBITA growth also accelerated to 6.5% YoY (FY15: 5.7%), which implies margins expanded by 10-20bps (in-line with our expectations). On actual exchange rates EBITA growth was c.10%, benefiting from the weaker sterling vs. last year. Currently, G4S' core business operates at a margin of around 6.8%. We see this moving into the high-single digits over the coming years, closing the gap to peers. Operating cash flow was strong at GBP 86m versus GBP 5m last year, of which reversal of NWC accounted for GBP 24m (as expected). We expect the peak in ND/EBITDA to be reached at the half-year point as FCF is seasonally weaker in the first half and H1 also has the largest dividend payment.

Investment case implications: We were encouraged by the fact that business momentum remains strong and is improving. A lot of hard work remains for G4S' management to restore confidence in the market, but this update was certainly a good way to follow-up on having successfully sold its de-levering plan to S&P in March. We also had a reassuring update meeting with the CEO following the release.

Merck & Co

(3.8%)

Merck's focus on business development intensifying

Summary: Q1 revenues of USD 9.3bn were up 3% YoY ex-FX but down 1% cumulative FX. Gross margin of 77% grew 50 bps and EPS +10% YoY (ex-FX). The diabetes drug Januvia grew 4% globally while sales of the arthritis drug Remicade was down due to biosimilar competition. The cancer drug Keytruda came in ahead of expectations and should annualise around USD 1bn in revenue. The CEO slightly raised full-year guidance and emphasised the focus on business development.

Investment case implications: Neutral. The key take-away is that management's focus on disciplined business development is encouraging. Merck is not looking for mega-type deals, but rather eyeing bolt-on acquisitions, a strategy that we find sensible. The decent development of Keytruda, the immuno-oncology drug, is also a slight positive. Merck remains a fairly steady ship with optionality on growth from pipeline developments and external opportunities.

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

NN Group

(3.1%)

The Dutch capital return story rages on
Summary: Q1 2016 operating profit of EUR 305m was 2% behind consensus and flat vs. Q1 2015. Group Solvency II ratio increased QoQ from 239% to 241%. Dutch life APE 4% lower YoY to EUR 478m. Non-life unit at 104% COR (vs. 100% YoY) due to individual disability claims and Belgium terrorist attack. Book value up 13% QoQ to EUR 23bn driven by unrealised gains and cash flow hedges. New buyback program of EUR 500m will commence on 1 June and run for 12 months.

Investment case implications: In-line with investment thesis. The capital return story, underpinned by the announcement of a new EUR 500m buyback program (5% of market cap), is on-track. NN Group has already returned roughly 15% of its market cap since the 2014 IPO and still the capital position remains one of the best in the sector with a superior 241% Solvency II. Importantly, the EUR 2.1bn cash at HoldCo level (vs. target range EUR 0.5-1.5bn) provides scope for more capital return in due course (read 2017 and beyond) with future up-streamed dividends continuously replenishing the capital pool. However, a fly in the ointment is the operating performance which continues to struggle. 104% COR in the P&C unit is unacceptably high and the Life unit benefitted from several positive one-offs.

Kingfisher

(2.9%)

Q1 sales in-line with expectations
Summary: Kingfisher reported in-line sales figures with UK slightly better and France in-line. In the UK B&Q LFL was up by 3.6% hampered somewhat by lower sales of seasonal products (-14.3%), while non-seasonal products were up by 7.3%. Screwfix again did superbly, gaining 16.2%, solidly 10% above consensus. Sales in France were satisfactory on the back of better housing starts (+3% for the quarter). Other International sales were up by 5.8% with Poland very strong at +10.8%. The closure of 65 B&Q stores is going as planned and 41 of 65 lease exits have been secured with Kingfisher deciding to outsource the remaining leases to a third party. The new transformation plan is doing fine and is slightly ahead of schedule. Share buybacks of GBP 78m during the quarter as Kingfisher continues to return cash to shareholders.

Investment case implications: Positive Q4 numbers as Kingfisher continues to deliver. France looks more promising, while UK continues to deliver both from B&Q and Screwfix. The Screwfix business has been fantastic and the rollout of new stores in Germany is off to a good start and could open up for other countries. The “One Kingfisher” program is going according to plan although it will take a few years to fulfil the task. The “One Kingfisher” plan is unifying the product range, right-sizing the space, rolling out a unified IT platform, cutting costs in goods not for resale and centralising management. Higher costs for the next 2 years before a nice inflection point from 2018. Cash flow strong, balance sheet strong with net cash of GBP 483m. Healthy dividend of 3% and share buybacks of GBP 200m a year for a total annual shareholder return of 5%. One thing to keep an eye on is the new competitor Bunnings that could cause some turmoil.

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The 10 largest companies in SKAGEN Global

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

Citi is a US financial conglomerate with operations in more than 100 countries worldwide. The bank was bailed out by the US government during the credit crisis and subsequently raised USD 50bn of new capital. Consists of two units: Citi Holdings which is a vehicle for assets that are to be run down and sold and Citi Corp which is the core of the going concern business. In Citicorp 60% of revenues are derived from outside the US - mainly from emerging markets.

Roche is a leading pharmaceuticals and diagnostics company based in Switzerland. Half of group sales and 2/3 of EBIT are derived from the company’s Big 3 oncology franchises: HER2 (breast cancer), Avastin (colorectal cancer), and MabThera/Rituxan/Gazyva (blood cancer), each about USD 7bn of revenue. These businesses all come from Genentech, in which Roche has been a majority owner since 1990, and bought the last 46% in 2009.

Founded in 1892 by Thomas Edison et al., General Electric (GE) operates two divisions (GE Industrial and GE Capital) contributing approximately the same proportion of group earnings. GE is the world’s 10th largest publicly-traded company and boasts the 6th most valuable brand. The industrial segment is a play on global infrastructure with a high-margin service business and a large installed base producing a wide variety of capital goods ranging from aircraft engines and power turbines to medical imaging equipment and state-of-the-art locomotives.

Samsung Electronics is one of the world's largest producers of consumer electronics. The company is global #1 in mobile phones and smartphones, the world's largest in TV and a global #1 in memory chips. Samsung also produces domestic appliances, cameras, printers, PCs and air conditioners.

The 10 largest companies in SKAGEN Global (cont.)

MERCK	Founded in 1891, Merck & Co is a US large-cap pharma company (and #7 worldwide by revenue) with a broad pharma portfolio and a solid pipeline (R&D 16-17% of sales). HQ in New Jersey and 70,000 employees. Sales by division (2014, USD 42bn): Diabetes (14%), Infectious Diseases (18%), Vaccines (13%), Animal Health (8%), Oncology (2%), Other (45%). Consensus expects legacy drugs sales to shrink by single-digit percent annually.
CKH	Founded in 1950 as a plastics manufacturer by its current main shareholder Li Ka Shing, CK Hutchison Holdings is now a multinational conglomerate. The company holds the non-property businesses of the former Cheung Kong and Hutchison group. The group owns assets in (% of 1H 2015 total EBITDA): Infrastructure (37%), Telecom (20%), Retail (15%), Ports 13%), and Energy (11%).
Microsoft	Microsoft is the world's largest software company and delivers software to a number of applications from PCs to servers and cell phones – its most famous product is Windows and the affiliated Office Software Suite. In recent years the company has also diversified into video game consoles, ERP systems, internet search and cloud-based computing. Despite a strong push for diversification 80% of the company's revenues and nearly all its profits come from three main areas: Windows OS, Windows Server and the business division (Office Suite).
G4S	G4S is the world's largest security company operating in more than 110 countries with over 620,000 employees. The group was formed in 2004 by the merger of UK-based Securicor plc and Denmark-based Group 4 Falck. By activity (FY2015): Security Services (86% of sales; 75% of EBITA) and Cash Solutions (14%; 25%). Main source of business opportunity is in emerging markets where the company has an unrivaled presence with >35% of sales. New management team installed in 2013.
NN	NN Group is the former European and Japanese insurance arm of the financial conglomerate ING that was spun off in July 2014 as required by the Dutch government in return for providing state aid to ING during the financial crisis . NN's ongoing business operating result before tax is split as follows (2014): 51% Netherlands Life, 14% Insurance Europe, 13% Investment Management, 11% Japan Life and 11% Netherlands Non-Life. NN has 12,000 employees and its history dates back to 1845.

Mean reversion 20%	Special situation 20%	LT value creator: 60%

Skechers (SKX US) USD 29

Key Figures	
Market cap	USD 4.5bn
Net cash	USD 360m
No. of shares o/s	154m
P/E 2016	13.6x
EV/EBITDA 2016	7.8x
EV/Sales 2016	1.1x
P/B 2016	2.7x
Dividend yield	0%
Owners	
Fidelity	14.8%
Vanguard	7.3%
Blackrock	6.8%

www.skechers.com

History, business model and source of investment case

- Skechers is a lifestyle footwear company founded in 1992 in California. The top management have all been there since day one. As of September 2015 the total ownership of all executive officers and directors is 12.6% of the Class A common shares and 55.1% of the Class B shares and they thereby control the company. Skechers generated USD 3.1bn in revenues for 2015 and replaced Adidas as the second largest athletic footwear brand in the US. Approximately 26% of revenues were generated through its domestic and international retail business. The remainder comes from domestic wholesale as well as international wholesale through subsidiaries, JVs, distributors and licensees.
- Case identified through SKAGEN Global proprietary due diligence

ESG Our ESG research shows that Skechers complies with SKAGEN's ethical guidelines

Investment rationale

- Skechers' international opportunity looks very compelling. The company targets international sales to be more than 50% of total sales within 2-3 years from today's 42%. China sales have grown from USD 80m in 2014 to USD 220m in 2015 and could double in 2016. So with continued expansion internationally we think they could grow topline by 15% annually. Gross margins have improved as Skechers has been able to keep costs flat while increasing ASP by a 4% CAGR since 2011. This includes FX headwinds as they are not hedged. In short, we look for healthy top line growth and gross margin improvement over the next few years. This development should lead to better earnings, better cash flow and an even better balance sheet which today holds cash of roughly USD 3 per share. Trading at 12x earnings (if we strip out the net cash), Skechers' valuation is approximately half the multiple compared to its peers. We see Skechers being able to close some of this gap going forward

Triggers

- International expansion (short-term)
- Shareholder return via share buybacks and dividend (medium-term)
- M&A, could be a buyer, but could also be up for sale (long-term)

Risks

- Stronger competitive landscape where irrational players instigate a price war in the low-price segment
- Product line not up to scratch

Price target

We expect EPS CAGR of 15-20% over the next 3 years leading to EPS of USD 3 by 2018. We argue that Skechers should trade at 15x P/E (earnings growth, strong cash flow, potential for healthy shareholder return), taking our fair value target price to USD 45/share. Sportswear peers currently trade at 25x or more (NTM P/E)

3U acid test

Unpopular

- Sell/Hold 27%

Under-researched

- Stock covered by 11 analysts. Market cap in 2013 was below USD 1.7bn and has over the last two years grown to USD 4bn+. Perhaps that explains why the stock is not covered by more of the top brokers. The stock is therefore somewhat below the radar of many analysts and investors.

Under-valued

- Growing top-line by 15% and EPS by 20% annually would lead to an EPS of USD 3 by 2018. The growth will come from sales outside of North America, with especially China looking very promising. We think that by then the stock should be trading at 15x, given that peers trade at 25x (Nike, Adidas). One thing to remember is that although Skechers might not be a brand known to everyone, they did replace Adidas last year as the second largest athletic footwear brand in the US. Balance sheet with cash of USD 3 per share or 10% of market cap also provides scope for shareholder return in years to come

Hiscox (HSX LN) GBP 9.10

Mean reversion	Special situation	LT value creator:
0%	20%	80%

HISCOX

History, what they do and how case was found

- Founded in 1901 and linked to Lloyd's of London, Hiscox is an international specialty insurance firm underwriting a wide range of personal and commercial insurance risks. 2,200 employees in 14 countries.
- As a specialist insurer, Hiscox's focus is on niche and non-commoditised insurance risks such as fine art, cyber crime, kidnap & ransom, luxury motor, satellite launches, athlete injuries and certain segments of property cat.
- Gross written premium (GWP) of GBP 1.9bn in 2015 split by division: 50% Retail, 30% London and 20% Re.
- The key incentive metric for ST and LT compensation is average post-tax return on equity.
- CEO is Bronek Masojada, 54. Joined in 1993, CEO since 2000. Share ownership ~ GBP 30m (50x base salary)
- Case identified through SKAGEN Global field research.

ESG A best-in-class insurer with superior disclosure and no known past incidents. Fully compliant with our policy

Rationale for investment

Our investment thesis is based on three views that are different from the current consensus view in the market:

- <u>Underappreciated organic growth</u>. While the (property cat) reinsurance market clearly is facing downward pressure from an oversupply of capital, the high-net-worth retail and specialty line markets offer hard-to-come-by profitable growth opportunities for this premium niche player. We conservatively estimate MSD+ GWP & DPS growth from 2016 with a combined ratio in the low 90s% and EPS estimates 6-12% ahead of consensus
- <u>Misunderstood use of capital</u>. The market reacted negatively to Hiscox's message in early 2015 that the string of special dividends (B-shares) is coming to an end as the company plans to prioritise deployment of excess capital back into the business. Considering the lack of capex opportunities across many sectors across the globe and Hiscox's superior capital allocation record, we view this message as an attractive LT proposition.
- <u>Exaggerated interest rate sensitivity</u>. While today's low-rate environment is admittedly a headwind to the insurance sector, we find Hiscox well positioned to weather a lower-for-longer scenario since its reliance on investment income (c. 20% of PBT) is relatively low and its already de-risked investment portfolio yields a mere 1.0% total return (so not much more downside from lower rates).

Triggers

- Moderating price pressure in the reinsurance industry leading to better sector sentiment (short-term)
- Profitable organic growth from new geographies and build-out of high-end retail segment (medium-term)
- Free option on further capital return, higher interest rates and sector consolidation (long-term)

Risks

- Natural catastrophe(s) with impact far beyond any modelled disaster scenario
- Capital spill-over into retail and specialty lines eroding pricing power even in niche market segments

Target price

Base case valuation with dividend 2 years out on 1.7x P/TNAV implies GBP 11.50/sh target price. The bull case (based on higher growth and multiple re-rating) renders 60%+ upside while the downside at 1.2x P/TNAV is c.18%

Key Data	
Market cap	GBP 3bn
# shares	285m
Free-float	98%
Daily turnover	GBP 3m
S&P LT credit rating	BBB+
Combined ratio (2015)	88%
P/E (17e)	15.3x
P/TNAV (16e)	1.7x
ROTE (16e)	12.2%
DY (16e)	2.8%
# analysts	17
% with Sell/Hold	71%
Ownership	
Invesco	13.3%
Sun Life Financial	9.8%
Dimensional Fund	2.6%

www.hiscox.com

3U acid test

Unpopular

- Yes. 71% of sell-side say Sell/Hold.
- The sharp pullback in financials in early 2016 scared investors from the entire sector.
- Continued structural price pressure in the commoditised reinsurance market has (rightfully) impacted insurance sentiment negatively.
- Investors' Brexit concerns currently limit appetite for UK stocks.
- Clear signals from company that investors should not take future special dividends for granted, ending a trend of generous capital return (to invest organically).

Under-researched

- Not in a literal sense given 17 analysts post price targets. However, many insurance sector analysts lack the broader market context to fully appreciate the company's appeal from a global equity perspective.
- The lack of readily available earnings transcripts limits the information flow around this gem in the insurance space.

Under-valued

- We see nearly 30% upside to the share over a 2-year perspective with a base case multiple of 1.7x P/TNAV, leading to a target price of GBP 11.50. In a bull scenario, we project the stock could rise to GBP 14.90 (60%+ upside) while the bear case implies 18% downside.

For more information please visit:

Our latest Market report
Information on SKAGEN Global A on our web pages

The art of common sense

SKAGEN