

A solid quarter

The global equity market as represented by the MSCI AC World index oscillated in tandem with the news flow on macro data and tariffs but eventually eked out a small gain in the second quarter. The bond vigilantes are signalling slowing economic growth ahead as reflected in the US 10-year government bond yield falling precipitously from 2.4% to 2.0% during the quarter. Indeed, central bank figureheads across the world telegraphed that additional stimulus and rate cuts are on the agenda in case the economy were to slow down further.

SKAGEN Global solidly outperformed the index in Q2 and the fund ended the quarter ahead of its benchmark as measured YTD as well as over 1-year and 3-year periods.

Attribution

The fund's three strongest performers based on absolute return in Q2 were Intercontinental Exchange (ICE), Microsoft and DSV.

The quarter did not contain any significant news on the US exchange operator ICE, though we note that the stock had lagged behind the market rally in Q1. After our recent meeting with ICE management in New York, we continue to believe that the stock is materially undervalued. In our view, the share price does not yet reflect ICE's superior strategic position nor its ability to drive further innovation in the industry.

With regard to the US IT giant Microsoft, which has resided in the SKAGEN Global portfolio for nearly nine years, it is increasingly clear that the company has built a powerhouse in the structurally growing cloud-computing segment.

Finally, the asset-light Danish freight-forwarder DSV continues to execute strongly, very much in-line with our investment thesis. After several months of speculation and previously failed bids, DSV announced earlier in the year that it had reached an agreement with its Swiss competitor Panalpina. While we are typically sceptical of large-scale M&A, in this instance we have confidence in the exceptionally strong management team at DSV based on their stellar track-record.

The fund's three largest detractors in Q2 were Deutsche Wohnen, Alphabet and UPM-Kymmene.

The German real estate company Deutsche Wohnen mainly derives its income from the Berlin residential rental market. However, a recent proposal from the City of Berlin calls for a five-year rental freeze. While the proposal may be unconstitutional and does not address the underlying problem of a severe supply shortage, the political interference nevertheless reduces the attractiveness of the investment case.

The US technology giant Alphabet, Google's parent company, retracted as Q1 results showed slowing ad growth. The Finnish pulp and paper company UPM-Kymmene traded lower as global pulp prices continue to fall.

Portfolio Activity

We initiated four new positions in the quarter, namely Atmos Energy, Bakkafrost, CME Group and Pernod Ricard.

Atmos Energy is a regulated US utility operating mainly in Texas with a 35-year history of dividend increases and a strong management team. The company has a large multi-year capex opportunity to replace ageing residential natural gas pipeline infrastructure with safer and more environmentally responsible material. When evaluated over our multi-year horizon, we think this value-enhancing opportunity is currently underappreciated.

Bakkafrost is a vertically integrated salmon farmer based on the Faroe Islands, a location that offers the company an inherent competitive advantage. We acknowledge that the salmon price may fluctuate significantly in the short term. Nonetheless, we argue that over the long term, the global megatrend of rising protein consumption coupled with superior biomass quality from the Faroe Islands and significant volume increases from Bakkafrost's ongoing capex program make for an attractive value proposition.

CME Group is an exchange operator that complements our current holdings by focusing on futures and options. The company has an enviable position in niche segments, a long history of innovation and an immense international growth opportunity. Our proprietary analysis indicates that these three characteristics are vastly more valuable than the market has priced in.



Photo: Bloomberg

The French family-controlled distiller Pernod Ricard is the second largest wine and spirits producer in the world. With a footprint boasting over 40% of revenue from emerging markets, the company should benefit from strong secular organic growth for many years, especially considering that China and India each accounts for roughly 10% of group revenue. In addition, we believe that the market has overlooked the company's more judicious capital allocation and focus on brand equity and e-commerce.

As previously communicated, we exited the Dutch insurance company NN Group and the French IT services provider Capgemini during the quarter.



Photo: Bloomberg

Outlook

We remain focused on bottom-up stock-picking and SKAGEN Global will continue to apply its unconstrained mandate to seek out undervalued companies with robust financials, strong competitive positions and management teams who are prudent capital allocators. The portfolio is attractively valued with a clear focus on long-term value-generating opportunities.

The fund selects undervalued companies from around the world, including emerging markets, with attractive risk-reward for long-term investors.

The objective is to provide the best possible risk adjusted return.

The fund is suitable for those with at least a five year investment horizon.

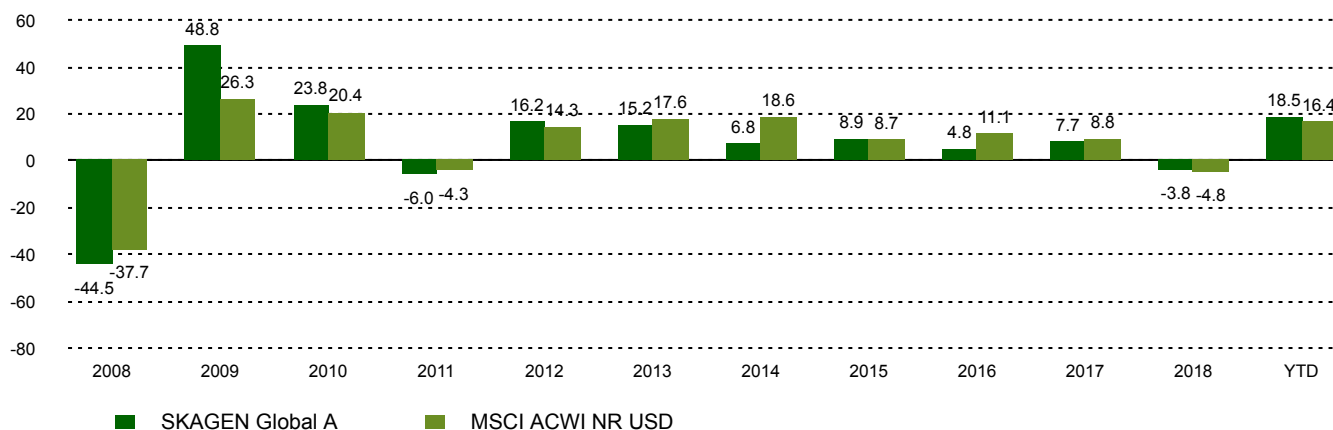
Historical performance (net of fees)

Period	SKAGEN Global A	Benchmark index
Last month	2.8%	4.1%
Quarter to date	5.3%	2.0%
Year to date	18.5%	16.4%
Last year	11.3%	7.6%
Last 3 years	11.4%	10.8%
Last 5 years	7.0%	10.1%
Last 10 years	11.3%	12.3%
Since start	13.5%	4.8%

Fund Facts

Type	Equity
Domicile	Norway
Launch date	07.08.1997
Morningstar category	Global Large-Cap Blend Equity
ISIN	NO0008004009
NAV	195.93 EUR
Fixed management fee	1.00%
Total expense ratio (2018)	1.07%
Benchmark index	MSCI ACWI NR USD
AUM (mill.)	2741.05 EUR
Number of holdings	37
Portfolio manager	Knut Gezelius

Performance last ten years



Contributors in the quarter



Largest contributors

Holding	Weight (%)	Contribution (%)
Intercontinental Exchange Inc	5.55	0.63
Microsoft Corp	5.03	0.60
DSV A/S	3.70	0.60
RELX PLC	3.42	0.45
Tyson Foods Inc	2.31	0.41



Largest detractors

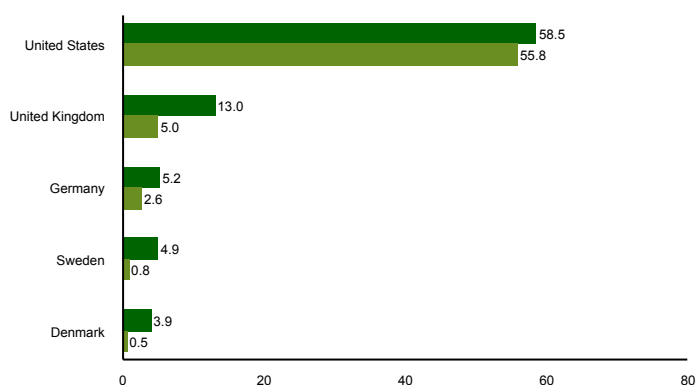
Holding	Weight (%)	Contribution (%)
Deutsche Wohnen SE	2.50	-0.62
Alphabet Inc	2.56	-0.24
UPM-Kymmene OYJ	3.00	-0.22
Nissan Chemical Corp	0.69	-0.05
CME Group Inc	0.28	-0.05

Absolute contribution based on NOK returns at fund level

Top ten investments

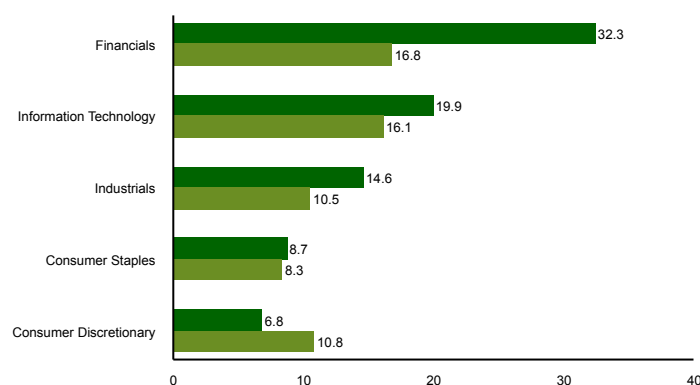
Holding	Sector	Country	%
Intercontinental Exchange Inc	Financials	United States	5.7
Microsoft	Information Technology	United States	5.2
Unilever NV	Consumer Staples	Sweden	4.9
Hiscox Ltd	Financials	United Kingdom	4.7
Beazley PLC	Financials	United Kingdom	4.7
Marsh & McLennan Cos	Financials	United States	4.0
DSV A/S	Industrials	Denmark	3.9
RELX PLC	Industrials	United Kingdom	3.6
Accenture	Information Technology	United States	3.4
Adobe Inc	Information Technology	United States	3.2
Combined weight of top 10 holdings			43.3

Country exposure (top five)



■ SKAGEN Global A ■ MSCI ACWI NR USD

Sector exposure (top five)



■ SKAGEN Global A ■ MSCI ACWI NR USD

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