

An unprecedented shutdown

The 11-year-long bull market in global equities ended abruptly in the first quarter as the coronavirus (COVID-19) triggered an unprecedented shutdown of business activity around the globe. Rampant volatility rocked the markets with the Cboe Volatility Index (VIX) spiking towards levels not seen since the financial crisis in 2008/2009. Equity markets witnessed daily moves of a magnitude not experienced in decades. The US generic government 10-year bond yield dropped from 1.9% at the beginning of the year to 0.7% by quarter end. The oil price fell precipitously as a result of weakening demand exacerbated by a sudden price war between Saudi Arabia and Russia.

SKAGEN Global outperformed its benchmark index MSCI AC World. The fund ended the quarter ahead of its benchmark as measured year-to-date as well as over 1-year, 3-year and 5-year periods.

Attribution

The fund's three strongest quarterly performers measured by absolute return were Microsoft, Old Dominion and Adobe. The US technology companies Microsoft and Adobe benefited from their digital business models which are less impacted than other business operations by physical shutdowns. The freight company Old Dominion showed resilience despite lower volumes, supported by a rock-solid balance sheet and operational excellence. The company is likely to be a long-term winner once the coronavirus subsides.

The fund's three largest quarterly detractors in absolute terms were Hiscox, Beazley and JP Morgan. Falling interest rates and a sharply deteriorating economic outlook weighed on these financial holdings. In the case of the specialty insurers Hiscox and Beazley, fears of steeply rising claims in the wake of the coronavirus may have further penalized the stocks. Although the situation obviously remains fluid, we believe that claims will ultimately be lower than feared as contract law is strong and

insurance policy language around pandemics has been carefully worded following previous notorious epidemics such as SARS, MERS and the avian flu.

Portfolio Activity

The fund initiated two new positions (Aon and Equinor) and exited one (Unilever) during the quarter.

Aon is a leading global professional services firm offering clients advisory services in risk, retirement and health solutions. Incorporated in Ireland but listed in the US, Aon is a truly global enterprise deriving over 50% of its revenue from non-US geographies. We think its strong market position and deep expertise in the insurance brokerage sector is particularly attractive. The capital-light business model without underwriting risk is highly cash-generative and scalable. Furthermore, we see significant synergies from the recently announced merger with its competitor Willis Towers Watson. The management team consistently emphasises free cash flow generation and has a robust track-record of creating shareholder value.

Equinor is a Norwegian oil and gas company with plans to expand in renewable energy. In the past few years, SKAGEN Global has had only limited exposure to the energy (oil) sector because we have not found the risk-reward sufficiently attractive. However, after the steep decline in the oil price we believe that the risk-reward is now more favourable, especially in the case of Equinor which has a solid balance sheet to withstand the downturn. While we are not in a position to pinpoint precisely when the oil price will recover, we contend that oil in the \$20s looks like an extreme price dislocation arguably caused by a confluence of temporary factors. We used our unconstrained mandate to capitalise on this rare opportunity.



Photo: Shutterstock

Key sell

The Anglo-Dutch consumer goods company Unilever left the fund because it has produced anaemic inflation-adjusted sales growth and seemingly lost market share in a wide swath of categories for an extended period of time. While we continue to like many aspects of the company, we are stepping to the sidelines until there is more clarity around management's long-term strategy to drive a turnaround.



Photo: Bloomberg

Outlook

The key parameter in the short-term is likely the trajectory of businesses returning to normal operations from the current state of lockdown. We have no special insight into the speed of such a recovery, so we remain focused on following our deep-rooted investment strategy. In general, the SKAGEN Global portfolio holdings are well equipped to withstand the current situation. Many of them may even improve their market position over time as the expected economic downturn cripples, or outright eliminates, weak competitors. From a multi-year perspective, the fund's portfolio looks very attractively valued after the steep market pullback.

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.

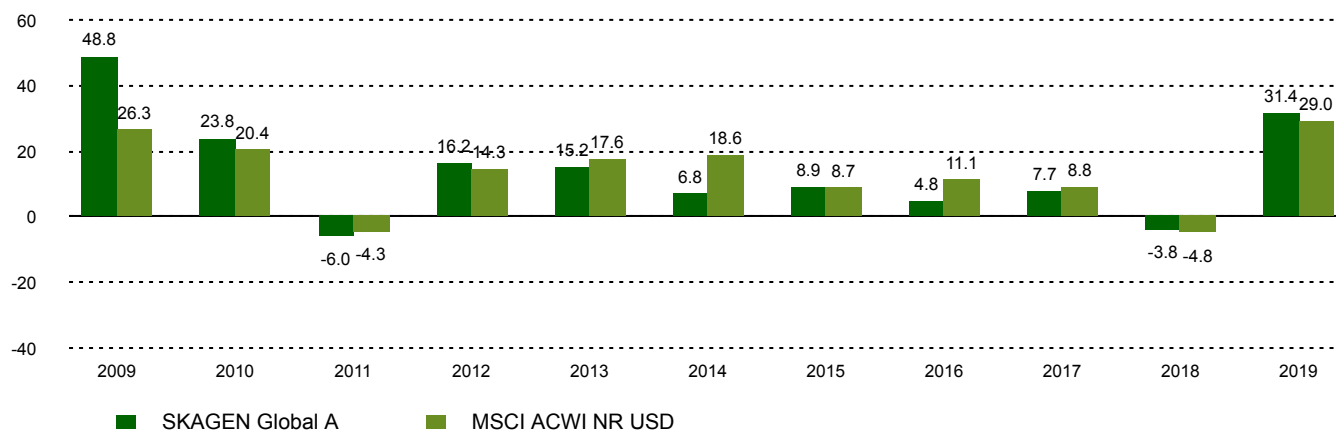
Historical performance (net of fees)

Period	SKAGEN Global A	Benchmark index
Last month	-9.4%	-11.5%
Quarter to date	-15.5%	-19.2%
Year to date	-15.5%	-19.2%
Last year	-1.3%	-8.7%
Last 3 years	2.9%	0.7%
Last 5 years	2.8%	2.4%
Last 10 years	7.2%	8.2%
Since start	12.7%	4.1%

Fund Facts

Type	Equity
Domicile	Norway
Launch date	07.08.1997
Morningstar category	Global Large-Cap Blend Equity
ISIN	NO0008004009
NAV	183.63 EUR
Fixed management fee	1.00%
Total expense ratio (2019)	1.28%
Benchmark index	MSCI ACWI NR USD
AUM (mill.)	2467.01 EUR
Number of holdings	38
Portfolio manager	Knut Gezelius

Performance last ten years



The benchmark index prior to 1/1/2010 was the MSCI World Index.

Contributors in the quarter



Largest contributors

Holding	Weight (%)	Contribution (%)
Microsoft Corp	5.75	1.07
Old Dominion Freight Line	2.43	0.53
Adobe Inc	3.62	0.52
Baxter International	2.96	0.43
Abbott Laboratories	2.83	0.28



Largest detractors

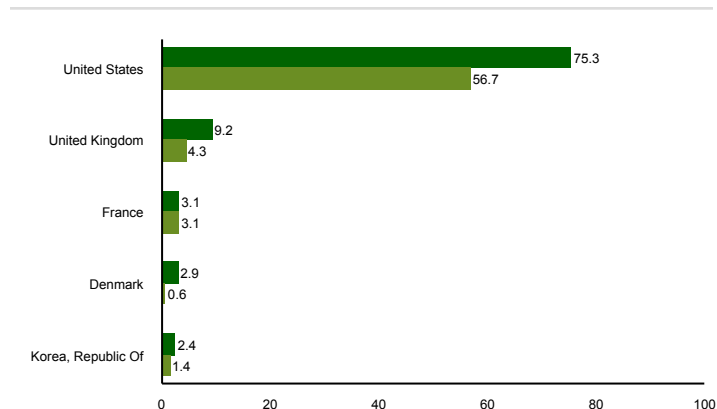
Holding	Weight (%)	Contribution (%)
Hiscox Ltd	3.58	-1.16
Beazley PLC	4.35	-0.98
JPMorgan Chase & Co	4.09	-0.98
Marsh & McLennan	4.14	-0.30
Ageas	1.92	-0.30

Absolute contribution based on NOK returns at fund level

Top ten investments

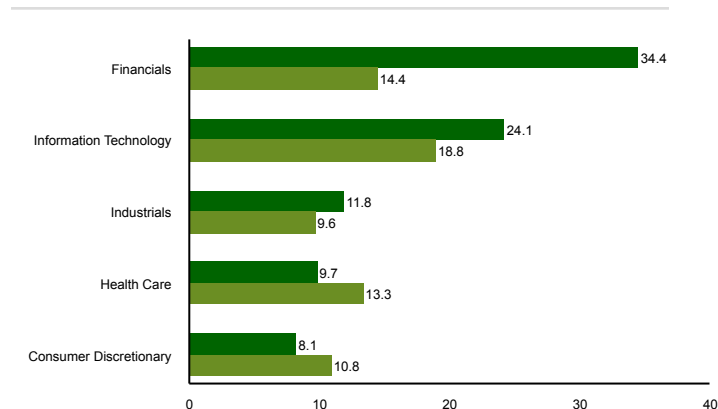
Holding	Sector	Country	%
Microsoft Corp	Information Technology	United States	6.2
Intercontinental Exchange Inc	Financials	United States	6.1
Marsh & McLennan Cos Inc	Financials	United States	4.1
Adobe Inc	Information Technology	United States	4.0
Beazley PLC	Financials	United Kingdom	3.9
JPMorgan Chase & Co	Financials	United States	3.7
Mastercard Inc	Information Technology	United States	3.6
Baxter International	Health Care	United States	3.5
Visa Inc	Information Technology	United States	3.5
Accenture PLC	Information Technology	United States	3.3
Combined weight of top 10 holdings			41.8

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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