

Strong company reports

The global equity market delivered solid gains during the second quarter as the world economy exhibited clear signs of recovery. Inflation is now at the centre of investor attention and the market is nervously digesting reported inflation figures, although these arguably still suffer from distorted base effects. Commodity prices spiked amid supply disruptions that appeared to ease towards the end of the period. Brent oil rallied past USD 75 per barrel for the first time in more than two years. SKAGEN Global outperformed its benchmark index MSCI AC World in the second quarter. The fund ended the quarter ahead of its benchmark as measured year-to-date as well as over 3-year and 5-year time periods.

The Q1 reports from our portfolio companies were once again strong with only a couple of exceptions and reflected favourable fundamentals combined with disciplined execution. Nike soared after growing its lucrative digital direct-to-consumer distribution channel beyond market expectations. In addition, Nike revealed new strategic targets for FY2025 that signal a significant runway for further improvements in the years ahead. Adobe also released impressive figures demonstrating that the company has used the pandemic to further cement its leading position in content creation and digital marketing solutions. Finally, our global luxury companies LVMH and Hermès sustained their positive intra-pandemic trajectories and both posted inspiring reports.

Attribution

The fund's three best quarterly performers were Hermès, Intuit and MSCI. The French luxury goods company Hermès published broad volume-led growth across all product categories. US-based Intuit announced steady growth of its financial management software ecosystem and its Credit Karma acquisition seems to be tracking ahead of initial expectations.

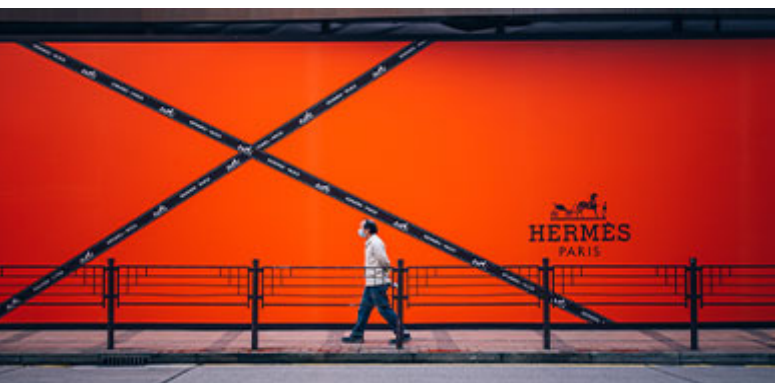


Photo: Unsplash

Focus on fundamentals

The speculative trading mania that has gripped certain corners of the stock market in recent months seemingly has begun to subside. Similarly, some of the highly cyclical stocks that rebounded sharply in the autumn and winter months (after plunging in the COVID-19 induced crash last year) have started to run out of steam with the market shifting its attention back to fundamentals. In our view, this is a logical development as the dust settles around the crippling pandemic that has driven wild swings in the stock market for an extended period.

We have previously commented on the danger of pursuing a get-rich-quick trading approach because we believe that in the long run stock prices are intrinsically linked to - and thus ultimately determined by - fundamentals, not by myopic trading behaviour. However, the allure of quick riches is an ever-present risk due to the hardwired human psychology and social proof tendency that can influence otherwise rational minds. It is remarkable that even one of history's most brilliant thinkers, Sir Isaac Newton, fell victim to the desire of fast and easy wealth in the 1700s when he (re)joined the market hysteria later known as the South Sea bubble that eventually ended in tears.

MSCI, a provider of mission-critical investment measurement and decision support tools, benefited from a favourable equity environment and proprietary product innovation.

The fund's three largest quarterly detractors were MarketAxess, Abbott Laboratories and Verisk. The fixed-income trading platform MarketAxess faced tough year-over-year comparable growth figures, but shows diligent strategic execution towards its long-term vision. The medtech giant Abbott Laboratories retreated after warning that its previous guidance of COVID-19 testing revenue was too optimistic. We see this misjudgement as a fly in the ointment rather than a major setback and expect the company to resume its long history of conservative and dependable communication going forward. In the case of Verisk, a data analytics company, the financial performance of its two smaller divisions remained somewhat lacklustre.

Portfolio Activity

The fund did not enter or exit any positions during the second quarter. Our high-conviction portfolio consists of 30 positions that we continuously evaluate against our dynamic list of prospective investments. Note that the fund has not initiated any new positions during the first half of 2021.

We trimmed our position in the Danish freight-forwarder DSV after the stock rose by more than 200% from the bottom of the COVID-19 crash in March 2020. After this stellar recovery, DSV's risk-reward profile is less attractive but the long-term outlook remains favourable and the stock remains on our top-10 list. We used the weakness in Abbott Laboratories to top up the position size.



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Outlook

Over time fundamentals diffuse myopia. It is for this reason that SKAGEN Global as a long-term investor with a rigorous bottom-up stock-picking approach based on pragmatic value investing principles dedicates its research efforts to fundamental analysis rather than short-term trading schemes. We look for companies that are substantially undervalued when viewed through our multi-year prism. Moreover, we resist the temptation to wade into the arena of casino-style betting where stocks are merely tickers on a tape. Instead, we see stocks as concrete pieces of business in which we, and by extension the fund's clients, have a direct ownership stake. Our fund thus provides tangible exposure to a set of carefully selected businesses that we assess to have competitive positions, strong balance sheets and attractive valuations.

The outlook for the fund remains positive for long-term investors, though one should remember that investment performance rarely comes in a linear fashion and some volatility is a natural part of the journey.

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.

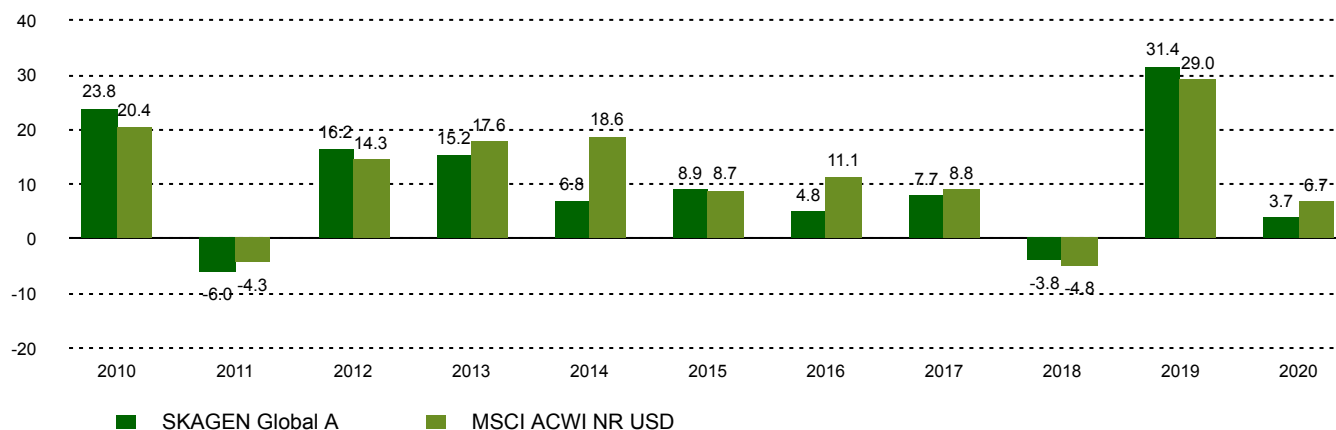
Historical performance (net of fees)

Period	SKAGEN Global A	Benchmark index
Last month	6.6%	4.1%
Quarter to date	11.4%	6.2%
Year to date	19.9%	15.9%
Last year	30.6%	32.8%
Last 3 years	15.3%	13.8%
Last 5 years	13.8%	13.3%
Last 10 years	10.2%	12.2%
Since start	13.8%	5.7%

Fund Facts

Type	Equity
Domicile	Norway
Launch date	07.08.1997
Morningstar category	Global Large-Cap Blend Equity
ISIN	NO0008004009
NAV	270.15 EUR
Fixed management fee	1.00%
Total expense ratio (2020)	1.00%
Benchmark index	MSCI ACWI NR USD
AUM (mill.)	3309.52 EUR
Number of holdings	30
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 (%)
Alphabet Inc	5.72	1.14
Intuit Inc	3.76	1.00
Microsoft Corp	6.64	0.99
Hermes International	3.44	0.97
Moody's Corp	4.60	0.94



Largest detractors

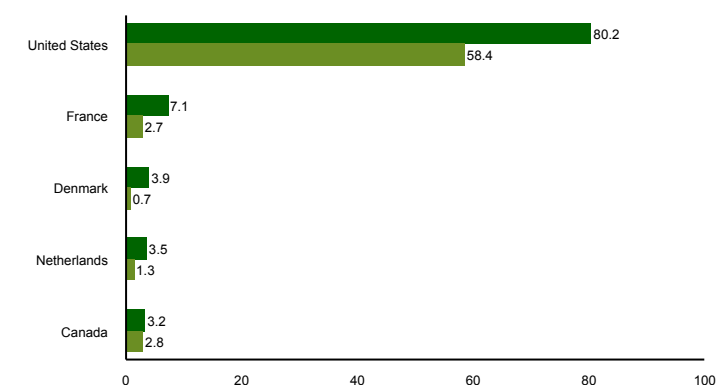
Holding	Weight (%)	Contribution (%)
MarketAxess Holdings	2.44	-0.16
Abbott Laboratories	3.51	-0.05
Verisk Analytics Inc	2.48	-0.01
Tyson Foods Inc	0.05	0.00
Samsung Electronics Co	1.28	0.03

Absolute contribution based on NOK returns at fund level

Top ten investments

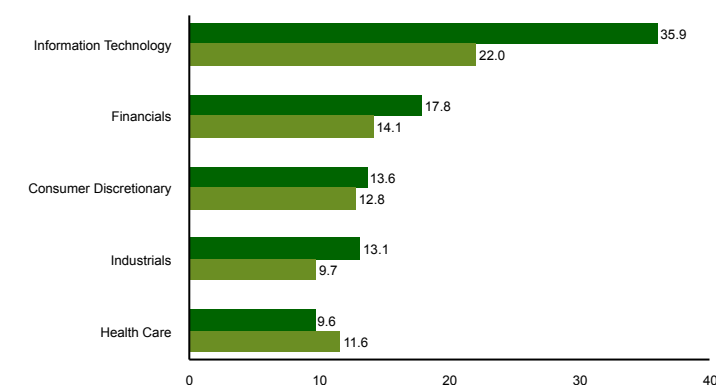
Holding	Sector	Country	%
Microsoft Corp	Information Technology	United States	6.8
Alphabet Inc	Communication Services	United States	5.8
Moody's Corp	Financials	United States	4.8
Visa Inc	Information Technology	United States	4.6
Nasdaq Inc	Financials	United States	4.6
Mastercard Inc	Information Technology	United States	4.5
Adobe Inc	Information Technology	United States	4.5
Intuit Inc	Information Technology	United States	4.1
DSV PANALPINA A/S	Industrials	Denmark	3.9
Abbott Laboratories	Health Care	United States	3.7
Combined weight of top 10 holdings			47.3

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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Important information

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