SKAGEN Global A

All data in EUR as of 30/09/2021 unless otherwise stated.

A return to normalcy

In a volatile period, the global equity market climbed steadily until early September but then sharply declined in the final weeks to end the quarter roughly flat. A combination of factors including regulatory crackdowns in China, rising US interest rates and inflationary effects from rising oil prices may have contributed to the reversal. Meanwhile, the pandemic seems to be in retreat with an increasing number of countries easing, or even eliminating, restrictions to return to some state of normalcy. Our conversations with companies support our view that the global economy continues to recover, although supply chain constraints still hamper progress in select areas.

SKAGEN Global outperformed its benchmark index MSCI AC World in the third quarter. 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 time periods.

Attribution

The fund's three best quarterly performers measured by absolute return were Nasdaq, Alphabet (Google) and Intuit. Nasdaq delivered a solid report and continues to execute well on its strategic plan. Alphabet gained as the cloud segment is making inroads into the market and ad spend remains strong. The US financial services company Intuit is growing its total addressable market and the integration of Credit Karma seems to be on track.

The fund's three largest quarterly detractors in absolute terms were Canadian Pacific, UPM and LVMH. The bidding saga in the North American railway sector continued with our holding Canadian Pacific regaining the initiative to acquire the small US railroad Kansas City Southern after the regulator sharply rebuked a higher bid from the largest Canadian operator Canadian National based on anti-competitive grounds. If ultimately approved, this acquisition would make Canadian Pacific the first railroad in North America with a single-line network connecting three countries. The Finnish forest industry company UPM declined due to lower pulp prices. The luxury goods conglomerate LVMH sold off as a secondary effect of the market-roiling crackdown on various sectors in China that may dampen future demand.

Portfolio Activity

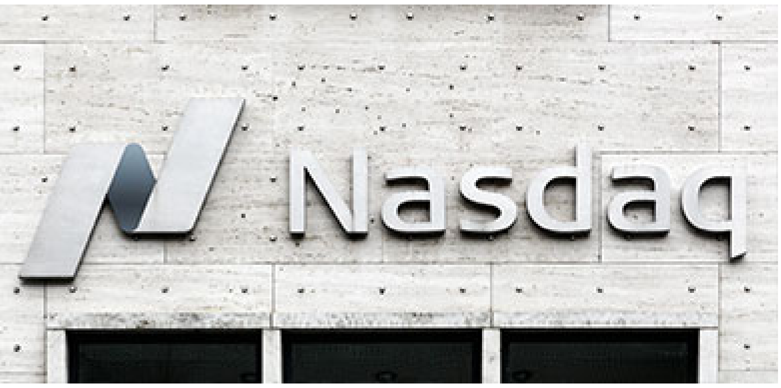
The fund initiated three new positions in the third quarter, namely JP Morgan, UPM and Munich Re. The three new holdings present attractive bottom-up equity stories while simultaneously adding a complementary dimension to the overall portfolio.

We view the US bank JP Morgan as one of the best run banks in the world with a technology and innovation focus that is lightyears ahead of that of its competitors. Financial services is largely a business built around human capital. JP Morgan understands this as well as the importance of attracting, nurturing and retaining top talent in the industry. This is a strategic insight that is surprisingly often underestimated by management teams in the wide-sweeping cost reduction policies implemented elsewhere in the sector.

The Finnish forest industry company UPM is on a transformation journey away from paper to lift the group's return profile and earnings power, thus driving a higher valuation multiple. We note that UPM's Chairman recently doubled his stake in the company by acquiring shares worth nearly EUR 11 million. This is a good example of the alignment of interests that SKAGEN Global seeks to have with its portfolio companies.

With its strong balance sheet, the German reinsurer Munich Re should be able to capitalise on the higher prices materialising in the insurance sector after several years of outsized industry losses.

We funded these purchases by exiting Tyson Foods and trimming several positions where share price performance has been strong such as Adobe, Hermès and DSV.



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Outlook

Mean reversion is a concept often referred to in the investment industry. We frequently read and hear that mean reversion is a key reason to buy a style, sector or stock that has underperformed over an extended period of time. Proponents of mean reversion contend that because something has performed poorly in the past, it must now be poised for a more favourable future. We find the overall logic of this reasoning flawed. In the field of physics, Newtonian mechanics prescribe that each force is countered by an equal and opposite force. However, the stock market is governed by capitalism, not by Newton's laws of physics. Why would a company that has consistently delivered poor results suddenly bounce back and turn into a rock star without a change in fundamentals or execution?

While a lower starting valuation clearly provides a more attractive entry point, a (perceived) low valuation alone is hardly sufficient to generate attractive and sustainable long-term returns. In fact, we find that companies in the category of supposedly "cheap stocks" have a propensity to be value traps, i.e., investments that continue to deliver subpar returns to their shareholders over time. Therefore, SKAGEN Global's proprietary philosophy is to base investment decisions on fundamental research around the inner workings of a company. The term mean reversion rarely excites us whereas a change in fundamentals instinctively piques our interest.

With the market pullback in late September, the SKAGEN Global portfolio now looks significantly undervalued for investors with a multi-year investment horizon as our company fundamentals remain healthy.

Quarterly Report

SKAGEN Global A

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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.

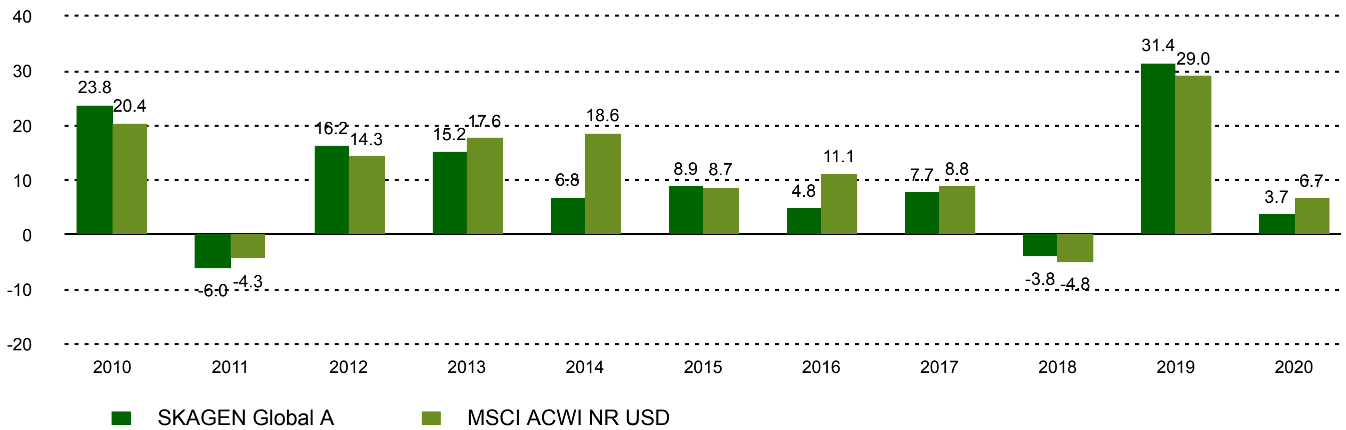
Historical performance (net of fees)

Period	SKAGEN Global A	Benchmark index
Last month	-3.5%	-2.4%
Quarter to date	3.8%	1.2%
Year to date	24.4%	17.3%
Last year	30.5%	28.5%
Last 3 years	15.1%	12.6%
Last 5 years	13.3%	12.5%
Last 10 years	12.3%	13.5%
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	280.39 EUR
Fixed management fee	1.00%
Total expense ratio (2020)	1.00%
Benchmark index	MSCI ACWI NR USD
AUM (mill.)	3432.27 EUR
Number of holdings	32
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 (%)
Nasdaq Inc	4.00	0.48
Alphabet Inc	5.62	0.45
Intuit Inc	3.60	0.45
MSCI Inc	2.71	0.45
Microsoft Corp	6.40	0.39

Largest detractors

Holding	Weight (%)	Contribution (%)
Canadian Pacific Railway	2.83	-0.41
UPM-Kymmene Oyj	1.57	-0.36
LVMH	3.25	-0.22
Samsung Electronics Co	1.62	-0.22
Muenchener Re	1.75	-0.17

Absolute contribution based on NOK returns at fund level

Quarterly Report
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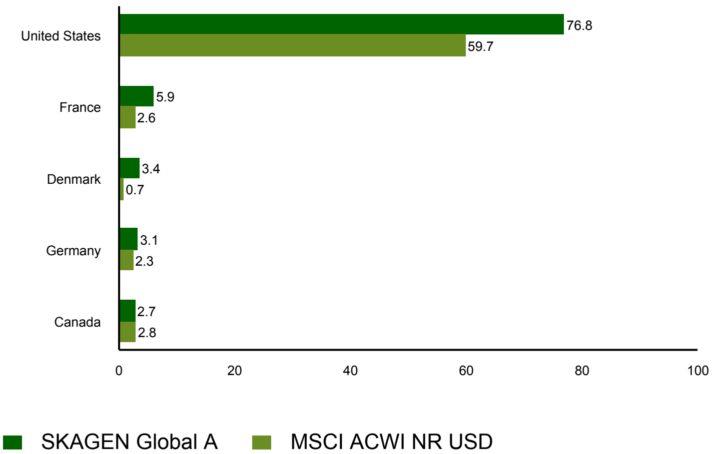
SKAGEN Part of Storebrand

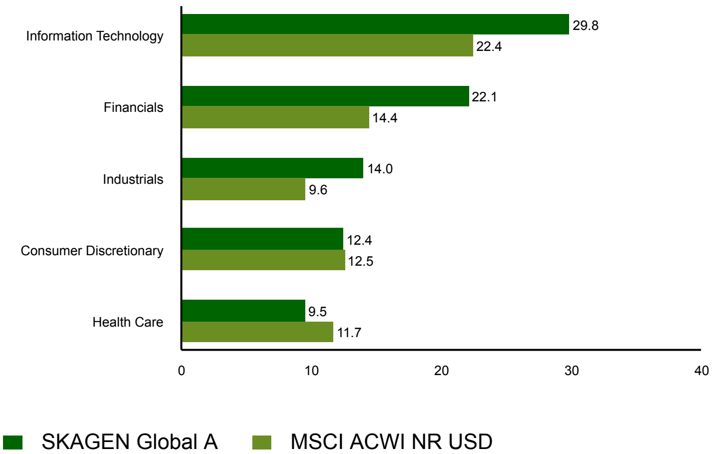
Top ten investments

Holding	Sector	Country	%
Microsoft Corp	Information Technology	United States	6.1
Alphabet Inc	Communication Services	United States	5.4
JPMorgan Chase & Co	Financials	United States	4.9
Visa Inc	Information Technology	United States	3.8
Mastercard Inc	Information Technology	United States	3.8
Nasdaq Inc	Financials	United States	3.6
Abbott Laboratories	Health Care	United States	3.6
Edwards Lifesciences Corp	Health Care	United States	3.5
DSV A/S	Industrials	Denmark	3.4
Home Depot Inc/The	Consumer Discretionary	United States	3.4
Combined weight of top 10 holdings			41.5

Country exposure (top five)



Sector exposure (top five)



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Important information