

Ended the year at an all-time high

Despite 2020 being a year many would prefer to forget, SKAGEN Kon-Tiki ended the year at an all-time high NAV after outperforming both the MSCI EM index and the EM value index. After 9 painful months where company pricing didn't seem to matter as expensive growth stocks were on steroids, trends turned dramatically in November and December. Positive vaccine news and election relief provided a boost to investor sentiment as focus shifted to expectations of an economic recovery. Cyclical value stocks, which were the most beaten down in the Covid period (but also over the past decade), staged a late-year surge, surpassing growth stocks. For Kon-Tiki, which has stayed true to our long-term value philosophy, this provided a welcomed relief.

Contributors

Our investment thesis played out in full for our South Korean companies in Q4. LG Electronics (prefs) was up 50% in the last five trading sessions of the year after the surprise announcement that they intend to spin off their auto components business related to EV (electric vehicle) parts operations to form a new EV JV with Magna Intl. This is a long-term growth catalyst, and the rerating from a very low valuation is well deserved as it positions them as a leading EV components supplier and not just as a consumer electronics manufacturer.

Samsung Electronics and Micron, two of the world's leading memory producers, have benefited from an improved outlook for the memory market on the back of the "stay at home economy" and 5G benefits. With memory pricing continuing to firm up on improving supply/demand dynamics, they are well positioned for a cyclical upswing in 2021.

Kon-Tiki has long held the view that more copper is needed for the world to become greener as we will see a re-engineering of transportation, power generation and information storage. Copper, like many other commodities, has been in the doldrums for the better part of a decade. Our investments in Ivanhoe Mining, Turquoise Hill and Lundin Mining got traction both from a "green narrative" but also as commodities in general found favour amid expectations of a global rebound (and a weaker dollar).

There was negative noise around an old whistleblower report which led to renewed corporate governance concerns for Indian agrichem producer UPL. We are in close dialogue with the company with suggested improvement areas that could cause the valuation discount to narrow. With a strong outlook for 2021 supported by rising commodity prices and continued market share momentum globally, we expect the news flow to improve. China Life Insurance reported numbers slightly below expectations, having struck a balance between volume and value in a tough period. Russian grocery retailer X5 traded sideways after a strong share price recovery earlier in the year.

Portfolio activity

We exited Multichoice and Samsung SDI as the shares traded above our target prices. We also sold out of Bangkok Bank to recycle into fresher ideas.

We added eight new positions in the quarter. Two of them, Brazilian Petrobras and Russian Lukoil, are in the energy sector and offer exposure to potential energy price inflation combined with a clearly laid-out capital return program. Media Nusantara is an Indonesian media company trading at a bargain valuation despite impressive positions within free-to-air, advertising and local content production. Chinese property management company Justbon entered the portfolio right before taking off on the back of strong results and government measures in support of the sector. Other new names include Zinus, a Korean bed frame and mattress manufacturer and WH Group, the world's largest pork company. WH Group has been hit hard by food service weakness in its US operations and high input costs in China, but as a geographically diverse and integrated player we expect group margins to hold up well. Lastly, we bought a stake in Hon Hai and its Chinese subsidiary Foxconn Industrial Internet. As leading electronics manufacturers, they give us another leg to play the 5G investment theme and new iPhone cycle as well as the EV theme at a highly discounted price.



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Outlook

A key question now is whether the recent EM and value outperformance will continue. There are reasons to be optimistic. With three quarters of developed market bonds still trading at negative yields (inflation adjusted) there is a lot of money on the sidelines to push forward the same trends as in Q4. Following recessions, value tends to outperform in the early stages of a recovery. Accommodative policies of central banks are likely to continue in tandem with further fiscal stimulus which creates a positive backdrop for EM. There are strong arguments for a continued softening of the US dollar in 2021, and a move away from Trump-era US foreign policy into a more stable policy framework should also be helpful.

Opportunities for active managers

Given the recent stock level dispersion and rotation, this augurs well for active managers. A large valuation discount bodes well for EM relative to DM markets. At the same time, headline index multiples are misleading of the investment opportunity that we as value investors see due to the huge divergence between growth and value stocks over the past few years. The MSCI EM index now trades at close to 16x '21e P/E while the Kon-Tiki portfolio is valued at less than 11x. This compares to 21x for MSCI World.

The fund selects low-priced, high-quality companies, mainly in emerging economies.

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.

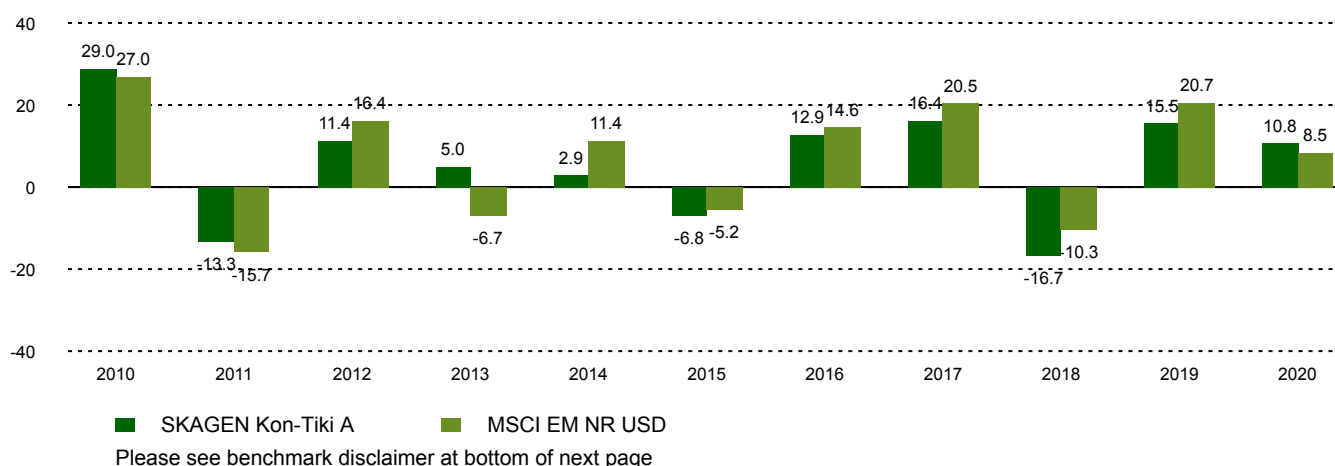
Historical performance (net of fees)

Period	SKAGEN Kon-Tiki A	Benchmark index
Last month	9.7%	4.9%
Quarter to date	21.6%	14.5%
Year to date	10.8%	8.5%
Last year	10.8%	8.5%
Last 3 years	2.2%	5.5%
Last 5 years	7.0%	10.2%
Last 10 years	3.1%	4.6%
Since start	11.5%	7.8%

Fund Facts

Type	Equity
Domicile	Norway
Launch date	05.04.2002
Morningstar category	Global Emerging Markets Equity
ISIN	NO0010140502
NAV	99.71 EUR
Fixed management fee	2.00%
Total expense ratio (2019)	1.51%
Benchmark index	MSCI EM NR USD
AUM (mill.)	1524.79 EUR
Number of holdings	49
Portfolio manager	Fredrik Bjelland Cathrine Gether

Performance last ten years



Contributors in the quarter



Largest contributors

Holding	Weight (%)	Contribution (%)
LG Electronics Inc	4.41	3.36
Samsung Electronics Co	8.41	3.12
Ivanhoe Mines Ltd	3.79	1.20
Micron Technology Inc	2.51	1.11
Ping An Insurance Group	7.65	0.67



Largest detractors

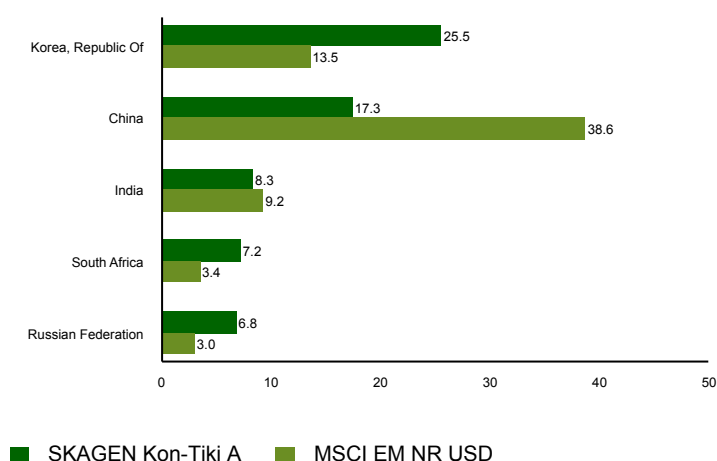
Holding	Weight (%)	Contribution (%)
UPL Ltd	3.80	-0.52
China Life Insurance	1.94	-0.26
X5 Retail Group NV	2.71	-0.24
Euronav NV	0.92	-0.16
East African Breweries	0.77	-0.15

Absolute contribution based on NOK returns at fund level

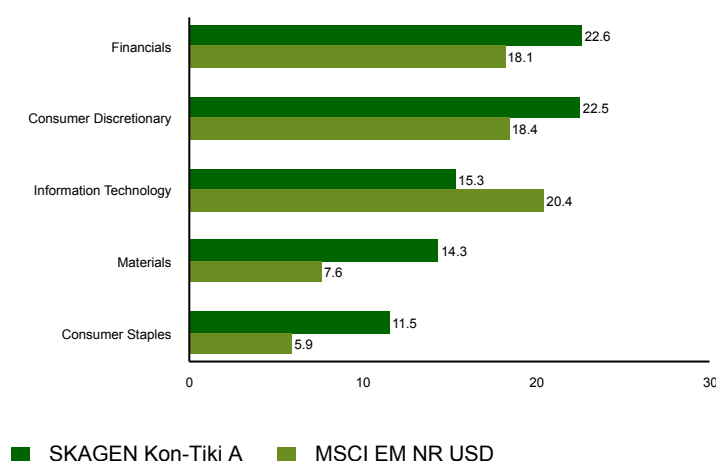
Top ten investments

Holding	Sector	Country	%
Samsung Electronics Co Ltd	Information Technology	Korea, Republic Of	8.0
Ping An Insurance Group Co of China Ltd	Financials	China	7.3
Naspers Ltd	Consumer Discretionary	South Africa	7.2
LG Electronics Inc	Consumer Discretionary	Korea, Republic Of	7.0
UPL Ltd	Materials	India	3.9
Hyundai Motor Co	Consumer Discretionary	Korea, Republic Of	3.9
Ivanhoe Mines Ltd	Materials	Canada	3.9
Cia Brasileira De Distribuicao	Consumer Staples	Brazil	3.4
Atlantic Sapphire AS	Consumer Staples	Denmark	3.2
Orbia Advance Corp SAB de CV	Materials	Mexico	3.0
Combined weight of top 10 holdings			50.7

Country exposure (top five)



Sector exposure (top five)



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Important information

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The benchmark index is the MSCI EM Index (net total return), this index did not exist at the inception of the fund and consequently the benchmark index prior to 1/1/2004 was the MSCI World AC Index. This is not reflected in the table/graph above which shows the MSCI EM Index since the funds inception.