

## Economic recovery continues

In the second quarter, global equity markets continued their recovery from the Covid-induced sell-off that took place at the beginning of last year. Economic activity and commodity prices improved greatly, led by an increase in aggregate demand on the back of the vaccination progress. Despite the overall optimism, the rise of the Delta variant has led to nervousness in some Covid-sensitive assets, while the Federal Reserve's hawkish shift also took some life out of the reflation trade towards the end of the period. Emerging markets underperformed their developed market counterparts in the period, largely a reflection of lower growth pickup relative to DMs, which in turn is a function of slower Covid vaccination rates. The list of EM central banks turning more hawkish is also growing, with major countries like Brazil, Russia and Mexico hiking rates as part of their efforts to rein in inflationary pressures as well as pre-empt any tightening by the Fed to mitigate risks of capital flight.

### Contributors and detractors

SKAGEN Kon-Tiki's performance in the quarter was largely influenced by some of the same drivers as in Q1. Indian crop protection company UPL continued to rerate. We saw continued strong operational deliverance as the advantages of their unique, full integration business model became apparent in the current environment of rising costs, logistical challenges and some input bottlenecks. Demand was strong on the back of rising agricultural prices, and it is also increasingly clear that the company has made leaps both from a corporate governance point of view but also in terms of building credibility around their leading sustainability profile.

Ivanhoe Mines has also been a strong contributor over the past year. Sharply increasing copper prices and a focus on copper's role in electrification and the green shift have certainly helped. But recent strength has also been driven by the achievement of the first copper production in their flagship Kamoakakula mine. Ivanhoe's strong production growth profile at a low unit cost and with strong ESG credentials combined with a solid balance sheet mean continued rerating

potential.

Ever since Latin American grocery retailer GPA spun out the cash-and-carry operator Assai (now Sendas) in Q1, both companies have performed strongly. There is still good growth potential in an underpenetrated market, and as vaccination efforts ramp up and the economy further reopens in Brazil, we expect to see the backdrop improve in the second half of the year.

The biggest detractor in Q2 was the Chinese financial conglomerate Ping An Insurance. We continue to view the shares as deeply undervalued and have taken advantage of the weakness to add to the position. Ping An has delivered an impressive ROE over the past 5+ years. Its technological prowess gives the company a competitive edge in terms of management efficiency, customer acquisition, risk control and cost control.

Atlantic Sapphire has been a strong contributor to portfolio returns over the past few years. This quarter, however, they ran into some issues when scaling up production at their land-based salmon facilities. This led to higher costs and lower harvest in the short term. Things are now back on track, and we participated in a new private placement which has plugged the capex funding gap for phase 2 construction. A large uncertainty has therefore been removed from the investment case and we eagerly await news of progress in hitting new milestones.

Naspers was a detractor in the quarter after having been a strong contributor in Q1. The company is struggling to reduce the huge holding company discount it is trading at versus its listed holdings like Tencent, but a recent proposed exchange deal seems to increase complexity and it was therefore not well perceived by the market. We believe the company will continue to look for value-creating opportunities.

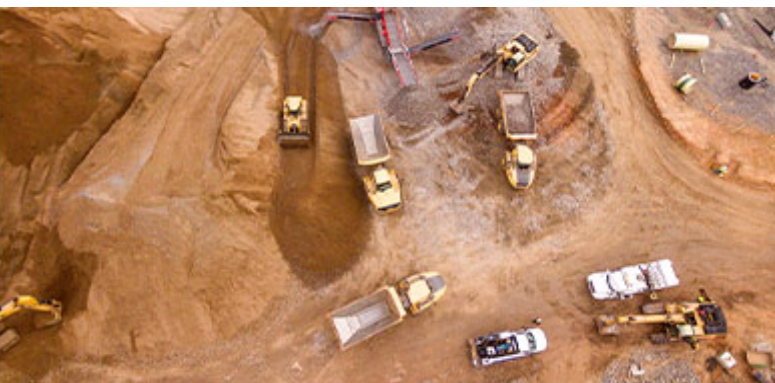


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### Portfolio Activity

We exited Turkish conglomerate KOC on heightened political risk after Erdogan fired the central bank governor. In Brazil, we exited state-controlled Banrisul after increased signs of political interference and potential conflicts of interest with its majority owner. We also exited Bank of China and Euronav, freeing up capital for new holdings. One new position is Chinese E&P company CNOOC, a world class and highly cash generative asset at a vastly discounted price which should benefit from the strong oil price environment. Another new position, Magnit, is the second largest food retailer in Russia, and like long-term Kon-Tiki holding X5, they benefit from benign competitive dynamics and market consolidation. We also initiated a small position in Russian conglomerate Sistema. Sistema's stakes in major public assets MTS, Ozon, Etalon and Segezha represent more than 200% of their market cap. They have made good progress crystallising value of their unlisted portfolio companies over the past 12 months, and we believe there is more to come as they have a portfolio of interesting non-listed companies.

### Outlook

We continue to see a robust pipeline of attractively valued opportunities in EM. During the quarter, the portfolio has maintained its value characteristics while delivering strong returns. SKAGEN Kon-Tiki trades at just above 9x current year earnings, which is a more than 35% discount relative to the MSCI EM index. Similar to previous periods with a significant valuation discrepancy between growth and value stocks, we believe SKAGEN Kon-Tiki offers attractive upside for long-term investors.

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.

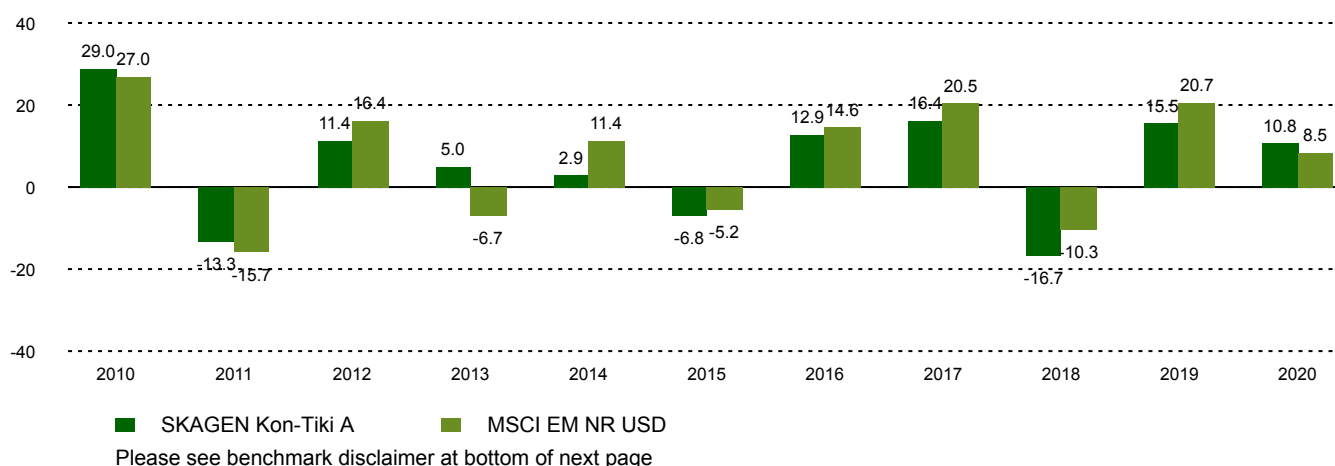
## Historical performance (net of fees)

Period	SKAGEN Kon-Tiki A	Benchmark index
Last month	2.7%	3.3%
Quarter to date	3.8%	3.9%
Year to date	13.3%	10.9%
Last year	45.8%	33.0%
Last 3 years	9.0%	10.7%
Last 5 years	9.3%	11.6%
Last 10 years	4.9%	6.4%
Since start	11.9%	8.2%

## Fund Facts

Type	Equity
Domicile	Norway
Launch date	05.04.2002
Morningstar category	Global Emerging Markets Equity
ISIN	NO0010140502
NAV	112.95 EUR
Fixed management fee	2.00%
Total expense ratio (2020)	2.18%
Benchmark index	MSCI EM NR USD
AUM (mill.)	1681.78 EUR
Number of holdings	50
Portfolio manager	Fredrik Bjelland Cathrine Gether

## Performance last ten years



## Contributors in the quarter



### Largest contributors

Holding	Weight (%)	Contribution (%)
Ivanhoe Mines Ltd	3.20	1.43
UPL Ltd	4.69	1.07
Sendas Distribuidora	3.23	0.92
LG Electronics Inc	7.23	0.88
LG Corp	2.33	0.88



### Largest detractors

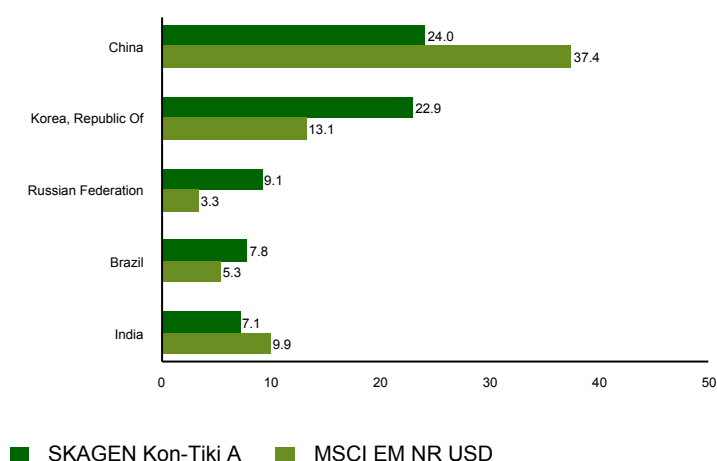
Holding	Weight (%)	Contribution (%)
Ping An Insurance Group	6.58	-1.11
Atlantic Sapphire ASA	2.52	-0.73
Naspers Ltd	5.44	-0.67
Foxconn Industrial Internet	1.83	-0.23
Hisense Home Appliances Group	1.11	-0.17

Absolute contribution based on NOK returns at fund level

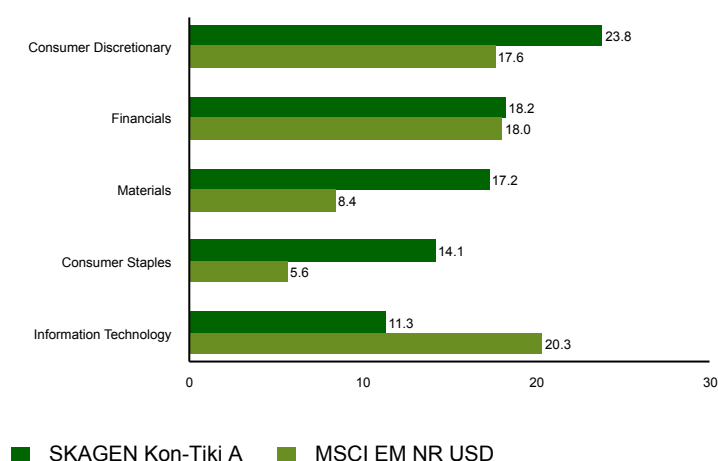
## Top ten investments

Holding	Sector	Country	%
LG Electronics Inc	Consumer Discretionary	Korea, Republic Of	7.7
Ping An Insurance Group Co of China Ltd	Financials	China	6.0
Naspers Ltd	Consumer Discretionary	South Africa	5.1
Samsung Electronics Co Ltd	Information Technology	Korea, Republic Of	4.4
UPL Ltd	Materials	India	4.3
Hyundai Motor Co	Consumer Discretionary	Korea, Republic Of	4.3
Sendas Distribuidora SA	Consumer Staples	Brazil	3.4
Suzano SA	Materials	Brazil	3.3
Sberbank of Russia PJSC	Financials	Russian Federation	3.3
Alibaba Group Holding Ltd	Consumer Discretionary	China	3.0
Combined weight of top 10 holdings			44.6

## 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.