

A positive start to the year

Generally strong economic data combined with support from both fiscal and monetary policy continued to push stocks higher in the first quarter of 2021. This helped some of the more cyclically exposed sectors in particular. As SKAGEN Vekst has significant exposure to companies in these areas of the stock market, the fund posted a very strong absolute return in the first three months of the year, which was also well ahead of the overall market.

Contributors

Yara was among the strongest contributors to the fund's absolute return this year on the back of tighter global fertiliser markets. After a turbulent year in 2020, farmers have seen improved profitability which has increased their demand for quality products. Management in Yara has also been proactive in revitalising the company's balance sheet, continued to reduce the complexity of operations, and sold non-core operations.

Another strong performer was the semiconductor-related company Applied Materials. The company continues to benefit from strong demand for its products, as COVID has accelerated the move towards a more digitalised world. Management also continues its strong track-record of returning improved earnings to shareholders and recently announced another USD 7.5 billion buy-back plan.

Norsk Hydro has also done well on the back of a strong recovery in the aluminium price driven by increased demand as economic activity improves. We have also seen improvements on the supply side driven by the higher cost of energy combined with more focus in China on the industry's impact on the environment. We continue to see Norsk Hydro's focus on sustainable production, clean energy, and recycling as strong share price catalysts going forward.

So-called "green" stocks have generally had a difficult start to the year.



Photo: Unsplash

Key sells

We sold out of Scandinavian Biogas after owning the position for just a few months, as the stock reached out target price. We also sold out of the Swedish/Swiss industrial company ABB in February. The stock has done well, but we are increasingly concerned that the expected restructuring of the business is taking longer than first anticipated.

We also see this in our portfolio with Vestas and Bonheur being among the biggest detractors to the fund's absolute return. Aside from general weakness in this segment of the stock market, Vestas has had some issues with product quality. Bonheur's cruise business also continues to be impacted by the delay in the reopening of the travel market.

Portfolio activity

SKAGEN Vekst initiated a new position in the digital service and software company TietoEVRY in January. Following the merger of Tieto and EVRY in 2019, the company has strong market positions in all the Nordic countries, and we expect the merger to result in significant cost savings. However, the main reason for initiating the position is the company's attractive high growth and high margin software business. As this gradually becomes a larger part of the overall company, we expect this to drive earnings growth higher and ultimately provide an uplift to the current low valuation.

We also initiated a new position in the Hong Kong based conglomerate CK Asset Holdings in February. With significant exposure to office, retail, hotels, aircraft leasing and pubs, the company's earnings have been hit hard by COVID. We see this as a short-term headwind, and unlike stocks with similar exposure globally, CK Asset Holdings has not retraced much from the bottom.

Finally, in March we initiated a new position in the Chinese internet company Alibaba. Its share price has corrected by 30% since its October 2020 peak due to concerns over anti-monopolistic regulations as well as increased oversight of its payments business. We believe Alibaba's core underlying businesses will continue to deliver strong growth for many years, and the current poor sentiment presents a rare opportunity to buy the share below fair value.



Photo: Unsplash

Outlook

Global stocks have generally done well since the end of the financial crisis and posted large gains since the mid-March 2020 lows. The overall market therefore does not look particularly cheap unless you compare it with other asset classes like bonds and physical real estate. However, it is important to remember that the strong performance over the past 10 years has been unevenly distributed. This has resulted in a situation where quality growth stocks trade at historically high valuations, while more capital-intensive industries often trade at valuations that are still below the levels seen at the beginning of 2020. If economic activity recovers in 2021, it is precisely these companies that will benefit most from an operational and earnings perspective. For this reason, SKAGEN Vekst is well positioned in companies that are active in sectors such as financial, materials, and energy. The performance over the past six months should illustrate both the absolute and relative opportunities to be found as the economy continues to normalise.

The fund selects low-priced, high-quality companies in the Nordic region and from around the world.

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.

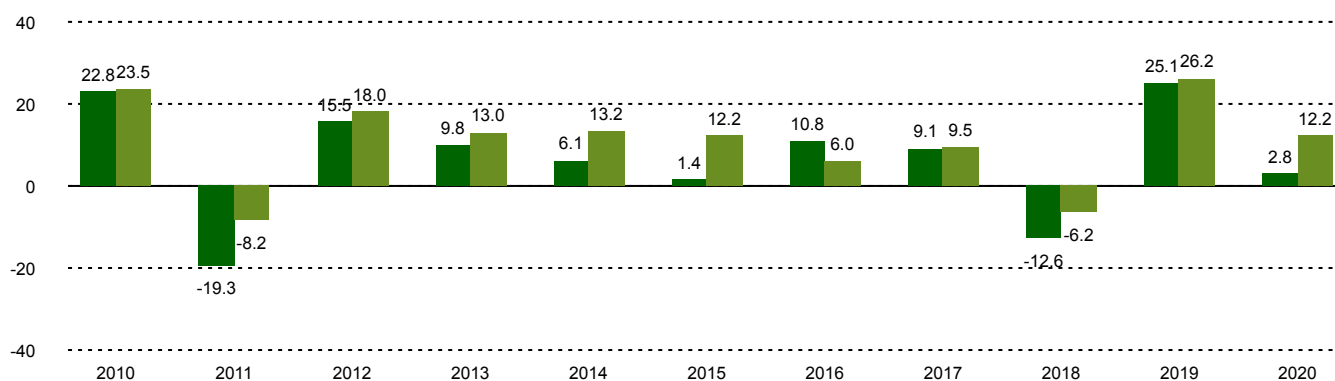
Historical performance (net of fees)

Period	SKAGEN Vekst A	Benchmark index
Last month	6.0%	6.1%
Quarter to date	12.4%	8.9%
Year to date	12.4%	8.9%
Last year	59.7%	51.9%
Last 3 years	10.4%	14.7%
Last 5 years	9.6%	12.0%
Last 10 years	5.3%	10.1%
Since start	12.7%	10.1%

Fund Facts

Type	Equity
Domicile	Norway
Launch date	01.12.1993
Morningstar category	Global Flex-Cap Equity
ISIN	NO0008000445
NAV	315.09 EUR
Fixed management fee	1.00%
Total expense ratio (2020)	1.17%
Benchmark index	MSCI Nordic IMI + ACWI ex Nordic NR NOK
AUM (mill.)	733.22 EUR
Number of holdings	48
Portfolio manager	Søren Christensen

Performance last ten years



■ SKAGEN Vekst A ■ MSCI Nordic IMI + ACWI ex Nordic NR NOK

See next page for info about fund's mandate change.

Contributors in the quarter



Largest contributors

Holding	Weight (%)	Contribution (%)
Yara International	5.03	1.12
Applied Materials Inc	2.00	0.89
Norsk Hydro ASA	2.51	0.84
Golden Ocean Group	1.94	0.80
Citigroup Inc	3.97	0.68



Largest detractors

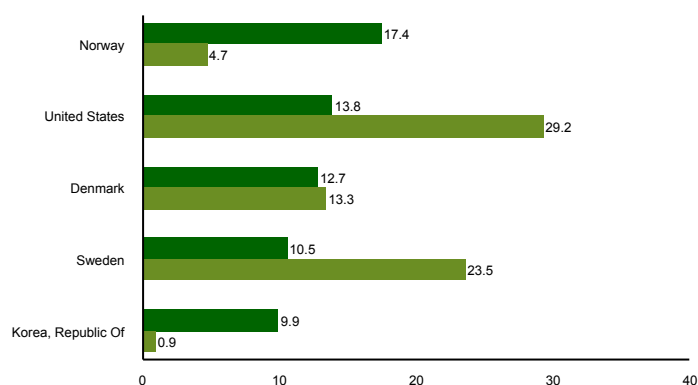
Holding	Weight (%)	Contribution (%)
Vestas Wind Systems	2.12	-0.39
Bonheur ASA	3.90	-0.27
Samsung Electronics Co	4.65	-0.23
Novo Nordisk	6.87	-0.17
Aker Clean Hydrogen	0.04	-0.15

Absolute contribution based on NOK returns at fund level

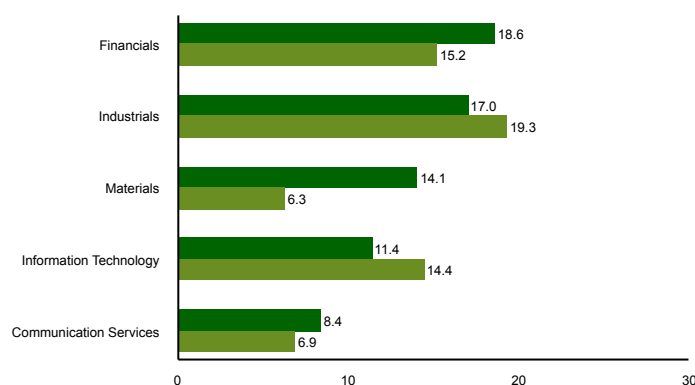
Top ten investments

Holding	Sector	Country	%
Novo Nordisk A/S	Health Care	Denmark	6.5
Yara International ASA	Materials	Brazil	5.1
Samsung Electronics Co Ltd	Information Technology	Korea, Republic Of	4.3
Citigroup Inc	Financials	United States	4.2
Bonheur ASA	Industrials	Norway	3.7
Telenor ASA	Communication Services	Norway	3.0
Broadcom Inc	Information Technology	United States	2.8
DSV PANALPINA A/S	Industrials	Denmark	2.6
Nordea Bank Abp	Financials	Finland	2.6
Volvo AB	Industrials	Sweden	2.6
Combined weight of top 10 holdings			37.5

Country exposure (top five)



Sector exposure (top five)



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Important information

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Effective 1/1/2014, the Fund's investment mandate changed from investing a minimum of 50% of its funds in Norway to investing a minimum of 50% of its funds in the Nordic countries. This means that returns prior to the change were achieved under different circumstances than they are today. Prior to 1/1/2014, the benchmark index was an evenly composed benchmark index consisting of the Oslo Stock Exchange Benchmark Index (OSEBX) and the MSCI All Country World. The benchmark index prior to 1/1/2010 was the Oslo Stock Exchange Benchmark Index (OSEBX).