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## Successfully navigated a difficult year

Despite a minor setback in December, equity markets moved higher in the final quarter of 2022. SKAGEN Vekst also posted a strong absolute return for the quarter, beating its benchmark index by a good margin. This outperformance was driven by strong performance by several of our Chinese holdings that benefitted from a reversal of the country's strict Covid lockdown measures. For the full year of 2022, SKAGEN Vekst significantly outperformed the overall market, for the second year in a row.

### Contributors and detractors

The Chinese insurance company Ping An was the largest contributor to the fund's absolute return. The company has struggled to increase new sales under China's strict Covid-related lockdown measures. Thus, a change to these policies should be a significant help. The stock trades at a very attractive valuation, and we see 100% upside if the company can return to its pre-Covid historical growth rates. The Norwegian fertiliser company Yara was another strong performer. The company once again delivered outstanding results showing strong profitability in a difficult operating environment. The stock continues to trade at a very attractive valuation, and with its strong balance sheet, we expect solid dividends in the coming years. The Norwegian shipping company Wilh. Wilhelmsen Holding also did well following very strong results for the third quarter. Despite the strong performance, the stock still trades at a 55% discount to its underlying values (most of which are separately listed). This should be compared to an average discount of 45% over the past 10 years and a typical discount of around 30% when the shipping market is as strong as is currently the case.

The Norwegian conglomerate Bonheur was the largest negative contributor to the fund's absolute return. The company has been hit by windfall taxes on revenues from its electricity generation in several

countries. While this is clearly negative, we find it more than reflected in the current valuation of the stock. With the current forward curve on power prices, the company should still generate record profits even after the windfall tax. Its offshore wind service showed some of its potential in the latest earnings report, but we see significantly higher earnings potential once the construction of new offshore windfarms gets underway from 2025. We also expect the cruise business to see substantial earnings improvements in coming years.

### Portfolio activity

We added a new position in the Norwegian salmon producer Salmar after the stock fell sharply following the Norwegian government's decision to implement a resource tax on fish farming. We believe a worst-case scenario is currently priced into the stock and even though we are not counting on any large changes being made to the proposed resource tax, we think any changes that might come are likely to be on the positive side. We also believe the companies will be able to adapt their operations to the new tax more than the market currently seems to believe. We also see significant synergy potential from the recent acquisition of NRS/NTS even if the company leverage ratio will be elevated for some time.

We also added the Danish facility services company ISS to the portfolio in the quarter. ISS has spent the past ten years selling businesses (below where the stock is trading) leading to diseconomies of scale. We think the company is now at an interesting inflection point with the change in top management. The new team has presented a credible plan to increase margins and with the reduced financial leverage, the company will start to build scale via acquisitions.



Photo: Shutterstock

After increasing almost 1000% since the bottom in March 2020, we sold out of Flex LNG as the stock hit our target price. We also exited Høgh Autoliners, as the shares hit our target price following a very strong share price development this year. The Norwegian fast-moving branded consumer goods company Orkla also left the portfolio. The lack of execution on the restructuring plan to increase margins has removed the main catalyst in our investment case.



Photo: Shutterstock

### Outlook

It is important to remember that the strong performance in stocks over the past decade has been very unevenly distributed. Even after the latest correction, quality growth stocks generally continue to trade at an elevated valuation, while more capital-intensive industries trade at more reasonable prices. We think the odds of sustainably higher inflation and higher interest rates have risen significantly over the past 18 months. While sanctions against Russia have increased the short-term pressure on commodities, we also see long-term second order effects through a reversal of the globalisation we have become accustomed to. We are therefore comfortable with our current exposure towards companies that do well in an environment with higher inflation and interest rates – such as financial and energy-related companies. We also see several emerging market stocks trading at very attractive levels following ten years of underperformance. This is particularly compelling as many EM countries have not yet benefitted from a reopening of their economies.

SKAGEN Vekst invests in companies that are attractively priced relative to expected profitability and growth. The majority of the fund is invested in the Nordic region and the remainder worldwide. The objective is to provide the best possible risk adjusted return. The fund is suitable for those with at least a 5 year investment horizon. Subscriptions are made in fund units and not directly in stocks or other securities. The fund has risk profile 6. The benchmark reflects the fund's investment mandate. Since the fund is actively managed, the portfolio will deviate from the composition of the benchmark.

## Historical performance (net of fees)

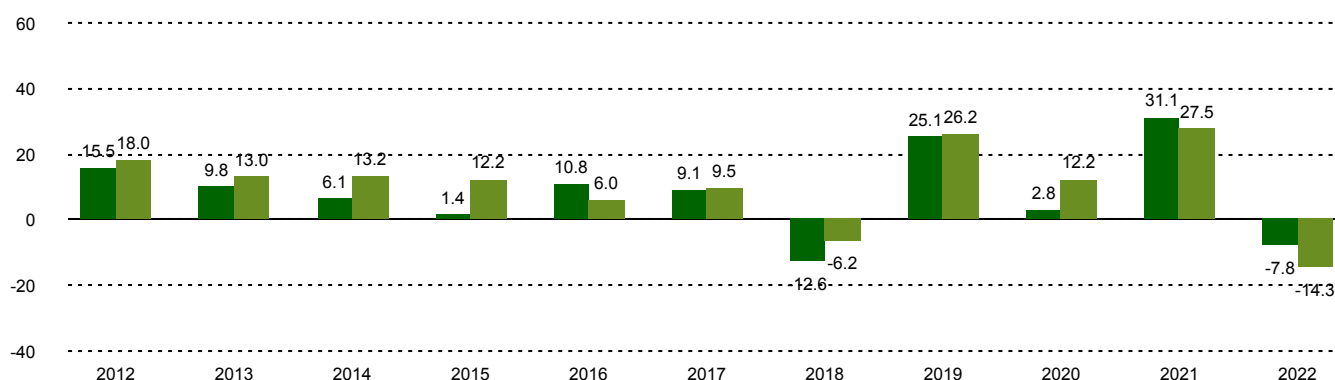
Period	SKAGEN Vekst A	Benchmark index
Last month	-2.3%	-4.5%
Quarter to date	8.3%	6.3%
Year to date	-7.8%	-14.3%
Last 12 months	-7.8%	-14.3%
Last 3 years	7.5%	7.0%
Last 5 years	6.3%	7.7%
Last 10 years	6.8%	9.2%
Since start	12.2%	9.4%

## Fund Facts

Type	Equity
Domicile	Norway
Launch date	01.12.1993
Morningstar category	Global Large-Cap Value Equity
ISIN	NO0008000445
NAV	338.72 EUR
Fixed management fee	1.00% + performance fee*
Total expense ratio (2021)	2.80%
Benchmark index	MSCI Nordic IMI + ACWI ex Nordic NR NOK
AUM (mill.)	813.64 EUR
Number of holdings	52
Portfolio manager	Søren Christensen

\*10.00% performance fee calculated daily and charged annually if the fund's return exceeds 6% p.a. The unit class has a high watermark. The performance fee may only be charged if the unit value as of 31.12 exceeds the unit value at the previous charge. The performance fee may be charged even if the fund's units have depreciated in value if the value development is better than the benchmark.

## Performance last ten years



■ SKAGEN Vekst A ■ MSCI Nordic IMI + ACWI ex Nordic NR NOK Effective 1/1/2014, the fund's investment mandate changed from investing a min. of 50% in Norway to a min. of 50% in the Nordics. Returns prior to this date were therefore achieved under different circumstances than today. Prior to 1/1/2014, the benchmark was an evenly composed index consisting of Oslo Stock Exchange Benchmark Index (OSEBX) and MSCI All Country World. The benchmark prior to 1/1/2010 was OSEBX.

Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skill, the fund's risk profile and management fees. The return may become negative as a result of negative price developments. There is a risk associated with investing in the fund due to market movements, currency developments, interest rate levels, economic, sector and company-specific conditions.

## Contributors in the quarter



### Largest contributors

Holding	Weight (%)	Contribution (%)
Novo Nordisk	8.76	1.71
Yara International	4.48	0.60
Essity AB	3.29	0.60
Ping An Insurance Group	3.04	0.60
Wilh Wilhelmsen Holding	1.47	0.55



### Largest detractors

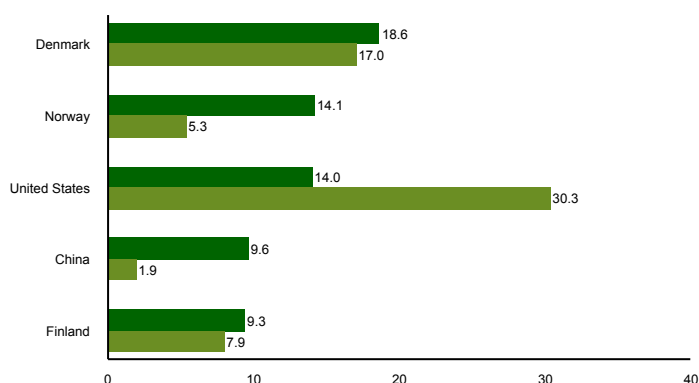
Holding	Weight (%)	Contribution (%)
Bonheur ASA	4.19	-0.32
Alphabet Inc	1.62	-0.29
CK Asset Holdings	2.76	-0.23
China Mobile Ltd	2.76	-0.21
Tyson Foods Inc	1.38	-0.21

Weights shown are the average for the period. Absolute contribution based on NOK returns at fund level.

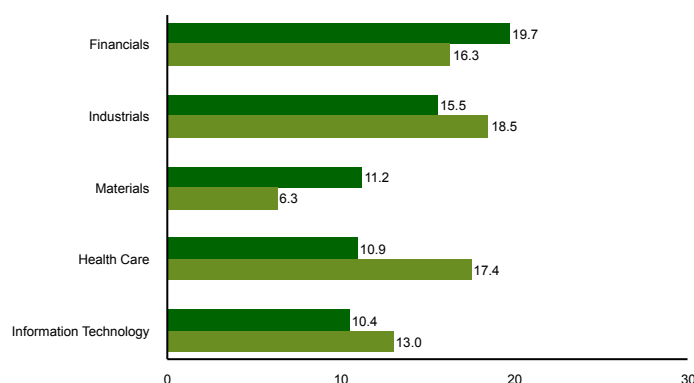
## Top ten investments

Holding	Sector	Country	%
Novo Nordisk A/S	Health Care	Denmark	9.1
Yara International ASA	Materials	Brazil	4.3
Nordea Bank Abp	Financials	Finland	4.2
Bonheur ASA	Industrials	Norway	4.0
Telenor ASA	Communication Services	Norway	3.8
Essity AB	Consumer Staples	Sweden	3.7
Ping An Insurance Group Co of China Ltd	Financials	China	3.6
Broadcom Inc	Information Technology	United States	3.5
Shell PLC	Energy	Netherlands	3.5
Samsung Electronics Co Ltd	Information Technology	Korea, Republic Of	3.2
Combined weight of top 10 holdings			42.9

## Country exposure (top five)



## Sector exposure (top five)



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

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## Important information

This report is intended for investment professionals only. All information is based on the most up-to-date data available. Unless otherwise stated, performance data relates to class A units and is net of fees. AUM data as per the end of the previous month. Except otherwise stated, the source of all information is SKAGEN AS. SKAGEN AS does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of this report. Employees of SKAGEN AS may be owners of securities issued by companies that are either referred to in this report or are part of a fund's portfolio. CACEIS Ireland Limited, One Custom House Plaza, International Financial Services Centre, Dublin is the Paying Agent in Ireland.



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