



SKAGEN Focus LUX B EUR

Q1 2022 Quarterly Report

All data in EUR as of 31/03/2022 unless otherwise stated



INVESTMENT OBJECTIVE

SKAGEN Focus is a high conviction equity fund that seeks to generate long-term capital growth by investing in a portfolio of global companies with a bias towards small and mid-cap companies.

The Luxembourg SICAV was launched in 2019.

FUND INFORMATION

Start date	27/09/2019
Benchmark	MSCI ACWI
ISIN	LU1932704841
Morningstar Category	Global Flex-Cap Equity
Fixed Management Fee	0.60%
Portfolio Managers	Jonas Edholm David Harris



Jonas Edholm & David Harris

- ❖ Jonas Edholm joined SKAGEN in January 2015
- ❖ Previously Founder and Portfolio Manager, Labrusca Family Office, Stockholm, Sweden
- ❖ David Harris joined SKAGEN in January 2015
- ❖ Previously Analyst, Labrusca Family Office

INVESTMENT COMMENTARY

A solid quarter

The fund has performed well ahead of underlying global equity markets so far this year. During the quarter, global equity markets were impacted by several events, and we initially observed a dramatic sell-off among so-called "profitless tech" companies – in other words companies trading at elevated multiples despite producing neither meaningful revenues nor earnings. This sell-off eventually spread to higher priced income-generating equities, including mega-cap tech stocks in the US as well as select investment darlings in the European equity market. Following the full-scale Russian invasion of Ukraine there was a broad sell-off in the equity markets. The fund did not have any direct Russian exposure and in early March SKAGEN decided to exclude Russian companies from our investment universe. We continue to monitor the situation and as contrarian and price-driven investors, we actively follow several companies that may have been overly and unjustifiably punished due to perceived Russia-related exposure.

The drop in commodity supplies following the Russian crisis is reinforcing the already strong inflationary pressures inherited from the pandemic. The US Consumer Price Index surged to 7% year-over-year in February. The Federal Reserve is probably 'behind the curve' and is now guiding for six to seven rate hikes this year. Bond yields are adapting to this data and the more global hawkish stance from central banks has led to higher bond yields and in specific cases, a sharply inverted yield curve.

Commodity producers and two buy-outs drive performance

Several of our better-performing positions in the quarter benefitted from the higher commodity prices, as Russian commodity supplies are being increasingly disrupted. The rather remarkable rally in the nickel price, for example, which spiked more than 100% at one point, drove our Indonesian nickel producer Vale Indonesia towards our price target range, and we trimmed the position. Ukraine and Russia are large producers of a variety of fertilisers including potash and as this supply has been disrupted, the price of potash has climbed significantly. This benefited our potash producer K+S, making it the fund's best performer so far this year. Another strong performer in the year has been Korean property and casualty insurance company DB Insurance as the company generated strong earnings for the year and impressive underwriting efficiency. We reduced our position in the still significantly undervalued Commerzbank following a strong re-rating at the beginning of the quarter. The bank's restructuring process seems to be on track and we should see improvements in the mid-term earnings power.

After a record year for fund buy-outs, so far in 2022 we have received two additional buyout offers for companies in our portfolio. First, US regional bank First Horizon received a 35% premium buy-out offer from Canadian bank Toronto Dominion, which continues its aggressive expansion in the southeast of the US. In addition, our UK bus operator Stagecoach received a revised offer from German infrastructure fund DWS at a 37% premium. Both equities left the portfolio at their respective price targets.

On the commodities side, Russian dominance in palladium has propelled this metal to a new all-time high. The fund has exposure to the metal through Ivanhoe Mines which is developing its Platreef asset. The company recently released a feasibility study indicating that they may be able to produce an average annual output of 590k oz of palladium, rhodium and gold along with a sizable production of nickel and copper from this mine. We do not think that this earnings stream is properly discounted in the current share price.

On the less positive side, our two positions in auto-parts manufacturers, namely German powertrain producer Vitesco and French seat and interiors producer Faurecia were pressured by the uncertainty around global auto production following the Ukraine war and worries over higher input costs.

New positions

We established several new positions in the quarter, including the recently spun off and fairly unknown commercial vehicle producer Iveco, which currently trades at a substantial discount, close to our estimate of the company's liquidation value. We also re-initiated a position in Spanish pulp producer Ence, as the equity is once again trading at our required price point and has several catalysts for re-rating in the mid-term. We also bought into Sao Martinho, a Brazilian based sugar and ethanol producer. The company appears to be generating a substantial amount of cash in the near term and is still extremely undervalued relative to earnings power.

Outlook

The recent macro events have given rise to a more volatile global equity backdrop as bond yields are adjusting to an inflationary environment. We believe there is still a strong case for a continued rotation into equities with an above average near term earnings yield at the expense of companies with elevated valuation multiples in global equity markets. Excess and unwarranted volatility also spells opportunities for us as active, contrarian and price driven investors. The portfolio consists of 47 positions of which 85% are in the small and mid-cap segment. However, we have recently uncovered interesting opportunities in select Japanese large caps which we will highlight in future updates. Importantly, the upside to our weighted price target across the fund is more than 55% at present.



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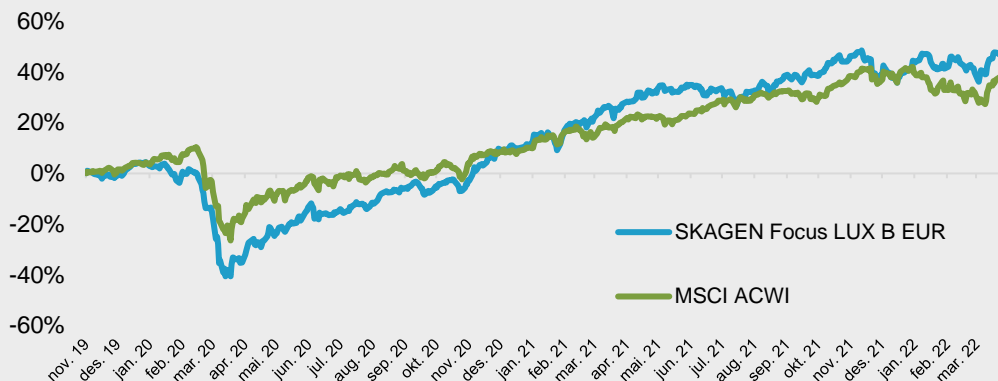
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FUND PERFORMANCE¹

	Q1 2022	1-year	Since Start
SKAGEN Focus LUX B EUR	2.2%	14.3%	16.4%
MSCI ACWI	-3.3%	13.1%	13.6%
<i>Relative Return</i>	<i>5.5%</i>	<i>1.2%</i>	<i>2.7%</i>



PERFORMANCE ATTRIBUTION²

Largest contributors ↑

Holding	Weight	Contribution
K+S AG	2.5%	1.5%
Vale Indonesia	1.6%	0.7%
Methanex Corp	2.2%	0.7%
Stelco Holdings Inc	1.0%	0.6%
Commerzbank AG	2.0%	0.6%

Largest detractors ↓

Holding	Weight	Contribution
Faurecia SE	1.5%	-0.8%
Vitesco Technologies	2.2%	-0.6%
Sixt SE	2.2%	-0.5%
GrafTech International	2.9%	-0.5%
Canfor Pulp Inc	2.6%	-0.5%

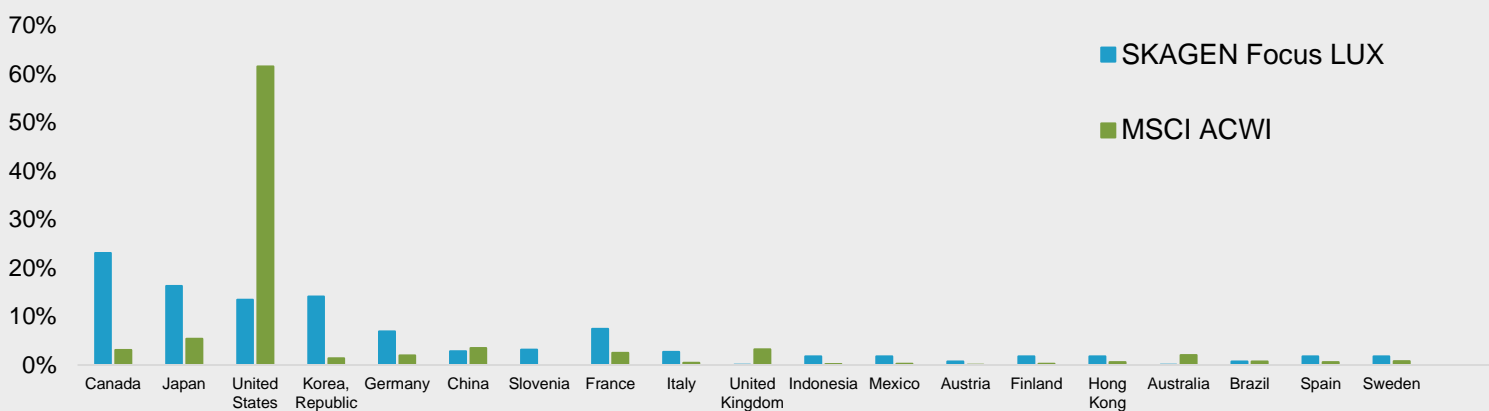
PORTFOLIO STATISTICS

No. of holdings	42
Top 10 weighting	35%
Active Share	100%
Turnover ratio	77%
Investment horizon ³	2-3 years

TOP TEN HOLDINGS

Holding	Weight
Cascades Inc Com	5.0%
Panasonic Corp	4.2%
Marcus Corp Del Com	3.7%
Ivanhoe Mines Ltd	3.7%
KB Financial Group	3.6%
Textainer Group	3.2%
Graftech Intl Ltd	3.2%
Korean Reinsurance	3.0%
Methanex Corp	2.9%
China Comm Service	2.8%
<i>Combined Weight</i>	<i>35.3%</i>

COUNTRY EXPOSURE



¹ As at 31/03/2022 in EUR, net of fees

² Contribution to absolute return year-to-date

³ For guidance purposes only



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IMPORTANT INFORMATION

This is a marketing communication, and this document is intended for professional investors only.

Except otherwise stated, the source of all information is Storebrand Asset Management AS as at 31 March 2022.

Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skills, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments. Statements reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice.

Storebrand SICAV, (RCS Registration Number: B 234106) is an investment company with variable capital (société d'investissement à capital variable) incorporated under the form of a société anonyme in the Grand Duchy of Luxembourg. It qualifies as a UCITS and falls under the supervision of the Luxembourg financial supervisory authority, Commission de Surveillance du Secteur Financier (the "CSSF"). Storebrand SICAV has appointed Fund Rock Management Company S.A. to act as its designated management company and further FundRock has appointed Storebrand and SKAGEN AS as its investment managers. The SICAV has appointed Storebrand Asset Management as Global Distributor and Storebrand Asset Management has appointed SKAGEN AS as Global Sub-Distributor.

The Storebrand SICAV has appointed SKAGEN AS UK Branch to act as Facility Agent in the UK. SKAGEN's London Office is located at 15 Stratton Street, London, W1J 8LQ. The SKAGEN AS UK Branch is authorised by Finanstilsynet and subject to limited regulation by the Financial Conduct Authority. Details about the extent of the authorisation and regulation by the Financial Conduct Authority are available on request. The SKAGEN AS UK Branch has temporary permission from the UK FCA to carry out its authorised activities under the UCITS Directive.

SKAGEN AS is a management company authorised by the Norwegian supervisory authority, Finanstilsynet, for the management of UCITS under the Norwegian Act on Securities Funds Act. SKAGEN AS is part of the Storebrand Group and owned 100% by Storebrand Asset Management AS. Storebrand Group consists of all companies owned directly or indirectly by Storebrand ASA.

No offer to purchase shares can be made or accepted prior to receipt by the offeree of the fund's prospectus and KIID and the completion of all appropriate documentation. You can download more information including subscription/redemption forms, full prospectus, Key Investor Information Documents (KIID), General Commercial Terms, Annual Reports and Monthly Reports in English language from Storebrand Asset management AS' UK webpages www.storebrandfunds.co.uk or contact the SKAGEN AS UK Branch (details available at www.skagenfunds.co.uk).

Investors' rights to complain is made available to investors pursuant to our complaints handling policy and procedure. The summary of investor rights in English is available here: www.storebrandfunds.co.uk or <https://www.skagenfunds.lu/contact/investor-rights/>

The Storebrand SICAV may terminate arrangements for marketing under the Cross-border Distribution Directive denotification process.

The SICAV has registered its 6 Sub-Funds (SKAGEN Kon-Tiki Lux, SKAGEN Focus Lux, SKAGEN Global Lux, SKAGEN m2 Lux, Storebrand Global Solutions Lux, Storebrand Global ESG Lux) for public distribution in the UK, the Netherlands, Belgium and Germany.

Important Information for Luxembourg Investors

Storebrand SICAV has appointed Fund Rock Management Company S.A. to act as its designated management company. FundRock Management Company S.A.'s offices are located at: 33, rue de Gasperich, 5826 Hesperange, Grand Duchy of Luxembourg.

Important Information for UK Investors

The Storebrand SICAV has appointed the SKAGEN AS UK Branch to act as Facility Agent in the UK. SKAGEN AS London Office is located at 15 Stratton Street, London W1J 8LQ. The SKAGEN UK Branch is authorized by Finanstilsynet and is subject to limited regulation by the Financial Conduct Authority. Details about the extent of the authorization and regulation by the FCA are available on request. The SKAGEN AS UK Branch has been appointed by the SICAV as the local market representative.

Important Information for German Investors

The Storebrand SICAV has appointed SKAGEN AS Branch Germany to act as Information Agent in Germany. SKAGEN AS's German Office is located in Barckhausstrasse 1, 60325 Frankfurt, Germany. The SKAGEN AS Branch in Germany acts as local market representative.

Important Information for Belgian Investors

The Storebrand SICAV has appointed Caceis Belgium SA/NV to act as the Financial Service Provider for the SICAV. Caceis Belgium SA/NV's offices are located at: Avenue du port 86C B320, 1000 Brussels Belgium.

Important Information for French Investors

The Storebrand SICAV has appointed CACEIS Bank as the Centralizing Correspondent for the SICAV. CACEIS Bank's offices are located at 1-3 Place Valhubert, F-75013 PARIS, France.

Important Information for Austrian Investors

The Storebrand SICAV has appointed Raiffeisen Bank International AG to act as Local Paying, Information and Contact Agent for the SICAV. Raiffeisen Bank International AG's offices are located at Am Stadtpark 9, 1030 Vienna, Austria.