



SKAGEN Focus LUX B EUR

Q3 2022 Quarterly Report

All data in EUR as of 30/09/2022 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 tale of two halves (so far)

Following a very solid first half of the year, the market environment completely changed character during the third quarter and the fund generated a negative return during the period. Aggressive synchronised tightening by central banks to mitigate runaway inflation caused valuations to broadly collapse in cyclical assets during the quarter. A strong US dollar and weak Japanese yen put significant pressure on our performance relative to underlying equity markets. We observed substantial drawdowns in commodities, European industrials and financial stocks in emerging markets, especially in the small and mid-cap segments. Overall, we believe a recession is already priced in in many areas of the equity markets. Valuations now look extremely compelling in small and mid-cap stocks compared to larger cap stocks on a global basis, and a favourable risk/reward seems pronounced particularly in the early cyclical value areas of the equity market.

A broadening value investment universe

The substantial decline in technology and consumer-related sectors has given rise to attractive investment situations. We have accumulated shares in the consumer brand titan Levi's as the company's share price has fallen more than 50% since 2021. Levi's is one of the strongest brands globally and the company is currently using the brand to expand into new categories. A very solid balance sheet and good capital allocation underpin our investment case. We bought the shares at less than 10x current normalised earnings power during the summer and we see deep value and a substantial upside over our 2-3 year investment horizon.

We also established a position in Norton LifeLock, formerly known as Symantec, a global leader in cybersecurity. Following uncertainty about its acquisition of Avast and a general sell-off in technology shares, the stock reached our target inception price. For this higher quality annuity stream, we pay around 10x earnings and, in our opinion, get potential growth and synergies in future years for free.

Small and mid-cap industrials in Europe, and in Germany in particular, are trading at levels not seen since the financial crisis. As such, we have established new positions in the German joint technology small-cap Norma as well as the German waste recycling service Befesa following a more than 50% correction in the stock price. Befesa collects and recycles steel dust and aluminium residuals and distributes the recycled goods into commodity markets.

During the quarter, we exited several positions, including electrode producer Graftech, following a deterioration of the balance sheet, and cyclical price pressures becoming more pronounced than expected. We also exited Lincoln National as catalysts have not emerged as we anticipated. We also exited Japanese elevator producer Fujitec as the stock hit our price target, partly driven by a successful activist campaign.

Performance drivers

Vitesco, our German powertrain producer, was the strongest contributor during the quarter as the order book continues to grow substantially and valuation is highly attractive. Kimberly Clark De Mexico was a top performer as the market is starting to anticipate peak input cost pressures and a positive impact from broad price increases in their output product. Moreover, our Japanese retail bank Resona Holdings, performed well as the company is on track to reach its full-year profitability goal and asset quality remains strong.

Chinese-based Tencent disclosed a transaction to increase its holding in the videogame powerhouse Ubisoft from 5% to more than 15% over time. Unfortunately, half the increase occurred at the holding company level of Ubisoft at an implicit stock price of EUR 80, and Tencent is widely expected to acquire an additional 5% of the shareholder base in the market. The market reaction was markedly negative despite the implicit premium and could be seen as lowering the potential for other bidders to come in. We believe the base scenario is now that the company may be fully integrated into Tencent over time, and the current share price of EUR 30 is well below any reasonable estimate of fair value. Our Spanish copper miner Atalaya Mining was weaker as cost guidance disappointed, and the copper price fell. French seating and interiors Faurecia is operating with little room for error as the balance sheet progress has been worse than expected. We reduced the position size significantly in the quarter.

Brighter spots are emerging

There are positive signs emerging in the prices paid across many areas of the global economy. For instance, a deflationary environment is developing in used cars, container shipping rates and truck rates. Global supply chain bottlenecks seem to be easing. Commodity prices, including oil, gold, silver, copper and nickel, are down sharply and this will gradually make its way into companies' input cost equations and increase margins. There are some areas that are lagging, such as lodging and a tight labour market in some areas of the economy. We believe a peak inflation narrative is gradually building which would eventually push the global central banks to at least take a neutral stance. At this point, we see a deeply positive risk/reward profile developing for our portfolio over a 2-3 year investment horizon. Our weighted upside to our price targets is on par with levels seen at the pandemic low in early 2020.



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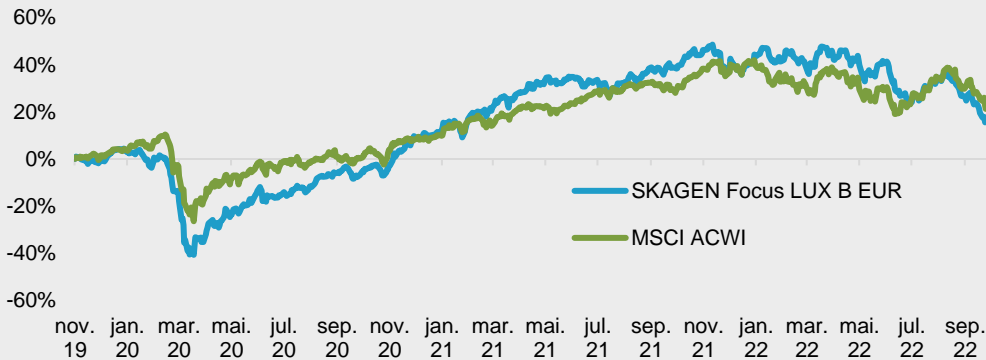
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FUND PERFORMANCE¹

	Q3 2022	YTD 2022	1-year	Since Start
SKAGEN Focus LUX B EUR	-7.3%	-17.9%	-16.7%	5.1%
MSCI ACWI	-0.6%	-13.7%	-6.1%	6.9%
<i>Relative Return</i>	<i>-6.7%</i>	<i>-4.2%</i>	<i>-10.6%</i>	<i>-1.7%</i>



PORTFOLIO STATISTICS

No. of holdings	42
Top 10 weighting	30%
Active Share	100%
Turnover ratio	77%
Investment horizon ³	2-3 years

TOP TEN HOLDINGS

Holding	Weight
Viscofan Sa	3.3%
Kyocera Corp Npv	3.3%
Textainer Group Ltd	3.3%
Albertsons Cos Inc	3.0%
KB Financial Group	3.0%
Kimberly Clark De Mexico	3.0%
Vitesco Techonologi Npv	2.9%
China Comm Service	2.9%
Panasonic Holdings Corp	2.7%
Resona Holdings Npv	2.7%
<i>Combined Weight</i>	<i>30.1%</i>

PERFORMANCE ATTRIBUTION²

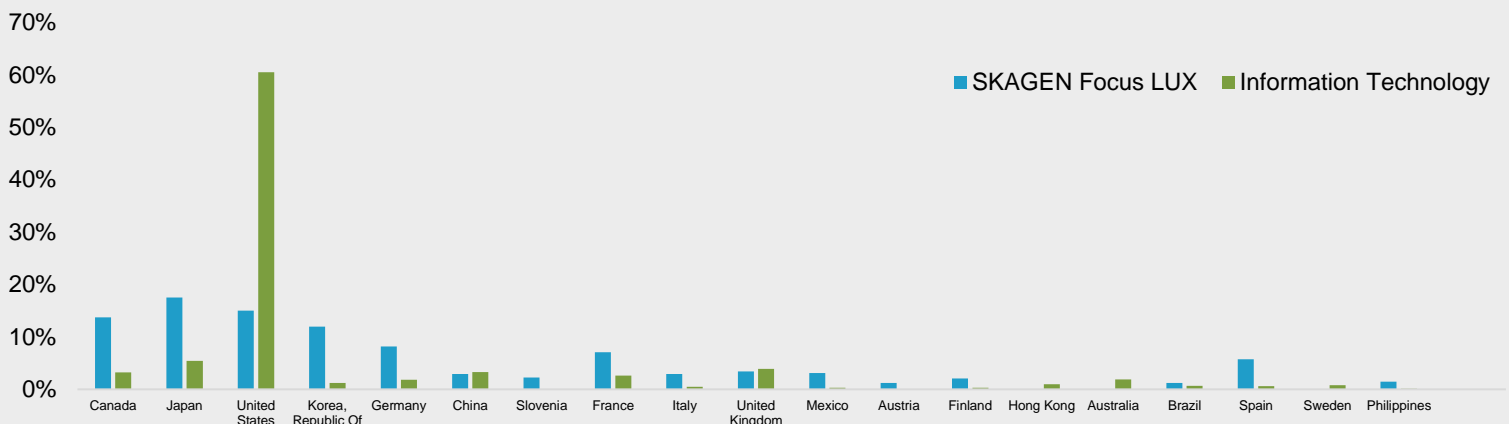
Largest contributors ↑

Holding	Weight	Contribution
First Horizon Corp	3.3%	1.5%
Vale Indonesia Tbk PT	2.3%	0.7%
Aichi Bank Ltd/The	2.7%	0.5%
Ence Energia y Celulosa Sa	1.5%	0.4%
Resona Holdings Inc	3.3%	0.3%

Largest detractors ↓

Holding	Weight	Contribution
Argonaut Gold Inc	1.7%	-2.3%
Sixt SE	3.5%	-1.9%
Avaya Holdings Corp	0.9%	-1.8%
Raiffeisen Bank International	1.6%	-1.4%
Pasona Group Inc	2.2%	-1.4%

COUNTRY EXPOSURE



¹ As at 30/09/2022 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 marketing communication and this document is intended for professional investors only.

Except otherwise stated, the source of all information is the Storebrand Luxembourg SICAV as at 30 September 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.

Future fund performance is subject to taxation which depends on the personal situation of each investor, and which may change in the future.

Storebrand SICAV 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.

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 SKAGEN's webpages (details available at <https://www.skagenfunds.com/>)

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: <https://www.skagenfunds.com/>

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

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

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 SKAGEN AS UK Branch to act as Facility Agent and local representative 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.

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.