



# SKAGEN Focus LUX B EUR Q3 2023 Quarterly Report

All data in EUR as of 30/09/2023 unless otherwise stated

This is marketing communication



## 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 Fee            | 0.60%                        |
| SFDR Category        | Article 8                    |
| Portfolio Managers   | Jonas Edholm<br>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

### Fund held up in a weak quarter

The fund held up decently in the third quarter and outperformed the underlying benchmark. The quarter ended on a weaker note, with September being the weakest month of the year for global equities. Central banks are still not showing any signs of reversing their hawkish stance, despite markedly lower inflation expectations. Several central banks, including the US Federal Reserve, are currently on hold but do not exclude further rate hikes. This has led to higher longer rates and also a stronger dollar as the currency offers a highly attractive "risk free" yield. In fact, this yield is on par with the current earnings yield in the US equity markets, as highly valued heavyweights in the technology sector dominate the index baskets.

One previously ignored global investment area which may still be one of the strongest beneficiaries of higher rates and prolonged inflation is the Japanese financial sector. We have seen a substantial re-rating of the segment, including several of the fund's positions such as Shiga Bank, Keiyo Bank, and our financial conglomerate Japan Post Holdings. Overall returns have been somewhat mitigated by the weaker yen, but the positions have still been a major driver of recent fund performance. We actively reduced our positions in Shiga Bank and Keiyo Bank which are approaching our price targets. In general, we are beginning to see a much better risk/reward potential shaping up in the US regional banking space in the aftermath of the banking crisis earlier this year. The sentiment is currently darkening as commercial real estate losses are widely expected in the coming year with continued pressure on the net interest margins. In fact, select equities in the US regional banking area are currently trading more cheaply than Japanese regional banks. We substantially added to our position in US regional bank First Horizon, which we believe will perform well in the current rate environment, with robust deposit bases, significant variable rate loans, and a diversified commercial office market exposure. In our view, First Horizon now trades below its tangible book value and at a significant discount to peers, despite its above average earnings potential and loan book.

Among the most negative contributors for the quarter, we find positions sensitive to interest rates such as our North American lumber producers Canfor and Interfor. While lumber prices are trading at depressed levels, we believe that these stocks are priced well below their normalised earnings power and are well positioned to weather the current storm, while recent changes to the underlying supply-side in the industry offer powerful catalysts. Another detractor was our gold producer Fortuna Silver Mines, which declined along with peers, reflecting the lower gold price. We recently returned from a fieldtrip to the Ivory Coast in West Africa, where we visited their most recent asset, the Seguela gold mine. The mine recently ramped up production on time and on budget. Seguela has high-grade, large-scale deposit and expansion potential which bodes well for it to become a key asset for the company that will support significant shareholder returns.

We exited our positions in Japanese mining machinery company Komatsu and turbocharger producer spin-off Accelleron as the shares reached price target. We also closed our positions in CompuGroup and Endeavour Mining before they reached their respective price targets. While both positions were performing well, we exited due to lower conviction with regard to catalysts for CompuGroup and because of new information impacting our view on the longer-term investment case of Endeavour Mining.

We took advantage of an outstanding opportunity to invest in the recently spun-off automotive supplier Phinia, now a top 10 position in the fund. The stock was spun off during the summer doldrums and garnered very little investor attention. This highly cash generative business, which consists primarily of fuel injection components but also hybrid and hydrogen focused solutions, is deemed less attractive as focus in the parent (BorgWarner) is entirely on EV-related components and solutions. We believe this is a classic below-the-radar and undervalued investment situation with a healthy upside to our price target. Exceptional weakness among European small and midcap companies during the summer allowed us to add Signify to the fund. Signify is a global leader within lighting. The investment is a classic value case which is perceived as lacking growth potential, while the drivers are primarily cost control and cash generation. The company is well positioned in the transition towards LED which enables substantial energy savings for its customers. Smart lighting in cities and infrastructure projects are major growth areas for the company.

Overall, we believe the fund is well positioned to benefit from the continued focus on higher earnings yields with strong near-term cash flow generation capacity among our fund holdings. The current headwinds for both value and small/mid-cap stocks create an attractive investment opportunity in the mid-term perspective. At the end of the quarter, the fund consists of 48 positions trading at a weighted aggregated portfolio upside of 67% to our price targets. We believe the current narrow market upturn leaves a large part of the equity market ignored and mis-priced, which creates interesting and lucrative opportunities for us as contrarian and value-focused investors.



# SKAGEN Focus LUX B EUR

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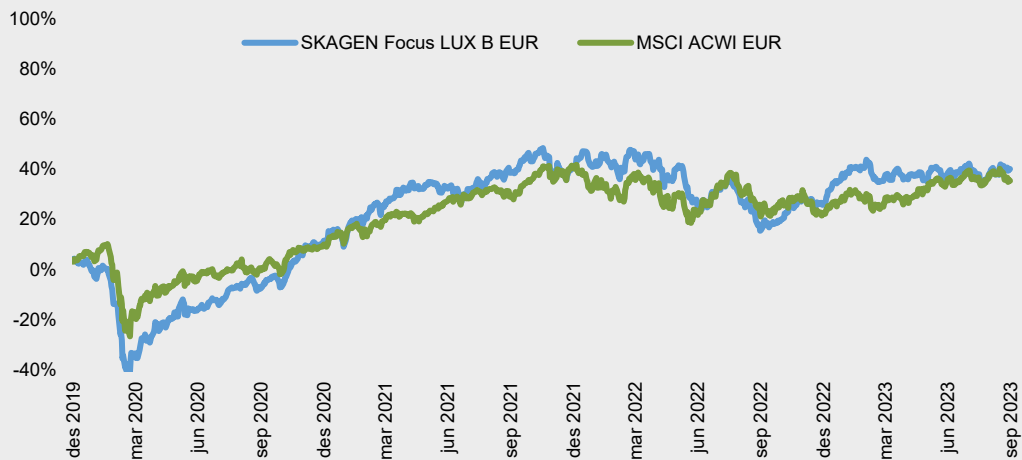
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### FUND PERFORMANCE

|                               | Q3 2023     | YTD 2023     | 1-Year       | 3-Year       | Since Start |
|-------------------------------|-------------|--------------|--------------|--------------|-------------|
| <b>SKAGEN Focus LUX B EUR</b> | <b>1.1%</b> | <b>11.3%</b> | <b>21.2%</b> | <b>14.8%</b> | <b>9.0%</b> |
| MSCI ACWI                     | -1.7%       | 10.9%        | 11.8%        | 10.6%        | 8.1%        |
| <i>Relative Return</i>        | <i>2.8%</i> | <i>0.3%</i>  | <i>9.4%</i>  | <i>4.2%</i>  | <i>0.9%</i> |



As at 30/09/2023 in EUR, net of fees

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.

### RISK PROFILE

We have classified this product as 5 out of 7, which is a medium-high risk class. This rates the potential losses from future performance at a medium-high level. Other risks not included in the summary risk indicator but materially relevant: Event risk, liquidity risk, operational risk, counterparty risk, derivatives risk. Be aware of currency risk. You will receive payments in a different currency, so the final return you will get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above. This product does not include any protection from future market performance so you could lose some or all of your investment.

### PORTFOLIO STATISTICS

|                                 |           |
|---------------------------------|-----------|
| No. of holdings                 | 42        |
| Top 10 weighting                | 33.3%     |
| Active Share                    | 100%      |
| Turnover ratio                  | 77%       |
| Investment horizon <sup>1</sup> | 2-3 years |

### PERFORMANCE ATTRIBUTION<sup>2</sup>

#### Largest contributors ▲

| Holding                  | Weight | Contribution |
|--------------------------|--------|--------------|
| Panasonic Holdings Corp  | 3.1%   | 1.1%         |
| Sao Martinho S/A         | 1.8%   | 1.1%         |
| Eugene Technology Co Ltd | 1.8%   | 1.0%         |
| Iveco Group NV           | 1.5%   | 0.9%         |
| Methanex Corp            | 3.6%   | 0.8%         |

#### Largest detractors ▼

| Holding                  | Weight | Contribution |
|--------------------------|--------|--------------|
| Canfor Pulp Products Inc | 0.7%   | -0.9%        |
| Fortuna Silver Mines Inc | 2.2%   | -0.8%        |
| Canfor Corp              | 1.5%   | -0.6%        |
| E-MART Inc               | 0.5%   | -0.6%        |
| Gen Digital Inc          | 0.1%   | -0.4%        |

### PORTFOLIO INFORMATION

| COUNTRY EXPOSURE  |       |           |
|-------------------|-------|-----------|
|                   | Fund  | Benchmark |
| Republic Of Korea | 16.3% | 1.3%      |
| Japan             | 16.3% | 5.5%      |
| Canada            | 14.3% | 3.0%      |
| United States     | 14.2% | 60.9%     |
| Germany           | 9.5%  | 2.0%      |
| France            | 6.4%  | 2.9%      |
| Italy             | 3.3%  | 0.5%      |
| China             | 2.8%  | 2.9%      |
| United Kingdom    | 2.7%  | 3.6%      |
| Slovenia          | 0.8%  | 0.0%      |

| SECTOR EXPOSURE        |       |           |
|------------------------|-------|-----------|
|                        | Fund  | Benchmark |
| Materials              | 24.9% | 4.5%      |
| Industrials            | 19.2% | 10.4%     |
| Financials             | 18.6% | 15.8%     |
| Consumer Discretionary | 14.2% | 11.2%     |
| Information Technology | 9.6%  | 21.6%     |
| Consumer Staples       | 8.9%  | 7.1%      |
| Communication Services | 2.5%  | 7.6%      |
| Energy                 | 0.0%  | 5.2%      |
| Health Care            | 0.0%  | 11.9%     |
| Real Estate            | 0.0%  | 2.3%      |

| TOP 10 HOLDINGS         |              |
|-------------------------|--------------|
| Japan Post Hold Co      | 4.2%         |
| Methanex Corp           | 4.2%         |
| Hyundai Mobis           | 3.9%         |
| Kyocera Corp            | 3.8%         |
| Phinia Inc              | 3.3%         |
| Danaos Corp             | 2.9%         |
| Panasonic Holdings Corp | 2.9%         |
| Cascades Inc Com        | 2.8%         |
| China Comm Service      | 2.8%         |
| Marcus Corp             | 2.5%         |
| <b>Combined Weight</b>  | <b>33.3%</b> |

<sup>1</sup> For guidance purposes only <sup>2</sup> Contribution to absolute return year-to-date



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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 Luxembourg SICAV as at 30/09/2023.

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.

Future fund performance is subject to taxation which depends on the personal situation of each investor, and which may change in the future. The tax treatment of the gains and losses made by the investor and distributions received by the investor depends on the individual circumstances of each investor and may imply the payment of additional taxes. Before any investment is made in the Sub-fund, investors are urged to consult with their tax advisor for a complete understanding of the tax regime, which is applicable to their individual case.

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.

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 Sub-fund's prospectus and PRIIPS KID (for UK: KIID) and the completion of all appropriate documentation. You can download more information including subscription/redemption forms, full prospectus, PRIIPs KID (for UK: KIID), General Commercial Terms, Annual Reports and Monthly Reports in English language from SKAGEN's webpages <https://www.skagenfunds.lu/funds>

Investors' rights to complain and certain information on redress mechanisms are 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.lu/contact/investor-rights/>

Storebrand Asset Management AS or FundRock Management Company S.A. may terminate arrangements for marketing under the Cross-border Distribution Directive denotification process.

The Sub-fund takes sustainability risk and ESG characteristics into account as part of its selection process. In that respect the Sub-fund promotes environmental and/or social characteristics within the meaning of Art 8 of SFDR. For the assessment areas like corporate strategy, corporate governance, transparency and the product and service range of a company are taken into account. Further information about sustainability-related aspects of the Sub-fund, including the sustainability disclosure summary in English, can be found here: <https://www.skagenfunds.lu/sustainability/sustainable-investing/>

The decision to invest in the Sub-fund should take into account all the characteristics or objectives of the Sub-fund as described in its prospectus <https://www.skagenfunds.lu/funds/>

The Storebrand SICAV has registered its 7 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 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.

Investors' rights to complain and certain information on redress mechanisms are 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/contact/investor-rights>

Further information about sustainability-related aspects of the Sub-fund, including the sustainability disclosure summary in English, can be found here: <https://www.skagenfunds.com/sustainability/sustainable-investing/>

#### 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.

Investors' rights to complain and certain information on redress mechanisms are made available to investors pursuant to our complaints handling policy and procedure. The summary of investor rights in German language is available here: <https://www.skagenfunds.de/contact/investor-rights>

Further information about sustainability-related aspects of the Sub-fund, including the sustainability disclosure summary in German language, can be found here: <https://www.skagenfunds.de/sustainability/sustainable-investing>

#### 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.

Investors' rights to complain and certain information on redress mechanisms are 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/contact/investor-rights>

Further information about sustainability-related aspects of the Sub-fund, including the sustainability disclosure summary in English language, can be found here: <https://www.skagenfunds.com/sustainability/sustainable-investing>

#### 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.

Investors' rights to complain and certain information on redress mechanisms are 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.fr/contact/investor-rights>

Further information about sustainability-related aspects of the Sub-fund, including the sustainability disclosure summary in French language, can be found here: <https://www.skagenfunds.fr/sustainability/sustainable-investing>

#### 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.

Investors' rights to complain and certain information on redress mechanisms are made available to investors pursuant to our complaints handling policy and procedure. The summary of investor rights in German language is available here: <https://www.skagenfunds.at/contact/investor-rights>

Further information about sustainability-related aspects of the Sub-fund, including the sustainability disclosure summary in German language, can be found here: <https://www.skagenfunds.at/sustainability/sustainable-investing>