



# SKAGEN Focus LUX B EUR Q4 2022 Quarterly Report

All data in EUR as of 31/12/2022 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

### Strong end to the year

The fund generated a strong return in the last quarter of the year, both on a relative and absolute basis. The fund ended the fourth quarter meaningfully ahead of the underlying global equity markets and was also ahead of the benchmark for the full year. The financial market continued to focus on US inflation statistics and the Federal Reserve's interest rate hikes in the quarter. Inflation in the US appears to be peaking, which resulted in a markedly lower US dollar in the last few months of the year. Higher multiple stocks, across all sectors, continued to struggle but we observed a strong recovery in beaten down European industrials stocks, as the overall energy situation improved somewhat, and valuations had reached absurdly low levels during the summer and early autumn.

### Japanese financials and European industrials drove returns

A major positive performance driver in the quarter was the re-rating of our small and mid-cap Japanese financial positions. Quite surprisingly, at the year end, the central bank of Japan announced an adjustment to the yield curve control mechanism and allowed the 10-year rate to increase. This will potentially allow banks to earn a higher net interest income which has been decreasing steadily over the last few decades. We therefore observed a strong performance in all our positions in this much ignored part of the market during the quarter, including the regional banks Keiyo Bank, Shiga Bank and Resona Holdings.

Another positive return driver came from our highly discounted European industrial positions. Steel dust waste recycler Befesa was strong as the company confirmed guidance. Atalaya Mining, the Spanish copper miner, re-rated strongly in the quarter from the low levels seen during the summer and early autumn. Copper prices increased meaningfully in the same period. Our Slovenian bank NLB Group was also one of the strongest performers and continued to deliver on the capital allocation catalyst in the period and into 2023.

Kyocera, the Japanese IT-conglomerate, was weaker in the quarter as earnings disappointed. The company has supply chain constraints and higher input costs. However, we believe the peak in these pressures is now behind us and the valuation continues to look very attractive, especially when adjusting for the company's holding in KDDI, and about 3x cash earnings power.

### Portfolio activity

We sold out of our position in Japanese regional bank Resona Holdings as the stock hit our price target. To replace it, we have established a position in Japan Post Holdings, which we think looks very attractive from a mid-term perspective. In addition to operating the country's postal network, the company also holds significant interests in Japan Post Bank and Japan Post Insurance, as well as non-core stakes in US insurance company Aflac. Most assets are listed, and there seems to be a considerable discount in the holding company valuation versus the listed asset base. There is also a major re-rating potential in the bank and insurance operation. Ultimately, the target for Japan Post Holding is to sell out of these businesses, and possibly return capital to shareholders.

We added a position in Swiss-based turbocharger producer Accelleron in the quarter. The company was spun off from ABB and traded down meaningfully until it reached our inception price point. This was due to both technical selling pressure from index investors and a fundamental misunderstanding of their business potential. Turbocharging was invented more than a century ago with the sole purpose of improving efficiency, and thus reducing the environmental impact given reduced fuel usage and less emissions. The company has a strong market position and is efficiently converting revenues into free cash flow and returning these to shareholders. We believe the markets' concerns about the company's product relevance are overdone, as they will probably lead industrial development for applications for new fuel technologies going forward.

We revisited our holding in German-based potash producer K+S at the end of the fourth quarter, following another unwarranted setback in its share price. We exited our position in Q1 at around EUR 35 and were able to once again invest in the company at a highly attractive level, with a 50 percent upside over a 2-3 year investment horizon. We believe the stock is discounting a collapse in potash prices which looks unlikely in light of the continued conflict in Ukraine with limited new supply coming into markets and seasonality-based demand increasing.

### Looking ahead to 2023

In 2023, we are entering a world with normalised interest rates and financial markets are gradually adjusting to this new reality. The financial markets will probably continue to reward discounted near-term earnings yields and tangible asset bases, which will bode well for common sense value investing. At the end of 2022, we held 49 positions with a substantial upside to our price targets, and as equity markets continue to de-rate the higher multiple areas of the equity markets, we will probably be able to find value in a broader spectrum than in previous years.



# SKAGEN Focus LUX B EUR

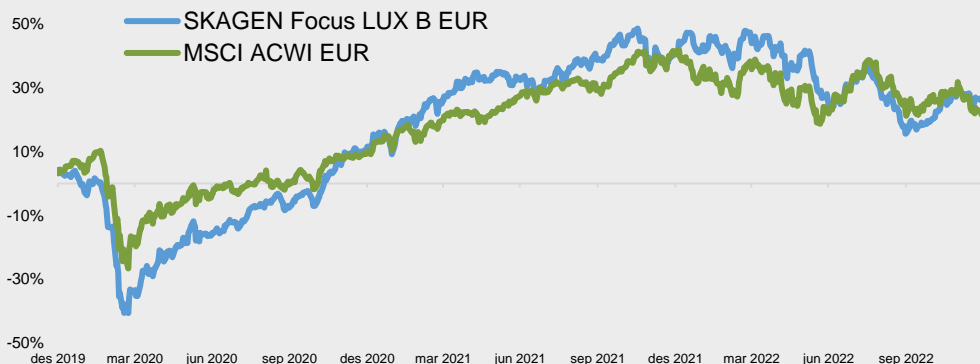
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### FUND PERFORMANCE<sup>1</sup>

	Q4 2022	2022	Since Start
<b>SKAGEN Focus LUX B EUR</b>	<b>8.9%</b>	<b>-10.6%</b>	<b>7.6%</b>
MSCI ACWI	0.8%	-13.0%	6.5%
<i>Relative Return</i>	<b>8.2%</b>	<b>2.5%</b>	<b>1.1%</b>



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

#### Largest contributors ↑

Holding	Weight	Contribution
Resona Holdings Inc	3.5%	1.8%
First Horizon Corp	3.6%	1.4%
Amazon.com Inc	0.0%	1.1%
Apple Inc	0.0%	1.0%
Tesla Inc	0.0%	0.9%

#### Largest detractors ↓

Holding	Weight	Contribution
Argonaut Gold Inc	1.4%	-2.2%
Avaya Holdings Corp	0.7%	-2.0%
Pasona Group Inc	2.2%	-1.5%
Sixt SE	3.4%	-1.4%
Lincoln National Corp	2.2%	-1.4%

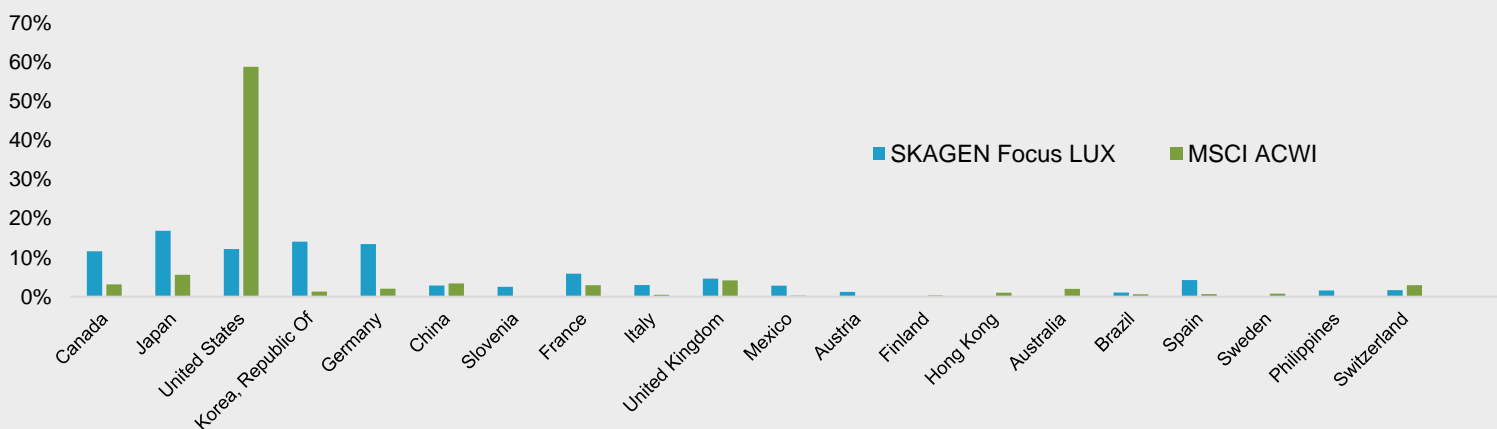
### PORTFOLIO STATISTICS

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

### TOP TEN HOLDINGS

Holding	Weight
Methanex Corp Com	3.4%
KB Financial Group	3.2%
Textainer Group Ltd	3.2%
Komatsu Npv	3.1%
Vitesco Techonologi Npv	3.1%
Endeavour Mining Com	3.0%
Dongbu Insurance Co Ltd	2.9%
Panasonic Holdings Corp	2.9%
China Comm Service	2.8%
Kimberly Clark De Mexico	2.8%
<i>Combined Weight</i>	<b>30.3%</b>

### COUNTRY EXPOSURE



<sup>1</sup> As at 31/12/2022 in EUR, net of fees

<sup>2</sup> Contribution to absolute return year-to-date

<sup>3</sup> 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 31 December 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.*