

SKAGEN Kon-Tiki LUX B EUR

Q2 2022 Quarterly Report

All data in EUR as of 30/06/2022 unless otherwise stated



INVESTMENT OBJECTIVE

SKAGEN Kon-Tiki is a highly active, global emerging market equity fund which seeks to generate long-term capital growth through a high conviction portfolio of companies which are listed in, or have significant exposure to, developing markets.

The Luxembourg SICAV was launched in 2019.

FUND INFORMATION

Start date	27/09/2019
Benchmark	MSCI EM Index
ISIN	LU1932686501
Morningstar Category	Global Emerging Markets Equity
Fixed Management Fee	0.60%
Portfolio Manager	Fredrik Bjelland Cathrine Gether



Fredrik Bjelland, Cathrine Gether & Espen Klette

Fredrik Bjelland, CFA

- ❖ Joined SKAGEN in 2017
- ❖ Former Head of China, Special Mandates, NBIM

Cathrine Gether

- ❖ Joined SKAGEN in 2009
- ❖ Former Portfolio Manager at Millennium Capital Partners in London

INVESTMENT COMMENTARY

A brighter outlook for emerging markets

While the first half of 2022 witnessed a harsh sell-off in emerging markets (EM), the period ended with hope for the second half as EM stocks, bonds and currencies started to outperform global peers in the second quarter. SKAGEN Kon-Tiki outperformed its benchmark index in the quarter.

As the US withdraws its extraordinary policy support, its growth outlook is deteriorating; macro data has continued to wane with softer consumer spending, deteriorating sentiment and subdued manufacturing, suggesting that the US economy now has a more fragile foundation. As we pivot away from higher inflation to weaker global growth and looming recession risk as the dominant market drivers, most commodities nosedived towards the end of the period.

As the largest economy in EM, the Chinese stock market has decoupled from the US market recently due to diverging monetary policies and economic cycles. With a gradual easing of Covid restrictions, various activity indicators are bouncing back. We may be through the worst for the property sector as a new mortgage rate-cutting cycle finally kicked off towards the end of the quarter. China has started dialling back regulatory measures while also ramping up policy support.

With the global business cycle set to slow over the next few quarters, relative growth differentials are starting to point in EM's favour again. A trough in the China cycle, still resilient labour markets in many EMs and fiscal policies should help to cushion the slowdown.

Attribution

As the country's largest producer of offshore crude oil and natural gas, the China National Offshore Oil Corporation (CNOOC) is benefiting from high energy prices due to Russian sanctions and the supply-chain shock. Its strategic focus on boosting natural gas production is critical to the success of efforts to reduce the country's carbon emissions. This is an added bonus to the investment case. Prosus and Naspers' decision to start selling down their Tencent holding and buy back their own shares was a welcome U-turn which led to a significant rerating at the end of the quarter. Also promising is management's comment that they are supportive of going beyond this to reduce complexity combined with a new incentive KPI which ties the management payout directly to a reduced discount.

The largest detractor in the quarter was Atlantic Sapphire. At the end of the period, the company raised USD 125m in a widely expected private placement. At the same time, DNB confirmed almost the same amount as committed debt which means Atlantic Sapphire should now be fully funded for their phase 2 expansion and to reach steady state phase 1 harvest. Nordlaks, one of the largest private salmon farmers in Norway, participated in the private placement.

Other detractors in the quarter included our South Korean holdings LG and Samsung Electronics. As the global economic downturn and inflation have intensified, there is now a built-in expectation that demand for home appliances and TVs will continue to slow and adversely affect profitability combined with a more muted semi-cycle.

Portfolio activity

Three new companies entered the portfolio in the quarter. Cosan is a Brazilian sugar and energy conglomerate in which we have previously been long-term shareholders. They have reduced the holding complexity, the company trades at an attractive valuation, and they are now ready for a new growth phase within some of their well-run holding companies. One of these is Raizen, which is the second company we invested in. Raizen is Brazil's largest sugar and ethanol producer. The company is now expanding heavily in the greener/renewable side of the energy equation with some exciting growth projects. Lastly, we now have a small holding in Sibanye Stillwater, which offers differentiated exposure to precious metals and therefore portfolio diversification.

We exited Orbia as we are concerned that their newly announced investment plan may be coming at the peak of the cycle, with most being invested in highly cyclical assets at a time when the cycle as well as the cost of capital seem to be heading in the wrong direction. We also exited Sinotrans, a Chinese logistics company, as we have been disappointed by the scant operational progress over the past few quarters.

We continue to be cautiously optimistic that some value can eventually be recovered from our Russian holdings which continue to be priced at 0. There have been no trading activities in the Russian holdings during the quarter.

Outlook

Even though Emerging Markets continue to battle rough seas for now, we believe that the portfolio consists of very attractive and robust companies trading at a significant discount. Given where we stand in the interest rate cycle globally, the odds should be stacked in favour of our value-based investment philosophy. The portfolio is highly diversified and consists of companies with strong prospects. It trades at a heavily discounted 6x 22e P/E, which is more than a 40% discount to EM in general. The historically high discount of EM versus DM started to reduce this quarter, and we are cautiously optimistic that this could continue.

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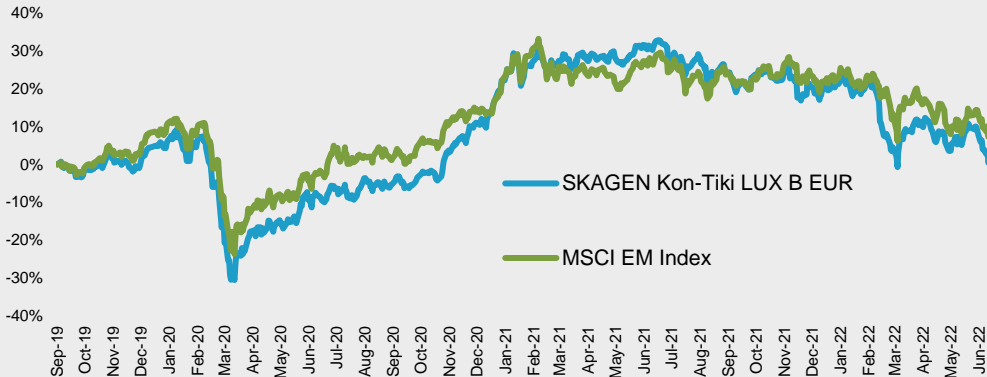
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FUND PERFORMANCE¹

	Q2 2022	YTD	1-year	Since Start
SKAGEN Kon-Tiki LUX B EUR	-4.1%	-13.1%	-21.6%	1.4%
MSCI EM Index	-5.8%	-10.4%	-15.3%	3.4%
<i>Relative Return</i>	1.6%	-2.7%	-6.3%	-2.0%



PERFORMANCE ATTRIBUTION²

Largest contributors ↑

Holding	Weight	Contribution
CNOOC Ltd	3.4%	1.3%
Turquoise Hill Resources	2.6%	1.3%
Sendas Distribuidora SA	3.8%	0.9%
WH Group Ltd	2.4%	0.8%
Mahindra & Mahindra Ltd	1.4%	0.4%

Largest detractors ↓

Holding	Weight	Contribution
Sberbank of Russia	1.1%	-3.7%
LG Electronics Inc	6.7%	-2.7%
X5 Retail Group NV	0.7%	-2.6%
Tech Mahindra Ltd	3.5%	-1.9%
Samsung Electronics Co Ltd	4.6%	-1.4%

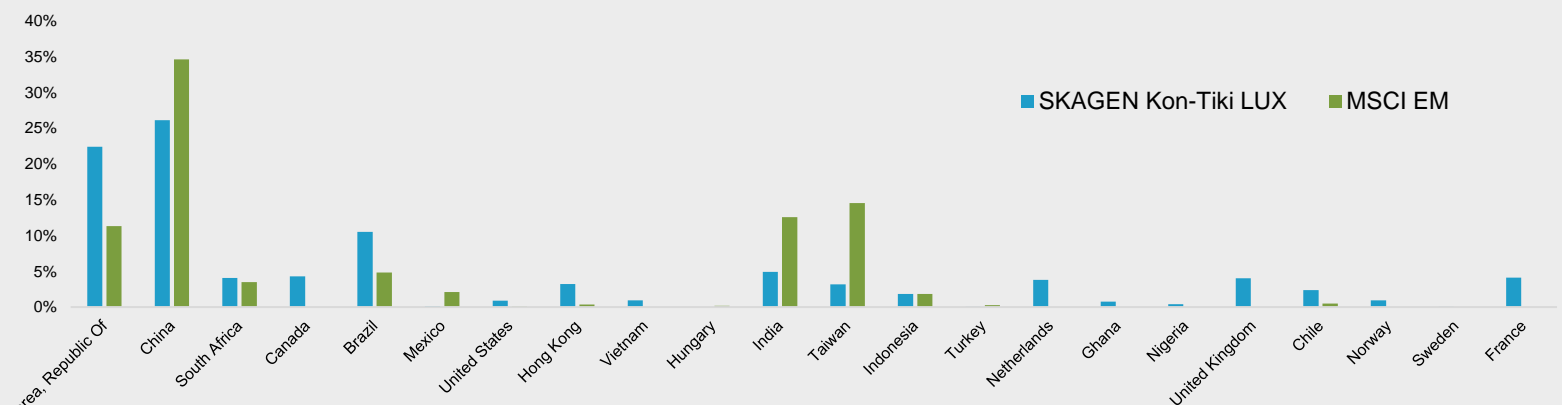
PORTFOLIO STATISTICS

No. of holdings	50
Top 10 weighting	49%
Active Share	87%
Turnover ratio	46%
Investment horizon ³	2 years+

TOP TEN HOLDINGS

Holding	Weight
Ping An Insurance Group	7.2%
LG Electronics Inc	5.4%
Samsung Electronics	5.1%
Cnooc Ltd	5.1%
Totalenergies Se	4.1%
Shell Plc Ord	4.0%
Suzano Sa Com	3.9%
Prosus N.V.	3.8%
Cia Bras De Distri Com	3.7%
Upl Limited	3.3%
<i>Combined Weight</i>	<i>45.7%</i>

COUNTRY EXPOSURE



¹ As at 30/06/2022 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 June 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.