



SKAGEN Kon-Tiki LUX B EUR

Q3 2021 Quarterly Report

All data in EUR as of 30/09/2021 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 Q3 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

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

China sell-off rattles Emerging Markets

Emerging markets fell during the third quarter as Chinese equities came under pressure following growing contagion fears from the property market. Listed property developer Evergrande continued to sell off as investors became increasingly concerned about its financial position and the potential knock-on effect on the Chinese property market. As a result of a deteriorating demand outlook, some commodities linked to property development, such as iron ore, also corrected.

While SKAGEN Kon-Tiki has no direct exposure to Chinese property developers, the fund also suffered negative returns in the period, predominantly from our holdings in South Korea and China. The biggest positive regional contribution came from Russia, which is well positioned for the currently elevated energy prices on the back of constrained supply. Coupled with several countries raising policy rates on the back of normalising activity levels and rising inflation concerns, typical value sectors such as energy and financials outperformed.

Contributors

Despite the favourable market backdrop, SKAGEN Kon-Tiki underperformed its benchmark in Q3. The largest negative contributor during the quarter was again Chinese insurance group Ping An, which reported weak new business momentum in the second quarter. The market is also increasingly cautious about the outlook for the company's investment portfolio, which includes direct and indirect property investments. We believe that Chinese authorities will prevent systemic risks from taking hold and have increased our position on weakness.

Land-based salmon farming company Atlantic Sapphire suffered several setbacks during the quarter including larger-than-expected Q2 losses. Despite hosting a detailed investor presentation, the market's confidence has clearly been shaken and we look for operational delivery in coming months to rebuild trust with the investment community.

LG Electronics sold off as investors started to question the sustainability of recent strong earnings boosted by working from home trends. The company also suffered recall costs on the back of battery packs supplied to GM's Chevy Bolt EV.

The largest positive contributor in the period was Indian IT company Tech Mahindra, which re-rated on the back of continued strong results and a buoyant Indian equity market. We have since exited the position, which proved to be a short but very profitable investment for SKAGEN Kon-Tiki. Another recent investment, Sberbank, also performed strongly as it continues to benefit from an improving economic backdrop and, more importantly, gets recognition for its digital leadership and positioning.

Chinese automation equipment producer Hollysys bucked the negative trend in China as the company received two further indications of interest in buying the company. These come on the back of the former CEO's unsolicited approach in December last year, since when the shares have risen by more than 60%. While there can be no guarantee that the company will be sold, the high level of interest suggests that our assessment of underappreciated value has some merit.

Portfolio activity

Another holding, Chinese property management company Justbon Services was acquired by a competitor during the quarter. In addition to Tech Mahindra, we also exited smaller positions in recent LG Corp spinoff LX Holdings and Kenyan brewer East African Breweries. We made a number of adjustments to portfolio weights during the quarter but initiated just a small position in Chinese internet and gaming company Tencent. We know the company well through our long-term holding in Naspers and, more recently, Prosus where Tencent represents the majority of our valuation.

Outlook

As a result of this activity, the SKAGEN Kon-Tiki portfolio now consists of 47 companies trading on 8x current year earnings and just 1x P/B while supported by a 3% dividend yield. This represents a discount of 40% relative to the MSCI EM index, which itself trades at a historically high discount to developed market equities. While the recent regulatory clampdown on the Chinese internet sector and broader risks associated with a slowdown in the property market make for an uncertain backdrop, we believe that the portfolio's balanced composition and low valuation represent an attractive combination for long-term investors.

Opportunities in volatility

It is also worth bearing in mind that equity market volatility in China is the norm rather than the exception. Over the past 20 years, the MSCI China index has suffered twelve drawdowns exceeding 20% in a year. Moreover, in every period bar 2017, the index corrected by more than 10% at some point during the year. Despite this volatility, total shareholder returns of 11% per annum for MSCI China were more than 4% per annum higher than for global equities in the 20 years up to end 2020. In our view, it is precisely such volatility that may give rise to the best opportunities for long-term investors. As a result, we have steadily been increasing our exposure to Chinese equities as they have fallen during the course of the year.

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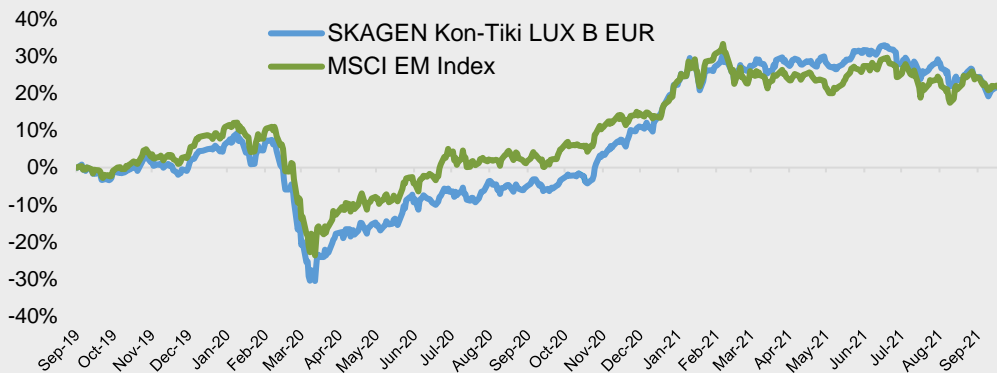
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FUND PERFORMANCE¹

	Q3 2021	YTD	1-year	Since Start
SKAGEN Kon-Tiki LUX B EUR	-8.4%	4.2%	28.8%	10.0%
MSCI EM Index	-6.0%	4.3%	19.4%	10.1%
<i>Relative Return</i>	<i>-2.5%</i>	<i>-0.1%</i>	<i>9.4%</i>	<i>-0.2%</i>



PERFORMANCE ATTRIBUTION²

Largest contributors ↑

Holding	Weight	Contribution
UPL Ltd	3.6%	1.5%
Sberbank of Russia PJSC	3.4%	1.4%
Tech Mahindra Ltd	1.9%	1.2%
Sendas Distribuidora SA	2.6%	1.1%
Ivanhoe Mines Ltd	3.4%	1.1%

Largest detractors ↓

Holding	Weight	Contribution
Ping An Insurance Group	6.5%	-2.8%
Atlantic Sapphire ASA	2.6%	-2.0%
Alibaba Group Holding Ltd	1.4%	-1.0%
Petroleo Brasileiro SA	0.4%	-0.5%
Suzano SA	2.0%	-0.4%

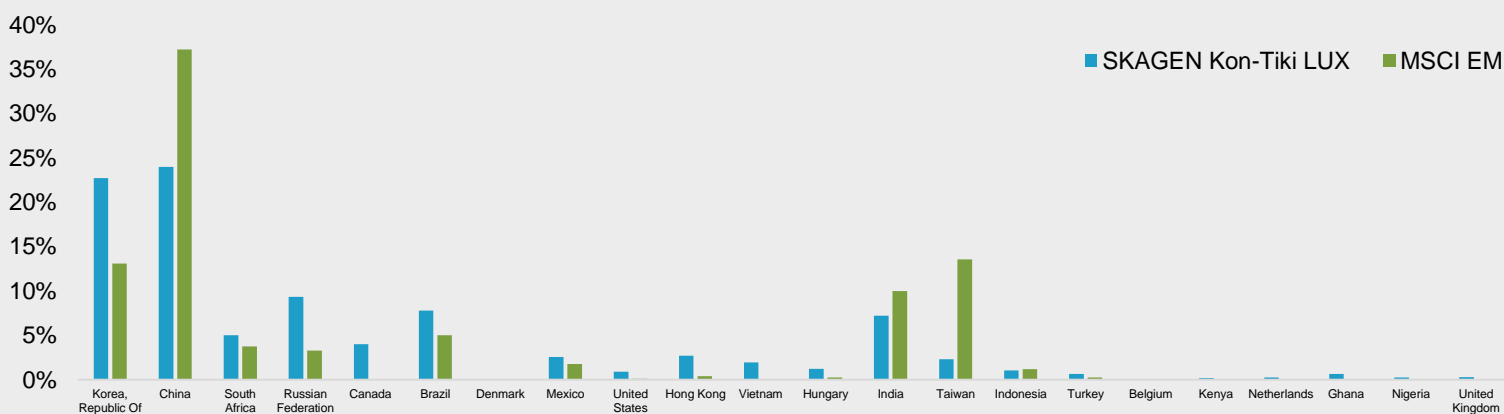
PORTFOLIO STATISTICS

No. of holdings	50
Top 10 weighting	42%
Active Share	87%
Turnover ratio	46%
Investment horizon ³	2 years+

TOP TEN HOLDINGS

Holding	Weight
LG Electronics Inc	7.0%
Ping An Insurance Group	5.5%
Cnooc Ltd	4.3%
Sberbank Of Russia	4.2%
Prosus N.V	4.0%
Samsung Electronic	3.9%
UPL Limited	3.8%
Cia Bras De Distri	3.4%
Suzano SA	3.4%
X5 Retail Group	3.0%
<i>Combined Weight</i>	<i>42.4%</i>

COUNTRY EXPOSURE



¹ As at 30/09/2021 in EUR, net of fees

² Contribution to absolute return year-to-date

³ For guidance purposes only



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IMPORTANT INFORMATION

The information in this presentation pertains to SKAGEN in its role as Investment Manager and Global Sub-Distributor. For more information on Storebrand SICAV and SKAGEN Kon-Tiki Lux please see the complete prospectus. This document is intended for investment professionals only. The content is not to be viewed by or used with retail investors. Except otherwise stated, the source of all information is Storebrand AS at 30 September 2021. This document is published in Stavanger, Norway by SKAGEN AS. 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.

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 of 25 November 2011 n.o. 11). SKAGEN AS has its registered office at Skagen 3, Torgterrassen, 4006 Stavanger, Norway. Postbox 160, 4001 Stavanger. 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.

Any offering is made only pursuant to the relevant Prospectus, together with the current financial statements of the relevant fund or vehicle, if available, and the relevant subscription application, all of which must be read in their entirety. No offer to purchase shares can be made or accepted prior to receipt by the offeree of these documents and the completion of all appropriate documentation. No offer to sell (or solicitation of an offer to buy) will be made in any jurisdiction in which such offer or solicitation would be unlawful. This is not an advertisement and is not intended for public use or distribution.

The SICAV has registered its 7 Sub-Funds (SKAGEN Kon-Tiki Lux, SKAGEN Focus Lux, SKAGEN Global Lux, SKAGEN m2 Lux, Storebrand Global Solutions Lux, Storebrand Global Multifactor Lux, Storebrand Global ESG Lux) for public distribution in the UK, the Netherlands, Belgium and Germany.

For all fund documentation including the KIID, the prospectus, the Annual Report and Half Year Report, unit holder information and the prices of the unit are available on request and free of charge from the counterparties below. More information is also available on the webpages: www.skagenfunds.com and www.storebrandfunds.com.

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 48 Dover Street, London W1S 4FF. 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.