

# SKAGEN Kon-Tiki LUX B EUR

## Q3 2022 Quarterly Report

All data in EUR as of 30/09/2022 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

#### China sell-off rattles Emerging Markets

Emerging markets fell during the third quarter as Chinese equities came under pressure on growing contagion fears from the property market and the continuation of the zero-COVID policy. As a result, economic growth expectations have come down further, which, coupled with tightening monetary conditions, has weighed on risk assets.

SKAGEN Kon-Tiki still has no direct exposure to the Chinese property or banking sectors. However, 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 Brazil, which despite the uncertainty surrounding the outcome of its elections, is well positioned for the current positive commodity backdrop. India also performed strongly on the back of continued strong economic growth. We believe that the current market backdrop favours a conservative approach to portfolio construction. The combination of monetary and fiscal policy tightening to bring down historically high inflation rates has yet to feed into corporate earnings expectations, in our view.

#### Contributors and detractors

Despite the unfavourable market backdrop, SKAGEN Kon-Tiki outperformed its benchmark in the third quarter. The largest positive contributor during the period was the Brazilian cash & carry operator Assai, which continues to execute well since becoming a standalone company last year. We see significant opportunities ahead as management delivers on its store conversion program for recently acquired stores.

Our copper producers Ivanhoe Mines and Turquoise Hill Resources also performed well despite weaker commodity prices. Both companies currently operate and are further developing world-class copper deposits in DR Congo and Mongolia, respectively. With copper being a key enabler of the energy transition, we see significant future value creation ahead, corroborated by Rio Tinto's current offer to buy out minority shareholders in Turquoise Hill Resources.

The Indian crop protection company UPL benefited from a buoyant Indian equity market as well as delivering strong Q1 results. We are optimistic about the long-term opportunities for UPL, even more so after the company raised its top and bottom-line guidance for the 2022/23 financial year on the back of strong demand.

Our largest negative contributors for the quarter were our Chinese and Korean holdings on the back of general market weakness and expectations of weaker results ahead. The Chinese insurance company Ping An fell on weak Q2 results as COVID lockdowns continue to weigh on new sales. Although management believes its property exposure is contained, the market remains sceptical given the negative news flow from the sector.

In Korea, both LG Electronics and Samsung Electronics fell on deteriorating market conditions for consumer electronics and memory chips, respectively. While both industries have historically proven to be cyclically sensitive, we believe that both companies' strong competitive positions and balance sheets should see them fare relatively well.

Finally, the land-based salmon farming company Atlantic Sapphire underperformed in the period despite raising new equity to fund its ongoing expansion. As long-term shareholders, SKAGEN Kon-Tiki participated in the capital raise and continues to believe that the company has the potential to challenge the salmon farming industry. The recent news that Norway will introduce resource rent tax on aquaculture from 2023, makes land-based salmon farming potentially more attractive from a longer-term perspective.

#### Portfolio activity

We made only minor changes to the portfolio during the quarter. We invested in the Korean financial group DGB Financial, which is a leading regional bank with additional brokerage, asset management and insurance services. We see the company as a clear beneficiary of higher interest rates while the balance sheet risk is mitigated through high provisioning and adequate capital, both of which have been encouraged by the regulator. Trading on three times earnings and a quarter of net assets, we see a very compelling risk/reward given 9% return on equity. We exited our small holding in the traditional Chinese medicine producer China Shineway due to uncertainty about capital returns and deteriorating risk/reward.

#### Outlook

As a result, the SKAGEN Kon-Tiki portfolio now consists of 47 companies including our five Russian holdings, which are currently valued at zero. Overall, the portfolio is trading on just 5x 2022 earnings and 0.7x price to book, which is approximately half the valuation of the broader Emerging Markets index. The disconnect between our holdings' fundamentals and their aggregate valuation is as wide as it has ever been over the past five years. As a result, we continue to believe that the portfolio offers an attractive risk/reward proposition almost regardless of the macro backdrop.

#### Team structure

We added Espen Klette to the portfolio management team at the start of July. Espen has worked as an analyst for SKAGEN Kon-Tiki over the last 3.5 years and we are thrilled to see him take on broader responsibilities.

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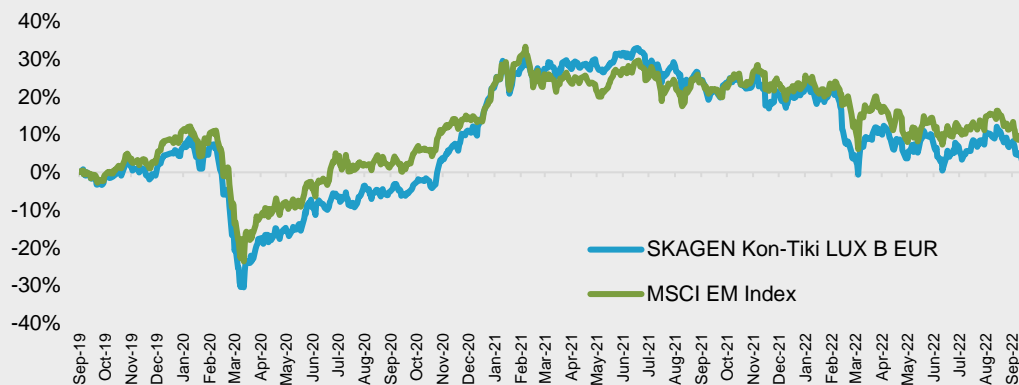
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### FUND PERFORMANCE<sup>1</sup>

	Q3 2022	YTD	1-year	Since Start
<b>SKAGEN Kon-Tiki LUX B EUR</b>	<b>-5.0%</b>	<b>-17.5%</b>	<b>-18.7%</b>	<b>-0.4%</b>
MSCI EM Index	-5.6%	-15.4%	-15.0%	1.2%
<i>Relative Return</i>	0.6%	-2.1%	-3.7%	-1.6%



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

#### Largest contributors ↑

Holding	Weight	Contribution
Turquoise Hill Resources	2.9%	1.9%
Sendas Distribuidora SA	4.2%	1.9%
CNOOC Ltd	3.5%	1.5%
Mahindra & Mahindra Ltd	1.7%	0.9%
Hollsys Automation Technologies Ltd	1.5%	0.6%

#### Largest detractors ↓

Holding	Weight	Contribution
Sberbank of Russia	0.7%	-3.7%
LG Electronics Inc	6.2%	-3.5%
X5 Retail Group NV	0.5%	-2.6%
Samsung Electronics Co Ltd	4.4%	-1.8%
Tech Mahindra Ltd	3.3%	-1.7%

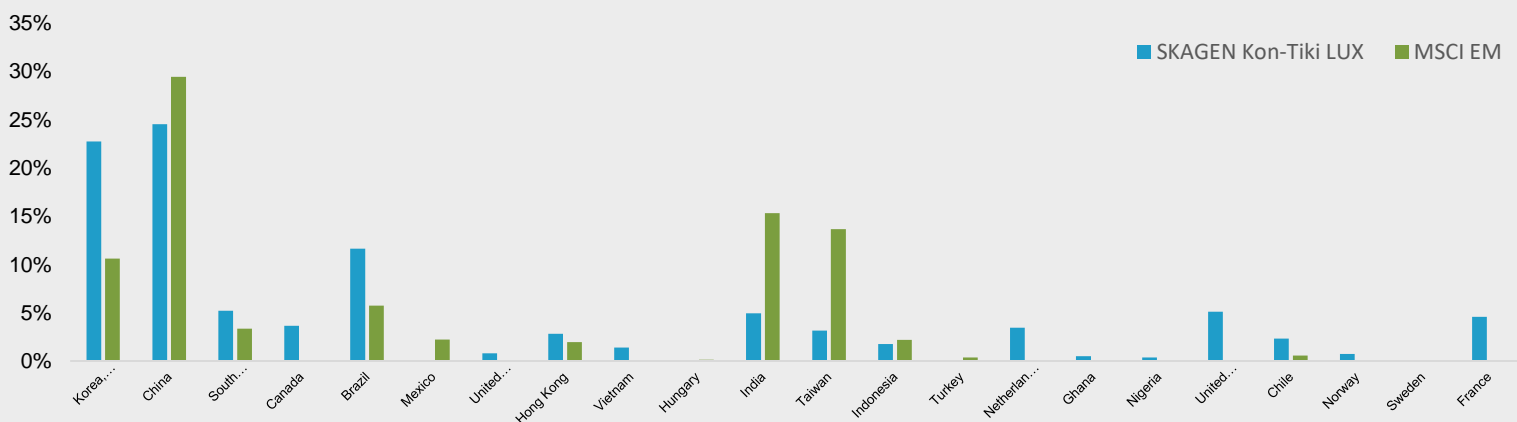
### PORTFOLIO STATISTICS

No. of holdings	50
Top 10 weighting	45%
Active Share	87%
Turnover ratio	46%
Investment horizon <sup>3</sup>	2 years+

### TOP TEN HOLDINGS

Holding	Weight
Ping An Insurance Group	6.1%
Cnooc Ltd	5.2%
Shell Plc	5.1%
LG Electronics Inc	4.8%
Samsung Electronics	4.7%
Totalenergies SE	4.6%
Upl Limited	3.9%
Suzano Sa Com Npv	3.8%
Prosus N.V.	3.5%
Cia Bras De Distri Com Npv	3.2%
<i>Combined Weight</i>	<i>44.9%</i>

### COUNTRY EXPOSURE



<sup>1</sup> As at 30/09/2022 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 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.*