

Coronavirus inflicts pain on most asset classes

Stock markets around the world were hit by the dual uncertainty of the rapid spread of COVID-19 and the economic effects on the global economy of stopping it. Prompt monetary and fiscal responses led to a rebound in the latter part of March, but most markets still experienced one of the worst quarters on record. Oil prices also fell to their lowest levels in 18 years during the quarter, hit by the twofold shock of a demand drop as lockdowns cut consumption and higher supply following the start of a price war between Saudi Arabia, the US and Russia. We saw massive currency moves with commodity-related currencies like the Norwegian kroner in particular tumbling. Investors also backed away from the corporate bond market, sending prices on a steep slide. The turmoil also affected SKAGEN Vekst, and the fund had a negative return in the first quarter of 2020.

Contributors

Our holdings in typically defensive sectors like pharma and telecom were generally among the most positive contributors to SKAGEN Vekst's absolute return. Our largest position in the fund, the Danish pharma company Novo Nordisk, was an especially strong performer as the company's recently launched products continue to gain market share. Another strong performer was the global life sciences company Lonza. The company manufactures and produces active pharmaceutical ingredients and is thus exposed to one of the few sectors not cutting guidance – pharma. The Chinese mobile operator, China Mobile was also among our best performers. While the company should be relatively

insulated from the current situation, it is also helped by a very solid balance sheet with a net cash position of USD 50bn. Furthermore, the company guided for lower than expected CAPEX spending when they released their 2019 result in March. On the negative side, we generally find companies exposed to the economic cycle like our global bank Citigroup. The weak stock and bond market hit life insurance companies like AIG. The collapse in energy prices also meant holdings like Bonheur, Gazprom, and Royal Dutch Shell had a difficult quarter.

Portfolio activity

SKAGEN Vekst added a new position in the Korean telecom company SK Telecom in the first quarter. The stock is extremely attractively priced, as its holdings in the memory company SK Hynix make up almost the entire market cap of SK Telecom. The company also has stakes in a number of smaller new economy related companies. Its core business is in the Korean mobile telecom market, where the company has a dominant position. We see several triggers for the company's material discount to underlying values to close: i) with the smaller players in the mobile market now having reached scale, we expect the competitive situation to improve leading to higher earnings and dividends, ii) SK Hynix is in a much stronger financial position than in the past, and we expect continued earnings growth to result in higher dividends payments to SK Telecom, iii) we expect the company to start monetizing its investments in non-core assets.



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Key sells

Due to the risk posed by the coronavirus to global growth, we sold out of the shipping company A.P. Møller-Mærsk and the machinery company FLSmidth that supplies equipment to the cement and minerals sector. Following very strong share price performance we exited the oil company Lundin Petroleum and the Norwegian branded consumer goods company Orkla while reducing Novo Nordisk, Lonza, and Samsung Electronics. Following the full shutdown of most economies globally in March, our focus has been to protect the downside in the event of a prolonged downturn in the economy while still maintaining the upside potential for when things normalise. We have done this by reducing positions with elevated financial leverage while adding to companies with stronger balance sheets but a still cyclical exposed topline. For this reason, we exited the offshore oil service companies Borr Drilling and Drilling Company of 1972 along with the Danish facility service company ISS. We also reduced our exposure to the global life insurance company AIG and the US semiconductor related company Broadcom. Instead, we added to our positions in the semiconductor equipment manufacturer Applied Materials, the P&C insurer Chubb, the fertiliser company Yara, the oil company Equinor, the mining company Boliden, and the Danish brewing company Carlsberg.

Outlook

While both stock prices and valuation levels have come down significantly in the past month, uncertainty remains very high. The demand shock to the global economy is unprecedented given the almost complete shutdown of most economies around the world. However, it is important to highlight the swift and massive scale of both monetary and fiscal stimulus, that should help lessen the burden for the global economy. How serious a hit the global economy and thus companies will eventually take, depends on the length of the lockdown of the world's most important economies. In response to this uncertainty, our strategy has been to protect the downside in case we get a prolonged downturn in the economy while still maintaining the upside potential for when things normalise.

SKAGEN Vekst investerer i en aktivt forvaltet og diversifisert portefølje av undervurderte selskaper over hele verden. Halvparten av porteføljen er konsentrert rundt Norden.

Målet er å gi andelseierne best mulig risikojustert avkastning over tid.

Fondet passer for investorer som har minst fem års investeringshorisont.

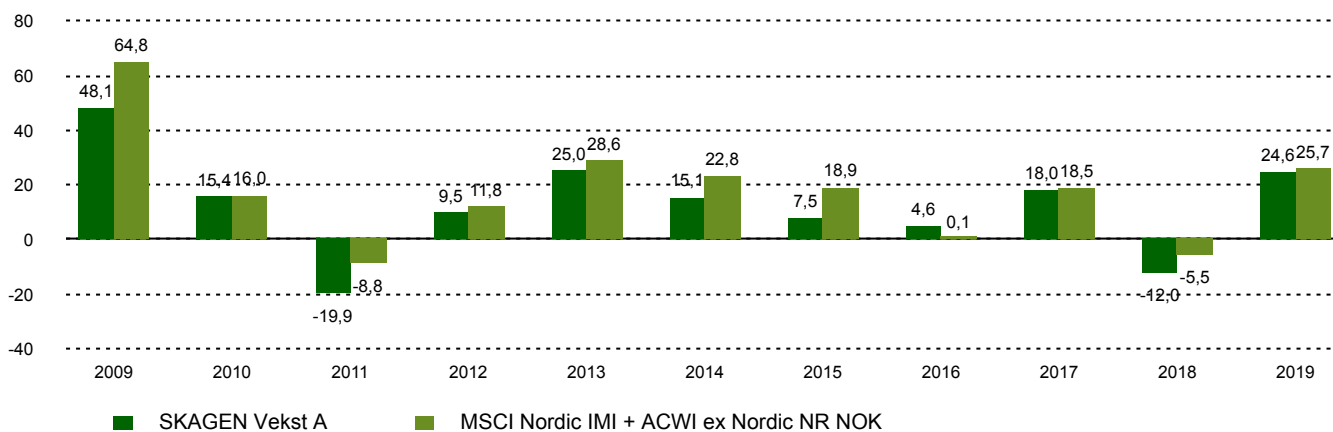
Historisk avkastning

Periode	SKAGEN Vekst A	Referanseindeks
Siste måned	-8,7%	-3,0%
Hittil i kvartal	-15,3%	-5,9%
Hittil i år	-15,3%	-5,9%
Siste år	-3,5%	7,4%
Siste 3 år	0,7%	7,5%
Siste 5 år	3,3%	6,9%
Siste 10 år	5,3%	11,0%
Siden start	12,6%	10,1%

Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	01.12.1993
Morningstarkategori	Global, Fleksibel kapitalisering
ISIN	NO0008000445
NAV	2277,16 NOK
Årlig forvaltningshonorar	1.00%
Totalkostnad (2019)	1.00%
Referanseindeks	MSCI Nordic IMI + ACWI ex Nordic NR NOK
Forvaltningskapital (mill.)	6053,19 NOK
Antall poster	51
Porteføljeforvalter	Søren Christensen

Avkastning siste 10 år



Bidragstere i kvartalet



Største positive bidragstere

Navn	Vekt (%)	Bidrag (%)
Novo Nordisk A/S	7,70	1,79
Lonza Group AG	1,60	0,64
China Mobile Ltd	2,75	0,21
Holmen AB	1,32	0,13
Thermo Fisher Scientific	1,07	0,06



Største negative bidragstere

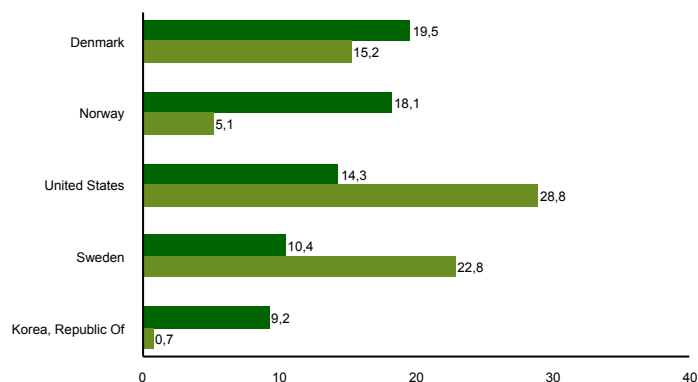
Navn	Vekt (%)	Bidrag (%)
Citigroup Inc	3,99	-1,72
AIG	2,27	-1,38
Bonheur ASA	4,41	-1,18
Royal Dutch Shell	3,44	-0,96
Gazprom PJSC	2,59	-0,96

I NOK for alle andelsklasser

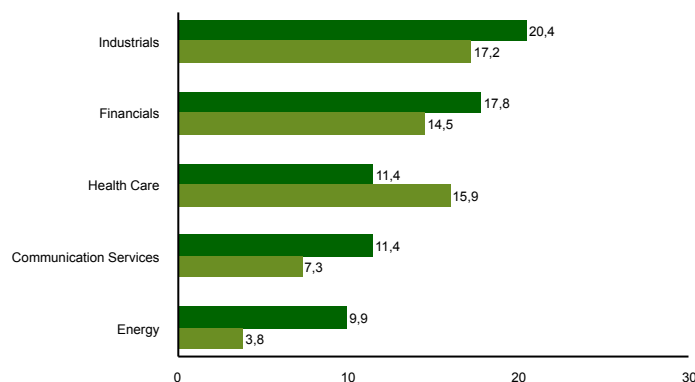
10 største investeringer

Navn	Sektor	Land	%
Novo Nordisk A/S	Health Care	Denmark	8,9
Yara International ASA	Materials	Norway	5,4
Samsung Electronics Co Ltd	Information Technology	Korea, Republic Of	4,2
Bonheur ASA	Industrials	Norway	4,1
Vestas Wind Systems A/S	Industrials	Denmark	3,8
China Mobile Ltd	Communication Services	China	3,6
Royal Dutch Shell PLC	Energy	Netherlands	3,6
CK Hutchison Holdings Ltd	Industrials	Hong Kong	3,6
Citigroup Inc	Financials	United States	3,5
Telia Co AB	Communication Services	Sweden	3,0
Samlet vektning			43,5

Landeksponering (topp 5)



Bransjefordeling (topp 5)



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