

**IMPORTANT INFORMATION:** This is marketing communication. The report should not be perceived as a recommendation to buy or sell fund units. Prior to subscription, we encourage you to read the fund's prospectus and key investor information document which are available at [www.skagenfunds.com](http://www.skagenfunds.com), from our local representatives and from our distributors.

## 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.



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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 is a high conviction equity fund that seeks to generate long-term capital growth by investing in a portfolio of global companies with the majority of exposure invested in small and mid-cap companies. Subscriptions are made in fund units and not directly in stocks or other securities. The fund has risk profile 6. The benchmark reflects the fund's investment mandate. Since the fund is actively managed, the portfolio will deviate from the composition of the benchmark.

### Historical performance (net of fees)

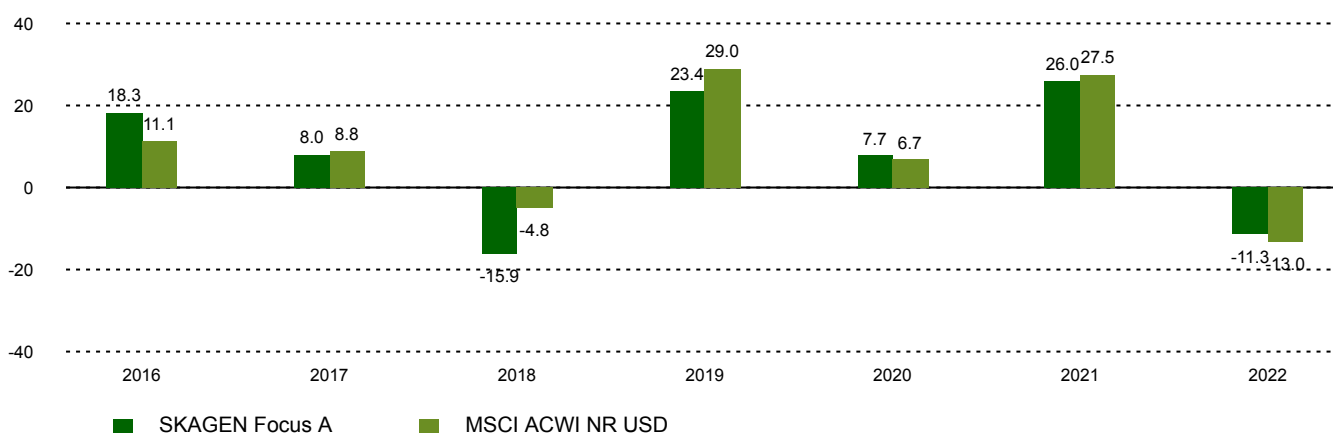
Period	SKAGEN Focus A	Benchmark index
Last month	-2.9%	-7.3%
Quarter to date	8.3%	0.8%
Year to date	-11.3%	-13.0%
Last 12 months	-11.3%	-13.0%
Last 3 years	6.4%	5.8%
Last 5 years	4.6%	7.7%
Last 10 years	n/a	n/a
Since start	4.0%	6.6%

### Fund Facts

Type	Equity
Domicile	Norway
Launch date	26.05.2015
Morningstar category	Global Flex-Cap Equity
ISIN	NO0010735129
NAV	16.01 EUR
Fixed management fee	1.60% + performance fee*
Total expense ratio (2021)	1.40%
Benchmark index	MSCI ACWI NR USD
AUM (mill.)	222.96 EUR
Number of holdings	50
Portfolio manager	Jonas Edholm

\*10.00% performance fee calculated daily and charged annually if the fund's value development is better than the benchmark index. The total management fee charged represents a maximum of 3.20% p.a. and a minimum of 0.80% p.a. The performance fee may be charged even if the fund's units have depreciated in value if the value development is better than the benchmark index.

### Performance last ten years



Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skill, the fund's risk profile and management fees. The return may become negative as a result of negative price developments. There is a risk associated with investing in the fund due to market movements, currency developments, interest rate levels, economic, sector and company-specific conditions.

## Contributors in the quarter



### Largest contributors

Holding	Weight (%)	Contribution (%)
Befesa SA	1.80	0.66
Atalaya Mining PLC	1.34	0.63
Kimberly-Clark de Mexico	2.98	0.53
DB Insurance Co Ltd	2.54	0.51
Fortuna Silver Mines	1.72	0.51



### Largest detractors

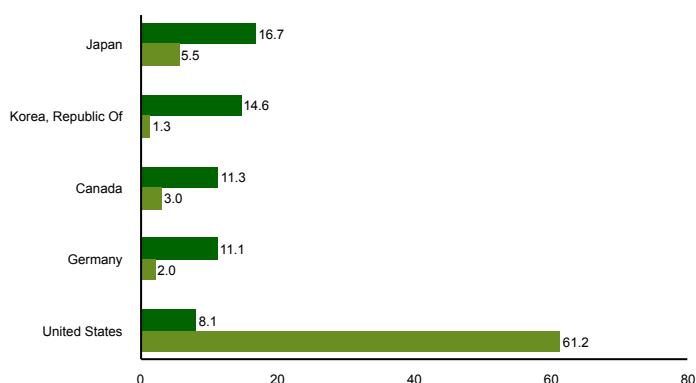
Holding	Weight (%)	Contribution (%)
Canfor Pulp Products	2.26	-0.48
Kyocera Corp	2.96	-0.37
Ubisoft Entertainment	1.47	-0.19
Albertsons Cos Inc	2.49	-0.17
Ence Energia y Celulosa	1.94	-0.14

Weights shown are the average for the period. Absolute contribution based on NOK returns at fund level.

## Top ten investments

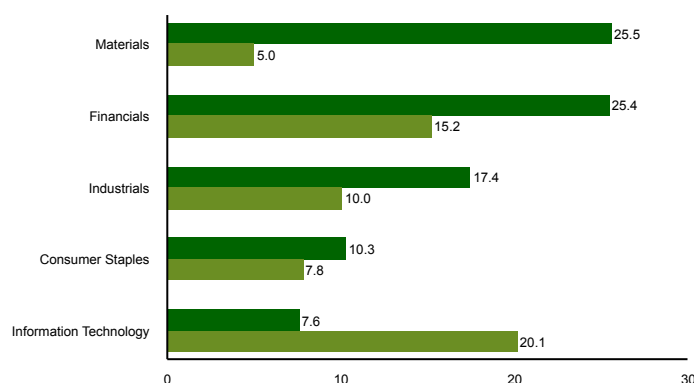
Holding	Sector	Country	%
Methanex Corp	Materials	Canada	3.3
KB Financial Group Inc	Financials	Korea, Republic Of	3.3
Textainer Group Holdings Ltd	Industrials	China	3.2
Komatsu Ltd	Industrials	Japan	3.1
Vitesco Technologies Group AG	Consumer Discretionary	Germany	3.1
Endeavour Mining PLC	Materials	Burkina Faso	3.1
DB Insurance Co Ltd	Financials	Korea, Republic Of	3.0
Panasonic Holdings Corp	Consumer Discretionary	Japan	2.8
China Communications Services Corp Ltd	Industrials	China	2.8
Kyocera Corp	Information Technology	Japan	2.7
Combined weight of top 10 holdings			30.4

## Country exposure (top five)



■ SKAGEN Focus A ■ MSCI ACWI NR USD

## Sector exposure (top five)



■ SKAGEN Focus A ■ MSCI ACWI NR USD

## Important information

This report is intended for investment professionals only. All information is based on the most up-to-date data available. Unless otherwise stated, performance data relates to class A units and is net of fees. AUM data as per the end of the previous month. Except otherwise stated, the source of all information is SKAGEN AS. SKAGEN AS does not assume responsibility for direct or indirect loss or expenses incurred through use or understanding of this report. Employees of SKAGEN AS may be owners of securities issued by companies that are either referred to in this report or are part of a fund's portfolio.



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