

## A strong second quarter

Global equity markets continued to climb in the second quarter. In Europe, the new French president Emmanuel Macron scored a convincing victory, improving investor sentiment towards the European equity market which noted 14 straight weeks of inflows. Emerging markets also performed well in the quarter as the economic outlook and corporate earnings gradually advance along a positive trajectory. The US equity market posted gains but rose less than many other markets as uncertainty over President Trump's agenda dampened investor appetite. In summary, many of the global equity markets ended June at or near record-high levels.

Healthcare and technology stocks posted gains while the energy and telecom sectors posted negative dollar-denominated quarterly returns in the global equity index MSCI AC World.

SKAGEN Global delivered positive return in both absolute and relative terms during the second quarter. The fund is ahead of its benchmark so far in 2017 and also over a 12-month perspective as of 30 June 2017.

The key positive contributors to performance in the second quarter were Samsung Electronics, Unilever and Citigroup.

Our technology behemoth Samsung Electronics benefited from a strong memory cycle and higher expectations around improvement in the Korean chaebol's corporate governance following the presidential election of

Moon Jae-in. Several of our portfolio managers have visited Korea in 2017 and seen tangible evidence that minority shareholders in the country's legendary chaebols are beginning to receive more favourable treatment. We think this aspect remains underappreciated in the market and may drive a re-rating of Korean stocks.

After rejecting the bid from Kraft Heinz and Warren Buffett in the first quarter, the emerging market giant Unilever presented a strategic update to the investor community in the second quarter. The purpose was to help investors better understand the quantum of hidden value that can be unlocked by the company. The market liked the message and propelled Unilever to a 7 percentage point outperformance relative to the index in the quarter.

For the US bank Citigroup, our long-held investment thesis centres around capital return. Indeed, the US Central Bank (the Fed) gave Citigroup the green light to distribute large swaths of cash back to shareholders after this year's stress test confirmed that the bank is massively overcapitalised. Citigroup announced a doubling of the quarterly dividend and launched its largest ever buyback program totalling nearly USD 16bn.

On the negative side, the three weakest performers in the second quarter were General Electric, Teva and China Mobile.



Our technology behemoth Samsung Electronics was a key positive contributor in the second quarter. Photo: Bloomberg



The previous investment, Cheung Kong Property Holding, is back in the portfolio this quarter. Photo: Bloomberg

## Portfolio activity

The fund identified 3 undervalued companies that entered the portfolio in the quarter. The global risk advisory and insurance broker firm Marsh & McLennan is now a 2% position in the fund. We also initiated a 2% position the German company Henkel which has been successfully managed with a long-term strategic horizon by the same family for over 140 years. Finally, a former holding, the Hong-Kong based real estate conglomerate Cheung Kong Property Holding returned to the portfolio.

We exited the Israeli pharmaceutical company Teva as we find the risk-reward less compelling given the debt overhang and exodus from the executive suite. We also stepped away from the Hong-Kong listed technology firm Lenovo due to deteriorating fundamentals that make the stock less undervalued than we previously assessed. Finally, we bid farewell to the US companies Amerco and ServiceMaster as we chose to re-deploy the capital into more attractive opportunities elsewhere in the portfolio.

The fund scaled back its position in AIG which has performed well since inception 5 years ago in 2012.

## Outlook

The global economic outlook looks reasonably healthy. Reflecting this positive outlook, the global equity market index MSCI AC World has risen by nearly 20% in USD terms over the past 12 months and now trades on 15x forward earnings. SKAGEN Global's portfolio looks attractively valued and offers approximately 25% upside on a 2-year view. We continue to strictly follow SKAGEN's time-tested value-based investment philosophy in our pursuit of undervalued companies with attractive long-term potential.

The fund selects undervalued companies from around the world, including emerging markets, with attractive risk-reward for long-term investors.

The objective is to provide the best possible risk adjusted return.

The fund is suitable for those with at least a five year investment horizon.

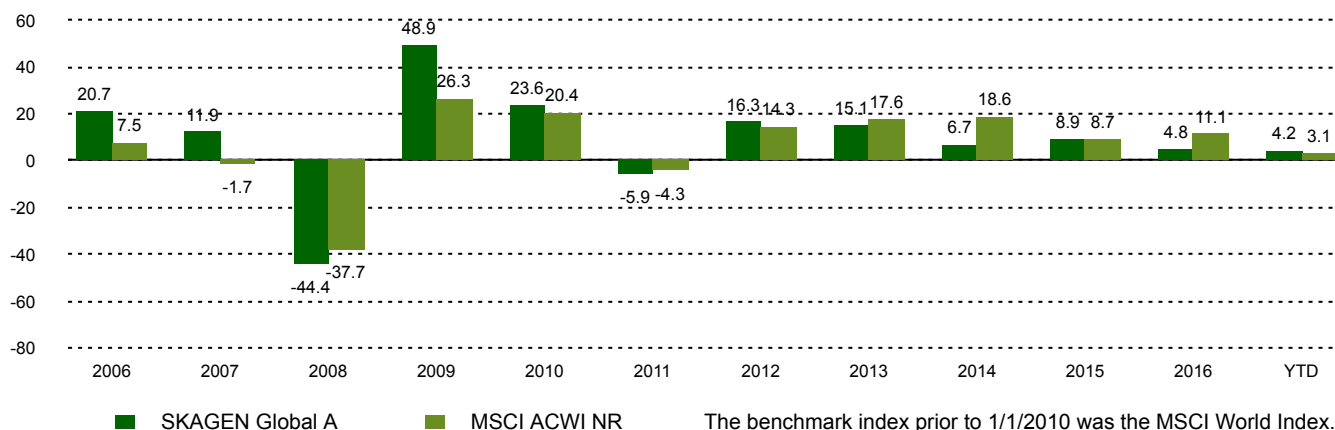
## Historical performance (net of fees)

Period	SKAGEN Global A	Benchmark index
Quarter to date	-1.3%	-2.2%
Year to date	4.2%	3.1%
Last year	17.3%	16.4%
Last 3 years	6.0%	11.4%
Last 5 years	10.3%	13.0%
Last 10 years	4.7%	5.2%
Since start	13.9%	4.4%

## Fund Facts

Type	Equity
Domicile	Norway
Launch date	07.08.1997
Morningstar category	Global Large-Cap Value Equity
ISIN	NO0008004009
NAV	166.31 EUR
Fixed management fee	1.00%
Total expense ratio (2016)	1.00%
Benchmark index	MSCI ACWI NR
AUM (mill.)	3045.84 EUR
Number of holdings	45
Lead manager	Knut Gezelius

## Performance last ten years



## Contributors in the quarter



### Largest contributors

Holding	Weight (%)	Contribution (%)
Samsung Electronics	4.11	0.50
Unilever CVA	5.29	0.48
Citigroup	4.73	0.41
Cap Gemini	3.11	0.29
Carlsberg	2.49	0.28

Absolute contribution based on NOK returns at fund level



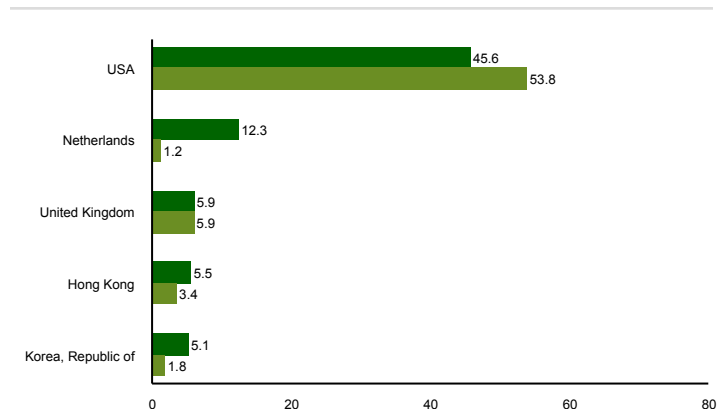
### Largest detractors

Holding	Weight (%)	Contribution (%)
General Electric	4.17	-0.44
Teva Pharmaceutical	1.13	-0.21
China Mobile	3.78	-0.15
Golar	0.45	-0.10
IRSA	1.03	-0.09

## Top ten investments

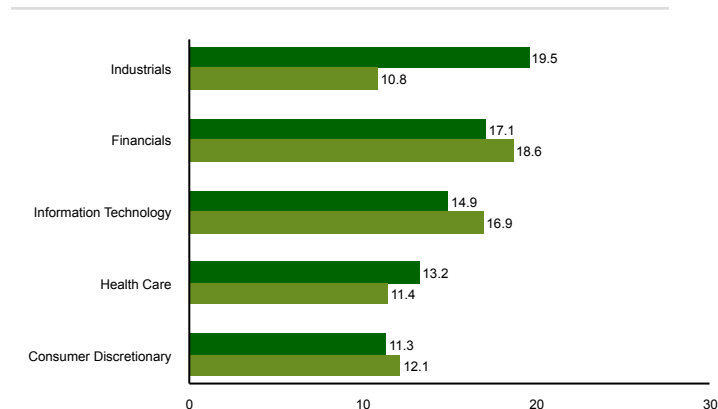
Holding	Sector	Country	%
Unilever CVA	Consumer Staples	Netherlands	5.23
CK Hutchison Holdings	Industrials	Hong Kong	4.96
Citigroup	Financials	USA	4.95
Roche Holding	Health Care	Switzerland	4.69
Microsoft	Information Technology	USA	4.30
3M	Industrials	USA	4.19
Samsung Electronics	Information Technology	Korea, Republic of	4.02
Merck & Co	Health Care	USA	3.88
General Electric	Industrials	USA	3.77
China Mobile	Telecommunication Services	China	3.54
Combined weight of top 10 holdings			43.53

## Country exposure (top five)



■ SKAGEN Global A ■ MSCI ACWI NR

## Sector exposure (top five)



■ SKAGEN Global A ■ MSCI ACWI NR

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