

## An active quarter

The global equity market as represented by MSCI AC World climbed in the third quarter (Q3) driven by developed markets which outperformed emerging markets. In particular, the broad US index S&P 500 rose over 7% in USD, making it the best quarter in five years. Headlines around the US-China trade war, market turmoil in Turkey and the US 10-year government bond yield exceeding 3% dominated the macro news flow.

### Key contributors

The fund's three strongest performers measured by absolute return in Q3 were Microsoft, Veoneer and DSV.

The US technology giant Microsoft continues to benefit from cloud expansion and still trades at a double-digit discount to intrinsic value based on our analysis. Veoneer, the active safety leg recently spun off from the automotive safety supplier Autoliv, benefited from the spin-off transaction which helped unlock hidden value as predicted by our investment case. The Danish freight forwarder DSV rallied after presenting a strong Q2 report but the stock remains significantly undervalued.

The fund's three largest detractors in the quarter were Autoliv, Capgemini and Tyson Foods. Autoliv lowered guidance in its Q2 report after end-market weakness. The French technology service provider Capgemini pulled back after the Q2 report signalled a slowdown for the second half of the year, but we think there is some conservatism in the guidance and believe the share price will recover relatively soon. Tyson Foods unexpectedly replaced its CEO and suffered from negative sentiment around tariffs, so we used the temporary weakness to buy more shares.

### Key buys

We entered five new positions in Q3, namely Accenture, Home Depot, JP Morgan, Nasdaq and Old Dominion Freight Line.

The US-based professional services company Accenture has demonstrated a unique ability to skilfully navigate the evolving digital landscape. Our research indicates that the digital shift will remain a structural driver for many more years and Accenture with its solid balance sheet and strong cash flow generation is well positioned to capitalise on

this global opportunity.

On a slightly contrarian note, the fund initiated a position in the US home improvement retailer Home Depot. While the competition from Amazon and other online players is formidable, our due diligence indicates that Home Depot has grasped the importance of giving customers a seamless and integrated shopping experience across all channels in the emerging digital world. In addition, we find Home Depot to be less exposed (but not immune) to the online threat given the bulkiness of its products as well as consumers' immediate need for sales advice when making a purchase. In our view, dismissing virtually all traditional retail stocks as doomed-to-fail enterprises is too simplistic and we see Home Depot and its tenured management team as an undervalued powerhouse that can stand its ground and possibly even take market share.

Within the financials sector, we joined the shareholder base of the multinational investment bank JP Morgan. The bank's robust strategy to re-invest heavily in the business with a clear focus on technology in order to improve its long-term organic earnings power offers an attractive proposition that we anticipate will bear fruit in the coming years.

The fund also initiated a new position in the US exchange and technology company Nasdaq. After a transition period, the company now derives the majority of its revenue from recurring income sources, an attractive feature that we think remains underappreciated. Additionally, Nasdaq is deploying considerable funds toward developing its market technology division and we predict this platform could provide massive scale advantages over time.

Finally, the US family-controlled less-than-truckload (LTL) carrier and logistics provider Old Dominion Freight Line entered the portfolio. The company has advanced its domestic market position from number seven to number three in the past eight years by delivering best-in-class operational performance and customer service. Still, the company commands less than ten percent market share in the US and we see good potential for growth and improving an undervalued share price over a multi-year horizon.



Microsoft continues to benefit from cloud expansion, making the company the top performer in the fund. Photo: Microsoft

### Key sells

We sold seven positions during the quarter. In the case of two of our long-term holdings, the automotive safety supplier Autoliv/Veoneer (2012) and the megabank Citigroup (2010), the investment case has now largely played out and we therefore exited the positions. We also sold our shares in the German chemical and consumer goods company Henkel due to management's palpable lack of urgency to firmly address the underperforming non-Adhesives divisions. The Chinese technology company Baidu left the portfolio to fund other opportunities. As mentioned in previous monthly updates, the fund also sold out of Shangri-La, Golar LNG and CK Asset Holding.



The US family-controlled less-than-truckload carrier and logistics provider Old Dominion Freight Line entered the portfolio. Photo: odfli.com

### Outlook

We continue to see comparatively healthy fundamentals in most regions across the globe. The economic recovery is ongoing and we note that companies remain cautiously optimistic about the outlook. However, the trade war rhetoric remains a tangible threat to global growth and obviously merits close attention. SKAGEN Global continues to apply its unconstrained mandate to seek out undervalued companies with robust financials, strong competitive positions and management teams who are prudent capital allocators. The portfolio remains attractively valued.

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.

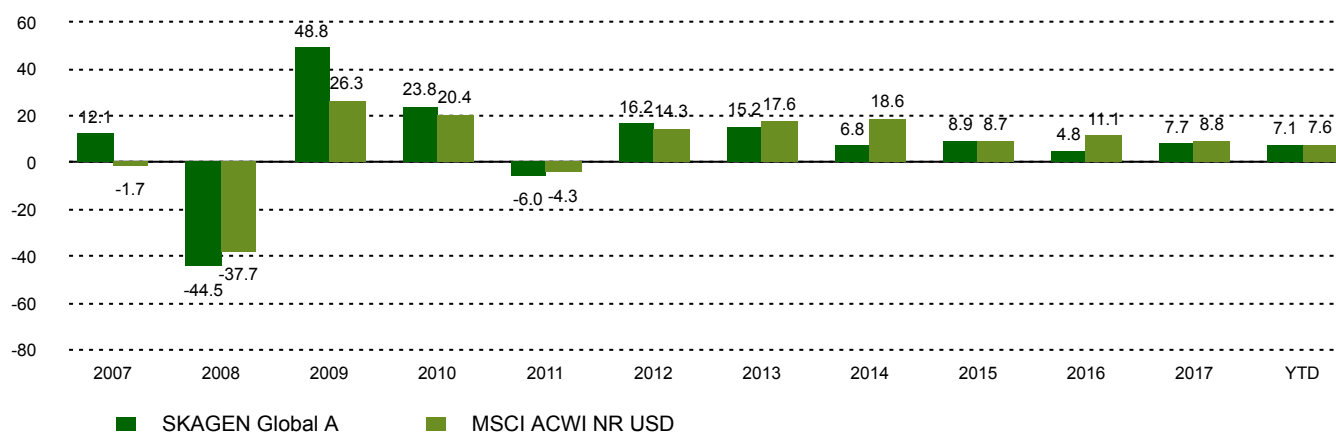
## Historical performance (net of fees)

Period	SKAGEN Global A	Benchmark index
Last month	-0.4%	0.8%
Quarter to date	4.5%	4.5%
Year to date	7.1%	7.6%
Last year	10.6%	12.0%
Last 3 years	10.7%	12.0%
Last 5 years	8.3%	12.1%
Last 10 years	9.3%	10.0%
Since start	13.7%	4.8%

## Fund Facts

Type	Equity
Domicile	Norway
Launch date	07.08.1997
Morningstar category	Global Large-Cap Blend Equity
ISIN	NO0008004009
NAV	184.07 EUR
Fixed management fee	1.00%
Total expense ratio (2017)	1.00%
Benchmark index	MSCI ACWI NR USD
AUM (mill.)	2759.31 EUR
Number of holdings	38
Portfolio manager	Knut Gezelius

## Performance last ten years



## Contributors in the quarter



### Largest contributors

Holding	Weight (%)	Contribution (%)
Microsoft Corp	6.98	0.98
Veoneer Inc	0.75	0.41
DSV A/S	3.27	0.37
Schindler Holding AG	2.39	0.36
Medtronic PLC	2.31	0.33



### Largest detractors

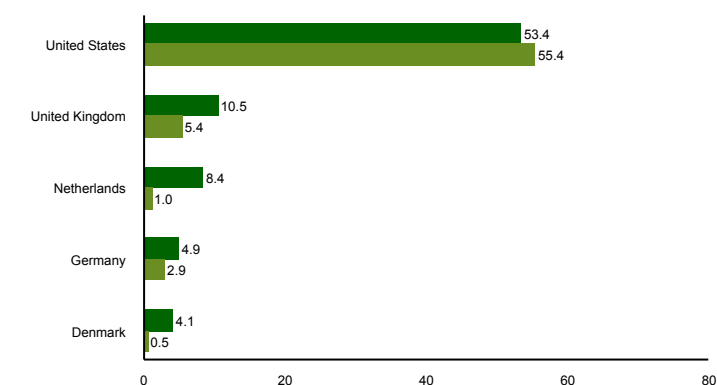
Holding	Weight (%)	Contribution (%)
Autoliv Inc	1.28	-0.31
Capgemini SE	3.08	-0.20
Tyson Foods Inc	1.29	-0.17
Beazley PLC	4.29	-0.13
RELX PLC	1.62	-0.12

Absolute contribution based on NOK returns at fund level

## Top ten investments

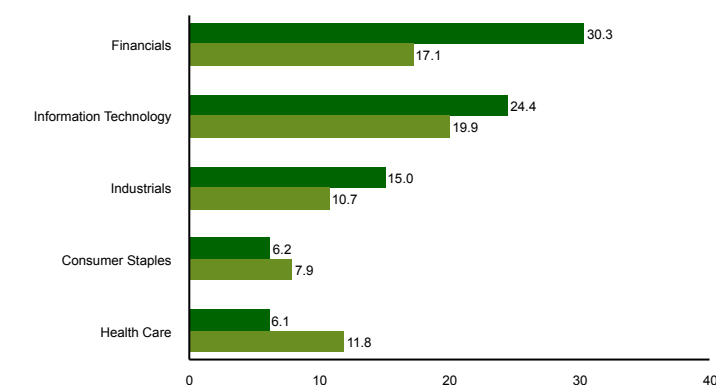
Holding	Sector	Country	%
Microsoft	Information Technology	United States	6.6
Intercontinental Exchange Inc	Financials	United States	4.9
Beazley PLC	Financials	United Kingdom	4.7
Hiscox	Financials	United Kingdom	4.6
3M	Industrials	United States	4.5
Unilever CVA	Consumer Staples	Netherlands	4.5
DSV	Industrials	Denmark	3.4
Marsh & McLennan	Financials	United States	3.3
Samsung Electronics	Information Technology	Korea, Republic Of	3.2
UPM-Kymmene OYJ	Materials	Finland	3.0
Combined weight of top 10 holdings			42.6

## Country exposure (top five)



■ SKAGEN Global A ■ MSCI ACWI NR USD

## Sector exposure (top five)



■ SKAGEN Global A ■ MSCI ACWI NR USD

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## Important information

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