SKAGEN Global A

All data in EUR as of 31/03/2021 unless otherwise stated.

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Strong first quarter

Equity markets posted a strong first quarter in anticipation of the global economy ramping up hopes that the crippling pandemic may finally succumb to the vaccine roll-out. Investor risk appetite remains high with a seemingly unquenchable thirst for early-stage IPOs and so called blank-check companies (SPACs) that typically reside far out on the risk spectrum. Large-scale stimulus programs in many Western countries provide short-term financial relief but also contribute to materially higher debt levels. The jury is still out on the ultimate consequences of these policy decisions.

SKAGEN Global outperformed its benchmark index for a second consecutive month in March. The fund remains behind the benchmark year-to-date after a weak start in January, but we are encouraged by the latest quarterly reports from our holdings that generally demonstrate attractive fundamentals, skilled operational execution and significant valuation upside over our multi-year time horizon.

Attribution
The fund's three best quarterly performers measured by absolute return were ASML, Old Dominion and Alphabet (Google). The Dutch firm ASML benefited from solid fundamentals in the global memory market while Old Dominion continued to execute flawlessly in the US logistics space. Alphabet gained after an excellent earnings report provided a glimpse of the immense hidden value that is not yet reflected in the share price.

The fund's three largest quarterly detractors in absolute terms were Verisk, MarketAxess and Intuitive Surgical. Verisk's quarterly earnings report was slightly disappointing, but management is taking action that we believe will bring positive news in due course. The weakness in MarketAxess and Intuitive Surgical was likely due to technical factors and ordinary profit taking after large share price gains in 2020 and we consider both investment cases to be fully intact.

Portfolio Activity
As detailed in previous update reports, we exited McDonald's and Marsh & McLennan during the first quarter. The fund did not enter or exit any other positions.

Constructive mid to long-term view of the market
While we are not in the business of predicting short-term market movements, we maintain a constructive mid and long-term view on the equity market. Why? Should we not be worried about an inflation comeback that could hurt equities as badly as some are vocally proclaiming? Again, we are not able or willing to make big macro calls (and we are not sure that anyone else has a consistently reliable crystal ball on these topics either), but we remain steadfast in our conviction based on historical precedent and logical reasoning that equities offer one of the most compelling investment options for long-term investors. Cash, on the other hand, has often proven to be an inferior, sometimes even catastrophic, investment alternative during both inflationary and deflationary periods.

In this context, we would like to stress the importance of "long-term" because the current bull market coupled with extended lockdowns seems to have intensified the innate human desire to get rich quickly. This dangerous mindset has been distinctly and increasingly visible in various corners of the market and not without casualties. For us, "long-term" means an investment horizon stretching from several years to decades into the future. In short, building wealth over time, not taking short-term bets. During such long time periods there will inevitably be both good and bad times and we actively resist the temptation to chase popular ephemeral trading patterns at the expense of achieving long-term gains.
In a similar vein, companies that excel over long time periods understand and prepare for these cycles by building robust businesses that can advance in a wide variety of macro scenarios, though not necessarily in a straight line. We find that these long-term winners tend to share a number of defining attributes: they have a clear competitive edge, passion for innovation, long-term strategic thinking, strong culture with ownership mentality, cash-generative financials and, last but not least, satisfied customers. Having a loyal and truly delighted customer base is arguably one of the most underappreciated competitive advantages in today's corporate world. It is therefore something that features prominently in our due diligence of existing and prospective holdings.

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Seeking hidden gems
Even though many companies desire or claim to have these attributes, the ones who truly exhibit them while trading at an attractive valuation are rare. Identifying these gems often requires more qualitative than quantitative analysis as published financial figures are more straightforward to interpret than intangible factors. However, this dilemma can also be a plus for active investors in that it provides pockets of opportunities of misunderstood and by extension undervalued stocks. In particular, the intrinsic earnings power of these stocks several years out in the future is an area that is often acutely under-researched, in our view. It is here that we regularly uncover attractive undervalued long-term investments, which may include small companies such as Old Dominion as well as global behemoths such as Alphabet.

Outlook
SKAGEN Global consists of carefully selected bottom-up investments based on the fund's broad and unconstrained mandate that enables us to invest with a multi-year time horizon in undervalued companies virtually anywhere in the world. The current portfolio companies have strong balance sheets with a median net debt/ebitda ratio of 0.3x and trade at compelling valuations, thus contributing to our positive outlook for the fund.

Quarterly Report

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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.

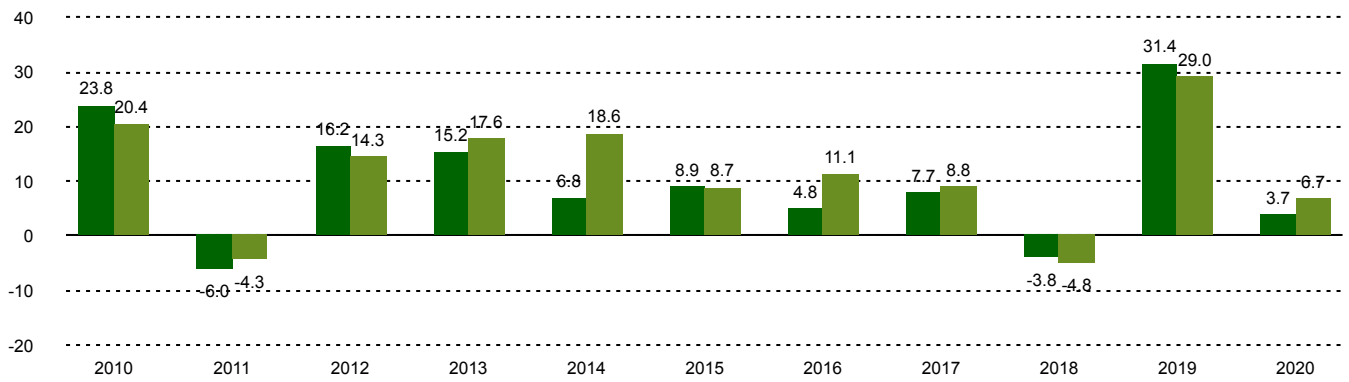
Historical performance (net of fees)

Period	SKAGEN Global A	Benchmark index
Last month	6.5%	5.9%
Quarter to date	7.6%	9.1%
Year to date	7.6%	9.1%
Last year	32.1%	44.0%
Last 3 years	14.1%	14.5%
Last 5 years	11.2%	12.5%
Last 10 years	8.6%	11.2%
Since start	13.4%	5.5%

Fund Facts

Type	Equity
Domicile	Norway
Launch date	07.08.1997
Morningstar category	Global Large-Cap Blend Equity
ISIN	NO0008004009
NAV	242.56 EUR
Fixed management fee	1.00%
Total expense ratio (2020)	1.00%
Benchmark index	MSCI ACWI NR USD
AUM (mill.)	2832.02 EUR
Number of holdings	30
Portfolio manager	Knut Gezelius

Performance last ten years



The benchmark index prior to 1/1/2010 was the MSCI World Index.

Contributors in the quarter

Largest contributors

Holding	Weight (%)	Contribution (%)
Alphabet Inc	5.13	0.82
DSV PANALPINA A/S	4.43	0.73
ASML Holding NV	3.19	0.71
Home Depot Inc/The	3.31	0.48
Old Dominion Freight Line	2.27	0.48

Largest detractors

Holding	Weight (%)	Contribution (%)
Verisk Analytics Inc	2.76	-0.46
Autodesk Inc	3.86	-0.39
MarketAxess Holdings	2.95	-0.39
Edwards Lifesciences	2.98	-0.28
Intuitive Surgical Inc	2.47	-0.27

Absolute contribution based on NOK returns at fund level

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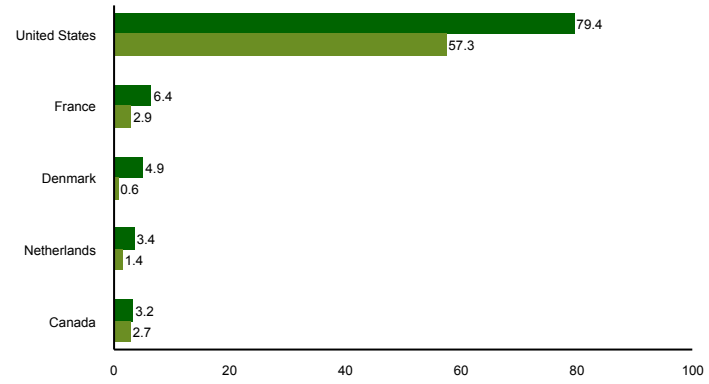
Top ten investments

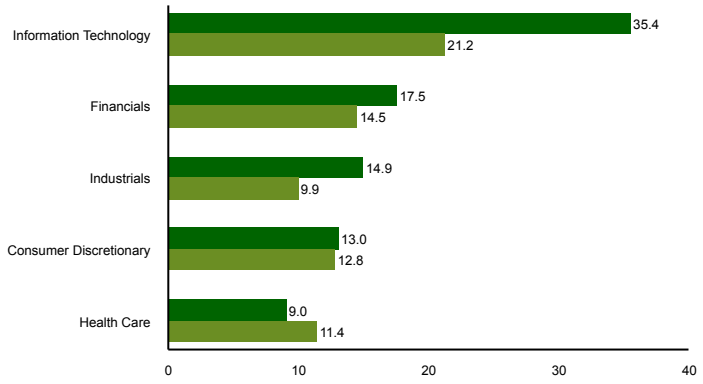
Holding	Sector	Country	%
Microsoft Corp	Information Technology	United States	6.5
Alphabet Inc	Communication Services	United States	5.3
DSV PANALPINA A/S	Industrials	Denmark	4.9
Mastercard Inc	Information Technology	United States	4.8
Visa Inc	Information Technology	United States	4.5
Moody's Corp	Financials	United States	4.4
Nasdaq Inc	Financials	United States	4.3
Adobe Inc	Information Technology	United States	4.1
Abbott Laboratories	Health Care	United States	3.7
Autodesk Inc	Information Technology	United States	3.7
Combined weight of top 10 holdings			46.3

Country exposure (top five)



SKAGEN Global A MSCI ACWI NR USD

Sector exposure (top five)



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Important information

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