

**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.

## Toxic cocktail unsettles markets

Global equity markets retreated in the first quarter due to a toxic cocktail of rising inflation, central bank hawkishness and Russia's invasion of Ukraine. SKAGEN Global does not own any Russian stocks and has not done so since 2015 due to our assessment of the political risk. Still, we believe the war in Ukraine merits special attention and deep reflection as the implications are likely to resonate far and wide for global investors over the next decade. Oil and interest rates also advanced during the quarter, inducing fear of slowing growth across much of the globe at a particularly inopportune time considering the fragile state of the economic recovery in the post-pandemic world.

### Performance

SKAGEN Global underperformed its benchmark index MSCI AC World in the first quarter. While we always strive to generate attractive absolute and relative returns, it is not entirely surprising to see the fund pull back after the solid results in 2021. We are encouraged by strong quarterly reports thus far from our existing holdings as well as the addition of three carefully selected newcomers to the fund.

### Attribution

The fund's three best quarterly performers measured by absolute return were Canadian Pacific, Munich Re and Brown & Brown. The railway operator Canadian Pacific commands pricing power and provides resilience in an uncertain macro environment. The German reinsurer Munich Re benefitted from a relatively clean underwriting quarter and market rotation while the American insurance broker Brown & Brown

announced good numbers and created a beachhead in Europe through the acquisition of the UK-based broking consolidator Global Risk Partners.

The fund's three largest quarterly detractors in absolute terms were Estée Lauder, Home Depot and Intuit. The former two declined after profit-taking following an impressive run in 2021 and heightened anxiety that consumers' discretionary income will be squeezed. Meanwhile, Intuit de-rated as part of a wider market rotation without any explicit company-specific reasons.

### Portfolio Activity

SKAGEN Global took advantage of the substantial intra-quarter market volatility to upgrade the portfolio by replacing three holdings. We initiated positions in the Swiss alternative investment firm Partners Group, the global professional risk advisory firm Marsh & McLennan and the US discount retail chain Dollar General. These three companies are run with a multi-year time horizon and provide value to all stakeholders in their respective ecosystems, an attribute we believe to be a pre-requisite for long-term value creation for shareholders.

We exited Munich Re as the stock approached our price target after solid performance. UPM also left the portfolio after an extended period of choppy execution in various areas. The Autodesk shares also found a new home as we deemed the new investment alternatives outlined above to be more compelling investment cases based on fundamental analysis.



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### Outlook

24th February 2022 is likely to be firmly imprinted in future history books as the day Russia launched an illegal and unprovoked invasion of Ukraine. The Russian stock market crashed the day after the invasion and has remained closed for normal trading ever since. Only time will tell how long the Russian market will remain shut, but initiated readers may recall that it was suspended for 75 years between 1917 and 1992.

Be that as it may, for SKAGEN Global the task at hand is to assess how the global landscape may evolve as a direct result of the armed conflict. Although we are bottom-up investors – meaning we focus on analysing companies rather than predicting macro variables – it is crucial to understand the external environment in which a company operates.

At the time of writing, the range of outcomes remains extraordinarily wide and trying to predict developments seems futile. However, it is fair to say that the sudden breakout of an all-out attack with the ensuing atrocities on European soil has been a brutal wake-up call for the West. Politicians have responded by redrawing the map when it comes to energy policies, defence spending and international sanctions. More is likely to follow over the next few weeks and months.

Nevertheless, these immediate first-order effects are rather obvious and likely already priced into the market. The more delicate question relates to the second-order effects, the contours of which remain obscure and are complicated by the structure of a globalised world where national and economic interests are more intertwined than ever before. Examples of areas that we think may have critical long-term investment implications for our portfolio range from global geopolitics and ESG frameworks to the inflation vs. growth tug-of-war debate and US political developments. While the market has largely taken the war in Ukraine in its stride, the tide may turn quickly in case of an escalation or expansion. Against this backdrop, it is worth (re-)emphasising that the SKAGEN Global portfolio consists of undervalued companies with strong balance sheets and competitive product suites led by highly competent executives with meaningful skin in the game. In summary, we believe the portfolio is attractively valued and well positioned to navigate uncharted territory over our multi-year investment horizon, bringing a ray of light in these dark times.

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. 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)

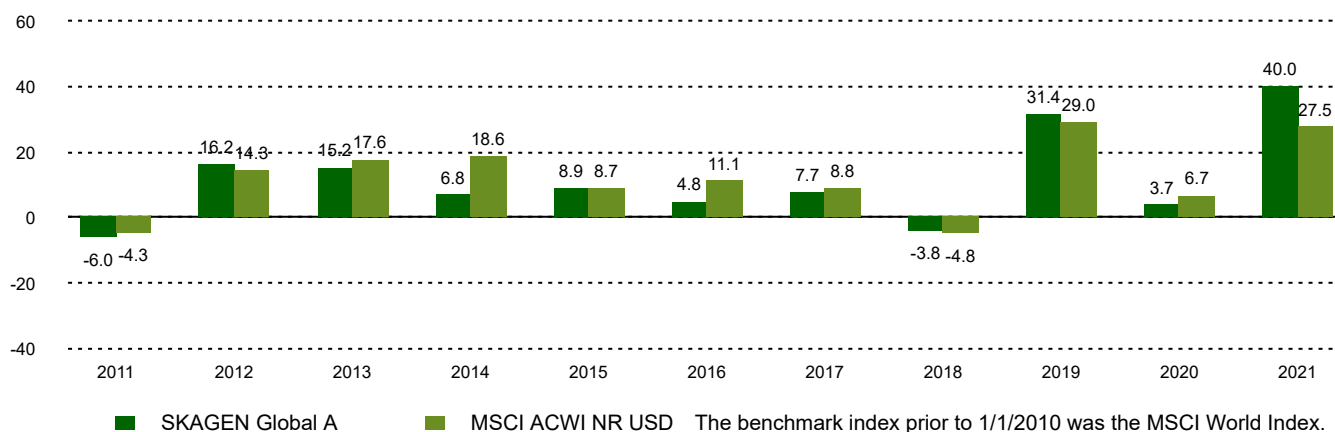
Period	SKAGEN Global A	Benchmark index
Last month	2.9%	3.1%
Quarter to date	-9.8%	-3.3%
Year to date	-9.8%	-3.3%
Last year	17.3%	13.1%
Last 3 years	15.2%	14.2%
Last 5 years	11.1%	10.7%
Last 10 years	10.2%	12.0%
Since start	13.6%	5.8%

## Fund Facts

Type	Equity
Domicile	Norway
Launch date	07.08.1997
Morningstar category	Global Large-Cap Blend Equity
ISIN	NO0008004009
NAV	284.59 EUR
Fixed management fee	1.00% + performance fee*
Total expense ratio (2021)	2.01%
Benchmark index	MSCI ACWI NR USD
AUM (mill.)	3456.95 EUR
Number of holdings	32
Portfolio manager	Knut Gezelius

\* 10.00% performance fee calculated daily and charged annually if the fund's relative value development is better than the benchmark. Underperformance in a given year which is not recovered can be reset after 5 years. 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.

## 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 (%)
Canadian Pacific Railway Ltd	3.90	0.50
Marsh & McLennan Cos Inc	0.60	0.24
Munich Re	0.78	0.11
Brown & Brown Inc	3.48	0.10
Visa Inc	3.04	0.06



### Largest detractors

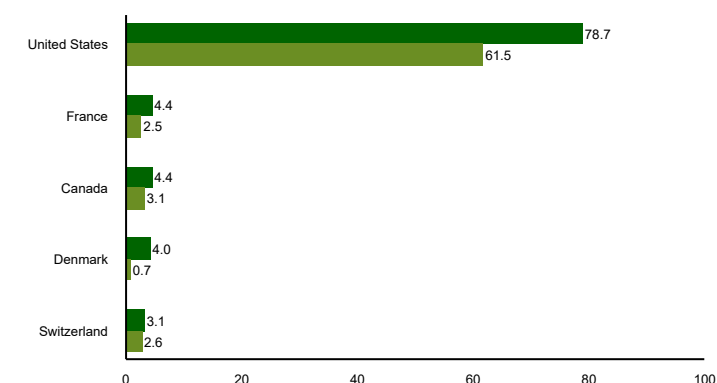
Holding	Weight (%)	Contribution (%)
Estee Lauder Cos Inc/The	3.14	-1.00
Home Depot Inc/The	2.82	-0.88
Intuit Inc	2.90	-0.82
JPMorgan Chase & Co	4.75	-0.75
Accenture PLC	3.45	-0.71

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

## Top ten investments

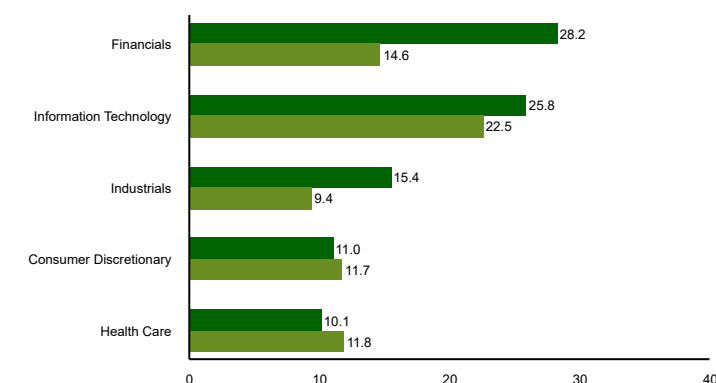
Holding	Sector	Country	%
Microsoft Corp	Information Technology	United States	5.9
Alphabet Inc	Communication Services	United States	5.6
JPMorgan Chase & Co	Financials	United States	4.4
Canadian Pacific Railway Ltd	Industrials	Canada	4.4
Nasdaq Inc	Financials	United States	4.3
DSV A/S	Industrials	Denmark	4.0
Waste Management Inc	Industrials	United States	3.9
Brown & Brown Inc	Financials	United States	3.8
Edwards Lifesciences Corp	Health Care	United States	3.7
Abbott Laboratories	Health Care	United States	3.7
Combined weight of top 10 holdings			43.9

## Country exposure (top five)



■ SKAGEN Global A ■ MSCI ACWI NR USD

## Sector exposure (top five)



■ SKAGEN Global 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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