

**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.

## Patience is key for the equity investor

Inflation powered higher in the second quarter, adding insult to injury in an already miserable global equity market shaken by galloping interest rates, stagflation fears and Russia's barbaric assault on Ukraine. The first six months of 2022 saw the worst performance of the S&P 500 index since 1962 and the European market since 2008. Despite such bleak stock market figures, employment is holding up well and consumers appear to be frustrated rather than inhibited by the red-hot inflation figures.

### Performance

SKAGEN Global underperformed its benchmark index MSCI AC World in the second quarter. The market's technical rotation continued with interest rates rising sharply until mid-June, but fundamentals appeared to be gaining ground towards the end of the quarter. Many of our portfolio names are looking very attractively valued at these levels and we deem them substantially undervalued from a fundamental perspective.

The market rarely rewards the impatient investor and while the stocks may seem to be screaming buying opportunities in our view, the market has not yet reached the same conclusion. Experienced investors know that over time fundamentals tend to prevail, and we therefore feel excited about the fund's prospective return possibilities from this point onwards.

### Attribution

The fund's three best quarterly performers measured by absolute return were Waste Management, Dollar General and Estée Lauder.

The North American environmental services company Waste Management provided stability and some degree of inflation protection in the current environment, which soothed the market in a turbulent quarter. The US low-cost retail store chain Dollar General that we added to the fund in the first quarter delivered strong numbers and exhibited exactly the resilience and operational excellence that we had predicted. The global beauty leader Estée Lauder bounced back after being overly penalised during the first quarter by short-term momentum traders.

The fund's three largest quarterly detractors in absolute terms were DSV, Intercontinental Exchange and Intuitive Surgical.

The Danish freight-forwarder DSV declined due to profit-taking after an exceptionally strong 2021 and fears of lower freight rates going forward. We attended DSV's Capital Markets Day in Copenhagen and met with the management team. The company presented a compelling long-term strategy that chimes with our vision for the company. Assuming execution continues to be market-leading (as it has been in the past), our analysis points to material value-creation potential in the company over the next five years. We expect freight rates to normalise over the next few months as pandemic-induced bottlenecks in the global supply chain gradually begin to ease. More importantly, DSV has utilised the past couple of years to further grow the business and make its network even more efficient with a wider global reach. DSV is currently the third largest third-party global logistics firm in the world by revenue, but its market share is still only four percent. These numbers show that there is a long runway ahead for the company and shareholders should be able to gain from this growth opportunity. DSV is in the fund's top-10 list.

The exchange operator Intercontinental Exchange (ICE) announced the acquisition of Black Knight, a mortgage software data firm. The ICE stock price fell after the transaction was announced in what we consider to be a typically myopic market reaction. A more nuanced analysis of the deal shows that ICE has deftly added another critical link in creating its digital mortgage technology infrastructure with this acquisition. ICE is known for digitising inefficient analogue markets and this time it is no different, in our opinion. We think the network that ICE is creating will be a unique strategic asset which will create significant value for shareholders over time.

Intuitive Surgical pulled back as the somewhat elevated multiple de-rated with the rotation.

### Portfolio Activity

SKAGEN Global did not initiate any new holdings during the second quarter. However, we slightly concentrated the portfolio by exiting Verisk Analytics and Bakkafrost, using the proceeds to invest in the most attractive opportunities across the portfolio.



Photo: Shutterstock

We sold the US data firm Verisk Analytics at attractive levels early in the quarter. The company has seen uneven execution and taken a somewhat nebulous strategic direction that reduces the long-term attraction. We also exited the Faroese salmon farmer Bakkafrost at a good price, noting that its diversifying acquisition in Scotland seems to require considerably more time and resources than initially anticipated. It is worth underlining that SKAGEN Global remains fully invested, i.e., cash levels are at a minimum since we currently see very attractive upside in the names in our fund.



Photo: Shutterstock

### Outlook

We eagerly await the second quarter reports from the portfolio companies. Indications received thus far support our view that the companies are well positioned to navigate the murky waters ahead. The stocks in our portfolio are now trading at an extraordinarily large discount, but as long as the companies continue to deliver in-line with our expectations we believe that share prices will eventually move higher, possibly considerably so. This is a time for equity investors to stay patient and, if circumstances allow, add exposure at attractive levels to boost long-term returns.

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)

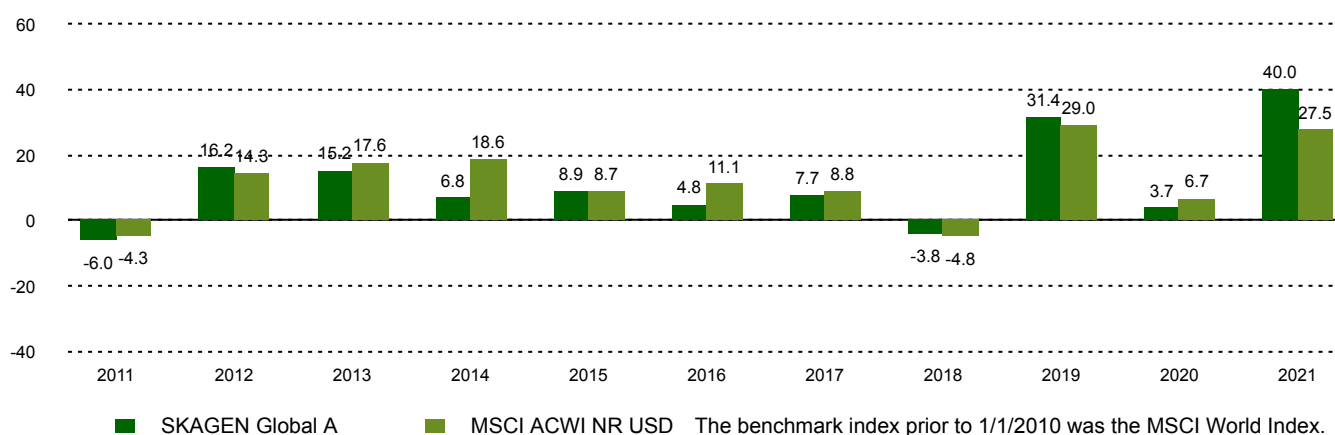
Period	SKAGEN Global A	Benchmark index
Last month	-5.3%	-6.2%
Quarter to date	-12.2%	-10.2%
Year to date	-20.8%	-13.2%
Last 12 months	-7.5%	-4.4%
Last 3 years	8.4%	9.4%
Last 5 years	8.5%	8.9%
Last 10 years	9.4%	10.9%
Since start	12.9%	5.3%

## Fund Facts

Type	Equity
Domicile	Norway
Launch date	07.08.1997
Morningstar category	Global Large-Cap Blend Equity
ISIN	NO0008004009
NAV	249.87 EUR
Fixed management fee	1.00% + performance fee*
Total expense ratio (2021)	2.01%
Benchmark index	MSCI ACWI NR USD
AUM (mill.)	3000.45 EUR
Number of holdings	30
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 (%)
Waste Management	4.06	0.37
Dollar General	1.47	0.31
Estee Lauder Cos	3.04	0.18
Abbott Laboratories	4.06	0.15
Home Depot Inc	2.87	0.10



### Largest detractors

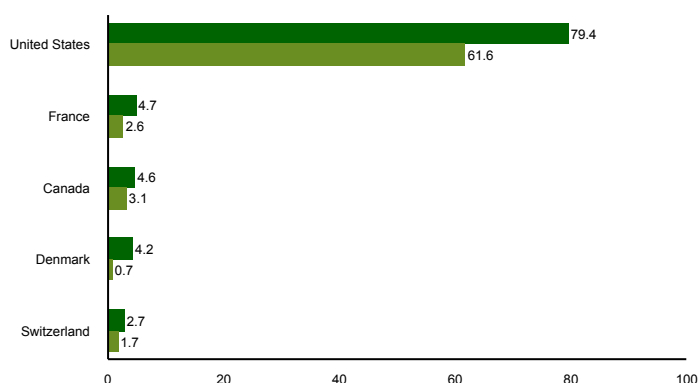
Holding	Weight (%)	Contribution (%)
DSV A/S	4.11	-0.86
Intercontinental Exchange	3.41	-0.69
Intuitive Surgical	2.28	-0.67
Alphabet Inc	5.34	-0.66
Partners Group Holding	2.94	-0.55

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

## Top ten investments

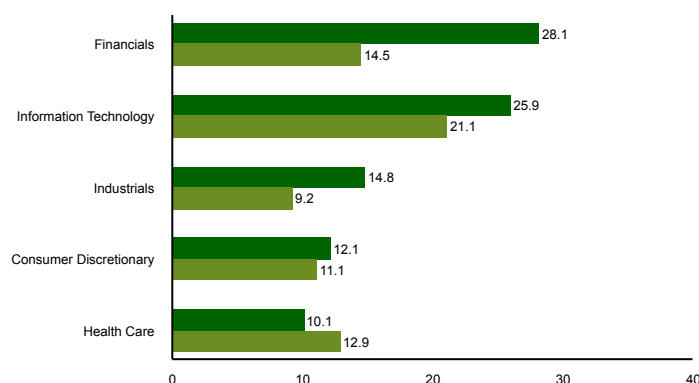
Holding	Sector	Country	%
Microsoft Corp	Information Technology	United States	6.1
Alphabet Inc	Communication Services	United States	5.4
Canadian Pacific Railway Ltd	Industrials	Canada	4.6
JPMorgan Chase & Co	Financials	United States	4.5
Nasdaq Inc	Financials	United States	4.4
Abbott Laboratories	Health Care	United States	4.2
DSV A/S	Industrials	Denmark	4.2
Waste Management Inc	Industrials	United States	4.0
Brown & Brown Inc	Financials	United States	3.8
Edwards Lifesciences Corp	Health Care	United States	3.7
Combined weight of top 10 holdings			44.8

## 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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