

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, from our local representatives and from our distributors.

Solid financial results despite falling share prices

After a brief reprieve in the summer, the global equity market continued its descent and ended the third quarter at record lows for the year. The US market posted its worst September in two decades. Inflation expectations remain stubbornly high, prompting central banks across the globe to reverse years of zero-interest-rate policies. In addition, Russia escalated the European energy crisis by weaponizing gas deliveries, but so far the West remains unstinting in its support for Ukraine to fully liberate its illegally occupied territory. Interestingly, the price of many commodities ranging from oil and metal to agriculture and livestock products generally declined during the quarter. If this trend continues, inflation expectations may at some point start to moderate, which could provide a potent catalyst for a market rally.

Performance

SKAGEN Global outperformed its benchmark index MSCI AC World in the third quarter. The fund's outperformance reflects the fact that many of our holdings have continued to report solid financial results throughout the year despite falling share prices, making them substantially undervalued and thus even more attractive long-term investments.

Attribution

The fund's three best quarterly performers measured by absolute return were Nasdaq, Waste Management and Brown & Brown. The exchange group Nasdaq continues to deliver on its strategic plan and its business model is somewhat shielded from the ongoing macro concerns. Similarly, the North American environmental services company Waste Management is often seen as recession-resilient given the uncompromising need to collect trash. The firm also signalled price hikes (the company has been careful not to raise prices much during the pandemic) to combat inflationary pressures. Finally, the US family-controlled insurance broker Brown & Brown reported steady progress and good growth in helping clients obtain adequate insurance cover. The integration of its recent UK acquisition of Global Risk Partners seems to

be on-track.

The fund's three largest quarterly detractors in absolute terms were Adobe, DSV and Nike. The US software company Adobe unexpectedly announced a USD 20 billion acquisition of Figma, a small rival founded in 2012 that provides a cloud-based collaborative design platform popular with developers. The market responded negatively to the acquisition and Adobe fell sharply on the news. We share the disappointment as the price tag raises concerns around capital allocation prudence while the need to take out a decade-old start-up begs the question as to why Adobe was not able to create this capability in-house. We are evaluating the case.

The Danish freight-forwarder DSV had another rough quarter on the stock market, but the firm continues to execute well. Freight-forwarding is a cyclical industry and freight rates are coming down from peak levels as supply chains begin to normalise. Following poor performance so far in 2022, we believe the DSV share looks extremely undervalued and we view the investment case as intact with DSV as a top-5 position in the fund.

Nike's most recent quarterly report was mediocre, but we also note that many retailers currently have higher-than-normal inventory. Additionally, China remains in lockdown and this market comprises approximately 20% of the company's sales.

Portfolio activity

SKAGEN Global did not initiate or exit any holdings in the third quarter. The lack of turnover is a conscious decision reflecting our belief that the current portfolio is well positioned to capture the upside once economic expectations improve and the market turns. Nonetheless, we did slightly add to some positions where possible, but given the pullback this year our cash position is very low as we aim to be fully invested to take full advantage of the significant upside in the portfolio.



Photo: Shutterstock

Outlook

In good times the market routinely overlooks business model flaws and the financial vulnerabilities of a company. However, in bad times the market is not so easily fooled and suddenly each shortcoming is harshly punished. This is especially true if a company's capital position appears weak, a warning sign that the share price may enter a death spiral if the overall economy were to deteriorate further or remain subdued for an extended period.



Photo: Shutterstock

It is for this reason that SKAGEN Global's core investment framework explicitly favours companies with strong balance sheets and resilient cash flows. *Prepare the ship before the storm*, as the saying goes. To illustrate the strength of the balance sheets in the fund using reported 2021 annual figures, we note that approximately 40% of the portfolio holdings are net cash and 80% of the companies can use their free cash flow to become debt-free in 3 years or less. Put simply, the portfolio companies in SKAGEN Global are financially well equipped to ride out an economic downturn and be ready to bounce back once the economy recovers.

As a final word of comfort, it is worth highlighting that many of our companies have been around for decades and some even date back to the 1800s! In fact, the median founding year in the portfolio is 1968. The companies have confronted, survived and thrived through numerous crises during their lifetimes. This time is not different.

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)

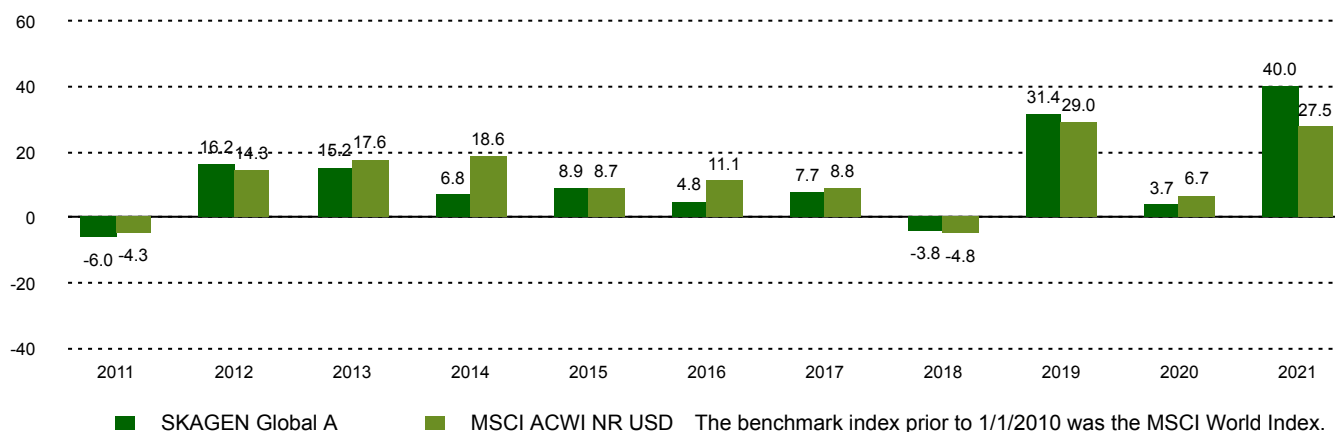
| Period | SKAGEN Global A | Benchmark index |
|-----------------|-----------------|-----------------|
| Last month | -7.9% | -7.2% |
| Quarter to date | -0.2% | -0.6% |
| Year to date | -21.0% | -13.7% |
| Last 12 months | -11.1% | -6.1% |
| Last 3 years | 5.8% | 7.5% |
| Last 5 years | 8.4% | 8.5% |
| Last 10 years | 8.4% | 10.2% |
| Since start | 12.7% | 5.2% |

Fund Facts

| | |
|----------------------------|-------------------------------|
| Type | Equity |
| Domicile | Norway |
| Launch date | 07.08.1997 |
| Morningstar category | Global Large-Cap Blend Equity |
| ISIN | NO0008004009 |
| NAV | 249.35 EUR |
| Fixed management fee | 1.00% + performance fee* |
| Total expense ratio (2021) | 2.01% |
| Benchmark index | MSCI ACWI NR USD |
| AUM (mill.) | 2981.28 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 (%) |
|----------------------|------------|------------------|
| Nasdaq Inc | 4.78 | 0.97 |
| Waste Management Inc | 4.08 | 0.59 |
| Brown & Brown Inc | 3.88 | 0.53 |
| MSCI Inc | 3.19 | 0.38 |
| Home Depot Inc | 2.95 | 0.32 |



Largest detractors

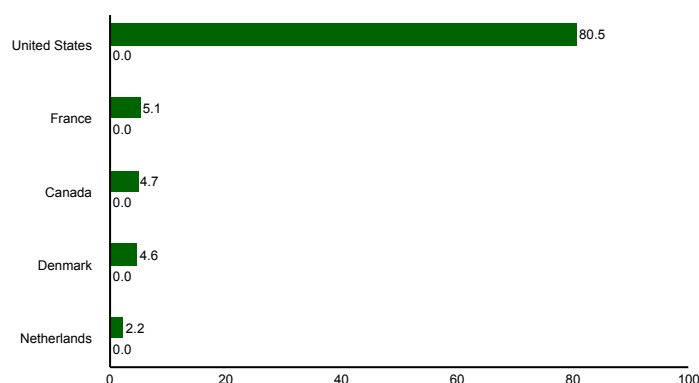
| Holding | Weight (%) | Contribution (%) |
|----------------------|------------|------------------|
| Adobe Inc | 2.91 | -0.47 |
| DSV A/S | 4.32 | -0.28 |
| NIKE Inc | 2.80 | -0.27 |
| Estee Lauder Cos Inc | 3.15 | -0.20 |
| Edwards Lifesciences | 3.77 | -0.14 |

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

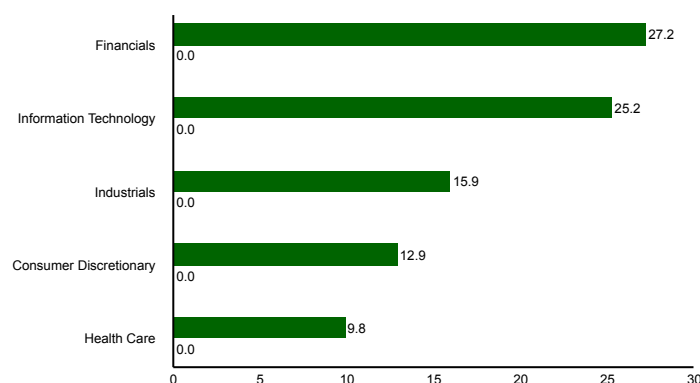
Top ten investments

| Holding | Sector | Country | % |
|------------------------------------|------------------------|---------------|------|
| Microsoft Corp | Information Technology | United States | 5.9 |
| Nasdaq Inc | Financials | United States | 5.2 |
| Alphabet Inc | Communication Services | United States | 5.0 |
| Canadian Pacific Railway Ltd | Industrials | Canada | 4.7 |
| DSV A/S | Industrials | Denmark | 4.6 |
| JPMorgan Chase & Co | Financials | United States | 4.5 |
| Waste Management Inc | Industrials | United States | 4.5 |
| Brown & Brown Inc | Financials | United States | 4.2 |
| Abbott Laboratories | Health Care | United States | 4.0 |
| Accenture PLC | Information Technology | United States | 3.8 |
| Combined weight of top 10 holdings | | | 46.4 |

Country exposure (top five)



Sector exposure (top five)



■ SKAGEN Global A ■ MSCI ACWI NR USD

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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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