

**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.

## A turbulent quarter

The beginning of 2022 has been turbulent with accelerating inflation and a more hawkish US Federal Reserve weighing on emerging market (EM) equities even before the Russian invasion of Ukraine in late February which dominated the news flow in March. So even though EM equities had a good start to the year, they underperformed developed markets (DM) over the quarter. Due to the fund's exposure to Russia, Kon-Tiki underperformed the index in February, but the portfolio showed robustness in March which meant a strong month relative to the index.

At the beginning of March SKAGEN decided to exclude Russian companies from our investable universe, but we need a well-functioning market before we are able to sell our holdings. Even though the most liquid stocks on the Moscow Exchange have re-opened for trading, the market is still under restrictions which mean that we, as foreigners, are not able to trade. Kon-Tiki's Russian holdings are currently priced at 0 in the NAV calculation which means that these positions were the main negative contributors for the quarter but also that there is no further downside risk related to Russia holdings in the portfolio.

Since the reopening, locally listed Russian stocks have rallied, and the Russian rouble is now back to similar levels as before the war (although currency controls could be making the rebound artificial). We are cautiously optimistic about recovering some value from our Russian holdings as we hold a diversified collection of robust companies. Sberbank is on the sanctions list, and therefore the recoverable values are uncertain even though it was one of the best run banks in EM with strong growth, a solid balance sheet and an exciting future. Leading grocery operators Magnit and X5 on the other hand are not sanctioned. They hardly have any USD cost exposure, all loans are in local currency and interest rates are fixed. They are actually long-term beneficiaries of the current difficult environment as they are able to push through food inflation to their consumers, and are likely to gain market share as weaker operators are struggling. Since the Crimea annexation in 2014 these operators have changed their business model to focus on locally produced sources in order not to depend on imports.

Western nations' financial sanctions against Russia have been extraordinary, and as a result the conflict will have major consequences also for the world economy. Russia and Ukraine's important role as major exporters across many commodity classes means the conflict has already caused a widespread surge in prices. Increasing commodity prices can lead to disruptions to global supply chains and affect everything from industrial production to consumer confidence. While the fund's direct exposure to Russia has had a negative effect, the strong relative performance in March shows the robustness of the rest of the Kon-Tiki portfolio.

### Contributors and detractors

Some indirect beneficiaries of the commodity price increases can be seen in this quarter's list of positive contributors. Copper producer Turquoise Hill not only benefits from higher copper prices, but Rio Tinto announced an offer to acquire the remaining 49% they don't already own in an all-cash offer. We view the bid as too low, however, and look forward to the continuation as we have not sold out. Chinese-listed CNOOC, which is engaged in the exploration, development, production and sale of crude oil and gas also benefited from increasing energy prices amid the growing energy crisis.

Within EM, not surprisingly, performance has been defined by whether a country imports or exports energy and other commodities, given the key inflation pressure points. Many Latin American countries have therefore had a respite during the period, with Brazil in particular showing strength after a tough 2021. This is reflected in the portfolio, and our Brazilian holdings are positive contributors. Sendas (or Assai), which is the leading Cash & Carry format in Brazil, staged a major comeback after being hit hard at the end of last year after announcing a big acquisition. The recent economic crisis in Brazil supported strong growth for the format given their competitive price positioning. A still modest valuation continues to fail to reflect their strong position within the most successful food retailing model in Brazil, a strong management record, exceptional market share growth and expected strong growth and higher returns on capital going forward.



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### Portfolio activity

Two new companies entered the portfolio during the quarter. Cosmax is the global leader in cosmetics development and manufacturing and is seeing strong growth on the back of digital disruption of the traditional brand order especially in China. In addition, Chilean holding company Quinenco has already contributed positively to the portfolio. The company offers deeply discounted exposure to the strong container shipping market through its indirect holding in Hapag-Lloyd.

We exited VinaCapital Vietnam Opportunity Fund after strong performance, while Hollysys was exited due to corporate governance concerns.



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### Outlook

We continue to have strong conviction in the attractiveness of the fund's underlying positions and the overall portfolio composition. The weakness of EM equities and Kon-Tiki's recent underperformance mean the portfolio is trading at an unwarranted discount to both our estimates of fair value, with an estimated upside of close to 70%, and on an absolute level (22e P/E of 6x versus the EM index at 11x). We are delighted to see what could be the beginning of a growth-to-value rotation, at the same time as EM equities are trading at a historically high discount to DM.

The fund selects low-priced, high-quality companies, mainly in emerging economies. 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)

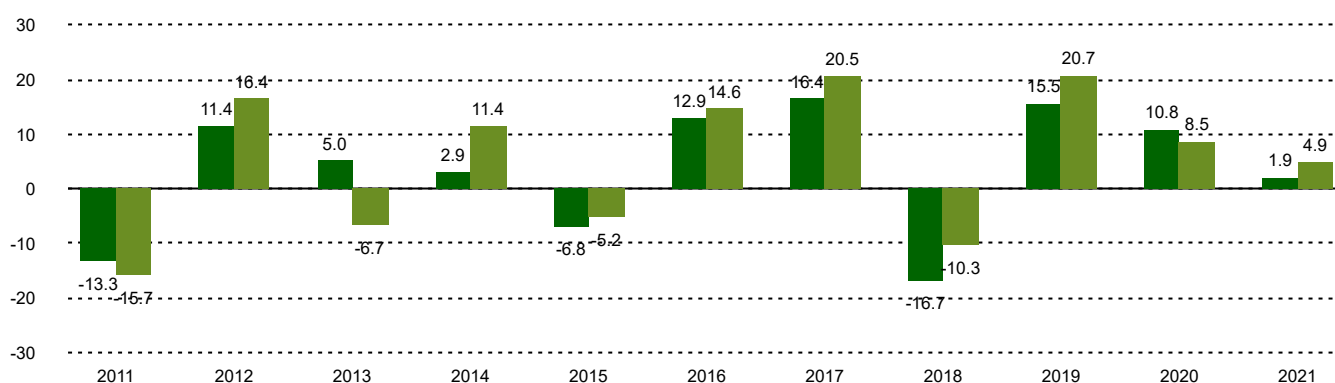
Period	SKAGEN Kon-Tiki A	Benchmark index
Last month	0.8%	-1.3%
Quarter to date	-9.1%	-4.9%
Year to date	-9.1%	-4.9%
Last year	-15.0%	-6.5%
Last 3 years	1.6%	5.3%
Last 5 years	0.6%	5.1%
Last 10 years	2.9%	5.2%
Since start	10.3%	7.3%

## Fund Facts

Type	Equity
Domicile	Norway
Launch date	05.04.2002
Morningstar category	Global Emerging Markets Equity
ISIN	NO0010140502
NAV	92.45 EUR
Fixed management fee	2.00% + performance fee*
Total expense ratio (2021)	1.67%
Benchmark index	MSCI EM NR USD
AUM (mill.)	1280.91 EUR
Number of holdings	46
Portfolio manager	Fredrik Bjelland Cathrine Gether

\*10.00% performance fee calculated daily and charged annually if the fund's value development is better than the benchmark. The total management fee charged represents a maximum of 4.00% p.a. and a minimum of 1.00% p.a. 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



■ SKAGEN Kon-Tiki A ■ MSCI EM NR USD The benchmark is MSCI EM Index. This index did not exist at the fund's inception, consequently the benchmark prior to 1/1/2004 was MSCI World AC Index. This is not reflected in the graph above which shows MSCI EM Index since the fund's inception.

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 (%)
Turquoise Hill Resources	2.24	1.54
CNOOC Ltd	5.97	1.47
Sendas Distribuidora	2.78	1.29
Suzano SA	3.85	0.29
China Mobile Ltd	2.15	0.25



### Largest detractors

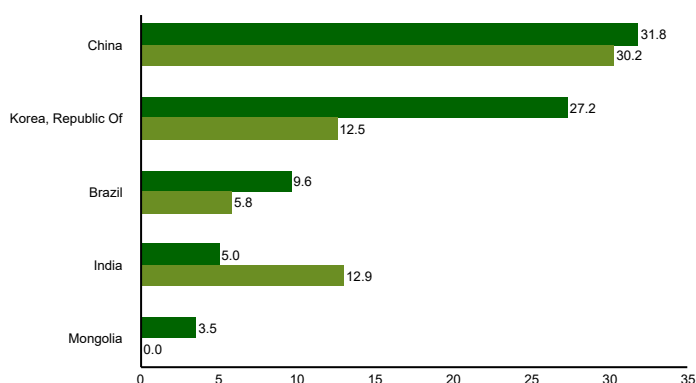
Holding	Weight (%)	Contribution (%)
Sberbank of Russia	2.18	-4.06
X5 Retail Group NV	1.40	-2.64
Prosus NV	3.46	-1.43
LG Electronics Inc	7.15	-1.04
Samsung Electronics Co	6.52	-0.99

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

## Top ten investments

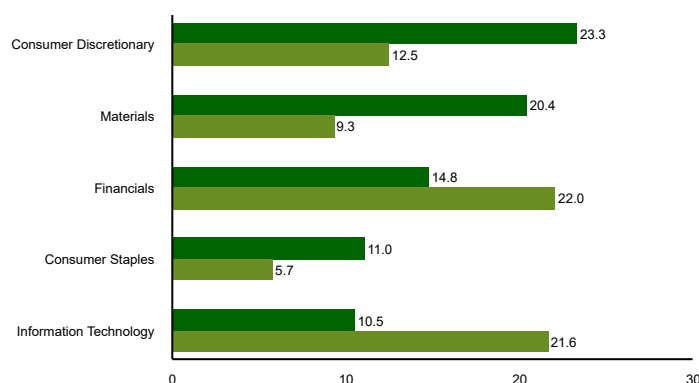
Holding	Sector	Country	%
Ping An Insurance Group Co of China Ltd	Financials	China	7.6
LG Electronics Inc	Consumer Discretionary	Korea, Republic Of	7.4
Cnooc Ltd	Energy	China	7.3
Samsung Electronics Co Ltd	Information Technology	Korea, Republic Of	6.1
Suzano SA	Materials	Brazil	4.3
Sendas Distribuidora SA	Consumer Staples	Brazil	4.2
Hyundai Motor Co	Consumer Discretionary	Korea, Republic Of	4.2
UPL Ltd	Materials	India	3.9
Turquoise Hill Resources Ltd	Materials	Mongolia	3.5
Prosus NV	Consumer Discretionary	China	2.9
Combined weight of top 10 holdings			51.3

## Country exposure (top five)



■ SKAGEN Kon-Tiki A ■ MSCI EM NR USD

## Sector exposure (top five)



■ SKAGEN Kon-Tiki A ■ MSCI EM 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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