SKAGEN Global A

All data in EUR as of 31/03/2019 unless otherwise stated.

One of the best quarters in a decade

The global equity market, as represented by the index MSCI AC World, bounced back strongly in Q1 and delivered one of the best quarters in a decade. Both developed markets and emerging markets generated respectable returns. In the US, the Federal Reserve's decision to pause rate hikes for the foreseeable future added further downward pressure on the US 10-year government bond yield, which fell from 2.7% to 2.4% during the quarter. However, the stock market seems to have welcomed the lower rates, for now at least. SKAGEN Global rose meaningfully in absolute terms, but lagged the index somewhat in Q1 after having outperformed in 2018.

Attribution
The fund's three strongest performers measured by absolute return in Q1 were DSV, Accenture and Microsoft.

The asset-light Danish freight-forwarder DSV continues to execute strongly, very much in-line with our investment thesis. After several months of speculation and previously failed bids, DSV announced at the end of the quarter that it had reached an agreement with its Swiss competitor Panalpina. While we are typically sceptical of large-scale M&A, in this instance we have confidence in the strong management team at DSV based on their impressive track record. Our US-based IT consultancy, Accenture, reported solid earnings for the quarter and the company continues to capitalise on the digitisation tsunami that is sweeping across the world. Finally, the American IT giant Microsoft, which has been part of the SKAGEN Global portfolio for almost nine years, remains a powerhouse in the growing cloud computing segment.

The fund's three largest detractors in Q1 were Nissan Chemical, Hiscox and Medtronic.

The Japanese holding Nissan Chemical took a breather after strong performance in 2018 and underperformed the market. Some macro concerns may be weighing on the stock but the quarterly report did not contain any significant negative surprises. The specialist insurer Hiscox posted in-line 2018 results, which were impacted for a second year in a row by heavy catastrophe losses from hurricanes, wildfires and typhoons. We understand that there might be some trepidation in the market after two catastrophe-heavy years; however, this volatility is part of insurance investing and over time we think that Hiscox's prudent underwriting will prove its worth. The position remains a top-five holding in the portfolio. Lastly, the US medical device company Medtronic flagged slightly lower growth in 2020 due to tax regulations and other headwinds. Communication and execution from Medtronic have been uneven over the past couple of years but there is upside if they are able to improve in these areas.

Key buys
We entered four new positions in Q1, namely Abbott Laboratories, Edwards Lifesciences, Nike and McDonald's.

Newcomer Abbott Laboratories is a US-based healthcare company with considerable emerging market exposure where our proprietary analysis points to an underappreciated opportunity for organic growth with incremental margin improvement and judicious capital allocation. Similarly, we entered Edwards Lifesciences, a leading medical technology company focusing on cardiovascular diseases. This clear focus combined with a successful track record of pioneering breakthrough technologies seems undervalued by the market. Note that both new holdings reflect SKAGEN Global's long-term partnership mentality where we seek to invest in undervalued companies that are managed for long-term success, not for the next quarterly result. Indeed, the CEOs of both companies have tenures exceeding 15 years.

In the case of Nike, the leading global producer of athletic footwear and apparel, our proprietary analysis shows that the stock is undervalued because the share price does not fully reflect the combination of an incredibly strong brand coupled with a structural shift towards health and wellness across the globe.

From an investment perspective, McDonald's looks attractive because it operates a franchise model, meaning it uses other people's money to grow the business. The result is an asset light business for the mother company (McDonald's) that generates high return on capital employed that we think can rise further. Over the past few years, McDonald's has increased the percentage of franchised operations to approximately 93% and stepped up capex to refresh and digitalise the restaurants. We believe these initiatives in combination with the company's powerful scale and global brand can prove more valuable over the coming years than the market has currently priced in. In addition, the long-term growth opportunity in emerging markets remains vast. Finally, the stock adds a less cyclical component to the overall portfolio.

Photo: Bloomberg

Photo: Bloomberg

Key sells
We sold six positions during Q1. Three holdings (Dollar General, Sony and Waters) saw their share price approach or exceed our price targets. Additionally, Chubb performed well in Q4. With limited upside remaining and fundamentals deteriorating, the conglomerate 3M also left the fund. We exited CMS Energy to comply with our revised ESG policy.

Outlook
We remain focused on bottom-up stock-picking and SKAGEN Global will continue to apply its unconstrained mandate to seek out undervalued companies with robust financials, strong competitive positions and management teams who are prudent capital allocators. The portfolio remains attractively valued.

SKAGEN Global A

All data in EUR as of 31/03/2019 unless otherwise stated.

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.

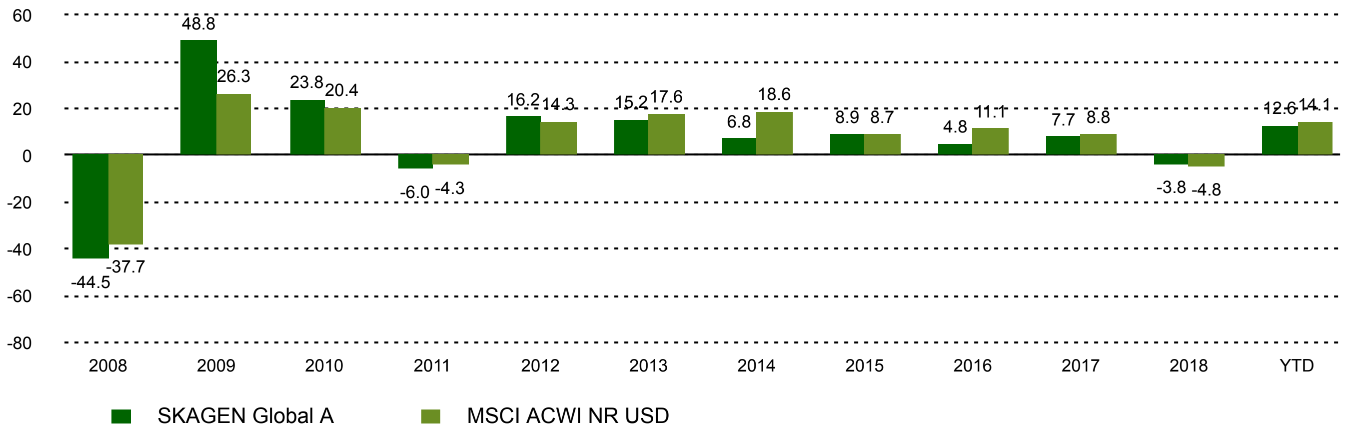
Historical performance (net of fees)

Period	SKAGEN Global A	Benchmark index
Last month	1.6%	2.4%
Quarter to date	12.6%	14.1%
Year to date	12.6%	14.1%
Last year	13.8%	14.0%
Last 3 years	9.3%	11.1%
Last 5 years	7.3%	10.9%
Last 10 years	13.1%	13.6%
Since start	13.4%	4.7%

Fund Facts

Type	Equity
Domicile	Norway
Launch date	07.08.1997
Morningstar category	Global Large-Cap Blend Equity
ISIN	NO0008004009
NAV	186.11 EUR
Fixed management fee	1.00%
Total expense ratio (2018)	1.07%
Benchmark index	MSCI ACWI NR USD
AUM (mill.)	2616.66 EUR
Number of holdings	36
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 (%)
DSV A/S	3.44	0.78
Accenture PLC	2.98	0.70
Microsoft Corp	4.57	0.67
Mastercard Inc	2.77	0.63
Marsh & McLennan Cos Inc	3.79	0.63

Largest detractors

Holding	Weight (%)	Contribution (%)
Nissan Chemical Corp	1.27	-0.17
Hiscox Ltd	4.73	-0.14
Medtronic PLC	2.45	-0.02
CMS Energy Corp	0.03	-0.01
Sony Corp	0.57	-0.01

Absolute contribution based on NOK returns at fund level

Quarterly Report
SKAGEN Global A

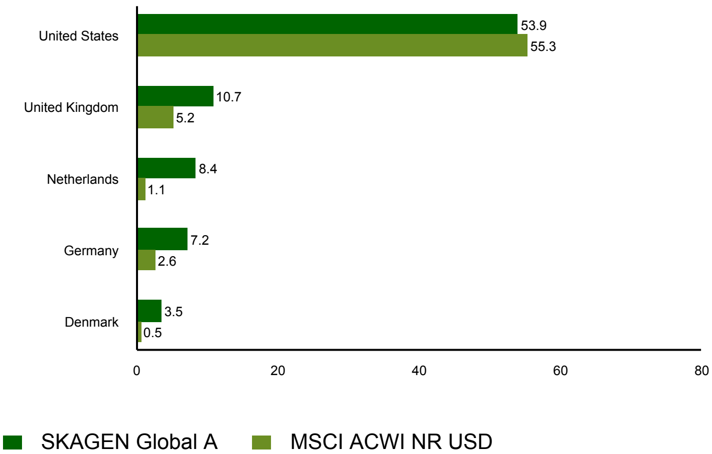
All data in EUR as of 31/03/2019 unless otherwise stated.

SKAGEN
Part of Storebrand

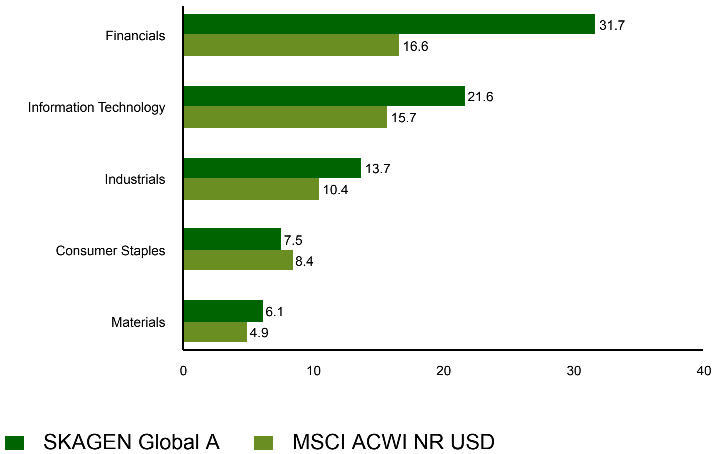
Top ten investments

Holding	Sector	Country	%
Intercontinental Exchange Inc	Financials	United States	5.3
Unilever CVA	Consumer Staples	Netherlands	5.0
Microsoft	Information Technology	United States	4.8
Beazley PLC	Financials	United Kingdom	4.7
Hiscox	Financials	United Kingdom	4.7
Marsh & McLennan	Financials	United States	4.0
DSV	Industrials	Denmark	3.5
UPM-Kymmene OYJ	Materials	Finland	3.3
Accenture PLC	Information Technology	United States	3.3
Relx Plc	Industrials	United Kingdom	3.3
Combined weight of top 10 holdings			41.8

Country exposure (top five)



Sector exposure (top five)



Contact

+47 51 80 37 09

contact@skagenfunds.com

SKAGEN AS, Post Box 160, 4001, Stavanger, Norway

Important information

Unless otherwise stated, performance data relates to class A units and is net of fees. AUM data as of the end of the previous month. Except otherwise stated, the source of all information is SKAGEN AS. Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skills, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments. You can download more information including subscription/redemption forms, full prospectus, Key Investor Information Documents (KIID), General Commercial Terms, Annual Reports and Monthly Reports from our local websites or our local representatives. Statements reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice. This report should not be perceived as an offer or recommendation to buy or sell financial instruments. 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.