

Inflation (an unwelcome guest) joins the party

The strong development in global stocks came to an abrupt halt towards the end of the quarter. Higher energy prices, a tight labour market, and continued supply bottlenecks increased the likelihood of longer lasting inflation pressure. As mentioned in previous reports, we have adjusted the SKAGEN Vekst portfolio towards companies that would not suffer in an environment with higher inflation. This strategy served the fund well last quarter, leading to a decent absolute and relative return for clients.

Contributors and detractors

Our best performer was the Danish pharma company Novo Nordisk. Following the exceptionally strong launch of its new obesity drug Wegovy in the US, the market is finally starting to realise the huge potential of Novo's innovative obesity business. Another strong performer was the Norwegian renewable company Bonheur. As power prices continue to climb, the company stands to benefit on several fronts. In the short term, higher energy prices boost earnings in its renewable energy business. The ongoing mini energy crisis has also highlighted the need for additional green energy investment, which should benefit the company's wind service business in the long term. Our exposure to the natural gas market through Russian Gazprom also continued to pay off. The stock was helped by ever higher gas prices as buyers are scrambling to replenish historically low inventory levels before the onset of winter. With Gazprom's improved dividend policy, investors can look forward to the higher earnings translating into a significantly higher dividend.

The continued turmoil in the Chinese market took its toll on our Chinese holdings this quarter, with Alibaba and Ping An Insurance being the two biggest detractors to the fund's absolute return. While Alibaba has found itself in the eye of the regulatory storm, Ping An has suffered from lower-than-expected growth due to an unexpected fall in agent numbers. Developments throughout the year have been fundamentally negative for both stocks, but we see the drop in share prices as an overreaction. We

therefore used the weakness to increase our exposure to Chinese-related stocks in general, and Ping An Insurance in particular.

Portfolio activity

We added the Danish pharma company Lundbeck to the portfolio during the quarter. The company focuses on therapies for disorders of the central nervous system such as depression and schizophrenia. The stock has been very weak this year, following disappointing pipeline news along with lower-than-expected growth for its newly launched products during the COVID pandemic. At the current share price level, the market does not place any value on its pipeline of potential new products. We think this is overly pessimistic and see the completion of the Rexulti trial for the treatment of agitation in relation to Alzheimer's next year as a significant trigger. We also expect a re-acceleration of Lundbeck's core products as COVID restrictions ease. If anything, we think the market for mental illnesses has grown after a challenging and stressful pandemic.

Another new position is the Chinese oil company CNOOC. At the current share price, we get a direct dividend yield of 10%. As the company is entering a period of production growth, combined with lower investment intensity, we expect both earnings and dividends to increase meaningfully from current levels. We also used the weakness in Chinese-related stocks to add to our position in CK Asset Holdings. The company has spent the past few years adding exposure to more stable infrastructure investments outside China and Hong Kong.

We also added to our position in Aker BP at the beginning of September as the stock had fallen back despite strong energy prices. We think that the market underestimates the company's meaningful exposure to the current high gas prices.



Foto: Shutterstock

Key sells

To fund these new positions, we exited the Swedish forest industry company Holmen as the stock reached our target price following strong performance. The fund received shares in the e-commerce company Zalando as Kinnevik distributed its 21% stake to its shareholders. Since we believe the Zalando stock is fully valued, we sold this position.



Foto: Unsplash

Outlook

It is important to remember that the strong performance in stocks over the past 10 years has been very unevenly distributed. This has resulted in a situation where quality growth stocks trade at historically high valuations, while more capital-intensive industries often trade at more reasonable valuations. An important driver behind this development is the dramatic fall in long-term interest rates we have seen in the period. While we do not claim to predict the future, we think the odds of sustainably higher inflation and higher interest rates have risen significantly this year. As current valuations across the stock market still reflect an almost 100% belief in permanently low interest rates, we are very comfortable with our current exposure towards companies that do well in an environment with higher inflation and interest rates – such as financial and energy related companies. When interest rates started moving up in September, SKAGEN Vekst beat the overall benchmark by almost 5% in the month, highlighting the current extreme positioning in the market towards permanently low interest rates.

SKAGEN Vekst investerer i selskaper som er lavt priset i forhold til forventet lønnsomhet og vekst. Fondet investerer hovedsakelig i Norden og sekundært i resten av verden. Målet er å oppnå best mulig risikostjert avkastning for den risikoen fondet tar. Fondet passer til investorer som har minst fem års investeringshorisont.

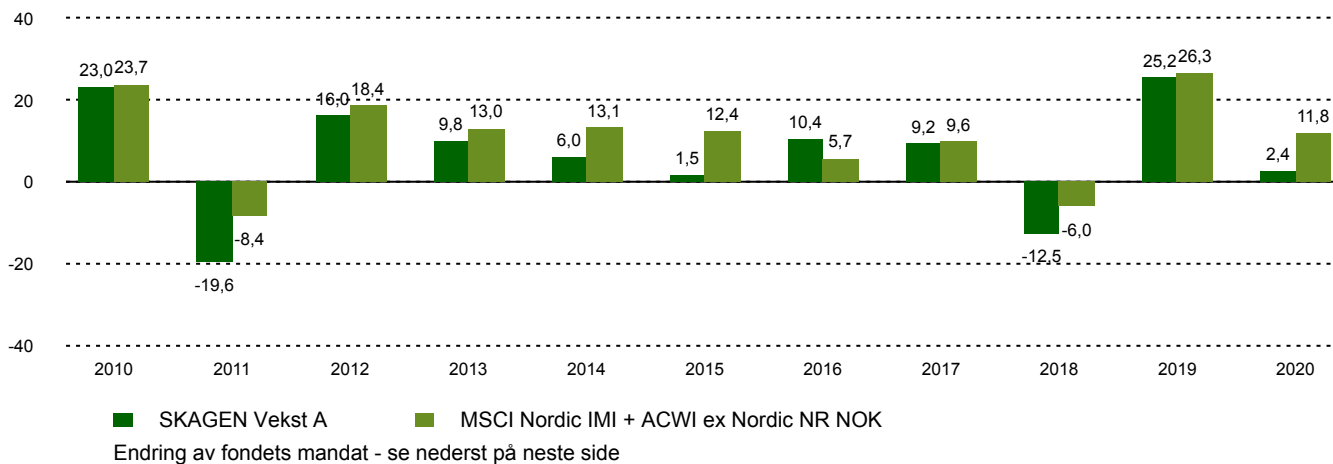
Historisk avkastning

Periode	SKAGEN Vekst A	Referanseindeks
Siste måned	1,3%	-3,3%
Hittil i kvartal	2,9%	1,5%
Hittil i år	24,2%	17,9%
Siste år	46,0%	29,6%
Siste 3 år	10,8%	13,4%
Siste 5 år	10,3%	12,5%
Siste 10 år	9,5%	13,1%
Siden start	12,8%	10,1%

Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	01.12.1993
Morningstarkategori	Globale, Store selskaper, Blanding
ISIN	NO0008000445
NAV	2592,59 DKK
Årlig forvaltningshonorar	1.00%
Totalkostnad (2020)	1.25%
Referanseindeks	MSCI Nordic IMI + ACWI ex Nordic NR NOK
Forvaltningskapital (mill.)	6364,87 DKK
Antall poster	51
Porteføljeforvalter	Søren Christensen

Avkastning siste 10 år



Bidragsyttere i kvartalet



Største positive bidragsyttere

Navn	Vekt (%)	Bidrag (%)
Novo Nordisk	8,46	1,31
Bonheur ASA	4,24	0,91
Gazprom PJSC	2,33	0,77
FLEX LNG Ltd	2,05	0,53
Nordea Bank Abp	3,02	0,50

I NOK for alle andelsklasser



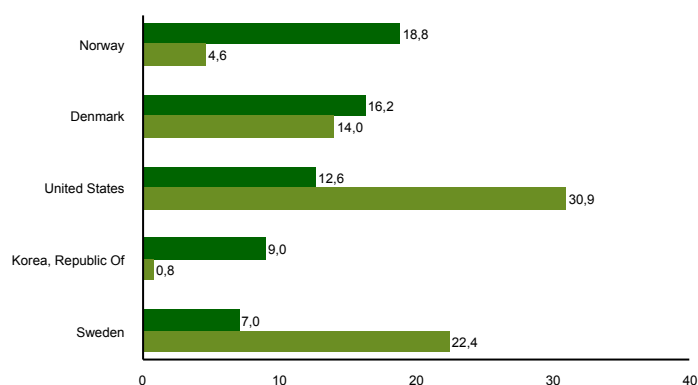
Største negative bidragsyttere

Navn	Vekt (%)	Bidrag (%)
Alibaba Group Holding	1,65	-0,67
Ping An Insurance Group	2,10	-0,66
Hyundai Motor Co	1,69	-0,36
Samsung Electronics Co	3,79	-0,34
CK Hutchison Holdings	2,42	-0,30

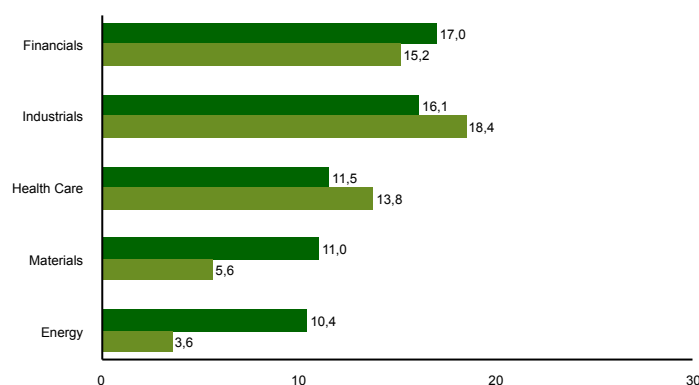
10 største investeringer

Navn	Sektor	Land	%
Novo Nordisk A/S	Health Care	Denmark	8,4
Bonheur ASA	Industrials	Norway	4,3
Yara International ASA	Materials	Brazil	3,9
Samsung Electronics Co Ltd	Information Technology	Korea, Republic Of	3,6
Citigroup Inc	Financials	United States	3,4
Nordea Bank Abp	Financials	Finland	3,3
Telenor ASA	Communication Services	Norway	3,0
Essity AB	Consumer Staples	Sweden	2,8
Sberbank of Russia PJSC	Financials	Russian Federation	2,7
Broadcom Inc	Information Technology	United States	2,6
Samlet vekting			38,1

Landeksponering (topp 5)



Bransjefordeling (topp 5)



■ SKAGEN Vekst A ■ MSCI Nordic IMI + ACWI ex Nordic NR NOK

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Viktig informasjon

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Fondets investeringsmandat ble endret med virkning fra 01.01.2014 fra at fondet investerte minst 50 % av sine midler i Norge til at fondet investerer minst 50 % av sine midler i Norden. Dette betyr at avkastning før endringen ble oppnådd under andre omstendigheter enn i dag. Fondets referanseindeks er MSCI Nordic/MSCI AC ex. Nordic. Før 01.01.2014 var referanseindeksen en likt sammensatt referanseindeks av Oslo Børs Hovedindeks (OSEBX) og MSCI All Country World. Referanseindeksen før 01.01.2010 var Oslo Børs Hovedindeks (OSEBX).