

**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.

## Financial troubles in the US

The fund produced a strong return in the first quarter of the year and outperformed its benchmark index. The fund was also well ahead of the MSCI ACWI Value index. The financial markets have been remarkably resilient considering the recent developments in US financial stocks. Not only did we witness several large bank failures, including Silicon Valley Bank and Signature Bank, but a general collapse in US regional banks' valuations. So far, the financial markets seem to interpret these issues as largely isolated, and instead prefer to price in the potential positive impact of lower interest rates ahead.

Late in the quarter, this led to a rotation from banks and related cyclicals to more rate-sensitive sectors, such as technology stocks. Overall, we see a major risk of increased regulation for smaller US banks and across the entire US banking system following the above developments. New and tougher liquidity and capital frameworks will be initiated. These developments will no doubt uncover interesting opportunities for us as contrarian and price-driven investors later in 2023 when the dust has settled.

### Solid company-specific catalysts deliver

Several company-specific catalysts helped lift the net asset value of the fund in the quarter. For instance, one of the strongest contributors was Italian truck producer Iveco, which announced earnings that exceeded consensus by a wide margin. They also delivered on capital allocation catalysts, such as a share buyback. In addition, we welcomed very solid earnings and guidance from the French semiconductor producer STMicroelectronics, and the stock responded strongly. Our sole Chinese position, China Communication Services, delivered a long-awaited margin expansion, a core part of the investment thesis, and contributed solidly in the quarter.

On the negative side, our recently initiated position in Canfor Corp, has

yet to re-rate higher and we are still building the position.

### Key sells

We exited our position in Gen Digital as the company's leverage and interest rate cost may exceed our initial expectations. We exited our small position in the US regional bank Synovus Financial immediately following the first indications of the banking turmoil with signs of deposit flight. We currently do not hold any exposure to US financials.

We closed our position in Canadian steel producer StelCo following a strong rerating in shares combined with extensive buybacks and dividends, as our investment thesis played out and the shares now reflect fair value. We also sold out of German Commerzbank at price target, following a 50+% holding period return, for the second time in 1.5 years, following successful progress on restructuring and net interest income tailwinds.

### New portfolio additions

We have initiated a position in Korean auto-supplier Hyundai Mobis which mainly operates as a supplier to Hyundai and Kia. We believe the company is a leader in EV powertrain and shows good potential to increase its footprint outside its legacy client base. The balance sheet is strong and trades at close to a negative enterprise value, as they hold a vast stake in Hyundai Motors.

We continued to add to our position in Japan Post Holding, the conglomerate which owns not only the postal services network in Japan, but also stakes in Japan Post Bank and Japan Post Insurance, as well as several other non-core assets. The valuation of the stock is highly attractive as there is a seemingly vast discount at holding company level as well in the underlying portfolio holdings.



Photo: Shutterstock

In addition, we started to accumulate a position in Canadian lumber producer Interfor. The lumber price is trading at depressed levels, and we believe the stock is priced well below normalised earnings power. In addition, the company has more than USD 500m on deposit from the lumber dispute between the US and Canada, of which the bulk is off-balance sheet, representing roughly half the current market cap in a full after-tax refund.



Photo: Shutterstock

### Investment universe expanding

For a contrarian and value-based investor like SKAGEN Focus, the current investment environment provides several new areas of investment opportunity. For instance, the turbulence in financials, particularly in the US, will eventually lead to interesting opportunities. We focus on finding solid companies at a substantial discount to fair value in these out-of-favour sectors at the right time in the cycle. At the end of the quarter, the portfolio consists of 49 positions of which 75% is invested in small and mid-cap positions. The top-10 concentration has increased from 31% to 35%. We still see a large upside to our weighted price targets of around 61% at the end of the quarter.

SKAGEN Focus is a high conviction equity fund that seeks to generate long-term capital growth by investing in a portfolio of global companies with the majority of exposure invested in small and mid-cap companies. 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)

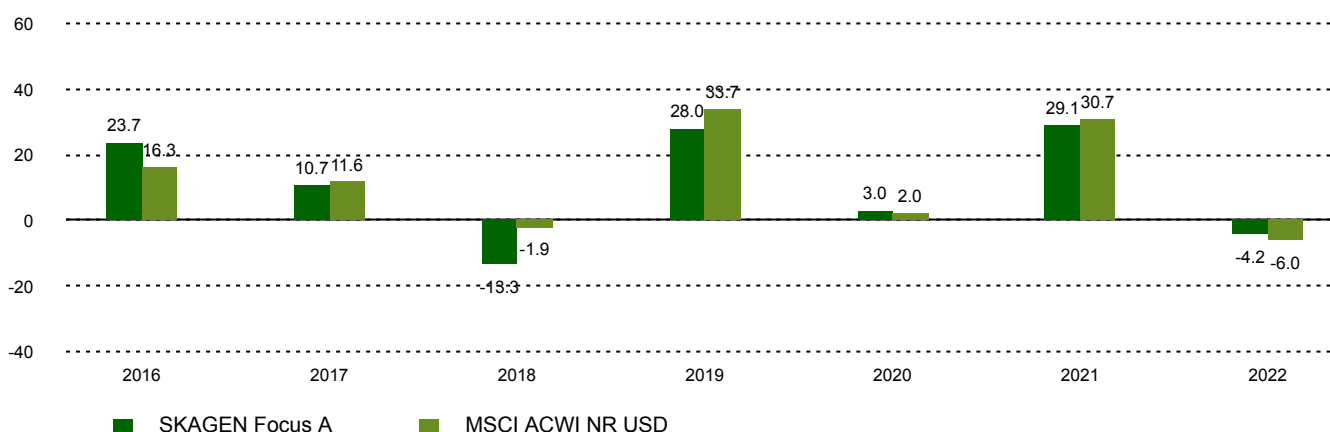
Period	SKAGEN Focus A	Benchmark index
Last month	-0.2%	2.5%
Quarter to date	11.1%	6.8%
Year to date	11.1%	6.8%
Last 12 months	4.4%	3.0%
Last 3 years	27.5%	16.6%
Last 5 years	9.4%	12.0%
Last 10 years	n/a	n/a
Since start	7.8%	9.9%

## Fund Facts

Type	Equity
Domicile	Norway
Launch date	26.05.2015
Morningstar category	Global Flex-Cap Equity
ISIN	NO0010735129
NAV	197.73 SEK
Fixed management fee	1.60% + performance fee*
Total expense ratio (2022)	1.73%
Benchmark index	MSCI ACWI NR USD
AUM (mill.)	2849.97 SEK
Number of holdings	49
Portfolio manager	Jonas Edholm

\*10.00% performance fee calculated daily and charged annually if the fund's value development is better than the benchmark index. The total management fee charged represents a maximum of 3.20% p.a. and a minimum of 0.80% 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 index.

## 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 (%)
STMicroelectronics	2.26	1.25
China Communications Services	2.80	1.03
Endeavour Mining PLC	3.40	0.84
Iveco Group NV	1.09	0.83
Vitesco Technologies Group	2.04	0.75



### Largest detractors

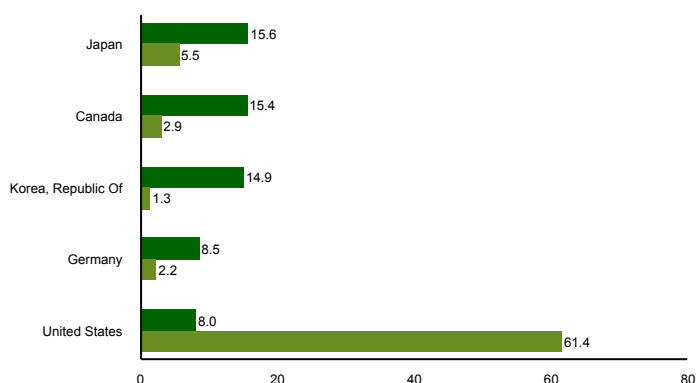
Holding	Weight (%)	Contribution (%)
Canfor Pulp Products	1.48	-0.31
Gen Digital Inc	1.08	-0.31
Ubisoft Entertainment	0.14	-0.16
Interfor Corp	0.61	-0.09
Fortuna Silver Mines	1.45	-0.02

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

## Top ten investments

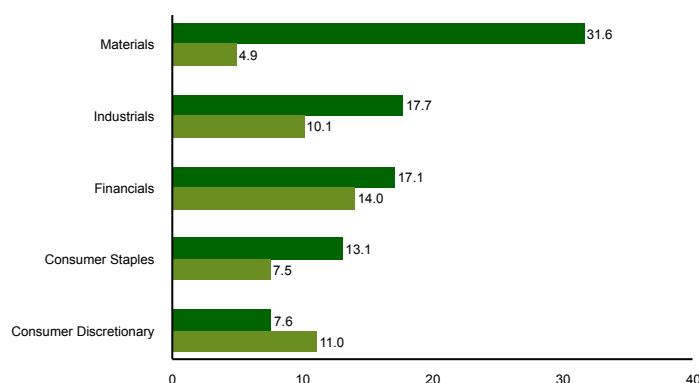
Holding	Sector	Country	%
Albertsons Cos Inc	Consumer Staples	United States	5.1
Endeavour Mining PLC	Materials	Burkina Faso	4.9
Methanex Corp	Materials	Canada	4.1
Textainer Group Holdings Ltd	Industrials	China	3.1
Kyocera Corp	Information Technology	Japan	3.1
China Communications Services Corp Ltd	Industrials	China	3.1
Komatsu Ltd	Industrials	Japan	3.0
Fortuna Silver Mines Inc	Materials	Canada	2.9
Hyundai Mobis Co Ltd	Consumer Discretionary	Korea, Republic Of	2.8
Panasonic Holdings Corp	Consumer Discretionary	Japan	2.8
Combined weight of top 10 holdings			35.0

## Country exposure (top five)



■ SKAGEN Focus A ■ MSCI ACWI NR USD

## Sector exposure (top five)



■ SKAGEN Focus A ■ MSCI ACWI NR USD

## Important information

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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