

## A positive quarter

The fund posted another quarter of positive returns but lagged the overall global equity market. The year-end rally in the US equity market accompanied by a much stronger US dollar were major headwinds for the fund as our exposure to US assets is markedly lower than any underlying benchmark. Currently no fewer than 83 companies in the S&P500 now trade above 10 times sales which is unprecedented. The valuation spread versus Emerging Markets and Japan has never been greater. For us, as contrarian and price-driven investors, this spells major opportunities for the coming year. A large proportion of our portfolio is exposed to South Korea, Canada and Japan in equities trading at a discount to even these much cheaper averages.

### Portfolio drivers

In one area of the ignored and underpriced global equity market, namely Japanese banks, we observed a significant re-rating of our own Aichi Bank, a small regional bank which announced a merger with smaller Chukyo Bank. In addition, the bank has substantially increased its dividend payout. Since the announcement, the equity has re-rated about 30% and contributed significantly to year-end performance. We also initiated new positions in smaller regional banks Shiga Bank and Keiyo Bank. These banks trade at discounted multiples to tangible book values and are forming alliances with other Japanese regional banks boosting future potential profitability. There is substantial room for increased capital allocation to shareholders as the banks' balance sheets are extremely overcapitalised.

We increased our position in the discounted Japanese conglomerate Panasonic. The company reported earnings numbers that were somewhat below our expectations, as we believe they were temporarily negatively impacted by raw material costs, semi-conductor shortages and supply chain issues. However, Panasonic's EV battery unit, which is one of the largest producers of batteries to Tesla, is posting substantial growth and strengthening its market position. We believe this unit is underappreciated by equity markets as well as undiscovered from an environmental perspective.

Another positive contributor in the quarter was Austrian based Raiffeisen Bank. In early 2021 the company was plagued by litigation issues and

higher credit provisions. Since then, the litigation issue has cleared, and the bank posted very strong earnings which propelled a re-rating towards our price target. The share price is up more than 80% in less than a year and we exited the position.

Less favourable developments in the quarter include the issues faced by Fortuna Silver regarding a Mexican mine permit, which hit the stock hard in Q4. This issue was resolved in December, and the stock regained most of the drawdown after we had increased our position. We were also surprised by the magnitude of the cost overruns in Argonaut Gold, which put a dent in the otherwise solid performance of the equity.

We continued to increase our position in Cascades, the Canadian packaging and tissue producer, currently the fund's largest position. Following a year of dialogue with management, we recently escalated our level of engagement to convey our thoughts on the company's suboptimal structure. We believe there is a solid case for a separation of the Tissue business and a clearer focus on the remaining Containerboard business. We are pleased to see that the company has scheduled a strategic update shortly, possibly a result of our joint efforts with other shareholders.

### New positions

We accumulated a position in Vitesco Technologies, Continental's Powertrain unit that was spun off in September 2021. While the traditional Powertrain segment is structurally challenged due to the ongoing electric transition, Vitesco appears better placed than its peers to navigate the transition to electric mobility. We estimate that shares are trading at 2-3 times mid-term core earnings power which we believe is unwarranted given the strong balance sheet and underlying cash flow stream and future potential.

We also added US based Textainer, one of the world's leading lessors and managers of shipping containers. Following supply disruption in global trade, the operating environment has substantially improved which bodes well for revenue growth combined with favourable credit conditions. Importantly, the company is now locking in higher profitability contracts with long duration which we believe the market underestimates.



Foto: Shutterstock



Foto: Shutterstock

Another newcomer is Japanese construction equipment producer Komatsu, the world's second largest behind Caterpillar. The global construction and mining machinery market bottomed out in 2020 due to the impact from COVID-19 but is recovering broadly supported by higher commodity prices. Komatsu also has a technological lead over many peers in electrification and autonomous functionality. We believe the shares trade at an unwarranted discount to normalized earnings power and its main peer US based Caterpillar, indicating a substantial upside in the share price from a mid-term perspective.

### Outlook

At the end of the year, the portfolio consists of 45 substantially undervalued equities with tangible catalysts for re-rating over the next 2-3 years. The aggregate upside to our price targets is more than 50% and 85% of the portfolio is currently positioned in the small and mid-cap segment. Heading into 2022, we believe the investment environment will become more sensitive to equity valuations on the back of global interest rate normalisation. This will increase the probability for rotation into underpriced equities with above average mid-term earnings yields at the expense of the higher multiple stocks which currently dominate index baskets globally.

SKAGEN Focus er et aksjefond hvor forvalterne kun investerer i sine aller beste ideer. Målet er å skape langsiktig avkastning ved å investere i en portefølje med vekt på små og mellomstore selskaper.

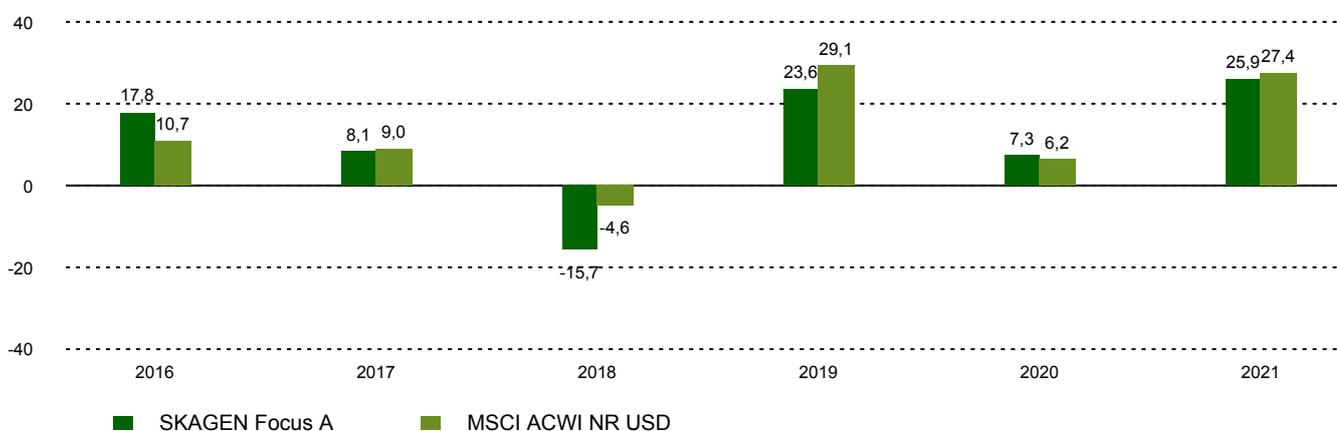
## Historisk avkastning

Periode	SKAGEN Focus A	Referanseindeks
Siste måned	3,1%	2,9%
Hittil i kvartal	2,1%	8,7%
Hittil i år	25,9%	27,4%
Siste år	25,9%	27,4%
Siste 3 år	18,6%	20,5%
Siste 5 år	8,7%	12,7%
Siste 10 år	n/a	n/a
Siden start	6,5%	9,9%

## Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	26.05.2015
Morningstarkategori	Global, Fleksibel kapitalisering
ISIN	NO0010735129
NAV	134,16 DKK
Årlig forvaltningshonorar	1.60%
Totalkostnad (2020)	1.70%
Referanseindeks	MSCI ACWI NR USD
Forvaltningskapital (mill.)	1260,87 DKK
Antall poster	44
Porteføljeforvalter	Jonas Edholm

## Avkastning siste 10 år



## Bidragsytere i kvartalet



## Største positive bidragsytere

Navn	Vekt (%)	Bidrag (%)
Ivanhoe Mines Ltd	3,96	1,00
Raiffeisen Bank International	1,14	0,51
Aichi Bank Ltd/The	1,81	0,47
Sixt SE	3,73	0,38
GrafTech International	2,66	0,29



## Største negative bidragsytere

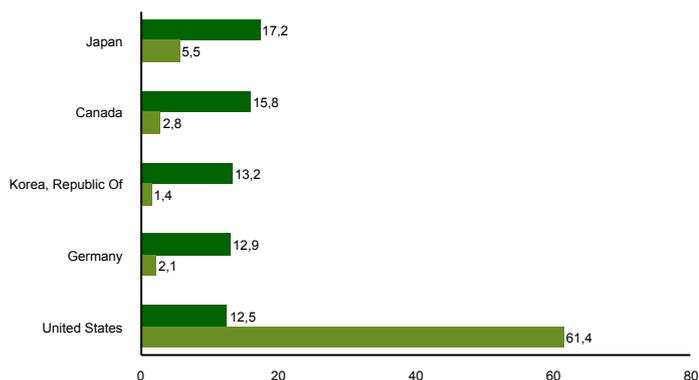
Navn	Vekt (%)	Bidrag (%)
Ubisoft Entertainment SA	1,69	-0,51
Panasonic Corp	4,23	-0,47
Cascades Inc	4,32	-0,41
China Communications Services	3,18	-0,39
LOTTE Fine Chemical Co	1,91	-0,37

I NOK for alle andelsklasser

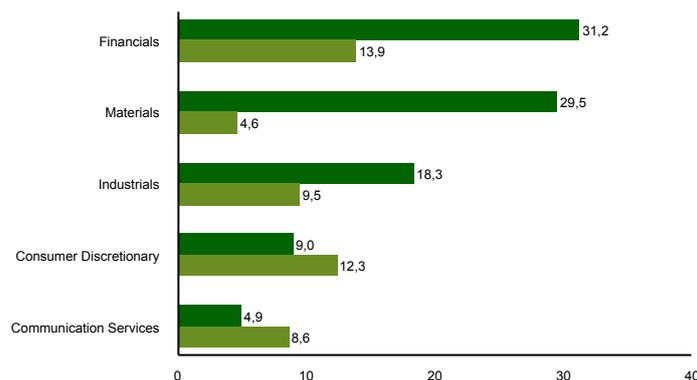
## 10 største investeringer

Navn	Sektor	Land	%
Cascades Inc	Materials	Canada	5,4
Panasonic Corp	Consumer Discretionary	Japan	4,2
Marcus Corp/The	Communication Services	United States	3,7
KB Financial Group Inc	Financials	Korea, Republic Of	3,6
Ivanhoe Mines Ltd	Materials	Canada	3,3
Commerzbank AG	Financials	Germany	3,2
Canfor Pulp Products Inc	Materials	Canada	3,2
Sixt SE	Industrials	Germany	3,2
China Communications Services Corp Ltd	Industrials	China	3,2
Nova Ljubljanska Banka dd	Financials	Slovenia	3,1
Samlet vektning			36,1

## Landeksponering (topp 5)


■ SKAGEN Focus A    ■ MSCI ACWI NR USD

## Bransjefordeling (topp 5)


■ SKAGEN Focus A    ■ MSCI ACWI NR USD

## Kontakt



+45 7010 4001



kundeservice@skagenfondene.dk

SKAGEN AS, Bredgade 25A 1260  
København K

## Viktig informasjon

All informasjon er basert på mest oppdaterte tall tilgjengelig. Med mindre noe annet er opplyst, vil avkastningsdata være relatert til andelsklasse A og vises etter fradrag for honorarer. Forvaltningskapital per utgangen av forrige måned. All informasjon er fremstilt av SKAGEN AS (SKAGEN) med mindre noe annet er opplyst. Alle SKAGENS aksje- og obligasjonsfond har dansk risikomerking gul. Historisk avkastning er ingen garanti for fremtidig avkastning. Fremtidig avkastning vil blant annet avhenge av markedsutviklingen, forvalterens dyktighet, fondets risikoprofil og forvaltningshonorar. Avkastningen kan bli negativ som følge av kurstap. Du kan laste ned mer informasjon fra våre nettsider eller vår lokale representant, herunder tegnings- og innløsningsblanketter, fondsprospekter, nøkkelinformasjon (KIID), forretningsvilkår, årsrapporter og månedlige rapporter. Vurderinger er basert på porteføljevalternes syn på et gitt tidspunkt og kan bli endret på ethvert tidspunkt uten nærmere varsel. Rapporten må ikke oppfattes som en anbefaling om å kjøpe eller selge finansielle instrumenter. SKAGEN fraskriver seg ethvert ansvar for direkte- og indirekte tap samt utgifter pådratt i forbindelse med bruk av eller forståelsen av innholdet i rapporten. Ansatte i SKAGEN vil kunne eie finansielle instrumenter utstedt av selskaper som er omtalt i rapporten eller som fondene har i sine porteføljer.