

## Strong year for equities

2019 was a year of strong absolute performance for SKAGEN Insight and equity markets in general. Having said that, activists recorded another year of relative underperformance, making things difficult for us as shadow activists. While performance was an improvement on the previous year, it was not in-line with our expectations and the fund's relative underperformance was disappointing. This is not necessarily because activist strategies are proving ineffective to catalyse change. On the contrary, we have seen active minority investors make great strides to improve companies over the past year.

One of the best examples is at ThyssenKrupp, which has been SKAGEN Insight's largest holding throughout 2019. The company has gone through a complete governance overhaul and is now embarking on a strategy that is set to release massive shareholder value which was previously unthinkable for mainstream investors. However, we are yet to reap the benefits of all this work. With this in mind, we are optimistic that 2020 will be the year when markets come to appreciate Thyssen's transformation. This situation exemplifies our work: investing in positive change in the real world and waiting for investors in the equity market to recognise it. Sometimes our patience is tested, and 2019 was one of those years.

### Largest contributors

The fund's largest positive contributors during the fourth quarter were Teikoku Sen-I and Rexel. The former company is one of our Japanese favourites that has been with the fund since inception. The stock performed strongly, recovering some of its lost ground since March, as people once again started to focus on the potential for positive

transformation of Teikoku's balance sheet. This development was supported by a new activist entering the shareholder register with a 5+% position. Clearly, the pressure is now on for the company to present material changes at its upcoming AGM in March 2020. We expect to support any shareholder proposals that translate into a better and more efficient Teikoku, including but not limited to higher dividends to instil stronger capital allocation discipline. Moreover, on the operational front we were not surprised when the company upgraded its fiscal year guidance by +20% across the board in late December. Other people were surprised, however, so the stock jumped +16% on the day of the news. Going forward, one should keep in mind that Teikoku, a leading provider of disaster prevention equipment in Japan, is likely to have another solid year in 2020 as it benefits from the preparations for the Tokyo Olympics.

On the last day of 2019 we also received positive news concerning another large holding, Hudson's Bay. We had flagged in our November update that we were expecting the insider group controlling around 57% of Hudson's to raise their takeover offer. We had also made our view clear to the management team that the two initial offers received from this group (and subsequently recommended by the board) were in fact too low. We were therefore pleased to see the insider group present a sweetened offer on New Year's Eve, which later caused the stock to rally to its highest level since we invested. We took this opportunity to fully exit our position at a solid profit.



Foto: Bloomberg

### Largest detractors

SKAGEN Insight's largest negative detractors during the last quarter of 2019 were Armstrong Flooring and Eltel. The development at Armstrong has clearly been disappointing, and while some of the headwinds have been outside the company's control, it is becoming clear that the strategic shift implemented during 2018 has failed to bear fruit. The most noticeable headwind has been trade tariffs, as Armstrong has a production setup more skewed to imports from China than some domestic US-peers. With a seasoned new CEO in place, there may be reason for more optimism going forward. Also, it is difficult to ignore the fact that this is a company that bought back USD 50m worth of shares only six months ago (after having divested its Wood Flooring business for USD 100m - in line with our original investment thesis), versus its current market capitalisation of a meagre USD 90m. Hence, if things turn around operationally from here (and we believe they will), we would expect to see the stock to double several times over.



Foto: Bloomberg

### Outlook

We continue to run a portfolio of deeply undervalued and underappreciated situations where minority investors are acting as the catalyst for positive change. This message is not news for people who have been following the fund since its inception two years ago. For 2020 we are likely to see a continuation of the long-term trends in the activist space; shareholders' voices will continue to grow in importance to shape companies' futures in a market that is otherwise ruled by passive and faceless capital. Our shadow activism-strategy taps right into this secular development where owners will trump investors.

SKAGEN Insight investerer i en bred og aktivt forvaltet portefølje av selskaper knyttet til noen av de mest attraktive aktivistkampanjer i verden. Aktivister ønsker å skape verdier gjennom å forbedre selskaper. SKAGEN Insight «skygger» aktivistene ved å investere i disse selskapene. Målet er å gi best mulig risikojustert avkastning. Fondet passer for dem med minst fem års investeringshorisont.

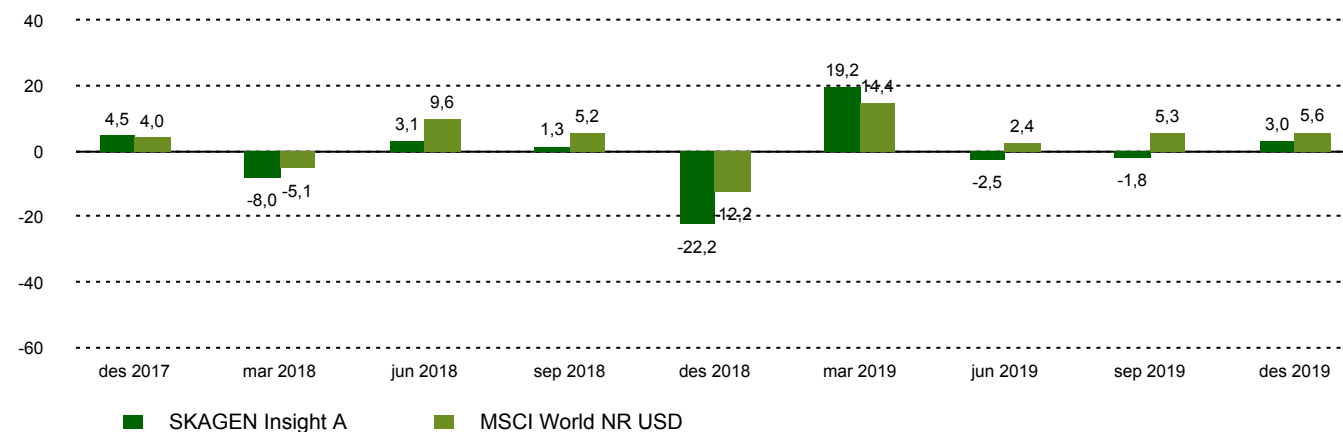
## Historisk avkastning

Periode	SKAGEN Insight A	Referanseindeks
Siste måned	1,3%	0,8%
Hittil i kvartal	3,0%	5,6%
Hittil i år	17,6%	30,2%
Siste år	17,6%	30,2%
Siste 3 år	n/a	n/a
Siste 5 år	n/a	n/a
Siste 10 år	n/a	n/a
Siden start	-1,5%	13,6%

## Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	21.08.2017
Morningstarkategori	Globale, Store selskaper, Blanding
ISIN	NO0010801558
NAV	76,98 DKK
Årlig forvaltningshonorar	1,5%
Totalkostnad (2018)	1,50%
Referanseindeks	MSCI World NR USD
Forvaltningskapital (mill.)	149,39 DKK
Antall poster	34
Porteføljeforvalter	Tomas Johansson

## Kvartalsvis avkastning



## Bidragsyttere i kvartalet

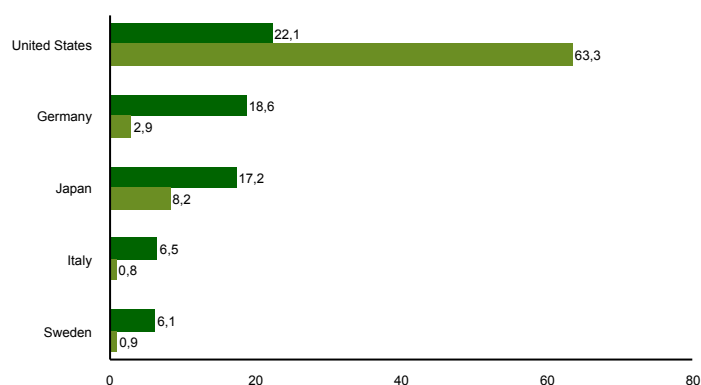
Største positive bidragsyttere			Største negative bidragsyttere		
Navn	Vekt (%)	Bidrag (%)	Navn	Vekt (%)	Bidrag (%)
Teikoku Sen-I Co	4,00	0,79	Armstrong Flooring Inc	1,99	-1,10
Rexel SA	3,96	0,75	thyssenkrupp AG	8,11	-0,35
Hain Celestial Group Inc	3,31	0,62	Eitel AB	4,50	-0,32
ABB Ltd	3,12	0,56	Stock Spirits Group PLC	3,72	-0,30
Banca Popolare di Sondrio	1,96	0,54	Maxell Holdings Ltd	3,89	-0,24

I NOK for alle andelsklasser

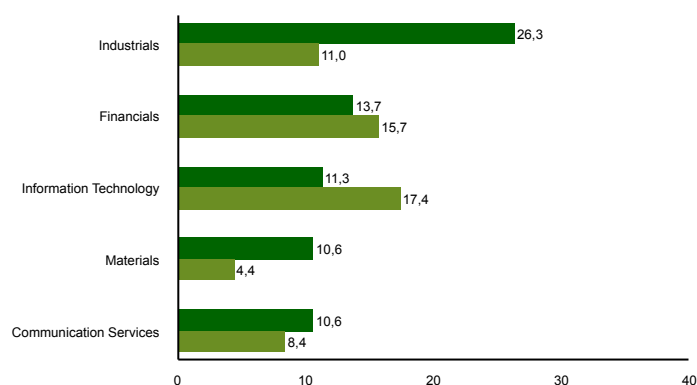
## 10 største investeringer

Navn	Sektor	Land	%
Thyssenkrupp AG	Materials	Germany	8,0
Dai-ichi Life Holdings Inc	Financials	Japan	8,0
Telecom Italia SpA/Milano	Communication Services	Italy	5,5
AT&T Inc	Communication Services	United States	5,1
Nordea Bank Abp	Financials	Finland	4,7
ABB Ltd	Industrials	Switzerland	4,4
Conduent Inc	Information Technology	United States	4,2
E.ON SE	Utilities	Germany	4,2
Telefonaktiebolaget LM Ericsson	Information Technology	Sweden	4,1
Gea Group AG	Industrials	Germany	3,9
Samlet vektning			52,2

## Landeksponering (topp 5)



## Bransjefordeling (topp 5)


■ SKAGEN Insight A    ■ MSCI World NR USD

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## Viktig informasjon