

Climbing the wall of worry

2019 was a classic example of markets climbing the wall of worry, following a weak end to 2018. The final quarter was no different as the market continued to rise, and SKAGEN Vekst delivered a solid absolute return for the quarter as well as for the full year. The themes in the fourth quarter remained the same as for the first three quarters, but now with everything moving in the right direction. In terms of the economy, data remained weak but turned less bad. In the political arena, there seemed to be progress in the US-China trade talks and the Brexit drama finally started to move towards a solution. Finally, with regard to monetary policy, comments from global central banks confirmed they are firmly in easing mode.

Contributors

The Danish windmill producer Vestas was among the fund's strongest performers in Q4 as the company reported record orders. Vestas continues to take market share, confirming our thesis that the company is using its scale benefits in R&D and costs to widen its gap to peers. Ultimately, we expect this to lead to a healthier industry structure with fewer players and higher margins. Samsung Electronics was another strong performer as the company benefitted from early signs that the memory cycle is finally turning. This also helped our related investments

in Applied Materials and Broadcom.

The Danish pharmaceutical giant Novo Nordisk was once again among the best contributors to the absolute return of the fund. While it is still early days for the newly launched Rybelsus (a once-daily GLP-1 tablet), the drug has got off to a very strong start, which supports our thesis that Novo should see an acceleration of its growth trajectory.

On the weaker side we find the US multi-line insurer AIG whose Q3 numbers came in below expectations. This was mainly driven by shorter-term factors like higher catastrophe losses and lower than expected alternative investments income. What is important for our thesis is that general insurance, which has traditionally been the company's problem child, continued to show improvement in underwriting as well as costs. The Norwegian fertiliser company Yara was another weak performer in Q4 as lower coal prices and a weaker Chinese yuan resulted in increased price competition from China. Yara continues to provide us with a very attractive direct yield from dividends and buybacks at these levels. With few new Chinese plants under construction, we expect the more subdued supply conditions to lead to higher urea prices over the coming years.



Foto: Shutterstock

Portfolio activity

SKAGEN Vekst added three new positions in the quarter, namely Sparebanken Vest, Telenor, and Equinor. Sparebanken Vest is very attractively priced versus its peers with the same level of profitability. The main reason is low liquidity in the stock. We have seen a clear trigger for this to change, following the conversion of ownerless primary capital into equity capital certificates, which drastically improved the liquidity of the equity certificates. While we expect a positive re-rating following this event, Sparebanken Vest already generates an attractive dividend yield. Telenor is another safe and strong dividend payer, providing an attractive yield in the current environment of ultra-low interest rates and high asset prices. On top of this, we see strategic opportunities to monetise the company's tower infrastructure assets as well as its Asian assets. We have seen a continued de-rating of oil producers globally as investor focus on ESG has increased. In this period, the major oil companies have done exactly what investors have asked for by lowering costs, strengthening balance sheets, and increasing management focus on shareholder return. The net result is that for a lot of these stocks, the dividend and buy-backs alone will provide a return in excess of what investors would expect in total return from the stock market overall. On this note, we added Equinor to the portfolio as recent management action has given us increased confidence in their commitment to a disciplined capital allocation. To fund these new investments, we reduced our holdings in some of our strong performers where we now see less upside. For this reason, Samsung Electronics, Citigroup, DSV, Orkla, Tyson Foods, Holmen and A.P. Møller-Maersk were all reduced in Q4.



Foto: Bloomberg

Outlook

While stocks globally have done well since the end of the financial crisis, the performance has been 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 valuation multiples not far off financial crisis levels. Importantly, a number of these companies have now become so cheap that the dividend yield is comparable to the normalised total return you would expect from the stock market. Thus, while the overall market does not look particularly cheap, we find underlying pockets of opportunity. For this reason, we have continued to move the portfolio towards more classic value cases. As always, this is done on a bottom-up basis, favouring companies trading at depressed valuations, offering clear triggers, and paying an attractive dividend yield. It is also important to highlight that these stocks look very attractive versus other asset classes such as bonds and physical real estate.

SKAGEN Vekst investerer i en aktivt forvaltet og diversifisert portefølje av undervurderte selskaper over hele verden. Halvparten av porteføljen er konsentrert rundt Norden.

Målet er å gi andelseierne best mulig risikojustert avkastning over tid.

Fondet passer for investorer som har minst fem års investeringshorisont.

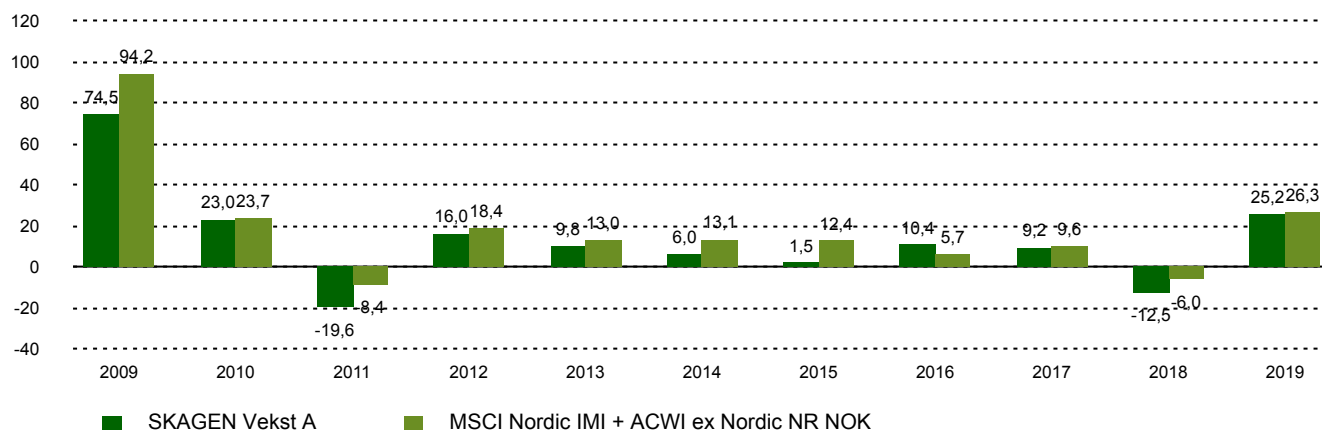
Historisk avkastning

Periode	SKAGEN Vekst A	Referanseindeks
Siste måned	4,0%	2,3%
Hittil i kvartal	7,0%	7,1%
Hittil i år	25,2%	26,3%
Siste år	25,2%	26,3%
Siste 3 år	6,2%	9,2%
Siste 5 år	6,1%	9,1%
Siste 10 år	6,0%	10,2%
Siden start	12,7%	9,7%

Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	01.12.1993
Morningstarkategori	Global, Fleksibel kapitalisering
ISIN	NO0008000445
NAV	2037,31 DKK
Årlig forvaltningshonorar	1.00%
Totalkostnad (2018)	1.00%
Referanseindeks	MSCI Nordic IMI + ACWI ex Nordic NR NOK
Forvaltningskapital (mill.)	5728,99 DKK
Antall poster	54
Porteføljeforvalter	Søren Christensen

Avkastning siste 10 år



Endring av fondets mandat - se nederst på neste side

Bidragstyttere i kvartalet



Største positive bidragstyttere

Navn	Vekt (%)	Bidrag (%)
Vestas Wind Systems	2,94	0,66
Samsung Electronics	4,40	0,63
Novo Nordisk A/S	6,68	0,58
Citigroup Inc	4,37	0,53
Kinnevik AB	3,09	0,47



Største negative bidragstyttere

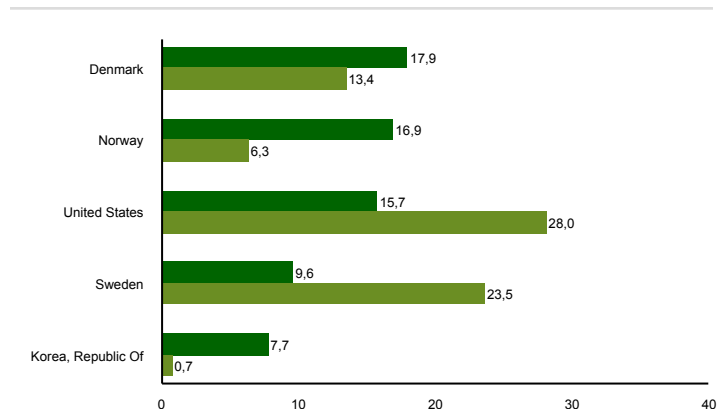
Navn	Vekt (%)	Bidrag (%)
American International Group	2,81	-0,31
Yara International ASA	3,59	-0,25
Northern Drilling Ltd	0,84	-0,14
Chubb Ltd	1,67	-0,12
Hyundai Motor Co	1,77	-0,11

I NOK for alle andelsklasser

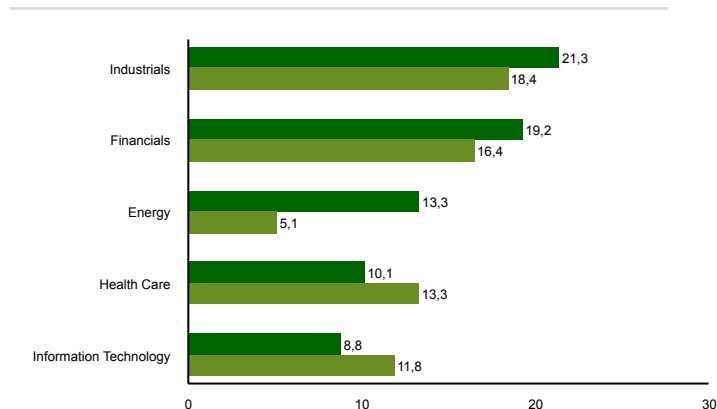
10 største investeringer

Navn	Sektor	Land	%
Novo Nordisk A/S	Health Care	Denmark	6,6
Bonheur ASA	Industrials	Norway	4,4
Samsung Electronics Co Ltd	Information Technology	Korea, Republic Of	4,2
Citigroup Inc	Financials	United States	4,1
Yara International ASA	Materials	Norway	3,8
Royal Dutch Shell PLC	Energy	Netherlands	3,7
CK Hutchison Holdings Ltd	Industrials	Hong Kong	3,1
Vestas Wind Systems A/S	Industrials	Denmark	3,1
Gazprom PJSC	Energy	Russian Federation	2,8
Broadcom Inc	Information Technology	United States	2,6
Samlet vekting			38,4

Landeksponering (topp 5)



Bransjefordeling (topp 5)


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

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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).