

**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.

## Emerging Markets benefitted from China re-opening

Global equity markets rose markedly during the fourth quarter driven by speculation that US inflation may have peaked. This boosted emerging markets, which also benefitted from the depreciation of the USD and a swift relaxation of China's pandemic restrictions. At the 20<sup>th</sup> Party Congress of the Chinese Communist Party, President Xi secured a third term and strengthened his control of the party's leadership, which spooked investors. However, a string of good news followed as Covid restrictions were gradually relaxed before an official re-opening was announced earlier than anticipated. The relaxation came on the back of rising social unrest due to discontent about lockdown measures and marked a significant U-turn from the previous zero Covid stance. Chinese authorities also announced a range of supportive measures for the property markets. Geopolitical tensions were soothed as Biden and Xi met in person and announced plans for US Secretary of State Antony Blinken to visit China early in 2023.

The biggest positive regional contribution came from China and South Korea. We continue to believe that the current market backdrop favours a conservative approach to portfolio construction. The combination of monetary and fiscal policy tightening to bring down historically high inflation rates has yet to feed into corporate earnings expectations, in our view.

### Contributors and detractors

SKAGEN Kon-Tiki outperformed its benchmark in Q4. All the largest positive contributors were directly or indirectly exposed to the China re-opening. The largest positive contributor during the quarter was the Chinese financial conglomerate Ping An. Its share price rose significantly on expectations that it should benefit both operationally and through its investment book from a re-opening. This also benefitted our holdings exposed to Korean consumer electronics, namely LG Electronics and Samsung Electronics. The two companies rebounded significantly in November following soft performance during the first three quarters. Holding company Prosus gained from its significant exposure to the Chinese gaming and entertainment company Tencent. Management also presented positive targets for its ecommerce portfolio at an investor presentation. Total Energies continues to perform well as it is profiting from elevated energy prices globally.



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Vietnam Opportunity Fund is a closed-end-fund trading on the London Stock Exchange managed by Vina Capital. The outlook for Vietnam's economy appears robust, and we like the structural story. VOF provides us with exposure to Vietnam and trades at a discount to NAV, also buying back shares to reduce the discount when deemed high. Through VOF we have access to Vietnamese companies at a discount versus foreign limit prices which are also filled for most companies.

Our largest negative contributors for the quarter were not specific to a particular market. WH Group, the largest pork and packaged meat provider globally, contributed negatively although its Q3 figures were in line with expectations. Taiwanese semiconductor foundry TSMC declined slightly on potential demand concerns for next year given a widely anticipated global economic downturn. Indonesian media company PT Media Nusantara (MNCN) slid after reporting soft Q3 figures due to a drop in advertising revenues in the quarter. Atlantic Sapphire warned of higher than usual salmon mortality and as a result a lower harvest weight in the second half of 2022, although with limited impact going forward. Finally, Brazilian food retailer GPA reported weak quarterly figures due to difficulties passing on inflation and higher logistics costs. The Brazilian market was relatively weak on the back of news around Lula's fiscal plan and appointments to his administration.

### Portfolio activity

We made a few changes to the portfolio during the quarter. Newcomers included Banco do Brasil and the Taiwanese semiconductor foundry TSMC, and we re-entered our previous holding Vietnam Opportunity Fund. We exited Indian auto/tractor manufacturer Mahindra & Mahindra as the share price reached our fair value estimate and Mongolian copper miner Turquoise Hill Resources following Rio Tinto's takeover offer.

Banco do Brasil is the largest bank in Brazil measured by total assets and with 18% market share. While fundamentals remain strong and there is good visibility, the uncertainty for SOEs around the presidential election gave us the opportunity to invest at 0.6x book, which is attractive given guidance of 20% ROE and a significant discount to peers and historic levels.

TSMC pioneered the pure-play foundry business and has remained the world's leading dedicated semiconductor foundry ever since. We believe the structural demand for semiconductors will continue and after a significant correction in the share price, we invested in a very attractive business trading at a considerable discount to our conservative fair value estimate, mainly due to geopolitical concerns.



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### Outlook

The SKAGEN Kon-Tiki portfolio now consists of 48 companies including four of our five Russian holdings currently valued at zero. Overall, the portfolio is trading on just 6x 2022 earnings and 0.8x price to book, which is a 42% and 48% discount to the broader Emerging Markets index, respectively. The disconnect between our holdings' fundamentals and their aggregate valuation is as wide as it has been in the last five years. As a result, we continue to believe that the portfolio offers an attractive risk/reward proposition almost regardless of the macro backdrop.

The fund selects low-priced, high-quality companies, mainly in emerging economies. The objective is to provide the best possible risk adjusted return. The fund is suitable for those with at least a five year investment horizon. 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)

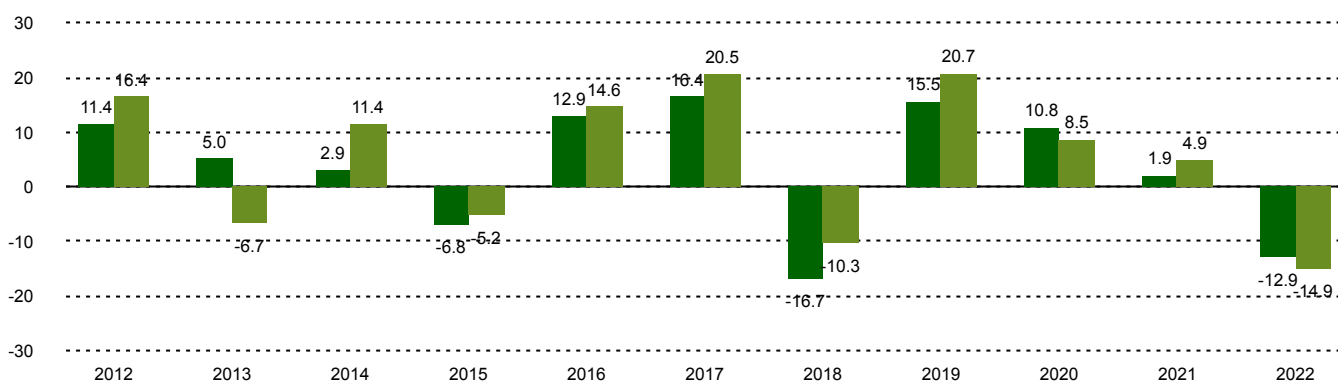
Period	SKAGEN Kon-Tiki A	Benchmark index
Last month	-3.5%	-4.9%
Quarter to date	5.7%	0.7%
Year to date	-12.9%	-14.9%
Last 12 months	-12.9%	-14.9%
Last 3 years	-0.5%	-1.0%
Last 5 years	-1.1%	1.0%
Last 10 years	2.3%	3.6%
Since start	9.7%	6.5%

## Fund Facts

Type	Equity
Domicile	Norway
Launch date	05.04.2002
Morningstar category	Global Emerging Markets Equity
ISIN	NO0010140502
NAV	88.54 EUR
Fixed management fee	2.00% + performance fee*
Total expense ratio (2021)	1.67%
Benchmark index	MSCI EM NR USD
AUM (mill.)	1265.31 EUR
Number of holdings	48
Portfolio manager	Fredrik Bjelland Cathrine Gether

\*10.00% performance fee calculated daily and charged annually if the fund's value development is better than the benchmark. The total management fee charged represents a maximum of 4.00% p.a. and a minimum of 1.00% 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.

## Performance last ten years



■ SKAGEN Kon-Tiki A ■ MSCI EM NR USD The benchmark is MSCI EM Index. This index did not exist at the fund's inception, consequently the benchmark prior to 1/1/2004 was MSCI World AC Index. This is not reflected in the graph above which shows MSCI EM Index since the fund's inception.

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 (%)
Ping An Insurance Group Co of China Ltd	6.65	1.01
X5 Retail Group NV	0.55	0.93
TotalEnergies SE	3.71	0.83
LG Electronics Inc	5.17	0.79
Samsung Electronics Co Ltd	6.46	0.60



### Largest detractors

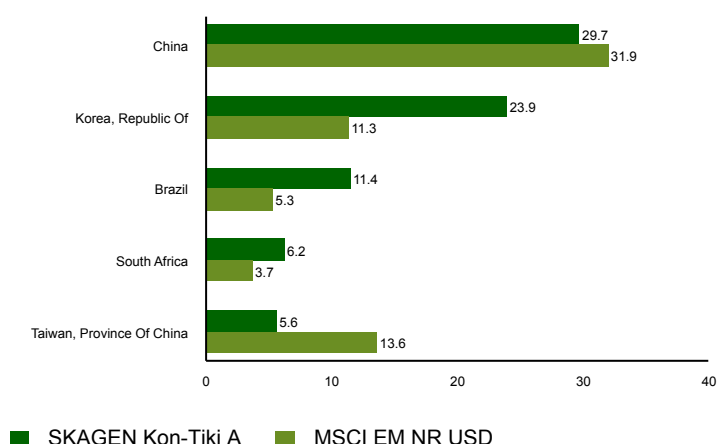
Holding	Weight (%)	Contribution (%)
WH Group Ltd	2.42	-0.50
Media Nusantara Citra Tbk PT	1.51	-0.36
Cia Brasileira de Distribuicao	1.46	-0.30
Raizen SA	1.78	-0.29
Hyundai Motor Co	3.45	-0.28

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

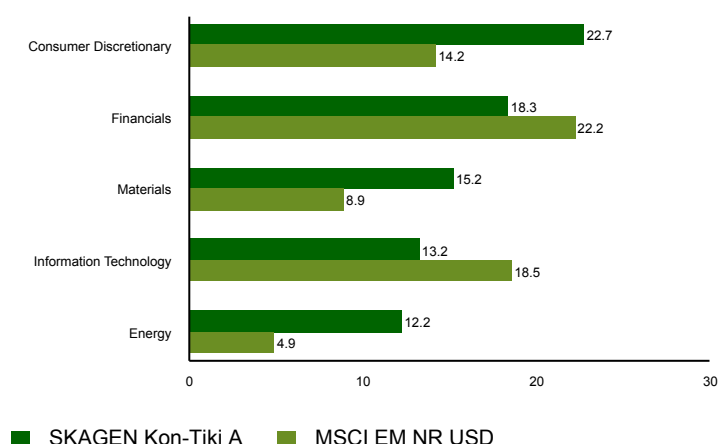
## Top ten investments

Holding	Sector	Country	%
Ping An Insurance Group Co of China Ltd	Financials	China	7.5
Samsung Electronics Co Ltd	Information Technology	Korea, Republic Of	6.3
LG Electronics Inc	Consumer Discretionary	Korea, Republic Of	5.2
Cnooc Ltd	Energy	China	5.2
Alibaba Group Holding Ltd	Consumer Discretionary	China	4.5
Prosus NV	Consumer Discretionary	China	3.8
UPL Ltd	Materials	India	3.4
Suzano SA	Materials	Brazil	3.4
Naspers Ltd	Consumer Discretionary	South Africa	3.4
Hyundai Motor Co	Consumer Discretionary	Korea, Republic Of	3.2
Combined weight of top 10 holdings			45.9

## Country exposure (top five)



## Sector exposure (top five)



## 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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