

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, from our local representatives and from our distributors.

Significant divergence in performance

Global stock markets continued their roller-coaster ride in the second quarter as the market struggles to digest higher inflation combined with signs that economic activity and company earnings estimates must be reduced. In this environment, SKAGEN Vekst significantly outperformed the general market. A number of portfolio holdings provided a solid return despite a generally weak market. This was partly a result of company specific news from some of our largest holdings (see below for details). Some of our oil-related and shipping companies also benefitted from higher commodity prices and continued distribution bottlenecks. However, the outperformance was as much driven by what we do not own. We have long argued that growth quality companies look extremely overvalued and only perform strongly in an environment with interest rates close to zero. Having a disciplined valuation approach and avoiding these areas of the market saved investors in SKAGEN Vekst from significant losses again this quarter.

Contributors

The biggest contributor to the fund's absolute return in the quarter was the Danish pharma company Novo Nordisk, which is also our largest holding. The company delivered an outstanding result for the first quarter, showing rapid growth across its diabetes and obesity franchise. Novo has not been able to meet the strong demand for its new obesity drug Wegovy lately. However, all the hype around the weight benefits has also helped Ozempic (diabetes medicine) that offers some of the same benefits.

Another strong performer was the Swedish personal care company Essity. The company's first quarter results showed good progress in transferring higher input costs to consumers. The company continued increasing prices in the second quarter and management has guided for further price hikes in the coming quarters. Thus, we expect margins to improve going forward, at a time when most other companies are facing headwinds on both top-line and margins.



Photo: Shutterstock

We also added to our holdings in the Nordic bank Nordea, the pharma company Lundbeck, and the logistics provider DSV following a weak share price development. To fund these positions, we reduced several positions where the fundamental upside has narrowed following strong share price performance. These include the pharma company Novo Nordisk along with the shipping companies Golden Ocean, Flex LNG, Hoegh Autoliners, and Wilhelm Wilhelmsen holdings.

The Swedish mining company Boliden was a one of the largest detractors to the fund's absolute return in the quarter. The main reason was softer commodity prices leading to lower earnings estimates. While we do not have a strong view about commodity prices in the short term, we strongly believe that the green energy transition will lead to structurally higher demand for a number of commodities and copper in particular. A decade of low investments combined with much stricter environmental requirements for opening new mines should result in a very healthy environment for Boliden in the coming decade.

Samsung Electronics also had a difficult month due to signs of memory prices softening. While this is obviously negative, we find it more than reflected in the current share price. We continue to see signs that the now consolidated industry is resulting in structurally higher margins. While the company has made significant improvements to its shareholder remuneration policy, we continue to see significant upside from higher dividends and buybacks – something we will discuss with management, when meeting them next month in Korea.

Portfolio activity

The Swedish investment company Kinnevik re-entered the portfolio in April after a significant drop in the share price since we exited the position last year. Following this development, the stock once again trades at a discount to its underlying holdings. The company is currently in a very interesting position, holding SEK 14bn of net cash at a time when the valuation of growth companies has come down and several need cash injections. We also participated in the equity placement of the South American telecom provider Millicom. The additional capital has substantially de-risked the investment case due to lower financial leverage.



Photo: Shutterstock

Outlook

It is important to remember that the strong performance in stocks over the past ten years has been very unevenly distributed. Even after the latest correction, quality growth stocks continue to trade at an elevated valuation, while more capital-intensive industries generally trade at more reasonable prices. We think the odds of sustainably higher inflation and higher interest rates have risen significantly over the past 12 months. While sanctions against Russia have increased the short-term pressure on commodities, we also see long-term second order effects through a reversal of the globalisation we have become accustomed to. We are therefore comfortable with our current exposure towards companies that do well in an environment with higher inflation and interest rates – such as financial and energy-related companies. We also see several Emerging Markets stocks trading at very attractive levels following ten years of underperformance. This is particularly compelling as many EM markets have not yet benefitted from a reopening of their economy.

SKAGEN Vekst invests in companies that are attractively priced relative to expected profitability and growth. The majority of the fund is invested in the Nordic region and the remainder worldwide. The objective is to provide the best possible risk adjusted return. The fund is suitable for those with at least a 5 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)

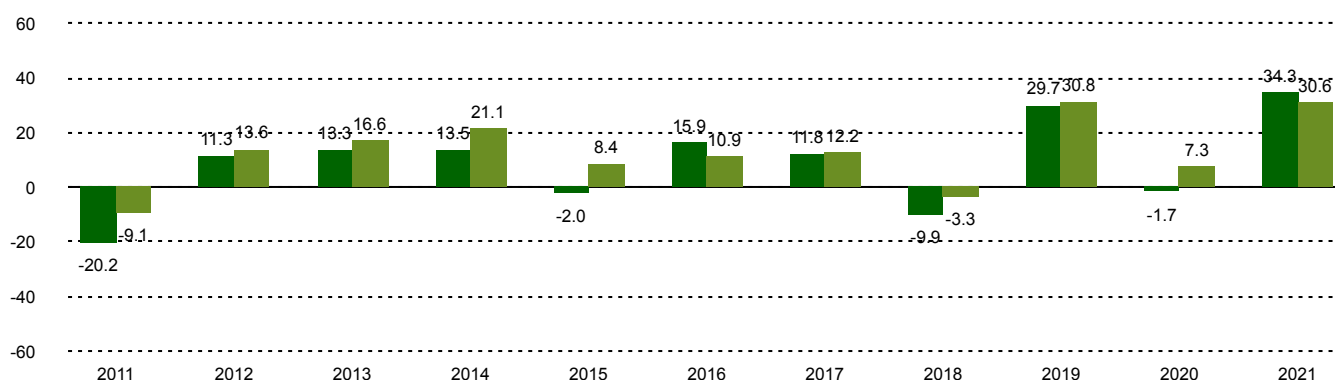
| Period | SKAGEN Vekst A | Benchmark index |
|-----------------|----------------|-----------------|
| Last month | -4.8% | -5.8% |
| Quarter to date | -1.7% | -8.6% |
| Year to date | -4.7% | -13.6% |
| Last 12 months | 4.9% | -3.8% |
| Last 3 years | 10.4% | 9.9% |
| Last 5 years | 9.3% | 10.0% |
| Last 10 years | 9.7% | 12.0% |
| Since start | 12.9% | 10.0% |

Fund Facts

| | |
|----------------------------|---|
| Type | Equity |
| Domicile | Norway |
| Launch date | 01.12.1993 |
| Morningstar category | Global Large-Cap Blend Equity |
| ISIN | NO0008000445 |
| NAV | 3605.56 SEK |
| Fixed management fee | 1.00% + performance fee* |
| Total expense ratio (2021) | 2.80% |
| Benchmark index | MSCI Nordic IMI + ACWI ex Nordic NR NOK |
| AUM (mill.) | 8787.74 SEK |
| Number of holdings | 52 |
| Portfolio manager | Søren Christensen |

*10.00% performance fee calculated daily and charged annually if the fund's return exceeds 6% p.a. The unit class has a high watermark. The performance fee may only be charged if the unit value as of 31.12 exceeds the unit value at the previous charge. 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 Vekst A ■ MSCI Nordic IMI + ACWI ex Nordic NR NOK Effective 1/1/2014, the fund's investment mandate changed from investing a min. of 50% in Norway to a min. of 50% in the Nordics. Returns prior to this date were therefore achieved under different circumstances than today. Prior to 1/1/2014, the benchmark was an evenly composed index consisting of Oslo Stock Exchange Benchmark Index (OSEBX) and MSCI All Country World. The benchmark prior to 1/1/2010 was OSEBX.

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 (%) |
|-------------------|------------|------------------|
| Novo Nordisk | 8.80 | 0.99 |
| Essity AB | 2.92 | 0.61 |
| CNOOC Ltd | 3.03 | 0.58 |
| CK Asset Holdings | 3.00 | 0.57 |
| H Lundbeck A/S | 2.05 | 0.47 |



Largest detractors

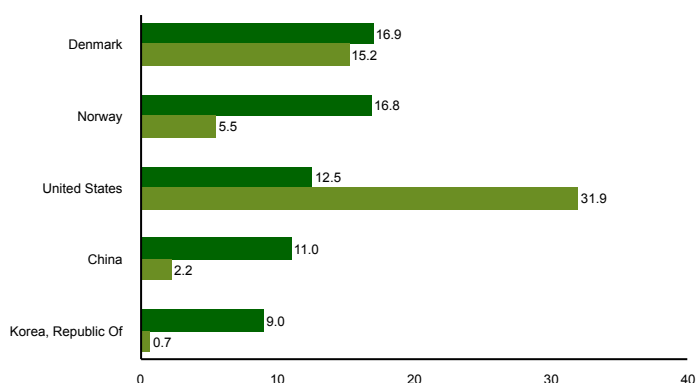
| Holding | Weight (%) | Contribution (%) |
|---------------------|------------|------------------|
| Boliden AB | 1.74 | -0.50 |
| Samsung Electronics | 3.60 | -0.47 |
| Broadcom Inc | 3.63 | -0.46 |
| DSV A/S | 1.98 | -0.43 |
| Norsk Hydro ASA | 1.11 | -0.38 |

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

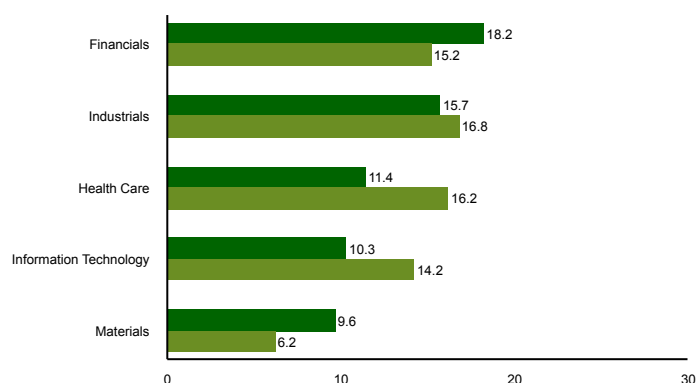
Top ten investments

| Holding | Sector | Country | % |
|---|------------------------|--------------------|------|
| Novo Nordisk A/S | Health Care | Denmark | 9.1 |
| Bonheur ASA | Industrials | Norway | 5.2 |
| Yara International ASA | Materials | Brazil | 4.2 |
| Ping An Insurance Group Co of China Ltd | Financials | China | 3.6 |
| Nordea Bank Abp | Financials | Finland | 3.6 |
| Telenor ASA | Communication Services | Norway | 3.5 |
| Broadcom Inc | Information Technology | United States | 3.3 |
| CK Asset Holdings Ltd | Real Estate | Hong Kong | 3.3 |
| Samsung Electronics Co Ltd | Information Technology | Korea, Republic Of | 3.3 |
| Essity AB | Consumer Staples | Sweden | 3.3 |
| Combined weight of top 10 holdings | | | 42.3 |

Country exposure (top five)



Sector exposure (top five)



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

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

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.



0200-11 22 60



kundservice@skagenfonder.se



SKAGEN AS, Box 11, 101 20
 Stockholm