

Exciting times ahead

Activist investors globally had a difficult time during the second quarter, as reignited trade worries rattled the markets. Things appear to have settled slightly going into Q3 and we therefore remain confident about the outlook for the remainder of the year. In fact, we believe that 2019 has the potential to be a very exciting year for SKAGEN Insight, especially as the vast majority of our portfolio companies, and the progress they have made, remain deeply misunderstood and underappreciated by the market. It is, however, important to remember that SKAGEN Insight is not an index fund, which is why it will outperform the market some years and likely underperform other years. We remain convinced that the strategy will prove itself over time.

Top contributors

SKAGEN Insight's strongest contributor during the second quarter was retail chain Hudson's Bay whereby corporate insiders controlling around 60% of the shares launched a takeover offer for the company. While the offer represents a premium of close to 48% versus the prevailing share price prior to the announcement, it still fundamentally undervalues Hudson's, in our view. The key activist shareholder was also quick to denounce it as "woefully inadequate". The stock has performed strongly on back of the takeover proposal but we believe the current (initial) offer is too low to be accepted by minority shareholders. Our target price is also 20% higher than the bid price. Hence, we remain invested in anticipation of an improved offer. In connection with the insider offering, Hudson's also announced that it is finally exiting its troubled European operations - something that not only de-risks the situation but is also an important catalyst for unlocking significant shareholder value.

This takeover offer highlights the fact that there is generally a lower limit



Foto: Bloomberg

Insight's largest detractors during the second quarter were Teikoku Sen-i and Conduent. The former company took a hit in the market as the lead activist Sparx lost a proxy fight that would have unlocked material shareholder value within the company. We were among those that believed this situation had the potential to become a trademark transformation illustrating the power of ongoing corporate governance change in Japan. It turns out we may have to wait until next year for this particular situation to be resolved but we remain very upbeat about what we are seeing more broadly across the country.

on how cheap companies can become in the public equity market. Hudson's Bay is a good example of a company that has become deeply unloved by mainstream investors and seen its stock slide in a downward spiral as a consequence. Fundamentally, however, the new management team has made great progress in strengthening the company's balance sheet as well as improving its strategic position. The market has failed to factor in these positive actions, however, as the stock has continued to decline. We feel confident remaining invested in situations like this where there is a large discrepancy between the market value and the underlying fundamental value, especially when it is clear to us that there are good potential owners of these assets outside the public market. These could, for example, be private equity funds, founding families, or as in the case of Hudson's Bay, other large insiders. This dynamic effectively acts as a cap on the downside and can be perceived as a strong indication that one will not lose money when investing into these situations at an already low valuation. Therefore, we were not surprised when the takeover offer was announced and are confident that the last word has not yet been spoken.

Eltel has also been a strong performer during the second quarter, despite the lack of material company-specific news. It is rather the absence of bad news that has driven this stock to increase by more than 85% year-to-date. Eltel was one of last year's largest detractors but we remained invested through the period of market stress because our conviction in the case was intact. Now that the market is (slowly) coming to the realisation that this is a deeply undervalued company, the stock is rebounding. We also saw the same dynamic play out in the case of Diebold Nixdorf, which was up more than 400% at the start of 2019.



Foto: Bloomberg

Outlook

Looking forward, there is a lot of value potential across the portfolio as many of our holdings have previously traded down due to the nervousness of myopic investors and not deteriorating fundamentals. This is old news for those of you who have followed the fund over the past year. However, it is worth reiterating that Insight has a portfolio of deeply undervalued and underappreciated companies where fundamental trends are moving in the right direction and activists are increasingly becoming the catalyst for positive change.

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.

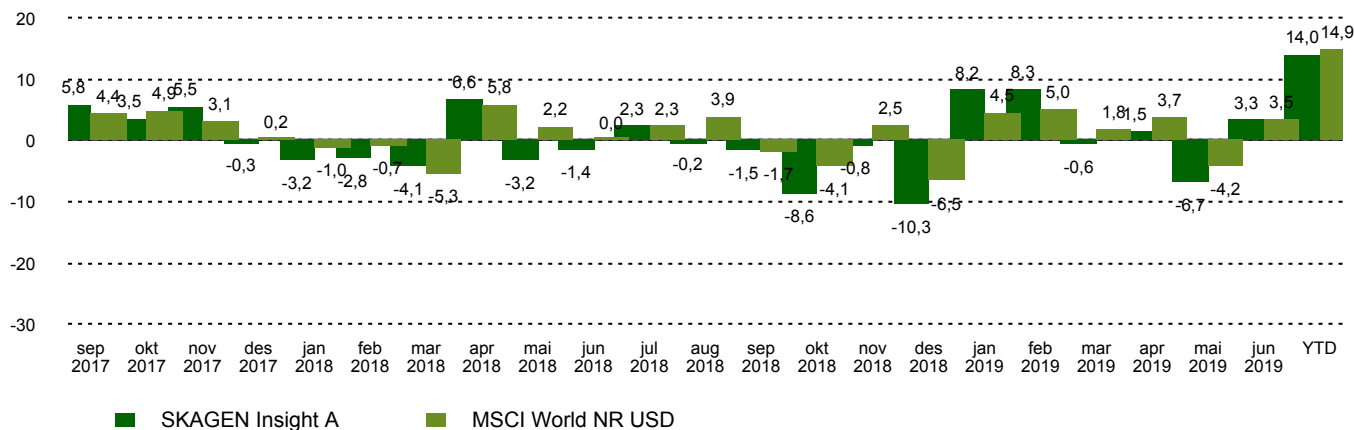
Historisk avkastning

Periode	SKAGEN Insight A	Referanseindeks
Siste måned	3,3%	3,5%
Siste 2 mnd	-3,6%	-0,9%
Hittil i kvartal	-2,1%	2,8%
Hittil i år	14,0%	14,9%
Siden start	-0,6%	13,4%

Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	21.08.2017
Morningstarkategori	Globale, Store selskaper, Blanding
ISIN	NO0010801558
NAV	98,98 NOK
Årlig forvaltningshonorar	1,5%
Totalkostnad (2018)	1,50%
Referanseindeks	MSCI World NR USD
Forvaltningskapital (mill.)	226,11 NOK
Antall poster	31
Porteføljeforvalter	Tomas Johansson

Månedlig avkastning



Bidragsyttere i kvartalet



Største positive bidragsyttere

Navn	Vekt (%)	Bidrag (%)
Eltel AB	5,20	1,59
Hudson's Bay Co	3,97	1,24
thyssenkrupp AG	8,72	0,47
Rexel SA	3,98	0,40
Roxgold Inc	1,23	0,40

I NOK for alle andelsklasser



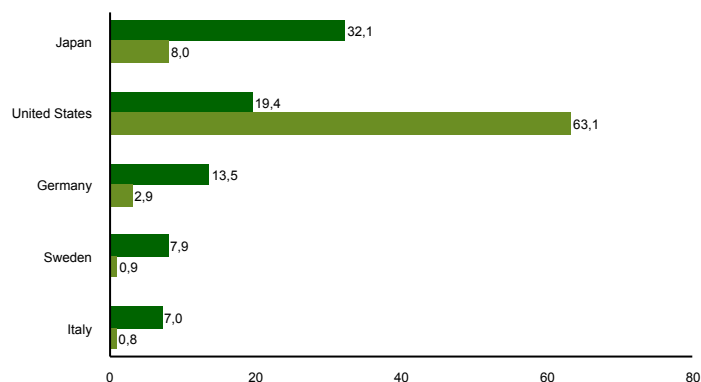
Største negative bidragsyttere

Navn	Vekt (%)	Bidrag (%)
Teikoku Sen-I Co Ltd	7,74	-1,85
Armstrong Flooring Inc	4,65	-1,36
Conduent Inc	4,06	-1,16
Kyushu Railway Co	4,21	-0,55
Pasona Group Inc	6,01	-0,53

10 største investeringer

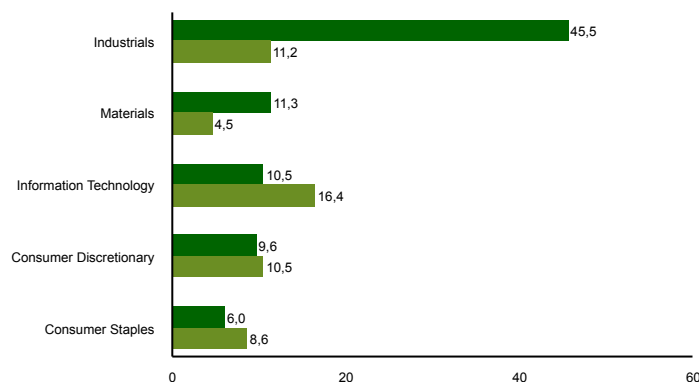
Navn	Sektor	Land	%
Thyssen	Materials	Germany	8,8
Teikoku Sen-I Co Ltd	Industrials	Japan	7,1
Eltel AB	Industrials	Sweden	6,0
Pasona Group Inc	Industrials	Japan	5,8
Telecom Italia SpA	Communication Services	Italy	4,6
Katakura Industries Co Ltd	Industrials	Japan	4,4
Maxell Holdings Ltd	Information Technology	Japan	4,4
Armstrong Flooring Inc	Industrials	United States	4,1
Conduent Inc	Information Technology	United States	4,1
Kyushu Railway Co	Industrials	Japan	4,0
Samlet vektning			53,3

Landeksponering (topp 5)



■ SKAGEN Insight A ■ MSCI World NR USD

Bransjefordeling (topp 5)



■ SKAGEN Insight A ■ MSCI World NR USD

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Viktig informasjon

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