

## COVID-19 overshadows everything

The first quarter of 2020 will forever be remembered for the global spread of the Coronavirus (COVID-19) and the subsequent halt of the global economy. What started as a perceived local problem in Wuhan, China, quickly developed into the global pandemic that is currently unfolding. In order to arrest the spread of the virus, governments across the world have taken more or less coordinated steps to close down borders, restrict movement and reduce everyday activities to the bare minimum. The result has been a sudden and almost unprecedented drop in economic activity, partially offset by massive monetary and fiscal policy support. Global equity markets, which were flying high on the back of strong gains in 2019, have, unsurprisingly, recorded one of their sharpest and fastest corrections on record.

In addition to COVID-19, Q1 2020 also saw the breakdown of OPEC+ as Saudi Arabia announced in early March that it would offer price discounts to its oil customers in Europe, Asia and the US. This was followed by a statement of increased production at a time of weaker demand on the back of COVID-19. The result was a 30%+ collapse in the price of oil to a 17-year low with significant knock-on impacts on the FX, equity and fixed income markets. It truly has been a quarter for the record books.

At the time of writing, both the human tragedy and economic implications of COVID-19 and the oil price weakness remain highly uncertain. Needless to say, we share the consensus view that material economic headwinds are emerging and a global recession is looking increasingly inevitable. While the long-term implications of COVID-19 will depend on both the depth and duration of the current economic lockdown, we have already seen significant strain on certain countries, industries and companies, especially those with stretched balance sheets or near-term funding needs.

As a result, our focus for SKAGEN Kon-Tiki has been to ensure the robustness of the portfolio through a thorough re-assessment of its main constituents. We have spent the past few weeks running stress-testing scenarios and assessing the financial health of our investments under weakening economic conditions. On the whole, we believe that the portfolio remains robust, with a significant portion of the portfolio invested in companies with a large net cash position that should provide some downside protection.

### Contributors

Our top contributor during the quarter was crude oil tanker company



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### Key buys

We initiated a new position in Chinese appliance producer Hisense Home Appliances where we see material upside from the company's recently consolidated central air conditioning joint venture with Hitachi. We also increased some of our higher-conviction holdings as well as incubating a number of smaller positions that we hope will develop in the coming months.

Euronav, which stands to benefit from the glut of oil in the short term. Given the significant contango (where future prices are higher than current) situation in the oil market, Euronav is able to lock in highly attractive rates thanks to rising storage demand. With a strong balance sheet and committed dividend policy, we expect the company to deliver strong near-term earnings and return significant capital to shareholders. Despite weakening auto markets, Korean battery producer Samsung SDI also performed strongly as it continues to benefit from rising electric vehicle penetration on the back of tightening emission standards, especially in Europe. Investment holding companies Naspers and Prosus also performed well on the back of their direct and indirect shareholding in Chinese internet company Tencent, which is the world's largest video game publisher and therefore somewhat less impacted by COVID-19. Perhaps unsurprisingly, our investment in Russian airline Aeroflot fared poorly during the quarter as flights were cancelled and planes were grounded. While the company has robust liquidity and should benefit from lower fuel prices, it will clearly face significant demand weakness in 2020. Our investment in Indian agrochemical company UPL also fared poorly despite less obvious demand headwinds. While the company has increased financial leverage on the back of its acquisition of Arysta which closed last year, we believe that synergies remain on track and that the shares will rebound as sentiment on India improves.

Finally, two of our stronger performers of 2019 suffered from profit taking despite sound progress. Ivanhoe Mines announced that its Kamoakakula development in DRC remains on track while land-based salmon company Atlantic Sapphire looks set to secure additional financing and a full listing on the Oslo stock exchange. While it did suffer an incident of lost fish at its smaller Danish facilities, we note that this is covered by insurance and that insiders have subsequently added to their holdings.

### Portfolio activity

In terms portfolio activity, we sold our last remaining shares in Tullow at the start of the year owing to the disappointing operational and governance related updates in 2019. We also exited two of our Brazilian holdings, rail operator Rumo and energy conglomerate Cosan, both of which performed strongly last year. With Brazil potentially suffering from a combination of weak finances and commodity dependency, we now see better risk-adjusted opportunities elsewhere.



Foto: Shutterstock

### Outlook

As a result, the portfolio now consists of 48 attractively valued companies striking a balance between near-term downside protection while retaining significant upside potential. In terms of valuation, the portfolio now trades on 8x current year earnings and 0.8x P/B while offering a near 4% dividend yield. These represent discounts of c30% relative to the MSCI EM index.

SKAGEN Kon-Tiki investerer i en aktivt forvaltet og diversifisert portefølje av undervurderte selskaper hovedsakelig i vekstmarkedene.

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

Fondet passer for investorer som har minst fem års investeringshorisont.

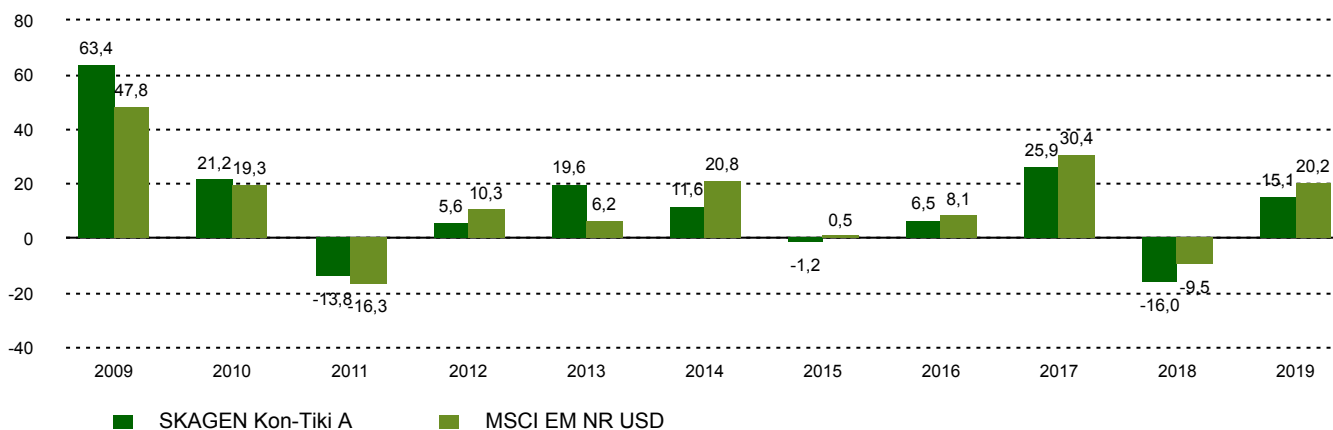
## Historisk avkastning

Periode	SKAGEN Kon-Tiki A	Referanseindeks
Siste måned	-7,5%	-5,6%
Hittil i kvartal	-13,1%	-8,6%
Hittil i år	-13,1%	-8,6%
Siste år	-9,7%	0,5%
Siste 3 år	-2,2%	5,2%
Siste 5 år	0,9%	5,1%
Siste 10 år	4,3%	6,6%
Siden start	12,0%	8,7%

## Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	05.04.2002
Morningstarkategori	Globale vekstmarkeder
ISIN	NO0010140502
NAV	771,10 NOK
Årlig forvaltningshonorar	2.00%
Totalkostnad (2019)	1.51%
Referanseindeks	MSCI EM NR USD
Forvaltningskapital (mill.)	12877,37 NOK
Antall poster	48
Porteføljeforvalter	Cathrine Gether Fredrik Bjelland

## Avkastning siste 10 år



Se nederst på neste side for mer informasjon om referanseindeks

## Bidragstyttere i kvartalet



### Største positive bidragstyttere

Navn	Vekt (%)	Bidrag (%)
Euronav NV	2,51	0,38
Samsung SDI Co Ltd	1,79	0,37
Naspers Ltd	3,66	0,28
Bank of China Ltd	3,25	0,25
Prosus NV	1,62	0,21



### Største negative bidragstyttere

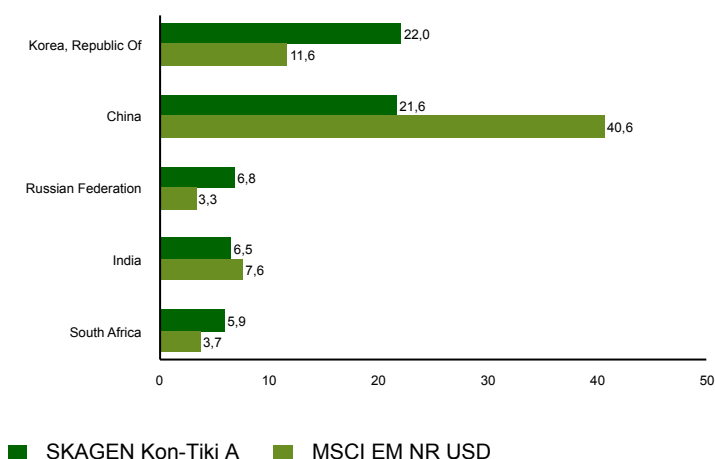
Navn	Vekt (%)	Bidrag (%)
Ivanhoe Mines Ltd	2,81	-1,42
UPL Ltd	2,35	-1,22
LG Electronics Inc	3,29	-1,14
Aeroflot PJSC	2,62	-1,12
Mahindra & Mahindra Ltd	2,07	-1,07

I NOK for alle andelsklasser

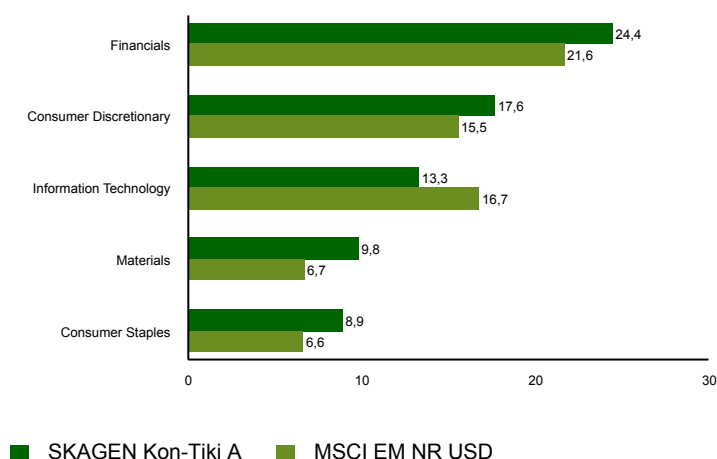
## 10 største investeringer

Navn	Sektor	Land	%
Samsung Electronics Co Ltd	Information Technology	Korea, Republic Of	7,7
Ping An Insurance Group Co of China Ltd	Financials	China	7,1
Naspers Ltd	Consumer Discretionary	South Africa	5,4
Hyundai Motor Co	Consumer Discretionary	Korea, Republic Of	4,1
Bank Of China Ltd	Financials	China	3,8
Royal Dutch Shell PLC	Energy	Netherlands	3,2
LG Electronics Inc	Consumer Discretionary	Korea, Republic Of	3,1
UPL Ltd	Materials	India	3,0
Atlantic Sapphire AS	Consumer Staples	Norway	2,8
Ivanhoe Mines Ltd	Materials	Canada	2,7
Samlet vektning			42,8

## Landeksponering (topp 5)



## Bransjefordeling (topp 5)



## Kontakt



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## Viktig informasjon

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