



# SKAGEN Vekst

## Statusrapport – april 2017

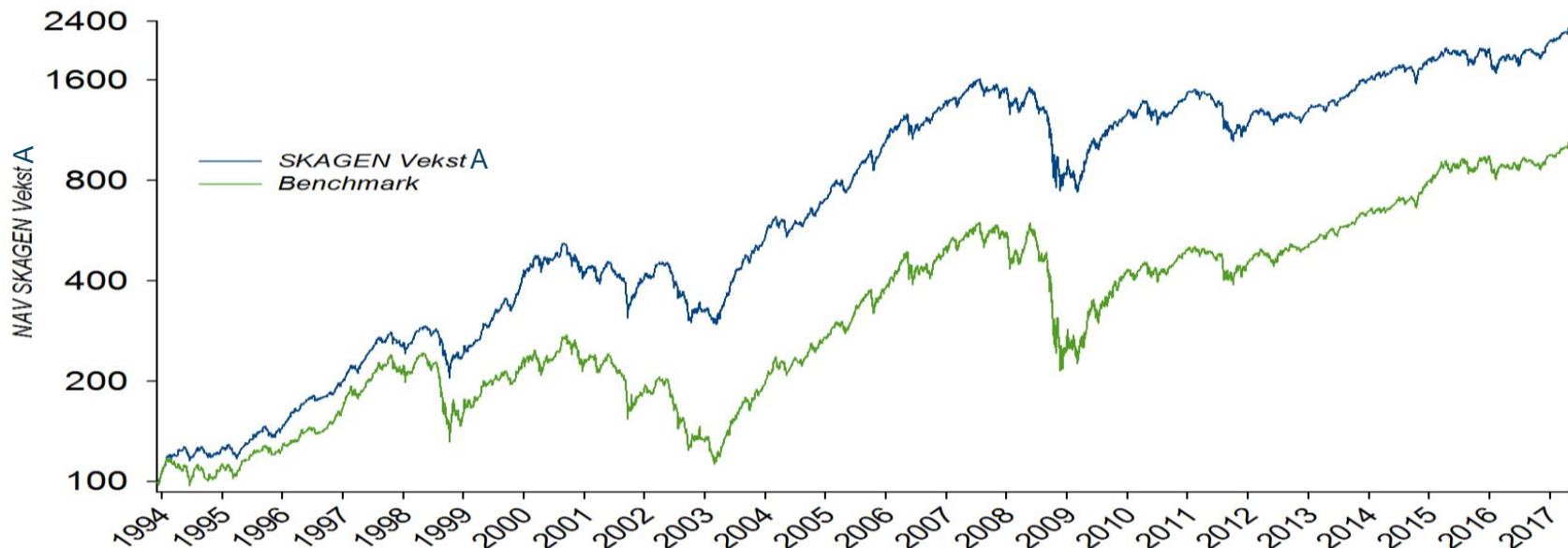
The art of common sense

# Sammendrag – april 2017

- De sterke markedene har fortsatt denne våren, og sammen med det franske valget, har dette gitt optimisme i Europa. Selv om råvarer har falt litt tilbake fra topp og oljeprisen har svekket seg litt, ga de nordiske markedene god avkastning samlet sett. Danmark var det beste nordiske markedet, mens Norge var det svakeste i løpet av måneden. Det er også litt mer fokus på vekstmarkeder, ettersom den økonomiske veksten ser ut til å ta seg opp i Kina. Det var også positiv utvikling i Russland og Brasil.
- I april leverte SKAGEN Vekst\* en avkastning på 2,5 prosent, noe som var litt svakere enn referanseindeksen med sine 3,2 prosent. Så langt i år har fondet steget 10,1 prosent, noe som er på linje med fondets sammensatte referanseindeks.
- Målt i norske kroner var de beste bidragsyterne Novo Nordisk, Carlsberg og Samsung Electronics. De største negative bidragsyterne var Kia, Ericsson og H&M.
- SKAGEN Vekst har 49 posisjoner og 88 prosent av fondet er investert i de 35 største posisjonene.
- Vi har økt postene i CF Industries, SKF and H&M. I tillegg har vi fått aksjer i International Petroleum Company (IPCO), som er en spin-off fra Lundin Petroleum. Vi solgte også ut av poster som nærmet seg kursmålet eller hvor vi ser bedre forhold mellom pris/risiko andre steder. I løpet av måneden solgte vi oss ut av Credit Suisse, Sodastream og Photocure.
- Ved utgangen av april 2017 var SKAGEN Vekst verdsatt til 14,3x årets inntjening mot 17x for markedet.

*Om ikke annet er angitt er alle avkastningstall i rapporten målt i norske kroner for klasse A etter honorarer. SKAGEN Vekst sin referanseindeks er en likt sammensatt indeks bestående av MSCI Nordic Countries Index og MSCI All Country World.*

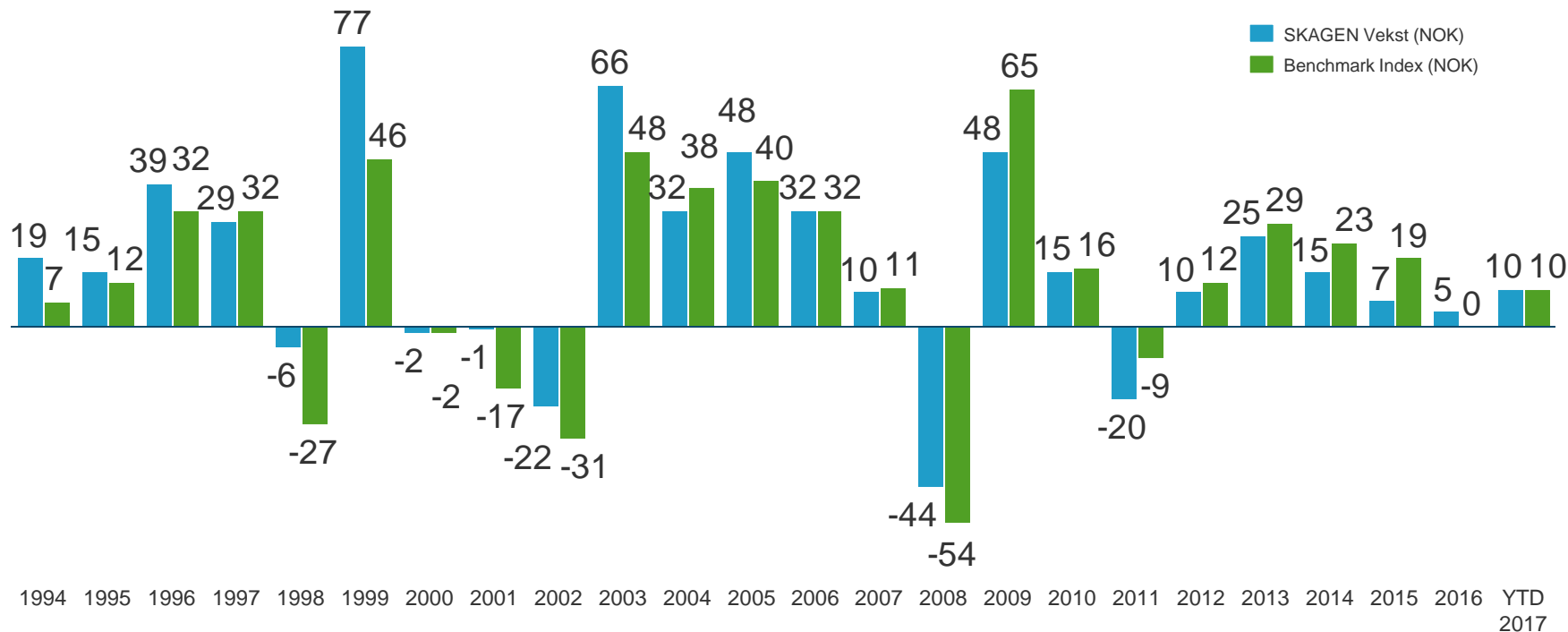
# Avkastning pr utgangen av april 2017 (i NOK)



	april	QTD	Hittil i år	1 år	3 år	5 år	10 år	Siden start*
SKAGEN Vekst A	2,5%	2,5%	10,1%	21,9%	11,0%	12,2%	4,4%	14,3%
Referanseindeks*	3,2%	3,2%	10,1%	19,2%	16,3%	16,5%	6,7%	10,5%
Meravkastning	-0,7%	-0,7%	0,0%	2,7%	-5,3%	-4,3%	-2,2%	3,8%

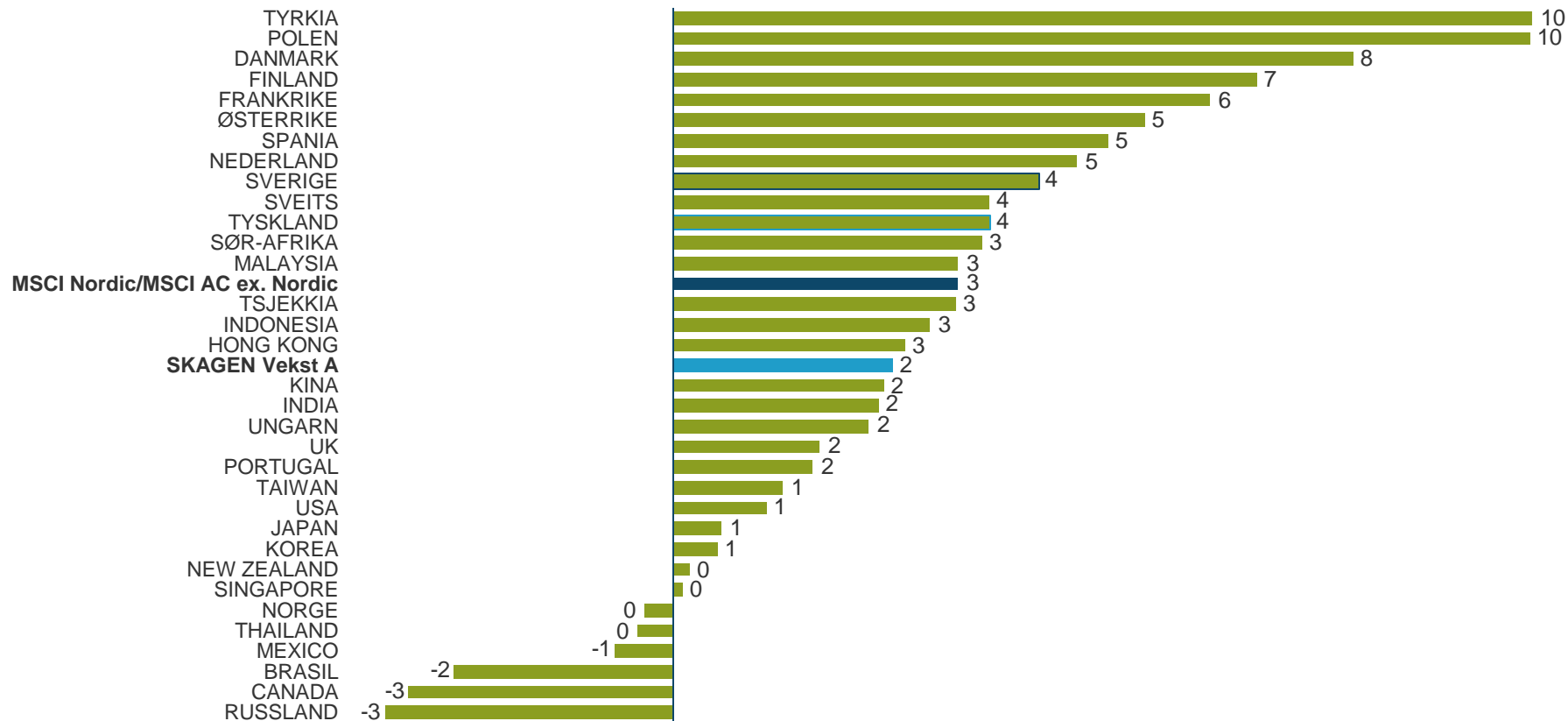
Note: Alle avkastningstall ut over 12 måneder er annualisert (geometrisk avkastning). \*Startdato: 1 desember 1993. \*\*Fondets investeringsmandat ble endret med virkning fra 01.01.2014 fra at fondet investerte minst 50 % av sine midler i Norge til at fondet investerer minst 50 % av sine midler i Norden. Tilsvarende ble fondets referanseindeks endret fra en likt sammensatt referanseindeks av Oslo Børs Hovedindeks (OSEBX) og MSCI All Country World til en likt sammensatt referanseindeks av MSCI Nordic Countries IMI Index og MSCI All Country World Index ex Nordic Countries. Referanseindeks før 01.01.2010 var Oslo Børs Hovedindeks (OSEBX).

# Årlig avkastning siden start\* (%)



Note: Alle avkastningstall ut over 12 måneder er annualisert (geometrisk avkastning). \*Startdato: 1 desember 1993. \*\*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. Tilsvarende ble fondets referanseindeks endret fra en likt sammensatt referanseindeks av Oslo Børs Hovedindeks (OSEBX) og MSCI All Country World til en likt sammensatt referanseindeks av MSCI Nordic Countries IMI Index og MSCI All Country World Index ex Nordic Countries. Referanseindeks før 01.01.2010 var Oslo Børs Hovedindeks (OSEBX).

# Markedsutvikling i april 2017 i NOK (%)



# Viktigste bidragsytere i april

## Største positive bidragsytere

Company	NOK Millions
Novo Nordisk	33
Carlsberg	31
Samsung Electronics	29
Volvo	25
Philips Lighting	22
SKF	18
Swatch Group	15
Norwegian Air Shuttle	11
Gazprom OAO	9
ABB	8

## Største negative bidragsytere

Company	NOK Millions
Kia Motors	-15
Ericsson	-9
Hennes & Mauritz AB	-8
Citigroup	-6
Golar LNG	-6
eBay	-6
CF Industries Holdings	-5
Norsk Hydro	-4
Teva Pharmaceutical Industries	-3
Lundin Petroleum	-3

**Value Creation MTD (NOK MM): 219**

*NB: Bidrag til absolutt avkastning*

# Viktigste bidragsytere hittil i år 2017

## Største positive bidragsytere

Company	NOK Millions
Samsung Electronics	115
Volvo	70
Golden Ocean Group	70
Continental	62
Norsk Hydro	61
Carlsberg	60
Philips Lighting	40
Roche Holding	34
SKF	34
Novo Nordisk	33

## Største negative bidragsytere

Company	NOK Millions
Norwegian Air Shuttle	-60
Hennes & Mauritz AB	-34
Kia Motors	-10
CF Industries Holdings	-9
Cal-Maine Foods	-8
Lundin Petroleum	-8
Gazprom OAO	-6
Teva Pharmaceutical Industries	-5
PhotoCure	-3
Rec Silicon	-1

**Value Creation YTD (NOK MM): 835**

NB: Bidrag til absolutt avkastning

# Viktigste endringer hittil i 2017

## Økte posisjoner

Q1	Northern Drilling Ltd	(Ny)
	Teva Pharmaceutical	(Ny)
	Borr Drilling Ltd	(Ny)
	Fujitec	(Ny)
	Novo Nordisk	
	Gazprom OAO	
Kia Motors		
Q2	CF Industries Holdings	
	SKF	
	Hennes & Mauritz AB	
	International Petrol. Co.	(Ny)

## Reduserte posisjoner

Q1	Medistim	(Ut)
	GCL-Poly Energy Holdings	(Ut)
	Nordic Mining	(Ut)
	SAP	
	Norsk Hydro	
Samsung Electronics		
Q2	Sodastream International	(Ut)
	Credit Suisse Group	(Ut)
	PhotoCure	(Ut)



# Kjøp og salg i april 2017

## Kjøp

### CF Industries

- Vi økte posten i Nord-Amerikas største produsent av nitrogenbasert gjødning. Vi hadde en liten post men aksjen steg 40 prosent på få måneder. Den falt så tilbake til nivåer hvor vi fant forholdet mellom oppgang og risiko appellerende.
- Den amerikanske fordelen med lave drivstoffpriser og distanse til markedet har gjort det Deerfield, Illinois-baserte selskapet attraktivt – både geografisk og økonomisk.

## Salg

### Sodastream

- Vi solgte oss ut av etter en interessant og profitabel reise. Aksjekursen er opp 280 prosent siste 12 måneder.

# Største poster ved utgangen av april 2017



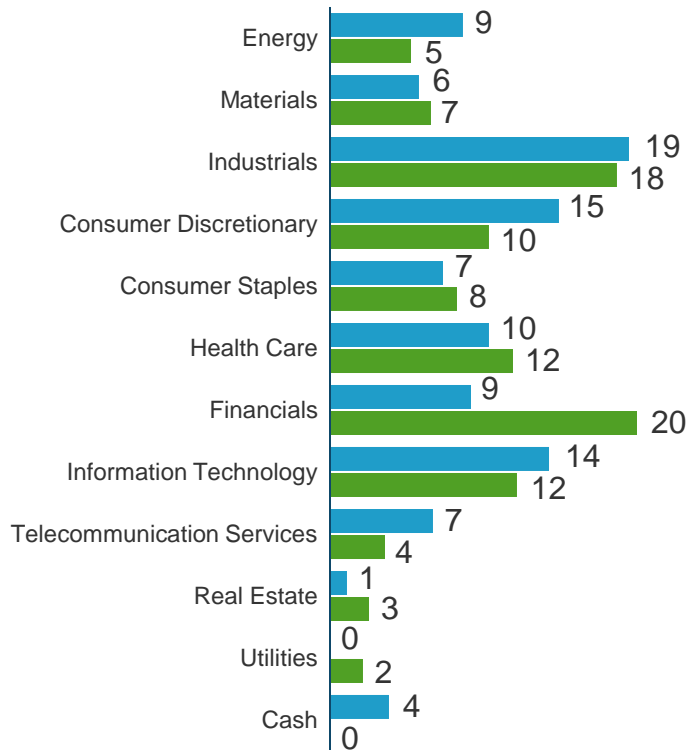
SKAGEN Vekst har 52% av porteføljen investert i de nordiske landene

	Weight in portfolio	Price	P/E 2016e	P/E 2017e	P/E 2018e	P/B trailing	Target price
Samsung Electronics Co	5,7 %	1 753 000	12,1	10,3	9,7	1,3	1 900 000
Carlsberg AS-B	5,3 %	682	21,4	18,7	17,8	2,0	847
Continental AG	5,0 %	205	14,9	12,9	11,7	2,9	265
Norwegian Air Shuttle	4,5 %	244	8,4	7,0	5,4	3,5	500
Citigroup Inc	4,1 %	59	11,3	10,0	8,7	0,8	74
Kinnevik AB-B	4,0 %	236	59,1	39,4	36,9	0,8	300
Novo Nordisk	3,7 %	266	17,6	16,5	14,9	14,7	325
Hennes & Mauritz AB	3,4 %	219	19,5	14,6	12,9	5,7	400
Ericsson LM-B SHS	3,2 %	57	98,4	23,9	14,5	1,5	75
Roche Holding	2,9 %	260	17,4	16,3	14,5	9,3	350
<b>Weighted average 10</b>	<b>42,0 %</b>		<b>16,1</b>	<b>13,3</b>	<b>11,5</b>	<b>1,8</b>	<b>38 %</b>
<b>Weighted average 35</b>	<b>88,0 %</b>		<b>13,7</b>	<b>11,6</b>	<b>9,7</b>	<b>1,4</b>	<b>35 %</b>
<b>Reference index</b>			<b>17,1</b>	<b>15,4</b>	<b>14,0</b>	<b>2,8</b>	

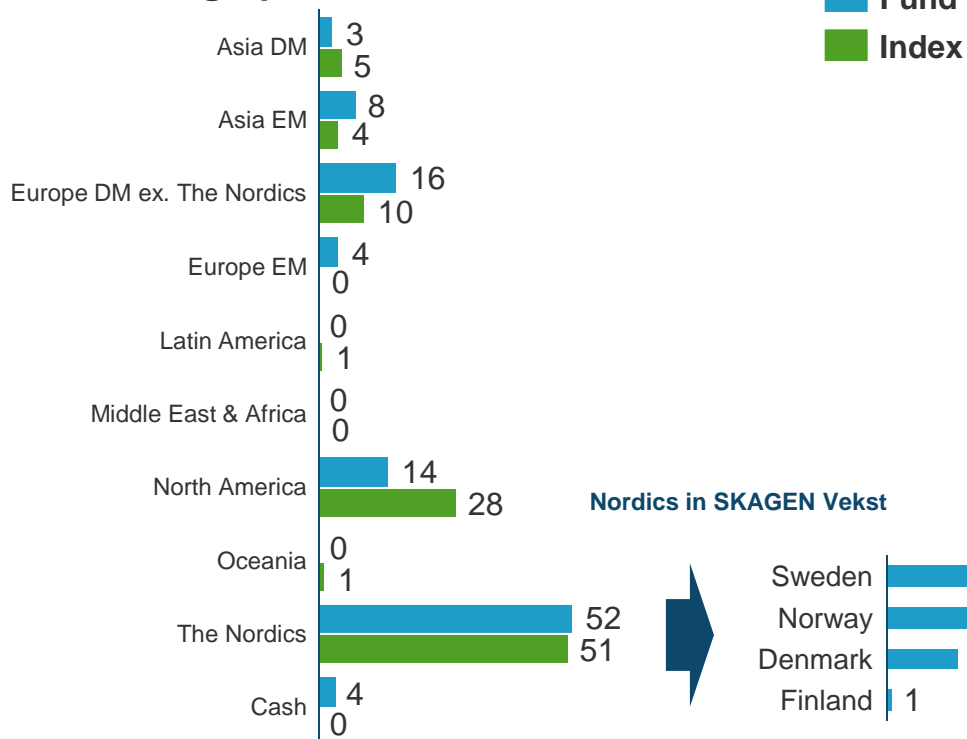
Earnings estimates are based on net cash earnings when meaningful.  
Multiples are calculated using the same method as the index.

# SKAGEN Vekst sektor og geografisk distribusjon

## Sector distribution



## Geographical distribution



# Nyheter på engelsk

# Key earnings releases and corporate news, April 2017

Samsung  
(5.7%)

## Cancelling treasury shares and strong memory are key takeaways from Q117 report

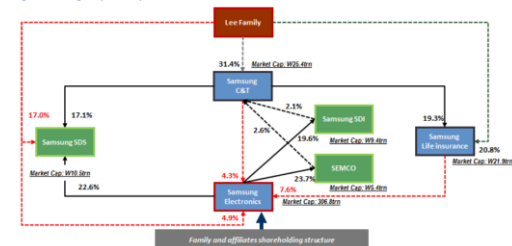
**Implications for Investment Case:** Result in line with preliminary result. Continuous strength in memory prices is supportive and consensus expectations continue to move upwards, now expecting operating profit of KRW 47tr for FY17 versus KRW 44tr in early April and KRW 29tr for FY16. A number of analysts were surprised by the decision to cancel the 13% treasury shareholding and had to raise their EPS estimates materially on the back of this. The cancellation of the treasury shares is positive as it removes governance risk and is actually a better solution than a holding company structure. It signals that the Lee family is comfortable with its holding which will be raised gradually through ongoing share buy-backs and cancellation.

**Event summary:** Samsung reported a final Q117 result with operating profit of KRW 9.9tr which is in line with the preliminary result and up 48% YoY/7% QoQ in a seasonally weak quarter. As expected the Semiconductor segment was the key driver with operating profit of KRW 6.31tr up 27% QoQ and 140% YoY. Mobile profit of KRW 2.07tr weakened QoQ from KRW 2.5tr despite lower costs related to Note 7 and revenues barely flat QoQ. We suspect high promotional costs related to the Galaxy S8 launch is a key factor. Display profit of KRW 1.3tr was flat QoQ in a seasonally weak quarter. Net cash fell from KRW 73tr to KRW 60.2tr amid the USD 8bn (KRW 9tr) acquisition of Harman International and high capex of KRW 8.9tr (KRW 24.1tr for FY16). The company will buy back 1.155m shares through the second batch of FY17 buyback. Of this, 22% will be pref. shares, up from 20% in 1Q17. A 23% discount to pref. share, pre-announcement, is clearly appealing.

Samsung announced that the board has approved the cancellation of its treasury shares. These are shares owned before the ongoing buy-back program where the shares purchased are immediately cancelled. The company holds 17,981,686 ordinary shares and 3,229,693 pref. shares which combined accounts for 13% of the current share count. 50% will be cancelled now with the balance through a board resolution in 2018. The company also announced that the board has concluded that Samsung Electronics will not transform into a holding company structure.

**Share price target and rationale:** We raised our target price from approx. KRW 1.7m to KRW 1.9m, factoring in the impact of the ongoing share buyback. Our target price (14% upside plus 1.6% dividend yield) is based on a 12x mid-cycle operating profit after tax for each division (total KRW 30tr operating profit before tax versus consensus of KRW 48tr for FY17), i.e. operating profit of KRW 13tr for Semiconductor versus an expected KRW +25tr for 2017. We add net cash as well as the value of listed and unlisted holdings to arrive at a value per share of KRW 2.64m. We deduct a 15% “conglomerate” discount to this and a further 15% discount to pref. share.

Figure 3: Samsung Group ownership structure



# Key earnings releases and corporate news, April 2017 (cont.)

eBay  
(2.6%)

## USD 500m cash investment in Flipkart and sale of eBay.in to Flipkart

### Investment case implications

Positive – the IT giants eBay, Microsoft and Tencent seem to be joining forces to compete against the global hegemony of Amazon in the global ecommerce space, starting in India. eBay has been losing market share in the fairly competitive new and innovative market. The last financial statement we have for eBay's revenue in India is from 2015 and was approx. USD 20m, though growing between 20-30% annually. We see this as a competitive move by eBay which, together with other online commerce companies (Flipkart, Snapdeal, etc.), has suffered from Amazon's USD 5bn commitment to India over recent years. India's online penetration in ecommerce is currently only approx. 2%.

### Summary

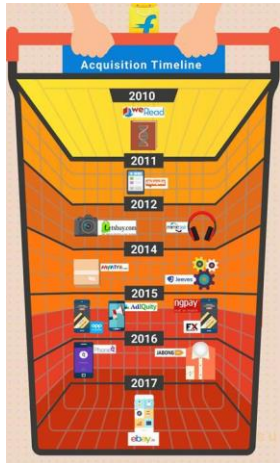
eBay announced an agreement with India's Flipkart, whereby eBay will make a USD 500m cash investment in Flipkart and sell eBay.in to Flipkart. The two companies also entered into a joint agreement whereby eBay will make its global inventory accessible to Indian consumers while eBay's users across the globe will have access to the inventory from Flipkart. In addition to access to eBay's global inventory, Flipkart is likely to benefit from eBay's management expertise, which we understand will be much needed after recent exits. Flipkart raised a total of USD 1.4bn in the latest financing round, which valued the company at USD 11.6bn. The deal should close later in the year and have no material impact on guidance for FY17 – as the company has strong cash generation and is also able to utilise the debt market should it be needed.

### 3U update

**Unpopular:** Yes, although it is increasingly returning to favour after their Q2 report, and confirmed after Q4 report.

**Under-researched:** no, 44 analysts following (35% buy), with most turning positive over the last couple of months. Clearly divided market view as to whether there is a place in the digital age for more than one platform for buying/selling goods.

**Undervalued:** Company should be able to make USD 2/share in 2017. Adding some growth and share buy backs, company could make at least USD 3/share within our investment period (buy-back USD 1.4bn left) which renders a target price north of USD 38 (still very conservative compared to rest of sector).



# The largest companies in SKAGEN Vekst

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Samsung Electronics, the Korean electronics group, has enjoyed very solid growth in consumer electronics, especially smartphones. Pole position in global semiconductor market. Cash generation is very strong and the company has historically wisely invested in new business areas – solar power and healthcare are on the roadmap for the future.

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Carlsberg A/S is an international brewing company. The company produces branded beers and regional brands. Carlsberg makes most of its beer outside of Denmark and it is sold in markets around the world. The company also markets and produces soft drinks, water and wine.

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Continental AG produces tyres for cars and trucks and makes auto technology such as power trains, safety systems and automated drive systems. The replacement cycle for tyres is becoming stretched in some markets, so near-term earnings look promising. Longer term Continental's pole position in global auto technology provides a good backdrop for substantial growth.

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Norwegian Air Shuttle is the leading Nordic-based low cost airline, which in 2015 flew over 26m passengers. The fleet of airliners and the route network are growing rapidly proving the concept of Norwegian local low cost airline, to Nordic, to European and to Global reach.

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Citigroup Inc. or Citi is an American multinational banking and financial services corporation headquartered in Manhattan, New York City. Citigroup was formed from one of the world's largest mergers in history by combining the banking giant Citicorp and financial conglomerate Travelers Group in October 1998.

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# The largest companies in SKAGEN Vekst (continued)

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K I N N E V I K

Kinnevik AB is a Swedish investment company that was founded in 1936 by the Stenbeck, Klingspor and von Horn families. Kinnevik is an active and long-term owner and its investments are made primarily in technology-based services aimed at consumers.

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Novo Nordisk is a global healthcare company with more than 90 years of innovation and leadership in diabetes care. The multinational pharmaceutical company is headquartered in Bagsværd, Denmark, and has production facilities in eight countries, and affiliates or offices in 75 countries.

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H&M (Hennes & Mauritz) is a Swedish multinational clothing-retail company, known for its fast-fashion clothing for men, women, teenagers and children. H&M operates in 62 countries (ranked 2nd in the world) with over 4,000 stores and as of 2015 employed around 132,000 people. The first store was opened on the high street of Västerås, Sweden in 1947.

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Ericsson is a Swedish multi-national corporation that provides communication technology and services. Founded in 1876 and today has a revenue of SEK 227bn. Ericsson had a 33% market share in the 2G/3G/4G mobile network infrastructure market in 2015.

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F. Hoffmann-La Roche AG is a Swiss multinational health-care company that operates worldwide under two divisions: Pharmaceuticals and Diagnostics. Family controlled and amongst world leaders in cancer drugs; including new developments within immunotherapy.

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## For mer informasjon, kontakt oss eller ler mer i siste Markedsrapport og om SKAGEN Vekst A på våre nettsider

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