

A volatile quarter

It has been a volatile quarter with significant fluctuations in both directions. On the negative side, economic data in general has been weak, in particular from industry-heavy economies like Germany and China. The US yield curve (2y vs 10y) also inverted during the quarter and this is often seen as a sign of a looming recession. On the positive side, the world's dominant central banks are firmly in easing mode and consumers around the world are generally holding up well, particularly in the US.

Contributors

The Norwegian renewable energy company Bonheur was once again among the top performers. The company has long been a favourite of ours, as the market has completely overlooked the company's shift in asset mix away from money-losing oil services and towards profitable renewable energy assets. We saw continued sell-side coverage of Bonheur in Q3, boosting awareness around the strong fundamental story. The increased focus on ESG-related stocks in general has also helped Bonheur, as it is one of the few investment opportunities left in the space, which does not come with an excessive price tag attached. While the stock has done well, the company still trades at a decent discount to underlying values. We also see further upside as the company continues to become more transparent and improve its governance structure.

The Danish pharmaceutical giant Novo Nordisk was another strong

performer in the third quarter. The company received FDA approval of Rybelsus (oral semaglutide) to control blood sugar in type 2 diabetes patients. With the drug boasting stellar data and head-to-head study wins against top products in the field, the green light is expected to accelerate the company's already strong growth trajectory. While the market is currently focusing on pricing pressure in the industry, we think they are overlooking the fact that Novo is still operating in a structurally growing market. We envisage the company taking market share thanks to its strong product line-up. While pricing pressure on diabetes drugs will also hurt Novo, we believe they are a lot less exposed due to a strong portfolio of new and innovative products which make a real difference to patients.

Our two oil service companies Borr Drilling and Northern Drilling were once again among the largest detractors to absolute return over the past three months. While the fundamental picture in terms of utilisation and day-rates is still moving in the right direction, it is not improving as fast as investors were hoping. It clearly also does not help that oil companies are still maintaining their mantra of restrained use of capital for growth. While the above-mentioned stocks have not yet developed as we would have hoped, we still regard them as attractive long-term investments as the current environment will lead to an adjustment on the supply side.

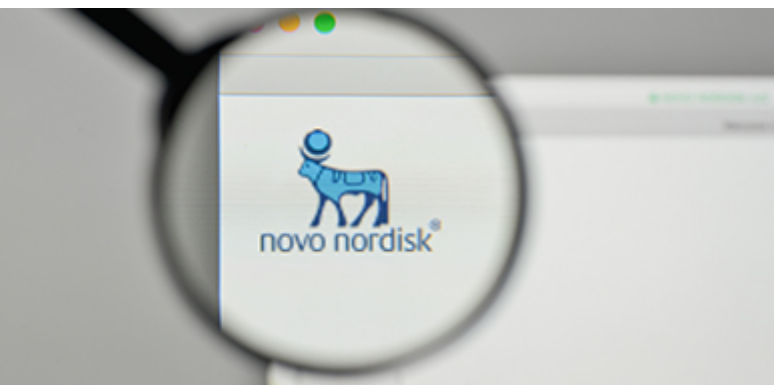


Foto: Shutterstock



Foto: Bloomberg

Portfolio activity

Following the aforementioned strong performance in Bonheur and Novo Nordisk, we reduced our exposure in both names. We have also reduced our positions in Carlsberg and DSV as earnings expectations and valuation increasingly reflect our view. We added to our position in Korean Re. The stock was very weak in the first half of the year, while the first half result showed unchanged earning power. We also increased our position in China Mobile. We reduced our position significantly late last year, but since then, the stock has come down to very attractive levels. The Danish facility service company ISS is a new position in the portfolio. We expect the company's investments in technology along with a focus on key clients and regions to help profitability going forward – something clearly not reflected in the current low valuation.

Outlook

While stocks globally have done well since the end of the financial crisis, the performance has been unevenly distributed. This has resulted in a situation where quality growth stocks are trading at historically high valuations, while more capital-intensive industries often trade at valuation multiples not far from the level during the financial crisis. Importantly, a number of these companies have now become so cheap that the dividend yield is comparable to the normalised total return you would expect from the stock market. Thus, while the overall market does not look particularly cheap, we find underlying pockets of opportunity. We have therefore continued to move the portfolio towards more classic value cases. As always, this is done on a bottom-up basis, favouring companies trading at depressed valuation levels, offering clear triggers, and paying an attractive dividend yield.

SKAGEN Vekst investerer i en aktivt forvaltet og diversifisert portefølje av undervurderte selskaper over hele verden. Halvparten av porteføljen er konsentrert rundt Norden.

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

Fondet passer for investorer som har minst fem års investeringshorisont.

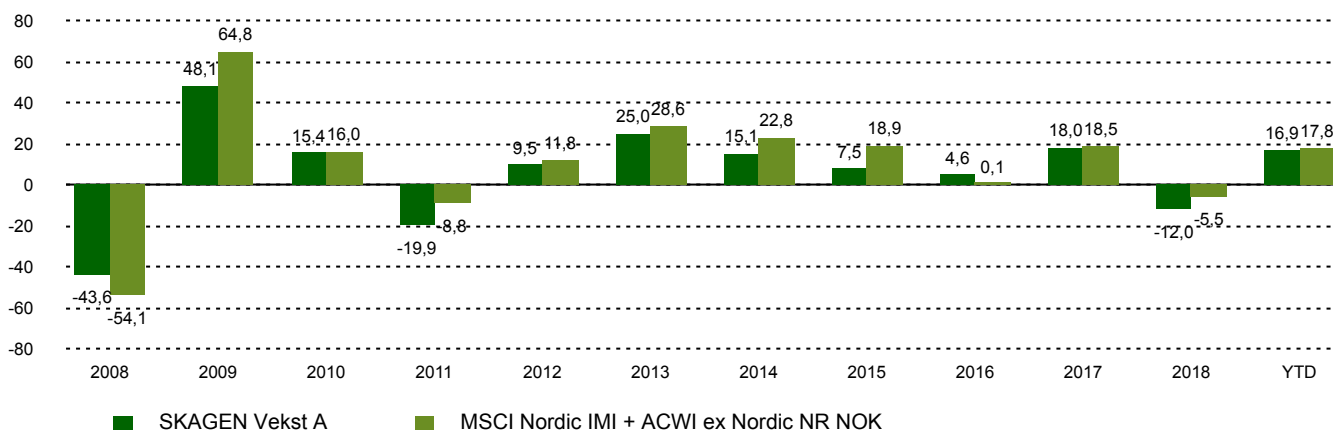
Historisk avkastning

Periode	SKAGEN Vekst A	Referanseindeks
Siste måned	1,4%	1,9%
Hittil i kvartal	2,5%	4,8%
Hittil i år	16,9%	17,8%
Siste år	4,3%	8,0%
Siste 3 år	9,8%	12,1%
Siste 5 år	8,2%	12,2%
Siste 10 år	8,0%	12,9%
Siden start	13,3%	10,3%

Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	01.12.1993
Morningstarkategori	Global, Fleksibel kapitalisering
ISIN	NO0008000445
NAV	2523,02 NOK
Årlig forvaltningshonorar	1.00%
Totalkostnad (2018)	1.00%
Referanseindeks	MSCI Nordic IMI + ACWI ex Nordic NR NOK
Forvaltningskapital (mill.)	7217,15 NOK
Antall poster	51
Porteføljeforvalter	Søren Christensen

Avkastning siste 10 år



Bidragstyttere i kvartalet



Største positive bidragstyttere

Navn	Vekt (%)	Bidrag (%)
Bonheur ASA	4,35	0,62
Novo Nordisk A/S	6,47	0,53
Carlsberg A/S	2,52	0,51
American International Group Inc	2,93	0,32
Applied Materials Inc	1,83	0,31



Største negative bidragstyttere

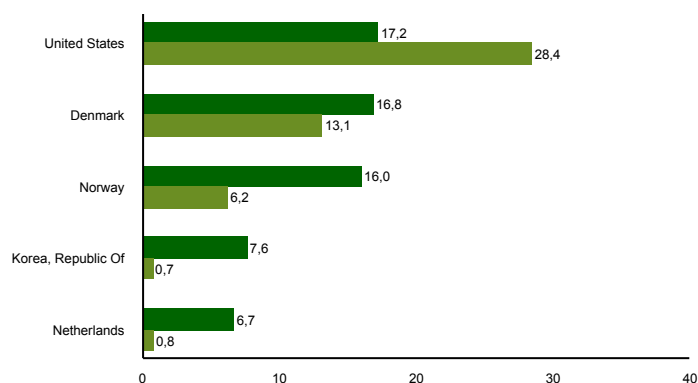
Navn	Vekt (%)	Bidrag (%)
Northern Drilling Ltd	1,27	-0,53
Borr Drilling Ltd	0,80	-0,44
Golar LNG Ltd	1,30	-0,40
FLEX LNG Ltd	1,97	-0,32
Yara International ASA	3,84	-0,21

I NOK for alle andelsklasser

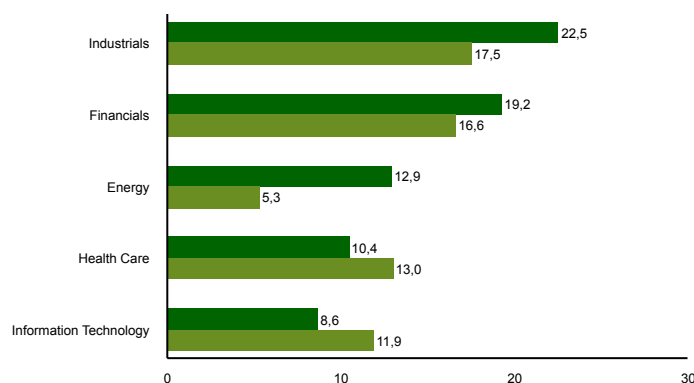
10 største investeringer

Navn	Sektor	Land	%
Novo Nordisk A/S	Health Care	Denmark	6,4
Citigroup Inc	Financials	United States	4,5
Bonheur ASA	Industrials	Norway	4,5
Samsung Electronics Co Ltd	Information Technology	Korea, Republic Of	4,3
Royal Dutch Shell PLC	Energy	Netherlands	4,0
Yara International ASA	Materials	Norway	3,8
Kinnevik AB	Financials	Malaysia	3,2
CK Hutchison Holdings Ltd	Industrials	Hong Kong	3,1
American International Group Inc	Financials	United States	3,0
Telia Co AB	Communication Services	Taiwan, Province Of China	2,8
Samlet vekting			39,7

Landeksponering (topp 5)



Bransjefordeling (topp 5)



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