

## Opportunity in market turmoil

The global equity market as represented by the index MSCI AC World suffered heavily in the fourth quarter after significant stock declines across the globe led to the worst annual performance in a decade for the index. Moreover, the broad US index S&P 500 declined nearly 20% while both the German DAX index and Japan's Nikkei 225 index officially entered bear market territory. While SKAGEN Global also declined in absolute terms, the fund delivered positive relative performance in Q4 and in the calendar year 2018.

A slowdown in global growth is likely a key factor behind the market turmoil. The oil price plummeted during the quarter and finished the year down approximately 25% as the toxic combination of a perceived supply glut and potentially weaker demand wreaked havoc in the oil market. Note that SKAGEN Global does not have any holdings in the energy sector as of the end of Q4.

### Key contributors and detractors

The fund's three strongest performers measured by absolute return in Q4 were Intercontinental Exchange (ICE), Unilever and CMS Energy.

The US-based financial and technology company ICE owns and operates exchanges for financial and commodity markets. ICE is to some extent shielded from economic cycles as it derives a large proportion of its income from recurring revenues. Unilever, the British-Dutch consumer goods giant, also performed well in relative terms given its defensive product mix and broad diversification across geographies and customers.

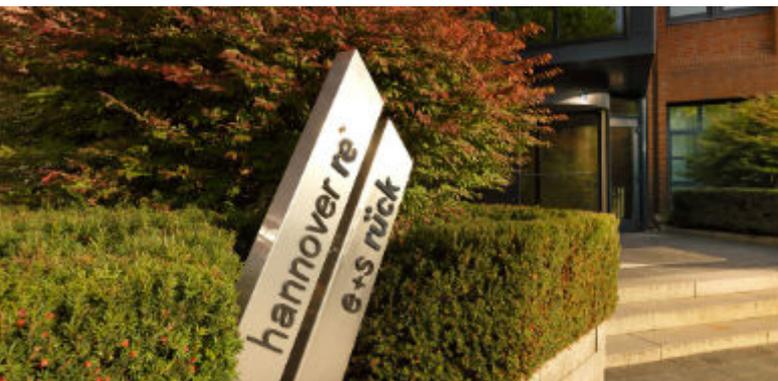


Photo: Hannover Re

### Key buys

We entered two new positions in Q4, namely Hannover Re and Waste Management. We initiated a position in the German reinsurer Hannover Re that brands itself "the somewhat different reinsurer." Indeed, we view it as an undervalued differentiated reinsurer with prudent underwriting, a low-cost corporate culture and a genuine long-term oriented business attitude that tallies with our mandate. The robust balance sheet is also an underappreciated asset that we believe will continue to drive value over time.

Waste Management (WM) is the leading provider of integrated environmental solutions in North America. The combination of higher market consolidation, capital allocation discipline and free cash flow generation creates an attractive undervalued long-term investment opportunity. At current valuations, the market does not seem to fully appreciate WM's strong strategic market position or its potential to deliver shareholder value through discipline around pricing and bolt-on acquisitions.

Finally, the US regulated utility CMS Energy operates solely in the state of Michigan where it is embarking on a big capex program to expand its energy production from renewables. The company is therefore not significantly impacted by the global macro environment.

The fund's three largest detractors in Q4 were UPM, DSV and Capgemini.

The share price of the Finnish paper and forest industry company UPM fell in response to lower pulp prices. While lower pulp prices may have a significantly negative effect on sentiment, we think the magnitude of the pullback is overdone and presents a buying opportunity. Late in December, we noted that both the CEO and CFO of UPM purchased shares in the company for their personal accounts; an encouraging sign and a vote of confidence in UPM's mid-to-long-term business transformation story.

For the Danish freight forwarder DSV, more noise around a potential trade war and weaker European economic data resulted in a negative share price development. Nonetheless, we still see DSV as a best-in-class operator and continue to be impressed by the business prowess of its management team. This adds to our conviction that the company will be able to weather the storm and the stock looks attractively valued at current levels. Finally, the French technology service provider Capgemini declined further in Q4 as the market likely fears that a weaker economic outlook will force companies to cut IT budgets.



Photo: Unilever

### Key sells

We sold two positions during the fourth quarter, namely IRSA and Novo Nordisk. The Argentinian real estate conglomerate IRSA appears to be vulnerable to higher domestic inflation that it may not be able to fully offset with rent increases. In the case of Novo Nordisk, we envisage greater competition on price and higher regulatory pressure. We therefore believe that other opportunities in our investment universe look more attractive for long-term investors.

### Outlook

Viewed through the lens of history, global growth remains at a satisfactory level although the much-lauded synchronised growth has faded. After the worst year in a decade, stock markets now look comparatively attractively valued, in our view. Furthermore, the bearish sentiment pervading the current market debate may provide contrarian investors with an opportunity. Having said that, we remain focused on bottom-up stock-picking and SKAGEN Global will continue to apply its unconstrained mandate to seek out undervalued companies with robust financials, strong competitive positions and management teams who are prudent capital allocators. The portfolio remains attractively valued.

The fund selects undervalued companies from around the world, including emerging markets, with attractive risk-reward for long-term investors.

The objective is to provide the best possible risk adjusted return.

The fund is suitable for those with at least a five year investment horizon.

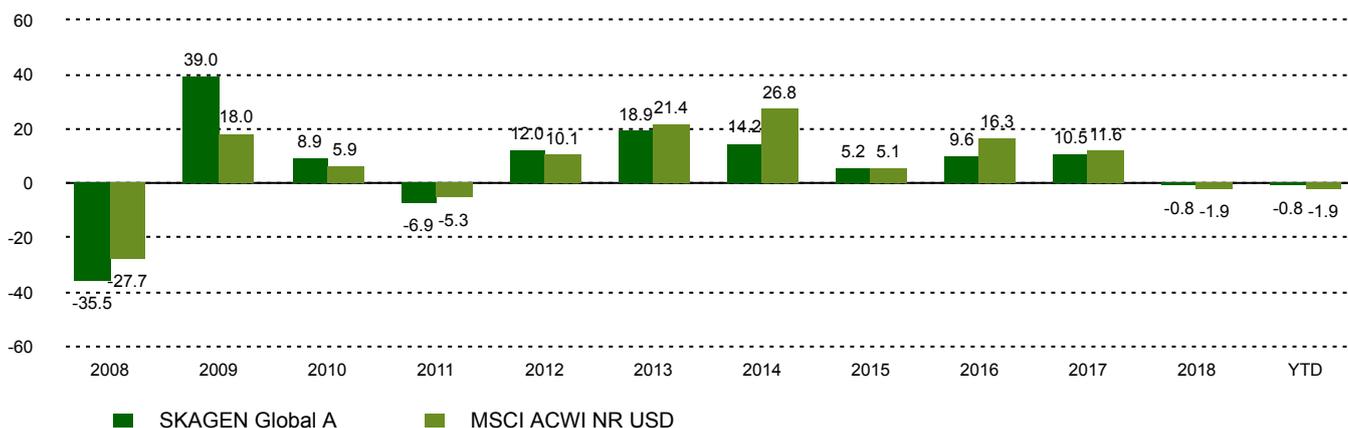
## Historical performance (net of fees)

Period	SKAGEN Global A	Benchmark index
Last month	-9.4%	-9.1%
Quarter to date	-11.9%	-13.2%
Year to date	-0.8%	-1.9%
Last year	-0.8%	-1.9%
Last 3 years	6.3%	8.4%
Last 5 years	7.6%	11.2%
Last 10 years	10.5%	10.4%
Since start	13.9%	5.0%

## Fund Facts

Type	Equity
Domicile	Norway
Launch date	07.08.1997
Morningstar category	Global Large-Cap Blend Equity
ISIN	NO0008004009
NAV	1675.45 SEK
Fixed management fee	1.00%
Total expense ratio (2017)	1.00%
Benchmark index	MSCI ACWI NR USD
AUM (mill.)	24292.27 SEK
Number of holdings	38
Portfolio manager	Knut Gezelius

## Performance last ten years



## Contributors in the quarter



### Largest contributors

Holding	Weight (%)	Contribution (%)
Intercontinental Exchange Inc	5.44	0.35
Unilever NV	4.80	0.19
CMS Energy Corp	1.47	0.17
RELX PLC	3.15	0.13
Hiscox Ltd	4.85	0.11



### Largest detractors

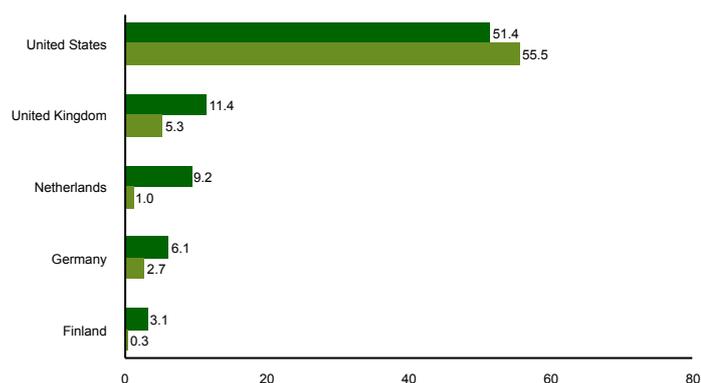
Holding	Weight (%)	Contribution (%)
UPM-Kymmene OYJ	3.02	-1.07
DSV A/S	3.34	-0.83
Capgemini SE	2.42	-0.40
Schindler Holding AG	2.57	-0.40
Beazley PLC	4.80	-0.39

Absolute contribution based on NOK returns at fund level

## Top ten investments

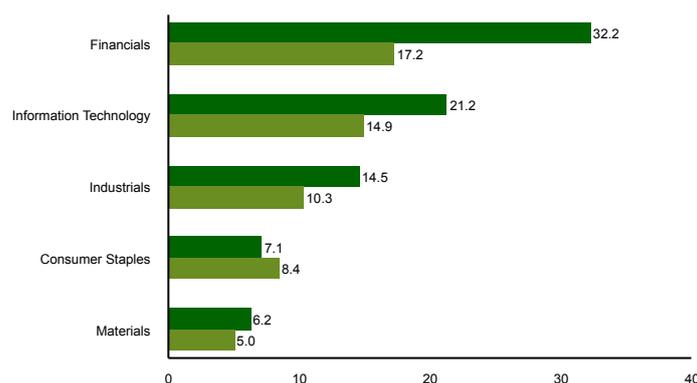
Holding	Sector	Country	%
Microsoft	Information Technology	United States	6.4
Intercontinental Exchange Inc	Financials	United States	5.7
Hiscox	Financials	United Kingdom	5.1
Unilever CVA	Consumer Staples	Netherlands	5.1
Beazley PLC	Financials	United Kingdom	4.9
Marsh & McLennan	Financials	United States	3.6
Relx Plc	Industrials	United Kingdom	3.4
UPM-Kymmene OYJ	Materials	Finland	3.1
Samsung Electronics	Information Technology	Korea, Republic Of	3.1
DSV	Industrials	Denmark	3.0
Combined weight of top 10 holdings			43.4

## Country exposure (top five)



■ SKAGEN Global A ■ MSCI ACWI NR USD

## Sector exposure (top five)



■ SKAGEN Global A ■ MSCI ACWI NR USD

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## Important information

Unless otherwise stated, performance data relates to class A units and is net of fees. AUM data as of the end of the previous month. Except otherwise stated, the source of all information is SKAGEN AS. Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skills, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments. You can download more information including subscription/redemption forms, full prospectus, Key Investor Information Documents (KIID), General Commercial Terms, Annual Reports and Monthly Reports from our local websites or our local representatives. Statements reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice. This report should not be perceived as an offer or recommendation to buy or sell financial instruments. 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.