

A strong finish to a strong year

The final quarter of 2021 delivered yet another twist in the pandemic tale with the discovery of a new variant of the coronavirus. After initial concerns that there would be another round of lockdowns in store, the stock market resumed its upward trajectory as evidence came in to suggest that Omicron is more infectious but less lethal than previous variants. While SKAGEN Vekst also benefitted from this development, the fund's relative return lagged that of the benchmark as the market favoured so-called stay-at-home stocks within the IT sector. For full year of 2021, SKAGEN Vekst delivered a very strong absolute return, which was also significantly ahead of the overall market.

Contributors and detractors

The biggest contributor to the fund's absolute return in the fourth quarter was the Danish pharma company Novo Nordisk. The company continues to benefit from the exceptionally strong launch of its new obesity drug Wegovy in the US, but the rest of the business also continues to perform above expectations. As a result, Novo Nordisk announced their third profit upgrade in the year. The US IT company Broadcom was also a meaningful contributor to fund performance, as the company posted another quarter of very strong earnings growth. With strong bookings, visibility has also improved and a 14% increase in dividends, along with a new USD 10bn buyback, once again confirmed management's prudent capital allocation. The Norwegian conglomerate Bonheur was also back among our top contributors in the final quarter of the year. Given the historically high electricity prices, the market has increased expectations for earnings in its renewable energy division. The company is also laying the foundation for a spinoff of its offshore wind business that should further help crystallise the value of the conglomerate.

South and Central America focused telecom provider Millicom International Cellular was among the largest detractors to the absolute return of the fund in the quarter. Due to the Omicron variant, the market is concerned about new tough lockdowns in the company's core markets.

We find these concerns exaggerated as vaccination levels have drastically improved, but believe the stock is deeply undervalued even in this scenario. It is also intriguing that private equity firms have finally become aware of the value on offer in the telecom sector in general, with KKR making a non-binding bid for Telecom Italia. Given the current valuation of Millicom, we think the stock is an obvious take-out candidate.

Portfolio activity

We added the branded consumer goods company Orkla to the portfolio in November. The stock has been a major laggard this year, and we believe investors are overly concerned about the company's ability to handle higher raw material costs. The market is also underestimating the significant growth opportunity Orkla has in both its plant-based business and the out-of-home channel.

SKAGEN Vekst participated in the IPO of the shipping company Høegh Autoliners in November. We expect pent-up vehicle demand and the need for inventory rebuilding to lead to higher shipping rates. While the sector faces challenges from stricter environment-related regulations, we also see this as an opportunity for the company. Its new Aurora class vessels will deliver significant CO2 savings, enabling the company to earn premium rates and also position the company to transport electric vehicles.

Following the split of SK Telecom, we received shares in the Korean holding company SK Square during the quarter. The stock trades at the same 60% discount to NAV as all the other family-controlled holding companies in Korea. With a more active investment/divestment strategy versus its peers, along with a proactive capital management policy to address the large discount, we expect SK Square will narrow this discount.



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Key sells

Following years of impressive share price performance, we sold out of the healthcare-related stock Thermo Fisher Scientific in October, as the stock hit our target price. In November we sold out of the oil company Aker BP. With the stock pricing in a long-term oil price of USD 80 we find more attractive opportunities elsewhere in the sector. We also sold out of the airline company Norwegian at the beginning of November as the stock hit our target price.



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Outlook

It is important to remember that the strong performance in stocks over the past ten years has been very unevenly distributed. This has resulted in a situation where quality growth stocks trade at historically high valuations, while more capital-intensive industries often trade at more reasonable valuations. An important driver behind this development is the dramatic fall in long-term interest rates we have seen in the period. While we do not claim to predict the future, we think the odds of sustainably higher inflation and higher interest rates have risen significantly over the past 12 months. As current valuations across the stock market still reflect an almost 100% belief in permanently low interest rates, we are very comfortable with our current exposure towards companies that do well in an environment with higher inflation and interest rates – such as financial and energy related companies. We also see several Emerging Markets stocks trading at very attractive levels following a decade of underperformance. We find this situation particularly compelling as many Emerging Market countries have not yet benefitted from a reopening of their economies.

SKAGEN Vekst investerer i selskaper som er lavt priset i forhold til forventet lønnsomhet og vekst. Fondet investerer hovedsakelig i Norden og sekundært i resten av verden. Målet er å oppnå best mulig risikostjert avkastning for den risikoen fondet tar. Fondet passer til investorer som har minst fem års investeringshorisont.

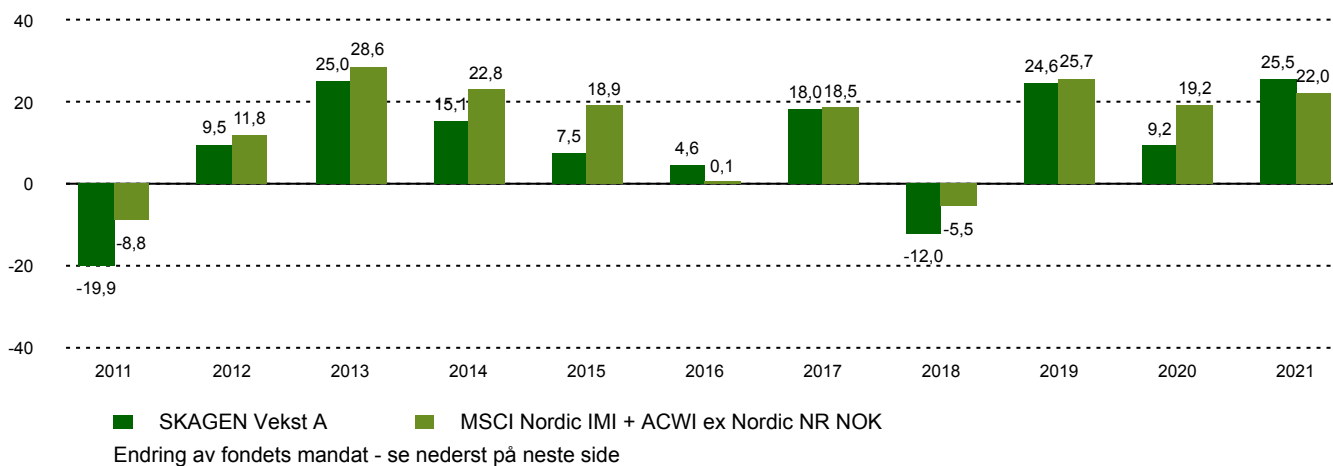
Historisk avkastning

Periode	SKAGEN Vekst A	Referanseindeks
Siste måned	2,5%	1,5%
Hittil i kvartal	4,5%	7,1%
Hittil i år	25,5%	22,0%
Siste år	25,5%	22,0%
Siste 3 år	19,5%	22,3%
Siste 5 år	12,2%	15,4%
Siste 10 år	12,1%	15,7%
Siden start	13,7%	11,1%

Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	01.12.1993
Morningstarkategori	Globale, Store selskaper, Blanding
ISIN	NO0008000445
NAV	3685,33 NOK
Årlig forvaltningshonorar	1.00%
Totalkostnad (2020)	1.25%
Referanseindeks	MSCI Nordic IMI + ACWI ex Nordic NR NOK
Forvaltningskapital (mill.)	8864,69 NOK
Antall poster	50
Porteføljeforvalter	Søren Christensen

Avkastning siste 10 år



Bidragstere i kvartalet



Største positive bidragstere

Navn	Vekt (%)	Bidrag (%)
Novo Nordisk A/S	8,70	1,45
Broadcom Inc	3,00	1,02
Bonheur ASA	4,36	0,73
FLEX LNG Ltd	1,71	0,50
Aker BP ASA	0,61	0,38



Største negative bidragstere

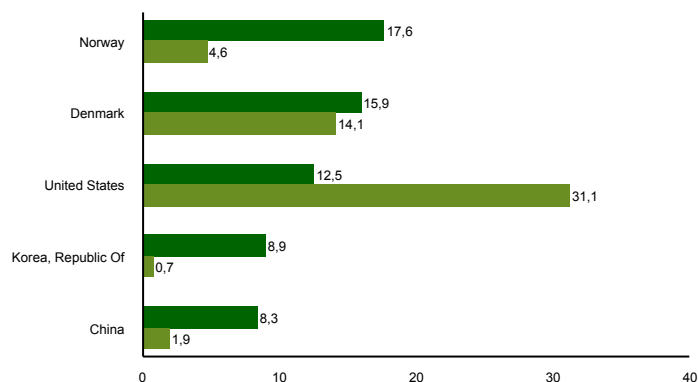
Navn	Vekt (%)	Bidrag (%)
Citigroup Inc	3,27	-0,44
Millicom International Cellular	1,87	-0,44
Sberbank of Russia PJSC	2,60	-0,37
Vestas Wind Systems	1,02	-0,26
Alibaba Group Holding	1,31	-0,24

I NOK for alle andelsklasser

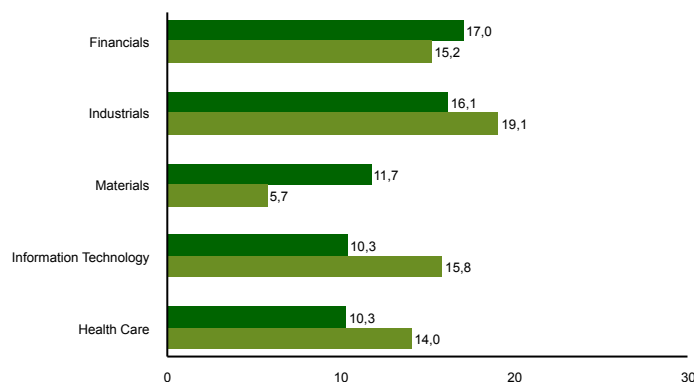
10 største investeringer

Navn	Sektor	Land	%
Novo Nordisk A/S	Health Care	Denmark	8,3
Bonheur ASA	Industrials	Norway	4,8
Yara International ASA	Materials	Brazil	3,9
Samsung Electronics Co Ltd	Information Technology	Korea, Republic Of	3,8
Broadcom Inc	Information Technology	United States	3,5
Essity AB	Consumer Staples	Sweden	3,2
Telenor ASA	Communication Services	Norway	3,1
Citigroup Inc	Financials	United States	3,1
Nordea Bank Abp	Financials	Finland	3,0
Ping An Insurance Group Co of China Ltd	Financials	China	3,0
Samlet vektning			39,6

Landeksponering (topp 5)



Bransjefordeling (topp 5)



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