

SKAGEN Insight takes off

At the start of 2019, we stated that SKAGEN Insight had the potential to double over a 2-3 year horizon as markets stabilise. The return generated in Q1 has been a first step in that direction. This uptick in performance was driven largely by solid fourth quarter results updates across the portfolio, which is in-line with what we expect to see over time as our companies close their performance gap. This recent development should set us up for continued strong performance (absent new external shocks) given that the vast majority of our companies remain deeply misunderstood and underappreciated by the market.

We believe that 2019 has the potential to be a very exciting year for SKAGEN Insight, and there is still some way to go before the fund has doubled in value. It is however important to remember that SKAGEN Insight is not an index fund, which is why it will outperform the market some years and likely underperform other years. We remain convinced that the strategy will prove itself over time.

Top contributors

Diebold Nixdorf has been the standout performer so far this year. It was the fund's largest negative detractor last year but has made an impressive comeback. As of 1 April, the stock was up more than 380% in US dollars since the lows around Christmas 2018, making it one of the best performing stocks in the US market year-to-date. We had a price target of more than four times the prevailing share price only three months ago. Now that it has skyrocketed to a level close to our price target, we have opportunistically sold most of our shares.

The fund's second strongest performer during Q1 was Teikoku Sen-I. This is one of our favourite holdings in Japan, which is under immense

shareholder pressure to make improvements to its capital allocation strategy. Teikoku is a good company by most measures, but it is weighed down by the sheer weight of its massively overcapitalised balance sheet. At the Teikoku AGM held in late March, SKAGEN supported the reinvigoration of the board and an increase to the dividend. This was a view shared by Institutional Shareholder Services, the lead proxy advisor for this situation. However, as expected, these shareholder proposals were voted down by the majority of allegiant shareholders. The support from minority investors, however, sent a strong signal to the incumbent board and management team that future change at Teikoku Sen-I is inevitable. We are patient investors in situations like this and continue to hold Teikoku as one of our largest positions.

On the negative side, the fund's largest detractor year-to-date is ThyssenKrupp, where we remain convinced that the current market value is out of sync with reality. In fact, we have been extremely encouraged by developments in the company. In other words, this is a high-conviction investment where we have seen activists play a decisive role in reshaping the structure of the company to make it less complex and release shareholder value. Clearly, the market has yet to appreciate the magnitude of value creation that we ultimately expect from this move. We are patient investors in situations like this where things are clearly moving in the right direction.

It is also worth highlighting the fact that, as the share prices of companies fall, this generally increases the sense of urgency at companies and helps activists to catalyse positive change.



Photo: Bloomberg



Photo: Bloomberg

Corporate governance in Japan

Looking ahead to next year, one of the most interesting investment themes is the ongoing change of corporate governance in Japan. There is a real possibility this will make Japanese companies more competitive, especially from a capital allocation standpoint, and unlock hidden values for shareholders. Activists have an important role to play here. When we look at Japan today, we see many companies trading at valuations that do not seem to add up to us as value investors. One example, which recently made its way into the fund's portfolio is Pasona Group (currently around 3% weight). This is the third largest staffing company in Japan and is incredibly trading at an implied massively negative value as its market capitalisation is dwarfed by that of one of its listed subsidiaries.

More broadly speaking, we see a lot of value potential across the portfolio given that many of our holdings have traded down due to the nervousness of myopic investors and not deteriorating fundamentals. SKAGEN Insight has a portfolio of deeply undervalued and underappreciated companies where fundamental trends are moving in the right direction and activists are increasingly becoming the catalyst for positive change.

SKAGEN Insight invests in a diversified and actively managed portfolio of companies exposed to some of the most attractive activist campaigns globally. Activists seek to unlock value by urging companies to make improvements. SKAGEN Insight "shadows" activists by investing in these companies. 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.

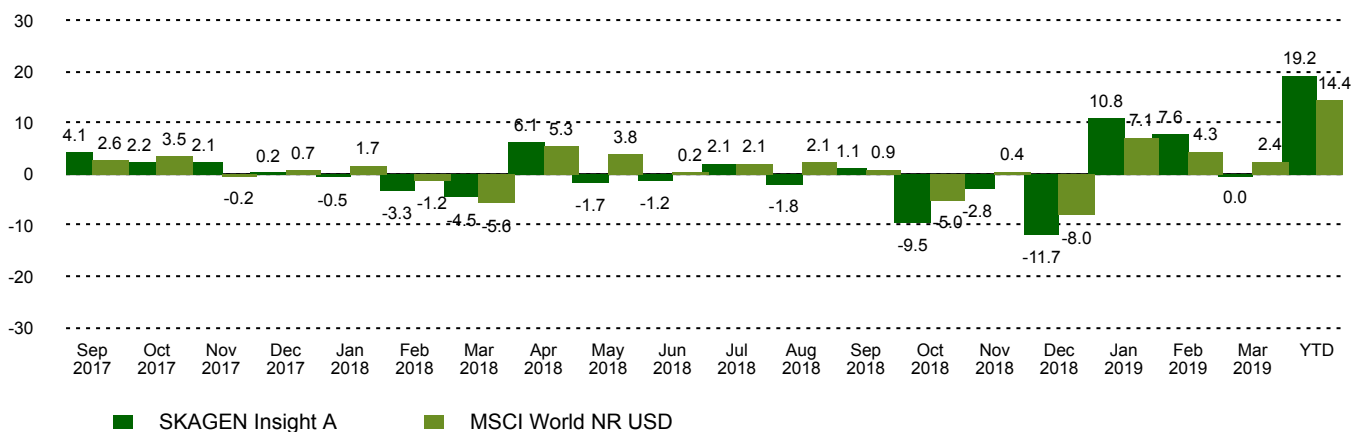
Historical performance (net of fees)

Period	SKAGEN Insight A	Benchmark index
Last month	0.0%	2.4%
Last 2 months	7.6%	6.8%
Quarter to date	19.2%	14.4%
Year to date	19.2%	14.4%
Since start	-1.7%	11.0%

Fund Facts

Type	Equity
Domicile	Norway
Launch date	21.08.2017
Morningstar category	Global Large-Cap Blend Equity
ISIN	NO0010801558
NAV	10.45 EUR
Fixed management fee	1.5%
Total expense ratio (2018)	1.50%
Benchmark index	MSCI World NR USD
AUM (mill.)	23.47 EUR
Number of holdings	31
Portfolio manager	Tomas Johansson

Monthly performance



Contributors in the quarter



Largest contributors

Holding	Weight (%)	Contribution (%)
Diebold Nixdorf Inc	2.41	5.18
Teikoku Sen-I Co Ltd	7.80	1.83
Hertz Global Holdings Inc	4.34	1.71
Pasona Group Inc	4.15	1.63
Eltel AB	4.41	1.18



Largest detractors

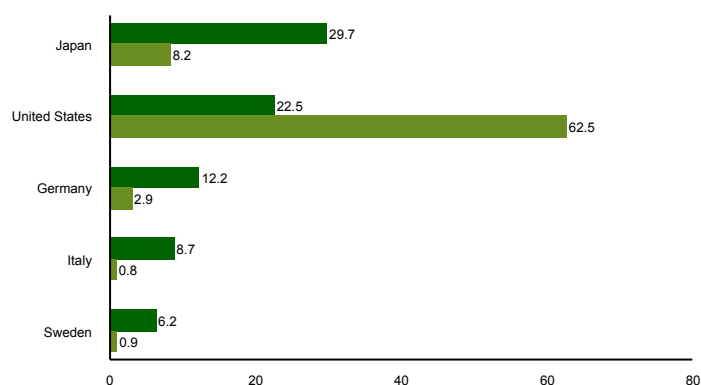
Holding	Weight (%)	Contribution (%)
thyssenkrupp AG	7.32	-1.55
Newell Brands Inc	2.38	-0.60
Banca Popolare di Sondrio SCPA	2.46	-0.28
Dai-ichi Life Holdings Inc	1.78	-0.26
Hyundai Motor Co	2.68	-0.04

Absolute contribution based on NOK returns at fund level

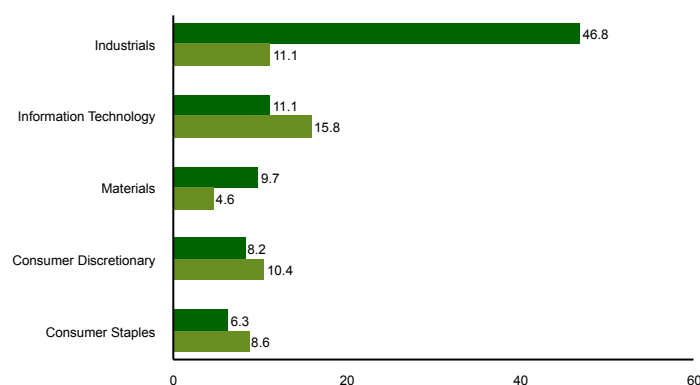
Top ten investments

Holding	Sector	Country	%
Teikoku Sen-I Co	Industrials	Japan	8.6
thyssenkrupp	Materials	Germany	7.7
Telecom Italia Spa	Communication Services	Italy	5.8
Pasona Group Inc	Industrials	Japan	5.6
Armstrong Flooring	Industrials	United States	4.9
Eltel	Industrials	Sweden	4.6
Maxell Holdings	Information Technology	Japan	4.4
Kyushu Railway Company	Industrials	Japan	4.3
General Electric	Industrials	United States	4.3
Conduent	Information Technology	United States	4.2
Combined weight of top 10 holdings			54.3

Country exposure (top five)



Sector exposure (top five)



■ SKAGEN Insight A ■ MSCI World NR USD

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