

LWM FUND SPOTLIGHT SKAGEN FOCUS FUND

INVESTMENT OBJECTIVE

SKAGEN Focus is an actively managed concentrated fund with a global investment mandate. The Fund's strategy is to find and invest in very select low-priced, high-quality companies that are undervalued, under-researched and unpopular. The portfolio is composed of 35 core companies. The higher concentration increases potential for higher returns, at the cost of potentially higher volatility. In order to reduce risk, the Fund seeks to maintain a sensible composition of companies in the portfolio. This means that the portfolio managers continuously seek to identify fundamental risk factors in the companies. The risk factors are measured, monitored and balanced against each other.

INCEPTION DATE

26th May 2015

FUND FACTSHEET (note data below is based on SKAGEN Fcus Vrdpprfnd A NOK)

<https://www.trustnet.com/factsheets/b/qwlg/skagen-focus-lux>

MANAGEMENT

Manager Name

Start Date

Jonas Edholm

26th May 2015

David Harris

26th May 2015

RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
12.98	0.85	-19.37	21.15	-9.62	66	85	12.06

OTHER DATA

Benchmark	MSCI ACWI
Fund Size	NOK 3010.96
Fees	1.60%

SKAGEN Focus Fund – April 2023

BULL POINTS (PRO)	BEAR POINTS (CONS)
<ul style="list-style-type: none"> • Very different proposition. Value focus but with an exclusionary policy. • Focused on misunderstood companies with strong balance sheets. • Focused on change as a driver to value. • Moving away from ultra-low interest rates likely to favour this strategy. • High tracking error as a measure of out performance over 3 years. • Different buckets to drive returns and protect on the downside. • Stable investment team. 	<ul style="list-style-type: none"> • Value focus so longer-term performance weak. • Value focused with no fossil fuels. • Potentially performance-based fee. • Access within the UK.

FUND PERFORMANCE

Performance from 26th May 2015 – 31st March 2023

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



26/05/2015 - 31/03/2023 Data from FE fundinfo 2023

Pricing Spread: Bid-Bid • Currency: Pounds Sterling

Customise Columns	2023 ↑↓	2022 ↑↓	2021 ↑↓	2020 ↑↓	2019 ↑↓	2018 ↑↓	2017 ↑↓	2016 ↑↓	2015 ↑↓	2014 ↑↓	2013 ↑↓
Index MSCI ACWI TR in GB	5.14	-8.08	19.63	12.67	21.71	-3.79	13.24	28.66	3.29	10.64	20.52
SKAGEN Fcus Vrdpprind A NOK in GB	9.91	-6.23	18.17	13.76	16.49	-14.97	12.34	36.89			

SKAGEN Focus Fund – April 2023

Pricing Spread: Bid-Bid • Period: Quarter End (31 Mar 2023) • Currency: Pounds Sterling

Fund Comparison

Chart

Customise Columns	1m ↑↓	3m ↑↓	6m ↑↓	1yr ↑↓	3yr ↑↓	5yr ↑↓	10yr ↑↓	Select
Index MSCI ACWI TR in GB	0.93	4.39	6.34	-1.43	53.95	58.59	166.59	<input type="checkbox"/>
SKAGEN Fcus Vrdpprind A NOK in GB	3.36	14.18	25.02	5.02	110.84	50.69		<input type="checkbox"/>

Cumulative Performance (NOK)

	3 Months	6 Months	1 Year	3 Years	5 Years
Fund	11.53%	30.53%	16.88%	93.39%	63.17%
Sector	9.65%	17.65%	14.70%	43.36%	80.45%
Relative to Sector	1.72%	10.95%	1.90%	34.90%	-9.58%
Rank in Sector *	71 / 349	4 / 339	78 / 313	2 / 202	104 / 138
Fund Quartile *	1	1	1	1	4

Performance by Calendar Year in (NOK)

	YTD	2022	2021	2020	2019
Fund	22.16%	-6.97%	20.60%	14.37%	22.96%
Sector	15.76%	-12.33%	19.76%	17.77%	28.28%
Relative to Sector	5.53%	6.11%	0.70%	-2.88%	-4.15%
Rank in Sector *	10 / 348	55 / 298	130 / 231	100 / 194	137 / 165
Fund Quartile *	1	1	3	3	4

Discrete Annual Performance to Last Quarter End (NOK)

	0-12m	12m-24m	24m-36m	36m-48m	48m-60m
Fund	14.09%	10.28%	60.96%	-15.91%	0.48%
Sector	10.31%	18.03%	39.68%	9.53%	28.21%
Relative to Sector	3.43%	-6.57%	15.24%	-23.23%	-21.63%
Rank in Sector *	12 / 306	66 / 243	10 / 202	167 / 169	130 / 136
Fund Quartile *	1	2	1	4	4

Fund Price Movement (NOK)

12 Month High	206.38 (Norwegian Krone)	12 Month Low	155.06 (Norwegian Krone)
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Annualised Ratios Over 36 Months

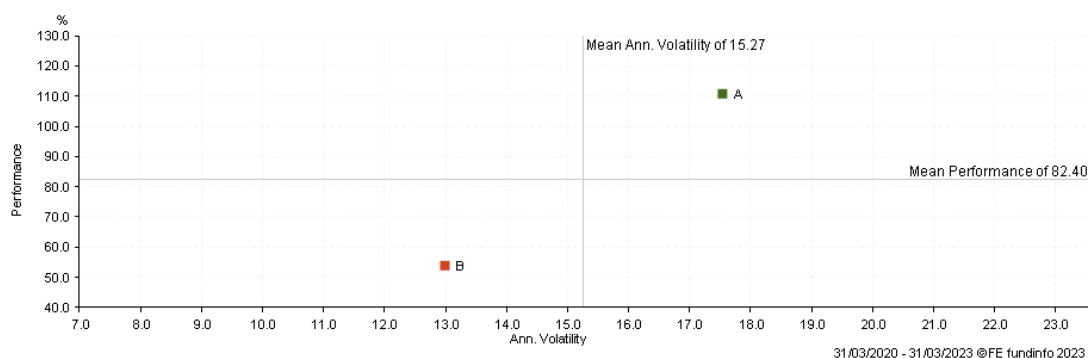
	Alpha	Beta	Sharpe	r ²	Volatility
Fund	16.78	0.64	1.55	0.46	14.89
Fund Quartile *	1	3	1	4	3

*Ranks & quartiles shown are for the primary share class, SKAGEN Fcus Vrdpprind B EUR

Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

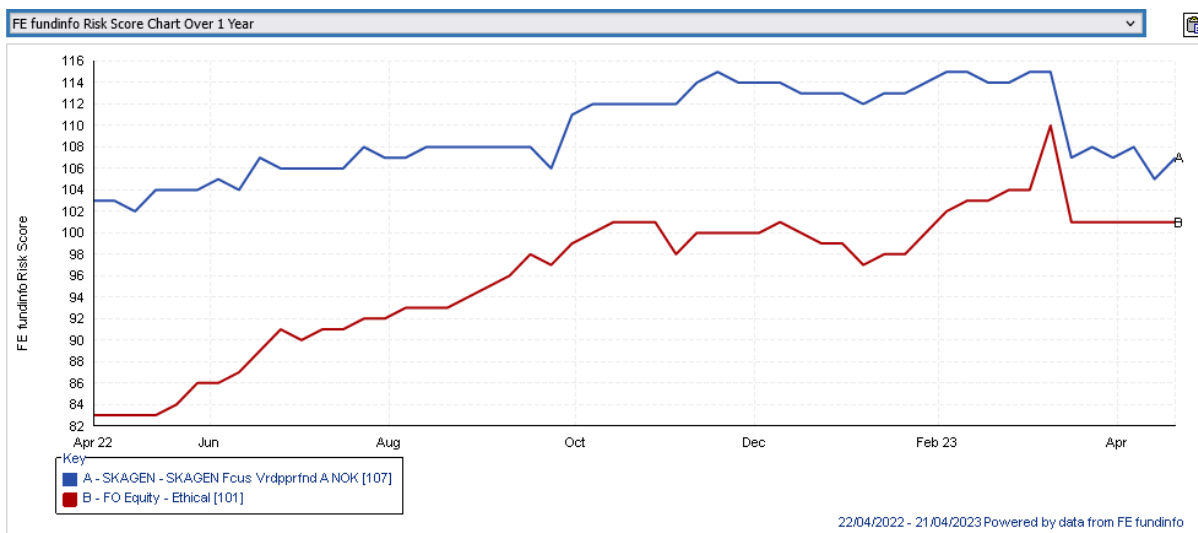
VOLATILITY / RISK SCORE

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



Key	Name	Performance	Annualised Volatility
■ A	SKAGEN - Fcus Vrdpprind A NOK in GB	110.84	17.54
■ B	MSCI ACWI TR in GB	53.95	12.99

SKAGEN Focus Fund – April 2023

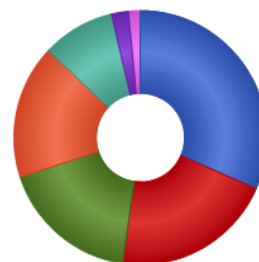


SECTOR WEIGHTINGS

Sector Weightings as at March 31, 2023

Rank	Change	Name	%
1	►	BASIC MATERIALS	31.59
2	▲	CONSUMER PRODUCTS	20.66
3	▲	INDUSTRIALS	17.71
4	▼	FINANCIALS	17.08
5	►	TELECOM, MEDIA & TECHNOLOGY	9.30
6	▲	HEALTH CARE	2.14
7	▼	MONEY MARKET	1.52

▼ Faller ▲ Riser ► No Change ■ New Entry

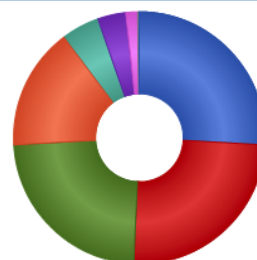


REGION WEIGHTINGS

Region Weightings as at March 31, 2023

Rank	Change	Name	%
1	▲	EUROPE EX UK	25.91
2	▼	PACIFIC BASIN	24.80
3	►	NORTH AMERICA	23.40
4	►	JAPAN	15.63
5	▲	MIDDLE EAST/ AFRICA	4.92
6	▼	AMERICAS	3.62
7	▼	MONEY MARKET	1.52
8	■	UK	0.20

▼ Faller ▲ Riser ► No Change ■ New Entry



SKAGEN Focus Fund – April 2023

TOP TEN HOLDINGS

Top 10 Holdings as at March 31, 2023

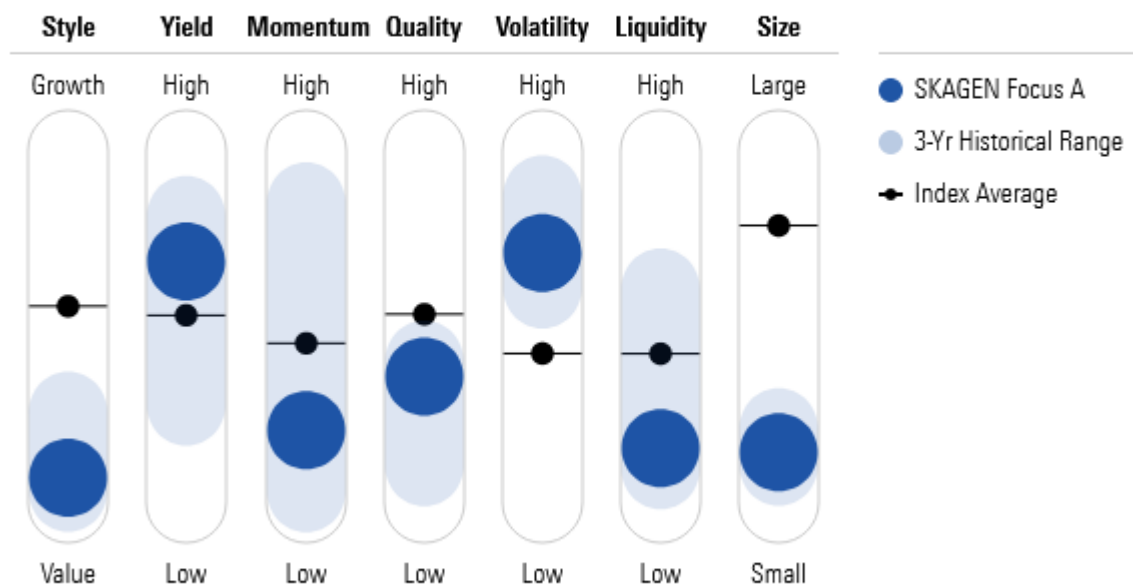
Rank	Change	Name	%
1	▲	ALBERTSONS COMPANIES, INC.	5.10
2	▲	ENDEAVOUR MINING PLC	4.92
3	▼	METHANEX CORP	4.11
4	▶	TEXTAINER GROUP HOLDINGS	3.14
5	▲	KYOCERA CORP	3.09
6	■	CHINA COMMUNICATIONS SERVICES CORP	3.08
7	▼	KOMATSU	3.03
8	■	FORTUNA SILVER MINES INC.	2.89
9	■	HYUNDAI MOBIS	2.84
10	▼	ROYAL BK SCOT GRP NON-CUM STG PRF GBP0.01	2.79
Top 10 total percentage weighting			34.99

▼ Faller ▲ Riser ▶ No Change ■ New Entry



FACTOR PROFILE

Factor Profile 1-Yr 3-Yr 5-Yr vs. Index ▼



Investment as of 28 Feb 2023 | Index: Morningstar Gbl TME GR USD as of 28 Feb 2023

SKAGEN Focus Fund – April 2023

STYLE MEASURES (MARKET CAP)

Style Measures

Measures

Market Cap

Avg Market Cap

31.89 Bil

Category Avg Market Cap

32.72 Bil

Index Avg Market Cap

97.55 Bil

Size

Investment %

Cat. Average %

Index %

Giant

4.10

24.79

47.12

Large

13.77

26.36

36.55

Mid

42.44

32.99

16.10

Small

30.24

10.43

0.15

Micro

7.93

1.29

0.00

NOK | As of 31 Mar 2023 | Category: Global Flex-Cap Equity | Index: Morningstar Gbl TME GR USD | Data is based on the long position of the equity holdings.

SKAGEN Focus Fund – April 2023

LWM FUND ANALYSIS

This was our first introduction to the strategy. Since 2008 we have been in an almost artificial economic environment. Interest rates have been suppressed, especially in the developed economies, money has been pumped into the markets (almost like a balloon) and inflation has been kept under control.

This has seen certain parts of the market do better than others, and within this environment this strategy has struggled. However, as we moved to a more normalised environment (i.e., pre-2008) with interest rates and inflation at a proper level, then this type of strategy should benefit.

The fund is different to many other similar strategies. Not only does it have a “value” tilt, it also has an exclusion policy.



SKAGEN's sustainability framework is embedded under the Storebrand Asset Management framework for sustainable investments. Storebrand Asset Management is a global leader in sustainable investments. *Storebrand applies an extensive exclusion list based on the Storebrand standard.*

Avoid investments that have violated ILO conventions, OECD guidelines for Multinational Enterprises, UN declaration of human rights, UN Global Compact and UN guiding principles on Business and Human Rights.

Fossil fuels – max 0% of revenues

- Extraction and production of fossil energy sources, including thermal coal, natural gas, shale gas and tar sand.

Fossil energy production – max 0% of revenues

- Energy companies where more than 50% of installed production capacity is intended for fossil fuel energy sources.

Fossil fuel services – max 5% of revenues

- Max 50% of revenue from services related to fossil fuel companies.

Weapons and munitions – max 5% of revenues

Tobacco – max 0% of revenues from production and max 5% of revenues from distribution

Pornography – max 0% of revenues from production and max 5% from distribution

Alcohol – max 5% of revenues from production where alcohol content is 2,25% or above

Gambling – max 5% of revenues

- Includes any company offering products and services related to gambling. As well as software development and platforms used for gambling.

Controversial Weapons – max 0% of revenues

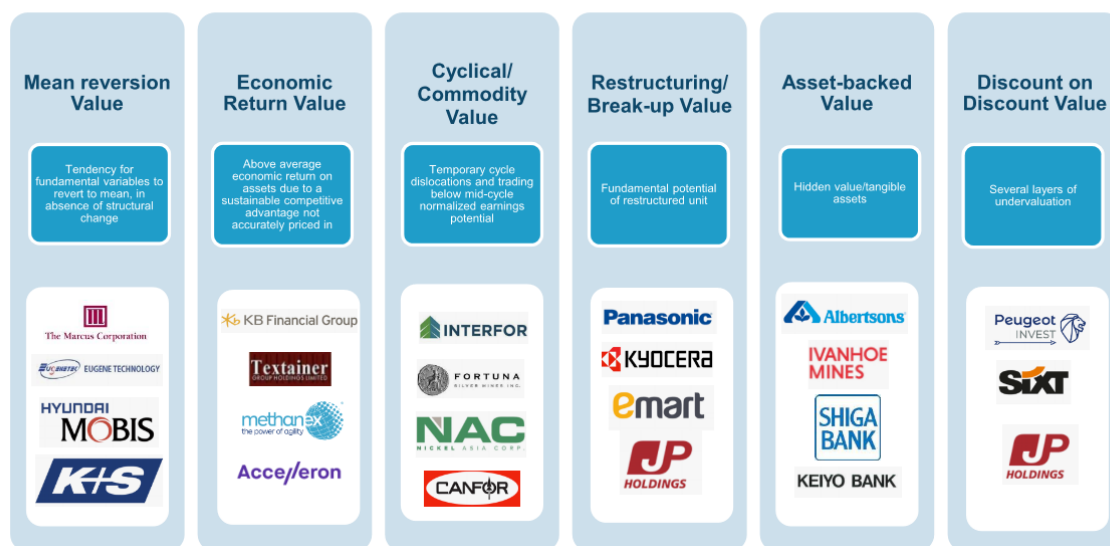
- Includes cluster bombs, landmines, chemical and biological weapons, nuclear weapons. Production and distribution of weapon and munition, as well as provision of products and services that are designed for inhumane weapon used for combating purpose.

Yes, this is about finding those cheap stocks, but it is not about compromising on value. Their natural hunting ground is in the small and mid-cap space. They are searching for those misunderstood companies. These companies need to be trading for a reason, they must have a reason to exist.

SKAGEN Focus Fund – April 2023

The chart below shows some of the buckets within the strategy:

Our value spectrums



They are happy to move against market sentiment if this opens opportunities. Diesel gate is an example where autos went down significantly as did anything to do with autos, and this opened opportunities for them to invest.

Panasonic is an example of a misunderstood company they hold. They are selling off parts of the business and one of the most profitable parts of the business is EV batteries and they are a supplier to Tesla. They also own Interfor who are one of the largest lumber producers in the world. The markets are not pricing the balance sheets and so this is very cheap.

They had some exposure to Banks, a small holding to a US Bank – Synovus Financial, and this has been sold. They had already sold Commerzbank. They have no exposure to US regional banks and they have reduced exposure to Japanese and Korean banks. They are watching this space should opportunities arise.

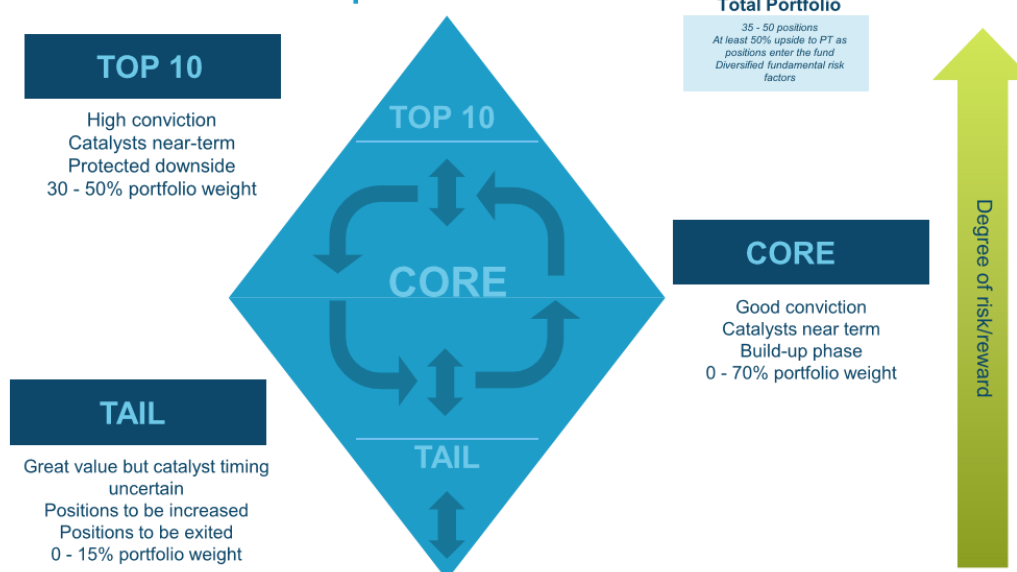
Some of the changes are shown below:

SKAGEN Focus Fund – April 2023

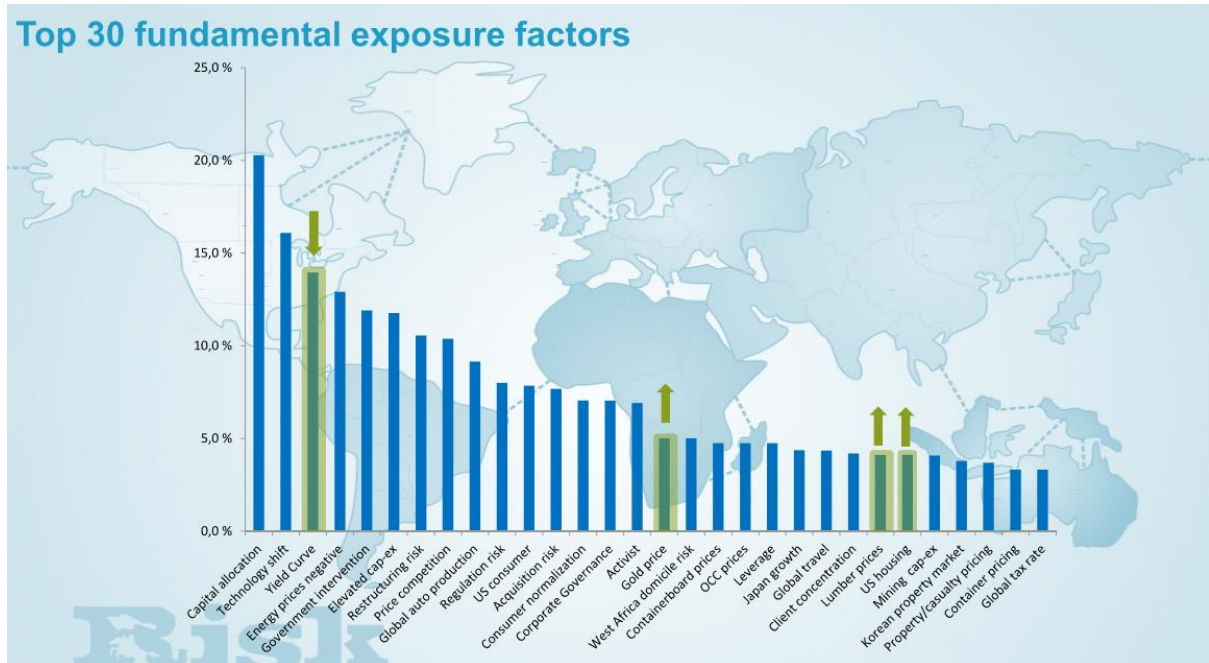


Risk is a major part of the process. They use a diamond approach with most assets within the core and a small amount in the tail. The idea is that new ideas come in at the tail and as confidence builds, they go into the core and then into the top-ten. If that change doesn't happen then they will sell out.

Portfolio "diamond" build-up



For them, value is not about buying something that is cheap just because it is cheap. It is about understanding a business, what the risks are, both in terms of the company (so income, balance sheets and ecosystem) and then how these blend across the portfolio.



Often when we look at value strategies it is all about oil, but this has exposure to the green transition. This is an exclusionary strategy and therefore this really emphasises the need to find those opportunities globally.

An undiscovered service provider, crucial to the circular economy

2.0% position

- Reducing the environment impact of industrial waste
- Recovering valuable materials and reintroducing them into the production process

Undervalued copper producer: Among the world's largest and lowest cost copper mines; ultra-high copper grades accelerate stakeholder returns

1.0% position

- Tier-one carbon footprint at Kamoakakula
- Kamoakakula aims to become the first net-zero carbon emitter among the top-tier copper mines by electrifying its mining fleet

Undervalued global leader in the white cement market, poised to improve already strong profit margins on the back of ongoing efficiency efforts

1.6% position

Green and Sustainable Cement Technology Within Cementir Low-carbon Portfolio

- Until recently it would have been unthinkable to imagine cement production as net-zero

As would be expected, the integration of exclusions with quality (ESG) is fundamental. This covers active company engagement, comprehensive voting, fundamental analysis of all investments etc.

This does come from the bottom i.e., looking for those very best companies from across the globe, but only where there is value. This does mean that the exposure to the US is lower than other global funds because it is an expensive market, although they are starting to see this shift.

SKAGEN Focus Fund – April 2023

They don't like high levels of debt, and balance sheet strength is important. They are looking for around 50% upside on each holding.

Style Measures

Measures

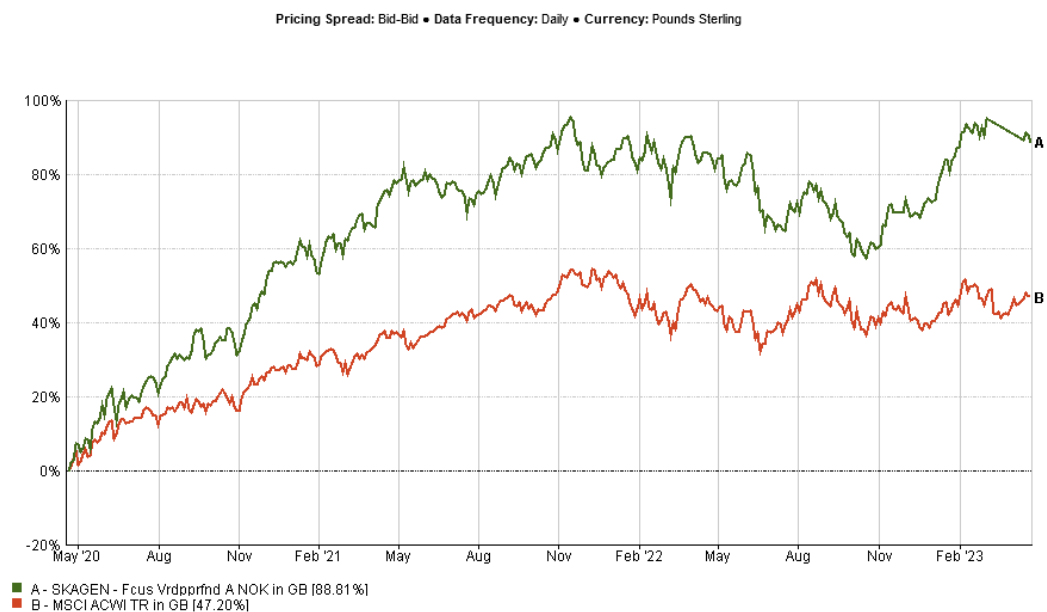
Market Cap

Value & Growth Measures	Investment	Cat. Average	Index
Price/Earnings	7.84	14.78	15.70
Price/Book	0.67	2.08	2.29
Price/Sales	0.41	1.36	1.56
Price/Cash Flow	3.10	7.53	8.66
Dividend Yield %	4.31	2.11	2.59
Long-Term Earnings %	7.80	12.14	10.92
Historical Earnings %	16.15	14.78	17.55
Sales Growth %	8.71	8.69	10.95
Cash-Flow Growth %	4.18	1.76	8.53
Book-Value Growth %	9.36	6.26	6.58

As of 31 Mar 2023 | Category: Global Flex-Cap Equity | Index: Morningstar Gbl TME GR USD | Data is based on the long position of the equity holdings.

Because these are misunderstood, the price to earnings ratio is nearly half that of the index.

The last three years have been good for the strategy, as can be seen below:



21/04/2020 - 21/04/2023 Data from FE fundinfo 2023

SKAGEN Focus Fund – April 2023

In summary, for investors this is about a strategy focusing on price and opportunity. They see an environment that is re-setting to where it should be, which is good for the fund and its approach.

But unlike other strategies this is not just about being cheap but also about the quality and the ability to change and to win for investors. There are risks. This is likely to be more volatile, having an exclusionary policy may be seen as negative for this type of strategy and the original strategy has a performance fee.

The source of information in this note has been provided by SKAGEN and is correct as of April 2023. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.

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