

Newsletter  
 Danske Invest  
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## Good results in a challenging year

With 2013 now well under way, it is high time to wish you all a happy New Year. Despite many challenges in financial markets, 2012 brought some good results for Danske Invest's investors, and all of our funds ended the year with positive returns.

Danske Invest is often recognised for its results by leading fund-rating agencies. In February 2012, for instance, Morningstar rated Danske Invest as the best equity fund manager in Denmark for the fourth

year in a row. We are very proud of that – especially because high returns directly benefit our investors.

In this newsletter you can read about our strategy and some of our results.

## Our strategy

Good portfolio managers are the precondition for Danske Invest being able to deliver competitive returns to our investors. We have therefore selected a number of investment experts from around the world to advise us on our investments.



**Selecting the best of the best portfolio managers**  
 Excellent portfolio managers are crucial for generating competitive returns for our investors. Therefore, we have selected a range of investment experts all over the world to provide investment advice in their respective specialist areas. [See how each of our advisers undergoes an in-depth assessment before being selected for the individual funds.](#)

**Close follow up on portfolio managers**  
 We evaluate portfolio managers' performance continuously. If returns are not satisfactory, we discuss the investment strategies with the managers and decide together what needs to be done to improve returns. This dialogue usually solves the problem. However, if the results continue to disappoint, we replace the manager.

**The power of local presence**  
 For Danske Invest it is essential to be close to the markets in which we invest. Our cooperation with portfolio advisers from all over the world ensures that investments are handled by experts who know each market inside out. A local presence brings us closer to portfolio companies and enables our portfolio advisers to visit them on a regular basis.

**The handpicking strategy**  
 When our portfolio managers select stocks for Danske Invest funds, they use a handpicking strategy whereby they choose stocks based on an in-depth research process. Our portfolio managers also attach great importance to meeting the people behind portfolio companies.



## Experts in European equities

Several of Danske Invest's European equity funds delivered strong results in 2012. These include Danske Invest Europe Focus, which was one of the very best performing funds among 1,500 European funds in its category



*Henrik Husted Knudsen, chief portfolio manager at Danske Capital.*

with a return of more than 29%, well above the benchmark return of just over 17%. The fund invests in around 30 large European companies and is managed by chief portfolio manager Henrik Husted Knudsen.

### Well beyond Europe's borders

Together with his team, Henrik analyses companies thoroughly before including them in the portfolio. Dutch brewer Heineken became part of Danske Invest Europe Focus about four years ago. The stock gained about 40% in 2012, making a major contribution to the return on the fund, and Henrik anticipates further, albeit probably somewhat less rapid, improvements:

»During its time in the portfolio, Heineken has gone from being a company with a primarily European focus to being more of a global player with a local focus.«

This has been achieved by acquiring local brewers such as Femsa in Mexico and Asia Pacific Breweries. This business model has created a very strong market position for Heineken in South America and several countries in Africa and Asia.

»In Nigeria, for example, Heineken has around 60% of the market through the local brand Star. Beer consumption in Nigeria is still relatively low, but is expected to rise as purchasing power increases, so I believe this to be a market with real potential.«

### Deepwater drilling equipment

Norwegian company Aker Solutions also boosted the fund's return in 2012, its share price almost doubling over the course of the year. The oil service company has a strong market position in drilling and production equipment for deepwater fields, which currently account for just 5-6% of global oil production, but Henrik expects this figure to rise given that many of the oilfields discovered in the past decade have been in deep water - which spells good growth opportunities for Aker Solutions.

When assessing the company's potential, he is also impressed by the way the company has managed to improve its processes to the extent that it can now produce significantly



more at its existing production facilities. This was confirmed when Henrik and the rest of the team visited the company's facilities in Aberdeen and Kristiansand in 2012.

»We last visited Aker Solutions in Kristiansand in August 2012, where the company presented plans to double its sales over the next five years while also increasing its earnings.« >



Fund rating agency Morningstar has produced a video analysis of Danske Invest Europe Focus. Watch the video at [danskeinvest.lu](http://danskeinvest.lu).

► **Small and medium-sized European companies**

Danske Invest Europe Small Cap invests in companies considered small to medium-sized by European standards. The fund is managed by chief portfolio manager Ivan Larsen. In 2012 the fund returned over 30%, compared to 27% for its benchmark.



Ivan Larsen, chief portfolio manager at Danske Capital.

A company that made a positive contribution to the year's results is Italy's DiaSorin, which has gained about 50% since

Ivan made the decision to invest in summer 2012. The company develops and produces diagnostic kits used to test blood samples for the likes of vitamin D deficiency, hepatitis, HIV and a wide range of other infections. The kits are sold to hospitals and laboratories worldwide.

»The business model can be compared to Nestlé's Nespresso machines, where the company makes most of its money on the coffee capsules«, Ivan explains.

»It's the same with DiaSorin's kits. The hospital or laboratory buys

a machine that only works with DiaSorin's own reagents, but in return these can test for about 100 different infections.«

Ivan Larsen visited the company and its senior management in Italy before deciding to invest. While the market's view of the company was heavily influenced by uncertainty about competition in the market and the economic turmoil in southern Europe, Ivan Larsen and his team concentrated on gaining an in-depth understanding of the company's technology and business model. So far, it has proved a sound investment.



## 2013: Global economic recovery

Growth in the global economy slowed in the first half of 2012, but we have seen increasing signs of recovery since the summer, not least in China. In the US, the big news was an improvement in the housing market after a five-year slump, but the political divide in the US remained a source of uncertainty at the end of

the year alongside the economic and political uncertainty in Europe.

We anticipate further improvement in the global economy in 2013, led mainly by China and the other big emerging economies. Despite the political divide, we expect the outcome of the budget talks in the

US at the end of 2012 to lift some of the uncertainty and give companies a greater appetite to invest and recruit. Europe is expected to remain in recession through to the summer and then grow slowly. The peripheral countries still face a long and difficult period of adjustment, but here too things are slowly beginning to move forward.



## Investing in emerging markets

Danske Invest has selected Aberdeen Asset Management to find investments for its Global Emerging Markets and Global Emerging Markets Small Cap funds. Both invest broadly in emerging equity markets such as Brazil, India, China and Mexico. Global Emerging Markets invests in large companies, while the Small Cap fund focuses on small and medium-sized companies.

### Growing middle class brings healthy returns

Aberdeen is concentrating on picking companies that stand to profit from a growing middle class – and so increased domestic consumption – in many of these emerging markets. For example, Aberdeen has decided to invest in a Brazilian department store chain Lojas Renner, which is benefiting from people having more

money in their pockets and shopping like never before. Over the past five years, Danske Invest Global Emerging Markets has returned almost 40%, while its benchmark has fallen 4.5%. Over the same period, Danske Invest Global Emerging Markets Small Cap has returned more than 68%, and in 2012 the fund is at the absolute top among 1,400 similar funds.

Note that historical returns are not a reliable indicator of future returns. Read more about our funds at [danskeinvest.lu](http://danskeinvest.lu).

Afkast	2012		Past 5 years	
	Fund	Benchmark	Fund	Benchmark
Europe Focus	29.35	17.29	13.34	-11.18
Europe Small Cap	30.15	26.98	14.68	4.55
Global Emerging Markets	25.12	18.22	39.87	-4.49
Global Emerging Markets Small Cap	35.63	22.22	68.19	20.06

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