August Portfolio

Sector **Investment Strategy**

Our model portfolio was up 1.7% in July, while the OMXSGI benchmark index was up 4.1% during the same period. For August 2018 we keep 8 of 10 stocks, replacing Autoliv and Recipharm with ABB and International Petroleum Corporation.

July portfolio

Our monthly portfolio was up 1.7% in July, while our benchmark index was up 4.1%; a relative underperformance for our portfolio of 2.4%. 4 out of 10 stocks beat the benchmark index: Recipharm, Getinge, Aspire Global and Millicom.

2 new stocks in our August portfolio

In our August portfolio we keep 8 of 10 stocks, replacing Autoliv and Recipharm with ABB and International Petroleum Corporation (IPCO). ABB is late cyclical and in Q1'18 and especially in Q2'18 we saw a takeoff in order intake and we argue that ABB will deliver a stronger performance in H2'18 and 2019 than current market expectations. We include IPCO as we expect the Q2'18 report due on August 17th to build on to the strong performance we saw in Q1'18. In addition, we see that the potential for M&A activity increases as we move forward through H2'18 and into 2019.

Portfolio

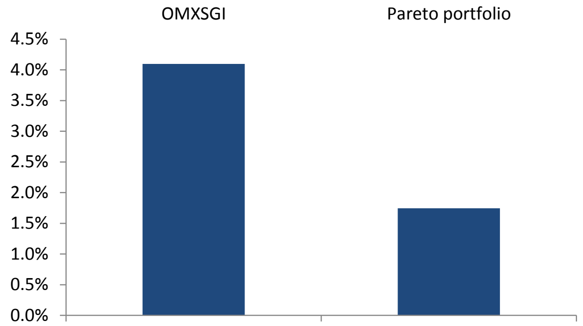
	Rec weight
Kindred	10 %
Aspire Global	10 %
Arjo	10 %
Getinge	10 %
Stora Enso	10 %
Assa Abloy	10 %
Kinnevik	10 %
Millicom	10 %
ABB	10 %
International Petroleum Corp.	10 %
Sum	**100 %**

Performance

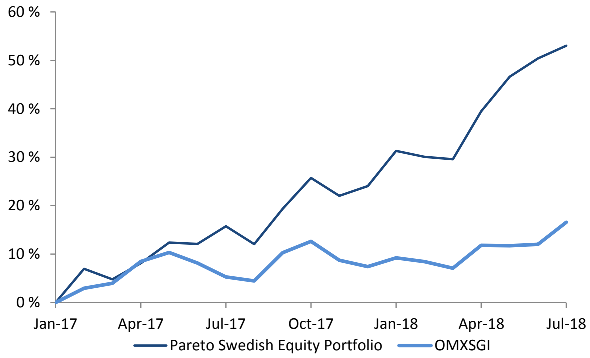
	Index Value 31/07/2018	Performance last period	Performance 2018 2)
Total Portfolio 1)	123.4	1.7 %	23.4%
OMXSGI 1)	108.5	4.1 %	8.5%

1) Rebased to 100 as per 31/12/2017 2) From 31/12/2017

Performance in July



Total performance (since February 2017)



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KIND – BUY, TP SEK 143
We view Kindred as the prime online gambling operator in the Nordics as it consistently over the last years has outgrown the market as well as holds the highest share of regulated revenue. Q2 was a mixed bag, results was in line while the revenue mix was on the weak side, thus the share plummeted by ~10% on the reporting day. Sportsbook revenue was saved by a higher-than-expected margin as stakes only grew 10% y/y. It seems as though the strong sportsbook margins seen over the past few quarters (Q3 2017-Q2 2018) affected the World Cup stakes volume and casino revenue; we hope both will regain momentum in H2 2018. We have cut our estimates due to expected lower casino (Nordics) growth and higher betting duties (France). Despite this, with a US entry coming up in Q4, insider buying (CEO and COB), the M&A gun loaded and Kindred holding defensive qualities we remain buyers after the Q2 set-back.

ASPIRE – BUY, TP SEK 43
Q1 sales and EBIT were lower than we expected, mainly due to a B2C high-roller win at the end of March, shaving off EUR ~1m in sales and EBIT. With the effect reversed at the beginning of Q2 and with strong deposits growth, April started strongly. Furthermore, sportsbook now represents ~10% of B2C revenues and is growing fast. In addition, Aspire plans to support growth through an increased focus on Karamba with a new dedicated team in place, and through launching a new games vertical focused on women. With the strong start to Q2 and potentially accretive M&A ahead and despite the share bouncing somewhat of late we find risk reward as attractive. The Q2 report is due out 14 August.

ARJO – BUY, TP SEK 39
Arjo delivered a solid Q2 report with continued positive progress for the US rental business, now showing a fourth consecutive quarter with positive growth. The problems arising within the value segment of medical beds will be dealt with and the company will return with a plan. This could include additional restrucutring costs, but we herald the fact that the company is identifying sources of problems and quickly deal with them. We recently initiated coverage on Arjo with a Buy recommendation and adjusted our target price slightly post the Q2 report to SEK 39 per share. The Arjo share has has a negative development post the Q2 report, something we believe is unjustified and thus we let it remain within our portfolio for August.

GETI – BUY, TP SEK 120
We expected that Q2 would continue the streak of positive organic growth, but the report blew our expectations away as Getinge provided organic growth in order intake of >10%. Gross margin fell due to product mix, i.e. more sales of capital goods – something that we had forecasted and did not alarm us. We believe that Getinge is showing all the hallmarks of a true turnaround – Fix the topline first and then deal with the cost structure, something that will be much easier with a positive momentum for the topline.

STERV – BUY, TP EUR 21
Stora Enso has gone through a major transformation over the past decade, from being very dependent on the structurally declining Paper business, it is now seeing a majority of revenues and profits from areas geared for growth. With the rampup of the Beihai board mill in China and the decision not to invest in a pulp mill, Stora Enso is now closer to the end of its long transformation phase. Stora Enso had a strong run in 2017 and we expect this to repeat in 2018, Behai is on track, market continues to be very healthy and valuation is still looking attractive. The valuation gap to the sector started to close in 2016-17 and as the transformation continues we believe that the revaluation will continue with likely multiple expansion after the Bergvik split. On top of the valuation potential and despite the strong share price performance in the past year, Stora Enso still provides one of the highest yields in the sector, ~4-5%% in the coming years without holding back on potential cartonboard conversion investments. We believe that the share is highly oversold after the earnings miss in Q2 explained by one-off factors and believe that this is a good time to capture this attractive story.

MIC – BUY, TP SEK 708

Millicom has had a surprisingly weak performance since it strong first quarter results in which it maintained its FY 2018 guidance. We believe the second quarter, to be released on July 19th, has potential to act as a positive catalyst for the share. Millicom is in the middle of its transformation from a mobile only provider to becoming a provider of high-speed data networks services, both fixed and mobile. Growth is strong in both 4G subscriptions and broadband access driving an even stronger growth in revenues from data. These revenues are now more than offsetting the decline in the legacy business, primarily mobile voice and sms. We expect this development to strengthen resulting in improving organic growth rates ahead which should be supportive for the conservative valuation of the business and its cash flow generation.

KINV – BUY, TP SEK 380

We continue to see significant upside potential in the Kinnevik share. Primarily we see potential for a higher valuation of its key assets Zalando and Millicom. In June the Zalando share has performed strongly following a, in our view, strong message conveyed at the CMD in early June. This performance is not at all reflected in the Kinnevik share. We expect this deviation to correct in July. We expect Zalando to remain strong ahead of its seasonally strong third quarter which will be reported on August 7th. We have a Buy rating of Zalando of EUR 55.

IPCO – BUY, TP SEK 70

IPCO had a strong Q1 with operating cash flow of USD 76m which covered one third of the full year guidance of USD 233m (at USD 70 Brent). Despite the volatile Canadian WCS in Q2 we believe that the second quarter is likely to extend the positive cash flow trend. In our view IPCO is on track to generate free cash flow of close to USD 250m in 2018 and USD ~700m in free cash flow over the next three years (2018-2020e). This is equivalent to the full enterprise value of the company currently. We argue this cash flow is underappreciated by the market as it enables rapid deleveraging, organic growth initiatives and further M&A activity, possibly already in H2'18. IPCOs Q2'18 report is due on August 17th.

ASSA – BUY, TP SEK 205

Assa Abloy has stepped up its organic growth from around 3-4% in recent years up to around 5% thanks primarily to that the negative sales development in China has come to an end and that growth has recovered in Europe but also in the more cyclical Entrance Systems. At the same time has the long term growth driver, Global Technologies which provides electronic locks solutions in Assa Abloy, also reported a somewhat better growth. On top of that is the emergence of the small but fast growing smart lock solutions. This segment represented 3% of sales in 2017 but could very well double in size in the coming year. Important clients such as Amazon, Wal-Mart and Google are sourcing smart lock solutions from Assa Abloy. The introduction of the new CEO Mr. Delvaux has been surprisingly positive after the very negative share price reaction when Mr. Mohlin retired.

ABB – BUY, TP SEK 255

ABB is late cyclical and in Q1 but especially in Q2 we saw a takeoff in order intake for the both the industrial capex related divisions Robotics and Motion and Industrial Automation. Base orders in Q2 were up 16% in Robotics and Motion and 9% in Industrial Automation supported by a recovery in demand from mining, marine, oil and gas and not least general engineering. In the other two divisions Power Grids and Electrification base orders were increasing by 4% and 7% in Q2 reflecting a strong growth for connecting renewables energy and also a good global good demand in construction. Thanks to the late cyclical demand, we expect ABB to deliver a stronger than expected second half of 2018 and also a strong 2019 and probably also 2020. We are bullish to the global capex cycle and see at least another two tears of growth, we think ABB is one of the best bets on that cycle and we should not rule out that structural changes may boost the share price as well. Valuation is attractive with an EV/EBIT multiple of 13 for 2018.