

## January portfolio

*While the Swedish equity market closed out the turbulent year 2020 in a stable fashion as our OMXSGI benchmark gained a modest 1.2% in December, our portfolio gained a stellar 20.5% during the month, with two stocks rallying over 50% (Vicore and Azelio) and another two rallying over 25% (Sedana and Storytel). In total, eight out of ten stocks in our portfolio beat the benchmark during December. During the full year 2020 our portfolio gained 53.0% compared to our benchmark which gained 11.3%. In particular, exposure to select stocks in the Healthcare (Sedana, Vicore), TMT (Embracer, Kinnevik, Storytel) and Cleantech (Azelio) sectors bolstered the performance of our portfolio during 2020. Several of these stocks are still in our portfolio going into 2021. For January 2021, we make only one change to our portfolio: we remove SOBI and add International Petroleum Corporation (IPC).*

### December portfolio in review

After a turbulent 2020 for global financial markets shaped by the Covid-19 pandemic and subsequent monetary and fiscal policy responses, December was a rather stable month for the Swedish equity market. Our portfolio, on the other hand, posted its best-ever monthly performance by gaining 20.5% during the month, as two stocks in our portfolio rallied over 50% (Vicore and Azelio) and over half of the stocks in the portfolio gained more than 10%. Vicore published a string of positive data related to its COVID-19 phase II trial during December, and Azelio announced its first commercial order. In total for 2020, our portfolio gained 53.0%, while our OMXSGI benchmark gained 11.3%.

### We make one change for January

For January 2021, we make only one change to our portfolio. We remove SOBI due to a lack of near-term triggers after the CMD in December, and we add International Petroleum Corporation (IPC). IPC remains one of our top picks in the oil and gas sector. It is a well-managed E&P company (and part of the Lundin Group of natural resources companies) which has weathered the turbulent oil market in 2020 in an impressive way, and the liquidity position of the company is improving. The trend for oil prices in recent months has been gradually increasing, including in Canada which is the most important regional market for IPC, and we expect this will continue during 2021 as global economic activity picks up. IPC is highly geared to oil prices when compared to Scandinavian peers and we find the risk/reward from the current share price level as attractive. We have a 12-month target price for IPC of SEK 32, relative to the current share price of SEK 18.33.

## Sector

## Investment Strategy

### Portfolio

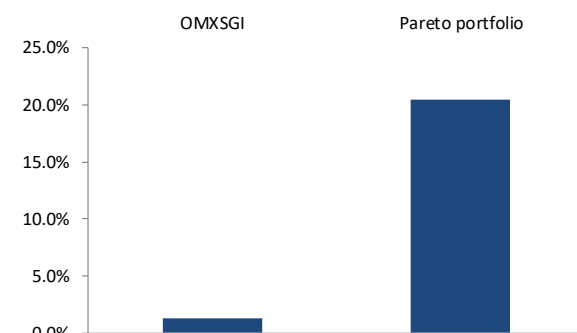
	Rec weight
Sedana Medical	10.0 %
SKF	10.0 %
Vicore Pharma	10.0 %
Azelio	10.0 %
Jetpak	10.0 %
IPC	10.0 %
Embracer	10.0 %
Klöver	10.0 %
Storytel	10.0 %
Millicom/TIGO	10.0 %
<b>Sum</b>	<b>100%</b>

### Performance

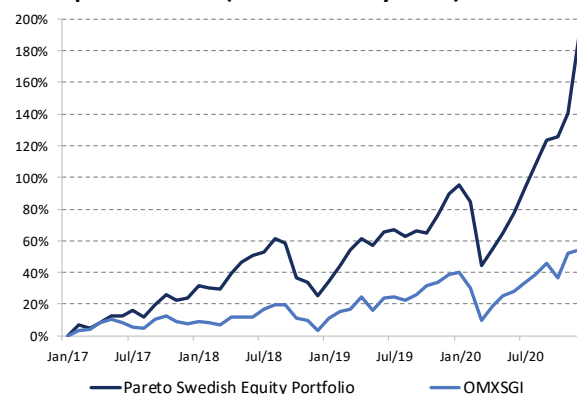
	Performance		
	December	YTD	Since start <sup>(1)</sup>
PAS Portfolio	20.5%	53.0%	189.7%
OMXSGI	1.2%	11.3%	54.2%
Relative performance	19.2%	41.7%	135.5%

<sup>(1)</sup> February 2017

### Performance in December



### Total performance (since February 2017)



**KLOV – BUY, TP SEK 18**

Although we acknowledge risks such as relatively high net LTV, development projects in New York and some exposure to offices in secondary locations like Kista, we argue the current implied risk premium for Klövern is too high. The company's rights issue will be finalised in December and Klövern announced a divestment of c. SEK 600m last week, which will bring the net LTV below 60% for the first time in years, according to our estimates. We argue that the refinancing risks from earlier this year have been cleared and we expect the WFH-fear to gradually fade. Klövern has returned an average NAV growth including paid dividends of more than 25% p.a. during the last 5 years, but is currently priced with the highest NAV-discount (>30% for 2020E) in our coverage.

**JETPAK – BUY, TP SEK 85**

Jetpak is the leading Nordic provider of time-critical premium express delivery services, operating in the Express Ad-hoc and Express Systemized segments. Jetpak's dominant position in the Nordic region with some 80% market share in ad-hoc express air freight is a vital competitive advantage when growing the market potential for ad-hoc services, not only in the Nordic area but also internationally. Jetpak expects that a stronger focus on international expansion, including M&A, will lift growth to 5-8% per year, supported by the fact that Jetpak has excellent customer relationships with a large base of global Nordic industrials and pharmaceutical companies. We expect a margin expansion in 2021 thanks to lower costs and an improved mix from improved availability of flights in line with an easing of the Covid-19 pandemic. We expect organic sales at 10% and 5% for 2021 and 2022, following a downturn of 9% in 2020.

**TIGO – BUY, TP SEK 425**

Millicom had a record strong subscriber intake in both mobile and home segments during Q3. This should help drive growth in the fourth quarter. We believe the company is well on track to meet, and possibly exceed, its target for a flat operating free cash flow for 2020. The share has started to recover and is up +30% in November. However, we expect the recovery to continue, driven by improving market conditions across the footprint, strong subscriber growth and favorable FX development. The valuation remains conservative and multiples imply very modest growth ahead, we believe there is potential for richer valuation in 2021.

**EMBRAC – BUY, TP SEK 236**

The Q2 2020/21 results beat our and consensus operational EBIT estimates by 18% and 22%, respectively, supported by back catalogue games sales and Partner Publishing & Film exceeding expectations. Thirteen acquisitions were announced at attractive initial multiples of 4-6.7x, guided to add SEK 350-500m to operational EBIT in 2021/22, but more importantly adding to the long-term growth prospects by significantly expanding internal capacity with skillful developers in low-cost countries, to be leveraged for the group's 214-strong IP portfolio. Embracer reiterated that M&A activity remains high across the group for bolt-on acquisitions and possible new operating units, and with most of the recently granted 10% equity issue mandate unutilised, we estimate M&A firepower of SEK 14-15bn. As the Q2 results were strong and acquisitions accretive we expect investors to continue to buy this compounder in 2021.

**SEDANA – BUY, TP SEK 400**

Sedana's product AnaConDa is well placed to treat patients suffering from COVID-19 in the ICU setting. The second wave of the COVID-19 pandemic has hit many countries hard and taken the number of ICU patients needing mechanical ventilation to new highs, and at a time with continuing shortage of the most important sedation drugs, propofol and midazolam. Although disastrous for the separate societies, we believe that this disturbing situation will once again favor Sedana and its novel mode of inhaled sedation, both in Q4 and, probably also, in Q1 2021, as the effect of vaccination will not be seen on a larger scale until Q2 and beyond. There is a slim chance that top-line results from the ISCA trial could be presented in the latter part of January or early February. Sedana has delivered on a number of important milestones during 2020, but 2021 looks even more exciting with a long list of important triggers throughout the year.

**AZELIO – BUY, TP SEK 50**

Azelio's commercial verification process with DNV-GL delivered initial results in October, extending the positive trend for Azelio's share established since April. With several new MoU's announced in recent months it is now full steam ahead on several fronts preparing for the serial production ramp-up from Q3 2021E. The next main event we expect is the first commercial delivery and installation, which could happen before year-end. Azelio recently raised SEK 270m in new equity which secured funding until Q3 2021E. Based on the massive potential for efficient long duration energy storage such as Azelio's system, we see share price upside beyond our target price of SEK 50 as the technology is further de-risked and established in the market over the coming years.

**VICO – BUY, TP SEK 51**

Vicore Pharma is a Swedish biotech company developing first-in-class drugs against fibrotic lung diseases such as idiopathic pulmonary fibrosis (IPF), for which the median survival is around 3-5 years after diagnosis when using current treatment options (two drugs by Roche and Boehringer Ingelheim – combined sales of USD 2.8bn in 2019). Vicore started dosing IPF patients with its lead drug VP01 in an open-label trial, which allows potential interim readouts throughout 2021. VP01 did not only perform better in the same preclinical models as Roche's and Boehringer Ingelheim's drugs, which also got confirmed in an IPF lung transplant, it is also the only drug in clinical pipelines that exhibited effects in alleviating vascular components of the disease that lead to pulmonary hypertension – one of the main causes of death in IPF patients. In addition, we expect clinical data from VP01 in systemic sclerosis patients with Raynaud's phenomenon in February 2021. Furthermore, VICO's lead drug is acting as anti-inflammatory agent directly within the system that is impaired by SARS-CoV-2, which plays a key role in the lung inflammation observed in Covid-19 patients. Vicore treated 106 patients in a phase II clinical trial and reported exceptionally good phase 2 data in December, which potentially can trigger Big Pharma interest.

**SKF – BUY, TP SEK 250**

We believe that SKF's focus on improving efficiency over the past five years is paying off. The 2020 charges are part of this process – SKF is taking advantage of the downturn related to COVID-19 to quickly introduce cost-cutting and streamlining initiatives in order to lift margins. Significant CAPEX increases in factory automation and a focus on higher efficiency with a significant boost from measures taken in 2020 should lift EBIT-margins above its 12% margin target when volumes recover in 2021e and 2022e. In both absolute and relative terms, SKF is attractively valued. We see an EV/EBIT of 10x as reasonable for 2022. Our EBIT-estimates are 7% and 6% higher than the Consensus for 2021-2022.

**STORY – BUY, TP SEK 390**

Storytel is benefitting from strong demand for its streaming audiobook service, both in the domestic Nordic footprint as well as in the 16 markets outside the Nordic region. We believe the weaker growth in Q3 is the cause of the weakness in the share which has traded downwards since the end of July. In our view the Q3 development is explained by the usually strong subscriber intake in Q2, driven by the pandemic situation, causing increased demand for streaming entertainment services. If we look at the combined six months and compare with Q2-Q3 last the year the intake for the period remains strong. During the second half Storytel has made four acquisitions, launched new offerings and entered new markets. We are convinced that the company has improved its position even further and believe that this will help drive strong subscriber intake in Q4 and in 2021.

**IPC – BUY, SEK 32**

As the COVID-19 pandemic hit markets in early 2020, IPC took significant measures to scale back its production and development plans to shore up liquidity. The measures have had the intended effect, as cash flow was protected during the period of depressed oil prices in Q2 and the liquidity situation has gradually improved for IPC during the second half of the year. We consider IPC to be a well-run oil company and the share is highly geared to the oil price compared to peers, and as we expect oil prices to continue gradually higher during 2021, we view the risk/reward as attractive. We have a 12-month target price for IPC of SEK 32, relative to the current share price of SEK 18.33.