December Portfolio

Sector Investment Strategy

Our model portfolio was down 2.5% in November, while the OMXSGI benchmark index was down 1.6% during the same period. For December 2018 we keep 8 of 10 stocks, replacing Recipharm and Securitas with Xvivo Perfusion and Isofol.

November Portfolio

Our monthly portfolio was down 2.5% in November, while our benchmark index was down 1.6%; a relative underperformance for our portfolio of 0.9%. 3 out of 10 stocks beat the benchmark index: Aspire Global, Recipharm and ABB.

2 new stocks in our December portfolio

In our December portfolio we keep 8 of 10 stocks, replacing Recipharm and Securitas with Xvivo Perfusion and Isofol. We include Xvivo Perfusion as we see that the PMA approval for XPS could come as soon as December; probably the biggest event in the history of the company. We also add Isofol Medical to our portfolio. Together with FDA, Isofol has decided to move forward without an SPA, and thus the pivotal trial, now dubbed AGENT, will start imminently. First patient in is expected during December. At that time we believe the market will start to reward and value Isofol based on the state of affairs.

Portfolio

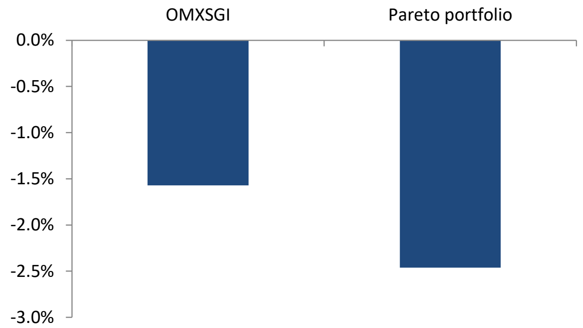
	Rec weight
Stora Enso	10.0 %
ABB	10.0 %
IPCO	10.0 %
Nobina	10.0 %
Stillfront	10.0 %
Aspire Global	10.0 %
Elekta	10.0 %
Kinnevik	10.0 %
Xvivo Perfusion	10.0 %
Isofol	10.0 %
Sum	**100 %**

Performance

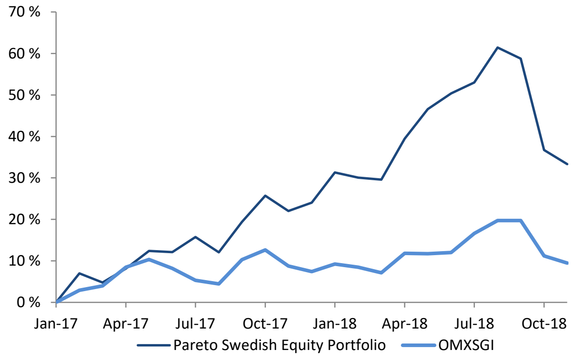
	Performance		
	November	YTD	Since start(1)
PAS Portfolio	-2.5%	7.5%	33.3%
OMXSGI	-1.6%	1.9%	9.5%
Relative performance	-0.9%	5.6%	23.9%

(1) February 2017

Performance in November



Total Performance (since February 2017)



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STERV – BUY, TP EUR 20
Stora Enso has gone through a major transformation over the past decade, from being very dependant 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. Despite recent weak share price performance we believe that fundamentals for Stora Enso continue to look good, transformation is on track, market conditions remain strong, demand/supply for pulp is attractive in the coming years despite recent weakness in China and valuation is 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 where terms have now been set. 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, ~5% in the coming years without holding back on potential cartonboard conversion investments. We believe that the share remains oversold and that it is a bargain at these levels, even if 2019 profitability were to come down 10-20%, as there is significant upside based on a conservative multiple (7x EBITDA) and the forest value we have applied is far from aggressive.

SF – BUY, TP SEK 232
Preliminary Q3 was reported already 5 November, showing a beat on revenue and EBITDA, why actual Q3 filled in the blanks. Stillfront Core came in very strong due to Nida Harb III and Call of War while Goodgame came lower as the HTML 5 transformation of EMPIRE/BIG FARM and lower UAC affected revenue more than we expected. Stillfront Core should see good organic growth in Q4 in addition to the inclusion of Imperia Online while Goodgame are likely remain at Q3 levels before gaining growth momentum in Q1 2019. Stillfront in line with peers has traded weak over the last months why valuation has become very attractive on current estimate and future M&A adds further potential.

ASPIRE – BUY, TP SEK 60
Q3 was another great quarter, with EBIT beating our estimate by 36%, primarily driven by stronger B2B sales, showing the positive effects of an increased focus on quality partners. B2C also outperformed, thanks to more efficient marketing, CRM work, strong customer intake and an improved product, and operational KPIs such as customer intake and deposits are all reassuring for the growth case. Management now believes Aspire will reach its 2020 sales target of EUR 120m as early as in 2019 – organically – and says it will announce new targets shortly. Given the current momentum, we are 8% above EUR 120m for 2019E revenues. Despite no news on M&A, it will add to the organic targets.

ABB – BUY, TP SEK 240
ABB is late cyclical and during 2018 we have seen a takeoff in order intake for the the industrial capex related divisions Robotics and Motion and Industrial Automation. Base orders in Q3 were up 12% in Robotics and Motion and 4% 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 12% and 3% in Q3 reflecting a strong growth for connecting renewables energy and a stable demand in construction. Thanks to the late cyclical demand, we expect ABB to deliver a stronger than expected Q4 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 11 for 2018.

NOBINA – BUY, TP SEK 75
We believe that a defensive case such as Nobina is a favourable candidate in the current volatile stock market environment. An improved contract performance due to raised contract maturity age and an increased share of incentive contracts will lead to a good EBT growth in the coming years. Nobina's sales are characterized by stability and predictability as its revenues are on long-term contracts (c.8 years) with publicly owned counterparties. Moreover, the contracted compensation is index linked, which increases the stability of margins. We are bullish on Nobina due to: 1) the acquisition of Samtrans, 2) the acquisition of De Blaa Omnibusser 3) the divestment of Swebus (loss of SEK 36m in 2017/18) and 4) our view of a better underlying growth trend in the coming years. The company will see a large bulk of market tendering processes in the coming quarters, meaning higher potential sales growth with possible upside in estimates – as well as the potential for continued M&A.

ISOFOL – BUY, TP SEK 56
Together with FDA, Isofol has decided to move forward without an SPA, and thus the pivotal trial, now dubbed AGENT, will start imminently. First patient in is expected during December, and at that time we believe the market will start to reward and value Isofol based on the state of affairs. Updated market data presented by the Company verifies that our current estimates are very conservative; regarding number of patients, potential price and market penetration.

XVIVO – BUY, TP SEK 160
The PMA approval for XPS with Steen Solution could come as soon as December; probably the biggest event in the history of the company, but the share price has slid during the last couple of months, underperforming the broader market. As stated before, the approval will come some 9 months ahead of our previous estimates, prior to the early filing during the spring. The swift filing is an indication, we believe, of the regulatory authorities willingness to see products like Steen Solution on the market as the limited supply of organs is not going away.

EKTA – BUY, TP SEK 155
Elekta's growth rate continues to improve in line with the updated product offer. New versions of both software and traditional Linac systems will improve the situation in 2019 and Unity is about to be approved in US during December. Elekta has already established very good growth in Europe and Asia and over the next 2-3 years this is about to improve further with a large investment program in China. The icing of the cake is of course Unity and the support over the next 5 years. Elekta still needs to improve the US support and this is also more likely now on the back of the expected Unity approval, a recovery of service support and improved software. Elekta's share price of SEK 111 leaves a major upside to our SEK 155 target and our Buy rating.

KINV – BUY, TP SEK 320
Kinnevik has an unparalleled track record of creating strong businesses in the telecom and media spaces and has generated substantial returns to its shareholders over time. Its biggest holding, Zalando, has underperformed substantially due to a weaker than expected performance during the summer. We believe these problems to be of short term character and expect the company to return to stronger growth and profitability in Q4 and onwards. Zalando will report its Q3 results on November 6th. We believe the recent sharp decline has created a fairly attractive risk-reward ahead of the numbers. In a twelve months perspective we see significant upside in Zalando, close to 60%. Today Zalando accounts for close to 40% of Kinnevik's NAV. A strong performance in Zalando will have a material impact on Kinnevik. We rate Kinnevik a Buy with a target price of SEK 340 for a +30% upside.

IPCO – BUY, TP SEK 65
IPCO has underperformed Scandinavian peers by ~15% since mid-October on the back of the proposed acquisition of Blackpearl Resources and falling oil prices – initially the Canadian WCS price and more recently Brent and WTI. The Brent sell-off indicates downside risk to our Q4'18e and 2019e Brent price assumption of USD 80/bbl. But importantly, the WCS differential to WTI is now narrowing, driven by a return of refining capacity and potentially also production curtailments in Canada. This trend sets the stage for IPCO to recover over the coming months, even without any recovery in Brent or WTI. If we assume Brent and WTI remain at current spot levels and WCS recovers USD 10/bbl more by 2021e, our YE'18e NAV drops – but only to SEK 55/sh. We expect the decision to acquire Blackpearl to be better rewarded by the investors over the course of 2019.