

December portfolio

The S&P 500 traded lower during the last days of November due to renewed Covid concerns and Fed tapering comments. In Sweden, our benchmark index OMXSGI gained a modest 1.8% in November while our portfolio outperformed the benchmark by gaining 7.5%, corresponding to an outperformance for our portfolio of 5.6 p.p. for the month. Embracer (+22%), Bioinvent (+22%), Renewcell (+15%) and Green Landscaping (+14%) stand out as outperformers. For December, we make two changes to our portfolio as we add Josemaria Resources and Studentbostäder while we remove Renewcell and Green Landscaping after strong contributions in recent months.

November portfolio in review

OMXSGI gained a modest 1.8% in November, while our model portfolio gained 7.5%, resulting in an outperformance for our portfolio of 5.6 p.p. Embracer (+22%), Bioinvent (+22%), Renewcell (+15%) and Green Landscaping (+14%) stand out as outperformers. The Embracer share has been under pressure for most of 2021 due to the value vs growth rotation, has now started to recover. BioInvent and Renewcell extended last month's gains. BioInvent reported positive data in mid-November from its lead drug BI-1206. Gaming Innovation Group (-14%), Volvo (-2%) and Storytel (-1%) underperformed the benchmark during the month. The GIG share has been the Q3 report on 9 November, which we view as sector-related rather than related to operational performance as the quarterly numbers were solid. Overall, 7 of 10 stocks in our portfolio beat the benchmark during November.

We make two changes for December

For December, we make two changes to our portfolio as we add Josemaria Resources and Studentbostäder while we remove Renewcell and Green Landscaping after strong contributions in recent months. Josemaria is one of few large junior-owned copper-gold projects ready for construction start in 2022 globally. With strong shareholder backing from the Lundin Group, we expect Josemaria to become a foundational mine in a new prolific district together with Filo Del Sol (Filo Mining) and Los Helados (NGEx). Studentbostäder i Norden is the only listed pure student housing company in the Nordic region and an attractive countercyclical investment with an interesting growth outlook. We see the student housing shortage, student population growth and limited private ownership as key drivers for the student housing segment going forward.

Portfolio

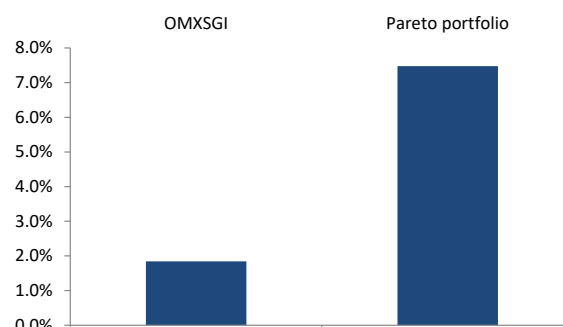
	Rec weight
ABB	10 %
BioInvent	10 %
Egetis Therapeutics	10 %
Embracer	10 %
Gaming Innovation Group	10 %
Josemaria Resources	10 %
Sedana	10 %
Storytel	10 %
Studentbostäder	10 %
Volvo	10 %
Sum	100%

Performance

	Performance		
	November	YTD	Since start ⁽¹⁾
PAS Portfolio	7.5%	19.5%	249%
OMXSGI	1.8%	32.6%	104%
Relative performance	5.6%	-13.1%	144%

⁽¹⁾ February 2017

Performance in November



Total performance (since February 2017)

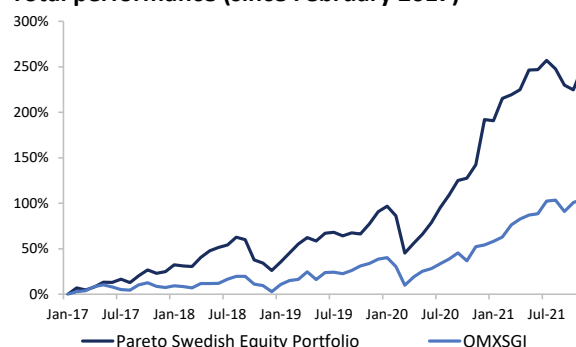


ABB – BUY, TP SEK 370

ABB reported a better order intake but weaker sales in Q3 than expected in line with what other capex-related industrials have reported. We see a continued excellent opportunity to buy into ABB as the turn-around story will be more visible in 2022. We expect the CEO Björn Rosengren to lift ABB's financial targets some time in 2022 and we also expect the coming CMD December 7 to be a trigger. We especially like ABB's presence in ESG-related areas such as electrical motors, electrification and EV-charging (a listing in 2022 is coming closer) but also a higher focus on machine automation in Robotics. We reiterate our Buy-rating with a target price of SEK 370.

BINV – BUY, TP SEK 115

Two upcoming catalysts that we believe have a high chance of being positive on December 17 (in a KOL call after the close), including: Additional high-dose and mantle cell lymphoma clinical data from BI-1206 in liquid tumors and first safety and efficacy data from BI-1206 in solid tumors. These catalysts are coming at a time in which we see a unique and short-lived discount to BINV's share price due to issues of four close Swedish oncology peers Isofol (down -40% YTD), Cantargia (down -70% YTD), Alligator Biosciences (down -65% YTD) and Oncopeptides (down -90% YTD) that we believe weighted on BINV's stock this year. We see large differences between these companies and BioInvent. Without going into too many details, both Oncopeptides and Isofol are based on an old chemotherapy (/part of a chemotherapy regimen) and each have brought only one drug candidate into clinics, which is also true for Cantargia, which develops one novel antibody that is facing issues with side effects. BioInvent in contrast has 3 novel antibodies in 4 clinical programs and is expected to have 5 antibodies in at least 6 programs by end of 2022. Further, BioInvent established strong clinical proof of concept (PoC) for its lead drug BI-1206 in NHL in January 2021 – showing good safety and efficacy. Based on insights from Tislelizumab, an anti-PD-1 checkpoint inhibitor with Fcγ interaction-minimizing properties, we are confident that BI-1206+Pembrolizumab (Keytruda) will have an effect in the much bigger area of solid tumors (first data on December 17). Meanwhile the other two drugs are progressing well in clinics with both BT-001 and BI-1808 solid tumor data expected in 1H 2022. The current low valuation renders it enough that BioInvent succeeds with only one of the four programs to increase the share price. While the market seems to be unable to value the company, global biotech specialist funds head up the shareholder list and funded the company with SEK 1.4 bn in the bank as of end of Q3 (mcap SEK 2.5bn).

EGTX – BUY, TP SEK 21

Egetis Therapeutics is a late-stage orphan drug company with the not-yet approved lead drug already treating over 130 patients through compassionate use programs. We expect the company to start the regulatory submission process possibly already in December, latest around February with approval in 2022. The lead product Emcitate® is in a pivotal open-label clinical trial for the treatment of a severe rare disease which affects neurocognitive development and motor functions already from birth (data that most likely can be submitted post-approval). Patients suffering from the disease require 24h care (median life expectancy is 35 years). Here the link to a patient story video. There is currently no approved drug available nor are there late-stage competitors. The genetic disease affects thyroid hormone T3 transport into cells, Emcitate managed to normalize thyroid hormone levels in all compartments as demonstrated by exceptionally good phase IIb data. Emcitate® obtained Orphan Drug Designation (ODD) in the EU 2017 and US 2019 and it received a Rare Pediatric Disease Priority Review Voucher in 2020 (worth at least USD 40m for the company, a possible positive cashflow in 2022). The main owner of the company, Peder Walberg, is one of the founders of Wilson Therapeutics and the company's chairman is the former European Medicines Agency (EMA) head, Thomas Lönngren. The second asset Aladote® is aimed to complement NAC-treatment for paracetamol poisoning, especially in those patients coming to the hospital a bit later. Paracetamol poisoning is the leading cause of acute kidney injury in the UK. The pivotal trial for Aladote has been delayed as it is in an acute ward setting which is currently blocked due to ongoing pandemic.

EMBRAC – BUY, TP SEK 140

The Embracer investment case continues to be intact with its strongest game pipeline to date. In the November (Q2) earnings report, Embracer reiterated that M&A activity remains high across the group for bolt-on acquisitions, with more than SEK 16.2bn in available cash, including credit facilities. We believe that the likelihood for further M&A is high in the short term. We argue that the fundamentals continue to strengthen, whereas the valuation has come down to unwarranted historical low levels. As the Q2 results were strong with further room for accretive acquisitions we expect investors to buy this compounder in H2'2021.

GIGSEK – BUY, TP SEK 32

With the foundations for further growth and significant scalability potential, we recently initiated coverage of Gaming Innovation Group (GiG) with a Buy rating. We see several potential triggers in the near term: 1) The contract with GiG's largest platform client Betsson expires in October 2022 and we see the risk/reward for a renewal as good, with good potential to be resolved before year-end. 2) Assuming a renewal of the Betsson contract, we don't find it unlikely that management will raise its organic growth target as we deem the current level of 10% too conservative. 3) We expect two more contract signings on the platform

side before year-end, adding to the eight already signed in 2021. 4) Signs of growth taking off for GiG in the US is a potential short-term trigger as we expect the market to be an important growth driver, particularly for the Media segment.

JOSE – BUY, TP SEK 12

Josemaria is one of few large junior-owned copper-gold projects ready for construction start in 2022 globally. With strong shareholder backing from the Lundin Group, we expect Josemaria to become a foundational mine in a new prolific district together with Filo Del Sol (Filo Mining) and Los Helados (NGEx). A Feasibility Study was completed in 2020, and the company aims to start construction in 2022 and reach production in 2026 (potentially late 2025). Key triggers ahead of construction are more clarity on fiscal terms and project finance, expected during H1 2022. Our target price of SEK 12/share is based on our risked NAV/share for the company of SEK 12.3 (after dilution).

SEDANA – BUY, TP SEK 133

Sedana has stood out from its biotech/medtech peers by delivering or over-delivering on several critical milestones; the European approval way ahead of expectation is the peak performance. The European commercial organization has been established with strong country teams, and the company will formally launch Sedaconda during Q4. The new CEO has been very active since taking the helm on 1 October, travelling and meeting customers and local representatives. Sedana recently submitted an IND to the FDA, which is the starting point for the upcoming start of US clinical trials in Q1/Q2 2022. The first US employees, clinical educators for the upcoming trials, was recruited during Q3 2021. Sedana is actively assessing the US on go-to-market strategy. Our belief that Sedana has a good chance of changing the treatment paradigm for sedation in the ICU remains intact.

STORY – BUY, TP SEK 340

In November Storytel announced the acquisition of Audiobooks.com, that will enable expansion into English speaking markets such as the US, UK, Canada and Australia. The acquisition will be consolidated in 2022 and will add around SEK +300m to streaming sales and add +170k new subscribers. We believe that the transaction will be positive for Storytel, we raised our price target to SEK 340 (320). The NTM (next 12 months) EV/S multiple remains below 3x, down from 5x at the beginning of 2021. We believe this is much too conservative and highlights the recent multiple expansion among its leading peers (NFLX +10x and SPOT +4x). Storytel is currently present in 25 markets, of which 18 are outside the Nordics. New price models are being rolled out across the footprint, including a new model in India launched in Q2, which can meaningfully improve subscriber intake over the next few months. We also believe the recent entry by EQT is a positive factor highlighting the attractive current valuation while also increasing capacity to maximize the growth potential over the next few years.

STUDBO – BUY, TP 13

Studentbostäder i Norden is the only listed pure student housing company in the Nordic region and an attractive countercyclical investment with an interesting growth outlook. We see the student housing shortage, student population growth and limited private ownership as key drivers for the student housing segment going forward. The company has a geographically diversified property portfolio with c. 5,000 student apartments under management. In addition, Studentbostäder has an extensive growth plan with c. 3,100 apartments in the project portfolio with estimated completion 2022-2026. The ambition is to double the number of apartments by the end of 2025 and eventually become the leading student housing player in the Nordics. We argue that Studentbostäder is attractively valued compared with Swedish residential peers. We expect EPRA NAVPS to increase by 20-24% in 2022-2023E, the strongest growth in our coverage.

VOLV – BUY, TP SEK 285

The market for heavy trucks is still in a strong growth face, currently held back by supply constraints and which will gradually fade in coming quarters. We estimate Volvo to increase sales in 2022 by some 20%, setting the stage for a strong earnings improvements. With EV/EBIT multiples of 5x and a dividend yield of more than 7%, we continue to rate the Volvo shares a Buy. Our current unchanged target price of SEK 285 offers an upside over the coming 12 months of more than 40%.