

## August portfolio

*July was a strong month for the Swedish equity market, with our benchmark (OMXSGI) ending the month up 7.4%, as Q2 earnings season generally has lived up to expectations and concerns around US inflation and potential interest rate increases receded somewhat. Our portfolio lagged the benchmark and gained 2.5% for the month, with only two clear outperformers in our portfolio: Sedana Medical (+20%) and Renewcell (+17%). We make one change for August: we add Xbrane Biopharma and we remove BiolInvent International.*

### July portfolio in review

July was a strong month for our OMXSGI benchmark which gained 7.4%, while our portfolio gained only 2.5%, resulting in an underperformance for our portfolio of 4.9 percentage points. Sedana Medical (+20%) and Renewcell (+17%) stand out as top performers in our portfolio, and ABB (+8%) performed in line with the benchmark, while the other shares underperformed. Sedana Medical was boosted by the EU approval for Sedaconda which was received a full quarter ahead of expectations, and Renewcell received the final environmental approval for its new production plant in Ortviken/Sundsvall, scheduled to start operations in Q2 2022.

### We make one change for August

For August, we make one change to our portfolio as we make a switch within the biotech sector. We add Xbrane Biopharma, and we remove BiolInvent International.

Xbrane's lead biosimilar, Xlucane, reported positive phase 3 topline data in June 2021 with market launch anticipated for early 2H 2022. Xlucane is a biosimilar to the eye drug Lucentis (marketed by Novartis and Roche), indicated for the treatment of diseases of the back of the eye (e.g. wet age-related macular degeneration). Drugs targeting the same factor as Xlucane sold for over USD 12bn last year in the US and Europe. Xbrane has managed to partner with STADA (co-development and commercialization in Europe) and the worldwide eye care leader Bausch+Lomb (commercialization in the US), which services over 2500 eye clinics in the US and Canada. Upcoming 2H 2021 catalysts include the closing of an anticipated partnering deal for the second asset Xcimzane; additional regional deals for Xlucane (e.g. Japan and China); and regulatory submissions for Xlucane (EMA and FDA).

## Sector

## Investment Strategy

### Portfolio

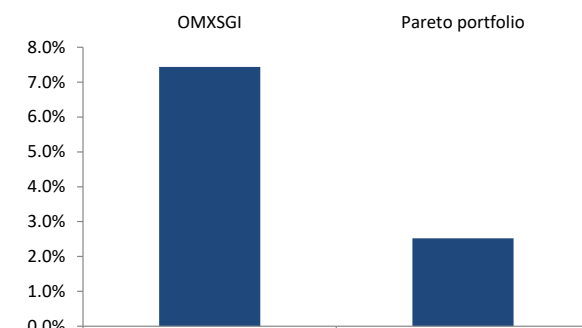
|               | Rec weight  |
|---------------|-------------|
| Jetpak        | 10.0 %      |
| Renewcell     | 10.0 %      |
| Xbrane        | 10.0 %      |
| Storytel      | 10.0 %      |
| ABB           | 10.0 %      |
| Volvo         | 10.0 %      |
| Millicom/TIGO | 10.0 %      |
| Sedana        | 10.0 %      |
| Embracer      | 10.0 %      |
| Lundin Mining | 10.0 %      |
| <b>Sum</b>    | <b>100%</b> |

### Performance

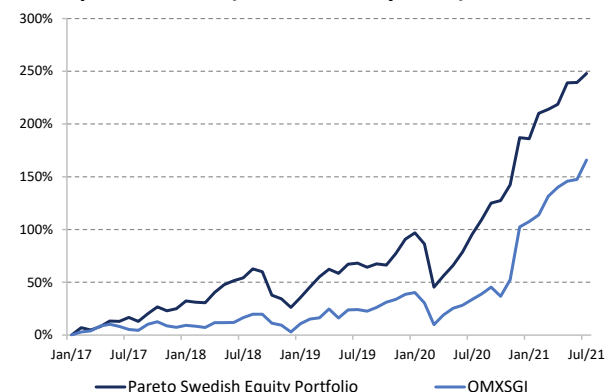
|                      | Performance |        |                            |
|----------------------|-------------|--------|----------------------------|
|                      | July        | YTD    | Since start <sup>(1)</sup> |
| PAS Portfolio        | 2.5%        | 21.2%  | 247.9%                     |
| OMXSGI               | 7.4%        | 31.3%  | 165.9%                     |
| Relative performance | -4.9%       | -10.1% | 82.0%                      |

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

### Performance in July



### Total performance (since February 2017)



**TIGO – BUY, TP USD 58 (SEK ~485)**

Millicom delivered a solid second quarter continuing the positive trend seen during prior quarters with regards to customer intake and continued roll out of both fixed and mobile broadband. We believe Millicom has strengthened its position across the footprint and is well positioned to see growth accelerate as the economies continues to open following COVID lockdowns. The company will continue to reduce debt which should have a major impact on the equity valuation. If the economic recovery continues, we believe buybacks could be resumed during the second half.

**JETPAK – BUY, TP SEK 120**

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 see Jetpak as a winner from removed lockdowns and see improved air freight access from Q2-Q3 2021E to lift the mix and margins. Also, we expect more acquisitions in 2021 and that the international expansion will drive growth from 2022.

**RENEW – BUY, TP SEK 315**

Renewcell is a Swedish cleantech company offering the first-ever solution for 100% textile-to-textile recycling on an industrial scale. The RENEW share rallied almost 300% during the initial months after the IPO in Q4 2020, but since then the share has come down to more attractive levels, accentuated since late May by selling pressure related to the expiry of the post-IPO lock-up period for certain shareholders. However, we expected fundamentals to prevail over time. The long-term investment case is attractive, underpinned by the scarcity of truly circular textile material for both fibre producers and consumer brands, as well as the scarcity of truly circular listed companies for investors. In addition, we see two potential sources for further upside relative to our target price: accelerated growth plans and improved price spread between Circulose® and textile waste.

**LUMI – BUY, TP SEK 100**

After a multi-year investment period across its mine portfolio, LUMI is generating strong cashflows at current metal prices, and another dividend increase was announced alongside in-line financials for Q2 in late July. We see several reasons to assume metal prices are sustained at or above current levels over the next several years and recently made positive revisions to our metals price assumptions. However, the LUMI share has traded sideways over the past month as the company was forced to cut its 2021 copper production guidance by ~9% in June to manage fault zones within the open pit at Candelaria, which has also had a 10-15% knock-on effect on 2022-2023 production from the asset. And in the background, there is the looming tax changes in Chile which could impact Candelaria from 2024. Nevertheless, we view the risk/reward as attractive after the recent share price weakness.

**EMBRAC – BUY, TP SEK 315**

This current financial year is expected to be the strongest ever in terms of release activity with more than 90 premium game development projects. In the May (Q4) earnings report, Embracer reiterated that M&A activity remains high across the group for bolt-on acquisitions, with more than 20 late-stage M&A talks and few letters of intent signed. We argue that the likelihood for further M&A is high in the short term. As the Q4 results were strong with further room for accretive acquisitions we expect investors to continue to buy this compounder in 2021.

**ABB – BUY, TP SEK 375**

ABB reported a better order intake than expected in Q2, in line with what other capex-related industrials have reported. However, the most important achievement is that despite supply chain disruptions ABB reached its EBITA margin target of 15% in Q2. We are especially pleased with the outcome in Electrification but also positive is that higher service sales are finally pushing up margins in Process Automation. Thanks to the strong order intake, although factoring in delays in the supply chain, we raised our EPS estimates for 2022/23 by 4% and our target price to SEK 375 (350) after the Q2 report.

**XBRANE – BUY, TP SEK 157 (under review)**

Xbrane is a biosimilars company with own R&D and pilot scale production facilities. The company's lead biosimilar, Xlucane, reported positive phase 3 topline data in June 2021 with market launch anticipated for early 2H 2022. Xlucane is a biosimilar to the eye drug Lucentis (marketed by Novartis and Roche), indicated for the treatment of diseases of the back of the eye (e.g. wet age-related macular degeneration). Drugs targeting the same factor as Xlucane have sold for over USD 12bn last year in the US and Europe. Xbrane managed to partner the drug with STADA (co-development and commercialization in Europe) and the worldwide eye care leader Bausch+Lomb (commercialization in the US), which services over 2500 eye clinics in the US and Canada. As Xbrane has proven with its lead drug that it can develop a biosimilar from start to finish, we expect its preclinical pipeline to move forward fast with Xcimzane entering clinics early next year (launch in 2025). The biosimilars market is rapidly growing with sales in the US skyrocketing in the last two years, e.g. Amgen caught 40% market share with its Avastin biosimilar (addressing a USD 7bn market) in the first year after launch and is nearing USD >1bn in sales this year (its 2nd after launch). Upcoming 2H 2021 catalysts include: the closing of an anticipated partnering deal for the second asset Xcimzane as well as additional regional deals for Xlucane (e.g. Japan and China) and regulatory submissions of Xlucane (EMA and FDA).

**VOLVO – BUY, TP SEK 285**

Volvo delivered second quarter results in line with general market expectations, while at the same time demonstrating great underlying performance. Excluding the production stop of four weeks, Volvo Trucks managed an underlying result in the second quarter that was near the SEK 8bn level of the first quarter, instead of the reported SEK 5.3bn. Despite some potential further supply disruptions during the second half, we now expect the company to be able to step-up production levels compared to the second quarter. The insight of sequential earnings improvement will boost sentiment towards the Volvo share and act as share price catalyst, in our view.

**STORY – BUY, TP SEK 390**

We expect Storytel to dramatically increase its customer intake during the second half of 2021. We believe subscriber and revenue growth is the main driver of the valuation of the business at this stage. Storytel is currently present in 23 markets, this number will increase to +40 by the end of 2023. Since last summer Storytel has made a handful of acquisitions that we expect will start to show tangible contributions already in the upcoming second quarter results. Given the lackluster share price performance of Storytel, we believe there is potential for a positive reaction, rather downside risk from not meeting expectations.

**SEDANA – BUY, TP SEK 133**

The surprise EU approval received in July, a full quarter ahead of expectations, bodes well ahead of the official launch. Sedana Medical stands strong post Covid-19 and will launch Sedaconda from an increased base as hundreds of clinics have tried inhaled sedation during the pandemic and stuck with it. We increased our target price to SEK 133 (116) after the approval. Sedana will report its Q2 results on 19 August.