# April Portfolio

**Sector** **Investment Strategy**

***Our model portfolio was down 0.4% in March, while the OMXSGI benchmark index was down 1.2% during the same period. For April 2018 we keep 8 of 10 stocks, replacing Fabege and Sedana Medical with SOBI and Elekta.***

### March Portfolio

Our monthly portfolio was down 0.4% in March, while our benchmark index was down 1.2%; a relative outperformance for our portfolio of 0.8%. 5 out of 10 stocks beat the benchmark index: Fabege, Victoria Park, Kinnevik, Stora Enso and Sedana Medical.

### 2 new stocks in our April portfolio

In our April Portfolio we keep 8 of 10 stocks replacing Fabege and Sedana Medical with SOBI and Elekta. We include Elekta ahead of the ESTRO conference in Barcelona in April where the company will market their Unity product. We see that Elekta is rapidly improving organic growth for the established business and has been able to combine growth recovery with high cash conversion and savings. We also add SOBI, arguing that the company will deliver positive news on the ongoing launch of Elocta and Alprolix this month with the possibility to once again exceed expectations.

### Portfolio

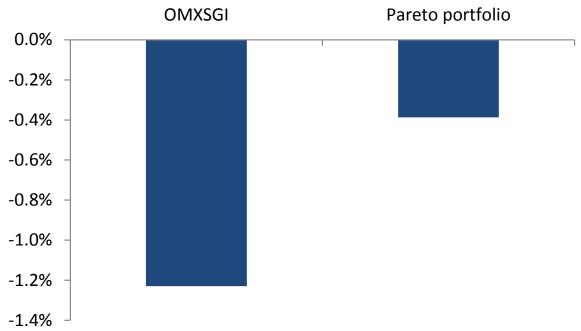
| | Rec weight |
|---|---|
| Xvivo Perfusion | 10 % |
| Sobi | 10 % |
| SKF | 10 % |
| Stora Enso | 10 % |
| Vostok Emerging Finance | 10 % |
| Elekta | 10 % |
| Kinnevik | 10 % |
| Mr Green | 10 % |
| Kindred | 10 % |
| Victoria Park | 10 % |
| **Sum** | **100 %** |

### Performance

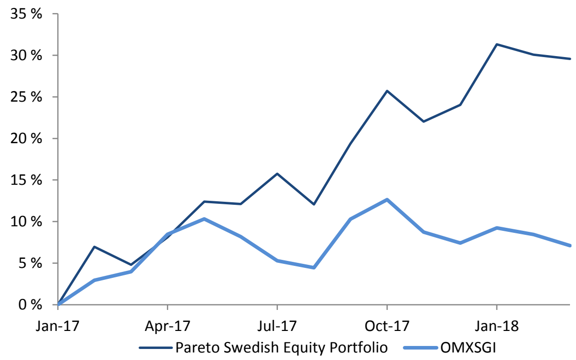
| | Index Value 31/03/2018 | Performance last period | Performance 2018 [2] |
|---|---|---|---|
| Total Portfolio [1] | 104.5 | -0.4 % | 4.5% |
| OMXSGI [1] | 99.7 | -1.2 % | -0.3% |

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

### Performance in March




### Total performance (since February 2017)



**KIND – BUY, TP SEK 148**

We are a bit puzzled of the recent iGaming sector underperformance which also has punished KIND but believe it could relate to general market weakness, previous strong sector performance and to UK Gambling Commission stepping up its effort to shape up the online gambling space. As Kindred is in a close dialogue with UKGC view believe the market exaggerates the potential risks. 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. Kindred reported a solid set of numbers in Q4, beating both our and consensus expectations by a wide margin as the sportsbook margin was a record high. However, the strong sports margin had a negative effect on sportsbook turnover growth as well as casino growth, especially in the Nordics. The company reported Q1 growth of 35% (23% organic) through to 11 February and sportsbooks margins has been strong throughout the quarter which is likely to support sportsbook profits but could on the other hand have some negative effects on casino growth. We repeat Kindred is in great shape and must be seen as the top exposure ahead of FIFA 2018 and for the longer term as it is already investing for the future. In addition, as 32Red is performing very well we think Kindred is ready for a new acquisition this year, adding upside.

**XVIVO – BUY, TP SEK 120**

There is a big shortage of transplantable organs in the world and yet Xvivo is the only company that has developed a technology and procedure in order to increase the pool of available organs. 2017 was a pinnacle year for Xvivo in establishing the Ex Vivo Lung Perfusion (EVLP) technology it invented. The year was crowned in November when Xvivo received highly sought-for reimbursement codes for doctor´s time during the EVLP procedure. We notice that the market is not seeing the significance of this achievement as the shares have been sliding southwards during 2018, which provides an excellent opportunity to enter the share at an attractive level. Top-line result from the NOVEL study is expected at mid-2018.

**SOBI – BUY, TP SEK 184**

We acknowledge that Sanofi´s acquisition of Bioverativ has finally put a light on the value of Sobi´s haemophilia franchise, and the recent reports about further deaths following treatment with Roche´s new haemophilia drug Hemlibra are of course also acting as a helping hand to push the share price higher. In this new environment, we believe that investors will also start to reward the company on its own merits for continuously exceeding the financial expectations of the market. On April 26 we will get another receipt that the ongoing launch of Elocta and Alprolix is proceeding according to plan, with a high possibility to once again exceed our expectations.

**ELEKTA – BUY, TP SEK 95**

Elekta is rapidly improving organic growth for the established business. This goes both for the organic sales and the order support. Elekta has managed to combine the growth recovery with a high cash conversion and savings. This points to improved value of the core business. Elekta has invested heavily in Unity and this advanced integrated MR supported Linac is now just about to be launched. We point to Elekta's ability to market Unity at both ESTRO in April (Barcelona) and ASTRO in late October (San Antonio, Texas). Once Unity is approved in Europe and US later in 2018 Elekta will be in a position to refer to many reference sites on the back of the Unity consortium (7 sites). Despite the improved growth momentum and the approaching Unity launch, growth expectations are very low at an implied 50% of the levels Elekta is in fact guiding for in terms of Unity orders to mid-2020. On top of this improved outlook Elekta's balance of short positions is rapidly closing down from 10% in late 2017 to below 5% currently.

**VICP – BUY, TP SEK 37**

Victoria Park, one of our top picks in the sector for 2018, offers material upside with both near- and long-term potential, where new property acquisitions could be imminent triggers given that such transactions increases the long-term value creation the way we see it. We focus primarily on the extraordinary NAV growth coupled with the moderate risk profile. The company's clear focus on residential properties, in cities with population growth, implies low risk for vacancies and regulated rental levels effectively lowers the operational risk. This also means that Victoria Park is not negatively affected by the shaky co-op market as the company's portfolio consists of rental apartments only. Significantly higher rents upon completed renovations drive property values, and NAV, and we argue that the share trades at a significant NAV discount. We estimate meaningful cash earnings and NAV growth from recurring and structured refurbishment of apartments. Q4 2017 property value changes were strong and above our high expectations (SEK 641m vs our estimate of SEK 154m), and we assume the strong NAVPS growth to continue also in 2018E and 2019E.

**MRG – BUY, TP SEK 65**
Mr Green is an online gambling operator with one of the strongest brands out there. Over the years, the share has been hurt by operational troubles, but having taken most of the technical platform in-house, the company started an operational turnaround in 2016 and got back on the growth track, which the reports continues to show. Although the latest acquisition of Evoke Gaming will be slightly margin dilutive in 2018, we expect growth ahead to be strong which should be a nice pillow to fall back on as the share has taken a beating of late (down 10% past month. We are a bit puzzled of the recent sector underperformance which also has punished the Kindred shares but believe it could relate to general market weakness, previous strong sector performance and to UK Gambling commission stepping up its effort to shape up the online gambling space – but believe the market exaggerates the potential risks. With an attractive valuation of 9.1x 2018E EBIT and an expected 29% growth for the full year 2018, we regard the current share price level as a nice entry point ahead of the Q1 report due out 27 April.

**KINV – BUY, TP SEK 340**
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. In our view, the portfolio still contains significant upside based on our current valuation. We see biggest potential in Zalando while we are also positive on the upside in MTG and Millicom. In our view the unlisted assets are not reflected in the current valuation of Kinnevik.

**VEMF – BUY, TP SEK 2.48**
In February VEMF lagged its main holding Tinkoff and the USD appreciated in relation to SEK. As a result, we estimate that the discount to NAV widened from ~14% to ~20%, providing a good buying opportunity to get exposure to FinTech in emerging and frontier markets at a discount. In its Q4 release on March 7th, we expect VEMF to disclose additional information regarding the current portfolio holdings and potential follow-up investments that in our view should contract the discount to NAV. Tinkoff will release its Q4 report on March 13th.

**SKF – BUY, TP SEK 220**
We see three major factors behind a better than expected margin improvement in SKF– a continuously strong industrial cycle all through 2018E , price increases to OEM clients and savings from internal improvements. We believe that the market has not understood the late-cyclical characteristics of SKF's margin improvement. In the beginning of 2018 we lifted our EPS estimates by several percent for the coming two years.

**STERV – BUY, TP EUR 17.0**
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 ramp-up 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 continue 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 and as the transformation continues we believe that the revaluation will continue. 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% for 2018 on our estimates, only surpassed by UPM in the Nordics.