June Portfolio

Sector **Investment Strategy**

Our model portfolio was up 5.1% in May, while the OMXSGI benchmark index was down 0.1% during the same period. For June we keep 5 of 10 stocks, replacing IPCO, Klövern, Xvivo Perfusion, Isofol Medical and SKF with Recipharm, Aspire, Assa Abloy, Autoliv and MTG.

May portfolio

Our monthly portfolio was up 5.1% in May, while our benchmark index was down 0.1%; a relative outperformance for our portfolio of 5.2%. 6 out of 10 stocks beat the benchmark index: IPCO, Xvivo Perfusion, Elekta, Stora Enso, Vostok Emerging Finance and Klövern.

5 new stocks in our June portfolio

In our June portfolio we keep 5 of 10 stocks, replacing IPCO, Klövern, Xvivo Perfusion, Isofol Medical, SKF with Recipharm, Aspire, Assa Abloy, Autoliv and MTG.

We include Autoliv after Autoliv and Veoneer held their joint Investor Day on 31 May where they confirmed their bullish financial targets and Veoneer upgraded its market growth targets. We see that Recipharm has potential to extend its share price recovery – we argue that there is limited downside risk to the share price and the company is likely to benefit from four organic growth projects. Aspire's Q1 report came in below our targets mainly driven by a B2C high-roller win in end of March which reversed in the beginning of Q2. Given the strong start to Q2 and potential for accretive M&A activities ahead we find risk-reward attractive. Assa Abloy has stepped up its organic growth from around 3-4% in recent years up to around 5% driven primarily by an end to the negative sales development in China and growth recovery in Europe but also in the more cyclical Entrance Systems. Also, clients such as Amazon, Wal-Mart and Google are now sourcing smart lock solutions from Assa Abloy. The transformation of MTG is progressing at full speed. Splitting the company in two (during H2'18), in which the e-sports and gaming assets are separated from the Nordic broadcasting business, improves visibility and the potential for M&A activity. Both new companies have strong positions in their respective markets. We believe there is both short-term upside primarily driven by a continued good performance in the seasonally strong Q2 and longer-term upside potential for the share.

Portfolio

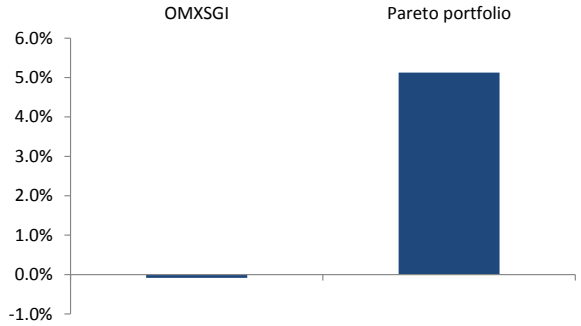
	Rec weight
Recipharm	10 %
Elekta	10 %
Kindred	10 %
Aspire	10 %
Assa Abloy	10 %
Autoliv	10 %
Stora Enso	10 %
Vemf	10 %
MTG	10 %
Kinnevik	10 %
Sum	**100 %**

Performance

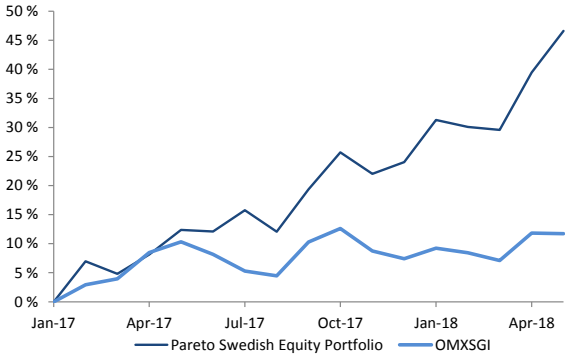
	Index Value 31/05/2018	Performance last period	Performance 2018 [2]
Total Portfolio [1]	118.2	5.1 %	18.2%
OMXSGI [1]	104.0	-0.1 %	4.0%

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

Performance in May



Total performance (since February 2017)



KIND – BUY, TP SEK 143
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 hold the highest share of regulated revenue. Q1 revenue was marginally short of both our and consensus expectations while the negative EBITDA deviation was larger due to higher betting duties as Kindred continues to grow fast in regulated markets. Active customers grew 12% y/y, reaching a new all-time high, and Kindred says it sees a good opportunity for reactivation of customers as well as new customer acquisitions in connection to FIFA, which is why it guides for sequentially higher marketing spend and lower EBITDA in Q2. Q2 has started well with revenue up 52% y/y, explained by easy comps in April and a strong performance across products and markets. 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.

ASPIRE – BUY, TP SEK 43
Q1 sales and EBIT were lower than we expected, mainly due to a B2C high-roller win at the end of March, shaving off EUR ~1m in sales and EBIT. With the effect reversed at the beginning of Q2 and with strong deposits growth, April started strongly. Furthermore, sportsbook now represents ~10% of B2C revenues and is growing fast. In addition, Aspire plans to support growth through an increased focus on Karamba with a new dedicated team in place, and through launching a new games vertical focused on women. With the strong start to Q2 and potentially accretive M&A ahead and recent share price weakness we find risk reward as attractive.

EKTA – BUY, TP SEK 125
Elekta had a great year so far in 2018. Much improved results and growth together with some larger and strategic orders has resulted in a positive revaluation. It is increasingly obvious that Elekta has managed to combine the growth recovery with a high cash conversion and savings. Over the rest of 2018 Elekta will get a European and a US approval for Unity. The good news is that Unity expectations seems to surprisingly modest judged by the recently updated order consensus for the next 2-3 year. Elekta has invested heavily in Unity and this advanced integrated MR supported Linac is about to be launched. 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) and the other Unity orders to date, 26 in total. Currently the Unity launch expectations are likely to remain well below the formal Elekta Unity guide to mid-2020 of 75 Unity systems. On top of an improved outlook Elekta's balance of short positions are rapidly closing down from 10% in late 2017 to near 3%. In short we point to a further 10-20% upside during 2018.

RECI – BUY, TP SEK 155
Already four years after the IPO Recipharm has become a top 10 global CDMO and the strategy is to continue to consolidate the expanding CDMO market. 2017 came with a challenging mix of aggressive acquisitions, some disruptions and a strategic decision to close some legacy sites in Sweden the company has already improved the performance in 2018. Over the next 12-24m Recipharm is in a good position to extend this recovery. Apart from reduced risk of disruptions, Recipharm will also gain support from four organic growth projects. We expect that these projects will add between SEK 750-800m in sales per year gradually from now to late 2019. This is also likely to result in a period of unusually high organic growth and reduced capital expenditures for Recipharm. The improved performance is also likely to put Recipharm in a good position to close larger acquisitions in 2019 and potentially another carve-out already in 2018.

STERV – BUY, TP EUR 22
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. 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 2016-17 and as the transformation continues we believe that the revaluation will continue with likely multiple expansion after the Bergvik split. 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% in the coming years.

MTG – BUY, TP SEK 410
The transformation of MTG is progressing at full speed. Following the collapsed deal with TDC the company has announced the strategic choice to split the business in to two separate entities. We believe the uncertainty surrounding the split has overshadowed the strong underlying performance of the business and impacted the overall valuation of the company. Organic growth was very strong at 9% in the first quarter driven by a 27% organic growth rate in MTGx. We expect growth to remain strong in the second quarter which should have potential to improve the valuation. By splitting the company into two separate units, in which th esports and gaming assets are separated from the Nordic broadcasting business, improves the potential for M&A activity. Both new companies have strong positions in their respective target markets. We believe there is both short-term upside primarily driven by a continued strong performance in the seasonally strong second quarter and longer term potential for the MTG share.

KINV – BUY, TP SEK 360
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.

ALIV – BUY, TP SEK 1,425
Autoliv and Veoneer held a joint Investor Day on 31 May in Stockholm where they confirmed their bullish financial targets and Veoneer upgrading its market growth prospects . We are positive on the spin-off of Electronics/Veoneer and, moreover, we should in Q2 and Q3 start to see operating leverage take off, with EPS growth being substantially higher than organic sales growth given the market share gains in Passive Safety orders. Moreover, through Electronics/Veoneer an investor gets exposure to the expansive active safety and automotive safety electronics market through an advanced company platform with leading automotive hardware and software applications. The acquisition multiples in this active safety, electronics and autonomous driving market are high and we have seen tech giants such as Intel, for example, acquiring Mobileye in 2017 for an EV/EBIT of >50x.

ASSA – BUY, TP SEK 205
Assa Abloy has stepped up its organic growth from around 3-4% in recent years up to around 5% thanks primarily to that the negative sales development in China has come to an end and that growth has recovered in Europe but also in the more cyclical Entrance Systems. At the same time has the long term growth driver, Global Technologies which provides electronic locks solutions in Assa Abloy, also reported a somewhat better growth. On top of that is the emergence of the small but fast growing smart lock solutions. This segment represented 3% of sales in 2017 but could very well double in size in the coming year. Important clients such as Amazon, Wal-Mart and Google are sourcing smart lock solutions from Assa Abloy. The introduction of the new CEO Mr. Delvaux has been surprisingly positive after the very negative share price reaction when Mr. Mohlin retired.

VEMF – BUY, TP SEK 2.72
In May, Vostok Emerging Finance announced that the Board of Directors has resolved to mandate the management of VEMF to repurchase up to 5% of the outstanding SDRs. Furthermore TransferGo raised USD 10m in a new financing round, which we deem likely to be at a higher valuation than previous rounds, given the company's high growth expectation of 150% for the year. Despite the recent positive news, VEMF trades at an estimated discount to NAV of ~27%, excluding a potential valuation uplift in TransferGo. Share repurchases and additional news regarding the portfolio holdings should contract the discount to NAV in our view.