

January portfolio

The S&P 500 finished December higher and gained an exceptional 27% for the full year. 2021 was a good year for the equity markets in general, as the global economy recovered from the 2020 covid lockdowns and the Fed maintained its QE program. Our benchmark index OMXSGI extended recent gains by closing 5.2% higher in December, while our portfolio outperformed the benchmark by closing 9.9% higher, corresponding to outperformance for our portfolio of 4.7 p.p. for the month. Looking at the full year of 2021, OMXSGI gained a stellar 39%, while our portfolio gained 31%. For December, Josemaria Resources (+22%), Studentbostäder (+20%), Gaming Innovation Group (+17%) and Egetis Therapeutics (+15%) stand out as outperformers. For January 2022, we make two changes to our portfolio as we add Lundin Mining and Millicom while removing Josemaria Resources and Gaming Innovation Group.

December portfolio in review

OMXSGI gained a strong 5.2% in December, while our model portfolio gained 9.9%, resulting in outperformance for our portfolio of 4.7 p.p. For December, Josemaria Resources (+22%), Studentbostäder (+20%), Gaming Innovation Group (+17%) and Egetis Therapeutics (+15%) stand out as outperformers. Embracer (-1%), Storytel (-1%) and Bioinvent (-1%) underperformed. Overall, 7 of 10 companies in our portfolio beat the benchmark. Despite a strong finish to 2021 for our portfolio, it was not enough to beat our benchmark index for the full year. In general, 2021 was marked by risk-off and pressure on tech and growth companies, driven by concerns about higher inflation and interest rates, which impacted our portfolio negatively as it was geared towards such stocks. Exposure to strong commodity markets contributed positively to our portfolio during the year, but as such stocks only made up a minor part of the portfolio (1-3 stocks during any given month).

We make two changes for January

For January 2022, we make two changes to our portfolio as we add Lundin Mining and Millicom, while we remove Josemaria Resources and Gaming Innovation Group. We include Millicom in our portfolio as we believe the company currently is dramatically undervalued. Millicom is one of few telecom services companies that generate solid organic growth (in local currencies) combined with outstanding operational profitability. The LUMI share has experienced mixed performance during 2021 after issues at Candelaria led to production guidance being cut for 2021-2023. We expect 2022 to be more stable and allow the share to better reflect the strong financial position of the company enabled by the strong metals market.

Sector

Investment Strategy

Portfolio

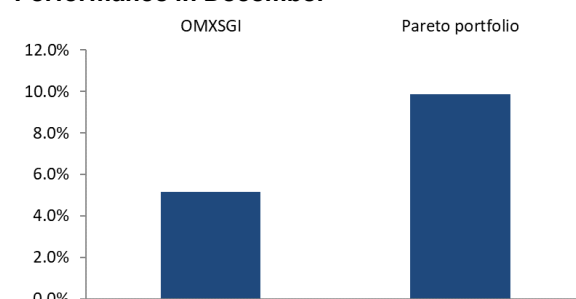
	Rec weight
ABB	10 %
BioInvent	10 %
Egetis Therapeutics	10 %
Embracer	10 %
Lundin Mining	10 %
Millicom	10 %
Sedana	10 %
Storytel	10 %
Studentbostäder	10 %
Volvo	10 %
Sum	100%

Performance

	December	YTD	Since start ⁽¹⁾
PAS Portfolio	9.9%	31.3%	283%
OMXSGI	5.2%	39.4%	115%
Relative performance	4.7%	-8.1%	168%

⁽¹⁾ February 2017

Performance in December



Total performance (since February 2017)

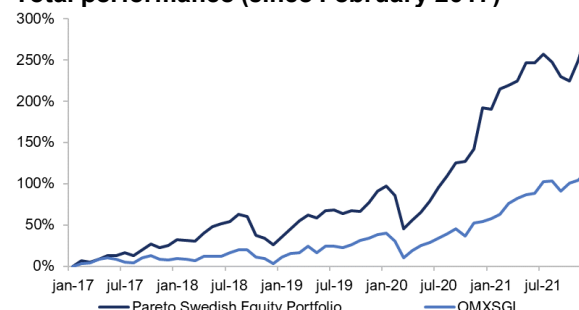


ABB – BUY, TP SEK 400

At the December CMD, ABB raised its financial targets for sales growth from 3-5% to 4-7% over a cycle and for the EBITA margin from reaching the upper end of the range of 13-16% to at least 15% by 2023. The E-mobility division will also be listed in H1 2022. Furthermore, ABB claims that demand has remained robust this far and anticipates positive market momentum in 2022 but that it still has to manage supply chain disruptions. We do not change our already bullish EBITA estimates for 2022/23 but still consider ABB to be one of our top picks and lifted our target price to SEK 400 (370) after the CMD due to the listing of E-mobility (worth at least some SEK 24 per share) and higher peer group valuations.

BINV – BUY, TP SEK 115

BioInvent held a webinar with a US key opinion leader (KOL) on 17 December, in which a first glance at interim data from BI-1206 in solid tumors was given. We highly appreciate such early interim readouts as it increases transparency towards investors vs. waiting for each phase to complete prior to reporting data. Because of the incomplete/still emerging data, it is important to look at the details, including status and cohorts. Two responding patients include a stage 4 sarcoma patient with metastasis to the lung and bone with four prior lines of therapies and a uveal melanoma patient with metastasis in multiple organs with four prior lines of therapies. Both patients are currently doing very well and BI-1206 managed to reduce metastases in these patients. While these interim data are early, the company went through a protocol amendment and is still in a dose-finding process, we deem it highly encouraging. Simultaneously, BioInvent will have a FDA meeting in Q1 2022 regarding the design of a potentially registrational phase 2/3 study for its lead program in Non-Hodgkin Lymphoma (NHL, liquid cancer). With these exciting and fast-moving developments (no COVID-19 or other related delays) in all trials, considering upcoming follow-ups to BI-1206 in both solid and liquid tumors and data from the two other ongoing clinical programs in 1H 2022 (BT-001 and BI-1808), we look forward to a catalyst-rich 1H and 2H of 2022.

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. 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 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

This current financial year is expected to be the strongest ever in terms of release activity with more than 90 premium game development projects. Embracer continued its acquisition-driven growth strategy in December by acquiring the leading board game publisher and distributor Asmodee, combined with a direct share issue of SEK 5.5bn. Asmodee holds an impressive portfolio of own IPs, growing slightly faster than Embracer, with significantly lower profitability. As the multiple could be viewed as aggressive at first glance, the long-term strategy strengthens by adding very strong board game IPs to its current portfolio, with the potential to cross-fertilize into PC, console, VR, and mobile. We argue that the fundamentals continues to strengthen for Embracer, while the valuation has come down during 2021.

LUMI – BUY, TP SEK 90

Lundin Mining is a mid-sized global mining company with a diversified asset base, but with a clear gearing to copper which stand to benefit from several strong macro trends over the coming years, most notably electrification. The LUMI share has experienced mixed performance during 2021 after issues at Candelaria led to production guidance being cut for 2021-2023. We expect 2022 to be more stable and allow the share to better reflect the strong financial position of the company enabled by the strong metals market. Lundin Mining recently announced the acquisition of fellow Lundin Group company Josemaria Resources for an implied equity value of CAD 625m (USD 485m). On our estimates, this means LUMI pays less than 0.2x NPV10% for the construction-ready Josemaria copper-gold project. Josemaria Resources shareholders may elect to receive 0.1487 of a share in Lundin Mining or CAD 1.60/share. LUMI will finance the transaction with existing liquidity; at end-Q3 LUMI had cash of USD 430m and USD 780m available for drawdown on the company's credit facility. LUMI further expects to maintain its current dividend framework throughout the development of the Josemaria project, although we expect the free cash flow-linked extraordinary

dividend to be impacted. Nevertheless, we view this transaction as positive for Lundin Mining as the company adds a large-scale copper-gold project ready for construction start to its portfolio, at an attractive price.

TIGO – BUY, TP SEK 525

We add Millicom in our portfolio as we believe the company currently is dramatically undervalued. Millicom is one of few telecom services companies that generate solid organic growth (in local currencies) combined with outstanding operational profitability. The recent acquisition of the remaining 50% of the Guatemalan business will tangibly improve group profitability, which will become evident during 2022, when Guatemala will be fully consolidated. We expect proforma figures to be released in connection with the Q4 results on February 11, together with guidance for 2022. The share has lost >20% since mid-November, following the announcement of the Guatemalan acquisition. We believe this reaction is very much overdone; in our view, there is significant potential for a recovery in the Millicom share during 2022.

SEDANA – BUY, TP SEK 132

Sedana has stood out from its biotech/medtech peers by delivering or over-delivering on a number of critical milestones; the European approval way ahead of expectation is the peak performance. As an early Christmas present, the company recently announced the approval of its IND to start clinical trials in the US – timing-wise, precisely as promised. The European commercial organization has been established with strong country teams, and the company will formally launch Sedaconda during Q4. During December, Sedana selected its US on go-to-market strategy, as it raised SEK 615m, and will build its own commercial organization in the US; something that we herald. The company has started to employ the first US personnel, Medical Science Liaisons, that will educate and support users in Inhaled Sedation. 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

We keep Storytel in our portfolio as we believe the company remains vastly undervalued. Storytel has a favourable position in a rapidly expanding market. We think the company has the potential to deliver topline growth in the range of 20-30% for several more years while also improving its profitability on a group level; this will allow for robust earnings growth over the next 5-10 years. In the short term, we will receive a trading update regarding Q4 subscriber intake on January 10. The full Q4 results will be released on February 18, including new guidance for 2022. We expect that the subscriber intake in 2021 was only marginally above the 2020-level, resulting in two guidance revisions in connection with the Q2 and Q3 results. The weaker than expected subscriber intake has had a negative impact on the share price. We believe that this development will reverse in 2022.

STUDBO – BUY, TP 13

The Studentbostäder i Norden investment case is intact. STUDBO 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 three countries. 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 to 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, one of the strongest growth in our real estate coverage.

VOLV – BUY, TP SEK 285

Volvo is experiencing a prolonged delay in component supply. The fourth quarter order intake will therefore fall and be somewhat meaningless as Volvo has stopped accepting orders when delivery times are too long. We expect Volvo to increase sales in 2022 by up to 20%, setting the stage for 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%.