

## September portfolio

*The Swedish equity market continued higher in August and is now in positive territory for the year despite the Covid-19 pandemic and economic slow-down. The OMXSGI benchmark gained 3.7% and our portfolio gained 6.6% during the month, resulting in an outperformance of 2.8% for our portfolio. The outperformance was driven by Dometic (+25%), Embracer (+21%) and QleanAir (+15%), while Sedana Medical underperformed (-9%). Overall, 6 out of 10 stocks in our portfolio beat the benchmark during the month. For September, we make only one change to our portfolio: we take profit in Dometic after strong performance and replace it with Vicore Pharma. Vicore is a biotech company tackling lung diseases and we expect the announcement of the first patient dosed with the lead drug VP01 in the IPF phase II study during September.*

### August portfolio in review

The Swedish equity market recovery since April has been impressive, with key benchmarks now back in positive territory for the year. In August, the OMXSGI benchmark which gained 3.7% and our portfolio gained 6.6%. Our portfolio is now up 9.1% YTD. The outperformance in August was driven by Dometic (+25%), Embracer (+21%) and QleanAir (+15%). 6 of the 10 stocks in our portfolio beat the benchmark during the month.

### We make one change for September

For September, we make one change to our portfolio. We remove Dometic after strong share price performance and we add Vicore Pharma. Vicore Pharma is a Swedish biotech company developing first-in-class drugs against fibrotic lung diseases such as idiopathic pulmonary fibrosis (IPF), for which the median survival is around 3-5 years after diagnosis when using current treatment options (two drugs by Roche and Boehringer Ingelheim – combined sales of USD 2.8bn in 2019). VICO's share price has increased by over 40% since June and we see the trend continuing while its clinical programs are progressing. We expect the announcement of the first patient dosed with the lead drug VP01 in the IPF phase II study during September and clinical data from VP01 in Systemic sclerosis patients with Raynaud's phenomenon in Q4. In addition, VICO's lead drug is interacting as anti-inflammatory agent directly within the system that is impaired by Covid-19, which plays a key role in the lung inflammation observed in Covid-19 patients. Therefore, Vicore initiated a potentially pivotal (conditional or emergency approval possible) phase II clinical trial in the UK and India and results are expected in Q4.

## Sector

## Investment Strategy

### Portfolio

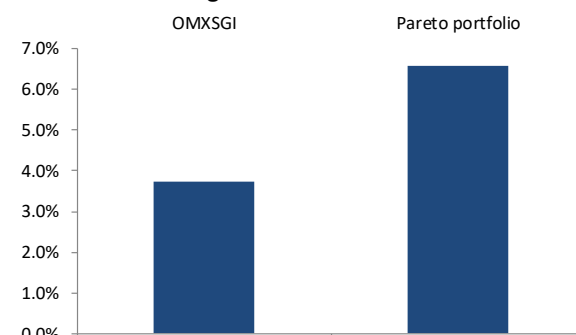
	Rec weight
Sedana Medical	10.0 %
Telia	10.0 %
Vicore Pharma	10.0 %
Azelio	10.0 %
Qleanair	10.0 %
Millicom/Tigo	10.0 %
Embracer	10.0 %
Fabege	10.0 %
IPC	10.0 %
Lundin Mining	10.0 %
<b>Sum</b>	<b>100%</b>

### Performance

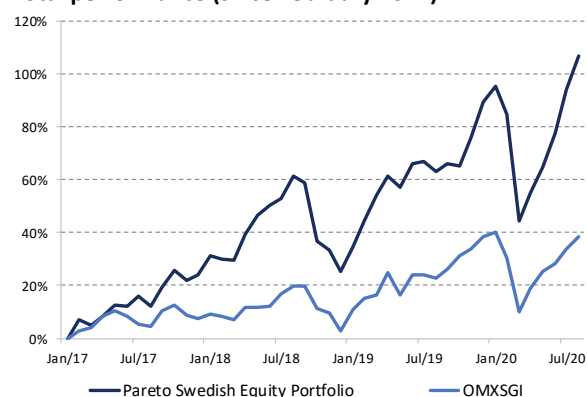
	Performance		
	August	YTD	Since start <sup>(1)</sup>
PAS Portfolio	6.6%	9.1%	106.7%
OMXSGI	3.7%	0.1%	38.6%
Relative performance	2.8%	9.1%	68.0%

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

### Performance in August



### Total performance (since February 2017)



**FABG – BUY, TP SEK 138**

Projects have become Fabege's bread-and-butter business on the back of a healthy occupier market in Stockholm. However, enthusiasm for further office space may be postponed during the crisis, leading to fewer development project starts. Also, we see a risk for negative office rental growth in Stockholm during 2020. With this in mind, we still think the market is too pessimistic at the current EPRA NAV discount of 28%. The exposure to retail is limited and Fabege's commercial and residential building rights, comprising c. 600,000 sqm, holds, in our view, a low valuation (SEK 5,300 per sqm) compared with the vast long-term potential and should act as a cushion. The share has returned like retail-focused Hufvudstaden and Atrium Ljungberg since late February (~40%), and we view Fabege as the best option of this trio.

**QLEANAIR – BUY, TP SEK 65**

QleanAir is a provider of indoor premium air cleaning solutions, offering technology to protect people, products and processes from air pollution. QleanAir started as a provider of smoking cabins but developed its core technical platform into two new primarily non-smoking-related divisions in 2015, Facility Solutions and Room Solutions, providing clean air to logistics/industries and hospitals/pharma, representing 22% of sales in 2018 and growing to an estimated 26% of sales in 2021. Organic growth has been 15% over the last 20 years and we expect 10% growth through to 2021, supported by strong environmental trends for clean air. A unique rental model and outsourced production support a capital-light business model with high EBIT margins of close to 20%. We see a reasonable valuation of EV/EBIT 10.5 for 2021 equivalent to target price of SEK 65.

**TIGO – BUY, TP SEK 437 (USD 49)**

Millicom is present in nine Latin American markets, offering mobile and fixed broadband services. These markets experience strong population growth and a rising average household income level. The region experiences modest 4G mobile and fixed broadband penetration rates. We expect a growing middle class will demand more broadband services. Millicom is well-positioned to benefit from these market trends. The markets are coming out of hard lockdowns in response to COVID-19. We believe Millicom is well positioned to handle the current turmoil and has potential to emerge even in a stronger position once the economic activity recovers. The share is trading at multi-year lows and has underperformed both its Latam and international peers. We believe there is significant potential in the Millicom share over the next twelve months.

**EMBRAC – BUY, TP SEK 180**

The robust Q1 2020/21 results beat our and consensus operational EBIT estimates by 49% and 58%, respectively, supported by a string of strong new releases and solid back catalogue sales. The performance is largely a result of quality improvements in the group's new releases seen in recent quarters, promising for future releases indeed and Q2 2020/21 has started strong with well-received releases for Destroy All Humans and Wasteland 3 and September holds additional three larger projects releases that are likely to support shares if being well received. Eight acquisitions were announced in connection to the Q1 2020/21 report, adding ~6% to our short-term operational EBIT estimates, but more importantly adding to the long-term growth prospects within AAA games/GaaS and mobile games. Embracer reiterated it is in many dialogues across its six operating units and has the structure to easily integrate bolt-on acquisitions and new operating units. As only SEK 500m was used in cash for the latest acquisitions of SEK 1.9bn, with the balance in equity, ~3% dilution, Embracer could raise SEK 3.5-4.0bn in debt for M&A, with a 10% equity issue mandate adding an extra SEK 6bn; thus sizeable M&A are possible. The shares have been strong lately but given a 140 project strong games pipeline, vast M&A pipeline and increased traction among international investors we expect shares to continue to perform well in absolute and relative terms.

**SEDANA – BUY, TP SEK 400**

Sedana's product AnaConDa is well placed to treat patients suffering from COVID-19 in the ICU setting. Several studies have demonstrated that volatile anaesthetics like isoflurane modulate pulmonary inflammation in acute respiratory distress syndrome (ARDS), which is associated with the new virus. Thus, the demand for AnaConDa is strong, as seen in Q1, reaching ATH sales in Q2'20, and exceeded SEK 100m in sales for rolling 12-months. While the direct impact of COVID-19 is likely to taper off, the crisis will have advanced Sedana's position in the market substantially also for the longer term, in our view. In July, Sedana announced a positive top-line result for its pivotal phase III study of IsoConDa. The study reached its primary endpoint, which was to show the safety and efficacy of IsoConDa (isoflurane) administered through AnaConDa (anaesthetic delivery system) and that it is not inferior to propofol. On the back of the results, Sedana will move ahead with its application for European market approval. The analysis of the more important secondary endpoints is ongoing and results are planned to be published in a peer-review publication early 2021. The somewhat tepid reception of the Q2 report provides an excellent buying opportunity in this uniquely positioned Medtech company.

**AZELIO – BUY, TP SEK 30**

Azelio's commercial verification is ongoing and we expect initial results during Q3. Further, with several new MoU's announced in recent months it is full steam ahead on several fronts preparing for the production ramp-up from Q3 2021E. Based on the massive potential for efficient energy storage such as Azelio's system, we estimate a fair value range of SEK 2.5-3.5bn for the company today, while the equity market values the company at around SEK 1.8bn, which gives us high confidence in our Buy recommendation also after the share price gains over the summer months. Azelio has updated the market on its response to COVID-19, saying that the plans and expenses for 2020 will be delayed by one quarter, meaning deadline for the next capital raise has moved from September to December 2020.

**VICO – BUY, TP SEK 51**

Vicore Pharma is a Swedish biotech company developing first-in-class drugs against fibrotic lung diseases such as idiopathic pulmonary fibrosis (IPF), for which the median survival is around 3-5 years after diagnosis when using current treatment options (two drugs by Roche and Boehringer Ingelheim – combined sales of USD 2.8bn in 2019). VICO's share price has increased by over 40% since June and we see the trend continuing while its clinical programs are progressing. We expect the announcement of the first patient dosed with the lead drug VP01 in the IPF phase II study during September and clinical data from VP01 in Systemic sclerosis patients with Raynaud's phenomenon in Q4. In addition, VICO's lead drug is interacting as anti-inflammatory agent directly within the system that is impaired by Covid-19, which plays a key role in the lung inflammation observed in Covid-19 patients. Therefore, Vicore initiated a potentially pivotal (conditional or emergency approval possible) phase II clinical trial in the UK and India and results are expected in Q4.

**TELIA – BUY, TP SEK 42**

The company has a strong position in several key segments across its domestic markets in the Nordic region. On the cost side we believe there is significant potential left for additional efficiency improvements. The new CEO, Allison Kirkby, entered Telia in May. She has a strong track record as CEO of Tele2 in bringing about solid cash flow growth through efficiency improvements. In our view she has a challenging but also promising task in improving the performance of Telia. If she is successful, we believe the performance of Telia can be rewarding.

**IPC – BUY, TP 32**

As the COVID-19 pandemic hit markets in late Q1'20, IPC took significant measures to scale back on its production and development plans for 2020 to shore up liquidity. Oil prices have now recovered strongly since their April lows and IPC demonstrated in the Q2 report that the measures taken had the intended effect, and cash flow was protected during the period. From a liquidity perspective, we now estimate YE'20 net debt of USD 281m, down from USD 306m before the Q2 report, and see the liquidity headroom under IPC's credit facilities having troughed. Our YE'20e risked NAV is SEK 37/share. The IPC share has started to recover, but the NAV sensitivity to the oil price suggest further upside. In addition, given market conditions this year, we expect there to be M&A opportunities, which will be benchmarked against a return to share buybacks.

**LUMI – BUY, TP 60**

Lundin Mining is a mid-sized base metals mining company with assets in Europe, South America and North America. Copper is the main commodity produced, followed by zinc and nickel, with gold and lead being important by-products. Key metal prices are improving, and we see fundamental support for further gains for both copper and gold. Our positive view on LUMI is based on the company approaching the end of investment phases at key mines Candelaria, Neves-Corvo and Eagle which should lead to a decrease in capex and increase in production and cash flow from 2020E. We estimate USD 40m in FCF in 2020E, up from negative USD 101m in 2019, driven 50/50 by improved operating cash flow and decreased capex. In 2021E, FCF is set to improve further and approach USD 300m. However, Covid-19 situation in Brazil, Chile and USA is a key risk to this outlook. So far, there have been no significant disruptions to production or delivery/receipt of goods but some growth projects have been forced to slow down. Our YE'20E NAV(10%) stands at SEK 56/share based on metal price assumptions near current market prices.