

April portfolio

Our model portfolio was down 2.0% in March, while the OMXSPI benchmark index was up 1.0% during the same period. For April, we keep Alfa Laval, Nobina, Tethys Oil, Victoria Park and Stillfront in the portfolio, and add Investor, SEB, SCA, SOBI and RaySearch.

Performance for our March portfolio

Our portfolio was down 2.0% in February, while the OMXSPI benchmark index was up 1.0% during the same period. Four stocks beat the OMXSPI, while six stocks underperformed. The best performers in our portfolio were STERV (+9.3%) and MOB (+5.4%). Stora Enso rebounded in March after disappointing numbers in the Q4 report in February, with further support from rising pulp prices. The worst performers in March were SF (-13.4%) and TETY (-10.6%). Stillfront traded down in March due to limited news flow (except for insider selling of a board member), profit taking after strong performance YTD and poor share liquidity. Tethys Oil struggled with the oil & gas sector on weaker oil prices.

5 new shares in our April portfolio

In our April portfolio, we keep Alfa Laval, Nobina, Tethys Oil, Victoria Park and Stillfront, and add Investor, SEB, SCA, SOBI and RaySearch. In the cases of Investor, SEB and SOBI we see potential for the Q1 reports which will be published in April to confirm our bullish views on the shares. In Investor we are focused on value upside in the unlisted portfolio, in SEB we look for increasing Swedish large corporate client activity, and in SOBI it is all about launch time and pay-back time. In SCA, we expect the upcoming split of the company to further highlight the forest values. We argue RaySearch's fundamentals offer clear valuation upside over the coming 12 months – the recent share price dip has created an attractive entry point.

Sector

Investment Strategy

Portfolio

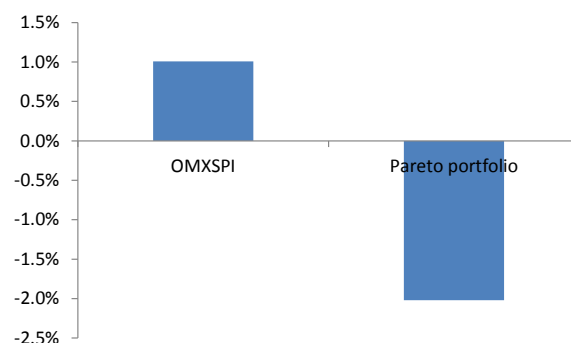
	Rec weight
INVE	10%
SEB	10%
SCA	10%
ALFA	10%
NOBINA	10%
SOBI	10%
RAY	10%
TETY	10%
VICP	10%
SF	10%
Sum	100%

Performance

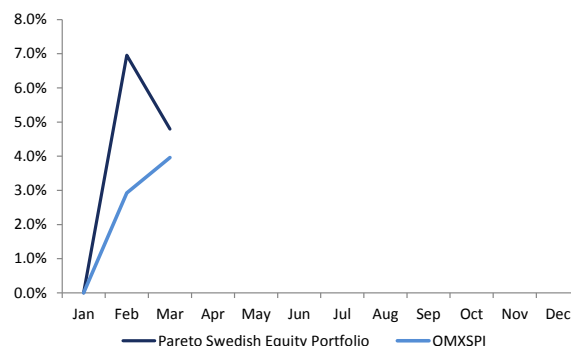
	Index Value	Performance	Performance
	01/04/2017	last period	2017 ²⁾
Total Portfolio ¹⁾	104.8	-2.0 %	4.8%
OMXSPI ¹⁾	104.0	1.0 %	4.0%

1) Rebased to 100 as per 01/02/2017 2) From 01/02/2017

Performance in March



Performance YTD



INVE – BUY, TP SEK 412

In addition to strong performance in the unlisted portfolio and low management costs, Investor is now working actively with increasing the transparency in the unlisted portfolio to crystallize further value. We believe these efforts will help to reduce the NAV discount further as it addresses the issue of value discrepancies and helps to highlight the long-term strategic focus and strong performance for Patricia Industries. We have previously focused on the large revaluation potential of Mölnlycke where the reported book value (IFRS) is SEK 21.1bn and the latest revaluation was done in connection with Investor's purchase of the remaining shares in 2010. Taking into consideration the stable growth, high margins, strong cash conversion and the valuation of peers, we argue that a current market value around SEK 50bn is more fair. Lastly, shareholders in Investor gain access to the stake in EQT which historically has generated strong performance.

SEB – BUY, TP SEK 110

Being well positioned to service Swedish large corporate customers, we expect SEB to benefit relative to peers from an uptick in large corporate activity, driving corporate lending and increasing non-interest income. SEB reported strong Q4 figures in February and we expect the Q1 report at the end of April to be equally strong.

SCA – BUY, SEK 330

We see a good entry point ahead of the proposed split of SCA and believe that both the AGM on April 5 when the split will be approved and the Q1 report on April 27th are potential positive triggers for the share. SCA's large forest holdings should be an attractive investment for pension funds etc, with their stable growth and the current low interest rates, and we see a bid as likely. We believe SCA's book value for the forest assets of SEK 30.8bn is conservative and we estimate in our base case that a divestment could be done at a SEK ~20/share premium to the book value, with further SEK ~20-50/share upside potential in more bullish scenarios.

ALFA – BUY, TP SEK 200

Alfa Laval has underperformed the Swedish industrial sector by 50% since beginning of 2014 driven by weakness first in oil & gas and later in marine markets. As a consequence, consensus has lowered 2018E estimates by 20% in the last twelve months. We argue that estimates are too low, and the weak oil & gas and marine markets are well reflected in expectations. We argue there is upside in consensus order intake estimates in 2017E and 2018E as 1) E&P budgets indicate a 10% increase in spending in 2017E and 2) regulatory tailwinds in marine will boost orders for scrubbers and ballast water management systems. We believe Alfa Laval is in a good position to benefit from these trends.

NOBINA – BUY, TP SEK 60

Nobina is a relatively defensive investment case but we expect the Q4 report on April 6 to be strong. Fewer contract migration costs and an improved contract performance due to raised contract maturity age and an increased share of incentive contracts will lead to a good EBT growth in 2017 and the coming years. Nobina's sales are characterised by stability and predictability as 96% of its revenues are on long-term contracts (c.8 years) with publicly owned counterparties. Moreover, the contracted compensation is index linked, which increases the stability of margins.

SOBI – BUY, TP SEK 145

2017 will be a critical year for Sobi as the true commercial roll-out of its key products within haemophilia; Elocta and Alprolix, begins. Sobi gained approval in the first half of 2016 but it is now that reimbursement is in place for all major markets, that the real commercialization starts. Valuation of Sobi is in line with peers on 2018 estimates despite higher expected growth in sales and profits. Bioverativ, the spin-out from Biogen, has performed very well on the back of take-out speculations, something that we also believe will include Sobi, as they sell the same products, but on different geographical markets. We believe the Q1 report out April 28 could be the first sign that the launch is about to take off!

RAY – BUY, TP SEK 300

RaySearch's share price has come down 10% since it peaked at SEK 260 indicating that investors have taken profit on the back of strong share price performance (+27% last 3 months). We argue that RaySearch fundamentals offer more value over the coming 12 months and the recent share price decline has created an attractive entry point (again). For 2017, we expect resilient RayStation growth, increasing support revenue and a more intense news flow regarding RayCare as it moves closer to commercialization.

TETY – BUY, TP SEK 90

After a weak start to 2017 for TETY (as for most E&P stocks), the share dipped in March on weaker oil prices. We expect the current OPEC policy to generate global stock draws in the coming months and support oil prices, and expect TETY to recover with the sector as this happens. Further, TETY can be expected to generate healthy free cash flow in the coming quarters and we view additional cash distributions to shareholders in 2017 and beyond as likely (i.e. in addition to the proposed SEK 1/share ordinary dividend, similarly to 2016). The recent Q4 report (Feb 15) further increased our confidence in the company's business model of low-risk and low-cost production and reserves growth in Oman.

VICP – BUY, TP SEK 35

The share dropped 6% in March, probably negatively affected by the adverse sentiment in the sector following potential changes to tax legislations in the future. However, we believe the share has material near- and long-term potential and argue that it trades at an attractive valuation with new property acquisitions as imminent triggers.

SF – BUY, TP SEK 110

Stillfront invested heavily in future growth during 2016 and we identify several share price triggers in 2017. News about the global launch of new promising game titles such as Siege Titan Wars and Conflict of Nations coupled with potential news flow for the Unravel sequel and Coldwood's own game IP make 2017 highly interesting and we argue a large part of the current market cap is justified by Bytro alone. The Q4 2016 report was better than expected. In our Q4 2016 review we included expected revenue from Babil Games and Simutronic's Siege Titan Wars which led us to raise our target price to SEK 110 (101). The SF share has traded down since its February highs due to limited news flow, insider selling of a board member and poor share liquidity. We expect the launch of Siege Titan Wars after the EGM on April 18 when the recently announced incentive program will be decided upon. The world's largest gaming trade fair E3 is taking place in June 13-15. Coldwood's Unravel was exhibited at E3 in 2015 and it is not unlikely that Electronic Arts (owner of the IP) wants to show a demo for the sequel in June.