July portfolio

Sector — **Investment Strategy**

Our model portfolio was down 0.2% in June, while the OMXSGI benchmark index was down 1.9% during the same period. Year to date, our portfolio is up 12.1%, while the OMXSPI benchmark index is up 8.2%. For July, we keep 6 of 10 stocks, replacing Kone, Bilia, Enquest, and Stillfront with SEB, International Petroleum Corporation, Mr Green, and Catena Media.

June portfolio

Our monthly portfolio was down 0.2% in June, while our benchmark index dropped 1.9%. 6 stocks beat the benchmark. In particular Stillfront outperformed, gaining 13.6% on an eventful month in terms of news flow around both acquisitions and game launches. Enquest underperformed, dropping 10.1% on the month, as weaker oil prices more than offset the positive news of first oil at the Kraken field.

4 new shares in our July portfolio

In our July portfolio, we keep Investor, SOBI, Elekta, SCA, Platzer and Victoria Park, and we replace Kone, Bilia, Enquest and Stillfront with SEB, International Petroleum Corporation, Mr Green and Catena Media. SEB reports Q2 earnings in July and we expect to see further support for our bullish stance with earnings supported by the exposure to large Swedish corporate clients. International Petroleum Corporation has been trading lower with the oil and gas sector in Q2, but we view the company's cash flow as relatively resilient to current oil prices, and expect the share to benefit from both recovering oil prices and asset acquisition(s) in 2H 2017, in line with the company's growth strategy. Mr Green is going through a turnaround and we expect the company's Q2 report in July to provide further proof it is on the right track. Mr Green has a very well-known brand and remains clearly undervalued relative to online gambling peers. Catena Media is one of the leading affiliate marketing companies within iGaming, leading the affiliate consolidation process. With acquisition-driven growth and easy comparisons we expect strong growth in the Q2 report in August, but as the company recently tapped the bond market for another EUR 50m, we also see potential for further M&A before the Q2 report.

Portfolio

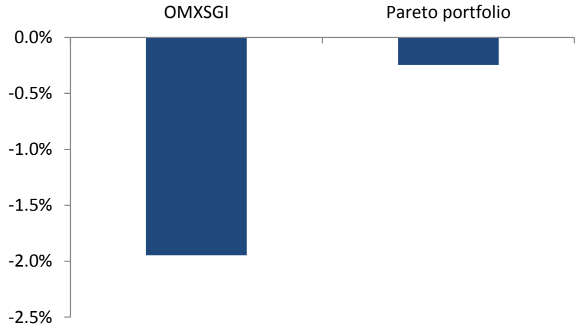
	Rec weight
INVE	10%
SEB	10%
SOBI	10%
EKTA	10%
SCA	10%
IPCO	10%
PLAZ	10%
VICP	10%
MRG	10%
CTM	10%
Sum	**100%**

Performance

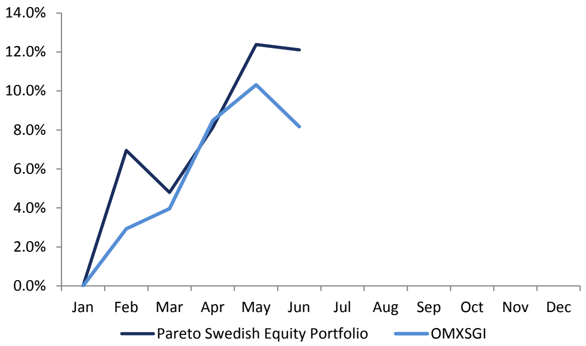
	Index Value 31/05/2017	Performance last period	Performance 2017 [2]
Total Portfolio [1]	112.1	-0.2 %	12.1%
OMXSGI [1]	108.2	-1.9 %	8.2%

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

Performance in June



Performance 2017 (YTD)



INVE – BUY, TP SEK 430

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, most recently with the release of supplementary information (introduced in the Q1 2017 report) with estimated values for the unlisted businesses. The estimated value for Mölnlycke was slightly higher than consensus (SEK 54bn vs 51bn), which is positive but we believe that it is equally important that operational improvemens will now be more quickly reflected in the reported numbers. Also, the capital markets day provided access to the companies in the unlisted portfolio which was much needed given the time elapsed since the last CMD. In our view 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.

SEB – BUY, TP SEK 110

We consider SEB attractively priced at P/E'17e of 12.8x and P/B'17e of 1.6x compared with the average of NDA, SHB and SWED at P/E'17e of 13.6x and P/B'17e of 1.6x. The share has been slightly weaker than our reference index OMXSGI in June and we believe that the bank's Q2 report can support the share in July. In the medium-term, with significant exposure to larger Swedish exporting corporates, we consider that SEB is well positioned for a potential accelerating economic recovery in Europe.

SOBI – BUY, TP SEK 200

Sobi remains one of our top picks within the health care sector, as we believe that the market underestimates the commercial opportunity of its haemophilia products Eloca and Alprilix. The recent and unexpected weakness in the share price provides an excellent buying opportunity ahead of the Q2 report due July 19. We believe the weakness is, once again, related to the market´s overcautious stance regarding the potential competitive threat that might come from e.g. emicizumab (ACE910) from Roche. Roche recently released an update from the HAVEN 1 and 2 trials with emicizumab, an update that did not add much to what was already known. The decision to keep Partner Products was a tad disappointing,but if the price was not right we believe it was better to keep the asset than sell it at a discount. The new CEO sees hidden values but we believe the proof of that is still in the pudding.

EKTA – BUY, TP SEK 100

Elekta reported Q4 2016/17 results well below both our and SME consensus expectations (1 June). We had already been expecting the order growth to be weak on the back of a strong comparison quarter but orders came in 14% below our and SME consensus estimates. The weaker-than-expected result was mainly derived from the US and European markets. The internal problems in the US organisation have obviously not been resolved, as evidenced by Elekta appointing a new Executive VP in the region. We see a risk of the restructuring in the US having a dampening effect on order growth in H1 2017/18. Although Q4 was a disappointment, Unity (MR-LINAC) is still tracking ahead of plan and the transformation programme is progressing well, yielding significantly improved cash flow, and we view the share as oversold.

SCA – BUY, TP SEK 80

SCA's large forest holdings should be an attractive investment for pension funds etc, with their stable growth and the current low interest rates. We believe SCA's book value for the forest assets of SEK ~31bn is conservative and we estimate in our base case that a sale could be done at a SEK ~20/share premium to the book value, with a further SEK ~20-50/share upside potential in more bullish scenarios. SCA will report their Q2 numbers on July 21 where we also expect them to announce financial targets which have not yet been set for the standalone company.

IPCO – BUY, TP SEK 45

International Petroleum Corporation is a recently launched Lundin Group E&P company which aims to act as a vehicle for acquisition-driven growth at a time when many other oil companies are under financial stress due to the low oil prices . IPCO was created through a spin-out of Lundin Petroleum's non-Norwegian, producing assets in Malaysia, France and the Netherlands, which means is has an asset portfolio which generates robust free cash flow at current oil price (and some resource upside), which can be leveraged to fund value-creating acquisitions. With the full backing of the Lundin Group, we view IPCO as well suited to deliver on its strategy. We expect recoverying oil prices in Q3 to support the share and an intial asset acquisition (likely debt-funded) to be announced relatively shortly and act as a major trigger.

PLAZ – BUY, TP SEK 58
Platzer is a real estate company with a pure focus on the healthy and expanding Gothenburg region. The property portfolio consists high quality commercial property space and valuable building rights for new production, both for residential use (to be divested when fully developed) and for office space. We expect 23% NAVPS growth in 2018E (29% between Q1 2017 and 2018E), stemming from hidden values in the project portfolio. A zoning plan in Södra Änggården for 150,000 residential and 50,000 commercial building rights is expected to be approved in Q1 2018, where we estimate the excess values at SEK 8.75 per share, and we argue the share price should follow. These values may be brought forward to 2017 as Platzer has already commenced the divestment process of the residential building rights. Material NAV growth is the key investment case trigger, backed by a moderate P/CEPS valuation and a solid dividend.

VICP – BUY, TP SEK 36
The share continued its positive price trend in May and was up 9% during the month, following a 6% share price increase in April. The share still offers material upside with both near- and long-term potential with new property acquisitions as imminent triggers. We focus primarily on the extraordinary NAV growth (11% q/q in Q1, 61% y/y) coupled with a moderate risk profile. The clear focus on residential properties, in cities with population growth, implies low risk for vacancies and regulated rental levels effectively lowers the operational risk. Significantly higher rents upon completed renovations drives 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 and the recent Q1 report was yet another proof of the business model, in our view.

MRG – BUY, TP SEK 51
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 last year and got back on the growth track. We believe the Q2 report (21 July) once again will confirm the turnaround and we expect both strong growth and margin uptick. The company recently made a share issue of SEK 195m before fees which we believe will result in M&A in the upcoming months. Even including the Austrian tax provisions which has been a wet blanket on the share, we find Mr Green to trade at ~50% discount to peers, a far too deep discount.

CTM – BUY, TP SEK 125
Catena Media is one of the leading affiliate marketing companies within iGaming, leading the affiliate consolidation. With acquisition-driven growth and easy comparisons we expect strong growth in the Q2 report in August which is the next visible trigger. Although, having recently tapped another bond of EUR 50m, we also expect further acquisitions. The share responded poorly to the latest (smaller) acquisition and has traded down and we see a good entry point with possible M&A before the Q2 report.