February Portfolio

Sector **Investment Strategy**

Our model portfolio was up 5.9% in January, while the OMXSGI benchmark index was up 1.7% during the same period. For February we keep 5 of 10 stocks, replacing Lundin Petroleum, Volvo, Hufvudstaden, Zalando and Catena Media with SKF, Fabege and Stora Enso, Kinnevik and Lucara Diamond.

January Portfolio

Our monthly portfolio was up 5.9% in January, while our benchmark index (OMXSGI) was up 1.7%; a relative outperformance for our portfolio of 4.2%. 7 out of 10 stocks beat the benchmark index: Catena Media, Kindred, Zalando, Volvo, Lundin Petroleum, Millicom and International Petroleum Corp.

5 new stocks in our February portfolio

In our February portfolio we keep 5 of 10 stocks, replacing Lundin Petroleum, Volvo, Hufvudstaden, Zalando and Catena Media with SKF, Fabege and Stora Enso, Kinnevik and Lucara Diamond.

We believe that the market has not understood the late-cyclical characteristics of SKF and we expect to see margin improvements from a strong industrial cycle through 2018, price increases and internal improvements. Fabege is one of our top picks for 2018, we see short-term and long-term potential in Fabege through continued impressive property value growth in Q4 2017, 2018 and 2019 and a solid stream of large new leases which gives fuel for future developments. In Stora Enso we expect the revaluation to continue in 2018 on the back of a very healthy market and volume increase from the Beihai ramp-up. 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. After a subdued operational and share price performance in 2017 we expect Lucara Diamond to increase recovery of large, high-quality diamonds in 2018-2019. Lucara's Q4 report is due 20 February – we expect an improvement relative to prior quarters in 2017 and an indication that the stage is set for a strong 2018.

Portfolio

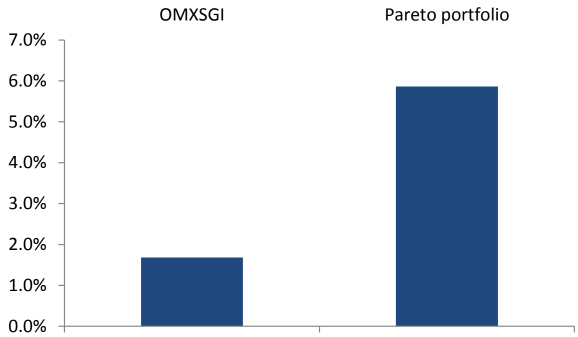
	Rec weight
Millicom	10 %
IPC	10 %
Lucara Diamond	10 %
SKF	10 %
Fabege	10 %
Victoria Park	10 %
Kinnevik	10 %
Kindred	10 %
Mr Green	10 %
Stora Enso	10 %
Sum	**100 %**

Performance

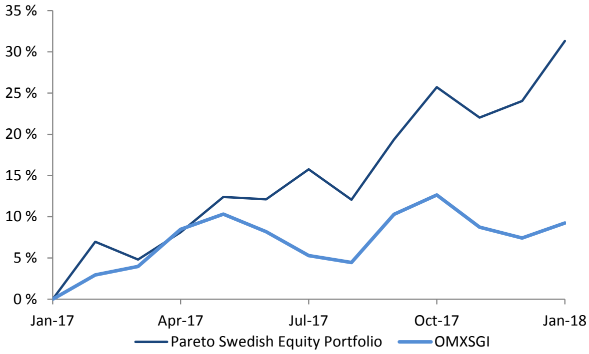
	Index Value 31/01/2018	Performance last period	Performance 2018 2)
Total Portfolio 1)	105.9	5.9 %	5.9%
OMXSGI 1)	101.7	1.7 %	1.7%

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

Performance in January



Total performance (since February 2017)



KIND – BUY, TP SEK 149
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 holds the highest share of regulated revenue. Kindred's revenue growth was strong in Q1-Q3 2017 and Q4 will be even better at ~47% y/y, ~32% organic, supported by abnormally good sports margins, continued strong sportsbook turnover growth and a robust performance within casino across most markets. We repeat Kindred is preferred exposure ahead of FIFA 2018 and for the longer term as it is already investing for the future. In addition, as 32Red is performing very well we think Kindred is ready for a new acquisition this year, adding upside. We have raised our estimates as Kindred seems to be performing very well in most of its markets and is likely to continue to gain market share over the next few years. Shares has been strong beginning of 2018 which has raised the bar for the upcoming Q4 report, but as Kindred is well positioned ahead of FIFA 2018 we think shares still offers upside. The Q4 results are due out 14 February.

MRG – BUY, TP SEK 67
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 in 2016 and got back on the growth track, which the Q3 report continued to show. Although the latest acquisition of Evoke Gaming will be slightly margin dilutive in 2018, we expect growth ahead to be strong and we expect 24% growth in the Q4 report due out February 9.

IPCO – BUY, TP SEK 50
International Petroleum Corporation is a Lundin Group E&P company with a strategy to act as a vehicle for acquisition-driven growth. IPCO announced in late September 2017 its first major acquisition of the Suffield & Alderson heavy oil and natural gas assets in Canada in a fully debt-financed deal. Suffield has since become the new cornerstone asset of IPCO's portfolio, and we view the transaction as NAV accretive and under-appreciated by the market, not least in terms of the cash generation potential already in 2018-2019e. IPCO has traded sideways in since November as regional energy prices in Canada have lagged global benchmarks, but we expect better performance in February as expectations rise ahead of the company's CMD planned for 26 February 2018, when more information likely will be shared on the potential at Suffield.

FABG – BUY, TP SEK 225
Fabege is another top pick in the real estate universe for 2018 and we see both significant short- and long-term potential in the share. The company has a history of impressive property value and NAV growth and we expect the positive development to continue in Q4 2017, 2018 and 2019. The property value uplift comes primarily from hefty rental growth (renegotiated rental contracts were up 27% in Q1-Q3 2017 and 23% for the full year 2016) and from highly profitable commercial (office) property developments (66% ROI in Q1-Q3 2017 and 60% in 2016, target is 20%). The latter triggers not only value growth but also increases the rental income and cash flows from completed projects. The large building right portfolio coupled with a solid stream of large new leases, gives fuel for more project developments. We expect a strong ending to 2017 and estimate 7% NAVPS growth in Q4, taking 2017E NAVPS to SEK 197. The Q4 report is due out on 5 February 2018.

VICP – BUY, TP SEK 37
Victoria Park, one of our top picks in the sector for 2018, offers material upside with both near- and long-term potential, where new property acquisitions could be imminent triggers given that such transactions increases the long-term value creation the way we see it. We focus primarily on the extraordinary NAV growth coupled with the moderate risk profile. The company's clear focus on residential properties, in cities with population growth, implies low risk for vacancies and regulated rental levels effectively lowers the operational risk. This also means that Victoria Park is not affected by the shaky co-op market as the company's portfolio consists of rental apartments only. Significantly higher rents upon completed renovations drive 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. We expect a strong Q4, due out on 15 February 2018, and thus include the share in our February-portfolio.

SKF – BUY, TP SEK 220
We see three major factors behind a better than expected margin improvement in SKF– a continuously strong industrial cycle all through 2018E , price increases to OEM clients and savings from internal improvements. We believe that the market has not understood the late-cyclical characteristics of SKF's margin improvement. We have lifted our EPS estimates by around 15% for the coming two years and our target price to SEK 220. Q4 report is due 1 February.

LUC – BUY, TP SEK 20
After a subdued operational and share price performance in 2017 we expect Lucara Diamond to increase recovery of large, high-quality diamonds in 2018-2019 (which price at a clear premium in the market on a USD/carat basis). As a result, we are above both management guidance and Factset consensus on 2018 revenue and earnings. In addition, we find the dividend yield outlook of Lucara attractive (gradually increasing from 4% in 2018e to 7% in 2020e). Lucara's Q4 report is due 20 February – we expect an improvement relative to prior quarters in 2017 and an indication that the stage is set for a strong 2018.

MIC – BUY, TP SEK 650
We initiated on Millicom in December, 2017. The company has a strong mobile and fixed broadband footprint in Latin America where the growth in data traffic is developing strongly. Penetration rates for both 4G mobile services and fixed broadband connections remain at relatively low levels indicating good opportunities for growth over the next few years. We expect the remaining parts of its African businesses to be divested which will further strengthen the financial profile while at the same time improve its M&A profile by becoming a pure Latin American focused telecom services business.

KINV – BUY, TP SEK
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.

STERV – BUY, TP EUR
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 ramp-up 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 and as the transformation continues (Beihai expected to reach EBITDA break-even in Q1) we believe that the revaluation will continue. 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% for 2018 on our estimates, only surpassed by UPM in the Nordics. Stora Enso will report Q4 numbers on February 9th which we believe could be a potential trigger for the share and where we expect to get positive guidance going forward.