July Portfolio

Sector | **Investment Strategy**

Our model portfolio was up 2.6% in June while the OMXSGI benchmark index was up 0.2% during the same period. Year to date, our portfolio is up 21.2% vs OMXSGI at 4.3%. For July 2018 we keep 7 of 10 stocks, replacing Elekta, MTG and Vostok Emerging Finance with Arjo, Getinge and Millicom.

June portfolio

Our monthly portfolio was up 2.6% in June while our benchmark index was up 0.2%; a relative outperformance for our portfolio of 2.3%. 6 out of 10 stocks beat the benchmark index: Elekta, MTG, Recipharm, Aspire Global, Kindred and Assa Abloy.

3 new stocks in our July portfolio

In our July portfolio we keep 7 of 10 stocks, replacing Elekta, MTG and Vostok Emerging Finance with Arjo, Getinge and Millicom. We recently initiated coverage on Arjo with a Buy recommendation and target price of SEK 40 per share. We believe that the Q2 report will continue the positive trend seen since the spin-out from Getinge in December 2017 regarding overall organic growth and that we will see a fourth consecutive quarter with positive growth for the US rental business. Getinge is included as we expect that Q2 will be another quarter with positive organic growth, and would not be surprised if the company raised its 2018 full-year outlook for organic sales as it gets more and better visibility of the sales performance. Millicom has had a surprisingly weak performance since it strong first quarter results in which it maintained its FY 2018 guidance. We believe the second quarter, to be released on July 19th, has potential to act as a positive catalyst for the share. We expect improving organic growth rates ahead which should be supportive for the conservative valuation of the business and its cash flow generation.

Portfolio

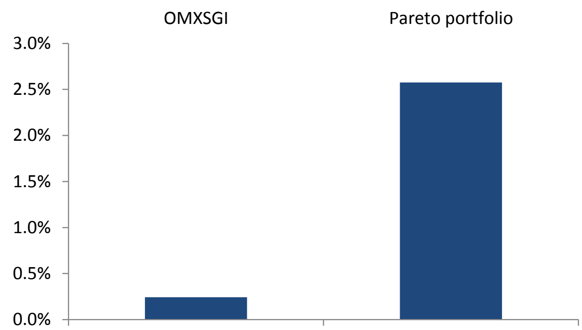
	Rec weight
Recipharm	10 %
Kindred	10 %
Aspire Global	10 %
Assa Abloy	10 %
Autoliv	10 %
Kinnevik	10 %
Stora Enso	10 %
Arjo	10 %
Getinge	10 %
Millicom	10 %
Sum	**100 %**

Performance

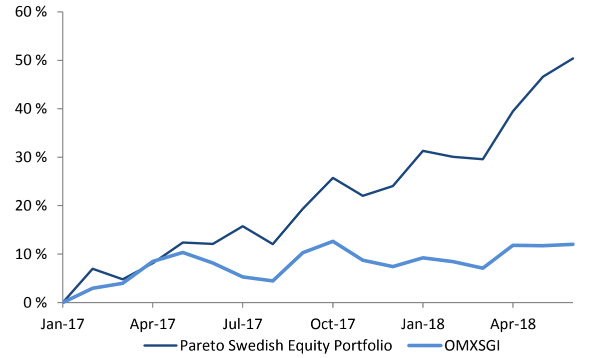
	Index Value 30/06/2018	Performance last period	Performance 2018 [2]
Total Portfolio [1]	121.2	2.6 %	21.2%
OMXSGI [1]	104.3	0.2 %	4.3%

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

Performance in June



Total performance (since February 2017)



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KIND – BUY, TP SEK 143

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. Q1 revenue was marginally short of both our and consensus expectations while the negative EBITDA deviation was larger due to higher betting duties as Kindred continues to grow fast in regulated markets. Active customers grew 12% y/y, reaching a new all-time high, and Kindred says it sees a good opportunity for reactivation of customers as well as new customer acquisitions in connection to FIFA, which is why it guides for sequentially higher marketing spend and lower EBITDA in Q2. Q2 started well with revenue up 52% y/y, explained by easy comps in April and a strong performance across products and markets. World Cup results has been slightly better for bookies than expected why Q2 looks solid. In, addition Kindred holds triggers which is supportive for the long term equity t story as the CEO recently claimed it has an M&A firepower of GBP 800m and that its targeting to enter the US market as soon as possible following the PASPA ruling.

ASPIRE – BUY, TP SEK 43

Q1 sales and EBIT were lower than we expected, mainly due to a B2C high-roller win at the end of March, shaving off EUR ~1m in sales and EBIT. With the effect reversed at the beginning of Q2 and with strong deposits growth, April started strongly. Furthermore, sportsbook now represents ~10% of B2C revenues and is growing fast. In addition, Aspire plans to support growth through an increased focus on Karamba with a new dedicated team in place, and through launching a new games vertical focused on women. With the strong start to Q2 and potentially accretive M&A ahead and recent share price weakness we find risk reward as attractive. The Q2 report is due out 14 August.

ALIV – BUY, TP SEK 1,142

Autoliv (Buy, new TP under revision but according to our SOTP we value it to SEK 1,142 in equity): Autoliv and Veoneer have no gone through their split and are trading as separate companies which we see as positive given their different investment profiles and risk levels (we see Autoliv/Passive Safety as less risky). The two companies held a joint Investor Day on 31 May in Stockholm where they confirmed their bullish financial targets, and, moreover, we should in Q2 and Q3 start to see operating leverage take off, with EPS growth being substantially higher than organic sales growth given the market share gains in Passive Safety orders (circa 50% of the total market volume the recent years).

ASSA – BUY, TP SEK 210

Assa Abloy has stepped up its organic growth from around 3-4% in recent years up to around 5% thanks primarily to that the negative sales development in China has come to an end and that growth has recovered in Europe but also in the more cyclical Entrance Systems. At the same time has the long term growth driver, Global Technologies which provides electronic locks solutions in Assa Abloy, also reported a somewhat better growth. On top of that is the emergence of the small but fast growing smart lock solutions. This segment represented 3% of sales in 2017 but could very well double in size in the coming year. Important clients such as Amazon, Wal-Mart and Google are sourcing smart lock solutions from Assa Abloy. The introduction of the new CEO Mr. Delvaux has been surprisingly positive after the very negative share price reaction when Mr. Mohlin retired.

STERV – BUY, TP EUR 22

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 rampup 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 2016-17 and as the transformation continues we believe that the revaluation will continue with likely multiple expansion after the Bergvik split. 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% in the coming years without holding back on potential cartonboard conversion investments. We believe that the Q2 report due July 20th is a potential trigger for the share and expect the company to guide a more narrow operational EBIT range vs Q1 and reiterate the strong market outlook.

GETI – BUY, TP SEK 110
We expect that Q2 will be another quarter with positive organic growth, and would not be surprised if the company raised its 2018 full-year outlook for organic sales as it gets more and better visibility of the sales performance. With the market now fully aware of the higher cost base for 2018, we do not have any high expectations of profitability. In addition, we expect the gross margin to fall sequentially due to the product mix communicated in the Q1 report, i.e. more capital goods and high growth in Emerging markets where prices are lower vs more mature markets. As the short sellers have continued to pile up, we might expect a rally in the stock on a positive reception of the Q2 report.

ARJO – BUY, TP SEK 40
We recently initiated coverage on Arjo with a Buy recommendation and target price of SEK 40 per share. We believe that the Q2 report will continue the positive trend seen since the spin-out from Getinge in December 2017 regarding overall organic growth and that we will see a fourth consecutive quarter with positive growth for the US rental business. The turnaround plan for the important US business is crucial for the company and our recent visit at the US headquarters make us confident that the current local management team are executing on the plan and hitting the initial milestones.

RECI – BUY, TP SEK 160
We expect additional share price potential for Recipharm after a decent recovery during 2018. The company has managed to secure two significant low priced carve-outs over the last year (Leganes in Spain and the recent Holmes Chapel in the UK) and together with organic support from several growth project the company is in the early stage of an unusually intense growth period. The review of part of the solids business in Sweden is also likely to support improved margins together with currency support and improved activity for the D&T business. A market expectation also remains modest and Q2 is normally an active quarter ahead of the slower Q3. We expect that Recipharm's growth projects will add between SEK 750-800m in annual sales with robust margins to late 2019. This is also likely to result in a period of unusually high organic growth and reduced capital expenditures for Recipharm. The improved performance is also likely to put Recipharm in a good position to close significant acquisitions already in 2019 and potentially another carve-out. A third carve-out would also signal that Recipharm's improved global reach also puts the company in a good position as an attractive and credible carve-out partner. We point to a further upside and our Buy recommendation comes with a SEK 160 target some 20% above the current share price.

MIC– BUY, TP SEK 703
Millicom has had a surprisingly weak performance since it strong first quarter results in which it maintained its FY 2018 guidance. We believe the second quarter, to be released on July 19th, has potential to act as a positive catalyst for the share. Millicom is in the middle of its transformation from a mobile only provider to becoming a provider of high-speed data networks services, both fixed and mobile. Growth is strong in both 4G subscriptions and broadband access driving an even stronger growth in revenues from data. These revenues are now more than offsetting the decline in the legacy business, primarily mobile voice and sms. We expect this development to strengthen resulting in improving organic growth rates ahead which should be supportive for the conservative valuation of the business and its cash flow generation

KINV– BUY, TP SEK 360
We continue to see significant upside potential in the Kinnevik share. Primarily we see potential for a higher valuation of its key assets Zalando and Millicom. In June the Zalando share has performed strongly following a, in our view, strong message conveyed at the CMD in early June. This performance is not at all reflected in the Kinnevik share. We expect this deviation to correct in July. We expect Zalando to remain strong ahead of its seasonally strong third quarter which will be reported on August 7th. We have a Buy rating of Zalando of EUR 55.