

**LANNEBO**

# Lannebo Småbolag

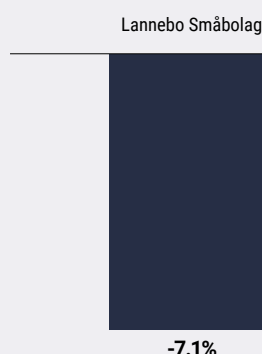
Swedish-registered equity fund, EUR

Monthly report October 2020

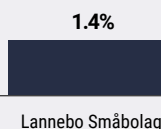
The money you invest in a fund can both increase and decrease in value and it is not certain that you will get back the full amount invested.

Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	<b>Oct 2020</b>	Nov 2020	Dec 2020
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## Monthly performance



## Performance YTD

**Johan Ståhl & Hjalmar Ek**

## Performance

Performance. %	Lannebo Småbolag
October 2020	-7.1
Year-to-date 2020	1.4
3 years	29.4
5 years <sup>1</sup>	65.6
10 years <sup>1</sup>	263.7
Since launch (08/04/00) <sup>1</sup>	1 158.3
Average annual return 24 months	16.0
2019 <sup>2</sup>	36.3
2018 <sup>2</sup>	-4.8
2017 <sup>2</sup>	9.8
2016 <sup>2</sup>	5.1
2015 <sup>2</sup>	33.9

<sup>1</sup> Performance of the fund before start of the asset class (05/02/16) is simulated from the SEK-asset class.

<sup>2</sup> The performance is based on closing prices.

## New lockdowns, new stock market declines

Stable quarterly earnings were no vaccine against share price declines.

The increased spread of covid-19 led several European countries to announce various restrictions during October. Rising concerns over the economic effects of the new shutdowns led to significant share price declines globally, where European stock markets fell the most. As was the case with the first wave of the infections spread during the Spring, many cyclically sensitive stocks were hard hit, which affected the fund's return. Developments short-term are difficult to predict, however, we believe it is important to have a longer-term perspective and bear in mind the substantial resources currently being spent on developing a viable vaccine.

In our opinion, the majority of our holdings released positive Q3 earnings. This was clearly not rewarded with share price increases given the good margins, in many cases, were a result of lower costs, such as reduced - or even non-existent - business travel, trade fairs and other events. The rubber company Hexpol released an earnings report with an operating margin that was markedly higher than the corresponding quarter in 2019 and was also higher than market expectations. In addition, cash flow was strong. Demand gradually recovered in Q3, following Q2 production stops

## Monthly performance, %

Jan	Feb	Mar	Apr	May	Jun
-2.9	-10.0	-22.9	17.2	11.2	0.9
Jul	Aug	Sep	Oct	Nov	Dec
10.9	7.0	3.7	-7.1		

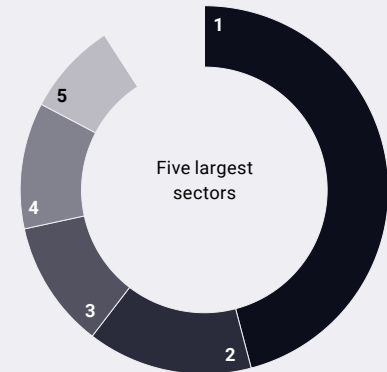
among the company's automotive customers. In addition, Hexpol announced that Georg Brunstam is stepping down as Chairman of the Board to once again assume the role of CEO; Georg Brunstam was Hexpol's CEO 2007 -2017. Alf Göransson is proposed as the new chairman of the company. The Hexpol share price fell by 2 per cent. Bufab, which distributes so-called C-parts - smaller manufacturing components such as nuts and bolts, also saw strong performance with increasing sales, margins and cash flow compared with the corresponding period last year. The Bufab share price fell by 4 per cent. Following the share price increases earlier this year, the solid earnings reports released by Addtech and Nolato were insufficient and the share prices fell by 16 and 15 per cent, respectively during October.

Alimak, which supplies elevators to construction and industrial customers, released weak earnings results with lower order intake, revenue and margins. The quarter was still affected by the pandemic, which led to customers being more hesitant. The company's new CEO launched a change plan to increase profitability. Should the improvement efforts bear fruit, and the company's end markets stabilize, the share has significant potential. Alimak shares fell 10 per cent. The shares of the pharmaceutical company Sobi developed poorly during the month following negative results from two important studies. Although the news was negative, it is important to take into account the extent of Sobi's development projects, where the company continuously enters new agreements to expand its product portfolio. For example, Sobi entered into a global licensing agreement, excluding the US, with American Apellis regarding a drug candidate for five indications. The Sobi shares fell by 29 per cent.

The financial group Alm. Brand sold its banking operations to Sydbank and, at the same time, the company entered a distribution agreement with Sydbank for its insurance products. In our opinion, the deal is logical and exactly what we deem was required to highlight the value in Alm. Brand's well-run insurance business. The share price increased 1 per cent during the month.

We continued to increase our holding in Finnish Basware, while the holding in Castellum was increased slightly. Furthermore, we increased our holding in Nolato given that we consider the share was undeservingly severely punished after the release of its interim earnings report. The holding in Revenio was divested in its entirety following a strong share price development. We believe expectations exceed reality. The holdings in Vitrolife and Intrum were also marginally reduced.

## Sector allocation



#	Sector	% of the fund
1.	Industrials	44.3
2.	Health care	14.0
3.	Consumer discretionary	10.8
4.	Materials	10.7
5.	Real estate	7.9
6.	Information technology	4.7
7.	Communication services	3.3
8.	Financials	0.8
Cash		3.5

## 10 largest holdings

Holding	% of the fund
Securitas B	5.2
Huhtamäki	4.7
Nolato B	4.7
Trelleborg B	4.6
Addtech B	4.3
Bravida	3.7
Castellum	3.6
Husqvarna	3.4
Lindab	3.0
Hexpol B	2.9
<b>Total 10 largest holdings</b>	<b>40.2</b>
Cash	3.5
Total number of holdings	54

## Major changes during the month

### Buy

Basware  
Castellum  
Nolato

### Sell

Revenio  
Vitrolife  
Intrum

## Risk and reward profile

Lower risk					Higher risk	
1	2	3	4	5	6	7

## Financial ratios<sup>1</sup>

	Lannebo Småbolag	Benchmark
Sharpe ratio	0.7	0.9
Total risk (%)	27.7	24.3
Tracking error	6.0	
Information ratio	-0.4	
Alpha	-0.3	
Beta	1.1	
Active share (%)	66	
Portfolio turnover ratio (06/30/20)	0.3	

<sup>1</sup> Financial ratios of the fund before start of the asset class (05/02/16) is simulated from the SEK-asset class.

## Fund facts

Fund manager	Johan Ståhl & Hjalmar Ek
Launch date	08/04/00
NAV per unit (EUR)	154.59
Fund size (EURm)	2,642
Management fee (%)	1.6
Bankgiro	5563-4620
ISIN	SE0008040885
Trading frequency	Daily
Minimum investment amount	EUR 100
Supervisory authority	Finansinspektionen
LEI	549300JC5787N3394631

## Risk information

Past returns are no guarantee of future returns. The money invested in the fund may increase or decrease in value and it is not certain that you will get back all the capital you have invested. The key investor information document and prospectus can be found at [lannebo.se/en](http://lannebo.se/en). Please note that Lannebo does not produce investment recommendations or other information recommending or suggesting an investment strategy. Information in this monthly report should not be seen as anything other than a statement of the fund's trading activities and holdings.

## The fund is suitable for those who

- Want to invest in small and medium-sized companies listed on the Swedish and other Nordic stock markets.
- Want an actively managed fund with investments based on a clear understanding of each individual company.

## The fund's investment policy

Lannebo Småbolag is an actively managed equity fund that invests in small and medium sized enterprises listed in the Nordic region, primarily in Sweden. The fund invests in companies with a market capitalisation amounting to a maximum of 1 per cent of the total Swedish market capitalisation. At the end of the mid-year 2020, this meant a market capitalisation of around EUR 7.3 billion.

## Explanations

**Benchmark** Carnegie Small Cap Sweden Return Index. The unit price of the fund is set before the price of the index is calculated. This can sometimes result in a misleading comparison between the two.

**Sharpe ratio** Sharpe ratio is a measure of active risk in a fund. Calculated as the ratio of the fund's excess return above the risk-free rate of return and the fund's total risk.

**Total risk** Given as the standard deviation of variations in the total return of the fund or index.

**Tracking error** Tracking error is a measure of active risk in a fund. Calculated as the standard deviation of the difference between the return of the fund and its benchmark.

**Information ratio** A measure of risk-adjusted return. This is measured as the active return divided by the portfolio's active risk.

**Alpha** Describes the effect of the portfolio manager's decisions on the return of the fund. A positive alpha value is the risk-adjusted excess return relative to the return of the benchmark.

**Beta** Beta is a measure of a fund's sensitivity to market movements. The beta value reports how much the fund's value changes in percentage terms when the market's value changes by one percentage point.

**Active share** A measure of the proportion of the portfolio that differ from the benchmark.

All financial ratios are calculated according to guidelines of the Swedish Investment Fund Association.



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