

**LANNEBO**

# Lannebo Småbolag

Swedish-registered equity fund. SEK

Monthly report December 2022

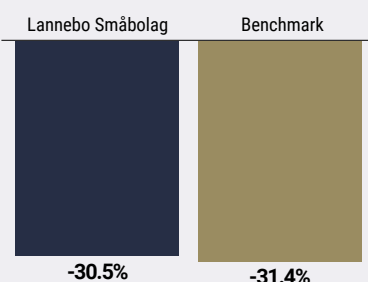
The money you invest in a fund can both increase and decrease in value and it is not certain that you will get back the full amount invested.

Jan 2022 | Feb 2022 | Mar 2022 | Apr 2022 | May 2022 | Jun 2022 | Jul 2022 | Aug 2022 | Sep 2022 | Oct 2022 | Nov 2022 | **Dec 2022**

## Monthly performance



## Performance YTD



Per Trygg &amp; Hjalmar Ek

## Performance\*

Performance. %	Lannebo Småbolag	Benchmark
December 2022	-0.5	-1.8
Year-to-date 2022	-30.5	-31.4
3 years	5.7	15.6
5 years	46.1	65.3
10 years	319.3	335.8
Since launch (08/04/00)	1 541.5	1 157.1
Average annual return 24 months	-5.4	-3.0
2022 <sup>1</sup>	-31.2	-31.4
2021 <sup>1</sup>	29.5	37.1
2020 <sup>1</sup>	18.0	23.0
2019 <sup>1</sup>	40.4	43.2
2018 <sup>1</sup>	-1.7	-0.2

<sup>1</sup> The performance is based on closing prices.

\*Net of fees

## Attractive valuations following a sour stock market year

### Mycronic closes a large order

Following the end of the reporting season in November, December was, as usual, a quieter month in terms of company-specific news. On the macro front, central banks continued to raise interest rates. There is a concern in the market that central banks will raise interest rates so much that it creates a greater economic slowdown than is necessary to bring inflation down to the target level.

An important event during the month was the ending of China's "zero covid" policy and the reopening of society with fewer restrictions. The many and far-reaching restrictions have weighed on China's economic growth and the re-opening is therefore positive for the global economy longer term. At the same time, many elderly people in China are not fully vaccinated and healthcare capacity is limited, which unfortunately increases the risk of a significant number of deaths as a result of the change in strategy.

When summing up 2022, in many ways it can be said to have been a strange stock market year. Russia's invasion of Ukraine has caused great human suffering and has led to a series of imbalances in the economy, with sharply rising energy prices as a result.

## Monthly performance. %

Jan	Feb	Mar	Apr	May	Jun
-12.8	-8.8	2.8	-3.7	-1.8	-15.4
Jul	Aug	Sep	Oct	Nov	Dec
16.8	-9.7	-11.9	6.1	8.3	-0.5

From the fact that at the end of 2021 there was a consensus among central banks that inflationary pressures were due to transitory factors, to a total reversal in 2022 that inflation must be fought - whatever the cost. This led to sharply rising interest rates and major multiple compression for stocks. Since valuations were generally high at the end of 2021, many companies now trade at significantly more attractive levels.

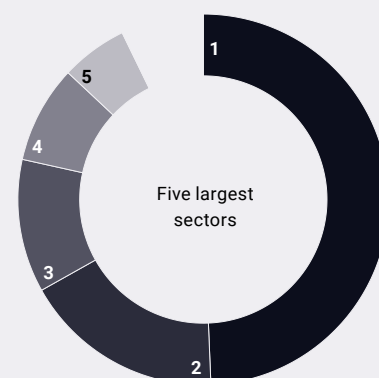
There are two main issues for the stock market in 2023: inflation and the economy. If inflation continues to moderate, the possibility for a softer economic slowdown increases. Some kind of economic slowdown is expected in 2023, but it is important to remember that it is when the mood is the gloomiest that it historically has been the best time to buy cyclically sensitive stocks. Having said that, the stock market has been anything but normal for the past three years, which is why it is not unlikely that something completely unexpected will dominate the equity market in 2023.

During the month, the refrigeration company Beijer Ref announced that it is entering the North American market through their acquisition of American Heritage Distribution. The price tag landed at around SEK 13 billion for a company with a turnover of around SEK 6.5 billion with good profitability and historical growth. The acquisition appears logical from an industrial perspective and makes Beijer Ref an even more global company. The share price fell 18 per cent, likely because the transaction is financed through a rights issue, which, until the issue is completed, usually pressures the share price.

At the end of December, Mycronic received an order for one of its most advanced mask writers, which is technology required in the manufacture of monitors. The order value is approximately SEK 400 million with an expected delivery during Q2 2024. The order significantly increases the visibility of Mycronic's earnings and thus reduces business risk. The share price increased on the announcement.

During the month, holdings in Troax, Lifco and Axfood were increased. At the same time, the holding in Lindab was divested as we assess there are other shares with better risk-adjusted potential. The holding in the Finnish Qt Group was also divested as part of our concentrating the fund, not to mention that the company has not delivered as expected. The holding in Terveystalo was reduced.

## Sector allocation



#	Sector	% of the fund
1.	Industrials	49.3
2.	Information technology	17.5
3.	Real estate	11.6
4.	Health care	8.5
5.	Consumer staples	5.8
7.	Financials	3.0
8.	Consumer discretionary	1.0
	Cash	3.2

## 10 largest holdings

Holding	% of the fund
Trelleborg B	7.0
Addtech B	5.8
Lifco B	4.4
Lagercrantz B	4.1
Beijer Ref B	3.9
Sagax B	3.9
Nolato B	3.8
AAK	3.6
Hexpol B	3.4
Balder B	3.2
Total 10 largest holdings	43.1
Cash	3.2
Total number of holdings	43

## Major changes during the month

### Buy

Troax  
Lifco  
Axfood

### Sell

Lindab  
Qt Group  
Terveystalo

## Risk and reward profile

Lower risk						Higher risk	
	1	2	3	4	5	6	7

## Financial ratios

	Lannebo Småbolag	Benchmark
Sharpe ratio	-0.1	0.0
Total risk (%)	27.3	25.5
Tracking error	4.7	
Information ratio	-0.5	
Alpha	-0.2	
Beta	1.1	
Active share (%)	70	
Portfolio turnover ratio (12/31/22)	0.4	

## Fund facts

Fund manager	Per Trygg & Hjalmar Ek
Launch date	08/04/00
NAV per unit (SEK)	135.23
Fund size (SEKm)	23,870
Ongoing charges (%)	1.63
Bankgiro	5563-4620
ISIN	SE0000740698
Trading frequency	Daily
Minimum investment amount	SEK 100
PPM number	842 690
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 year 2022, this meant a market capitalisation of around SEK 92 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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