

Monthly report July 2023

Lannebo Småbolag EUR

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.

Industrial stocks weighed by economic uncertainty

Large share prices moves on reports



Per Trygg
per.trygg@lannebo.se



Hjalmar Ek
hjalmar.ek@lannebo.se

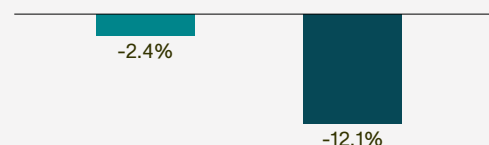
The Q2 earnings were in focus during the month. In general, demand in most segments – apart from construction, consumer durables and a few others – continued to be at good levels. On the other hand, it was clear that the economy is slowing down, and industrial companies that released figures for incoming orders generally bear witness to stable or slightly lower demand (particularly when adjusted for the significant effects of previous price increases). Customers in many segments were also selling off inventory as the supply of input goods improved. This was evident not least for companies with significant sales to the electronics industry, where, previously, the inventory build-up was most notable.

Geographically, the US continues to fair quite well overall, Europe was more mixed - with a particularly weak construction market - while China is clearly weak. Several companies reported that the expected economic recovery in China, following the lifting of pandemic restrictions, has not materialized to any significant extent. All in all, the above led to some sector rotations in the market, where many cyclically sensitive stocks developed poorly during the month, despite in many cases continued good delivery on earnings.

In our view, our holdings overall continued to develop according to plan. Software company Vitec grew recurring revenue by 59 per cent, with most of the increase coming from acquisitions. The company operates in small niches, with generally strong market positions, which is reflected in the 13 per cent organic growth and increasing margins despite general cost inflation. Profit growth (operating profit) was a full 89 per cent. The industrial group Addtech continued to deliver profit growth despite an ongoing economic slowdown. Addtech grew sales by 16 per cent, of which 7 percentage points were organic, and operating profit increased by 22 per cent. Cash flow also remained strong. Although an economic slowdown will of course also affect

The fund's performance*

- 1 month
- 1 year



| Performance (%) | Fund |
|-------------------------|---------|
| July 2023 | -2.4 |
| YTD 2023 | 3.4 |
| 1 year | -12.1 |
| 3 years | 4.5 |
| 5 years | 26.5 |
| 10 years | 183.8 |
| Since launch (08/04/00) | 1,298.9 |
| Average 24 months | -15.4 |
| 2022 ¹ | -36.7 |
| 2021 ¹ | 27.2 |
| 2020 ¹ | 22.6 |
| 2019 ¹ | 36.3 |
| 2018 ¹ | -4.8 |

¹ The performance is based on closing prices.

* Net of fees

| Jan | Feb | Mar | Apr | May | Jun |
|------|-----|-----|-----|------|------|
| 4.9 | 5.0 | 1.0 | 1.9 | -3.4 | -3.2 |
| Jul | Aug | Sep | Oct | Nov | Dec |
| -2.4 | - | - | - | - | - |

Addtech, it is worth noting that the company is well diversified and has a history of effectively managing recessions. The savings platform Nordnet had yet another strong quarter, where revenues increased by nearly 50 per cent while earnings per share rose 72 per cent. Despite a more challenging market climate and rising interest rates, the number of customers increased by 9 per cent compared to the same quarter last year. Good cost control provided continued high operating leverage in the business model.

On the weaker side, IT consultant Knowit presented an earnings report where operating profit was almost halved due to weak margins. The primary cause was a hiring rate that has been too high in a deteriorating economic climate, which led to a too low utilization rate to defend margins. Mycronic, which supplies production equipment for various applications in the electronics industry, had a challenging quarter where sales fell 7 per cent organically and operating profit fell 24 per cent. This was primarily due to the weak demand in China, where the uncertain economic situation caused customers to postpone investment decisions. However, it is worth noting that Mycronic has had a high order intake in the business area Pattern Generators, which has very good profitability. As the order book in this segment extends more than a year into the future, it provides a certain resilience against weaker business conditions.

During the month, we increased our holdings in the property companies Balder and Sagax as we believe that the companies have good conditions to continue creating value even in a climate with higher interest rates. The holding in Avanza was also increased. The entire holding in Knowit was divested during the month and a significant portion was sold prior to the release of earnings.

Largest holdings

| Holding | Share of the fund (%) |
|-----------------------------------|-----------------------|
| AddTech B | 6.5 |
| Trelleborg B | 6.1 |
| Beijer Ref B | 5.4 |
| Lifco B | 5.1 |
| Lagercrantz | 4.8 |
| Sagax B | 4.4 |
| AAK | 4.3 |
| Balder B | 4.0 |
| Bufab | 3.7 |
| Axfood | 3.7 |
| Total ten largest holdings | 48.0 |
| Cash | 2.2 |
| Total number of holdings | 40 |

Main changes

| Bought | Sold |
|--------|--------|
| Balder | Knowit |
| Avanza | - |
| Sagax | - |

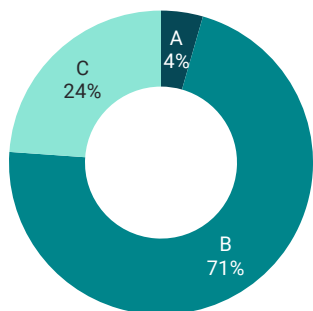
Sector allocation

| Sector | Share of the fund (%) |
|------------------------|-----------------------|
| Industrials | 51.0 |
| Information technology | 20.8 |
| Real estate | 12.5 |
| Consumer staples | 7.9 |
| Financials | 3.2 |
| Healthcare | 2.4 |

We work actively to take advantage of business opportunities and avoid risks related to the environment, social sustainability and corporate governance.

Sustainability grade

Lannebo's sustainability analysis identifies and grades the portfolio holdings' management of sustainability risks, environmental impact, and sustainability in the business model. A is the highest grade and E the lowest.



Share of the fund (%)

| | |
|---|----|
| A | 4 |
| B | 71 |
| C | 24 |
| D | 0 |
| E | 0 |

Nomination committees 2023

Lannebo participate in nomination committees to contribute to competent boards with relevant experience for the companies.

Company

| | |
|-------------|-------------|
| Addnode | KnowIT |
| Addtech | Lagercrantz |
| Beijer Alma | Nolato |
| Bufab | Nyfosa |
| CreaSpac | TBD30 |
| Fagerhult | Trelleborg |
| Hexpol | |

Voting

Share of the fund where Lannebo has voted at the general meeting.

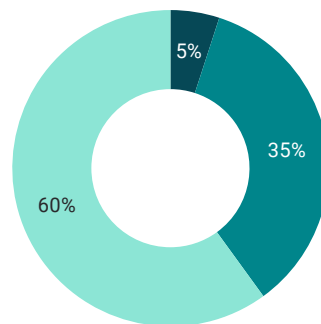
Share of the fund (%)

| | |
|----------|----|
| 2023 YTD | 89 |
| 2022 | 93 |
| 2021 | 92 |

Climate target

Lannebo has committed to a climate target that requires the companies in material sectors within its portfolios to establish science-based emissions reduction targets, SBT.

Year 2040: 100% Year 2030: 50%



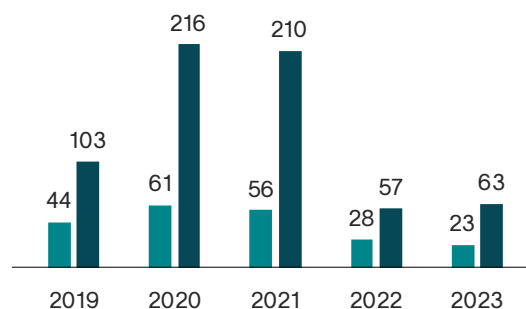
Share of the fund (%)

| | |
|---------------|----|
| Validated SBT | 5 |
| Committed SBT | 35 |
| No SBT | 60 |

Carbon footprint

Carbon footprint, measured as the weighted average carbon intensity, shows the fund's exposure to companies with high carbon intensity. Higher carbon intensity is an indication of higher climate change-related risks.

Fund Index



Gender equality on boards

The objective is to ensure greater gender representation by aiming for a minimum of 40 percent representation of the under-represented gender among board members on average.

Share (%)

| | |
|-------|----|
| Women | 34 |
| Men | 66 |

Financial ratios

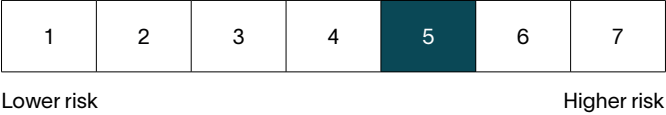
| | Fund | Index |
|--------------------------|------|-------|
| Sharpe ratio | -0.6 | -1.0 |
| Total risk (%) | 29.3 | 28.0 |
| Tracking error | 6.4 | |
| Information ratio | 0.1 | |
| Alpha | 0.9 | |
| Beta | 1.0 | |
| Portfolio turnover ratio | 0.3 | |
| Active share (%) | 72 | |

Fund facts

| | |
|---------------------------|------------------------|
| Fund managers | Per Trygg & Hjalmar Ek |
| Launch date | 08/04/00 |
| NAV per unit | EUR 156.67 |
| Fund size | EURm 2,132 |
| Ongoing costs* | 1.7% |
| ISIN | SE0000740698 |
| Trading frequency | Daily |
| Minimum investment amount | SEK 100 |
| Supervisory authority | Finansinspektionen |
| LEI | 549300JC5787N3394631 |

* Ongoing costs consist of management fees and other administrative or operating costs (an estimate based on actual costs over the past year) and transaction costs (an estimate of costs incurred when a fund buys and sells securities).

Risk indicator



Explanations*

Active share

A measure of the proportion of the portfolio that differ from the benchmark.

Alpha

Describes the effect of the portfolio manager's decisions on the return of the fund. A positive alpha value is the riskadjusted excess return relative to the return of the benchmark.

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.

Beta

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.

Carbon footprint

The weighted average carbon intensity is calculated by multiplying the portfolio company's weight in the fund by the portfolio company's emissions (scope 1 and 2) in relation to its revenue in millions of SEK.

Information ratio

A measure of riskadjusted return. This is measured as the active return divided by the portfolio's active risk.

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 en.lannebo.se.

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.

Sharpe ratio

A measure of risk adjusted return. Calculated as the ratio of the fund's excess return above the riskfree 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

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.

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