

Lannebo Teknik

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.



Small caps and technology companies drove the market higher

The importance of soft values and culture



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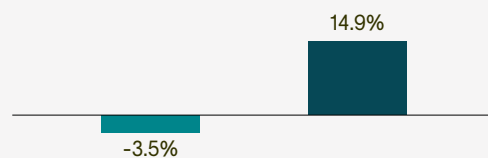
We saw a trend break in May where small caps outperformed large caps. Since 2021, small caps have underperformed large caps, which means that since the financial crisis we have had the largest discount when comparing larger versus smaller companies. Interest rate increases have been the predominate cause of the small caps' decline, so interest rate cuts could now push smaller companies higher. The Swedish Riksbank cut its key rate given inflation has moderated and is around the 2 per cent target level. Otherwise, we saw an increase of just over 4 per cent in the world index measured in USD. However, we continue to see large currency movements and where the fund is predominately affected by the USD against the Swedish krona; the krona strengthened by just over 4 per cent. This meant the world index was almost unchanged in May measured in Swedish kronor, and that the technology fund was, as such, negatively affected by the currency movements in relative terms.

The last of the quarterly earnings were released during May and overall we can conclude profits were better than expected, while turnover and forecasts were in line or slightly below expectations. However, more cyclically sensitive companies started to see a more stable market with inventory revisions starting to bottom out and somewhat improving demand. Worth mentioning is the influence a few companies have on the development of the index - or what is carelessly called "the market". If we look at the S&P 500, profit growth in the quarter was around 5 per cent. However, if we remove the five largest technology companies, profit growth was approximately minus 2 per cent. Similarly, if we instead remove three of the largest pharmaceutical companies, profit growth was over 9 per cent. The two takeaways are: 1) a few companies drive the development of the market, or, as in this case, the S&P 500 index; and 2) currently, the index has a limited risk diversification.

It was of course Nvidia's quarterly report, which was also followed globally, that stood out with regards to the funds performance. The

The fund's return*

- 1 month
- 1 year



Performance (%)	Fund	Index ¹
May 2024	-3.5	1.0
YTD 2024	7.6	17.6
1 year	14.9	30.6
3 years	39.4	79.3
5 years	130.9	189.6
10 years	542.4	738.7
Since launch (08/04/00)	112.0	374.7
Average 24 months	16.8	28.9
2023 ¹	35.6	49.1
2022 ¹	-20.8	-21.7
2021 ¹	31.4	41.5
2020 ¹	29.5	23.0
2019 ¹	40.6	50.8

¹ The performance is based on closing prices.

* Net of fees

Jan	Feb	Mar	Apr	May	Jun
7.4	1.4	3.8	-1.4	-3.5	-
Jul	Aug	Sep	Oct	Nov	Dec
-	-	-	-	-	-

report came in better than expected and so far there are no signs the AI hype is abating. Eventually, however, companies will be required to provide returns on all the investments they have made in Nvidia's chips and software. We have owned Nvidia for a long time, but we have a somewhat conservative position of just under 4 per cent; the company was nonetheless the largest positive contributor in May. The second largest positive contribution to performance came from First Solar, which also showed the largest increase during the month of over 50 per cent. First Solar benefited, in part, from government initiatives that should benefit domestic production. The company also reported growth of 45 per cent in the quarter and strengthened its gross margin to 45 per cent. Software companies continue to have a tough time and both Salesforce and Veeva's earnings reports came in weaker than expected and the shares were severely punished.

In last month's report we commented Autodesk's board audit committee that had opened an investigation into the company's accounting. As we write this, word has arrived that the investigation is completed and no action is required. At the same time, the investigation triggered doubts over the company's culture; we chose to sell a large portion of our holding. Like many other companies in the US, Autodesk has incentive programs that involve large costs for what is called "Share Based Compensation". This in itself need not be bad for shareholders, however, corporate culture is something that we see as very important in the companies we invest in.

We have worked for some time on refining our model for how to assess what constitutes a good corporate culture. The most common is to meet the company. The limitation, however, is the sample is small, where the people we meet in management all say their company has a fantastic culture. We also looked at creating quantitative measures of culture. In that project, "Winning the game of soft parameters", students from the Stockholm School of Economics developed a scorecard based on their findings of the most important characteristics of an organization: learning, caring, having a purpose, and creating joy. A high score meant a good culture. The scorecard was combined with surveys based on staffs' sentiments. In connection with the problems at Autodesk, the assessment of what can be indications of a poor culture were brought to light, such as, lack of principal owners, large incentive programs, and warning signs of creative accounting.

As part of the work with analysing a good corporate culture and as the son of a former SAS employee, I recently re-read the classic "Moment of truth" or "Riv pyramiderna". It was written by one of Sweden's most globally renowned business profiles, Jan Carlzon, aka SAS-Janne, aka Karlsson with C & Z when he managed to save the airline SAS with a completely new approach to leadership and culture. The book was written in 1985 - but is just as relevant today. Carlzon has a similar approach as our students had in their report and in his latest book "Se Människan" ("See the Person") he emphasizes the importance of soft factors in a company's success and talks about management by love. Broadly concluding that a positive and including culture is crucial for long term success and being the son of a former SAS employee, I can attest that this culture created incredibly loyal employees who supported the company through thick and thin, everyone was a salesperson. Being able to understand and evaluate even soft factors in companies is an important part of company analysis, and we continue to develop our analytical tools in this area.

Largest holdings

Holding	Share of the fund (%)
Microsoft	8.6
Alphabet A	7.2
Amazon	5.8
Palo Alto Networks	5.4
ASML	4.9
Salesforce	4.4
Microchip Technology	4.3
Apple	4.2
Mastercard	4.1
International Business Machine	3.9
Total ten largest holdings	52.8
Cash	6.4
Total number of holdings	27

Main changes

Bought	Sold
-	Tomra Systems
-	Autodesk
-	-

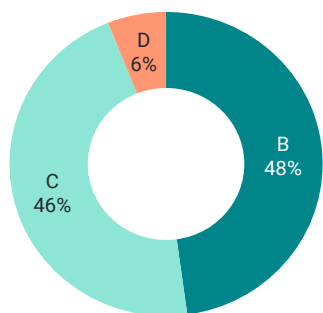
Sector allocation

Sector	Share of the fund (%)
Information technology	77.4
Communication services	7.2
Consumer discretionary	5.8
Healthcare	3.2

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	0
■ B	48
■ C	46
■ D	6
■ E	0

Voting

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

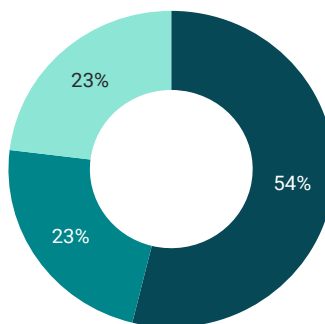
Share of the fund (%)

2024 YTD	2
2023	5
2022	15

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%

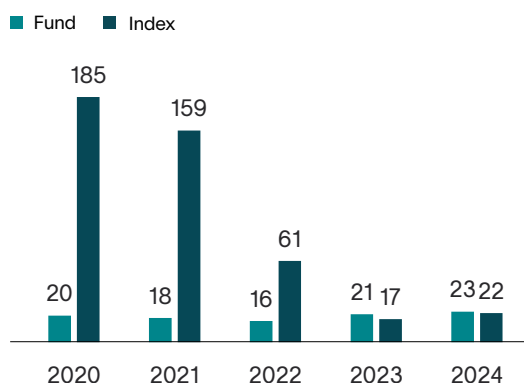


Share of the fund (%)

■ Validated SBT	54
■ Committed SBT	23
■ No SBT	23

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.



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.

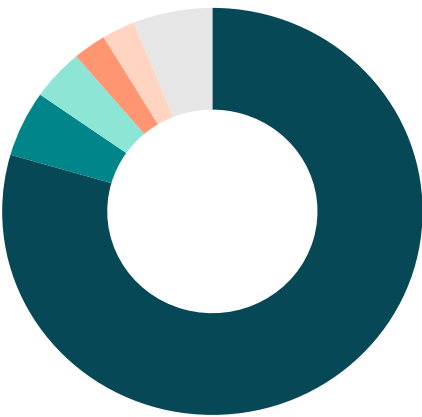
Share (%)

Women	33
Men	67

Financial ratios

	Fund	Index
Sharpe ratio	0.9	1.3
Total risk (%)	19.5	22.4
Tracking error	5.3	
Information ratio	-2.3	
Alpha	-7.8	
Beta	0.9	
Portfolio turnover ratio	0.1	
Active share (%)	66	

Country allocation



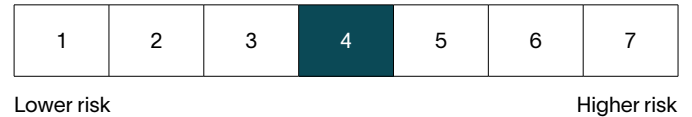
Country	Share of the fund (%)
United States	74,4
Netherlands	4,9
Japan	3,8
Spain	2,4
Guernsey	2,4
Other	5,7

Fund facts

Fund managers	Johan Nilke & Helen Groth
Launch date	08/04/00
NAV per unit	SEK 19.97
Fund size	SEKm 9,823
Management Fee	1.6%
Ongoing charges*	1.6%
ISIN	SE0000740672
Trading frequency	Daily
Minimum investment amount	SEK 100
Supervisory authority	Finansinspektionen
LEI	549300Y3UW5Y5DPJSO02

* 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*

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.

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 EUR. In 2022, Lannebo changed data provider.

Benchmark

MSCI World IT 10/40 Net Total Return Index* calculated in SEK. 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.

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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.

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

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.

Information ratio

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