

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 www.lannebofonder.se.

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 2016, this meant a market capitalisation of around SEK 61 billion.

The fund targets 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

Fund manager comment

The market's risk appetite increased during the last month of 2016, leading equity markets to go higher; this occurred despite the Italian referendum rejecting a constitutional amendment as proposed by Prime Minister Matteo Renzi thus leading to his resignation. Further, as expected, the Fed raised its benchmark interest rate during December and as such the move was not very dramatic. By contrast, the Fed did signal more rate hikes than previously anticipated for 2017, which led to market rates increasing.

During December, the MSCI World Index (Global Index) increased by 2.8 per cent. US equity markets also traded higher where the S&P 500 recorded a 2.0 per cent increase. In Europe the STOXX Europe 600 increased 5.8 per cent. The Stockholm Stock Exchange (SIXPRX) increased 2.9 per cent, while small caps (Carnegie Small Cap Return) increased by 3.4 per cent. Lannebo Småbolag increased by 3.9 per cent during December.

During the month, we met with several companies in southern Sweden, including heat pump manufacturer NIBE Industrier and its CEO Gert Erik Lindqvist. NIBE Industrier has a strong corporate culture with very good management that gave the impression they can continue to drive earnings growth through value-accretive acquisitions combined with organic growth.

We also met with Thule that manufactures high-quality products for an active lifestyle. The company benefits from the trend that more and more people seek an active life style and are willing to spend more money on products such as bike carriers and roof boxes. Thule has managed to achieve good growth through a high rate of product innovation, and the company has many interesting products that will be launched the upcoming season. We believe that Thule can

maintain its high rate of innovation, thereby creating further growth.

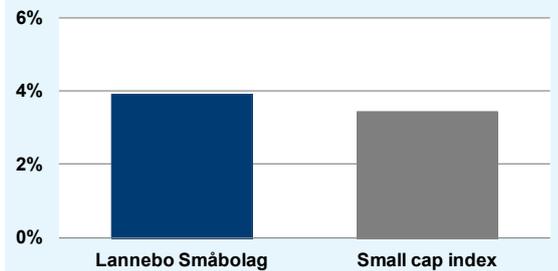
Kitchen manufacturer Nobia announced that it would divest its loss-making premium brand Poggenpohl. The price tag was below expectations, but the divestment is likely positive for Nobia given the company can now increase its focus on growth opportunities.

Credit management company Intrum Justitia performed well after the EGM approved the merger between Intrum Justitia and Lindorff. Prior to the EGM Lannebo Fonder, together with AMF and SEB Fonder, gained support for the view that Intrum Justitia shareholders should receive a larger share of the merged company. The merger requires the approval by the Regulatory and Competition Authorities. We believe the merger will create a strong European platform with good prospects for future growth as the two companies' businesses complement each other well.

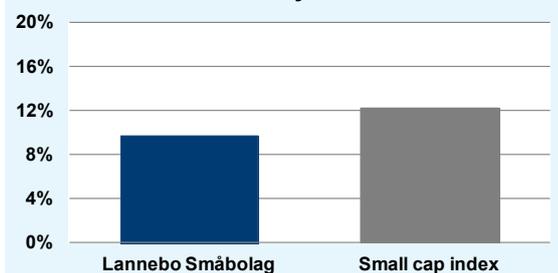
MTG, Fagerhult and Swedish Orphan Biovitrum (Sobi) were other holdings that performed well during December. Fagerhult completed its acquisition of a German outdoor lighting producer, while Sobi's share price increased in the wake of rumours that a competing drug, under development, does not deliver the expected effect. Holdings with a weak share price performance were Balder, Recipharm and Lindab.

The holdings in Nolato, NetEnt and Vitrolife were increased during the period. The holding in Balder was reduced.

Performance for the month



Performance year-to-date



Performance, %	Lannebo Småbolag	Small cap index
December 2016	3.9	3.4
Year-to-date 2016	9.6	12.2
3 years	75.5	77.4
5 years	178.0	173.0
10 years	196.7	170.7
Since inception (08/04/2000)	892.0	598.9
Average annual return 24 months	19.6	20.8

Monthly performance, %

Jan	Feb	Mar	Apr	May	Jun
-6.5	1.6	4.0	-0.2	5.0	-5.0
Jul	Aug	Sep	Oct	Nov	Dec
7.8	2.5	1.2	-3.5	-0.8	3.9

Annual performance, %	Lannebo Småbolag*	Small cap index
2016	9.7	12.2
2015	30.7	30.1
2014	22.5	21.6
2013	44.0	36.6
2012	9.7	12.6

* The annual performance of the fund is calculated from the NAV per unit in the final accounts.

10 largest holdings

	% of the portfolio
Trelleborg B	6.4
Huhtamäki	6.3
Husqvarna B	4.0
Intrum Justitia	4.0
Castellum	3.8
Nobia	3.2
NIBE Industrier B	3.1
Sweco B	2.9
Addtech B	2.9
Securitas B	2.8
Total 10 largest holdings	39.4
Cash	4.5
Total number of holdings	44

Major changes during the month

Buy	Sell
Nolato	Balder
NetEnt	
Vitrolife	

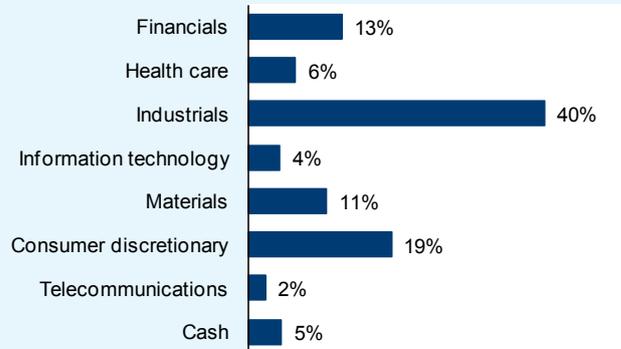
Risk and reward profile



Fund facts

Fund manager	Johan Ståhl
Launch date	08/04/2000
NAV per unit, SEK	81.72
Fund size, SEK millions	21,338
Management fee	1.6%
Bankgiro	5563-4620
ISIN	SE0000740698
Trading frequency	Daily
Minimum investment amount	100 SEK
PPM number	842 690
Supervisory authority	Finansinspektionen

Sector allocation



Financial ratios

	Lannebo Småbolag	Small cap index
Sharpe ratio	1.3	1.2
Total risk, %	14.9	16.9
Tracking error	5.6	
Information ratio	-0.2	
Alfa	0.2	
Beta	0.8	
Active share, %	63	
Portfolio turnover ratio 12/31/2016	0.2	

Explanations

Small cap index	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	A measure of the fund's return taking into account the total risk the fund has had during the period. Calculated as the ratio between the fund's return minus the risk-free rate of return and the fund's total risk (standard deviation). The information is based on monthly data and relates to the latest 24 months.
Total risk	Given as the standard deviation of variations in the total return of the fund or index. The information is based on monthly data and relates to the latest 24 months.
Tracking error	A measure that describes how closely the performance of the fund tracks the performance of the benchmark index. Calculated as the standard deviation of the difference between the return on the fund and a benchmark index. The information is based on monthly data and relates to the latest 24 months.
Information ratio	A measure of risk-adjusted return. This is measured as the active return divided by the portfolio's active risk. The information is based on monthly data and relates to the latest 24 months.
Alpha	Describes the effect of the portfolio manager's decisions on the return of the fund. A positive alpha value is the extra return which an investor receives for having taken greater risks than the market. The information is based on monthly data and relates to the latest 24 months.
Beta	Describes the sensitivity of the fund's value to changes in the market's value. The beta value reports how much the fund's value changes in percentage terms when the market's value changes by one percentage point. The information is based on monthly data and relates to the latest 24 months.
Active share	A measure of the proportion of the portfolio that differ from the benchmark.