

# Lannebo Europe Small Cap (EUR)

Swedish-registered equity fund

Monthly report  
November 2018

**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.lannebo.se](http://www.lannebo.se). Please note that Lannebo Fonder 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's investment policy

Lannebo Europe Small Cap is an actively managed equity fund that invests in small and medium sized enterprises listed in Europe. The companies' market capitalization at the time of investment may not exceed EUR 5 bn. Equities are selected based on the fund manager's own assessments, therefore deviations from the benchmark can be both larger and smaller over time. Investments are made with a long term horizon.

## The fund is suitable for those who:

- want to invest in small and medium-sized companies listed in Europe
- want an actively managed fund with investments based on a clear understanding of each individual company

## Fund manager comment

European equity markets declined further in November as geopolitical tensions remained. The leading economic indicators have also been weak and therefore markets are concerned that Europe will move into a recession. We believe that such a conclusion is premature and expect economic growth to continue, albeit at a slower pace. The portfolio should benefit from this scenario. The funds performance in November was slightly better than its benchmark and performance year-to-date is -18.6 per cent.

The Finnish healthcare service provider, Terveystalo, was the best contributor to performance in November. The company reported better than expected Q3 earnings results due to synergies. The company also commented that market capacity growth has reached a peak – which was interpreted positively by investors. The structural development of the Finnish healthcare market continues, which places Terveystalo in a strong position given the established leading brand in the healthcare market. Beazley, a non-life insurance company based in the UK, contributed positively to performance. Beazley predominately provides specialty insurance lines, such as cyberattack insurance. Therefore, compared to some peers, the company was less affected by the relatively harsh hurricane and wildfire events and reported a healthy underlying premium growth for the third quarter.

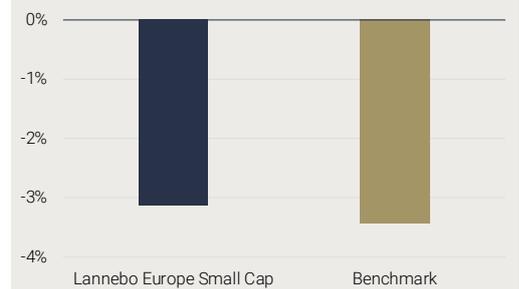
CVS Group, the veterinary chain in the UK, underperformed in November. The entire industry is currently suffering from a shortage of veterinarians and nurses. Therefore, CVS Group has increased wages to reduce the vacancy rate. The increased cost base is partially passed on to customers, and as a result,

the EBITDA margin is under pressure. We are concerned that the effects on the EBITDA margin will continue and have therefore decided to reduce our position.

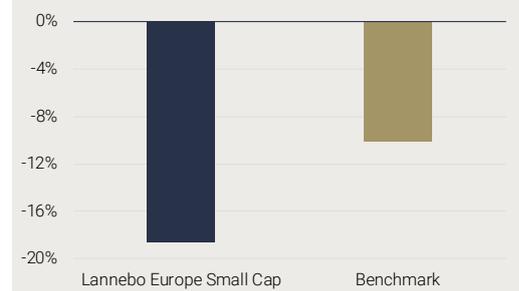
Biffa, the integrated waste management company in UK, underperformed during the month although the company released a solid earnings result. The largest division, Industrial & Commercial, reported an organic growth of 3 per cent and an increased margin. The Municipal division, which collects waste from households, was the weak contributor to earnings with profits under pressure due to unfavourable contracts and wage inflation. Fortunately, Municipal is the smallest division but nevertheless investors have been focusing disproportionately on this division. We have maintained our position in Biffa.

Victoria, which is a manufacturer and distributor of flooring products such as carpets and tiles based in the UK, is a new holding. The company has diversified its end markets through acquisitions in Europe and Australia, where it is now among the most efficient producers in the industry. The market is fragmented with relatively weak competitors, which has allowed Victoria to consistently gain market share. Sales are mainly derived from repair and maintenance, which is not as cyclical compared to the construction market in general. Due to turbulence in the market and some noise around the refinancing of a bond, the shares are attractively priced, and we believe the cash flow will be strong going forward.

## Performance for the month



## Performance year-to-date



Performance (%)	Lannebo Europe Small Cap	Benchmark
November 2018	-3.1	-3.4
Year 2018	-18.6	-10.1
Since launch (10/17/2016)	0.1	12.8
Average annual return 24 months	2.6	5.9

## Monthly performance (%)

Jan	Feb	Mar	Apr	May	Jun
2.5	-2.8	-4.6	2.4	1.9	-1.5
Jul	Aug	Sep	Oct	Nov	Dec
-1.4	-1.5	-1.3	-10.4	-3.1	

Annual performance (%)	Lannebo Europe Small Cap	Benchmark
2017	24.0	19.0

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

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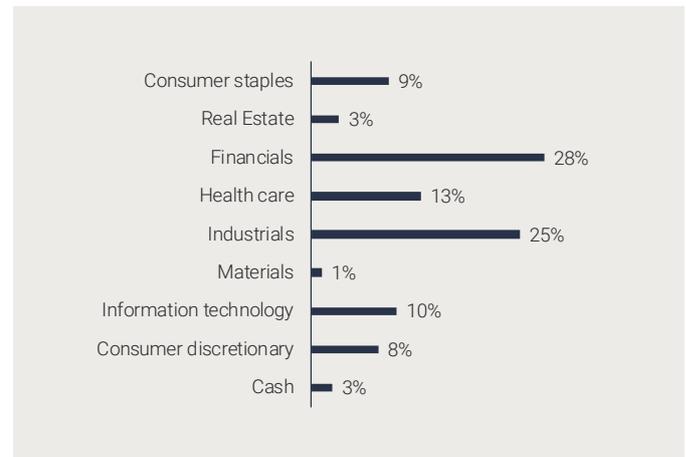
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## 10 largest holdings

Holding	% of the portfolio
Corestate Capital Holding	4.0
Beazley	3.8
Grenke	3.7
Forbo Holding	3.6
Tecan Group	3.6
TKH Group	3.5
Aroundtown Property Holdings	3.4
AAK	3.3
Arrow Global Group	3.2
Greencore Group	3.2
Total 10 largest holdings	35.2
Cash	2.6
Total number of holdings	48

## Sector allocation



## Major changes during the month

Buy	Sell
Victoria	CVS Group
Grenke	Beazley
	Greencore

## Risk and reward profile



## Financial ratios

	Lannebo Europe Small Cap	Benchmark
Sharpe ratio	0.3	0.7
Total risk (%)	13.6	10.5
Tracking error	6.0	
Information ratio	-0.6	
Alpha	-0.3	
Beta	1.2	
Portfolio turnover ratio 06/30/2018	0.1	

## Fund facts

Fund manager	Carsten Dehn & Ulrik Ellesgaard
Launch date	10/17/2016
NAV per unit (EUR)	100.06
Fund size (MEUR)	274
Management fee	1.6%
Bankgiro	5140-8037
ISIN	SE0008092290
Trading frequency	Daily
Minimum investment amount	100 EUR
PPM number	891 507
Supervisory authority	Finansinspektionen
LEI	549300L5238BIDO30341

## Explanations

### Benchmark

MSCI Europe Small Cap 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 risk-adjusted excess return relative to the return of the benchmark. 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.