

# Lannebo Småbolag Select

Swedish-registered non-UCITS fund (special fund)

Monthly report  
December 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.lannebofonder.se](http://www.lannebofonder.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 Småbolag Select is an actively managed equity fund (non-UCITS 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 no more than 1 percent of the total Swedish market capitalisation. At the end of the year 2018, this meant a market capitalisation of around SEK 59 billion. The fund has more flexible investment rules than a traditional equity fund, which gives the fund manager more options.

## 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

## Fund manager comment

December was marked by global stock market turmoil with markets ending on a clear negative. The combination of concerns over the economy and tighter monetary policy proved to be too much for the equity markets. The US Fed raised its key interest rate, while the Swedish Riksbank raised the repo rate for the first time in seven years. Like the equity market, Lannebo Småbolag Select declined but the fund performed better than the small-cap segment as a whole.

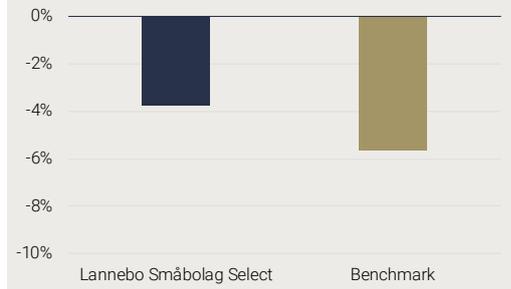
Real estate company Fabège was one of few shares that increased during the month. The lighting company Fagerhult was among the shares that decreased the least; during the month the company entered into an agreement to acquire Italian iGuzzini, which will increase Fagerhult's sales by approximately 40 per cent. However, the acquisition is largely financed through a new share issue and therefore initially earnings contribution per share is not substantial. Dometic, which manufactures, among other things, equipment for motorhomes, belonged to the category of shares that were hardest hit by the market decline. The equity market is concerned about US demand for motorhomes. However, it should be pointed out that Dometic has done well in previous market downturns. The drug manufacturer Recipharm and the credit management company Intrum were two other shares that declined by more than 10 per cent during December.

The fund continued to increase its holding in the media group MTG, which in 2019 will be divided into two independent listed companies. The traditional TV operations and streaming services will make up the Nordic Entertainment Group, while MTG will

consist of the digital entertainment activities such as e-sports and gaming. The holding in the security company Securitas was further increased. Securitas' business model has a low cyclical dependence and the valuation is reasonable. The fund bought shares in the well-managed industrial group Lagercrantz; the share price has developed positively since the financial crisis, but has stagnated the past few years. The fund also invested in the specialty paper company Ahlström-Munksjö, whose profitability was negatively affected by high pulp prices. At the same time, the company has carried out major plant investments and a couple of acquisitions. Looking ahead, we see a strong cash flow in Ahlström-Munksjö. The fund reduced its holdings somewhat in Fabège and the housing developer JM during December. The holding in the pharmaceutical company Swedish Orphan Biovitrum was divested; the share price increased by more than 70 per cent in 2018.

It can be argued that the equity market is now pricing in an apparent future economic downturn following the market's very weak end to the year. The economic peak has likely passed, which in itself contributes to a nervous stock market. At the same time, sharply rising interest rates are not our base scenario. The market anxiousness is probably excessive for some shares but not for others. We find that more and more individual shares look interesting and have started to employ the large liquidity position we had in the fall.

## Monthly performance



## Performance year-to-date



Performance (%)	Lannebo Småbolag Select	Benchmark
December 2018	-3.7	-5.6
Year 2018	0.9	-0.2
3 years	30.0	21.9
5 years	94.2	92.7
10 years	490.5	467.8
Since launch (10/31/2000)	1 189.1	674.7
Average annual return 24 months	5.4	4.2

## Monthly performance (%)

Jan	Feb	Mar	Apr	May	Jun
-1,2	-2,4	-1,8	5,7	1,5	0,3
Jul	Aug	Sep	Oct	Nov	Dec
3,3	2,4	-0,9	-3,2	-1,1	-3,7

Annual performance (%)	Lannebo Småbolag Select	Benchmark
2017	10.2	8.8
2016	17.0	12.2
2015	20.4	30.1
2014	24.1	21.6
2013	36.7	36.6

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

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## 10 largest holdings

Holding	% of the fund
OEM International B	8.8
Securitas B	6.2
Fabege	5.0
Fagerhult	4.9
MTG B	4.9
Pandex B	4.5
Bonava B	4.3
VBG Group B	4.1
NCC B	3.9
Lindab	3.7
Total 10 largest holdings	50.3
Cash	7.9
Total number of holdings	30

## Major changes during the month

Buy	Sell
MTG	Swedish Orphan Biovitrum
Lagercrantz	Fabege
Securitas	JM

## Financial ratios

	Lannebo Småbolag Select	Benchmark
Sharpe ratio	0.7	0.5
Total risk (%)	9.1	11.5
Tracking error	3.6	
Information ratio	0.3	
Alpha	0.2	
Beta	0.8	
Active share (%)	81	
Portfolio turnover ratio (12/31/2018)	0.3	

## 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

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.

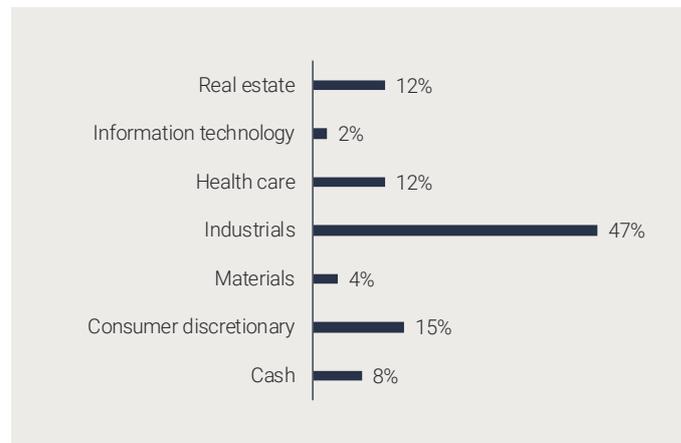
### Total risk

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.

## Sector allocation



## Risk and reward profile



## Fund facts

Fund manager	Hjalmar Ek & Mats Gustafsson
Launch date	10/31/2000
NAV per unit (SEK)	873.56
Fund size (SEKm)	2,700
Management fee	0.7% + 20% of any excess return
Return threshold	30-day STIBOR, monthly on the first banking day of each month, plus five percentage points, currently 5.00%
ISIN	SE0000917205
Trading frequency	The fund is open on the last business day of each month
Minimum investment amount	The initial investment is SEK 100 000 and then SEK 20 000 per subscription thereafter
Supervisory authority	Finansinspektionen
LEI	549300ZTBJP4DRZ51462

### 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.