

## European Small Cap Equities

## Investment strategy highlights

The investment team seeks to invest in mispriced high-quality companies that offers long-term compounding potential in the small cap universe.

## Business quality

- Companies that generate a high rate of return on the invested capital – reinvestment/allocation of capital.
- The market underestimates the compounding effect of high return companies with a strong moat.
- High quality companies have lower risk – lower probability of financial distress, fewer profit warnings.
- ESG considerations are integrated into our quality assessment.

## Undervaluation

- Value investing works and is driven by overreaction to both positive and negative fundamentals.
- Value principles combined with quality gives an attractive risk-adjusted return - avoiding value traps, low quality companies.

## Information on the strategy

Inception with current management team	1 Jan, 2017
Total strategy AuM (EURmn)	228

## Portfolio characteristics

Characteristic	Portfolio	Benchmark
Weighted market cap (EURm)	2,326	3,344
# securities	52	900
Return on Equity, 12m (%)	17.3	12.0
Debt/Equity (%)	73	137
Operating margin (%)	7.9	10.5
P/E ratio, 12m trailing	16.1	14.3
P/E ratio, 12m forward	12.7	12.2
Price to Book ratio	2.5	1.4
Dividend yield	3.0	3.6
Active share	94.5	
Standard deviation	20.3	20.8
Tracking error	5.8	
Beta	0.94	

## Sector exposures

Sector	Portfolio	Benchmark	+/-
Information Technology	18.4%	8.8%	9.6%
Consumer Staples	12.6%	4.8%	7.9%
Industrials	30.7%	27.4%	3.3%
Communication Services	4.6%	4.1%	0.5%
Utilities	4.1%	3.7%	0.4%
Energy	2.5%	2.5%	0.0%
Health Care	6.4%	7.1%	-0.7%
Consumer Discretionary	7.0%	8.9%	-1.9%
Materials	5.7%	7.6%	-1.9%
Financials	7.9%	16.3%	-8.3%
Real Estate	0.0%	8.9%	-8.9%

## Top 10 holdings

Security	Weight
Ringkjøbing Landbobank A/S	4.2%
Rubis SCA	3.8%
Hexpol AB	3.7%
Jetpak AB	3.8%
Recordati SpA	3.5%
Royal Unibrew A/S	2.6%
Digital Value SpA	2.8%
Antares Vision SpA	2.8%
OEM International AB	2.6%
Ariston Holding NV	2.5%
Weight of top 10 holdings	32.2%

## Cumulative performance (\*)

Returns in DKK	1m	YTD	1 year	3 years	5 years	10 years	Cumulative	Annualised
Portfolio	-0.3%	-35.6%	-35.6%	6.4%	28.2%	n.a.	61.9%	8.4%
MSCI Europe Small Cap	-2.5%	-22.5%	-22.3%	0.3%	10.2%	n.a.	31.3%	4.6%
Excess return	2.2%	-13.1%	-13.3%	6.1%	18.0%	n.a.	30.5%	4.5%

## Annual performance (\*)

Returns in DKK	2017	2018	2019	2020	2021	2022	2023	2024
Portfolio	26.3%	-12.4%	37.7%	28.4%	28.2%	-35.60%	n.a.	n.a.
MSCI Europe Small Cap	19.2%	-15.4%	31.6%	4.2%	23.7%	-22.50%	n.a.	n.a.
Excess return	7.1%	3.0%	6.1%	24.2%	4.5%	-13.1%	n.a.	n.a.

## Portfolio construction

Typically 50-70 holdings  
 Maximum position size is generally 5%  
 Top 10 positions generally accounts for min. 30% of the portfolio  
 Positions typically at lower end of market cap range vs. Benchmark  
 Sector-agnostic: Typically +/- 15% sector exposure  
 Overall balanced portfolio between cyclical vs. defensive sectors

## Portfolio managers

Manager	Years of investment experience
Alexander Kokfelt <i>Chief Portfolio Manager</i>	17
Jonas Linding Fredberg <i>Senior Portfolio Manager</i>	12
Christopher Kjær Hansen <i>Portfolio Manager</i>	7

**Country exposures**

Country	Portfolio	Benchmark	+/-
Sweden	25.0%	11.5%	13.5%
Finland	8.3%	3.0%	5.3%
Italy	15.9%	5.8%	10.1%
Denmark	10.5%	3.6%	6.9%
Norway	5.1%	4.5%	0.6%
Greece	2.4%	0.0%	2.4%
Portugal	0.0%	0.6%	-0.6%
Other	0.0%	0.7%	-0.7%
France	5.5%	6.0%	-0.5%
Ireland	0.0%	1.6%	-1.6%
Austria	0.0%	2.0%	-2.0%
Belgium	1.6%	3.3%	-1.7%
Netherlands	3.7%	5.4%	-1.7%
Spain	0.0%	4.4%	-4.4%
Germany	5.8%	9.1%	-3.4%
Switzerland	0.5%	10.8%	-10.3%
United Kingdom	13.6%	27.5%	-13.9%
Cash	2.1%	0.0%	2.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

**Market cap distribution**

Mkt cap bracket (EURm)	Portfolio	Benchmark	+/-
>4,000	15.1%	30.2%	-15.1%
3,500-3,999	7.1%	8.6%	-1.5%
3,000-3,499	15.0%	8.6%	6.4%
2,500-2,999	4.0%	8.2%	-4.2%
2,000-2,499	8.3%	11.2%	-3.0%
1,500-1,999	0.5%	11.0%	-10.4%
1,000-1,499	3.0%	10.0%	-7.0%
500-999	20.7%	9.2%	11.5%
250-499	7.1%	2.5%	4.6%
0-249	17.1%	0.3%	16.8%
Cash	2.1%	0.2%	1.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

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