

## 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.

**Sector exposures**

Sector	Portfolio	Benchmark	+/-
Information Technology	21.0%	9.7%	11.3%
Consumer Staples	11.8%	5.0%	6.8%
Communication Services	7.8%	3.9%	3.9%
Health Care	9.1%	6.7%	2.4%
Industrials	29.7%	28.1%	1.5%
Energy	1.0%	2.2%	-1.2%
Materials	5.0%	7.6%	-2.6%
Utilities	0.0%	3.7%	-3.7%
Consumer Discretionary	5.5%	9.2%	-3.7%
Financials	9.2%	16.0%	-6.8%
Real Estate	0.0%	7.9%	-7.9%

**Cumulative performance (\*)**

Returns in DKK	1m	YTD	1 year	3 years	5 years	10 years	----- Since Launch -----	
							Cumulative	Annualised
Portfolio	0.0%	7.9%	-7.2%	20.3%	25.2%	n.a.	74.4%	9.1%
MSCI Europe Small Cap	-2.7%	5.0%	-6.5%	26.2%	15.0%	n.a.	37.8%	5.1%
Excess return	2.7%	2.9%	-0.7%	-5.8%	10.2%	n.a.	36.6%	5.0%

**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

**Information on the strategy**

Inception with current management team	1 Jan, 2017
Total strategy AuM (EURmn)	262

**Portfolio characteristics**

Characteristic	Portfolio	Benchmark
Weighted market cap (EURm)	2,511	3,768
# securities	56	891
Return on Equity, t12m (%)	18.9	8.2
Debt/Equity (%)	74	132
Operating margin (%)	7.4	8.3
P/E ratio, 12m trailing	24.8	20.1
P/E ratio, 12m forward	14.0	13.3
Price to Book ratio	2.7	1.4
Dividend yield	2.3	3.5
Active share	92.6	
Standard deviation	18.1	19.0
Tracking error	6.0	
Beta	0.90	

**Top 10 holdings**

Security	Weight
Crayon Group Holding	3.5%
Better Collective A/S	3.4%
OEM International AB	3.4%
Antares Vision SpA	3.3%
Jetpak AB	3.2%
Recordati SpA	3.0%
Hilton Food Group Plc	3.0%
Royal Unibrew A/S	2.9%
Britvic Plc	2.8%
AAK AB	2.8%
Weight of top 10 holdings	31.3%

**Country exposures**

Country	Portfolio	Benchmark	+/-
Sweden	26.4%	11.4%	14.9%
Finland	5.0%	3.0%	1.9%
Italy	12.7%	6.1%	6.5%
Denmark	10.3%	3.7%	6.6%
Norway	6.3%	4.1%	2.2%
Greece	1.0%	0.0%	1.0%
Portugal	0.0%	0.6%	-0.6%
Other	0.0%	0.7%	-0.7%
France	1.9%	5.9%	-4.0%
Ireland	0.0%	1.6%	-1.6%
Austria	1.2%	2.0%	-0.8%
Belgium	1.3%	3.0%	-1.7%
Netherlands	4.5%	6.0%	-1.5%
Spain	0.0%	4.2%	-4.2%
Germany	9.6%	9.4%	0.3%
Switzerland	2.6%	11.5%	-8.9%
United Kingdom	14.4%	26.7%	-12.3%
Cash	2.8%	0.0%	2.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

**Market cap distribution**

Mkt cap bracket (EURm)	Portfolio	Benchmark	+/-
>4,000	23.0%	35.6%	-12.6%
3,500-3,999	2.5%	5.4%	-2.9%
3,000-3,499	6.8%	9.1%	-2.3%
2,500-2,999	7.0%	7.2%	-0.2%
2,000-2,499	4.0%	11.6%	-7.6%
1,500-1,999	7.9%	9.7%	-1.8%
1,000-1,499	6.8%	9.4%	-2.6%
500-999	19.0%	8.8%	10.2%
250-499	9.6%	2.6%	7.0%
0-249	10.6%	0.5%	10.1%
Cash	2.8%	0.1%	2.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

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