



# European Small Cap Equities

Monthly update, May 2023

BANK INVEST

# Agenda

Performance comments

Performance

European small caps valuation

Portfolio characteristics

# Performance and market comments (I)

- **May return 0.0%, performance +2.7%**
- **YTD return 7.9%, performance +2.9%**
- The economy in the eurozone is increasingly split in two; a weak manufacturing sector and a strong service sector. The difference between order intake in the two sectors is the largest since January 2009. Germany's manufacturing-heavy economy went into technical recession in Q1. On the other hand, key figures across a wide range show that inflation has peaked and that monetary policy will be less tight in the coming quarters.
- Small caps have underperformed large caps by 4.0%-points year to date and 0.1%-points in May.

# Performance and market comments (II)

Performance		
Portfolio	Benchmark	Excess return
0.0%	-2.7%	+2.7%

Top 5 contributors (in %-points)		
Crayon Group Holding	Software	0.94
Norbit ASA	Electronic Equip.	0.60
Comet Holding AG	Electronic Equip.	0.39
Hilton Food Group Plc	Food Products	0.26
Qleanair AB	Commercial Services	0.25

Bottom 5 contributors (in %-points)		
Cint Group	Software	-0.35
SDI Group Plc	Electronic Equip.	-0.29
Teamviewer AG	Software	-0.24
Hexpol AB	Chemicals	-0.19
Teqnon AB	Trading Companies	-0.18

Source: BankInvest, 31.05.2023. Notes: Return is gross of fees.

Comments and relevant news	
+	<p><b>Crayon</b>, a leading Nordic end-to-end IT service provider that assists companies in optimizing ROI on their IT investments, beat expectations for organic growth in gross earnings with 23% driven by the Nordics and Europe. The company expects growth to return in the US in H2 as investments materialize into revenues. Growth in gross earnings of 20% is expected in 2023 and the share trades at 10x EBIT in 2025 after rising in May. It is worth noting that the company benefits from Microsoft's growth in artificial intelligence, with Crayon itself employing 140 full-time employees</p>
+	<p><b>Norbit</b>, a global market leader in sonars and cameras for searching the seabed, grew EBITDA by 65% in Q1, which was 39%-points higher than expected. Management confirmed its guidance for the full year</p>
÷	<p><b>Cint Group</b>, which offers a platform that digitizes and automates the market analysis process between insights from customer panels on the one hand and insight users such as brand managers on the other, delivered negative organic growth of -12% in Q1. Management expects a bottom in the market in H2. We have bought a small position in the stock as the company trades very cheaply if/when the market returns to growth</p>
÷	<p><b>SDI Group</b>, a group consisting of companies that are market leaders within niches, delivered strong figures for the full year that ended on 30 April, but one of the company's subsidiaries experienced an exceptionally good period, which is not expected to continue</p>

# Performance

## Monthly returns in 2023 YTD



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2023	2022	2021	2020	2019	2018 <sup>(1)</sup>	2017	Cum.	
Portfolio	4,5%	4,0%	-1,3%	0,5%	0,0%								7,9%	-35,6%	28,2%	28,4%	37,7%	-12,4%	26,3%	74,4%	
Benchmark	7,5%	2,8%	-4,0%	1,7%	-2,7%								5,0%	-22,5%	23,7%	4,2%	31,6%	-15,4%	19,2%	37,8%	
Excess return	-3,0%	1,2%	2,7%	-1,2%	2,7%								2,9%	-13,1%	4,5%	24,3%	6,1%	3,0%	7,1%	36,6%	
Cum. return	-3,0%	-1,8%	1,2%	0,0%	2,9%																

■ Portfolio   
 ■ Benchmark   
 ■ Excess return   
 - - - Cum. return

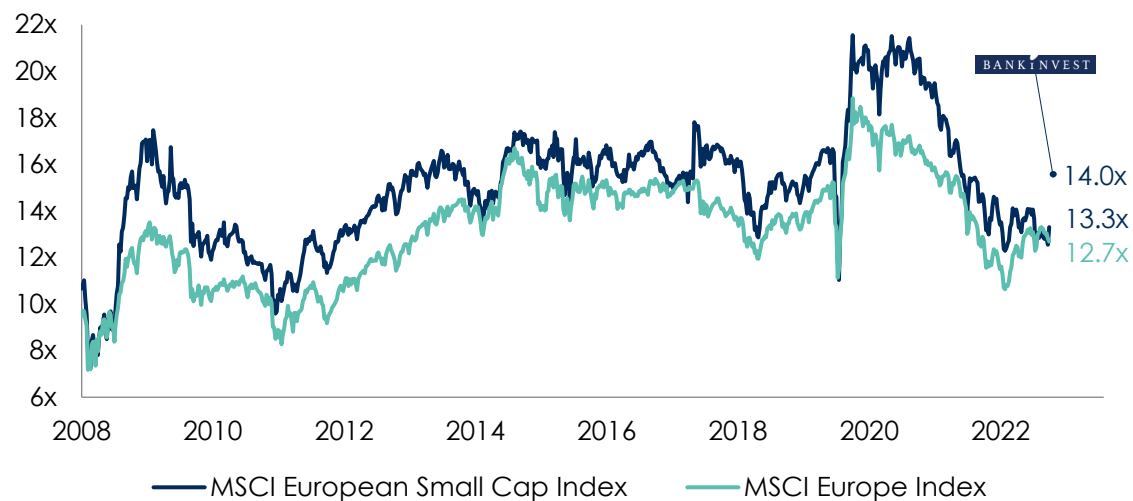
Source: BankInvest & SEB, 31.05.2023. Notes: Gross return before fees. 1) Responsibility for the SEB fund until 30.11.2018, where YTD 2018 return and excess return was respectively -7.5% and +1.9%.

# European small caps valuation

Small caps briefly traded at a rare discount to large caps

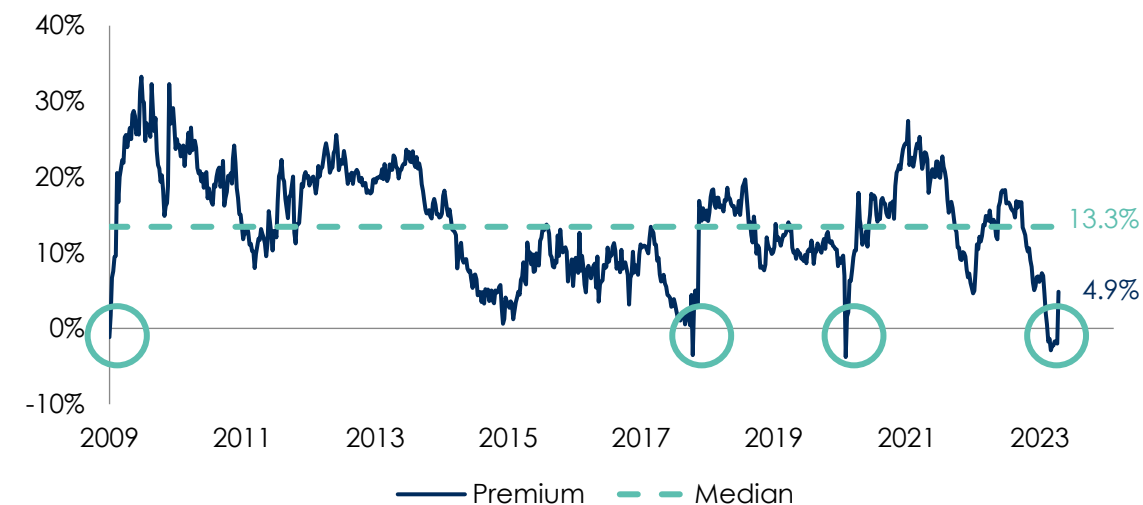
## Valuation for small and large caps

12-month forward P/E



## Small cap premium

Based on small and large cap 12-month forward P/E



- European small caps briefly traded at a discount to large caps for the 4<sup>th</sup> time in 15 years which have historically been good times to buy the European small cap asset class

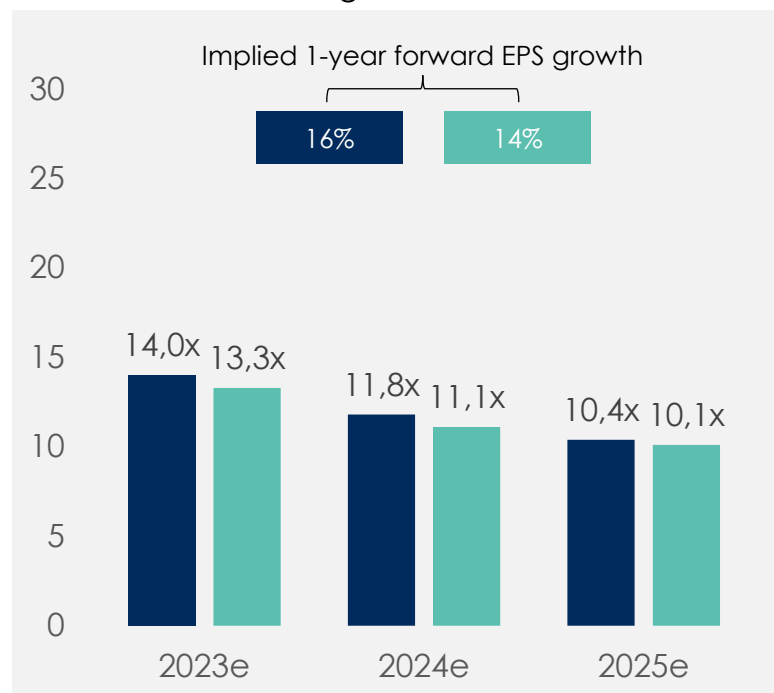
Source: BankInvest, MSCI, Bloomberg, 31.05.2023.

# Portfolio characteristics

Higher quality and growth at similar forward valuation and lower financial leverage (risk)

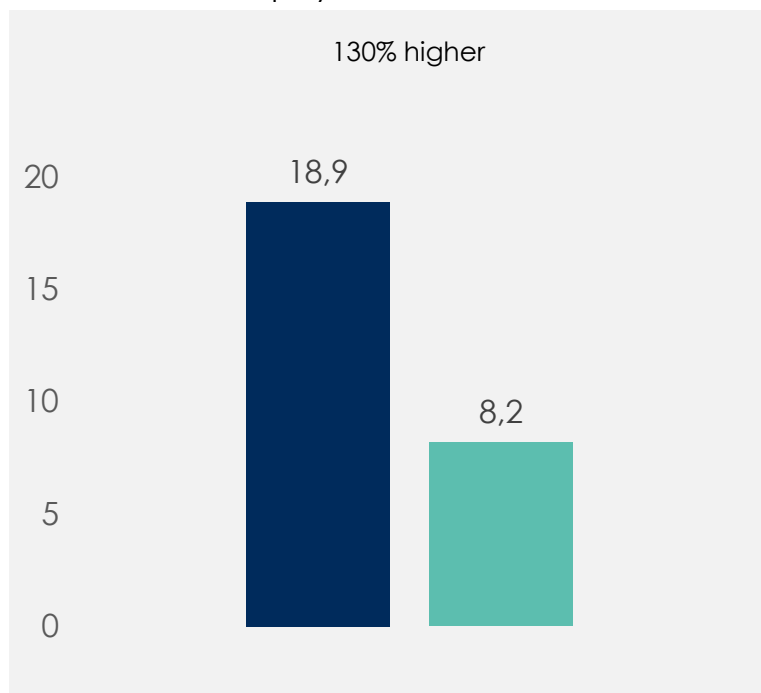
## Valuation

Forward Price/Earnings<sup>(1)</sup>



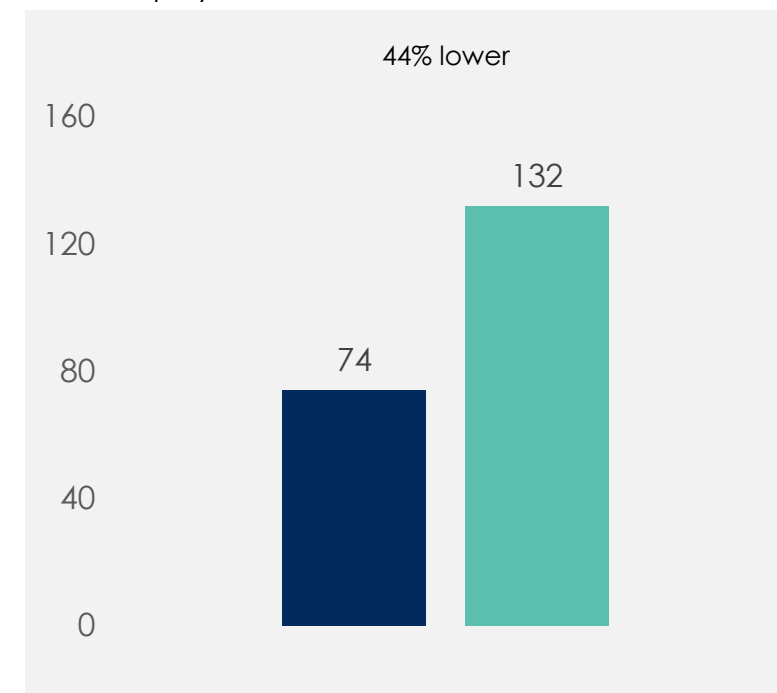
## Returns

LTM Return on Equity %



## Financial leverage

Debt/Equity %



■ Portfolio    ■ MSCI Europe Small Cap

Source: BankInvest & Bloomberg, 31.05.2023.

Notes: 1) Forward Price/Earnings is defined by using the consensus estimate of the 1-year forward earnings.

# Top 10 positions

Balanced portfolio, concentrated positions

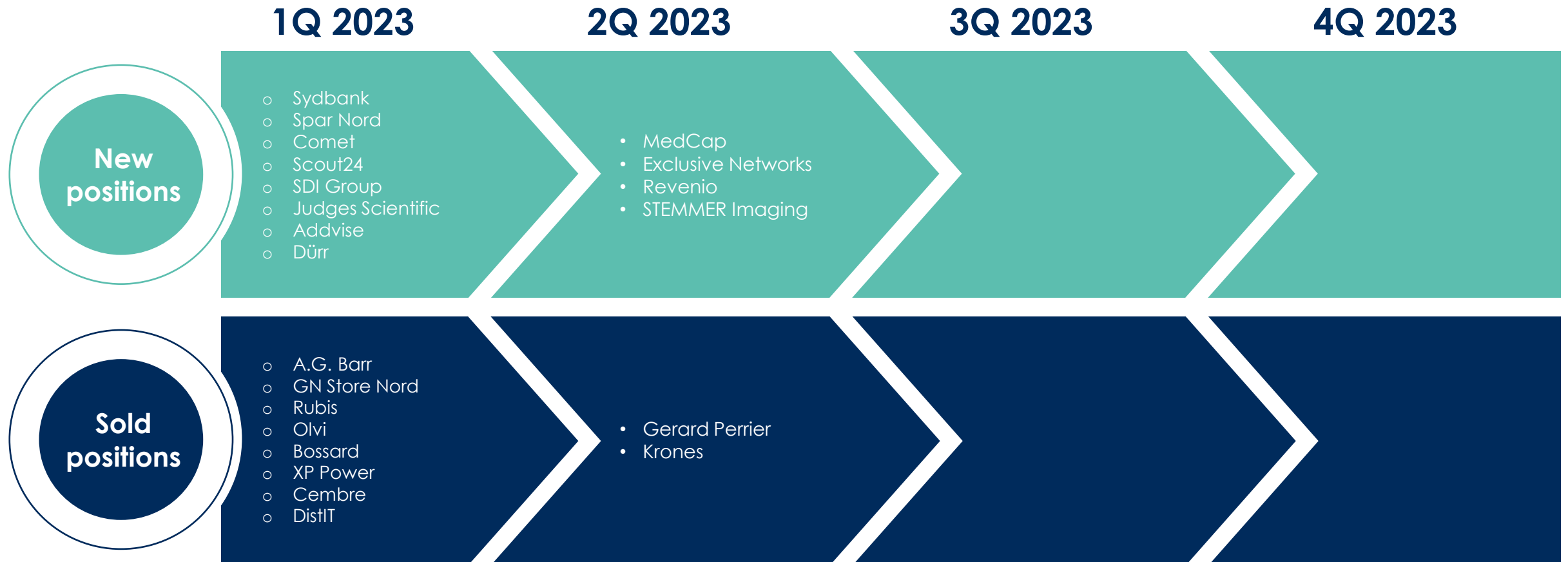
Company	Description	Investment case	%	Country
Crayon Group Holding	IT service and software	End-to-end IT service provider that assists companies in optimizing ROI on their IT investments	3.5%	Norway
Better Collective A/S	Sports betting and media	Consolidating a very fragmented sports betting affiliate market to be increasingly relevant for the big betting houses	3.4%	Denmark
OEM International AB	Trading company	Outstanding track record of capital allocation	3.4%	Sweden
Antares Vision SpA	Inspection systems	Market leader track-and-trace inspection systems to the life science, food and cosmetics industries, where traceability requirements are especially high	3.3%	Italy
Jetpak AB	Express delivery	Asset-light provider of express delivery via air and roads using its proprietary software platform connecting transport partners	3.2%	Sweden
Recordati SpA	Pharmaceuticals	Strong track record of scaling products in Europe and a unique product portfolio of treatments of rare diseases with low idiosyncratic risks	3.0%	Italy
Hilton Food Group Plc	Meat Products	Leading value-added distributor of meat to retailers like Tesco in the UK, Albert Heijn in the Netherlands, Woolworths in Australia and Coop in Denmark	3.0%	UK
Royal Unibrew A/S	Beverages	Multi-beverage brand company with best-in-class organic growth, track record of creating value through acquisitions and profitability	2.9%	Denmark
Britvic Plc	Soft drinks	Opportunities in the high-end soft drinks market	2.8%	UK
AAK AB	Food Products	Premiumisation of vegetable oils to global consumer industry leads to 10% stable growth	2.8%	Sweden

**31.3%**

Source: BankInvest & Bloomberg, 31.05.2023.



# Portfolio activity



Balanced portfolio comprising defensive and cyclical stocks as well as quality and value stocks

Source: BankInvest, 31.05.2023.

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