

December 2024

Finserve Nordic AB

# Finserve MicroCap Fund

## Monthly commentary - November 2024

The NAV price for the fund's Class A was 108.25 in November. The fund's Class A fell by 2.31% in November, but since the beginning of the year, it has returned 3.14%, which is 11.63 percentage points better than the fund's benchmark index, OMX Small Cap. The fund aims to outperform its benchmark index (OMX Small Cap) by a few percentage points annually with lower risk than the benchmark.

	November	IYTD	Since start, dec 2023
OMX 30 GI	-0,97%	8,11%	11,99%
OMX Small Cap GI	-2,87%	-8,49%	-3,96%
Finserve Micro Cap A	-2,31%	3,14%	8,35%

### Best Performing Stocks in the Portfolio and Average Weight During the Month

Name	Contribution %	Weight %
PRECISE BIOMETRICS AB	0,47	0,78
MILDEF GROUP AB	0,29	0,91
RAYSEARCH LABORATORIES	0,21	0,80
MOBERG PHARMA AB	0,19	0,64
MODERN TIMES GROUP B SHS	0,15	1,00

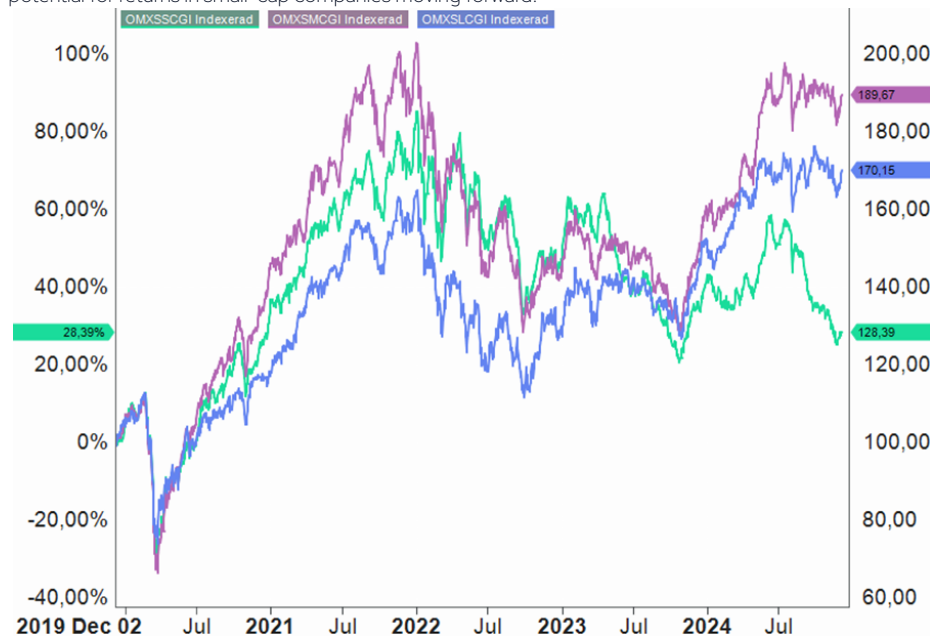
### Worst Performing Stocks in the Portfolio and Average Weight During the Month

Name	Contribution %	Weight %
DUSTIN GROUP AB	-0,28	0,70
DUROC AB B	-0,21	1,02
NETEL HOLDING AB AB	-0,20	0,67
NORDISK BERGTEKNIK AB-B	-0,20	0,82
NOBIA AB	-0,15	0,78

### Index Comparison

Finserve Micro Cap uses OMX Small Cap GI as its benchmark index. Historically, the OMX Small Cap and OMX Mid Cap indices have tracked closely over time. However, the gap between larger small-cap companies and smaller small-cap companies has recently widened significantly, and this divergence continued in October.

We measure this difference by comparing the mid-cap index to the small-cap index. Since the beginning of the year, the difference between these indices is about 26 percentage points, and over five years, it is about 60 percentage points. This indicates significant potential for returns in small-cap companies moving forward.



The chart shows OMX Small Cap (green) compared to OMX Mid Cap (blue) and OMX Large Cap (black) over 5 years. Source: Infront

Small Cap Index: Companies valued under approximately 1.5 billion SEK.
Mid Cap Index: Companies valued between approximately 1.5 and 12 billion SEK.
Large Cap Index: Companies valued over approximately 12 billion SEK.

## Fund Manager



Joakim Stenberg has more than 25 years of experience in the finance industry and has founded several successful

companies. He has launched several highly regarded funds and products. Joakim serves on the boards of several listed and unlisted small-cap companies and has been the chairman of a fund management company.

## Key Highlights

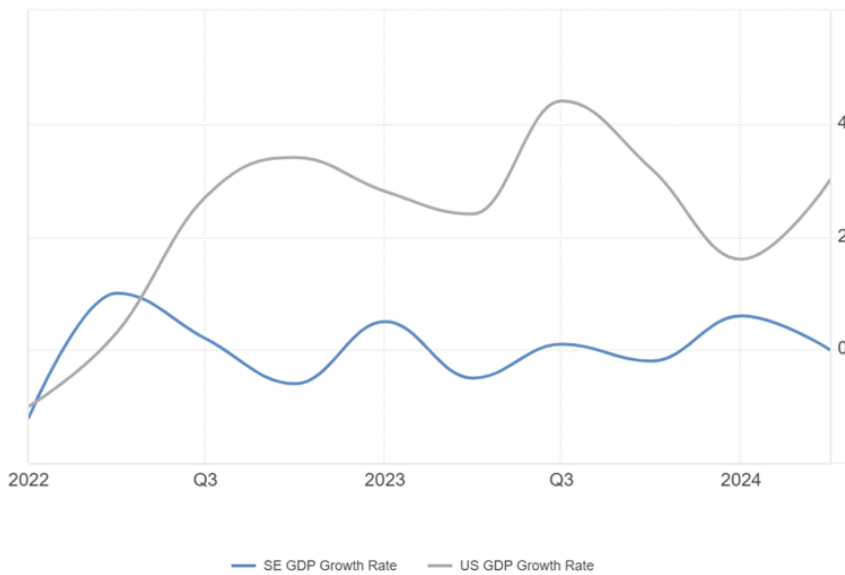
- A rules-based, well-diversified equity fund that exclusively trades small-cap companies listed on the Stockholm Stock Exchange's main list, with the goal of delivering higher returns than well-known small-cap indices.
- The fund holds companies that few other funds, indices, and index-like products own due to liquidity reasons, which diversifies an investor's equity exposure.
- The managers use historically robust, empirically proven strategies, equal weighting, and trend-following.
- The equity holdings are lent out, and the fund unit holders receive interest.
- The fund has access to credit when needed, allowing it to remain fully invested over time.

## Market Overview

November was a weaker month, with all indices on the Swedish market closing in the red. However, looking across the Atlantic, U.S. micro-cap companies showed strength after Trump was elected president. The U.S. economy has benefited from strong consumer data, stabilized inflation levels, and a robust labor market. The rally in the U.S. micro-cap segment highlights why the greatest growth opportunities often lie in small companies.

In Sweden, the picture is more muted. A slower economic recovery combined with a weaker krona has made investors hesitant to fully commit to smaller companies.

Source: tradingeconomics.com



## Light at the End of the Tunnel

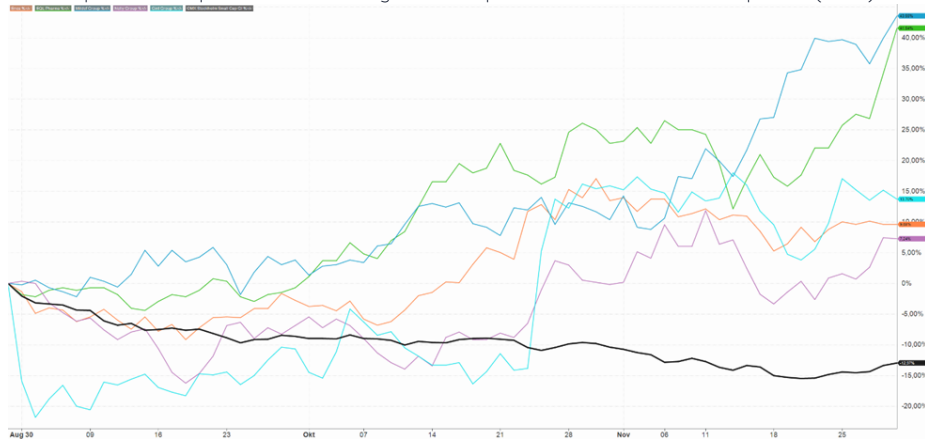
Historically, Swedish small-cap companies tend to follow U.S. trends with some delay. When sentiment shifts, it often happens quickly and powerfully. With several reports indicating strong fundamentals for our portfolio companies, we are optimistic about the coming year. For investors seeking long-term opportunities, this is an exciting time to be exposed to small-cap companies. Patience is key, and we are actively ensuring our investments are ready when the market rebounds.

## Forecast

We see clear potential in the smallest small-cap companies, especially considering recent and potential future interest rate cuts. Given that OMX Small Cap Index and smaller OMX Mid Cap companies have significantly lagged larger companies, this is a golden opportunity to consider investing in smaller companies.

Company	3-Month Return (%)
MILDEF AB	43,55%
EQL PHARMA AB	41,54%
CINT GROUP	13,7%
ENE A	9,59%
NELLY GROUP AB	7,24%
OMX Small Cap Index	-12,97%

According to our model, more capital is systematically allocated to companies with a positive market trend. The graph below shows five companies in the portfolio with a strong trend compared to the broader small-cap index (black).



## Did You Know?

December is often considered a positive month for financial markets due to the so-called Santa Rally. Several theories explain this phenomenon, including investors' optimism ahead of the new year and institutional investors adjusting their portfolios before year-end. Additionally, increased consumer activity during the holiday season can positively impact the retail sector.

Read more here: <https://www.investopedia.com/terms/s/santaclauseeffect.asp>

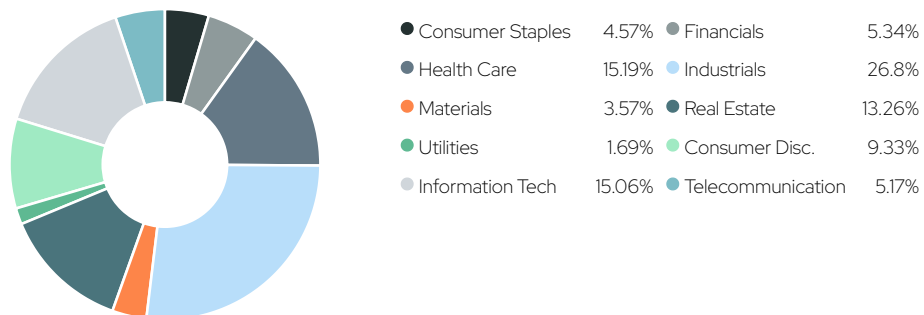
## Strategy

The fund's goal is to deliver solid risk-adjusted returns, provide equity exposure to companies that few other funds own, and withstand downturns well through equal-weighting and balanced sector exposure.

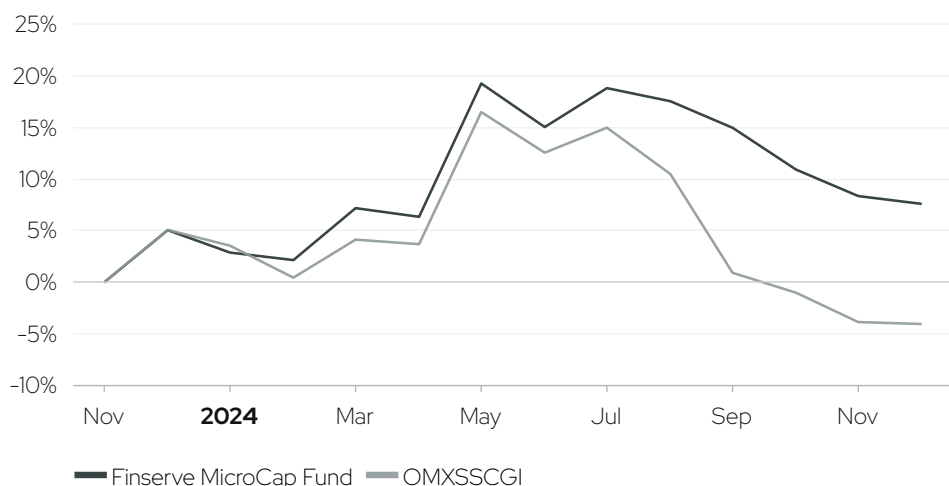
The fund equal-weights all positions every six months. Historically, equal-weighting a broad equity portfolio has resulted in higher risk-adjusted returns compared to market-cap-weighted portfolios. This outperformance can be attributed to the strategy's ability to better manage downturns, unlike cap-weighted portfolios, which are often highly concentrated in individual stocks. The strategy focuses on trend-following investments between rebalancing periods, emphasizing companies with low volatility and a clear positive trend.

Finserve Micro Cap invests in companies listed on regulated markets. Over time, the portfolio comprises more than 100 companies primarily listed on the OMX Small Cap and OMX Mid Cap lists. The portfolio companies have an average market value of around 2.5-3.5 billion SEK, significantly lower than the average among competitors' micro-cap and small-cap funds. Thanks to regular equal-weighting, the trend strategy, and the fact that the fund is one of the few owners in many of its companies, the fund has a low correlation with traditional micro-cap and small-cap funds.

## Sector Exposure



## Cumulative Monthly Returns\*



## Monthly Performance (%)\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024	-2.07	-0.71	4.92	-0.78	12.14	-3.54	3.28	-1.07	-2.19	-3.52	-2.31	-0.70	2.42
2023												5.05	5.05

## Performance Statistics\*

Last Month	-0.70%	Total Return Cumulative	7.59%
Winning Months (%)	30.77%	Sharpe Ratio (10YT-Note)	0.22
Sortino Ratio	0.38	Standard Deviation Annualized	15.02%
Alpha Monthly vs OMXSSCGI	0.81%	Beta vs OMXSSCGI	0.80
Information Ratio vs OMXSSCGI	1.37	Tracking Error vs OMXSSCGI	7.85%

## General Information

Minimum Investment	100 SEK
Management Fee	1.80%
Risk (SRRI 1-7)	5
AUM (million)	29 SEK
Trade (Buy)	Daily
Trade (Sell)	Daily
ISIN	SE0020539401

Investing in mutual funds always involves a risk. The value of your investment can go up and down depending on factors affecting the market including interest rates. Historical returns are not an indicator of future returns. Investors may lose parts or the entire amount invested. For more information on risks, read more in the funds' KIID and prospectus.