Kavaljer

Monthly Report August 2026

Kavaljer Quality Focus

+2.7%
return August 2026

+16%
return five years

Monthly Commentary

Strong stock market month and indications that sentiment for small-cap stocks is turning
August was a very strong stock market month, with the broad Stockholm exchange (OMXSPI-GI) up 1.9% and the world index (Dow Jones Global Index) up +2.8%, along with the small-cap index (Carnegie Small Cap Return Index Sweden) up +2.6%. We are now seeing early signs that sentiment is turning more positive for quality small-cap stocks.

Signs that the permafrost around small caps is starting to thaw
We have long talked about large caps receiving a bit too much love while quality small caps have sat in the deep freeze, in many cases wholly neglected by the market. Our best explanation has been that in today's uncertain environment, it is natural for investors to gravitate toward what is perceived as a safe bet – large caps – while selling off more "uncertain" small caps. This pushes up demand for large-cap stocks and pressures small-cap stocks, which in turn reinforces the narrative that large caps are safe and small caps risky. When retail investors additionally see that the 1-year chart looks strong for large caps but weak for small caps, it becomes easy to move capital from small-cap funds into index funds (mostly made up of large caps). This positive feedback loop can persist for a long time. Even though large-cap stocks continue to perform well, we are beginning to see small but clear signs that institutional capital is starting to sniff around small caps. We notice this in that brokers from investment banks, who for a while had mostly been calling with small-cap stocks for sale, have now suddenly started calling with buying interest. Since the major headwind for small-cap stocks has been the constant presence of institutional selling pressure, the current pickup has the potential to lift many depressed valuations among quality small caps. We have also emphasized that today's stock market is heavily driven by short-term earnings performance, i.e. it requires earnings growth to look good for a stock to rise. As we wrote last month, we are now seeing signs of an improving economy. We believe this will lead to a long-awaited revenue growth that drives better profitability, together producing very strong earnings growth. We shall see, but right now we see an interesting combination of earnings growth in small caps starting to pick up and institutional buying interest emerging. We therefore look ahead to the autumn market with confidence.

Fund Facts

Start date	August 2019
Risk level	4 of 7
Number of holdings	25-40
Trading	Daily
Fund rating (Morningstar)	★★★★
Category	Sweden, small/mid-cap
SFDR classification	Article 8
AUM	SEK 1,031 million
Management fee	A-class (1.25%) I-class (0.75%)
Total fee	A-class (1.59%) I-class (1.08%)
ISIN A-class	LU1232457504
ISIN I-class	LU1232457686
Portfolio manager	Peter Lindvall, Håkan Telander & Jesper von Koch

Risk Measures

	3 yrs	5 yrs
Alpha	2.23	4.30
Beta	0.86	0.83
Sharpe ratio	0.52	0.13
Standard deviation	15.23	18.15

Risk measures for A-class

Fund Performance
Kavaljer Quality Focus performed strongly, up +2.7% during the month. Over the past 5 years, the fund's return amounts to +16%, compared to +34% for the Stockholm exchange (OMXSPI-GI) and -6% for the small-cap index.

The largest positive contributors among the fund's holdings during the month were Vitec, AOJ and Valmet. The largest negative contributors during the month were RevolutionRace, New Wave and Catella.

Changes and Holdings
During the month the fund sold its holding in Protector Forsikring, and reduced its holding in Storytel. In addition, we increased our positions in RevolutionRace, Proact, ITAB, Securitas, New Wave, Firefly and ChemoMetec.

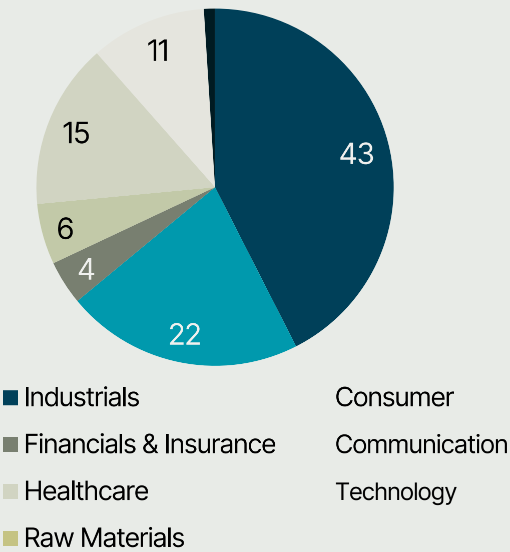
The equity allocation was 99%.

Top 20 holdings, %

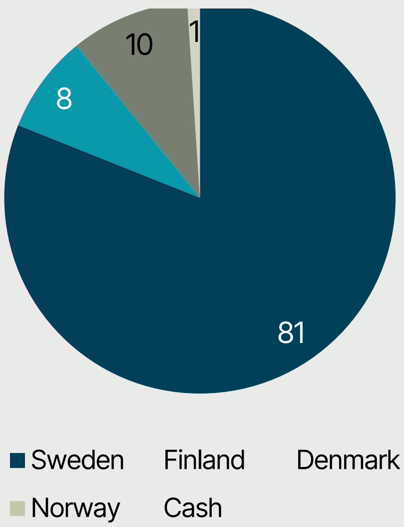
Carasent	4.7
Proact IT Group	4.6
Securitas	4.6
Storytel	4.4
Revolutionrace	4.2
New Wave	4.2
Inwido	4.1
Valmet	4.1
Nederman	4.0
Huhtamäki	4.0
ITAB Shop Concept	3.9
Pandora	3.9
Ratos	3.6
Swedencare	3.5
Brdr. A&O Johansen	3.5
Xvivo Perfusion	3.4
Bonesupport	3.2
Bravida Holding	3.0
Alligo	3.0
ChemoMetec	2.5

Total number of portfolio holdings	32
Top-20 % of total	76.2

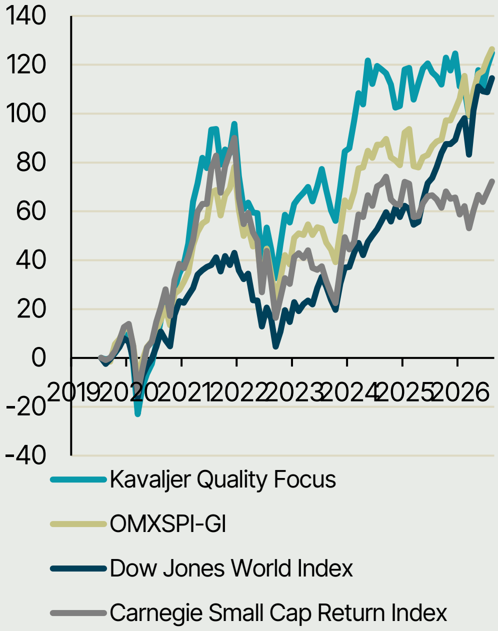
Sector Allocation, %



Geographic Allocation, %



Returns After Fees



Best and Worst - Month's Contributors

Company	Return Contribution
Vitec	+0.5%
Brdr. A&O Johansen	+0.5%
Valmet	+0.5%
RVRC	-0.4%
New Wave	-0.3%
Catella	-0.2%

In-Depth Thoughts on Our Holdings

ITAB: The Wet Blanket Finally Gone
Three years ago, John Fredriksen announced his intention to leave Aeternum Capital, which caused ITAB to plunge on the stock exchange. The reason was that Fredriksen, via Aeternum, owned nearly 16% of ITAB. Since then, the market has "known" that John Fredriksen, via WQZ Investments Group, would sell these shares, creating a "wet blanket" over the ITAB stock. During August, Fredriksen sold his last just over 5% of the company, partly to Kavaljer Quality Focus.

With this large and constant selling pressure on the stock now gone, the odds are judged good for the stock to recover.

ITAB constitutes 3.9% of Kavaljer Quality Focus

Xvivo: Long-Awaited Approval for Heart in Europe
During August, Xvivo's solution for facilitating heart transplants (XHAT) received CE marking, meaning the product is now approved for purchase by European hospitals.

XHAT extends the preservation time of a donated heart from ~4 to ~15 hours, enabling greater geographic matching and driving increased transplant volume.

The market is very attractive: heart transplants are ~50% more common than lung transplants in the US, and the price is ~10x higher, making heart a much larger business. The main competitor, TransMedics, has clear disadvantages: expensive logistics (private jets) and worse clinical outcomes, often requiring ECMO (a machine that takes over the heart's function and is very expensive). XHAT is both cheaper and clinically better, creating strong incentives to switch.

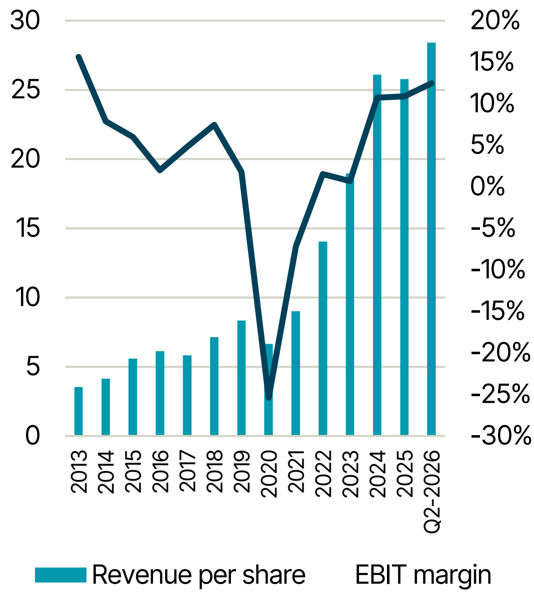
In just one year in Australia/New Zealand, without formal approval, XHAT reached 28% penetration (40% two years later), suggesting doctors are clamoring for Xvivo's solution. With formal approval now in place in Europe, this should give a nice acceleration in growth.

Approval in the US for heart will be the single most important event for Xvivo. This is expected in mid-2027, and the probability is judged high given 1) truly strong study results in April, 2) the CE marking in Europe, and 3) the US FDA's recent decision to expand Xvivo's ongoing US study, suggesting they are satisfied.

Separately, a competitor (OrganOx, strong in kidney/liver) was recently acquired at a valuation of 20x sales. Similarly, Xvivo is judged to be an interesting acquisition target given its strength and dominance in lung and likely soon heart.

Xvivo constitutes 3.4% of Kavaljer Quality Focus

Xvivo: Fast historical profitable growth - which has likely only just begun



Period	1 mo	YTD	1 yr	3 yrs	5 yrs	Since start*	Annual avg. return
Kavaljer Quality Focus	2.7%	0.1%	4.5%	33%	16%	125%	14.0%
OMXSPI-GI	1.9%	12.2%	20.1%	54%	34%	130%	14.5%
Dow Jones World Index	2.8%	13.3%	20.4%	66%	55%	120%	13.6%
Carnegie Small Cap Return Index	2.6%	3.9%	4.4%	31%	-5.8%	74%	9.4%

* 5 August 2019

Brdr. A&O Johansen: Strong Q2 Reports for Both AOJ and the Acquired Elektroimportoren

Brdr. A&O Johansen delivered a very strong second-quarter report. Organic growth was +10% vs. main competitor Solar's +1%, meaning AOJ continues to take market share. Profitability also improved, from 6.2% to 6.7% EBITDA.

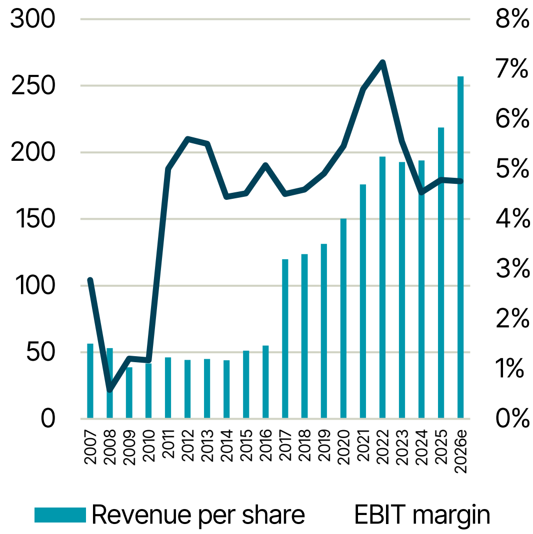
The full-year guidance was also raised. The EBT guidance was maintained but includes DKK 20 million in integration costs from Elektroimportoren, so the underlying figure was raised by 7%. For H2, growth of 9% is expected, but with profitability down y-o-y, judged too pessimistic.

The acquired Elektroimportoren AS also delivered a fine report. Revenue grew 6% (+2% like-for-like stores) and profitability improved from 11.1% to 13.5% EBITDA.

The company has also given updated full-year guidance including Elektroimportoren. The midpoint (excl. one-off integration costs of DKK 20 million) is DKK 9 EPS. Note that Elektroimportoren is only included from end of August, excluding 2/3 of the year and ~DKK 31 million in EBIT, i.e. 9% of guided EBIT. Pro forma EPS (incl. full year for the acquisition) is thus ~DKK 10 per share, i.e. a P/E of 10. This is judged too low given that 2026 should still be considered to show recession-level earnings.

Brdr A&O Johansen constitutes 3.5% of Kavaljer Quality Focus

AOJ: P/E 10 incl. the acquisition, on recession-level earnings



Nederman: The Order Book Turnaround Is Finally Here – Growth and Margin Expansion Underway

Nederman delivered a report that, at first glance in terms of revenue and profitability, was on the weaker side (revenue -3.7%, EBITA margin 8.3% vs. 11.0% last year), but a strong order intake (+6.3%) made the overall impression clearly positive. The order intake was broad, with all business areas seeing rising order intake. This suggests the bottom has been reached and that growth is expected ahead.

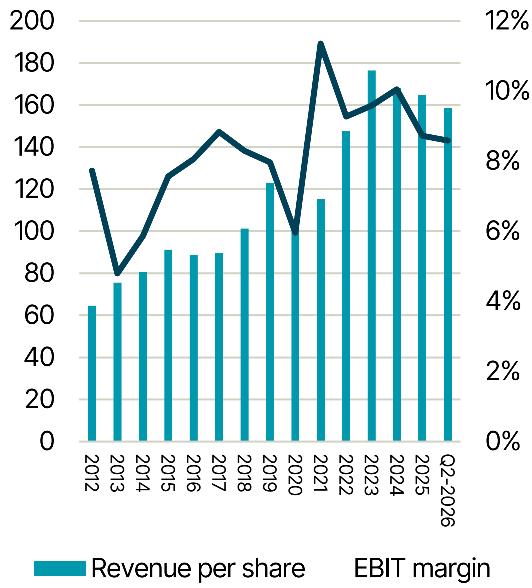
Once growth gets going, a sharp improvement in profitability is expected, mainly due to higher revenue on a relatively constant cost base. Since 2022 the company has also carried out a series of margin-improving measures, in particular a new production and logistics facility in Helsingborg. The efficiency measures have clearly borne fruit, with the gross margin having gone from 36-38% between 2016-2023, before rising to between 39-40% following the commissioning of the new logistics facility in 2024.

It typically takes 6-9 months from order placement to revenue being booked. There may therefore be a couple more reports on the weaker side, but revenue should then start to grow. Profitability is then expected to improve quickly and progressively, producing strong earnings growth.

Nederman is currently trading at a P/E of 19 on 2026 estimates (in line with the historical average), despite trough earnings. So when earnings growth gets going, more investors are expected to again view Nederman as an interesting quality company, meaning the P/E should hold up, while EPS increases sharply. Nederman is therefore judged particularly interesting right now, and the fund increased its holding after the report.

Nederman constitutes 4.0% of Kavaljer Quality Focus.

Nederman: Impressive historical earnings growth but temporary dip. In Q2 the order intake finally turned.

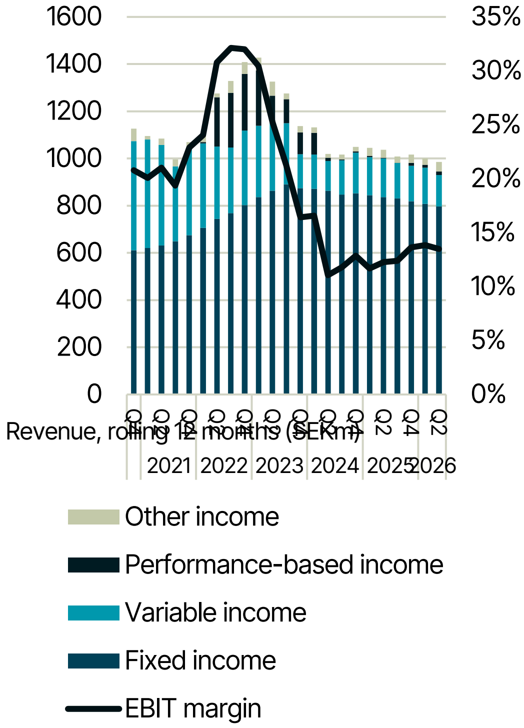


Catella: Major Changes Happening Beneath the Surface. The Stock Is Forgotten but We Believe It Will Wake Up After the Turn of the Year

Real estate fund manager Catella has performed very weakly on the stock exchange. The company itself has developed roughly as expected, but the real estate market has been weak a bit longer, and the company's new management has not been as clear about its direction or capital allocation as investors had hoped. Confidence in the Catella stock nonetheless remains, and it is possible to see what should drive the stock upward.

The new CEO is judged to see the current cost base as entirely too large and has, during his first year, turned over every stone to see what can be made more efficient and tightened, with the goal of significantly reducing the cost base. Some measures are already visible (e.g. OPEX within IM decreased 15% in Q2), but the assessment is that much remains and that Catella will cut significant fixed costs during the rest of 2026. These cost savings will likely involve significant one-off costs during Q3 and Q4.

Catella Investment Management: Weak market and minimal activity give trough earnings



Focus this autumn is on internal efficiency, but an acquisition in early 2027 seems likely. This is judged positive, as it would dilute overhead costs across a larger revenue base and improve profitability. Catella today primarily offers real estate funds within Core, i.e. with a return requirement of around 5%, an offering attractive in a zero-rate environment but not when policy rates rise, which is an important reason for the weaker AUM development in recent years. Catella is therefore expected to expand into the Value Add segment (returns around 10%), likely through acquisition.

Interest costs are also expected to decrease, partly already from Q3 2026 and fully from Q2 2027. The first bond (SEK 526 million) matures in September 2026 and the second (SEK 700 million) in March 2027, possibly replaced by a cheaper bank loan. This will reduce interest costs significantly, meaning a much larger share of operating profit will flow all the way to net income. Given the company's strong balance sheet, interest costs are expected to decrease despite any acquisitions.

Catella is clearly overcapitalized, and the question of capital allocation – i.e. a special dividend or more buybacks – can likely be decided after an acquisition. The company is now actively buying back its own shares, but a significant special dividend has also been requested by investors. The assessment is that the board, before it can make a decision on this, likely needs clarity on how much will be allocated to acquisitions and what constitutes a normalized level for seed investments within IM. A capital structure strategy should come once these questions are settled.

All told, SEK 4-5 EPS and a P/E of 15 in three years feels reasonable, which gives a good margin of safety. The combination of a lower cost base, acquisition-driven revenue growth and lower interest costs means EPS should grow very strongly from 2027. Once the real estate market gets going and transaction activity in Germany increases, variable income should also increase, giving momentum to organic growth. The assessment therefore remains that the company can generate SEK 4-5 EPS by 2029. At a share price of SEK 18, this is naturally judged to be far too cheap.

Catella constitutes 2.3% of Kavaljer Quality Focus.

Carasent: Strong Q2 and Robust Improvements in the InfoSolutions Acquisition
Journal system provider Carasent delivered a strong quarterly report. Organic growth in recurring revenue (ARR) was +15%. New sales were also good: "signed but not yet implemented ARR" increased sequentially from SEK 4 to 6 million, which bodes well for coming quarters. The CEO also said the low level of consulting revenue in Q1 and Q2 is temporary and should rise, a very positive signal. Profitability continued to improve, reaching 11% EBITDA-CAPEX vs. 3% last year.

MedSum (AI transcription) is developing really well: user numbers have gone from 19 in January to 300 now, with no customer churn at all so far. It's early days, but the direction is exactly what one wants to see in a new product line.

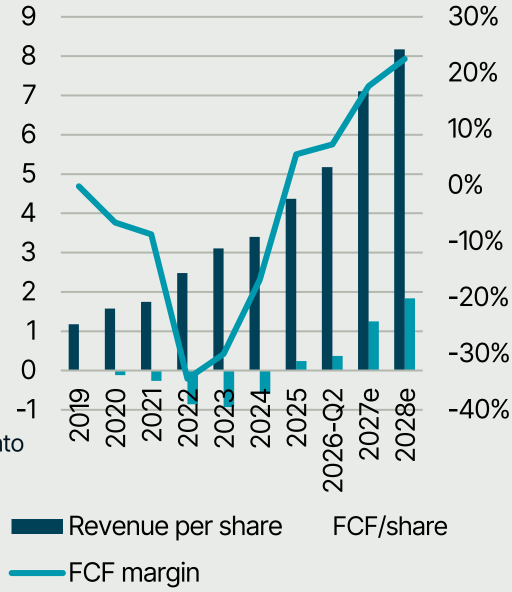
In addition, decisive changes were noted directly for the InfoSolutions acquisition. Price increases averaging 20% on recurring revenue have now been announced to customers, along with a 25% personnel cost reduction (SEK 10 million/yr). The price increases take effect at year-end. This means InfoSolutions should show really strong profitability already from the turn of the year.

In Germany, a new CEO has been appointed with a strong track record of selling new products into new markets, relevant given the company's expansion ambitions there.

All told, a report that confirms the thesis. Both fine organic growth and positive indications on acceleration through new product lines and in Germany. And continued margin expansion, both organically and through decisive measures for the previously low-margin acquisition.

Carasent constitutes 4.7% of Kavaljer Quality Focus

Carasent: Profitability continues to scale with stable costs but accelerating revenue growth



Protector Forsikring: Major Insider Sales by Key Individuals and a "Softening Market" Lead Us to Step to the Sidelines
Protector Forsikring has been a strong contributor to both last year's and this year's returns. The company has grown well with high and consistent profitability, along with positive indications that France could become the next growth driver.

Recently, some concern has arisen from the company describing a "softening market." This means competitors are starting to ease off on profitability requirements for new customers and begin to compete on price to generate growth. This tends to lead to either 1) continued growth but with lower (too low?) profitability, or 2) low growth, since there is always some competitor willing to go lower on price.

In addition, there have been major insider sales. In July the CEO and deputy CEO each sold shares worth NOK 49 million, corresponding to 35% of both their holdings. In August the company's Chief Investment Officer, who has a fantastic track record, also sold nearly half of his holding (worth almost NOK 10 million). The CEO and deputy CEO selling after a fantastic run raises no concern, but it does raise concern when an insider clearly skilled at timing stocks sells half of his holding.

For this reason, the fund has sold its shares, and we are watching the company from the sidelines.

You can't just be a contrarian — you have to be right."

Howard Marks

Nacka Strand, 2 September 2026
Peter Lindvall, Håkan Telander, Jesper von Koch, Jakob Wahlberg

More information about the fund
Information below is available at
https://kavaljer.se/

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