

Monthly Report September 2026

Kavaljer Quality Focus

-0.9%

return September 2026

+24%

return five years



Monthly Commentary

A Step Back Caused by High Oil Prices

September was a somewhat weak stock market month, with the broad Stockholm exchange (OMXSPI-GI) down -1.6%, the world index (Dow Jones Global Index) down -1.5%, and the small-cap index (Carnegie Small Cap Return Index Sweden) down -1.3%.

Continued turmoil in the Strait of Hormuz has led to high oil prices, which has raised inflation expectations and thereby pushed up global interest rate levels. Interest-rate-sensitive sectors such as financials and real estate, as well as highly valued growth companies, took the biggest hit, while energy-related stocks held up best.

Economic indicators pointing in different directions: industry, which matters most to us, is performing strongly

We tend to argue that macro analysis more often creates confusion and false conviction than excess returns. This is especially true when the ambition is to predict where the economy is heading. In practice that is impossible, since no one can foresee the full chain of knock-on effects that different events give rise to. What matters instead is, to borrow a sports metaphor, to always "play where the ball is." On the stock market, that requires having a full grasp of what the playing field looks like today.

Just over 40% of the fund's portfolio is invested in industrial suppliers. Many of these are high-quality companies that have had a few weaker years, which has created attractive valuation levels. The lower production volumes mean that many factories are still underutilized, while profitability has been squeezed considerably.

The stock market is said to be forward-looking and likes to value companies on a normalized earnings level. In recent years, every new year has started with CEO statements that "the economic cycle will turn in the second half of the year." The market therefore kept pricing in normalized earnings for a long time, since it "knew" that the turnaround and the sharp earnings increases would soon arrive. In the end, however, the market gave up and decided that current earnings are the new normal and not temporarily low.

Now there are increasingly many signs that the industrial cycle is improving. Order intake rose in the second quarter for several industrial companies, and data for September points in the same direction. In Sweden, an improvement is visible both in industry and among households, where confidence is the highest since December 2021. In Europe, consumers remain cautious, while companies are moving in the right direction. In the US, industry is strong while household confidence has weakened, which is common when petrol and diesel prices rise.

We assess that the improvement in industry will lead to long-awaited revenue growth. When the factories fill up again, profitability should also strengthen, which together creates the conditions for strong earnings growth. Such a development is expected to make the quality of several of our holdings clearer, where the market in some cases still seems hesitant. That could contribute to higher and fairer valuations.

RISK INFORMATION: The information in this monthly report does not constitute investment advice. Historical returns are no guarantee of future returns. The money invested in the funds can both increase and decrease in value, and there is no guarantee that you will get back the full amount invested. Before investing, you should read the fund's fact sheet and information brochure.

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 977 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 years	5 years
Alpha	2.55	4.52
Beta	0.86	0.82
Sharpe ratio	0.63	0.21
Standard deviation	14.89	17.81

Risk measures for A-class

Fund Performance

Kavaljer Quality Focus performed slightly better than the indices, but still fell -0.9% during the month. Over the past 5 years, the fund's return amounts to +24%, compared to +41% for the Stockholm exchange (OMXSPI-GI) and +1% for the small-cap index.

The largest positive contributors among the fund's holdings during the month were Storytel, ITAB and Bravida. The largest negative contributors among the fund's holdings during the month were Xvivo, RevolutionRace and Huhtamäki.

Changes and Holdings

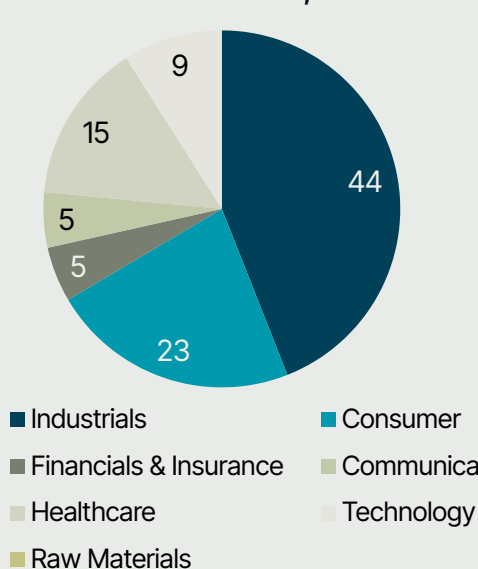
During the month the fund sold its holding in Vitec, and reduced its holdings in Storytel, Proact, Bravida, Pandora, Brdr. A&O Johansen, Carasent, BTS and Huhtamäki. In addition, we bought back an old favorite, VBG Group, and increased our positions in Nederman and ITAB.

The equity allocation was 98%.

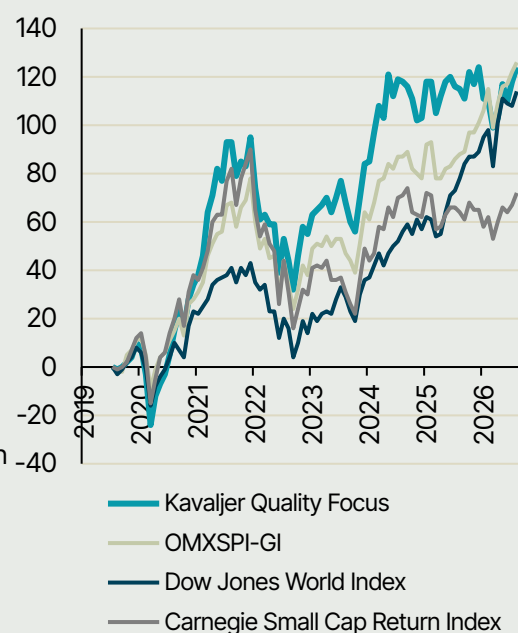
Top 20 Holdings, %

Securitas	4.9
Carasent	4.8
Nederman	4.7
Proact IT Group	4.7
Inwido	4.5
New Wave	4.5
ITAB Shop Concept	4.4
Valmet	4.3
Storytel	4.0
Revolutionrace	4.0
Ratos	3.7
Bonesupport	3.5
Huhtamäki	3.5
Swedencare	3.5
Xvivo Perfusion	3.0
Alligo	2.9
Bravida Holding	2.8
ChemoMetec	2.8
Brdr. A&O Johansen	2.7
Idun Industrier	2.7
Total number of portfolio holdings	32
Top-20 % of total	75.9

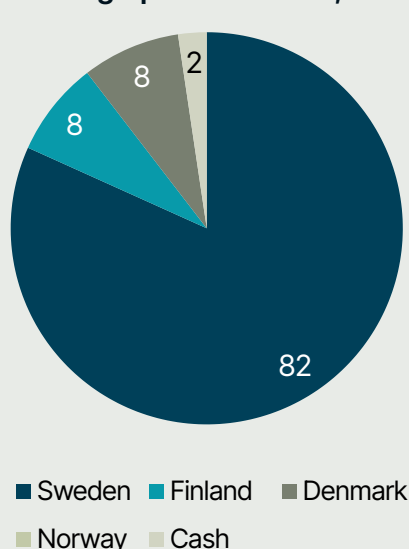
Sector Allocation, %



Returns After Fees



Geographic Allocation, %



Best and Worst - Month's Contributors

Company	Return contribution
Storytel	+0.3%
ITAB	+0.2%
Bravida	+0.2%
Xvivo	-0.5%
RVRC	-0.4%
Huhtamäki	-0.2%

In-Depth Thoughts on Our Holdings

Exsitec

Why we judge the AI threat to be overstated

The threat from AI as a structural threat to IT consultants is something we have thought a lot about. If the cost of developing code falls, the value of part of the consultants' service offering is also affected. What matters, however, is what the projects actually look like at each consulting firm. For many IT consultants the development may mean challenges, while Exsitec is judged to be highly resilient.

Coding is only one tenth of the work

Roughly one third of the consultants work with software development, and for them about one third of their working time goes to the coding itself. Taken together, this means that around 10% of the company's working time is spent on the activity that AI is best at replacing today. The remaining time covers things like process mapping, configuration, data migration and change management. Even though AI can make testing and documentation more efficient, it is the order of magnitude that is decisive. The real complexity lies in understanding the customer's business, for example how revenues and costs should be accounted for in different situations. That knowledge is built on experience and customer relationships rather than on training data.

Demand may actually increase rather than decrease

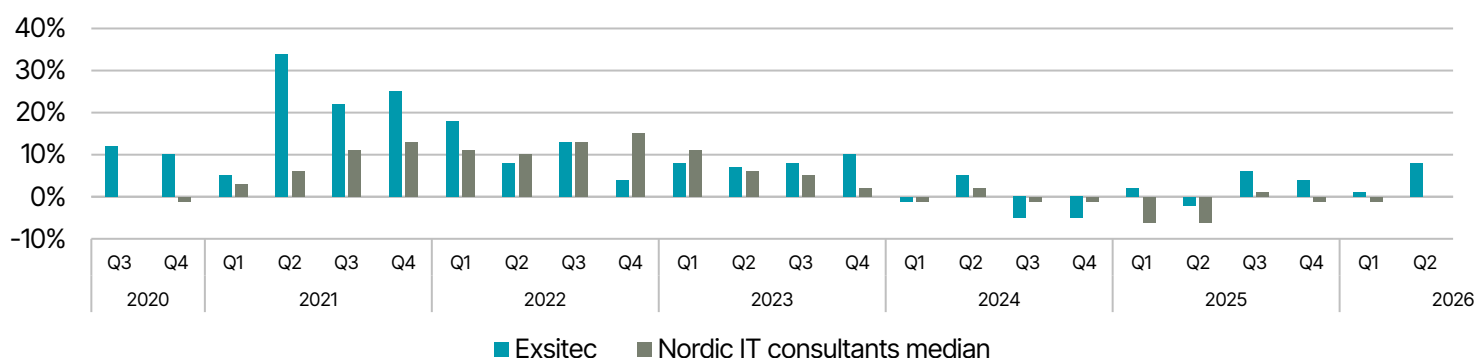
AI means that certain parts of the projects can be carried out considerably more cheaply than before, for example integrations. Historically, the cost of such tasks has often been a barrier for customers. When the cost falls, more projects can become economically justified, which could increase demand for Exsitec's services.

In Exsitec's case, many customers also still use locally installed versions of Visma. To benefit from new AI features, a move to cloud-based solutions is in many cases required, which creates a need for migrations and thereby additional assignments for Exsitec.

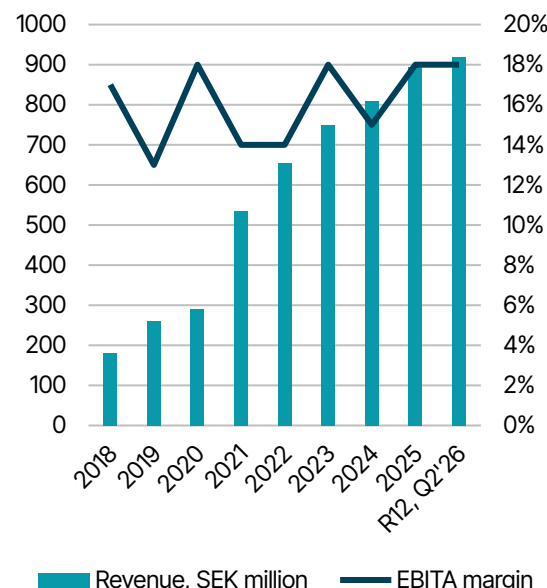
Despite the company's strong track record and the long-term opportunities that are judged to exist, Exsitec trades at a P/E ratio of 11, adjusted for goodwill amortization, and at around 9 times operating profit.

Exsitec constitutes 2.1% of Kavaljer Quality Focus.

Since 2020, Exsitec has had on average 4% higher annual organic growth per quarter than its Nordic peers



Exsitec: Strong track record but very low valuation



Period	1 month	YTD	1 year	3 years	5 years	Since start*	Annual avg. return
Kavaljer Quality Focus	-0.9%	-0.8%	5.1%	39%	24%	123%	13.9%
OMXSPI-GI	-1.6%	10.4%	17.6%	54%	41%	126%	14.2%
Dow Jones World Index	-1.5%	11.6%	14.9%	71%	55%	117%	13.4%
Carnegie Small Cap Return Index	-1.3%	2.6%	5.2%	34%	1.3%	71%	9.1%

* 5 August 2019

VBG Group

Invested in an old favorite after a de-rating, despite good earnings prospects

Our investment philosophy, as is well known, rests on the companies we own being of such high quality that we can own them forever, i.e. where we judge that the company has the ability to grow its earnings sustainably over a long time ahead.

One decisive aspect, however, is the valuation. If it runs away, we are not afraid to sell a company, even if the company ticks every possible quality box.

We bought VBG Group in 2020 at a share price of around SEK 140, when the company was regarded as a boring industrial company with no interesting future. In 2024 the stock was included in a European index, and with the help of a forced buying flow the stock rose to almost SEK 500, where we were lucky enough to sell near the top. Last year we made another successful round trip, though not as spectacular as the earlier one. Now we have bought the stock again.

VBG Group was founded in Vänersborg in 1951. Today the company has sales of SEK 5.6 billion with an operating margin of 12%. The company currently has three business areas:

Mobile Thermal Solutions (MTS) - the largest, with 51% of sales but only 34% of profit (8% margin). Develops climate/HVAC systems for buses and construction and off-road vehicles. Pricing power comes from customized, technically complex solutions where the component cost is a small part of the vehicle's value.

Truck & Trailer Equipment (T&TE) - the most profitable segment (30% of sales, 45% of profit, 20% margin). Manufactures tow couplings with over 50% global market share, as well as snow chains, roofs and lighting. Customers are mainly integrators and the aftermarket. Safety-critical, certified products make customers price-insensitive, and a strong aftermarket business (30-35%) provides stability.

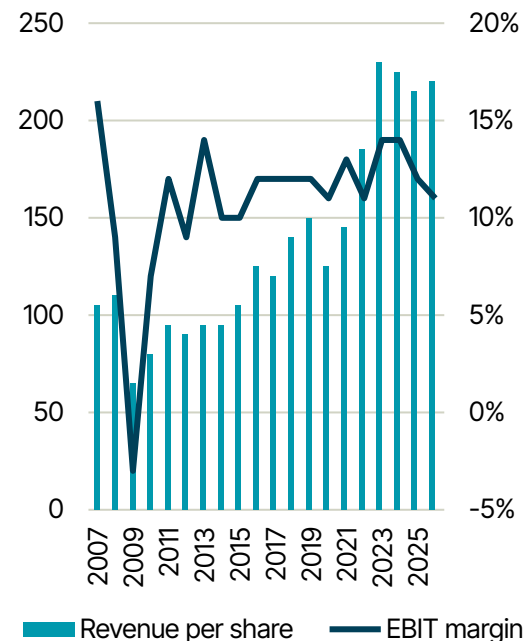
Ringfeder Power Transmission (RPT) - the smallest, with 20% of sales and profit, and a margin of 15%. Supplies application-critical components (shaft couplings, friction springs, etc.) to a fragmented industrial customer base. Low component cost relative to the customer's total cost, but failures can cause costly production stoppages.

Major investment soon complete: Starting in 2024 and finishing at the end of 2026, the company has invested SEK 900 million in MTS, merging three manufacturing facilities into one new facility in the Toronto area. The motives are economies of scale, lower fixed costs and operating leverage as volumes recover. This is expected to improve profitability for MTS, and the investment is central for the business area to reach the group target of a 15% EBITA margin.

Attractive valuation and good earnings momentum ahead: From Q1 next year the investment should deliver cost savings, with full effect from Q3 2027. Signs of a better economic cycle make us believe in strong earnings momentum, and we sketch out SEK 22-23 in earnings per share in 2027 (even better cash flow) and thereby a P/E of 13-14. We judge that we now have a sufficient margin of safety to buy the company again.

VBG Group constitutes 2.1% of Kavaljer Quality Focus.

VBG Group: Strong earnings growth over time and increasingly resilient in a downturn



ChemoMetec

Picks and shovels for the biotech industry

ChemoMetec is the market leader in cell counting for cell and gene therapy (CGT), with around 90% market share and "gold standard" status. The market for cell counting is too small for the large pharmaceutical companies to enter it. The company is highly profitable, with an EBIT margin of around 50%.

The company is also beginning to gain good traction in a second leg, Bioprocessing, where the new XM product series is technologically superior to competitors' solutions.

Why cell counters are needed

In CGT, customers need to count cells continuously throughout the entire production process, from early research to finished treatment - it is not a single process step but an indispensable requirement in every phase to check the share of living cells out of the total.

In Bioprocessing, large pharmaceutical companies manufacture biological drugs at scale, and cell counting is needed to continuously analyze large sample volumes and ensure quality and yield in production.

Business model and revenue quality

The business model resembles a razor and blades: once a customer has validated and approved an instrument in its production process, switching is both expensive and complicated, which creates high lock-in. Consumption of cassettes also increases directly as more patients are treated, which means revenues grow organically as more therapies are approved. The instrument then generates around 30% of the instrument value per year in recurring revenue.

CGT is driven by superiority over traditional medicine and lower cost per therapy

CGT treats the cause of the disease rather than the symptoms, which can mean a cure instead of lifelong treatment. To broaden the use of CGT to even more diseases, the cost needs to come down markedly, which drives the market toward replacing manual handling with automated processes.

Since the beginning of 2024, ChemoMetec has had a new platform (the XM platform) with fully or partly automated solutions. ChemoMetec's strong position as the "gold standard" means it is naturally asked as soon as a customer considers automation. The XM platform is at the forefront from a performance perspective and should take a similarly strong position as the company's manual platform (NC).

Bioprocessing automation is driven by AI churning out drug candidates - all of which need to be tested and validated

In Bioprocessing, AI makes it possible to produce considerably more potential drug candidates than before, and since these must be tested and validated, the need for automated cell counting increases markedly.

ChemoMetec has built up a broad partner structure with key players in the Bioprocessing value chain: Roche in analyzers, and Tecan and Hamilton in liquid handling, which drives customers toward ChemoMetec as the preferred cell counter.

Summary

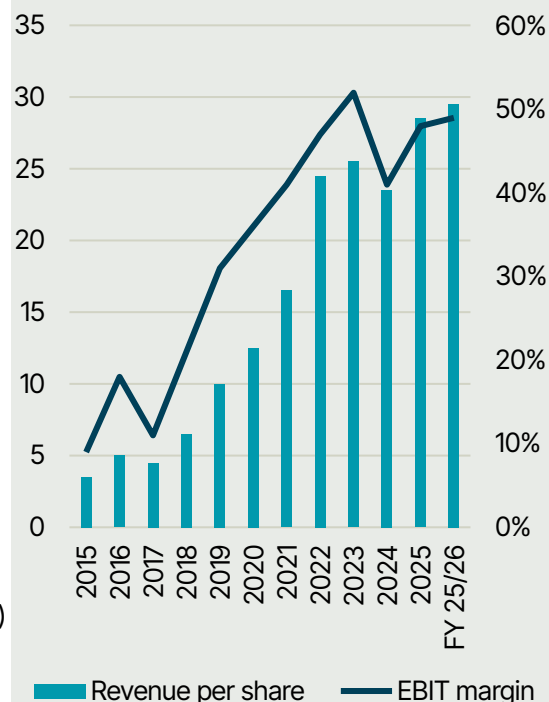
We judge that ChemoMetec's dominant position in a structurally growing segment, a new segment with clear growth prospects, and a high share of recurring revenue make the company attractively positioned for profitable growth for many years ahead.

ChemoMetec constitutes 2.8% of Kavaljer Quality Focus.

Nacka Strand, 2 October 2026

Peter Lindvall, Håkan Telander, Jesper von Koch, Jakob Wahlberg

ChemoMetec: Over 10 years, revenue has grown by an average of 20% per year and profit by 34%. Lower demand in recent years due to weaker biotech funding, which is now improving.



"The big money is not in the buying and the selling, but in the waiting."

Charlie Munger

More information about the fund
Information below can be found at
<https://kavaljer.se/>