

Kavaljer Quality Focus



Monthly Commentary

Large Divergence Within the Market — AI and Large Cap Running Hot

In June, Small and Mid Cap performed very weakly (both approximately -5%) while Large Cap showed strength at +2%. The broad Stockholm Stock Exchange (OMXSPI-GI) returned +0.6% and the global index (Dow Jones Global Index) -0.9%. The small-cap index (Carnegie Small Cap Return Index Sweden) ended at -1.8%.

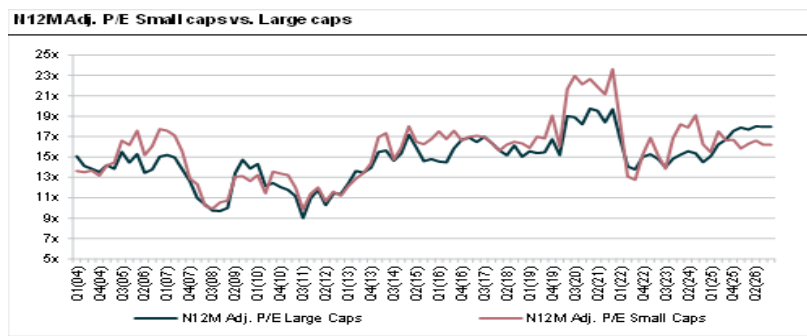
Staying the Course When the Market Only Wants to Dream of Infinite Growth

As an investor in small and mid-sized companies with a proven track record and sound financials at low valuations, it is easy to feel frustrated in June 2026.

The AI euphoria is palpable, with extreme examples such as Silvers Semiconductors, up more than 2,500% over 3 months driven by hype on X. Insiders are selling, yet the company is valued at 100x revenues (the company is loss-making). The market did not care — until now — and the stock has fallen 43% in one week.

In parallel, large index-heavy companies are valued at 30x annual earnings despite mediocre prospects. ITAB at a P/E of 6–7 for 2027E or AOJ at a P/E of 11.5 on trailing trough earnings are ignored because the story is too dull for today's market sentiment.

The market loves momentum and hates weakness. Furthermore, the valuation gap between large and small companies is at a record high, with a significant premium for large caps versus small caps — the opposite of what has historically been the norm. See below:



We know that stocks with solid long-term earnings growth and low entry valuations deliver strong returns. Small-cap funds have experienced nine months of outflows while index funds continue to grow — this creates an anomaly, not a new reality. Even though it feels frustrating to trail the index year-to-date, we are confident that we are well-positioned for the future.

Fund facts

Inception date	August 2019
Risk level	4 of 7
Number of holdings	25-40
Trading	Daily
Fund rating (Morningstar)	★★★★★
Category	Sweden, small/mid-cap equities
SFDR classification	Article 8
AUM	983 million SEK
Management fee	A-class (1.25%) I-class (0.75%)
Total expense ratio	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 metrics

	3Y	5Y
Alfa	4.16	3.44
Beta	0.85	0.82
Sharpe ratio	0.49	0.17
Standard deviation	15.45	18.41

Risk metrics for A-class

Fund Performance

Kavaljer Quality Focus performed weakly and fell 3.6% during the month. Over the past five years, the fund's return amounts to 18.4%, compared to 39.2% for the Stockholm Stock Exchange (OMXSPI-GI) and 0.5% for the small-cap index.

The largest positive contributors were Pandora, Nederman, and Bravida. The largest negative contributors were Dometic, Proact, and Storytel.

Changes and Holdings

During the month, the holding in Kabe was sold and the positions in Byggmästare Ahlström, Bravida, Proact, and Storytel were reduced. In addition, a new holding was initiated in ChemoMetec, and the position in Swedencare was increased.

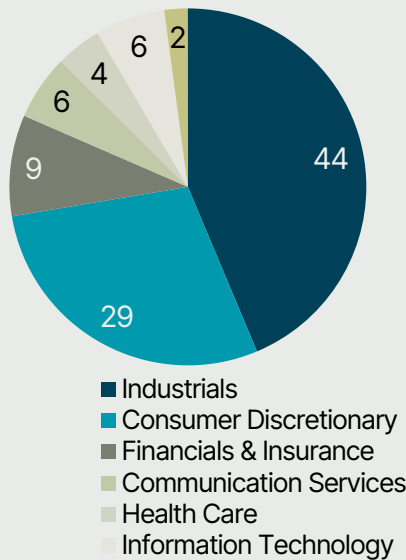
The equity allocation was 98%.

Top 20 holdings (%)

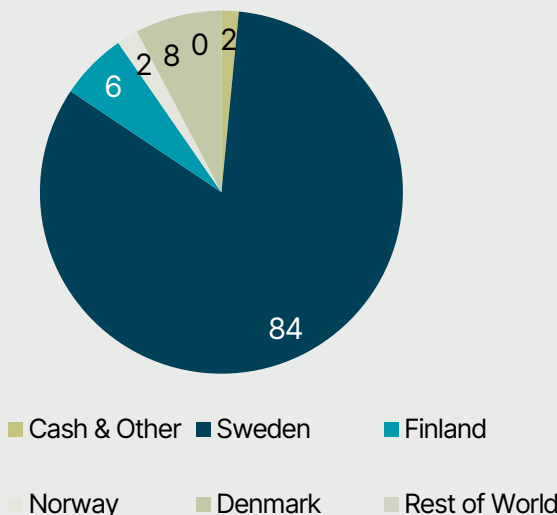
Securitas	4.8
Carasent	4.3
Storytel	4.1
Swedencare	4.0
Revolutionrace	4.0
Pandora	4.0
New Wave	3.9
Nederman	3.9
Proact IT Group	3.8
Inwido	3.5
Huhtamäki	3.4
Ratos	3.3
ITAB Shop Concept	3.2
Brdr. A&O Johansen	3.1
Xvivo Perfusion	3.1
Bonesupport	3.1
Alligo	3.0
Bravida Holding	2.8
Catella	2.7
Valmet	2.6

Total number of holdings	35
Top-20 % of total	70.7

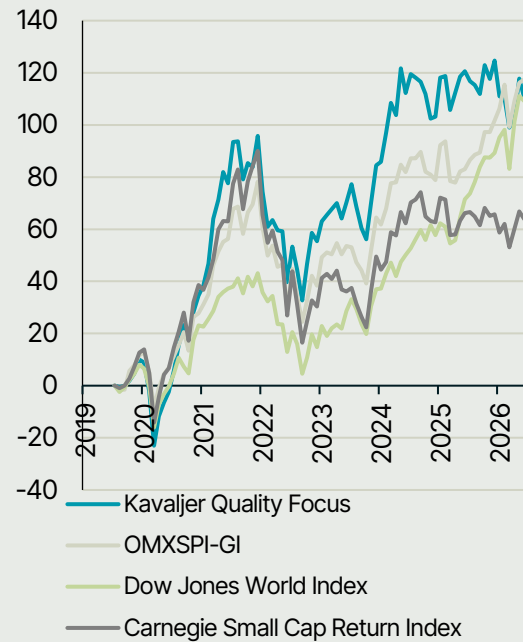
Sector Allocation (%)



Geographic Allocation (%)



Return After Fees



Best and Worst — Monthly Contributors

Company	Return Contribution
Pandora	+1.1%
Nederman	+0.4%
Bravida	+0.2%
Dometic	-0.5%
Proact	-0.4%
Storytel	-0.4%

In-Depth Thoughts on Our Holdings

Danish Quality at a Discount — Brodrene A&O Johansen (AOJ)

AOJ is Denmark's leading wholesale distributor within plumbing, electrical, and ventilation, with an extensive retail network targeting craftsmen and installers. The company sells to both B2C and B2B customers, with B2B representing the dominant share of revenues (82%).

Strong Market Position

The strength of AOJ's position rests on several pillars. AOJ has one of the largest retail networks and broadest product ranges among competitors in Denmark, giving craftsmen fast and local access to materials. AOJ was also an early mover in digitalising its order and inventory management systems, improving the customer experience while keeping internal costs low.

The balance sheet includes a property portfolio with a likely conservatively stated book value of DKK 1,052m, compared to a current market capitalisation of DKK 2,430m. The properties provide better borrowing terms and a lower variable cost base than competitors with leased premises, giving AOJ room to price competitively without sacrificing margin.

Market Under Consolidation

The market is undergoing active consolidation and AOJ is one of the driving forces. The company has built a well-oiled acquisition machine with a proven ability to integrate and extract synergies from acquired units.

In the longer term, we view AOJ as an interesting buyout candidate, although our investment thesis does not solely rest on this. The current CEO is 87 years old, resides in Florida, and holds a stake equivalent to 75% of the votes and 30% of the capital. No one from the fourth generation is active in the company, making the future uncertain once the CEO steps down. The CEO has previously demonstrated a willingness to sell at the right price when AOJ accepted a bid from Lemvig-Müller in 2008, which was blocked by the competition authority. An acquisition of AOJ would provide access to at least 25% of the Danish market in addition to synergy gains.

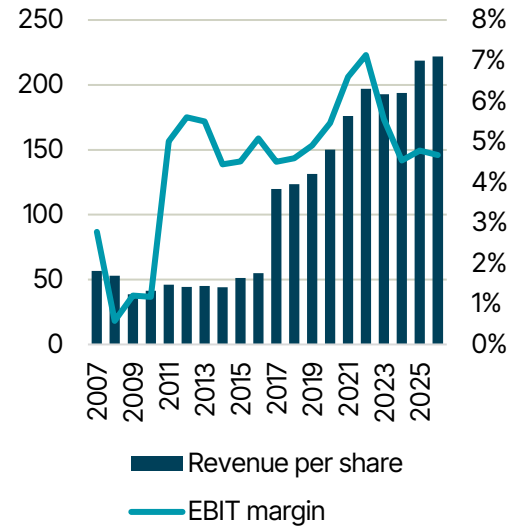
Current Situation

Despite a tough market, AOJ continues to report strong performance and consistently gains market share. The valuation has historically never been high and is unlikely to become so, given the cyclical nature of the business. At the same time, we believe the discount relative to Nordic technical distributors is somewhat excessive given AOJ's track record in a competitive market.

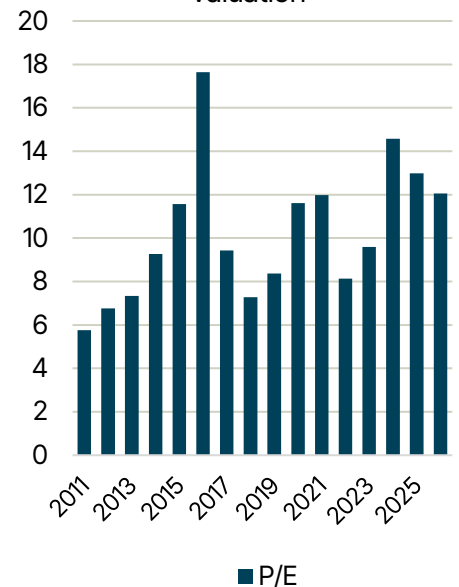
At the current share price of DKK 87.5, AOJ trades at a P/E of 9.1 based on our 2027 estimates. We model revenues of DKK 7bn and an EBIT margin of 5.5%, which is somewhat below consensus. This represents an attractive valuation for a company of AOJ's quality, and we continue to see a solid margin of safety.

AOJ represents 3.1% of Kavaljer Quality Focus

AOJ: Solid growth over time with improved resilience through downturns



Quality at an unusually low valuation



Period	1M	YTD	1Y	3Y	5Y	Since inception*	Ann. avg. return
Kavaljer Quality Focus	-3.4%	-6.4%	-4.6%	24%	18%	110%	12.8%
OMXSPI-GI	0.6%	7.8%	18.8%	42%	39%	121%	13.7%
Dow Jones World Index	-0.9%	10.5%	22.0%	63%	55%	114%	13.2%
Carnegie Small Cap Return Index	-1.8%	-1.1%	-1.4%	20%	0.5%	65%	8.5%

* 5 August 2019

ITAB — Rerating in Sight

Following the acquisition of HMY, ITAB is the largest company in Europe within retail store fit-out. Revenues amount to SEK 12.9bn with approximately 5,300 employees and operations in more than 30 countries. The company has an adjusted EBITA margin of 6.3%. Between 2018–2021, ITAB had weaker profitability (2–4% EBIT), but profitability improved markedly in 2022–2024. The weak profitability in 2020 led to a large rights issue and resulting dilution. The company has now put these issues behind it, with focus on the HMY integration.

Realistic Synergy Picture of 2.6 Percentage Points of Margin Improvement

The acquisition brought together two comparable players: legacy ITAB with an EBIT margin of 7% and HMY with 5%, resulting in a combined EBIT margin of approximately 6%.

At the time of the acquisition, the company communicated expectations of EUR 30m in synergies, equivalent to 2.6 percentage points of margin improvement. These come from administrative savings (eliminating duplicate roles) and lower procurement costs owing to combined scale (already the two largest players in Europe before the merger).

Beyond these, there are additional initiatives that could further improve profitability, including factory closures and logistics coordination.

The target margin of 8.5% EBITA therefore appears entirely realistic — no overoptimism here. The synergies are expected to be fully in place from 2027, which we interpret as 1 January. As of Q1 2026, one third of the synergies have been realised.

Issues in the Process of Being Resolved

The HMY business was hit by issues in France as early as 1.5 years before the acquisition, caused by management changes and lack of focus. Despite HMY being the market leader there, profitability fell well below the company's targets. Remedial actions were initiated in H2 2025, and by Q1 2026, France was already performing well.

Turkey simultaneously underwent a transition from an export unit to direct local sales. Cost reductions are ongoing and customer recovery is already underway. Management expects positive results from H2 2026.

Why the Timing Looks Promising

The share has been weighed down by a sluggish market, a CEO change that created uncertainty, integration costs, and uneven quarterly results.

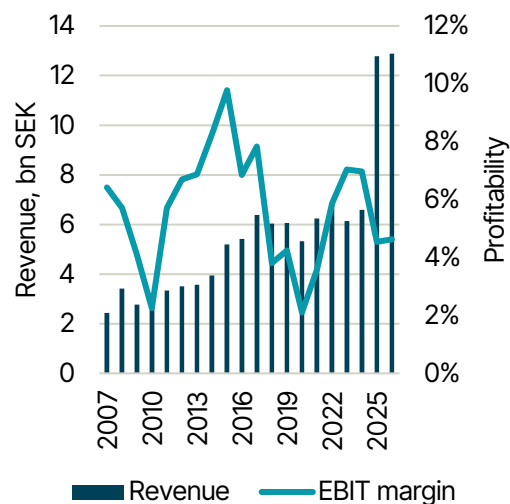
Looking ahead, however, the outlook is brighter. Comparables become more favourable, particularly in Q2, integration costs are declining, and the balance sheet has strengthened, now at a reasonable 1.7x net debt/adj. EBITDA (excl. leasing). Furthermore, two thirds of the targeted synergies remain to be realised, which should provide a meaningful boost to profitability.

Modelling revenues of SEK 13.5bn for 2027 with a 7% EBITA margin — both assumptions being conservative — the company generates just over SEK 2 per share in earnings (adjusted for acquisition amortisation). At a share price of just over SEK 14, this equates to a P/E of 7, and at 8.5% EBITA the P/E falls to just above 5. The low valuation should soon become apparent to the broader market — notably, the CEO has purchased shares worth SEK 1.8m following the Q1 report.

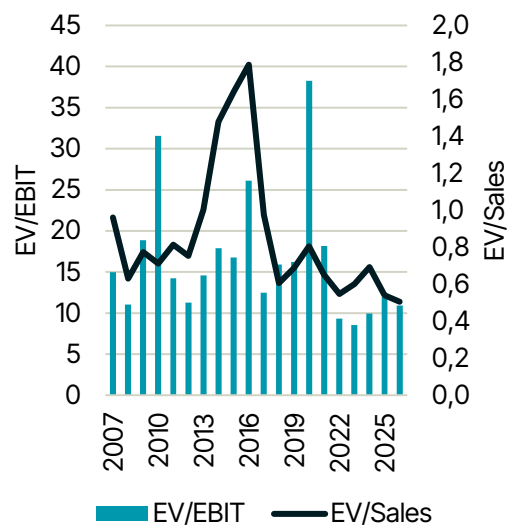
Over a slightly longer horizon, the technology component should also grow (including anti-theft products at self-checkout) and push the margin toward 9–10% EBITA, making the valuation even more attractive.

Itab Group represents 3.2% of Kavaljer Quality Focus

Solid growth over time, but profitability issues during the pandemic led to a large rights issue



Lowest EV/Sales valuation ever. One-off costs soon over & synergies soon visible -> profitability set to strengthen



Pandora — The World's Largest Jewellery Manufacturer

Pandora is the world's largest jewellery manufacturer, listed in Copenhagen. The company operates in the accessible/affordable luxury segment and sells in more than 100 countries. Through its so-called Phoenix strategy, Pandora aims to broaden its product range from charms to jewellery of all kinds.

The share fell sharply during 2025. Several factors hit the company simultaneously: most notably the sharply rising silver price, but also US import tariffs and a weaker consumer market in both Europe and China. In addition, Pandora lowered its guidance, announced a CEO change, and paused its share buyback programme. Taken together, this created significant uncertainty around the company's future profitability.

Strong Recovery

Since the trough in March 2026, the share has risen by as much as 73%. A key driver of the strong recovery is that the silver price has halved from its peak, as silver is a significant input cost for Pandora and a lower price flows directly through to the company's margins and profitability. Beyond this, the market has responded positively to Pandora's plan to transition to large-scale platinum plating, which is expected to reduce silver exposure by 80% by 2028. The Q1 2026 report showed the business on stable footing, with 2% organic growth and unchanged full-year guidance. Growth was particularly strong in Asia and Latin America, and the dividend was raised to DKK 22 per share. Pandora is now in a clear transitional phase, with the company expecting margins to structurally improve from 2027.

The fund increased its position in Pandora during February and March, when the share was valued at 8x estimated 2028 earnings. Pandora is now valued at 13.9x 2028 earnings, which still represents an attractive valuation.

Pandora represents 4.0% of Kavaljer Quality Focus

"In the short run, the market is a voting machine, but in the long run, it is a weighing machine."

Benjamin Graham

Nacka Strand, 3 July 2026

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

[More Information About the Fund](#)

The information below can be found at <https://kavaljer.se/>