Kavaljer

Monthly Report October 2026

Kavaljer Investmentbolagsfond

+0.4%
return October 2026

+15%
return five years



Monthly Commentary

Concerns About AI Investments and the Middle East Weighed on the World Index
October was a mixed stock market month. The Stockholm exchange (OMXSPI-GI) rose 0.8%, while the world index (Dow Jones Global Index) fell 1.8%. Kavaljer Investmentbolagsfond rose 0.4%.

The world index was weighed down by two factors. First, concern grew that the expectations of almost unlimited AI investments are exaggerated, which hit the highly valued companies that are expected to benefit the most. Second, the unrest in the Middle East kept energy and freight prices high, which raises many companies' costs and fuels inflation concerns.

So Far a Mixed Reporting Season - but the Long-Term Opportunities Are Intact
Ratos, Beijer Alma, Thermo Fisher and Danaher delivered strong quarters, while Lifco and Alphabet fell sharply after their reports. The market is currently reacting strongly to individual announcements and to rapidly shifting narratives around AI. Later in the letter we go through our view of these companies.

Encouragingly, the industrial cycle looks set to keep improving. The positive trend that was glimpsed during the second quarter has held up during the third, and the purchasing managers' index for Swedish industry rose in October to its highest level since the beginning of 2022. This is welcome given the portfolio's clear emphasis on the industrial sector. Latour released a very strong report today, Tuesday, which we will return to in the next letter. In healthcare, too, we see a clear improvement. Activity is now increasing across the whole value chain for the Life Science Tools companies, which shows in sales, order intake and forecasts at, among others, Thermo Fisher and Danaher.

During October we increased our holdings further in Latour and Svolder, which both have large exposure to an industry on its way up. At the same time we have continued to reduce our holding in Investor, whose premium continued to increase during the month.

Of the fund's holdings that are valued by their net asset value (NAV), around 80% trade at a discount and 20% at a premium. Weighted by the size of the holdings in the fund, the average NAV discount is about 9%, after the premiums in Investor and Industrivärden have been included. The largest discounts are found in Prosus, Sonae, HBM Healthcare and Linc.

Fund Facts

Start date	May 2018
Risk level	4 of 7
Number of holdings	25-40
Trading	Daily
Fund rating (Morningstar)	★
Category	Global, Sweden
SFDR classification	Article 8
AUM	SEK 764 million
Management fee	A-class (0.3%) C-class (1%)
Total fee	A-class (0.56%) C-class (1.19%)
ISIN A-class	LU1777968246
ISIN C-class	LU2838471790
Portfolio managers	Peter Lindvall, Håkan Telander, Jesper von Koch & Jakob Wahlberg

Risk Measures

	3 years	5 years
Alpha	-3.74	-6.42
Beta	0.74	0.89
Sharpe ratio	0.65	0.10
Standard deviation	10.18	12.99

Risk measures for A-class

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.

Fund Performance

Kavaljer Investmentbolagsfond performed positively during the month, at 0.4%. Since the start, the fund's return amounts to 155%, compared to 144% for the Stockholm exchange (OMXSPI-GI) and 107% for the World Index (Dow Jones).

The largest positive contributors among the fund's holdings during the month were Fairfax Financial Holdings, Latour and Ratos. The largest negative contributors among the fund's holdings during the month were Alphabet, Lifco and Prosus.

Changes and Holdings

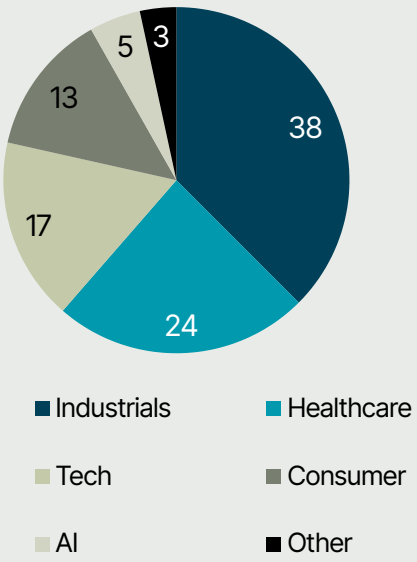
During the month the fund increased its holdings in Latour and Svolder and reduced its holdings in Investor, Thermo Fisher, Danaher and Markel. In addition, the fund sold its entire holding in Vitec Software.

The equity allocation was 97%.

Top 20 Holdings, %

Latour	7.2
Danaher	6.0
Berkshire Hathaway	5.8
Microsoft	5.6
Fairfax Financial Holdings	5.3
Investor	5.1
Svolder	5.0
Ratos	4.8
Industrivärden	4.7
Thermo Fisher	4.6
Markel	4.6
Prosus	4.5
Linc	4.1
Alphabet	4.0
HBM Healthcare Investments	3.8
Siemens AG	3.6
Bure Equity	3.1
LVMH	3.1
Lifco	2.9
BB Biotech	2.4
Total number of portfolio holdings	25
Top-20 % of total	90.2

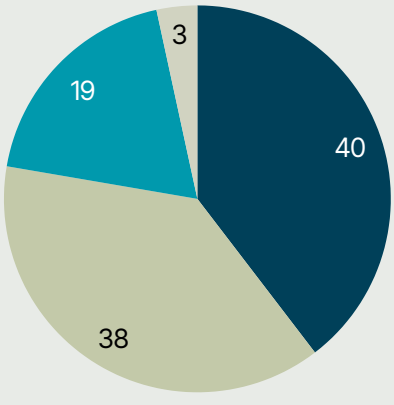
Sector Allocation, %



Returns After Fees



Geographic Allocation, %



Best and Worst - Month's Contributors

Company	Return contribution
Fairfax Financial	0.7%
Latour	0.5%
Ratos	0.5%
Alphabet	-0.8%
Lifco	-0.4%
Prosus	-0.3%

In-Depth Thoughts on Our Holdings

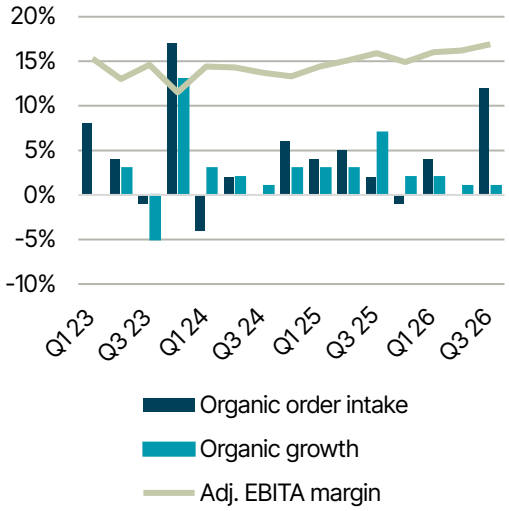
Beijer Alma: Rising Margins

Beijer Alma delivered a stable report for the third quarter. Revenue increased by 11% and EBITA by 18%. The EBITA margin rose to 16.9%, mainly thanks to continued margin improvements in Alcomex.

Alcomex has gone from negative profitability in early 2025 to a double-digit operating margin during the quarter. Order intake remains stable, even adjusted for the quarter's one-off effects. The balance sheet also remains strong, with net debt of 1.4x EBITDA. Management also gave encouraging signals about further acquisitions in Q4. Beijer Alma trades at just over 14 times EV/EBITA for 2027, which we assess to be an attractive valuation.

Beijer Alma constitutes 2% of Kavaljer Investmentbolagsfond.

Beijer Alma: Continuous margin improvements despite a tough market



Lifco: Customer Loss Creates Concern Ahead of 2027

Lifco fell sharply after the report for the third quarter. The big news was that a larger customer in contract manufacturing is leaving the company from the first quarter of 2027. The customer today accounts for about 5% of Lifco's total sales and an estimated 3-4% of EBITA. The customer has also contributed strongly to Lifco's organic growth in 2024 and 2025.

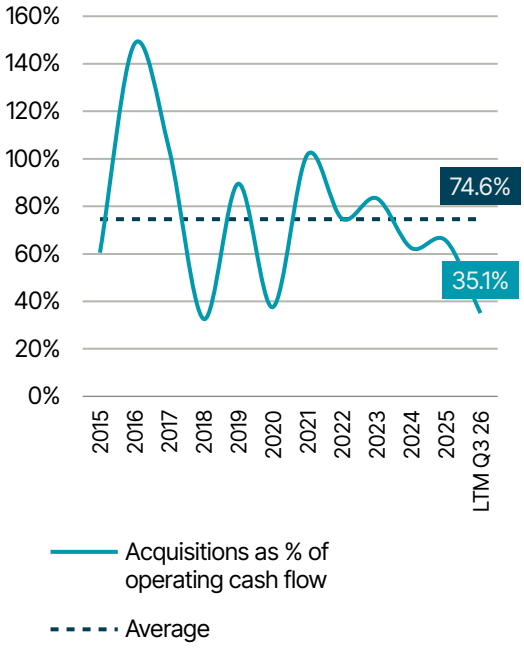
Lifco describes the situation as an isolated one-off event, while work is now focused on compensating for the volume that disappears. The timing of the news is, however, unfortunate. Lifco's reinvestment rate has been lower this year than historically, while the more cyclical parts of the business, in particular Demolition & Tools, continue to develop unevenly.

The hope of a recovery in Demolition & Tools in 2027 therefore risks being dampened by the customer loss, which adds a further uncertainty factor ahead of the year. We expect some volatility in the share until the effects of the lost volume, its impact on the margin and the possibility of compensating for it have become clearer.

Our long-term view of Lifco is, however, unchanged. Our assessment is that Lifco has good opportunities to grow operating profit by at least 10-12% per year for many years ahead.

Lifco constitutes 2.9% of Kavaljer Investmentbolagsfond.

Lifco: Lower reinvestment rate in recent times, but we have seen it before



Period	1 month	YTD	1 year	3 years	5 years	Since start*	Annual avg. return
Kavaljer Investmentbolagsfond	0.4%	1.4%	2%	30%	14.8%	155%	14.0%
OMXSPI-GI	0.8%	11.3%	14%	61%	34.9%	144%	13.3%
Dow Jones World Index	-1.8%	9.6%	11%	73%	55%	107%	10.7%

**May 2018*

Ratos: Yet Another Strong Quarter

Ratos delivered a Q3 report that once again beat the market's expectations. Organic growth was 6% and EBITA growth compared with the previous year was as much as 29%, which was just over 15% better than analysts' forecasts.

The quarter showed consistently strong development in most of the portfolio companies. The platform companies (HL Display, Diab, Presis Infra and Knightec) continue to develop well, while non-core holdings such as Plantasjen show that the efficiency measures that have been carried out are taking effect. During the conference call, more positive tones were also heard for the first time in a long while about the technology consultancy Knightec, which after several quarters again contributed positively to earnings and strengthened Ratos' margin.

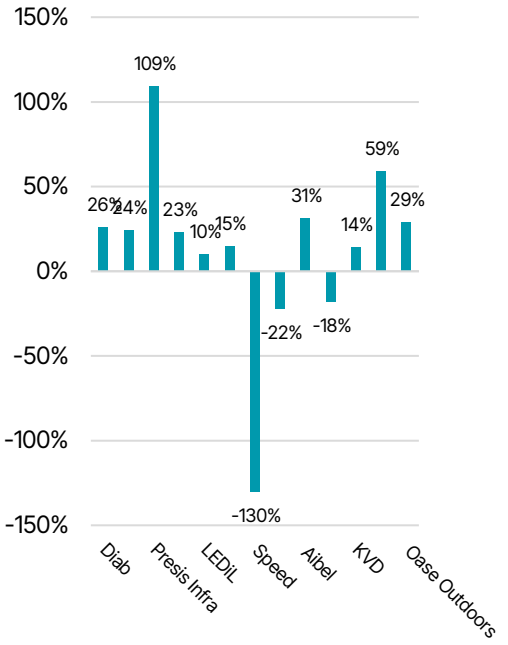
Just as we noted in the report for the second quarter, it is now mainly a matter of Ratos continuing to deliver and building a track record step by step. CEO Gustaf Salford has so far shown disciplined capital allocation, among other things through several add-on acquisitions in HL Display. The next big task is to carry out the announced divestments of the non-core holdings Plantasjen, KVD and Oase Outdoors.

Looking at what the market actually pays for Ratos' businesses, a clear valuation discount emerges. Ratos' market capitalization is about SEK 13.3 billion and net debt, excluding leasing, is SEK 2.5 billion, which gives a value of the businesses (enterprise value) of just under SEK 15.8 billion. The remaining holding of just under 31% in the listed company Sentia was worth SEK 2.7 billion at the end of the quarter. Ratos' share of Aibel's EBITA amounted to SEK 310 million over the last twelve months. At a valuation of 7x EBITA, that corresponds to a further just over SEK 2.2 billion.

When the value of Sentia and Aibel is deducted, about SEK 10.9 billion remains as the market's valuation of Ratos' majority-owned companies. Over the last twelve months these generated EBITA of about SEK 1.45 billion after central costs, of which the four platform companies accounted for about SEK 1.2 billion. This means that the majority-owned businesses are valued at just over 7.5x EBITA. We consider this valuation to be low in relation to the companies' earnings and development opportunities, and we believe that the stock has more to give.

Ratos constitutes 4.8% of Kavaljer Investmentbolagsfond.

Ratos: EBITA growth per company, YoY %



Life Science Tools: Improved Demand

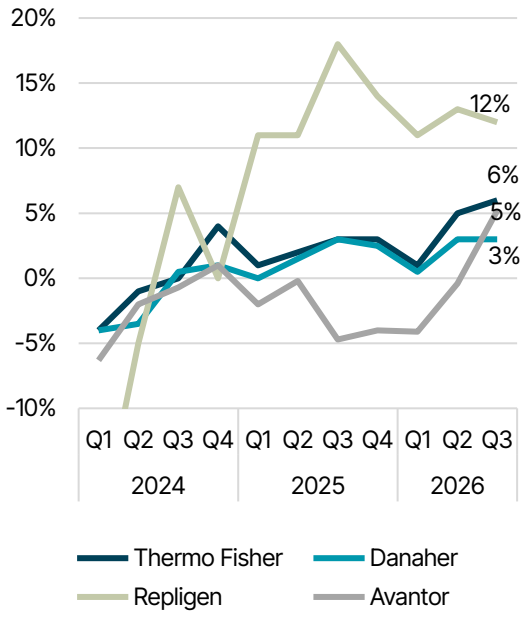
The development in Life Science Tools continues to improve, with clearer signs of recovery in biopharma. Thermo Fisher reported its highest organic growth in 15 quarters, with particularly good development in pharma and biotech. Danaher at the same time showed continued strength in bioprocessing, where order intake was strong for the third quarter in a row and increased by about 15%.

Other companies in the sector, among them Repligen and Sartorius, also pointed to increased customer activity, where recurring consumables are the most important growth driver. Repligen also reported a growing order backlog for equipment. Avantor, one of the largest suppliers and distributors of laboratory products, raised its forecast for organic growth. The improved customer activity is thus now visible in sales, orders and forecasts alike.

After a rapid and sharp share price rise in a short time, we have however chosen to scale down the holdings somewhat.

Thermo Fisher and Danaher constitute 4.6% and 6% respectively of Kavaljer Investmentbolagsfond.

Organic growth



Alphabet: Strong Quarter, but Concern About the Core Business

Alphabet reported in October a quarter that was strong on most points. Revenue increased by 25% to USD 127.6 billion and operating income by 30%. Google Search grew by 12%. Google Cloud more than doubled its revenue to USD 30.7 billion, with an operating margin of 36%. Still, the share fell close to 13% the day after.

The share price reaction had two explanations. The first is a continued distrust of the core business Search. Search grew well, but the pace slowed from 19% at the beginning of the year, and the market interprets the slowdown as a sign that generative AI is moving users from search results to direct answers. The second is the pace of investment. Alphabet invested USD 51 billion, equivalent to 40% of revenue, which is why free cash flow was negative for the second quarter in a row.

The concern is at the same time understandable. The large investments mean a risk that the return will be lower than expected. When Cloud grows, more capital is also tied up than in Search. At the same time, Cloud's long customer contracts give more stable and more predictable revenue.

The decisive question is whether Google can earn as much from AI searches as from traditional search. On the one hand, AI can mean fewer clicks and a higher cost per search, which pressures profitability. On the other hand, AI can make it easier to understand what the user is actually looking for. Google can then offer advertisers fewer but more valuable clicks and charge more for them. When less traffic goes directly to companies' own websites, the need for paid visibility may also increase. Taken together, Google could capture a larger share of the value in the search ecosystem than it does today.

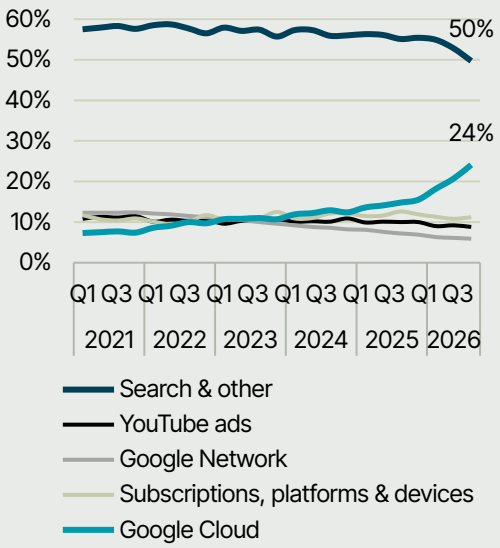
It is too early to know how this will develop, but Alphabet has a strong position through its distribution, large amounts of user data and broad ecosystem. The AI summaries in search are used by 2.5 billion people a month and the Gemini app has now passed one billion users.

Views of the large AI companies swing quickly. Not long ago Microsoft was singled out as the loser in the AI race among the cloud giants. Now the doubts are instead directed at Alphabet's core business. In such a climate it is important to continuously reassess one's view based on what the companies actually deliver. We are humble about the possibility that developments may turn out differently from what we think. Our assessment today is, however, that Alphabet has good prerequisites to create long-term shareholder value both through the AI shift in search and through the strong demand for cloud services.

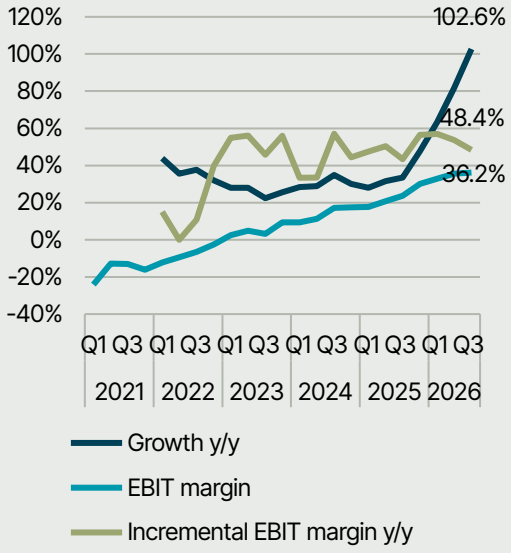
Alphabet constitutes 4% of Kavaljer Investmentbolagsfond.

Nacka Strand, 3 November 2026
Peter Lindvall, Håkan Telander, Jesper von Koch and Jakob Wahlberg

Alphabet: Share of revenue over time



Alphabet: Google Cloud, the profit machine



More information about the fund can be found at https://kavaljer.se/

Kavaljer AB
Cylindervägen 12, 9th floor
Box 1221, 131 28 Nacka Strand
info@kavaljer.se
+46 8 684 393 00
kavaljer.se