

ODIN Small Cap 28/02/2025

The fund has share classes in SEK, NOK and EUR: A, B, C, D and U

FUND COMMENTARY

February was a neutral month for the fund, though weaker than the benchmark index, which performed better. During the month it was mainly focus on the reporting season, but also by geopolitical events and company-specific news. So far this year, the fund has underperformed the index, which is frustrating but a natural part of the long-term journey from time to time.

Portfolio Changes

During the month, we reduced our position in Mycronic after a very strong performance since we added the company in late 2023. The company has secured a significant number of orders over time and has developed well, which is positive, but it has also become one of the largest positions in the portfolio. It remains among the top 10 holdings, so this is only a minor adjustment.

Otherwise, we have not made many changes during the earnings season, which has been quite volatile in terms of company performance and the market's reception of the reports.

Company Visits and Market Insights

As usual in February, the focus has been on the earnings season. We have closely followed the reporting and had several one-on-one discussions with company management.

- The earnings season is now nearly over, with only Sectra remaining in March.
- So far, 13 companies have reported better-than-expected results, 10 in line with market expectations, and 11 below expectations.
- The strongest report receptions have been for Avanza, HMS Networks, Lime, and Tomra, while CTT Systems received the weakest response.
- CTT Systems' report was in line with expectations, but the company provided weak guidance for aftermarket unit sales due to well-stocked distributor inventories, which will limit volumes in Q1 and Q2. The aftermarket business is highly profitable, so this will have a short-term impact on earnings, but the company remains confident in its long-term prospects.
- Lime reported strong numbers, with an ARR growth of 30% year-over-year and a solid margin of 25.6% due to good cost efficiency.
- cBrain issued very weak guidance in its report, which was met with a harsh market reaction.
- We held individual meetings with the management of SLP, Bergman & Beving, CTT Systems, and Lime, as well as nomination committee meetings at Medistim.
- During the month, we also visited a data center in Falun, which will be the first in Europe to feature the new Nvidia processors, and we conducted a company visit to CTT Systems in Nyköping.

Best and Worst Performing Stocks of the Month

The best-performing stocks in February were Alimak, Lime, and OEM International, with Alimak and Lime benefiting primarily from strong earnings reports. The worst-performing stocks were cBrain, NCAB, and CTT Systems. cBrain's weak guidance weighed heavily, while NCAB reported weakness in the European market.

Conclusion: Five Years of Value Creation in a Long-Term Marathon

After a tough start to the year, with an earnings season that did not favor the fund, we acknowledge that setbacks happen from time to time. However, with a focus on long-term value creation, we remain committed to the Odin model, company fundamentals, and balancing the portfolio accordingly.

We continue to see small-cap stocks lagging behind larger companies, but interest is steadily increasing, and there are good opportunities ahead. We will keep running this marathon in the service of our unitholders. Thank you for your trust!

Portfolio Managers:



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Why invest in this fund?

The Nordic region is perfect for small companies with international ambitions. Corruption is low, living standards are high, ownership structures are clear and there is a culture of investing abroad. We see great potential for increased returns in Nordic small caps, especially the Swedish ones, which is where the main focus lies. Swedish small caps have done better than those in the USA, Europe and the other Nordic countries over the past decade. We believe this trend will continue. As active owners of smaller companies, we also have great influence and can bring about major changes.

How is the fund positioned?

The main focus is on Swedish small caps, as Sweden has the largest investment universe for smaller companies in the Nordic region, with around 350 out of 675 companies in all. The companies in ODIN Small Cap all have a sustainable profile in line with our investment philosophy, the Odin-model. We invest in companies with a strong corporate culture, which are constantly improving through established brands, clear niches, efficiency gains and acquisitions.