

July portfolio

Fed comments of transitory inflation resonated well with investors in June, sending US 10Y yields down 7% m/m and equity markets mostly higher. Our portfolio returned 3.7% m/m, a 2.4 pp outperformance to OSEBX gaining 1.3% m/m – and we thus remain ahead of the index for the year. Our best performers were ACC (+18.5%) and DNO (13.7%), and six stocks beat the index last month. For July, we make three changes to our portfolio, replacing ACC, NSKOG and PEXIP with AKER, CLOUD and MWTR, keeping AFG, AUSS, BONHR, BWLPG, DNO, ELK and HUNT

June portfolio

Global equity markets ended mostly higher in June as comments from Fed regarding transitory inflation resonated well with investors, sending US 10Y yields down 7% m/m. Our portfolio performed well overall, having led the index for all but one day and ended up 3.7% m/m. This was a 2.4 pp outperformance to OSEBX gaining 1.3% m/m, driven by our best performers ACC (+18.5%) and DNO (+13.7%). For the year, we have returned 19.7% vs. our benchmark at 15.1%. Six of ten stocks beat the index in June, where BWLPG (-3.0%) was our worst performer

ACC (Aker Carbon Capture) gained 18.5% through June as carbon prices appreciated further to new all-time highs. Whilst we continue to highlight the stock ahead of the EU Commission's report in mid-July, we take a breather and remove the name for next month. **DNO** (DNO) was up 13.7% in June, outperforming the overall market and the appreciation in Brent. **ELK** (Elkem) rose 4.6% in June, less than anticipated given the positive sentiment for key benchmark prices and hence earnings uplift. After declining 15% in May, **PEXIP** (Pexip) delivered a relatively good June ending 3.5% higher, while most of the Nordic SaaS space was in red. For July, we see better risk/reward in another SaaS company (MWTR). **NSKOG** (Norske Skog) rose 2.5% in June, positively impacted by the sale of Tasman assets and FID to convert one paper machine at Golbey in France. We remove it from our monthly portfolio ahead of Q2 results, a quarter that will be blurred by accounting effects from the Tasman sale. **BONHR** (Bonheur) gained 1.9% in June, outperforming other renewables names after positive newsflow from its offshore wind development and installation businesses. **HUNT** (Hunter Group) traded flattish in June (up 0.1%) as the VLCC market remains lackluster. However, rising asset values and positive datapoints are cause for optimism ahead of OPEC+ boosting production. **AUSS** (Austevoll Seafood) was down 1.9% m/m after a strong May, in line with the seafood sector which was down nearly 2% in June. E&C related names traded lower in June, and **AFG** (AF Gruppen) held up relatively well but still ended the month down 2.7%. **BWLPG** (BW LPG) fell 3.0% m/m as the US – Asia arb remains challenging. This should improve into Q3 though and we keep it in our portfolio.

Three new shares in our July portfolio

We replace ACC, NSKOG and PEXIP with AKER, CLOUD and MWTR, keeping AFG, AUSS, BONHR, BWLPG, DNO, ELK and HUNT. Our portfolio consists of ten stocks.

Sector

Investment Strategy

Portfolio

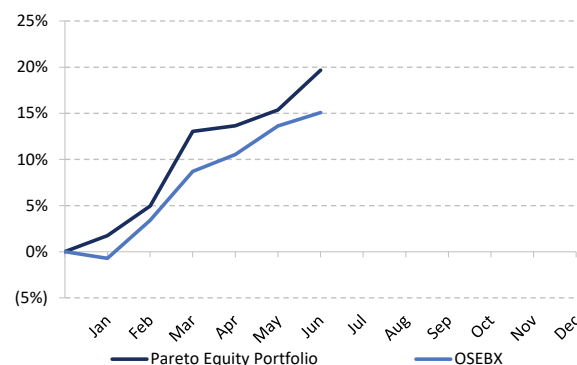
	Rec. weight
AFG	10.0 %
AKER	10.0 %
AUSS	10.0 %
BONHR	10.0 %
BWLPG	10.0 %
CLOUD	10.0 %
DNO	10.0 %
ELK	10.0 %
HUNT	10.0 %
MWTR	10.0 %
Sum	100 %

Performance

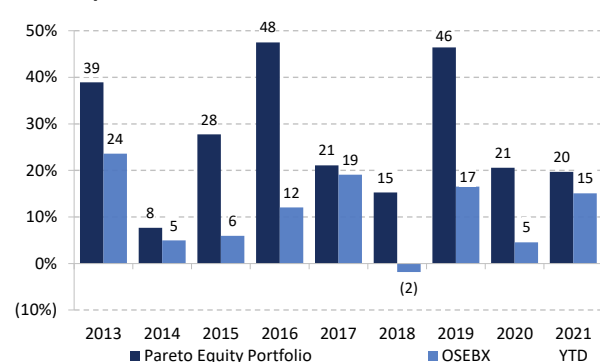
	Index Value 30.06.2021	Performance last month	Performance 2021 ²⁾
Total Portfolio ¹⁾	22,406.8	3.7 %	19.7%
OSEBX	1,121.0	1.3 %	15.1%

1) Rebased to an Index at 100 as at 04.01.94. 2) From 01.01.21

Performance 2021 YTD



Annual performance 2013 – 2021 YTD



AFG – BUY, TP NOK 230

With record sales in the residential real-estate market for newbuilds, and somewhat trailing construction starts, we expect a solid pickup in new projects for real estate developers and a concurrent pickup in contract announcements for contractors going forward. Additionally, multi-billion Civil Engineering contracts are lingering and expected to be booked in AFG's backlog in the quarters to come, thereby providing support for estimates. Furthermore, in a longer term perspective, we see significant upside to current pricing if the company reaches its 2024 targets and, combined with a downside protection provided by a dividend yield of ~5%, we like the risk reward profile of the equity. BUY, TP NOK 230/share.

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AKER – BUY, TP NOK 920

Aker ASA provides industry exposure to oil and gas, renewable energy and technology. Aker BP is favourably positioned in the current oil price environment, renewables are increasingly high on investor's agenda as the EU Commission is set to release new regulations for 55% emissions cut by 2030 and with Cognite established as a unicorn and Aize continuing to build position, we expect increased focus also on the tech holdings going forward. With Aker's track record of more than 20% in annual return over the past ten years, we find the current discount of 28% to our mark-to-market NAV of NOK 920/share unwarranted.

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AUSS – BUY, TP NOK 130

Austevoll Seafood is a leading global seafood company. It is involved in salmon farming in Norway and Scotland through its ~53% ownership in the listed company Lerøy Seafood Group (LSG) and 55% ownership in Br. Birkeland Farming (BFARM). The group is also involved in pelagic fisheries in both the North Atlantic through its 50% ownership in Pelagia and Br. Birkeland (BRBI) and in South America through Austral and Foodcorp. We expect a stronger 2021 for all group companies, with higher salmon prices and improved operations impacting LSG and BFARM positively. A good second 2020 fishing season in Peru and a positive start to the first season 2021 season should impact Austral earnings positively. In total we expect total EBITDA to increase from NOK 3.7bn in 2020 to NOK 5.9bn in 2021, which is even higher than the NOK 5.2bn reported in the record year 2018. We expect a strong Q2 for the group, with both higher salmon prices and good catch volumes in Peru impacting positively. The market cap in AUSS ex. LSG is still negative NOK 1.3bn (EV of + NOK 1.2bn), this below the last 5-year average of a positive market cap of NOK 340m. AUSS ex. LSG is now valued at 1x EBITDA. BUY / TP NOK 130

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BONHR – BUY, TP NOK 255

Wind energy and offshore makes up the vast majority of Bonheur's portfolio. Its offshore wind service segment is on a growth trajectory, showcased by announced upgrades to its three WTIVs, a contemplated newbuild and the partnership agreement with Shimizu for the Japanese WTIV. We speculate that the company is considering a listing of its wind service subsidiary in order to finance the newbuild and upgrades – a move which think also will crystalize the value of this segment. Within offshore wind, it has been active recently, announcing partnerships with Vattenfall for the Scotwind tender and with Ørsted for the Norwegian auction round. Another large investment is likely to be the Codling Bank offshore wind farm, which we expect to get increasing attention ahead of the CfD auction in early 2022. With gross investments of EUR ~2bn (100% and unlevered basis) and an EBITDA in the NOK 1.5-2bn range, this would be a game changer for the company in the mid-2020s. Further, with the cruise segment going from burning to generating cash as the world reopens after the pandemic serving as a kicker in our NAV, we like the risk/reward. While the discount to our SOTP has been stable (currently ~20%), the discount to other renewables names has increased. Companies with the growth prospects of BONHR and trading at a discount are few and far between. BUY/TP NOK 255

Please note that Pareto Securities acted as a Joint Lead Manager in the recent NOK 700m green bond issue in BONHR

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BWLPG – BUY, TP NOK 80

BW LPG remains our preferred shipping bet over the summer, and we note that the VLGC segment is the only shipping sector not yet to rally YTD. The company has generated 14% ROE since the IPO in 2013 and is one of few companies in a position to both pay handsome dividend and invest in the fleet. USD ~150m is going into dual-fuel investments for 15x modern VLGCs – but this still leaves a FCF yield in the 15 – 20% range. Having upped its stake in the India JV (from 50% to 85%) we see BW LPG positioning itself for a more two-tier VLGC marked post 2023, and expect further action here. Q2 guidance was better than feared and spot rates have rebounded since the collapse in March as we head into a stronger period with what we expect will be improved arbitrage-economics. OPEC production is set to increase while Chinese PDH demand remains strong. BUY – TP of NOK 80 equal to current NAV (10% discount to YE'21) with the current 0.7x P/B being far too low

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CLOUD – BUY, TP NOK 26

Cloudberry (CLOUD) completed a game-changing transaction in early June and has now secured a supportive investor base and the capital to grow its production portfolio further and accelerate its development projects. The company has proven the value of its Nordic, integrated platform and increased its portfolio 13-fold the past year. We expect high activity also in the second half of the year, with access to a sizeable onshore and offshore development portfolio, as well a solid dealflow in the Nordics. Whilst Cloudberry only has ~120 GWh in operations, power prices ~70% ahead of the 5yr average are still supportive and the market looks tight the coming month as well. BUY / TP NOK 26.

Please note that Pareto Securities acted as joint global coordinator and joint bookrunner in the recent private placement in Cloudberry

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DNO – BUY, TP NOK 14

Whilst 2020 was a challenging year, DNO is at current oil prices set to deliver a cumulative 2021-22e FCF of almost 80% of its market cap (~60% of EV) driven by its Kurdistan business. Coupled with better than estimated performance of the North Sea portfolio and recent exploration success offshore Norway, the market is yet to realise the improvements in DNO's business. The company is already paying back debt and dividends are likely to soon be back on the agenda. BUY / TP NOK 14

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ELK – BUY, TP NOK 45

We keep in Elkem in the monthly portfolio as further earnings upgrades are expected to follow Q2 results amid higher than expected benchmark prices. The market for organic silicones has picked-up again and expected to remain elevated in the medium term, similar for silicon metal prices at six-year high should contribute to improving margins for Q2 and into H2. We find ample valuation upside to current business, while the battery expansion (synthetic graphite) is an option not yet reflected, in our view. We thus find upside to estimates and the share price, trading at modest 8x P/E'21E. BUY / TP NOK 45

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HUNT – BUY, TP NOK 3.75

Hunter continues to deliver as expected with best-in-class operations, backed by TCs way above market for three of four vessels through Q2 (91% booked at USD 24,700/day). The company has three vessels open from Q3, in position for what we expect will be a much-improved tanker market towards the end of the year (though they will obviously struggle short-term). The fleet of four high-quality scrubber-fitted VLCCs is sought after by every tanker owner out there looking to renew their fleets ahead of new IMO regulations in 2023 (EEXI/CII/SEEMP). We still expect HUNT to be acquired, in a market where newbuilding prices are going up and tanker market expectations are rising – and the question to turn towards 'what to do with the proceeds?' (no dividend was declared after 'Atla'). A normalized VLCC market of USD 37,500/day (+5k scrubber premium) would mean ROE of 15% and a 12% FCF-yield. + 5k/day here would raise this to 18.5% and 14%, respectively. 2019-built VLCCs have now been sold for USD 90m, which would mean a value of closer to USD 95m for HUNT's 2020-vintage. We would not be surprised to see further divestments at these levels, which in turn would push HUNT's NAV towards NOK 4 by YE'21. BUY / TP NOK 3.75.

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MWTR – BUY, TP NOK 71

We include Meltwater in our monthly portfolio. While most Nordic SaaS shares fell in June, MWTR was one of the weakest performers with a 16.5% decline without any significant reasons. Moreover, its US-listed peers on average returned ~20% the past month. Thus, the already significant valuation discount has increased even more, and MWTR now trades at ~3x 2022e sales on consensus estimates vs. the median of peers at 8-9x. Its closest-listed peer Sprout Social trades at 22x 2022e sales following a >30% share price increase last month, equal to a MWTR discount of ~85%. We believe this reflects last year's modest growth situation (revenues up 4% in 2020) caused by a restructuring of its sales force and Covid-19-related cost cuts. In Q1'21, MWTR grew ARR organically q/q at an annualized growth rate of 10%, which was the best since Q4'18. The company will release a trading update on 29 July, and if the growth pace continues to show improvement, we believe that the share could see a repricing. With a supportive Q1 report, an even higher valuation discount towards peers and the stock close to the December listing price of NOK 43.50, we like the risk/reward. We have a target price of NOK 71 p.sh., which implies 5.5x 2022e sales and includes current 'growth discount'. Looking 2-3 years ahead and applying fixed peer valuation of 10x NTM sales, we see upside potential of ~3-4x over the next 2-4 years.

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