



# **WINTER CAPITAL**

**REPORT OCTOBER 2023**



## Change in portfolio

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### In

- **Stack By Me (PE)**

### Out

- **BMW**

### Increase

- **Pareto Bank**
- **Sparebank1 SMN**
- **Novo Nordisk**
- **Lvmh Moet Hennessy**

## Winter Capital

Business and investment

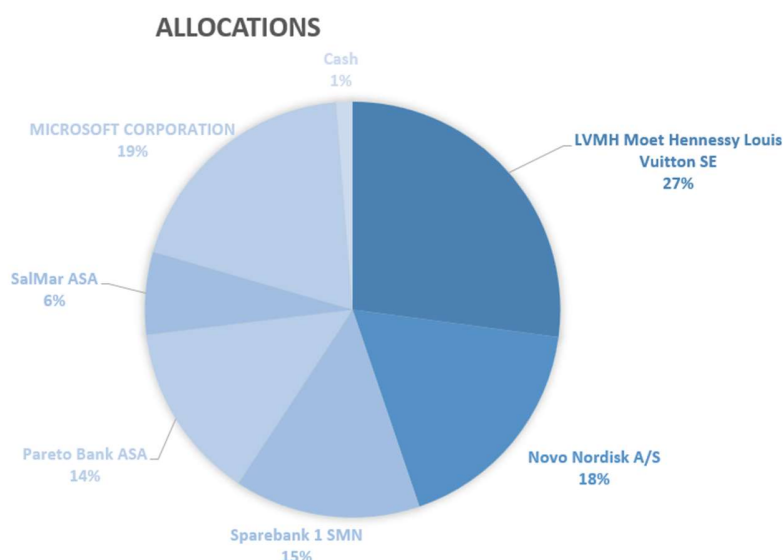
# ALLOCATIONS

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This autumn has followed a pattern similar to historical autumns, marked by share repurchases in August and the customary market decline in September and October. Ongoing global concerns persist, notably the Israel and Palestine conflict, alongside challenges posed by inflationary pressures and elevated stock prices in a market susceptible to potential volatility.

### Winter Capital's Stock exchange portfolio

We are confident that the portfolio is strong and the company in it are capable to stand against any storm. However, since the new conflicts that have come and a market that looks quite expensive, we had to create a new strategy to secure our portfolio better. We saw ourselves having to reduce the yield gain by 10-15 per cent. This means that we will no longer allow the return to reach over 30 per cent before a rebalancing will take effect.



The companies with the highest weights in our portfolio include LVMH, Novo Nordisk, and Microsoft. Recently, we augmented our holdings in Novo Nordisk and LVMH. This adjustment was made on August 2nd, coinciding with the initial confirmation of the success of the slimming drug testing. While we continue to explore new and promising investment avenues, the persistent challenge of "TINA" (There Is No Alternative) remains. Although alternative investment opportunities exist, it's noteworthy that our portfolio has experienced an increase in beta, rising from 0.67 to a relatively high 0.987.

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### Winter Capital's Privat Equity investment



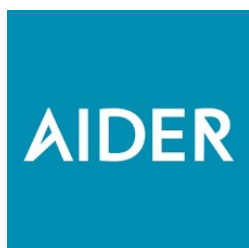
Stack by Me is an innovative investment app designed for women, capturing the attention of a significant untapped market in Norway (50% of men and 60% of women not investing). With a social media-like interface, it's known as the "Instagram for investing." The visually appealing fund menu simplifies exploration, and short videos help beginners understand investment options. Users join a community, follow others, and access educational content in the Academy. This all-in-one app makes investing accessible and engaging.

The company demonstrated a significant number of active paying users and provided clear guidance. Upon meticulously scrutinizing the figures and conducting our independent analysis, we found no reasons to doubt a positive trajectory for the company, indicating its capability for growth.



Avant Garde has posted favorable figures in the third quarter, reinforcing our confidence in it as a sound investment. Additionally, their establishment of an office in Denmark positions them to capture market shares.

### Winter Capital Bonds



Aider has successfully made its initial interest payment for the bond. As of the end of 2023, we project an approximate return of 4.7% on the investment adjusted for inflation. Aider is consistently delivering good financial performance and is in a phase of sustained growth. Given the prevailing conditions characterized by heightened concerns and instability, this investment in Aider stands out as one of the safest options within the Winter Capital portfolio at the moment.

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# THE RACE

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## Movements YTD

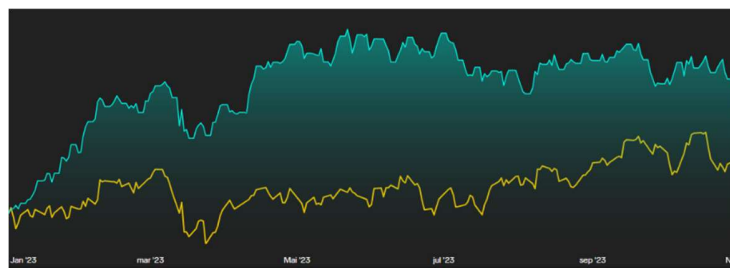
Since the summer, our journey resembled a roller coaster, with a significant portion of it heading in a downward direction. By August 2nd, we experienced an 8.3% decline, bringing the year-to-date decrease to 15.32%. Following Warren Buffett's timeless advice to "be fearful when others are greedy and greedy only when others are fearful," we initiated purchases toward the end of July. This strategy appeared to pay off remarkably well, yielding a rapid 6.3% gain. Buoyed by this success, we felt confident, leading us to reassess and restructure our portfolio by divesting from some of our overweighted positions.

## Stocks plunge again



By the end of September, the resilience of the portfolio was put to the test as it dipped from 21.69% to 16.29%. The primary factor behind this adjustment was a correction in LVMH, which constituted a substantial percentage of our holdings. Despite this setback, we strategically seized the opportunity and acquired additional shares, ensuring that it continues to be a significant component of our portfolio.

The stock market portfolio has been relatively stable since summer, maintaining a year-to-date increase of 19.73% by October 31. While we've experienced some fluctuations since then, we're generally pleased that our losses were not more significant during challenging months.



The readiness with available cash for market downturns has proven beneficial. As we approach November and December, we're optimistic about discovering potential "new year rockets." Our ongoing focus includes exploring opportunities in Asia and other emerging

markets. Additionally, we are eyeing growth prospects in European companies once the challenges associated with inflation have been mitigated.

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# FUTURE AND STRATEGY

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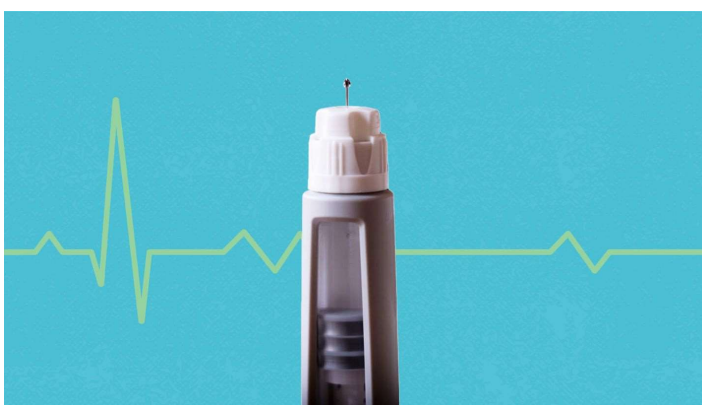
## Why Novo Nordisk?

The corporation has emerged as one of the major entities in Europe, boasting a robust cash flow and standing as a sound investment option. It has transcended its origins as a company solely focused on manufacturing insulin and other diabetes-related products.

## Business Report on Global Obesity Crisis

Novo Nordisk's investment in the development and promotion of Wegovy, a weight-loss drug, is strategically aligned with the global health crisis of obesity. With over 1 billion people worldwide suffering from obesity, the situation is escalating, as predicted by the World Health Organization (WHO). The impact of obesity is extensive, affecting various body systems and contributing to

noncommunicable diseases, including diabetes, cardiovascular issues, hypertension, stroke, and certain cancers. The COVID-19 pandemic has accentuated the risks, with obese individuals being three times more likely to be hospitalized.



## Challenge and forecast

Addressing obesity necessitates early intervention, even before conception, emphasizing good nutrition during pregnancy and promoting breastfeeding. Global efforts, exemplified by World Obesity Day 2022, advocate for creating healthier food environments, restricting marketing to children, implementing sugar taxes, and ensuring access to affordable, nutritious food. WHO is actively responding to this crisis by monitoring trends, providing guidance, and developing an acceleration action plan.

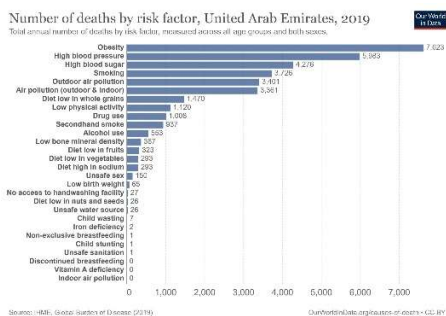
In the United States, obesity remains a critical concern, with four out of 10 Americans affected. The CDC reports a 3% increase during the COVID-19 pandemic. Obesity significantly elevates the risk of severe illness from COVID-19, contributes to new diabetes cases, and results in

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higher medical costs and increased workdays missed. Understanding these statistics is pivotal in devising strategies to reverse current trends.

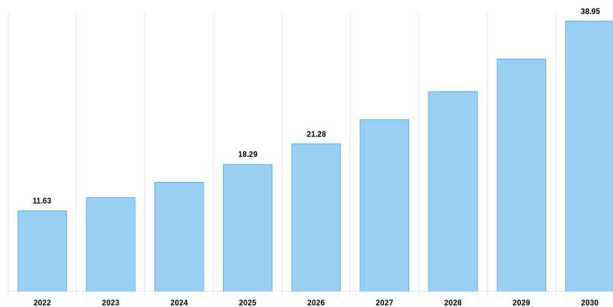


The causes of obesity are multifaceted, involving genetic, societal, and environmental factors. Changes in the modern environment, such as sedentary lifestyles and highly processed foods, contribute to the rising rates. Minority groups and rural communities are disproportionately affected due to societal and environmental disparities, including limited access to healthy food and recreational spaces.

Obesity is interconnected with numerous medical conditions, necessitating a comprehensive approach in healthcare. Stigmatization and blame hinder obese individuals from seeking medical care. Healthcare providers need to play a crucial role in dispelling such notions. Lifestyle changes, prescription medications, and societal support are crucial elements in addressing obesity.

Alarmingly, the global obesity rate is expected to reach 51% by 2035, with significant increases among children. Low- and middle-income countries face the steepest rises and are the least prepared to combat this epidemic. The economic burden of obesity is projected to surge to \$4.32 trillion by 2035.

Obesity Treatment Market Size, 2022 To 2030 (USD Billion)



Source: ESOMAR, Vantage Market Research

Despite challenges in production and reimbursement negotiations, Novo Nordisk is launching Wegovy across Europe, positioning it as more than a lifestyle drug. The drug's efficacy in a study on kidney failure could further expand its applications. However, its impact is reverberating across healthcare stocks, affecting companies involved in kidney dialysis.

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### Conclusion

The obesity epidemic demands urgent and coordinated action at global, national, and individual levels. Governments, policymakers, and healthcare providers must collaborate on initiatives like taxation, marketing restrictions, and education. Novo Nordisk's commitment to addressing obesity through Wegovy aligns with this imperative. Concerted efforts are required to mitigate the health, social, and economic costs associated with obesity and ensure a healthier future for generations to come.

### Novo Nordisk's Growth Prospects and Investment Considerations

Novo Nordisk, the company behind popular drugs Wegovy and Ozempic, has achieved a valuation of \$450 billion, positioning it as one of the most valuable healthcare stocks. Dominating the diabetes and GLP-1 drug market with over 54% market share, its early success provides a strong foundation for future growth.

The company's financial performance in 2023 has been impressive, with Wegovy's sales reaching 21.7 billion Danish krone (\$3 billion) and rising by a remarkable 481% in the first nine months. Ozempic has also grown significantly at 53%, generating sales of 65.7 billion Danish krone (\$9.2 billion). Overall, Novo Nordisk has witnessed a 29% increase in total revenue and a 47% rise in profits during the same period.



The potential expansion of Wegovy's usage beyond weight loss to reduce the risk of cardiovascular disease presents additional growth opportunities. The expected FDA approval for this expanded use within the next six months could enhance insurance coverage and further boost the drug's market presence.

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While these drugs are in their early growth stages, their long-term revenue-generating potential is promising. However, for investors aspiring to retire as millionaires, the challenge lies in assessing the amount to invest today. To achieve a million-dollar return, the company would need to achieve extraordinary growth, reaching a valuation of nearly \$15 trillion.

Considering the competitive landscape and the high valuation of Novo Nordisk, achieving such substantial returns over an extended period might be challenging. While the stock is performing exceptionally well in the short term, caution is advised, as increased competition in the lucrative weight-loss market could impact market share.



While Novo Nordisk remains an excellent growth stock, investors are encouraged to temper their expectations and acknowledge the potential challenges associated with its already high valuation. The investment landscape suggests that, despite its current success, counting on Novo Nordisk as a guaranteed millionaire-maker might be overly optimistic.