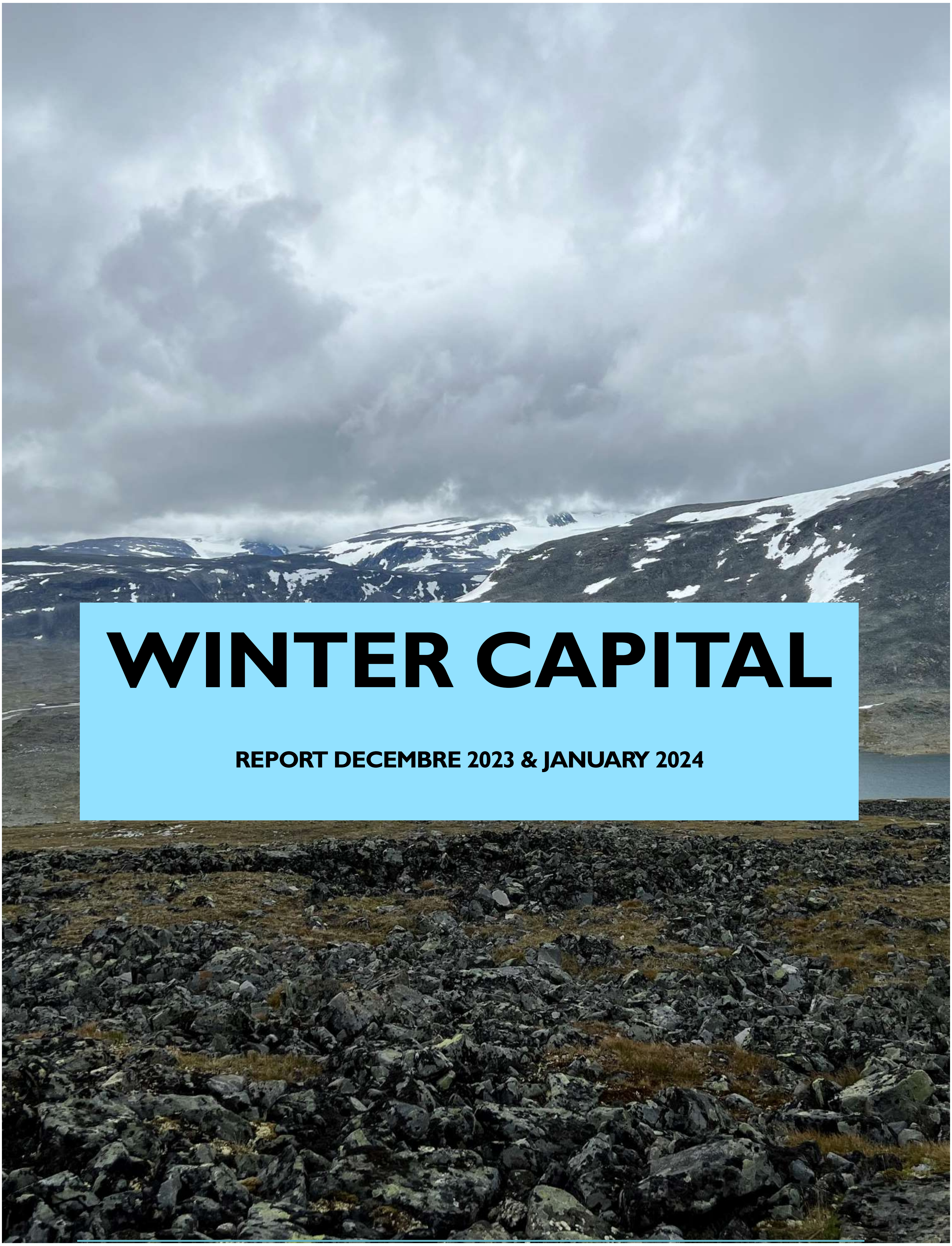


# WINTER CAPITAL

**REPORT DECEMBRE 2023 & JANUARY 2024**

# Change in portfolio

## In

- Wallenius Wilhelmsen
- Allianze SE

## Out

- 

## Decrease

- Sparebank 1 SMN
- Pareto Bank

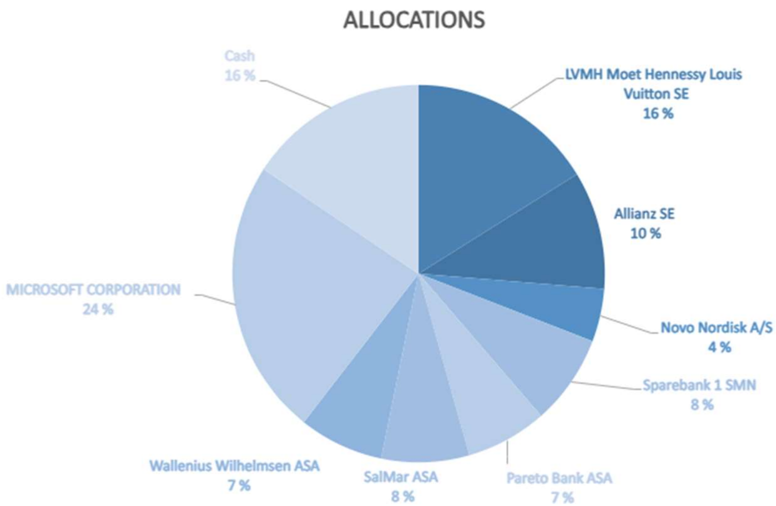
**Winter Capital**
*Business and investment*

# ALLOCATIONS

December was a relatively quiet month for us, as we only managed to gain 0.48%. We were outperformed by the Oslo Stock Exchange, which delivered a 1.19% return in December. Looking at the entirety of 2023, the Oslo Stock Exchange was up by 9.89%, whereas Winter Capital's listed investments showed an impressive 22.60% increase. A more comprehensive annual report will be released at the end of May. The beginning of 2024 looks promising for us. We secured decent positions and are currently up by 5.55%, while the Oslo Stock Exchange is down by -2.17% in January.

### Winter Capital's Stock exchange portfolio

The portfolio is expanding! As we identify more promising stocks for positioning, it is natural for the allocation to increase. Microsoft and LVMH continue to be the largest positions in the portfolio. Additionally, we have a significant amount of cash on hand to be prepared for any potential market corrections.




We constantly strive to explore opportunities that may not always seem the most logical. We have diligently worked to optimize the portfolio by acquiring more promising stocks while concurrently focusing on minimizing risk. This effort contrasts with our goal of maintaining a significant amount of cash, as mentioned above. Currently, the portfolio maintains a BETA of under 1, although it's important to note that there is an overweight of positions significantly higher than 1.

## Winter Capital's Privat Equity investment (Same as last report)

In 2024, our primary focus is centered around the launch of our new app, built on entirely new technology, discarding the existing framework. Drawing from our 1.5-year experience in the market with the current app for fund trading, we incorporate valuable insights into the new platform. The second focus involves the introduction of stock trading, closely linked to the new app, with a phased testing phase in a closed group preceding the public release. The third emphasis is on growth, necessitating an increase in customers and fund investments on the platform (referred to as AuM). This objective will be realized through achieving product-market fit for the new app and allocating additional budget for sales and marketing efforts.

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

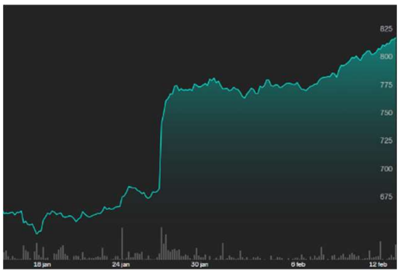
Aider reports a robust revenue growth of 63.7% in the third quarter of the current year compared to the same period last year, reaching NOK 187.6 million, up from NOK 116.6 million in Q3 2022. Year-to-date (YTD) revenues stand at NOK 627.7 million, reflecting a substantial growth of 69.5% compared to the previous year. The organic growth for the YTD period in 2023 is reported at 29.1%. The EBITDA for Q3 2023 is NOK 14.7 million, a notable increase from NOK 7.5 million in the corresponding period of the previous year. The Q3 EBITDA margin is 7.8%, slightly higher than last year's 7.2%. However, the YTD EBITDA margin is 17.3%, showing a marginal decrease of 0.2% compared to 2022.

# THE RACE

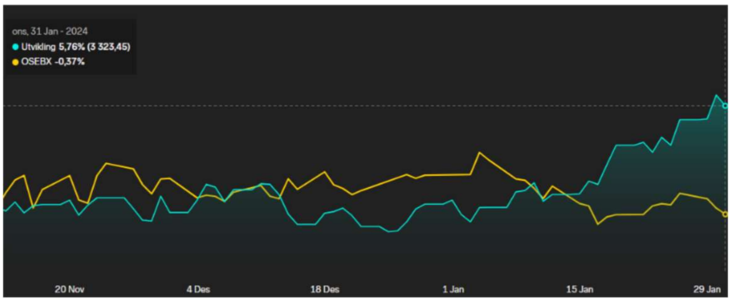
### Movements YTD

December was relatively flat with minimal increases. What pushed us slightly into positive territory was a small rebalance and changes in the weighting between growth and value stocks. We remained relatively conservative and didn't take significant risks. Instead, we used the holiday season to identify some "New Year rockets" for the portfolio.

### Stock to the moon




The graph on the left illustrates one of the positive experiences LVMH had to offer at the end of January. When they reported positive trading and growth in Q4 and, there was little to deter investors from buying the stock. It increased by approximately 90 EUR in a single day.




The stock portfolio, as mentioned earlier, had a quiet December but provided us with a very good start to 2024. The stocks that have contributed the most are the automotive shipping company Wallenius Wilhelmsen, Novo Nordisk, Microsoft and LVMH. The other stocks have also contributed significantly, and all stocks have performed well and are well in the positive for the year so far. That being said, we don't spend much time enjoying this fantastic start as there is a long way to go in the year. We are also quite satisfied with the risk distribution in terms of the number of stocks in the portfolio. As mentioned earlier, our mandate takes a microeconomic approach, meaning that we do not want to have too many stocks in the portfolio. This will also change in line with the company's potential growth or lack thereof. Regarding the mentioned rebalancing, it is simply to withstand a potential crash or a challenging spring month. This is not necessarily something that will happen, but we are, of course, watchful of the market ahead and the tense geopolitical situation globally. Currently, we have an overweight position in stable stocks with good dividends.

# FUTURE AND STRATEGY

### Why LVMH Möet Hennessy

An astute observation suggests that despite the challenges posed by inflation, increased energy costs, and rising interest rates, the affluent tend to feel these impacts later than others. This insight underscores why investing in LVMH Moet Hennessy Louis Vuitton (LVMUY 0.73%) could be a strategic move at present. As the world's largest luxury brand, LVMH is navigating the current economic challenges with grace, benefiting from the sustained spending of the affluent amid global uncertainties.

Distinguished by a well-diversified portfolio encompassing 75 "houses" and 60 different brands spanning wines and spirits, fashion and leather goods, perfumes and cosmetics, watches and jewelry, as well as selective retailing, LVMH stands out as a robust and resilient entity. Notably, it is strengthening its market position, consistently outperforming the S&P 500.


### Strong earnings report

The fourth quarter showcased an exceptional performance for the luxury goods manufacturer, with every operational segment witnessing robust organic growth. This stellar performance propelled full-year revenue to an impressive 79.2 billion euros (approximately $86.2 billion), marking a notable 23% increase from the previous year. Similarly, profit from recurring operations reached 21.1 billion euros, reflecting the same remarkable growth rate.


It is noteworthy that LVMH's segments, not frequently characterized by double-digit growth rates, all achieved such growth in the fourth quarter, with some surpassing expectations. Particularly, the fashion and leather division recorded a remarkable 20% revenue growth, half of which was organic, driven by the strength of renowned brands such as Dior and Louis Vuitton. The latter achieved a historic milestone by surpassing 20 billion euros in revenue for the first time.

Additionally, brands like Fendi, Loro Piana, Loewe, and Marc Jacobs also attained record levels of revenue and earnings.

The substantial growth witnessed by Louis Vuitton has led LVMH to increase its manufacturing capacity by opening more sites annually in France, where it already operates 110 manufacturing facilities and workshops.

## Has anyone told LVMH about inflation?

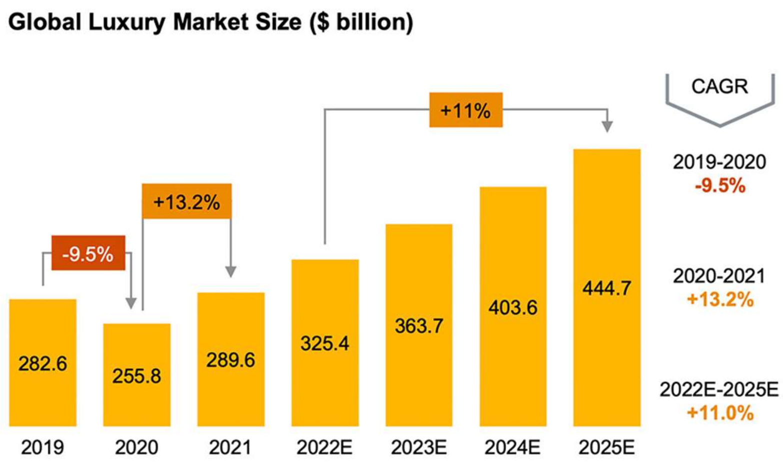
LVMH has exhibited stellar performance over the last five years, witnessing substantial growth from 46.8 billion euros in 2018 to a record-breaking performance in the past year. Notably, the company rebounded robustly from the severe economic downturn in 2020 caused by the global pandemic.

The management expresses a positive outlook for 2023, stating confidence in the continuation of the growth observed in 2022. Chairman and CEO Bernard Arnault conveyed optimism to analysts, stating that based on January's results, the year holds the potential to be excellent if


the current trend persists.Amidst a backdrop of a 20% or more increase in prices for Chanel and Louis Vuitton products in recent years, Citi analyst Thomas Chauvet anticipates a potential additional 15% surge in prices this year. This projection is influenced by the declining value of the euro, making luxury goods more affordable.

While some analysts adopt a more cautious stance, projecting growth in 2023 at a slower rate of 6% to 8%, overall forecasts indicate a remarkable surge of 60% in luxury goods sales between the present and 2030. This anticipated growth is attributed to the increasing number of affluent consumers in regions such as India, Mexico, South Korea, and Southeast Asia.

## This is one of the reasons we trust LVMH as a good investment




The current landscape of the luxury market differs significantly from that of the 2009 financial markets crisis. The consumer base has expanded to 400 million people, and luxury brands have honed their access to their ultra-wealthy clientele, rendering the companies more resilient in downturns than in the past. As the head of the world's largest luxury house, Arnault perceives China's reopening as an auspicious sign for even more robust growth ahead. Despite the casinos of Macao not experiencing their usual bustling activity, LVMH's stores in the city are operational, witnessing customer engagement.

While sales haven't fully recovered to pre-pandemic levels, with CFO Jean-Jacques Guiony estimating a 40% deficit, the positive start to the new year is encouraging. LVMH anticipates an uptick in growth in the latter half of 2023. Analysts project that Chinese consumers will constitute 40% of the global luxury market by 2030, with Bain & Co. asserting that China will play a pivotal role as a "fundamental growth driver in the long term."


## Unlocking Elegance: Investing in Luxury Without the Premium Price

LVMH appears to have successfully navigated recent challenges, benefitting from ongoing strong spending within its target market and the reopening of China's economy. Positioned favorably to leverage increased consumer expenditure on its luxury goods, the stock presents itself as reasonably valued at 21 times estimated earnings. Additionally, boasting a respectable forward dividend yield of 1.6%, LVMH stands as an attractive investment option for Winter Capital.