

HCM

HANDELS CAPITAL MANAGEMENT

PORTFOLIO REPORT

March 2018

CEO'S COMMENTS

In the month of March, the trade conflict between President Trump and China caused continued market volatility. Consequently, S&P500 fell -2,7%, also a result of a sector-wide decline in tech stocks, following the Facebook and Cambridge Analytica data scandal. In comparison, Swedish market closed -1,2%, with the financial sector being the main detractor. The volatility and uncertainty of the market has remained in early April, with more tariffs and sanctions from the US, primarily against Russian companies and business leaders. This has led to a wide sell-off on the Russian stock market and a big fall of the rouble. Recent development on the geopolitical scene, with US, UK and France launching rockets at targets in Syria, allegedly related to chemical weapons research and production, has further intensified the tension between the two countries.

Looking at our own business, I am happy to announce that we successfully conducted our third annual Stockholm Trip, visiting top-tier companies in the financial sector. This year was widely record-breaking, with 14 analysts participating in a total of eight visits, varying from senior macro strategists, small cap analysts, and DCM/Advisory-divisions, to successful entrepreneurs, long/short equity hedgefund and portfolio managers in the multibillion-class. We are grateful to all parties making this possible and giving us inspiring insights for our future careers, perhaps even memories for life. I also wish to thank all our analysts for a good trip, expanding our view on investing and strengthening our corporate culture. I personally believe this trip is a highlight for all our analysts during their time at University and in HCM, and hope many of us will be part of future trips.

Also, a big thank you to all our alumni taking part in the grand finale of our trip – the alumni dinner. Truly inspiring to meet some of the top investors and analysts in Sweden!

2018-04-15

Filip Andreasson
Chief Executive Officer

ASSET MANAGER'S COMMENTS

Purchases: Micro Systemation, Engelska Skolan and Spiltan Money Market.

Disposals: Broderna Hartmann and Kopparbergs.

First of all, I want to thank Oskar Markusson for his great work the past two years in HCM and we wish him the best of luck in the future. This is my first month as Head of Asset Management and it is with great excitement I am taking on this role.

During March our portfolio did not manage to beat our weighted indices, mostly due to a set-back in our equities portfolio, declining 4,11% compared to benchmark (OMXSIG) down 1,23%. Main detractors of our portfolio was LeoVegas, Volati, and Kindred. However, as we see it nothing has changed fundamentally since the Q4 reports and our view on the companies remain the same. The second earnings season of the year is just around the corner and it will be very interesting to see how certain sectors, such as the gambling sector, will react after a sharp decline last few months.

Changes in the equities portfolio during the months are increased positions in Engelska Skolan and Spiltan Röntefond Sverige and disposals of Brdr. Hartmann and Kopparbergs. New addition to the portfolio is Micro Systemation, developing mobile forensics software with primary customers being worldwide Police and Law Enforcement agencies.

Sincerely,

2018-04-15

Karl Norén

Head of Asset Management

PORTFOLIO PERFORMANCE

Portfolio Holdings	1 Month	End of Month Portfolio Weight	Benchmarks	1 Month
Alternative Investments	-1,2%	16,9%	Barclay Hedge Fund Index	-0,6%
Gladiator	-0,9%	9,5%		
Nektar	-1,5%	7,4%		
Corporate Bonds	-0,1%	10,2%	S&P Corporate Bond Index SEK	-0,6%
Carnegie Corporate Bond	0,2%	5,3%		
Nordea US Corporate Bond Fund	-0,4%	4,8%		
Global Bonds	0,5%	13,2%	S&P Global Dev. Sov. Bond Index	1,9%
Parvest Bond Absolute Return	-0,1%	6,4%		
Templeton Global Total Return	1,2%	6,8%		
Money Market	0,1%	24,6%	OMRX Money Market Index	0,0%
Spiltan Räntefond Sverige	0,1%	24,6%		
Equities, including cash on hand	-4,1%	35,2%	OMXSGI	-1,2%

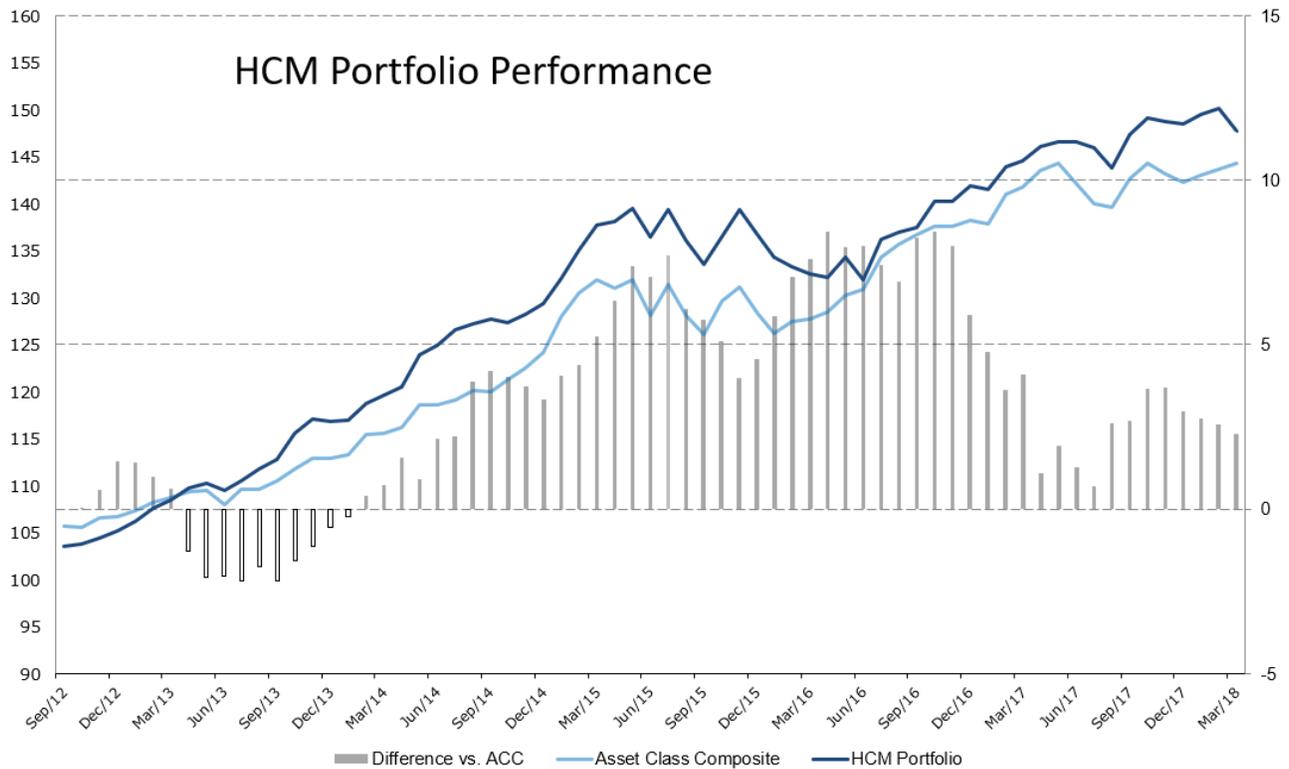
Return & Risk	HCM	Benchmark
Last Month	-1,60%	0,47%
Year to Date	-0,57%	1,47%
Last Twelve Months	2,17%	1,80%
Since Start (Dec. 2011)	47,68%	44,35%
Average Yearly Return	6,35%	5,97%
Months Active	76	76
Number of Positive Months	54	56
Number of Negative Months	22	20
Annualized Std. Dev. Last 12m	3,73%	3,73%
Sharpe Ratio Last 12m	0,24	0,14

Allocation Limits	Min.	Actual	Max.
Alternative Investments	15%	16,9%	25%
Corporate Bonds	5%	10,2%	15%
Global Bonds	10%	13,2%	20%
Money Market	10%	24,6%	25%
Equities	10%	35,2%	30%

Currency Exposure	
SEK	83,3%
USD	14,4%
NOK	2,3%
DKK	0,0%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2011												1,35%	1,35%
2012	2,71%	1,85%	-0,85%	-0,89%	0,13%	-0,63%	0,17%	-0,87%	0,61%	0,21%	0,59%	0,75%	3,78%
2013	0,92%	1,38%	0,51%	0,71%	0,21%	-0,70%	0,93%	1,12%	0,88%	2,55%	1,25%	-0,18%	9,97%
2014	0,11%	1,51%	0,71%	0,80%	2,76%	0,88%	1,26%	0,50%	0,43%	-0,27%	0,68%	0,82%	10,65%
2015	2,05%	2,38%	1,94%	0,25%	1,00%	-2,12%	2,09%	-2,34%	-1,86%	2,19%	2,09%	-1,88%	5,73%
2016	-1,80%	-0,68%	-0,65%	-0,29%	1,69%	-1,80%	3,29%	0,52%	0,33%	2,02%	0,03%	1,20%	3,80%
2017	-0,28%	1,70%	0,43%	1,08%	0,29%	0,07%	-0,45%	-1,48%	2,45%	1,21%	-0,24%	-0,16%	4,66%
2018	0,61%	0,42%	-1,60%										-0,57%
Total													47,68%

Portfolio Holdings	Quantity	Initial Values		Market Values		Unrealized P/L		Weight
		Price/Share	Value	Price/Share	Value	Amount	%	
Alternative Investments			1 699 999		1 790 938	90 939	5,3%	16,9%
Gladiator	344	2 617	900 001	2 938	1 010 423	110 423	12,3%	9,5%
Nektar	313	2 552	799 999	2 490	780 515	- 19 484	-2,4%	7,4%
Corporate Bonds			968 281		1 077 733	109 453	11,3%	10,2%
Carnegie Corporate Bond	1 350	359	484 649	419	565 245	80 597	16,6%	5,3%
Nordea US Corporate Bond Fund	5 125	94	483 632	100	512 488	28 856	6,0%	4,8%
Global Bonds			1 152 009		1 402 882	250 874	21,8%	13,2%
Parvest Bond Absolute Return	1 650	358	591 226	410	676 544	85 318	14,4%	6,4%
Templeton Global Total Return	2 838	198	560 782	256	726 338	165 556	29,5%	6,8%
Money Market			2 598 168		2 611 515	13 347	0,0%	24,6%
Spiltan Räntefond Sverige	21 528	121	2 598 168	121	2 611 515	13 347	0,0%	24,6%
Equities			2 522 295		3 733 580	132 059	5,2%	35,2%
HCM Equities			2 522 295		2 573 363	132 059	5,2%	24,2%
Cash on Hand					1 160 217			10,93%
Total			8 940 752		10 616 649	596 671	6,7%	100%



EQUITIES PERFORMANCE

Equities	Quantity	Initial Values		Market Values		Unrealized P/L			Weight
		Price/Share	Value SEK	Price/Share	Value SEK	Amount	%	1 Month	
Attendo	2 894	90,2	261 071	78,7	227 613	-33 458	-12,82%	-2,60%	8,84%
B3IT	1 500	82,6	123 888	84,0	126 000	2 112	1,70%	2,94%	4,90%
Bilia	1 700	85,4	145 223	74,0	125 800	-19 423	-13,37%	-13,09%	4,89%
Bravida	2 360	59,8	141 083	59,7	140 892	-191	-0,14%	0,93%	5,48%
DNB	1 500	138,2	215 663	152,2	242 398	26 735	12,40%	-2,89%	9,42%
Internationella Engelska Skolan	2 000	64,9	129 810	69,6	139 200	9 390	7,23%	-0,85%	5,41%
Kindred	2 450	90,6	221 921	114,2	279 668	57 747	26,02%	-15,10%	10,87%
Leovegas	2 450	96,9	237 432	71,1	174 195	-63 237	-26,63%	-24,84%	6,77%
Loomis	1 140	249,2	284 049	300,4	342 456	58 407	20,56%	-0,60%	13,31%
Micro Systemation	1 493	72,0	107 514	71,4	106 600	-914	-0,85%	0,00%	4,14%
Microsoft	165	27,7	30 688	91,3	125 579	94 891	309,21%	-2,67%	4,88%
New Wave	2 669	56,6	151 068	54,3	144 927	-6 141	-4,07%	-5,73%	5,63%
Volati	3 083	62,3	192 194	40,8	125 786	-66 408	-34,55%	-18,07%	4,89%
Xact OMXS30	1 500	187,1	280 692	181,5	272 250	-8 442	-3,01%	-1,58%	10,58%
Total			2 522 295		2 573 363	51 068	2,02%		

Best Performers	1 Month
B3IT	2,94%
Bravida	0,93%
Micro Systemation	0,00%

Worst Performers	1 Month
Leovegas	-24,84%
Volati	-18,07%
Kindred	-15,10%

Currency Exposure	Weight
SEK	90,14%
USD	3,36%
NOK	6,49%
DKK	0,00%

Allocation Limits	Actual	Allowed
Nordic Large Cap Exposure	48,35%	>50%

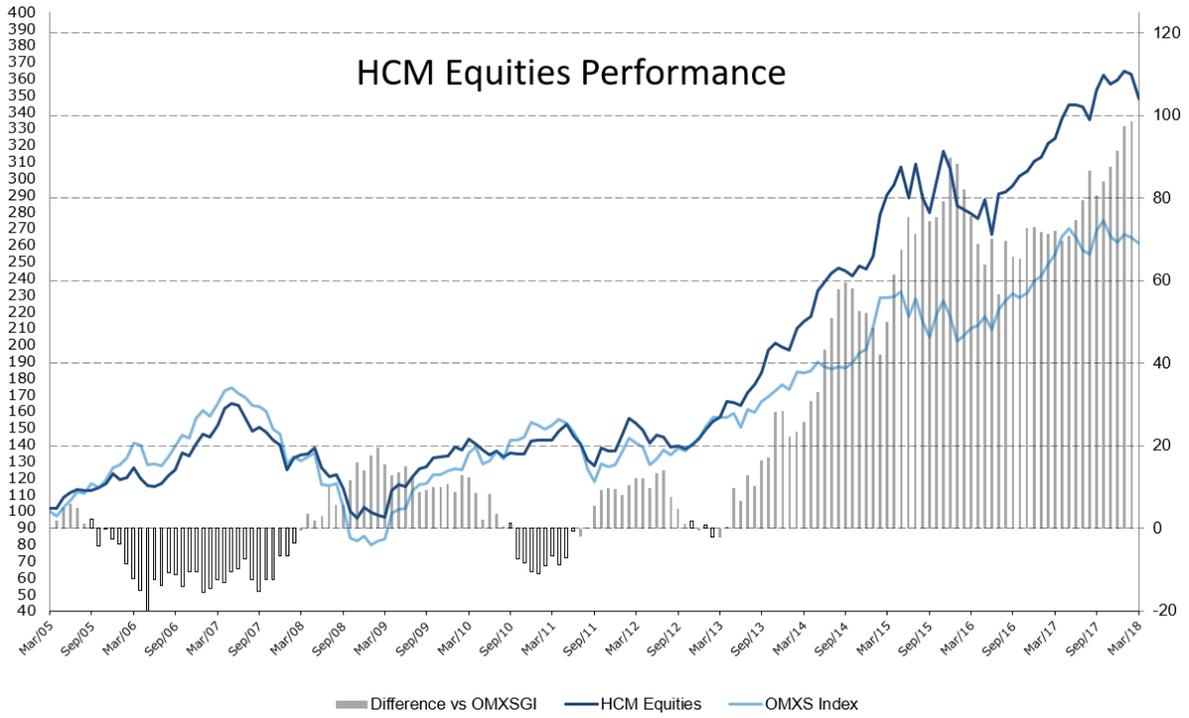
Largest Equity Weight		
Loomis	13,31%	<15%

Lowest Equity Weight		
Micro Systemation	4,14%	>2,5%

Largest Non-Nordic Large Cap		
New Wave	3,88%	<7,5%

Return & Risk	HCM Equities	Benchmark
Last Month	-4,11%	-1,23%
Year To Date	-3,14%	-0,29%
Last Twelve Months	7,42%	2,66%
Since Start (March 2005)	247,81%	161,03%
Average Yearly Return	10,00%	7,61%
Months Active	157	157
Number of Positive Months	91	97
Number of Negative Months	66	60
Annualized Std. Dev. Last 12m	8,84%	9,59%
Sharpe Ratio Last 12m	0,69	0,14
Benchmark Correlation Last 12m	0,82	

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2005			1,96%	0,02%	5,89%	3,12%	1,26%	-0,07%	-0,36%	1,61%	1,97%	5,16%	22,33%
2006	-2,59%	0,88%	4,84%	-5,22%	-3,35%	-0,48%	1,23%	4,39%	2,96%	7,87%	-1,02%	5,04%	14,61%
2007	4,35%	-1,06%	4,81%	6,58%	1,72%	-0,72%	-4,62%	-4,76%	1,54%	-2,10%	-3,19%	-2,11%	-0,33%
2008	-10,54%	5,75%	1,02%	0,42%	2,94%	-8,80%	-4,09%	1,11%	-6,85%	-12,25%	-3,86%	6,80%	-26,67%
2009	-2,96%	-1,78%	-1,61%	16,85%	3,14%	-1,09%	5,53%	3,60%	1,12%	4,43%	0,47%	0,37%	30,15%
2010	3,72%	-0,93%	4,63%	-2,04%	-2,70%	-2,25%	2,06%	-2,71%	2,98%	-1,65%	-0,09%	6,01%	6,70%
2011	0,33%	-0,21%	0,18%	3,63%	2,32%	-4,43%	-3,39%	-6,73%	-2,82%	8,83%	-1,49%	-0,16%	-4,73%
2012	7,30%	6,77%	-1,78%	-2,94%	-4,89%	3,01%	-0,53%	-4,24%	0,43%	-1,08%	1,50%	2,94%	5,80%
2013	3,67%	3,27%	1,67%	5,99%	-0,38%	-1,16%	4,97%	2,57%	4,07%	7,66%	2,04%	-1,26%	38,07%
2014	-0,84%	6,49%	2,08%	1,42%	7,23%	2,14%	2,37%	1,16%	-0,78%	-1,14%	2,39%	-0,59%	23,80%
2015	3,13%	9,84%	4,13%	2,20%	3,63%	-6,16%	7,12%	-6,57%	-3,00%	6,39%	6,29%	-3,40%	24,33%
2016	-7,09%	-0,83%	-0,91%	-1,12%	4,20%	-7,39%	9,15%	0,56%	1,23%	1,88%	1,06%	1,88%	1,53%
2017	0,85%	2,59%	0,89%	3,80%	2,49%	-0,11%	-0,23%	-2,32%	5,24%	2,59%	-1,55%	0,74%	15,76%
2018	1,57%	-0,55%	-4,11%										-3,14%
Total													247,81%



BENCHMARKS

OMX Stockholm All-Share Gross Index (OMXSGI)

The OMX Stockholm All-Share Gross Index includes all the shares listed on OMX Nordic Exchange Stockholm. The aim of the index is to reflect the current status and changes in the market. Dividends are re-invested in the index. The index is market capitalization weighted and is calculated in Swedish Kronor. Note that historically Handels Capital Management used OMXSPI, but after revising the performance measurement to include changes in cash on hand and thus dividends for HCM Equities, the benchmark index was changed accordingly.

http://www.nasdaqomxnordic.com/index/index_info/?Instrument=SE0002416156

Barclay Hedge Fund Index

The Barclay Hedge Fund Index is a measure of the average return of all hedge funds (excepting Funds of Funds) in the Barclay database. The index is simply the arithmetic average of the net returns of all the funds that have reported that month.

http://www.barclayhedge.com/research/indices/ghs/Hedge_Fund_Index.html

S&P U.S Investment Grade Corporate Bond Index Rebased

The S&P Corporate Bond Index is an equally weighted basket of 5612 investment-grade corporate bonds with laddered maturities. The index intends to measure the return of readily tradable, high-grade U.S. corporate bonds. The index is denominated in USD, and is therefore rebased to SEK on a monthly basis.

<http://us.spindices.com/indices/fixed-income/sp-us-issued-investment-grade-corporate-bond-index>

S&P Global Developed Sovereign Bond Index

S&P Global Developed Sovereign Bond Index is a comprehensive index designed to track the performance of local currency-denominated securities publicly issued by developed countries for their domestic markets. Its 1300 components are market-value-weighted. The index is denominated in USD, and is therefore rebased to SEK on a monthly basis.

<http://us.spindices.com/indices/fixed-income/sp-global-developed-sovereign-bond-index-usd>

OMRX Money Market Index

OMRX Money Market Index is an index related to treasury bills, nominal treasury bonds with benchmark status and a time to maturity of less than one year.

https://indexes.nasdaqomx.com/docs/Methodology_OMRX.pdf

Asset Class Composite Index

The ACC-index is a tailor made index constructed solely to reflect the tactical asset allocation implemented by HCM. It is calculated from all of the above named indices. The indices are reweighted on a monthly basis by each asset class's weight in the HCM portfolio as per the previous month's closing balance.

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