

HCM

HANDELS CAPITAL MANAGEMENT

PORTFOLIO REPORT

May 2018

CEO'S COMMENTS

The spring semester and school year of 2017/2018 has now come to an end as we move into summer break. However, the market does not take a break and we continue to keep a close eye on our holdings, although with a long-term investment perspective. Summer and vacation presents a great opportunity for our analysts to read and study new investment ideas for the upcoming semester, and I encourage all of you to do so.

The month of May did not present any surprises and the macroeconomic environment remains relatively unchanged. Trump and trade war is becoming more of a reality after imposing higher tariffs on Chinese goods and threatening several other countries. The important G7-relationship was first worsened by the U.S. (i.e. Trump) withdrawing from the Iran Deal. Later, during the early June G7-summit, the President once again showed his unwillingness to discuss important matters such as climate change and Iran. Instead of strengthening important relationships with longtime allies, Trump looks towards historical enemies Russia and North Korea. Subsequently, the meeting with dictator Kim Jong Un became reality at last and an agreement for denuclearization of the Korean peninsula has been signed between the two leaders. However, many are skeptical towards it and view it as political grandstanding.

I want to thank all analysts for the past year and semester and wish all our graduates the best of luck in the future. Hope to see many of you in the future and look forward to another great year!

Sincerely,

2018-06-15

Filip Andreasson
Chief Executive Officer

ASSET MANAGER'S COMMENTS

Purchases: Southwest Airlines

Disposals: None

During May we are happy to report that our portfolio significantly outperformed the market. The portfolio returned 0,86% and our benchmark returned 0,05%. The main contributors this month were our alternative investments, more specific the hedge fund Gladiator. The fund was up over 7% due to strong development in some of their holdings, many within the healthcare sector. Our equities returned 1,22% including cash adjusted for dividends compared to the benchmark (OMXSGI) which gave a negative return of 0,09.

The main contributors to our equities this month were Bravida and Micro Systemation which both delivered strong reports in April and has continued to appreciate.

This month we purchased shares in Southwest Airlines, we believe the company has a good outlook and that it is the best airline company in the US market, which is a bit more consolidated market than the European market. Warren Buffet has in the last years purchased shares in the four largest airlines in the US after talking negatively about airliners before, we will see if he is right but we do believe he is.

Sincerely,

2018-06-13

Karl Norén

Head of Asset Management

PORTFOLIO PERFORMANCE

Portfolio Holdings	1 Month	End of Month Portfolio Weight	Benchmarks	1 Month
Alternative Investments	3,8%	16,1%	Barclay Hedge Fund Index	1,0%
Gladiator	7,0%	9,5%		
Nektar	-0,4%	6,6%		
Corporate Bonds	0,1%	9,2%	S&P Corporate Bond Index SEK	0,5%
Carnegie Corporate Bond	0,2%	4,9%		
Nordea US Corporate Bond Fund	-0,1%	4,4%		
Global Bonds	-1,9%	12,5%	S&P Global Dev. Sov. Bond Index	-0,7%
Parvest Bond Absolute Return	-1,3%	6,1%		
Templeton Global Total Return	-2,6%	6,4%		
Money Market	0,1%	22,5%	OMRX Money Market Index	0,0%
Spiltan Räntefond Sverige	0,1%	22,5%		
Equities, including cash on hand	1,2%	39,8%	OMXSGI	-0,1%

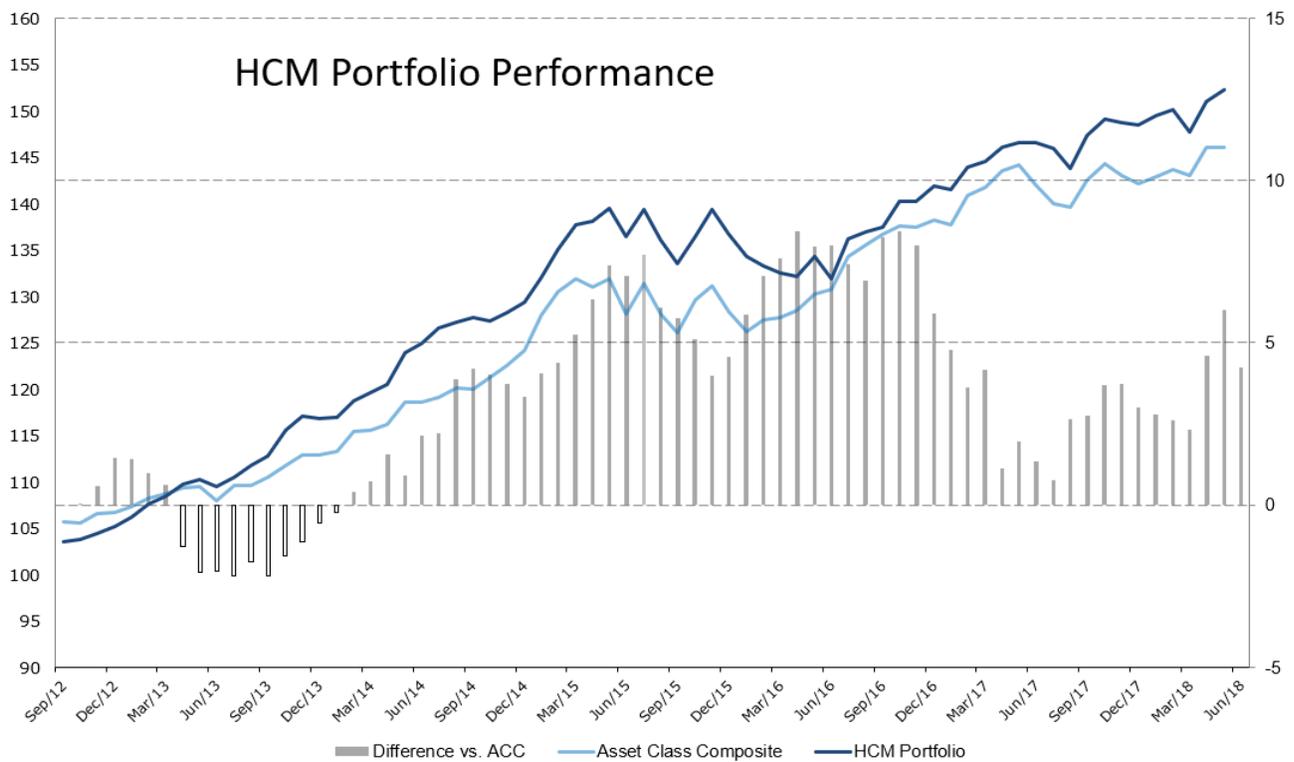
Return & Risk	HCM	Benchmark
Last Month	0,86%	0,05%
Year to Date	2,52%	2,76%
Last Twelve Months	3,92%	1,33%
Since Start (Dec. 2011)	52,28%	46,12%
Average Yearly Return	6,68%	6,01%
Months Active	78	78
Number of Positive Months	56	57
Number of Negative Months	22	21
Annualized Std. Dev. Last 12m	4,18%	4,08%
Sharpe Ratio Last 12m	0,63	0,01

Allocation Limits	Min.	Actual	Max.
Alternative Investments	15%	16,1%	25%
Corporate Bonds	5%	9,2%	15%
Global Bonds	10%	12,5%	20%
Money Market	10%	22,5%	25%
Equities	10%	39,8%	30%

Currency Exposure			
SEK		82,7%	
USD		15,3%	
NOK		2,0%	
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%	2,23%	0,86%								2,52%
Total													52,28%

Portfolio Holdings	Quantity	Initial Values		Market Values		Unrealized P/L		Weight
		Price/Share	Value	Price/Share	Value	Amount	%	
Alternative Investments			1 699 999		1 870 421	170 422	10.0%	16.1%
Gladiator	344	2 617	900 001	3 205	1 102 386	202 386	22.5%	9.5%
Nektar	313	2 552	799 999	2 450	768 035	31 963	-4.0%	6.6%
Corporate Bonds			968 281		1 073 269	104 988	10.8%	9.2%
Carnegie Corporate Bond	1 350	359	484 649	419	566 163	81 514	16.8%	4.9%
Nordea US Corporate Bond Fund	5 125	94	483 632	99	507 106	23 474	4.9%	4.4%
Global Bonds			1 152 009		1 454 273	302 264	26.2%	12.5%
Parvest Bond Absolute Return	1 650	358	591 226	429	708 527	117 301	19.8%	6.1%
Templeton Global Total Return	2 838	198	560 782	263	745 745	184 963	33.0%	6.4%
Money Market			2 598 168		2 617 328	19 160	0.0%	22.5%
Spiltan Råntefond Sverige	21 528	121	2 598 168	122	2 617 328	19 160	0.0%	22.5%
Equities			2 707 243		4 638 138	240 106	8.9%	39.8%
HCM Equities			2 707 243		2 887 968	240 106	8.9%	24.8%
Cash on Hand					1 750 170			15.02%
Total			9 125 700		11 653 428	836 940	9.2%	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	82,1	237 597	-23 473	-8,99%	-7,80%	8,23%
B3IT	1 500	82,6	123 888	91,4	137 100	13 212	10,66%	5,06%	4,75%
Bilia	1 700	85,4	145 223	70,4	119 680	-25 543	-17,59%	-2,83%	4,14%
Bravida	2 360	59,8	141 083	71,9	169 566	28 483	20,19%	14,41%	5,87%
DNB	1 500	138,2	215 663	144,7	236 781	21 118	9,79%	-3,91%	8,20%
Internationella Engelska Skolan	2 000	64,9	129 810	65,8	131 600	1 790	1,38%	-1,79%	4,56%
Kindred	2 450	90,6	221 921	111,8	273 910	51 989	23,43%	-1,45%	9,48%
Leovegas	2 450	96,9	237 432	75,0	183 750	-53 682	-22,61%	-12,59%	6,36%
Loomis	1 140	249,2	284 049	337,0	384 180	100 131	35,25%	5,25%	13,30%
Micro Systemation	1 493	72,0	107 514	80,7	120 485	12 971	12,06%	13,03%	4,17%
Microsoft	165	27,7	30 688	99,6	143 798	113 110	368,58%	6,62%	4,98%
New Wave	2 669	56,6	151 068	53,0	141 457	-9 611	-6,36%	1,73%	4,90%
Sothwest Airlines	400	52,4	184 948	51,1	180 155	-4 793	-2,59%	0,00%	6,24%
Volati	3 083	62,3	192 194	48,3	148 909	-43 285	-22,52%	9,77%	5,16%
Xact OMXS30	1 500	187,1	280 692	186,0	279 000	-1 692	-0,60%	-1,15%	9,66%
Total			2 707 243		2 887 968	180 725	6,68%		

Best Performers	1 Month
Bravida	14,41%
Micro Systemation	13,03%
Volati	9,77%

Worst Performers	1 Month
Leovegas	-12,59%
Attendo	-7,80%
DNB	-3,91%

Currency Exposure	Weight
SEK	87,91%
USD	6,98%
NOK	5,11%

Allocation Limits	Actual	Allowed
Nordic Large Cap Exposure	40,63%	>50%

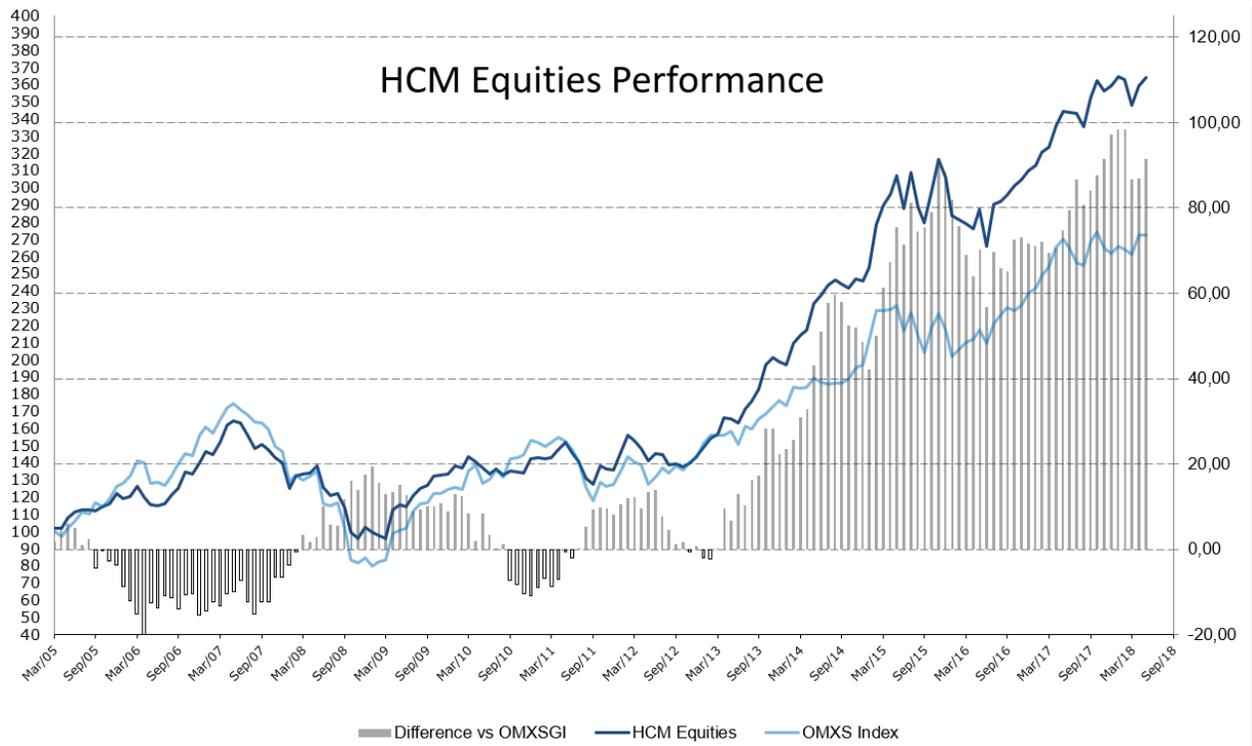
Largest Equity Weight	Actual	Allowed
Loomis	13,30%	<15%

Lowest Equity Weight	Actual	Allowed
Bilia	4,14%	>2,5%

Largest Non-Nordic Large Cap	Actual	Allowed
Sothwest Airlines	6,24%	<7,5%

Return & Risk	HCM Equities	Benchmark
Last Month	1,22%	-0,09%
Year To Date	1,33%	4,00%
Last Twelve Months	5,64%	0,91%
Since Start (March 2005)	263,86%	172,29%
Average Yearly Return	10,24%	7,85%
Months Active	159	159
Number of Positive Months	93	98
Number of Negative Months	66	61
Annualized Std. Dev. Last 12m	8,71%	9,44%
Sharpe Ratio Last 12m	0,50	-0,04
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%	3,35%	1,22%								1,33%
Total													263,86%



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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