

# HCM

HANDELS CAPITAL MANAGEMENT

## PORTFOLIO REPORT

### June 2018

#### CEO'S COMMENTS

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The month of June presented a low volatile market with no major movement, usually the case during summer. Instead, we have gotten the time to enjoy a month of the FIFA World Cup with France winning against Croatia in the final. The World Cup is of special interest for two of our portfolio holdings, Kindred and LeoVegas, and we look forward seeing these companies showing their sport books results in the upcoming earnings season.

In contrast, two years have now passed since the brexit referendum where the market plummeted seven per cent as a result. The topic is more relevant than ever seeing the world moving towards closed borders and trade barriers. However, with only a few months left of brexit negotiations and still no deal, uncertainty remains. The latest news on the story is the "Brexit-minister" David Davis and foreign minister Boris Johnson resigning from their posts following prime minister Theresa May advocating a more "soft" brexit, remaining in the EU-zone of free trade for goods. Even so, structuring such a deal is unlikely considering that the internal market of EU is built upon the four pillars of free movement of goods, capital, services and labour. Cherry picking between the four market freedoms is not an option and with time running out, the structure of brexit is still very far from completion.

Domestic news focuses on the Swedish general election with only two months left. Latest polls points toward a new government constellation as nationalist party SD seems to be the big winner, making it hard for current social democrats-green party government to sit for another four years. Nonetheless, the outcome of the election should not have any impact on markets seeing that we have a well-functioning state and other macroeconomic such as unemployment numbers, PMI- and CPI-data, and consequently, interest rate policies, tend to have greater impact. The continuing trade war also plays a role in the months to come. In the short-term we will be keeping a close eye on the earnings season ramping up this week with several large corporations reporting.

Sincerely,

2018-07-16

Filip Andreasson  
*Chief Executive Officer*

ASSET MANAGER'S COMMENTS

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**Purchases:** B3 Consulting Group, Loomis, LeoVegas, Kindred, Engelska Skolan and Xact OMCS30

**Disposals:** None

The summer is here with its tremendous warmth and the markets are a little less liquid which can create good buying opportunities in small caps which we are trying to take advantages of. Due to our large cash position, we have increased our positions in our equity portfolio. The companies we have chosen to increase positions in are the ones that we feel is undervalued to its intrinsic value with consideration to the allocation limits.

The portfolio returned 0,24% beating its benchmark by 0,03%, our equities appreciated 0,27% compared to the OMXSGI which returned 0,24%. The main contributors to the equities were Engelska Skolan and DNB while Volati turned down in June.

Now we are looking forward to the Q2 Reports which “officially” started this Friday with lots of companies delivering their figures.

Sincerely,

2018-07-14

Karl Norén  
*Head of Asset Management*

## PORTFOLIO PERFORMANCE

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

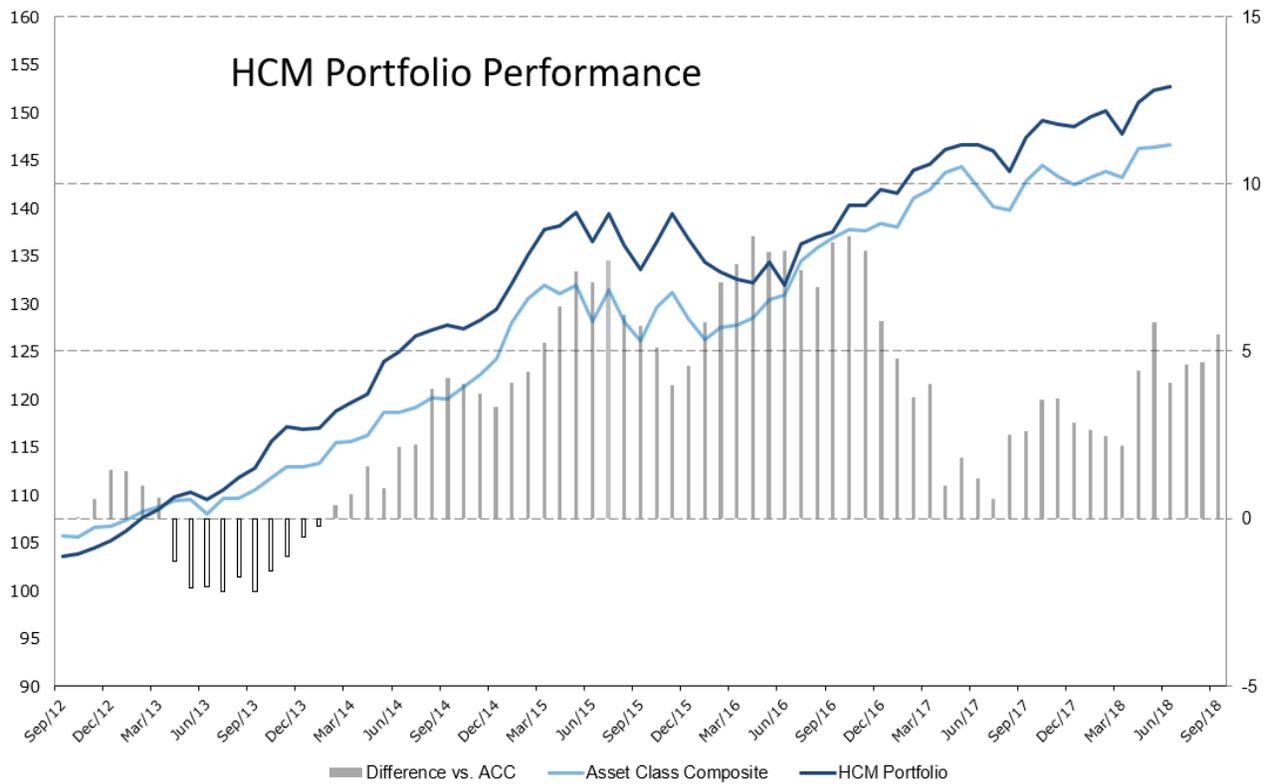
Return & Risk	HCM	Benchmark
Last Month	0,24%	0,21%
Year to Date	2,77%	2,97%
Last Twelve Months	4,11%	3,09%
Since Start (Dec. 2011)	52,65%	46,59%
Average Yearly Return	6,64%	5,98%
Months Active	79	79
Number of Positive Months	57	58
Number of Negative Months	22	21
Annualized Std. Dev. Last 12m	4,18%	4,06%
Sharpe Ratio Last 12m	0,68	0,44

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%	22,4%	25%
Equities	10%	39,8%	30%

Currency Exposure	
SEK	82,4%
USD	15,3%
NOK	2,2%
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%	0,24%							2,77%
Total													52,65%

Portfolio Holdings	Quantity	Initial Values		Market Values		Unrealized P/L		Weight
		Price/Share	Value	Price/Share	Value	Amount	%	
<b>Alternative Investments</b>			<b>1 699 999</b>		<b>1 880 422</b>	<b>180 423</b>	<b>10,6%</b>	<b>16,1%</b>
Gladiator	344	2 617	900 001	3 218	1 106 745	206 744	23,0%	9,5%
Nektar	313	2 552	799 999	2 468	773 677	-	-3,3%	6,6%
<b>Corporate Bonds</b>			<b>968 281</b>		<b>1 069 919</b>	<b>101 638</b>	<b>10,5%</b>	<b>9,2%</b>
Carnegie Corporate Bond	1 350	359	484 649	419	565 939	81 291	16,8%	4,8%
Nordea US Corporate Bond Fund	5 125	94	483 632	98	503 980	20 348	4,2%	4,3%
<b>Global Bonds</b>			<b>1 152 009</b>		<b>1 462 347</b>	<b>310 338</b>	<b>26,9%</b>	<b>12,5%</b>
Parvest Bond Absolute Return	1 650	358	591 226	432	713 495	122 269	20,7%	6,1%
Templeton Global Total Return	2 838	198	560 782	264	748 851	188 069	33,5%	6,4%
<b>Money Market</b>			<b>2 598 168</b>		<b>2 618 404</b>	<b>20 236</b>	<b>0,0%</b>	<b>22,4%</b>
Spiltan R�ntefond Sverige	21 528	121	2 598 168	122	2 618 404	20 236	0,0%	22,4%
<b>Equities</b>			<b>3 226 418</b>		<b>4 650 676</b>	<b>261 905</b>	<b>8,1%</b>	<b>39,8%</b>
HCM Equities			3 226 418		3 408 039	261 905	8,1%	29,2%
Cash on Hand					1 242 637			10,64%
<b>Total</b>			<b>9 644 874</b>		<b>11 681 769</b>	<b>874 541</b>	<b>9,1%</b>	<b>100%</b>



## 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	79,2	229 205	-31 866	-12,21%	-3,53%	6,73%
B3IT	2 300	83,5	191 958	85,0	195 500	3 542	1,85%	-7,00%	5,74%
Bilia	1 700	85,4	145 223	70,0	118 915	-26 308	-18,12%	-0,64%	3,49%
Bravida	2 360	59,8	141 083	71,2	167 914	26 831	19,02%	-0,97%	4,93%
DNB	1 500	138,2	215 663	159,4	262 606	46 943	21,77%	10,91%	7,71%
Internationella Engelska Skolan	3 000	65,5	196 437	80,0	240 000	43 563	22,18%	21,58%	7,05%
Kindred	3 165	95,4	301 928	112,8	357 012	55 084	18,24%	0,89%	10,48%
Leovegas	5 000	82,4	411 950	71,0	355 000	-56 950	-13,82%	-5,33%	10,42%
Loomis	1 365	259,4	354 093	311,4	425 061	70 968	20,04%	-7,60%	12,48%
Micro Systemation	1 493	72,0	107 514	82,2	122 725	15 211	14,15%	1,86%	3,60%
Microsoft	165	27,7	30 688	98,6	145 575	114 887	374,37%	1,24%	4,27%
New Wave	2 669	56,6	151 068	52,5	140 123	-10 946	-7,25%	-0,94%	4,11%
Southwest Airlines	400	52,4	184 948	50,9	180 155	-4 793	-2,59%	1,07%	5,29%
Volati	3 083	62,3	192 194	40,4	124 553	-67 641	-35,19%	-16,36%	3,66%
Xact OMXS30	1 820	187,1	340 600	187,8	341 760	1 159	0,34%	0,96%	10,03%
<b>Total</b>			<b>3 226 418</b>		<b>3 406 103</b>	<b>179 685</b>	<b>5,57%</b>		

Best Performers	1 Month
Engelska Skolan	21,58%
DNB	10,91%
Micro Systemation	1,86%

Worst Performers	1 Month
Volati	-16,36%
Loomis	-7,60%
B3IT	-7,00%

Currency Exposure	Weight
SEK	87,31%
USD	7,05%
NOK	5,65%

Allocation Limits	Actual	Allowed
Nordic Large Cap Exposure	48,54%	>50%

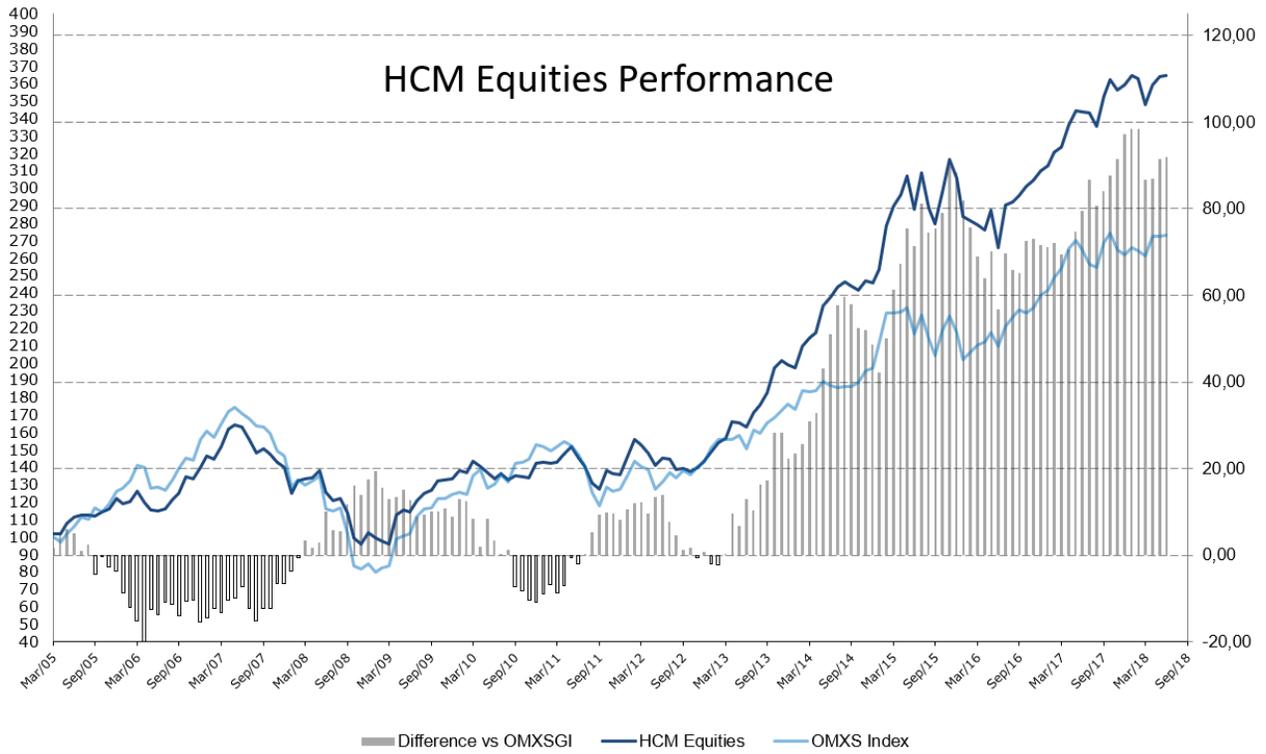
Largest Equity Weight		
Loomis	12,48%	<15%

Lowest Equity Weight		
Bilia	3,49%	>2,5%

Largest Non-Nordic Large Cap		
B3IT	5,74%	<7,5%

Return & Risk	HCM Equities	Benchmark
Last Month	0,27%	0,24%
Year To Date	1,60%	4,26%
Last Twelve Months	6,04%	3,17%
Since Start (March 2005)	264,84%	172,95%
Average Yearly Return	10,19%	7,82%
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Months Active	160	160
Number of Positive Months	94	99
Number of Negative Months	66	61
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Annualized Std. Dev. Last 12m	8,49%	9,32%
Sharpe Ratio Last 12m	0,56	0,20
Benchmark Correlation Last 12m	0,81	

	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%	0,27%							1,60%
<b>Total</b>													<b>264,84%</b>



## 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](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](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](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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