

HCM

HANDELS CAPITAL MANAGEMENT

PORTFOLIO REPORT

July 2018

CEO'S COMMENTS

We are now way into the second earnings season of this year and it is with mixed feelings we enter a new school term. Several of our companies have disappointed the somewhat high market expectations. Our holdings in the online gambling and sports-betting sector reported strong earnings but with respect to the bonus effect of the FIFA World Cup the market did not like the numbers for the quarter, as well as growth indicators for the month of July. Cash-handling company and long-time favourite holding Loomis also traded lower following additional costs for restructuring of the France division. However, our view has not changed and we think the market is overanalyzing short-term problems while the long-term case is still intact.

Moreover, a new school term also means new possibilities and time for improvement. With our analysts coming together after three months of internships, summer jobs and vacation, we now get the time to do what we do best –analyze and discuss new investment opportunities and learn from one another. We also look forward to welcoming new colleagues as we open up for recruitment in August and hope to hire several new analysts in September.

To summarize the current market situation, global stock markets are trading lower after a heavy fall in the Turkish lira, this followed a heated debate between presidents Erdogan and Trump, plummeting as much as 30 per cent compared to the USD. With no relation to the situation in Turkey, the Swedish krona has also further depreciated in relation to EUR and USD during summer and currently trades at 10.38 and 9.15, respectively. This is despite good inflation data of +2,2 per cent for June and July, being above the Riksbank-target of 2 per cent. We continue waiting for an anticipated rate hike at the end of this year. Next up on the Swedish agenda is the general election in September. To be continued...

Sincerely,

2018-08-14

Filip Andreasson
Chief Executive Officer

ASSET MANAGER'S COMMENTS

Purchases: Attendo and Splitan Räntefond Sverige

Disposals: None

During the month of July, we did not manage to beat our weighted indices, this is mostly due to weak performance from our equities portfolio. Most companies in our portfolio have reported solid numbers, still Kindred and Loomis did fall over 10% on their earnings release as they missed the estimates by a few percents. The large fluctuations in the market have been a theme this month, due to lower liquidity in the markets, movements of around 20% on the day of the report has not been extraordinary.

The portfolio returned 0,33% compared to the benchmark appreciating 1,41%, our equities appreciated 0,22% compared to the OMXSGI which returned 4,10%. The explanation to the underperformance is that our largest holdings Loomis underperformed significantly and that the banks and industrials surged after solid earnings.

Sincerely,

2018-08-14

Karl Norén
Head of Asset Management

PORTFOLIO PERFORMANCE

Portfolio Holdings	1 Month	End of Month Portfolio Weight	Benchmarks	1 Month
Alternative Investments	0,8%	16,2%	Barclay Hedge Fund Index	0,6%
Gladiator	1,3%	9,6%		
Nektar	-0,2%	6,6%		
Corporate Bonds	0,1%	9,1%	S&P Corporate Bond Index SEK	0,6%
Carnegie Corporate Bond	-0,1%	4,8%		
Nordea US Corporate Bond Fund	0,4%	4,3%		
Global Bonds	0,8%	12,6%	S&P Global Dev. Sov. Bond Index	-2,2%
Parvest Bond Absolute Return	-0,1%	6,1%		
Templeton Global Total Return	1,7%	6,5%		
Money Market	0,0%	24,1%	OMRX Money Market Index	0,0%
Spiltan Räntefond Sverige	0,0%	24,1%		
Equities, including cash on hand	0,2%	38,0%	OMXSGI	4,1%

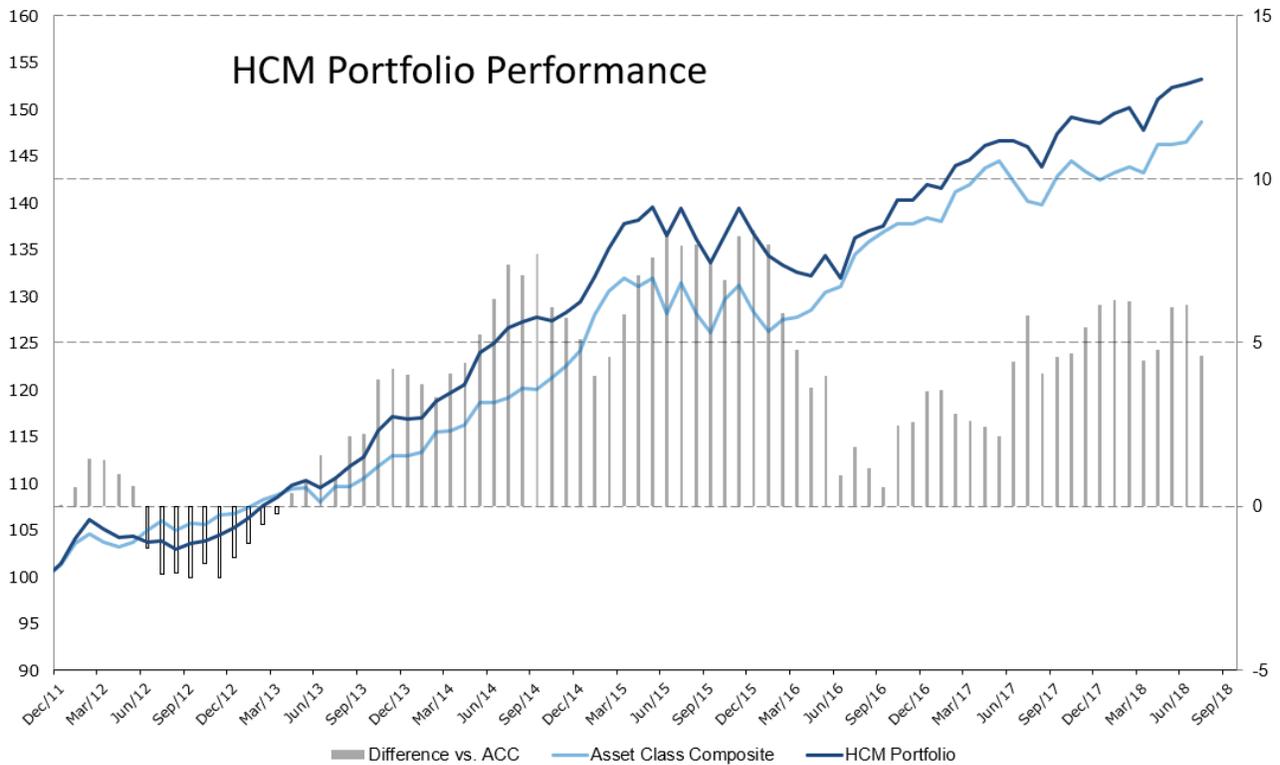
Return & Risk	HCM	Benchmark
Last Month	0,33%	1,41%
Year to Date	3,11%	4,34%
Last Twelve Months	4,93%	6,02%
Since Start (Dec. 2011)	53,16%	48,55%
Average Yearly Return	6,60%	6,12%
Months Active	80	80
Number of Positive Months	58	59
Number of Negative Months	22	21
Annualized Std. Dev. Last 12m	4,17%	3,85%
Sharpe Ratio Last 12m	0,87	1,23

Allocation Limits	Min.	Actual	Max.
Alternative Investments	15%	16,2%	25%
Corporate Bonds	5%	9,1%	15%
Global Bonds	10%	12,6%	20%
Money Market	10%	24,1%	25%
Equities	10%	38,0%	30%

Currency Exposure	
SEK	82,1%
USD	15,6%
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%	2,23%	0,86%	0,24%	0,33%						3,11%
Total													53,16%

Portfolio Holdings	Quantity	Initial Values		Market Values		Unrealized P/L		Weight
		Price/Share	Value	Price/Share	Value	Amount	%	
Alternative Investments			1 699 999		1 895 499	195 500	11.5%	16.2%
Gladiator	345	2 612	900 000	3 260	1 123 391	223 391	24.8%	9.6%
Nektar	313	2 552	799 999	2 463	772 108	27 891	-3.5%	6.6%
Corporate Bonds			968 281		1 070 914	102 633	10.6%	9.1%
Carnegie Corporate Bond	1 350	359	484 649	419	565 140	80 492	16.6%	4.8%
Nordea US Corporate Bond Fund	5 125	94	483 632	99	505 774	22 142	4.6%	4.3%
Global Bonds			1 152 009		1 474 700	322 692	28.0%	12.6%
Parvest Bond Absolute Return	1 650	358	591 226	432	713 132	121 906	20.6%	6.1%
Templeton Global Total Return	2 838	198	560 782	268	761 568	200 786	35.8%	6.5%
Money Market			2 800 115		2 819 811	19 696	0.0%	24.1%
Spiltan Räntefond Sverige	23 172	121	2 800 115	122	2 819 811	19 696	0.0%	24.1%
Equities			3 302 490		4 459 270	234 332	7.1%	38.0%
HCM Equities			3 302 490		3 499 518	234 332	7.1%	29.9%
Cash on Hand					959 752			8.1%
Total			9 922 892		11 720 194	874 853	8.8%	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	3 894	86,6	337 143	79,5	309 573	-27 570	-8,18%	0,38%	8,91%
B3IT	2 300	83,5	191 958	86,0	197 800	5 842	3,04%	1,18%	5,69%
Bilia	1 700	85,4	145 223	75,1	127 670	-17 553	-12,09%	7,36%	3,67%
Bravida	2 360	59,8	141 083	70,1	165 436	24 353	17,26%	-1,48%	4,76%
DNB	1 500	138,2	215 663	164,5	266 053	50 390	23,37%	1,31%	7,66%
Internationella Engelska Skolan	3 000	65,5	196 437	74,8	224 400	27 963	14,24%	-6,50%	6,46%
Kindred	3 165	95,4	301 928	113,6	359 386	57 457	19,03%	0,66%	10,34%
Leovegas	5 000	82,4	411 950	73,0	365 000	-46 950	-11,40%	2,82%	10,50%
Loomis	1 365	259,4	354 093	275,8	376 467	22 374	6,32%	-11,43%	10,83%
Micro Systemation	1 493	72,0	107 514	82,0	122 426	14 912	13,87%	-0,24%	3,52%
Microsoft	165	27,7	30 688	106,0	153 801	123 113	401,18%	5,65%	4,43%
New Wave	2 669	56,6	151 068	53,1	141 724	-9 344	-6,19%	1,14%	4,08%
Southwest Airlines	400	52,4	184 948	58,1	180 155	-4 793	-2,59%	12,27%	5,18%
Volati	3 083	62,3	192 194	42,5	131 028	-61 167	-31,83%	5,20%	3,77%
Xact OMXS30	1 820	187,1	340 600	194,7	354 318	13 717	4,03%	3,67%	10,20%
Total			3 302 490		3 475 236	172 746	5,23%		

Best Performers	1 Month
Southwest Airlines	12,27%
Bilia	7,36%
Microsoft	5,65%

Worst Performers	1 Month
Loomis	-11,43%
Engelska Skolan	-6,50%
Bravida	-1,48%

Currency Exposure	Weight
SEK	86,00%
USD	8,03%
NOK	5,97%

Allocation Limits	Actual	Allowed
Nordic Large Cap Exposure	52,11%	>50%

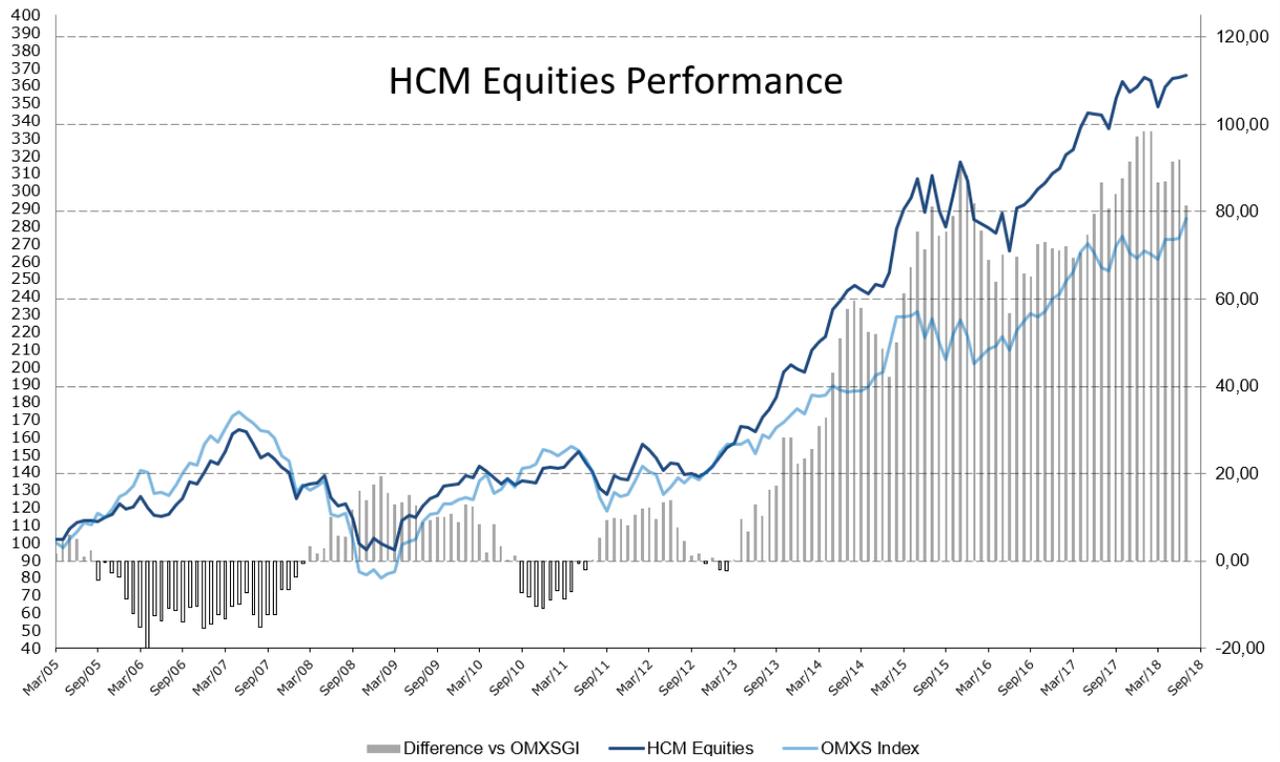
Largest Equity Weight	Actual	Allowed
Loomis	10,83%	<15%

Lowest Equity Weight	Actual	Allowed
Micro Systemation	3,52%	>2,5%

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

Return & Risk	HCM Equities	Benchmark
Last Month	0,20%	4,10%
Year To Date	1,81%	8,53%
Last Twelve Months	6,50%	10,74%
Since Start (March 2005)	265,58%	184,13%
Average Yearly Return	10,14%	8,09%
Months Active	161	161
Number of Positive Months	95	100
Number of Negative Months	66	61
Annualized Std. Dev. Last 12m	8,48%	9,77%
Sharpe Ratio Last 12m	0,62	0,97
Benchmark Correlation Last 12m	0,74	

	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%	0,20%						1,81%
Total													265,58%



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.

DISCLAIMER

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