

HCM

HANDELS CAPITAL MANAGEMENT

PORTFOLIO REPORT

October 2018

CEO'S COMMENTS

The negative market sentiment from early October continued throughout the month with worldwide indices posting dark red figures. Swedish OMXS30 was the worst, down 7,5 per cent. U.S. S&P500 lost 6,9 per cent and German DAX closed 6,5 per cent lower. Financial newspapers and media list the rising interest rates as the main cause for this market correction, although, there has been no surprise in the monetary policy of central banks and no unexpected rate hikes. However, there has been a significant rise in yields of U.S. T-bills with the 1-year bill currently yielding 2,75%, a rise from 1,59% just a year ago and now approaching the 30-year treasury bill at 3,3%. This of course should have an impact on pricing of other security classes, especially stocks and considering the US stock market trading close to all-time-high this should eventually lead to a setback.

Another reason for the negative performance is attributed to President Trump, imposing new sanctions towards Iran after announcing the withdrawal from the "Nuclear Deal" earlier this year. The sanctions went into effect early November and large international corporations such as Total, Daimler and Volvo have pulled out of Iran, halting production and planned investments in the country, population-wise the same size as Germany and an important market in the MENA-region. Trade war, sanctions and tariffs continue to be in focus for worldwide markets with the politics of the U.S. President. However, early November Trump faced a major set-back following the mid-term elections with the democrats taking control of the house of representatives, making it harder for the President and republicans to pass new bills.

As for our own operations we are now up and running for the semester with all new and old analysts researching and presenting new ideas and cases. Going forward and into 2019 we now have a good base to stand on with a mix of new and more experienced analysts to further build our operation. For the next few weeks we will continue evaluating earnings reports of the third quarter as well as research new investment ideas for 2019 and onwards.

Sincerely,

2018-11-10

Filip Andreasson
Chief Executive Officer

ASSET MANAGER'S COMMENTS

Purchases: Firefly & Nobina

Disposals: New Wave & Bilia

During October we managed to beat our weighed indices, most significantly were the overperformance from our equities and alternative investments which managed to beat their index. The portfolio as a whole depreciated 1,33% while our benchmark was down 2,55%.

We have made two new investment into our equities portfolio with the purchase of Firefly and Nobina. Firefly is a small company which delivers fire prevention system to the processing industry. Nobina is the main player in the Nordics within the Public Transport market.

Our equities fell 5,81% during the month of October following the large equity markets in the world. Danske Bank continued to fall following the Estonian money laundering investigation and was down 25% for the month and Southwest Airlines declined almost over 20% after releasing their report for the third quarter results.

The earnings season has come to an end and almost all of our holdings have reported and would like to highlight Kindred which delivered a strong report which beat consensus and the stock has traded up ~20% after the report.

Sincerely,

2018-11-10

Karl Norén

Head of Asset Management

PORTFOLIO PERFORMANCE

Portfolio Holdings	1 Month	End of Month Portfolio Weight	Benchmarks	1 Month
Alternative Investments	1,9%	18,9%	Barclay Hedge Fund Index	-2,8%
Gladiator	2,8%	12,2%		
Nektar	0,4%	6,7%		
Corporate Bonds	-0,9%	9,2%	S&P Corporate Bond Index SEK	1,7%
Carnegie Corporate Bond	-0,1%	4,9%		
Nordea US Corporate Bond Fund	-1,8%	4,3%		
Global Bonds	3,9%	13,1%	S&P Global Dev. Sov. Bond Index	2,3%
Parvest Bond Absolute Return	1,9%	6,3%		
Templeton Global Total Return	5,8%	6,8%		
Money Market	0,0%	24,4%	OMRX Money Market Index	0,0%
Spiltan R�ntefond Sverige	0,0%	24,4%		
Equities, including cash on hand	-5,8%	34,4%	OMXSGI	-7,1%

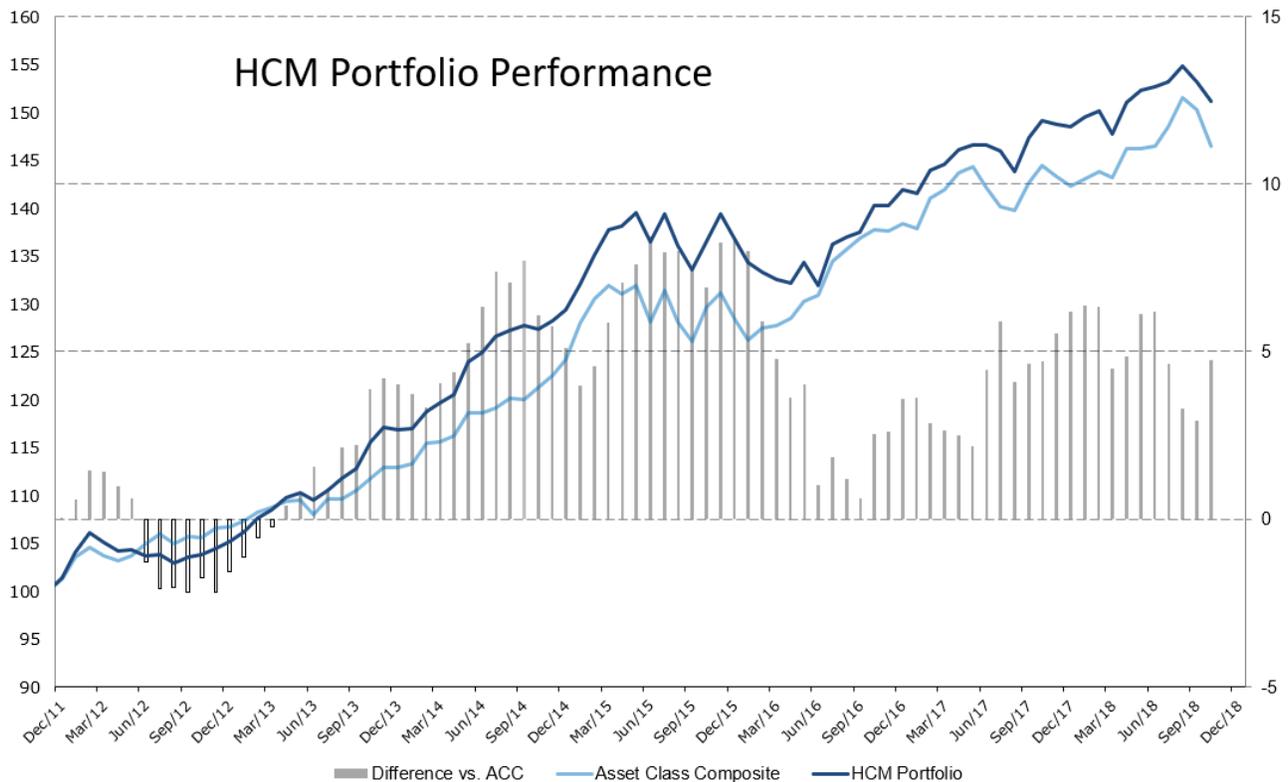
Return & Risk	HCM	Benchmark
Last Month	-1,33%	-2,55%
Year to Date	1,77%	2,88%
Last Twelve Months	1,37%	1,40%
Since Start (Dec. 2011)	51,17%	46,44%
Average Yearly Return	6,16%	5,67%
Months Active	83	83
Number of Positive Months	59	60
Number of Negative Months	24	23
Annualized Std. Dev. Last 12m	3,72%	4,47%
Sharpe Ratio Last 12m	0,02	0,03

Allocation Limits	Min.	Actual	Max.
Alternative Investments	15%	18,9%	25%
Corporate Bonds	5%	9,2%	15%
Global Bonds	10%	13,1%	20%
Money Market	10%	24,4%	25%
Equities	10%	34,4%	30%

Currency Exposure	
SEK	81,8%
USD	16,1%
NOK	1,4%
DKK	0,7%

	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%	1,04%	-0,99%	-1,33%			1,77%
Total													51,17%

Portfolio Holdings	Quantity	Initial Values		Market Values		Unrealized P/L		Weight
		Price/Share	Value	Price/Share	Value	Amount	%	
Alternative Investments			1 853 388		2 187 664	334 276	18,0%	18,9%
Gladiator	403	2 612	1 053 390	3 498	1 410 915	357 525	33,9%	12,2%
Nektar	313	2 552	799 999	2 478	776 749	- 23 249	-2,9%	6,7%
Corporate Bonds			968 281		1 062 376	94 095	9,7%	9,2%
Carnegie Corporate Bond	1 350	359	484 649	420	566 597	81 948	16,9%	4,9%
Nordea US Corporate Bond Fund	5 125	94	483 632	97	495 779	12 147	2,5%	4,3%
Global Bonds			1 152 009		1 516 781	364 772	31,7%	13,1%
Parvest Bond Absolute Return	1 650	358	591 226	444	732 170	140 944	23,8%	6,3%
Templeton Global Total Return	2 838	198	560 782	276	784 611	223 829	39,9%	6,8%
Money Market			2 800 115		2 824 445	24 331	0,0%	24,4%
Spiltan Råntefond Sverige	23 172	121	2 800 115	122	2 824 445	24 331	0,0%	24,4%
Equities			3 337 547		3 976 953	91 797	-2,8%	34,4%
HCM Equities			3 337 547		3 245 750	- 91 797	-2,8%	28,1%
Cash on Hand					731 203			6,32%
Total			10 111 339		11 568 219	725 677	7,2%	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	3 894	86,6	337 143	82,8	322 229	-14 914	-4,42%	-0,96%	9,93%
B3IT	2 300	83,5	191 958	70,6	162 380	-29 578	-15,41%	-7,11%	5,00%
Bravida	2 360	59,8	141 083	67,3	158 710	17 627	12,49%	-7,75%	4,89%
Danske Bank	450	169,0	106 172	168,7	79 009	-27 163	-25,58%	-24,83%	2,43%
DNB	1 000	138,2	143 775	152,6	165 791	22 016	15,31%	-11,38%	5,11%
Engelska Skolan	3 000	65,5	196 437	69,6	208 800	12 363	6,29%	-4,13%	6,43%
Firefly	2 358	49,9	117 733	45,9	108 232	-9 501	-8,07%	0,00%	3,33%
Kindred	3 165	95,4	301 928	97,6	308 967	7 039	2,33%	-2,18%	9,52%
Leovegas	5 000	82,4	411 950	53,5	267 500	-144 450	-35,06%	-11,28%	8,24%
Loomis	1 365	259,4	354 093	283,0	386 295	32 202	9,09%	-1,12%	11,90%
Micro Systemation	1 493	72,0	107 514	66,0	98 538	-8 976	-8,35%	-8,84%	3,04%
Microsoft	165	27,7	30 688	106,9	161 540	130 852	426,40%	-3,65%	4,98%
Nobina	3 000	59,8	179 331	61,1	183 300	3 969	2,21%	0,00%	5,65%
Sothwest Airlines	400	52,4	184 948	49,1	180 022	-4 926	-2,66%	-18,78%	5,55%
Volati	3 083	62,3	192 194	38,0	117 154	-75 040	-39,04%	-3,43%	3,61%
Xact OMXS30	1 820	187,1	340 600	185,3	337 282	-3 318	-0,97%	-7,66%	10,39%
Total			3 337 547		3 245 750	-91 797	-2,75%		

Best Performers	1 Month
Attendo	-0,96%
Loomis	-1,12%
Kindred	-2,18%

Worst Performers	1 Month
Danske Bank	-24,83%
Sothwest Airlines	-18,78%
DNB	-11,38%

Currency Exposure	Weight
SEK	85,26%
USD	8,59%
NOK	4,17%
DKK	1,99%

Allocation Limits	Actual	Allowed
Nordic Large Cap Exposure	50,94%	>50%

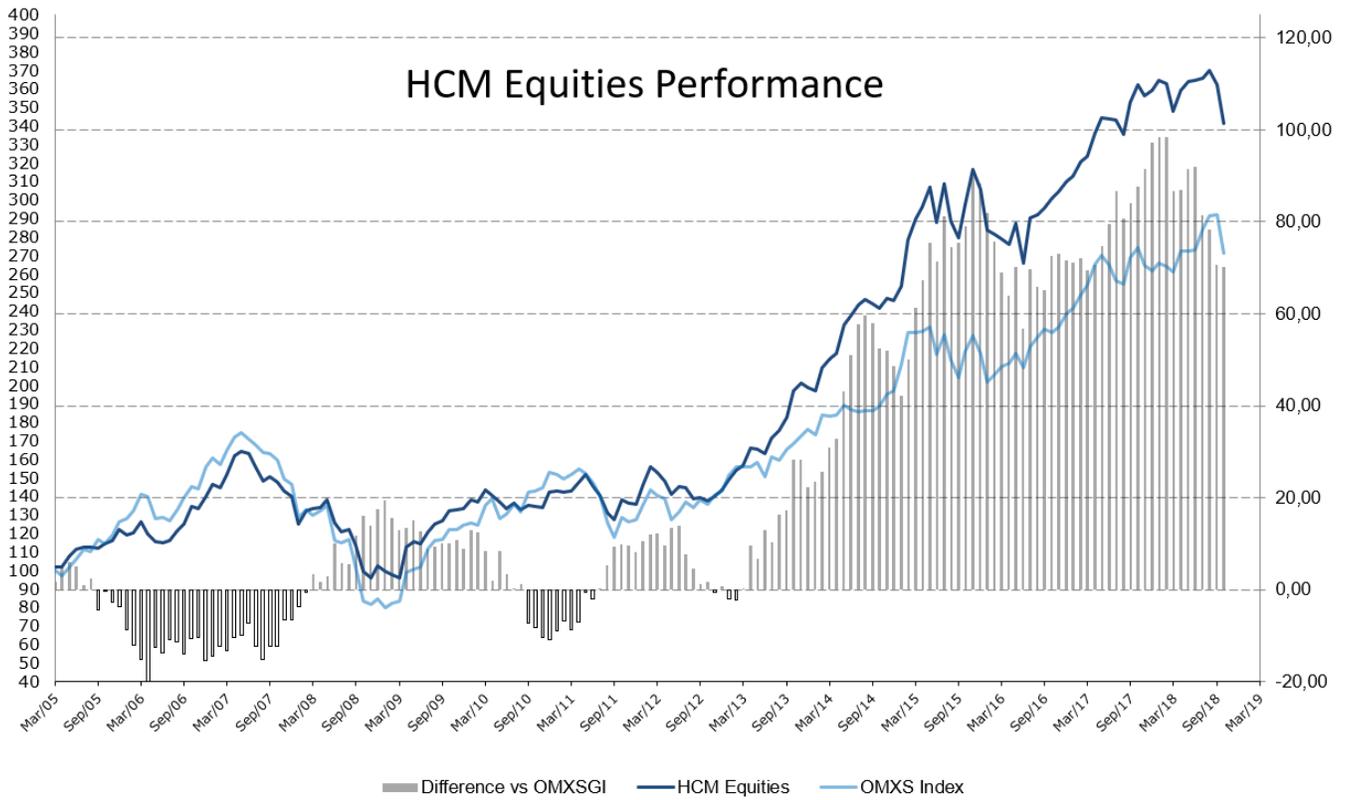
Largest Equity Weight		
Loomis	11,90%	<15%

Lowest Equity Weight		
Danske Bank	2,43%	>2,5%

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

Return & Risk	HCM Equities	Benchmark
Last Month	-5,81%	-7,13%
Year To Date	-4,95%	3,52%
Last Twelve Months	-5,72%	-1,26%
Since Start (March 2005)	241,31%	171,03%
Average Yearly Return	9,40%	7,57%
Months Active	164	164
Number of Positive Months	96	102
Number of Negative Months	68	62
Annualized Std. Dev. Last 12m	9,02%	10,81%
Sharpe Ratio Last 12m	-0,78	-0,23
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%	0,20%	1,27%	-2,12%	-5,81%			-4,95%
Total													241,31%



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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