

HCM

HANDELS CAPITAL MANAGEMENT

PORTFOLIO REPORT

September 2018

CEO'S COMMENTS

We are now well on our way in to October and just like the leaves changing colors, so are the markets. Historically this period tends to be characterized as a more volatile and uncertain market – also being the case for this year. Although markets closed relatively unchanged for the month of September, October has started with Swedish OMXS30 closing lower for six consecutive days, currently -7,6% for the month and now in negative territory YTD. Even worse is the case for Europe's biggest economy with German blue chip index DAX trading 10 per cent lower compared to start of the year and the lowest level since January 2017.

Like always the market tends to overreact in the short-term and if the plunge last two weeks is justified by actual macroeconomic data is debatable. However, we do have some dark clouds to worry about. Firstly, the budget dispute between Italy and the EU has led to Italian government bonds trading at the highest yield since 2013. If the country would go through with an aggressive budget and higher deficit than instructed by the EU, credit ratings firms Standard & Poor's and Moody's might have to downgrade Italy to junk bond-status, meaning the ECB would not be able to buy their papers. A second reason to worry for the markets is macroeconomic indicators such as German manufacturing PMI turning downwards, posting its lowest level since August 2016. In addition to this, Chinese data shows a slowdown in economic growth with automotive sales being down for three consecutive months compared to last year, losing as much as 11,6 per cent in September.

Moreover, we do not bother too much about the current state of the market but try to focus on our everyday operations analyzing new companies and evaluating current holdings. Although, we have taken a beating in several of our positions after a strong performance at the start of the year and lag behind our benchmark. However, we still feel confident in our ability of creating value for our customers in the long run.

Lastly, I am glad to announce that we once again had a successful recruitment and welcome three new analysts to our team. We now look towards an exciting autumn starting with earnings season in the upcoming weeks.

Sincerely,

2018-10-15

Filip Andreasson
Chief Executive Officer

ASSET MANAGER'S COMMENTS

Purchases: Danske Bank

Disposals: DNB

During the month of September, we did not manage to beat our weighed indices, this is mainly related to the underperformance of our equities. The equity portfolio depreciated with ~2% while the OMXSGI being unaltered.

As a whole, the portfolio was down with 0,99% missing our indices which depreciated with 0,79%. During the month we have bought Danske Bank and sold off some DNB shares after a good gain. We are now entering the earnings season starting this week, after some turbulence on the markets, it will be very interesting to see how Mr. Market will react during the coming weeks.

Sincerely,

2018-10-14

Karl Norén
Head of Asset Management

PORTFOLIO PERFORMANCE

Portfolio Holdings	1 Month	End of Month Portfolio Weight	Benchmarks	1 Month
Alternative Investments	-0,2%	18,3%	Barclay Hedge Fund Index	0,0%
Gladiator	0,0%	11,7%		
Nektar	-0,5%	6,6%		
Corporate Bonds	-0,3%	9,1%	S&P Corporate Bond Index SEK	-3,1%
Carnegie Corporate Bond	0,1%	4,8%		
Nordea US Corporate Bond Fund	-0,7%	4,3%		
Global Bonds	-1,3%	12,5%	S&P Global Dev. Sov. Bond Index	-3,9%
Parvest Bond Absolute Return	-2,2%	6,1%		
Templeton Global Total Return	-0,5%	6,3%		
Money Market	0,0%	24,1%	OMRX Money Market Index	0,0%
Spiltan Räntefond Sverige	0,0%	24,1%		
Equities, including cash on hand	-2,1%	36,0%	OMXSGI	0,0%

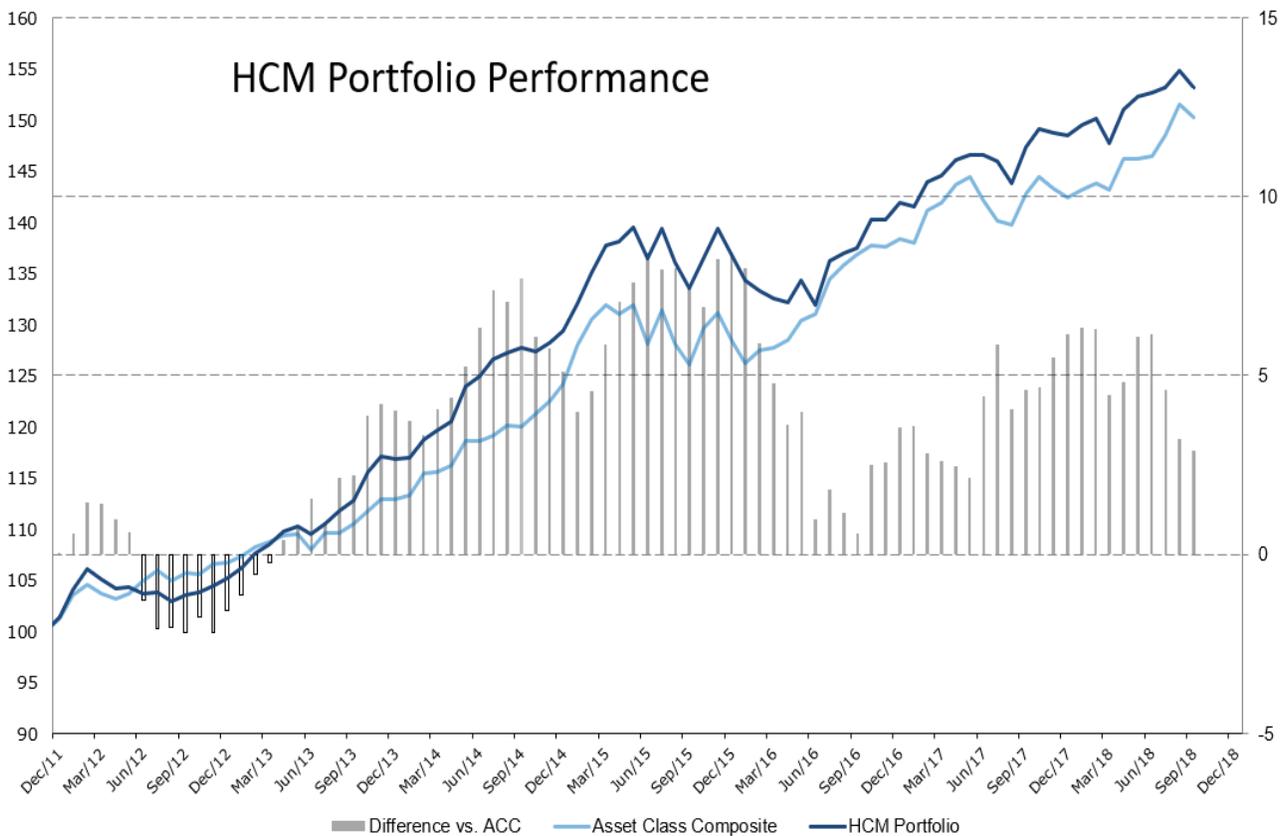
Return & Risk	HCM	Benchmark
Last Month	-0,99%	-0,79%
Year to Date	3,15%	5,58%
Last Twelve Months	3,99%	5,30%
Since Start (Dec. 2011)	53,21%	50,31%
Average Yearly Return	6,44%	6,15%
Months Active	82	82
Number of Positive Months	59	60
Number of Negative Months	23	22
Annualized Std. Dev. Last 12m	3,93%	3,80%
Sharpe Ratio Last 12m	0,69	1,06

Allocation Limits	Min.	Actual	Max.
Alternative Investments	15%	18,3%	25%
Corporate Bonds	5%	9,1%	15%
Global Bonds	10%	12,5%	20%
Money Market	10%	24,1%	25%
Equities	10%	36,0%	30%

Currency Exposure			
SEK		81,7%	
USD		15,8%	
NOK		1,6%	
DKK		0,9%	

	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%				3,15%
Total													53,21%

Portfolio Holdings	Quantity	Initial Values		Market Values		Unrealized P/L		Weight	
		Price/Share	Value	Price/Share	Value	Amount	%		
Alternative Investments			1 853 388		2 146 439		293 050	15,8%	18,3%
Gladiator	403	2 612	1 053 390	3 405	1 373 057	319 668	30,3%	11,7%	
Nektar	313	2 552	799 999	2 467	773 381	-	-3,3%	6,6%	
Corporate Bonds			968 281		1 071 809		103 528	10,7%	9,1%
Carnegie Corporate Bond	1 350	359	484 649	420	567 162	82 514	17,0%	4,8%	
Nordea US Corporate Bond Fund	5 125	94	483 632	98	504 646	21 014	4,3%	4,3%	
Global Bonds			1 152 009		1 460 297		308 289	26,8%	12,5%
Parvest Bond Absolute Return	1 650	358	591 226	435	718 486	127 260	21,5%	6,1%	
Templeton Global Total Return	2 838	198	560 782	261	741 811	181 029	32,3%	6,3%	
Money Market			2 800 115		2 823 750		23 636	0,0%	24,1%
Spiltan Råntefond Sverige	23 172	121	2 800 115	122	2 823 750	23 636	0,0%	24,1%	
Equities			3 336 774		4 222 237		136 404	4,1%	36,0%
HCM Equities			3 336 774		3 473 178	136 404	4,1%	29,6%	
Cash on Hand					749 059			6,39%	
Total			10 110 566		11 724 532	864 907	8,6%	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	83,6	325 344	-11 799	-3,50%	-1,36%	9,37%
B3IT	2 300	83,5	191 958	76,0	174 800	-17 158	-8,94%	-5,94%	5,03%
Bilia	1 700	85,4	145 223	72,6	123 335	-21 888	-15,07%	1,11%	3,55%
Bravida	2 360	59,8	141 083	72,9	172 044	30 961	21,95%	4,14%	4,95%
Danske Bank	450	169,0	106 172	168,7	105 112	-1 060	-1,00%	0,00%	3,03%
DNB	1 000	138,2	143 775	171,5	187 091	43 315	30,13%	0,42%	5,39%
Engelska Skolan	3 000	65,5	196 437	72,6	217 800	21 363	10,88%	2,25%	6,27%
Kindred	3 165	95,4	301 928	99,8	315 867	13 939	4,62%	-11,21%	9,09%
Leovegas	5 000	82,4	411 950	60,3	301 500	-110 450	-26,81%	-7,23%	8,68%
Loomis	1 365	259,4	354 093	286,2	390 663	36 570	10,33%	-2,72%	11,25%
Micro Systemation	1 493	72,0	107 514	72,4	108 093	579	0,54%	-4,23%	3,11%
Microsoft	165	27,7	30 688	114,3	167 658	136 970	446,33%	-1,10%	4,83%
New Wave	2 669	56,6	151 068	65,8	175 620	24 552	16,25%	-4,78%	5,06%
Southwest Airlines	400	52,4	184 948	62,3	221 661	36 714	19,85%	-1,16%	6,38%
Volati	3 083	62,3	192 194	39,4	121 316	-70 878	-36,88%	3,42%	3,49%
Xact OMXS30	1 820	187,1	340 600	200,7	365 274	24 674	7,24%	0,44%	10,52%
Total			3 336 774		3 473 178	136 404	4,09%		

Best Performers	1 Month
Bravida	4,14%
Volati	3,42%
Engelska Skolan	2,25%

Worst Performers	1 Month
Kindred	-11,21%
Engelska Skolan	-7,23%
B3IT	-5,94%

Currency Exposure	Weight
SEK	83,86%
USD	9,22%
NOK	4,43%
DKK	2,49%

Allocation Limits	Actual	Allowed
Nordic Large Cap Exposure	54,15%	>50%

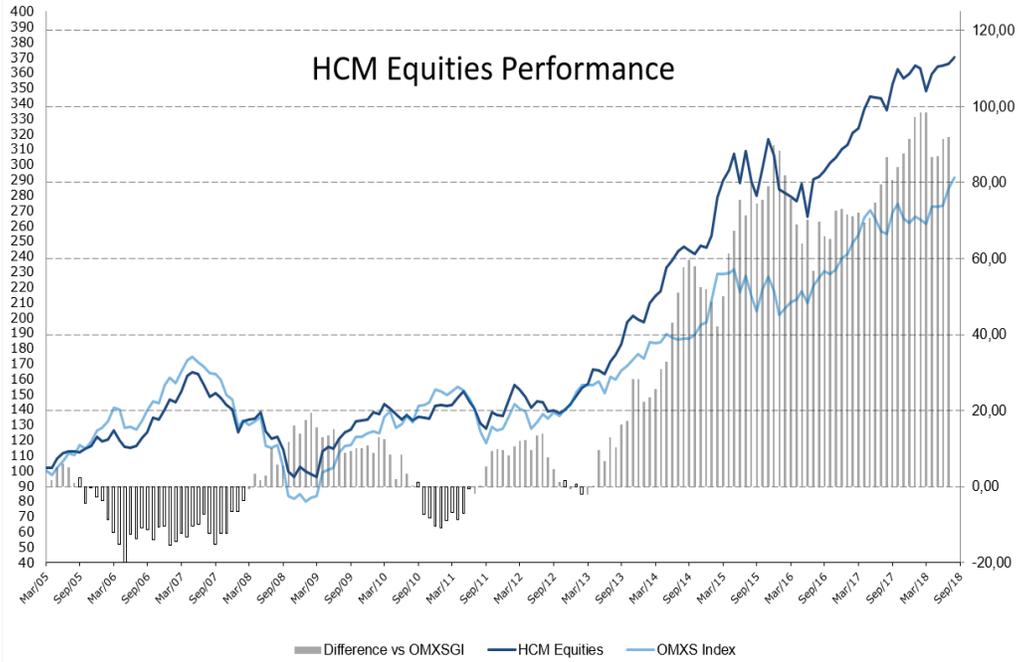
Largest Equity Weight		
Loomis	11,25%	<15%

Lowest Equity Weight		
Danske Bank	3,03%	>2,5%

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

Return & Risk	HCM Equities	Benchmark
Last Month	-2,12%	0,00%
Year To Date	0,91%	11,46%
Last Twelve Months	2,69%	8,56%
Since Start (March 2005)	262,36%	191,82%
Average Yearly Return	9,94%	8,20%
Months Active	163	163
Number of Positive Months	96	102
Number of Negative Months	67	61
Annualized Std. Dev. Last 12m	8,40%	9,07%
Sharpe Ratio Last 12m	0,17	0,80
Benchmark Correlation Last 12m	0,75	

	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%				0,91%
Total													262,36%



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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