

# HCM

HANDELS CAPITAL MANAGEMENT

## PORTFOLIO REPORT

### December 2018

#### CEO'S COMMENTS

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The year of 2018 has come to an end and summarize the first negative annual result in HCM history. With markets moving sideways for the first half of the year, the stock market surged during summer and after peaking late August fell four consecutive months, losing almost 18 percent from the peak, performing the worst since 2011. Characteristics for the year has been further trade conflicts, sanctions and closed-border-politics. However, the key components for market decline spells “worry” – worry for economic growth, inflation and interest rates.

Towards the end of the year large economies around the world have indicated a slowdown in world economy. For example, vehicle sales in China fell for the first time ever, losing 10-13 percent during the last few months. Germany, the locomotive of Europe, posted lower exports and industrial PMI for the same period and saw its economy shrink the last two quarters of the year. Swedish housing market cooled down after amortization requirements and less optimism from buyers. United Kingdom, although with exports supported by a weak pound, saw consumer confidence drop to the lowest level since the referendum. Adding to all this, the oil price declined after record supply flooding from the U.S. – not helping future investments in the important sector.

Although, this paints up the current negative sentiment it is important to remember that the world economy is still in a good growth-state with low inflation, high liquidity from very cautious, maybe even dovish, central banks and future expected growth. Furthermore, it is hard, if not impossible to predict the market in the short-term and dark clouds come and go, in the long-term humans, thus the markets, are optimistic. The only action we can take is to continue investing in great companies with competitive advantages and good future prospects. With those words, we look forward to the new year with great enthusiasm and a strong set of investment ideas.

Sincerely,

2019-01-14

Filip Andreasson  
*Chief Executive Officer*

## ASSET MANAGER'S COMMENTS

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**Purchases:** Danske Bank & Oaktree Capital

**Disposals:** Engelska Skolan

December was another volatile month, both for HCM and for markets worldwide, with S&P 500 collapsing over 9% during the month. The month was also a bad month for equities in Sweden, OMXSGI declined 5,95% and HCM's equities declined 5,84%, a volatile month to say the least. The portfolio as a whole ended the year with a 2% decline in December versus our weighted indices which were down with ~2,5%.

The year of 2018 ended in negative territory for HCM, with the portfolio falling -1,34% beaten by our weighted indices by 61 bps. This has motivated the team to come back even stronger during 2019 and deliver strong returns for the student union. The asset class "equities" were the worst performing asset class during the year and contributed with a negative return of 12,67%, mainly driven a few equities which did not deliver the results expected by the team. The Alternative Investments were our best performing asset class which returned 16,5% over 2018 derived by a strong performance of Gladiator.

We have increased our position in Danske Bank during the month and sold half of the position we had in Engelska Skolan, mainly driven by the weaker operating performance from the firm. A new investment for us is Oaktree Capital, an American alternative asset manager. The group mainly focuses on credit investments (Distressed Debt & High Yield Bonds) but invests in other asset classes as well.

The team believes that we are going into 2019 with a well-balanced portfolio with a lot of potential and we are genuinely hoping to deliver better results this year.

Sincerely,

2019-01-15

Karl Norén  
*Head of Asset Management*

## PORTFOLIO PERFORMANCE

Portfolio Holdings	1 Month	End of Month Portfolio Weight	Benchmarks	1 Month
Alternative Investments	2,6%	20,0%	Barclay Hedge Fund Index	-2,9%
Gladiator	4,2%	13,0%		
Nektar	-0,3%	6,9%		
Corporate Bonds	0,0%	9,4%	S&P Corporate Bond Index SEK	-1,2%
Carnegie Corporate Bond	-0,4%	5,0%		
Nordea US Corporate Bond Fund	0,5%	4,4%		
Global Bonds	-3,9%	12,9%	S&P Global Dev. Sov. Bond Index	-0,3%
Parvest Bond Absolute Return	-4,8%	6,1%		
Templeton Global Total Return	-3,1%	6,8%		
Money Market	-0,2%	25,1%	OMRX Money Market Index	0,0%
Spiltan Räntefond Sverige	-0,2%	25,1%		
Equities, including cash on hand	-5,8%	32,6%	OMXSGI	-6,0%

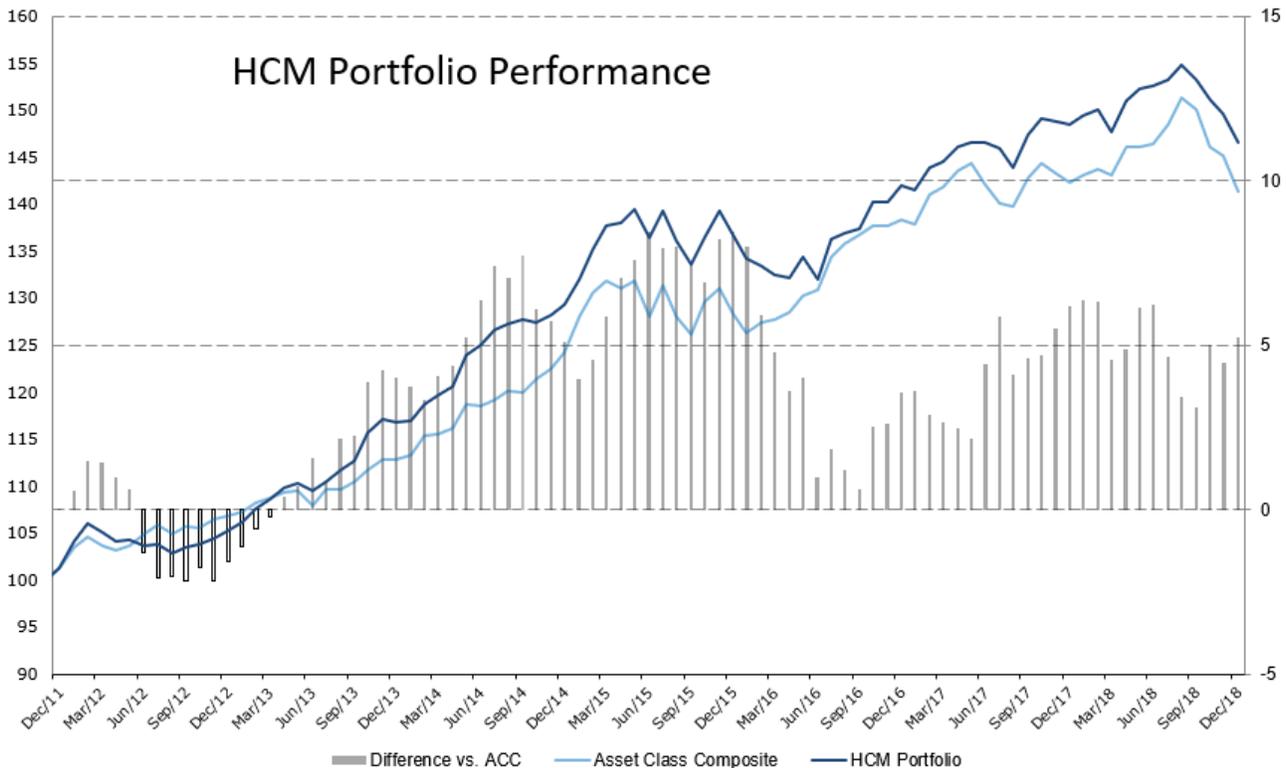
Return & Risk	HCM	Benchmark
Last Month	-2,04%	-2,63%
Year to Date	-1,34%	-0,74%
Last Twelve Months	-1,34%	-0,74%
Since Start (Dec. 2011)	46,54%	41,30%
Average Yearly Return	5,54%	5,00%
Months Active	85	85
Number of Positive Months	59	60
Number of Negative Months	26	25
Annualized Std. Dev. Last 12m	4,24%	5,10%
Sharpe Ratio Last 12m	-0,62	-0,40

Allocation Limits	Min.	Actual	Max.
Alternative Investments	15%	20,0%	25%
Corporate Bonds	5%	9,4%	15%
Global Bonds	10%	12,9%	20%
Money Market	10%	25,1%	25%
Equities	10%	32,6%	30%

Currency Exposure			
SEK		80,7%	
USD		16,9%	
NOK		1,3%	
DKK		1,1%	

	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%	-1,04%	-2,04%	-1,35%
Total													46,54%

Portfolio Holdings	Quantity	Initial Values		Market Values		Unrealized P/L		Weight
		Price/Share	Value	Price/Share	Value	Amount	%	
<b>Alternative Investments</b>			1 853 388		2 240 111	386 723	20,9%	20,0%
Gladiator	403	2 612	1 053 390	3 624	1 461 548	408 158	38,7%	13,0%
Nektar	313	2 552	799 999	2 483	778 564	21 435	-2,7%	6,9%
<b>Corporate Bonds</b>			968 281		1 058 691	90 411	9,3%	9,4%
Carnegie Corporate Bond	1 350	359	484 649	416	562 041	77 392	16,0%	5,0%
Nordea US Corporate Bond Fund	5 125	94	483 632	97	496 650	13 018	2,7%	4,4%
<b>Global Bonds</b>			1 152 009		1 445 371	293 362	25,5%	12,9%
Parvest Bond Absolute Return	1 650	358	591 226	417	687 899	96 673	16,4%	6,1%
Templeton Global Total Return	2 838	198	560 782	267	757 472	196 689	35,1%	6,8%
<b>Money Market</b>			2 800 115		2 815 640	15 525	0,0%	25,1%
Spiltan Räntefond Sverige	23 172	121	2 800 115	122	2 815 640	15 525	0,0%	25,1%
<b>Equities</b>			3 352 942		3 653 857	181 230	-5,4%	32,6%
HCM Equities			3 352 942		3 171 712	181 230	-5,4%	28,3%
Cash on Hand					482 145			4,30%
<b>Total</b>			10 126 734		11 213 670	604 791	6,0%	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	78,7	306 458	-30 685	-9,10%	-4,37%	9,66%
B3IT	2 300	83,5	191 958	68,4	157 320	-34 638	-18,04%	-5,00%	4,96%
BillerudKorsnäs	1 250	125,9	157 336	105,5	131 875	-25 461	-16,18%	-13,24%	4,16%
Bravida	2 360	59,8	141 083	61,3	144 668	3 585	2,54%	-5,91%	4,56%
Danske Bank	700	157,4	153 828	127,0	122 731	-31 097	-20,22%	-3,34%	3,87%
DNB	1 000	138,2	143 775	138,1	141 562	-2 213	-1,54%	-9,38%	4,46%
Engelska Skolan	1 852	65,5	121 267	73,6	136 307	15 040	12,40%	3,66%	4,30%
Firefly	2 358	49,9	117 733	41,1	96 914	-20 819	-17,68%	0,00%	3,06%
Kindred	3 165	95,4	301 928	81,6	258 264	-43 664	-14,46%	-8,05%	8,14%
Loomis	1 365	259,4	354 093	286,0	390 390	36 297	10,25%	-6,54%	12,31%
Micro Systemation	1 493	72,0	107 514	55,6	83 011	-24 503	-22,79%	3,73%	2,62%
Microsoft	165	27,7	30 688	101,6	148 499	117 811	383,90%	-10,84%	4,68%
Nobina	3 000	59,8	179 331	59,9	179 700	369	0,21%	2,66%	5,67%
Oaktree Capital	400	41,1	147 716	39,8	140 887	-6 829	-4,62%	0,00%	4,44%
Platzer	2 650	56,5	149 807	59,6	157 940	8 133	5,43%	1,02%	4,98%
Southwest Airlines	400	52,4	184 948	46,5	164 740	-20 208	-10,93%	-17,15%	5,19%
Volati	3 083	62,3	192 194	33,0	101 739	-90 455	-47,06%	-12,93%	3,21%
Xact DMXS30	1 820	187,1	340 600	169,6	308 708	-31 892	-9,36%	-7,40%	9,73%
<b>Total</b>			<b>3 352 942</b>		<b>3 171 712</b>	<b>-181 230</b>	<b>-5,41%</b>		

Best Performers	1 Month
Micro Systemation	3,73%
Engelska Skolan	3,66%
Nobina	2,66%

Worst Performers	1 Month
Southwest Airlines	-17,15%
BillerudKorsnäs	-13,24%
Volati	-12,93%

Currency Exposure	Weight
SEK	80,34%
USD	12,43%
NOK	3,87%
DKK	3,36%

Allocation Limits	Actual	Allowed
Nordic Large Cap Exposure	56,90%	>50%

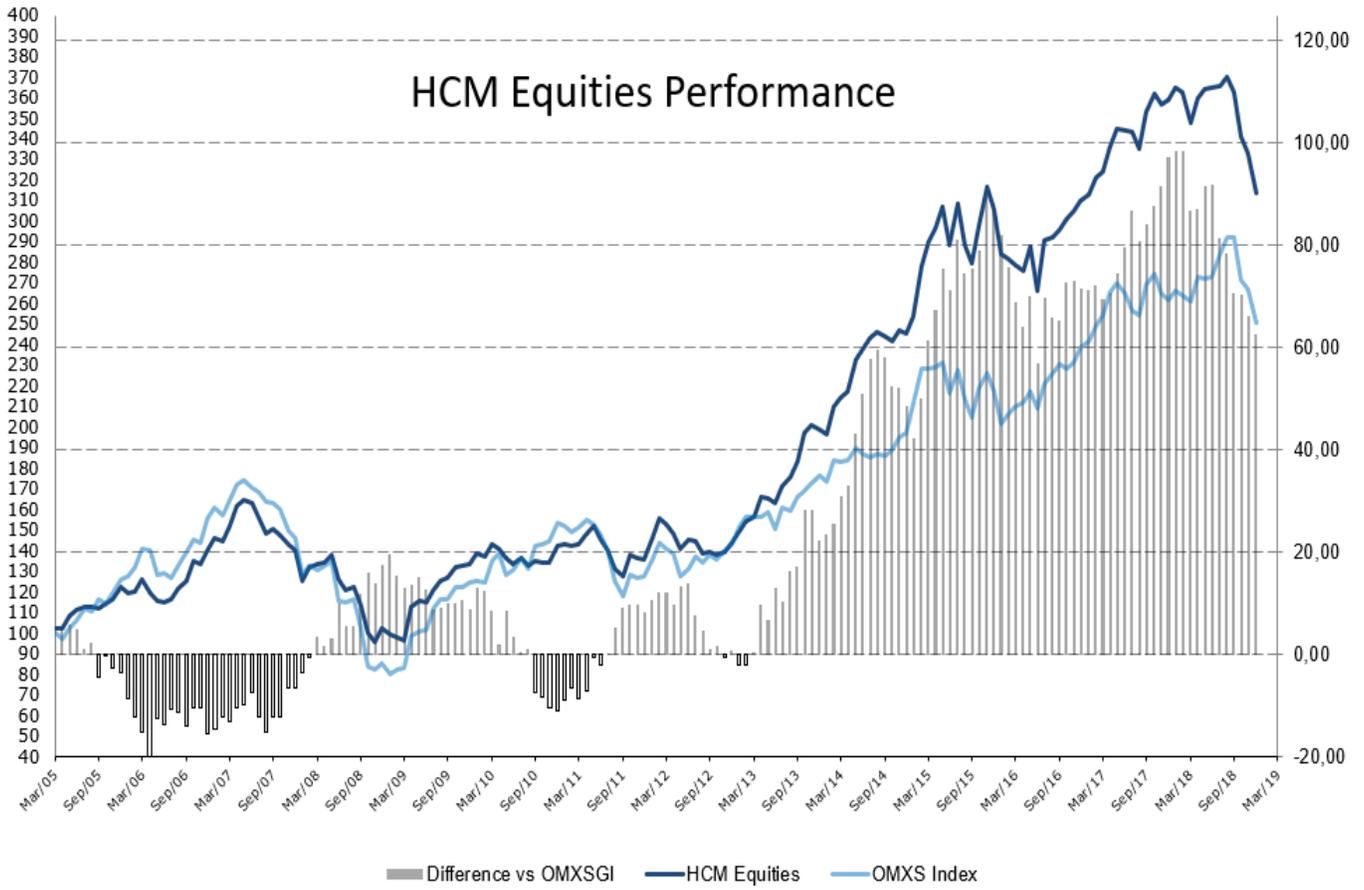
Largest Equity Weight		
Loomis	12,31%	<15%

Lowest Equity Weight		
Micro Systemation	2,62%	>2,5%

Largest Non-Nordic Large Cap		
Nobina	5,67%	<7,5%

Return & Risk	HCM Equities	Benchmark
Last Month	-5,84%	-5,95%
Year To Date	-12,67%	-4,16%
Last Twelve Months	-12,67%	-4,16%
Since Start (March 2005)	213,58%	150,93%
Average Yearly Return	8,61%	6,88%
Months Active	166	166
Number of Positive Months	96	102
Number of Negative Months	70	64
Annualized Std. Dev. Last 12m	10,07%	11,69%
Sharpe Ratio Last 12m	-1,39	-0,46
Benchmark Correlation Last 12m	0,86	

	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%	-2,43%	-5,84%	-12,67%
Total													213,58%



## 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](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.

## DISCLAIMER

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