

# HCM

HANDELS CAPITAL MANAGEMENT

## PORTFOLIO REPORT

### November 2018

#### CEO'S COMMENTS

---

In November, markets have remained highly volatile with stock markets worldwide posting new lows for the year. On U.S. Markets the decline was above all big in the tech sector with companies such as Activision Blizzard, Electronic Arts and Nvidia losing up to 25 per cent. Another dog was Apple Inc, following lower forecasts from suppliers and subsequent worries of declining sales for the new iPhone model. The recent sharp decline in large tech corporations is a clear sign of the risk-off in investor behaviour. This is further supported seeing that utilities was the best performing sector, regarded a safe-haven in times of uncertainties. Sentiment is now shifting from high earnings-multiple growth stocks to cheaper value stocks.

As for recent news, the main happening for the past month was the G20-meeting taking place early December. The world leaders met in Buenos Aires and amongst discussions and friendly handshakes, most notable the 'bro handshake' between the Prince of Saudi Arabia and Putin, the main news was that of Trump and Xi, agreeing to halt the trade war with a 90 days cease-fire. The market reacted euphoric to this with big gains, however, this did not last for long as the negative sentiment returned shortly after, perhaps with the markets realizing words and actions are not the same, with Trump himself tweeting the world that he is a "tariff-man".

Another important meeting was the recent of OPEC, together with Russia, agreeing to cut production after the sharp decline in oil price of 30 per cent in two months. The change in world energy market the past decade is truly radical with the U.S. posting a net export of crude oil and refined products for the first time in 75 years. Analyzing and forecasting the energy market and macroeconomic environment is somewhat impossible, but it still serves as the 'blood that flows through our economy' and investments in the oil sector are highly correlated and intervened with other sectors producing and providing equipment and solutions for that industry. Consequently, it serves a purpose to keep a close eye at energy markets and the oil price.

To make a short comment on our own operations and asset management, only a few weeks remain of the year 2018 and with our portfolio trading at levels unchanged for the year we hope to see a more favorable market toward the end of the year and starting 2019 and post yet another year in the blacks for our clients.

Wishing you all a good holiday season,

2018-12-10

Filip Andreasson  
*Chief Executive Officer*

ASSET MANAGER'S COMMENTS

---

**Purchases:** BillerudKorsnäs & Platzer Fastigheter

**Disposals:** LeoVegas

The month of November was another month with increased volatility over the equity markets. In Stockholm, we saw another month of negative returns on all major indices. The first week of December also showed a negative return of around 3,5%. Valuations are coming down as investors worry over the companies earnings estimates for 2019/2020. For example, a lot of industrials has seen multiple contractions with many names trading at ~10x this year's estimated earnings.

During the month the portfolio was down with ~1% mainly contributed by our equities which were down with ~2,5%. Our weighted indices also gave a negative return for the month of November of 0,68%.

Handels Capital Management has over the month invested in two new companies. BillerudKorsnäs which is a packaging producer delivering packaging solutions to customers all over the world. The company is about to finish a long investment program and has been unlucky with raw material prices which have put pressure on margins. We believe this is a good company with a strong underlying earnings power. The other purchase was Platzer Fastigheter which is a commercial real estate company from Gothenburg which focuses on Gothenburg, one of the most promising growth regions of Sweden.

LeoVegas was sold during the month following weak financial performance for some time, the team has clearly overestimated the company's ability to convert marketing spend to profitable growth. We don't believe the company has proven it good at capital allocation and it is unlikely that the company will reach its financial targets for 2020 which has been said to be achievable several times by the management. This mistrust combined with weak financial performance has resulted in HCM dumping the share.

Sincerely,

2018-12-13

Karl Norén  
*Head of Asset Management*

## PORTFOLIO PERFORMANCE

Portfolio Holdings	1 Month	End of Month Portfolio Weight	Benchmarks	1 Month
Alternative Investments	-0,2%	19,1%	Barclay Hedge Fund Index	-0,2%
Gladiator	-0,6%	12,3%		
Nektar	0,5%	6,8%		
Corporate Bonds	-0,4%	9,2%	S&P Corporate Bond Index SEK	-0,7%
Carnegie Corporate Bond	-0,4%	4,9%		
Nordea US Corporate Bond Fund	-0,3%	4,3%		
Global Bonds	-0,8%	13,1%	S&P Global Dev. Sov. Bond Index	-0,2%
Parvest Bond Absolute Return	-1,3%	6,3%		
Templeton Global Total Return	-0,4%	6,8%		
Money Market	-0,1%	24,6%	OMRX Money Market Index	0,0%
Spiltan Räntefond Sverige	-0,1%	24,6%		
Equities, including cash on hand	-2,4%	33,9%	OMXSGI	-1,6%

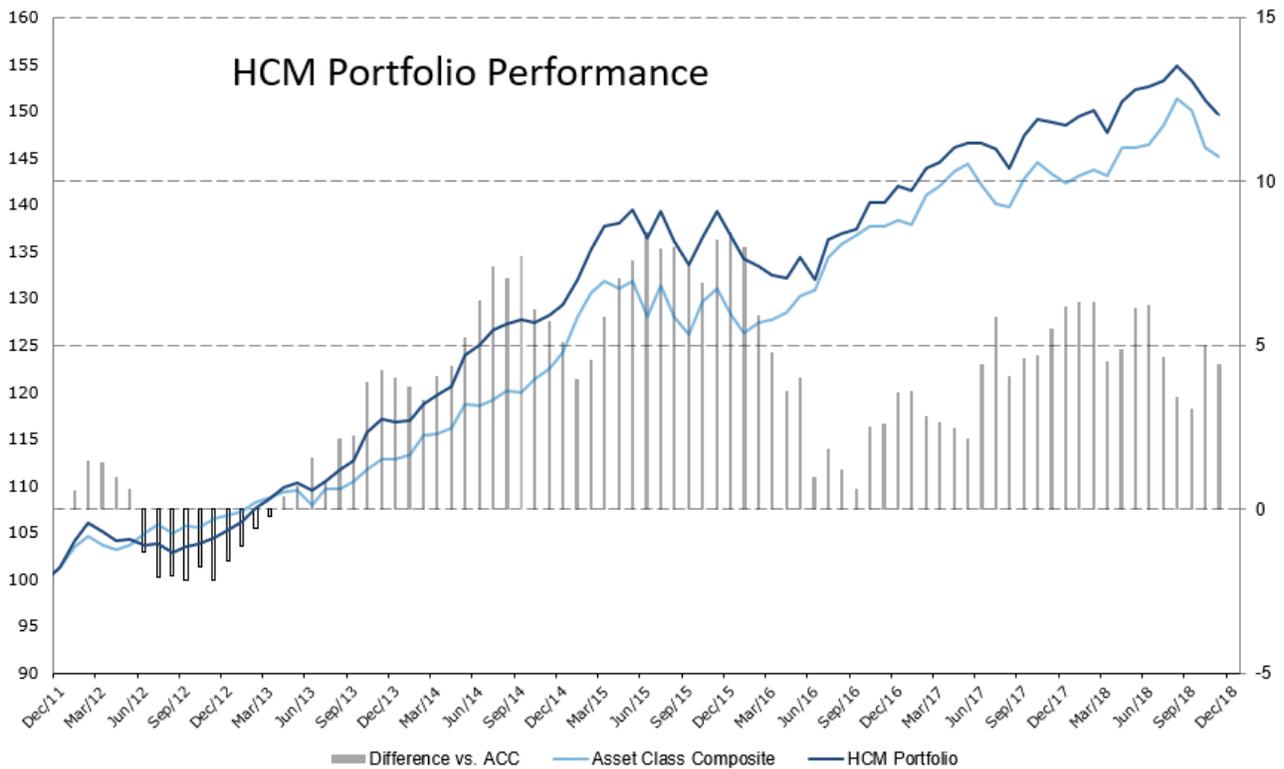
Return & Risk	HCM Equities	Benchmark
Last Month	-2,43%	-1,55%
Year To Date	-7,26%	1,91%
Last Twelve Months	-6,57%	0,69%
Since Start (March 2005)	233,02%	166,82%
Average Yearly Return	9,14%	7,40%
Months Active	165	165
Number of Positive Months	96	102
Number of Negative Months	69	63
Annualized Std. Dev. Last 12m	8,74%	10,70%
Sharpe Ratio Last 12m	-0,90	-0,06
Benchmark Correlation Last 12m	0,81	

Allocation Limits	Min.	Actual	Max.
Alternative Investments	15%	19,1%	25%
Corporate Bonds	5%	9,2%	15%
Global Bonds	10%	13,1%	20%
Money Market	10%	24,6%	25%
Equities	10%	33,9%	30%

Currency Exposure			
SEK		81,6%	
USD		16,3%	
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%	-1,04%		0,71%
Total													49,59%

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		2 183 592	330 203	17,8%	19,1%
Gladiator	403	2 612	1 053 390	3 478	1 402 618	349 229	33,2%	12,3%
Nektar	313	2 552	799 999	2 491	780 973	19 025	-2,4%	6,8%
<b>Corporate Bonds</b>			968 281		1 058 577	90 296	9,3%	9,2%
Carnegie Corporate Bond	1350	359	484 649	418	564 233	79 584	16,4%	4,9%
Nordea US Corporate Bond Fund	5 125	94	483 632	96	494 344	10 712	2,2%	4,3%
<b>Global Bonds</b>			1 152 009		1 504 100	352 091	30,6%	13,1%
Parvest Bond Absolute Return	1650	358	591 226	438	722 315	131 089	22,2%	6,3%
Templeton Global Total Return	2 838	198	560 782	275	781 785	221 002	39,4%	6,8%
<b>Money Market</b>			2 800 115		2 820 738	20 623	0,0%	24,6%
Spiltan R�ntefond Sverige	23 172	121	2 800 115	122	2 820 738	20 623	0,0%	24,6%
<b>Equities</b>			3 232 741		3 880 341	37 403	1,2%	33,9%
HCM Equities			3 232 741		3 270 144	37 403	1,2%	28,6%
Cash on Hand					610 197			5,33%
<b>Total</b>			10 006 533		11 447 348	830 617	8,3%	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	82,3	320 476	-16 666	-4,94%	-0,54%	9,80%
B3IT	2 300	83,5	191 958	72,0	165 600	-26 358	-13,73%	1,98%	5,06%
BillerudKorsnäs	1 250	125,9	157 336	121,6	152 000	-5 336	-3,39%	0,00%	4,65%
Bravida	2 360	59,8	141 083	65,2	153 754	12 671	8,98%	-3,12%	4,70%
Danske Bank	450	169,0	106 172	131,4	81 623	-24 549	-23,12%	3,31%	2,50%
DNB	1 000	138,2	143 775	147,5	156 217	12 442	8,65%	-5,77%	4,78%
Engelska Skolan	3 000	65,5	196 437	71,0	213 000	16 563	8,43%	2,01%	6,51%
Firefly	2 358	49,9	117 733	43,2	101 865	-15 868	-13,48%	0,00%	3,12%
Kindred	3 165	95,4	301 928	88,7	280 862	-21 066	-6,98%	-9,10%	8,59%
Loomis	1 365	259,4	354 093	306,0	417 690	63 597	17,96%	8,13%	12,77%
Micro Systemation	1 493	72,0	107 514	53,6	80 025	-27 489	-25,57%	-18,79%	2,45%
Microsoft	165	27,7	30 688	110,9	166 554	135 867	442,74%	3,10%	5,09%
Nobina	3 000	59,8	179 331	58,4	175 050	-4 281	-2,39%	-4,50%	5,35%
Platzer	2 650	56,5	149 807	59,0	156 350	6 543	4,37%	0,00%	4,78%
Southwest Airlines	400	52,4	184 948	54,6	198 844	13 896	7,51%	10,45%	6,08%
Volati	3 083	62,3	192 194	37,9	116 846	-75 349	-39,20%	-0,26%	3,57%
Xact OMXS30	1 820	187,1	340 600	183,2	333 388	-7 213	-2,12%	-1,15%	10,19%
<b>Total</b>			<b>3 232 741</b>		<b>3 270 144</b>	<b>37 403</b>	<b>1,16%</b>		

Best Performers	1 Month
Southwest Airlines	10,45%
Loomis	8,13%
Danske Bank	3,31%

Worst Performers	1 Month
Micro Systemation	-18,79%
Kindred	-9,10%
DNB	-5,77%

Currency Exposure	Weight
SEK	84,45%
USD	9,42%
NOK	4,03%
DKK	2,10%

Allocation Limits	Actual	Allowed
Nordic Large Cap Exposure	57,98%	>50%

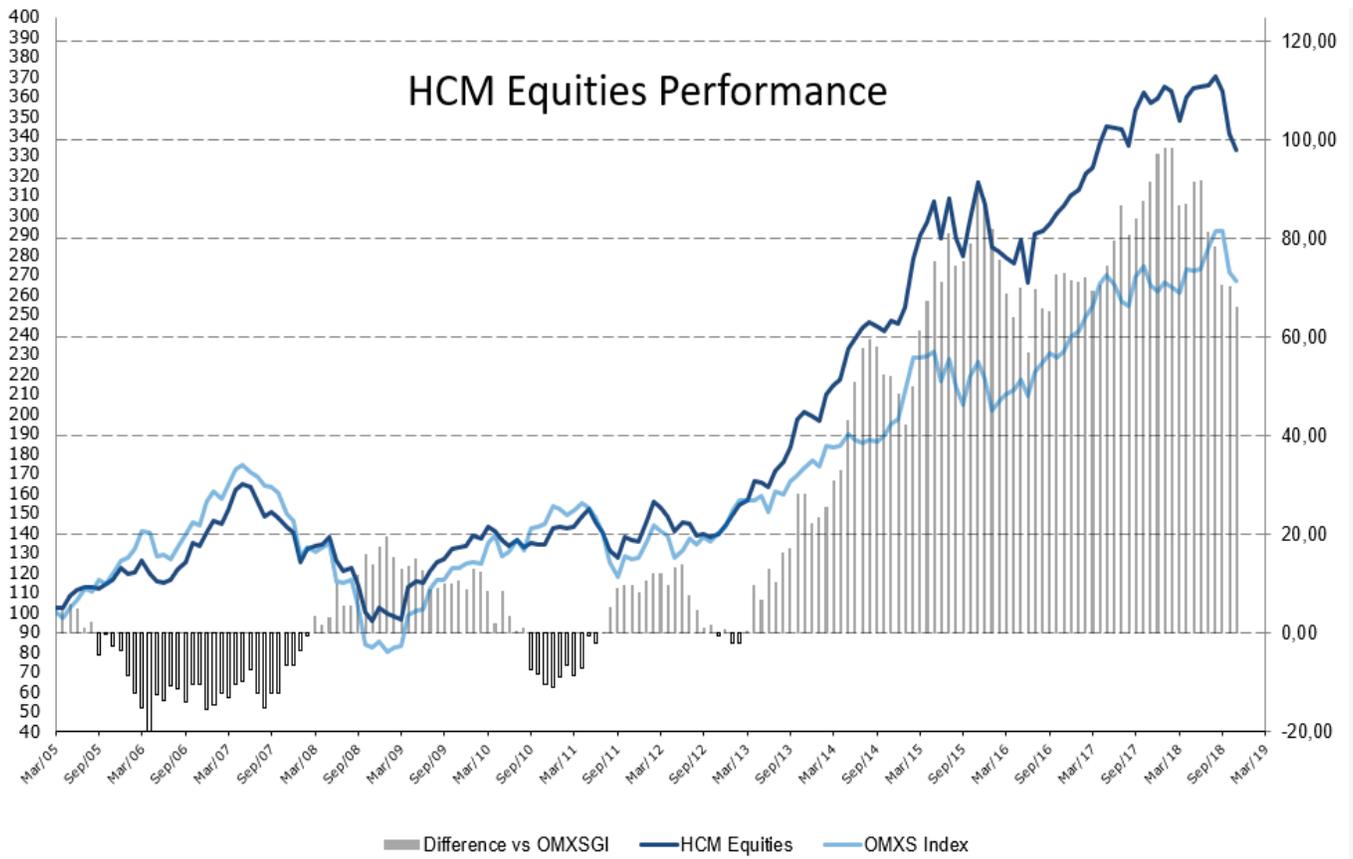
Largest Equity Weight		
Loomis	12,77%	<15%

Lowest Equity Weight		
Micro Systemation	2,45%	>2,5%

Largest Non-Nordic Large Cap		
Engelska Skolan	6,51%	<7,5%

Return & Risk	HCM Equities	Benchmark
Last Month	-2,43%	-1,55%
Year To Date	-7,26%	1,91%
Last Twelve Months	-6,57%	0,69%
Since Start (March 2005)	233,02%	166,82%
Average Yearly Return	9,14%	7,40%
Months Active	165	165
Number of Positive Months	96	102
Number of Negative Months	69	63
Annualized Std. Dev. Last 12m	8,74%	10,70%
Sharpe Ratio Last 12m	-0,90	-0,06
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%	-2,43%		-7,26%
Total													233,02%



## 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

This report is produced for information purposes only and the report shall not be used in any other way or for any other purpose than providing the reader with information about Handels Capital Management AB's asset management.

This report, the statements and information in it, shall never be seen as a recommendation or investment advice and the reader shall, when taking investment or strategic decisions, never rely on the information or opinions expressed in the report. In no event will Handels Capital Management AB or any of their officers, directors or employees be liable to any person for any indirect, direct, special or consequential damage arising out of any use of the information contained in this report, including without limitations any lost profits.