

HCM

HANDELS CAPITAL MANAGEMENT

PORTFOLIO REPORT

January 2019

CEO'S COMMENTS

Global market starts the year strong with gains across all regions. Once again, the U.S. market leads the race with a surge of 15% since the low mark at Christmas Eve, supported by a strong rebound in the FAANG group after weak performance prior month. In comparison, Swedish equities fell short, especially considering the currency depreciation, but still posted 7,6% with industrials and commodities sectors taking command. I do want to emphasize the continued fall in SEK. Year-to-date the decline is at 3,3% for the EUR and USD is even worse, down 5,0% – now at levels not seen since late 2016.

Supposedly a weak currency is good and supporting for the Swedish stock market being heavily weighted towards industrial companies exporting goods. However, the consumer confidence has taken a huge beating and January CCI posted the lowest level in six years, despite low interest rates and unemployment. Looking at other economic data the past month we are very surprised with the current positive state of the stock market. Adding to Swedish CCI-data, UK consumers also show uncertainty and hold their money tightly as Brexit uncertainty remains. Other European dark clouds can be seen in German PMI, contracting for the first time since 2014. Italian fourth quarter GDP fell as the country is now in a technical recession, still with high political uncertainty and a mountain of government debt. On a positive note French economy beat expectations towards the end of 2018. However, the disappointment movement is growing and with yellow vests on their 13th consecutive week, green numbers may quickly turn red. Moving outside the EU borders we are not to forget about the Middle Kingdom in the east with a slowdown in the economy and continued trade conflicts with the U.S.

Summarizing some of the macroeconomic environment our view can be perceived somewhat negative. However, we merely choose to have respect for data and although humans, thus markets, are optimistic in nature, a careful attitude is preferable. We believe in having a contrarian approach to investing and position ourselves thereafter. Going in to the final few weeks of earnings season and a very interesting new year we feel confident in our holdings and embrace 2019 with great excitement.

Lastly, I would like to welcome our new equity research analyst to the team – feels good to have you on board!

2019-02-14

Filip Andreasson
Chief Executive Officer

ASSET MANAGER'S COMMENTS

Purchases: BillerudKorsnäs

Disposals: Loomis & Bravida

During January the equity markets around the world surged and so did the Swedish as well with OMXSGI gaining 7,64% and the very negative sentiment in late December is almost forgotten. HCM's equities delivered a return of 6,02% and cash was ~15% of the equities. The portfolio as a whole missed its weighted indices after Alternative investments missed a lot and its benchmark delivered a strong return.

The Q4 reports have started to come in and many of them have been quite strong, industrials have delivered solid results and a stable outlook which calmed the market. Our largest Holding Loomis announced a large acquisition the day before their report, the stock traded up both on the announcement of the acquisition and after a solid report and continued up even further the following days. We have reduced our position after the strong momentum in the share but still hold a positive view on the company.

BillerudKorsnäs did also deliver their Q4 report, which was relatively weak and missed estimate on both sales and EBITDA, but after not delivering any negative information about the ramp-up of KM7 the share traded up 4% at the day of releasing the report. Also, a lot has to do with that ~6% of the company shares are in hands of short sellers.

We have also sold off our position in Bravida and increased our position in BillerudKorsnäs in January. Our view is that Billerud is in a favorable position in the packaging market since its exposure to traditional paper is none. The investment period is soon over for the company and we should see strong cash flow in the coming years after lower Capex investments

Sincerely,

2019-02-12

Karl Norén
Head of Asset Management

PORTFOLIO PERFORMANCE

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

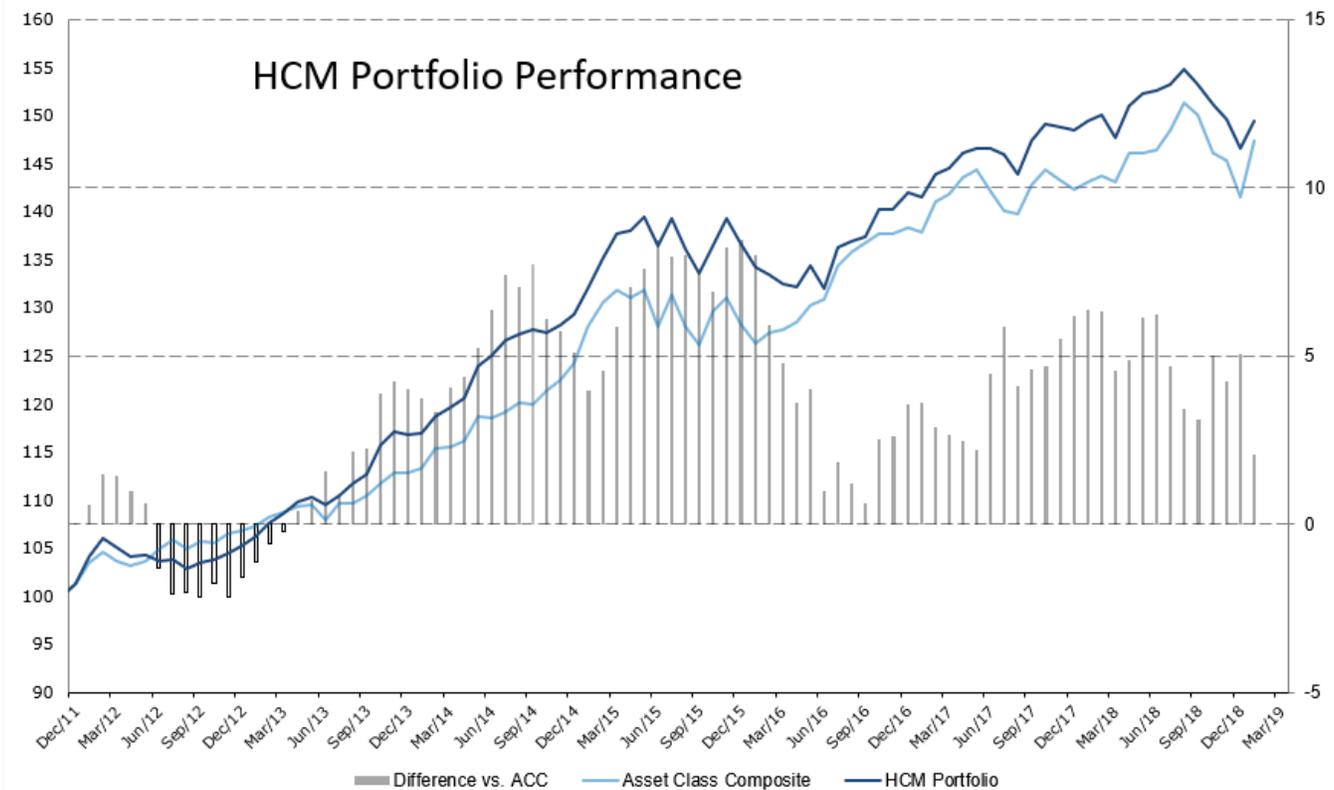
Return & Risk	HCM	Benchmark
Last Month	1,99%	4,17%
Year to Date	1,99%	4,17%
Last Twelve Months	0,00%	2,99%
Since Start (Dec. 2011)	49,45%	47,37%
Average Yearly Return	5,77%	5,56%
Months Active	86	86
Number of Positive Months	60	61
Number of Negative Months	26	25
Annualized Std. Dev. Last 12m	4,69%	6,48%
Sharpe Ratio Last 12m	-0,27	0,26

Allocation Limits	Min.	Actual	Max.
Alternative Investments	15%	19,0%	25%
Corporate Bonds	5%	9,4%	15%
Global Bonds	10%	13,1%	20%
Money Market	10%	24,7%	25%
Equities	10%	33,9%	30%

Currency Exposure	
SEK	80,0%
USD	17,6%
NOK	1,4%
DKK	1,0%

	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%	1,04%	-0,99%	-1,33%	-1,04%	-2,04%	-1,35%
2019	1,99%												1,99%
Total													49,45%

Portfolio Holdings	Quantity	Initial Values		Market Values		Unrealized P/L		Weight
		Price/Share	Value	Price/Share	Value	Amount	%	
Alternative Investments			1 853 388		2 171 174	317 786	17,1%	19,0%
Gladiator	403	2 612	1 053 390	3 453	1 392 610	339 221	32,2%	12,2%
Nektar	313	2 552	799 999	2 483	778 564	21 435	-2,7%	6,8%
Corporate Bonds			968 281		1 071 128	102 848	10,6%	9,4%
Carnegie Corporate Bond	1 350	359	484 649	419	566 226	81 577	16,8%	5,0%
Nordea US Corporate Bond Fund	5 125	94	483 632	99	504 902	21 270	4,4%	4,4%
Global Bonds			1 152 009		1 500 810	348 802	30,3%	13,1%
Parvest Bond Absolute Return	1 650	358	591 226	431	711 515	120 289	20,3%	6,2%
Templeton Global Total Return	2 838	198	560 782	278	789 295	228 513	40,7%	6,9%
Money Market			2 800 115		2 819 579	19 465	0,0%	24,7%
Spiltan Räntefond Sverige	23 172	121	2 800 115	122	2 819 579	19 465	0,0%	24,7%
Equities			3 218 286		3 873 638	655 352	20,4%	33,9%
HCM Equities			3 218 286		3 201 999	-16 287	-0,5%	28,0%
Cash on Hand					671 639			5,87%
Total			9 992 078		11 436 330	1 444 252	14,5%	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	69,5	270 633	-66 510	-19,73%	-11,69%	8,45%
B3IT	2 300	83,5	191 958	68,0	156 400	-35 558	-18,52%	-0,58%	4,88%
BillerudKorsnäs	2 130	119,5	254 556	114,2	243 140	-11 417	-4,48%	8,20%	7,59%
Danske Bank	700	157,4	153 828	120,4	116 960	-36 868	-23,97%	-4,70%	3,65%
DNB	1 000	138,2	143 775	149,2	160 148	16 373	11,39%	13,13%	5,00%
Engelska Skolan	1 852	65,5	121 267	64,6	119 639	-1 628	-1,34%	-12,23%	3,74%
Firefly	2 358	49,9	117 733	44,6	105 167	-12 566	-10,67%	0,00%	3,28%
Kindred	3 165	95,4	301 928	92,8	293 775	-8 153	-2,70%	13,75%	9,17%
Loomis	1 015	259,4	263 300	323,8	328 657	65 357	24,82%	13,22%	10,26%
Micro Systemation	1 493	72,0	107 514	56,0	83 608	-23 906	-22,24%	0,72%	2,61%
Microsoft	165	27,7	30 688	104,4	155 835	125 147	407,81%	4,94%	4,87%
Nobina	3 000	59,8	179 331	62,0	185 850	6 519	3,64%	3,42%	5,80%
Oaktree Capital	400	41,1	147 716	40,8	147 669	-47	-0,03%	4,81%	4,61%
Platzer	2 650	56,5	149 807	68,7	182 055	32 248	21,53%	15,27%	5,69%
Southwest Airlines	400	52,4	184 948	56,7	205 333	20 385	11,02%	24,64%	6,41%
Volati	3 083	62,3	192 194	37,0	114 071	-78 123	-40,65%	12,12%	3,56%
Xact OMXS30	1 820	187,1	340 600	183,0	333 060	-7 540	-2,21%	7,89%	10,40%
Total			3 218 286		3 201 999	-16 287	-0,51%		

Best Performers	1 Month
Southwest Airlines	24,64%
Platzer	15,27%
Kindred	13,75%

Worst Performers	1 Month
Engelska Skolan	-12,23%
Attendo	-11,69%
Danske Bank	-4,70%

Currency Exposure	Weight
SEK	79,71%
USD	13,14%
NOK	4,13%
DKK	3,02%

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

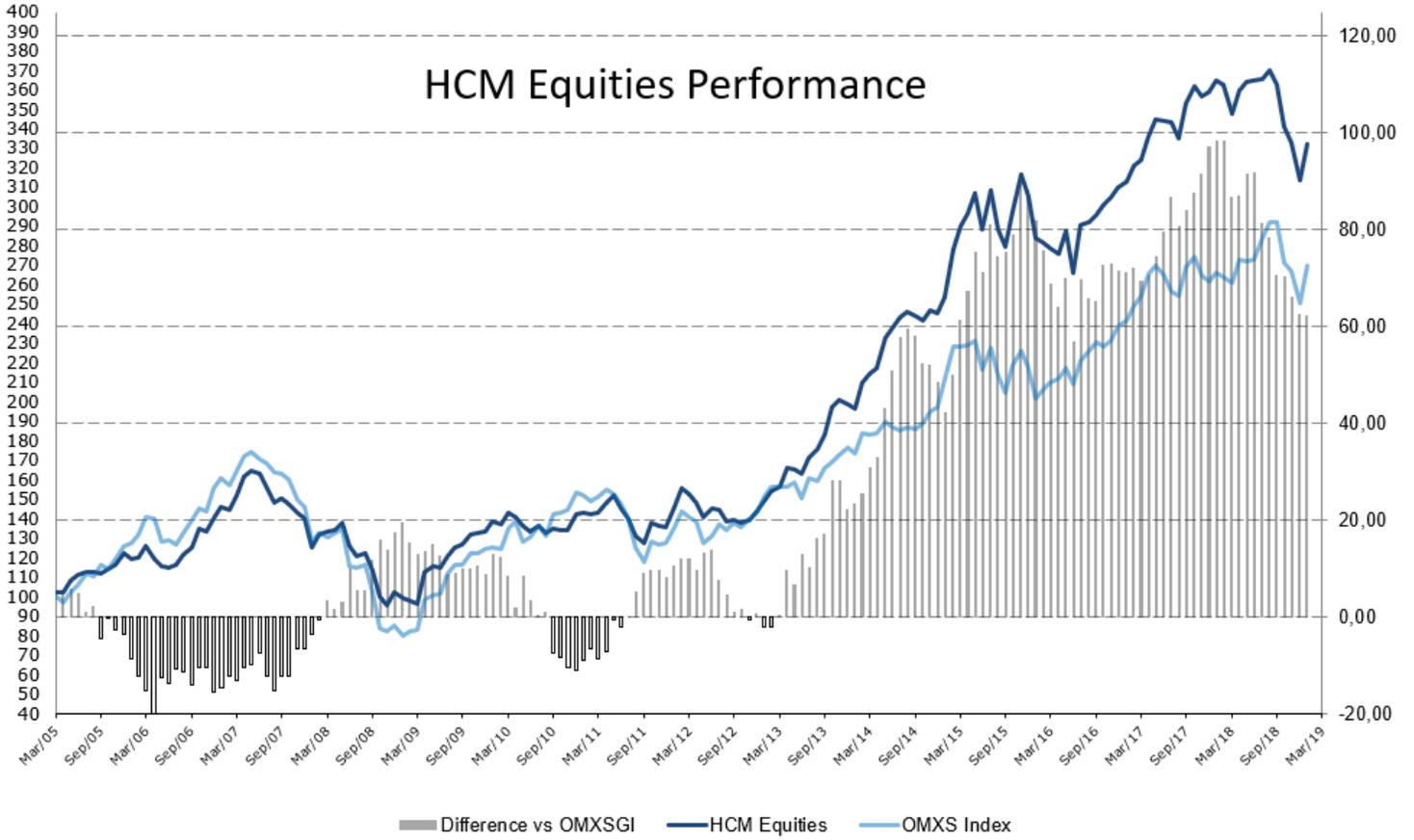
Largest Equity Weight		
Loomis	10,26%	<15%

Lowest Equity Weight		
Micro Systemation	2,61%	>2,5%

Largest Non-Nordic Large Cap		
Southwest Airlines	6,41%	<7,5%

Return & Risk	HCM Equities	Benchmark
Last Month	6,02%	7,64%
Year To Date	6,02%	7,64%
Last Twelve Months	-8,85%	1,46%
Since Start (March 2005)	232,45%	170,11%
Average Yearly Return	9,02%	7,40%
Months Active	167	167
Number of Positive Months	97	103
Number of Negative Months	70	64
Annualized Std. Dev. Last 12m	12,03%	13,94%
Sharpe Ratio Last 12m	-0,84	0,01
Benchmark Correlation Last 12m	0,93	

	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%
2019	6,02%												6,02%
Total													232,45%



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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