PORTFOLIO REPORT

EQUITY PERFORMANCE

HCM
Handels Capital Management

July 2020

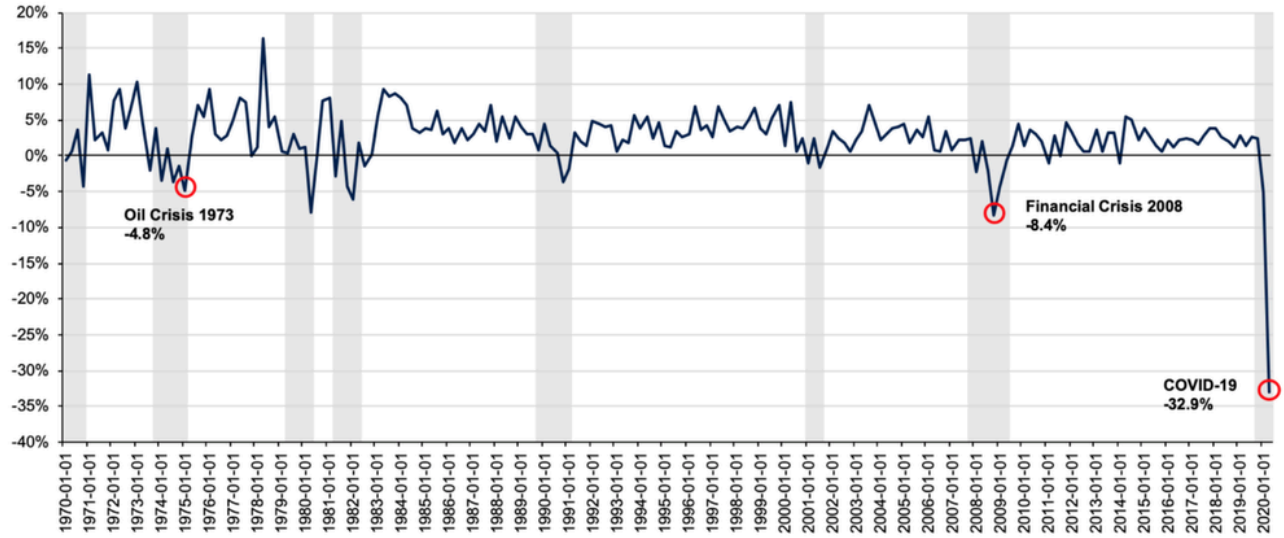
CEO Comments

Another month has passed, the value of our equities increased +3.3%. We underperformed a rallying index at +4.2% but are pleased with a good month's return. Year to date our equities are up +7.9% while their benchmark is down -0.2%. No major changes were made in the portfolio in July we are pleased with the excess return from our last purchases in the midst of the pandemic.

A theme in July was the revealing of the full effect the pandemic has had on the economy. We got a preview in the first quarter reports but in July we got to see the impact it had in April, May and June. Given the decreased economic activity, corporate earnings were bound to take a hit. It wasn't as bad as expected and some sectors actually thrived amid the pandemic. Banks showed smaller credit losses than anticipated and tech stocks showed surprisingly strong results.

Yet the -32.9% contraction from preceding period in US GDP was a hard pill to swallow. Economist's expected -34.7% so it was better than expected but in perspective, also as bad as expected. In addition, the US struggled with increasing cases of COVID as states started to reduce restrictions. Failed negotiations in congress left investors on the fence regarding the much needed and anticipated stimulus package. On the other side of the Atlantic Sweden's GDP "only" decreased -8.6% and EU has already cleared a stimulus package to get the economy back on its feet.

Graph of the month: US real GDP percentage change from preceding period



Now investor focus shifts to recovery from and containment of the pandemic. Following the weak start to recovery the US has had so far, opposite to the last couple of years, investors has favored European stocks over US stocks. This flow of investments to Europe from the US could even be observed in the change rate of the euro to dollar.

We share the view on Europe as a more attractive investment right now and I think Sweden in particular has some of the best prerequisites for a sharp v-shaped recovery. Partly because we have not gone into lock down, but also for the following more structural reasons. We have a low public debt which leaves plenty of room for fiscal stimulus. Our economy has little dependence on tourism and might even be boosted by "vacation-money" staying in the country. Lastly, according to Riksbanken, a relative high share (44%) of our jobs are estimated to be "work-home-friendly" only surpassed by Luxemburg and Schweiz.

Purchase managers were also more optimistic in July. Swedbank's manufacturing PMI passed the important 50-treshold and is now in the growth zone at 51.0 compared to 47.6 in June. I believe the key for this optimism and stock performance to prevail will be a vaccine. We need to see one by the end of 2020 or early 2021. Given the significant progresses in July regarding a vaccine we maintain our view that this will be achieved.

Felix Ljungström
Chief executive officer
22/08/20

Asset Manager's Comments

Hello,

July was exceptionally strong on the markets worldwide. OMXSGI generated a return of +4,2% in July and is now flat YTD. The markets worldwide now entered their 4:th positive month in a row and global indexes are up 45% since the bottom in March. What a recovery. Compared to OMXSGI, our equities somewhat underperformed the market. HCM's equity portfolio returned +3,3% during July and is now almost +8% YTD. With regard to OMXSGI, we are very pleased with the performance.

The best performers during the month were GHP, ChemoMetec and MedCap. The worst performers were Loomis, Microsoft, and Catella.

The Q2 reports for our holdings have started to come in. Generally, we're really impressed by how the Nordic companies have been able to handle this turbulent time. Many reports are stronger than expected and the outlooks are bullish. It's important though to navigate between impressive performance and impressive earnings. Financial stimulus and governmental support have inflated many income statements which can be misleading to investors. What's clear is at least that Mr. Market is ignoring the temporarily depressed profits during 2020 and instead look at the earnings for 2021. We do the same.

GHP initiated the Q2 period with a blow out quarter. What we thought would be a hard hit to both top-line and EBIT, the management handled the turbulence exceptionally. As revenues fell -5% they kept a tight cost control and managed to grow EBIT with 20%. Impressive since a lot of elective surgery has been postponed and staff (mostly anesthetists) have been hired to state hospitals. The state hospitals now have a gigantic and increasing debt of care to take care of due to postpones. This will drive continued strong growth for GHP in the coming years. At the same time the management will remain a tight cost control and I quote (in English), "we will not get OPEX back to historic levels". In our estimates, the company is trading at 12x EBIT in 2022E offering a good risk-adjusted return in the coming years.

Our holding Medistim also reported a solid quarter. Like GHP, Medistim was affected as hospitals all over the world reported that the need to treat COVID-19 patients was taking priority over elective surgeries. Consumables stand for 70% of sales and is a derivate of the activity level in the operating room. Therefore, sales decreased by -12% and EBIT -10%. Impressive that the company managed to keep an EBIT-margin of 34%. The investment case remains solid and the untapped market in the US is still a big driver for growth going forward. Medistim continues to convert its customer base from Flow to Flow-and-Imaging. This drives more sales of consumables and therefore more recurring revenues which Mr. Market highly adores. The company is trading at 26x EBIT for 2022E in our view.

The whole portfolio returned +1,9% in July, overperforming our benchmark by 1,4 percent points, which was up +0,5% during the month. Global Bonds returned a negative -2,8% compared to our benchmark which was down -2,5%. Corporate Bonds returned a positive 2,0% compared to our benchmark at -2,7%. Alternative Investments returned a positive 2,7% compared to Barclays Hedge Fund Index which preliminary was up 2,7%. Alcur Select still stands out as a strong performer and has navigated this year exceptionally. It is important to note that our reported return in Alternative Investments is lagging with 1 month. This is due to the funds' NAV's updating after the last day of the month.

Sincerely,
Filip Helmroth
22/08/20

Top Ten Equity Holdings

Company Name	% Portfolio	Value
Top ten holdings	75,0%	3 996 438
SBB	12,1%	642 725
Investor AB A	10,9%	580 800
BillerudKorsnäs	8,9%	473 355
ChemoMetec	7,4%	394 262
Kindred	7,1%	380 375
Microsoft	6,8%	363 485
Latour	6,7%	357 966
Medistim	5,4%	287 130
Balco	5,0%	265 375
GHP Speciality Care	4,7%	250 965

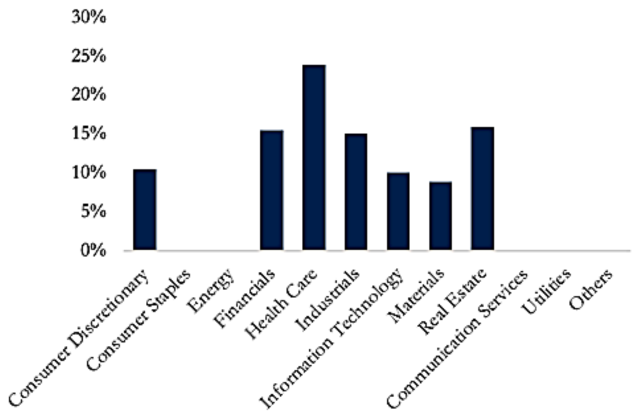
Gainers and Losers

Five Largest Portfolio % Gainers	% Portfolio	% Gain
Microsoft	6,8%	867,8%
MedCap	4,2%	73,7%
SBB	12,1%	69,7%
ChemoMetec	7,4%	42,6%
Balco	5,0%	33,8%

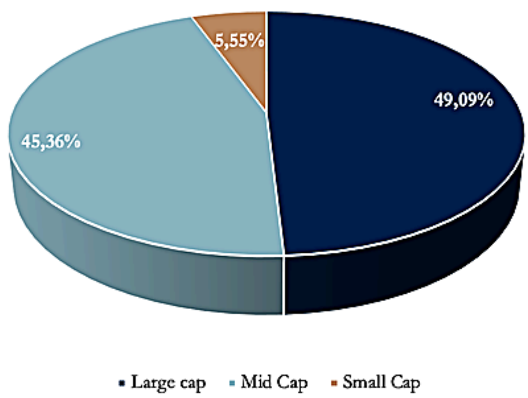
Five Largest Portfolio % Losers	% Portfolio	% Loss
Kindred	7,1%	-30,4%
C-RAD	2,3%	-29,9%
Loomis	3,4%	-19,1%
Catella	4,6%	-18,8%
Firefly	3,3%	-0,7%

Market Cap Analysis

Market Sector



Market Cap Breakdown



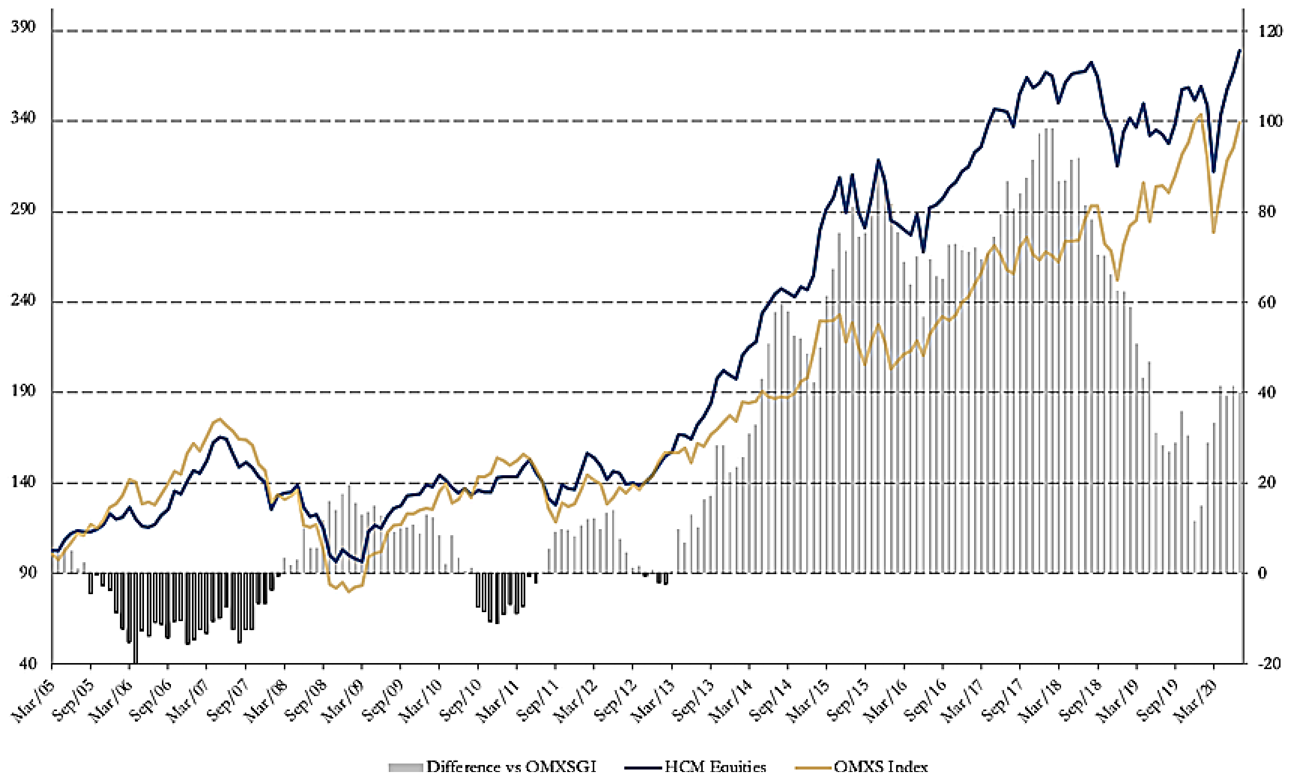
Equity Portfolio Statistics

Valuation	Portfolio	Benchmark
P/E - Current Fiscal Year	31,7	27,7
P/E - Next Fiscal Year	24,0	19,5
Price/Book	1,97	3,80
Price/Sales	2,21	3,14
Enterprise Value/EBITDA	22,6	16,4
ROE	17,4%	15,8%
Dividend Yield	2,2%	2,1%

Risk	Portfolio	Benchmark
5 Year Beta	0,76	0,63
2 Year Beta	0,93	0,67
1 Year Beta	0,91	0,63
5 Year Price Volatility	27,0	26,8
2 Year Price Volatility	41,4	31,0
1 Year Price Volatility	47,4	35,2

Growth	Portfolio	Benchmark
% EPS Growth - 5 Yr CAGR	9,6%	6,2%
% Rev Growth - 5 Yr CAGR	9,7%	1,0%

Equity Performance



Portfolio Performance