

PORTFOLIO REPORT

EQUITY PERFORMANCE

HCM
HANDELS CAPITAL MANAGEMENT

May 2023

CEO and incoming CEO Comments

In May our equities significantly outperformed the market, as our portfolio returned 3,97% compared to OMXSGI that returned -2,82%. The outperformance was partly driven by strong reactions following our holdings earnings reports. Our strongest contributor of the month, Crayon, was traded up 17% following its Q1 report.

Although a negative market return for the month, larger companies continue to trade stronger than smaller ones. A couple of sectors continue to stand out. The brightest star continues to be AI, where Nvidia had another strong month with its shares returning over 30% in May. While the AI technology is highly interesting, we have not made any direct investments in the sector yet. No matter how bright the future looks, we prefer to be cautious when stocks become the name on everyone's lips, and no dark clouds seem to be in sight.

During the month, we made an investment in Bredband2, which is a new holding in our portfolio. Bredband2 is the third largest broadband operator in Sweden. Our investment case in Bredband2 is further discussed in the asset managers comments.

The focus in May have been to integrate our new analyst to the group, and that will continue to be the focus from here. All the new analysts have made a good impression in their first meetings, and I am confident they will continue to take steps going forward.

Bianca Andersson & Ludwig Germunder

Report May 2023

Asset Manager's Comments

A very strong month for our equities. During May, OMXSGI returned -2,82%. Compared to OMXSGI, our equities traded 3,97% for the month.

The best performers were Crayon, Chemometec and Take-Two Interactive. The worst performers were Catella, Electrolux Professional and Loomis.

During the month we bought Bredband2. There are according to us, many favourable reasons to buy Bredband2. Firstly, the business model is not capital intense which leads to high ROIC as well as a business that is able to generate fine cash flows as CAPEX remains low. Secondly, the company is able to generate high recurring revenue as the core business consists of subscriptions, this leads to secured cash flows as well as an underlying business that is truly insensitive to economic conditions. Lastly, the company has a very favourable future ahead where it has great possibilities to internal improvements (mostly regarding its acquisition of A3) which will lead to improved margins further down the road. We therefore deem the negative market sentiment that has pressured the stock during recent years as overly pessimistic as we see great potential in the company looking forward.

The whole portfolio returned 2,21 % in May; this is above our benchmark index which declined by -0,49% during the month. Global Bonds returned 2,18 % compared to our benchmark which was up 5,16%. Corporate Bonds returned a negative -1,07%, while the benchmark returned 4,23%. Alternative Investments returned 1,76% compared to Barclays Hedge Fund Index which preliminary was down by -0,69%. However, it is important to note that our reported return in Alternative Investments is lagging with one month. This is due to the funds' NAV's updating after the last day of the month.

Sincerely, Ossian Malmberg

Top Ten Equity Holdings

| Company Name | % Portfolio | Value |
|-------------------------|--------------|------------------|
| <u>Top ten holdings</u> | <u>71,2%</u> | <u>4 209 162</u> |
| Investor AB A | 12,5% | 739 178 |
| Evolution | 11,9% | 705 672 |
| Microsoft | 10,0% | 588 178 |
| Kindred | 7,9% | 468 625 |
| Autostore | 6,2% | 365 827 |
| MedCap | 5,7% | 334 950 |
| Essity | 4,4% | 259 560 |
| Catella | 4,4% | 257 850 |
| SmartEye | 4,2% | 250 200 |
| Electrolux Professional | 4,0% | 239 122 |

Gainers and Losers

| Five Largest Portfolio % Gainers | % Portfolio | % Gain |
|----------------------------------|-------------|---------|
| Microsoft | 10,0% | 1816,6% |
| MedCap | 5,7% | 246,6% |
| ChemoMetec | 3,8% | 114,6% |
| Kindred | 7,9% | 52,4% |
| Electrolux Professional | 4,0% | 28,3% |

| Five Largest Portfolio % Losers | % Portfolio | % Loss |
|---------------------------------|-------------|--------|
| SmartEye | 4,2% | -36,9% |
| Nekkar | 3,2% | -35,6% |
| C-RAD | 2,4% | -24,6% |
| Paxman | 4,0% | -6,4% |
| Autostore | 6,2% | -1,2% |

Total Portfolio Statistics

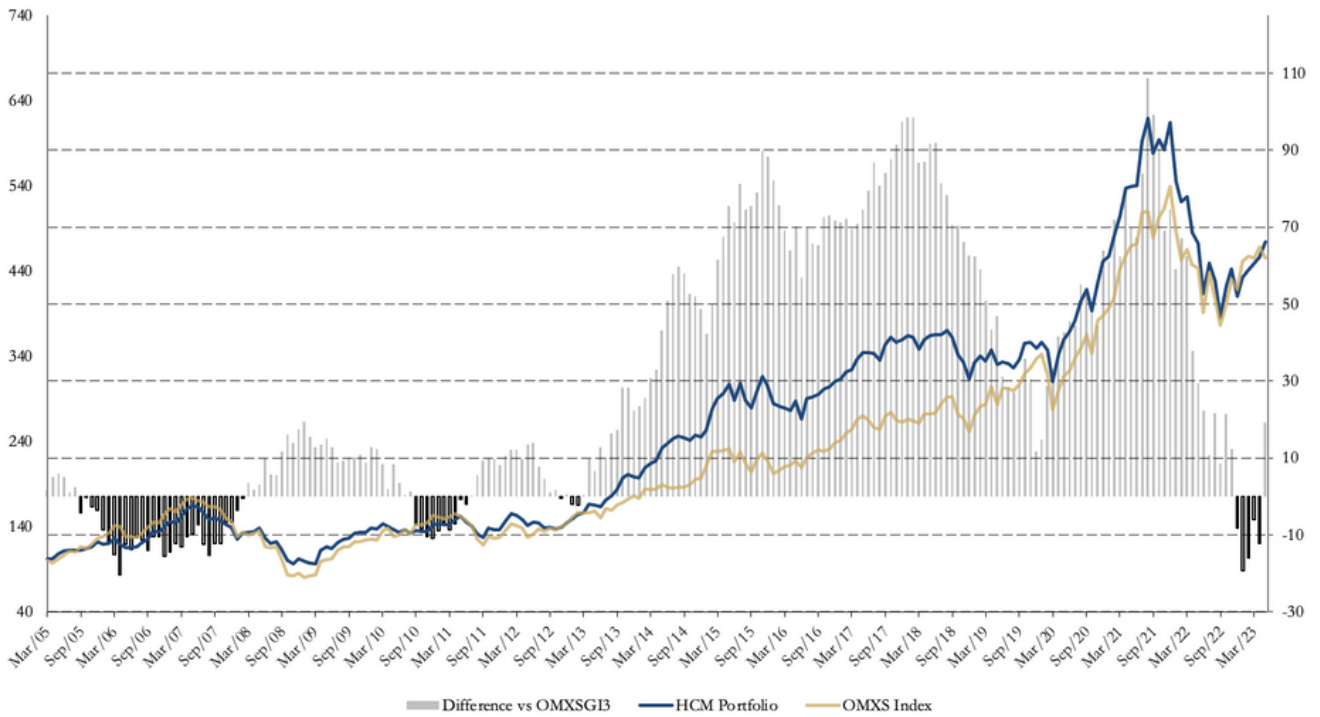
| Return & Risk | Portfolio | Benchmark | Allocation | Weight |
|-----------------------|-----------|-----------|-------------------------|--------|
| Last Month | 2,21% | -0,49% | Alternative Investments | 24,0% |
| Year To Date | 7,46% | 5,53% | Corporate Bonds | 7,6% |
| Last Twelve Months | 3,33% | 3,95% | Global Bonds | 10,2% |
| Since Start (Nov 11) | 75,63% | 102,75% | Money Market | 15,5% |
| Average Yearly Return | 5,02% | 6,34% | Equities | 42,7% |

| | | | Currency Exposure | 1 Month |
|--------------------------------|--------|--------|-------------------|---------|
| Months Active | 138 | 138 | SEK | 76,6% |
| Number of Positive Months | 94 | 98 | USD | 11,0% |
| Number of Negative Months | 44 | 40 | EUR | 5,1% |
| Annualized Std. Dev. Last 12m | 10,43% | 11,35% | NOK | 5,7% |
| Sharpe Ratio Last 12m | 0,15 | 0,19 | DKK | 1,6% |
| Benchmark Correlation Last 12m | 0,00 | 0,00 | | |

Equity Portfolio Statistics

| Return & Risk | Portfolio | Benchmark | Best Performers | 1 Month |
|--------------------------------|-----------|-----------|--------------------------|----------------|
| Last Month | 3,97% | -2,82% | Crayon | 46% |
| Year To Date | 15,57% | 8,71% | ChemoMetec | 27% |
| Last Twelve Months | 0,33% | 2,68% | Take-Two Interactive | 17% |
| Since Start (March 2005) | 374,17% | 355,00% | Worst Performers | 1 Month |
| Average Yearly Return | 8,90% | 8,66% | Catella | -18% |
| Months Active | 219 | 219 | Electrolux Professional | -9% |
| Number of Positive Months | 131 | 139 | Loomis | -9% |
| Number of Negative Months | 88 | 80 | Currency Exposure | 1 Month |
| Annualized Std. Dev. Last 12m | 24,11% | 23,89% | SEK | 69,1% |
| Sharpe Ratio Last 12m | -0,06 | 0,04 | USD | 13,8% |
| Benchmark Correlation Last 12m | 0,89 | 0,00 | EUR | 0,0% |
| | | | NOK | 13,3% |
| | | | DKK | 3,8% |

Equity Performance



Portfolio Performance

