

PORTFOLIO REPORT

EQUITY PERFORMANCE

HCM
HANDELS CAPITAL MANAGEMENT

October 2023

CEO Comments

For the month of October OMXGI decreased by 3,51%. whilst HCM's equities decreased by 3,31%. For the month of October, we are not entirely dissatisfied with our performance in relative terms. Higher rates and an increasingly uncertain geopolitical climate, such as with the current turmoil in the middle east, has continued to attract the attentions of investors and further strengthened the risk averse mindset amongst them. Also large global indexes such as SP500 and MSCI world have had weak developments of -2,1% and -2,6% respectively. In addition to this, it is not uncommon to see a weaker development for the market during this season of the year.

During the month of October, the attention of HCM has been aimed at the start of the report season. As a result of the economic turmoil around the world, we've seen exceptionally strong reactions from the market at even slight deviations from the expected results. As most of our equities report in the upcoming month of November, further commentary on the third quarters of our equities will be published in the next monthly report from HCM.

Amongst our equities reporting during the month of October, as well as amongst our equities in total, the strongest were C-RAD, Microsoft and Essity.

Most noticeable about the C-RAD report was the great development in their order intake, having increased by 108% since the Q2 and 40% from the period January until September. This, accompanied by a good increase in revenue for the quarter and an otherwise acceptable report resulted in a good response from the market and made it our strongest performer of the month.

The report from Essity showcased organic growth slightly overperforming the expectations as well as strong margins which greatly overperformed its expectations. The decrease in prices for raw materials have had a positive influence on Essity, and we believe it will continue like this further.

The weakest performances were seen from Autostore, Electrolux Professional and ChemoMetec.

HCM's original investment case for Autostore remains intact to date. However, we may have slightly underestimated the impact from macroeconomics on the business. What has dragged Essity down, and continues to do so this month, is the ongoing litigation with Ocado Group which has cost Autostore great amounts of money. We do however expect the stock to recover as the litigation is settled.

The report from Electrolux Professional fell short on its expectations on several accounts, resulting in a harsh pushback from the market.

We continue to follow the report season with great interest. Further information about the Q3 performances of our equities will be presented and discussed in the next monthly report.

Sincerely,

Bianca Andersson

Asset Manager's Comments

October was an okay month for us in relative terms. The index had poor performance due to the increased geopolitical concern, increased long-term rates in North America and softer outlook for many reporting companies. The reactions have been 50/50 positive vs negative but the reactions for small deviations from the expectations has been extreme. I think that we have navigated through this unforgiving market quite well during the month. This month OMXGI decreased with 3,51% and our equities decreased with 3,31%.

The best performers were C-RAD, Microsoft and Essity. The worst performers were Autostore, Electrolux Professional and ChemoMetec.

Many of our equities reports late thus we have some remaining reports in November before we could summarize Q3 reporting season for us. On the positive side C-RAD and ESSITY delivered solid results. C-RAD wasn't performing that well during Q3 but they reported a stellar order intake. The most exciting part of that is that the service part in the order-intake grew even faster. This is in line with our long-term case of increased service revenue which increases the customer stickiness and support margins. We also expect the opex flattening of opex growth going forward which we think is going to visualize the scalability of C-RAD.

The Q2 ended up short on consensus in almost every aspect however that had totally reversed until Q3. During Q3 organic growth was slightly better than consensus but the best part in the report was the margins which was well over consensus. There are good opportunities that this earning momentum continues due to confident impression of management and tailwind from raw material prices. We think that the valuation of ESSITY is still too low and the big discount to peers such as Kimerly-Clark is unjustified. We think that ESSITY has good potential and complements our portfolio well with the defensive profile.

On the negative side Autostore and Electrolux Professional stands out. We had to admit that we had misevaluated the impact that the weaker economy had on Autostore. The stock was a real growth stock with high valuation, good story and exceptional growth. When the growth diminished and almost disappeared the multiple contracted very quickly. Now the stock valuation on the stock starts to look okay but it doesn't look like that we could expect that much growth either in near future. Electrolux Professional came in with a report that missed the expectations on most points. This was mainly caused by weak performance on the American market in food & beverage.

Our corporate bonds and money market funds had headwind compared to our benchmark index caused by the softening of SEK. Thus, we're extra glad to see good delivery from our hedge funds and money market funds compared to benchmark index.

The whole portfolio returned -1,03% in October; this is above our benchmark index which decreased by -1,56% during the month. Global Bonds returned -1,37% compared to our benchmark which was up with 1,58%. Corporate Bonds returned -1,04%, while the benchmark returned 0,28%. Alternative Investments returned 0,51% compared to Barclays Hedge Fund Index which preliminary was down by -1,63%. 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, William Wällstedt

Top Ten Equity Holdings

Company Name	% Portfolio	Value
Top ten holdings	70,3%	3 603 482
Investor AB A	13,4%	684 740
Microsoft	12,2%	623 672
Evolution	8,1%	416 598
MedCap	6,1%	312 950
Kindred	5,8%	294 587
C-RAD	5,5%	282 042
SmartEye	5,1%	261 600
Bredband2	5,0%	253 600
Nekkar	4,7%	241 933
Take-Two Interactive	4,5%	231 761

Gainers and Losers

Five Largest Portfolio % Gainers	% Portfolio	% Gain
Microsoft	12,2%	1932,3%
MedCap	6,1%	223,8%
ChemoMetec	2,7%	31,9%
Loomis	4,0%	11,6%
Investor AB A	13,4%	11,4%

Five Largest Portfolio % Losers	% Portfolio	% Loss
Autostore	3,8%	-46,8%
SmartEye	5,1%	-34,1%
Crayon	2,9%	-32,8%
Evolution	8,1%	-27,8%
Paxman	3,6%	-27,2%

Total Portfolio Statistics

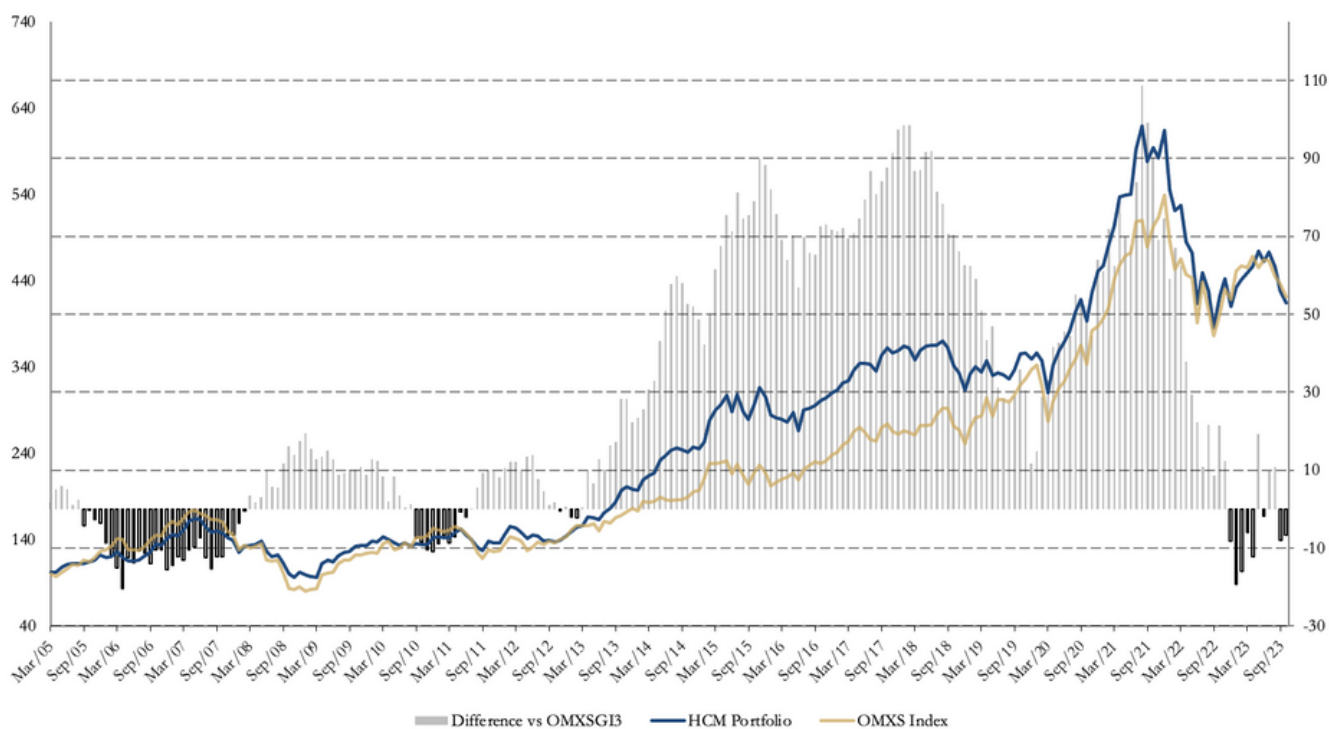
Return & Risk	Portfolio	Benchmark	Allocation	Weight
Last Month	-1,03%	-1,56%	Alternative Investments	25,2%
Year To Date	1,48%	2,42%	Corporate Bonds	7,9%
Last Twelve Months	2,65%	4,03%	Global Bonds	10,6%
Since Start (Nov 11)	65,87%	96,78%	Money Market	16,8%
Average Yearly Return	4,34%	5,85%	Equities	39,5%

			Currency Exposure	1 Month
Months Active	143	143	SEK	77,3%
Number of Positive Months	95	99	USD	11,9%
Number of Negative Months	48	44	EUR	5,2%
Annualized Std. Dev. Last 12m	6,78%	7,09%	NOK	4,5%
Sharpe Ratio Last 12m	0,13	0,32	DKK	1,1%
Benchmark Correlation Last 12m	0,00	0,00		

Equity Portfolio Statistics

Return & Risk	Portfolio	Benchmark	Best Performers	1 Month
Last Month	-3,31%	-3,51%	C-RAD	15%
Year To Date	1,01%	0,64%	Microsoft	10%
Last Twelve Months	-1,93%	5,02%	Essity	8%
Since Start (March 2005)	314,43%	321,23%	Worst Performers	1 Month
Average Yearly Return	7,91%	8,01%	Autostore	-20%
Months Active	224	224	Electrolux Professional	-20%
Number of Positive Months	132	140	ChemoMetec	-11%
Number of Negative Months	92	84	Currency Exposure	1 Month
Annualized Std. Dev. Last 12m	16,94%	14,32%	SEK	69,5%
Sharpe Ratio Last 12m	-0,22	0,22	USD	16,5%
Benchmark Correlation Last 12m	0,73	0,00	EUR	0,0%
			NOK	11,3%
			DKK	2,7%

Equity Performance



Portfolio Performance

