PORTFOLIO REPORT

EQUITY PERFORMANCE

HCM
Handels Capital Management

February 2025

Report February 2025

CEO Comments

February was a strong month for our fund, which delivered a return of 4.58%, significantly outperforming the benchmark index, which posted a gain of 0.73%, resulting in an outperformance of 3.85 percentage points. Our best-performing holdings during the month were Smarteye, Careium, and Ambea, while the weakest contributors were Medcap, Paxman, and CAG.

Broadly speaking, February was characterized by shifting sentiment across financial markets. The Swedish stock market continued its positive momentum, though with a clear distinction between large- and small-cap stocks. Large-cap companies, particularly in the financial and healthcare sectors, performed well, supported by solid earnings reports, while small- and mid-cap stocks saw increased volatility. This trend was evident across Europe as well, where large-cap indices outperformed, driven by renewed investor interest in defensive sectors and the potential for increased fiscal spending in key economies. Meanwhile, in the U.S., markets experienced higher uncertainty, with renewed focus on inflation data and the Federal Reserve's monetary policy outlook. While expectations of future rate cuts remained intact, stronger-than-expected economic data led to some recalibration of timing and magnitude, contributing to a more cautious market tone.

A key theme in February was the impact of trade policy developments. The possibility of increased tariffs from the U.S. on European goods created uncertainty for companies with significant exposure to transatlantic trade. While the direct effects remain unclear, the potential for supply chain disruptions and increased costs weighed on sentiment, particularly in industrial and export-driven sectors. At the same time, European policymakers signaled intentions to boost defense spending, a trend that could have long-term implications for select industries and investment opportunities. These geopolitical factors, combined with ongoing discussions about fiscal stimulus measures in both Europe and China, contributed to the complex market backdrop that investors navigated during the month.

Earnings season in Sweden provided valuable insights into the health of the corporate sector. While results varied across industries, many companies reported stable or better-than-expected performance despite ongoing macroeconomic challenges. Defensive sectors such as healthcare and financials demonstrated resilience, benefiting from steady demand and solid balance sheets. Industrials and consumer-oriented companies presented a more mixed picture, with some firms highlighting continued softness in demand, while others pointed to early signs of stabilization. The divergence between strong and weak performers underscored the importance of careful stock selection in the current environment.

Another notable development during the month was the divergence between equity and fixed-income markets. While equities remained relatively strong, bond markets experienced renewed volatility as investors adjusted their expectations regarding the timing of potential interest rate cuts. Swedish and European government bond yields moved higher at times during the month, reflecting uncertainty about inflation dynamics and central bank policy decisions. Meanwhile, the Swedish krona showed some relative strength, supported in part by expectations of increased fiscal spending and foreign investor interest in Swedish assets.

Looking ahead, we remain focused on global macroeconomic developments, particularly the path of inflation and central bank policy. While markets have started the year on a positive note, uncertainties remain, including geopolitical risks, trade policy shifts, and the broader implications of economic stimulus measures in key regions.

Bianca Andersson

Asset Manager's Comments

Following a strong start to the year in January, February continued on a positive trajectory, albeit with periods of heightened volatility. The market experienced a sharp decline on the first trading day after President Trump threatened Canada and Mexico with 25% tariffs and an additional 10% tariff on Chinese imports. However, stocks rebounded as parts of the tariff implementation was postponed. Volatility resurfaced on February 20th, this time driven by concerns over potential automotive tariffs. Despite these disruptions, European equities continued to outperform, and U.S. 10-year Treasury yields declined, reflecting what appears to be a new key focus for the administration. During the month our benchmark index posted a gain of 0.73%, while our portfolio delivered a strong return of 4.58%, resulting in an outperformance of 3.85 percentage point

The best performers were Smarteye, Careium & Ambea. The worst performers were Medcap, Paxman and CAG.

Careium's first earnings report since entering our portfolio was nothing short of a success. The company provided full-year guidance for 2024, with consensus estimates positioned at the lower end of the range. Given the absence of a profit warning prior to the report, we saw an attractive risk-reward opportunity. When the report was released, sales came in largely in line with our expectations. However, margins exceeded expectations, driven by a favourable sales mix and better-than-anticipated cost control. Looking ahead to 2025, the company expects a somewhat slower first half, followed by a strong second half which was in line with our own expectations. Following the report, we remain positive and see upside potential to estimates, particularly as the Oslo municipality contract comes into play. With a current valuation of approximately EV/EBITA 11 based on our 2025 estimates, we see further potential given the stability from service contracts, margin expansion from i-Care, and structural market growth.

Given the insider sales from Krantz shortly before the Q4 release, we believe many market participants had low expectations heading into the report. However, the results exceeded expectations across several key KPIs, driving a strong surge in the stock price. Most notably, automotive license growth soared by 200% year-over-year. After adjusting for one-time effects, the segment outperformed consensus expectations. Additionally, the Behavioural Research segment rebounded well following a weak Q3 report, and SEYE demonstrated slightly better cost control than anticipated. This report reinforced our confidence in the company's growth trajectory. We continue to believe that SEYE is well positioned for the 2026 regulatory changes, a factor we see as underappreciated by the market.

CAG delivered a report that was slightly weaker than our expectations but remained solid relative to many peers. However, we are somewhat concerned about the shift in communication. From emphasising that no layoffs should take place to the announcement of layoffs in Q1. In our view, this adjustment comes worryingly late compared to many other consulting firms, which are now approaching easier year-over-year comparisons with increasing consultant headcounts. Given the lack of near-term catalysts, our position is under review, despite what we see as an attractive valuation of EV/EBITA 9x/7x for 2025/2026 estimates.

The whole portfolio returned 2,66% during February, this is above our benchmark index which decreased by 0,09% during the month. Global Bonds returned -0,25% compared to our benchmark was up with -1,89%. Corporate Bonds returned 0,57%, while the benchmark index returned -1,06%. Alternative Investments returned 3,55% compared to Barclays Hedge Fund Index which preliminary was down by 0,06%. 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	67,1%	4 528 730
Investor AB A	13,7%	926 636
Ambea	8,1%	544 612
Microsoft	7,7%	516 989
Loomis	6,3%	427 244
Bredband2	5,9%	397 690
Securitas	5,4%	364 806
Take-Two Interactive	5,2%	353 625
MedCap	5,0%	335 188
Electrolux Professional	4,9%	332 826
Essity	4,9%	329 115

Gainers and Losers

Five Largest Portfolio % Gainers	% Portfolio	% Gain
Microsoft	7,7%	2197,3%
MedCap	5,0%	341,1%
Ambea	8,1%	120,7%
Electrolux Professional	4,9%	78,5%
Investor AB A	13,7%	74,3%

Five Largest Portfolio % Losers	% Portfolio	% Loss
Evolution	3,8%	-40,1%
Coor	3,7%	-20,2%
Fenix Outdoor	4,0%	-13,7%
SmartEye	2,4%	-13,4%
CAG	4,4%	2,7%

Total Portfolio Statistics

Return & Risk	Portfolio	Benchmark
Last Month	2,66%	-0,09%
Year To Date	30,01%	27,54%
Last Twelve Months	12,15%	11,33%
Since Start (Nov 11)	112,49%	145,18%
Average Yearly Return	5,85%	7,00%
Months Active	159	159
Number of Positive Months	107	110
Number of Negative Months	52	49
Annualized Std. Dev. Last 12m	4,42%	6,09%
Sharpe Ratio Last 12m	2,34	1,56
Benchmark Correlation Last 12n	0,00	0,00

Allocation	Weight
Alternative Investments	13,3%
Corporate Bonds	17,9%
Global Bonds	13,2%
Money Market	8,9%
Equities	46,7%

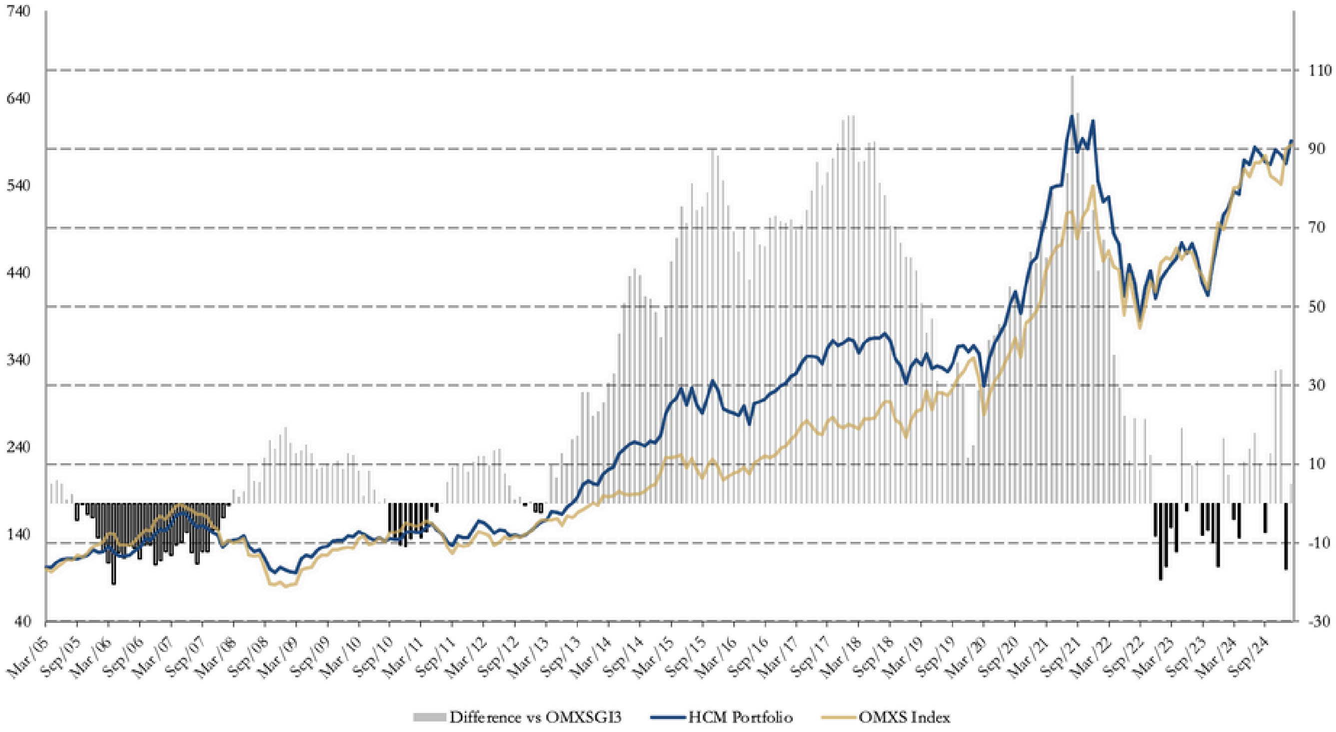
Currency Exposure	1 Month
SEK	86,7%
USD	5,4%
EUR	4,3%
NOK	0,0%
DKK	1,6%

Equity Portfolio Statistics

Return & Risk	Portfolio	Benchmark
Last Month	4,58%	0,73%
Year To Date	50,19%	40,01%
Last Twelve Months	19,51%	15,29%
Since Start (March 2005)	516,24%	486,03%
Average Yearly Return	9,52%	9,24%
Months Active	240	240
Number of Positive Months	142	150
Number of Negative Months	98	90
Annualized Std. Dev. Last 12m	9,79%	11,05%
Sharpe Ratio Last 12m	1,81	1,22
Benchmark Correlation Last 12n	0,54	0,00

Best Performers	1 Month
SmartEye	26%
Careium	21%
Ambea	19%
Worst Performers	**1 Month**
Microsoft	-7%
Paxman	-6%
MedCap	-4%
Currency Exposure	**1 Month**
SEK	80,7%
USD	11,5%
EUR	0,0%
NOK	0,0%
DKK	3,4%

Equity Performance



Portfolio Performance