

PORTFOLIO REPORT

EQUITY PERFORMANCE

HCM
HANDELS CAPITAL MANAGEMENT

December 2022

CEO Comments

The market turned its back during December and once again we got a month of negative return. In total, we sum up the year of 2022 with eight months of negative market return. This shows the difficulty of delivering strong returns with a long only portfolio the past year. For our portfolio with a tilt towards small caps, thus making it a high beta portfolio, a year like this is extra challenging. It is during challenging times like this that our strategy with a mixed equities and bonds allocation shows its strength. While our bonds portfolio have been lacking during the recent years of low, or non-existent, interest rates, it has acted as a brake pad this year when our equities have been underperforming. I feel confident in our portfolio mix going forward. While I think the bonds portfolio have better probability of delivering decent returns in the coming years, I am also confident that small cap stocks will be performing well over time. Given that we manage to do good stock picks within the sector, this will benefit our portfolio over time.

While the macro environment has been challenging, we have continued doing what we are best at, trying to find good stock picks. We have no unique macro view, and to be honest we are not really interested in having one. There are already way too many people screaming about macro KPIs, and somehow they all seem to end up being wrong. While the main focus, month after month, is at interest or inflation rates, less focus is directed at specific companies and their stocks. Small caps are even more out of fashion. Our belief is that alpha is found by looking where no-one else is looking. I could tell numerous buzz lines about this, but it is not by running with the hoard you win the race. It is by finding the gold before anyone else even thinks about looking for it.

I don't want to try to guess how the market will go in the future, but being a bit contrarian I find this situation a bit interesting to start buying more stocks. It seems like everyone is staying away from stocks, everyone knows it will be worse before it gets better. It might be true. However, if the market is supposed to be anywhere near efficient (could be up for discussion), why would that mean stocks will do substantially worse? If consensus is that it is over for stocks, a rational investor with this belief would then position for such a scenario, meaning staying out. Short interest is at all time high as well. It seems like everyone has sold their stocks, and still, we are going down. I can't get that equation to solve. Yes, larger indexes in Sweden was not down much in 2022 and yes, we are quite close to all time high levels. Looking a bit further than 29 companies and 30 stocks included in OMXS30, it has been quite nasty the past years. Stock halved, and in some cases even worse. While the companies which the stocks represent have been doing well, the shares are starting to look interesting to me. Very interesting in some cases. Time will tell, but I believe there are some opportunities out there that will deliver fantastic returns from here. Those opportunities are what we are trying to find, and where we want to be positioned.

Going forward, it is soon time to get the latest financials released, with the upcoming Q4 earnings season. Before that, we will try to highlight some interesting ideas, getting prepared for possible opportunities that might arise.

Ludwig Germunder

Asset Manager's Comments

After a strong November, the market did unfortunately show weakness in December. During December, OMXSGI returned -2,66% and the index closed at -22,39% for the year. Compared to OMXSGI, our equities traded -7,22% for the month and HCM ended the year down -33,17%.

The best performers during the month were Essity, C-RAD and Admicom. The worst performers were SmartEye, Chemometec and Loomis.

The whole portfolio returned -2,96% in December; this is slightly below our benchmark index which decreased -1,83% during the month. Global Bonds returned 2,45 % compared to our benchmark which was down -2,71%. Corporate Bonds returned a positive 0,24%, while the benchmark returned -1,30%. Alternative Investments returned -0,92% compared to Barclays Hedge Fund Index which preliminary was down by -1,54%. 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.

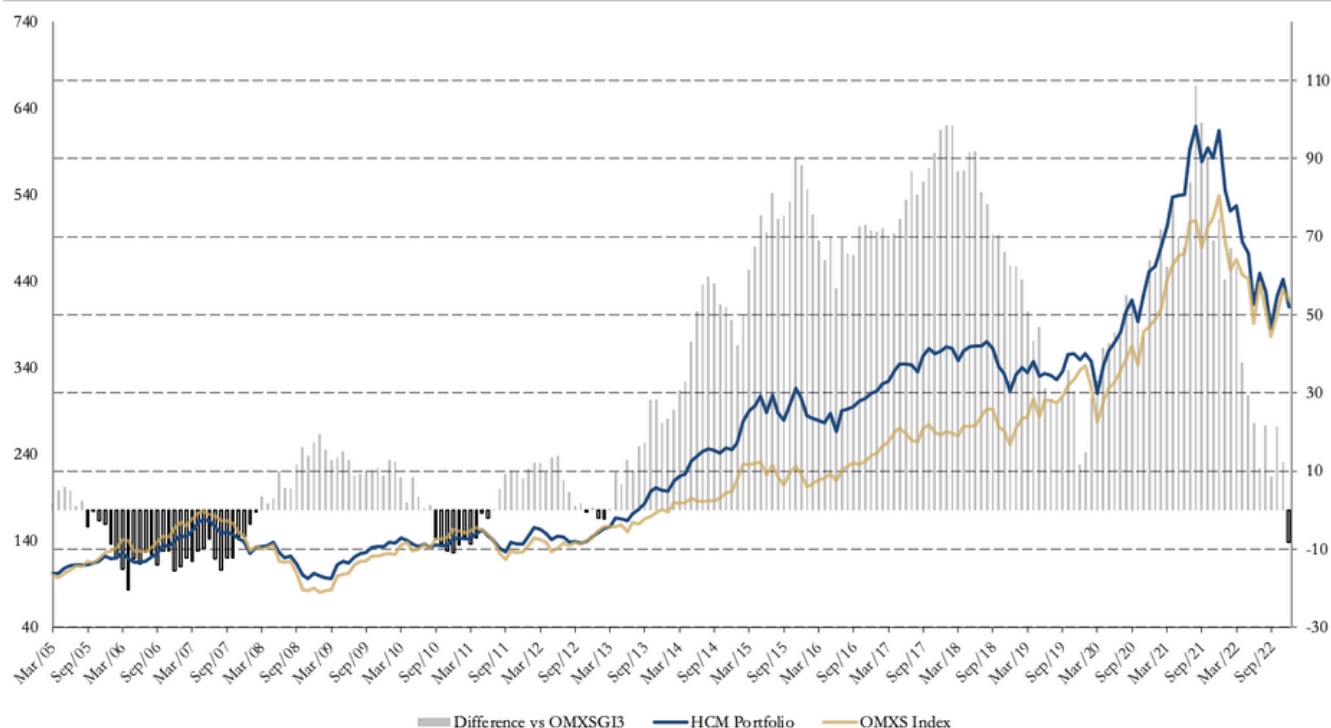
Sincerely, Ossian Malmberg

Report December 2022

Top Ten Equity Holdings			Gainers and Losers		
Company Name	% Portfolio	Value	Five Largest Portfolio % Gainers	% Portfolio	% Gain
<u>Top ten holdings</u>	<u>73,8%</u>	<u>3 787 067</u>	Microsoft	8,0%	1245,3%
Investor AB A	12,3%	631 676	ChemoMetec	6,1%	196,7%
Evolution	11,0%	562 532	MedCap	4,6%	146,4%
Kindred	10,4%	535 941	Catella	6,4%	47,7%
Microsoft	8,0%	412 848	Kindred	10,4%	32,4%
Catella	6,4%	327 600			
ChemoMetec	6,1%	311 173	Five Largest Portfolio % Losers	% Portfolio	% Loss
Autostore	6,0%	305 921	Vestum	2,6%	-52,3%
Essity	4,8%	245 970	SmartEye	3,3%	-49,9%
MedCap	4,6%	238 150	Admicom	2,6%	-40,7%
Crayon	4,2%	215 256	Nekkar	3,9%	-32,0%
			Evolution	11,0%	-26,1%

Total Portfolio Statistics				
Return & Risk	Portfolio	Benchmark	Allocation	Weight
Last Month	-2,96%	-1,83%	Alternative Investments	25,5%
Year To Date	-16,25%	-11,52%	Corporate Bonds	8,0%
Last Twelve Months	-16,25%	-11,52%	Global Bonds	10,6%
Since Start (Nov 11)	61,14%	92,28%	Money Market	16,1%
Average Yearly Return	4,40%	6,08%	Equities	39,7%
Months Active	133	133		
Number of Positive Months	89	95	Currency Exposure	1 Month
Number of Negative Months	44	38	SEK	75,9%
			USD	9,9%
			EUR	6,3%
Annualized Std. Dev. Last 12m	12,23%	12,35%	NOK	5,6%
Sharpe Ratio Last 12m	-1,48	-1,08	DKK	2,4%
Benchmark Correlation Last 12m	0,00	0,00		

Equity Performance



Portfolio Performance

