

PORTFOLIO REPORT

EQUITY PERFORMANCE

HCM
HANDELS CAPITAL MANAGEMENT

September 2020

CEO Comments

Stock markets all over the world continue to rise in September and the Swedish market has been no exception. In September, OMX Stockholm increased with 4.3% and is now up 8.2% in 2020. It is very satisfying to see that HCM's equities have well outperformed the market with an increase of 18.2 %. In September, our total portfolio increased by 2.1% and our equities 3.3 %. We did not make any changes in the portfolio during September as our companies continue to perform well overall and we see further potentials.

It is important to stress that it has been a remarkable rebound since the lows in March and the stock market is looking beyond the corona-crisis. A potential vaccine and quantitative easing together with state aids have mitigated the economic aspects of the crisis and we have already seen several reversed profit warnings. Although the market is crowded and stock markets continue to rise, uncertainties remain. The outcome of the upcoming election in the United States and the development of the pandemic will continue to influence the financial markets. We see interesting times ahead and I have chosen to highlight some areas that might affect the stock market in the near time.

Firstly, state aid is a highly debated topic and specially whether companies that receive public support should be allowed to pay dividends to its shareholders. State aid is something to carefully consider when interpreting the coming Q3 reports as companies can largely benefit from these short-term gains that are of singular occurrence. When it comes to dividends, the situation is uncertain and there are dispersed opinions between the management of the companies and the regulators whether it is reasonable to pay dividends after receiving support. Our view is that dividends are important, they are not just for kids spraying champagne as Christer Gardell relentlessly put it but for foundations, pension funds and student driven asset management firms.

Secondly, equities within the tech sector continued to rise in September and receive even higher valuations. Real estate started to catch up which contributed to our return in September. Yet, OMX Stockholm Real Estate PI is still down about 22% year to date. We think the poor performance is related to concerns about financing. I do however think the banks will finance the real estate industry at attractive rates even if the bond market would shake again and thus find this concern somewhat exaggerated, its 2020, money is free.

Lastly, I am happy to inform that we have finished the recruitment process and gained four new promising analysts to the team. It is nice to see that we in this recruitment period received a record in the number of applicants and that we attract many good candidates. The new members have already become a part of the team and contributed with research and presentations. We look forward to another month of work together and expect a new investment on the 28th of October.

Felix Ljungström

21/11/20

Asset Manager's Comments

Hello,

September was another strong month on the markets worldwide. OMXSGI generated a return of +4.4% and is now up +8.1% YTD. The markets worldwide now entered their 6:th positive month in a row. Compared to OMXSGI, our equities significantly outperformed the market. HCM's equity portfolio returned +3.3% during July and is now +18.2% YTD. With regard to OMXSGI, we are obviously very pleased with this year's performance.

The best performers during the month were ChemoMetec, SBB and Loomis. The worst performers were Medistim, Microsoft and Kindred.

The whole portfolio returned +2.1% in September, underperforming our benchmark by 0.2 percentage points, which was up +2.3% during the month. Global Bonds returned a positive 2.1% compared to our benchmark which was up 3.4%. Corporate Bonds returned 0.1% compared to our benchmark at 3.5%. Alternative Investments returned a positive +2.3% compared to Barclays Hedge Fund Index which preliminary was down -1.0%. 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

21/11/20

Top Ten Equity Holdings

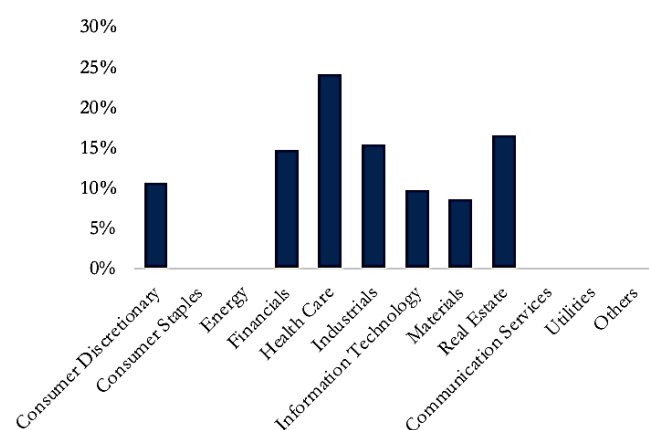
Company Name	% Portfolio	Value
Top ten holdings	75,9%	4 488 908
SBB	13,0%	770 176
Investor AB A	10,5%	618 750
BillerudKorsnäs	8,6%	508 363
Kindred	7,6%	448 863
ChemoMetec	7,6%	446 837
Latour	6,9%	406 350
Microsoft	6,6%	392 680
Balco	5,2%	310 200
MedCap	5,2%	305 663
Medistim	4,8%	281 027

Gainers and Losers

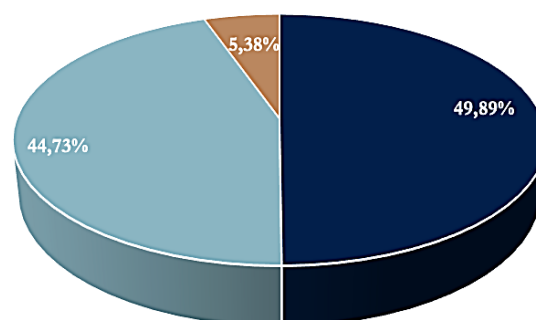
Five Largest Portfolio % Gainers	% Portfolio	% Gain
Microsoft	6,6%	912,0%
MedCap	5,2%	131,1%
SBB	13,0%	94,8%
ChemoMetec	7,6%	81,3%
Balco	5,2%	50,5%
Five Largest Portfolio % Losers	% Portfolio	% Loss
Kindred	7,6%	-26,0%
C-RAD	2,2%	-22,9%
Catella	4,3%	-11,5%
Loomis	3,3%	-5,6%
Firefly	3,1%	3,6%

Market Cap Analysis

Market Sector



Market Cap Breakdown

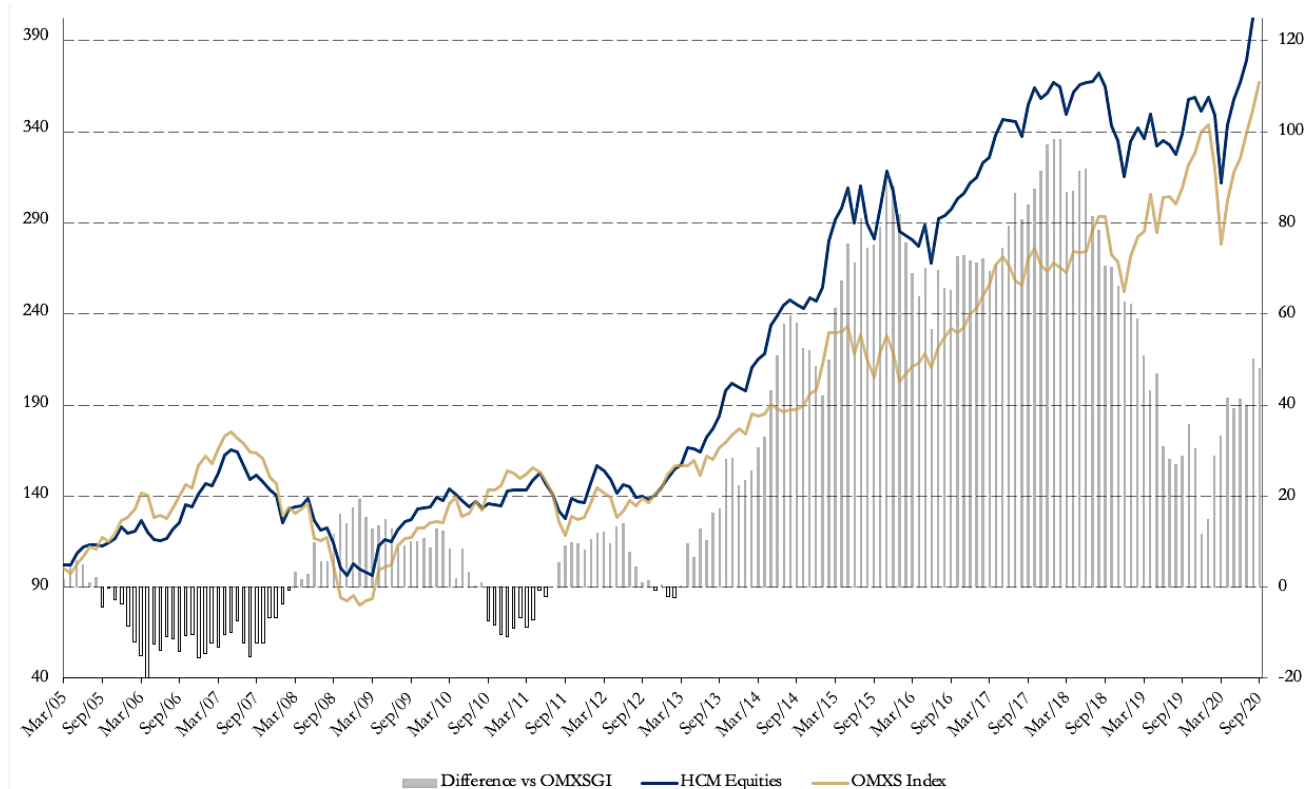


■ Large cap ■ Mid Cap ■ Small Cap

Equity Portfolio Statistics

Valuation			Risk		
	Portfolio	Benchmark		Portfolio	Benchmark
P/E - Current Fiscal Year	36,4	23,2	5 Year Beta	0,78	0,61
P/E - Next Fiscal Year	28,7	20,2	2 Year Beta	0,93	0,68
Price/Book	2,20	3,92	1 Year Beta	0,92	0,65
Price/Sales	2,47	3,24	5 Year Price Volatility	26,7	26,7
Enterprise Value/EBITDA	23,8	16,8	2 Year Price Volatility	42,0	31,0
ROE	17,7%	15,9%	1 Year Price Volatility	48,0	34,6
Dividend Yield	2,2%	2,0%			
Growth				Portfolio	Benchmark
			% EPS Growth - 5 Yr CAGR	8,1%	5,9%
			% Rev Growth - 5 Yr CAGR	9,6%	1,1%

Equity Performance



Portfolio Performance

