

PORTFOLIO REPORT

EQUITY PERFORMANCE

HCM

HANDELS CAPITAL MANAGEMENT

August 2019

CEO Comments

The times when investors were able to enjoy a calm summer seem to be over. This was especially true for August, with the VIX averaging a high 19, compared to 13 in July.

Unsurprisingly, a Tweet from Donald Trump took the markets by surprise on the first day of August. The president announced an intention to impose a 10% tariff on the remaining USD 300 billion of Chinese imports that were not yet subject to tariffs. At that point, it seemed like we were back to the apparently never-ending cycle of the trade war; threats, retaliation and a nervous market. However, the market shrugged it off by mid-August, and recovered most of the initial decline. The MSCI World Index declined by 1.8% in August with a maximum drawdown of ~6%.

Safe havens were sought after by investors. Hence, global bond yields continued to decrease, bringing the total market value of negative yielding debt to over USD 16 trillion. Fixed income rallied with global investment grade corporate credit delivering +1.9% over the month.

The economic data from Europe continues to be weak. The second-quarter GDP release confirmed the economic slowdown in Europe, as growth was left unrevised at 0.2% compared to the prior quarter. The country level data showed that Germany is now on the verge of a recession, as its economy contracted by 0.1% in the second quarter.

As fiduciaries of HHGS, we are confident in that our portfolio weighing towards low risk assets is the right call during this uncertain period.

I would like to thank Filip Andreasson for his time as our CEO. Filip's continuous hard work has been invaluable for the advancement of HCM. He will be missed as a leader and a friend by all members of HCM.

Lastly, I'm happy to announce the latest addition to the team, Julia Utbult. I feel confident that Julia will elevate HCM in her role as HR and PR manager. She has already launched a terrific new website!

Erik Cassel

Chief Executive Officer.

2019-09-15

Asset Manager's Comments

During August our portfolio return was slightly negative, coming in at -0,04%. Our benchmark gained 0,56% during the month as the bond indexes gained significantly during the month while our bond portfolio did not perform.

Our portfolio of Equities had a negative month during August with a performance of -1,57% vs. the OMXSGI which fell 1,29%. Top performers were MSAB which rebounded 23% after falling some 30% on their Q2 report. Also, SBB has continued to develop well, in line with the real estate sector which is benefitting from lower interest rates. On the negative side, B3 reported numbers for Q2 which were lower than both we and the market had expected, margins were weak after a cooldown in the markets for IT-consultants.

The stock fell 25% in August. Also, Actic reported a very weak report, the organic topline growth was negative and the free cash flow was disappointing which lead to the market trading down the stock with 17% during August.

Karl Norén
Asset Manager

2019-09-15

HCM Equities Performance

Return & Risk	HCM Equities	Benchmark	Best Performers	1 Month
Last Month	-1.6%	-1.3%	Micro Systemation	22.8%
Year To Date	3.9%	19.1%	SBB	10.7%
Last Twelve Months	-12.0%	2.4%	Engelska Skolan	5.1%
Since Start (March 2005)	225.8%	198.8%	Worst Performers	1 Month
Average Yearly Return	8.5%	7.8%	B3IT	-25.2%
			Actic	-17.0%
Months Active	174	174	Firefly	-13.1%
Number of Positive Months	100	108		
Number of Negative Months	74	66	Currency Exposure	Weight
			SEK	89.4%
Annualized Std. Dev. Last 12m	12.6%	17.7%	USD	5.9%
Sharpe Ratio Last 12m	-1.16	-0.01	NOK	0.0%
Benchmark Correlation Last 12m	0.95		DKK	4.8%



