

PORTFOLIO REPORT

EQUITY PERFORMANCE

HCM
HANDELS CAPITAL MANAGEMENT

December 2020

CEO Comments

Another month and another year, the markets closed in December when HCM's stock portfolio was up more than 27% year to date. December was a strong month with a return of 5.6% from our stocks compared to OMXSGI's return of 1.3%. Including our bonds and the rest of the portfolio, we received a total return of 2.8% in December and this adds up to 14.5% year to date for the total portfolio. This is more than two million kronor in unrealized profit and the highest return HCM has ever generated, well outperforming our previous record of 10.7% from 2014.

An interesting observation in December was that while the index including all shares on the Stockholm stock market returned a positive 1.3%, the index that only include the 30 most traded stocks (big companies) returned a negative 2.2%. This indicates that investors were more willing to take on risk in December as smaller companies are on average more risky than large companies. The risk appetite was probably invoked by the forthcoming exchange of presidents in the US as well as the additional fiscal package and a clearance of the COVID-19 vaccines. Focus in the first half of 2021 will now shift from the development and approval of a vaccine to the production and administration of the vaccine.

We kept our positions through December but sourced new investment cases and looked over underperforming cases in order to optimize our portfolio for 2021. More about the result of these discussions will come in our next comment.

Felix Ljungström

28/1/21

Asset Manager's Comments

Hello,

We're finishing of 2020 with another strong period. During December, OMXSGI rose +1,3% and the index closed at +14,6% for 2020. Compared to OMXSGI, our equities traded +5,6% for the month and HCM closed the books at +27,2% for 2020. What a year and what a ride. Of course, we're super happy with the results, but we're even happier with all the experiences and lessons we've learned during the year.

The best performers during the month were C-RAD, GHP and ChemoMetec. The worst performers were Latour, Loomis and SBB.

C-RAD is finally gaining some momentum on the back of a strong order intake. We think that Q4 will show strong EBIT-margins, which will convince the market of the scalability in the business model. In our view, the market has always been a bit skeptical about the underlying profitability. Once C-RAD starts to show scalability, the market will start to trust the long-term case. We've always been convinced that this is the case, especially since the non-volatile service business is becoming an increasing part of C-RAD. We look forward to a strong Q4 and 2021 for the company, where some of the installations in 2020 has been postponed due to COVID.

I'm also happy to announce that we've added two new holdings to our portfolio during the start of 2021. I'll walk you through our investment case in the January update.

The whole portfolio returned +2,8% in November, beating our benchmark which gained +0,7% during the month. Global Bonds returned -2,0% compared to our benchmark which was down -2,8%. Corporate Bonds returned a positive 0,5% compared to our benchmark at -3,8%. Alternative Investments returned a positive +2,7% compared to Barclays Hedge Fund Index which preliminary was up +3,2%. 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,

Filip Helmroth

24/1/21

Top Ten Equity Holdings

Company Name	% Portfolio	Value
Top ten holdings	76,6%	4 924 700
Kindred	13,0%	837 180
SBB	11,6%	746 655
Investor AB A	10,4%	667 700
ChemoMetec	8,4%	539 260
BillerudKorsnäs	7,5%	484 578
Microsoft	5,6%	357 766
Latour	5,2%	331 670
MedCap	5,1%	327 038
Catella	5,0%	319 500
Medistim	4,9%	313 355

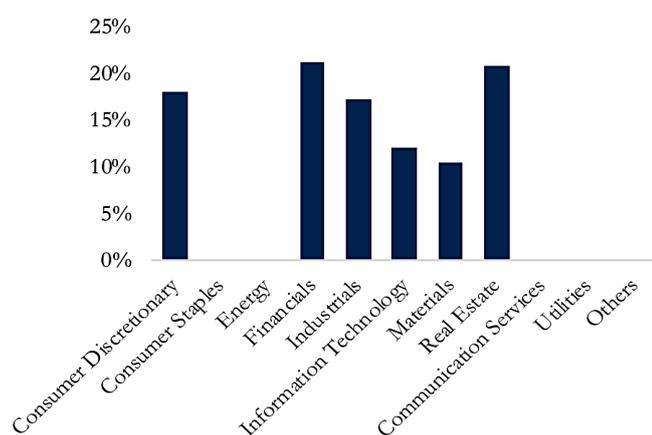
Gainers and Losers

Five Largest Portfolio % Gainers	% Portfolio	% Gain
Microsoft	5,6%	883,1%
MedCap	5,1%	161,8%
ChemoMetec	8,4%	123,4%
SBB	11,6%	105,4%
Balco	4,2%	40,5%

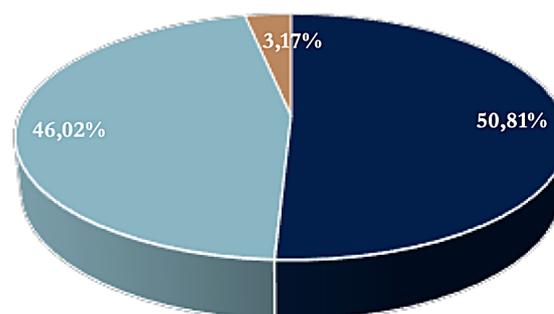
Five Largest Portfolio % Losers	% Portfolio	% Loss
Loomis	3,1%	-12,8%
Kindred	13,0%	-1,8%
Catella	5,0%	10,0%
C-RAD	4,8%	11,1%
Firefly	3,2%	15,0%

Market Cap Analysis

Market Sector



Market Cap Breakdown



■ Large cap ■ Mid Cap ■ Small Cap

Equity Portfolio Statistics

Valuation

	Portfolio	Benchmark
P/E - Current Fiscal Year	31,2	21,6
P/E - Next Fiscal Year	28,4	24,2
Price/Book	2,23	3,38
Price/Sales	2,63	3,17
Enterprise Value/EBITDA	23,5	15,2
ROE	20,2%	17,2%
Dividend Yield	2,5%	1,9%

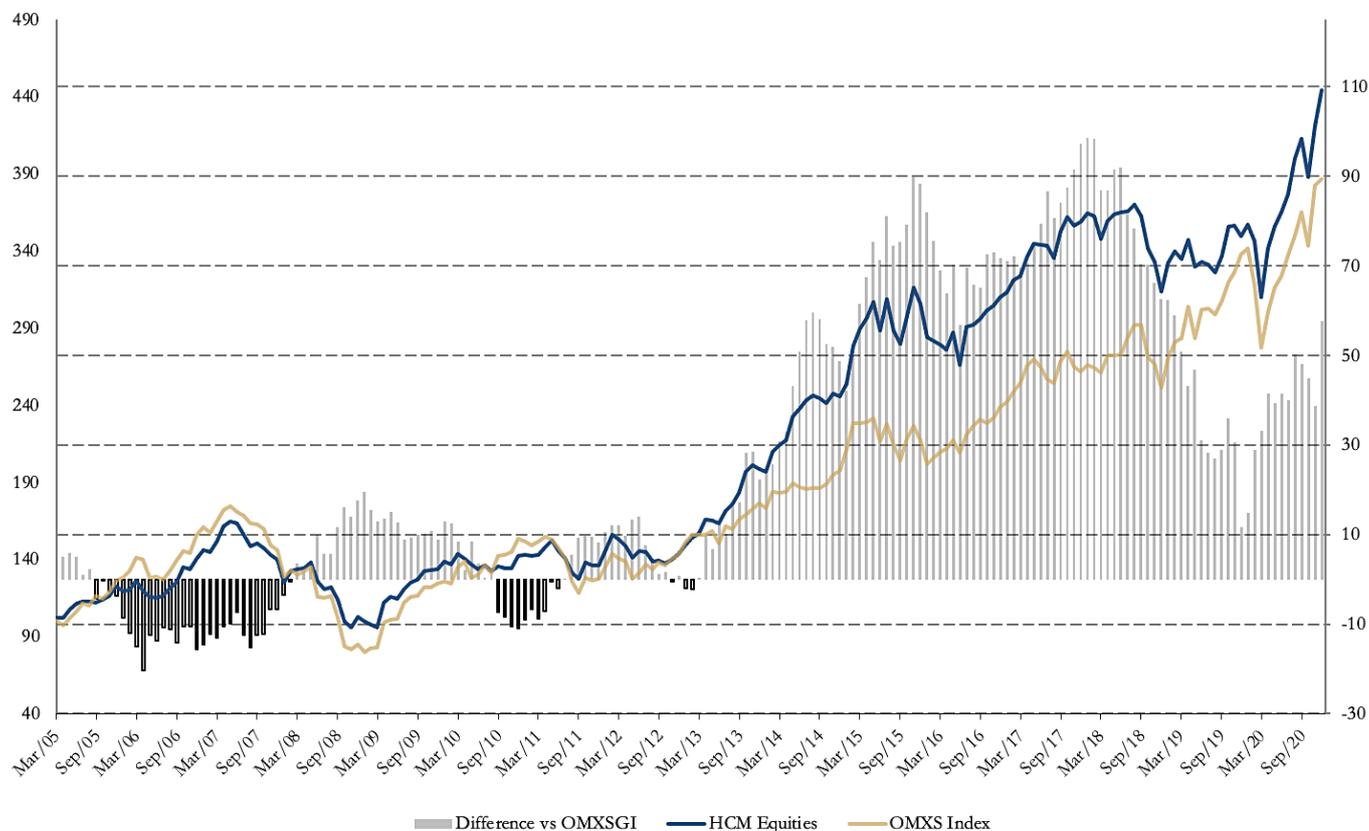
Risk

	Portfolio	Benchmark
5 Year Beta	0,83	0,65
2 Year Beta	0,94	0,73
1 Year Beta	0,95	0,70
5 Year Price Volatility	30,2	26,9
2 Year Price Volatility	43,3	30,6
1 Year Price Volatility	50,8	35,6

Growth

	Portfolio	Benchmark
% EPS Growth - 5 Yr CAGR	12,0%	7,5%
% Rev Growth - 5 Yr CAGR	12,6%	3,7%

Equity Performance



Portfolio Performance

