

PORTFOLIO REPORT

EQUITY PERFORMANCE

HCM
HANDELS CAPITAL MANAGEMENT

November 2021

CEO Comments

We sum up the past month as a calm month in terms of transactions. During November, we increased our position in Evolution after some, in our view, unfair price reductions. We also initiated a new position in Ratos, which Filip will describe more in detail.

On the markets however, it was anything but calm. November came to be heavily influenced by the new Omicron variant. The variant was discovered towards the end of the month and the reactions did not delay. The rapid spread and the uncertainty around the severeness of the new virus variant led to high volatility in the market. Still, the effects of Omicron are quite unknown. This will be an important data point to follow in the near future.

Following up our holdings earnings reports continued to be our main focus during November, with the final reports coming in during the end of the month. Going into December, we will spend the time up until Christmas to explore new investment ideas. Since we plan to have our first pitch meeting in a while during December, I might have some new investments to present in the next monthly report. Stay tuned for that.

Ludwig Germunder

Asset Manager's Comments

After a strong October, we saw another strong month in November. During November, OMXSGI returned +1,8% and the index closed at +32,6% YTD. Compared to OMXSGI, our equities traded +2,0% for the month and HCM is hence up +29,0% YTD.

The best performers during the month were SBB, Investor and Catella. The worst performers were BICO, Evolution and Kindred.

Ratos were added to the portfolio during this month. In the last couple of years, Ratos has transformed from an investment company to a business group. The new CEO Jonas Wiström joined the company in 2017 and took action to get the company back on track. New CEO's and chairman's were introduced, the headcount in the headquarter was slimmed, new incentives were aligned and the responsibility for each subsidiary was decentralized.

The focus is now on EBITA growth instead of NAV. The company has since 2019 raised its LTM EBITA from 600 SEKm to 1 800 SEKm in Q3 2021. Hence, a solid foundation has been laid to continue to grow both organic and non-organic. Jonas brings 15 years of CEO experience from ÅF where he completed >60 acquisitions. Consequently, we think he'll be able to execute on the M&A pipeline towards 3 SEKbn in EBITA 2025.

Regarding M&A, Ratos has a motley history. We believe that's why the market values the company as it does. Now, it's all about execution. In 2021 the company has done 6 add-on acquisitions which we believe has lower risk. In November, Ratos made a large platform acquisition of the Norwegian Presis Infra for 2,6 NOKbn. The company has an established strategic M&A platform and has grown 12% organic in the last years. We like the rationale of paying a somewhat higher multiple (11x EBITA vs. ~6x for add-ons) for quality instead of the old strategy of buying turnarounds and "private equity investments".

Ratos still has a lot of M&A power and we believe that they easily can reach 3 SEKbn in EBITA in 2025 through a leveraged balance sheet and cash flows. On top of that, we believe they also can grow some percentage points organic. Considering an EBITA of 3 SEKbn 2025, an MCAP of 18 SEKbn, an added net debt of 3 SEKbn (debt for acquisitions minus estimated cash flows) and shares in Dun & Bradstreet worth 0,8 SEKbn -> the company is trading at ~7x EBITA. We think that this investment can give us a good return in relation to the risk.

We also sold our position in Fortnox since we think we got a good return at the same time as the company didn't perform according to our initial thesis. Hence, the position was exited.

The whole portfolio returned -2,5% in November, outperformed by our benchmark which returned +1,3% during the month. Global Bonds returned a positive +2,5% compared to our benchmark which also was up +4,9%. Corporate Bonds returned 0,0% compared to our benchmark which also returned 0,0%. Alternative Investments returned a negative -8,2% compared to Barclays Hedge Fund Index which preliminary was down -1,4%. 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

Top Ten Equity Holdings

Company Name	% Portfolio	Value
<u>Top ten holdings</u>	<u>73,5%</u>	<u>6 496 284</u>
SBB	15,8%	1 395 808
Investor AB A	9,9%	871 200
Kindred	8,6%	757 875
BillerudKorsnäs	7,1%	631 140
Microsoft	6,7%	595 343
Evolution	5,8%	515 334
ChemoMetec	5,5%	485 740
Catella	5,3%	471 375
Vestum	5,0%	444 800
Ratos	3,7%	327 670

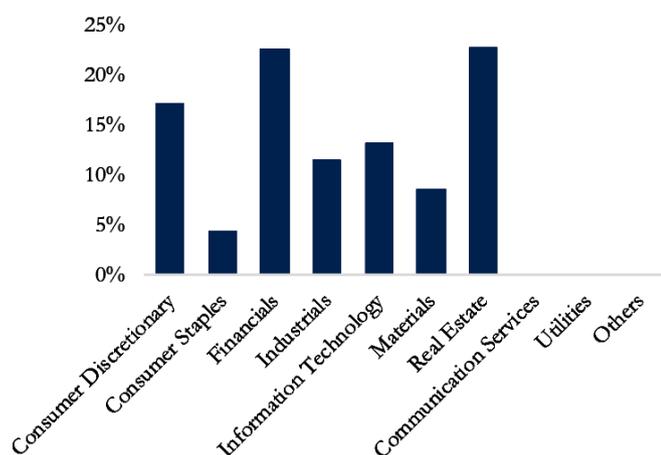
Gainers and Losers

Five Largest Portfolio % Gainers	% Portfolio	% Gain
Microsoft	6,7%	1500,5%
SBB	15,8%	371,8%
ChemoMetec	5,5%	270,5%
MedCap	2,9%	104,0%
Investor AB A	9,9%	94,0%

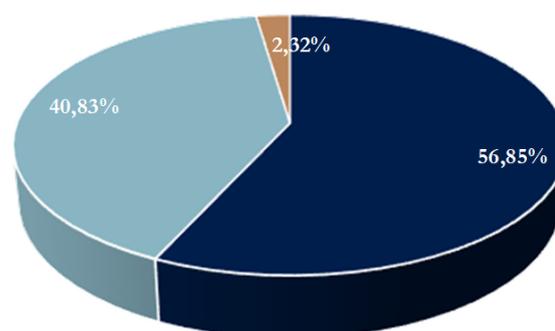
Five Largest Portfolio % Losers	% Portfolio	% Loss
Pexip	2,1%	-52,8%
BICO Group	2,2%	-40,5%
Evolution	5,8%	-33,7%
Admicom	2,2%	-18,1%
Loomis	2,3%	-10,2%

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	17,7	21,2
P/E - Next Fiscal Year	16,0	19,9
Price/Book	2,45	3,82
Price/Sales	3,00	3,42
Enterprise Value/EBITDA	24,3	17,2
ROE	25,7%	14,9%
Dividend Yield	2,4%	2,2%

Risk	Portfolio	Benchmark
5 Year Beta	0,87	0,56
2 Year Beta	0,96	0,64
1 Year Beta	0,95	0,61
5 Year Price Volatility	32,5	26,5
2 Year Price Volatility	49,5	29,2
1 Year Price Volatility	39,4	21,8

Growth

	Portfolio	Benchmark
% EPS Growth - 5 Yr CAGR	13,4%	1,3%
% Rev Growth - 5 Yr CAGR	12,1%	6,1%

Equity Performance



Portfolio Performance

