

# PORTFOLIO REPORT

EQUITY PERFORMANCE

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**HCM**  
HANDELS CAPITAL MANAGEMENT

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October 2020

## CEO Comments

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October was a turbulent month on the financial markets. It started out positive with expectations of a deal between democrats and republicans to secure a stimulus package for the economy. However, in the final days of the month a second wave of Covid-19 started to form. Stocks as well as bonds plummeted with most indexes ending the month with a negative return.

Our portfolio followed with a negative return of -2.5% which was in line with our benchmark. Our equities and OMX30 fell -6.0% and OMX30 is now up +1.6% year-to-date while our equities have outperformed with a total return of +11.1% so far this year.

At the end of the month we had an investment meeting where we decided to increase our holding in Kindred Group. The company has performed well and we believe a large seller has now sold off most of their holdings in the company which should mean a weight has been lifted from the stock. We will closely follow their US expansion and expect to see higher earnings and valuations in the coming years.

We also decided to accept the raised offer we received regarding Engelska skolan. The initial offer was 77 SEK per share but we agreed to not act upon that offer and hoped to get 88 SEK per share. The second increased offer met us halfway at SEK 82 and we found the valuation to be fair. We initially acquired our shares in the company in connection with their IPO in late 2016 at 70 SEK per share which implies a 20% return including two dividends of 1.14 SEK and 1.16 SEK per share.

In November we will closely follow the development of Covid-19 as well as the election in the US.

Felix Ljungström  
16/11/20

## Asset Manager's Comments

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Hello,

October was a strong period until the end of the month. OMXSGI fell -5,5% in the last 7 days. During the whole month, OMXSGI fell -6,0% and the index is now +1,6% YTD. Compared to OMXSGI, our equities traded in-line with the market with a return of -6,0%. YTD, our equities are +11,1% which we are very pleased with.

The best performers during the month were MedCap, Kindred and Latour. The worst performers were Billerud, ChemoMetec and Loomis.

The season for Q3 reports started at the end of October, and we are so far happy with our companies operational performance with regards to the circumstances. Both Medistim, GHP and C-RAD are heavily affected by the shut-down of elective surgery. Although, the management has guided the crisis well and managed to show impressive results.

C-RAD is an interesting case. We think that the market for SGRT (surface guided radiotherapy) will show high underlying growth driven by 1) increasing installed base of linear accelerators globally and 2) attach-rate of SGRT increasing significantly as the technology becomes standard of care. Also during the quarter, C-RAD and Elekta's co-operation from 2019 in the US was expanded to China in September. This shows a strong commitment from both sides and will enable C-RAD to scale revenues at a lower OPEX base. Together with high gross-margins from Catalyst+ and an increasing share of service revenues, we think the EBIT-margins will start to scale significantly from here. The company trades at ~4x next year's revenues, which we find attractive given the long-term outlook. As the company grows, we think the stock will attract more attention from equity funds and institutions. Today institutional ownership is <10% and Humle Fonder has sold 2,3% in the last 3 months due to new managers. Insiders have bought for >7 SEKm YTD. We remain our conviction.

The whole portfolio returned -2,5% in October, trading in-line with our benchmark by which also fell -2,5% during the month. Global Bonds returned a negative -2,2% compared to our benchmark which was down -0,8%. Corporate Bonds were flat at 0,0% compared to our benchmark at -1,0%. Alternative Investments returned a positive +0,4% compared to Barclays Hedge Fund Index which preliminary was down -0,1%. 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  
15/11/20

### Top Ten Equity Holdings

Company Name	% Portfolio	Value
<b>Top ten holdings</b>	<b>75,3%</b>	<b>4 377 994</b>
SBB	13,8%	801 355
Investor AB A	11,1%	646 250
BillerudKorsnäs	8,2%	475 365
Latour	7,5%	435 834
ChemoMetec	7,3%	425 870
Kindred	6,7%	389 483
Microsoft	6,4%	371 162
MedCap	5,3%	305 663
Medistim	4,6%	268 262
Catella	4,4%	258 750

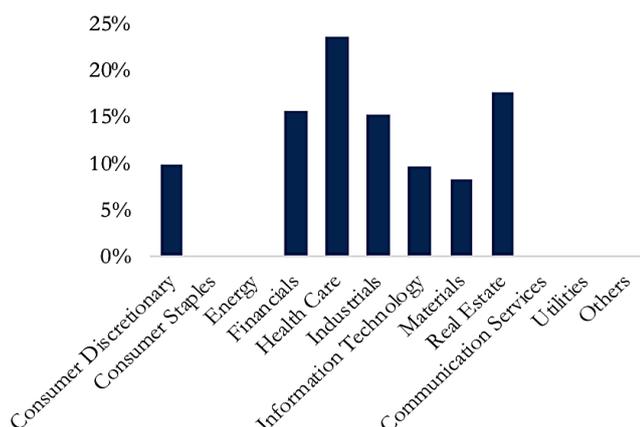
### Gainers and Losers

Five Largest Portfolio % Gainers	% Portfolio	% Gain
Microsoft	6,4%	850,0%
MedCap	5,3%	156,7%
SBB	13,8%	75,8%
ChemoMetec	7,3%	46,6%
Balco	4,4%	41,3%

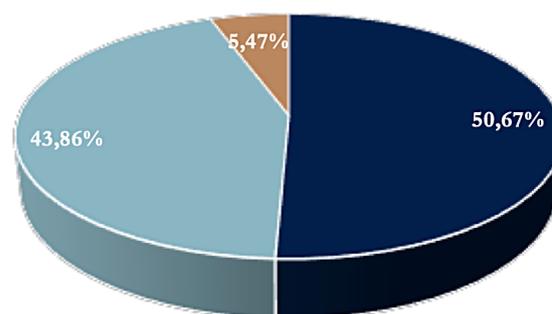
Five Largest Portfolio % Losers	% Portfolio	% Loss
C-RAD	2,1%	-30,0%
Loomis	3,4%	-23,4%
Kindred	6,7%	-22,9%
Catella	4,4%	-19,6%
Firefly	3,3%	-2,6%

### 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	37,3	22,9
P/E - Next Fiscal Year	30,2	24,0
Price/Book	2,17	3,75
Price/Sales	2,74	3,34
Enterprise Value/EBITDA	21,8	16,2
ROE	20,0%	17,0%
Dividend Yield	2,6%	2,0%

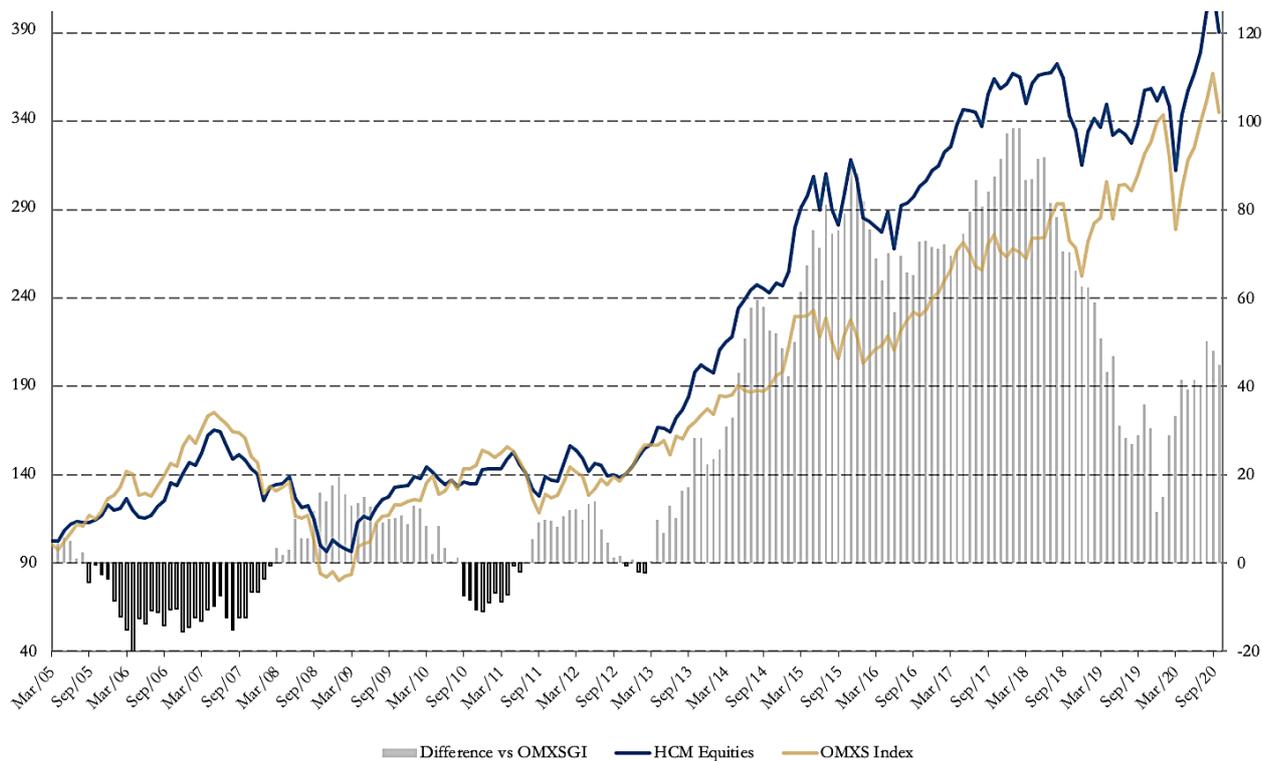
#### Risk

	Portfolio	Benchmark
5 Year Beta	0,79	0,66
2 Year Beta	0,92	0,70
1 Year Beta	0,92	0,67
5 Year Price Volatility	26,5	26,9
2 Year Price Volatility	41,6	30,7
1 Year Price Volatility	48,7	35,0

#### Growth

	Portfolio	Benchmark
% EPS Growth - 5 Yr CAGR	11,9%	6,9%
% Rev Growth - 5 Yr CAGR	11,2%	3,3%

## Equity Performance



## Portfolio Performance

