

# PORTFOLIO REPORT

EQUITY PERFORMANCE

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**HCM**  
HANDELS CAPITAL MANAGEMENT

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January 2020

## CEO Comments

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After a superb 2019, markets began the decade in a good mood before concerns over the coronavirus picked up towards the end of the month, resulting in a slightly negative return for equity markets in January of 2020. The emerging markets were the most affected by the coronavirus outbreak in China, declining by 4.7%. Safe havens performed well, with global fixed income appreciating 1.3%. Markets did not seem to care for the brief conflict between Iran and the US, which de-escalated quickly. The economic data coming in during January did show signs of improvement. With major central banks set to continue to stimulate the economy, investors appear to have overcome previous recession fears.

The coronavirus originating from Wuhan, China has at the time of writing infected 37,590 people and has resulted in 814 deaths. Surpassing the SARS outbreak in 2003. As a result, the economic activity in the region has declined severely. The outbreak coincided with the Lunar new year, a period of travel and high consumption. Approximately 60 million people are under quarantine and two thirds of the country's companies are still under shutdown. As the Chinese consumers spend more on travel and luxury goods than any other country by far, we expect these sectors to take the largest hit during the first quarter. Additionally, China represents a large share of global oil consumption. This has led to a decline of 12% for Brent crude oil over the month.

The European economy growth remains slightly positive, growing 0.1% in the final quarter of 2019. The manufacturing sector which has been deteriorating for the most part in 2019, showed a significant rebound. Lagarde's second meeting was a non-event, leaving rates untouched. However, she did call for an increase in fiscal stimulus emphasizing that good fiscal support would prove more effective than increased monetary stimulus. Lastly, the UK officially exited the EU on 31 January. The battle is however not over as the UK and EU will have to negotiate a new free trade agreement over the next 11 months of transition. Hence, the risk of a hard Brexit will persist until a deal has been made.

*Erik Cassel*

*Chief Executive Officer – 2020-02-13*

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## Asset Manager's Comments

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During the month of January, our Equities outperformed the market posting a return of 2,12% vs OMXSGI which appreciated 1,23%. ChemoMetec raised their guidance for the second time during their calendar year, the market reaction to this was, of course, positive and the stock started the year by gaining 11,4%. Another holding that performed was Catella that returned 12,5% during January after some changes in the owner list. It was announced that Ruther Arnhult has bought a stake in the company, which investors seemed pleased with. BillerudKorsnäs reported a report in-line with expectations but the reaction was positive since the company declared an extra dividend of SEK 4 per share plus an ordinary dividend of SEK 4 and also launched a buy-back program. This combined with a high short interest in the share led to an increase in the share price with 12% during January.

On the negative side, Kindred released a profit warning for Q4 due to betting duties in France and also due to a lower sports-book margin than expected. The market in the Netherlands was also mentioned as a market where the development was unfavorable. Start-up costs in the US impacted EBITDA negatively as there is a lag between cost buildup and revenues. The share fell 14,5% in January. Loomis did also decline during January due to lower estimates after the stopped acquisition in Germany after the Germany Competition Authority turned down the acquisition. The share declined with 9,9% during the month.

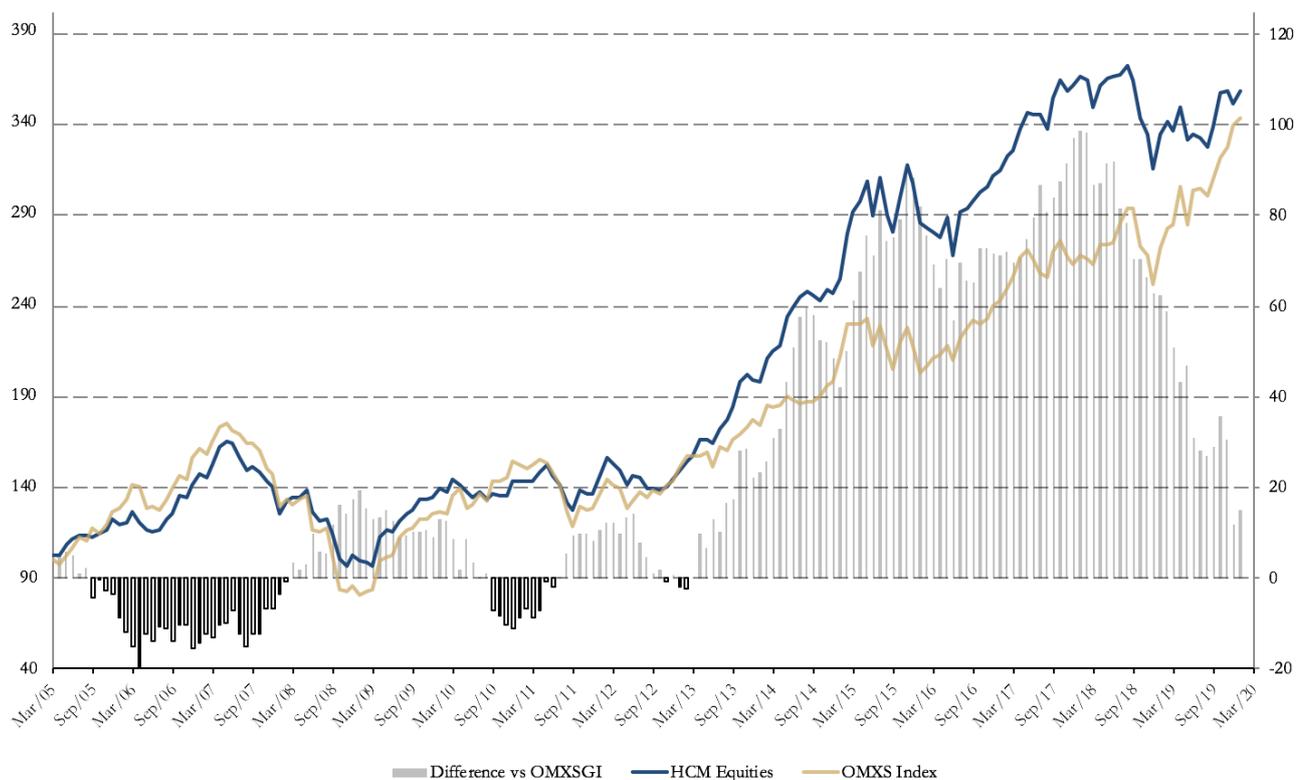
The Portfolio returned 0,87% during January which was lower than the benchmark return of 1,4%. This is mainly attributable to Alternative Investments where Gladiator fell some 4,3% in January.

*Karl Norén*

*Asset Manager - 2020-02-13*

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## HCM Equities Performance



### EQUITIES OVER TIME

Return & Risk	HCM Equities	Benchmark
Last Month	2,12%	1,23%
Year To Date	2,12%	1,23%
Last Twelve Months	7,30%	26,55%
Since Start (March 2005)	256,71%	241,82%
Average Yearly Return	8,90%	8,59%
Months Active	179	179
Number of Positive Months	104	113
Number of Negative Months	75	66
Annualized Std. Dev. Last 12m	11,17%	13,51%
Sharpe Ratio Last 12m	0,49	1,83
Benchmark Correlation Last 12m	0,78	

### SUMMARY

Best Performers	1 Month
MedCap	13,5%
Catella	12,5%
BillerudKorsnäs	12,0%
Worst Performers	1 Month
Kindred	-14,5%
Loomis	-9,9%
GHP Speciality Care	-4,8%
Currency Exposure	Weight
SEK	90,3%
USD	5,0%
NOK	0,0%
DKK	4,7%

## HCM Portfolio Performance

