ABOUT THE FUND

Proxy Renewable Long / Short Energy is an actively managed AIF fund that invests globally in public equities related to the Energy Transition Theme. The fund utilizes both long and short positions and invests in the renewable energy and energy tech sector.
The investment strategy is based on a combination of top down thematic and bottom up fundamental value-oriented approach.

RETURN HISTORY

SEK A SHARE CLASS, NET OF FEES

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	2.37%	7.45%	-7.01%										**2.29%**
2019	14.31%	5.35%	-0.73%	6.93%	-3.62%	5.79%	2.41%	1.82%	-0.03%	-2.07%	1.97%	7.50%	**45.86%**
2018												-7.40%	**-7.40%**

Performance Figures

Return since inception	**38.16%**
Return p.a.	**27.43%**
Volatility	**19.80%**
Sharpe	**1.39**
Max drawdown	**-7.40%**

Data as of 31 March 2020, Proxy P for SEK A share class

Risk Figures

VaR (1-day, 95%)	**3.72%**
Net exposure	**89%**
Gross exposure	**145%**
Longest single stock	**7.88%**
Shortest single stock	**-3.85%**

COMMENT BY THE PORTFOLIO MANAGER

Markets in general

Stock markets experienced a historical weak month in March. The globalization of the Corona virus that started in February with 87,000 infected persons and 3,000 deaths grew exponentially to 858,000 infected and 42,000 deaths during the month of March. Governments implemented various levels of restrictions including total lock down in their attempts to constrain social contact and fight the virus from spreading further, bringing large parts of the global economy to a halt. Global equity markets (exemplified by the MSCI World NTR SEK) dropped by **10.7%** in March resulting in **-16.7%** YTD return. Meanwhile, the renewable energy sector index delivered negative returns of **18.8%** over the month resulting in **-13.6%** YTD.

Proxy performance

In March, the Proxy Renewable Long Short Energy fund generated a monthly return of **-7.01%,** bringing the fund to **2.29%** YTD. The fund's relative performance in March versus the market was our strongest outperformance to date and the same applies to the overall relative performance in Q1 2020. In summary, the exposure hedge contributed with 7.46% return which offset losses primarily from the solar and energy efficiency positions.

Adjustment of valuations at the end of February, after the sharp two week sell-off showed (temporarily) normalized long-term valuations. As a result, we increased directional exposure the first few days of March by, adding risk across most sectors and particularly solar.

In our February 2020 letter we wrote: '*We do not try to predict the outcome of the ongoing Corona virus scare however, possible effects of the growth trajectory are naturally considered in portfolio and risk management reviews'.* While we do not claim to have been able to predict what was coming in March, markets did not price in the uncertainty towards economic forecasts that a global pandemic would create. Typically, we adjust portfolio positions slowly as a reflection of the (ordinarily) modest rate of change of our forecasts/scenario analysis. However, the first few days of March presented new data points on the back of continued Covid-19 outbreaks and the fact that the common response was lockdown/quarantine of countries and communities. Consequently, we expected higher volatility and again started to decrease portfolio exposure and added protection in early March.

The fund aims to capture the long-term growth trajectory related to Energy Transition and that objective does not change because of the current situation, but the path does. We came into the sell-off in early March with reduced exposure to both sector and equity levels. We adjusted the trajectory during the period 13-20th March when we saw long term value bounce back with lower prices and as a result, we started increasing risk by adding to our high conviction holdings across the portfolio. Volatility is high for a reason and the rate of change in March was higher than anything we have ever experienced. However, with high conviction in our model we felt comfortable in again adding risk. Over the course of Q1, we have rebalanced risk levels in the portfolio four times, something we do not typically do even once a year.

Transition in energy markets

The implications of the Corona virus will have a negative impact on the global economy however, it is too early to fully grasp the economic consequences of the pandemic. Outcomes will depend on how fast and successful governments and health care systems are in fighting it and what kind of measures and restrictions are used. The long-term economic effects also depend on how successful the implementation of fiscal and monetary policy programs will be. These programs will have a crucial impact on structural unemployment and what shape the global economy will be in after Covid-19 retreats.

Despite these uncertainties we remain optimistic about the long-term outlook of Energy Transition which is evolving within three core areas: **energy efficiency, electrification** and **renewable energy** sources**.** The development in energy efficiency is driven by investments in energy saving systems and products for households, commercial real estate and industries. A global economic slowdown will have a negative impact on investments in general and investments in energy efficiency will not be an exemption. But since such investments are justified both from a financial and decarbonization perspective they are not canceled, rather postponed and as soon as growth resumes, we would expect a strong recovery based on pent-up demand.

Transition in energy markets

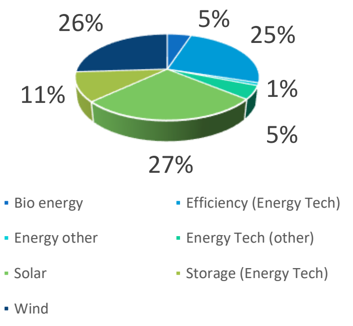
In the field of electrification, EV sales is the largest driver of growth today. An economic slowdown is expected to have a negative impact on EV sales, affecting battery producers and suppliers to the EV industry. A slowdown will make households more cautious and as a result they typically cut spending in times of uncertainty. Old CVs (Combustion Vehicles) are not expected to be a substitute in this situation. Rather, we are certain that purchasing decisions regarding a new car will be delayed and create shelved demand filtering down to higher EV sales when economic activity picks up again.

Renewable energy resources are the largest area within Energy Transition. Growth relies on investments in capacity generation and infrastructure. In the past, the renewable sector had a strong correlation to oil prices and given the recent collapse in crude oil there could be reasons to be worried. We do not believe that this historic relationship is working anymore as it assumed that high oil prices were a requirement for high energy prices in general. Given weak historic investment fundamentals in renewables, energy prices had a natural relationship and correlation.

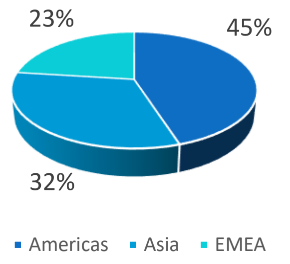
An economic slowdown would affect power demand and electricity prices negatively. This is obviously not positive for power generating assets in general but from a broader perspective this is not the real issue. In fact, power demand is quite stable, the issue is access to and costs of financing. New capacity investments rely on access to funding, both from equity and debt capital markets. In turbulent times like this, access to funding become a scarcity along with a general resistance of taking on risk from the investment community. This is good news because capital markets tend to react much faster than other more structural problems when the tide is turning. Over a long-term perspective, we are not concerned about the outlook and continued strong growth trajectory of renewable investments from a financial and decarbonization perspective.

We are convinced that this economic slowdown is strengthening the prospects of Energy Transition, because it will make it even harder for the old carbon energy producers to prosper and the pent-up demand will speed up growth when economic activity returns. That said we are still bound for a bumpy ride until we have more clarity concerning the economic effects of Covid-19. We also expect some disruption issues related to the supply side during the first half of 2020, primarily as a result of the Asian lockdown earlier this year. This is causing temporary delays but is expected to catch up later this year. From an investment perspective we continue to focus on companies with proven business models, strong market positions and backlog of orders, healthy balance sheets and positive operational cash flows.

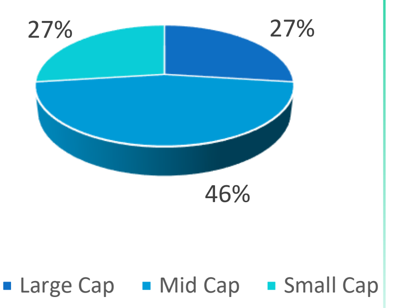
SECTOR EXPOSURE



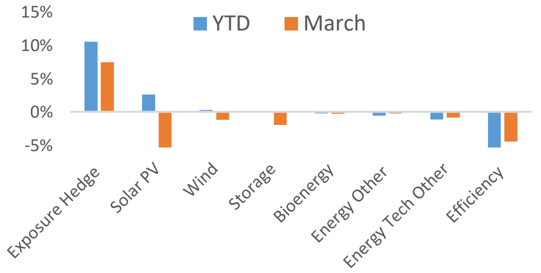
GEOGRAPHIC EXPOSURE



MARKET CAPITALISATION



SECTOR CONTRIBUTION



SHARE CLASSES – PRICES

SHARE CLASSES	*ISIN*	*PRICE*
SEK A	LU1925475474	138.16

OTHER INFORMATON

Fund Facts

Portfolio Manager	Jonas Dahlqvist
Inception	14 December 2018
Liquidity	Monthly
Management Fee	0.75% p.a
Performance Fee	20%
Hurdle Rate	5% p.a.
Lock in	None

Fund Facts

Depository	SEB S.A
Administrator	European Fund Administration S.A
Auditor	Deloitte Audit
Fund Jurisdiction	Luxembourg
Fund Company	Proxy P SICAV-SIF
Investment Manager	Proxy P Management AB

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