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%	4.63%	2.76%	5.70%							**16.24%**
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	**57.01%**
Return p.a.	**32.97%**
Volatility	**18.38%**
Sharpe	**1.79**
Max drawdown	**-7.40%**

Risk Figures

VaR (1-day, 95%)	**3.04%**
Net exposure	**82%**
Gross exposure	**174%**
Longest single stock	**9.50%**
Shortest single stock	**-1.62%**

Data as of 30 June 2020, Proxy P for SEK A share class

COMMENT BY THE PORTFOLIO MANAGER

Markets in general

Markets trended upwards in June, the third month in a row, making the second quarter this year one of the best performing in history. The positive narrative surrounding fading Covid-19 restrictions was still in focus, which will help bring the world economy back to normal. Early macro indicators, such as PMIs, have been recovering faster and stronger than expected. In turn, triggering positive earning revisions by equity analysts. Global equity markets (exemplified by the MSCI World NTR SEK) gained 1.7% in May resulting in -6.2% YTD return.

Proxy performance

In June, the Proxy Renewable Long Short Energy fund generated a monthly net return of **5.7%**, bringing the fund to **16.2% YTD**.

The Energy Transition-related sectors delivered strong returns in June on the back of low valuation and a promising post-Corona outlook. The market consensus view is saying the disruptive force of Energy Transition will intensify because of Covid-19 slowdown. This rationale is supported by increased subsidies, renewable energy stimulus packages, financial difficulties in old energy assets caused by low oil prices, lower battery prices and so on.

We increased our net exposure at the end of March. Since then it has remained high which has been rewarding. Even if we agree with the general market view of our sector, we acknowledge the presence of tail risk events in this environment. We manage them through beta hedging of the portfolio which had a small negative contribution over the month.

In June, most of our Asian investments such as battery production, wind turbine manufacturing, solar and wind power operators, biofuel producers and solar PV material producers had strong developments. They had been underperforming earlier this year on the back of political uncertainties which resulted in a wide discount on growth adjusted valuations, both from an absolute and relative perspective. In June, the Chinese government introduced new investment packages along with increased subsidies which lead the market to realize the long-term potential of these companies. We currently see significant upside on a long-term perspective in all our investments. At the same time, we realize the market should be cautious as a result of expected weak second quarter results and the vague outlook of the second half of this year. It is important that our portfolio companies not only have a strong outlook in terms of growth, but also have strong balance sheets and cash generating businesses so they can weather difficult times and deliver growth in the long term.

Transition in energy markets

During the financial crisis in 2008-2009 about 15% of stimulus money injected into the global economy went to green and sustainable initiatives. In June, Germany annouced they will commit EUR 130 bn to the pandemic recovery with about 30% to be directed towards activitites to cut emissions. During the great recession, the primary objective was getting out of the crisis. But in the years to come, Germany, along with most European countries, failed to deliever growth. Especially compared to the rest of the world. There are many possible explanations. In general, Europe has been stuck in stagnated businesses. Now it seems lessons have been learned: direct stimulus and investments into areas that can be competitive in the next couple of years. Energy transition related sectors fit that description.

The current program in Germany show the world how green stimulus can be achieved. The biggest part of the stimulus, about EUR 11bn, is being spent on new renewable energy capacity and grid infrastructure. Second largest area is the hydrogen initiative and related infrastructure which will receive about EUR 9bn. This is quite surprising given its limited use today. However, we consider this to be a strategic move from a long-term perspective. Germany is an industrialized country and is still competitive, 20 years after China stepped onto the scene. But it relies on coal power generated energy which is not sustainable in the long run. It is either too expensive to run a production based on coal power or customers will abandon non-green products.

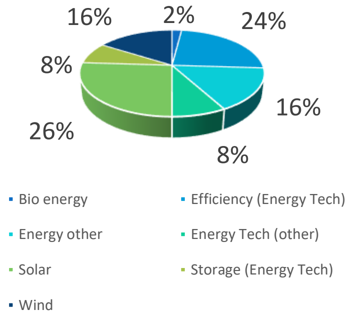
Transition in energy markets

Renewable energy sources have unstable energy production. Therefore, storage technologies will be an integrated part of renewables going forward. Through the electrolysis process, green hydrogen can be produced by mixing water and electricity. Hydrogen can be stored and later used in all kinds of energy intensive businesses.

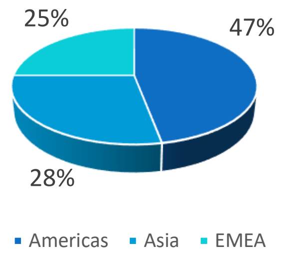
We are strong believers in electric vehicle (EV) development. For heavy traffic, such as longhaul trucks, there are issues and constraints to be resolved. For example, fuelcells and hydrogen would be better solutions. The German stimulus plan also includes EUR 5.6bn towards electric vehicles. This makes sense given the large automotive industry.

From an environmental aspect, the Covid-19 recession has resulted in falling emissions and currently, 2019 is the peak emission year. Emissions will pick up with regained economic activity. If we want last year to remain the peak year, Global Energy Systems will have to be transformed. Pandemic stimulus is one step in the right direction. From our perspective, we get very excited by this development. We know from experience it is crucial to understand the full chain of events in order to understand where growth and profits will be made.

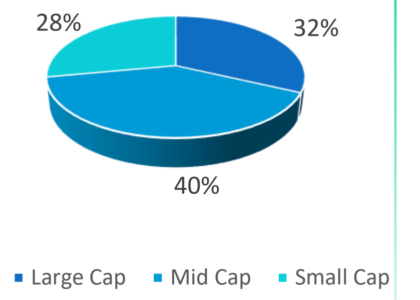
SECTOR EXPOSURE



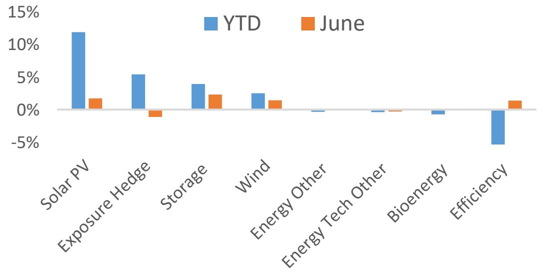
GEOGRAPHIC EXPOSURE



MARKET CAPITALISATION



SECTOR CONTRIBUTION



SHARE CLASSES – PRICES

SHARE CLASSES	*ISIN*	*PRICE*
SEK A	LU1925475474	157.01

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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