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%	8.28%						**25.87%**
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	**70.01%**
Return p.a.	**37.49%**
Volatility	**18.43%**
Sharpe	**2.03**
Max drawdown	**-7.40%**

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

Risk Figures

VaR (1-day, 95%)	**2.14%**
Net exposure	**73%**
Gross exposure	**141%**
Longest single stock	**7.14%**
Shortest single stock	**-1.47%**

COMMENT BY THE PORTFOLIO MANAGER

Markets in general

Markets continued trending upwards in July, the fourth consecutive month in a row, making the post-recession recovery this year the best performing period in history. The continuous positive market narrative since early April imply a normalization of global growth. Covid-19 cases continue to increase in the US and by mid-June this year, 85% of the US population lived in a State easing restriction. Now only 15% does. The rest is facing status quo or tightening restrictions. Consequently, consumer confidence indicators have been weak lately which might result in lower growth than expected going forward. On top of this we face US presidential election uncertainties.

Global equity markets (exemplified by the MSCI World NTR *SEK*) lost (gained in USD terms) **1.4%** in July resulting in **–7.5%** YTD return.

Proxy performance

In July, the Proxy Renewable Long Short Energy fund generated a monthly net return of **8.3%**, bringing the fund to **25.9%** YTD.

Energy Transition sectors delivered strong relative returns in July due to the market consensus view that the disruptive force of Energy Transition is likely to further intensify as Covid-19 slows down. The rationale supporting this view can be argued on the back of increased subsidies and stimulus packages supporting investments in renewable energy.

In July, two of our investments in Electric Vehicle (EV) manufacturers, Tesla and BYD performed particularly strongly. There are corporate specific reasons for the strong performance but on top of that we expect the automotive sector to pick up next year after two rather weak years. Overall, we believe EVs will grow their market share and Tesla and BYD are well positioned to gain from such expected development.

The solar PV sector was the best performing sector for the fund in July. During the month, two of the largest players in the market, Sun Run and Vivint Solar, announced their intended merger. The structure of the deal gained the market's attention regarding future hidden value in the sector. The fund's six solar investments performed well, both from an absolute and relative perspective. Solar power, both large scale and residential, is expected to grow exponentially in the next couple of years on the back of cost and efficiency competitiveness coupled with supportive policies.

We reduced the fund's net exposure in late July. The decision was based on elevated short-term valuation of the sector as well as our individual investments together with a more cautious view of the market in general. After the strong development since late March and implied expectations of the rate of recovery going forward, we currently view the risk reward structure of the market as challenging. However, we remain comfortable with the outlook of the mid to long term growth trajectory of the sector where fundamental drivers are well established.

Transition in energy markets

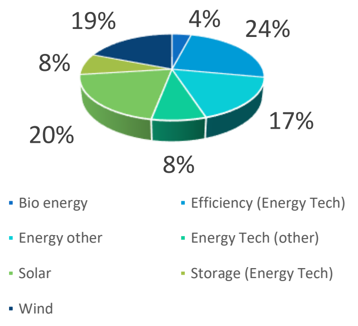
Earlier this summer the German government announced it is committing EUR 130bn in a stimulus packages on the back of the pandemic recovery. ~ 30% of the stimulus will be directed towards activities that will cut carbon emissions. The second largest part of the stimulus is targeting hydrogen infrastructure. This came as a surprise to many given hydrogen's limited use today. In July, the EU commission unveiled its hydrogen strategy, outlining its vision to ramp up renewable hydrogen capacity from roughly 1GW today to 6GW by 2024 and 40GW by 2030. From our perspective this is a rational decision. Within the Energy Transition concept, we believe that hydrogen could follow a similar path to Solar PV in the last decade. It will however require supportive policy measures enjoyed by solar and wind in the past.

According to a report by Goldman Sachs, clean hydrogen has the potential to aid the decarbonisation of ~45% of global GHE (greenhouse emissions). Today, most of produced hydrogen is so called grey hydrogen extracted from natural gas. The future does not involve the grey form of hydrogen. Policymakers are targeting blue hydrogen, which is decarbonized grey hydrogen, and green hydrogen which is produced through electrolysis combining water and renewable energy sources. Hydrogen´s competitiveness is addressing key" hard to de-carbonise energy intensive" sectors such as long-haul transportation, steel, cement, glass, chemical industries, heating, and long-term energy storage. Clean hydrogen, such as green and blue, is currently costly to produce, 1.3-2 times higher for blue and 2-7 times higher for green compared to grey.

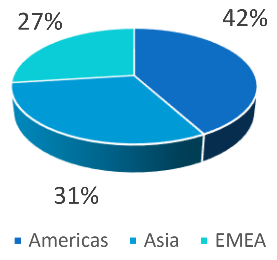
Transition in energy markets

Potential cost improvements are intricately linked to large scale developments in renewable power and carbon capture technologies. Hydrogen screens attractively as a fuel with 2.5 times energy content per unit mass versus gasoline and 2 times natural gas. This makes it attractive for long-haul transport with compressed hydrogen fuel cell systems having a 70% lower weight and 30% lower volume per unit of output energy compared to batteries. The competitive characteristics are impressive, but we acknowledge the cost factor as a large constraint. From an investment perspective it is not only important to target the winning companies within the sector but also to be selective when it comes to financial fundamentals such as real revenue and earnings growth. From that perspective the sector is still challenged compared to other themes within the Energy Transition concept.

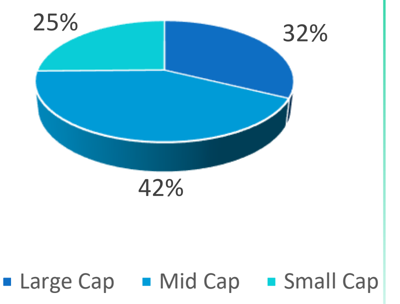
SECTOR EXPOSURE



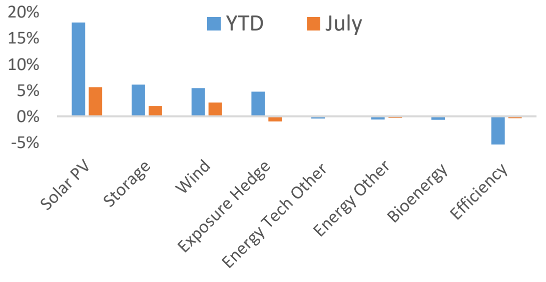
GEOGRAPHIC EXPOSURE



MARKET CAPITALISATION



SECTOR CONTRIBUTION



SHARE CLASSES – PRICES

SHARE CLASSES	*ISIN*	*PRICE*
SEK A	LU1925475474	170.01
EUR A	LU1925475128	109.34

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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