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 is directional, utilises both long and short positions and invests in renewable energy and energy technology sectors.
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%	4.74%	4.32%				**37.53%**
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	**85.76%**
Return p.a.	**40.18%**
Volatility	**17.62%**
Sharpe	**2.28**
Max drawdown	**-7.40%**

Risk Figures

VaR (1-day, 95%)	**2.18%**
Net exposure	**78%**
Gross exposure	**177%**
Longest single stock	**7.25%**
Shortest single stock	**-1.99%**

Data as of 28 September 2020, Proxy P for SEK A share class

COMMENT BY THE PORTFOLIO MANAGER

Markets in general

After five months of upwards trending markets we witnessed some turmoil in September. Daily Covid-19 cases ramped up in several countries and the market was concerned about new restrictions. On top of this, the US presidential election is approaching with uncertain outcome. Corrections in September mostly affected US equities and growth-related sectors which have enjoyed a strong development since the end of March. From that perspective, corrections look more like a traditional set back based on normalisation of valuation multiples.

Global equity markets (exemplified by the MSCI World NTR *SEK*) were unchanged in September resulting in –2.7% YTD return.

Proxy performance

In September, the Proxy Renewable Long Short Energy fund generated a monthly net return of **4.3%**, bringing the fund to **37.5%** YTD.

Energy Transition related sectors had similar developments as global markets in September. At the beginning of the month, our US investments underperformed the European and Asian names. This was basically in line with global developments where earlier US outperformance gave back some of its valuation premium. The solar PV sector has had strong growth fundamentals this year and has been an outperformer but experienced stronger correction than for example wind power and efficiency technology sectors in September.

We took advantage of the market opportunity in September by adding to existing solar investments. We also decided to invest in hydrogen / fuel cell sectors as we believe they have a strong and compelling growth outlook in the long term. Markets started to recover towards the end of the month and these new investments started to pay off and had a positive contribution to performance in September.

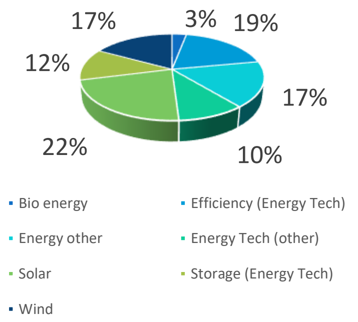
In late July, we started to reduce the fund's net exposure and continued to do so in August. The decision was based on elevated short-term valuations of the sector, individual investments together with a more cautious view of markets in general. We apply various hedging strategies to reduce market risk depending on the exposure level we want to achieve. These hedging positions started to pay off in early September, on the back of market corrections and further contributed to performance. Subsequently, we disposed some of the hedges and when the market recovered at the end of the month, we added new protection. Although we remain optimistic about the mid to long term outlook and the growth trajectory of our sector, we recognize that there are still short-term tail risk elements in the market which we must navigate.

Transition in energy markets

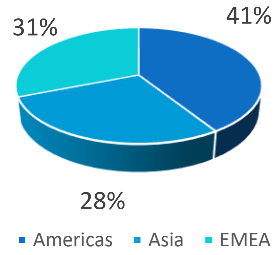
Tesla had a capital markets day in September where CEO Elon Musk announced that Tesla will dramatically reduce the cost of its batteries by introducing new cells as well as changing the materials inside the cell. This would allow Tesla to halve the price per kilowatt hour, which would in turn bring an electric car to roughly the same price point as a traditional combustion engine vehicle. A price tag of ~USD25,000 in three years with satisfying performance measures can be expected. That would pose a serious threat against combustion cars even without the help of subsidies. Tesla has been improving battery performance and cutting cost for years. In fact, battery cost has been trending downwards for over a decade by more than 85%. When we study the massive build out in production capacity of batteries and related materials together with technological improvement, the development in recent years makes sense. The bold pledge by Mr Musk might not be too bold after all.

On a similar note, the US Bureau of economic analysis published data on US personal consumption expenditures. For the first time ever, personal consumption expenditures on *electricity* was higher than it was on *gasoline* this year. The shift is a result of falling expenditures on gasoline and diesel and a spike in electricity. The main reason behind this development is related to Covid-19. Driving fell dramatically when millions of Americans stayed home from work and instead transferred much of their work-related electricity consumption to their own power bill. Even if Covid-19 might be a onetime event we think the trend is set to continue as EVs are expected to grow their market share in the coming years which will shift spending from fuel to electricity. Such a shift would also have the effect of lowering total consumption expenditures on energy since electric vehicles have a far lower energy cost than internal combustion engines. It is also important to remember that the receiver of these expenditures will shift. From oil producing companies to power producers, which is an appreciated shift since power producers face heavy investments and capex programs to build out renewable energy capacity.

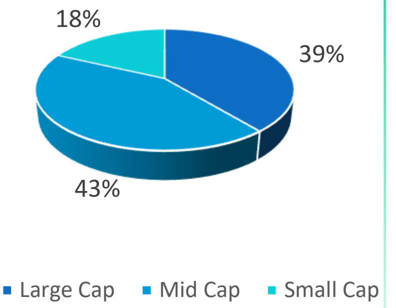
SECTOR EXPOSURE



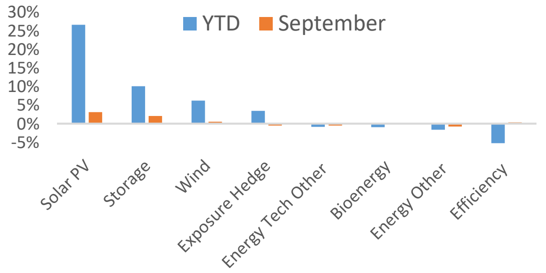
GEOGRAPHIC EXPOSURE



MARKET CAPITALISATION



SECTOR CONTRIBUTION



SHARE CLASSES – PRICES

SHARE CLASSES	*ISIN*	*PRICE*
SEK A	LU1925475474	185.76
EUR A	LU1925475128	117.98

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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