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 growth-oriented approach. Investment decisions are made on a discretionary basis but supported quantitively.

RETURN HISTORY

SEK A SHARE CLASS, NET OF FEES

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	11.63%												**11.63%**
2020	2.37%	7.45%	-7.01%	4.63%	2.76%	5.70%	8.28%	4.74%	4.32%	8.08%	12.06%	9.79%	**82.88%**
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	**175.74%**
Return p.a.	**59.70%**
Volatility	**18.84%**
Sharpe	**3.17**
Max drawdown	**-7.40%**

Risk Figures

VaR (1-day, 95%)	**2.01%**
Net exposure	**25%**
Gross exposure	**181%**
Longest single stock	**7.32%**
Shortest single stock	**-1.54%**

Data as of 31 January 2021, Proxy P for SEK A share class. SEK A NAV 275.74

COMMENT BY THE PORTFOLIO MANAGER

Markets in general

Global markets had a turbulent start of the year. The first half of January was characterised by optimism supported by the installation of President Biden, a democratic win of the two senators in Georgia, Covid-19 vaccine roll out and massive financial stimulus announcements. However, at the end of the month markets turned sour on the back of worrying levels of valuation and market sentiment in combination with concerns regarding high Covid-19 infection rates and slower than expected vaccine roll out.

Global equity markets (exemplified by the MSCI World NTR *SEK*) gained 0.8% in January, starting the year in positive territory.

Proxy performance

In January, the Proxy Renewable Long Short Energy fund (SEK A shares) generated a monthly net return of **11.63%**, giving the fund a strong start in 2021.

Energy Transition related sectors had a more favourable development than global markets in general over the month. A perceived “Global Green Deal” with Biden, China-2060 and the EU-Green Deal rationalised the outperformance. In particular, sub-sectors with expected high long-term growth continued to do well, such as offshore wind power, solar PV, renewable biofuels, hydrogen/fuel cells and battery/Electric Vehicle (EV) production.

We decided to trim some positions and reduce overall market risk on the back of the strong sector performance since last summer. Positions, which had outperformed the sector, with excessive valuations based on short term multiples and a high market beta were trimmed selectively. We deleveraged the fund from approximately 100% to 80% net equity exposure (not including portfolio hedges which reduced net exposure even further to 25%). Although it might not sound like much, the impact on the risk profile is still meaningful. On top of that, we added hedge positions with the purpose of protecting the fund from tail risk events in the overall market. In spite of our short-term cautiousness we remain optimistic on the sector from a mid to long term perspective. We recognise the excessiveness of sentiment and short-term valuations which could be challenging in the near-term perspective.

Transition in energy markets

In the last six months, the general debate surrounding Energy Transition has migrated from “green wave” to “green bubble” given stellar performance by the sector. We believe this to be a flawed description of our universe. In the former secular bull market in 2003 to 2008, our sector had a strong run and built up a bubble which finally collapsed with the Great recession. Back then, Energy Transition was mostly about renewables while technology was largely inefficient, expensive, and required massive subsidies. In addition, the world had few climate- or ESG driven agendas back then. Despite the lack of rational financial fundamentals, the market created a valuation bubble which finally burst in 2008. In the 10 years that followed, between 2009 to 2018, the general market climbed by roughly 200%, or 12% year on year. During this time, our sector was flat and fundamentally restructured itself. Inefficient technologies turned efficient because of economies of scale, outsourcing to low-cost countries and technological development. The cost of different technologies dropped significantly and became financially rational in most markets. In the beginning of 2019, the sector was attractive from a valuation point of view. Both on absolute terms and relative to the broader market. It is our opinion that the strong performance of our sector from early 2019 to late summer 2020 was just a normalisation of deep discount to valuation. In the autumn of 2020, the outperformance continued, and we would attribute that performance to 1. improved outlook of the sector in terms of growth and 2. resilience of our sector to economic turmoil during the Covid-19 slowdown. In our view, it is just in the last two month or so that we witnessed signs of excessiveness in valuation and sentiment of our sector. We would not go as far as define it as a bubble.

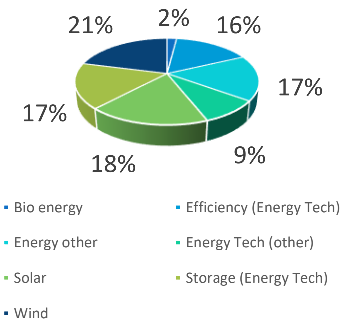
In the micro to small-cap segment (market cap of less than USD1bn) there are hundreds of companies in our sector and many of them have performed very well in the last six months. However, most lack revenues and valuation is purely based on high hopes in a distant future. Some will succeed and grow their businesses into future large caps. But most of them will fail or remain small companies. This sector is no different from any other. Given the large number of failures relative to high valuations there are by nature a lot of bubbles in this segment. In the small to mid-cap segment (market cap between USD1-10bn) we see a lot of fast-growing profitable companies. However, segment market capitalisation developed faster than NTM (Next Twelve Months) Ebitda and as a result, short-term valuations turned somewhat stretched in this segment. However, when we look 3-5 years out from a thematic point of view, these companies will not remain small caps given the expected size of their future businesses.

From a long-term point of view, we consider this segment attractive. In the large-cap segment (market cap above USD10bn) there are two different groups of companies. Firstly, traditional large caps, such as utilities and industrials, active in our sector. They tend to be valued in line with the general market. Perhaps a bit excessive, depending on the outlook of interest rates, but nowhere near bubble territory. The other group is a small group of companies consisting of Tesla, a selection of Chinese EV and battery producers, and some ESG flow favoured stocks. No doubt these companies have an exciting future and many of them will grow greatly. Given the market cap of these companies we believe at least some of them will have a hard time growing into their valuations, both from a short- and long-term perspective.

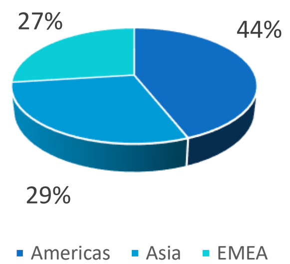
When we look at our sector in aggregate, we would argue that there is no bubble. Quite the opposite, we find it attractively valued on long term expectations. However, short-term valuations pose a risk, and the sector would not withstand a general market correction. If such risks materialise, it will likely present a buying opportunity. We would highlight the fact that something happened in our sector last year which fundamentally changed the mindset among investors. If the Energy Transition story remains intact, which require that the underlying growth trajectory of the sector remains intact, we believe the trend for our sector will be positive and well supported. However, that does not mean it will not experience short term corrections from time to time. A simple comparison is the digitalisation theme visualised by the FAANG companies (Facebook, Amazon, Apple, Netflix and Google). In the last decade, they corrected several times, sometimes quite extensively. But each time it was a buying opportunity. Not because they were cheap on multiples, but because they were less expensive on short-term multiples and more importantly, the long-term story was intact or even improved fundamentally. We would not be surprised if our sector will demonstrate similar patterns in the coming years.

Last year China doubled the growth rate in installed renewable energy capacity, by adding 72 GW wind power, 48 GW Solar PV power and 13 GW hydro power. Surpassing expectations of all analysts out there covering this market. We believe that the Energy Transition story is well supported by fundamentals and that the trend has only just started.

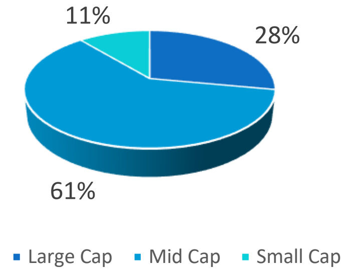
SECTOR EXPOSURE



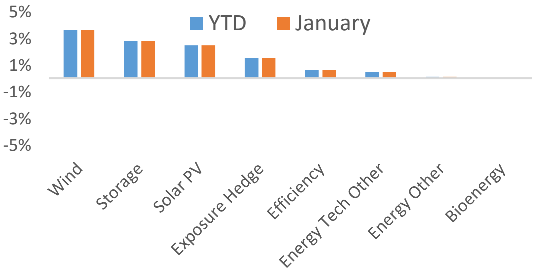
GEOGRAPHIC EXPOSURE



MARKET CAPITALISATION



SECTOR CONTRIBUTION



SHARE CLASSES

Share class	ISIN	Share class	ISIN
EUR B	LU1925475391	EUR S	LU2226981897
USD B	LU2226981624	USD S	LU2226982192
GBP B	LU2247536597	GBP S	LU2247536753
CHF B	LU2247536324	CHF S	LU2247536670
SEK B	LU2247906600	SEK S	LU2226981970

Minimum investment: B shares EUR125,000 and S shares EUR5m (USD, GBP, CHF, SEK equivalent).

OTHER INFORMATON

Fund Facts

Portfolio Manager	Jonas Dahlqvist
Inception	14 December 2018
Liquidity	Monthly
Management Fee	**B shares:** 1.25% p.a **S shares:** 0.75% p.a
Performance Fee	20% with 5% hurdle rate
Lock in	None
Bloomberg ticker	PRRLSEA LX Equity

Fund Facts

Prime Brokers	Morgan Stanley SEB
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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Past performance is no guarantee for future returns. Investments involve varying degrees of risk and there can be no assurance that an investment will be profitable. Market capitalisation and geographical exposure are represented by net figures. Sector exposure is represented by gross figures.

NAV & HISTORIC RETURNS

EUR A	NAV	180.89										
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	10.98%												10.98%
2020							9.34%	4.92%	2.84%	9.15%	13.57%	11.44%	62.99%

A shares are closed for new investments.

USD B	NAV	145.52											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	10.32%												10.32%
2020											15.78%	13.93%	31.91%

EUR B	NAV	123.61											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	10.94%												10.94%
2020												11.42%	11.42%

GBP B	NAV	122.37											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	9.92%												9.92%
2020												11.33%	11.33%

CHF B	NAV	123.42											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	10.88%												10.88%
2020												11.31%	11.31%

SEK B	NAV	111.60											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	11.60%												11.60%

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