# 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% | -2.76% | 0.57% | -6.11% | -6.50% | 9.01% | -4.08% | 0.66% | -1.79% | | | | **-0.95%** |
| **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 | **144.67%** |
| Return p.a. | **37.13%** |
| Volatility | **19.98%** |
| Sharpe | **1.86** |
| Max drawdown | **-14.15%** |

### Risk Figures

| | |
|---|---|
| VaR (1-day, 95%) | **2.55%** |
| Net exposure | **37%** |
| Gross exposure | **219%** |
| Longest single stock | **9.21%** |
| Shortest single stock | **-2.35%** |

*Data as of 30 September 2021, Proxy P for SEK A share class. SEK A NAV 244.67*

# COMMENT BY THE PORTFOLIO MANAGER

## *Markets in general*

Global equity markets tumbled in September on the back of a hawkish FED. The FED indicated in the September meeting that they will announce tapering in November and start it in December by reducing QE by USD 15 billion a month. As a result, rates increased and made the market worried about the sustainability of current high levels of valuation. Moreover, the market still fears that the current high inflation is not as temporary as central banks are indicating as a result of extended high energy prices and supply chain issues. The Delta C-19 virus remains a worry, considering its negative effects on consumer confidence and job creation. That said, macro data is still relatively strong even though it has had a hard time reaching expectations lately. We are clearly in a phase where we are rolling over from a post pandemic extreme stimulus supported economy to a more normal one.

Global equity markets (exemplified by the MSCI World NTR *SEK*) lost 2.7% in September resulting in 20.5% YTD return.

# *Proxy performance*

In September, the Proxy Renewable Long Short Energy fund generated a monthly net return of **-1.79%**, bringing the fund to **-0.95%** YTD (SEK A share class).

The best performing sub sectors in September were wind followed by bio energy. The exposure hedge also contributed with positive returns which were offset by negative contributions from the solar and storage sectors.

The general weak market sentiment did not leave our sector unaffected in September. The underlying reasons for the correction; tapering announcement and higher rates, punished high beta long duration growth stocks and sectors such as ours including solar, offshore wind power, electric vehicles (EVs) and storage technologies such as batteries and hydrogen. As a result, our sector declined in line with general markets. We have witnessed a seven-month long rotation out of the sub-sectors mentioned above including the bounce in June. As such, our sector has not only performed poorly in absolute terms, but more importantly in relative terms compared to broader markets. There were reasons for this. In general, the market favoured large and mega caps over small and mid-cap companies, value over growth, defensives over cyclicals and short duration over long duration. All affecting our core universe negatively. There were also sector specific fundamental arguments. The post-Covid-19 rally brought up valuations, positioning and sentiment in our sector to excessive levels. On top of this, many of our companies have been experiencing severe price pressure from end-customers at the same time as being fully exposed to rising cost inflation and supply chain issues. Disappointing volume growth, in terms of installed wind and solar capacity, hydrogen projects, EV sales, battery volumes etc were expected because of stalled policy support. Industry participants are still waiting for more clarity on public support, given the very ambitious pledges that have been stated in the past. Revenue and earnings growth this year have not been bad but did not deliver on the upside either. As such, we are not surprised by the sector underperformance. Having said this, in September we did see some resilience from a relative perspective. Whether or not this was a first step towards another rotation into our sector is too early to say. We expect a pickup in CapEx and installed capacity, especially in today's environment with rising power prices. This, combined with the growth-adjusted relative valuation of our sector versus the broader market, means that it is not a question of if, but rather when. Simply put, if valuations and earnings growth have been a drag on our sector this year, we can see fundamental reasons why they have the potential to be the exact opposite next year.

Our main concern remains about markets in general. Given the strong development, extended valuations, risk of overstated earnings expectations next year and the risk of substantially higher rates, there is an obvious risk that general markets can turn bearish when you least expect it. We witnessed this in September. We believe that in such an environment our sub-sectors can outperform if the rotation points in our favour. However, that does not mean they will perform from an absolute perspective. We are not market timers, but we manage the downside risk via tactical tail risk hedge exposure. In late August we added hedges on the back of general market concern in combination with short term risk factors (described above) in our sector which provided protection in September. The hedge book is designed to protect the growth book of the fund from large drawdowns. During the month we increased gross exposure to our relative book consisting of 70 long and short equity positions. We see ~ 20% upside on the long side and ~ 20% downside on the short side, resulting in a relative opportunity of ~40%. The two portfolios are balanced on cash, risk, FX, subsector, style and factor meaning it is highly unlikely that they will go in different directions. Our expectation is instead that the long side should outperform the short in any given market.

# *Transition in energy markets*

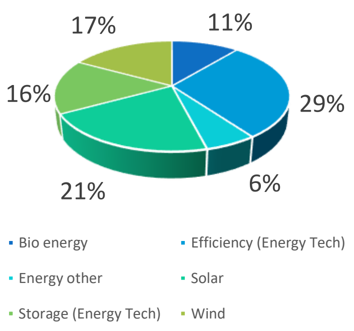
Power prices are rocketing all over the world which together with shortages are causing local energy crises. Prices have been rising for some time; initially due to higher carbon prices effecting coal and gas power producers. More recently we have witnessed higher natural gas prices and to some extent also higher coal prices. Renewables, climate policies and an ESG friendly investment climate have all been accused of being part of the problem. It is true that wind power producers have supplied less power due to recent weather effects, i.e., it has been less windy than normal in many regions. Climate policies have been phasing out coal power for many years in Europe and in the US that otherwise could have supported supply when demand is high, such as now. Additionally, in order to produce fossil energy, you have to constantly invest and explore new sources of production. In the current ESG friendly climate, investors prefer earnings from fossil producers to be distributed as dividends or buybacks for them and not to be spent on new fossil exploration and production projects. This is particularly relevant because fossil-based projects are considered at risk of becoming stranded assets in the future. This is also a constraint to general supply. Despite this, these three factors are not to blame for the current crisis. The main explanation is the very same for many other commodities in the world. We are in a “perfect storm” from a demand-supply point of view. There has been extreme demand because of an exceptionally strong post pandemic economy, supported by historic record high monetary and financial stimulus and pent-up demand from a world which has been forced to shut down. This has been happening at the same time as we experience supply constraints resulting from pandemic related bottleneck effects. To summarise, the natural gas market has been oversupplied for years, holding back prices. This year, above mentioned factors turned the market upside down and made it almost undersupplied. As a result, natural gas prices have been rocketing and at the same time dragging electricity prices with it.

We do not think the fossil energy industry will start attracting CapEx and investments like it used to when prices were elevated in the past. The current energy crisis is likely to be positive for our sector from a mid to long term perspective. We believe that policy makers cannot be too aggressive going forward on shutting down current fossil energy producing assets, which very often is the baseload power. This is preventing policy makers from reaching emission targets which would then push them to expand renewables even faster. We also think that energy demand increase will recede next year as global growth normalises due to fading stimulus and the fact that rising energy prices, and prices in general, actually will be a drag on growth.

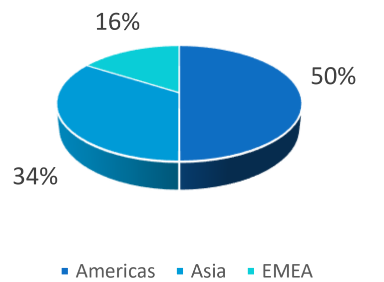
We believe oil, gas and coal prices, even after demand-supply dynamics are somewhat normalised, will remain high because CapEx will remain low and renewables are not replacing them fast enough. A sustained high level of power prices is also beneficial for our sector because high prices on gasoline will make EVs, for example, look even more attractive. High electricity and carbon prices will make renewables, storage and hydrogen look more attractive from an investment point of view.

Given the current situation with elevated power prices, local power shortages and even outages as well as peak emissions, the COP26 meeting in Glasgow feels extremely relevant and timely. The meeting should also address issues such as how we are supposed to practically reach Net Zero targets, energy transition financing and the globalisation of carbon prices. These are challenges that we are very excited about since they affect our companies positively.

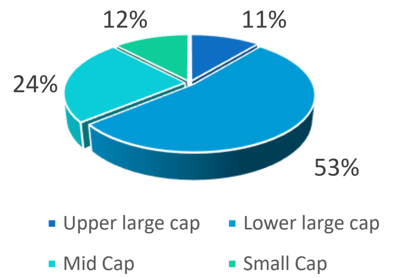
## SECTOR EXPOSURE




## GEOGRAPHIC EXPOSURE

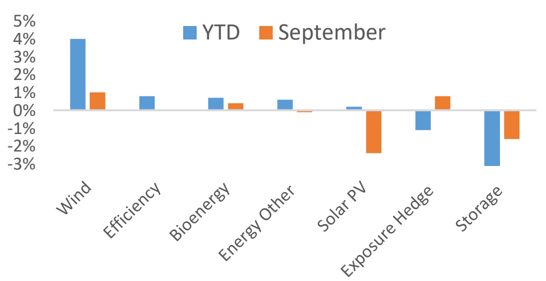



## MARKET CAPITALISATION




*Upper Large Cap is defined as >USD20bn market cap and Lower Large Cap USD10-20bn.*

## 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<br>**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<br>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 |

## Contact

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HFM EUROPEAN PERFORMANCE AWARDS 2021 WINNER ESG Fund Proxy Renewable Long Short Energy

EuroHedge AWARDS 2020 Winner Emerging Manager & Smaller Fund - Equity Strategies Proxy Renewable Long/Short Energy

*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 | 160.64 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** | **YTD** |
| **2021** | 10.98% | -3.30% | 0.19% | -5.52% | -6.12% | 8.96% | -4.65% | 0.71% | -1.23% | | | | **-1.44%** |
| **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 | 123.62 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** | **YTD** |
| **2021** | 10.32% | -3.43% | -2.44% | -3.25% | -4.70% | 5.64% | -4.70% | 0.22% | -3.07% | | | | **-6.28%** |
| **2020** | | | | | | | | | | | 15.78% | 13.93% | **31.91%** |

| EUR B | NAV | 109.40 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** | **YTD** |
| **2021** | 10.94% | -3.35% | 0.16% | -5.56% | -6.17% | 8.91% | -4.69% | 0.67% | -1.27% | | | | **-1.81%** |
| **2020** | | | | | | | | | | | | 11.42% | **11.42%** |

| GBP B | NAV | 105.92 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** | **YTD** |
| **2021** | 9.92% | -4.85% | -1.41% | -3.60% | -7.17% | 8.70% | -5.31% | 1.24% | -1.06% | | | | **-4.86%** |
| **2020** | | | | | | | | | | | | 11.33% | **11.33%** |

| CHF B | NAV | 108.86 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** | **YTD** |
| **2021** | 10.88% | -2.01% | 0.72% | -6.26% | -6.03% | 8.58% | -6.57% | 1.30% | -1.29% | | | | **-2.20%** |
| **2020** | | | | | | | | | | | | 11.31% | **11.31%** |

| SEK B | NAV | 98.74 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** | **YTD** |
| **2021** | 11.60% | -2.79% | 0.53% | -6.15% | -6.52% | 8.96% | -4.12% | 0.62% | -1.83% | | | | **-1.26%** |

| USD S | NAV | 92.69 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** | **YTD** |
| **2021** | | | | | | | -4.67% | 0.26% | -3.02% | | | | **-7.31%** |

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