



GADD SMP FUND

Monthly Report October 2020

NAV EUR 1'540.31*

Inception date 12.04.2011 = EUR 1000

* at 31.10.2020

| | Jan. | Feb. | Mars | Apr. | May | June | July | Aug. | Sep. | Oct. | Nov. | Dec. | Year |
|------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2013 | 2,8 % | 1,7 % | -0,8 % | -0,7 % | 2,4 % | -5,7 % | 6,4 % | 0,2 % | 2,8 % | 0,5 % | 1,3 % | 1,9 % | 13,1 % |
| 2014 | -0,4 % | 5,0 % | -1,6 % | 3,1 % | 1,4 % | 0,9 % | -1,7 % | 0,7 % | -2,2 % | 0,5 % | 3,6 % | 1,7 % | 11,1 % |
| 2015 | 0,5 % | 5,3 % | -0,2 % | 2,0 % | -0,8 % | -4,2 % | 0,8 % | -2,3 % | -0,4 % | 4,0 % | 1,0 % | 1,5 % | 5,6 % |
| 2016 | -4,8 % | 1,3 % | 2,1 % | 3,4 % | 3,5 % | -5,3 % | 3,4 % | 2,5 % | 2,1 % | 0,1 % | -2,3 % | 2,2 % | 7,9 % |
| 2017 | 0,9 % | 2,8 % | -2,9 % | 3,9 % | 1,3 % | 0,1 % | -3,0 % | -1,6 % | 3,7 % | 1,4 % | -1,3 % | -1,1 % | 4,0 % |
| 2018 | 1,5 % | 1,1 % | -3,0 % | 2,5 % | 1,1 % | -0,6 % | 0,6 % | 3,4 % | -0,9 % | -5,5 % | -2,0 % | -2,9 % | -5,1 % |
| 2019 | 5,7 % | 4,6 % | -0,1 % | 4,2 % | 0,1 % | 1,1 % | 0,1 % | -1,6 % | 0,5 % | 0,1 % | 3,1 % | 1,8 % | 21,4 % |
| 2020 | 1,6 % | -4,7 % | -16,2 % | 9,2 % | 4,3 % | 1,1 % | 3,1 % | 3,9 % | 2,7 % | -3,4 % | | | -0,4 % |

Market Comment

During the month of October, the United States made its mark on the financial markets. Following the first - failed - presidential debate at the end of last month, Democratic candidate Joe Biden appeared to have a comfortable lead that was further strengthened when it emerged that President Trump, as well as several of his advisers, had been infected by the coronavirus, complicating his election campaign. However, towards the end of the month, the president strengthened his position in several of the important swing states making the outcome of the election increasingly uncertain. What worried the markets the most during the month of October wasn't the actual outcome of the elections, but instead the increased probability that the election would be so even that the incumbent president would not approve the result and that it would be a US court that decides the election result. Should the incumbent lose the election, the markets also feared the possible decisions that could be made until January 20, 2021, when power will first be handed over to the new president.

The US stock market was also very negatively affected by the fact that Democrats and Republicans in Congress did not agree on a new support package for the US economy before the presidential election. A continued financial rescue package is needed to support the US economy.

The financial markets were also concerned about the growing spread of the coronavirus in the United States and Europe. The number of new cases is now higher than during the spring when several countries in Europe decided to shut down their economies and similar restrictions are once again seen in countries such as France, Spain and Italy, although the measures are not as drastic as before.

In China, the 14th Party Congress was held where the country's priorities for the country's next five-year plan were set. The three main goals are to reduce pollution in the country, to ensure that China becomes less dependent on imports and to integrate Taiwan into China. The last issue is geo-

politically sensitive, as the United States has recently supplied \$ 1.8 billion worth of defence equipment to Taiwan so that the island can defend itself against a possible invasion by China.

Regarding the negotiations between the EU and the United Kingdom, there have unfortunately been no noticeable improvement and the probability of a hard Brexit at the turn of the year is further increasing.

| Index | 31.12.2019 | 31.10.20 | YTD |
|---------------------|------------|-----------|---------|
| MSCI World (USD) | 2.358,47 | 2.292,93 | -2,8 % |
| STOXX50 (EUR) | 3.745,15 | 2.958,21 | -21,0 % |
| S&P 500 (USD) | 3.230,78 | 3.269,96 | 1,2 % |
| Nasdaq Comp (USD) | 8.972,6 | 10.911,59 | 21,6 % |
| Dax (EUR) | 13.249,01 | 11.556,48 | -12,8 % |
| SMI (CHF) | 10.616,94 | 9.587,15 | -9,7 % |
| OMX30 (SEK) | 1.771,85 | 1.717,62 | -3,1 % |
| MSCI Russia (USD) | 806,83 | 504,86 | -37,4 % |
| MSCI China (USD) | 85,15 | 102,67 | 20,6 % |
| NIKKEI (YEN) | 23.656,62 | 22.977,13 | -2,9 % |
| Swe. Gov Bond. 10 y | 0,15 % | -0,06 % | |

The situation between the EU and Turkey has also deteriorated radically. One of the reasons was the religiously motivated murder of a history teacher in France. Turkey has large imbalances in its economy and President Erdogan's political situation is becoming increasingly complicated. If the EU imposes sanctions on Turkey, the country's economic situation will deteriorate further.

On the positive side, however, IFM in its latest report adjusted the forecast slightly for the world economy. IFM now estimates that the world economy will shrink by 4.4%

against the previously estimated 5.2% for 2020, followed by an increase of 5.4% in 2021.

World Index MSCI World (USD) fell 3.1% during the month. The S&P 500 in the US fell 2.8% and the Nasdaq by 2.3%. In Europe, the Stoxx 50 fell by 7.4% and the Dax fell by as much as 9.4%. SMI fell 5.9% and OMX in Stockholm 6.1%. However, MSCI China (USD) rose 5.3% while MSCI Russia (USD) fell as much as 9.9%. Nikkei in Japan fell 0.9%. The Swedish 10-year government bond yield fell from - 0.03% to - 0.06% per month.

Portfolio Review

The report of the listed companies' quarterly reports during the month shows that most of the fund's companies presented results well above expectations, which provided support for the share prices during the first part of the month. During the second part, however, the markets were negatively affected mainly by the increasingly uncertain outcome of the election in the USA, while the spread of the virus increased more sharply than expected in both the USA and Europe.

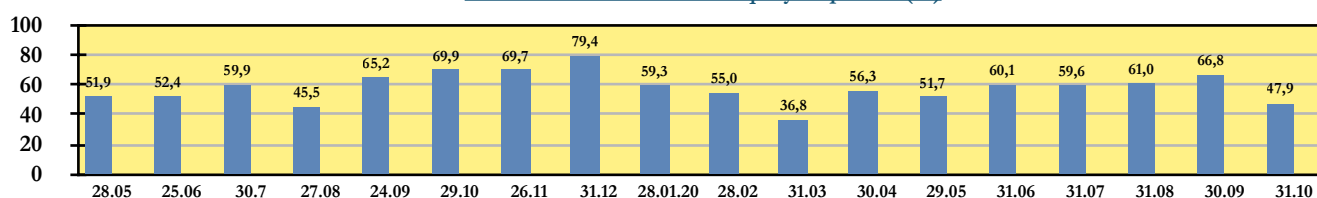
At the beginning of the month, the fund reduced its equity exposure from 65% to 60% by selling index futures. During the second half of the month, equity exposure was further reduced to below 48%. The short technical indicator for OMX30 now shows a slightly negative trend. The medium-term indicator is negative while the long-term indicator remains neutral, thus showing some cautious optimism going forward.

Investment Strategy

As of this writing - November 4th - the final election result in the United States is still unknown. As feared, the fight for election between Trump and Biden is a close call and the uncertainty about who will be the next president of the United States risks being decided in court.

As we mentioned earlier, the election result will have a major long-term effect on the world's stock exchanges. If Donald Trump wins, an increased focus on US foreign policy is expected, with increased tariffs and trade barriers leading to a stronger USD and a worse economic outlook for Europe

GADD SMP FUND: Net Equity Exposure (%)



Africa Energy presented preliminary results which show such large quantities of oil condensate have been found that no further drilling is considered necessary to justify a commercial extraction of the deposit. Unfortunately, the short-term price reaction was negative on the news as the market had expected further drilling to clarify the area's great potential.

Josemaria Resources presented its feasibility study during the month, which confirms the great potential of the company's gold / copper deposit in Argentina.

The stock market had a negative development during the month. However, some of the fund's shares developed positively. Pomegranate Investment rose by as much as 38.9%. Other companies whose shares increased in value were Veoneer (8.6%), Organoclick (8.3%), VNV Global (7.5%), SwedenCare (7.4%), Vostok Emerging Finance (5.4%), Kindred (4.1%), ByggPartner and AarhusKarlshamn as both rose 3.7%. On the negative side, NGex Minerals, which fell 29.1%, Africa Energy (26.7%), Josemaria (23.9%), Enea (18.9%), Skistar (17.4%), Dometic (13.9%), Skanska (11.9%), Momentum Group (11.8%), Hexactronic (10.7%), Sandvik (9.9%), Lundbergs (9.8%) and Wihlborgs (9.5%).

The only change made in the fund during the month was that the exposure to Africa Energy decreased from 2% to 1% of the fund's value.

and China. An election victory for Joe Biden, on the other hand, would lead to tax increases for companies and the rich in the US and a more liberal trade policy towards Europe, which means a weaker US stock market, but more positive for international markets.

Hopefully, volatility will fall after the United States confirms the next president and that within a couple of weeks it turns out that the measures taken, mainly in Europe, to curb the pandemic will have the expected effect without damaging the economy too much. It is also positive that healthcare is much better prepared now than in the spring, which keeps the death toll significantly lower while at the same time the virus tests become faster and more efficient. The likelihood of a vaccine soon also increases as research progresses.

A lower volatility would have a stabilising effect on the financial markets, which would lead to a more positive attitude towards the end of the year. The fund maintains its relatively low risk exposure until these signals become clearer.