



GADD SMP FUND

Monthly Report January 2021

NAV EUR 1'671.95*

Inception date 12.04.2011 = EUR 1000

* at 31.01.2021

| | Jan. | Feb. | Mars | Apr. | May | June | July | Aug. | Sep. | Oct. | Nov. | Dec. | Year |
|------|-------|-------|--------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 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% | -15,9% | 9,2% | 4,3% | 1,1% | 3,1% | 3,9% | 2,7% | -3,4% | 5,1% | 3,3% | 8,1% |
| 2021 | 0,0% | | | | | | | | | | | | 0,0% |

Market Comment

2021 had an eventful first month. On January 6th, Trump supporters stormed Capitol Hill in Washington to prevent the Senate from confirming Joe Biden as the 46th President of the United States. Five people died as a result of the siege and the protesters would eventually be forced to leave the area. This did not prevent Joe Biden from being sworn in as the new President of the United States on January 20th. Trump, on the other hand, will be brought before a Supreme Court for the second time. The House of Representatives has already approved such a proposal and it is now up to the Senate to make a decision in early February. If Trump is overthrown, he would be barred from running for president again. The outcome is uncertain, as it can be argued that it is against the law to put past presidents before the Supreme Court.

Trump will also be dealing with his own financial problems, having sizeable loans and a large part of his business consists of hotels and casinos, whose activities have been negatively affected by the pandemic. Deutsche Bank, which has been his main bank in recent years, has also ended all relations with him.

Joe Biden, on the other hand, has proposed a new \$ 1.9 trillion bailout package to support the US economy, which Congress will be voting on shortly.

The geopolitical situation has deteriorated significantly between China and Taiwan / USA as Chinese aircrafts flew over Taiwan's territorial waters on two occasions to show China's power. The United States has responded by sending the aircraft carrier USS T. Roosevelt on site while confirming its support for an independent Taiwan.

Joe Biden intends to improve relations with Iran and has ordered reduced supplies of munitions to Saudi Arabia.

In Italy, Prime Minister Conte submitted his resignation after losing majority support in parliament. President Sergio Mattarella has invited representatives of the various parties to negotiations to avoid announcing new general elections in the country.

| Index | 31.12.2019 | 29.01.21 | YTD |
|---------------------|------------|-----------|--------|
| MSCI World (USD) | 2.358,47 | 2.661,69 | 12,9% |
| STOXX50 (EUR) | 3.745,15 | 3.481,44 | -7,0% |
| S&P 500 (USD) | 3.230,78 | 3.726,14 | 15,3% |
| Nasdaq Comp (USD) | 8.972,6 | 13.070,69 | 45,7% |
| Dax (EUR) | 13.249,01 | 13.432,87 | 1,4% |
| SMI (CHF) | 10.616,94 | 10.591,06 | -0,2% |
| OMX30 (SEK) | 1.771,85 | 1.948,79 | 10,0% |
| MSCI Russia (USD) | 806,83 | 649,97 | -19,4% |
| MSCI China (USD) | 85,15 | 116,39 | 36,7% |
| NIKKEI (YEN) | 23.656,62 | 27.663,39 | 16,9% |
| Swe. Gov Bond. 10 y | 0,15% | 0,105% | |

After several years of boycott, Saudi Arabia has made peace with Qatar and reopened trade and communications between the two countries.

During its meeting in January, Opec agreed on continued production restrictions in order to achieve a better balance between supply and demand for oil. This was positively received by the oil market.

The spread of covid-19 has continued to increase in most countries. New mutations from England and South Africa have been shown to be more contagious than the original strain. At the same time, the distribution of vaccines from

Pfizer-BioNTech, Moderna and AstraZeneca is beginning to give hope that the pandemic will be brought under control, even though more and more people realise that the covid-19 is here to stay.

World Index MSCI World (USD) fell 1.1% during the month. The S&P 500 in the US fell 0.8% while the Nasdaq rose 1.4%. In Europe, Stoxx 50 fell by 2.0% and Dax 2.1%. SMI fell 1.1% while OMX in Stockholm rose by 3.9%. MSCI China (USD) rose 7.4% while MSCI Russia (USD) fell 2.8%. Nikkei in Japan rose 0.8%.

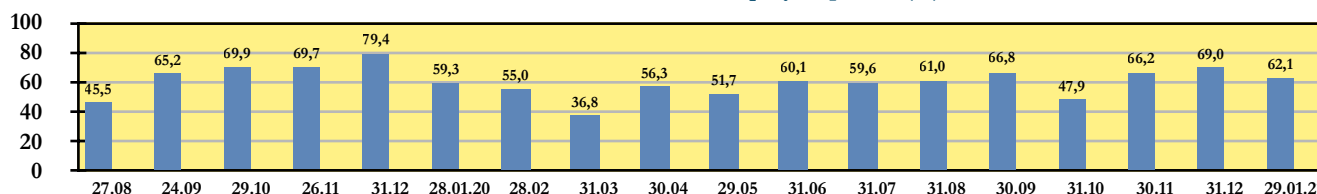
The Swedish 10-year government bond yield rose from 0.03% to 0.105% during the month.

The three technical indicators (short, medium and long) for OMX 30 all show a continued rising trend, but for several other stock market indices the short trend has broken down.

Investment strategy

A sector rotation from “growth stocks” to “value stocks” has already begun in the market. This scenario benefits equities in sectors such as manufacturing, real estate, banking and commodities at the expense of IT and other growth sectors, which is well suited to the fund's current equity exposure.

GADD SMP FUND: Net Equity Exposure (%)



Activities of the month

The holding in Byggpartner was sold at a good profit as the share was considered fully valued. The fund also sold its holding in Swedencare as the share price has risen sharply in recent times. If the share price falls, the fund would be looking at buying back some shares as Swedencare has great future potential. The fund also sold its holding in Telia as the price potential of the company may be considered limited.

In addition to that the holdings in Cibus and Tre Kronor were reduced by 1% to 2% and 1% respectively, in order to reduce the fund's exposure to high-yielding real estate shares.

Finally, the fund's exposure increased by 1% to 2% in Kindred and Hexatronic following the good price development of these shares.

The stock market generally had a positive undertone at the beginning of the month, but developed nervously towards the end of the period. Several of the fund's shares had a positive development. Above all, the sharp rise in Hexatronic rose by as much as 29.1%, closely followed by Enea (26.3%), Kindred (24.8%) and Veoneer (22.8%). Other companies that had a positive price development were again Sdiptech (17.0%), Skistar (14.6%), IPC (11.5%), NGex (9.6%), Ericsson (8.2%), Telia, SEB and Atlas Copco each 8.1%, Volvo (6.7%) and Dometic (6.1%).

On the negative side, Africa Energy fell 15.3%, Organoclick 11.8%, Josemaria Resources 11.7%, Vostok Emerging Finance 9.2%, Pomegranate Inv. 7.4% and Willborgs 7.1%.

The fund had close to 70% equity exposure at the beginning of the month, which increased to almost 80% after the new US president was appointed. However, the exposure soon decreased to around 60% as the volatility of the stock market increased markedly towards the end of the month.

The stock market development during February will, however, mainly be affected by how the stock market evaluates the following points:

- 1) The evolution of the corona pandemic; At the same time as vaccination programs are being rolled out, the pandemic continues to spread at an increasing rate, which entails increased restrictions that negatively affect the economy.
- 2) Geopolitical developments: The new President of the United States opens up for a clearer and more internationally oriented foreign policy, which bodes well for the world economy. At the same time, China is taking the offensive in terms of its influence over Taiwan, which significantly increases the political risk in Asia.
- 3) The US market will be positively affected if the Democrats' proposal for an additional support package of 1'900 billion USD is accepted at the same time as the market fears possible increased taxes on companies and wealth.

The fund therefore has a limited equity exposure of approximately 60% pending the clarification of the risk picture. Although the probability is low that China will attack Taiwan militarily, the risk itself is a reason for many players to carry out profit-taking on a stock exchange where many companies are already highly valued.