



WINTER CAPITAL

REPORT MAY / JUNE 2023



Change in portfolio

In

- **Salmar**
- **Avant Garde (PE)**
- **Aider (Bonds)**

Out

- **Allianz**
- **Aker BP**

Increase

- **BMW**

Trenger en god tittel her

New Board member

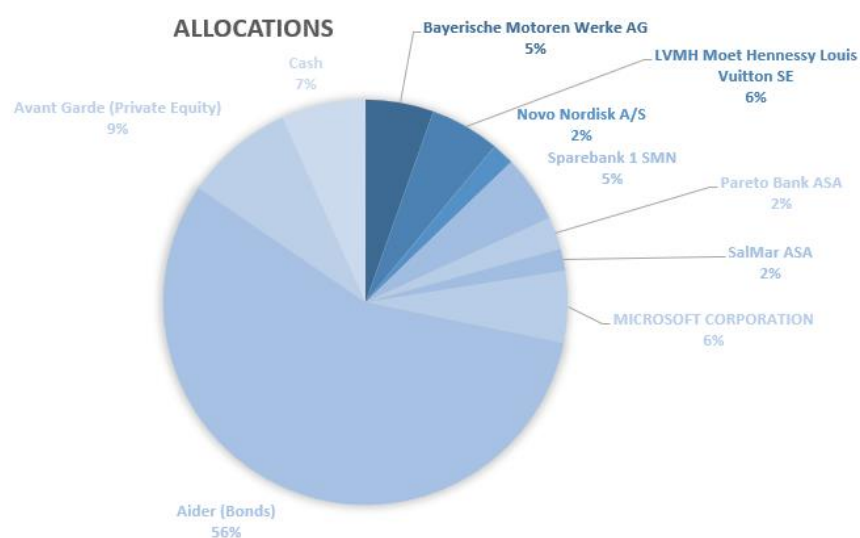
- **Ronny Wisløff Andersen**
(board member and
communication quality controller)

ALLOCATIONS

The market experienced inflationary pressures once again in May and June, reinforcing the well-known adage "May, stay away." The prevailing sentiment is that the world economy remains in an unstable state, heightening the potential for sector-specific declines ranging from 10% to 20%. However, the NASDAQ 100 index demonstrated a modest 3.3% increase during this period. Considering these dynamics, we maintain a cautious stance towards the tech sector, as indications suggest it may have reached its peak.

Winter Capital this period

We are delighted to unveil our new model, representing a significant shift in our portfolio management approach. Transitioning from a solely market-based stock portfolio, we have strategically diversified our holdings to include bonds and Private Equity. This progressive move presents an exciting opportunity for both profitability and knowledge enhancement. However, it is important to acknowledge that these new investment avenues necessitate a higher level of analysis from our team, demanding additional time and a distinct approach.



Winter Capital used the period to decrease and allocate some of the positions. We throw out Allianz to allocate our portfolio and decrease our financial sector in favour of Salmar to increase our food sector. We believe that the seafood sector has stabilized after a turbulent period of political challenges. Having said that, this share is also on the list that receives

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special follow-ups as we have to look a bit to see how the new tax rules affect the company and the sector.

New direction

We are pleased to announce the successful execution of our inaugural private equity transaction. Following an extensive analysis process, we engaged in productive discussions with the general manager and stakeholders. Through these conversations, we gained valuable insights into the company's future strategy. After careful consideration, we reached a mutually satisfactory agreement on the transaction price, aligning with Winter Capital's investment objectives. Additionally, it is worth noting that the company is also seeking public investment through the "folkeinvest" platform. This milestone underscores our commitment to identifying and pursuing promising investment opportunities in the private equity sector.

**AVANT
GARDE**
Search



Significant Bond Investment and Growth Opportunity

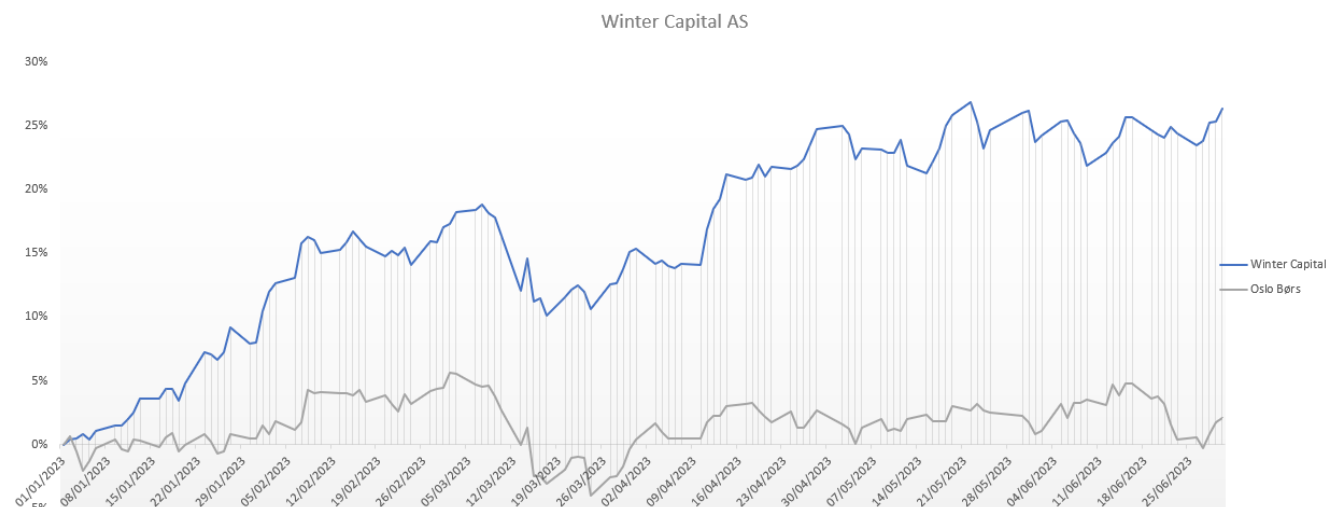
Winter Capital's recent allocation map highlights a substantial investment in bonds, showing our commitment to a diversified portfolio. The inclusion of Aider bonds specifically enhances the low-risk-adjusted segment of our holdings. This strategic move provides us with the flexibility to explore higher-risk equity investments when favourable opportunities arise, provided they offer returns that surpass the NIBOR benchmark. We were thrilled with the initial purchase, and our satisfaction grew when we managed to secure the bonds at what we believe to be below-par value. It is important to note that the success of this transaction was facilitated by our close affiliation with the company, a privilege made possible by one of our team members working within their organization. This unique opportunity adds value to our investment approach and highlights the advantages of our internal expertise.

MAY / JUNE

Movements in May & June

The recent period has presented a challenging environment that has tested the resilience of our portfolio investments. As interest rates witnessed an upward trajectory and certain companies adopted a cautious approach towards new investments, growth opportunities were limited. Throughout this period, we focused on implementing effective hedging strategies and adjusting our portfolio weightings accordingly. Specifically, we sought to capitalize on shares that benefit from interest rate fluctuations while remaining agile to pivot in the opposite direction when growth prospects improve once again. This proactive approach demonstrates our commitment to navigating evolving market conditions and maximizing returns for our investors.

Year to date



YTD: 26,30%

Winter Capital's performance continues to demonstrate commendable resilience, highlighting the strength of our portfolio. Our holdings consist of high-quality companies characterized by low volatility, aligning with our commitment to maintaining a low-risk profile. Given the prevailing inflationary environment, we exercise prudence in our investment approach, carefully selecting opportunities with favourable risk-reward ratios. Our current beta of 0.51 reflects a comfortable level of risk management. Notably, our portfolio strikes a well-balanced composition, ranging from high-risk stocks like AvantGarde to lower-risk investments such as the Aider bond, ensuring a diversified and robust portfolio structure.

FUTURE AND STRATEGY

Expansion Board

We are pleased to announce the expansion of our board at Winter Capital. We warmly welcome Ronny W. Andersen, whose valuable skills and expertise align perfectly with our company's needs. With a master's degree in Management Consulting, Ronny enhances our board's knowledge base and strategic decision-making capabilities. We are confident that this addition will contribute significantly to our continued success at Winter Capital.

We are actively searching for new board members with the essential skills and qualifications to support Winter Capital's growth strategy. We aim to identify individuals with valuable expertise and diverse perspectives aligning with our strategic objectives. Through this diligent selection process, we aim to strengthen our board and ensure that we have the right leadership in place to drive our company's success in a dynamic market environment.

New opportunities

We are actively seeking opportunities to optimize the efficiency of our company. As part of this initiative, we are exploring new broker relationships that can facilitate smoother transactions and provide enhanced brokerage services. We aim to expand our investment horizons by exploring emerging markets such as China and India. To achieve this, we are actively seeking competitive deals and establishing partnerships with brokers who can enable us to access these markets with minimal costs and favourable spreads.



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Strategy

Winter Capital has successfully structured an investment portfolio that positions the company to weather potential negative trends in the macroeconomic landscape. While not ideal, the portfolio is designed to provide a sense of security given the current inflation rates, allowing us to rest easy at night. It is worth noting that the portfolio has evolved significantly since the beginning of the year, reflecting our ability to adapt to new opportunities and external factors. As we remain attuned to market dynamics, we stand ready to pivot our investment strategy whenever we identify alternative avenues that offer favourable prospects.



India's upcoming milestone of surpassing China in population signifies its emergence as a global player. With a young and expanding workforce, India holds the potential for a demographic dividend. However, challenges such as the need for investments in education, health, and job creation, along with infrastructure deficiencies and gender disparities in the workforce, must be addressed. Despite economic growth, poverty, income inequality, and regional disparities persist. While India excels in certain service sectors, its manufacturing sector struggles to match China's success. Nevertheless, India's public investments, technological advancements, and positioning as a manufacturing hub offer opportunities for growth. Balancing economic development with democratic values and addressing socio-economic challenges will be key to India's success as a global power. Sustained progress requires strengthening democratic institutions, promoting inclusivity, and engaging with international partners.

Our thoughts

India's economic trajectory stands distinct from China's, with the emerging superpower forging its own path and exhibiting potential for substantial growth in the coming years. This report discusses the positive outlook for India's economy, highlighting its divergent course from China, successful navigation of the middle-income growth trap, and the potential to outperform expectations. Furthermore, it compares India's prospects with China's evolving economic landscape, including challenges faced by the latter.



India's Growth Potential:

1. **Differentiation from China:** While China possesses a larger economy, India's current shift towards outperformance marks a significant departure from its historical underperformance compared to China. India's unique characteristics and distinct development strategies contribute to its distinct growth trajectory.
2. **Successful Maneuvering of the Middle-Income Growth Trap:** India has effectively managed the middle-income growth trap by utilizing various instruments in its economic toolbox. Notable strategies include the monetization and digitization of the economy, as well as significant tax reforms. These measures enable India to overcome stagnation and progress towards higher-income status.
3. **High Growth Potential:** With a favourable economic climate, India stands poised to enjoy a period of substantial growth. Consequently, further research is required to identify potential stocks that align with our investment portfolio, capturing the opportunities presented by India's economic prospects.

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India's Economic Projections:

1. **Rising Global Economic Rank:** According to forecasts by S&P Global and Morgan Stanley, India is expected to surpass Japan and Germany, becoming the world's third-largest economy by the end of the decade. Notably, the outsourcing and finance sectors demonstrate particular promise, fostering expansion within Indian financial services.
2. **Growth Opportunities in Specific Sectors:** India's mutual fund business and private sector banking are positioned for a decade of growth. These sectors exhibit significant potential for expansion and prosperity, contributing to India's overall economic performance.



China's Evolving Growth Trajectory:

1. **Diminished Growth Outlook:** China's growth trajectory is anticipated to face challenges in the next five years, compared to its previous strong performance. Negative indicators such as high urban youth unemployment and supply chain shift away from China underscore potential headwinds for its economy.
2. **Weaker Economic Data:** Recent economic data reveals signs of faltering growth momentum in China. Contraction in factory activity and weaker non-manufacturing performance highlight the evolving dynamics, particularly following Beijing's relaxation of its strict "zero-Covid" policy.

India's economic outlook presents a promising path characterized by its unique development strategies, successful navigation of the middle-income growth trap, and the potential for high growth years. By capitalizing on its distinctive strengths and leveraging sectors such as outsourcing and finance, India can solidify its position as a global economic power. Meanwhile, China faces challenges that may impact its growth trajectory. Monitoring these developments will enable us to make informed investment decisions and seize opportunities for portfolio enhancement.