

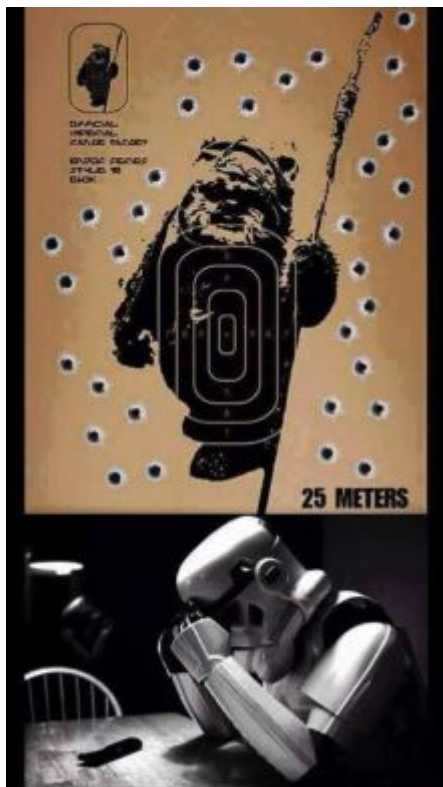
That's horrible - and nothing to write home about

Stockholm (HedgeNordic) - Every month Swedish placera.nu news-site publishes a list of ten funds they would expect to do well in the coming period. And now, six months on, the editorial team looks back at their tips from August 2015 and reflects on those recommendations, in itself a good thing. "The past six months have been strong for placeras recommended funds" the article opens and you can sense a proud chuckle and expectations mount to hear of greatness, as it continues, "Seven out of ten funds have beaten their category index."

The author points out the last months were a turbulent period for equity markets, with increasing volatility forcing global equity indices down by 12%. Granted, tricky environments for many money managers.

The author further writes: "In absolute terms, nine out of ten funds dropped in value. But in relative terms compared with their category index, they have done well. Seven out of ten funds have lived up to our high expectations, which is the goal."

Let us pause. So, out of the ten hot tips, only one, Sensor Sverige Select, had a positive result in the period (+3,8%), while nine recommended funds lost money on an absolute basis. The biggest loser in this portfolio, ironically an index it seems, SHB MSCI Emerging Markets Index was down by a whopping -19,1%, interestingly underperforming its benchmark index by close enough to 10% if we do want to stress relative results.



Trading is balancing off risk and return, and managing the risk.

There is little if not no opportunity to generate returns without entering into some form of risk. But while it can happen to the best, picking nine net losers is never a good thing. So, kudos for clearly communicating your fund picking "skills" and bringing transparency to those decisions, but the net result surely is something that should not be within "your high expectations" and declared as a

“goal”. Picking one winner in ten is nothing to write home about, yet alone nothing to publish on a financial media website while patting ones own shoulder. But aiming to predict the future and pick the next winners is a challenging task, I’ll give you that.

The following is nothing hand selected, carefully scrutinized, no due diligence performed, not all funds are available to Swedish (private) investors, and results are in various currencies. But let us not look too far away in stay in the Nordic region, use the advantage of a rear view mirror and actually do look at something as simple as an index. And again I’d like to stress, we are looking at an entire universe of funds, indiscriminately. The Nordic Hedge Index (NHX) equity subcategory currently has 55 constituents and returned 9,8% in 2015. The top performer, AAM Absolute Return fund returned 58,5%, while a total of 22 managers recorded net positive, double digit gains, ten of which above +20%. Ten funds were negative, the biggest loser, Atlant Sharp by -10,9%. (which in relation to placeras quoted -12% benchmark could go through as acceptable result. I am pretty sure though if you call the guys at Atlant, while they would reason the result was within expected and modeled parameters, they have had similar and worse annual draw-downs (2007: -17%, 200: - 32%, 2011: -11%), from which they always recovered quick and strong, that the entire loss of 2015 was clocked in December (-10%), the fund has two out of three winning months and annualized returns are 5%. But I am sure they are disappointed, and should be, and certainly would not boast of having met their own and their investors “high expectations and goal”.

One can argue about it, but there are many viable goals one can have in asset management, be it capital preservation, uncorrelated returns, balancing off risk to an over all portfolio, highest possible net returns, low volatility, a high Sharpe or Sortino ratio, or what have you. But defining as goal being less crap than something really crap, and even failing at that three out of ten times, is crap. Just saying...