

# Scandinavian, independent, ESG, CAT Bond Investing

Stockholm (HedgeNordic) – The company name Entropics is derived from the word “entropy”, from the world of physics, which indicates a consistent increase over time – something that Entropics co-founder and CEO, Robert Lindblom, views as relevant to catastrophe bonds, given the increasing frequency of extreme weather events.

Entropics is the only dedicated ILS manager based in Scandinavia (with one person in Helsinki and the others in Stockholm), and feels this location brings several benefits. “It is politically and economically stable, offers a good framework for finance and we are close to our Nordic investors for site visits and local language reporting”.

Entropics is also distinguished by being an independent asset manager, owned by its staff. For Lindblom this means Entropics’ investments avoid the complications of

internal politics and groupthink, and decision making is consequently accelerated.

The creation of Entropics pulls together several strands from the founders’ careers. Lindblom and co-founder Gunnar Roos had worked together at Brummer Life Insurance in Sweden. “We were both interested in insurance and passionate about it – and had many contacts in the industry. We thought Insurance Linked Securities (ILS) were an interesting, uncorrelated, asset class for investors. And CAT bonds, offering far greater capacity than traditional reinsurance, marked a major change for the insurance industry” explains Lindblom.

In addition to Lindblom’s experience of management and risk management, at asset manager Brummer & Partners, insurer Brummer Life and insurance broker ProSecur, Entropics has a broad range of expertise in house. Lindblom views “ILS as insurance risks that require an actuarial and reinsurance approach rather than relying only on key financial indicators”. There are three actuaries, including Chief Underwriter Roos who has experience of underwriting while Chairman of the Board, Tyrel Jonsson, has first-hand experience of assessing triggers for catastrophe claims. Chief Meteorologist, Martin Hedberg, helps to assess weather and climate risks.

“Global warming, without any doubt, increases the severity of extreme weather events.” states Lindblom – but whether these lead to larger or more frequent catastrophe losses is more complicated. In developed countries, the answer is somewhat paradoxical. Urbanisation means more events hit sparsely populated areas but when densely populated areas are hit, the economic impact can now be greater. In contrast, for developing countries, with a greater reliance on agriculture, the effects of extreme events, such as draughts can be expected to be more disastrous.

*This article was written for the HedgeNordic Special Report on Fixed Income Strategies. You can view the the full article on pages 58-61, here: <https://hedenordic.com/wp-content/uploads/2016/09/FI.pdf>*

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