

# QQM in green bond initiative

Stockholm (HedgeNordic) – Having been one of the pioneers in the Nordic hedge fund space to adapt its investment strategy to ESG-guidelines, QQM Fund Management announced its negative screening efforts already in 2014. Now QQM take an additional sustainability initiative by incorporating green bonds into their cash management.

“We are bringing in green bonds to our cash management, in other words we will invest the part of the portfolio that is held in cash or cash equivalents into bonds that support sustainable projects. In doing this, we will further strengthen our ESG-profile”, Andreas Julin (pictured), QQM’s Head of Business Development, says.

The green bond investments will be carried through by direct investment as well as indirectly through investment grade green bond funds or through funds with a clear ESG-profile, according to Julin. He however highlights that it will not alter the risk profile of the QQM Equity Hedge program.

“As the market for green bonds has grown and with investment options becoming more accessible and liquid, we have decided to shift the portfolio’s cash portion from being held in bonds with highly rated issuers into green alternatives with a similar risk profile. We will have the same credit risk but with a profile leaned towards green projects. The investment will also hold the same duration as previously to make sure that we do not alter the fund’s risk characteristics.”

Julin believes that QQM have an advantage with respect to how flexible they can be on the cash management side compared to the average hedge fund, which ultimately has given them the opportunity to bring in green bonds.

“Unlike many other long/short equity hedge funds, that in varying degrees are dependent on returns generated from cash replacement products, QQMs results are solely driven from alpha in stock selection. Without altering the return targets for the fund we can therefore easily incorporate ESG compliant investment options. Investing into highly rated green bonds would for many other funds involve taking on less credit risk and translate into lowered return targets. For QQM there is no trade-off between sustainable investing and financial ambitions.”

According to Julin, the work the company has done on ESG questions during the past 2.5 years, caters for a smooth transitioning with regards to the green bond initiative and also gives credibility to QQM as a true practitioner of sustainable investment solutions.

“Employing a positive screening approach with regards to ESG investments is very rare in the hedge fund space today, even on a global scale. We were early in adopting a negative screening and see no reason for us not to continue on the same path for positive screening measures. Of course this is partly a decision that stems from increased investor demand, but we firmly believe that it will also have a positive impact

on our investment work as well as having us contributing to a better future.

QQM's green bond initiative is well underway and Julin foresees it will be fully implemented in the beginning of next year