

Interview: Allan Winkel Hansen - WH Index Fund

Stockholm (HedgeNordic) – As founder and CEO of Denmark's WH Asset Management, portfolio manager of the multi-asset WH Index A/S and WH Index Growth A/S AIFs, and founder and CEO of the investment advisory company WH Invest, Allan Winkel Hansen is a busy man. Nevertheless, he took time out for an exclusive interview with HedgeNordic, in which he discusses his risk management process, his companies' background and objectives, market forecasts and much else besides.

HedgeNordic: How would you describe the company to our international readers, in a nutshell?

Allan Winkel Hansen: WH Index is a multi-asset managed portfolio. The asset classes which are being used are traditional, as the portfolio has exposure to shares and bonds (mortgage, corporate, governments, etc.) but the focus is on using low cost products with a strong liquidity to achieve the appropriate exposure. Financial instruments are being used to reduce the volatility of the fund. A minor leverage can be used (max. 0.5 x NAV).

HedgeNordic: Please tell us more about your personal background?

Allan Winkel Hansen: I'm the founder & CEO at WH Asset Management, which is a FAIF established in July 2014 with the purpose of managing AIF's. Currently we have two AIF's, i.e. WH Index A/S and WH Index Growth A/S. Furthermore, I'm the founder & CEO at WH Invest, which was founded in August 1998 and is now a registered investment adviser. Before 1998 I worked with Jyske Bank Private Banking, where I had the responsibility of managing the investments for some of the wealthy Private Banking clients.

HedgeNordic: WH Index has been around for a while, since 2004. Is there a meaning behind the name, and what are the different stages the company has evolved through?

Allan Winkel Hansen: WH is simply an abbreviation of my family name – "Winkel Hansen" and "Index" is used to illustrate that the asset allocation in the company is mainly established via index products, i.e. ETF's, Futures and Options. The company has been around for more than 12 years and during that period the company has been through different stages. On the legal side the company has adjusted to the current legislation and was in 2014 registered as an AIF.

Strategy-wise the company has also been adjusting/adapting to the best way of achieving the exposure the company would like. For instance, in recent years it has, in some areas, become more and more cost efficient to reduce the index future exposure and instead have the exposure to the stock market via low cost ETF's.

HedgeNordic: What was the background for establishing WH Index and what are the main goals?

Allan Winkel Hansen: Originally, I had two main reasons for establishing WH Index. First, I wanted to build a track record. At that time, I had a small group of individual clients who I would advise based on their individual needs, but I wanted to attract new clients and therefore needed to show them some results based on how I would invest if I should not take individual wishes into account. Finally, I also wanted to find a set-up for investing my own funds.

The original goal used to be an annual performance of 10%, but with the interest rate level being as low as it is, we have changed the long-term goal to become a return which is on the level of the global stock market return, but with a lower volatility.

HedgeNordic: What are the specific risk factors you see for an investor investing in a multi-strategy fund in general? Can you walk through your risk management process?

Allan Winkel Hansen: One of the main purposes of the multi-asset fund is to reduce the volatility of the funds' performance and deliver an attractive risk-adjusted return. In recent years, the interest rate development has had a great influence on the return of the various traditional asset classes. We have had long periods where bonds and shares had a positive correlation, thereby reducing the benefit of making a spread of investments. If we for one reason or the other would get a significant change in the current interest rate environment, there might be no place to "hide" among the traditional asset classes.

We monitor the interest rate development closely and try to optimize by combining various financial instrument strategies with the traditional assets. We try to sell volatility when we consider the volatility to be high and the opposite when we think volatility is low.

HedgeNordic: What kind of fee structure do you maintain, and why?

Allan Winkel Hansen: The fee is fixed at 0.9% p.a. of the net assets. We have discussed the structure a lot. Some would prefer some incentive fee, but we are in this for the long term and we explain to the investors that we think they can be more comfortable with a fixed fee as they don't have the risk of having a manager, who consciously or unconsciously, takes too large a risk or too low a risk, if he/she is behind or ahead of this year's expected performance.

HedgeNordic: You have a large portion of the investments in fixed income; how are you monitoring the interest rate risk?

Allan Winkel Hansen: We have traditionally had a relatively large portion of the investments in fixed income products which the fund has benefitted from in the past. Obviously, it is no longer possible just to "sit back" and enjoy an attractive high return on a fixed income investment. To optimize the return from the portfolio we are very

active on using financial instruments, mainly the German 10-year bund future, in relation to the holdings of for instance Danish Mortgage bonds.

HedgeNordic: Can you give us a brief overview of the markets in your portfolio you expect to experience the most potential change during this year, and why?

Allan Winkel Hansen: We have had a relatively strong start to the year despite a lot of political uncertainty. The US stock markets have been very strong, but we fear that it will be difficult for President Trump to deliver on his promises and depending on how that plays out, it could have a substantial effect on the performance of stocks in general.

Having said that the investor sentiment looks very strong for the moment.

HedgeNordic: What is your best piece of market wisdom?

Allan Winkel Hansen: I think the most important thing is not to be “in love” with any of your positions. In other words, always to question whether we are doing the right thing!