

Nordic Equity Funds Barely Above Water in May

Stockholm (HedgeNordic) – Nordic equity-focused hedge funds, as measured by the Nordic Hedge Index Equities (NHX-Equities), ended May just barely in positive territory, returning a mere 0.01% (89% reporting).

Meanwhile, world equity markets, as measured by the MSCI World Index, advanced 2.19% in May, while Nordic equity markets, as measured by the VINX Benchmark Index, rose 2.90% for the month. A closer look at each Nordic market reveals Swedish equities rose 1.23% in local currency terms (OMXS30), Danish equities advanced 2.21% (OMXC20), Finnish equities gained 3.24% (OMXH25), while Norwegian equities finished the month up 2.13% (OBX).

Nordic hedge funds, as measured by the Nordic Hedge Index Composite (NHX-Composite), fell an estimated 0.09% in May (90% reporting), with three out of the five NHX sub-categories posting a negative performance for May. The strong performance of activist hedge fund Accendo Capital, long/short equity fund Gladiator Fund, and Inside Hedge helped the NHX-Equities edge into positive territory for May. Accendo Capital, which invests in small and mid-sized listed companies in northern Europe, returned an impressive 4.80% in May. Gladiator Fund delivered a return of 3.74%, while Insider Hedge gained 3.29%. Had Inside Hedge's gold- and oil-related investments contributed to (rather than hindered) performance, the fund could have topped Accendo Capital as the best performer among Nordic equity funds.

Meanwhile, Rhenman Healthcare Equity, AAM Absolute Return Fund, Madrague Equity Long/Short, QQM Equity Hedge and the Sector Sigma Nordic Fund were among the worst-performing Nordic equity funds in May. Particular focus should be put on the 8.98% negative return posted by the healthcare-focused long/short equity fund managed by Stockholm-based investment manager Rhenman & Partners Asset Management. Despite the seemingly disastrous May performance, Rhenman Healthcare Equity L/S was up 11.50% since the start of the year through the end of May, thanks to an impressive run enjoyed during the first three months of 2017.

The performance of Nordic long/short equity fund Sector Sigma Nordic Fund was hurt by a bet on the normalization of central bank policy, as the fund shorted a basket of listed Swedish real estate companies in the second half of 2016. Although the trade contributed positively to the fund's performance towards the end of 2016, the share prices of the shorted real-estate names have reversed trajectory this year as interest rates have retreated. The Sector Sigma Nordic Fund has halved its exposure to the sector but retained short positions in four different names, which are believed to be overvalued even amid the current record-low interest rates.