

# Nordic Equity Funds Down for Second Consecutive Month

Stockholm (HedgeNordic) – Nordic equity-focused hedge funds, as measured by the Nordic Hedge Index Equities (NHX-Equities), are on track to post the second consecutive month of negative performance. The NHX Equities exhibits a negative monthly return of 0.26% for June (93% reporting), slightly higher than the 0.21% decline suffered in May.

In the absence of company earnings releases and major political developments, the market focus turned to central bank policy decisions. The US Federal Reserve raised its key rate by a quarter of a percentage point in the first half of June, as policymakers are taking steps towards normalization amid improving economic conditions. Meanwhile, the President of the European Central Bank, Mario Draghi, issued positive statements about economic growth in Europe, signaling a possible tightening of the expansionary monetary policy in the region.

The performance of international equity markets was mixed during the month of June despite generally favorable economic performance across the globe. The MSCI World Index returned a negative 1.03% in June, a month characterized by strong sector rotation. The developed foreign benchmark (MSCI EAFE Index) returned a negative 0.15%, whereas the MSCI Emerging Markets (EM) Index gained 1.07%.

Turning the focus to the Nordics, Nordic hedge funds, as measured by the NHX-Composite, dropped an estimated 0.50% in June (92% reporting). Four out of the five NHX sub-categories are on track to record a negative performance for the previous month, with the NHX Fixed Income being the only sub-category exhibiting a positive development. Rhenman Healthcare Equity L/S was the primary contributor to the performance of the NHX Equities, with the healthcare-focused long-biased equity fund returning 9.79% in June after experiencing an equally-large drop of 8.98% in May. Long/short equity fund Gladiator Fund, Gramont Equity Opportunities Fund, and activist hedge fund Accendo Capital also topped the list of the strongest-performing equity-focused Nordic hedge funds. Gladiator Fund 3.61% returned in June, while Gramont Equity Opportunities and Accendo Capital gained 3.60% and 2.03%, respectively.

The extremely weak development for the healthcare sector in May was replaced by an equally-strong performance in the following month, which explains the dramatic swings in the monthly performance of Rhenman Healthcare Equity L/S. The long/short equity fund managed by Stockholm-based investment manager Rhenman & Partners Asset Management explains the phenomenon saying that profit taking occurred in May – “sell in May and go away” – in combination with speculators closing positions before the important cancer conference, ASCO. Eventually, long-term investors started buying shares at attractive levels, thus, triggering the upswing.

On the other side of the spectrum, Sector Global Investments, Inside Hedge, HCP Focus Fund and Mjeltevik Invest were the biggest detractors from the performance of the NHX Equities in June. Global long/short equity fund Sector Global Investments delivered a negative return of 4.08%, though the fund is up 0.51% this month through mid-July. Although Inside Hedge’s healthcare-related positions positively contributed to the fund’s performance, its gold- and oil-related investments hurt performance. HCP Focus Fund and Mjeltevik Invest posted a negative return of 3.24% and 2.87%, respectively.