

Power Cables Jolt Origo Quest

Stockholm (HedgeNordic) – Origo Quest 1, the equity-focused hedge fund targeting small-cap companies undergoing transformations, just recorded its best month of the year so far. The fund run by Stockholm-based asset manager Origo Capital returned 4.15% net-of-fees in September, bringing the year-to-date return to 4.19%.

The Danish industrial conglomerate NKT Holdings contributed strongly to Origo Quest's performance, as the shares rebounded after experiencing some weakness in August due to investor concerns over weak backlog in the firm's power cables business. The Origo team used the share price weakness to increase the stake in NKT. This position accounted for 10.47% of Origo's assets as of end September, representing the largest holding in the fund's concentrated portfolio.

Communications equipment company Invisio enjoyed a strong increase in its share price in September, and contributed strongly to performance as well. The fund's short position in Swedish construction company NCC AB was yet another solid contributor to performance, having suffered a sharp fall in its share price after issuing a profit warning during the month. Meanwhile, Origo's short position in Hexpol AB, a Swedish company engaged in the manufacturing of polymer products, hampered performance, as Hexpol shares enjoyed a strong rally in September.

E-commerce conglomerate Qliro, which has been one of Origo's largest holdings in the past year, ranks among the best-performing stocks in Sweden this year. The firm's shares, which were worth SEK 8.65 apiece at the beginning of the year, are currently trading above SEK 19. The Origo team estimated in its annual report for 2016 Qliro's value to equal SEK 3.1 billion, or SEK 21 per share, stating that "a structural change in the e-commerce conglomerate Qliro would likely create shareholder value." As predicted, a successful structural change at the company has turned out to be fruitful after all. The Qliro position accounted for 10.17% of Origo's assets at the end of September.

Origo Quest's main share class generated an annualised return of 15.73% since its inception in early 2013, slightly above the upper end of its target range of 10-15%. The equity-oriented hedge fund targets Nordic companies with market capitalizations below SEK 10 billion at the time of investment, with the Origo team often taking an active role in the transformation process target companies undergo.