

Hedge Funds Regain Appeal for Ilmarinen

Stockholm (HedgeNordic) – In a recent interview with Bloomberg, Mikko Mursula (*pictured*), the chief investment officer of Ilmarinen Mutual Pension Insurance Co., says “we are feeling more positive about hedge funds than a couple of years ago.”

What has spurred the regained appeal for hedge funds at the 57 billion dollar Finnish asset manager is, according to the interview, the belief that volatility has returned to the markets.

“My thinking is that we’re going to go to a higher volatility type of environment,” Mursula said. “At least theoretically it should mean a much better operating environment also for active investors like hedge funds.”

Ilmarinen currently has less than 2 percent of its portfolio in hedge funds, Mursula says that this ratio might grow but is “unlikely to exceed 5 percent”.

The total allocation to “hedging strategies” at Ilmarinen is however more than 10 percent, which has to do with the fact that the pension fund since 2007 rely more on internal strategies. Mursula says Ilmarinen decided to do more in-house at the start of the financial crisis because “the industry wasn’t always transparent enough”.

According to Mursula, Ilmarinen does “a lot of volatility types of strategies, a lot of momentum types of strategies, some equity long-short types of strategies” in-house. “One sub-asset class strategy we’re not doing in-house is linked to insurance risk”, he was quoted as saying.

The sudden burst of volatility that was seen in the beginning of February will however not change Ilmarinen’s strategy much. Mursula says “long-term investors like him weren’t wrong-footed to the same extent as the rest of the market when volatility suddenly spiked”.

“It’s quite difficult for me to think there would have been a lot of pension investors out there who would have panicked,” he said. “We didn’t change our portfolio risk level at all”, Mursula concludes the interview.

Picture source