In search for small-cap growth – Nordic Cross in new fund launch

Stockholm (HedgeNordic) – Nordic Cross Asset Management, the alternative investment management company that runs under the Caram umbrella organisation, just recently launched its third fund – Nordic Cross Small Cap Edge. The launch follows on the two launches that were made last year; Nordic Cross Total Return Bond Fund and Nordic Cross Stable Return. The new fund is managed by Mikael Hanell *(pictured)*, Emil Nordström and Ulf Strömsten.

Nordic Cross Small Cap Edge aims at finding small-cap companies with exceptional growth prospects while limiting the downside through the use of shorting. The startegy builds on fundamental analysis and invests primarily in Swedish companies.

The core holdings in the fund are long positions in small companies having a market capitalization of less than 35 billion SEK. The fund´s short positions will be focused on companies above the 20 billion mark in terms of market cap. The size difference is explained by the fact that the fund seeks to capture the higher growth that is typically present among smaller sized companies and that has been an important diver of stock market returns in recent years,

> "The fund is an alternative small-cap fund where the focus is on exploiting the growth potential among smaller companies relative to larger companies. This approach allows the investor to get an exposure to small-cap companies to a lower market risk as the fund also holds short positions", Hanell says.

The reason that the fund is being launched at this particular point in time has to do with the fact that the stock market has had a period of very strong performance, which according to Hanell makes the relatively low market risk even more appealing.

> "As equity markets have performed strongly for quite some time now, we feel that the timing is very good. The fund allows for an exposure to smaller companies that have the possibilty to show stronger growth compared to the overall market, while at the same time capping the market risk. Small companies today can gain market share quickly on the back of digitalization trends, the growth within sectors such as IT and medtech are significant in the small-cap index. The number of listed companies has also increased considerably in the last five years, while analysts are covering fewer companies, this suits us perfectly."

In terms of how the fund will use long and short positions, Hanell explains that there will typically be 15-25 long positions on at any given point in time, while the short book will consist of 2-5 short stock positions. The fund will also use futures and options for downside protection. Besides the fundamental approach underlying the fund´s position taking, it also employs a quant strategy which aims at capturing the differences in valuations between small and large companies.

The funds is currently in a build-up phase and today holds 13 longs and 2 shorts, the fund is also short the OMX index and holds a smaller position initiated by the quant strategy.

In answering what experiences Nordic Cross brings to the new fund from previous fund launches, Hanell says:

> “This is an entirely new product that builds on our long experience of investing in small-cap companies. The fund will run at a higher risk compared to the other funds. There is siginficant interest to invest in smaller companies and many funds have been launched to meet that demand, however most of them are long only. We bring something different to the table.”

Hanell believes that the backround of the different people in the investment team makes for a perfect fit.

> “Ulf´s analytical background, my experience in managing funds of small-cap companies coupled with Emil´s skills in the derivatives space make us perfectly complementary.”

The fund was launched on December 18, 2017 and aims to gather interest among institutional investors as well as attracting a retail audience.

> “I believe there will be demand among institutions as well as among private banking clients, family offices and foundations who seek exposure to smaller companies to a limited risk”, Hanell concludes.