

# A Skilled Navigator in Downturns

Stockholm (HedgeNordic) – Handelsbanken Global Selektiv Hedge, a market-neutral equity hedge fund launched in November 2001, is one of the oldest names in the Nordic Hedge Index (NHX). The fund's strategy involves investing in high-quality companies and shorting low-quality companies, with the quality aspect being combined with research and analysis of other fundamental characteristics such as earnings development, valuation, ESG factors, to name just a few.

Market-neutral funds tend to underperform other strategies in strong markets, and Handelsbanken Global Selektiv Hedge has been no exception. However, the fund has proven to be a great tool for effectively navigating downturns, as reflected by the fund's 2008 return of 11.6 percent. The fund oversees SEK 324 million in assets as of the end of February and has been managed by Viking Kjellström since mid-April 2016. In an interview with HedgeNordic, Viking describes his fund's strategy, philosophy, and recent developments at the fund.

**HedgeNordic:** *Can you give us a brief history of your fund and your main investment principles?*

**Viking Kjellström:** The fund has been through several iterations in terms of its strategy during its lifetime. Recently Handelsbanken has decided to put more investments behind its absolute return products and as a result we have changed the mandate to have a global reach among other things. The main principles go hand in hand with the core values of the bank and its asset management arm translated into a long/short strategy. As an absolute product within a conservative bank we would not want to have a significant drawdown at a time of market stress and over time we aim to deliver an attractive risk-adjusted return and thereby have satisfied customers.

**HedgeNordic:** *How do you decide on which companies to invest in? Can you briefly walk us through your stock selection process?*

**Viking Kjellström:** The process makes use of both fundamental and quantitative techniques, and investments are derived within several sub-strategies. Over the last few years, we have become much more particular in terms of establishing sources of alpha in order to drive and evaluate investment sub-strategies. This means that we both track how well these work and in many cases back-test different screening factors in order to establish if any edge exists. For example, we have tested most commonly used forensic accounting indicators and come up with our own set of factors to screen for in order to find potential accounting-driven short cases. This type of automation improves the efficiency of the selection process significantly as we have a strong shortlist to work from. Going into 2018, we deploy several thematic variations of this general approach. Investments are made once we establish that some form of edge versus the market view exists.

**HedgeNordic:** *Can you tell us more about your background?*

**Viking Kjellström:** I started out as a sell-side analyst within the TMT space in the late 90's, including several years in London. Accounting is one of my strong points and figuring out how a company's business operations translate into financial figures is one of the more interesting areas within equities. By now I also spent more than 10 years on the buy side in different roles, mostly working with mandates involving high concentration risk.

**HedgeNordic:** *The appointment of new portfolio managers typically involves a series of major changes. Can you tell us what has changed at Handelsbanken Global Selektiv Hedge since you took the helm?*

**Viking Kjellström:** We are changing several things but fundamentally our aim is to improve the risk/reward characteristics by enhancing the investment process. On a high level, in order to achieve this, investments had to be made in systems, administration and people. On a strategy level the aim has been to reduce the high level of factor risk that the fund had historically and drive alpha from the different sub-strategies. ESG also plays an important role now.

**HedgeNordic:** *Your fund's net market exposure went further into negative territory in January. Can you explain your reasoning behind this position? Has the fund benefited from the stock market crash suffered in early February?*

**Viking Kjellström:** Two things: first, we did take a view that volatility was likely to rise and, second, the respective betas of our long and short book are not static so we tend to be within a range of net exposure even without a directional view. Due to our hedging our clients had a small positive month in February so I think we protected client capital.

**HedgeNordic:** *Is your fund's strategy markedly different from a conventional market-neutral strategy?*

**Viking Kjellström:** I certainly hope that we are differentiated in some ways. Everybody in the team have very different backgrounds so I think some of the approaches we come up with are perhaps unconventional in some respects. I think the pace of integration between the quant-, risk- and fundamental research dimensions will be quite rapid for us.