

# Accendo: Bitten by the Beast

Stockholm (HedgeNordic) – Accendo Capital as recently as April 2018 was awarded for its 36-month performance at the Nordic Hedge Award ceremony, and in 2016 was distinguished as the best Nordic Hedge Fund – Overall. The Luxembourg-based activist fund had returned 49% in 2015, 30% in 2016 and another strong 24% in 2017. In 2018, so far, the ride has been bumpier: the fund has given up 16% in the first seven months of the year with five losing months.

Accendo runs a highly concentrated portfolio, currently with three major positions and two smaller ones. While the fund can go short, in its ten years since inception it has been long-only, with the look and feel of a private equity vehicle.

“We are highly case-dependent, and not correlated with the broader equity market,” Henri Österlund (*pictured*), the firm’s founder and portfolio manager tells HedgeNordic over the phone. “This sort of volatility is, unfortunately, the nature of our beast.”

The fund’s largest holding, Swedish-listed Hexatronic Group, a producer of fiber optic cables and passive components, has been the largest single contributor to the fund’s weak performance this year. Accendo holds 13% of the outstanding shares of Hexatronic and is its largest shareholder. The holding comprised a substantial 34% of the fund’s AuM as of July 31.

“The investment thesis is based very much on broadband communication networks – including 5G rollouts – driving demand for fiber globally. Hexatronic’s home market of Sweden is maturing but we expect other, larger markets currently being developed to contribute increasingly to the bottom line.”

Hexatronic has given up roughly 30% of its market value in 2018 as of July 31. “The year-to-date contribution to the fund’s decline is around 16 percentage points, of which two percentage points is a result of the Swedish krona declining against the fund’s base currency, the Euro,” says the newly appointed director of investor relations, Elise Auer.

Österlund says that as is the case for Accendo Capital, its investors are long-term and are more likely to add to their positions – rather than reduce – in such a scenario.

“Other holdings have fared relatively better for the portfolio so far during 2018, with Remedy Entertainment contributing +2%, Detection Technology +1%, Doro -1%, and Impact Coatings -2%, the latter two in part reflecting the krona vs. Euro decline,” Auer adds.

Accendo was founded in 2008 by Finnish private equity investor, venture capitalist, and entrepreneur Henri Österlund. Henri and the team work collaboratively with other entrepreneurs and company managers who run small-cap companies, usually with market values between EUR 50 and 200 million. The investment universe spans over 300 companies based in Scandinavia and German-speaking Europe (including Switzerland) that generally have a technology edge.