

Varma Divests From Credit, Goes Into Macro Hedge Funds

Stockholm (Hedgenordic/Bloomberg) - Varma, the Finnish private-sector pension firm with about 45 billion euros of assets, may shift more money into global macro investments as it sours on credit, Bloomberg reports.

Varma Mutual Pension Insurance Co. may shrink its exposure to credit long/short strategies later this year or in the first half of 2019, according to Kai Rimpi, its director of hedge funds. The company has already cut investment in the strategies over the last two years to 5 percent of its portfolio, from 15 percent.

"Corporate credit long/short hedge funds are one area where it's just very difficult to generate the risk-adjusted returns we're looking for", Rimpi said in an interview. "It's performed extremely well for years but now that spreads are tight, it will make producing similar returns difficult."

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Varma has about 8.5 billion euros, or some 18 percent of the money it manages, invested in hedge funds. Macro allocations may climb to 18 percent of the total from the current 15 percent, according to Rimpi. The firm also invests in multi-strategy funds and relative value.

"It's been difficult for many years, but we feel that opportunities are definitely improving in global macro, particularly for developed markets," he said.

According do databases tracking the global macro industry, performance this year has been a mixed bag. The Barclayhedge Global Macro Index was down 0.2 percent by the end of September while the Eurekaledge Global Macro Hedge Fund Index posted a net loss of 0.8 percent. In 2017, those indices produced returns of around 4 percent.

Varma's hedge fund investments are up 3.4 percent through June 30. That's down from an 8.5 percent gain for the whole of last year and a 5.6 percent rise in 2016, according to the company.

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