



What a Difference a Month Makes

Stockholm (HedgeNordic) - After delivering an average annual net return of 34 percent in the three years prior to 2018, activist investor [Accendo Capital](#) experienced its biggest annual loss last year since launching ten years ago. In January, however, Accendo emerged from the ashes and recouped a significant portion of the losses incurred during 2018. In an interview with HedgeNordic, Henri Österlund (*pictured*), founding partner of Accendo Capital, describes the main drivers of the fund's 2018 performance, discusses the strong start to the year and shares his outlook for 2019.

Focused Activist Investor

Accendo Capital is an activist investor in public companies in Northern European countries, mainly targeting small- and mid-caps operating in the technology industry. Contrary to many activist hedge funds, Accendo does not seek involvement in troubled companies. Instead, they search for companies with defensible market positions protected by entry barriers, strong balance sheets, and solid cash flow generation. As Österlund tells HedgeNordic, “we are interested in local champions with the potential to become global masters.”

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To engage in private and collaborative activism, Accendo usually builds up ownership stakes between five and 25 percent of outstanding shares, intending to be among the main owners. As part of its strategy, the fund seeks to join each company's Board of Directors to facilitate the process of value creation. According to Österlund, "influencing the company from inside through the Board is the most effective approach to creating shareholder value."

"In a typical year, the team participates in about 50 board meetings and holds an additional 100 meetings with the companies, so it is very much about rolling up our sleeves and getting things done," adds Elise Auer, Head of Investor Relations.

Drivers of 2018 Performance and January Surge

Accendo maintains a focused portfolio, currently comprising of six Nordic names. This concentrated approach to investing can occasionally lead to temporary setbacks should just one holding underperform. And that is precisely what happened last year. After gaining 141 percent in only three years, Accendo gave up a whopping 25 percent in 2018. Hexatronic Group, a supplier of fiber optic products that was the fund's largest holding at the beginning of 2018, accounted for two-thirds of the 25 percent decline, according to Österlund.

"Hexatronic had a tremendous run both in terms of operational and stock market performance in 2017 while last year's tapering demand in the Swedish market put investors off and the international expansion is still not so visible in the numbers," Österlund comments on the fund's main performance detractor. Hexatronic lost 39 percent of its market value last year as a result of the weakness in its home market, Sweden. Despite the 2018 drop, Accendo earned an internal rate of return of 40 percent on this investment since initiating the position in 2016 and still expects the company to grow significantly by expanding operations in the UK, US, and Germany.

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Communicating with investors is always essential, more so in periods of underwhelming performance, reckons Auer. "Although it is never easy to be in front of investors when the performance is not great, over the last year we have

been very active in meeting and communicating with all of our fellow investors and are grateful for having such a knowledgeable and supportive investor base,” she tells HedgeNordic.

After a stormy 2018, Accendo Capital registered its best month on record in the first month of this year. The activist investor gained 14 percent in January, driven by a rally in the share price of Hexatronic and another one of its core holdings, Remedy Entertainment.

Expectations for 2019

Commenting on his team’s expectations for 2019, Österlund says “it is hard to predict where share prices are heading, but we have good visibility into the forthcoming operational performance of our holdings, hence the high conviction in our current portfolio. In addition, some of the companies we have been following for a while have much more attractive valuations now. In general, we believe the Nordic countries remain leading innovators globally, and there is a plethora of technology-related talent and businesses that will grow.”

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“We are happy of course with the strong January, but our work as active shareholders is about creating value over many years and not focusing on short-term fluctuations,” concludes Österlund.