

Bet on Online Dating Pays Off for HCP Focus

Stockholm (HedgeNordic) – **HCP Focus Fund**, a long-only equity hedge fund maintaining a very concentrated portfolio of businesses that benefit from network effects, has seen one of its 12 holdings nearly double in value in 2019. The fund managed by Ernst Grönblom (*pictured*) has over 16 percent of its existing portfolio invested in Match Group, the operator of Tinder and a network of other dating sites and apps. The shares of Match gained 98 percent year-to-date through the end of last week.

Grönblom's security selection process involves finding so-called slow travelling ideas, which require more expertise and effort for their understanding than simple, straightforward investment ideas. The concept of demand-side economies of scale, known as network effects, has been the most dominant slow travelling idea in HCP Focus Fund's portfolio for some time. The long-only hedge fund's concentrated portfolio is hence comprised of 12 businesses that benefit from demand-side economies of scale. This level of concentration offers both enough diversification and the opportunity to collect the full benefits of stock picking, according to Grönblom.

HCP Focus Fund had €69.7 million in assets under management at the end of July, with over 16 percent of that amount being invested in Match Group. The operator of Tinder and other dating services has seen its market value nearly double year-to-date, reaching an all-time high in early August after a surge in new Tinder subscribers boosted revenue in the second quarter.

"If you're a single heterosexual guy, you don't really care about the technical details," Ernst Grönblom told Bloomberg. "When a dating platform has reached critical mass, it's very, very hard to dislodge it. If a competing platform tries to enter the market, it's very hard to convince people to create accounts on several dating platforms."

His concentrated portfolio of companies with network effects, including Amazon.com, PayPal, Facebook and others, has outperformed equity markets, long/short, long-only equity funds and other players in recent years. HCP Focus Fund gained 33.4 percent year-to-date through the end of July, currently ranking as the second-best performing member of the Nordic Hedge Index, only ten basis points behind the leader. Grönblom's fund generated an annualized return of 20 percent since the fund was launched in December of 2012.

His highly concentrated portfolio is a source of relatively large movements in returns. "Most of my portfolio companies are highly valued, at least according to traditional metrics," he told Bloomberg. "If there's a panic in the market, these companies will typically suffer more severe losses than regular companies."