First Year, Second Best Performer

Stockholm (HedgeNordic) – **Proxy Renewable Long/Short Energy**, an emerging energy transition-focused fund specialising in green and clean energy industries, ranked as the second-best performing hedge fund in the Nordics last year in its first full year of operations. The long-biased long/short equity fund managed by a team of three returned just short of 46 percent net of fees last year, which is a "very strong result regardless of how you measure it," according to CEO **Dan Lindström** *(pictured)*.

"A big part of the return was attributable to our directional bet on the renewable and energy efficiency sectors," Lindström tells HedgeNordic, which is what the fund was designed to do from the start. "When we launched the fund in mid-December of 2018, we emphasised that the fund was meant to have a directional bias and seek to capitalise on the energy transition theme," he adds. "In hindsight, that was a good decision that paid off." Yet the fund was launched when stocks came crashing down and going against the crowd might have seemed unwise at that point. The team at Proxy P Management, which includes CIO **Jonas Dahlqvist**, sector specialist **Hans Berglund** and risk analyst and quantitative manager **Niklas Hedman**, saw the fourth-quarter sell-off as a "massive buying opportunity because valuations were very cheap relative to the growth trajectory of the renewable energy sector."

Proxy Renewable Long/Short Energy outperformed the market by ten percentage points last year. "Most of the alpha stems from our robust and repeatable investment process in general and our ability to select growth stocks outperforming the market in particular," says Lindström, who adds that "we have seen strong performance from different sub-sectors within the renewable energy and energy tech space." Whereas the solar sector accounted for about 35-40 percent of the fund's return in 2019, Lindström argues that "the sector does account for a quarter of our investment universe, so it is not unexpected that solar stocks contributed substantially to performance."

Planning for the Future

According to Lindström, "the renewable energy sector is fairly priced for the time being," yet he anticipates great investment opportunities for Proxy Renewable Long/Short Energy going forward. "The dispersion between winners and laggards will increase," reckons Lindström, which will create more opportunities for long/short equity vehicles. "Our alpha generation will come from our ability to identify the winners as well as the losers and laggards."

By investing into a fund like Proxy Renewable Long/Short Energy, investors achieve diversified exposure to a fast-growing sector, supporting the energy transition. "I believe in the sector," says Lindström, who expects the renewable energy sector to continue to "be one of the best performing sectors in the next five or ten years in terms of growth and performance."

After holding multiple meetings with potential investors last year, Lindström emphasises that "investment professionals are interested in the energy transition theme." Yet he acknowledges that fund managers "need to have something unique to stand out, and it is not just results that matter." Apart from last year's solid performance, "Proxy's competitive edge is three-fold," highlights Lindström. "First, the energy transition theme matched with growth momentum criteria." Second, "our in-house quant expertise and proprietary quantitative and portfolio management system." And third, "a discretionary top-down approach combined with quantitative bottom-up and categorisation methodology."

Whereas the Proxy P team is “comfortable with the current setup and the four-member management team,” they expect to hire one or two junior quantitative analysts to “add further resources and support on the operational as well as on the investment side of the business.”