

Keeping the Sleeves Rolled Up

Stockholm (HedgeNordic) – Activist investor **Accendo** was among the Nordic hedge fund industry's top performers of 2019 with a full-year return of 45.6 percent, with the only detractor from performance being the depreciation of the Swedish krona. "In 2019 all of our portfolio holdings contributed positively to performance," **Elise Auer**, Director of Investor Relations at Accendo, tells HedgeNordic. 2019 was a stable yet fruitful year for Accendo, in which "we have been working very well together in our composition of the core team and senior advisors."

Accendo is an activist fund that maintains a focused portfolio of predominantly small- and mid-cap companies from Northern Europe. All six holdings in Accendo's portfolio contributed to performance last year, with the highest-performing name being Swedish nanotechnology company Impact Coatings. "Since the partnership agreement with Hyundai Motor Company, the stock started to rally and is up 224 percent for 2019," says Auer. Finnish video game developer Remedy Entertainment gained 77 percent over 2019. "With Remedy being the largest position in the portfolio, it was also the main contributor to the fund's performance."

"2019 was a strong year for Swedish and Finnish small-caps generally," says Accendo Capital founder **Henri Österlund**, "but we can clearly trace the excess returns of our fund to our actions and engagement as owners and board members." Impact Coatings partnering with Hyundai Motor Company for technology development and Remedy Entertainment maturing as a listed company since Accendo helped list the company on the stock exchange in 2017 represent "two examples of our activist approach helping drive returns," added Österlund.

High concentration can be equally good or bad for fund performance shorter-term, but can lead to outperformance over the longer term if targeted improvements are combined with good stock selection. Following a loss of about 25 percent in 2018, Accendo recorded its second-best yearly performance on record last year. Auer says Accendo has been "delighted to see so many of our investors holding on after a challenging 2018, testimony to having the right type of investors with us." Auer emphasizes that "we think long-term with our investments, and it is great to have investors on board who share the same objectives." A little patience paid off well for Accendo's investors.

Portfolio Snapshot

Despite maintaining a concentrated portfolio, all of Accendo's holdings are well-positioned to capitalize on future trends or themes such as ageing populations, climate action, among others. "A common characteristic of all our current portfolio is that they are participating to global growth themes," argues Auer. "The global energy transition is a significant investment theme for decades to come," she emphasizes, and Impact Coatings provides leading coating technology for fuel cells used by hydrogen-powered electric vehicles. Other holdings benefit from increasing longevity and a growing global senior population, increasing global security and healthcare spending, to name a few.

Although "many investors have been worrying about the prospects of a recession and looking to reduce their equity exposure since 2015", Accendo "believe we have an exciting new decade starting." The Accendo team "looks forward to continuing to roll up our sleeves for our investors and for the benefit of our portfolio companies," concludes Auer.