

Eureka? Yes, Eureka!

Stockholm (HedgeNordic) – **SEB Eureka Fixed Income Relative Value Fund**, the winner of the 2018 Rookie of the Year award, has reached its second anniversary in mid-January. Seeded with DKK 1.1 billion from a handful of institutional investors, the fund was initially managed by a team of two and had no marketable track record. Fast forward two years, SEB Eureka now manages over DKK 2.5 billion, expanded its two-member team with a new portfolio manager and achieved an inception-to-date Sharpe ratio of 2.3.

SEB Eureka employs relative-value strategies to exploit inefficiencies in Scandinavian fixed income markets. One of the strategy buckets involves taking advantage of the yield pick that can be obtained in covered bonds, but active management plays an essential role in running the fund. “Our investment philosophy is built on the ambition of being a very active participant in the Scandinavian fixed income markets,” says Chief Investment Officer Bo Michael Andersen (*pictured center*). “The past two years have shown that being an active investor can contribute significantly to performance.”

SEB Eureka returned 9.5 percent net of fees since launching in mid-January 2018, where “only a third of the return comes from passively harvesting risk premiums in Scandinavian bonds,” explains Andersen. “20 percent comes from actively managing the risk exposure in the covered bond portfolio (choice of country, maturity, issuer, etc.), while 50 percent of the return comes from a wide range of other strategies in Scandinavian government bonds and over-the-counter fixed income derivatives.”

When setting up SEB Eureka several years ago, Andersen designed a strategy that would differentiate itself “by having a broader focus on fixed income relative value and therefore being more well-diversified.” The diversification has paid off, with SEB Eureka having collected solid risk-adjusted returns from different sources. “It was part of the ambition with the fund launch to offer an institutional fund product with an attractive return-profile, but also to provide a product with diversification properties,” points out Andersen.

After having delivered a return of 9.5 percent that exhibits a low correlation to other asset classes and a Sharpe ratio of 2.3, the team managing SEB Eureka is “very satisfied with the fund’s performance and risk characteristics.” The fund delivered positive returns in 20 months, with only four down months since launching at the beginning of 2018. The portfolio management team running SEB Eureka initially consisted of CIO Bo Michael Andersen and Portfolio Manager Tore Davidsen (*pictured left*). The fund is managed by a team of three after Portfolio Manager Rasmus Dall-Hansen (*pictured right*) joined the original duo in May of last year.

Commenting on the fund’s journey so far, Andersen says “we feel that we are on the right path when it comes to delivering on the pre-launch ambition, namely offering a fixed income hedge fund that delivers high risk-adjusted uncorrelated returns.” The team is “extremely happy and proud to have delivered solid competitive risk-adjusted returns since launch, which has contributed to solid growth in assets under management since inception.”