

Best Nordic Fixed Income Hedge Fund 2019

Stockholm (HedgeNordic) – The number of active fixed-income hedge funds in the Nordics increased from 23 at the beginning of 2015 to 31 funds now, following 14 new launches and only six closures during the past five years. The aggregate performance of fixed-income vehicles has been strong, too. The universe delivered an annualized return of 6.4 percent over the ten years to the end of 2019, a period that does not include the group's average return of almost 24 percent in 2009.

Winner: Asgard Fixed Income Fund



Nordic fixed-income hedge funds outperformed all other strategy categories within the Nordic Hedge Index in 2016, 2017, and 2018, and were not far behind in 2019 either. The group's strong performance has made it tough for any individual player to stand out from the crowd. **Asgard Fixed Income Fund**, crowned as the "Best Nordic Fixed Income Hedge Fund" of 2019, did stand out and succeed. After all, the flagship Asgard fund has been on the podium in this award category in all eight editions of the Nordic Hedge Award and won the top prize for the fifth time.

"Even though 2019 – especially after the events in 2020 – seems somewhat distant now, we think that these awards have a role to play especially as they over time can help investors picking the winners from the losers," Birger Durhuus, the CEO of Moma Advisors, tells HedgeNordic. "Winning a single year is nice, but being there or thereabout year after year is probably more important when investors look for true talent within the industry." This dominance comes as no surprise. Asgard

Fixed Income Fund delivered an annualized return of about 13 percent since launching in mid-2003 and incurred only one down year so far (down four percent in 2008).

In 2019, “the Asgard Fixed Income strategy had a solid if less spectacular year” with a return 8.2 percent, Durhuus told HedgeNordic. “The fund, which targets risk premia in Nordic mortgage bonds, cross-currency and related fixed income markets, has not had a significant head or tailwind in the form widening or contracting spreads,” in 2019, explained Durhuus. However, Asgard Fixed Income Fund “benefitted from the carry and roll, which results from the risk premia in the carefully selected positions in the portfolios.”

According to Durhuus, “the strategy is also one of the few direct beneficiaries from the current ultralow interest rate environment.” This may seem contradictory, points out the CEO of the Danish asset manager. “But since the fund operates a leveraged portfolio of the safest bonds, it benefits from the sub-LIBOR financing in secured lending rates.” The strong performance of Asgard Fixed Income Fund (and the other Asgard funds for that matter) have not gone unnoticed. “Historically our investor base has been solely institutional investors, primarily large Scandinavian pension funds,” explained Durhuus, but the asset manager saw “a surge in requests from family offices around the globe.”

Second Place: Asgard Credit Fund

Asgard Credit Fund, winner of the Rookie of the Year title in 2017, joined its sister fund on the podium this year. The younger fund represents a replica of the classic fixed-income arbitrage strategy employed by Asgard Fixed Income Fund, applied to a new and wider investment universe of liquid credit. “Our main purpose in life as investment managers of the Asgard funds is to provide the investors in the funds with best in class risk-adjusted returns,” Birger Durhuus, the CEO of Moma Advisors, tells HedgeNordic. “To see both funds ranked among the best three fixed-income hedge funds in 2019 is proof that we delivered on our promise, which, of course, is utterly pleasant.”

“The Asgard Credit Fund, which targets risk premia in the credit space, got a tailwind early in the year from the relaxation of the spread widening which happened in late 2018 and hit US investment grade disproportionately hard,” portfolio manager Daniel Vesterbaek Pedersen told HedgeNordic. “For the remaining part of 2019, when credit spreads have been rangebound, the fund has benefitted from the high inherent alpha in its core strategy in the form of high credit spread carry in a year with low default rates.”

Asgard Credit Fund gained almost 29 percent in 2019, which “is impressive and must in part be attributed to the successful active management of the fund, as the return of comparable passive strategies with similar risk profiles have only yielded around 18 percent,” according to Pedersen. The return of Asgard Credit Fund in 2019 “has been exceptional, and partly represents a recovery from a drawdown in late 2018,” explained Pedersen. “Over the credit cycle, the base case return target is around seven percent annualized.”

Asgard Credit Fund, however, gave up most of last year’s gains in the turbulent first quarter of 2020. “Since the financial crisis in 2008, risk-on strategies have been generally rewarded globally,” Durhuus tells HedgeNordic. “But as financial markets have been rattled by the unprecedented turmoil due to the Coronavirus, this has all been brought to a halt, which should make the Nordic hedge Award 2020 something to look for, as this will reveal which managers could manage the turmoil and which managers could not.”

Third Place: Borea Høyrente

Up until last year's Nordic Hedge Award, all podium winners in the "Best Nordic Fixed Income Hedge Fund" category had exclusively been Danish-based funds. Stockholm-based Scandinavian Credit Fund ended this dominance last year after becoming the "Best Nordic Fixed Income Hedge Fund 2018". Following two years of making the list of top five nominees, a Norwegian fixed-income hedge fund, **Borea Høyrente**, stepped on the podium at the Nordic Hedge Award for the first time.

Managed by Peer Hastrup Thorsheim and his team at Borea Asset Management, Borea Høyrente seeks to exploit "what academics refer to as the credit spread puzzle, a phenomenon where relatively safe companies (BB-rated equivalents) have to pay a higher credit spread on their loans than can be explained by expected losses and other factors." Although the primary strategy involves exploiting the credit spread puzzle, the fund has a very flexible mandate that allows to go both long and short, apply leverage, vary exposure from zero to 150 percent, invest in derivatives, and do capital structure trades.

"We are very thankful just to be nominated," Thorsheim comments on the achievement. "There are so many great asset managers in the Nordic region, so we feel very fortunate to be on the podium for such a prestigious award and to be nominated for three consecutive years." According to Thorsheim, the third-place trophy for the Best Nordic Fixed Income Hedge Fund "is a testament to the hard work we have put in over the years." Thorsheim and his team at Borea "are very grateful for the trust our clients have given us and receiving this award is proof that the work and dedication from the entire team have paid off."

The "Best Nordic Fixed Income Hedge Fund" award category was supported and presented by the Swedish House of Finance.

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