

Doing Well Despite Bad Luck Over Timing

Stockholm (HedgeNordic) – The success of a hedge fund depends on a wide range of factors, one of which may involve the timing of the launch. Whereas DNB's new multi-strategy, multi-asset absolute return fund – **DNB Fund Multi Asset** – had sheer bad luck over timing, the fund fared relatively well given the circumstances.

Launched in late February this year, DNB Fund Multi Asset is down 4.7 percent year-to-date through the end of April. "Starting a fund in the middle of the coronavirus has certainly been demanding, but also very interesting," portfolio manager Anette Hjertø tells FinansWatch. "We really got to test the risk management of the fund." With DNB Fund Multi Asset maintaining some stock market exposure, "we were not unaffected by the market movements," says Hjertø, who is part of a three-member team responsible for managing the fund. Given the prevailing market conditions, "I think we performed well."

By employing six sub-strategies across several asset classes, "our Multi Asset strategy will give investors access to a diversity of risk premiums and alpha opportunities while constraining market beta," according to Lena Öberg, who oversees the management of DNB Fund Multi Asset alongside Hjertø and Kim Stefan Anderson. The sub-strategies include trend-following, minimum volatility equities, fixed-income carry, among others, and can be expressed through both long-only and long/short strategies, as well as relative-value trades.

DNB Asset Management's dedicated teams focused on equities, fixed income and currencies are responsible for managing each of the sub-strategies employed by DNB Fund Multi Asset. "Although the fund is new, the managers certainly are not," Hjertø tells FinansWatch. "We have seen the benefit of having experienced managers in such a demanding phase." With DNB Fund Multi Asset exhibiting lower market risk than a traditional fund, the team seeks to achieve an annual return of four percent above the risk-free interest rate over an investment cycle. "We believe that, especially in the current low-interest-rate environment, this type of fund will provide an attractive alternative to fixed-income exposure," argues Hjertø.

Summarizing the first quarter of 2020, Hjertø says that the market climate changed "from virtually cloudy skies to heavy storms." According to Hjertø, "it has been interesting to see the mechanisms in the market, and perhaps especially how quickly the monetary and fiscal support packages impacted the equity and credit markets." However, she finds it difficult to "imagine a cloudless sky" going forward. "As long as we do not know how long we will be actively spreading the virus, it is difficult to have a purely positive outlook on market developments," says Hjertø. "The large support packages have undoubtedly had an effect on asset prices, but the real economic effect of a closed society is both dark and uncertain."