

Business as Usual for Accendo

Stockholm (HedgeNordic) – **Accendo Capital** may have started off 2020 on the wrong foot after suffering its worst month on record in February, but that performance dip was soon forgotten. The activist fund ended the first half of 2020 up 25 percent after enjoying its best month in April and breezed past the €100 million assets under management mark, reflecting a combination of strong performance and new capital inflows. 2020 has been “really quite eventful,” says Elise Auer, Director of Investor Relations at Accendo. “But who hasn’t had an unusual 2020?”

From Bad to Great

The month of February, which marked Accendo Capital’s 12th anniversary, turned out to be the worst month in the history of the fund. After incurring a further decline of 5.7 percent during the turbulent month of March, Accendo Capital went on to realize its best month on record in April with a gain of about 26 percent. With an advance of 25 percent for the first half of the year, the activist fund currently sits as the second-best performing member of the Nordic Hedge Index in 2020.

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While the market value of Accendo’s concentrated portfolio may move up or down in the short term, the team running the fund – Henri Österlund, Mark H. Shay and Kai Tavakka – continue to engage with their holdings to create value for both companies and investors in the longer term. “So much continues to happen but we stick to what we normally do, only with greater intensity,” Österlund tells HedgeNordic. That involves “working on a daily basis with our companies to make sure they are doing what is needed to keep building shareholder value.”

The rapid spread of the coronavirus pandemic – and its socio-economic consequences – has increased the intensity and frequency of the board’s role and engagement. “Our board meeting frequency increased sharply, helping ensure that our companies are tracking changes in customer behaviour, staffing, and supply chains, and that grounded travel was replaced with creative approaches to selling and servicing customers,” highlights Österlund.

Despite facing heightened market volatility, uncertainty and risk aversion, Accendo Capital made a new investment in Finnish cybersecurity company SSH Communications Security Corporation by acquiring a 16.5 percent-stake from the founder and largest shareholder of SSH, Tatu Ylönen. According to Österlund, “the new investment we made in SSH was not the result of a pandemic-induced opportunity, but the outcome of four years of discussions with the company and its founder.” The team at Accendo looks forward to “working with them going forward now that we have also two board seats confirmed.”

Long Term, Hands-on Investors

The latest addition to Accendo Capital’s concentrated portfolio of now seven holdings contributed to the fund’s 49 percent-return in the second quarter of the year. The second quarter marked the fund’s best quarterly performance since its inception in early 2008. Elise Auer attributes to strong performance “to the fact that we carry on with our sleeves rolled up without trying to make any emergency changes due to COVID-19.” Instead of succumbing to erratic market moods, “we were focused on being close to our portfolio holdings in various aspects of their businesses,” says Auer.

"We are long term, hands-on investors," she emphasizes.

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In terms of more specific performance attribution, the main contributors to Accendo Capital's second-quarter performance were Finnish video game developer Remedy Entertainment and Swedish coatings-focused company Impact Coatings. The market value of Impact Coatings increased significantly following new striking developments. The Linköping-headquartered firm has seen its share price increase 120 percent during the month of June and 330 percent over the past 12 months.

"On June 10, the company announced an order for a fuel cell coating system from Hyundai, which followed an order announcement from HELLA Group for a radar emblem coating system on May 25," says Auer. "The positive commercial momentum, combined with an overall increased interest in hydrogen-related stocks, helped drive the significant gains."

€100 Million-Milestone and Outlook

Accendo Capital's active approach to investing and its focus on small- and mid-cap companies in the Nordics serve as a structural boundary for gathering significant assets under management. Despite limitations on asset gathering, Accendo's assets under management have surpassed the €100 million-mark to reach about €120 million. "We received increased investor interest despite the times with new inflows of €10 million in May and invested ourselves more in the fund as well," Auer tells HedgeNordic. Commenting on reaching this milestone, Auer says that "the €100 million-mark has something of a mythical feature when talking about fund sizes."

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According to Auer, "there is no doubt that if a new launch can start with or get to €100 million in a short period of time facilitates a number of things, but we are testimony to the fact you can be operating effectively and being profitable with far less." Auer seeks to emphasize that "our focus has always been on performance for our fellow investors and creating shareholder value." She goes on to say that the team at Accendo is "excited about the work yet to be done at our portfolio companies and the future growth in many parts of the technology sector. The innovation and know-how we can find in many companies in Northern Europe deserve more of a spotlight internationally."