

Catching Fallen Angels

Stockholm (HedgeNordic) – A wide range of business sectors have been affected by the COVID-19 pandemic, triggering a sharp increase in the number of corporates that have already or may find their credit ratings downgraded from investment grade to sub-investment grade. The wave of downgrades to sub-investment is expanding the universe of “Fallen Angels,” creating more investment opportunities for vehicles such as **DNB Fund Multi Asset**.

Multi-strategy, multi-asset absolute return fund DNB Fund Multi Asset allocates capital across several strategies managed by different dedicated teams at DNB Asset Management, one of which focuses on finding attractive opportunities among so-called Fallen Angels. “It’s a strategy that picks up risk premia in the fallen angels segment,” portfolio manager Anette Hjertø (*pictured left*) tells Bloomberg. “There will be good opportunities going forward after what has happened during the corona pandemic.”

“It’s a strategy that picks up risk premia in the fallen angels segment. There will be good opportunities going forward after what has happened during the corona pandemic.”

The high-yield strategy implemented by DNB Fund Multi Asset returned 10.8 percent since the fund’s inception at the end of February through September 1, compared to a fall of 4.2 percent for the Nordic high-yield market. According to Hjertø, the multi-strategy fund is overweight Nordic high-yield because the asset class sold off more violently than other markets during the COVID-19-induced crisis. “Credit spreads have also taken longer to contract in the Nordics,” Hjertø tells Bloomberg. “So there’s more relative value there than in global high yield.”

“As credit deteriorates, there has been rating downgrades, which has provided more candidates in the Fallen Angels universe,” the team running DNB Fund Multi Asset wrote in a monthly commentary to investors. “This will provide good opportunities in the long run.” A trio comprised of Lena Öberg, Kim Stefan Anderson and Anette Hjertø are responsible for portfolio construction at DNB Fund Multi Asset.

At the beginning of September, DNB Fund Multi Asset had the highest allocation to its long-only minimum volatility strategy, “but cash weighted, the allocation is fairly balanced between the different strategies.” Hjertø tells Bloomberg that “we expect to give a larger weight to our new long/short strategies going forward.” By employing a range of sub-strategies across several asset classes, DNB Fund Multi Asset is designed to be a multi-asset product that can “compete with fixed-income funds.”

“We want to build a product in the alternative investments universe that can give downside protection.”

“The purpose is to keep the risk low while delivering stable return over time,” Hjertø tells Bloomberg. “With the low interest rates today, bond funds won’t give the return and protection investors need in their portfolios when there’s volatility in the stock market,” she adds. “We want to build a product in the alternative investments universe that can give downside protection.”