

Dismissing Hedge Funds on Principle

Stockholm (HedgeNordic) – High fees and unsatisfactory performance may have driven away some pension funds from the hedge fund industry. One Danish pension fund has turned away from hedge funds because they do not create sufficient value for the fees they charge. Anders Schelde (*pictured*), the chief investment officer of AkademikerPension, tells Bloomberg that the pension fund excludes hedge funds from its external allocations because “I don’t think they create the value they say they do.”

The hedge fund industry has both good and bad money managers, with the industry having a considerable heterogeneity of strategies, risk-return profiles and track records. For that reason, rigorous manager selection and due diligence are essential to identify and select the best hedge fund managers. Schelde tells Bloomberg that he sees no point in trying to identify top performers. “The only thing we know for sure is that they want 2/20” fees and “we don’t want to finance that,” he tells Bloomberg. AkademikerPension, which recently changed its name from MP Pension, manages a portfolio of DKK 130 billion or €17.5 billion that does not feature any hedge fund investments.

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AkademikerPension has sharpened its focus on environmental, social and governance (ESG) issues and accountability in the selection, appointment and monitoring of external managers, which account for about two-thirds of the pension fund’s total portfolio. Schelde and his team at AkademikerPension attribute the decision to exclude hedge funds from their selection pool to high fees rather than ethical considerations. “It’s not written down anywhere that we can’t” use hedge funds, Schelde tells Bloomberg. “But we don’t. I guess you could call that a principle.”

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Discussing how external managers work towards aligning with AkademikerPension’s ESG focus, Schelde tells Bloomberg that “we have our own exclusion lists that the asset managers have to follow.” AkademikerPension rates “all our asset managers, either A, B or C” and “if a manager gets a C, we can’t use them no matter how good they are.” AkademikerPension is also currently looking for external managers that satisfy the Danish pension fund’s ESG standards. “Right now, we are looking for a new high-yield asset manager,” Schelde tells Bloomberg. “We will only choose one that gets an A or B rating.”

Picture courtesy of AkademikerPension.