

Winning Streak Comes to an End

Stockholm (HedgeNordic) – The six-month streak of positive returns for Nordic equity hedge funds – that included their best summer on record – came to an end in October. Equity hedge funds in the Nordic Hedge Index fell by 1.2 percent on average last month (87 percent reported), trimming the group’s year-to-date advance to 5.2 percent.

Global equity markets were down 2.3 percent in Euro terms in October despite strong gains in the first week of the month. Global equities are now down 5.3 percent year-to-date through the end of October. Eurozone equities, meanwhile, declined by 5.9 percent last month to extend the year-to-date decline to 16.4 percent. North American equities were down 2.1 percent in Euro terms last month, bringing their performance for the year back into negative territory at 0.3 percent. The VINX All-Share Index, which includes all the firms listed on Nasdaq OMX Nordic Exchanges and Oslo Børs, delivered a negative net return of 4.1 percent in Euro terms in October, cutting the year-to-date return to 1.2 percent.

Global equity hedge funds outpaced their Nordic and European counterparts in October, but Nordic equity hedge funds are still ahead year-to-date. The Eurekahedge Long Short Equities Hedge Fund Index, which tracks the performance of about 850 global equity hedge funds, was down an estimated 0.3 percent in October based on reported data from 16 percent of index constituents. This group gained 4.4 percent in the first ten months of 2020. Another Eurekahedge index currently comprised of 140 European equity hedge funds was down an estimated 1.7 percent last month based on reported data from 19 percent of index constituents. The Eurekahedge Europe Long Short Equities Hedge Fund Index is down 2.4 percent year-to-date through the end of October.

The dispersion between last month’s best- and worst-performing equity hedge funds in the Nordic Hedge Index was largely unchanged month-over-month, but the magnitude of gains for top performers was smaller than the magnitude of losses for bottom performers. In October, the top 20 percent of funds gained 2.6 percent on average, whereas the bottom 20 percent lost 4.6 percent on average. In contrast, the top 20 percent gained 5.2 percent on average in September and the bottom 20 percent was down 1.9 percent on average. About 28 percent of members of the NHX Equities with reported October figures enjoyed gains last month.

Thematic-focused long/short equity fund **St. Petri L/S** was last month’s best-performing member of the Nordic Hedge Index with a gain of 8.6 percent. The fund managed by Michal Danielewicz and Jens Larsson out of Copenhagen is now up 65.7 percent in 2020, currently ranking as this year’s best-performing hedge fund in the Nordics. St. Petri L/S’s portfolio of short positions gained 2.3 percent last month, whereas the long portfolio returned approximately three times that amount as “the COVID pandemic accelerated some of the structural changes and thereby our themes both on the long and short side.”

Energy transition-focused **Proxy Renewable Long/Short Energy** followed suit with a monthly gain of 8.1 percent, which brought the fund’s year-to-date advance to 48.6 percent. For Proxy Renewable Long/Short Energy, “Energy Transition-related sectors had a more favourable development than global markets in general in October.” Climate-focused market-neutral equity fund **Coeli Energy Transition** advanced 3.0 percent in October, taking its year-to-date performance in positive territory at 0.9 percent. **Symmetry Invest** and **DNB TMT Absolute Return** were up 1.8 percent and 1.4 percent last month, respectively.

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