

A Near-Record Year for Brummer

Stockholm (HedgeNordic) – Brummer & Partners is celebrating its 25th anniversary with a bang. **Brummer Multi-Strategy**, the multi-strategy model that has been at the heart of the asset manager's business since 2002, reached its second-best annual performance on record in 2020 after returning 12.6 percent for the year. Last year's advance was just shy of its record of 12.8 percent reached in 2005.

"Last year was truly extraordinary in so many ways," Mikael Spångberg (*pictured*), the CEO and portfolio manager of the multi-strategy fund, reflects on 2020. "For us, for BMS, it was quite a fantastic year in terms of performance, the way we generated the return, and the quality of the return," he continues. "But also what worked really well for us was the portfolio construction and the process for managing BMS," says Spångberg, who manages Brummer Multi-Strategy alongside Patrik Brummer, the founder of Brummer & Partners.

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Brummer Multi-Strategy, a multi-strategy fund investing in the single-strategy hedge funds under Brummer & Partners' umbrella, exhibited a beta of only 0.06 compared to the MSCI World throughout 2020. According to Spångberg, 2020 "was a year that illustrates what we are all about, trying to deliver a strong risk-adjusted return by having a portfolio of uncorrelated strategies that complement each other." Spångberg highlights two periods when Brummer Multi-Strategy stood out last year.

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"If we go back again to late February and March when we had a massive drawdown for risky assets, we were able to withstand losses during that period," Spångberg recalls. "The key for us was to have a portfolio that was close to market-neutral in most dimensions, where the underlying positions were much more exposed to idiosyncratic risk rather than market risk or market risk factors," he expands. "That portfolio composition coming into the massive drawdown back in the February-March period was a very starring point that enabled us to avoid a big drawdown," adds Spångberg. "And then from that point on, we could add risk in various dimensions to capitalize on various opportunities."

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Another defining time interval in 2020 was the September-October period, when markets entered a risk-off episode for risky assets, especially for U.S. equities. "Even during that period, we were able to deliver positive returns," recalls Spångberg. Brummer Multi-Strategy posted positive returns in

ten out of 12 months last year. “Then we had a very strong finish in November and December; that is what stands out for last year.”

Underlying Managers

Brummer & Partners places money with nine different hedge fund vehicles under the firm’s umbrella via Brummer Multi-Strategy. At the end of 2020, the Stockholm-based asset manager’s flagship fund allocated about 41 percent of its capital to long/short equity strategies, which had the highest contribution to the fund’s return last year. “The overall theme for the year was that the long/short equity guys were able to capitalize on several themes, of which some had already been into play before the pandemic situation,” says Spångberg. “If you look from an absolute return perspective, the equity long/short strategies had a fantastic year,” he emphasizes.

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Research-driven long/short equity fund Manticore, which accounted for 20 percent of Brummer Multi-Strategy’s portfolio at the end of December, was one of last year’s best-performing funds under the umbrella of Brummer & Partners with an estimated gain of 35.7 percent. Another long/short equity fund, the Black-and-White Innovation Fund, was up a similar 35.7 percent in 2020. Brummer Multi-Strategy had 22 percent of its portfolio invested in the Black-and-White Innovation Fund at the end of the year.

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“I also want to highlight that other strategies in fixed income and macro also did very well,” continues Spångberg. Fixed-income relative-value fund Frost, for instance, advanced 10.6 percent in its first year of operations. Arete, a global macro fund with a primary focus on China and Asia, gained an estimated 11.6 percent for 2020. “It is also important to mention that in the BMS context, the correlations were very low, which is a key part of explaining the high degree of alpha at the BMS level,” emphasizes Spångberg. “In general, any strategy or approach has pros and cons, and you need to be aware of them.”

Looking Ahead

“Looking ahead, we are opportunistic about our ability to deliver according to our investment objective,” Spångberg comments on Brummer Multi-Strategy’s prospects going forward. “On the other hand, as always, we are cautious and perhaps a bit nervous, which one should be,” he acknowledges. “If you look at the world from a risk perspective, there are many different scenarios that can play out which can cause various problems for financial markets and risky assets in general.”

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“For politicians and central banks, the margin for error is very low, so risks are absolutely there and could materialize in various scenarios,” he continues. Spångberg concludes by saying that “we are opportunistic, we are in a good position to keep delivering performance, although it will be most likely an uncertain and volatile world, so one should always be humble.”

Picture Courtesy of Brummer & Partners.