

All Hands on Deck

Stockholm (HedgeNordic) – Last year was a challenging year for many investors and investment managers. For activist investor **Accendo Capital**, “2020 was pretty much business as usual for us,” according to founder Henri Österlund. It was not usual in the sense that the team’s everyday lives remained unaffected by the coronavirus pandemic. Rather, their “entrepreneurial rolling up our sleeves” style to investing remained intact, helping Accendo achieve its best year since launching in early 2008.

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Accendo, an active investor maintaining a concentrated portfolio of listed companies in Northern Europe often with a technological edge, returned 69.3 percent in 2020 after gaining 19.8 percent in December alone. “2020 was definitely our strongest year, but it was not totally out of the norm for our team or our strategy,” says Kai Tavakka, one member of Accendo’s core team of four that includes Henri Österlund, Mark H. Shay, and Elise Auer.

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Accendo Capital has delivered an annualized return of 15.4 percent since launching in March of 2008, with its annualized return over the past five years exceeding 25 percent. “We view these as a simple set of numbers for our audience to remember and for ourselves to strive to improve on,” points out Tavakka. “What really matters is the long term, and we focus on our long-term track record instead of individual years, but it is our pleasure to deliver the strong 2020 numbers.”

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“Our entrepreneurial rolling up our sleeves style to investing has really helped us and our portfolio companies the past year,” says Elise Auer, Director of Investor Relations at Accendo. However, founder Henri Österlund goes on to emphasize that “2020 was pretty much business as usual for us.” According to Österlund, “we never operated in any deep crisis mode, or felt that the whole world is blackening around us.” The core team at Accendo “works very much with resource allocation, capital allocation and then human talent allocation, which involves finding the people who should be striving forward initiatives.”

Portfolio Composition and Changes

Accendo Capital currently maintains a concentrated portfolio of five companies after making a new investment in Finnish cybersecurity company SSH Communications Security Corporation and divesting two holdings profitably. Last year, Accendo acquired a 16.5 percent stake from the founder and largest shareholder of SSH, Tatu Ylönen, and later upping its stake to 29.2 percent. “That investment was the result of work that started a few years ago,” says Österlund. “We were negotiating a similar transaction in 2016, but then we felt the time was not right for us to invest in

the company,” he adds. “Last spring, the founder came back to us and then we were able to find common ground to conclude the deal.”

Accendo also divested two portfolio holdings during 2020 and early this year, which delivered internal rates of return of 39 percent and 18 percent, respectively. “The pandemic expedited topics that were anyway coming to some sort of conclusion,” highlights Österlund. The Accendo team decided to exit “the positions where we did not have a board seat and where we were not a leading shareholder,” according to the Accendo founder. “For the companies that we did not have a board seat, we felt that there was not much we could support them with.”

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Mark Shay goes on to underline that “we are focusing on where we have the most impact as active owners, and that is on those remaining five companies.” One of Accendo’s remaining holdings, Finnish video game developer Remedy Entertainment, advanced 241 percent last year, ending 2020 accounting for 55 percent of the fund’s portfolio. “Remedy has done tremendously well this year,” says Shay. “But the performance was not altogether unexpected because we’ve been putting the pieces in place for that kind of performance since the IPO over the last few years,” he continues. “We would like to see a similar kind of performance in our other names, where we are doing the right things in terms of partnerships, or M&A or getting people in place so that we have that kind of performance.”

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Accendo had €166 million under management fully invested across the five portfolio companies at the end of December. “We like the way the portfolio looks today and we have a couple of exciting ideas in the pipeline that we are working hard on,” emphasizes Shay, who has been working alongside Österlund since 2009. “The strategy has clearly been delivering both short term and long term,” concludes Österlund. “We see that this is the right place for us to be in and where we want to be and where we continue to play.”