

Month and Year in Review

Stockholm (HedgeNordic) – Nordic hedge funds ended the highly unusual year of 2020 on a high, with the industry enjoying its best annual performance since 2010 while witnessing over 30 hedge funds closing down. As measured by the Nordic Hedge Index Composite, the Nordic hedge fund industry advanced 2.5 percent on average in December (95 percent reported) to end the year up 8.2 percent. The up-and-running members of the Nordic Hedge Index gained an average of 10.3 percent in 2020.

Month in Review – December 2020

All five strategy categories in the Nordic Hedge Index posted gains last month, with equity hedge funds topping the performance charts. Nordic equity hedge funds advanced 4.0 percent on average in December to end the year up 15.1 percent. Last year was the second-best year on record for Nordic equity hedge funds since HedgeNordic started tracking the industry in 2005. CTAs were up 3.6 percent on average last month, which brought the group's 2020 performance to 4.3 percent. Last month, multi-strategy funds and funds of funds advanced 1.9 percent and 1.4 percent, respectively. Fixed-income hedge funds, the year's second-best performing strategy group within the Nordic Hedge Index, were up 0.5 percent on average in December, ending the year in positive territory at 4.6 percent.

At a country level, Swedish hedge funds, which account for the largest portion of the Nordic hedge fund industry with 70 listed funds, gained the most last month with an average gain of 3.0 percent. Swedish hedge funds ended last year in positive territory at 7.3 percent. Norwegian hedge funds gained 2.8 percent last month to bring the 2020 gains to 11.9 percent, the best performing group at a country level. Finnish hedge funds gained 2.4 percent last month and 8.9 percent for 2020, while Danish hedge funds returned 1.4 percent on average last month to end the year up at 8.2 percent.

The dispersion between last month's best- and worst-performing members of the Nordic Hedge Index decreased month-over-month. In December, the top 20 percent of Nordic hedge funds advanced 7.8 percent on average, while the bottom 20 percent lost 0.4 percent. In November, the top 20 percent were up 10.8 percent on average, and the bottom 20 percent lost 1.2 percent on average. About 86 percent of all members of the Nordic Hedge Index with reported December figures posted gains last month.

Top Performers in December

Activist fund **Accendo Capital** was last month's best-performing member of the Nordic Hedge Index with a return of 19.8 percent, which brought its 2020 return to 69.3 percent. Last year was Accendo's best year on record since launching in early 2008, eclipsing the fund's previous record of 49.1 percent reached for 2015. **RPM Galaxy**, a CTA fund seeking to invest in large and established CTA managers with at least \$500 million under management, followed suit with a monthly advance of 13.4 percent. Last month's advance brought RPM Galaxy's performance for the year closer to positive territory at minus 0.1 percent.

Symmetry Invest, a long/short equity fund founded and co-managed by Andreas Aaen out of Aalborg in Denmark, was last month's third-best performing member of the Nordic Hedge Index with a return of 12.9 percent. The fund ended 2020 with a return of 40.4 percent. Meanwhile,

Nordic Cross Small Cap Edge advanced 12.1 percent in December to bring the year's performance at 29.1 percent. **Adrigo Small & Midcap L/S**, a small- and mid-cap-focused stock-picking hedge fund now under East Capital's umbrella, followed suit with a return of 11.5 percent in December. The fund managed by Staffan Östlin gained 43.6 percent last year, currently ranking among last year's top ten best-performing hedge funds in the Nordics.

Top Performers in 2020

Thematic-focused equity fund **St. Petri L/S**, managed by Michal Danielewicz and Jens Larsson out of Copenhagen, topped the performance charts last year after delivering a full-year return of 98 percent. "We at St. Petri invest in change, and the Covid pandemic accelerated some of the structural changes we had previously identified and, thereby, benefited the themes that we invest in," Danielewicz reflects on the fund's 2020 journey. St. Petri L/S enjoyed only positive months throughout 2020, including the volatile month of March. "All in all, 2020 was a good year for St. Petri."

Energy transition-focused **Proxy Renewable Long/Short Energy** returned about 83 percent last year after advancing 46 percent in 2019 to bring its annualized return since launching in mid-December of 2018 to 54 percent. **Alcur Select**, the best-performing Nordic hedge fund of 2019 with a return of 51 percent, returned over 70 percent in 2020. The long-biased long/short fund managed by Wilhelm Gruvberg delivered an annualized return of 45 percent since launching in May of 2018.

Biggest Positive Surprises

Hedge funds exhibit different risk-return profiles and hence experience different levels of volatility in their returns. With a gain of 5.8 percent for December, multi-strategy fund **Polar Value** experienced the biggest surprise last month relative to its historical level of volatility. Its last month's gain was 8.5 standard deviations above zero. Activist investor **Accendo** gained 19.8 percent last month, which was 3.7 standard deviations above zero. **Brummer Multi-Strategy's** advance of 4.6 percent in December was 3.5 standard deviations above zero.

Highest Sharpe Ratios

Given the heterogeneous nature of hedge fund strategies, absolute performance numbers do not always reflect how successful hedge funds are. Risk-adjusted measures such as the Sharpe ratio are a good starting point in the process of identifying the best-performing hedge funds. The three tables below display the Nordic hedge funds with the highest Sharpe ratios over the past 12 months, past 24 months and 36 months.

Fund Name	12-M Sharpe	Fund Name	24-M Sharpe	Fund Name	36-M Sharpe
St. Petri L/S	6.82	Scandinavian Credit Fund I	5	Scandinavian Credit Fund I	6.41
Adaptive Paradigm Alpha	4.46	Formue Nord Markedsneutral	3.63	Formue Nord Markedsneutral	3.26
Formue Nord Markedsneutral	4.07	Alcur Select	3.34	SEB Eureka Fixed Income Relative Value	2.5
Proxy Renewable Long/Short Energy	3.95	Proxy Renewable Long/Short Energy	3.1	Alcur	2.47
SEB Eureka Fixed Income Relative Value	3.72	Alcur	3.06	Ress Life Investments	1.91
KLP Alfa Global Energi	3.48	St. Petri L/S	2.89	CARN Latitude	1.58
Alcur	3.45	SEB Eureka Fixed Income Relative Value	2.69	Asgard Fixed Income Fund	1.53
Scandinavian Credit Fund I	3.35	CARN Latitude	2.52	Danske Invest Hedge Fixed Income Strategies	1.42
Alcur Select	3	KLP Alfa Global Energi	2.46	Asgard Fixed Income Risk Premia	1.4
Nordic Cross Stable Return	2.88	Nordic Cross Stable Return	2.1	Nordic Cross Stable Return	1.37

The Month in Review for December can be downloaded below:



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