



## DNB's Best of Breed

Stockholm (HedgeNordic) – A well-thought-out multi-strategy fund often relies on “best of breed” investment strategies for a wide array of asset classes and market regimes. In the first quarter of last year, right amid the turbulence created by the coronavirus pandemic, DNB Asset Management launched its own multi-asset, multi-strategy absolute return fund – **DNB Fund Multi Asset** – that incorporates the asset manager’s best-of-class strategies.

“The decision to start the fund actually was made in the fall of 2018, and we have been working actively on the fund since then,” Anette Hjertø, Head of Absolute Return Investments at DNB, tells HedgeNordic. “We launched the fund in February of 2020, which was spectacular timing with the volatility in the market that came right after,” she continues. “We did take our time to get started,” says Hjertø, who is part of a three-member team responsible for top-down risk management and allocation in the fund. “Although some of the strategies in our fund have a very long track record, we also wanted to add a few newer strategies that we needed to test properly before the launch.”

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## Nine Strategies

“DNB Fund Multi Asset is a multi-asset, multi-strategy fund that seeks to combine traditional and alternative return drivers,” Hjertø tells HedgeNordic. “The fund does not seek to be market neutral, but it aims to limit beta exposure to traditional asset classes such as equities,” she emphasizes. DNB Fund Multi Asset currently allocates across nine strategies, all managed in-house by different investment teams within DNB Asset Management. “All strategies are managed in-house and there is only one layer of fees, so this is not a typical fund of funds,” points out Hjertø. A combined 15 portfolio managers are currently responsible for managing the nine strategies.

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DNB Fund Multi Asset employs several long-only strategies investing in Fallen Angel bonds, Norwegian bonds, Minimum Volatility equities, and Disruptive equities. The three-member team composed of Hjertø, Lena Öberg, and Kim Stefan Anderson recently implemented a new directional equity strategy named “Disruptive equities” in an attempt to diversify the long equity exposure in the fund and benefit from strong thematic drivers of return in the equity universe.

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On the non-directional side, DNB Fund Multi Asset invests across several market-neutral strategies such as a European quant-based market-neutral strategy, a financials-focused market-neutral strategy, a TMT sector-focused market-neutral strategy, as well as a fixed-income carry strategy. “We also have a trend component in the fund that is expected to do particularly well in extended market downturns,” says Hjertø.

“We have these long-only strategies in the fund for their return potential over time,” explains DNB’s Head of Absolute Return Investments. However, these strategies “do not seek to deliver return only from beta exposure but also from alpha through exposure to strategies and sectors that provide good downside protection,” she continues. “We also have a long-only fixed-income allocation

designed to provide downside protection,” says Hjertø. “We are aware of the limited benefits that fixed income will provide in terms of diversification at these levels of interest rates, therefore, the remaining strategies have very low net market exposure and are expected to deliver returns independent of the market direction.”

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According to Hjertø, “the portfolio at the fund level is well diversified and our expectation is that all strategies will contribute to returns over time but will do so in different periods.” Hjertø and her team expect the fund’s allocation to long-only equities to generate the highest return over time, “but in periods of weaker equity markets, we expect the alternative strategies to add particular value,” says Hjertø. “These strategies are predominantly market-neutral, and hence their return will come from pure alpha.”

## **All Key Strengths in One Place**

On average, over time, each of the nine strategies is expected to have roughly equal risk contribution to DNB Fund Multi Asset’s portfolio. “We look at each strategy’s return potential and volatility, as well as correlations between strategies when deciding on the allocation,” explains Hjertø. “We base all our allocations on the medium to long-term potential of the different strategies.”

“In the Norwegian market, DNB Asset Management is well-known for its sector focus in equities, such as technologies,” says Hjertø. “But we also are Norway’s market leaders in portfolio management in the fixed-income area and we have a very experienced quantitative portfolio management team on the equity side, so we wanted to benefit from all our key strengths.” DNB Fund Multi Asset, therefore, provides one-stop access to all the strengths of the DNB portfolio management team.

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While some strategies reflected in DNB Fund Multi Asset's portfolio are also available as stand-alone investment vehicles, "most strategies are exclusive to the multi-asset product," emphasizes Hjertø. "Only the Minimum Volatility equities, TMT Absolute Return, Disruptive Opportunities and Norwegian Fixed Income are available as stand-alone funds," she continues. "Our allocations to these strategies are for the long term, but that does not exclude us from constantly working on new strategies that we could potentially add to the fund."

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"DNB Fund Multi Asset builds on the strong competence of the wide-ranging portfolio management team that DNB has," Hjertø tells HedgeNordic. The fund also applies DNB Group's Standards for Responsible Investments that are seeking to ensure that DNB does not contribute to human or labor rights violations, corruption, serious environmental harm or other actions that may be perceived unethical or unsustainable. "DNB has a strong commitment to ESG, this commitment is very important to clients."

*Picture courtesy of DNB, picture by Stig B. Fiksdal.*