

# The Mortgage Comes Due

Stockholm (HedgeNordic) – Danske Bank’s first fixed-income hedge fund launched back in 2004 is closing down. **Danske Invest Hedge Mortgage Arbitrage**, one of the four fixed-income hedge funds under the umbrella of Danske Bank Asset Management, will be liquidated in mid-March. The asset manager will focus efforts and resources on its three younger and more successful fixed-income hedge funds.

“During recent years, the Fund has not been able to generate its target return,” says an investor notice signed by Klaus Ebert, non-executive director of Danske Invest’s Luxemburg- and Guernsey-based UCITS funds and AIFs. “At the same time, investors’ appetite has declined since the beginning of 2017, with redemptions bringing the Asset under Management (“AUM”) down from around DKK 2,000M to an unsustainable level of DKK 110M as at the end of October 2020,” the letter adds.

Danske Invest Hedge Mortgage Arbitrage, which seeks to generate attractive absolute returns by investing primarily in Danish mortgage bonds, had DKK 100 million under management at the end of January this year, down from over DKK 2.1 billion in 2017. Danske Bank’s oldest fixed-income hedge fund has delivered an annualized return of 0.2 percent over the past 36 months and an annualized return of 2.8 percent over the past 60 months, below the strategy’s performance target of three-to-five percent over the risk-free rate. Danske Invest Hedge Mortgage Arbitrage has delivered an annualized return of 3.1 percent since its inception in January of 2004.

“As the investment manager does not expect the Fund performance to improve significantly in the near future, and given the low level of AUM in the Fund, the Directors believe that it is not in the best interests of the shareholders of the Fund to continue managing the Fund,” says the notice to investors. “Therefore, the Directors have resolved to effect a compulsory redemption of Participating Shares in the Fund,” adds the letter. The compulsory redemption of participating shares will take place on March 18, 2021.

## Danske Bank’s Fixed-Income HF Range Marches Forward

Following the closure of Danske Invest Hedge Mortgage Arbitrage, Danske Bank Asset Management will continue to manage three fixed-income hedge funds. As previously explained by Michael Petry, who is head of hedge funds at Danske Bank Asset Management, all the funds follow the same core principles. “All the funds aim to deliver a positive, absolute return, regardless of the direction of the financial markets, and they do this via a long series of strategies that seek to capitalise on interesting patterns and discrepancies in fixed income and bond market pricing,” said Petry.

The flagship fixed-income hedge fund strategy, **Danske Invest Hedge Fixed Income Strategies**, has about DKK 8 billion under management as of mid-February and has delivered an annualized return of 11.1 percent since launching in 2005. **Danske Invest Hedge Fixed Income Relative Value**, which currently manages DKK 4.7 billion, has generated positive returns every calendar year since launching in 2012, delivering an annualized return of 8.8 percent since inception. **Danske Invest Fixed Income Global Value**, which has generated an annualized return of 10.7 percent since launching in mid-2018, currently oversees €861.5 million in assets under management.