

Month in Review - February 2021



Stockholm (HedgeNordic) - Nordic hedge funds enjoyed their fourth consecutive month of positive returns in February, with the Nordic Hedge Index advancing 1.2 percent last month (93 percent reported). The Nordic hedge fund industry is now up 1.8 percent in the first two months of 2021, with its rolling 12-month return exceeding 12 percent.

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Four of the five strategies in the Nordic Hedge Index enjoyed gains in February, with CTAs and equity hedge funds topping the performance charts. Meanwhile, fixed-income hedge funds retreated 0.5 percent last month as bond yields rose on the back of inflation fears. February offered a fertile market environment for CTAs, with the group advancing 2.8 percent on average to take its year-to-date advance to 1.4 percent. Equity hedge funds gained 2.5 percent on average last month, extending their advance for the year to nearly four percent. Funds of hedge funds closely followed suit with an advance of 1.6 percent in February, while multi-strategy hedge funds edged up 0.3 percent.

At a country level, the CTA-heavy hedge fund industry in Finland gained the most in February, with its 14 funds advancing 3.2 percent on average. In contrast, the Danish hedge fund industry dominated by fixed-income vehicles edged up only 0.1 percent last month. Norwegian hedge funds rose 2.4 percent on average in February to take their 2021 performance to 3.1 percent. Swedish hedge funds,

which account for the largest portion of the Nordic hedge fund industry with 68 listed funds, were up 1.1 percent on average last month.

The dispersion between last month's best- and worst-performing members of the Nordic Hedge Index increased month-over-month, as last month's top performers gained more on average than the top performers in January. In February, the top 20 percent of Nordic hedge funds gained 5.9 percent on average, while the bottom 20 percent lost 2.5 percent. In January, the top 20 percent were up 4.2 percent on average, and the bottom 20 percent were down 2.4 percent on average. About two in every three members of the Nordic Hedge Index with reported February figures posted gains last month.

Top Performers in February

With a monthly gain of 17.5 percent, Oslo-based long/short equity fund **AAM Absolute Return** was last month's best-performing member of the Nordic Hedge Index, enjoying its best month on record since launching in late 2005. The energy sector-focused fund managed by Harald James Otterhaug is now up 18.9 percent in the first two months of 2021, after advancing close to 51 percent last year. Concentrated activist investor **Accendo** and systematic value-focused fund **HCP Quant** gained 11.2 percent and 11.0 percent last month, respectively.

Symmetry Invest, a Danish long/short equity fund founded and co-managed by Andreas Aaen, was up 8.3 percent last month to take its performance for the first two months of 2021 to 18 percent. Estlander & Partners' pure-trend following strategy, **Estlander & Partners Alpha Trend** program, advanced 8.0 percent in February, and its sister **Freedom** program gained 7.9 percent.

Biggest Performance Surprises

Hedge funds exhibit different risk-return profiles and hence experience different levels of volatility in their returns. With a return of 17.5 percent in February, energy sector-focused **AAM Absolute Return** enjoyed the highest above-own-average return relative to its historical monthly volatility. Its last month's gain was 3.9 standard deviations above its average monthly return. Fund of hedge funds **AIM Diversified Strategies** advanced 3.0 percent last month, which was 2.7 standard deviations above its average monthly return of 0.31 percent. **DNB**

TMT Absolute Return's gain of 4.6 percent was 2.2 standard deviations above its average monthly return since inception.

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	9.77	Scandinavian Credit Fund I	5.09	Scandinavian Credit Fund I	6.38
Adaptive Paradigm Alpha	4.2	Formue Nord Markedsneutral	3.63	Formue Nord Markedsneutral	3.09
Formue Nord Markedsneutral	4.07	St. Petri L/S	3.06	Alcur	2.3
KLP Alfa Global Energi	3.93	Proxy Renewable Long/Short Energy	2.78	SEB Eureka Fixed Income Relative Value	2.22
AAM Absolute Return Fund	3.58	Alcur Select	2.77	St. Petri L/S	1.93
Scandinavian Credit Fund I	3.35	Alcur	2.71	Ress Life Investments	1.88
Proxy Renewable Long/Short Energy	3.34	KLP Alfa Global Energi	2.68	CARN Latitude	1.56
Alcur	3.24	Lucerne Nordic Fund	2.25	Lucerne Nordic Fund	1.52
Nordic Cross Stable Return	2.8	CARN Latitude	2.18	Asgard Fixed Income Fund	1.51
Alcur Select	2.78	SEB Eureka Fixed Income Relative Value	2.15	Asgard Fixed Income Risk Premia	1.47

The Month in Review for February 2021 can be downloaded below:



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