

# Brummer Discards Observatory

Stockholm (HedgeNordic) – **Brummer Multi-Strategy** is redeeming its entire investment in fixed-income-focused long/short credit hedge fund Observatory due to low expected contribution to its risk-adjusted return going forward. The multi-strategy vehicle, which has SEK 37.5 billion under management, allocated 11.1 percent of its portfolio to Observatory at the end of May.

*“All credit to Observatory, its CIO Shazad Ghaffar and his 30+ years in the industry. He has performed well over a long period of time, with a market neutral approach and limited drawdowns.”*

“All credit to Observatory, its CIO Shazad Ghaffar and his 30+ years in the industry. He has performed well over a long period of time, with a market neutral approach and limited drawdowns,” comments Mikael Spångberg (*pictured*), portfolio manager of Brummer Multi-Strategy. “There are very few long/short credit strategies that have succeeded so well in generating alpha over time while maintaining high liquidity,” continues Spångberg. “Unfortunately, the annual absolute return over the past three years has been too low and the expected future risk-adjusted return is not deemed to be competitive enough.”

*“Unfortunately, the annual absolute return over the past three years has been too low and the expected future risk-adjusted return is not deemed to be competitive enough.”*

Observatory, a trading-oriented hedge fund focusing on corporate credit, has delivered an annualized return of 8.5 percent since launching in mid-2004 despite returning an average of 3.0 percent over the past three years. The fund has achieved a Sharpe ratio of 0.24 over the last three years and an inception-to-date Sharpe ratio of 1.22. Brummer Multi-Strategy has allocated capital to Observatory since January 2010.

“The decision is an undramatic one. We have had a constructive dialogue with Shazad Ghaffar about risk-taking, the portfolio and the strategy’s future opportunity set and have then decided to redeem our shares,” Spångberg comments on the decision to redeem the investment in Observatory. “The purpose of all investment decisions is to improve BMS and its conditions to be able to generate strong, risk-adjusted returns.”

*“The purpose of all investment decisions is to improve BMS and its conditions to be able to generate strong, risk-adjusted returns.”*

Brummer Multi-Strategy plans to redeem its investment on two occasions, at the end of June and the end of July. After the redemption, the multi-strategy vehicle will be invested in eight funds. Brummer Multi-Strategy, however, will add two new sector specialist market-neutral equity strategies in the autumn. “While continuously striving to generate value through strong risk-adjusted returns over time, the BMS team searches opportunistically for new, complementing and diversifying single strategies,” writes Brummer & Partners in a press release.