Super Cars. Sober Investing.

Stockholm (HedgeNordic) – Special Cars Invest's presentation and website are certainly appealing to the eye, including pictures and descriptions of some of the most beautiful and spectacular cars. But while the team around founder Theis Gerner Stanek Strand, CEO Ulrik Larsen and asset management veteran Frederik Mørkeberg are true car buffs and petrol heads, they are as sober as a Volkswagen Golf Rabbit when it comes to their fund and their pursuit of investment returns.

"Who wouldn't like to own a 1973 Porsche 911 Carrera RSR, or a 1988 Lamborghini Countach? Perhaps a 1992 Ferrari F40 or the historic 250 GT Berlinetta as well? All beautiful, fantastic cars, but as investment objects, we don't find the risk-reward particularly compelling; there are many pitfalls when investing in vintage cars. What is the history of the car, how has the maintenance been, has it been damaged and if restored, has it been done accordingly or has there been cut any corners? The costs of documentation quickly escalate, which weighs on the returns on the invested capital (ROIC) – and ROIC is a key focus for us," explains Frederik Mørkeberg.

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The team, therefore, focuses exclusively on brand new supercars. A supercar is a car that the manufacturers have built to the very best specifications, and for which no compromises have been made. They are extremely expensive to develop, are often hand-built and only a few examples are made.

Supercars appeal to a narrow, but extremely wealthy customer segment and are much less sensitive to economic fluctuations than shares and real estate, for example.

The Fewer People Touched the Car, the More it is Worth

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There are funds that invest in vintage cars, or those with a specific pedigree, historical relevance, or of prominent owners. "A 1973 Porsche RSR is an exceptional car. But when you go to inspect it, you may find out this one has a '75 chassis or a '72 engine and it all gets messy. Gathering all the right documentation is an enormous hassle and there is large risk to buy a vehicle under the wrong premises. With a car just out of the factory, there are no such issues, headaches and risks," portfolio manager Theis Gerner Stanek Strand explains.

Theis Gerner Stank Strand and Frederik Mørkeberg

In the spring of 2020, just as Covid was starting to impact the world, Frederik Mørkeberg was starting to structure the legal setup of the to-be-founded fund. "Talking to seed investors, the question we were repeatedly getting was "are you really sure you can get your hands on the cars?" It became obvious we may have a perception problem in this field. While individually we have a track record to show, as a fund and manager, we are new," he recalls.

The opportunity arose to partner with Selected Car Group, which was founded by fellow Dane Torben Østergaard-Nielsen, who is widely recognized for having one of the most complete car collections in Europe. Part of the group is Selected Car Investment, which already has funds for vintage car investments and therefore makes a nice compliment to their own investment vehicle. "It all turned out to be a perfect fit," Mørkeberg says.

The hardest part in this segment is sourcing the cars, and that Mørkeberg believes is one of the key strong points giving his team a competitive edge over peers and a high hurdle for new players to overcome. Especially Stanek Strand can fall back on many years of building relationships with manufacturers and dealers in Italy, Germany and the UK. "I probably travel to Germany 80-100 times a year to polish relationships with manufacturers and dealers," he reveals.

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"We only own some cars for a short period, others longer, and some for several years. What's important is to ensure that short-term profit is not made at the expense of long-term prospects. Our focus is on optimizing the return on our investors' capital, and short-term prospects cannot put at risk long-term relationships with the manufacturers, for example."

But indeed, the biggest source of disagreement among the team is the timing to sell the cars. A Ferrari F40, for instance, came to market in 1987 at around $1.5 million and peaked at probably $6 million in 1992. Today they trade for less than a million and a half dollars again. In addition, there may be minimum holding periods agreed with the manufactures as they are keen to have their cars spread around the globe. "They don't want 20 cars of their series of 25 standing in the desert in Dubai."

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ducks when they are quacking.”

“There is this sweet spot period when there is a “must-have” urge in the market and sometimes we’d like to hold on longer, but you want to be feeding the ducks when they are quacking,” says Mørkeberg. Once having decided to sell, there is no shortage of buyers, be it at auction, from collectors and collections or simply individuals who “have to have that car.”

The portfolio currently holds three mouthwatering positions: McLaren 765LT, an Aston Martin Valhalla and a Bugatti pur Sport, which were all purchased in the last year. The cars are kept in one of Selected Car Group’s facilities, and the cost for maintaining the cars may be lower than for your family stage coach. “The insurance, for instance, amounts for approximately 0.3% of NAV, the infamously high Danish taxes on cars don’t kick in until the number plates go on and with Bugatti for instance, the car purchase includes a maintenance agreement.”

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As the team is growing assets under management from humble beginnings, being able to allocate invested capital despite the thin market seems of no great concern: “We have a pretty good understanding of which cars will be coming to the market over the next 18-24 months that we would like to add to the portfolio.”

The fund is set up as a Danish alternative investment fund, in an all-Danish structure with a €100.000 minimum ticket size with a 2+20 fee structure. Sadly, there are no fringe benefits included for investors such as getting one of the cars for a long weekend. I checked.

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