

Climbing the Risk-Return Curve

Stockholm (HedgeNordic) – As part of its allocation process, multi-asset, multi-strategy hedge fund **HCP Black** has always been invested in real estate, primarily either through listed real estate investment companies or exchange-traded funds (ETFs). Tommi Kemppainen, the CEO of Finnish asset manager Helsinki Capital Partners and portfolio manager of HCP Black, now plans to climb the risk-return curve by investing in a value-add real estate fund.

“HCP Black has invested and diversified into the global real estate market throughout the entire life of the fund,” writes Kemppainen in a blog post. “Real estate is particularly relevant now, as an aggressive increase in the amount of money has undermined confidence in the ability of money to maintain purchasing power,” he continues. “Real assets such as real estate are then needed to maintain purchasing power.”

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HCP Black currently allocates about 11 percent of its portfolio to real estate, with five percent invested in a well-diversified real estate portfolio via a global real estate fund and the remaining six percent in tactically acquired Spanish real estate via a local listed real estate company. Kemppainen plans to sell the traditional real estate investment amounting to five percent of the portfolio in the second half of 2021 and invest the proceeds in more select properties via a fund. “This is real estate, like a traditional real estate investment, that typically provides good protection against inflation,” explains Kemppainen. “The main focus is on the specifically selected properties and where active property management can create value added.”

“The amount of so-called idiosyncratic risk in HCP Black Fund’s real estate investments increases in proportion to the amount of market risk in the asset class itself,” writes Kemppainen. With the soon-to-be-made investment in a value-add real estate fund, “we will thus be able to further increase the return potential of the HCP Black Fund in relation to the total risk incurred,” the CEO adds. “HCP Black is once again taking a step forward as an active strategy as the focus within the real estate capital class also shifts from a passive market investment to more active real estate management.”

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HCP Black is one of the three vehicles under the umbrella of Helsinki Capital Partners, with the fund employing active diversification across a wide range of non-correlated alternative and traditional assets. At the halfway point of the year, the multi-asset, multi-strategy fund allocated about 20 percent of its portfolio to insurance-linked securities, 14 percent to trend-following strategies, 12 percent to fixed-income investments and 11 percent to real estate. The remaining assets were allocated to gold, silver, the firm’s other two vehicles, and tail hedge securities. HCP Black gained 9.8 percent in the first seven months of 2021 and has generated an annualized return of four percent

since launching in late 2009 with single digit volatility.