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Stockholm, April 22<sup>nd</sup> 2020  
2019 Nordic Hedge Award



# Contents

<p><b>4</b> Editor’s Note... This Time, it IS Different</p> <hr/> <p><b>6</b> Averages Hide Disparities</p> <hr/> <p><b>12</b> The Model Chosen to Determine the Best Nordic Hedge Funds</p> <hr/> <p><b>16</b> Jury Board to the Nordic Hedge Award</p> <hr/> <p><b>20</b> Best Nordic Fund of Hedge Funds 2019</p> <hr/> <p><b>24</b> Best Nordic Equity Hedge Fund 2019</p> <hr/> <p><b>30</b> Best Nordic Fixed Income Hedge Fund 2019</p> <hr/> <p><b>34</b> Best Nordic Multi Strategy Hedge Fund 2019</p> <hr/> <p><b>40</b> Best Nordic CTA 2019</p> <hr/> <p><b>46</b> Performance Awards</p> <hr/> <p><b>52</b> Rookie of the Year 2019</p> <hr/>	<p><b>56</b> Best Nordic Hedge Fund 2019 Overall</p> <hr/> <p><b>Partner Introductions:</b></p> <hr/> <p><b>62</b> Swedish House of Finance</p> <hr/> <p><b>64</b> Efficient Capital</p> <hr/> <p><b>66</b> Northern Trust</p> <hr/> <p><b>68</b> RBC I&amp;TS</p> <hr/> <p><b>70</b> Harvest Advokatbyrå</p> <hr/> <p><b>72</b> The Asset Management Exchange</p> <hr/> <p><b>74</b> CME Group</p> <hr/> <p><b>78</b> The Mingle</p> <hr/> <p><b>80</b> History &amp; Statistics</p> <hr/>
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## INTRODUCTION

HedgeNordic is the leading media covering the Nordic alternative investment and hedge fund universe. The website brings daily news, research, analysis and background that is relevant to Nordic hedge fund professionals from the sell and buy side from all tiers.

HedgeNordic publishes monthly, quarterly and annual reports on recent developments in her core market as well as special, indepth reports on “hot topics”.

HedgeNordic also calculates and publishes the Nordic Hedge Index (NHX) and is host to the Nordic Hedge Award and organizes round tables and seminars.

## PUBLICATION PLAN 2019:

June: Systematic Strategies  
 September: Hedge Funds and Technology  
 October: True Diversifiers  
 November: Alternative Fixed Income  
 December: Megatrends

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# Editor's Note...

## This Time, it IS Different

**T**his time is different! This little sentence is often referred to as one of the most expensive sentences in finance. The spring of 2020, however, will surely stay in our minds as a truly different experience. The individual moments we had, typically working from home as were our spouses and the kids; the discussions at home and with friends, family and colleagues at work; the fears, hopes, desires, hardships that we will remember; and, of course, everything else going on, ranging from our communities to global events and developments.

We are still dealing with the health and safety impacts of the crisis, first and foremost. The economic fallout of government actions and reactions to the virus, including

locking down entire economies and societies, cannot even yet be estimated or comprehend. The journey back to levels known "before Corona" will be long, twisted, rocky and always uphill. We are looking at numbers coming out of the US with initial jobless claims falling off the charts and devastating economic contraction.

Former Federal Reserve Chair Janet Yellen told CNBC that the economy is in the throes of an "absolutely shocking" downturn that is not yet reflected in the current data. If it were, she said, the unemployment rate would probably be as high as 13%, while the overall economic contraction would be about 30%.

Europe seems to have largely handled both the health crisis and the economic contraction comparatively better, and the immediate damage done appears to be less severe – on a horrible, devastating level. Once again proving that benchmarking on level of badness to another level of more or less badness gives little comfort, when things are really, really bad.

And all this, of course, is still under the Damocles sword hanging above us that we are likely to see spikes again in infection numbers as we reopen our economies, businesses and social lives, which may trigger partial, local or even general lockdowns, again – and the looming fear of a second wave come winter.

I would guess that no one remained unaffected by this pandemic. This is true, of course, also for the Nordic Hedge Award, which indeed would be different this time!

The character of the final event to the Nordic Hedge Award is very old school, low tech and sees people interacting, shaking hands, exchanging business cards, sharing laughs and war stories. Looking back, the period of mid-February to mid-March, trying to come to awareness if and how Covid-19 would affect us at all, to debating and deciding on – in a first step – how to proceed with the event, and then if to proceed at all. It was a downhill process going from "we'll ask everyone to wash their hands and suggest a no-hand-shaking-policy" to realizing there is no way we can responsibly and safely gather 150 people who have just been flying in from every corner of the planet in one room.

The solution then was to create a virtual event. We posted the winners their trophies, often to their homes, interviewed them by phone and invited the managers to

send us pictures of themselves with their trophies. We are still hopeful we can all gather to mingle and share a drink or two after the summer, hopefully in better times.

An award ceremony, beside all the gloom, should of course be a time of celebration. Heartfelt cheers therefore go out to those managers ending up as the winners of the 2019 Nordic Hedge Award – congratulations! Last year I had quoted Billie Ocean in my editor's note saying "When the going gets tough, the tough get going." Well, I guess the managers had their fair chance to show their going in these last weeks and we will be counting up those scores, too, for the 2020 Nordic Hedge Award.

A cornerstone of the methodology used to determine the best Nordic hedge funds is the jury board to the Nordic Hedge Award, typically recruited among Nordic institutional investors. For the 2019 evaluation, we were privileged to win Veronica Whalberg (AP3), Linsay McPhater (Nordea), Pontus von Essen (AP7), Mattias Ledunger (Praktikerinvest), Gustav Karner (Apoteket's Pension Fund) and Mika Jaatinen (Elo) who dedicated their time and expertise ranking the managers.

The "Rookie of the Year" award has its own jury board put together of Nordic hedge fund managers, who also commit time and effort to the cause. A very warm thank you to you Jonas Sandefeldt (QQM), Rasmus Viggers (Formue Nord), Per Ivarsson (RPM), Staffan Östlin (Adriago) and to last year's Rookie, Bo Andersen (SEB).

We have been very fortunate to have strong, loyal, long term partners who express their bonds and dedication to the Nordic alternative investment space next to many other channels, initiatives and their daily work also through the Nordic Hedge Award. This year, more than ever, these relations were invaluable to us. My sincere gratitude goes to CME Group, who appeared as lead sponsor, Northern Trust, RBC I&TS, Harvest Advokatbyrå, Efficient Capital and last but not least, The AMX – who partnered with the Nordic Hedge Award for the first time. Thank you all for your support and guidance!

May we meet again!

Yours,

*Kamran Ghalitschi*  
KAMRAN GHALITSCHI

CEO & PUBLISHER HEDGENORDIC



# AVERAGES HIDE DISPARITIES

The Nordic Hedge Index (NHX) gained 5.4 percent in 2019, its strongest annual performance in six years. Viewed on a standalone basis, 2019 was a historically strong year for the Nordic hedge fund industry. At the beginning of 2019, markets, hedge funds and investors were coming off a rough, volatile fourth quarter, when stocks declined sharply in response to increasing investor concerns over global trade and slowing economic growth. For the Nordic hedge fund industry, 2019 was mostly a period of recovery from injury in the final quarter of 2018, when Nordic hedge funds lost 4.5 percent on average, to full recovery.

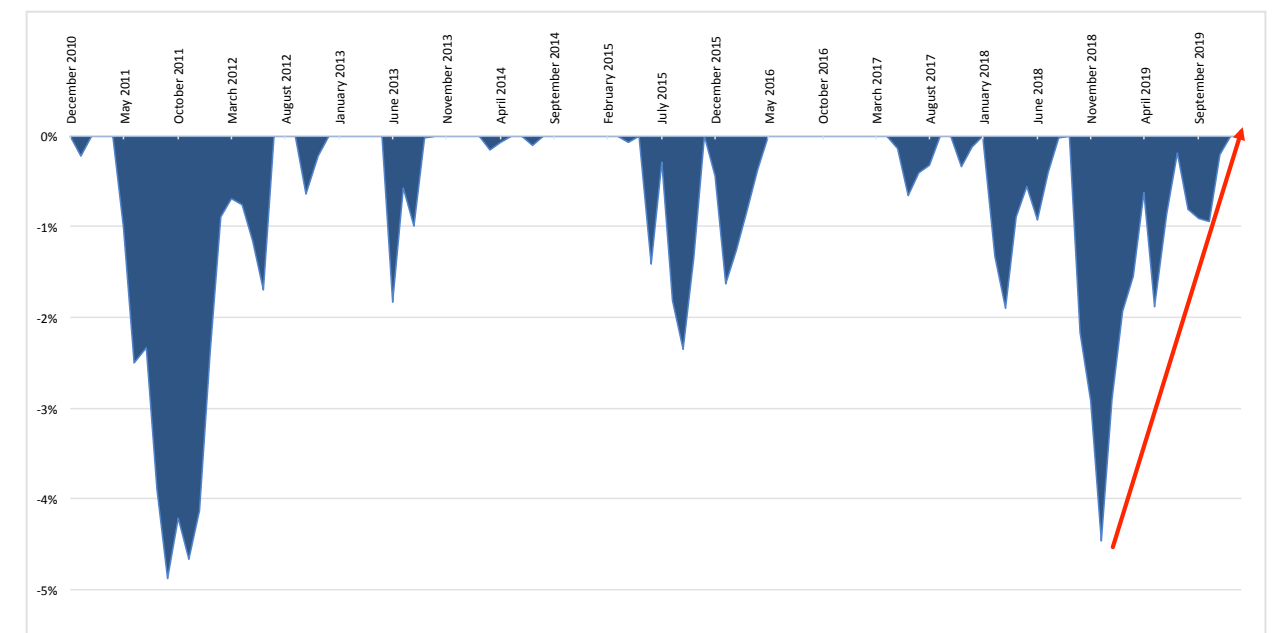
The NHX had its third-worst drawdown in the final quarter of 2018, when global stocks suffered the biggest quarterly fall since the third quarter of 2011 triggered by the eurozone debt crisis. In the last three months of 2018, the drawdown for the Nordic Hedge Index reached 4.5 percent. Drawdowns, a decline from the highest high (peak) to the lowest low (trough), usually occur much quicker compared to the recovery period lasts.

Drawdowns are peak to trough, what about climbing out from the trough back to a new peak? How long did it take for the Nordic hedge fund industry to recover from its third-worst drawdown? The recovery from the valley of the index to a new high lasted exactly 12 months. For the Nordic hedge fund industry, 2019 could be viewed as a recovery year, recovery from its third-worst drawdown.

## THE NHX OVERCOMES THE SURVIVORSHIP BIAS

Hedge fund indices are often (perhaps wrongfully) associated with exhibiting "survivorship bias," which reflects the tendency of certain data providers to solely reflect the returns only generated by existing funds by ignoring the performance of already-defunct funds. With no less than 30 Nordic hedge funds delisting from the NHX, either closing down or merging into other funds last year, an inappropriate calculation methodology for the Nordic Hedge Index could have resulted in significant survivorship bias.

NHX DRAWDOWNS SINCE 2011



Source: HedgeNordic



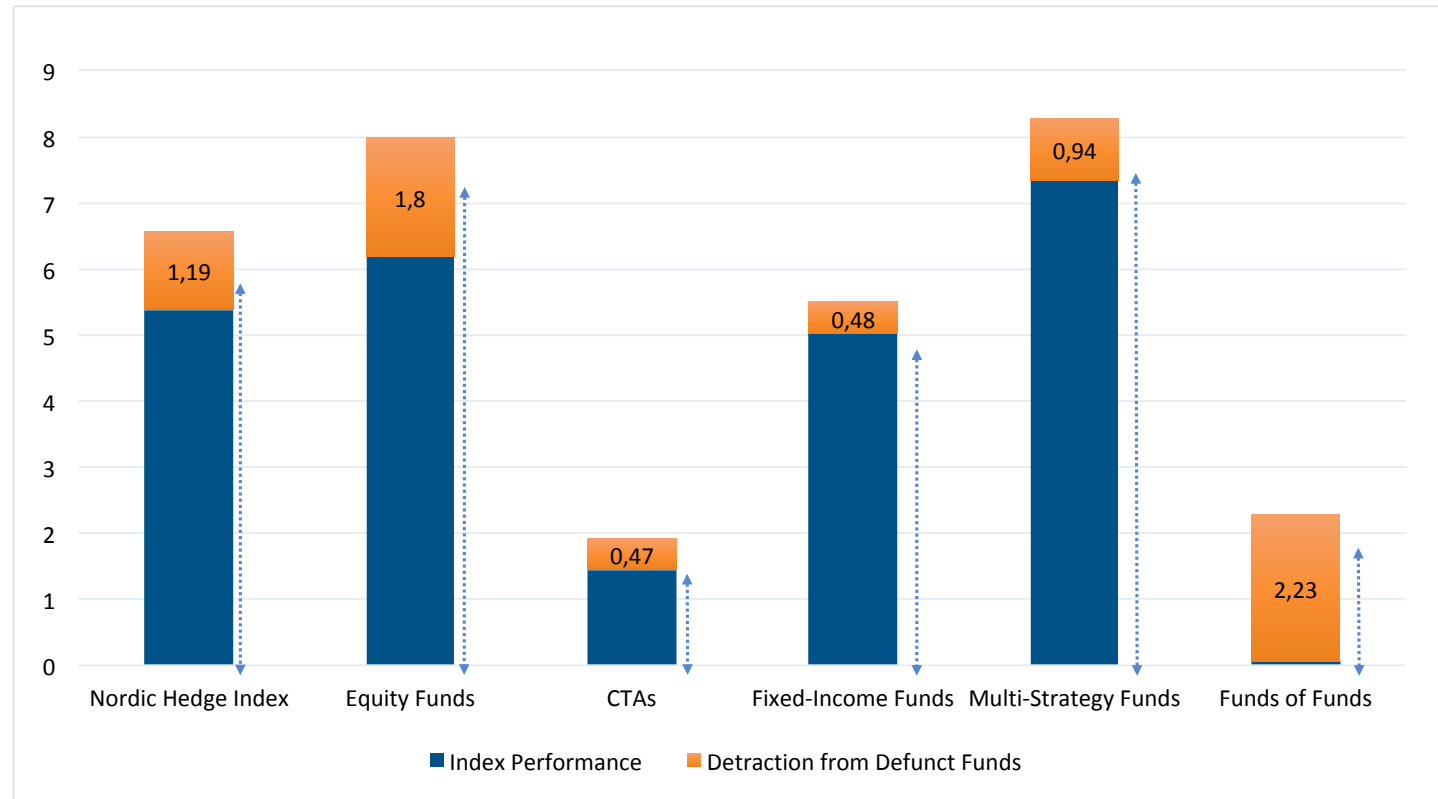
The Nordic Hedge Index, however, tackles this bias by reflecting the aggregate performance of both defunct and up-and-running funds. The index was up 5.4 percent last year, but the 155 active Nordic hedge funds returned

6.6 percent on average last year. The 120 percentage points-difference reflects performance detraction from the funds that closed during 2019 (which, unsurprisingly, performed worse than the up-and-running funds).

In the graph below, the grey boxes show that the Nordic hedge funds that were not in the top and bottom 30 percent in terms of performance returned between one percent and 8.1 percent last year. A third of all members

of the Nordic Hedge Index achieved a return higher than 8.1 percent in 2019, while 20 percent returned above 13.0 percent. Ten percent of all members returned above 22.7 percent last year.

**SURVIVORSHIP BIAS IN THE NHX**



Source: HedgeNordic

The most noticeable difference between the performance of an index and the performance of active funds underlying that index is observed in the NHX Fund of Funds. The ten funds of hedge funds composing the Nordic Hedge Index gained 2.3 percent on average in 2019, while the NHX Fund of Funds was up only 0.1 percent as nine members of this sub-index closed down last year.

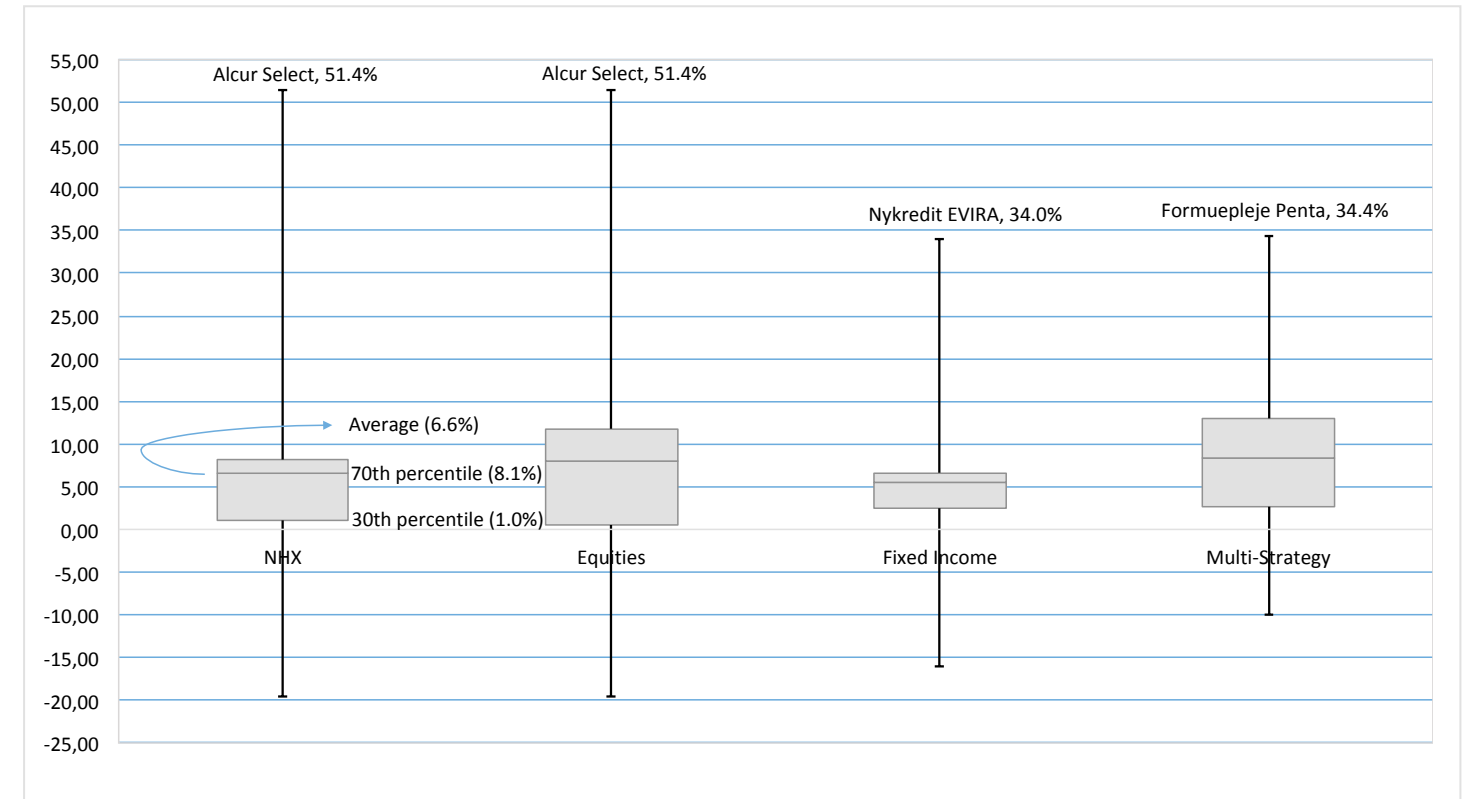
Up-and-running Nordic equity hedge funds returned 8 percent on average last year, whereas the NHX Equities was up 6.2 percent. This 180 percentage points-difference stems from the worse-than-average performance of the 11 equity hedge funds closed down last year. Similarly, the existing multi-strategy funds in the Nordic Hedge Index were up 8.3 percent last year, while the NHX Multi-Strategy, which reflects the performance of defunct funds too, gained 7.3 percent.

**AVERAGES HIDE DISPARITIES**

The Nordic hedge fund industry gained 5.4 percent in performance last year and active Nordic hedge funds were up 6.6 percent on average. While these average figures are useful for comparison, averages do hide disparities. With a return of 51.5 percent, Alcur Select was last year's best-performing member of the Nordic Hedge Index. The worst performing member of the index, meanwhile, was down about 20 percent. The dispersion between last year's best- and worst-performing hedge fund was wide, in fact very wide.

The top 30 percent of all members of the Nordic Hedge Index gained just over 20 percent on average, whereas the bottom 30 percent was down slightly over 4 percent. The top 20 percent, meanwhile, gained 25.4 percent last year and the bottom 20 percent lost 6.3 percent on average.

**FIVE-NUMBER PERFORMANCE SUMMARY OF THE NHX**



Source: HedgeNordic

About 12 percent of Nordic equity hedge funds outperformed the MSCI World Index which returned 27.7 percent last year, but one should not forget that most equity hedge fund maintain a net market exposure below 100 percent. Some members of the NHX Equities employ a market-neutral approach to investing, and some even maintain negative net exposure to the market. The average equity hedge fund in the Nordic Hedge Index was up 8.1 percent last year, but, again, the average hides wide disparities.

The top 20 percent of performers in the NHX Equities returned 33.2 percent on average last year, while the bottom 20 percent was down 9.9 percent on average. The equity hedge funds that were neither in the top 30 percent nor in the bottom 30 percent returned between 0.5 percent and 18.3 percent. In a similar fashion, the great majority of fixed-income hedge funds returned

between 2.5 percent and 5.5 percent last year. The top 20 percent, meanwhile, were up 17.1 percent on average, whereas the bottom 20 percent lost 3.2 percent on average. The majority of multi-strategy hedge funds, meanwhile, returned between 2.6 percent and 8.3 percent.

**COUNTRY-BY-COUNTRY STATS, LIFESPANS**

With 87 funds, Swedish hedge funds unsurprisingly represent the largest portion of the Nordic Hedge Index despite experiencing the closure of 22 funds during 2019. The number of closures was offset by the launch of seven new Swedish funds.

The 87 active Swedish hedge funds returned 4.8 percent on average last year, underperforming Danish,

COUNTRY-BY-COUNTRY STATS	SWEDEN	DENMARK	NORWAY	FINLAND
Number of funds	87	39	15	14
New launches in 2019	7	3	0	2
Closures in 2019	22	2	3	3
Average 2019 return	4,76%	9,30%	9,90%	6,64%
Proportion of gainers	69%	82%	87%	79%
Proportion of young funds (between 0-5 years)	41%	46%	27%	36%
Proportion of mid-aged funds (between 5-10 years)	21%	23%	27%	29%
Proportion of old funds (over 10 years)	38%	31%	47%	36%
Average annualized return since inception	4,12%	5,36%	7,37%	4,11%
Average annualized standard deviation	7,33%	7,30%	9,62%	9,07%

“Global hedge funds have an average lifespan of about five years. Nordic hedge funds, however, have seem to have a much longer lifespan than their global peers.”

Norwegian and Finnish hedge funds. Danish hedge funds, traditionally heavy on fixed-income strategies, were up 9.3 percent on average in 2019. Norwegian hedge funds were the best-performing group with an average return of 9.9 percent in 2019.

Based on estimates, global hedge funds have an average lifespan of about five years. Nordic hedge funds, however, have seem to have a much longer lifespan than their global peers. The average lifespan of all active hedge funds in the Nordic Hedge Index is about eight years.

The average lifespan of all Nordic hedge funds that have been closed down since the beginning of 2015 (98 funds) stands at more than seven years. In Norway, for instance, almost half of all active funds have been operating for more than ten years. Around 38 percent of active Swedish hedge funds are in business for more than ten years.

# JOIN THE NORDIC HEDGE INDEX

**BE SEEN**

With the early possible early signs of inflation creeping up

**PEER**

be compared to a relevant, local peer group

**BE FOUND**

by relevant allocators scouting the area

**QUALIFY**

All listed funds qualify for the Nordic Hedge Award

Listing your fund is free, quick and simple. For more information, visit:

[www.nhx.hedgenordic.com](http://www.nhx.hedgenordic.com)



# The Model Chosen to Determine the Best Nordic Hedge Funds

– Combining Academia and Industry Expertise

Every spring, HedgeNordic sets aside this special time for the Nordic Hedge Award to recognize and celebrate the best and most promising Nordic hedge funds. Except for the Performance Awards and the Rookie of the Year award, all nominees and winners in the regular categories at the Nordic Hedge Award are selected via a three-step process.

In a first step, from the Nordic hedge fund universe as defined by the Nordic Hedge Index, the top five funds per award category are shortlisted using a quantitative model co-developed by HedgeNordic and the Swedish House of Finance at the Stockholm School of Economics. The model uses several measures of risk and return to produce a “quantitative” score.

In the second step, a judging panel comprised of industry professionals assigns a rating to each fund after evaluating a wide range of quantitative and qualitative attributes, allowing to generate a “qualitative” score for each nominated fund. In the last step, the quantitative and qualitative scores are aggregated at equal weighting to create the final scores, and thus, the rankings.

## DISSECTING THE QUANTITATIVE SCORE

From the large universe Nordic hedge funds, which fund deserves the title of the best Nordic hedge fund of a given year? Should the title go to the fund with the highest absolute return? Or should the fund with the highest risk-adjusted return receive the title? Doesn't longer-term performance matter? And if long-term performance does matter, how long is “long-term”?

The challenge of how to choose the nominees and winners in the main award categories at the Nordic Hedge Award is a difficult task. Michael Halling, Associate Professor at the Stockholm School of Economics and Research Fellow at the Swedish House of Finance, argues that the quantitative model should “identify those hedge funds with the most “successful” strategy and pursue the goal of (a) identifying managers with unique and award-worthy skills and (b) avoiding managers that were just lucky.”

“That means that one wants to look at short-term performance because the awards are handed out for a given year, but one also wants to look at more medium-term performance to filter out luck,” continues Halling, who presided the process of selecting the inputs for the quantitative model. Success can be defined in various ways,



Michael Halling, Professor of Finance at the Stockholm School of Economics and Research Fellow at the Swedish House of Finance

acknowledges the professor, but taking “an investor-perspective makes the most sense.” Therefore, “the ‘best’ funds would be those that provide investors with the best risk-adjusted returns, ideally determined using various measures because there is no single accepted concept.”

For these reasons, the quantitative model co-developed by HedgeNordic and the Stockholm School of Economics considers five metrics: single-year absolute returns, single-year relative performance, as well as Sharpe ratios, absolute returns, and skewness over the previous 36 months. Metrics are viewed and measured on a per-fund basis, as well as relative to peers in the respective NHX sub-category, or the entire universe of funds. Whereas absolute, relative and risk-adjusted returns can be viewed as standard inputs in models designed to handpick the best performing funds, skewness is a rarely-used metric that was added in the quantitative model this year as a measure of downside risk.

“Skewness represents another dimension of risk that is not captured by variance,” explains Halling. The model penalizes hedge funds with a negatively skewed distribution of returns. After all, relative to the average return, negative skewness indicates limited but frequent upside and a somewhat unlimited, though less frequent downside. A negatively skewed distribution is characterized by frequent small gains and a few extreme losses. As Halling argues, “negative skewness indicates crash-risk and investors don’t quite like that.”

**THE JURY SCORE AND FINAL RANKING**

The five quantitative metrics are normalized in order to make them comparable to each other, and combined using different weights to spit out the quantitative score. A jury of industry professionals, typically allocators and asset owners from the Nordic hedge fund space, rewards the nominated funds based on qualitative criteria. The quantitative and qualitative scores are put in an equal footing and combined to create the final rankings. The judging panel not only serves as a cross-check for our quantitative model but also heavily influences

the final rankings. The selection process of winners, therefore, combines the academic expertise of the Swedish House of Finance with the industry expertise of the jury board.

Michael Halling and the Swedish House of Finance endorse this combination, arguing that “a unique and very valuable feature of the Nordic Hedge Award is the combination of the quantitative and qualitative scores, which makes the awards particularly credible.” Pairing academic rigor with hands-on industry experience is particularly relevant for the hedge fund industry given the diversity of investment strategies.

“I think that makes sense, in particular for hedge funds, where managers are largely unrestricted in their activities,” Halling argues. “The Swedish House of Finance is involved in the quantitative evaluation of the funds because that is where academia can provide useful input,” says Halling, stressing that “it is important to ask industry experts to comment on and evaluate those nominated funds” to select truly deserving award winners.



# WINNERS

## Nordic Hedge Award 2019



**Best Nordic Hedge Fund Overall 2019**

Supported by CME Group

- 1. Ress Life Investments
- 2. Accendo Capital
- 3. Rhenman Healthcare Equity L/S

**Best Nordic Equity Hedge Fund**

Supported by The Asset Management Exchange (AMX)

- 1. Rhenman Healthcare Equity L/S
- 2. Accendo Capital
- 3. PriorNilsson Idea

**Best Nordic Fixed Income Hedge Fund**

Supported by the Swedish House of Finance

- 1. Asgard Fixed Income Fund
- 2. Asgard Credit Fund
- 3. Borea Høyrente

**Best Nordic Fund of Hedge Funds**

Supported by RBC Investor & Treasury Services

- 1. Atlant Multi-Strategy
- 2. AIM Diversified Strategies
- 3. Formuepleje Merkur

**Best Nordic Multi-Strategy Hedge Fund**

Supported by Harvest Advokatbyrå

- 1. Ress Life Investments
- 2. Formuepleje Penta
- 3. Formue Nord Markedsneutral

**Best Nordic CTA**

Supported by Efficient Capital

- 1. IPM Systematic Currency Fund
- 2. Lynx (Sweden)
- 3. Shepherd Energy Portfolio

**Rookie of the Year 2019**

Supported by HedgeNordic

Winner:  
HP Hedge Fixed Income, HP Fonds

**Performance Awards**

Supported by Northern Trust

1 year:  
Alcur Select  
3 years:  
Rhenman Healthcare Equity L/S  
5 years:  
Accendo Capital

supported by:





# PERFORMANCE NUMBERS ONLY TELL ONE SIDE OF THE STORY JURY BOARD TO THE NORDIC HEDGE AWARD

**G**iven the heterogeneous nature of hedge fund strategies, identifying the winning funds at the Nordic Hedge Award solely based on traditional absolute or even risk-adjusted performance measures may not always be the best approach. Indeed, risk-adjusted measures such as the Sharpe ratio are a good starting point in the process of selecting the best hedge funds. After all, the name of the game for many hedge funds is to provide investors with high risk-adjusted returns, regardless of whether the return figures are single-digit or double-digit.

However, the Sharpe ratio and other measures do not tell the whole story. Due to the unique nature of hedge fund strategies, some of which may invest in relatively illiquid asset classes or may exhibit asymmetric return profiles, the traditional risk-

adjusted measures may not always reflect the true riskiness of underlying investments. Compared to many other industry awards, the Nordic Hedge Award does not solely rely on performance-based measures to recognise the best Nordic hedge funds of a given year.

To determine the winners, HedgeNordic employs a scoring system that equally weights a quantitative score – that reflects several parameters such as short- and longer-term absolute, relative and risk-adjusted returns – and a qualitative score, which considers “qualitative” or “soft” factors. The qualitative score is determined by a jury board comprised of industry professionals, with their voices accounting for half of the final scores that determine the rankings at the Nordic Hedge Award. As Michael Halling, Associate Professor at the

Stockholm School of Economics and Research Fellow at the Swedish House of Finance, tells HedgeNordic: “to select the truly deserving award winners, it is important to ask industry experts to comment on and evaluate the nominated funds.”

For the 2019 Nordic Hedge Award, the assembled jury board included Pontus von Essen, Head of Fixed Income, FX & Alpha at AP7, Veronica Wahlberg, Portfolio Manager of External Management at AP3, Mattias Ledunger, CEO of alternative investment vehicle Praktikerinvest and Chief Investment Officer of Praktikertjänst Pension Trust, Gustav Karner, Chief Executive Officer and Chief Investment Officer at Apoteket’s Pension Fund, Mika Jaatinen, Portfolio Manager of Elo’s Hedge Fund Investments, and Linsay McPhater, Senior Portfolio Manager at Nordea Wealth Management.

The members of the jury are asked to make a qualitative assessment of the funds that have been nominated through the quantitative screening co-developed with the Swedish House of Finance at the Stockholm School of Economics. The jury members cast their final judgment based on various criteria, with the board being encouraged to overweight any qualitative criteria such as reputation, quality of communication, transparency and other characteristics relative to quantitative, performance-based criteria. The qualitative criteria may also include longevity, work ethics, sustainability, alpha generation, uniqueness, innovation, asset raising capacities, administrative setup, or any other relevant characteristics.



**Pontus von Essen**  
Senior Portfolio Manager  
AP7



**Veronica Wahlberg**  
Portfolio Manager External Management  
AP3



**Mattias Ledunger, CFA, CAIA, FRM**  
Chief Investment Officer & CEO  
Praktikerinvest



**Gustav Karner**  
CEO & CIO  
Apoteket’s Pension Fund



**Mika Jaatinen**  
Portfolio Manager of Hedge Fund  
Elo Mutual Pension Insurance Company



**Linsay McPhater**  
Senior Portfolio Manager  
Nordea



## WHAT PURE PERFORMANCE NUMBERS CANNOT TELL ABOUT A HEDGE FUND?

The jury board assembled for the 2019 Nordic Hedge Award corroborates HedgeNordic's view that pure performance measures, risk-adjusted or not, may now always tell the whole story. Lindsay McPhater, a senior portfolio manager focusing on alternatives at Nordea Wealth Management, tells HedgeNordic that "performance numbers only tell one side of the story." According to McPhater, "one should also assess the business aspect," including "management, the culture of integrity, operational efficiency, disciplined and rigorous investment process, investment strategy, risk oversight, AuM growth and the client interface." Last but certainly not least, "hedge funds must have an opaque structure, so we can see their underlying investments, so transparency is a key aspect," argues McPhater.

Mika Jaatinen, who is Portfolio Manager of Hedge Fund Investments at Finnish employment pension company Elo, agrees. "Numbers cannot tell about a hedge fund's culture," Jaatinen tells HedgeNordic. According to Jaatinen, an understanding of the culture warrants questions such as: "How are organisations managed? How do they operate during times of crisis? How is the younger generation of managers and analysts trained and encouraged to take a more active and value-adding role in the organisation?"

Jaatinen reckons that qualitative aspects such as "the company culture, all of their stakeholders (i.e. all third parties that are integral for running their operations), the current status of the management team" are essential in the evaluation of hedge funds. "Are they too rich and lazy to care about managing capital?" is a question worth asking, according to Jaatinen. Gustav Karner, CEO and CIO at Apoteket's Pension Fund, reckons that the custody, administrator and auditor of a hedge fund should not be overlooked either. In addition, a qualitative-based assessment can help identify hedge funds with a "strong risk culture," which may not always be reflected in quantitative measures, particularly for funds with limited track records. Funds that are "closed or soft-closed usually speaks for quality", Karner points out another qualitative aspect worth considering.

## THE ROLE AND VALUE OF HEDGE FUNDS

On the question of what is the role and value of hedge funds for institutional investors, Pontus von Essen of AP7 considers that "expertise and knowledge sharing" is the primary role of hedge funds, "above the other two components that they bring to the table: absolute return and diversification." According to Pontus von Essen, "hedge funds have the opportunity to be very focused on their particular niche, thereby providing a piece of the puzzle to an institutional investor in the form of expertise and knowledge sharing." Pontus von Essen reckons that "it is hard for an institutional investor to internally create the right environment for these niche strategies to take off" and the role of hedge funds is "similar to the role of start-ups for large corporations in many other businesses."

According to Lindsay McPhater, "at a general level, the value of hedge funds is to maximise investor returns and eliminate risk." She stresses that "hedge funds are designed to not correlate or behave like other investments." During significant stock market declines, "hedge funds are expected to experience lower losses or even generate a positive return," says McPhater. "Therefore, investors view hedge funds as a diversifier and risk reducer in their wider portfolios." The other members of the jury board share the same view. Mika Jaatinen, for instance, says that hedge funds should "act as an alternative source and stream of returns that do not correlate too much with other asset classes."

Mattias Ledunger, who is the CEO of alternative investment vehicle Praktikinvest and CIO of

Praktikertjänst Pension Trust, reckons that "the role of hedge funds is to add alpha, and why not beta too, particularly in sectors and niches that cannot be managed as efficiently in-house." Gustav Karner also corroborates Ledunger's view, saying that the role of a hedge fund is "to act as a diversifier that generates equity-like returns in the long run."

## WHICH HEDGE FUNDS CAN CLAIM SUCCESS?

The heterogeneous nature of hedge fund strategies makes the distinction between a successful and not-so-successful hedge fund quite blurry. "There are many hedge fund different strategies, all doing different things in different market environments, so it is hard to compare them and define a successful one," Lindsay McPhater tells HedgeNordic. For McPhater, "a successful hedge fund is one that performs as we would expect, in both up and down markets, and perform in the manners they claim to do so, therefore meeting its aims."

The annually-held Nordic Hedge Award strives to identify and distinguish the most successful hedge funds by relying on a combination of quantitative and qualitative measures. According to Mattias Ledunger, "the awards handed out at the Nordic Hedge Award add another opportunity and dimension by which to strive for excellence for locally-based funds." McPhater agrees, saying that "the Nordic Hedge Award allows a common ground where Scandinavian players can be judged." Ledunger points out that "winning an award at the Nordic Hedge Award adds a stamp of approval."



# BEST NORDIC FUND OF HEDGE FUNDS 2019

SUPPORTED BY RBC INVESTOR & TREASURY SERVICES



Peter Beckman – Atlant Fonder

The number of active Nordic funds of hedge funds declined precipitously from 31 at the beginning of 2015 to only ten funds, as closures (25) outpaced new launches (4) by a wide margin. This trend, however, has not made the competition for the “Best Nordic Fund of Hedge Funds” award less intense. On the contrary, the survival of the fittest makes the competition even more fierce.

Most of the up-and-running funds of hedge funds in the Nordics have demonstrated an ability to deliver stable and consistent absolute returns. Merrant Alpha Select, the global market-neutral fund of hedge funds founded by Ulf Sedig and Rolf Hagekrans, dominated this award category, winning

at five of the seven previous editions of the Nordic Hedge Award. With Merrant Alpha Select now closed, the time has come for other funds of hedge funds to take the lead.

## WINNER: ATLANT MULTI-STRATEGY

The “Best Nordic Fund of Hedge Funds” of 2019 is Atlant Multi-Strategy, a fund of funds mainly investing in Atlant Fonder’s own hedge funds. The Atlant-branded suite includes three-market-neutral funds, two equity-tilted hedge funds designed to provide exposure to equity markets at lower volatility and one vehicle designed specifically to protect against market crashes. The Swedish asset manager’s top-down assessment of the market

environment determines the allocation to each fund at any given time.

“Being among the top three nominees is already proof that we have succeeded in our management of the fund,” Michael Ekelund, Atlant Fonder’s CEO, tells HedgeNordic. Atlant Multi-Strategy enjoyed four consecutive years of positive returns, gaining 3.2 percent in 2019 and 1.8 percent in 2018. According to Anders Kullberg, lead portfolio manager at Atlant Fonder, 2019 “was essentially another relatively successful Atlant-year.” In a comment on the distinction, Ekelund says that “an award from HedgeNordic in tough competition with many good Nordic managers is something we are very proud of.” Ekelund adds that “the team with

Anders Kullberg in the lead since the fund’s launch in January 2016 has delivered a good risk-adjusted return.”

One highlight of Atlant Fonder’s 2019 journey was the acquisition of fellow asset manager Pacific Fonder. The move was devised to “strengthen our management organization, marketing organization and our fund offering,” according to Ekelund. The acquired range of funds includes Pacific Precious, a multi-strategy fund that provides exposure to the price development of precious metals such as gold, silver, palladium and platinum.

“We continue to work hard to be one of Sweden’s leading players in alternative investments,” says



Ekelund. The extended fund offering through the acquisition of Pacific Fonder and the crown of the "Best Nordic Fund of Hedge Funds" of 2019 are clear indications that Atlant Fonder is on the right path of becoming an attractive one-stop shop for hedge fund investors in Sweden. "Atlant Multi-Strategy has done exceptionally well compared to its competitors and is a strong alternative to other perhaps more well-known and heavier names," concludes Ekelund.

**SECOND PLACE: AIM DIVERSIFIED STRATEGIES**

The second place on the podium in this award category goes to AIM Diversified Strategies, a fund of funds investing in alternative strategies run by hedge fund behemoths such as Citadel Advisors, D.E. Shaw & Co., Renaissance Technologies and Two Sigma. AIM Diversified Strategies delivered the highest inception-to-date annualized return among the Nordic funds of hedge funds still employing the classical FoHFs setup where one allocates directly to external managers. In the universe of Nordic funds of hedge funds, only Brummer Multi-Strategy and Aktie-Ansvar Multistrategi generated higher inception-to-date annualized returns than AIM Diversified Strategies.

"Everyone in our team has worked very hard and we are delighted by the strong performance and the positive response," comments, Miiikka Hautamaki, the CEO of Finnish asset manager AIM Capital, on the achievement. "It is an absolute honour to be among the top three Nordic funds of hedge funds," he adds. "We could not be happier to be recognized given Nordic Hedge Award's stature."

Whereas many have dubbed the classic FoHFs setup obsolete, AIM Diversified Strategies maintains an edge that allows the fund to survive and thrive. The edge revolves around long-lasting relationships with the highest-quality managers of the likes of Citadel Advisors and Renaissance Technologies. "We have been investing in hedge funds since 2001," Hautamaki tells HedgeNordic. "Based on our observations and experiences of hedge fund performance in different market cycles, we have differentiated our approach by focusing on managers that have a proven and

tested investment process producing persistent and uncorrelated returns, even in extreme market conditions."

The number of these high-quality managers is quite small and relatively inaccessible for smaller institutional investors. "Such managers are mostly very capacity constrained, which at times poses challenges to portfolio construction, but through our long-standing relationships, we have been able to maintain the portfolio as we want it to be," says Hautamaki.

**THIRD PLACE: FORMUEPLEJE MERKUR**

Formuepleje Merkur, the fund of funds managed by Danish asset manager Formuepleje, rounds up the top three list in the "Best Nordic Fund of Hedge Funds" category. Managed by Leif Hasager and Otto Friedrichsen, the Formuepleje fund of funds has been on the podium at the Nordic Hedge Award for a second consecutive year.

Formuepleje Merkur gained 10.9 percent last year, its best year since mid-2013. The Formuepleje fund was last year's best-performing funds of hedge funds in the Nordics. Whereas Formuepleje Merkur was originally established in 1998, the current strategy differs markedly from the approach used more than 20 years ago. By allocating to Formuepleje funds, externally-managed vehicles and other products, Formuepleje Merkur aims to achieve attractive returns over the long term that do not fluctuate with equities and bonds.

After a strategy reshuffle several years ago, Formuepleje Merkur sought to deliver uncorrelated returns by predominantly allocating capital to four main groups of strategies: alternative products seeking to generate market-independent returns, alpha-generating strategies, strategies capitalizing on market imperfections, and opportunistic strategies. The fund's fund portfolio at the end of February featured funds such as the Greater China Credit Fund, Absalon Global High Yield, Formuepleje Better World Environmental Leaders, Formuepleje Globale Aktier, Triple Alfa Global Equities, among others.

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Henrik Rhenman and Susanna Urdmark, Portfolio Managers for Rhenman Healthcare Equity L/S

# BEST NORDIC EQUITY HEDGE FUND 2019

SUPPORTED BY THE ASSET MANAGEMENT EXCHANGE (AMX)

## WINNER: RHENMAN HEALTHCARE EQUITY L/S

The "Best Nordic Equity Hedge Fund" of 2019 is Rhenman Healthcare Equity L/S, which secured this title for a fifth time over the eight editions of the Nordic Hedge Award. Managed by Henrik Rhenman and Susanna Urdmark, the healthcare-focused long/short equity fund returned 40 percent last year, which brought the annualized return for the three years through the end of 2019 to 21.4 percent. "2019 turned out to be a boom year after a tough 2018 and last year was our third best year since inception," founding partner Carl Grevelius said earlier this year.

"We are thrilled and very pleased to be recognized as the Best Nordic Equity Hedge Fund for the fifth time," Henrik Rhenman comments on the achievement. "It is a great honour to receive this award," says

Rhenman's colleague, Susanna Urdmark. "It means a lot and is a testament to our unique investment process." Although the performance has not travelled a linear path, Rhenman Healthcare Equity L/S has generated an annualized return of about 17 percent since launching in mid-2009. "These returns are due to a high net exposure paired with good stock selections in biotechnology and medical technology," argued Grevelius.

The strong track record of the long-biased healthcare-focused fund is partly attributable to a Scientific Advisory Board that provides the Rhenman team with in-depth knowledge of scientific basics within medicine, clinical trials, products, among other things. "Our Scientific Advisory Board has also enabled a long-term approach to fund management together with a sharp focus on advances in medical research," said Grevelius.

Accounting for more than one-third of the Nordic hedge fund industry, equity hedge funds face fierce competition in the race for the title of the "Best Nordic Equity Hedge Fund." The varying degrees of market exposure among these players, with some maintaining negative net market exposure, a few maintaining a market-neutral exposure at all times and others occasionally running with a net exposure above 100 percent, makes this contest more exciting and unpredictable.





Mark Shay – Accendo Capital

## SECOND PLACE: ACCENDO

Activist investor Accendo Capital came in second place in the “Best Nordic Equity Hedge Fund” category, after ranking among the Nordic hedge fund industry’s top performers of 2019 with a full-year return of about 46 percent. This is Accendo’s third appearance on the podium in the “Best Nordic Equity Hedge Fund” category in the past four years.

Accendo is an activist fund that maintains a focused portfolio of predominantly small- and mid-cap companies from Northern Europe. “While many funds use portfolio diversification as a risk management tool, our approach is to deal with risk at the company level through active engagement, foresight, shareholder focus, and helping our companies allocate capital rationally and efficiently,” explains Elise Auer, Director of Investor Relations at Accendo. “When we find a high-potential company and can work with its board and management to make it great,” this combination leads to outsized returns for investors.

Accendo recorded its second-best yearly performance on record last year. “2019 was a strong year for Swedish and Finnish small-caps generally,” Accendo Capital’s founder, Henri Österlund, said earlier this year. “But we can clearly trace the excess returns of our fund to our actions and engagement as owners and board members.” According to Auer, “the source of Accendo’s good returns tends to be a subset of the few names in our portfolio, with a resulting volatility about in line with equity markets, depending a bit on the year.”

The strong performance in 2019 followed a somewhat difficult period in 2018, when Accendo incurred a loss of about 25 percent. Accendo has been “delighted to see so many of our investors holding on after a challenging 2018, testimony to having the right type of investors with us,” says Auer. “We are grateful that our loyal investors share our long-term objectives for our portfolio companies.” Auer and her team also send “a special thanks to our portfolio company management teams and board colleagues for efficient and productive cooperation in our daily work to create shareholder value.”





Torgny Prior and PO Nilsson



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### THIRD PLACE: PRIORNILSSON IDEA

PriorNilsson Idea, a long/short equity fund managed by Torgny Prior and Martin Lindqvist, claimed third place in the "Best Nordic Equity Hedge Fund" category. The fund stands on the podium in this award category for the second consecutive year. PriorNilsson Idea gained around 18 percent last year after returning seven percent in 2018 and nearly ten percent in 2017.

"We are happy that our focused stock-picking strategy, combined with added protection in volatile markets, has proven to give investors good risk-adjusted returns over different market conditions," Torgny Prior, who co-founded Stockholm-based asset manager PriorNilsson Fonder with Per Olof Nilsson in 2002, told HedgeNordic earlier this year.

In a comment on the distinction, Marcus Ehrenpreis, Head of Sales and Marketing at PriorNilsson Fonder, says that "we are very glad that our management is recognized and the quality of the performance that we deliver is good enough to ensure us a top three placing."

PriorNilsson Idea, which employs a long-biased long/short equity strategy that focuses on strategic allocation and stock picking, was one of the best-performing members of the Nordic Hedge Index in the past three years through the end of 2019. The fund is the second-best performing Swedish hedge fund in the past three years, trailing only Rhenman Healthcare Equity L/S. "It is an honour to receive the award as we know the competition among the Nordic hedge funds is fierce," emphasizes Ehrenpreis.

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# BEST NORDIC FIXED INCOME HEDGE FUND 2019

SUPPORTED BY THE SWEDISH HOUSE OF FINANCE

The number of active fixed-income hedge funds in the Nordics increased from 23 at the beginning of 2015 to 32 funds now, following 15 new launches and only six closures during the past five years. The aggregate performance of fixed-income vehicles has been strong, too. The universe delivered an annualized return of 6.4 percent over the ten years to the end of 2019, a period that does not include the group's average return of almost 24 percent in 2009.

## WINNER: ASGARD FIXED INCOME FUND

As a group, Nordic fixed-income hedge funds outperformed all other strategy categories within the Nordic Hedge Index in 2016, 2017, and 2018, and were not far behind the leaders in 2019 either. The group's strong performance has made it tough for any individual player to stand out from the crowd. One fund that managed to stand out is Asgard Fixed Income Fund, which is crowned the "Best Nordic Fixed Income Hedge Fund" of 2019. The flagship Asgard fund has been on the podium in this award category in all eight editions of the Nordic Hedge Award and won the top prize for the fifth time.



"Even though 2019 – especially after the events in 2020 – seems somewhat distant now, we think that these awards have a role to play," Birger Durhuus, the CEO of Moma Advisors, tells HedgeNordic. The trophies handed out at the Nordic Hedge Award "can, over time, help investors pick the winners from the losers," he reckons. "Winning a single year is nice, but being there or thereabout year after year is probably more important when investors look for true talent within the industry," says Durhuus. This dominance comes as no surprise. Asgard Fixed Income Fund delivered an annualized return of about 13 percent since launching in mid-2003 and incurred only one down year so far (down four percent in 2008).

In 2019, "the Asgard Fixed Income strategy had a solid if less spectacular year" with a return of about eight percent, Durhuus told HedgeNordic. "The fund, which targets risk premia in Nordic mortgage bonds, cross-currency and related fixed income markets, has not had a significant head or tailwind in the form widening or contracting spreads," in 2019, explained Durhuus. Instead, Asgard Fixed Income Fund "benefitted from the carry and roll, which results from the risk premia in the carefully selected positions in the portfolios."

According to Durhuus, "the strategy is also one of the few direct beneficiaries from the current



ultralow interest rate environment." This may seem contradictory, pointed out the CEO of the Danish asset manager. "Since the fund operates a leveraged portfolio of the safest bonds, it benefits from the sub-LIBOR financing in secured lending rates."

The strong performance of Asgard Fixed Income Fund (and the other Asgard funds for that matter) have not gone unnoticed. "Historically our investor base has been solely institutional investors, primarily large Scandinavian pension funds," explained Durhuus, but the asset manager saw "a surge in requests from family offices around the globe."

**SECOND PLACE: ASGARD CREDIT FUND**

Asgard Credit Fund, the winner of the Rookie of the Year title in 2017, joined its sister fund on the podium this year. The younger fund represents a replica of the classic fixed-income arbitrage strategy employed by Asgard Fixed Income Fund, applied to a new and wider investment universe of liquid credit.

"Our main purpose in life as investment managers of the Asgard funds is to provide the investors in the funds with best in class risk-adjusted returns," Birger Durhuus, the CEO of Moma Advisors, tells HedgeNordic. "To see both funds ranked among the best three fixed-income hedge funds in 2019 is proof that we delivered on our promise, which, of course, is utterly pleasant."

Asgard Credit Fund gained almost 29 percent in 2019, which "is impressive and must in part be attributed to the successful active management of the fund, as the return of comparable passive strategies with similar risk profiles have only yielded around 18 percent," according to portfolio manager Daniel Vesterbaek Pedersen. The return of Asgard Credit Fund in 2019 "has been exceptional, and partly represents a recovery from a drawdown in late 2018," explained Pedersen. "Over the credit cycle, the base case return target is around seven percent annualized."

Asgard Credit Fund, however, gave up most of last year's gains in the turbulent first quarter of 2020. "Since the financial crisis in 2008, risk-on strategies have been generally rewarded globally," Durhuus

tells HedgeNordic. "But as financial markets have been rattled by the unprecedented turmoil due to the Coronavirus, this has all been brought to a halt," he adds. The coronavirus-induced market turmoil "should make the Nordic hedge Award 2020 something to look for," says Durhuus. "This will reveal which managers could manage the turmoil and which managers could not."

**THIRD PLACE: BOREA HØYRENTE**

Up until last year's Nordic Hedge Award, all podium winners in the "Best Nordic Fixed Income Hedge Fund" category had exclusively been Danish-based funds. Stockholm-based Scandinavian Credit Fund ended this dominance last year after becoming the "Best Nordic Fixed Income Hedge Fund" of 2018. Following two years of making the list of top five nominees, a Norwegian fixed-income hedge fund, Borea Høyrente, stepped on the podium at the Nordic Hedge Award for the first time.

Managed by Peer Hastrup Thorsheim and his team at Borea Asset Management, Borea Høyrente seeks to exploit "what academics refer to as the credit spread puzzle, a phenomenon where relatively safe companies (BB-rated equivalents) have to pay a higher credit spread on their loans than can be explained by expected losses and other factors." Although the primary strategy involves exploiting the credit spread puzzle, the fund has a very flexible mandate that allows to go both long and short, apply leverage, vary exposure from zero to 150 percent, invest in derivatives, and do capital structure trades.

"We are very thankful just to be nominated," Thorsheim comments on the achievement. "There are so many great asset managers in the Nordic region, so we feel very fortunate to be on the podium for such a prestigious award and to be nominated for three consecutive years." According to Thorsheim, the third-place trophy for the Best Nordic Fixed Income Hedge Fund "is a testament to the hard work we have put in over the years." Thorsheim and his team at Borea "are very grateful for the trust our clients have given us and receiving this award is proof that the work and dedication from the entire team have paid off."

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Anton Pozine and Jonas Mårtenson – Resscapital

# BEST NORDIC MULTI STRATEGY HEDGE FUND 2019

SUPPORTED BY HARVEST ADVOKATBYRÅ

The term “multi-strategy hedge fund” does not have clear edges and is colloquially used for vehicles that have the discretion to use a combination of strategies across asset classes. Within the Nordic Hedge Index, the multi-strategy category represents the most diverse and inclusive category, featuring both true multi-asset, multi-strategy funds and unique funds that do not fit any other clear classification. As the founder of this year’s winner of the “Best Nordic Multi-Strategy Hedge Fund” award told HedgeNordic after receiving the trophy, “we are the winner in the category of multiple strategies.”

## WINNER: RESS LIFE INVESTMENTS

Two of last year’s podium winners in the “Best Nordic Multi-Strategy Hedge Fund” category stand on this year’s podium again. Ress Life Investments, a life settlement vehicle that invests in the secondary market for U.S. life insurance policies, received the main prize in this category for the second consecutive year.

“Our investment strategy of selectively purchasing U.S. life insurance policies is rather unique and provides uncorrelated risk-adjusted returns which are also rather unique, especially in the current

market turmoil,” Jonas Mårtenson, the founder of Resscapital, tells HedgeNordic. “We have had a long-term approach of pursuing the same investment strategy for many years, which is now paying off,” Mårtenson comments on receiving the “Best Nordic Multi-Strategy Hedge Fund” recognition for the second year in a row.

Ress Life Investments delivered an annualized return of over eight percent in the three years to the end of 2019, a period that covered both up and down markets. The robust returns delivered by Resscapital’s strategy of investing in the secondary market of U.S. life settlements exhibit no correlation to traditional



asset classes. "The main risk factor in a life insurance portfolio – longevity – is fundamentally uncorrelated to other major asset classes," Mårtenson told HedgeNordic earlier this year.

After achieving its best annual performance on record in 2018, Ress Life Investments enjoyed another strong year in 2019. The fund overseen by Anton Pozine, Head of Portfolio Management, returned 8.0 percent in 2019 and saw its assets under management increase from \$117 million at the end of 2018 to over \$180 million. "2019 was a successful year and we are pleased that assets under management increased substantially and now exceed 180 million US dollars," wrote Pozine in an update to investors.

The trophy for the "Best Nordic Multi-Strategy Hedge Fund" and the increasing investor interest in Ress Life Investments represent rewards for the strategy's ability to deliver solid and consistent uncorrelated returns to investors. The secondary market for life insurance is estimated to have an annual volume of policies sold between \$4 to \$5 billion. In contrast, the total market size of outstanding life insurances stands at \$20.5 trillion. "It is a drop in the ocean," according to Mårtenson. The gradual increase in the supply of policies in the secondary market enables Ress Life Investments to continue purchasing more policies with attractive risk-reward profiles and generate attractive risk-adjusted and uncorrelated returns to investors.

## SECOND PLACE: FORMUEPLEJE PENTA

Formuepleje Penta won second prize in the "Best Nordic Multi-Strategy Hedge Fund" category. Formuepleje Penta, a multi-strategy leveraged fund maintaining a balanced portfolio of Danish mortgage bonds (between 70 and 80 percent) and global equities (20 and 30 percent), exhibits the same risk profile as a portfolio that invests 100 percent in equities. In addition to the leveraged long-only portfolios in equities and bonds, the fund also maintains a market-neutral equity allocation.

"We are pleased that our excellent performance in 2019, where Penta delivered an excess return



of 4.6 percent compared to the world stock index, has been noted and rewarded," commented Søren Astrup, CEO and partner at Danish asset manager Formuepleje. Formuepleje Penta gained about 34 percent in 2019 and had generated an annualized return of about 18 percent in the past ten years to the end of last year. "Penta has outperformed global equities in eight out of the last ten years and has delivered satisfactory returns over a long period," Astrup said earlier this year.

The first quarter of 2020, however, proved to be challenging for Formuepleje Penta, as equities and bonds, along with many other assets, were severely shaken by the coronavirus-fueled market turmoil. "We are, of course, very well aware that market conditions have changed significantly in 2020 due to the coronavirus pandemic and that our return since

the turn of the year has been affected," said Astrup. However, "on longer horizons, Penta delivers a better return than the group of investment alternatives that are in the same risk category." According to Astrup, "for many years, Penta has delivered compelling results, and Penta is one of the Formuepleje's best investment solutions among the investment alternatives with a risk profile that corresponds to an investment of 100 percent in global equities."

## THIRD PLACE: FORMUE NORD MARKEDSNEUTRAL

Formue Nord Markedsneutral, managed by a five-member team out of the Danish city of Aalborg, stands on the podium in the "Best Nordic Multi-Strategy Hedge Fund" category for a second





Rasmus Viggers and Thøger Dam Johansen – Formue Nord

consecutive year. In 2019, the market-neutral fund focused on special situations enjoyed its best year on record with an annual return of 17 percent, following a nearly 14 percent return in 2018 and nine percent in 2017.

“It is always an honour to be nominated for the Nordic Hedge Award, which is a huge testament to the hard work of the whole team at Formue Nord,” Rasmus Viggers, the founder and chief investment officer at Formue Nord, tells HedgeNordic. “We take pride in adding value to all our investors through stable and uncorrelated returns,” he adds. “Now we have been nominated and awarded again, and we really appreciate this professional recognition, which goes to show that we are on the right track.”

The primary strategy of Formue Nord Markedsneutral revolves around funding micro-, small- and medium-sized companies via bridge financing, underwriting or buying and exercising subscription rights. After three years of solid performance, strong capital inflows, and a shrinking investment opportunity set on a relative scale to the fund’s increasing size,

the team decided to temporarily close the fund to new investments in April 2019. In anticipation of more opportunities, Formue Nord Markedsneutral opened the fund to new investors at the beginning of 2020 for one last time before closing the doors indefinitely.

As a result of strong performance and increased investor interest, Formue Nord Markedsneutral saw its assets under management increase from €26 million at the end of 2018 to €43 million at the end of 2019 and €74 million at the end of March this year. “Continuing to grow our AUM and still delivering high returns to our co-investors, is something that very important to us,” says Viggers. “We just finished a successful fundraising campaign at the beginning of the year in our flagship fund, Formue Nord Markedsneutral, and now we are working hard to deploy this capital in attractive investments.” Although the spread of the coronavirus and its consequences unsettled financial markets in the first quarter, Formue Nord Markedsneutral is enjoying another strong year in 2020, gaining 6.8 percent year-to-date through the end of March.

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# BEST NORDIC CTA 2019

SUPPORTED BY EFFICIENT CAPITAL

**N**ordic CTAs enjoyed a great run from the beginning of 2019 through the end of the summer, gaining 4.2 percent on average. However, the return to form in 2019 was short-lived, as the group of Nordic CTAs ended the year up 1.3 percent on average. However, after experiencing the worst year on record in 2018, Nordic CTAs did enjoy a relatively strong year in 2019.

## WINNER: IPM SYSTEMATIC CURRENCY FUND

The winner in the "Best Nordic CTA" award category is IPM Systematic Currency Fund, a vehicle that trades liquid instruments in developed and emerging market currencies based on proprietary investment models. The Systematic Currency strategy managed by Swedish systematic asset manager Informed Portfolio Management (IPM) was up 8.2 percent in 2019, following a gain of 3.4 percent in 2018.

The investment models employed by IPM Systematic Currency evaluate the relative attractiveness of financial instruments and aim to exploit the divergence in fundamentals by taking long and short positions. The dislocations identified by IPM's proprietary models







Team Lynx from the left: Jonas Bengtsson, Svante Bergström, Jesper Sandin, Henrik Johansson, David Jansson, Daniel Chapuis

are typically medium to long term. In 2019, IPM Systematic Currency's portfolio of developed market currencies contributed to 4.7 percent in gross returns, whereas the portfolio of emerging market currencies added 1.9 percent to gross performance. The directional portfolio, meanwhile, contributed a mere 0.4 percent in gross returns.

## SECOND PLACE: LYNX (SWEDEN)

The trophy for second place goes to Swedish-domiciled systematic fund Lynx (Sweden), last year's best performing Nordic CTA with a gain of 15.4 percent. "2019 was a very good year for CTAs, but even a better year for Lynx," Svante Bergström, CEO and co-founder of Lynx Asset Management, said in an interview at the beginning of the year. "It was a fantastic year for us."

Lynx (Sweden) relies on both trend-following models and diversifying models to catch trends in various markets and reduce drawdowns in non-trending environments. "Two-thirds of the profits came from trend-following models and the last third from our diversifying models," explained Bergström. The fact that Lynx (Sweden) is "more heavily relying on non-trend models" represents one possible reason as for why the fund outperformed peers last year.

Digesting last year's performance in more detail, Bergström said that "we had a huge trend in fixed income markets in the first eight months or so, where we made a lot of money on falling interest rates globally." Lynx (Sweden) was up over 29 percent in the first months of 2019. "Then that trend turned around after the summer," said Bergström, adding that "we had to give back some of the profits in the sector."

Lynx (Sweden), the oldest running hedge fund in Sweden, reaches its 20th anniversary in May. "That is something to be proud of," Bergström commented on the 20-year track record and on holding the title of the oldest running Swedish hedge fund. "We are proud of what we have, and we are looking forward to the next 20 years."

## THIRD PLACE: SHEPHERD ENERGY PORTFOLIO

Shepherd Energy Portfolio, the winner of last year's "Best Nordic CTA" award, took the third step on the podium this year. The futures-based trend-follower focused on the Nordic power markets delivered an annualized return of 5.5 percent over the past three years through the end of last year, despite ending 2019 in negative territory. 2018, on the other hand,

was an exceptionally strong year for Shepherd Energy Portfolio.

"The trading year 2019 for Shepherd Energy Portfolio was a rather difficult one with a lot of sharp price movements in an overall sideways market, as well as high uncertainty regarding the price picture for continental power due to the Brexit issue and high volatility in the carbon emission rights," portfolio managers Arne Österlind and Andreas Edlund said at the beginning of 2020. "The portfolio ended the year 2019 with a negative return of 0.26 percent, which is in great contrast to the successful year of 2018, when the portfolio earned almost 14 percent net return to investors," they added.

Stockholm-based Shepherd started trading European gas in July of 2019, concentrating on spread and arbitrage trading in the gas market. "We

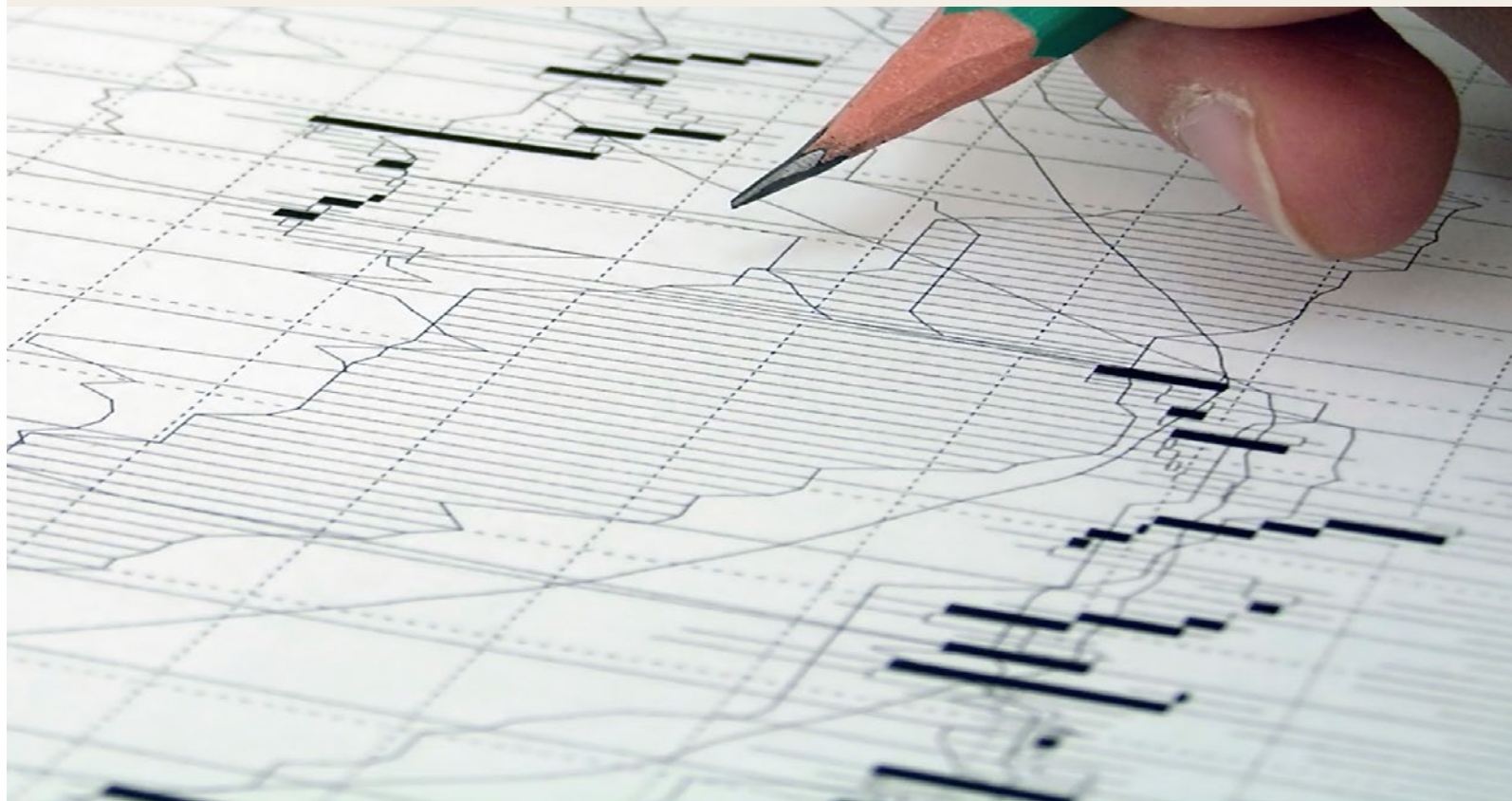




Arne Österlind – Shepherd Enrgy



# Innovative Managed Futures Portfolios



ended the first six months up 7.5 percent with low volatility and negative correlation to the MSCI,” said Österlind and Edlund. Starting from mid-January of 2020, the strategy focused on the gas market is implemented in the main Shepherd Energy vehicle. “The gas trading is managed by Ben Ketley as head portfolio manager from Shepherd’s London branch office with the intention of strengthening the team with another expert gas and power trader going forward in 2020.”



Efficient Capital Management located outside Chicago, IL, was founded in 1999 by leading futures industry professionals from some of the world’s most successful trading firms with the common goal of establishing an innovative multi-manager CTA portfolio investment firm.

www.efficient.com







Wilhelm Gruvberg – Alcur Select

**A**ctive money management is all about beating the market, one might argue. Contrary to popular belief, however, many hedge funds are simply not designed to beat the market. That is not the name of the game for many players in the industry. However, actual returns are of great importance to investors whether these returns are commensurate with the degree of risk or not. At the end of the day, these headline figures represent the actual returns that go into investors' pockets.

# PERFORMANCE AWARDS 2019

SUPPORTED BY NORTHERN TRUST

Since introducing a new award category in 2014, top-performing hedge funds now receive Performance Awards at the Nordic Hedge Award. The three Performance Awards handed out every year go to the hedge funds that delivered the highest net-of-fees returns among all hedge funds within the universe of the Nordic Hedge Index over the last 12-month, 36-month and 60-month periods through the end of the latest calendar year. Unlike the other awards handed out at the Nordic Hedge Award, as the name suggests, these Performance Awards are pure performance awards.

## PERFORMANCE AWARD FOR 2019

Long-biased small-cap-focused equity fund Alcur Select bagged the top spot in the list of best performing Nordic hedge funds of 2019. The fund managed by Wilhelm Gruvberg out of Stockholm returned around 51 percent last year. Despite netting a return above 50 percent, which is a great achievement by any standards, Gruvberg pointed

out earlier this year that "investors need to take into consideration the risk and return objectives of the fund." After all, the fund's net exposure varied between 60 and 100 percent during the year, with an average of about 80 percent.

"It would not be fair to compare Alcur Select's result with the performance of less aggressive hedge funds in the industry," acknowledged Gruvberg. "But even after accounting for the risk level of the fund, we had an outstanding year in 2019," highlighted the portfolio manager. Alcur Select did not register any negative monthly returns throughout 2019.

When stocks pulled back in May of 2019, for instance, the fund's short positions more than offset the losses incurred from the long book. "Throughout 2019, long positions have contributed significantly to the return," said Gruvberg, yet short positions stepped in when markets were down. "There were many names that contributed to performance in the end, but overall, it was our careful bottom-up stock selection that made the difference."





Henrik Rhenman and Susanna Urdmark, Portfolio Managers for Rhenman Healthcare Equity L/S

### PERFORMANCE AWARD FOR THE PAST 36 MONTHS

Rhenman Healthcare Equity L/S scooped up six of the 13 Performance Awards handed out at the Nordic Hedge Award over the past several years. This year, the healthcare-focused fund managed by Henrik Rhenman and Susanna Urdmark received another Performance Award, now for the 36 months to the end of 2019. Rhenman Healthcare Equity L/S returned 78.8 percent from the beginning of 2017 to the end of last year.

Rhenman Healthcare Equity L/S is perhaps one of the most aggressive hedge funds in the Nordic Hedge Index in terms of net market exposure, as the team has maintained a positive view on the healthcare sector since the fund's inception in mid-

2019. As founding partner Carl Grevelius previously told HedgeNordic, "we believe innovation is a great investment opportunity and we have therefore made a very conscious decision to have a high net exposure on a fund level and accept the volatility that it brings." The aggressiveness and conviction have turned Rhenman Healthcare Equity L/S in one of the best performing members of the Nordic Hedge Index.

The beta exposure to the global healthcare and biotech sectors represented a strong boost to its returns in recent years, but the Stockholm-based fund greatly outperformed peer funds focused on healthcare, funds running long-biased equity strategies, and broader market indices. "These returns are due to a high net exposure paired with good stock selections in biotechnology and medical

technology," argued Grevelius at the beginning of the year. "Our Scientific Advisory Board has also enabled a long-term approach to fund management together with a sharp focus on advances in medical research."

### PERFORMANCE AWARD FOR THE PAST 60 MONTHS

Activist investor Accendo Capital has also received several Performance Awards at the Nordic Hedge Award over the years, both for 12-month and 36-month performance. This year, Accendo received the prize for the best-performing Nordic hedge fund over the five years running from 2015 to the end of last year. Accendo, which maintains a focused portfolio of predominantly small- and mid-

cap companies from Northern Europe, returned 162 percent between 2015 and 2020.

"To receive the 60-month performance award for this somewhat uncommon investment approach, and in the company of 160+ other managers back in 2015, is humbling and a source of great pride for us," Elise Auer, Director of Investor Relations at Accendo, comments on the distinction. "Only about half of those managers are still in business today. We are sticking with the same approach that has helped us over the past 12 years and hope to stand on the HedgeNordic podium for many years to come!"

2019 was a particularly strong year for Accendo, its second-best annual performance since launching in early 2008. All six holdings in Accendo's portfolio contributed to last year's performance, when the





Mark Shay – Accendo Capital

fund returned about 46 percent. “2019 was a strong year for Swedish and Finnish small-caps generally,” Accendo Capital founder Henri Österlund told HedgeNordic at the beginning of the year. “But we can clearly trace the excess returns of our fund to our actions and engagement as owners and board members,” he emphasized.

According to Auer, “the world in 2020 looks vastly different than it did just a few months ago due to the COVID-19 pandemic.” Accendo, however, still retains its position as the best performing Nordic hedge fund over the past 60 months through the end of March 2020. “We are thankful that our focused approach has created a portfolio driven more by the continued success of a small number of companies, and less by the volatility of the broader market, resulting in a positive return for 2020 as of late April,” says Auer.

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# ROOKIE OF THE YEAR 2019: HP HEDGE FIXED INCOME

SUPPORTED BY HEDGENORDIC

**T**he Rookie of the Year award is presented at the 2019 Nordic Hedge Award for the fifth time now. This prize rewards the most promising hedge fund debut of the passing year. Whereas one must always remember that “past performance is no guarantee of future results,” we are starting to see evidence that the Rookie of the Year award serves as an indicator of future success. After all, the four previous winners of the Rookie of the Year award turned out to be promising fund launches and have yet to disappoint.

Swedish long/short equity fund Elementa, the first winner of the Rookie of the Year award, went on to stand on the podium in subsequent editions of the Nordic Hedge Award. Elementa delivered an annualized return of 10.5 percent since its inception in early 2015, is yet to incur a down year and gained about 11 percent in the first quarter of 2020 alone. Direct lending fund Scandinavian Credit Fund I, the winner of the 2016 Rookie of the Year award, was crowned the “Best Nordic Fixed Income Hedge Fund” last year and finished in third place in the “Best Nordic Hedge Fund Overall” category. Asgard Credit Fund, the winner of the Rookie of the Year award in the subsequent year, collected



From left: Mark Gerts Rentzmann Jøns and Henrik Fournais

the second-place trophy in “Best Nordic Fixed Income Hedge Fund” category at this year’s Nordic Hedge Award. Last year’s winner, SEB Eureka Fixed Income Relative Value Fund, has recently reached its second anniversary with brio, too.

If history is any indication, this year’s winner of the Rookie of the Year award has a promising future ahead. In this year’s edition, 13 Nordic hedge funds launched between October 2018 and September of 2019 that are constituents of the Nordic Hedge Index automatically qualified as potential candidates for the Rookie of the Year award. After careful

consideration from a jury board comprised of other hedge fund managers, the 2019 Rookie of the Year award goes to HP Hedge Fixed Income, the second hedge fund of Copenhagen-based HP Fonds.

## HOW THE WINNER IS DECIDED

Based on the success of all of the previous winners of the Rookie of the Year award presented by HedgeNordic, one can draw two conclusions. First, the winners of this award are, indeed, promising hedge fund launches. Second, the peer group jury,



JURY MEMBERS FOR THE 2019 "ROOKIE OF THE YEAR"



Bo Andersen - SEB Eureka



Per Ivarsson - RPM



Rasmus Viggers, CFA - Formue Nord A/S



Staffan Östlin - Adrigo



Jonas Sandefeldt - QQM

assembled by HedgeNordic to pick the winner of the Rookie of the Year award, has demonstrated exceptional skill over the years in identifying promising hedge fund launches.

The winner of this special award has been selected by a peer jury composed of other Nordic hedge fund managers. For this award category, the usual selection process that relies on both qualitative and quantitative assessments is not applicable. First, the quantitative screening performed to nominate contenders in each category cannot be performed in the Rookie of the Year category, because rookies, by definition, have a limited track record. Second, even if a quantitative screening were to be applied, the approach would not create an equal playing field for funds due to different lengths of their track records and different investment strategies. The winner in this award category, therefore, has been selected based on qualitative assessments from a peer group jury.

The five-member jury board had the difficult task of selecting the most promising hedge fund launch for

2019. The task involved evaluating which funds the jury members would be most comfortable investing in, which ones would be most likely to reach their target performance, and which ones were better positioned to become prominent funds among their peers in the future. The members of the jury were given full discretion in choosing the criteria they felt most comfortable with, with the final aim being to select the most promising hedge fund launch.

**ROOKIE OF THE YEAR: HP HEDGE FIXED INCOME**

Crowned as this year's Rookie of the Year, HP Hedge Fixed Income is one of the most prominent launches in the universe of Danish-originating fixed-income hedge funds focused on the domestic mortgage market. Launched in October 2018, the Copenhagen-based hedge fund seeks to identify and take advantage of market moves exacerbated by the reduced capacity of risk absorption of market-making banks.

In a comment on the distinction, CEO and Chief Portfolio Manager Henrik Fournais tells HedgeNordic that "receiving an award in the fund's first year is, of course, both an honour and a testimony to the professionalism of the team behind the fund and the work that has been put into creating a unique fund to the benefit of clients." Fournais adds that "it is an honour to get recognition especially in a year with many other new hedge funds."

The primary strategy employed by HP Hedge Fixed Income involves the purchase of Danish callable mortgage bonds below par and non-callable mortgage bonds. As Thomas Loldrup Kjaer, Partner and Senior Portfolio Manager, explained HedgeNordic earlier this year, "the majority, a minimum of 70 percent, of the fund's long positions will always be in Danish mortgage bonds."

The team at HP Fonds predominantly seeks to "make

a profit on the spreads between Danish mortgage bond yields and the fund's borrowing rate." This carry trade approach involves borrowing at low rates and investing in higher-yielding mortgage bonds. Depending on the set of opportunities, the fund can also invest in Swedish Böstader property-backed bullet bonds and floaters, senior non-preferred bonds issued by Danish and other Nordic systematically important financial institutions (SIFIs), as well as European government and corporate bonds.

HP Hedge Fixed Income performed strongly in its first full year of operations but had to give up some of the gains in the turbulent first quarter of 2020. "The fund had a great first year but, as for many others, 2020 is so far both a difficult year," acknowledges Fournais. However, 2020 is "also a year that will present opportunities for our hedge fund."

**2019 "ROOKIE OF THE YEAR" – QUALIFIED FUNDS**

Agenta Alternativa Investeringar	Carlsson Norén Yield Opportunity	Coeli Energy Transition	Crescit Protect
Danske Invest Europe Long-Short Equity Factors	Danske Invest Global Macro Hedge Fund	HP Hedge Fixed Income	ia
Investin Othania Etisk Formuevækst	Länsförsäkringar Multistrategi	Proxy Long/Short Energy	Proxy Renewable Long/Short Energy

SRV - Fixed Income



# BEST NORDIC HEDGE FUND 2019 OVERALL

SUPPORTED BY CME GROUP



From left: Jonas Mårtenson, Anton Pozine and Cristina Lugaro – Resscapital

The title for the “Best Nordic Hedge Fund” rewards the best fund in the Nordic hedge fund universe across all categories. Undeniably, this award is the crown jewel handed out at the Nordic Hedge Award and is likely the most desired recognition in the Nordic hedge fund industry. At this year’s Nordic Hedge Award, Ress Life Investments came out on top, securing the title for the “Best Nordic Hedge Fund Overall” award, along with the “Best Nordic Multi-Strategy Hedge Fund.”

## WINNER: RESS LIFE INVESTMENTS

“Fantastic!” says Jonas Mårtenson, the founder of Resscapital. In a comment on the distinction, Mårtenson tells HedgeNordic that the award “is a Grand Slam for the company and the whole team.” Ress Life Investments, an alternative investment fund investing in the secondary market for U.S. life insurance policies, is a new name on the list of winners in the main award category. “This award gives us recognition for our long-term focus and established presence in our niche market,” adds Mårtenson.

Resscapital’s approach to investing in life insurance policies seeks to deliver an annual return of seven percent after fees over time with limited correlation to traditional asset classes. As “the main risk factor in a life insurance portfolio – longevity – is fundamentally uncorrelated to other major asset classes,” Ress Life Investments has successfully managed to deliver solid and uncorrelated returns to investors. In the past three years through the end

of 2019, the fund overseen by Anton Pozine, Head of Portfolio Management, delivered an annualized return of over eight percent.

According to Mårtenson, the two trophies collected by Ress Life Investments “give recognition for the whole team, in particular for our two portfolio managers,” Anton Pozine and Fredrik Thor. “Anton Pozine has done a tremendous job since inception in 2011 when he started managing the Ress Life Investment fund, his dedication is greatly appreciated by us and our investors,” says Mårtenson. “Fredrik Thor joined us last year and, with his long investment experience, has greatly contributed as well in supporting our accelerating growth.”

Mårtenson and his team at Resscapital have also expressed their appreciation for the commitment of their investors. “We are very grateful to our all investors for the trust they have given us,” says Mårtenson. “This award would not have been possible without the commitment of our long-term Swedish





Mark Shay – Accendo Capital

institutional investors that dared to think differently and believed in our team and the potential of our strategy in the early days.” The team at Resscapital aims to “continue to deliver uncorrelated risk-adjusted returns during many years and consolidate our position in the alternatives space.”

## SECOND PLACE: ACCENDO CAPITAL

Activist investor Accendo Capital stands on the podium in the “Best Nordic Hedge Fund Overall” category for the third time in the previous four editions of the Nordic Hedge Award. Accendo, an activist fund that maintains a very focused portfolio of predominantly small- and mid-cap companies from Northern Europe, was among last year’s best performers in the Nordic hedge fund industry with a full-year return of about 46 percent.

“It is gratifying to be recognized for excellence among our many outstanding peers,” Elise Auer, Director of Investor Relations at Accendo, tells HedgeNordic. Henri Österlund, who manages the fund alongside Mark H. Shay and Kai Tavakka, recently told HedgeNordic that the main focus at Accendo is “to find the best ideas and actively engage with those investments to make sure they become solid investments in the long term.”

Accendo Capital has delivered an annualized return of about ten percent since launching in early 2008, managing to provide annual returns of over 20 percent in six of the past 12 years. “We are sticking with the same approach that has helped us over the past 12 years and hope to stand on the HedgeNordic podium for many years to come!,” says Auer. The activist, high-conviction approach “involves holding a concentrated portfolio of Nordic

listed, technology-focused small-cap companies for many years,” according to Auer.

The source of Accendo’s good returns tends to be a subset of the few names in its concentrated portfolio. “While many funds use portfolio diversification as a risk management tool, our approach is to deal with risk at the company level through active engagement, foresight, shareholder focus, and helping our companies allocate capital rationally and efficiently,” explains Auer. The team at Accendo “has created a portfolio driven more by the continued success of a small number of companies, and less by the volatility of the broader market,” which has proven useful during the coronavirus-induced market turmoil in 2020.

Auer and her team at Accendo send a “special thanks to our portfolio company management teams

and board colleagues for efficient and productive cooperation in our daily work to create shareholder value.” The Accendo team “are also grateful that our loyal investors share our long-term objectives for our portfolio companies.”

## THIRD PLACE: RHENMAN HEALTHCARE EQUITY L/S

Rhenman Healthcare Equity L/S, this year’s winner of the “Best Nordic Equity Hedge Fund” award, takes the third spot on the podium in the “Best Nordic Hedge Fund Overall” category. The healthcare-focused long/short equity fund managed by Henrik Rhenman and Susanna Urdmark stands on the podium in this category for the fourth time.

“The Nordic Hedge Award is a great thing to receive





Henrik Rhenman and Susanna Urdmark – Rhenman Healthcare Equity L/S

and be nominated for,” founder and CIO Henrik Rhenman said at a previous Nordic Hedge Award event. “It is the most prestigious award in the Nordic region, and there is no comparison,” he added. With 13 awards under its belt, Rhenman Healthcare Equity L/S has collected the highest number of trophies over the eight editions of the Nordic Hedge Award. Rhenman’s colleague, Susanna Urdmark, says that the prizes handed out at the Nordic Hedge Award “mean a lot to the team at Rhenman & Partners Asset Management and represent a testament to our unique investment process.”

Rhenman Healthcare Equity L/S has generated an annualized return of about 17 percent since launching more than ten years ago. The Stockholm-based fund is one the best performing hedge funds in the Nordics, thanks to its high net exposure to the

global healthcare and biotech sectors over time. “In our specific case, we have had a positive view on the health care sector since the fund started in June 2009,” founding partner Carl Grevelius previously told HedgeNordic. “We believe innovation is a great investment opportunity and we have, therefore, made a very conscious decision to have a high net exposure on a fund level and accept the volatility that it brings.”



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# RESEARCH EXCELLENCE

- DIVERSITY
- SUSTAINABILTY

**T**hank you for having us be part of this award. We from the Swedish House of Finance at the Stockholm School of Economics co-developed together with Hedge Nordic the quantitative model, which determines the short list of funds, nominated for this award.

We are Sweden's national research center for financial economics, nonprofit, and host about 70 internationally distinguished researchers.

Research is not just about bringing new ideas to life. It is also about tackling old problems from new points of view. When we begin a journey from a fresh perspective, what has been elusive or overlooked in the past suddenly becomes clear, even obvious. Diversity is thus a necessary, critical ingredient for successful problem solving in research. This kind of diversity is a critical component to the Swedish House of Finance. By bringing world-class thinkers

from approximately 20 countries around the world to Stockholm and to Sweden, the Swedish House of Finance continues to be a hub of the Swedish financial ecosystem.

We also serve as an independent platform where academia and both the private and public financial sectors meet and exchange knowledge. An example is our engagement with this award, or the Nobel Symposium in Economics which we co-hosted with a long list of prominent researchers. In this context, we would like to cite Professor Carmen Reinhart from Harvard who said, "It's hard to be on top of a field without making an investment in research and development." We could not agree more.

In an increasingly complex and globally connected environment, the need for experts is greater than ever. Universities need outstanding researchers and teachers, companies need highly qualified

employees, and governments need experts who understand the ever-changing world around us. We provide an important independent platform for discussing a range of highly relevant, industry-wide issues. This means that we also act as an extended arm for research and development in finance that would not occur otherwise. Therefore, supporting research is an investment. It is an investment to help ensure that governance structures work and develop over time, that governments and companies understand the implications of new policies, that financial products are able to develop, and in the end, to maintain a high rate of innovation while minimizing costly mistakes.

We dare say that financial research in Sweden would not be in its current top position without the initiative of forming our center in 2011.



# EFFICIENT CAPITAL: INNOVATIVE MANAGED FUTURES



From left: Mike Marcey and Ernest Jaffarian

**E**fficient has been proud to partner with Hedge Nordic for many years in recognizing the talented CTA managers in the Nordic region. One of the highlights of Spring has been attending the Awards evening, celebrating excellence and passion, and catching up with new and old friends. While this has been a most unusual Spring for all of us, we at Efficient are thankful for our many Nordic friendships and ongoing discussions, and look forward to meeting in person when possible.

The impact of Covid-19 is a clear reminder of what we all know to be true – our world is not always a safe and predictable place. While the full impact of COVID-19, is yet to be seen, the last week of February and the last two months demonstrate the power of the unexpected to introduce chaos and fear. As 2019 ended, financial analysts and forecasters spoke of the inevitable end of the remarkable equity bull run, geopolitical hot spots, concerns for the US Presidential elections, but barely a whisper about the recent Coronavirus appearance in China.

Yet, this illustrates a truth about our uncertain and fragile world – it isn't usually the things we see and identify as potential problems that really hurt us – rather it is the unseen and unexpected that have the potential to bring the most harm and chaos.

And the truth is that, even though we cannot accurately forecast which things will be the most problematic for our world and the markets, we know that the unexpected will occur – and that wise people do whatever they can to prepare for the unexpected. The consequences can be significant if one is lulled to sleep by periods of calm, or fails to imagine and plan for various unpleasant scenarios.

While the past is not a predictor of the future, CTAs have historically provided investors with non-correlated and diversifying performance during these kinds of times. And, as the impact of Covid-19 reverberates throughout markets, we expect that robust trading opportunities will emerge for many CTA managers.

During volatile times like these there has been significant dispersion among even the best and most experienced managers. Small differences in exposures can produce large performance differences when markets are moving dramatically. Decisions for which instruments to trade and how to size those positions has translated into a significant degree of large performance dispersion over the short term.

Efficient Capital, for over 20 years, has helped institutional investors minimize single manager risk by creating multi-manager portfolios with access to some of the best managers in the world. We are grateful to work with quality managers who approach their work with passion and excellence and with innovative firms like Hedge Nordic – all to have the opportunity to make a difference when really needed.





Struan Malcom, Head of  
Nordic Sales – Northern Trust

# NORTHERN TRUST

**N**orthern Trust is delighted to sponsor the Nordic Hedge Award for the eighth consecutive year as part of our commitment to the Nordic hedge fund community. Over this time we have been pleased to partner and grow with many of the region's hedge fund managers, with local support from our office in Stockholm.

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# RBC I&TS: Technology and access to data offering insights is key in times of rapid change



Claire O'Brien of RBC I&TS

When faced with uncertainty during these unprecedented times, a company with financial strength, liquidity, scale and agility helps to reassure clients that they are in safe hands.

Claire O'Brien, director, global client coverage, RBC Investor & Treasury Services (RBC I&TS) said, "Having a mature and embedded global operating model ensures a seamless continuity of service for our clients. In addition to our product and service offering, it is also important to have the ability to react to our clients' requests for insight on shareholder activity and continue to adapt oversight tools to meet their business and regulatory needs during a period of rapid change. An essential part of this is our technology offering. Our digitally enabled products and services transform clients' access to data and provide them with valuable insights. This is and has been critical in uncertain times where our agility has paid off and worked well," she said.

While the consequences and effects of COVID-19 will be examined for months if not years to come,

it has also created a time for reflection, not least in financial services.

O'Brien is convinced that the collaborative culture and values of RBC where clients are always put first but equally the welfare of the employees is prioritised has made a very difficult time, that much easier.

O'Brien has also noticed a much more collaborative culture within the industry in general.

RBC Investor & Treasury Services' commitment to the Nordic region has continued to strengthen, evidenced by an increasing client profile in the region. RBC I&TS has successfully added clients in the past year including Danske Bank, Accendo, Manadatum Life and Coeli on its books.

"Our added value in technology and data capabilities; our dedicated Client Coverage and Client Service teams specializing in Nordic asset managers, with support in local languages and RBC's ability to support a wide range of asset classes, ranging

from real estate, private equity, infrastructure and debt funds, to a variety of alternative strategies, has contributed to our success in the region," O'Brien said. "Having expertise in products that have access to distribution in 114 markets is also attractive for Nordic players."

RBC is a specialist provider of asset services, custody, payments and treasury and market services for financial and other institutional investors worldwide and has over 4,700 employees in 16 countries across North America, Europe and Asia. It has CAD 4.3 trillion in client assets under administration, as at end of February 2020.

O'Brien noted that events such as the Nordic Hedge Award offers an opportunity to understand the needs of clients in an evolving region and meet with peers and clients in an environment of knowledge sharing. "Year on year, we are pleased to support the HedgeNordic's Nordic Hedge Award and offer our sincerest congratulations to all the winners of this year's awards," added O'Brien.

RBC I&TS' product and service offering includes custody, fund/investment administration, shareholder services, private capital services, performance measurement and compliance monitoring, distribution, transaction banking (including trade finance, insourced solutions and services to broker dealers), and treasury and market services (including cash/liquidity management, foreign exchange services and global securities lending).

Get in touch! For more information about RBC I&TS in the Nordics, please reach out to

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From left to right: Björn Wendleby, Alexandra Hagander, Mikaela Reinhammar, Gustav Sälgröm, Amin Bell

# HARVEST ADVOKATBYRÅ

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Languages: English, Spanish, Swedish

## SPONSOR OF THE NORDIC HEDGE AWARD

Harvest has substantial experience of advising companies operating in the Nordic hedge fund industry and has been a sponsor of the Nordic Hedge Fund Awards since 2016. Apart from the fact that we always have clients that are "shortlisted" and nominated for the Nordic Hedge Award, another reason for us to be a sponsor is that we also believe that the award process is very well organized, including the Award Ceremony.

## FIRM OVERVIEW

Based in Stockholm, Harvest offers comprehensive legal advice for anyone engaged in licensable activities. The firm helps, among others, banks, asset managers, securities companies, insurance companies and other financial institutions in Sweden and abroad with matters such as compliance, internal audits, application procedures, financing and other types of legal issues.

Founded in 2016, Harvest is a small firm by size – but a leading advisor in its primary focus areas.

Harvest comprises of highly experienced lawyers. We have a hands-on approach and delight in the prospect of working closely with the client's business. A number of our lawyers have a background from the financial sector, which enhances our awareness of the state of the market, and how it works.

## MAIN AREAS OF PRACTICE

### Financial Regulatory Services

Harvest has substantial experience of working with regulatory issues regarding companies operating in the financial sector. We continually assist various types of financial institutions with their licensing issues with the Swedish Financial Supervisory Authority. Thanks to a large number of assignments involving the authority, the firm is constantly kept up to date with new rule interpretations and handling of different types of cases.

Examples of our services are regulatory advice, conducting risk assessments and delivering second opinions to financial institutions, and taking part in long term projects implementing new legislation; for example MiFID II, PSD II, 4AML, IDD and GDPR.

Harvest is the compliance officer in 50 companies and performs the task of the internal audit function in 20 companies, pursuant to outsourcing arrangements.

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Tel: +46 70 325 23 29

## CAPITAL MARKETS

The firm has extensive experience and specialist expertise on matters regarding different kinds of capital market transactions such as IPOs, EMTNs, high yield debt instruments and takeover bids. Harvest has won the Nordic Structured Products & Derivatives Awards 2017-2019 – Best Law Firm, Nordics.

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## DATA PROTECTION AND PRIVACY

Harvest regularly advises clients with their implementation of GDPR (the General Data Protection Regulation) and to adapt and review their procedures. The firm also advises clients with drafting relevant policies and information texts, and offers to undertake the role of appointed data protection officer.

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Cassie Waller, Senior Director – The Asset Management Exchange

## IMPROVING OUTCOMES FOR INSTITUTIONAL INVESTORS AND FUND MANAGERS IN NORDIC COUNTRIES

**A**MX is delighted to be sponsoring this special edition of the Nordic Hedge Fund Awards magazine. We are sorry we can't be with you this year to celebrate your successes but look forward to returning in 2021.

The investment industry was already facing challenges before these volatile times and we would like to share with you some of the things we are doing to help.

We built AMX to better serve the entire institutional investment industry. Our aim is to give institutions, investors, their advisers, and managers, a better way to do business with each other. By better connecting the marketplace, the market can better serve the end investor. That is why we built a platform that listens to what you want, solves your problems and evolves to meet your changing needs. Here are three ways that we are improving the experience for institutional investors and fund managers.

### 1. WE ARE PLACING A RENEWED FOCUS ON COST CONTROL

We understand the increasing burden of rising costs within the institutional market and use the scale of our platform to help save on all investment costs. In return for global distribution and potential volume, we negotiate favourable commercial agreements not only with asset managers, but across all counterparties including prime brokers, administrators and custodians securing the lowest possible fees available – then pass those savings on to you. Additional savings can be made through the utilisation of tax-transparent fund structures – which can use a boost in a manager's fund performance on average by 30-40 basis points in relevant equity markets.

### 2. INDEPENDENT GOVERNANCE AND RISK MANAGEMENT SITS AT THE HEART OF OUR STREAMLINED SERVICE

Every fund on AMX is built from scratch, with infrastructure designed for institutional investors. It means money doesn't pass through our platform but stays within it. Dedicated risk management teams provide an extra layer of independent governance whilst helping reduce trade errors and manage counterparty and liquidity risks. With at least one person dedicated to each risk function and all fund directors appointed independently of the investment

manager, we ensure fund governance receives the attention it needs. With ever increasing regulations, you'll have a setup that's fit for purpose now and in the future.

### 3. WE BELIEVE INVESTORS DESERVE GREATER TRANSPARENCY AND ENHANCED REPORTING

The standardised structure of AMX funds allows greater access and visibility to underlying fund data in a timely manner. Centralised through our portal, AMXConnect, this data offers investors greater transparency, accountability and control ensuring the only thing that stands out is each manager's strategy. This ensures there are no surprises, reducing the risk of hidden fees, fraud, and scandal. AMXConnect also enables us to provide enhanced reports in a consistent, transparent yet customisable format for all investments - simplifying regulatory reporting duties and making it easier to compare the performance and cost of funds and asset classes.

AMX standardises, centralises and streamlines the entire process so it works better for everyone. So you have more time to focus on what matters: generating returns.

To find out more, contact  
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+44 7825 386 146 / [cassie.waller@theAMX.com](mailto:cassie.waller@theAMX.com)  
or visit [theAMX.com](http://theAMX.com)

#### AMX helps to:

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#### To allow you to...

- Futureproof your fund offering
- Save time and opportunity cost



# ESG FUTURES GAIN TRACTION AMONG INVESTORS



Tim McCourt, Global Head of Equity Index and Alternative Investment Products – CME Group

In the past decade interest in Environmental, Social and Governance (ESG) has built momentum globally. During this decade, ESG was widely debated and slowly moved from setting parameters, corporations embracing corporate governance reforms and going to great lengths to restore trust in the capital markets, not least because of the global financial crisis of 2008, to implementation of more sophisticated ESG practices.

Moving ESG issues from debate to action is now an integral part of doing business. ESG disclosure is expected and asset managers are moving from ESG stewardship to integration with large global asset management companies publicly signalling that they expect higher ESG standards going forward.

On the back of this momentum, S&P Dow Jones Indices launched the S&P 500 ESG Index in April 2019. The S&P 500 ESG Index offers clients a way to align their beliefs with return aspirations. The S&P 500 ESG Index has a similar risk/return profile to the classic S&P 500 and less than 75bps of

tracking error, making it an attractive proposition. S&P uses a scoring system for the companies in the index and excludes tobacco, controversial weapons and violators of the UN Global Compact criteria such as human rights, labour issues and corruption. In addition the bottom 25% of the ESG scoring companies are also excluded, making it a fairly close proxy to the classic index but with an enhanced ESG profile.

As client demand continued to soar, market providers were looking at how to best develop products to enhance the expanding ecosystem around the S&P 500 ESG index. As a result, CME Group launched its new derivatives solution as a part in the expanding ESG toolkit available for investors looking to take their ESG exposure up a notch. The CME E-mini S&P 500 ESG Index futures began trading on November 18, 2019.

Despite the fairly recent launch, the futures contracts have gained traction among clients and the total cumulative volume since launch is 41,336

contracts equivalent to US\$5.6 billion. The daily average volume, as of April 15, is 557 contracts and the average daily open interest (OI) is 4,469 contracts. Recent records include a volume record on March 17, with 4,911 contracts and the OI record on March 18, of 9,299 contracts.

Tim McCourt, Global Head of Equity Index and Alternative Investment Products at CME Group, said customer demand is global but that European and particularly Nordic investors, together with Japanese investors, are ahead of the curve. "There are several reasons for this. Some are regulatory and others are investor-specific rules that mandate them to take ESG into account, which is often the case in the Nordics and Japan," he said.

One of CME Group's Nordic clients is Swedbank Robur, one of the oldest and largest asset management companies in Sweden with a track record of managing ESG funds since the 1980s. They established positions in the contract shortly after its inception of the CME E-mini S&P Index



futures. (See full story here: <https://openmarkets.cmegroup.com/16212/as-esg-investment-grows-an-asset-manager-looks-to-futures>.)

McCourt explained that client-driven demands and needs are always in the forefront of any product launches at CME Group and ESG is no different. "Clients increasingly expressed interest in how to better manage their ESG mandates and how to approach risk management in their ESG asset allocation. We can now offer an investible, tradable product that is aligned with their corporate philosophies and mandates. Being able to offer a liquid pool of risk management and risk transfer around it is key."

E-mini S&P 500 ESG Index futures allow market participants to gain price exposure to an index that closely tracks the performance of the classic S&P 500, with enhanced ESG profile, and they can save on margin offsets with other equity futures offering multiple ways to find liquidity, he added.

In order to develop the ESG ecosystem further, liquidity is key and by adding futures contracts it looks much more like a regular market. As market participants are able to trade these futures alongside ETFs or the underlying stock, they are

able to arbitrage between those, making pricing more efficient and adding liquidity to the market. Investors obtain more choice as they look at the exposure and weigh up the pros and cons of futures, ETFs and the underlying stocks, McCourt explained.

Asset managers can use the futures contracts to equitize cash in their ESG or any other portfolios. In addition, a futures contract that looks like an ETF creates a hedging tool which allows market makers to more efficient in the pricing.

McCourt added that, like with any nascent product there are growing pains, but CME Group is committed to work with all participants to make sure that these are ironed out as demand grows for ESG products across the board.

As ESG reporting and disclosure become more common place, deeper and more compelling data sets enable investors to increasingly integrate their values to their investment process without fear of losing out on returns. ESG indices are no longer viewed as niche market tools, so demand for products is likely going to continue as investors are integrating ESG metrics into managing their entire portfolios.

### QUICK FACTS OF THE CME E-MINI S&P 500 ESG INDEX FUTURES

- E-mini S&P 500 ESG futures have a \$500 multiplier
- Assume the E-mini S&P 500 Index is trading at 251.50
- The notional value of an ESG contract would be \$125,750
- The tick increment of the ESG futures contract is quoted in two one hundreds of one index point, making a one tick move in the ESG futures equivalent to US\$10
- ESG futures will expire on a quarterly basis settling in cash to the official opening value of the index of the third Friday of March, June, September and December
- The futures will allow traders, portfolio managers and other market participants a stable and robust clearing mechanism that is largely free of counterparty risk
- ESG futures are available to trade on Globex on Sunday afternoon through to Friday afternoon, nearly 24h per day
- Market participants can also execute ESG futures through the Basis Trade at Index Close (BTIC) mechanism. Both outright and BTIC transactions on ESG futures will be block eligible.
- Margin offsets will also be available for those interested in trading or spreading ESG futures versus other CME equity index products.



# Unlock the opportunities of sustainable investing.



### E-mini S&P 500 ESG futures

Access a new derivative solution for responsible investing, which aims to align your financial goals with your environmental, social, and governance values.

#### Capital efficiency

Save on potential margin offsets with other equity index futures

#### Versatility to manage positions

Flexible execution, including Basis Trade at Index Close (BTIC) or block trades, offers multiple ways to find liquidity.

#### Similarity to the S&P 500 Index

Daily correlation of the S&P 500 Index and the S&P 500 ESG Index is 99.8%.<sup>1</sup>

Visit [cmegroup.com/esg](https://cmegroup.com/esg) to learn more.

<sup>1</sup> Source: Bloomberg as of March 2, 2020 over the last 12-month period.

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# THE MINGLE WHICH DIDN'T HAPPEN - YET!

## LIKELY THE LARGEST GATHERING OF NORDIC HEDGE FUND PROFESSIONALS

The social aspect of the Nordic Hedge Award is often singled out as the most rewarding element of the event. The ingredients though are rather basic: gather a group of like-minded industry professionals, make sure there is some food and drink around and let it flow without being over-organized. The concept too, if you want to identify one, is rather puristic - Nordic, so to say.

There is no formal seating, people gather for a chat in groups, moving freely through the space. There is no fixed menu, the waiters float through the rooms with trays of finger food up for grabs, there are no black ties or evening wear, the guests show up as they went to the office. Beer is drunk directly from the bottle and the Amuse-Bouche is a hot-dog, served from the cart to be self garnished. As extra ice-breakers we secured true liquid alternatives with a Swedish whisky producer as a partner. We learned one of our loyal supporters plays the bagpipes which themed in well with the whisky and turned out to be a much enjoyed show act. The red line through all this is to offer a professional, but comfortable, relaxed warm and welcoming environment, with some quirky touches.

No matter how tough and competitive this industry is, at the end of the day it is a peoples business and nothing beats having a good time, smiles, handshakes, the exchange of business cards, stories and gossip over a drink and a bite to eat.

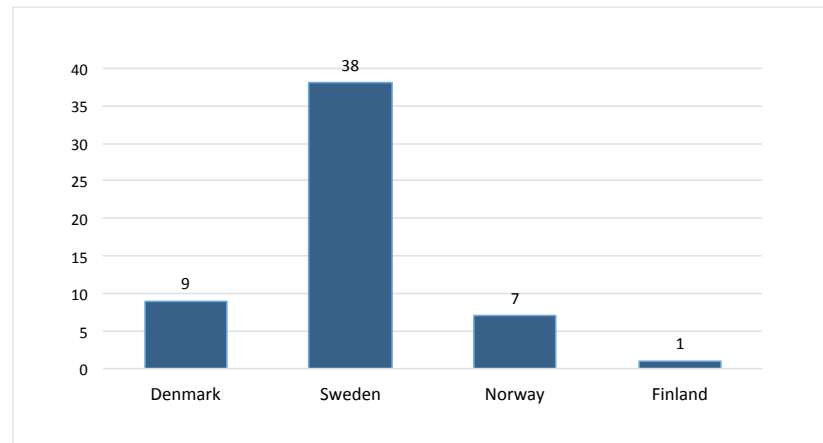




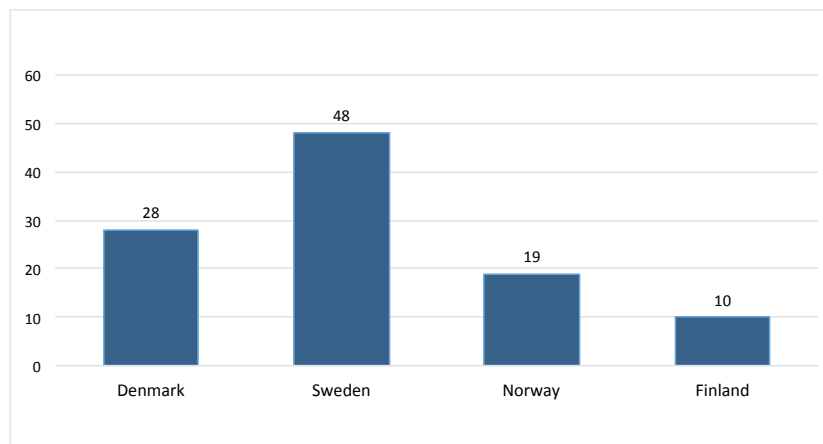
# HISTORY & STATISTICS

## KEY FIGURES AND FINDINGS FROM THE FIVE YEARS OF THE NORDIC HEDGE AWARD

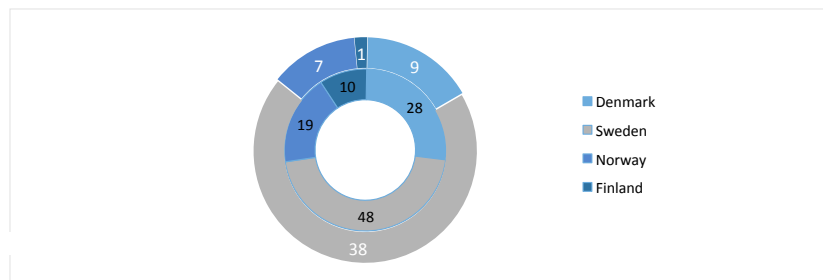
CATEGORY WINNERS BY NHX COUNTRY (2012-2019)



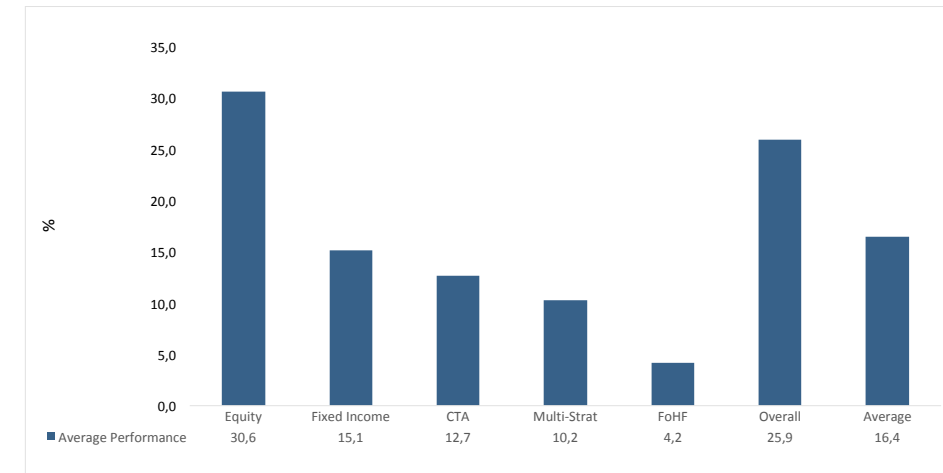
RUNNERS UP BY NHX COUNTRY (2012-2019)



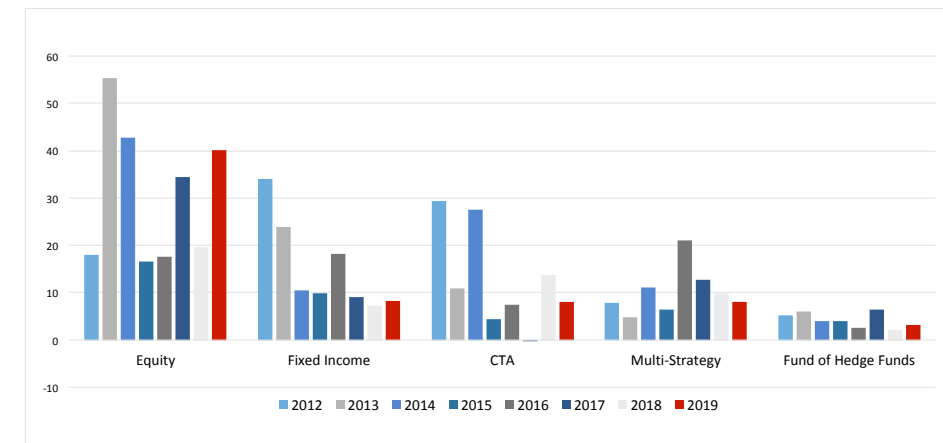
RUNNERS UP (INNER CIRCLE) AND WINNERS (OUTER CIRCLE) BY NHX COUNTRY (2012-2019)



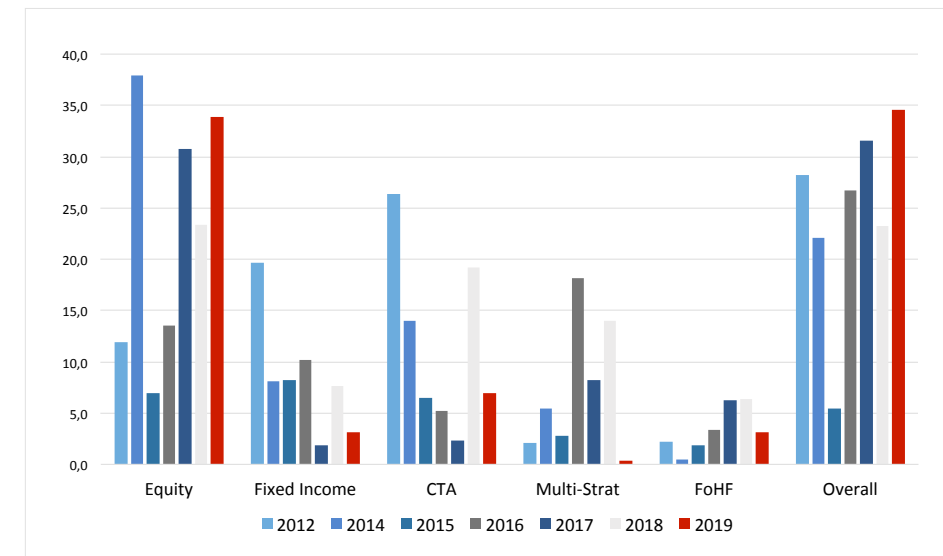
AVERAGE PERFORMANCE OF CATEGORY WINNERS 2012-2019



PERFORMANCE OF WINNING FUNDS PER CATEGORY (2012-2019)



OVERPERFORMANCE OF WINNING FUNDS OVER THEIR RESPECTIVE NHX CATEGORIES (2012-2019)







“Your single access point to the Nordic Hedge Fund Industry”



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