

## THE BIG PICTURE

# Quiet yet so efficient ... Europe's top hedge funds

**Top performing Europe-based hedge funds of \$100m or more**  
5-year annualised net return (as at Mar 31 2018)

| Name  | Fund manager                              | 5-yr annualised net return (%) |
|---|---|--------------------------------|
| Rhenman Healthcare Equity Long Short Fund - IC2 SEK | Rhenman & Partners Asset Management       | 27.12                          |
| The Children's Inv. Master Fund - Class H - USD     | The Children's Investment Fund Management | 19.44                          |
| Astra Structured Credit Investments Ltd Fund        | Astra Asset Management UK Ltd             | 18.52                          |
| Taiga Fund - Class A - NOK                          | Taiga Fund Management                     | 16.50                          |
| Trias L/S Fund - EUR Class                          | Entrepreneur Partners                     | 15.91                          |
| Pharo Gaia Fund - Series 1 Class A Shares           | Pharo Management                          | 15.44                          |
| Pharo Trading Fund - Series 1 Class A Shares        | Pharo Management                          | 13.84                          |
| BestInver Hedge Value Fund                          | BestInver Asset Management                | 13.68                          |
| Alegria ABS I (Euro) Fund                           | Alegria Capital                           | 13.66                          |
| SR Global Fund - Frontier Portfolio - Class M       | Sloane Robinson                           | 13.43                          |

Source: Preqin

**Top performing Europe-based hedge funds of \$100m or more**  
3-year annualised net return (as at Mar 31 2018)

| Name   | Fund manager                              | 3-yr annualised net return (%) |
|--|---|--------------------------------|
| Specialised Russian Growth Fund  | Spring                                    | 21.98                          |
| Montreux Healthcare Fund - Class D1 GBP                                | Montreux Capital Management               | 21.46                          |
| Kairos Pegasus - E1  | Kairos Investment Mgmt                    | 21.34                          |
| UFG Special Situations Fund  | UFG Asset Management                      | 16.29                          |
| Pharo Africa Fund - Class A Ser 1                                      | Pharo Management                          | 14.64                          |
| Pharo Gaia Fund - Series 1 Class A Shares                              | Pharo Management                          | 13.79                          |
| The Children's Investment Master Fund - Class H - USD                  | The Children's Investment Fund Management | 13.23                          |
| Hellebore Credit Arbitrage - A Share - EUR                             | Hellebore Capital                         | 12.26                          |
| Lansdowne Energy Dynamics Fund - USD Non-Restricted B Class Non-Voting | Lansdowne Partners (UK)                   | 12.21                          |
| Clareant Global Special Situations Fund                                | Alcentra                                  | 11.81                          |

Source: Preqin

They are the hidden gems of the European hedge fund industry. Frequently overshadowed by the sector's big names, many of these funds have a laser-like focus on a particular sector or country – but their returns speak for themselves.

Preqin, the data provider, sets benchmarks for three-year and five-year annualised returns, of 4.98 per cent and 6.3 per cent respectively, derived from mean annual returns for managers based in Europe.

The top performers beat these by up to five times. A business caring for people with spinal injuries, and Scandinavian small-caps, are among the companies that propel them into the ranks of Europe's top-performing hedge funds.

They are standouts in a sector that has grown rapidly. European hedge-fund managers held €587bn in assets at the end of March. They grew almost 10 per cent last year after a torrid 2016 in which the industry was hit by outflows.

We take a close look at the top five performers in each of the three and five year periods using data supplied to FTfm by Preqin.

All have assets of at least \$100m, the minimum amount at which a hedge fund can be viable, according to Preqin. All have significantly outperformed the benchmarks set.

The top 20 funds are run by 16 groups. More than half are based in London and the rest in Russia, Switzerland, Scandinavia and Spain.

Analysis of the list, however, fails to yield any patterns in terms of size, location or strategy – save for the fact that most are extremely specialised.

Rhenman & Partners Asset Management, a Swedish manager investing in healthcare, points to its links with the Karolinska Institutet, as one factor in its success. The medical research university has produced several Nobel prizewinners.

Two of the top performers, Spring's Specialised Russian Growth Fund and the Special Situations Fund run by UFG of Moscow, focus on Russia.

The market has been a good one for specialists in emerging markets able to navigate the complexity of investing in a country hit by sanctions and diplomatic tension with the west. "While that's made some investors more wary, if you have a good understanding of how the Russian economy works that creates a platform for some investors to be successful," says Anna

Sometimes it is the low-profile companies that make big money, writes *Jennifer Thompson*

Walker, director for Europe at Control Risks, a consultancy.

## Spring

Founded in 2003, Spring focuses on Russia and has \$300m of assets under management. Its Specialised Russian Growth Fund, launched in 2009, returned a three-year annualised net return of 21.98 per cent. The fund had \$195m in assets at the end of May. It invests in listed and unlisted assets of companies. "Taking into account that [the] Russian economy has been stagnating, the SRG strategy has been to invest in high-dividend yield companies and companies that have been able to increase market share even on non-growing sectors," the hedge fund said.

"If you're able to grow a business within the sector that becomes valuable." The Montreux Healthcare Fund – Class D1 (GBP), which has £125m in assets, has returned a net 21.46 per cent on a three-year annualised basis. The fund's sole asset is a company called Active Assistance, which specialises in the care of patients with spinal cord and acquired brain injuries. It treats about 500 patients, a figure Montreux is hoping to double within 18 months.

## Kairos

Based in Milan, Kairos Investment Management launched in 1999 and has more than €12bn in assets. The group is owned by Swiss private banking group Julius Baer. The Kairos Pegasus E1 fund, described by Preqin as an event-driven fund, has posted net returns of 21.34 per cent on a three-year annualised basis. The four-year-old fund has about €316m in assets and specialises in European equities.

## UFG

UFG Asset Management is another country-focused asset manager. From its headquarters in Moscow it offers hedge funds that invest in equity and fixed income in Russia and central Europe, including Kazakhstan and Uzbekistan. UFG's Special Situations Fund has returned a net 16.29 per cent on a three-year annualised basis. UFG did not respond to a request for comment. Its website states that the fund "is a hybrid equity and fixed income discretionary strategy focused on special situations in Russian stocks and bonds. The fund can also opportunistically invest in private debt and equity instruments".



A focus on private specialist healthcare, including spinal therapy, has been lucrative  
AdamGregor/Dreamstime

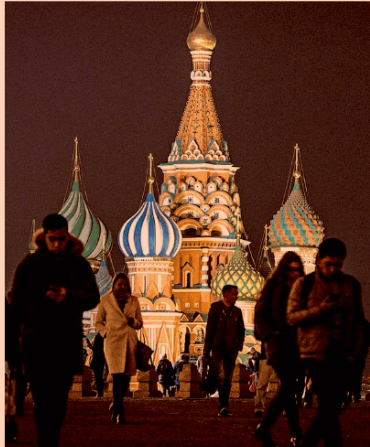
## Pharo

Pharo Management specialises in emerging markets. It is one of the most successful hedge-fund groups in Europe and its Pharo Africa Fund Class A Series 1 has returned a net 14.64 per cent on a three-year annualised basis. The fund had \$280m in assets at the end of May. Pharo's other funds are also chart toppers. Pharo, whose \$10.5bn in assets makes it one of the largest macro hedge funds in Europe, was founded by Guillaume Fonkenell with \$11m in 2000.

## Montreux

With its headquarters near Hampton Court Palace in London, Montreux Capital Management has largely stuck to its knitting since it began in 2010. It focuses on private specialist healthcare in the UK, which is fragmented. "There are few large players within it," says partner Piers Sword.

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Spring and UFG hedge funds both focus on Russia  
Mladen Antonov/AFP/Getty

Taiga

Named after the vast subarctic forested region that stretches across North America, Scandinavia and Russia, Taiga Fund Management was founded in 2007 and is based in Oslo. The Taiga Fund Class A NOK has returned a net 16.5 per cent on a five-year annualised basis. With Nkr2.5bn (£230m) in assets, it describes itself as a long-biased long-short equity fund. "The largest contribution to performance over time

has been from long investments in a concentrated portfolio of undervalued Nordic small-cap stocks," said Ola Wessel-Aas, co-founder. The fund had "not [shied] away from holding large cash positions when opportunities are less attractive", he said.

Entrepreneur

Zurich-based Entrepreneur Partners is a boutique asset manager whose Trias L/S Fund EUR Class has returned a net 15.91 per cent on a five-



We have high hopes of positive newsflow for clinical trials

year annualised basis. With €132m in assets, the fund favours small to mid-sized companies in German-speaking countries. "The performance is really the result of active portfolio management, anticipating [and] recognising developments ahead of the pack," said Daniel Müller, co-founder. "We have a tilt towards small and mid-caps . . . that are often overlooked by investors and undercovered by analysts." He added that the group believes it best to focus on a few markets, in this case Germany, Austria and Switzerland.

Rhenman

Rhenman & Partners Asset Management was founded a decade ago. The Stockholm-based investment manager's Rhenman Healthcare Equity Long Short Fund IC2 SEK has been a strong performer, returning a net 27.12 per cent on a five-year annualised basis. The fund, which was founded in 2009 and had €636m in assets at the end of June, specialises in healthcare and invests in pharmaceuticals, biotech and medical companies. "The healthcare sector looks attractive as regards valuations and the fundamentals look strong, with reasonable expectations for profit growth that carries relatively low execution risks," said Carl Grevelius, founding partner. "We also have high expectations on positive newsflow regarding clinical trials during the second half of 2018 and 2019."

TCI

The Children's Investment Fund Management was established by Christopher Hohn in 2003 and has offices in London and New York. The Children's Investment Master Fund Class H USD has returned a net 19.44 per cent on a five-year annualised basis. TCI did not respond to a request for comment.



Taiga burns bright – the company is named after the huge subarctic forested region

Astra

Based close to the Bank of England, Astra Asset Management was founded in 2012 and describes itself as a "specialist credit manager". The Astra Structured Credit Investments Ltd Fund has returned a net 18.52 per cent on a five-year annualised basis. Astra said it "implements relative-value arbitrage strategies across asset classes both in the US and Europe, with a focus on corporate and mortgage-backed credit".



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