



# Opalesque Round Table

## STOCKHOLM

# Introduction

Dear Reader,

Did you know? Some of the Nordic hedge funds and CTAs have track records that go back until 1991. There are far over 200 hedge funds registered or run out of the Nordic region.

In this new Opalesque Roundtable, we have united Nordic Alternatives Leaders from Sweden, Norway and Finland - dedicated professionals who in some cases have run CTAs / hedge funds since 1991 or 1997. The Opalesque Nordic Roundtable was **sponsored by DnB NOR Asset Management** and took place on September 22nd 2008 in their Stockholm office.

In this Roundtable, Opalesque united the following Nordic Alternatives Leaders:

1. Martin Estlander, CEO, Estlander & Rönnlund
2. Kent Janer, Partner, Portfolio Manager, Brummer & Partners AB
3. Svante Bergstrom, Managing Director, Fund Manager, Brummer & Partners AB
4. Peter C. Warren, CIO, WarrenWicklund Asset Management
5. Lars Lovgren, Head of Hedge Funds, DnB NOR Asset Management
6. Dr. Patrik Säfvenblad, Head of Hedge Fund Research, DnB NOR Asset Management
7. Magnus Nilsson, Partner, Öhman Group
8. Dennis Johansson, Partner, RAM Rational Asset Management

The purpose of the Opalesque Roundtable Series is to provide a catalogue of intelligence on the world's most important hedge fund centres and introduce you to some relevant local players of each jurisdiction. New York, London, Geneva, Singapore, Hong Kong, Tokyo, Sydney, and Auckland are already covered (see the Roundtable archive on the Opalesque website). In this Roundtable Script, you will learn:

- A bit of history: How have the Nordic markets have achieved this degree of sophistication in financial markets, trading and hedge funds?
- How is the Nordic hedge fund community standing up against their international peers in both in absolute and risk-adjusted returns?
- How do Nordic institutions view hedge funds?
- How does regulation vary from country to country?
- What are the advantages of running a hedge fund from the Nordic region?
- What is "ATM Risk"?
- An in-depth discussion on liquidity: Why are large investors concerned on hedge funds' race to ever shorter liquidity terms?
- How will the region further evolve? What funds and strategies are being developed?

Enjoy "listening in" to the Opalesque Nordic Roundtable!

Matthias Knab  
Director Opalesque Ltd.  
Knab@opalesque.com

# Participant Profiles



(left to right)

Dennis Johansson, Dr. Patrik Säfvenblad, Magnus Nilsson, Svante Bergstrom, Lars Lovgren, Kent Janer, Martin Estlander, Matthias Knab and Peter C. Warren

# Introduction

**Peter C. Warren**

WarrenWicklund Asset Management

I am Peter Warren, the CIO of WarrenWicklund Asset Management. We have \$1.2 billion under management; the firm was started in 2002. Among my responsibilities is managing our global macro fund the Fourth Moment Fund.

**Kent Janer**

Brummer & Partners AB

I am responsible for a hedge fund called Nektar, which is an explicitly market neutral hedge fund, working primarily in fixed income market but also in the macro space. We are part of the Brummer & Partner Groups, where in the group of hedge funds we manage \$5 bln. The Nektar fund is ten years old and running around \$1.3 bln in assets.

**Svante Bergstrom**

Brummer & Partners  
Lynx hedge fund

I am Managing Director of Lynx Asset Management, a CTA based in Stockholm. I am also a Portfolio Manager. We founded the company in 1999 and manage about \$1.7bln as a diversified CTA. In the program we run different types of models with trend-following as the core, but also other strategies on top of that.

**Dennis Johansson**

RAM Rational Asset Management

I am one of the Founding Partners of Rational Asset Management, RAM. At this time we run one fund called RAM ONE; it's a global long/short equity fund, with a Scandinavian focus. Normally the portfolio is at least 50-60% allocated within Scandinavia. We have been running that since 2002, although the team has previously been together in a different form since 1997 and 1998. We manage roughly \$600 million.

**Martin Estlander**

Estlander & Rönnlund

I am from Estlander & Rönnlund, a CTA that has been around since 1991. We run a few strategies, our CTA fund for global markets is the main one. We employ about 25 people and manage slightly over \$300 million.

**Lars Lövgren**

DnB NOR Asset Management

I head the DnB NOR Asset Management's hedge fund business. As one of the largest financial institutions in the Nordic area, we have in total \$100bln in assets under management. In hedge funds we manage around \$1.2bln, primarily in fund of external hedge funds, but also we have a mandate to manage a fund of internal hedge funds or really internal managed accounts. We also aim to start up new hedge funds, both single manager funds and funds of hedge funds.

**Dr. Patrik Säfvenblad**

DnB NOR Asset Management

I work with Lars within DnB NOR as the Head of Hedge Fund Research, which means that I coordinate the research efforts of the six analysts on board. I also have a particular eye on macro and managed futures strategies.

**Magnus Nilsson**

Öhman

I am one of two managers of Öhman Multi-Manager, a fund-of-hedge funds. We are part of the Öhman Group, a family owned business that has been around for the last 100 years. The asset management is currently at \$2bln, a mix of traditional long-only equities, fixed income, fund of hedge funds and three single hedge funds.

**Matthias Knab**

Here at this Nordic Roundtable we have representatives from Sweden, Norway, and from Finland. If you look at the Nordic markets, particularly the hedge fund universe with approximately 200 hedge funds, that is a large number if you contrast it just against the population here. How is it that the Nordic markets have achieved this degree of sophistication? Can you give us some background on the evolution of the Nordic markets?

**Peter C. Warren**

I think one of the reasons for the many hedge funds established in this area is the general entrepreneurial background in the region, something which has always been there. There is also quite a trading environment in this area, for example in Norway shipping, fish and oil are examples of this.

Sweden and Norway together set up the first exchange for electric power; you have exchanges popping up like one for fishing and another for freight derivatives. The region here has this sort of spirit. Also, the prop trading that has been in this area has come largely out of banks which have had a sort of limited flow compared to the larger international competitions, so there may be more original idea generation here than in the major financial centers.

**I think one of the reasons for the many hedge funds established in this area is the general entrepreneurial background in the region, something which has always been there. There is also quite a trading environment in this area, for example in Norway shipping, fish and oil are examples of this.**



**Sweden and Norway together set up the first exchange for electric power; you have exchanges popping up like one for fishing and another for freight derivatives. The region here has this sort of spirit.**

**Peter C. Warren**

**Svante Bergstrom**

I think one of the other explanations is that the onshore regulation environment that we have here. For example, the Swedish FSA has regulated hedge funds and made them available, even to retail investors with low minimum subscription requirements etc. That kind of environment makes it possible to start new funds or a new fund management company without that much difficulty.

**Lars Lövgren**

Looking at Sweden and the Swedish financial community, I think we have been very early adopters to new trends in the financial markets. This is obvious not only now looking at new funds, but has been true also in the past. Kent started his fund already in 1996 or 1997.

**I think one of the other explanations is that the onshore regulation environment that we have here. For example, the Swedish FSA has regulated hedge funds and made them available, even to retail investors with low minimum subscription requirements**

**Svante Bergstrom**



**Kent Janer**

I began the application in 1996.

**Lars Lövgren**

1996 was quite early from a Nordic point of view. I would think the Swedish hedge funds then set the pace for the rest of the Nordic area. As a country we are very internationally intertwined and dependent, and have become very early adopters of new techniques and new trends.

**Martin Estlander**

Definitely the start of the derivatives exchange in the 1980s, which was very dominant or big by those standards or those days, is one reason for the trading culture as it developed here in the

Nordic region. Obviously, the Swedish exchange quickly established its position, after which the exchanges in Finland and Norway took off. I think this was definitely an important driver for establishing an environment for trading and asset management.

I agree with Svante that the regulatory environment is very supportive in many ways. However, if Sweden would not have rules for such wide minimum spreads on equities, I think we would also today have more frequently trading equity funds, such as stat arb or market neutral funds in the market.

**What I think what Svante probably wanted to say, but polite as he is he didn't, is that the fact that the high profiled Patrick Brummer started a hedge fund, with then Kent joining in early on, has also helped the hedge fund reputation in the region.**

**So it has been very easy for institutions to adapt and invest in hedge funds. Even in 2000 in Finland, most insurance companies put their feet into this new asset class for the first time, which compared to the rest of Europe was pretty early. Also, Sweden was very early in that sense, in Finland and in Sweden, investors embraced hedge funds as part of the asset allocation.**

**Martin Estlander**



What I think what Svante probably wanted to say, but polite as he is he didn't, is that the fact that the high profiled Patrick Brummer started a hedge fund, with then Kent joining in early on, has also helped the hedge fund reputation in the region.

So it has been very easy for institutions to adapt and invest in hedge funds. Even in 2000 in Finland, most insurance companies put their feet into this new asset class for the first time, which compared to the rest of Europe was pretty early. Also, Sweden was very early in that sense, in Finland and in Sweden, investors embraced hedge funds as part of the asset allocation.

**Matthias Knab**

**But not all Nordic countries are equal, the legal and regulatory framework can be quite different from country to country.**

**Lars Lövgren**

Yes of course, Denmark and Norway have a different situation. I think you have got to be pretty stubborn to be a hedge fund manager in Norway, Peter, but we foresee changes there the next year, which is to the benefit of course to both for managers and investors.

**Magnus Nilsson**

Sweden is a small country in a big world with quite a few large multi national companies. That, in combination with a history of a high volatility currency and fixed income market, has fostered a lot of good traders and a lot of good risk management. Especially in the FX and fixed income markets. A lot of large cap firms in the late 1980s, mid 1990s had huge internal banks that handled a lot of risk. The banks fostered some quite good prop traders. This together with the early development of the derivatives market, in the mid 1980s, has created a good environment for trading and risk taking in general.

**Peter C. Warren**

Lars is right in his comments about having to be stubborn to operate out of Norway as a hedge fund manager. While other countries stimulate financial innovation, the Norwegian Treasury have been known to do the opposite. We have been promised regulations on hedge funds since 2002, and they still haven't passed through Parliament.

It is a paradox in Norway, that particularly the exchanges and markets that have fallen outside of the regulatory environment governed by the Norwegian Treasury - the freight market and the power market - have done extremely well. Adding to that paradox is the fact that Norway has the second largest sovereign wealth fund in the world, which is allowed to operate as a global macro hedge fund in terms of available asset classes and instruments. While the government is very proud

It is a paradox in Norway, that particularly the exchanges and markets that have fallen outside of the regulatory environment governed by the Norwegian Treasury - the freight market and the power market - have done extremely well. Adding to that paradox is the fact that Norway has the second largest sovereign wealth fund in the world, which is allowed to operate as a global macro hedge fund in terms of available asset classes and instruments. While the government is very proud of the progress made by its sovereign wealth fund, the Norwegian authorities have made it increasingly difficult for Norwegian institutions to invest in hedge funds. The latest move was restricting pension funds to only be able to invest 7% of their assets in alternative investments. The 7% restriction is the total aggregate investments in leveraged real estate, private equity, and hedge funds. The maximum investment in any single fund - and single managers and fund of funds are treated the same - is 1%.

**Peter C. Warren**



of the progress made by its sovereign wealth fund, the Norwegian authorities have made it increasingly difficult for Norwegian institutions to invest in hedge funds. The latest move was restricting pension funds to only be able to invest 7% of their assets in alternative investments. The 7% restriction is the total aggregate investments in leveraged real estate, private equity, and hedge funds. The maximum investment in any single fund - and single managers and fund of funds are treated the same - is 1%.

So, one of the problems in Norway at the moment is that pension fund investors can really not make any significant investments into hedge funds. With the current restriction, an investment in a hedge fund won't have any significant impact on the properties of their portfolio. It's not really consistent that on the one hand you allow the sovereign wealth fund or the Norwegian Government Pension Fund to invest as a hedge fund, yet no one else should, or very few others should then be able to benefit from the same type of investing.

There is one thing more to point out about the region. The hedge funds and or their management companies that operate in the area are under strict regulations, stricter than the average hedge fund elsewhere in the world, so this is in fact a fairly safe area for investors to invest in hedge funds. That holds for any Nordic market.

**Kent Janer**

The global hedge fund community is currently working on an approach to self-regulation through the Hedge Fund Standards Board, to which Brummer & Partners is also a contributor and member. Just glancing through all of the recommendations and suggestions which are coming out of that, it struck me that a lot of those things are actually already implemented in Sweden by law. Not all of them, but we certainly already have a regulatory environment in Sweden and probably some of the other Nordic countries as well, which is much more far reaching than you would find from a typical hedge fund registered on the Cayman Islands or Bermuda.

**Martin Estlander**

Also have in mind that each country on its own is still a fairly small market, so I would think that the regulators know all the hedge funds pretty well and have a very direct contact to the players. That also should gives investors a certain amount of comfort.

**Matthias Knab**

**Obviously, we had probably one of the most historic weeks behind us in the history of financial markets. Are there any lessons to be learned for the hedge fund industry?**

**Martin Estlander**

I think we got a confirmation again on the development we have already seen in the past years: the markets are getting faster in their reactions, the moves are more violent, and correlation is higher. That has to be included in any risk management or any kind of trading strategies.

**Lars Lövgren**

I note that the hedge funds are being blamed again, even if they are not really the ones to blame. Hedge funds are paying the price, with shorts becoming more restricted or prohibited. Instead of

blaming the banks and other financial institutions for uncontrolled lending and maybe poor risk management, the discussion is directed towards the hedge fund community.

**Dr. Patrik Säfvenblad**

Talking to people in the hedge fund industry, it is striking that these professionals are all relating to other financial crises - it could be Refco going bankrupt, or 1998 or 1987, and what is happening now can to some extent be seen as a variation of those themes and experiences. I find it remarkable that we see a lot of resolve and clarity of vision in the hedge fund community that might be very much absent in the popular press and the business press. Most of us around this table have seen similar things in the past, and while trading-wise, this is painful for many hedge funds, it's not such a shocking event as it would be for a lot of other people in finance and business in general.



**Talking to people in the hedge fund industry, it is striking that these professionals are all relating to other financial crises - it could be Refco going bankrupt, or 1998 or 1987, and what is happening now can to some extent be seen as a variation of those themes and experiences. I find it remarkable that we see a lot of resolve and clarity of vision in the hedge fund community that might be very much absent in the popular press and the business press. Most of us around this table have seen similar things in the past, and while trading-wise, this is painful for many hedge funds, it's not such a shocking event as it would be for a lot of other people in finance and business in general.**

**Dr. Patrik Säfvenblad**

**Magnus Nilsson**

It's a lesson that we have to re-learn every fifth year; it is the liquidity that is crucial when financial markets are in stress.

**Peter C. Warren**

We actually did quite well last week. But I think the lesson learned here is that that history actually does repeat and repeat. I traded in 1987, during the crash of 1987, where you had large discontinuous moves in the market and huge gaps. I didn't feel we had the same here, apart from of course, some bank stocks.

Also having witnessed 1998 and traded in 1998, I did not really think that I would see that kind of leverage again in my lifetime. Yet ten years later we have players with the same leverage, lack of risk control, lack of liquidity, causing dislocations in the market. Dislocations are fine - if you have the risk capacity you can really enjoy those times, but you can only do that if you are not already financially stressed or losing a lot of money.

But the problem is the liquidity, or the lack there of, further potential meltdowns where the banks you use - your prime broker, counterparty, whatever it is - could go under the next day. You could be the smartest guy on the face of the planet, but if your prime broker went under, you could have the best deals and positions, but you're still doomed. On the positive side, I finally found levels where I actually thought that I was paid handsomely to take on risk last week. As a macro manager, I tried to adjust that according to the markets.

Finally, I woke up in Geneva on Thursday listening to BBC and CNN. According to the news the situation seem so terrible and hopeless that my first inclination was to get canned food, a shotgun, and find a mountain cave from where I could defend my family. I know that

**Finally, I woke up in Geneva on Thursday listening to BBC and CNN. According to the news the situation seem so terrible and hopeless that my first inclination was to get canned food, a shotgun, and find a mountain cave from where I could defend my family. I know that reflex, whenever I get that reflex - as I did in 1998, and I certainly did in 1987 - is very often a good time to buy. If that's going to be the case this time, history will show...**

**Peter C. Warren**



reflex, whenever I get that reflex – as I did in 1998, and I certainly did in 1987 – is very often a good time to buy. If that's going to be the case this time, history will show...We certainly live in interesting times – markets are reacting quicker due to the fact that there is no delay in information dissemination and everyone has direct market access. These wild markets are here to stay, and the hedge fund manager's job, given the arsenal of instruments we can use and techniques we can use, is to adapt and handle them.

**Kent Janer**

I would like to reflect on the past week from two other angles, big picture angles. The first one is what will it mean for the hedge fund business, the hedge fund community? From what I can understand there are a lot of discussions going on, especially in New York and London, about how regulatory environment will look like going forward. At least according to the papers, the U.K. FSA has been sued or will be sued by a number of hedge funds for imposing rules against shortselling.

**I would like to reflect on the past week from two other angles, big picture angles. The first one is what will it mean for the hedge fund business, the hedge fund community? From what I can understand there are a lot of discussions going on, especially in New York and London, about how regulatory environment will look like going forward. At least according to the papers, the U.K. FSA has been sued or will be sued by a number of hedge funds for imposing rules against shortselling.**



**There is a risk at this stage that the current bans against shorting some financial stocks and using similar of instruments will spread. That is going to be of fundamental importance for all who engage in long/short equity strategies, but it will also be of fundamental for anyone who relies on the two- way pricing in the market.**

**There is a risk that we could see some kind of regulatory panic unfold, which could more or less destroy part of the industry for all the wrong reasons.**

**Kent Janer**

There is a risk at this stage that the current bans against shorting some financial stocks and using similar of instruments will spread. That is going to be of fundamental importance for all who engage in long/short equity strategies, but it will also be of fundamental for anyone who relies on the two- way pricing in the market.

There is a risk that we could see some kind of regulatory panic unfold, which could more or less destroy part of the industry for all the wrong reasons.

There is clearly a risk that part of the hedge fund community will be re-regulated, shorting will become more difficult, and we will see different kind of measures to curb the activity of hedge funds. There have been those suggestions in the U.S. and political comments around it. From my perspective and experience, this would be exactly the wrong way to go about it.

**In general, since this crisis started, say a year or so ago, I am firmly of the opinion that hedge funds have been a stabilizing force in these markets. The root of the problem was, as we all agree, located outside the hedge fund sector - it was in the financial sector, in banks, in mortgage lending, structured products, derivatives and so on - the problem was not hedge funds.**

**On the contrary, I would argue that all of the problems more or less were within the regulated part of the financial community. The part that was unregulated, the hedge funds, was actually acting as a buffer in this crisis. Even today, hedge funds continue to act as a buffer, for example in credit markets. If we would have had only the long-only banks in this environment it would have been a total mayhem.**

**Kent Janer**



In general, since this crisis started, say a year or so ago, I am firmly of the opinion that hedge funds have been a stabilizing force in these markets. The root of the problem was, as we all agree, located outside the hedge fund sector - it was in the financial sector, in banks, in mortgage lending, structured products, derivatives and so on - the problem was not hedge funds.

On the contrary, I would argue that all of the problems more or less were within the regulated part of the financial community. The part that was unregulated, the hedge funds, was actually acting as a buffer in this crisis. Even today, hedge funds continue to act as a buffer, for example in credit markets. If we would have had only the long-only banks in this environment it would have been a total mayhem. What we are enjoying now is a healthy mix of longs and shorts in the market from a trading point of view, which means that the market has behaved much better than it would have otherwise.

I was also in the trading room in 1987 and I clearly remember all the violent gaps that we had in the market. Didn't we have almost 20 big figures range in the long bonds or something like that - these things happen because there aren't enough players in the market. There aren't enough people that are spreading long risk against short risk, doing arbitrage and those kinds of things.

The way I see it, there is a real risk now for the wrong measures with the authorities rolling out the inquiries here, so to say, and imposing new regulations which will hurt the functioning of financial markets in the longer term. This outlook greatly worries me, I must say.

The likelihood or the risk of that is probably less here in Sweden than in other markets, for a number of reasons. To start with, we have a smaller problem in our financial sector. The banks are doing reasonably okay in Sweden. They are certainly okay relative to a lot of other banks in the U.S. and U.K. etc., which means that our politicians are less panicky.

I also think there has been less excesses within the hedge fund community here in the Nordic countries, compared to what you read sometimes on hedge funds operating out of the U.S. or U.K., we haven't really seen that in Sweden. Swedish hedge funds largely have been serving the institutional community and to a large extent have been delivering exactly what they should be delivering, so hopefully the standing in the community is okay.

**Every crisis is unique, but we have experienced a few problematic periods over the last decades. Being a CTA, we base our models on historical data and therefore our models have been tested on different difficult periods. My biggest concern right now is if liquidity dries up and markets are not continuously traded or if there is something in the markets that suddenly you cannot rely on the market prices anymore.**

**Svante Bergstrom**



**Svante Bergstrom**

Every crisis is unique, but we have experienced a few problematic periods over the last decades. Being a CTA, we base our models on historical data and therefore our models have been tested on different difficult periods. My biggest concern right now is if liquidity dries up and markets are not continuously traded or if there is something in the markets that suddenly you cannot rely on the market prices anymore.

So far, the futures markets have been working okay, and we have been able to use the prices in our models. We have also had liquidity enough to enter and exit our positions. So far we are fine, and most of the markets have been liquid enough, especially the future markets that we use, where we also have the clearing houses as the counterparties.

**Martin Estlander**

I agree. The markets have been working quite well during the crisis so far. I mean, you can't really beat on the markets, they have been really coping with the situation quite well. I also agree with Kent and also Lars on the risk coming from the regulatory side. People usually beat on hedge funds, this is the first thing they do. Well, I guess, its human nature that when you panic or you don't know what to do, you do what you are used to doing, and that's always beating on the hedge

funds. When it comes to really doing some analysis, I think they will draw the same conclusions as we did and confirm what Kent just concluded about their stabilizing effect.

**I tend to be an optimist and I don't think that regulation will really increase that much. On the other hand, while trying to sue the FSA may sound a little bit exaggerated, there is some truth to it. We asked about the lessons of the past week or even going back a bit longer, I think one of the lessons relates to government manipulation of the markets. It happened the first time I believe, in the commodity markets, when the authorities went in and asked the investment banks to refrain from offering and selling further commodity products, which immediately helped. I don't know if it was the sole reason, but it probably helped bringing down first oil price and the other commodity prices big time. That served their interest.**

**Now restricting short selling is also serving their own interest. They didn't want the bank prices or the financial institution stock prices to go further down, they wanted them up. So this was a very easy way out, but whether it's correct or morally correct, I don't know.**

**Martin Estlander**



I tend to be an optimist and I don't think that regulation will really increase that much. On the other hand, while trying to sue the FSA may sound a little bit exaggerated, there is some truth to it. We asked about the lessons of the past week or even going back a bit longer, I think one of the lessons relates to government manipulation of the markets. It happened the first time I believe, in the commodity markets, when the authorities went in and asked the investment banks to refrain from offering and selling further commodity products, which immediately helped. I don't know if it was the sole reason, but it probably helped bringing down first oil price and the other commodity prices big time. That served their interest.

Now restricting short selling is also serving their own interest. They didn't want the bank prices or the financial institution stock prices to go further down, they wanted them up. So this was a very easy way out, but whether it's correct or morally correct, I don't know.

#### **Lars Lövgren**

Market volatility has greatly increased, and along with that we have also seen quite a few hedge funds were forced to liquidate positions due to outflows or decreasing assets under management. We certainly know that deleveraging can be very painful for those funds. Therefore the lesson to be learned is that as an investor, it's very important to have a structured process to do the due-diligence correctly before investing, not afterwards.

From a strategy point of view, most Nordic managers are long/short hedge funds. Of course, these fund face problems due to shortening restrictions, and it would be interesting to hear Dennis say a few words about that.

#### **Dennis Johansson**

I guess the big lesson is that once again it wasn't different this time. It was not the brave new world that people tried to tell me last year. Indeed, debt and leverage goes both ways.

Regarding regulations, I hope that Kent's view is the one prevailing: that we are already regulated here and hopefully there won't be any panic moves, because those are normally the most ill-advised ones to do. We will probably see some academic research published three or four years down the road regarding this period, and I am certain it will say that it's good to have participants of all kinds in the market, but by then you may have lost three or four years, perhaps.

At the moment, the operating situation at our fund is largely unchanged. There have been no special shorting issues here in the local markets. Our portfolio holds mainly liquid stocks and is not highly leveraged. We have to deal with increased volatility, but we do not have to deal with any funding problems or any increase in collateral requirements that some highly leveraged strategies might face.

Regarding regulations, I can only hope that reason will prevail, and I think that the Scandinavian markets will come out slightly better than many markets, but you never know. These trends tend to be slightly global. There are always persons who want to regulate more, and if any country starts, someone may say "well, they are doing it in the U.S., so why should we here open up for American hedge funds shorting our stocks..." There is always this populist argument that can get traction in a bad market. To sum it up, as a Nordic long/short fund at the moment we face no immediate problems, but these developments are definitely something to keep a keen eye on.

**Dr. Patrik Säfvenblad**

Looking forward, I would expect regulators to increase the focus on centralized clearing and move more things from OTC, with banks as counterparties and so on to clearing houses, or regulated futures markets. While this will involve transition costs for many market players, I think such a move will also open up quite a lot of opportunities. For example, this will actually reduce the cost of entry into several markets as more liquidity is visible, and more positions are visible to more market participants. So I think the outcome does not have to be all negative, there will be positive outcomes as well.

**Kent Janer**

Correct, I would say the sooner we get for example, the CDS market cleared through a clearing house, the better. There are already some steps in that direction. I don't know all the details, but what we do have at this stage is a central bookkeeping, or at least we have it partly for all the trades that are outstanding. But what we really would want to have is obviously a proper clearing house, and we would want that in a lot of markets.

The way I see it, it is a way of organizing the markets that is better for everybody. It reduces systemic risk and counterparty risk. If you trade a lot of relative value, as we do in fixed income for example, that means that we put out margins to our counterparties. There is no problem in putting out margins for losses that you have in mark-to-market situations, but as soon as you put up an initial margin, basically what you do is that you take a counterparty risk. If you look at where the CDS is on some of the houses that you are trading with, basically as soon as you post collateral to one of those houses, its market value is reduced. So there must be a better way of organizing this, like through a clearing house. Once again, it reduces systemic risk and I think that's obviously very good for everyone.

I guess the only losers in such a solution, relative to where we stood two years ago, would be the big dealing houses, which I think had an incentive of keeping this market off the exchanges, but I am not sure if that incentive is there anymore for them. Actually, counterparty exposure is a two-way street with risk as we realized. It's the hedge funds that are claiming banks now, in their bankruptcy, not the other way around. I definitely think and hope that the regulators will force more markets into exchange clearing, especially the CDS market, which is a big market.

**Matthias Knab**

**What other suggestions do you have to improve the regulatory environment or for the general benefit of the markets?**

**Kent Janer**

I think the overall structure that we have, the regulatory regime and especially the market infrastructure, is very efficient in Sweden. I think it's a very well thought out system, and it has a good balance between deregulation and regulation in some areas.

The one thing that often annoys me is the fact that in formal terms we are actually taxing onshore funds in Sweden, which means that all the funds (apart from equity based funds) in Sweden have to pay a dividend each year in order to avoid the taxation. This is because under the Swedish fund and tax law, if you pay a dividend out of the fund, there is no tax for the fund, whereas if you keep it in the fund, the fund is first taxed, then the investor gets taxed.

In effect, if you are targeting tax exempt investors, often overseas investors, that means that you cannot set up a fund in Sweden. So most of the new funds that are started from Sweden, by Swedish managers and being run by Swedish fund management companies are domiciled overseas and this is despite the fact that no one is ever paying any tax in Sweden on any fund. So it's just a

stupid way of organizing things. It's been around for a long time now, we have been debating this regime for over five years and nothing has happened. We are losing out to other markets and that's a shame really because it's totally unnecessary.

**Lars Lövgren**

I believe this is primarily a problem for non-long/short equity managers, for example in fixed income arbitrage or macro. I think long/short equity managers could live with the present taxation.

**Dennis Johansson**

Yes, I agree, it's easier for a long/short equity fund to live with it, but given where the markets are now and given the fact that you have a dividend yield on the Stockholm Stock Exchange of 6% or something like that, that means if I want to be outright long - because I think there is value there - the yield will be taxed. So this could become a problem, as there are some very high yields to be found. Probably these are the stocks you want to hold - let's say non-leveraged companies with a high yield - and all of a sudden that becomes less attractive because you have tax on the yield. So it affects us to a certain degree, but not as much of course as the other type of funds.

**Martin Estlander**

I am continuing on the topic of making our onshore funds more effective for international or offshore investors. One point that concerns many foreign investors regarding onshore funds here, is the fact that all investors have to be disclosed, and that kind of puts off a lot of investors and forces managers to set up offshore funds. So I guess that could be one point for the wish-list for regulatory improvements here in the region.

**Matthias Knab**

**How do you see the Nordic markets develop; how you see the whole environment to develop midterm?**

**If you look at the events of the past week, legal issues has become a major concern. At our firm, we had a lot of meetings regarding counterparty risks, the legalities on positions etc., making sure that we are on top of all things. I would say that coping with such events is easier for the bigger houses than smaller firms who do not have the in-house lawyers and compliance officers and all the kind of infrastructure that you need in such periods. I think over time, smaller firms may find themselves in a tougher spot.**

**Svante Bergstrom**



**Svante Bergstrom**

If you look at the events of the past week, legal issues has become a major concern. At our firm, we had a lot of meetings regarding counterparty risks, the legalities on positions etc., making sure that we are on top of all things. I would say that coping with such events is easier for the bigger houses than smaller firms who do not have the in-house lawyers and compliance officers and all the kind of infrastructure that you need in such periods. I think over time, smaller firms may find themselves in a tougher spot.

**Magnus Nilsson**

I just want to point out that SEB has quite a large share of the prime broker business here in Sweden. SEB seems to be in good shape, and we're not having an emergency situation right now with the information we have for the moment.

**Lars Lovgren**

Reflecting on the future of hedge funds in the Nordic area, you have to be aware that the industry here is made up primarily of long/short equity macro managers. I think the landscape will continue to remain the same, because those are the type of managers that you can expect evolving in the Nordic countries; traditionally, we are skilled in these areas.



**I just want to point out that SEB has quite a large share of the prime broker business here in Sweden. SEB seems to be in good shape, and we're not having an emergency situation right now with the information we have for the moment.**

**Magnus Nilsson**

Reflecting on the future of hedge funds in the Nordic area, you have to be aware that the industry here is made up primarily of long/short equity macro managers. I think the landscape will continue to remain the same, because those are the type of managers that you can expect evolving in the Nordic countries; traditionally, we are skilled in these areas.

Looking at long/short equity, we think there will be more sector oriented funds. I am referring here to sectors that are specific for the Nordic industry like energy and shipping in Norway, capital goods, telecom or technology in Sweden. I expect we will see more niche-oriented hedge funds soon coming into the market.

Lars Lovgren



I agree with Svante, the hurdle to start up a fund will be higher. This development comes from the legal requirements, but also from the demand from end investors, which puts pressure on the organization and the investment manager himself. This will of course affect the future for the industry in the Nordic area - we believe that high quality managers with large organizations will take a market share from the smaller ones, but this is not specific to the Nordic area, it is a general development in the global hedge fund industry.

Looking at long/short equity, we think there will be more sector oriented funds. I am referring here to sectors that are specific for the Nordic industry like energy and shipping in Norway, capital goods, telecom or technology in Sweden. I expect we will see more niche-oriented hedge funds soon coming into the market.

Peter C. Warren

As the Norwegian representative here at this Roundtable, my wish-list has to do with the regulatory environment, I must admit. Number one, I would just love for the Norwegian regulation to wake up to the fact that hedge funds have delivered a better risk-adjusted return than the equity market, and that they on average are less volatile than equities. Due to this ignorance Norwegian pension funds with high equity allocation are running a substantial higher risk than necessary.

Regarding the proposed regulation in Norway, it's sort of astonishing to me that they have left out the third-party pricing requirement, i.e., hedge funds in Norway - according to the proposed regulatory environment - are allowed to price their own portfolios, which will make them fairly unattractive to a lot of international investors.

As the Norwegian representative here at this Roundtable, my wish-list has to do with the regulatory environment, I must admit. Number one, I would just love for the Norwegian regulation to wake up to the fact that hedge funds have delivered a better risk-adjusted return than the equity market, and that they on average are less volatile than equities. Due to this ignorance Norwegian pension funds with high equity allocation are running a substantial higher risk than necessary.

Peter C. Warren



On the centralized clearing, I really agree this is necessary for the CDS market in particular, but also for the market in variance swaps, dividend swaps and forward volatility agreements. Those markets tend to become totally illiquid in situations like last week. It is really difficult to maneuver, if you cannot entirely close out a position you have with one broker or another. You can end up with double margins and huge counterparty risk.

Speaking from the Norwegian perspective, the delays in regulations and ban on being allowed to fully explain what your hedge fund actually does means we are not bullish on the outlook for hedge funds domestically, meaning we continue to expect that the bulk of our investors come from countries outside Norway.

**Martin Estlander**

I would like to add a small comment on the Nordic hedge fund industry and our future. I think that our countries here have a reputation of having very high ethical business standards. If you look at things like corruption and so on, our countries regularly come out on the top level in the whole world. Also, our hedge funds have a very clean track record with no frauds until today, and I hope also after this crisis.

**I think that our countries here have a reputation of having very high ethical business standards. If you look at things like corruption and so on, our countries regularly come out on the top level in the whole world. Also, our hedge funds have a very clean track record with no frauds until today, and I hope also after this crisis.**

**Martin Estlander**



**Matthias Knab**

**Please tell us a bit more on the state of state and the strength of the underlying Nordic economies and their equity markets.**

**Kent Janer**

I personally think that one of the strengths of the Nordic hedge fund community is that in fact we are Nordic, in the sense that we are not sitting in London or New York. What I want to point out is that if we as hedge fund managers are on average as good or bad as other fund managers in New York and London, we will be less correlated to them than they are internally.

One obvious reason is that we tend to spend a lot of time in our own market, the Scandinavian markets, which has different dynamics than other markets, especially in fixed income and FX, but also in equities. In addition, I don't think we are as much part of the day-to-day chatter as the London hedge fund community is for example or the New York ones, and that makes us less correlated to them, which has some advantage for an international investor.

**I personally think that one of the strengths of the Nordic hedge fund community is that in fact we are Nordic, in the sense that we are not sitting in London or New York. What I want to point out is that if we as hedge fund managers are on average as good or bad as other fund managers in New York and London, we will be less correlated to them than they are internally.**

**One obvious reason is that we tend to spend a lot of time in our own market, the Scandinavian markets, which has different dynamics than other markets, especially in fixed income and FX, but also in equities. In addition, I don't think we are as much part of the day-to-day chatter as the London hedge fund community is for example or the New York ones, and that makes us less correlated to them, which has some advantage for an international investor.**



**Kent Janer**

**Martin Estlander**

Right, it's easier to think independently if you are not so exposed to the rumors in the street all the time.

**Dr. Patrik Säfvenblad**

Being independent has clear benefits on the trading side and helps to generate uncorrelated investment ideas and uncorrelated returns.

However, in terms of growing the Nordic hedge fund industry on an international level, it is vital that the funds and the regulations become more adjusted to international expectations. Note that I am not saying international standards, but international expectations; the local hedge fund managers should harmonize their reporting, administration, investor relations, how they behave themselves versus international investors, because in that area being different can hurt them in their ability to raise assets.

In terms of growing the Nordic hedge fund industry on an international level, it is vital that the funds and the regulations become more adjusted to international expectations. Note that I am not saying international standards, but international expectations; the local hedge fund managers should harmonize their reporting, administration, investor relations, how they behave themselves versus international investors, because in that area being different can hurt them in their ability to raise assets.

You want to be like all the other players are internationally. You want to have the same type of setup, so that people feel confident. That can include having the same type of legal setup, for instance, a Cayman based fund that is parallel to your locally regulated fund, the same legal advisors, or that you are a member of the same international organization, such as AIMA. Basically, you should behave just as if you were in London from that perspective. On the trading side you should be different, but from the setup versus investors, you have to look alike.

**Dr. Patrik Säfvenblad**



You want to be like all the other players are internationally. You want to have the same type of setup, so that people feel confident. That can include having the same type of legal setup, for instance, a Cayman based fund that is parallel to your locally regulated fund, the same legal advisors, or that you are a member of the same international organization, such as AIMA. Basically, you should behave just as if you were in London from that perspective. On the trading side you should be different, but from the setup versus investors, you have to look alike.

It is positive that we already see this happening. There are local managers that specifically target international investors. For me, this is a sign that the Nordic hedge fund industry can be a much, much stronger industry than it is today. I guess that at least the people here on this Roundtable who run funds have experienced such transformations of the business in order to appeal to foreign investors, and the steps you have to take to do that.

**Matthias Knab**

**So the adaptation to international standards, or meeting investor expectations together with raising more assets for from international will go hand in hand for the growth of the Nordic hedge fund industry?**

**Dr. Patrik Säfvenblad**

I believe that Swedish hedge funds or Nordic hedge funds have low assets under management compared to their inherent quality. There is significant potential for growth. A lot of what's holding the hedge funds back are not questions relating to the investment setup, professional investment skills, but questions about how you reach out to the investors, how to respond to the international investor expectations. This includes having to build the team. You may want to have 10, 15, 20, 30 people on the ground, while at the moment, in some cases, there is still some reluctance to build the type of organization that an international investor expects.

I believe that Swedish hedge funds or Nordic hedge funds have low assets under management compared to their inherent quality. There is significant potential for growth. A lot of what's holding the hedge funds back are not questions relating to the investment setup, professional investment skills, but questions about how you reach out to the investors, how to respond to the international investor expectations. This includes having to build the team. You may want to have 10, 15, 20, 30 people on the ground, while at the moment, in some cases, there is still some reluctance to build the type of organization that an international investor expects.

**Dr. Patrik Säfvenblad**



Matthias Knab

What are other vital aspects about Nordic hedge funds that we have not mentioned yet? What would you like potential international investors to know about your region and your funds?

Kent Janer

One thing that comes to my mind immediately is that, at least last time I compared, the average performance of the Nordic hedge fund community stood up very well; both in absolute and risk-adjusted returns relative to our international peers. That's obviously no guarantee for the future though, but it has been good so far.



**Last time I compared, the average performance of the Nordic hedge fund community stood up very well; both in absolute and risk-adjusted returns relative to our international peers. That's obviously no guarantee for the future though, but it has been good so far.**

Kent Janer

Svante Bergstrom

I am a quant guy; I think correlations are as important as returns sometimes. People should be aware that Nordic hedge funds seem to be less correlated to the hedge fund universe than the average fund. This should be pretty useful in a portfolio context. If you look at Brummer & Partners, the leading Scandinavian hedge fund house and our multi-strategy product, I think it has like a 0.5 correlation with the fund-of-funds index, and that is fairly low. I believe the correlation is low due to the reasons we discussed: when you sit in the Nordic region and have a different view on the world, you tend to get slightly different ideas and if you are a CTA, different models.

Dennis Johansson

There is another aspect - we run a bottom-up, long/short equity strategy. In our part of the world, there are some very, very good companies that perhaps an international investor would not follow that closely. I mean, you know about Ericsson, but do you know about Sandvik? You know about Volvo, but do you know about AtlasCopco, etc. There is a fair amount of world leading companies that aren't necessarily super large caps, but would be a very large cap for a fund of our size. So through a domestic hedge fund manager, you can tap into a very interesting industry and interesting companies, provided that you work with those managers that have this expert knowledge.

**There is another aspect - we run a bottom-up, long/short equity strategy. In our part of the world, there are some very, very good companies that perhaps an international investor would not follow that closely. I mean, you know about Ericsson, but do you know about Sandvik? You know about Volvo, but do you know about AtlasCopco, etc. There is a fair amount of world leading companies that aren't necessarily super large caps, but would be a very large cap for a fund of our size. So through a domestic hedge fund manager, you can tap into a very interesting industry and interesting companies, provided that you work with those managers that have this expert knowledge.**

Dennis Johansson



Matthias Knab

At lunch we had the discussion about liquidity, and I thought that was really interesting and really timely. We discussed the redemption risk, Magnus you called it an "ATM risk", where investors just line up in front of the hedge fund who happens to offer the best liquidity terms. Are hedge funds maybe offering too low liquidity terms?

Magnus Nilsson

The whole system has a huge redemption risk. If you don't have a diversified investor base, you

might be redeemed for 25% or 30%, as has been the case in some funds. A fund can be redeemed just on rumors, and if you don't have the liquidity gating your fund might be the only option.

From a fund-of-funds perspective, we of course want to have as short lock ups as possible. On the contrary, your fund wants to keep the money for as long as possible. As long as the numbers are good you should be able to keep the money, but the risk are that if you offer good liquidity terms, you might be redeemed just because of that.

From a general point of view, since markets have been increasingly difficult in this environment, we as a fund of funds won't accept long lockup terms. Large cap long/short equity funds for example should be able to provide lock ups of less than 6 month.

## **Lars Lövgren**

Returning to the lessons learnt, many managers and investors investing into hedge fund have learned that a hedge fund's portfolio, the liquidity, volatility etc. can fundamentally change over time.

For instance, Nordic small- and mid-caps, or European small -and mid-caps, were quite liquid a year ago, but in the present environment liquidity has dried up in those stocks. When faced with redemptions, it could be a severe problem if hedge funds have given their investors better liquidity terms than their portfolio has.

Hedge funds should adapt their liquidity terms to the kind of portfolio they manage. A long/short equity manager could, and should in most cases, give investors good liquidity terms. On the contrary, when investing in credit managers, we prefer that the credit managers adapt their liquidity terms to their portfolios, meaning that we can easily accept worse liquidity than with long/short equity.

We are starting up a new fund, DnB NOR Strategic Opportunity Fund, which is a niche-oriented fund-of-hedge funds. This fund will invest primarily in credit managers, because we think they will have very good market opportunities for the next three to five years. The only way to handle poor liquidity terms from these credit managers is to transfer the liquidity terms given onto the investor. Therefore, we will offer a one-year lockup with another 12 months of soft lock in our new fund.

## **Peter C. Warren**

Having liquidity terms that correspond to the portfolio is definitely the ideal world. However, the flipside is that, to some extent, hedge fund managers are victims of their own success in terms of having delivered good risk-adjusted returns. This and the fee structure has encouraged more managers to set up and we are all competing for the same money. Higher degree of liquidity is used to attract investors leaving many strategies, and under such terms many strategies are difficult to manage or far less profitable. There are now hedge funds with daily liquidity.

I recently heard a Dutch pension fund saying that they will not invest in anything that has more than one month liquidity with three days notice.

We have also been competing with an environment of strong equity markets, at least up until 2007. A four year bull market meant that long bias and beta became a theme for many managers, because either you took on beta or you were lagging in performance. Which means to me we're getting into some kind of general style drift, away from what hedge funds historically have been trying to achieve.

Providing improved liquidity to investors also means that some of the arbitrage opportunities we enjoyed in the past are not available to us anymore. Or you can no longer do them in the size; because you worry the trade could extend beyond a redemption date.

So there are certain things we cannot do anymore, but we are trying to adapt around that by being more dynamic, this is particularly the case during the last twelve months. Generally though, I do think that we will have more opportunities. We certainly face less competition from the investment banks and the prop desk, and maybe also from our international peers, but at the end of the day you have just got to be envious of the private equity guys, who can lock up someone's money for

ten years and keep them completely in the dark if they have made or lost money until they get the final result. What a concept.

Matthias Knab

Do you want to mention your own experience recently?

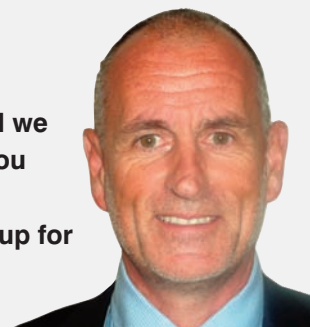
Peter C. Warren

We had an experience earlier this year where a fund-of-funds redeemed us. Which is fair, if we underperformed, but looking at their portfolio and looking at our returns while they were invested in us, which was something like nine months, the fund of funds was up +1%, and we were up +9% in that period.

**We had an experience earlier this year where a fund-of-funds redeemed us. Which is fair, if we underperformed, but looking at their portfolio and looking at our returns while they were invested in us, which was something like nine months, the fund of funds was up +1%, and we were up +9% in that period.**

**Being sort of a bit taken aback by the fact that we were redeemed, we asked them the reason for it, and it was just simply that they were facing redemptions themselves and we provided the best liquidity for it, so we lost the money. That makes you unhappy, as you are really working hard to provide investors with both positive returns and good risk-adjusted returns, particularly in these markets. So it seems like you are being beaten up for your efforts, instead of being rewarded for having delivered what you promised.**

Peter C. Warren



Being sort of a bit taken aback by the fact that we were redeemed, we asked them the reason for it, and it was just simply that they were facing redemptions themselves and we provided the best liquidity for it, so we lost the money. That makes you unhappy, as you are really working hard to provide investors with both positive returns and good risk-adjusted returns, particularly in these markets. So it seems like you are being beaten up for your efforts, instead of being rewarded for having delivered what you promised.

Matthias Knab

So here we go, that is the new "ATM Risk" for a hedge fund. How can we address this? Is there a solution or not, or do we just have to live with that risk?

Lars Lövgren

I would say what Peter experienced is a kind of back flip - possibly you have attracted money by giving better liquidity terms than some of your peers, so I don't think you should be surprised if that kind of money isn't that sticky. I recommend that Peter should continue to give his investors the same liquidity terms as he has in the portfolio; that makes sense for me.

Magnus Nilsson

Peter, you might want to do your own due diligence on the potential clients; some hedge funds don't accept money from fund-of-funds exactly because of this kind of situations. It is in every hedge fund's interest to have a diversified investor base both by size and geography...

Dr. Patrik Säfvenblad

Returning to the question of how we address the liquidity issue from the fund-of-funds perspective? On the surface we don't do anything. We want to invest with the best managers that have the best opportunities to make money in the future, and that is always the first thing we look at. It does affect us when we are looking at the business stability of the manager. If redemptions are piling up, they could become a risk for the stability of the managing firm. It could be that the team breaks up, because they find something else to do. If assets are falling sharply, we may have to redeem from a business stability perspective.

Today it is more important than ever, that we as fund-of-funds and also hedge fund managers

should know what redemption risk they are facing. Having a good mix of investors, a mix of investor countries, investor types and liquidity profiles is more important now than it used to be.

#### **Svante Bergstrom**

I am the lucky guy here in terms of the markets we trade. Since we are a CTA, it's very easy for us to adjust the positions if we meet redemptions. So therefore we have a monthly liquidity with two days notice.

Of course, we also have experienced what Peter talks about, that some of our investors redeem, not because of our performance, but because of the liquidity that we offer. But personally, I don't see a problem with that; I think as long as the investor is a long term investor and we have a relationship over time, if he redeems over a short period and then comes back in when he has new capital inflows in his fund, I am fine.

Of course, if a redemption is so big that you jeopardize your company or you don't have enough revenues to cover your costs, you have a problem, but as long as you manage the company in a decent way, I think sticking with good liquidity is really the way to go for most managers.

#### **Martin Estlander**

We run two different alternative Beta replication strategies, where we try to answer this particular question from the investor point of view. The bulk, or virtually all of the investors in these funds are fund-of-funds-like investors that want to have the core of the portfolio being run as replication strategy, and then add satellite funds that they find attractive, such as Peter's or Svante's or Dennis', and to complement the core. Through the replication technique, they get full transparency. Their exposure is only in highly liquid instruments, and the strategies can offer instant liquidity.

These strategies are doing very well compared to the industries. Some academic studies showed that the alpha produced on average by hedge funds doesn't really make up for the fees. To a certain extent, this approach maybe the right answer to some of the issues with hedge fund investing.

**I believe in the comments about investor due diligence. The only problem is that when you ask investors and you try to do your due diligence, none of them are going to tell you that they are sort of the hit and run kind.**

**But having said that, we have also had concerns from a number of large investors about our terms, which was one month with one month notice. Within a day we had several investors, all unrelated, telling us that they would prefer we kept a one month, but that we had a slightly longer notice period. They would feel more comfortable as investors with that. Again, surprising, but from our earlier experience of this year, maybe worth listening to.**

**Peter C. Warren**



#### **Peter C. Warren**

I believe in the comments about investor due diligence. The only problem is that when you ask investors and you try to do your due diligence, none of them are going to tell you that they are sort of the hit and run kind. The only way you find that out unfortunately is by experience, by taking the hit. Obviously the construction of your portfolio in terms of investor is very important, but many Nordic funds are relatively small despite their performance. In the end beggars cannot be choosers. Only once you have received a certain size will you realistically be able to pick and chose.

But having said that, we have also had concerns from a number of large investors about our terms, which was one month with one month notice. Within a day we had several investors, all unrelated, telling us that they would prefer we kept a one month, but that we had a slightly longer notice period. They would feel more comfortable as investors with that. Again, surprising, but from our earlier experience of this year, maybe worth listening to.

Matthias Knab

Okay. So it seems that for this situation, we haven't found yet the ideal solution. There are conflicting interests. There are even, from the investor base, conflicting and diverging demands and requests to the single hedge fund manager...

Is there anything that you want to add to our Roundtable?

Magnus Nilsson

From a non-Swedish investor point of view, I would say that for most of the Scandinavian hedge funds, the liquidity in general is extremely good in the international context. Most of the funds have monthly liquidity and fees well below the international average.

Martin Estlander

One last comment on the situation we are facing now. Today is a delicate day after what happened last week, but just in general, after such events there are tremendous opportunities for trading. So I think from that point of view we are looking forward, I am very optimistic on the opportunities out there. In addition, the banks are now crippled, and as they have been running large strategies themselves, and some hedge funds are out as well. This means that going forward, there is much less competition in the markets, which is clearly good for the remaining players.

Peter C. Warren

Referring again to the ability of Nordic hedge fund as a group to deliver superior or at least very competitive risk-adjusted returns, compared to peers, I think that is really important to bring this across and get people into this area to get to know us and do their due diligence.

I mean, you meet investors in the United States who think that Oslo is a suburb to some Siberian city...okay, seriously - we always try to encourage people to come here. And when we are asked - as I mentioned being in Switzerland last week - "are there any other managers?", we are happy to supply them contacts, just to bring them up into the region, because that's what I really think we need.

**Once I was on a panel with a representative of a very large institutional U.S. investor, who is substantially invested in hedge funds. I asked him if he ever came up to Scandinavia, and was told that their travel budget only allowed for one continental trip a year and that would naturally be London, and going two hours further from there was really out of the question, because it wasn't covered by the budget.**

**It is just incredible - you would never think of that, because as managers we travel extensively, and I am sure you do in your fund-of-funds business. You go all over the world seeking funds, and here are some of the biggest investors out there and they go, "Sorry, I can only make London."**

Peter C. Warren



Once I was on a panel with a representative of a very large institutional U.S. investor, who is substantially invested in hedge funds. I asked him if he ever came up to Scandinavia, and was told that their travel budget only allowed for one continental trip a year and that would naturally be London, and going two hours further from there was really out of the question, because it wasn't covered by the budget.

It is just incredible - you would never think of that, because as managers we travel extensively, and I am sure you do in your fund-of-funds business. You go all over the world seeking funds, and here are some of the biggest investors out there and they go, "Sorry, I can only make London. My budget does not allow for the airfare to go further than that." The solution could be, as the saying goes, to bring the mountain to etc., but there again, the quality of life is better in Norway...

# accurate

## professional reporting service

No wonder that each week, Opalesque publications are read by more than 500,000 industry professionals in over 100 countries. Opalesque is the only daily hedge fund publisher which is actually read by the elite managers themselves



**Alternative Market Briefing** is a daily newsletter on the global hedge fund industry, highly praised for its completeness and timely delivery of the most important daily news for professionals dealing with hedge funds.

**A SQUARE** is the first web publication, globally, that is dedicated exclusively to alternative investments with "research that reveals" approach, fast facts and investment oriented analysis.

**Technical Research Briefing** delivers a global perspective / overview on all major markets, including equity indices, fixed Income, currencies, and commodities.

**Sovereign Wealth Funds Briefing** offers a quick and complete overview on the actions and issues relating to Sovereign Wealth Funds, who rank now amongst the most important and observed participants in the international capital markets.

**Commodities Briefing** is a free, daily publication covering the global commodity-related news and research in 26 detailed categories.

The daily **Real Estate Briefings** offer a quick and complete oversight on real estate, important news related to that sector as well as commentaries and research in 28 detailed categories.

The **Opalesque Roundtable Series** unites some of the leading hedge fund managers and their investors from specific global hedge fund centers, sharing unique insights on the specific idiosyncrasies and developments as well as issues and advantages of their jurisdiction.

**OPALESQUE**

[www.opalesque.com](http://www.opalesque.com)

