

Alcur Select Overcomes 2023 Missteps for Strong 2024

Stockholm (HedgeNordic) – Alcur Select is currently among the top five best-performing hedge funds in the Nordic region for 2024, with portfolio manager Wilhelm Gruvberg calling it a "better year" compared to 2023. After some stock-picking missteps hindered the long/short equity fund's recovery in 2023 from the market-wide decline in 2022, the fund has managed to turn 2024 into a strong 'alpha-generating' year.

After a nearly 20 percent decline in 2022, marked by a broad sell-off across equity markets and other asset classes, Alcur Select achieved a 16.2 percent gain in 2023, with an additional 23 percent gain year-to-date through late August. Alcur Select has generated an annualized return of 24.5 percent since its launch in the first half of 2018 by employing a long-biased long/short equity strategy focused on small- and mid-sized Nordic companies. This performance ranks the fund among the top three Nordic hedge funds in cumulative returns over the past five years.

A Mixed Yet Positive 2023

Gruvberg describes 2023 as "decent" for Alcur Select, with a return of 16.2 percent compared to 14.7 percent for the small-cap index. "We achieved this with roughly half the risk as measured by standard deviation," notes Gruvberg, who manages Alcur Select with support from the wider team at Alcur Fonder. "From that perspective, we can be satisfied," he adds, acknowledging that certain stock selection errors detracted from performance. "We made a few mistakes, with Humana being the biggest one," Gruvberg remarks. The Nordic care company's stock experienced a sharp decline after the Swedish Health and Social Care Inspectorate (IVO) revoked the permit to conduct operations for its subsidiary Humana Assistans, which represented about one-third of the group's net revenue and over 40 percent of operating profit.

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The fund's 2023 performance was also affected by a "profit warning from core holding Addnode Group, which had a significant negative impact on return," notes Gruvberg. Nonetheless, the Swedish provider of software and digital services has been one of the fund's top value creators since its inception. "Despite this setback, Addnode has been a big value creator both as a business and as a position for our fund since our launch in 2018," Gruvberg emphasizes. This year has seen Addnode recover strongly, with Gruvberg pointing out that the "company seems to be on a good track again to continue generating good value for shareholders."

An Even Stronger 2024

"2024 has been a better year so far, with a return of around 23 percent through late August," states Gruvberg. This compares to around 14 percent for the small-cap index, demonstrating "better alpha this year compared to last year." Alcur Select has benefitted from several successful picks, including Proact, Ambea, and Bredband2, which have each delivered returns between 38 and 68 percent with substantial weightings in the portfolio. One notable shift for Alcur Select in 2024 has been its increased net exposure.

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Alcur Select has maintained an average net exposure of approximately 120 percent in 2024, up from an average of around 85 percent since its inception in 2018. "This has to do with a few big positions that we view as low-risk opportunities that should contribute with good risk-adjusted and absolute returns from the levels we invested in," explains Gruvberg. The fund has invested about 34 percent of its portfolio in Hufvudstaden, Essity, Securitas, and ISS, companies that offer "very stable and increasing earnings, less dependent on the economic cycle, and are increasingly attractive in a lower interest rate environment that we are about to get."

Looking Forward

Alcur Select was launched with the aim of maximizing risk-adjusted returns in the small- and mid-cap segment. "We will always have a high net exposure, which is a big difference compared to the Alcur Fund, for instance," says Gruvberg. While the team continually seeks to improve its product and strategy, "the big picture for Alcur Select remains unchanged since we started the product."

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Looking ahead, Gruvberg expects 2024 to be a year defined by "a fight between lower rates and the extent of an economic downturn." According to the portfolio manager, "so far, the market has been more positive than negative on this balance." The team closely monitors this dynamic to "balance risk and reward in the market." Up to this point in the year, Alcur Select has met its objectives: "As of August, we have significantly outperformed the market with a lower risk as measured by the standard deviation of returns."