



## New fund launch: Crescit

Having spent their careers managing the Skanska pension foundations, Jonas Granholm and Gustav Lundeborg decided to team up with the former Skanska CFO Hans Björck, to open up shop and launch a hedge fund.

The new venture was announced in January and in April the fund "Crescit" commenced trading with an impressive starting capital of 800 MSEK in assets under management. As of September of last year the portfolio managers Jonas Granholm and Gustav Lundeborg had the assets allocated to the markets and Crescit started building on its track record being fully invested.

Crescit's trading strategy may best be described as a multi-strategy approach relying on three key return drivers: derivatives on equity indices, fixed income instruments and trend following models. The portfolio managers sell deep out of the money puts, typically around 30% under current market levels and collect the option premiums. The cash generated is in return partially used to buy out of the money calls to participate in upward movements on equity markets. The fund applies this option strategy on equity indices in Europe, America and Asia. Options are sold and bought on an ongoing basis which gives the fund open positions at various market levels. Only a fraction of assets under management is required in margin for Crescit's option strategy.

The remainder is invested in a diversified bond portfolio and Managed Futures Funds, which are intended to be as collateral and diversifiers to Crescit's portfolio. "The CTA

component will give the portfolio protection on the downside when equity markets dip and can also act as a performance contributor in all different market scenarios", Gustav Lundeborg tells us. Managed Futures have struggled to meet up to their long term historic returns, but have proven to be in a position to act as protection in times of stressed equity markets, such as after the 9-11 terrorist attacks in New

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York and Washington and the unfolding financial crisis in 2008, following the collapse of the US Sub-Prime bond market and Lehman Brothers default. CTA are one of the very few trading strategies that are able to extract Crisis Alpha in turbulent market conditions. The firms holdings in Managed Futures include Brummer & Partners fund Lynx and RPM – Risk and Portfolio Management, both of which are domiciled in Sweden, just a couple of minutes walking distance from Crescit's Stockholm office.

"We aim to have a strong correlation to equities in times when equities do well but a low to negative correlation in



Gustav Lundeborg, Partner and Fund Manager (sitting) and Jonas Granholm, CEO and Fund Manager - Crescit Asset Management

times of market distress" says Jonas Granholm, CEO of Crescit Asset Management.

While the trading strategy is designed and optimized to generate returns and keeping losses at low levels in most market conditions, the most favourable trading environment is a steady upward movement of equity indices. Such a scenario sees the sold puts expire, allowing Crescit to keep the entire premiums while at the same time positioning the fund to take profits from the long calls or other portfolio components. "Sharp spikes in equities to the upside should help gain additional returns for investors", Gustav Lundeborg tells us.

***"The fund can be seen as an equity equivalent in an institutional portfolio"***

The fund's goal is to achieve a smoother return profile and a better risk-adjusted return compared to a direct equity investment. "The fund can be seen as an equity equivalent

in an institutional portfolio", Granholm tells HedgeNordic. The investment horizon is relatively long with a holding period of 18 months for each individual derivative position.

Crescit is registered as a Swedish on shore special fund and is open to daily subscriptions and redemptions. The asset manager only makes the fund available to sophisticated investors with a minimum initial subscription amount of ten million SEK (approx. 1,15 Million Euro) and charges a management fee of 1% and a 20% performance fee with a high water mark. Targeted annual performance is around 8% with low volatility to put the fund at a Sharpe Ratio of around 1,5.

All administrative tasks, such as legal and compliance have been outsourced, back and mid office and fund administration have been outsourced. The managers want to fully focus on the markets and further developing the trading model. Crescit announced the firm will be taking on a new junior trader, Ruzica Gajic at the end of March.

Crescit has received substantial backing from several Swedish multi-national corporations - former employer Skanska not being one of them - and institutional investors from the Nordics and beyond. In February 2014 Crescit already had over one billion SEK (approx. 115 million Euro) in assets under management, joining a rare and exclusive club of Swedish hedge fund managers of that size.

**Kamran Ghalitschi**