



ORIGO CAPITAL

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Best Mid Cap Investment Firm - Nordic Region & Best L/S Equity Hedge Fund (3 Years): Origo Quest 1

Origo Capital

Origo Capital is an independent investment firm specialised in public small and mid-cap companies. We spoke to Anders Nilsson to learn more.

Established in 2011 Origo Capital specialise in investing in Nordic small caps. The firm's client base consists of institutions, foundations, family offices and well-informed private investors, who invest in the firm's flagship product, Origo Quest 1, which was launched at the end of January 2013. Anders discusses the fund in more detail and outlines its approach to investing.

"The Origo Quest 1 fund is unique within the hedge fund space. A strict focus on Nordic small caps, a concentrated long portfolio (12-15 holdings) is supplemented with short positions aiming to reduce the risk level and to deliver alpha. The fund is suitable for investors who: want a fund that focuses on absolute return, are looking for a fund with limited correlation, want a genuinely active, research-driven fund and have an investment horizon of at least five years.

This approach helps the firm to achieve its overall mission: to be viewed as **the number one-choice** when it comes to investments in the Nordic small cap-market.

"Origo Capital's overall approach to risk is that seen over time, as the fund will have a risk level that is below the equity market in general. This is ensured by slowly and step by step build positions – always guided by the internal investment model. On the short side we work with three different types of positions to reduce the risk: alpha-trades, pair-trades and market trades such as futures on indices."

The fund managers, Stefan Roos and Staffan Östlin, together have more than 50 years of professional experience in the stock market. Mr Roos is a small cap specialist and has received several awards for his fund management. Mr Östlin has a solid equity background as capital goods-analyst, head of equity sales and equity strategist. The analytical strength within the investment team is a guarantee to ensure that the investment process is carried out in the most professional way.

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cap-market. It is this core focus which sets both the fund and the firm apart from its competitors, as Anders outlines.

"The fund's long-term, active and engaged ownership and the strict focus on Nordic small caps places us in a very unique niche with few direct competitors. The target of the fund is to deliver a yearly return of 10-15% seen over a five-year period, which will be achieved at a lower risk level than the general market. Both of our core targets have clearly been reached since the inception of the fund."

Focusing on the Nordic region presents many challenges for Origo Capital, as the hedge fund industry in this area is highly competitive, with some 150 different funds based in and/or focusing on the region. The Nordic hedge fund industry is mature, strictly regulated and supervised by the financial authorities. The key problem over the last couple of years has been the general lack of return. For the industry as a whole this is a challenge for the future. However, investors tend not to generalize and constantly search to allocate in outstanding managers.

Despite these challenges, Anders believes that the region is the ideal base for Origo Capital as the firm is very well-known and respected within the hedge fund industry in the Nordics.

"In the Nordic region we are viewed as very transparent in what we do and this makes it easy to work towards achieving our mission. As we are a specialized in Nordic small caps, the necessity to be geographically close to the companies is of high importance. Often we take an active approach when investing and we aim to have a close dialogue with management and the board of directors - this is simplified by the geographical base of our company in Stockholm, the capital of Sweden."

Moving forward, Anders believes that the firm's focus on providing quality solutions to a niche market will ensure its continued success.

"The market in which we operate, the Nordic small cap market, is to a very large extent not covered by the banks and brokers. Some 75% of the companies in it lack external coverage, which offers Origo Capital a unique chance to make a difference. The analytical strength of the investment team at Origo Capital will hopefully continue to add value by providing high quality internal research."

