



KENT
JANÉR
SWEDEN



Investor profile at InvestingByTheBooks: The book *The World's 99 Greatest Investors: The Secret of Success* provides a unique opportunity to learn from the most prominent investors globally. In the book they generously share their experiences, advice and insights and we are proud to present these excerpts. Magnus Angenfelt, previously a top ranked sell side analyst and hedge fund manager, will be presenting one investor per month. For those who cannot wait for the monthly columns, we strongly recommend you to buy the book. The investor himself writes the first section below and then Angenfelt describes the background of the investor and comments on his investment philosophy. Enjoy.

Successful investors have two important abilities. One is the ability to identify interesting and potentially profitable investments. This is grounded in a well thought-out analysis of macroeconomic developments, a stock, or some other investment. If the market valuation is too high or too low in relation to what the analysis indicates is correct, things become interesting. The probability of finding a good deal increases if you also understand the reasons for this disparity. If, on the other hand, there is no apparent reason for the disparity, there is a greater risk that the market is right, and you have missed something in your own evaluation. Financial prices assume predictions about the future, but predictions are considerably more uncertain than most of us would like to believe.

Accepting and locking yourself into a particular scenario that appears to be reasonable right now is not a good way of handling insecurity. It is better to think in terms of a variety of possible future scenarios, weighing up the possibility of them occurring. The market price should then reflect a reasonably balanced assessment of these scenarios. Because new information is forever becoming available, you should adjust your weightings over time, and therefore also what you think a reasonable market price.

The other ability of successful investors is to identify and handle risk, which is mostly aimed at reducing the chances of catastrophic results from your investments. The worst possible result is so bad that you no longer can, may, or wish to make new investments. Rule number one is to never risk ending up in this situation. Further, it is important to understand which risks you are exposed to, and actively decide whether they are the ones you wish to carry, or if there are particular risks that should be insured or protected against. In many cases it can be wise, for the right price, to have a general insurance against unexpected events or macroeconomic shocks. Mathematical models can be very useful for measuring risk, but they should be combined with practical experience of financial markets. Excessive belief in models, which are of course simplifications of reality, can be downright dangerous. Good judgement and common sense are required, both of which are often underappreciated qualities.

If you as an investor want high riskadjusted returns over a long period of time in a changeable world, you will need to know about financial theory and understand macroeconomic structures and relationships, not to mention politics, including central bank policy-making. Without a certain understanding of these topics (which does not necessarily mean expert

knowledge) there is a risk of becoming a one-trick pony, and making the same investment over and over again, despite the fact that reality has changed so that the factors and relationships which ensured success in the past are no longer valid.

Hard work and a passion for what you do are definitely important factors in success!

BORN Laisvall, Sweden 1961.

EDUCATION Janér graduated from the Stockholm School of Economics in 1984.

CAREER His first job after graduating was as a market maker in government bonds for Svenska Handelsbanken. After two years he switched to a similar role at Citicorp in London, working with British gilts. In 1989, Janér started working for the Swedish bank JP Bank with responsibility for bonds and the bank's investment strategy. In 1998 he founded the hedge fund Nektar Asset Management, where he has been head of investments from the start, and is now also chairman of the board.

INVESTMENT PHILOSOPHY Janér runs Nektar, one of the decade's most successful hedge funds in Europe. The fund is market neutral and looks for misvaluations between various financial instruments, which are advantageous from a risk perspective. The positions can also be based upon a macroeconomic theme (lower growth, higher inflation, higher volatility, etc.). The emphasis is on interest rate market. The fund usually holds several hundred positions and is characterized by relatively low risk.

OTHER Janér made his name by being one of the most successful investors to take positions on the falling Swedish krona in 1992. Today, Nektar manages over \$4 billion. Among the large number of international awards received over the years, for three years in a row Hedge Funds Reviews named Nektar the best market-neutral fund in Europe over the previous ten years. He is a member of the scientific advisory board of the Stockholm Institute for Financial Research, and his hobby is deep-sea fishing.

Source: Kent Janér; Nektar Asset Management.