

Nordic Omega with one of the worst month since inception

Copenhagen (HedgeNordic.com) – Nordic Omega in September suffered one of its largest drawdowns since inception, and this was the first month since 2008 where our stock selection alpha versus Nordic equity indices was negative, writes Nordic Omega in their September report and goes on:

– Three of our largest long positions had outsized falls for no other apparent reason than blind risk aversion and forced selling among other investors. We have stress tested our portfolio and our investment cases, and remain firmly convinced that there is extraordinary upside in our holdings. Our view is that this extremely low level of valuation of our companies' assets and future cash flows must increase. The question is when; when do scared investors start behaving rationally and invest in the yield and returns on offer in equities rather than return-free risk like Treasuries?

We find a number of strong signals for a bottoming out currently: extreme intrastock correlations, extremely high earnings yield gap, very low price/book and cyclically adjusted earnings multiples, VIX and put/call ratio, accumulated equity mutual fund outflows approaching exhaustion levels, very pessimistic readings in fund manager and advisors' sentiment surveys, and a number of composite "panic" indicators flashing red, writes Nordic Omega.

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