Time to risk short term performance for long term gains, says Taiga

Stockholm (www.HedgeFonder.nu) Norwegian managed Taiga Fund describes the third quarter as „brutal for the worlds financial markets, as well as for the Taiga fund“ in an investment letter. Since May the fund lost 12% of its value and shows a year to date loss of close to four per cent, MSCI European Small Cap Index in the same period gave up over 20%. Annulised compound return since the funds inception in May 2008 is at 17,51%, while the index is under water fort he same period by 3,8% per year.

At the beginning of August Taiga had a net equity exposure of 71%, the lowest level for the fund since May 2009. The manager says that the large cash position, contributions from short positions and an overperperformance of long positions tot he general market helped cushion the impact from the sharp downturn.

While the fund may invest all over Europe, a strong Nordic focus is evident. Among the largest holdings in the funds long book the top three positions are held by Norwegian companies TGS Nopec Geophysical Comapany (13,97% of Nav), Oslo Bors (10,21%) and Bouvet (7,74%). Largest foreign holdings are Danish listed Bakkafrost (7,08%) and Swedens Duni (6,72%). An undisclosed German position accounts for 2,73% of holdings.

„We do not base any of our investment cases on assumptions of strong macroeconomic support. We rather try to find companies with qualities that enable profitable growth despite a somewhat challenging macro economic backdrop. A strong balance sheet is a prerequisite for any investment. We only accept a higher degree of operational leverage where we recognise good earnings visibility or believe revenue is supported by structural growth factors.

It is time to risk short-term performance for longer term gains. Equity exposure will most likely increase over the coming months as we add to our long-book, laying the foundations for strong future returns. With a concentrated small-cap portfolio, investors should expect a lumpy return profile that „can deviate substantially from general equity market returns.“ Taiga closes their general comments fort he quarter.