

# Why Atlant Sharp is lagging

Stockholm (HedgeNordic) – The Swedish hedge fund Sharp, managed by Atlant Fonder, has not kept pace with the OMX S30 index this year. It is also lagging mutual funds focusing on Swedish equities. In a recent note to unit holders, the portfolio manager Anders Kullberg gives his views on the reason why.

According to Kullberg, the fact that the fund is lagging is explained by three main factors.

First of all, the underlying index, OMX S30, which Sharp uses to gain exposure to the equity market, has had a relatively weak performance compared to the broader OMXSPI that covers a much wider range of equities. The wider index is the one tracked by mutual funds investing in Swedish equities. Year to date, the outperformance of OMXSPI is 7 percentage points, indicating that small- and medium sized stocks are outperforming large cap stocks, Kullberg states.

Secondly, Sharp is also lagging the OMX S30 due to the fact that the manager was sceptical to the equity market rally in the beginning of the year.

“During January and February the Swedish equity market rose by 15.5 percent, we had put a cap on Sharp which limited our gains to 6.7 percent, in other words a difference of 8.8 percentage points”, Kulberg writes.

Thirdly, Kullberg states that when markets are hovering around zero, this is an environment that is particularly difficult for the fund. The reason is that the fund makes losses on the protection bought to reduce the downside risk. The goal of Sharp is to not lose more than around 10 percent in any given year independent of the decline of the overall market.

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