

# Bounce for Carnegie WorldWide L/S in March

Stockholm (HedgeNordic) – Copenhagen's Carnegie Asset Management reported an increase of 1.2% for its Carnegie WorldWide Long/Short Fund in March, a welcome bounce following declines of -2.1% in February and -2.6% in January. Nordic Hedge Index Composite (NHX) is indicating unchanged performance figures for March. At month's end the fund had EUR 74.7 million in AUM. The fund, whose objective is to generate competitive risk adjusted returns, also reported a gross exposure (beta adjusted) increase to 92.7% and a net exposure (beta adjusted) decrease to 15.2% of its portfolio.

Positive contributions during March were broadly based, with ten stocks adding 20 basis points or more. The two investments with the strongest contributions were Dollar General, purchased by Carnegie L/S during the market slump last month, at 37bps, and TSMC at 27bps. Dollar General's performance in particular stood out with a very strong quarter and an 11% jump in its shares on the day. Detractors from the Fund's performance in March were among its short positions with IBM, which cost it 22bps. The strong IBM stock trade in the first quarter, following the trend of the past four years, is related to the decline in the dollar and investor expectations of a turnaround.

David Rindegren (*pictured*), the Fund's portfolio manager, states in Carnegie L/S's March report that hedge funds have been compelled to deliver and cover short positions, as structurally challenged companies have outperformed the market since February and with net exposure levels low but leverage high. This is expected to continue for some time. The Fund therefore only added Intel as a new short in late March, due to weakening fundamentals and questions relating to how it accounts for its outputs.

Despite weaker market fundamentals, valuations have returned to their levels at the start of the year because of the commodity-driven market rebound that began in mid-February, due in part to the strength of U.S. and emerging markets driven by a weakening US dollar. With the S&P500 Index trading at a P/E multiple of 17 and investors now expecting first quarter earnings to be down 8%, there is no clear signal of investor sentiment, with the VIX Index dropping to 14 again despite the abundance of Grey Swans. This indicates market momentum has begun to wane again after the short squeeze had shown signs of tapering off.

These combined factors inclines Carnegie L/S to continue to stay with a low net exposure, and only gradually increase gross exposure from current low levels.