Taiga On Track for Q3

Stockholm (HedgeNordic) – The Taiga Fund, the Norwegian long-biased equity, open-ended and concentrated investment fund, reported a minor rise of 0.32% for June, by comparison to an estimated level appreciation of 0.0% (so far) for June 2016 on the NHX composite. The fund, organized as a sub-fund under Taiga Investment Funds Plc in Ireland, stated in its Q2 Investment letter that it currently holds 2.1b (NOK) in AUM, with a gross exposure of 79% and a net exposure at 59% by the end of June. The fund's Class A NOK shares posted a return of 5.54% YTD.

Taiga Fund, which has approximately 10 core long holdings constituting the majority of the portfolio's capital and risk at any given time, reported a significant negative impact on its overall YTD return in the drawdown of 35% in Nordic Online Broker **Nordnet AB**'s share price following a disappointing Q1. Taiga had invested almost 9% of its NAV in Nordnet (Bloomberg: NNB SS) going into the year.

Nevertheless, other companies in Taiga's long book performed satisfactorily. Among these, **Salmar ASA**, a salmon farmer with a 2016e P/E ratio of 12, and biochemical supplier **Borregaard ASA**, with a run-rate 2016e P/E ratio of 10, are both expected to do continue doing better than conservative forecasts have suggested. Meanwhile, the profitability of **Coor Service Management AB** is back on track following capacity adjustments with an 11% earnings increase year-over-year in Q1, and housing development company **Selvaeg Bolig** has withstood concerns related to the decline in oil prices to post a strong YTD performance and has a 2016e P/E ratio of 12. Albeit now sold by Taiga, **Bakkafrost** also performed well. Taiga's short book also made positive contributions in Q2.

Taiga expects the Brexit vote, for all the uncertainty continuing to surround its aftermath, to have a limited short-term macroeconomic impact on the Nordic region, with foci returning to corporate earnings in the Q2 reporting season. As estimates have come down significantly, it has become easier to meet expectations even as overall earnings growth remains weak. However, with equities valuations in question under current macroeconomic developments, Taiga maintains a relatively low equity market exposure, considering the difficulty in this climate of finding new investment ideas with promising risk/reward characteristics.

The fund is nevertheless satisfied that its current portfolio continues to contain meaningful return potential. With its weighted average P/E of 13 and a dividend yield of nearly 5%, valuations of its core long contributors remain attractive as recent share price performance has been backed by earnings growth. It also has conviction in its current short ideas, believing the next quarters will substantiate its views. Taiga informs that it has now reserved capacity that meets its AUM target for the foreseeable future.

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