

July continues Q2 Dry Spell for Carnegie WorldWide L/S

Stockholm (HedgeNordic) – Copenhagen's Carnegie WorldWide Long/Short Fund reported a decrease of 1.0% for July, by comparison to the estimated 1.60% increase in the NHX Composite Index for the month. The fund's AUM at month-end was EUR 70m. Carnegie, which generates competitive risk-adjusted returns, reported a decrease in gross exposure (beta adjusted) to 91.2% and an increase in net exposure (beta adjusted) to 10.1%. Meanwhile, the fund reported a decrease of 0.3% (EUR) for Q2.

The most positive contribution to the fund in July came from Google's parent company Alphabet (+47bps), with stronger than expected figures, making Alphabet Carnegie's second largest equity holding. Its largest detractors were Reynolds American Inc. (-35bps), the biggest contributor in June, due to weaker sales than expected, and its short position in GAP (-26bps), which benefited from stronger sales and a continued short squeeze. Carnegie's roster of defensive holdings initially benefited performance in the aftermath of the Brexit vote but gave some of that back as riskier assets gained in anticipation of support from central banks.

In his monthly comment, David Rindegren (*pictured*), Carnegie L/S's Portfolio Manager, suggested the fund's defensive posture, with a net exposure close to a market neutral level, hurt the fund's performance, as cyclical equities were driven to outperform defensive equities by positive US macro data, an outperforming earnings season and rumours of "helicopter money". However, the fund's defensive posture may yet be borne out by a fading of the risk-on rally in the coming months due to 10-year bond yields declining and commodities decreasing, led by declines in the oil price. Longer-term rates, accordingly, do not support the view that growth is picking up, despite markets rebounding post-Brexit.

Carnegie added two new long positions in July, Unilever and Autoliv, slightly increasing its net exposure while remaining defensively positioned, with the aforementioned beta-adjusted net exposure of 10.1%. Its tracking of valuation metrics largely showing the market to be overvalued, suggesting that companies are not investing in capital expenditures, the fund expects growth to continue being subdued.

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July's numbers come on the back of a dry spell for Carnegie in Q2 2016, with its aggregate 0.3% decrease attributed to considerable detractions in long positions in Limited Brands and Bayer, its short position in United Natural Foods, and what it calls the "Reflation Trade" of investors buying lower quality companies and commodities continuing throughout the quarter.

The fund's current investment strategy remains focused on the long-term with a particular emphasis on structural growth companies, in which it retains consumer stocks supplemented by trends like the improving US housing market and electronic payments taking share from cash transactions. On the short side, Carnegie is primarily shorting lower quality companies with structural issues. The fund's objective is to be substantially net long when in the conviction of rising markets, but net short when forecasting longer periods of declining markets.