

Shepherd under steam in September

Stockholm (HedgeNordic) – Shepherd Energy AB, which manages the Shepherd Energy Portfolio and Shepherd Power Series Fund, reported a 0.42% rise for the former and an impressive 5.72% increase for the latter in September.

The Shepherd Energy Portfolio, rising 0.42% in September, is described by Shepherd as a managed futures portfolio in the Nordic Power Market using standardised futures, forwards and options, with all contracts subject to clearing at Nasdaq OMX Commodities. The objective of the Portfolio, which can use leverage and establish long and short positions, is to achieve a high risk-adjusted return with low correlation to traditional stock and bond markets. Its target is to generate an average yearly return of 10-15% with a Sharpe ratio >1 .

The Portfolio is based on Shepherd Energy's fundamental analysis and long in-depth knowledge of Power Markets, with data quantified to generate strategies to take a position on. Price- and value-divergences with a favourable risk/reward are of especial interest for the construction of strategy. Due to a higher than average volatility of the bond and stock market in the Nordic Power Market, Portfolio Managers Matthias Hellberg and Arne Österlind apply a well-structured management process which focuses on risk- and money management. All strategies have predefined stop-losses and protect profits using dynamic trailing stops.

The Shepherd Power Series Fund, with its impressive 5.72% increase in September, is a managed futures fund in the Nordic Power Market which also uses standardised futures, forwards and options, with all contracts similarly subject to clearing at Nasdaq OMX Commodities. Shepherd Power traded long in the outbreak, accounting for its strong performance. Managed by Jukka Virtala and Andreas Edlund, the Fund uses leverage and establishes long and short positions to pursue its objective of generating an average yearly return of 15%, in combination with a low correlation to traditional stock and bond markets.

The Fund's strategies are based on Mr Virtala and Mr Edlund's understanding, honed from 35 years of combined experience, of the behavioural tendencies of the Nordic Power market, with main foci on Nordic hydrology, the supply curve, demand shifts, infrastructure and thermal prices. Trading is discretionary, directional and trend following, where weather and the price structure create their own trends. Technical trading is a significant part of the trading strategy to identify entry or exit situations in the market, while every position always has a predefined stop-loss and partial profit taking levels. Positions are protected by trailing stops.

Mr Virtala and Mr Edlund predict the continuation of plenty of upside for the Power Series Fund in the pre winter season market if the Nordic power system continues losing precipitation.

In Shepherd described lower trading in Nordic power prices during the first half of September than the falling trend since a high in July. Fuel prices as well as German power prices hovered around their summer lows. The Nordic spot price remained strong, keeping power futures traded on the Nasdaq OMX from further drops. In the latter part of September, Nordic power prices surged to new highs for the year in a "perfect storm" of high-pressure weather and sky-rocketing continental power prices as well as fuel prices. This was also due to a decision on behalf of France's EDF to prolong revisions of 15-20% of installed nuclear capacity over this coming winter to investigate possible manufacturing deficits.