

Oslo Asset Management Sees “Fantastic Opportunities”

Stockholm (HedgeNordic) – The Norwegian asset manager Oslo Asset Management sees “fantastic opportunities” ahead for its 320 musd AAM Absolute Return Fund. The CEO, Harald James-Otterhaug (*pictured*), told Bloomberg last week that he sees a potential return of 150 percent to 250 percent for the fund given “very big mispricings” in the energy sector and has loaded up on both long and short bets.

“It’s one of the most opportunity rich markets we’ve ever seen. What’s unique now is that there are fantastic opportunities both on the long and short side at the same time. That’s unusual for such a cyclical industry”, he was quoted as saying, continuing:

“We’ve never been close to what we have today. We think it has potential to be released pretty fast. The opportunities we’re exposed to now are double what they’ve been historically.”

The fund, which uses fundamental analysis to pick energy stocks that it views as over or undervalued, seeks to avoid correlation with any asset class. That strategy has generated a a net return of 12 percent a year since starting at the end of 2005. So far this year it has gained 10 percent through March. In 2015, it was the world’s best performing hedge fund with a 59 percent return, according to HSBC.

According to Bloomberg, James-Otterhaug and his team held 24 long positions and 34 shorts at the end of February. The equity net position was minus 13 percent. The fund is short U.S. energy infrastructure, including companies organized as Master Limited Partnerships.

“There are many companies that have adopted a dividend policy that isn’t sustainable and is based on increased debt and share issues. If these companies were valued in a traditional way, on underlying cash flow, there’s a 70 to 90 percent downside in the stock price”, he said.

The fund’s main long positions are in U.S. shale oil producers since James-Otterhaug sees limited downside and a “cheap” option on higher oil prices.

“If oil goes to \$80, they will rise by 200 to 400 percent. Oil producers are really out of favor. It could be the first time we’ve seen true value in some of them.”

Picture source: www.dn.no