

Norron Flying Norwegian in April

Stockholm (HedgeNordic) – The two hedge funds from Swedish asset manager Norron – Norron Target and Norron Select – rallied strongly during the month of April to bring year-to-date returns into positive territory.

Judging from the manager's own review of the month, it was all about a long derivatives position in Norwegian Air Shuttle (NAS) that made the difference. The NAS stock, which up until April had failed to impress the market in any meaningful way, surged by 80 percent during the month as information leaked about IAG, the parent company of British Airways, preparing a bid for the company in which it had bought close to 5 percent already. Norwegian later confirmed that they had received several propositions from potential buyers, which further intensified the rally in the stock.

Commenting on its position in NAS, Norron, in its monthly performance commentary for April, writes:

"We participated in a new share issue in the company and that was well perceived in the market. NAS has been under pressure all year to some extent due to worries of a new issue, so again, when it actually happened, the negatives turned to positives and the stock started to perform. After a couple of days we argued that this company, due to its high leverage, could move significantly upwards and create a short squeeze in the market, so the only thing it could not really do was park at 185. We decided to change our exposure to long dated call options and sell our shares. This strategy turned out to be a success due to the fact that IAG, the parent company of British Airways, invested in the share issue and expressed interest in a takeover which sparked a massive rally in the shares. It's important to mention that there are other bidders around. We have secured some profits by rolling the strike to 300 (from 220)."

As a result of the NAS position and a generally upbeat sentiment among its holdings in Nordic small-cap companies, the Norron Select fund gained 6.5 percent in April, translating into a positive 0.5 percent for the full year. The Norron Target fund, also holding the NAS exposure, gained 2.2 percent on the month bringing the year-to-date return to 1.5 percent. The funds have yet to experience a negative year since launching in 2012.

Picture source: www.media.norwegian.com