

Norron Ramps Up Protection - Well Hedged Against 20 Percent Stock Plunge

Stockholm (Bloomberg/Hedgenordic) - The Swedish multi-strategy hedge fund Norron is ramping up protection against a major decline in stocks, according to a recent Bloomberg interview with chief investment officer Ulf Frykhammar (*pictured*).

"We've protected ourselves more and more. Right now we're very well hedged against minus 20 percent, but still with a more positive tilt toward the upside", Frykhammar told Bloomberg.

He further added that he sees a risk that the increased uncertainty related to the danger of a deepening global trade war could hold back investments that are needed to keep up momentum late in a business cycle.

"Volatility, changes in market direction and sector rotation are created through the president's twitter account," he said. "Of course, that creates short-term uncertainty, which is not good for the real economy."

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Norron, which manages close to \$2 billion, has cut so- called tail risks in its hedge fund Norron Target. The fund, which only invests in the Nordics, consists of four strategies - equity long, equity market neutral, equity short and a fixed income portfolio. The average annual return since starting in 2012 has been about 4.5 percent with a 3 percent volatility.

"We have a strong focus on companies," he said. "It's impossible to say when the cycle reaches its top. We look for companies with an internal growth strategy, with product launches etc. That can support a good top line growth from now to 2020 and possibly beyond that."

The biggest holdings in the long equity portfolio are Yara International ASA, Aker ASA, Sandvik AB. It also holds a number of companies that should be able to grow beyond 2020, such as IAR Systems Group AB and NRC Group ASA.

While there's need for protection in the stock market, Frykhammar says the bond market is equally risky these days.

"There's some optionality in stocks that the cycle will be a bit longer than we think," he said. "Therefore stocks should be the best asset class for some time. But at the same time you must have well protected tail-risk positions."