

No Indication of Market Bottom

Stockholm (HedgeNordic) – **Brummer Multi-Strategy**, the fund of funds investing in the single-strategy hedge funds under the umbrella of **Brummer & Partners**, is down 3.0 percent year-to-date after losing 3.5 percent this month. Global equity indices, meanwhile, are down in the range of 20 to 30 percent, “with no indication that the bottom is reached,” according to Brummer Multi-Strategy’s portfolio managers, Patrik Brummer and Mikael Spångberg (*pictured*).

“Since the market peak in February, we have witnessed massive stock market sell-offs and reversals of risky assets,” Brummer and Spångberg write in a commentary to investors. “The level of uncertainty is higher than in a long time.” The portfolio managers of Brummer Multi-Strategy reckon that “financial markets have reacted very strongly and the future will likely be a period characterized by worry and high volatility, given all unanswered questions concerning the real economic effects and the duration of the crisis.”

The longer the coronavirus-fueled crisis continues, “the more the economy and businesses suffer, thus increasing the probability for a recession and other long-term consequences.” The duo managing the largest hedge fund in the Nordics points out that “risky assets were priced extremely high prior to both the Coronavirus outbreak and the oil crisis.” According to their recent commentary, “we have all witnessed an extraordinary decade for financial assets, driven to a large extent of extreme central bank policies.” However, the level of dry powder for central banks “was low even before the current wave of sell-offs,” write Brummer and Spångberg. They believe that “continued stimuli at these already extreme levels will likely lack in effect,” which “increases the pressure for and need of fiscal stimuli and measures.”

Brummer’s multi-strategy fund is currently invested in ten different single-strategy hedge funds. All funds with reported figures for the first half of March experienced losses this month. Hong Kong-based macro fund **Arete**, which accounted for 11.4 percent of Brummer Multi-Strategy’s portfolio at the end of January, is this month’s best performer with an estimated decline of 0.9 percent month-to-date through March 13. Long/short equity funds **Black-and-White** and **Manticore** are the only funds in positive territory for the year. Black-and-White gained an estimated 1.7 percent year-to-date through the end of last week, while Manticore was up 3.5 percent over the same period. At the end of January, Black-and-White and Manticore accounted for 15.9 percent and 15.3 percent of Brummer Multi-Strategy’s portfolio, respectively.

According to Patrik Brummer and Mikael Spångberg, Brummer Multi-Strategy decreased its market exposure prior to the outbreak of COVID-19 and the problematic oil situation, arguing that “we have been sceptic to many artificially high asset prices for quite some time.” In this highly volatile and uncertain market environment, the team at Brummer & Partners “will stay highly focused on diversification and market neutrality.” Brummer and Spångberg believe that “periods of stress typically lead to great mispricings both from fundamental and technical perspectives, which normally suite our investment philosophy well.”