

Time to Put the Foot on the Accelerator?

Stockholm (HedgeNordic) – The economic consequences of the COVID-19 outbreak are causing ripple effects across the globe. “Unfortunately, most countries are not as well positioned as Norway and the Nordics, with trustworthy governments and solid economies,” argues the team at Oslo-based asset manager CARN Capital.

“The debate of how to deal with this virus from a political perspective is increasingly including the cost to society and economic loss of a continued lockdown,” highlights the CARN team in a recent update to investors. “These are truly difficult decisions.” The consequences of the lockdown, however, will not be as severe in the Nordics relative to other nations and areas, according to CARN Capital.

Founded by Christer Bjørndal and Andreas Bomann-Larsen (*pictured*), CARN Capital manages a long/short fundamental equity fund that predominantly invests in sustainable companies in the Nordics. Most holdings in **CARN Long Short**’s long book “are pretty much only exposed to the Nordics.” The fund’s short book, meanwhile, comprises “much more operationally and financially geared businesses that are depending on a working world economy.” According to CARN team’s update to investors, “we see much higher risk for companies now exposed outside of the Nordics than in the Nordics.” The team regards the risk-reward outlook for CARN Long Short’s positioning as “good.”

CARN Long Short has been maintaining its net market exposure “in the lower end of our long-term range of 60-80 percent,” according to the update. “We increased the net exposure out of the week ending the 20th of March as we found more compelling investments at those levels, but lowered it slightly again” last Friday to below 60 percent. “We also have further firepower we can deploy should the markets continue downwards,” writes the CARN team.

The Oslo-based long/short equity fund was down about five percent year-to-date through the end of last week. In contrast, the Nordic equity market was down 18.1 percent in local currency. The S&P 500 and the Euro Stoxx50 were down 21.3 percent and 27.1 percent, respectively, over the same period. “We are confident about the upside potential in our portfolio, and we believe this crisis – if well navigated – will build a good foundation to generate future returns for the long-term investor,” says the team at CARN Capital. “However, we are anticipating further falls, and are not yet placing the foot on the accelerator.”