

Gladiator Retains Bearish Stance

Stockholm (HedgeNordic) – After an outstanding 2018 and a rather difficult 2019, Stockholm-based long/short equity fund **Gladiator Fond** is enjoying a strong year so far in 2020. The fund founded and managed by Max Mitteregger (*pictured*) gained 7.4 percent in the first quarter and advanced an additional 13.3 percent in April despite remaining net short during the entire month.

“I have not been net long at any point during the year,” Mitteregger tells HedgeNordic. Gladiator Fond maintained larger-than-usual net market exposure as stocks were nosediving during the month of March. “I was very short at the stock market’s bottom in late March, but I did not realize all the profits at the bottom,” says Mitteregger. “Stock markets reversed course and went up quite fast.”

Despite maintaining negative net market exposure during the entire month of April, Gladiator Fond gained 13.3 percent last month amid a swift market rebound even as the COVID-19 crisis was accompanied by a dire economic outlook. April was the fund’s second-best monthly performance since launching in early 2005. Explaining the performance, Mitteregger says that “the concentrated portfolio of long positions significantly outperformed the market last month.”

Gladiator Fond maintains a concentrated portfolio of about ten long positions and reduces the market exposure mostly with OMX30 futures or put options on the index, in addition to a few individual short positions. “We own a lot of defensive names such as AstraZeneca and SAAB that did very well during the month of April,” Mitteregger tells HedgeNordic. “All the holdings, except for Attendo, went up in April and they went up a lot,” he adds. “The high concentration contributed a lot,” emphasizes Mitteregger.

With the COVID-19 pandemic causing unprecedented business disruption, Mitteregger made some small changes to the concentrated portfolio of long holdings. “I sold all the shares in Scandinavian airline SAS in March,” says Mitteregger. “It was the smallest holding in the portfolio, but was a bad investment nonetheless.” Warren Buffett also unloaded Berkshire Hathaway’s entire holdings in the four major U.S. airlines. He raised some concerns about the short- and longer-term damage to the travel industry of worldwide travel shutdowns and the potential dilution of equity ownership in airlines due to government rescue packages. “Warren Buffett and I apparently think alike,” said Mitteregger recently.

Mitteregger also increased his holding in care company Attendo during the month of April. Attendo, which offers care services for older people and people with disabilities, released better-than-expected first-quarter results earlier this month. “I was pleased to see the results coming out of Attendo in early May,” says Mitteregger. “While you always have to think long-term on your investments, Attendo is on the right track to be a good performer for the next year.”

Sharing his near-term outlook on markets, Mitteregger says: “I am quite bearish.” With stock markets advancing significantly in April, “we are trading higher than we were trading in August of last year,” he points out. “The markets are flooded with money and that is why markets are so strong,” he explains. However, company earnings and indicators of economic performance are what really counts at the end of the day, suggests Mitteregger.

The portfolio manager believes the Swedish economy is particularly susceptible to the coronavirus-induced crisis. “Sweden, for example, is highly exposed to cyclical companies and real estate companies.” In recent years, Mitteregger has raised concerns about the massive central bank money printing and increasing levels of debt around the globe. With the renewed monetary and fiscal

stimulus in response to the consequences of COVID-19, “you cannot get more positive on that one,” argues Mitteregger. “That does not seem to bother people at all, but I am always worried about that. I am more skeptical now than ever.”