

CARN's Asymmetric Behaviour

Stockholm (HedgeNordic) – Oslo-based long/short fundamental equity fund **CARN Long Short** exhibits asymmetric performance behaviour as exemplified by the loss of 1.2 percent in the first quarter of 2020 and the quarter-to-date gain of 13 percent. Following a decline of 2.7 percent in March, CARN Long Short enjoyed its best month on record in April with an increase of 8.2 percent and advanced an additional 4.4 percent in May.

CARN Long Short is a long/short fundamental equity fund managed by a four-member team comprised of founding partner and portfolio manager Christer Bjørndal, founding partner Andreas Bomann-Larsen, senior analyst Harald Havnen and sustainability analyst Jon Audun Kvalbein. The Oslo-based team predominantly invests in sustainable Nordic medium-sized public companies.

According to Bjørndal, CARN Long Short is “a long-biased fund with a typical net exposure of 60-80 percent over time.” Commenting on how the fund’s net market exposure evolved throughout the coronavirus pandemic, Bjørndal tells HedgeNordic that “we deliberately reduced our net exposure early on as markets started to decline.” The four-member team “kept the exposure quite low during the worst period of the fall and picked it up again during the latter part as we found more interesting opportunities on the long book and our short positions had paid off.”

After gaining 13 percent quarter-to-date through the end of May, CARN Long Short’s net market exposure is “now back to the lower band at around 60 percent.” With a year-to-date return of 11.6 percent, CARN Long Short is among the ten best performing hedge funds in the Nordics in 2020. “We are pleased with our performance year-to-date,” Bjørndal tells HedgeNordic, adding that “we have had positive contributions from both our long and short book.”

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The market dislocation caused by the coronavirus pandemic has enabled the team at CARN Long Short to grab some attractive opportunities. “The market turbulence has offered several great new entry points into high-quality, sustainable companies that have long been on our watch list, but that we have deemed too expensive in the past,” says Bjørndal. “These are companies we have been eyeing from the side-lines for many years, opportunistically waiting for a correction to buy shares at less elevated valuation multiples.”

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CARN Long Short has also sought to capitalize on a host of new applications and businesses that can thrive during the coronavirus pandemic. “Aside from the more fundamental portfolio adjustments, our agility has also allowed us to take smaller, opportunistic positions in companies that will benefit from Covid-19,” Bjørndal tells HedgeNordic. Despite the significant increase in valuations across markets, the team at CARN Long Short has “a strong belief in our long positions to perform well over the cycle,” according to Bjørndal. “With a fundamental stock picking strategy focusing on sustainable companies, we remain increasingly upbeat on our portfolio companies and the prospects of attractive future returns.”