

One Step Closer to Full Recovery

Stockholm (HedgeNordic) – “One should not change the strategy or do something completely different because of short-term headwinds,” Andreas Aaen (*pictured*) wrote about two months ago after his long/short equity fund incurred a loss of about 37 percent in March. “Our strategy has proven itself over time,” he added. With a quarter-to-date return of about 40 percent, **Symmetry Invest** has recouped most of the losses experienced in the first quarter.

Symmetry Invest’s focus on founder-led public companies, usually characterized by relatively low levels of free float, is prone to huge market volatility in liquidity crunch episodes. “In normal corrections or bear markets, we tend to do quite well by managing the downside with short positions and low net market exposure,” Aaen tells HedgeNordic. “But because our longs are in founder-owned companies with low free floats, the bottom just runs out of them when there is liquidity crash in the market,” he comments on the losses experienced in March. “Our strategy performs badly in a liquidity crunch,” he acknowledges.

Symmetry Invest’s basket of long positions, however, was well-positioned to face a coronavirus-induced economic downturn. Throughout January and February, “we made sure we did not have any airlines, restaurants, hotels and other similar companies among our portfolio holdings,” says Aaen. “We also made sure we did not have companies with huge debt levels of companies there were in a turnaround process,” he adds. When equity markets abruptly rallied and recovered in April and May, Symmetry Invest’s long holdings outpaced broader market indices.

The quarter-to-date performance of 40 percent “was really broad-based across our long portfolio,” according to Aaen. “We had some home-runs in our investments,” says the Dane, who founded Symmetry Invest in March 2013. “Many of our companies reported decent to really good numbers for the first quarter and issued a much better outlook than the market was anticipating,” explains Aaen. Following strong performance across the entire long portfolio, “we have trimmed some positions and sold completely out of other stocks to take gains where the thesis has played out.” According to Aaen, “our remaining holdings are still really cheap and some companies clearly benefit in this environment.”

Symmetry Invest had 20 long positions at the end of May and an end-of-month net market exposure of 71 percent. The long/short equity fund ended each of the past five months with a net market exposure above 70 percent, but the gross exposure at the end of May was the lowest year-to-date. “We lowered the gross exposure in May as we took a critical look on all shorts and harvested gains in longs to make sure we have ample fire power should the market go down again,” concludes Aaen.