

Big Short Bet Yet to Play Out

Stockholm (HedgeNordic) – **Polar Multi Asset**, an Oslo-based multi-strategy hedge fund that gained over 20 percent in March – its first month of operations, has turned bearish on equity markets. “At the moment, we are very negative on financial markets,” Kent Torbjørnsen, the CEO of Polar Asset Management, told HedgeNordic earlier this month. “But the bet hasn’t played our way, yet anyway.”

Launched by Ole Christian Presterud and Kent Torbjørnsen (*pictured*) at the beginning of March, Polar Multi Asset is a multi-strategy fund aiming to generate high uncorrelated returns by investing across several asset classes such as currencies, fixed income, commodities and equities. In managing the fund, the duo relies on a combination of technical analysis of individual securities, bottom-down fundamental analysis and extensive financial market experience accumulated at DNB Markets.

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Polar Multi Asset advanced about 24 percent since launching in March through the end of May, but the multi-strategy vehicle gave up some of the gains during the summer after Presterud and Torbjørnsen turned bearish on equity markets. “We did well in the first half of the year, and now we are turning against the market,” Torbjørnsen tells Norwegian business newspaper Finansavisen. “We have positioned ourselves against the stock market because we believe it is overpriced today,” he continues. According to Torbjørnsen, who co-manages Polar Multi Asset alongside Presterud, the fund has a position of NOK 100 million against the stock market.

“We are afraid that the fall in the market may come abruptly when it comes,” Torbjørnsen tells Finansavisen. The ongoing – yet seemingly forgotten – trade war between the United States and China, the uncertain presidential election in the United States and the possibilities of a second wave of COVID-19 infections could all trigger a fall in equity prices. “The trade war between the United States and China has been somewhat forgotten, as has the U.S. presidential election,” points out Torbjørnsen. “In addition, there may be a new round of lockdowns in societies, and this combination may lead to a downturn,” he reckons.

Despite facing an unprecedented pandemic-driven economic catastrophe, equity markets are almost back at the same level as at the beginning of the year, when stocks were already richly valued. “The macro figures coming out of the United States are still bad,” says Torbjørnsen. “Even though the market interprets them positively because of much worse expectations, it would have been a disaster if such figures were presented before the coronavirus pandemic,” he argues.

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The team running Polar Multi Asset changed their outlook to negative about a month and a half ago, acknowledging in an update to investors that they probably turned pessimistic too soon and have not been able to capitalize on the continued advance in equity valuations. “There is plenty of information saying that the majority of professional managers on a global basis have not anticipated the sharp catch-up that markets have shown since April, because they simply didn’t see it coming,” the team wrote in the update. “Who has then driven the market? The answer seems to be mainly the central banks’ liquidity measures,” they continued.

If Polar Multi Asset's bet against equity markets pays off, "it will be very good," Torbjørnsen tells Finansavisen. "If not, we are responsible," he accentuates. "Then we pull the curtains and admit we were wrong, that we were too early on the bet." Polar Multi Asset is now up 12.6 percent year-to-date through the end of July after falling about nine percent during the summer.