

Sissener's Best Month on Record

Stockholm (HedgeNordic) – With markets reacting favourably to the progress of potential Covid-19 vaccines and the outcome of the U.S. Presidential election, Nordic equity hedge funds are well represented in the list of last month's top performers in the Nordic hedge fund industry. But one fund that stands out in particular is **Sissener Canopus**, a Norwegian bottom-up stock-picking fund founded by Jan Petter Sissener (*pictured*). The fund advanced a little over 17 percent in November, registering its best month on record since launching in May of 2012.



Bjørn Tore Urdal

"The performance of Sissener Canopus in November was broad-based and largely attributed to how we have been positioning the portfolio based on a constructive market view that post-U.S. election and post an announcement of an effective Covid-19 vaccine, we should get a reflationary market," Bjørn Tore Urdal, who runs Sissener Canopus alongside Jan Petter Sissener, tells HedgeNordic. In a letter to investors for September, the Sissener team wrote that "expectations of a Covid-19 vaccine before Christmas are starting to build up, and such a vaccine could be a positive catalyst for the stock market."

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With the combination of new stimuli and a vaccine anticipated to drive up inflation expectations, the team expected "an allocation to value cyclical companies, such as finance, industry, capital goods and commodities." According to Urdal, the team running Sissener Canopus "actively positioned the portfolio to benefit from this rotation," which explains the fund's strong performance in November. Last month's advance of 17.3 percent brought the fund's year-to-date performance into positive territory at 8.1 percent. Sissener Canopus is consistently hedging its currency exposure to the Norwegian Krone (NOK), as the team focuses on stock picking and seeks to avoid return contributions from the NOK depreciation against other currencies.

The Year of Flexibility, Fluidity and Agility

"Thus far in 2020 we think we have handled the challenging market conditions fairly well," considers Urdal. Sissener Canopus "entered 2020 with a very long bias on a view that underlying growth should pick up momentum with improving industrial production in the latter part of 2019." When the team realized the gravity and seriousness of the Covid-19 pandemic in early February, "we quickly

acted accordingly and reduced risk exposure significantly and sharply,” Urdal points out.

The fund’s average net market exposure was reduced from an all-time high of 88 percent in January to an average net market exposure of minus 4.4 percent in March. “That is a total market exposure change of over 90 percent in a matter of weeks and demonstrated our mental flexibility to act,” emphasizes Urdal. “This was actually the first time in the fund’s nearly nine years of track record we held an average net short exposure for a month,” he continues. “In the cataclysm of March we weathered the storm pretty well, and at the end of March the fund was down half the broader markets.”

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“In retrospect, maybe we could or should have been more aggressive adding risk on from April, but the situation continued to be very fluid,” says Urdal. Sissener Canopus has gradually increased its net market exposure from around 22 percent in April to an average of 82 percent in November. The higher exposure to the market certainly contributed to the fund’s strong performance in November, but the outperformance is mostly attributable to the team’s stock picking. “How we have been picking stocks in this period has been more important,” points out Urdal.

Unchanged Approach

Despite the challenging operating environment, the strategy employed by Sissener Canopus remained broadly unchanged throughout the year. “The investment strategy in Sissener Canopus in 2020 has been, and remains, characterized by a Barbell strategy; growth-oriented value cyclical companies combined with selective technology and consumer companies, and defensive ESG companies with exposure to E.U. taxonomy legislation, mostly large European utility companies with renewable energy exposure,” explains Urdal. “We call it a barbell strategy because cyclical value companies and defensive utility companies usually perform in the opposite direction,” he continues. “In a risk-on environment with a growth tilt, value outperform utilities, and we see the opposite during a growth scare.”

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Urdal believes the E.U. taxonomy theme reflected in the portfolio maintained by Sissener Canopus will also work in a reflationary market. “The introduction of the new E.U. taxonomy legislation will dictate the flow of capital in Europe in the years to come,” says Urdal. “We see a significant imbalance in the demand and supply in the market, which will inflate the valuation of companies with a high E.U. taxonomy rating,” he continues. “Based on our own back-of-the-envelope calculation, we estimate that as little as five percent of the European aggregated market cap could end up being aligned with the E.U. taxonomy. This is a forceful trend where we think we can pursue alpha generation.”

Outlook

“The V-shaped growth that we believe is about to materialize is already starting to show up in better-than-expected macro figures and company earnings,” says Urdal. “We also expect supportive monetary and fiscal policy stimuli to remain long after Covid-19 vaccination has begun.” With the yield curve on government bonds rising and the credit market showing clear signs of wellbeing, the future looks bright, according to Urdal. “In sum, we interpret this information as constructive for

future developments in the stock market.”