

Bet on Defensives

Stockholm (HedgeNordic) – Max Mitteregger, the founder and portfolio manager of Stockholm-based long/short equity fund **Gladiator Fond**, has long been concerned about the massive central bank money printing and ever-increasing debt levels over the last decade or so. The renewed monetary and fiscal stimulus in response to the consequences of the COVID-19 pandemic has only added to the concerns. Mitteregger's cautious stance, as reflected in his concentrated portfolio of defensive names and relatively low net market exposure, has hurt the performance of **Gladiator Fond** so far this year.

Gladiator Fond, winner of the 2018 "Best Nordic Hedge Fund – Overall" title at the Nordic Hedge Award, was down 18.3 percent in the first quarter of 2021 after booking a loss of 11.6 percent in March. "The fund had a weak development during the first quarter of 2021, the fund lost 11.59 percent in March and is now down 18.36 percent on the year," Mitteregger writes in a recent commentary to investors. "There are various reasons for the poor return, and most long-term holdings have had a negative development as companies of a defensive nature have developed very weakly."

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According to Mitteregger, the links between stock prices and fundamentals have been rather loose in recent months. "It should be pointed out that only one of the fund's long holdings has performed worse than expected," writes Mitteregger in the commentary. "The others have delivered according to plan or better, despite this, several of the holdings have seen their share prices drop," he continues. Gladiator Fond tends to maintain 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.

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"The fund has also maintained a positive exposure to the stock market (an average of 20 percent), but the choices of the short positions have been wrong as in most cases they have been of a cyclical nature and that is exactly where this year's winners are," emphasizes Mitteregger. "It is worth noting that cyclical companies today are valued at about 40 percent higher than the 10-year average." Despite the recent underperformance from both longs and shorts, Mitteregger keeps a strong conviction on his concentrated portfolio. "The fund's long and short positions are largely unchanged as I believe that defensive companies will be appreciated in the future versus cyclical companies."