



NORRON
STOCKHOLM | OSLO

MONTHLY REPORT – TARGET Feb 2019

Historical return (%)

	jan	feb	mar	apr	maj	jun	jul	aug	sep	okt	nov	dec	year
2019	1,2	2,5											3,7
2018	0,7	-0,2	-1,2	2,2	0,9	-0,1	0,0	-0,0	1,2	-3,4	-0,8	-2,4	-3,1
2017	0,2	0,4	-0,2	1,2	-0,2	-0,9	0,6	-1,3	2,5	1,1	-1,7	1,1	2,8
2016	-3,2	0,2	0,4	1,3	1,1	-1,1	2,3	0,5	2,6	0,3	0,4	0,6	5,5
2015	1,2	0,9	0,4	1,1	-0,2	-1,3	0,5	-1,7	-1,8	1,2	2,3	-0,7	1,8
2014	0,5	2,2	0,3	0,7	1,6	0,9	-0,4	-0,5	-1,4	-0,9	0,5	-0,2	3,2
2013	1,3	0,6	-0,3	0,9	1,7	-0,8	2,2	0,3	1,1	2,4	1,2	1,2	12,5
2012	1,5	1,5	-0,1	0,2	-1,4	-0,8	1,0	1,0	0,9	0,2	0,7	0,7	5,5

Key Figures Feb

	Feb	YTD	Inception	Theoretical Sensitivity	
Total Return (%)	2,5%	3,7%	35,2%	Equities +10%	3%
5YR CAGR (compounded annual growth rate)	N/A	N/A	2,3%	Equities -10%	-2%
3YR CAGR (compounded annual growth rate)			3,9%	Volatility +50%	1%
Correlation vs MSCI Nordic	0,4	0,5	0,7	Volatility -50%	-2%
Avg. 90D Volatility	5,0%	5,0%	3,5%	Credits -150bps	1%
Avg. Fixed Income Cash Yield (by NAV)*	3,0%	3,0%	3,0%	Credits +150bps	-1%
Avg. Credit Rating Fixed Income Portfolio*	BBB+	BBB	BBB		
Sharpe Ratio	N/A	N/A	0,5		

Positive Contributions

1	Nordic Semiconductor	0,3
2	Xvivo	0,3
3	Aker	0,3
4	BioArctic	0,3
5	IAR Systems	0,2

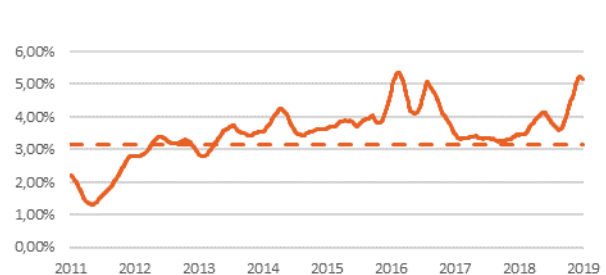
Negative Contributions

1	Kambi	-0,2
2	Swedbank	-0,2
3	Alligator	-0,1
4	NRC Group	-0,1
5	Avida	-0,1

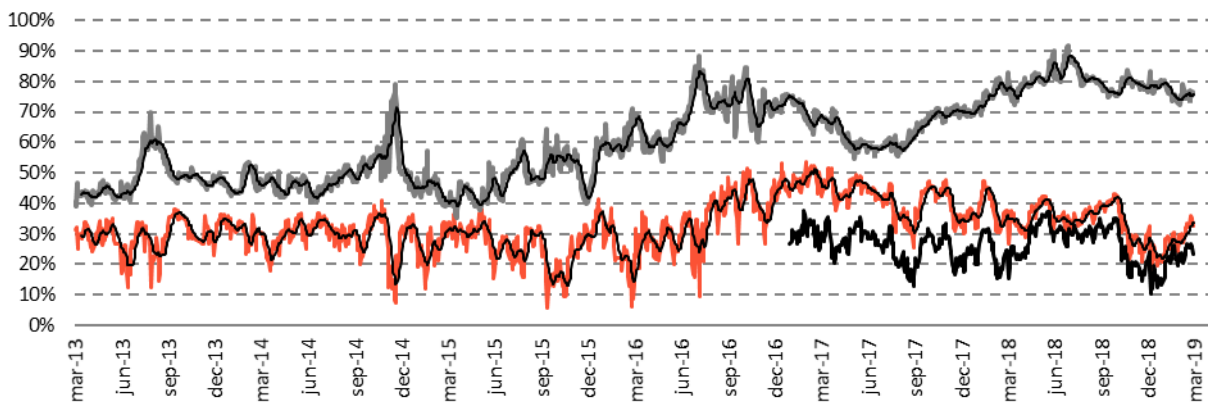
Equity Alpha since 2016 (%)



Volatility (90 day)



Equity Net & Gross Exposure (non-beta adj & beta adj.)



Fund Manager's comment:

The month turned out to be an extension of the bounce in risky assets globally that started in early January, which stands in stark contrast to the risk off trade witnessed in q4 2018. The main reason for the positive development is the change in wording from federal reserve and a reporting season, which was broadly as expected. We also believe that the marginal position of risk allocated by fund managers, must be considered. When events like those in q4 2019 (end of the year) occur, and the start of the year is positive, managers tend to chase the market, in order not to miss out on absolute performance. The positive appreciation of most markets has however now led to equities again being priced in line with the 3 to 5 years average. If a trade agreement is reached between the US and China, and the market draws the conclusion that interest rates will be lower for (even) longer, equities can still be the preferred asset class.

We continue to focus on company specific investments, rather than market direction. This approach really paid off in February, where many of our case investments were the main contributors to the return of the fund.

Renewed evidence that money laundering has taken place in most Nordic banks has affected share prices dramatically. We are monitoring these situations as closely as we can and have actively taken down our sector exposure. However, the uncertainty connected to potential future fines, has taken down the valuation to very attractive levels, both from a yield and an earnings perspective.

The 90 day's volatility of the fund is at the upper end of its historical interval, but that's a reflection of the volatility spike in q4 2018. In fact, the shorter dated equity beta is again back to normal levels. The short portfolio is designed to adequately protect the fund from a reversal in market direction. It now consists of futures, derivatives (with different maturities and strike prices), swaps, as well as some single stock shorts.