

# Low Net Exposure Offers Little Shelter for Colosseum

Colosseum Global Alpha, managed by Oleg Sutjagin and Eric Andersson, entered the new year with a net exposure of around 12 percent, a positioning that would normally imply limited sensitivity to broad market moves. Beneath the surface, however, extreme dispersion and what the team calls "parabolic price" movements across individual stocks quickly overwhelmed the fund's "low net" balance, resulting in a sharp drawdown.

The fund fell 14.2 percent during the month, with losses driven primarily by short positions caught in sharp moves. "January was a very challenging month for the fund's strategy," the team acknowledges in a monthly letter to investors. "It was primarily our short positions that detracted from performance, while the long side unfortunately failed to keep pace." Performance was further pressured by currency effects, as a sharp appreciation of the Swedish krona against the U.S. dollar created significant headwinds.

"It is hard to believe that only one month has passed, both in terms of the news flow and the magnitude of the market movements we experienced," the managers note in the letter. Several individual positions had an outsized impact. Short exposures to SanDisk and SAAB detracted significantly, as the shares surged 142.8 percent and 23.9 percent, respectively, during January. "Under normal circumstances, this tends to involve only a handful of individual stocks, but in January we saw an unusually large number of such cases," the managers write in the update to investors. The extreme price action observed in precious metals markets during the month, they add, offers a "good illustration of the madness seen in many price movements from a mathematical perspective."

Entering the year, the portfolio held several positions that, from a statistical standpoint, had already experienced severely exaggerated moves. "Yet these moves continued for virtually the entire month," the team explains. This dynamic played out on both the upside and downside, with concerns around artificial intelligence pushing prices sharply lower in some cases and dramatically higher in others. On the downside, examples include U.S. stocks Duolingo (-23.6 percent) and Adobe (-16.2 percent), while SanDisk's 142.8 percent rally stands out on the upside. "All of these moves occurred during January alone," the team notes.

While Colosseum Global Alpha relies on a systematic framework to identify price anomalies and statistical mispricings, the strategy is not fully systematic and incorporates a significant degree of human discretion. "Whether the market has fundamentally changed and previous truths no longer hold, or whether this is simply an episode of temporary anomalies, we naturally do not know," the managers conclude. "However, we fundamentally believe that our approach and strategy will add value over time."

They emphasize that the fund's return profile is inherently linked to market volatility. "Some months will be better than others, both in terms of returns and volatility," the team adds, underscoring the episodic nature of performance for strategies built around short-term price dislocations.