

# Norron Select's Rocky Start and Swift Recovery

Off to a strong start in January, long/short equity fund Norron Select faced a challenging February, March, and early April, with its year-to-date performance dipping to as low as 16.8 percent at one point in April. However, the fund staged a V-shaped recovery, recouping losses by the end of July, although a slight dip in recent weeks leaves it just shy of positive territory.

After delivering a six percent return for 2024 with a beta-adjusted net exposure below 30 percent, Norron Select carried its momentum into January. "January was a strong month, with performance in line with the market despite a beta-adjusted net exposure of around 50 percent, a clear sign of positive alpha generation," recalls portfolio manager Marcus Plyhr.

## Navigating Volatility and Strategic Repositioning

The subsequent months proved more difficult. February and March were largely driven by challenges among the fund's underlying holdings, while early April coincided with a broader market downturn fueled by tariff uncertainty. "February brought headwinds, notably from Fasadgruppen, forestry names such as Stora Enso, SCA, and UPM, and property stocks including Castellum and Atrium Ljungberg, all of which fell 10 to 20 percent," Plyhr explains. "March saw more significant market turbulence, with large industrial holdings like Atlas Copco, Hexagon, and Valmet falling 10 to 30 percent within just four weeks."

Following these stock-specific difficulties, Norron Select was relatively insulated from the broader market decline in April. "While the wider market dropped about 12 percentage points from March onwards, the fund's decline was limited to around six points," Plyhr notes. The sell-offs presented an opportunity for the portfolio management team to add exposure to high-quality companies at attractive valuations, contributing to the subsequent V-shaped recovery.

Norron Select gained 17 percent from its April 9 low through mid-August, bringing year-to-date performance to just negative 2.5 percent. "We viewed the March and April sell-offs as a chance to selectively add to quality companies trading at compelling valuations," says Plyhr. This repositioning, combined with contributions from Dynavox, Beijer Alma, Valmet, Medcover, SSAB, Bravida, and Dometic, helped the fund recover much of its earlier drawdown. "May and June brought steady gains, driven by company-specific recoveries."

## July Performance and Current Positioning

July ended flat for Norron Select, as a strong advance earlier in the month was offset by a sharp decline in Novo Nordisk's share price. "July appeared calm on the surface, but it was one of the busiest months of the Nordic reporting season," says Plyhr. Norron Select's overweight in high-quality industrials such as Valmet, Hexagon, ABB, and Alfa Laval paid off, with particularly strong order books and margins from Valmet and ABB. However, "weakness from Novo Nordisk following its profit warning weighed on absolute performance, but the broader portfolio held up well."

During the spring market dislocation, the team increased the fund's beta-adjusted net exposure to capture upside potential. "The subsequent summer rebound prompted us to take profits and reduce risk somewhat," Plyhr explains. The fund's beta-adjusted net exposure now sits below 50 percent, reflecting a more balanced stance amid renewed macro uncertainty and the possibility of elevated volatility into year-end.

"The market remains focused on recession risks and tariff uncertainty," concludes Plyhr, "but many industrials still have solid near-term order books. Today, our portfolio combines structural growth stories with resilient balance sheets, while also including select cyclical names where we believe the market's pessimism has overshot fundamentals."