

'Ketchup Effects' Behind Elementa's Strong November

Stockholm (HedgeNordic) – After a year of ups and downs, long/short equity fund Elementa made a leap forward in November, gaining 6.0 percent and bringing its year-to-date performance to 7.5 percent. "Historically, the fund stands out in two ways," says fund manager Marcus Wahlberg. "Firstly, the returns tend to come in installments, as 'ketchup effects,'" and secondly, the fund performs well in difficult stock market times."

Since its inception in March 2015, Elementa has demonstrated a tendency to perform well in difficult market environments such as the fourth quarter of 2018, the Covid-affected first quarter of 2020, and the difficult market environment of 2022. Elementa gained 19 percent in 2022, ranking among the best-performing Nordic hedge funds of that year.

In November this year, Elementa delivered a 6.0 percent return, outperforming the SIX Return Index, which declined 0.7 percent, and the OMX Stockholm Small Cap Index, which fell 2.9 percent. The fund's short positions contributed 1.2 percentage points to the month's return, while the long positions added 4.9 percentage points. "Good one! November was a strong month for the fund, both in absolute numbers and in alpha, although we aim for more for the year," Wahlberg shares with his investors in the latest monthly letter.

Despite typically maintaining low net market exposure and even negative exposure, Elementa has gradually increased its net exposure from near-zero in early 2023 to over 90 percent, "thanks to the fact that we now see value in many small-cap companies which hasn't been the case for many years now," according to Wahlberg. He further points out that the high net exposure does not reflect the positions in put options. "During the year, we have adjusted the portfolio construction to amplify the positive impact of our long-side returns, which have been phenomenal," explains Wahlberg. "We have done so without compromising our ability to do well even when the stock market is weaker."

The term **ketchup effect is used to describe a situation or event where not much happens for a long time, and then a lot happens at once. It is taken from the well surveyed ritual of shaking a ketchup bottle with nothing coming out, and then, in one go, a big pile of the red tomato sauce ends up on one's plate.*