

From Market Neutral to Long-Biased: Coeli Energy Opportunities at Three Years

After years of running energy-focused market-neutral strategies, portfolio managers Vidar Kalvoy and Joel Etzler pivoted to a long-biased long/short approach in early 2023 with the launch of Coeli Energy Opportunities. Three years on, the fund has delivered an annualized return of around 10 percent and posted positive results in each calendar year, an achievement made more notable by the difficult backdrop for renewable energy equities in both 2023 and 2024.

"Despite the fund having just turned three years, we traded the strategy internally since 2021 in parallel to the market-neutral fund," says Kalvoy, underscoring that the approach was thoroughly stress-tested before being launched externally.

A Structural Shift in the Energy Transition

The decision to move away from a purely market-neutral framework was driven by a reassessment of the underlying forces shaping the energy sector. Before Russia's invasion of Ukraine, Kalvoy explains, the energy transition narrative was largely framed around climate change alone. An insufficient foundation, in the team's view, for a long-biased strategy. "After the war, the energy transition pivoted to be about energy security first, security of supply chains second, and climate change considerations third," he says. That materially expanded the opportunity set on the long side.

Rising interest rates further reinforced the case for change. With personal capital invested in the fund, the managers opted for a higher-volatility, long-biased approach that allowed them to own structural winners while actively shorting weaker or overhyped segments. "This has let us generate returns from both sides of the book and lean into trading when volatility spikes," says Etzler. The emergence of AI-driven electricity demand has since added another powerful tailwind, reinforcing the managers' conviction in the strategy.

Navigating a Hostile Backdrop for Renewables

Renewable energy equities faced a challenging environment over 2023 and 2024, pressured by higher interest rates, rising project costs, and waning investor confidence despite strong policy support and long-term growth prospects. Against this backdrop, Coeli Energy Opportunities delivered positive returns in both years, posting gains of 3.2 percent in 2023 and again in 2024. Performance accelerated in 2025, with the fund finishing the year up 16.7 percent. Momentum has carried into 2026, with the fund gaining 4.2 percent in January alone.

Looking back over the past three years, Kalvoy describes the environment as "unusually binary." Policy uncertainty linked to potential changes to U.S. energy incentives, tariff risks, persistently higher interest rates, and a surge in AI-related capital expenditure combined to create sharp regime shifts. "We navigated by concentrating longs in grid infrastructure and diversified energy enablers, keeping utilities and developers selective, and actively hedging with shorts in segments

where fundamentals lagged narrative, especially green hydrogen and oversupplied solar supply chains," he explains. "Active trading around policy headlines and meme-style squeezes was essential."

Lessons from Volatility and Crowded Trades

Despite extensive experience in both market-neutral and long/short energy strategies, the past three years have offered fresh lessons. Etzler highlights three in particular. First, the importance of owning structural bottlenecks while hedging hype. "The grid remains the key bottleneck for electrification and AI-driven power demand, and it is where we see the largest undersupply," he says. As a result, grid exposure has remained a core long position, while peripheral segments, where competition and supply are catching up, have been actively hedged.

Second, flexibility in the face of policy noise has been critical. Since its inception, the fund's net exposure has ranged between 15 percent and 75 percent, with gross exposure adjusted tactically around fast-moving tariff and credit headlines. This helped limit drawdowns during major event-driven sell-offs, including episodes such as "Liberation Day" and the "DeepSeek" shock.

Finally, the managers were reminded of the risks inherent in shorting crowded, story-driven stocks. "Every five or so years, there seem to be insane meme#squeezes," Etzler notes. One such episode impacted the fund's performance in 2025. "Despite being right on fundamentals, technicals can quickly overwhelm; reducing exposure is the best response in those situations." Despite this, the year still ended with a strong result for Coeli Energy Opportunities.

Positioning for the Next Phase

Looking ahead, Kalvoy sees growing opportunities on the short side, particularly across what he describes as the "AI adjacency" bubble, "companies priced for flawless, perpetual AI capital expenditure but now facing bottlenecks such as power availability, equipment lead times, semiconductor bottlenecks, and financing pressures," according to Kalvoy. "Our goal is to monetize both legs," he says. "We will maintain high-conviction longs in durable beneficiaries, especially grid equipment and power enablers, while shorting weaker links and second-derivative bubbles that have rallied on narrative rather than fundamentals."

At the same time, the managers believe their positioning at the center of the "powering AI" theme provides valuable optionality should market sentiment reverse. "If a broader AI equity bubble were to burst, we are uniquely positioned to capitalize," Kalvoy concludes. "The fund can shift quickly from net long to net short," he adds. "If that happens, there won't be many places to hide for traditional investors."