Press Release
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Chelonia Select Builds on Solid 2024

Stock-picking hedge fund Chelonia Select is off to a strong start in 2025 with an 8.3 percent gain through the end of May, building on its best-ever year in 2024, which closed with a 21.6 percent return. Portfolio managers Magnus Angenfelt and Anders Palmqvist believe that a key advantage of hedge fund lies in its greater degrees of freedom. When executed correctly, this flexibility allows for the management of both net and gross exposure depending on prevailing market conditions.

Chelonia Select's strong performance in April – up roughly 4.0 percent – highlighted the advantages of its flexible approach, particularly when the Stockholm Stock Exchange experienced a downturn of up to 14 percent. The period was characterized by episodes of panic-driven selling, with investors at times overlooking the underlying valuations of individual stocks. "A traditional equity fund typically maintains a near 100 percent investment exposure regardless of the stock market climate," the portfolio management team asserts. "If a new holding is to be acquired, another holding must simultaneously be divested. The Chelonia Select fund does not have this limitation, which is a significant advantage when the equity market and the global economy are stochastic and present unexpected investment opportunities."

During April, the team managing Chelonia Select made several long-term investments in new holdings, while also increasing exposure to existing holdings expected to contribute to future returns. Magnus Angenfelt believes that "with a volatile stock market and increasingly computer-driven trading, the odds are good for finding attractive fundamental investment opportunities and pair-trades (market-neutral and with two companies in the same sector where the fund takes a short position in one stock and a long position in the other)." As the Joker famously says in the movie Batman: "There's opportunity in chaos."

Anders Palmqvist further emphasizes that the team does not engage in short-term tactical market allocations or "market-timing." Instead, their focus remains on long-term fundamental company analysis and stock selection. Strategic decisions around risk exposure – particularly in terms of gross and net equity exposure – are guided by the prevailing market environment. "This is not a period characterized by low valuations, low risk (e.g., geopolitics, trade wars, energy prices), and narrow dispersion in expected future outcomes," Palmqvist explains. "Furthermore, we believe that a larger allocation to domestic corporate bonds and a continued focus on identifying and shorting overvalued and mispriced equities will provide diversification and mitigate volatility compared to a typical equity fund," he adds.

Chelonia Select's net equity exposure is mandated to be within the range of 20-100 percent, with a maximum gross exposure of 300 percent. Currently, Chelonia Select has a net equity exposure of 40 percent and a gross exposure, including corporate bonds, of 160 percent. Chelonia maintains a relatively concentrated portfolio of approximately 25-30 long positions, focusing on attractively valued Nordic small and mid-cap companies. Conversely, the short side of the portfolio exhibits greater global diversification through a higher number of individual short positions combined with market indices. With Magnus Angenfelt's deliberate emphasis on smaller/mid-sized and lower-valued companies within the long portfolio, he anticipates robust future performance for Chelonia Select.

One of Sweden's most renowned investors, Lásló Szombatfalvy, had a guiding principle of investing in low valuation stocks to reduce risk. "This is a guiding star we strive to live by," according to Angenfelt. "All equities can be a poor investment if the price is too high at the time of purchase, regardless of how good the company is. In recent years, classic fundamental analysis and company valuation has been an outdated approach to portfolio construction," Angenfelt asserts. Valuation has consistently been the central tenet of Angenfelt's selection process. The managers seek to find Growth at a Reasonable Price (GARP) among companies with clear economic moats. "In addition to growth, we also look for strong balance sheets, stable and solvent owners, and sound corporate governance in our long positions," says Palmqvist.

"The company profile on the fund's short side is, in many respects, the opposite," Angenfelt states. "But above all, we seek structural headwinds in our short positions, related to evolutionary trends and disruptive threats arising from technological change, shifts in customer behavior, sustainability, and so forth," he explains. "We also believe it is easier to identify losers than winners, as potential winners are often too expensive," Angenfelt elaborates.

"Furthermore, there is less competition because most long-only active managers primarily focus on winners," concludes Angenfelt. "Passive funds, moreover, own everything in the index regardless of valuation and disruptive threats, and as a result, broken business models are often valued as 'business as usual.' A rising tide lifts all boats."