

To heaven with raw materials

Tor A. Svelland has hit the mark with his commodity-based hedge fund and can show extreme return figures in the past three years. - I think there will be a bottom soon, he says.

Published 25 Sep 2022 at 21.00

Reading time: 3 minutes



OPTIMIST: - There is a lot of negativity that has already been priced in, says Tor A. Svelland, who does not believe in doomsday prophecies.

Finance

Anders Pedersen Bjergaard

Editor-in-Chief Finance

Tor A. Svelland has worked for Carnegie, Pareto Securities, Klaveness, Goldman Sachs, Trafigura and John Fredriksen. Now he is very successful with his London-based hedge fund Svelland Capital, which is exposed to everything from raw materials, shipping, renewables and energy.

Figures from HedgeNordic show that the hedge fund is up 27.2 per cent this year. Last year, the return ended at 36.2 per cent, while the 2020 and 2019 figures showed a return of 31.9 and 27.9 per cent respectively.

- The numbers speak for themselves. We recently came second in Barclays' global hedge fund ranking based on the last three years, in competition with 135 other funds, says Tor A. Svelland.

Short renewable

Since its inception in 2017, the total return is 192.5 per cent, while the annual annualized return is 23.5 per cent.

- Many have told me that we have done well since the commodity market has been up. The commodity market has not really been that strong overall in 2019, 2020 and 2021. It started to pick up a bit in 2020, but then oil collapsed in the second quarter when the corona crash came, says Svelland, and continues:

- We stepped well into and out of the pandemic. Then the commodity situation has improved and many of the stocks we like have been strong.

He adds that the fund was completely out of favor with the ESG boom in 2020.

- Then people chose to invest in technology and renewables, and everything in oil and shipping was unpopular. Interest returned slightly in September 2020, and there has been increased interest after that. Everything in renewables peaked in January 2021, and then the fund went short since we saw dotcom trends.

Selected oil futures

When the renewable shares had fallen a lot, Svelland chose to buy up in raw materials, shipping and mines.

- We chose to go for long future Brent oil, instead of oil shares. If you had bought Equinor and look at the price graph, it took forever for the stock to become interesting. It was between NOK 160 and 180 for an eternity, at the same time as the oil price went up and down, he says.

The hedge fund manager adds that there is a big difference between the futures contracts. If you trade freight derivatives, you don't have to worry about physical delivery.

- We are only financial. When you trade aluminium, copper, iron ore and oil, you have to roll the contracts so that you don't get physical delivery, he says.

- *What are their biggest positions now?*

- I never comment on individual investments. We are very active and are constantly in and out. The fund had a huge short twice recently, both of which were covered quickly.

GOOD TIMES: - We chose to go for long future Brent oil, instead of oil shares, says Tor A. Svelland.

Record amount of shorting

Today, the assets under management of Svelland Capital are 110 million dollars, equivalent to more than 1.1 billion kroner, according to HedgeNordic. There are seven employees in Svelland Capital, as well as two employees. The goal is to increase the assets under management to NOK 6-7 billion in the long term.

- *What is your market view now?*

- There is a lot of negativity that has already been priced in. I became very negative about the market last November, and have been right since we are up almost 30 percent this year. Within two or three months, I think the bad market can be behind us. We have already known about the fear of interest rates for a long time. Now I put a potential nuclear war aside. It is not possible to trade the market based on a nuclear war, says Svelland, and continues:

- The market is seeing record short positions. All commodity futures are heavily shorted. The question is: Should the market let those who have taken these positions win or are they all too negative. I believe there will be a bottom soon and do not believe in doomsday prophecies.