BRYONY PLAYS IT BOTH WAYS



FundOpsHQ

A story about going long, going short and a hedge



This book belongs to

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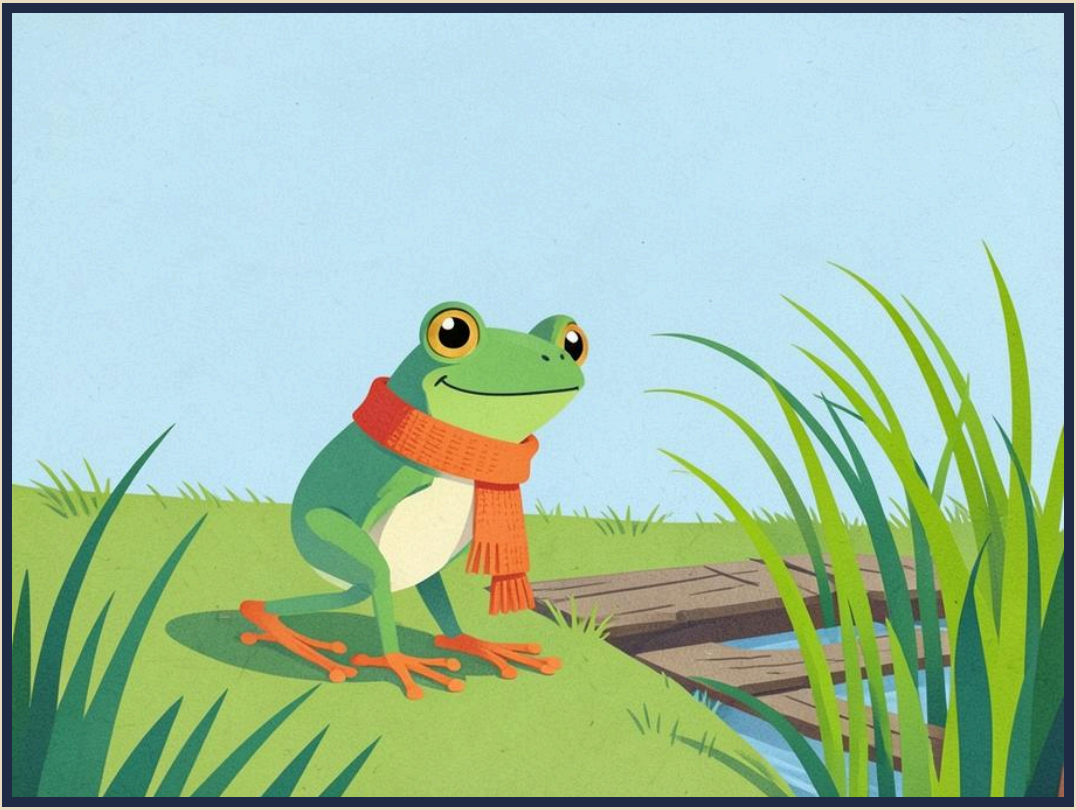
Bryony the frog ran a hedge fund by the lake. Savers gave her their coins, and she bought shares: small pieces of businesses that wove reed baskets.



Last summer had been dry. The reeds grew short, and every basket maker's shares fell together. The savers' coins shrank, and some lost sleep.



"I want to keep their coins steadier," Bryony said, "even in a dry year." She went to look closely at the basket makers on both shores.



The north-shore makers kept their reeds watered and their weavers well. The south-shore makers were slower, and had borrowed a lot.



So Bryony bought 10 coins' worth of north-shore shares. This is going long: you own the shares, and you do well if their price goes up.



Then she went to see Hollis the bear, who owned south-shore shares. "May I borrow 10 coins' worth for a while?" she asked. "I'll pay you a small fee."



Hollis agreed. Bryony sold the borrowed shares for 10 coins and promised to give Hollis the same number of shares back later. This is going short.



"If their price falls, I can buy the shares back for less," she said. "If it rises, I must pay more, and there is no top to how high it can go."



The next summer was dry again, and all the basket shares fell. Bryony's north-shore shares fell from 10 coins to 8. On those, she lost 2.



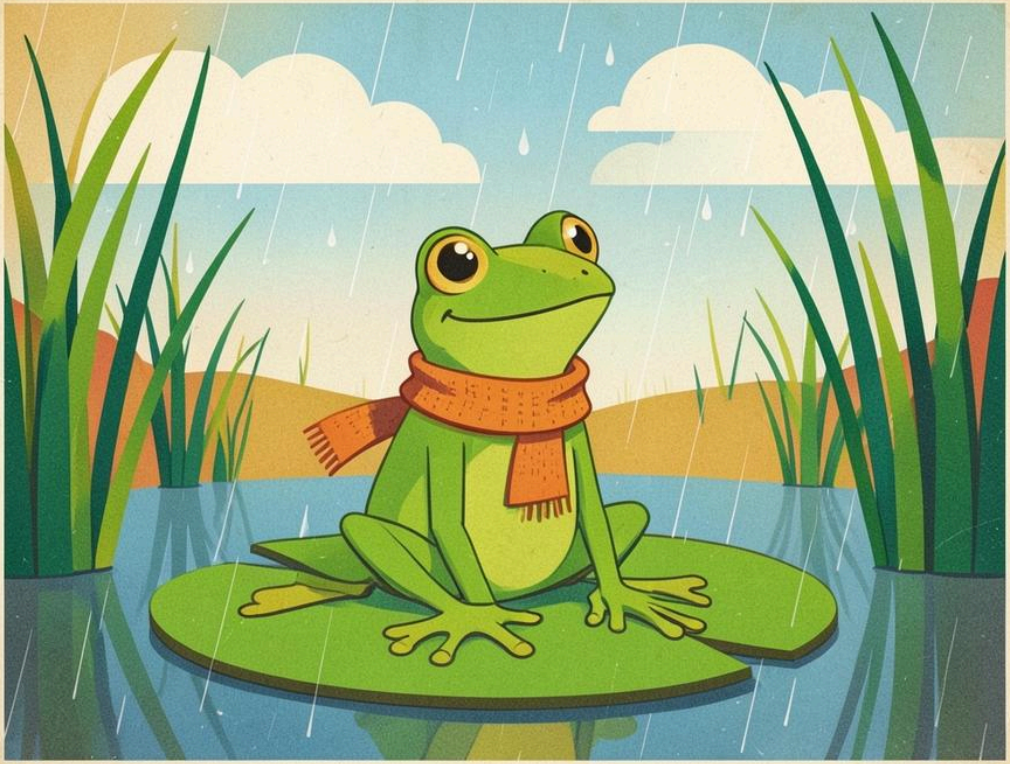
But the south-shore shares fell further, from 10 coins to 6. Bryony bought them back for 6 coins and gave them to Hollis. She kept the other 4.



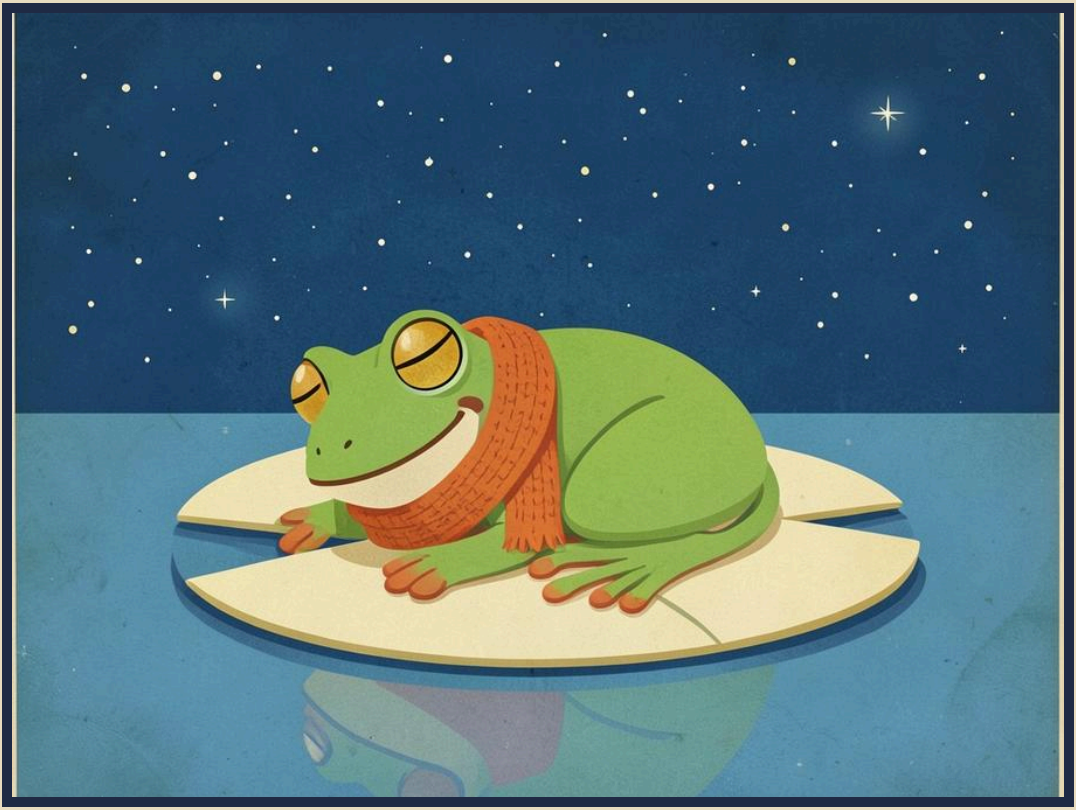
Owning some shares and shorting others is a hedge. When prices all fall together, gains on the short can make up for losses on the rest.



After Hollis's fee, the fund was a little ahead in a year when most basket shares fell. "A short is a careful guess about a price," she told the savers.



She hoped every basket maker would find its rain. She kept her shorts small and watched them every day, and the savers slept well that winter.



A NOTE

The words in this book are real ones, explained simply. The animals and examples are made up, and real terms vary from fund to fund. It is not advice. The pictures were drawn with an AI image model and checked by hand.

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