A CTA fromFinland

Stockholm (HedgeFonder.nu) – Managed Futures Funds or CTA traditionally have low correlations, often very close to zero with other asset classes as equities, fixed income or even other hedge fund strategies. CTA aim to achieve positive returns regardless of market conditions and are thus becoming evermore noticed by professional and private investors. Today assets managed by Managed Futures Funds account for roughly 15% of AuM within the Hedge Fund industry, according to BarclayHedge.

One of the prominent and successful Nordic CTA managers is Estlander & Partners, a Finish based CTA employing 35 people inFinland,GermanyandSwitzerland. In three different strategies, Estlander & Partners Freedom, Estlander & Partners Global Markets and Estlander & Partners Alpha Trend the company manages 850 million USD fully systematically. The company was founded in 1991 and today trades on 125 markets, diversified over energies, soft commodities, metals, grains, energies, currencies, bonds, FX, equities and others. Their Global Markets Fund returning roughly 350% net of fees since inception, which calculates down to around 8% per annum. Alpha Trend has a more short term trading approach, trading 75 markets. This fund has never had a negative year since its start and returned a geometric average of 13,5%. Trading resulted in a small positive return in the challenging year 2009, an achievement many CTA managers struggled with. Still the Sharpe Ratio at 0,75 reflects the difficult periods Managed Futures Funds have had.

In October 2010 Estlander & Partners started trading in a UCITS III compliant fund domiciled inGermany, based on Estlanders flagship Estlander & Partners Freedom Fund. On their website Estlander claims to „be identical to the existing Estlander Partners Freedom Fund (non-UCITS), in terms of positions, return target and risk.“ If actual performance of course will be at least identical will be seen over time. Their should be an extra burden of costs on the new UCITS fund, by example through the daily price calculations and liquidity, and the required SWAPS within the structure that enable the UCITS setup. In any case the advantages of a UCITS compliant structure (and depending on what type of investor you are these certainly need to be looked into) do come at a price: subscription fees for the fund range from 1% (Class D) to 5% (class A) and management fees are 1,6% to 2,6% per year, depending on share class. Incentive fees, which in our view should be the major contributor to a hedge fund managers sources of income, are at an industry average 20% across all classes. The difference in AuM between the new and old funds could also play a significant role, both on the cost side as well as trading and allocation abilities. For 2011 all funds post green YTD numbers on the Estlander&Partners website up to March 11th. The BarclayHedge CTA index is showing a minus of 0,33% in the same period, with average annual returns of 11,55% since it has been calculated in 1980.

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