

Taking on the Goliaths of Nordic CTAs

Stockholm (HedgeFonder.nu) - Among consumer goods, it is usually a few names that take a large share of the market and split it up among themselves. Famous brands such as Coca Cola and Pepsi, McDonalds and Burger King, Boeing and Air Bus are leaders in their respective markets. Of course, there are the economic background factors that result in only a few giants having a place in the sun. But the same rules should and do not apply to fund managers.

The market for Nordic Managed Futures funds (CTA funds) is largely concentrated in a few funds that manage in their billions. Best known to most is probably Brummer & Partners fund Lynx. Another well-known fund and respected fund is SEB Asset Selection. If we dig deeper in the Nordic markets, we find funds from companies such RPM and Finnish Estlander & Partners.

But in addition there are many CTA managers who are unknown to the broader masses but also to many professional investors. This week we met, for example, the managers behind a newly launched Swedish CTA by Lundmark & Co., which started running only a few weeks ago. We will come back with a more detail report on their fund, Active Trend, shortly.

One fund we have selected for a closer look this time is Coeli Spektrum. The fund initiated in June 2008, which gives it 3.5 year track record and is run by managers Björn Elfvin and Ingemar Bergdahl. Spektrum trades systematically on 34 markets with two quantitative models. The portfolio includes equity indices, commodities, interest rates and currencies in the U.S. and Europe. Most of the returns are generated by trend-following models, while about a quarter of the signals that generate returns come from anti-trend models.

The positions in the CTA fund are held for about three weeks on average. Not surprisingly, explain the managers, unprofitable positions are settled quickly with a stop loss while winning trades generally last much longer than three weeks.

The funds initial trading year 2008 (seven months of trading) is so far the only one with a negative result and ended up with -1.26% which puts it well behind competitors and peers in an otherwise magnificent managed futures year. But then, the Fund's relative and absolute performance improved significantly especially if you look at the more recent figures. Since inception, Coeli Spektrums compound return is 38%, representing an annual yield of 9.18%. Risk, as measured by standard deviation, for that period was 12.2% which corresponds to a Sharpe ratio of 0.64.

In 2011 which proved to be a challenge for most Managed Futures funds, the fund generated a return of 7% to its investors. Also 2012 looks promising so far, with decent 2.55% in January.

A potential weakness, which has become more visible since prominent companies such as MF Global failed, is that trading for the fund is concentrated in only one broker. Even though Spektrum has chosen one of the most respected names in the industry, Goldman Sachs, the manager confirms that it he is in discussion with other companies to find an additional broker.

Coeli Spektrum is registered as a Swedish special fund and currently has around 230 million SEK (approx. EUR 25 million) under management.

What is true in the microcosmos of Nordic Managed Futures funds is just as valid globally - a few names get most of the attention from investors. Outside the Nordic countries, we find funds such as Winton and MAN AHL (which turns 25 this year). Solid brands with many billions under

management and a long history. But sometimes it just pays off to leave the mainstream and go out on the edge to catch the free wind.

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