

Nordic CTAs stage massive comeback in 2014

Stockholm (HedgeNordic) – With markets returning to a more “trend friendly” state in 2014, Nordic CTAs posted significant gains. The NHX Managed Futures/CTA Index advanced 8,1 percent thereby putting in its strongest performance since 2008 and reaching a new all time high.

Just as many had declared the death of CTAs and trend following, the industry put in a massive year in 2014. The Newedge CTA Index, the world’s leading CTA benchmark, added 15.7 percent to end the year on a new high. Trend following strategies were particularly strong with the Newedge Trend Index gaining 19.7 percent.

Albeit not as strong as the Newedge CTA Index, Nordic CTAs, as represented by the NHX Managed Futures/CTA had a rock solid year with gains of 8.1 percent, also ending on a new high. Trend followers, and most notably the managers holding the largest assets, were particularly strong with both SEB Asset Selection and Lynx putting in big numbers.

Looking at an overview of the Nordic CTA universe (table 1) reveals that the year was very much dominated by trend following strategies, while commodity and short-term strategies faced more difficult trading conditions.

Manager/Program	Volatility*	Oct	Nov	Dec	Q4 2014	2014
Trend Following						
Alfakraft ALFA Commodity Fund	12,4%	1,4%	-1,0%	2,4%	2,8%	5,8%
Brummer & Partners Lynx	12,9%	1,6%	9,9%	1,3%	13,0%	27,6%
Coeli Spektrum	9,6%	-0,8%	3,5%	1,9%	4,7%	9,6%
Estlander & Partners Alpha Trend	10,4%	-2,1%	5,6%	2,9%	6,4%	10,1%
SEB Asset Selection	7,5%	-0,3%	4,4%	2,2%	6,4%	16,8%
Average	10,6%	0,0%	4,5%	2,1%	6,7%	14,0%
Macro/Fundamental						
Estlander & Partners Global Markets	5,6%	-0,2%	2,1%	-0,7%	1,2%	4,5%
IPM Systematic Macro	8,9%	0,7%	3,8%	-1,9%	2,5%	14,8%
Average	7,3%	0,2%	2,9%	-1,3%	1,8%	9,7%
Commodities						
Ålandsbanken Commodity Fund	12,5%	-3,1%	-1,5%	-5,2%	-9,5%	-21,4%
Average	12,5%	-3,1%	-1,5%	-5,2%	-9,5%	-21,4%
Currencies						
IPM Systematic Currency	6,2%	0,2%	0,2%	0,4%	3,3%	6,9%
Average	6,2%	0,2%	0,2%	0,4%	3,3%	6,9%
Short Term						
Romanesco Persistence Program	6,2%	0,2%	0,2%	0,4%	0,8%	-10,3%
Average	6,2%	0,2%	0,2%	0,4%	0,8%	-10,3%
Multi-Manager						
RPM Evolving CTA Fund	13,4%	-4,2%	9,6%	2,7%	7,8%	14,4%
Average	13,4%	-4,2%	9,6%	2,7%	7,8%	14,4%
Nordic CTA Average	8,8%	-0,5%	3,1%	0,5%	3,3%	6,6%
Benchmarks						
Barclay BTOP50	5,1%	1,3%	5,2%	1,1%	7,7%	12,3%
Newedge CTA Index	6,3%	1,6%	5,6%	1,6%	9,0%	15,7%
Newedge Trend Index	9,8%	1,8%	7,3%	2,3%	11,7%	19,7%
NHX Managed Futures	7,2%	-1,0%	5,0%	1,2%	5,2%	8,1%
Benchmarks Average	7,1%	0,9%	5,8%	1,5%	8,4%	13,9%

Table 1. Overview of Nordic CTA performance in Q4 and 2014. Source: HedgeNordic, BarclayHedge and Newedge. *Volatility calculations based on 24-month rolling window.

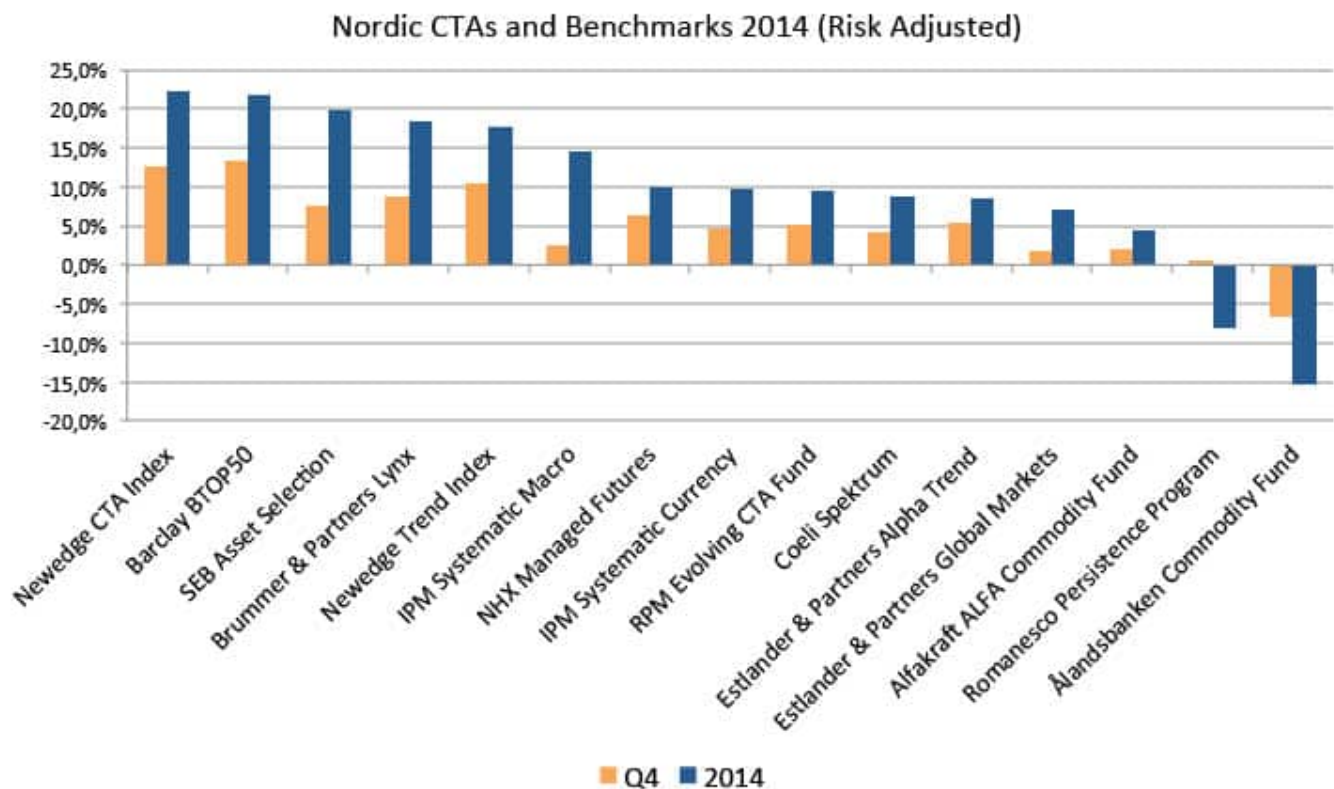
In the case of commodities, the massive drop in crude oil was perhaps the best trading theme for many trend followers in 2014 while Ålandsbanken Commodity, being long biased, naturally faced a very challenging environment. In the short-term space, Romanesco suffered a blow as their Persistence Program lost over 10 percent on the year following a bad start as volatility during the first half of the year continued to be highly suppressed offering few breakout opportunities.

A risk-adjusted ranking (all programs set to 8.8 percent annualised volatility) for the Nordic CTA managers (table 2) reveals that both SEB Asset Selection and Lynx performed very well against their peers as represented by the Newedge Trend Index, the Newedge CTA Index and the Barclay BTOP50 Index. Even the trend following subset of the Nordic CTA space had a solid year with an average gain of 12 percent. However, the NHX Managed Futures Index was lagging the Newedge CTA and Barclay BTOP50 indices, mainly due to the impact of the negative performance of a few selected names.

Manager/Program	Volatility*	Oct	Nov	Dec	Q4 2014	2014
Trend Following						
Alfakraft ALFA Commodity Fund	8,8%	1,0%	-0,7%	1,7%	2,0%	4,4%
Brummer & Partners Lynx	8,8%	1,1%	6,8%	0,9%	8,8%	18,4%
Coeli Spektrum	8,8%	-0,7%	3,2%	1,8%	4,3%	8,8%
Estlander & Partners Alpha Trend	8,8%	-1,7%	4,8%	2,4%	5,5%	8,6%
SEB Asset Selection	8,8%	-0,4%	5,2%	2,6%	7,5%	19,9%
Average	8,8%	-0,2%	3,8%	1,9%	5,6%	12,0%
Macro/Fundamental						
Estlander & Partners Global Markets	8,8%	-0,4%	3,2%	-1,0%	1,8%	7,0%
IPM Systematic Macro	8,8%	0,7%	3,8%	-1,9%	2,5%	14,6%
Average	8,8%	0,1%	3,5%	-1,5%	2,1%	10,8%
Commodities						
Ålandsbanken Commodity Fund	8,8%	-2,2%	-1,1%	-3,6%	-6,7%	-15,4%
Average	8,8%	-2,2%	-1,1%	-3,6%	-6,7%	-15,4%
Currencies						
IPM Systematic Currency	8,8%	1,5%	3,1%	0,1%	4,7%	9,9%
Average	8,8%	1,5%	3,1%	0,1%	4,7%	9,9%
Short Term						
Romanesco Persistence Program	8,8%	0,2%	0,1%	0,3%	0,7%	-8,1%
Average	8,8%	0,2%	0,1%	0,3%	0,7%	-8,1%
Multi-Manager						
RPM Evolving CTA Fund	8,8%	-2,8%	6,3%	1,8%	5,2%	9,5%
Average	8,8%	-2,8%	6,3%	1,8%	5,2%	9,5%
Nordic CTA Average	8,8%	-0,3%	3,2%	0,5%	3,3%	7,1%
Benchmarks						
Barclay BTOP50	8,8%	2,2%	8,9%	1,8%	13,3%	21,8%
Newedge CTA Index	8,8%	2,3%	7,8%	2,2%	12,7%	22,2%
Newedge Trend Index	8,8%	1,6%	6,6%	2,1%	10,5%	17,6%
NHX Managed Futures	8,8%	-1,2%	6,2%	1,5%	6,4%	9,9%
Benchmarks Average	8,8%	1,2%	7,4%	1,1%	10,7%	17,9%

Table 2. Risk-adjusted overview of Nordic CTA performance in Q4 and 2014. Source: Own calculation basen on data from HedgeNordic, BarclayHedge and Newedge. *All trading programs adjusted to same volatility as the average for Nordic CTAs during the last 24 months (8.8%).

The complete ranking of Nordic CTA managers risk-adjusted returns in 2014 against benchmarks is to be found below.



Looking forward, CTAs now appear more interesting than they have been for the last five years, the reason being that market conditions have improved. Increased market trendiness and a pick-up in volatility are both factors that are likely to weigh positively into the opportunity set for CTAs going forward. With a potential rebound in equity markets lurking around the corner, a strategic allocation to Managed Futures is likely to be one of the best places to hide when things get rough.

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