Interview: Philippe Ferreira – Lyxor Asset Management

Stockholm (HedgeNordic) – Philippe Ferreira is chief strategist at Lyxor Asset Management. Lyxor offers what is called a managed account platform where the asset manager hosts a number of high profile hedge fund strategies. The managed account structure allows Lyxor to have full transparency on each of the individual accounts, which in turn makes it a unique source of information when it comes to manager positioning, risk taking and performance.

HedgeNordic took the opportunity to ask Philippe what trends he currently sees in the hedge fund space and what strategies he believes to be the best suited to take advantage of the current volatile market environment.

HedgeNordic: Do you see hedge funds as a good place to invest now that volatility has picked up and markets are becoming more jittery?

Philippe Ferreira: The current market environment has made investors reconsider their risk exposure and to look for alternative uncorrelated sources of returns. Given that it has become increasingly hard to extract yields from the fixed income side, we see an increasing demand for hedge funds. The fact that hedge funds can take advantage of different market regimes, independent of direction, makes them an interesting option in the current environment. The pick up in volatility is also a positive for hedge funds, the prolonged period of suppressed market volatility, which has been a consequence of central bank intervention, has been harmful to hedge fund performance over the last years.

Hedge funds have also become more transparent, liquid and accessible given increased pressure from the regulatory side, this has made fund management companies offering more funds in UCITS format which allows retail investors to gain access to these strategies. Hedge fund fees have also come down overall which makes the strategies worth considering even for non-institutional investors.

HedgeNordic: Why have hedge funds underperformed traditional asset classes over the last years?

Philippe Ferreira: Hedge funds have not managed to keep pace with perceived risky assets during the last five to six years. The main reason is that central banks have suppressed market volatility through interventions such as QE. This is also the main threat we see going forward for hedge funds, that another round of QE is needed to support economic activity, we do not see this as the most likely scenario though.

This year, however, hedge funds have outperformed equities and bonds, especially in risk adjusted terms.

HedgeNordic: What trends do you see in terms of hedge fund managers' positioning and risk taking?

Philippe Ferreira: More fundamentally based strategies such as event driven and macro have not responded to the recent turbulence in terms of positioning. CTAs and long/short strategies have however reduced equity market risk. CTAs are now close to flat when it comes to equity market exposure and hold long bond positions which should make them resilient if the markets continue to struggle. In the long/short variable bias space, managers are still net long equity markets.

HedgeNordic: What strategies do you believe will outperform/underperform going forward and why?

Philippe Ferreira: We have a preference for CTA and Macro as these strategies are more adaptive, taking advantage of shorter term opportunities potentially offered by the up-tick in volatility. We are also positive to long/short strategies with little directionality such as market neutral and variable bias. On the negative side, we hold on to our view that event driven will suffer in a more risk adverse environment, we cut our recommendation on the strategy already in June.