

Seeking uncorrelated Alpha in a L/S Equity approach

Stockholm (HedgeNordic) – Geneva and London-based RAM Active Investments . might be little known to the broad public but the company has a strong institutional footprint and holds several international awards to its name. (*Not to be mistaken with Swedish manager RAM Rational Asset Management, responsible for RAM ONE*). In the Nordics, the company has been running institutional mandates going back several years

The fund offering consists of both directional and "decorrelated" ie non-directional equity strategies. Among the decorrelated funds, RAM launched two long/short equity UCITS funds in January 2012. One with a European focus, RAM long/short European Equities and the other focusing on Emerging Markets called RAM long/short Emerging Market Equities.

Both funds are using a fundamentally driven stock picking strategy that is applied systematically. The funds aim to be market neutral or "beta neutral" as the fund manager Emmanuel Hauptmann (*pictured*) wishes to describe the approach.

"We are using a systematic proprietary model that selects stocks based on their fundamentals. The objective is to generate returns of 8-12% with a volatility budget of between 6-8% over a market cycle. The objective of the strategy is to be beta neutral which is achieved through netting long exposures through short positions in index futures as well as from individual lines of short stock-picking strategies.", Hauptmann explains.

So far, the funds have delivered on their promises. However, the risk return profile of the Emerging Markets fund have been more defensive than anticipated.

"The Emerging Markets fund is more limited in the way that there are fewer options for us to find shorting positions, we have therefore taken a more defensive stance in the fund, especially in times of increased market volatility such as that experienced as of lately".

Since inception, the European and Emerging Markets long/short funds have produced annualised returns of 9.6% and 4.5% respectively. The volatility of the funds have been kept low with the European fund trading at 6.5% and the Emerging Markets at 3.2%, translating into decent sharpe ratios for both funds. The beta neutrality objective has also been met.

During the volatility pick-up in August and September, the European fund showed the benefits of using a market neutral approach by posting gains in both months to bring performance for 2015 to 10.5%. The Emerging Markets fund slumped 1.8 % in August but is still up 1.5% for the year.

Commenting on the performance in August and September, Emmanuel Hauptmann says: "Good contribution of our Long and Short strategies over the summer months, particularly of our Short selections in the Energy sector, helped us weather the sharp market correction. The RAM L/S European Equities is at a new historical high as of end September while the L/S Emerging Markets Equities progresses by 1.5% ytd, EM equities being down more than 13% over the same period."