

Fewest CTA launches in a decade

Stockholm (HedgeNordic) - Lagging returns in 2015 are fueling impatience and often disappointment by investors and reducing demand for Managed Futures. While all other hedge fund sub-categories are in positive territory, the CTA space is the only area under water. The strong returns of 2014 were a lone highlight in a long period since 2008 that CTAs could not really shine on performance. The first quarter of this year indicated room for optimism the strength was too continue into 2015, but especially over the summer months mid and long term trend followers not just gave up all gains from early in the year, but also started clocking in red numbers. As of the start of 2015, only 14 per cent of investors in CTAs planned to increase their exposure to these fund and June survey of CTA investors found that over 70 per cent were dissatisfied with returns.

European investors still show the greatest appetite for investments in CTAs, with 27 per cent of investors in the region stating a preference for the strategy.

Falling investor interest also led to a decrease of new managers stepping into the industry. Globally a total of fifty CTAs launched in the first nine months of 2015. The running year looks set for the fewest launches since 2006, when 66 CTA funds launched. HedgeNordic is not aware of any CTA launches in the Nordic space, in contrary we are aware of at least two funds within the NHX CTA subcategory that will be closing doors for good.

As a proportion of all hedge funds launched each year, the fraction represented by CTAs has fallen below 10 per cent for the first time since 2006, and now rests at a single digit 9 per cent.

"CTAs exist as a true alternative to traditional products, offering an effective hedge against difficult economic environments and market downturns," says Amy Bensted, head of hedge fund products at Preqin. "The poor performance of the sector in the years of the bull market has hit investor confidence in the asset class and it has become increasingly difficult for CTAs to raise capital." "Even though the number of investors interested in CTAs continues to grow, investors have expressed prolonged dissatisfaction with the performance of the strategy. Managers of these strategies will have to adapt to meet growing investor demands, as well as proving their worth longer term to gain capital inflow."

Nordic CTAs too had a difficult month in October. Early indications showed a loss of as much as -3,7%. With all programs having reported their monthly returns, the sector managed to claw back some territory, yet with now a 100% conviction, the final number for the NHX CTA index still stands at -3.1% for the month and -2,8% for the year. NHX composite added 0,8% in October and is up by 3% year to date.

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