Merrant: The Market Neutral Multi-Manager

Stockholm (HedgeNordic) -Merrant Alpha Select is a Swedish fund of hedge funds co-managed by Ulf Sedig and Rolf Hagekrans. The fund focuses entirely on identifying and allocating to market neutral hedge fund strategies with the objective of generating consistent returns that are uncorrelated to other asset classes, including hedge funds. So far, the approach has been highly successful! ”We have been running this strategy for more than six years now and managed to navigate all sorts of difficult market environments. Since inception, the fund has only had five negative months, with risk-adjusted returns that have consistently beaten benchmarks. To me this is evidence enough that our approach works,” as Rolf Hagekrans summarizes the strong pedigree of Merrant Alpha Select.

Merrant Alpha Select was launched in August 2009 and has shown an exceptional consistency in returns ever since. The fund is yet to report a losing year, and has generated annualized returns of 5.8 %. Volatility levels have been subdued, and the fund’s annualized volatility amounts to 1.6%. Not only has the fund performed well, it has also shown low correlation to equities, which Hagekrans sees as one of the main reasons to consider a market neutral strategy. ”One of the main advantages of the market neutral strategy is that it has a greater emphasis on acting as a true hedge to market volatility and therefore shows resilience in times of equity market distress”, Hagekrans explains, continuing: ”Market neutral funds seek to earn a positive total return over a full market cycle regardless of market conditions or general market direction. A diversified portfolio that holds a market neutral component is better equipped to provide diversified returns and improve risk-adjusted returns.”

Merrant´s concentrated portfolio currently consists of 10 different single manager market neutral funds, with the bulk of the risk being in market neutral equity strategies, the most widely used strategy in the market neutral space. As of late, Merrant has reduced the risk to fixed income relative value strategies, as the manager believes the market opportunities are simply not there. ”We have cut back significantly on fixed income allocations. The current market environment makes it hard for these strategies to generate any meaningful returns, and we believe the risk to the downside is higher than it used to be,” Hagekrans explains.

The active management of the portfolio is an important aspect in Merrant´s approach. The fact that the portfolio consists of multiple funds with inherently different styles and characteristics is a way to diversify risk, he says. Merrants fund selection process is highly structured and lives by a number of core beliefs that the portfolio managers believe explain why the funds have been recognized as having some of the highest risk adjusted returns in the industry.

To read the whole interview in the HedgeNordic Special Report on market neutral strategies, please click here: Market Neutral Strategies