

Interview - Michael Idevall, Arcturus

Stockholm (HedgeNordic) - After having spent 12 years successfully managing the specialist global equity fund Camelot at Lancelot, a long-only fund that could alter its long equity exposure by changing its cash proportion, Michael Idevall (pictured) decided to leave to set up his own hedge fund, using a more flexible mandate. In March 2016, he launched the fund Arcturus together with the investment company Bure Equity.

"It was great fun managing the Camelot fund and we significantly outperformed our benchmarks during the years but a hedge fund feels more natural to me. Instead of having the requirement of having a net long equity exposure at all times, I can now focus on protecting the portfolio more actively and generating absolute returns. The actual investment process is however very much the same as with Camelot", Idevall says when asked about why he decided to set up the new fund.

Arcturus, a name that refers to the brightest star in the northern celestial hemisphere, is a global equity hedge fund with a clear focus on Europe and US markets. The fund invests in large-cap companies that are highly liquid using a systematic top-down approach. The fund aims to deliver a high absolute return to its investors showing low correlation to the overall stock market using three strategies - strategic, tactical and statistical.

"I have always used macro-oriented approach when managing money, trying to look at what is discounted in the market and what is not. I aim to find interesting countries, sectors and currencies and determine to what extent one should be exposed to equities", Idevall says.

The fund's strategic bucket uses fundamental macro and stock specific analysis and holds a net equity exposure of -50 to +150 percent over time. The strategy uses a thematic approach with regards to stocks, sectors and countries.

The tactical bucket uses fundamental and quant analysis to find market neutral investment ideas expressed through thematic relative value positions. The investment horizon ranges from 1-3 weeks and has a target return of 3-5 percent.

The statistical part of the portfolio is purely based on quantitative analysis and is much shorter-term in nature trading index spreads with a holding period ranging from intraday to three days. It holds a universe of approximately 100 different possible spread positions. The target return in each spread is up to 1 percent.

The fund has started off with muted returns generating -0,72 percent in 2016 and being flat so far in 2017, giving back a good run in the first part of the year with a string of negative months between June and August.

According to Idevall, the fund's positioning with a net short US equity exposure and a net long European exposure has weighed on performance so far but the fund maintains the view of a relatively weaker US equity market as opposed to the European one with the current net equity exposure being -5 percent.

"Currently I don't see the equity market as all that exciting and hold a slight negative bias given that I feel valuations are a bit on the high side", Idevall reasons.

Among the positions held in the portfolio is Swedish telecommunications giant Ericsson, a position that has acted as a drag on performance recently.

"We hold a long exposure to Ericsson and bought the stock around current levels. We consider the company to be an interesting restructuring case and we have a long-term view on the stock. We think that the upside potential is significant should they successfully manage to restructure the business", Idevall says.

The Arcturus fund manages around 475 million SEK and Idevall is currently expanding the team in order to further improve on the shorter-term strategies of the fund.

"We have recently hired Jonas Eklund who will be working in the role as quant analyst. Given his background from PAN Capital we feel that his competencies are well aligned with the parts of the portfolio that we want to develop further. Jonas will be an important addition as we are now looking to add more uncorrelated return drivers to the portfolio", Idevall concludes.