

Millennium Trends elevate Pacific Multi Asset

Stockholm (HedgeNordic) – Pacific Multi Asset, the multi-asset liquid alternatives fund managed by Pacific Fonder, has reached new all-time high levels in January spurred by trends in what the portfolio manager Eric Strand (*pictured*) refers to as the “Millennium Trends” risk bucket.

“The millennium trends part of the portfolio seeks to benefit from trends that relates to the technological revolution that we are seeing in the society today. It invests in liquid equities from strong companies that are active in quickly growing industries that are benefiting from technology shifts such as robotics, electrification of cars and cyber security”, Strand says.

According to Strand, the millennium trends bucket is however only one part of the explanation to the recent run for the Pacific Multi Asset Fund, which since the start in February 2016 has gained 9.4 percent to a volatility that is in line with the stated risk target of 6 percent.

“There has been solid performance overall. Apart from millennium trends, real assets and mean reversion strategies have worked well”, Strand says.

In the real assets part, Strand invests in assets that have value due to their substance and properties and that are typically well-suited for inflationary times. These investments include real estate, infrastructure, forest, water and agriculturals.

The mean reversion strategy, on the other hand, is price-driven and aims at finding opportunities where the stock price has reached a level where it is typically poised to bounce back to a long-term average price.

“One such opportunity was Lundin Mining, Strand explains. The price of the stock plummeted into early 2016 and we took long positions expecting it to retrace to the longer term mean, it has since come back strongly earning us decent returns.”

The remaining risk buckets underlying the multi-asset fund are defensive in nature, aiming to protect the portfolio in difficult times for perceived risky assets such as stocks. These buckets include gold, fixed income positions and what is referred to as “bear”, that is short positions on equities and equity indices.

“We have been less active within the fixed income part of the portfolio, simply because the opportunities have not been there. However, there will always be a defensive tilt to the portfolio. We should be able to perform in all market environments independent of whether the market is risk seeking or more risk averse, the defensive parts of the portfolio serve a very important function in that sense”, Strand explains.

Going into 2018, Strand has remained positioned for a continued bullish sentiment in equity markets which has earned the fund a decent start to the year. He is now looking to add to the defensive side as equity markets appear stretched for the short term.

“It has been a very strong start to the year in equity markets, which is not unusual looking at historic patterns. However, given the strong performance of last year, I think it is prudent to focus more on the defensive side of the portfolio in the coming months”, he concludes.