

Month in Review - October 2018

Stockholm (HedgeNordic) - October was a challenging month for investors and fund managers alike, and hedge funds were no exception. Nordic hedge funds, as expressed by the Nordic Hedge Index (NHX), were down 2.1 percent in October (86 percent reported), recording their worst month in the aftermath of the financial crisis. The weakness was led by equity hedge funds and CTA vehicles, with both groups impacted by plummeting global equity markets.

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All five strategy categories within the NHX ended the month of October in the red, with fixed-income hedge funds experiencing the least amount of suffering. Equity-focused hedge funds and trend-following CTAs were down 2.6 percent and 2.5 percent, respectively, with both categories struggling as global equity markets fell 5.1 percent in Euro terms. Down 5.2 percent year-to-date, Nordic CTA funds are on track to record their worst annual performance since HedgeNordic started tracking the space in 2005. Multi-strategy funds and funds of hedge funds retreated 2.1 and 1.6 percent, correspondingly. Fixed-income hedge funds, meanwhile, were down 0.3 percent last month, bringing the year-to-date gains to 1.5 percent. NHX Fixed Income is the best performing NHX sub-category so far this year.

Dispersion between the best and worst performing members of the NHX was wide last month, with the top 20 percent of hedge funds returning 1.2 percent on average and the bottom 20 percent falling 7.0 percent. Around one-quarter of the 176 hedge funds included in the NHX posted gains for October. Volt Diversified Alpha Fund, which applies machine learning to capture price moves motivated by changes in underlying economic factors, was last month's best performing hedge fund in the Nordics with a gain of 4.6 percent. Whereas the quick reversal in global equity markets impacted many trend-followers, Volt started the month with a small short position in U.S. equities that partly contributed to last month's gains.

Atlant Protect, a hedge fund vehicle that seeks to protect against market crashes with the use of derivative strategies, was up 3.1 percent last month. DNB TMT Absolute Return, a long/short market-neutral equity fund, and Formue Nord Markedsneutral, which employs a beta-neutral long/short strategy, advanced 3.0 percent and 2.7 percent, respectively.

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