RPM’s Fruitful Bet on Evolving CTAs

Stockholm (HedgeNordic) – Nordic CTAs recorded their best summer ever this year, and **RPM Evolving CTA Fund** was among the most successful during this period. RPM Evolving CTA Fund, which invests in a select group of young CTAs in the most dynamic and competitive phase of their life-cycle, gained 19.2 percent during the three summer months and was up 12.5 percent year-to-date through September 10.

RPM Evolving CTA Fund was up 9.6 percent in August alone, with the fund’s strong returns stemming from profits in the fixed-income, metals and soft commodities markets. “The trends were apparently driven by increasing fear of a global recession and an escalation in the US-China trade war,” Johanne Schou Vassbotn *(pictured)*, investor relations representative at Stockholm-based RPM Risk & Portfolio Management, tells HedgeNordic.

“CTAs tend to make money when there are price trends in the markets,” says Vassbotn, who further adds that “these price trends, usually referred to as the Time Series Momentum (TSMOM) risk factor, explain close to 60 percent of CTA performance.” The RPM team measures TSMOM through a proprietary Market Divergence Index (MDI), which rose to almost twice the long-term average level in August. That “created a good trading environment for Evolving and, of course, for most other CTAs,” says Vassbotn.

After gaining 1.3 percent last year, RPM Evolving CTA Fund had a difficult start to 2019 by losing 8.7 percent in the first two months of the year. Starting with March, however, the multi-CTA fund enjoyed six consecutive months of positive performance. “After a tough start to the year for Evolving and CTAs in general, the fund has delivered strong performance for the last six consecutive months, with fixed income as the single most profitable sector,” Vassbotn tells HedgeNordic.

“Evolving has also delivered particularly strong performance thanks to the active diversification within the CTA space both in terms of sub-strategies and the fund’s focus on growing and evolving managers.” 2019 was kicked off with ultra-low market trendiness, according to Vassbotn, but the rest of the year has experienced increasing trendiness “as a result of long-term bullish trends in fixed income and short-term trends in commodity markets.”