

Volt Delivers Electrifying Returns

Stockholm (HedgeNordic) – Many hedge funds have been caught flat-footed by the coronavirus-fueled market sell-off, but some funds are performing very well in the current environment. **Volt Diversified Alpha**, a diversified systematic trading vehicle that uses machine learning and fundamental data to capture price moves across markets, gained 20.3 percent year-to-date through the end of last week after advancing 9.4 percent month-to-date.

Volt Diversified Alpha is powered by the Volt Program, a systematic trading program designed to capture price moves across major asset classes motivated by changes in underlying economic factors. As “closed schools, travel bans, trade disruptions, postponed events directly impact the economy,” writes CIO Patrik Safvenblad (*pictured*) in a letter to investors, “the real-life consequences of the Coronavirus are now clearly visible.” According to Safvenblad, “markets saw exceptional volatility, in many cases directly comparable to the 2008 crisis, but market action generally followed the standard risk-off playbook.” Volt Diversified Alpha successfully captured trends triggered by the deteriorating sentiment.

“Trading in energy, soft commodities and fixed income made a roughly equal contribution to results,” writes Safvenblad in a rare mid-month update to investors as a result of the extreme volatility this month. Trading in foreign exchange markets made a positive contribution too, while the contribution from equity and metal trading was flat. Whereas “risk-taking was around average levels at the beginning of the month,” says Safvenblad, “positions were scaled back as volatility increased.” The Volt Program maintains a bearish stance, but positions have been reduced following the increase in volatility. Despite being fundamental in nature, the program uses technical information for risk management, trade timing and execution decisions.

Breaking down the month-to-date return into smaller components, “fixed-income trading gained from a recently-established long position in Canadian bonds,” says Safvenblad. Long positions in US Treasuries and UK Gilts also added to performance, whereas a short position in the five-year BOBL, the German Bundesobligation, detracted from performance. In energy trading, Volt Diversified Alpha captured profits from short positions in crude oil and gasoil. The Volt Program’s trading in equities was flat month-to-date, as the high volatility in equity markets closed out most equity positions. “Soft commodity trading posted gains on the short side in several markets,” adds Safvenblad. In metal trading, gains from a short position in copper were offset by losses from a long position in gold. “Interestingly, gold has defied its safe-haven status and is down on the month,” writes Safvenblad in the letter.