

New Fund Blossoms in Challenging Waters

Stockholm (HedgeNordic) – After rigorous backtesting and out-of-sample trading, Finnish asset manager Northern Star Partners launched trend-following fund **NS Quant** shortly before the coronavirus-driven market turmoil. The strategy has been up to the task, as NS Quant gained over ten percent in March and is one of this year's best performers in the Nordic Hedge Index.

The recently-launched fund relies on an in-house developed strategy, also dubbed NS Quant, to trade liquid equity and commodity futures. The futures-based systematic long/short strategy is based on three interrelated models – momentum, trend, and quality check – to perform irrespective of the direction of broader markets. “NS Quant is a three-step quantitative model that generates entry and exit trading signals and continuously monitors whether the three models are in accord on open positions,” explains Markku Malkamäki, CIO at Northern Star Partners.



Senior Portfolio Manager Kenneth Barner-Rasmussen.

The momentum and trend models are two different, yet non-competing strategies that generate signals to buy on the upswing or sell on the downswing, serving to support or reject each other. The “quality check” model, meanwhile, “acts as a hurdle and is designed to either confirm correct trading signals or oppose false signals,” further elaborates Malkamäki. By maintaining only positions endorsed by all three models, “the strategy tries to eliminate false signals to optimize performance and minimize trading activity,” explains Senior Portfolio Manager Kenneth Barner-Rasmussen, who oversees NS Quant alongside CIO Markku Malkamäki and analyst Markus Malkamäki.

The NS Quant strategy “seeks to participate in uptrends, as well as limit exposure in downtrends or even make a profit out of downtrends,” says Markku Malkamäki, who used to run **Northern Star MG Relative Value** with Karri Lehtinen. Northern Star MG Relative Value, which was launched under the umbrella of Northern Star Partners during the summer of 2018, employed commodity option trading strategies. The volatility-based fund was closed down in January this year after struggling to perform because of low volatility and occasional sharp reversals.

In backtesting and out-of-sample trading, Northern Star's NS Quant strategy “captured positive and negative price trends early across asset classes,” says Barner-Rasmussen. “The results from the NS

Quant strategy shows that trend-following and momentum models yield results and simultaneously minimize trading activity.” NS Quant is the third-best performing fund in the Nordic Hedge Index in 2020 after gaining 11.6 percent in its first two months.

Welcome to the Nordic Hedge Index!