

Back on Track

Stockholm (HedgeNordic) – Having launched in August 2018, trend-following commodity fund **Calculo Evolution Fund** had an impressive start despite facing a turbulent end to 2018. **Calculo Evolution Fund** gained over seven percent in the last five months of 2018, but 2019 turned out to be an unexciting year for the pure commodity fund steered by Philip Engel Carlsson (*pictured*). After booking its best month on record this September, the excitement is returning to Calculo Evolution Fund, Carlsson and his co-investors.

The artificial intelligence-assisted trend-following commodity fund managed by Carlsson advanced 4.1 percent in September to bring its year-to-date performance to 6.8 percent, just shy of its 2018 return of 7.3 percent and well ahead of its 0.3 percent loss for 2019. Whereas commodities had a mixed month in September, “Calculo Evolution Fund’s adaptive approach worked well in capturing the swings throughout the month,” Carlsson tells HedgeNordic. “The fund uses machine learning to assist the process of exiting positions and did so with great success,” he emphasizes. Calculo Evolution Fund’s September advance was mainly attributable to gains from trading grains – corn, soybeans and wheat – and shorting energy markets.

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The trend-following industry has seen wide dispersion of performance this year and the month of September was no exception. The NHX CTA sub-index, which reflects the performance of the Nordic region’s trend-followers and other managed futures vehicles, was down an estimated 2.4 percent last month. “Calculo’s algorithms captured shorter-lived momentum-driven movements, differentiating the fund’s approach from classic CTA funds,” Carlsson points out a possible reason for last month’s dispersion. The pure commodity focus also explains Calculo Evolution Fund’s uncorrelated behaviour relative to its peers.

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According to Carlsson, “commodities have seen extreme volatility throughout the year, with both long trending markets, a good deal of shorter-lived trends and wave moves in the direction of the main trend.” Calculo Evolution Fund may have navigated these waves better than other funds relying on longer-term investment horizons, “which absorb the full volatility.” These waves going in the direction of the main trend, “where the general longer-trend has been upward but fairly bumpy, makes the performance of funds with longer holding periods more volatile.”

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Last month, Calculo Evolution Fund also outpaced the Bloomberg Commodity Index, which tracks the performance of 24 major commodities. The long-only Bloomberg Commodity Index was down 3.4 percent last month, “thereby highlighting the alpha extraction delivered by the fund’s strategy,” according to Carlsson. “The alpha extraction can be attributed to both the shorting capability of the fund and the adaptive approach that dampens the volatility impact from swings in the underlying markets the index is exposed to.”

Calculo Evolution Fund advanced 6.8 percent year-to-date through the end of September, delivering an annualized return of 6.3 percent since inception with an annualized volatility of 5.6 percent. “We are satisfied with our 2020 performance, where we have shown stability in a volatile environment,” Carlsson comments on the fund’s 2020 performance. “We are slightly below our return expectations of 10-15 percent,” acknowledges the main architect behind the strategy. “Our lower-than-expectations annualized return is primarily driven by our results in 2019, where our underlying markets were impacted by very short-lived momentum movements driven by Trump’s tweets and Brexit, which made it difficult to capture true alpha.”