# Trend-Following at its Finest

Stockholm (HedgeNordic) – Many trend-following CTAs truly enjoyed the market environment of February, with the SG CTA Trend Index that tracks trend-following strategies advancing 7.4 percent last month through February 24 before shedding some gains in the last two trading days of the month. "It's truly trend-following at its best now," Nicolas Mirjolet, the chief executive officer of Swiss CTA Quantica Capital, recently told Bloomberg. "The environment right now is almost unbelievable in terms of consistency, the strength and persistence of trends that we see across asset classes."

Many Nordic CTAs also thrived in last month's market environment, with Estlander & Partners' pure-trend following strategy, **Estlander & Partners Alpha Trend** program, advancing 8.0 percent in February and its sister **Freedom** program gaining 7.9 percent. The two vehicles under the umbrella of Stockholm-based CTA specialist RPM Risk & Portfolio Management closely followed suit, with **RPM Galaxy** gaining 7.9 percent last month and **RPM Evolving CTA Fund** advancing 5.8 percent. "There were 20 trading days in February and Evolving was positive in 17 of them and two of the negative days were – as anticipated – the last two trading days when profit-taking and trend reversals often set in," Mikael Stenbom *(pictured)*, the CEO of RPM, tells HedgeNordic.

*"There were 20 trading days in February and Evolving was positive in 17 of them and two of the negative days were – as anticipated – the last two trading days when profit-taking and trend reversals often set in."*

**RPM Evolving CTA Fund**, which features among the nominees for the "Best Nordic CTA 2020" award at the upcoming Nordic Hedge Award, invests in a select group of young CTAs in their "Evolving Phase," the most dynamic and competitive phase of their life-cycle. "We have 13 CTAs in the portfolio," says Stenbom. "11 were positive on the month and two were negative," of which one was short-term and the other one long-term fundamental. The strongest performer made 9.3 percent and the weakest lost 3.9 percent.

*"The strongest performers in Evolving were what we call hybrid trend-followers plus short-term traders, both technical and fundamental."*

"The strongest performers in Evolving were what we call hybrid trend-followers plus short-term traders, both technical and fundamental," Stenbom tells HedgeNordic. "Hybrid trend-followers are usually quicker to react to (temporary) trend-reversals and generally more nimble than standard trend-followers," he continues. "We do not really have any "classic" trend-follower in the portfolio, but the ones that come the closest did, of course, well during the month, but lost more than others the last two days of the month."

*"We do not really have any "classic" trend-follower in the portfolio, but the ones that come the closest did, of course, well during the month, but lost more than others the last two days of the month."*

"We believe that we may have entered a new market environment due to several factors."

A wide range of positive developments has created a fertile environment for trend-followers in February. “We believe that we may have entered a new market environment due to several factors,” says Stenbom. Some of these factors include the fiscal stimulus, which has different effects than monetary stimulus, according to Stenbom, “the vaccine relief, US election uncertainty removed, inflation lurking in the shadows, expectations of huge climate-related investments, expectations of a growth boom when the pandemic is defeated, etc.”

*“Galaxy’s performance was even stronger, but the fund keeps just one CTA now and is trading at a higher volatility.”*

RPM’s other CTA vehicle, RPM Galaxy, advanced 7.3 percent in February to take its year-to-date performance to 10.3 percent. “Galaxy’s performance was even stronger, but the fund keeps just one CTA now and is trading at a higher volatility,” says Stenbom. “Soft commodities was the sector with the largest profits, followed by metals, energy and stock indices,” he adds. “Losing sectors were VIX and short rates – bonds were actually contributing positively as did FX.”