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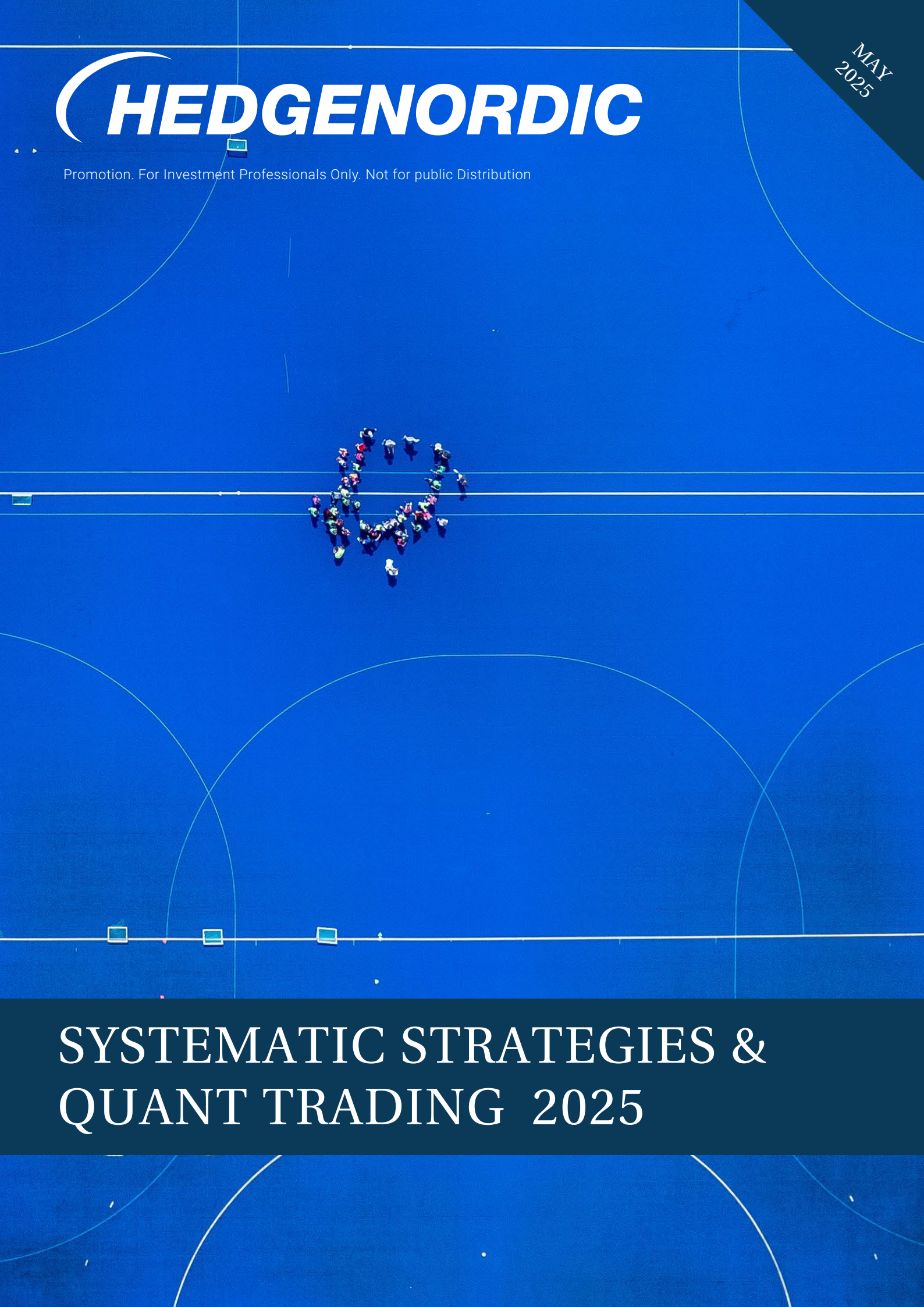

SYSTEMATIC STRATEGIES & QUANT TRADING 2025

SYSTEMATIC STRATEGIES & QUANT TRADING

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INTRODUCTION

HedgeNordic is the leading media covering the Nordic alternative investment and hedge fund universe. The website brings daily news, research, analysis and background that is relevant to Nordic hedge fund professionals from the sell and buy side from all tiers.

HedgeNordic publishes monthly, quarterly and annual reports on recent developments in her core market as well as special, in-depth reports on "hot topics".

HedgeNordic also calculates and publishes the Nordic Hedge Index (NHX) and is host to the Nordic Hedge Award and organizes round tables and seminars.

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Editor´s Note…

Are the Rules Still the Rules? … And What if They Change?

www.hedgenordic.com – **May 2025**
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In this issue of „Systematic Strategies and Quant Trading," HedgeNordic put together a collection of perspectives from some of the most experienced and forward-thinking asset managers, who take a systematic and quantative approach to trade financial markets.

What binds all these voices together is a shared commitment to structure. To rules. To systems and to order.

Systematic strategies, after all, are designed to remove the noise and to strip away the emotional and discretionary impulses that so often sabotage decision-making under pressure. The foundation of trend following, quant models, statistical arbitrage, and machine-learning-driven signal generation is precisely that: a repeatable, rules-based process applied with discipline and consistency.

And yet ,what happens when markets no longer plays by the rules?

Recent events have pushed that question front and center. In a world of algorithmic order and structured probability, we now confront daily headlines shaped by erratic political decision-making, late-night social media proclamations, and on-again-off-again policy reversals.

Take the so-called "Liberation Day" tariff announcement as just one example. What began as a bold move toward trade normalization quickly reversed within a few days. Market reactions were just as violent: equity indices and other markets whipsawed violently, with multiples of daily standard variations movements, traditional correlations going out the window and volatilities and traded volumes spiking. What if this wasn't an anomaly but if this has become the texture of modern markets?

For managers who rely on robust backtests, statistically sound signals, and structured execution plans, this kind of environment presents real challenges. It raises valid questions:

How robust are our models when faced with non-economic shocks? Can a purely rules-based system adapt fast enough to account for policy whiplash and tweet-driven turbulence? Or, paradoxically, is this exactly when systematic strategies are most needed, when discretion would panic and overreact?

In this issue, we invite contributors to address this friction directly. Some explore how they've built more resilient models, incorporating volatility filters, macroeconomic overlays, or even sentiment inputs to navigate a post-normal regime. Others double down on the timeless strength of the systematic approach: the discipline to stay out of the way and let models weather the noise.

This debate is especially relevant for the CTA and managed futures community. These strategies thrive on trends, and trends can be a casualty of indecision. Regime shifts with no follow-through, or narratives that flip on a headline, can create a market environment where signal-to-noise ratios deteriorate. Yet at the same time, these are also the moments when behavioral biases in discretionary strategies are most exposed and where the cold rationality of the machine can still shine.

We also consider whether the definition of "systematic" itself is evolving. Must systematic always mean rigid, or can it mean adaptive? Rule-based, but flexible enough to incorporate a broader spectrum of information? Some managers are finding ways to fuse traditional quant models with real-time event detection and regime classification systems, seeking to preserve the integrity of process while acknowledging the volatility of the world it operates in.

Ultimately, this issue isn't about whether systematic trading still works. It does, and many of the managers featured here have the track records to prove it. The real question is how rules are interpreted, maintained, and adapted in a market increasingly shaped by actors who themselves appear to operate without them.

We hope this issue sparks thoughtful discussion, invites critical reflection, and highlights the strength, and adaptability, of systematic approaches in a world that seems, at times, to defy system altogether.

Kamran Ghalitschi
PUBLISHER, HEDGENORDIC

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Transtrend's Hands-On Approach to Systematic Trade Execution

Expert Pilots Navigate Global Markets

By Hamlin Lovell – HedgeNordic

Transtrend is a systematic investment manager with a strong focus on intelligent, adaptive execution. Significant effort goes into ensuring that execution is both precise and responsive to market conditions. Supported by a robust technological foundation, Transtrend's research, portfolio management, and trading teams collaborate closely and share a deep commitment to active market participation.

A PASSION FOR TRADING AND LEARNING

Even by Transtrend's standards of long staff tenure averaging over 10 years, Dutch American Marc Putter stands out, having been with the firm for over 25 years. "I started as a trainee money broker in London but after two years realized I was not suited to the old school barrow boy trading floor shouting matches. I came to Transtrend not so much for the location in Rotterdam but rather to embrace lifelong learning. My father was a vegetable oil trader for most of his career and I was aways inspired by him. While his focus was on physical commodities, we trade multiple markets and asset classes and Transtrend is a great place to learn so much more."

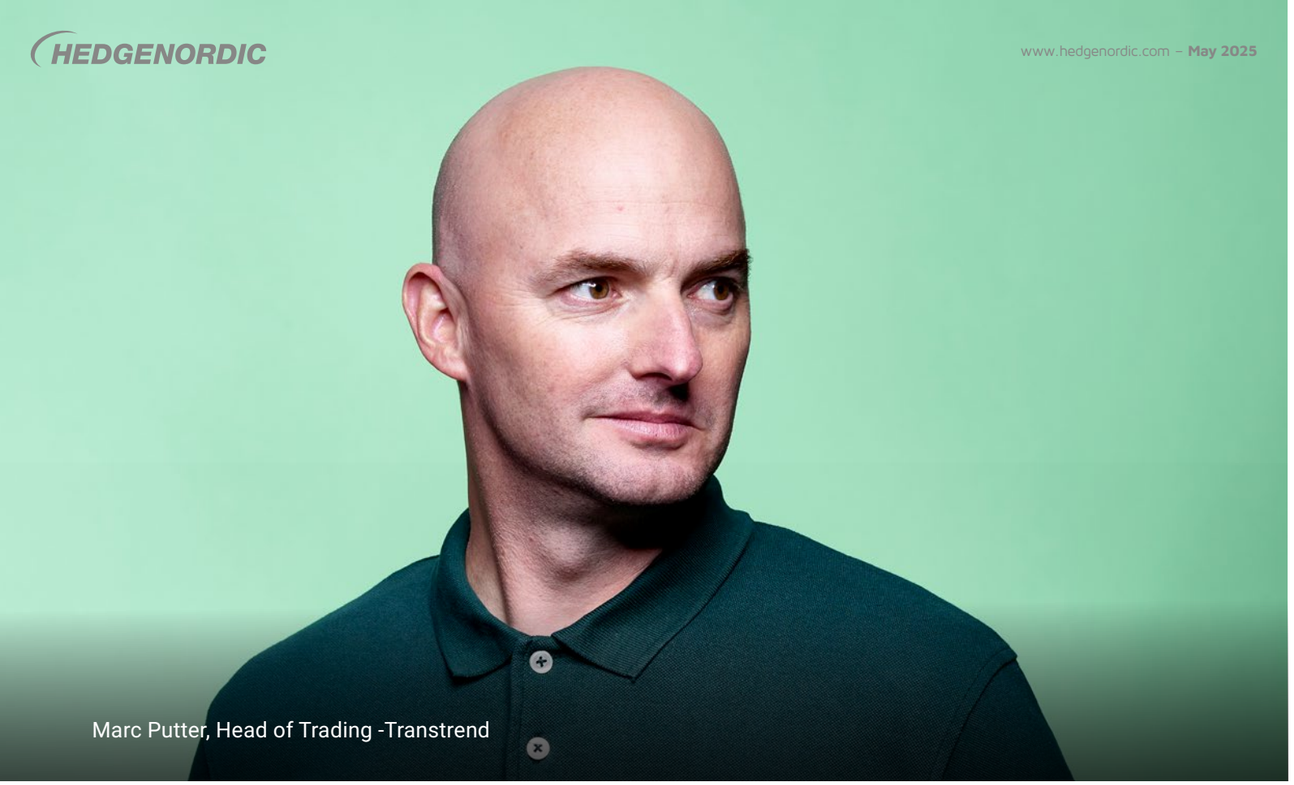
Even after 25 years every day is different and there is always something new going on. "Transtrend and the whole industry are constantly developing and evolving and we actively participate in this. It is never easy to suss out markets – and whenever you think you have worked them out there are always new ideas and nasty surprises! The same news moves markets in different and unexpected ways," reflects Putter.

Since all Transtrend traders work in the firm's one and only office in Rotterdam, they work shifts to trade markets globally across multiple time zones. "I still do early mornings and late nights - including some work after midnight – and I really enjoy the variety. I know that rhythm might not work for everyone, but for me, it's my comfort zone," notes Putter.

> "Whenever possible we try to pick up risk premia and find opportunities to make trading smarter and more efficient."

"LIQUIDITY PROVISION" AND PRICE SENSITIVITY

At Transtrend, the focus is on executing trades in a way that seeks to capture additional liquidity risk premium. Rather than simply taking liquidity, the firm aims to approach execution with the mindset of a liquidity provider – seeking control and better pricing where possible. "We are not a liquidity provider per se like a market maker, but we have adapted our execution approach to trade in a liquidity-providing



Marc Putter, Head of Trading -Transtrend

fashion. Whenever possible we try to pick up risk premia and find opportunities to make trading smarter and more efficient. Of course, as a trend follower we cannot always do this, but we try to strike the right balance," explains Putter.

In some cases, after a large move when volatility in a market has also increased, Transtrend can be trading around the trend – perhaps lightening up a long cocoa position after the market went parabolic in 2024 or covering part of a short position after a spike down. In other cases of more steady and orderly trends Transtrend is more likely to be trading in line with the trend but always takes an active approach to execution.

"Futures markets trade on electronic lit exchanges so that what you see is what you get. But they function best when there is active participation from all sorts of participants. Active participation in markets is a responsibility because if everyone left orders to fill at the VWAP (Volume Weighted Average Price) the market could flatline all day. We adapt our best execution benchmarks to the intention of the order, because TWAP (Time Weighted Average Price), VWAP, or Settlement Price are not suitable to our strategy that is highly sensitive to price and precision," explains Putter.

In practice the execution tactics are adapted to the situation: "We may participate more passively or engage actively depending on the context and opportunity. We never send a market order and prefer to work with limits. Some are more aggressive than others and they will not all get triggered in a single day. For example, we do not shy away from trying to trade within the bid/offer spread," elaborates Putter.

Transtrend manages over USD 4 billion in its Diversified Trend Program and has a sizeable presence in some smaller markets that can be carved out as "alternative markets" by some other funds though Transtrend trades everything in the same strategy. "When we are relatively large in certain markets we have a special responsibility, including smart and non-disturbing execution," points out Putter.

FLEXIBILITY IN EXECUTION AND PARTICIPATION

The vast majority of trades are executed algorithmically, using in-house developed strategies designed to actively manage execution. "You have to strike the right balance between how active and how passive your execution should be," Putter explains.

Where voice trading is used – which is only a small portion of the overall activity – the same execution principles apply. Instruments are mainly futures though there are some swaps on equities and interest rates, while FX, freight and electricity can be traded OTC. Transtrend is not restricted to trading only electronic markets in the way that some systematic funds are.

The trading execution team works very closely with portfolio management and research teams – all sitting in the same open plan office. This close collaboration allows for seamless adaptation when market conditions shift. Traders sometimes need to make a judgment call when market conditions change while an order is working. Execution algorithms need to adapt and adjust in real time while staying faithful to the original objective. "If conditions become less opportune, the algo adapts accordingly," points out Putter.

TRADERS ARE PILOTS

Marc Putter views traders as pilots of an advanced and highly engineered aircraft. "When people interview for a role we do not want reactive traders. We want proactive traders who love flying and love feeling in control. They need to understand how the plane is built and need to be prepared to roll up their sleeves and get their hands dirty," stresses Putter.

Transtrend tries to filter out as many "unknown unknowns" as possible. "But they do happen – and when these unknown unknowns arise, we trust our people to promptly recognize the issue and be able to act on it," says Putter. Traders are trained to understand systems, anticipate issues and take over when necessary. "They need to know the why as well as the how," says Putter.

Traders' roles are growing as Transtrend's strategy is becoming more flexible and more complex. "Our execution systems also need to filter out noise and less relevant information so that we do not get swamped by it all. It is essential to stay effective as the landscape evolves," sums up Putter. "Orders need to be channelled to different venues, and a big project is building proprietary visualisation tools. I would even like to add various sound alerts as well but the developer has overruled me on that!," admits Putter.

"We never send a market order and prefer to work with limits. Some are more aggressive than others and they will not all get triggered in a single day."

Ville Rantanen, Portfolio Manager at Mandatum Asset Management

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Adapting to Market Regimes:

The Secret Behind Mandatum's Managed Futures Strategy

By Eugeniu Guzun – HedgeNordic

2024 has been a mixed but generally challenging year for trend-following strategies. The early months of 2025, particularly March and April, have been equally, if not more, difficult. A noisy market environment with few sustained directional moves and frequent reversals has made it difficult for models to latch onto persistent trends. Yet amid this turbulence, Mandatum Managed Futures Fund stood out, delivering strong performance in 2024 and an even stronger showing in early 2025, with a return of more than 6.0 percent year-to-date.

Its success highlights a key differentiator in its approach: the use of meta-models – including regime models – that enable the fund to dynamically adjust to shifting market conditions. While the fund is built to navigate challenging environments for traditional trend-following, it also performs well when classic trend-following comes into favour, as seen in 2022. Trend-following remains a central component of the Mandatum Managed Futures Fund, but it's far from the only one.

"Trend-following is a core strategy for the fund, but we also incorporate other risk premia such as mean reversion, seasonality, and carry."

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“Our proprietary meta-model frameworks enable us to dynamically adapt to changing market environments, further lowering correlation with conventional CTAs”

BEYOND TRADITIONAL TREND-FOLLOWING

“Trend-following is a core strategy for the fund, but we also incorporate other risk premia such as mean reversion, seasonality, and carry,” says Ville Rantanen, Portfolio Manager at Mandatum Asset Management. These additional components, he explains, have helped the fund stand apart from more traditional trend-followers in 2024 and early 2025. “We aim to diversify our strategy universe rather than rely solely on trend following,” he elaborates. “While trend following remains an important component and we can capture trends efficiently, we also use other strategies to reduce dependence on a single style.”

The fund’s systematic approach is designed to identify and capture persistent behavioural patterns across global markets, with a focus on delivering absolute returns and crisis alpha through multiple, diversified return streams. “To achieve this, we have designed a strategy that is both robust and adaptable, using a diversified set of signals and models that respond to changing market conditions,” says Rantanen. Over time, this design has resulted in a return profile that exhibits low correlation not only to traditional asset classes, but also – at times –to other CTAs.

Since its launch in late 2019, the Mandatum Managed Futures Fund has delivered an annualized return of about 6.0 percent, exhibiting a low correlation of 0.23 with the MSCI World and 0.30 with the SG CTA Index, a key benchmark for the managed futures space. Despite this modest correlation, the fund retains the “crisis alpha” traits typically associated with traditional trend-following strategies, gaining 8.0 percent in 2022 – a year when most asset classes posted losses. “While the Mandatum Managed Futures Fund shares some similarities with conventional trend-following strategies, several key characteristics differentiate our approach and contribute to the relatively low correlation with the SG CTA Index,” confirms Rantanen. “We aim to diversify our strategy universe rather than rely solely on trend following, yet we still capture trends efficiently.”

META-MODELS IN PRACTICE: FROM REACTIVE TO ADAPTIVE INVESTING

A defining aspect of the fund’s design is the integration of proprietary meta-models into its systematic framework. “Our proprietary meta-model frameworks enable us to dynamically adapt to changing market environments, further lowering correlation with conventional CTAs,” explains Rantanen. “Meta-models are models that provide critical information to the system, guiding decision-making across strategy selection, risk allocation, and portfolio adaptation.”

Regime models are one type of Mandatum’s meta-models, aggregating information from multiple sources to guide both model selection and risk-taking decisions. “These models can react swiftly to significant market movements, allowing us to adjust risk exposure more rapidly than traditional methods and identify where to deploy capital most effectively,” explains Rantanen. Another type of meta-model in its framework follows a model hierarchy approach, where capital is dynamically reallocated to strategies based on pre-defined conditions. “This allows us to adjust exposures according to each model’s relevance and effectiveness in the prevailing market regime, further enhancing the system’s adaptability.”

In essence, these meta-models allow the Mandatum Managed Futures Fund to shift from a reactive to an adaptive investment process – one that Rantanen sees as crucial for maintaining consistent performance across a broad range of market environments. “The meta-models are closely tied to market regimes, as their purpose is to help system position the portfolio in the most suitable way for the prevailing environment,” he explains. While they continuously monitor shifting market dynamics, their influence on the portfolio remains steady and flexible, enabling the fund to respond with agility without overreacting to short-term noise.

“Rather than having a minimal impact during stable periods, they are constantly guiding the system—shaping allocations, adjusting risk, and influencing strategy prioritization,” notes Rantanen. “Their role is not limited to rare overrides but is an integrated and ongoing part of our decision-making framework, with their level of influence naturally evolving with the market context,” he elaborates. At key market turning points, their impact becomes more pronounced, driving timely and decisive adjustments that respond to evolving conditions and dynamics.

PEER DIFFERENTIATION: MARKET FOCUS, SPEED AND MODEL FLEXIBILITY

Trend-following managers often distinguish themselves by factors such as the breadth of markets and instruments they trade, the speed of their models, and the balance between trend and non-trend strategies. Mandatum Managed Futures Fund clearly goes beyond a sole focus on trend-following, harnessing the diversification benefits of carry, mean reversion, and seasonality.

The fund’s approach also defies simple categorization based on model speed. “Our trend-following orientation isn’t fixed to a single time horizon—it shifts depending on the prevailing market regime,” explains Rantanen. “In more stable, directional environments, we may lean into medium- or long-term trend signals,” he adds. “In contrast, during choppier or more volatile periods, shorter-term models may take on a greater role. This flexibility is core to our approach.”

Some trend-following managers focus exclusively on the most liquid futures markets – equities, fixed income, and currencies – while others extend their reach to commodities or even more exotic, though often less liquid, instruments. Mandatum’s strategy centers firmly on financial futures, with a particular emphasis on equities, fixed income, and currencies. “These markets form the core of our investment universe because they offer deep liquidity, broad diversification potential, and reliable trend and other risk premia dynamics,” says Rantanen. Commodities, by contrast, are not currently part of the fund’s investment universe.

This combination of features – including the use of meta-models, a range of model speeds, and a focus on financial futures – creates a product that “serves as a versatile component that fits well alongside traditional equity and fixed income allocations, providing valuable diversification and reducing overall portfolio volatility,” according to Rantanen. Additionally, due to its unique and distinctive return profile, the fund is a strong fit within hedge fund portfolios, “offering institutional-quality alternative exposure that both complements and diversifies traditional hedge fund strategies.”

Despite delivering peer-beating performance on multiple occasions – earning the fund the title of Best Nordic CTA at the Nordic Hedge Award for two consecutive years – the team at Mandatum Asset Management remains focused on evolving its managed futures strategy. “We recognize that markets are constantly evolving, and we are committed to continuous research to build new models and study new features that could impact and further develop our strategy,” concludes Rantanen. “Our research is multidisciplinary, drawing on various fields to identify insights that enhance our models.” The team is exploring the inclusion of new markets to further diversify the investment universe, for example, by adding equity sector futures. “Through this ongoing innovation, we aim to maintain and improve the fund’s ability to deliver consistent, absolute returns across changing market environments.”

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Jonty Field, Co-Head and Chief Operating Officer at Gresham Quant

The CTA Goldilocks Zone Optimizing Diversification, Returns and Risk

By Hamlin Lovell – HedgeNordic

HedgeNordic met with GreshamQuant Co-Heads; Dr Thomas Babbedge, Chief Scientist and Jonty Field, Chief Operating Officer, to discuss the role of capacity within ACAR, an alternative commodity CTA.

"In Astronomy the Goldilocks zone denotes the range of planetary orbits around a star where the temperature is not too hot and not too cold – instead it is 'just right' to allow liquid water and hence potentially life" recounts Dr Babbedge, a former Astrophysicist. "For a CTA that 'just right' zone is about your choice of size and capacity – how many $s are you running and what implications that has in terms of the markets you can access meaningfully."

Capacity in financial futures measures the size of a market: how much risk is traded in a given future contract daily? How much risk can be traded without excessive market price impact? Capacity can also refer to inventory: How many contracts are outstanding? What is the open interest? What is the size of the roll market? In commodity markets, the financial contract's capacity relates to the size of the underlying physical market: How much grain is produced and sold via futures? How much oil is bought and consumed via the futures market? There are two types of players in commodity markets: the physical players (hedgers) and the financial players (speculators), "The interaction between hedgers and speculators makes commodity markets so fascinating. Even for a specific futures contract, speculators may be trading the near expiry while hedgers may be trading the back of the curve," explains Dr Babbedge. "To GreshamQuant, capacity is also a tool to enhance portfolio diversification, returns and long-term performance," adds Field.

OPTIMIZING DIVERSIFICATION

"Diversification is key to a CTA's performance," explains Babbedge. "Each individual futures market can yield a small profit but by allocating risk to uncorrelated markets, we are able to reduce overall portfolio volatility and increase Sharpe for our investors." As importantly to our clients, diversification within the commodity markets also reduces ACAR's correlations to other CTAs: "Most CTAs have correlation to the SG CTA index exceeding 80, ACAR's correlation is around 25%," says Field. "We trade very differently to other CTAs even at times of stress: just recently, following Trump's liberation day, April 2025, Gresham's ACAR strategy was up while most other CTAs were down meaningfully," he adds. "This allows us to live side-by-side with big CTAs: we are providing risk exposure they do not offer," he concludes.

DISCIPLINED HARD CLOSES

Being able to maintain that diversity requires discipline in managing in-flows. "Usually, strategy's capacity is limited by the risk it allocates to its biggest markets. ACAR's capacity is limited by its smallest markets and our conviction to allocate meaningful risk to them," explains Babbedge.

"We plan inflows based on long term growth in our

> "For a CTA that 'just right' zone is about your choice of size and capacity – how many $s are you running and what implications that has in terms of the markets you can access meaningfully."
>
> Thomas Babbedge

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markets and we work in partnership with our existing client base to avoid compulsory redemption," says Field. "During covid, liquidity in commodity markets exploded but we avoided taking capital to ensure we would not have to give it back," recalls Babbedge. "We do not want to optimize capacity every 6 months because we are building long term partnerships with clients to align interests," adds Field.

MARKET SELECTION

GreshamQuant select markets that are dominated by real world players such as consumers, producers, suppliers and hedgers, rather than speculators and investors. "Though these alternative markets can have enormous underlying physical markets, the futures that we trade can sometimes be smaller and less liquid than more widely traded futures. These markets are expected to exhibit inelastic demand and generate better trends than most futures markets," explains Dr. Babbedge. "Even within an alternative futures market, oftentimes we will trade further out the curve where prices are less sensitive to news shocks and are driven by fundamental supply and demand, we find this often translates to stronger and slower trends," points out Field.

SIZING COMMODITY MARKETS EVENLY

Gresham's ACAR strategy broadly aims to size risk evenly across markets because this aids diversification and an overall reduction in portfolio volatility. "Portfolio construction is based on a diversified set of risk factors deriving from the properties of markets so that they have equal opportunities to perform well. It is not based on backtests or lookbacks," explains Babbedge.

He gives an example of this principled approach: "When we started in 2017, European Carbon had a negative Sharpe lookback, but we still gave it a large allocation as it was a strong diversifier. It paid off handsomely as Carbon markets grew in both size and importance," explains Babbedge.

ADDING AND DELETING MARKETS

Capacity is thus somewhat fluid and new markets can grow capacity over time, but markets are added for diversification rather than capacity per se. "Markets such as South African Richards Bay Coal were removed after they became less liquid. An extreme case was nature-based global voluntary carbon credits, which have gone from 100 to zero due to credibility concerns. Brokers share plenty of intelligence alerting us to potential liquidity issues, such as Black Sea Wheat, which we ceased trading after Russia invaded Ukraine," says Babbedge. "Since we trade well over 150 markets, without one dominating risk, we can afford to be disciplined about removing markets that no longer meet the ACAR hypothesis," explains Field, "it would not be existential if any one market disappeared."

EXECUTION & TRADING COSTS

Another barrier to entry to these markets is execution. Jonty Field was head of execution analytics in AHL and later was part of the growth of the algorithmic execution broker QB. "Execution of ACAR markets is 'high touch', requiring an extensive network of brokers. Gresham has traded commodities since the early 80s, and we rely on our brokers not only for trading but also for understanding other market participants. We also monitor change in market participants via Commitment of Traders reports," he comments. "Trading Costs Analysis is crucial to us and understanding market participants is important in understanding slippage and how it changes during big market events." GQ monitors slippage when CTAs are deleveraging. "Although there are more CTA participants, we have not noticed unusual slippage during deleveraging episodes."

CHINESE FUTURES

Commodities are usually a smaller component of alternative CTAs while ACAR trades commodities exclusively. "The Chinese market is commodity oriented, so we have a decent exposure to it, though we ensure that our risk exposure is at most 25%-30% of the book," outlines Babbedge. "It is possible to obtain substantial diversification within the universe of Chinese futures, since they contain unique markets including green energy, feedstock chemicals and fertilizers that can have very different drivers," he adds. Gresham access Chinese futures via onshore swaps to mitigate repatriation and political risks. "We have one of the largest swap capacities based on our long-term relationships," says Field. As the Chinese economy grew, most Chinese futures markets have grown in capacity though there are always exceptions such as thermal coal that have become less liquid.


Dr Thomas Babbedge, Co-Head and Chief Scientist at Gresham Quant

LOOKING AHEAD

Tariffs and trade wars might shrink some markets, but others could grow. "Shifts in economic activity and global trade creates new opportunities," explains Field, "Deglobalization creates more idiosyncratic, local rather than financialized markets." Other trends such as the growth of AI, electrification and the green economy are other unique risk factors ACAR provides to client, "Trade wars, recessions, inflation and deflation can all be interesting times for us," sums up Babbedge.

"To GreshamQuant, capacity is also a tool to enhance portfolio diversification, returns and long-term performance."

Jonty Field

UBP's U-Access Campbell UCITS A Thoroughbred Quantitative Multi-strategy Fund

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Fredrik Langenskiöld, Senior Investment Specialist for Alternative Investment Solutions (AIS) at UBP

By Hamlin Lovell – HedgeNordic

Union Bancaire Privee (UBP), which was founded in 1969, has been investing in hedge funds since the 1970s when Campbell was amongst the pioneers of systematic investing strategies. "Our first allocations were to global macro and long/short equity. Quant allocations started in the 1990s," says Fredrik Langenskiold, Senior Investment Specialist for Alternatives in UBP's London office.

UBP has been recommending both UCITS and non-UCITS funds to its clients for decades. "After the GFC European clients developed a preference for regulated funds and to meet that demand we created the U-ACCESS UCITS platform in 2014 to onboard managers in which we have high conviction. Fund selection is at the core as we only run one internal hedge fund strategy," says Langenskiold, who has been with UBP since 2003.

UBP has known Campbell for more than 20 years and has allocated to various Campbell strategies and vehicles over the years. UBP's funds of hedge funds can allocate to external vehicles or to U-ACCESS single hedge funds. A management fee rebate at the UBP level avoids "double dipping" and means that allocating internally does not generate any incremental revenue, though it does slightly reduce fee costs for investors in UBP's funds of funds.

> "We were especially interested in multi-strategy quantitative funds because the volatility of more directional funds was too high for our experience with UCITS."

UBP's UCITS discussion with Campbell started in 2018 and the product launched in June 2020. "We were especially interested in multi-strategy quantitative funds because the volatility of more directional funds was too high for our experience with UCITS," recalls Langenskiold.

MULTI-STRATEGY ADVANTAGES

Embedded leverage is key advantage of the structure in managing volatility. "As a fund selector we would need to pick four individual strategies with volatility above 25% to reach a 10% portfolio volatility target. Owning funds with 25% volatility would be difficult as they could be expected to have drawdowns of 35% or more," points out Langenskiold.

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A design benefit of a multi-strategy approach is that the four strategies follow different return cycles and the low correlation has generated more stable returns and a higher Sharpe ratio of 0.9 to 1. "Over time all four strategies have made similar contributions, which have been additive and uncorrelated. In 2021 equity market neutral did very well for example," says Langenskiold.

Centralised risk management and netting of trades to reduce trading costs are additional features of combining strategies in one vehicle. Performance fee netting is another bonus: investors only pay performance fees if overall performance is positive.

A MORE DIVERSIFIED QUANTITATIVE APPROACH

Traditionally CTAs were directional but now roughly 50% of risk in UBP's Campbell UCITS fund is in relative value strategies, which can perform well in different periods. "A standalone trend following CTA made sense in 2022 but probably would not in most years. In choppy markets such as 2025 or in low volatility periods such as 2010-2020 with high correlation between asset classes it was hard to find strong performance in either discretionary macro or trend strategies. In contrast shorter term macro and quantitative equity strategies including equity dispersion can perform well in rangebound choppy markets," observes Langenskiold.

Traditionally CTAs traded the big macro markets including equity indices. Campbell trades single stocks as well, which brings additional diversification. "Trading equities long and short on a market and beta neutral basis generates additive alpha that is differentiated from the other models," says Langenskiold.

Traditional trend following CTAs traded over medium to long term timeframes of weeks to months. Campbell has also developed shorter term systems (though not high frequency trading) trading from intraday to two weeks, which are faster than the three month average for the momentum bucket. "The short term bucket has done especially well since Covid as markets got faster. In April 2025 the short term strategy was the biggest winner as medium term models found it harder to catch the moves," notes Langenskiold.

"A standalone trend following CTA made sense in 2022 but probably would not in most years. In contrast shorter term macro and quantitative equity strategies including equity dispersion can perform well in rangebound choppy markets."

The short term models have also helped to navigate market reversals that have been challenging for some quantitative funds. "In April 2025 our intramonth peak to trough drawdown was only between 1.5% and 2%. We ended April up 0.80% even though the momentum sleeve was negative. It has been a challenging environment for medium to long term trend following," observes Langenskiold. "The product have also navigated the Japanese "Yenmaggedon" pivot in August 2024 and the mini-banking crisis around SVB and Credit Suisse in March 2023," he points out.

UCITS STRUCTURING AND QUANT FUNDS

The U-Access UCITS differs from Campbell's flagship multi-strategy product in avoiding commodities and non-US equities but these have made fairly minimal contributions to overall performance, according to Langenskiold. Meanwhile the UCITS offers daily liquidity.

There have never been any other quantitative funds on the U-ACCESS platform, which currently hosts three long short equity and two long short credit funds following a discretionary approach. "We could contemplate onboarding other quantitative funds in two situations: if Campbell ran out of capacity for this strategy or if we found one that was very uncorrelated and differentiated. The platform generally avoids competing strategies," explains Langenskiold.

ESG

Though the fund makes disclosures under SFDR article 6, it still observes UBP's firm level exclusions list. Makers of controversial weapons including cluster munitions and land mines (which are being used in Ukraine) as well as nuclear weapons are excluded along with thermal coal and tobacco. Firms violating international norms and standards can also be ruled out while various controversies are considered on a case by case basis. UBP has an ESG committee to oversee the exclusions. UBP became a UNPRI signatory in March 2012, some years earlier than many other firms.

DISTRIBUTION IN THE NORDICS

In the Nordics, the fund is registered for public distribution in Sweden and Finland. The investor groups include banks, asset managers and family offices..

While 2022 generally saw strong inflows for systematic funds this product has continued to garner strong inflows in 2023, 2024 and 2025.

Patrik Säfvenblad, CIO at Volt Capital Management

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From Macro to Trend:

Volt's Approach to Trend-Following

By Eugeniu Guzun – HedgeNordic

Patrik Säfvenblad, Jukka Harju, and the broader team at Volt Capital Management have successfully managed their fundamental systematic macro strategy since its launch in early 2017. Designed to serve as a diversifier within investor portfolios, the strategy has consistently delivered during risk-off periods – most notably gaining 41 percent in 2020 and 8 percent in 2018. With both Säfvenblad and Harju having roots in systematic trend-following – Harju previously served as a quantitative researcher at Lynx Asset Management – Volt has now launched a standalone trend-following program. The new strategy is designed not only to complement Volt's flagship macro program but also to offer institutional investors an additional, differentiated source of diversification.

"Both Jukka and I have been working with trend-following for as long as we can remember," says Säfvenblad, noting Harju's experience at Lynx Asset Management. However, Säfvenblad is quick to emphasize that "what we're doing here with the Volt Trend Program bears no resemblance to what Lynx is doing – in terms of models, timeframes, or approach." While the founding team at Volt initially chose to focus on their systematic macro strategy – "that was a niche where we felt we could offer something genuinely different," says Säfvenblad – the trend-following project "has always been there on the side, sitting on the shelf."

A DISTINCT COMPLEMENT TO TREND-FOLLOWING PEERS

The Volt team designed the Volt Trend Program not only to complement its own macro strategy but also to stand alongside existing trend-following strategies in the Nordics. "What we do in macro is a good complement to trend following and vice versa," says Säfvenblad. More importantly, he adds, "the reason we're launching this is because we believe we're offering something that – while 'unique' is often overused – is certainly distinct." According to Säfvenblad, "it's a trend-following program with characteristics you will typically not find among other managers."

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“We definitely run faster models than average. Second, we’re more diversified than most, particularly with a heavier allocation to commodities.”

While both the time-tested Macro Program and the newly launched Trend Program are designed to serve a diversifying or protective role in investor portfolios, they are built to be fundamentally uncorrelated and complementary. “The two programs have very low correlation,” says Säfvenblad, noting that both backtests and live performance show a correlation of approximately 0.2. “That stems from the fact that they rely on completely different sets of signals,” explains Volt’s Chief Investment Officer.

“Trend following, in some sense, is about following the market, looking at what has happened and positioning accordingly,” explains Säfvenblad. “The Macro Program, by contrast, is much more about forecasting – anticipating where the market is headed based on underlying drivers.” May offered a clear illustration of this difference: the Macro Program was long oil, while the Trend Program was short the same instrument. “These are two distinct ways of interpreting the market,” says Säfvenblad. “Each is valid within the context of its own strategy.”

WHAT SETS THE VOLT TREND PROGRAM APART?

There is a broad universe of trend-following managers offering different shapes of trend-following exposure, varying by the range of instruments and markets traded, the models employed, time horizons, and other design choices. While all aim to deliver diversification, crisis alpha, or downside protection, their approaches and styles can differ significantly. Volt Capital Management has designed its Trend Program to complement the existing lineup of Nordic and global trend-following strategies. “It’s a trend-following program with certain characteristics you won’t find at the average trend-following manager,” reiterates Säfvenblad.

At the core of the strategy design, the Volt team aimed to tackle two common challenges faced by traditional trend-following approaches: “whipsaw losses, i.e., getting chopped up during directionless markets” and suffering correlated losses in sharp market reversals. Säfvenblad explains that the first issue – being chopped up – is where machine learning truly adds value, while the second – correlated losses – is mitigated through broad diversification across instruments and markets, especially within the extensive and varied commodity sector.

Compared to a typical trend-following program, the Volt Trend Program differentiates itself along three key dimensions: speed, diversification, and tighter risk management. “We definitely run faster models than average,” Säfvenblad begins, noting an average holding period of around 20 days. “Second, we’re more diversified than most, particularly with a heavier allocation to commodities,” he adds. While commodities are “just as trend-friendly as financials – neither better nor worse,” Säfvenblad explains, maintaining roughly equal weights between commodities and financials “significantly helps reduce stress losses during sharp sell-offs.”

“Trend following tends to be more diversified during upward moves than in sell-off episodes,” argues Säfvenblad. By including exposure to soft commodities such as grains, cotton, and others – which generally exhibit low correlation both among themselves and with broader markets – the Volt Trend Program aims to “reduce the likelihood of very large drawdowns.” “Crude oil behaves differently from heating oil, and metals differ from energy commodities,” he notes, emphasizing that “our goal is to achieve maximum diversification. While trend-following in equities can be highly volatile, recoveries in equity markets often generate “more tradable trends in the commodity space,” offering a valuable secondary source of trends that helps capture equity market momentum without direct equity exposure.

The third key differentiator of the Volt Trend Program is its tighter risk management compared to the average trend-following strategy, Säfvenblad explains. “With greater exposure to commodities, we aim to achieve more stable risk-taking, which allows us to maintain a lower maximum risk.” The objective is to avoid the pattern of strong gains followed by steep losses. “Our risk management is closely tied to this approach, and it’s supported by the program’s diversification – with a wide range of traded markets, there are always some new emerging trends we can seek to capture.”

The importance of diversification and disciplined risk management stems from the team’s long experience managing the Volt Macro Program. “Trying to be as diversified as possible really helps during stress periods,” Säfvenblad emphasizes one lesson from running the existing Macro Program. “The other part is about not being overconfident in your risk-taking – just because you made money yesterday doesn’t mean you’re more likely to make money tomorrow,” he explains. “Nor does it mean you’re less likely. The key is to remain cautious and maintain stable risk-taking.”

A FOCUS ON QUALITY OVER CAPACITY

The ability to run faster models and place greater emphasis on commodities offers clear benefits to investors but comes with a trade-off. “The price we pay is lower capacity,” explains Säfvenblad. “We are not focused on maximizing capacity; instead, our priority has been to create the best, most diversified product possible.” The Volt Trend Program targets a minimum capacity of one billion U.S. dollars. “We designed this product with an emphasis on balancing speed and market diversification, and we intend to stay true to that commitment.”

While the Volt Trend Program is a newcomer in the trend-following space, it is by no means inexperienced. “Building a trend program involves much more than just generating a set of trend signals,” says Säfvenblad. “You also need to execute trades effectively – getting in and out at the right time and price. Having around eight years of actual trading experience makes a significant difference,” he explains. “On the machine learning side, multiple iterations have refined our signal weighting processes.” Overall, “the risk management and execution tools we employ all contribute substantially to the effectiveness of the trend program.”

For Volt, launching a trend-following program wasn’t about adding another product to a crowded space – it was about building a distinct one, and hopefully a better one. Backed by years of real-world trading experience, a differentiated design, and a clear focus on quality over scale, the Volt Trend Program reflects a clear ambition: to follow trends differently – and do it well.

Marco Barchmann, Co-Head of Solutions at Challenger

Turning a Time Zone Constraint into a Truly Diversified Systematic Portfolio

By Eugeniu Guzun – HedgeNordic

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Jerome Yim, Co-Head of Solutions at Challenger

Many hedge funds aim to deliver truly uncorrelated and consistent returns to investors. A team based in Australia – partly motivated by the time zone gap with major markets – found that the most effective way to achieve this was by assembling a multi-strategy, cross-asset portfolio of systematic strategies. This includes a mix of bank quantitative investment strategies (QIS), customized QIS solutions, and proprietary models developed in-house.

In July 2022, Marco Barchmann – who previously worked at Deutsche Bank on QIS strategies out of Australia – and Jerome Yim – a former portfolio manager at Wellington in London who later returned to Australia, co-launched Spectrum Systematic Alpha at Challenger. This strategy, aimed at institutional investors, follows what Barchmann describes as "an unconstrained systematic approach with an objective of delivering positive returns of 5-7% above cash regardless of the market environment." Instead of trying to time betas using a quantitative approach, "we build a balanced portfolio allocating to systematic strategies as core building blocks instead of asset classes."

"We build a balanced portfolio allocating to systematic strategies as core building blocks instead of asset classes."

Marco Barchmann

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A BROAD AND CROSS-ASSET STRATEGY UNIVERSE

Spectrum Systematic Alpha is a multi-strategy, cross-asset systematic investment strategy designed to deliver consistent absolute returns with low correlation to major asset classes. To achieve this objective, "our strategy universe is deliberately broad and cross-asset," explains Yim. "We deploy systematic strategies across rates, FX, equities, commodities, credit, and volatility as an asset class. The addressable market is essentially everything and anything."

The range of strategies employed by Spectrum Systematic Alpha reflects its core objective of serving as a defensive alternative. "We aim to replace part of an investor's equity allocation, which tends to be heavily exposed to risk-on/risk-off dynamics, with something that offers steadier, uncorrelated performance," explains Yim. Unlike trend-following CTAs that seek to provide crisis alpha, Spectrum Systematic Alpha is designed to generate equity-like returns that are structurally uncorrelated to equities – making it a "defensive alternative" from a portfolio construction standpoint. "It's about delivering highly uncorrelated absolute returns, not crisis alpha."

QIS: A SCALABLE AND EFFICIENT INFRASTRUCTURE

Drawing on their deep QIS experience, Spectrum Systematic Alpha blends bank-provided QIS, customized QIS, and proprietary systematic strategies. "We don't see QIS and proprietary strategies as fundamentally different," says Yim. "A systematic strategy is a systematic strategy, whether it's delivered via a bank platform or developed internally." Leveraging bank QIS helps address the significant challenge of building a robust infrastructure capable of implementing sophisticated multi-asset strategies entirely in-house.

"That means everything from strategy research and signal generation to order management, model deployment, trade execution, reconciling actual fills against model sizing, risk management, and ensuring we don't miss any executions when signals trigger," explains Yim. That's where bank QIS offers an elegant solution, he explains. "QIS strategies provide a liquid, scalable, and operationally efficient way to implement systematic strategies, mitigating many of the infrastructure and execution risks."

"These strategies have become increasingly sophisticated, competitive, and cost-effective, particularly in terms of pricing and transaction costs," according to Barchmann. "We believe the trade-off is, in many cases, very attractive," he emphasizes. Barchmann explains that relying more on bank strategies allows them to focus on the dynamic strategy selection whilst also benefiting from operational advantages. "Sometimes, banks offer additional advantages. For instance, if we managed everything internally, we'd have to post initial margin on futures across many different exchanges. Often, banks can handle that far more efficiently," he notes.

The duo has reviewed hundreds – if not thousands – of systematic strategies and conducted in-depth analysis on several hundred to construct a portfolio which currently consists of 23 distinct strategies, of which 20 are bank QIS. "The bank universe offers many commoditized strategies, but there remains a significant gap – there are effective strategies out there that simply aren't available within the QIS universe," points out Yim. This is precisely where their proprietary strategies come into play. "One gap is clear: the hedging strategies available in the QIS space often underperform, have a high cost of carry or lack consistency." One proprietary "hedging" strategy was developed specifically to provide the needed exposure to complete the portfolio.

A DYNAMIC, REGIME-AWARE FRAMEWORK

Rather than building a static portfolio of systematic strategies, Marco Barchmann and Jerome Yim apply a quantitative classification of strategies based on the prevailing market environment to guide their portfolio construction. "We didn't want to take a static approach," says Yim. "It's tempting to just pick the ten strategies that performed best over the last decade and rely on those, but that's a classic case of data-mined backtest bias." What matters for the team was not what worked in the past 10 years, but what will work going forward. "Our approach is similar to how pod shops operate, where you can quickly turn strategies on and off as the opportunity set evolves."

> "We don't see QIS and proprietary strategies as fundamentally different. A systematic strategy is a systematic strategy, whether it's delivered via a bank platform or developed internally."
>
> Jerome Yim

For example, the duo developed a model that categorizes the market environment based on volatility and identifies which strategies best fit each regime. "We divide volatility into three main regimes: high, medium, and low," explains Yim. "For each regime, we calculate the conditional returns of all strategies in our universe, so we know ex-ante which strategies tend to perform well in low, medium, or high volatility environments." However, "we don't fully commit to any one regime. Instead, we tilt the portfolio accordingly while maintaining broad diversification," Yim notes. "Our objective is to deliver consistent returns regardless of whether we accurately predict the market environment."

Barchmann further emphasizes that while many adopt a classic risk parity approach –equally weighting the risk contribution of each strategy – that's not their method. "We scale to the same strategy-level volatility simply to ensure a like-for-like comparison," he explains. They also pay close attention to the tail risk properties of the strategies. "Some strategies exhibit skewness or heavy tails, meaning they might usually operate around 2 percent volatility but can spike to 10 percent during stress events," says Barchmann. "In these cases, we apply a more conservative scaling factor, lower than what the simple ratio would suggest, to limit the portfolio's exposure to extreme volatility in adverse conditions."

Another key element of the duo's portfolio construction and risk management process involves stress testing. For example, they simulate scenarios where oil or equities drop by 20 percent and estimate the potential losses for each strategy. "We cap the maximum allocation to ensure no single strategy would lose more than around 3 percent in an extreme portfolio-wide stress event," notes Barchmann. He highlights that while traditional approaches like risk parity or equal risk contribution each have merits and limitations, their method is different. "We adopt a middle-ground approach that provides greater flexibility to allocate to strategies based on the current market environment, while ensuring no single strategy dominates and the portfolio remains balanced overall."

PRACTICAL EXPERIENCE AND MARKET INTUITION

"Our investment edge, in many ways, comes from not being pure quants," Yim concludes. "We are market practitioners who have actively traded through multiple investment cycles, witnessing firsthand how strategies like FX carry unraveled during the financial crisis, the COVID crash, and other risk-off environments," he adds. "This experience gives us a deep understanding – not just of the historical returns, but also of the actual positions these strategies hold and the risks embedded within them."

A final advantage of their futures- and derivatives-based strategies is capital efficiency. Unlike other strategies that rely heavily on cash and must generate their entire return through trading, their approach captures both the underlying cash yield and the returns generated by systematic trading. In today's environment, where interest rates are no longer near zero, this becomes especially significant. "We benchmark ourselves to cash and only charge performance fees on returns above the cash rate, not above zero," explains the duo. This means investors don't forego the cash yield when investing in their strategy.

> "We didn't want to take a static approach. Our approach is similar to how pod shops operate, where you can quickly turn strategies on and off."
>
> Jerome Yim

Rising Adoption of Quantitative Investment Strategies Among Nordic Investors

By Eugeniu Guzun – HedgeNordic

“Many providers offer a broad and solid suite of strategies…Investors are increasingly cherry-picking individual strategies they find most compelling from each provider. It’s a healthy outcome.”

From a high-level perspective, there is a clear trend of increasing adoption of quantitative investment strategies (QIS) among Nordic institutional investors, either through the internal development of such strategies and through outsourcing. Edvin Petersson, Head of the Institutional Client Group Northern Europe at Deutsche Bank, among other roles, has observed a shift in how institutions embrace QIS – moving toward more granular and purpose-driven implementations.

The adoption of quantitative strategies by Nordic institutional investors has not followed a straight path, but rather experienced “a bit of an ebb and flow,” according to Petersson, who has over 20 years of experience working with investors in the region. At Deutsche Bank, Petersson recalls that the business of offering QIS solutions to Nordic clients began around 2012–2013, initially through long/short equity implementations. Over time, the focus expanded into cross-asset risk premia strategies,

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Edvin Petersson, Global Co-Head of Rates Structuring, Head of ICG Northern Europe & Chairman of DB Investment Solutions at Deutsche Bank

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which gained traction and evolved to becoming standalone allocations in their own right.

FROM BROAD ALLOCATIONS TO MORE GRANULAR, PURPOSE-DRIVEN STRATEGIES

"It was initially driven largely by the disappointing equity returns around 2008. That was the catalyst," recalls Petersson. "Investors held broadly diversified equity portfolios with multiple managers, many of whom were marketed as alpha generators. But when the crisis hit, correlations went to one." In response, investors began seeking exposure to long/short equity strategies in pursuit of uncorrelated returns. "That evolved into the long/short cross-asset space," continues Petersson. "But the motivation remained the search for uncorrelated return streams." According to Petersson, this type of implementation remained in strong demand for several years, up until around 2018.

However, Petersson notes that the strong investor appetite for alternative risk premia strategies led some institutions to allocate to portfolios containing a large number of strategies, which caused challenges with due diligence and monitoring. As performance across the alternative risk premia space proved underwhelming over several years, allocations began to wane. "A key reason was the prolonged underperformance of value, which was a core component in many of these portfolios," he explains. This, combined with what became known as the 'quant winter,' led to a widespread decline in assets under management across these strategies.

Today, both investor interest and assets under management are rebuilding in a more "granular fashion," says Petersson. Instead of allocating to broad portfolios comprising 50 to 70 strategies from multiple providers, "investors are increasingly cherry-picking individual strategies they find most compelling from each provider." Petersson views this as a very positive development: "It's a healthy outcome. Many providers offer a broad and solid suite of strategies, but naturally, there are areas where some stand out more than others." More importantly, he adds, investors are now approaching allocations with greater intent, focusing on the specific rationale and portfolio role of each chosen strategy.

The reasons for implementing these strategies have become more diverse, according to Petersson. "Whereas it was initially very much about seeking absolute, uncorrelated returns, the implementation scope has broadened significantly." Today, investors might turn to quantitative strategies for a range of purposes – whether to replace equity put options with something less punitive in terms of carry, to pursue return-seeking objectives, or as substitutes for traditional hedge fund allocations. "There's now a broader set of motivations behind these investments, but they tend to be more clearly defined," he continues. "Investors have a clearer idea of why they want to use these strategies and which specific strategies they want to cherry-pick from different providers."

> "In the past year or so, we've seen institutions replace long-only mandates with indexed exposures, while seeking more purpose-driven, often systematic, strategies to complement them."

EXPANDING SCOPE AND CHALLENGES OF SYSTEMATIC FIXED INCOME STRATEGIES

While systematic investing has traditionally been more conducive to equity markets and less so to fixed income, Petersson observes growing adoption and interest in systematic fixed-income strategies in various forms. "The equity space is quite well explored, so it's natural that attention is shifting toward fixed income," he says. He adds that the current macro environment is also playing a role: "We now have more volatility and a normalization of the yield curve. Compare that to the pre-pandemic environment – rates were low, often negative, and the fixed-income landscape made it harder to identify compelling strategies." In contrast, today's more normalized interest rate environment is offering new opportunities.

One particular challenge with systematic strategies in the fixed income space is managing transaction costs. "Deutsche Bank has a strong heritage in fixed income – it's in our DNA – so we've been able to address the issue of transaction costs very effectively," says Petersson. "This is particularly important because fixed-income strategies often involve higher cost per unit of underlying volatility, compared to, say, equity or FX strategies, where transaction costs are almost negligible." In fixed income, by contrast, costs can quickly erode excess returns if not managed properly. "A strategy that looks compelling on paper may turn out to be far less attractive once realistic trading costs are factored in."

BUILDING VS. OUTSOURCING SYSTEMATIC STRATEGIES: OPERATIONAL REALITIES

The gradual adoption of systematic strategies is, according to Petersson, "part of the broader passivization of investments." Rather than relying heavily on high-cost, alpha-seeking external managers in the equity space, investors are increasingly questioning the value-add. "When you look at the overall performance, many of these managers end up delivering something quite close to beta – but at a much higher cost," says Petersson. As a result, investors are becoming more inclined to secure low-cost beta exposure and selectively add alpha-generating components on top. "In the past year or so, we've seen institutions replace long-only mandates with indexed exposures, while seeking more purpose-driven, often systematic, strategies to complement them."

Some larger allocators with greater resources have also developed quantitative investment strategies in-house. According to Petersson, the decision to build internally or outsource "depends very much on the size of the investment teams." He emphasizes that internally managed and external systematic strategies "can and often do coexist," with some investors choosing to implement certain strategies themselves while sourcing others from banks or external managers. "If you're a large fund with, say, 100 people in the investment department, you can afford to self-implement a significant portion of simpler strategies," Petersson explains. "But for smaller teams or those with operational constraints, the challenge is much greater."

As investment banks' platforms have become increasingly efficient over time, "pricing has consequently become tighter," says Petersson. He adds that clients are now more willing to outsource these strategies to banks because many of them are resource-intensive, not only in terms of the IT infrastructure required but also in execution and operational complexity. "What used to be a relatively esoteric solution for a very specific purpose has evolved into a much more broadly accepted product," concludes Petersson. "These strategies are now viewed as ready-made building blocks you can seamlessly plug into your portfolio, allowing investors to avoid the operational hassle while fulfilling specific tasks in the portfolio."

Honey, you Shrunk the Skew

By Linus Nilsson – Tidan Capital

“Skew describes the asymmetry of the shape of the distribution. Positive Skew is the tendency to see larger positive returns and smaller negative returns. Negative Skew is the tendency to observe larger negative observations and smaller positive gains.”

One of the mythical qualities of a trend-based strategy is that it is a strategy with a positive Skew, which measures the asymmetry of the returns. It is not always trivial to interpret, depending on the actual shape of the distribution.

In layman’s terms, skewness suggests a distribution with occasional large gains and relatively smaller losses, whereas negative skewness indicates the opposite: steady gains punctuated by rare but severe losses. In technical terms, it is the third standardized moment. Skew is not a return measure, only a description of the return distribution.

Skew describes the asymmetry of the shape of the distribution. Positive Skew is the tendency to see larger positive returns and smaller negative returns. Negative Skew is the tendency to observe larger negative observations and smaller positive gains.

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Linus Nilsson, Head of Systematic Strategies at Tidan Capital

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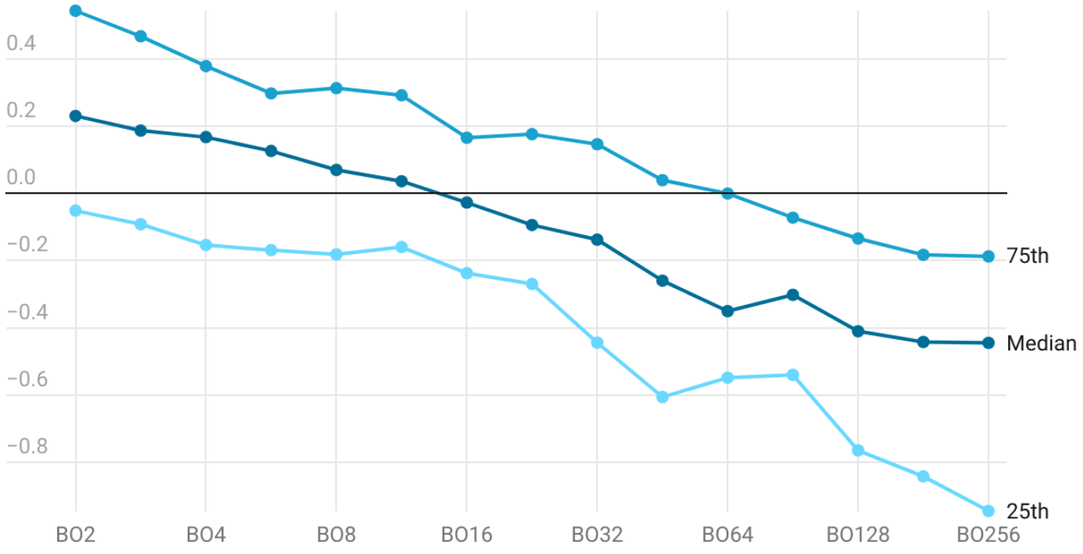
QUARTILE DISTIRIBUTION OF ROLLING 260-DAY SKEW



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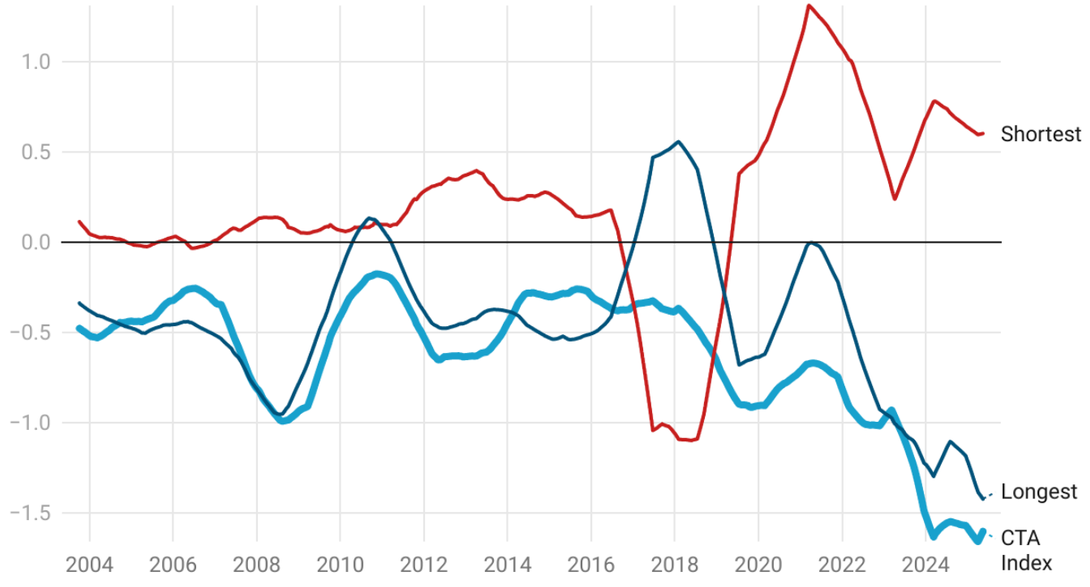
ROLLING AVERAGE 2Y DAILY SKEW



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The return distribution of a trend strategy is expected to have a 'fatter' right tail. But maybe not always in the way investors expect.

During the golden days of Hedge Funds (pre-2008), this was an argument often used to motivate an increased allocation to Managed Futures strategies. Especially as other Hedge Fund strategies exhibited negative Skew.

Expecting a positive Skew from momentum-based strategies is reasonable on a trade-by-trade basis, i.e. when looking at the return of individual trades, entry to exit. As we will show, it is not true when looking at the daily portfolio returns and seems to get worse over time. We build our own trend replication strategies, and we also look at a few of the daily indices that are available.

As an investor and a trader, we know that CTA strategies often have large negative daily returns. Something that can come as a shock to investors.

Trade by Trade statistics are seldom available or even of interest to the individual investor. If a manager has an extraordinary multiyear trade in Cocoa, Sugar, or Coffee it is great for the total return, but does not generally change the shape of the observable distribution.

THE TERM STRUCTURE OF SKEW

As an illustrative Trend Strategy, we build a standardized breakout strategy. We use a portfolio of 86 liquid futures, diversified over Equities, Fixed Income, Currencies, and Commodities. Over this portfolio, we apply a breakout strategy with a variable lookback. We start with 2 days and run this strategy all the way up to 256 days, creating 15 different return streams.

The distance between lookbacks is based on the square root of 2. While this may seem overly specific, this also ensures that we have a reasonable degree of diversification between two adjacent portfolios.

The breakout strategy buys higher highs and sells lower lows, as measured over the last N days.

The average holding periods here range from a week to close to two years. Breakouts are easy to conceptualize, and the results generally hold for other common measures of trend direction. The shorter breakout typically does not have positive (simulated) returns, partly illustrating that markets have different behaviors over longer and shorter horizons.

We calculate the rolling yearly daily skew of the strategy, highlight the median skew, and the upper and lower quartiles. We can verify some earlier academic results, i.e. the term structure of skew is downward sloping for momentum strategies. The longer the holding period, the more negative skew we realize, and vice versa.

To ensure that this is not an artifact of daily returns, we run the same calculations using monthly data. The results hold, with a downward sloping Skew term structure, but the best monthly skew is obtained for the 4-day breakout strategy, creating a slightly humped term structure. Skew turns negative on a 64-day breakout horizon rather than the 16-day breakout using daily data. Monthly returns hide a lot.

REALITY CHECK

As a quick reality check, we calculate the average daily skew of the two fastest breakout strategies (2 and 3 days) and the two longest (181 and 256 days). We compare this to the skew of a composite of different daily CTA indices.

A trivial observation is that with a brief exception of an episode during 2017-2019, faster momentum strategies realized a larger positive skew. The realized Skew for shorter strategies is increasing since Covid. On the contrary, longer-term strategies have realized a negative skew, with a few exceptions. It is also getting increasingly negative.

As our Breakout strategies are not 'real' CTAs, we calculate the same statistics based on daily returns from large CTAs. We note that this ratio is getting increasingly negative, and even more negative than what would be indicated by Breakout strategies that hold positions for years.

As a side note, there are some other tricks that can

achieve a higher positive skew for trend strategies. For instance, continuously adding exposure to an existing trend position. If the trend continues, the portfolios get increasingly exposed to a trend with strong positive drifts. That said, it is occasionally a bit difficult to combine with a sound risk management policy.

SUMMARY

While Skew may seem to be an esoteric measure, it has often been used as an argument for why Trend Following strategies should be included in a portfolio, i.e. the chance of obtaining large positive returns during market dislocations.

Our analysis also shows that the choice of time frame tends to influence Skew. Shorter-term momentum strategies tend to exhibit more persistent positive Skew over time and do not suffer from a similar deterioration over the last five years. Other short-term strategies may have completely different skew properties. This result for such strategies is however outside the scope of this short article.

The term structure of Skew is not a new observation and has been raised in previous academic and industry papers. The recent decreased Skew for Managed Futures managers could mean several different things:

a) Large managers are often involved in crowded trades, suffering larger negative returns when positions are liquidated.

b) Managers are more often exposed to markets with an inherent negative skew. An example here would be an increased exposure to long equity or short volatility positions that tend to be negatively skewed. There is nothing wrong with this exposure, but they may imply a different dynamic than expected.

c) Trend Managers have gradually gravitated towards slower and slower trading strategies. If nothing else, this typically increases capacity.

> "The breakout strategy buys higher highs and sells lower lows, as measured over the last N days."

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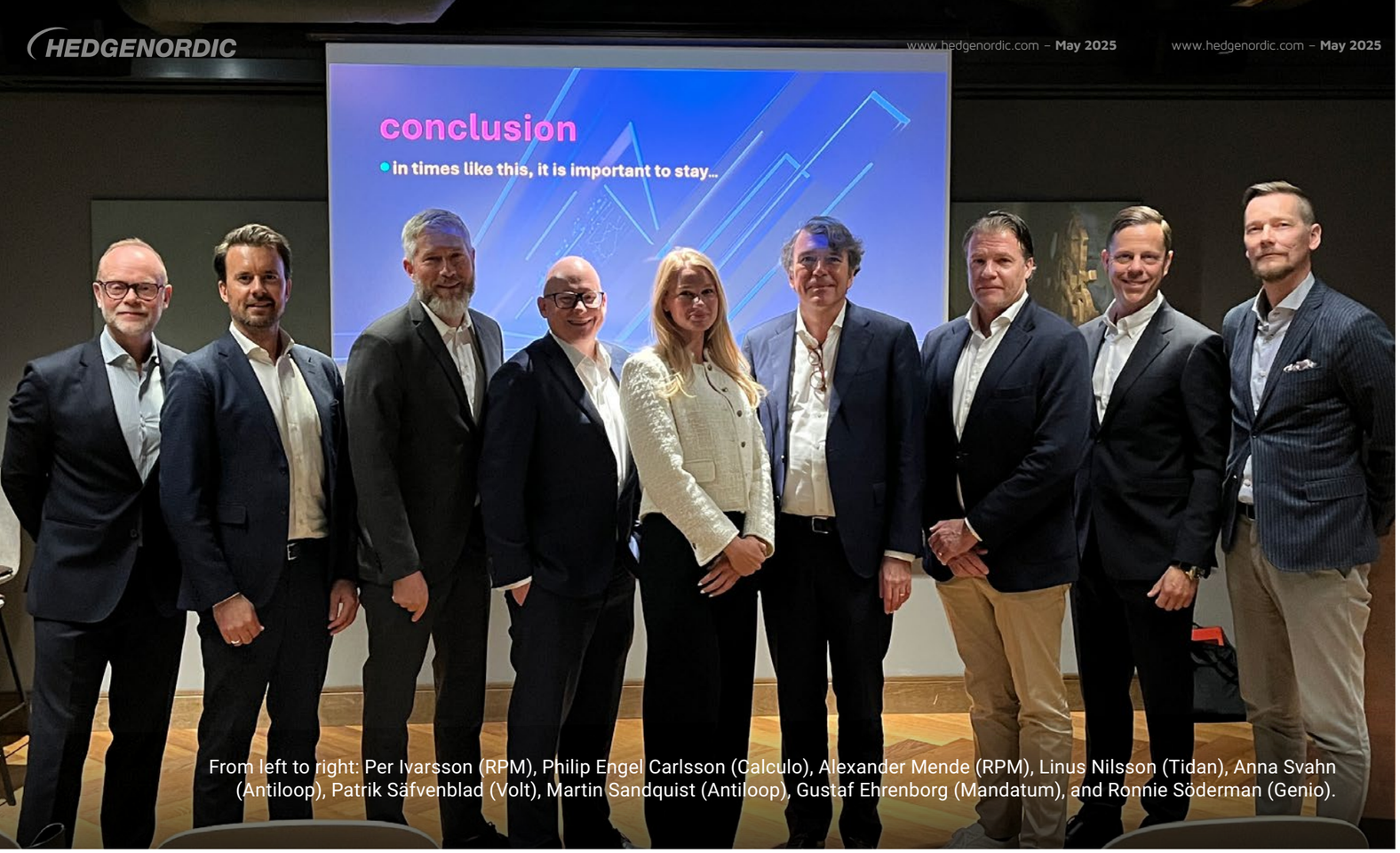

From left to right: Per Ivarsson (RPM), Philip Engel Carlsson (Calculo), Alexander Mende (RPM), Linus Nilsson (Tidan), Anna Svahn (Antiloop), Patrik Säfvenblad (Volt), Martin Sandquist (Antiloop), Gustaf Ehrenborg (Mandatum), and Ronnie Söderman (Genio).

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New Nordic Quant Strategies:

Innovative Alternatives for Shifting Markets

By Per Ivarsson – RPM

On Tuesday, May 20th, RPM Risk & Portfolio Management and HedgeNordic hosted the seminar "New Nordic Quant Strategies: Innovative Alternatives for Shifting Markets" in Stockholm, Sweden. The event showcased six Nordic-based managers representing a range of interesting quantitative investment strategies.

RPM, a specialist investor in this segment, focuses on constructing and managing multi-manager portfolios for institutional clients. The idea for the seminar emerged from RPM's ongoing research and manager selection efforts, during which they identified a significant home bias of Managed Futures investors and a group of innovative Nordic managers who shared several key qualities. These managers offer strategies that deliver returns and valuable portfolio diversification, an important asset in today's turbulent market environment, characterized by the acronym VUCA (volatility, uncertainty, complexity, and ambiguity). Accordingly, Per Ivarsson, CEO of RPM, noted that "current markets are shifting rapidly, outcomes are unpredictable, and clarity is rare, a textbook case of VUCA in action". A portfolio of Nordic managers could help expand investors' horizons from a country-by-country bias to a more regional perspective.

At the forefront of today's financial innovation, two panels shed light on how modern quantitative and commodity strategies are evolving to meet increasingly complex market environments—with agility, transparency, and a healthy dose of AI.

MODERN QUANT STRATEGIES: COMMONALITIES AND DIFFERENTIATORS

The "Modern Quant Strategies" panel opened with a bold prompt: What truly makes a strategy 'modern'? For Mandatum, the answer lies in operational

> "Current markets are shifting rapidly, outcomes are unpredictable, and clarity is rare, a textbook case of VUCA (volatility, uncertainty, complexity, and ambiguity) in action."
>
> Per Ivarsson

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freedom. “We’re not constrained by old processes,” a Gustaf Ehrenborg asserted. “That allows us to innovate quickly and adapt to market realities without being held back by past success.” This theme of adaptability was echoed across the panel, albeit through different lenses.

Genio redefined modernity through the sophistication of signal interpretation. Their layered, learning-based system reads markets across multiple dimensions—directional, spread, and basket-based—rather than relying purely on momentum. “We cure the curse of convexity,” Ronnie Söderman claimed, highlighting their edge in turbulent, trendless conditions.

Meanwhile, Tidan emphasized philosophy and design. “We didn’t set out to copy anyone,” said Linus Nilsson, portfolio manager at Tidan. Their clean-slate approach resulted in a resilient multi-strategy platform, intentionally less reliant on traditional trend-following and better prepared for shifts across market regimes. The issue of Quantitative Investment Strategies (QIS) and their reliance on simulated returns in marketing was raised. Unlike traditional fund managers, who present real track records, QIS can promote strategies based on simulated performance. This practice can create unrealistic expectations and makes it difficult, and potentially risky, for investors to compare these strategies.

As 2025 brought high volatility, panelists shared how their systems responded. Mandatum highlighted internal flexibility: “Our system adapted internally without structural changes and with strong results to show.” Genio admitted some turbulence, particularly around policy surprises like Germany’s debt reform, but saw their short-term models shine. “Each event feeds our learning loop,” they added. Tidan noted April as a strong month, thanks to volatility filters that scaled risk exposure appropriately: “Our short-term strategies led the gains.”

Alexander Mende, CIO at RPM, asked whether AI/ML amplifies the black box issue of quant strategies. The panel replied almost in unison: “Transparency and explainability are the key challenge in AI-driven finance. “We monitor every model individually,” said Mandatum. Genio emphasized attribution built into their model architecture: “Full control.” Tidan reinforced that while AI/ML contributes at the model level, final portfolio decisions remain clearly traceable.

Experience also played a role in shaping these modern approaches. Tidan’s PM recalled, “Starting my career at RPM gave me exposure to the full quant ecosystem. It was like having a front-row seat to the entire evolution of the quant space.

On trading horizons, the consensus was clear: flexibility is paramount. “There isn’t one optimal horizon,” Genio noted. Mandatum agreed: “The optimal horizon is whatever works best right now.”

COMMODITY TRADING IN UNCERTAIN TIMES

In the second panel on Commodity Trading, participants tackled how geopolitical shocks, climate change, and market stress are reshaping systematic commodity strategies.

A central theme was the linkage between asset classes. “There’s been a tighter linkage between equity and commodity markets,” said Patrik Säfvenblad from Volt. This correlation complicates risk but also unlocks opportunity. “A crashing stock market creates secondary market moves that are more easily captured,” they noted, referencing April’s gold rally and crude oil slide.

Calculo differentiated itself with a focus on reaction rather than prediction. “We don’t trade the events—we trade the alpha moves around them,” Philip Engel Carlsson explained. Their AI systems adjust exposure dynamically during volatility spikes: “When volatility becomes unstable or erratic… we step back.”

Antiloop added a cautionary note on quant limits, observing that rapid intraday swings increasingly demand discretionary overlays: “Recent volatility has highlighted both the strengths and limitations of systematic trading.”, said Anna Svahn.

On the subject of market drivers, supply shocks were deemed more favorable than demand shifts. “Supply-driven trends tend to be longer,” said Volt. Calculo chimed in: “They produce sharp, asymmetric price moves that our models love.”

The panel had a mixed view of alternative data. While Volt uses weather data strategically, they’re skeptical of inputs like social media. Calculo was direct: “For us, price is the ultimate truth. Alternative data introduces more noise than value.”

As traditional quant factors like momentum and carry lose their edge, adaptation becomes essential. Volt observed, “Markets change, and traders adapt. We have recently focused on composite regime indicators” while Calculo described refining momentum with machine learning to detect exhaustion and crowding more accurately.

Looking ahead, the panel agreed on the growing role of commodities in diversified portfolios. “A systematic, price-reactive approach adds clarity, speed, and resilience,” said Calculo. Volt highlighted the crisis alpha potential: “Stress events often create new opportunities in commodity markets.”

The panellists’ shared conclusion? You don’t need to predict chaos to profit from it—you just need to know how to read the tape when it hits.

RPM concluded the seminar by emphasizing that the strategies presented were not only innovative, but by balancing individual strengths and weaknesses, the combined portfolio has delivered highly attractive returns, compared to industry benchmarks as well as traditional equity and bond markets. The closing message was clear: “In times like these, it’s important to stay cool, calculated, and consistent.”

Split on Stops

By Kamran Ghalitschi – HedgeNordic

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Harold de Boer, Observer – Transtrend

> “While stops do not generate alpha in the traditional sense, believers believe they can improve a strategy’s efficiency and consistency.”

Simply put (maybe), stop-orders are designed to exit a position when it moves against the trader beyond a predetermined threshold. Stop orders can be seen to be the last line of defense as an automated risk manager built into the execution process. And yet, despite their apparent utility, stop orders remain one of the more divisive elements in trading.

Ask five fund managers how they use stops and you’re likely to get six different answers. Some rely on them religiously, weaving them tightly into their signal logic and execution protocols. When I first entered the CTA space, I was struck by what seemed a super-sophisticated use of stops. It looked like these systems could perform magic tricks I had never seen before as a trader. I must admit I am still taken but that initial awe I experienced some 25 years ago. That made it all the more surprising to learn that some systematic managers and CTAs avoid using stops altogether. Instead, they rely on discretion, manual oversight, or soft, internally tracked risk levels that remain invisible to the market. Or indeed, different approaches that vary again. The reason for these differences is not purely philosophical; often, the choice is shaped just as much by technology.

At the heart of the stop order debate (maybe) is a tension between control and execution quality. Another argument is that traditional stop orders, as commonly used in trend-following systems, can weaken a strategy's robustness. A traditional stop market order, where the position is sold at the next available price once the stop level is breached, can protect a portfolio from further losses, but also risks poor fills in illiquid or volatile conditions. Conversely, stop-limit orders may offer better price control but run the risk of not executing at all, leaving managers exposed.

Harold de Boer of Transtrend recalls how, in the early 1990s, protective stops were considered essential to trend-following. “Many potential investors wouldn't consider a CTA that didn't use stops,” he said. “However, our research led us to question the benefits of such stops.” Split_on_Stops_with_Transtrend_ Integrated De Boer´s skepticism was validated during the Soviet coup of August 1991. Transtrend was running a test portfolio at the time, and while some positions moved sharply against them, others moved in Transtrend´s favor, leaving the net effect close to neutral, just as intended in a well-diversified portfolio. “Two days later, the coup was undone, and the market made mirrored moves.The winners of the coup became the losers of the 're-coup.' And the losers of the coup became the winners of the ‘re-coup.’ That is, provided these positions weren't stopped out on the first day,” he noted, illustrating how the use of protective stops could have undermined diversification and caused losses due to slippage and reduced exposure. “This event confirmed for us that investment decisions should really be made and evaluated from a portfolio perspective, rather than focusing too much on positions in individual markets”, de Boer underlines.

The way stops are implemented can vary widely depending on a manager’s technology stack. In systematic firms, stop logic is often embedded directly into the signal engine or order management system (OMS). These systems will automatically trigger an order once the stop condition is met,

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sometimes routing it through execution algorithms that account for volume and market conditions. At more discretionary shops, stops may be managed manually or through alerts that prompt a trader to act. Often the manager may use more discretion and market awareness than a purely automated system can provide.

There is also the question of where the stop lives. Stops can be placed at the exchange level, visible in the order book once triggered, or held "synthetically" at the broker or EMS level, where they aren't exposed to the market until activation. This is not a trivial distinction. Some managers avoid exchange-visible stops out of concern they will be "hunted" and orders get triggered by market participants who detect clusters of stop orders and intentionally move prices to activate them. Whether such behavior is systemic or more anecdotal, the perception is real enough to influence execution strategy.

Technology has evolved to give managers more nuanced control over how and when stops are used. Execution management systems (EMS) now allow for highly customized conditional orders, incorporating time-of-day logic, volume thresholds, volatility filters, and more. A manager can instruct the system to only trigger a stop if the price breaches a level and volume drops below a certain threshold, or to delay a stop during news events. For those managing hundreds or thousands of positions, this granularity is no longer a luxury but a necessity. De Boer also emphasized a responsible investing angle: "In addition to potentially paying large liquidity premiums and harming portfolio diversification, stop-loss orders can significantly destabilize the market. This is especially the case when multiple parties use such orders simultaneously, as the execution of one stop-loss order can trigger a chain reaction." This underlines the systemic risk stops can pose under stress scenarios.

However, even with these technological advancements, stops remain a point of contention in performance attribution. While often associated with exits and risk control, stop orders can also play a more active role in entering positions. Some systematic strategies use stop orders to initiate trades only once a price threshold has been breached, treating stops as confirmation signals rather than fail-safes. In these cases, stops are not simply defensive tools but serve as part of a broader tactical logic to filter noise and validate momentum.

"Even among managers trading similar models or signals, the way stop logic is implemented (or not) can lead to significant performance dispersion."

On the exit side, stops are commonly employed to protect profits once a position moves in the manager's favor. Trailing stops, for instance, offer a way to systematically lock in gains without fully exiting a position prematurely. The effectiveness of this approach hinges on how well the stop parameters are calibrated to the volatility and liquidity of the asset.

And while stops do not generate alpha in the traditional sense, believers believe they can improve a strategy's efficiency and consistency. By minimizing tail risk and enforcing a degree of trading discipline, well-designed stop frameworks supported by strong technology can enhance overall portfolio performance, proponents argue.

Some argue that they cap downside but also limit potential upside by exiting positions prematurely that may have recovered. Others see them as essential discipline, a way to automate exits in fast-moving markets where hesitation can be costly.

An emerging compromise in the stop-order debate is the use of soft stops. These are internally tracked levels that, when breached, trigger a review or a discretionary execution decision rather than an automatic market order. These soft stops may live entirely inside a portfolio management system (PMS), invisible to the market, but visible to traders, portfolio managers, and risk officers. For some, this offers the best of both worlds: the discipline of predefined exit levels with the flexibility of human oversight.

Of course, soft stops place greater demands on the firm's internal tech stack. Systems need to not only track and alert but also escalate breaches in a way that fits the firm's workflow. Integrating this kind of conditional monitoring across PMS, EMS, and risk tools isn't trivial, and often becomes a project in itself which blends investment process, technology design, and organizational behavior.

One area where technology has yet to catch up is in backtesting the real-world effects of stop orders. Many strategies that look attractive on paper begin to fray once realistic stop order logic, including potential execution delays, slippage, and partial fills, are introduced. Sophisticated managers now simulate not only the signal but also the path the order takes through the execution system, modeling not just whether a stop would be hit, but how and at what cost.

Ultimately, the question isn't whether to use stop orders, but how consciously they are implemented and supported by technology. Even among managers trading similar models or signals, the way stop logic is implemented (or not) can lead to significant performance dispersion. Differences in stop placement, activation logic, and order routing create subtle but persistent deviations. One manager might be stopped out and miss a recovery, while another captures the full move. Over time, these micro-level differences accumulate often enough to separate top-quartile performers from the rest. As strategies become more crowded and alpha harder to find, how a firm handles stops may quietly become a key source of differentiation.

And increasingly, it's the strength of their technology stack that determines how well that match holds up under pressure. But we´ll stop here.

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How to Deal With Slippage

By Kamran Ghalitschi – HedgeNordic

For any asset manager, as for managed futures traders, every fraction of a percent counts. Strategies are honed, backtested, and stress-tested across decades of data. Execution is automated. Models are precise. Yet, when the theoretical meets the real world, performance often gets quietly eaten away by something far less glamorous: slippage.

Slippage is the silent drag on performance that many investors underestimate and few managers can afford to ignore. It doesn't appear on strategy fact sheets or in marketing decks yet over time, it can be the difference between outperformance and mediocrity.

WHAT SLIPPAGE REALLY IS

At its core, slippage is simple: it's the difference between the intended price of a trade and the actual price at which it's executed.

Imagine a CTA's system signals a long position in crude oil futures at $78.20. By the time the trade reaches the market, it's filled at $78.45. That 25-cent difference (about 0.32%) is slippage. On a single contract, that's not much. But apply that cost across a large portfolio trading dozens of futures markets, hundreds of times per year, and it starts to eat into returns quickly.

For many CTAs, especially those operating at high frequency or with tight profit margins, slippage of just 0.2% to 0.5% per trade could reduce net annual performance by 1–3 percentage points. And for strategies chasing a net annual return of 6–8%, that's a substantial hit. It´s enough to move a manager from the top quartile to the middle of the pack.

WHY SLIPPAGE HAPPENS

Slippage occurs for a number of reasons, and not all are within a manager's control. Markets move, often

> "Good brokers provide good execution, but are also partners that often give us great ideas for how to further optimize our execution."

fast. A model can generate a trade signal at 10:01:00, but by the time the order hits the market, the price may have shifted. In highly liquid markets like U.S. Treasuries or S&P futures, the difference might be minimal. But in thinner contracts say, Nordic electricity futures or a niche agricultural market a single institutional-size order could move the price significantly.

Another factor is order type. Market orders guarantee execution but give up price control. Limit orders protect on price but may not get filled at all, especially in fast-moving environments. The more urgent the trade, the more likely it is to suffer from price slippage.

Then there's market structure. During times of volatility, or around economic data releases and central bank decisions, bid-ask spreads widen, liquidity disappears, and slippage spikes. In March 2020, at the onset of the COVID-19 market crash, many CTAs reported slippage rates 2–3x above normal, turning profitable signals into flat or even negative trades.

WHAT IT MEANS FOR MANAGED FUTURES MANAGERS

For systematic strategies, especially short-term trend followers or breakout traders, slippage distorts the logic of the model itself. Trades that backtest well on clean historical data start behaving differently in live markets. Entry levels slip. Stop-losses hit faster. Gains shrink. Patrik Säfvenblad, CIO at Volt Capital Management notes: “Without actual trading, it is impossible to know how a specific trading strategy trades in the market.”

The real damage isn't just the cost of bad fills. It's the erosion of signal integrity. A manager may see their strategy succeed in simulation, only to watch it underperform in reality, not because the model is wrong, but because execution failed to keep pace with the model’s intent.

Over the long term, persistent slippage can create a performance wedge between gross and net returns. For a manager generating 10% gross returns annually, even a consistent 1.5% slippage cost, which is not unusual in medium-volatility environments, drops that figure to 8.5%. Add in management fees, and the investor may see something closer to 6%, all from what was theoretically a high-performing strategy.

CAN SLIPPAGE BE AVOIDED?

No, not entirely. But it can be managed, and skilled managers know how.

One of the most effective weapons against slippage is technology. Low-latency systems, smart order routing, and co-location near exchange servers allow orders to be executed as close to signal generation as possible. Managers who use adaptive order types and execution algorithms can minimize their market footprint, especially when trading size in less liquid contracts. Säfvenblad adds: “Over the last few years we have gradually reduced our use of limit orders in favour of time weighted orders (TWAP).”

Another key is broker and service provider selection. Not all execution partners are created equal. High-touch prime brokers with deep market access and proven execution quality can make a measurable difference. For instance, access to multiple liquidity venues or internal crossing networks can improve fill prices by a few basis points which, in the CTA world, is significant. Säfvenblad agrees, saying: “Good brokers provide good execution, but are also partners that often give us great ideas for how to further optimize our execution.”

Some managers also build pre-trade analytics into their process, allowing them to model expected slippage under current market conditions before they even place the order. In other words, they make execution part of the strategy itself rather than just a back-office function.

Managers operating in these environments and many CTAs do must be especially vigilant.

WHEN SLIPPAGE STRIKES HARDEST

Slippage isn’t a constant, it tends to surge in very specific market environments. Slippage often roars loudest in volatile markets, where rapid price movement increases fill risk and reduces

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Patrik Säfvenblad, CIO - Volt Capital Management

the effectiveness of passive orders. Similarly, instruments with low liquidity, such as emerging market assets or certain commodity futures, can see spreads widen quickly, magnifying execution costs. Slippage can also spike during after-hours or outside U.S. trading windows, when trading volume thins out and market makers pull back. Crowded trades are another common trigger: when many managers act on similar signals at once, the resulting scramble to enter or exit positions can drive up costs for everyone involved. Finally, roll periods, those windows when managers shift positions from one contract month to the next, often lead to concentrated trading activity that strains execution quality. Säfvenblad warns: “On an unanticipated low liquidity day, you have to be able to reduce or cancel your target trade.”

A HIDDEN COST THAT DESERVES THE SPOTLIGHT

While Slippage is often invisible in marketing decks and performance charts, its effect is anything but. For CTAs and managed futures managers, it can quietly erode alpha, distort strategy logic, and widen the gap between theoretical models and real-world outcomes.

While it can't be eliminated entirely, slippage can be managed through smart technology, thoughtful execution, disciplined infrastructure, and the right partners. In fact, a manager’s ability to control slippage is increasingly a marker of operational excellence. “Access to live trading data is critical for any slippage analysis, ” Säfvenblad adds.

Ultimately, in the lifecycle of a trade, execution is where strategy meets the market. And slippage can be seen as one measure of how cleanly that transition happens. For managers who take it seriously, slippage is not just a cost, it can become a competitive edge. For those who don't, it's a slow leak that can sink performance before they even see it coming.

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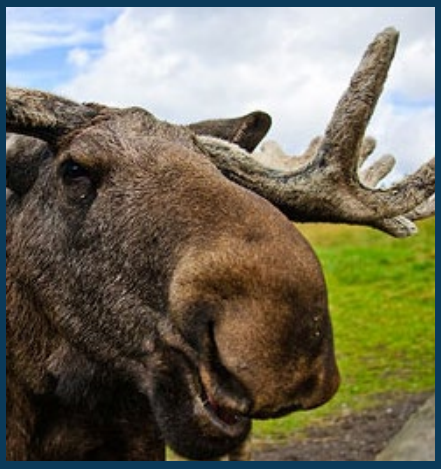

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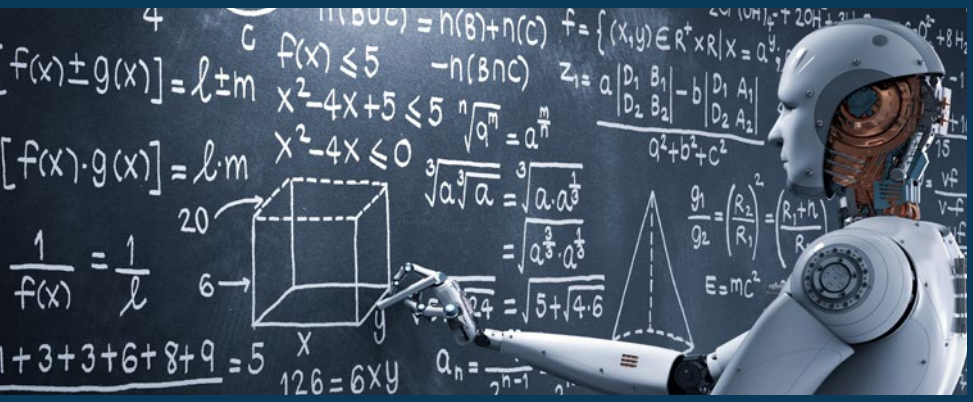

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