HEDGENORDIC RT

October 2020

Round Table Discussion: Global Macro

Editor´s Note

A Tale of Apples and Oranges...

Global Macro is – arguably – the quintessence of a hedge fund strategy. Various instruments are used, trading numerous markets across the globe, using leverage at times and having the ability to go long and short. Some of the brightest brains, greatest brands, biggest egos and successful stories in asset management are found among global macro managers. It is also the space where seemingly two simple traits can make all the difference between fame and glory and utter disaster: skill and experience.

However, one must be aware this group is all but a homogeneous clique and views on the world and how to make capital on those views come in all the colors of the rainbow. Comparing one manager or strategy to another simply because they are labeled as being macro managers can quickly lead you to be comparing apples with oranges.

Questions related to which markets are traded or excluded, what kind of data is used, how it is processed, weighed, interpreted and evaluated, what sort of time frames, sensitivities and filters are applied is what makes global macro such an interesting, widely dispersed and competitive field.

Joining in the discussion were Anoosh Lachin Portfolio Manager at Aspect Capital, Talib Sheikh, Head of strategy multi asset at Jupiter Asset Management, Otto van Hemert head of macro research at Man AHL and Linsay McPhater, Senior portfolio manager at Nordea Wealth in Copenhagen.

We were able to cover a wide variety of topics, including the investor view on macro, the pros and cons of systematic versus discretionary management, how managers handled the volatility and partial liquidity squeeze during the Covid-crisis, how "work from home" affects managers and investors and much, much more.

Typically, for HedgeNordic´s round table sessions the participants would gather in person, shake hands, share a lough and exchange war stories enjoy a meal together and have the discussion, as the name suggests, around a table. Given the circumstances around the Covid-19 pandemic togehther the participants agreed to rather have the discussion in the format of a video-conference.

We recorded the virtual session and made the video available on HedgeNordic´s brand new youtube channel. If you have an interest in global macro in particular, or (Nordic) hedge funds do please go and visit and if you like it - like it, or subscribe for much more to come.

I hope you enjoy to read up on the session in this paper.

Stay healthy, keep safe!

"Two simple traits can make all the difference between fame and glory and utter disaster: skill and experience."

KAMRAN GHALITSCHI

CEO & PUBLISHER HEDGENORDIC

www.hedgenordic.com - October 2020
HEDGENORDIC

PARTICIPANTS:

THE VIRTUAL ROUND TABLE DISCUSSION TOOK PLACE AND WAS RECORDED ON SEPTEMBER 16H 2020.

Linsay McPhater

Senior Portfolio Manager

Nordea

Linsay McPhater is a Senior Portfolio Manager within the Investments team at Nordea Wealth. She is responsible for the alternative investments and plays an important role in Nordea's efforts to enhance their alternative product offering. Linsay has 12 years' experience within fund research, fund analysis, fund monitoring and portfolio construction across all asset classes.

She has earlier held positions in London, at Aberdeen Standard and Morningstar, and most recently at Danica Pension in Denmark where she focussed primarily on private equity and infrastructure strategies. Linsay is a CAIA holder and has specialised within Alternative Investments for the last 6 years. Linsay is British and has lived and worked in Denmark since 2014.

Otto van Hemert

Head of Macro Research

Man AHL

Otto van Hemert is Head of Macro Research at Man AHL. Prior to joining Man AHL in 2015, Otto ran a systematic global macro fund at IMC for over three years.

Before that he headed Fixed Income Arbitrage, Credit, and Volatility strategies at AQR, and was on the Finance Faculty at the New York University Stern School of Business where he published papers in leading academic finance journals.

Otto holds a PhD in Economics and Masters Degrees in Mathematics and Economics.

Dr. Anoosh Lachin

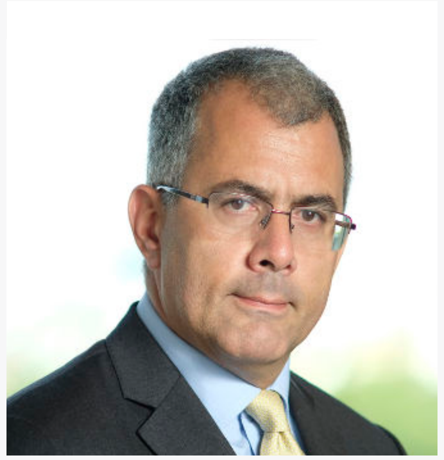
Portfolio Manager

aspect capital

Dr. Lachin joined Aspect in February 2016 as a Portfolio Manager. He is a founding partner of Auriel Capital Management, which was acquired by Aspect in February 2016.

Prior to launching Auriel in 2004, he was a Senior Quantitative Analyst / Fund Manager / Researcher at Deutsche Bank Asset Management, London from 1999 to 2004.

Dr. Lachin started his career in 1996 as a Quantitative Strategist at IKOS Asset Management. He holds a PhD in Space Physics from Imperial College of Science, Technology & Medicine (London) after gaining a 1st class degree in Physics and is an Associate of the Royal College of Science.



Talib Sheikh

Head of Strategy, Multi-Asset

JUPITER Asset Management

Talib Sheikh joined Jupiter in June 2018 and is Head of Strategy, Multi-Asset. He manages the Jupiter Flexible Income fund (SICAV) and the Jupiter Flexible Macro fund (SICAV). Before joining Jupiter, Talib was managing director and portfolio manager at JP Morgan Asset Management where he worked for nearly 20 years. He was instrumental in the formation and growth of the Multi-Asset Solutions team since its inception in 2004. Over this time, Talib has managed a number of products including multi-asset income, target return and flexible balanced funds plus diversified institutional accounts.

Talib has an MSc in International Agricultural Marketing from Newcastle University and is a CFA® charterholder.

Kamran Ghalitschi

Publisher

HEDGENORDIC

Kamran Ghalitschi is the founder and publisher of HedgeNordic, a media outlet focusing on the Nordic alternative investment space. He

has been working in the financial industry since 1994 as a broker/dealer for US equities and derivatives the first ten years of his career for major European banks. He joined a Managed Futures fund with 1,5 Billion USD under management where he was responsible for sales, client relations and operations in the BeNeLux and Nordic countries. Kamran joined a multi-family office managing their own fund of hedgefunds with 400 million USD AuM in 2009.

Kamran has worked and lived in Vienna, Frankfurt, Amsterdam and Stockholm.

Participants, top left to right bottom: Linsay McPhater – Senior Portfolio Manager at Nordea Wealth in Copenhagen, Talib Sheikh – Head of Strategy Multi Asset at Jupiter Asset Management, Otto van Hemert – Head of Macro Research at Man AHL and Anoosh Lachin – Portfolio Manager at Aspect Capital

VIRTUAL ROUND TABLE DISCUSSION

GLOBAL MARCO

> "The recent volatility caused by the COVID pandemic has been a big boom for investors making these large economic bets, and perhaps they are even tipped to make a comeback in this extreme market volatility if this is expected to continue, which I believe it is."
>
> Linsay McPhater

Stockholm (HedgeNordic) – Macro managers have struggled for much of the last decade, as central banks switched from being volatility instigators to hyperactive volatility suppressors. Whereas massive central bank stimulus may have choked off the volatility many macro investors crave, the increasing volatility due to pandemic, economic and political turbulence may lead to a resurrection of macro investing at last.

Linsay McPhater, Senior Portfolio Manager at Nordea Wealth Management, reckons macro investing can enjoy a renaissance should volatility remain at high levels. Macro managers "struggled to perform against this background of more stable markets after the global financial crisis," McPhater said during HedgeNordic's virtual macro roundtable, which also featured Anoosh Lachin of Aspect Capital, Talib Sheikh of Jupiter Asset Management and Otto van Hemert of Man AHL. "The recent volatility caused by the COVID pandemic has been a big boom for investors making these large economic bets, and perhaps they are even tipped to make a comeback in this extreme market volatility if this is expected to continue, which I believe it is," emphasized McPhater.

As the coronavirus spread from a regional crisis in the Hubei province of China to a global pandemic, equities and other asset classes plummeted in sticky unison and market volatility increased dramatically during a few weeks in February and March. "Going into the volatile February, March, April months, one clear feature of this period was that fundamentals in many ways were lagging," said Otto van Hemert of Man AHL. "Health updates came out first, the markets responded, and it was only later on that certain fundamental updates, including those on unemployment and GDP, came out."

Just like most other investors who were active in markets during the COVID-induced market turmoil, Anoosh Lachin of Aspect Capital found the trading environment quite challenging in March. With Lachin and his team running a relative-value macro strategy, "the big issue for us was the effect that the pandemic was having on correlations more than anything." When building relative-value positions and portfolios, money managers rely on correlations to behave in a certain way to properly size long and short positions. "There were a few periods during March where correlations completely broke down, they broke down more than any time in my career," Lachin said. "There was a particular few days where every asset fell. The only thing people wanted was dollar cash. That was quite a hair-raising moment."

Talib Sheikh of Jupiter Asset Management, who, unlike Lachin and Hemert, runs a discretionary macro strategy, shares Lachin's view that the COVID-induced turmoil was a hair-raising experience. The market "was clearly overwhelmed by the speed of the pandemic. That was the thing that was difficult," said Sheikh during HedgeNordic's roundtable on macro investing. "That was the thing that really overwhelmed an awful lot of market participants," he continued. "If you think back to the great financial crisis, the reality was it was a quite slow-moving train wreck. The coronavirus-triggered turmoil and crisis was a one-month train wreck." Sheikh went on to say that "the thing that was really hair-raising was those traditional correlations, which you use to build a macro portfolio, really, really broke down."

"Whereas before we had a financial crisis, we now have a health crisis which will have a financial implication. Those two are subtly different, but their impacts on financial markets may not be so different."

Anoosh Lachin

Linsay McPhater, Nordea

Dr. Anoosh Lachin, Aspect Capital

Comparisons with Previous Crises

Comparing the coronavirus-induced crisis with other crises experienced in the past, Sheikh asserted that "every crisis is different, but certainly with this one, it was the speed of the drawdown and the severity of it" that was different. Sheikh went on to say that "we had the worst drawdown perhaps there has ever been across multiple asset classes, the worst correlation crash that we have seen across multiple asset classes, and actually conversely, the bounce-back that we have seen has been pretty powerful, pretty broad-based off what is unprecedented policy stimulus from global central banks."

Lachin, on the other hand, analyzed that the market environment during the coronavirus pandemic was not necessarily too different from the environment of the global financial crisis. "Whereas before we had a financial crisis, we now have a health crisis which will have a financial implication," Lachin said during the roundtable discussion. "Those two are subtly different, but their impacts on financial markets may not be so different," he emphasized. "How our portfolio behaved this time around was driven to a major extent from what we learnt during the financial crisis".

Sheikh considers that the response by central banks during the coronavirus pandemic could represent a crucial regime shift, similar to the United States going off the gold standard, for instance. "There have been

"The change that we have gone through in terms of central bank reaction functions, most notably with the Federal Reserve at the Jackson Hole conference, when we look back in years to come, we will see this as a transformative moment as Paul Volcker taking over the Fed, as coming off the gold standard."

Talib Sheikh

periods of central bank regimes, the most obvious one was when the U.S. came off the gold standard in the seventies and then obviously we had Paul Volcker taking over from the Federal Reserve in 1979 when interest rates peaked at 14 percent," Sheikh noted.

"The change that we have gone through in terms of central bank reaction functions, most notably with the Federal Reserve at the Jackson Hole conference, when we look back in years to come, we will see this as a transformative moment as Paul Volcker taking over the Fed, as coming off the gold standard," he added. "Clearly that has some really profound implications for how clients should think about investing for the coming years to come."

"The thing that is different this time, particularly against the great financial crisis, is there isn't a bogeyman in the corner that everybody can point to and say it was that person's fault," Sheikh also pointed out. "Obviously after the GFC, it was the banking sector," he added. "It is harder to say that there's a single point of blame for this, and so maybe that means that the policy response becomes a little bit more even, perhaps people can be a little bit more thoughtful and reasonable about what does the world look like post this coronavirus." According to Sheikh, "that's probably a positive as opposed to the great financial crisis."

Work Routines

Otto van Hemert, meanwhile, points out that the most apparent differentiating characteristic of this crisis is that everyone worked from home. "That brings with it some potential risks," said Hemert. "It does require a lot of preparation and a lot of extra communication. It's a bit more time-consuming at the start to get everything right while working from home," he added. "That is a very memorable aspect that we'll think of years from now."

With no travel and no in-person meetings, the coronavirus pandemic has also affected the work routine of McPhater, who used to meet with fund managers on a regular basis prior to the coronavirus pandemic. "In terms of due diligence on managers, it has obviously affected us because usually we would go to visit them and we would be on the ground visiting them where they work and be reviewing their systems, all the back-office work and things like that," McPhater said. "We have been able to do as much as we can over calls," she added. "Working from home has been a relatively new thing for many countries, other than Scandinavia, but this pandemic has just proved that we can do the same work from home." However, the pandemic and travel restrictions are certainly impacting the process of finding new managers and the process of new managers finding investors. The managers with existing connections before the pandemic "will be a lot more established than new managers per se, actually. Relationships will be obviously a lot less because you just can't go for coffees with people and meet them the same way. It's a lot more structured."

Discretionary versus Systematic

Systematic and discretionary macro trading approaches contribute much to the heterogeneity of the macro space. The discussion of which approach may have advantages or disadvantages under circumstances and market environments typically lets observers look deep into the DNA of a strategy. Van Hemert reckons that "there are certain activities that are much more suitable to discretionary managers and certain activities that are much more amenable to a systematic approach." Van Hemert and his team, who run a systematic macro strategy, always consider whether an activity is more suited to their systematic approach. "Do we think we will actually do a better job than a discretionary manager? Sometimes the answer is no and sometimes the answer is clearly yes."

Sheikh, meanwhile, believes that "one of the benefits of being a discretionary manager is that you're able to do a much deeper dive on fewer topics." One advantage of a systematic approach, according to Sheikh, is that "systematic managers are able to process much broader opportunity sets in a really rigorous way." A discretionary

Stockholm´s Old Town


Talib Sheikh, Jupiter Asset Management

> "Global macro can be very diversifying, perhaps more so than many other hedge fund styles. It's a combination of diversification and the ability to scale up investments through the cash efficiency of these instruments that makes it an appealing proposition for some allocators."
>
> Otto van Hemert

manager, therefore, requires extreme focus on a few topics in order to make successful investments. "When you're in these unprecedented times, when there are very few singular drivers within the global economy, if you can understand and analyze and think about how a second and third wave will affect the global economy and ultimately various asset prices, then clearly you've got half a chance of building a portfolio that can deliver alpha for your clients."

The role of macro managers

Discussing the role of macro managers in an institutional portfolio, McPhater said that "there are a few roles that they can play." For McPhater, "the biggest ones are diversification and consistent and uncorrelated returns." She went on to say that "a major advantage is really the ability of the fund managers to take positions in multiple markets, across a number of different instruments." Unlike managers that are more constrained to one

market, "the global macro manager can look for opportunities around the world." The other role played by macro managers is the opportunity to provide a source of uncorrelated returns. "The managers aim to achieve these consistent returns that are essentially uncorrelated to global equity and bond markets," she added.

With the diminishing benefits brought by government bonds in a portfolio, Sheikh asserted that many macro funds can play a role because of their uncorrelated, differentiated returns generated in liquid assets. "Anything that can give you a differentiated return stream or some diversification within a liquid rapper can benefit institutional investors. The usefulness around that must clearly have appreciated over the last year or so." According to Sheikh, "there's been a huge push globally for people to think that private equity and illiquids are a free lunch. It's called a liquidity premium for a reason. Many macro funds can play a role because they're much more liquid than those illiquids."

Otto van Hemert believes that "global macro can be very diversifying, perhaps more so than many other hedge fund styles." Van Hemert also added during the discussion that "global macro is often implemented with derivatives that are cash efficient so you can lever up individual manager exposures and then really benefit from the diversification within macro." In summary, "it's a combination of diversification and the ability to scale up investments through the cash efficiency of these instruments that makes it an appealing proposition for some allocators."

Lachin of Aspect said that "it has been tough over the last ten years to sell macro strategies in an environment where, in equity markets, doing nothing is making you between ten and 20 percent a year." Macro managers, however, had the opportunity to highlight the benefits they bring to a portfolio during stressful market environments. Providing "that diversified return source at those really important times, maybe in those particular stress periods in 2018 or 2020, has highlighted the benefits for most of our client base." Who came to help institutional portfolios during the volatile markets of the first quarter? "If your systematic macro or fundamental macro is helping you, that's a good addition to your portfolio."


Otto van Hemert, Man AHL

www.hedgenordic.com - **October 2020**

HEDGENORDIC

Nordic **Insights**

HEDGENORDIC ROUND TABLE DISCUSSIONS

The HedgeNordic series of round table discussions titled "Nordic Insights" aim to bring together industry professionals and experts in their field in a vivid discussion. The setup allows to look at and discuss a specific topic within the financial industry from various different angles, and hear of different opinions and approaches. The group would typically consist of a colourful mix of representatives from the financial industry. The combination of having a relatively small, intimate group of individuals for the discussion behind closed doors in combination with a wide circulation to a relevant audience in the Nordic region through a summary of the discussion in a convenient read-up paper combines the best of the two worlds of professional and personal relationship building and broad communication and branding.

The size of the group and format chosen, combining a casual lunch followed by the actual work session and discussion give an excellent opportunity to network and get to know the participants and organisations behind them in both a more personal and professional manner.

The Round Table Discussion is hosted without audience, behind closed doors. The moderated discussion will evolve around topics pre-defined in collaboration with the participants prior to the event. To insure a dynamic and lively discussion the specific questions that will be discussed are not disclosed prior to the get together.












"Your single access point to the Nordic Hedge Fund Industry!"

Publisher

Nordic Business Media AB
BOX 7285
SE-103 89 Stockholm, Sweden
Corporate Number: 556838-6170
VAT Number: SE-556838617001

Direct: +46 (0) 8 5333 8688
Mobile: +46 (0) 706566688

email: kamran@hedgenordic.com

Photographer: The awesome Binniam Halid

Picture Index & Credits:
Grisha Bruev---shutterstock.com
Everything---shutterstock.com

About HedgeNordic

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 and those who take an interest in the region.

HedgeNordic publishes monthly, quarterly and annual reports on recent developments in her core market as well as special, indepth 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, seminars and other events for investment professionals.

www.hedgenordic.com

GENERAL TERMS AND CONDITIONS

These are the terms and conditions which govern the use of „HedgeNordic Industry Report“, an online magazine edited and distributed by electronical means and owned, operated and provided by Nordic Business Media AB (the "Editor"), Corporate Number: 556838-6170, BOX 7285, SE-103 89 Stockholm, Sweden.

DISCLAIMERS AND LIMITATIONS OF LIABILITY

1. The Content may include inaccuracies or typographical errors. Despite taking care with regard to procurement and provision, the Editor shall not accept any liability for the correctness, completeness, or accuracy of the fund-related and economic information, share prices, indices, prices, messages, general market data, and other content of „HedgeNordic Industry Report“ ("Content"). The Content is provided "as is" and the Editor does not accept any warranty for the Content.

2. The Content provided in „HedgeNordic Industry Report“ may in some cases contain elements of advertising. The editor may have received some compensation for the articles. The Editor is not in any way liable for any inaccuracies or errors. The Content can in no way be seen as any investment advice or any other kind of recommendation.

3. Any and all information provided in „HedgeNordic Industry Report“ is aimed for professional, sophisticated industry participants only and does not represent advice on investment or any other form of recommendation.

4. The Content that is provided and displayed is intended exclusively to inform any reader and does not represent advice on investment or any other form of recommendation.

5. The Editor is not liable for any damage, losses, or consequential damage that may arise from the use of the Content. This includes any loss in earnings (regardless of whether direct or indirect), reductions in goodwill or damage to corporate.

6. Whenever this Content contains advertisements including trademarks and logos, solely the mandator of such advertisements and not the Editor will be liable for this advertisements. The Editor refuses any kind of legal responsibility for such kind of Content.

YOUR USE OF CONTENT AND TRADE MARKS

1. All rights in and to the Content belong to the Editor and are protected by copyright, trademarks, and/or other intellectual property rights. The Editor may license third parties to use the Content at our sole discretion.

2. The reader may use the Content solely for his own personal use and benefit and not for resale or other transfer or disposition to any other person or entity. Any sale of Contents is expressly forbidden, unless with the prior, explicit consent of the Editor in writing.

3. Any duplication, transmission, distribution, data transfer, reproduction and publication is only permitted by
   i. expressly mentioning Nordic Business Media AB as the sole copyright-holder of the Content and by
   ii. referring to the Website www.hedgenordic.com as the source of the information.

   provided that such duplication, transmission, distribution, data transfer, reproduction or publication does not modify or alter the relevant Content.

4. Subject to the limitations in Clause 2 and 3 above, the reader may retrieve and display Content on a computer screen, print individual pages on paper and store such pages in electronic form on disc.

5. If it is brought to the Editor's attention that the reader has sold, published, distributed, re-transmitted or otherwise provided access to Content to anyone against this general terms and conditions without the Editor's express prior written permission, the Editor will invoice the reader for copyright abuse damages per article/data unless the reader can show that he has not infringed any copyright, which will be payable immediately on receipt of the invoice. Such payment shall be without prejudice to any other rights and remedies which the Editor may have under these Terms or applicable laws.

MISCELLANEOUS

1. These conditions do not impair the statutory rights granted to the readers of the Content at all times as a consumer in the respective country of the reader and that cannot be altered or modified on a contractual basis.

2. All legal relations of the parties shall be subject to Swedish law, under the exclusion of the UN Convention of Contracts for the international sale of goods and the rules of conflicts of laws of international private law. Stockholm is hereby agreed as the place of performance and the exclusive court of jurisdiction, insofar as there is no compulsory court of jurisdiction.

3. Insofar as any individual provisions of these General Terms and Conditions contradict mandatory, statutory regulations or are invalid, the remaining provisions shall remain valid. Such provisions shall be replaced by valid and enforceable provisions that achieve the intended purpose as closely as possible. This shall also apply in the event of any loopholes.