

26 February 2018

L'Economia

CORRIERE DELLA SERA

Hedge funds – how to make renewed volatility pay

The best alternative funds accessible to ordinary investors have been those specialising in emerging markets. There is growing interest in strategies not linked to stock and bond prices: 10.4 billion of assets in 2017

by **Gabriele Petrucciani**

Volatility has reared its head again on the markets and investors are once more looking at alternative solutions to tame it. One option is liquid alternatives, investment funds that replicate some of the typical strategies of hedge funds and are accessible to retail investors. By nature, liquid alternative funds have low correlations to stock indices; using more sophisticated management techniques, they aim for positive results whatever the market situation, with very low volatility. This allows a better portfolio risk/return ratio.

The numbers

So, how did alternative strategies packaged in UCITs perform in 2017? "They fulfilled their mission. 2017 was a good year for the stock markets, with moderate volatility and no events that could reverse the upward trend. As regards fixed-income investments, however, so far the rise in interest rates has not been enough to push bond yields significantly down," explains Stefano Gaspari, CEO of MondoInvestor.

"In this scenario, liquid alternatives have done their duty, according to the MA-Eurizon UCITS Alternative Global Index, closing the year up 2.83%, with just 0.93% volatility. In the same period, the European stock market recorded larger gains, of 10.06%, but volatility was 8.72%. Meanwhile, the performance of Eurozone government securities was generally flat at 0.17%, corporate bonds gained 2.4% and commodities were basically unchanged at +0.7%, having picked up in the second half of the year".

In the lead

Among the liquid alternative funds, emerging markets strategies held the lead with the best result of 2017 and a gain of 10.25% (MA-Eurizon UCITS Alternative Emerging Markets Index). Next were Long/Short Equity funds (MA-Eurizon Index +5.61%) and Multi-Asset funds (+4.84%). "2017 was a good year for 11 out of 12 liquid alternative strategies," explains Gaspari. "The only exception was Volatility Trading, which closed down 2.63%".

After a modest inflow of funds in 2016 (5.3 billion euros), there appears to be renewed interest in alternative liquid funds, which is borne out by the increased capital flows to alternative strategies (16.4 billion). The strategies that proved most attractive to investors, for the second year running, were multistrategy (7.8 billion), followed by multi asset (4 billion) and emerging markets (3.8 billion). Results were instead negative for long/short equity funds, which saw an outflow of 2.8 billion, macro funds (-2.4 billion) and volatility trading (-1.1 billion).

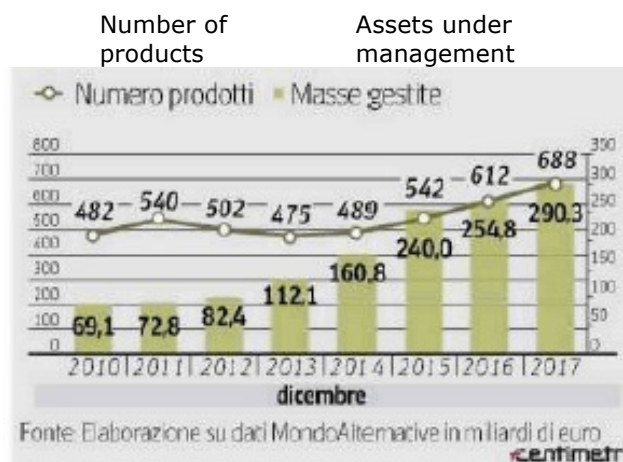
With inflows of 16.4 billion in 2017, assets under management (AUM) now amount to 290.3 billion, up 13.0% from 254.8 billion at the end of 2016. The largest market share continues to be held by long/short equity funds, with 52.6 billion of AUM, followed closely by multistrategy (49.8 billion) and fixed income funds (43.1 billion). Further down the list are equity market neutral (29.2 billion), multi asset (22.4 billion) and macro (20.4 billion) funds.

Looking at the range of products on offer, the market boasts a total of 688 liquid alternative funds. 102 new products were launched in 2017, against 65 closures.

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On the up

The growth in assets and in the number of liquid alternatives



Source: Based on data from MondoAlternative in billions of euros.

On the podium

The winners of the 2018 MondoAlternative Awards

Liquid Alternative		
I migliori del 2017...		
	Perf. 2017	Indice di Sharpe
Credit Long/Short		
Absolute Insight Credit Fund	6,36%	4,52
Emerging Markets Debt		
BlueBay E. M. Abs. Ret. Bond	6,92%	2,98
Emerging Markets Equity		
Banor Sicav Greater China E.	61,27%	6,27
Equity Market Neutral		
Allianz Discovery Germany	9,74%	2,73
Event Driven		
MLIS York Asian Event Driven Ucits Fund	19,36%	5,36
Fixed Income		
Legg Mason West. Asset Macro Opp. Bond	11,9%	3,48
Global Macro		
H2O Vivace	24,96%	1,57
Multi Asset		
Lyxor Investment Funds Absolute Return Multi Assets 8	12,57%	2,79
Long/Short Equity Europe		
Kairos Int. Sicav Pegasus Ucits	33,73%	9,99
Long/Short Equity Sectorial		
U Access (IRL) Electron Global Utility	13,29%	3,15
Long/Short Equity Global		
MS Alkeon Ucits Fund	31,89%	3,16
Long/Short Equity UK		
Polar UK Abs. Equity Fund	42,74%	4,07
Long/Short Equity Usa		
Serviced Platform SICAV Maverick Fundamental Quant UCITS Fund	19,43%	3,05
Managed Futures		
Man AHL Trend	10,36%	0,94
Multistrategy		
Morgan Stanley Inv. Funds Liquid Alpha Capture Fund	10,77%	3,12
Relative Value		
Cheyne Convertibles Absolute Return Fund	6,24%	2,1
Volatility Trading		
Merrill Lynch Enhanced Cross Asset Volatility Premium Fund	11,05%	3,65
Fondo di Fondi		
UBS (Lux) Key Selection Sicav Global Alpha Opportunities	5,14%	2,87

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	Perf. 36 mesi	Indice di Sharpe
Credit Long/Short		
Candriam Bonds Credit Opp.	9,67%	1,33
Emerging Markets Debt		
Epsilon Fund Emerging Bond Total Return	5,02%	1,24
Emerging Markets Equity		
OAKS Emerging and Frontier Opportunities Fund	47,21%	1,59
Equity Market Neutral		
Exane Overdrive Fund	24,18%	1,43
Event Driven		
MLIS York Asian Event Driven Ucits Fund	19,21%	0,78
Fixed Income		
Legg Mason Western Asset Macro Opp. Bond Fund	20,02%	0,96
Global Macro		
H2O Multistrategies	79,42%	0,85
Multi Asset		
Nordea 1 - Alpha 15 Fund	40,82%	1,3
Long/Short Equity Europe		
Alpha Ucits Sicav Amber Equity Fund	29,68%	1,56
Long/Short Equity Global		
Schroder Gaia Egerton Equity	19,95%	0,8
Long/Short Equity UK		
Polar UK Absolute Eq. Fund	67,12%	1,37
Long/Short Equity Usa		
Banor Sicav North America Long Short Equity	22,7%	0,57
Managed Futures		
Lyxor Epsilon Global Trend Fund	14,65%	0,5
Multistrategy		
LFIS VISION UCITS - Premia	16%	1,82
Relative Value		
BSF Fixed Income Strategies Fund	5,74%	1,1
Volatility Trading		
The 1.2 Fund Lux	19,92%	0,97
Fondo di Fondi		
Exane Cristal Fund	6,85%	1,04

Miglior Piattaforma Fondi Liquid Alternative 2017		
Lyxor Alternative UCITS		

Hedge fund		
I migliori del 2017...		
	Perf. 2017	Indice di Sharpe
Fondo di Fondi		
Asian Managers Selec. Fund	17,79%	8,01
Single Manager		
Finint Bond	9,32%	3,3

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	Perf. 36 mesi	Indice di Sharpe
Fondo di Fondi		
Tages Platinum Growth	12,26%	1,21
Single Manager		
Nextam Partners Hedge	29,34%	1,73