Multiple trading strategies for new Superfund product

After delivering returns ranging from 21% to 74% through its various funds in 2008, Superfund Financial in February launched a new multi-strategy fund in Hong Kong aiming for higher returns and comparatively low volatility

Superfund White, like Superfund's other products, employs managed futures strategy to achieve absolute returns through diversification, regardless of whether the market is falling or rising. The added factor of Superfund White is that it is a multi-strategy fund, which makes it possible for the fund to achieve diversification not just into different markets but also in the different trading strategies. The fund also includes an equity market neutral strategy for the very first time.

Superfund White uses a combination of Superfund's three existing trading strategies, subsequently split up in five underlying Superfund funds.

"The idea is to get a very good Sharpe ratio, meaning strong performance with a reasonable volatility and maximum drawdown level," says **Johann Santer**, managing director of Superfund Financial and country officer for Superfund Financial (Hong Kong). "The combination of trading strategies into one product has better Sharpe ratio than in the individual strategy," he adds.

Santer: Combination of trading strategies has better Sharpe ratio

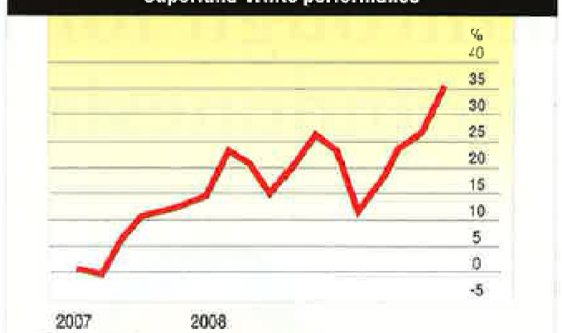
The fund has 20% of its investment in a medium-to-long terms futures strategy, which has an average holding period of 4 months; 30% investment in short-term futures with an average holding period of 4 days; and 50% investment in market neutral equities, which have an average holding period of 4 days. Superfund utilizes a fully automated trading system and invests in over 100 international futures markets, trading futures contracts of various asset classes such as bonds, equities, currencies and commodities.

Managed futures funds were the clear winner in 2008, delivering double-digit returns at a time when most asset classes, including various hedge fund strategies, posted astounding losses.

After topping hedge fund strategies performance league table and delivering an average return of 18.5% last year in US dollar terms, Santer says, managed futures strategy will see another year of strong returns this year.

"2009 is still going to be a year of strong returns for managed futures funds. And the reason for this is that managed futures tend to do extremely well whenever there are difficult environment for equity market," notes Santer.

Superfund White performance



Source: tetotrader

These funds, with their very low correlation to other asset classes (such as equities and bonds) can make money in all market conditions. Using the highly opportunistic strategy, managed futures funds take long and short position on future contracts depending on the market conditions to achieve higher returns.

The current financial market turmoil and the resulting volatility have been favourable for these funds to realize superior returns. "The managed futures strategy is a strategy that can perform well in both equity bull markets and bear markets. It really is through diversification that we are really looking at absolute returns," says Santer.

Santer points out that the response to his new fund has been good despite all the negativity that the hedge funds industry is currently facing. "Investors understand we are different and we were not hit by the crisis. We have been giving something that they have looking for – a product that has the potential to have a very good performance with quite moderate volatility and maximum drawdown as a downside level. Plus, we are giving them a very good liquidity term, a weekly to monthly liquidity which is not something they would have expected after what has happened with other fund houses," he adds.

"Some of the hedge fund houses have increased their redemption notice periods, for example from one month to three months. We are doing the opposite. We are giving them the higher liquidity in the difficult period when they really value the liquidity a lot." – *GD*