



DIVERSIFICATION MATTERS Report 15

Fundana's fund of hedge funds are generating strong alpha this year thanks to manager selection

B. G., Opalesque Geneva:

How are funds of hedge funds doing these days? Slightly down in September but still holding their own. The [HFRI](#) Fund of Funds Composite Index is up 2.4% YTD (to Sept.), annualising 2.8% in the last three years, 3% in the last five. And the [Eurekahedge](#) Fund of Funds Index is up 3.4% YTD.

Swiss manager Fundana runs two FoHFs which are both breezily outperforming those indices.

Fundana's oldest, Prima Capital Fund (USD), is up 8.5% YTD (to Sept.) It has annualised 6.5% since its April 1993 inception (with a 7.8% volatility), compared to 5.4% for the MSCI World index and 5.3% for the HFRI FoF Index. It returned -0.98% in September and generated strong alpha during the month, as the S&P 500 fell -3.9% (+4.1% YTD) and the MSCI World lost -3% (-0.3% YTD).

"Prima Capital was able to outperform equity indices as well as hedge fund indices mainly due to good manager selection with the top ten managers driving the bulk of the performance," Cedric Kohler, Head of Advisory at Fundana, told Opalesque. "The portfolio typically focuses on managers with AuM between \$200m and \$2bn with a simple business model: one fund, one team, one incentive. The Fund has been able to demonstrate again this year its capacity to protect on the downside while participating on the upside."

Cedric Kohler will be speaking at the second episode of the [Diversification Matters](#) webinar series on October 27th at 10 am EST.

The \$821m Fund is a pure-play on long/short equity with multiple managers: the portfolio is constructed by identifying and selecting long/short equity managers who use a fundamental bottom-up approach for their stock picking. This does not include short-sellers, quantitative

market neutral, or statistical arbitrage. The fund allocates to sector specialists (58%), US long/short, and global long/short strategies and is US-biased.

At the underlying manager level, eight out of 24 managers made positive contributions during the month. Four managers were removed from the portfolio at the end of September: two TMT sector specialists and two US generalists. Meanwhile, one new US generalist manager was added in October.

Those FoHFs with underlying long/short equity funds are well placed since the strategy is, apparently, [attracting](#) more interest from investors looking for protective strategies.

Trocadero Capital Holdings (USD) is up 7% YTD. The \$21m Fund has annualised 3.6% since its October 2003 inception, compared to the HFRX Global Hedge Fund Index's 1.2% and the HFRI FoF Index's 3.3%.

The Fund is multi-strategy and focuses on strategies with liquid and easy-to-price assets, and which do not use significant leverage. These typically include long/short equity, event-driven, global macro, and CTAs. It allocates to sector specialists (54%), US long/short (34%), global long/short, and event-driven strategies - all with a US-bias. It returned -1 % in September.

At the underlying manager level, six out of 14 managers were positive. At the strategy level, event-driven managers made the largest contribution, followed by global managers, and long/short equity managers cost the Fund -99bps, with an average performance of -1.15%.

During September, markets gave back some of their recent gains as the Covid-19 second wave picked up pace around the world and volatility increased as the US Presidential election draws closer. Hedge Funds more generally outperformed in September, with the broad HFRX Global index losing just -0.2% for the month (+1.6% YTD). Meanwhile, the more focused HFRX Equity Hedge index was flat for the month, although it is still down -2.9% YTD.

[Fundana](#) is based in Geneva, Switzerland and was founded 27 years ago; it is the investment manager of Prima Capital Fund and [Trocadero](#) Capital Holdings. Trocadero is the investment advisor.

WEBINARS:

Cedric Kohler will be speaking at the second episode of the **Diversification Matters** webinar series, where Opalesque presents investment managers who not only were up / protected in Q1-2020, but also YTD and in previous years.

To view the webinar, please click here:

- **Registration (free):** www.opalesque.com/webinar/
- **Time: Tuesday, Oct. 27th 2020, at 10 am EST**