



## Small Managers - BIG ALPHA - Report 57



### Don't be fooled by recent bias

B. G., Opalesque Geneva:

According to portfolio manager Elias Nechachby, investors are sometimes fooled by “recency bias”. That is why they allocate money to strategies that have performed the best in the last months or years and

deallocate from the ones that performed the worst. However, he says, over the long run, more often than not, strategies that perform the best are strategies that have long term consistency, not the ones that show up in the extremes from time to time from pure luck.

[Nechachby](#) is the founder of the MoSAIQ program, a market neutral strategy with a long-only core portfolio, a double hedge and a volatility engine.

“Instead of being impressed by recent best or worst performers, investors should test the robustness of investment strategies over the long run,” he tells Opalesque. They should look at the performance “during a crisis, inflationary periods like the one we are living this year, the COVID Pandemic in March 2020, Volmagedon in February 2018 or the 2008 Financial crisis. All these events are good stress tests where robust strategies make a difference.”

But there is a more systematic mathematical approach that can help investors select robust strategies and separate the wheat from the chaff. He will discuss it during the [Small Managers - Big Alpha webinar](#) on July 7th.

“Armed with these tools investors can make more effective allocation decisions and invest in strategies that are truly all-weather and have a strong potential to weather different types of crisis,” he says.

Elias Nechachby, CFA, founded **MoSAIQ** in 2015, and later joined ICON as portfolio manager. **ICON** Asset Management, a niche wealth management firm specialising in alternative investments, was founded in Zurich in 2006 by Richard Toolen, CEO. Before that, Toolen worked at Daiwa Securities Europe in Frankfurt and Nechachby at PWC, SunGard, and TradingScreen.

[ICON](#) is a platform that incubates and supports emerging managers with outperforming strategies. The support includes regulation, compliance, fundraising, and pairing with investors.

ICON and MoSAIQ also have their own products that are based on behavioural finance and use artificial intelligence, genetic algorithms, and neural networks to design and develop their models.

The MoSAIQ market neutral strategy was launched in 2016 and was improved in 2019 by adding a second hedge component provided by Carmika, a London-based manager who acts as a subadvisor. The now-called **MoSAIQ-Carmika Market Neutral Strategy** is the firm's flagship strategy. It is an all-weather absolute return strategy that achieves its returns through the MoSAIQ automated systematic non-discretionary trading of highly liquid stocks and futures, and the Carmika process-driven index options hedge.

The strategy was up +5.5% in May and flat YTD. It has an IRR of +25.4% net, cumulating +83% in net returns since October 2019. The strategy has a drawdown control design which enables to limit it to -10% to -13% range. The Sharpe Ratio (0% risk-free rate) averaged 2.08.

The **HFRI Equity Hedge Total index**, the strategy's benchmark, was down -8% YTD after losing -3.4% in May.

### April and May

Commenting on April's market performance when the S&P 500 lost 8.8%, Nechachby said in a [visual newsletter](#) that April had historically been the best month for the market in the last 71 years (since 1950) with an average return for the S&P 500 of +1.6%. The last time April was that bad in terms of market returns was in 1970 when the market dropped -9% in April.

"It was at the time just the beginning of a long inflation cycle, starting at +5.5% inflation and ending at +14% inflation in 1980," he explained. "The cycle was ended at the cost of a deep recession that lasted from 1980 to early 1983."

In May, "the market was volatile with a -9% drawdown in the first half of the month followed by a V shape full recovery of the downside move," he added. "Technical factors were largely at play in May more than anything fundamental. The fundamental picture remains unchanged from the prior month."

[Upcoming webinar:](#)

#### **Small Managers - BIG ALPHA**

Episode 9 of this groundbreaking webinar series presents another carefully screened panel of investment managers. In one hour, you'll meet them all, get to know their top quartile strategies, and since this is an interactive session, you will be able to ask questions.

#### **Who:**

- Edouard Mercier, Ascender Capital
- Bastian Bolesta, Deep Filed Capital
- Gerald Balboa, Skylar Capital Management
- Elias Nechachby, Icon-MoSAIQ-Carmika

**When:** Thursday, July 7th at 11am ET / 4pm UK time / 5pm CET / 11pm Hong Kong time

**Free registration:** [www.opalesque.com/webinar/](http://www.opalesque.com/webinar/)