



Small Managers - BIG ALPHA - Report 92



Portland-based manager launches equity hedged strategy meant to outperform the S&P

B. G., Opalesque Geneva:

TradeWinds has just launched a global hedged equity fund, which is derived from a successful long-only strategy and boasts a proven and systematic way to

identify where the global bull markets are occurring.

The concentrated hedged equity program **Aeolus** (named after the Greek god of the winds) **Hedged Equity Strategy** launched in January 2024 and returned 3.6% in its first month.

The core underlying strategy, **Targeted Growth**, has been running live for the past four years in a long-only, un-levered version, applying a systematic trend-following system to identify an optimized equity portfolio. Targeted Growth made a cumulative return of 66% from January 2020 to January 2024 - compared to 56% for the S&P 500, and a hypothetical 96% for the new strategy.

The three factors that differentiate the new strategy from the long-only strategy are 1) leverage (up to 150% gross), 2) short positions, and 3) options.

The Hedged strategy deploys a proprietary “**adaptive beta**” approach developed by founder and CIO [Christian D’Urso](#), who has 20 years of experience in trading system design and development. The Adaptive Beta Process is a systematic pattern recognition and trend identification procedure with full human oversight and final decision-making - so it is not a “black box.”

Christian D’Urso will present at the upcoming webinar, [Small Managers - BIG ALPHA Episode 14](#), on March 26 (details below).

How to outperform the S&P 500 over the long term

The program’s objective is to achieve above-average equity returns and outperform the S&P 500 over the long term with substantially lower volatility and drawdowns.

The program first takes a top-down approach, identifying market signals using proprietary pattern recognition techniques which define actionable trends within generally 4-6 sectors or geographies from which only the most meaningful high conviction trends are chosen, i.e., overweight EU over US equities or industrials over financials. The system then selects 15-30 stocks expected to express any trend optimally. The system further generates signals identifying the market state (falling/neutral/rising)

where the long-only performance is significantly enhanced by applying a rules-based variable hedge overlay to achieve the “adaptive beta” characterized by reduced volatility and drawdown protection.

Aeolus’s core portfolio contains liquid all-cap stocks and ETFs from a universe of about 400 stocks. It is sector-agnostic.

“The hundreds of trillions of dollars in the global financial system contain measurable and actionable trends that produce outsized moves in individual securities over months and years,” says Christian D’Urso. “We have developed a proven and systematic way to identify where the global bull markets are occurring and, within those markets, which stocks have significantly enhanced potential for outperformance. In addition, we have developed robust and scalable tools for identifying when to add and remove risk from the portfolio.”

Aeolus Hedged Equity Fund, LP is available to US investors - with a domicile in Delaware. A Luxembourg Actively Managed Certificate (AMC) will be available in April to non-US investors.

The \$5m Fund is the first product offered by Aeolus Asset Management, the General Partner. The investment advisor is [TradeWinds](#) Asset Management, founded in 2007, under the umbrella of TradeWinds Wealth Management, based in Portland, Oregon.

A [hedged equity](#) strategy has both long and short positions, but the long balance is greater than the short balance. It is partly dependent on market swings and is not an absolute-return strategy. Nevertheless, the partially hedged instrument does not vary as much as the market.

The [HFRI](#) Equity Hedge (Total) Index is up 3% YTD as of the end of February.

Upcoming webinar

Small Managers - BIG ALPHA Episode 14

Episode 14 of this groundbreaking interactive webinar series presents you with another carefully screened panel of investment managers worth looking into.

Who:

- o Christian D’Urso, TradeWinds Asset Management
- o David Nazar, Ironshield Capital Management
- o Eric Chan, Aura Group
- o Thomas Bleimuth, Anbruggen Capital

When: Tuesday, March 26th, 2024, at 11 am ET (3 pm GMT, 4 pm CET, 6 pm Riyadh, 7 pm Dubai)

Free registration here: <https://www.opalesque.com/webinar/>