Zurich adviser: why we reshaped recently acquired FOHF

By **Margaryta Kirakosian** / 28 Nov, 2016 at 09:26

Information assymetry and interdepedence are two major structural shifts that have taken a toll on the performance of hedge funds over the years.

This is according to Matthias Pfister, manager of the Polygon Capital fund, which was acquired by Zurich-based adviser Bellecapital together with GL Funds in June 2016.

He said one structural shift is information asymmetry, as in the pre-internet era investors who had offices in Vietnam, for example, had an informational advantage in that market over those who didn't.

‘That information asymmetry has disappeared and information itself became a commodity. This is the major shift that negatively affected a lot of hedge fund strategies.’

The second structural shift the fund manager has noticed is increased interdependence between countries and economies around the globe.

'Interdependence of economies makes markets move much quicker. Moreover consensus these days is very tight and specific and if it moves you get run over by it really quickly.'

He added that nowadays discretionary traders have almost no time to react, as quant strategies are much faster at picking up the relevant data, processing it and trading.

In this kind of environment he thinks investors should try to find managers who are ahead of the curve in information processing or quant models.

He said one example of a firm that is on top of the game is Renaissance Technologies, which started diving into data analysis 10 years ago.

However, he is not invested in this name as it has been hard closed for many years, and prefers quant boutiques like Massar and MQS.

'What distinguishes MQS is that it uses neither carry nor momentum strategies, which a lot of quant boutiques focus on.'

Financials in favour

Overall, the fund manager has added almost 15 new positions to the fund.

Pfister increased exposure to financial equities based on cheap valuations in comparison to the market. He is exposed to the sector through the Algebris Financial Equity Fund.

'Algebris does a deep fundamental analysis of banks and their balance sheets and I think the company will be able to avoid the names that don't have enough capital.'

Another attractive area for the fund manager is merger arbitrage, where he is invested with Orsay Merger Arbitrage Fund.

'Because a lot of capital left merger arbitrage over the years there is virtually no merger arbitrage funds anymore and as merger activity picked up merger spreads widened, making such funds attractive again.'

Long/short pitfalls

When talking about areas to avoid Pfister said he is wary of long/short equity funds.

‘If you buy a senior secure bond you know there is a certain amount of collateral against it. With equities everything is much more wobbly and uncertain and is very difficult to get the edge.'

Another space where the fund manager reduced exposure is Chinese equities, where he used to be invested in Chinese Golden Opportunities fund.

‘The problem with China the underlying economy is not particularly strong but it received a massive stimulus program. In October next year there will be a big reshuffle of the current government and we think there will be much more reforms, restructuring and slower growth.’