



## Corona Fighters - Report 6: Asset managers who delivered during the meltdown



Bailey McCann, Opalesque New York:

Amid the current market turmoil, this is our regular report on hedge fund managers who are bucking the trend.

Prior issues: [Report 1](#); [Report 2](#); [Report 3](#); [Report 4](#), and [Report 5](#)

### A reading of 15 in the VIX Index is a thing of the past

Recent spikes in volatility have been beneficial for VIX strategies. The **Pearl Hedged VIX Program** returned +7.34% in March, compared to the S&P 500 which lost -12.51%, according to an investment report reviewed by Opalesque. As of the end of March, Pearl has now outperformed the S&P 500 since inception, earning +7.31% on an annualized basis versus the S&P 500 which has earned +6.83% on an annualized basis.

Pearl Capital Advisors is an independent alternative investment arm of a California-based family office. The Pearl Hedged VIX Program is a futures-based, non-directional, and systematic strategy which seeks to monetize the mispricing of risk between implied volatility and realized volatility. Despite its outperformance during times of higher volatility, the strategy is designed to be 'all-weather' by generating consistent returns even during periods of low volatility. Since inception (October 2015), the Program has expressed a -0.25 correlation to the S&P 500 and approximately -0.40 correlation to the BTOP50 Index.

According to a commentary piece sent to investors and reviewed by Opalesque, Pearl Capital Advisors believes markets are likely in a sustained high volatility cycle going forward. That will also be true for broader society, where economies may have to deal with rolling stay-at-home orders until a vaccine for Covid-19 is widely available. "A reading of 15 in the VIX Index is a thing of the past. We believe, as is typical in higher volatility regimes, that VIX will continue to fluctuate primarily between 20-40 on average with occasional readings outside those ranges. The uncertainty caused by COVID-19 and the ensuing aftermath should create a good amount of guesswork for market participants. Larger daily swings of more than +/- 1% should become more the norm," the commentary said.

### Non-correlated diversification

Nevada-based Incline Investment Management is relying on uncorrelated diversification to outperform. **The Tahoe Fund** was up +9.32% in March and is up +8.87% YTD. The **Crystal Bay Ubitrend Strategy** was up +9.00% in March and is up +2.04% YTD, according to a performance update reviewed by *Opalesque*.

The Tahoe Fund uses what Incline calls the Systematic Hybrid Strategy which integrates two quantitative 'alpha' engines using equities and global futures into a systematic trading program. The approach defines trends in the market and uses volatility inputs to determine position sizing and when to exit. The correlation of the Systematic Hybrid strategy with the S&P500 has been 0.00 since inception in July 2012. Crystal Bay Ubitrend also takes a systematic approach to trading and is available in a separately managed account format.

Incline Investment Management principal Ted Parkhill was featured on [Opalesque TV](#) in 2018.

## Focus on fixed income

The fixed income market has been a source of significant volatility for investors in this crisis. The **Trebuchet Granite Fund** from Trebuchet Capital was up approximately +1.29% net of fees in March and is up +5.65% YTD. The strategy, which launched in 2018, is up 32.26% inception to date.

The strategy focuses on fixed income, housing, and credit assets, exploiting development in areas such as regulation, financing, and product innovation. Trebuchet arbitrages conflicting valuations of similar assets across markets such as corporate credit, fixed income, equity, and structured products. The strategy looks for opportunities in the credit markets that trade like baskets of fixed income assets. A quantitative overlay helps to determine trading signals.

In the current environment, select housing and consumer credit longs may behave better than corporates as corporate balance sheets are likely to be under pressure for at least the next year. Indeed, the corporate credit market has been one of the most volatile in reaction to Covid-19. Corporate credit underwriting loosened in recent years, which raises questions about credit quality as we navigate the recession. Consumer credit remains broadly well protected and is likely to perform better.

## And others...

**Sierra Europe Fund** managed by New York-based Sierra Global, was up 7.62% through March and is up 7.98% YTD. The strategy is focused on European small and midcaps with a history of low market correlation and capital preservation over the past two decades, according to an investment report reviewed by Opalesque. The fund has a track record of outperformance during market corrections.

John Locke Investments Cyril Systematic UCITS Fund ended March up +3.51% and is up +9.10% YTD. The fund uses a multi-trend quantitative approach to trade futures markets. A dynamic risk management tool also analyzes risk factors such as rising correlations and reversal risk at the portfolio level. The fund provides daily liquidity.

The **SMN Diversified Futures Fund** posted its best month since November 2014 in March. The strategy was up +10.68%, rebounding after some initial losses at the beginning of February as markets started to trend downward. Positions in short term interest rates benefitted from central bank interest rate cuts and helped drive performance in March.

**Quatrain Global Solution** a tactical long-only strategy managed by Strategic Capital Allocation Group ended March up 2.6%, rebounding off of lows in February. The non-levered strategy uses twelve of the most liquid and structurally stable ETFs across U.S. equity sectors and U.S. treasury bonds to create a tactical portfolio. The strategy uses strict risk controls to preserve capital during times of volatility.

*Disclaimer: This is not investment advice. Opalesque has not verified this information and gives no warranty of accuracy or completeness. Past performance is not indicative of future results. See our Terms & Conditions for more information.*

**Opalesque's Corona Fighters WEBINAR: <https://www.opalesque.com/webinar/>**