

# **Dedicated Alternative Commodities & Energies: Dealing with the true Performance Drivers**

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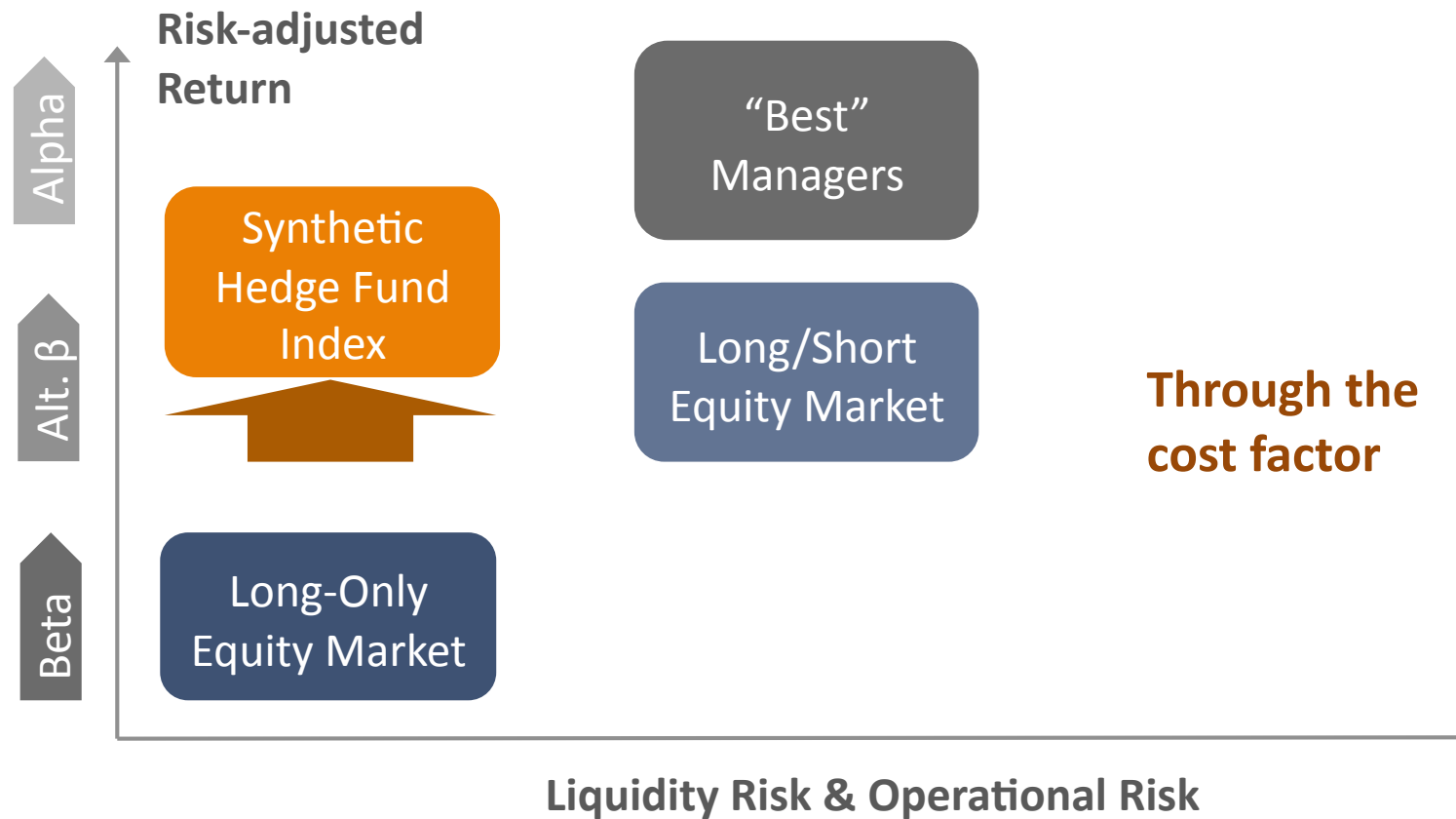
**Fintegral Asset Management**

# Agenda

- **What we do and our Approach**
- Resulting Strategy Portfolios
- Market Portfolios

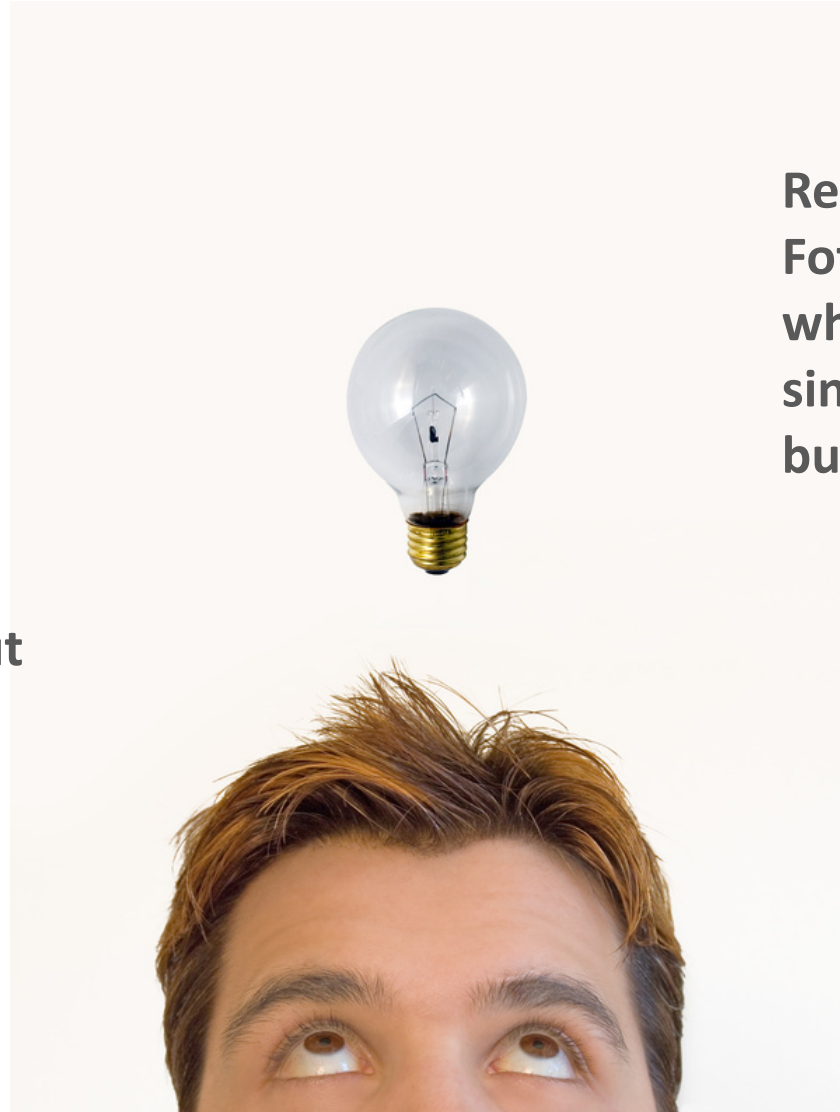
# Synthetic Hedge Fund Index

**More** than Liquid and Transparent Substitutes for Hedge Fund Markets



# Thinking differently

**Event Driven:  
short put pay-out  
=> why not use  
options?**



**Regression on  
FofF returns? =>  
why not on the  
single strategy  
building blocks?**

# Our Investment Process, Part I

Quant Research:  
applied  
research and  
development  
of tools

- **Determining alternative market factors <> traditional market factors**
- Further development of tools allowing weight specification

# Our Investment Process, Part II

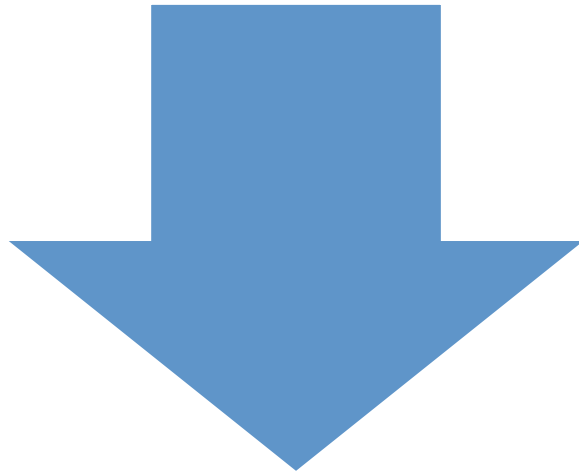
## Replicating single HF strategies

- For each strategy, combining **alternative market factors** according to their market weights
- **Dynamic weight specification:** top-down via proprietary quant tools
- Application of **specific investor constraints** (example UCITS-III)

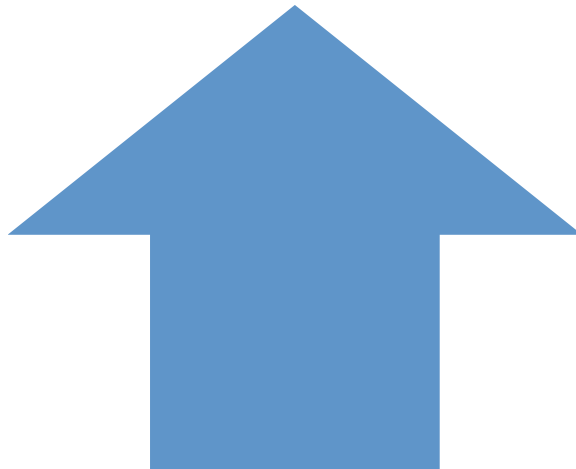
## Replicating the broad multistrategy HF market

- Combining **replicated single HF strategies** according to their market weights
- **Dynamic weight specification:** top-down via proprietary quant tools

# Our Investment Process



**Top-Down by analysis:** the weights of the alternative market factors for the single HF strategies but also the weights of the different HF strategies making up multi-strategy combinations are specified applying a top-down approach



**Bottom-Up by portfolio construction:** alternative market factors are the building blocks of single HF strategies who are themselves the building blocks for multi-strategy combinations, under consideration of «real markets» constraints.

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# Strategy Portfolios

## Fintegral Synthetic Hedge Fund Index

- Managed Futures Syndex<sup>®</sup>
- Equity Long/Short Syndex<sup>®</sup>
- Event Driven Syndex<sup>®</sup>
- Emerging Markets Syndex<sup>®</sup>
- Global Macro Syndex<sup>®</sup>

*Proprietary Trading since 2008*

- Global Syndex<sup>®</sup>

← **Multi-Strategy**

*Combination of the above strategies*

**Combinations of HF Single Strategies or combinations of Traditional beta with HF Single or Multi Strategies for Enhanced beta**

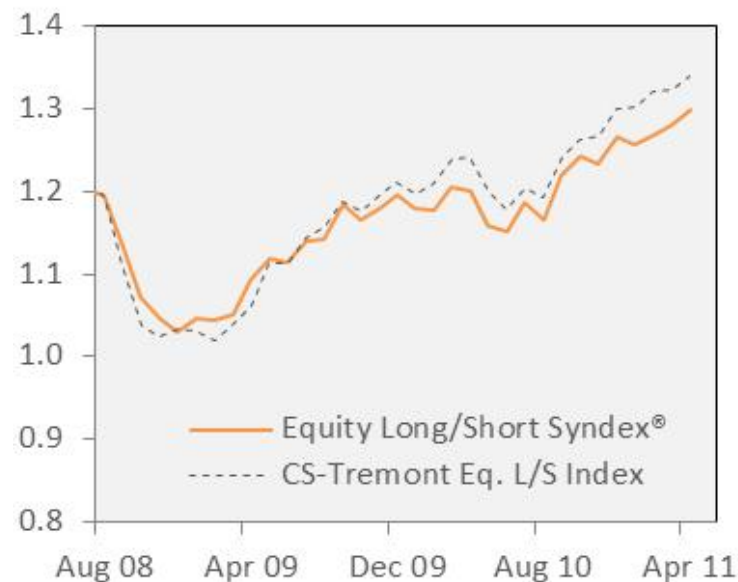
# Syndex<sup>®</sup> Tracks

- Low tracking error even to non-investible hedge fund indices
- Example Equity Long/Short; similar for other strategies

**Back-testing until Aug 2008**



**Real Trading since Sep 2008**



# Transparency

## Syndex®

- Trading only liquid, listed instruments; no “toxic” positions
- Full disclosure of positions and the sources of risk and return
- Marked to market on a daily basis (no stale price bias)

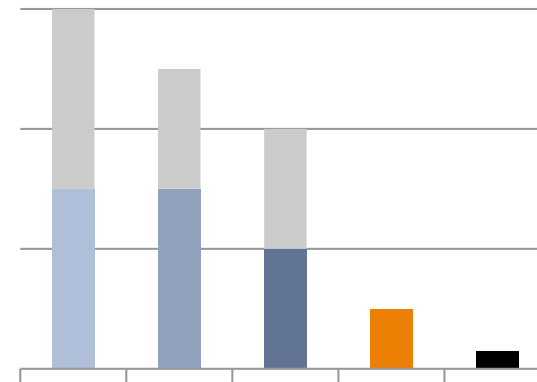
Asset Class	Exposure	Avg. Value	Annualized Return	Risk Attribution
■ Total			<b>9.2%</b>	<b>5.1% Ann. Vola.</b>
■ Equities	Net (Δ-adj.)	21%	5.0%	
■ Interest Rates	Duration	1.21	0.3%	
■ Commodities	Net	2%	0.3%	
■ Currencies	Net against \$	-1%	1.4%	
■ Credit	C-Duration	0.3	0.2%	
■ Volatility	Vega/NAV (bp)	-2	2.0%	

(Example: Global Macro Syndex 2009/10)

# Cost Efficiency

## Typical Annual Fees

- Funds of hedge funds
- Investible hedge fund indices
- Direct investment in funds
- Syndex<sup>®</sup>
- Passive long-only investing
- Performance fee



- High fees are often not compensated by alpha

# Tailoring

## Different Factors for Different Clients

**Client 1** looks for tactical overlay for traditional portfolio

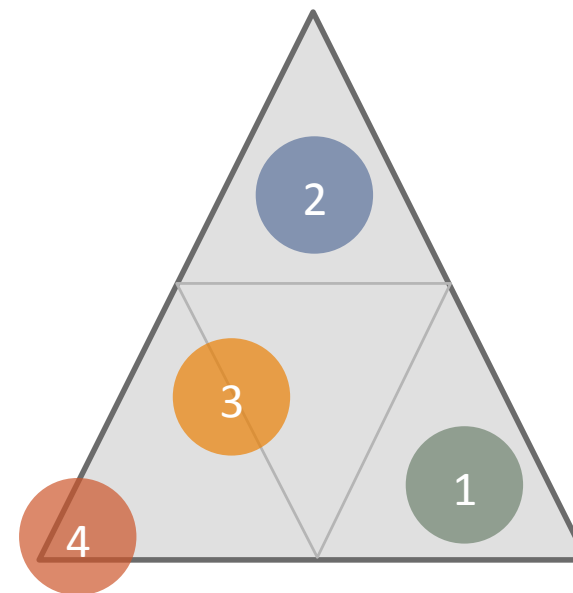
**Client 2** wants good long-term return, can take short-term losses

**Client 3** wants to optimize risk-return ratio while matching A&L

**Client 4** is a traditional long-only investor

...

Alternative Factors  
(Credit & Arbitrage)



Traditional  
Market Factors

Alternative Factors  
(Tactical Trading)

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# Commodities Market Portfolios

**Syndex<sup>®</sup>** carve-outs for specific markets:  
**Syndex<sup>®</sup> Market Portfolios**

- Managed Futures **Syndex<sup>®</sup>**
- Equity Long/Short Syndex<sup>®</sup>
- Event Driven Syndex<sup>®</sup>
- Emerging Markets Syndex<sup>®</sup>
- Global Macro Syndex<sup>®</sup>
- Volatility

Commodities ex-electricity **Syndex<sup>®</sup>**  
**Market Portfolio**: carving out the  
commodity sector of the **Syndex<sup>®</sup>**

**Commodities extracted are: gold, copper, and oil**

# Factors for the Commodities Market Portfolio

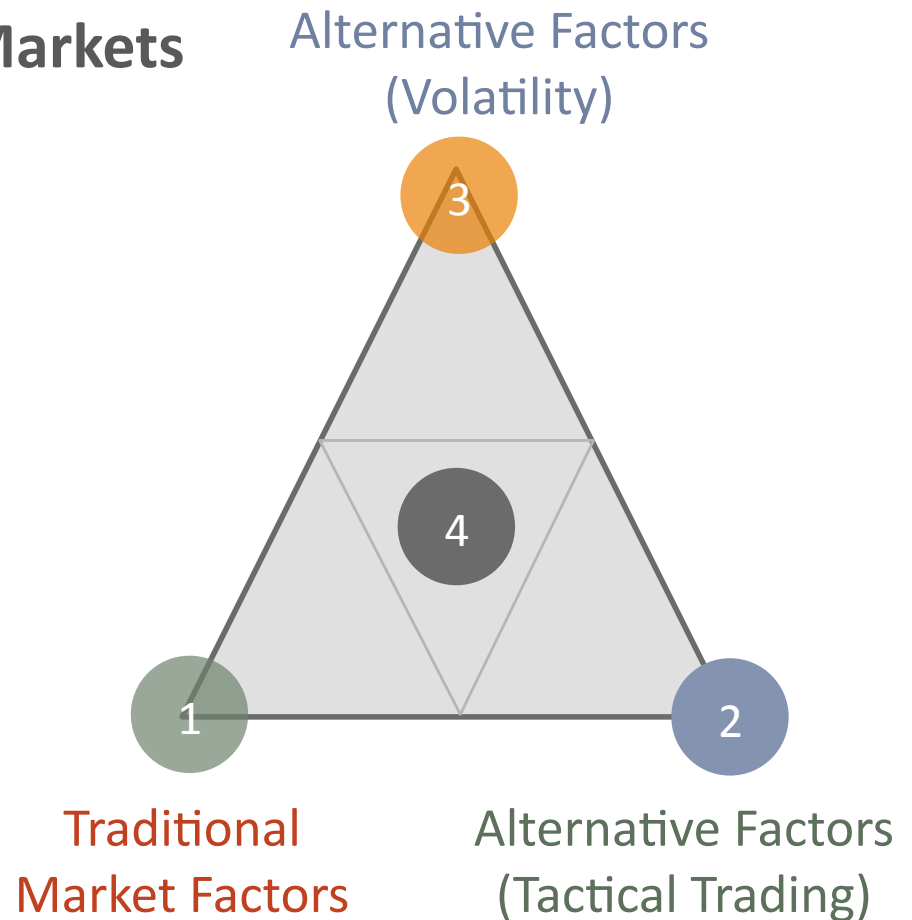
## Different Factors for Different Markets

**Factor 1** All 3 market components

**Factor 2** All 3 market components

**Factor 3** oil and gold

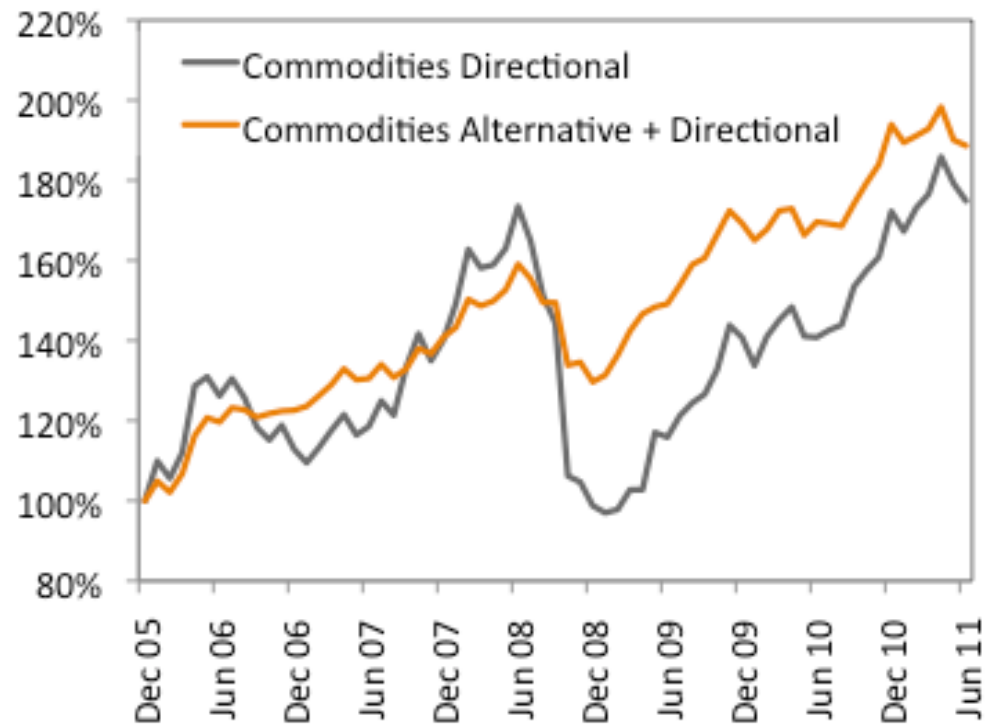
**Combination 4:** equal risk weighted





# Commodities Market Portfolios

## Results:



	<b>Dir.</b>	<b>Dir. + Alt.</b>
Ann. Return	11%	12%
Ann. Volatility	21%	10%
Sharpe Ratio	0.5	1.2
Worst Month	-26%	-10%

# Energy Market Portfolios (Greenfield Research)

**Syndex<sup>®</sup>** carve-outs for specific markets:  
**Syndex<sup>®</sup> Market Portfolios**

- Managed Futures **Syndex<sup>®</sup>**
- Equity Long/Short Syndex<sup>®</sup>
- Event Driven Syndex<sup>®</sup>
- Emerging Markets Syndex<sup>®</sup>
- Global Macro Syndex<sup>®</sup>
- Volatility

Energy incl. electricity **Syndex<sup>®</sup>**  
**Market Portfolio:** carving out the  
energy sector of the **Syndex<sup>®</sup>** and  
“adding” electricity

**Energies are: oil and electricity**

# Factors for the Energies Market Portfolio

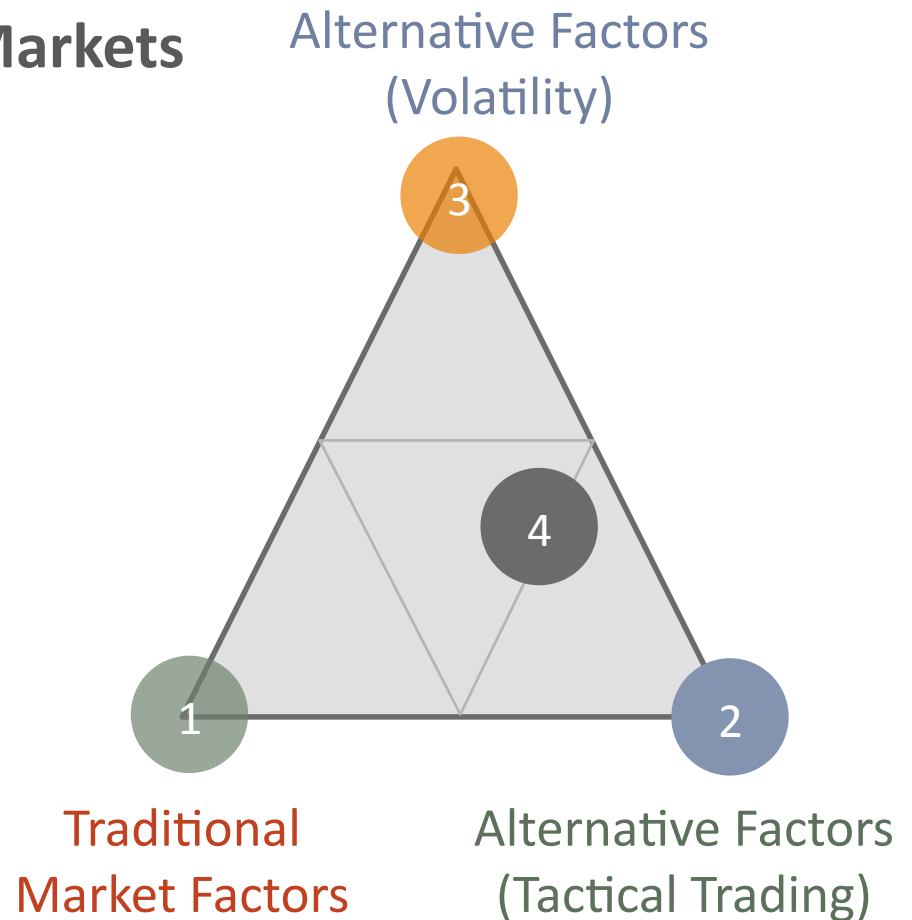
## Different Factors for Different Markets

**Factor 1** both market components

**Factor 2** both market components

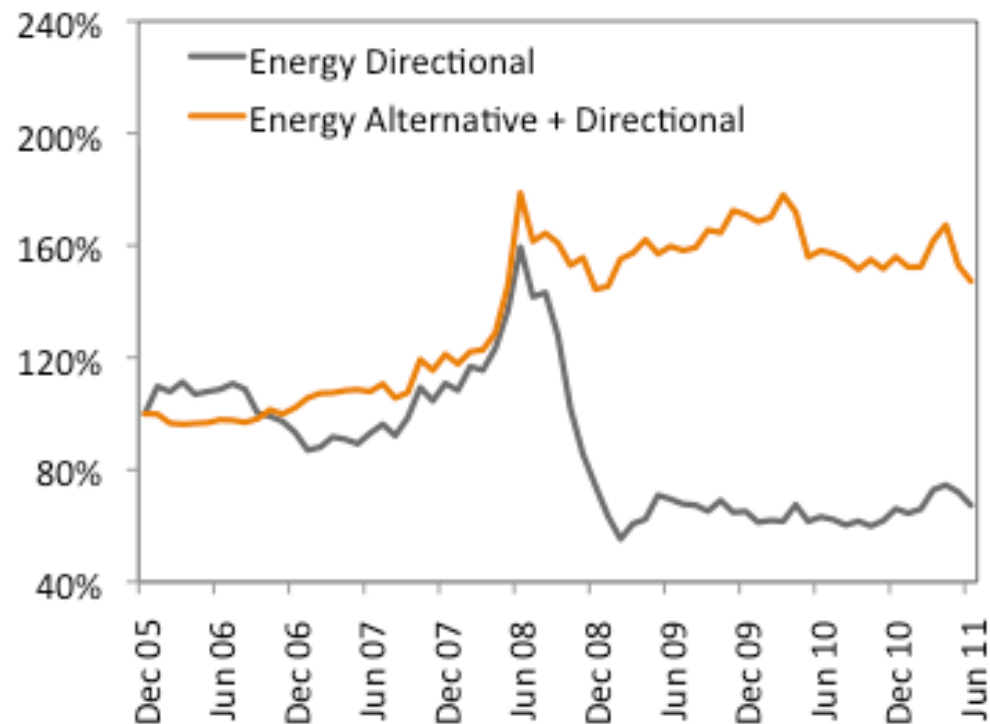
**Factor 3** oil

**Combination 4:** underweigh traditional, overweigh tactical



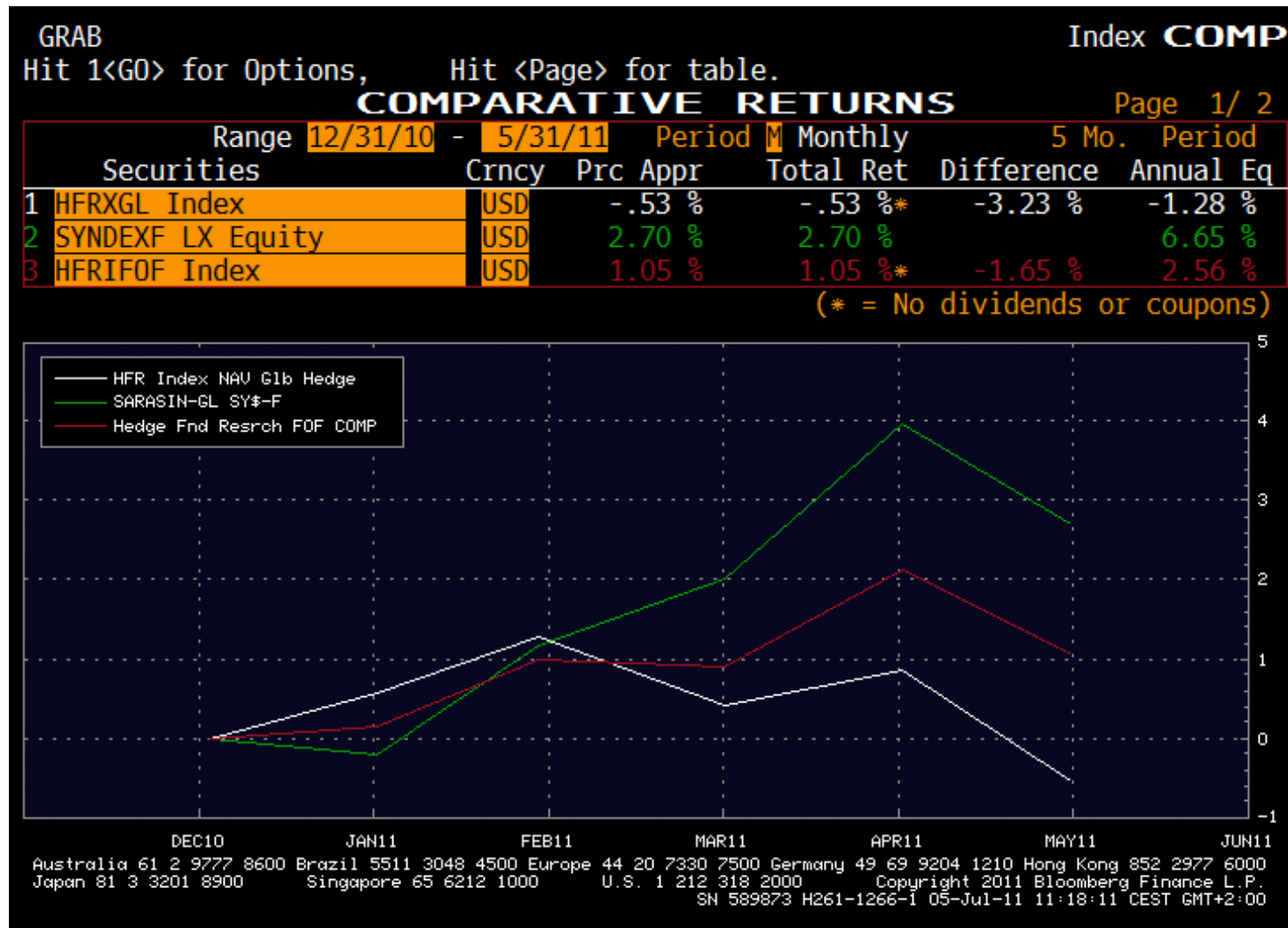
# Energy Market Portfolios (Greenfield Research)

## Results:

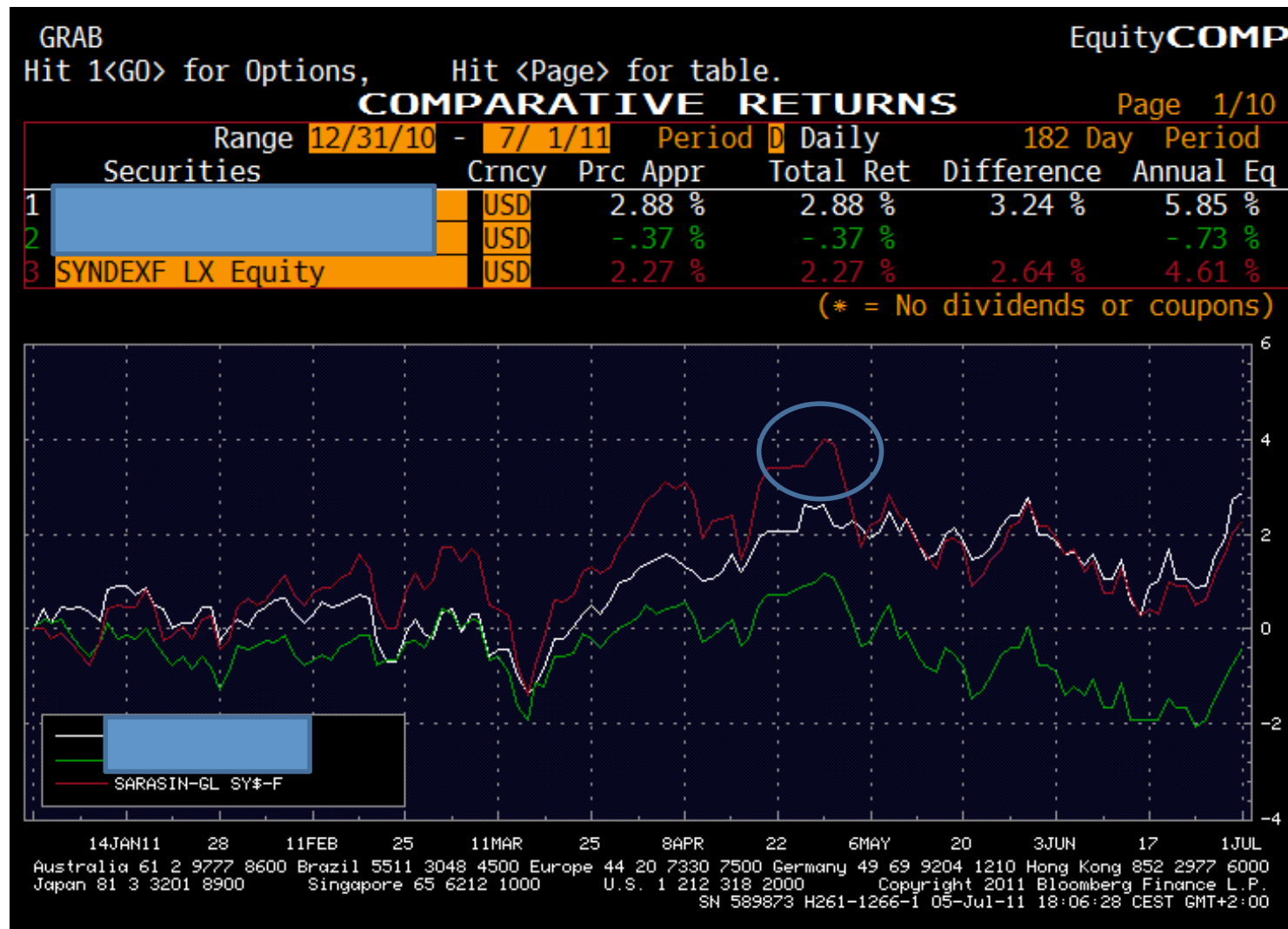


	<b>Dir.</b>	<b>Dir. + Alt.</b>
Ann. Return	-7%	7%
Ann. Volatility	25%	17%
Sharpe Ratio	-0.3	0.4
Worst Month	-20%	-10%

# Results of the UCITS 3 fund vs Indices



## Results of the UCITS 3 fund vs some Peers

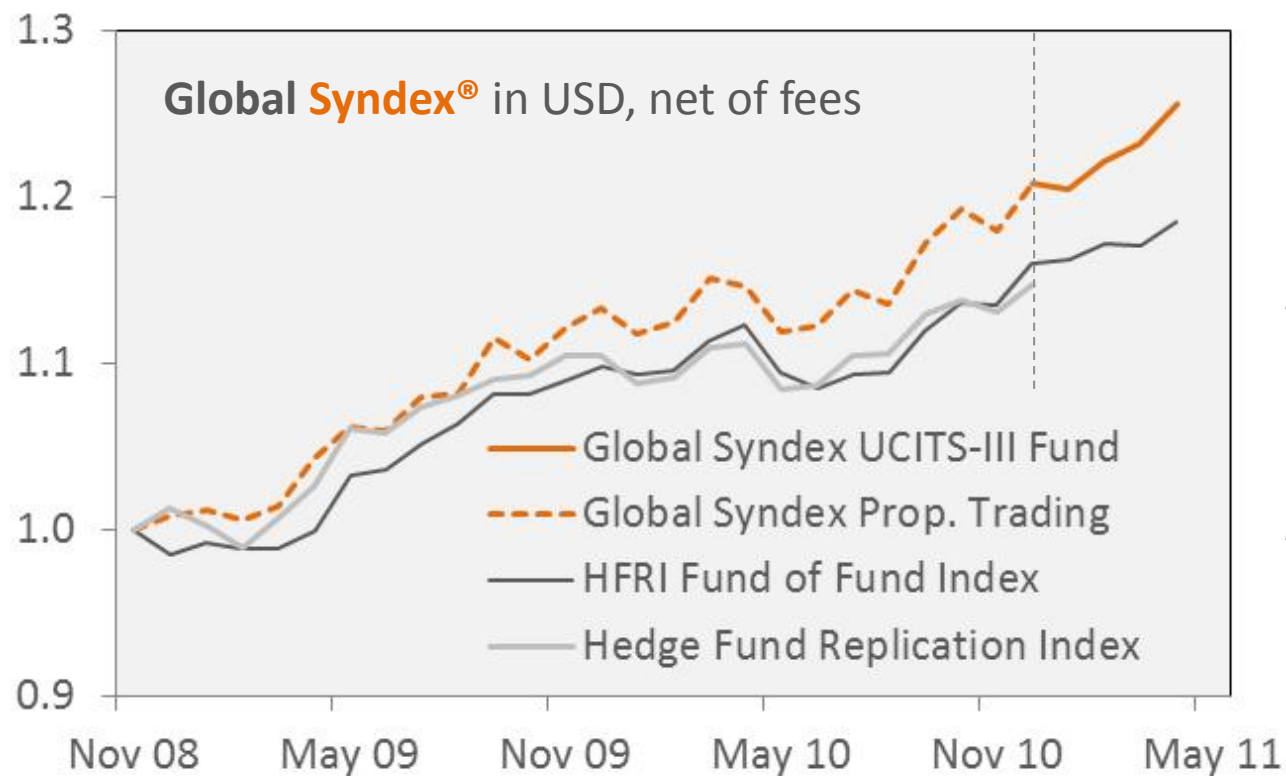


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# Performance

- **Syndex<sup>®</sup>** has outperformed funds of hedge funds
- **Syndex<sup>®</sup>** has outperformed other replication providers



**Period:**  
*Dec 08 – Apr 11*

**Sources:**

*Bloomberg;*

*Fintegral audited  
prop. trading;*

*www.hedgefund  
replication.com*