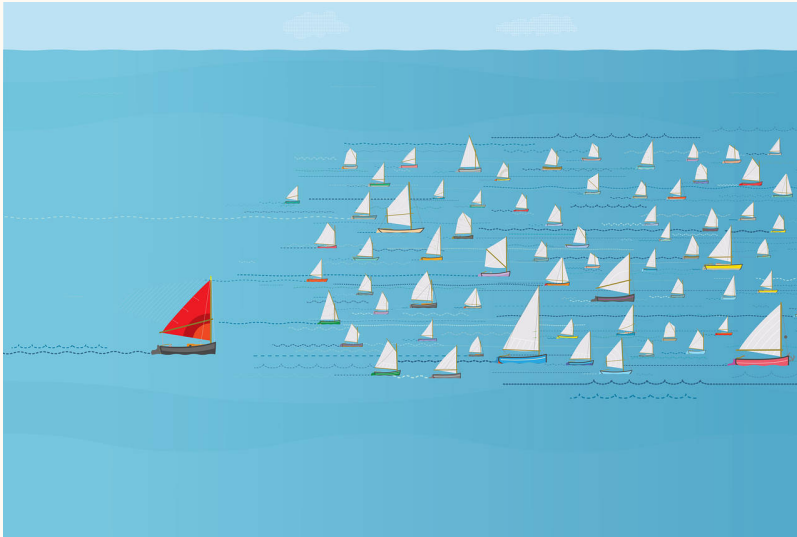


HEDGE FUNDS

Global macro hedge funds struggle to regain top form

'The good times have not come back as fast as we thought,' one hedge funder tells FN



Off the pace: Macro hedge funds have recovered from a poor 2018 but are still trailing a surging stock market — Getty Images

By Tom Teodorczuk

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Global macro, the hedge-fund style that made George Soros and Alan Howard famous, is struggling to recover from a dire 2018 – with one investor lamenting that top funds are “just not there any more”.

Macro managers, who seek to profit from large-scale economic and political shifts by placing bets on interest rates and bond yields, have on average failed to capitalise on the volatile markets and widespread political turmoil of recent years.

Eurekahedge’s Macro Hedge Fund index, a weighted index of 193 funds, fell 2.6% in 2018, the first negative annual return since the index began at the turn of the millennium.

The index gained 5.2% in the six months to the end of June, as several notable funds, including Howard’s, staged a recovery. But if returns continue around this level for the remainder of the year, that would put 2019 on par with the steady but uninteresting returns of 4% or 5% a year that macro has generated for most of the past 10 years, rather than the stellar 10% plus a year that made hedge fund fortunes in the previous decade.

And the 2019 recovery looks less impressive when compared with surging stock markets. The MSCI World gained 17% between January 1 and the end of June, in dollar terms.

Effie Datson, head of hedge funds at Union Bancaire Privée, the Swiss private bank, said last week: “Global macro, especially discretionary global macro, looks like something that is just not there any more.”

Speaking at annual industry conference GAIM, she told delegates: “There used to be a day when George Soros knew everybody personally up and down the Fed and could have lunch with them and would get insight as to what rate policy was going to be. That’s gone. There’s full transparency now. There’s tonnes of data. If you add in all the alternative data sets, what are you arbitraging?”

Some of the industry’s best-known names are feeling the pinch. In March, one of London’s oldest hedge funds, Rubicon, shuttered its flagship global macro fund and shifted its focus to a smaller systematic strategy, according to the Financial Times.

Atreus Capital, which managed \$2bn at its peak, closed in January, Bloomberg reported. Maverick manager Hugh Hendry shut the doors on Eclectica Asset Management in 2017.

One hedge fund manager, speaking on condition of anonymity, said: “The good times have not come back as fast as we thought. Plenty of managers are waking up every morning thinking, ‘How long am I going to be doing this for?’”

Global macro hedge funds that are having a 2019 to forget include Colorado-based Crescat Capital, whose global macro fund achieved a return of 40% in 2018, according to figures from Bloomberg. Yet data seen by *Financial News* shows the fund is down 20.1% between the start of January and the end of May. Crescat confirmed the figure but declined to comment further.

Datson, formerly global co-head of hedge fund sales at Deutsche Bank, added: “It’s extremely difficult to find what will be the information edge, the investment process edge that a discretionary global macro manager brings to the table. The reality is, over the last 10 years, they’ve made no money.

“The only place we’ve made money in global macro has been in systematic strategies... If I were to put any money into global macro beyond the systematic side, then it would be limited.”

The picture is not so gloomy everywhere; some global macro hedge funds have performed well in 2019. Brevan Howard’s \$2.5bn master fund, run by the company’s billionaire founder Alan Howard, is up 9.3% this year to the end of June, according to data seen by *FN*.

A person close to the company said Brevan has bet on falling bond yields and expectations that the Federal Reserve will cut interest rates.

Haidar Capital Management’s Jupiter fund is up 23.1% between January 1 and the end of May, according to data seen by *FN*. The fund also did well in June, and is up 33% for the year to the end of that month, according to a person familiar with the company.

The New York-based hedge fund, founded by Said Haidar, has done well recently out of betting on the bond-buying habits of central banks and fixed income strategies. The fund has suffered an annual loss only twice in its 20-year history.

Oliver Fochler, chief executive of Stone Mountain Capital, an alternative investment adviser, said big gains were still to be had out of global macro, but only for the most skilled.

“What is really making a difference in global macro funds right now is [an] effective discretionary trading style that has a strong focus on rates and fixed income and credit strategies,” he said.

“If you’re running a macro strategy in a systematic fund, and US policy changes and influences on the Fed are announced on Twitter, this makes it very difficult. But if you’re a discretionary manager reading trends ahead of the time, and you can anticipate a little bit, you can make a lot of money.”

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