



Investieren in Volatilitäten, der Teufel steckt im Detail

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ACTIVE FUND PLACEMENT

TELOS GmbH



Ask your Fund Manager



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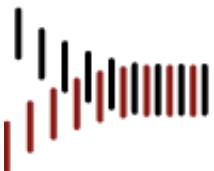
Ask your Fund Manager

“Das Investitionsbudget ergibt sich als Differenz von Risikofreude und Verlustangst.”

Hans-Jürgen Quadbeck-Seeger

Wir stellen die Fragen, der Manager antwortet. In den Jahren nach der Finanzkrise und der seither anhaltenden Niedrig-Zinsphase haben sich Anleger zunehmend Liquid Alternatives als (vermeintlich) unkorrelierte Ertragsbringer zugewandt. Volatilität als Anlageklasse ist hierbei besonders auf Anlegerinteresse gestoßen. Da es sich jedoch um eine sehr heterogene Produktgruppe handelt, gilt es zunächst zwischen Short-, Long- sowie Relative-Value-Ansätze zu unterscheiden.

Angesichts der durch die Corona-Krise ausgelösten Marktverwerfungen stehen einige Options- sowie Volatilitätsprodukte in der Kritik, da sie teilweise die Zielsetzungen der Investoren nicht erfüllen konnten und mitunter sogar liquidiert werden mussten. Insbesondere bei Short-Vola-Strategien wich die Realität zuletzt stark von der Erwartungshaltung der Investoren ab.



ACTIVE FUND PLACEMENT

Im nachfolgenden Interview beleuchten wir die Assetklasse etwas genauer und erläutern, wie der Granite Alphen Capital Fund den Monat März mit einem Plus von 3,3% abschließen konnte.

Der Granite Alphen Capital Fund (GACF) ist ein Relative-Value-Volatility Fund im Bereich Aktienoptionen und Futures. Der Fonds wurde im September 2013 aufgelegt und mehrfach für sein erfolgreiches Management über verschiedene Marktzyklen ausgezeichnet. Der Ansatz des Anlageverwalters besteht darin, Bereiche mit Ineffizienzen systematisch zu nutzen und gleichzeitig Absicherungen mit minimalem Carry anzuwenden. Die Implementierung ist modellgetrieben. Die Modelle des Fonds generieren Handelsentscheidungen, indem sie spezifische und relevante historische Marktdaten in „separate Datenpools“ segmentieren, anstatt ungeordnete aggregierte Daten zu analysieren. Der Erfolg von GACF hängt direkt mit einem strengen Risikomanagement zusammen, das in allen Geschäftsbereichen eine hohe Priorität hat.

Die umfassende Erfahrung des Anlageverwalters im Handel mit Derivaten, in Verbindung mit dem frühen Eintritt in diese Marktsegmente, versetzt GACF in eine hervorragende Position, um die bestehenden Möglichkeiten in diesen Spezialgebieten zu nutzen. Darüber hinaus sind die Positionen kurzfristiger Natur, wodurch GACF schnell auf sich rasch ändernde Marktbedingungen reagieren kann.

Active Fund Placement sprach mit Uriel Geller, Co-Founder & CIO bei Granite Alphen Capital Fund, über die Besonderheiten des Fonds und der Assetklasse sowie zu den Auswirkungen des Marktschocks im März und welche Konsequenzen sich daraus für Anleger in Volatilität ergeben könnten.



AFP im Gespräch mit Uriel Geller, Co-Founder und CIO bei Granite Alphen Capital Fund

Volatility is a relatively unknown and very often misunderstood asset class for investors. Could you please explain those differences based on your investment philosophy and why you chose this strategy over others?

I completely agree, just like other assets classes volatility has several sub-strategies which are entirely different from one another. It is imperative for investors to understand what type of volatility strategy they are investing in because the return, and more importantly the risk profile, are completely different. I believe the four main types of volatility strategies are: Long-, Short-Vola, Relative Value (RV) Vola/Vola Arbitrage, and Tail strategies. Long Vola and Tail strategies will typically profit when volatility rises. Long-Vola is more sensitive to any rise in volatility while a Tail strategy will typically only make money with an exceptionally large increase in Vola (however the profit can be exponentially larger than long vola). These strategies did very well this year and particularly in March.

However, investors must be wary because these strategies can so call “bleed premium” over time. Meaning during years of calm markets these strategies could potentially incur large losses. Short Volatility strategies are the other end of the spectrum. They typically perform very well in calm markets and can have a very stable returns over long periods of time. However, when volatility spikes these strategies can be extremely problematic if there is not proper risk management in place. In March quite a few of these types of strategies blew up after years of what seemed to be solid track records and returns. Relative Value Vola is similar to long/short strategies in the equities space. In my opinion, these are the ultimate volatility strategies. If they are executed correctly, they do not bleed premium, and on the other hand are able to make money in Bull markets as well as provide ample protection during Bear markets.



AFP im Gespräch mit Uriel Geller, Co-Founder und CIO bei Granite Alphen Capital Fund

Volatility or option strategies are often times compared to the insurance business. The idea is that selling options or premium is similar to selling insurance policies. Over the long run insurance companies are the ones that will be profitable and not the policy holders. I think this is a good analogy. However, the problem is that many times the explanation ends here. People forget that in order for an insurance business to be successful its risk management process needs to be top of the line. Furthermore, the insurance business has another essential component which is reinsurance.

In our Fund we have embraced this approach in our premium collection strategy. We have set noticeably clear and rigorous risk management protocols, this way we are always prepared for large equity drawdowns. In addition, we purchase tail protection intended to mitigate our gap and crash risk which is like reinsurance protection.

Furthermore, our complementary Relative Value strategies are designed to profit from an increase in volatility, which is exactly when our premium collection strategy is less favorable. Our strategy is currently one of the constituents of the CBOE/Eurekahedge Relative Value Volatility index.



AFP im Gespräch mit Uriel Geller, Co-Founder und CIO bei Granite Alphen Capital Fund

Returns for volatility funds have shown great dispersion during March with the majority of funds being in the negative space. You, however produced a positive return of 3.3% for your fund. Could you please elaborate on what led to these returns and compare it to similar scenarios in the past?

There were several factors that were attributable to our Fund's success in March. The primary ones being our thorough risk management process as well as our new Vix Futures strategy. Currently our main strategy is a weekly premium collection play on equity indices that is hedged for tail risk. An important aspect of this strategy is our set systematic risk protocols which were triggered during March. Once these risk protocols are triggered, we liquidate our positions. Although these risk mitigation parameters prompted a large loss when they were triggered in March, ultimately this prevented us from taking an even steeper loss because equities continued to sink. On the other hand, we run other strategies that are complementary to our premium collection strategy, which are meant to benefit from an increase in volatility. One of these strategies is a Vix futures strategy which we began to implement in our fund last summer after an extensive test period. This strategy did very well in March and is responsible for most of our gains. After the initial sell-off in March we got long longer dated Vix futures and they eventually closed the gap with Vix spot which led to our outperformance.

During past volatility spikes the narrative was very similar. We were able to cap our losses in our premium collection strategy, meanwhile our tail hedges or other complementary strategies compensated for the losses.



AFP im Gespräch mit Uriel Geller, Co-Founder und CIO bei Granite Alphen Capital Fund

For example, we managed to finish 2018 slightly in the green. In February of that year during the so called “volmagedon” our tail hedges performed extremely well and made up for our losses in our premium collection strategy. In the last quarter of 2018 when the market tanked, our strategy also incurred a loss, however it was comparatively small due to our risk protocols. We believe that our Vix futures strategy is a crucial new component in our arsenal and will continue to provide downside protection for our Fund in the future.

We recently have seen managers closing their volatility funds. What are your thoughts on these closures and what is your outlook on the segment?

As I mentioned earlier, most of the closures are associated with either Short Vola strategies that blew up due to poor risk management, or Short Vola strategies disguised as Relative Value strategies with similar issues. The volatility space is no different than other hedge fund strategies in the sense that it is hard to separate the “men from the boys” unless there is real stress in the marketplace. The world has not seen a real recession since 2008, and therefore it hasn’t been apparent which strategies are able to perform well in bear markets. Investors for years have been able to identify strategies that outperform in a Bull market, now they have the chance to identify strategies that can also outperform in a Bear market. However, particularly in the volatility space, investors should not get blindsided by Long Vola and Tail Strategies that are currently showing big numbers. When the Bull comes back these strategies will be a big drag on their portfolio. Therefore, I believe Relative Value strategies is the best choice in this segment since they provide a true absolute return profile. In addition, I believe that if we are entering a new volatility regime which is characterized by prolonged higher volatility levels (which could be highly likely), there will be interesting opportunities in this space. There are currently a number of dislocations that stand out in this space, and we are taking advantage of the current favorable conditions.

AFP im Gespräch mit Uriel Geller, Co-Founder und CIO bei Granite Alphen Capital Fund

Uriel ist einer der Gründer und CIO bei Granite Alphen Capital Fund (GACF). Vorer Gründung von GACF in 2013, agierte Uriel acht Jahre als Head of the Trading Desk bei Granite Financial Instruments (ein führendes, israelisches Proprietary Trading Unternehmen). Davor verbrachte er vier Jahre als Market Maker in gelisteten US Aktienoptionen bei Bear Wagner in New York. Uri hat einen BA in Economics von der Penn State University und einen MBA in Finance der Bar Ilan University (Israel). Gemeinsam mit Menashe Shemash, dem weiteren Gründer von GACF, entwickelte Uriel das Finanzmodell, welches die Basis für die Investmentstrategie des Fonds darstellt.

Haben wir Ihr Interesse an dieser spannenden Assetklasse wecken können? Dann zögern Sie bitte nicht, uns telefonisch oder per E-Mail zu kontaktieren. Gerne beantworten wir vorab Ihre Fragen oder vereinbaren einen Termin mit dem Verwalter, um Ihnen den Fonds detailliert zu präsentieren.

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