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NEWEDGE

CTA INDEX		TREND INDEX		SHORT-TERM TRADERS INDEX	
FEB 2014	YTD	FEB 2014		FEB 2014	
0.55%	-2.52%	0.64%		0.24%	
Source: Newedge, estimated performance as of 18 March	2013	YTD	2013	YTD	2013
	0.73%	-5.51%	2.67%	2.28%	3.56%

LAUNCH

Covenant launches high volatility strategy targeting 100% returns

Nashville CTA's Optimal Program to buck trend for low vol offerings

COVENANT CAPITAL IS launching an ultra-high vol program seeking 100% annualised returns.

The systematic long term trend-follower, which has roughly $280m in AuM across its existing Original and Aggressive programs, is aiming to give investors the highest total returns and risk-adjusted returns possible, with accompanying extreme volatility, through a new Optimal Program.

"A higher volatility program has much less room for negative surprises," according to co-founder Scot Billington, who adds investors need not be afraid of volatility provided the risks are controlled with allocation sizing. "Volatility is not risky," he said. "Unexpected volatility is risky."

Billlington said the impact of an investment upon a portfolio can be controlled by the size of the allocation, "as long as the investment does not have losses in excess of those anticipated by past history or the allocation model".

"When modelling for extremely high volatility, potential large losses are anticipated and adjusted for by the size of the allocation," he explained.

Covenant's Optimal Program, which charges 2/20 fees, uses the same entry and exit points for trades as the firm's existing programs but allocates much larger risk to each new trade taken.

Optimal is targeting the best risk-adjusted returns possible from Covenant's models – a near 100% annualised returned with an 80% standard deviation, said Billington.

The new program, which returned 29.87% in February, according to Covenant, is expected to hit 35% drawdowns each calendar year, with a worst drawdown of 50% to 75% every seven-year period.

Billington said the drawdowns and volatility will be "extreme", but that the program will have "enough punch" to recover losses and more.

He believes it will have a place in the portfolios of some investors as part of a "barbell" investment strategy, where the majority of assets are allocated to "safe" investments and smaller sums placed in very aggressive investments. "The people that it speaks to, it will speak to loudly," said Billington.

Nashville-based Covenant Capital, founded in 1999 by Billington and Brince Wilford, is also opening a new office in the Chicago Board of Trade building in Chicago to expand its operations.

LAUNCH

CTA pioneer launches low vol MA offering

DUNN CAPITAL MANAGEMENT has launched a low-volatility managed account offering for institutional investors.

The offering will target the same investment universe as the $1bn Florida-based firm's flagship World Monetary and Agriculture (WMA) program, but will target 12.5% to 13% annualised volatility, in contrast to the flagship's 25% to 28% target.

"In the past we have had a lot of institutional investors say they like our product, but that they wish we weren't so volatile," president Marty Bergin said.

The institutional managed account, which opened in February and stands at a $100m, has a $25m investment minimum, charging a 25% performance fee and no management fee, Bergin confirmed.

The flagship WMA program, which uses a long-term, trend-following strategy focused on financial futures and energies, has just over $300m in AuM and returned 34.16% last year.

DUNN was established in 1974 by Bill Dunn, making it one of the oldest managed futures firm in the industry.

WINTON PLANS FIVE NEW FUNDS AND THREE NEW OFFICE LOCATIONS

WINTON CAPITAL IS preparing to launch five new funds and make up to 100 new hires under expansion plans that will see it open three new offices.

The $25bn manager revealed its growth ambitions as CEO Tony Fenner-Leitão left his role after five years with the London-based firm.

Founder and executive chairman David Harding will take on the CEO title, according to a spokesman, who said an official replacement was not likely in the coming months.

Winton confirmed plans to launch five new funds and open new offices in New York, Tokyo and Sydney during 2014.

Fenner-Leitão, who joined Winton in 2008 after more than six years at Goldman Sachs, was made CEO in January last year but is moving to the US West Coast for family reasons.

Winton said that Fenner-Leitão had played a key role in the firm's recent growth in the US and the opening of a new London headquarters in Hammersmith last month.

"These are exciting times to be at the helm of Winton," said Harding, who founded the company in 1997.

"Over the past 15 years the company has evolved from a CTA into a global quantitative investment manager and a leader in financial mathematics and scientific research into markets."

Harding added: "We have just moved into our new head office in London and over the next year are planning to open new offices on three continents and to launch five new funds."

The first two launches, set for Q2, will be long-only Ucits funds focused on European equities and North American equities. The composition and launch dates of the other three have yet to be confirmed.

Winton now employs 290 people with 125 working in research in Oxford, Zurich and Hong Kong.

THE RISK OF LOSS IN TRADING COMMODITIES CAN BE SUBSTANTIAL. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.