

- Oliver Rossi
- Alpinum Investment Management AG
- Hedge Funds

Why many Hedge Fund strategies have outperformed in difficult market environments

Oliver Rossi of Alpinum Investment Management explains in an interview how Alpinum has successfully mastered the market difficulties in 2022 with its "Absolute Return" approach and where he sees opportunities for Alternative strategies in 2023.

Mr. Rossi, can you explain the idea behind "Absolute Return" strategies?

O.R.: Investors are always seeking returns that have little or no correlation with the market. The idea of "Absolute Return" is based on the principle of losing as little money as possible in a difficult market phase and still achieving an attractive return in the long-term. Obviously, if losses can be avoided or minimized during a bear phase, it is much easier to return to the profit zone. Absolute Return strategies depend on the environment too and also suffer from market turbulences, but the degree of market dependency is quite different from traditional concepts.

2022 was a good example: While many classic mandates achieved double digit losses, our "Absolute Return"-portfolios ended the year with a positive performance. In other words: The concept worked well, even in the exceptionally difficult investment year of 2022.

How do you achieve "Absolute Returns"?

O. R.: It is a question of mentality - with "Absolute Return" you cannot hide behind a benchmark, you are always "active". It needs the right mindset: Where do you put your investment emphasis? On minimizing risk or on maximizing returns?

What does this mean when you look back at 2022?

O.R.: In our case this means that we always try to find the right strategy to get the most return for the risk taken at any given time. This approach typically demands for a very agile management, and it requires constant adjustments to the prevailing market environment. And this is in the end how we mastered 2022.

Despite a bullish start into the new year, markets have just undergone another stress-test. What does this mean for Alternative investments?

O.R.: Hedge fund strategies are anything but static and homogeneous; many managers are able to deal with challenging markets adaptively and profitably. Recent market dislocations have actually demonstrated that hedge funds can function as a stabiliser and valuable diversifier in a portfolio. However, the wide dispersion of returns of the individual strategies and managers shows that active manager and strategy selection is all the more important.

What does this all mean for a professional investor over the next 12 months?

O.R.: Volatility has increased again, usually a good environment for relative value and arbitrage strategies, if a convergence to the average (mean reversion) takes place after periods of stress. Additionally, market uncertainty manifests itself in high merger arbitrage spreads, the deal volume might recover, with some large mergers taking place.

For hedge funds in the entire fixed income and credit area, however, an opportunity window has opened that was not seen in a long time. The paradigm-shift on the interest rate side completely reshuffled the fixed income market, also creating opportunities for "special situations" managers who will benefit from the more frequent restructurings that will take place going forward. Credit and fixed income have historically been a core competence of Alpinum Investment Management.

Biography:

Oliver Rossi, Alpinum Investment Management

Oliver Rossi is a senior portfolio manager at Alpinum Investment Management, a FINMA-licensed Swiss investment manager based in Zurich, focussing on traditional and alternative investments in the hedge fund, credit/fixed income and direct lending sectors, with AuM of more than USD 2 bn. Prior to joining AIM in 2018, Oliver worked in the role of a CIO of a volatility hedge fund. From 2007 to 2014 he was a fund and hedge fund analyst at Rahn & Bodmer Co.

