Managed futures pioneer Eckhardt unveils mutual fund debut

by **Hugh Leask** October 21, 2024 in **Hedge Fund Manager News**, **Hedge Funds**, **Premium**

Eckhardt Trading Company, the long-running Chicago-headquartered managed futures and quantitative investing pioneer, has made its first foray into the mutual fund space with the launch of the Quantified Eckhardt Managed Futures Strategy Fund (QETCX).

The new fund is based on the firm's Evolution strategies, a long-running blend of a variety of systems and models created internally at the firm, many of which were quant programs originally developed by the veteran fund manager William Eckhardt, who founded the firm in 1991.

The Quantified Eckhardt Managed Futures Strategy Fund, which launches initially with assets in the $50-100 million range, trades an assortment of fixed income, commodities, currencies and equities futures markets, offering diversification to traditional markets in a '40 Act retail format.

"It's a long/short approach using futures markets to capture opportunities on a global macro footprint in the short-to-medium duration range," Rob Sorrentino, president of Eckhardt Trading, told *Alternatives Watch*. "That is something that everyone should have in their diversified portfolio."

Expanding further, he noted how the retail space traditionally has not had easy access to such strategies in the short-to-medium term duration range within a '40 Act format, but stressed that there is an "enormous amount" of capacity among the investing public that wants to have access to this part of the alternatives sector.

Sorrentino believes now is an advantageous time to launch the strategy, pointing to the recent sharp spikes in market volatility along with sustained macroeconomic and geopolitical uncertainty. He highlighted 2022's upheaval which saw both stocks and bonds fall in tandem, as well as the start of the COVID-19 pandemic in March 2020, which sent markets into a tailspin.

"Years like 2008, 2018, 2020 and 2022 -- those particular global macro events that create traditional dislocation, with money moving around into other sectors -- tend to be beneficial for what this type of strategy does," he said. "This strategy is set up to help people have access to a little more diversification, and it's a product that gives them some protection when the markets dislocate."

He continued: "We trade over 70 global futures markets and they're the highest volume, deepest markets available. It's not built to be long volatility, but in effect it works that way because it's basically a zero-to-negative correlation to the S&P. When the traditional markets tend to dislocate, and the more aggressive that gets, and the more that volatility rises, this type of strategy tends to do better in those environments."

Looking ahead, Sorrentino noted that after a long period of "aggressive" quantitative easing post-Global Financial Crisis -- which stifled volatility and even "decimated" it within certain sectors, such as currencies -- the unfolding investment environment heralds renewed optimism for vol-based approaches.

"This type of strategy tends to do quite well when volatility ebbs and flows," he said. "Even though we might now be in a zone where there is some reduction in interest rates, I don't think it's going to be what we saw in the past. You need more than a day or two of volatility to really consistently deliver, but I do think the current global macroeconomic situation, politically, is offering a lot of opportunities."

Underlining this point, Sorrentino said that while Eckhardt tends to perform well in highly volatile periods, it has not suffered the large drawdowns that some longer-term trend-following managers have had to grapple with.

"We tend to be early in and early out, because we use volatility as a very key element to our initiation and liquidation criteria," he said. "I think that's our edge -- we're more in the medium- to shorter-term space, and we tend to be very complementary to some of the more traditional, longer-term, longer-duration trend following systems."