



# Skänderbeg

Investment Management

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## Put into perspective

*Ahead of the mainstream*

### March 2019

Written by  
Bruno Schneller, CAIA & Miranda Ademaj

#### Contents:

- Hedge funds (page 3)
- Markets (page 7)
- Think tank (page 12)
- Time out (page 16)

***"Markets attract those who want to make quick money  
but rewards only those who are comfortable getting rich slowly."  
– D. Muthukrishnan***

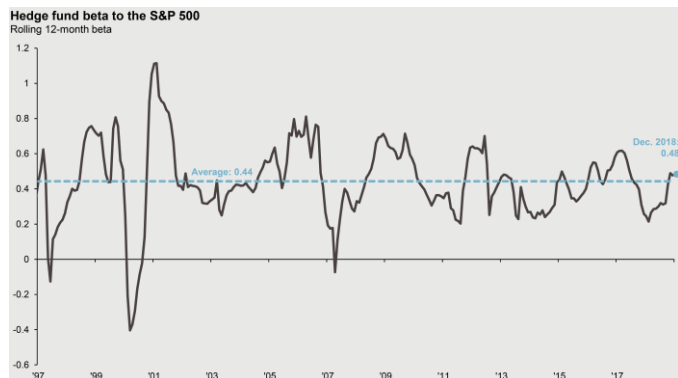
# HEDGE FUNDS

## Hedge fund strategy returns

										2009-2018	
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Ann.	Vol.
Global Equities 35.4%	Global Equities 19.2%	Global Bonds 5.6%	Global Equities 16.8%	Global Equities 23.4%	Quant 10.7%	Eq. Market Neutral 4.3%	Distressed 15.1%	Global Equities 24.6%	Merger Arbitrage 3.3%	Global Equities 10.0%	Global Equities 15.6%
Distressed 28.1%	Distressed 12.1%	Merger Arbitrage 1.5%	Relative Value 10.6%	Equity Long/Short 14.3%	Global Macro 5.6%	Merger Arbitrage 3.3%	Global Equities 8.5%	Equity Long/Short 13.3%	Relative Value -0.2%	Relative Value 6.9%	Equity Long/Short 8.6%
Relative Value 25.8%	Relative Value 11.4%	Relative Value 0.1%	Distressed 10.1%	Distressed 14.0%	Global Equities 4.7%	Relative Value -0.3%	Relative Value 7.7%	HFRI Composite 8.6%	Eq. Market Neutral -1.0%	Distressed 6.8%	Distressed 7.8%
Equity Long/Short 24.6%	Equity Long/Short 10.5%	Distressed -1.8%	Equity Long/Short 7.4%	HFRI Composite 8.1%	Relative Value 4.0%	Equity Long/Short -1.0%	Equity Long/Short 5.5%	Global Bonds 7.4%	Global Bonds -1.2%	Equity Long/Short 5.6%	HFRI Composite 6.1%
HFRI Composite 20.0%	HFRI Composite 10.2%	Eq. Market Neutral -2.1%	HFRI Composite 6.4%	Relative Value 7.1%	Eq. Market Neutral 3.1%	HFRI Composite -1.1%	HFRI Composite 5.4%	Distressed 6.3%	Distressed -1.9%	HFRI Composite 4.9%	Quant 5.8%
Merger Arbitrage 11.6%	Quant 9.8%	Quant -3.5%	Global Bonds 4.3%	Eq. Market Neutral 6.5%	HFRI Composite 3.0%	Global Macro -1.3%	Merger Arbitrage 3.6%	Relative Value 5.1%	Global Macro -4.0%	Merger Arbitrage 4.1%	Global Bonds 5.6%
Global Bonds 6.9%	Global Macro 8.1%	Global Macro -4.2%	Eq. Market Neutral 3.0%	Merger Arbitrage 4.7%	Equity Long/Short 1.8%	Global Equities -1.8%	Eq. Market Neutral 2.2%	Eq. Market Neutral 4.9%	HFRI Composite -4.6%	Global Bonds 2.5%	Relative Value 4.8%
Global Macro 4.3%	Global Bonds 5.5%	HFRI Composite -5.3%	Merger Arbitrage 2.8%	Global Macro -0.4%	Merger Arbitrage 1.7%	Quant -2.4%	Global Bonds 2.1%	Merger Arbitrage 4.3%	Quant -6.6%	Eq. Market Neutral 2.5%	Global Macro 3.7%
Eq. Market Neutral 1.4%	Merger Arbitrage 4.6%	Global Equities -6.9%	Global Macro -0.1%	Quant -0.9%	Global Bonds 0.8%	Global Bonds -3.2%	Global Macro 1.0%	Global Macro 2.2%	Equity Long/Short -7.1%	Global Macro 1.1%	Eq. Market Neutral 2.8%
Quant -1.7%	Eq. Market Neutral 2.9%	Equity Long/Short -8.4%	Quant -2.5%	Global Bonds -2.6%	Distressed -1.4%	Distressed -8.1%	Quant -1.4%	Quant 2.1%	Global Equities -8.9%	Quant 0.2%	Merger Arbitrage 2.5%

[JP Morgan](#)

## Hedge funds and the US equity market



[JP Morgan](#)

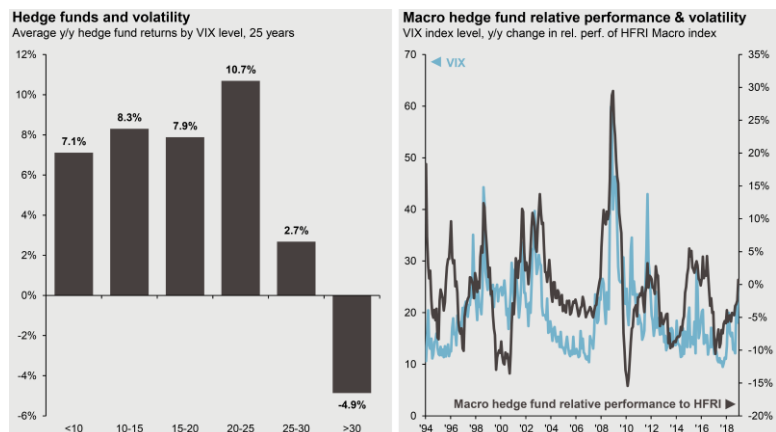
## Hedge fund correlations

Hedge fund correlations  
15-years, quarterly returns

	Global bonds	Global equities	HFRI composite	Equity long/short	Equity market neutral	Merger arbitrage	Distressed	Global macro	Quant	Relative value
Global bonds	1.0									
Global equities	0.2	1.0								
HFRI composite	0.1	0.9	1.0							
Equity long/short	0.1	0.9	1.0	1.0						
Equity market neutral	0.0	0.7	0.8	0.8	1.0					
Merger arbitrage	0.1	0.7	0.8	0.8	0.6	1.0				
Distressed	0.0	0.9	0.9	0.9	0.7	0.7	1.0			
Global macro	0.4	0.4	0.5	0.4	0.4	0.4	0.2	1.0		
Quant	0.3	0.1	0.2	0.1	0.2	0.2	-0.1	0.9	1.0	
Relative value	0.1	0.8	0.9	0.9	0.7	0.7	0.9	0.3	0.0	1.0

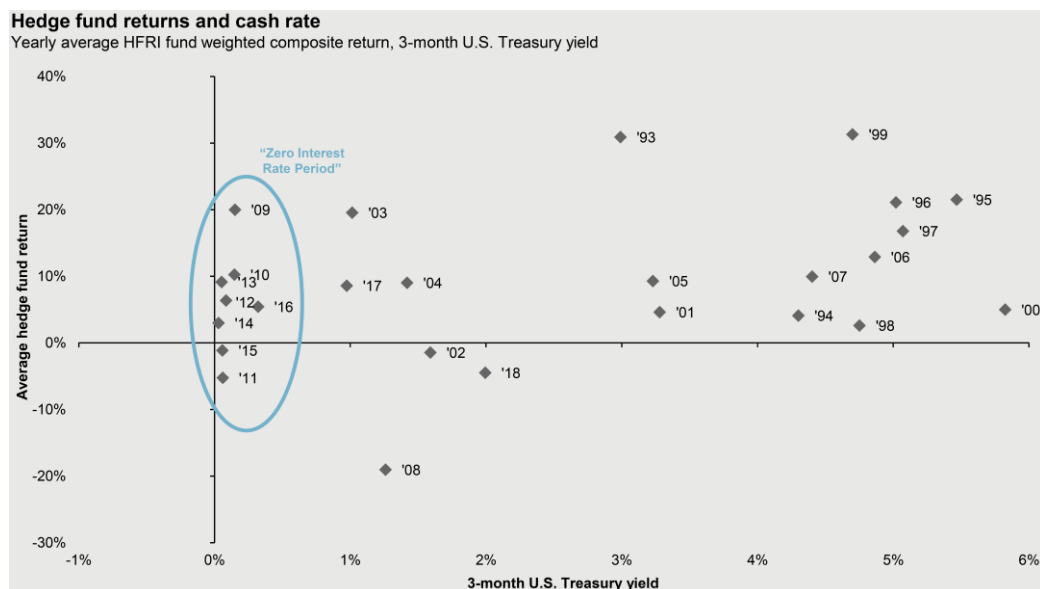
[JP Morgan](#)

### Hedge funds and volatility



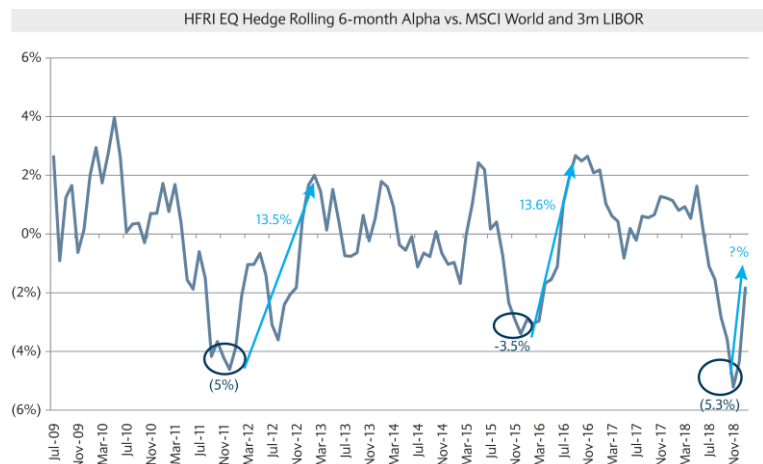
[JP Morgan](#)

### Hedge fund returns and cash rates



[JP Morgan](#)

### Alpha rebound



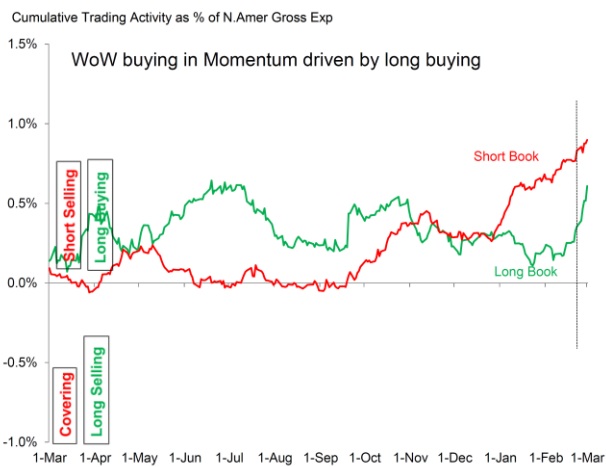
[Barclays](#)

### Factors positioning

**Fig.6 NA Trading Activity – by Factors**



**Fig.7 NA Trading Activity: Momentum**



JP Morgan

### Thematic baskets positioning

**Fig.8 NA Cyclicals vs Defensives**

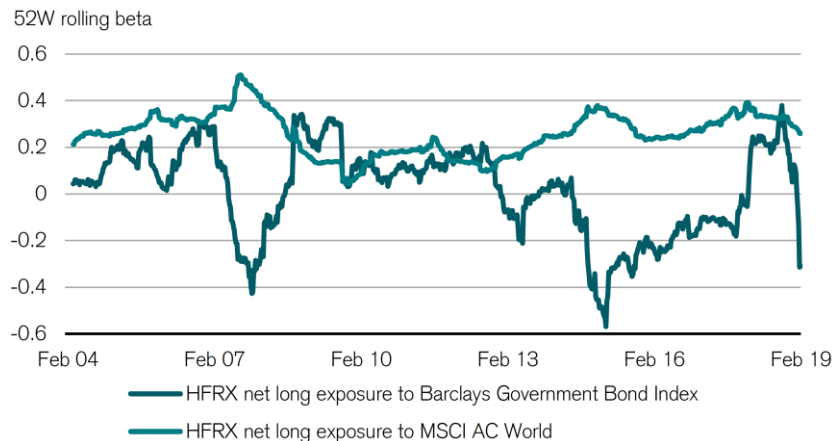


**Fig.9 NA Thematic Baskets**



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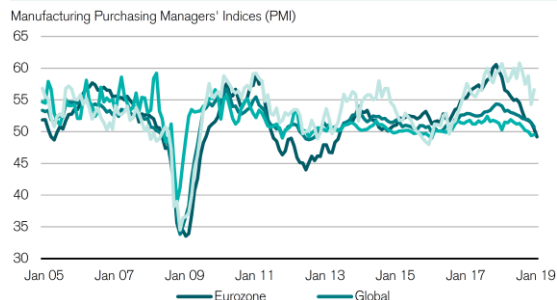
### Hedge Fund implied exposure to equity and bonds



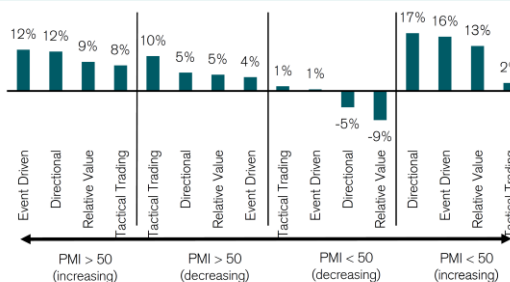
Credit Suisse

## PMI regimes and style performance (annualized since 2000)

Global manufacturing PMIs



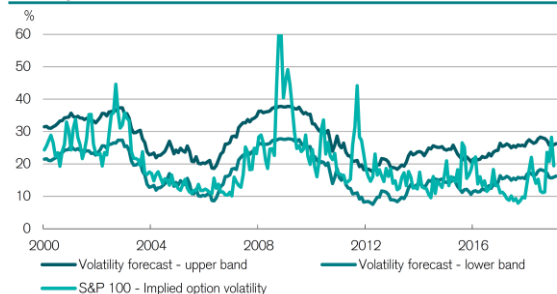
PMI regimes and style performance (annualized since 2000)



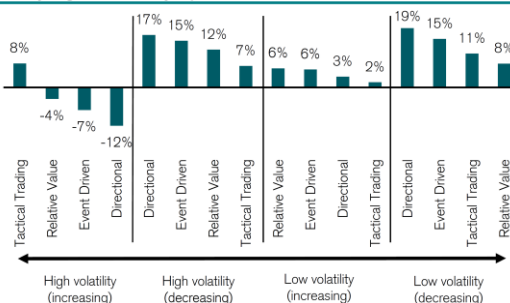
Credit Suisse

## Volatility regimes and style performance (annualized since 2000)

Volatility



Volatility regimes and style performance (annualized since 2000)



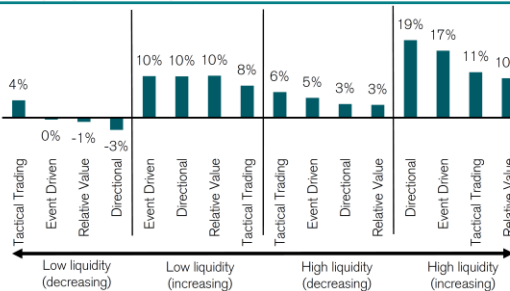
Credit Suisse

## Liquidity regimes and style performance (annualized since 2000)

Liquidity conditions



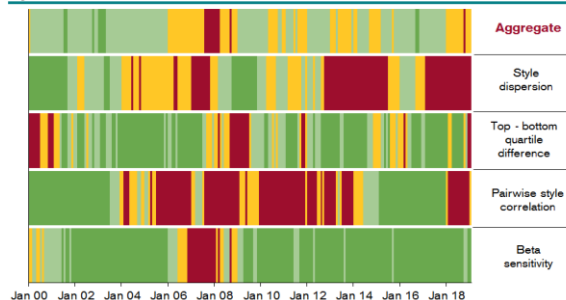
Liquidity regimes and style performance (annualized since 2000)



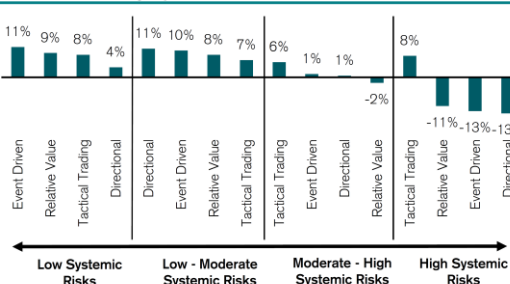
Credit Suisse

## Systemic risk and style performance (annualized since 2000)

Systemic Risk Scorecard



Systemic Risk and style performance (annualized since 2000)

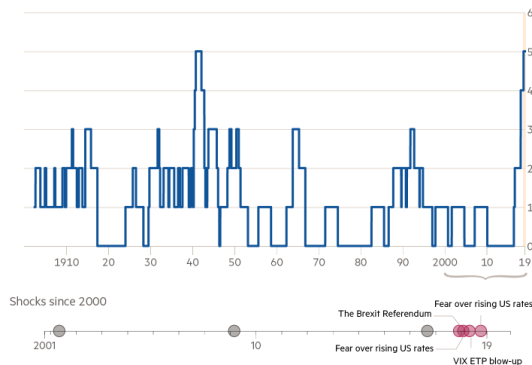


Credit Suisse

# MARKETS

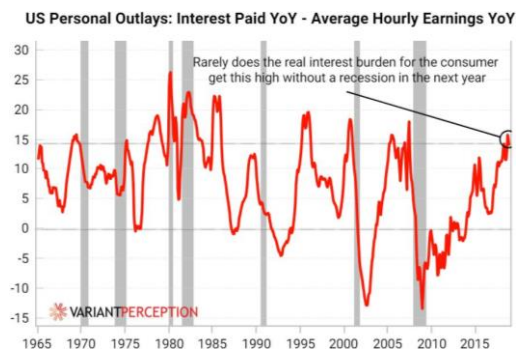
## Sudden shocks become more common

Number of major S&P 500 tumbles in last three-year window hits highest since 1940s



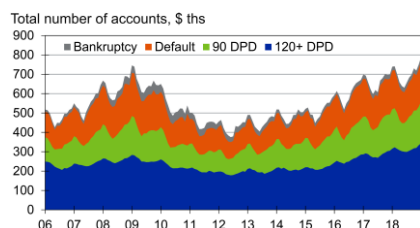
[The Financial Times](#)

## The interest repayment burden on US consumers is at a level that has led to trouble in the past



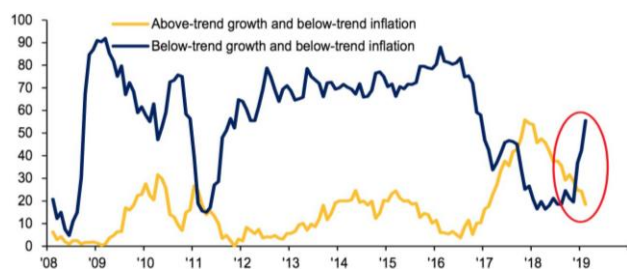
[Variant Perception](#)

## Are auto loan borrowers in trouble?



[Moody's Analytics](#)

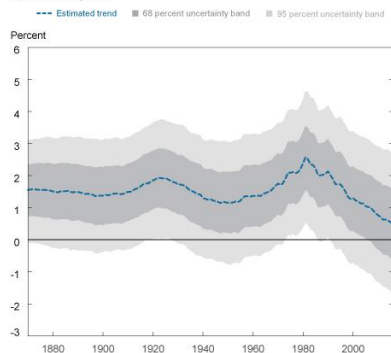
## Return of secular stagnation macro backdrop



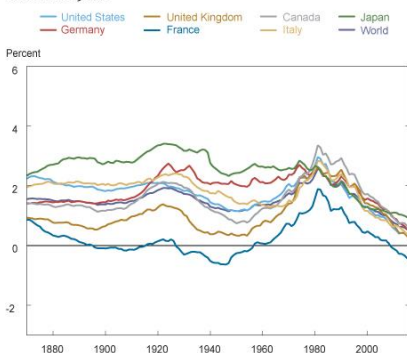
[BofA Merrill Lynch](#) (via [Holger Zschaepitz](#))

### Global trends in interest rates

The Trend in the World Real Interest Rate Has Fallen Since the 1980s

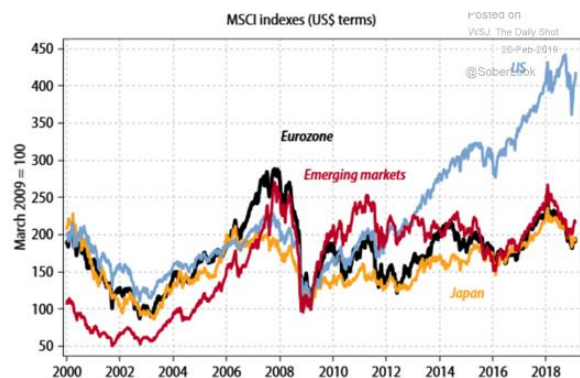


Real Interest Rate Trends Have Converged across Countries since the 1980s



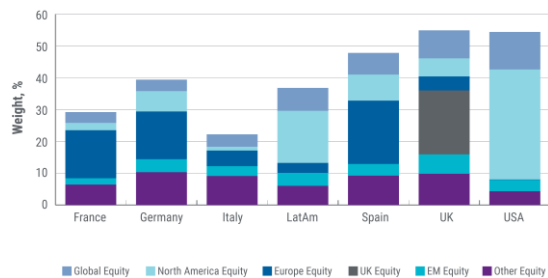
Liberty Street Economics

### Most non-US markets are no higher than 10 or even 20 years ago



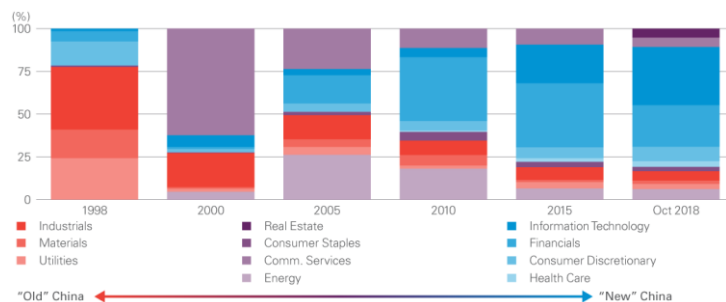
Gavekal (via WSJ's Daily Shot)

### Allocation to equity markets, by region



Natixis

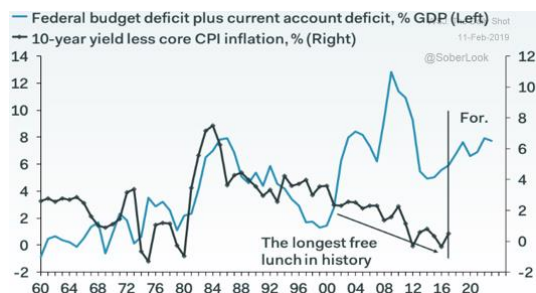
### The Chinese economy is evolving toward "New China" companies (MSCI China sector composition)



Lazard Asset Management

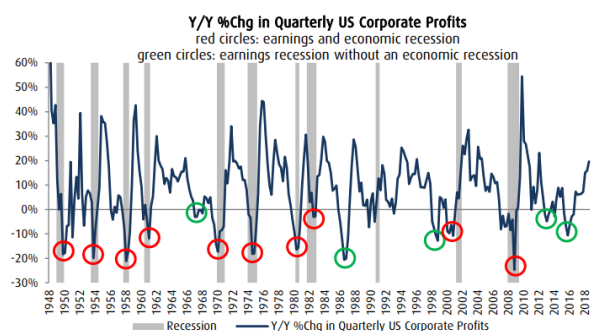


### Fiscal laxity has been very cheap since about 2000



Pantheon Macroeconomics (via WSJ's Daily Shot)

### Four out of the last six earnings recessions did not coincide with economic recessions



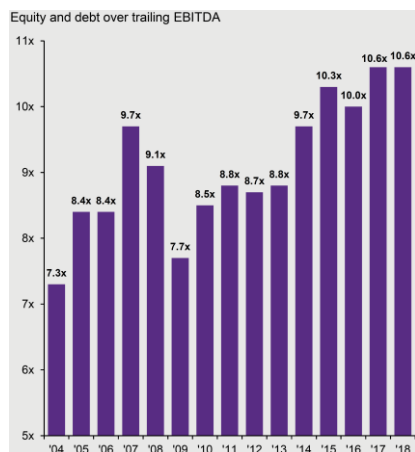
BMO Capital Markets (via MarketWatch)

### EM asset performance has front-run activity growth



Goldmans Sachs (via WSJ's Daily Shot)

### Purchase price multiples: LBOs



JP Morgan

### Global central banks pivoting back to an easier stance (6m rolling sum of rate hikes minus rate cuts)



BofA Merrill Lynch (via Seeking Alpha)

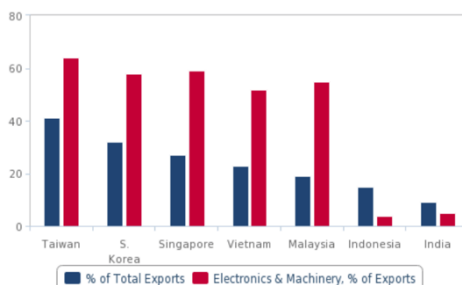
### Who is most exposed to China?

**Asian Exports Under Pressure**  
Exports % Chg y-o-y



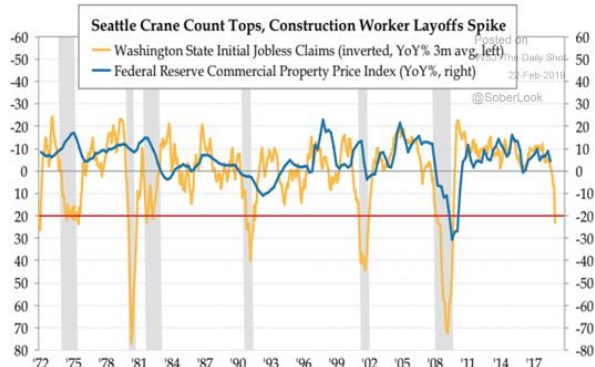
**Large Exposure To China Poses Risks**

Export Exposure To China (Incl. Hong Kong)



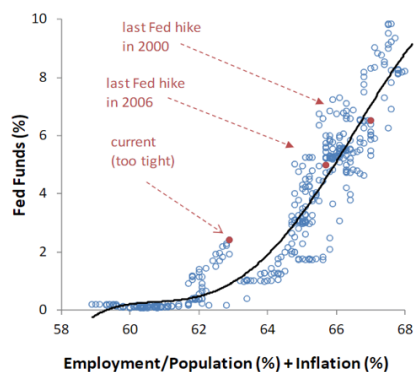
Fitch Solutions (via WSJ's Daily Shot)

### Some of the "bubble" housing markets such as Seattle are struggling, resulting in construction layoffs



Quill Intelligence (via WSJ's Daily Shot)

### The employment/population ratio suggests the Fed funds rate may be too high



Piper Jaffray

## Video of the month

**This bull market will not end with a massive pullback, investor Jeremy Grantham says**

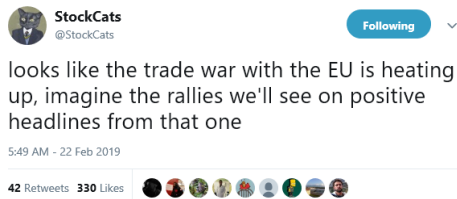
- "This will be limping along; three steps down, two steps back. It's not a typical experience," Grantham, who is famous for calling the last two major bubbles in the market, told CNBC's Wilfred Frost on Thursday.
- "I was really hoping there would be a magnificent bubble ending to this, as there had been to the three great recent experiences," he said. "It doesn't look like it will and, therefore, you're going to have a decline of a different nature."



[Click to watch](#)

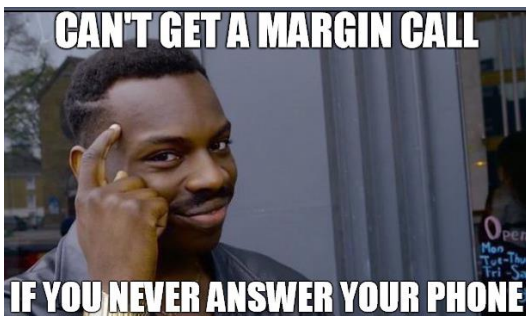
[CNBC](#)

## Tweet of the month

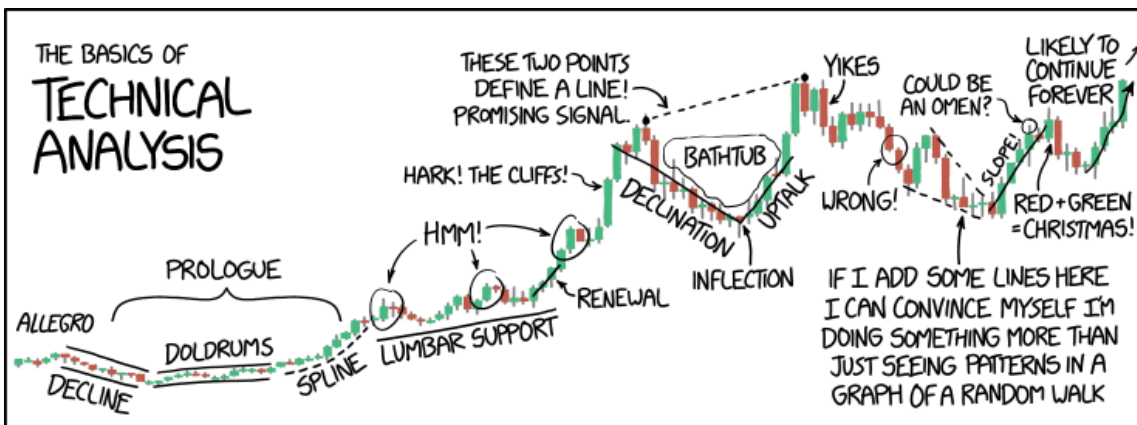


[StockCats](#)

## Joke of the month

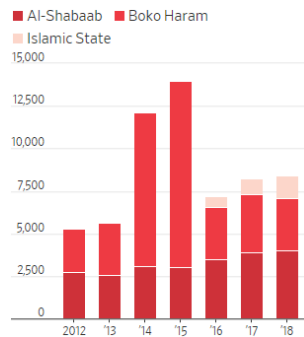


## Cartoon of the month



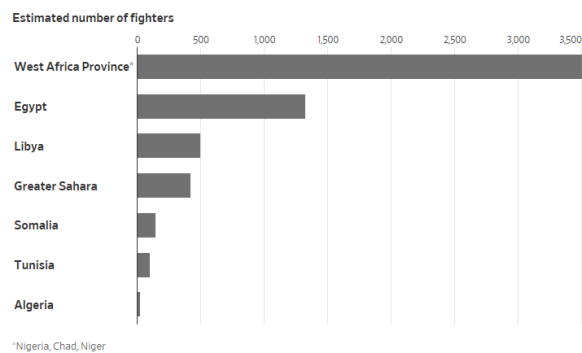
## THINK TANK

### Rising toll: Victims killed by militant groups in Africa



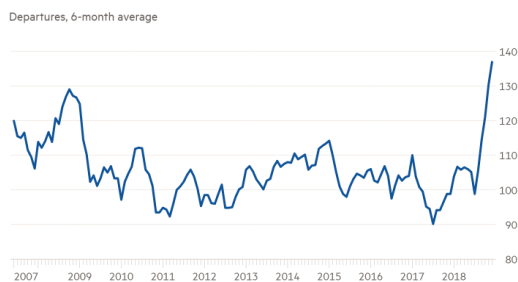
[The Wall Street Journal](#)

### A second front: Islamic State affiliates are spreading rapidly across North, West and East Africa



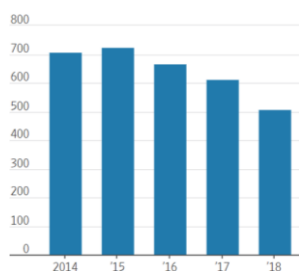
[The Wall Street Journal](#)

### America's CEOs are leaving their posts at highest rate since the financial crisis



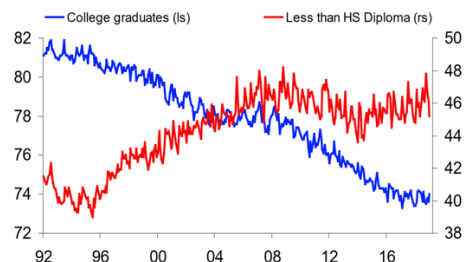
[The Financial Times](#)

### The number of Russell 3000 Index companies with all-male boards has fallen in recent years



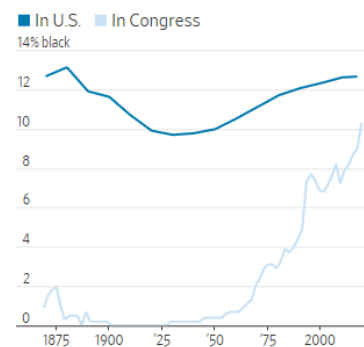
[The Wall Street Journal](#)

### Participation rate by education (25+ years)



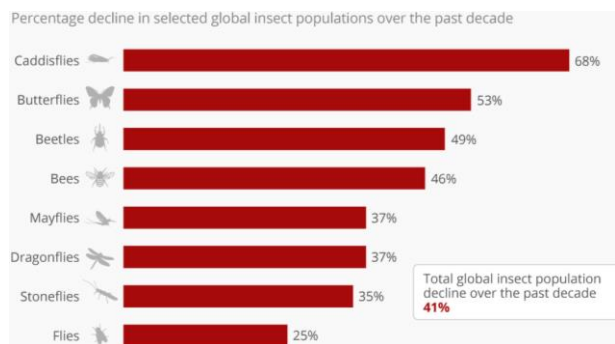
Deutsche Bank Research (via WSJ's Daily Shot)

### Closing the gap: Black representation in Congress is coming closer to mirroring US demographics



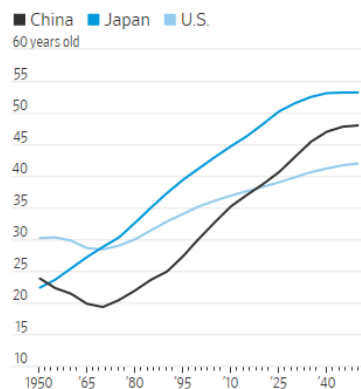
The Wall Street Journal

### Massive insect decline threatens collapse of nature



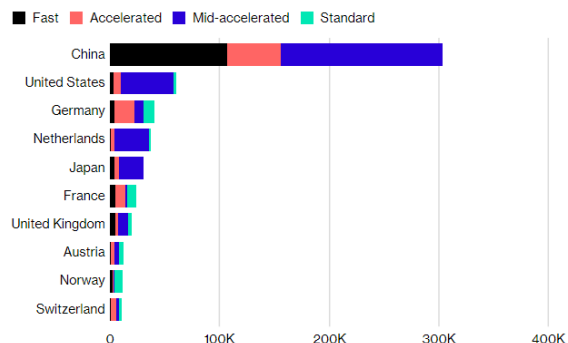
Statista

### Median age of population



The Wall Street Journal

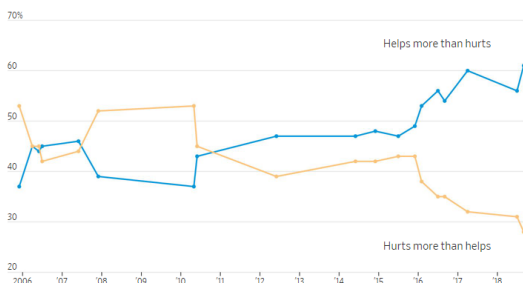
### Where are the chargers? China has about half the world's 600'000 EV charging points, data show



[Bloomberg](#)

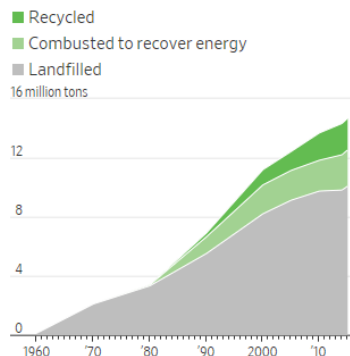
### An American welcome

When asked how immigration affects the U.S., a growing majority of Americans say they feel it helps more than it hurts.



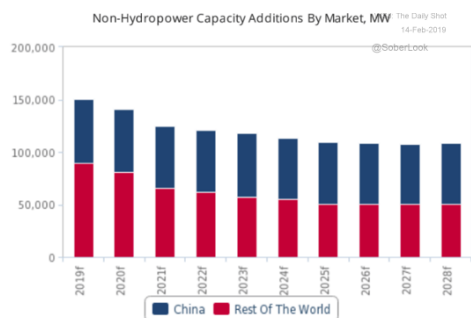
[The Wall Street Journal](#)

### Plastic pile: US plastic-packaging waste has risen sharply in recent decades



[The Wall Street Journal](#)

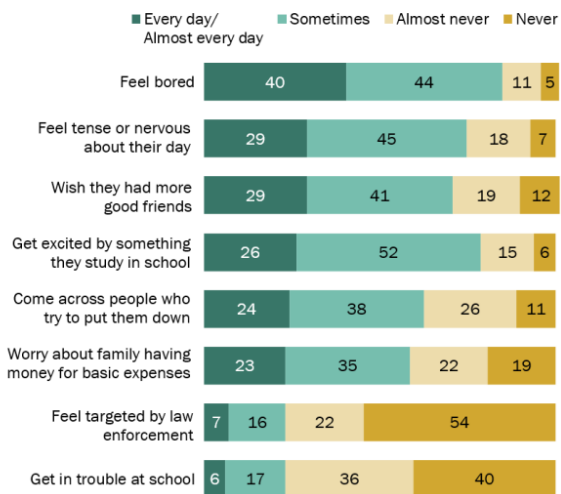
### China to dominate global renewables sector



[Fitch Solutions \(via WSJ's Daily Shot\)](#)

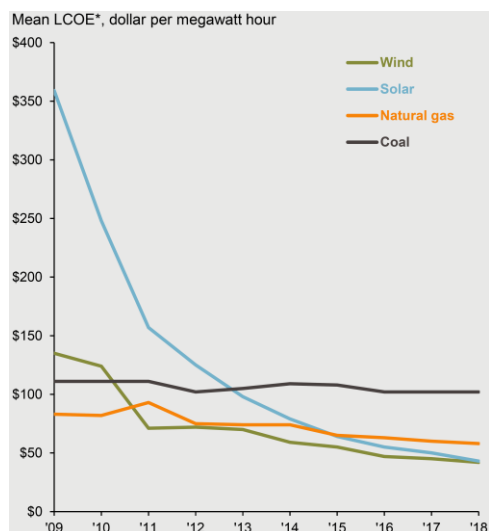
### About three-in-ten teens feel tense or nervous, wish they had more good friends almost daily

% of teens saying they experience each of the following ...



[Pew Research Center](#)

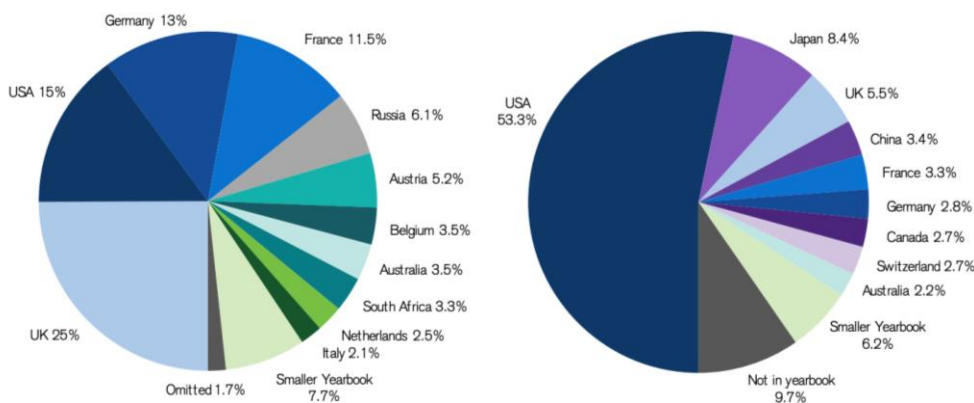
### Cost of wind, solar, natural gas and coal



[JP Morgan](#)

### Stock market history: The great transformation

Figure 10: Relative sizes of world stock markets, end-1899 (left) versus start-2019 (right)



[Credit Suisse \(via Bloomberg\)](#)

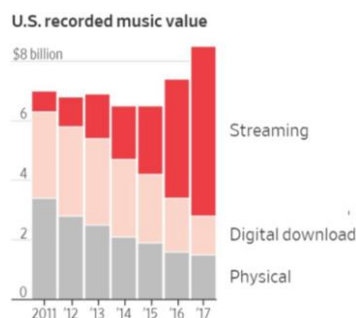
# TIME OUT

## Manpower: Tesla makes far fewer cars per people it employs than many of its peers



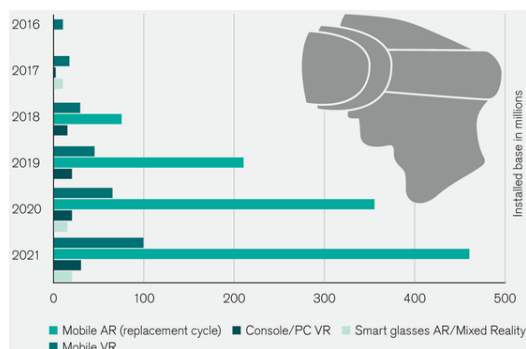
[The Wall Street Journal](#)

## The recording industry's revenue growth from streaming has accelerated



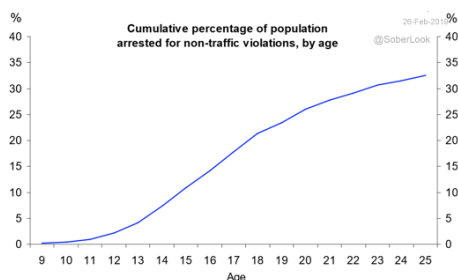
[The Wall Street Journal](#)

## Growing use of VR and AR devices to drive the expansion of VR/AR services



[Credit Suisse](#)

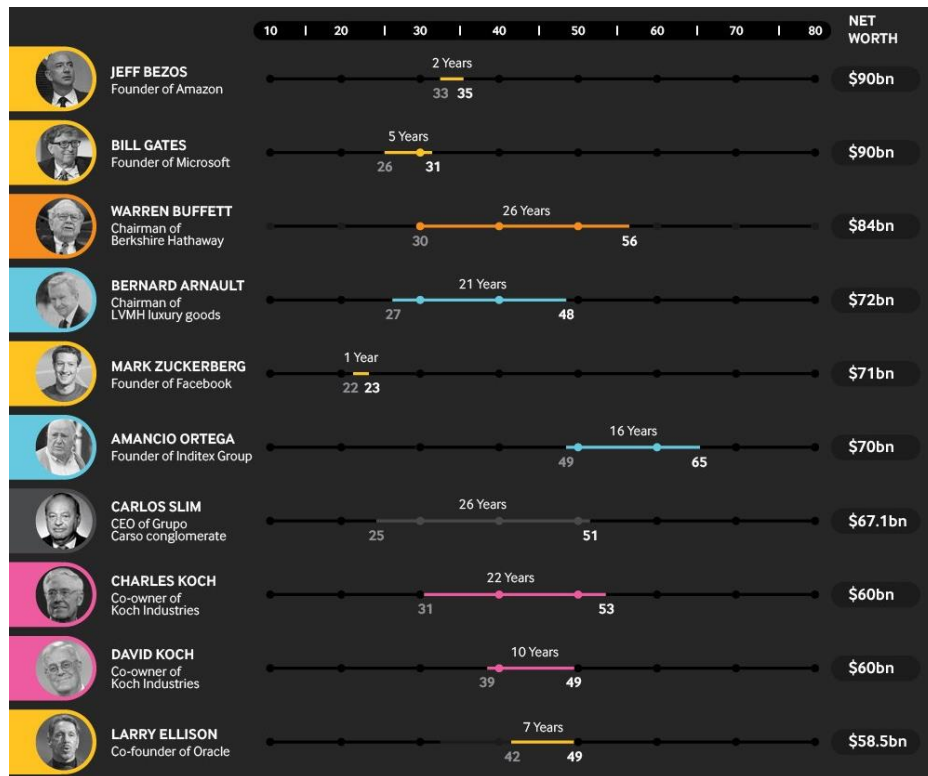
## 1 in 3 Americans arrested by age 25



[Deutsche Bank Research](#) (via [WSJ's Daily Shot](#))



### The jump from millionaire to billionaire, and how long that takes



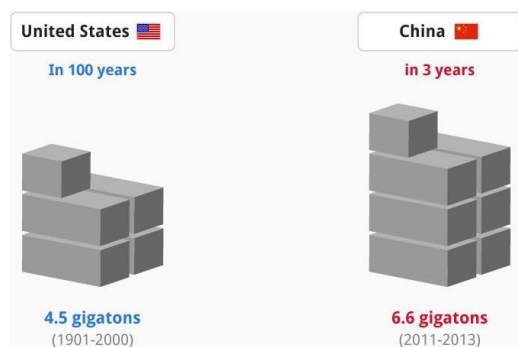
Visual Capitalist

### This is the most brilliant iPhone app grouping we've ever seen...



Alex Rampell

### China used more concrete in 3 years than the US used in the entire 20<sup>th</sup> century



Forbes

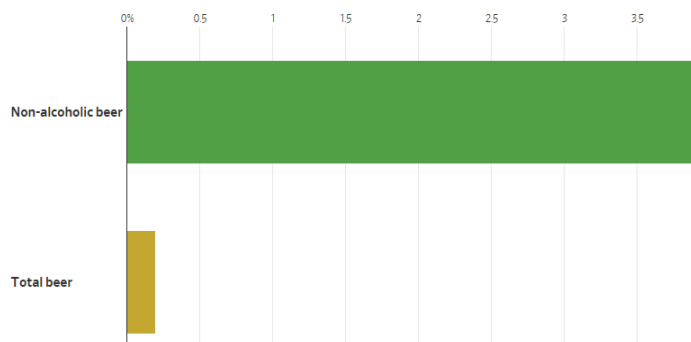
### Classic cartoon for a reason



### Macro Technicals

### Beer is unlikely winner from teetotal trend

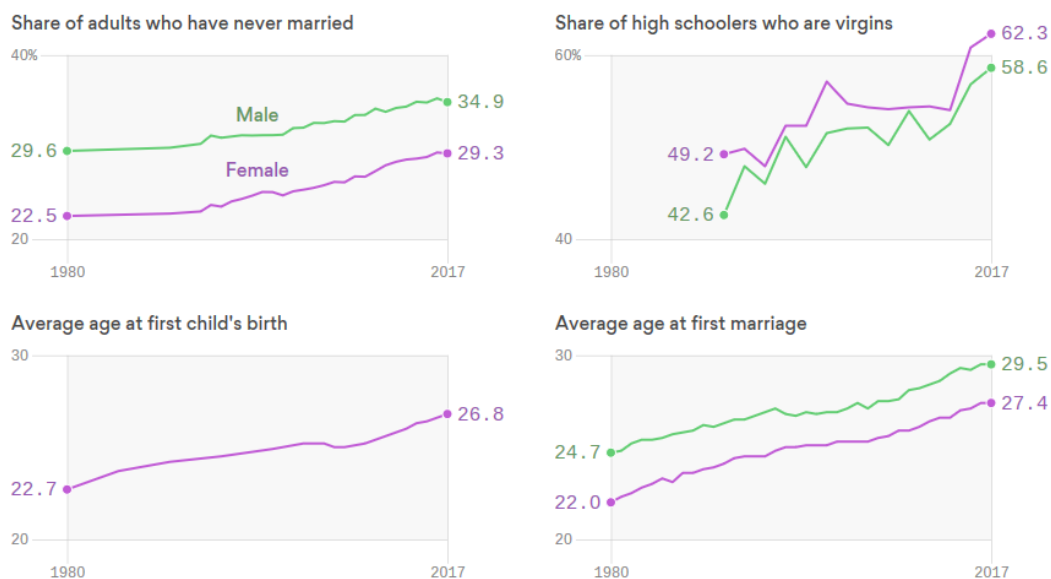
**A New Tonic**  
Compound annual growth, 2012-2017



### The Wall Street Journal

### The new rite of passage: Young, busy and still single

Indicators of extended adolescence, 1980 to 2017



### Axios

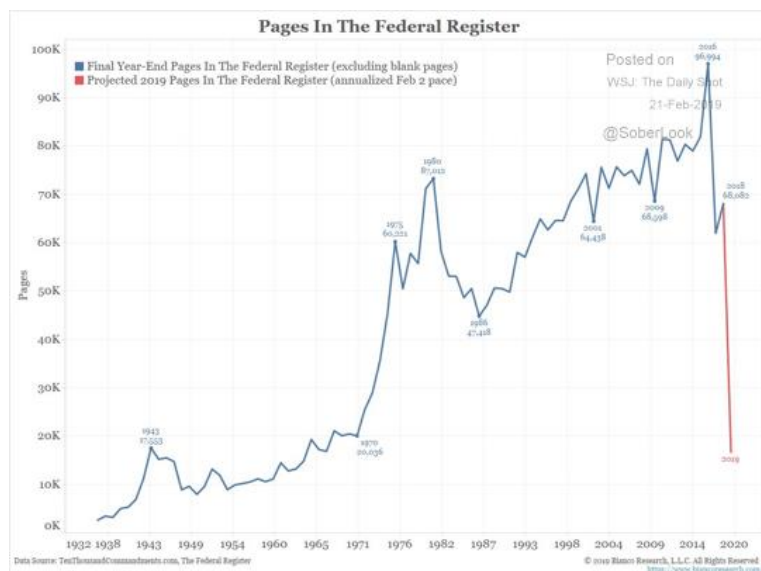
## The cities with the biggest traffic jams

Major world cities where the average commuter spent the most hours in congestion in 2018

Bogota			272
Rome			254
Dublin			246
Paris			237
Rostov-on-Don			237
London			227
Milan			226
Bordeaux			223
Mexico City			218
Moscow			210
Belo Horizonte			202
Saint Petersburg			200
Rio de Janeiro			199
Florence			195
Brussels			195

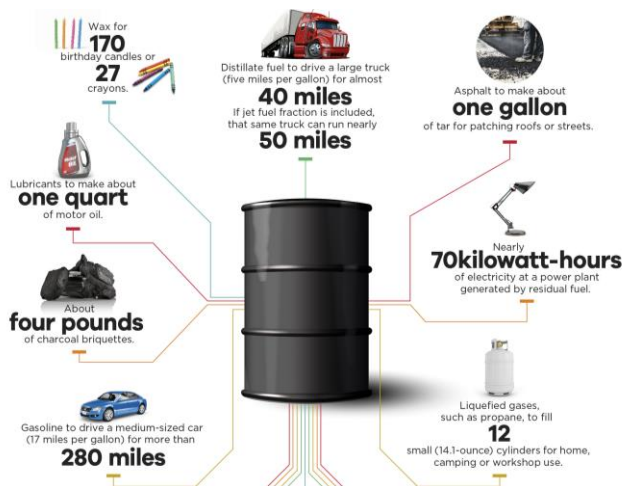
[Statista](#)

## Pages in the Federal Register



[Bianco Research](#) (via [WSJ's Daily Shot](#))

## What can be made from one barrel of oil?



[Visual Capitalist](#)

## Bruno Schneller, CAIA



Bruno Schneller is the co-founder and CIO of Skänderbeg Investment Management AG. Prior to establishing the company, Bruno worked at investment boutique and fund of hedge funds pioneer BrunnerInvest AG.

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## About us

Liechtenstein-based **Skänderbeg Investment Management AG**, wholly-owned subsidiary of Swiss-based Skänderbeg Alternative Investments AG, is an asset manager authorized and regulated by the Financial Market Authority Liechtenstein (FMA). The company is incorporated in Vaduz under number FL-0002.579.371-8. To subscribe to our monthly "Put into Perspective" newsletter, please visit [www.skenderbeg.li](http://www.skenderbeg.li).

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