



Skänderbeg

Investment Management

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Put into perspective

Ahead of the mainstream

April 2019

Written by
Bruno Schneller, CAIA & Miranda Ademaj

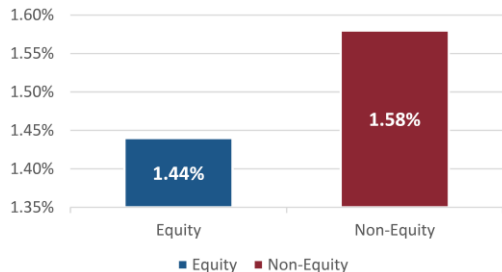
Contents:

- Hedge funds (page 3)
- Markets (page 6)
- Think tank (page 12)
- Time out (page 17)

***"Amateurs bet the farm. Pros milk the cows."
– Anonymous***

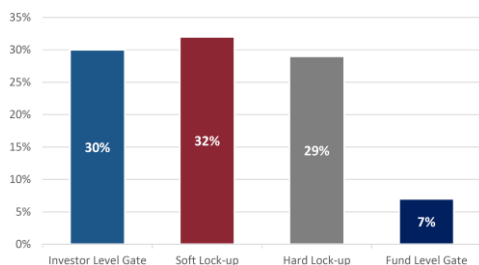
HEDGE FUNDS

Management fees by strategy



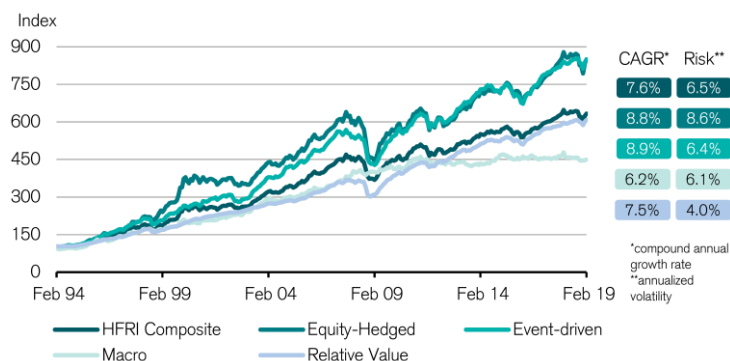
Seward & Kissel

Hedge fund liquidity terms



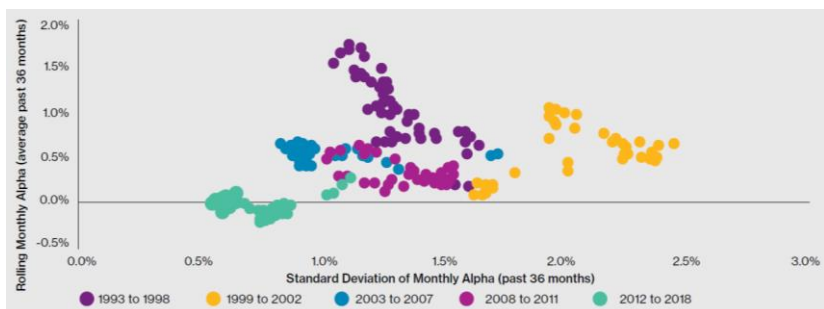
Seward & Kissel

Total return performance by style



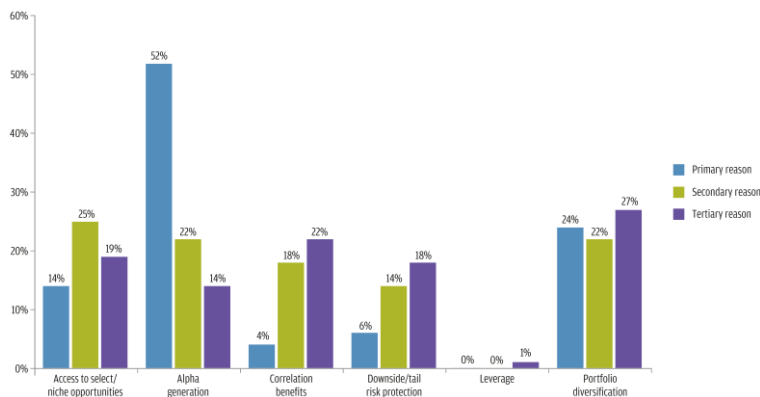
Credit Suisse

Hedge fund alpha is reducing on an absolute and risk adjusted basis



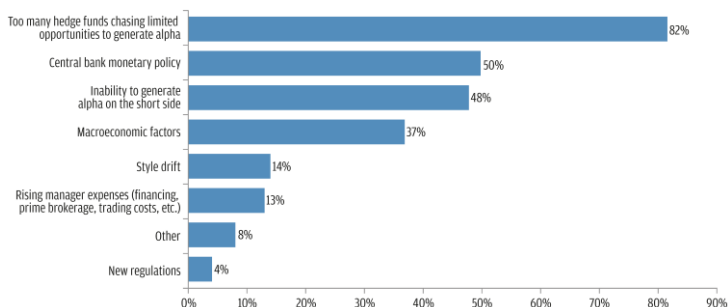
Willis Towers Watson

Breakdown of top three reasons for investing in a hedge fund



JP Morgan

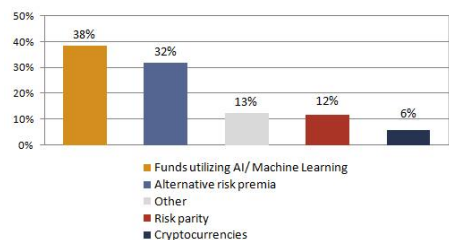
Main reason for hedge funds underperforming broader market



JP Morgan

Hedge fund investors have a strong appetite for funds that incorporate AI and machine learning

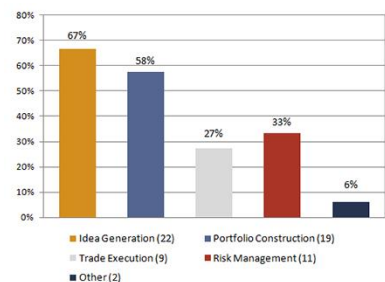
Which, if any, of the newer hedge fund investment strategies listed below are you most considering allocating to or implementing in 2019?



BarclayHedge

Hedge fund pros are not turning everything over to the algorithms

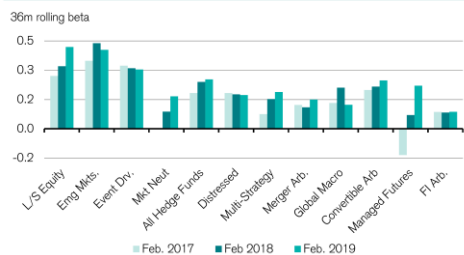
Which part of your investment process is driven by an application of machine learning techniques? (Check all that apply.)



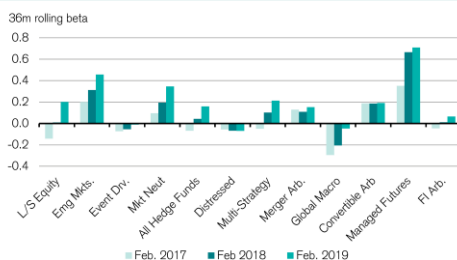
BarclayHedge

Positioning: Beta exposure

Equity Beta Exposure (implied) by Strategy



Fixed Income Beta Exposure (implied) by Strategy



Credit Suisse

Breakdown of systemic risks

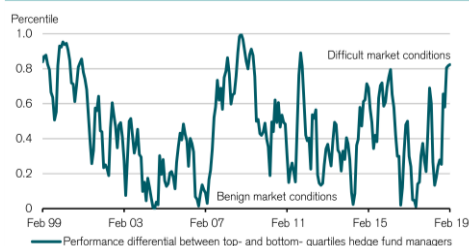
Return Dispersion among strategies



Pairwise correlations among strategies



Performance differentials between best and worst managers

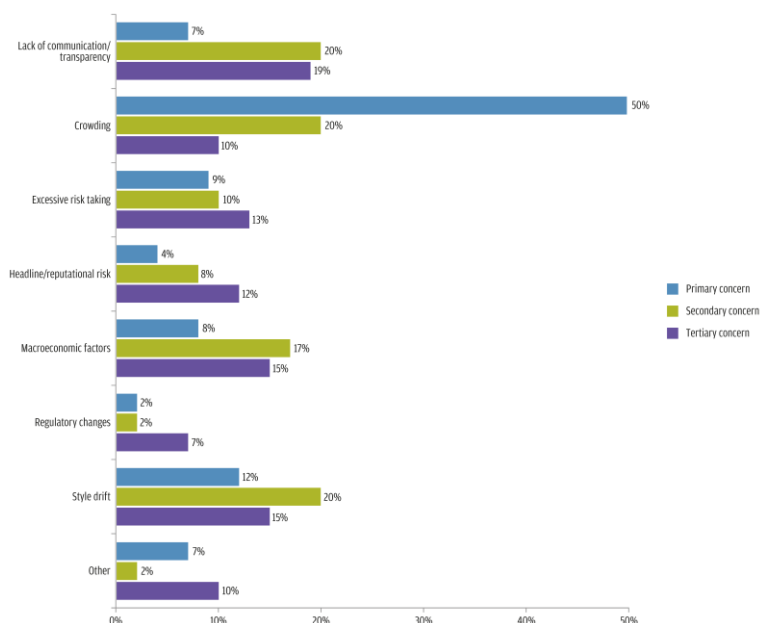


Beta exposure to MSCI AC World



Credit Suisse

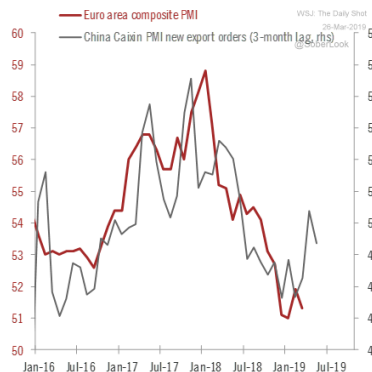
Breakdown of top 3 concerns when investing in hedge funds



JP Morgan

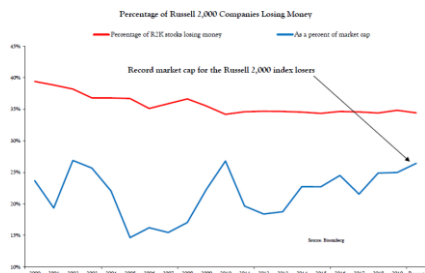
MARKETS

China's economic rebound should stabilize the Eurozone's growth



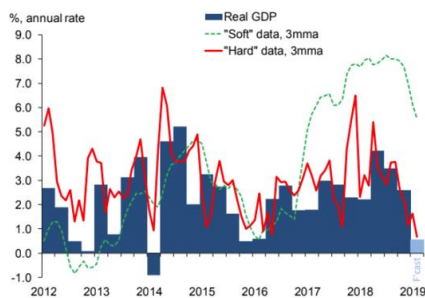
Pictet Wealth Management (via WSJ's Daily Shot)

A third of Russell 2'000 companies posted negative earnings last quarter, or 27% of market cap



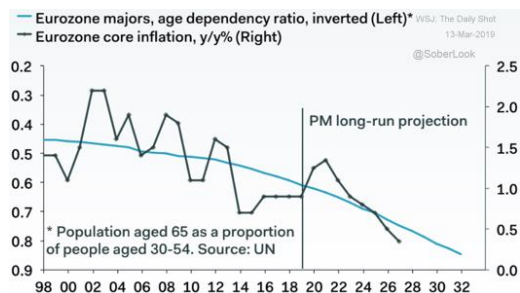
INTL FCStone

US: Economic momentum indicator



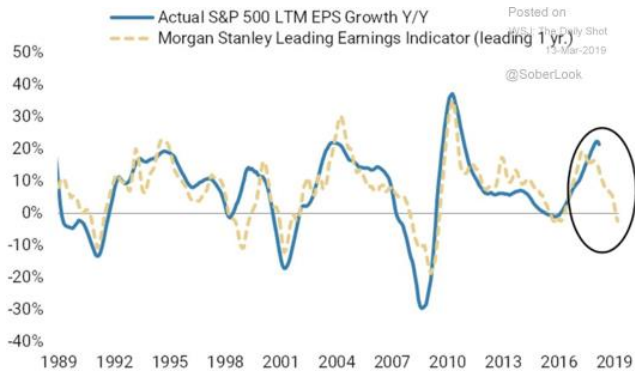
Oxford Economics

A difficult task for a central bank with a 2% CPI target



Pantheon Macroeconomics (via WSJ's Daily Shot)

Morgan Stanley's earnings indicator points to further weakness in profit growth



Morgan Stanley Research (via WSJ's Daily Shot)

Global equities return and earnings revisions ratio, 2014-2019



BlackRock (via WSJ's Daily Shot)

The yield curve leads key market risk indicators by 30-36 months

Figure 1: US Yield curve leads 6m average of VIX by 30 months

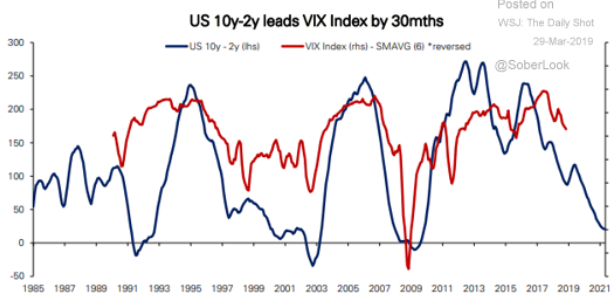


Figure 2: US Yield curve leads 12m average of CVIX3R by 36 months



Figure 3: US Yield curve leads MOVE by 30 months



Figure 4: US Yield curve leads BAA-10yr spread by 30 months



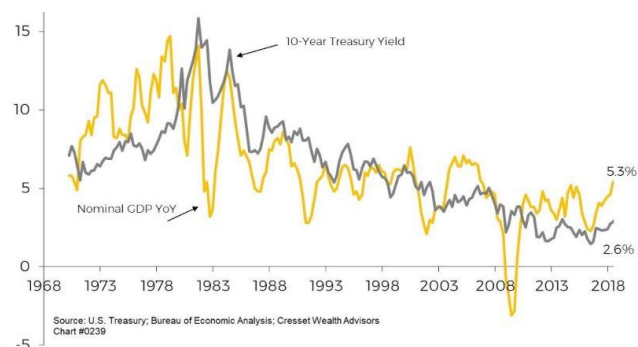
Deutsche Bank Research (via WSJ's Daily Shot)

The Fed's reaction function to wages has been clear



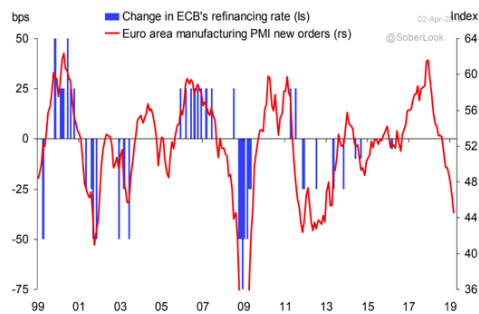
Pantheon Macroeconomics (via WSJ's Daily Shot)

10-year treasury yield vs nominal GDP



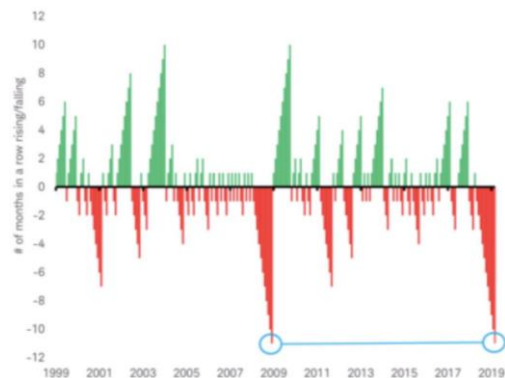
Cresset Capital Management

Euro area PMI points to ECB easing



Deutsche Bank Research (via WSJ's Daily Shot)

Longest losing global PMI streak since Global Financial Crisis?



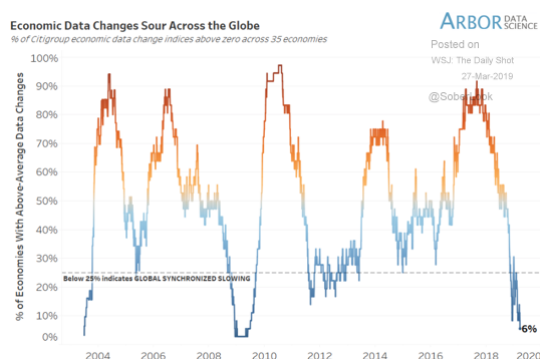
Charles Schwab

Copper tends to be correlated with EM equities



Barclays Research (via WSJ's Daily Shot)

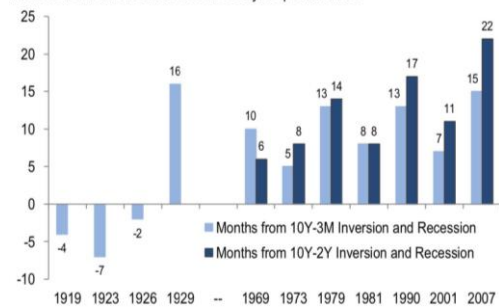
Economic data changes sour across the globe



Arbor Data Science (via WSJ's Daily Shot)

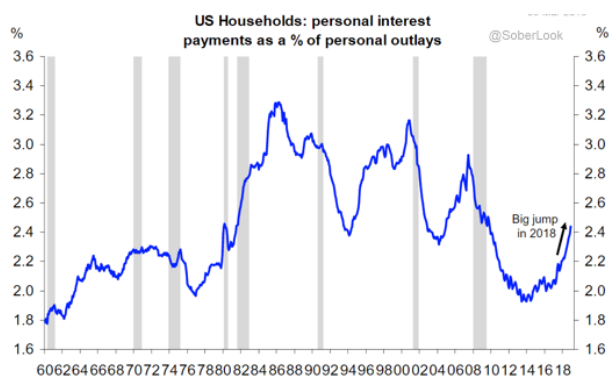
Months from inversion to business cycle peak varies

Figure 15: Median Lead, Yield Curve Inversion to Recession
Months from inversion to business cycle peak varies



JP Morgan (via YahooFinance)

The trend in interest payments as a share of household spending is worrying



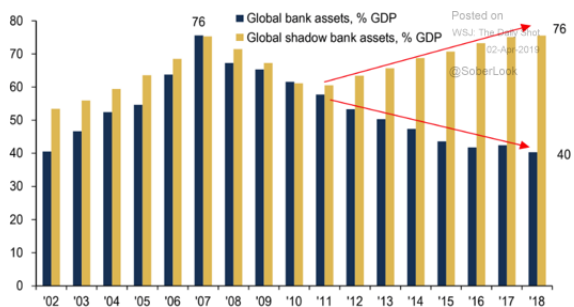
Deutsche Bank Research (via WSJ's Daily Shot)

US companies have been shifting into defensive mode



Macro Ops (via [WSJ's Daily Shot](#))

Shadow bank assets as % GDP at record highs



BofA Merrill Lynch (via [WSJ's Daily Shot](#))

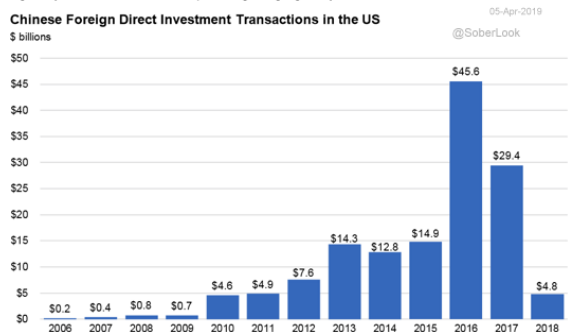
Liquidity in E-mini S&P 500 futures remains at levels close to those last seen in the 2008 financial crisis



The Wall Street Journal

Chinese foreign direct investment transactions in the US

Chinese foreign direct investment (FDI) transactions in the US dropped 84% to \$4.8 billion in 2018. Beijing's regulatory crackdown on outbound capital and growing regulatory hurdles in the US contributed to this decline.



John Burns Real Estate Consulting (via [WSJ's Daily Shot](#))

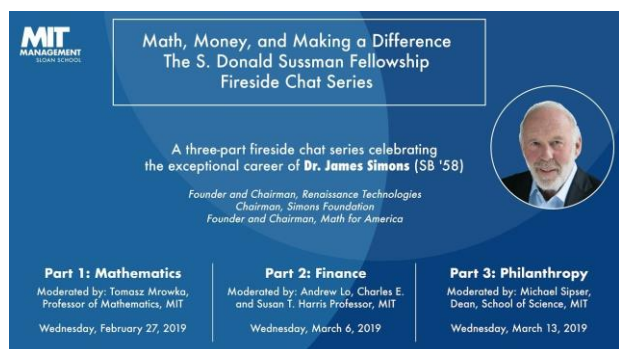
Video of the month

Math, money, and making a difference

MIT alumnus James Simons is a mathematician and founder of the highly quantitative investment firm Renaissance Technologies where he served as CEO for over 30 years before becoming board chair.

Simons also serves as chairman of the Simons Foundation, an organization dedicated to advancing the frontiers of research in mathematics and the basic sciences, and is the founder and chairman of Math for America, a nonprofit organization with a mission to significantly improve math education in our nation's public schools.

His most influential research involved the discovery and application of certain geometric measurements, now called the Chern-Simons Invariants, which have wide use, particularly in theoretical physics. Simons was selected to be the recipient of this fellowship for his remarkable contributions to the quantitative investment field, as well as his work in mathematics and his active support for fundamental scientific research.



MIT MANAGEMENT
Sloan School of Business

Math, Money, and Making a Difference
The S. Donald Sussman Fellowship
Fireside Chat Series

A three-part fireside chat series celebrating the exceptional career of **Dr. James Simons** (SB '58)

*Founder and Chairman, Renaissance Technologies
Chairman, Simons Foundation
Founder and Chairman, Math for America*

Part 1: Mathematics
Moderated by: Tomasz Mrowka,
Professor of Mathematics, MIT
Wednesday, February 27, 2019

Part 2: Finance
Moderated by: Andrew Lo, Charles E.
and Susan T. Harris Professor, MIT
Wednesday, March 6, 2019

Part 3: Philanthropy
Moderated by: Michael Sipser,
Dean, School of Science, MIT
Wednesday, March 13, 2019

[Click to watch](#)

[MIT Sloan Finance Group](#)

Tweet of the month



Hipster
@Hipster_Trader

Follow

My coin, which doesn't have a Stanford PhD, says the same thing

ECONOMY | FEDERAL RESERVE, MONETARY POLICY | ALL

Fed's Bostic Warns Rates Can Go Up or Down From Here

10:03 AM - 23 Mar 2019

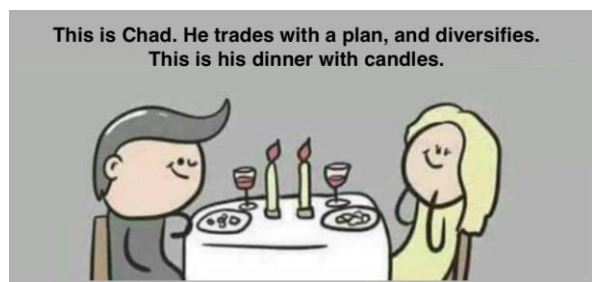
21 Retweets 207 Likes

[Hipster Trader](#)

Joke of the month

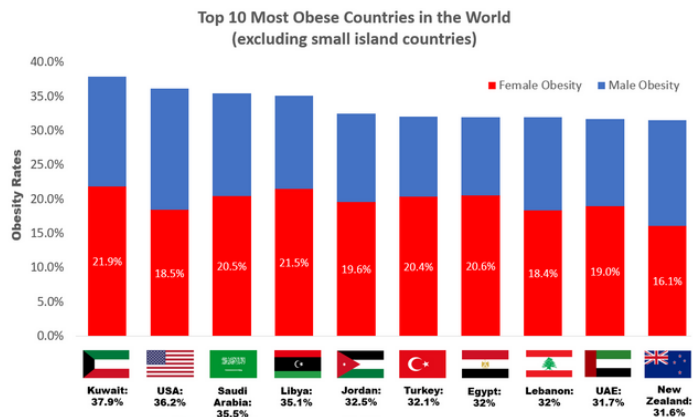
"An economist is like a man who knows 364 ways of making love, but doesn't know any women." - Geoffrey Howe

Cartoon of the month



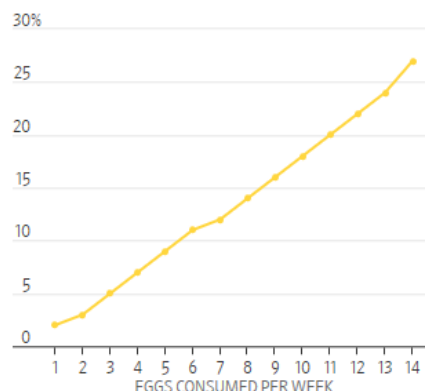
THINK TANK

Eight out of the top ten most obese nations are middle eastern



[Simon Kuestenmacher](#)

Incident rate of developing cardiovascular disease from eating eggs



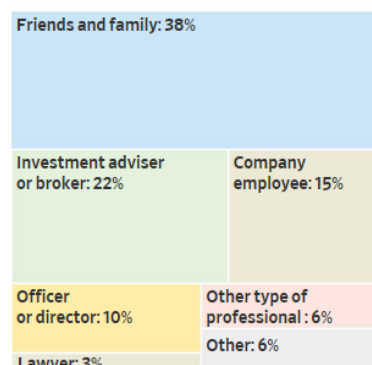
[The Wall Street Journal](#)

Half of insider-trading defendants net less than USD 60,000

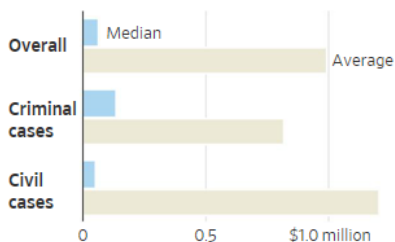
Friendly Tips

Many of the people accused of insider trading are friends and family of company employees who were close to market-moving details.

Background of defendants in insider-trading cases



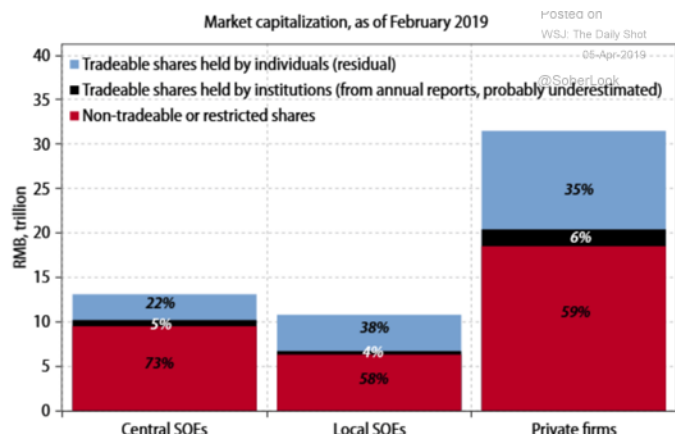
Alleged insider-trading profits in enforcement actions



Note: 465 defendants in cases from 2011 to 2015
Source: Michael Perino, St. John's University School of Law

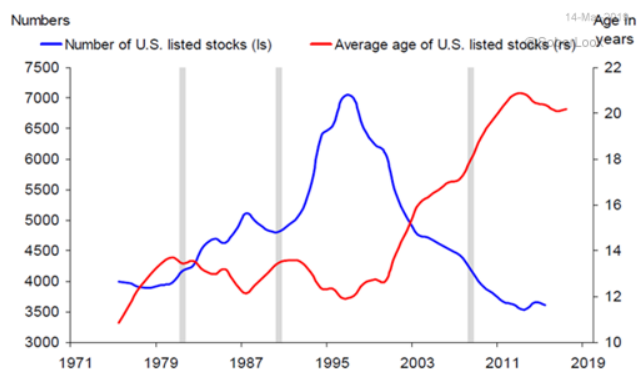
[The Wall Street Journal](#)

A majority of China's stocks are not freely traded



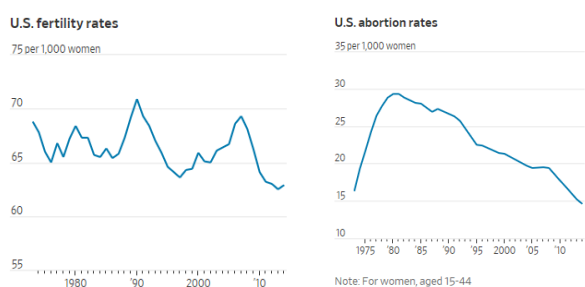
Gavekal (via WSJ's Daily Shot)

The average age of listed US stocks has risen significantly over the past couple of decades



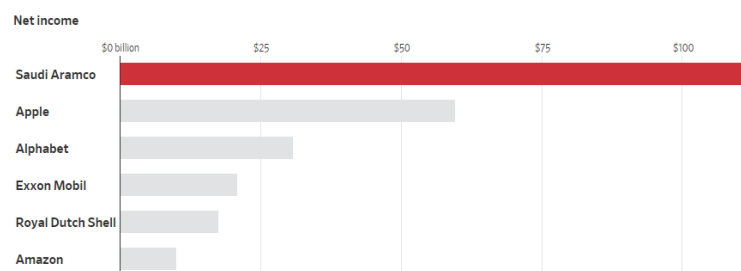
Deutsche Bank Research (via WSJ's Daily Shot)

The number of live births per 1,000 women of reproductive age has declined as has the rate of abortion



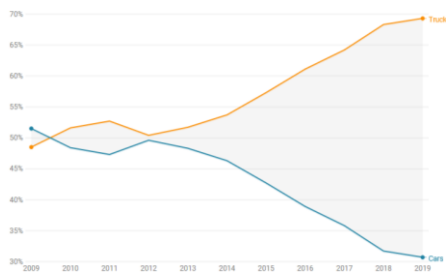
The Wall Street Journal

Billion Dollar profits: Saudi Aramco's net income last year dwarfed some of the biggest US firms



The Wall Street Journal

Share of US vehicle registrations



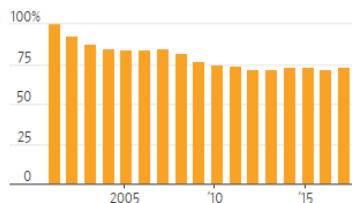
Data is for passenger vehicles; 2019 data for January only

[Recode](#)

Falling short

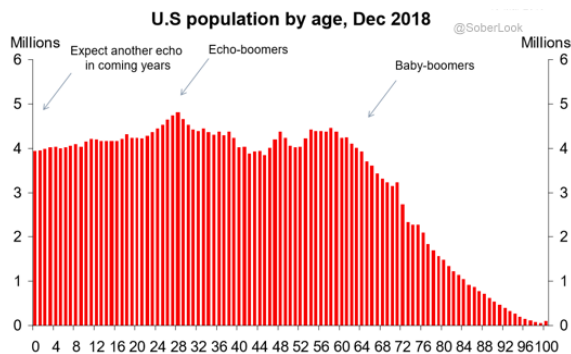
U.S. public pensions on average have less than three quarters of what they need to fulfill pension promises, after years of banking on rosy investment returns and skimping on pension contributions.

Pension assets as a percent of liabilities



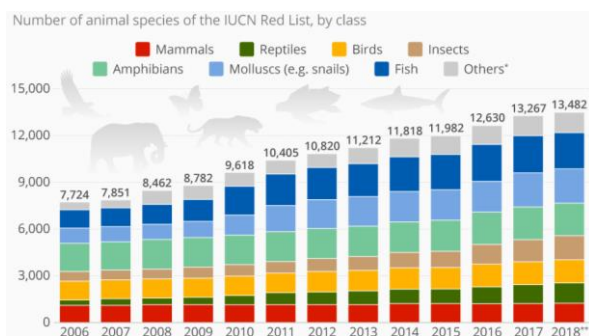
[The Wall Street Journal](#)

There are 4.6m 28-year olds in the US, more than any other age group



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

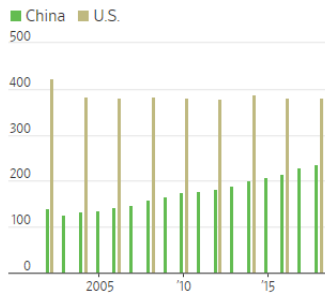
The number of threatened species is rising



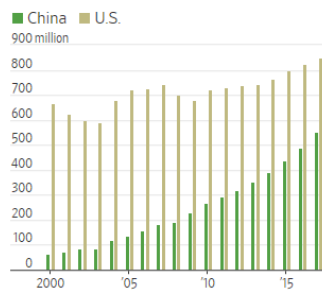
[Statista](#)

China will soon be the world's biggest aviation market

Number of civil airports*



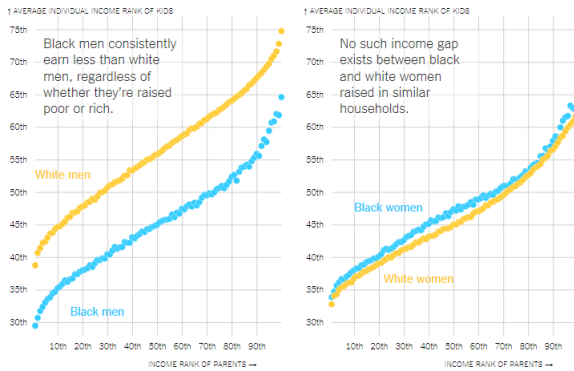
Number of air passengers*



[The Wall Street Journal](#)

Extensive data shows punishing reach of racism for black boys

Large income gaps persist between men — but not women.



[The New York Times](#)

Which countries have the biggest crude oil reserves?

World's Biggest Crude Oil Reserves by Country



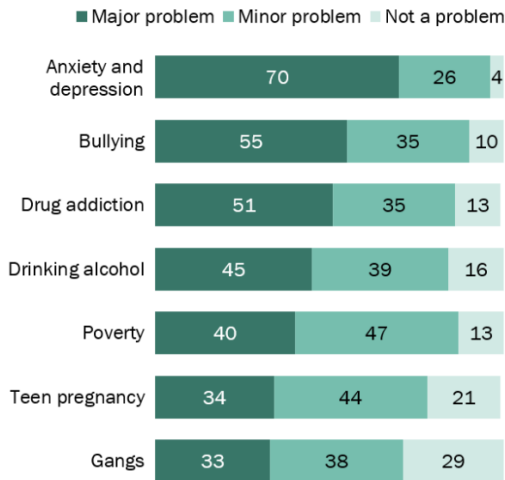
Note: For visualization purposes we are showing only countries with 100,000,000 bbl (0.1 Gbbl) of crude oil reserves or more.
 How to read this map: Countries appear bigger as their crude oil reserves are bigger, e.g. Venezuela. Conversely, countries that have smaller reserves of crude oil appear smaller, e.g. Côte d'Ivoire.
 Article & Sources: <https://howmuch.net/articles/worlds-biggest-crude-oil-reserves-by-country>
 Central Intelligence Agency - <https://www.cia.gov/library>

howmuch.net

[HowMuch.net](#)

Most US teens see anxiety and depression as a major problem among their peers

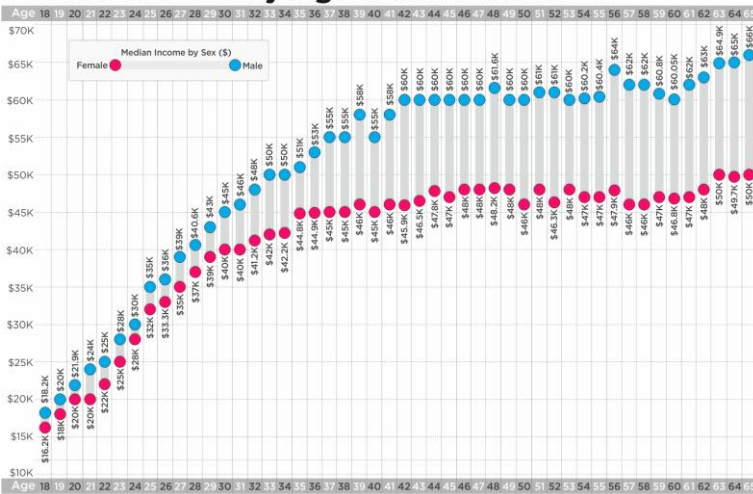
% of teens saying each of the following is a ___ among people their age in the community where they live



[Pew Research Center](#)

The gender pay gap only gets worse with age

Median Income by Age & Sex in America

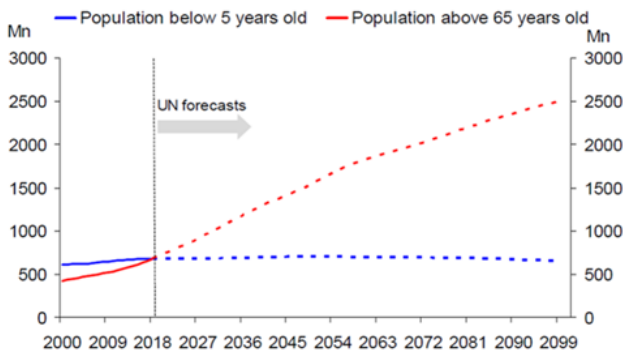


Note: Graph shows median personal income for male and female full-time US workers at each year of age
 Article & Sources: <https://howmuch.net/articles/median-income-by-age-sex-in-america>
 US Census Bureau's 2017 American Community Survey - <https://www.census.gov/programs-surveys/acs/>
 Minnesota Population Center - <https://usa.ipeds.org/usa/index.shtml>

howmuch.net

[HowMuch.net](#)

For the first time ever there are now more people in the world older than 65 than younger than 5



[Deutsche Bank Research](#)

TIME OUT

The twenty craziest investing facts ever

- 1. Since 1916, the Dow has made new all-time highs less than 5% of all days, but over that time it's up 25,568%. 95% of the time you're underwater. The less you look the better off you'll be.**
- 2. The Dow has compounded at less than 3 basis points a day since 1970. Since then it's up more than 3,000%. Compounding really is magic.**
- 3. The Dow has only been positive 52% of all days. The average daily return is 0.73% when it's up and -0.76% when it's down. See above.**
- 4. The Dow has spent more time 40% or more below the highs than within 2% of the highs (20.6% of days vs. 18.4% of days) No pain no gain.**
- 5. The Dow gained 38 points in the 1970s See above.**
- 6. Why am I using the Dow instead of the S&P 500? They're effectively the same thing. The rolling one-year correlation since 1970 is .95. Stop wasting your time on this.**
- 7. At the low in 2009, US stocks were back to where they were in 1996. Stocks for the long-run. The very long-run. Usually. Sometimes.**
- 8. At the low in 2009, Japanese stocks were back to where they were in 1980. See above.**
- 9. US one-month treasury bills went 68 years with a negative real return. What's safe in the short-run can be risky in the long-run.**
- 10. At the bottom in 2009, long-term US government bonds outperformed the stock market over the previous 40 years Stocks generally outperform bonds, but there are no guarantees.**
- 11. Gold and the Dow were both 800 in 1980. Today gold is \$1,300/ounce, the Dow is near 26k. Cash flows > commodities.**
- 12. Over the last twenty years, gold is up 340%. Stocks are up 208%, with dividends. You can support any argument by changing the start and end dates.**
- 13. Since 1980, gold is up 153%. Inflation is up 230%. See above.**
- 14. CTAs gained 14% in 2008 when stocks lost 37%. Since 2009 they're up 2.5%. Stocks are up 282%. Non-correlation cuts both ways.**
- 15. If you had invested from 1960-1980 and beaten the market by 5% each year, you would have made less money than if you had invested from 1980-2000 and underperformed the market by 5% a year ([a Nicky Numbers Special](#)) When you were born > almost everything else.**
- 16. The Dow lost 17% in 1929, 34% in 1930, 53% in 1931 and 23% in 1932. Be grateful.**
- 17. Warren Buffett is the greatest investor of all-time. In the 20 months leading up to the dotcom peak, Berkshire Hathaway lost 45% of its value. The NASDAQ 100 gained 225% over the same time. No pain no premium.**
- 18. Only 47.7% of stocks generated a life-time return that match one-month treasury bills. The reason why so many mutual funds fail to beat the market is because so many stocks fail to beat the market.**
- 19. Dow earnings were cut in half in 1908. The index gained 46%. The stock market ≠ the economy.**
- 20. In 1949 the stock market was trading at 6.8x earnings and had a 7.5% dividend yield. 50 years later it reached a high of 30x earnings and carried just a 1% dividend yield. You can calculate everything yet still not know how investors are going to feel.**

[The Irrelevant Investor](#)

BofA finds the secret recipe how to consistently beat the market

Chart 6: Buying the 10 most underweight stocks and selling the 10 most overweight stocks by active funds has generated alpha in the past years with the exception of 2017

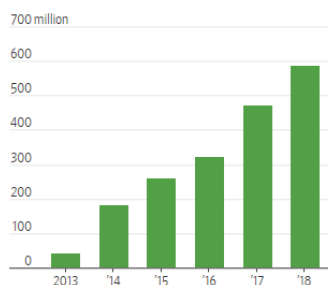
10 stock long / 10 stock short alpha performance as of 3/29/2019



BofA Merrill Lynch (via [Zero Hedge](#))

More than a third of China is now invested in one giant mutual fund

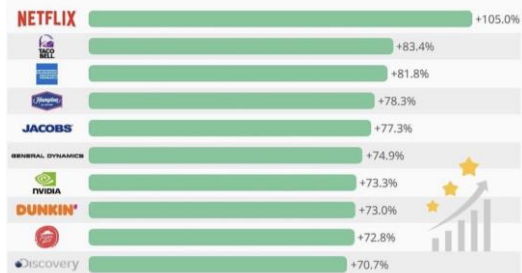
Number of investors in the Tianhong Yu'e Bao fund



The Wall Street Journal

Netflix is the fastest-growing brand in the US

Percentage change in brand value between 2018 and 2019



Statista

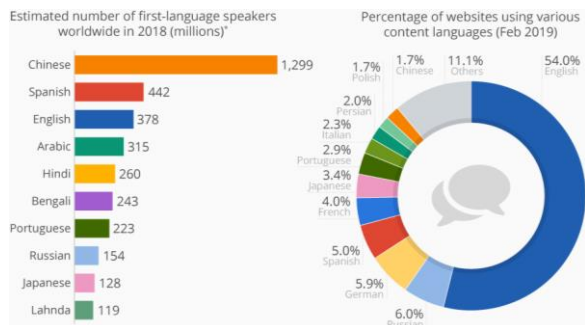
The most expensive divorces in history

Estimated value of the ten most expensive divorce settlements



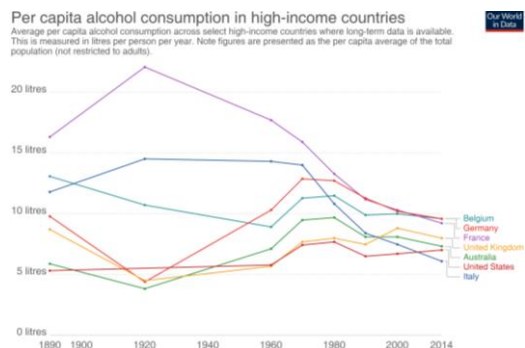
Statista

Two worlds: Languages IRL and online



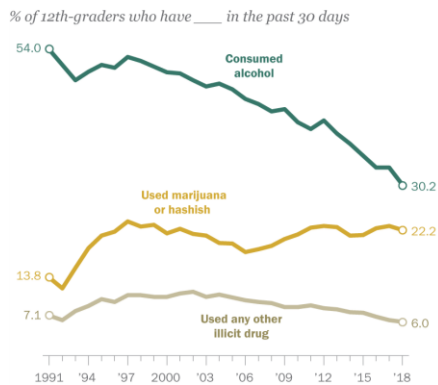
Statista

Alcohol consumption over the long-term



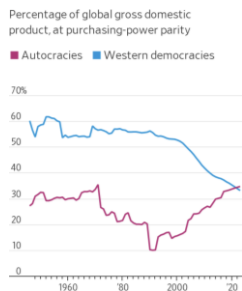
Our World in Data

Alcohol use drops among youth, but marijuana use largely steady



Pew Research Center

The growing economic power of autocracies



The Wall Street Journal

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.

Prior to BrunnerInvest AG, Bruno worked at AXA Private Equity in 2007 and at Zurich-based hedge fund Naissance Capital Ltd. in 2006.

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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.

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