

The Interview - Luca Rubinelli, Xenfin Capital: “The environment is extremely positive for smaller managers like us”



Luca Rubinelli, portfolio manager of the Global Macro Absolute Return Trading strategy at systematic trading specialist Xenfin Capital, says uncertainty over G10 government balance sheets and weaker debt-to-GDP ratios will affect their ability to attract funding from existing investors at current low levels and that volatility in government credit spreads will affect other sectors – offering the opportunity to generate steady returns for the strategy.

GFM: What is the background to your company and strategies?

LR: Xenfin Capital, which based in London and authorised by the Financial Services Authority, was launched by Duncan MacInnes, who has a strong IT background; all trading software and systems are originated in-house by the quants and traders.

Xenfin started by running a managed currency programme utilising managed accounts at Rabobank and Cantor Fitzgerald. Since January 2010 we have received mandates with assets representing approximately USD18m for these strategies.

GFM: Who are your key service providers?

LR: Our auditor is Fitzgerald and Law, our prime broker is Interactive Brokers UK and our custodian is Citibank.

GFM: Have there been any recent changes to the management team?

LR: I joined Xenfin in July as the Absolute Return Trading strategy portfolio manager, trading mainly equity, fixed income and commodity indices.

GFM: What is the profile of your client base?

LR: Distribution is mainly targeted at high and ultra-high net worth individuals, directly or through their family offices. The targeted return of the ART strategy should be a hedge to existing investments in equities, credit and long-only funds in general.

GFM: How would you assess the impact of the recent global financial crisis and economic downturn on your business?

LR: The global financial crisis and the prolonged economic downturn have affected the distribution capabilities of most hedge fund managers, including Xenfin Capital. However, as the manager is still in start-up phase, marketing has been mainly through family and friends. Therefore, we feel that the fundraising potential with outside investors has not yet been exploited.

As far as there is some market volatility, returns should not be affected by the current economic cycle.

GFM: What is your investment process?

LR: The model is a semi-systematic approach that filters daily and intraday signals on the most liquid exchange-traded funds. A discretionary layer is given to the manager after analysing the macroeconomic data, but we do not trade on macroeconomic data alone.

GFM: How do you generate ideas for your funds?

LR: The proprietary model filters different equities, fixed income, commodities and foreign exchange indices. It generates signals using mean reversion strategies for those indices that are overbought or oversold.

GFM: What is your approach to managing risk?

LR: Only 40 per cent of assets is used to invest; the remaining 60 per cent is kept in cash. A stop-loss on any position is triggered after a loss of 1.5 per cent. A monthly loss of 5 per cent is a trigger for the fund to stop trading for the month.

ETFs only are used as they offer the highest liquidity and market capitalisation in order to achieve best execution. By using ETFs, no leverage is allowed. When ETFs are not liquid enough to avoid slippage and a controlled exit strategy, futures of the same underlying or spot FX will be used to trade.

Leverage is permitted through futures or spot trading, limited to a minimum size of the strategy; leverage through additional funding is not allowed. The strategy therefore targets performance with low volatility of returns and negative correlation to the main indices.

GFM: How has your recent performance compared with your expectations and track record?

LR: Since the strategy was launched recently, it is difficult to compare it to other strategies or comparable indices. The same strategy was traded during the 2008 financial crisis for 12 months and generated double-digit returns. Thorough backtesting was conducted for the four years preceding the crisis and for the post-crisis period to date; the results were consistent with the targeted returns.

GFM: What opportunities are you looking at right now?

LR: We are looking for some additional volatility than the current relatively low level, and this is generally found in some emerging markets or commodity indices.

GFM: What events do you expect to see in your sector in the coming year?

LR: The sustained uncertainty of G10 government balance sheets and their weaker debt-to-GDP ratios will affect their ability to fund at the current absolute low levels through the existing investor base. Volatility in government credit spreads will affect other sectors. We will try and capture these opportunities to generate steady returns for our strategy.

GFM: How do you assess investors' current expectations?

LR: We are capturing the attention of investors who are looking for transparency and liquidity.

GFM: What differentiates you from other managers in your sector?

LR: We have a global macro strategy with a trading model approach that generates much shorter-dated signals, generally daily or intraday.

GFM: How do you view the environment for fundraising over the coming 12 months?

LR: The environment is extremely positive for smaller managers like us, as we are less correlated to the capacity of larger managers to increase their assets under management, and generally smaller managers have the right set-up to generate better returns.

GFM: Do you have any firm plans for further product launches?

LR: Once the ART strategy has achieved its goals and results, we will consider launching a European credit fund, where hedging will be performed through the underlying equity volatility.

Outside asset management, Xenfin is also developing a platform to provide liquidity through its FX market-making desk, as well as a deliverables/physical FX service to high net worth individuals and corporates.

- [Global Macro](#)

Source URL:

<http://www.hedgeweek.com/2010/08/23/interview-%E2%80%93-luca-rubinelli-xenfin-capital-%E2%80%9Cenvironment-extremely-positive-smaller-manage>